

Finance and Corporate Committee Agenda

Date: Thursday, 27 September, 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.

1. Declarations of Interest	
2. Apologies	
3. Confirmation of Minutes of Previous Finance and Corporate Committee Meeting	
3.1 Minutes Finance and Corporate Committee 30 August 2018	3
4. Information Reports	
4.1 Financial Report for the 2 Months Ending 31 August 2018	7
4.2 Whangarei District Airport Annual Report and Performance Summary 2017 - 2018	11
4.3 Northland Regional Landfill Limited Partnership 2017-18 Annual Report	39
4.4 Local Government Funding Agency - Annual Report 2017-2018	47
4.5 Operational Report - Finance and Corporate - September 2018	127
5. Public Excluded Business	
6. Closure of Meeting	

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, 30 August, 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 Sue Glen
Cr Greg Innes
Cr Greg Martin
Cr Sharon Morgan
Cr Anna Murphy

Not in Attendance Cr Tricia Cutforth
Cr Phil Halse
Cr Cherry Hermon

Scribe C Brindle (Senior Democracy Adviser)

1. Declarations of Interest

Item 4.1 - Council Controlled Organisation Exemptions

2. Apologies

Crs Phil Halse and Tricia Cutforth (Leave of Absence)
Cr Cherry Hermon (Absent)

Moved By Cr Greg Martin
Seconded By Cr Anna Murphy

That the apologies be sustained.

Carried

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

3.1 Minutes Finance and Corporate Committee 26 July 2018

Moved By Cr Sue Glen

Seconded By Her Worship the Mayor

That the minutes of the Finance and Corporate Committee meeting held on Thursday 26 July 2018, having been circulated, be taken as read and now confirmed and adopted as a true and correct record of proceedings of that meeting.

Carried

4. Decision Reports

4.1 Council Controlled Organisation Exemptions

Moved By Her Worship the Mayor

Seconded By Cr Gavin Benney

That the Finance and Corporate Committee;

1. Resolves to exempt Springs Flat Contractors Ltd as an organisation exempted under Section 7 of the Local Government Act 2002 for three years ending 29 August 2021.
2. Resolves to exempt Whangarei Waste Limited as an organisation exempted under Section 7 of the Local Government Act 2002 for three years ending 29 August 2021.
3. Resolves to exempt Northland Events Centre Trust as an organisation exempted under Section 7 of the Local Government Act 2002 for three years ending 29 August 2021.

Carried

Declaration of Interest: Cr Christie – Springs Flat Contractors

5. Information Reports

5.1 Operating Report for the 12 Months Ending 30 June 2018

Moved By Cr Greg Martin
Seconded By Cr Sharon Morgan

That the Finance and Corporate Committee notes the operating results for the 12 months ending 30 June 2018.

Carried

5.2 Financial Report for the Month Ending 31 July 2018

Moved By Cr Sue Glen
Seconded By Cr Vince Cocurullo

That the Finance and Corporate Committee notes the financial report for the month ending 31 July 2018.

Carried

5.3 Operational Report - Finance and Corporate - August 2018

Moved By Cr Vince Cocurullo
Seconded By Cr Anna Murphy

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

Carried

6. Public Excluded Business

There was no business conducted in public excluded.

7. Closure of Meeting

The meeting concluded at 9.29am

Confirmed this 27th day of September 2018

Cr Shelley Deeming (Chairperson)

4.1 Financial Report for the 2 Months Ending 31 August 2018

Meeting: Finance and Corporate Committee
Date of meeting: 27 September 2018
Reporting officer: Alan Adcock (General Manager – Corporate/CFO)

1 Purpose

To provide the financial report for the two months ending 31 August 2018.

2 Recommendation

That the Finance and Corporate Committee notes the financial report for the two months ending 31 August 2018.

3 Background

Please note that a full financial report and capital projects report for the two months ending 31 August 2018 have not been completed in time for this agenda. This is due to priority being placed on the completion of the 2017-18 Annual Report.

A full financial report and capital projects report for three months ending 30 September 2018 will be provided at the October Finance and Corporate Committee Meeting.

3.1 External Net Debt and Treasury

Total net external debt at the end of August 2018 was \$85.9m compared to year to date budgeted net debt of \$106.1m, resulting in net debt being \$20.2m under budget.

This positive variance is due to assumptions made regarding the opening net debt balance of the 2018-28 Long Term Plan. A revised budgeted net debt figure will be provided in October.

3.2 WDC Treasury Operations

As at 31 August 2018 cash and term deposits held of \$66.1m was comprised of:

- \$10.0m of term deposits relating to prefunding undertaken
- \$10.0m of term deposits relating to short term borrowings not yet required
- \$37.0m of term deposits relating to excess cash not currently required as a result of the August rates instalment.
- \$9.1m cash on hand.

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

3.3 Economic

The Official Cash Rate (OCR) remained at 1.75% in the August Monetary Policy Statement as expected. The Reserve Bank has adjusted their future expected rate movements – with the next increase not expected until late 2020 although they indicated the next move could be a cut.

Long term rates have followed suit during August with the NZ 10 year swap rate falling from 3.04% to 2.83%.

The low long term swap rates are partially offset by higher global credit spreads which will increase the cost of any future borrowing. Council has utilised prefunding to reduce its exposure to this.

4 Accounts receivable in arrears

Total arrears as at 30 September 2018 was \$4.5m, compared to \$4.5m 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 Attachment

Treasury Report

TREASURY REPORT
31 AUGUST 2018



STANDARD AND POORS CREDIT RATING:

AA

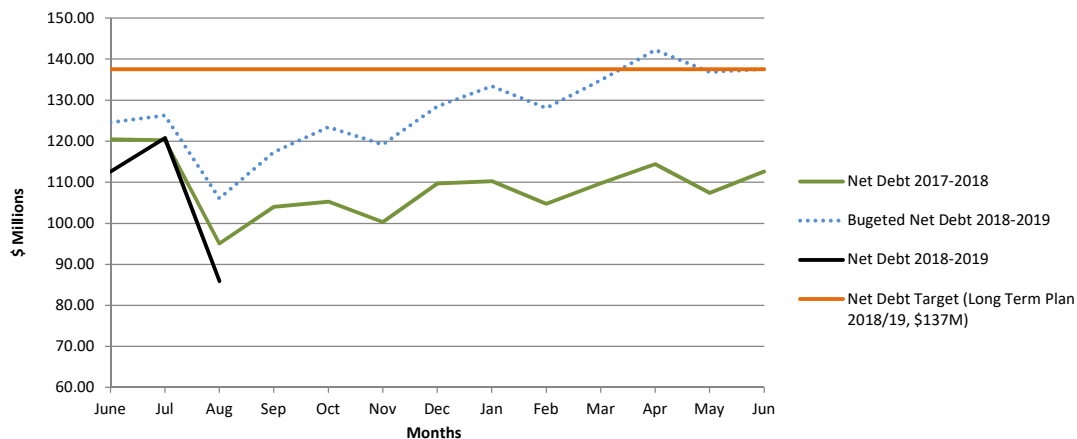
Outlook: Stable

DEBT SUMMARY:

As at 31 August 2018

External Debt		
Opening public debt as at 1 August 2018		
		152,000,000
Plus loans raised during month	5,000,000	
Less loan repayments made during month (Note: Facility movement has been netted)	(5,000,000)	
Net movement in external debt		-
Total External Debt		152,000,000
Less: Cash balances (excluding funds held on behalf)	9,111,538	
Term deposits (Funds held on deposit until required for project funding)	57,000,000	
Total cash and term deposits		66,111,538
Total Net External Debt		85,888,462
<i>Note: Council also holds \$2.1m 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		29,000,000
1-3 Years		43,000,000
3-5 Years		30,000,000
Greater than 5 Years		50,000,000
Total		152,000,000

NET EXTERNAL DEBT COMPARED TO BUDGET:



Internal Funding*		
Community Development Funds		
		10,310,026
Property Reinvestment Reserve - Available for Reinvestment	1,618,068	
Property Reinvestment Reserve - Accumulated	28,887,863	
		30,505,931
Water Reserve		31,475,000
Total		72,290,957

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.

4.2 Whangarei District Airport - Annual Report and Performance Summary 2017- 2018

Meeting: Finance and Corporate Committee
Date of meeting: Thursday 27 September
Reporting officer: Mike Hibbert (Commercial Property Portfolio Manager)

1 Purpose

To report to the Finance and Corporate Committee the Whangarei District Airport Annual Report and Performance Summary as specified in the 2017/18 Statement of Intent.

2 Recommendation

That the Finance and Corporate Committee notes the report on the performance of the Whangarei District Airport for the year 2017/18.

3 Background

The Local Government Act 2002 requires a council-controlled organisation at the end of each financial year, to make available to the public, a report on the organisation's operations during that year.

The report must include audited consolidated financial statements for that financial year and the performance targets and performance in relation to that organisation's objectives.

4 Performance Measures and Commentary

The statement of Intent for the Whangarei District Airport (WDA) ending 30 June 2018 (attachment 1) identifies performance measures as detailed below. Commentary specific to each of the measures has been included and supporting evidence attached as required.

i. To operate to financial budgets;

Financial Statements completed (attachment 2), explanation of major variances against budget include;

- Management contract review completed and renewed at a higher price.
- Landing fee revenue is higher than expected subject to variation in aircraft operations including air NZ diversions to Whangarei that were bound for Kerikeri due to weather.

- Increased maintenance cost due to removal of rubble left on airport.
- Obstacle clearance survey revealed the requirement for removal of several trees on neighbouring private property.
- A wet year required more mowing over the summer months.
- A new mowing contractor at a higher price.
- The cost to train for and develop SMS implementation plan was an unknown. Some cost associated were not fully anticipated.

COMPLETE

ii. To meet or exceed Airport Certification Standards as laid down by the Civil Aviation Authority for the Airport and reported by random audit;

- The airports operating certificate was renewed in May of 2018. CAA audit for this was carried out in February. There were no corrective actions identified.
- Airport Emergency Plan desktop exercise was carried out May 2018.

COMPLETE

iii. To conduct a survey of airport users and determine their views on Airport facilities and future facility developments.

- Survey was carried out May 2018 with 151 respondents over a three-week period. 82% of responses stated their experience at airport was satisfactory or very satisfactory. 13% said an average experience with 5% below average.

COMPLETE

iv. To complete the introduction of the new Civil Aviation Authority requirement to implement a Safety Management System.

- Safety Management System (SMS) – Implementation Plan has been accepted by CAA in June 2018. Final date for implementation is nominated as December 2019
- SMS implementation is being conducted with both internal and external staff. Training of safety manager enrolled for October 2018.
- Statement of Intent up to December 2019 to reflect the implementation period.

ON TRACK

v. Engage third party quality auditor to report each June

- Independent auditor engaged and internal audit carried out as part of preparation for CAA audit in February 2018.

COMPLETE

vi. To implement necessary changes to Health and Safety policy/procedures to address any changes to legislation.

- Health and Safety up dated and is being incorporated into the safety management system.

PROGRESSING

vii. To explore economic development opportunities in attracting new business and job creation.

- Introduction of Sun Air operations, new cafe operator employment, ATM services.

COMPLETE

viii. Explore existing service providers and encourage expansion and investment

- Proposed expansion of rental car services, Air NZ Storage facilities security parking and new aviation operators under implementation.

PROGRESSING

5 Significance and Engagement

Having considered the Significance and Engagement Policy this proposal or decision is not considered significant and the public will be informed via Agenda publication on the website.

6 Attachments

1. Whangarei District Airport - Statement of Intent 2017/18
2. Annual Financial Statements - Whangarei District Airport 2017/18 (audited)

Whangarei District Airport



Statement of Intent

For the Year Ending 30 June 2018

Whangarei District Airport

Statement of Intent

For the Year Ending 30 June 2018

The following statement has been prepared in accordance with The Local Government Act 2002, (s9, Schedule Eight).

Introduction

The Whangarei District Airport (Airport), situated at Onerahi in Whangarei, is operated under a joint venture partnership agreement between the Whangarei District Council (Council) and the Crown, represented by the Ministry of Transport (MoT). The day-to-day operational activities of the Airport are managed under the aegis of Council by way of a management contract with a contractor (currently Northland Aviation Limited). The Airport acts as a gateway to the Whangarei District and Northland, and this aspect remains a focus of Council in providing an airport service of high quality and efficiency.

a. Objectives

- i. That the Airport is operated as a fully serviceable District Airport for the use of visitors, residents and ratepayers of the Whangarei District;
- ii. That the short and long term objectives of the Airport operation meet the needs of scheduled and non-scheduled aviation operators and their customers;
- iii. That standards of safety are promoted and maintained, recognising New Zealand Civil Aviation Authority (CAA) and other safety and health requirements;
- iv. That the Airport is operated with regard to appropriate environmental practices, legislation, and in recognition of the designation requirements in the District Plan.

b. Governance

The airport is owned and operated under a joint venture agreement between the Whangarei District Council and the Crown. Council operates the airport as the Airport Authority under the Airport Authorities Act 1966 (s3). Day to day management is effected by way of a management contract with Northland Aviation Limited.

c. Nature and Scope of Activities to be Undertaken

- i. The Airport Authority is engaged in operating the Airport in a cost effective and efficient manner to meet the objectives set out above, and in accordance with the terms of the Aerodrome Operating Certificate issued by the Civil Aviation Authority;
- ii. Meet the Civil Aviation Authority certification requirements;
- iii. The Authority will continue to seek opportunities to widen its revenue base in areas consistent with the Airport operation. Such activities include leasing land within the Airport precinct for aviation related activities and reviewing both existing charges and exploring other options.

d. The Ratio of Consolidation Shareholders' Funds to Total Assets, and the Definitions of Those Terms

The airport is operated as a joint venture with the land being owned 100% by the Crown, buildings and lighting being owned 100% by Council, and runways, plant and equity being 50% owned by the Crown and 50% by Council. The ratio of the joint venture partners' funds to total assets is calculated as at 30 June 2016 as 97.6%.

e. Financial Statements

See Appendix A.

f. Performance Measures

- i. To operate to financial budgets;
- ii. To meet or exceed Airport Certification Standards as laid down by the Civil Aviation Authority for the Airport and reported by random audit;
- iii. To conduct a survey of airport users and determine their views on Airport facilities and future facility developments.
- iv. To implement the new Civil Aviation Authority requirement for a Safety Management System.
- v. Engage third party quality auditor to report each June.
- vi. To implement necessary changes to Health and Safety policy/procedures to address any changes to legislation.
- vii. To explore economic development opportunities in attracting new business and job creation.
- viii. Explore existing service providers and encourage expansion and investment

g. Distribution of Accumulated Profits and Capital Reserves

There is to be no distribution of accumulated profits or capital reserves to Joint Venture Partners during the year.

h. Information to be Provided to Partners During the Year

- i. Monthly report on financial position including variance reporting on revenue and expenditure comparing actual figures with estimated figures, and statement of monthly financial position to be provided to the Airport Authority Board (via Whangarei District Council Property Manager/Finance Team);
- ii. Management to report via email to Council staff on notable events and seek approval prior to any extraordinary expenditure;

- iii. Annual financial estimates, for operational activities and capital expenditure, to the Joint Venture Partners;
 - iv. Report all findings, documenting all suggestions, no later than 30 June of each operating year for the purpose of improving customer satisfaction;
 - v. Annual Statement of Intent to the Airport Authority Board;
 - vi. Annual financial statements, including statement of accounting policies; statement of balance sheet; statement of income; statement of movements in equity; statement of cash flows; notes to the financial statements and Auditors' report to be provided to Joint Venture Partners together with Auditors' management letter;
 - vii. Annual statement of performance, based upon performance measures to be provided to Joint Venture Partners;
 - viii. Half yearly report including financial statements (as detailed in (v) above) and financial forecast for the balance of the year to be provided to the Joint Venture Partners.
- i. Statement of Procedures for Acquisition of Shares by Partners in Other Entities**
- Partners will not acquire shares in any other organisation related to the Airport operation without the prior written agreement of both Joint Venture Partners.
- j. Activities for Which the Board Seeks Compensation From any Local Authority**
- Council has provision in its capital estimates for the expenditure of funds on non-aviation related items at the Airport as a community contribution to amenities at the airport and occasional capital sum investment in the assets owned by Council at the airport.
- k. Commercial Value of the Joint Venture Partners' Investment in the Group and the Manner in Which, and the Times at Which, That Value is to be Reassessed**
- The commercial value of the partners' investment is set out in the statement of accounting policies included in this statement. It is noted that the land is a restricted asset and revaluation on a commercial basis would be misleading. The financial statements for the year ended 30 June 2016 record the total equity in the partnership of \$5,039,212 (2015 \$4,626,296).

Statement of Accounting Policies

1.1 Reporting entity

The Whangarei District Airport is a Council controlled organisation as defined under section 6 of the Local Government Act 2002. The Airport is administered by the Whangarei District Council in a joint venture operation with the Ministry of Transport and is domiciled in New Zealand.

2 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 the Airport will continue to operate in the foreseeable future.

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

Goods and services tax

The Airport 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.

2.2 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

Council, government, and non-government grants 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) Interest income

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

(iii) Sale of services

Revenue from the sale of services is recognised when the services are provided to the customer.

(iv) Administration, overheads and other costs.

These are expensed when the related service has been received.

2.2 Income tax

Tax expense is calculated using the taxes payable method. As a result, no allowance is made for deferred tax. Tax expense includes the current tax liability and adjustments to prior year tax liabilities.

2.3 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.

Bank overdrafts are shown as current liabilities in the statement of financial position.

2.4 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 doubtful debt expense.

2.5 Property, plant and equipment

Property, plant, and equipment is recorded at cost, less accumulated depreciation and impairment losses.

(i) 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.

(ii) Use of assets

For an asset to be used by the Airport, the asset is impaired if the value to the Airport 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 of major classes of assets have been estimated as follows:

Class of PP&E	Estimated useful life
Land	Indefinite
Airside	0-140 years
Buildings	4-40 years
Landside	0-140 years
Sundries	5-64 years
Services	0-40 years

2.6 Investments

Investments comprise investments in terms deposits with banks.

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.

2.7 Creditors and accrued expenses

Creditors and accrued expenses are measured at the amount owed.

2.8 Lease expense

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

2.9 Tier 2 PBE Accounting Standards applied

The Airport have not applied any Tier 2 Accounting Standards in preparing its financial statements.

2.10 Changes in Accounting Policies and Transition to the new PBE SFR-A (PS) Standards

This is the first set of financial statements prepared using the new PBE SFR-A (PS) standard, and comparative information for the year ended 30 June 2014 has been restated to comply with the new standard. The significant adjustments arising on transition to the new standard are provided in note 16.

(i) Income tax

Income tax is calculated using the tax payable method, therefore no deferred tax has been calculated for the current year. This treatment differs to prior years where the deferred tax method was used on a voluntary basis. It was determined that using the deferred tax method provided no additional benefit. This change in accounting treatment has resulted in an adjustment to the comparative tax expense and deferred tax liability, as well as an adjustment to the comparative years opening retained earnings balance.

PROSPECTIVE STATEMENT OF COMPREHENSIVE INCOME

	BUDGET 30 June 2018	BUDGET 30 June 2019	BUDGET 30 June 2020
Income			
Landing fees	345,000	350,000	360,000
Sundry income advertising	8,000	8,000	8,000
Other Recoveries	6,000	6,000	6,000
Operational Recoveries	22,000	22,000	22,000
Rent received	145,000	150,000	150,000
Interest received	10,000	10,000	10,000
Carpark Income	-	-	-
Total Income	536,000	546,000	556,000
Less Expenses			
Airfield Expenses			
Drainage	5,000	5,000	5,000
Fencing	5,000	1,000	1,000
Grounds R&M	30,000	30,000	30,000
Runway R&M	10,000	10,000	10,000
Lighting R&M	10,000	10,000	10,000
Other R&M	20,500	15,100	15,600
	80,500	71,100	71,600
Terminal Expenses			
Insurance	12,500	13,000	13,000
Cleaning	32,000	35,000	35,000
Advertising	3,000	3,000	3,000
Rates	19,187	19,902	20,646
Electricity	32,000	32,000	32,000
Weather station	3,500	4,000	7,000
Security	8,000	8,000	8,000
Other expenses	10,200	10,200	10,200
	120,387	125,102	128,846
Administration Expenses			
Management Fee	105,000	105,000	105,000
Telephone	1,600	1,600	1,600
Audit fees	20,000	20,000	20,000
Accounting Fees	12,000	13,000	13,000
Certification	10,000	2,000	2,000
Conferences	4,500	4,500	4,500
Other Professional fees	25,500	15,500	15,500
	178,600	161,600	161,600
Total Expenses before depreciation	379,487	357,802	362,046
Net Surplus (Loss) before depreciation	156,513	188,198	193,954
Depreciation	184,515	208,205	212,370
Net Surplus (Loss) before tax	- 28,002	- 20,008	- 18,416

	30 June 2018	30 June 2019	30 June 2020
Capital Expenditure			
Crash fire		200,000	
Electric gate	12,000		
Lighting	20,000		
Other	25,500		
Total capital expenditure	57,500	200,000	-

PROSPECTIVE STATEMENT OF MOVEMENTS IN EQUITY

	30 June 2018	30 June 2019	30 June 2020
Opening Equity as at 1 July	5,043,061	5,015,059	4,995,052
Plus Profit (Loss) for the year	- 28,002	- 20,008	- 18,416
Total increase/(decrease) in equity	- 28,002	- 20,008	- 18,416
Closing Equity as at 30 June	5,015,059	4,995,052	4,976,636

PROSPECTIVE STATEMENT OF FINANCIAL POSITION

	30 June 2018	30 June 2019	30 June 2020
Equity	5,015,059	4,995,052	4,976,636
Total Equity	5,015,059	4,995,052	4,976,636
Current Assets			
Cash and Cash equivalents	668,101	656,299	850,253
Trade and other receivables	81,200	81,200	81,200
	749,301	737,499	931,452
Current Liabilities			
Trade and other payables and accruals	126,537	126,537	126,537
Working Capital	622,763	610,961	804,915
Non Current Assets			
Property plant and equipment	4,392,296	4,384,090	4,171,721
Long Term Liability			
Deferred income tax liability	-	-	-
Total Net Assets	5,015,059	4,995,052	4,976,636

**Whangarei District Airport
Financial statements
for the year ended
30 June 2018**

Whangarei District Airport

Financial statements - 30 June 2018

Contents

	Page
Entity Information	2
Financial statements	
Statement of financial performance	3
Statement of financial position	4
Cash flow statement	5
Notes to the financial statements	
1 Statement of accounting policies for the year ended 30 June 2018	6
2 Significant accounting policies	6
3 Revenue from operations	8
4 Other expenses	8
5 Income tax	8
6 Bank accounts and cash	9
7 Debtors and other receivables	9
8 Property, plant and equipment	10
9 Creditors and accrued expenses	11
10 Equity	11
11 Contingencies	11
12 Commitments	11
13 Related party transactions	12
14 Events occurring after the balance date	12
15 Explanation of major variances against budget	12
16 Performance Information	13
Auditors' Report	14

Entity Information**Legal name**

Whangarei District Airport (the Airport).

Type of entity and legal basis

The Airport is a Council controlled organisation as defined under section 6 of the Local Government Act 2002. The Airport is administered by the Whangarei District Council in a joint venture operation with the Ministry of Transport and is domiciled in New Zealand.

The Airport acts as a gateway to the Whangarei District and Northland, and is provided for the use of visitors, residents and ratepayers of the Whangarei District.

The Airport's purpose

The Airport's primary objective is to operate a fully serviceable airport for the use of visitors, residents and ratepayers of the Whangarei District.

Structure of the Airport's operations, including governance arrangements

The Whangarei District Council has overall responsibility for the management and governance of the Airport. Council is delegated the responsibility of Governance, while the operational management of the Airport is controlled by way of a contract with Northland Aviation Limited.

Main sources of the Airport's cash and resources.

Revenue from operations are the primary sources of funding to the Airport.

Authorisation

The Board of Whangarei District Airport authorised these financial statements presented on the following pages 3 to 14

For and on behalf of the Board:

S Mai
Mayor
27 September 2018

S Deeming
Chair - Finance and Corporate Committee
27 September 2018

Whangarei District Airport
Statement of financial performance
For the year ended
30 June 2018

Statement of financial performance
For the year ended 30 June 2018

	Note	2018 Actual \$	2018 Budget \$	2017 Actual \$
Revenue				
Revenue from operations	3	546,847	526,000	522,744
Interest revenue		13,670	10,000	10,013
Bad debts recovered		5,000	-	-
Total revenue		565,517	536,000	532,757
Expenditure				
Repairs and maintenance		85,460	80,500	68,183
Management fee		162,769	105,000	105,000
Depreciation and amortisation	8	198,071	184,515	179,957
Other expenses	4	199,398	193,987	204,223
Total operating expenditure		645,698	564,002	557,363
Surplus/(deficit) before tax		(80,181)	(28,002)	(24,606)
Income tax expense	5	-	-	-
Surplus/(deficit) after tax		(80,181)	(28,002)	(24,606)

Summary of significant accounting policies and the accompanying notes form part of these financial statements.

Whangarei District Airport
Statement of financial position
As at 30 June 2018

Statement of financial position
As at 30 June 2018

	Note	2018 Actual \$	2018 Budget \$	2017 Actual \$
ASSETS				
Current assets				
Bank accounts and cash	6	609,534	668,101	489,471
Debtors	7	68,248	81,199	61,665
Provision for income tax		-	-	1,421
Total current assets		<u>677,782</u>	<u>749,300</u>	<u>552,557</u>
Property, plant and equipment	8	4,371,196	4,392,296	4,528,942
Total non-current assets		<u>4,371,196</u>	<u>4,392,296</u>	<u>4,528,942</u>
Total assets		<u>5,048,978</u>	<u>5,141,596</u>	<u>5,081,499</u>
LIABILITIES				
Creditors and other payables	9	114,553	126,537	66,894
Total current liabilities		<u>114,553</u>	<u>126,537</u>	<u>66,894</u>
Non-current liabilities		-	-	-
Total non-current liabilities		<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities		<u>114,553</u>	<u>126,537</u>	<u>66,894</u>
ASSETS LESS LIABILITIES		<u>4,934,425</u>	<u>5,015,059</u>	<u>5,014,605</u>
ACCUMULATED FUNDS				
Retained earnings	10	1,651,233	1,731,867	1,731,413
Contributed Capital	10	3,283,192	3,283,192	3,283,192
Total equity		<u>4,934,425</u>	<u>5,015,059</u>	<u>5,014,605</u>

Summary of significant accounting policies and the accompanying notes form part of these financial statements.

Whangarei District Airport
Cash flow statement
For the year ended
30 June 2018

Cash flow statement

For the year ended 30 June 2018

	2018 Actual \$	2017 Actual \$
Cash flows from operating activities		
Revenue from operations	576,886	517,858
Interest received	10,637	9,648
	<u>587,523</u>	<u>527,506</u>
Cash was applied to / from		
Payments to suppliers	427,769	334,225
Income tax paid	-	913
Goods and services tax (net)	(2,535)	(9,390)
Total cash provided to operating activities	<u>425,234</u>	<u>325,748</u>
Net cash flow from operating activities	<u>162,289</u>	<u>201,758</u>
 Purchase and development of property, plant and equipment	 <u>42,226</u>	 <u>508,015</u>
Total cash provided to investing and financing activities	<u>42,226</u>	<u>508,015</u>
Net cash flow from investing activities	<u>(42,226)</u>	<u>(508,015)</u>
 Net (decrease)/increase in cash, cash equivalents, and bank overdrafts	 120,063	 (306,257)
Bank accounts and cash, and bank overdrafts at the beginning of the year:	<u>489,471</u>	<u>795,728</u>
Cash, cash equivalents, and bank overdrafts at the end of the year	<u>609,534</u>	<u>489,471</u>

Summary of significant accounting policies and the accompanying notes form part of these financial statements.

1 Statement of accounting policies for the year ended 30 June 2018

1.1 Reporting entity

The Whangarei District Airport is a Council controlled organisation as defined under section 6 of the Local Government Act 2002. The Airport is administered by the Whangarei District Council in a joint venture operation with the Ministry of Transport and is domiciled in New Zealand.

2 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 the Airport will continue to operate in the foreseeable future.

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

Goods and services tax

The Airport 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 and all values are rounded to the nearest dollar (\$) . The functional currency of the Entity is New Zealand dollars.

The financial statements are presented in New Zealand dollars.

2.2 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

Council, government, and non-government grants 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) Interest income

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

(iii) Sale of services

Revenue from the sale of services is recognised when the services are provided to the customer.

(iv) Administration, overheads and other costs.

These are expensed when the related service has been received.

2.3 Income tax

Tax expense is calculated using the taxes payable method. As a result, no allowance is made for deferred tax. Tax expense includes the current tax liability and adjustments to prior year tax liabilities.

2.4 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.

Bank overdrafts are shown as current liabilities in the statement of financial position.

2.5 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 Significant accounting policies (continued)

2.6 Property, plant and equipment

Property, plant, and equipment is recorded at cost, less accumulated depreciation and impairment losses.

(i) 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.

(ii) Use of assets

For an asset to be used by the Airport, the asset is impaired if the value to the Airport 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 of major classes of assets have been estimated as follows:

Class of PP&E	Estimated useful life
Land	Indefinite
Airside	0-140 years
Buildings	4-40 years
Landside	0-140 years
Sundries	5-67 years
Services	0-40 years

2.7 Investments

Investments comprise investments in terms deposits with banks.

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.

2.8 Creditors and accrued expenses

Creditors and accrued expenses are measured at the amount owed.

2.9 Lease expense

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

2.10 Tier 2 PBE Accounting Standards applied

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

2.11 Changes in Accounting Policies

There are no changes in accounting policies.

Whangarei District Airport
Notes to the financial statements
30 June 2018
(continued)

3 Revenue from operations

	2018 Actual \$	2018 Budget \$	2017 Actual \$
Landing fees	349,973	345,000	344,987
Rent received	152,515	145,000	129,139
Operating expenses recoveries	27,831	22,000	24,481
Other recoveries	8,943	6,000	9,874
Other revenue	7,585	8,000	14,263
Total revenue from operations	<u>546,847</u>	<u>526,000</u>	<u>522,744</u>

4 Other expenses

	2018 Actual \$	2018 Budget \$	2017 Actual \$
Cleaning	26,853	32,000	30,034
Electricity	33,747	32,000	29,675
Auditors fees for 2018 financial statements	20,224	20,000	19,948
Other expenses	115,946	109,987	90,143
Loss on disposals of PPE	1,901	-	13,897
Bad debts written off	24,753	-	28
Movement in doubtful debt provision	(24,026)	-	20,498
Total other expenses	<u>199,398</u>	<u>193,987</u>	<u>204,223</u>

5 Income tax

	2018 Actual \$	2017 Actual \$
Relationship between tax expense and accounting profit		
Accounting surplus/(deficit) before tax	(80,181)	(24,606)
Plus / (Less): adjustment for non-tax deductible items	<u>(17,933)</u>	<u>8,908</u>
Taxable surplus (deficit)	<u>(98,114)</u>	<u>(15,698)</u>
Tax at 28%	(27,472)	(4,395)
Plus/(less) tax effect of:		
Tax losses utilised	27,472	4,395
Tax losses carried forward	<u>-</u>	<u>-</u>
Tax expense	<u>-</u>	<u>-</u>

Whangarei District Airport
Notes to the financial statements
30 June 2018
(continued)

6 Bank accounts and cash

	2018 Actual \$	2017 Actual \$
Bank deposits	528,164	401,563
Bank balances	<u>81,370</u>	<u>87,908</u>
Total bank accounts and cash	<u>609,534</u>	<u>489,471</u>

Cash at bank and on hand

The carrying value of cash at bank and short-term deposits with maturities less than three months approximates their fair value.

7 Debtors and other receivables

	2018 Actual \$	2017 Actual \$
Debtors and other receivables	68,476	85,919
Provision for doubtful receivables	<u>(228)</u>	<u>(24,254)</u>
Net debtors	<u>68,248</u>	<u>61,665</u>

8 Property, plant and equipment

	Work in progress \$	Land \$	Landside \$	Buildings \$	Airside \$	Services \$	Sundries \$	Total \$
Year ended Actual 2017								
Opening carrying amount	280,143	810,000	382,329	225,882	2,493,498	43,845	52,613	4,288,310
Additions	4,031	-	-	654,543	-	-	56,053	714,627
Disposals	(280,143)	-	-	(9,223)	-	-	(4,673)	(294,039)
Depreciation charge	-	-	(8,260)	(39,410)	(120,634)	(2,491)	(9,162)	(179,957)
Balance at 30 June 2017	<u>4,031</u>	<u>810,000</u>	<u>374,069</u>	<u>831,792</u>	<u>2,372,864</u>	<u>41,354</u>	<u>94,831</u>	<u>4,528,941</u>
2017								
Year ended 30 June 2018								
Opening balance	4,031	810,000	374,069	831,792	2,372,864	41,354	94,831	4,528,941
Additions	10,459	-	4,031	-	3,980	-	27,786	46,256
Disposals	(4,031)	-	-	-	-	-	(1,901)	(5,932)
Depreciation charge	-	-	(8,880)	(51,221)	(120,853)	(2,491)	(14,626)	(198,071)
As at 30 June 2018	<u>10,459</u>	<u>810,000</u>	<u>369,220</u>	<u>780,571</u>	<u>2,255,992</u>	<u>38,864</u>	<u>106,090</u>	<u>4,371,196</u>

The major additions were: airport signage/lighting, a backup generator and a PABX phone system.
There are no restrictions over the title of the Airport's property, plant and equipment, nor is any property, plant and equipment pledged as security for liabilities.

Whangarei District Airport
Notes to the financial statements
30 June 2018
(continued)

9 Creditors and accrued expenses

	2018 Actual \$	2017 Actual \$
Accrued expenses	71,878	38,940
Trade creditors and other payables	10,443	1,567
Rents in advance	<u>32,232</u>	<u>26,387</u>
Total creditors and accrued expenses	<u>114,553</u>	<u>66,894</u>

Creditors and accrued expenses are non-interest bearing and normally settled 30 day terms. Therefore the carrying value of creditors, accrued expenses and rents in advance approximate their fair value.

10 Equity

	2018 Actual \$	2017 Actual \$
Retained earnings	1,651,233	1,731,413
Contributed Capital	<u>3,283,192</u>	<u>3,283,192</u>
Balance at 30 June 2018	<u>4,934,425</u>	<u>5,014,605</u>

	2018 Actual \$	2017 Actual \$
Retained Earnings		
Balance at 1 July 2017	1,731,414	1,756,019
Surplus/(deficit) for the year	<u>(80,181)</u>	<u>(24,606)</u>
Balance at 30 June 2018	<u>1,651,233</u>	<u>1,731,413</u>

	2018 Actual \$	2017 Actual \$
Contributed Capital		
Loans Repaid	256,512	256,512
Local Community	12,500	12,500
Ministry of Transport	1,987,834	1,987,834
Whangarei District Council	<u>1,026,346</u>	<u>1,026,346</u>
Balance at 30 June 2018	<u>3,283,192</u>	<u>3,283,192</u>

11 Contingencies

The Airport has no contingent liabilities (2017: nil) and no contingent assets (2017: nil).

12 Commitments

The Airport has no capital commitments (2017: nil).

13 Related party transactions

Related party disclosures have not been made for transactions with related parties that are within a normal supplier or client/recipient relationship on terms and conditions no more or less favourable than those that it is reasonable to expect the Airport would have adopted in dealing with the party at arm's length in the same circumstances.

All related party transactions have been entered into at arm's length.

14 Events occurring after the balance date

There were no events after the balance sheet date (2017 nil).

15 Explanation of major variances against budget

Section 64 of the Local Government Act requires a Council Controlled Organisation to prepare a Statement of Intent that complies with Clause 9 of Schedule 8.

- Revenue was higher than budget due to a combination of increased landing numbers due to bad weather diversions from Kerikeri and an increase in terminal advertising.
- Repairs and maintenance: Unfavourable variance against budget due to a concrete removal clean up job of \$6.7k and a number of immaterial items.
- Management fees: A new management contract came into effect during the year resulting in an unfavourable variance against budget of \$58k

16 Performance Information

	Performance Target	Result 2018	Result 2017	Comment			
1	To operate to financial budget				Actual 2018	Budget 2018	Actual 2017
		Target met	Target not met	Revenue	\$565,517	\$536,000	\$532,757
		Target not met	Target met	Expenditure	\$645,698	\$564,002	\$557,363
	Refer to note 15 for explanations of significant variances against budget.						
2	To meet or exceed Airport Certification Standards as laid down by the Civil Aviation Authority for the Airport and reported by random audit	Target met	Target met	A 5 year certificate renewal was completed in May 2018.			
3	To conduct a survey of airport users and determine their views on Airport facilities and future facility developments	Target met	Target met	A survey was carried out and completed in June 2018.			
4	To implement the new Civil Aviation Authority (CAA) requirement for a Safety Management System (SMS).	In progress	In progress	WDA management staff have attended CAA seminars on SMS and have now completed the implementation plan that the CAA has accepted. Deadline for final adaption is December 2019. Progress has already commenced on the implementation.			
5	Engage third party quality auditor to report each June	Target met	Target met	Because of certificate renewal the auditor as requested to do the annual audit in February. The next audit will be held in June 2019. There may need to be other involvement as part of SMS implementation.			
6	To implement necessary changes to Health and Safety policy / procedures to address any changes to legislation.	In progress	Target met	The SMS being implemented already has aspects that improve on practices in the Health and Safety environment. Eventually the two documents will be merged. An Airport safety committee has been formed as part of the SMS and this will bring tenant PBCU around the table with Health and Safety as a focus.			
7	To explore economic development opportunities in attracting new business and job creation	In progress	n/a	Several options have been explored. Car parking charges the obvious one but there is a plan of works/projects that can generate revenue.			
8	Explore existing service providers and encourage expansion and investment	In progress	n/a	We have been in discussions with a couple of potential providers. One is a rental car company and the other is a small airline operator.			

Auditors' Report

To the customers of Whangarei District Airport Limited

4.3 Northland Regional Landfill Limited Partnership 2017-18 Annual Report

Meeting: Finance and Corporate Committee
Date of meeting: 27 September 2018
Reporting officer: David Lindsay (Solid Waste Engineer)

1 Purpose

To receive the 2017/18 annual report for the Northland Regional Landfill Limited Partnership (NRLLP).

2 Recommendation

That the Finance and Corporate Committee notes the 2017/18 Annual Report from the Northland Regional Landfill Limited Partnership.

3 Background

The Local Government Act (LGA) requires that Whangarei District Council reports annually on the performance of its Council Controlled Organisations. The NRLLP is operated under a limited partnership agreement between the limited partners Whangarei District Council (50%) and Northland Waste Limited (NWL) (50%). The Limited Partnership is a CCTO (Council Controlled Trading Organisation) as defined under the LGA.

NRLLP operates in a competitive commercial market and therefore disclosure of commercially sensitive information normally required under Sections 67, 68 and 69 of the LGA would prejudice NRLLP's commercial position. Section 71 of the LGA permits information to be withheld that would be withheld under an application under Local Government Official Information and Meetings Act (LGOIMA). Specifically, clauses under section 7, "Other reasons for withholding official information", (2) (h), (i) and (j) apply. Commercially sensitive information has been withheld from the Annual Report.

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. Northland Regional Landfill Limited Partnership Annual Report 2017/18



ANNUAL REPORT FOR WHANGAREI DISTRICT COUNCIL

1 July 2017 to 30 June 2018

For the attention of: Rob Forlong, Chief Executive Officer, Whangarei District Council

1 Introduction

The Northland Regional Landfill Limited Partnership (NRLLP) is operated under a limited partnership agreement between the limited partners Whangarei District Council (WDC) (50%) and Northland Waste Limited (NWL) (50%). The Limited Partnership is a Council Controlled Trading Organisation (CCTO) as defined in the Local Government Act (LGA).

The LGA requires that WDC reports annually on the performance of its Council Controlled Organisations.

The purpose of this report is to report the performance of the CCTO for the year from 1 July 2017 to 30 June 2018.

2 Limitations

NRLLP operates in a competitive commercial market and therefore disclosure of commercially sensitive information normally required under Sections 67, 68 and 69 of the LGA would prejudice NRLLP's commercial position. Section 71 of the LGA permits WDC to withhold information that would be withheld under an application under Local Government Official Information and Meetings Act (LGOIMA). Specifically clauses under, section 7, "Other reasons for withholding official information", (2) (h), (i) and (j) apply. For this reason, commercially sensitive information has been withheld from this Annual Report.

3 Background

WDC was the former owner of the Re:Sort Resource Recovery Park and the Puwera Landfill properties. The properties were sold to the Limited Partnership on 1 July 2009.

3.1 Description of the Business

Management and Operations

NRLLP's day-to-day operational activities are managed by Whangarei Waste Limited (WWL) as general partner. WWL is jointly owned by WDC and NWL. WWL reports at least annually to the NRLLP Advisory Committee.

The main activity of the Partnership is to operate the Puwera Landfill and Re:Sort to provide waste disposal facilities.

Quay Contracting 2009 Limited (QCL) (a related company to NWL) has a Management Agreement with WWL to manage Re:Sort and the Puwera Landfill.

Waste Streams

Waste inputs into the Puwera landfill and Re:Sort are sourced from:

- Waste and recyclables from domestic and commercial customers in the Whangarei District into Re:Sort.
- Waste and recyclables from the Whangarei District from kerbside refuse collections, rural transfer stations and litter collections.
- Waste collected from throughout the Northland region and Northern Auckland by NWL and associated companies.
- Domestic and commercial waste collected by private operators within the Whangarei District (including NWL).
- Puwera Landfill also receives waste directly from other licensed contractors from throughout Northland.

Landfill Capacity

Construction to create increased capacity (air space) is demand driven with adequate air space always maintained. Fraser Thomas Consultants have been engaged to design the staging for the construction and Reyburn and Bryant have been engaged to provide quantity surveying services and as built plans for the completed work. WWL manages the staging for the construction and the construction contractual arrangements.

Consents

Puwera Landfill is consented for purpose and operates under Consent CON20010908001 administered by the Northland Regional Council. Fraser Thomas Consultants provide advice and monitoring services required for the landfill operations.

4 Performance for Year Ended 30 June 2018

4.1 Summary

NRLLP has had another successful year and very satisfactory trading results have been achieved. Annual tonnage to the landfill has increased from the previous year and local tonnage going to ReSort has also increased year on year. Construction of cells 1 - 3 is completed and construction Stage 4 will be completed during the 2019 financial year. It will be a number of years before completed stages are able to be overlaid with further waste. A larger leachate system is also in the process of being constructed and will be completed in 2019 prior to Stage 4 accepting waste. Despite continued significant capital expenditure cash distributions have been made to partners during the year. Projections indicate continued returns to Partners in the foreseeable future, subject to any further unbudgeted capital

4.2 Performance compared to the Statement of Intent

The Statement of Intent sets the objectives for the operation of the Partnership as follows:

- (i) Maintain processes to divert green waste from the waste stream.*
- (ii) Where financially viable, continue recycling and resource recovery programmes*
- (iii) Continue to investigate opportunities to attract waste from throughout the region and northern Auckland area to increase profitability.*

The Statement of Intent sets the reporting targets as follows:

The following information will be available to the partners based on an annual balance of 30 June.

7.1 Annual Report

Within three months after the end of each financial year, the Board shall deliver to the partners, audited financial statements in respect of that financial year, containing the following information:

- a. Audited financial statements for that financial year consisting of;*
 - i. Statement of Financial Position;*
 - ii. Statement of Comprehensive Income;*
 - iii. Auditor's report*
 - iv. such other statements as may be necessary to fairly reflect the financial position of the Company and its subsidiaries, the resources available to the Company and its subsidiaries and the financial results of the operations of the Company and its subsidiaries.*

NRLLP has provided all the financial statements and information required and, at the request of Audit NZ, the Audit Opinion is scheduled for issue on 28th September 2018. NRLLP Advisory Committee receives the Annual Report.

The above information is confidential and therefore cannot be disclosed in this report.

The Statement of Intent sets the performance measurement targets as follows:

7.2 Performance Targets

Indicative Financial and Non-Financial Performance Targets:

- *NRLLP is a 'for profit' commercial entity operating in a very competitive environment. Commercial sensitivity precludes the publication of commercial performance measures.*
- *Financial Performance Target.*
 - *To operate at a profit.*
- *Non-financial Performance Target*
 - *To open both the Puwera Landfill and Re-Sort facilities for a minimum of 40 hours each week.*
 - *NRLLP to ensure that its principal contractor employed to run Puwera and Resort maintains ACC Accreditation standards for its Health and Safety Management System.*
 - *Ensure no serious harm incidents occur at all operational sites owned by NRLLP*
 - *Ensure Resort facilitates a minimum of 40% diversion away from landfill of all material being handled through the site*
 - *Maintain compaction of 0.7 tonnes of placed refuse per cubic metre of airspace used*
 - *Ensure 6 months landfill capacity is maintained at all times*
 - *Achieve a minimum of 70% landfill gas destruction*

Table 1 below includes all of the performance measures reported against this year:

Table 1

SOI Measure	Commentary
To operate at a profit	Achieved - The partners have received distributions and have not been required to inject further funding into the business to meet the costs of increasing the capacity of the landfill.
To open both the Puwera Landfill and Re:Sort for a minimum of 40 hours each week.	Achieved - NRLLP has exceeded this performance target by operating Puwera Landfill and Re:Sort facilities for more than 40 hours per week.

SOI Measure	Commentary
To ensure the ACC supervisor/administrator holds and maintains ACC accreditation	Achieved - Health and Safety is administered and supervised by NWL on behalf of NRLLP and QCL. The ACC accreditation held by NWL has been discontinued and a replacement scheme is being sought.
To achieve zero serious harm incidents	Achieved - QCL has had zero serious harm incidents for the period.
At the Re:Sort to achieve a minimum of 40% recycled product against total Re:Sort tonnes to landfill.	Achieved - recyclable material has been sold both locally and nationally, green waste is processed locally and other innovations to divert materials from landfill include reclamation and sale of reusable goods and materials.
At Puwera Landfill to maintain at least refuse compaction of 0.7 tonnes per cubic metre.	Achieved - compaction rates being achieved have prolonged the useful life of each cell constructed.
At Puwera Landfill, to maintain at least six months landfill capacity at all times.	Achieved - cell construction has been tailored to capacity projections and capacity has always been maintained for day to day operations.
At Puwera Landfill, to achieve a minimum of 70% landfill gas capture.	Achieved - gas infrastructure and capping has been programmed to achieve optimum landfill gas capture.

5 Other Matters

Financial

NRLLP has generated sufficient cashflow to increase the capacity of Puwera Landfill without requiring further funding injection from the Partners.

NRLLP is fully compliant with banking covenants.

Non-Financial

NWL has increased tonnage into Puwera since the inception of the partnership to enable NRLLP to achieve an operational scale sufficient to ensure ongoing viability. NWL is committed to providing tonnage it secures from Whangarei and a significant portion of its tonnage from elsewhere to Puwera Landfill if this is financially beneficial to NWL.

The Puwera Landfill has achieved effective waste disposal provision for the region from North Auckland to the Far North and is catering for the increased demand from NWL customers and third party operators. Puwera Landfill provides a competitive alternative for these regions evidenced through the increase in tonnage from them.

The Re:Sort continues to provide services to the local community. Tonnages have increased reflecting a growing population and increased business activities. It also continues to provide a local collection point for WDC recycling collections and domestic and commercial customers and separation of recycling and green waste enabling minimization of waste and associated environmental benefits of waste diversion. A shop selling materials diverted from the waste stream is proving very popular with customers.

NRLLP continues to explore the beneficial use of landfill gas whilst recognising the risks inherent in such a project. Options have been developed to use the landfill gas (currently flared off). The main option is to generate power to go directly into the national grid or alternatively to sell directly to a gas user.

To improve recycling outputs, a Material Recycling Facility is being considered. Operating and funding decisions are expected within the next financial year

6 Conclusion

NRLLP has performed well this year against performance measures set out in the Statement of Intent and as indicated under the “Other Matters” heading. A summary of the performance achieved is below:

- Met all Statement of Intent measures
- Distributions achieved for the Partners
- Complied with banking covenants
- Operated facilities effectively for the region
- Ongoing viability has been achieved through increasing the scale of operations
- Increasing market share achieved by providing competitive alternative for Auckland, Kaipara and Far North regions
- Continued to explore beneficial use of the landfill gas

There have been no material changes in the activities of NRLLP and the nature of the partnership’s business has not changed during the year.

No Directors remuneration is paid by the Partnership. Any remuneration is the responsibility of the partners own business entities.

The Directors are pleased with the results for the year. Partners’ distributions will continue to be paid in ensuing years.

For and on behalf of the Board

Warwick Syers

Chairman

Whangarei Waste Ltd and Northland Regional Landfill Limited Partnership

7 September 2018

4.4 Local Government Funding Agency – Annual Report 2017-2018

Meeting: Finance and Corporate Committee
Date of meeting: 27 September 2018
Reporting officer: Alan Adcock (General Manager – Corporate/CFO)

1 Purpose

To provide the Local Government Funding Agency (LGFA) Annual Report for 2017-2018.

2 Recommendation

That the Finance and Corporate Committee notes the Local Government Funding Agency Annual Report for 2017-2018.

3 Discussion

The LGFA has been operational since 2011. The Annual Report 2017-2018 for its sixth full year of operations is attached.

The covering letter sent to LGFA Shareholders with the Annual Report is also attached.

Some of the most significant achievements for the year were:

- **Longer dated borrowing options were made available to an increased number of council borrowers**
 By 30 June 2018, LGFA had loans outstanding of \$7.96 billion to fifty-six participating councils. This is an increase of \$180 million in loans three new council members were added over the past year.
- **Market share of 70% of sector borrowing for the year.**
 For the 12-month period to 30 June 2018, LGFA provided 70% of the sector borrowing
- **A strong financial position has ensured a dividend payment of 5.14% for shareholders.**
 The financial strength of LGFA has been enhanced with a Net Operating Profit of \$11.8 million for the 2017/18 year and Shareholder Equity of \$64.29 million as at 30 June 2018. A \$1.285 million dividend has been declared by the LGFA Board for the year ended 30 June 2018.

The LGFA Annual General Meeting is to be held on 21 November 2018. A further item outlining the AGM Agenda and related matters (including those Council can vote on) will be brought to the October meeting.

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. LGFA Letter to Shareholders
2. LGFA Annual Report 2017-2018

28 August 2018

Dear Shareholder

LGFA 2018 Annual Report

I attach our Annual Report for 2018 as required under section 8 of our Statement of Intent (SOI).

We are pleased to highlight another strong year for LGFA that included several achievements.

1. We have made longer dated borrowing options available to an increased number of council borrowers

By 30 June 2018, LGFA had loans outstanding of \$7.96 billion to fifty-six participating councils. This is an increase of \$180 million in loans and we added three new council members over the past year.

2. Market share of 70% of sector borrowing for the year.

For the 12-month period to 30 June 2018, LGFA provided 70% of the sector borrowing and we are appreciative of the support from our borrowing councils.

3. A strong financial position has ensured a dividend payment of 5.14% for shareholders.

The financial strength of LGFA has been enhanced with a Net Operating Profit of \$11.8 million for the 2017/18 year and Shareholder Equity of \$64.29 million as at 30 June 2018. A \$1.285 million dividend has been declared by the LGFA Board for the year ended 30 June 2018 and we will be sending out the dividend notice to you shortly. The dividend rate is \$0.0514 per paid up share and will be paid to you on Friday 7 September.

A copy of the Annual Report is attached, it will also be available on our website www.lgfa.co.nz from today. If you would like a hard copy version, please contact jane.phelan@lgfa.co.nz.

We intend holding our Annual General Meeting (AGM) on Wednesday 21st November 2018 in Wellington. We will send out the Notice of AGM and Agenda by Monday 24th September 2018.

Please do not hesitate to contact me if you have any comments or questions.

Kind regards



Mark Butcher
Chief Executive

Partnering with Councils to finance infrastructure investment

Mā te huruhuru
ka rere te manu

Annual report
30 June 2018



NEW ZEALAND LOCAL
GOVERNMENT FUNDING AGENCY
TE PŪTEA KĀWANATANGA Ā-ROHE

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

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

Contents

Ihirangi

04

About us
Ko ngāi mātou

10

Message from
the Chair
He karere mai
i te Toihau

14

Performance
highlights
Putanga mahi
Matua

16

Corporate
governance
Ārahitanga
ā-rangatōpū

28

Treasury risk
management
Whakahaeretanga
ā-mōrearea

32

Performance
against objectives
Tutukinga mahi
ki ōna whāinga

44

Financial
statements
Taukī pūtea

Directors' declaration	44
Statement of comprehensive income	45
Statement of changes in equity	46
Statement of financial position	47
Statement of cash flows	48
Notes to financial statements	49
Auditor's report	70

74

Other disclosures
Whākitanga

75

Directory
Rārangi tauwaea

About us

Ko ngāi mātou

Establishment

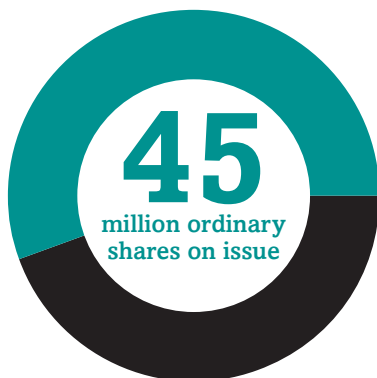
The New Zealand Local Government Funding Agency Ltd (LGFA) specialises in funding the New Zealand local government sector, the primary purpose being to provide more efficient funding costs and diversified funding sources for New Zealand local authorities. LGFA was established to raise debt on behalf of local authorities on terms that are more favourable to them than if they raised the debt directly.

Incorporated
on 1 December
2011 under the
Companies
Act 1993.

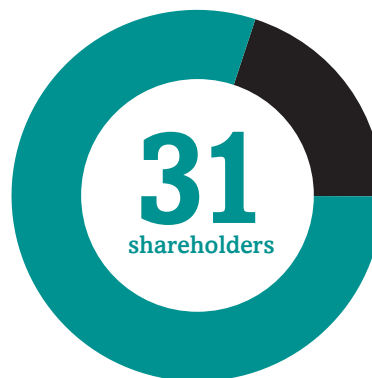
Enabled
by Local
Government
Borrowing
Act 2011

**Council-
controlled
organisation**
under the Local
Government
Act 2002.

Ownership



20 million of which
remain **uncalled**.



20%
New Zealand
Government

80%
30 councils

Share ownership is restricted
to New Zealand Government
or councils.

Guarantee structure

LGFA's securities obligations are guaranteed by the councils that are Guarantors.

LGFA is not guaranteed by the New Zealand Government

All council shareholders must be a Guarantor as well as any council with aggregate borrowings over \$20 million.

Credit rating

as at 30 June 2018

Domestic Currency AA+ / Foreign Currency AA (Stable Outlook)

Standard & Poor's

Domestic Currency AA+ / Foreign Currency AA (Stable Outlook)

Fitch Ratings

These credit ratings are the same as the New Zealand Government ratings.

Face value of bonds on issue

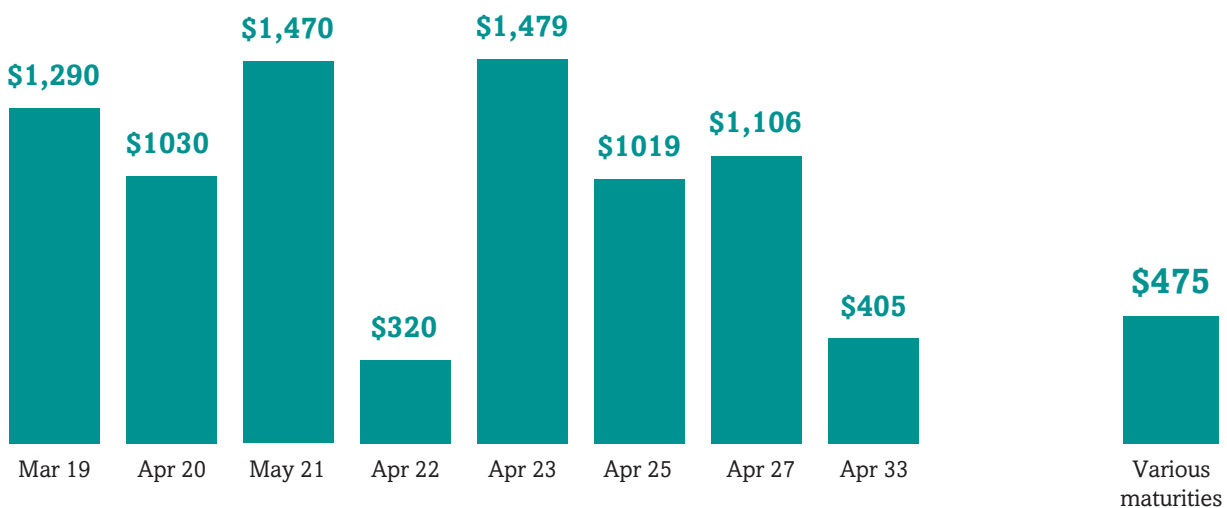
as at 30 June 2018 (NZ\$ million)

\$8,119
million

Bills on issue

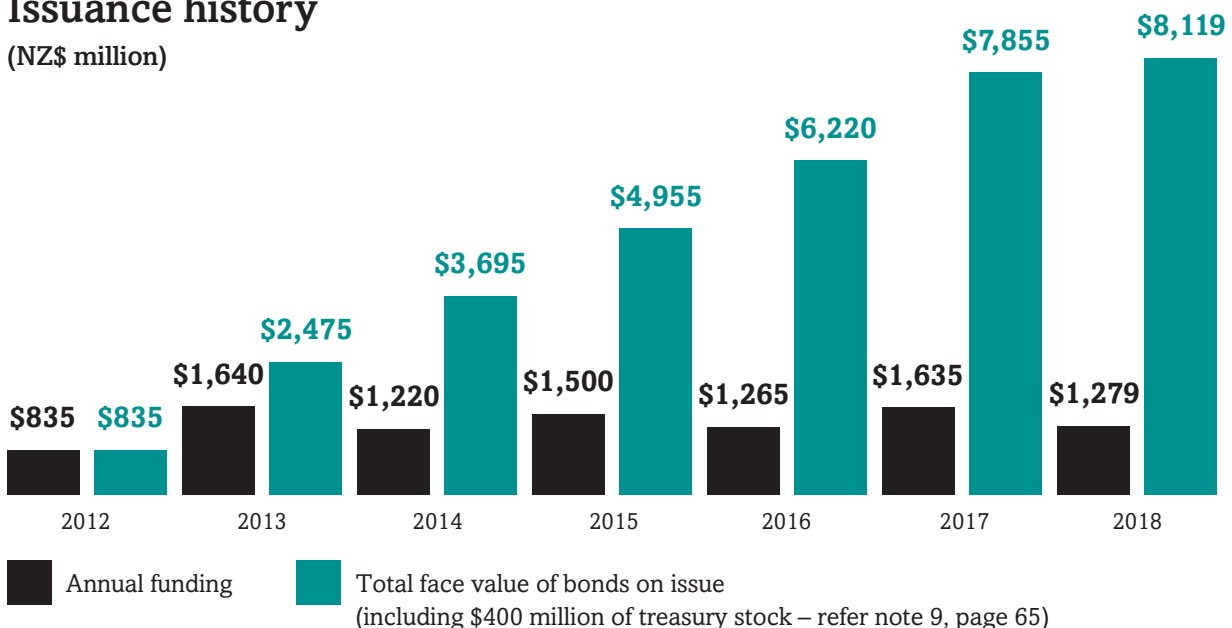
as at 30 June 2018 (NZ\$ million)

\$475
million

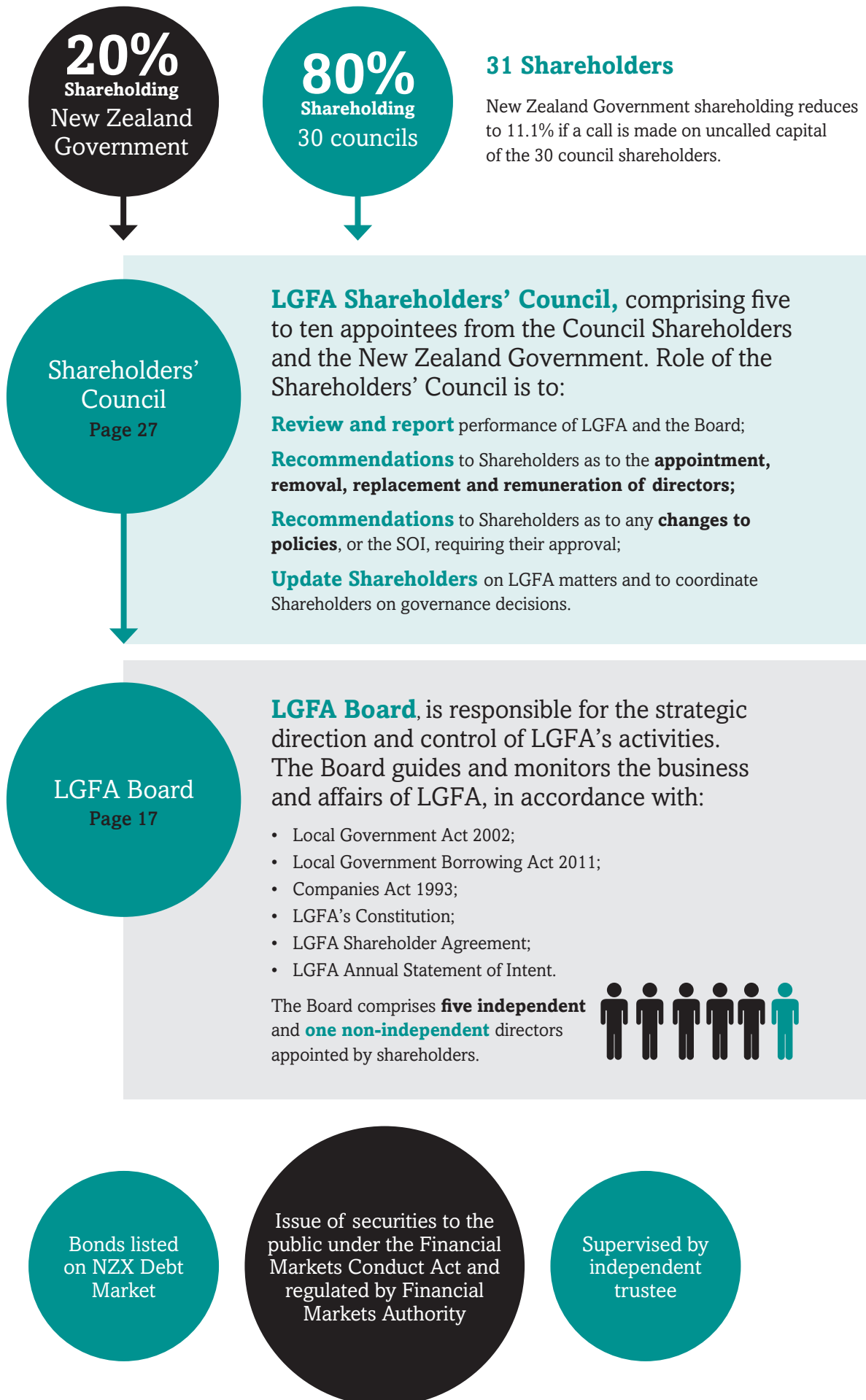


Issuance history

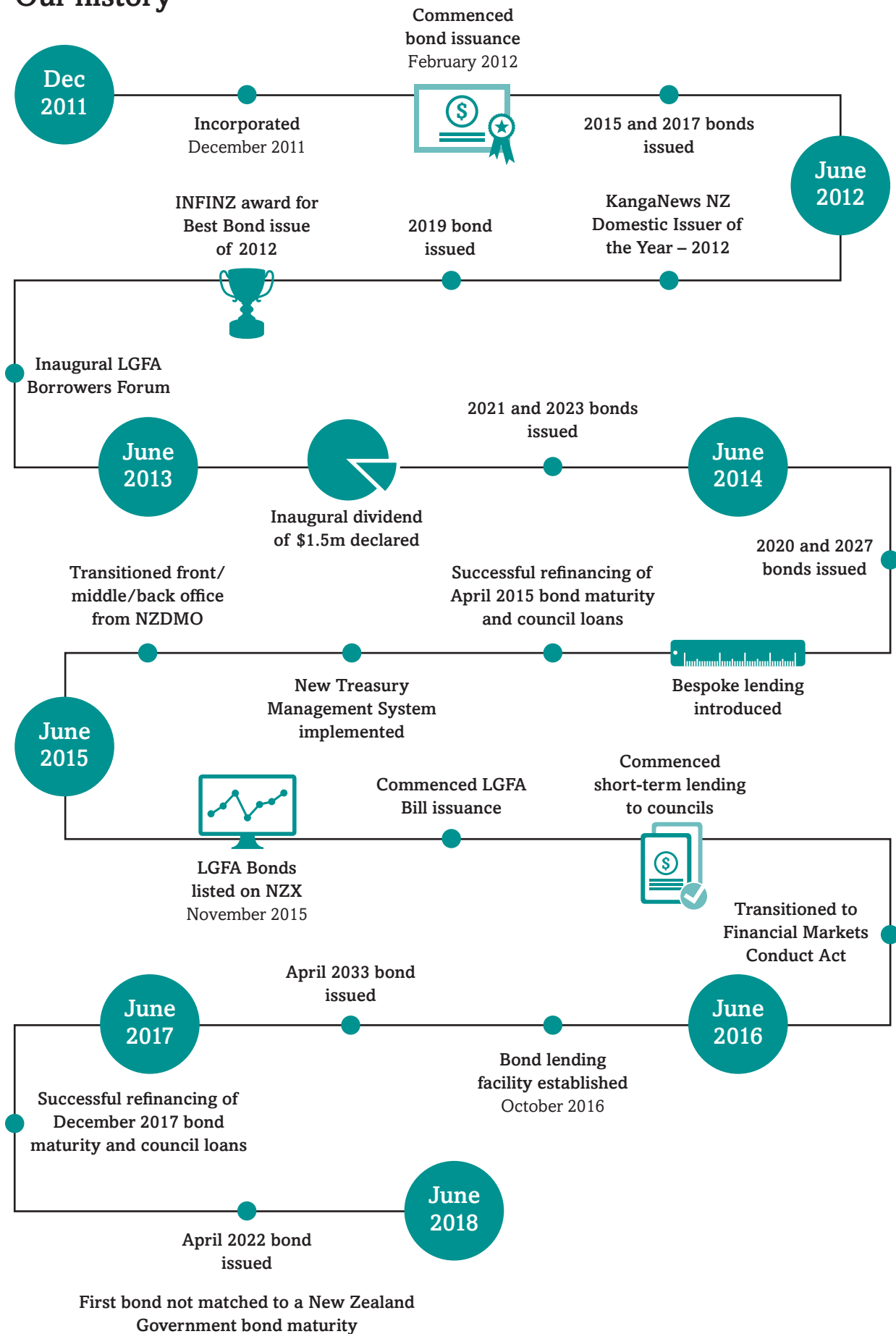
(NZ\$ million)



Governance overview



Our history



LGFA's 56 participating councils with year of joining

North Island

2011-12	Auckland Council	Shareholder
2011-12	Bay of Plenty Regional Council	Shareholder
2011-12	Greater Wellington Regional Council	Shareholder
2011-12	Hamilton City Council	Shareholder
2011-12	Hastings District Council	Shareholder
2011-12	Masterton District Council	Shareholder
2011-12	New Plymouth District Council	Shareholder
2011-12	South Taranaki District Council	Shareholder
2011-12	Taupo District Council	Shareholder
2011-12	Tauranga City Council	Shareholder
2011-12	Waipa District Council	Shareholder
2011-12	Wellington City Council	Shareholder
2011-12	Western Bay of Plenty District Council	Shareholder
2011-12	Whangarei District Council	Shareholder
2012-13	Far North District Council	Borrower and Guarantor
2012-13	Gisborne District Council	Shareholder
2012-13	Hauraki District Council	Shareholder
2012-13	Horowhenua District Council	Shareholder
2012-13	Hutt City Council	Shareholder
2012-13	Kapiti Coast District Council	Shareholder
2012-13	Manawatu District Council	Shareholder
2012-13	Matamata-Piako District Council	Borrower and Guarantor
2012-13	Palmerston North City Council	Shareholder
2012-13	Rotorua District Council	Borrower and Guarantor
2012-13	Thames-Coromandel District Council	Shareholder
2012-13	Waikato District Council	Borrower and Guarantor
2012-13	Whakatane District Council	Shareholder
2012-13	Whanganui District Council	Shareholder
2013-14	Horizons District Council	Borrower and Guarantor
2013-14	Upper Hutt City Council	Borrower and Guarantor
2014-15	Opotiki District Council	Borrower
2014-15	Porirua City Council	Borrower and Guarantor
2014-15	Taranaki District Council	Borrower
2015-16	Kaipara District Council	Borrower and Guarantor
2015-16	South Wairarapa District Council	Borrower
2016-17	Central Hawkes Bay District Council	Borrower
2016-17	Northland Regional Council	Borrower
2016-17	Waitomo District Council	Borrower and Guarantor
2017-18	Rangitikei District Council	Borrower
2017-18	Stratford District Council	Borrower

South Island

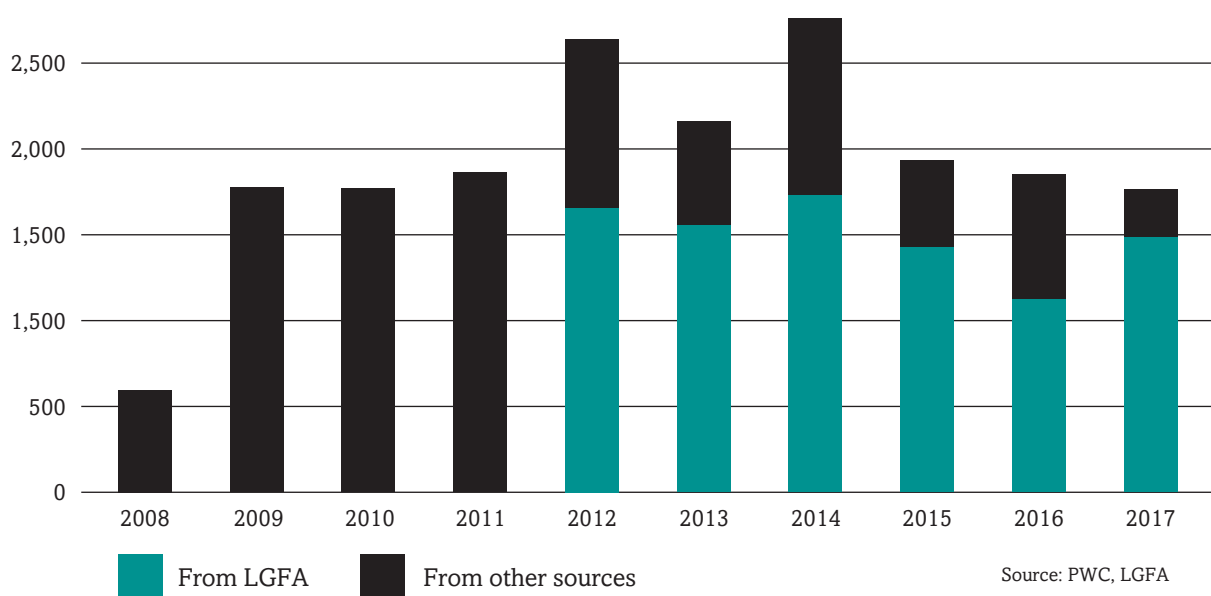
2011-12	Christchurch City Council	Shareholder
2011-12	Otorohanga District Council	Shareholder
2011-12	Selwyn District Council	Shareholder
2011-12	Tasman District Council	Shareholder
2012-13	Ashburton District Council	Borrower and Guarantor
2012-13	Grey District Council	Borrower
2012-13	Marlborough District Council	Shareholder
2012-13	Nelson City Council	Borrower and Guarantor
2012-13	Queenstown Lakes District Council	Borrower and Guarantor
2012-13	Timaru District Council	Borrower and Guarantor
2012-13	Waimakariri District Council	Shareholder
2013-14	Hurunui District Council	Borrower and Guarantor
2015-16	Buller District Council	Borrower
2015-16	Canterbury Regional Council	Borrower and Guarantor
2015-16	Gore District Council	Borrower
2017-18	Westland District Council	Borrower

Participating councils

Borrower Type	Number of Councils	Amount Borrowed (NZ\$ million)	Percentage of Total Borrowing
Guarantors	45	7,846	98.6
Non Guarantors	11	130	1.4
Total	56	7,976	100

Councils' borrowing

All councils (NZ\$ million) calendar year



New member Councils

LGFA welcome the following three councils who joined as eligible borrowers in the year-ended 30 June 2018:



Message from the Chair

He karere mai i te Toihau

For the year ended 30 June 2018

“LGFA continues to be the leading provider of cost-effective funding to New Zealand councils while offering investors a highly rated, higher yielding alternative to New Zealand Government Bonds.”

Craig Stobo, Chair LGFA Board



Directors are pleased to record another period of strong financial and non-financial performance to 30 June 2018 and to highlight the following developments over the past year.

Strong financial and operational performance

LGFA total interest income for the financial year of \$342.8 million was a 6.9% increase over the 2016-17 financial year result of \$320.7 million while net operating profit of \$11.80 million for the financial year was a 6.8% increase on the 2016-17 financial year result of \$11.05 million.

Net interest income and operating profit exceeded both the previous year's result and the Statement of Intent (SOI) forecast due to the early refinancing of loans by councils maturing in December 2017 and a higher level of liquid assets held than forecast.

Expenses have been managed under budget over the past year as lower personnel costs and lower fees from a reduced utilisation of the standby facility relative to forecast were offset by higher legal costs from the establishment of an Australian Medium Term Notes Programme and lending activities above budget.

While we achieved strong financial and operating performance and delivered value to stakeholders, we did not meet all SOI specific performance targets outlined on page 43 of this Annual Report. The average margin on loans to councils was higher than the SOI target due to many councils borrowing from LGFA for longer tenors at higher margins. For the coming year, we have adopted a flat margin structure for councils, irrespective of loan tenor. Our lending to councils was lower than expected due to the timing of the March 2019 loan refinancing. This led to LGFA not achieving our target for lending volumes for the first time in six years and we will work closer with councils in the coming year regarding the timing of their borrowing.

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

The financial strength of LGFA was reaffirmed in late 2017 by credit rating agencies Standard & Poor's and Fitch who both maintained our credit rating at 'AA+', which very importantly is the same as the New Zealand Government. In May 2018, S&P announced the introduction of a new ratings methodology for non-US public sector funding agencies such as LGFA and subsequently affirmed our local currency long term rating as 'AA+' on 13 July 2018.

Borrowing activity

LGFA issued \$1.279 billion of bonds over the financial year and outstandings now total \$8.119 billion (including \$400 million of treasury stock) across eight maturities from 2019 to 2033. A highlight was the debut issuance of an April 2022 bond which provides a new mid curve maturity for investors. The issuance of the April 2022 bond was a change from our previous strategy of issuing into New Zealand Government Bond (NZGB) maturities but, after careful consideration, it was decided to issue the new maturity to help reduce the mismatch between LGFA bond issuance and on-lending to councils.

LGFA is the largest issuer of NZD securities after the New Zealand Government and our bonds are amongst the largest and most liquid New Zealand dollar debt instruments available for investors. It was pleasing to see our estimated offshore investor holdings grow to 39% from 31% a year ago.

The performance of LGFA bonds over the past year was mixed with LGFA bond spreads to both swap and NZGB tighter on maturities out to 2021, but spreads wider on maturities beyond 2023. Outright yields declined between 28 bps (0.28%) on the 2033 maturity and 55 bps (0.58%) on the 2021 maturity over the year.

LGFA continues to issue short-dated LGFA Bills ranging in maturities from three months to 12 months through a combination of monthly tenders and private placements. Outstandings under the programme have reached \$475 million. These instruments provide a source of funding for short-dated lending to our council borrowers and assist LGFA with liquidity management.

Lending to the sector

LGFA was established in December 2011 to provide long-dated borrowing, certainty of access to markets and to reduce the borrowing costs for the local government sector. The original 31 shareholders including the New Zealand Government remain as shareholders. Over the past year, we added three new members with Stratford, Rangitikei and Westland District Councils joining as non-guarantors. Total membership is now 56 councils, and this is expected to rise in the coming year as several councils have included joining LGFA in their Long-Term Plans.

Long-dated lending over the 2017-18 year totalled \$1.088 billion with much of the lending activity being the refinancing of council loans maturing on 15 December 2017. The tenor of borrowing by councils shortened slightly to an average term of borrowing of 6.9 years over the 12-month period.

Short-dated lending for terms less than 12 months has been well received by councils and as at 30 June 2018, LGFA had \$236 million of short-term loans outstanding to 19 councils.

The sector outlook and impact on LGFA

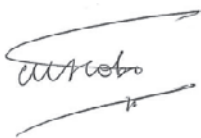
The success of LGFA over the past six years has been in part due to its ability to evolve and adapt to meet the needs of the local government sector. This has been apparent with the introduction of short-term lending, bespoke lending and the introduction of long-dated bond maturities allowing councils to undertake long-dated borrowing.

Following the change in central government in October 2017, there has been several policy announcements regarding the need to hasten delivery of housing infrastructure, the establishment of an inquiry by the Productivity Commission into local government funding and financing and the review of the management of drinking water, stormwater and waste water (the Three Waters review). The outcome of these initiatives may have a significant impact on the wider local government sector, so LGFA is assisting where possible both central and local government to work through the issues.

Our council members are also currently in the process of publishing their Long-Term Plans and we would expect both higher infrastructure investment and increased borrowing requirements from the sector over the next 10 years. We are confident that LGFA can meet the needs of our council members.

Acknowledgments

The Agency's work cannot be implemented without the support of our staff, fellow directors, Shareholders' Council and the New Zealand Debt Management Office (NZDMO), whose efforts all should be acknowledged. I would like to also thank Mark Butcher, our Chief Executive, for his leadership of the organisation over the past year. Directors believe the Agency's future remains positive and look forward to working with all stakeholders in the year ahead.



Craig Stobo
Chair, LGFA Board



Award winning
redeveloped
Stratford District
Library.
Stratford District
Council



Stratford water
treatment plant.
The \$7.0m project was
undertaken to meet
the new Drinking
Water Standards.
Stratford District
Council



the more things
you will know.

Performance highlights

Putanga mahi matua

Bonds issued over financial year

\$1.279
billion

Lending to councils over financial year

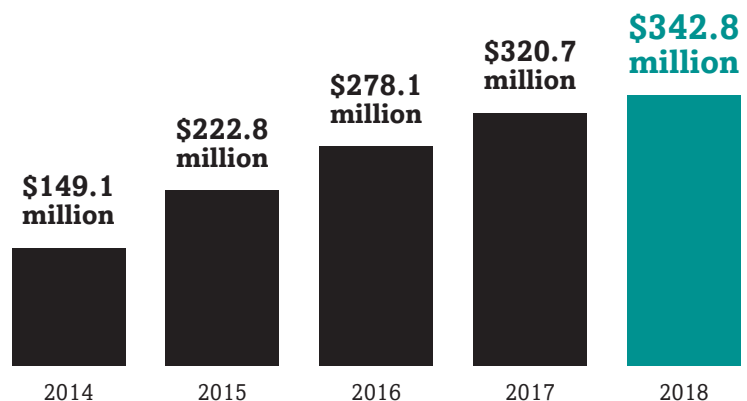
\$1.088
billion

Total interest income

\$342.8
million

▲ **6.9%**

increase over the 2016-17 financial year

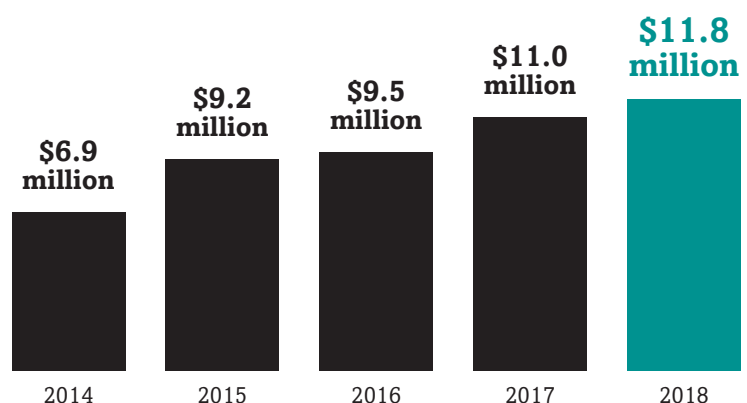


Net operating profit

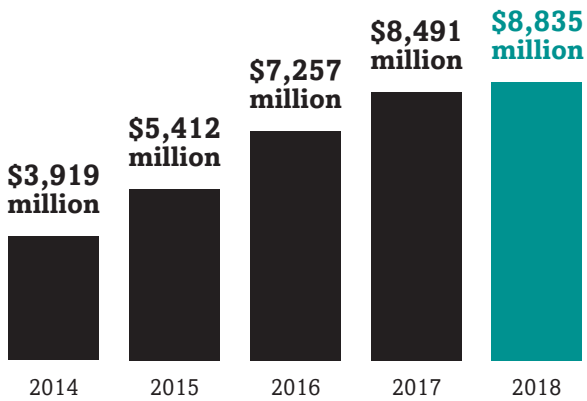
\$11.8
million

▲ **6.8%**

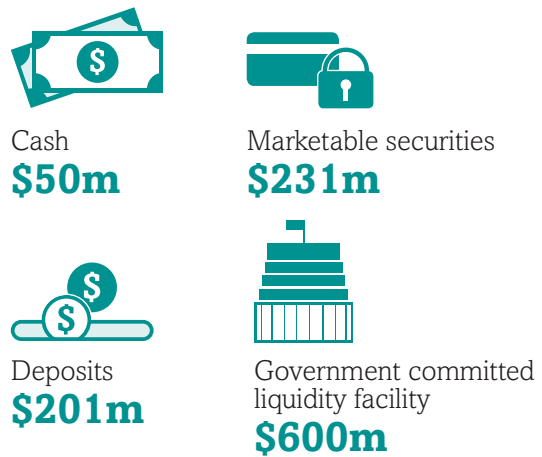
increase over the 2016-17 financial year



Total assets



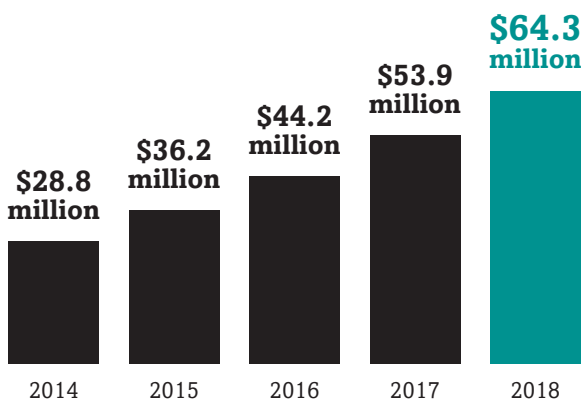
Liquidity as at 30 June 2018



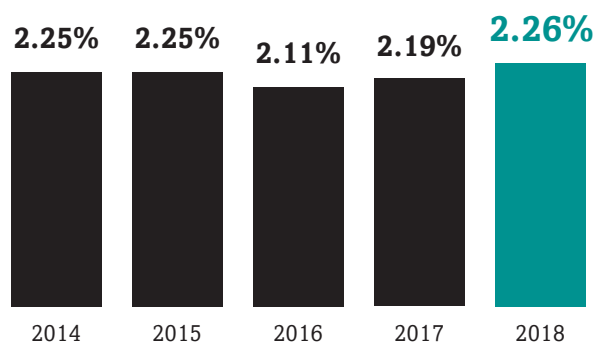
Shareholder funds 30 June 2018



Shareholder equity



Shareholder funds and borrower notes / total assets



Borrower Notes are subordinated convertible debt instruments subscribed for by borrowing councils.

Corporate governance Ārahitanga ā-rangatōpū

NZX Corporate Governance Best Practice Code

The LGFA Board is committed to ensuring the Company demonstrates ongoing commitment to strong and sound corporate governance.

LGFA is a listed issuer on the NZX Main Board and this section sets out the Company's compliance with the eight core principles underpinning the NZX Corporate Governance Best Practice Code 2017.

The Company considers that its governance practices have not materially differed from the NZX Code for the year ended 30 June 2018. Areas where the Company has implemented alternative measures to the Code are as follows:

An Issuer should establish a nomination committee to recommend director appointments to the Board.

An Issuer should establish a remuneration committee to recommend remuneration packages for directors to shareholders.

The process for the nomination and remuneration of directors is documented in the Constitution of New Zealand Local Government Funding Agency Limited and outlined below.

The following governance documents referred to in this section are available on the LGFA website: lgfa.co.nz/about-lgfa/governance:

- LGFA Constitution
- Shareholders Agreement
- Code of Ethics
- Board Charter
- Audit and Risk Committee Charter
- Internal Audit Charter
- Diversity Policy

Principle 1

Code of ethical behaviour

Directors should set high standards of ethical behaviour, model this behaviour and hold management accountable for delivering these standards throughout the organisation.

Code of Ethics

LGFA has adopted a formal Code of Ethics, incorporating both our Conflicts of Interest Policy and Code of Conduct Policy, which sets out the standards that both directors and employees of LGFA are expected to follow to reflect the values of LGFA.

The Company recognises impartiality and transparency in governance and administration are essential to maintaining the integrity of LGFA. Accordingly, the Conflicts of Interest Policy formally provides guidance to employees and directors of LGFA in relation to conflicts of interest and potential conflicts of interest, including specific guidance on the process for managing potential conflicts that may arise for non-independent directors. Directors and employees are expected to avoid all actions, relationships and other circumstances that may impact on their ability to exercise their professional duties.

The Code of Conduct Policy requires employees and directors to carry out their roles while maintaining high standards of integrity and conduct by clearly

setting out our standards for expected behaviour. In addition, the policy sets out the Company's commitment to behave in a fair and reasonable manner to employees, while providing a fair and safe working environment.

Protected Disclosures and Whistle Blowing

The Company has adopted a Protected Disclosures and Whistle Blowing Policy which provides procedure, support and protection to persons who disclose information which they reasonably believe to be about serious wrong-doing in or by LGFA.

Financial Products Trading Policy

LGFA has formally adopted a Financial Products Trading Policy, which applies to all directors, employees and contractors, and details LGFA's policy on, and rules for dealing in, listed debt securities issued by LGFA and any other quoted financial products of LGFA.

To ensure an effective Board, there should be a balance of independence, skills, knowledge, experience and perspectives.

Principle 2

Board composition and performance

LGFA Board Charter

The LGFA Board has adopted a Board Charter which describes the Board's role and responsibilities and regulates the Board's procedures. The Board Charter states that the role of the Board is to ensure the Company achieves the Company goals. Having

regard to its role the Board will direct, and supervise the management of, the business and affairs of the Company, including:

- ensuring that the Company goals are clearly established, and that strategies are in place for achieving them (such strategies being expected to originate, in the first instance, from management);

- establishing policies for strengthening the performance of the Company;
- ensuring strategies are in place for meeting expectations set out in the current Statement of Intent and monitoring performance against those expectations, in particular the Company's primary objective of optimising the debt funding terms and conditions for participating local authorities;
- monitoring the performance of management;
- appointing the CEO, setting the terms of the CEO's employment contract and, where necessary, terminating the CEO's employment with the Company;
- deciding on whatever steps are necessary to protect the Company's financial position and the ability to meet its debts and other obligations when they fall due, and ensuring that such steps are taken;
- ensuring that the Company's financial statements are true and fair and otherwise conform with law;
- ensuring that the Company adheres to high standards of ethics and corporate behaviour; and
- ensuring that the Company has appropriate risk management/regulatory compliance policies in place. In the normal course of events, day-to-day management of the Company will be in the hands of management. The Board will satisfy itself that the Company is achieving the Company goals; and engaging and communicating with Shareholders' Council

Board composition

The LGFA Board comprises five independent Directors and one non-independent Director. An independent director is a director who, within five years prior to appointment, was not an employee of any shareholder, employee of a Council Controlled Organisation owned by a shareholder, or a councillor of any local authority which is a shareholder.

The directors of LGFA as at 30 June 2018:



Craig Stobo
Independent Chair

BA (Hons) Economics. First Class, Otago

Craig has worked as a diplomat, economist, investment banker and Chief Executive Officer of BT Funds Management (NZ) Limited. He has completed the Advanced Management Programme at Wharton Business School in Philadelphia, authored reports to the New Zealand Government on the Taxation of Investment Income (which led to the PIE regime), and the creation of New Zealand as a funds domicile. He currently chairs the listed companies Precinct Properties New Zealand Limited, and AIG Insurance (NZ Board). He has directorship and private equity interests in financial services and other businesses. He was chair of the Establishment Board and acting Chief Executive of LGFA. He is chair of the Establishment Board of the Local Government Risk Agency.



John Avery
Independent Director

LLB, C.F.Inst.D

John was managing partner, then Chairman of Hesketh Henry. He was a director of The Warehouse Group Limited, several start-up businesses, a number of CCOs, an industry cooperative 'ITM', Regional Facilities Auckland Limited and Spider Tracks Limited. He is currently an independent director of Strategic Pay Limited, Fund Managers Auckland Limited and a trustee of the New Zealand School of Dance.



Philip Cory-Wright Independent Director

***LLB (Hons), BCA Business Management,
INFINZ (Cert), C.F.Inst.D***

Philip is a solicitor of the High Court of New Zealand and Victoria. He has worked as a corporate finance adviser in New Zealand to the corporate sector on debt and equity matters for more than 25 years. He is currently a director of South Port New Zealand Limited, Papa Rererangi i Puketapu (New Plymouth Airport) and strategic adviser to clients in the energy and infrastructure sectors. He was a member of the Local Government Infrastructure Expert Advisory Group tasked with advising the Minister of Local Government on improvements in local government infrastructure efficiency.



Linda Robertson Independent Director

B.Com, Dip Banking, INFINZ (Distinguished Fellow), C.F.Inst.D, GAICD

Linda is a professional director with nearly 20 years governance experience and over 30 years experience in executive finance roles, having worked in the banking and energy sector in New Zealand. She is Chair of Pacific Radiology Group, a director of Auckland Council Investments Limited, Dunedin City Holdings Limited, Dunedin City Treasury Limited, NZPM Group Limited and Crown Irrigation Investments Limited. Linda is also a member of the Audit and Risk Committee for the Ministry of Social Development, a member of the Treasury Advisory Committee of the New Zealand Export Credit Office and Chair of the Audit and Risk Committee for Central Otago District Council.



Mike Timmer Non-Independent Director

CA, BBS, BAgSci, INFINZ (Cert), M.Inst.D

Mike has worked for Citibank in its financial market section and held accountancy and treasury roles in the health sector and is presently Treasurer at the Greater Wellington Regional Council. He is Chairman of the Finance Committee of Physiotherapy New Zealand Incorporated and past Deputy Chair of the LGFA Shareholders' Council.



Anthony Quirk Independent Director

***BCA Hons (First Class), INFINZ (Fellow),
M.Inst.D***

Anthony is an experienced financial services sector professional with over thirty years executive experience in the sector, including nine years as Managing Director of Milford Asset Management. He has a varied portfolio of governance interests with an emphasis on areas that improve or contribute to communities.

He is a Fellow of the Institute of Finance Professionals New Zealand (INFINZ) and is a former Chairman of that organisation. He was previously Chair of the Asset Management Advisory Board of the New Zealand Exchange, Deputy Chair and Board member of the New Zealand Society of Investment Analysts and a previous member of the Financial Reporting Standards Board of the New Zealand Society of Accountants.

Name of Director	Nature and extent of interest	
Craig Stobo (Chair)	Director Precinct Properties New Zealand Limited Elevation Capital Management Limited Saturn Portfolio Management Limited Stobo Group Limited AIG Insurance NZ Limited Bureau Limited SouthWest Trustees Limited Appello Services Limited Biomarine Group Limited Legend Terrace Limited	General disclosure Chair, Establishment Board, Local Government Risk Agency
John Avery	Director Fund Managers Auckland Limited Strategic Pay Limited Strategic Pay Trustee Service Limited	General disclosure The New Zealand School of Dance (Trustee) New Zealand Dance Advancement Trust (Trustee) Stinger Trust (Trustee)
Philip Cory-Wright	Director South Port New Zealand Limited Papa Rererangi i Puketapu (New Plymouth Airport)	
Anthony Quirk	Director Evolve Education Group Non-Executive Director and Shareholder, Milford Asset Management Deputy Chair, Compass Housing NZ	General disclosure Chairman, New Zealand Water Polo Board member, Graeme Dingle Foundation, Wellington
Linda Robertson	Director RML Consulting Limited Dunedin City Holdings Limited Dunedin City Treasury Limited NZPM Group Limited Auckland Council Investments Limited Crown Irrigation Investments Limited Pacific Radiology Group Limited (Chairman)	General disclosure Central Lakes Trust Audit and Risk Committee, Ministry of Social Development Technical Advisory Committee, NZ Export Credit Office Trustee, Central Otago District Council Chair, Audit and Risk Committee
Mike Timmer		General disclosure Officer, Greater Wellington Regional Council Chairman of Finance Committee, Physiotherapy New Zealand

Nomination of Directors

Director nominations can only be made by a shareholder by written notice to the Company and Shareholders' Council, with not more than three months, nor less than two months before a meeting of shareholders. All valid nominations are required to be sent by the Company to all persons entitled to attend the meeting.

Retirement and re-election of Directors

Directors are appointed to the Board by an Ordinary Resolution of shareholders. At each Annual General Meeting, two directors must retire and, if desired, seek re-election. The directors who retire each year are one each of the independent and non-independent, who have been longest in office since their last appointment or, if there are more than one of equal term, those determined by lot, unless the Board resolves otherwise.

Director tenure

As at 30 June 2018

Director	Originally appointed	Last reappointed/ elected	Tenure
Craig Stobo (Chair)	1 December 2011	19 November 2013	6 years, 7 months
John Avery	1 December 2011	24 November 2015	6 years, 7 months
Philip Cory-Wright	1 December 2011	24 November 2016	6 years, 7 months
Anthony Quirk	21 November 2017	21 November 2017	7 months
Linda Robertson	24 November 2015	24 November 2015	2 years, 7 months
Mike Timmer	24 November 2015	24 November 2016	2 years, 7 months

Abby Foote, Independent Director, retired from the Board on 21 November 2017. Abby was appointed to the LGFA Board on 1 December 2011 and served as a Director for 6 years.

Meetings of the Board

The table below shows attendances at Board, committee and strategy meetings by directors during the year ended 30 June 2018. In addition to the scheduled meetings, additional meetings are convened as necessary to consider specific issues.

Director	Board	Audit and Risk Committee
Craig Stobo (Chair)	6/6	--
John Avery	6/6	--
Philip Cory-Wright	6/6	4/4
Abby Foote ¹	2/2	2/2
Anthony Quirk ²	4/4	2/2
Linda Robertson	6/6	4/4
Mike Timmer	6/6	4/4

1. Abby Foote retired from the Board on 21 November 2017.

2. Anthony Quirk was elected to the Board on 21 November 2017.

Board performance review

The Board has established an annual formal self-assessment procedure to assess director, board and committee performance. In addition, Board performance is reviewed by external consultants on a periodic basis.

Director training

As part of LGFA's commitment to ongoing director education, LGFA regularly invites directors to attend relevant industry conferences and training events, as well as organising for industry experts to attend and present to directors at Board meetings.

Diversity

The LGFA is committed to promoting a culture that supports both workplace diversity and inclusion within the organisation.

The Company has formally adopted a Diversity Policy which applies to both LGFA employees and directors. Diversity and inclusiveness at LGFA involves recognising the value of individual differences and managing them in the workplace. Diversity in this context covers gender, age, ethnicity, cultural background, sexual orientation, religious belief, disability, education and family responsibilities.

Appointments to the LGFA Board are made in accordance with the Constitution of the Company and the Shareholders Agreement.

Gender diversity of directors



2018
Female 1, Male 5



2017
Female 2, Male 4

Gender diversity of employees



2018
Female 2, Male 4



2017
Female 2, Male 4

Indemnities and insurance

Under the Company's constitution, LGFA has indemnified directors for potential liabilities and costs they may incur for acts of omission in their capacity as directors. LGFA has arranged directors' and officers' liability insurance covering directors and management acting on behalf of the Company. Cover is for damages, judgements, fines, penalties, legal costs awarded and defence costs arising from wrongful acts committed while acting for the Company. The types of acts that are not covered are dishonest, fraudulent, malicious acts, or omissions, wilful breach of statute or regulation, or duty to the Company, improper use of information to the detriment of the Company, or breach of professional duty.

Principle 3

Board committees

The Board should use committees where this will enhance its effectiveness in key areas, while still retaining board responsibility.

Audit and Risk Committee

The LGFA Audit and Risk Committee is a committee of the Board.

The Audit and Risk Committee is governed by an Audit and Risk Committee Charter, which states that the purpose of the Audit and Risk Committee is to provide advice, assurance and observations to the Board relating to the effectiveness and adequacy of internal control and risk management systems, processes and activities across LGFA. It assists the Board to fulfil its duties by considering, reviewing and monitoring:

- Risk management framework and processes;
- Internal control environment and mechanisms;
- Processes relating to the preparation and audit of financial statements of LGFA;
- The integrity of performance information, including financial reporting;

- The governance framework and process;
- Policies, processes and activities to ensure compliance with legislation, policies and procedures; and
- Statutory/regulatory disclosure and reporting and performance against Statement of Intent targets.

Audit and Risk Committee members are appointed by the Board. Membership comprises at least three directors, the majority of whom must be independent. The members of the Audit and Risk Committee as at the date of this Annual Report are:

- Linda Robertson (Chair)
- Philip Cory-Wright
- Anthony Quirk
- Mike Timmer

The Board should demand integrity in financial and non-financial reporting, and in the timeliness and balance of corporate disclosures.

Principle 4

Reporting and disclosure

The Board is committed to ensuring the highest standards are maintained in financial reporting and disclosure of all relevant information.

The Audit and Risk Committee has responsibility to provide assurance to the Board that due process has been followed in the preparation and audit of the financial statements of LGFA and to ensure there

are appropriate processes and activities to ensure compliance with relevant regulatory and statutory requirements.

The Company has adopted a formal Continuous Disclosure Policy, the requirements of which ensure that LGFA meets the continuous disclosure requirements of the NZX Listing Rules.

Principle 5 Remuneration

The remuneration of directors and the CEO should be transparent, fair and reasonable.

The remuneration of the Board reflects the size and complexity of the Company and the responsibilities, skills, performance and experience of the directors. A specialist independent adviser may be used to ensure the remuneration is appropriate.

Board remuneration is determined by an Ordinary Resolution of shareholders. The current board remuneration was approved by shareholder resolution at the Annual General Meeting on 21 November 2017.

Approved Director annual fee breakdown

Position. Fees per annum	2018	2017
Board Chair	\$97,000	\$90,000
Audit and Risk Committee Chair	\$60,000	\$54,000
Director	\$55,000	\$51,000

Director remuneration

Director	2018
Craig Stobo	\$97,000
John Avery	\$55,000
Philip Cory-Wright	\$55,000
Abby Foote ¹	\$23,500
Anthony Quirk ²	\$33,611
Linda Robertson ³	\$58,056
Mike Timmer	\$55,000
Total	377,167

1. Abby Foote retired from the Board on 21 November 2017.

2. Anthony Quirk was elected to the Board on 21 November 2017.

3. Linda Robertson was appointed Audit and Risk Committee Chair on 21 November 2017.

The remuneration of the CEO is determined by the Board and is reviewed on an annual basis taking into consideration the scope and complexity of the position with reference to the remuneration of CEOs of similar organisations. A specialist independent adviser may be used to ensure the remuneration is appropriate.

The CEO remuneration package comprises a fixed cash component of \$504,000 per annum as at 30 June 2018 (\$480,000, 2017) and an at-risk short-term incentive of up to 15% of the fixed cash component. The short-term incentive payment is made annually at the Board's discretion subject to the CEO and the Company meeting a range of specific performance objectives for the respective financial year.

Chief Executive remuneration

	2018	2017
Salary	504,000	480,000
Taxable benefits	-	-
Subtotal	504,000	480,000
Pay for Performance STI	75,600	72,000
Total remuneration	579,600	552,000

Staff remuneration

Total remuneration	2018
\$120,000 to \$129,999	2
\$220,000 to \$229,999	1
\$270,000 to \$279,999	1
\$570,000 to \$579,999	1
Total staff receiving \$100,000 or more	5

Directors should have a sound understanding of the material risks faced by the issuer and how to manage them. The Board should regularly verify that the issuer has appropriate processes that identify and manage potential and material risks.

Principle 6 Risk management

LGFA recognises that an effective risk management framework is a critical part of its business structure. LGFA is exposed to both business and treasury related risks because of its normal business activities that relate to raising and on-lending funds to local councils.

LGFA adopts the three lines of defence model to ensure that essential risk management functions are completed using a systematic approach that reflects industry best practice:

- The first line of defence relates to the operational risk and control within the business. Managers within the business are responsible for identifying controls, maintaining effective controls, assessing the controls and mitigating risks. The first line of defence establishes risk ownership within the business.
- The second line of defence relates to establishing risk control within the organisation. The second line of defence involves reviewing risk reports, checking compliance against the risk management framework and ensuring that risks are actively and appropriately managed.
- The third line of defence establishes risk assurance using both internal and external audit functions to highlight control weaknesses and inefficiencies to management. The audit functions provide independent assurance on the risk governance framework.

The Audit and Risk Committee assists the Board by considering, reviewing and monitoring LGFA's risk management framework and processes, and the internal control environment and mechanisms.

LGFA continually reviews its core business risks. This review process includes the identification and assessment of core business risks which are ranked using predetermined criteria for both the likelihood and potential impact of each risk. LGFA maintains a company-wide risk register which records all identified risks, potential impacts and the controls and mitigation strategies used to manage the risks.

LGFA has treasury exposures arising from its normal business activities that principally relate to the raising and on-lending of funds. A detailed description of LGFA's risk management processes for treasury exposures is detailed in the Treasury Risk Management section of this report.

Internal audit

LGFA has established an internal audit function to provide assurance that LGFA's risk management, governance and internal controls are operating effectively.

The Audit and Risk Committee has responsibility for oversight of the internal audit function, including:

- Reviewing the Internal Audit Charter, the operations of the internal audit and organisational structure of the internal audit function;
- Reviewing and approving the annual audit plan;
- Reviewing the effectiveness of the internal audit function; and
- Meeting separately with the internal auditor to discuss any matters that the Audit and Risk Committee or Internal Audit believes should be discussed privately.

Health and safety

LGFA is committed to a safe and healthy work environment and has formally adopted a LGFA Health and Safety Policy that clearly sets out the duty of directors, LGFA and staff under the Health and Safety at Work Act 2015. A staff health and safety committee has been established with responsibility to continuously review health and safety issues and ongoing compliance with the Act, with reporting to the Board on health and safety issues at each Board meeting.

Principle 7 Auditors

The Board should ensure the quality and independence of the external audit process.

External audit

The external audit of LGFA is conducted in accordance with Section 14 of the Public Audit Act 2001, including the appointment of the external auditors of LGFA by the Auditor-General.

The Audit and Risk Committee has responsibility for all processes relating to the audit of financial statements, including the setting of audit fees and ensuring the independence and objectivity of the auditors.

The external audit of LGFA is conducted in accordance with a formal external audit plan which is reviewed and approved by the Audit and Risk Committee on an annual basis.

The external auditor attends the Company's Annual General Meeting.

The Board should respect the rights of shareholders and foster relationships with shareholders that encourage them to engage with the issuer.

Principle 8 Shareholder rights and relations

LGFA has 31 Shareholders, comprising the New Zealand Government (20%) and 30 councils (80%).

New Zealand Government
Auckland Council
Bay of Plenty Regional Council
Christchurch City Council
Gisborne District Council
Greater Wellington Regional Council
Hamilton City Council
Hastings District Council
Hauraki District Council
Horowhenua District Council
Hutt City Council
Kapiti Coast District Council
Manawatu District Council
Marlborough District Council
Masterton District Council
New Plymouth District Council

Otorohanga District Council
Palmerston North City Council
Selwyn District Council
South Taranaki District Council
Tasman District Council
Taupo District Council
Tauranga City Council
Thames-Coromandel District Council
Waimakariri District Council
Waipa District Council
Wellington City Council
Western Bay of Plenty District Council
Whakatane District Council
Whanganui District Council
Whangarei District Council

Foundation documents

The LGFA Constitution and the Shareholders' Agreement are foundation documents of the Company.

The **LGFA Constitution** defines the rights and the exercise of powers of shareholders, the acquisition and redemption of Company shares, proceedings of shareholder meetings, voting at meetings and the right to demand polls, shareholder proposals and review of management.

The **Shareholders' Agreement** is an agreement between the Company and its shareholders which clearly defines the Company's business, its objectives, the role of the Board, the establishment of the Shareholders' Council and the approval rights of the shareholders.

LGFA Shareholders' Council

The LGFA Shareholders' Council comprises five to ten appointees from the Council Shareholders and the New Zealand Government. The role of the Shareholders' Council comprises the following:

- Review and report performance of LGFA and the Board;
- Recommendations to Shareholders as to the appointment, removal, replacement and remuneration of directors;
- Recommendations to Shareholders as to any changes to policies, or the Statement of Intent (SOI), requiring their approval;
- Update Shareholders on LGFA matters and to coordinate Shareholders on governance decisions.

Members of the Shareholders' Council as at 30 June 2018

- Alan Adcock, Whangarei District Council, Chair
- John Bishop, Auckland Council, Deputy Chair
- David Jensen, Tauranga City Council
- David Bryant, Hamilton City Council
- Kumaren Perumal, Western Bay of Plenty District Council
- Mat Taylor, Bay of Plenty Regional Council
- Martin Read, Wellington City Council
- Mike Drummond, Tasman District Council
- Carol Bellette, Christchurch City Council
- Richard Hardie/David Stanley, New Zealand Government

Treasury risk Management Whakahaeretanga ā-mōrearea

The Local Government Funding Agency (LGFA) funds itself through domestic and international wholesale and retail debt capital markets, with the funds raised on-lent to participating New Zealand Local Authority borrowers. LGFA activities are governed by the Local Government Borrowing Act 2011, the Local Government Act 2002, and the Companies Act 1993. In addition, the company is required to comply with 'Foundation Policies' outlined in the Shareholders Agreement. Any change to the Foundation Policies require shareholders' consent.

LGFA has treasury exposures arising from its normal business activities that principally relate to the raising and on-lending of funds. LGFA manages treasury exposures under a Board-approved Treasury Policy. The objectives for the Treasury Policy are to:

- Effectively manage balance sheet and interest rate risk within the interest rate risk control limits to protect LGFA's capital position and Net Interest Margin over time.
- Fund participating local authorities in the most cost-effective manner and in accordance with the operating principles, values and objectives of the LGFA.
- Protect LGFA's assets and prevent unauthorised transactions.
- Promote professional expertise of financial and management control to all external parties.
- Minimise operational risk by maintaining adequate internal controls, systems and staffing competencies.

- Provide timely reporting to the LGFA Board with meaningful and accurate reporting of interest rate exposures, liquidity, asset and liability maturity, funding, counterparty credit, performance and Policy compliance.

Specific treasury exposures relate to liquidity, interest rate/market risk, foreign exchange, counterparty credit, operational and lending risks.

Liquidity risk

Liquidity risk refers to the potential inability of LGFA to meet its financial obligations when they become due, under normal or abnormal/stressed operating conditions.

Liquidity risk is managed using a forecasted cashflow approach measured over 30 day, 90 day and one year periods. LGFA is required to maintain sufficient liquidity (comprising a government standby facility and holdings of cash and liquid investments) to support 12 months operating and funding commitments.

Interest rate risk / market risk

Interest rate risk is the risk that financial assets may re-price/mature at a different time and/or by a different amount than financial liabilities.

Market risk is managed using Value at Risk (VaR) and Partial Differential Hedge (PDH) limits to mitigate the potential change in value of the balance sheet due to changes in interest rates.

- PDH risk measures the sensitivity of a portfolio to a one basis point change in underlying interest rates. For example, a PDH of

NZD\$40,000 means that the portfolio value will increase by NZD \$40,000 for a one basis point fall in interest rates.

- Value at Risk is used to measure market risk. The VaR model calculates the amount LGFA's portfolio could be expected to lose 5% of the time over a given time period. It is calculated using historical changes in underlying risk variables and applying those changes to the current portfolio.

LGFA measures VaR over a daily time horizon with a 95% confidence interval. A daily 95% VaR exposure of \$100,000 means that there is a 5% chance that the portfolio will lose more than \$100,000 over the next business day.

Counterparty credit risk

Counterparty credit risk is the risk of financial loss to LGFA (realised or unrealised) arising from a counterparty defaulting on an investment, security and/or financial instrument where LGFA is a holder or party.

Counterparty credit risk is managed through:

- Counterparty limits for investments. These are determined as a function of the term of investment, liquidity and credit quality of the counterparty (as measured by credit rating).
- Counterparty risk on derivative contracts is mitigated by utilising the NZDMO as the counterparty to derivative contracts.

Investment is restricted to approved financial investments listed in the Treasury Policy.

Foreign currency risk

Exposure to foreign exchange could exist if LGFA accesses foreign capital markets for funding purposes.

Foreign exchange risk is managed through a requirement for LGFA to fully hedge back to floating rate NZD the full amount and term of all foreign currency funding and cash flows.

Operational risk

Operational risk, with respect to treasury management, is the risk of financial and/or reputation loss because of human error (or fraud), negligent behaviour, system failures and inadequate procedures and controls.

Operational risk is managed using internal controls and procedures across LGFA's operational functions. Segregation of duties between staff members who have the authority to enter transactions with external counterparties and the staff who control, check and confirm such transactions is a cornerstone internal control principle, that is always complied with.

Financial instruments are not entered into if the systems, operations and internal controls do not satisfactorily support the measurement, management and reporting of the risks.

Lending risk

The LGFA provides debt funding solely to New Zealand Local Government ie. the Local Government borrowing counterparty will be the Council itself and will not be any Council Controlled Organisation, Council Controlled Trading Organisation, Council joint venture or partially owned entity.

The LGFA Board will have ultimate discretion on approving term funding to councils.

All Local Authorities that borrow from the Company will:

- Provide debenture security in relation to their borrowing from the Company and related obligations, and (if relevant), equity commitment liabilities to the Company and (if relevant) guarantee liabilities to a security trustee approved for the Company's creditors.
- If the principal amount of a Local Authority's borrowings is at any time equal to, or greater than, NZD 20 million, then it is required to become a party to a deed of guarantee and an equity commitment deed.
- Issue securities (bonds/floating rate notes/commercial paper) to the Company (ie. not enter into facility arrangements).
- Comply with their own internal borrowing policies.
- Comply with the financial covenants outlined in the following table, provided that:
 - Unrated Local Authorities or Local Authorities with a long-term credit rating lower than 'A' equivalent can have bespoke financial covenants that exceed the:
 - Lending policy covenants outlined in the following table only with the approval of the Board;
 - Foundation policy covenants outlined in the following table only with the approval of an Ordinary Resolution of shareholders.
 - Local Authorities with a long-term credit rating of 'A' equivalent or higher will not be required to comply with the lending policy covenants in the following table and can have bespoke financial covenants that exceed the foundation policy covenants outlined in the following table only with the approval of an Ordinary Resolution of shareholders.

- Any Board or Ordinary Resolution approval of bespoke financial covenants will only be provided after a robust credit analysis and any approval must also include bespoke reporting and monitoring arrangements.

Financial covenant	Lending policy covenants	Foundation policy covenants
Net debt / total revenue	<175%	<250%
Net interest / total revenue	<20%	<20%
Net interest / annual rates income	<25%	<30%
Liquidity	>110%	>110%

- Non-compliance with the financial covenants will either preclude a council from borrowing from the LGFA or in the case of existing council borrowers trigger an event of review. An event of default will occur if (among other things) a council fails to meet an interest or principal payment (subject to grace periods). An event of default will enable the LGFA to accelerate all loans to the defaulting council.
- Total revenue is defined as cash earnings from rates, government grants and subsidies, user charges, interest, dividends, financial and other revenue and excludes non-government capital contributions, eg. developer contributions and vested assets.
- Net debt is defined as total consolidated debt less liquid financial assets and investments.
- Liquidity is defined as external debt plus committed loan facilities plus liquid investments divided by external debt.
- Net interest is defined as the amount equal to all interest and financing costs less interest income for the relevant period.
- Annual rates income is defined as the amount equal to the total revenue from any funding mechanism authorised by the Local Government (Rating) Act 2002 together with any revenue received from other local governments for services provided and for which the other local governments rate.

Financial covenants are measured on Council only, not consolidated group.

To minimise concentration risk the LGFA will require that no more than the greater of NZD 100 million or 33% of a Council's borrowings from the LGFA will mature in any 12-month period.

Auckland Council will be limited to a maximum of 40% of the LGFA's total Local Government assets.



A bridge being
helicoptered and
laid onto the
West Coast
Wilderness Trail.
Westland District
Council



Staff
oversee work
being carried out
on the Rangitāiki
Floodway Project.
Bay of Plenty
Regional
Council

Performance against objectives

Tutukinga mahi ki ōna whāinga

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

Performance against primary objectives

This section sets out LGFA's performance for the year ended 30 June 2018 against the two primary objectives set out in the 2017-18 SOI.

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

- 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 several factors including the relative demand and supply of high grade bonds, general credit market conditions, performance of New Zealand Government bonds and swap rates, investor perceptions of LGFA and the issuance volume and tenor of LGFA bonds.

2017-18 performance objectives

The SOI set out two primary performance objectives and eight additional objectives for LGFA for the year ended 30 June 2018:

Primary objectives

1. LGFA will operate with the primary objective of optimising the debt funding terms and conditions for Participating Local Authorities. Among other things this includes:
 - i. Providing savings in annual interest costs for all Participating Local Authorities on a relative basis to other sources of financing;
 - ii. 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:
 - 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

Additional objectives

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.

Given that LGFA tends to match fund its on-lending to councils, ie. tends to issue bonds in the same tenor and volume 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).

LGFA spreads to swap have consistently narrowed since it first began issuing bonds in February 2012 and over the past year, spreads to swap as measured by secondary market levels have narrowed on the shorter LGFA bond maturities and widened on the long-dated maturities.

LGFA bond margin to swap	As at 30 June 2018 (bps)	As at 30 June 2017 (bps)	Spread movement (bps)
15 March 2019	4	12	(8)
15 April 2020	5	15	(10)
15 May 2021	11	20	(9)
14 April 2022*	20	N/A	N/A
15 April 2023	34	27	7
15 April 2025	53	38	15
15 April 2027	54	43	11
14 April 2033	79	72	7

*The first tranche of the 2022 bond was issued in April 2018.

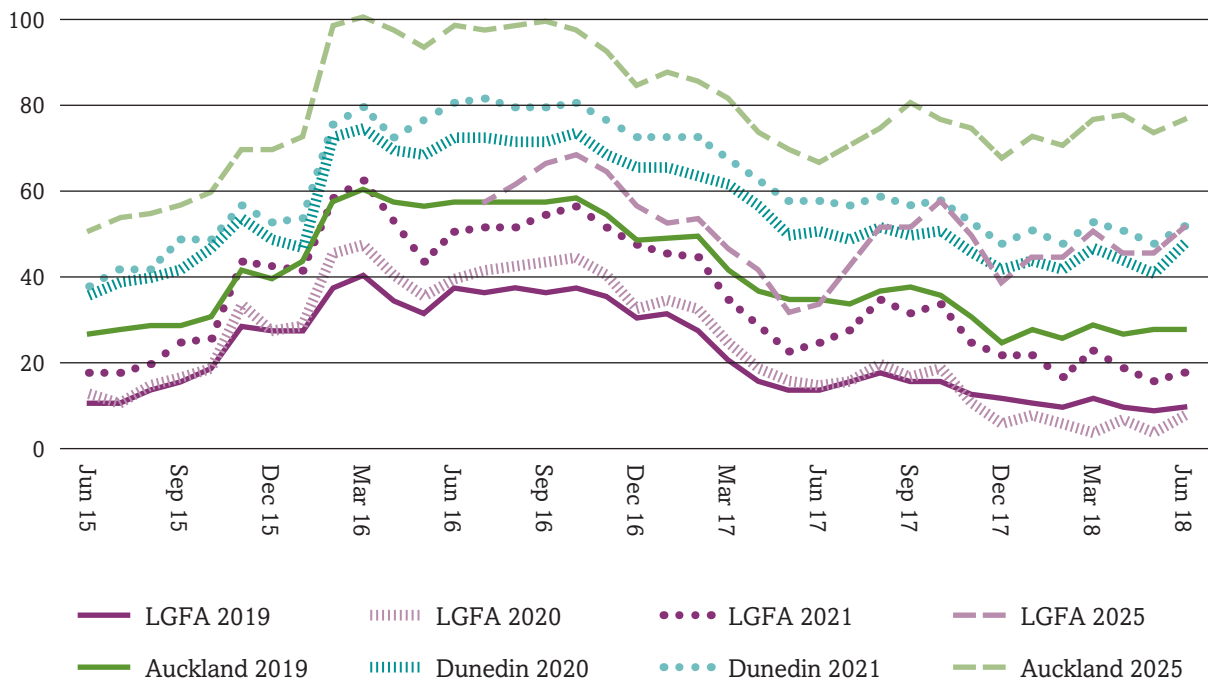
Some of the movement is due to the changes in the spread between swap rates and NZ Government Bond (NZGB) yields as over the same period LGFA spreads to NZGB have narrowed for some maturities.

LGFA bond margin to NZGB	As at 30 June 2018 (bps)	As at 30 June 2017 (bps)	Spread movement (bps)
15 March 2019	30	31	(1)
15 April 2020	37	39	(2)
15 May 2021	44	51	(7)
14 April 2022*	53	N/A	N/A
15 April 2023	69	58	11
15 April 2025	83	71	12
15 April 2027	83	78	5
14 April 2033	104	103	1

*The first tranche of the April 2022 bond was issued in April 2018.

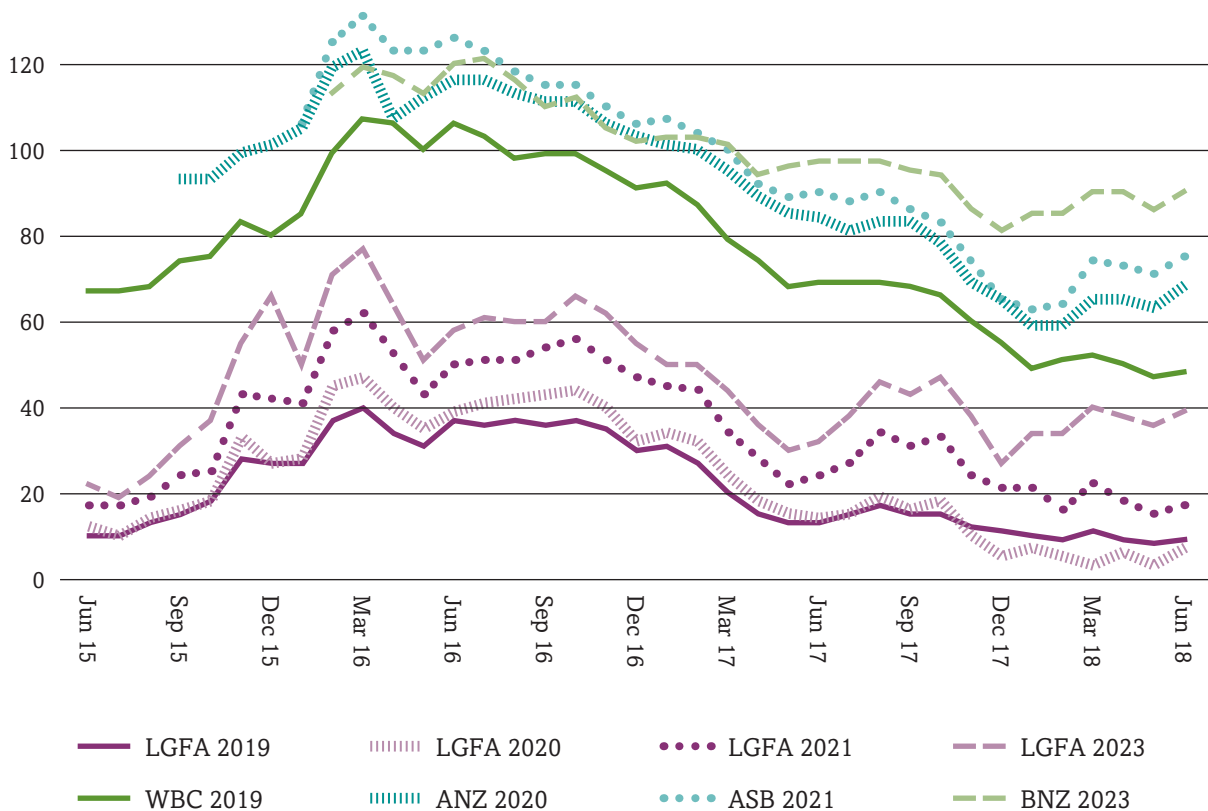
LGFA continues to provide savings in borrowing cost for councils relative to other sources of borrowing. We compare our secondary market spreads on LGFA bonds to those of Auckland Council and Dunedin City Treasury (as a proxy for councils borrowing in their own name) and a mix of banks (as a proxy for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

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



Source: Bloomberg, LGFA

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



Source: Bloomberg, LGFA

From the table below, we estimate that based upon secondary market spread data as at 30 June 2018, LGFA was saving AA rated councils between 10 bps and 21 bps depending upon the term of maturity. This compares to savings of between 12 bps and 22 bps a year ago.

30 June 2018	Auckland 2019	Dunedin 2020	Dunedin 2021	Auckland 2022	Auckland 2025
AA rated councils margin to swap (bps)	25	36	40	45	73
Less LGFA margin to swap (bps)	(4)	(5)	(11)	(20)	(53)
LGFA gross funding advantage (bps)	21	31	29	25	20
Less LGFA base margin (bps)	(10)	(10)	(10)	(10)	(10)
Total saving (bps) *	11	21	19	15	10

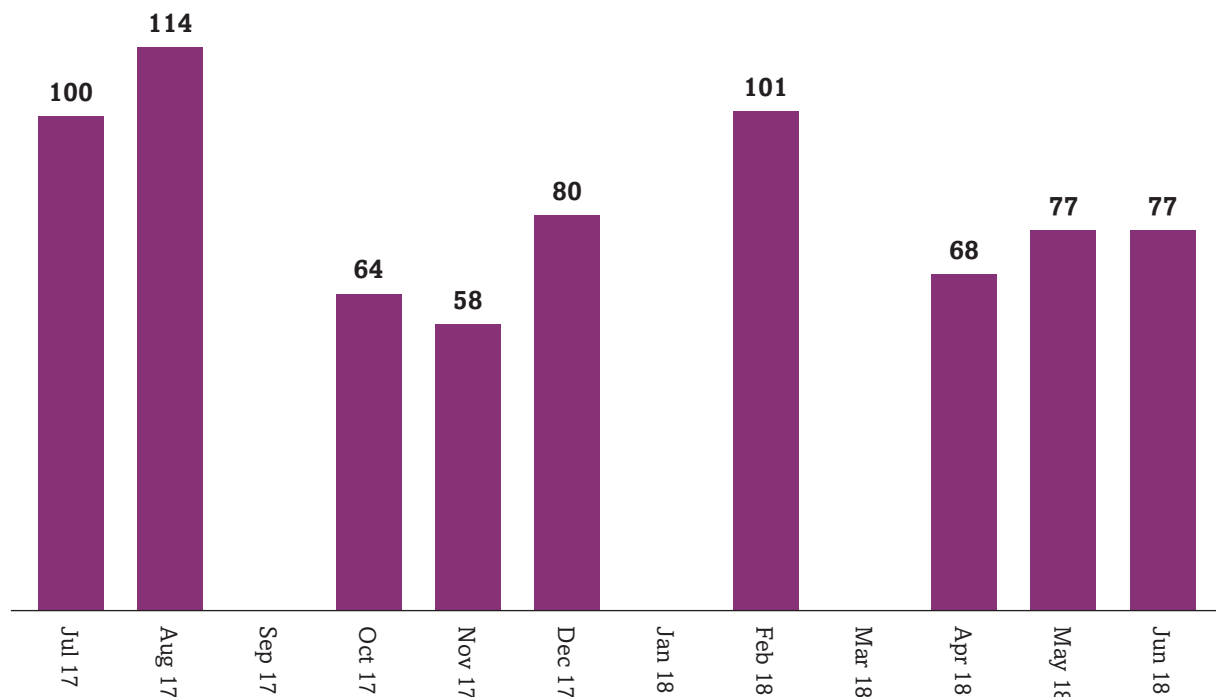
* Note that from June 2017 we have excluded from the estimated savings any positive impact from the 'LGFA effect' that was equivalent to 10 bps of savings evident when LGFA first commenced lending in February 2012.

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

The average borrowing term (excluding short-dated borrowing) for the 12-month period to June 2018 by council members was 6.9 years and this was significantly shorter than the average borrowing term of 8.1 years for the prior 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 and lower yields 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



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

In April 2018, LGFA commenced the issuance of a 4-year bond (April 2022) and this shorter maturity went against the recent trend of introducing a newer longer-dated bond each financial year. The decision to issue a new shorter bond maturity was made to

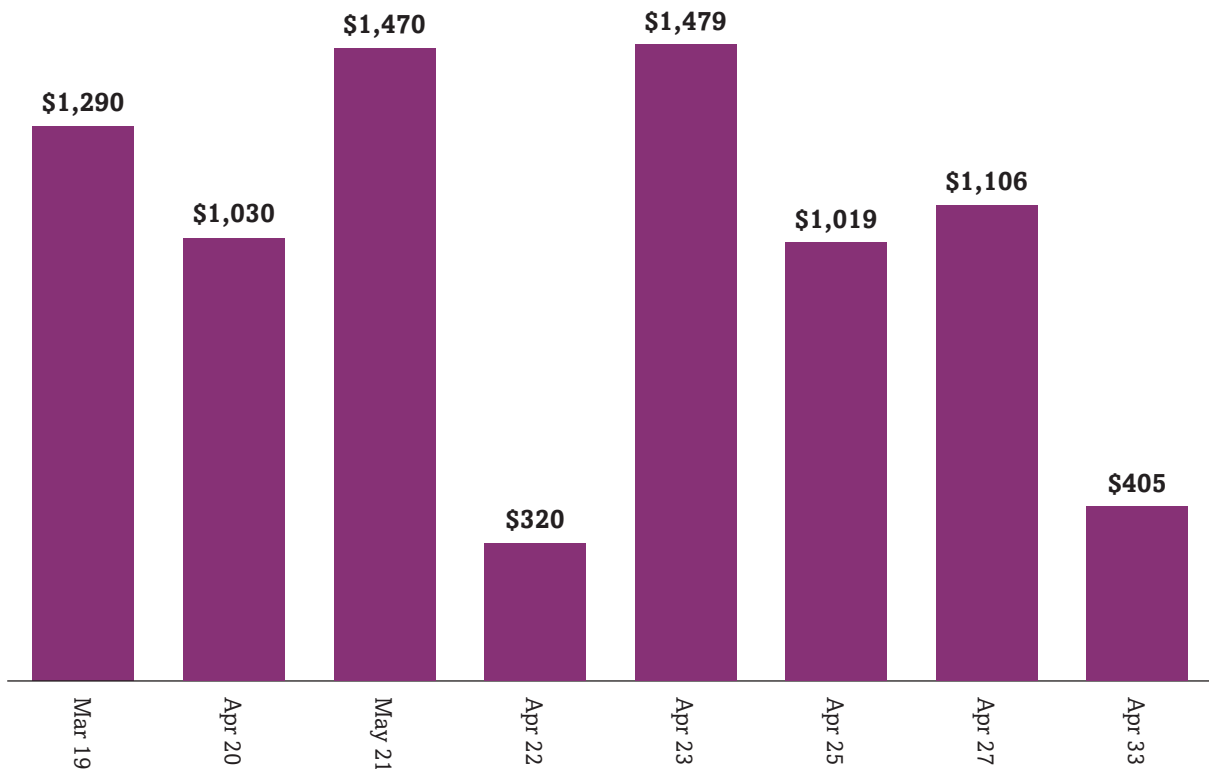
reduce some of the mismatch between our bond issuance and council on-lending. However, with the issuance of the April 2033 LGFA bond, councils can borrow on a bespoke basis out to 15 years.

The following chart shows the total LGFA bond outstandings, including treasury stock, by maturity as at 30 June 2018.

LGFA bonds on issue (NZ\$ million)

As 30 June 2018 : NZ\$8,119 million

Includes NZ\$400 million treasury stock



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

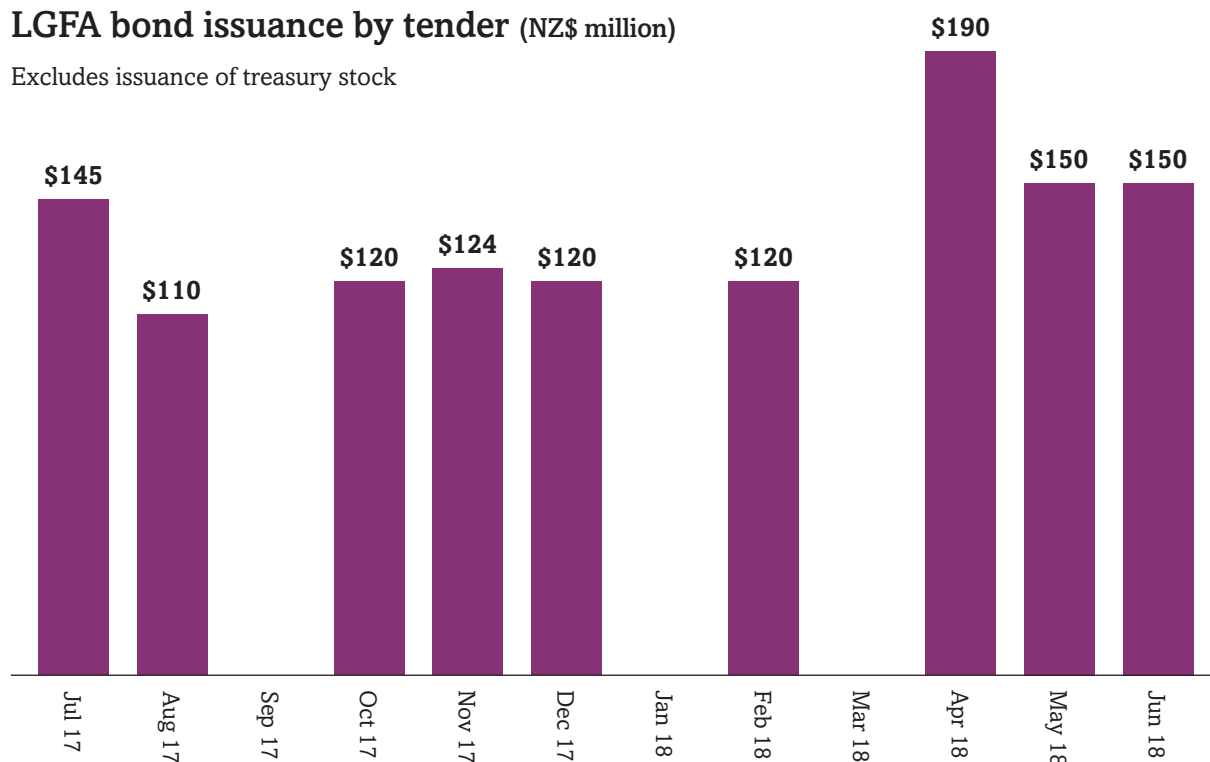
LGFA listed its bonds on the NZX Debt Market in November 2015 and this has led to greater awareness and participation in LGFA bonds by domestic retail and offshore investors. Average turnover on the NZX Debt Market since listing has been \$13 million per month or 9% of the total turnover of the NZX Debt Market. Turnover has reduced over the past twelve months as retail investors are more attracted to higher term deposit rates.

LGFA commenced the issuance of LGFA Bills for terms of three months and six months in late 2015. Because of this issuance, LGFA has offered short-term loans of less than one year to councils since 2015. As at 30 June 2018, LGFA has short-term loans outstanding to 20 councils of \$236 million.

LGFA held nine bond tenders during the 12-month period to 30 June 2018, with an average tender volume of \$136.5 million and a range of \$110 million to \$190 million in size.

LGFA bond issuance by tender (NZ\$ million)

Excludes issuance of treasury stock



All tenders were successful. The average bid-coverage ratio across the nine bond tenders was 2.81 times and this compared to the average of 3.2 times for the 56 bond tenders held since LGFA first commenced issuance in February 2012.

LGFA bond tender results by maturity	2017-18 annual issuance amount (NZ\$ million)	LGFA tender average bid coverage ratio	LGFA tender average successful bid range
15 December 2017	Nil	n/a	n/a
15 March 2019	40	2.5 x	0 bps
15 April 2020	225	3.0 x	1 bps
15 May 2021	70	2.6 x	3 bps
14 April 2022	270	2.8 x	3 bps
15 April 2023	79	1.7 x	2 bps
15 April 2025	309	3.1 x	2 bps
15 April 2027	96	2.6 x	2 bps
14 April 2033	140	2.7 x	3 bps
Across all LGFA maturities	1,229	2.8 x	n/a

The successful bid range (difference between the highest and lowest successful bid yield) for each maturity at each tender averaged between 0 bps and 3 bps with an average successful bid range of 2 bps across all maturities and all tenders over the year.

LGFA established 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 instead to provide some flexibility in case of the unlikely scenario of a significant market disrupting event in the future.

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

Councils can currently access flexible lending conditions by using the short-term lending and bespoke lending products. Short-term lending is for loans between 30 days and 364 days while bespoke lending is where councils can borrow for any term between one year and the longest dated LGFA bond maturity (currently 14 April 2033) on any drawdown date. Therefore, council members can borrow for terms ranging from 30 days to 15 years at any time they wish to drawdown.

Bespoke lending for council members has continued to grow in popularity over the past year. During the 12-month period to 30 June 2018 we lent \$842.6 million on a bespoke basis to 35 councils. This was 77% of total term lending to our council members over that period.

Short-term borrowing by councils as at 30 June 2018 was \$244 million comprising borrowing from 20 councils for terms between one and 12 months.

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

i. LGFA will review each Participating Local Authority's financial position, its financial headroom under LGFA policies and visit each Participating Local Authority on an annual basis;

LGFA undertakes a detailed financial assessment on each of its borrowers, and meets with all member councils on an annual basis while monitoring council performance throughout the year. LGFA reviews the annual and long-term plans for each council and the annual financial statements. All councils were compliant with LGFA financial covenants as at 30 June 2017 and a copy of each council's borrowing position and compliance with LGFA covenants was provided to LGFA shareholders and non-shareholder guarantors in December 2017. LGFA assigns an internal credit rating to each of its council members as part of the review exercise.

LGFA management met with 47 councils over the 12-month period to 30 June 2018.

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

LGFA reviews the financial position of each council on a parent basis except for Auckland Council where LGFA analyses the financial statements at both

parent and group level. This is because Auckland Council is the only council to deliver a wide range of its essential services on a group basis.

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 staff and directors have met with DIA, OAG, LGNZ, Ministry of Business Innovation and Employment (MBIE), Treasury, Crown Infrastructure Partners, Infrastructure New Zealand and the Local Government Commission during the 2017-18 year to discuss sector issues. LGFA attended the Local and Central Government Forum and participated in three sector-wide risk and audit forums. LGFA presented at each of the quarterly media briefings organised by LGNZ.

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

LGFA management aim to 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.

We presented at various capital market conferences and regularly met with banks and investors on a regular basis. We present each quarter on sector finances at the LGNZ media briefing.

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 year ended 30 June 2018 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.

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

On 28 August 2018, the directors of LGFA declared a dividend for the year to 30 June 2018 of \$1,285,000 (\$0.0514 per share). This is calculated on LGFA's cost of funds for the 2017-18 year of 3.14% plus a 2% margin. This is similar to the previous year dividend of \$0.0556 per share.

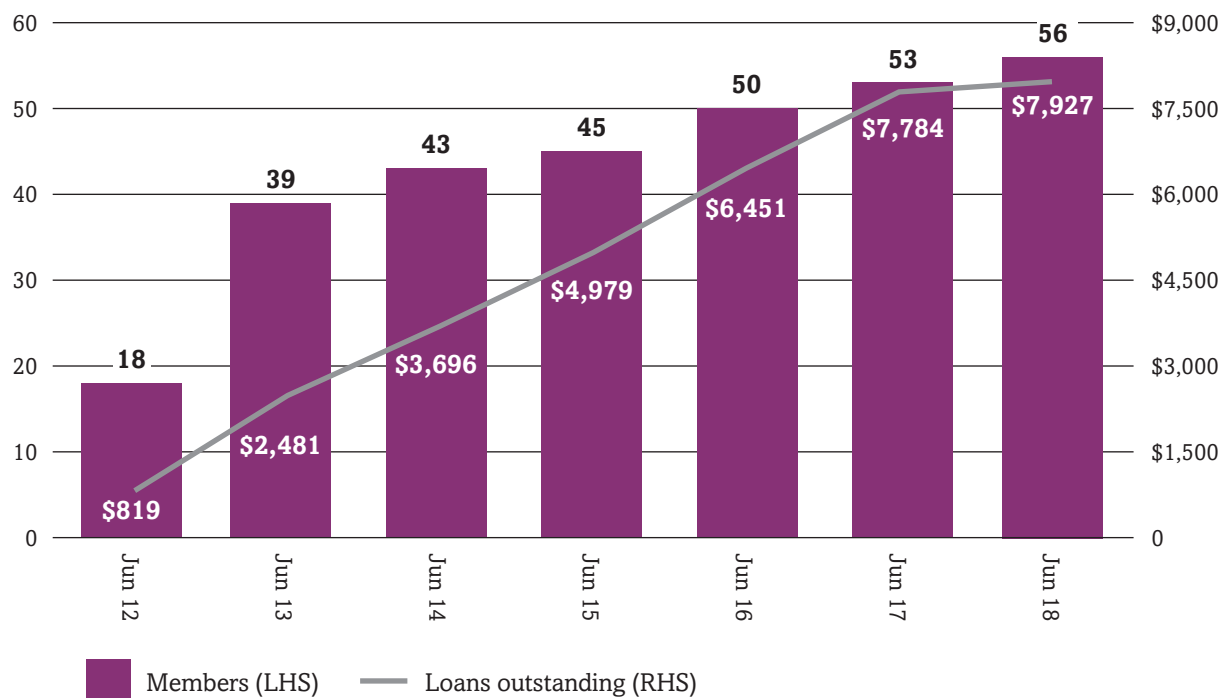
The impact from the current low interest rate environment is that LGFA has a lower cost of funds. While council borrowers benefit from lower borrowing costs, the dividend payment calculated on the above guidance is lower than it would otherwise be in an environment of higher interest rates.

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

Three councils joined LGFA in the 12-month period to June 2018, bringing the total number of council members to 56. Stratford, Rangitikei and Westland District Councils all joined as non-guarantor borrowers.

Councils have strongly supported LGFA by joining as members and borrowing from LGFA. As at 30 June 2018, 54 participating councils have so far borrowed from LGFA.

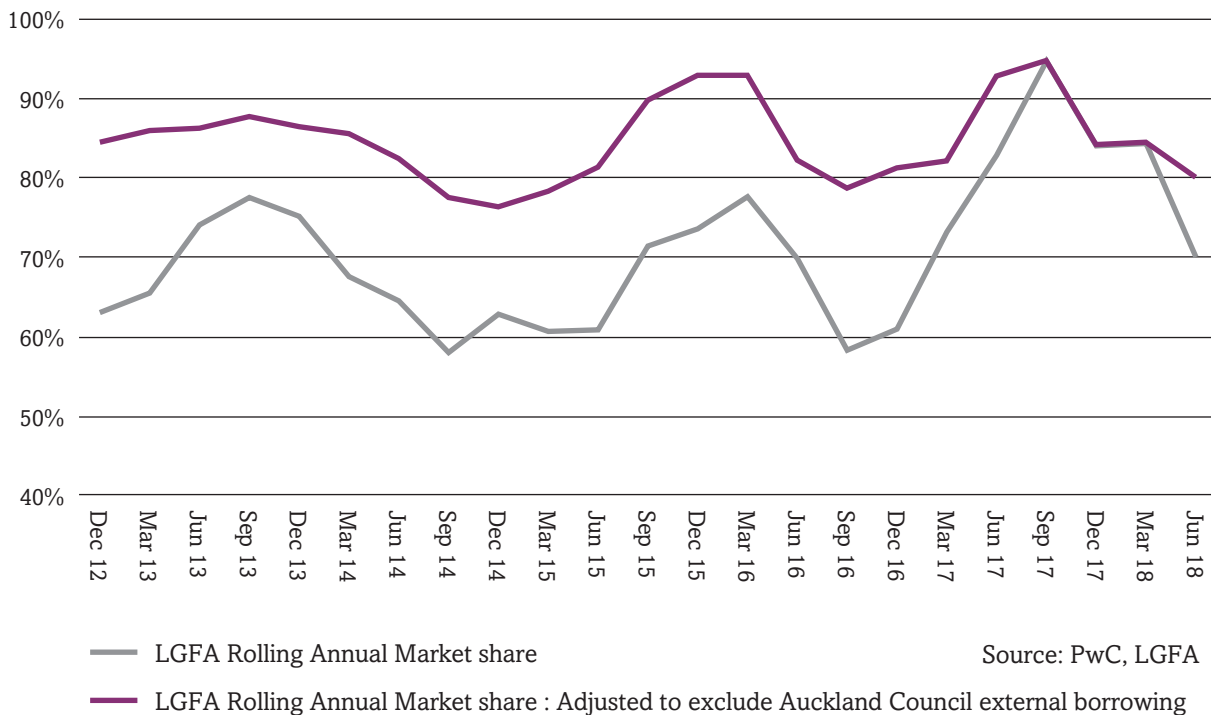
LGFA council members and nominal loans outstanding (NZ\$ million)



The following chart shows LGFA's share of new local government long-term debt issuance and is derived from survey data provided by PwC. Our share of long-term borrowing by the sector including non-members of LGFA was 69.9% for the 12-month period to 30 June 2018. The market share is influenced by the amount of debt issued by the sector's largest borrower, Auckland Council

in its own name in the domestic market. Auckland Council is required to issue debt under their own name as LGFA is restricted by its foundation policies to a maximum of 40% of total loans outstanding to Auckland. If Auckland Council's external borrowing is excluded from the data, then LGFA estimated market share for the 12-month period to 30 June 2018 was 79.9%.

LGFA council members and LGFA loans outstanding



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.

Issuance and operating expenses for the 12-month period to 30 June 2018 were \$7.163 million which is \$174k below SOI forecast. This variance is the consequence of:

- Issuance and on-lending costs (excluding Approved Issuer Levy payments) at \$2.207 million were \$118k below budget due to lower fees relating to the NZDMO facility, offset by higher legal costs from the establishment of the Australian Notes Programme and increased registry fees;
- Operating costs at \$2.981 million were \$143k below budget and reflected lower overhead, personnel and travel costs than forecast, offset by higher non-issuance legal fees; and

- Approved Issuer Levy payments of \$1.975 million were \$88k above forecast due to higher than expected holdings of LGFA bonds by offshore investors.

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 2017-18 year.

The Kaikoura earthquake in November 2016 impacted on Wellington CBD buildings. From November 2016 to November 2017, staff worked from the Local Government New Zealand offices and have subsequently relocated back into the office once the building was accessible.

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 were held in 2017 with both 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.

On 22 May 2018, S&P announced a new methodology for rating the ten entities who comprise their Public-Sector Funding Agency (PSFA) group. LGFA is a member of that group and our rating as at 30 June 2018 remained at AA+ under the old methodology but LGFA was placed on

Under Criteria Observation (or UCO) pending the outcome of the new methodology.¹

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

Both the S&P and Fitch ratings are the same as, and are capped by, New Zealand Government's credit ratings. Fitch has defined LGFA as a credit linked Public Sector Entity and our credit rating is explicitly linked to the New Zealand Government's credit rating.

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

For the 12-month period to 30 June 2018, LGFA's net operating gain exceeded forecast as net interest revenue was greater than forecast and expenses below forecast.

In \$ million	30 June 2018 Actual	30 June 2018 SOI Forecast
Net interest revenue	18.97	18.22
Issuance and operating expenses excluding Approved Issuer Levy (AIL)	5.19	5.45
Approved Issuer Levy (AIL)	1.98	1.89
Net Operating Gain	11.80	10.88

¹ After the 30 June 2018 balance date, S&P reaffirmed our AA+ credit rating under the new methodology and removed LGFA from UCO on 13 July 2018.

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

LGFA achieved one of its four performance targets in the 12-month period to 30 June 2018

Performance targets

2017-18 performance targets	Target	Result for 12-month period to 30 June 2018	Outcome
Average margin above LGFA's cost of funds charged to the highest rated Participating Local Authorities for the period	<= 0.10%	0.105%	✗ ¹
Annualised annual issuance and operating expenses (excluding AIL)	<= \$5.45 million	\$5.18 million	✓
Lending to Participating Local Authorities	>= \$8.128 billion	\$7.976 billion	✗ Auckland Council did not borrow through LGFA during the 2017-18 year and councils looked to delay pre-funding of the March 2019 loans until the new 2018-19 financial year.
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. Council borrowing spreads as at June 2017: 2019s 12 bps, 2021s 20 bps and 2025s 17 bps	Council borrowing spreads as at June 2018: 2019s 11 bps, 2021s 19 bps and 2025s 10 bps	✗ Due to lack of single name issuance by councils. This reduced supply has tightened comparable spreads for Auckland Council and Dunedin City Treasury bonds

1. The outcome is dependent upon the term of borrowing by councils as LGFA on-lending margin reflects a term structure premium for longer borrowing.

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

LGFA was compliant at all times with the Treasury Policy for the 12-month period ending 30 June 2018.

Financial statements

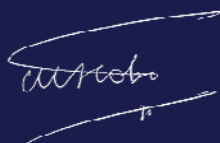
Taukī pūtea

In the opinion of the directors of the New Zealand Local Government Funding Agency Limited, the financial statements and notes on pages 45 to 68:

- Comply with New Zealand generally accepted accounting practice and give a true and fair view of the financial position of the Company as at 30 June 2018, 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



Craig Stobo, Director
28 August 2018



Linda Robertson, Director
28 August 2018

Statement of comprehensive income

For the year ended 30 June 2018 in \$000s

	Note	Year ended 2018	Year ended 2017
Interest income			
Cash and cash equivalents		627	598
Loans to local government		228,381	219,852
Marketable securities		3,116	2,518
Deposits		5,475	3,782
Derivatives		105,229	93,950
Fair value hedge ineffectiveness	2c	-	-
Total interest income		342,828	320,700
Interest expense			
Bills		8,401	6,029
Bonds		311,944	293,749
Borrower notes		3,278	3,159
Bond repurchase transactions		240	249
Total interest expense		323,863	303,186
Net interest income		18,965	17,514
Operating expenses			
Issuance and on-lending expenses	3	4,182	3,640
Operating expenses	4	2,981	2,828
Total expenses		7,163	6,468
Net operating profit		11,802	11,046
Total comprehensive income for the year		11,802	11,046

Statement of changes in equity

For the year ended 30 June 2018 in \$000s

	Note	Share capital	Retained earnings	Total equity
Equity as at 30 June 2016		25,000	19,224	44,224
Total comprehensive income for the year			11,046	11,046
Transactions with owners				
Dividend paid on 14 October 2016			(1,392)	(1,392)
Equity as at 30 June 2017		25,000	28,878	53,878
Total comprehensive income for the year			11,802	11,802
Transactions with owners				
Dividend paid on 20 September 2017			(1,390)	(1,390)
Equity as at 30 June 2018	12	25,000	39,290	64,290

Statement of financial position

As at 30 June 2018 in \$000s

	Note	2018	2017
Assets			
Financial assets			
Cash and bank balances		50,281	49,919
Receivable unsettled bond repurchases		-	13,723
Loans to local government	5	7,975,728	7,783,932
Marketable securities		231,420	127,641
Deposits		201,114	149,949
Derivatives in gain	2d	375,371	364,953
Non-financial assets			
Prepayments		561	544
Other assets	14	609	760
Total assets		8,835,084	8,491,421
Equity			
Share capital		25,000	25,000
Retained earnings		39,290	28,878
Total equity		64,290	53,878
Liabilities			
Financial liabilities			
Trade and other payables		444	453
Accrued expenses		348	554
Bills	6	473,421	348,179
Bonds	7	8,101,004	7,865,401
Borrower notes	8	135,108	131,614
Bond repurchases		6,183	25,682
Derivatives in loss	2d	54,286	65,660
Total liabilities		8,770,794	8,437,543
Total equity and liabilities		8,835,084	8,491,421

Statement of cash flows

For the year ended 30 June 2018 in \$000s

	Note	Year Ended 2018	Year Ended 2017
Cash flow from operating activities			
Cash applied to loans to local government	11	(191,878)	(1,385,002)
Interest paid on bonds issued		(356,416)	(341,100)
Interest paid on bills issued		(8,400)	(6,029)
Interest paid on bond repurchases		(239)	(247)
Interest paid on borrower notes		(2,648)	-
Interest received from loans to local government		228,463	222,121
Interest received from cash and cash equivalents		627	597
Interest received from marketable securities		3,453	2,688
Interest received from deposits		5,310	2,661
Net interest on derivatives		149,898	137,262
Payments to suppliers and employees		(7,066)	(6,051)
Net cash flow from operating activities	10	(178,896)	(1,373,100)
Cashflow from investing activities			
Change in marketable securities		(104,115)	11,661
Change in deposits		(51,000)	(59,000)
Net cashflow from investing activities		(155,115)	(47,339)
Cashflow from financing activities			
Cash proceeds from bonds issued	11	221,120	1,267,666
Cash proceeds from bills issued		125,241	124,263
Cash proceeds from bond repurchases		(5,778)	11,957
Cash proceeds from borrower notes	11	2,863	20,840
Dividends paid		(1,390)	(1,392)
Cash applied to derivatives		(7,683)	9,940
Net cashflow from financing activities		334,373	1,433,274
Net (decrease) / increase in cash		362	12,835
Cash, cash equivalents and bank overdraft at beginning of year		49,919	37,084
Cash, cash equivalents and bank overdraft at end of year		50,281	49,919

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.

The financial statements are as at and for the year ended 30 June 2018.

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

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 LGFA for the financial year commencing 1 July 2018. This standard aligns hedge accounting more closely with the risk management activities of the entity and introduces a new expected credit loss model for calculating impairment. The current estimated impact of transitioning to NZ IFRS 9 at 1 July 2018 on the financial statements is a reduction in net assets not exceeding \$100,000, primarily due to the introduction of impairment allowances.

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.

2 Analysis of financial assets and financial liabilities

a. Categories of financial instruments

Derivative financial instruments are the only instrument recognised in the statement of financial position at fair value.

Derivative financial instruments are valued under level 2 of the following hierarchy.

- *Level 1* – Quoted market prices: Fair value based on quoted prices in active markets for identical assets or liabilities.
- *Level 2* – Valuation techniques using observable market inputs: Fair value based on a valuation technique using other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).
- *Level 3* – Valuation techniques using significant non-observable market inputs: Fair value based on a valuation technique using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value of derivative financial instruments is determined using a discounted cash flow analysis. Interest rates represent the most significant assumption used in valuing derivative financial instruments. The interest rates used to discount estimated cash flows are based on the New Zealand dollar swap curves at the reporting date.

Financial instruments recognised in the statement of financial position at amortised cost

Fair values of financial instruments not recognised in the statement of financial position at fair value are determined for note disclosure as follows:

Cash and bank, trade and other receivables, trade and other payables

The carrying value of cash and bank, trade and other receivables, trade and other payables approximate their fair value as they are short-term instruments.

Marketable securities and bonds

The fair value of bonds and marketable securities are determined using the quoted price for the instrument (Fair value hierarchy level 1).

Deposits

The fair value for deposits is determined using a discounted cash flow analysis. The interest rates used to discount the estimated cash flows are based on current market interest rates (Fair value hierarchy level 2).

Loans to local government

The fair value of loans to local government authorities is determined using a discounted cash flow analysis. The interest rates used to discount

the estimated cash flows are based on LGFA bond yields at the reporting date plus an appropriate credit spread to reflect the counterparty's credit risk (Fair value hierarchy level 2).

Borrower notes

The fair value of borrower notes is determined using a discounted cash flow analysis. The interest rates used to discount the estimated cash flows are based

on LGFA bond yields at the reporting date (Fair value hierarchy level 2).

Fair value of financial assets and financial liabilities

The fair value of financial assets and financial liabilities, together with the carrying amounts shown in the statement of financial position, are as follows:

As at 30 June 2018 in \$000s	Financial liabilities at amortised cost	Financial assets at amortised cost	Financial assets measured at fair value in accordance with NZ IFRS 9	Fair value
Financial assets				
Cash and bank balances	-	50,281	-	50,281
Trade and other receivables	-	-	-	-
Loans to local government	-	7,975,728	-	8,224,666
Marketable securities	-	231,420	-	225,570
Deposits	-	201,114	-	202,061
Derivatives	-	-	375,371	375,371
	-	8,458,543	375,371	9,077,949
Financial liabilities				
Trade and other payables	444	-	-	444
Bills	473,421	-	-	473,467
Bonds	8,101,004	-	-	8,172,546
Borrower notes	135,108	-	-	134,956
Bond repurchases	6,183	-	-	6,183
Derivatives	-	-	54,286	54,286
	8,716,160	-	54,286	8,841,882

As at 30 June 2017 in \$000s	Financial liabilities at amortised cost	Financial assets at amortised cost	Financial assets measured at fair value in accordance with NZ IFRS 9	Fair value
Financial assets				
Cash and bank balances	-	49,919	-	49,919
Trade and other receivables	-	-	-	-
Receivable unsettled bond repurchases	-	13,723	-	13,726
Loans to local government	-	7,783,932	-	8,031,625
Marketable securities	-	127,641	-	127,818
Deposits	-	149,949	-	150,559
Derivatives	-	-	364,953	364,953
	-	8,125,164	364,953	8,738,600
Financial liabilities				
Trade and other payables	453	-	-	453
Bills	348,179	-	-	348,296
Bonds	7,865,708	-	-	7,958,723
Borrower notes	131,614	-	-	131,109
Bond repurchases	25,682	-	-	25,682
Derivatives	-	-	65,660	65,660
	8,371,636	-	65,660	8,529,923

b. Financial risk management

The Board of Directors has overall responsibility for carrying out the business of LGFA in accordance with risk management policies, including those relating to investing, lending, borrowing and treasury activities. The use of financial instruments exposes LGFA to financial risks, the most significant being market risk, credit risk, and liquidity risk. The exposure and management of these risks is outlined below.

Market risk

Market risk is the risk that changes in market prices will affect LGFA's income or value of financial instruments. The most significant market risk which LGFA is exposed to is interest rate risk. LGFA has no significant exposure to foreign exchange risk.

Interest rate risk

Interest rate risk is the risk that future cash flows or the fair value of financial instruments will decrease because of a change in market interest rates. LGFA is exposed to interest rate risk through its interest-bearing financial assets and liabilities.

Interest rate risk is managed using Value at Risk (VaR) and Partial Differential Hedge (PDH) limits to mitigate the potential change in value of the balance sheet due to changes in interest rates. PDH risk measures the sensitivity of a portfolio to a one basis point change in underlying interest rates, whereas VaR measures the expected loss for a given period with a given confidence.

The table below indicates the earliest period in which interest-bearing financial instruments reprice.

As at 30 June 2018 in \$000s	Face value	Less than 6 Months	6 months – 1 Year	1-2 Years	2-5 Years	Over 5 Years
Financial assets						
Cash and bank balances	50,281	50,281	-	-	-	-
Loans to local government	7,927,441	6,709,699	300,500	12,500	568,000	336,742
Marketable securities	226,593	152,196	26,897	27,500	20,000	-
Deposits	199,000	130,000	69,000	-	-	-
Financial liabilities						
Bills	(475,000)	(475,000)	-	-	-	-
Bonds	(7,719,000)	-	(1,240,000)	(980,000)	(3,119,000)	(2,380,000)
Borrower notes	(123,062)	(103,690)	(4,696)	(200)	(9,088)	(5,388)
Bond repurchases						
Derivatives	-	(6,454,200)	936,200	938,750	2,516,250	2,063,000
Total	86,253	9,286	87,901	(1,450)	(23,838)	14,354

As at 30 June 2017 in \$000s	Face value	Less than 6 Months	6 months – 1 Year	1-2 Years	2-5 Years	Over 5 Years
Financial assets						
Cash and bank balances	49,919	49,919	-	-	-	-
Loans to local government	13,723	13,723	-	-	-	-
Receivable unsettled bond repurchases	7,735,564	6,670,326	6,538	290,500	426,200	342,000
Marketable securities	126,302	103,747	7,555	15,000	-	-
Deposits	148,000	138,000	10,000	-	-	-
Financial liabilities						
Bills	(350,000)	(325,000)	(25,000)	-	-	-
Bonds	(7,505,000)	(1,015,000)	-	(1,200,000)	(2,105,000)	(3,185,000)
Borrower notes	(120,198)	(103,179)	(80)	(4,648)	(6,819)	(5,472)
Bond repurchases	(25,682)	(25,682)	-	-	-	-
Derivatives	-	(5,418,200)	-	909,200	1,666,250	2,842,750
Total	72,628	88,654	(987)	10,052	(19,369)	(5,722)

Interest rate sensitivity

Changes in interest rates impact the fair value of fixed rate assets and liabilities, cash flows on floating rate assets and liabilities, and the fair value and cash flows of interest rate swaps. A change of 100 basis

points in interest rates at the reporting date would have increased/(decreased) profit or loss and equity by the amounts shown in the following table. This analysis assumes that all other variables remain constant.

For the year ended 30 June in \$000s	2018		2017	
	100 bps increase \$000s	100 bps decrease \$000s	100 bps increase \$000s	100 bps decrease \$000s
Fair value sensitivity analysis				
Fixed rate assets	-	-	-	-
Fixed rate liabilities	276,613	(281,357)	272,084	(277,500)
Derivative financial instruments	(276,613)	281,357	(272,084)	277,500
	-	-	-	-
Cash flow sensitivity analysis				
Variable rate assets	64,806	(64,806)	62,982	(62,982)
Variable rate liabilities	(1,037)	1,037	(1,008)	1,008
Derivative financial instruments	(66,432)	66,432	(63,867)	63,867
	(2,663)	2,663	(1,893)	1,893

Credit risk

Credit risk is the risk of financial loss if a counterparty to a financial instrument fails to meet its contractual obligations. LGFA is exposed to credit risk through its lending and investing activities.

Credit risk associated with lending activities is managed by requiring local authorities that borrow from LGFA to meet specific credit lending criteria and to provide security against the borrowing. The LGFA's credit risk framework restricts credit exposures to specific counterparties.

Credit risk associated with investing activities, excluding on-lending, is managed by only investing with New Zealand Government Agencies or counterparties that meet a minimum credit rating of A (Standard & Poor's equivalent). The LGFA's credit risk framework limits concentrations of credit risk for any single counterparty.

Exposure to credit risk

LGFA monitors the concentration of credit risk by the type of counterparty. The carrying value and

maximum exposure to credit risk at the reporting date, before taking account of collateral or other credit enhancements, for significant counterparty types are shown in the table below.

As at 30 June 2018 in \$000s	NZ government agencies	NZ local authorities	NZ registered banks	Other counter- parties	Total carrying value
Financial assets					
Cash and bank balances	49,773	-	508	-	50,281
Trade and other receivables	-	-	-	-	-
Loans to local government	-	7,975,728	-	-	7,975,728
Marketable securities	60,988	43,807	109,544	17,081	231,420
Deposits	-	-	201,114	-	201,114
Derivatives	321,085	-	-	-	321,085
	431,846	8,019,535	311,166	17,081	8,779,628

As at 30 June 2017 in \$000s	NZ government agencies	NZ local authorities	NZ registered banks	Other counter- parties	Total carrying value
Financial assets					
Cash and bank balances	49,385	-	534	-	49,919
Trade and other receivables	-	-	-	-	-
Receivable unsettled bond repurchases	-	-	13,723	-	-
Loans to local government	-	7,783,932	-	-	7,783,932
Marketable securities	31,180	16,937	34,845	44,679	127,641
Deposits	-	-	149,949	-	149,949
Derivatives	364,953	-	-	-	364,953
	445,518	7,800,869	199,051	44,679	8,476,394

Collateral and credit enhancements

LGFA holds collateral against borrowings from local authorities in the form of debenture securities and guarantees.

Credit quality of financial assets

All financial assets are neither past due or impaired. The carrying value of the financial assets is expected to be recoverable.

Liquidity risk

Liquidity risk is the risk that LGFA will encounter difficulty in meeting the obligations of its financial liabilities. LGFA manages liquidity risk by holding cash and a portfolio of liquid assets to meet obligations when they fall due. LGFA is required by policy to maintain sufficient liquidity (comprising a committed liquidity facility and holdings of cash and liquid investments) to meet all operating and funding commitments over a rolling 12-month period.

The New Zealand Debt Management Office (NZDMO) provides a committed liquidity facility that LGFA can draw upon to meet any exceptional and temporary liquidity shortfall. As at 30 June 2018, the undrawn committed liquidity facility was \$600 million (2017: \$500 million).

Contractual cash flows of financial instruments

The contractual cash flows associated with financial assets and liabilities are shown in the table below.

As at 30 June 2018 in \$000s	On demand	Up to 3 months	3 months to 1 year	1 year to 5 years	More than 5 years	Total contractual cash flows	Total carrying value
Financial assets							
Cash and bank balances	50,281	-	-	-	-	50,281	50,281
Trade and other receivables	-	-	-	-	-	-	-
Loans to local government	-	236,487	1,460,213	4,447,506	2,859,147	9,003,353	7,975,728
Marketable securities	-	114,836	59,305	61,268	-	235,409	231,420
Deposits	-	50,880	152,905	-	-	203,786	201,114
Financial liabilities							
Trade and other payables	(444)	-	-	-	-	(444)	(444)
Bills	-	(375,000)	(100,000)	-	-	(475,000)	(473,421)
Bonds	-	(31,000)	(1,558,213)	(4,981,825)	(2,747,625)	(9,318,663)	(7,878,765)
Bond repurchases	-	(6,184)	-	-	-	(6,184)	(6,184)
Borrower notes	-	-	(23,639)	(74,147)	(52,889)	(150,675)	(135,108)
Derivatives	-	(15,961)	152,202	333,394	106,640	576,275	321,085
	49,837	(25,942)	142,774	(213,803)	165,273	118,138	285,707

As at 30 June 2017 in \$000s	On demand	Up to 3 months	3 months to 1 year	1 year to 5 years	More than 5 years	Total contractual cash flows	Total carrying value
Financial assets							
Cash and bank balances	49,919	-	-	-	-	49,919	49,919
Trade and other receivables							
Receivable unsettled bond repurchases		13,723	-	-	-	13,723	13,723
Loans to local government	-	211,716	1,135,725	4,077,315	3,388,036	8,812,791	7,783,932
Marketable securities	-	58,808	54,569	15,750	-	129,126	127,641
Deposits	-	34,762	116,848	-	-	151,611	149,949
Financial liabilities							
Trade and other payables	(453)	-	-	-	-	(453)	(453)
Bills	-	(200,000)	(150,000)	-	-	(350,000)	(348,179)
Bonds	-	(30,000)	(1,322,225)	(4,225,800)	(3,612,475)	(9,190,500)	(7,865,708)
Bond repurchases		(25,684)	-	-	-	(25,684)	(25,684)
Borrower notes	-	-	(17,192)	(66,814)	(62,910)	(146,916)	(131,614)
Derivatives	-	(14,673)	149,931	368,393	151,532	655,184	299,600
	49,466	48,652	(32,343)	168,844	(135,817)	98,802	53,126

c. Hedge accounting

LGFA is exposed to interest rate risk from fixed rate borrowing and variable rate lending to councils. LGFA uses interest rate swaps to manage this interest rate risk. For hedge accounting purposes, LGFA has designated these swaps in fair value relationships to its fixed rate borrowing.

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.

As at 30 June in \$000s	2018 Gain/(loss)	2017 Gain/(loss)
Hedging instruments – interest rate swaps	58,487	(174,572)
Hedged items attributable to the hedged risk – fixed rate bonds	(58,487)	174,572
Hedged items attributable to the hedged risk – fixed rate bonds	-	-

The gains or losses on the hedging instrument (interest rate swaps) and the hedged item (bonds) 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.

d. Offsetting

NZ IAS 32: Financial Instruments Presentation allows financial assets and liabilities to be offset only when there is a current legally enforceable right to set off the amounts and there is an intention either to settle on a net basis, or to realise the asset and settle the liability simultaneously. LGFA does not offset any amounts. The following table shows amounts subject to an enforceable master netting arrangement or similar agreement that are not offset in the statement of financial position:

As at 30 June 2018 in \$000s	Derivative assets	Derivative liabilities
Gross amounts	375,371	54,286
Amounts offset	-	-
Carrying amounts	375,371	54,286
Amounts that don't qualify for offsetting	-	-
Financial assets and liabilities	(54,286)	(54,286)
Collateral	-	-
Net Amount	321,085	-

As at 30 June 2017 in \$000s	Derivative assets	Derivative liabilities
Gross amounts	364,953	65,660
Amounts offset	-	-
Carrying amounts	364,953	65,660
Amounts that don't qualify for offsetting	-	-
Financial assets and liabilities	(65,660)	(65,660)
Collateral	-	-
Net Amount	299,293	-

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.

For the year ended 30 June in \$000s	2018	2017
NZDMO facility fee	706	442
NZX	333	412
Rating agency fees	577	547
Legal fees for issuance	233	169
Regulatory, registry, other fees	106	37
Trustee fees	100	100
Approved issuer levy ¹	1,975	1,795
Information Services	154	138
	4,182	3,640

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

4 Operating expenses

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

For the year ended 30 June in \$000s	2018	2017
Consultants ¹	188	51
Directors fees	377	348
Insurance	60	60
Legal fees	88	37
Other expenses	743	875
Auditors' remuneration		
Statutory audit	87	81
Advisory services	-	4
Personnel	1,418	1,372
Recruitment	20	-
	2,981	2,828

1. Consultants includes \$119 for Treasury Systems Consultant (2017: \$132). Previously, this cost was reported within Other expenses (with associated treasury systems costs).

5 Loans to local government

As at 30 June in \$000s	2018		2017	
	Short-term loans	Loans	Short-term loans	Loans
Ashburton District Council	5,015	25,603	10,018	25,707
Auckland Council	-	2,101,357	-	2,429,887
Buller District Council	-	20,014	-	20,001
Canterbury Regional Council	-	30,103	-	25,083
Central Hawkes Bay District Council	-	2,027	-	-
Christchurch City Council	85,273	1,573,566	96,280	1,485,304
Far North District Council	-	40,130	-	30,121
Gisborne District Council	-	37,275	-	27,085
Gore District Council	6,014	11,064	6,023	11,034
Greater Wellington Regional Council	-	306,302	-	280,702
Grey District Council	-	20,446	-	20,551
Hamilton City Council	-	366,483	-	351,028
Hastings District Council	1,957	75,280	-	60,211
Hauraki District Council	-	38,156	-	41,139
Horizons Regional Council	-	20,035	-	10,013
Horowhenua District Council	6,008	72,868	12,013	63,923
Hurunui District Council	-	23,098	-	23,085
Hutt City Council	4,996	152,802	-	97,727
Kaipara District Council	4,925	40,174	8,925	43,172
Kapiti Coast District Council	-	205,754	-	210,623
Manawatu District Council	-	61,180	-	58,094
Marlborough District Council	17,297	63,237	19,851	63,207
Masterton District Council	-	52,234	2,006	52,209
Matamata -Piako District Council	-	27,599	-	29,581
Nelson City Council	-	60,239	-	55,201
New Plymouth District Council	-	74,324	-	61,167
Northland Regional Council	-	8,634	-	-
Opotiki District Council	-	5,163	-	5,180
Otorohanga District Council	-	6,120	-	9,178
Palmerston North City Council	10,028	82,317	10,025	77,255
Porirua City Council	-	61,754	-	28,608
Queenstown Lakes District Council	10,096	75,954	7,070	86,177
Rotorua District Council	-	150,266	1,001	114,976
Selwyn District Council	-	15,021	-	35,050

5 Loans to local government (cont)

As at 30 June in \$000s	2018		2017	
	Short-term loans	Loans	Short-term loans	Loans
South Taranaki District Council	-	62,278	-	62,267
South Wairarapa District Council	-	17,629	4,034	13,586
Stratford District Council	-	4,513	-	-
Tararua District Council	2,011	15,064	1,004	10,033
Tasman District Council	10,007	109,006	-	90,273
Taupo District Council	-	125,430	-	125,417
Tauranga City Council	-	362,308	-	347,207
Thames-Coromandel District Council	-	45,175	-	35,061
Timaru District Council	12,524	67,331	10,047	67,347
Upper Hutt City Council	4,976	31,638	2,997	31,628
Waikato District Council	-	80,382	-	80,265
Waimakariri District Council	20,024	105,818	10,010	85,797
Waipa District Council	-	13,016	-	13,015
Waitomo District Council	10,066	25,086	5,022	25,027
Wellington City Council	-	395,384	-	294,047
Western Bay Of Plenty District Council	-	105,426	-	105,386
Westland District Council	2,998	14,361	-	-
Whakatane District Council	6,011	48,220	6,021	34,129
Whanganui District Council	5,005	73,367	-	66,327
Whangarei District Council	9,971	132,516	9,972	142,522
	235,202	7,740,526	222,318	7,561,614

6 Bills on issue

As at 30 June 2018 in \$000s

Maturity date	Face value	Unamortised premium	Accrued interest	Total
11 July 2018	50,000	-	(27)	49,973
27 July 2018	25,000	-	(36)	24,964
2 August 2018	125,000	-	(210)	124,790
6 August 2018	25,000	-	(47)	24,953
15 August 2018	50,000	-	(121)	49,879
23 August 2018	25,000	-	(72)	24,928
12 September 2018	50,000	-	(199)	49,801
26 September 2018	25,000	-	(121)	24,879
10 October 2018	25,000	-	(146)	24,854
31 October 2018	25,000	-	(177)	24,823
14 November 2018	25,000	-	(192)	24,808
12 December 2018	25,000	-	(232)	24,768
	475,000	-	(1,579)	473,421

As at 30 June 2017 in \$000s

Maturity date	Face value	Unamortised premium	Accrued interest	Total
12-Jul-17	50,000	(30)	-	49,970
4-Aug-17	25,000	(46)	-	24,954
16-Aug-17	50,000	(129)	-	49,871
13-Sep-17	50,000	(204)	-	49,796
26-Sep-17	25,000	(126)	-	24,874
11-Oct-17	25,000	(143)	-	24,857
26-Oct-17	25,000	(172)	-	24,828
15-Nov-17	25,000	(194)	-	24,806
27-Nov-17	25,000	(223)	-	24,777
13-Dec-17	25,000	(232)	-	24,768
26-Jan-18	25,000	(322)	-	24,678
	350,000	(1,821)	-	348,179

7 Bonds on issue

Bonds on issue do not include \$400 million face value of issued LGFA bonds subscribed by LGFA and held as treasury stock. Refer Note 9: Treasury stock and bond repurchase transactions.

As at 30 June 2018 in \$'000s

Maturity date		Face value	Unamortised premium	Accrued interest	Fair value hedge adjustment	Total
15 March 2019	5% coupon	1,240,000	8,990	18,196		
15 April 2020	3% coupon	980,000	(5,904)	6,185		
15 May 2021	6% coupon	1,420,000	57,960	10,882		
14 April 2022	2.75% coupon	270,000	(223)	1,582		
15 April 2023	5.5% coupon	1,429,000	67,183	16,535		
15 April 2025	2.75% coupon	969,000	(44,090)	5,606		
15 April 2027	4.5% coupon	1,056,000	35,890	9,997		
14 April 2033	3.5% coupon	355,000	(31,672)	2,648		
		7,719,000	88,134	71,631	222,239	8,101,004

As at 30 June 2017 in \$'000s

Maturity date		Face value	Unamortised premium	Accrued interest	Fair value hedge adjustment	Total
15 December 2017	6% coupon	1,015,000	7,762	2,662		
15 March 2019	5% coupon	1,200,000	19,488	17,609		
15 April 2020	3% coupon	755,000	(12,471)	4,765		
15 May 2021	6% coupon	1,350,000	68,236	10,345		
15 April 2023	5.5% coupon	1,350,000	69,813	15,621		
15 April 2025	2.75% coupon	660,000	(34,201)	3,818		
15 April 2027	4.5% coupon	960,000	33,450	9,089		
14 April 2033	3.5% coupon	215,000	(20,650)	1,604		
Total		7,505,000	131,427	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 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 30 June 2018, treasury stock had been issued in the following maturities (in \$000s):

	2018	2017
15 March 2019	50,000	50,000
15 April 2020	50,000	50,000
15 May 2021	50,000	50,000
15 April 2022	50,000	-
15 April 2023	50,000	50,000
15 April 2025	50,000	50,000
15 April 2027	50,000	50,000
14 April 2033	50,000	50,000
Total	400,000	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 30 June 2018, bond repurchase transactions comprised:

Maturity date		30 June 2018 Repurchase transactions	30 June 2017 Repurchase transactions
15 March 2019	5% coupon	1,035	-
15 April 2020	3% coupon	4,076	-
15 May 2021	6% coupon	-	-
14 April 2022	2.75% coupon	-	-
15 April 2023	5.5% coupon	-	-
15 April 2025	2.75% coupon	-	9,981
15 April 2027	4.5% coupon	1,072	15,701
14 April 2033	3.5% coupon	-	-
		6,183	25,682

10 Reconciliation of net profit / (loss) to net cash flow from operating activities

For the year ended 30 June in \$000s		2018	2017
Net profit/(loss) for the period		11,802	11,046
Cash applied to loans to local government	11	(191,878)	(1,385,002)
Non-cash adjustments			
Amortisation and depreciation		1,083	438
Working capital movements			
Net change in trade debtors and receivables		(9)	271
Net change in prepayments		(17)	(9)
Net change in accruals		(28)	(39)
Net Cash From operating activities		(179,047)	(1,373,295)

11 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.

12 Share Capital

As at 30 June 2018, LGFA had 45 million ordinary shares on issue, 20 million of which remain uncalled. All ordinary shares rank equally with one vote attached to each ordinary share. Ordinary shares have a face value of \$1 per share.

Shareholder Information

Registered holders of equity securities as at 30 June	2018		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%

Capital management

LGFA's capital is equity, which comprises share capital and retained earnings. The objective of managing LGFA's equity is to ensure LGFA achieves its goals and objectives for which it has been established, whilst remaining a going concern.

Dividend

LGFA paid a dividend of \$1,390,000 on 20 September 2017, being \$0.0556 per paid up share (2017: \$1,392,500 on 14 October 2016, being \$0.0557 per paid up share).

13 Operating Leases

As at 30 June in \$000s	2018	2017 ¹
Less than one year	122	-
Between one and five years	263	-
Total non-cancellable operating leases	385	-

1. Not disclosed in 2017 as lease obligations were suspended following 2016 Kaikoura earthquake.

14 Other Assets

As at 30 June in \$000s	2018	2017
Property, plant and equipment	-	-
Intangible assets ²	609	760
Total other assets	609	760

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

15 Capital commitments

As at 30 June 2018, there are no capital commitments.

16 Contingencies

There are no contingent liabilities at balance date.

17 Related parties

Identity of related parties

The Company is related to the local authorities set out in the Shareholder Information in Note 12.

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

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

Related party transactions

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

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

NZDMO provides LGFA with a committed credit facility and is LGFA's derivatives counterparty.

Transactions with key management personnel: Salaries \$849,969 (2017: \$802,434)

Fees paid to directors are disclosed in operating expenses in Note 4.

18 Subsequent events

Subsequent to balance date, LGFA has issued \$285 million in bonds through two tenders.

Subsequent to balance date, on 28 August 2018, the Directors of LGFA declared a dividend of \$1,285,000 (\$0.0514) per paid up share.

Subsequent to balance date, on 13 July 2018, Standard and Poors' affirmed the local currency issuer rating of LGFA at 'AA+/A-1+' and removed LGFA from Under Criteria Observation.

A photograph of a child jumping over a large log structure in a playground. The structure is made of several large logs and stumps, set on a bed of brown wood chips. In the background, there are trees and a hillside under a clear blue sky.

A natural
play area installed
at the Octopus's
Garden Playground,
Ngawhatu Reserve.
Nelson City Council

A photograph showing three workers in orange safety vests and hard hats at a construction site. They are standing on a metal platform next to a large concrete structure, possibly a sewer pump station. Scaffolding and construction equipment are visible in the background.

Site inspection
at the Neale Park
Sewer Pump
Station Upgrade.
Nelson City
Council



INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF NEW ZEALAND LOCAL GOVERNMENT FUNDING AGENCY LIMITED

The Auditor-General is the auditor of New Zealand Local Government Funding Agency Limited (the company). The Auditor-General has appointed me, Brent Manning, using the staff and resources of KPMG, to carry out the audit of the financial statements and performance information of the company on his behalf.

Opinion

We have audited:

- the financial statements of the company on pages 45 to 68, that comprise the statement of financial position as at 30 June 2018, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information; and
- the performance information of the company on pages 32 to 43.

In our opinion:

- the financial statements of the company on pages 45 to 68:
 - present fairly, in all material respects:
 - its financial position as at 30 June 2018; and
 - its financial performance and cash flows for the year then ended; and
 - comply with generally accepted accounting practice in New Zealand in accordance with New Zealand Generally Accepted Accounting Practice (NZ GAAP) and they comply with New Zealand equivalents to International Financial Reporting Standards and International Financial Reporting Standards (IFRS); and
- the performance information of the company on pages 32 to 43 presents fairly, in all material respects, the company's actual performance compared against the performance targets and other measures by which performance was judged in relation to the company's objectives for the year ended 30 June 2018.

Our audit was completed on 28 August 2018. This is the date at which our opinion is expressed.

The basis for our opinion is explained below. In addition, we outline the responsibilities of the Board of Directors and our responsibilities relating to the financial statements and the performance information, we comment on other information, and we explain our independence.

Basis for our opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the Responsibilities of the auditor section of our report.

We have fulfilled our responsibilities in accordance with the Auditor-General's Auditing Standards.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Materiality

The scope of our audit was influenced by our application of materiality. Materiality helped us to determine the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and on the financial statements as a whole. The materiality for the



financial statements as a whole was set at \$61 million determined with reference to a benchmark of company Total Assets. We chose the benchmark because, in our view, this is a key measure of the company's performance. In addition, we also assess whether other matters that come to our attention during the audit would in our judgement change or influence the decisions of a reasonably knowledgeable person ('qualitative' materiality).

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements in the current period. We summarise below those matters and our key audit procedures to address those matters in order that the shareholders as a body may better understand the process by which we arrived at our audit opinion. Our procedures were undertaken in the context of and solely for the purpose of our statutory audit opinion on the financial statements as a whole and we do not express discrete opinions on separate elements of the financial statements.

The key audit matter	How the matter was addressed in our audit
Existence and impairment of loans	
<p>Refer to Note 5 to the Financial Statements.</p> <p>The loans LGFA has provided to local government make up over 90% of total assets. The loans are recognised at amortised cost and the nature of the counterparties is such that we do not consider these loans to be at high risk of significant misstatement. However, based on their materiality, and the judgement involved in assessing the credit worthiness of counterparties they are considered to be the area which had the greatest effect on our overall audit strategy and allocation of resources in planning and completing our audit.</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> - understanding the processes in place to assess borrowers and to record loan transactions. This included evaluating the control environment in place at LGFA. - agreeing the 30 June 2018 loan balances to external confirmations received from NZ Clear. - assessing the borrowers' compliance with financial covenants. <p>We did not identify any material differences in relation to the existence or impairment of loans.</p>
Application of hedge accounting	
<p>Refer to Note 2 of the Financial Statements.</p> <p>LGFA enters into derivatives (interest rate swaps) to manage interest rate risk related to issuing fixed rate bonds. Fair value hedge accounting is applied where specific requirements are met around documentation of the hedge relationship and the relationship is demonstrated as being an effective hedge. Hedge accounting is complex, particularly in the area of whether the requirements (both initial and ongoing) for its application are met. Should the requirements for hedge accounting not be met, LGFA could experience significant volatility in the Statement of Comprehensive Income from changes in the fair value of the derivatives.</p> <p>Due to the size of the derivative positions and the complexity of hedge accounting we consider this to be a key audit matter.</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> - agreeing the terms of the derivatives to the confirmation provided by the derivative counterparty. - using our treasury valuation specialists we independently recalculated the fair value of all of the derivatives recorded by LGFA. - ensuring the hedge documentation supporting the application of hedge accounting was in accordance with relevant accounting standards. - determining that management's hedge effectiveness calculations were correctly performed using appropriate source information. <p>We did not identify any material differences in relation to the application of hedge accounting.</p>



Responsibilities of the Board of Directors for the financial statements and the performance information

The Board of Directors is responsible on behalf of the company for preparing financial statements that are fairly presented and that comply with generally accepted accounting practice in New Zealand. The Board of Directors is also responsible for preparing the performance information for the company.

The Board of Directors is responsible for such internal control as it determines is necessary to enable it to prepare financial statements and performance information that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements and the performance information, the Board of Directors is responsible on behalf of the company for assessing the company's ability to continue as a going concern. The Board of Directors is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless the Board of Directors intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors' responsibilities arise from the Local Government Act 2002.

Responsibilities of the auditor for the audit of the financial statements and the performance information

Our objectives are to obtain reasonable assurance about whether the financial statements and the performance information, as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit carried out in accordance with the Auditor-General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures, and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of shareholders, taken on the basis of these financial statements and the performance information.

We did not evaluate the security and controls over the electronic publication of the financial statements and the performance information.

As part of an audit in accordance with the Auditor-General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. Also:

- We identify and assess the risks of material misstatement of the financial statements and the performance information, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- We evaluate the appropriateness of the reported performance information within the company's framework for reporting its performance.
- We conclude on the appropriateness of the use of the going concern basis of accounting by the Board of Directors and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability



to continue as a going concern. If we conclude that a material uncertainty exists we are required to draw attention in our auditor's report to the related disclosures in the financial statements and the performance information or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.

- We evaluate the overall presentation, structure and content of the financial statements and the performance information, including the disclosures, and whether the financial statements and the performance information represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Our responsibilities arise from the Public Audit Act 2001.

Other Information

The Board of Directors is responsible for the other information. The other information comprises the information included on pages 4 to 31, but does not include the financial statements and the performance information, and our auditor's report thereon.

Our opinion on the financial statements and the performance information does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the financial statements and the performance information, our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the financial statements and the performance information or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on our work, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Independence

We are independent of the company in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1(Revised): Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board.

Other than the audit, we have no relationship with, or interests in, the company.

Brent Manning
KPMG
On behalf of the Auditor-General
Wellington, New Zealand

Other disclosures

Whākitanga

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 3.2.1

NZX has granted LGFA a waiver from NZX Listing Rule 3.2.1(a) to the extent that this requires the trust deed under which the LGFA Bonds are issued (Trust Deed) to provide that the appointment of a new trustee is to be approved by an extraordinary resolution of the holders of the Securities to which the Trust Deed relates. Effective from 10 May 2016, LGFA ceased to rely on this waiver as the Trust Deed was amended to comply with NZX Listing Rule 3.2.1(a).

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.

Donations

No donations were made by LGFA during the year ended 30 June 2018.

Net Tangible Assets

Net tangible assets per \$1,000 of listed bonds as at 30 June 2018 is \$7.92 (2017: \$6.86).

Earnings per security

Earnings per security as at 30 June 2018 is \$1.45 (2017: \$1.41).

Amount per security of final dividends

Not applicable

Spread of Quoted Security holders

Spread of bondholders (LGF020, LGF030, LGF040, LGF050, LGF060, LGF070, LGF080 and LGF090) as at 30 June 2018.

Holding range	Holder count	Holding quantity	Holding quantity %
10,000 to 49,999	397	\$10,194,000	0.13
50,000 to 99,999	149	\$10,519,000	0.13
100,000 to 499,999	200	\$43,272,000	0.53
500,000 to 999,999	35	\$24,897,000	0.31
1,000,000 and above	70	\$8,030,118,000	98.90
Total	851	\$8,119,000,000	100.00

Directory

Rārangi tauwaea



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Wellington 6145



Phone

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Personnel e-mail addresses

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Website

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General enquiries

lgfa@lgfa.co.nz

Office hours

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09.00-17.30 hrs

Except Public Holidays

Street address



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Wellington 6011



AUCKLAND

Level 5
Walker Wayland Centre
53 Fort Street
Auckland 1010



NEW ZEALAND LOCAL
GOVERNMENT FUNDING AGENCY
TE PŪTEA KĀWANATANGA Ā-ROHE

www.lgfa.co.nz

4.5 Operational Report - Finance and Corporate - September 2018

Meeting: Finance and Corporate Committee
Date of meeting: 27 September 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 September 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 September 2018 and provides some further comment on future planned activities.

4 Discussion

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 – September 2018

Operational Report – Finance and Corporate – September 2018

Information Communications Technology (ICT)

ICT Teams have finalised the end of fiscal year activities and continue to monitor the stability of our systems as well as support the organisation with BAU requests, incidents and critical infrastructure improvements. Project work is not without challenges but overall progressing well.

ICT Operations

While service levels for the month of August were ahead of target at 97.13% the team's workload has remained constant and the backlog of cases is decreasing in most areas.

Operational activities include:

- Conducting a third-party security review – planned to start in October
- Cyber training management plan – solution procured and deployment dates to be confirmed
- Remediating critical Disaster Recovery recommendations
- Application and Desktop support – business as usual
- Managing vendor performance
- Reporting on service levels.

We are still awaiting the final findings from the annual review by Audit NZ which is part of the Annual Report process, but expect a positive report once more.

ICT Projects

In general, the Trilogy Phase 2 projects are progressing well although we have seen some delay across two of them.

- **Upgrade Technology One to Ci Anywhere** – next software upgrade for Core Council system.
 - Lack of vendor resources and defined costing model has seen delay in training and configuration for Early Adopter Property and Rating. This is currently under escalation with the vendor and a promising outcome is looking likely.
- **Corporate Performance Management** – implementation of software to track, trace, monitor manage and report key performance indicators across Council. Phase 1 was LTP measures, Phase 2 will cover WDC operational measures.
 - Phase 1 is live and operating well, with metrics for two months recorded so far. Phase 2 planning in progress.
- **Website Platform Redevelopment (Digital Platform)** – Review and re-development of our existing WDC websites.
 - Design Phase – The platform system has been selected and product scope sessions are planned to determine what will be delivered in the first phase. Planning for the Build Phase is commencing.

- **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 – Due diligence has taken longer than anticipated to close the RFP with close scrutiny being given to GIS integration. Final preferred supplier vendor demonstrations on 13 September should finalise the RFP barring unforeseen issues. In the meantime, analysis for data cleansing and asset hierarchies is taking place.
- **Digitisation of Property Files** – Execution Phase
 - Completion of digitisation of all existing physical files to 2017 is on track for completion by June 2019. Analysis of how we incorporate digitisation at source, so that we do not need physical files, is in progress.

Finance

Financial Reporting

The combined pressures of the 2017-18 Annual Report and the 2018-19 revised budget have stretched the Finance team's resources. The normal monthly reporting cycles have been disrupted as we have had limited capacity to complete various month-end tasks including reconciliations, accruals, coding corrections and variance analysis; all of which must be completed before meaningful monthly financial reports can be completed.

Standard monthly reporting will recommence in October.

2018-19

Budget managers have phased their 2018-19 revised budget, ready to be reported against actual and forecast spend. A financial report covering the three months ending 30 September 2018 will be included in the October Finance and Corporate Committee meeting.

Annual Report

The Annual Report for the year ended 30 June 2018 is progressing well, with adoption scheduled for 27 September 2018.

Audit is making good progress and they are aiming to provide verbal clearance on Friday 21 September.

At the time of preparing this agenda, the audit of Whangarei District Airport has been completed, with Northland Events Centre Trust and Whangarei Art Museum Trust being finalised.

Revenue

The rates rebates office opened mid-July. By 31 August 2,650 successful applications were processed. There is a 3% increase from the 2,573 applications at the same time last year. The amount received from the Department of Internal Affairs was \$1,507,000 compared to \$1,436,000 last year. At least 90% of rates rebates applications are normally received during this period.

Land Rates

The first rates instalment has been completed, with 8,432 properties paying their rates in full and receiving a 2% discount, totalling \$399,000. Last year there were 8,764 properties for which the 3% was deducted, totalling \$588,000. While the discount rates was lowered in the LTP to reflect decreased market interest rates, it is interesting to note there has been very little impact on our overall cashflows as a result.

Work on the 2018 triannual General Revaluation continues. There were 280 properties sold in August, 10% lower than this time last year.

Water Rates

Details of water rates transactions are as follows:

Water Rates Summary - August 2018							
	Consumption	Supply Charge	Backflow	Special Reading Fee	Penalties	Excess Water Remission	Arrears
Amount(\$)	1,133,954	71,411	9,229	9,370	3,958	18,469	249,221
Transactions (Number)	5,056	4,988	253	128	319	26	1,395
Average (\$)	224.28					710.35	

Collection and Recovery

Land rate arrears at 31 August arrears are:

- \$1,991,000 (July 2018 \$2,215,000)
- Māori Freehold Land comprises \$1,394,000 (July 2018 \$1,430,000) of arrears.

In August, we sent arrears letters to those ratepayers who did not pay the first instalment before the penalty was added.

Land Rates Arrears 31 August 2018						
	\$			Number of Properties		
Arrears analysed amount outstanding	<\$2000	\$2000-\$5000	>\$5000	<\$2000	\$2000-\$5000	>\$5000
No Mortgage	47,000	59,000	36,000	127	20	2
Mortgage	82,000	48,000	47,000	89	19	3
Arrangement	126,000	46,000	62,000	217	14	8
Arrangement MFL	11,000	77,000	291,000	20	21	22
Maori Freehold Land	26,000	68,000	920,000	35	20	76
Other	4,000	14,000	28,000	2	4	3
Total	296,000	312,000	1,384,000	490	98	114

Water rates arrears are \$249,000 (1,395 debtors), with \$142,000 (886 debtors) 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 top initiatives.

Armourguard Contract Initiative

The objective of this initiative is to formalise and re-clarify the responsibilities of Armourguard with respect to the bylaw enforcement activities they undertake as our agents:

- Pools
- Dogs
- Noise
- Freedom Camping
- Parking
- Bylaw enforcement.

Progress Made

- All operational processes completed and published.
- Handed over the processes to BAU
- Final stakeholder update in September

Next Steps

- Monitor operationalization of the Noise process as this is different to today
- Clarification of customer interaction detail regarding pool not compliant process

Delegations Register

The aim of this project is to centralise the Delegations Register within a system that makes it easy for staff to understand what their delegations are, and for changes to be easily work-flowed to stakeholders. The system which is being used to provide this functionality is Kete, which has built-in workflow functionality.

Progress Made

- stakeholders have confirmed the Delegation list accurately reflects current delegations.
- Delegations list in Kete is currently being finalised.

Next Steps

- Kete Delegations register to be finalised
- Process for updating the Delegations register to be reviewed and agreed
- Adopted delegation's approval through Council to be completed
- Testing and training by the Project team and stakeholders who have delegations to be completed
- Communications to be provided on Delegations process and register.

Business Support

Information Management

Information Management Capacity Building

Building capacity across the organisation has been progressing well with the following departments having completed a workshop covering management of information across Council as noted in last month's report:

- Customer Services
- People and Capability
- Business Improvement
- ICT
- Business Support
- Revenue
- Health and Bylaws
- Infrastructure Planning and Capital Works

The feedback from these meetings has been very positive and provides a foundation to build the workspace and Kete review work on. Recruitment for an Information Analyst to complete this work is in the final stages and once this person is onboarded a full plan will be developed in consultation with our key stakeholders.

Public Records Act training has also been completed for 16 staff members across several business units. This was a full one day training session and there is mutual commitment to work with these people to look at gaps and risks for compliance in their areas and across the wider organisation. A wider training/knowledge sharing plan will be developed as well.

Archives and File Space Planning

Both archives and active file spaces are being reviewed to ensure we are making the most of both spaces and looking at this strategically for the future once all our files are digital. Options for onsite vs offsite storage will be delivered in November.

The active file area at Forum North has been impacted by the delays in day forward digitisation necessitating some reshuffling of shelves to house building consent files. Consumption of file space in this area is directly impacted by the volume of building consent activities.

Management and workflows – Policies, Procedures, Strategies, Guidelines and Forms

Final testing is underway for the developments and improvement in the following areas:

- Council Policies and Strategies
- Procedures, Guidelines and Forms

These are covered in two workspaces within Kete and the work will see both these areas have better controls, workflows and overarching presentation to those who need to use them. This will ensure clean sources of the truth and triggers for ensuring reviews are undertaken in a timely way.

The work of procedures in particular is being completed in consultation with Business Improvement to ensure there is collaboration and the work in Kete aligns to strategic work underway on the use and management of procedures in ProMapp.

Procurement

A Council Briefing for the Draft Procurement Policy was held on 12 September.

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

Procurement work is in progress for:

- Civic Cleaning Services
- Security
- Events Strategy Consultant
- Staffroom supplies
- Civic Centre
- Staff Travel.

Property Assets

Civic Buildings

- Civic Centre – Registration of Interest released as a precursor to formal procurement. This initial phase will identify interested suppliers who will have the opportunity to provide input to the procurement process, which is considered best practice.
- Civic Cleaning Contract – contract signed by PPCS and submitted to Chief Executive for sign off.
- Kamo Library Re-roof project – satisfactory work progressing.
- Security Guard and Alarm Monitoring – RFP about to be submitted in GETS.
- Forum North – Reviewing security requirements around the building after an assault in the Forum North carpark.

Fleet

- The current pool fleet is being run at a low capacity due to assigning three vehicles to various departments. We are assessing the requirements, as changes might follow.
- We investigated the YOOGO (trade name) share Electronic Vehicle (EV) lease model currently running in Christchurch City and have spoken to Roding, and they have agreed in assigning parking spaces in Forum North carpark to the initiative. We are continuing to investigate the options available for the Council fleet and will endeavour to have a proposal completed by the end of October. This will include details of the options and associated costs and benefits. Until this work is completed and there has been a wider consultation process, the current fleet management is "business as usual."
- On the horizon is also the trend to hydrogen powered vehicles. Power consortia are working with central government to explore the feasibility of this for New Zealand.

Lease/Asset Management

- Work on the annual on-charging for Council's commercial tenants for outgoings such as rates and power has been completed.

Communications

Digital Council

The Communications team is highly active in supporting digital activities across the business with several of our key staff assigned to supporting the ICT department as Key Business Users over the coming months. We are currently supporting the planning and design of the new website under the ICT department's Digital Platform Project.

Branding refresh

The Communications Team is working on a plan to transition to the new Council logo, which is being approached on an incremental basis (rather than as a 'big bang') to minimise costs.

Graphics and Communications

We handled weekly Council News production together with the usual communications and marketing, content production service requests from within Council. Campaigns worked on across the team included producing publicity for and promoting Urban Plan and Services pre-consultation, Representation Review consultation, Freedom Camping, the *Active Recreation Strategy*, and Council's internal *Organisational Strategy*, *Communications Strategy* and the Alcohol Control bylaw.

Communications team members have also been involved in working groups for the Carpark to Park, Tactical Urbanism, Waterfront group, Revaluation Opteon and Operation Splash – including producing a series of radio advertisements and brochures for pool retailers – as well as creating new signage for Otuihau/Whangarei Falls and the Tuna Track.

We are continuing working with staff from Building and Resource Consents departments to produce a series of animated videos for use on our website and on Facebook. The first of these was shown at the August All Staff meeting to good reviews.

We also worked on a campaign to promote "Keep NZ Beautiful Week", as well as the 2018-28 Project book, Northland Rugby Union Taniwha game collateral and new heritage panels to be installed in several locations along Bank Street.

A planned 'Let Us Know' campaign that encourages customers to let us know when they see a problem e.g. blocked drains, a broken street light or litter is due to start next month. We have also been working on a Waterfront Campaign to bring together all the Council projects going on in this key area.

Internal Communications

Internal Communications included compiling the monthly All Staff PowerPoint presentation and collaborating with varied departments to produce content for Kete e.g. banners and news stories.

Staff produced a series of videos for internal use promoting Maori Language week and the idea of "giving it (the Maori language) a go."

Annual Report

We are in the final stages of preparing the Annual Report for publication.

Mayoral communications

We researched and wrote speeches for the Mayor and Deputy Mayor, plus crafted the fortnightly Whangarei Report column. We also managed communications for the Mayor's office including letters of complaint, congratulations, thanks, requests for mayoral media statements and articles for local publications. We wrote and published citations for this year's Civic Honour recipients as well as related publicity material for this annual event.

Media and public relations

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

- hotel developers encouraged to apply for government funding
- Whangarei residents encouraged to use mobile app for parking
- Pukenui Forest kiwi
- more smoke-free cafes
- hotel development proposed for Riverside
- four-laning Whangarei to Wellsford highway still an option
- litter clean-up in Cafler Park
- picture of work on shared path
- volunteers to plant trees on Waiarohia stream bank
- Whangarei bars fail in sting
- bid to host 2021 Women's Rugby World Cup at Okara Park
- Whangarei top city for electric vehicles
- food from Council gardens given to Salvation Army
- Otangarei sports park damaged by vandals
- roading projects to commence
- trees planted alongside Waiarohia stream
- mPark video created by Carpenter boys
- Forum North Childcare re-location
- Cameron Street retailers fed up with loitering youth
- proposed ward changes
- alcohol bylaw review
- old Harbour Board building demolition
- more smoke-free cafes
- Army Hall spruced up for homeless
- naming rights for Okara Park
- correction of author's name of Report column
- Whangarei locals urged to nominate NZer of the Year
- cost of cleaning up fly-tipping
- pre-consultation on district plan changes closes 24 August 2018
- commercial development in Waipu
- filming on Cr Deeming's farm
- online responders less satisfied in annual survey
- building award for Te Kakano
- pay rise for Mayor and Councillors
- active recreation and sport strategy being developed
- lift in CBD property market
- forgotten land in Mackesy Road to be vested in WDC
- revaluation of Whangarei properties
- Tikipunga playground named Potter Park
- Porowini Avenue intersections upgrade
- Canopy Night Markets starting again on 19 October 2018.

The following topics were raised in Letters to the Editor and web chat (Northern Advocate):

- rubbish charges
- Riverside Drive site may not be right for hotel
- thanks to WDC for changing lights on town bridges to reflect daffodil day
- proposed hotel development
- loitering youth
- cruise ships at Northport
- parks preferable to tourist attractions
- already plenty of green space
- parking app
- four-laning State Highway 1
- history of Harbour Board building
- Te Matau a Pohe car park work
- rates increases
- letter referring to column in Report incorrectly attributed to Sheryl Mai.
- location of proposed marina,
- waste charges at dump
- council spending
- fly dumping.

Website and social media

Publicity on the Active Recreation and Sport Strategy closed on 6 September, reaching an audience of nearly 26,000.

Facebook page 'Likes' have been increasing organically and steadily.

Our primary goal in using social media technologies (primarily Facebook) is to communicate and engage with our communities whilst directing traffic back to our website for further information.

Advances in technology mean we can now determine the best time of the day and day of the week to post information to social platforms to yield maximum coverage and engagement.

By using the content already created for the website and Council News pages (i.e. Council News Items and Press Releases) – we are increasing awareness of Council in the local community by linking back to the web-based stories/information from our primary social media channels, Facebook, Twitter and Neighbourly).

We can also see how many customers click on the links included in our social media posts by using a system called Bit.ly. – Which is how we know certain people are arriving on our website - from a link we 'advertise' on social media platform posts.

Highest Post Reach in September so far was the notification that work is starting on the Bascule Carpark – 9,462 people reached. 200 people engage by either post clicks and/or comments.

Regular post updates on Facebook/Twitter/Neighbourly are continuing to drive traffic back to our website (hence further optimising our website and giving it greater credibility/rankings in Google). –

Our social media and website activity includes the following:

- WhangareiNZ.com – attractions, accommodation and event information is updated approximately three times weekly; plus fresh content is created, published and refreshed bi-weekly
- Facebook / Whangarei:LoveItHere – posts made daily through the week and some weekends
- Facebook WDC and Twitter – share fresh stories weekly and post relevant news topics/events daily

- Neighbourly – link to website stories
- Instagram / WhangareiNZ – mostly destination marketing posts made daily
- Main website – fresh news stories to our Latest news weekly.

People and Capability

This month as part of our intention to provide a good working environment and responsibilities under the Health and Safety Act we have delivered Diversity and Acceptable Behaviours training to all employees. The trainers, who work nationally in this area, have been very complimentary of staff sentiment towards the organisation.

New Employees, Transfers, Vacant Positions and Leavers

New Employees/Transfers	Name	Start Date
Team Leader – Communications Operations	Katy Davidson	1-Aug-18
Building Control Officer	Sam Nobes	6-Aug-18
Team Leader – Property Assets	Werner Theron	20-Aug-18
DVDs and Serials Librarian	Melani Waanders	20-Aug-18
Collections Assessment Librarian	Jenny Gow	20-Aug-18
Information Consultant	Saehee Ahn	24-Aug-18
Democracy Adviser	Sue Reid	27-Aug-18
Customer Relations Coordinator	Pania Baker	27-Aug-18
Roles filled and waiting to start	Name	Start Date
EA to GM Community	Bryant Sia	17-Sep-18
Data Analyst	Nemo Thompson	17-Sep-18
Team Leader – Operations	Nicola McCully	1-Oct-18
Manager – Democracy & Assurance	Tracey Schiebli	8-Oct-18
Senior Financial Accountant	Jonathan White	8-Oct-18
Property Assessment Officer	Toni Satherley	8-Oct-18
Environmental Health Officer	Fiona Eames	15-Oct-18
Manager – ICT	Ian Fernandes	29-Oct-18
Customer Relations Coordinator	Brittany Pearce	TBA
Team Leader – Development Engineering	Kathryn O'Reilly	TBA
Roles not yet filled	Status	
Operations Engineer – Waste & Drainage	Declined	
Water Treatment Coordinator	Referencing	
Support Assistant – Building Inspections	Referencing	
Community Development Adviser	Interviewing	
Capital Project Accountant	Interviewing	
Graduate Accountant	Interviewing	
Stormwater Engineer	Interviewing	
Information Analyst (Fixed Term – 18 months)	Interviewing	
Manager – District Development	Interviewing	
Project Manager	Interviewing	
Senior Planner – RMA Consents	Shortlisting	
District Plan Planner	Shortlisting	
Manager – Infrastructure Development	Shortlisting	
Support Assistant – Infrastructure	Shortlisting	
Strategic Planner	Shortlisting	
Urban Designer	Shortlisting	
Systems Engineer	To be advertised	
Manager – Communications	Advertising	
Team Leader – RMA Approvals and Compliance	Advertising	
Wastewater Treatment Technician	Advertising	
Infrastructure Planner	Advertising	

Senior Project Engineer – Pavements (NTA)	Readvertising
Roading Project Engineer	Readvertising
Team Leader – Rates	Reviewing
Data Warehouse Administrator	Hold

Leavers	
John Hadrup	Wastewater Treatment Technician
Andrew Grant	Operations Engineer – Waste & Drainage
Gary Parker-Nance	Manager – Venues & Events
Peter Thomson	Northland Transportation Alliance Manager
David Buttenshaw	Laboratory KTP - Quality Coordinator

Democracy and Assurance

The Democracy Team supported ten Council and Committee meetings and briefings. Twenty nine liquor licence applications were processed for determination by the Chair of the District Licensing Committee and administered one District Licensing Committee Hearing.

Official information requests

Twenty one official information requests were received by Council in the last month. The following is a summary of the August/September requests:

- Noise complaints records for a specified address since June 2018.
- All correspondence between requestor's family and Council regarding a bridge on Rickard Rd between 1978 and 1990.
- Information relating to a dog related offence at the Bream Head Scenic Reserve in July 2018.
- Information on the rating system by which Council prioritises seal extension projects and in particular where in the queue Helmsdale Road sits.
- All records of enforcement attendances, complaints, dog attacks at a specified address, in the past 7 years.
- Various questions relating to Council group spending on domestic and international flights during the 2017/18 FY.
- Various questions relating to the appointment of council's auditor, council's 'Borrowing Costs' Accounting Policy and council's materiality threshold for determining if an asset is a "qualifying asset".
- Further requests relating to the preliminary investigation and dismissal of a Code of Conduct complaint.
- Various questions relating to council's application for funding through the Provincial Growth Fund.
- Noise complaint records for a specified address.
- Follow-up request regarding Whananaki bach licences.
- Dog complaint records for a specified address.
- Follow-up request relating to dog rushing incident at a specified address.
- Various questions relating to the Her Worship the Mayor's vehicle associated costs.
- Annual maintenance costs for Forum North theatre and conference facilities.
- Various questions relating to the rating of the Knights Rd Quarry.
- Comparative rates for the Ruakaka area dating back to 2005 and development contributions collected since 2005.
- Various questions regarding the Hundertwasser referendum and the demolition of the Old Harbour board building.
- Various questions regarding the Forum North Childcare Centre.
- Follow-up request regarding correspondence in relation to a bridge on Rickard Rd between 1971 and 1978 and 1990 and 2000.

- Internal reports relating to a complaint regarding an access way on Matapouri Road.

Audit and Risk

Staff continue to work on the two new Kete based registers. These projects will bring the Policy register and the Delegations register to life within the Kete system to allow staff to monitor and update as changes are required. The Delegations register will need to be reviewed by full Council once we have completed all of the updates, we are hoping this will come to Council in October.

The insurance renewal work is being completed with deadlines of mid-September for the first submissions of renewal information. All activity is on track.

This last month has seen the start of the business continuity roll out programme, the senior leadership team took part in a business continuity scenario looking at the operational priorities if staff were unable to access Forum North. This will continue as a work stream through the next 4-6 months to review contingency arrangements for operational sites. A number of front line operational teams already have detailed contingency plans for frequent scenarios therefore the focus of the work stream will be on Forum North and Walton Plaza.

Staff have engaged BDO to undertake another internal audit of operational processes. The audit will focus on the revenue receipting and collection processes. The field work for this was initiated early September and the full report will be available for the December Audit and Risk Committee.

Consultation and Engagement

Work continues on the Business Improvement project that will map the Special Consultative Procedure in detail. This scope of this project has stretched to include all legislatively driven consultation and engagement activities. This will support consistency of practice and delivery across the organisation.

Work is also ongoing on the Consultation and Engagement Guidelines which will contribute to the above process map and provide detailed templates to guide more consistent practice.

The high-level Consultation Programme for the next three years has been completed and this will help shape engagement work undertaken in specific communities.

Maori Liaison and Development

Te Wiki o Te Reo Maori

Our team have worked in collaboration with Hope Puriri, Glenn McDonald and others to develop and implement activities to celebrate Te Wiki o Te Reo Maori including:

- Daily video blogs on Kete
- Te Reo Maori classes
- Te Reo Maori parade Friday 14 September

Taiharuru Marae Engagement Hui

An engagement hui was held with Taiharuru Marae for the Northland Journeys PGF application focused on the Whangarei Heads. The team who are working on the proposal met with representatives from Taiharuru Marae.

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.