Kaikoura Enhancement Trust

Statement of Intent
2020/2021

Vision

Through good governance, ensure a protected and enhanced natural and sustainable living environment.

Purpose

The purpose of this Statement of Intent is to:

- State publicly the activities and intentions of this Council Controlled Organisation for the year and the objectives to which those activities will contribute; and
- Provide an opportunity for shareholders to influence the direction of the organisation; and
- Provide a basis for the accountability of the Trustees to their shareholders for the performance of the organisation.

This Statement of Intent covers the year 1 July 2020 to 30 June 2021.

Background

Kaikoura Enhancement Trust ("the Trust") is a charitable trust subject to the provisions of the Charitable Trusts Act 1957. The Trust was established in 2000, and does not trade with the intention or purpose of making a profit.

The Trust is considered to be a Council Controlled Organisation under the provisions of the Local Government Act 2002, because the Kaikoura District Council ("the Council") appoints its Trustees. The Trustee(s) are Councillors Tony Blunt, Derrick Millton, and Robert Roche (Chair).

The Trust owns 100% of Innovative Waste Kaikoura Ltd (IWK), which is the company responsible for the day-to-day management of the Resource Recycling Centre and landfill facility, and provision of three-waters services.

The Trust achieves its objectives largely through its ownership of IWK. IWK actively promotes reduction, reuse, and recycling of materials, and undertakes kerbside collection of recyclable material in urban areas, and weekly collection of recyclable materials from rural collection points. Innovative Waste has also initiated various environmental projects, such as Trees for Travellers, and international volunteer beautification projects. IWK also provides three-waters maintenance services, which helps to ensure the district has access to good quality drinking water, sewage is disposed of in a sanitary manner,

The Objectives of the Group

Section 59 of the Local Government Act 2002 provides

Principal objective of council-controlled organisation

(1) The principal objective of a council-controlled organisation is to:

a. Achieve the objectives of its shareholders, both commercial and non-commercial, as specified in the statement of intent; and

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; and

d. If the council-controlled organisation is a council-controlled trading organisation, conduct its affairs in accordance with sound business practice.

(2) In subsection (1)(b), good employer has the same meaning as in clause 36 of Schedule 7.

The objects or purposes of this Trust are exclusively charitable. In addition to the statutory objective, the objectives of the Trust are:

a. The collection and disposal of waste in an ecologically sound manner including but not limited to management of refuse facilities and including sewerage treatment programmes;

b. To protect, enhance and sustain the natural and physical resources of the Kaikoura District particularly through sustainable waste management practices and more widely to encourage development of similar practice in other areas;

c. The establishment, improvement and promotion of recycling programmes and programmes generally to reduce waste;

d. Raise public awareness of the effects of alternative waste disposal methods through education and generally to create public awareness of sustainable management of resources;

e. To make grants or provide other assistance for the research, development, distribution and implementation of alternative waste disposal methods, including waste reduction methods;

f. To promote ecologically sound waste management processes and practices generally;

g. To do all such things as may be necessary and consistent with creating a better living environment whilst sustaining the natural environment for future generations.

Board’s Approach to Governance

Proceedings of the Trustees are governed by the rules set out in the Trust Deed. The Trustee(s) manage and control the property and affairs of the Trust.

The Trustee(s), in addition to all other powers conferred by law, have the following powers which must be exercised prudently and for the objects and purposes of the Trust:

- To invest money on such terms as the Trustees decide and to vary investments from time to time;
- To make advances to any person or organisation;
- To seek and accept any donations, gifts or grants of money or property;
- To pay all or any of the expenses incurred in and in connection with the establishment, incorporation, running and objects of the Trust;
- To engage such staff or other contractors, whether directly or indirectly, on such terms as the Trustees think fit;
- To purchase, sell, lease, hire, exchange, mortgage or otherwise acquire or dispose of any property;
- To carry on any business, to enter into any contract, joint venture or partnership or any other arrangements with any other person or body relating to any or all of the objects set out above;
- To borrow or otherwise raise money (on provision of security or otherwise) required for the purposes of meeting any debt or other liability of the Trust;
- To alter in any way all or any of the Rules set forth herein in the manner provided in the Trust Deed provided that no such alteration or addition shall be made in any way to detract from the charitable purpose of the Trust.
- Generally, to contract with any person and to carry on any operation in the nature of a business or otherwise, including power of sale and purchase of any assets for those purposes, as the Trustees may decide in their absolute discretion.
- To do such other lawful acts and things as necessary to carry out the objects and purposes of the Trust.

The financial year of the Trust is 1 July to 30 June, and as soon as possible after 30 June in any year, the Trustees must prepare an annual report, such report to be tabled at the Annual General Meeting of the Trust, such AGM to be a public meeting to be held no later than 30 October in any year. The Trustees must also make the annual report available for public inspection at the Trust's office, and the Trustees may make the report available to such other persons and organisations as the Trustees think fit.

Distributions to Shareholders

It is intended that no amount or proportion of accumulated profits and capital reserves will be distributed to shareholders. The Trust will retain all such profits and capital reserves (if any).

Ratio of Consolidated Shareholders Funds to Total Assets

The target ratio for consolidated shareholders' funds to total assets is at least 90%. Consolidated shareholders' funds comprise share capital and accumulated reserves. Total assets comprise all tangible assets of the Trust, the main components being cash, and the shareholding in Innovative Waste Kaikoura Ltd.

Acquisition of Shares in any Company or Other Organisation

Subject to the powers and limitations contained within the Trust Deed, the Trustees have the power to acquire shares in any company or other organisation, at their absolute discretion.

Value of the Shareholder's Investment

The Board has not conducted a comprehensive assessment of the commercial value of the shareholder's investment in the Trust, however the Trust's Annual Report to 30 June 2007 contains the following disclosure surrounding the investment in associate and subsidiary.

"As at 30 June 2006 the Trust had a 49% shareholding in Innovative Waste Kaikoura Ltd (IWK), the remaining 51% shareholding was owned by the Kaikoura Wastebusters Trust. The principal activity of IWK is the operation of a public landfill and resource recycling centre.

"As at 30 June 2007 the Trust has a 100% shareholding in IWK having acquired the remaining 51% shareholding in July 2006.

"The investment in subsidiary is carried at cost, determined as follows:

Transfer from investment in associate	48,793
Fair value of the shareholding gifted on 1 July 2006	26,671
	75,464

Nature & Scope of Activities

The most significant objectives of the Kaikoura Enhancement Trust are performed by its subsidiary, Innovative Waste Kaikoura Ltd. That company has prepared its own Statement of Intent. It is recommended that this Statement of Intent be read in conjunction with that of Innovative Waste Kaikoura Ltd. Following external reviews of the Trust and IWK, the Trust will co-operate with The Kaikoura District Council as it further considers any actions to result from the recommendations.

Since 2006, the Trust has progressed a “plastic bag free district” initiative, been involved in the purchase of a weather telemetry station, and has undertaken fundraising in the form of the sale of “48 Hours in Kaikoura” books. The Trust acquired the remaining 51% shareholding in Innovative Waste Kaikoura Ltd from the Kaikoura Wastebusters Trust in July 2006, to achieve its current 100% shareholding.

In the years 2017/18 through to 2019/20, the Trust entered into a Memorandum of Understanding with the Kaikōura Plains Recovery Project Governance Group, to implement the Kaikōura Plains Recovery Project, and funded by the Ministry of Primary Industries’ Earthquake Recovery Fund. That project aims to support Kaikōura farmers affected by the Kaikōura earthquake, and comes to an end by 30 June 2021.

For the next three years, the Trust will continue with the “Fantastic, No Plastic” initiative, which involves the sale of reusable material bags to shoppers, eliminating the quantity of plastic bags ending up in the landfill.

The Trust will continue to be involved in fundraising for, and application of funding to, environmental issues that meet the objectives of the Trust. It is the nature of the Trust that these projects may be approved spontaneously during the course of any given year, generally subject to sufficient funds being sourced or otherwise with the specific approval from the Trustees.

Performance targets

Activity	Measure	Annual Target 2021-2023
Plastic bag free District	Distribution of material bags	At least 100 bags distributed per annum until the stocks held are depleted
Fundraising for, and application of funding to, environmental issues.	Supported projects meet the objectives of the Trust	100% of supported projects meet at least four out of seven objectives of the Trust

Consolidated Statement of Accounting Policies

Reporting entity

The Kaikoura Enhancement Trust (the Trust) is a charitable trust incorporated in New Zealand under the Charitable Trusts Act 1957 and is domiciled in New Zealand. The Trust is controlled by Kaikoura District Council, and was formed in 2001. This Trust in turn owns 100% of Innovative Waste Kaikoura Ltd. Innovative Waste Kaikoura Limited is engaged in the business of operation of Kaikoura resource recovery centre & landfill. The company secured a five-year contract in July 2015 to provide contractual maintenance services in Kaikoura to the Council for the stormwater, wastewater and water supply.

The Kaikoura Enhancement Trust has been identified as a Council Controlled Organisation as defined by Section 6 of the Local Government Act 2002. The Trust was exempted by KDC from preparing the financial statements, however the Trust needs to report under the Charities Act 2005.

The primary purpose of the Trust is to protect, enhance and sustain the district's natural resources through sustainable waste management practices, rather than for financial return. Accordingly, the Trust has designated itself and group as public benefit entities for financial reporting purposes.

Measurement Base

The financial statements of the group have been prepared on an historical cost basis, except as noted otherwise below. The statements have been prepared on the going concern basis and the accounting policies have been applied consistently throughout the period.

These financial statements comply with PBE Standards Reduced Disclosure Regime. The financial statements are presented in New Zealand dollars and all values are rounded to the nearest dollar. The functional currency of the group is New Zealand dollars.

Subsidiaries

The Trust consolidates as subsidiaries in the Group financial statements all entities where the Trust has the capacity to control their financing and operating policies so as to obtain benefits from the activities of the entity. The entity meeting these criteria is Innovative Waste Kaikoura Ltd (IWK), a wholly owned subsidiary of the Trust.

Basis of consolidation

The purchase method is used to prepare the consolidated financial statements, which involves adding together like items of assets, liabilities, equity, income and expenses on a line-by-line basis. All significant intragroup balances, transactions, income and expenses are eliminated on consolidation.

Changes in Accounting Policies

There have been no changes to accounting policies during the financial year. Policies have been applied on a consistent basis with those of the previous reporting period.

Significant Accounting Policies

In the preparation of these financial statements, the specific accounting policies are as follows:

(a) Property, Plant & Equipment

The group has the following classes of Property, Plant & Equipment. Depreciation is calculated using the straight-line basis, to allocate their cost over their useful life. Depreciation is applied as follows:

Asset type	2018 (%)
Site development	0.0%
Buildings	2.0% - 3.0%
Motor vehicles	6.5% - 13.5%
Office equipment	6.5% - 25.0%
Plant & equipment (yard)	4.0% - 33.0%

All property & equipment is stated at cost less depreciation and impairment, except for land that is not depreciated.

Leased assets are depreciated over the unexpired term of the lease or over the estimated useful life, whichever is shorter.

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

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.

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 surplus or deficit.

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.

Impairment
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 the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of an asset is reduced to its recoverable amount. The total impairment loss is recognised in the surplus or deficit. The reversal of an impairment is recognised in surplus or deficit.

Goods & Services Tax
The Trust is not registered for GST. IWK is registered for GST. The amounts disclosed in the group financial statements are added together such that they are stated exclusive of GST where they pertain to IWK, and inclusive of GST where they pertain to the Trust; with the exception of receivables and payables, which are stated entirely on a GST inclusive basis.

The net amount of GST recoverable from, or payable to, the Inland Revenue Department is included as part of receivables or payables in the Statement of Financial Position. Commitments and contingencies are disclosed exclusive of GST.

Income Tax
Income tax expense in relation to the surplus or deficit for the period comprises current tax and deferred tax. Current tax is the amount of income tax payable based on the taxable surplus for the current year, plus any adjustments to income tax payable in respect of prior years. Current tax is calculated using rates that have been enacted or substantively enacted by balance date.

Deferred tax is the amount of income tax payable or recoverable in future periods in respect of temporary differences and unused tax losses. Temporary differences are differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable surplus.

Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable surpluses will be available against which the deductible temporary differences or tax losses can be utilised.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, using tax rates that have been enacted or substantively enacted by balance date.

Current tax and deferred tax is charged or credited to the surplus or deficit, except when it relates to items charged or credited directly to equity, in which case the tax is dealt with in equity.

Leases

Operating Leases

Operating leases are those which all the risks and benefits are substantially retained by the lessor. Operating lease payments are expensed in the periods the amounts are payable.

Lease incentives received are recognised in the surplus or deficit over the lease term as an integral part of the total lease expense.

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 Balance Sheet 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.

Cash and Cash Equivalents

Cash and short-term deposits in the balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less plus bank overdrafts. Bank overdrafts are shown on the balance sheet as current liabilities within short term borrowings.

Financial Assets

Financial assets are initially recognised at fair value on the trade date, which includes transaction costs when the contractual rights or obligations exist. After initial recognition, financial instruments are measured as set out below:

Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition they are measured at amortised cost using the effective interest method.

Impairment

The company assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired. Impairment losses are recognised in the surplus or deficit. Impairment is established when there is evidence that the company will not be able to collect amounts due according to the original terms.

De-recognition of Financial Instruments

The de-recognition of a financial instrument takes place when the company sells the instrument, or all cash flows attributable to the instrument are passed to an independent third party.

Revenue

Revenue is measured at the fair value of consideration received.

Grants

Grants Council, government and non-government grants are recognised as revenue when they become 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 recognised 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 gate 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.

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.

Interest income is recognised using the effective interest method.

Revenue from a contract to provide services is recognised by reference to stage of completion of the contract at year-end balance date.

Receivables

Trade and other receivables are recorded at their fair value 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.

Provisions

Provisions are recognised when the company has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are measured at the present value of the expenditure expected using an appropriate discount rate.

Employee Entitlements

A liability for holiday pay entitlements is recognised in the balance sheet.

Where the payment is expected to be longer than 12 months of balance date, the liability is recorded at its present value. Where the payment is expected to be less than 12 months, the provision is the amount expected to be paid.

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.

Finance Costs

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

Creditors and Other Payables

Short-term creditors and other payables are recorded at their face value.

Borrowings

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

Borrowings are classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least 12 months after balance date. Borrowings where the company has an unconditional right to defer settlement of the liability for at least 12 months after balance date are classified as current liabilities if the company expects to settle the liability within 12 months of balance date.

Forecast Financial Statements

Forecast Statement of Comprehensive Revenue & Expense

For the year ended 30 June

	2020/2021	2021/2022	2022/2023
Revenue			
Material bag sales	**200**	200	200
less cost of goods sold	**134**	134	134
	66	66	66
Interest revenue	**5**	5	5
Grant revenue	**-**	-	-
	5	5	5
Total revenue	**71**	71	71
Expenditure			
General expenses	**200**	200	200
Environmental projects	**-**	-	-
	200	200	200
Net surplus /(deficit)	**(129)**	(129)	(129)

Forecast Statement of Movements in Equity

For the year ended 30 June

	2020/2021	2021/2022	2022/2023
Equity at start of year	**76,900**	76,771	76,642
Net surplus /(deficit)	**(129)**	(129)	(129)
Equity at end of year	**76,771**	76,642	76,513

Forecast Statement of Financial Position

As at 30 June

	2020/2021	2021/2022	2022/2023
ASSETS			
Cash & cash equivalents	**637**	642	647
Inventory	**670**	536	402
Investment in subsidiary	**75,464**	75,464	75,464
TOTAL ASSETS	**76,771**	76,642	76,513
LIABILITIES & EQUITY			
Trade payables & GST	**-**	-	-
Equity	**76,771**	76,642	76,513
TOTAL LIABILITIES & EQUITY	**76,771**	76,642	76,513

Reporting Information

In each year the Trust will comply with the reporting requirements of the Local Government Act 2002, and the Charitable Trusts Act 1957.

In particular, it will provide:

- A Statement of Intent detailing all matters required under the Local Government Act 2002; and
- A Half-Yearly Report on the Trusts operations during that half-year, which includes;
    - A financial report identifying revenues and expenditures, and cash balances held
    - A report on activities and projects undertaken by the Trust
- An Annual Report, which includes
    - Audited financial statements comprising the statement of financial position, financial performance, and cash flows
    - a comparison of the performance of the Trust to the performance targets in the Statement of Intent
    - an explanation for any material differences between the performance of the Trust and its Statement of Intent.

Compensation from a Local Authority

From time to time the Council may make payment to the Trust for the purchase of items such as re-usable bags, or may take revenues on behalf of the Trust such as the sale of books. These revenues and payments are recorded and disclosed in the financial statements of each entity.

It is not anticipated that the Trust will seek compensation from any local authority, including the Kaikoura District Council, other than in the context of a normal transactional relationship, such as that defined above.