

Finance and Corporate Committee Agenda

Date: Thursday, 28 March, 2019

Time: 9:00 am

Location: Council Chamber
Forum North, Rust Avenue
Whangarei

Elected Members: Cr Shelley Deeming (Chairperson)
Her Worship the Mayor Sheryl Mai
Cr 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 Meeting 28 February 2019	3
4. Information Reports	
4.1 Financial Report for the 8 months ending 28 February 2019	7
4.2 Corporate Capital Projects Report for the month ending 28 February 2019	21
4.3 Whangarei Art Museum Trust - Draft Statement of Intent 2019-20	25
4.4 Northland Regional Landfill Limited Partnership - Draft Statement of Intent 2019-20	47
4.5 Local Government Funding Agency - Draft Statement of Intent 2019-20	61
4.6 Local Government Funding Agency - Half Yearly Report to 31 December 2018	87
4.7 Operational Report - Finance and Corporate - March 2019	129
5. Public Excluded Business	
6. Closure of Meeting	147

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, 28 February, 2019
Time: 9:00 a.m.
Location: Council Chamber
 Forum North, Rust Avenue
 Whangarei

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

1. **Declarations of Interest**

There were no declarations of interest made at this meeting.

2. **Apologies**

Cr Bell for lateness.

Moved By Cr Vince Cocurullo

Seconded By Cr Phil Halse

That the apologies be sustained.

Carried

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

3.1 Minutes Finance and Corporate Committee Meeting 29 November 2018

Moved By Cr Greg Martin

Seconded By Cr Greg Innes

That the minutes of the Finance and Corporate Committee meeting held on Thursday, 29 November 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 Whangarei District Airport Draft Statement of Intent 2019 -2020

Moved By Cr Sue Glen

Seconded By Cr Vince Cocurullo

That the Finance and Corporate Committee endorses the Draft Statement of Intent 2019/2020 for the Whangarei District Airport.

Carried

5. Information Reports

5.1 Financial Report for the 7 months ending 31 January 2019

Moved By Cr Sue Glen

Seconded By Cr Vince Cocurullo

That the Finance and Corporate Committee notes the operating results for the seven months ending 31 January 2019.

Carried

5.2 Corporate Capital Projects Report for the month ended 31 January 2019

Moved By Cr Cherry Hermon

Seconded By Cr Greg Martin

That the Finance and Corporate Committee notes the Corporate Capital Projects Report for the month ending 31 January 2019.

Carried

5.3 Whangarei District Airport Half Yearly Reports to 31 December 2018

Moved By Her Worship the Mayor
Seconded By Cr Sue Glen

That the Finance and Corporate Committee notes the half yearly financial report to 31 December 2018 for the Whangarei District Airport.

Carried

5.4 Whangarei Art Museum Trust Half Yearly Financial Reports to 31 December 2018

Moved By Cr Sharon Morgan
Seconded By Her Worship the Mayor

That the Finance and Corporate Committee notes the half yearly financial report to 31 December 2018 for the Whangarei Art Museum Trust.

Carried

5.5 Whangarei District Council Credit Rating

Moved By Cr Greg Innes
Seconded By Cr Sue Glen

That the Finance and Corporate Committee notes the 2019 Standard and Poors credit rating report and notes its contents.

Carried

5.6 Finance and Corporate - Operational Report - February 2019

Moved By Cr Greg Innes
Seconded By Cr Sharon Morgan

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

Carried

Cr Bell joined the meeting at 9.44am during discussion on Item 5.6

6. Public Excluded Business

There was no business conducted in public excluded.

7. Closure of Meeting

The meeting concluded at 10.11am.

Confirmed this 28th day of March 2019

Councillor Shelley Deeming (Chairperson)

4.1 Financial Report for the 8 months ending 28 February 2019

Meeting: Finance and Corporate Committee
Date of meeting: 28 March 2019
Reporting officer: Alan Adcock (General Manager – Corporate/CFO)

1 Purpose

To provide the operating result for the eight months ending 28 February 2019.

2 Recommendation

That the Finance and Corporate Committee notes the operating results for the eight months ending 28 February 2019.

3 Background

3.1 Operating Result – Full Year Forecast

The year to date position is a surplus of \$19.5 million, compared to a budgeted surplus of \$11.1 million, resulting in a favourable variance of \$8.4 million.

The forecast net surplus for the financial year ending 30 June 2019 is \$23.3 million compared with a budgeted surplus of \$14.8 million, resulting in a favourable variance of \$8.5 million. These results are based on forecast figures provided by budget managers in March 2019.

3.2 Capital Project Expenditure

The Capital Projects expenditure as at 28 February 2019 is currently \$13.6 million less than budget. At this point, Council is forecasting to spend a total of \$70.5 million against the \$94.5 million budget, with a forecast carry forward of \$22.3 million. The \$22.3 million carry forward is a conservative forecast, with final carry forwards expected to be higher than current projections. A further forecast will be provided next month.

The major carry forwards are:

• Civic Centre	\$9.6m
• Whau Valley New Water Treatment Plant	\$4.1m
• Pohe Island Development	\$1.2m
• Parihaka Transmission Mast Upgrade	\$0.9m
• Web and Intranet	\$0.8m

• Recycling Bins Purchase	\$0.7m
• Coastal Structure Renewals	\$0.7m
• CiA Upgrade	\$0.7m
• Sports and Recreation LoS (Pohe Island Development)	\$0.6m

3.3 External Net Debt and Treasury

Total net external debt at the end of February 2019 was \$93.2m compared to year to date budgeted net debt of \$128.1m, resulting in net debt being \$34.9m under budget.

This favourable variance is due to assumptions made regarding the opening net debt balance of the 2018-28 Long Term Plan, the favourable operating surplus (see section 3.1), and the year to date favourable variance in capital expenditure (see section 3.2).

As at 28 February 2019 cash and term deposits held of \$58.8m was comprised of:

- \$10.0 million of term deposits relating to prefunding undertaken
- \$10.0 million of term deposits relating to short term borrowings not yet required
- \$34.0 million of term deposits relating to excess cash not currently required
- \$4.8m cash on hand

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

3.4 Economic Outlook

The Reserve Bank of New Zealand kept the Official Cash Rate (OCR) at 1.75% as expected. The Reserve Bank of New Zealand has previously indicated the next increase is not expected until early 2021 although the market is expecting the next move to be a cut.

Long term rates followed global interest rate markets with the NZ 10-year swap rate falling from 2.52% to 2.43%.

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.

4 Accounts receivable and arrears

Total arrears as at 28 February 2019 was \$5.0 million compared to \$4.9 million in the previous year.

5 Significance and engagement

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

6 Attachments

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

MONTHLY KEY INDICATORS
FEBRUARY 2019



	YTD to February 2019					Full Year Forecast			
	Actual	Revised Budget	Variance	YTD	YTD Trend	Full Year Forecast	Revised Budget	Variance	YTD
	YTD \$ m	YTD \$ m	YTD \$ m	Indicator	Current / previous month	2018-19 \$ m	2018-19 \$ m	2018-19 \$ m	Indicator
OPERATING									
Total Rates	63.6	63.4	0.2	●		97.2	97.3	(0.1)	●
Development Contributions	6.3	3.1	3.2	●		7.0	4.6	2.4	●
Subsidies and Grants	14.1	16.8	(2.7)	●		25.9	25.8	0.1	●
User Fees	9.5	9.3	0.2	●		13.7	14.1	(0.4)	●
Total Operating Income	101.1	98.5	2.6	●	↓	155.3	151.9	3.4	●
Personnel Costs	17.4	19.2	1.8	●		28.2	29.8	1.6	●
Other Operating Expenditure	35.9	37.9	2.0	●		61.6	60.7	(0.9)	●
Total Operating Expenditure	83.8	87.1	3.3	●	↑	136.2	135.9	(0.3)	●
Surplus/(Deficit) from Operations	17.3	11.3	6.0	●	↓	19.1	16.1	3.0	●
Total Surplus/(Deficit)	19.5	11.1	8.4	●	↓	23.3	14.8	8.5	●
EXTERNAL DEBT FUNDING									
External Net Debt	93.2	128.1	34.9	●					
Net Interest on debt	4.0	4.2	(0.2)	●		6.3	6.5	0.2	●

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

Key Contributors to Unfavourable Variances

- Environment Court appeals
- Electricity
- SNA PC project District Plan

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

MONTHLY ACTIVITY SUMMARY FEBRUARY 2019



	YTD to February 2019					Full Year Forecast			
	Actual Surplus/ (Deficit) \$m	Revised Budget Surplus/ (Deficit) \$m	Variance Surplus/ (Deficit) \$m	YTD Indicator	YTD Trend Current / previous month	Full Year Forecast Surplus/ (Deficit) \$m	Revised Budget Surplus/ (Deficit) \$m	Variance Surplus/ (Deficit) \$m	Full Year Indicator
Surplus/(deficit) from operations	17.3	11.3	6.0	●	↓	19.1	16.1	3.0	●
Transportation	(4.3)	(3.4)	(0.9)	●	↓	(7.7)	(7.7)	0.0	●
Water	4.4	3.0	1.4	●	↑	3.1	2.1	1.0	●
Solid Waste	2.3	2.1	0.2	●	↑	2.7	2.6	0.1	●
Waste Water	7.9	7.2	0.7	●	↑	9.1	8.5	0.6	●
Storm Water	(2.2)	(2.3)	0.1	●	↓	(4.7)	(4.7)	0.0	●
Flood Protection	0.2	0.1	0.1	●	↑	0.1	0.1	0.0	●
Community Facilities	(14.1)	(16.8)	2.7	●	↑	(35.4)	(35.9)	0.5	●
Governance & Strategy	0.3	(0.1)	0.4	●	↓	(1.0)	(0.9)	(0.1)	●
Planning & Regulatory	(0.3)	(1.1)	0.8	●	↑	(7.9)	(8.3)	0.4	●
Support Services	23.0	22.7	0.3	●	↑	60.8	60.2	0.6	●

KEY:



Favourable to budget



Unfavourable, but within 5% of budget



Unfavourable, over 5% of budget



Favourable to previous month



Unfavourable to previous month

Note: The above information is at Council Operations level and excludes non-cash adjustments

MONTHLY INCOME STATEMENT

28 FEBRUARY 2019

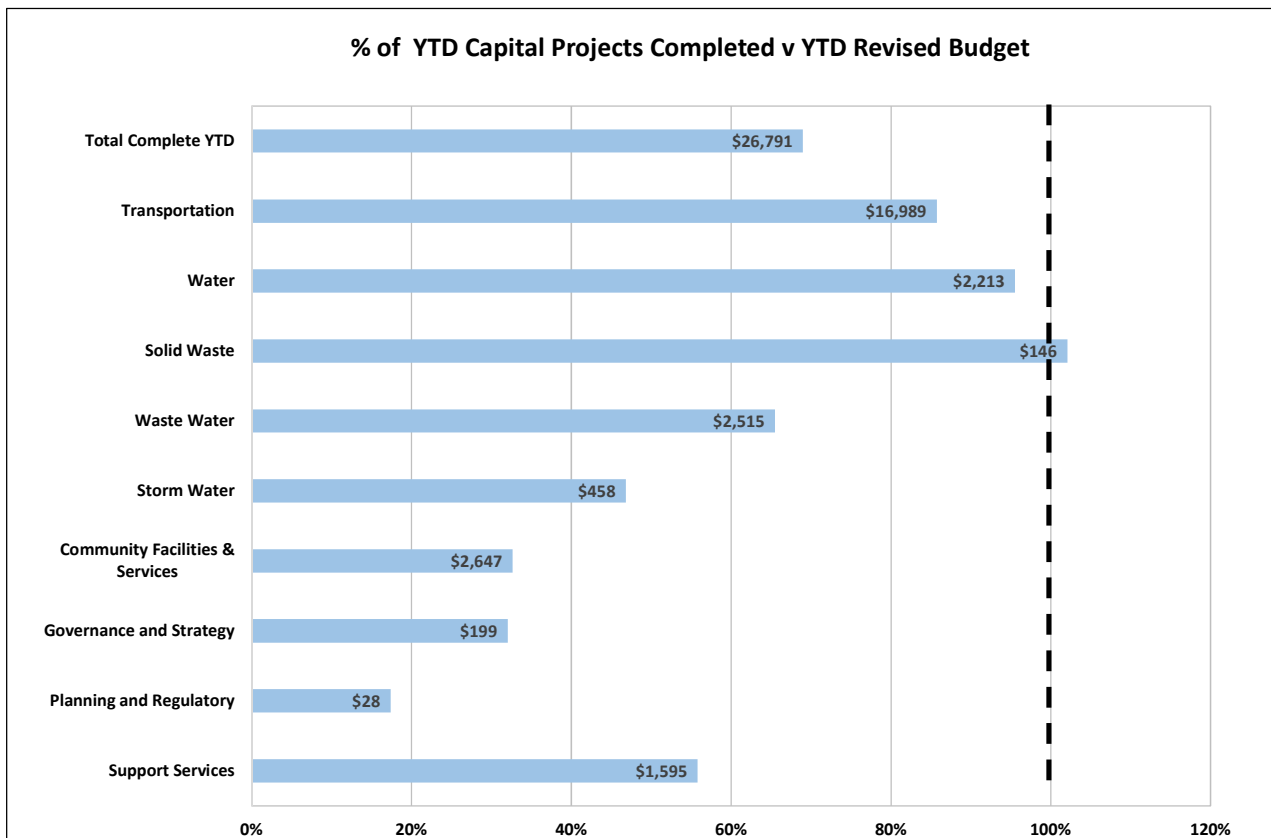
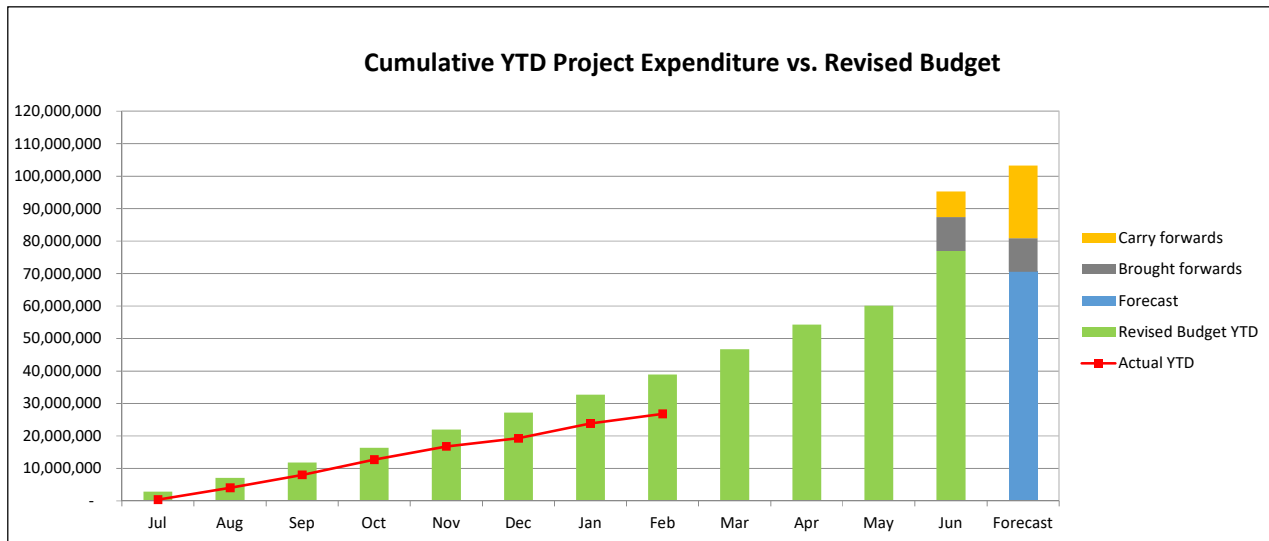
Council Summary	Actual	Revised Budget	Forecast	Revised Budget	Variance*
	YTD \$000	YTD \$000	2018-19 \$000	2018-19 \$000	2018-19 \$000
Operating income					
Rates	63,592	63,392	97,170	97,322	(153)
Development and other contributions	6,291	3,094	7,002	4,640	2,362
Subsidies and grants***	14,061	16,806	25,917	25,762	155
Fees and charges	9,544	9,329	13,704	14,144	(440)
Interest revenue	1,012	33	1,266	53	1,213
Other revenue	6,600	5,809	10,263	10,013	250
Total operating income	101,101	98,462	155,322	151,934	3,388
Operating expenditure					
Other expenditure	35,891	37,864	61,637	60,731	(907)
Depreciation and amortisation	25,478	25,813	38,752	38,720	(32)
Finance costs	5,009	4,235	7,593	6,609	(984)
Personnel costs	17,414	19,224	28,192	29,806	1,615
Total operating expenditure	83,791	87,137	136,174	135,867	(307)
Surplus/(deficit) from operations	17,309	11,325	19,148	16,068	3,081
Plus non-cash income adjustments					
Vested assets income	5,593	2,000	9,140	3,000	6,140
Gain on disposal of assets	74	-	74	-	74
Total non-cash income adjustments	5,667	2,000	9,214	3,000	6,214
Less non-cash expenditure adjustments					
OPEX on capital projects**	1,216	2,233	2,871	4,275	1,404
Loss on disposal of assets	2,220	-	2,220	-	(2,220)
Total non-cash expenditure adjustments	3,436	2,233	5,090	4,275	(815)
Total non-cash adjustment	2,231	(233)	4,123	(1,275)	5,399
Total surplus/(deficit)	19,540	11,092	23,271	14,792	8,479

* Favourable variances are recorded as positive amounts (unfavourable variances as negative amounts)

** This expenditure is included within the Capital Projects Report

*** The 2018/19 budget has been revised to reflect the Kamo Cycleway and Porowini-Maunu intersection projects brought forward approved at the 25 October 2018 Council Meeting

CAPITAL PROJECT EXPENDITURE AS AT 28 February 2019



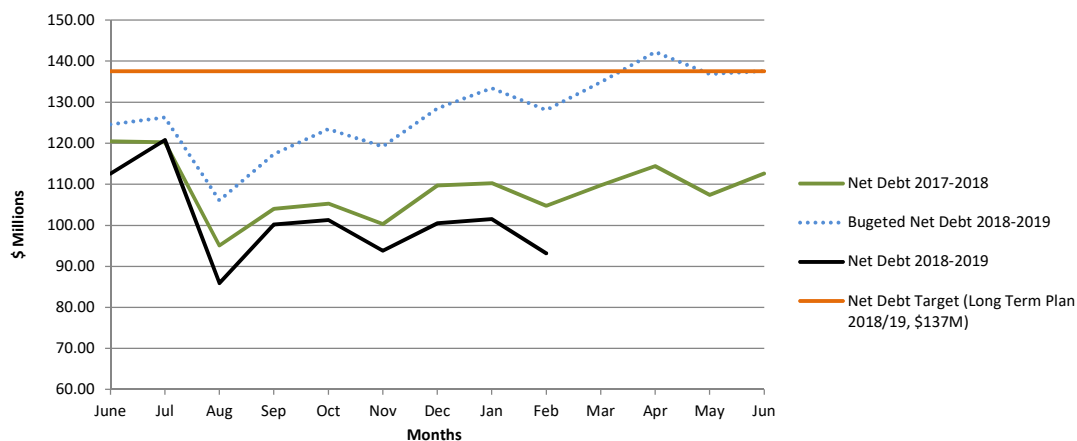
TREASURY REPORT
28 FEBRUARY 2019

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

Outlook: Positive

DEBT SUMMARY:**As at 28 February 2019**

External Debt		
Opening public debt as at 1 February 2019		152,000,000
Plus loans raised during month	-	
Less loan repayments made during month (Note: Facility movement has been netted)	-	
Net movement in external debt		-
Total External Debt		152,000,000
Less: Cash balances (excluding funds held on behalf)	4,797,676	
Term deposits (Funds held on deposit until required for project funding)	54,000,000	
Total cash and term deposits		58,797,676
Total Net External Debt		93,202,324
<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		10,451,604
Property Reinvestment Reserve - Available for Reinvestment	3,294,168	
Property Reinvestment Reserve - Accumulated	29,170,154	
		32,464,323
Water Reserve		30,743,000
Total		73,658,926

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 Corporate Capital Projects Report for the month ending 28 February 2019

Meeting: Finance and Corporate Committee
Date of meeting: 28 March 2019
Reporting officer: Alan Adcock (General Manager – Corporate/CFO)

1 Purpose

To provide the Corporate Capital Projects Report for the month ending 28 February 2019.

2 Recommendation

That the Finance and Corporate Committee notes the Corporate Capital Projects Report for the month ending 28 February 2019.

3 Background

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

4 Discussion

The Capital Projects expenditure for Corporate as at 28 February is \$1.3 million less than budget. Corporate is forecasting to spend a total of \$4 million against the \$16.1 million budget, with carry forwards of \$12 million.

The carry forwards primarily relate to the Civic Centre project (\$9.6million) which is likely to continue through to 2021 and ICT projects (\$2.4 million) that will span the 2019 and 2020 financial years. Civic Centre cashflow projections will be altered next months to reflect recent decisions and the draft project plan.

5 Significance and engagement

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

6 Attachment

Corporate Capital Projects Report

CORPORATE CAPITAL PROJECTS REPORT

AS AT 28 February 2019

(Figures include both Operating and Capital Expenditure)

	Actual YTD \$000	Revised Budget YTD \$000	Variance YTD \$000	Full Year Forecast \$000	Full Year Revised Budget \$000	Forecast (Underspent)/ Overspent \$000	Forecast Carry Forwards \$000	Total (Underspent)/ Overspent \$000
Support Services								
<i>Business Improvement</i>								
Business Improvement Projects	6	40	(34)	106	100	6	0	6
Workflow Systems Development	0	113	(113)	226	226	0	0	0
Business Improvement Total	6	153	(147)	332	326	6	0	6
<i>Business Support</i>								
Business Support Projects	0	0	0	102	102	0	0	0
Civic Buildings Renewals & Improvements	26	0	26	26	0	26	0	26
Council Premises	64	5	59	341	9,968	(9,627)	9,618	(9)
Council Vehicle Replacements	45	141	(96)	163	235	(72)	45	(27)
Furniture Renewals	0	6	(6)	9	10	(1)	0	(1)
Information Centre Upgrade	0	0	0	126	126	0	0	0
Water Services Building Renewals	0	20	(20)	0	20	(20)	0	(20)
Business Support Total	136	173	(37)	767	10,461	(9,694)	9,663	(32)
<i>ICT</i>								
Accounts Payable Automation	24	23	1	37	23	14	0	14
Asset Management Software Upgrade	332	344	(12)	541	854	(314)	329	15
CiA Upgrade	303	459	(156)	739	1,480	(741)	741	0
Computer Tech for Building, Animal Control & Parking	0	50	(50)	114	124	(10)	10	0
Corporate Performance Management	103	167	(64)	227	435	(209)	155	(53)
Decision Support System Development	0	71	(71)	0	161	(161)	161	0
Digitisation of Records	405	548	(143)	599	899	(300)	300	0
IT Equipment New	20	24	(4)	52	51	1	8	9
IT Network Upgrades	0	29	(29)	24	33	(10)	0	(10)
LIDAR	0	0	0	128	128	0	0	0
Minor ICT Projects	18	35	(17)	66	82	(16)	0	(16)
Web & Intranet Development	207	776	(569)	365	1,127	(762)	762	(0)
ICT Total	1,413	2,526	(1,113)	2,891	5,397	(2,506)	2,465	(41)
<i>People & Capability</i>								
Office Furniture	5	7	(2)	9	10	(1)	0	(1)
People & Capability Total	5	7	(2)	9	10	(1)	0	(1)
Support Services Total	1,560	2,859	(1,299)	3,998	16,194	(12,195)	12,128	(67)
Total	1,560	2,859	(1,299)	3,998	16,194	(12,195)	12,128	(67)

4.3 Whangarei Art Museum Trust – Draft Statement of Intent 2019-20

Meeting: Finance and Corporate Committee
Date of meeting: 28 March 2019
Reporting officer: Tracey Schiebli (Manager Democracy and Assurance)

1 Purpose

To seek feedback on the Whangarei Art Museum Trust (WAMT) Draft Statement of Intent 2019-20.

2 Recommendation

That the Finance and Corporate Committee notes and provides feedback on the Whangarei Art Museum Trust Draft Statement of Intent 2019-20.

3 Background

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

Prior to the preparation of the Draft SOI, a Letter of Expectation was sent to the WAMT Board. This is included as Attachment One. WAMT Trustee Carin Wilson was nominated by the Board to work with Council's Manager of Democracy and Assurance on development of the draft SOI.

The WAMT Draft SOI 2019-20 is included as Attachment Two. It meets the obligations of Section 64, Schedule 8, Clause 9 (Contents of the Statement of Intent) in the Local Government Act (2002).

4 Discussion

The format and content of WAMT's Draft SOI 2019-20 has been refreshed to include:

- Nature and scope of activities
- Contribution to Whangarei District Council's Community Outcomes
- Longer Term Vision and Objectives
- Planned delivery against Objectives in 2019-20
- Performance measures and financial information that reflects WAMT's role in the Hundertwasser Arts Centre and Wairau Maori Art Gallery

More work is required on the performance measures. The intent is to refine the measures further to align with Council's requirements for Annual Operating Grants through the community funding programme, to reduce duplication of reporting by the Trust.

The assumption in WAMT's Draft SOI 2019-20 is that the current level of community grant funding received from Whangarei District Council will continue for 2019-20. If the funding is not approved, the final SOI will be adjusted prior to presentation to the Committee in June 2019.

The option of moving WAMT from funding through the community funding programme, to a funding agreement negotiated by WAMT and Council, will be put forward for future consideration.

5 Significance and engagement

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

6 Attachments

1. Council's Letter of Expectations to WAMT dated 24 January 2019
2. WAMT Draft Statement of Intent 2019-20

In reply please quote

Whangarei Art Museum Trust

Or ask for

Tracey Schiebli



24 January 2019

Grant Faber
 Chair
 Whangarei Art Museum Trust
 PO Box 1024
Whangarei 0140

Dear Grant

Letter of Expectation: Whangarei Art Museum Trust

This letter of expectation is the first step in preparing for the upcoming financial year, and is designed to provide you with a high level view of what Council's expectations are for WAMT, as a basis for further engagement.

On 16th January, I met with WAMT Trustee Carin Wilson to discuss how we would work together to develop the Statement of Intent for the coming year. This was an opportunity for us to get a common understanding of WAMT's future strategic direction

I have shared the draft Council expectations below with Carin as a starting point for discussion. Whangarei District Council aims for a relationship based approach to working with our Council Controlled Organisations, working together to achieve mutually agreed outcomes.

Council expectations for SOI – *draft for discussion*

The Whangarei Art Museum Trust (WAMT) is subject to the reporting requirements under the Local Government Act (LGA) 2002. The high level reporting requirements for the 2019/20 financial year, are set out in **Attachment One**.

The expectations are separated into three categories, listed in the table below. WAMT's draft Statement of Intent (SOI) will include performance measures and information formulated around these expectations.

Governance	<ul style="list-style-type: none"> ▪ Good Governance practice – eg: performance review of trustees, trustee skills matrix ▪ Long term planning and vision ▪ Health and safety commitments ▪ Being a good employer ▪ Risk management ▪ Legislative and Trust Deed compliance ▪ Effective financial management
Operation of Whangarei Art Museum	<ul style="list-style-type: none"> ▪ Annual performance measures: ▪ Community engagement and education ▪ Marketing and communications ▪ Exhibition planning ▪ Collection management ▪ Operational management including facilities ▪ Special projects – eg: Hundertwasser

Hundertwasser Wairau Maori Arts Centre – Special Project	<ul style="list-style-type: none"> ▪ Project Milestones ▪ Risk management ▪ Communication and relationships ▪ Health and safety ▪ Effective financial management
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I have been in the Democracy and Assurance Manager role since October 2018, and I look forward to meeting you in due course. If you have any questions at this stage please do not hesitate to contact me at tracey.schiebli@wdc.govt.nz or on 027 486 1817.

Yours faithfully

Tracey Schiebli
Manager Democracy & Assurance

whangarei art museum te manawa toi

Statement of Intent

1 July 2019 to 30 June 2020 – DRAFT

Table of Contents

Message from the Chair	3
Purpose of Statement of Intent	4
About Whangarei Art Museum Trust – nature and scope of activities	4
Operating Environment	7
Reporting Framework	7
Whangarei Art Museum Trust’s contribution to the district	8
Whangarei Arts Museum Trust - Strategic Direction.....	9
Delivery against our Strategic Objectives	10
Performance Outlook.....	13
Financial Information	14

Message from the Chair

To be drafted following feedback from Council.

Thomas Biss
Interim Chair of Whangarei Art Museum Trust

Purpose of Statement of Intent

In accordance with the Local Government Act 2002, this annual Statement of Intent (SOI) publicly states the activities and intentions of the Whangarei Art Museum Trust (WAMT), and the objectives to which those activities will contribute. This SOI has been created through liaison with Whangarei District Council and includes performance measures and targets as the basis of organisational accountability.

About Whangarei Art Museum Trust – nature and scope of activities

The Whangarei Arts Museum Trust (WAMT) was established in 1996 as a Council Controlled Organisation (CCO), incorporated as a board under the Charitable Trusts Act.

Whangarei Arts Museum

The Whangarei Art Museum Te Manawa Toi is the public art gallery of the Whangarei District and custodians of its art collection and public art works in the city. The art museum is also the venue for touring and internally curated exhibitions – designed to showcase the full diversity of creative art practice in Northland, New Zealand and beyond.

Education

The Whangarei Art Museum (WAM) has an allocated space within the Gallery for public programs, education and events. With specific aims to increase and diversify our visitor and community engagement.

WAM also designs a creative, educational and interactive element for each exhibition. These elements are designed specifically for our youngest demographic.

WAM is currently developing an LEOTC Programme for the LEOTC contestable fund for organisations to provide New Zealand students with learning experiences outside of the classroom. LEOTC providers are organisations that hold significant community resources that support and enhance student learning. The LEOTC contracts are currently tendered on a three-year cycle. The next cycle for the Arts is 2021.

Community Support

Friends of the Art Museum was established to celebrate and support the work of the art museum. Currently WAM does not actively maintain the Friends Membership subscriptions however there is a database and memberships are renewed on occasion when initiated by existing friends.

Funders and supporters of the Arts Museum include Whangarei District Council, ASB Community Trust, NZ Lottery Grants Board, Oxford Sports Trust, and Creative NZ.

Approach to Governance

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

Whangarei Art Museum Trust (WAMT) actions and direction are determined by the Trust Deed, which details the objectives of the Trust. These include both the operation of the Art Museum and the requirement to support, stimulate and enhance the artistic and cultural life of the Whangarei District. The museum will recognise the interests of Tangata Whenua constituents and actively engage with their relevant arts sector representative bodies.

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

This independence is essential to protecting the charitable status of the Whangarei Art Museum. It ensures the

museum retains eligibility for charitable funding and that it remains the appropriate organisation to receive art works from benefactors who wish to make bequests to an organisation that operates in the interests of the greater community.

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

The Whangarei Art Museum Trust comprises the following members;

WAMT appointed:

- Thomas Biss (Interim Chair)
- Vacancy
- Vacancy

Council appointed:

- Councilor Sharon Morgan
- Andy Britton
- Keatley Te Moananui Hopkins (Hapu representative)
- Carin Wilson

WAMT operates to the following principles as set out in the Trust Deed:

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

To support the future direction of WAMT, the Trust Deed may require a refresh to better reflect the Trust's responsibilities in relation to Hundertwasser, and other emerging areas of interest.

Hundertwasser Art Centre with Wairau Maori Art Gallery

In 2016, Whangarei Arts Museum Trust began an exciting, but challenging, new journey following a binding public Referendum on use of the Old Harbour Board building, with the community choosing the Hundertwasser Wairau Maori Arts Centre (HWMAC) project. It was agreed that HWMAC would be operated by the Whangarei Arts Museum Trust, and the Whangarei District Council allocated funding in the 2018-2028 Long Term Plan, for development of the building.

Whangarei Art Museum Trust will be the eventual operator and owner of the Hundertwasser Art Centre (HAC) with Wairau Art Gallery. The land portion will be leased from the Whangarei District Council.

The HAC is unique to New Zealand. It will be a stunning art work on a grand scale, boasting the last authentic Hundertwasser building in the world and the only museum outside of Vienna hosting his art. It will also be New Zealand's only curated gallery of Maori contemporary art. The Centre will provide Northland an iconic drawcard as a nationally and internationally recognised cultural facility and tourist attraction. The HAC project will strongly contribute to the economic development and tourism growth for the region, alongside expanding New Zealand's Arts and Cultural community internationally. The Centre will spark employment growth, an enhanced sense of place and pride in establishing a truly multicultural attraction. The centre will target the increased interest in cultural venues in the Asia-Pacific region in its visitor strategy.

The HAC will consist of the following as key attractions:

- The Hundertwasser designed building
- Fifty original or key Hundertwasser artworks, valued at approximately \$16m, to be supplied, on a rotation basis, by the Hundertwasser foundation in Vienna. This will be the largest collection of Hundertwasser artworks outside of Vienna.
- The Wairau Maori Art Gallery, which will be curated, will contain contemporary Maori art on a rotation basis.
- Café and Retail Store.



Construction of the HAC commenced in June 2018, and is expected to be a 30 month build. The design of the building's unique internal spaces and external finishing remains unchanged from the original model, created in Vienna by the Hundertwasser Non-Profit Foundation as the ultimate template for the finished art centre.

Operating Environment

WAMT receives most of its funding (94%) from the Whangarei District Council. The other 6% comes from community donations and grants.

In 2018/19 WAMT received \$390,000 via a grant from Whangarei District Council, plus \$171,000 as a 50% contribution to building rental, and a rates remission of \$17,800. This Statement of Intent is prepared based on the assumption that the current level of community grant funding received from Whangarei District Council will continue for 2019/20.

WAM also relies on continued support from the community through fund raising, to ensure the sustainability of art acquisition, restoration and conservation of the collection. The collection is something for Whangarei to treasure and WAM is committed to its ongoing preservation. WAM is also responsible for fundraising for the HAC in accordance with the community referendum requirements.

The current staffing mix is made up of the following core roles:

- Curator, Exhibition and Programme Manager
- Collection Manager
- Exhibition and Collection Assistant
- Administration Coordinator
- Visitor Host / Gallery Attendants x 2
- Whangarei Art Museum Trust Coordinator

The permanent staff are supported by casual staff and volunteers, who work weekends and during exhibition installation weeks. Staffing requirements are reviewed on a regular basis, to ensure effective operation within the available funding.

Reporting Framework

The Whangarei Art Museum is accountable to the Whangarei District Council via the Statement of Intent, and through provision of half-yearly and annual reports. The annual accounts are audited by Audit New Zealand and are included in the Whangarei District Council Annual Report.

Whangarei Art Museum Trust's contribution to the district

The Whangarei District Council's 2018-2028 Long Term Plan sets the strategic direction for the next ten years. The vision is to create **a vibrant, attractive, thriving district**. Everything Council does is guided by four Community Outcomes which are based on what our community says is most important to them.

Whangarei Art Museum Trust plays a critical part in delivering on actions and targets which contribute, either directly or indirectly, to achievement of these outcomes for our community.

Whangarei District Council Community Outcomes

Efficient and resilient core services

- It is easy and safe for everyone to travel around our district
- There are opportunities to walk and cycle
- Our District is well prepared for growth and can adapt to change
- Services are supplied in ways that benefit the environment.

Positive about the future

- The district has productive land, people and a thriving city centre
- There is a fair urban/rural balance
- Council has clear, simple documents and rules
- The District embraces new technology and opportunities

Caring for the environment

- Communities work to keep the environment clean and healthy
- Access to the coast is protected
- Open spaces in parks and streets are places where nature thrives
- Our district is positively adapting to climate change.

Proud to be local

- The district is neat, tidy and looks attractive.
- Public areas feel welcoming and are safe
- There is always something to do and see
- There are opportunities for people of all abilities, ages and life stages to be active.

Whangarei District Council (draft) Arts & Culture Strategy (2018-2028)

The Whangarei Arts Museum Trust is also well positioned to be a key partner in development and delivery of Whangarei District Council's draft Arts & Culture Strategy, which aims to build on the region's strengths, and set a path aimed at realising economic benefits, social benefits and, positive environmental effects that lie seeded within Whangarei's cultural identity and cultural scene.

Whangarei Arts Museum Trust - Strategic Direction

Our Vision

‘To tell the story of our district through art and artists, for the benefit of our community’

Whangarei Art Museum is a place of community and unharnessed potential to reach local and visiting audiences with concepts developed through art in all forms of creative skill and imagination including performance arts, dance, music, film, poetry, digital media and design. As home to the city’s art collection we are dedicated to its conservation by operating to Museums Aotearoa standards and committed to showing fresh exhibitions promoting local arts, as well as touring artwork from New Zealand and beyond.

Strategic Objectives

The Whangarei Arts Museum Trust is embarking on an exciting, but challenging new journey, with responsibility for management of the construction and operation of the Hundertwasser Art Centre with Wairau Art Gallery. This behoooves a refresh of the Trust’s vision and strategic objectives. The Trust’s emerging thinking is presented below, and will evolve as the journey progresses. Appointment of a Chief Executive to provide operational leadership and management, will be a key milestone in supporting achievement of these objectives.

Creating brand and identity

- Transition to ‘one organisation’
- More visible leadership role in the creative arts sector
- Position WAMT as creative hub of Northland
- Initiate implementation of an energetic and inspiring Public Art Policy, highlighting the environmental, economic, social, cultural and spiritual benefits of a healthy arts policy

Partnering with others for the benefit of our community

- WAMT as an enabler of a vibrant and connected arts community in Whangarei district, to enable Whangarei to become the cultural destination of the North
- Remove barriers to access and participation in the creative arts sector
- Strengthen relationship with Whangarei District Council, partnering on agreed outcomes
- Acknowledge Marae as key cultural hubs and encourage greater focus on Maori outcomes
- Amplification of educational role in the community, as a pathway for Rangatahi into arts and culture
- Recognising and responding to the rapidly changing demographic of Northland

Achieving sustainability

- Good governance
- Financial sustainability
- Operational efficiency and effectiveness

In addition to these objectives, there are specific project actions for 2019/20 to support development of the Hundertwasser Arts Centre and Wairau Maori Art Gallery.

Delivery against our Strategic Objectives

The following are key actions to deliver on WAMT's strategic objectives. These actions are for internal monitoring purposes and will not be reported on in detail under Local Government Act 2002 requirements. However, a summary of performance against the key objectives, and any major deviations to plan, will be covered in the six-monthly report to Whangarei District Council under this Statement of Intent.

Strategic Objective	Action areas	Contribution to Community Outcomes
<i>Creating brand and identity</i>	<ul style="list-style-type: none"> ▪ Undertake a comprehensive brand redefinition to support the transition of WAM and Hundertwasser into 'one organisation' ▪ Consider positioning in the wider NZ context, to provide WAMT with a more visible leadership role in the creative arts sector ▪ Promote Wairau Maori Arts Museum to become a destination of regional and national significance ▪ Increase visibility and visitor engagement by improving the entrance to, and arrival experience at the Art Museum ▪ Improve signage from State Highway to attract visitors ▪ Put on shows and events that attract people to Whangarei, as the creative hub of Northland ▪ Explore new premises for a city arts centre to showcase arts of the region 	<p><i>Positive about the future</i></p> <p><i>Proud to be local</i></p>
<i>Partnering with others for the benefit of our community</i>	<ul style="list-style-type: none"> ▪ Strengthen relationship with Whangarei District Council, including agreement of our mutual objectives, how we will work together to achieve these ▪ Build constructive relationship with Creative Northland, and other parts of the creative sector in Whangarei, to support the district to become the cultural destination of the North ▪ Support Whangarei District Council with development of the draft Whangarei Arts Culture and Heritage Strategy (2019) ▪ Develop wider consultative relationship with Tangata Whenua representatives ▪ Develop practical working relationship with Wairau Maori Arts Board to support gallery network operation ▪ Partner with NorthTec to amplify WAMT's educational role in the community, and as a pathway for Rangatahi into arts and culture ▪ Partner with the community to amplify educational role including utilising WAM as a resource for school art curriculums, school holidays programmes, and family workshops 	<p><i>Positive about the future</i></p> <p><i>Proud to be local</i></p>
<i>Achieving sustainability</i>	<p>Good governance</p> <ul style="list-style-type: none"> ▪ NZ Institute of Directors "Four Pillars of Governance" ▪ Performance review of trustees ▪ Trustee skills matrix to identify skills required to support strategic direction ▪ Monthly, documented board meetings 	<p><i>Efficient and resilient core services</i></p> <p><i>Positive about the future</i></p>

	<p>Long term and annual planning</p> <ul style="list-style-type: none"> ▪ Long term strategy ▪ Annual planning to support strategy ▪ Monitoring of progress and KPIs ▪ Annual report completed at end of financial year <p>Health and safety</p> <ul style="list-style-type: none"> ▪ NZ Institute of Directors Health and Safety Guide ▪ Trustees have knowledge of and commitment to health and safety ▪ Ensure CEO exercises due diligence in relation to health and safety <p>Being a good employer</p> <ul style="list-style-type: none"> ▪ WAMT employees have regular performance reviews which form part of their Professional Development & Training Programme <p>Risk management</p> <ul style="list-style-type: none"> ▪ Annual update of Strategic Risk and scoring in accordance with AS/NZS ISO 31000:2009 ▪ Appropriate Insurance – independently assessed <p>Legislative and Trust Deed compliance</p> <ul style="list-style-type: none"> ▪ All legislative requirements met ▪ Clean opinion -as part of Annual audit by Audit NZ ▪ LGOIMA requests are answered within statutory timeframes <p>Effective financial management</p> <ul style="list-style-type: none"> ▪ Monthly accounts prepared by WDC and approved by WAMT Board ▪ Full GAAP accounting reporting ▪ Annual audited accounts ▪ Monthly forecast review of exhibitions budget by WAMT 	<p><i>Proud to be local</i></p>
	<p>Financial Sustainability</p> <ul style="list-style-type: none"> ▪ Work with Chief Executive to review operations to align with single entity, and available funding ▪ Review organisational structure ▪ Review Hub Gallery service profile, including number of galleries, operating hours, and complementary services such as stocking merchandise from local sources that complement the gallery 	
	<p>Operational efficiency and effectiveness</p> <ul style="list-style-type: none"> ▪ Establish operational level relationships and MOU with Whangarei District Council ▪ Compliance with LGA Statement of Intent preparation and reporting requirements ▪ Develop marketing and communications plan ▪ Monitor visitor numbers and conduct annual visitor survey ▪ Build up volunteer base to support both governance and operations ▪ Identify fundraising opportunities ▪ Develop business cases as required, targeted at specific 	

	<p>Funders and Sponsors</p> <ul style="list-style-type: none"> ▪ Collections management - reassess collections, including core works, renew collections management policy ▪ Storage of works - look at options to improve storage, including the controlled environment, and areas to accommodate touring shows ▪ Lighting - upgrade lighting as funding becomes available, develop business case for future capital investment ▪ Exhibitions – work with Council to promote and run quality events, reach out to new audiences, and grow visitor numbers ▪ Air conditioning – upgrade air conditioning to meet required Gallery Standards for Air Control, develop business case for future capital investment 	
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Hundertwasser Arts Centre and Wairau Maori Art Gallery – Project Objectives 2019/20

Project governance	Project plan that include budget and key milestones.
Leadership	Appointment of a Chief Executive to provide operational leadership and management across the combined HAC and WAM arts precinct.
Funding	Secure all agreed and pledged funding over the construction period.
Fundraising	Continue fundraising to meet the needs for fit out and operational expenses required prior to opening.
Stakeholder relations	Meet and manage all expectations from our stakeholders, including the Vienna Foundation, Funders, Whangarei District Council and the community.
Visitor numbers	Set targets to increase visitor numbers, with action plan to deliver results
Risk Management	Mitigate risk through adequate insurance (construction and Indemnity), best practice Health and Safety management practices and appropriate Project Management and Governance practices.

Performance Outlook

WAMT has an agreed set of performance measures and targets which form the basis for accountability to delivering on Council's strategic direction, priorities and targets. These are reported in accordance with Local Government Act 2002 requirements.

WAMT will continue to work internally, and with Council, on the development of performance measures, as it continued to refine the long term strategic direction.

Performance Measure	2018/19 Actual	2019/20 Target	2020/21 Target	2021/22 Target
To operate within agreed financial budgets (requires performance objectives to match available funding)	Within budget to 31 December 2018	Actual spend ≤ budget	Actual spend ≤ budget	Actual spend ≤ Budget
Visitor satisfaction maintained		Satisfaction ≥ 2018/19 result	Satisfaction ≥ 2018/19 result	Satisfaction ≥ 2018/19 result
Increase visitor numbers to Whangarei Arts Museum	New measures for 2019/20	TBC% increase	TBC% increase	TBC% increase
Collection management undertaken		1000 works reassessed	1000 works reassessed	1000 works reassessed
Review operation hours, and exhibition numbers to meet agreed funding	Review completed	Annual review	Annual review	Annual review
Regular reporting on HAC achievement against annual project objectives as set out in this SOI		Quarterly narrative report	Quarterly narrative report	Quarterly narrative report
Regular reporting on WAMT achievement against action areas under strategic objectives as set out in this SOI	New measure for 2019/20	Six monthly narrative report	Six monthly narrative report	Six monthly narrative report

Drafting Note

More work is required to confirm some measures. The intent is to refine the measures further to align with Council's requirements for Annual Operating Grants, to reduce duplication of reporting by the Trust.

Financial Information

The financial information provided in this Statement of Intent relates to the operation of the Whangarei Art Museum, and the Hundertwasser Arts Centre project.

PROSPECTIVE STATEMENT OF COMPREHENSIVE INCOME

	BUDGET 30 June 2020	BUDGET 30 June 2021	BUDGET 30 June 2022
Income			
Other Revenue	37,480	1,063,480	2,492,480
Council Funding	560,217	571,301	582,607
Interest revenue	400	400	400
Donations	5,703,500	8,093,500	3,500
Total Income	6,301,597	9,728,681	3,078,987
Less Expenses			
Employee Related Costs	211,400	215,610	219,904
Other expenses	386,572	1,031,772	1,936,423
Administration Expenses			
Total Expenses before depreciation	597,972	1,247,382	2,156,327
Net Surplus (Loss) before depreciation	5,703,625	8,481,300	922,660
Depreciation	20,209	368,209	855,209
Net Surplus (Loss) before tax	5,683,416	8,113,091	67,451
Tax Expense	-	-	-
Net Surplus / (Deficit)	5,683,416	8,113,091	67,451
	30 June 2020	30 June 2021	30 June 2022
Total capital expenditure	11,580,000	6,015,000	15,000

PROSPECTIVE STATEMENT OF MOVEMENTS IN EQUITY

	30 June 2020	30 June 2021	30 June 2022
Opening Equity as at 1 July	19,981,162	25,664,578	33,777,669
Plus Profit (Loss) for the year	5,683,416	8,113,091	67,451
Total increase/(decrease) in equity	5,683,416	8,113,091	67,451
Closing Equity as at 30 June	25,664,578	33,777,669	33,845,120

PROSPECTIVE STATEMENT OF FINANCIAL POSITION

	30 June 2020	30 June 2021	30 June 2022
Equity	25,664,578	33,777,669	33,845,120
Total Equity	25,664,578	33,777,669	33,845,120
Current Assets			
Cash and Cash equivalents	4,665,091	7,131,391	8,039,051
Trade and other receivables	343,258	343,258	343,258
	5,008,349	7,474,649	8,382,309
Current Liabilities			
Trade and other payables and accruals	386,764	386,764	386,764
Working Capital	4,621,585	7,087,885	7,995,545
Non Current Assets			
Property plant and equipment	21,042,993	26,689,784	25,849,575
Long Term Liability			
Deferred income tax liability	-	-	-
Total Net Assets	25,664,578	33,777,669	33,845,120

1 Statement of accounting policies for the year ended 30 June 2020

1.1 Reporting entity

The Whangarei Art Museum Trust (WAMT) is incorporated as a trust under the Charitable Trusts Act 1957, is domiciled in New Zealand and registered under the Charities Act 2005, registration number CC28917. It is a Council controlled organisation as defined under Section 6 of the Local Government Act 2002.

2 Summary of significant accounting policies

2.1 Basis of preparation

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

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

The financial statements have been prepared on a going concern basis. WAMT is reliant on Council's continued support of its operations. Council has included funding for WAMT in its 2018-2028 Long – Term Plan. The level of funding for the 2019/2020 financial year is expected to assume the same level of funding. Funding is reviewed on an annual basis. WAMT has also received a letter of support from Council to ensure its going concern basis for a period of one year from the date of the approval of the 2017/18 financial statements.

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

Goods and services tax

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

Functional and presentation currency

The financial statements are presented in New Zealand dollars.

Revenue and expenses

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

(i) Grants and donations

Grants and donations are recognised as revenue when they become receivable unless there is an obligation in substance to return the funds if conditions of the grant are not met. If there is such an obligation, the grant is initially recorded as grants received in advance and recognised as revenue when conditions of the grant are satisfied.

(ii) Pledges

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

(iii) Donated assets

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

(iv) Interest income

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

v) Sale of goods

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

(vi) Volunteer services

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

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

These are expensed when the related service has been received.

2.2 Bank accounts and cash

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

2.3 Debtors

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

2.4 Property, plant and equipment

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

(i) Artworks and donated assets

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

(ii) Asset sales

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

(iii) Use of assets

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

Depreciation

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

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

2.5 Investments

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

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

2.6 Creditors and accrued expenses

Creditors and accrued expenses are measured at the amount owed.

2.7 Lease expense

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

2.8 Tier 2 PBE Accounting Standards applied

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

4.4 Northland Regional Landfill Limited Partnership – Draft Statement of Intent 2019-20

Meeting: Finance and Corporate Committee
Date of meeting: 28 March 2019
Reporting officer: David Lindsay (Solid Waste Engineer)
 Tracey Schiebli (Manager Democracy and Assurance)

1 Purpose

To seek feedback on the Northland Regional Landfill Limited Partnership (NRLLP) Draft Statement of Intent in accordance with Section 64 of the Local Government Act 2002.

2 Recommendation

That the Finance and Corporate Committee notes and provides feedback on Northland Regional Landfill Limited Partnership Draft Statement of Intent 2019-20.

3 Background

The Draft Statement of Intent (SOI) has been reviewed for appropriateness in relation to the delivery of services, management and governance of NRLLP and obligations to meet Section 64, Schedule 8, clause 9 (contents of the statement of intent) under the Local Government Act 2002.

The Draft 2019-20 Statement of Intent for NRLLP is included as Attachment One.

NRLLP's Draft SOI includes 'high level' performance targets. More detailed and specific targets are set and monitored within the entity through its annual Business Plan. These are not included in the SOI for business confidentiality reasons.

Note: Alan Adcock, General Manager – Corporate, has a governance relationship with NRLLP as a Director on behalf of Whangarei District Council. Any potential conflicts of interest this causes are dealt with as circumstances dictate.

4 Significance and engagement

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

5 Attachment

1. Northland Regional Landfill Limited Partnership – Draft Statement of Intent 2019-20

**NORTHLAND
REGIONAL
LANDFILL LIMITED
PARTNERSHIP
STATEMENT OF INTENT
2019/2020**

NORTHLAND REGIONAL LANDFILL LIMITED PARTNERSHIP Statement of Intent

For the Year Ending 30 June 2020

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

1. Introduction

The Northland Regional Landfill Limited Partnership (NRLLP) comprises two limited partners; Whangarei District Council (WDC) and Northland Waste Limited (NWL). The General Partner is Whangarei Waste Limited (WWL). The operation is governed by a joint venture agreement under which neither party has absolute control of the organisation but is deemed a Council Controlled Organisation (CCTO) by virtue of the Local Government Act (LGA).

The main activity of the partnership is to operate the Puwera Landfill and provide waste disposal facilities in the Whangarei District.

NRLLP is a For Profit Entity operating as a best practice business financially, environmentally, socially and culturally.

2. Background

Following a competitive process seeking requests for proposals, NRLLP was formed on 2 July 2009 and purchased the consented Puwera Landfill and Resort RRP from WDC.

The design and build of the Landfill was undertaken by Quay Contracting Limited (QCL). Subsequent management and development of facilities is undertaken by QCL

3. Associated Interests of Partners

WDC domestic rubbish collections and rural transfer stations waste contribute to Puwera waste streams.

NWL and related companies collection operations acquire waste from throughout the Whangarei, Far North and North Auckland which contribute to Puwera waste streams.

QCL is a subsidiary of NWL.

4. Objectives

4.1 The long term objectives of the partnership are set out in the partnership agreement and are included in Appendix A of this document.

4.2 Specific Objectives for 2019/2020:

- a. Maintain processes to divert green waste from the waste stream.
- b. To build a recycling / sorting plant at the Resort facility for acceptance of recycling materials from the Whangarei region.
- c. Continue to investigate opportunities to attract waste from throughout the region and northern Auckland area to increase profitability.
- d. Sell or utilise the landfill gas streams if economically viable

5. Governance

The Northland Regional Landfill Limited Liability Partnership is a Council Controlled Trading Organisation as defined by Section 6 of the Local Government Act 2002 and is a 50/50 partnership between the limited partners, WDC and NWL. The partnership is constituted under the Limited Partnerships Act 2008 and is governed by the limited partnership agreement dated 30 June 2009 and which may be amended from time to time by agreement between the Partners.

The management of the partnership is undertaken by the general partner (WWL), a company registered under the Companies Act 1993 which is jointly owned by WDC (Group A shares) and NWL (Group B shares). This company is governed by four directors, two group A directors and two Group B directors appointed by the respective shareholders. No remuneration is paid by the company to the directors, the shareholders will pay the directors appointed by them as they see fit. A quorum consists of one Group A director and one Group B director.

6. Nature and Scope of Activities to be Undertaken

The scope of activities of the Limited Partnership will be:

- a. to own and operate disposal facilities including haulage of conforming waste to the Puwera Landfill;
- b. to undertake post-closure responsibilities including capping, contouring and monitoring of the Puwera Landfill;
- c. to own, operate and manage the ReSort RRP and recycling plant once built;
- d. to conduct other waste collection and disposal activities as the Parties agree shall be dealt with by the Limited Partnership from time to time;
- e. using the combined strength of the partners and consistent with the organisations profit objectives; promote and conduct recycling and waste minimisation activities within the operating area; investigate and develop further minimisation opportunities; and diversify into new markets opportunities created by a higher landfill levy.
- f. to investigate and, where appropriate, promote and/or undertake clean fill operations in the defined operating area.

7. Performance Measurement and Reporting

The following information will be available to WDC 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 WDC, 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. Statement of Performance against Financial and Non-Financial Performance Targets;
 - iv. Auditor's report
 - v. 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.

7.2 Financial Performance Targets

Indicative Financial Performance Targets:

Operate at a Profit

7.3 Non-Financial Performance Targets

Indicative Non-Financial Performance Targets:

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 health and safety systems to enable retention of Safe Plus branding

Ensure no notifiable 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

8. The Ratio of Consolidated Partners Funds to Total Assets, and the Definitions of Those Terms

At the date of formation the ratio of partners' funds to total assets was 23% (\$3M equity, \$10M liabilities and \$13M assets). The \$10m liability was vendor finance from WDC for the acquisition of the properties. Partners' funds means capital contribution from partners plus undistributed current accounts and revaluation reserve. Total assets means the book value of all assets of the partnership.

At 30 June 2018, net equity (partners funds) is \$18.147 million, liabilities \$9.308 million and assets \$27.455million. The ratio of partner's funds to total assets was 66%.

9. Statement of Accounting Policies

As outlined in Appendix B.

10. Financial Statements

Due to the commercial sensitivity of the business, prospective financial statements are not included with the Statement of Intent.

11. Distribution of Accumulated Profits and Revaluation Reserves

All profits are allocated to Partners Current Accounts effective at balance date.

Unrealised Capital Gains are held in Revaluation Reserve and classified as Equity.

12. Information to be Provided to Partners During the Year

- i. Annual financial estimates, for operational activities and capital expenditure, to the Limited Partners;
- ii. Annual Statement of Intent to the WDC Finance and Support Committee;
- iii. Half Year Financial Statements (unaudited), including Statement of Financial Position; Statement of Financial Performance; Statement of Movements in Equity
- iv. Half Year progress against Statement of Performance, based upon Performance Measures to be provided to Limited Partners
- v. Annual Financial Statements, including Statement of Accounting Policies; Statement of Financial Position; Statement of Financial Performance; Statement of Movements in Equity; Statement of Cash flows; Reconciliation of Surplus after Taxation to Cash flow from Operating Activities; Notes to the Financial statements and Auditors' Report to be provided to Limited Partners together with Auditors' Management Letter;
- vi. Annual Statement of Performance, based upon Performance Measures to be provided to Limited Partners.

13. Statement of Procedures for Acquisition of Shares by Partners in Other Entities

Partners will not acquire shares in any other similar organisation without the prior written agreement of both Joint Venture Partners.

14. Activities for Which the Board Seeks Compensation From any Local Authority

It is expected there will be no activities for which the board will seek compensation.

15. 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

As at 30 June 2018 net equity (partner's funds) amounted to \$18.147 million.

- . It is not proposed to seek an independent assessment of the commercial value of the entity.

16. Treaty of Waitangi Statement of Commitment

Northland Regional Landfill Limited Partnership as a WDC CCTO, understands local body obligations to the Treaty of Waitangi and expects that the Treaty of Waitangi will be honoured.

Appendix A

Extract from WWL NRLLP Shareholders/Limited Partnership Agreement dated 30 June 2009

Long term Objectives for the Limited Partnership

The objectives of the Limited Partnership are to:

- (a) Develop and operate the Puwera Landfill so that it is capable of serving the Waste disposal needs of the Shareholders and the Partners to the Limited Partnership and the Northland Region and providing competitive Waste disposal services to third party Waste operators and other local authorities within the Operating Area in an environmentally sound and economically efficient manner and in accordance with all relevant resource consents.
- (b) Operate as a successful business including achieving sufficient earnings to support the continued operations of the Limited Partnership and to achieve an appropriate risk adjusted return on investment;
- (c) Manage the Waste stream so enough Waste is secured to ensure that the Landfill is operated to its commercial advantage taking into account the benefits of maximising the life of the Landfill and financial return to the Shareholders and the Partners to the Limited Partnership .
- (d) Ensure construction and operation of the Landfill is undertaken in such a manner as to maximise the life of the Landfill, both for Stage One of the Landfill as contemplated by the existing resource consents and for any future stages.
- (e) Operate the ReSort:RRP as a transfer station to serve the needs of the Whangarei District in an environmentally sound and economically efficient manner and in so doing ensure that current levels of service, including services such as Hazardous Wastes collection and vegetation separation, are maintained with operations to be undertaken using the best practicable option.
- (f) Promote Waste Minimisation where it is financially viable to do so.
- (g) Own and operate a recycling and sorting plant.
- (h) Obtain economic cash flows from captured gas at the landfill.
- (i) Be responsive to the market demand for its services in terms of the criteria of quantity, quality and price.
- (j) Develop business plans consistent with WDC's Waste Management and Minimisation Plan and all relevant statutory and regulatory obligations.

- (k) Behave in an environmentally sustainable manner by promoting and maintaining the standards of environmental protection applied by the RMA and to minimise the impact of its activities on the environment.
- (l) Comply with relevant provisions of the LGA applying to a CCTO.
- (l) Promote and maintain standards of health and safety in accordance with all applicable statutes and regulations, and including best practice.
- (m) Act as a good employer and effectively manage staff.
- (n) Commit to consult with and be sensitive to the concerns of the Landfill and ReSort:RRP host communities.
- (o) Act as a good corporate citizen with regard to its business dealings and relations with key stakeholders and tangata whenua and the Northland community.
- (p) Be customer focussed and ensure good customer relationships and service provision.
- (q) Enter into and manage procurement contracts to deliver the Limited Partnership's services.
- (r) Maximise long run economic and environmental benefits to key stakeholders.

Appendix B

1 Statement of accounting policies

Reporting Entity

Northland Regional Landfill Limited Liability Partnership (the Partnership) is a joint venture between Whangarei District Council and Northland Waste Limited as limited partners and Whangarei Waste Limited as a general partner.

The Partnership is domiciled in New Zealand and is a council-controlled trading organisation as defined under section 6 of the Local Government Act 2002, by virtue of the Council's right to appoint 50% of the directors to the Board and the corresponding voting rights controlled by Council.

The primary objective of the Partnership is to provide waste facilities in the Whangarei District.

The financial statements for the Partnership are for the year ended 30 June 8, and must be approved by the General Partner by 30 September. The entity's owners or others have no power to amend the financial statements after issue.

Basis of preparation

Statement of compliance

The financial statements of the Partnership have been prepared in accordance with the requirements of the Local Government Act 2002, which includes the requirement

to comply with generally accepted accounting practice in New Zealand (NZ GAAP). The partnership is a Tier 2 RDR reporting entity by virtue of not being publically accountable and has expenses of less than \$30 million.

The financial statements comply with NZ IFRS, and other applicable Financial Reporting Standards, as appropriate for profit oriented entities.

Measurement base

The financial statements have been prepared on a historical cost basis.

Functional and presentation currency

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars. The functional currency of the Partnership is New Zealand dollars (NZ\$).

Changes in accounting policies

There have been no significant changes in accounting policies during the year.

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.

Any commitments and contingencies are disclosed exclusive of GST.

Income tax

The Partnership incurs no taxation expense or tax liability. Taxable Surplus or Loss is borne by each partner according to profit share arrangements.

Any withholding tax or imputation credits arising from investment income are taken to the respective Partner Current Accounts.

Equity

Equity is measured as capital contributions of the Partners; Current Accounts of the Partners to the extent that they have not been authorised for distribution in the next financial year; and Revaluation Reserves.

Segment reporting

The Partnership operates in one business segment, waste disposal, and in one geographical segment, Northland.

Critical accounting estimates and assumptions

In preparing these financial statements, the Partnership has made estimates and assumptions concerning the future.

These estimates and assumptions may differ from the subsequent actual results. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are:

Aftercare provisioning
Cell Construction

4.5 Local Government Funding Agency – Draft Statement of Intent 2019-20

Meeting: Finance and Corporate Committee
Date of meeting: 28 March 2019
Reporting officer: Tracey Schiebli (Manager Democracy and Assurance)

1 Purpose

To seek feedback on the Local Government Funding Agency (LGFA) Draft Statement of Intent 2019-20.

2 Recommendation

That the Finance and Corporate Committee notes and provides feedback on the Local Government Funding Agency Draft Statement of Intent 2019-20.

3 Background

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

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

The Draft 2019-20 Statement of Intent for the LGFA, of which Council has a shareholding, is included as Attachment Three, and the cover letter as Attachment four. It meets the obligations of Section 64, Schedule 8, Clause 9 (Contents of the Statement of Intent) in the Local Government Act (2002).

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

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

4 Significance and engagement

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

5 Attachments

1. Shareholders' Council letter of expectation dated 1 February 2019
2. LGFA Board's response dated 15 February 2019 to Shareholders' Council letter of expectation
3. LGFA Draft Statement of Intent 2019-20
4. LGFA letter to shareholders dated 27 February 2019 to accompany Draft Statement of Intent 2019-20



1 February 2019

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

Dear Craig,

Shareholder Expectations and the Statement of Intent 2019/20

I am writing to set out the Shareholders' Council's (the Council's) expectations of the New Zealand Local Government Funding Agency Ltd (LGFA) for consideration in the LGFA's business planning for the upcoming year and the development of its 2019/20 Statement of Intent (SOI).

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

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

Governance

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

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

Sector Representation

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

The Council intends to reach out to this group to see whether they are interested in appointing a representative to attend Council meetings as a first step towards improving communication flows.

However, we also request that the Board consider whether it is appropriate to increase the number of shareholders, possibly by way of a sell-down by existing shareholders and /or new share issuance.

We would welcome dialogue with the Board on this issue at a suitable time and it may also be a relevant topic for discussion at the next Shareholder/Borrower day.

Constancy of objectives and intentions

It is the Council's expectation that the company's objectives and operating intentions, as set out in the 2018/19 SOI, will continue to be reflected in the 2019/20 SOI. The SOI is the ideal opportunity for the LGFA to reaffirm its:

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

Performance indicators

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

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

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

Treasury policy

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

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

Financial and general reporting

The current SOI contains brief financial forecast information. The Council continues to appreciate the LGFA providing more detailed financial and operational information in the quarterly reports. It is important that this information continues to be provided in 2019/20.

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

At the 2018 General Meeting shareholders supported changes to Foundation policies to allow the calculation of financial covenants at Group level and direct lending to Council Controlled Organisations. In supporting these changes, the Council wrote to all shareholders stating the "Shareholders' Council

supports both changes as they reinforce LGFA's primary objective, which is to optimise the debt funding terms and conditions for Participating Local Authorities. However, this support is given on the basis that as the changes to the Foundation Documents are transformed into operational policies and practices, they ensure that no additional risk to either lenders, guarantors or the Crown is created. We have been assured by LGFA's management team and Board that they will ensure this happens."

As well as ensuring that the expectations outlined above are met, we request that the basis of the calculation of financial covenants and any direct lending to Council Controlled Organisations be included in quarterly and annual reports to ensure transparency for all stakeholders.

Delivery of draft 2019/20 SOI

The Council would welcome a discussion on the content of this letter and the LGFA's views on its priorities for 2019/20. We look forward to receiving the company's draft SOI as early as possible, to allow us to engage with shareholders in a meaningful fashion. The Council will respond with feedback as promptly as possible, and prior to the statutory deadline of 1 May 2019, in order that the company is in a position to deliver its final SOI by 30 June 2019.

It was a pleasure to attend the 2018 Annual General Meeting, and recognise the significant achievements of the LGFA over the last year. Please do not hesitate to contact me if you have any queries or comments.

Yours sincerely



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

15 February 2019

Alan Adcock
 Chairman
 LGFA Shareholders Council

Dear Alan,

LGFA DRAFT STATEMENT OF INTENT 2019/20

Thank you for the letter of expectations from the Shareholders Council outlining suggestions that the LGFA Board and management should consider when drafting the 2019/20 Statement of Intent ("SOI").

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

1. Governance

- a. The board undertakes an annual review of the board performance and both the required skill set and existing skills of current directors using an external adviser. We will continue to share the results with the Shareholder Council.
- b. We note your suggestion regarding lengthening the term of non-independent director and will come back to you before the Shareholder Borrower Day. Any change would be put to shareholders at the November 2019 AGM.

2. Sector representation

- a. There are thirty council shareholders (in addition to the Crown) who are guarantors and a further nineteen council members who are guarantors but not shareholders. Instead of appointing a council (or councils) to the Shareholders Council to represent these non-shareholder guarantors could you instead assign these councils to your existing Shareholder Council members to communicate with and provide copies of the Shareholder Council Meeting minutes to them? LGFA currently provides the Quarterly Report to Shareholders to all the council members.
- b. LGFA reviews its capital structure every three years and the board continues to focus on whether the company requires additional capital as well as the relative benefits of a wider shareholder base. Please note that in the Draft SOI the board has continued to value LGFA shares at paid up capital only i.e. \$1 per share. Shareholders can sell their shares to either the Crown or other councils and LGFA is prepared to assist where it can in this process.

3. Constancy of objectives and intentions

- a. The board agrees with the Shareholder Council on the need for consistency between years as to the company objectives.

4. Performance indicators

- a. LGFA has discussed with representatives of the Shareholder Council in December 2018 as part of the Draft SOI process to get feedback on performance indicators. As you will see in the Draft SOI, we have reduced the duplication of reporting and placed more emphasis on performance indicator measurement.
- b. It is difficult to measure "value added" without reference to other sources of borrowing and these will differ from council to council. As part of the annual survey we will ask councils as to whether they believe that LGFA is adding value. We will continue to highlight where LGFA borrows relative to other high-grade borrowers in the quarterly, six monthly and annual reports to shareholders. However, improvement on these spreads will no longer be a performance measure.

5. Treasury policy

- a. We will continue to focus on both individual councils and the overall sector financial positions. We have increased resources in this area over the past six months with the appointment of Sumitha Kaluarachi to assist Andrew Michl in council and sector monitoring and relationship management.

6. Financial and general reporting

- a. The Board notes the Shareholder Council view and will continue to provide as much information as possible subject to not breaching our commercial, strategic or regulatory requirements.
- b. The Board and management view individual council compliance with financial covenants as being one of the key foundations of protecting the interest of guarantors and holders of LGFA bonds as well as the preserving the success of the underlying LGFA business model. As noted above, we have added resources to this area. We will advise you of any actual or projected future breaches by council borrowers.
- c. The ability to lend to CCOs and to assess council compliance at the group level is an important development for LGFA to enable the company to meet the evolving requirements of the sector. Management are working with Russell McVeagh on the documentation, policies and processes as we implement the Foundation Policy changes. We will keep the Shareholders Council informed of progress as we approach the 1st July target date as well as communicating to the wider group of council members. We acknowledge that the changes are not intended to increase the risk to guarantors or to the crown.

7. LGFA management and directors also value and appreciate the open relationship with the Shareholders Council and will meet the information requirements of the Shareholders Council in a timely manner. It is important to have open dialogue and communication with

stakeholders so please continue to provide feedback through the board chair, directors and management.

Thank you for providing us with the Letter of Expectations and we have taken your comments and suggestions on board as well as those of the Shareholder Council subcommittee when drafting the 2019/20 SOI.

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

Regards



Craig Stobo
Chairman



Statement of Intent 2019/20

1. Introduction

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

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

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

2. Nature and scope of activities

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

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

In lending to Participating Local Authorities, LGFA will:

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

3. Objectives

Principal Objectives

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

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

Primary Objectives

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

- Providing savings in annual interest costs for all Participating Local Authorities on a relative basis to other sources of financing;
- Offering short and long-term borrowings with flexible lending terms;
- Enhancing the certainty of access to debt markets for Participating Local Authorities, subject always to operating in accordance with sound business practice; and
- Being the debt funder of choice for New Zealand local government.

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

- LGFA will review each Participating Local Authority's financial position, its financial headroom under LGFA policies and endeavour to visit each Participating Local Authority on an annual basis;
- Implement the changes to the Foundation Policies that were approved at the November 2018 AGM to allow for lending to CCOs. Changes to operational policies and practices need to ensure that no additional risk is borne by lenders, guarantors or the Crown and
- LGFA will analyse finances at the Council group level where appropriate and report to the Shareholder Council and shareholders as to which Participating Local Authorities are measured on a group basis.

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

Additional objectives

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

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

The measurement of the company performance regarding these additional objectives are set out as Performance Targets in Section 5 of this SOI.

4. Financial forecasts

LGFA's financial forecasts for the three years to 30 June 2022 are:

FINANCIAL YEAR (\$M)	SOI		
Comprehensive income	Jun-20	Jun-21	Jun-22
Interest income	272.1	293.2	294.0
Interest expense	253.6	274.2	275.1
Net Interest income	18.4	19.0	18.9
Issuance and on-lending costs	2.3	2.4	2.4
Approved Issuer Levy	1.5	1.6	1.6
Operating expenses	3.7	3.9	4.0
Issuance and operating expenses	7.6	7.8	8.0
P&L	10.9	11.2	10.9
Financial position (\$m)	Jun-20	Jun-21	Jun-22
Capital	25.0	25.0	25.0
Retained earnings	60.5	70.2	79.6
Total equity	85.5	95.2	104.6
Shareholder funds + borrower notes / Total assets	2.4%	2.5%	2.5%
Dividend provision	1.5	1.5	1.5
Total assets (nominal)	9,743.9	9,953.8	10,164.3
Total LG loans - short term (nominal)	460.0	460.0	460.0
Total LG loans (nominal)	9,100.2	9,346.0	9,418.7
Total bills (nominal)	425.0	425.0	425.0
Total bonds (nominal) ex treasury stock	9,064.0	9,264.0	9,454.0
Total borrower notes (nominal)	145.6	149.5	150.7

Note that there is some forecast uncertainty around the timing of Net Interest Income, Profit and Loss, Total Assets, LG Loans, Bonds and Borrower Notes depending upon council decisions regarding the amount and timing of refinancing of their April 2020, May 2021 and April 2022 loans. LGFA will work with council borrowers to reduce this uncertainty.

5. Performance targets

LGFA has the following performance targets:

- LGFA's net interest income for the period to:
 - 30 June 2020 will be greater than \$18.40 million.

- 30 June 2021 will be greater than \$19.00 million.
- 30 June 2022 will be greater than \$18.90 million.
- LGFA's annual issuance and operating expenses (excluding AIL) for the period to:
 - 30 June 2020 will be less than \$6.10 million.
 - 30 June 2021 will be less than \$6.20 million.
 - 30 June 2022 will be less than \$6.40 million.
- Total lending to Participating Local Authorities¹ at:
 - 30 June 2020 will be at least \$9,560 million.
 - 30 June 2021 will be at least \$9,806 million.
 - 30 June 2022 will be at least \$9,879 million.
- Conduct an annual survey of councils who borrow from LGFA and achieve at least an 80% satisfaction score as to the value added by LGFA to the council borrowing activities.
- Meet all lending requests from Participating Local Authorities, where those requests meet LGFA operational and covenant requirements.
- Achieve 75% market share of all council borrowing in New Zealand.
- Review each Participating Local Authority's financial position, its headroom under LGFA policies and arrange to meet each Participating Local Authority at least annually.
- No breaches of Treasury Policy, any regulatory or legislative requirements including the Health and Safety at Work Act 2015.
- Successfully refinance of existing loans to councils and LGFA bond maturities as they fall due.
- Maintain a credit rating equal to the New Zealand Government rating where both entities are rated by the same credit rating agency.

6. Dividend policy

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

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

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

¹ Subject to the forecasting uncertainty noted previously

7. Governance

Board

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

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

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

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

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

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

Shareholders' Council

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

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

8. Information to be provided to Shareholders

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

² Best practice as per NZX and Institute of Directors guidelines

Annual Report

The LGFA's balance date is 30 June.

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

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

Half Yearly Report

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

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

Quarterly Report

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

- Commentary on operations for the relevant quarter, including a summary of borrowing margins charged to Participating Local Authorities (in credit rating bands).
- Comparison of LGFA's performance with regard to the objectives and performance targets set out in the SOI, with an explanation of any material variances.
- Analysis of the weighted average maturity of LGFA bonds outstanding.
- In the December Quarterly Report only, commentary on the Net Debt/Total Revenue percentage for each Participating Local Authority that has borrowed from LGFA (as at the end of the preceding financial year).

- To the extent known by LGFA, details of all events of review in respect of any Participating Local Authority that occurred during the relevant quarter (including steps taken, or proposed to be taken, by LGFA in relation thereto).

Statement of Intent

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

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

Shareholder Meetings

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

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

9. Acquisition/divestment policy

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

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

10. Activities for which compensation is sought from Shareholders

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

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

11. Commercial value of Shareholder's investment

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

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

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

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

12. Accounting policies

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

The following statement is taken from the Financial Statements presented as part of LGFA's Annual Report 2018 (updated where necessary).

ATTACHMENT: Statement of accounting policies

a. Reporting Entity

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

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

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

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

b. Statement of Compliance

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

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

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

c. Basis of Preparation

Measurement base

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

The financial statements are prepared on an accrual basis.

Functional and presentation currency

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

Foreign currency conversions

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

Changes in accounting policies

There have been no changes in accounting policies.

Early adoption standards and interpretations

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

Standards not yet adopted

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

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

d. Financial instruments

Financial assets

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

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

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

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

Financial liabilities

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

Derivatives

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

Fair value hedge

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

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

e. Other assets

Property, plant and equipment (PPE)

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

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

Intangible Assets

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

f) Other liabilities

Employee entitlements

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

g) Revenue and expenses

Revenue

Interest income

Interest income is accrued using the effective interest rate method.

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

Expenses

Expenses are recognised in the period to which they relate.

Interest expense

Interest expense is accrued using the effective interest rate method.

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

Income tax

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

Goods and services tax

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

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

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

Commitments and contingencies are disclosed exclusive of GST.

h. Lease payments

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

i. Segment reporting

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

j. Judgements and estimations

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

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future

periods. Where these judgements significantly affect the amounts recognised in the financial statements they are described below and in the following notes.

27 February 2019

Dear Shareholder

Draft Statement of Intent 2019/20

Please find attached a copy of the Draft Statement of Intent (SOI) for the 2019/20 year.

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

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

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

For our shareholders we are focused on

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

The following points regarding the Draft 2019/20 SOI are worth noting:

- Profitability is forecast to remain strong with projections for Net Operating Gain of \$10.9 million, \$11.2 million and \$10.9 million for the next three years, which is similar to results from previous years. However, we remain cautious in placing too much emphasis on the Year Three (2021/22) forecast given that over the next three years, we estimate that \$3.6 billion of our LGFA bonds and \$3.0 billion of council loans mature. Assumptions regarding timing of refinancing and interest rates have a meaningful impact on financial projections.
- Net interest income is expected to remain constant over the next three years as the balance sheet grows from council lending and we hold additional liquid assets to manage the LGFA bond maturities. However, this is offset by a modest reduction in on-lending margins as loans to councils made in previous years at higher margins are refinanced by councils at maturity with lower margin loans.
- We have increased our forecast for Local Government loans (short and long term) outstanding as at June 2020 to \$9.524 billion and to \$9.806 billion as at June 2021 (from \$8.421 billion and \$8.185 billion in the previous SOI). This reflects the higher long-term borrowing requirement outlined by councils in their 2018-28 Long-Term Plans, increased utilisation of short term borrowing from LGFA by councils and a surge in new council

members who typically refinance their debt with LGFA upon joining. In last year's SOI, we had also been conservative in expecting a reduction in borrowing appetite from councils because of the Housing Infrastructure Fund facility and other Central Government initiatives.

- We have assumed a small narrowing in credit margins as the credit quality of the sector improves and councils get ratings upgrades. There are no forecast changes to the on-lending margins given the base lending margin now averages 10 bps (0.10%). Any further reductions in the base margin is unlikely as we need to ensure we have enough capital to match the growth in the balance sheet. LGFA on-lending margins are the narrowest when compared with our international peers.
- Compared to the previous SOI, issuance and on-lending costs, excluding Approved Issuer Levy ("AIL") are forecast to be around \$200k to \$300k higher in each of the 2019/20 and 2020/21 financial years reflecting higher lending and issuance volumes.
- The SOI performance targets are similar to targets in the previous SOI except we have replaced the objective relating to savings to council borrowers with a survey-based measure as to the perceived "value add" by LGFA to councils. It has become increasingly difficult to accurately measure savings in borrowing costs due to the lack of single name bond issuance by councils who are not members of LGFA.
- As noted above, there is some timing uncertainty within the SOI forecast relating to Local Government loans and LGFA bonds outstanding as we need to project both the repayment amount and repayment timing of the Local Government loans that are due to mature in April 2020, May 2021 and April 2022. Decisions made by our council members regarding early refinancing will have a phasing impact across all three years in the SOI forecast.

If you have any questions or wish to provide comments by 30 April 2019 then please feel free to contact myself or any member of the Shareholders Council. The LGFA Board will consider any feedback received and provide a final version of the SOI to shareholders by 30 June 2019.

Yours sincerely



Mark Butcher
Chief Executive

4.6 Local Government Funding Agency – Half Yearly Report to 31 December 2018

Meeting: Finance and Corporate Committee
Date of meeting: 28 March 2019
Reporting officer: Tracey Schiebli (Manager Democracy and Assurance)

1 Purpose

To provide the half yearly report for the Local Government Funding Agency (LGFA) to 31 December 2018.

2 Recommendation

That the Finance and Corporate Committee notes the Local Government Funding Agency half yearly report to 31 December 2018.

3 Background

Section 66 of the Local Government Act (2002) advises that Council Controlled Organisations (CCOs) must deliver a report to council on their half yearly operations. To that end, the half yearly report for the 2018-19 financial year for the LGFA, of which Council has a shareholding, is included as Attachment One.

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

4 Significance and engagement

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

5 Attachments

1. LGFA Half Yearly Report to 31 December 2018

Partnering with Councils to finance infrastructure investment

**Mā te huruhuru
ka rere te manu**

Half year report
31 December 2018

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

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

Contents

Ihirangi

04

Message from
the Chair
He karere mai
i te Toihau

08

Performance
against objectives
Tutukinga mahi
ki ōna whāinga

20

Financial
statements
Taukī pūtea

Directors' declaration	20
Statement of comprehensive income	21
Statement of changes in equity.....	22
Statement of financial position	23
Statement of cash flows.....	24
Notes to financial statements.....	25

38

Other disclosures
Whākitanga

39

Directory
Rārangi tauwaea

Message from the Chair

He karere mai i te Toihau

**For the six months ended
31 December 2018**

“LGFA has facilitated a record amount of council borrowing over the six-month period as councils continue to invest in new infrastructure and refinance existing debt. Having undertaken a record amount of issuance in the six-month period, LGFA continues to offer investors a highly rated, higher yielding alternative to New Zealand Government Bonds”

Craig Stobo, Chair LGFA Board



Directors would like to highlight the following developments at LGFA for the six-month period to 31 December 2018.

Strong Financial and Operational Performance

LGFA total interest income for the six-month period of \$180.9 million was a 1.5% increase over the 2017-18 comparable period result of \$178.145 million while net operating profit of \$6.08 million was a 0.7% increase on the 2017-18 comparable period result of \$6.04 million.

Net interest income and operating profit exceeded both the previous comparable period result and are ahead of the Statement of Intent (SOI) forecast due to the early refinancing of loans by councils maturing in March 2019 and a higher level of new council borrowing.

Expenses have been managed under budget over the past six months as lower fees from a reduced utilisation of the standby facility, and lower Approved Issuer Levy payments relative to budget, were partially offset by higher legal and NZX costs from lending and bond issuance activities being above budget.

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

The financial strength of LGFA was reaffirmed by credit rating agencies Standard & Poor's (in July 2018) and Fitch (in November 2018) who both maintained our credit rating at 'AA+' which, very importantly, is the same as the New Zealand Government.

Borrowing activity

LGFA issued a record \$985 million of bonds over the past six months and nominal outstandings now total \$9.104 billion (including \$400 million of treasury stock) across eight maturities from 2019 to 2033.

LGFA is the largest issuer of New Zealand dollar (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. We have seen a shift in investor composition over the past six months as offshore investors have become less attracted to the lower yielding NZD fixed income asset class while domestic bank balance sheets have increased their holdings on the outlook for stable domestic monetary policy and a reduced supply of NZ Government Bonds in the coming year. Our offshore

investor holdings have reduced from 39% in June 2018 to 33% in December 2018 while bank holdings have increased from 33% to 38%.

The performance of LGFA bonds over the past six months has been mixed with LGFA bond spreads to both swap and NZGB tighter on the mid curve maturities but wider on the short-dated and long-dated maturities. Outright yields on LGFA bonds have declined over the past six months by between 11 bps (0.11%) on the 2020 maturity and 46 bps (0.46%) on the 2025 maturity and are at historic lows.

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 a record \$485 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 Crown remain as shareholders. Over the past six months, we added five new members with Ruapehu District and Waikato Regional Councils joining as guarantors and Wairoa, Clutha and Mackenzie District Councils joining as non-guarantors. Gore District Council also moved to become part of the guarantor group of councils. Total membership of 61 councils is very pleasing and this is expected to rise slightly in the coming year as several councils are partly through the joining process.

Long-dated lending over the six-month period to December 2018 was a strong \$1.05 billion with the lending activity a mix of new borrowing and the refinancing of council loans maturing on 15 March 2019. The tenor of borrowing by councils at 6.5 years was longer than the average term of borrowing of 4.5 years over the 12-month period to June 2018.

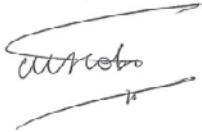
Customised lending continues to be popular for councils in that it provides opportunity to borrow to maturity dates which are different from LGFA bond maturities. LGFA lent \$800 million on a flexible basis to councils during the six-month period, which was approximately 76% of our total long-term lending over that period.

Short-dated lending for terms less than 12 months has been well received by councils and as at 31 December 2018, LGFA had \$527 million of short-term loans outstanding to 31 councils.

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

Acknowledgments

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

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

Craig Stobo
Chair, LGFA Board

Taiora QEII
Recreation and
Sports Centre.
Opened May 2018.
Christchurch City
Council Newsline

River rock wall
repairs. New rock
being positioned
to reinstate flood
protection.

Bay of Plenty
Regional Council

Christchurch Town
Hall. Reopened
February 2018.
Christchurch City
Council Newsline

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 2018-19 (SOI).

Performance against primary objectives

This section sets out LGFA's performance for the six-month period ended 31 December 2018 against the two primary objectives set out in the 2018-19 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 (NZGB) and swap rates, investor perceptions of LGFA and the issuance volume and tenor of LGFA bonds.

2018-19 performance objectives

The SOI set out two primary performance objectives and eight additional objectives for LGFA for the year ended 30 June 2019:

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 endeavour to visit each Participating Local Authority on an annual basis;
 - ii. LGFA will analyse finances at the Council group level where appropriate;
 - iii. LGFA will review its debt covenant methodology and assessment of council financial position at group vs parent.

LGFA will present its findings to councils at the LGFA Shareholder-Borrower Day, including a comparison of LGFA methodology to that of the credit rating agencies;

- iv. 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
- v. 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.

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 (spreads widening).

LGFA spreads to swap have consistently narrowed since it first began issuing bonds in February 2012, and over the past six months, spreads to swap as measured by secondary market levels have narrowed on the mid-curve maturities (2023s and 2025s) but widened on the LGFA bond maturities at the two end points of the curve.

LGFA bond margin to swap	As at 31 December 2018 basis points (bps)	As at 30 June 2018 (bps)	Spread movement (bps)
15 March 2019	6	4	2
15 April 2020	10	5	5
15 May 2021	17	11	6
14 April 2022	26	20	6
15 April 2023	31	34	(3)
15 April 2025	47	53	(6)
15 April 2027	59	54	5
14 April 2033	86	79	7

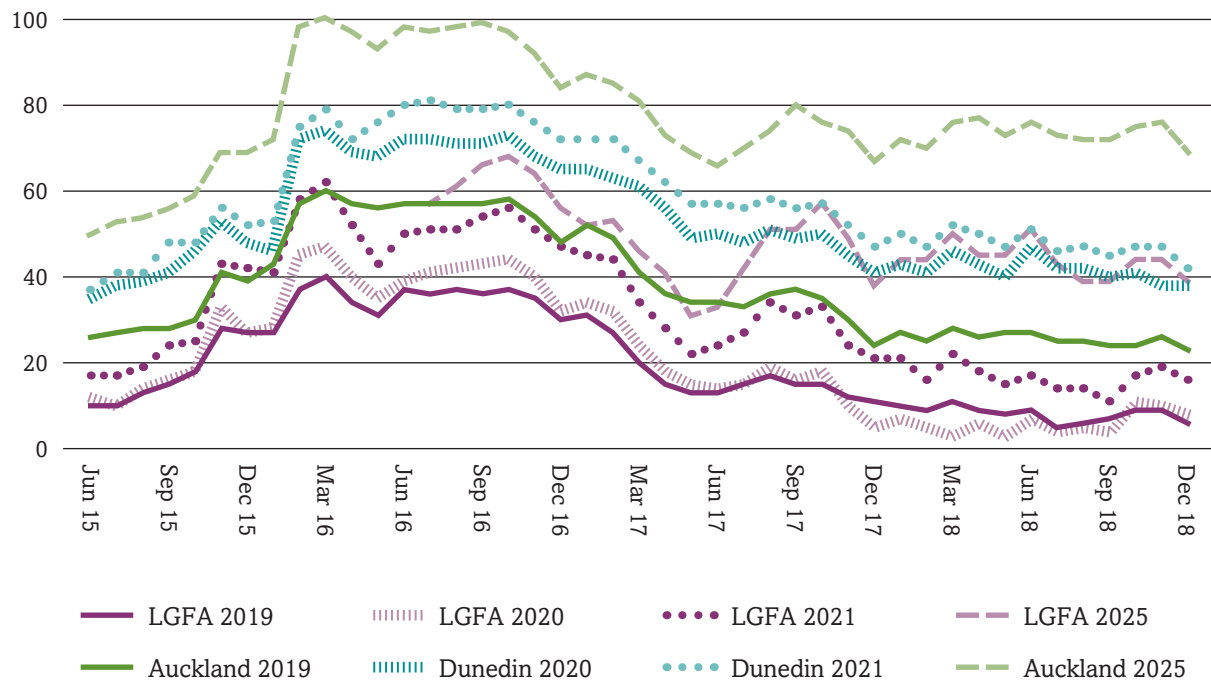
A similar pattern is evident over the same period with the LGFA spreads to NZGB narrowing in the mid curve maturities only.

LGFA bond margin to NZGB	As at 31 December 2018 (bps)	As at 30 June 2018 (bps)	Spread movement (bps)
15 March 2019	30	30	-
15 April 2020	38	37	1
15 May 2021	46	44	2
14 April 2022	54	53	1
15 April 2023	60	69	(9)
15 April 2025	78	83	(5)
15 April 2027	91	83	8
14 April 2033	123	104	19

The spread widening in the back end of the yield curve is due to the increased issuance of LGFA 2033 bonds, the larger than normal amount of LGFA bond issuance over the six-month period and the improvement in Central Government's fiscal position leading to expectations of a reduction in the supply of NZGBs.

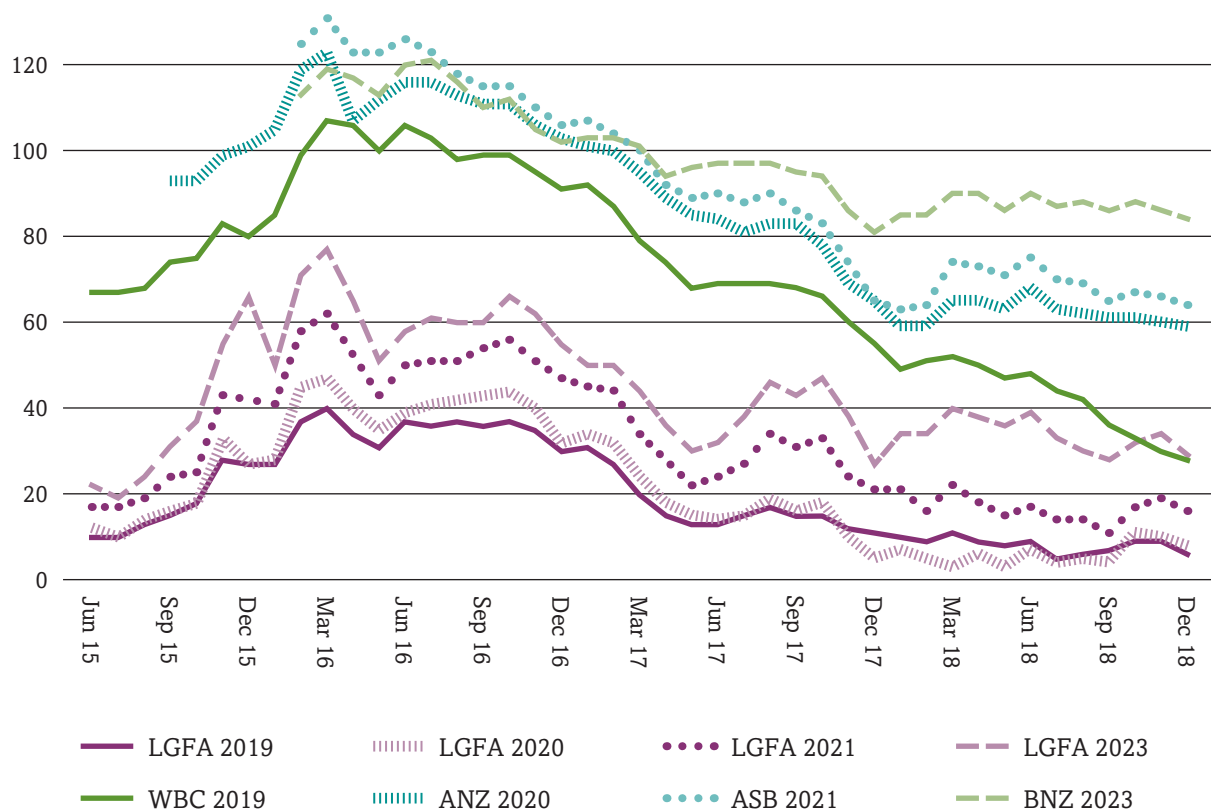
LGFA continues to provide savings in borrowing costs for councils relative to other sources of borrowing. We compare our secondary market spreads on LGFA bonds to those of Auckland Council and Dunedin City Treasury (as a proxy for councils borrowing in their own name) and a mix of banks (as a proxy for 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 31 December 2018, LGFA was saving AA-rated councils between 2 bps and 17 bps depending upon the term of maturity. This compares to savings of between 10 bps and 22 bps a year ago, but one would expect savings to diminish naturally over time as the bonds approach their maturity date and shorten their duration.

31 December 2018	Savings to AA-rated councils (bps)				
	Auckland 2019	Dunedin 2020	Dunedin 2021	Auckland 2022	Auckland 2025
AA rated councils margin to swap (bps)	18	37	44	46	72
Less LGFA margin to swap (bps)	(6)	(10)	(17)	(26)	(47)
LGFA gross funding advantage (bps)	12	27	27	20	25
Less LGFA base margin (bps)	(10)	(10)	(10)	(10)	(10)
Total saving (bps) *	2	17	17	10	15

* 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;

Councils borrowed a record \$1.05 billion of long-term loans from LGFA over the six-month period. The average borrowing term (excluding short-dated borrowing) for the six-month period to December

2018 by council members was 6.5 years and this was longer than the average borrowing term of 4.5 years for the 12 months to June 2018. However, the average term of borrowing in 2017-18 was very short compared to the 2016-17 average term of 7.8 years, so the prior year comparison does not provide a useful benchmark.

Average total months to maturity – Long-term lending to councils

Last 18 months



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

We introduced a new four-year bond (April 2022) in April 2018 and we expect to issue another new maturity in the first half of the 2019 calendar year. However, with the issuance of the April 2033 LGFA bond in 2017, councils can borrow on a bespoke

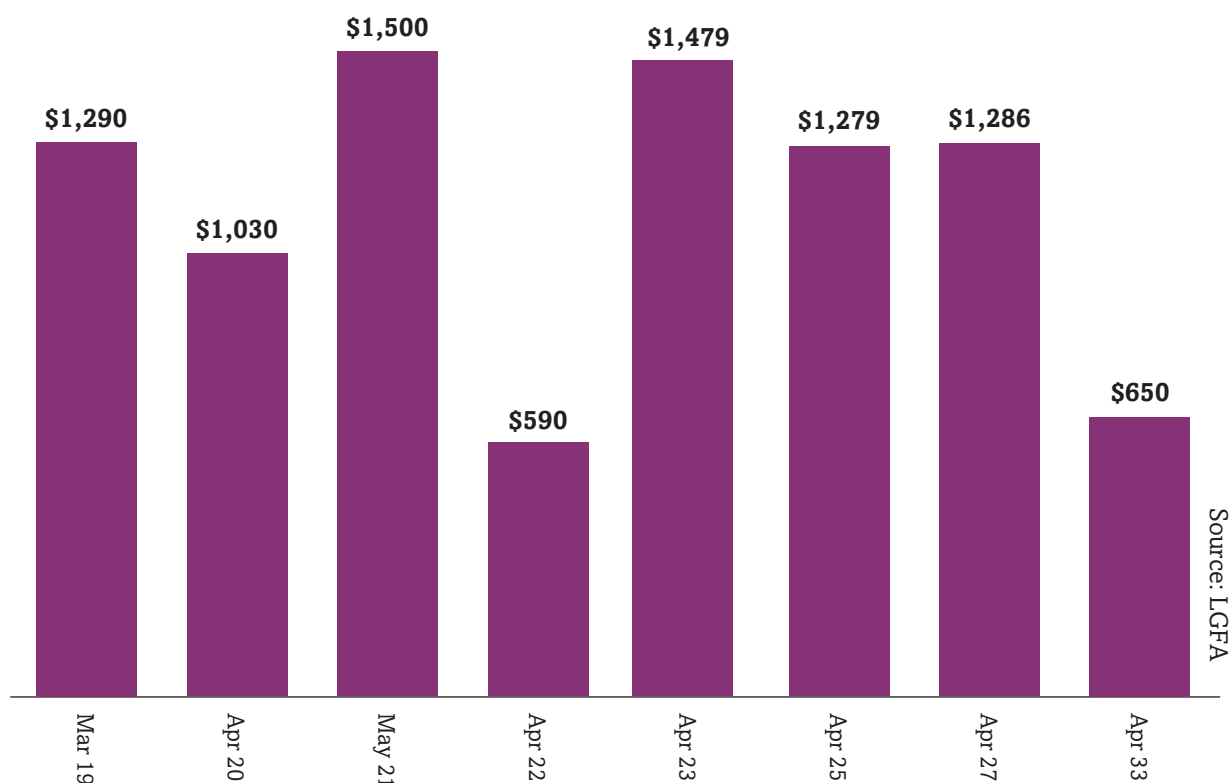
basis (for any preferred maturity date, at any time) out to 14 years.

LGFA funds its lending to councils by issuing bonds to banks, institutional and retail investors – both in New Zealand and offshore. The following chart shows the total LGFA bond outstandings, including treasury stock, by maturity as at 31 December 2018.

LGFA bonds on issue (NZ\$ million, face value)

As at 31 December 2018 : NZ\$9,104 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 of LGFA bonds on the NZX Debt Market since listing has been \$12 million per month or 8.1% of the total turnover of the NZX Debt Market. Turnover has reduced over the past six 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 31 December 2018, LGFA has short-term loans outstanding to 31 councils of \$527 million. This is a record amount of loans and an increase of \$283 million over the past six months.

LGFA also issued a record amount of bonds in the six-month period with \$985 million issued across five bond tenders with an average tender volume of \$197 million and a range of \$175 million to \$210 million in size.

LGFA bond issuance by tender (NZ\$ million)

Last 18 months. Excludes issuance of treasury stock (\$400m)



All tenders were successful and fully subscribed. The average bid-coverage ratio across the five bond tenders was 2.3 times and this compared to the average of 3.1 times for the 61 bond tenders held since LGFA first commenced issuance in February 2012.

LGFA bond tender results by maturity	2018-19 ytd issuance amount	LGFA tender average bid coverage ratio	LGFA tender average successful bid range
15 March 2019	Nil	n/a	n/a
15 April 2020	Nil	n/a	n/a
15 May 2021	\$30 m	3.2 x	0 bps
14 April 2022	\$270 m	2.4 x	2 bps
15 April 2023	Nil	n/a	n/a
15 April 2025	\$260 m	2.7 x	3 bps
15 April 2027	\$180 m	2.1 x	4 bps
14 April 2033	\$245 m	1.8 x	4 bps
Across all LGFA maturities	\$985 m	2.3 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 4 bps with the largest range being on the longer-dated maturities.

LGFA established an Australian Medium-Term Notes Programme in November 2017 to provide the ability to issue in currencies other than the New Zealand dollar (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 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 14 years at any time they wish to drawdown.

Bespoke lending (either into non-LGFA bond maturity dates or into LGFA bond maturity dates but outside of tenders) for council members continues to grow in popularity. During the six-month period to 31 December 2018 we lent \$800 million on a bespoke basis to 37 councils. This was 76% of total term lending to our council members over that period.

Short-term borrowing by councils as at 31 December 2018 was a record \$526.7 million comprising borrowing from 31 councils.

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

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

LGFA undertakes a detailed financial assessment on each of its borrowers and endeavours to meet 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 2018 and a copy of each council's borrowing position and compliance with LGFA covenants was provided to LGFA shareholders and non-shareholder guarantors in January 2019. LGFA assigns an internal credit rating to each of its council members as part of the review exercise.

LGFA management met with 31 councils over the six-month period to 31 December 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 Treasury, New Zealand Debt Management, DIA, Trustees Executors, Productivity Commission, Standard & Poor's, Fitch and Infrastructure New Zealand during the past six months to discuss LGFA and sector issues. LGFA attended the Infrastructure New Zealand annual conference and the NZX issuer forum.

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

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

We presented at various capital market conferences and meet 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 additional performance objectives which complement the primary objectives. This section sets out LGFA's performance for the six-months ended 31 December 2018 against the additional objectives set out in the 2018-19 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 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 was calculated on LGFA's cost of funds for the 2017-18 year of 3.14% plus a 2% margin. This was a similar dividend to the previous year dividend of \$0.0556 per share.

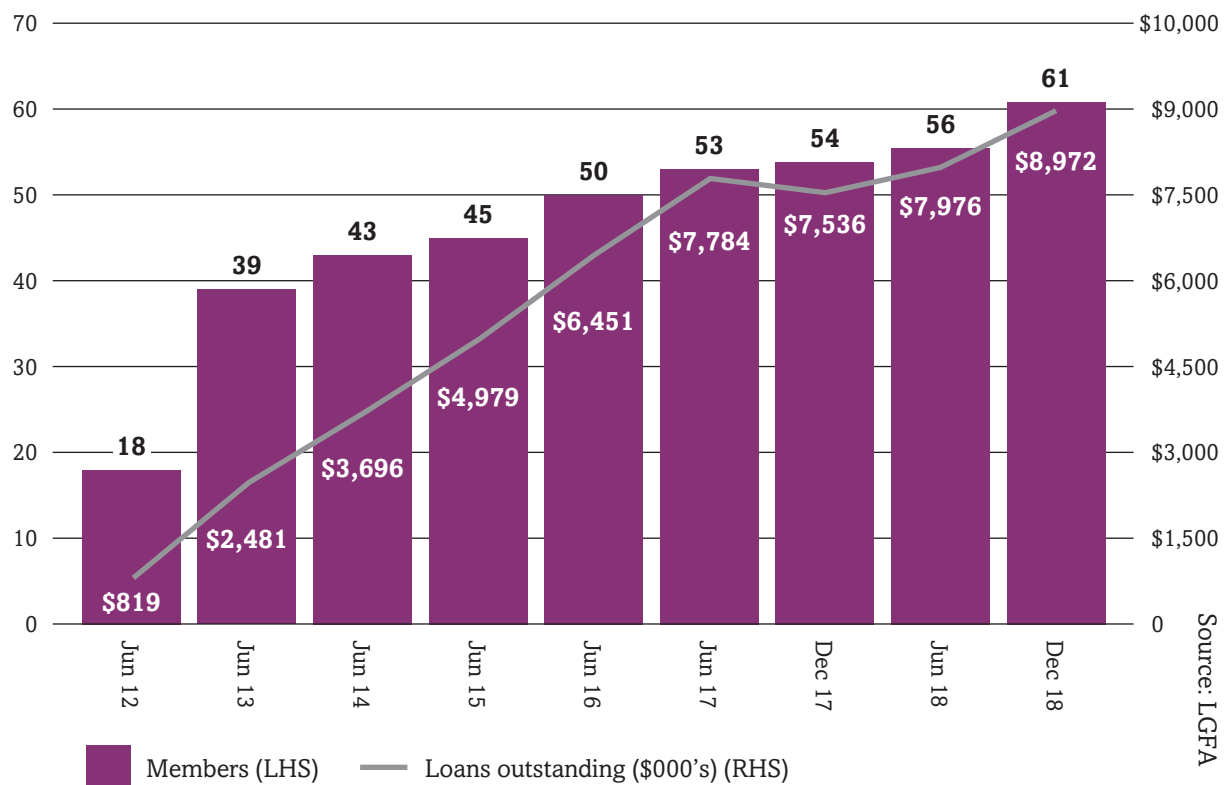
The impact from the current low interest rate environment is that LGFA has a lower cost of funds. While council borrowers benefit from lower borrowing costs, the dividend payment calculated on the above guidance is lower than it would otherwise be in an environment of higher interest rates.

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

Five councils joined LGFA in the six-month period to December 2018, bringing the total number of council members to 61. Ruapehu District and Waikato Regional Council joined as guarantors and Wairoa, Clutha and Mackenzie District Councils joined as non-guarantor borrowers. Gore District Council moved from being a non-guarantor to a guarantor in September 2018.

Councils have strongly supported LGFA by joining as members and borrowing from LGFA. As at 31 December 2018, 58 of the 61 participating councils have borrowed from LGFA.

LGFA council members and nominal loans outstanding



The following chart shows LGFA's share of new local government long-term debt issuance and is derived from survey data provided by PwC. While the latest PwC report is yet to be finalised, our provisional share of long-term borrowing by the sector including non-members of LGFA was 80.2% for the 12-month period to 31 December 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 its 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 31 December 2018 was 89.0%.

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 six-month period to 31 December 2018 were \$3.698 million which is \$130k below SOI forecast.

This variance is the consequence of:

- Issuance and on-lending costs (excluding AIL) at \$1.161 million were \$15k below budget. There were lower fees than budgeted relating to the NZDMO facility offset by higher NZX costs and legal costs than forecast. The larger amount of bond issuance and short-term lending has increased legal costs compared to budget.
- Operating costs at \$1.644 million were \$26k above budget due to timing of personnel and travel costs. There were also additional legal costs relating to considering whether LGFA should lend to Council Controlled Organisations and to also test financial covenant compliance of councils at the group or parent level.
- Approved Issuer Levy payments of \$893k were less than our forecast of \$1.035 million by \$141k due to lower levels of LGFA bonds holdings by offshore investors relative to budget.

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

LGFA has a Health and Safety Staff Committee and reporting on health and safety issues are made to the LGFA Board on a regular basis by the Risk and Compliance Manager. There were no health and safety incidents during the six-month period to 31 December 2018.

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 each year. Meetings were held in 2018 with both agencies and S&P affirmed the long-term rating of LGFA at AA+ (stable outlook)

on 12 July 2018 and Fitch affirmed the rating at AA+ (stable outlook) on 19 November 2018.¹

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's sovereign credit rating. Fitch has defined LGFA as a credit linked Public Sector Entity and our credit rating is explicitly linked to the New Zealand Sovereign credit rating.

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

LGFA's financial results for key items set out in Section 4 of the SOI for the six-month period to 31 December 2018 are:

In \$ million	31 December 2018 Actual	31 December 2018 SOI Forecast
Net interest revenue	9.77	9.60
Issuance and operating expenses excluding Approved Issuer Levy (AIL)	2.81	2.79
Approved Issuer Levy (AIL)	0.89	1.04
Net Operating Gain	6.08	5.77

LGFA net operating gain exceeded forecast as net interest revenue was greater than forecast and expenses below forecast.

1. Subsequent to 31 December 2018. On 31 January 2019, S&P placed the issuer credit ratings of LGFA on positive outlook. The LGFA Foreign Currency credit rating of AA/A-1+ and Local Currency rating of AA+/A-1+ were affirmed by S&P and are now both on positive outlook.

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

As at 31 December 2018, LGFA is on track to meet three out of its four performance targets for the 12-month period to 30 June 2019

2018-19 performance targets	Target	Result for six-month period to 31 December 2018	Outcome
Average margin above LGFA's cost of funds charged to the highest rated Participating Local Authorities for the period	$\leq 0.10\%$	0.095%	✓ On track to be met
Annualised annual issuance and operating expenses (excluding AIL)	$\leq \$5.67$ million	\$2.81 million	✓ On track to be met
Lending to Participating Local Authorities	$\geq \$8.105$ billion (full year target)	\$9.268 billion as at December 2018	✓ On track to be met noting that \$1.195 billion of loans due to be repaid in March 2019
Savings on borrowing costs for council borrowers relative to other sources of financing and compared to previous years	Improvement since prior year end relative to borrowing by councils directly. As at June 2018: 2019s 11 bps, 2021s 19 bps and 2025s 10 bps	As at December 2018: 2019s 2 bps, 2021s 17 bps and 2025s 15 bps	✗ Not met due to lack of single name issuance by councils and shortening of comparable maturity dates. This reduced supply has tightened comparable spreads for Auckland Council and Dunedin City Council bonds

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

LGFA was compliant with the Treasury Policy during the six-month period ending 31 December 2018.

Financial statements

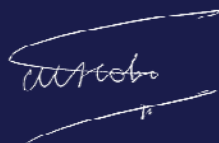
Taukī pūtea

In the opinion of the directors of the New Zealand Local Government Funding Agency Limited, the financial statements and notes on pages 21 to 37:

- Comply with New Zealand generally accepted accounting practice and give a true and fair view of the financial position of the Company as at 31 December 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
Chair, LGFA Board
27 February 2019



Linda Robertson, Director
Chair, LGFA Audit and Risk Committee
27 February 2019

Statement of comprehensive income

For the six months ended 31 December 2018 in \$000s

	Note	Unaudited six months ended 31 December 2018	Unaudited six months ended 31 December 2017
Interest income			
Cash and cash equivalents		226	291
Loans to local government		124,053	118,416
Marketable securities		1,229	1,434
Deposits		2,251	2,424
Derivatives		53,131	55,580
Fair value hedge ineffectiveness	2	-	-
Total interest income		180,890	178,145
Interest expense			
Bills		4,610	3,671
Bonds		164,513	163,057
Borrower notes		1,769	1,699
Bond repurchase transactions		225	100
Total interest expense		171,117	168,527
Net interest income		9,773	9,618
Operating expenses			
Issuance and on-lending expenses	3	2,054	2,107
Operating expenses	4	1,644	1,475
Total expenses		3,698	3,582
Net operating profit		6,075	6,036
Total comprehensive income		6,075	6,036

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

Statement of changes in equity

For the six months ended 31 December 2018 (unaudited) in \$000s

	Note	Share capital	Retained earnings	Total equity
Equity as at 30 June 2018		25,000	39,290	64,290
Adjustment on adoption of NZ IFRS 9	1c		(35)	
Equity as at 1 July 2018		25,000	39,255	64,255
Net operating profit			6,075	6,075
Total comprehensive income for the year			6,075	6,075
Transactions with owners			-	-
Dividend paid on 7 September 2018			(1,285)	(1,285)
Equity as at 31 December 2018	12	25,000	44,045	69,045

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

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

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

Statement of financial position

As at 31 December 2018 in \$000s

	Note	Unaudited as at 31 December 2018	Audited as at 30 June 2018
Assets			
Financial assets			
Cash and bank balances		22,393	50,280
Marketable securities		69,284	231,420
Deposits		70,482	201,114
Borrower note receivable	13	144	-
Loans to local government	5	9,325,431	7,975,728
Derivatives in gain		412,759	375,371
Non-financial assets			
Prepayments		869	561
Other assets	10	533	609
Total assets		9,901,895	8,835,084
Equity			
Share capital		25,000	25,000
Retained earnings		37,970	39,290
Total comprehensive income for the period		6,075	
Total equity		69,045	64,290
Liabilities			
Financial liabilities			
Payables and provisions		260	444
Bills	6	482,875	473,421
Bond repurchases	9	5,660	6,183
Loans to local government not yet advanced	13	9,000	-
Bonds	7	9,158,425	8,101,004
Borrower notes	8	153,821	135,108
Derivatives in loss		22,633	54,286
Non-financial liabilities			
Accrued expenses		176	348
Total liabilities		9,832,850	8,770,794
Total equity and liabilities		9,901,895	8,835,084

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

Statement of cash flows

For the six months ended 31 December 2018 in \$000s

	Note	Unaudited six months ended 31 December 2018	Unaudited six months ended 31 December 2017
Cash flow from operating activities			
Cash applied to loans to local government	14	(1,338,445)	247,203
Interest paid on bonds issued		(180,956)	(188,895)
Interest paid on bills issued		(4,610)	(3,671)
Interest paid on bond repurchases		(226)	(102)
Interest paid on borrower notes		-	(2,621)
Interest received from loans to local government		121,772	119,534
Interest received from cash and cash equivalents		226	291
Interest received from marketable securities		1,627	1,567
Interest received from deposits		2,884	3,413
Net interest on derivatives		73,024	80,406
Payments to suppliers and employees		(4,299)	(4,274)
Net cash flow from operating activities	11	(1,329,003)	252,851
Cashflow from investing activities			
Change in marketable securities		161,738	91,195
Change in deposits		130,000	30,000
Change in plant and equipment		-	76
Net cashflow from investing activities		291,738	121,271
Cashflow from financing activities			
Cash proceeds from bonds issued	14	994,187	(382,465)
Cash proceeds from bills issued		9,455	20,422
Cash proceeds from bond repurchases		(523)	(11,957)
Cash proceeds from borrower notes		16,800	(5,770)
Dividends paid		(1,285)	(1,390)
Cash applied to derivatives		(9,256)	(13,403)
Net cashflow from financing activities		1,009,378	(394,563)
Net (decrease) / increase in cash		(27,887)	(20,441)
Cash, cash equivalents and bank overdraft at beginning of year		50,280	49,919
Cash, cash equivalents and bank overdraft at end of year		22,393	29,478

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

1 Statement of accounting policies

a. Reporting entity

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

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

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

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

These interim financial statements were authorised for issue by the Directors on 27 February 2019.

b. Statement of compliance

These interim financial statements are for the six-months ended 31 December 2018 and are to be read in conjunction with the annual report for the year ended 30 June 2018. They have been prepared in accordance with New Zealand Generally Accepted Accounting Practice (NZ GAAP) and they comply with NZ IAS 34 Interim Financial Reporting. The financial results for the six-month period ended 31 December 2018 are unaudited.

c. Basis of preparation

Accounting judgments, estimates and assumptions

The judgements, estimates and assumptions used to prepare these interim financial statements are consistent with those used at 30 June 2018.

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

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

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

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

Hedge accounting

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

Impairment

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

LGFA has not previously incurred any credit losses under the incurred loss impairment model (NZ IAS 39) and the introduction of the expected credit loss model (NZ IFRS 9) has not had a material impact on the measurement of LGFA's financial assets. Accordingly, the cumulative impact of the change has been adjusted through opening retained earnings in the statement of changes in equity. There has been no restatement of comparative financial information or the opening balance sheet as at 1 July 2018.

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

Methodology to determine expected credit losses

As at 31 December 2018, LGFA deemed that there had been no significant increase in credit risk

since initial recognition for any financial asset and calculated the loss allowance for these instruments at an amount equal to 12-month expected credit losses, using the estimated probability of default multiplied by the estimated recovery rate.

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

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

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

Early adoption standards and interpretations

LGFA has not early adopted any standards.

Standards not yet adopted

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

Change in presentation. Statement of financial position

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

d. Financial instruments

Financial assets

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

Cash and cash equivalents include cash on hand; cash in transit, bank accounts and deposits with an

original maturity of no more than three months.

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

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

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

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

Financial liabilities

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

Derivatives

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

Fair value hedge

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

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

e. Other assets

Property, plant and equipment (PPE)

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

Depreciation is charged on a straight-line basis at rates calculated to allocate the cost or valuation of

an item of property, plant and equipment, less any estimated residual value, over its remaining useful life.

Intangible Assets

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

f. Other liabilities

Employee entitlements

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

g. Revenue and expenses

Revenue

Interest income

Interest income is accrued using the effective interest rate method.

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

Expenses

Expenses are recognised in the period to which they relate.

Interest expense

Interest expense is accrued using the effective interest rate method.

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

Income tax

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

Goods and services tax

All items in the financial statements are presented exclusive of goods and service tax (GST), except for receivables and payables, which are presented on a

GST-inclusive basis. Where GST is not recoverable as input tax, then it is recognised as part of the related asset or expense.

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

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

Commitments and contingencies are disclosed exclusive of GST.

h. Lease payments

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

i. Segment reporting

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

j. Judgements and estimations

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

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

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

2 Hedge accounting

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

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

in \$000s	Gain/(loss) unaudited six months ended 31 December 2018	Gain/(loss) unaudited six months ended 31 December 2017
Hedging instruments – interest rate swaps	301,917	202,007
Hedged items attributable to the hedged risk – fixed rate bonds / loans	(301,917)	(202,007)
Ineffectiveness recognised in profit or loss from fair value hedges	-	-

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

3 Issuance and on-lending expenses

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

in \$000s	Unaudited six months ended 31 December 2018	Unaudited six months ended 31 December 2017
NZDMO facility fee	303	375
NZX	200	164
Rating agency fees	297	282
Legal fees for issuance	164	93
Regulatory, registry, other fees	68	45
Trustee fees	50	50
Approved issuer levy ¹	893	1,019
Information Services	79	79
	2,054	2,107

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'.

in \$000s	Unaudited six months ended 31 December 2018	Unaudited six months ended 31 December 2017
Consultants ¹	105	68
Directors' fees	189	189
Insurance	31	30
Legal fees	35	53
Other expenses	390	364
Auditors' remuneration		
Statutory audit	48	44
Advisory services	-	-
Personnel	846	727
	1,644	1,475

1. Consultants includes \$66 for Treasury Systems Consultant (\$63, December 2017). Previously, this cost was reported within Other expenses (with associated treasury systems costs).

5 Loans to local government

in \$000s	Unaudited as at 31 December 2018		Audited as at 30 June 2018	
	Short-term loans	Loans	Short-term loans	Loans
Ashburton District Council	25,041	27,541	5,015	25,603
Auckland Council	-	2,099,757	-	2,101,357
Bay of Plenty Regional Council	140,719		-	-
Buller District Council	-	20,013	-	20,014
Canterbury Regional Council	3,004	30,103	-	30,103
Central Hawkes Bay District Council	-	2,027	-	2,027
Christchurch City Council	85,264	1,872,128	85,273	1,573,566
Far North District Council	20,015	40,157	-	40,130
Gisborne District Council	-	47,827	-	37,275
Gore District Council	6,014	11,063	6,014	11,064
Greater Wellington Regional Council	-	376,454	-	306,302
Grey District Council	-	20,393	-	20,446
Hamilton City Council	-	401,787	-	366,483
Hastings District Council	1,980	121,992	1,957	75,280
Hauraki District Council	-	49,215	-	38,156
Horizons Regional Council	-	28,095	-	20,035
Horowhenua District Council	15,022	94,879	6,008	72,868
Hurunui District Council	-	32,133	-	23,098
Hutt City Council	10,987	176,930	4,996	152,802
Kaipara District Council	5,970	44,185	4,925	40,174
Kapiti Coast District Council	2,491	220,816	-	205,754
Manawatu District Council	-	68,212	-	61,180
Marlborough District Council	27,138	73,301	17,297	63,237
Masterton District Council	-	60,257	-	52,234
Matamata-Piako District Council	2,518	27,603	-	27,599
Nelson City Council	-	70,268	-	60,239
New Plymouth District Council	-	106,534	-	74,324
Northland Regional Council	-	8,698	-	8,634
Opotiki District Council	-	5,148	-	5,163
Otorohanga District Council	-	6,104	-	6,120
Palmerston North City Council	10,028	112,403	10,028	82,317
Porirua City Council	-	61,782	-	61,754
Queenstown Lakes District Council	10,081	85,890	10,096	75,954

in \$000s	Unaudited as at 31 December 2018		Audited as at 30 June 2018	
	Short-term loans	Loans	Short-term loans	Loans
Rotorua District Council	2,812	180,355	-	150,266
Ruapehu District Council	3,027	9,041	-	-
Selwyn District Council	5,040	25,075	-	15,021
South Taranaki District Council	-	82,382	-	62,278
South Wairarapa District Council	2,001	17,631	-	17,629
Stratford District Council	-	14,572	-	4,513
Tararua District Council	2,014	17,084	2,011	15,064
Tasman District Council	25,105	151,104	10,007	109,006
Taupo District Council	-	145,520	-	125,430
Tauranga City Council	9,965	442,532	-	362,308
Thames-Coromandel District Council	15,086	45,170	-	45,175
Timaru District Council	17,573	67,343	12,524	67,331
Upper Hutt City Council	4,989	38,172	4,976	31,638
Waikato District Council	-	90,430	-	80,382
Waikato Regional Council	-	22,100	-	-
Waimakariri District Council	10,012	135,898	20,024	105,818
Waipa District Council	34,207	13,015	-	13,016
Wairoa District Council	1,506	3,519	-	-
Waitomo District Council	10,057	30,111	10,066	25,086
Wellington City Council	-	465,913	-	395,384
Western Bay Of Plenty District Council	-	115,522	-	105,426
Westland District Council	-	17,383	2,998	14,361
Whakatane District Council	4,008	53,237	6,011	48,220
Whanganui District Council	-	82,434	5,005	73,367
Whangarei District Council	9,972	132,543	9,971	132,516
	523,647	8,801,784	235,202	7,740,526
		9,325,431		7,975,728

6 Bills on issue

Unaudited as at 31 December 2018 in \$000's	Face value	Unamortised premium	Accrued interest	Total
9 January 2019	50,000	-	(22)	49,978
29 January 2019	25,000	-	(37)	24,963
1 February 2019	40,000	-	(67)	39,933
5 February 2019	25,000	-	(47)	24,953
13 February 2019	50,000	-	(116)	49,884
22 February 2019	25,000	-	(72)	24,928
13 March 2019	50,000	-	(191)	49,809
20 March 2019	75,000	-	(321)	74,679
10 April 2019	25,000	-	(132)	24,868
13 May 2019	20,000	-	(149)	19,851
15 May 2019	25,000	-	(190)	24,810
12 June 2019	25,000	-	(231)	24,769
10 July 2019	25,000	-	(270)	24,730
17 July 2019	25,000	-	(280)	24,720
	485,000	-	(2,124)	482,875

Audited as at 30 June 2018 in \$000's	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

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.

Unaudited as at 31 December 2018 in \$000's	Face value	Unamortised premium	Accrued interest	Fair value hedge adjustment	Total
15 March 2019	1,240,000	2,579	18,497		
15 April 2020	980,000	(4,299)	6,300		
15 May 2021	1,450,000	50,874	11,296		
14 April 2022	540,000	2,219	3,223		
15 April 2023	1,429,000	60,662	16,842		
15 April 2025	1,229,000	(45,638)	7,242		
15 April 2027	1,236,000	49,043	11,919		
14 April 2033	600,000	(42,810)	4,558		
Total	8,704,000	72,632	79,876	301,917	9,158,425

Audited as at 30 June 2018 in \$000's	Face value	Unamortised premium	Accrued interest	Fair value hedge adjustment	Total
15 March 2019	1,240,000	8,990	18,196		
15 April 2020	980,000	(5,904)	6,185		
15 May 2021	1,420,000	57,960	10,882		
14 April 2022	270,000	(223)	1,582		
15 April 2023	1,429,000	67,183	16,535		
15 April 2025	969,000	(44,090)	5,606		
15 April 2027	1,056,000	35,890	9,997		
14 April 2033	355,000	(31,672)	2,648		
Total	7,719,000	88,134	71,631	222,239	8,101,004

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.

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.

Bond repurchase transactions:

Maturity date		Unaudited as at 31 December 2018	Audited as at 30 June 2018
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	5,660	-
15 April 2025	2.75% coupon	-	-
15 April 2027	4.5% coupon	-	1,072
14 April 2033	3.5% coupon	-	-
		5,660	6,183

10 Other assets

	Unaudited as at 31 December 2018	Audited as at 30 June 2018
Intangible assets ¹	533	609
Total	533	609

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

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

in \$000s	Unaudited six months ended 31 December 2018	Unaudited six months ended 31 December 2017
Net profit/(loss) for the period	6,075	6,036
Cash applied to loans to local government	(1,338,445)	247,203
Non-cash adjustments		
Amortisation and depreciation	4,043	304
Working capital movements		
Net change in trade debtors and receivables	(196)	(207)
Net change in prepayments	(308)	(343)
Net change in accruals	(172)	(142)
Net Cash From operating activities	(1,329,003)	252,851

12 Share Capital

As at 31 December 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

	31 December 2018		30 June 2018	
New Zealand Government	5,000,000	11.1%	5,000,000	11.1%
Auckland Council	3,731,960	8.3%	3,731,960	8.3%
Christchurch City Council	3,731,960	8.3%	3,731,960	8.3%
Hamilton City Council	3,731,960	8.3%	3,731,960	8.3%
Bay of Plenty Regional Council	3,731,958	8.3%	3,731,958	8.3%
Greater Wellington Regional Council	3,731,958	8.3%	3,731,958	8.3%
Tasman District Council	3,731,958	8.3%	3,731,958	8.3%
Tauranga City Council	3,731,958	8.3%	3,731,958	8.3%
Wellington City Council	3,731,958	8.3%	3,731,958	8.3%
Western Bay of Plenty District Council	3,731,958	8.3%	3,731,958	8.3%
Whangarei District Council	1,492,784	3.3%	1,492,784	3.3%
Hastings District Council	746,392	1.7%	746,392	1.7%
Marlborough District Council	400,000	0.9%	400,000	0.9%
Selwyn District Council	373,196	0.8%	373,196	0.8%
Gisborne District Council	200,000	0.4%	200,000	0.4%
Hauraki District Council	200,000	0.4%	200,000	0.4%
Horowhenua District Council	200,000	0.4%	200,000	0.4%
Hutt City Council	200,000	0.4%	200,000	0.4%
Kapiti Coast District Council	200,000	0.4%	200,000	0.4%
Manawatu District Council	200,000	0.4%	200,000	0.4%
Masterton District Council	200,000	0.4%	200,000	0.4%
New Plymouth District Council	200,000	0.4%	200,000	0.4%
Otorohanga District Council	200,000	0.4%	200,000	0.4%
Palmerston North District Council	200,000	0.4%	200,000	0.4%
South Taranaki District Council	200,000	0.4%	200,000	0.4%
Taupo District Council	200,000	0.4%	200,000	0.4%
Thames-Coromandel District Council	200,000	0.4%	200,000	0.4%
Waimakariri District Council	200,000	0.4%	200,000	0.4%
Waipa District Council	200,000	0.4%	200,000	0.4%
Whakatane District Council	200,000	0.4%	200,000	0.4%
Whanganui District Council	200,000	0.4%	200,000	0.4%
	45,000,000	100%	45,000,000	100%

13 Loans to local government not yet advanced

As at 31 December 2018, loans to local government totaling \$9 million, and associated borrower notes for \$0.144 million, had been contractually agreed for forward settlement in March 2019

14 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.

15 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.

16 Subsequent events

Subsequent to balance date:

LGFA has issued \$190 million in bonds through a tender on 12 February 2019.

On 31 January 2019, Standard and Poor's (S&P) placed the New Zealand Government issuer credit rating on Positive Outlook. The ratings outlook

change applied to the Foreign Currency credit rating of "AA/A-1+" and Local Currency credit rating of "AA+/A-1+".

Following the change to the New Zealand Government outlook, S&P placed the issuer credit ratings of LGFA on positive outlook. The LGFA Foreign Currency credit rating of "AA/A-1+" and Local Currency rating of "AA+/A-1+" have been affirmed by S&P and are now both on positive outlook.

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:

- a. 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;
- b. 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
- c. the nature of LGFA's business and operations do not materially change from its business and operations as at the date of the waiver decision.

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

Waiver from Rule 6.3.2

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

Net Tangible Assets

Net tangible assets per \$1,000 of listed bonds as at 31 December 2018 is \$7.58 (30 June 2018: \$7.92).

Directory

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

4.7 Operational Report – Finance and Corporate – March 2019

Meeting: Finance and Corporate Committee
Date of meeting: 28 March 2019
Reporting officer: Alan Adcock (General Manager – Corporate/CFO)

1 Purpose

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

2 Recommendation

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

3 Background

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

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

4 Significance and engagement

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

5 Attachments

Operational Report – Finance and Corporate – March 2019

Operational Report – Finance and Corporate – March 2019

Information Communications Technology (ICT)

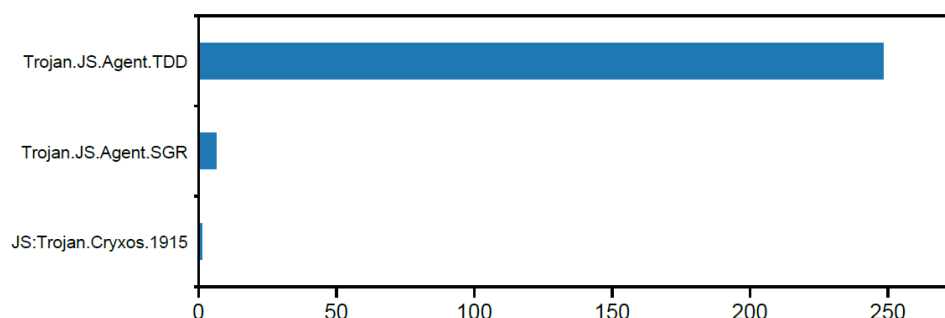
ICT Teams are supporting the organisation with business as usual (BAU) requests. Project work is not without challenges but overall progressing well.

ICT Operations

The overall service levels for the month of February were on target at 95.52%. The Senior Systems Engineer has gradually eased back into work starting with three days per week and if his recovery remains on track he'll be able to resume full duties by the end of March. One of our Application Systems Analysts has taken leave for three weeks and as we only have two Analysts in the team to support our business applications, we requested assistance from Business Improvement to assist us during this time.

Operational activities include:

- Review of ICT licence and support costs – new licence model implemented for Objective as Trapeze will be used by more staff. Negotiating an appropriate Support agreement for PSI Capture (used for scanning – Digitisation).
- Cyber training – 73.92% of staff have completed the training. The total number included staff that have left the organisation since the July 2018. The number of staff clicking on suspicious links has declined, decreasing from 21.77% (before training) to 3.45% in February.
- Password reset protocol change – has been communicated and implemented.
- IT Hardware Audit – in progress with the assistance of the Business Support cadet.
- Currently planning:
 1. the next round of Windows feature upgrades for all desktop devices to be deployed in April/May
 2. the upgrade of anti-virus on all our servers
 3. upgrading of our firewalls as well as updating the management software.
- Number of viruses blocked by our main firewall only - February



Virus Name	Allowed Hits	Denied Hits	Hits (%)
Trojan.JS.Agent.TDD	0	248	97.25
Trojan.JS.Agent.SGR	0	6	2.35
JS:Trojan.Cryxos.1915	0	1	0.39
Total: 3	0	255	

- Viruses cleaned off desktop devices - February

Action	Count of occurrence	User Computer name
Blocked warning	1	
Blocked warning	4	
Cleaned by deleting	41	
Connection terminated	9	
Deleted warning	7	
Total	62	

- Application and Desktop support – business as usual.
- Operational projects including ICT Project Manager:
 - Remediating critical Disaster Recovery (DR) recommendations – in progress with vendor.
 - Service Desk – Project awaiting prioritisation by the ICT Strategic Governance Committee.

Network improvements for the Water Services networks – Investigation is underway into options to improve network services, including expansion where possible. Four core pieces left:

- Ahuroa storm/flooding resiliency – awaiting investigation by vendor
- Ahuroa coverage improvements – quote with Water Department
- Poroti coverage improvements – quote with Water Department
- Ruakaka network performance and coverage improvements – vendor investigating wireless options and providing VDSL costs.

SCADA changes for Water Services – Water Department is now investigating improvement options and undertaking an as-built process. Meeting with Water Department and vendor scheduled this week to consider requirements and options.

Library updates – Database refresh completed. Upgrade work now with vendor.

ICT DR Exercise – Second annual exercise scheduled to begin in August due timing conflicts with IL Archive changes, and Finance and Revenue commitments.

Device as a Service (DaaS) – Business Case being developed.

Telephony Upgrade – NRC has now been running 3CX (telephony software) for around three months. Issues have been presented to the provider. Awaiting result of remediation.

ICT Projects

In general, the Trilogy Phase 2 projects are progressing well although two of them needed some rework in terms of Business Analysis. Several initiatives have been requested of the ICT and Business Improvement departments by the rest of the business, therefore a prioritisation tool is being worked on by the ICT, Business Improvement and Information Management teams so that every initiative can be validated and prioritised before work can be commenced.

- **Upgrade of Technology One Ci to CiAnywhere** – next software upgrade for Core Council system.
 - Configuration complete for Property and Rating, but with some exceptions. Systems Analysts testing has commenced and plenty of issues have been identified.

- For Finance and Human Resource early go live modules - Organisation Management successfully went live in February and no issues have been reported since. We are on track for Accounts Receivables Debtors go-live in March and Contracts go-live in April), configuration, testing and preparation of training materials is in progress.
- **Corporate Performance Management** – Post the decision to revalidate requirements and redefine scope, the project has been handed back to the Business Improvement department for thorough analysis and requirements gathering phase which has commenced.
 - Next steps – Complete requirements gathering from primary business users and secure sign-off from Project sponsor and Steering Committee
- **Website Platform Redevelopment (Digital Platform)** – Review and re-development of our existing WDC websites.
 - RFP process for the delivery phase of the project is continued to be developed. An external consultant has been engaged to provide an independent and unbiased analysis of work done to date and to assist until we reach RFP phase.
- **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).
 - Project manager engaged with key vendors (TechOne and Eagle) and internal Council teams now formed. Project relaunch has been completed, and re-planning for delivery commenced. Preliminary requirements validation workshops completed. GIS Integration design is underway. Design and Strawman workshops have been locked in.
- **Digitisation of Property Files** – Execution Phase
 - Back scanning of files is 94% complete. Statistics are now being collated showing exactly how many digital applications might be received – which will then assist with the best decision regarding the central scanning bureau.

Finance

2018-19 Annual Report

Planning for the 2018-19 Annual Report continues to progress both internally and through continued communication with Audit NZ.

Audit NZ have provided a draft audit plan which includes:

- The main issues Audit NZ expect to deal with during the audit
- the logistics and timing of the audit
- audit process, and
- reporting protocols.

Interim audit is planned for the two weeks beginning 29 April 2019, with the final audit scheduled to begin on 26 August 2019.

As in previous years, the final audit opinion will be issued on 26 September to allow for the adoption of the 2018-19 Annual Report at the September Council meeting.

2019-20 Annual Plan

While the Draft Annual Plan is out for consultation, Finance will compare operational budgets with the March full year forecast to identify any anomalies.

Tax Workshops

A number of workshops were held in February with our external tax advisors PwC. Workshops included payday filing, grants and donations, and property transactions. The workshops were well attended by staff and provided a strong platform to increase awareness of our tax obligations and intricacies.

Finance Team initiatives

Several initiatives were identified during the Finance team direction setting undertaken in the second half of last year. With the recent appointments of vacant roles within Finance, we are now able to proceed with some of these projects. These initiatives have been formulated around:

- the future direction for the Finance Department
- creating efficiencies and reviewing our current processes
- building strong relationships throughout Council
- education and empowerment of budget managers
- taking a proactive approach to adding value and providing support to other departments.

Revenue

Land Rates

Objections closed on 15 February and 962 objections have been received. Work is progressing to get as many of these resolved as possible before the 2019/20 rates are set.

Opteon discussed the general revaluation at the Te Karearea forum. The Office of the Valuer General visited Council to agree the next steps and provide feedback on the general revaluation.

There were 180 sales in February and sales are tracking at 99% of last year's activity.

Water Rates

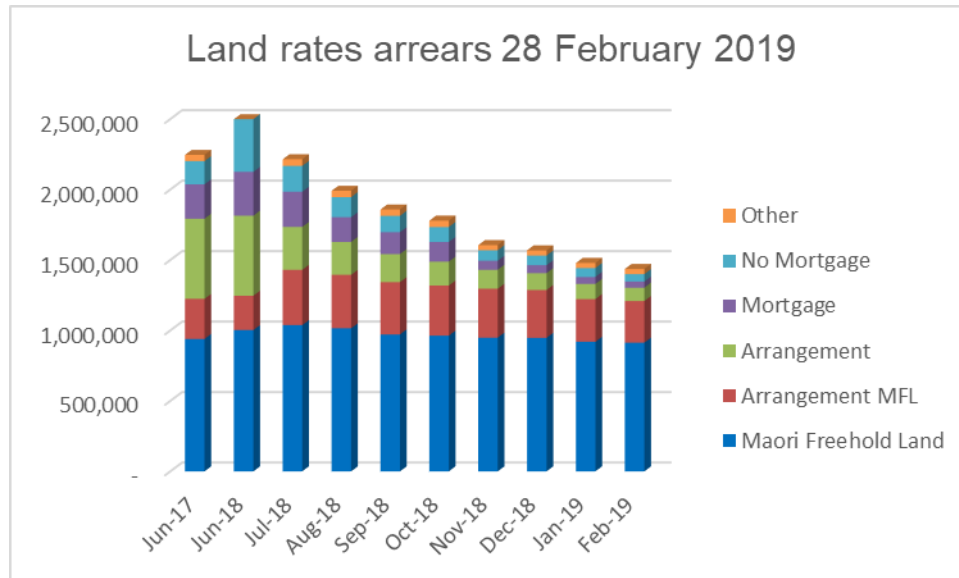
Water rates revenue in February is summarised below

Water Rates Summary - February 2019							
	Consumption	Supply Charge	Backflow	Special Reading Fee	Penalties	Excess Water Remission	Arrears
Amount(\$)	1,094,761	58,476	8,121	4,744	4,565	- 9,542	288,125
Transactions (Number)	4,138	4,066	231	90	341	23	1,496
Average (\$)	264.56					- 414.87	

Collection and Recovery

Land rate arrears at 28 February 2019 are:

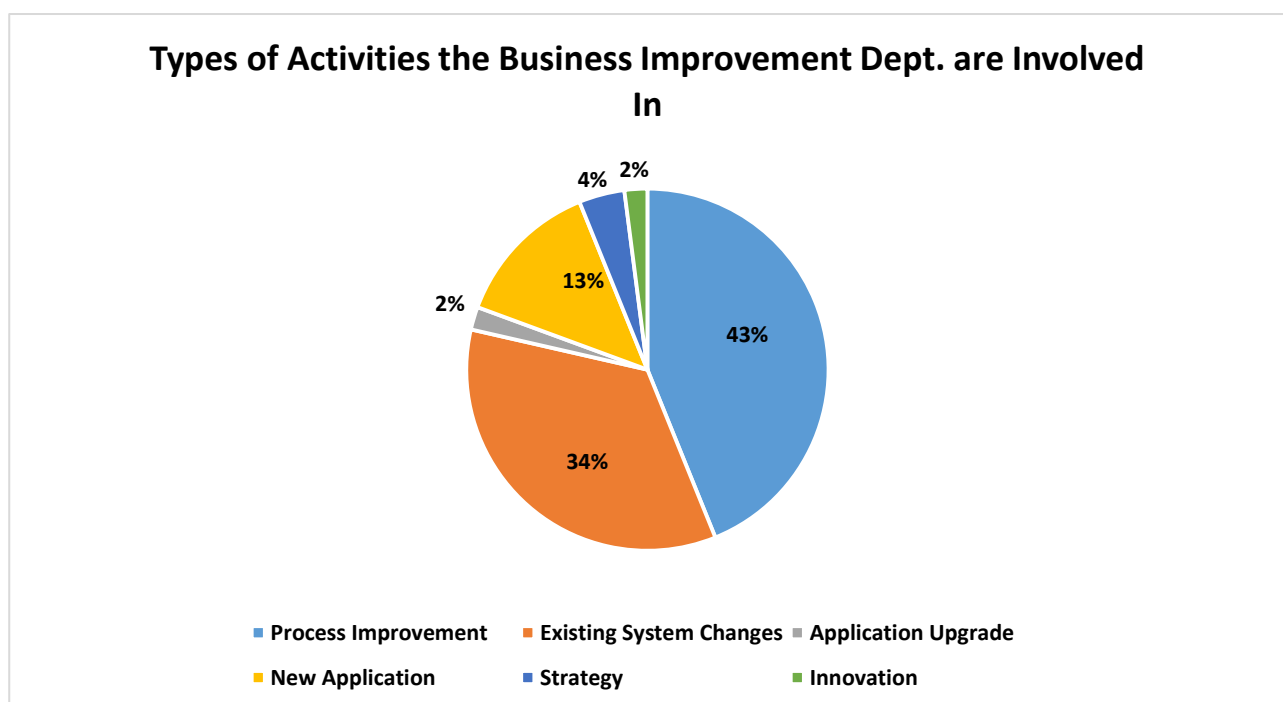
- \$1,437,000 (January \$1,479,000)
- Māori Freehold Land comprises \$1,209,000 (January \$1,222,000) of arrears.



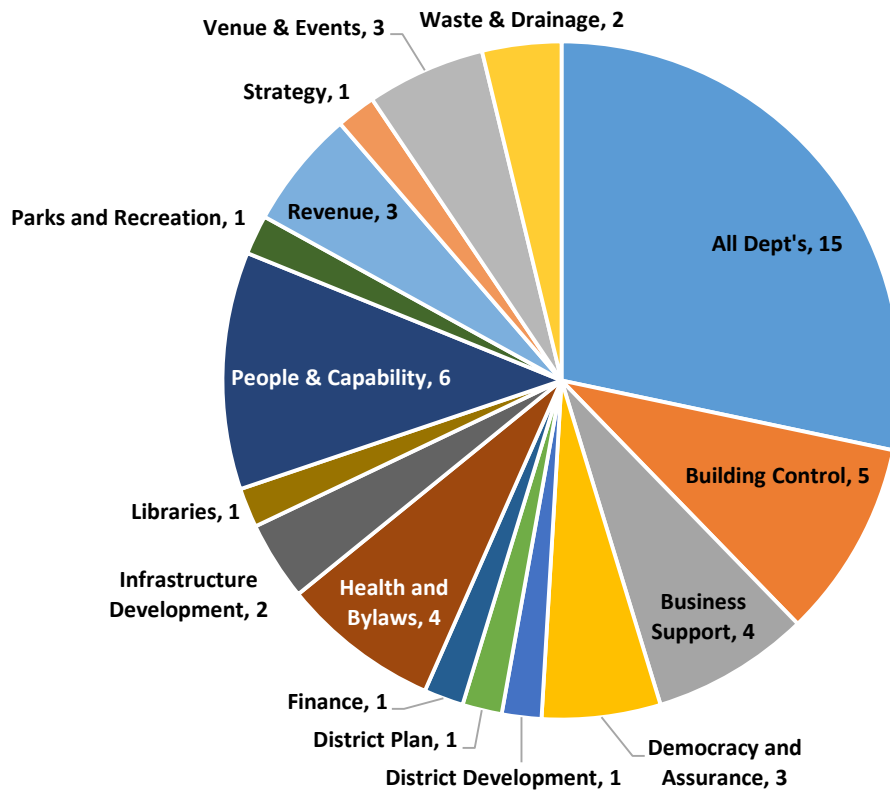
Water rates arrears are \$288,000 (1,496 debtors), with \$144,000 (792 debtors) being 90 days or more, 21 of these owing more than \$1,000.

Business Improvement

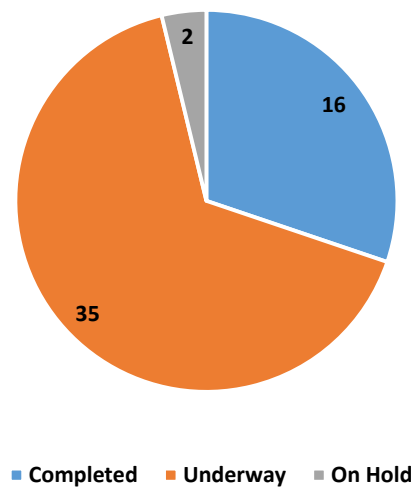
The Business Improvement Department is heavily involved in a number of ICT Strategic Projects as well as a number of high priority business initiatives. A breakdown of these is included below:



Count of Initiatives/Improvements Underway or Completed by Dept.



Activity Status



Below is a breakdown of the progress of the projects we are responsible for in the LTP:

Project Management Initiative

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

Timeframe – to be delivered in the next 24 months

Progress Made:

- The Project Management Centre of Excellence Concept paper is completed.

Next Steps:

- Operational Leadership Team (OLT) to review documentation. This will be preceded by a workshop with the OLT. Following final review, the project will commence.

Continuous Improvement Idea Project (formerly Innovation Funnel Initiative)

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

Timeframe – to be delivered in the next 24 months

Progress Made:

- Concept paper is complete.

Next Steps:

- Operational Leadership Team (OLT) to review documentation. This will be preceded by a workshop with the OLT. Following final review, the project will commence.

Business Support

Information Management

Kete Review Work

All initial workshops for the Kete review project have been completed with some very good understanding coming through on the way people are using our electronic content management environment.

The next steps will be to go through each workspace and work directly with users of these to identify training issues, minor changes to improve use and where necessary initiate larger pieces of work where there are obvious gaps between the business process and the functionality. The larger pieces of work will have requirements gathered by the Business Improvement Department.

Records and Information Plan 2019 – 2020

The Records and Information Plan is currently being reviewed by the Information and Data Governance group with the intention to have this signed off by the end of March.

The plan includes the following key themes to improve our information management environment:

- Retention and disposal of physical and digital records
- Building capacity and ownership across the organisation for improved information management practice
- Management of vital and protected records improvements
- Information asset register development
- Minimising risk to our information throughout its lifecycle
- Preservation of information for the future.

NIMP (Northland Information Management Professionals)

NIMP is the group established to bring together information management staff across all four Councils in Northland. We meet quarterly to work together, share knowledge and skills.

The group is currently working with a business analyst from Business Improvement to work through the information management challenges that have been presented by the Northland Transport Alliance (NTA) structure. At the heart of the challenge is the NTA is not an entity and therefore records must be managed within the individual Council recordkeeping systems.

Work will continue with this over the coming months with Whangarei leading the discussion and workshops.

Procurement

This month has seen the start of the Electricity Supply procurement process, with the Procurement Plan being approved by Council and the Request for Proposal document currently being drafted. We have several other smaller related projects working alongside this project, so energy has been an important focus in February.

Other major work streams have included:

- The supply of books for the Library
- Section 17A Review – Regulatory Services
- Forum North smoke detection system – Venues & Events WHANGAREI
- Pensioner Housing Management – Community Services
- Security and Related Services – Civic Property team

Following on from the recent publishing of the new Procurement Policy, work on updating several key templates has been completed to provide staff with the tools with which to facilitate projects in line with current policy. The following templates have now been published on Kete:

- Quote pack (for projects under \$250k)
- Conflict of Interest
- Procurement Plan

General procurement support and advice continues to be available across the business.

Property Assets

Civic Buildings

- Security Services Contract – Cash in Transit services handed over to new supplier and working through reporting mediums with them on various issues that have come to light now that another contractor is doing the work.
- Tikipunga Library – After numerous complaints from the public, the parking lot layout at the library will be changed to accommodate a more continuous flow of traffic that will make it safer to use for pedestrians and motorists. Works to be completed by the end of April 2019.
- Forum North lift upgrade – Work ongoing and projected to be completed by end of April 2019.
- Forum North roof leaks – roof repairs still underway but most now found and fixed. Ceiling in second floor women's toilet replaced and all works completed.
- Walton Plaza – Repaint of Walton Plaza by our landlord is 98% completed, only the main entrance arch touch ups now remain. Works completed on main entrance foyer by landlord.
- Town Basin – Vandalism has gone down with only three incidents this month to date, compared to six last month. Security Officers had to be deployed in pairs due to intimidation and safety concerns. Working with our Community Department to find a solution.
- As part of our normal maintenance schedule the front of Forum North will be re-painted within the next month. New signage will be added at the same time.

Vehicle Fleet

- A replacement Roding Department vehicle has been purchased after successful trials of different vehicles.
- The fleet replacement program, incorporating EV/hybrid vehicles, is being prepared.

Telecommunications

- Business as usual on the telecommunications front.

Communications

Digital Platform

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

Branding refresh

The Communications Team has continued to work with Big Fish to finalise the brand architecture of Council's stable of brands at a strategic level as well as finalising the brand book, brand guidelines and new publishing process.

Graphics and Communications

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

Large design projects included the Fritter Festival and Warriors Rugby League match.

Communications team members have also worked on planning for Election 2019.

Annual Plan

The entire Communications team have been involved in delivering the Annual Plan Communications Plan which involved writing content and designing the Consultation Document, Shipping Container wrap, Community meeting collateral, Council News articles, website content, Facebook posts and writing the script and coordinating production of the Annual Plan videos. Our shift to a digital campaign based on four videos telling the visual story of what is planned for 2019-2020 has been very successful in reaching our community. After one week, the video posts had already been viewed by 47,796 people and the videos had been played to the end 12,735 times.

Internal Communications

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

Mayoral communications

We researched and wrote speeches 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.

Media and public relations

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

- dry weather prompts water conservation warning
- Selwyn Ave car park fly dumping
- WAM chairman resigns
- dog park closing for drainage work
- moa bones found in Abbey Caves
- Maunu Cemetery open day
- sod-turning for Loop Road/State Highway 1 roundabout
- Don Hedges' house burns down
- recycling collection
- State Highway improvements
- camping ground numbers decline
- Pasifika Fusion Festival to be held on Hihiaua Peninsula
- tartan plaques to be installed in Waipu
- Bream Bay dune vandalism
- musty taste in Bream Bay water
- contract awarded for new water treatment plant
- children choose favourite design for Potter Park
- three Northland Councils and Iwi sign agreement
- Puriri Park Road Housing NZ proposal
- Hikurangi sewer upgrade
- Wilson's dam still 90% full

- freedom camping ambassador scheme
- objections deadline for valuations.
- Councils expected to add “flood-prone” to properties affected by rising sea levels
- WDC candidates need vision
- crossing roads in CBD frustrating and nerve-wracking for pedestrians.
- final kilometre of Pipiwai Road to be sealed
- Mermaid Pools at Matapouri closed by hapu
- walking tracks to get protection from kauri die-back disease
- Easter Sunday trading to be discussed by Council
- Ombudsman investigating complaint by MP Shane Reti
- residents urged to report water leaks
- applications open for Kai Ora fund
- twelve more kiwi to be released in Pukenui Forest
- Council credit rating
- residents opposed to Parua Bay plan change
- Quality Street eateries go smoke free
- blessing at site of new water treatment plant
- compactor for Parua Bay rubbish
- need for warning devices on electric bikes and scooters using shared paths
- Puriri Park housing
- Otaika Road re-sealing
- public asked for suggestions for new playgrounds
- Warriors and West Tigers squads welcomed at events centre
- Housing NZ development on Puriri Park Road
- Whangarei railway station restoration
- forty-five applications for places on advisory groups
- Wright Road sealing completed
- Ruakaka fly dumping
- Marsden City sewer and stormwater pipe repairs
- Otaika Road NZTA responsibility not Council
- Puriri Park Road housing, complaint about new road seal in One Tree Point
- Wright Road sealing
- playground suggestions.

Website and social media

Highest Posts Reach on Facebook in February so far.

1. **How do you like to play?** Link to survey for feedback on Pohe Island and Town Basin playground development.
14,800 people reached. 3032 engagement by either post clicks and/or comments/reactions/shares.
2. **Further Enrichment from Street Prints Manaia** – Showcasing all artworks, Artists and locations.
12,600 people reached. 1356 engagement by either post clicks and/or comments/reactions/shares.
3. **Do you help Northlanders get Access to Nutritious Food?** Promotion of Kai Ora Fund.
3,700 people reached. **218** engagement by either post clicks and/or comments/reactions/shares.

Facebook page 'Likes' have been increasing organically and steadily for the month.

Likes for February (as at 28.02.2019) = 6,725 (**554** more likes since 31 Jan 2019).

People and Capability

Organisation Strategy

We have been rolling out our Organisation Strategy over the past few weeks. The strategy was developed by a team of 34 staff and is focused on 'how' we deliver to each other and our community. Through the process we are also introducing the concept of whanau groups – cross functional groups of up to 30 people. People are positive and engaged in this exciting initiative.

Lunch 'n' Learn

This year we have scheduled monthly workshops for Managers and Team Leaders on a variety of subjects including Resilience, Performance Reviews, Building a thank you culture and Remuneration. The purpose of the workshops is to grow capability and improve connections across the organisation. The workshop format is enabling good discussion.

Recruitment

We ran a 'Calling All Engineers' advertisement in the new year inviting applications for NTA (Northland Transportation Alliance) vacancies. Although we are still working through the applications with the other Councils both the number and quality of the applications was pleasing. By contrast, we are starting to feel a pinch in the recruitment market in a number of areas including Planning and Building Controls. This is a reflection of a buoyant job market and the competition created by the buoyant market between employers for those strong applicants.

New Employees, Transfers, Vacant Positions and Leavers

New Employees/Transfers	Name	Start Date
Venue Steward	Jordan Christof	11-Feb-19
Manager – Venues & Events	Carina de Graaf*	25-Feb-19

Roles filled and waiting to start	Name	Start Date
Infrastructure Planner	Christine Niblock	11-Mar-19
Team Leader – Building Approvals & Compliance	Marc Donaldson*	11-Mar-19
CCO Project Coordinator	Joanne Tasker	11-Mar-19
Planner – District Plan	Taya Baxter*	18-Mar-19
Water Treatment Technician	Chris Joseph	25-Mar-19

* Internal appointment

Roles not yet filled	Status
Senior Projects Engineer - Pavements (NTA)	Hold
Roading Project Engineer	Hold
Manager - Business Support	Offered
Manager - Communications	Offered
AV Technician	Shortlisting
Project Engineer / Project Manager - Infrastructure	Shortlisting
Urban Designer	Shortlisting
Systems Accountant	Shortlisting
Customer Relations Coordinator (Fixed Term)	Shortlisting
Distribution Technician - Water	Shortlisting
Planner - Internal only	Shortlisting
Team Leader - Environmental Health	Shortlisting
RMA Approvals & Compliance Officer	Shortlisting

Environmental Health Officer	Shortlisting
EA to GM Planning & Development	Shortlisting
Engineering Officer - Waste & Drainage	Shortlisting
Librarian - Central & Outreach Services	Shortlisting
Wastewater Treatment Technician	Shortlisting
Senior Planner - RMA Consents	Shortlisting
Planner - RMA Consents	Shortlisting
Building Control Officer	Shortlisting
Support Assistant - District Plan (Fixed Term/Part Time)	Shortlisting
Support Assistant - District Plan	Shortlisting
Team Leader - Service Centres	Shortlisting
Revenue Administrator (Fixed Term - 12 Months)	Advertising
Data Warehouse Administrator	Advertising
Team Leader - Development Engineering	Readvertising
Manager - Waste & Drainage	Advertising
Business Support Clerk	Advertising
Team Leader - RMA Consents	Advertising
Team Leader - Major Event Planning & Admin	Advertising
Team Leader - Development Contributions	Advertising

Leavers	
Kathleen Hudson	Planner – RMA Consents
Jan Kelsey	Central & Outreach Services Librarian
Wolfgang Summer	Clock Maker
David Hughes	Senior Building Control Officer

Democracy and Assurance

The Democracy Team supported ten Council and Committee meetings, three Council briefings and one Council Workshop. Twenty-one liquor licence applications were processed for determination by the Chair of the District Licensing Committee. The team also administered a two-day Plan Change Hearing.

Elections 2019

The 2019 triennial elections are due to be held on Saturday 12 October 2019. Council's Electoral Officer for the election is Dale Ofoske from Election Services. Planning for the Elections is well under way, with staff working under the guidance of Dale and his team.

Official Information requests

26 official information requests have been received by Council since the last operational report in February 2019. It is noted that there has been a significant increase in the number of official information requests received by Council with 248 requests received during the 2018 calendar year, a 60% increase on the number (155) received in the preceding calendar year. The following is a summary of the requests received during February/March 2019:

- Request for copies of any complaints regarding dumping of animal carcasses at a specified address.
- Various questions relating to council resource consent application in relation to Parua Bay Transfer Station.
- Ombudsman complaint matter regarding delay in responding to request for information regarding a dog attack.
- Various questions relating to the imposition of Notices to Fix and an Infringement Notice at a specified address.

- Various questions relating to the Opteon and QV rating valuation contracts
- Various questions relating to the operation of a resource consent application for the Parua Bay Transfer Station.
- Various questions regarding elected member travel to Haikou in 2014.
- Various questions regarding the proposal for a new carpark at 22 Curruth Street.
- Request for District Valuation Roll data including rating, valuation and zone information.
- Ombudsman complaint matter regarding refusal of request for expert witness reports regarding a site visit.
- Request for information regarding the Northland Golf Club liquor licence.
- Various questions regarding data held by council on quarrying consents.
- Request for information regarding an attack on ten sheep at a specified address. We would like to pursue this matter in small claims so therefore we need the owner of the dog's details.
- Various follow-up questions relating to the imposition of Notices to Fix and an Infringement Notice at a specified address.
- Request for information relating to the ownership of property surrounding Whangarei Hospital by the Northland DHB.
- Copy of financial records relating to a building consent refund.
- Various questions relating to incentive schemes available to parking officers (or wardens) performing their duties.
- Various questions relating to resource consents for chicken farming operations of any kind from July 2018 to March 2019
- Request for information relating to a compliance matter at a specified address.
- Request for a copy of a lease of council land for an airstrip.
- Request for details of council spending in relation to a specified site.
- 2 x ombudsman complaint matters relating to the non-disclosure of a report.
- Various questions relating to kerbside collection.
- Follow-up request regarding financial records relating to a building consent refund.
- Various questions relating to consents and compliance for a specified address.

Audit and Risk

Training has now been completed for the Delegations Register on Kete, following the adoption of the Delegations by the full Council on 29 November 2018. Staff have trained nearly 200 staff on the delegation register and how to use and search for their delegations.

A Council Controlled Organisation (CCO) Co-ordinator has been appointed, commencing on 11 March. This new staff member will work on a project to improve how we work with our CCOs. This includes developing a consistent framework to support relationships, documenting mutually agreed outcomes, and accountability and reporting. This role does not change the key contact points across council for our CCO relationships.

Staff are currently working on the consolidation of the departmental risk registers, and creation of other reports to present to the Audit and Risk Committee on 27 March 2019.

Consultation and Engagement

Consultation and engagement on the 2019-20 Annual Plan has started in accordance with the programme agreed by Council. This includes three community events, six advisory groups, and 23 public meetings. The refurbished container has drawn attention and provided a conversation space for those keen to find out what is planned by Council in the 2019-20 year. The infographics on the container have been a draw card for people and we have had positive feedback about presenting information in this way.

While we planned for standing meetings, we are adapting the approach slightly with needing to ensure people can sit down during the presentation. We will also ask groups we present to, to identify the top three priorities for their community and top priority for Whangarei.

Maori Liaison and Development

Pohe Island Masterplan Development

Hui with local hapū Ngati Kahu o Torongare and Te Parawhau to agree with an inclusive pathway forward with assisting Whangarei District Council's Pohe Island Masterplan Development. Tautoko for architect designer Jade Kake by both hapū was unanimous as their aspirations are incorporated into the cultural narrative design stage.

Whau Valley Water Treatment Plant – Blessing

Ngati Kahu o Torongare kaumatua, along with Council staff ensured the relevant karakia were recited at the recent dawn blessing at the site of the new Whau Valley Water Treatment Plant.

This cultural and spiritual process acknowledged the importance of this project, similarly the high attendance of Councillors, staff, contractors who all represented their respective organisations.

Positive Ageing Advisory Group (PAAG)

Supported the Community Development team in their recruitment process for new members to the PAAG.

Ministry for the Environment (MfE) hui

Met with representatives of MfE to discuss commissioner training and Resource Management Act capability for whanau, hapū and Māori. MfE expressed while they are interested, they want to ensure that it is the best investment for Māori and is sustainable. A hui with Te Huinga in the near future will be advantageous.

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.