

Whangarei District Council Meeting

Agenda

Date: Thursday, 28 May, 2020

Time: 9:00 am

Location: Council Chamber
Forum North, Rust Avenue
Whangarei

Elected Members: Her Worship the Mayor Sheryl Mai
(Chairperson)
Cr Gavin Benney
Cr Vince Cocurullo
Cr Nicholas Connop
Cr Ken Couper
Cr Tricia Cutforth
Cr Shelley Deeming
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.

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2. Declarations of Interest	
3. Apologies	
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8. Closure of Meeting

Recommendations contained in the Council agenda may not be the final decision of Council.

Please refer to Council minutes for final resolution.

Item 4.1
Whangarei District Council Meeting Minutes

Date: Thursday, 14 May, 2020
Time: 9:00 a.m.
Location: Virtual Meeting Room

In Attendance

Her Worship the Mayor Sheryl Mai
 (Chairperson)
 Cr Gavin Benney
 Cr Vince Cocurullo
 Cr Nicholas Connop
 Cr Ken Couper
 Cr Tricia Cutforth
 Cr Shelley Deeming
 Cr Jayne Golightly
 Cr Phil Halse
 Cr Greg Innes
 Cr Greg Martin
 Cr Anna Murphy
 Cr Carol Peters
 Cr Simon Reid

Scribe

C Brindle (Senior Democracy Adviser)

Administrative matters

Her Worship covered the following administrative matters:

- Meeting being live streamed
- Change of order of business - Item 5.5 Adoption of the Consultation Document and Supporting Information for the 2020-21 Annual Plan to be taken after Item 5.3 Deliberation and Adoption of 2020-21 Fees and Charges
- Minor correction - Item 5. 5 – Adoption of the Consultation Document and Supporting Information for the 2020-21 Annual Plan
- Declarations of Interest – Members were reminded to declare any interests.

1. Karakia/Prayer

Chief Executive Rob Forlong opened the meeting with a karakia/prayer.

3. Apologies

There were no apologies.

4. Confirmation of Minutes of Previous Meeting of the Whangarei District Council

4.1 Minutes Whangarei District Council meeting held 30 April 2020

Moved By Cr Vince Cocurullo

Seconded By Cr Carol Peters

That the minutes of the Whangarei District Council meeting held on Thursday 30 April 2020, having been circulated, be taken as read and now confirmed and adopted as a true and correct record of proceedings of that meeting; subject to it being noted in the apologies that the reason for Cr Halse and Cr Peters late arrival was due to access issues.

Carried

5. Decision Reports

5.1 COVID-19 Response Strategy

Moved By Cr Greg Innes

Seconded By Cr Simon Reid

That the Council

1. Endorses the COVID-19 Response Strategy (Attachment 1)
2. Authorises the Chief Executive to make any minor amendments to the text and graphics of the COVID-19 Response Strategy as required.

**Carried
Unanimous**

5.2 COVID-19 Relief Package

Moved By Cr Carol Peters

Seconded By Cr Gavin Benney

That the Council:

1. Endorses a Council Relief Package totalling \$3,000,000 for inclusion in the proposed 2020-21 Annual Plan. The total amount will be allocated to:
 - a. Community groups \$900,000
 - b. Business Support (District Development) \$1,350,000
 - c. Ratepayer support \$750,000.

**Carried
Unanimous**

Secretarial note:

The rental relief percentages provided in the table on page 57 of the agenda report are incorrect, the correct percentages are:

Inner City Living/Redevelopment – 27% - \$367k

Rental Relief Council Tenants – 43% - \$580k.

5.3 Deliberation and Adoption of 2020-21 Fees and Charges

Moved By Cr Shelley Deeming

Seconded By Cr Vince Cocurullo

That Council:

1. Note the information and submission comments.
2. Note that Council is finalising fee relief for those affected by COVID-19 through a grant system which will assist businesses (hospitality) most affected.
3. Deliberate on the submission to the proposed 2020-21 Fees and Charges.

Carried

Following deliberations, Council resolved:

Moved By Cr Shelley Deeming

Seconded By Cr Tricia Cutforth

That Council:

1. Make no changes to the draft 2020-21 Fees and Charges as a result of consultation.
2. Note that the submitter will be informed of the outcome of their submission.
3. Adopt the 2020-21 fees and charges which were subject to a special consultative procedure under the Local Government Act 2002 listed in Table A below:

Table A: 2020-21 Fees and charges subject to the Special Consultative Procedure

	Refer Attachment Three Statement of Proposal
Bylaw Enforcement	Page 22
Drainage (Waste Water and Trade Waste)	Page 7-8

Food Act	Page 18-20
Gambling and Racing Act	Page 21
Health Act Registered Premises	Page 20-21
Public Places Bylaw	Page 21
Resource Management Act	Page 11-17
Rubbish Disposal	Page 5-6
Water Supply	Page 9-10

4. Authorise the Chief Executive to make minor amendments, drafting, typographical or presentation corrections necessary to the 2020-21 Fees and Charges document (including reference to the previous year's fees).

Carried

Declaration of interest:

Cr Benney declared a conflict of interest and withdrew from the table and took no part in discussions or voting on Item 5.3.

A short break was taken from 10.24am to 10.40am following Item 5.3. Item 5.5 was taken after Item 5.3.

5.4 2021 – 2031 Long Term Plan – Early Direction Setting

Moved By Cr Vince Cocurullo

Seconded By Cr Phil Halse

That Council

1. Endorses the vision from option 1 and the strategic drivers and priorities outlined in option 3 for the 2021 – 2031 Long Term Plan.
2. Not undertake early engagement on the 2021-2031 Long Term Plan.
3. Requests staff to develop a communications programme for the 2021-2031 Long Term Plan using feedback from consultation on Council's response to COVID-19 through the Annual Plan process.
4. Notes that formal consultation on the 2021-2031 Long Term Plan will be undertaken in March 2021.

Amendment

Moved By Her Worship the Mayor

Seconded By Cr Anna Murphy

That Council

1. Endorses the vision, strategic drivers and priorities outlined under option 3 for the 2021 – 2031 Long Term Plan.
2. Not undertake early engagement on the 2021-2031 Long Term Plan.
3. Requests staff to develop a communications programme for the 2021-2031 Long Term Plan using feedback from consultation on Council's response to COVID-19 through the Annual Plan process.
4. Notes that formal consultation on the 2021-2031 Long Term Plan will be undertaken in March 2021.

On the amendment being put Her Worship called for a division:

Recorded	For	Against	Abstain
Her Worship the Mayor	X		
Cr Gavin Benney	X		
Cr Vince Cocurullo		X	
Cr Nicholas Connop	X		
Cr Ken Couper	X		
Cr Tricia Cutforth			X
Cr Shelley Deeming	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	9	2	3

**The amendment was Carried (8 to 2)
and subsequently Carried
as the substantive Motion**

Item 5.5 was taken after Item 5.3.

5.5 Adoption of the Consultation Document and supporting information for 2020-21 Annual Plan

Moved By Her Worship the Mayor

Seconded By Cr Greg Innes

That Council:

1. Adopts the Supporting Information to the Consultation Document to the 2020-2021 Annual Plan (Attachment One).
2. Endorses the preferred option for General and Targeted rates, as outlined in this Agenda and summarised in the Consultation Document for the 2020-2021 Annual Plan.
3. Adopts the Consultation Document for the 2020-2021 Annual Plan (Attachment 2) which outlines Councils proposed changes to Year 3 of our Long Term Plan in response to COVID-19, including the preferred option for general and targeted rates.
4. Notes that Council will not meet the financial prudence balanced budget benchmark for 2020-2021.
5. Authorises the Chief Executive to make any necessary drafting, administrative, typographical or presentation changes.

Carried

Cr Deeming re-joined the meeting at 10.44am during discussions on Item 5.5.

Item 5.4 was taken after Item 5.5.

Secretarial note: The sector share percentages on page 4 of the agenda report are incorrect, the correct percentages are located on page 32 of the CD & supporting information document (page 38 of the supplementary agenda).

6. Information Reports

6.1 Risk and Audit activity under COVID-19

Moved By Her Worship the Mayor

Seconded By Cr Shelley Deeming

That Council:

1. Notes the Risk and Audit Committee agenda for the meeting scheduled for 25 March 2020 that did not go ahead due to COVID-19.

2. Notes the risk approach taken to date in response to COVID-19.
3. Notes that the Risk and Audit three-year rolling work programme will be re-worked and brought back to the Risk and Audit Committee in June 2020 for endorsement.

Carried

7. Public Excluded Business

Moved By Cr Greg Innes

Seconded By Cr Carol Peters

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:

General subject of each matter to be considered		Reason for passing this resolution in relation to each matter	Ground(s) under Section 48(1) for passing this resolution
1.1	Property purchase	Good reason to withhold information exists under Section 7 Local Government Official Information and Meetings Act 1987	Section 48(1)(a)
1.2	Rent Relief for Covid 19 Response		

This resolution is made in reliance on Section 48(1)(a) of the Local Government Official Information and Meetings Act 1987 and the particular interest or interests protected by Section 6 or Section 7 of that Act which would be prejudiced by the holding of the whole or the relevant part of the proceedings of the meeting in public, are as follows:

Item	Grounds	Section
1.1	<p>To protect information where the making available of the information would be likely unreasonably to prejudice the commercial position of the person who supplied it or the subject of the information</p> <p>To enable Council to carry on without prejudice or disadvantage commercial activities</p> <p>To enable Council to carry on without prejudice or disadvantage negotiations (including commercial and industrial negotiations)</p>	<p>Section 7(2)(b)(ii)</p> <p>Section 7(2)(h)</p> <p>Section 7(2)(i)</p>

1.2	<p>To enable Council to carry on without prejudice or disadvantage commercial activities</p> <p>To enable Council to carry on without prejudice or disadvantage negotiations (including commercial and industrial negotiations)</p> <p>To maintain legal professional privilege</p>	<p>Section 7(2)(h)</p> <p>Section 7(2)(i)</p> <p>Section 7(2)(g)</p>
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Carried

8. Closure of Meeting

The meeting concluded at 12.28pm

Confirmed this 28th day of May 2020

Her Worship the Mayor Sheryl Mai (Chairperson)

5.1 Drinking - Water Quality Policy

Meeting: Whangarei District Council
Date of meeting: 28 May 2020
Reporting officer: Andrew Venmore (Manager Water Services)

1 Purpose

To seek Council approval for a Drinking-Water Quality Policy.

2 Recommendation

That Whangarei District Council approve and adopt the Drinking-Water Quality Policy.

3 Background

Following the water contamination event at Havelock North in 2016, the water industry has been reviewing its documentation and practices to try and reduce the likelihood of a re-occurrence. One of the key areas that has been reviewed by the Ministry of Health is the Water Safety Plan.

All water suppliers are required by the Health (Drinking Water) Amendment Act 2019 to have Water Safety Plans approved by the Ministry. Water Services currently has Water Safety Plans for each of our water supply areas. However, the Ministry issued a new framework for Water Safety Plans in 2018 and all plans now have to follow the new framework.

Water Services are in the process of updating our plans to comply with the new framework. The first part of the new framework is a commitment to drinking-water quality management. This requires that the provision of safe and secure drinking water is visible in organisational policy and strategy. It is recommended that the organisation develops a policy or statement on drinking water quality.

4 Discussion

Within the Water Safety Plan framework it is recommended that the drinking-water quality policy incorporate the six fundamental principles of drinking-water safety in New Zealand (Government Inquiry into Havelock North Drinking Water 2017), these are:

- Principle 1: A high standard of care must be embraced
- Principle 2: Protection of source water is of paramount importance
- Principle 3: Maintain multiple barriers against contamination
- Principle 4: Change (including changes to processes and hazardous events) precedes contamination
- Principle 5: Suppliers must own the safety of drinking-water
- Principle 6: Apply a preventive risk management approach.

The policy is intended to be a public document which can be used by both Council staff and residents to help understand drinking-water quality objectives. The proposed policy complies with the relevant legislation and ensures the expectations of the New Zealand Drinking-water Safety Plan Framework are met. The proposed Drinking-water Quality Policy is attached.

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, Council News, Facebook or any other channel you currently use to inform customers.

6 Covid-19

The impacts of Covid-19 on this decision have been considered. There are no impacts expected.

7 Attachment

1. Draft Drinking-Water Quality Policy

Whangarei District Council

Drinking-water quality policy

Drinking-water quality policy			
Group	Infrastructure	Business owner	Water
Date adopted	XXX	Adopted by	Senior Leadership Team
Review Cycle	5 years (statutory)	Last Review date	NA

1. Relevant legislation and policy

Health (Drinking Water) Amendment Act 2019

New Zealand Drinking-water Safety Plan Framework

Drinking-Water Standards for New Zealand

ISO 9001:2015 Management System and Water Services Quality Manual

2. Purpose

To provide safe, high-quality drinking-water that consistently meets the expectations of the New Zealand Drinking-Water Safety Plan Framework and the community.

3. Introduction

Ensuring a continuous and safe drinking-water supply requires commitment to water safety principles. This Policy outlines the principles followed by Water Services at Whangarei District Council, including having a high standard of care and owning the safety of our water, protecting water sources and having multiple treatment steps to purify and disinfect, vigilance to changes that could precede contamination and taking a preventative approach to risk management.

4. Policy

Whangarei District Council is committed to managing its water supply effectively to provide safe, high-quality drinking-water. To achieve this, in partnership with stakeholders and relevant agencies, Whangarei District Council will:

1. embrace a high standard of care to manage water quality to the consumer
2. retain a personal sense of responsibility
3. use a preventive risk-based approach to water quality and quantity
4. improve the protection of source water
5. maintain robust multiple barriers against contamination
6. monitor and respond to change; as a precursor to contamination
7. develop contingency planning and incident response capability
8. continually improve our practices

All managers and employees involved in the supply of drinking-water are responsible for understanding, implementing, maintaining and continually improving the drinking-water quality management system. This policy will be reviewed annually for suitability and if changes are required will be brought back to Council for approval. Copies of this policy will be displayed at all main offices within Water Services premises, and printed copies will be made available to Interested Parties upon request.

5.2 Urban and Services Plan Change Package – Decision

Meeting: Whangarei District Council
Date of meeting: 28 May 2020
Reporting officer: Robert Burgoyne, Senior Planner and Melissa McGrath, District Plan Manager

1 Purpose

To seek the adoption of the report and recommendations of the Hearing Commissioners for proposed Urban and Services Plan Change Package.

2 Recommendations

That the Council:

1. Adopt the report and recommendation of the Hearing Commissioners for The Urban and Services Plan Changes (PC82A & B, 88A – J, 109, 115, 136, 143, 144, 145, 147, and 148) in terms of Clause 10 of Part 1 of Schedule 1 of the Resource Management Act 1991.
2. Approve the notification of Council's decision be given in terms of Clause 10 and 11 of Part 1 of Schedule 1 of the Resource Management Act 1991.

3 Background

The Planning and Development Committee resolved to adopt and publicly notify proposed Urban and Services Plan Change Package. The timeline of the plan change package process undertaken is as follows:

Table 1 – Chronology of Events	
Event	Date
Consultation on draft plan changes	June- August 2018
Date of public notification of plan change for submissions	8 May 2019
Closing date for submissions	4 July 2019
Date of public notification for further submissions	31 July 2019
Closing date for further submissions	28 August 2019
Hearing Meeting	25 November 2019 – 10 December 2019
Hearing Closed	20 March 2020

4 Discussion

Council appointed three Independent Commissioners Richard Knot, Rachel Dimery and William Smith to hear submissions and make recommendations on the Urban and Services Plan Change package, pursuant to section 34A of the Resource Management Act 1991 (RMA).

The hearing was held over 9 days, with Council representatives and various submitters presenting evidence. The following topics attracted the greatest interest and evidence from submitters:

- Residential intensification
- Expansion and rezoning of Local Centre Zone particularly in Maunu and Otangarei
- Building and Noise Setbacks – State Highways and KiwiRail
- Rezoning of land at Ruakaka, seeking residential and industrial
- Opposition of Heavy and Light Industry Zoning proposed south of Whangarei
- Protection of Regionally Significant Infrastructure
- Port Zone – provisions for crane heights and noise overlays

The recommendation of the Hearing Panel in response to all submissions received and heard is attached (**Attachment 1**). This also includes recommended versions of the plan chapters.

In summary, the Commissioners have recommended that that the Council accepts most of the changes recommended by Council staff. These recommendations were based on those in the section 42A report with a range of matters reconsidered in light of evidence presented by submitters and detailed in the Right of Reply. Some of the more significant amendments recommended by the Hearing Panel include:

- Relocating certain policies from the District Growth and Development chapter to the Urban Form and Development Chapter.
- Amending the activity status of subdivision to restricted discretionary for certain types of subdivision proposals.
- Amending the net site area required for subdivisions in the General Residential zone to 400m² net site area.
- Amending the General Residential Zone provisions to emphasise the zone's traditional suburban character, including the deletion of the multi unit development rule.
- Reducing the size of the Maunu Town Centre Precinct and underlying Local Centre Zone.
- Deleting the Marsden Technology Park Precinct and to retaining the Rural Production Environment zoning of this land.
- The addition of a new precinct PREC2 - Western Hills Drive Precinct (WHDP) to provide for small-scale commercial services.
- Amending the zoning of some land within the Coastal Flood Hazard Zones and River Flood Hazard Zones shown on Northland Regional Council maps. The amendments are to change the zoning from Medium Density Residential Zone to General Residential Zone.
- Including additional provisions to address Kauri dieback disease.

Overall, the Panel recommends that the Urban and Services Plan Change Package be approved.

Council now has the option of:

1. Adopting the Hearing Panel's recommendation as Council's decision, or
2. Rejecting the Hearing Panel's recommendation and progressing no further with the Urban and Services Plan Change Package.

Council's decision on the Urban and Services Plan Change Package is required to be notified in accordance with the RMA.

Should Council adopt the recommendation, an appeal period runs for 30 working days.

Should Council reject the recommendation, the Urban and Services Plan Change Package stops, Council must start a new plan change process to meet the RMA obligations to review the District Plan.

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 and plan change decision public notice.

6 COVID-19 Impacts

The impacts of COVID-19 on this decision have been considered. The District Plan provides for the sustainable management of the Whangarei District under the Resource Management Act. The Urban and Services Plan Change Package was prepared, notified and heard prior to COVID-19 occurring. There are no impacts expected, the decision can be notified following standard practice, submitters will be informed via their address for service, with email primarily being used.

7 Attachments

Under separate cover (available on council's website and on request)

1. Part 1 Recommendation Report
2. Part 2 Recommendation Report General Topics
3. Part 2 Attachment 3 Zone Maps
4. Part 2 Attachment 4 Resource Area Maps
5. Part 2 Attachment 5 Consequential Amendments
6. Part 3 Recommendation Report Strategic Direction and Subdivision
7. Part 4 Recommendation Report Commercial Zones
8. Part 5 Recommendation Report Centres
9. Part 6 Recommendation Report Light and Heavy Industrial Zones
10. Part 7 Recommendation Report Residential Zones
11. Part 8 Recommendation Report Regionally Significant Zones
12. Part 9 Recommendation Report Zoning
13. Part 10 Recommendation Report Services
14. Part 11 Recommendation Report Signs and Lighting
15. Part 12 Recommendation Report Open Space Zones
16. Part 13 Recommendation Report Precincts

5.3 2020-21 Annual Operating Fund (Tranche 1)

Meeting: Whangarei District Council

Date of meeting: 28 May 2020

Reporting officer: Cindy Velthuisen

1 Purpose

To determine grant allocations for Tranche 1 of the Annual Operating Fund of 2020-21.

2 Recommendations

That the Council approves grants from the 2020-21 Annual Operating Fund for Tranche 1, as follows:

1. Approves general Annual Operating grants, totalling \$1,304,880 as follows:

a) Citizens Advice Bureau Whangarei	\$70,000
b) Creative Northland	\$208,000
c) Mangakahia Sports Ground Society Inc	\$28,600
d) Multicultural Whangarei	\$6,000
e) Northland Craft Trust	\$51,195
f) Sistema Whangarei	\$20,575
g) Tai Tokerau Emergency Housing Trust	\$15,000
h) Volunteering Northland	\$17,900
i) Whangarei Art Museum	\$398,970
j) Whangarei Museum and Heritage Trust	\$434,210
k) Whangarei Quarry Gardens Trust	\$39,085
l) Whangarei Youth Space Trust	\$15,345.

AND EITHER

2. Option 1

Approves an inflation increase of 2.2% for all applicants totalling \$28,707 and allocates one-off additional grants totalling \$63,000 to:

i) Citizens Advice Bureau Whangarei for rent subsidy	\$8,000
ii) Northland Craft Trust for e-commerce implementation	\$15,000
iii) Whangarei Museum and Heritage Trust for ICT upgrade	\$40,000

OR

3. Option 2

Approves one-off additional grants totalling \$95,120 to:

i) Citizens Advice Bureau Whangarei for rent subsidy	\$8,000
ii) Northland Craft Trust for e-commerce implementation	\$15,000
iii) Creative Northland for events	\$20,000
iv) Whangarei Museum and Heritage Trust for ICT upgrade	\$30,000
v) Whangarei Quarry Gardens for audit fees	\$6,000
vi) Whangarei Art Museum for audit fees	\$6,000
vii) Multicultural Whangarei for general operating	\$3,120
viii) Tai Tokerau Emergency Housing for general operating	\$3,500
ix) Whangarei Youth Space Trust for general operating	\$3,500

AND

4. Approves indicative levels of funding for the 2021-22 Annual Operating Fund at current 2020-21 funding levels as per Recommendation 1.

3 Background

The Annual Operating Fund (AOF), which commenced in the 2010-2011 financial year, gives a rolling year over year funding cycle designed to provide ongoing operational support to selected organisations that provide valued services to the district. The Fund is non-contestable.

This agenda report assesses Tranche 1, which includes twelve of the twenty-two applicants in the Fund and the bulk of the budget (\$1.4m of the total \$1.6m available). Tranche 2 will be presented in July.

Tranche 1 applicants (this application)	Tranche 2 (July)
Citizens Advice Bureau Whangarei	Hikurangi Historical Museum Society Inc.
Creative Northland	Anawhata Museum Trust (Packard Museum)
Mangakahia Sports Ground Society	Jack Morgan Museum Inc.
Multicultural Whangarei (new applicant)	SeniorNet Bream Bay Inc.
Northland Craft Trust (Quarry Arts Centre)	Te Kowhai Print Trust
Sistema Whangarei	Northland Society of Arts (Reyburn House)
Tai Tokerau Emergency Housing Trust	Northland Youth Theatre Trust
Volunteering Northland	Ruakaka Recreation Centre Inc.
Whangarei Art Museum Trust	Waipu Centennial Trust Board (Waipu Museum)
Whangarei Museum and Heritage Trust (Kiwi North)	Whangarei District Brass Inc.
Whangarei Quarry Gardens Trust	
Whangarei Youth Space Trust	

4 Discussion

4.1 Requests

In addition to considering existing levels of funding for applicants, three further types of allocations are usually considered:

- General annual operating grant increase
- Inflation adjustment
- One-off additional grant.

General increase

Of the twelve applicants in Tranche 1, six have requested a general line increase to their indicative Annual Operating grant, totalling \$191,000.

Normal practice is for these increases to form part of the indicative AOF grant for next year, providing some assurance to applicants on future levels of funding. However, for this year, it is proposed that these are treated as one-off additional grants and not added to the indicative figures for future funding (refer 4.5). This is because of the current economic climate post-COVID-19 and the subsequent uncertainty over budgets for 2021 onwards.

Inflation adjustment

The Local Government Cost Index (LGCI) is used for inflation adjustments for annual operating grants. This is currently 2.2% and equates to \$28,707 for this round. This is discretionary support that Council has practised in recent years, but is not committed to providing. Option 1 provides for including an inflation adjustment.

One-off additional grant

One-off additional grants are an in-year exceptional contribution to an applicant's AOF grant.

Three applicants have requested such a one-off grant for specific projects. The total for one-off grant requests is \$78,000. Some of these are included as recommendations in both Options.

In addition, staff have proposed to include \$6,000 grants to both Whangarei Art Museum and Whangarei Quarry Gardens Trust for contribution to their audit fees. This is included as a recommendation in Option 2.

4.2 COVID-19

The implications of COVID-19 were considered in preparing this report. The economic uncertainty resulting from COVID-19 recovery have a bearing on the decisions herein and these are indicated where known.

It should be noted that none of the requests for funding relate to COVID-19 – applications closed 1 April, before COVID-19 implications were known. However, all applicants will be impacted by COVID-19 to varying extent.

There may be options for additional support under the Community Emergency Recovery mechanism if this is approved for COVID-19 recovery.

4.3 Financial implications

The total budget for the 2020-21 Annual Operating Fund is \$1,600,000. Of this, \$200,000 is set aside for Tranche 2, leaving a budget of \$1,400,000 for Tranche 1.

It is usual practice that an applicant's current level of funding is an indication of the next year's funding. This is called an indicative level of funding. The total indicative level of funding for Tranche 1 this year is \$1,304,880.

The remaining budget of \$95,120 is available to distribute to Tranche 1 in this round.

Tranche 2 has indicative levels of funding of just under \$190,000, leaving a budget of \$10,000 for redistribution. This could be supplemented with carry-over funds from Option 1 below and emergency recovery funding if required and approved.

4.4 Recommendations and Options

All applicants meet the performance requirements and therefore are recommended for a continuation of their existing levels of funding. These are shown below and in Recommendation 1.

Recommendation 1 – existing levels of funding	Value
Citizens Advice Bureau Whangarei	\$70,000
Creative Northland	\$208,000
Mangakahia Sports Ground Society	\$28,600
Multicultural Whangarei	\$6,000
Northland Craft Trust	\$51,195
Sistema Whangarei	\$20,575
Tai Tokerau Emergency Housing Trust	\$15,000
Volunteering Northland	\$17,900
Whangarei Art Museum Trust	\$398,970
Whangarei Museum and Heritage Trust	\$434,210
Whangarei Quarry Gardens Trust	\$39,085
Whangarei Youth Space Trust	\$15,345
Total	\$1,304,880

Given budget constraints, two further options are presented for consideration – one with the inflation adjustment for all applicants included, and one without. The latter allows for addressing more of the funding requests received.

Not all requests for extra funding are included as recommendations. The rationale for supporting or not supporting requests is provided in the assessment spreadsheet (Attachment 1).

Option 1 – inflation adjustment and one-off grants for some applicants

Option 1 – inflation adjustment and one-off additional grants	Value
Allocate an inflation increase of 2.2% for all applicants	\$28,707
Allocate one-off additional grants to:	
• Citizens Advice Bureau for rent subsidy	\$8,000
• Northland Craft Trust for e-commerce implementation	\$15,000
• Whangarei Museum and Heritage Trust for ICT upgrade	<u>\$40,000</u>
	\$63,000
Total redistribution	\$91,707
<i>Carry over to Tranche 2</i>	\$3,413

Option 2 – one-off additional grants (no inflation adjustment)

Option 2 – one-off additional grants (no inflation adjustment)	Value
Allocate one-off additional grants to:	
• Citizens Advice Bureau for rent subsidy	\$8,000
• Northland Craft Trust for e-commerce implementation	\$15,000
• Creative Northland for events	\$20,000
• Whangarei Museum and Heritage Trust for ICT upgrade	\$30,000
• Whangarei Quarry Gardens for audit fees	\$6,000
	\$6,000

<ul style="list-style-type: none"> • Whangarei Art Museum for audit fees • Multicultural Whangarei for general operating • Tai Tokerau Emergency Housing Trust for general operating • Whangarei Youth Space Trust for general operating. 	\$3,120 \$3,500 \$3,500
Total redistribution	\$95,120

Indicative levels of funding for 2021-22

Normal practice is to provide applicants with indicative levels of funding for next year. This is usually the current level of funding plus inflation, and excludes any one-off grants allocated. Given the economic uncertainty, it is advisable that Council provides clear guidance to applicants now on the likely Annual Operating Fund budget for next year. It is recommended to keep the current level of funding (2019-20 and recommended 2020-21 AOF figures) as the minimum indicative figure for 2021-22 with no guarantees of inflation adjustments or increases available.

4.5 Significant investment indications

Three of the applicants are signalling the need for greater investment in future years.

Creative Northland

Creative Northland will continue to seek significant investment to deliver the Whangarei Arts, Culture and Heritage Strategy. This year's request is for an increase of \$100,000 to their current level of funding.

Whangarei Art Museum

Whangarei Art Museum have advised in their application that next year they will be seeking a significant increase in funding from Council:

"Whangarei Art Museum is the lowest funded regional art gallery in New Zealand. Both on a per capita basis and on a gross funding basis. This underfunding makes our ongoing sustainability problematic. Over recent years, our underfunding has been masked by the contribution of a one-off bequest from a trust, and by the use of unbudgeted interest earned on the capital contributions for the Hundertwasser Art Centre. However, fundamentally the Whangarei Art Museum is not receiving sufficient income to meet its existing outgoings (largely wages). This will need to be addressed next year. Additional funding is needed. Whangarei District Council is our largest funder and we will be seeking a substantial increase in funding from WDC to meet day to day expenses."

Whangarei Museum and Heritage Trust (Kiwi North)

Whangarei Museum and Heritage Trust (Kiwi North) also indicated the ongoing difficulty in sourcing operational funding as well as capital funding for their significant projects. Most funders will only fund one or the other, not both. Capital projects include the heritage buildings restoration and preservation work, the museum roof replacement, and the expansion plans for a café and education/hosting space, as well as ongoing museum exhibition enhancements.

5 Significance and engagement

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

6 Attachment

Assessment of applications (A3)

Organisation	Citizens Advice Bureau Whangarei Incorporated	Creative Northland	Mangakahia Sports Ground Society Incorporated
Current level of funding	\$70,000	\$208,000	\$28,600
Comments	<p>Performance Objectives - Meets all</p> <p>CAB is also providing support during current COVID-19 response.</p> <p>Well-run, valued service described as a 'community triage'. Expects beneficiary advocacy needs to rise due to COVID-19 economic impacts. Collaborates well with other community-based organisations and agencies. Application shows good alignment with WDC's priorities, strategies, and Community Outcomes.</p> <p>Highlights: good resilience following fire and COVID-19; approached by Corrections to provide services to prisoners at Ngawha; new board.</p> <p>Patronage/usage - Unable to provide this year due to change in reporting methods and file corruption due to fire. Estimated to be down on 6,000 previously due to fire.</p> <p>Resourcing - 1.4 paid; 5.0 volunteer - no change.</p>	<p><u>Performance Objectives</u> - Meets most.</p> <p>CN has achieved 3 of the 4 goals agreed upon for this 6 month period following adoption of the Strategy. The fourth goal is the commissioning of research on the impact of the creative sector in the district which was expected to commence once out of lockdown. Articulation of positive impact is limited. Budget shows loss of revenue due to COVID-19 which they are seeking to address. This is on the back of depleted reserves in recent years.</p> <p><u>Patronage/usage</u> - Supported 283 community projects, 23 initiatives (financial support), 4 touring shows, delivered 3 events, 22 individual funding clinics; hosted 6 industry workshops.</p> <p><u>Resourcing</u> - 3.25 paid; 2.25 volunteer - no change.</p>	<p><u>Performance Objectives</u> - Meets all.</p> <p>Continues to operate well and demonstrates community benefit and impact, therefore recommend continuation of funding with inflation adjustment. Collaborates well with other community groups for common goals. Continues to make improvements in facility and services, and seeks funds from multiple sources. Generally operates on a business-as-usual approach.</p> <p>Highlights: annual Summer Festival; new children's playground, further development of walking and cycling track, continue on exterior upgrade.</p> <p><u>Patronage/usage</u> - 13,500 visits; 535 programmes, events or services - small increase on previous year.</p> <p><u>Resourcing</u> - 0.45 paid; 7.0 volunteer - no change.</p>
Requests received			
Request	<p>\$8,000 one-off grant</p> <p>For rent for the period January to July 2021 on the basis of returning to the Old Municipal Building post-reinstatement.</p> <p>Council has provided significant support to all OMB tenants impacted by the fire. As CAB is not occupying the same premises (Civic Arcade) as the other OMB tenants, Council provided 12 months worth of rent support for CAB's new premises, taking them to December 2020. The OMB reinstatement work was not expected to be completed before July 2021 (pre-COVID-19). In line with the ongoing support for the other OMB tenants, this request is recommended for support under both Options.</p> <p>However, the limited budget, plus the changing economic situation resulting from COVID-19, may mean supporting this request is not feasible.</p>	<p>\$30,000 one-off grant \$100,000 increase</p> <p>Seeking \$30k one-off grant for Sculpture Symposium and ArtBeat delivery, plus line increase of \$100k for implementation of the WACH Strategy. Initially this would be for undertaking research as per the goals in the Strategy. Last year's line increase of \$15k was for the purpose of supporting the Sculpture Syposium.</p> <p>This is a significant level of investment that would normally require LTP budget changes. With the limited budget available, plus the changing economic situation resulting from COVID-19, it may mean that supporting this request even in part may not be feasible. Council could favour the delivery of one or both events, if COVID-19 restrictions allow. Realistically the WACH implementation will likely need to go on hold or be funded through other means. Option 2 provides for some event funding.</p>	<p>No change sought.</p>
Inflation of 2.2% (LGCI) on current level of funding	\$1,540	\$4,576	\$629

Tranche 1	
Total Budget available	\$1,400,000
2019-20 AOF levels - indicative figures	\$1,304,880
Budget for distribution	\$95,120

Organisation	Multicultural Whangarei	Northland Craft Trust (Quarry Arts Centre)	Sistema Whangarei
Current level of funding	\$ 6,000	\$ 51,195	\$ 20,575
Comments	<p>Performance Objectives - Meets all</p> <p>MCW has also been actively involved in providing support post-terrorist attack (via NZ Police) and during current COVID-19 response (via Civil Defence).</p> <p>Well-run, valued service supporting migrants and newcomers to Whangarei with transition, access to services, and creating a sense of belonging and inclusion - the latter being particularly important over the last 12 months. Continues to operate well and grow according to need. Demonstrates strong community benefit and impact. Highlights: good resilience following fire and COVID-19 with ability to deliver remotely; finalist for Business Awards (non-profit category).</p> <p>Patronage/usage - 2,100 (excluding events and programmes) - slightly down on previous year due to OMB fire/relocation. Membership of 229 - increase on last year (180).</p> <p>Resourcing - 1.5 paid + 1.0 contractors; 4.0 volunteer - increase in volunteer numbers</p>	<p><u>Performance Objectives</u> - Meets all.</p> <p>An iconic facility, unique in NZ. Aiming to be NZ 'centre of excellence' for ceramics. New manager appointed. Good planning in place on different foci including a refresh of their workshop programme. Good collaboration and income diversification. Clear alignment with Arts, Culture and Heritage Strategy. Achievement noted of bringing all staff almost to the living wage.</p> <p>Highlights: back of house upgrades of systems and processes, new staff, refreshed workshop programme, increase in entries to Open Ceramic Awards.</p> <p><u>Patronage/usage</u> - 15,000 (estimate) - an increase on previous year attributed to providing a wider range of events.</p> <p><u>Resourcing</u> - 4.0 paid; 1.5 volunteer - small increase</p>	<p><u>Performances Objectives</u> - Meets all, however governance board is small with only 3 members.</p> <p>A free programme that delivers personal and community development through the teaching of music. Sistema demonstrates good community impacts, and continue to extend their reach into communities of need. This includes providing a transport service when parents are not able to and looking to provide online delivery for more rural communities, ensuring access for all. Good collaboration locally, nationally and globally. Continues to operate well and demonstrates community benefit and impact.</p> <p><u>Patronage/usage</u> - 156 total contact sessions; 123 children regularly attending.</p> <p><u>Resourcing</u> - 1.5 paid; 1.0 volunteer (including youth) - no change.</p>
Requests received			
Request	<p>\$4,000 increase</p> <p>For increased programs and usage over recent years and, as a result, increased staffing needs. No specifics given.</p> <p>With sufficient budget in this funding round and some more information from the applicant, it is possible, even probable, that Council would have supported this request. However, the limited budget, plus the changing economic situation resulting from COVID-19, may mean supporting this request is not feasible. A partial grant is recommended under Option 2.</p>	<p>\$15,000 increase</p> <p>For wages to implement and manage e-commerce to enable online purchasing of local arts, crafts and supplies. This is expected to significantly broaden their market, increase income for the centre and for artists, and create efficiency gains for staff time. NCT would like this to be a permanent increase to enable this to be a permanent role rather than contract.</p> <p>This may be worthy of support at least as a one-off grant as it is directly supports their own income and sustainability. A one-off grant could be reviewed for ongoing need next year alongside available budget. It is recommended to support this request under both Options.</p>	<p>No change sought.</p>
Inflation of 2.2% (LGCI) on current level of funding	\$ 132	\$ 1,126	\$ 453

Organisation	Tai Tokerau Emergency Housing Trust	Volunteering Northland	Whangarei Art Museum Trust
Current level of funding	\$ 15,000	\$ 17,900	\$ 398,970
Comments	<p><u>Performance Objectives</u> - Meets all. Articulation of positive impact is limited.</p> <p>Provides short term emergency housing and transition support, working with families on longer term housing goals. Collaborates with other agencies and community groups.</p> <p>Highlights: 80% of vacates moved into their own home; addition of budgeting and financial literacy component; focus on staff.</p> <p><u>Patronage/usage</u> - 79 households supported; 317 enquiries - slightly lower than last year.</p> <p><u>Resourcing</u> - 10.5 paid; 0.5 volunteer - no change.</p>	<p>Performance Objectives - Meets all</p> <p>VN is also providing support during current COVID-19 response.</p> <p>Continues to provide a valuable coordination service for the volunteer/NFP sector. Demonstrates community benefit and impact, good planning and willingness to value-add. Good alignment with Council priorities and Community Outcomes.</p> <p>Highlights: Governance Bites and first aid professional development for community organisations; guided volunteering programme for migrants; good resilience following fire and COVID-19 with ability to deliver remotely.</p> <p>Patronage/usage - 1,239 referrals; 541 new registrations; 372 organisations listed.</p> <p>Resourcing - 2.2 paid; 1.2 volunteer - small increase on last year</p>	<p><u>Performance Objectives</u> - Meets most. Articulation of positive impact is limited. Sustainability/self-sufficiency is limited - other funding sought is for capital works rather than operational. Business Plan and Report mentioned but not provided. Objectives are managed under the Statement of Intent.</p> <p>Visitor numbers continue to track upwards. A large and varied programme of exhibitions and events continues to be offered, with new initiatives undertaken (eg film nights).</p> <p>NOTE - WAM have stated that they will be seeking a significant funding increase next year, referencing the benchmarking in the 2017 Martin Jenkins report.</p> <p><u>Patronage/usage</u> - 19,250 visitors; 27 programmes/activities - up on previous year.</p> <p><u>Resourcing</u> - 3.5 paid; 0.6 volunteer - no change.</p>
Requests received			
Request	<p>\$5,000 increase</p> <p>To meet increase in need and in response to reduction in Lotteries funding. This applicant received a \$7k increase last year. Predominately the responsibility of a central government agency, however there is alignment with Council's policies and bylaws and the 4 Well-beings.</p> <p>With sufficient budget in this funding round it is possible, even probable, that Council would have supported this request. However, the limited budget, plus the changing economic situation resulting from COVID-19, may mean supporting this request is not feasible.</p> <p>This request could be supported from the Community Emergency Response Fund as housing insecurity may worsen in this economic climate.</p> <p>A partial grant is recommended under Option 2.</p>	Inflation adjustment only sought.	<p>Inflation adjustment only sought.</p> <p>It is proposed to include \$6k as a 50% contribution to audit fees. Council currently pays this separately. Wrapping it up in the one grant, subject to approval, will create better transparency. It is included as a recommendation option within this funding round, however with the limited budget and the changing economic situation resulting from COVID-19, this may not be feasible.</p>
Inflation of 2.2% (LGCI) on current level of funding	\$ 330	\$ 394	\$ 8,777

Organisation	Whangarei Museum and Heritage Trust - Kiwi North (KN)	Whangarei Quarry Gardens Trust	Whangarei Youth Space Trust	Totals
Current level of funding	\$434,210	\$39,085	\$15,345	\$1,304,880
Comments	<p><u>Performance Objectives</u> - Meets all.</p> <p>Patronage remained strong despite a softening of the market in 2019. KN have been preparing for cruise ship tour groups commencing in December. Covid19 will impact KN as the international market accounts for 50% of their admissions income.</p> <p>Continues to operate well on museum activities, animal husbandry, events and programmes, heritage and capital works projects, and more.</p> <p>Highlights: Partnership with MPI on Kauri Die Back education programme; finalist in Northland Business Awards customer choice section; progress on heritage projects and Waka Tiwai display.</p> <p><u>Patronage/usage</u> - 16,873 paid admissions; 9,259 community and education events - similar to last year</p> <p><u>Resourcing</u> - 10.2 paid; 0.9 volunteer - small increase on paid.</p>	<p><u>Performance Objectives</u> - Meets most. One objective set is still in progress.</p> <p>Numbers continue to track strongly upwards. Development/upgrade of gardens continues, good collaboration with local organisations, good initiative to improve revenue streams, planning to introduce horticultural scholarships and to host workshops. Highlight: Retail shop launched.</p> <p><u>Patronage/usage</u> - 61,321 visitors - good increase on last year; 2 events (not including private functions)</p> <p><u>Resourcing</u> - 1.5 paid; 5.3 volunteer - no change.</p>	<p><u>Performance Objectives</u> - Meets most. Does not appear to have a strategic Annual Plan or Report, but did provide an operational plan, which only schedules key tasks for the year. Impact reporting is limited.</p> <p>WYS continues to provide a valued service to youth aged 13-20 in Whangarei, providing a safe space, activities, mentoring, health and social services.</p> <p><u>Patronage/usage</u> - 7,236 interations; 3,190 registered clients - increase on last year.</p> <p><u>Resourcing</u> - 12.3 paid; 0.7 volunteer - increase on paid.</p>	
Requests received				
Request	<p>\$40,000 one-off grant, and Inflation adjustment</p> <p>For ICT network upgrade and replacement phone system. Current systems are old, failing, and no longer fit for purpose, compromising internal and external communications and data storage capabilities. Currently on Windows 7 and PABX, moving to new hardware with Windows 10 and VOIP phone system. Total cost is \$46k of which WMHT is contributing \$6k. Good case presented.</p> <p>With sufficient budget in this funding round it is possible, even probable, that Council would have supported this request. However, the limited budget, plus the changing economic situation resulting from COVID-19, may mean supporting this request is not feasible.</p> <p>It is recommended to support this request in full under Option 1 or in part under Option 2.</p>	<p>\$50,000 one-off grant for gardener \$12,000 increase for audit fees</p> <p>The rationale for funding the fulltime gardener is in response to expected rise in visitor numbers (Hundertwasser gallery and cruise ships visits), as well as wishing to gain 5 star accreditation as a Garden of National Significance.</p> <p>Gardener salary - This is a significant level of investment that would normally require LTP budget changes. With the limited budget available, plus the changing economic situation resulting from COVID-19, supporting this request even in part may not be feasible. The impact of COVID-19 means that visitor numbers will be significantly lower than previous levels, so the need for this role at this time is now questionable.</p> <p>Audit fees - A \$6k contribution is a recommendation option within this funding round, however with the limited budget, this may not be feasible. It is included under Option 2.</p>	<p>\$5,000 increase</p> <p>For general operational expenses as a result of increasing difficulty in securing this from other funders. The rationale for the increase is not clear. WYS has a healthy operating budget that it seems to work easily within. It receives grants and contract funding from several sources.</p> <p>With sufficient budget in this funding round and some more information from the applicant, it is possible, even probable, that Council would have supported this request. However, the limited budget, plus the changing economic situation resulting from COVID-19, may mean supporting this request is not feasible.</p> <p>A partial grant is recommended under Option 2.</p>	<p>Total of requests \$269,000</p>
Inflation of 2.2% (LGCI) on current level of funding	\$9,553	\$860	\$338	\$28,707

Tranche 1	
Total Budget available	\$1,400,000
2019-20 AOF levels - indicative figures	\$1,304,880
Budget for distribution	<u>\$95,120</u>

5.4 Establishment of City Core Inner-city Living Working Party

Meeting: Whangarei District Council
Date of meeting: 28 May 2020
Reporting officer: Rob Forlong (Chief Executive)

1 Purpose

To establish a City Core Inner-city Living Working Party, to report back to Council through the Strategy, Planning and Development Committee.

2 Recommendation

That Council:

1. Agree to establishment of the City Core Inner-city Working Party, with the following membership:
 - Councillor Shelley Deeming (Chair)
 - Councillor Tricia Cutforth
 - Councillor Simon Reid.
2. Agree to the Terms of Reference for the City Core Inner-city Working Party.
3. Note the activities of the working party will be reported to Council through the Strategy, Planning and Development Committee.

3 Background

The Strategy, Planning and Development Committee Terms of Reference allows for establishment of working parties or steering groups to support the business of the Committee.

The meetings of Council's standing committees have been deferred until 31 May 2020 in response to COVID-19, with all delegations returning to Council for this period. The next scheduled meeting of the Strategy, Planning and Development Committee is on 18 June 2020.

Following endorsement of the COVID-19 Response Strategy by Council on 14 May, momentum is required to implement the actions contained within the strategy.

Members have expressed their commitment to providing governance input and support into implementation of the strategy.

4 Discussion

Council's COVID-19 Response Strategy contains actions toward the goal of increasing inner-city living:

Stage 2 | Recovery Action 2.10

Support local or central government driven housing projects through:

- Kāinga Ora
- local accommodation businesses
- community housing providers/shelters
- Papakainga.

Stage 3 | Reset Action 3.7

Prioritise projects that focus on inner city living and housing needs within our community.

Foster partnerships to develop and implement spatial planning which supports economic recovery and responds to our communities' needs. This includes:

- Whangārei to Auckland Spatial Plan
- Growth Strategy
- City Centre Plan
- Placemaking programme

Partnerships include with our hapu, central government and key businesses and land owners

This complements the goals of increasing inner-city living contained within the City Centre Plan, and the City Core Precinct Plan.

4.1 Terms of Reference

A copy of the draft Terms of Reference for the City Core Inner-city Living Working Party is included as **Attachment One**.

Purpose

The purpose of the working party is to provide governance input and support into implementing the goals of increasing inner-city living contained within the City Centre Plan, City Core Precinct Plan and COVID-19 Response Strategy.

It will also identify how Council can assist in the development of further inner-city living.

Key activities

Working party members will liaise with the General Manager of Planning and Development, and General Manager Strategy and Democracy, to identify commercial property owners and properties in the City Core.

Members will support discussions with a selection of commercial property owners of varying property types, sizes and city core locations to understand interest in conversion of commercial space into residential.

Through this, the obstacles and risks to redevelopment will be identified, along with possible strategies to mitigate these.

Reporting

The working party will report to Council via the Strategy, Planning and Development Committee. This will include feedback from commercial property owners, and options to support future development of inner-city living.

Delegations

The working party has no delegated authority.

Term of Working Party

For the duration of the 2019-2022 term of Council.

5 Significance and engagement

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

6 Attachment

1. City Core Inner-city Living Working Party Terms of Reference

City Core Inner-city Living Working Party

(“CBD Spearhead”)

Terms of Reference

Membership

Chair Councillor Shelley Deeming

Members Councillor Tricia Cutforth
 Councillor Simon Reid

Purpose

To provide governance input and support into implementing the goals of increasing inner-city living contained within the City Centre Plan, City Core Precinct Plan and COVID-19 Response Strategy.

To identify how Council can assist in the development of further inner-city living.

Key tasks

- Liaise with the General Manager Planning and Development, and General Manager Strategy and Democracy, to identify commercial property owners and properties in the City Core.
- Hold initial discussions with a selection of commercial property owners of varying property types, sizes and city core locations to understand interest in conversion of commercial space into residential.
- Identify with commercial property owners the obstacles/risks to redevelopment and possible strategies/appetite to mitigate these.
- Report regularly to Council via the Strategy, Planning and Development Committee with feedback, analysis and options to consider for future action.

Delegations

The working party has no delegated authority.

Related Actions and Outcomes

<i>City Core Precinct Plan</i>	Outcome 3 Living LT3 Residential Conversions LT7 Mixed Use Residential
<i>COVID-19 Response Strategy</i>	Stage 2 Recovery Action 2.10 Stage 3 Reset Action 3.7

Term of Working Party

For the duration of the 2019-2022 term of Council.

5.5 Working Group recommendation for Māori participation in Decision Making

Meeting: Whangarei District Council
Date of meeting: 28 May 2020
Reporting officer: Dominic Kula - General Manager Strategy and Democracy

1 Purpose

To consider the recommendation of the Working Group for Māori participation in Decision Making.

2 Recommendations

1. That Council adopts the recommendation of the Māori Participation in Decision Making Working Group to:
 - a. Establish Te Kārearea Strategic Partnership Forum from June 2020 - September 2020 in order to bed in a new way of working, and test Terms of Reference;
 - b. Adopt Terms of Reference for creation of Te Kārearea Strategic Partnership Forum (Attachment 1);
 - c. Endorse Te Kārearea Strategic Partnership Forum becoming a Standing Committee of Council in September 2020;
 - d. Endorse the proposed Charter (Attachment 2);
 - e. Allocate a \$150,000 budget (inclusive of any redeployment);
 - f. Note that Terms of Reference will be reviewed and reported back to Council along with the procedure for establishment of the Standing Committee in September 2020.
2. Notes that while \$100,000 of the allocated budget can be managed through existing budget and staff redeployment a further \$50,000 of savings will need to be made from other Council budgets.

3 Background

Councils are required under the Local Government Act 2002 (LGA) to facilitate participation by Māori in local authority decision-making.

In Whangārei Te Kārearea Strategic Partnership Forum was formed late in 2012 between Te Huinga (as advocates of the hapū of Whangārei) and Whangārei District Council. Since that

time Te Kārearea has been the key governance level mechanism for Māori participation in decision making.

Immediately following the 2019 election (08 November 2019) a hui was held between councillors and Te Huinga. The hui identified a desire from both parties for the Partnership to be more strategic. While not a decision-making forum, participants also indicated initial support for Te Kārearea becoming a Standing Committee of Council.

Following the hui each of the Partners worked through the potential for Te Kārearea to become a Standing Committee of Council. At a Council workshop of 05 December 2019 the need for a draft terms of reference to adequately consider the proposal was identified. Terms of reference were developed and distributed for feedback prior to Christmas 2019.

On 12 February a further Briefing was held between councillors and Te Huinga to work through the draft terms of reference, alongside other options for Māori participation in decision making. At the Briefing a Working Group of hapū representatives and councillors (Deborah Harding, Merepeka Henley, Delaraine Armstrong and Councillors Halse, Couper and Reid) was formed to find a path forward and present a recommendation to the March 2020 Council meeting.

The Working Group met twice before informally reporting its recommendations back to Council (via a further workshop on 11 March 2020) and Te Huinga. Its recommendation was then presented to the Council meeting of 26 March 2020 for a decision.

However, the meeting of 26 March was cancelled due to the announcement of COVID-19 Alert Level 4, meaning that Council has not had an opportunity to formally consider the recommendation of the Working Group.

Having met to work through the implications of COVID-19 the Working Group now brings this matter back to Council for consideration. The detail and analysis supporting the recommendation is the provided in 26 March 2020 Council report (Attachment 3), with this report being focused on discussions since that time.

4 Discussion

Given the changes to Council's operating environment as a result of COVID-19, including budget constraints going forward, staff went back to the Working Group. Feedback from the Working Group included:

- Strong support for their recommendation as reported to Council in March 2020.
- The need for a strong, and early, focus on identifying/delivering strategic priorities (the budget required to deliver strategic priorities was also stressed).
- Identifying the potential for strategic discussions with iwi at the regional level (largely made possible as a result of relationships built through COVID -19) within the proposal.
- Acknowledgement of budgetary constraints post COVID-19 (several options were worked through, including a staff option to retain the existing budget).
- That a budget of \$150k (including \$50k for a 0.8 FTE secretariat) is necessary to implement the recommendation.

In supporting their recommendation to Council the Working Group provided clear rationale, which is outlined below.

Any recommendation must:

1. ***Have unanimous support of all members of the working party;*** *The recommendation has been arrived at after some robust discussion with time taken to assess and reflect. All members have expressed their full and unequivocal support of the recommendation.*

2. **Reflect and take into account the effects of the COVID-19 pandemic;** *The effects of COVID-19 are many including a well signalled constraint on Council budgets for the next twelve months at least. This fact was front of mind for the working party members. Government stimulus packages are also a fact as a result of the pandemic. A further effect of the pandemic is the demonstrated benefits that result in a community working together in a focussed manner. The working party heard from members of Te Karearea of the unified way that Maori had approached the pandemic, the success of that approach, and the resulting opportunity to consolidate that unity as our community moves forward from this point.*
3. **Be able to demonstrate value to our community;** *The working party members all placed great importance on putting forward a recommendation that demonstrated value to our community. Both in dollar terms and in social value. The government has and is providing significant amounts of stimulus money. The government has placed the onus on organisations to suit up and step up. The working party recommendation provides the platform to demonstrate that our council is ready and has the structure in place to effectively work with our treaty partner in our community to achieve the result the government requires. Thus, removing any block in this area to receiving funding. The working party members believe the social capital that is released through demonstrating a commitment to a well-structured and genuine relationship is immense and should not be underestimated.*
4. **Be achievable;** *The working party believe that the goals contained within the recommendation are certainly achievable. We have a strong alignment of direction. While acknowledging the requested budget is an increase over previous years it is in fact a very modest amount and should not be viewed as an increase but rather as an enabler to unlock great value for our community. It is the believe that this amount is the minimum amount required to support the recommendation.*

In conclusion the Working Group noted that 'it is now over six months since this Council was sworn in and despite our obligations to include Maori in the decision-making processes, at this stage this has not happened'.

4.1 Financial and procedural matters

There is currently a total operational budget of \$50k for Te Kārearea in the 2019/20 financial year. This covers all meeting fees, venue/marae hire, catering and koha. The Working Group's proposal would involve a budget of \$100k (excluding resourcing, which is discussed below), a \$50k increase. While there was capacity to fund this through operational surplus prior to COVID-19, Council's response to COVID involved a significant review of budgets. There is no longer an operational surplus to fund this activity.

While a further \$50k is required for a 0.8 FTE secretariat, it is proposed to provide for this through a mix of redeployment (0.5 FTE) and providing committee support through the Democracy Team (0.3 FTE, as previously outlined in Attachment 3). These mechanisms would allow the role to be resourced from existing budgets.

Furthermore, broadening the secretariat role to provide support to other areas of the business (i.e. to become a full FTE) would enable the removal of a vacant Executive Assistant position from the organisational structure. While this would create savings they form part of the \$2m reduction in personnel expenses already budgeted for through the 2020/2021 Annual Plan (currently out for consultation).

Financially this outcome will therefore result in further savings to other areas of Council. However, on balance Council may wish to prioritise this work. If so savings will be spread across cost centres in order to minimise the impact but will result in some programmes slowing (i.e. initiatives requiring professional services) and adjustments for both staff an

elected members (i.e. through changes to activities such as learning and development and catering).

Other financial and procedural matters outlined in the Agenda of 26 March that will be worked through to implement the recommendation include:

- Mandate and representation for Te Huinga members.
- Potential changes to elected member remuneration (i.e. if a position of additional responsibility is created).
- The mechanism for hapū remuneration and capacity/capability.

5 Significance and engagement

While the recommendation of the Working Group will clearly trigger one of the criteria in Council's Significance and Engagement Policy, the level of public impact and/or interest, Council has worked closely with hapū (an identified community of interest) on the proposal.

None of the other criteria are triggered by the decisions in this Agenda as options presented are a manifestation of the Council's legislative obligation to provide opportunities to Māori for participation in Council decision-making.

As such the decisions or matters of this Agenda are not considered to trigger significance, and the public will be informed via Agenda publication on the website.

6 Attachments

1. Working Group's Recommended Terms of Reference
2. Proposed Charter
3. 26 March Council Report

External Partnerships

Te Kārearea Strategic Partnership Forum – Terms of Reference

Membership

Chairperson	Council based meetings: Councillor Phil Halse Marae based hui: Mandated hapū representative (TBC)
Members	Her Worship the Mayor Sheryl Mai Councillors Gavin Benney, Ken Couper, Greg Innes, Anna Murphy, Carol Peters, Simon Reid Eight mandated hapū representatives, TBC following a hapū led mandating process
Meetings	Monthly to September 2020, alternating between Council Chambers and Marae based hui
Quorum	8 comprised of 4 councillor and 4 hapū members

Preamble

Te Kārearea Strategic Partnership Forum was formed late in 2012 between Te Huinga (as advocates of the hapū of Whangarei) and Whangarei District Council. The desire to 'develop more robust partnership arrangements over time' was signaled in the agreement. This partnership Committee Represents an important step in that process. While the Purpose, Key Responsibilities and Delegations form the basis for the Terms of Reference to determine what the Committee will do, it is important that the respective principles of each of the Partners continue to underpin the relationship. The Statement of Principle for each of the Partners, as established in the foundation relationship agreement, is below.

Te Huinga Statement of Principles

He Whakaputanga o Te Rangatiratanga o Nu Tireni (Declaration of Independence – 1835) and Te Tiriti o Waitangi, 1840 provides the foundational doctrines of authority and partnership that are being sought after by the hapū of Whangārei as the relationship develops with the Whangārei District Council.

Te Huinga will work towards achieving the strategic intent.

Strategic Intent

- Vision/Te Pae Tawhiti: 'Ma nga hapū ano nga hapū e korero' - 'Hapū self reliance and prosperity'

- Mission/Te Kaupapa: ‘Achieving hapū aspirations through effective and enduring relationships’
- Whangārei - Māori Community Outcomes:
 - a A rohe with a vibrant Māori culture
 - b A Māori community, which is healthy and highly educated
 - c A society that protects and cares for all its members
 - d A rohe with a flourishing Māori economy
 - e A society that appreciates and cares for its natural environment
- Nga tikanga – Values
 - a Whanau – the extended family is the social unit that Māori identify with.
 - b Mana Hapū - Hapū are the cornerstone of the Māori community and identity.
 - c Mana Motuhake – self-determination, self-reliance and self-sustainability.
 - d Whakarite – Invest time and energy in building decision-making capacity and capability.
 - e Te Manawatoopu – Of one heart and mind. We are stronger working together.
 - f Kia maia – Providing leadership through courage.

Whangārei District Council Statement of Principles

In order to improve and enhance relationships with Māori, Council acknowledge a strategic platform is required upon which to continue to build strong relationships. Council is committed to collaboration with Māori organisations within the District.

Council has a contribution to make towards Māori wellbeing, be it environmental, social, cultural/spiritual or economic. Additionally, further collaboration and relationship building processes with Crown agencies and other local territorial authorities will continue as all such organisations make up part of the many services that impact on Māori wellbeing.

Whangārei District Council wishes to engage with Māori hapū and to recognize the Treaty of Waitangi. The Local Government Act 2002 outlines the obligations of local authorities around the Treaty of Waitangi.

Purpose

To enable the primary partners (Council and hapū of Whangārei) to work closely together to achieve the agreed vision ‘He Whenua Rangatira - Whangārei, a district of prosperity, wellbeing and empowered communities’ and mission ‘Ka tūtuki te Kāwanatanga ā-rohe, ka puāwai hoki te kotahitanga me ōna tini kaupapa - Local Government that works through effective partnership and shared decisions to provide practical solutions’. Central to this is continued development of robust partnerships through learning conversations.

The Committee provides a platform for high level/strategic discussions and priority setting between the primary partners, with preference given to *kanohi ki te kanohi* (face-to-face) and preserving tikanga. Areas of focus include, but are not limited to;

- Identifying the cultural, economic, environmental, and social issues/decisions of Council that are significant for Māori¹ in the Whangārei District. (participation)
- Ensuring Council complies with statutory provisions that refer to Te Tiriti o Waitangi (the Treaty of Waitangi), including providing oversight of key processes and controls (assurance)

¹ Māori in this context is defined as people that affiliate to a whanau, hapū, Iwi, mana whenua groups

- To agree mutual strategic priorities (direction)

Key responsibilities

- Participation
 - Develop pathways (and processes) that will achieve lasting and meaningful relationships between Māori and Council.
 - Ensure the views of Māori are taken into account.
 - Recommend ways to develop Māori capacity to contribute to decision making processes
 - Recommend ways to develop Council capacity for He Whakaputanga and Te Tiriti o Waitangi
 - Provide for equitable participation
- Direction
 - Provide advice on topics referred by Council and Māori
 - Provide advice and recommendations on key strategic policies, plans and projects of Council, including but not limited to growth strategies, the Long Term Plan and the District Plan
 - Identify matters of significance to Māori that may require joint positions/advocacy with external agencies (i.e. co-governance) or recommendations to Council
 - Identifying joint/agreed strategic priorities of the partners, along with the mechanisms for implementation
 - Monitor progress of each partner on strategic priorities
 - Recommend to Council the name for a new Standing Committee
- Assurance
 - Monitor and advise on council's compliance with its legislative obligations to Māori, including under the Local Government Act 2002 and the Resource Management Act 1991.
 - Receive and consider audit reports on Council's compliance with its legislative obligations
 - Monitor and ensure that appropriate action is being taken
 - Monitor and assess the primary partner relationship against its vision and mission
 - Monitoring compliance with statutory provisions that refer to Te Tiriti o Waitangi (the Treaty of Waitangi), including providing oversight of key processes and controls

Proposed Charter for Te Kārearea Strategic Partnership Forum

Vision: To have the best Maori/Council relationship in Aotearoa

Values: Bold, brave, respect, equitable, unified

Intent: Effective by performance through partnership

Purpose: To work together

5.6 Local Government Funding Agency – Special General Meeting

Meeting: Whangarei District Council
Date of meeting: 28 June 2020
Reporting officer: Alan Adcock (General Manager – Corporate/CFO)

1 Purpose

To establish Council's position on the matters being put forward for consideration at the Local Government Funding Agency (LGFA) Special General Meeting (SGM) on 30 June 2020.

2 Recommendations

That the Council:

1. Appoints Alan Adcock, GM Corporate/CFO as proxy to vote on behalf of the Council at the Local Government Funding Agency's Special General Meeting on 30 June 2020, with the Chair of the Local Government Funding Agency board as alternate;
2. Agrees that the proxy or alternate votes in favour of the Local Government Funding Agency's proposal as follows:
 - i. To increase the foundation policy financial covenant net debt / total revenue from the current 250% to 280% for local authorities with a long-term credit rating of 'A' equivalent or higher;
 - ii. That until 2025/26, local authorities with a long-term credit rating of 'A' equivalent or higher must comply with the "Alternative Net Debt / Total Revenue covenant" as below.

Alternative Net Debt / Total Revenue Covenant	
Financial Year (Test Date)	Net Debt / Total Revenue
30 June 2020	<250%
30 June 2021	<300%
30 June 2022	<300%
30 June 2023	<295%
30 June 2024	<290%
30 June 2025	<285%

3. Notes the amended foundation policy financial covenant of 280% will apply in the 2025/26 financial year and annually thereafter;
4. Notes that tiered covenants put in place for the 2020/21 year through to 2024/25 are created under the bespoke covenants provision of the foundation policy and requires only the Local Government Funding Agency's board's approval;
5. Notes that Council staff will update the Council on the Local Government Funding Agency's Shareholder Council's recommendations on the proposed shareholder resolution at the Council meeting.

3 Background

LGFA provides debt funding to local authorities. Whangarei District Council has an equity stake of 3.3% in the LGFA; is a borrower with net long-term loans of \$100 million and is a guarantor of any losses incurred by the LGFA from borrower defaults.

A Shareholders' Agreement establishes a Shareholders' Council to advise shareholders on relevant matters that require shareholder resolutions. The Shareholders' Agreement also contains foundation policies for LGFA lending.

There are 54 Council guarantors of the LGFA's total lending, of which the Council has a 1.7% share (based on a proportionate share of rates income). Total debt issued by the LGFA is \$10.8 billion; however, the LGFA has access to liquid assets of \$1.56 billion before council guarantees are called.

This report proposes the following:

- appointment of Alan Adcock, GM Corporate/CFO as proxy to vote at the Local Government Funding Agency's (LGFA's) Special General Meeting (SGM) on 30 June 2020; and
- to vote in favour of the LGFA increasing its foundation policy financial covenant 'Net Debt / Total Revenue' from the current 250% to 280% for local authorities with a long-term credit rating of 'A' equivalent or higher.

Documents related to the meeting proceedings are included as Attachments 1 to 4.

An Investor Presentation from LGFA (Attachment 5) and a report considering the impact of this proposal from Standard & Poors (Attachment 6) are also included.

Alan Adcock, General Manager – Corporate/CFO 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

The proposed change is to provide greater financial flexibility and borrowing capacity for Local Authorities as a result of the short-term impacts of COVID-19 and the medium-term

structural changes to the local government sector to meet additional demand for infrastructure investment.

Local Authorities are faced with short-term revenue uncertainties as a result of the impact of COVID-19 on the New Zealand economy. This will impact both rates revenue and non-rates revenue for many Local Authorities.

The foundation policy and lending policy financial covenants were incorporated into the Foundation Policies in 2011 and have not subsequently been amended. Since 2011, Local Authorities have faced increased borrowing requirements to finance additional infrastructure to meet population growth, climate change and water quality issues. Central Government has also called upon Local Authorities to assist with additional infrastructure investment in the near term as part of the economic relief package post COVID-19.

Foundation policy financial covenants

When lending to local authorities, the LGFA sets covenants in place in order to minimise risk of default on repayment of debt which local authority borrowers must meet to avoid recovery action being taken. The covenants are shown in the table below:

Covenant	Ratio Current	Ratio Proposed
Net Debt / Total Revenue	250%	280%
Net Interest / Total Revenue	<20%	<20%
Net Interest / Annual Rates Income	<30%	<30%
Liquidity	>110%	>110%

Borrowers are able to apply for bespoke financial covenants that exceed the above targets. Loan agreements reached on bespoke terms require the approval of the LGFA board only.

The LGFA has two classes of local authority borrowers – those with long-term credit ratings of 'A' equivalent or higher of which there are around 30 borrowing councils; and those without. Of total loans on issue, 90.1% are to councils with credit ratings.

Proposal details

The LGFA recognises that many local authorities will face COVID-19 impacts of reduced revenue and increased capital demands for infrastructure over the next six years. It has therefore sought to assist the local government sector by seeking to implement the following measures for local authority borrowers with long-term credit ratings of 'A' equivalent or higher as follows:

- (a) Increasing the Net Debt / Total Revenue covenant from 250% to 280%, to be met by 2026 and to take effect annually thereafter. As this rate will become the prevailing rate from 2026, it requires an ordinary shareholder resolution; and

Increasing the Net Debt / Total Revenue covenant in the years 2021-2025 between 250-300% as temporary covenants to enable the relevant councils to meet short-term pressures as a result of COVID-19. These bespoke rates have been approved by the LGFA board and consequently do not require shareholder resolutions to implement. The proposed covenants are as follows:

Alternative Net Debt / Total Revenue Covenant	
Financial Year ending	Net Debt / Total Revenue
30 June 2020	<250%
30 June 2021	<300%
30 June 2022	<300%
30 June 2023	<295%
30 June 2024	<290%
30 June 2025	<285%

Financial covenants for the council-borrowers that do not have long-term credit ratings of 'A' equivalent or higher are to remain unchanged at 175%.

Shareholder resolution

The LGFA's shareholder resolutions at a SGM on 30 June 2020 are as follows:

- To increase the Net Debt / Total Revenue foundation policy financial covenant from the current 250% to 280%, which applies to local authorities with long-term credit ratings of 'A' equivalent or higher.
- Such local authorities will not be required to comply with the revised Net Debt / Total Revenue foundation policy financial covenant until the financial year ending 30 June 2026.

Impact of the proposal

The following table notes the benefits and risks that the proposed change to the covenant will make to various parties:

Party	Impact of increase in borrowing capacity
LGFA	Will be able to lend an additional \$2.6 billion to the 30 councils with long-term credit rating of 'A' equivalent or higher.
Whangarei District Council]	WDC's Treasury Risk Management Policy sets the Debt to Revenue limit at 175% i.e. we have elected to have a lower figure than LGFA would allow given our AA credit rating. There are therefore no immediate benefits to WDC from this proposal. However, the WDC Net Debt / Total Revenue is currently 67.3%, which means headroom remaining to reach the 250% covenant is \$274 million. Lifting the covenant to 280% would enable additional borrowings of circa. \$45 million.
Other councils with long-term credit ratings of 'A' equivalent or higher	Of the 30 relevant local authority borrowers, the highest ratio is 180.3%. Therefore, most have significant headroom to manage the potential financial pressures over the next few years. Auckland Council is the largest borrower with a current ratio of 173%, and for which the increase in the covenant will create the ability for it to borrow an additional \$1.1 billion.
Guarantors of local authority borrowings	The LGFA expects a maximum of five councils are likely to exceed the 250% covenant, based on LTP expectations. These include growth councils – Auckland, Tauranga and Hamilton

and LGFA shareholders	<p>which together could borrow up to an additional \$1.27 billion to reach the 280% ceiling by 2026. However, as noted above the LGFA has liquidity of \$1.56 billion that it would access prior to reverting to guarantors.</p> <p>The LGFA has discussed the proposal with credit rating agencies who have advised that it will not change the LGFA's overall rating of AA+ (and therefore its price of borrowing for on-lending to local authorities will not increase as a result of the increased financial covenant).</p> <p>Overall, the risk of a call to guarantee a council default remains negligible.</p>
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Shareholders' Council

The LGFA's Shareholders' Council has not yet formally provided its recommendations on the LGFA's proposed shareholder resolutions. However, they have confirmed that they are comfortable for the SGM to be scheduled and for the matter to be put to shareholders, with their position to be formally advised as soon as possible.

Council staff will inform Elected members of the Shareholder Council's views at the Council meeting.

4.1 Financial/budget considerations

As noted above this proposal will not have any immediate financial impact on WDC, although it will provide additional debt headroom if required.

4.2 Risks and other options

The only other option is for the Council to oppose the LGFA's proposed shareholder resolution. The reason the Council might do so is if it considered its risk, as guarantor of debt repayments from other council borrowers exceeds the expected benefits of additional borrowing headroom to itself under the LGFA's financial covenants.

This issue is discussed above, with the conclusion that the benefits of the increased borrowing capacity for the Council outweighs the risk of being called on its guarantee.

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 COVID-19 Statement

The proposal is in specific response to the impacts COVID-19 is having on councils across New Zealand and will allow them to absorb the impact of declining revenue and/or allow for further borrowing if needed.

7 Attachments

1. LGFA Notice of Special General Meeting
2. LGFA Special General Meeting Agenda
3. LGFA Amended Foundation Policies
4. Proxy Form
5. Investor Presentation on proposed changes to foundation policy and performance update
6. Standard & Poors Report "New Zealand Local Government Funding Agency Ltd. Ratings Can Tolerate Higher Council Leverage Limits"

**NEW ZEALAND LOCAL GOVERNMENT FUNDING AGENCY LIMITED
NOTICE OF SPECIAL GENERAL MEETING**

Notice is given that a special meeting of shareholders of New Zealand Local Government Funding Agency Limited ("**Company**" or "**LGFA**") will be held virtually on **30 June 2020** commencing at **2:00pm**. The board of the Company has called this special meeting in accordance with clause 15.2(a) of the Company's constitution.

BUSINESS

1. CHANGES TO FOUNDATION POLICIES

In accordance with clause 5.1(c) of the SHA, to approve, by way of Ordinary Resolution, the amendments to the foundation policies of the Company ("**Foundation Policies**") as explained in the Explanatory Note.

2. GENERAL BUSINESS

To consider such other business as may properly be raised at the meeting.

Please refer to the explanatory note that accompanies this notice of meeting.

VIRTUAL MEETING

With measures to contain the spread of COVID-19 expected to remain in place for some time, the board of the Company has made the decision to hold this meeting as a virtual meeting, in accordance with clause 14.1(b) of the Company's constitution.

All shareholders will be able to participate in the meeting via an internet connection (using a computer, laptop, tablet or smartphone). In order to participate remotely you will need to join via Zoom:

Zoom Meeting ID: 957 7175 6899

Meeting Password: 843766

If you have any questions, or need assistance with the online process, please contact Jane Phelan.

Shareholders will be able to vote on the resolution and ask questions by using their own computer or mobile devices.

Shareholders will still be able to appoint a proxy to vote for them, as they otherwise would, by following the instructions on the proxy form.

By order of the board:



Craig Stobo, Chairman

12 May 2020

ORDINARY RESOLUTIONS: *Ordinary resolutions are resolutions approved by a simple majority of more than 50% of the votes of the shareholders entitled to vote and voting at the special general meeting.*

SHAREHOLDERS ENTITLED TO ATTEND AND VOTE: Pursuant to section 125 of the Companies Act 1993, for the purposes of voting at the special general meeting, those registered shareholders of the Company as at 9.00am on Tuesday 30 June 2020 shall be entitled to exercise the right to vote at the meeting.

CAPITALISED TERMS: Unless otherwise defined in this notice, capitalised terms have the meanings given to them in the Shareholders' Agreement dated 7 December 2011 (as amended and restated from time to time) ("SHA").

EXPLANATORY NOTE

CHANGES TO FOUNDATION POLICIES

This resolution seeks shareholders' approval for amendments to the Foundation Policies of the Company.

The Foundation Policies of the Company are set out in schedule 1 to the SHA. In summary, as relevant for the proposed resolution, clause 5.1(c) of the SHA provides that neither the Board nor any shareholder shall take or permit any action to cause any alteration to any of the Foundation Policies unless it is approved by Ordinary Resolution of the Company's shareholders.

The proposed changes to the Foundation Policies requiring shareholder approval by Ordinary Resolution relate to a change to the Net Debt / Total Revenue foundation policy financial covenant.

Proposed Change

The proposed change is to increase the Net Debt / Total Revenue foundation policy financial covenant from the current 250% to 280%, which applies to Local Authorities with a long-term credit rating of 'A' equivalent or higher.

However, such Local Authorities will not be required to comply with the revised Net Debt / Total Revenue foundation policy financial covenant until the financial year ending 30 June 2026. Until that date, such Local Authorities must comply with the Net Debt / Total Revenue foundation policy financial covenants set out in the table below:

Alternative Net Debt / Total Revenue Covenant	
Financial Year ending	Net Debt / Total Revenue
30 June 2020	<250%
30 June 2021	<300%
30 June 2022	<300%
30 June 2023	<295%
30 June 2024	<290%
30 June 2025	<285%

Then from the Financial Year ending 30 June 2026 the Net Debt/Total Revenue foundation policy financial covenant will be 280% for such Local Authorities with a long-term credit rating of 'A' equivalent or higher.

The proposed change is to provide greater financial flexibility and borrowing capacity for such Local Authorities as a result of the short-term impacts of COVID-19 and the medium-term structural changes to the local government sector to meet additional demand for infrastructure investment.

Local Authorities are faced with short-term revenue uncertainties as a result of the impact of COVID-19 on the New Zealand economy. This will impact both rates revenue and non-rates revenue for many Local Authorities and a recent Department of Internal Affairs Report projects revenue shortfalls of between 2.3% and 11% in the 2020-21 financial year.¹

The foundation policy and lending policy financial covenants were incorporated into the Foundation Policies in 2011 and have not subsequently been amended. Since 2011, Local Authorities have faced increased borrowing requirements to finance additional infrastructure to meet population growth, climate change and water quality issues. Central Government has also called upon Local Authorities to assist with additional infrastructure investment in the near term as part of the economic relief package post COVID-19.

The proposed changes only apply to Local Authorities with a long-term credit rating of 'A' equivalent or higher. As at 12 May 2020 thirty Local Authorities were required to meet the foundation policy financial

¹ DIA Local Government Sector COVID-19 Financial Implications Report 2 –4 May 2020

covenants. The other thirty-seven Local Authorities are required to meet the more restrictive lending policy financial covenants.

LGFA has undertaken scenario testing to determine the potential additional borrowing as a result of the proposed change to the foundation policy financial covenants and has concluded that the proposed changes do not incur significant additional risk for shareholders or guarantors of LGFA. This is because the probability of a default by a Local Authority remains low and if a default did occur then the probability of recovery of loans owing to LGFA remains high.

LGFA has discussed the proposed changes with both S&P Global Ratings Australia Pty Limited and Fitch Australia Pty Limited who provide a credit rating on LGFA. Both agencies were supportive verbally of the proposed change and S&P Global Ratings Australia Pty Limited provided their support in writing.²

² S&P Global Ratings Bulletin "New Zealand Local Government Funding Agency Ltd Ratings Can Tolerate Higher Council Leverage Limits. 5 May 2020

Agenda

Special General Meeting

30 June 2020

Via Zoom

Meeting ID: xxx

Meeting Password: xxx

2:00pm – 3:00pm

	Agenda Item	Leading Discussion
1	Introduction from Chairman	Craig Stobo
2	Quorum	Craig Stobo
3	Changes to LGFA Foundation Policies	Mark Butcher
4	General Business	Craig Stobo

Foundation Policies

(Clause 5.1 of the Shareholders' Agreement)

All foundation policies may be reviewed annually by Principal Shareholders at the annual meeting of Shareholders. Any alteration requires approval pursuant to clause 5.1.

Credit Risk

Lending Policy

All Local Authorities that borrow from the Company will:

- Provide debenture security in relation to their borrowing from the Company and related obligations, and (if relevant), equity commitment liabilities to the Company and (if relevant) guarantee liabilities to a security trustee approved for the Company's creditors.
- Issue securities (bonds / FRNs / CP) to the Company and/or enter into facility arrangements with the Company.
- Comply with their own internal borrowing policies.
- Comply with the financial covenants outlined in the following table, provided that:
 - Unrated Local Authorities or Local Authorities with a long-term credit rating lower than 'A' equivalent can have bespoke financial covenants that exceed the:
 - Lending policy covenants outlined in the following table with the approval of the Board;
 - Foundation policy covenants outlined in the following table with the approval of an Ordinary Resolution.
 - Local Authorities with a long-term credit rating of 'A' equivalent or higher:
 - will not be required to comply with the lending policy covenants in the following table: and
 - can have bespoke financial covenants that exceed the foundation policy covenants outlined in the following table with the approval of an Ordinary Resolution: and in any event, will not be required to comply with the Net Debt / Total Revenue foundation policy covenant outlined in the following table until the financial year ending 30 June 2026. Until that date, such Local Authority must comply with the Net Debt / Total Revenue covenant set out in the table entitled "Alternative Net Debt / Total Revenue Covenant" below.
 - Any Board or Ordinary Resolution approval of bespoke financial covenants will only be provided after a robust credit analysis and any approval must also include bespoke reporting and monitoring arrangements.
- If the principal amount of a Local Authority's borrowings, or the Company's commitment under a facility agreement with a Local Authority, is at any time greater than NZD 20 million, be a party to a deed of guarantee and an equity commitment deed (in each case in a form set by the Company).

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Financial covenant	Lending policy covenants	Foundation policy covenants
Net Debt / Total Revenue	<175%	< 250 280%
Net Interest / Total Revenue	<20%	<20%
Net Interest / Annual Rates Income	<25%	<30%
Liquidity	>110%	>110%

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Alternative Net Debt / Total Revenue Covenant	
Financial Year ending	Net Debt / Total Revenue
30 June 2020	<250%
30 June 2021	<300%
30 June 2022	<300%
30 June 2023	<295%
30 June 2024	<290%
30 June 2025	<285%

Total Revenue is defined as cash earnings from rates, grants and subsidies, user charges, interest, dividends, financial and other revenue and excludes non government capital contributions (e.g. developer contributions and vested assets).

Net debt is defined as total debt less liquid financial assets and investments.

Liquidity is defined as external debt plus committed loan facilities plus liquid investments divided by external debt.

Net Interest is defined as the amount equal to all interest and financing costs less interest income for the relevant period.

Annual Rates Income is defined as the amount equal to the total revenue from any funding mechanism authorised by the Local Government (Rating) Act 2002 together with any revenue received from other local authorities for services provided (and for which the other local authorities rate).

Financial covenants are measured on Council only basis and not consolidated group basis, unless requested by a Local Authority and approved by the Board.

During the initial three years of operation the Auckland Council will be limited to a maximum of 60% of the Company's total Local Authority (including CCOs (as defined below)) assets. After three years Auckland Council will be limited to a maximum of 40% of the Company's total Local Authority (including CCO) assets.

No more than the greater of NZD 100 million or 33% of a Local Authority's or CCO's (as defined below) borrowings from the Company will mature in any 12 month period.

Subject to implementation of any amendments or other actions considered necessary, advisable or expedient by the Board and the approval of the Board in relation to the relevant CCO (as defined below) (which may be a Council-Controlled Trading Organisation), an approved CCO may borrow from the Company provided that:

- The CCO is a "council-controlled organisation" as defined in section 6 of the Local Government Act 2002, where the CCO is a company in which equity securities carrying at least 51% or more of the voting rights at a meeting of the shareholders of the CCO are held or controlled, directly or indirectly, by one or more Local Authorities (respectively, a "CCO" and each such Local Authority being a "CCO Shareholder");
- Each CCO Shareholder provides a guarantee in respect of the CCO in favour of the Company and/or there is sufficient uncalled capital in respect of the CCO to meet the financial obligations of the CCO;
- Each CCO Shareholder provides equity commitment liabilities to the Company, guarantees liabilities to a security trustee approved for the Company's creditors, and provides debenture

security for its equity commitments to the Company and guarantee liabilities to the security trustee;

- Each CCO Shareholder complies with Lending policy financial covenants, Foundation policy financial covenants or other financial covenants required by the Board (if any); and, in the case of a CCO Shareholder with a long-term credit rating of 'A' equivalent or higher, until the financial year ending 30 June 2026, the Net Debt / Total Revenue covenant in the table entitled "Alternative Net Debt / Total Revenue Covenant" above.
- The CCO complies with any covenants required by the Board; and
- If required by the Board, the CCO will grant security in favour of the Company (which may be subject to any intercreditor arrangements acceptable to the Board).

Where the Company agrees to provide funding to the CCO, it must within 90 days of receiving annual financial covenant reporting from a CCO Shareholder (in its capacity as a borrower) report to the Shareholders' Council, holders of ordinary shares in the Company and any Local Authority guarantors of the Company's liabilities as to whether that CCO Shareholder has complied with its financial covenants on an individual and consolidated group basis.

Notwithstanding the definition of "CCO" set out above, the Board may not approve a CCO to borrow from the Company unless 100% of the equity securities carrying voting rights at a meeting of shareholders of the CCO are held or controlled, directly or indirectly, by one or more Local Authorities and the Crown (if applicable).

Cash and Liquid Investment Policy

The Company will only invest in NZD senior debt securities, money market deposits and registered certificates of deposits within the counterparty limits outlined in the following table.

New Zealand Local Authority and CCO securities are excluded from the Company's cash and liquidity portfolio.

Counterparty ¹	S & P Credit Rating or equivalent (Short-term / long-term) ²	Maximum % Limit (Total Cash + Liquid Assets)	Minimum % Limit (Total Cash + Liquid Assets)	Maximum New Zealand Dollar counterparty Limit (millions) ³	Maximum term (years) ⁴
Category 1: NZ Government or RBNZ ⁵	N/A	100%	20%	Unlimited	No longer than the longest dated LGFA maturity on issue
Category 2	A1+ / AAA	80%	N/A	300	3
Category 3	A1+: A1 / AA+	80%	N/A	200	3
	A1+: A1 / AA	80%	N/A	200	3
	A1+: A1 / AA-	80%	N/A	200	3

¹ Category 2, 3, 4 and 5 counterparties do not include the RBNZ or the NZ Government.

² Short term rating applies for all securities with a maturity date of 365 days or less.

³ If the counterparty credit rating is downgraded below the allowed limit, LGFA has 30 days to sell the security.

⁴ Maximum term applies from the date of settlement.

⁵ At least 20% of the portfolio must be held at the RBNZ or invested in NZ Government securities.

Category 4	A1: /A+, NZ Registered Bank	60%	N/A	200	3
Category 5	A1: /A+ Other Issuers	10%	N/A	50	1

The maximum individual counterparty limit (excluding the NZ Government) cannot be greater than 100% of Accessible Capital. Accessible Capital is defined as issued and paid capital plus retained earnings plus issued and unpaid capital plus outstanding borrower notes.

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Derivative Policy

Unless explicitly approved otherwise by the Board, all derivative transactions must be transacted with New Zealand Debt Management as counterparty.

Market Risk

The Company's total 12 month forecast portfolio PDH (Partial Differential Hedge) Limit is \$100,000⁶.

The Company's total portfolio Value at Risk (VaR) daily limit is \$1,000,000⁷.

Foreign exchange risk policy

The Company will take no foreign exchange risk.

Operational Risk

Unless explicitly approved otherwise by the Board, the Company will outsource the following functions to New Zealand Debt Management as follows:

- Hedging – New Zealand Debt Management is the LGFA interest rate swap counterparty.

Dividend policy

The policy is to pay a dividend that provides an annual rate of return to Shareholders equal to the Company's cost of funds plus 2.00% over the medium term, recognising that, to assist in the start-up period, the initial expectation is for no dividend for the part period to 30 June 2012, and for a dividend equal to 50% of the target dividend in the two periods to 30 June 2014 to be paid. Thereafter, the intention is to pay at least the full target dividend until the target dividend return is achieved as measured from commencement, including consideration of the time value of money at the target annual rate of return.

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

⁶ PDH risk measures the sensitivity of a portfolio to a one basis point change in underlying interest rates. For example a PDH of \$100,000 means that the portfolio value will fall by \$100,000 for a one basis point fall in interest rates.

⁷ VaR measures expected loss for a given period with a given confidence. For example, 95% confidence, daily VaR of \$1,000,000 means that it is expected that the portfolio will lose \$1,000,000 on 5% of days. i.e. 1 day in 20 the portfolio value will decrease by \$1,000,000.

NEW ZEALAND LOCAL GOVERNMENT FUNDING AGENCY LIMITED

PROXY FORM



I/We _____

of _____

being a shareholder of New Zealand Local Government Funding Agency Limited ("**Company**") appoint

of _____ or failing him/her _____

of _____ as my/our proxy to vote for me/us at the special general meeting of the Company to be held on 30 June 2020 and at any adjournment thereof.

If you wish to direct the proxy how to vote, please indicate with a ☒ in the appropriate box below. If the proxy can vote as he or she thinks fit, please indicate with a ☒ in the following box: ☐

	For	Against
1. To approve the changes to the foundation policies of the Company	<input type="checkbox"/>	<input type="checkbox"/>

(Please refer to the notice of meeting for details of the resolution)

Signature of Shareholder

Dated: 2020

Notes:

1. In light of recent public health announcements relating to COVID-19, the Company's board has made the decision to hold the special general meeting as a virtual meeting. You may attend the virtual meeting and vote or you may appoint a proxy to attend and vote in your place.
2. If you wish you may appoint as your proxy the chairperson of the meeting. The chairperson intends to vote all discretionary proxies, for which they have authority to vote, in favour of the resolution.
3. If you are a body corporate, this proxy form must be signed on behalf of the body corporate by a person acting under the body corporate's express or implied authority.
4. For this proxy form to be valid, you must complete it and produce it to the Company at least 48 hours before the time for holding the meeting. You can produce it to the Company by delivering it to **Level 8, City Chambers, 142 Featherston Street, Wellington 6145** or via email to jane.phelan@lgfa.co.nz. **It must be received at least 48 hours before the time for holding the meeting.**
5. If this proxy form has been signed under a power of attorney, a copy of the power of attorney (unless already deposited with the Company) and a signed certificate of non-revocation of the power of attorney must be produced to the Company with this proxy form.
6. If you return this form without directing the proxy how to vote on the resolution, the proxy can vote how he or she thinks fit if authorised by you in this proxy form by ticking the appropriate box. Otherwise, the proxy will be deemed to have abstained from voting on that matter.
7. Capitalised terms in this proxy form have the meanings given to them in the shareholders' agreement dated 7 December 2011 (as amended from time to time) between the Company and its shareholders.

An aerial photograph of a scenic landscape. In the foreground, a wide, shallow river with a rocky bed flows through a lush green forest. A paved road runs alongside the river, with a few small vehicles visible. The middle ground shows rolling green fields and scattered trees. In the background, a range of blue mountains stretches across the horizon under a clear sky. A large teal circle is overlaid on the right side of the image, containing the title text.

INVESTOR UPDATE AND PROPOSED CHANGES TO FOUNDATION POLICY

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- ☐ COVID-19 Update
- ☐ LGFA Risks
- ☐ Proposed Changes to Foundation Policy
- ☐ Appendices



- Council funding revenue is forecast to fall between 2.3 and 11 percent in the 2020/21 financial year relative to a 20% forecast decline in the DIA's Local Government Sector COVID-19 Financial Report 1 (14 April 2020)
- In dollar terms this equates to a loss of revenue to the sector of between \$355 million and \$1.5 billion
- Core scenario is based upon remaining in Level 2 until March 2021 and then back to Level Zero in June 2021
- Reduced level of funding will come from:
 - Rates Income (primarily from zero or lower than forecast rate increases for the 2020/21 financial year)
 - Fee Income (less parking revenue, revenue from community facilities, regulatory services income)
 - Investment income (lower dividends and / or lower returns from investment funds)
 - Development contributions
- Lost fee income from public transport is currently being reimbursed by the NZ Transport Agency (NZTA)
- Subsidies and grants likely to be as forecast although the funding level from NZTA is still yet to be confirmed

Source: DIA Local Government Sector COVID-19 Financial Implications Report 2

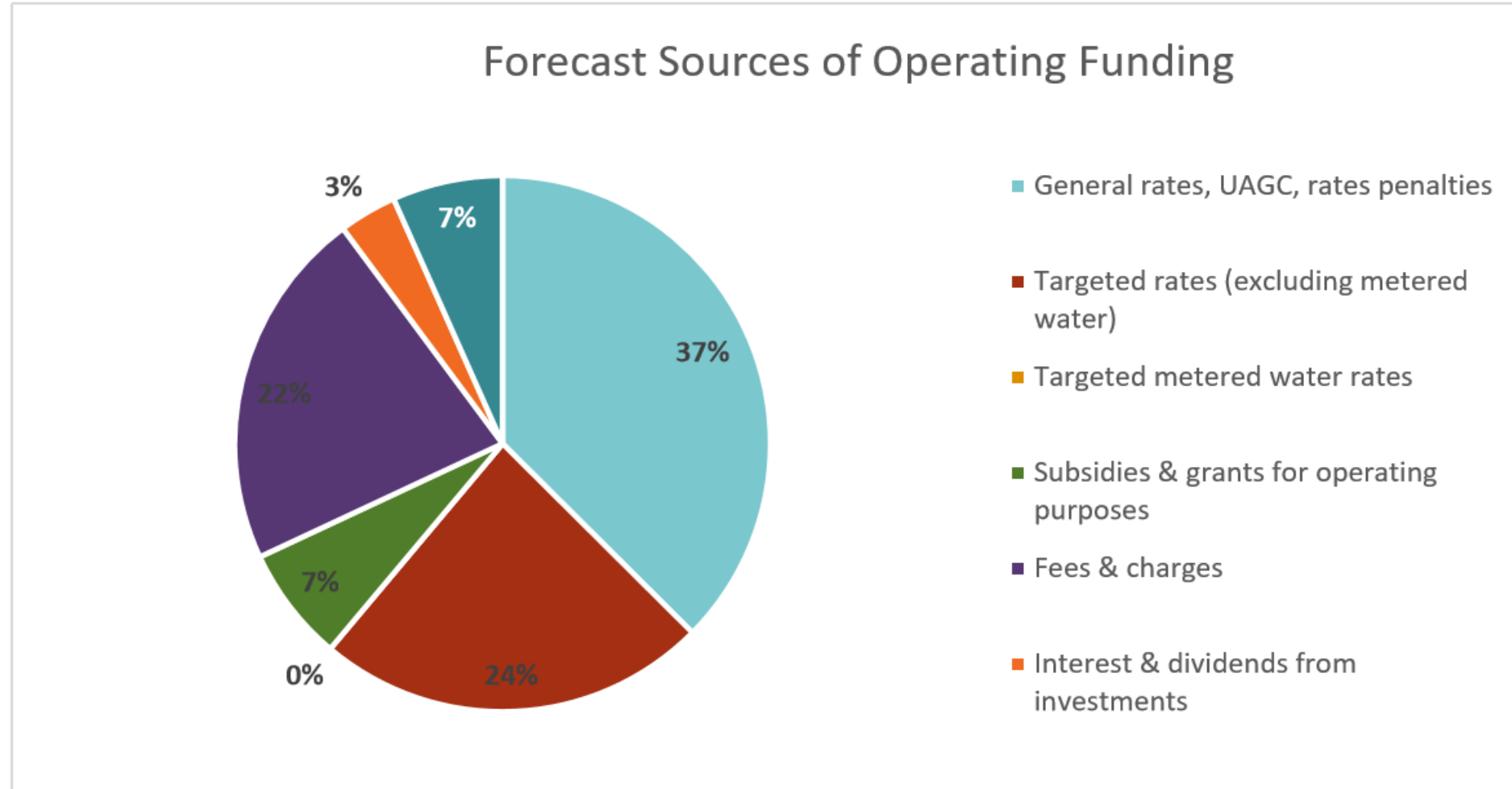
- The sector's rates income for 2020/21 is expected to be between 2 and 4 percent lower than originally forecast.
- The sector's non-collection assumption for rates is forecast to be between 2 and 6 percent for 2020/21.
- It is forecast that this will need to be debt financed until such time as the rates are collected.
- Some councils may offer rates postponement schemes.
- As an example Christchurch City Council will offer businesses with an actual 30 percent decline in revenue an up to six month extension on rates payments.
- In addition, penalty fees for late payment of rates are likely to be waived.
- Councils are also likely to offer rent or lease holidays for some tenants of council facilities. Many of these will be community groups.

Source: DIA Local Government Sector COVID-19 Financial Implications Report 2 and Christchurch City Council's website ccc.govt.nz/services/rates-and-valuations/ratesextension/

- Councils are currently re-evaluating their 2020/21 capital expenditure programmes.
- Some councils are forecasting that their capital expenditure programmes will be unchanged. Others are reprioritising non-essential capital expenditure.
- Councils expect to make some reductions in operational expenditure.
- Cuts in operational expenditure will be easiest for councils that outsource contracts for some of their services (for example on April 7 Auckland Council announced that it was immediately cutting 1100 jobs for staff it has been employing as temps, or on contracts).
- Limited savings will be made on community facilities that are not open (less maintenance, less power, less cleaning).
- While councils currently intend to maintain service levels, staffing levels will adjust over time depending on demand.

Source: DIA Local Government Sector COVID-19 Financial Implications Reports 1 and 2

- Level 4 restrictions were imposed on 26 March.
- Councils are forecasting that there will be some loss in 4th quarter revenue.
- The average forecast loss in revenue from fees and charges is 12 percent.
- Construction work stopped during level 4 restrictions on all but essential projects.
- Councils now expect to spend 73 percent of planned 2019/20 capital expenditure budgets. This compares to an actual spend of 81 percent for the year ended June 2019 compared to budget.
- While some councils were expecting to borrow for the reduction in revenue, on average it was expected to be largely offset by a reduction in borrowing required for capital expenditure.
- On LGFA modelling, it is expected that all member councils will be compliant with the LGFA financial covenants as at 30 June 2020.



Source: DIA analysis of council LTPs for the 2019/20 financial year from the DIA Local Government Sector COVID-19 Financial Implications Report 2

- The Government has asked councils to identify “shovel ready projects” that are ready to start as soon as the construction industry returns to normal.
- The Infrastructure Industry Reference Group will put forward to Ministers projects from the public and private sector that will be ready to start within the next six months.
- These projects will be in addition to the Government’s \$12 billion New Zealand Upgrade Programme and existing Provincial Growth Fund Infrastructure investments.
- “Infrastructure projects designated crucial to the country’s economic recovery will be fast-tracked through the planning process to ensure they start as soon as possible” (Environment Minister - David Parker, 3rd May 2020 National Business Review).
- Nearly all councils have submitted “shovel ready projects” for consideration. For example on April 14 Auckland Council announced they had submitted 73 key projects.
- Provincial Growth Fund projects are continuing. On 30 April, the Minister announced a further \$48 million of funding for nine new initiatives.

COVID-19 IMPACT ON LGFA BONDS IN SECONDARY MARKET

73

Initially

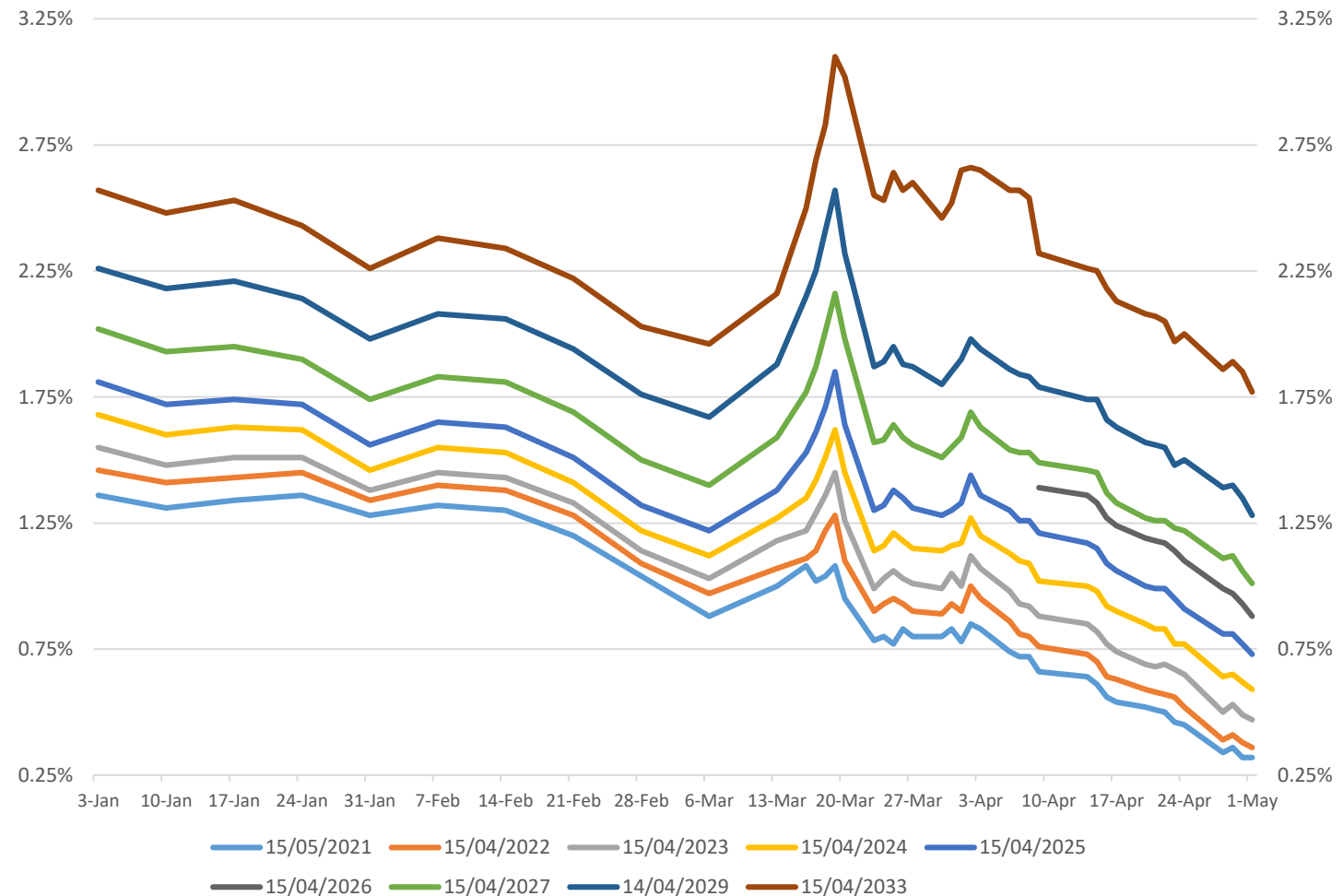
- Higher outright yields, steeper yield curve and wider spreads to NZGB and Swap
- Wider bid ask spreads in secondary market
- Secondary market turnover in line with 12 month average

Following RBNZ Large Scale Asset Purchase Programme

- Downward decline in yields continued
- Spreads to Swap and NZGB tighter
- Tighter bid ask spreads
- Record secondary market volume in April
- Positive flow on impact to other high grade issuers

**Source: LGFA secondary market end of day
yields sourced from BNZ and Bloomberg**

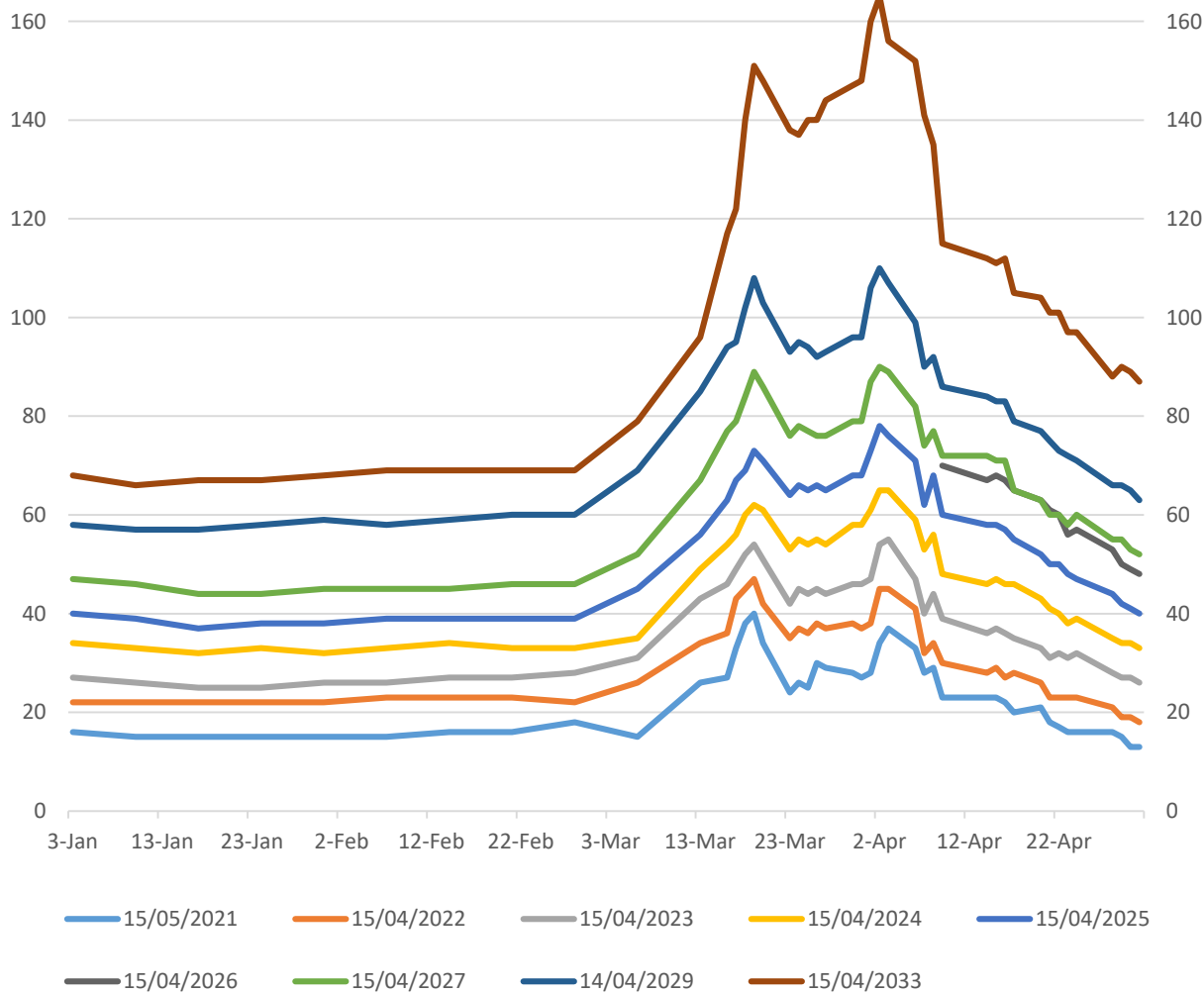
LGFA Bond Yields



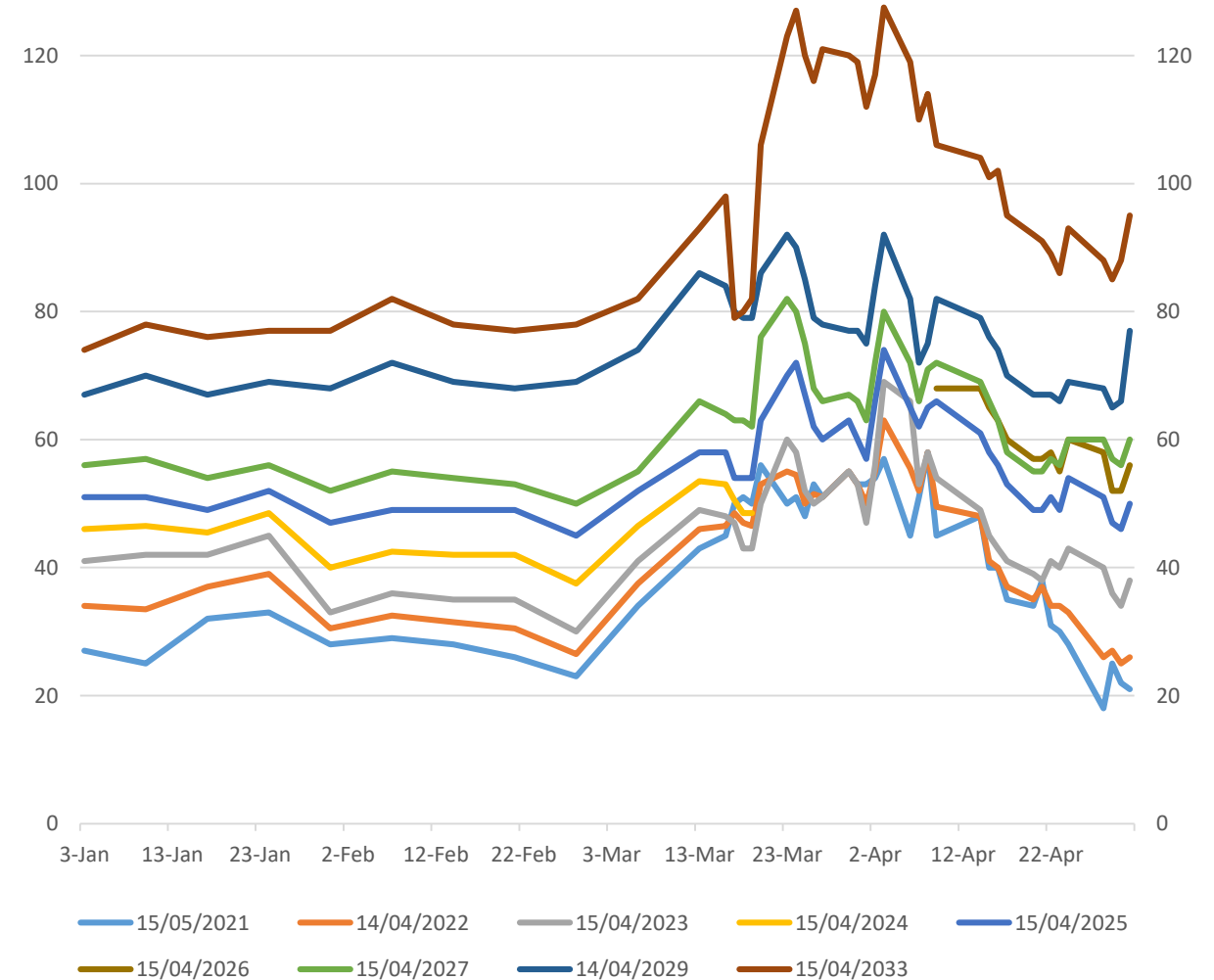
COVID-19 IMPACT ON LGFA BONDS IN SECONDARY MARKET

74

LGFA Spreads to Swap (bps)



LGFA Spreads to NZGB (bps)



Source: LGFA calculated secondary market end of day spreads sourced from BNZ and Bloomberg

Seamless transition to remote working environment

Placed rollout of standby facility to Councils on hold pending increase in Liquid Assets Portfolio

Increased soft cap on LGFA bond maturities from NZ\$1.5 billion to NZ\$1.75 billion

Issued 2.5 year Floating Rate Note by private placement

Increased on-lending margin to councils by 10 bps

Increase Treasury Stock holding per LGFA bond maturity by NZ\$50 million (to NZ\$100 million per series) at next issuance opportunity

Seeking Councils' approval to increase Borrower Notes percentage from 1.6% to 2.5%

Councils providing best estimate of future borrowing requirement on monthly basis for next six months

Worked with Department of Internal Affairs, Treasury and Office of Auditor General on implications for councils including stress testing the financial impact

Proposed changes to Foundation Policy regarding Net Debt / Total Revenue covenant for councils with a long-term credit rating of 'A' equivalent or higher.

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LGFA's policy to minimise financial risks and carefully identify, manage and control all risk.

Market Risk

PDH limit of NZ\$100,000 – current exposure (as at 1 May 2020) is -\$1,400

VAR limit of NZ\$1,000,000 – current exposure (as at 1 May 2020) is \$299,000

Credit Risk

All Councils that borrow from LGFA are obliged to:

Provide security in relation to their borrowing from LGFA and related obligations.

Issue securities (bonds/FRN/CP) to LGFA.

Comply with their own internal borrowing policies.

Comply with the LGFA financial covenants within either the Lending Policy or Foundation Policy

Auckland Council is limited to a maximum of 40% of LGFA's total Local Authority assets.

No more than the greater of NZ\$100 million or 33% of a Council's borrowings from LGFA will mature in any 12 month period.

Liquidity and Funding Risk

Cash and Investments

LGFA manages liquidity risk by holding cash and a portfolio of liquid assets to meet obligations when they fall due.

Only invest in NZD senior debt securities, money market deposits and registered certificates of deposits within strict counterparty limits.

NZ Government liquidity facility

The New Zealand Government provides a committed liquidity facility up to NZ\$1 billion in size that LGFA can draw upon to meet any exceptional and temporary liquidity shortfall.

Facility size is set by LGFA at NZ\$700 million (as at 1 May 2020)

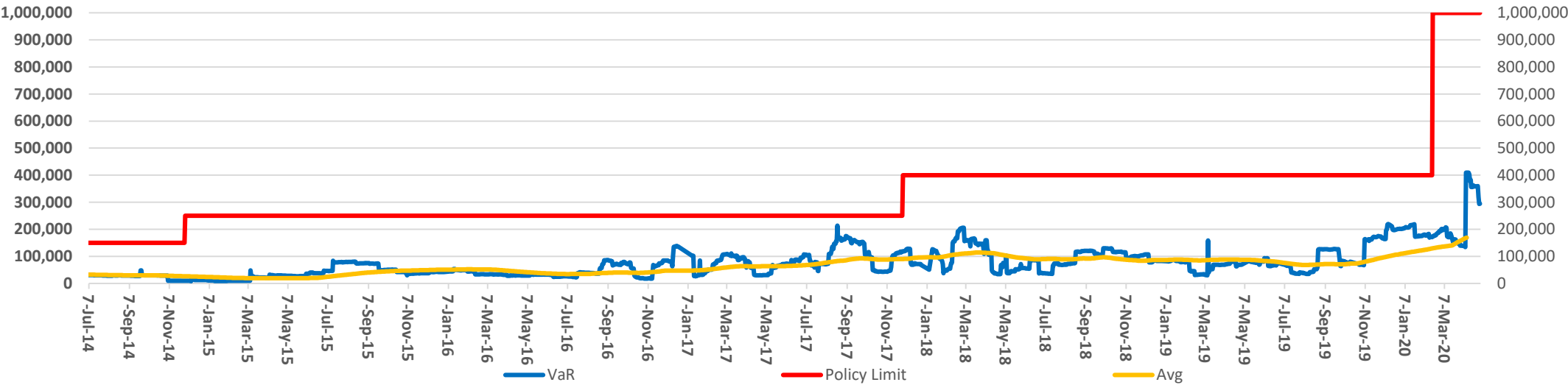
Financial covenant	Lending policy covenants	Foundation policy covenants
Net Debt / Total Revenue	<175%	<250%
Net Interest / Total Revenue	<20%	<20%
Net Interest / Annual Rates Income	<25%	<30%
Liquidity	>110%	>110%

Liquidity position as at 1 May 2020	NZ\$ million
Cash and cash equivalents	\$88.1
Deposits and Marketable Securities	\$772.7
NZ Government Liquidity Facility (amount available)	\$700.0
Total	\$1,560.8

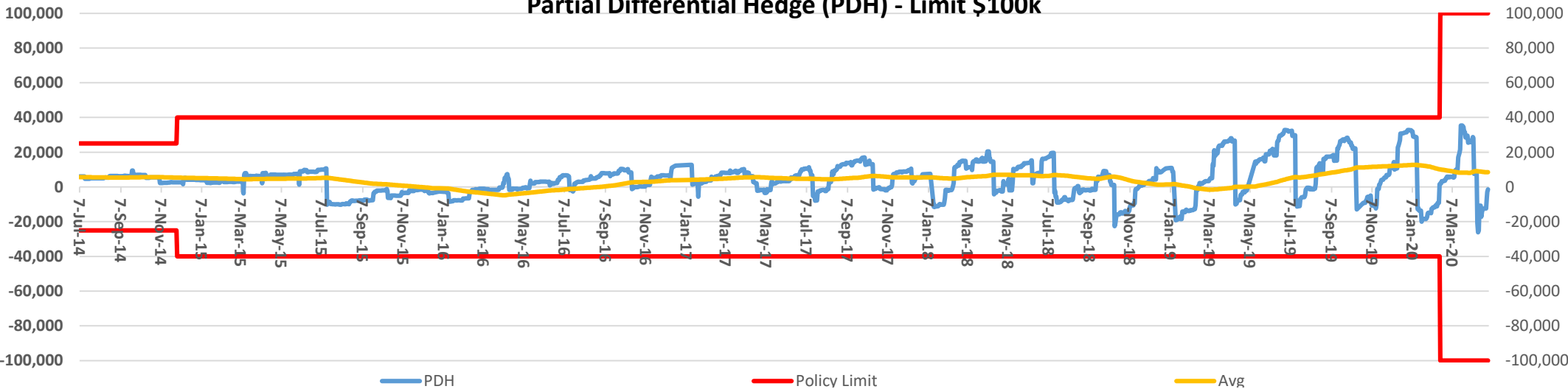
Source: LGFA

MINIMAL VaR AND PDH EXPOSURES

Value at Risk (VaR) - Limit \$1m

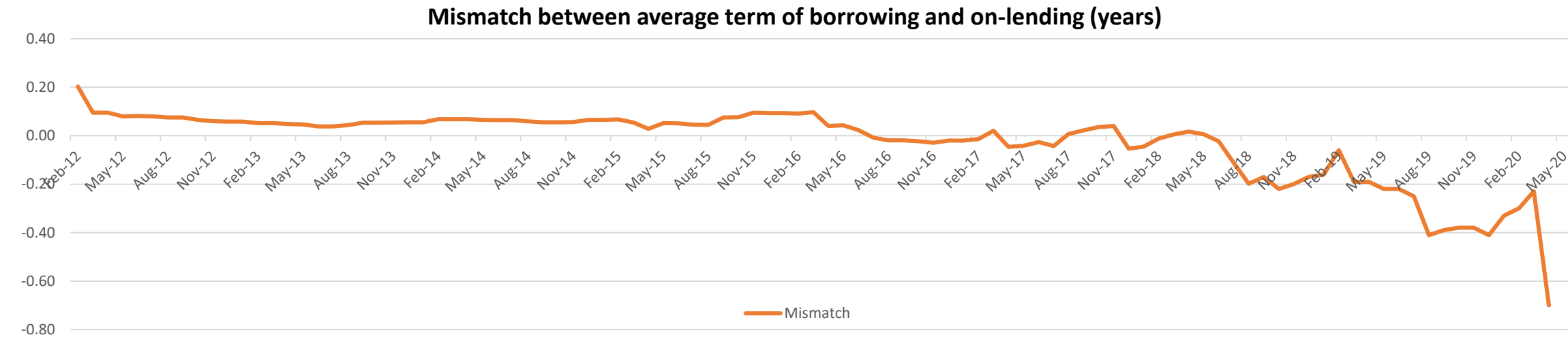
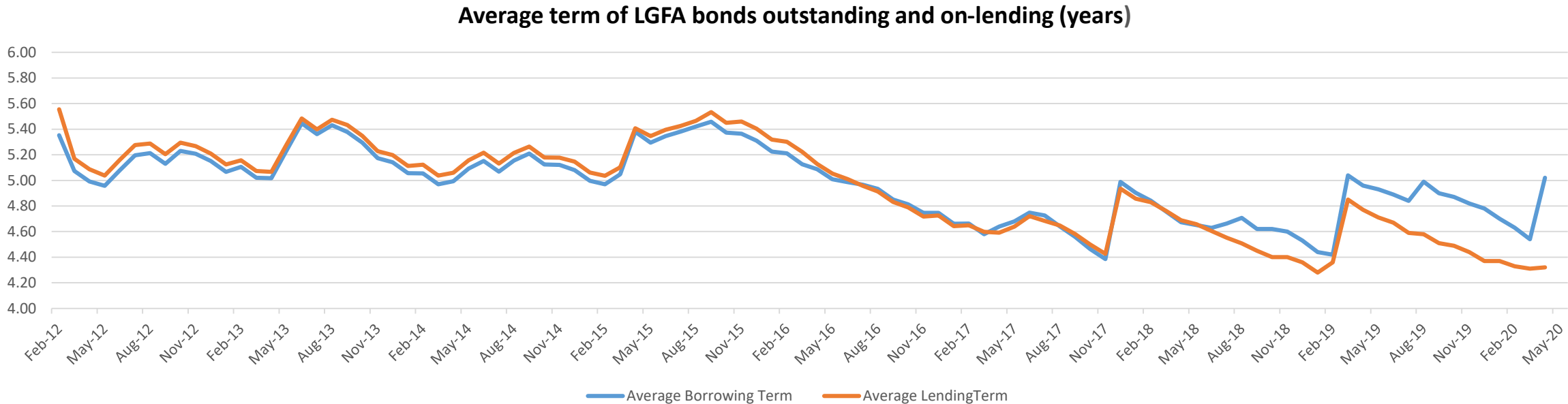


Partial Differential Hedge (PDH) - Limit \$100k



Source: LGFA

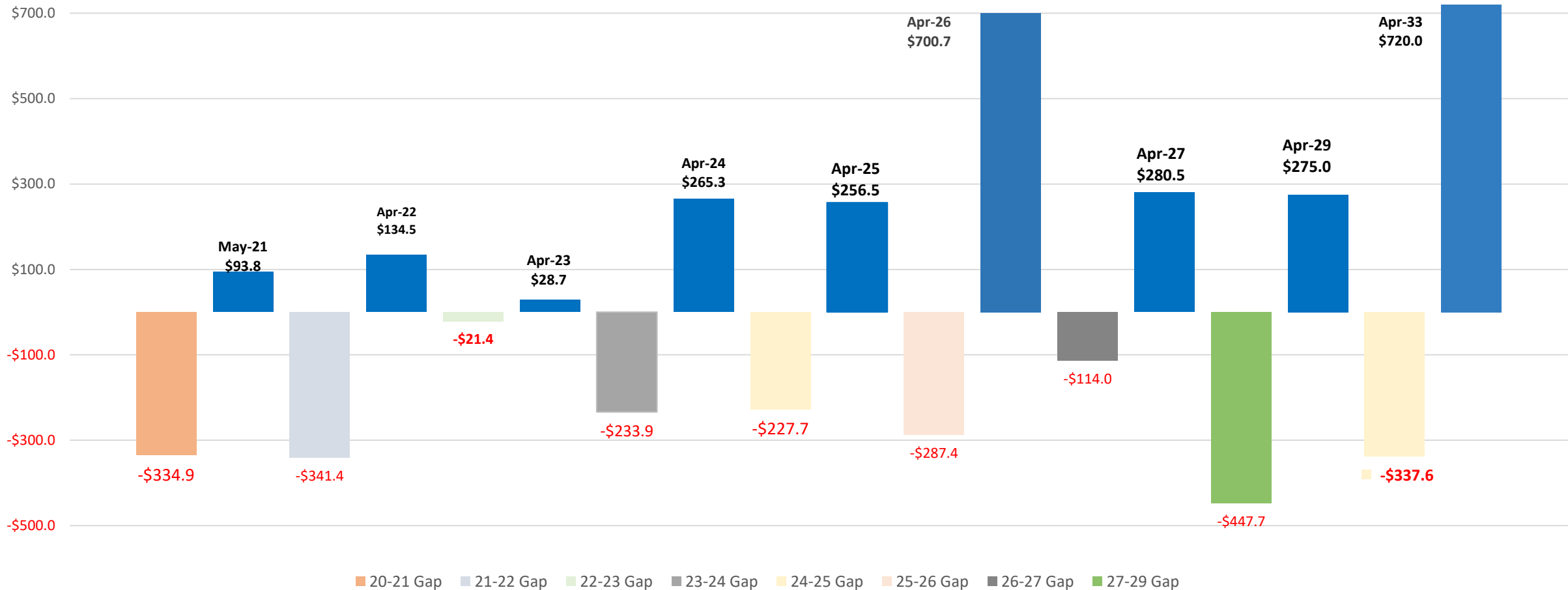
MISMATCH BETWEEN LGFA BONDS AND LOANS⁷⁹



Negative = longer term of bond issuance than on-lending

Source: LGFA

ASSET LIABILITY MISMATCHES



The asset liability mismatch is the difference between LGFA bonds issued and loans to Councils for each date or period. The positive outcomes show more LGFA bonds have been issued than loans made to Councils for that date or period. The negative outcomes show loans made to Councils with maturity dates between LGFA bond maturities.

As at 1 May 2020
Source: LGFA

LGFA LENDING AND GUARANTEE BREAKDOWN

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Council Borrower	Amount Borrowed (NZ\$ million)	% of Total Borrowing
Auckland Council	\$2,757	25.5%
Christchurch City Council	\$1,920	17.7%
Wellington City Council	\$635	5.9%
Tauranga City Council	\$515	4.8%
Hamilton City Council	\$480	4.4%
Wellington Regional Council	\$400	3.7%
Rotorua District Council	\$217	2.0%
Hutt City Council	\$216	2.0%
Kapiti Coast District Council	\$200	1.8%
Bay of Plenty Regional Council	\$191	1.8%
57 other member councils	\$3,290	30.4%

Council Borrowing	Volume (NZ\$ million)
Short Term (loan terms less than 12 months)	\$420
Long Term	\$10,399
Total	\$10,820

Borrower Type	Number of councils	Amount Borrowed (NZ\$ million)	% of Total Borrowing
Guarantors	54	\$10,687	98.8%
Non guarantors	13	\$132	1.2%
Total	67	\$10,820	100%

Note:

Auckland Council borrowing is capped at 40% of total LGFA lending

Three member councils have yet to borrow from LGFA

Guarantee contains provisions apportioning share to each council based upon their relative share of total rates revenue of all guarantors. A council's obligation under the guarantee is secured against rates revenue.

Council Guarantor	% share of Guarantee
Auckland	31.6%
Christchurch City	8.7%
Wellington City	5.4%
Hamilton City	3.2%
Tauranga City	2.9%
Wellington Regional	2.9%
Hutt City	1.9%
Canterbury Regional	1.8%
Whangarei District	1.7%
Palmerston North City	1.7%
44 other council guarantors	38.1%

As at 1 May 2020

Source: LGFA

- ❑ 90.1% of LGFA loans to councils with credit ratings
- ❑ 89.1% of LGFA loans to AA- rated councils or better
- ❑ Average credit quality is above AA-
- ❑ Improving trend in underlying credit quality of local government sector over the past seven years
 - ❑ 9 councils on positive outlook (NZ\$1.77 billion or 17.5% loan book)
 - ❑ no councils on negative outlook
- ❑ Not all councils have credit ratings due to cost of obtaining a rating vs benefits
 - ❑ Average total lending to unrated councils is NZ\$29 million per council
 - ❑ NZ\$45 million of debt is approximate breakeven for a borrower to obtain a credit rating
- ❑ LGFA undertakes detailed credit analysis of all member councils separate to the external credit rating process performed by S&P, Fitch and Moody's
- ❑ Unrated councils are assessed by LGFA as having in general, better credit quality than those councils with credit rating

External Credit Rating (S&P, Fitch)	Lending (NZ\$ millions)	Lending (%)	Number of Councils
AA+	\$170	1.6%	3
AA	\$5,929	54.8%	18
AA-	\$3,494	32.3%	8
A+	\$106	1.0%	1
Unrated	\$1,121	10.4%	37
Total	\$10,820	100%	67

As at 1 May 2020

Source: LGFA

Note: Three member councils have yet to borrow from LGFA (includes long and short term lending)

LGFA MEMBERS (As at 1 May 2020)

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Shareholders	Total Shares (NZ\$)	Shareholding (%)	Amount borrowed (NZ\$ million)	Borrowing (%)	Share Guarantee (%)
New Zealand Government	5,000,000	11.1%			
Auckland Council	3,731,960	8.3%	2,757.0	25.5	31.6
Christchurch City Council	3,731,960	8.3%	1,919.5	17.7	8.7
Wellington City Council	3,731,958	8.3%	634.5	5.9	5.4
Tauranga City Council	3,731,958	8.3%	515.0	4.8	2.9
Hamilton City Council	3,731,960	8.3%	480.0	4.4	3.2
Wellington Regional Council	3,731,958	8.3%	400.0	3.7	2.9
Kapiti Coast District Council	200,000	0.4%	200.0	1.8	1.1
Hutt City Council	200,000	0.4%	216.0	2.0	1.9
Bay of Plenty Regional Council	3,731,958	8.3%	191.4	1.8	0.9
Tasman District Council	3,731,958	8.3%	182.8	1.7	1.3
Waimakariri District Council	200,000	0.4%	160.1	1.5	1.0
Hastings District Council	746,392	1.7%	150.0	1.4	1.4
Whangarei District Council	1,492,784	3.3%	152.0	1.4	1.7
Palmerston North City Council	200,000	0.4%	142.0	1.3	1.7
New Plymouth District Council	200,000	0.4%	139.5	1.3	1.5
Horowhenua District Council	200,000	0.4%	106.1	1.0	0.7
Taupo District Council	200,000	0.4%	115.0	1.1	1.2
South Taranaki District Council	200,000	0.4%	101.0	0.9	0.7
Marlborough District Council	400,000	0.9%	100.3	0.9	1.2
Whanganui District Council	200,000	0.4%	101.5	0.9	1.1
Western Bay of Plenty District Council	3,731,958	8.3%	90.0	0.8	1.2
Manawatu District Council	200,000	0.4%	77.0	0.7	0.6
Whakatane District Council	200,000	0.4%	67.0	0.6	0.8
Waipa District Council	200,000	0.4%	57.6	0.5	1.0
Gisborne District Council	200,000	0.4%	58.6	0.5	1.1
Thames-Coromandel District Council	200,000	0.4%	61.0	0.6	1.1
Masterton District Council	200,000	0.4%	50.0	0.5	0.5
Hauraki District Council	200,000	0.4%	44.0	0.4	0.5
Selwyn District Council	373,196	0.8%	35.0	0.3	1.0
Otorohanga District Council	200,000	0.4%	3.0	0.0	0.2
Total	45,000,000		9,307.0	86.0	80.2

As at 1 May 2020

Source: LGFA

LGFA MEMBERS continued (As at 1 May 2020)⁸⁴

Borrowers and Guarantors	Amount borrowed (NZ\$ million)	Borrowing (%)	Share of Guarantee (%)
Ashburton District Council	42.0	0.4	0.6
Canterbury Regional Council	54.0	0.5	1.8
Far North District Council	76.7	0.7	1.6
Gore District Council	22.5	0.2	0.3
Hawke's Bay Regional Council	2.5	0.0	0.4
Hurunui District Council	35.0	0.3	0.3
Manawatu-Whanganui Regional Council	44.0	0.4	0.8
Invercargill City Council	92.7	0.9	0.9
Kaipara District Council	44.0	0.4	0.6
Matamata-Piako District Council	26.5	0.2	0.6
Nelson City Council	65.0	0.6	1.3
Porirua City Council	131.5	1.2	1.1
Queenstown-Lakes District Council	115.1	1.1	1.3
Rotorua District Council	216.6	2.0	1.6
Ruapehu District Council	25.0	0.2	0.4
Tararua District Council	35.0	0.3	0.4
Taranaki Regional Council	4.0	0.0	0.2
Timaru District Council	89.6	0.8	0.9
South Wairarapa District Council	21.9	0.2	0.2
Stratford District Council	15.5	0.1	0.2
Upper Hutt City Council	51.0	0.5	0.7
Waikato District Council	100.0	0.9	1.5
Waikato Regional Council	32.0	0.3	1.6
Waitomo District Council	38.1	0.4	0.4
Total	1380.3	12.8	19.8

As at 1 May 2020

Source: LGFA

LGFA MEMBERS continued (As at 1 May 2020)⁸⁵

Borrowers Only	Amount borrowed (NZ\$ million)	Borrowing (%)	Share of Guarantee (%)
Buller District Council	20.0	0.2	Nil
Central Hawkes Bay District Council	20.0	0.2	Nil
Carterton District Council	0.0	0.0	Nil
Clutha District Council	9.0	0.1	Nil
Grey District Council	19.0	0.2	Nil
Kaikoura District Council	7.0	0.1	Nil
Northland Regional Council	9.6	0.1	Nil
Mackenzie District Council	0.0	0.0	Nil
Opotiki District Council	8.5	0.1	Nil
Rangitikei District Council	3.0	0.0	Nil
Wairoa District Council	9.0	0.1	Nil
Westland District Council	19.6	0.2	Nil
West Coast Regional Council	7.6	0.1	Nil
Total	132.3	1.2	Nil
Total Borrowing from LGFA	10,819.6	100.0	100.0

As at 1 May 2020

Source: LGFA

LGFA undertakes its own internal credit assessment and rating process for all member councils using most recent annual reports (June 2019)

Primary Criteria

- Debt levels relative to population – affordability
- Debt levels relative to asset base
- Ability to repay debt
- Ability to service debt – interest cover
- Population trend

LGFA member councils by internal rating category

LGFA Internal Ratings	2012	2013	2014	2015	2016	2017	2018	2019
AA+	1	2	2	4	4	6	7	8
AA	12	12	12	10	12	13	19	17
AA-	13	13	16	15	19	17	19	23
A+	8	6	3	11	10	12	13	10
A	6	10	11	6	6	3	4	4
A-	5	2	1	1	0	2	2	2

Secondary Criteria

- 30 Year Infrastructure Strategy
 - Quality of Assets
 - Capital Expenditure Plan
- Risk Management
 - Insurance
- Governance
- Financial flexibility
- Cashflow
- Budget performance (balanced budget)
- Affordability of rates / Deprivation Index
- Natural hazards
- Group activities (CCO's)

Source: LGFA internal models

As at 30 June each year

LGFA FINANCIAL COVENANTS – MEMBER COUNCIL OUTCOMES FOR JUNE 2019 YEAR

LGFA Financial Covenants – Councils as at 30 June 2019 with an external credit rating (29)

Foundation Policy Covenant	Net Debt / Total Revenue <250%	Net Interest / Total Revenue <20%	Net Interest / Rates <30%
Range of Councils' compliance	-149.8% to 180.3%	-5.9% to 9.4%	-9.6% to 19.4%

LGFA Financial Covenants – Councils as at 30 June 2019 without an external credit rating (35)

Lending Policy Covenant	Net Debt / Total Revenue <175%	Net Interest / Total Revenue <20%	Net Interest / Rates <25%
Range of Councils' compliance	-92.6% to 121.0%	-1.0% to 5.0%	-1.9% to 8.3%

- Note some negative outcomes due to some councils having negative Net Debt i.e. financial assets and investments > borrowings
- LGFA Councils operating within financial covenants
- Ranges highlight the differences between Councils
- Sufficient financial headroom for most Councils
- Improvement from 2013 for most Councils
 - Revenue increased
 - Interest rates lower
 - Capex and debt constrained

Source: LGFA using data from individual council annual reports

Source: LGFA

LGFA Councils with an external credit rating (29 in 2019, 26 in 2018, 23 in 2017, 22 in 2016, 20 in 2015 and 17 in both 2014 and 2013)

Financial Covenant	2019	2018	2017	2016	2015	2014	2013
Net Debt to Total Revenue	68.8%	76.0%	86.0%	87.9%	96.4%	104.7%	111.8%
Net Interest to Total Revenue	3.5%	4.0%	5.3%	6.1%	6.8%	6.6%	7.3%
Net Interest to Annual Rates Income	5.5%	6.1%	8.1%	9.1%	10.0%	9.6%	11.1%

LGFA unrated Councils (35 in 2019, 29 in 2018, 29 in 2017, 28 in 2016, 25 in 2015, 26 in 2014 and 21 in 2013)

Financial Covenant	2019	2018	2017	2016	2015	2014	2013
Net Debt to Total Revenue	30.0%	32.3%	29.9%	32.4%	38.2%	42.6%	52.5%
Net Interest to Total Revenue	1.7%	1.9%	1.8%	2.2%	2.4%	2.9%	3.2%
Net Interest to Annual Rates Income	2.8%	2.9%	2.6%	2.9%	3.1%	4.0%	4.1%

Calculated by simple average of Councils in each group

Source: LGFA using data from individual Council annual reports

❑ Fitch Ratings - November 2019 / January 2020

Local Currency AA+ / Stable/ F1+ Foreign currency rating AA / Positive / F1+

Fitch notes:

- strong links to the sovereign – classified as a credit linked Public Sector Entity;
- deemed to be of strategic importance;
- sound underlying asset quality of its shareholders, local councils;
- long-term rating is capped by the ratings of the sovereign;
- support of a joint and several liability guarantee.

Long-term foreign-currency Issuer Default Rating placed on positive outlook on 27th January 2020

S&P Global Rating's – February 2020

Local Currency AA+ / Positive / A-1+ Foreign Currency AA / Positive / A-1+



Both long-term ratings placed on “positive outlook” on 4th February 2019

Strengths:

- dominant market position as source of funding for New Zealand local government;
- high credit quality of underlying lending;
- extremely strong likelihood of support from the New Zealand Government in a stress scenario;
- robust and experienced management and governance.

Weaknesses:

- highly concentrated loan portfolio;
- modest risk adjusted capital ratio;
- reliance upon domestic market funding.

Rating Agency	Domestic Currency	Foreign Currency	Date of Report
	AA+ (positive outlook)	AA (positive outlook)	27 February 2020
	AA+ (stable outlook)	AA (positive outlook)	27 January 2020

Source: S&P, Fitch, LGFA

- ☐ Important Notice and Disclaimer
- ☐ COVID-19 Update
- ☐ LGFA Risks
- ☐ Proposed Changes to Foundation Policy
- ☐ Appendices



Clause 5.1 of the LGFA Shareholders' Agreement and comprises various policies

Any changes to Foundation Policies requires shareholder approval

Lending policy

Local authorities when borrowing from LGFA must

- provide security when borrowing
- comply with own internal borrowing policies
- comply with LGFA financial covenants
- be a party to the Deed of Guarantee and Equity Commitment Deed if borrowings or entered into facility agreement with LGFA with commitments exceeding NZ\$20 million

Auckland Council exposure limited to no more than 40% of LGFA total local authority assets

Limit on a local authority or CCO borrowing no more than the greater of NZ\$ 100 million or 33% of its borrowing from LGFA maturing in any 12 month period

Outlines requirements for a CCO to borrow from LGFA. Process for allowing CCOs to borrow from LGFA underway but not yet completed.

Other policies within the Foundation Policies

Cash and liquid investment

Derivatives

Market risk (PDH and VaR limits)

Foreign exchange risk

Operational risk

Dividend

A copy of the current Foundation Policies is available here

lgfa.co.nz/about-lgfa/governance

Current Financial Covenants

Financial covenant	Lending policy covenants	Foundation policy covenants
Net Debt / Total Revenue	<175%	<250%
Net Interest / Total Revenue	<20%	<20%
Net Interest / Annual Rates Income	<25%	<30%
Liquidity	>110%	>110%

Proposed Financial Covenants

Financial covenant	Lending policy covenants	Foundation policy covenants
Net Debt / Total Revenue	<175%	<280%
Net Interest / Total Revenue	<20%	<20%
Net Interest / Annual Rates Income	<25%	<30%
Liquidity	>110%	>110%

Alternative Net Debt / Total Revenue Covenant	
Financial Year ending	Net Debt / Total Revenue
30 June 2020	<250%
30 June 2021	<300%
30 June 2022	<300%
30 June 2023	<295%
30 June 2024	<290%
30 June 2025	<285%

Proposed change to Foundation Policy covenant

These apply to councils with a long-term credit rating of 'A' equivalent or higher

- Increase Net Debt / Total Revenue to 300% for financial year to June 2021 and June 2022
- Taper back to 280% by financial year ending June 2026

Note there are no proposed changes to

- Lending policy covenants (for councils without a credit rating or with a long-term credit rating lower than 'A' equivalent)
- Net Interest / Total Revenue covenants
- Net Interest / Annual Rates Income covenants
- Liquidity covenants

- ☐ Only applies to current 30 council borrowers who have a long-term credit rating of 'A' equivalent or higher
- ☐ All council borrowers have headroom under current Foundation policy covenants so starting position is strong
- ☐ Increase covenant limit then a taper to a level higher than the current level is a conservative approach to allowing greater borrowing capacity to sector
 - ☐ Recognises short term COVID-19 impact
 - ☐ Recognises structural changes to local government sector since 2011 with regard to
 - ☐ Council requirements to meet additional growth infrastructure due to increased population growth
 - ☐ Council response to climate change
 - ☐ Council response to water quality issues
- ☐ Provide flexibility for councils to co-invest alongside Central Government in infrastructure going forward
- ☐ Provide short term comfort to councils with short term revenue declines
- ☐ LGFA has undertaken analysis on impact on additional council borrowing headroom under a revenue shortfall scenario
- ☐ Higher Net Debt / Total Revenue limit of 280% does not add significant additional risk to council borrowers, guarantors or LGFA
 - Sufficient mitigants to ensure probability of default is low
 - Council lending backed by security of rates
 - Even if a default occurred the probability of recovery is high so becomes a timing issue for LGFA
 - Central Government and Local Government have become closer to COVID-19 situation
 - LGFA obligations backed by security of guarantee from guarantors
- ☐ S&P Global Ratings and Fitch Ratings have been consulted on these proposed changes

Source: LGFA

ADDITIONAL BORROWING CAPACITY IF COVENANT INCREASED

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Externally Rated Councils Subject to Foundation Policy Covenant (ranked highest to lowest indebted)	No Change to Revenue (all amounts NZ\$000)							Impact of 10% revenue decline (all amounts NZ\$000)			
	Credit Rating as at 1 May 2020	Net Debt / Revenue at June 2019 <250% limit	Adjusted Revenue at June 2019	Actual Net Borrowing at June 2019	Maximum Borrowing at 250%	Existing Headroom at June 2019	Additional Headroom between 250% and 280%	-10% Revenue Shock	Max Borrowing at 250%	Headroom at June 2019	Additional Headroom between 250% and 280%
Kapiti Coast District Council	AA	180.3%	\$81,851	\$147,554	\$204,628	\$57,074	\$24,555	\$73,666	\$184,165	\$36,611	\$22,100
Auckland Council	AA	173.0%	\$3,701,696	\$6,405,489	\$9,254,240	\$2,848,751	\$1,110,509	\$3,331,526	\$8,328,816	\$1,923,327	\$999,458
Tauranga City Council	AA-	166.7%	\$260,082	\$433,685	\$650,205	\$216,520	\$78,025	\$234,074	\$585,185	\$151,500	\$70,222
Horowhenua District Council	A+	164.1%	\$53,385	\$87,619	\$133,463	\$45,844	\$16,016	\$48,047	\$120,116	\$32,497	\$14,414
Rotorua District Council	AA-	144.4%	\$136,394	\$196,924	\$340,985	\$144,061	\$40,918	\$122,755	\$306,887	\$109,963	\$36,826
Waimakariri District Council	AA	140.6%	\$87,485	\$122,984	\$218,713	\$95,729	\$26,246	\$78,737	\$196,841	\$73,857	\$23,621
Hamilton City Council	AA-	124.3%	\$272,428	\$338,575	\$681,070	\$342,495	\$81,728	\$245,185	\$612,963	\$274,388	\$73,556
Christchurch City Council	AA-	105.9%	\$935,009	\$990,016	\$2,337,523	\$1,347,507	\$280,503	\$841,508	\$2,103,770	\$1,113,754	\$252,452
Wellington City Council	AA-	102.1%	\$525,135	\$536,214	\$1,312,838	\$776,624	\$157,541	\$472,622	\$1,181,554	\$645,340	\$141,786
Hutt City Council	AA	101.3%	\$169,677	\$171,918	\$424,193	\$252,275	\$50,903	\$152,709	\$381,773	\$209,855	\$45,813
Tasman District Council	AA	100.1%	\$135,446	\$135,544	\$338,615	\$203,071	\$40,634	\$121,901	\$304,754	\$169,210	\$36,570
Whanganui District Council	AA	99.9%	\$89,081	\$88,992	\$222,703	\$133,711	\$26,724	\$80,173	\$200,432	\$111,440	\$24,052
Wellington Regional Council	AA	92.9%	\$388,641	\$360,983	\$971,603	\$610,620	\$116,592	\$349,777	\$874,442	\$513,459	\$104,933
Porirua City Council	AA	92.5%	\$98,663	\$91,291	\$246,658	\$155,367	\$29,599	\$88,797	\$221,992	\$130,701	\$26,639
Palmerston North City Council	AA	84.1%	\$138,774	\$116,737	\$346,935	\$230,198	\$41,632	\$124,897	\$312,242	\$195,505	\$37,469
Western Bay of Plenty District Council	AA	81.8%	\$96,538	\$78,938	\$241,345	\$162,407	\$28,961	\$86,884	\$217,211	\$138,273	\$26,065
Hastings District Council	AA	80.9%	\$125,574	\$101,614	\$313,935	\$212,321	\$37,672	\$113,017	\$282,542	\$180,928	\$33,905
Nelson City Council	AA	74.8%	\$113,046	\$84,569	\$282,615	\$198,046	\$33,914	\$101,741	\$254,354	\$169,785	\$30,522
Whangarei District Council	AA	67.3%	\$149,801	\$100,818	\$374,503	\$273,685	\$44,940	\$134,821	\$337,052	\$236,234	\$40,446
Queenstown-Lakes District Council	AA-	58.4%	\$143,841	\$84,050	\$359,603	\$275,553	\$43,152	\$129,457	\$323,642	\$239,592	\$38,837
Ashburton District Council	AA+	38.4%	\$62,818	\$24,129	\$157,045	\$132,916	\$18,845	\$56,536	\$141,341	\$117,212	\$16,961
Timaru District Council	AA-	31.9%	\$117,203	\$37,428	\$293,008	\$255,580	\$35,161	\$105,483	\$263,707	\$226,279	\$31,645
Invercargill City Council	AA+	17.1%	\$101,847	\$17,375	\$254,618	\$237,243	\$30,554	\$91,662	\$229,156	\$211,781	\$27,499
Taupo District Council	AA	16.7%	\$92,075	\$15,406	\$230,188	\$214,782	\$27,623	\$82,868	\$207,169	\$191,763	\$24,860
Waipa District Council	AA-	16.2%	\$84,161	\$13,618	\$210,403	\$196,785	\$25,248	\$75,745	\$189,362	\$175,744	\$22,723
Marlborough District Council	AA	8.0%	\$136,024	\$10,908	\$340,060	\$329,152	\$40,807	\$122,422	\$306,054	\$295,146	\$36,726
South Taranaki District Council	AA-	-47.5%	\$68,318	-\$32,429	\$170,795	\$203,224	\$20,495	\$61,486	\$153,716	\$186,145	\$18,446
Bay of Plenty Regional Council	AA	-57.5%	\$131,995	-\$75,864	\$329,988	\$405,852	\$39,599	\$118,796	\$296,989	\$372,853	\$35,639
Selwyn District Council	AA+	-61.7%	\$101,772	-\$62,811	\$254,430	\$317,241	\$30,532	\$91,595	\$228,987	\$291,798	\$27,478
New Plymouth District Council	AA	-176.2%	\$113,615	-\$200,187	\$284,038	\$484,225	\$34,085	\$102,254	\$255,634	\$455,821	\$30,676
Total			\$8,712,375	\$10,422,087	\$21,780,938	\$11,358,851	\$2,613,713	\$7,841,138	\$19,602,844	\$9,180,757	\$2,352,341
Ten Highest Indebted Councils			\$6,223,142	\$9,430,978	\$15,557,855	\$6,126,877	\$1,866,943	\$5,600,828	\$14,002,070	\$4,571,092	\$1,680,248

- ☐ Important Notice and Disclaimer
- ☐ COVID-19 Update
- ☐ LGFA Risks
- ☐ Proposed Changes to Foundation Policy
- ☐ Appendices



SHAREHOLDERS

- ❑ Central Government largest shareholder at 20%
- ❑ 30 councils hold 80% shareholding
- ❑ Can only sell shares to Central Government or local authorities

GOVERNANCE

- ❑ Board of six directors with 5 Independent and 1 Non Independent
- ❑ Bonds listed on NZX so under listing rules
- ❑ Independent Trustee
- ❑ Issue of securities under the Financial Markets Conduct Act
- ❑ Audited by Audit NZ

GUARANTORS

- ❑ 54 guarantors of LGFA
- ❑ Guarantors comprise:
 - All shareholders except the NZ Government
 - Any non shareholder who may borrow more than NZ\$20 million
- ❑ Security granted by each of the guarantors is over their rates income (property taxes)
- ❑ Guarantors cannot exit guarantee until
 - Repaid all their borrowings
 - Wait for longest outstanding LGFA bond to mature (currently 2033)
- ❑ Changes will be made requiring other councils to join guarantee when LGFA implements lending to CCOs

LIQUIDITY

- ❑ NZ\$1 billion liquidity facility from NZ Government
- ❑ NZ\$857 million liquid assets portfolio
- ❑ NZ\$277 million of Treasury Stock currently available for repo

BORROWERS

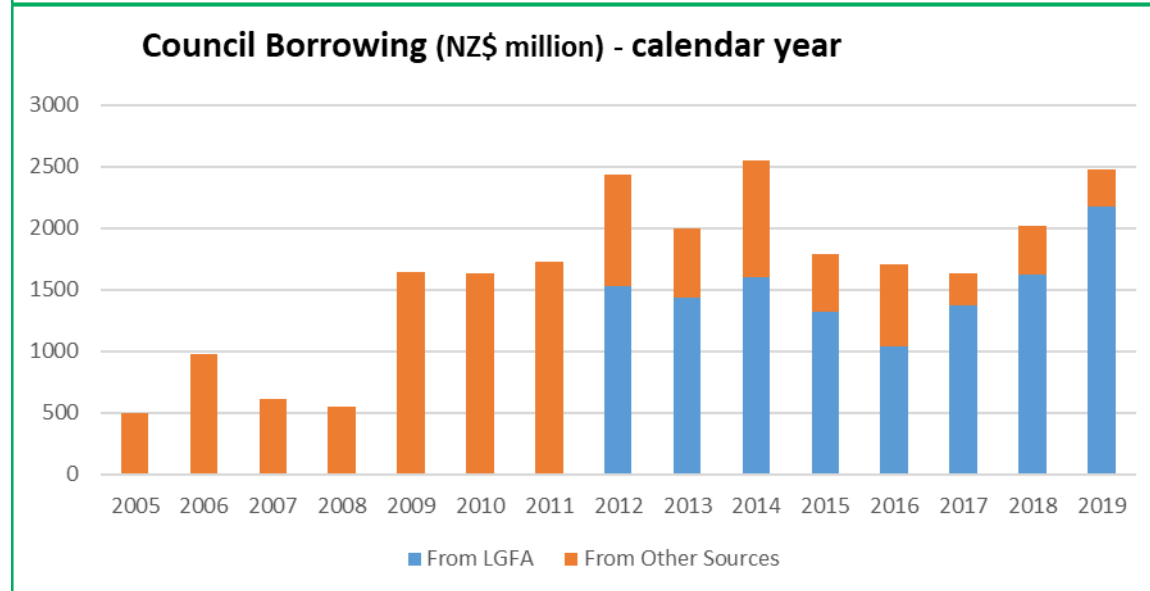
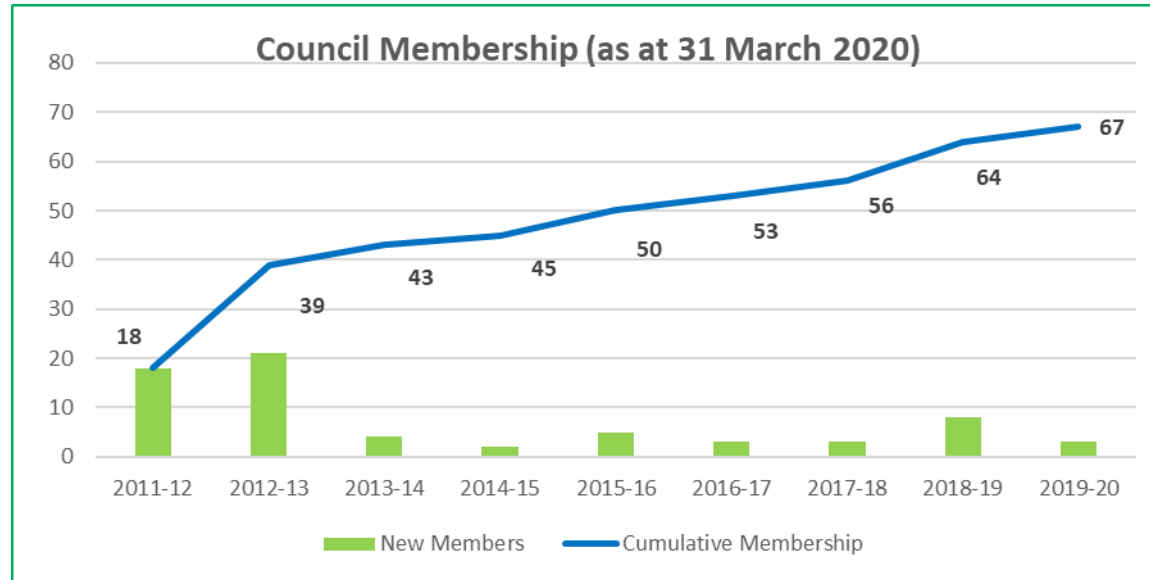
- ❑ 67 member councils
- ❑ Approx. 90% market share
- ❑ Under Local Government Act 2002 councils must manage finances prudently – implies must run balanced operating surplus and only borrow for capital expenditure
- ❑ Councils borrow secured against rates
- ❑ Must meet LGFA financial covenants

CAPITAL STRUCTURE

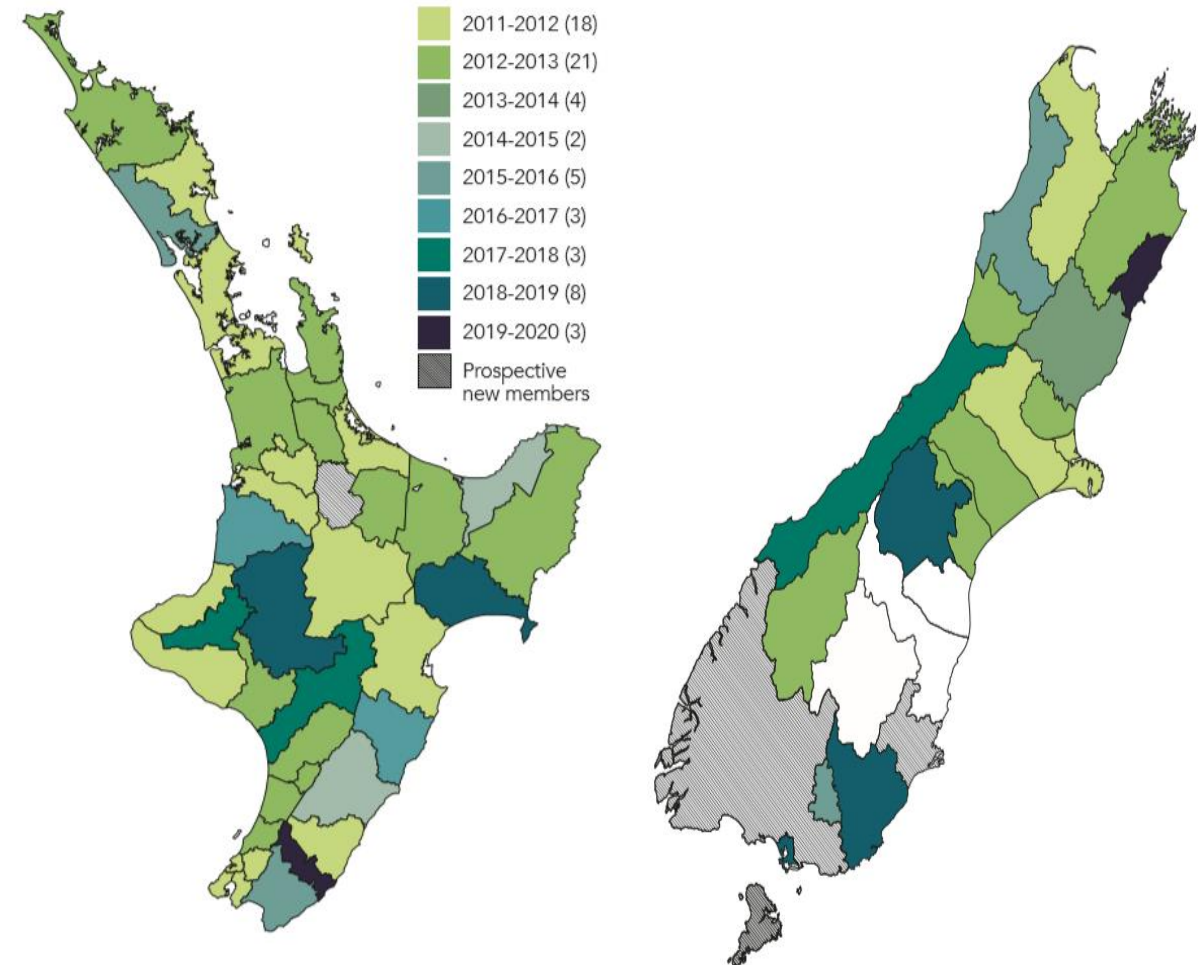
- ❑ NZ\$25 million paid in capital
- ❑ NZ\$20 million uncalled capital
- ❑ NZ\$55 million retained earnings
- ❑ NZ\$166 million Borrower Notes that can be converted to equity
- ❑ Current capital ratio of 2.20% with policy of 2% minimum and target of 3%

As at 1 May 2020

Source: LGFA



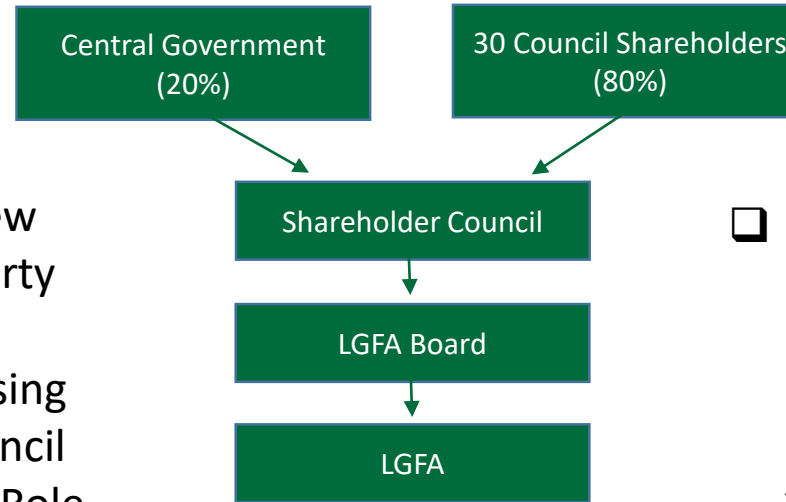
LGFA member councils highlighted with year of joining



Note there are 11 councils not currently members of LGFA.
Some of these (notably Regional Councils) may overlap on this map.

Source: LGFA, PwC Quarterly Local Government Debt Report 34

- ❑ **31 Shareholders**, comprising the New Zealand Government (20%)¹ and thirty councils (80%).
- ❑ **LGFA Shareholders Council**, comprising five to ten appointees from the Council Shareholders and the Government. Role of the Shareholders' Council is to:
 - Review and report performance of LGFA and the Board;
 - Recommendations to Shareholders as to the appointment, removal, replacement and remuneration of directors;
 - Recommendations to Shareholders as to any changes to policies, or the Statement of Intent, requiring their approval;
 - Update Shareholders on LGFA matters and to coordinate Shareholders on governance decisions.

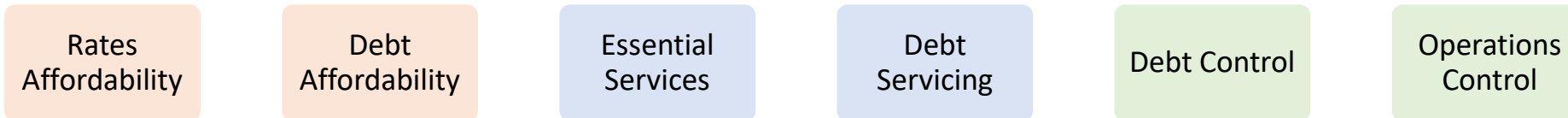


- ❑ **LGFA Board**, is responsible for the strategic direction and control of LGFA's activities. The Board guides and monitors the business and affairs of LGFA, in accordance with:
 - Local Government Act 2002;
 - Local Government Borrowing Act 2011;
 - Companies Act 1993;
 - Financial Markets Conduct Act 2013;
 - LGFA's Constitution;
 - LGFA Shareholder Agreement;
 - LGFA annual Statement of Intent.

The Board will comprise between four and seven directors with a majority of independent directors appointed by Shareholders.

¹ NZ Government shareholding reduces to 11.1% if a call is made on uncalled capital of the 30 council shareholders

- Local Government Framework reduces risk of financial distress – no historical default by a council
- Council have own Treasury Management and borrowing policies – most have independent advice
- Council financial oversight by Office of Auditor General (OAG), Audit NZ and Department of Internal Affairs
- Councils under Local Government (Financial Reporting and Prudence) Regulations 2014 required to report annually on performance against benchmarks including



Six step intervention process possible by Central Government



- Council required to comply with LGFA lending covenants
 - Annual attestation by council
 - LGFA credit watch-list in place
 - LGFA credit analysis and monitoring performed through the year
 - LGFA not obligated to lend to council members
- Covenant breach is an Event of Review – after 30 days LGFA can seek repayment of loans

- 30 LGFA member councils have credit ratings (A+ to AA+ range)
- LGFA undertakes detailed credit analysis of each Council if they apply to join LGFA (and ongoing) - not every Council has been accepted as a member
- A Council default becomes a timing issue for LGFA
 - LGFA lending secured against rates revenue under Debenture Trust Deed
 - Unlikely to be other material claimants on rates revenue given LGFA is the dominant lender to Councils
 - Council's Debenture Trustee appoints receiver and a special rate (property tax) levied on all properties in the council region to meet secured obligations when due
 - Property taxes unavoidable and first ranking security over property
- Sources of LGFA liquidity and additional capital
 - \$1 billion liquidity facility from NZ Government
 - Liquid Assets Portfolio
 - Issuance of additional LGFA Bills and Bonds
 - Conversion of Borrower Notes into equity
 - Uncalled capital of \$20 million
- Beneficiaries of the Council guarantee (including LGFA bondholders) can also call upon the guarantee from councils
- **Central Government does not guarantee obligations of either LGFA or council members**

Source: LGFA

LGFA HISTORIC FINANCIAL PERFORMANCE

Financials (NZ\$ million)	2012	2013	2014	2015	2016	2017	2018	2019
Interest Income	\$10.9	\$73.7	\$149.1	\$222.8	\$278.2	\$320.7	\$342.8	\$361.1
Interest Expense	\$9.9	\$68.1	\$138.9	\$208.9	\$262.6	\$303.2	\$323.9	\$342.3
Net Interest Income	\$1.0	\$5.7	\$10.2	\$13.9	\$15.5	\$17.5	\$18.9	\$18.8
Total Income	\$1.0	\$5.7	\$10.2	\$13.9	\$15.5	\$17.5	\$18.9	\$18.8
Operating Expenses	(\$5.2)	(\$3.0)	(\$3.2)	(\$4.7)	(\$6.0)	(\$6.5)	(\$7.1)	(\$7.6)
Net Profit	(\$4.2)	\$2.6	\$7.0	\$9.2	\$9.5	\$11.0	\$11.8	\$11.2
Liquid Assets Portfolio	\$52.8	\$66.3	\$101.7	\$107.9	\$266.3	\$327.5	\$482.8	\$448.1
Loans to Local Government	\$832.7	\$2,514.9	\$3,742.5	\$5,031.9	\$6,451.3	\$7,783.9	\$7,975.7	\$9,310.6
Other Assets	\$57.5	\$107.0	\$74.0	\$271.9	\$539.7	\$380.0	\$321.1	\$610.1
Total Assets	\$943.0	\$2,688.2	\$3,918.2	\$5,411.8	\$7,257.3	\$8,491.4	\$8,779.6	\$10,382.3
Bonds on Issue	\$908.9	\$2,623.6	\$3,825.3	\$5,247.3	\$6,819.7	\$7,865.4	\$8,101.0	\$9,612.4
Bills on Issue	\$ nil	\$ nil	\$ nil	\$ nil	\$223.9	\$348.2	\$473.4	\$503.2
Borrower Notes	\$13.2	\$40.7	\$61.9	\$85.1	\$108.4	\$131.6	\$135.1	\$154.2
Other Liabilities	\$0.2	\$0.6	\$2.1	\$16.1	\$61.0	\$92.3	\$5.8	\$38.5
Total Liabilities	\$922.3	\$2,664.8	\$3,889.3	\$5,375.6	\$7,213.0	\$8,437.5	\$8,715.3	\$10,382.3
Shareholder Equity	\$20.8	\$23.4	\$28.8	\$36.3	\$44.2	\$53.9	\$64.3	\$74.1

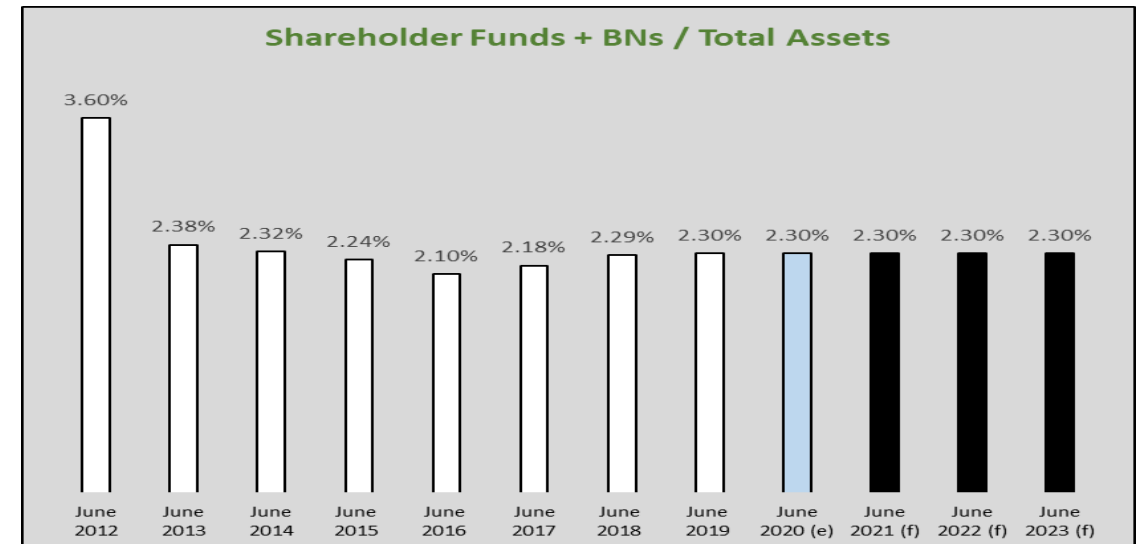
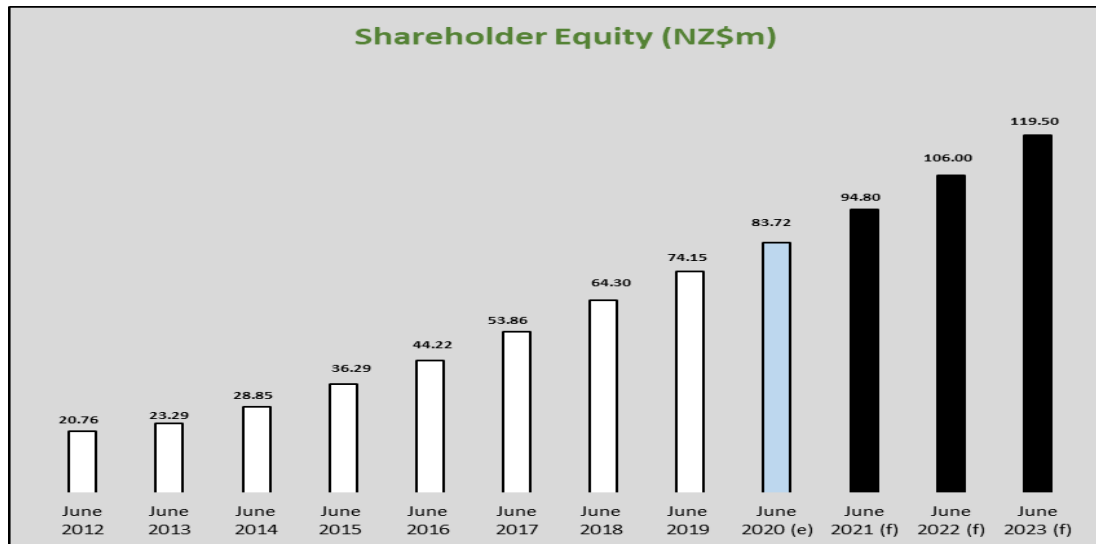
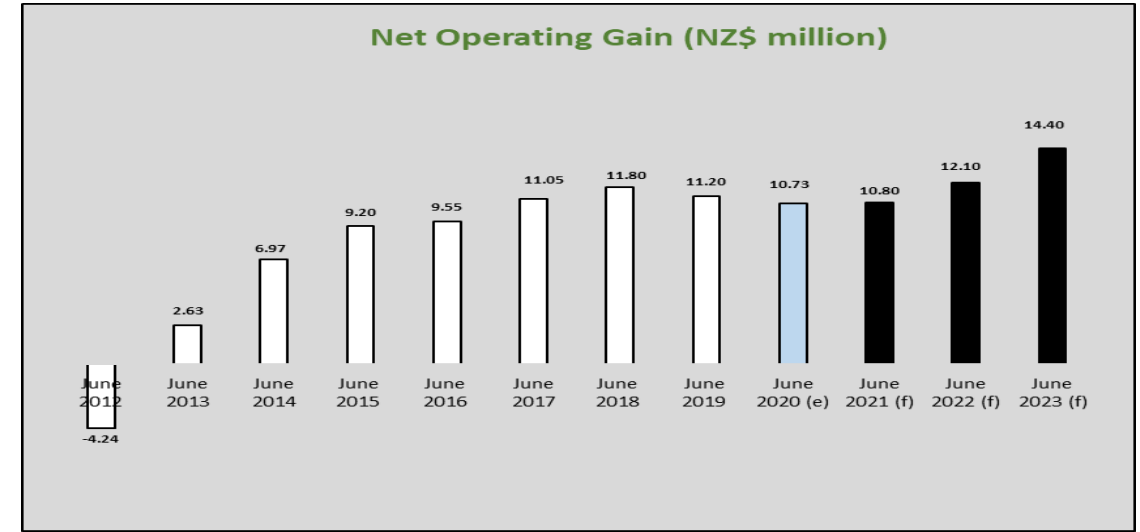
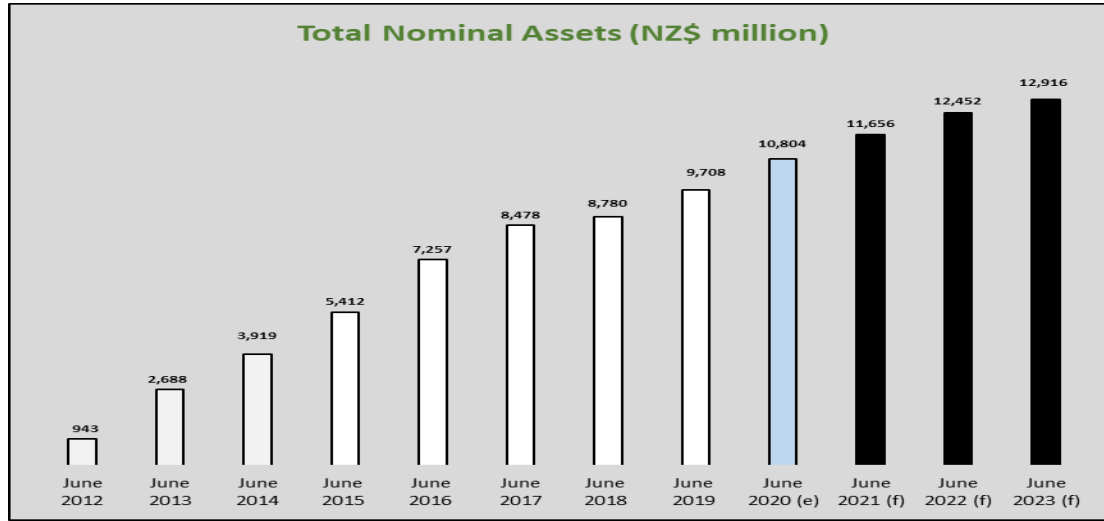
Note: As at 30 June each year or for the twelve month period ending 30 June each year. Source: LGFA Annual Reports

Ratios as at 30 June each year	2012	2013	2014	2015	2016	2017	2018	2019
Liquid Assets / Funding Liabilities	5.7%	2.5%	2.6%	2.0%	3.8%	4.1%	5.6%	4.4%
Liquid Assets / Total Assets	5.6%	2.5%	2.6%	2.0%	3.7%	3.9%	5.5%	4.3%
Net Interest Margin	0.12%	0.23%	0.27%	0.28%	0.24%	0.23%	0.22%	0.18%
Cost to Income Ratio	531.2%	53.6%	31.8%	33.8%	38.7%	37.1%	37.6%	40.4%
Return on Average Assets	-0.45%	0.10%	0.18%	0.17%	0.13%	0.13%	0.13%	0.11%
Shareholder Equity / Total Assets	2.2%	0.9%	0.7%	0.7%	0.6%	0.6%	0.7%	0.7%
Shareholder Equity + Borrower Notes / Total Assets	3.6%	2.4%	2.3%	2.2%	2.1%	2.2%	2.3%	2.2%
Asset Growth	n/a	185.1%	45.8%	38.1%	34.1%	17.0%	13.4%	18.3%
Loan Growth	n/a	202%	48.8%	34.5%	28.2%	20.7%	2.4%	16.7%
Return on Equity	n/a	12.7%	29.8%	31.9%	26.3%	25.0%	21.9%	15.1%
Capital Ratio	18.0%	11.9%	11.6%	11.2%	10.5%	10.9%	10.9%	10.9%

Note: As at 30 June each year or for the twelve month period ending 30 June each year. Source: LGFA Annual Reports

HISTORIC & FORECAST FINANCIAL PERFORMANCE

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Forecast performance based upon assumptions outlined in LGFA Draft SOI 2020-21 available at www.lgfa.co.nz/for-investors/annual-reports-and-statement-of-intent

Note: Based upon nominal values and Draft SOI published 27 February 2020

Source: LGFA Annual Reports and Draft SOI

Postal Address

P.O. Box 5704
Lambton Quay
Wellington 6145

Street Address Wellington

Level 8
142 Featherston Street
Wellington 6011

Street Address Auckland

Level 5
53 Fort Street
Auckland



Mark Butcher – Chief Executive

Tel: +64 (04) 974 6744

Email: mark.butcher@lgfa.co.nz



Andrew Michl – Senior Manager, Credit & Client Relationships

Tel: +64 (04) 974 6743

Email: andrew.michl@lgfa.co.nz



Neil Bain – Chief Financial Officer

Tel: +64 (04) 974 6742

Email: neil.bain@lgfa.co.nz



Jane Phelan – Operations Manager

Tel: +64 (04) 974 6530

Email: lgfa@lgfa.co.nz

Bulletin:

New Zealand Local Government Funding Agency Ltd. Ratings Can Tolerate Higher Council Leverage Limits

May 5, 2020

MELBOURNE (S&P Global Ratings) May 6, 2020--S&P Global Ratings today said New Zealand Local Government Funding Agency Ltd. (LGFA) has headroom at its current rating for the proposed relaxation of one of its key leverage-related financial covenants. We believe LGFA's strong risk management and liquidity, dominant market share, and links to the highly-rated New Zealand sovereign allow it some leeway.

However, LGFA's proposal could add to downward pressure to some local council ratings because it would permit those that are already highly indebted to take on more debt. The COVID-19 shock will see council revenues temporarily soften, and the councils could increase their borrowings to invest or coinvest in new infrastructure commitments.

In a statement to the NZX on May 4, LGFA proposed raising its foundation policy covenant limit on net debt to 300% from 250%. The higher limit will taper back to 280% by 2026. The intention is to give councils more buffer in the short term to deal with the fiscal stress arising from the COVID-19 pandemic. In the medium term, the higher limit will also allow councils to address infrastructure needs such as renewing water assets and responding to population pressures. The foundation policy covenant applies to councils with an external credit rating of 'A' or higher, which together account for most of LGFA's loan book by dollar value. A lower limit of 175% applies to unrated councils. We understand that the proposal still requires ratification by LGFA's shareholders in June 2020 and that other covenants, such as limits on interest expense to rates revenue or total revenue, will remain unchanged. For avoidance of doubt, note that the covenants described here apply to LGFA's borrowers, not LGFA itself as a bond issuer.

Several predominantly "high growth" councils could approach the 250% limit during the next few years, particularly as their revenue streams take a beating. Most other councils are far under the 250% limit and are thus unaffected by the proposal. As of June 30, 2019, councils with external credit ratings that borrowed from LGFA had net debt to total revenue ratios ranging from -150% to 180% (the negative number implying that some have financial assets that exceed their borrowings).

Some of our ratings on councils could come under renewed pressure during the COVID-19-induced recession, but at this stage we expect the weighted-average rating to remain at least around 'AA-', underpinning the credit quality of LGFA's loan portfolio and base of guarantors. The New Zealand council sector is highly leveraged relative to subnational governments in comparable countries. We believe aggregate debt, already projected to rise before the crisis, could further expand after it. This is because central and local governments will seek to reinvigorate the economy with new

PRIMARY CREDIT ANALYST

Martin J Foo
 Melbourne
 + 61 3 9631 2016
 martin.foo
 @spglobal.com

SECONDARY CONTACTS

Sharad Jain
 Melbourne
 (61) 3-9631-2077
 sharad.jain
 @spglobal.com

Rebecca Hrvatin
 Melbourne
 (61) 3-9631-2123
 rebecca.hrvatin
 @spglobal.com

Anthony Walker
 Melbourne
 + 61 3 9631 2019
 anthony.walker
 @spglobal.com

capital investment, some of which will be financed by council debt. Low interest rates will help to keep debt service manageable.

LGFA's net debt calculation differs from our preferred gross debt to operating revenue ratio; however, because net debt and gross debt tend to move in the same direction, a rise in net debt could worsen our debt assessments on some rated councils. Property rates, fees, user charges, fines, fuel taxes, and investment dividends are also under strain. The Department of Internal Affairs estimates that in 2020-21, overall council revenues are likely to be 2.3% to 11% lower than pre-COVID-19 forecast levels. If a large number of councils were to deviate from their track records of prudent financial management, this could weaken LGFA's asset quality and, in turn, its creditworthiness.

Recent developments help to support LGFA's credit metrics. The New Zealand government has committed to extending the expiry date on its liquidity facility to LGFA beyond December 2021. The Reserve Bank of New Zealand announced on April 7 that it will purchase up to NZ\$3 billion of LGFA bonds on the secondary market over a 12 month period as part of its Large Scale Asset Purchase program. Together, these developments reinforce our assessment of LGFA's strong liquidity position. An increase in LGFA's on-lending margin to councils by 10 basis points and a proposed increase in borrower note percentage to 2.5% from 1.6% may help to lift its risk-adjusted capital ratio during the next few years. Our ratings on LGFA also benefit from two notches of uplift from the New Zealand sovereign, and the positive outlook reflects that on the sovereign. On May 4, we affirmed our ratings on New Zealand (see "New Zealand 'AA/A-1+' FC And 'AA+/A-1+' LC Ratings Affirmed; Outlook Positive," published May 4, 2020).

S&P Global Ratings acknowledges a high degree of uncertainty about the rate of spread and peak of the coronavirus outbreak. Some government authorities estimate the pandemic will peak about midyear, and we are using this assumption in assessing the economic and credit implications. We believe the measures adopted to contain COVID-19 have pushed the global economy into recession (see our macroeconomic and credit updates here: www.spglobal.com/ratings). As the situation evolves, we will update our assumptions and estimates accordingly.

RELATED RESEARCH

- New Zealand 'AA/A-1+' FC And 'AA+/A-1+' LC Ratings Affirmed; Outlook Positive, May 3, 2020
- Credit Conditions Asia-Pacific: COVID-19: Flatter Growth, Tougher Recovery, April 22, 2020
- New Zealand Local Government Funding Agency Ltd. Ratings Affirmed; Outlook Positive, Feb. 27, 2020
- New Zealand Councils Can Carry Growing Debt, Feb. 16, 2020

LIVE WEBCAST & Q&A – THURSDAY, May 7:

Please join our live webcast and Q&A at 1:30pm New Zealand time on Thursday, May 7, 2020, where S&P Global Ratings analysts will provide their views on how COVID-19 is affecting the sovereign and other issuers in New Zealand. Register for the webcast here:

<https://app.ratings.spglobal.com/wMkSF9rTg0040NpM00X210a>

This report does not constitute a rating action.

AUSTRALIA

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6.1 Whangarei Art Museum – request for change to funding model

Meeting: Whangarei District Council
Date of meeting: 28 May 2020
Reporting officer: Cindy Velthuizen (Community Funding Officer)

1 Purpose

To note the request from Whangarei Art Museum Trust on its funding model with Council.

2 Recommendation

That Council notes the letter received from Whangarei Art Museum Trust and considers this request along with the Community Funding Review 2020 recommendations when the review is presented to Community Development Committee in due course.

3 Discussion

Whangarei Art Museum Trust recently submitted a letter to Council (Attachment 1), requesting a change to its funding model.

The Trust would like Council to consider a change from its current grants model under the Annual Operating Fund to a contract for services model under operational funding.

This is in recognition of its Council Controlled Organisation (CCO) status and is in alignment with staff recommendations in the upcoming Community Funding Review paper. This paper was deferred in April due to COVID-19 emergency response and Annual Plan priorities and is expected to be presented for consideration by July/August 2020 as Council priorities allow.

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

Letter – WAM funding model May 2020

04 May 2020

Sandra Boardman
General Manager
Community, Strategic Leadership Team
Whangārei District Council

Re: Requested change in funding mechanism for the Whangārei Art Museum (WAM).

Dear Sandra,

The Whangārei Art Museum is currently funded from the Whangārei District Council (WDC) Grants Pool, via an annual allocation. This creates a level of uncertainty in funding, which is not in keeping with the established and long-term nature of WAM as Whangārei's public art gallery and custodian of WDC's art collection.

The Board unanimously agreed at its April meeting to request that WAM's funding be allocated by WDC from operational funds and formalised via a contract for services arrangement for a longer term than one year. The Board noted that agreement of funds would fit well with the Statement of Intent process.

The Whangārei Art Museum Trust asks that this request be included in the upcoming WDC Community Funding Review in May and thanks the Council for its consideration.

Sincerely,



Thomas Biss
Chair
Whangārei Art Museum Trust

RESOLUTION TO EXCLUDE THE PUBLIC**Move/Second**

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:

General subject of each matter to be considered		Reason for passing this resolution in relation to each matter	Ground(s) under Section 48(1) for passing this resolution
1.1	Confidential Minutes Whangarei District Council 14 May 2020	Good reason to withhold information exists under Section 7 Local Government Official Information and Meetings Act 1987	Section 48(1)(a)
1.2	Ground Lease Rent Relief Requests		

This resolution is made in reliance on Section 48(1)(a) of the Local Government Official Information and Meetings Act 1987 and the particular interest or interests protected by Section 6 or Section 7 of that Act which would be prejudiced by the holding of the whole or the relevant part of the proceedings of the meeting in public, are as follows:

Item	Grounds	Section
1.1	For the reasons as stated in the open minutes.	
1.2	To enable Council to carry on without prejudice or disadvantage commercial activities To enable Council to carry on without prejudice or disadvantage negotiations (including commercial and industrial negotiations) To prevent the disclosure or use of official information for improper gain or improper advantage	Section 7(2)(h) Section 7(2)(i) Section 7(2)(j)

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.