



Innovative Waste Kaikōura Ltd Statement of Intent

2022/23 – 2024/25

Contents

1. Introduction
2. Contact Details
3. Objectives
4. Nature and Scope of Activities
5. Governance
6. Performance Targets
7. Financial Statements: 2022/23, 2023/24 & 2024/25
8. Accounting Policies
9. Distributions
10. Information to be provided to the Shareholder
11. Acquisition/Divestment Policy

Appendix One: Prospective Financial Statements and Accounting Policies

Appendix Two: IWK Responsibilities – Contributions to Reporting Against Non-Financial Performance Measures Rules 2013

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 (Kaikōura Enhancement Trust (KET), & its ultimate owner, being the Kaikōura District Council (KDC)).

IWK is contracted to manage and operate the Kaikōura 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 Kaikōura 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, until the establishment of a Transfer Station 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 Kaikōura public.
5. Operating and maintaining 7 Water schemes (Oaro, Ocean Ridge, Peketa, Urban, Fernleigh, Kincaid and East Coast)
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 & rubbish
2. Rural recycling collection (Clarence, Lynton Downs & Kekerengu)
3. Amenities cleaning and maintenance

IWK provides the following services to the wider Kaikōura District:

1. Skip Hire service
2. Business recycling services
3. Zero Waste Event management
4. Trees for Travellers (in hiatus)

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

2. Contact Details

Address and Registered office

82 Scarborough Street
KAIKŌURA 7300

Board of Directors

Glen Hughes (Chair)
Neil Pablecheque
Geoff Harmon
Lynette Buurman

General Manager

Jacki Remihana

Telephone

03 319 7148

Web

www.iwk.org.nz

Email

jacki@iwk.org.nz

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 Organisation (CCO) for the purposes of the Local Government Act 2002 and the Companies Act 1993, operating for charitable purposes and specifically for the promotion, development and implementation of environmentally sound waste management processes and practices in New Zealand.

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 has a Board of directors in place. This board is appointed by the Kaikōura 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 and in alignment with the IWK Constitution.

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 Kaikōura 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 including waste management.

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:

	2022/23	2023/24	2024/25
Revenue	2,050,000	2,053,000	2,285,500
Net Profit Before Tax	-17696	-17099	13,971
Return on Equity	-2%	-2%	1%
Equity	953,421	936,326	946,384

Fixed Asset turnover	0.99	0.99	1.10
Liquidity ratio (excl Holiday pay accrual)	2.63	3.35	4.16
Wages as % of Revenue	50%	49%	53%
R & M as a % of Revenue	1%	1%	1%

Operational Performance Targets

In addition to the above financial performance measures, IWK will use the following measures to assess its performance of the 2022/23 financial year:

Performance Targets	Performance Measure 2022/23
Client Satisfaction	<p>98% of all urgent 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.</p> <p>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.</p> <p>Compliance with KDC contractual requirements, including provision of all information required by KDC to enable assessment of its adopted performance measures in respect of public complaints and responsiveness for the three-waters (as per Appendix Three) and solid waste activities supported by IWK.</p> <p>Service requests received about recycling collections is less than 20 per year.</p> <p>Obtaining an unqualified audit opinion</p>
Service Performance	<p>Zero abatement notices or infringements issued to KDC for non-compliance with resource consent conditions.</p> <p>The number of complaints received per year being due to a service request not being actioned appropriately is less than 10.</p>

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. Financial Statements 2022/23, 2023/24 & 2024/25

The prospective financial statements for the years ending 30 June 2023, 2024 & 2025 are attached as Appendix One and include any significant assumption disclosures.

8. 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.

9. 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.

10. 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.

11. 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 One

Prospective Financial Statements

Assumptions

The following assumptions have been made whilst preparing the prospective financial statements (the Statements):

Revenue

Contract Income - Based on current contracts at the time of compiling the Statements plus CPI adjustments to be made and 2% for subsequent years

Landfill Income – staying static based on population

Resource Recovery Centre – a conservative forecast has been made due to commodity market fluctuations

3 Waters recovery – estimated on other/private works outside of KDC contracts

Other – Blue rubbish bag sales

Interest Income – has not been estimated at the time of compiling the Statements and is not a significant income source.

Expenditure

Direct Costs – have been budgeted for the Statements on current contractual commitments

Operating Expenses – the Statements have been prepared on anticipated administration and maintenance costs

Finance costs – costs for Insurance finance and Interest payments to KDC

Depreciation – the forecast depreciation for the Statements is based on minor planned plant and equipment upgrades and disposals.

Wages – an increase is projected to allow for any additional recruitment required for the transfer station, remuneration adjustments, and the recruitment of a part-time Waste Minimisation educator

Appendix Two

IWK Responsibilities – Contributions to Reporting Against Non-Financial Performance Measures Rules 2013

(in accordance with section 261B of the Local Government Act 2002)

IWK shall have reporting responsibilities in respect of the fault response time reporting requirements of section 3 of Sub-part 1 of Part 2, and section 3 of Sub-part 2 of Part 2 of the Rules (see attached Appendix) as follows (in italics):

To record, in a spreadsheet provided and maintained by IWK, the dates and times at which IWK staff are notified, attend the site and confirm resolution of any and all matters in the categories described in these sections, that originate from the sources below:

1. KDC Customer Service Request (CSR) system.

For notifications received by IWK through Council's CSR system the notification dates and times for both IWK and KDC will be considered to be that at which the CSR is entered, saved and sent to IWK.

2. SCADA System.

The notification time will be that of the SCADA generated fault report.

3. Direct notification of IWK staff

Such notifications may come from the public or Council staff, by phone, email or any other means.

Where a KDC staff member needs to directly notify an IWK staff member without going through the CSR system (for example if the KDC staff member becomes aware of an issue requiring attention outside of Council working hours) the KDC staff member shall do so immediately upon becoming aware of the issue, and hence the notification date and time for Council will also be considered to be the same as that recorded by IWK on receipt of the notification.

The recording responsibilities above shall only apply to matters that fall into the category of 'faults or unplanned interruptions', responses to which are clearly necessary to maintain the planned level of service. Requests for investigations or improvements that are not immediately required to maintain essential functionality, or complaints that do not relate to current well defined service faults or interruptions shall not fall into this category.

In regard to the customer satisfaction reporting requirements of section 4 of Sub-part 1 of Part 2, and section 4 of Sub-part 2 of Part 2 of the Rules (see attached Appendix), the responsibilities of IWK shall be as follows (in italics):

To ask any parties raising issues with IWK relating to the matters in these sections whether they are making a complaint regarding that matter, if they have not already made it clear that the nature of the issue raised is a complaint, rather than just a request for service.

Where a party makes a complaint to IWK relating to any of the matters in these sections IWK shall provide details of the complaint in writing to Council's 3 Waters Engineer or advise the complainant to direct their complaint to the Engineer, so that Council can maintain a single register of all complaints received.

All other responsibilities in respect of the reporting requirements of the Non-Financial Performance Measures Rules 2013 shall lie with Kaikōura District Council.

NON-FINANCIAL PERFORMANCE MEASURES RULES 2013

Pursuant to and in accordance with section 261B of the Local Government Act 2002, the Secretary for Local Government makes the following rules.

RULES

Part 1 – Measurement Period

Any calculation, measure, number or percentage set out in Part 2 of these Rules must be calculated for a financial year (unless otherwise specified in these Rules).

Part 2 – Performance Measures

Sub-part 1 - Water supply

1. Performance measure 3 (fault response times)

Where the local authority attends a call-out in response to a fault or unplanned interruption to its networked reticulation system, the following median response times measured:

- (a) attendance for urgent call-outs: from the time that the local authority receives notification to the time that service personnel reach the site (target < 2 hours), and
- (b) resolution of urgent call-outs: from the time that the local authority receives notification to the time that service personnel confirm resolution of the fault or interruption (target < 12 hours).
- (c) attendance for non-urgent call-outs: from the time that the local authority receives notification to the time that service personnel reach the site (target < 48 hours), and
- (d) resolution of non-urgent call-outs: from the time that the local authority receives notification to the time that service personnel confirm resolution of the fault or interruption (target < 7 days).

2. Performance measure 4 (customer satisfaction)

The total number of complaints received by the local authority about any of the following:

- (a) drinking water clarity
- (b) drinking water taste
- (c) drinking water odour
- (d) drinking water pressure or flow
- (e) continuity of supply, and
- (f) the local authority's response to any of these issues

expressed per 1000 connections to the local authority's networked reticulation system (target no more than 18 complaints in total per 1000 connections).

Sub-part 2 – Sewerage and the treatment and disposal of sewage

3. Performance measure 3 (fault response times)

Where the territorial authority attends to sewerage overflows resulting from a blockage or other fault in the territorial authority's sewerage system, the following median response times measured:

- (b) attendance time: from the time that the territorial authority receives notification to the time that service personnel reach the site (target < 1 hour), and
- (c) resolution time: from the time that the territorial authority receives notification to the time that service personnel confirm resolution of the blockage or other fault (target < 24 hours).

4. Performance measure 4 (customer satisfaction)

The total number of complaints received by the territorial authority about any of the following:

- (a) sewage odour
- (b) sewerage system faults
- (c) sewerage system blockages, and
- (d) the territorial authority's response to issues with its sewerage system,

expressed per 1000 connections to the territorial authority's sewerage system (target less than 21 complaints about these issues in total per 1000 connections).

Sub-part 3 – Stormwater drainage

Performance measure 1 (system adequacy)

- (d) The number of flooding events that occur in a territorial authority district (target zero).
- (e) For each flooding event, the number of habitable floors affected, expressed per 1000 properties connected to the territorial authority's stormwater system (target < 3).

5. **Performance measure 3 (response times)**

The median response time to attend a flooding event, measured from the time that the territorial authority receives notification to the time that service personnel reach the site (target < 1 hour).

6. **Performance measure 4 (customer satisfaction)**

The number of complaints received by a territorial authority about the performance of its stormwater system, expressed per 1000 properties connected to the territorial authority's stormwater system (target < 3).

Interpretation

In these rules, unless the context otherwise requires, -

drinking water has the same meaning as in section 69G of the Health Act 1956

drinking-water supply has the same meaning as in section 69G of the Health Act 1956

drinking-water standards means —

- (a) standards issued or adopted under section 69O of the Health Act 1956; or
- (b) if section 14(5) of the Health (Drinking Water) Amendment Act 2007 applies, the *Drinking-Water Standards for New Zealand 2000*

dry weather sewerage overflow means sewage that escapes a territorial authority's sewerage system and enters the environment during periods of dry weather

financial year means a period of 12 months ending on 30 June

flooding event means an overflow of stormwater from a territorial authority's stormwater system that enters a habitable floor

habitable floor means a floor of a building (including a basement) but does not include ancillary structures such as stand-alone garden sheds or garages

sewerage overflow means sewage that escapes a territorial authority's sewerage system and enters the environment

sewerage system means the pipes and infrastructure that collect, convey, pump and treat sewerage and other liquid wastes from the point of connection to a treatment facility, including single purpose or combined sewers

stormwater system means the pipes and infrastructure (excluding roads) that collect and manage rainwater run-off from the point of connection to the point of discharge

territorial authority means a city council or a district council named in Part 2 of Schedule 2 to the Local Government Act 2002

urgent means (for water) service failure, supply fault or contamination, and (for wastewater) sewage overflows.