

Finance and Corporate Committee Agenda

Date: Thursday, 29 March, 2018

Time: 9:00 am

Location: Council Chamber
Forum North, Rust Avenue
Whangarei

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

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

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Finance and Corporate Committee – Terms of Reference

Membership

Chairperson: Councillor Shelley Deeming

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

Meetings: Monthly

Quorum: 7

Purpose:

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

Key responsibilities include:

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

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

Delegations

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

Finance and Corporate Committee Meeting Minutes

Date: Thursday, 22 February, 2018
Time: 9:00 a.m.
Location: Council Chamber
Forum North, Rust Avenue
Whangarei

In Attendance

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

Scribe: C Brindle (Senior Democracy Adviser)

1. Declarations of Interest

Item 4.1 - Northland Regional Landfill Limited Partnership Draft Statement of Intent

2. Apologies

There were no apologies.

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

3.1 Minutes Finance and Corporate Committee 30 November 2017

Moved by Cr Sue Glen

Seconded by Cr Vince Cocurullo

That the minutes of the Finance and Corporate Committee meeting held on Thursday 30 November 2017, having been circulated, be taken as read and now confirmed and adopted as a true and correct record of proceedings of that meeting.

Carried

Cr Cutforth joined the meeting at 9.01am during item 3.1.

4. Decision Reports

4.1 Northland Regional Landfill Limited Partnership (NRLLP) Draft Statement of Intent

Moved by Cr Vince Cocurullo

Seconded by Cr Stu Bell

That the Finance and Corporate Committee notes the Draft Statement of Intent 2018/2019 for the Northland Regional Landfill Limited Partnership.

Carried

Cr Murphy requested her vote against be recorded.

Declarations of interest:

Cr Martin and General Manager Alan Adcock have a governance relationship with NRLLP as Councils' appointed Directors to NRLLP.

4.2 Whangarei District Airport Draft Statement of Intent – 2018/2019

Moved by Cr Sue Glen

Seconded by Cr Cherry Hermon

That the Finance and Corporate Committee endorses the Draft Statement of Intent 2018/2019 for the Whangarei District Airport.

Carried

Cr Halse requested his vote against be recorded.

5. Information Reports

5.1 Whangarei District Airport Half Yearly Financial Reports to 31 December 2017

Moved by Cr Stu Bell

Seconded by Cr Vince Cocurullo

That the Finance and Corporate Committee notes the half yearly financial report to 31 December 2017 for the Whangarei District Airport.

Carried

5.2 Financial Report for the 7 months ending 31 January 2018

Moved by Cr Greg Martin

Seconded by Cr Sue Glen

That the Finance and Corporate Committee notes the operating result for the seven months ending 31 January 2018.

Carried

5.3 Corporate Capital Projects Report for the month ending 31 January 2018

Moved by Her Worship the Mayor

Seconded by Cr Sharon Morgan

That the Finance and Corporate Committee notes the Corporate Capital Projects Report for the month ending 31 January 2018.

Carried

5.4 Operational Report - Finance and Corporate - February 2018

Moved by Cr Stu Bell

Seconded by Cr Sue Glen

That the Finance and Corporate Committee notes the operational report for February 2018.

Carried

6. Public Excluded Business

There was no business conducted in public excluded.

7. Closure of Meeting

The meeting concluded at 10.10 am.

Confirmed this 29th day of March 2018

Cr Shelley Deeming (Chairperson)

4.1 Draft Statement of Intent – Whangarei Art Museum Trust

Meeting: Finance and Corporate Committee
Date of meeting: 29 March 2018
Reporting officer: Jason Marris (Democracy and Assurance Manager)

1 Purpose

To provide the Draft Statement of Intent for the Whangarei Art Museum Trust for feedback.

2 Recommendation

That the Finance and Corporate Committee notes the Draft Statement of Intent for the Whangarei Art Museum Trust and provides feedback.

3 Background

At its meeting in December 2017, Council changed the exemption status for the Whangarei Art Museum Trust (WAMT) to non-exempt. This means that WAMT are now required to fulfil the legislative reporting requirements for Council Controlled Organisations (CCOs) provided by the Local Government Act. These are provided in Table One below.

Table One: CCO Reporting Requirements

Requirement	By when
CCO must produce a Draft Statement of Intent (SOI)	Before 1 March each year
Council must agree to the draft SOI or provide commentary to the CCO on modifications	The CCO must consider any commentary from Council within two months, by 1 May
CCO must provide Final SOI to Council	Delivered to Council prior to 30 June
CCO must produce a Half Yearly Report to Council	Within two months after the end of the first half of each financial year (by 28 February)
CCO must produce an Annual Report	Within three months of the end of the financial year (by 31 October)

At the same December meeting, Council also approved the high-level expectations for WAMT to inform their draft SOI. A Letter of Expectation was sent to WAMT in December last year and the information requested by Council is overleaf at Table Two.

Table Two: High level expectations for the Letter of Expectation

Governance	<ul style="list-style-type: none"> ▪ Performance review of trustees ▪ Health and safety commitments ▪ Being a good employer e.g. staff engagement, training ▪ Managing risk ▪ Ensuring legislative compliance e.g. Official information ▪ Long term planning and vision ▪ Funding requirements and financial management
Operation of Whangarei Art Museum	<ul style="list-style-type: none"> ▪ Annual performance measures <ul style="list-style-type: none"> - Community engagement and education - Marketing and communications - Exhibition planning - Collection management - Operational management and facilities
Hundertwasser Wairau Māori Arts Centre	<ul style="list-style-type: none"> ▪ Project management against milestones ▪ Risk management (Project specific) ▪ Communication, publication, relationship with the community ▪ Health and Safety (Project specific) ▪ Financial management

WAMT provided their draft SOI to Council as required prior to 1 March 2018. It is now being presented to the committee to provide feedback and is located at Attachment One. WAMT will adjust the draft SOI from feedback provided by the committee and the final SOI will be put to the June Finance and Corporate Committee.

4 Discussion

The draft SOI fulfils all of the reporting requirements required by the Local Government Act. WAMT have created the draft SOI using the high-level expectations provided by Council in December. All areas from the letter of expectation have been covered by at least one measure. It is important to note that this will be an iterative process, as both Council and WAMT get used to this reporting regime.

There are also transitory arrangements in place as the Council and WAMT move from funding through the community funding programme, through to a funding agreement negotiated by the CCO with Council. The work for this funding agreement is expected to be completed later this year.

For the 2018/19 financial year, WAMT has a funding application in train through the community funding process. The outcome of this won't be known until April. The draft SOI has been created, assuming that WAMT has been successful in its request. If the funding requested is not realised, then the final SOI will be adjusted to suit when it is presented to the committee in June.

Another point worth noting is that the financial information provided in the draft SOI is for the operation of the Whangarei Art Museum. It is too early in the process to include the Hundertwasser Art Centre with Wairau Maori Art Gallery financial information.

5 Next Steps

WAMT will take the feedback provided by the committee on their draft SOI, and incorporate it into the final SOI. This will be presented to the Finance and Corporate Committee in June.

6 Significance and engagement

The decisions or matters of this report 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.

7 Attachment

1. Draft Statement of Intent for WAMT

whangarei art museum

te manawa toi

Statement of Intent

1 July 2018 to 30 June 2019

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Chair's Introduction

Active and vibrant Arts and Culture activity and facilities are a key element in the enhancement of the identity, value and character of a community. Progressive cities around the world now regard the health of its arts and culture environment just as important as other environmental and infrastructure elements and invest accordingly. This is reflected in a number of City Councils in New Zealand now developing active arts and culture strategies.

Whangarei is now in a rapid period of growth as our natural lifestyle attributes are recognised. As growth spreads out from other major cities, particularly Auckland, we are attracting residents that expect their community to have a vibrant arts and culture sector.

Whangarei and Northland are blessed with an abundance of artistic and cultural talent, probably one of, if not the richest, of any district in New Zealand. However, the facilities and support to the districts arts and culture sector has lacked vision and been seriously underfunded. Whangarei Art Museum has operated with this underfunding for many years now. It has now reached a critical level where its continued service delivery and standards can no longer be sustained.

At a time when this critical point has been reached Whangarei's arts and visitor profile is about to transition from that of a small regional city to one of international significance. The construction and opening in 2020 of the Hundertwasser Art centre with Wairau Maori Gallery will be the catalyst for the transformation of the city in economic terms. It will also open up the opportunity to become recognised as the artistic centre of New Zealand and place the city on the world stage in this regard.

The Board of the Whangarei Art Museum Trust, and many in our community, see this opportunity and are working with dedicated vision and passion to see it realised. They however, cannot achieve this in isolation. The potential is so great and the transition so significant that it can only be achieved in close cooperation with a District Council that has vision, commitment and the leadership to step forward and undertake the bold decisions that are required. We are at a crossroads. The decisions made in the next 12 months will define our district for decades to come.

Grant Faber
Chair of Whangarei Art Museum Trust

Purpose of Statement of Intent

This annual Statement of Intent (SOI) publicly states the activities and intentions of the Whangarei Art Museum Trust (WAMT) and the objectives to which those activities will contribute. This SOI is created through liaison with Whangarei District Council and includes performance measures and targets as the basis of organisational accountability.

About Whangarei Art Museum Trust

Whangarei Art Museum

The Trust operates to the following principles

- To be responsible for the establishment and management of an art museum
- To properly maintain, catalogue, conserve and display works of art including the art collection of the Council (as such is available to the Trust)
- To support stimulate and enhance the artistic and cultural life of the Whangarei district
- To purchase, collect and show quality works of art to enhance and enlarge the present collection
- To encourage and accept bequests and gifts of art works
- To establish a fund to enable the purchase of historic and current works of art
- To organise and hold exhibitions to create a greater appreciation of the arts
- To provide affordable and suitable access for both residents and visitors of the Whangarei district to art exhibitions
- To seek both active and passive participation in the arts
- To promote the Whangarei Art Museum and to attract touring exhibitions and encourage artists to exhibit their work
- To maximise the benefits of an art museum for the Whangarei district and encourage the people of the Whangarei district and elsewhere to visit
- To consult with and involve the community of the Whangarei district in the operation of the Art Museum.
- To facilitate the exchange of ideas, experience and expertise in visual arts
- To foster an awareness of art and its implementation in all practical forms and to show the need for art in daily life and to encourage its use
- To hold classes and lectures so as to improve the practice and understanding of art in all its visual forms
- To conduct and facilitate art research.

Hundertwasser Art Centre with Wairau Maori Art Gallery (HAC)

Whangarei Art Museum will be owner of the HAC and lessee to the Whangarei District Council for the land portion.

The HAC is unique to New Zealand. It will be a stunning art work on a grand scale, boasting the last authentic Hundertwasser building in the world and the only museum outside of Vienna hosting his art. It will also be New Zealand's only curated gallery of Maori contemporary art. The centre will provide Northland an iconic drawcard as a nationally and internationally recognised cultural facility and tourist attraction. The HAC project will strongly contribute to the economic development and tourism growth for the region, alongside expanding New Zealand's Arts

and Cultural community internationally. The centre will spark employment growth, an enhanced sense of place and pride in establishing a truly multicultural attraction.

The HAC will consist of the following as key attractions:

1. The Hundertwasser designed building (refer below image)
2. 50 original or key Hundertwasser artworks (valued at approximately \$16m) to be supplied, on a rotation basis, by the Hundertwasser foundation in Vienna. This will be the largest collection of Hundertwasser artworks outside of Vienna.
3. The Wairau Maori Art Gallery, which will be curated, will contain contemporary Maori art on a three-month rotation.
4. Café and Retail Store.



The Request for Proposal (RFP) for the construction contract was sent out in November 2017. We expect construction to commence in April/May 2018. This will be a three-year build. The final project design includes considerable changes to both the foundations and the structure of the building as compared to earlier Whangarei District Council plans, primarily for additional seismic strengthening. The finished art centre will be substantially heavier than other buildings of similar size, due to the extensive exterior finishing and the forested living roof.

The revised construction methodology requires substantial below-ground foundation work as well as the complete deconstruction of the existing former Northland Regional Council Harbour Board building. All materials suitable for recycling and repurposing will be salvaged from the building, removed from site and brought back to be incorporated during the finishing phase of the project.

The design of the building's unique internal spaces and external finishing remains unchanged from the original model, created in Vienna by the Hundertwasser Non Profit Foundation as the ultimate template for the finished art centre.

Approach to Governance

The governance of the Whangarei Art Museum is the responsibility of a Trust board comprised of seven Trustees, four approved by the Whangarei District Council with the Trust able to appoint a further three Trustees.

Whangarei Art Museum Trust (WAMT) actions and direction are determined by the Trust Deed, which details the objectives of the Trust. These include both the operation of the Art Museum and the requirement to support, stimulate and enhance the artistic and cultural life of the Whangarei District.

As the majority of Trustees are appointed by the Whangarei District Council, WAMT is a Council Controlled Organisation (CCO) but it retains independent operation and governance.

This independence is essential to protecting the charitable status of the Whangarei Art Museum. It ensures the museum retains eligibility for charitable funding and that it remains the appropriate organisation to receive art works from benefactors who wish to make bequests to an organisation that operates in the interests of the greater community.

The operation of the Whangarei Art Museum Trust is audited annually by Audit New Zealand and reports to Whangarei District Council.

The Whangarei Art Museum Trust comprises the following members;

- Grant Faber (Chair)
- Kirsty Hughes (Deputy)
- Sharon Morgan
- Andy Britton
- Taipari Munroe
- Thomas Biss
- Carin Wilson

Strategic Direction

Our Vision

Whangarei Art Museum (WAM) is a place of community and unharnessed potential to reach local and visiting audiences with concepts developed through art. As home to the city's art collection we are dedicated to its conservation by operating to Museums Aotearoa standards and committed to showing fresh exhibitions promoting local arts, as well as touring artwork from New Zealand and beyond. In April 2017, our Mayor Sheryl Mai enjoyed a visit and wrote that Whangarei Art Museum was "world class in Whangarei" - a standard we are proud to strive for as the only regional gallery north of Auckland.

Operating Environment

As a Council Controlled Organisation (CCO), WAM relies on funding from the Whangarei District Council. Currently this is \$337,000 for 2017/18 plus \$176,175 for building rental, which is charged back. In addition, the Whangarei District Council has made available a further \$28,000 based on a 1:1 subsidy of external funds raised. In practice WAM's opportunities for external fund raising are highly constrained as its needs are based on operational and capex funding which funders generally view as a Council responsibility (as they are Council owned premises).

By New Zealand standards, WAM sits at the bottom of the regional museum funding table. It currently receives the lowest level of public funding, both in absolute terms and on a dollar per capita basis; and operates off the lowest revenue and cost base of its peers (source: Martin Jenkins final report - March 2017).

Despite significant growth in Visitors in recent years WAM has reached a point where continued growth will be restricted due to:

- Insufficient budget to enhance exhibition programmes
- Lack of Staff. Exhibition programmes are constrained as a result
- Lack of budget for effective marketing
- Inherent issue with gallery visibility.

The collection is something for Whangarei to treasure and WAM is committed to its ongoing preservation. There is no annual budget allocated that would allow WAM for capital build, art acquisition or restoration and conservation of the collection.

Strategic Framework

The Whangarei Art Museum reports to the Whangarei District Council via a statement of intent, half-yearly and annual reports. In addition, the annual accounts are audited by Audit New Zealand and are included in the Whangarei District Council annual report.

Funding Information

As a CCO of the Whangarei District Council, the majority of operational funding is made available by the Whangarei District Council. The split of total funding in the current year is funding from WDC at 94%, and other funding (including donations, other grants, event related income) at 6%.

Transitional Funding Arrangements

WAMT is seeking funding via a grant from the Whangarei District Council for the 2018/19 financial year. The information in this report has been created based on the request for additional funding through that process. If this additional funding is not attained, this Statement of Intent will be changed to reflect the situation.

Funding for the 2019/20 financial year will be via a funding agreement process, which will be negotiated during 2018.

Strategic Objectives

Whangarei Art Museum

Funding

The competition for organisations seeking community funding continues to be high and has become more challenging. There are few funders that will support operational funding which is WAM's greatest need. Further, capital funding opportunities are limited as the building is a Whangarei District Council asset. With the Trust being responsible for fundraising for the HAC in accord with the community referendum requirements, WAM's operations have been unable to apply to some potential funders due to their "one grant per entity" rules.

Increased Whangarei District Council funding is necessary. This statement of intent includes a projected budget which adopts the following (assuming additional funding is approved in 2018/19 by Whangarei District Council):

- Inflationary increase in all current costs and Whangarei District Council grant
- Further increase in Whangarei District Council grant of \$120,000 (from a practical base of \$337,000). After inflation adjustment on 2017/18 funding, the increase is \$104,000. The additional \$120,000 funds:

- Additional FTE	\$50,000
- Staff training	\$8,000
- Increased Exhibition management costs	\$20,000
- Repairs and Maintenance budget	\$4,000
- External Board governance and H&S review	\$7,000
- Support for Board during HAC construction	\$13,000
- Increase in advertising and communication	\$8,000
- Capex	\$10,000

Outlined in the sections below is what the Trust would be able to achieve with the additional funding requested.

Staffing

The current staffing mix is four core part-time staff:

- Director/Curator (position currently vacant due to resignation)
- Assistant Curator
- Engagement and Administration Coordinator
- Coordinator of Media, Exhibition and Events.

The rest of the team are made up of three casual staff and volunteers who work weekends and during exhibition installation weeks. The current team is very effective despite the increasing workload.

However, the current staffing levels are inadequate for effective operation and this places a notable strain on the staff. Staff turnover as a result is higher than desirable for a sustained effective operation. There is an immediate need to increase staffing by one full time equivalent (FTE).

Visibility

In the last year, we successfully worked to gain significant growth in our annual visitor numbers. However, the main feedback we get is that the gallery is hidden behind the I-site. Locals who have lived their entire lives in Whangarei seem oblivious to WAM's existence and people are missing out on what we are working so hard to show.

We will continue to work with Whangarei District Council to gain more visibility. However, this linked to a current low budget available of only \$12,000 annually for advertising, limits the outcome potential of further growth in visitor numbers.

Storage

Storage has become a major factor in what can and can't be achieved at WAM. For example, if we can't store the crates from a touring show we can't receive nor exhibit it. There is little alternative space to currently rely on and the collection space requires a constant controlled environment so can't be used as overflow for gallery equipment.

Further, the loading dock space is often filled from floor to ceiling with crates or equipment such as tables, plinths and ladders. Our processes and workload would benefit hugely from some relief storage.

The further expansion of the Region's art collection is now restricted by the lack of available storage and we have had to delay/decline bequest opportunities as a result.

Lighting

Lighting can make or break an exhibition and we are at the stage where upgrades are required. In the last month, we have worked with Potter Electrical to change one of three gallery spaces to LED lighting and will continue to upgrade as funds become available. However, the current systems lag behind current gallery standards and are costly and time consuming to maintain. Capital investment is needed.

Exhibitions

We continue to offer a quality selection of exhibitions annually that engage, stimulate and challenge the gallery visitor. Making more quality events is constrained by the lack of funding to promote and hold them. We want to work with the council to continue to grow visitor numbers and better serve the Community's needs. WAM welcomes anyone and everyone, free daily but we hope to reach out to new audiences. For example, the recent Kauri Project exhibition was popular with people who love the outdoors. The Habitat for Humanity exhibition held in October connected us with another market while being mutually beneficial to raising awareness for their very worthy cause.

Air-conditioning

Air conditioning plays a vital role for us to meet our requirements for artwork insurance, loan agreements and the conservation of the collection. Keeping on top of maintenance is important but we need to upgrade our units to provide the best possible environment. Currently Gallery Two does not meet the required Gallery standards for air control and therefore limits what we can exhibit. Again, capital investment is needed.

Education programme

WAM could be a resource for school art curriculums, encourage creativity within the community with workshops and school holiday programs and be a place for families to spend time together. WAM, through voluntary and internal resource, has now set up the Education Centre however this is currently underutilized due to lack of staff. Without further staffing resource, we are unable to offer an education programme which should be a core part of our community offering.

In the longer term, WAMT wants to seek the development of:

Visitor Lobby

Its common practice for galleries and museums to have a lobby for administration and welcoming visitors- WAM would benefit from having a lobby nearer the front doors of the building to assist with visibility and encourage walk-ins.

Shop/Retail space

Based on visitor feedback there is a market for retail within WAM. We hope one day to stock quality merchandise from local sources that compliments the gallery.

Hundertwasser Arts Centre with Wairau Maori Art Gallery

At this stage of the project our key objectives are:

Tender

To agree the tenderer for the construction stage at an amount within our available funds

Funding

To secure all agreed and pledged funding over the construction period.

Stakeholder relations

To meet and manage all expectations from our stakeholders, including the Vienna Foundation, Funders, Whangarei District Council and the community.

Fundraising

To continue fundraising to meet the needs for fit out and operational expenses required prior to opening. The decision to proceed with construction will be dependent on a portion of set up funding being achieved.

Risk Management

To mitigate risk through adequate insurance (construction and Indemnity), best practice Health and Safety management practices and appropriate Project Management and Governance practices.

DRAFT

Performance Information

WAMT Governance

Action	Performance measure /Comments	Responsible	Reporting
The Board to act in accordance with the Institute of Directors "Four Pillars of Governance" guide.	<ul style="list-style-type: none"> Independent review, by the IOD. Satisfactory rating – dependent on funding 	Chairperson	Once
The Board to adhere to Legislative and Trust Deed requirements	<ul style="list-style-type: none"> Clean opinion -as part of Annual audit by Audit NZ Staff and Board are updated on Health and Safety requirements LGOIMA requests are answered within statutory timeframes All legislative requirements met 	Chairperson Director/WDC Director Trust	Ongoing and Annual
Regular Governance meetings	<ul style="list-style-type: none"> Eleven Board meetings per year, mostly each month Minutes of all meetings kept 	Chairperson	Monthly
Effective and best practice financial management	<ul style="list-style-type: none"> Monthly accounts prepared by WDC and approved by Board Full GAAP accounting reporting Annual audited accounts. Monthly forecast review of exhibitions budget by WAMT 	Director/Trustees/ WDC	Monthly
Monitoring of annual plan objectives and KPI's. Ongoing Risk Management	<ul style="list-style-type: none"> Board monitors progress at each meeting Annual report completed at end of financial year Ongoing update of SOP's and policies Annual update of Strategic Risk and scoring in accordance with AS/NZS ISO 31000:2009 	Director/Trustees	Monthly/Annual

Whangarei Art Museum

Action	Performance measure /Comments	Responsible	Reporting
Communication to WDC timely and appropriate	<ul style="list-style-type: none"> Key issues notified promptly Full briefing of nominated WDC coordinator 	Chairperson/ Director/WDC	As Required

	<ul style="list-style-type: none"> Coordinator to attend Board meeting if possible 		
SOI and Business planning ensures future needs	<ul style="list-style-type: none"> Draft SOI and annual plan completed by Feb and fully developed by June WAM needs 5 to 10 year plan. Identified and incorporated in LTP submission. 	Director/Trustees	To WDC February
Budget Planning ensures future needs for coming year	<ul style="list-style-type: none"> Proposed Operating Budget in place by beginning of financial year Forward operating expense budget submitted to WDC for year plus one 	Director/ Trustees/ WDC	Annual
Programmes, events plan in place	<ul style="list-style-type: none"> Exhibition plan including objectives and educational elements completed on a rolling basis with minimum 18 month horizon 	Director/Assistant Curator	Monthly
Effective Marketing and Communications	<ul style="list-style-type: none"> Marketing plan for financial year in place by the end of November 	Director/Trustees	Ongoing
Visitor numbers and Web site stats reviewed against objectives	<ul style="list-style-type: none"> Annual visitors increase of 10% on 2017/18 	Director	Monthly
Community and visitor feedback obtained on regular basis as input to planning	<ul style="list-style-type: none"> Annual visitor survey plus focused visitor feedback mechanisms will be developed to capture meaningful data. Overall satisfaction rating of 85% achieved 	Director/Staff	Annual
Staff development	<ul style="list-style-type: none"> All paid staff has at least half yearly reviews which form part of their PD programme All staff have defined development paths with relative training, budget permitting 	Director	Ongoing
Volunteer engagement	<ul style="list-style-type: none"> A skilled and engaged team of volunteers is maintained as essential to WAM Operations Skill and knowledge levels enhanced with volunteer programme. 4 volunteers on board at any time. 	Director/Visitor Experience Coordinator	Ongoing
Seeking external funding	<ul style="list-style-type: none"> WAM is active in sourcing funding for specific projects wherever it identifies a project that qualifies 	All Staff	Ongoing

	<ul style="list-style-type: none"> Sponsors are sought for targeted exhibitions with objective of \$20,000 pa new funding this year 		
Increased community and stakeholder engagement	<ul style="list-style-type: none"> Ongoing programme to engage more widely with the community, particularly using schools and education as link to community: <ul style="list-style-type: none"> Minimum of 2 community projects per year Community Gallery showcases local artists annually A minimum of 8 exhibitions per year. 	Director/Staff/Trustees	Ongoing
Operational Education Centre	<ul style="list-style-type: none"> Resource funding gained to commence education programmes with schools and with WAM exhibitions (additional \$30K pa) 	WAM staff	By 30 June 2019
Facilities	<ul style="list-style-type: none"> Aircon 1 upgrade confirmed and Aircon 2 upgrade proposal and funding achieved 	Board/Director	By 30 June 2019
Facilities	<ul style="list-style-type: none"> Offsite storage options researched and proposal discussed with WDC 	WDC/Board/Director	By 30 June 2019

Hundertwasser Arts Centre with Wairau Maori Art Gallery

Key Performance Indicators for the HAC construction project in financial year 2018/19 which will be the first year in the construction phase of the project.

Action	Performance measure /Comments	Responsible	Reporting
Cost vs budget The budgeted cost of work that has actually been performed in carrying out the scheduled tasks during the specific time period	Cost Predictability/Forecast final cost <ul style="list-style-type: none"> Variation cost, attributable to approved change orders for construction between the projected construction cost at project point "Available for Use" and the estimated construction cost at the date "Commit to Construct", expressed as a percentage of the estimated construction cost at "Commit to Construct" date.. Measure <5% 	Board/Director/Project Manager	Quarterly
Time Predictability	<ul style="list-style-type: none"> Change in timeframe, attributable to client approved 	Board/Director/Project Manager	Quarterly

The estimated time for work that has actually been performed in carrying out the scheduled tasks during the specific time period.	change orders for construction (originating from the client / client representative) between the projected actual construction time at “Available for Use” and the estimated construction time at “Commit to Construct”, expressed as a percentage of the estimated construction time at “Commit to Construct” date. Measure <5%		
Quality Control	Public Satisfaction <ul style="list-style-type: none"> Number of complaints made to WDC or WAM from the public- within WDC acceptable levels per WDC SOI Time taken to resolve to within WDC satisfaction levels (as set out in WDC SOI). 	Board/Director/Project Manager	Quarterly
Health and Safety	<ul style="list-style-type: none"> Reportable accidents - Operational Reportable accidents per 100,000 hours worked. To be developed with Contractor. Lost time accidents- Operational Lost time incidents per 100,000 hours worked. Less than Industry average of 5.6 (ANZSIC level 1.2). Satisfactory outcome from Independent Audit by Work Safe approved auditor (funding dependent). 	Project Manager/ Contractor/Board/Director/WDC	Quarterly
Project Governance and Risk Management	Best practice project governance to be achieved. <ul style="list-style-type: none"> Monthly Project Control Group (minuted) WDC liaison committee (minuted) WAM project management Board (minuted) Appropriate Insurance – independently assessed Health and Safety best practices management as above. 	Project Manager/ Contractor/Board/Director/WDC	Monthly

Financial Information

The financial information provided in this draft Statement of Intent only relates to the operation of the Whangarei Art Museum. Financial information for the Hundertwasser Arts Centre project will be provided in later iterations as the project has not yet fully commenced.

PROSPECTIVE STATEMENT OF COMPREHENSIVE INCOME				
		BUDGET	BUDGET	BUDGET
		30 June 2019	30 June 2020	30 June 2021
Income				
Other Revenue		32,480	37,480	42,480
Council Funding		633,439	645,988	658,788
Interest revenue		400	400	400
Donations		3,500	3,500	3,500
Total Income		669,819	687,368	705,168
Less Expenses				
Employee Related Costs		227,920	240,460	255,252
Other expenses		419,336	419,387	421,139
Administration Expenses				
Total Expenses before depreciation		647,256	659,848	676,391
Net Surplus (Loss) before depreciation		22,563	27,520	28,776
Depreciation		12,340	12,340	12,340
Net Surplus (Loss) before tax		10,223	15,180	16,436
Tax Expense		-	-	-
Net Surplus / (Deficit)		10,223	15,180	16,436
		30 June 2019	30 June 2020	30 June 2021
Total capital expenditure		10,000	15,000	15,000

PROSPECTIVE STATEMENT OF MOVEMENTS IN EQUITY				
		30 June 2019	30 June 2020	30 June 2021
Opening Equity as at 1 July		1,281,498	1,291,721	1,306,901
Plus Profit (Loss) for the year		10,223	15,180	16,436
Total increase/(decrease) in equity		10,223	15,180	16,436
Closing Equity as at 30 June		1,291,721	1,306,901	1,323,338

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PROSPECTIVE STATEMENT OF FINANCIAL POSITION				
		30 June 2019	30 June 2020	30 June 2021
Equity		1,291,721	1,306,901	1,323,338
Total Equity		1,291,721	1,306,901	1,323,338
Current Assets				
Cash and Cash equivalents		1,524,022	1,551,542	1,580,319
Trade and other receivables		40,341	40,341	40,341
		1,564,363	1,591,883	1,620,660
Current Liabilities				
Trade and other payables and accruals		1,463,360	1,463,360	1,463,360
Working Capital		101,003	128,523	157,300
Non Current Assets				
Property plant and equipment		1,190,718	1,178,378	1,166,038
Long Term Liability				
Deferred income tax liability		-	-	-
Total Net Assets		1,291,721	1,306,901	1,323,338

1 Statement of accounting policies for the year ended 30 June 2019

1.1 Reporting entity

The Whangarei Art Museum Trust (WAMT) is incorporated as a trust under the Charitable Trusts Act 1957, is domiciled in New Zealand and registered under the Charities Act 2005, registration number CC28917. It is an exempt organisation under Section 7 of the Local Government Act 2002.

2 Summary of significant accounting policies

2.1 Basis of preparation

All transactions in the financial statements are reported using the accrual basis of accounting.

The financial statements are prepared on the assumption that WAMT will continue to operate in the foreseeable future.

The financial statements have been prepared on a going concern basis. WAMT is reliant on Council's continued support of its operations. Council has included funding for WAMT in its Annual Plan to 30 June 2019 upon which Council will review the level of funding for the following financial year. WAMT has also received a letter of support from Council to ensure its going concern basis for a period of one year from the date of the approval of these financial statements.

The Board has elected to apply PBE SFR-A (PS) Public Benefit Entity Simple Format Reporting – Accrual (Public Sector) on the basis that WAMT does not have public accountability (as defined) and has total annual expenses of less than \$2 million.

Goods and services tax

WAMT is registered for GST. All amounts in the financial statements are recorded exclusive of GST, except for debtors and creditors, which are stated inclusive of GST.

Functional and presentation currency

The financial statements are presented in New Zealand dollars.

Revenue and expenses

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services, excluding Goods and Services Tax, rebates and discounts. Revenue is recognised as follows:

(i) Grants and donations

Council, government, and non-government grants and donations are recognised as revenue when the funding is received unless there is an obligation to return the funds if conditions of the grant are not met ("use or return condition"). If there is such an obligation, the grant is initially recorded as a liability and recognised as revenue when conditions of the grant are satisfied.

(ii) Pledges

Pledges are not recognised as revenue as WAMT is unable to control the access to the funds. Pledges are disclosed as a contingent asset when the money is pledged and recognised as revenue when the pledged money is received.

(iii) Donated assets

Revenue from donated assets is recognised upon receipt of the asset if the asset has a useful life of 12 months or more, and the value of the asset is readily obtainable and significant.

(iv) Interest income

Interest revenue is recorded as it is earned during the year.

v) Sale of goods

Revenue from the sale of goods is recognised when the goods are sold to the customer.

(vi) Volunteer services

Volunteer services received are not recognised as revenue or expenditure as WAMT is unable to reliably measure the fair value of the services received.

(vii) Advertising, marketing, administration, overhead, and fundraising costs

These are expensed when the related service has been received.

2.2 Bank accounts and cash

Bank accounts and cash include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

2.3 Debtors

Debtors are initially recorded at the amount owed. When it is likely the amount owed (or some portion) will not be collected, a provision for impairment is recognised and the loss is recorded as a bad debt expense.

2.4 Property, plant and equipment

Property, plant, and equipment (excluding donated assets) are recorded at cost, less accumulated depreciation and impairment losses. WAMT does not revalue its property, plant and equipment. WAMT undertakes periodic impairment assessments of its property, plant and equipment.

(i) Artworks and donated assets

Purchased artworks are recognised at cost. Donated assets are recognised upon receipt of the asset if the asset has a useful life of 12 months or more, and the current value of the asset is readily obtainable and significant. Significant donated assets for which current values are not readily obtainable are not recognised. Artworks have an indefinite useful life and are not depreciated. Impairment is recognised if identified as below.

(ii) Asset sales

For an asset to be sold, the asset is impaired if the market price for an equivalent asset falls below its carrying amount.

(iii) Use of assets

For an asset to be used by the Trust, the asset is impaired if the value to the Trust in using the asset falls below the carrying amount of the asset.

Depreciation

Depreciation is provided on a straight-line basis at rates that will write off the cost of the assets over their useful lives. The useful lives and associated depreciation rates of major classes of assets have been estimated as follows:

Class of PP&E	Estimated useful life	Depreciation rates
Leasehold improvements	10-100 years	1%-10%
Office equipment	2-10 years	20%-50%
Plant and equipment	6-60 years	1.6%-17%
Computer equipment	2-5 years	20%-50%
Artworks	Indefinite	-

2.5 Investments

Investments comprise investments in term deposits with banks, listed bonds, and listed shares.

Deposits with banks are initially recorded at the amount paid. If it appears that the carrying amount of the investment will not be recovered, it is written down to the expected recoverable amount.

2.6 Creditors and accrued expenses

Creditors and accrued expenses are measured at the amount owed.

2.7 Lease expense

Lease payments are recognised as an expense on a straight-line basis over the lease term.

2.8 Tier 2 PBE Accounting Standards applied

WAMT has not applied any Tier 2 Accounting Standards in preparing its financial statements.

4.2 Financial Report for the 8 months ending 28 February 2018

Meeting: Finance and Corporate Committee
Date of meeting: 29 March 2018
Reporting officer: Alan Adcock (General Manager – Corporate/CFO)

1 Purpose

To provide the operating result for the eight months ending 28 February 2018.

2 Recommendation

That the Finance and Corporate Committee notes the operating result for the eight months ending 28 February 2018.

3 Background

3.1 Operating Result – Full Year Forecast

The year to date position is a surplus of \$13.0 million, compared to a budgeted surplus of \$4.2 million, resulting in a favourable variance of \$8.8 million.

The forecast net surplus for the financial year ending 30 June 2018 is \$15.4 million compared with a budgeted surplus of \$9.6 million, resulting in a favourable variance of \$5.8 million.

3.2 Capital Project Expenditure

The Capital Projects expenditure as at 28 February 2018 is currently \$9.6 million less than budget. Council is forecasting to spend a total of \$62.3 million against the \$75.3 million budget, with a forecast carry forward of \$16.6 million.

3.3 External Net Debt and Treasury

Total net external debt at the end of February 2018 was \$104.8 million compared to year to date revised budgeted net debt of \$119.9 million, resulting in net debt being \$15.1 million under budget.

3.4 WDC Treasury Operations

As at 28 February 2018 cash and term deposits held of \$37.2 million was comprised of:

- \$10.0 million of term deposits relating to short term borrowings not yet required
- \$24.0 million of term deposits relating to excess cash not currently required (as a result of the February rates instalment)
- \$3.2 million of cash on hand.

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

During February Council entered in to some forward start swaps to reduce the risk from interest rate increases as a result of the economic outlook below. Council also entered in to a receiver swap to offset some of the current fixed rate swaps and deal with any interest rate policy issues due to debt being lower than budget.

Economic Outlook

The OCR remained at 1.75% in the February MPS as expected. The Reserve Bank is forecasting the next OCR hike in early 2020. The market is pricing in an OCR hike during 2019.

Long term US interest rates have increased as a result of increased inflation expectations in the US. Long term NZ rates have not yet followed suit, decreasing slightly from 3.24% to 3.22% during February.

4 Accounts receivable and arrears

Total arrears as at 28 February 2018 was \$4.9 million, compared to \$4.8 million in the previous year.

5 Significance and engagement

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

6 Attachments

1. Monthly key indicators
2. Monthly activity summary
3. Monthly income statement
4. Capital projects expenditure – graphs
5. Treasury report

**MONTHLY KEY INDICATORS
FEBRUARY 2018**



YTD to February 2018						Full Year Forecast			
	YTD (Surplus)/ Deficit \$ m	Revised Budget (Surplus)/ Deficit \$ m	Variance (Surplus)/ Deficit \$ m	YTD Indicator	YTD Trend Current / previous month	Full Year Forecast (Surplus)/ Deficit \$ m	Revised Budget (Surplus)/ Deficit \$ m	Variance (Surplus)/ Deficit \$ m	YTD Indicator
OPERATING									
Total Rates	(60.2)	(59.9)	(0.3)	●		(92.5)	(92.4)	(0.1)	●
User Fees	(13.8)	(14.0)	0.2	●		(21.0)	(20.7)	(0.3)	●
Operating Subsidies and Grants	(4.5)	(4.6)	0.1	●		(6.1)	(6.6)	0.5	●
Total Operating Income	(81.8)	(80.8)	(1.0)	●	↑	(125.3)	(124.3)	(1.0)	●
Personnel Costs	16.5	18.4	(1.9)	●		26.5	28.2	(1.7)	●
Professional Fees / R&M / Asset Operating Expenditure	18.0	19.3	(1.3)	●		29.3	29.4	(0.1)	●
Other Operating Expenditure	16.2	17.4	(1.2)	●		28.9	30.0	(1.1)	●
Total Operating Expenditure	81.4	87.9	(6.5)	●	↑	133.1	136.9	(3.8)	●
(Surplus)/Deficit from Operations	(.4)	7.2	(7.6)	●	↑	7.8	12.6	(4.8)	●
CAPITAL									
Capital Subsidies	(8.6)	(9.3)	0.7	●		(15.5)	(17.1)	1.6	●
Development Contributions	(4.0)	(2.0)	(2.0)	●		(5.6)	(3.0)	(2.6)	●
Total Capital Income	(12.6)	(11.4)	(1.2)	●	↑	(23.7)	(22.7)	(1.0)	●
External Net Debt	104.8	119.9	(15.1)	●					
Net Interest on debt	4.2	5.0	(0.8)	●		7.0	7.6	(0.6)	●
Total (Surplus) / Deficit	(13.0)	(4.2)	(8.8)	●	↑	(15.4)	(9.6)	(5.8)	●

KEY	
●	Favourable to budget
●	Unfavourable, but within 5% of budget
●	Unfavourable, over 5% of budget
↑	Favourable to previous month
↓	Unfavourable to previous month

Key Contributors to Unfavourable Variances

The year to date unfavourable variance is due to timing of capital projects and subsidy claims.

The full year forecast unfavourable variance for subsidies is partly due to carrying forward part of the LED streetlight upgrade.

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

MONTHLY ACTIVITY SUMMARY

FEBRUARY 2018

YTD to 28 February 2018						Full Year Forecast			
	Actual YTD (Surplus) / Deficit \$m	Budget YTD (Surplus) / Deficit \$m	Variance (Surplus) / Deficit \$m	YTD Indicator	YTD Trend Current / previous month	Full Year Forecast (Surplus) / Deficit \$m	Revised Budget (Surplus) / Deficit \$m	Variance (Surplus) / Deficit \$m	Full Year Indicator
Total Council	(13.0)	(4.2)	(8.8)	●	↑	(15.4)	(9.6)	(5.8)	●
Transportation	6.5	6.6	(0.1)	●	↑	9.4	7.6	1.8	●
Water	(3.5)	(1.5)	(2.0)	●	↑	(5.5)	(3.6)	(1.9)	●
Solid Waste	(2.4)	(2.4)	0.0	●	↓	(3.2)	(3.0)	(0.2)	●
Waste Water	(5.7)	(4.6)	(1.1)	●	↑	(7.2)	(5.9)	(1.3)	●
Storm Water	2.5	3.0	(0.5)	●	↑	3.1	3.5	(0.4)	●
Flood Protection	(0.3)	(0.1)	(0.2)	●	↑	(0.2)	0.0	(0.2)	●
Community Facilities	11.1	13.1	(2.0)	●	↑	23.1	23.8	(0.7)	●
Economic Growth	0.8	1.2	(0.4)	●	↑	0.7	0.8	(0.1)	●
Planning & Regulatory	(0.3)	0.1	(0.4)	●	↑	0.6	0.7	(0.1)	●
Support Services	(21.8)	(19.6)	(2.2)	●	↑	(36.2)	(33.4)	(2.8)	●

KEY:

Favourable to budget



Unfavourable, but within 5% of budget



Unfavourable, over 5% of budget



Favourable to previous month



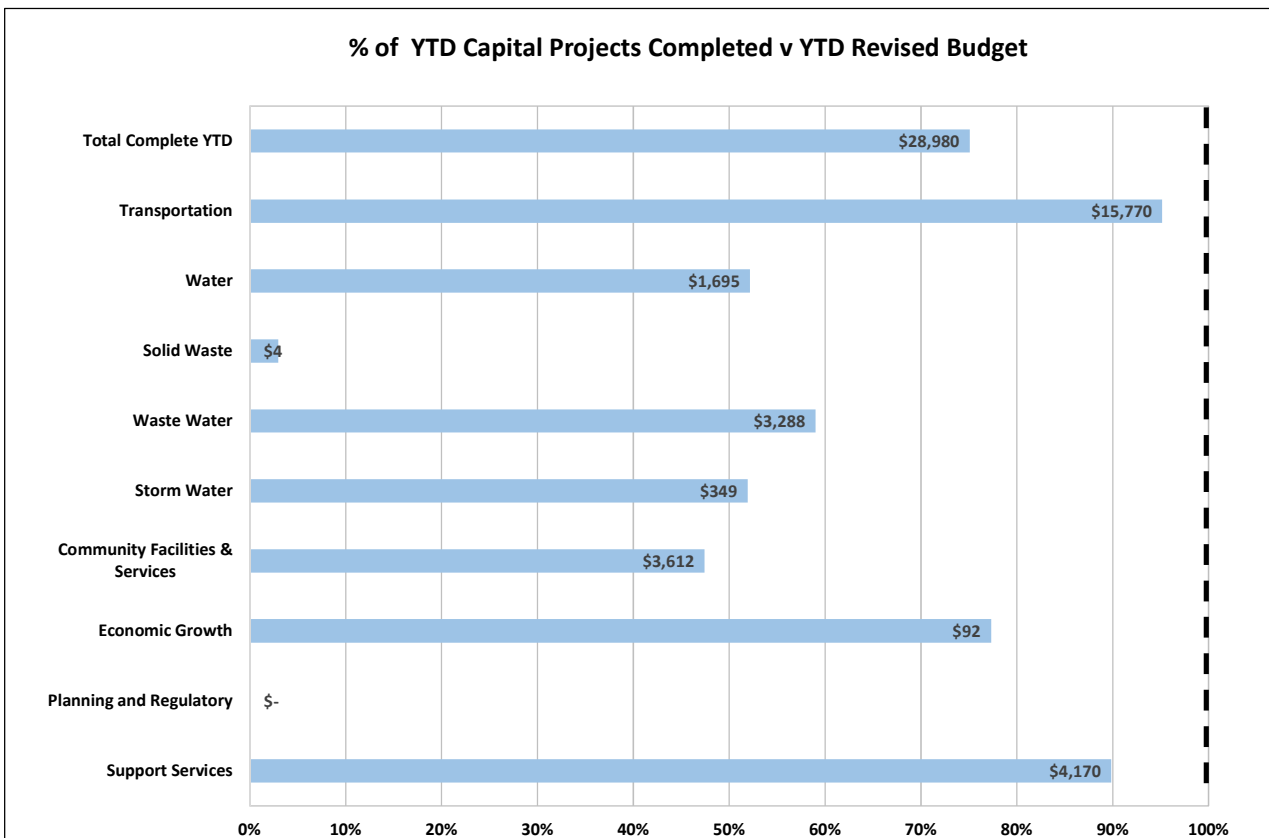
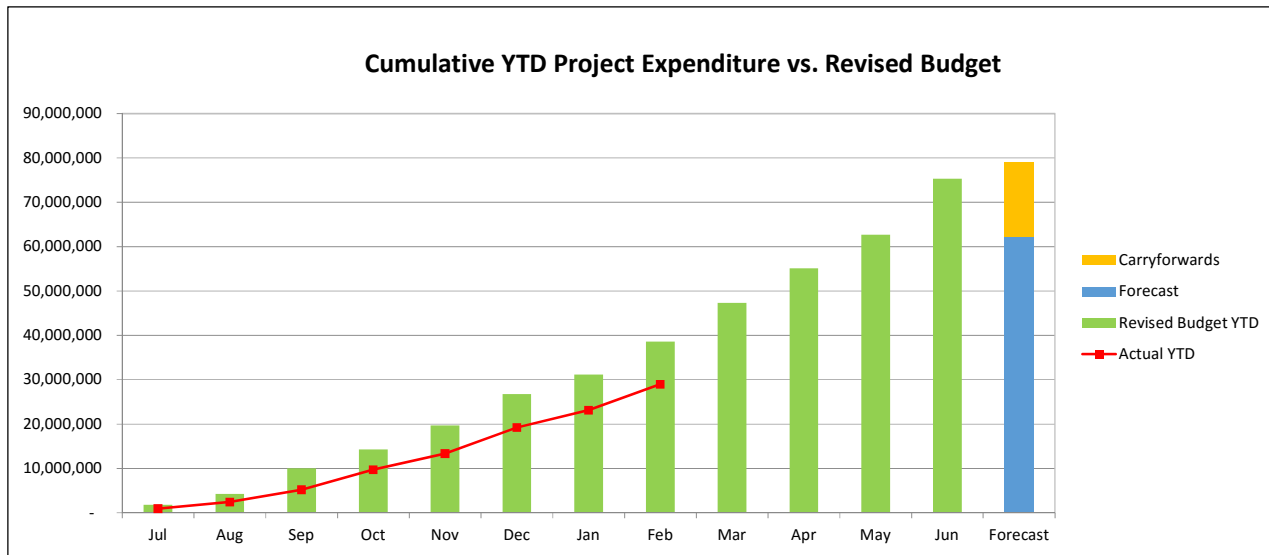
Unfavourable to previous month

MONTHLY INCOME STATEMENT

28 FEBRUARY 2018

Council Summary	Actual YTD \$000	Revised Budget YTD \$000	Forecast 2017-18 \$000	Revised Budget 2017-18 \$000	Variance 2017-18 \$000
Operating Income					
General Rates	(34,925)	(35,456)	(53,102)	(53,590)	488
Activity Targeted Rates	(16,906)	(16,777)	(25,578)	(25,486)	(92)
Metered water	(8,419)	(7,693)	(13,798)	(13,275)	(523)
User Fees	(13,847)	(13,965)	(21,041)	(20,744)	(297)
Other Income	(2,167)	(1,851)	(4,653)	(4,191)	(463)
Interest Received - Cash Balances	(1,051)	(363)	(1,024)	(394)	(631)
Operating Grants & Subsidies	(4,458)	(4,650)	(6,104)	(6,649)	545
Total Operating Income	(81,772)	(80,755)	(125,301)	(124,329)	(972)
Operating Expenditure					
Personnel Costs	16,470	18,380	26,499	28,174	(1,675)
Professional Fees	3,709	3,427	5,789	5,809	(20)
Repairs and Maintenance	11,043	12,934	18,534	18,710	(175)
Asset Operating Expenditure	3,228	2,922	5,013	4,854	159
Other Operating Expenditure	16,218	17,384	28,907	30,024	(1,117)
Depreciation	25,451	27,545	40,331	41,322	(990)
Interest Expense - External Borrowings	5,234	5,352	7,992	8,009	(17)
Total Operating Expenditure	81,351	87,943	133,065	136,901	(3,836)
(Surplus)/Deficit from Operations	(421)	7,188	7,764	12,572	(4,808)
Capital Income					
Capital Subsidies	(8,563)	(9,339)	(15,468)	(17,074)	1,605
Capital Scheme Rates	(23)	(23)	(36)	(35)	(1)
Lump Sum Contributions	(67)	(35)	(82)	(53)	(29)
Development Contributions	(3,968)	(1,953)	(5,647)	(3,028)	(2,620)
Non Cash - Vested Assets	0	0	(2,500)	(2,500)	0
Total Capital Income	(12,621)	(11,350)	(23,733)	(22,689)	(1,044)
Capital Grant Expenditure					
Capital grant expenditure	6	0	545	540	6
Total Capital Grants	6	0	545	540	6
(Surplus)/Deficit from Operating Capital	(12,615)	(11,350)	(23,188)	(22,150)	(1,038)
Total (Surplus)/Deficit	(13,036)	(4,162)	(15,424)	(9,578)	(5,846)

CAPITAL PROJECT EXPENDITURE AS AT 28 FEBRUARY 2018



TREASURY REPORT
28 FEBRUARY 2018



STANDARD AND POORS CREDIT RATING:

AA

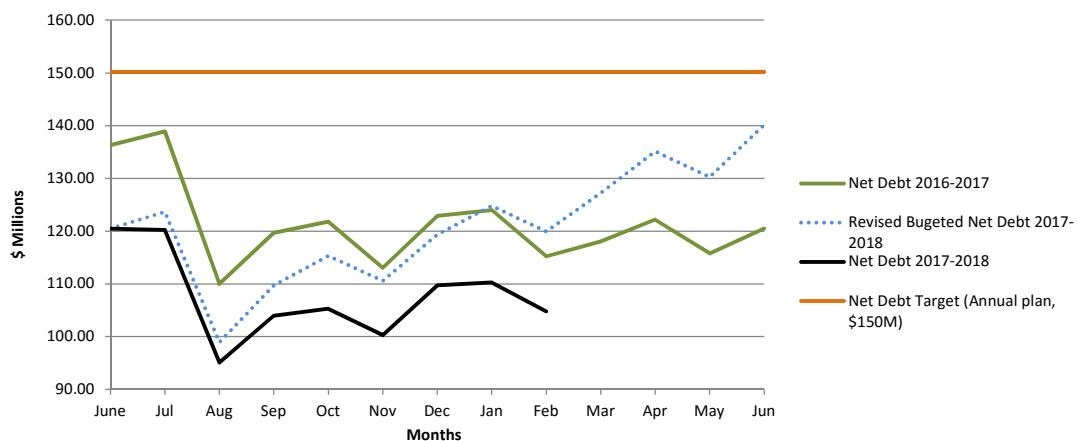
Outlook: Stable

DEBT SUMMARY:

As at 28 February 2018

External Debt		
Opening public debt as at 1 February 2018		142,000,000
Plus loans raised during month	-	
Less loan repayments made during month (Note: Facility movement has been netted)	-	
Net movement in external debt		-
Total External Debt		142,000,000
Less: Cash balances (excluding funds held on behalf)	3,206,154	
Term deposits (Funds held on deposit until required for project funding)	34,000,000	
Total cash and term deposits		37,206,154
Total Net External Debt		104,793,846
<i>Note: Council also holds \$2.0m of LGFA borrower notes. These are not included in net external debt as per Council's Treasury Risk Management Policy.</i>		
External debt is represented by:		
Less than 1 Year		10,000,000
1-3 Years		39,000,000
3-5 Years		33,000,000
Greater than 5 Years		60,000,000
Total		142,000,000

NET EXTERNAL DEBT COMPARED TO BUDGET:



Internal Funding		
Community Development Funds		10,165,516
Property Reinvestment Reserve - Available for Reinvestment	1,568,968	
Property Reinvestment Reserve - Accumulated	28,605,571	
		30,174,539
Water Reserve		33,633,485
Total		73,973,539

Note: Reserves Funding is disclosed to ensure transparency of Council's use of cashflow management to fund capital works. Where funds are raised through property sales or targeted rates for Water, but they are not required for immediate investment in that asset category, Council's Revenue and Financing policy allows them to be used for other purposes, rather than being held on deposit. To ensure total transparency of this we create Reserve Accounts so that the appropriate funding can be made available and transferred back when it is required. The timing of projects requiring these funds is set out in our Long Term Plan (LTP) and/or Annual Plan (AP). These Reserves are not a liability to an external party, and are not part of Council's debt obligations.

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

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

4.3 Corporate Capital Projects Report for the month ending 28 February 2018

Meeting: Finance and Corporate Committee
Date of meeting: 29 March 2018
Reporting officer: Alan Adcock (General Manager – Corporate/CFO)

1 Purpose

To provide the Corporate Capital Projects Report for the month ending 28 February 2018.

2 Recommendation

That the Finance and Corporate Committee notes the Corporate Capital Projects Report for the month ending 28 February 2018.

3 Background

This report provides an update on Corporate Capital Projects expenditure to date compared to budget, as well as the forecast spend for the year and carry forwards against budget.

4 Discussion

The Capital Projects expenditure for Corporate as at 28 February 2018 is currently \$957k less than budget. Corporate is forecasting to spend a total of \$2.8m against the \$10.3m budget, with forecast carryforwards of \$7.2m for the Council Premises. This project is awaiting LTP consultation before further work can be done.

5 Significance and engagement

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

6 Attachments

Corporate Capital Projects Report

CORPORATE CAPITAL PROJECTS REPORT

AS AT 28 February 2018

(Figures include both Operating and Capital Expenditure)

	Actual YTD \$000	Revised Budget YTD \$000	Variance YTD \$000	Full Year Forecast \$000	Full Year Revised Budget \$000	Forecast (Underspent)/ Overspent \$000	Forecast Carry Forwards \$000	Total (Underspent)/ Overspent \$000
Support Services								
<i>Business Support</i>								
Council Premises	0	230	(230)	60	7,274	(7,214)	7,214	(0)
Council Vehicle Replacements	106	0	106	210	210	0	0	0
Information Centre Upgrade	22	48	(26)	122	148	(26)	0	(26)
Office Furniture	11	0	11	11	0	11	0	11
Business Support Total	139	278	(139)	403	7,632	(7,229)	7,214	(15)
<i>ICT</i>								
Accounts Payable Automation	37	60	(23)	41	60	(19)	0	(19)
Asset Management Software Upgrade	4	30	(26)	78	94	(16)	0	(16)
Computer Tech for Building, Animal Control & Parking	0	0	0	124	124	0	0	0
Decision Support System Development	0	15	(15)	65	80	(15)	0	(15)
Digitisation of Records	211	567	(356)	692	850	(158)	0	(158)
Electronic Agenda Management System	14	0	14	14	0	14	0	14
IB Project	49	53	(3)	69	53	16	0	16
IT Network Upgrades	0	45	(45)	60	60	0	0	0
Minor ICT Projects	11	0	11	0	0	0	0	0
OC Project	87	220	(133)	588	650	(62)	0	(62)
Performance Management System Development	0	55	(55)	179	174	5	0	5
Web & Intranet Development	4	160	(156)	337	337	0	0	0
Workflow Systems Development	0	30	(30)	158	158	0	0	0
ICT Total	418	1,234	(817)	2,404	2,639	(235)	0	(235)
<i>People & Capability</i>								
Office Furniture	5	7	(2)	9	10	(1)	0	(1)
People & Capability Total	5	7	(2)	9	10	(1)	0	(1)
Support Services Total	562	1,519	(957)	2,817	10,282	(7,465)	7,214	(251)
Total	562	1,519	(957)	2,817	10,282	(7,465)	7,214	(251)

4.4 Local Government Funding Agency – Half Year Report to 31 December 2017

Meeting: Finance and Corporate Committee
Date of meeting: 29 March 2018
Reporting officer: Jason Marris (Manager – Democracy and Assurance)

1 Purpose

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

2 Recommendation

That the Finance and Corporate Committee notes the Local Government Funding Agency half yearly report to 31 December 2017.

3 Background

Section 66 of the Local Government Act (2002) advises that Council Controlled Organisations (CCOs) must deliver a report to council on their half yearly operations. To that end, the half year report for the 2017/18 financial year for the LGFA, of which Council has a shareholding, is attached.

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

4 Significance and engagement

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

5 Attachment

1. LGFA Half Year Report to 31 December 2017



NEW ZEALAND
LOCAL GOVERNMENT
FUNDING AGENCY



HALF YEAR REPORT

31
DECEMBER
2017



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Cover: Winding road leading to Mount Cook Village, Canterbury, South Island, New Zealand. Getty Images.

Left: Opening of the Memorial Avenue Gateway Bridge, November 2017. Christchurch City Council.

CHAIR'S REPORT

FOR THE SIX MONTHS ENDED 31 DECEMBER 2017

"LGFA has consolidated its position both as the leading provider of cost-effective funding to New Zealand councils and one of the largest issuers of New Zealand dollar fixed income securities that offer investors a highly rated, higher yielding alternative to New Zealand Government Bonds and Kauri issues."

Craig Stobo, Chair LGFA Board



Directors would like to highlight the following developments at LGFA for the six-month period to December 2017:

1. **Strong Financial and Operational Performance in line with the Statement of Intent (SOI) forecasts**

LGFA total interest income for the six-month period of \$178.145 million was a 14.4% increase over the 2016-17 comparable period of \$155.711 million while Net Operating Profit of \$6.036 million was a 13.6% increase on the 2016-17 comparable period of \$5.312 million.

The financial strength of LGFA was reaffirmed by credit rating agencies Standard & Poor's and Fitch Ratings who maintained our credit rating at AA+. Our credit rating is the same as the NZ Government.

2. **Borrowing activity**

Over the past six months, LGFA has issued \$619 million of long-dated bonds. While this is in line with SOI forecast, it is one of the lowest issuance amounts over a six-month period, reflecting reduced borrowing demand from our council members. Average term of issuance of 5.7 years was the shortest average borrowing term since LGFA commenced borrowing in early 2012.

LGFA has \$7.5 billion of bonds (including Treasury stock used for bond lending purposes) on issue across seven maturities from 2019 to 2033. LGFA is one of the largest issuer of New Zealand dollar (NZD) securities after the NZ Government and our bonds are amongst the largest and most liquid NZD debt instruments available for investors. The amount of LGFA bonds outstanding has declined from \$7.9 billion as at 30 June 2017 due to the maturity of the December 2017 LGFA bonds. The council loans matching these bonds were successfully refinanced by council borrowers ahead of the maturity that resulted in an orderly repayment to investors.

3. **Lending to the sector**

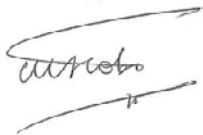
LGFA was established in late 2011 to provide long-dated borrowing, certainty of access to markets and to reduce the borrowing costs for the local government sector. It is pleasing to note the following achievements over the past six months:

- We admitted Rangitikei District Council as a new member in December 2017, bringing total membership to 54 councils. Horizons Regional Council also moved from being a non-guarantor to a guarantor in July 2017.

- Long-dated lending of \$518 million for the six-month period was slightly below our SOI forecast and reflected a preference for offshore borrowing by our largest borrower, Auckland Council and reduced borrowing demand from the rest of the sector. We also experienced a shortening in average tenor of council borrowing of 7.2 years compared to 8.1 years in the 2016-17 financial year.
- Bespoke lending continues to be popular for councils in that it provides flexibility for maturity dates of borrowing and the date of drawdown. LGFA lent \$452 million on a bespoke basis to councils during the six-month period. This was approximately 87% of our total lending over that period. Bespoke loans outstanding are now \$1.6 billion or approximately 22% of our total loan book.
- Short-dated lending (less than 365-day terms) to councils has been very successful with loans to 25 councils of \$332 million as at December 2017. This compares to \$240 million lent to 17 councils as at December 2016.
- The underlying credit quality of the sector continues to improve with all member councils remaining compliant with the LGFA lending covenants and three councils in the 2017 calendar year either receiving an upgrade to their credit ratings or a positive outlook change to their rating.

At the November 2017 AGM, Abby Foote retired from the LGFA Board. Abby was a founding director and I would like to acknowledge the valued contribution made by Abby to the success of this organisation since 2011 as both a director and Chair of the Audit and Risk committee. Anthony Quirk was elected a director at the AGM to fill the vacancy.

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



Craig Stobo
Chair, LGFA Board



The statement of service performance details LGFA's performance against the objectives and targets set out in the LGFA Statement of Intent 2017-18.

1 2017-18 PERFORMANCE OBJECTIVES

The Statement of Intent 2017-18 (SOI) set out two primary performance objectives and eight complementary performance objectives for LGFA for the year ended 30 June 2018:

Primary objectives	Additional objectives
<ol style="list-style-type: none"> 1. LGFA will operate with the primary objective of optimising the debt funding terms and conditions for Participating Local Authorities. Among other things this includes: <ol style="list-style-type: none"> i. Providing savings in annual interest costs for all Participating Local Authorities on a relative basis to other sources of financing; ii. Making longer-term borrowings available to Participating Local Authorities; iii. Enhancing the certainty of access to debt markets for Participating Local Authorities, subject always to operating in accordance with sound business practice; and iv. Offering more flexible lending terms to Participating Local Authorities. 2. LGFA will monitor the quality of the asset book so that it remains of a high standard by ensuring it understands each Participating Local Authority's financial position and the general issues confronting the Local Government sector. This includes: <ol style="list-style-type: none"> i. LGFA will review each Participating Local Authority's financial position, its financial headroom under LGFA policies and visit each Participating Local Authority on an annual basis; ii. LGFA will analyse finances at the Council group level where appropriate; iii. LGFA will work closely with the Department of Internal Affairs (DIA), Office of the Auditor General (OAG) and Local Government New Zealand (LGNZ) on sector and individual council issues; and iv. LGFA will take a proactive role to enhance the financial strength and depth of the local government debt market 	<ol style="list-style-type: none"> 1. Operate with a view to making a profit sufficient to pay a dividend in accordance with its stated Dividend Policy set out in section 6; 2. Provide at least 50% of aggregate long-term debt funding to the Local Government sector; 3. Ensure its products and services are delivered at a cost that does not exceed the forecast for issuance and operating expenses set out in section 4; 4. Take appropriate steps to ensure compliance with the Health and Safety at Work Act 2015; 5. Maintain LGFA's credit rating equal to the New Zealand Government sovereign rating where both entities are rated by the same Rating Agency; 6. Achieve the Financial Forecasts (excluding the impact of AIL) set out in section 4; 7. Meet or exceed the Performance Targets outlined in section 5; and 8. Comply with its Treasury Policy, as approved by the Board.

1 PERFORMANCE AGAINST PRIMARY OBJECTIVES

This section sets out LGFA's performance for the six-months ended 31 December 2017 against the two primary objectives set out in the 2017-18 Statement of Intent.

1.1 LGFA will operate with the primary objective of optimising the debt funding terms and conditions for Participating Local Authorities. Among other things this includes:

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

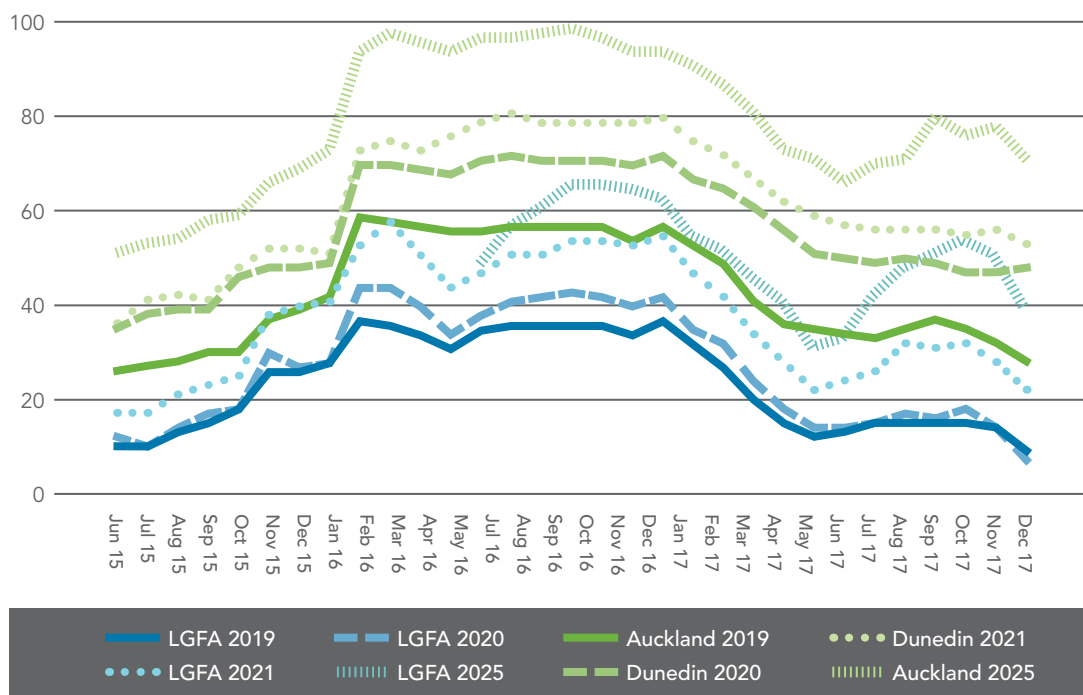
LGFA aims to minimise its issuance margin over swap rates to provide cost-effective funding to councils. The LGFA margin to swap will depend upon many factors including the relative demand and supply of high grade bonds, general credit market conditions, performance of New Zealand Government bonds and swap rates, investor perceptions of LGFA and the issuance volume and tenor of LGFA bonds. Given that LGFA tends to match fund its on-lending to councils, i.e. tends to issue bonds in similar tenors and volumes as its on-lending, then LGFA only has influence over investor perception amongst the above factors that determine LGFA spreads to swap. There will be periods within the interest rate and credit market cycles when LGFA bonds will outperform its benchmarks (spread narrowing) and there will be periods of time when LGFA bonds underperform (spread widening).

Our estimated annual savings to councils based upon the secondary market levels at 31 December 2017 of LGFA bonds compared to NZD domestic bonds issued by Auckland and Dunedin councils is between 10 basis points (bps) and 22 bps depending upon the term of borrowing. While borrowing spreads for all borrowers have narrowed over the past six months, LGFA spreads have not narrowed as much as those of Auckland and Dunedin councils. This underperformance by LGFA has been due to the relative supply of borrowing by each entity – over the past six months LGFA has borrowed \$619 million in the domestic market while Dunedin has borrowed \$80 million and Auckland Council has not borrowed in the domestic market.

Savings comparison	Savings to AA-rated councils (bps)				
	Auckland 2019	Dunedin 2020	Dunedin 2021	Auckland 2022	Auckland 2025
AA rated councils margin to swap	27	41	47	47	68
Less LGFA margin to swap	(8)	(9)	(19)	(22)	(43)
LGFA Gross Funding Advantage	19	32	28	25	25
Less LGFA Base Margin	(9)	(10)	(10)	(10.5)	(11)
Total Saving	10	22	18	14.5	14

Note that from 30 June 2017 we have removed the implied 'LGFA effect' of 10 bps of savings in borrowing costs from the analysis. The LGFA effect was the assessment of immediate savings to councils when LGFA first commenced lending to councils in February 2012 and this has become increasingly irrelevant given the passage of time.

The following chart shows the spread to swap (in basis points) in the secondary market of LGFA, Auckland Council and Dunedin City Treasury bonds.

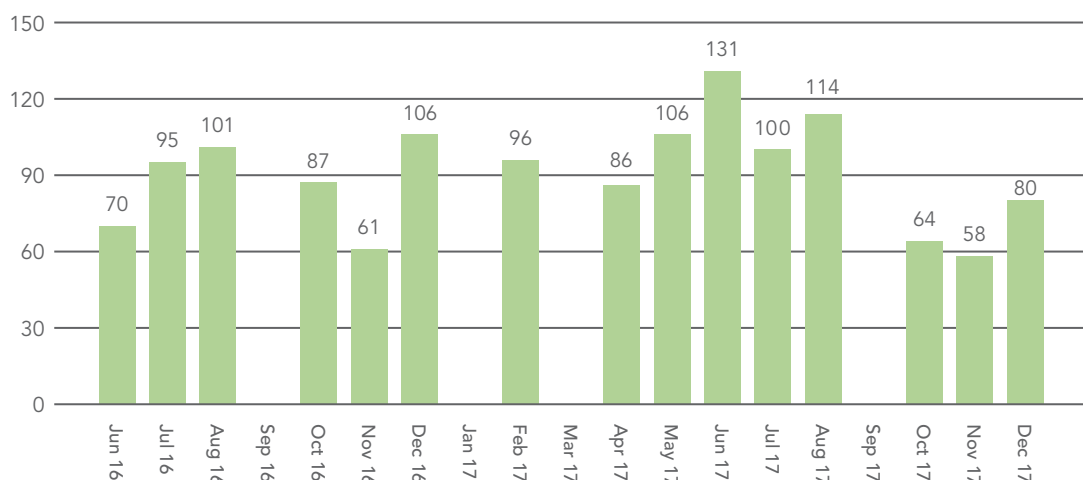


ii. Making longer-term borrowings available to Participating Local Authorities

The average borrowing term (excluding short-dated borrowing) for the six-month period to December 2017 by council members was 7.2 years and this was significantly shorter than the average borrowing term of 8.1 years for the 2016-17 year. The shortening in term was due to councils reacting to the recent widening of borrowing margins in the longer-dated maturities. Also, many councils had taken advantage of the tighter margins in early 2017, using the opportunity to extend longer when the 2033 maturities were first made available in April 2017.

Average total months to maturity – On-lending to councils at each tender

Last 15 tenders to 31 December 2017



While LGFA can provide councils with the ability to borrow from LGFA for terms from one month to 15 years, it is up to the councils to determine their preferred term of borrowing.

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

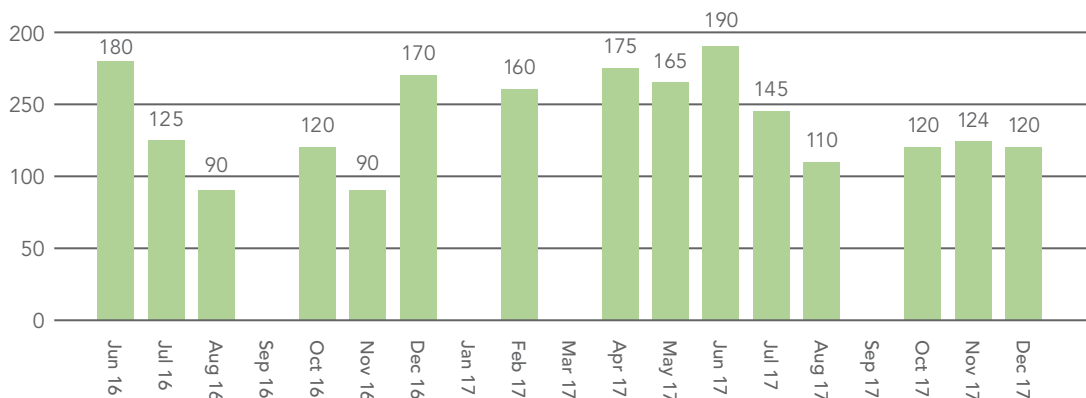
LGFA began issuing 3-month and 6-month LGFA Bills and commenced short-dated (less than one year) lending to councils in late 2015. LGFA has short-term loans to 25 councils of \$332 million outstanding as at 31 December 2017.

LGFA documented an Australian Medium-Term Notes Programme in November 2017 to provide the ability to issue in currencies other than NZD. It is not our intention to use this programme but to have it established to provide some flexibility in case of the unlikely scenario of a significant market disrupting event in the future.

The five LGFA bond tenders during the six-month period were supported by the market with the coverage ratios across the five tenders ranging between 1.61 times and 3.94 times with a weighted average of 2.54 times. We continue to offer three or four LGFA maturities at each tender and try to maintain the volume offered within the \$120 million to \$170 million range to ensure ongoing price tension.

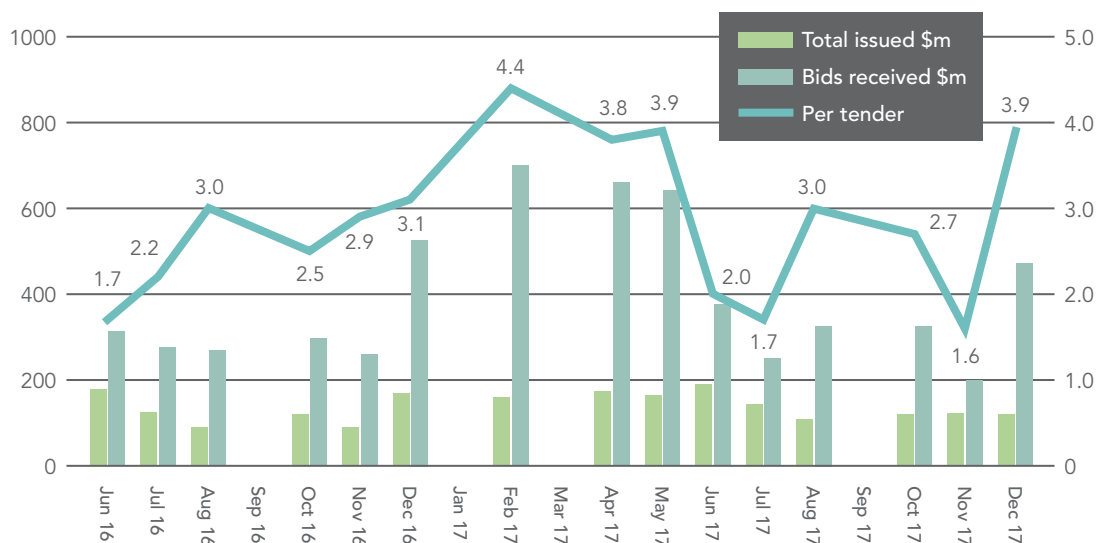
LGFA bond issuance by tender (\$ million)

Last 15 tenders to 31 December 2017. Excludes issuance of treasury stock



Tender bid/offer summary

Last 15 tenders to 31 December 2017



Councils can borrow on a bespoke basis from LGFA and are therefore not restricted to borrowing at the time of each LGFA bond tender. This has become increasingly popular for councils who can now borrow when the timing suits them.

iv. **Offering more flexible lending terms to Participating Local Authorities**

Bespoke lending continues to be a popular borrowing option for council members. Since we introduced the ability for councils to choose their preferred maturity and date of drawdown in February 2015, we have lent \$1.645 billion in bespoke transactions. During the six-month period to 31 December 2017, we lent \$452 million on a bespoke basis across 47 transactions to 21 councils. This comprised 87% of total term lending by LGFA to its members during the six-month period.

Short-term borrowing by councils continues to be well supported by councils with loan terms to date of between three months and 12 months on \$332 million of loans outstanding as at 31 December 2017.

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

i. **LGFA will review each Participating Local Authority's financial position, its financial head-room under LGFA policies and visit each Participating Local Authority on an annual basis**

The review of each council's financial position is undertaken for all councils on an annual basis and all councils were compliant with the LGFA financial covenants as at 30 June 2017. A copy of each council's borrowing position and compliance with LGFA covenants was provided to LGFA shareholders and non-shareholder guarantors with the December 2017 quarterly report. LGFA management met with 27 councils over the six-month period.

ii. **LGFA will analyse finances at the Council group level where appropriate**

While all councils must be compliant with LGFA covenants at the parent level, we also analyse each participating member council's financial position at the Group level. This is undertaken as part of the annual review process.

iii. **LGFA will work closely with the Department of Internal Affairs (DIA), Office of the Auditor General (OAG) and Local Government New Zealand (LGNZ) on sector and individual council issues**

LGFA management met representatives from Crown Irrigation Investments Limited, Ministry of Business, Innovation and Employment, DIA, Treasury and OAG to discuss the local government sector in general and issues relating to specific councils. We provided input into the proposed Housing Infrastructure Fund and Crown Infrastructure Partners initiatives. The LGFA Board met with the Local Government Commission. We presented at both LGNZ quarterly media presentations on the financial position of the sector and LGFA.

iv. **LGFA will take a proactive role to enhance the financial strength and depth of the local government debt market**

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

We have been involved in discussions between Central Government agencies and the Housing Infrastructure Fund (HIF) councils regarding the structuring of the HIF loans to ensure the interests of councils, ratepayers and LGFA are protected.

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

2 PERFORMANCE AGAINST ADDITIONAL OBJECTIVES

In addition to the two primary performance objectives, LGFA has eight performance objectives which complement the primary objectives. This section sets out LGFA's performance for the six-months ended 31 December 2017 against the additional objectives set out in the 2017-18 Statement of Intent.

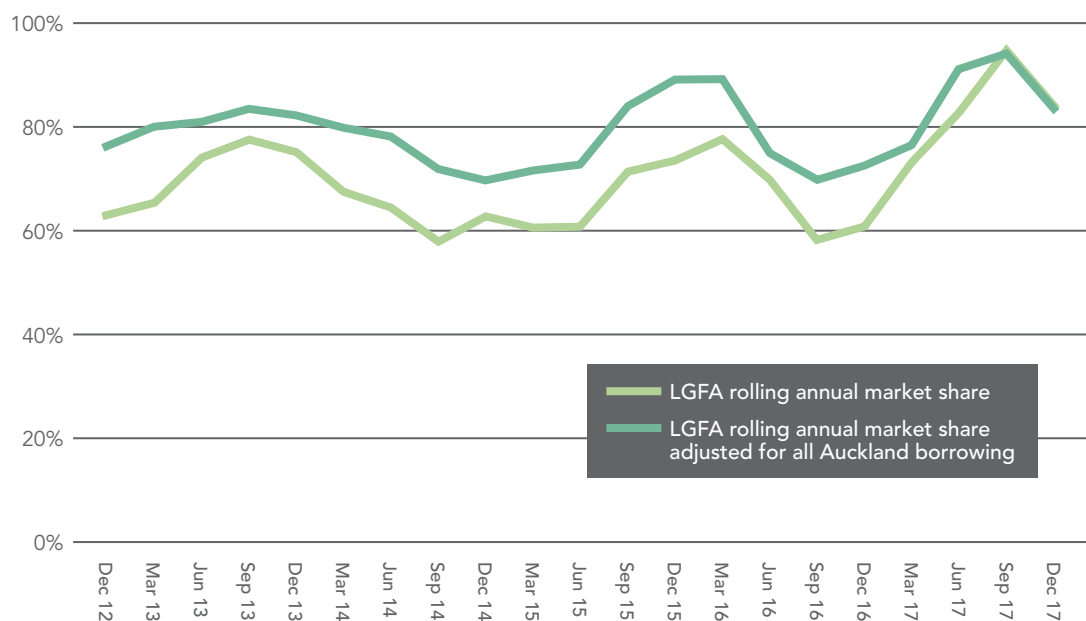
2.1 Operate with a view to making a profit sufficient to pay a dividend in accordance with its stated Dividend Policy set out in section 6 of the SOI

LGFA's Net Operating Gain of \$6.036 million for the six months to 31 December 2017 was slightly above the management forecast of \$5.892 million. The average cost of funds for the six months was 3.10% which is lower than the 3.56% for the 2016-17 financial year due to lower interest rates and much shorter term of LGFA bond issuance than the previous financial year. The LGFA Board has the sole discretion to set the annual dividend which is considered following the full year financial outcome.

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

LGFA estimates market share from the PwC Local Government Quarterly Debt Report and the most recent report is for the December 2017 quarter. LGFA market share of total sector borrowing for the six-month period to December 2017 was 76% and for the year to December 2017 was 84%. Our market share remains high compared to our global peers but will be influenced by the amount of borrowing undertaken by Auckland Council and Dunedin City Council in their own name.

LGFA Market Share – rolling one-year average



Source PwC

Rangitikei District Council joined LGFA as a non-guarantor in December 2017, bringing the total number of participating local authorities to 54. We expect a small number of councils to join LGFA in the coming year.

2.3 Ensure its products and services are delivered at a cost that does not exceed the forecast for issuance and operating expenses set out in section 4 of the SOI

Expenses for the six-month period to 31 December 2017 were \$3.58 million which is \$130k below budget. This variance is the consequence of:

- Issuance and on-lending costs (excluding Approved Issuer Levy) at \$1.088 million were \$82k below budget. There were lower fees than budgeted relating to the NZDMO facility offset by higher registry costs and legal costs than forecast. The larger amount of short-term lending and establishment of an Australian MTM programme also increased legal costs.
- Operating costs at \$1.475 million were \$40k below budget and reflected lower overheads and personnel costs than forecast.
- Approved Issuer Levy payments of \$1.02 million were in line with our forecast of \$1.03 million.

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

LGFA has a Health and Safety staff committee and reporting on Health and Safety issues are made to the LGFA Board on a regular basis by the Risk and Compliance Manager. There were no Health and Safety incidents during the six-month period.

Following the November 2016 Kaikoura earthquake, LGFA staff were unable to access the LGFA Wellington CBD office. Following repairs and refurbishment we relocated back into the building in December 2017.

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

LGFA has credit ratings from Standard and Poor's (S&P) and Fitch Ratings (Fitch) and meets with both agencies in September and October each year.

Meetings have been held in 2017 with both rating agencies and S&P affirmed the long-term rating of LGFA at AA+ (stable outlook) on 25 September 2017 and Fitch affirmed the rating at AA+ (stable outlook) on 10 November 2017.

2.6 Achieve the Financial Forecasts (excluding the impact of AIL) set out in section 4 of the SOI

LGFA's financial results for key items set out in Section 4 of the SOI for the 12-month period to 30 June 2018 are

In \$ million	31 December 2017 actual	31 December 2017 half year forecast	30 June 2018 full year SOI forecast
Net interest revenue	\$9.62	\$9.60	\$18.22
Issuance and operating expenses excluding Approved Issuer Levy (AIL)	\$2.56	\$2.69	\$5.45
Approved Issuer Levy (AIL)	\$1.02	\$1.02	\$1.89
Net Profit	\$6.04	\$5.89	\$10.88

2.7 Meet or exceed the Performance Targets outlined in section 5 of the SOI

LGFA achieved two out of its four performance targets in the six-month period to 31 December 2017

Current performance targets	Target	Result for six-month period to 31 December 2017	Outcome
Average margin above LGFA's cost of funds charged to the highest rated Participating Local Authorities for the period	$\leq 0.10\%$	0.097%	Met
Annualised annual issuance and operating expenses (excluding AIL)	$\leq \$5.45$ million	\$2.563 million	Met on annualised basis and on track to meet for full year
Lending to Participating Local Authorities	$\leq \$8.128$ billion	\$7.418 billion	Not met but remains close to being met on a full year basis (depending upon the level and timing of pre-funding of the March 2019 council loans)
Savings on borrowing costs for council borrowers relative to other sources of financing and compared to previous years	Improvement since prior year end relative to borrowing by councils directly	As at 30 June 2017 2019s 12 bps, 2021s 20 bps and 2025s 17 bps As at 31 December 2017 2019s 10bps, 2021s 18 bps and 2025s 14 bps	Not met. The lack of single name issuance by councils has reduced supply and hence tightened spreads

2.8 Comply with its Treasury Policy, as approved by the Board

LGFA was compliant at all times with the Treasury Policy during the six-month period ended 31 December 2017.



FINANCIAL STATEMENTS

Shared path and safety improvements to Raumati Road on the Kapiti Coast aim to improve pedestrian and cycling connections to and from the Mackays to Peka Peka expressway, cycleway, walkway and bridleway. Kapiti Coast District Council

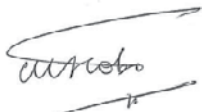
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In the opinion of the directors of the New Zealand Local Government Funding Agency Limited, the financial statements and notes on pages 20 to 35:

- Comply with New Zealand generally accepted accounting practice and give a true and fair view of the financial position of the Company as at 31 December 2017, and
- Have been prepared using appropriate accounting policies, which have been consistently applied and supported by reasonable judgements and estimates.
- The directors believe that proper accounting records have been kept which enables, with reasonable accuracy, the determination of the financial position of the Company and facilitates the compliance of the financial statements with the Financial Reporting Act 1993.

The directors consider that they have taken adequate steps to safeguard the assets of the Company, and to prevent and detect fraud and other irregularities. Internal control procedures are also considered to be sufficient to provide a reasonable assurance as to the integrity and reliability of the financial statements.

For and on behalf of the Board of Directors



C. Stobo, Director
28 February 2018



L. Robertson, Director
28 February 2018

For the six months ended 31 December 2017 in \$000s

	Note	Unaudited six months ended 31 December 2017	Unaudited six months ended 31 December 2016
Interest income from			
Cash and cash equivalents		291	272
Loans to local government		118,416	109,752
Marketable securities		1,434	1,304
Deposits		2,424	1,548
Derivatives		55,580	42,835
Fair value hedge ineffectiveness	2	-	-
Total interest income		178,145	155,711
Interest expense on			
Bills		3,671	2,582
Bonds		163,057	142,988
Borrower notes		1,699	1,584
Bond repurchases		100	46
Total interest expense		168,527	147,200
Net interest income		9,618	8,511
Operating Expenses			
Issuance and on-lending expenses	3	2,107	1,764
Operating expenses	4	1,475	1,435
Total expenses		3,582	3,199
Net operating profit		6,036	5,312
Total comprehensive income		6,036	5,312

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

For the six months ended 31 December 2017 (unaudited) in \$000s

	Note	Share capital	Retained Earnings	Total equity
Equity as at 30 June 2017		25,000	28,878	53,878
Net operating profit			6,036	6,036
Total comprehensive income for the year			6,036	6,036
Transactions with owners			-	-
Dividend paid on 20 September 2017			(1,390)	(1,390)
Equity as at 31 December 2017	13	25,000	33,524	58,524

For the six months ended 31 December 2016 (unaudited) in \$000s

	Note	Share capital	Retained Earnings	Total equity
Equity as at 30 June 2016		25,000	19,224	44,224
Net operating profit			5,312	5,312
Total comprehensive income for the year			5,312	5,312
Transactions with owners			-	-
Dividend paid on 15 October 2016			(1,392)	(1,392)
Equity as at 31 December 2016		25,000	23,144	48,144

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

As at 31 December 2017 in \$000s

	Note	Unaudited as at 31 December 2017	Audited as at 30 June 2017
Assets			
Financial assets			
Cash and bank balances		29,478	49,919
Receivable unsettled bond repurchases		-	13,723
Loans to local government	5	7,535,611	7,783,932
Marketable securities		36,313	127,641
Deposits		118,960	149,949
Derivatives in gain		386,030	364,953
Non-financial assets			
Prepayments		887	544
Other assets	10	685	760
Total assets		8,107,964	8,491,421
Equity			
Share capital		25,000	25,000
Retained earnings		27,488	28,878
Total comprehensive income / (deficit) for the period		6,036	
Total equity		58,524	53,878
Liabilities			
Financial Liabilities			
Trade and other payables		246	453
Accrued expenses		412	554
Bills	6	368,601	348,179
Bonds	7	7,495,647	7,865,401
Borrower notes	8	124,922	131,614
Bond repurchases	9	-	25,682
Derivatives in loss		59,612	65,660
Total liabilities		8,049,440	8,437,543
Total equity and liabilities		8,049,440	8,491,421

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

For the six months ended 31 December 2017 in \$000s

	Note	Unaudited six months ended 31 December 2017	Unaudited six months ended 31 December 2016
Cash flow from operating activities			
Cash applied to loans to local government	12	247,203	(662,866)
Interest paid on bonds issued		(188,895)	(166,281)
Interest paid on bills issued		(3,671)	2,582
Interest paid on borrower notes		(2,621)	-
Interest paid on bond repurchases		(102)	(44)
Interest received from cash & cash equivalents		291	271
Interest received from loans to local government		119,534	108,984
Interest received from marketable securities		1,567	1,142
Interest received from deposits		3,413	1,630
Net interest on derivatives		80,406	63,224
Payments to suppliers and employees		(4,274)	(3,488)
Net cash flow from operating activities	11	252,851	(654,846)
Cash flow from investing activities			
Purchase of marketable securities		91,195	52,787
Purchase of deposits		30,000	(14,000)
Purchase of plant and equipment		76	69
Net cash flow from investing activities		121,271	38,856
Cash flow from financing activities			
Dividends paid		(1,390)	(1,392)
Cash proceeds from borrower notes	12	(5,770)	9,288
Cash proceeds from bonds issued	12	(382,465)	603,386
Cash proceeds from bills issued		20,422	(5,040)
Cash applied to bond repurchases		(11,957)	3,712
Cash applied to derivatives		(13,403)	(8,862)
Net cash flow from financing activities		(394,563)	601,092
Net (decrease) / increase in cash		(20,441)	(14,898)
Cash, cash equivalents and bank overdraft at 1 July		49,919	37,084
Cash, cash equivalents and bank overdraft at 31 December		29,478	22,186

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

1 Statement of accounting policies

A. REPORTING ENTITY

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

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

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

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

These interim financial statements were authorised for issue by the Directors on 28 February 2018.

B. STATEMENT OF COMPLIANCE

These interim financial statements are for the six-months ended 31 December 2017 and are to be read in conjunction with the annual report for the year ended 30 June 2017. They have been prepared in accordance with New Zealand Generally Accepted Accounting Practice (NZ GAAP) and they comply with NZ IAS 34 Interim Financial Reporting. The financial results for the six-month period ended 31 December 2017 are unaudited.

C. BASIS OF PREPARATION

Accounting judgments, estimates and assumptions

The judgements, estimates and assumptions used to prepare these interim financial statements are consistent with those used at 30 June 2017.

Measurement base

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

The financial statements are prepared on an accrual basis.

Functional and presentation currency

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

Foreign currency conversions

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

Changes in accounting policies

There have been no changes in accounting policies.

Early adoption standards and interpretations

NZ IFRS 9: Financial Instruments. The first two phases of this new standard were approved by the Accounting Standards Review Board in November 2009 and November 2010. These phases address the issues of classification and measurement of financial assets and financial liabilities.

Standards not yet adopted

LGFA does not consider any standards or interpretations in issue but not yet effective to have a significant impact on its financial statements. Those which may be relevant to LGFA are as follows:

NZ IFRS 9: Financial Instruments (2014) – Effective for periods beginning on or after 1 January 2018. This standard aligns hedge accounting more closely with the risk management activities of the entity and adds requirements relating to the accounting for an entity's expected credit losses on its financial assets and commitments to extend credit.

D. FINANCIAL INSTRUMENTS

Financial assets

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

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

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

At each balance date, an assessment is made whether a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset(s), and that the loss event has an impact on the future cash flows of the asset(s) that can be estimated reliably.

Financial liabilities

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

Derivatives

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

Fair value hedge

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

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

E. OTHER ASSETS

Property, plant and equipment (PPE)

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

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

Intangible Assets

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

F. OTHER LIABILITIES

Employee entitlements

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

G. REVENUE AND EXPENSES

Revenue

Interest income

Interest income is accrued using the effective interest rate method.

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

Expenses

Expenses are recognised in the period to which they relate.

Interest expense

Interest expense is accrued using the effective interest rate method.

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

Income tax

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

Goods and services tax

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

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

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

Commitments and contingencies are disclosed exclusive of GST.

H. LEASE PAYMENTS

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

I. SEGMENT REPORTING

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

J. JUDGEMENTS AND ESTIMATIONS

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

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

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

2 Hedge accounting

LGFA is exposed to interest rate risk where there is a mismatch between variable and fixed rate borrowing and lending to councils. LGFA uses interest rate swaps to manage this interest rate risk. For hedge accounting purposes, LGFA has designated certain swaps in fair value relationships to its fixed rate borrowing and council loans.

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

in \$000s	Gain/(loss) Unaudited six months ended 31 December 2017	Gain/(loss) Unaudited six months ended 31 December 2016
Hedging instruments – interest rate swaps	202,007	134,733
Hedged items attributable to the hedged risk – fixed rate bonds	(202,007)	(134,733)
Ineffectiveness recognised in profit or loss from fair value hedges	-	-

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

3 Issuance and on-lending expenses

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

in \$000s	Unaudited six months ended 31 December 2017	Unaudited six months ended 31 December 2016
NZDMO facility fee	375	200
NZX	164	237
Rating agency fees	282	267
Legal fees for issuance	93	62
Regulatory, registry, other fees	45	18
Trustee fees	50	50
Approved issuer levy	1,019	865
Information services	79	65
	2,107	1,764

4 Operating expenses

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

in \$000s	Unaudited six months ended 31 December 2017	Unaudited six months ended 31 December 2016
Consultants	68	78
Directors' fees	189	174
Insurance	30	30
Legal fees	53	23
Other expenses	364	362
Auditor's remuneration		
Statutory audit	44	46
Advisory	-	4
Personnel	727	718
	1,475	1,435

5 Loans to local government

in \$000s	Unaudited as at 31 December 2017		Audited as at 30 June 2017	
	Short-term loans	Loans	Short-term loans	Loans
Ashburton District Council	10,028	25,673	10,018	25,707
Auckland Council	-	2,102,637	-	2,429,887
Buller District Council	-	20,004	-	20,001
Canterbury Regional Council	-	30,103	-	25,083
Central Hawkes Bay District Council	-	2,026	-	-
Christchurch City Council	85,272	1,522,509	96,280	1,485,304
Far North District Council	-	30,122	-	30,121
Gisborne District Council	4,983	32,233	-	27,085
Gore District Council	6,024	11,063	6,023	11,034
Greater Wellington Regional Council	-	280,853	-	280,702
Grey District Council	-	20,502	-	20,551
Hamilton City Council	-	286,188	-	351,028
Hastings District Council	4,972	60,213	-	60,211
Hauraki District Council	-	38,152	-	41,139
Horizons Regional Council	-	15,028	-	10,013
Horowhenua District Council	12,016	66,889	12,013	63,923
Hurunui District Council	-	23,096	-	23,085
Hutt City Council	4,995	127,800	-	97,727
Kaipara District Council	-	40,169	8,925	43,172
Kapiti Coast District Council	-	195,641	-	210,623
Manawatu District Council	-	61,112	-	58,094
Marlborough District Council	18,850	63,223	19,851	63,207
Masterton District Council	-	52,228	2,006	52,209
Matamata-Piako District Council	-	24,586	-	29,581
Nelson City Council	-	55,203	-	55,201
New Plymouth District Council	-	70,301	-	61,167
Northland Regional Council	-	2,852	-	-
Opotiki District Council	-	5,166	-	5,180
Otorohanga District Council	-	6,138	-	9,178
Palmerston North City Council	10,026	77,282	10,025	77,255
Porirua City Council	-	43,692	-	28,608
Queenstown Lakes District Council	10,099	76,067	7,070	86,177
Rotorua District Council	20,046	104,881	1,001	114,976
Selwyn District Council	-	15,022	-	35,050
South Taranaki District Council	-	62,272	-	62,267
South Wairarapa District Council	1,533	16,118	4,034	13,586
Tararua District Council	3,006	11,050	1,004	10,033
Tasman District Council	5,004	90,398	-	90,273
Taupo District Council	-	125,419	-	125,417
Tauranga City Council	29,911	317,076	-	347,207
Thames-Coromandel District Council	12,012	23,047	-	35,061
Timaru District Council	7,519	62,338	10,047	67,347
Upper Hutt City Council	4,989	31,635	2,997	31,628
Waikato District Council	4,993	70,319	-	80,265
Waimakariri District Council	10,011	105,839	10,010	85,797
Waipa District Council	35,286	13,016	-	13,015
Waitomo District Council	10,066	25,084	5,022	25,027
Wellington City Council	-	349,320	-	294,047
Western Bay Of Plenty District Council	-	85,366	-	105,386
Whakatane District Council	9,043	39,170	6,021	34,129
Whanganui District Council	5,005	61,326	-	66,327
Whangarei District Council	9,973	122,499	9,972	142,522
	335,663	7,199,948	222,318	7,561,614

6 Bills on issue

Unaudited as at 31 December 2017 in \$000's	Face Value	Unamortised premium	Accrued interest	Total
17 January 2018	50,000	(43)	-	49,957
26 January 2018	25,000	(38)	-	24,962
5 February 2018	25,000	(47)	-	24,953
14 February 2018	50,000	(118)	-	49,882
22 February 2018	25,000	(69)	-	24,931
14 March 2018	50,000	(192)	-	49,808
22 March 2018	25,000	(111)	-	24,889
29 March 2018	25,000	(113)	-	24,887
11 April 2018	25,000	(138)	-	24,862
1 May 2018	20,000	(133)	-	19,867
16 May 2018	25,000	(182)	-	24,818
13 June 2018	25,000	(215)	-	24,785
	370,000	(1,399)	-	368,601

Audited as at 30 June 2017 in \$000's	Face Value	Unamortised premium	Accrued interest	Total
12 July 2017	50,000	(30)	-	49,970
4 August 2017	25,000	(46)	-	24,954
16 August 2017	50,000	(129)	-	49,871
13 September 2017	50,000	(204)	-	49,796
26 September 2017	25,000	(126)	-	24,874
11 October 2017	25,000	(143)	-	24,857
26 October 2017	25,000	(172)	-	24,828
15 November 2017	25,000	(194)	-	24,806
27 November 2017	25,000	(223)	-	24,777
13 December 2017	25,000	(232)	-	24,768
26 January 2018	25,000	(322)	-	24,678
	350,000	(1,821)	-	348,179

7 Bonds on issue

Bonds on issue do not include LGFA bonds subscribed by LGFA and held as treasury stock. However, LGFA bonds listed on the NZX include LGFA bonds subscribed by LGFA and held as treasury stock. Refer note 9: Treasury stock and bond repurchase transactions.

Unaudited as at 31 December 2017 in \$'000's		Face Value	Unamortised Premium	Accrued Interest	Fair Value Hedge Adjustment	Total
15 March 2019	5% coupon	1,240,000	15,164	18,499		1,273,663
15 April 2020	3% coupon	935,000	(8,181)	6,011		932,830
15 May 2021	6% coupon	1,420,000	67,354	11,062		1,498,416
15 April 2023	5.5% coupon	1,429,000	73,485	16,842		1,519,327
15 April 2025	2.75% coupon	804,000	(39,593)	4,738		769,145
15 April 2027	4.5% coupon	996,000	34,052	9,604		1,039,656
14 April 2033	3.5% coupon	285,000	(26,562)	2,165		260,603
Fair value hedge adjustment					202,007	202,007
Total		7,109,000	115,719	68,921	202,007	7,495,647

Audited as at 30 June 2017 in \$'000's		Face Value	Unamortised Premium	Accrued Interest	Fair Value Hedge Adjustment	Total
15 December 2017	6% coupon	1,015,000	7,762	2,662		1,025,424
15 March 2019	5% coupon	1,200,000	19,488	17,609		1,237,097
15 April 2020	3% coupon	755,000	(12,471)	4,765		747,294
15 May 2021	6% coupon	1,350,000	68,236	10,345		1,428,581
15 April 2023	5.5% coupon	1,350,000	69,813	15,621		1,435,434
15 April 2025	2.75% coupon	660,000	(34,201)	3,818		629,617
15 April 2027	4.5% coupon	960,000	33,450	9,089		1,002,538
14 April 2033	3.5% coupon	215,000	(20,650)	1,604		195,954
Fair value hedge adjustment					163,460	163,460
Total		7,505,000	131,428	65,513	163,460	7,865,401

8 Borrower notes

Borrower notes are subordinated debt instruments which are required to be held by each local authority that borrows from LGFA in an amount equal to 1.6% of the aggregate borrowings, excluding short-term loans, by that local authority.

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

9 Treasury stock and bond repurchase transactions

Periodically, LGFA subscribes for LGFA bonds as part of its tender process and holds these bonds as treasury stock. LGFA bonds held by LGFA as treasury stock are derecognised at the time of issue and no liability is recognised in the statement of financial position. As at 31 December 2017, treasury stock had been issued in the following maturities (in \$000s):

in \$000s		Unaudited as at 31 December 2017	Audited as at 30 June 2017
15 March 2019	5% coupon	50,000	50,000
15 April 2020	3% coupon	50,000	50,000
15 May 2021	6% coupon	50,000	50,000
15 April 2023	5.5% coupon	50,000	50,000
15 April 2025	2.75% coupon	50,000	50,000
15 April 2027	4.5% coupon	50,000	50,000
14 April 2033	3.5% coupon	50,000	50,000
Total		350,000	350,000

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

Each month, LGFA notifies the market the amount of outstanding repurchase transactions and LGFA bonds held as treasury stock.

As at 31 December 2017, there were no bond repurchase transactions outstanding.

Bond repurchase transactions outstanding in \$000s		Unaudited as at 31 December 2017	Audited as at 30 June 2017
15 March 2019	5% coupon	-	-
15 April 2020	3% coupon	-	-
15 May 2021	6% coupon	-	-
15 April 2023	5.5% coupon	-	-
15 April 2025	2.75% coupon	-	9,981
15 April 2027	4.5% coupon	-	15,701
14 April 2033	3.5% coupon	-	-
		-	25,682

10 Other assets

Property, plant and equipment \$000s	Unaudited as at 31 December 2017	Audited as at 30 June 2017
Intangible assets	685	760
Total other assets	685	760

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

in \$000s	Note	Unaudited six months ended 31 December 2017	Unaudited six months ended 31 December 2016
Net profit/(loss) for the period		6,036	5,312
Cash applied to loans to local government	12	247,203	(662,866)
Non-cash adjustments			
Amortisation and depreciation		304	2,999
Working capital movements			
Net change in trade debtors and receivables		(207)	59
Net change in prepayments		(343)	(292)
Net change in accruals		(142)	(58)
Net Cash From Operating Activities		252,851	(654,846)

12 LGFA December 2017 bond maturity

The nominal value of the 15 December 2017 6% coupon bond maturity was \$1,015 million. Loans to councils with nominal values totalling \$879 million, and associated nominal borrower notes totalling \$14 million, also matured on 15 December 2017.

13 Share capital

As at 31 December 2017 LGFA had 45 million ordinary shares on issue, 20 million of which remain uncalled. All ordinary shares rank equally with one vote attached to each ordinary share.

As at 31 December 2017, the shareholding of the New Zealand Government had been fully paid up. For all other shareholders, 50% of the shareholding had been called.

in \$000s	31 December 2017		30 June 2017	
New Zealand Government	5,000,000	11.1%	5,000,000	11.1%
Auckland Council	3,731,960	8.3%	3,731,960	8.3%
Christchurch City Council	3,731,960	8.3%	3,731,960	8.3%
Hamilton City Council	3,731,960	8.3%	3,731,960	8.3%
Bay of Plenty Regional Council	3,731,958	8.3%	3,731,958	8.3%
Greater Wellington Regional Council	3,731,958	8.3%	3,731,958	8.3%
Tasman District Council	3,731,958	8.3%	3,731,958	8.3%
Tauranga City Council	3,731,958	8.3%	3,731,958	8.3%
Wellington City Council	3,731,958	8.3%	3,731,958	8.3%
Western Bay of Plenty District Council	3,731,958	8.3%	3,731,958	8.3%
Whangarei District Council	1,492,784	3.3%	1,492,784	3.3%
Hastings District Council	746,392	1.7%	746,392	1.7%
Marlborough District Council	400,000	0.9%	400,000	0.9%
Selwyn District Council	373,196	0.8%	373,196	0.8%
Gisborne District Council	200,000	0.4%	200,000	0.4%
Hauraki District Council	200,000	0.4%	200,000	0.4%
Horowhenua District Council	200,000	0.4%	200,000	0.4%
Hutt City Council	200,000	0.4%	200,000	0.4%
Kapiti Coast District Council	200,000	0.4%	200,000	0.4%
Manawatu District Council	200,000	0.4%	200,000	0.4%
Masterton District Council	200,000	0.4%	200,000	0.4%
New Plymouth District Council	200,000	0.4%	200,000	0.4%
Otorohanga District Council	200,000	0.4%	200,000	0.4%
Palmerston North District Council	200,000	0.4%	200,000	0.4%
South Taranaki District Council	200,000	0.4%	200,000	0.4%
Taupo District Council	200,000	0.4%	200,000	0.4%
Thames-Coromandel District Council	200,000	0.4%	200,000	0.4%
Waimakariri District Council	200,000	0.4%	200,000	0.4%
Waipa District Council	200,000	0.4%	200,000	0.4%
Whakatane District Council	200,000	0.4%	200,000	0.4%
Whanganui District Council	200,000	0.4%	200,000	0.4%
	45,000,000	100%	45,000,000	100%

14 Related parties

Identity of related parties

The Company is related to the local authorities set out in the Shareholder Information by shareholding.

The Company operates under a Statement of Intent with the respective local authorities that requires the Company to provide debt to them at the lowest possible interest rates and to enhance their certainty of access to debt markets.

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

Related party transactions

LGFA was established for the purpose of raising funds from the market to lend to participating councils. The lending to individual councils is disclosed in note 5, and interest income recognized on this lending is shown in the Statement of Comprehensive Income. The requirement for participating councils to subscribe to LGFA borrower notes is disclosed in note 8, and the interest expense on these is shown in the Statement of comprehensive income.

15 Subsequent events

There have been no significant events after balance date that have affected the accuracy of these financial statements.

Subsequent to balance date, LGFA has issued \$120 million in bonds through a tender on 14 February 2018.

Credit Rating

As at 31 December 2017, LGFA has the following credit ratings:

Rating Agency	Local currency		Foreign currency	
	Long-term	Short-term	Long-term	Short-term
Standard & Poors	AA+	A-1+	AA	A-1+
Fitch	AA+	F1+	AA	F1+

Waivers from NZX Limited (NZX)

LGFA's fixed rate bonds are quoted on the NZX Debt Market (LGFA Bonds). NZX has granted LGFA a number of waivers from the NZX Listing Rules.

Waiver from Rule 5.2.3

NZX has granted LGFA a waiver from NZX Listing Rule 5.2.3 to the extent that this requires the LGFA Bonds to be held by at least 100 members of the public holding at least 25% of the number of securities of that class issued.

The waiver from NZX Listing Rule 5.2.3 was provided on the conditions that:

- LGFA clearly and prominently disclose the waiver, its conditions and its implications in its annual reports and in each profile or Offering Document for the LGFA Bonds;
- LGFA will disclose market liquidity as a risk in each offering document (excluding any offering document referred to in paragraph (f) of the definition of "Offering Document" under NZX Listing Rule 1.6.1) for the LGFA Bonds; and
- the nature of LGFA's business and operations do not materially change from its business and operations as at the date of the waiver decision.

The effect of the waiver is that the LGFA Bonds may not be widely held and there may be reduced market liquidity in the LGFA Bonds.

Waiver from Rule 6.3.2

NZX has granted LGFA a waiver from NZX Listing Rule 6.3.2 so that the deemed date of receipt of notices for a holder of LGFA Bonds who has supplied LGFA with an address outside of New Zealand, will be five working days after that notice is posted to that physical address.

Net Tangible Assets

Net tangible asset per \$1,000 of listed bonds as at 31 December 2017 is \$7.85 (30 June 2017: \$6.86).

Right: The Pocket Park joins the popular Hatea Loop with Port Road in Whangarei. The park provides a place with shade, seating and a playground for residents and visitors to stop and enjoy the view of the Hatea River. Whangarei District Council.

Back cover: Oneroa Beachfront Cycle and Walkway. Gisborne District Council.

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4.5 Local Government Funding Agency – Draft Statement of Intent 2018-2019

Meeting: Finance and Corporate Committee
Date of meeting: 29 March 2018
Reporting officer: Jason Marris (Manager – Democracy and Assurance)

1 Purpose

To seek Council feedback on the Local Government Funding Agency (LGFA) Draft Statement of Intent 2018-19.

2 Recommendation

That the Finance and Corporate Committee notes and provides any feedback on the Local Government Funding Agency Draft Statement of Intent 2018-19.

3 Background

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

Prior to the preparation of the Draft Statement of Intent, a Letter of Expectation was sent to the LGFA Board by the Shareholders' Council. This is located at Attachment One. The LGFA Board then responded by incorporating the feedback into their draft SOI and confirmed this via letter, located at Attachment Two.

The Draft 2018-19 Statement of Intent for the LGFA, of which Council has a shareholding, is located at Attachment Three, and the cover letter at Attachment four. It meets the obligations of Section 64, Schedule 8, Clause 9 (Contents of the Statement of Intent) in the Local Government Act (2002).

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

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

4 Significance and engagement

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

5 Attachments

1. Shareholders' Council letter of expectation dated 12 February 2018
2. LGFA Board's response dated 22 February 2018 to Shareholders' Council letter of expectation
3. LGFA Draft Statement of Intent 2018-19
4. LGFA letter to shareholders dated 22 February 2018 to accompany Draft Statement of Intent 2018-19

12 February 2018

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

Dear Craig,

Shareholder Expectations and the Statement of Intent 2018/19

I am writing to set out the Shareholders' Council's (the Council's) expectations of the New Zealand Local Government Funding Agency Ltd (LGFA) for consideration in the LGFA's business planning for the upcoming year and the development of its 2018/19 Statement of Intent (SOI).

The Council acknowledges the LGFA's active role over the past year in seeking to coordinate a sector response to government infrastructure initiatives. We urge the LGFA to continue to seek to influence government decision-making for the benefit of the sector.

The Council also acknowledges the successful refinancing of the December 2017 bond. The careful planning and work of the LGFA ensured this occurred smoothly, and provides a template for the March 2019 refinancing.

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

Governance

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

Constancy of objectives and intentions

It is the Council's expectation that the company's objectives and operating intentions, as set out in the 2017/18 SOI, will continue to be reflected in the 2018/19 SOI. The SOI is the ideal opportunity for the LGFA to reaffirm its:

- commitment to providing a range of borrowing products and services;
- focus on lowering the cost of local government borrowing;
- strategy for maintaining a high-quality asset book;
- proactive risk management approach; and
- intention to return a dividend to shareholders.

Performance indicators

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

Treasury policy

It is the Council's enduring expectation that the LGFA will continue to take the appropriate steps to ensure that it understands each borrower's headroom, and the overall sector's financial position. The LGFA's Lending Policies and Foundation Policies, as detailed in the company's Treasury Policy, should appropriately reflect the sector's position.

The Council asks that the LGFA considers examining the way in which debt covenants are calculated, to see whether it would be appropriate to have the LGFA methodology more closely aligned with the calculations used by credit agencies.

Financial and general reporting

The current SOI contains brief financial forecast information. The Council continues to appreciate the LGFA providing more detailed financial and operational information in the quarterly reports. It is important that this information continues to be provided in 2018/19.

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

Delivery of draft 2018/19 SOI

The Council would welcome a discussion on the content of this letter and the LGFA's views on its priorities for 2018/19. We look forward to receiving the company's draft SOI as early as possible, to allow us to engage with shareholders in a meaningful fashion. The Council will respond with feedback as promptly as possible, and prior to the statutory deadline of 1 May 2018, in order that the company is in a position to deliver its final SOI by 30 June 2018.

It was a pleasure to attend the 2017 Annual General Meeting, and recognise the significant achievements of the LGFA over the last year. Please do not hesitate to contact me if you have any queries or comments.

Yours sincerely



Alan Adcock
Chair, LGFA Shareholders' Council
cc. Mark Butcher, Chief Executive LGFA

22 February 2018

Alan Adcock
Chairman
LGFA Shareholders Council

Dear Alan,

LGFA DRAFT STATEMENT OF INTENT 2018/19

Thank you for the letter of expectations from the Shareholders Council outlining suggestions that the LGFA Board and management should consider when drafting the 2018/19 Statement of Intent ("SOI").

We have considered and are pleased to respond to the Shareholders Councils views and comments in the following order as outlined in your letter

1. LGFA will continue to assist the sector where possible in engaging with Central Government to coordinate a sector wide response to government infrastructure initiatives. It has been a focus area for LGFA over the past year and we look forward to working with our council members and the new Government in the coming years. As we outlined previously, LGFA also has a responsibility to protect the interests of councils as LGFA guarantors and to retain the confidence of investors.
2. The refinancing of the loans by councils maturing on 15th December 2017 and related refinancing of the 15th December 2017 LGFA bonds was successfully managed but we remain aware that we have a similar refinancing challenge in each of the next three years. Given the frequency of these events and the possibly volatile times ahead for markets, this is recognised as a key risk and the LGFA board is receiving regular updates from management on progress on managing these issues.
3. LGFA management and directors also value and appreciate the open relationship with the Shareholders Council and will meet the information requirements of the Shareholders Council in a timely manner. It is important to have open dialogue and communication with stakeholders so please continue to provide feedback through the board chair, directors and management.
4. We have undertaken a board review in the previous year and have added a new independent director to the board. We will focus on succession planning and ensuring we have the right skillset around the board table.
5. We agree with your comments regarding the continuing of objectives and operating intentions and these are reflected in the Draft 2018/19 SOI. There are no proposed changes to either the objectives or performance objectives (despite the difficulty of achieving some of the current performance objectives in the current year).

6. Treasury Policy – we closely monitor the credit position of each council borrower and make councils aware of our preference for headroom under the financial covenants. We intend to present at the Shareholders-Borrowers Day on our approach to financial covenants and group vs parent treatment. This will also include comparing LGFA methodology to that of the credit rating agencies.
7. We will continue to provide financial information to the Shareholders Council and in the Quarterly Reports that go beyond the SOI requirements provided we do not breach our commercial, strategic or regulatory requirements.
8. We will promptly advise the Shareholders Council, shareholders and guarantors of any actual or potential breach by a Participating Local Authority.

Thank you for providing us with the Letter of Expectations and we have taken your comments and suggestions on board when drafting the 2018/19 SOI.

The LGFA Board and management are confident that we can continue to deliver value to the sector and appreciate the support of and interaction with yourself and the Shareholders Council. We look forward to working together to continue the strong performance and success of the company for the benefit of the Participating Local Authority members.

Regards



Craig Stobo
Chairman



Draft Statement of Intent 2018/19

1. Introduction

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

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

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

2. Nature and scope of activities

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

The LGFA will only lend to local authorities that enter into all the relevant arrangements with it (Participating Local Authorities) and comply with the LGFA's lending policies.

In lending to Participating Local Authorities, LGFA will:

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

3. Objectives

Principal Objectives

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

- Achieve the objectives and performance targets of the shareholders in LGFA (both commercial and non-commercial) as specified in this SOI;
- Be a good employer;
- Exhibit a sense of social and environmental responsibility by having regard to the interests of the community in which it operates and by endeavouring to accommodate or encourage these when able to do so; and
- Conduct its affairs in accordance with sound business practice.

Primary Objectives

LGFA will operate with the primary objective of optimising the debt funding terms and conditions for Participating Local Authorities. Among other things this includes:

- Providing savings in annual interest costs for all Participating Local Authorities on a relative basis to other sources of financing;
- Making longer-term borrowings available to Participating Local Authorities;
- Enhancing the certainty of access to debt markets for Participating Local Authorities, subject always to operating in accordance with sound business practice; and
- Offering more flexible lending terms to Participating Local Authorities.

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

- LGFA will review each Participating Local Authority's financial position, its financial headroom under LGFA policies and endeavour to visit each Participating Local Authority on an annual basis;
- LGFA will analyse finances at the Council group level where appropriate;
- LGFA will review its debt covenant methodology and assessment of council financial position at group vs parent. LGFA will present its findings to councils at the LGFA Shareholder-Borrower Day, including a comparison of LGFA methodology to that of the credit rating agencies;
- LGFA will work closely with the Department of Internal Affairs (DIA), Office of the Auditor General (OAG) and Local Government New Zealand (LGNZ) on sector and individual council issues; and
- LGFA will take a proactive role to enhance the financial strength and depth of the local government debt market.

Additional objectives

LGFA has a number of additional objectives which complement the primary objective. These objectives will be measurable and achievable and the performance of the company in achieving its objectives will be reported annually. These additional objectives are to:

- Operate with a view to making a profit sufficient to pay a dividend in accordance with its stated Dividend Policy set out in section 6;
- Provide at least 50% of aggregate long-term debt funding to the Local Government sector;
- Ensure its products and services are delivered at a cost that does not exceed the forecast for issuance and operating expenses set out in section 4;
- Take appropriate steps to ensure compliance with the Health and Safety at Work Act 2015;
- Maintain LGFA's credit rating equal to the New Zealand Government sovereign rating where both entities are rated by the same Rating Agency;
- Achieve the Financial Forecasts (excluding the impact of AIL) set out in section 4;
- Meet or exceed the Performance Targets outlined in section 5; and
- Comply with its Treasury Policy, as approved by the Board.

4. Financial forecasts

LGFA's financial forecasts for the three years to 30 June 2021 are:

FINANCIAL YEAR (\$M)

Comprehensive income	Jun-19	Jun-20	Jun-21
Interest income	239.11	241.42	254.38
Interest expense	220.64	223.71	232.86
Net Interest income	18.46	17.71	21.53
Issuance and on-lending costs	2.44	2.47	2.50
Approved Issuer Levy	2.07	1.56	1.61
Operating expenses	3.14	3.24	3.33
Issuance and operating expenses	7.65	7.27	7.44
P&L	10.81	10.44	14.08

Financial position (\$m)	Jun-19	Jun-20	Jun-21
Capital	25.00	25.00	25.00
Retained earnings	48.30	57.42	70.10
Total equity	73.30	82.42	95.10
Shareholder funds + borrower notes / Total assets	2.40%	2.49%	2.64%
Dividend provision	1.33	1.40	1.45
Total assets (nominal)	8,170.25	8,414.20	8,447.97
Total LG loans - short term (nominal)	325.00	325.00	325.00
Total LG loans (nominal)	7,695.00	7,936.50	7,972.50
Total bills (nominal)	370.00	370.00	370.00
Total bonds (nominal) ex tsy stock	7,699.00	7,839.00	7,829.00
Total borrower notes (nominal)	123.12	126.98	127.56

Note that there is some forecast uncertainty around the timing of Net Interest Revenue, Net Profit, Total Assets, LG Loans, Bonds and Borrower Notes depending upon council decisions regarding the amount and timing of refinancing of their March 2019, April 2020 and May 2021 loans. LGFA will work with council borrowers to reduce this uncertainty.

5. Performance targets

LGFA has the following performance targets:

- The average margin above LGFA's cost of funds charged to the highest rated Participating Local Authorities for the period to:
 - 30 June 2019 will be no more than 0.10%.
 - 30 June 2020 will be no more than 0.10%.
 - 30 June 2021 will be no more than 0.10%.

The above indicators include both LGFA Bills and Bonds and short dated and long dated lending to councils.

- LGFA's annual issuance and operating expenses (excluding AIL) for the period to:
 - 30 June 2019 will be less than \$5.58 million.
 - 30 June 2020 will be less than \$ 5.71 million.
 - 30 June 2021 will be less than \$5.83 million.
- Total lending to Participating Local Authorities¹ at:
 - 30 June 2019 will be at least \$8,020 million.
 - 30 June 2020 will be at least \$8,261 million.
 - 30 June 2021 will be at least \$8,297 million.
- Savings on borrowing costs for council borrowers:
 - LGFA will demonstrate the savings to council borrowers on a relative basis to other sources of financing. This will be measured by maintaining or improving the prevailing secondary market spread between LGFA bonds and those bonds of a similar maturity issued by (i) registered banks and (ii) Auckland Council and Dunedin Council as a proxy for single name issuance of council financing.

6. Dividend policy

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

¹ Subject to the forecasting uncertainty noted previously

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

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

7. Governance

Board

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

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

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

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

All directors are required to comply with a formal Charter, to be reviewed from time to time in consultation with Shareholders.

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

Shareholders' Council

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

- Review the performance of LGFA and the Board, and report to Shareholders on that performance on a periodic basis.
- Make recommendations to Shareholders as to the appointment, removal, replacement and remuneration of directors.
- Make recommendations to Shareholders as to any changes to policies, or the SOI, requiring their approval.
- Ensure all Shareholders are fully informed on LGFA matters and to coordinate Shareholders on governance decisions.

² Best practice as per NZX and Institute of Directors guidelines

8. Information to be provided to Shareholders

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

Annual Report

The LGFA's balance date is 30 June.

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

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

Half Yearly Report

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

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

Quarterly Report

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

- Commentary on operations for the relevant quarter, including a summary of borrowing margins charged to Participating Local Authorities (in credit rating bands).
- Comparison of LGFA's performance with regard to the objectives and performance targets set out in the SOI, with an explanation of any material variances.

- Analysis of the weighted average maturity of LGFA bonds outstanding.
- In the December Quarterly Report only, commentary on the Net Debt/Total Revenue percentage for each Participating Local Authority that has borrowed from LGFA (as at the end of the preceding financial year).
- To the extent known by LGFA, details of all events of review in respect of any Participating Local Authority that occurred during the relevant quarter (including steps taken, or proposed to be taken, by LGFA in relation thereto).

Statement of Intent

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

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

Shareholder Meetings

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

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

9. Acquisition/divestment policy

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

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

10. Activities for which compensation is sought from Shareholders

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

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

11. Commercial value of Shareholder's investment

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

Subject to the Board's views on the appropriate capital structure for LGFA, the Board's intention will be

to pay a dividend that provides an annual rate of return to Principal Shareholders equal to LGFA fixed rate bond cost of funds plus 2.00% over the medium term.

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

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

12. Accounting policies

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

The following statement is taken from the Financial Statements presented as part of LGFA's Annual Report 2017 (updated where necessary).

ATTACHMENT: Statement of accounting policies

a. Reporting Entity

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

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

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

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

b. Statement of Compliance

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

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

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

c. Basis of Preparation

Measurement base

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

The financial statements are prepared on an accrual basis.

Functional and presentation currency

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

Foreign currency conversions

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

Changes in accounting policies

There have been no changes in accounting policies.

Early adoption standards and interpretations

NZ IFRS 9: Financial Instruments. The first two phases of this new standard were approved by the Accounting Standards Review Board in November 2009 and November 2010. These phases address the issues of classification and measurement of financial assets and financial liabilities.

Standards not yet adopted

LGFA does not consider any standards or interpretations in issue but not yet effective to have a significant impact on its financial statements. Those which may be relevant to LGFA are as follows:

NZ IFRS 9: Financial Instruments (2014) – Effective for periods beginning on or after 1 January 2018. This standard aligns hedge accounting more closely with the risk management activities of the entity and adds requirements relating to the accounting for an entity's expected credit losses on its financial assets and commitments to extend credit.

d. Financial instruments

Financial assets

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

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

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

At each balance date an assessment is made whether a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired when objective evidence

demonstrates that a loss event has occurred after the initial recognition of the asset(s), and that the loss event has an impact on the future cash flows of the asset(s) that can be estimated reliably.

Financial liabilities

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

Derivatives

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

Fair value hedge

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

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

e. Other assets

Property, plant and equipment (PPE)

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

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

Intangible Assets

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

f) Other liabilities

Employee entitlements

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

g) Revenue and expenses

Revenue

Interest income

Interest income is accrued using the effective interest rate method.

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

Expenses

Expenses are recognised in the period to which they relate.

Interest expense

Interest expense is accrued using the effective interest rate method.

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

Income tax

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

Goods and services tax

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

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

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

Commitments and contingencies are disclosed exclusive of GST.

h. Lease payments

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

i. Segment reporting

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

j. Judgements and estimations

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

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

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

22 February 2018

Dear Shareholder

Draft Statement of Intent 2018/19

Please find attached a copy of the Draft Statement of Intent (“SOI”) for the 2018/19 year¹.

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

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

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

For our shareholders we are focused on:

- Delivering a strong financial performance
- Monitoring asset quality and
- Enhancing our approach to treasury and risk management and

The following points regarding the Draft 2018/19 SOI are worth noting:

- Profitability is forecast to remain strong with projections for Net Operating Gain of \$10.81 million, \$10.44 million and \$14.08 million for the next three years as controllable expenses remain close to previous year budgets but net interest income grows. However, we remain cautious in placing too much emphasis on the Year Three (2020/21) forecast given that over the next three years, \$3.79 billion of our LGFA bonds and \$3.336 billion of council loans mature. Assumptions regarding timing of refinancing and interest rates have a meaningful impact on financial projections.
- Net interest income is expected to increase over the next three years as we hold additional liquid assets to manage the LGFA bond maturities. We would also expect councils to refinance their loans prior to maturity and depending upon the timing, this is slightly positive for LGFA.
- We have reduced our forecast for Local Government loans outstanding as at June 2019 to \$8.020 billion and to \$8.261 billion as at June 2020 (from \$8.188 billion and \$8.391 billion in the previous SOI). This reflects uncertainty regarding the impact on LGFA lending if councils

¹ If you wish to also receive a version with tracked changes that highlight changes from the previous 2017/18 SOI then please let me know.

substitute LGFA borrowing for funding from the Housing Infrastructure Fund facility and other Central Government initiatives. Councils have also yet to release their Draft Long Term Plans and provide indications of future borrowing intentions.

- We have made no changes to the on-lending margins given the base lending margin now averages 10 bps (0.10%). Any further reductions in the base margin is unlikely as we need to ensure we have sufficient capital to match the growth in the balance sheet. LGFA on-lending margins are the narrowest when compared with our international peers.
- Compared to the previous SOI, issuance and on-lending costs excluding Approved Issuer Levy ("AIL") are forecast to be similar to the forecast in each of the 2018/19 and 2019/20 financial years.
- The SOI performance targets are the same as the targets in the previous SOI as we believe these reflect the optimal means to assess our performance against our key objectives.
- As noted above, there is some timing uncertainty within the SOI forecast relating to Local Government loans and LGFA bonds outstanding as we need to project both the repayment amount and repayment timing of the Local Government loans that are due to mature in March 2019, April 2020 and May 2021. Decisions made by our council members regarding early refinancing will have a phasing impact across all three years in the SOI forecast.

If you have any questions or wish to provide comments by 30 April 2018 then please feel free to contact myself or any member of the Shareholders Council. The LGFA Board will consider any feedback received and provide a final version of the SOI to shareholders by 30 June 2018.

Yours sincerely



Mark Butcher
Chief Executive

4.6 Operational Report – Finance and Corporate – March 2018

Meeting: Finance and Corporate Committee
Date of meeting: 29 March 2018
Reporting officer: Alan Adcock – General Manager Corporate/CFO

1 Purpose

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

2 Recommendation

That the Finance and Corporate Committee notes the operational report for March 2018.

3 Background

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

This report provides a brief overview of some of the operational highlights for March 2018 and provides some further comment on future planned activities.

4 Significance and engagement

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

5 Attachment

Operational Report – Finance and Corporate – March 2018

Operational Report – Finance and Corporate – March 2018

Information Communications Technology (ICT)

The ICT Operations and Project teams' workloads are operating at full capacity. New staff across the organisation has created many new change requests which directly impacts on the ICT Operations team, while the Projects team are amid planning and design elements. This is putting significant pressure on team availability for extra or additional activities that are proposed by the business units.

ICT Operations

Service levels remained just on target through the February period, however there is a trend towards a relatively high backlog of change request work which will likely see an impact to March service levels. There have been no major outages across the February period, however monitoring of cyber activities have shown an increase in breach attempts, which haven't been able to penetrate the WDC network yet. The recently reported cyber hijack of the WDC website was incorrect, with no services or customers affected, however it does highlight the repeated attempts that all organisations need to be aware of and plan for.

Operational activities include:

- Managing the rollout of the Windows 10 upgrades - to complete in April
- Testing of our Disaster Recovery and Business Continuity plans – real life testing is currently in progress
- Reviewing and managing minor work requests
- Infrastructure monitoring and support activities
- Application and Desktop support – business as usual.

ICT Projects

All Trilogy Phase 2 projects are continuing to progress to schedule. While there are some delays to the initial planning phase for the Upgrade to Technology One CiA project, these are being managed to schedule.

- Upgrade Technology One to Ci Anywhere – next software upgrade.
 - Planning Phase – Key discovery activities have been completed and staff are now working on a robust execution plan with the suppliers, key staff and business users. This will include a confirmed timeline for completion.
- Corporate Performance Management – Implementation of software to track, trace, monitor and manage key performance indicators across Council.
 - Design Phase – The final design for the first phase deliverables is complete, along with the initial configuration. Test design and Executive engagement is now in progress.
- Website Platform Redevelopment (Digital Platform) – Review and re-development of our existing WDC websites.
 - Planning Phase – Initial key stakeholder workshops are planned to develop the design and project scope. This project will be run as a purely “Agile” project.

- Asset Management and GIS upgrade/replacement – Review, upgrade and/or replacement of the existing Asset Management system including a GIS (Spatial System) upgrade (necessary due to the dependencies between the software products).
 - Planning Phase – Initial scoping sessions have been completed. Work has commenced on the planning for the initial closed RFP process to select the software supplier from our enterprise stack (Technology One and Infor/Hansen).
- Digitisation of Property Files – Execution Phase
 - All Building Consent files to CCC are forecast to complete full digitisation by close of March. Land Use consents are currently in preparation for digitisation.

Finance

LTP

The Finance team has carried out more detailed analysis of the budget supporting the LTP Consultation Document in comparison to the 2016-2017 actuals and the 2017-2018 Annual Plan with the intention of reviewing various items with the Senior Leadership Team members on the LTP Steering Committee. Results of this will flow into a paper prepared for the deliberations meeting highlighting any errors, omissions or savings.

Annual Report

Planning for YE 2018 continues to progress both internally and through continued communication with Audit NZ.

Finance Team Direction Setting

The team is developing the future direction and objectives for the Finance Department with the intention of internally workshoping this with key stakeholders over the next month or so.

Revenue

Land Rates

Average property sales per month are 250, there were 281 in February and 127 in January. Sales are tracking approximately 15% less than the previous two years.

Water Rates

Details of water rates transactions for February are as follows:

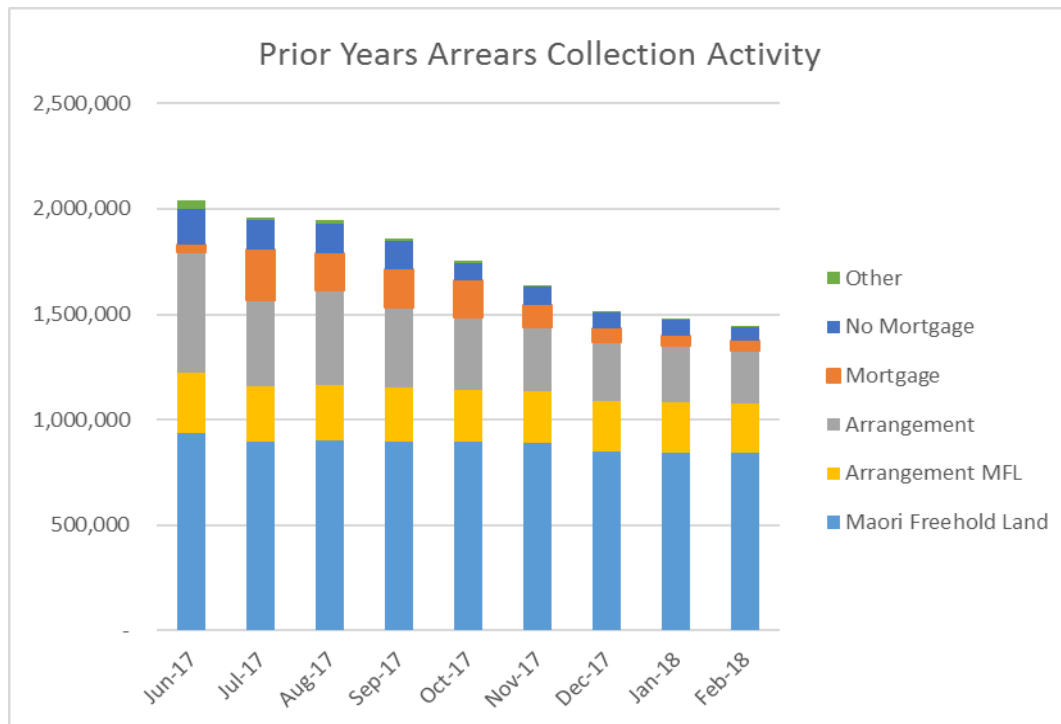
Water Rates Summary - February							
	Consumption	Supply Charge	Backflow	Special Reading Fee	Penalties	Excess Water Remission	Arrears
Amount(\$)	\$1,002,000	\$49,000	\$6,000	\$5,000	\$8,000	\$18,000	334,000
Transactions (Number)	4,042	3,984	139	156	300	35	1,740
Average (\$)	247.90					514.29	

Collection and Recovery

Land rate arrears are:

- \$1,954,000 (January \$2,012,000) of which:
 - \$1,440,000 (January \$1,473,000) relate to prior years' arrears.
 Māori Freehold Land comprises \$1,074,000 of prior years' arrears.

The collection activity (contact by mail and telephone) is tracked below. The arrears are following the same trend as last year.



Water rates arrears are \$334,000 (1,740 debtors), with \$140,000 (914 debtors) being 90 days or more. The arrears are at a similar level as February 2017.

Sundry debtors' arrears are \$258,000 with \$123,000 being 90 days or more.

Business Improvement

The Business Improvement Department is heavily involved in a number of ICT Strategic Projects as well as a number of high priority business initiatives. Below is a breakdown of the progress of the high priority initiatives:

1. Reviewing and improving the Health and Safety processes in relation to the organisation's Enterprise solutions. Progress to date:
 - 14 processes with 29 sub-processes have been documented
 - A 25 page policy document has been reduced to 6 pages
 - A number of system improvements have been identified
 - Rollout and training of changes is planned for staff in the coming months.

2. Reviewing the Building Control Department processes and systems end-to-end, starting with the Building Consents process (and focussing on digitisation at this stage). This involves working with the department to understand the issues and current processes, then aligning these to the organisation's Enterprise solutions. Progress to date:
 - the Building Control Department have workshopped the end to end Building Consents process. The process map is being documented and reviewed.
 - Recommendations are being developed.
3. Reviewing the Venues and Events Department (V&E) processes and systems end-to-end and in particular to understand the cost of delivery of various types of events so they can review and revise pricing and fees. Progress to date:
 - Five processes have been documented and are currently being reviewed.
4. Review how the organisation manages and controls projects and looks for improvements and consistency for controlling projects. Progress to date:
 - Interviewing Group Managers (Strategy and Democracy, and Infrastructure) have been completed.
 - Interviews are underway with the various departments to understand the current state.
5. Implement a Business Improvement 'Funnel' to direct and manage business process and system change to ensure all changes are prioritised and managed effectively and efficiently in a consistent manner across the organisation. Progress to date:
 - Workshops with the business have concluded. These workshops allowed the analyst to gather requirements can produce a wireframe of how the solution might behave.
 - Requirements are now being documented and a report will be produced for SLT on the proposed solution.

Business Support

Information Management

The process for the LTP submission process has been finalised and the team have been beginning to work through these as they come in. Working through this process and identifying areas of responsibility has seen several teams working together in a positive way, removing silos and finding the best way forward for Council rather than just traditional responsibility lines.

Good governance over the information throughout its lifecycle of processing is in place and as noted in the previous operational report we will be monitoring the use of Kete for this full submission process to ensure the solution delivered realises value in the process.

Work is underway with the Business Improvement Department to look at ways of working together to ensure the overarching management of information over time is fit for purpose for both the organisation as well as meeting the requirements of the Public Records Act 2005 and its supporting standards.

Our work on the following projects continue:

- Development of an image management solution within Kete to house images with increased 'findability'.
- Implementation of a managed share drive for records that cannot be stored in Kete due to size or type ensuring that they can be searched and managed within Kete.
- Re-development of the way we manage policies and procedures working in collaboration with key users and Governance.
- Digitisation project work. Production scanning of all BC files up to the end of 2010 with CCC has been completed and new file sets have been dispatched with scanning underway.
- Working within the Information and Data Governance Committee developing a framework for information management that builds capacity and protects the information assets now and well into the future.

Work planned:

- Review of Kete use and adoption across the organisation.
- Completion of archive appraisal and planning for archives space management with the lease coming up for renewal in 2019.
- Completion of retention and disposal implementation in Kete to manage information over time ensuring compliance.
- Uplift and dispatch of all property files in archives as part of the digitisation work.

Procurement

Procurement support and advice continues to be available across the business.

Work has commenced on a review of the Procurement Policy, with a target date for adoption by the end of the financial year. A Briefing for Elected Members is scheduled for early May. Feedback already received will be incorporated into work on draft policy revisions prior to this session.

The quarterly meeting for the national Local Government Steering Group for Procurement was focussed on sustainability and the role of procurement in achieving positive social outcomes.

Procurement is underway for:

- Civic Building Security
- Civic Building Cleaning
- Civic Building Warrant of Fitness.

Property Assets

Fleet /Phones

- The assimilation of the three new EV's has been a success with positive reviews. As a result, there has been a 50% reduction in bookings of the larger vehicles for short journeys.

- Expecting delivery of three e-bikes in the next week on a 12-month trial. Uptake and use will be monitored with a view to increasing these numbers if warranted.
- Procurement completed for a new Holden Trax for the vehicle pool through AOG procurement contract. Future procurements are underway to replace older vehicles in line with our vehicle policy, specifically older less fuel-efficient vehicles will be replaced to reduce operational costs.

Property

- Revision of maintenance plans for the Town Basin and a review of the annual condition survey are both underway. Planned capex works for 18/19 should be scheduled by late April.
- The Property Officer is currently working on approximately 50 leases/licenses across the business (Parks and Commercial).
- Health and Safety (H&S) hazards remedied at various sites – Claphams Clocks, The Hub Information Centre.

Civic Buildings

- Review of Forum North Emergency Evacuation Procedures (EEP) and Emergency Response Plan drafts have been completed. Drafts are with V&E Whangarei and H&S for internal review prior to publication and roll out to staff. The review has highlighted a number of H&S issues across Forum North regarding emergency lighting improvements, Capitaine Bougainville upper level evacuation inadequacies and the revised Forum North occupancy capacity will raise some challenges around events and ceremonies etc.
- Weather patterns have meant continuous repairs required to roof leaks.
- Major roof repairs underway at Waste Water Treatment Plant.

Communications

Brand

The Brand Elevation Project is progressing well, with recommendations to be presented to Elected Members on 28 March.

Graphics BAU

Work for our graphics team included weekly Council News production, the Long Term Plan, internal communications, Pasifika fusion festival, design of the Sculpture Symposium booklet and ongoing design plus printing for the Claphams Clock Museum.

Internal communications

Rostered presentations for All Staff meetings continue and have been well received by the wider organisation. We have been working closely with the People and Capability team on the launch of Our Korero (a staff survey).

Long Term Plan

We had an intense focus on the Long Term Plan consultation document and layout of the supporting documents together with concurrent consultations – all of which was adopted by Council on 28 February. We have started communications work to support the LTP including radio advertising, website updates plus social media and are looking forward to seeing the results.

Mayoral communications

We researched and wrote speeches for the Mayor and the fortnightly Whangarei Report column. We also managed communications for the Mayor's office including letters, forewords, requests for mayoral media statements and articles for local publications.

We wrote an article for Scene Magazine highlighting the upcoming Pukenui Kiwi release and coordinated publicity events for the Mayor. The latter included meeting with British Minister Mark Fields, the British High Commissioner and a guest spot on Radio Live to promote the Fritter Festival.

We also hosted the first of three school visits to the Council chambers by Waipu Primary School.

Media and public relations

The following Council related matters were covered by the media in February:

- trash on Parihaka walking tracks
- Parihaka tracks closed for upgrading
- public access to Whau Valley dam closed while trees felled
- flooding at Ruakaka
- sewer spill at Waipu
- first stage of Kamo shared path to open in May 2018
- freedom campers
- Northland leaders pushing for state highway improvements
- Town Basin parking.
- Pohe Island water leak
- British minister visits Northland
- marlin dumped in Hikurangi swamp
- car removed from tide at Bream Bay
- cryptojackers hit Council websites
- water main breakages.
- Town Basin sewer line replacement
- storm washes away Sandy Bay sand dune repairs
- team to assess tenders for building HWMAC
- kiwi to be released in Pukenui Forest.
- Hikurangi sewerage issues
- Coastal hazard maps updated
- Butter Factory Lane pavement painted
- land purchase for new driveway to Waipu Caledonian Park
- application for new Okara marina.
- City Centre Plan to guide development over next thirty years,
- Denby by-election duplicate votes
- repairs to Hatea Loop anti-slip coating
- change to staff hours for Te Matau a Pohe

- More government funding for Northland announced
- roles appointed to Cr Benney
- Ngunguru Road crash statistics
- Keyte Street road calming petition
- Waitotira Hall fundraising for maintenance work
- Te Matau a Pohe bridge inspection
- tactical urbanism concept
- Denby by-election duplicate voting.

The following topics were raised in letters to the editor:

- Hundertwasser costs clarification
- dog dung on Loop track
- Sandy Bay erosion
- ratepayer money prioritised for urgent needs
- One Tree Point/Marsden Point Road intersection
- sewerage spill into Waihoihoi River
- abandoned vehicle
- Parihaka litter
- speed limit sign on Whangarei Heads Road
- Town Basin parking charges
- rethink on new Council offices.

Website and social media

We have updated the Here To Where website to support the LTP consultation, together with content on the main Council website.

All public meetings have been scheduled on our Facebook pages. These are being boosted by paid advertising to extend our reach beyond traditional followers.

We rolled out a social media awareness campaign to support the Census 2018, including posts throughout the week prior to the Census.

Work is continuing with the District Plan department on the upcoming urban plan change pre consultation, for the current website. This work looks at how we can create some simple, easy-to-use online information.

The team is working with the Democracy and Assurance department to develop an online solution for publishing District Licensing decisions.

Updates to the WhangareiNZ website are being made to support the Wild Kiwi event in April.

We are also continuing to work closely with the ICT department, to support planning and design of the new website under ICT's Digital Platform project, together with monthly attendance at the ICT Think Tank and acting as chairperson for the newly formed Digital Council.

People and Capability

Organisation survey

We are about to launch our new organisation survey *our korero*. The survey concept has been developed by Ask Your Team, a NZ based company. We are looking forward to hearing about the things that are going well and the areas we could improve on.

The purpose of the survey is to measure how we are progressing in our new way of working. The survey measures feedback on 13 organisational success factors within four broad areas:

People

- Leadership
- Culture
- Performance development

Stakeholders

- Customers
- External suppliers

Continuous Improvement

- Strategy
- Project planning
- Project implementation
- Project review

Organisation

- Internal communication
- Information
- Business processes
- Learning and development

The analysis methodology and survey questions were developed in conjunction with the Institute of Business Research at the University of Waikato.

We will also benchmark our findings with other participants.

New Employees, Transfers, Vacant Positions and Leavers

New Employees/Transfers	Name	Start Date
Planner - District Plan	Vivienne Lepper	7-Feb-18
Engineering Scholarship Student	Jacobus Viljoen	7-Feb-18
Wastewater Treatment Technician	Toby Bergersen	12-Feb-18
Engineering Scholarship Student	Molly Alford	12-Feb-18
Venues Steward	Angie Selkirk	26-Feb-18
Manager – Maori Relationships	Aperahama Edwards	5-Mar-18
Roles filled and waiting to start	Name	Start Date
Senior Building Control Officer	Paul Tomlinson	12-Mar-18
Property Assessment Officer	Lee Wood	19-Mar-18
Building Control Development Coordinator	Les Smith	26-Mar-18
Project Engineer – Waste & Drainage	Judith Ellensohn	4-Apr-18

Roles not yet filled	Status
District Plan Planner	Interviewing
Water Treatment Coordinator	Under review
Water Treatment Technician	Reference checking
Project Engineer (Fixed Term - 12 Months)	Interviewing
Building Approvals & Compliance Officer	Interviewing
Team Leader – Rates	Under review
Business Analyst	Readvertising
Team Leader – Infrastructure Planning	Interviewing
Team Leader – Infrastructure Support & Contract Payments	Interviewing
Casual Booking Office Assistant	Reference checking
Team Leader – RMA Consents	Shortlisting
Community Development Adviser	Shortlisting
Manager - Health & Bylaws	Under review
Team Leader – Development Engineering	Under review
Water Treatment Coordinator	Under review
Revenue Collections Officer	Under offer
Non Fiction Librarian	Shortlisting
Support Assistant – Building Inspections	Shortlisting
Traffic Engineer – NTA	Advertising
Senior Project Engineer – NTA	Advertising
GM – Strategy & Democracy	Advertising
Building Control Officers	Advertising
Leavers	
Carla Janssen	Community Development Adviser
Rochelle O'Callaghan	Support Assistant – Building Inspections
Lisa Doran	RMA Planning Specialist

Democracy and Assurance

Official information requests

The following is a summary of requests that have been received since February 2018:

- Clarification of Council funding of the Hundertwasser project with reference to recent editorial comment in the Northern Advocate
- Various follow-up questions regarding Council funding of the Hundertwasser project
- Various questions regarding Council's position on "live streaming" of Council meetings
- Three requests for information regarding noise complaints
- Data on building consents issued to specified companies for the last two years
- Two requests for copies of documentation relating to investigation of a complaint made by requestor
- Various questions regarding Council's approach to dust mitigation and sealing with reference to Wright and Mccardle Roads
- Additional questions around Wright and Mccardle Roads with particular reference to any process to formally "designate" the road
- A question regarding declarations of interest at Council meetings
- A copy of Council's staff list including details of roles and department structure
- Current number of dogs registered by Council
- Request for data on Council initiatives around energy efficiencies in new build homes.

Audit and Risk

Following the completion of the departmental risk workshops and identification of key risks across the organisation, the first round of risk reporting will be presented to the Audit and Risk Committee at the March meeting. This is a change in reporting style to consider risks across the organisation as well as highlight strategic risks to Council.

The Internal Audit programme has been reviewed and is awaiting adoption at the March Audit and Risk Committee. The first internal audit for this year (2018) is underway with a review of the procurement process.

Audit and Risk, in conjunction with Legal and People & Capability, have recently completed a review of the Fraud and Protected disclosure policy. This has been reworked and combined into a Fraud and Whistleblower policy for Council which will be presented to the March Audit and Risk Committee.

The Audit and Risk function continues to provide ongoing support and liaison regarding insurance claims and queries. This month there have been a number of vehicle incidents resulting in claims as well as specific queries around hiring agreements from Venues and Events.

Consultation and Engagement

The Long-Term Plan consultation meetings have begun with five completed at time of writing. We also ran an information stand at the Growers Market on Saturday morning where there was good interest in the consultation document. We promoted the LTP consultation to the staff at Tikipunga High School to try and spread the message that we want a broad range of people to give us their feedback.

There are 11 more meetings to run, two of which are business focussed meetings.

The consultation document has been a useful resource to engage people in conversation and there has been positive feedback about the use of colour and info graphics.

Maori Liaison and Development

Māori Relationships Manager

We are happy to announce Aperahama Edwards as the new Māori Relationships Manager who has joined the team and provides much needed assistance for the department. Acknowledgements to Andre Hemara for doing a sterling job holding the fort while we recruited Aperahama.

Sculpture Symposium

The department assisted Te Parawhau hapu at the A'fare events venue to welcome sculptor artists to Whangarei for the bi-annual symposium.

Treaty of Waitangi Settlements

Active hapu members involved with Treaty Settlements advised of the meetings which have taken place with the Treaty Minister, Andrew Little and his team. The Minister has advised there will only be one Ngāpuhi settlement. The position has been reached where Tūhoronuku and Te Kotahitanga are navigating a successful pathway for Treaty of Waitangi settlements for Ngāpuhi.

Mana Whakahono a Rohe

A hui initiated by Patuharakeke TB has progressed from meet and greet to stage two of discussions. The outcomes of this learning process will be beneficial for both parties, as the emphasis is strong on relationship building.

RESOLUTION TO EXCLUDE THE PUBLIC

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

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

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

Resolution to allow members of the public to remain

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

Move/Second

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

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

Note:

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