

Finance and Corporate Committee Agenda

Date: Thursday, 29 August, 2019

Time: 9:00 am

Location: Council Chamber
Forum North, Rust Avenue
Whangarei

Elected Members: Cr Shelley Deeming (Chairperson)
Her Worship the Mayor Sheryl Mai
Cr Gavin Benney
Cr Crichton Christie
Cr Vince Cocurullo
Cr Tricia Cutforth
Cr Sue Glen
Cr Phil Halse
Cr Cherry Hermon
Cr Greg Innes
Cr Greg Martin
Cr Sharon Morgan
Cr Anna Murphy

For any queries regarding this meeting please contact
the Whangarei District Council on (09) 430-4200.

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Finance and Corporate Committee – Terms of Reference

Membership

Chairperson: Councillor Shelley Deeming

Members: Her Worship the Mayor Sheryl Mai
Councillors Stu Bell (Resigned 1 April 2019), Gavin Benney, Crichton Christie, Vince Cocurullo, Tricia Cutforth, Sue Glen, Phil Halse, Cherry Hermon, Greg Innes, Greg Martin, Sharon Morgan, Anna Murphy

Meetings: Monthly

Quorum: 7

Purpose:

To oversee Council and CCO's financial management and performance, including operation of the administrative and internal support functions of council.

Key responsibilities include:

- Progress towards achievement of the council's financial objectives as set out in the Long Term Plan.
- Preparation for recommendation to council:
 - Advising and supporting the mayor on the development of the Long Term Plan (LTP) and Annual Plan (AP)
 - Financial policy related to the LTP and AP
 - Setting of rates
 - Preparation of the consultation document and supporting information, and the consultation process for the LTP and AP
 - Annual Report
- Financial/Planning and Control
 - Corporate accounting services
 - Treasury – debt and interest risk management
 - Procurement
- CCO Monitoring and Performance
 - Monitoring the financial and non-financial performance targets, key performance indicators and other measures of each Council Controlled Organisation (CCO) to inform the committee's judgement about the performance of each organisation.
 - Advising the mayor on the content of the annual Letters of Expectations (LoE) to CCOs.
- Overseeing and making decisions relating to an ongoing programme of service delivery reviews as required under section 17A of the Local Government Act 2002

- Shared Services – investigate opportunities for Shared Services for recommendation to council.

Delegations

- (i) All powers necessary to perform the committee's responsibilities, including, but not limited to:
 - (a) the approval of expenditure of less than \$5 million plus GST.
 - (b) approval of a submission to an external body.
 - (c) establishment of working parties or steering groups.
 - (d) power to establish subcommittees and to delegate their powers to that subcommittee.
 - (e) the power to adopt the Special Consultative Procedure provided for in Section 83 to 88 of the LGA in respect of matters under its jurisdiction (this allows for setting of fees and bylaw making processes up to but not including adoption).
 - (f) the power to delegate any of its powers to any joint committee established for any relevant purpose under clause 32, Schedule 7 of the Local Government Act 2002

Item 3.1
Finance and Corporate Committee Meeting Minutes

Date: Thursday, 25 July, 2019
Time: 9:00 a.m.
Location: Council Chamber
 Forum North, Rust Avenue
 Whangarei

In Attendance	Cr Shelley Deeming (Chairperson) Her Worship the Mayor Sheryl Mai Cr Gavin Benney Cr Crichton Christie Cr Vince Cocurullo Cr Tricia Cutforth Cr Sue Glen Cr Phil Halse Cr Cherry Hermon
Not in Attendance	Cr Greg Innes Cr Greg Martin Cr Sharon Morgan Cr Anna Murphy
Scribe	Jennie Thomas (Democracy Adviser)

1. Declarations of Interest

There were no declarations of interest made.

2. Apologies

Crs Greg Martin, Sharon Morgan and Anna Murphy (absent)

Moved By Cr Vince Cocurullo

Seconded By Cr Crichton Christie

That the apologies be sustained.

Carried

3. Confirmation of Minutes of Previous Finance and Corporate Committee Meeting

3.1 Minutes Finance and Corporate Committee Meeting 27 June 2019

Moved By Cr Vince Cocurullo

Seconded By Cr Phil Halse

That the minutes of the Finance and Corporate Committee meeting held on Thursday, 27 June 2019, having been circulated, be taken as read and now confirmed and adopted as a true and correct record of proceedings of that meeting.

Carried

4. Decision Reports

4.1 Local Government Funding Agency - 2019-20 Statement of Intent

Moved By Her Worship the Mayor Sheryl Mai

Seconded By Cr Greg Innes

That the Finance and Corporate Committee agrees to the Local Government Funding Agency 2019/20 Statement of Intent.

Carried

5. Information Reports

5.1 Financial Report for the 12 months ending 30 June 2019

Moved By Cr Greg Innes

Seconded By Cr Tricia Cutforth

That the Finance and Corporate Committee notes the external net debt position and treasury report as at 30 June 2019.

Carried

5.2 Operational Report - Finance and Corporate - July 2019

Moved By Cr Vince Cocurullo

Seconded By Cr Sue Glen

That the Finance and Corporate Committee notes the operational report for July 2019.

Carried

6. Public Excluded Business

There was no business conducted in public excluded.

7. Closure of Meeting

The meeting concluded at 9.52am

Confirmed this 29th day of August 2019

Councillor Shelley Deeming (Chairperson)

4.1 Operating Report for the 12 Months Ending 30 June 2019

Meeting: Finance and Corporate Committee
Date of meeting: 29 August 2019
Reporting officer: Alan Adcock (General Manager – Corporate/CFO)

1 Purpose

To provide the operating results for the 12 months ending 30 June 2019.

2 Recommendation

That the Finance and Corporate Committee notes the operating results for the 12 months ending 30 June 2019.

3 Background

As advised in the July financial report, this agenda includes a draft 2018-19 full year interim (pre-audit) financial report.

Staff are progressing through our year-end process. While almost all matters relating to normal operating processes (such as accruals for work done in June but physically paid in July) are complete, staff are still finalising various non-cash International Public Sector Accounting Standards (IPSAS) adjustments. These are required to complete the 2018-19 Annual Report.

To isolate the operating result, the Income Statement includes additional sections at the bottom which provide **draft** year end and non-cash adjustments. Further work needs to be undertaken to finalise these figures as listed in section 3.2 of this agenda item.

Although subject to change and final audit, this information has been included to provide Council with some visibility of the expected Annual Report result. A Council workshop has been scheduled for 19th September to provide an update on the Annual Report ahead of adoption.

3.1 Operating Result (excluding non-cash and year end adjustments)

The net operating surplus (excluding non-cash and year end adjustments) for the 12 months ending 30 June 2019 is currently \$25.0m compared with the Annual Plan operating surplus of \$11.6m, resulting in a favourable variance of \$13.4m.

The \$25.0m surplus is comparable with the forecast year end position presented in the May financial report which indicated an operating surplus of \$25.5m, a difference of \$0.5m.

This variance is due to higher than forecast depreciation on roading assets which is partly offset by lower than forecast operational expenditure.

The favourable operating surplus variance is mainly due to:

- A \$11.4m favourable variance in Operating Income with the key items being:
 - \$5.8m of additional development contributions
 - \$3.3m of additional subsidies and grants.
- A \$1.9m favourable variance in Operating Expenditure with the key items being:
 - Personnel costs of \$2.4m less than budget
 - Depreciation of \$1.6m more than budget
 - Other expenditure of \$2.0m less than budget. Additional analysis will be undertaken at a department level to analyse variances.

3.2 Outstanding Items

Staff will continue to work through various adjustments and disclosures in order to finalise the Annual Report. The key items still in progress include:

- Roothing revaluation: possible impact on depreciation and operating expenditure
- Infrastructure revaluation: initial data provided from the external valuers showed over inflated unit rates which were based on Auckland market data. The Infrastructure Assets team has been working with the valuers to ensure that the unit rates used for the valuation are Fair Value and an accurate reflection of replacement value for Whangarei District Council.
- Gifting of property: Property was gifted to Council in June. Staff are currently waiting for a valuation in order to bring the land onto the balance sheet.
- Analysis of contingent liabilities and provisions (eg weathertightness claims): at the time of preparing this agenda, there were no indications of additional provisions required. Contingent liabilities are for disclosure purposes only and are not reflected in the financial statements.
- NRLLP joint venture profit share is based on draft financial statements and subject to change.
- Marsden City accounting treatment.
- Subject to senior management review and Audit New Zealand findings.

4 Significance and engagement

The decisions or matters of this agenda do not trigger the significance criteria outlined in Council's Significance and Engagement Policy, and the public will be informed via agenda publication on the website.

5 Attachments

- 1 Draft Income Statement for the year ended 30 June 2019
- 2 Key Indicators for the year ended 30 June 2019

**DRAFT INCOME STATEMENT
FOR THE YEAR ENDED 30 JUNE 2019**

Council Summary	Actual 2018/19 \$000	Annual Plan 2018/19 \$000	Variance 2018/19 \$000
Operating Income			
Rates	97,734	97,322	412
Development and other contributions	10,420	4,640	5,780
Subsidies and grants	24,684	21,352	3,332
Fees and charges	14,955	14,144	811
Interest revenue	1,449	53	1,395
Other revenue	9,718	10,013	(295)
Total Operating Income	158,959	147,524	11,435
Operating Expenditure			
Other expenditure	59,067	61,100	2,033
Depreciation and amortisation	40,362	38,720	(1,642)
Finance costs	7,446	6,609	(837)
Personnel costs	27,059	29,463	2,404
Total Operating Expenditure	133,935	135,893	1,958
Surplus/(Deficit) from Operations	25,024	11,631	13,393
Plus non-cash income adjustments			
Vested assets income	9,398	3,000	6,398
Gain on disposal of assets	251	-	251
Total non-cash income adjustments	9,649	3,000	6,649
Less non-cash expenditure adjustments			
OPEX on capital projects	2,983	3,607	624
Loss on disposal of assets	3,063	-	(3,063)
Total non-cash expenditure adjustments	6,046	3,607	(2,439)
Total non-cash adjustment	3,603	(607)	4,211
Total surplus/(deficit)	28,628	11,024	17,604
Year End / Non-cash adjustments			
Swap revaluation	5,863	-	(5,863)
Investment property revaluation	(3,256)	-	3,256
Forestry revaluation	(18)	-	18
Other non cash adjustments	(283)	-	283
Prior year adjustments	658	-	(658)
Total Year End / Non-cash adjustments	2,964	-	(2,964)
Draft Surplus/(Deficit)	25,664	11,024	14,640

**KEY INDICATORS
FOR THE YEAR ENDED JUNE 2019**



	2018/19 Full Year	2018/19 Annual Plan	2018/19 Variance	2018/19 Full Year
	\$ m	\$ m	\$ m	
OPERATING				
Total Rates	97.7	97.3	0.4	●
Development Contributions	10.4	4.6	5.8	●
Subsidies and Grants	24.7	21.4	3.3	●
User Fees	15.0	14.1	0.9	●
Total Operating Income	159.0	147.5	11.5	●
Personnel Costs	27.1	29.5	2.4	●
Other Expenditure	59.1	61.1	2.0	●
Total Operating Expenditure	133.9	135.9	2.0	●
Surplus/(Deficit) from Operations	25.0	11.6	13.4	●
Total Surplus/(Deficit)	28.6	11.0	17.6	●
EXTERNAL DEBT FUNDING				
External Net Debt	102.8	137.6	34.8	●
Net Interest on debt	6.0	6.6	0.6	●

KEY	
●	Favourable to budget
●	Unfavourable, but within 5% of budget
●	Unfavourable, over 5% of budget

Note: The above information includes excerpts taken from the Monthly Income Statement. The shaded lines above represent key totals from the Monthly Income Statement but are not totals of the lines above.

4.2 Financial report for the month ending 31 July 2019

Meeting: Finance and Corporate Committee
Date of meeting: 29 August 2019
Reporting officer: Alan Adcock (General Manager – Corporate/CFO)

1 Purpose

To provide the external net debt position and treasury report as at 31 July 2019.

2 Recommendation

That the Finance and Corporate Committee notes the external net debt position and treasury report as at 31 July 2019.

3 Background

Please note that a full financial report has not been prepared for the month ending 31 July 2019 because:

- The Finance Department are in the process of finalising the 2018/19 results which impact on the opening balances for the 2019/20 year
- Phasing of the 2019/20 revised budget is currently being undertaken.

3.1 External Net Debt and Treasury

Total net external debt at the end of July 2019 was \$105.8m compared to year to date budgeted net debt of \$122.5m, resulting in net debt being \$16.7m under budget.

This favourable variance is due to assumptions made regarding the opening net debt balance of the 2019-20 Annual Plan.

As at 31 July 2019 cash and term deposits held of \$36.2m was comprised of:

- \$10.0 million of term deposits relating to short term borrowings not yet required
- \$14.0 million of term deposits relating to excess cash not currently required
- \$12.2 million cash on hand.

Council is currently receiving slightly higher interest rates than the borrowing rate on a portion of these deposits.

3.2 Economic Outlook

As expected by most commentators, The Reserve Bank of New Zealand cut the Official Cash Rate (OCR) in August. What was not expected was the size of the 0.50% cut bringing the OCR down to a record low of 1.00%. A further 0.25% OCR cut in November is predicted by market commentators, with potential for further cuts to follow in 2020.

Long term rates are still under pressure with global interest rate markets forecasted to trend lower. Long term rates are trading at record lows with the NZ 10-year swap rate now as low as 1.283%.

4 Accounts receivable and arrears

Total arrears as at 31 July 2019 was \$3.9 million compared to \$3.3 million in the previous year. The increased arrears are mainly due to a sundry debtor and two ratepayers in discussion with council on rating and property valuations.

5 Significance and engagement

The decisions or matters of this agenda do not trigger the significance criteria outlined in Council's Significance and Engagement Policy, and the public will be informed via agenda publication on the website.

6 Attachment

Treasury report

TREASURY REPORT
31 JULY 2019

**STANDARD AND POORS CREDIT RATING:****AA**

Outlook: Positive

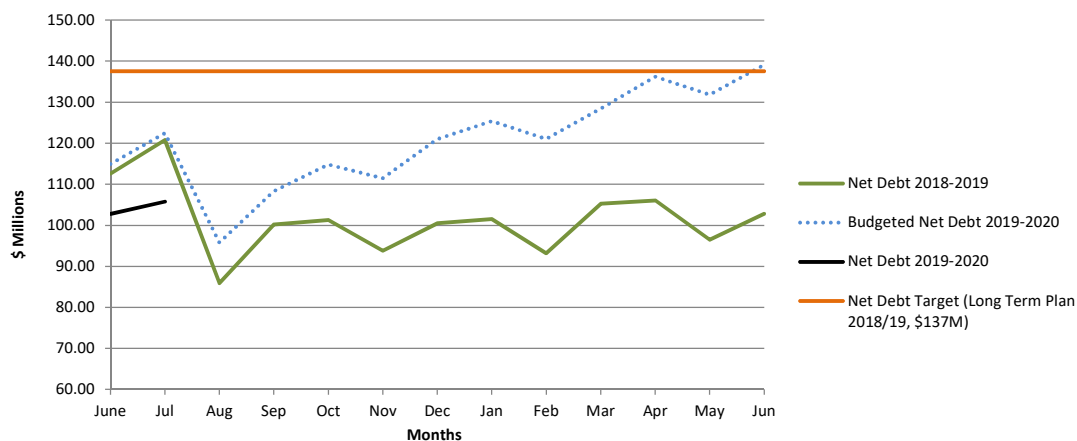
DEBT SUMMARY:**As at 31 July 2019**

External Debt		
Opening public debt as at 1 July 2019		
		142,000,000
Plus loans raised during month	5,000,000	
Less loan repayments made during month (Note: Facility movement has been netted)	(5,000,000)	
Net movement in external debt		-
Total External Debt		142,000,000
Less: Cash balances (excluding funds held on behalf)	12,233,214	
Term deposits (Funds held on deposit until required for project funding)	24,000,000	
Total cash and term deposits		36,233,214
Total Net External Debt		105,766,786

Note: Council also holds \$2.0m of LGFA borrower notes. These are not included in net external debt as per Council's Treasury Risk Management Policy.

External debt is represented by:

Less than 1 Year	30,000,000
1-3 Years	33,000,000
3-5 Years	28,000,000
Greater than 5 Years	51,000,000
Total	142,000,000

NET EXTERNAL DEBT COMPARED TO BUDGET:

Internal Funding*		
Community Development Funds		
		10,600,979
Property Reinvestment Reserve - Available for Reinvestment	4,177,553	
Property Reinvestment Reserve - Accumulated	29,416,923	
		33,594,476
Water Reserve (note: estimate until 2018/19 Annual Report finalised)		30,255,000
Total		74,450,456

Note: Reserves Funding is disclosed to ensure transparency of Council's use of cashflow management to fund capital works.

Where funds are raised through property sales or targeted rates for Water, but they are not required for immediate investment in that asset category, Council's Revenue and Financing policy allows them to be used for other purposes, rather than being held on deposit.

To ensure total transparency of this we create Reserve Accounts so that the appropriate funding can be made available and transferred back when it is required. The timing of projects requiring these funds is set out in our Long Term Plan (LTP) and/or Annual Plan (AP).

These Reserves are not a liability to an external party, and are not part of Council's debt obligations.

The Property Reinvestment Reserve is split to record funds that were used specifically for capital works in previous years; and a smaller amount representing recent unbudgeted sales where the funds received have offset external debt.

The only situation where our Net Debt would increase as a result of these Reserves is if major expenditure on Water Assets or property purchases is brought forward from the dates set out in the LTP/AP.

4.3 Local Government Funding Agency – Quarterly Report to 30 June 2019

Meeting: Finance and Corporate Committee
Date of meeting: 29 August 2019
Reporting officer: Tracey Schiebli (Manager Democracy and Assurance)

1 Purpose

To provide the quarterly report for the Local Government Funding Agency (LGFA) to 30 June 2019.

2 Recommendation

That the Finance and Corporate Committee notes the Local Government Funding Agency quarterly report to 30 June 2019.

3 Background

The LGFA is a Council Controlled Organisation (CCO) for the purposes of the Local Government Act 2002, in which Council has a shareholding.

The LGFA 2018/19 Statement of Intent requires the Company to produce a quarterly report to shareholders. The LGFA quarterly report for the period ending 30 June 2019 is attached.

Alan Adcock, General Manager – Corporate has a governance relationship with LGFA as Chair of the LGFA Shareholders' Council. This is a group of representatives from nine local authorities and Central Government who monitor LGFA performance and make recommendations to all shareholders (including Whangarei District Council) on relevant matters.

4 Significance and engagement

The decisions or matters of this Agenda do not trigger the significance criteria outlined in Council's Significance and Engagement Policy, and the public will be informed via agenda publication on the website.

5 Attachment

1. LGFA Quarterly Report to 30 June 2019

Quarterly Report

Quarter 4: 2018 - 2019
Period ended: 30 June 2019



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Quarterly Report

Quarter 4: 2018 - 2019
Period ended: 30 June 2019



A. June quarter issuance and highlights summary

Quarter	Total	Bespoke Maturity	2020	2021	2022	2023	2024	2025	2027	2033
Bonds issued \$m	331	N/A	-	-	100	21	-	100	-	110
Term Loans to councils \$m	617.4	280.5	-	-	4.5	37.5	187	-	16.5	35
Term Loans to councils #	38	20	-	-	2	6	5	-	5	2

Year to date	Total	Bespoke Maturity	2020	2021	2022	2023	2024	2025	2027	2033
Bonds issued \$m	2456	N/A	-	30	440	21	950	410	220	385
Term Loans to councils \$m	2,446.3	1,344.5	38.5	10.5	350	131.5	452	223	72.5	66.5
Term Loans to councils #	236	125	7	5	22	20	27	23	17	4

Key points and highlights for the June quarter:

- The LGFA bond curve continued to flatten and fall over the quarter with yields declining between 20 bps (2020s) and 36 bps (2025s and longer). Over the past year the yield on the 2020 LGFA bond has declined 63 bps while the 2033 LGFA bond yield has declined 140 bps closing at historic lows.
- LGFA issued \$331 million of bonds during the quarter via one tender of \$171 million and a tender of \$160 million. The financial year issuance of \$2.456 billion was a record and compares to the average annual issuance of \$1.4 billion. The average term of issuance during the quarter of 7.52 years was longer than both the previous quarter and the average term of 6.62 years for the 2018-19 year. The past year issuance was dominated by the jumbo 2024 syndicated issue.
- LGFA margins to swap were either unchanged or slightly wider by between 2 bps and 4 bps over the quarter. The large amount of issuance and narrowing in swap spreads to NZGB were the major influences. LGFA spreads to NZGB narrowed between 3 bps (2020s) and 14 bps (2033s) over the quarter.
- Long dated on-lending to council borrowers during the quarter was another strong amount of \$617.4 million including \$280.5 million of bespoke maturity loans (45% of total lending). The average term of on-lending during the quarter at 5.55 years was shorter than the 2018-19 financial year average of 6 years and 7.04 years for the 2017-18 financial year.
- LGFA has market share of 92.3% of total council borrowing for the rolling twelve-month period to June 2019 (up 69.9% from June 2018). We provided 100% of council borrowing during the June 2019 quarter.
- Short-term lending to councils remains supported by councils with loans outstanding of \$362 million as at 30 June 2019. This was a decrease of \$132 million over the quarter (due to councils repaying before the end of financial year) and the number of councils using this product was unchanged at thirty.
- LGFA Net Operating Gain (unaudited) for the twelve-month period was \$11.201 million or \$326k above budget with Net Interest Income \$151k above budget and expenses \$175k below budget.
- One new council joined LGFA over the quarter (Invercargill City Council), increasing the number of councils over the past twelve months by eight to sixty-four councils. There are fifty-two council guarantors as at 30 June 2019. We are expecting a further two councils to join over the next twelve months.

Quarterly Report

Quarter 4: 2018 - 2019
Period ended: 30 June 2019



B. LGFA bond tenders during quarter

LGFA held two bond tenders during the quarter.

Tender 63: 07 May 2019

\$160 million

Tender 63	Apr-22	Apr-25	Apr-33	
Total amount offered \$m	50	50	60	Tender 63 achieved a very strong outcome with good demand for the three bond maturities offered. Spreads to both NZGB and swap were generally tighter by 7 bps to 10 bps, yields were at historic lows and successful bids at prevailing secondary market mid-levels.
Total amount allocated \$m	50	50	60	
Total number bids received	11	23	27	
Total amount of bids received \$m	93	189	125	The three-month gap from the previous February tender (excluding the March syndication), improving global credit market sentiment helped, recent offshore investor buying, the positive ratings outlook from S&P and only one Kauri issue since March helped improve sentiment.
Total number of successful bids	1	1	8	
Highest accepted yield %	1.845	2.290	3.145	
Lowest yield accepted %	1.845	2.290	3.114	The tender size of \$160 million was in line with the historical average tender size (\$163 million). Council borrowing demand remained strong with new borrowing the key driver rather than refinancing.
Highest yield rejected %	1.940	2.450	3.320	
Lowest yield rejected %	1.860	2.300	3.145	
Weighted average accepted yield %	1.845	2.290	3.127	Bidding volume was good with the overall bid coverage ratio of 2.6x the second highest for over a year. Bidders were aggressive with only one successful bid for the 2022s and 2025s.
Weighted average rejected yield %	1.891	2.331	3.190	
Coverage ratio	1.86	3.78	2.08	
NZGB spread at issue bps	39	71	106	The average maturity of the LGFA bonds issued at 8.01 years was the longest since the August 2018 tender. The average for the financial year to date was 6.59 years (albeit dominated by the 2024 syndication).
Swap spread at issue bps	21	45.8	72	
Swap spread: AA council bps	32.75	57.75	87	
Swap spread: AA-council bps	37.75	62.75	97	While we issued \$160 million of LGFA bonds we on-lent \$211 million to thirteen councils with an average term of lending at 6.58 years.
Swap spread: A+ council bps	42.75	67.75	102	
Swap spread: unrated council bps	52.75	77.75	112	

Quarterly Report

Quarter 4: 2018 - 2019
Period ended: 30 June 2019



Tender 64: 12 June 2019

\$171 million

Tender 64	Apr-22	Apr-23	Apr-25	Apr-33	
Total amount offered \$m	50	21	50	50	<p>Tender 64 achieved an average result with only good demand for the last issuance of the 2023s but lower bid volumes, bonds issued 3 bps above mid rates and wider spreads to both NZGB and swaps on the other three bonds tendered. The larger tender size and yields at historic lows had dampened investor sentiment. The record \$2.4 billion of issuance over the past year has also left the market slightly overweight LGFA bonds.</p> <p>The tender size of \$171 million was in line with the historic average tender size.</p> <p>We tendered the current issuance maturities of 2022s, 2025s and 2033s but increased the 2023s by \$21 million to reach the \$1.5 billion cap on that bond.</p> <p>Bidding volume were light with the overall bid coverage ratio of 1.9x the lowest since October 2018. The successful bid ranges ranged between nil for the 2023s and 7.5 bps for the 2033s.</p> <p>Spread to NZGB were tighter but spreads to swap wider compared to the May 2019 tender. The spread movements had already partially occurred prior to the tender in response to the higher projected issuance of NZGBs by Central Government.</p> <p>The average maturity of the LGFA bonds issued was 7.06 years.</p> <p>While we issued \$171 million of LGFA bonds we on-lent \$174 million to ten councils and the average term of lending at 6.83 years was slightly above the recent lending term and our 4.8-year average</p>
Total amount allocated \$m	50	21	50	50	
Total number bids received	9	8	18	23	
Total amount of bids received \$m	79	59	124	69	
Total number of successful bids	4	2	6	20	
Highest accepted yield %	1.665	1.780	2.065	2.910	
Lowest yield accepted %	1.650	1.780	2.050	2.835	
Highest yield rejected %	1.700	1.820	2.120	2.930	
Lowest yield rejected %	1.665	1.780	2.065	2.910	
Weighted average accepted yield %	1.658	1.780	2.062	2.878	
Weighted average rejected yield %	1.681	1.793	2.079	2.922	
Coverage ratio	1.58	2.81	2.48	1.38	
NZGB spread at issue bps	39	48	70	100	
Swap spread at issue bps	22.8	29.0	45.8	75.35	
Swap spread: AA council bps	34.5	41	58	92	
Swap spread: AA-council bps	39.5	46	63	97	
Swap spread: A+ council bps	44.5	51	68	102	
Swap spread: unrated council bps	54.5	61	78	112	

Quarterly Report

Quarter 4: 2018 - 2019
Period ended: 30 June 2019



C. Key performance indicators

We have met one KPI and did not meet three KPIs as at the end of the June 2019 quarter.

Issuance and operating expenses (excluding AIL) are above budget by approximately \$180k for the twelve-month period to 30 June 2019. Higher legal and NZX listing costs associated with larger bond issuance than forecast (due to higher council lending than forecast) have contributed to these costs exceeding budget. Net Operating Gain is however above budget by \$88k.

We changed our base lending margin for long dated lending to a standard 10 bps margin regardless of the borrowing term from 1 July 2018. The average base margin target of 10.1 bps is not achieved when we combine the long-dated lending margin across the 12-month period to 30 June 2019 with our short-dated lending outstanding as at 30 June 2019. The short-dated lending margins are higher than 10 bps because it is an all-in borrowing margin over BKBM (including LGFA cost of borrowing).

We have been unable to improve our estimated interest cost savings for council borrowing through LGFA compared to councils borrowing in their own name compared to the levels at the start of the financial year. This objective remains difficult to achieve as the spread between what councils borrow at over LGFA borrowing cost will naturally narrow as the borrowing term approaches maturity. The record volume of council borrowing has led to LGFA issuing a record amount of bonds in the financial year so while borrowing spreads have narrowed, they have not narrowed as much as the spread for other borrowers.

Our volume of council lending is above the SOI forecast by \$1.157 billion due to both the larger amount of short-term lending and Auckland Council resuming borrowing through LGFA. The loan book is near historic highs.

Measure		Prior full year to June 2018	Q1 30 Sept 2018	Q2 31 Dec 2018	Q3 31 Mar 2019	Q4 30 June 2019
Average base margin over cost of funds for short term and long-term lending	Target %		< 0.10%			
	Average actual %	0.105%	0.095% (0.10% for long term and 0.09% for short term) ✓	0.095% (0.10% for long term and 0.09% for short term) ✓	0.10% (0.10% for long term and 0.104% for short term) ✓	0.101% (0.10% for long term and 0.106% for short term) ✗
Estimated interest cost savings to AA rated councils	Target		Q1 30 Sept 2018	Q2 31 Dec 2018	Q3 31 Mar 2019	Q4 30 June 2019
	Improvement on prior year as at each quarter					
	2019 maturity At quarter end	11 bps	8 bps ✗	2 bps ✗	n/a	n/a
	2021 maturity	19 bps	20 bps	17 bps	20 bps	9 bps

Quarterly Report

Quarter 4: 2018 - 2019
Period ended: 30 June 2019



	At quarter end		✓	✗	✓	✗
	2025 maturity	10 bps	20 bps	15 bps	14 bps	7 bps
	At quarter end		✓	✓	✓	✗
Issuance and operating expenses (excluding AIL) YTD	Target (\$)		\$1.42 m (YTD as at Q1)	\$2.84 m (YTD as at Q2)	\$4.16 m (YTD as at Q3)	\$5.67 m (FULL YEAR)
	Actual (\$)	\$5.16 m	\$1.36 m ✓	\$2.81 m ✓	\$4.33 m ✗	\$5.85m ✗
Lending (short and long term) to participating councils	Target (\$)		\$8.378 b (YTD as at Q1)	\$8.818 b (YTD as at Q2)	\$7.898 b (YTD as at Q3)	\$8.105 b (FULL YEAR)
	Actual (\$)	\$7.927 b	\$8.641 b ✓	\$9.268 b ✓	\$8.812 b ✓	\$9.262 b ✓

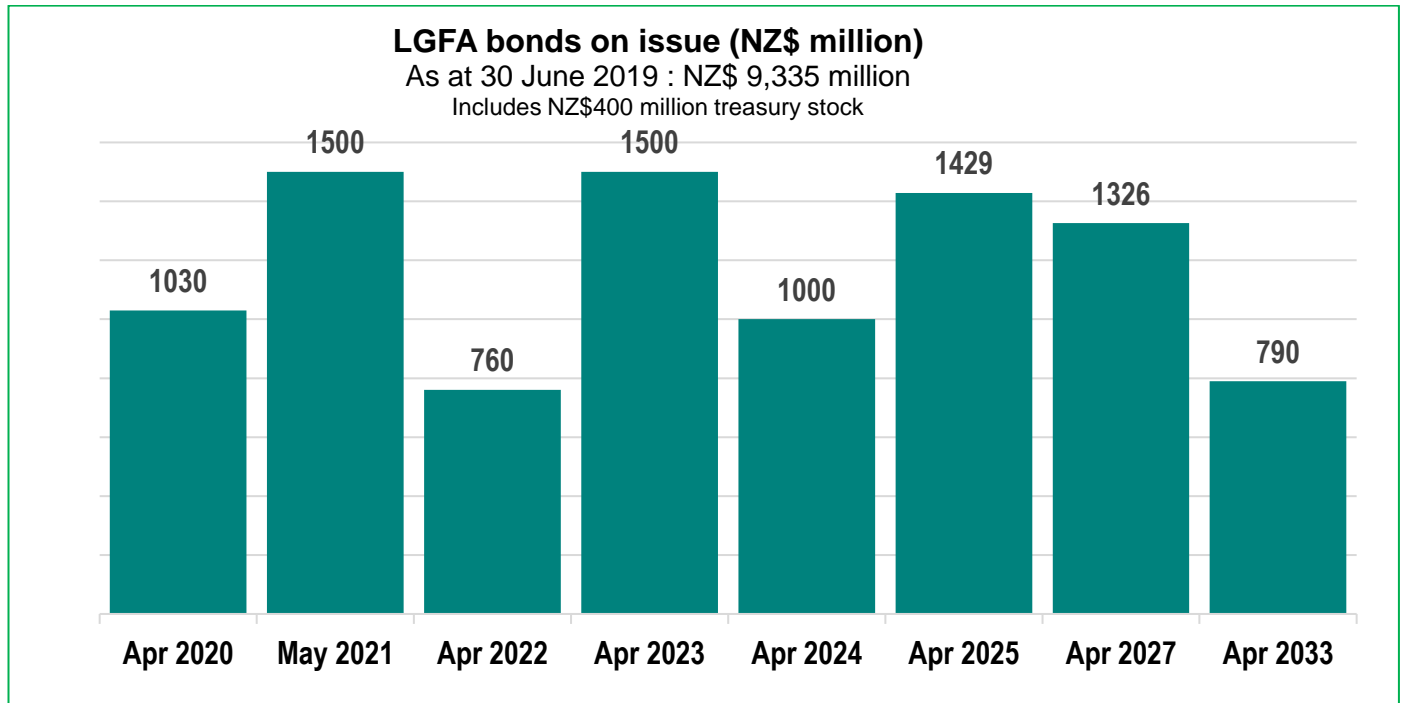
D. Summary financial information (provisional and unaudited)

Financial Year (\$m)	YTD as at Q1	YTD as at Q2	YTD as at Q3	YTD as at Q4
Comprehensive income	30-Sep-18	31-Dec-18	31-Mar-19	30-June-19
Interest income	88.71	180.89	273.13	361.08
Interest expense	83.43	171.12	258.56	342.32
Net interest revenue	5.29	9.77	14.57	18.76
Issuance and On-lending costs	0.57	1.17	1.90	2.58
Approved issuer levy	0.19	0.89	1.00	1.71
Operating expenses	0.79	1.64	2.43	3.27
Issuance and operating expenses	1.55	3.70	5.33	7.56
Net Profit	3.74	6.08	9.24	11.20

Financial position (\$m)	30-Sep-18	31-Dec-18	31-Mar-19	30-Jun-19
Retained earnings + comprehensive income	41.74	44.05	47.24	49.17
Total assets (nominal)	8,857.01	9,434.82	9,402.11	9708.03
Total LG loans (nominal)	8,631.65	9,276.43	8,811.97	9,262.86
Total LGFA bills (nominal)	470.00	485.00	545.00	505.00
Total LGFA bonds (nominal)	8,104.00	8,704.00	8,604.00	8935.00
Total borrower notes (nominal)	131.20	139.86	133.12	142.43
Total equity	66.74	69.05	72.24	74.17

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Quarter 4: 2018 - 2019
Period ended: 30 June 2019



E. Quarterly compliance summary

Policy	Limit	Policy page ref	Continuous Compliance
One-month Liquidity Monitor	>120%	S1-1.1	Yes
Three Month Liquidity Monitor	>110%	S1-1.2	Yes
Twelve Month Liquidity Monitor	>110%	S1-1.3	Yes
Council Exposure (any 12-month period)	<10% of Balance Sheet	S1-1.5	Yes
Liquidity Buffer	>110%	S1-1.4	Yes
Partial Differential Hedge (PDH) Interest Rate Gap Report	\$40,000	S3-4.1	Yes
Value at Risk (VaR)	\$250,000	S3-4.2	Yes
Council Maturity (any 12-month period)	\$100m or 33% of LGFA borrowing	S1-1.6	No
Funding Largest Council Exposure	>100%	S1-1.7	Yes
Foreign Exchange Exposure	Nil	S7-3.1	Yes
NZDMO Facility Utilisation	Report monthly	S8-8.5	Yes
Counterparty Credit Limits	80% of Portfolio \$125m Counterparty (category 3)	S4	Yes
Auckland Council Exposure (proportion of total Council exposure)	<40%	S1-1.8	Yes
Balance Sheet Maturity Mismatch	<15% of Balance Sheet	S2-2.1	Yes
Financial Covenants	Various (as set out on p13)	S9	Yes
Authorising Treasury transactions	Two approvers, one signature	S8-8.4	Yes

Quarterly Report

Quarter 4: 2018 - 2019
Period ended: 30 June 2019



Details for compliance breaches over quarter.

There was a compliance breach where a council had inadvertently breached the following limit in late 2018

To minimise concentration risk, the LGFA will require that no more than the greater of \$NZD100 million or 33% of a council's borrowings from the LGFA will mature in any 12-month period.

The limit breach was discovered and then escalated to both the LGFA Board and Shareholder Council in May 2019. The breach occurred because the council had borrowed 100% of its financing through LGFA in short dated loans (less than one year) and the LGFA management process had not picked up short dated borrowing within this limit. This limit when established in 2012 was originally intended to monitor long dated borrowing. It should be noted that the limit breach was the not the fault of the council. LGFA worked with the council to extend some of their short term borrowing into long dated funding to resolve the breach in early June.

Quarterly Report

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F. Performance against SOI objectives and performance targets

Primary objectives

1. Providing savings in annual interest costs for all Participating Local Authorities on a relative basis to other sources of financing

LGFA on-lending base margins are 10 bps for all terms between April 2020 and April 2033 following our change to a flat margin structure in June 2018. The base margin charge covers our operating costs and provides for our capital to grow in line with the growth in our balance sheet to maintain a capital buffer.

Our estimated annual savings to councils that are based upon the secondary market levels at 30 June 2019 of LGFA bonds compared to bonds issued by Auckland and Dunedin councils are between 7 bps and 9 bps depending upon the term of borrowing. The amount of savings has reduced over the past quarter by between 7 bps and 11 bps and reduced by between 3 bps and 13 bps over the past year. The LGFA borrowing margins to swap have moved out over the past twelve months on our record issuance volume while both Auckland Council and Dunedin City Treasury have issued relatively small amounts of bonds in their own name. LGFA borrowing spreads have narrowed to both swap and NZGB over the past year between 2 bps to 18 bps.

30-Jun-19	Savings to AA rated councils (bps)			
	Dunedin 2020	Dunedin 2021	Auckland 2022	Auckland 2025
AA rated councils' margin to swap (bps)	29	34	39	58
Less LGFA margin to swap (bps)	-11	-15	-22	-41
LGFA gross funding advantage (bps)	18	19	17	17
Less LGFA base margin (bps)	-10	-10	-10	-10
Total savings (bps)	8	9	7	7

Note that from 30 June 2017 we removed the implied "LGFA effect" of 10 bps of additional savings in borrowing costs from the above analysis. The LGFA effect was the assessment of immediate savings to councils when LGFA first commenced lending to councils in February 2012.

Outright yields declined to historic lows as global central banks (including the RBNZ) softened monetary policy either through lowering interest rates or forecasting additional stimulus. The interest rate curve continued to flatten with yields on short dated LGFA bond yields (2020s) declining by 20 bps over the quarter while long dated LGFA bond yields (2033s) declined by 36 bps. Over the past year the respective yields have declined by 63 bps (0.63%) and 140 bps (1.4%).

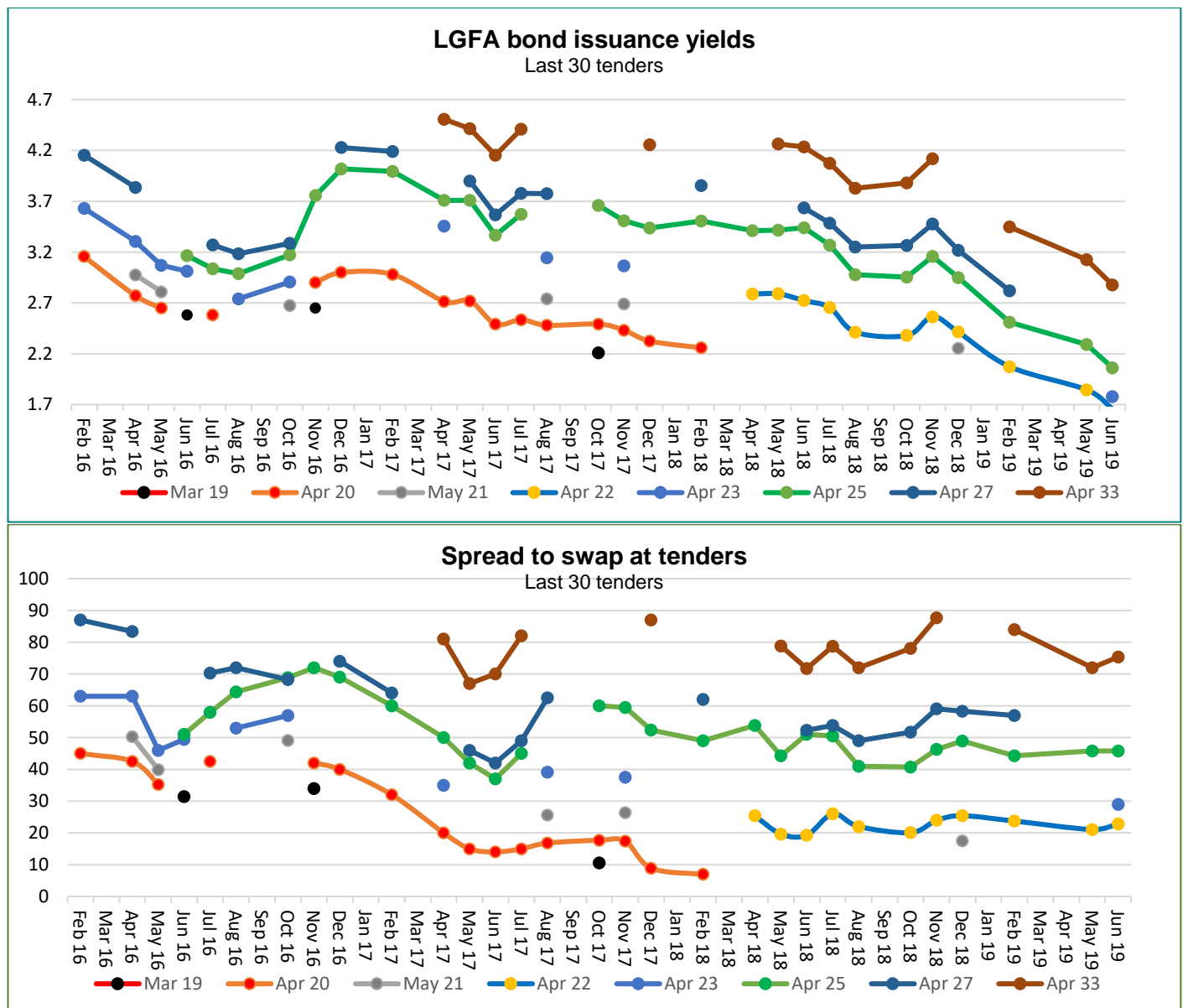
We closely monitor the Kauri market for ongoing supply and price action as this other high-grade issuance by "AAA" rated Supranational issuers such as the World Bank (IBRD), Nordic Investment Bank (NIB) and the Asian Development Bank (ADB) influences LGFA demand and pricing. These borrowers are our peer issuers

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in the NZD market and have the most influence on our pricing. The June quarter was very quiet for Kauri issuance with a \$200 million issue of seven-year bonds undertaken by Asian Development Bank. The same theme continues of reduced offshore investor demand for NZD product as well as more attractive borrowing spreads for issuers in the US and European markets has led to the fall in issuance activity. This has assisted LGFA to issue a greater volume but has not led to significant margin improvement.



2. Making longer-term borrowings available to Participating Local Authorities

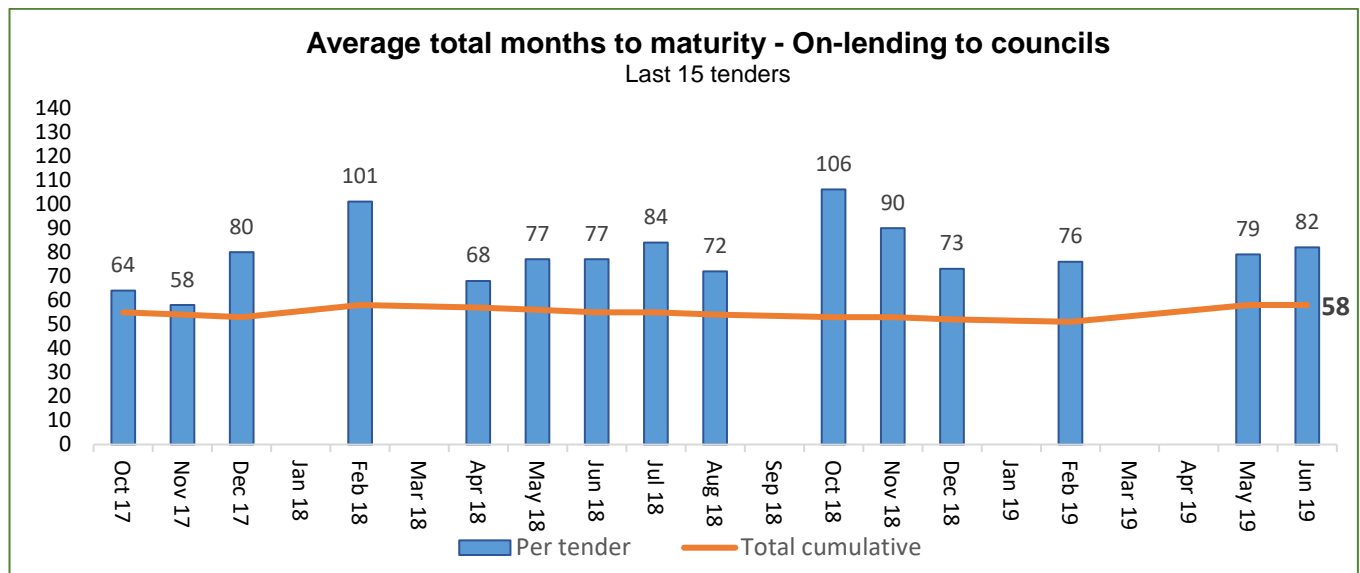
The average borrowing term (excluding short dated borrowing but including bespoke borrowing) for the June 2019 quarter by council members was 5.55 years and this was slightly shorter than the 6.0 years

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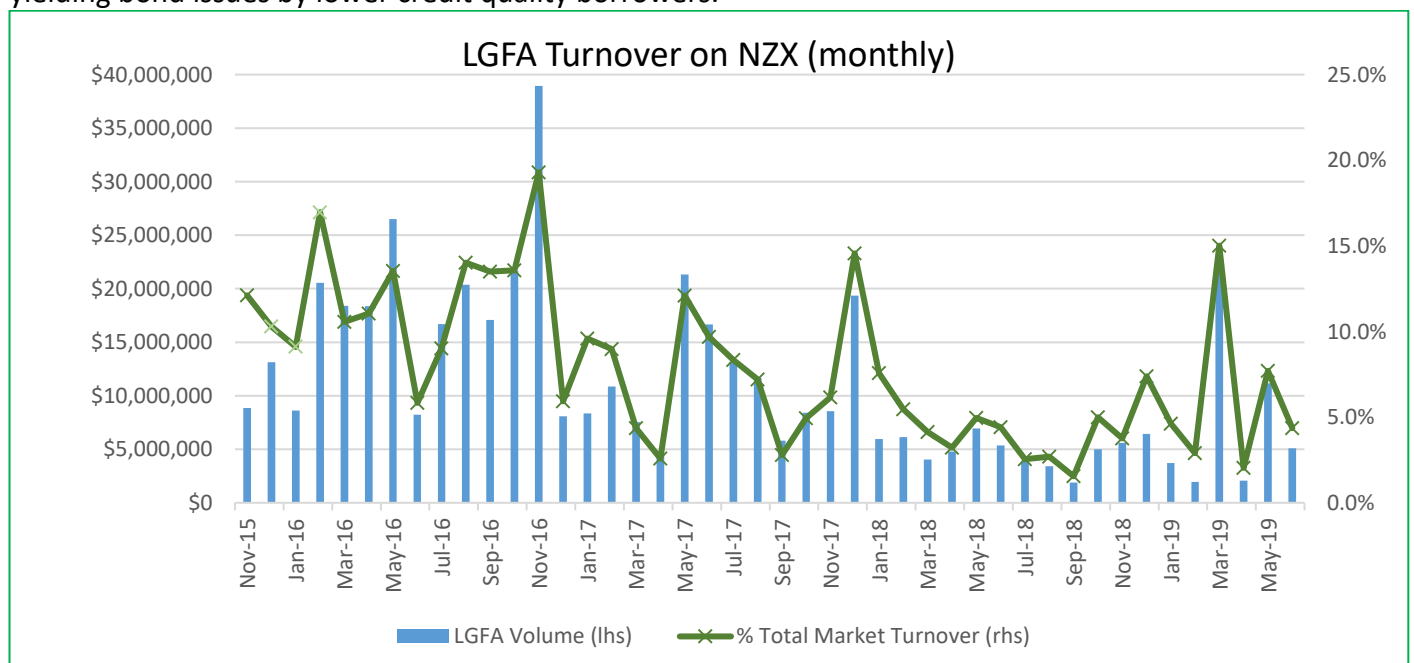


average term for 2018-19 year and shorter compared to the 7.04 average term for the 2017-18 prior year. The shortening in average borrowing term is explained by councils accessing the new April 2022 and April 2024 maturities.



3. Enhancing the certainty of access to debt markets for Participating Local Authorities, subject always to operating in accordance with sound business practice

LGFA bonds were listed on the NZX Debt Market in November 2015 and average turnover on the NZX Debt market has been \$11.1 million per month or 8.1% of the total turnover of the NZX Debt Market. Turnover on the NZX remains light as retail investors are more attracted to high term deposit rates and higher yielding bond issues by lower credit quality borrowers.



Quarterly Report

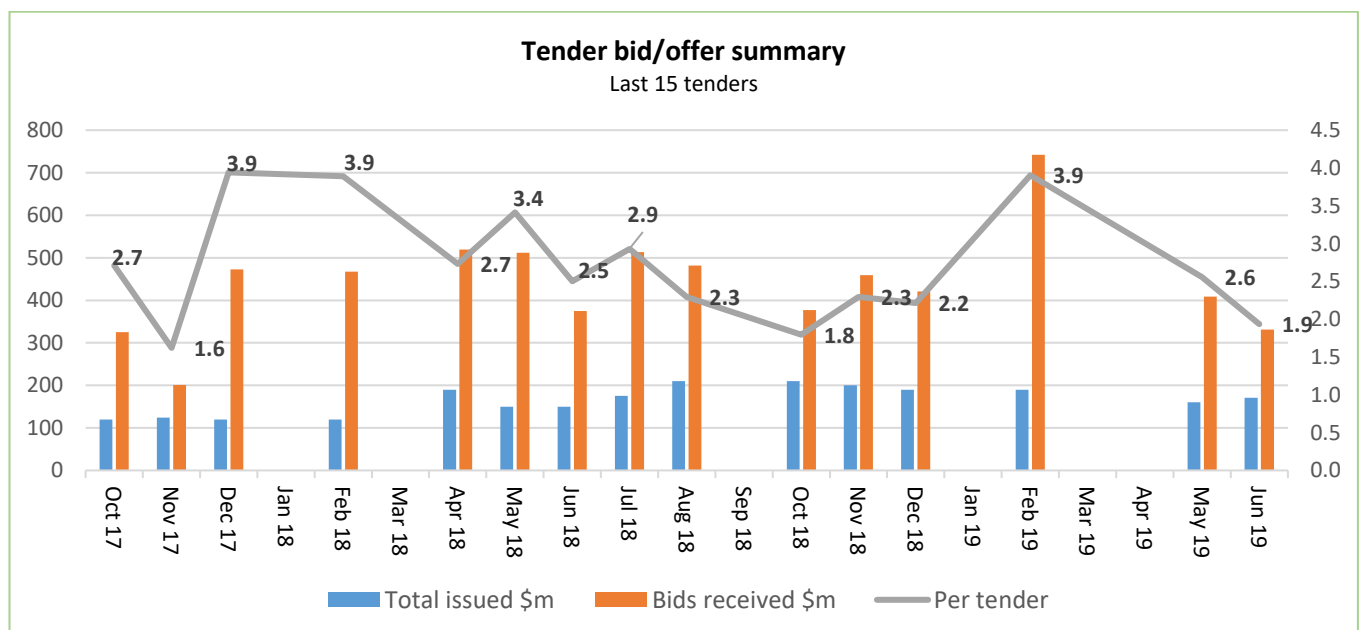
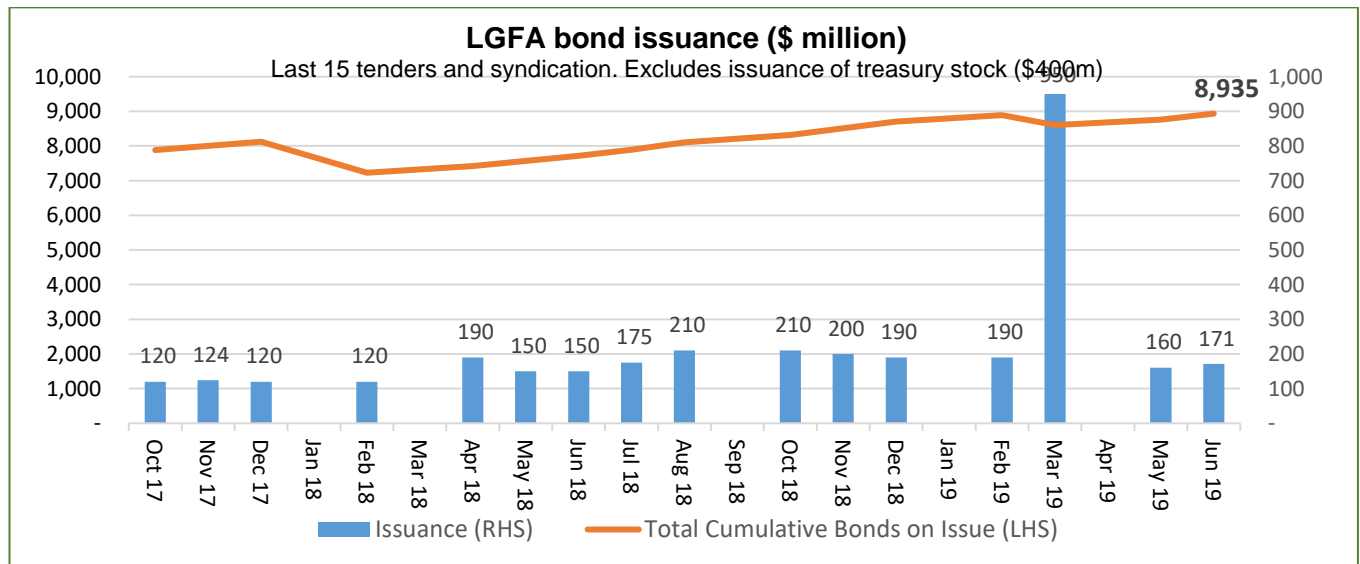
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LGFA started issuing LGFA Bills and short dated (less than 1 year) lending to councils in late 2015. As at June 2019 there were LGFA Bills of \$505 million on issue and short-term loans of \$362 million.

LGFA documented an Australian Medium-Term Notes Programme in November 2017 to provide the ability to issue in currencies other than NZD. We have no immediate intention to use this programme, but it provides flexibility in case of the unlikely scenario of a significant market disrupting event in the future.

We held two LGFA bond tenders during the quarter and market support was average with overall tender coverage ratios of 1.9x and 2.6x and support for the individual maturities between 1.38x and 3.78x.



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4. Offering more flexible lending terms to Participating Local Authorities

Bespoke lending continues to be a popular borrowing option for council members. During the quarter we lent \$280.5 million into bespoke maturity dates (non LGFA bond dates) and the amount of bespoke maturity loans in the 12-month period to 30 June 2019 was \$1.344.5 billion. Bespoke lending comprised 45% of total term lending by LGFA to its members during the June quarter and 55% for the 12-month period to 30 June 2019.

Short term borrowing by councils has been well received with loan terms to date of between one month and 12 months on \$362 million of loans outstanding as at 30 June 2019 to thirty councils. This is a significant increase compared to June 2018 where we had lent \$244 million to nineteen councils and has led us to issue \$545 million of LGFA bills.

5. LGFA will monitor the quality of the asset book so that it remains of a high standard by ensuring it understands each Participating Local Authority's financial position and the general issues confronting the Local Government sector.

LGFA had meetings with thirty councils during the June quarter (fifty-nine for the twelve-month period to June 2019) to discuss their financial performance and any developments with the underlying council operations. LGFA reviews council agendas and management reports on an ongoing basis for those councils on the LGFA borrower watch-list.

LGFA has commenced work on credit default assessment analysis of its member councils in preparation for adopting IFRS9 for accounting purposes.

LGFA management met representatives from Morrison Low to discuss the local government sector, presented at the Bancorp Local Authority Day and attended the Department of Internal Affairs Workshop on Local Government Financing and Funding.

Additional objectives

6. Operate with a view to making a profit sufficient to pay a dividend in accordance with its stated Dividend Policy

LGFA's Net Operating Gain on an unaudited management account basis of \$11.201 million for the twelve-month period to 30 June 2019 exceeded the SOI forecast of \$10.875 million by \$326k. The average cost of funds for the 2018-19 financial year to date is 2.78%. This is lower than the 3.14% for the prior 2017-18 financial year due to the lower outright level of interest rates. The LGFA Board has the sole discretion to set the dividend.

Quarterly Report

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7. Provide at least 50% of aggregate long-term debt funding for Participating Local Authorities

LGFA derives market share estimates from the PwC Local Government Quarterly Debt Report. The LGFA market share of total sector borrowing for the June 2019 quarter was 100% and for the twelve-month period to June 2019 was 92.3%. Adjusting for Auckland Council borrowing in its own name our market share for the year to June 2019 was also 92.3%. Our market share remains strong compared to our global peers.

As at 30 June 2019, there are sixty-four participating local authority members of LGFA and we estimate a further two councils could become members in the next twelve months.

8. Ensure its products and services are delivered at a cost that does not exceed the forecast for issuance and operating expenses

Expenses for the twelve-month period on an unaudited, management basis were \$7.558 million which is \$175k below budget. This variance is the consequence of:

- Issuance and on-lending costs (excluding AIL) at \$2.579 million were \$263k above budget. Lower fees than budgeted relating to the NZDMO facility were offset by higher NZX costs and legal costs. A larger amount of bond issuance and short-term lending increased these costs relative to budget.
- Operating costs at \$3.271 million were \$76k below budget due to lower travel, governance and overhead costs offset by additional legal costs relating to LGFA progressing its work on the ability to lend to CCOs.
- Approved Issuer Levy payments of \$1.708 million were less than our forecast of \$2.070 million by \$362k due to a lower level of LGFA bonds holdings by offshore investors relative to budget.

9. Take appropriate steps to ensure compliance with the Health and Safety at Work Act 2015

LGFA has a Health and Safety staff committee and reporting on Health and Safety issues are made to the LGFA board on a regular basis by the Risk and Compliance Manager. There were no Health and Safety incidents during the quarter.

10. Maintain LGFA's credit rating equal to the New Zealand Government sovereign rating where both entities are rated by the same Rating Agency

LGFA has an annual review process regarding our credit ratings from Standard and Poor's ("S&P") and Fitch Ratings ("Fitch") and meets with both agencies at least annually. Meetings were held in July 2018 with S&P and in September 2018 with Fitch.

On 4 February 2019, S&P placed our long-term credit rating on positive outlook, following their decision to place the long-term credit rating of the New Zealand Government on positive outlook the previous week.

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On 18 November 2018, Fitch reaffirmed our long-term credit rating as AA+ and classified LGFA as a corporate mission, government related entity (GRE) under its GRE rating criteria. Fitch equalises our ratings with those of the New Zealand Government.

11. Achieve the financial forecasts

As at the end of the fourth quarter, Net Interest Income was estimated by management on an unaudited basis to be \$151k above budget while expenses are \$175k below budget. Net Operating Gain of \$11.201 million was \$326k above budget but \$601k (5.1%) below the Net Operating Gain for the equivalent prior period.

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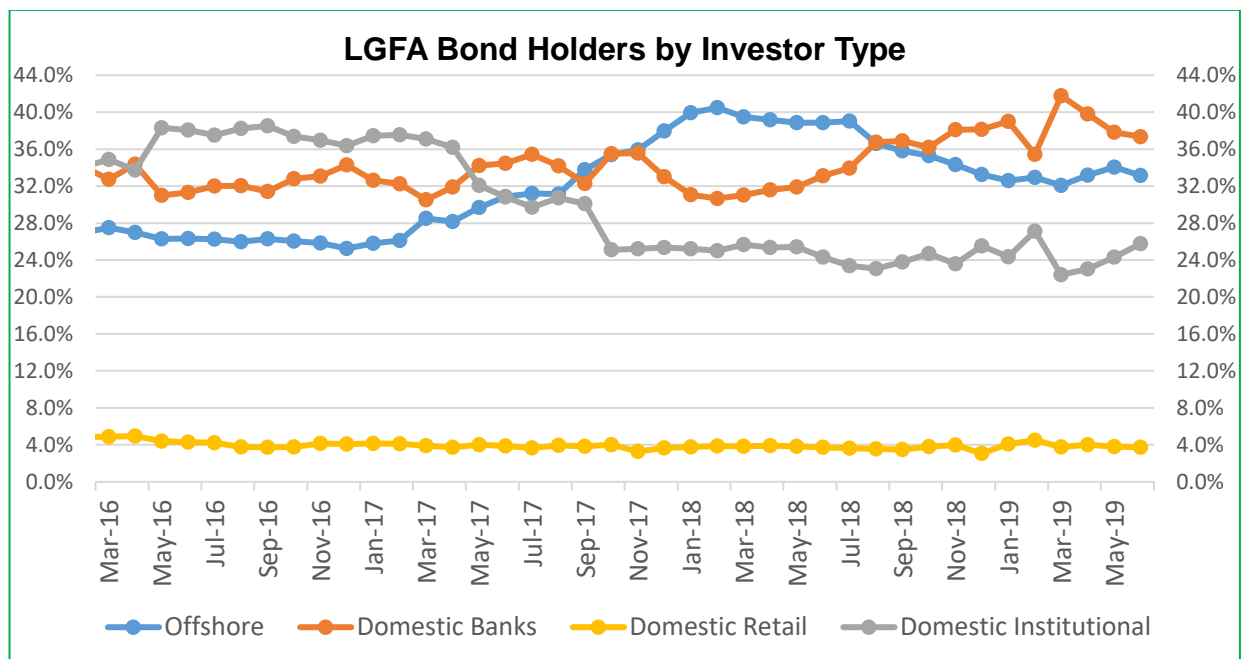


G. Investor relations / outlook

Managing relations with our investor base is very important as the amount of LGFA bonds on issue has yet to peak and we require investors and banks to support our tender issuance. Our focus is on growing and diversifying the offshore investor group as these investors have the most growth potential given that we already receive strong support from the domestic banks and institutional investors.

Offshore and domestic institutional investors increased their holdings over the quarter as LGFA bonds remain attractive on a spread to underlying NZGBs and investors chasing yield in the current low interest rate environment. By our estimates

- Offshore investors increased their holdings of LGFA bonds by \$203 million over the quarter (but reduced by \$33 million over the past twelve months). NZ bond yields remain unattractive relative to other global markets and there has been a subsequent decline in the holdings of NZ Government Bonds (NZGB), Kauri bonds and LGFA bonds. While low interest rates are a positive for our council borrowers, it is more difficult to encourage offshore investors to buy LGFA bonds. They are estimated to hold \$2.97 billion (33.1% of outstandings) compared to \$3.0 billion (38.9% of outstandings) a year ago.
- Domestic institutional and retail investors increased their holdings by \$390 million over the quarter and were estimated to hold \$2.64 billion (29.62% of outstandings) compared to \$2.17 billion (28.0% of outstandings) a year ago.
- Domestic banks holdings have reduced by \$265 million over the quarter as the other investor groups have bought from the bank trading books. Bank holdings of \$3.34 billion (37.3% of outstandings) are just below their record highs in March 2019 and compare favourably to \$2.56 billion (33.1% of outstandings) a year ago.

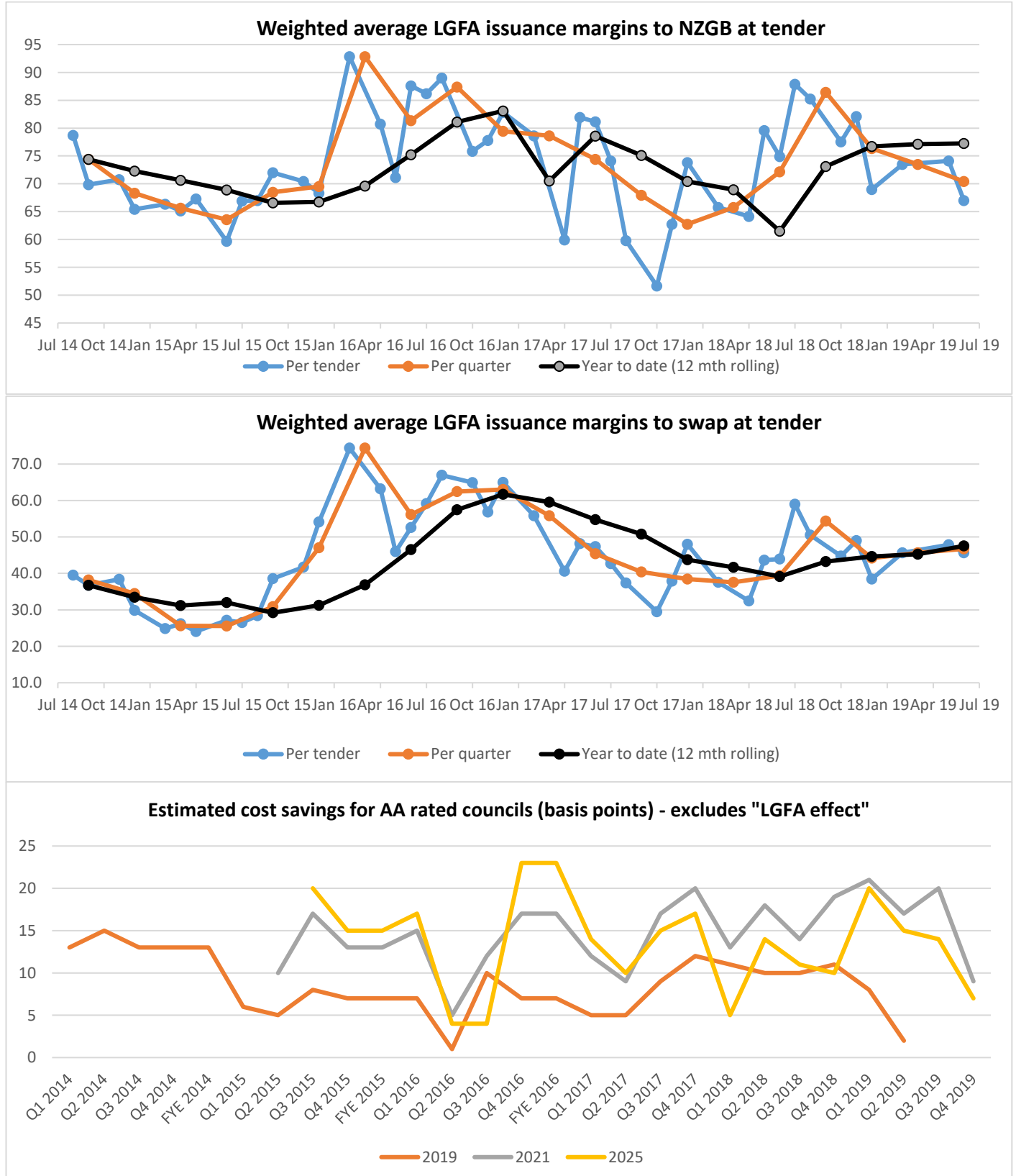


Quarterly Report

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H. Key trends



4.4 Operational Report – Finance and Corporate – August 2019

Meeting: Finance and Corporate Committee
Date of meeting: 29 August 2019
Reporting officer: Alan Adcock (General Manager – Corporate/CFO)

1 Purpose

To provide a brief overview of work across services that the Finance and Corporate Committee is responsible for.

2 Recommendation

That the Finance and Corporate Committee notes the operational report for August 2019.

3 Background

The purpose of the Finance and Corporate Committee is to oversee Council and CCOs financial management and performance, including operation of the administrative and internal support functions of Council.

This report provides a brief overview of some of the operational highlights for August 2019 and provides some further comment on future planned activities.

4 Significance and engagement

The decisions or matters of this agenda do not trigger the significance criteria outlined in Council's Significance and Engagement Policy, and the public will be informed via agenda publication on the website.

5 Attachment

Operational Report – Finance and Corporate – August 2019

Operational Report – Finance and Corporate – August 2019

Information Communications Technology (ICT)

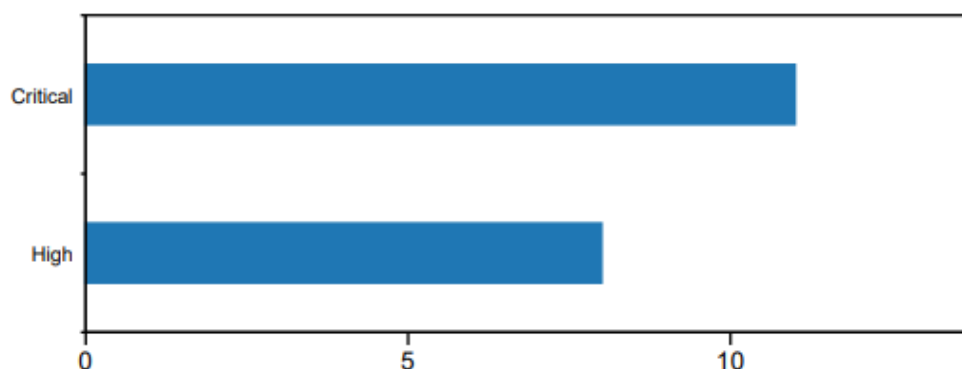
ICT Teams are supporting the organisation with business as usual (BAU) requests. Project work is not without challenges but overall progressing well.

ICT Operations

The last financial year end processes have been completed. The external review of the ICT Operations processes and procedures has been completed and the report is expected at the end of the month. We have also initiated a boundary review of our environment and are currently working through the recommendations of the report.

Other operational activities include:

- Updating of our external facing environment– final remediation in progress
- Cyber training – There are still over 100 staff as well as councillors who have not completed their training
- Investigation of Multi-factor authentication – admin accounts only
- Microsoft Office and Harmon.ie Upgrade
- Desktop Anti-virus upgrade
- Switch Firmware upgrade
- Router replacements
- Replacement of remote access tool
- Currently planning:
 - Security remediation tasks
 - Scheduling of minor works
 - Next round of security awareness training for staff – classroom type training in collaboration with NRC.
- Intrusions blocked by our main firewall – 10-day reporting period (04/08/2019 – 13/08/2019)

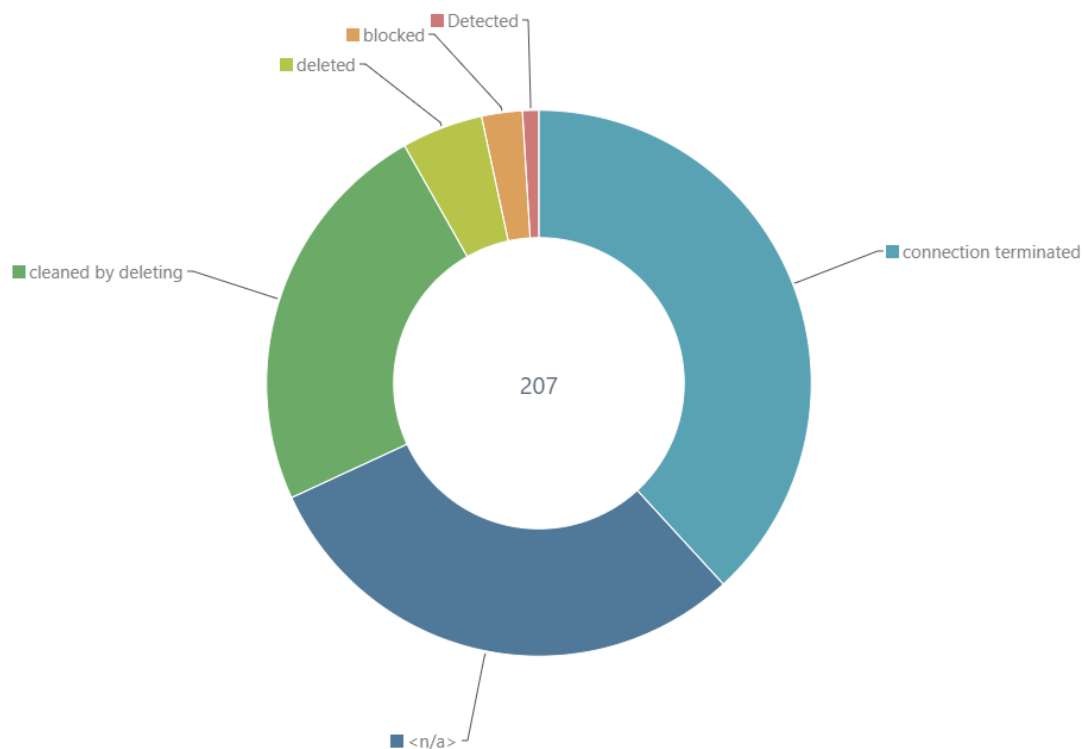


Threat Level	Allowed Hits	Denied Hits	Hits (%)
Critical	0	11	57.89
High	0	8	42.11
Total: 2	0	19	

Examples of high – SQL injection attempt

Example of critical – Brute Force & Remote command execution

- Viruses cleaned off desktop devices – July



- Attempts to access unauthorised URL's – 26
- Operational projects including ICT Project Manager:
 - **Box Office** – Project debrief is scheduled for 19 August
 - **Platform as a Service – (As a Service Roadmap)**
 - Fax number is in the process of being decommissioned from communications and generic email addresses in place e.g. mailroom@wdc.govt.nz
 - Continuing research for two applications moving to SaaS (Software as a Service) or a different server platform provider

ICT Disaster Recovery Exercise – Preliminary review underway. The review looks at the gaps between last year's plan and any technology changes made over the past year that require updates to the plan to be made. Following the review, timing for this year's test run will be created.

ICT Projects

Delivery of Trilogy Phase 2 projects continue to progress well. However, progress on the projects that needed business analysis rework has been slower than expected.

- **Upgrade of Technology One Ci to CiAnywhere – next software upgrade for Core Council system.**
 - Resolution of priority issues raised during Round 1 of testing underway
 - Development and configuration of Business Process workflows underway
 - Improvements being made on performance of high-volume data migration
- **Corporate Performance Management** – Business Improvement department is continuing to work through analysis and requirements gathering phase. There has been significant input from the business and the recommendations are still being awaited.
- **Website Platform Redevelopment (Digital Platform)** – Review and re-development of our existing WDC websites.
 - Procurement process is on track to select a suitable vendor that WDC can partner with, to implement a viable future proof website.
- **Asset Management and GIS upgrade/replacement** – review, upgrade and/or replacement of the existing Asset Management system including a GIS (Spatial System) upgrade (necessary due to the dependencies between the software products).
 - Workshops held between TechOne and Council's project team to identify enhancements needed to deliver a robust Configuration design document
 - Final version will be delivered in August for team to approve and sign-off
 - GIS upgrade and integration design work still on track.
- **Digitisation of Property Files** – Execution Phase
 - Digitisation efforts are beginning to have a real impact in the ability to find and use records.
 - One of the pieces of work that was completed during back capture was the uplift of very historic property records that due to the nature of transitional changes from County / City Councils and subsequent amalgamations, have had inconsistent findability.
 - During the processing all these files were checked for property ID references and where they were lacking, they have been added.
 - Anecdotally this is making a big difference for the LIM and property search functions.

Finance

2018-19 Annual Report

Preparation of the 2018-19 Annual Report is now in full swing, with adoption scheduled for 26 September. The draft operational financial result is included as a separate agenda item within the August Finance and Corporate agenda. The overall results including various non-cash accounting adjustments and the infrastructure asset revaluation is currently being finalised to enable the preparation of the draft Annual Report for Audit NZ's arrival in late August.

The audit of Council Controlled Organisations including Whangarei District Airport, Northland Events Centre Trust and Whangarei Art Museum Trust are scheduled to begin on 19 August 2019, with Council beginning the week following.

2019-20 Budget

The phasing of the 2019-20 operating budgets and the first round of forecasting will be undertaken during August. The operational financial result for the two months ending 31 August 2019 will be presented at the September Finance and Corporate Committee meeting.

Enterprise Budgeting

Members of the Finance team are involved with testing ahead of the upgrade into CiA of the Enterprise Budgeting module of Technology One. Go-live is currently scheduled for mid-September ahead of the commencement of budget planning for the 2020-21 Annual Plan.

Revenue

In July we set the rates for 2019-2020, sent the rates notices, opened the rates rebate office and processed the annual dog registrations. There were 9,720 dog registrations processed before the discount period ended (2% than last year). More dog owners are choosing to pay online.

Land Rates

There were 307 property sales in July which is 20% higher than last year. We have noticed higher numbers of new subdivision sales and we have processed KiwiBuild sales.

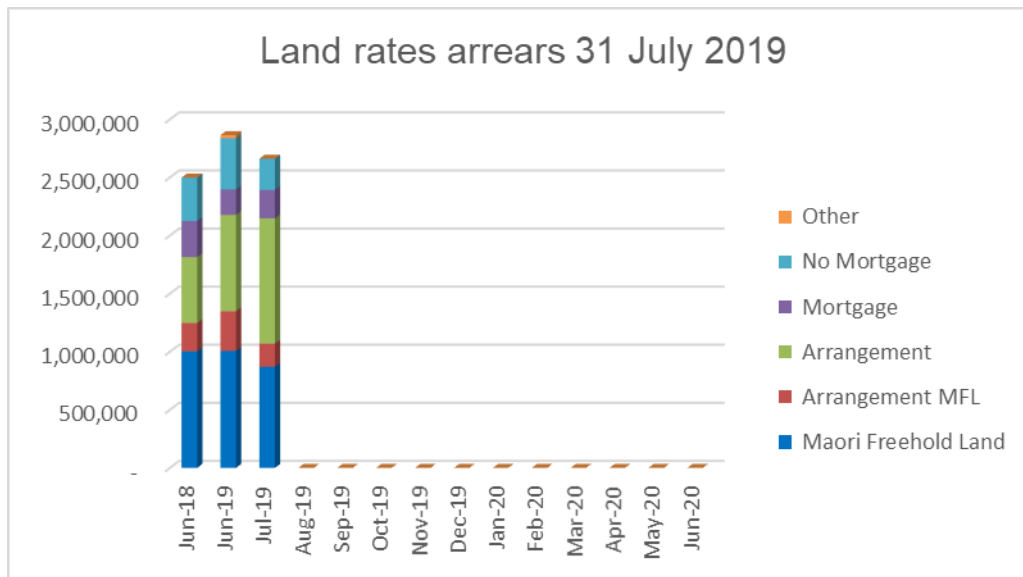
Water Rates

Water rates revenue in July is summarised below:

Water Rates Summary - July 2019							
	Consumption	Supply Charge	Backflow	Special Reading Fee	Penalties	Excess Water Remission	Arrears
Amount(\$)	1,013,111	48,852	10,301	11,472	1,871	- 32,542	427,022
Transactions (Number)	3,581	3,566	229	216	370	46	1,805
Average (\$)	282.91					- 707.44	

Collection and Recovery

- The rates rebate office opened on 17 July. At month end 785 rebates had been processed which is 100 more than the same time last year as there have been more walk-ins.
- If a property has a registered mortgage and has rates arrears, an "intention to demand" has been sent to mortgagees.
- Land rate arrears at 30 July 2019 are:
 - \$2,661,000 (30 June \$2,864,000)
 - Māori Freehold Land comprises \$1,069,000 (30 June \$1,347,000) of arrears.



Business Improvement

The Business Improvement Department is heavily involved in several ICT Strategic Projects, high priority business initiatives, as well as having responsibility for delivering certain LTP specific Projects.

Project Management Initiative

Description – To create a virtual cross-functional Project Management group to review, agree and implement a standard Project Management approach across the organisation including processes and system.

Timeframe – completed by June 2020

Status – on track

Progress Made:

- Business Analysts assigned.
- Planning workshops booked.

Next Steps:

- Engaging with departments to gather requirements for projects of different types and sizes.
- Drawing and or developing process maps for each project type/size.

Continuous Improvement Idea Project

Description – This initiative is a system and process for capturing and processing innovative Improvement ideas so that in the future there is an agreed organisational process for funnelling, prioritising process and system improvement initiatives from ideas to fruition.

Timeframe – completed by June 2020

Status – on track

Progress Made:

- Workshop with Information Leadership delayed.
- Identified further need to understand any current practice throughout WDC.

Next Steps:

- Investigation of current practice.

Workflows Systems Development

Description – the objective of this project is to identify and deliver efficiencies to Council processes. The project has been broken into two phases:

- 1) Identifying high value processes in Council that are candidates for workflow enhancement based on their risk, the amount of time/effort saved through automation, future impacts/links to strategic outcomes and the degree of complexity to support the automation. This body of work is incorporated within the Promapp Initiative.
- 2) identifying options for improving processes and implementing preferred options.

Timeframe – was planned to be completed by June 2019 (see notes below on delay)

Progress Made:

- Workshops for first participating departments complete.
- Delivery plan and timeframe for each department to be set.
- Support for mapping of processes begins.

Next Steps:

- Second participating departments to be invited to workshops (planned for September).

Business Improvement Projects (Updates, Delays or Deferrals)

Workflow Systems Development

Status – Delayed

Reasons:

Phase 1 will be delayed six months due to priorities of other projects impacting on resource availability for this project, along with the amount of planning required for the entire project.

Phase 2 will be delayed 24 months due to the dependency on the TechnologyOne CIA Upgrade Project to be implemented and bedded in before any automation activities can occur in the new TechnologyOne CIA environment.

Business Support

Information Management (IM)

Information Management Plan 2019 – 2020 (IM Plan)

Planning is underway for the archives aspects of the work against the plan. This will see us delivering options and business case for the future of management of archives in house. The first item of extending the Walton Plaza lease has been completed.

The delivery of a business case for the future of archives will be made in November 2019 and will include:

- Review of current external storage providers
- High level appraisal of items stored in archives to feed into decisions
- Advice from Archives New Zealand on management of digital only when paper has been digitised

- Process recommendation for future appraisal and storage of records to reduce the storing of information by ensuring retention and disposal is actively managed.

Kete Review

Workshops have now been completed and work is well underway for the quick business improvements in the use of Kete to improve our information management and maintenance.

Anecdotally the workshops have been a success in improving use of Kete and an overall understanding of the information management strategies that are behind its design and build. Our adoption reporting is also showing marked changes that can be directly linked to the workshops.

The next steps in the project are:

- Feedback to each department on findings and agreed actions
- Planning for training delivery as this is recognised as relating to the majority of actions and therefore gaps in the current use of Kete
- Continue with the quick win, minor changes that can be completed.

Procurement

Procurement Manual

Staff are continuing the review of documentation that has flowed from the Policy approved in 2018. A number of new forms have been published this month and existing Kete templates have been updated to assist staff in their procurement processes. Consideration is currently being given to options for updating the Procurement Manual and associated documents.

Workstreams

Major work streams in procurement this month have included:

Service/Good Being Procured	Detail	Procurement Commencement Date	Business Owner	Date Advertised on GETS	Expected End Date
Plumbing Services	To find a panel of local suppliers to provide plumbing services to multiple departments across Council.	June 2019	All of Council	09 Aug 19	Preferred suppliers recommendation by Oct 2019
Digital Platform Project	To find a supplier to provide a digital platform (website) and related services.	April 2019	ICT	21 Jun 19	Preferred vendor recommendation by Oct 2019
Civic Centre project	To assist the Civic Centre team with requirements around procurement aspects of the Civic Centre project.	External procurement consultant engaged June 2018	All of Council	31 Oct 18	Ongoing involvement through design & build phase
Book Sorter	To assist Business Improvement and the Library to find a suitable book sorter.	BI started initial project work in Feb 2019	Libraries	Yet to be advertised	Preferred supplier recommendation by Dec 2019

Service/Good Being Procured	Detail	Procurement Commencement Date	Business Owner	Date Advertised on GETS	Expected End Date
Network and Flood Modelling Software	Advice to Business Improvement on purchasing network and flood modelling software.	July 2019	Infrastructure	Not proceeding	Not proceeding
Professional Photography	Advice to Business Improvement on Contracting Photography (including Model Release forms and tax requirements).	July 2019	District Development	Not advertised – under threshold	Ongoing engagements as required by business

General procurement support and advice continues to be available across the business and at the weekly Procurement Clinic.

Business Support also has a number of contracts that we manage directly as they are cross-departmental such as Electricity, Stationery and Multi-Function Devices (copiers). Supplier meetings and discussions for these contracts continue on a regular basis.

Property Assets

All assets continue to be maintained as is required. The rebranding exercise is now complete with signage across Forum North and Walton Plaza having been updated.

Small improvements made to the public toilets at Burning Issues (Town Basin) with the installation of a baby changing table in the men's toilets. Ongoing investigation work as to the causes behind issues at Stanley Marine (Town Basin) with the likely cause being misuse by campers.

Ongoing upgrade work to the sprinkler system at Forum North is underway due to legislation changes last year. This will include the need to install sprinkler heads on the outside of the building, near any hazards that could catch fire (rubbish skips and the emergency generator).

Business Support

Vehicle Fleet

No new issues or concerns with the fleet.

We will be disposing of one Zoe Renault EV due to uncertainty around cost to repair and the long-term viability of a repair. Given this vehicle has no warranty it is too great a risk to continue with it. We will be replacing this EV with a new one.

Business Support Projects (Updates, Delays or Deferrals)

Project	Current Status	Comment
Kete Review	On Track	Workshops now completed and plan is underway for managing actions, including training.
Emergency Evacuation Schemes for WDC owned buildings	Quotes received. Talking to contractor to find best practice in rolling it out	Working across the different departments (Civic/Commercial/Community) to roll out in a streamlined manner.
Forum North Carpark	Ongoing	A plan has been drawn-up and quotes received for Solar Powered lights to be installed. This option is the most sustainable and cost efficient with lights able to be moved to other areas of need should the situation arise.
Fleet Update	Recommendations made on fleet replacement	All replacement recommendations have an EV component. There are no pure combustion engine vehicles recommended.

Communications

Digital Platform

The Communications Department is active in supporting digital activities across the business. Key staff are assigned to Council's Digital Platform Project as either Project Team Members or Key Business Users.

Civic Centre project

The Communications Department is managing the communications across the life of the Civic Centre project, including external and internal messages. We are also handling the visual identifiers for this project, while providing communications advice and support to the project team.

Graphics and Communications

We handled weekly Council News production together with general communications and marketing, content production, and design service requests from within Council.

Large design projects included:

- Water Lab and signage and collateral
- Cemetery signage and suite of forms
- Forum North ticketing kiosk signage
- Forum North TV monitor slideshow
- Customer services signage
- Pre-election report
- City safe logo
- Welcome to Whangarei information booklet
- Rates rebates office signage
- AH Reed interpretive and wayfinding sign review

Communications team members are also working on Election 2019 as part of a shared services arrangement with other Northland local/regional government organisations.

Internal communications

Internal communications included compiling the monthly All Staff PowerPoint presentation and collaborating with various departments to produce banners and news stories for Kete.

Mayoral communications

We researched and wrote speeches, and managed communications for the Mayor's office, including letters of complaint, congratulations, thanks, and requests for mayoral media statements.

Media and public relations

The following stories relating to Council were covered in local media in July:


- Council declares climate change emergency
- Mayor opens Stage 5 of Marsden Cove development
- Vehicle crashes into Laurie Hall Park
- Meet the candidates event at Onerahi
- Public hearing in September for Puriri Park Road housing plan
- NRC Councillors explain GMO vote
- GE Free Northland unhappy with NRC decision
- Tim Robinson to stand for Okara ward councillor
- Little protection for notable trees on private property
- Ruakaka sports park to be extended
- New bus service from Kaiwaka to Whangarei to be trialled
- Proposed vehicle ban at Langs Beach
- Local Government Election nominations open
- Dog attack in Raumanga reserve
- Voters who move need to change their address
- Health issues caused by dusty roads
- Carol Peters to stand for election
- Cr Halse standing down from Bream Bay ward
- Candidates for Bream Bay ward
- Waitaua stream planting
- Tourism funding for Matapouri and Abbey Caves
- New tool for youth to find safe places and things happening in the city
- Candidate event at Ruakaka
- Mayor to stand for third term
- Alex Wright standing for mayor and Hikurangi Councillor
- Old Dent Street villa to be moved off site
- Northland mayors vote against ban on fireworks
- Upgraded dog park open again
- More murals on city buildings
- Communities planning election meetings
- Election candidates must have NZ citizenship
- Camera Obscura project dividing community.

Social media

Top three highest posts reach on Facebook in July 2019:

Post

Engagement




Whangarei District Council

Published by Yolandi Theron · July 2 ·

*** Temporary change to the Intersection of Porowini Ave/Maunu Road – week beginning 8 July 2019 ***


Further works at this intersection should start the week beginning Monday 8 July 2019, dates may vary depending on work progress and weather.

There will be temporarily no turn into Porowini Ave, from the western side around the bridge, for about five days next week. This is so contractors can work on services at this intersection. ... [See More](#)


Whangarei District Council
 Published by Yolandi Theron [?] · July 10 ·

Are you interested in becoming a District Councillor and representing your community on decisions affecting our District? We are encouraging people from all walks of life to consider standing for Council during the local government elections this October.

Find out more about Standing for Council, Candidate Information Evenings, key election dates and more!
<http://www.wdc.govt.nz/.../Lates.../Pages/Eligible-to-stand.aspx>



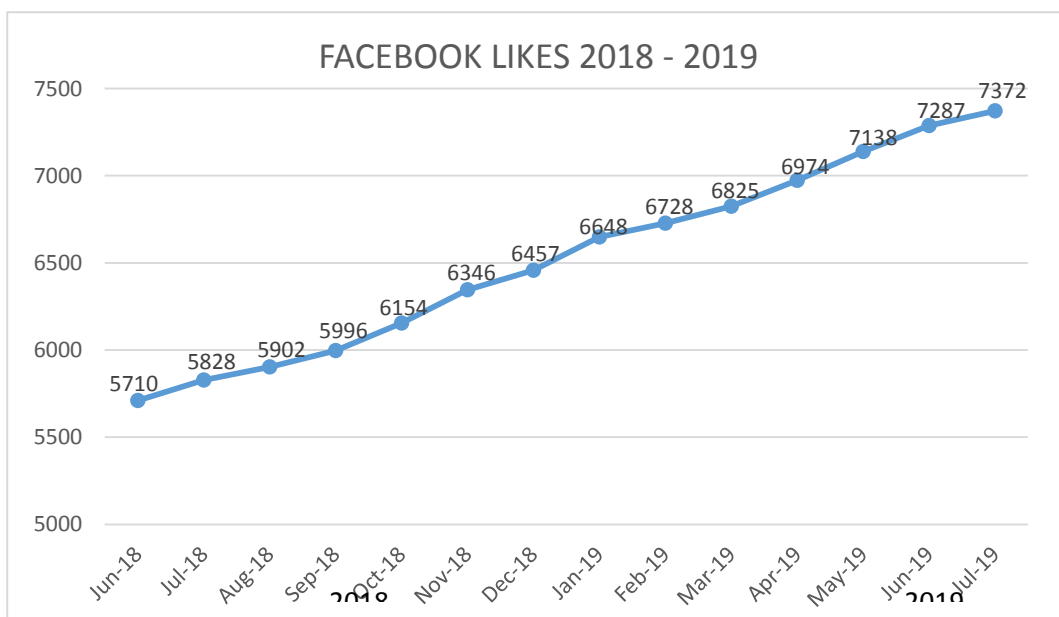
Performance for You
7,210 People Reached
183 Reactions, Comments & Shares
 84 Likes
 12 Loves
 57 Comments
 30 Shares
 470 Post Clicks
 29 Photo Views
 27 Link Clicks
 NEGATIVE FEEDBACK
 1 Hide Post
 0 Report as Spam
 Reported stats may be delayed

- **7,210** people reached.
- **183** engagement by either post clicks and/or comments/reactions/shares.

Facebook audience/followers

Facebook page 'Likes' have been increasing organically and steadily for this month. Likes for July (as at 31 July 2019) = 7,372 (**85** more likes since June 2019).

Below is a graph showing the steady increase in Facebook followers for the last 12 months.



Website

Website traffic continues to grow from last year, while following similar trends in days-of-week. Similar pages were viewed by our customers last month, with Building and Property and using our GIS Maps as the top pages on our website.

Top 5 pages visited - July 2019

<i>Last month – June 2019</i>	<i>July 2019</i>
1. Building and Property / GIS Maps	1. Building and Property / GIS Maps
2. Facilities and Recreation / Cemeteries Database Search	2. Facilities and Recreation / Cemeteries Database Search
3. Plans Policies and Bylaws / District Plan	3. Plans Policies and Bylaws / District Plan
4. Rates and Payments / Rates	4. Do It Online / Pay It
5. Your Council / Contact Us	5. Your Council / Contact Us

Customers are more actively engaging with more pages on our website. Mobile and tablet users show the most increases as more and more people use these devices to surf the internet and use our website.

People and Capability

Remuneration Review

Performance reviews have been completed for all staff and salaries have been reviewed relative to similar roles in the market.

New Employees, Transfers, Vacant Positions and Leavers

New Employees/Transfers	Name	Start Date
Data Warehouse Administrator	Edward Nolan	1-Jul-19
Environmental Health Officer	David Golding	1-Jul-19
Wastewater Treatment Technician	Zac Galpin	1-Jul-19
Senior Planner (RMA Consents)	Yvonne Masefield	2-Jul-19
Manager - Waste & Drainage*	Simon Charles*	8-Jul-19
Team Leader - Service Centres	Scott Sutherland	11-Jul-19
Property Assessment Officer*	Ellen Taylor*	22-Jul-19
Support Assistant - District Plan (Fixed Term)	Ataria Sharman	22-Jul-19
Intermediate Planner	Ben Clearwater	29-Jul-19
Building Control Officer	Beau Tipene	29-Jul-19
Building Control Officer	Ashlee Crane	29-Jul-19

*Internal promotion

Roles filled and waiting to start	Name	Start Date
Team Leader - Infrastructure Support & Contract Payments (F/T)	Trisha Ryan	5-Aug-19
Graduate Engineer - NTA	Anjitha Prem	5-Aug-19
Support Assistant - Infrastructure Support (F/T)	Layne Haretuku	12-Aug-19
Senior Building Control Officer	Andrew Wallace	19-Aug-19

Roles filled and waiting to start	Name	Start Date
Team Leader - Major Event Planning & Admin	Gemma Aspden	26-Aug-19
Project Engineer	Jason Nair	9-Sep-19

Roles not yet filled	Status
Senior Projects Engineer - Pavements (NTA)	Hold
Roading Project Engineer	Hold
Calling all Planners (RMA Consents)	Ongoing
Team Leader - RMA Support	Interviewing
Central and Outreach Services Librarian	Interviewing
Strategic Planner	Ref Checking
Management Accountant	Interviewing
Economic Development Facilitator	Interviewing
Team Leader - RMA Consents	Shortlisting
Web and Social Media Content Adviser	Shortlisting
Environmental Health Officer/Environmental Technical Officer	Shortlisting
Business Partner - P&C	Shortlisting
Infrastructure Development/Civil Engineer	Shortlisting
Digital Communications Support Analyst (F/T)	Shortlisting
Business Analyst	Shortlisting
Graduate Strategic Planner	Shortlisting
Communications Administration Assistant	Advertising
Team Leader - iSITES and Claphams Clocks	Advertising
Distribution Engineer (Water)	Readvertising
Area Supervisor - NTA	Advertising
Senior Transport Engineers (NTA)	Advertising

Leavers	
Ned Wells	Project Engineer
Sue Woffindin	CSR Forum North

Democracy and Assurance

Projects

A key external project of the Democracy and Assurance team work programme is Elections 2019 which is progressing well. The 2019 triennial elections are due to be held on Saturday 12 October 2019. Nominations for candidates close on 16 August 2019. A series of Candidate Information briefings were held across the district during July. Information for candidates is available on Council's website.

Post-election planning, including development of an Induction Programme is also well underway.

Democracy

The Democracy Team supported five Council and Committee meetings and two Council workshops and briefings. Eighty-six liquor licence applications were processed for determination by the Chair of the District Licensing Committee. The Democracy Team also supported three District Licensing Hearings.

Official Information requests

39 official information requests have been received by Council since the last operational report in July 2019. Council received 248 requests during 2018 and with 160 requests having been received during the year to date we are on track to receive a similar number during 2019.

The following is a summary of the requests received during July/August 2019.

- Request for mapping of council owned land in Whangarei Heads area
- Request for copy of Whananaki airstrip lease
- Information relating to a cat nuisance complaint
- Request for information on remuneration of parking wardens
- Request for information on rates penalty remission decisions for the last 10 years and copies of rates penalty remission guidelines
- Request relating to release of documentation by the Environment Protection Authority
- Request for details of next of kin for deceased buried at Maunu Cemetery
- Follow-up request for information regarding parking warden remuneration and workload
- Request for information relating to former paper road Te Toiroa Road, Ngunguru
- Multiple questions relating to the upgrade of the Whangarei District Council Dog Park on Pohe Island
- Request for copies of consent waivers in relation to a specified subdivision in Matapouri
- Further questions and requests for information relating to the Bike Northland contract
- Request for all correspondence relating to a specified complaint matter between 25 June 2019 and 23 July 2019
- Request for information relating to a specified resource consent
- Various questions relating to overseas travel by Her Worship the Mayor
- Request for copies of all Class 4 Gambling Policies of council since 2004
- Request for copies of all correspondence relating to a specified subdivision
- Request for information relating to the upgrade of the Whangarei District Council Dog Park on Pohe Island
- Request for data on infringements issued for failure to display registration
- Request for copies of annual dog control reports published by council under of the Dog Control Act 1996
- Various questions relating to the dumping of rubbish and its regulation over the last financial year
- Request for information on noise control complaints for a specified address over the last 12 months
- Request for information relating to the Matapouri funding application to the Tourism Infrastructure Fund
- Follow-up request relating to council policies of advertising alcohol on council facilities
- Various questions relating to the development of land in Puriri Park Road
- Request for copy of Tourism Infrastructure Fund application regarding Tamaterau car park upgrade
- Request for various information relating to Local Government Commission reorganisation process
- Request for information relating to a dog control infringement
- Request for consents related data for specified streets in Otangarei
- Complaint to Ombudsman regarding response to a request for information on the Bike Northland contract

- Request for copies of multiple resource consents in the Marsden Point and Whangarei Heads areas
- Request for copy of any “independent survey” report relating to a specified complaint matter
- Complaint to Ombudsman regarding response to request relating to a dog control matter
- Request for information relating to multiple dog control infringements
- Request for a copy of a court judgment relating to freedom camping
- Request for details of any payments made by council to the New Zealand Drug Foundation since October 2017
- Request for information on any resource consent applications relating to Poroti Springs
- Request for information relating to the payment of child care costs to elected members
- Various questions relating to expenditure by council on communications and public relations in the last 5 years
- Further request for all correspondence relating to a specified complaint matter between 26 June 2019 and 9 August 2019.

Council Controlled Organisations

Good progress is being made on the development of a CCO framework, this will inform how we work with our CCOs in the future. As part of this review staff have developed a working paper looking at roles and responsibilities and a best practice road map. This will align with the upcoming update of the “Appointment to Council Organisations Policy” for the new triennium.

Audit and Risk

Staff have completed work on the updates to the delegations register, including the review of all items raised during the roll out training. These updates will be shared with Council during the July meeting.

The annual insurance renewal programme has now been initiated and staff are working with across departments to gather the information to share with our brokers. The brokers will then take the data to the insurance markets with the aim of gaining good value for Council for the 2019-20 renewal year. Progress in this space will be provided to the Audit and Risk Committee at the September meeting.

Business Continuity remains an important task for Council to work on. Staff are currently looking at ways to ensure that Council develops robust contingency plans for back office staff across our corporate sites. To date, an initial template has been developed to trial this with various departments.

Consultation and Engagement

The Engagement and Consultation Toolkit, designed to support staff with best practice, and processes for engagement, is close to the stage that it can be 'launched' within the organisation. The process and all supporting templates and resource documents will sit within the ProMapp programme. Training will be developed for staff, along with a weekly drop in clinic for staff needing advice and support on engagement activities.

The Vehicles on Beaches Bylaw consultation is currently active and closed on 11 August.

Resource Consent consultation for Hihiaua Cultural Centre Trust is active until 19 August.

Māori Relationships

Parihaka War Memorial Refurbishment

Ongoing korero with hapū, members of RSA and Council staff to upgrade the existing memorial area to make the space accessible with the long-term intent to establish a military story board hub.

Council Collaboration

Supported our neighbouring Councils, Kaipara District and Northland Regional, with the recent launch of the Bream Bay Link (Kaiwaka to Whangarei bus service). The bus passes through all the respective Councils' boundaries. Māori Officers for each of the Councils, including Whangarei District, ensured the appropriate karakia were done.

International Students Welcome

Assisting the Mayor with the welcome ceremony of international students to Whangarei. Many of the students attend local schools and are part of a global exchange programme linking Whangarei as their destination of choice.

Climate Change

The team have been party to a series of webinar forums hosted by the Ministry for the Environment. Given the recent declaration from Whangarei District Council this kaupapa has hastened a response which will have an impact on all relevant parties including Māori and the wider Tai Tokerau.

Tane Whakapiripiri

Tane Whakapiripiri hui on Friday 16 August 2019 at Terenga Paraoa Marae 10am.

Will celebrate the findings of the report that looks at the current capacity of ngā hapū o Whangarei regarding environmental protection and management. It focuses on hapū relationships with local authorities and participation in Resource Management Act processes and proposes recommendations to prioritise and lift hapū capacity in this space.

RESOLUTION TO EXCLUDE THE PUBLIC

That the public be excluded from the following parts of proceedings of this meeting.

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

1.	The making available of information would be likely to unreasonably prejudice the commercial position of persons who are the subject of the information. {Section 7(2)(c)}
2.	To enable the council (the committee) to carry on without prejudice or disadvantage commercial negotiations. {(Section 7(2)(i))}.
3.	To protect the privacy of natural persons. {Section 7(2)(a)}.
4.	Publicity prior to successful prosecution of the individuals named would be contrary to the laws of natural justice and may constitute contempt of court. {Section 48(1)(b)}.
5.	To protect information which is the subject to an obligation of confidence, the publication of such information would be likely to prejudice the supply of information from the same source and it is in the public interest that such information should continue to be supplied. {Section 7(2)(c)(i)}.
6.	In order to maintain legal professional privilege. {Section 2(g)}.
7.	To enable the council to carry on without prejudice or disadvantage, negotiations {Section 7(2)(i)}.

Resolution to allow members of the public to remain

If the council/committee wishes members of the public to remain during discussion of confidential items the following additional recommendation will need to be passed:

Move/Second

"That _____ be permitted to remain at this meeting, after the public has been excluded, because of his/her/their knowledge of Item _____.

This knowledge, which will be of assistance in relation to the matter to be discussed, is relevant to that matter because _____.

Note:

Every resolution to exclude the public shall be put at a time when the meeting is open to the public.