

Strategy, Planning and Development Committee

Agenda

Date: Thursday, 19 March, 2020

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 Vince Cocurullo
Cr Nicholas Connop
Cr Ken Couper
Cr Tricia Cutforth
Cr Jayne Golightly
Cr Phil Halse
Cr Greg Innes
Cr Greg Martin
Cr Anna Murphy
Cr Carol Peters
Cr Simon Reid

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

1. Declarations of Interest	
2. Apologies	
3. Confirmation of Minutes of Previous Planning and Development Committee Meeting	
3.1 Minutes Strategy, Planning and Development Committee 20 February 2020	7
4. Decision Reports	
4.1 Road and Access Naming Application - WFH Properties Ltd The Landing - SD1800110 - Stages 4-9	15
5. Information Reports	
5.1 Local Government Funding Agency - Draft Statement of Intent 2020-21	25
5.2 Local Government Funding Agency - Half Yearly Report to 31 December 2019	49
5.3 Operational Report - Corporate Group - March 2020	87
5.4 Operational Report - Strategy, Planning and Development March 2020	101
6. Public Excluded Business	
7. Closure of Meeting	

Recommendations contained in the agenda are not the decisions of the meeting.

Please refer to minutes for resolutions.

Strategy, Planning and Development Committee – Terms of Reference

Membership

Chairperson Councillor Shelley Deeming

Members Her Worship the Mayor Sheryl Mai
 Councillors Gavin Benney, Vince Cocurullo, Nicholas Connop, Ken Couper, Tricia Cutforth, Jayne Golightly, Phil Halse, Greg Innes, Greg Martin, Anna Murphy, Carol Peters, Simon Reid

Meetings Monthly

Quorum 7

Purpose

To oversee planning, monitoring and enforcement activities, and guide the economic and physical development and growth of Whangarei District.

Key responsibilities

- Regulatory and compliance
 - Environmental health
 - General bylaw administration
 - Animal (dog and stock control)
 - Hazardous substances and new organism control
 - Parking enforcement (vehicles registrations and warrant of fitness)
 - Noise control
 - Food Act
 - Land use consents
 - Building Act
- Building Control
 - Property Information and Land Information Memoranda
 - Consents and inspections
- Resource Consents
 - Subdivision, land use and development control
 - Development contributions
- District Plan
 - Plan changes
 - District Plan administration
- Strategic Planning
 - Place based strategies (city centre), functional strategies (climate change)
 - Growth planning

- Urban design
- Reporting strategic trends and analysis
- Economic Development
 - District marketing and promotions
 - Developer engagement
- Commercial Property
- Marinas
- Airport
- Forestry
- Reporting on service delivery, including operational financial performance.
- Reporting on capital projects.
- Operational reporting for the Strategy and Democracy, Planning and Development, and Corporate groups within Council.
- Procurement – general procurement relating to the areas of business of this committee, within delegations.
- Shared Services – investigate opportunities for Shared Services for recommendation to council.
- Council Controlled Organisations (CCOs) – monitoring the financial and non-financial performance of CCOs whose functions would otherwise fall under the scope of this committee. Includes trading CCOs (CCTOs) and those CCOs exempted under the LGA. Responsibilities include:
 - advising on the content of annual Statement of Expectations to CCOs
 - agreement of the Statement of Intent
 - monitoring against the Statement of Intent
 - for exempted CCOs, monitoring and reporting as agreed between Council and the organisation

CCOs accountable to this committee:

- Whangarei District Airport – CCO
- Local Government Funding Agency (LGFA) - CCO

Delegations

- (i) All powers necessary to perform the committee's responsibilities, including, but not limited to:
 - a) 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) adoption of strategies and policies relating to the key responsibilities of this committee (except for those that cannot be delegated by Council under Clause 32(1)(f) of Schedule 7 of the LGA).
- e) power to establish subcommittees and to delegate their powers to that subcommittee.
- f) 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).
- g) 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.

Strategy, Planning and Development Committee Meeting Minutes

Date: Thursday, 20 February 2020
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 Vince Cocurullo
 Cr Nicholas Connop
 Cr Ken Couper
 Cr Tricia Cutforth
 Cr Jayne Golightly
 Cr Phil Halse
 Cr Greg Innes
 Cr Greg Martin
 Cr Anna Murphy
 Cr Carol Peters
 Cr Simon Reid

Scribe Jennie Thomas (Democracy Adviser)

1. Declarations of Interest

There were no declarations of interest.

2. Apologies

There were no apologies.

3. Confirmation of Minutes of Previous Strategy, Planning and Development Committee Meeting

3.1 Minutes Strategy, Planning and Development Committee 18 December 2019

Moved by Cr Vince Cocurullo
Seconded by Cr Greg Martin

That the minutes of the Strategy, Planning and Development Committee meeting held on Wednesday, 18 December 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 Final Operative Date of Plan Change 129 Notable and Public Trees

Moved by Cr Greg Innes

Seconded by Her Worship the Mayor Sheryl Mai

That the Strategy, Planning and Development Committee approve:

1. The incorporation of Plan Change 129 Notable and Public Trees into the District Plan in terms of Clause 17 of Schedule 1 of the Resource Management Act 1991.
2. The notification of Plan Change 129 Notable and Public Trees becoming operative in accordance with Clause 20 of Schedule 1 of the Resource Management Act 1991.

Carried

Cr Carol Peters joined the meeting at 9.02am during discussion on item 4.1.

4.2 Road Name Extension - RMA Consents - Woodbury Farming Ltd - SD1700210

Moved by Cr Vince Cocurullo

Seconded by Cr Greg Martin

That the Strategy, Planning and Development Committee

1. Approve the name extension of Walters Road as Walters Road.

Carried

4.3 Road Naming Application - RMA Consents - Bream Bay Village - LU1600156

Moved by Cr Greg Innes

Seconded by Cr Greg Martin

That the Strategy, Planning and Development Committee approve the names of the following private accessways within the retirement village as:

- Flaxmill Avenue
- Tilleys Lane
- Dotterel Drive

Carried

4.4 Road Naming Application - RMA Consents - Bream Bay Holdings - SD1700232

Moved by Cr Vince Cocurullo

Seconded by Cr Gavin Benney

That the Strategy, Planning and Development Committee

1. Approve the name of the private accessway off Marsden Point Road as Sunset Way.

Carried

4.5 Road Naming Application - RMA Consents - WFH Properties Ltd - SD1800110

Moved by Cr Phil Halse

Seconded by Cr Ken Couper

That the Strategy, Planning and Development Committee approve the following names for Stage 3 of “The Landing” development in One Tree Point:

- Public Road 1 as Kitemaunga Avenue
- Public Road 2 as St Michael Crescent
- Public Road 3 as Olney Court
- Private Access 4 as Te Akau Place

Carried

4.6 Whangarei District Spatial Planning Programme

Moved by Cr Greg Innes

Seconded by Cr Greg Martin

That the Strategy, Planning and Development Committee

1. Recommends to proceed with the spatial planning programme based on the order of locations in;

Option 2: Pilot programme in Parua Bay and Hikurangi:

Parua Bay and Hikurangi (Pilot areas)

Tikipunga

Waipu

Kensington

Marsden/Ruakaka

Maunu

Onerahi

Kamo

Raumanga/Otaika

Amendment

Moved by Cr Tricia Cutforth

Seconded by Cr Jayne Golightly

That the Strategy, Planning and Development Committee

1. Recommends to proceed with the spatial planning programme based on the order of locations in;

Option 1: Prioritised list based on the criteria in the Draft Whangarei District Growth Strategy:

Tikipunga

Waipu

Kensington

Marsden/Ruakaka

Maunu

Parua Bay

Onerahi

Hikurangi

Kamo

Raumanga/Otaika

Cr Deeming foreshadowed her intention of moving a further amendment should this amendment be lost.

On the amendment being put Cr Cutforth called for a division:

Recorded	For	Against	Abstain
Cr Shelley Deeming			X
Her Worship the Mayor		X	
Sheryl Mai			
Cr Gavin Benney		X	
Cr Vince Cocurullo			X
Cr Nicholas Connop		X	
Cr Ken Couper		X	
Cr Tricia Cutforth	X		
Cr Jayne Golightly	X		
Cr Phil Halse		X	
Cr Greg Innes		X	
Cr Greg Martin		X	
Cr Anna Murphy		X	
Cr Carol Peters	X		
Cr Simon Reid		X	
Results	3	9	2
			Lost (3 to 9)

Amendment

Moved by Cr Shelley Deeming

Seconded by Cr Vince Cocurullo

That the Strategy, Planning and Development Committee

1. Recommends to proceed with the spatial planning programme based on the order of locations in;

Option 2: Pilot programme in Tikipunga and Hikurangi:

Tikipunga and Hikurangi (Pilot areas)

Parua Bay

Waipu

Kensington

Marsden/Ruakaka

Maunu

Onerahi

Kamo

Raumanga/Otaika

On the amendment being put Cr Deeming called for a division:

Recorded	For	Against	Abstain
Cr Shelley Deeming	X		
Her Worship the Mayor		X	
Sheryl Mai			
Cr Gavin Benney	X		
Cr Vince Cocurullo	X		
Cr Nicholas Connop	X		
Cr Ken Couper		X	
Cr Tricia Cutforth	X		
Cr Jayne Golightly	X		
Cr Phil Halse		X	
Cr Greg Innes		X	
Cr Greg Martin			X
Cr Anna Murphy	X		
Cr Carol Peters	X		
Cr Simon Reid		X	
Results	8	5	1

The amendment was Carried (8 to 5)

On the amendment being put as the substantive motion Cr Deeming called for a division:

Recorded	For	Against	Abstain
Cr Shelley Deeming	X		
Her Worship the Mayor	X		
Sheryl Mai			
Cr Gavin Benney	X		
Cr Vince Cocurullo	X		
Cr Nicholas Connop	X		
Cr Ken Couper	X		
Cr Tricia Cutforth	X		
Cr Jayne Golightly	X		
Cr Phil Halse		X	
Cr Greg Innes	X		
Cr Greg Martin	X		
Cr Anna Murphy	X		
Cr Carol Peters	X		
Cr Simon Reid		X	
Results	12	2	0

The Substantive motion was Carried (12 to 2)

4.7 Whangarei District Airport Draft Statement of Intent 2020-2021

Moved by Cr Vince Cocurullo

Seconded by Cr Anna Murphy

- a. That the Strategy, Planning and Development Committee under delegation endorse the Draft Statement of Intent 2020/2021 for the Whangarei District Airport.
- b. That the Strategy, Planning and Development Committee notes and provides feedback on the 2020/21 Draft Statement of Intent.

Carried

Cr Anna Murphy left the meeting at 10.13am during discussion on Item 4.7.

5. Information Reports

5.1 Whangarei District Airport Half Yearly Financial Reports to 31 December 2019

Moved by Cr Greg Martin

Seconded by Cr Greg Innes

That the Strategy, Planning and Development Committee, under delegation notes the half yearly financial report to 31 December 2019 for the Whangarei District Airport.

Carried

5.2 Operational Report - Strategy, Planning and Development - February 2020

Moved by Cr Greg Martin

Seconded by Cr Greg Innes

That the Strategy, Planning and Development Committee notes the Operational report for February 2020.

Carried

5.3 Operational Report - Corporate Group - February 2020

Moved by Cr Greg Martin

Seconded by Cr Greg Innes

That the Strategy, Planning and Development Committee notes the Corporate Group operational report for February 2020.

Carried

6. Public Excluded Business

There was no business conducted in public excluded.

7. Closure of Meeting

The meeting concluded at 10.29am.

Confirmed this 19th day of March 2020

Councillor Shelley Deeming (Chairperson)

4.1 Road and Access Naming Application – RMA Consents – The Landing WFH Properties Ltd – SD1800110 – Stages 4-9

Meeting: Strategy, Planning and Development Committee Meeting
Date of meeting: 19 March 2020
Reporting officer: Ricardo Zucchetto – Post Approval Officer – RMA Consents

1 Purpose

To name new roads within the WFH Properties Ltd subdivision at One Tree Point.

2 Recommendation

That the Strategy, Planning and Development Committee:

1. Approve the following road names for Stages 4-9 of SD1800110:
 - a. Beveridge Road
 - b. Wade Drive
 - c. Stack Lane
 - d. Taurangawaka Road
 - e. Te Piriti Road
 - f. Te Taniwha Road

3 Background

A road naming application has been received to satisfy conditions of a large subdivision for The Landing WFH Properties Ltd to name multiple new accessways within the development at One Tree Point. The proposed names are in accordance with Council's Road Naming Policy. In order to enhance the branding of the development the developer wishes to reserve the remaining names to align with the previously approved names.

4 Consultation

Consultation has been undertaken between the developer and local Iwi (Patuharakeke Trust) as outlined in their naming application (attached). No titles have been issued for this stage of the development.

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 Attachments

- The Landing WFH – SD1800110 – Naming Application – Stages 4-9
- The Landing WFH – SD1800110 – Development Outline Map – Stages 4-9
- The Landing WFH – SD1800110 – Location Map

Application for Road Naming

Thank you for making an application to name a proposed road.

Points to remember when making an application

- ❖ Please print clearly to ensure the form is easy to read.
- ❖ We will respond in writing to every application received. Please ensure that you provide appropriate contact details so that our response gets back to you.
- ❖ Your application will not be returned to you once it is lodged with Council. Please keep a copy for your reference.

Important Considerations

- ❖ Please refer to the **Road Naming Policy** and **Road Naming Index** prior to making your application. These documents will be helpful when proposing road names. Both documents can be found on the Council website at www.wdc.govt.nz

How to get this application to us

Mail to: Attn: Administration Team Leader – Resource Consents
Whangarei District Council
Private Bag 9023
WHANGAREI 0148

Fax to: 09 438 7632

Email to: mailroom@wdc.govt.nz

Applicant Details

First name(s) WFH Properties - Stages 4-9

Last name _____

Postal address _____

Best day-time phone number See agent Mobile See agent

Email See agent

Resource Consent Details

Resource Consent application number SD1800110

Agent Details

Name of Agent Warren Frogley Agent ref Brandmad

Agent postal address PO Box 46291 Herne Bay, Auckland

Best day-time phone number _____ Mobile 021 439 545

Email frog@brandmad.co.nz

BACKGROUND

The aim with branding the development is to create a story that buyers and the surrounding community can relate to, support and become a part of. That story is best when based on historical facts that give it credibility and a foundation to develop a theme that is rooted in the past but endures a transformation into the present day and beyond. Historical information of most relevance starts with Maori activity, followed by colonisation of the early settlers, subsequent farming or other land use, key families and figures, events or traditions specific to the area.

MAORI ACTIVITY

By engaging with the Patuharakeke Trust who represent local Iwi, through their secretary Juliane Chetham, we have established an understanding of early Maori behaviour and clarified their views on the development naming and use of themes throughout the road and reserve naming process.

The Patuharakeke Trust were also particularly helpful in providing the assistance of their historian, who was able to work with our theme and suggest appropriate names that would further enhance the relationship between past and present.

The legend that surrounds Mt Manaia offers some material, however several road names already exist and the likely location of a crossing, bridge or landing that Chief Manaia made is most probably further east. That being said, most properties have a view to the prominent landmark so some link to Manaia is desirable.

The 'Landing' offers a strong nautical theme, in part due to the protection the harbour offers, and part due to this being the area scouted by sea for early mission stations by Rev. Samuel Marsden then Rev. Samuel Leigh.

Most notably, in 1823 the ship St Michael anchored in the harbour entrance to explore the area.* The party went forth with uncertainty, on one hand the threat of being plundered by aggressors encountered in the north, on the other met with assistance, food and shelter from local Maori who greeted them in canoes. This began the first union in the area that later enabled European settlement in Whangarei. **more detail on this is available upon request.*

EARLY SETTLERS

Once the area became colonised, Ruakaka and the surrounds eventually transformed into farmland. Some of the more prominent families who pioneered this or became respected members of the community were Bellevue, Sloane, Chetham, Farnham, Hunt and in more recent times, Olney,

TODAY

As well as local Iwi, meetings have been held with local councillors, heads of committees and prominent individuals, who care to have input into the process, including Phil Halse, Peter Hope, Warren Daniel. Suggestions have been put forward by these people for consideration, with a strong emphasis on Maori history, and Settlers who effected change throughout the wider Ruakaka district.

ROAD NAMES

Please note, that while WDC state a requirement to provide 3 possible names per road, in this case that would be both impractical and neglect historical and local advice that has determined these names and their placement. Should any of these conflict for any reason, there are a handful of lesser alternatives.

Generally speaking, historical Maori names have been used on the right side of the development (requiring more names, with more available) while historical European names have been used on the left.

Proposed Road Name 6: KITEMAUNGA AVENUE *Required for Stage 3*

Background - *(provided care of Patuharakeke Trust)*

Meaning mountain or mountain view (see the mountain).

This road is the main thoroughfare through the *Landing*, it is tree lined and all sections face Mt Manaia.

Proposed Road Name 7: ST MICHAEL CRESCENT *Required for Stage 3*

Background

The name of the ship that took shelter in the harbour entrance in 1823, welcomed by Maori to the west, avoiding plunder from the north, who's occupants led to the colonisation of the district.

Proposed Road Name 8: OLNEY COURT

Required for Stage 3

Background

The name of one of the predominant families that brought growth to the area.
A suggestion by local Ratepayers Assn.

Proposed Road Name 9: TE AKAU PLACE

Required for Stage 3

Background - *(provided care of Patuharakeke Trust)*

Meaning coastal, or close to the coast.

This is a small joal that serves lots 456-461 and stems off the existing road Plover Street.

Required for Stages 4-9

Proposed Road Name 10: **BEVERIDGE ROAD**

Background

The name of the captain of the ship St Michael.

Proposed Road Name 11: **WADE DRIVE**

Background

The name of one of the St Michael landing party.

Proposed Road Name 12: **STACK LANE**

Background

The name of one of the St Michael landing party.

Proposed Road Name 14: **TAURANGAWAKA ROAD**

Background - (*provided care of Patuharakeke Trust*)

This name applies to the general area where many ships come to moor.

Proposed Road Name 15: **TE PIRITI ROAD**

Background - (*provided care of Patuharakeke Trust*)

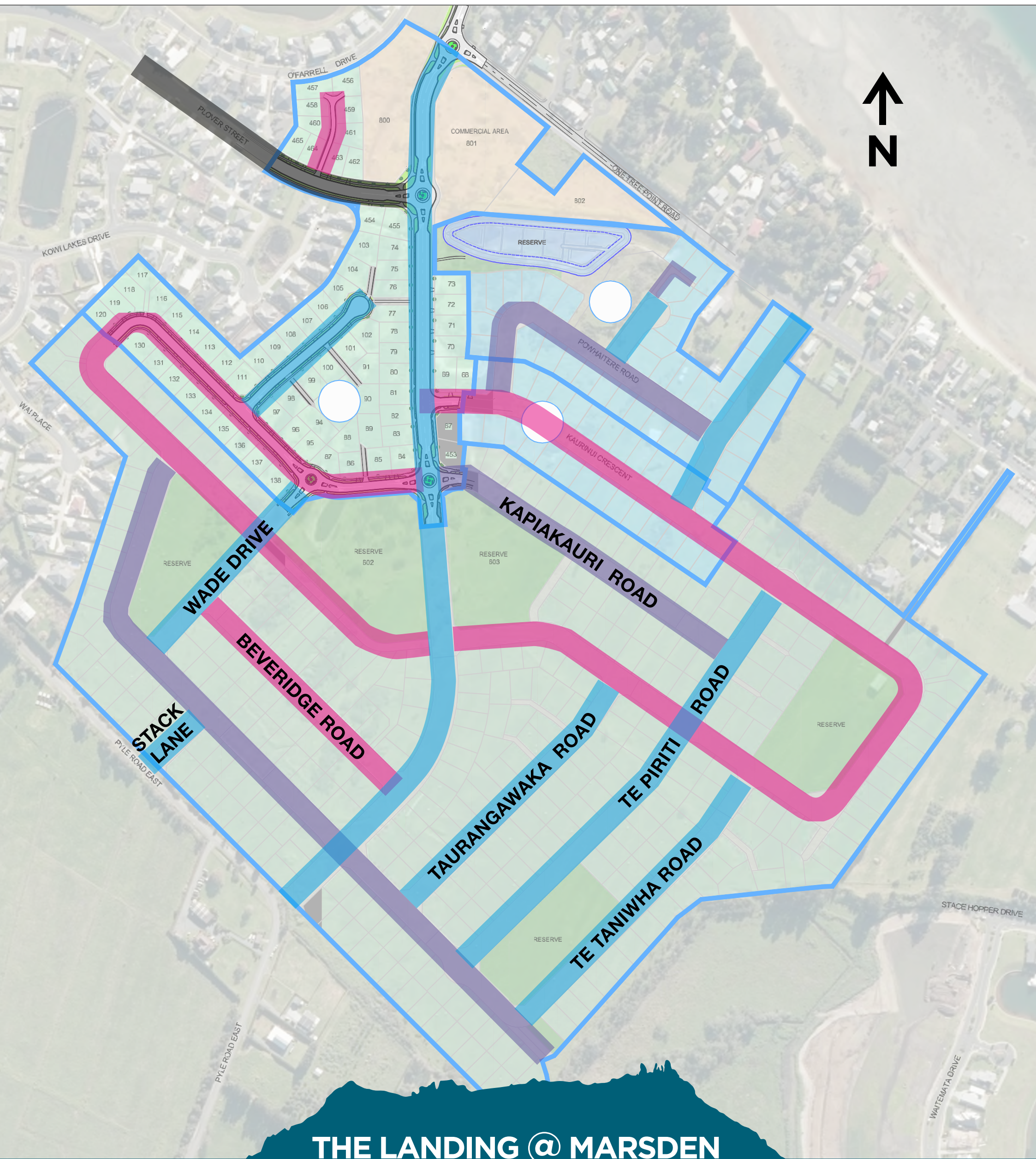
Meaning “The Bridge”. This name applies to the causeway or bridge Manaia attempted to construct from the north side of Whangarei harbour to the south side at Marsden Pt.

Proposed Road Name 16: **TE TANIWHA ROAD**

Background - (*provided care of Patuharakeke Trust*)

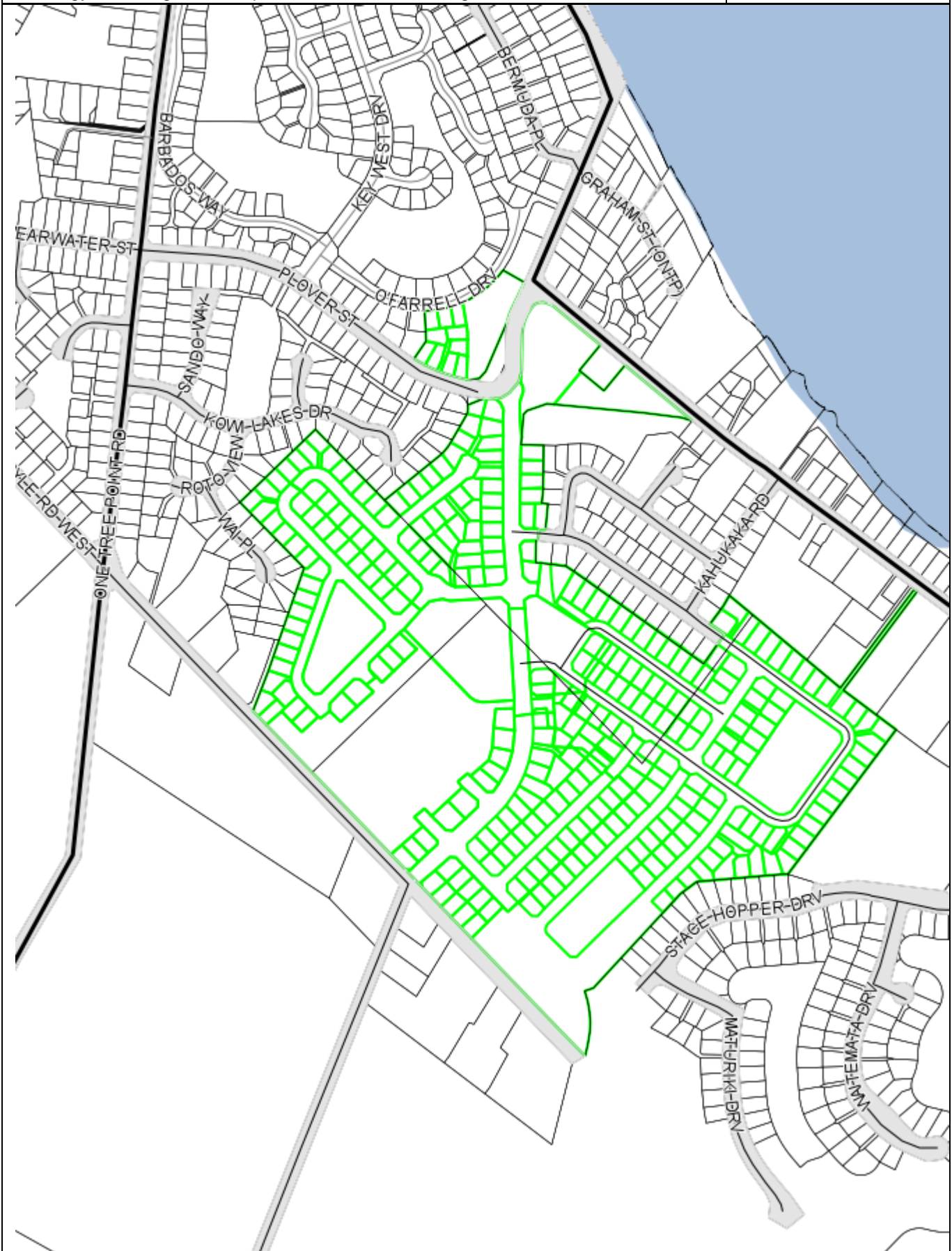
A name commemorative of the Patuharakeke belief that we have a guardian taniwha in our rohe.

The Landing WFH - SD1800110 - Development Outline Map - Stages 4-9



The Landing WFH – SD1800110 – Location Map

Strategy, Planning & Development Committee Meeting – 17/03/2020



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If information is vital, confirm with Whangarei District Council,
Customer Services.

5.1 Local Government Funding Agency – Draft Statement of Intent 2020-21

Meeting: Strategy, Planning and Development Committee

Date of meeting: 19 March 2020

Reporting officer: Alan Adcock (General Manager – Corporate/CFO), and Joanne Tasker (CCO Project Co-ordinator)

1 Purpose

To note receipt of the Local Government Funding Agency (LGFA) Draft Statement of Intent 2020-21 and determine whether any feedback should be provided to the LGFA Board.

2 Recommendation

1. That the Strategy Planning and Development Committee notes the Local Government Funding Agency Draft Statement of Intent 2020-21.
2. Authorises the General Manager Corporate / CFO to provide feedback on behalf of Council.

3 Background

Section 64 of the Local Government Act (2002) advises that Council Controlled Organisations (CCOs) must have a Statement of Intent (SOI). Council can agree with the Statements of Intent or ask for modifications.

Prior to the preparation of the Draft Statement of Intent, a Statement of Expectation was sent to the LGFA Board by the Shareholders' Council. This is included as Attachment One.

The Draft 2019-20 Statement of Intent for the LGFA, of which Council has a shareholding, is included as Attachment Two, and the cover letter as Attachment Three. It meets the obligations of Section 64 and Schedule 8 in the Local Government Act (2002).

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.

Any potential conflicts of interest this causes are dealt with as circumstances dictate.

4 Discussion

Should Council wish to provide feedback to the Board on this draft report there are two avenues available:

- a) Directly to the Board as a shareholding council.
- b) Through the Shareholders' Council, who will aggregate and discuss all known views of shareholding councils and the Crown before preparing a response to the Board.

Option b) is recommended unless Council's views differ from those of the Shareholders' Council.

Recommendation 2 in this item has been left incomplete so any feedback topics can be included in the final resolution. If no feedback is required, this recommendation can be deleted.

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 Attachments

- 1. Shareholders' Council Statement of Expectation dated 18 February 2020
- 2. LGFA Draft Statement of Intent 2020-21
- 3. LGFA letter to shareholders dated 27 February 2020 to accompany Draft Statement of Intent 2020-21

18 February 2020

Craig Stobo
 Chair
 New Zealand Local Government Funding Agency Ltd
 P O Box 5704
 Wellington 6145

Dear Craig,

Shareholder Expectations and the Statement of Intent 2020/21

I am writing to set out the Shareholders' Council's (the Council's) expectations of the New Zealand Local Government Funding Agency Ltd (LGFA) for consideration in the LGFA's business planning for the upcoming year and the development of its 2020/21 Statement of Intent (SOI).

The Council values the positive and open working relationship with the LGFA. The timely provision of information, and a 'no surprises' approach by both parties, helps ensure the relationship remains productive.

Governance

We urge the LGFA to continue to seek to influence government decision-making for the benefit of the sector, and to keep abreast of the issues facing the sector. This will include the impending Funding and Financing and Urban Development bills, as well as Fire and Emergency NZ funding and any use of rates (administered by Councils) to fund Central Government activities which may have an unintended impact on LGFA covenant calculations.

It is important that the LGFA continues to build on its board and management strengths and works closely with the Council to ensure the board membership maintains an optimum mix of expertise, appropriate gender/diversity balance and experience. We expect the LGFA to maintain a focus on longer term succession planning, particularly with regard to the role of Chair and ensuring that there is appropriate senior experience working in or with central government amongst the Board's membership.

We note the recent changes to the Local Government Act 2002 through the re-introduction of the four well-beings and ask the LGFA to demonstrate its relevance in relation to the four well-beings, and to show that it has considered the well-beings and identified opportunities to reflect these where appropriate.

The shareholders would like to reiterate that consideration be given to the current non-independent director rotation process. It seems appropriate that non-independent director rotation timing should be better aligned with that of independent directors. For example, at times where there is only one non-independent director it may be more appropriate for the rotation timing to be a minimum of two years.

Sector Representation

With the increase in the number of borrowers/guarantors over the last few years, the Council is conscious that there are now a significant number of councils that are affected by LGFA's overall operations; but who have limited visibility and no influence over them.

The Council has instigated regular contact with guaranteeing councils that are not also shareholders through the portfolio allocated to each member. Any relevant information will be passed on to the LGFA Board and management for consideration via our existing processes.

Constancy of objectives and intentions

It is the Council's expectation that the company's objectives and operating intentions be reflected in the 2020/21 SOI. The SOI is the ideal opportunity for the LGFA to reaffirm its:

- commitment to providing a range of borrowing products and services;
- focus on lowering the cost of local government borrowing;
- strategy for maintaining a high-quality asset book and ensure appropriate insurance cover and/or reserves maintained to cover unplanned event risk;
- proactive risk management approach; and
- intention to return a dividend to shareholders.

With regard to extending the range of borrowing products and services, consideration should be given to the company's original purpose to be a funding vehicle en-masse to the sector. While we expect customer demand to drive new product and service development, a balance needs to be maintained between the risk, cost and complexity of introducing and managing them versus the extent of the incremental benefits they provide., or where restrictions apply to the service available due to the service creating other requirements on the LGFA e.g. holding liquid assets

Performance indicators

Performance indicators should provide a robust, meaningful performance overview for key stakeholders. The Council asks that the LGFA's performance indicators and targets are regularly reviewed to confirm that they are providing the most effective performance picture.

With reference to the current measurement of savings to council borrowers, we believe the current comparison to Auckland Council and Dunedin Council does not reflect the true value of savings to councils due to the overall impact of the LGFA and this comparison is of marginal benefit now.

Now that LGFA is firmly established as the primary funder to the sector it may be more appropriate to change this measure to demonstrate 'value added', rather than direct savings, which are becoming increasingly harder to isolate and track.

Treasury policy

It is the Council's enduring expectation that the LGFA will continue to take the appropriate steps to ensure that it understands each borrower's headroom, and the overall sector's financial position.

The LGFA's Lending Policies and Foundation Policies, as detailed in the company's Treasury Policy, should appropriately reflect the sector's position.

Lending Processes

The Council requests ongoing reviews to enable the most efficient processing of agreements, transactions and documentation. For example, consideration should also be given to the difficulty of obtaining the Chief Executive's signatures within the current half day timeline and whether some form of pre-approval can occur for some components.

Financial and general reporting

The current SOI contains brief financial forecast information. The Council continues to appreciate the LGFA providing more detailed financial and operational information in the quarterly reports. It is important that this information continues to be provided in 2020/21.

The Council notes the importance of shareholders receiving full and early disclosure from the LGFA of company policy breaches by Participating Local Authorities. It is crucial that all shareholders are informed as soon as possible after an event has occurred, given their potential liability.

At the 2018 and 2019 General Meetings shareholders supported changes to Foundation policies to allow the calculation of financial covenants at Group level and direct lending to Council Controlled Organisations. This support was given on the basis that as the changes to the Foundation Documents are transformed into operational policies and practices, they ensure that no additional risk to either lenders, guarantors or the Crown is created.

We have been assured by LGFA's management team and Board that they will ensure this happens. However, the Council notes the complexity that would be introduced by doing reporting against covenants at both the parent and group level during the year. We request, therefore, confirmation that the LGFA is constantly monitoring at both parent and group level and also that any direct lending to Council Controlled Organisations be included in quarterly and annual reports to ensure transparency for all stakeholders.

Further discussion with the Shareholders Council is requested regarding a review of the application of calculation of the measures to the covenants in the foundation documents to ensure all risk is measured appropriately and that there is consistency in the application of the calculations. As part of this process we request that the current basis of the calculation of financial covenants is clearly documented and tabled as part of this discussion.

The Council also requests that to maintain the integrity and security of the LGFA for Guarantors that no more risk is taken on by the LGFA i.e. it operates within existing treasury policies and limits.

Delivery of draft 2020/21 SOI

The Council would welcome a discussion on the content of this letter and the LGFA's views on its priorities for 2020/21. We look forward to receiving the company's draft SOI as early as possible, to allow us to engage with shareholders in a meaningful fashion. The Council will respond with feedback as promptly as possible, and prior to the statutory deadline of 1 May 2020, in order that the company is in a position to deliver its final SOI by 30 June 2020.

It was a pleasure to attend the 2019 Annual General Meeting, and recognise the significant achievements of the LGFA over the last year. Please do not hesitate to contact me if you have any queries or comments.

Yours sincerely



Alan Adcock
Chair, LGFA Shareholders' Council

cc. Mark Butcher, Chief Executive LGFA

Draft Statement of Intent 2020/21

1. Introduction

This Statement of Intent (SOI) sets out the intentions and expectations of New Zealand Local Government Funding Agency Limited (LGFA).

The LGFA is enabled under the Local Government Borrowing Act 2011 and is a council-controlled organisation (CCO) for the purposes of the Local Government Act 2002.

The SOI is prepared in accordance with section 64(1) of the Local Government Act 2002.

2. Nature and scope of activities

LGFA will raise debt funding either domestically and/or offshore in either NZ dollars or foreign currency and provide debt funding to New Zealand local authorities and CCOs and may undertake any other activities considered by the Board of LGFA to be reasonably related or incidentally to, or in connection with, that business.

The LGFA will only lend to Councils and CCOs that enter into all the relevant arrangements with it (such Councils being “Participating Local Authorities” and such Councils and CCOs being “Participating Borrowers”) and comply with the LGFA’s lending policies.

In lending to Participating Borrowers, LGFA will:

- Operate in a manner to ensure LGFA is successful and sustainable in the long-term;
- Educate and inform Participating Local Authorities on matters within the scope of LGFA’s operations;
- Provide excellent service to Participating Borrowers;
- Ensure excellent communication exists and be professional in its dealings with all its stakeholders; and
- Ensure its products and services are delivered in a cost-effective manner.

3. Objectives

Principal Objectives

In accordance with the Local Government Act 2002, in carrying on its business, the principal objectives of LGFA will be to:

- Achieve the shareholder-agreed objectives and performance targets specified in this Statement of Intent;
- Be a good employer;
- Demonstrate social and environmental responsibility;
- Maintain strong and sound corporate governance;
- Set and model high standards of ethical behaviour; and
- Operate in accordance with sound business practice.

Primary Objectives

LGFA will optimise the debt funding terms and conditions for Participating Borrowers. Among other things, this includes:

- Providing interest cost savings relative to alternative sources of financing;
- Offering flexible short and long-term lending products that meet Participating Borrowers' borrowing requirements;
- Delivering operational best practice and efficiency for its lending services;
- Ensuring certainty of access to debt markets, subject always to operating in accordance with sound business practice.

LGFA will ensure its asset book remains at a high standard by ensuring it understands each Participating Borrower's financial position, as well as general issues confronting the Local Government sector. Amongst other things, LGFA will:

- Proactively monitor and review each Participating Borrower's financial position, including its financial headroom under LGFA policies;
- Analyse finances at the Council group level where appropriate and report to shareholders;
- Endeavour to visit each Participating Borrower annually, including meeting with elected officials as required, or if requested; and
- Take a proactive role to enhance the financial strength and depth of the local government debt market and work with key central government and local government stakeholders on sector and individual council issues.

Additional objectives

LGFA has the following six measurable and achievable additional objectives which complement the primary objective. Performance against these objectives is reported annually.

LGFA will:

1. Maintain LGFA's credit rating equal to the New Zealand Government sovereign rating where both entities are rated by the same Rating Agency.
2. Provide at least 75% of aggregate long-term debt funding to the Local Government sector.
3. Achieve the financial forecasts outlined in section 4 for net interest income and operating expenses, including provision for a shareholder dividend payment in accordance with approved dividend policy.
4. Meet or exceed the Performance Targets outlined in section 5.
5. Comply with the Health and Safety at Work Act 2015.
6. Comply with the Shareholder Foundation Policies and the Board-approved Treasury Policy at all times.

4. Financial forecasts

LGFA's financial forecasts for the three years to 30 June 2023 are:

FINANCIAL YEAR (\$M)	SOI 2021 FEB DRAFT		
Comprehensive income	Jun-21	Jun-22	Jun-23
Interest income	246.1	247.7	271.2
Interest expense	227.1	227.8	248.8
Net Interest income	19.0	19.9	22.4
Approved Issuer Levy	1.5	1.0	1.0
Issuance & onlending costs	2.7	2.7	2.7
Operating overhead	4.0	4.1	4.2
Issuance and operating expenses	8.1	7.7	7.9
P&L	10.8	12.1	14.4
Financial position (\$m)	Jun-21	Jun-22	Jun-23
Capital	25.0	25.0	25.0
Retained earnings	68.9	80.1	93.5
Total equity	93.9	105.1	118.5
Shareholder funds + borrower notes / Total assets	2.3%	2.3%	2.3%
Dividend provision	0.9	0.9	1.0
Total assets (nominal)	11,655.1	12,451.4	12,915.8
Total LG loans - short term (nominal)	500.0	500.0	500.0
Total LG loans (nominal)	10,527.5	11,213.4	11,497.7
Total bills (nominal)	400.0	400.0	400.0
Total bonds (nominal) ex treasury stock	10,941.0	11,716.0	12,166.0
Total borrower notes (nominal)	168.4	179.4	184.0

Note that there is some forecast uncertainty around the timing of Net Interest Income, Profit and Loss, Total Assets, LG Loans, Bonds and Borrower Notes depending upon council decisions regarding the amount and timing of refinancing of their May 2021, April 2022 and April 2023 loans. LGFA will work with council borrowers to reduce this uncertainty. The above table assumes gross issuance of LGFA bonds per year of \$2.28 billion (2021/22), \$1.85 billion (2022/23) and \$1.9 billion (2023/24), however the issuance volume will be determined by LGFA at the relevant time by reference to factors including refinancing of existing borrowing by councils and (if applicable) council-controlled organisations, new borrowing by councils and (if applicable) council-controlled organisations and LGFA's own borrowing requirements for liquidity purposes. No decision has been made as to final issuance volume at this point and will depend upon market conditions.

5. Performance targets

LGFA has the following performance targets:

- LGFA's net interest income for the period to:
 - 30 June 2021 will be greater than \$19.0 million.
 - 30 June 2022 will be greater than \$19.9 million.
 - 30 June 2023 will be greater than \$22.4 million.
- LGFA's annual issuance and operating expenses (excluding AIL) for the period to:
 - 30 June 2021 will be less than \$6.7 million.
 - 30 June 2022 will be less than \$6.8 million.
 - 30 June 2023 will be less than \$7.0 million.
- Total lending to Participating Borrowers¹ at:
 - 30 June 2021 will be at least \$11,027 million.
 - 30 June 2022 will be at least \$11,713 million.
 - 30 June 2023 will be at least \$11,998 million
- Conduct an annual survey of Participating Borrowers who borrow from LGFA and achieve at least an 80% satisfaction score as to the value added by LGFA to the borrowing activities
- Meet all lending requests from Participating Borrowers, where those requests meet LGFA operational and covenant requirements.
- Achieve 75% market share of all council borrowing in New Zealand
- Review each Participating Borrower's financial position, its headroom under LGFA policies and arrange to meet each Participating Borrower at least annually.
- No breaches of Treasury Policy, any regulatory or legislative requirements including the Health and Safety at Work Act 2015.
- Successfully refinance of existing loans to councils and LGFA bond maturities as they fall due.
- Maintain a credit rating equal to the New Zealand Government rating where both entities are rated by the same credit rating agency.

¹ Subject to the forecasting uncertainty noted previously

6. Dividend policy

LGFA will seek to maximise benefits to Participating Local Authorities as Borrowers rather than Shareholders. Consequently, it is intended to pay a limited dividend to Shareholders.

The Board's policy is to pay a dividend that provides an annual rate of return to Shareholders equal to LGFA fixed rate bond cost of funds plus 2.00% over the medium term.

At all times payment of any dividend will be discretionary and subject to the Board's legal obligations and views on appropriate capital structure.

7. Governance

Board

The Board is responsible for the strategic direction and control of LGFA's activities. The Board guides and monitors the business and affairs of LGFA, in accordance with the Companies Act 1993, the Local Government Act 2002, the Local Government Borrowing Act 2011, the Company's Constitution, the Shareholders' Agreement for LGFA and this SOI.

The Board comprises six directors with five being independent directors and one being a non-independent director.

The Board's approach to governance is to adopt best practice² with respect to:

- The operation of the Board.
- The performance of the Board.
- Managing the relationship with the Company's Chief Executive.
- Being accountable to all Shareholders.

All directors are required to comply with a formal Charter.

The Board will meet on a regular basis and no fewer than 6 times each year.

Shareholders' Council

The Shareholders' Council is made up of between five and ten appointees of the Shareholders (including an appointee from the Crown). The role of the Shareholders' Council is to:

- Review the performance of LGFA and the Board, and report to Shareholders on that performance on a periodic basis.
- Make recommendations to Shareholders as to the appointment, removal, replacement and remuneration of directors.
- Make recommendations to Shareholders as to any changes to policies, or the SOI, requiring their approval.

² Best practice as per NZX and Institute of Directors guidelines

- Ensure all Shareholders are fully informed on LGFA matters and to coordinate Shareholders on governance decisions.

8. Information to be provided to Shareholders

The Board aims to ensure that Shareholders are informed of all major developments affecting LGFA's state of affairs, while at the same time recognising both LGFA's obligations under NZX Listing Rules and that commercial sensitivity may preclude certain information from being made public.

Annual Report

The LGFA's balance date is 30 June.

By 30 September each year, the Company will produce an Annual Report complying with Sections 67, 68 and 69 of the Local Government Act 2002, the Companies Act 1993 and Financial Reporting Act 2013. The Annual Report will contain the information necessary to enable an informed assessment of the operations of the company, and will include the following information:

- Directors' Report.
- Financial Statements incorporating a Statement of Financial Performance, Statement of Movements in Equity, Statement of Financial Position, Statement of Cashflows, Statement of Accounting Policies and Notes to the Accounts.
- Comparison of the LGFA's performance regarding the objectives and performance targets set out in the SOI, with an explanation of any material variances.
- Auditor's Report on the financial statements and the performance targets.
- Any other information that the directors consider appropriate.

Half Yearly Report

By 28 February each year, the Company will produce a Half Yearly Report complying with Section 66 of the Local Government Act 2002. The Half Yearly Report will include the following information:

- Directors' commentary on operations for the relevant six-month period.
- Comparison of LGFA's performance regarding the objectives and performance targets set out in the SOI, with an explanation of any material variances.
- Un-audited half-yearly Financial Statements incorporating a Statement of Financial Performance, Statement of Movements in Equity, Statement of Financial Position and Statement of Cashflows.

Quarterly Report

By 31 January, 30 April, 31 July, and 31 October each year, the Company will produce a Quarterly Report. The Quarterly Report will include the following information:

- Commentary on operations for the relevant quarter, including a summary of borrowing margins charged to Participating Borrower's (in credit rating bands).

- Comparison of LGFA's performance regarding the objectives and performance targets set out in the SOI, with an explanation of any material variances.
- Analysis of the weighted average maturity of LGFA bonds outstanding.
- In the December Quarterly Report only, commentary on the Net Debt/Total Revenue percentage for each Participating Local Authority that has borrowed from LGFA (as at the end of the preceding financial year).
- To the extent known by LGFA, details of all events of review in respect of any Participating Borrower that occurred during the relevant quarter (including steps taken, or proposed to be taken, by LGFA in relation thereto).
- Details of any lending to CCOs during the quarter and the amount of CCO loans outstanding.

Statement of Intent

By 1 March in each year the Company will deliver to the Shareholders its draft SOI for the following year in the form required by Clause 9(1) of Schedule 8 and Section 64(1) of the Local Government Act 2002.

Having considered any comments from the Shareholders received by 30 April, the Board will deliver the completed SOI to the Shareholders on or before 30 June each year.

Shareholder Meetings

The Board will hold an Annual General Meeting between 30 September and 30 November each year to present the Annual Report to all Shareholders.

The Company will hold a meeting with the Shareholders' Council approximately every six months – prior to the Annual General Meeting and after the Half Yearly Report has been submitted. Other meetings may be held by agreement between the Board and the Shareholders' Council.

9. Acquisition/divestment policy

LGFA will invest in securities in the ordinary course of business. It is expected that these securities will be debt securities. These investments will be governed by LGFA's lending and/or investment policies as approved by the Board and/or Shareholders.

Any subscription, purchase or acquisition by LGFA of shares in a company or organisation will, if not within those investment policies, require Shareholder approval other than as concerns the formation of wholly-owned subsidiaries and the subscription of shares in such wholly-owned subsidiaries.

10. Activities for which compensation is sought from Shareholders

At the request of Shareholders, LGFA may (at its discretion) undertake activities that are not consistent with its normal commercial objectives. Specific financial arrangements will be entered into to meet the full cost of providing such as activities.

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

11. Commercial value of Shareholder's investment

LGFA will seek to maximise benefits to Participating Local Authorities as Borrowers rather than Shareholders.

Subject to the Board's views on the appropriate capital structure for LGFA, the Board's intention will be to pay a dividend that provides an annual rate of return to Principal Shareholders equal to LGFA fixed rate bond cost of funds plus 2.00% over the medium term.

As the Shareholders will have invested in the LGFA on the basis of this limited dividend, the Board considers that at establishment the commercial value of LGFA is equal to the face value of the Shareholders' paid up Principal Shares - \$25 million.

In the absence of any subsequent share transfers to the observed share transfers on 30 November 2012, the Board considers the current commercial value of LGFA is at least equal to the face value of the Shareholders' paid up Principal Shares of \$25 million. This equates to a value per share of \$1.00.

12. Accounting policies

LGFA has adopted accounting policies that are in accordance with the New Zealand International Financial Reporting Standards and generally accepted accounting practice. A Statement of accounting policies is attached to this SOI.

The following statement is taken from the Financial Statements presented as part of LGFA's Annual Report 2019 (updated where necessary), accordingly, the statement does not contemplate LGFA lending to CCOs.

ATTACHMENT: Statement of accounting policies

1 Statement of accounting policies

a. Reporting entity

The New Zealand Local Government Funding Agency Limited (LGFA) is a company registered under the Companies Act 1993 and is subject to the requirements of the Local Government Act 2002.

LGFA is controlled by participating local authorities and is a council-controlled organisation as defined under section 6 of the Local Government Act 2002. LGFA is a limited liability company incorporated and domiciled in New Zealand.

The primary objective of LGFA is to optimise the debt funding terms and conditions for participating local authorities.

The registered address of LGFA is Level 8, City Chambers, 142 Featherston Street, Wellington Central, Wellington 6011.

b. Statement of compliance

LGFA is an FMC reporting entity under the Financial Markets Conduct Act 2013 (FMCA). These financial statements have been prepared in accordance with that Act and the Financial Reporting Act 2013. LGFA's bonds are quoted on the NZX Debt Market.

LGFA is a profit orientated entity as defined under the New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS).

The financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice (NZ GAAP) and they comply with NZ IFRS and other applicable Financial Reporting Standard, as appropriate for Tier 1 for-profit entities. The financial statements also comply with International Financial Reporting Standards (IFRS).

c. Basis of preparation

Measurement base

The financial statements have been prepared on a historical cost basis modified by the revaluation of certain assets and liabilities.

The financial statements are prepared on an accrual basis.

Functional and presentation currency

The financial statements are presented in New Zealand dollars rounded to the nearest thousand, unless separately identified. The functional currency of LGFA is New Zealand dollars.

Foreign currency conversions

Transactions denominated in foreign currency are translated into New Zealand dollars using exchange rates applied on the trade date of the transaction.

Changes in accounting policies

NZ IFRS 9. New Zealand Equivalent to International Financial Reporting Standard 9. Financial Instruments.

NZ IFRS 9 (2014) is effective for the fiscal year commencing 1 July 2018.

NZ IFRS 9 replaces NZ IAS 39 Financial Instruments: Recognition and Measurement and sets out the requirements for hedge accounting and impairment for financial assets and liabilities. LGFA early adopted NZ IFRS 9 (2010) for the classification and measurement of financial instruments at commencement of business in 2012.

LGFA has elected to apply NZ IFRS 9 (2014) on a retrospective basis. Comparative information has not been restated as there has not been a material impact. Instead, the impact of adopting the new standard is reflected in opening equity on 1 July 2018.

Hedge accounting

There has been no change to accounting policy for hedge accounting as LGFA's current fair value hedge accounting meets the requirements of NZ IFRS 9.

Impairment

NZ IFRS 9 prescribes an expected credit loss impairment model which replaces the incurred loss impairment model in NZ IAS 39. The expected credit loss model requires LGFA to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition.

LGFA has not previously incurred any credit losses under the incurred loss impairment model (NZ IAS 39) and the introduction of the expected credit loss model (NZ IFRS 9) has not had a material impact on the measurement of LGFA's financial assets.

The changes to LGFA's accounting policies for expected credit losses on financial assets are set out below.

Methodology to determine expected credit losses

As at 30 June 2019, LGFA deemed that there had been no significant increase in credit risk since initial recognition for any financial asset and calculated the loss allowance for these instruments at an amount equal to 12-month expected credit losses, using the estimated probability of default multiplied by the estimated recovery rate.

The estimated probability of default is based on the Standard & Poor's' (S&P) Annual Global Default Study. Individual securities were assigned a probability of default over the 12-month period year based on their S&P, Fitch or Moody's credit rating. Unrated local authorities were assigned a shadow credit rating of A+, based on all complying with LGFA's financial covenants as at 31 December 2018, and S&P rating methodology where all New Zealand local authorities who have a credit rating from S&P are rated between AA and A+.

The estimated recovery rate is assigned using the S&P recovery rating scale. All local authorities were assigned a category of 1+, based on LGFA holding security over a council's rates which, in the event of a default, would give a statutory manager the legal right to impose a targeted rate to recover the principal and interest owing. All other financial assets were assigned a recovery rate based on the industry category and average S&P recovery rates for the security type.

The Treasury (New Zealand Debt Management) was assigned a category of 1+ for derivatives in gain.

Early adoption standards and interpretations

LGFA has not early adopted any standards.

New standards adopted

NZ IFRS 15. Revenue from Contracts with Customers.

NZ IFRS 15 has been adopted from 1 July 2018. There has been no impact on the financial statements.

Standards not yet adopted

LGFA does not consider any standards or interpretations in issue but not yet effective to have a significant impact on its financial statements.

NZ IFRS 16 Leases

NZ IFRS 16 becomes effective from 1 July 2019 and will not have a material impact on the financial statements.

Change in presentation. Statement of financial position

LGFA has changed the order of presentation of assets and liabilities in the Statement of financial position to reflect the order of liquidity for financial assets and liabilities. The change in presentation has been applied to both the current reporting period as well as associated comparatives.

d. Financial instruments

Financial assets

Financial assets, other than derivatives, are recognised initially at fair value plus transaction costs and subsequently measured at amortised cost using the effective interest rate method.

Cash and cash equivalents include cash on hand; cash in transit, bank accounts and deposits with an original maturity of no more than three months.

Purchases and sales of all financial assets are accounted for at trade date.

At each balance date, an expected credit loss assessment is performed for all financial assets and is calculated as either:

- Credit losses that may arise from default events that are possible within the next 12 months, where no significant increase in credit risk has arisen since acquisition of the asset, or
- Credit losses that may arise from default events that are possible over the expected life of the financial asset, where a significant increase in credit risk has arisen since acquisition of the asset.

Impairment losses on financial assets will ordinarily be recognised on initial recognition as a 12-month expected loss allowance and move to a lifetime expected loss allowance if there is a significant deterioration in credit risk since acquisition.

Financial liabilities

Financial liabilities, other than derivatives, are recognised initially at fair value less transaction costs and subsequently measured at amortised cost using the effective interest rate method.

Derivatives

Derivative financial instruments are recognised both initially and subsequently at fair value. They are reported as either assets or liabilities depending on whether the derivative is in a net gain or net loss position respectively.

Fair value hedge

Where a derivative qualifies as a hedge of the exposure to changes in fair value of an asset or liability (fair value hedge) any gain or loss on the derivative is recognised in profit and loss together with any changes in the fair value of the hedged asset or liability.

The carrying amount of the hedged item is adjusted by the fair value gain or loss on the hedged item in respect of the risk being hedged. Effective parts of the hedge are recognised in the same area of profit and loss as the hedged item.

e. Other assets

Property, plant and equipment (PPE)

Items of property, plant and equipment are initially recorded at cost.

Depreciation is charged on a straight-line basis at rates calculated to allocate the cost or valuation of an item of property, plant and equipment, less any estimated residual value, over its remaining useful life.

Intangible Assets

Intangible assets comprise software and project costs incurred for the implementation of the treasury management system. Capitalised computer software costs are amortised on a straight-line basis over the estimated useful life of the software (three to seven years). Costs associated with maintaining computer software are recognised as expenses.

f. Other liabilities

Employee entitlements

Employee entitlements to salaries and wages, annual leave and other similar benefits are recognised in the profit and loss when they accrue to employees.

g. Revenue and expenses

Revenue

Interest income

Interest income is accrued using the effective interest rate method.

The effective interest rate exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. The method applies this rate to the principal outstanding to determine interest income each period.

Expenses

Expenses are recognised in the period to which they relate.

Interest expense

Interest expense is accrued using the effective interest rate method.

The effective interest rate exactly discounts estimated future cash payments through the expected life of the financial liability to that liability's net carrying amount. The method applies this rate to the principal outstanding to determine interest expense each period.

Income tax

LGFA is exempt from income tax under Section 14 of the Local Government Borrowing Act 2011.

Goods and services tax

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

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

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

Commitments and contingencies are disclosed exclusive of GST.

h. Lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

i. Segment reporting

LGFA operates in one segment being funding of participating local authorities in New Zealand.

j. Judgements and estimations

The preparation of these financial statements requires judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, and income and expenses. For example, the present value of large cash flows that are predicted to occur a long time into the future depends critically on judgements regarding future cash flows, including inflation assumptions and the risk-free discount rate used to calculate present values. Refer note 2a for fair value determination for financial instruments.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. Where these judgements significantly affect the amounts recognised in the financial statements they are described below and in the following notes.

27 February 2020

Dear Shareholder

Draft Statement of Intent 2020/21

Please find attached a copy of the Draft Statement of Intent (SOI) for the 2020/21 year.

LGFA continues to focus on delivering strong results for both our council borrowers and shareholders.

For our borrowing councils we seek to optimize funding terms and conditions by

- Achieving savings in borrowing costs
- Provide longer dated funding and
- Provide certainty of access to markets

For our shareholders we are focused on

- Delivering a strong financial performance
- Monitoring asset quality
- Enhancing our approach to treasury and risk management and
- Ensuring we have the correct governance framework and capital structure in place

For our guarantors we are focused on

- Minimising the risk of a call upon the guarantee through actively monitoring and managing the business risks faced by LGFA including operational, credit, liquidity, interest rate and funding risk.

The following points regarding the Draft SOI 2020/21 are worth noting:

- Profitability is forecast to remain strong with projections for Net Operating Gain of \$10.8 million, \$12.1 million and \$14.4 million for the next three years, which is an improvement to results from previous years. However, we remain cautious in placing too much emphasis on the Year Three (2022/23) forecast given that over the next three years, we estimate that \$4.0 billion of our LGFA bonds and \$4.3 billion of council loans mature. Assumptions regarding timing of refinancing and interest rates have a meaningful impact on financial projections.
- Net interest income is expected to increase over the forecast period as the balance sheet grows from increased council lending and we hold additional liquid assets to manage the LGFA bond maturities. However, this is offset by a reduction in on-lending margins as loans to councils made in previous years at higher margins are refinanced by councils at maturity

with lower margin loans. Also, the improving credit quality of the sector has resulted in a reduced credit margin applied to council loans.

- We have increased our forecast for council loans (short and long term) outstanding as at June 2021 to \$11.028 billion and to \$11.713 billion as at June 2021 (from \$10.083 billion and \$10.171 billion in the previous SOI). This reflects a higher starting position as at 30 June 2020 and councils undertaking further capex and a continued high utilisation of short term borrowing from LGFA by councils. In last year's SOI, we had also been conservative in expecting a reduction in borrowing appetite from councils because of the Housing Infrastructure Fund facility and other Central Government initiatives.
- We have assumed a further narrowing in credit margins as the credit quality of the sector improves and councils get ratings upgrades. There are no forecast changes to the on-lending margins given the base lending margin now averages 10 bps (0.10%). LGFA on-lending margins are the narrowest when compared with our international peers.
- Compared to the previous SOI, issuance and operating expenses, excluding Approved Issuer Levy ("AIL") are forecast to be approximately \$100k higher in the 2020/21 financial year and unchanged in the 2021/22 financial year.
- The SOI performance targets are the same as the targets in the previous SOI. We will however be considering how we report to shareholders on our contribution to the four well beings and will work with the Shareholder Council on the reporting of lending to CCOs.
- As noted above, there is some timing uncertainty within the SOI forecast relating to council loans and LGFA bonds outstanding as we need to project both the repayment amount and repayment timing of the council loans that are due to mature in May 2021, April 2022 and April 2023. Decisions made by our council members regarding early refinancing will have a phasing impact across all three years in the SOI forecast.

If you have any questions or wish to provide comments by 1 May 2020 then please feel free to contact myself or any member of the Shareholders Council. The LGFA board will consider any feedback received and provide a final version of the SOI to shareholders by 30 June 2020.

Yours sincerely



Mark Butcher
Chief Executive

5.2 Local Government Funding Agency – Half Yearly Report to 31 December 2019

Meeting: Strategy, Planning and Development Committee

Date of meeting: 19 March 2020

Reporting officer: Alan Adcock (General Manager – Corporate/CFO), and Joanne Tasker (CCO Project Co-ordinator)

1 Purpose

To provide the half yearly report for the Local Government Funding Agency (LGFA) to 31 December 2019.

2 Recommendation

That the Strategy, Planning and Development Committee notes the Local Government Funding Agency half yearly report to 31 December 2019.

3 Background

Section 66 of the Local Government Act (2002) advises that Council Controlled Organisations (CCOs) must deliver a report to council on their half yearly operations. To that end, the half yearly report for the 2019-20 financial year for the LGFA, of which Council has a shareholding, is included as Attachment One.

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.

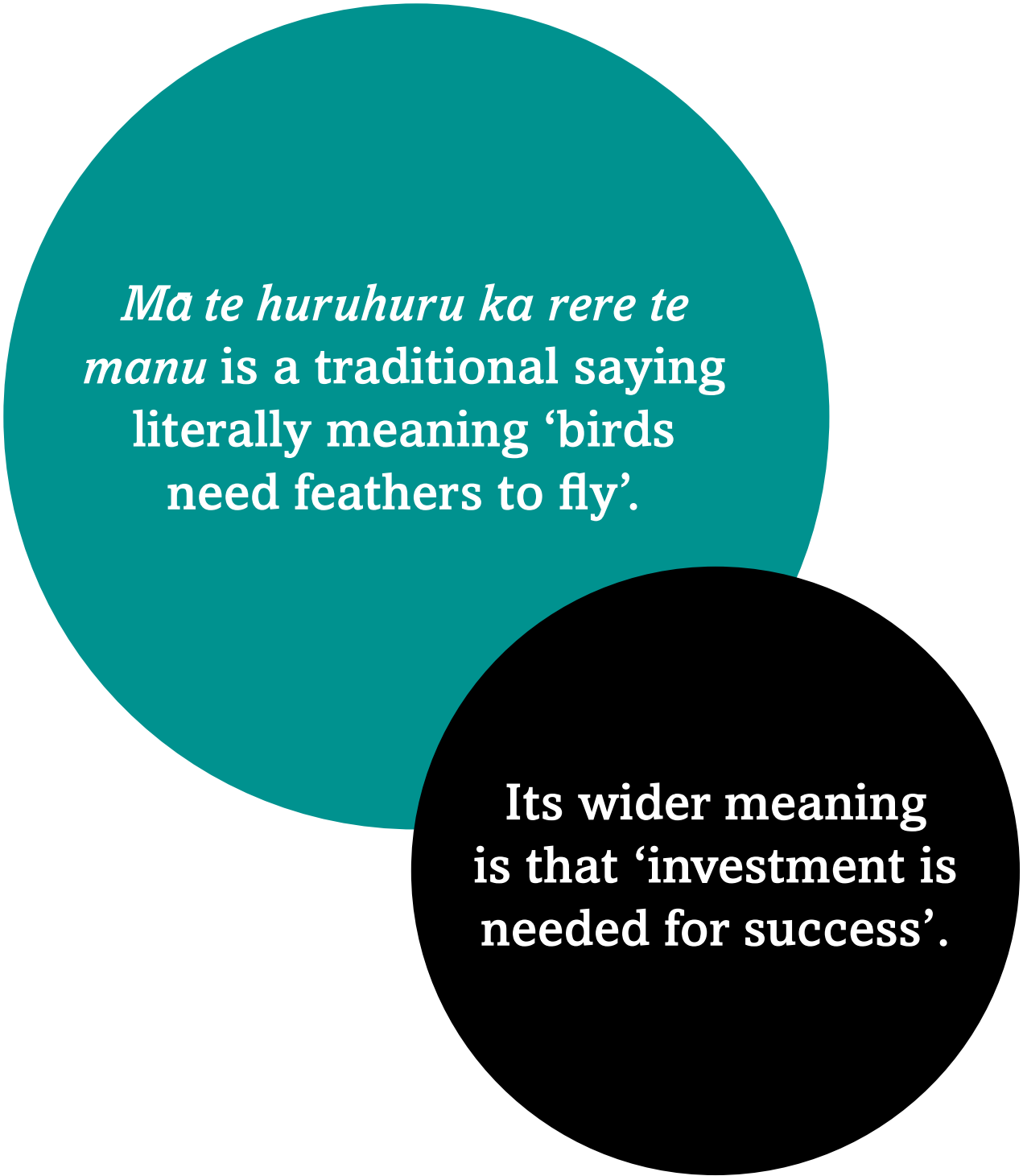
5 Attachment

LGFA Half Yearly Report to 31 December 2019

**Financing
the infrastructure
investment undertaken
by New Zealand
councils**

**Te tuku pūtea ki ngā
haumitanga hanganga e
whakamahia ana e ngā
kaunihera o Aotearoa**

Half year report
31 December 2019



Mā te huruhuru ka rere te manu is a traditional saying literally meaning ‘birds need feathers to fly’.

Its wider meaning is that ‘investment is needed for success’.

Contents

Ihirangi

04

Message from
the Chair

He karere mai
i te Toihau

08

Performance
against objectives

Tutukinga mahi
ki ōna whāinga

18

Financial
statements

Taukī pūtea

Statement of comprehensive income	19
Statement of changes in equity.....	20
Statement of financial position.....	21
Statement of cash flows.....	22
Notes to financial statements.....	23

35

Directory

Rārangi tauwaea

Message from the Chair

He karere mai i te Toihau

**For the six months ended
31 December 2019**

“LGFA continues to provide cost effective financing solutions for its growing council membership base while offering New Zealand dollar fixed income investors a choice of investment maturities with a relatively attractive yield pickup over New Zealand Government Bonds ”

Craig Stobo, Chair LGFA Board



Directors would like to highlight the following developments at LGFA for the six-month period to 31 December 2019.

Strong Financial and Operational Performance

LGFA total interest income for the six-month period of \$185.1 million was a 2.3% increase over the 2018-19 comparable period result of \$180.9 million while net operating profit of \$6.10 million was a 0.3% increase on the 2018-19 comparable period result of \$6.08 million.

Net interest income and operating profit exceeded both the previous comparable period result and are ahead of the Statement of Intent (SOI) forecast due to the early refinancing of council loans maturing in April 2020 and a higher level of new council borrowing.

Expenses have been managed under budget over the past six months. In terms of composition, lower fees from a reduced utilisation of the standby facility, and lower Approved Issuer Levy payments were somewhat offset by higher legal and NZX costs from lending and bond issuance activities.

LGFA bonds continue to be an attractive investment for investors while LGFA has also delivered savings in borrowing costs and extended the tenor of lending available to our council borrowers.

The financial strength of LGFA was reaffirmed by Fitch Ratings who maintained our credit rating at 'AA+' in November 2019 and our 'AA+' rating from S&P Global Ratings remains on positive outlook, both of which are the same as the New Zealand Government.

Borrowing activity

LGFA issued \$1.105 billion of bonds over the past six months and nominal outstandings now total \$10.49 billion (including \$450 million of treasury stock) across nine maturities from 2020 to 2033.

The new April 2029 bond maturity by syndication of \$500 million in August 2019 was another successful issue, following on from the \$1 billion April 2024 syndication in March 2019. The April 2024 syndication was recognised at the KangaNews awards as the New Zealand Domestic Bond Deal of the Year.

LGFA is the largest issuer of New Zealand dollar securities after the New Zealand Government and our bonds are amongst the largest and most liquid New Zealand dollar debt instruments available for investors. We have seen a shift in investor

composition over the past six months as offshore investors have become less attracted to the lower yielding NZD fixed income asset class while domestic investors have increased their holdings based on the outlook for lower interest rates and lack of supply of other high-grade bonds. Our offshore investor holdings have reduced from 33% in June 2019 to 29% in December 2019, while NZ Institutional and retail investor holdings have increased from 29% to 32%.

The performance of LGFA bonds over the past six months has been positive with LGFA bond spreads to both swap and New Zealand Government Bonds (NZGB) becoming tighter with a greater narrowing on the spread to NZGB as market participants expect additional future issuance of NZGBs. Outright yields on LGFA bonds have declined modestly over the past six months by between 2 bps (0.02%) on the 2027 maturity and 11 bps (0.11%) on the 2021 maturity, although there was greater volatility with the 2027 LGFA bond yield trading a 65 bps (0.65%) range over the six-month period.

LGFA continues to issue short-dated LGFA Bills ranging in maturities from three months to 12 months through a combination of monthly tenders and private placements. As at 31 December 2019, outstandings under the programme are \$405 million. These instruments provide a source of funding for short-dated lending to our council borrowers and assist LGFA with liquidity management.

Lending to the sector

LGFA was established in December 2011 to provide long-dated borrowing, certainty of access to markets and to reduce the borrowing costs for the local government sector. Over the past six months, we added two new members with Taranaki Regional Council joining as a guarantor and Kaikoura District Council joining as a non-guarantor. Total membership of 66 councils is very pleasing and this is expected to increase slightly in the coming six months as several councils are partly through the joining process.

Long-dated lending over the six-month period was \$732 million with the lending activity a mix of new borrowing and the refinancing of council loans maturing on 15th April 2020. The tenor of borrowing by councils at 6.8 years was longer than the average term of borrowing of 6.0 years over the 12-month period to June 2019.

Short-dated lending for terms less than 12 months has been well supported by councils and, as at 31 December 2019, LGFA had \$525 million of short-term loans outstanding to 31 councils.

The underlying credit quality of the sector continues to remain very strong with all member councils remaining compliant with the LGFA lending covenants.

Acknowledgments

On behalf of my fellow directors we are pleased to be part of the continued success of this organisation and wish to thank our council shareholders, guarantors and borrowers as well as NZ Debt Management, our financial intermediaries, investors and staff for their continued support.

A handwritten signature in dark ink, appearing to read 'C Stobo', with a long horizontal flourish extending to the right.

Craig Stobo
Chair, LGFA Board



Pipe replacement
work on Queens
Drive.
Invercargill City
Council

Performance against objectives Tutukinga mahi ki ōna whāinga

The statement of service performance details LGFA's performance for the first half of the financial year against the objectives and targets set out in the LGFA Statement of Intent 2019-20 (SOI).

Performance against 2019-20 primary objectives

This section sets out LGFA's performance for the six-month period ended 31 December 2019 against the two primary objectives set out in the 2019-20 SOI.

- 1. LGFA will operate with the primary objective of optimising the debt funding terms and conditions for participating local authorities. Among other things this includes:**

Providing savings in annual interest costs for all participating local authorities on a relative basis to other sources of financing;

LGFA aims to minimise its issuance margin over swap rates to provide cost-effective funding to councils. The LGFA margin to swap will depend upon several factors including the relative demand and supply of high grade bonds, general credit market conditions, performance of New Zealand Government bonds and swap rates, investor perceptions of LGFA, and the issuance volume and tenor of LGFA bonds.

2019-20 performance objectives

The SOI sets out two primary performance objectives and eight additional objectives for LGFA for the year ended 30 June 2020:

Primary objectives

1. LGFA will operate with the primary objective of optimising the debt funding terms and conditions for participating local authorities. Among other things this includes:
 - i. Providing savings in annual interest costs for all participating local authorities on a relative basis to other sources of financing;
 - ii. Offering short and long-term borrowings with flexible lending terms;
 - iii. Enhancing the certainty of access to debt markets for participating local authorities, subject always to operating in accordance with sound business practice; and
 - iv. Being the debt funder of choice for New Zealand local government.
2. 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. This includes
 - i. LGFA will review each participating local authority's financial position, its financial headroom under LGFA policies and endeavour to visit each Participating Local Authority on an annual basis;
 - ii. Implement the changes to the Foundation Policies that were approved at the November 2018 AGM to allow for lending to council-controlled organisations (CCOs). Changes to operational policies and practices need

to ensure that no additional risk is borne by lenders, guarantors or the Crown;

- iii. LGFA will analyse finances at the Council group level where appropriate and report to shareholders as to which participating local authorities are measured on a group basis; and
- iv. LGFA will take a proactive role to enhance the financial strength and depth of the local government debt market and work with key central government and local government stakeholders on sector and individual council issues.

Additional objectives

1. Operate with a view to making a profit sufficient to pay a dividend in accordance with its stated Dividend Policy;
2. Provide at least 75% of aggregate long-term debt funding to the local government sector;
3. Achieve the financial forecasts (excluding the impact of AIL) set out in section 4;
4. Ensure its products and services are delivered at a cost that does not exceed the forecast for issuance and operating expenses set out in section 4;
5. Take appropriate steps to ensure compliance with the Health and Safety at Work Act 2015;
6. Maintain LGFA's credit rating equal to the New Zealand Government sovereign rating where both entities are rated by the same rating agency;
7. Introduce CCO lending by December 2019 and report quarterly, the volume of lending to CCOs; and
8. Comply with its Treasury Policy, as approved by the Board.

Given that LGFA tends to match fund its on-lending to councils where possible, i.e. tends to issue bonds in a similar tenor and volume as its on-lending, LGFA only has influence over investor perception amongst the above factors that determine LGFA spreads to swap.

There will be periods within the interest rate and credit market cycles when LGFA bonds will outperform its benchmarks (spread narrowing) and there will be periods of time when LGFA bonds underperform (spread widening). It is also very difficult to find an appropriate benchmark to

measure performance against.

LGFA spreads to swap have consistently narrowed since it first began issuing bonds in February 2012 and, over the past six months, spreads to swap as measured by secondary market levels have, in general, narrowed modestly or are unchanged.

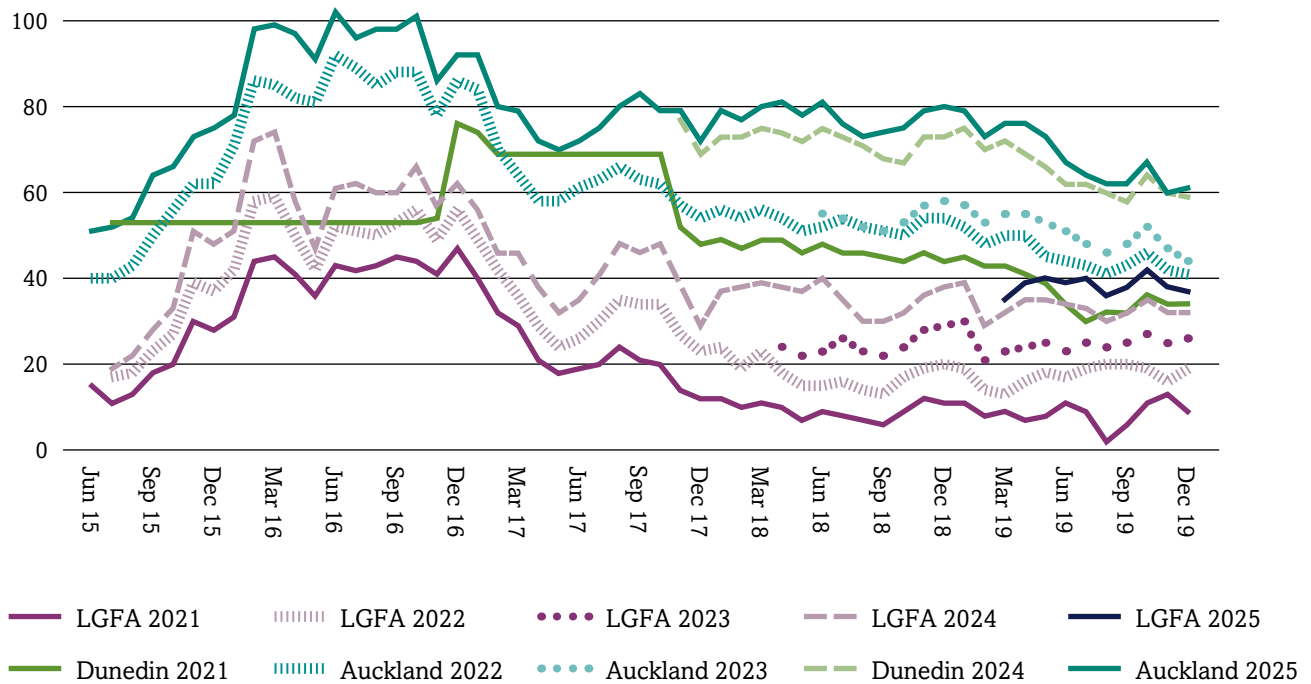
LGFA bond margin to swap	As at 31 December 2019 basis points (bps)	As at 30 June 2019 (bps)	Spread movement (bps)
15-Apr-20	7	11	(4)
15-May-21	15	15	Nil
14-Apr-22	23	22	1
15-Apr-23	27	30	(3)
15-Apr-24	34	37	(3)
15-Apr-25	40	41	(1)
15-Apr-27	46	46	Nil
20-Apr-29	59	-	n/a
14-Apr-33	67	67	Nil

Some of the movement is due to the changes in the spread between swap rates and NZ Government Bond (NZGB) yields as, over the same period, LGFA spreads to NZGB have narrowed for all maturities (except the April 2020s as the RBNZ is repurchasing this very short dated NZGB maturity).

LGFA bond margin to NZGB	As at 31 December 2019 (bps)	As at 30 June 2019 (bps)	Spread movement (bps)
15-Apr-20	37	30	7
15-May-21	27	36	(9)
14-Apr-22	35	42	(7)
15-Apr-23	41	51	(10)
15-Apr-24	46	59	(13)
15-Apr-25	50	65	(15)
15-Apr-27	56	70	(14)
20-Apr-29	68	-	n/a
14-Apr-33	73	92	(21)

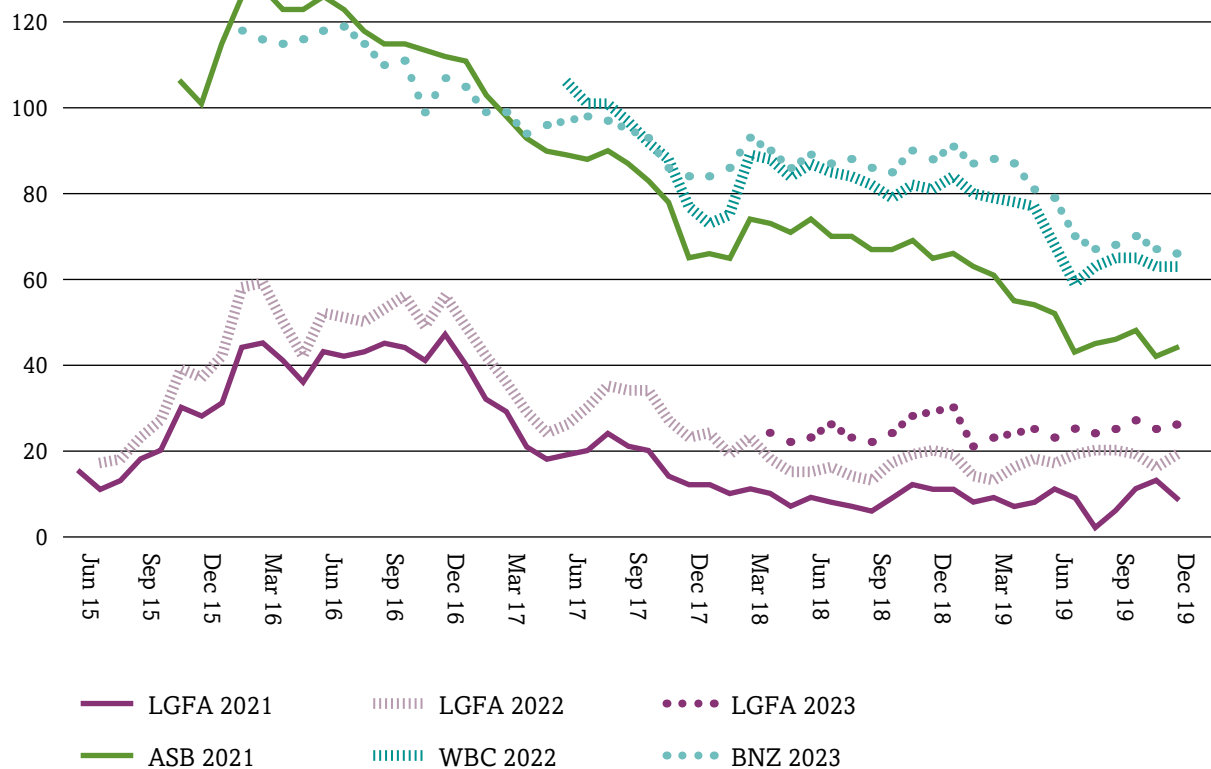
LGFA continues to provide savings in borrowing cost for councils relative to other sources of borrowing. We compare our secondary market spreads on LGFA bonds to those of Auckland Council and Dunedin City Treasury (as a proxy for councils borrowing in their own name) and a mix of banks (as a proxy for general market conditions).

Secondary market credit spread to swap for LGFA and council bonds (basis points)



Source: Bloomberg, LGFA

Secondary market credit spread to swap for LGFA and bank bonds (basis points)



Source: Bloomberg, LGFA

Offering short and long-term borrowings with flexible lending terms

The average borrowing term (excluding short-dated borrowing) for the six-month period to 31 December 2019 by councils was 7.4 years, being an increase on the 6.0 years for the year to 30 June 2019. Councils lengthened the term of borrowing in response to the narrowing in borrowing spreads, low outright yields and by borrowing into 2030 and 2033 maturities.

While LGFA provides councils with the ability to currently borrow for terms from one month to 14 years, it is up to the councils to determine their preferred term of borrowing.

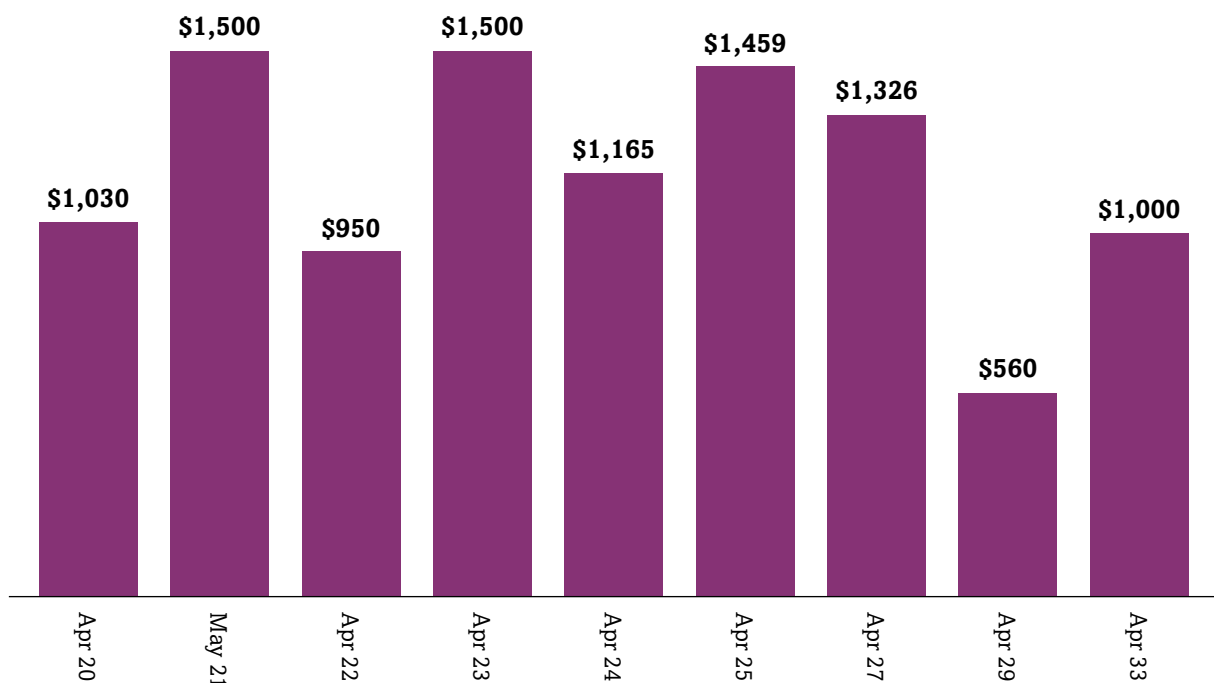
In August 2019, LGFA commenced the issuance of a 10-year bond (April 2029) providing a new benchmark to assist with the pricing of council loans between the April 2027 and April 2033 LGFA bond maturities.

The following chart shows the total LGFA bond outstandings, including treasury stock, by maturity as at 31 December 2019.

LGFA bonds on issue (NZ\$ million)

As at 31 December 2019 : NZ\$10,490 million

Includes NZ\$450 million treasury stock



Enhancing the certainty of access to debt markets for participating local authorities, subject always to operating in accordance with sound business practice;

LGFA listed its bonds on the NZX Debt Market in November 2015 and this has led to greater awareness and participation in LGFA bonds by domestic retail and offshore investors. Average turnover on the NZX Debt Market since listing has been \$10.6 million per month which represents 7.9% of the total turnover of the NZX Debt Market. Turnover has remained at lower than normal levels over the past six months as retail investors seek higher term deposit rates.

In late 2015, LGFA commenced the issuance of LGFA Bills (three and six months) which facilitated the offer of short-term loans of less than one year to councils. As at 31 December 2019, short-term loans totaling \$525.1 million were outstanding to 31 councils (\$360 million, 30 June 2019), which were partially funded by LGFA Bills on issue of \$403 million.

LGFA held four bond tenders during the six-month period to 31 December 2019, with an average tender volume of \$164 million and a range of \$160 million to \$170 million for each tender. LGFA also issued \$450 million of an April 2029 maturity via syndication in August 2019. This was our second syndicated issue following the successful April 2024 syndication undertaken in March 2019.

All tenders were successful although, in general, demand was less than in previous periods due to lower interest rates and tighter spreads to NZGBs. Offshore investors continue to hold LGFA bonds, but they have not increased their holdings in line with the increased issuance. The average bid-coverage ratio across the four bond tenders was 2.1 times and this compared to the average of 3.0 times for the 68 bond tenders held since LGFA first commenced issuance in February 2012.

The successful bid range (i.e. difference between the highest and lowest successful bid yield) for each maturity at each tender averaged between 0 bps and 3.8 bps, with an average of 1.9 bps across all maturities and tenders over the six-month period.

Issuance Dates	Issuance Volumes (NZ\$million)					Total
	Apr 22	Apr 24	Apr 25	Apr 29	Apr 33	
11-Dec (tender)	40	30	-	60	35	165
6-Nov (tender)	40	40	30	-	50	160
2-Oct (tender)	50	35	-	-	75	160
21-Aug (syndication)	-	-	-	450	-	450
17-Jul (tender)	60	60	-	-	50	170
Total issuance six-months to 31 Dec 2019	190	165	30	510	210	1105
Average tender bid coverage ratio	1.97x	2.49x	2.3x	1.82x	1.96x	2.1x
Average tender successful bid range	0.8 bps	1.1 bps	1.5 bps	1 bps	3.8 bps	1.9 bps

Being the debt funder of choice for New Zealand local government.

Councils access flexible lending through short-term and term lending products. Short-term are loans between 30 days and 364 days, while term lending is for any council-elected term between one year and the longest-dated LGFA bond maturity (currently 14 April 2033) for any drawdown date. Therefore, councils can borrow for terms ranging from 30 days to almost 14 years at any time they wish to drawdown.

As at 31 December 2019, short-term borrowing by councils totaled \$525.1 million, an increase of \$163.1 million from 30 June 2019.

We survey council members each year and the latest survey in July 2019 returned a 100% satisfaction result to the question “How would you rate LGFA in adding value to your borrowing requirements?” and 99% satisfaction result to the question “How satisfied are you with the pricing that LGFA has provided to your Council?”

2. 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. This includes:

LGFA will review each participating local authority’s financial position, its financial headroom under LGFA policies and endeavour to visit each Participating Local Authority on an annual basis;

LGFA completes a detailed financial assessment for each member council by reviewing annual plans, long-term plans and annual financial statements, and assigns an internal credit rating to each council as part of this review exercise.

As at 30 June 2019, all councils were compliant with LGFA financial covenants. A copy of each council’s borrowing position and compliance with LGFA covenants were provided to LGFA shareholders and non-shareholder guarantors with the December 2019 quarterly report.

LGFA management met with 29 individual councils over the six-month period to 31 December 2019.

Implement the changes to the Foundation Policies that were approved at the November 2018 AGM to allow for lending to CCOs. Changes to operational policies and practices need to ensure that no additional risk is borne by lenders, guarantors or the Crown

LGFA expect to commence lending to CCOs in the first half of the 2020 calendar year, with implementation being delayed due to requiring shareholder approval at the November 2019 AGM and ensuring the process and controls are robust.

LGFA will analyse finances at the Council group level where appropriate and report to the Shareholder Council and shareholders as to which participating local authorities are measured on a group basis.

LGFA reviews the financial position of each council on a parent basis, the exception being Auckland Council. For Auckland Council, LGFA analyses the financial statements at both parent and group level.

LGFA will take a proactive role to enhance the financial strength and depth of the local government debt market and work with key central government and local government stakeholders on sector and individual council issues

LGFA management aim to meet with the management team of each council at least once a year. We are also available to present to elected officials at councils prior to them joining LGFA to remind them of their obligations.

LGFA have been involved in discussions between central government agencies around infrastructure funding and financing to assist both central and local government with this workstream.

LGFA presented at various capital market conferences and met with banks and investors on a regular basis.

Performance against 2019-20 additional objectives

In addition to the two primary performance objectives, LGFA has eight performance objectives which complement the primary objectives. This section sets out LGFA's performance for the six-month period to 31 December 2019 against the additional objectives set out in the 2019-20 Statement of Intent.

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

The LGFA Board has discretion to set the dividend and the policy is to pay a dividend that provides an annual rate of return to shareholders equal to LGFA's cost of funds plus 2%.

On 20 August 2019, LGFA directors declared a dividend for the year to 30 June 2019 of \$1,165,000 (\$0.0466 per share) calculated on LGFA's cost of funds for the 2018-19 year of 2.66% plus a 2% margin.

The 2019 dividend was lower than the previous year (2018: \$0.0514 per share) due to a lower interest rate environment resulting in a lower cost of funds for LGFA. While council borrowers benefit from lower borrowing costs, the dividend payment calculated is lower than it would other-wise be in an environment of higher interest rates.

LGFA's average cost of funds for the six-month period to 31 December 2019 was 1.78%.

2. Provide at least 75% of aggregate long-term debt funding for participating local authorities

Councils have strongly supported LGFA by joining as members and borrowing from LGFA. As at 31 December 2019, 63 of our 66 member councils have borrowed from LGFA.

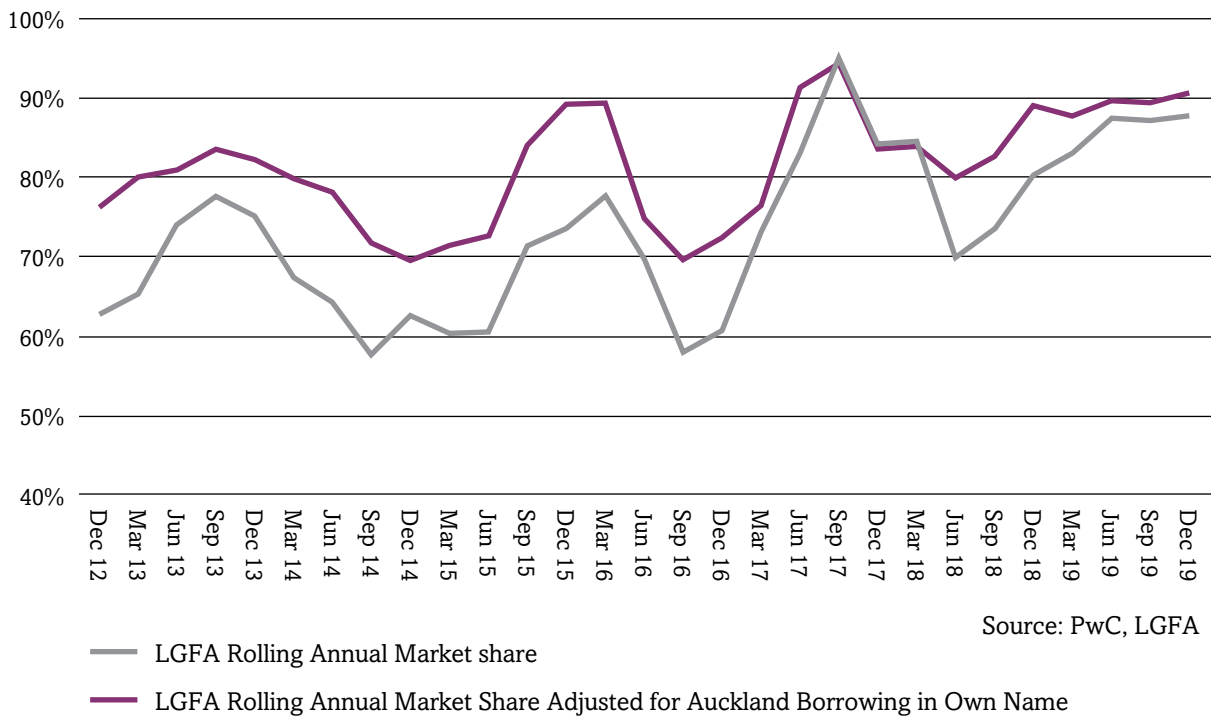
In the six months to 31 December 2019, two councils joined LGFA. Taranaki Regional Council joined as a guarantor borrower while Kaikoura District Council joined as a non-guarantor borrower.

The following chart shows LGFA's share of new local government long-term debt issuance and is derived from survey data provided by PwC. LGFA's share of long-term borrowing by the sector including non-members of LGFA was 87.7% for the rolling 12-month period to 31 December 2019.

The market share is influenced by the amount of debt issued by the sector's largest domestic borrower, Auckland Council (in its own name). Auckland Council is required to issue debt under its own name as LGFA's foundation policies restrict

total loans outstanding to Auckland to a maximum of 40%. If Auckland Council's external borrowing is excluded, then LGFA's estimated market share for the period was 90.6%.

LGFA Market Share – rolling one year average



3. Achieve the financial forecasts (excluding the impact of AIL) set out in Section 4

For the six-month period to 31 December 2019, net interest income was \$435k above budget while total expenses were \$169k below budget. Excluding AIL, expenses were \$35k below budget. Net operating gain of \$6.110 million was \$598k above SOI target.

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

Issuance and operating expenses for the six-month period to 31 December 2019 were \$169k under SOI budget.

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

LGFA has a Health and Safety Staff Committee with regular reporting to the board on health and safety by the Risk and Compliance Manager. There were no health and safety incidents during the six-month period to 31 December 2019.

5. 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 credit ratings from S&P Global Ratings (S&P) and Fitch Ratings (Fitch). Both the S&P and Fitch ratings are the same as, and are capped by, New Zealand Government's credit ratings.

LGFA meets with both agencies each year and last met with Fitch in September 2019 and S&P in November 2019.

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.

On 6 November 2019, 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.

S&P and Fitch ratings reports are available on our website (www.lgfa.co.nz/for-investors/ratings).

6. Introduce CCO lending by December 2019 and report quarterly, the volume of lending to CCOs to both the Shareholder Council and shareholders

LGFA expect to commence lending to CCOs in the first half of the 2020 calendar year, the implementation being delayed due to requiring shareholder approval at the November 2019 AGM.

7. Comply with its Treasury Policy as approved by the Board

There were no compliance breaches at any time during the six-month period to 31 December 2019.

Meet or exceed the Performance Targets outlined in section 5.

LGFA has achieved (or is on track to achieve at year-end) all of our ten performance targets in the six-month period to 31 December 2019.

Performance measure	Target	Result to 31 December 2019	Outcome
LGFA net interest income for the period to June 2020	> \$17.88 million	\$9.80 million	✓ On track to be met
Annual issuance and operating expenses (excluding AIL)	< \$6.30 million	\$3.05 million	✓ On track to be met
Total lending (short and long term) to participating councils	At least \$9.79 billion	\$10.15 million	✓ Met
Conduct an annual survey of councils	80% satisfaction score	Survey completed July 2019	✓ Met. Survey outcome of 100%
Meet all lending requests from PLAs	100% of borrowing requests	100%	✓ Met
Achieve 75% market share of all council borrowing in New Zealand	75%	87.7%	✓ Met
Review each PLA financial position, its headroom under LGFA policies and arrange to meet each PLA at least annually	29 council visits year to date		✓ On track to be met
No breaches of Treasury Policy, any regulatory or legislative requirements including Health & Safety	No breach.	No breach	✓ On track to be met
Successfully refinance of existing loans to councils and LGFA bond maturities as they fall due		100%	✓ On track to be met
Maintain a credit rating equal to the New Zealand Government rating where both entities are rated by the same credit rating entity	AA+/AA+	AA+/AA+	✓ On track to be met

The
redevelopment
of Avalon Park as a
central community
green space.
Hutt City Council



Financial statements Taukī pūtea

Statement of comprehensive income

For the six months ended 31 December 2019 in \$000s

	Note	Unaudited six months ended 31 December 2019	Unaudited six months ended 31 December 2018
Interest income			
Cash and cash equivalents		216	226
Marketable securities		2,072	1,229
Deposits		3,065	2,251
Derivatives		69,933	53,131
Loans to local government		109,786	124,053
Fair value hedge ineffectiveness	2	-	-
Total interest income		185,072	180,890
Interest expense			
Bills		3,521	4,610
Bond repurchase transactions		257	225
Lease liability		14	-
Bonds		169,918	164,513
Borrower notes		1,562	1,769
Total interest expense		175,272	171,117
Net interest income		9,800	9,773
Operating expenses			
Issuance and on-lending expenses	3	1,846	1,975
Operating expenses	4	1,851	1,723
Total expenses		3,697	3,698
Net operating profit		6,103	6,075
Total comprehensive income		6,103	6,075

These statements are to be read in conjunction with the notes to the financial statements

The Board of Directors of New Zealand Local Government Funding Agency Limited authorised these financial statements for issue on 27 February 2020.



Craig Stobo, Director
Board Chair



Linda Robertson, Director
Chair, Audit and Risk Committee

Statement of changes in equity

For the six months ended 31 December 2019 in \$000s

	Note	Share capital	Retained earnings	Total equity
Equity as at 30 June 2018		25,000	39,290	64,290
Adjustment on adoption of NZ IFRS 9			(35)	(35)
Equity as at 1 July 2018		25,000	39,255	64,255
Net operating profit			6,075	6,075
Total comprehensive income for the period			6,075	6,075
Transactions with owners			-	-
Dividend paid on 7 September 2018			(1,285)	(1,285)
Unaudited closing balance as at 31 December 2018		25,000	44,045	69,045
Equity as at 1 July 2019		25,000	49,149	74,149
Net operating profit			6,103	6,110
Total comprehensive income for the period			6,103	6,110
Transactions with owners			-	-
Dividend paid on 6 September 2019			(1,155)	(1,155)
Unaudited closing balance as at 31 December 2019	12	25,000	54,097	79,097

These statements are to be read in conjunction with the notes to the financial statements

Statement of financial position

As at 31 December 2019 in \$000s

	Note	Unaudited as at 31 December 2019	Audited as at 30 June 2019
Assets			
Financial assets			
Cash and bank balances		45,398	56,198
Marketable securities		252,341	255,715
Deposits		302,081	136,216
Derivatives in gain		608,089	622,559
Loans to local government	5	10,150,107	9,310,617
Non-financial assets			
Prepayments		829	570
Other assets	10	539	457
Total assets		11,359,384	10,382,332
Equity			
Share capital	12	25,000	25,000
Retained earnings		47,994	49,149
Total comprehensive income for the period		6,103	
Total equity		79,097	74,149
Liabilities			
Financial liabilities			
Payables and provisions		336	563
Bills	6	402,759	503,225
Bond repurchases	9	1,034	24,625
Derivatives in loss		44,200	12,926
Bonds	7	10,665,097	9,612,394
Borrower notes	8	166,564	154,168
Non-financial liabilities			
Other liabilities		297	282
Total liabilities		11,280,287	10,308,183
Total equity and liabilities		11,359,384	10,382,332

These statements are to be read in conjunction with the notes to the financial statements

Statement of cash flows

For the six months ended 31 December 2019 in \$000s

	Note	Unaudited six months ended 31 December 2019	Unaudited six months ended 31 December 2018
Cash Flow from Operating Activities			
Cash applied to loans to local government		(847,625)	(1,338,445)
Interest paid on bonds issued		(184,896)	(180,956)
Interest paid on bills issued		(3,498)	(4,610)
Interest paid on borrower notes		(48)	-
Interest paid on bond repurchases		(278)	(226)
Interest received from loans to local government		117,942	121,772
Interest received from cash & cash equivalents		215	226
Interest received from marketable securities		1,711	1,627
Interest received from deposits		1,534	2,884
Net interest on derivatives		75,341	73,024
Payments to suppliers and employees		(4,270)	(4,299)
Net cash flow from operating activities	11	(843,872)	(1,329,003)
Cashflow from Investing Activities			
Purchase of marketable securities		3,734	161,738
Purchase of deposits		(164,334)	130,000
Purchase of plant and equipment		-	-
Net Cashflow from Investing Activities		(160,600)	291,738
Cashflow from Financing Activities			
Cash proceeds from bonds issued		1,137,733	994,187
Cash proceeds from bills issued		(100,489)	9,455
Cash proceeds from bond repurchases		(23,570)	(523)
Cash proceeds from borrower notes		10,882	16,800
Dividends paid		(1,155)	(1,285)
Cash applied to derivatives		(29,715)	(9,256)
Lease payments		(14)	-
Net Cashflow from Financing Activities		993,672	1,009,378
Net (Decrease) / Increase in Cash		(10,800)	(27,887)
Cash, cash equivalents and bank overdraft at beginning of year		56,198	50,280
Cash, Cash Equivalents and Bank overdraft at end of year		45,398	22,393

These statements are to be read in conjunction with the notes to the financial statements

1 Statement of accounting policies

a. Reporting entity

The New Zealand Local Government Funding Agency Limited (LGFA) is a company registered under the Companies Act 1993 and is subject to the requirements of the Local Government Act 2002.

LGFA is controlled by participating local authorities and is a council-controlled organisation as defined under section 6 of the Local Government Act 2002. LGFA is a limited liability company incorporated and domiciled in New Zealand.

The primary objective of LGFA is to optimise the debt funding terms and conditions for participating local authorities.

The registered address of LGFA is Level 8, City Chambers, 142 Featherston Street, Wellington Central, Wellington 6011.

These financial statements were authorised for issue by the Directors on 27 February 2020.

b. Statement of compliance

The interim financial statements are for the six-months ended 31 December 2019 and are to be read in conjunction with the annual report for the year ended 30 June 2019.

The financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice (NZ GAAP) and they comply with NZ IAS 34 Interim Financial Reporting.

The financial results for the six-month period ended 31 December 2019 are unaudited.

c. Basis of preparation

Accounting judgements, estimates and assumptions

The judgements, estimates and assumptions used to prepare these interim financial statements are consistent with those used at 30 June 2019.

Measurement base

The financial statements have been prepared on a historical cost basis modified by the revaluation of certain assets and liabilities.

The financial statements are prepared on an accrual basis.

Functional and presentation currency

The financial statements are presented in New Zealand dollars rounded to the nearest thousand, unless separately identified. The functional currency of LGFA is New Zealand dollars.

Foreign currency conversions

Transactions denominated in foreign currency are translated into New Zealand dollars using exchange rates applied on the trade date of the transaction.

Changes in accounting policies

NZ IFRS 16 Leases. NZ IFRS 16 became effective from 1 July 2019 and did not have a material impact on the financial statements.

On adoption of NZ IFRS 16, LGFA recognised right-of-use assets and lease liabilities in relation to its property leases which had previously been classified as operating leases under NZ IAS 17 Leases.

In adopting NZ IFRS 16, LGFA elected to use the simplified retrospective approach which does not require restatement of comparative information. The lease liability is recognised at the present value of the remaining lease payments, discounted using LGFA's incremental borrowing rate, with the corresponding right-of-use asset recognised as an equal amount.

The following items in the balance sheet were impacted by the change of accounting on 1 July 2019: Other assets and Other liabilities both increased by \$0.157 million.

Lease payments previously included in other operating expense are now classified to financing and depreciation costs under NZ IFRS 16.

There have been no other changes to accounting policies.

Early adoption standards and interpretations

LGFA has not early adopted any standards.

Standards not yet adopted

LGFA does not consider any standards or interpretations in issue but not yet effective to have a significant impact on its financial statements.

d. Financial instruments

Financial assets

Financial assets, other than derivatives, are recognised initially at fair value plus transaction costs and subsequently measured at amortised cost using the effective interest rate method.

Cash and cash equivalents include cash on hand; cash in transit, bank accounts and deposits with an original maturity of no more than three months.

Purchases and sales of all financial assets are accounted for at trade date.

At each balance date, an expected credit loss assessment is performed for all financial assets and is calculated as either:

- Credit losses that may arise from default events that are possible within the next 12 months, where no significant increase in credit risk has arisen since acquisition of the asset, or
- Credit losses that may arise from default events that are possible over the expected life of the financial asset, where a significant increase in credit risk has arisen since acquisition of the asset.

Impairment losses on financial assets will ordinarily be recognised on initial recognition as a 12-month expected loss allowance and move to a lifetime expected loss allowance if there is a significant deterioration in credit risk since acquisition.

Financial liabilities

Financial liabilities, other than derivatives, are recognised initially at fair value less transaction costs and subsequently measured at amortised cost using the effective interest rate method.

Derivatives

Derivative financial instruments are recognised both initially and subsequently at fair value. They are reported as either assets or liabilities depending on whether the derivative is in a net gain or net loss position respectively.

Fair value hedge

Where a derivative qualifies as a hedge of the exposure to changes in fair value of an asset or liability (fair value hedge) any gain or loss on the derivative is recognised in profit and loss together with any changes in the fair value of the hedged asset or liability.

The carrying amount of the hedged item is adjusted by the fair value gain or loss on the hedged item in respect of the risk being hedged. Effective parts of the hedge are recognised in the same area of profit and loss as the hedged item.

e. Other assets

Property, plant and equipment (PPE)

Items of property, plant and equipment are initially recorded at cost.

Depreciation is charged on a straight-line basis at rates calculated to allocate the cost or valuation of an item of property, plant and equipment, less any estimated residual value, over its remaining useful life.

Intangible Assets

Intangible assets comprise software and project costs incurred for the implementation of the treasury management system. Capitalised computer software costs are amortised on a straight-line basis over the estimated useful life of the software (three to seven years). Costs associated with maintaining computer software are recognised as expenses.

f. Other liabilities

Employee entitlements

Employee entitlements to salaries and wages, annual leave and other similar benefits are recognised in the profit and loss when they accrue to employees.

g. Revenue and expenses

Revenue

Interest income

Interest income is accrued using the effective interest rate method.

The effective interest rate exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. The method applies this rate to the principal outstanding to determine interest income each period.

Expenses

Interest expense

Interest expense is accrued using the effective interest rate method.

The effective interest rate exactly discounts estimated future cash payments through the expected life of the financial liability to that liability's net carrying amount. The method applies this rate to the principal outstanding to determine interest expense each period.

Income tax

LGFA is exempt from income tax under Section 14 of the Local Government Borrowing Act 2011.

Goods and services tax

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

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

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

Commitments and contingencies are disclosed exclusive of GST.

h. Segment reporting

LGFA operates in one segment being funding of participating local authorities in New Zealand.

i. Judgements and estimations

The preparation of these financial statements requires judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, and income and expenses. For example, the present value of large cash flows that are predicted to occur a long time into the future depends critically on judgements regarding future cash flows, including inflation assumptions and the risk-free discount rate used to calculate present values.

The estimates and associated assumptions are based on historical experience and various other

factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. Where these judgements significantly affect the amounts recognised in the financial statements, the reasons are outlined in note disclosures.

2 Hedge accounting

LGFA is exposed to interest rate risk from fixed rate borrowing and variable rate lending to councils.

LGFA uses interest rate swaps to manage this interest rate risk. For hedge accounting purposes, LGFA has designated these swaps in fair value relationships to its fixed rate borrowing and council loans.

The gain or loss on the hedging instrument and the hedged item attributable to the hedged risk for fair value hedge relationships is shown in the table below.

in \$000s	Gain/(loss) Unaudited six months ended 31 December 2019	Gain/(loss) Unaudited six months ended 31 December 2018
Hedging instruments – interest rate swaps	465,184	301,917
Hedged items attributable to the hedged risk – fixed rate bonds / loans	(465,184)	(301,917)
Ineffectiveness recognised in profit or loss from fair value hedges	-	-

The gains or losses on the hedging instrument (interest rate swaps) and the hedged item (bonds or loans) are mapped to the same fair value account. For this reason, the statement of comprehensive income will only report any ineffectiveness arising from the fair value hedge.

3 Issuance and on-lending expenses

Issuance and on-lending expenses are those costs that are incurred as a necessary expense to facilitate the ongoing issuance of LGFA debt securities.

in \$000s	Unaudited six months ended 31 December 2019	Unaudited six months ended 31 December 2018
NZDM facility fee	308	303
NZX	235	200
Rating agency fees	301	297
Legal fees for issuance	223	164
Regulatory, registry, other fees	79	68
Trustee fees	50	50
Approved issuer levy ¹	650	893
	1,846	1,975

1. The amount of Approved Issuer Levy is a function of the number of the offshore holders of certain LGFA bond maturities.

4 Operating expenses

Operating expenses are all other expenses that are not classified as 'Issuance and on-lending expenses'.

in \$000s	Unaudited six months ended 31 December 2019	Unaudited six months ended 31 December 2018
Information services	-	79
Information technology ¹	358	-
Consultants	52	105
Directors fees	199	189
Insurance	35	31
Legal fees	73	35
Depreciation	41	-
Other expenses	151	390
Auditors' remuneration		
Statutory audit	53	48
Advisory services	-	-
Personnel	889	846
	1,851	1,723

1. Information technology aggregates all LGFA information technology-related expenses under a single category. Previously, these expenses were recorded across information services, consultants and other expenses.

5 Loans to local government

in \$000s	Unaudited as at 31 December 2019		Audited as at 30 June 2019	
	Short-term loans	Loans	Short-term loans	Loans
Ashburton District Council	15,041	27,371	10,025	27,465
Auckland Council	-	2,419,254	-	2,422,898
Bay of Plenty Regional Council	70,098	121,844	90,974	50,631
Buller District Council	-	20,009	-	20,013
Canterbury Regional Council	6,005	48,148	6,006	32,108
Central Hawkes Bay District Council	-	16,077	-	2,027
Christchurch City Council	50,096	1,870,057	27,110	1,721,759
Clutha District Council	-	5,025	-	5,020
Far North District Council	20,053	56,708	-	40,149
Gisborne District Council	-	58,819	5,982	42,819
Gore District Council	6,009	13,042	6,011	13,059
Greater Wellington Regional Council	-	401,294	-	401,676
Grey District Council	4,986	15,252	4,978	15,305
Hamilton City Council	-	386,329	-	356,737
Hastings District Council	-	149,487	-	105,985
Hauraki District Council	-	43,157	-	38,192
Hawkes Bay Regional Council	-	2,510	-	2,509
Horizons Regional Council	-	37,206	-	35,182
Horowhenua District Council	16,008	94,736	11,006	85,780
Hurunui District Council	4,991	32,108	-	32,140
Hutt City Council	-	179,569	-	179,746
Invercargill City Council	37,539	30,105	25,093	30,095
Kaipara District Council	-	44,145	999	44,189
Kapiti Coast District Council	-	215,635	-	210,804
Manawatu District Council	-	69,212	-	68,229
Marlborough District Council	27,857	73,219	26,545	73,252
Masterton District Council	-	55,182	-	50,248
Matamata-Piako District Council	-	21,575	2,546	21,597
Nelson City Council	-	65,192	-	65,264
New Plymouth District Council	-	114,980	-	99,535
Northland Regional Council	-	9,729	-	9,728
Opotiki District Council	-	7,117	-	5,125

in \$000s	Unaudited as at 31 December 2019		Audited as at 30 June 2019	
	Short-term loans	Loans	Short-term loans	Loans
Otorohanga District Council	-	3,042	-	3,048
Palmerston North City Council	10,018	109,349	10,024	104,439
Porirua City Council	-	121,850	-	86,894
Queenstown Lakes District Council	20,046	95,656	20,076	85,644
Rangitikei District Council	-	3,020	-	3,013
Rotorua District Council	2,812	195,161	2,817	180,186
Ruapehu District Council	6,008	13,059	3,027	13,070
Selwyn District Council	5,022	10,037	5,097	10,053
South Taranaki District Council	-	105,371	-	80,383
South Wairarapa District Council	-	20,025	-	20,023
Stratford District Council	1,013	13,565	1,003	13,570
Taranaki Regional Council	3,962	-	-	-
Tararua District Council	4,006	25,094	4,020	21,104
Tasman District Council	41,136	137,109	25,380	127,172
Taupo District Council	-	115,322	-	115,452
Tauranga City Council	39,919	522,353	9,963	432,609
Thames-Coromandel District Council	5,009	51,188	-	51,244
Timaru District Council	12,522	67,262	17,568	67,313
Upper Hutt City Council	4,986	44,150	4,975	38,174
Waikato District Council	4,967	80,285	-	80,400
Waikato Regional Council	-	22,084	-	22,120
Waimakariri District Council	10,008	135,707	10,010	135,872
Waipa District Council	67,132	15,042	-	15,013
Wairoa District Council	-	9,037	1,514	3,519
Waitomo District Council	10,043	30,078	10,055	30,093
Wellington City Council	-	586,253	-	533,151
West Coast Regional Council	2,003	5,611	1,985	5,608
Western Bay Of Plenty District Council	-	90,331	-	90,478
Westland District Council	-	18,673	-	18,688
Whakatane District Council	5,007	57,214	5,008	57,298
Whanganui District Council	3,013	83,356	-	73,408
Whangarei District Council	9,981	132,434	9,976	122,543
	527,296	9,622,811	359,771	8,950,846

As at 31 December 2019, \$1,319 million of loans to local government are due to mature within 12 months. This comprises all short-term loans and \$792 million of loans.

6 Bills on issue

Unaudited as at 31 December 2019 in \$'000's	Face value	Unamortised premium	Accrued interest	Total
8 January 2020	70,000	-	(17)	69,983
17 January 2020	58,500	-	(34)	58,466
24 January 2020	32,000	-	(32)	31,968
29 January 2020	13,000	-	(11)	12,989
5 February 2020	25,000	-	(34)	24,966
12 February 2020	50,000	-	(66)	49,934
3 March 2020	5,000	-	(11)	4,989
11 March 2020	50,000	-	(114)	49,886
8 April 2020	25,000	-	(72)	24,928
7 May 2020	25,000	-	(102)	24,898
13 May 2020	25,000	-	(103)	24,897
10 June 2020	25,000	-	(144)	24,856
	403,500	-	(741)	402,759

Audited as at 30 June 2019 in \$'000's	Face value	Unamortised premium	Accrued interest	Total
4 July 2019	25,000	-	(4)	24,996
10 July 2019	85,000	-	(41)	84,959
17 July 2019	25,000	-	(23)	24,977
29 July 2019	25,000	-	(35)	24,965
5 August 2019	25,000	-	(48)	24,952
14 August 2019	50,000	-	(109)	49,891
23 August 2019	45,000	-	(117)	44,883
11 September 2019	50,000	-	(174)	49,826
4 October 2019	25,000	-	(124)	24,876
9 October 2019	25,000	-	(125)	24,875
7 November 2019	25,000	-	(168)	24,832
13 November 2019	25,000	-	(159)	24,841
4 December 2019	25,000	-	(203)	24,797
11 December 2019	25,000	-	(180)	24,820
22 January 2020	25,000	-	(266)	24,734
	505,000	-	(1,775)	503,225

7 Bonds on issue

Bonds on issue do not include \$450 million face value of issued LGFA bonds subscribed by LGFA and held as treasury stock. Refer Note 9: Treasury stock and bond repurchase transactions.

Unaudited as at 31 December 2019 in \$000's	Face value	Unamortised premium	Accrued interest	Fair value hedge adjustment	Total
15 April 2020	980,000	(981.00)	6,265.00		
15 May 2021	1,450,000	29,988.00	11,233.00		
14 April 2022	900,000	10,716.00	5,342.00		
15 April 2023	1,450,000	49,854.00	16,996.00		
15 April 2024	1,115,000	995.00	5,347.00		
15 April 2025	1,409,000	(33,923.00)	8,258.00		
15 April 2027	1,276,000	48,291.00	12,237.00		
20 April 2029	510,000	(11,628.00)	1,526.00		
14 April 2033	950,000	(7,780.00)	7,177.00		
Total	10,040,000	85,532	74,381	465,184	10,665,097

Audited as at 30 June 2019 in \$000's	Face value	Unamortised premium	Accrued interest	Fair value hedge adjustment	Total
15 April 2020	980,000	(2,674)	6,185		
15 May 2021	1,450,000	40,569	11,111		
14 April 2022	710,000	5,876	4,161		
15 April 2023	1,450,000	56,972	16,778		
15 April 2024	950,000	(3,895)	4,497		
15 April 2025	1,379,000	(38,648)	7,978		
15 April 2027	1,276,000	51,179	12,080		
14 April 2033	740,000	(35,533)	5,520		
Total	8,935,000	73,848	68,311	535,236	9,612,394

8 Borrower notes

Borrower notes are subordinated debt instruments which are required to be held by each local authority that borrows from LGFA in an amount equal to 1.6% of the aggregate face value of loans by that local authority.

LGFA may convert borrower notes into redeemable shares if it has made calls for all unpaid capital to be paid in full and the LGFA Board determines it is still at risk of imminent default.

9 Treasury stock and bond repurchase transactions

Periodically, LGFA subscribes for LGFA bonds as part of its tender process and holds these bonds as treasury stock. LGFA bonds held by LGFA as treasury stock are derecognised at the time of issue and no liability is recognised in the statement of financial position. As at 31 December 2019, \$450 million face value of issued LGFA bonds have been subscribed by LGFA and held as treasury stock.

LGFA makes these treasury stock bonds available to banks authorised as its tender counterparties to borrow under short-term repurchase transactions. The objective of the bond lending facility is to assist with improving secondary market liquidity in LGFA bonds. Bonds lent to counterparties are disclosed as a separate stock lending liability on the face of the statement of financial position.

Bond repurchase transactions:

Maturity date	Unaudited as at 31 December 2019	Audited as at 30 June 2019
15 April 2020	-	-
15 May 2021	-	-
14 April 2022	1,034	15,535
15 April 2023	-	-
15 April 2024	-	-
15 April 2025	-	-
15 April 2027	-	5,837
15 April 2029	-	-
14 April 2033	-	3,252
	1,034	24,625

10 Other assets

	Unaudited as at 31 December 2018	Audited as at 30 June 2018
Intangible assets ¹	382	457
Right-of-use lease asset	157	-
Total	539	457

1. Intangible assets comprise acquired and internally developed software costs incurred on the implementation of LGFA's treasury management system.

11 Reconciliation of net profit to net cash flow from operating activities

in \$000s	Unaudited six months ended 31 December 2019	Unaudited six months ended 31 December 2018
Net profit/(loss) for the period	6,103	6,075
Cash applied to loans to local government	(847,625)	(1,338,445)
Non-cash adjustments		
Amortisation and depreciation	(1,700)	4,043
Working capital movements		
Net change in trade debtors and receivables	(248)	(196)
Net change in prepayments	(259)	(308)
Net change in accruals	(143)	(172)
Net Cash From operating activities	(843,872)	(1,329,003)

12 Share Capital

As at 31 December 2019, LGFA had 45 million ordinary shares on issue, 20 million of which remain uncalled.

All ordinary shares rank equally with one vote attached to each ordinary share. Ordinary shares have a face value of \$1 per share.

Shareholder information

	31 December 2019		30 June 2019	
New Zealand Government	5,000,000	11.1%	5,000,000	11.1%
Auckland Council	3,731,960	8.3%	3,731,960	8.3%
Christchurch City Council	3,731,960	8.3%	3,731,960	8.3%
Hamilton City Council	3,731,960	8.3%	3,731,960	8.3%
Bay of Plenty Regional Council	3,731,958	8.3%	3,731,958	8.3%
Greater Wellington Regional Council	3,731,958	8.3%	3,731,958	8.3%
Tasman District Council	3,731,958	8.3%	3,731,958	8.3%
Tauranga City Council	3,731,958	8.3%	3,731,958	8.3%
Wellington City Council	3,731,958	8.3%	3,731,958	8.3%
Western Bay of Plenty District Council	3,731,958	8.3%	3,731,958	8.3%
Whangarei District Council	1,492,784	3.3%	1,492,784	3.3%
Hastings District Council	746,392	1.7%	746,392	1.7%
Marlborough District Council	400,000	0.9%	400,000	0.9%
Selwyn District Council	373,196	0.8%	373,196	0.8%
Gisborne District Council	200,000	0.4%	200,000	0.4%
Hauraki District Council	200,000	0.4%	200,000	0.4%
Horowhenua District Council	200,000	0.4%	200,000	0.4%
Hutt City Council	200,000	0.4%	200,000	0.4%
Kapiti Coast District Council	200,000	0.4%	200,000	0.4%
Manawatu District Council	200,000	0.4%	200,000	0.4%
Masterton District Council	200,000	0.4%	200,000	0.4%
New Plymouth District Council	200,000	0.4%	200,000	0.4%
Otorohanga District Council	200,000	0.4%	200,000	0.4%
Palmerston North District Council	200,000	0.4%	200,000	0.4%
South Taranaki District Council	200,000	0.4%	200,000	0.4%
Taupo District Council	200,000	0.4%	200,000	0.4%
Thames-Coromandel District Council	200,000	0.4%	200,000	0.4%
Waimakariri District Council	200,000	0.4%	200,000	0.4%
Waipa District Council	200,000	0.4%	200,000	0.4%
Whakatane District Council	200,000	0.4%	200,000	0.4%
Whanganui District Council	200,000	0.4%	200,000	0.4%
	45,000,000	100%	45,000,000	100%

13 Related parties

Identity of related parties

LGFA is related to the local authorities set out in the Shareholder Information in note 12.

LGFA operates under an annual Statement of Intent with the respective local authorities that sets out the intentions and expectations for LGFA's operations and lending to participating local authorities.

Shareholding local authorities, and non-shareholder local authorities who borrow more than \$20 million, are required to enter into a guarantee when they join or participate in LGFA. The guarantee is in respect of the payment obligations of other guaranteeing local authorities to the LGFA (cross guarantee) and of the LGFA itself.

Related party transactions

LGFA was established for the purpose of raising funds from the market to lend to participating councils. The lending to individual councils is disclosed in note 5, and interest income recognised on this lending is shown in the statement of comprehensive income.

The purchase of LGFA borrower notes by participating councils. Refer note 8.

The Treasury (New Zealand Debt Management) provides LGFA with a committed credit facility and is LGFA's derivatives counterparty.

Other disclosures

Net Tangible Assets

Net tangible assets per \$1,000 of listed bonds as at 31 December 2019 is \$7.54 (30 June 2019: \$7.95).

Directory

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5.3 Operational Report – Corporate Group – March 2020

Meeting: Strategy, Planning and Development Committee
Date of meeting: 19 March 2020
Reporting officer: Alan Adcock (General Manager – Corporate/CFO)

1 Purpose

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

2 Recommendation

That the Strategy, Planning and Development Committee notes the Corporate Group operational report for March 2020.

3 Background

The Strategy, Planning and Development Committee terms of reference list key responsibilities which include provision of an operational report from the Corporate Group.

This report provides a brief overview of some of the operational highlights across functions and services of the Corporate Group, including comment on some 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

Corporate Group Operational Report – March 2020

Operational Report – Corporate Group – March 2020

Information Communications Technology (ICT)

The ICT department is an enabler to the organisation providing technology project management and maintaining all ICT systems and applications to support business processes.

ICT Operations

Regular upgrades of network devices (software and hardware), maintenance of ICT systems and applications, upkeep of ICT infrastructure and security continues to be the main focus of the ICT Operations team.

ICT Operations also has responsibility for directly managing contracts with most vendors and suppliers of technology – such as software licencing, computer helpdesk, network links and cloud services. Vendor management meetings and discussions are on-going to ensure levels of service are consistently maintained, if not improved.

Priority tasks February/March:

- Preparing for Audit (12-13 March)
- Review outlook issues – in progress
- Installed fibre for Ruakaka Customer Services
- Network Equipment Upgrades - routers and switches
- Monthly server and desktop maintenance.
- Security maintenance / threat mitigation

ICT Projects

Project	Description	Current Status	Comment
Technology One Ci to Ci Anywhere (CiA)	Next software upgrade of core Council system	Delayed	Now split into 2 streams of delivery. Stream 1 (Core Enterprise Suite) on track to be delivered in March 2020. Stream 2 (Property and Rating) to be delivered in October 2020.
Digital Platform	Review and redevelopment of Council websites	On track	Demonstration to Elected Members held in Feb 2020. Content migration is being worked on.
Digitisation	Converting physical property files into digital format	On track	Internal scanning bureau is now operational. Internal workshops are being held to streamline the process for any applications that are not 'born digital'
SIGMA	Asset management migration and upgrade of GIS	On track	System is scheduled to be delivered in May 2020, with operational go-live from 1 July 2020.

Project Management Initiative	To create a cross-functional group to review, agree and implement a standard Project Management approach across the organisation including processes and system.	Phase 1 on track Phase 2 delayed	Phase 1 (Process) establishment of roles, project brief and workplan underway. Phase 2 (PM System) likely to have a dependency on CiA – impact on timing.
Corporate Performance Management (Operational Reporting)	Solicit business requirements for operational dashboard reports, assess existing solutions and prototype operational reporting.	On hold	Dashboard was demonstrated to Building Control Dept in December using Power BI. Proof of concept complete. Project now on hold due to technology of choice being Technology One and therefore further progress dependent on CiA delivery.
Workflow Systems Development (Phase 1 – Promapp)	Training and enabling the organisation to document and manage their business processes.	On track	Workshops with second group of participating departments complete. Continued support of departments. Increased requests for Promapp training.
Organisation Submission and Consultation Process Project	Improve the organisational processes and systems of submissions to all public consultation/engagement exercises.	On track	Statement of Work from Information Leadership reviewed. Prioritisation of tasks discussed. Links to Digital Platform to be considered. Project plan to be established.
Library Returns Sorter Project	An automatic returns sorter for the Central Library.	On track	Preferred supplier selected. Contract establishment and design of sorter underway. Mid-year installation.

Finance

2020-21 Annual Plan

Finance are working through final changes to the 2020-21 Annual Plan budget. The current budget is achieving the balanced budget benchmark (i.e. an operating surplus with some exclusions), however operating expenses and depreciation are greater than what was anticipated in Year 3 of the 2018-28 Long Term Plan.

The budget includes a capital programme of \$62m, plus Civic Centre and Whau Valley Water Treatment Plant.

Elected members will continue to be updated on progress during upcoming briefings.

The consultation period for 2020-21 Fees and Charges is currently underway.

2019-20 Annual Report

Planning for 2019-20 Annual Report and the associated audit is underway. Audit New Zealand were onsite undertaking the interim audit during 2-13 March.

Audit New Zealand have provided a time-table for the year end audit. Verbal clearance is scheduled for 16 September which, although a tight timeline, will allow for adoption of the Annual Report at the September Council meeting.

As in previous years, the timely completion of NRLLP and WAMT's audits is required to enable staff to finalise the Whangarei District Council Annual Report for adoption. Staff will continue to work with Audit New Zealand and CCO staff to facilitate this; with a workshop planned with all CCO's to ensure all are aware of expectations, deadlines and dependencies.

CiA Upgrade / Asset Management System

The upgrade of the finance module in Technology One is scheduled to go live in March. The key changes will impact the Finance team and well as the wider organisation with regards to our purchasing system. Finance are working with ICT on various aspects of this upgrade including testing, training and data cleansing.

Property, Plant and Equipment Finance staff are also involved in the Asset Management System upgrade currently in progress.

Resources are strained in some 'business as usual' activities due to a current vacancy as well as the time commitment required for these important upgrades. We will continue to monitor this closely.

Revenue

Property, rating and receivable transactions

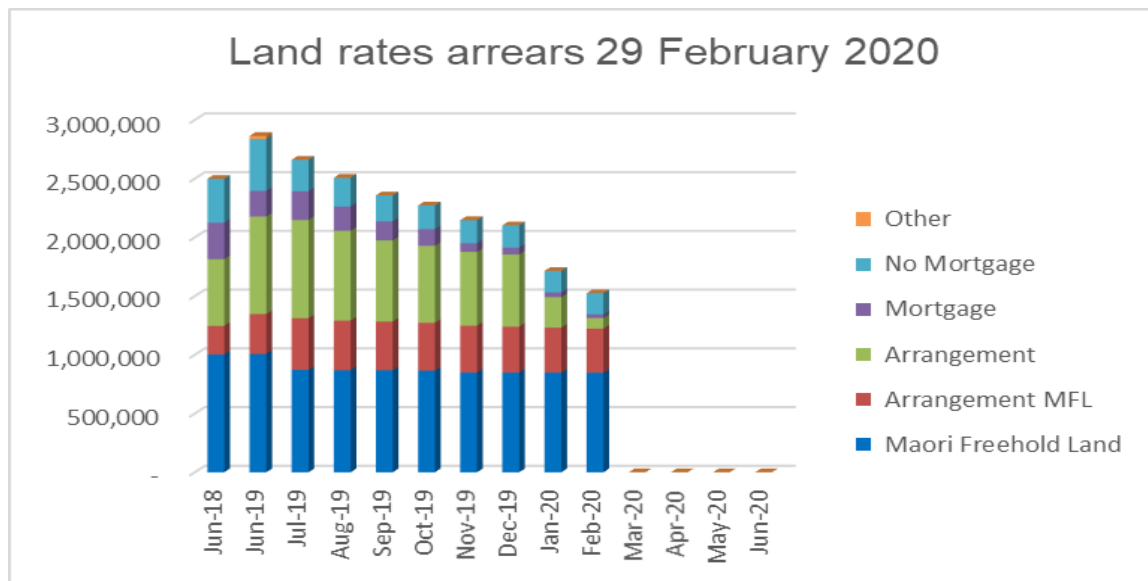
- The amendments to the Local Government (Rating) Act 2002 to improve rating of Māori land have been published. A summary of the proposed changes, include:
 - Power to write off arrears on land that is unrecoverable; or for Māori land where the owner has inherited arrears from the deceased owner (in addition to remission or postponement).
 - Increase non-ratable land.
 - Rates relief for Māori land under development or multiple rating units jointly used.
 - Require separate rates notices if requested for separate rating areas (e.g. where there are multiple dwellings on a single title of Maori land) This would allow owners to access rates rebates and allows a fairer apportionment of the overall rates for a block.

These changes will require planning to meet the 1 July 2021 proposed implementation date; as while some aspects will be legislated, we will have to consult on changes to our Remission and Postponement policies.

- Over February and March, half of the team is involved in User Acceptance Testing for the new CiA platform, which has placed pressure on operations.

Collection and recovery

- Prior years' land rate arrears are \$1.5 million (including \$1.2 million for Maori Freehold Land). The progress to date is shown below



- Penalties on unpaid third instalments of \$100,000 (1987) properties were added in February. This is in line with last year.

Business Support

Information Management (IM)

Kete Review

Training for all staff is about to commence, focussing on:

- Information Management Requirements
- Retention and Disposal

These two sessions will go a long way to improve the sense of ownership and responsibility everyone has for information management here at Council.

DigiHub

The DigiHub, (our in-house scanning bureau) is climbing towards full production now that training, team induction and process management is nearing completion. The first phase of the work involves files that have reached code of compliance (CCC) since late in 2016. The total number of files in this set is 5875.

As at the end of February 278 files have been fully processed and migrated into Kete. At full production we expect this output to be ~600 files per month which will see the file set completed early December 2020. This output will be dependent on options for scanning non CCC files and the throughput required for this.

Procurement

Procurement Manual

The Procurement Policy and related manual and templates are in the final stages of being updated. The updated versions reflect a combination of a best practice/best fit WDC and industry. We are working on plans to socialise the new documents, guidelines and processes across the organisation.

Procurement

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	Contracts currently being signed
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 and construction phases
Waahi Whakaritea Kaupapa	Event Booking System	V&E Commenced November 2019	V&E	30 January 2020	June 2020
Old Municipal Building	Providing Procurement advice on procurement and purchasing decisions	October 2019	Community	To be determined	Ongoing
EFTPOS	Provision of EFTPOS services to Council	February 2020	Business Support	To be determined	October 2020

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, EFTPOS, Cleaning, Security, Stationery and Multi-Function Devices (copiers). Supplier meetings and discussions for these contracts continue on a regular basis.

Property Assets

Maintenance schedules for Forum North have been prepared. These provide a schedule of what is required to keep the Forum North building at an acceptable standard and ensures we can be proactive with our assets while allowing more accurate budgeting. Planned works include completion of painting the building façade and ongoing roof repairs and proactive management of potential leaks.

In planning any works to be we are balancing the need to keep the facility maintained to an acceptable standard to ensure good working conditions for our staff and the overall integrity of the building exterior is maintained; while acknowledging our limited tenure in the building.

Business Support

Vehicle Fleet

In line with our commitment not to purchase any pure combustion engines, we have ordered a further two hybrid vehicles to replace out-of-policy assets.

Business Support Projects (Updates, Delays or Deferrals)

Project	Current Status	Comment
Kete Review	In Progress	Working in with other projects such as CiA to deliver training.
Information Management Plan	Delayed	Options analysis for archives exit has been deferred as this has dependencies with Civic Centre.

Communications

Digital Platform project

A full content audit of the existing WDC website has now been completed and content has been categorised into three buckets: 'transfer', 'improve' or 'archive'. The project and communication team have almost completed their training on the new Content Management System (OpenCities), and once the site structure and navigation is confirmed, will begin the process of working with teams across Council to optimise and load content to the new OpenCities website.

Media

Media issues of note include:

- Water savings/restrictions across Northland
- Civic Centre
- Sustainable Solvents

Communications projects

A summary of campaigns of note include:

Campaign	Comment
CBD carparking changes	The roll out of the new signs and parking zone changes has been delayed by at least a fortnight due to supply issues getting signage materials out of China. We have communicated this with the public in Council News and will update our messaging once a final date is confirmed.
Annual Plan	Content is being confirmed for this year's annual plan video which will feature some recently completed work, as well as letting people know what's planned for the year ahead. This year's campaign will again feature our 'BMX Kid'.
Mill Road - road rehabilitation	The intersection of Bank St/Mill Rd will be resealed (dates TBC). Work is about to begin replacing the footpath and kerb drainage channels as well as replacing the services under the road (which will be done at night). The road will still flow in both directions but delays are likely. VMS boards are in places as well as project signs. Communications is planned for both Council News, and on WDC Facebook Page and website once the start dates are confirmed. It is likely the work to rebuild and reseal Mill Road will now not take place until next year.
Refurbished Town Basin Playground	The popular Town Basin Playground will be closed for three months over winter to replace the play equipment plus other works to realign that part of the Loop. A communications plan has been developed including letters to, and a meeting with, stakeholder groups (Town Basin business owners and marina users), Council News and social media post plus two project signs to go up showing what the new playground will look like.
Civic Centre Project	2020 will see the start of the Civic Centre design process, demolition of the existing buildings, and the first steps towards construction. The announcement of the variation in scope required external and internal comms and social media engagement. This is being managed and monitored carefully. We will be updating the project web page (on WDC website) to reflect the new scope, along with the addition of a timeline to explain phases of the project.
Water situation	The Communications team has been posting water conservation messages on Facebook, the website, in Council News and liaising with local media who have run several stories. Billboards have also gone up along Whangarei's roadsides. The region's communicators are meeting each week and a joint radio campaign is ongoing. WDC have also offered PIM support to Northland CDEM's drought response.

Social media

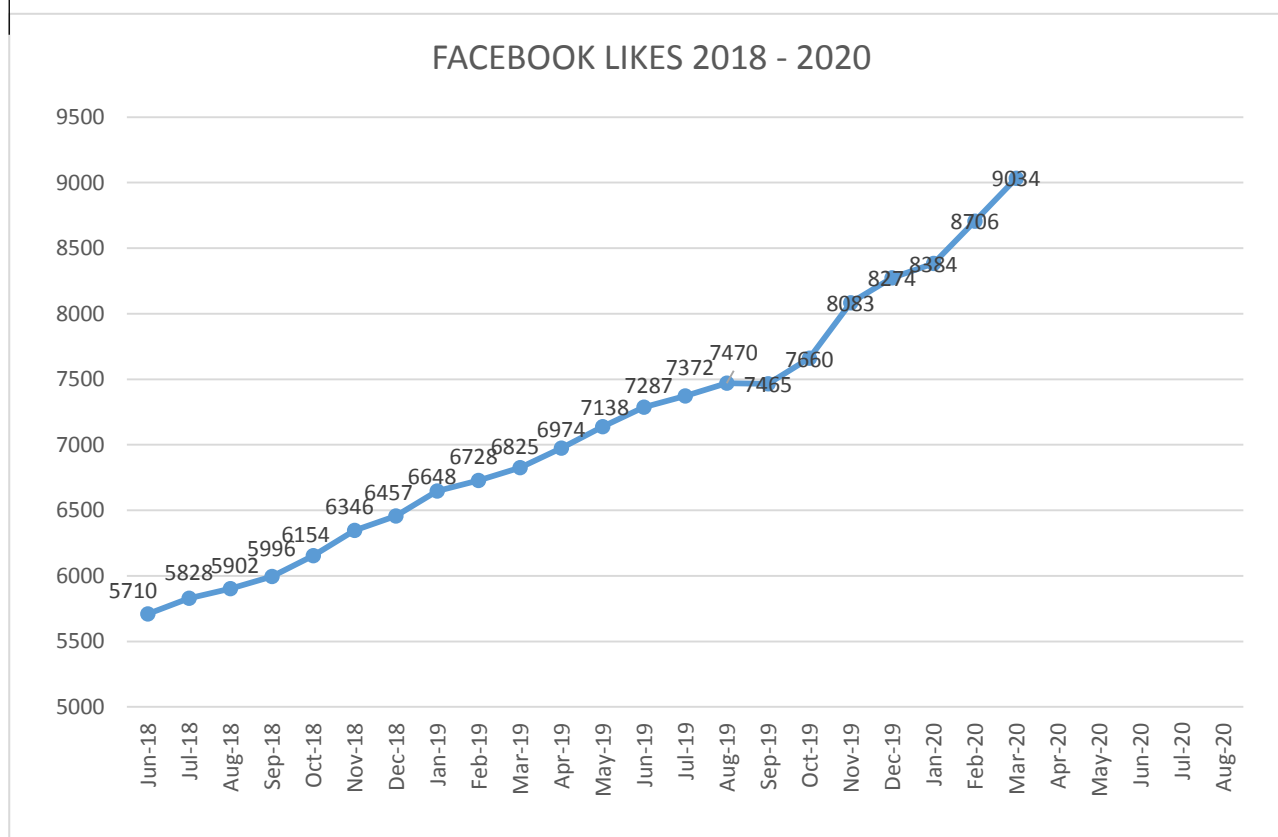
Top three highest posts reach on Facebook in February 2020 – refer to Appendix 1 for details.

Topic	Engagement
Water campaign ramp-up (billboard image)	<ul style="list-style-type: none"> 30,200 people reached 1000 reactions, comments and shares
Water storage update (line chart graphic)	<ul style="list-style-type: none"> 25,800 people reached 663 reactions, comments and shares
Parking changes announcement	<ul style="list-style-type: none"> 23,600 people reached 705 likes, comments and shares

Facebook audience/followers

Facebook page 'Likes' have been increasing at an increasing rate, and this is rewarding us in the reach of our posted content. Likes for February 2020 = 9034 (**760** new Likes in this calendar-year). The last two months have been particularly strong, gaining more than 300 new followers in each.

Below is a graph showing the increase in Facebook followers for the last 18 months.



Website

Top 5 pages visited

January (<i>previous report</i>)	February
<ul style="list-style-type: none"> • GIS Maps 	<ul style="list-style-type: none"> • GIS Maps
<ul style="list-style-type: none"> • Rubbish disposal 	<ul style="list-style-type: none"> • Water Storage (campaigned on)
<ul style="list-style-type: none"> • Contact us 	<ul style="list-style-type: none"> • Contact us
<ul style="list-style-type: none"> • Water Storage (new) 	<ul style="list-style-type: none"> • Rates and payments
<ul style="list-style-type: none"> • Use water Sensibly (News story) 	<ul style="list-style-type: none"> • Pay online
Notably popular pages: <ul style="list-style-type: none"> • (Freedom) Camping in public places • Whangarei Falls walking tracks • Dog exercise areas 	Notably popular pages: <ul style="list-style-type: none"> • Whangarei Falls walking track • (Freedom) Camping in public places (traffic volume declining) • Funding and Grants • Abbey Caves walk

We are seeing summertime trends and attention on pages we point to from other sources (eg Facebook, Neighbourly).

People and Capability

Health and Safety

We have set up a Coronavirus Watch Team and are working with staff to ensure we are in a position to take appropriate steps/action should the situation escalate.

Appendix 1

Social media (top performing posts)

Post


Whangarei District Council
Published by Craig Neilson [?] · 14 February at 15:46 · 🌐

Whangārei households are urged to reduce water use by 20 per cent immediately. With no significant rain in sight, water restrictions will need to come in to force if dam levels continue to drop.

Full story and water saving tips 💧
<http://www.wdc.govt.nz/.../P.../Use-Water-Sensibly-20200129.aspx>




Get more likes, comments and shares
 Boost this post for \$20 to reach up to 2,800 people.

30,245	5,574	Boost Post
People reached	Engagements	

 178
 55 Comments 179 shares

Post

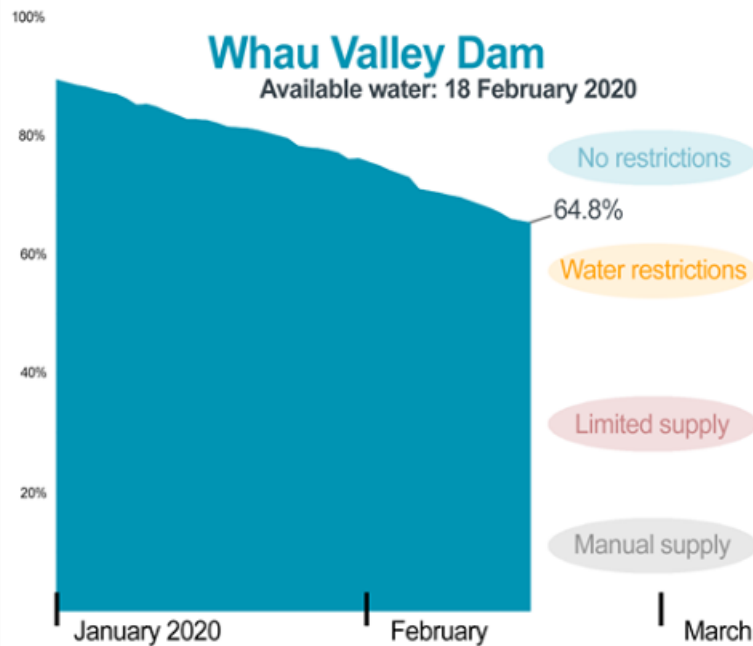

Whangarei District Council

Published by Bev Mitchell [?] · 18 February at 16:23 · 🌐

Water storage update: Whau Valley Dam is now at 64.8% capacity and it's time to get serious about cutting back on water use. We are very likely to restrict outdoor-use (Level 2 Restrictions) within the next week.

Please find water-saving tips and information about Restriction Levels on the Be Water Wise website:

<https://bewaterwise.org.nz/>



Get more likes, comments and shares

Boost this post for \$20 to reach up to 2,800 people.

25,774

People reached

5,130

Engagements

Boost Post



Atawhai Hape, Barbie Reynolds and 103 others

52 Comments 147 shares

Post


Whangarei District Council

Published by Craig Neilson [?] · 5 February at 08:38 · 🌐

Changes are coming for inner city parking.

More than 15 Parking Zones will be simplified down to just 3, and new mPark signs will be installed to make it easier to tell what Zone you are in.

The new Zones:... [See more](#)



Get more likes, comments and shares

Boost this post for \$20 to reach up to 2,800 people.

23,552

People reached

7,198

Engagements

Boost Post



Glen Gibson, Kylie Kelsen and 132 others

98 Comments 108 shares

5.4 Operational Report – Strategy, Planning and Development – March 2020

Meeting: Strategy, Planning and Development
Date of meeting: 19 March 2020
Reporting officer: Alison Geddes – General Manager, Planning & Development
 Dominic Kula – General Manager, Strategy & Democracy

1 Purpose

To provide a brief overview of work across services that the Strategy, Planning and Development Committee is responsible for.

2 Recommendation

That the Strategy, Planning and Development Committee notes the Operational report for March 2020.

3 Background

The purpose of the Strategy, Planning and Development Committee is to update Councillors on operational matters relating to the Strategy, Planning and Development departments.

This report provides a brief overview of some of the operational highlights for February 2020 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, Council News, Facebook or any other channel you currently use to inform customers – please also advise Communications]

5 Attachment

Operational Report – Strategy, Planning and Development – March 2020

March 2020 Operational Report

Strategy, Planning and Development Operational Report (reporting on February 2020)

Procurement update - Summary of Contracts Approved Under Delegated Authority

This provides a summary of the award process and works being undertaken for contracts awarded under Chief Executive and General Manager delegated authority.

Planning and Development

There were no contracts awarded for this period.

Strategy

There were no contracts awarded for this period.

Economic Development

Following on from work undertaken late last year, District Development staff have begun to engage with a number of prominent business people to help clarify what aspects of the District's business environment is attractive to them and what is not. In particular what issues are likely to impact on their undertakings, given that the District may be subject to a period of unprecedented growth in the very near future. Two commonly identified challenges across all sectors are access to suitable staff and housing supply.

Infometrics, an economics consultancy agency used by Council to provide economic information to assist in planning, policy and strategic decisions, has recently upgraded their service offer. Now Council staff can access better information regarding the nature of various business sectors. This will allow the organisation to gain a clearer understanding of those businesses that underpin our economy as we have moved from a rural service centre to a metropolitan city/district with a diverse range of supporting sectors.

The impacts of COVID-19 are already being felt by a number of Whangarei businesses across the tourism, forestry and logistics sector in particular. The full extent of the economic decline that will result is yet to be known but most commentators are suggesting that it will be widespread and unlikely to be short-lived.

District Promotions

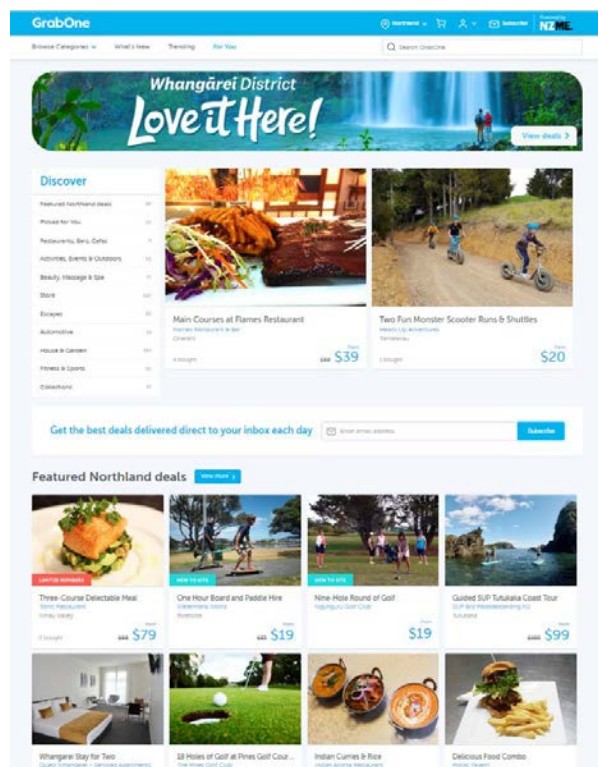
In an already soft market, the impact of COVID-19 is going to significantly affect our international arrivals. The Government has provided a \$11million boost to Tourism NZ to help alleviate the impact. \$10 million will target the international market, with short break and winter campaigns into the Australian market. Mid-term activity for the spring-summer season will follow and will target the post-Brexit UK and the USA, which remains strong on the back of new air connectivity and marketing campaigns.

The domestic market is also being affected. As an indication, KiwiNorth admissions were down 5.9% at the end of January 2020 and down 10% at end of February 2020 (some of this can be attributed to the dry summer). Door Counts at our information centres in January 2020 were also down; the i-SITE down 29.8% and The Hub down 16.8%. Anecdotally, we hear there is a growing reluctance to fly and people are choosing not to travel, even the short distance between Auckland and Whangarei.

Tourism NZ will be undertaking domestic campaigns, something they don't traditionally do, and almost all of District Development's marketing activity continues to target the domestic market. Our joint digital campaign with GrabOne (NZME) launched on 3 March 2020.

GrabOne Campaign

The aim of the campaign is to support our local businesses as well as raising brand awareness for Whangarei as an attractive visitor destination. The campaign will be delivered into Northland, Auckland, Waikato and Bay of Plenty.



Operators pay to advertise their deals, and our investment extends the reach of these to a wider audience. The campaign includes social media posts, email marketing, email banners, featured deals, push notification (similar to a text message), display advertising e.g. NZ Herald website on GrabOne and NZME channels. We will support via our own channels.

GrabOne advise they have had really positive responses from Whangarei businesses.

Some of their comments include:

"It's so great the council are supporting us."

"Really pleased to be part of a campaign promoting Whangarei."

"Perfect timing for the shoulder season"

"Definitely want to be part of a promotion for Whangarei."

"It's great that it's digital and we get to such a large NZ audience."

There are as many businesses participating as would normally for a whole of Northland campaign.

Social Media

For the month ending 29 February 2020, the [Whangarei District Love It Here!](#) Facebook page achieved:

- 17,975 Likes
- Over 13,500 audience engagements (Reactions, Comments, Shares and Clicks)
- Reached (the number of people who saw a post) over 479,394

Paid advertising in February included:

[Discover Whangarei](#)

[Whangarei Cultural Video](#)

[Whangarei Fritter Festival](#)

Commercial Property

Commercial Property

Rent reviews and renewals continue across the portfolio. Opportunities to explore initiatives continue with options to rationalise various interests both in the Hihiaua Peninsula and Port Road locations.

The property prospectus is progressing with three sites now agreed to be marketed first. Options to market the sites are being developed including the necessary due diligence reports to complement developer interest. Implementation and governance models are being explored and will be workshopped with Councillors.

Airport

The Draft Statement of Intent (SOI) for 2020/21 was presented to Council for adoption and has been circulated to the Ministry of Transport as Councils Joint Venture partner. The Ministry has scheduled a visit to Whangarei on 6 March 2020 to discuss the SOI, capital works projects and general review of operations. Confirmation from the Minister is expected with regard to the terminal re-roof project.

A recent media release announced Air New Zealand's Northland marketing campaign in partnership with Northland Inc and the Bay of Islands Marketing Group.

This is the fourth season of marketing activity since the Northland Summer of Safety video was first screened at the end of 2016. This provides a great opportunity to raise the airports profile can be included in future campaigns.

Total passengers for the month of February 2020 were not available at the time of the report.

Strategy

Spatial Planning Programme

At the Strategy, Planning and Development Committee on 20 February 2020 a decision was made to proceed with the Spatial Planning Programme in Tikipunga and Hikurangi. Staff have commenced this programme and have had initial meetings with Council stakeholders and meetings with the Tikipunga community at Trinity Church on 2 March 2020 and with Hikurangi Business Association on 11 March 2020.

Climate Change

Following a briefing on the 4 February 2020, staff are developing a draft Climate Change Action Plan. This will be reported back to Council through a briefing in April 2020 for elected member feedback and direction. Staff are also continuing to work with and support the Te Tai Tokerau Climate Change Adaption Working Group.

Bylaw review programme

Staff are developing a bylaw review programme, this sets out when we will review our existing bylaws within the statutory timeframes. The draft programme will be reported back to Council.

Whangarei District Growth Strategy

Staff are currently working on an updated Growth Strategy in response to Council briefings held in December 2019, as well as changes in central government policy.

Northport / Whangarei to Auckland Spatial Plan / Navy

Staff are continuing to work on background reports for our readiness to accommodate development and what our input into a Whangarei to Auckland Spatial Plan looks like. Initial discussions have been had with NZTA and the Ministry of Housing and Urban Development.

Through the Upper North Island Strategic Alliance (UNISA), discussions are ongoing on a number of spatial planning programmes across the Upper North Island. A presentation will be given by central government staff at the next Chief Executives UNISA Meeting on 3 April 2020.

Democracy and Assurance

Leading into the next Long Term Plan (LTP) staff have been working with the communications team to develop the approach to consultation and engagement with communities.

As Council transitions from induction mode to business as usual, a series of educational briefings will be scheduled on the key topics that are 'building blocks' for the LTP. This includes revenue and financing policy, rating, asset management, infrastructure strategy, and development contributions.

Work has started on business continuity with a good take up by department managers to get their plans bedded in. This has been prioritised due to the potential coronavirus threat as well as good practice for the organisation to be prepared for any eventuality.

The first Risk and Audit Committee for the triennium is scheduled for 25 March 2020. The agenda will include an update on the recent internal audit of the rate review process, business continuity, and health and safety reporting.

Staff continue to liaise with our brokers AON regarding the insurance claim for the Old Municipal Building.

The updated policy on appointment of council representatives to outside organisations was adopted on 27 February 2020. This provides clarity on how we work with outside organisations, including council organisations and council controlled organisations. Draft statements of intent have been delivered to Council for the Whangarei District Airport, Whangarei Art Museum Trust and Northland Regional Landfill Limited Partnership. These will be presented to the relevant committees during March 2020.

Further elected member appointments to outside organisations were made on 27 February 2020 with Council noting the new approach to appointments to outside organisations where formal appointments have been made.

A redrafted Policy on Elected Member Allowances and Recovery of Expenses was adopted on 27 February 2020. The policy aligns with the Determinations of the Remuneration Authority and provides a clearer and more user-friendly version of the previous policy.

Along with Council and standing committee meetings for February 2020, the Democracy Team supported four briefings, three workshops and a Resource Consent hearing. Fifty-one alcohol licensing and managers certificate applications were put to the District Licensing Committee.

Council has received 23 new LGOIMA requests since the last Operational report in January 2020. 34 requests have been received since the beginning of 2020. Requests received have covered a variety of issues ranging from specific personal matters such as requests for complaint information and resource consents through to more generic requests for information on roading projects and expenditure on legal advice.

District Plan

The Department has started working on the next tranche of draft plan changes, Biodiversity, Natural Hazards and implementation of the National Planning Standards. This includes internal discussion across departments and liaison at a staff level with Northland Regional Council, Kaipara and Far North District Councils.

Staff have prepared a draft submission on the National Policy Statement for Indigenous Biodiversity which was workshopped with Council on 10 March 2020.

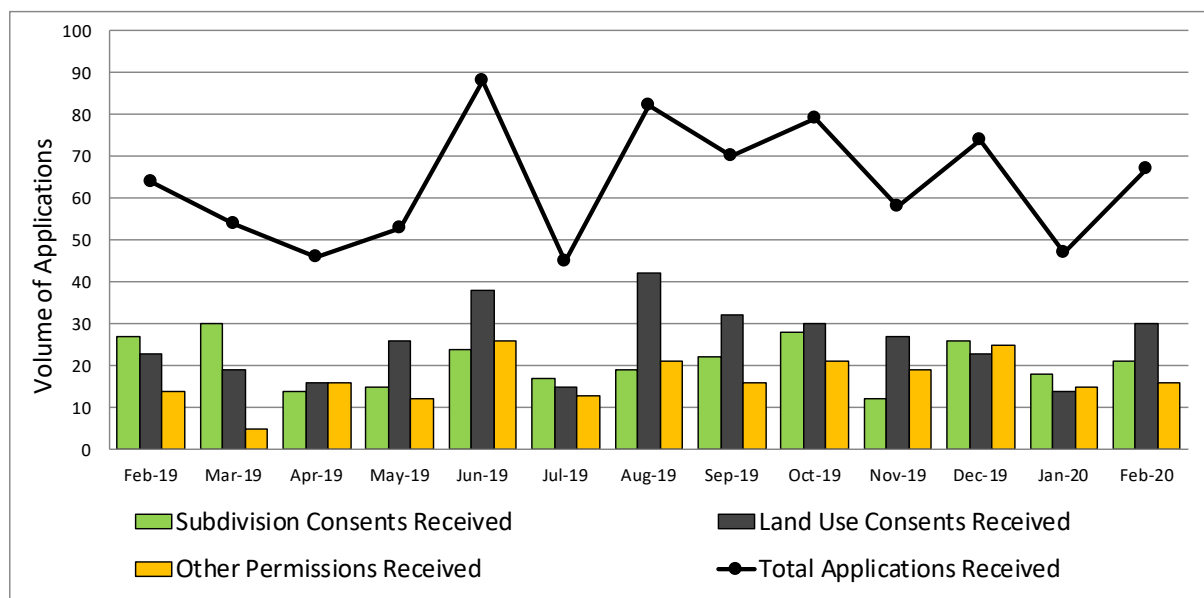
Staff have been reviewing two new National Environmental Standards – for Air Quality and Outdoor Storage of Tyres, which are open for submission.

In preparation for Urban and Service Plan Changes recommendation report staff have been briefing and training customer services, consent planners, PIM staff.

Resource Consents

Resource Consent Processing

February 2020 signals the commencement of the year proper following the holidays impacted month of January 2020. The number of applications totalled 67, being a slight increase from last February (64). Twenty one subdivision, 30 land-use and 16 other permission applications were received.



Resource Consents

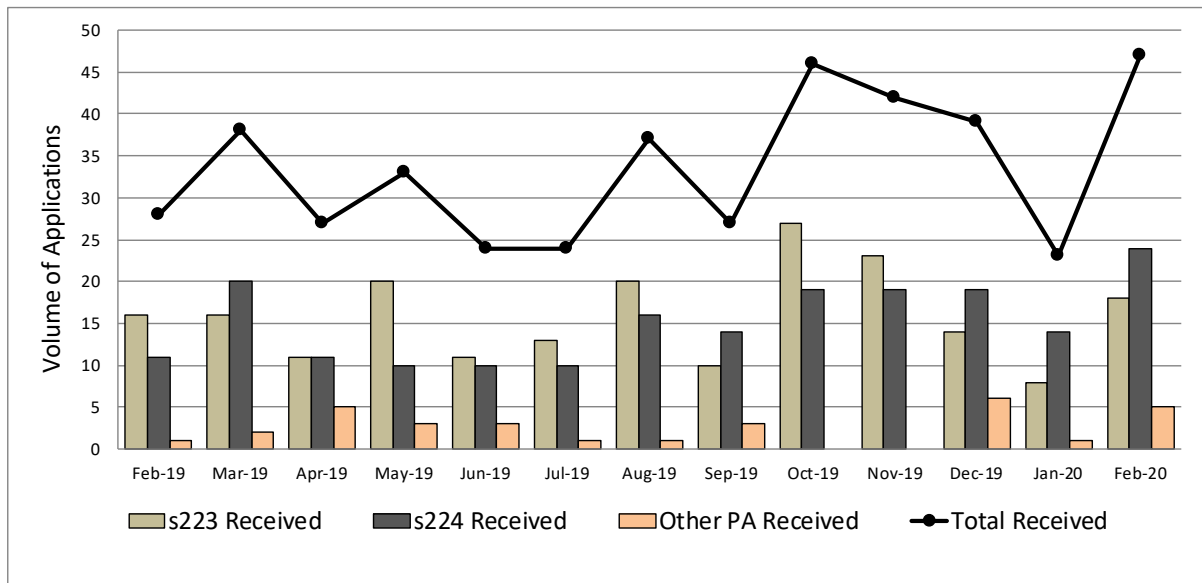
February 2020 has not seen any large scale applications made with most being a mix of small scale subdivisions and varying land use applications generally associated with residential development. A pre-lodgement meeting has been held with representatives of Millennium Hotels and Resorts in relation to the proposed hotel at Dent Street

Hearings

One hearing was held in February 2020 being a landuse consent for a dwelling at Lawson Drive, Tutukaka. The application was granted consent. The Commissioner has also granted consent to application for a 17 unit residential development and subdivision at Cross Street/Kent Road, Regent.

Post-Approval

Volumes of post-approval applications have once again picked up with our largest monthly volume of incoming applications (47) over the last 12 months occurring in February 2020. Eighteen survey plan approval (s223), 24 completion certificate (s224) and 5 other post-approval related application were received. With the addition of a new staff member the backlog of applications to process is reducing.



Appeals

No new appeals have been received. The appeal against the Environment Court's decision to decline the application by Haines House Haulage Northland Ltd to establish a house mover's depot at Kauri was heard by the High Court on 27 February 2020. The decision was reserved and a written decision will issue in due course.

Building Control (27 Jan 2020 – 28 Feb 2020)

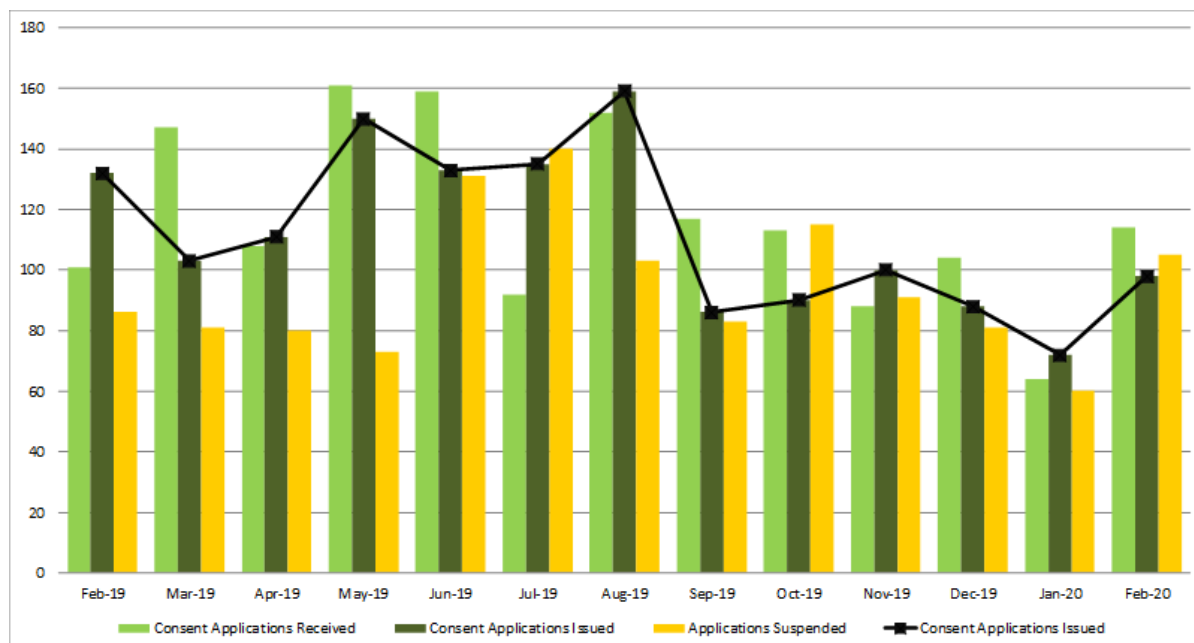
Building Consent Performance Indicators

Performance Indicators			
		Feb	Year's Average To Date
Building Consents	Issued In 20 Days	99%	96%
Inspections (Completed within 48 Hrs)	% Complete Within 2 Working Days	99%	99%
LIMs	% Within 7 Days	58%	88%
LIMs (Statutory Requirement)	% Within 10 Days	100%	100%
PIMs	% Within 5 Days	11%	74%

Building consent applications and inspections are meeting the annual plan requirements in terms of delivery. LIMs remain at a high level of service, delivery and accuracy. The internal PIM timeframe of 5 days has been extended, however the overall statutory timeframe of 20 days is on track.

Building Consents Received, Issued and Suspended

The building consent activity has seen a rise from last month and increase from the same activity period for last year. Overall the consenting activity remains at a sustained level with continued residential development.



Health and Bylaws

Environmental Health

Food Act 2014 – The Environmental Health team have received good news from the Ministry for Primary Industries (MPI) recently in that MPI have decided all qualifying Territorial Authorities (including WDC) **will retain** exclusivity and the automatic right to verify food businesses that sell food directly to consumers under s.39 of the Food Act.

This will aid the team in future business planning, as they don't need to compete with independent third party verifiers and also provides security to local operators as these continue to have access to our staff (verifiers) and don't have to rely on, mainly Auckland based, third party verifiers, often at great additional expense. In addition, Council retains 'control' of what's going on within our district's food businesses.

Bylaws

Armourguard Enforcement Statistics – these will now be reported on quarterly and compared with the same quarter last year.

TOTAL NUMBER OF COMPLAINTS	NOVEMBER 2019 – JANUARY 2020 QUARTER	NOVEMBER 2018 – JANUARY 2019 QUARTER
GENERAL BYLAW MATTERS	232	238
NOISE	1193	1452
DOGS	738	870
STOCK	92	98
PARKING	961	199

Note: As was the case during the last quarter, the much higher number of parking complaints this quarter, when compared to the previous year is due to more accurate recording of stats, rather than a drastic increase in the number of complaints.

Māori Relationships

WAM Exhibition Opening

An exhibition which opened at WAM in December 2019 was graced with a Goldie painting of Harata Tarapata, an ancestor of Ngapuhi descent from Rawhiti. A blessing was requested for the exhibition. The Māori Relationship Department located a direct descendent who assisted with the cultural protocols for the exhibition.

Whakatau at Civic Arcade for Municipal Hall tenants

A whakatau was held in the Civic Arcade for the new tenants from the Municipal Hall. It was Councils official welcome to their temporary premises and acknowledgement of the ongoing support and services.

Mackesy Road Track Blessing

Ngati Kahu o Torongare hapū reps, along with WDC staff acknowledged the opening of the new track with appropriate rituals. An upgraded pathway which now allows another entry point to the ever-increasing access to our prominent maunga Parihaka.

Whenua Māori Programme Interagency Hui

This Te Puni Kokiri led project has held its second hui. A pilot programme has identified three communities within Tai Tokerau which have been addressing generic issues for Māori whenua development. Several potential barriers to development have been identified and are being worked through; ie rating policies, papakainga policies and paper roads.

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.