AGENDA

Strategy and Operations Committee Meeting

I hereby give notice that a Meeting of the Strategy and Operations Committee will be held on:

Date:	**Thursday, 6 May 2021**
Time:	**9.30am**
Location:	**Council Chamber Ground Floor, 175 Rimu Road Paraparaumu**

Sacha Haskell

Group Manager Place and Space

Kapiti Coast District Council

Notice is hereby given that a meeting of the Strategy and Operations Committee will be held in the Council Chamber, Ground Floor, 175 Rimu Road, Paraparaumu, on Thursday 6 May 2021, 9.30am.

Strategy and Operations Committee Members

Cr James Cootes	Chair
Cr Gwynn Compton	Deputy
Mayor K Gurunathan	Member
Deputy Mayor Janet Holborow	Member
Cr Angela Buswell	Member
Cr Jackie Elliott	Member
Cr Martin Halliday	Member
Cr Sophie Handford	Member
Cr Jocelyn Prvanov	Member
Cr Bernie Randall	Member
Cr Robert McCann	Member

Order Of Business

1 WELCOME

2 COUNCIL BLESSING

"As we deliberate on the issues before us, we trust that we will reflect positively on the communities we serve. Let us all seek to be effective and just, so that with courage, vision and energy, we provide positive leadership in a spirit of harmony and compassion."

I a mātou e whiriwhiri ana i ngā take kei mua i ō mātou aroaro, e pono ana mātou ka kaha tonu ki te whakapau mahara huapai mō ngā hapori e mahi nei mātou. Me kaha hoki mātou katoa kia whaihua, kia tōtika tā mātou mahi, ā, mā te māia, te tiro whakamua me te hihiri ka taea te arahi i roto i te kotahitanga me te aroha.

3 APOLOGIES

4 DECLARATIONS OF INTEREST RELATING TO ITEMS ON THE AGENDA

Notification from Elected Members of:

4.1 – any interests that may create a conflict with their role as an elected member relating to the items of business for this meeting, and

4.2 – any interests in items in which they have a direct or indirect pecuniary interest as provided for in the Local Authorities (Members' Interests) Act 1968

5 PUBLIC SPEAKING TIME FOR ITEMS RELATING TO THE AGENDA

6 MEMBERS' BUSINESS

(a) Public Speaking Time Responses

(b) Leave of Absence

(c) Matters of an Urgent Nature (advice to be provided to the Chair prior to the commencement of the meeting)

7 UPDATES

7.1 LOCAL GOVERNMENT FUNDING AGENCY PRESENTATION WITH ANDREW MICHL

7.2 OUTCOMES FROM 2020 BUSINESS ACCELERATOR SESSIONS: POP-UP BUSINESS SCHOOL AND START-UP WEEKEND

8 REPORTS

8.1 FINAL APPROVAL OF THE DISTRICT PLAN

Author: Jason Holland, District Planning Manager

Authoriser: Natasha Tod, Group Manager Strategy, Growth and Recovery

PURPOSE OF REPORT

1 This report seeks Council's approval of the Proposed Kāpiti Coast District Plan ("Proposed District Plan" or "Plan"), in its entirety, under clause 17 of Schedule 1 of the Resource Management Act 1991 (RMA).[1]

DELEGATION

2 Strategy and Operations Committee has delegation to make this decision on behalf of Council. Section B1 of the Governance Structure and Delegations includes "Preparation of District Plan and Plan Changes" as a responsibility of this Committee. A decision to approve the Proposed District Plan under clause 17 of Schedule 1 of the RMA fits within this responsibility.

BACKGROUND

3 The statutory process requirements for preparing district plans is prescribed by Schedule 1 of the RMA. Local authorities must:

3.1 decide to proceed with the proposed plan, and publicly notify it for submissions

3.2 prepare a summary of the decisions requested in submissions, and publicly notify that summary inviting further submissions to be made

3.3 hold a hearing into submissions

3.4 make a decision on the provisions of the proposed plan and matters raised in submissions, and publicly notify that decision

3.5 dispose of (i.e., resolve) any appeals to the Environment Court on those provisions and make required amendments

3.6 once those steps are completed, approve the proposed plan, and publicly notify the date on which the proposed plan becomes operative.

4 Council has now completed the requirements in paragraph 3.1 – 3.5. The decision to proceed with the Proposed District Plan was made by Council on 5 November 2012, and the Plan was publicly notified on 29 November 2012. A summary of submissions was publicly notified in July 2013. The hearing into submissions was held from April 2016 to April 2017. Council adopted the recommendations of the hearings panel as its own decision at its meeting on 9 November 2017, publicly notifying its decision on 22 November 2017. The last of the eighteen appeals were resolved in August 2020.

5 In addition to the statutory requirements summarised in paragraph 3, local authorities may make withdrawals from a proposed plan under clause 8D, make amendments of minor effect or to correct minor errors under clause 16, and make variations under clause 16A of Schedule 1 to the RMA.

6 Withdrawals under clause 8D were made by Council in 2014, 2017 and 2019. Withdrawn provisions related to coastal hazards, hazardous substances, priority areas for restoration, and hydraulic neutrality.

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[1] The Proposed District Plan is available at: https://www.kapiticoast.govt.nz/your-council/planning/district-plan-review/appeals-version-proposed-district-plan/

7 Council has also made a number of minor amendments and has initiated four clause 16A variations to the Plan. Variation 1 (Urban Trees) was publicly notified in 2015; all remaining variations were publicly notified in 2019 including Variation 2 (Waikanae Beach & Beach Character Setback Margin), Variation 3 (County Road, Ōtaki Low Density Precinct) and Variations 4(A) – 4(H) (Miscellaneous Changes and Corrections).

8 Under clause 16B, as all variations are now at the same procedural stage as the Proposed District Plan, the variations have merged in and become part of the Proposed District Plan.

9 The resolution of all appeals and completion of all amendments means that Council must now approve the entire Proposed District Plan.

ISSUES AND OPTIONS

Issues

10 Schedule 1 of the RMA requires local authorities to "approve" proposed plans before publicly notifying a date from which a proposed plan becomes operative. This approval is a procedural step, albeit a significant one, marking the completion of a significant body of work by Council.

11 To avoid doubt, a decision to approve a proposed plan does not make any material difference to the legal weighting of its rules. The Plan's rules are already to be "treated as operative" by virtue of being beyond appeal (section 86F of the RMA).

12 Further, despite the language used in Schedule 1 to "approve" the Plan, it remains open to Council to amend the operative Plan in future by preparing plan changes. Future plan changes already signalled by Council include:

12.1 amendments to give effect to the National Policy Statement on Urban Development 2020 informed by (among other things) current and upcoming consultation on the draft Long Term Plan 2021 - 2041, the draft Wellington Regional Growth Framework, and Council's draft Growth Strategy

12.2 development of Plan provisions to manage coastal issues informed by (among other things) the Takutai Kāpiti Community Assessment Panel process.

13 Approving the Plan now enables Council officers to progress final steps under delegated authority to make the Plan operative, including:

13.1 printing and distributing copies of the Plan to parties listed in clause 20 of Schedule 1

13.2 updating Council's district plan webpages

13.3 preparing and giving public notice stating the date that the Plan will become operative (the "operative date").

14 Following a decision to approve the Plan, officers intend exercising delegated authority to publicly notify an operative date of (or around) 30 June 2021.[2]

15 An operative date of 30 June balances the importance of timeliness with allowing sufficient time to carry out the final steps outlined in paragraph 13 above, and to update Land Information Memorandum references to district planning matters.

16 Officers will also take the additional step prior to the operative date of preparing amendments to the Plan to recognise mandatory National Planning Standards requirements. Released by Government in 2019, the National Planning Standards prescribe the structure and format of plans, definitions of some terms, and requirements for electronic functionality and accessibility of plans. These amendments must be achieved without a Schedule 1 process.[3]

[2] Clause 20(2) of Schedule 1 of the RMA requires public notification of the operative date at least 5 working days before that date.
[3] RMA section 58(I)(3)(a).

17 Officers will be make National Planning Standards amendments to the Plan under delegated authority. The intention is for these amendments to apply from the operative date.[4] To assist with effective Plan implementation, plan users will be able to view National Planning Standards amendments before this date.

Options

18 Because this is a compulsory procedural step, the option of refusing to approve the Plan is not available. Schedule 1 of the RMA clearly lays out the steps in the process for preparing proposed plans, and a decision to approve is the next step in the process for Council.

19 However, Council does retain a limited discretion about when to make this decision, as the RMA does not specifically state a time period within which the decision to approve the Plan must be made. This discretion is limited by the duty on Council, under section 21 of the RMA, to avoid unreasonable delay when exercising its functions, powers or duties.

20 Accordingly, the options of approving the Plan now or deferring the decision to a later date are available to Council.

21 Council officers do not consider any reasons exist for deferring this decision. All appeals have already been resolved, and all amendments already completed. There are no remaining obstacles to Council approving the Proposed District Plan in its entirety.

22 Officers recommend Council approves the Plan now.

CONSIDERATIONS

Policy considerations

23 The Proposed District Plan is consistent with the national, regional and district-level policy framework in place when Council decided to proceed with the Plan in 2012.

24 Since then, with the exception of National Planning Standards and new national direction on urban development and freshwater, the policy framework directing and informing district plan development has remained reasonably stable.

25 However, more substantive change is coming. Government has committed to replacing the Resource Management Act and to reducing the number of local authority planning documents across the country. New national policy statements on highly productive land and indigenous biodiversity are in development. Review of the Wellington Regional Policy Statement 2013 is anticipated. In addition, Council's Policy Work Programme includes review of the Development Management Strategy 2007 (to be replaced with a Growth Strategy), Open Space Strategy 2012, Stormwater Management Strategy 2008, and the Subdivision and Development Principles and Requirements 2012. Council is also developing a new Climate Change Strategic Framework.

26 Council will be obliged to meet any new statutory requirements affecting district planning, and any future changes to the Plan will need be informed by, and will be consistent with, the updated policy framework in place at that time.

Legal considerations

27 A decision to approve the Plan must be made in accordance with Clause 17 of Schedule 1 of the RMA. This clause includes a number of sub-clauses, each of which is addressed in turn below.

28 Clause 17(1) states that a local authority shall approve its proposed plan once it has made any amendments under clause 16 or variations under clause 16A. Clauses 17(1A) and (1B) provide for circumstances where a variation has been initiated, but is yet to reach the same

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[4] Section 58(I) of the RMA requires public notification of National Planning Standards amendments no later than 5 working days after the amendments are made.

procedural stage as the rest of the plan. In this circumstance, such variations are to be treated as plan changes.

29 All amendments under clause 16 have been made and all variations under clause 16A have reached the same procedural stage as the rest of the plan. This means the circumstances provided for in clauses 17(1A) and (1B) are not relevant to this decision, and Council must now approve the Proposed District Plan in its entirety.

30 Clause 17(2) permits a local authority to approve any parts of its plan where "all submissions or appeals relating to that part have been disposed of".

31 All submissions and appeals relating to all parts of the Proposed District Plan have been disposed of. This allows Council to approve the Plan in its entirety.

32 Clause 17(3) requires the approval to be effected by affixing the seal of the local authority to the proposed policy statement or plan.

33 Clause 17(4) refers to section 99 of the Urban Development Act 2020, which requires local authorities to provide prior notification of its decision to approve a plan change to Kāinga Ora–Homes and Communities in certain circumstances. Those circumstances are not relevant to this decision, meaning prior notification to Kāinga Ora–Homes and Communities is not required.

34 The operative date also has specific legal implications. On and from that date:

34.1 the 1999 Operative District Plan will not be a consideration for resource consent decision-making, except for a set of coastal hazard provisions that will apply until replaced through a Schedule 1 plan change process

34.2 private plan change requests may be lodged with Council.

Financial considerations

35 Approving the Plan does not incur any additional cost to Council.

36 Costs associated with the final steps of making the Plan operative will be met from within existing budgets.

37 A direct consequence of making the Plan operative is that plan change requests will be able to be lodged with Council. Costs associated with processing these requests will be recovered in accordance with Council's User Fees and Charges Policy.

Tāngata whenua considerations

38 Consultation with iwi authorities occurred during the preparation of the Plan, and variations to the Plan, in accordance with the process prescribed in Schedule 1 of the RMA.

39 To assist Council in its decision-making on submissions on the Plan, an independent hearings commissioner with expertise in tikanga Māori was appointed to the hearing panel for the Plan, and to the hearing panels of the two variations to the Plan that required a separate hearing.[5]

40 In recent weeks Council policy and planning officers have informed representatives of Ngā Hapū o Ōtaki, Te Rūnanga o Ngāti Toa Rangatira and Te Āti Awa ki Whakarongatai of progress with the Plan and the steps remaining to complete the Plan. Discussions have also begun about working together on future plan changes.

Strategic considerations

41 Approving the Plan (and completing the remaining steps to make the Plan operative):

[5] Variation 2 and Variation 3 required a separate hearing of submissions. Separate hearings were not required for Variation 1 as submissions on that variation were considered as part of the hearing for the Plan, while no submitters wished to be heard in respect of Variations 4(A) – (H) meaning no hearing was required.

41.1 increases regulatory certainty

41.2 streamlines the district planning framework (removing the need to consider the 1999 Operative District Plan, except for specific coastal provisions)

41.3 allows Council to focus on a new forward work programme of plan changes, including to give effect to the National Policy Statement on Urban Development 2020; and

41.4 provides the opportunity for plan change requests to be made from the operative date.

42 For these reasons, approval of the Plan contributes to achieving the draft Long Term Plan 2021-2041 outcome “Our people have access to suitable housing in Kāpiti so that they can live and thrive”.

SIGNIFICANCE AND ENGAGEMENT

Significance policy

43 This matter has a low level of significance under Council’s Significance and Engagement Policy.

Consultation already undertaken

44 Consultation has been undertaken with the community at multiple stages during the preparation of the Proposed District Plan, and during preparation of variations to the Plan, enabling the views and preferences of persons likely to be affected by, or to have an interest in, the Plan to be considered.

45 Given the above, the technical nature of the subject matter and the lack of any significant alternative options, it was not considered beneficial or necessary to undertake any further consultation ahead of this decision.

Engagement planning

46 An engagement plan has been prepared. The initial focus will be webpage updates and targeted communications notifying iwi partners and impacted stakeholders in the development community. Later in May, targeted communications will explain how plan users can view National Planning Standards amendments ahead of the Plan becoming operative.

Publicity

47 Mass communication (press release, social media and Everything Kāpiti) will be carried out around mid-June, closer to the intended Plan operative date of 30 June 2021. These communications will inform the general public about progress with the Plan, implications of the Plan becoming operative, and National Planning Standards amendments.

RECOMMENDATIONS

48 That Council approves the Proposed Kāpiti Coast District Plan under clause 17(1) of Schedule 1 of the Resource Management Act 1991.

49 That Council effects its approval by affixing its seal to the Proposed Kāpiti Coast District Plan, as required by clause 17(3) of Schedule 1 of the Resource Management Act 1991.

50 That Council notes that officers intend to exercise their delegated authority to:

50.1 amend the Proposed Kāpiti Coast District Plan in accordance with National Planning Standards requirements

50.2 publicly notify a date of (or around) 30 June 2021 as the date from which the Proposed Kāpiti Coast District Plan would become operative, inclusive of those amendments.

APPENDICES

Nil

8.2 LOCAL GOVERNMENT FUNDING AGENCY 2021/22 STATEMENT OF INTENT

Author: Ian Clements, Strategy Advisor

Authoriser: Mark de Haast, Group Manager Corporate Services

PURPOSE OF REPORT

1 The purpose of this report is to provide the Strategy and Operations Committee with the Local Government Funding Agency (LGFA) 2021/22 Statement of Intent (SOI).

DELEGATION

2 The Council's Strategy and Operations Committee has the authority to consider this report.

BACKGROUND

3 The LGFA was incorporated in 2011 with the primary objective of optimising the debt funding terms and conditions for participating local authorities. This includes providing savings in annual interest costs, making longer-term borrowings available and enhancing the certainty of access to debt markets.

4 The LGFA issues bonds to wholesale and retail investors and on-lends the funds raised to participating local authorities (PLAs) with borrowing needs. The quality of the LGFA's credit rating and the liquidity created by issuing homogenous local authority paper, ensures that participating councils can raise funds on better terms than if they were issuing in their own name.

5 In 2012, Kāpiti Coast District Council (the Council) became a principal shareholding local authority[6] in the LGFA. The LGFA meets the Local Government Act (LGA) 2002 definition of a Council Controlled Organisation (CCO) and as a shareholder in a CCO, the Council must regularly undertake performance monitoring of that organisation to evaluate its contribution to the achievement of the Council's desired outcomes.

6 As a CCO, the LGFA must deliver to its shareholders a draft SOI on or before 1 March each year. The LGFA board must consider any comments from its shareholders in relation to the draft SOI and deliver a final SOI on or before 30 June.

7 The Council's monitoring obligations are assisted by the Shareholders' Council whose role is to represent all the shareholders and ensure that all individual shareholder views are heard. The Shareholders' Council comprises five to ten appointees from the council shareholders, and one from the Crown.

Letter of Expectations

8 Prior to drafting the SOI, the LGFA received a Letter of Expectations (LoE) from the Shareholders' Council, apprising them of the areas of focus that they would like to see addressed in the SOI, over and above the usual performance and accountability requirements. The main issues noted were for the LGFA to:

- continue to build on its Board and management strength, including the optimum mix of expertise, appropriate gender / diversity balance and experience. A focus on longer term succession planning was also expected and the Shareholders' Council noted that it would be undertaking an independent review of the Board's performance and an assessment of an appropriate skills mix for the future;
- to continue to seek to influence the government decision-making for the benefit of the local government sector as well as to assess the impacts of recent legislation such as the Infrastructure Funding and Financing Act 2020 and the Urban Development Act

[6] principal shareholding local authorities are those which invest capital in the LGFA and are expected to receive a return on that capital.

2020 and major government programmes such as the Three Waters Reform Programme, the Reserve Bank's Funding for Lending Programme and the Ratepayer Financing Scheme;

- review all its performance indicators to ensure that they provide a robust, meaningful overview for stakeholders and consider removing the current measure for savings to council borrowers (through comparison to the Auckland and Dunedin Councils) as this does not reflect the true value of savings;
- undertake a comprehensive review of the Treasury Policy within the next twelve months;
- ensure that the SOI acknowledges the importance of ensuring that shareholders receive full and early disclosure from the LGFA of company policy breaches by PLAs, given the PLAs' potential liability; and
- confirm that the LGFA is constantly monitoring at both parent and group level and also that any direct lending to CCOs be included in quarterly and annual reports to ensure transparency for all stakeholders.

9 The LoE is attached as Appendix 1 to this report.

ISSUES AND OPTIONS

Issues

10 The LGFA has finished the draft 2021/22 SOI, and it has largely responded to all the issues raised by the Shareholders' Council in its LoE. The LGFA has engaged with the Shareholders' Council over the development of the SOI and the Shareholders' Council pleased to see the extent to which the LGFA has responded to its requests.

11 Two matters in particular are worth noting - the issue of Board performance, mix, balance and experience, as well as succession planning have been raised as matters for the LGFA to address. Furthermore, the Shareholders' Council has also noted "that there are now a significant number of councils that are affected by the LGFA's overall operations; but who have limited visibility and no influence over them".

12 This Council has gone on record on more than one occasion in the last 2-3 years, highlighting both these matters so it is pleasing to see that they have been recognised and are now being actively considered.

13 The key intentions and expectations of the LGFA remain the same – to optimise debt funding terms and conditions, including the provision of savings in annual interest costs on a relative basis to other sources of financing.

14 The following points regarding the 2021/22 SOI are of note:

- Profitability is expected to remain strong, with net operating gains of $11.1 million, $16.3 million and $19.9 million in the first three years. There is some uncertainty around year three of the SOI as over half of all the LGFA bonds and council loans mature, and the timing around the refinancing and the interest rates achievable at the time could significantly impact current financial forecasts.
- While council lending is expected to increase during the SOI period, this will be offset by the refinancing of loans with higher on-lending margins and their replacement by loans with lower on-lending margins.
- The SOI performance targets are similar to the previous year's targets except the LGFA has decreased the target for market share from 85% to 80%, after having increased it to 85% in the previous year.

15 The LGFA's forecast net operating profit compared with those projected in previous SOIs are shown in the table below:

Actual year / SOI year	2016/17 $M	2017/18 $M	2018/19 $M	2019/20 $M	2020/21 $M	2021/22 $M	2022/23 $M	2023/24 $M
2014/15	7.13							
2015/16	11.29	11.50						
2016/17	10.00	10.80	11.02					
2017/18		10.88	10.06	7.40				
2018/19			10.90	9.60	13.70			
2019/20				10.00	12.60	12.40		
2020/21					10.90	12.70	21.00	
2021/22 draft						11.10	16.30	19.90
Actual result	**11.04**	**11.80**	**11.20**	**10.60**				

16 The table shows that for any given year the spread of forecast profit varies somewhat over the three-year SOI period.

17 The LGFA draft 2021/22 Statement of Intent is attached as Appendix 2 to this report.

CONSIDERATIONS

Policy considerations

18 In accordance with the LGA 2002, the Council has provided information on all of its CCOs in its 2018/38 Long Term Plan, and also its draft 2021/41 Long Term Plan.

Legal considerations

19 There are no legal considerations arising from the matters in this report.

Financial considerations

20 There are no financial considerations arising from this report.

Tāngata whenua considerations

21 There are no tāngata whenua considerations arising from this report.

Strategic considerations

22 The prudent use of the LGFA for all the Council's borrowing requirements contributes to the key 10-year outcome of improved financial position against financial constraints by allowing the Council to achieve lower interest rate costs.

23 The LGFA 6-monthly report to 31 December shows its continued strong performance and endorses the Council's approach of using the LGFA for all its external borrowing requirements. Of particular note from the LGFA's performance for the six months to 31 December 2020 are:

- operating profit for the period was $5.92 million, which was ahead of the SOI forecast.
- total expenses were managed under budget for the six months.
- the financial strength of the LGFA was reaffirmed by Fitch Ratings maintaining its AA+ credit rating in November 2020.

- a record $1.90 billion of bonds were issued in the 6-month period.
- four new members were added during the period, taking the total membership to 71 councils.

24 The LGFA's full report for the six months to 31 December 2020 is attached as Appendix 3 to this report.

SIGNIFICANCE AND ENGAGEMENT

Significance policy

25 This matter has a low level of significance under the Council's Significant and Engagement Policy.

Consultation already undertaken

26 There is no need to consult on the matters discussed in this report.

Engagement planning

27 An engagement plan is not needed for this report to be considered.

Publicity

28 There are no publicity considerations.

RECOMMENDATIONS

29 That the Strategy and Operations Committee notes the contents of the draft LGFA 2021/22 Statement of Intent.

APPENDICES

1. Letter of Shareholder Expectations ⇩
2. LGFA draft 2021/22 Statement of Intent ⇩
3. LGFA Half-Year Report ⇩

LGFA
NEW ZEALAND
LOCAL GOVERNMENT
FUNDING AGENCY

24 December 2020

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

Dear Craig,

Shareholder Expectations and the Statement of Intent 2021/22

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 2021/22 Statement of Intent (SOI).

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

Governance

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. It is noted that during the current year the Council is planning to undertake an independent review of the Board's performance and to assess the appropriate skills mix for the future. This will help inform succession planning for the Board Chair and Audit & Risk Chair roles.

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

Sector 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.

We ask that you assess the impacts on LGFA from Infrastructure Funding and Financing Act 2020 and Urban Development Act 2020. These may lead to less funding requirements from LGFA and, however, may increase sector risks.

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With the Three Waters Reform Program being undertaken by the Department of Internal Affairs there is an opportunity to inform and provide advice to the Crown on the provision of improved three water service delivery for communities. As part of this process the Crown has made available stimulus funding to support economic recovery post COVID-19 and address persistent systemic issues in the three waters sector. This initiative is likely to have significant impacts on the sector funding requirements. These three water entities may or may not be owned by councils and may significantly impact on future funding sourced from LGFA.

We ask that you explore opportunities to be part of the Reserve Bank's Funding and Lending Program to assess the possibility of LGFA sourcing funding directly from the Reserve Bank to lower the cost of funds to the sector.

Similarly, we support LGFA's involvement in the potential development of the Ratepayer Financing Scheme development in an advisory capacity.

In all these matters it would be appreciated if would report back on any implications of options and proposal(s) on the LGFA and its guarantors e.g. if the scope of LGFA's operations could change, or the potential for additional risks emerge.

Sector Representation

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

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

However, we also request that the Board consider whether it is appropriate to provide the opportunity for non-shareholding councils to become shareholders. This may be achieved by an issue of new shares and or a sell-down of shares (at current valuation) by existing shareholders. We would welcome dialogue with the Board on this issue at a suitable time. This may also be a relevant topic for discussion at the next Shareholders/Borrowers day.

Constancy of objectives and intentions

It is the Council's expectation that the company's objectives and operating intentions be reflected in the 2021/22 SOI. The SOI is the ideal opportunity for the LGFA to reaffirm its:

- commitment to providing a range of borrowing products and services;
- focus on lowering the cost of local government borrowing;
- strategy for maintaining a high-quality asset book and ensure appropriate insurance cover and/or reserves maintained to cover unplanned event risk;
- proactive risk management approach; and
- intention to return a dividend to shareholders.
- With regard to extending the range of borrowing products and services, consideration should be given to the company's original purpose to be a funding vehicle en-masse to the sector.

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- Both lending to CCOs and offering Standby Facilities to councils are now underway, we assume reporting on these matters will be incorporated in the quarterly report.
- While we expect customer demand to drive new product and service development, a balance needs to be maintained between the risk, cost and complexity of introducing and managing them versus the extent of the incremental benefits they provide. We expect that robust risk / cost benefit analysis be undertaken and agreed with the Council prior to introduction on any further new products.
- We understand that process improvements are currently being considered to streamline the councils borrowing from LGFA, we support this initiative.

Performance indicators

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

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

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

Treasury policy

It is the Council's enduring expectation that the LGFA will continue to take the appropriate steps to ensure that it understands risks arising from debt maturity consolidation, each borrower's headroom and funding intentions, 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.

We ask that you complete a comprehensive review of the Treasury Policy within the next twelve months and continue to monitor relevant borrowing parameters, regardless of whether they are specified covenants. This will enable LGFA to 'future proof' the policy. The Statement of Intent is a good way to signal to stakeholders that a review is planned.

We also ask that you explore opportunities to allow the Board to amend some areas within the policy without requiring a shareholder resolution, such as counterparty credit limits and associated minimum credit ratings for investments. All fundamental aspects of the policy still would require approval by the shareholders.

It is also important to allow sufficient time for shareholders to assess any future changes that may be required.

Lending Processes

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

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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 2021/22.

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.

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.

The Council would like to hold further discussions with the Board to carry out a review to determine the level of consistency around the way calculations are applied to covenant measures in the foundation documents and the risk coverage achieved with this approach. The Council also requests that to maintain the integrity and security of the LGFA for Guarantors that no more risk is taken on by the LGFA.

Delivery of draft 2021/22 SOI

The Council would welcome a discussion on the content of this letter and the LGFA's views on its priorities for 2021/22. 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 2021, in order that the company is in a position to deliver its final SOI by 30 June 2021.

We would also appreciate an update from the Board and LGFA management on its future strategic direction and how LGFA is preparing itself to operate in a fluid and dynamic global environment.

It was a pleasure to attend the 2020 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

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

Draft Statement of Intent 2021/22

1. Introduction

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

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

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

2. Nature and scope of activities

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

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

In lending to Participating Borrowers, LGFA will:

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

3. Objectives

Principal Objectives

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

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

Primary Objectives

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

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

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

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

Additional objectives

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

LGFA will:

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

2. Provide at least 80% of aggregate long-term debt funding to the Local Government sector[1].

3. Achieve the financial forecasts outlined in section 4 for net interest income and operating expenses, including provision for a shareholder dividend payment in accordance with approved dividend policy.

4. Meet or exceed the Performance Targets outlined in section 5.

5. Comply with the Health and Safety at Work Act 2015.

6. Comply with the Shareholder Foundation Polices and the Board-approved Treasury Policy at all times.

7. Assist the local government sector with significant matters such as COVID -19 response and the proposed Three Waters Reform Programme.

[1] This includes Auckland Council borrowing both in its own name and through LGFA and recognising that the amount of borrowing by Auckland Council from LGFA is restricted by the Foundation Policy covenants.

4. Financial forecasts

LGFA's financial forecasts for the three years to 30 June 2024 are:

FINANCIAL YEAR ($M)	Draft SOI 2021/22		
Comprehensive income	**Jun-22**	**Jun-23**	**Jun-24**
Interest income	160.0	182.9	200.7
Interest expense	142.0	159.6	174.1
Net Interest income	**18.0**	**23.3**	**26.6**
Other operating income	0.7	0.9	1.0
Total operating income	**18.7**	**24.2**	**27.6**
Approved Issuer Levy	0.6	0.6	0.3
Issuance & onlending costs	2.7	2.8	2.8
Operating overhead	4.2	4.4	4.5
Issuance and operating expenses	**7.6**	**7.8**	**7.7**
P&L	**11.1**	**16.3**	**19.9**

Financial position ($m)	**Jun-22**	**Jun-23**	**Jun-24**
Capital	25.0	25.0	25.0
Retained earnings	79.9	95.5	114.7
Total equity	104.9	120.5	139.7
Shareholder funds + borrower notes / Total assets	2.4%	2.6%	2.8%
Dividend provision	0.7	0.7	0.8
Total assets (nominal)	14,428.8	15,041.3	15,557.4
Total LG loans - short term (nominal)	350.0	350.0	350.0
Total LG loans (nominal)	12,523.6	12,940.7	13,228.3
Total bills (nominal)	500.0	500.0	500.0
Total bonds (nominal) ex treasury stock	13,405.0	13,995.0	14,495.0
Total borrower notes (nominal)	245.9	271.7	293.9

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 2022, April 2023 and April 2024 loans. LGFA will work with council borrowers to reduce this uncertainty. The above table assumes gross issuance of LGFA bonds per year of $2.60 billion (2021/22), $2.25 billion (2022/23) and $2.15 billion (2023/24), however the issuance volume will be determined by LGFA at the relevant time by reference to factors including refinancing of existing borrowing by councils and (if applicable) council-controlled organisations, new

borrowing by councils and (if applicable) council-controlled organisations and LGFA's own borrowing requirements for liquidity purposes. No decision has been made as to final issuance volume at this point and will depend upon market conditions.
There has been no allowance made in the forecasts for the impact on councils from the proposed Three Waters Reform Programme.

5. Performance targets

LGFA has the following performance targets:

- LGFA's total operating income for the period to:
  - 30 June 2022 will be greater than $18.7 million.
  - 30 June 2023 will be greater than $24.2 million.
  - 30 June 2024 will be greater than $27.6 million.
- LGFA's annual issuance and operating expenses (excluding AIL) for the period to:
  - 30 June 2022 will be less than $7.0 million.
  - 30 June 2023 will be less than $7.2 million.
  - 30 June 2024 will be less than $7.4 million.
- Total lending to Participating Borrowers[2] at:
  - 30 June 2022 will be at least $12,874 million.
  - 30 June 2023 will be at least $13,291 million.
  - 30 June 2023 will be at least $13,578 million.
- Conduct an annual survey of Participating Borrowers who borrow from LGFA and achieve at least an 85% satisfaction score as to the value added by LGFA to the borrowing activities
- Meet all lending requests from Participating Borrowers, where those requests meet LGFA operational and covenant requirements.
- Achieve 80% market share of all council borrowing in New Zealand
- Review each Participating Borrower's financial position, its headroom under LGFA policies and arrange to meet each Participating Borrower at least annually.
- No breaches of Treasury Policy, any regulatory or legislative requirements including the Health and Safety at Work Act 2015.
- Successfully refinance of existing loans to councils and LGFA bond maturities as they fall due.

[2] Subject to the forecasting uncertainty noted previously

- 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.

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 practice[3] with respect to:

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

All directors are required to comply with a formal Charter.

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

Shareholders' Council

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

- Review the performance of LGFA and the Board, and report to Shareholders on that performance on a periodic basis.
- Make recommendations to Shareholders as to the appointment, removal, replacement and

[3] Best practice as per NZX and Institute of Directors guidelines

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.

Annual Report

The LGFA's balance date is 30 June.

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

- Directors' Report.

- Financial Statements incorporating a Statement of Financial Performance, Statement of Movements in Equity, Statement of Financial Position, Statement of Cashflows, Statement of Accounting Policies and Notes to the Accounts.

- Comparison of the LGFA's performance regarding the objectives and performance targets set out in the SOI, with an explanation of any material variances.

- Auditor's Report on the financial statements and the performance targets.

- Any other information that the directors consider appropriate.

Half Yearly Report

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

- Directors' commentary on operations for the relevant six-month period.

- Comparison of LGFA's performance regarding the objectives and performance targets set out in the SOI, with an explanation of any material variances.

- Un-audited half-yearly Financial Statements incorporating a Statement of Financial Performance, Statement of Movements in Equity, Statement of Financial Position and Statement of Cashflows.

Quarterly Report

By 31 January, 30 April, 31 July, and 31 October each year, the Company will produce a Quarterly

Report. The Quarterly Report will include the following information:

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

Statement of Intent

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

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

Shareholder Meetings

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

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

9. Acquisition/divestment policy

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

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

10. Activities for which compensation is sought from Shareholders

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

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

11. Commercial value of Shareholder's investment

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

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

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

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

12. Accounting policies

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

The following statement is taken from the Financial Statements presented as part of LGFA's Annual Report 2020 (updated where necessary), accordingly, the statement does not contemplate LGFA lending to CCOs.

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.

The financial statements are as at and for the year ended 30 June 2020.

These financial statements were authorised for issue by the Directors on [xx] August 2020.

b. Statement of compliance

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

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

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

c. Basis of preparation

Measurement base

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

The financial statements are prepared on an accrual basis.

Functional and presentation currency

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

Foreign currency conversions

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

Changes in accounting policies

NZ IFRS 16 Leases.

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

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

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

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

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

There have been no other changes to accounting policies. [KPMG to review note]

Early adoption standards and interpretations

LGFA has not early adopted any standards. [KPMG to review note]

New standards adopted

NZ IFRS 16 Leases became effective from 1 July 2019. [KPMG to review note]

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. [KPMG to review note]

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 and 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. Segment reporting

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

i. Judgements and estimations

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

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

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

Financing New Zealand councils' infrastructure investment

Te tuku pūtea ki te haumitanga hanganga kaunihera o Aotearoa

Half Year Report

31 December 2020

LGFA

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

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

Its wider meaning is that 'investment is needed for success'.

Contents
Ihirangi

Message from the Chair and Chief Executive
He karere mai i te Toihau me te Tumuaki

for the six-months ended 31 December 2020

"LGFA continues to meet the challenges of COVID-19 while providing cost effective financing solutions for its growing council membership base and offering New Zealand dollar fixed income investors a choice of high-grade investment maturities"

We are pleased to highlight another period of positive financial and non-financial performance by the company for the six-month period to 31 December 2020.

Strong Financial and Operational Performance

LGFA total interest income for the six-month period of $190.38 million was a 2.9% increase over the 2019-20 comparable period result of $185.10 million while net operating profit of $5.92 million was a 2.5% decrease on the 2019-20 comparable period result of $6.10 million.

While operating profit was lower than the prior period due to the lower interest rate environment, it was ahead of the Statement of Intent (SOI) forecast due to the early refinancing of council loans maturing in May 2021 and a higher level of new council borrowing.

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

LGFA bonds continue to be an attractive investment for investors while LGFA has also delivered savings in borrowing costs, extended the tenor of lending available by four years and rolled out the provision of standby facilities to council members.

The financial strength of LGFA was reaffirmed by Fitch Ratings who maintained our domestic currency credit rating at 'AA+' in November 2020 and our 'AA+' rating from S&P Global Ratings remains on positive outlook, both of which are the same as the New Zealand Government.

Borrowing activity

LGFA issued a record $1.90 billion of bonds over the past six months and just eclipsed the prior six-month record of $1.80 billion. Nominal outstandings of LGFA bonds total $13.71 billion (including $950 million of treasury stock) across ten maturities from 2021 to 2037. The debut of a new April 2037 bond maturity by syndication of $500 million in July 2020 was another successful issue and the bond tenders were well supported by market participants.

LGFA is the largest issuer of New Zealand dollar securities after the New Zealand Government and our bonds are amongst the largest and most liquid New Zealand dollar debt instruments available for investors. We have seen a shift in investor composition over the past six months as offshore investors have become less attracted to the lower yielding NZD fixed income asset class while domestic banks and investors have increased their nominal holdings based on the outlook for lower interest rates and lack of supply of other high-grade bonds. The Reserve Bank has continued to support the domestic capital markets through the purchase of LGFA bonds in the Large-Scale Asset Purchase Programme and hold $1.79 billion or 14% of our bonds outstanding as at 31 December 2020. Our offshore investors hold 21.6% of LGFA bonds on issue while NZ Institutional and retail investors hold 29.7% and domestic banks hold 34.6%

The performance of LGFA bonds over the past six months has been pleasing with LGFA bond spreads to both swap and New Zealand Government Bonds (NZGB) tighter on positive credit market sentiment as well as investors seeking additional yield in what is a low interest-rate environment. Outright yields on LGFA bonds have declined modestly over the past six months by between 2 basis points (bps) (0.02%) on the 2022 maturity and 12 bps (0.12%) on the 2027 maturity. It was another period of volatility with the 2027 LGFA bond yield trading in a 60 bps (0.60%) range over the six-month period, trading to a low of 0.49% in early November before rising to 0.87% on 31 December 2020.

LGFA continues to issue short-dated LGFA Bills ranging in maturities from three months to 12 months through a combination of monthly tenders and private placements. As at 31 December 2020, outstandings under the programme were $612.5 million. These instruments provide a source of funding for short-dated lending to our council borrowers and assist LGFA with liquidity management.

Lending to the sector

LGFA was established in December 2011 to provide long-dated borrowing, certainty of access to markets and to reduce the borrowing costs for the local government sector. Over the past six months, we added four new members with South Waikato, Waitaki and Central Otago District Councils joining as guarantors and Kawerau District Council joining as a non-guarantor. Total membership of 71 councils is very pleasing and this is expected to increase slightly in the coming six months as several councils are partly through the joining process.

Long-dated lending over the six-month period was $1.74 billion with the lending activity a mix of new borrowing and the refinancing of council loans due to mature on 15 May 2021. The average tenor of borrowing by councils at 7.1 years was longer than the average term of borrowing of 5.4 years over the 12-month period to June 2020.

Short-dated lending for terms less than 12 months has been well supported by councils and, as at 31 December 2020, LGFA had $343.4 million of short-term loans outstanding to 26 councils.

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

The impact from COVID-19 on the sector and LGFA

The local government sector has felt the impact from COVID-19, albeit there has been a divergence of the severity of impact amongst councils. Councils have in general experienced a reduction in revenue from fees and charges and reduced income from their investment portfolios. It has also been difficult for many councils to implement planned rate increases given the financial impact from COVID-19 on some ratepayers within the community. Meanwhile there has been a need to continue, if not increase, capital expenditure on infrastructure.

LGFA responded by increasing the Net Debt / Total Revenue covenant for councils with a long-term credit rating of 'A' equivalent or higher from 1 July 2020. This will assist councils with greater financial flexibility through the COVID-19 economic recovery phase as well as reflecting the strong financial position of the sector. We have also introduced standby facilities for councils as an alternative to sourcing from banks. We have also extended the term of the LGFA bond curve from 2033 to 2037 and in doing so can now offer longer borrowing terms for councils. In line with the legislative change to extend statutory reporting deadlines by two months due to COVID-19, we allowed councils an extension to provide their compliance certificates to LGFA. All have provided their certificates, and all remain compliant with our financial covenants.

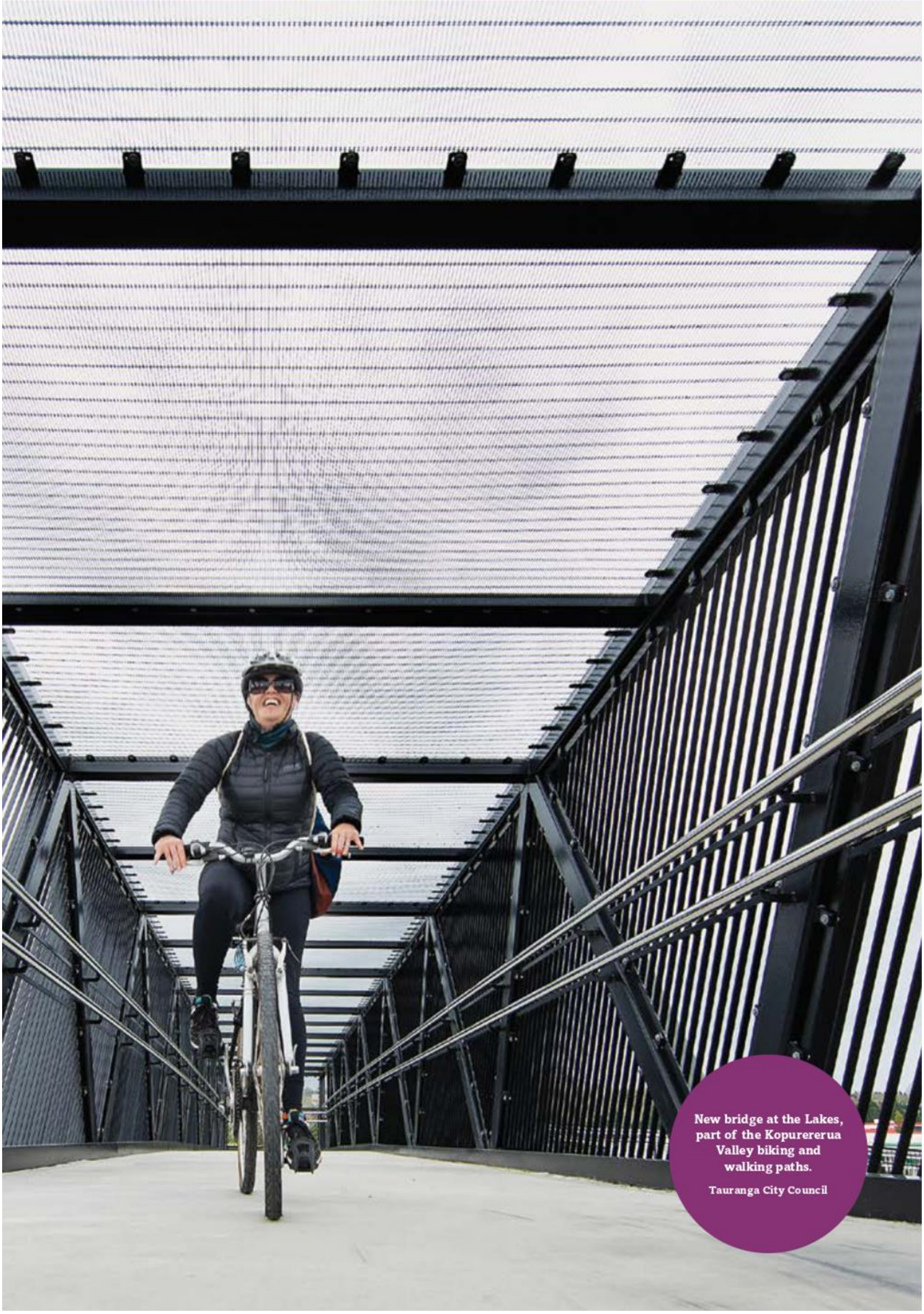
While COVID-19 has restricted travel, we were able to hold our annual shareholder-borrower day for council members and held events to update investors on the proposed water industry reform.

Acknowledgments

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

Craig Stobo
Chair, LGFA Board

Mark Butcher
Chief Executive



New bridge at the Lakes, part of the Kopurererua Valley biking and walking paths.

Tauranga City Council

Performance against objectives
Ko ngā whakatutukinga ki ngā whāinga

The statement of service performance details LGFA's performance for the first half of the year against the objectives and targets set out in the LGFA Statement of Intent 2020-21 (SOI)

2020-21 performance objectives

The SOI sets out two primary performance objectives and seven additional objectives for the year ended 30 June 2021.

Primary objectives

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

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

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

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

Additional objectives

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

LGFA will:

- Maintain LGFA's credit rating equal to the New Zealand Government sovereign rating where both entities are rated by the same Rating Agency.
- Provide at least 85% of aggregate long-term debt funding to the Local Government sector.
- Achieve the financial forecasts for net interest income and operating expenses, including provision for a shareholder dividend payment in accordance with approved dividend policy.
- Meet or exceed the Performance Targets.
- Comply with the Health and Safety at Work Act 2015.
- Comply with the Shareholder Foundation Polices and the Board-approved Treasury Policy at all times.
- Assist the local government sector with their COVID-19 response.

Performance against primary objectives

This section sets out LGFA's performance for the six months ended 31 December 2020 against the two primary objectives set out in the 2020-21 SOI.

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

Providing interest cost savings relative to alternative sources of financing;

LGFA continues to borrow at very competitive spreads compared to Sovereign, Supranational and Agencies (SSA) issuers who borrow in the New Zealand debt capital markets, the domestic banks and our closest domestic peer issuer Kainga Ora. The benefits are greater the longer the term of financing.

In the latest stakeholder survey result in August 2020, respondents recorded a 99% satisfaction result to the questions "How would you rate LGFA in adding value to your borrowing requirements?" and "How satisfied are you in general as a borrower?"

Offering flexible short and long-term lending products that meet Participating Borrowers' borrowing requirements;

Both short and long-term borrowing has been well supported by member councils. Over the six-month period to 31 December 2020:

- there were 37 new short-term loans transacted with loan terms ranging between one month and 12 months. As at 31 December 2020, $343 million of short-term loans were outstanding to 26 councils.
- 46 councils borrowed $1,738 million in 137 new long-term loans, across 169 maturity dates ranging between 2021 and 2037.

In July 2020, LGFA issued a new April 2037 bond providing councils with the opportunity to extend their long term borrowing if desired. The average borrowing term by councils (excluding short-dated borrowing) was 7.22 years for the September quarter and 6.77 years for the December quarter, with both quarters exceeding the average term of 5.42 years for the year to June 2020.

In December 2020, LGFA launched the Standby Facility Agreement as a new product that will help reduce overall financing costs for councils and we entered into the first agreement with a council for a $100 million facility.

Delivering operational best practice and efficiency for its lending services;

Over the six months, LGFA operations successfully processed 2,900 financial payments and 2,386 financial receipts without settlement error.

In the latest stakeholder survey result in August 2020, respondents recorded a 94% satisfaction result to the question "How satisfied are you with the settlement process?"

Ensuring certainty of access to debt markets, subject always to operating in accordance with sound business practice.

For LGFA to provide certainty of access to markets for our council borrowers we need to have a vibrant primary and secondary market in LGFA bonds. The primary market is the new issuance market and we measure strength with participation by investors at our tenders through bid-coverage ratios and successful issuance yield ranges. The secondary market is the trading of LGFA bonds following issuance and a healthy market implies high turnover.

Over the six months, LGFA issued $1.9 billion in bonds, through five tenders and a syndication, as well as $612.5 million bills through six tenders and private placements. LGFA uses proceeds from LGFA bills and LGFA bond issuances to fund lending to councils and invests the balance in our liquid asset portfolio.

We estimated secondary market turnover across all maturities in LGFA bonds of $3.9 billion in the six month period. This compares favourably to turnover of $3.7 billion in the prior corresponding period.

LGFA documented an Australian Medium-Term Notes Programme in November 2017. We have no immediate intention to use this programme, but it provides flexibility if there is a market disrupting event in the future.

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

Proactively monitor and review each Participating Borrower's financial position, including its financial headroom under LGFA policies;

LGFA reviews all councils' financial statements on an annual basis and the agendas and management reports on an ongoing basis for all councils on the LGFA borrower watch-list.

We have received compliance certificates from all Participating Borrowers, and all remain compliant as at 30 June 2020. There are seven councils who, due to COVID-19 delays in finalising the audit process, have provided outcomes based on unaudited financial statements. LGFA has reviewed these financial statements and are comfortable with them.

Analyse finances at the Council group level where appropriate and report to shareholders;

No council has yet to request to LGFA that they be measured on a group basis.

Endeavour to visit each Participating Borrower annually, including meeting with elected officials as required, or if requested; and

Following the lifting of COVID-19 travel restrictions, LGFA commenced council visits again in the later months of 2020. We met with 22 councils over the six months and that number will increase in the second half of the current financial year.

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.

Over the six months, LGFA management met with representatives from Reserve Bank of New Zealand, Department of Internal Affairs, Office of the Auditor General, SOLGM, the New Zealand Debt Management section of the Treasury (NZDM) and members of the Three Waters Reform Group. We held investor conference calls for investors and banks relating to bond issuance and provided updates on the impact on the local government sector from COVID-19 and the proposed water industry reforms.

In our 2020 Annual Report, LGFA outlined our commitment to develop lending products to assist councils finance projects that promote environmental and social wellbeing. LGFA is committed to exploring opportunities in Green, Social and Sustainable lending and we are actively progressing development in this area, with the objective of launching inaugural Green, Social and Sustainable lending products.

LGFA continues to assist the sector and the advisers in finding ways for LGFA to play a supporting role in providing solutions to off balance sheet financing for councils and are currently providing technical input into the Cameron Partners Ratepayer Financing Scheme.

Additional objectives

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

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 an annual review process regarding our credit ratings from Standard and Poor's and Fitch Ratings and meets with both agencies at least annually. Formal review meetings were last held in November 2019 with S&P and in October 2020 with Fitch.

- **Standard and Poor's (S&P).** On 28 February 2020, S&P affirmed our long-term local currency credit rating (AA+) and our long-term foreign currency credit rating (AA). Both ratings remain on positive outlook and the same as the New Zealand Government.
- **Fitch Ratings (Fitch).** On 4 November 2020, Fitch affirmed our long-term local currency credit rating as AA+ and classified LGFA as a corporate mission, government-related entity (GRE) under its GRE rating criteria. Fitch equalises our ratings with those of the New Zealand Government. Our foreign currency credit rating of AA remains on positive outlook.

Provide at least 85% of aggregate long-term debt funding to the Local Government sector.

LGFA's estimated market share of 82% for the rolling twelve-month period to 31 December 2020 and our market share is strong compared to our global peers.[1]

Over the six months, four new councils became members of LGFA, lifting total participating members to 71 as at 31 December 2020. South Waikato District Council, Waitaki and Central Otago District Councils joined as guarantors and Kawerau District Council joined as a non-guarantor.

Achieve the financial forecasts for net interest income and operating expenses, including provision for a shareholder dividend payment in accordance with approved dividend policy.

Net interest income (NII) over the six months, on an unaudited basis, was $609k above budget while expenses were $30k below budget. The six-month net operating profit of $5.918 million was $673k above budget.

Included in the NII is the unrealised mark-to-market movement in fixed rate swaps that are not designated effective for hedge accounting purposes. These swaps reduce exposure to fixed rate loans made outside of the normal tender process and to reduce mismatches between borrowing and on-lending terms in our balance sheet. The unrealised loss increases as interest rates fall but turns to a profit if interest rates rise. Due to a rise in interest rates since June 2020, the year to date revaluation is a profit of $317k.

Expenses for the six-month period, on an unaudited basis, were $3.938 million which is $30k below budget. Key drivers for the variance are:

- **Issuance and on-lending costs** (excluding Approved Issuer Levy) at $1.4 million were $14k above budget. A larger amount of bond issuance and short-term lending increased these costs relative to budget, primarily in relation to higher NZX costs and legal costs. These were offset to some extent from lower fees than budgeted relating to the NZDM facility.
- **Operating costs** at $1.945 million were $33k below budget due to lower travel and consulting costs offset by higher legal and personnel costs relative to budget.
- **Approved Issuer Levy** (AIL) payments of $593k were $11k below budget. We pay AIL on behalf of offshore investors at the time of semi-annual coupon payment and offshore investor holdings are just below our SOI forecasts.

Comply with the Health and Safety at Work Act 2015.

LGFA has a Health and Safety Staff Committee and reporting on health and safety issues is 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 months.

Comply with the Shareholder Foundation Polices and the Board-approved Treasury Policy at all times.

There were no compliance breaches during the six-month period.

Assist the local government sector with their COVID -19 response.

On 30 June 2020, in response to COVID-19, shareholders approved a change to LGFA's Foundation Policy covenants to provide short term relief to councils from any temporary reduction in revenue and to allow councils to co-invest alongside Central Government in infrastructure projects. For the financial year ending 30 June 2021, the net debt/total revenue covenant for borrowers with an external credit rating of at least A+ has been increased from 250% to 300%. In addition to this direct response:

- LGFA continues to provide input into the Ratepayer Financing Scheme project that, if successful, could offer temporary financial relief to ratepayers via rates postponement.
- The new Standby Facility product will provide greater certainty of access to cost-effective standby funding for councils as an alternative to the traditional bank provider.
- LGFA has extended the longest dated borrowing maturity for councils from 2033 to 2037 to enable councils to be better match assets with liabilities and to benefit from record lows in interest rates and borrowings spreads.

1. LGFA use the PwC Local Government Debt Report as source data for calculating market share.

Meet or exceed the Performance Targets.

As at 31 December 2020, LGFA were meeting eight out of the ten performance targets.

Performance measure	Result to 31 December 2020	Outcome
LGFA net interest income for the period to June 2021 will be greater than $18.8 million	$9.85 million	✔
Annual issuance and operating expenses (excluding AIL) will be less than $6.30 million	$3.93 million	✔
Total nominal lending (short and long term) to participating councils to be at least $9.79 billion	$12,289 million	✔
Conduct an annual survey of councils and achieve 85% satisfaction score as to the value added by LGFA to council borrowing activities	August 2020 survey outcome of 98.8%	✔
Meet all lending requests from participating councils	100%	✔
Achieve 85% market share of all council borrowing in New Zealand[1]	81.8%	✖
Review each participating council's financial position, its headroom under LGFA policies and arrange to meet each council at least annually	22 council visits but behind plan due to COVID travel difficulties	✖
No breaches of Treasury Policy, any regulatory or legislative requirements including H&S	Nil	✔
Successful refinancing of existing loans to councils and LGFA bond maturities as they fall due	100%	✔
Maintain a credit rating equal to the New Zealand Government rating where both entities are rated by the same credit rating entity	AA+/AA+	✔

1. After excluding Auckland Council borrowing, LGFA's share of councils' borrowing in New Zealand was 94.0% at 31 December 2020.


SIRCOX
Waikawa flood prevention work commences.
Marlborough District Council

Financial statements
Nga taukī pūtea

Statement of comprehensive income

For the six months ended 31 December 2020 in $000s

	Note	Unaudited six months ended 31 December 2020	Unaudited six months ended 31 December 2019
Interest income			
Cash and cash equivalents		385	216
Marketable securities		1,911	2,072
Deposits		3,493	3,065
Derivatives		107,810	69,933
Loans		76,776	109,786
Fair value hedge ineffectiveness	2	-	-
Total interest income		**190,375**	**185,072**
Interest expense			
Bills		1,149	3,521
Bond repurchase transactions		325	257
Lease liability		9	14
Bonds		177,963	169,918
Borrower notes		1,077	1,562
Total interest expense		**180,523**	**175,272**
Net interest income		**9,852**	**9,800**
Other operating income	3	5	-
Total operating income		**9,857**	**9,800**
Operating expenses			
Issuance and on-lending expenses	4	1,993	1,846
Operating expenses	5	1,945	1,851
Total expenses		**3,938**	**3,697**
Net operating profit		**5,918**	**6,103**
Total comprehensive income		**5,918**	**6,103**

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

The Board of Directors of the New Zealand Local Government Funding Agency Limited authorised these statements or issue on 26 February 2021.

Craig Stobo, Director
Board Chair

Linda Robertson, Director
Chair, Audit and Risk Committee

Statement of changes in equity

For the six months ended 31 December 2020 in $000s

	Note	Share capital	Retained earnings	Total equity
Equity as at 1 July 2019		**25,000**	**49,149**	**74,149**
Net operating profit			6,103	6,103
Total comprehensive income for the year			6,103	6,103
Transactions with owners			-	-
Dividend paid on 6 September 2019			(1,155)	(1,155)
Unaudited closing balance as at 31 December 2019		25,000	54,097	79,097
Equity as at 1 July 2020		**25,000**	**58,616**	**83,616**
Net operating profit			5,918	5,918
Total comprehensive income for the year			5,918	5,918
Transactions with owners			-	-
Dividend paid on 4 September 2020			(878)	(878)
Unaudited closing balance as at 31 December 2020		**25,000**	**63,656**	**88,656**

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

Statement of financial position

As at 31 December 2020 in $000s

	Note	Unaudited as at 31 December 2020	Audited as at 30 June 2020
Assets			
Financial assets			
Receivables		5	-
Cash and bank balances		323,854	165,826
Marketable securities		613,360	589,124
Deposits		640,500	499,824
Derivatives in gain		913,793	1,018,775
Loans	6	12,319,999	10,899,756
Non-financial assets			
Prepayments		963	642
Other assets	11	471	419
Total assets		**14,812,945**	**13,174,365**
Equity			
Share capital	13	25,000	25,000
Retained earnings		57,738	58,616
Total comprehensive income for the period		5,918	-
Total equity		**88,656**	**83,616**
Liabilities			
Financial liabilities			
Payables and provisions		909	706
Bills	7	612,111	647,021
Bond repurchases	10	36,935	202,755
Derivatives in loss		41,351	19,075
Bonds	8	13,811,478	12,038,468
Borrower notes	9	221,088	182,272
Non-financial liabilities			
Other liabilities		417	453
Total liabilities		**14,724,289**	**13,090,749**
Total equity and liabilities		**14,812,945**	**13,174,365**

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 2020 in $000s

	Note	Unaudited six months ended 31 December 2020	Unaudited six months ended 31 December 2019
Cash Flow from Operating Activities			
Cash applied to loans		(1,420,594)	(847,625)
Interest paid on bonds issued		(212,221)	(184,896)
Interest paid on bills issued		(1,149)	(3,498)
Interest paid on borrower notes		(137)	(48)
Interest paid on bond repurchases		(599)	(278)
Interest received from loans		77,156	117,942
Interest received from cash & cash equivalents		377	215
Interest received from marketable securities		5,376	1,711
Interest received from deposits		2,978	1,534
Net interest on derivatives		139,963	75,341
Payments to suppliers and employees		(4,177)	(4,270)
Cash proceeds from provision of standby facilities		5	-
Net cash flow from operating activities	12	**(1,413,023)**	**(843,872)**
Cashflow from Investing Activities			
Purchase of marketable securities		(27,701)	3,734
Purchase of deposits		(140,161)	(164,334)
Net Cashflow from Investing Activities		**(167,862)**	**(160,600)**
Cashflow from Financing Activities			
Cash proceeds from bonds issued		2,026,534	1,137,733
Cash proceeds from bills issued		(34,910)	(100,489)
Cash proceeds from bond repurchases		(165,546)	(23,570)
Cash proceeds from borrower notes		37,876	10,882
Dividends paid		(878)	(1,155)
Cash applied to derivatives		(124,161)	(29,729)
Net Cashflow from Financing Activities		**1,738,914**	**993,672**
Net (Decrease) / Increase in Cash		**158,029**	**(10,800)**
Cash, Cash Equivalents and Bank overdraft at beginning of year		165,826	56,198
Cash, Cash Equivalents and Bank overdraft at end of year		**323,854**	**45,398**

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

1 Statement of accounting policies

a. Reporting entity

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

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

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

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

These financial statements were authorised for issue by the Directors on 26 February 2021.

b. Statement of compliance

The interim financial statements are for the six months ended 31 December 2020 and are to be read in conjunction with the annual report for the year ended 30 June 2020.

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

c. Basis of preparation

Accounting judgements, estimates and assumptions

The judgements, estimates and assumptions used to prepare these interim financial statements are consistent with those used at 30 June 2020.

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 no changes to accounting policies.

Early adoption standards and interpretations

LGFA has not early adopted any standards.

Standards not yet adopted

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

d. Financial instruments

Financial assets

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

Cash and cash equivalents include cash on hand; cash in transit and 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.

Other operating income

Other operating income is recognised as services are performed and the related performance obligations are fulfilled.

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. Segment reporting

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

i. Judgements and estimations

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

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

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

The following table shows the gain or loss on the hedging instrument and the hedged item attributable to the hedged risk for fair value hedge relationships.

in $000s	Unaudited gain/(loss) for the six months ended 31 December 2020	Unaudited gain/(loss) for the six months ended 31 December 2019
Hedging instruments – interest rate swaps	635,001	465,184
Hedged items attributable to the hedged risk – fixed rate bonds	(635,001)	(465,184)
Ineffectiveness recognised in profit or loss from fair value hedges	-	-

The gains or losses on the hedging instrument (interest rate swaps) and the hedged item (bonds or loans) are mapped to the same fair value account.

For this reason, the statement of comprehensive income will only report any ineffectiveness arising from the fair value hedge.

3. Other operating income

in $000s	Unaudited six months ended 31 December 2020	Unaudited six months ended 31 December 2019
Standby facilities fee income	5	-
Total other operating income	**5**	**-**

4. 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 2020	Unaudited six months ended 31 December 2019
Rating agency fees	311	301
NZDM facility fee	308	308
Legal fees – issuance	294	223
NZX	340	235
Trustee fees	50	50
Regulatory, registry, other fees	97	79
Approved Issuer Levy[1]	593	650
	1,993	**1,846**

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

5. 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 2020	Unaudited six months ended 31 December 2019
Information technology	367	358
Consultants	16	52
Directors fees	200	199
Insurance	42	35
Legal fees	95	73
Other expenses	159	192
Auditors' remuneration		
Statutory audit	54	53
Advisory services	-	-
Personnel	1,012	889
	1,945	**1,851**

6. Loans

in $000s	Unaudited as at 31 December 2020		Audited as at 30 June 2020	
	Short-term loans	Loans	Short-term loans	Loans
Ashburton District Council	20,010	52,250	10,001	32,279
Auckland Council	-	3,215,451	-	2,766,155
Bay of Plenty Regional Council	-	232,150	-	192,077
Buller District Council	-	20,004	-	20,005
Canterbury Regional Council	6,002	64,145	6,002	48,129
Central Hawkes Bay District Council	-	20,108	-	20,107
Christchurch City Council	9,005	2,080,650	25,094	1,904,271
Clutha District Council	2,002	11,036	2,003	7,030
Far North District Council	-	56,714	10,001	46,686
Gisborne District Council	-	73,755	-	58,754
Gore District Council	6,011	23,554	6,004	16,538
Greater Wellington Regional Council	-	450,898	-	425,877
Grey District Council	3,991	15,144	3,967	15,196
Hamilton City Council	-	531,033	-	481,064
Hastings District Council	-	185,368	-	150,335
Hauraki District Council	-	49,104	-	44,102
Hawkes Bay Regional Council	-	8,821	-	2,507
Horizons Regional Council	6,993	37,202	6,987	37,199
Horowhenua District Council	16,003	90,213	16,003	90,618
Hurunui District Council	8,005	33,063	8,005	30,065
Hutt City Council	-	206,491	-	216,523
Invercargill City Council	25,013	78,698	25,013	65,165
Kaikoura District Council	-	5,014	4,007	3,008
Kaipara District Council	-	44,082	-	44,089
Kapiti Coast District Council	-	220,339	-	210,353
Manawatu District Council	11,523	72,687	11,519	65,669
Marlborough District Council	30,222	73,155	27,224	73,157
Masterton District Council	-	55,609	-	51,215
Matamata-Piako District Council	-	33,573	-	26,561
Nelson City Council	-	90,143	-	75,118
New Plymouth District Council	-	185,010	-	139,939
Northland Regional Council	-	14,148	-	9,729
Opotiki District Council	-	8,611	-	8,620
Otorohanga District Council	-	3,029	-	3,035
Palmerston North City Council	-	167,305	-	137,267

in $000s	Unaudited as at 31 December 2020 Short-term loans	Loans	Audited as at 30 June 2020 Short-term loans	Loans
Porirua City Council	-	141,772	-	131,787
Queenstown Lakes District Council	25,025	120,481	20,027	95,525
Rangitikei District Council	-	3,020	-	3,020
Rotorua District Council	2,821	205,105	22,855	195,105
Ruapehu District Council	8,004	17,063	8,005	17,061
Selwyn District Council	-	60,117	-	35,092
South Taranaki District Council	-	107,214	-	101,232
South Waikato District Council	24,966	-	-	22,018
South Wairarapa District Council	-	22,020	-	-
Stratford District Council	-	22,774	-	15,571
Taranaki Regional Council	3,997	-	3,992	-
Tararua District Council	-	45,090	2,006	33,080
Tasman District Council	27,071	177,062	31,143	177,039
Taupo District Council	-	135,178	-	115,177
Tauranga City Council	19,986	566,724	-	526,768
Thames-Coromandel District Council	-	69,150	-	61,147
Timaru District Council	22,507	67,194	22,577	67,203
Upper Hutt City Council	-	57,120	2,993	46,108
Waikato District Council	-	95,201	-	95,222
Waikato Regional Council	-	32,079	-	32,085
Waimakariri District Council	-	160,529	-	160,550
Waipa District Council	15,805	57,113	13,503	40,053
Wairoa District Council	-	9,046	-	9,045
Waitaki District Council (WD)	2,498	12,517	-	-
Waitomo District Council	6,008	30,043	7,022	30,044
Wellington City Council	-	806,414	-	635,684
West Coast Regional Council	2,001	6,611	2,001	6,610
Western Bay Of Plenty District Council	-	90,183	-	90,212
Westland District Council	-	23,856	-	19,652
Whakatane District Council	-	78,185	-	67,178
Whanganui District Council	7,506	104,295	7,510	94,290
Whangarei District Council	9,994	165,317	9,992	142,301
	322,970	**11,997,029**	**315,456**	**10,584,299**

As at 31 December 2020, $1,920 million of loans are due to mature within 12 months. This comprises all short-term loans and $1,597 million of loans.

7. Bills on issue

Unaudited as at 31 December 2020 in $000's	Face value	Unamortised premium	Accrued interest	Total
6 January 2021	20,000	-	(1)	19,999
15 January 2021	140,000	-	(16)	139,984
5 February 2021	25,000	-	(8)	24,992
10 February 2021	85,000	-	(30)	84,970
10 March 2021	50,000	-	(28)	49,972
15 March 2021	87,500	-	(58)	87,442
7 April 2021	25,000	-	(20)	24,980
15 April 2021	25,000	-	(20)	24,980
12 May 2021	55,000	-	(54)	54,946
9 June 2021	25,000	-	(32)	24,968
14 June 2021	25,000	-	(34)	24,966
14 September 2021	50,000	-	(88)	49,912
	612,500	**-**	**(389)**	**612,111**

Audited as at 30 June 2020 in $000's	Face value	Unamortised premium	Accrued interest	Total
8 July 2020	110,000	-	(21)	109,979
17 July 2020	58,500	-	(31)	58,469
22 July 2020	12,000	-	(9)	11,991
6 August 2020	225,000	-	(102)	224,898
12 August 2020	75,000	-	(79)	74,921
9 September 2020	50,000	-	(59)	49,941
7 October 2020	17,000	-	(36)	16,964
11 November 2020	50,000	-	(63)	49,937
9 December 2020	25,000	-	(37)	24,963
15 December 2020	25,000	-	(43)	24,957
	647,500	**-**	**(479)**	**647,021**

8. Bonds on issue

Bonds on issue do not include $950 million face value of issued LGFA bonds subscribed by LGFA and held as treasury stock. Refer Note 10: Treasury stock and bond repurchase transactions.

Unaudited as at 31 December 2020 in $000's	Face value	Unamortised premium	Accrued interest	Fair value hedge adjustment	Total
Fixed interest bonds					
15 May 2021	1,450,000	8,241	11,296		
14 April 2022	1,605,000	25,268	9,579		
15 April 2023	1,660,000	58,789	19,564		
15 April 2024	1,348,000	11,809	6,499		
15 April 2025	1,469,000	(22,584)	8,657		
15 April 2026	1,150,000	7,139	3,696		
15 April 2027	1,426,000	76,592	13,751		
20 April 2029	952,000	(4,577)	2,864		
14 April 2033	1,130,000	34,748	8,584		
15 April 2037	570,000	3,894	2,443		
Total fixed interest	**12,760,000**	**199,318**	**86,933**	**635,001**	**13,681,252**
Floating rate notes					
14 October 2022	130,000	(45)	272	-	130,226
Total	**12,890,000**	**199,272**	**87,204**	**635,001**	**13,811,478**

As at 30 June 2020 in $000's	Face value	Unamortised premium	Accrued interest	Fair value hedge adjustment	Total
Fixed interest bonds					
15 May 2021	1,450,000	19,259	11,111		
14 April 2022	1,155,000	16,630	6,769		
15 April 2023	1,550,000	55,449	17,935		
15 April 2024	1,248,000	6,717	5,908		
15 April 2025	1,409,000	(31,014)	8,152		
15 April 2026	1,000,000	763	3,156		
15 April 2027	1,326,000	56,918	12,554		
20 April 2029	692,000	(14,904)	2,042		
14 April 2033	1,030,000	8,706	7,683		
Total fixed interest	**10,860,000**	**118,524**	**75,309**	**854,268**	**11,908,100**
Floating rate notes					
14 October 2022	130,000	(58)	426	-	130,368
Total	**10,990,000**	**118,465**	**75,735**	**854,268**	**12,038,468**

9. 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 a fixed percentage of the aggregate borrowings by that local authority. The fixed percentage is 2.5% for loans issued from 1 July 2020. Prior to this date, the fixed percentage was 1.6%.

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.

10. Treasury stock and bond repurchase transactions

Periodically, LGFA subscribes for LGFA bonds as part of its tender process and holds these bonds as treasury stock. LGFA bonds held by LGFA as treasury stock are derecognised at the time of issue and no liability is recognised in the statement of financial position. As at 31 December 2020, $950 million of LFGA bonds had been subscribed as treasury stock.

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

As at 31 December 2020, bond repurchase transactions comprised:

Maturity date	Unaudited as at 31 December 2020	Audited as at 30 June 2020
15 May 2021	-	25,970
14 April 2022	-	25,196
15 April 2023	-	27,670
15 April 2024	-	25,139
15 April 2025	21,901	22,135
15 April 2026	-	-
15 April 2027	-	31,145
20 April 2029	-	22,899
14 April 2033	-	22,600
15 April 2037	15,034	-
	36,935	**202,755**

11. Other assets

	Unaudited as at 31 December 2020	Audited as at 30 June 2020
Intangible assets[1]	230	306
Right-of-use lease asset	241	113
Total	**471**	**419**

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

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

For the year ended 30 June in $000s	Unaudited six months ended 31 December 2020	Unaudited six months ended 31 December 2020
Net profit/(loss) for the period	5,948	6,103
Cash applied to loans	(1,420,594)	(847,625)
Non-cash adjustments		
Amortisation and depreciation	1,937	(1,700)
Working capital movements		
Net change in trade debtors and receivables	149	(248)
Net change in prepayments	(321)	(259)
Net change in accruals	(143)	(143)
Net Cash From operating activities	**(1,413,023)**	**(843,872)**

13 Share Capital

As at 31 December 2020, LGFA had 45 million ordinary shares on issue, 20 million of which remain uncalled.

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

Shareholder information

Registered holders of equity securities as at 31 December 2020	31 December 2020		30 June 2020	
New Zealand Government	5,000,000	11.1%	5,000,000	11.1%
Auckland Council	3,731,960	8.3%	3,731,960	8.3%
Christchurch City Council	3,731,960	8.3%	3,731,960	8.3%
Hamilton City Council	3,731,960	8.3%	3,731,960	8.3%
Bay of Plenty Regional Council	3,731,958	8.3%	3,731,958	8.3%
Greater Wellington Regional Council	3,731,958	8.3%	3,731,958	8.3%
Tasman District Council	3,731,958	8.3%	3,731,958	8.3%
Tauranga City Council	3,731,958	8.3%	3,731,958	8.3%
Wellington City Council	3,731,958	8.3%	3,731,958	8.3%
Western Bay of Plenty District Council	3,731,958	8.3%	3,731,958	8.3%
Whangarei District Council	1,492,784	3.3%	1,492,784	3.3%
Hastings District Council	746,392	1.7%	746,392	1.7%
Marlborough District Council	400,000	0.9%	400,000	0.9%
Selwyn District Council	373,196	0.8%	373,196	0.8%
Gisborne District Council	200,000	0.4%	200,000	0.4%
Hauraki District Council	200,000	0.4%	200,000	0.4%
Horowhenua District Council	200,000	0.4%	200,000	0.4%
Hutt City Council	200,000	0.4%	200,000	0.4%
Kapiti Coast District Council	200,000	0.4%	200,000	0.4%
Manawatu District Council	200,000	0.4%	200,000	0.4%
Masterton District Council	200,000	0.4%	200,000	0.4%
New Plymouth District Council	200,000	0.4%	200,000	0.4%
Otorohanga District Council	200,000	0.4%	200,000	0.4%
Palmerston North District Council	200,000	0.4%	200,000	0.4%
South Taranaki District Council	200,000	0.4%	200,000	0.4%
Taupo District Council	200,000	0.4%	200,000	0.4%
Thames - Coromandel District Council	200,000	0.4%	200,000	0.4%
Waimakariri District Council	200,000	0.4%	200,000	0.4%
Waipa District Council	200,000	0.4%	200,000	0.4%
Whakatane District Council	200,000	0.4%	200,000	0.4%
Whanganui District Council	200,000	0.4%	200,000	0.4%
	45,000,000	**100%**	**45,000,000**	**100%**

14 Related parties

Identity of related parties

LGFA is related to the local authorities set out in the Shareholder Information in note 13.

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

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

Related party transactions

LGFA was established for the purpose of raising funds from the market to lend to participating councils.

The lending to individual councils is disclosed in note 6, and interest income recognised on this lending is shown in the statement of comprehensive income.

The purchase of LGFA borrower notes by councils who borrow from LGFA is disclosed in note 9.

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

Other disclosures

Net Tangible Assets

Net tangible assets per $1,000 of listed bonds as at 31 December 2020 is $6.86 (30 June 2020: $7.09).

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LGFA

NEW ZEALAND LOCAL
GOVERNMENT FUNDING AGENCY

TE PŪTEA KĀWANATANGA Ā-ROHE

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8.3 NEW ELECTRICITY CONTRACT

Author: Terry Creighton, Sustainability & Resilience Advisor

Authoriser: Sean Mallon, Group Manager Infrastructure Services

PURPOSE OF REPORT

1 Our current electricity contract expires on 30 June 2021. This report seeks approval to enter into a new electricity supply contract.

DELEGATION

2 The current Governance Structure and Delegations (2019-22 Triennium) notes in section B1 that the roles and responsibilities of the Strategy and Operations Committee, include:

- *Approval of contracts and contract variations outside the Chief Executive's delegations*

3 The value of the energy contract for the full term falls outside the CE's delegations, therefore this Committee has the delegation to approve this contract.

BACKGROUND

4 A report for decision was presented to the Strategy and Operations Committee on 3 December 2020 discussing electricity contract offers received through an All-of-Government (AoG) tender process undertaken in October/November 2020.

5 The decision was taken at that meeting to:

i) Decline the offers received from the AoG tender process,

ii) Approve the establishment of a separate, independent, tender process to seek offers for our new electricity contract in early 2021.

6 That decision was taken because an independent tender would give Council more flexibility in determining the contract period, and the electricity market was experiencing significant volatility at that time, due to uncertainty over the future of the electricity supply to the Tiwai Point aluminium smelter.

7 It was recognised and discussed that there was no certainty that market volatility would have eased by the time we went out to tender again. It was noted that there was a risk that a new tender in early 2021 could result in higher offers but that the length of the contract term could be used to mitigate some of that risk.

8 Carbon EMS was selected to run our independent tender in early March 2021. They advised us that there had been a significant increase in volatility and prices in the electricity market since the AoG tender, and warned that pricing offers were likely to be higher than we had received in November 2020.

Market conditions and prices

9 Prices across all offers that were received in the March tender were notably higher than they had been in the previous tender.

10 In the *Tender Evaluation Report* (Appendix 1) it was explained that the changes in the electricity market were due to the following factors:

i) Rio Tinto has accepted an electricity contract for the Tiwai Point smelter, keeping it open for the next three years.

ii) There have been unexpected declines in natural gas production in recent months, which have impacted strongly on gas and electricity prices.

iii) The impact of the emissions trading scheme (ETS) is starting to be felt through electricity prices in the fossil-fuel generation sector.

iv) At the time of going to tender, low lake levels suggested 2021 was going to be a ‘dry year’, with lower than usual hydro-electricity generation as a result.

11 Carbon EMS concluded in their evaluation report that the market had changed significantly from 2020. The current expectation is that although prices are expected to fall over the next 5 years they are seen as unlikely to fall back to the levels seen in 2020. The factors expected to influence future electricity prices are the following:

i) Tiwai point is not expected to keep operating beyond the next three years. This will free-up a significant volume of electricity supply which will contribute to an easing in prices.

ii) Several of the larger generators have recently announced plans to proceed with a significant number of renewable energy projects over the next 2-5 years. This is expected to contribute to an easing in prices.

iii) However, the reduced supply of natural gas is not something that is seen as likely to be resolved in the near future. This, together with the ETS impacts, are expected to maintain higher average prices in the electricity sector (than in the recent past) until such time as we transition further away from natural gas and coal use toward more renewable energy.

Other market factors

12 The Electricity Tender market has some specific conditions that make it distinct from most other tender processes. When electricity retailers are making offers for particular supply contracts they are basing their best price offers on their own modelling of what will happen with electricity prices in the future. In doing that they are taking into account the risks that future prices will be different than their expectations.

13 Generally, therefore, tender offers are only ‘on the table’ for 5-7 working days. At the end of that period the ‘Contractee’ is required to indicate their preferred offer though a signed ‘Letter of Intent’ to their preferred Contractor.

14 This does not allow enough time to inform the Committee. Therefore, after consideration of the advice in the *Tender Evaluation Report,* analysis of the offers received, and discussion with the Infrastructure Group Manager and the Chief Executive, the decision was made to send a signed letter of Intent to Meridian Energy for both the TOU and NHH supplies, for a five-year contract term.

15 This means that the Committee can either accept the Meridian 5-year contract offer or decline that offer.

16 The remainder of this report outlines why Meridian’s 5-year offer was preferred and why we recommend that the committee approve that contract.

DISCUSSION OF OFFERS

17 There are two key types of electricity supply that we tendered for:

i) Our larger ‘Time of Use’ (TOU) electricity supplies (such as the Paraparaumu Wastewater Treatment Plant, the Waikanae Water Treatment Plant, our streetlight supply, and the Coastlands Aquatic Centre), and

ii) Our smaller electricity supplies which are <u>not</u> on ‘half-hourly Time-of-Use’ metering. These ‘Non-Half-Hourly’ (NHH) supplies, account for the majority of our connection points but only account for around 22-25% of our total electricity costs.

18 We received a range of offers from the four main electricity retailers for our TOU supplies, which covered contract periods from 2 to 5 years. Meridian Energy was the only retailer to offer rates for all periods.

19 We also received NHH supply offers from the same four retailers, all for a standard 12-month term, extendable to the term of the TOU contract we decide to accept.

Preferred offer for Time of Use supplies

20 Meridian Energy provided the best price offers over all contract periods for our TOU supplies. Table 1 below outlines the estimated annual cost of those offers.

Table 1: Meridian TOU offers

	2 year term	3 year term	4 year term	5 year term
	p.a.	p.a.	p.a.	p.a.
Total TOU (incl Network charge)	**$1,660,000**	**$1,573,000**	**$1,481,000**	**$1,383,000**

Note: Figures have been rounded for commercial confidentiality reasons

21 The *Tender Evaluation Report* concluded that the Meridian 3-year (36 month) and 5-year (60 month) contract offers were the better offers.

22 Staff undertook some opportunity cost analysis to get a better understanding of the risks involved. That analysis indicated that the 3 year and 5 year contract terms would be broadly equivalent with each other if electricity prices in Years 4 and 5 fell back to close to the levels prevailing in late 2020 (9.5-10 cents/kWh).

23 The result of that analysis was that although a longer term contract for 5 years has some risk of missing out on lower prices in years 4 and 5, that risk is considered relatively low. Given the factors behind the change in market conditions outlined above, it's expected that although prices may fall back over the next 3-5 years it is considered highly unlikely they would get lower in Years 4 and 5 than they were in late 2020.

24 The key advantage of choosing the five year contract is that it gives us certainty over the prices we'll be paying over the next five years, and the ability to budget accordingly.

Preferred tender for Non Half Hourly supplies

25 The Meridian NHH offer was the second best of the four offers and was not substantially higher than the best offer.

26 Carbon EMS advised that estimating the full year budget impact of NHH offers is less straightforward than for TOU offers and noted that there is some variability around these. They advised that given the relatively modest price difference between these two best NHH contracts (in the context of the overall size of the total electricity spend), and the advantages of dealing with a single provider and single account manager, they strongly advised to enter into a contract with one supplier.

27 It is proposed that Council follows this advice and approves the Meridian NHH offer as the preferred offer.

Option 1: Meridian Energy contract for 5 year term

28 The estimates in Table 2 below show the expected annual cost of the Meridian TOU and NHH contracts, for a 5 year term.

Table 2: Combined TOU and NHH offers

	5 year term
	p.a.
Total TOU (incl Network charge)	$1,383,000
NHH (Meridian)	$454,000
Total electricity cost	**$1,837,000**

Note: Figures have been rounded for commercial confidentiality reasons

29 The decision was made to sign the Letter of Intent with Meridian for the 5-year contract for the reasons discussed above, and because it comes in under the draft 2021 LTP budget for 2021/22.

30 The NHH offer is fixed price for the first three years and will have the option to renegotiate for years 4 and 5. This is expected to work to our advantage as market expectations are that prices will be generally lower in three years time, as discussed above.

Option 2: Decline the Meridian offer

31 Given the constraints in the electricity tender process, particularly at this time of heightened volatility, the only other option the committee has is to decline the Meridian 5 year contract offer and either:

i) Purchase electricity on the Spot market, or

ii) Go back out to tender again.

32 Neither of these latter options is recommended, for the following reasons:

i) Purchasing electricity on the Spot market carries too much risk of exceeding our electricity budget. Spot prices are currently running at around 25-26 cents/kWh, nearly twice the preferred Meridian offer.

ii) Going back out to tender will add to our costs and is unlikely to result in an improved outcome given current market conditions.

CONSIDERATIONS

Policy considerations

33 There is no specific policy that impacts on this matter.

Legal considerations

34 There are no statutory requirements in regard to this decision.

Financial considerations

35 The budget impacts are outlined in table 2 above, and are within the proposed 2021/22 LTP electricity budget.

Tāngata whenua considerations

36 There are no tāngata whenua considerations.

Strategic considerations

37 As discussed in the previous electricity tender report (6 December 2020) choosing Meridian as Council’s electricity provider gives Council the option to purchase renewable electricity certificates (RECs).

38 However, as noted in that report, the relationship between achieving our emissions reduction target by purchasing renewable electricity certificates and ensuring an ‘effective’ response to climate change is debatable.

39 Furthermore, our carbon auditors, Toitū Envirocare, have made it clear in their recent advice that they have reached the same conclusion and are, therefore, currently not treating renewable energy certificates as a way of reducing an organisation’s grid-emissions factor and hence their carbon footprint. That treatment may change in future if the REC scheme changes in significant ways.

SIGNIFICANCE AND ENGAGEMENT

Significance policy

40 Developing an effective response to climate change is of strong significance to our Council and our community. However, as things stand (as explained in paragraphs 37-38 above), the choice of electricity provider is seen as having a low level of significance under Council's Significance and Engagement Policy.

Publicity

41 In line with its low level of significance there is no need to inform the community about this matter.

RECOMMENDATIONS

42 It is recommended that the Committee:

- Accepts the 5 year contract offer from Meridian Energy for both the TOU and NHH supplies

APPENDICES

1. KCDC Electricity Tender Evaluation Report ⇩

Kapiti Coast District Council

Electricity Tender Evaluation Report

March 2021

Prepared for Kapiti Coast District Council (KCDC)
By Carbon EMS
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CarbonEMS
TOWARDS ZERO

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Disclaimer

Energy and Technical Services Ltd T/A Carbon EMS does not assert any prediction or estimation of the forward spot price for electricity. Carbon EMS does not make any prediction in changes in market conditions, or government activity. The energy prices are "fixed" for the duration of the agreement. However, if the Government or Network Companies at some point during the term of the agreement amends or enacts any legislation, including the Emissions Trading Scheme, then costs may be passed on by your supplier.

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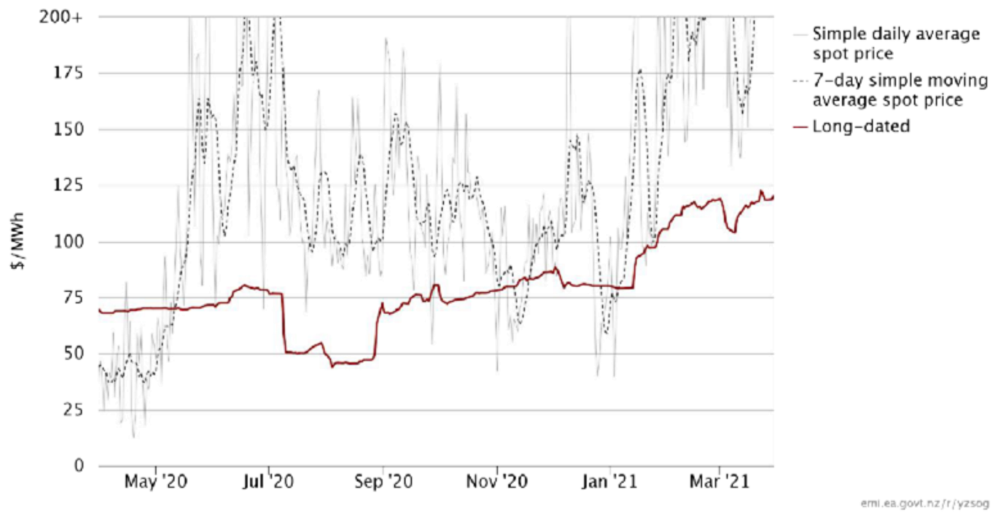
Contents ....Page No.

1) Overview

This paper describes the methodology and findings from the electricity tender undertaken by Carbon EMS for Kapiti Coast District Council (KCDC). It is intended to assist KCDC to reach its own decision upon the award of an electricity contract.

1.1) Fundamental Market Correction

Before we continue, we need to prepare readers of this report, that we have witnessed a fundamental change in the New Zealand electricity market in terms of supply and demand.



The above graph shows the futures price for electricity within the New Zealand wholesale market. The dip from July 2020 until September 2020 was when there were announcements about Tiwai Point smelter. However, since then both spot and futures prices have trended up significantly.

The following events have played a role in this price trend:

- The Government is continuing to negotiate with Rio Tinto to keep Tiwai Point open for the next 3 years. Whilst no final call has been announced on the ultimate future of the smelter, Meridian Energy's 'special' offer to the Smelter was accepted and therefore it will remain in operation for at least the next three-years. As Tiwai consumes about 15% of all New Zealand's electricity, this means its electricity will continue to be consumed there and not available for other uses.
- The price of emissions trading scheme (ETS) credits has risen 60% in the last year and now stands at a record $37/tonne. As fossil fuels still make up ~15% of our electricity generation this has contributed to the increased prices.
- Declining natural gas production has led to a shortage of gas supply and increased prices for electricity generators. Therefore, natural gas generation has largely been replaced with coal-fired generation from Huntly. This has further contributed to the increases.
- It is increasingly likely that 2021 is going to be a 'dry year' with February lake inflows the third lowest on record.

This is all a preface to say, the NZ electricity market has changed significantly from 2020, when KCDC previously went to market.

Now we are in 2021, we have seen significant electricity price increases over those in 2020, let alone the prices last seen in 2018 and which tariffs KCDC is still enjoying.

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2) Background

Carbon EMS was engaged by KCDC to manage the tender for the supply of electricity and associated services to council. Carbon EMS has a proud and established history for over twenty years of successfully procuring electricity contracts for many organisations in New Zealand since 2000.

The current electricity contract for KCDC expires at the end of June 2021 and this tender has been run to put in place new contracts for the supply of electricity to KCDC as of 1 July 2021.

Offers have been evaluated and are presented in this report for consideration by KCDC.

3) Summary of Offers

The following is a summary of the offers received for KCDC in a tender run by Carbon EMS.

3.1) Mercury Energy

Mercury Energy, which used to be known as Mighty River Power, is an electricity and gas retailer, that is also an electricity generator. It is listed on the NZX, where it is majority owned by the New Zealand Government (51%), with the balance being held by the general public and institutional investors.

Mercury Energy provided both thirty-six month Fixed Price Variable Volume (FPVV) Time of Use (TOU) offer commencing 1 July 2021 and running through to end June 2024. Their TOU pricing was split into six time slots of 00.00 to 04.00, 04.00 to 08.00, 08.00 to 12.00, 12.00 to 16.00, 16.00 to 20.00 and 20.00 to 24.00 without any further Prompt Payment Discount (PPD). The prices provided were energy only and excluded local losses or network fees, albeit AC losses are included as the supply relates to the relevant local Grid Exit Point (GXP). The thirty-six-month offer is staggered, i.e. pricing varies between the years, with 2021 the most expensive and 2024, the least expensive.

Mercury Energy also provided a sixty-month blended, or flat priced offer, with the same prices for each of the five years, i.e. 2021 through to 2026 are even.

They also included a NHH offer which includes a 10% Prompt Payment Discount (PPD). Their offer is valid until **Thursday 1st April 2021**.

3.2) Meridian Energy

Meridian Energy is an electricity retailer and generator. It does not retail gas. It is listed on the NZX, where it is majority owned by the New Zealand Government (51%), with the balance being held by the general public and institutional investors.

Meridian Energy provided a twenty-four-, thirty-six-, forty-eight- and sixty-month Fixed Price Variable Volume (FPVV) Time of Use (TOU) offer commencing 1 July 2021. Their TOU pricing was split into six time slots of 00.00 to 04.00, 04.00 to 08.00, 08.00 to 12.00, 12.00 to 16.00, 16.00 to 20.00 and 20.00 to 24.00 without any further Prompt Payment Discount (PPD). The prices provided were energy only and excluded local losses or network fees, albeit AC losses are included as the supply relates to the relevant local Grid Exit Point (GXP). These offers are blended, or flat priced, with the same prices for each of the years, i.e., 2021 through to 2025 are even.

They also offered either a twenty-four or a thirty-six-month contracted Non-Half Hourly (NHH) arrangement without any further PPD. Their offer is valid until **Wednesday 7th April 2021**.

3.3) Genesis Energy

Genesis Energy is an electricity and gas retailer that is also an electricity generator. It is listed on the NZX, where it is majority owned by the New Zealand Government (51%), with the balance being held by the general public and institutional investors.

Genesis Energy provided a sixty-month Fixed Price Variable Volume (FPVV) Time of Use (TOU) offer commencing 1 May 2021 and running through to the end of April 2026. Their TOU pricing was split into six time slots of 00.00 to 04.00, 04.00 to 08.00, 08.00 to 12.00, 12.00 to 16.00, 16.00 to 20.00 and 20.00 to 24.00 without any further Prompt Payment Discount (PPD). The prices provided were energy only and excluded local losses or network fees, albeit AC losses are included as the supply relates to the relevant local Grid Exit Point (GXP). Their price includes Renewable Energy Certificates (RECs) that should allow the council to tally their electricity consumed as emissions free. This offer is blended, or flat priced, with the same prices for each of the years, i.e. 2021 through to 2026 are even.

They also included a NHH offer which includes a 21% Prompt Payment Discount (PPD). Their offer is valid until **Thursday 1st April 2021**.

3.4) Contact Energy

Contact Energy as the owner is an electricity and gas retailer, that is also an electricity generator. It is listed on the NZX, where it is owned by a mixture of the general public and institutional investors.

Contact Energy provided a thirty-six month and Fixed Price Variable Volume (FPVV) Time of Use (TOU) offer commencing 1 July 2021 and running through to end June 2024. Their TOU pricing was split into six time slots of 00.00 to 04.00, 04.00 to 08.00, 08.00 to 12.00, 12.00 to 16.00, 16.00 to 20.00 and 20.00 to 24.00 with a 10% Prompt Payment Discount (PPD). The prices provided were energy only and excluded local losses or network fees, albeit AC losses are included as the supply relates to the relevant local Grid Exit Point (GXP). The thirty-six month offer is staggered, i.e. pricing varies between the years, with 2021 the most expensive and 2024, the least expensive.

They also included a NHH offer which includes a 10% Prompt Payment Discount (PPD). Their offer is valid until **Thursday 1st April 2021.**

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4) Evaluation of Offers

4.1) Tender Evaluation Criteria

Given the tight timeframes and knowledge of the tight electricity supply market, this report focuses primarily on the price aspect of the evaluation criteria. Below are the criteria as specified in the RFP documents.

Mandatory	**Areas**	
	Terms and conditions acceptable to Council.	Pass/Fail
Scored	**Areas**	Rankings
	Price	50%
	Sustainability	25%
	Account Management and Invoicing	20%
	Management of transition between retailers	5%

4.2) Summary of Findings

Introduction

<u>Non Half Hour:</u> Costs are bundled (all-inclusive of energy and network charges). Prompt payment discount is applied where offered.

<u>Time of Use</u>: Local network losses and network charges have not been applied as they are independent of energy cost. Inclusive are energy tariffs, retailer's metering and administration or management charges (if any), Emissions Trading Scheme charges, AC transmission losses to the relevant GXP, Electricity Authority levy charges and prompt payment discounts where offered.

Offers of supply from **Genesis Energy, Meridian Energy, Mercury Energy and Contact Energy** have been presented to KCDC.

N.B. These calculations have been undertaken using pre-COVID consumption patterns, i.e. data up to March 2020.

Types of TOU contracts presented to KCDC include Fixed Price Variable Volume (FPVV) only. Arrangements of 100% spot exposure or variable rates of spot exposure coupled with percentage hedge are also available from some retailers.

4.3) Time of Use (TOU)

KCDC received TOU offers of a thirty-six-month Fixed Price Variable Volume (FPVV) from Mercury Energy, Meridian Energy and Contact Energy. Meridian Energy offered additional twenty-four-, forty-eight- and sixty-month Fixed Price Variable Volume (FPVV) offers. Mercury Energy and Genesis Energy also offered sixty-month Fixed Price Variable Volume (FPVV) offers.

Retailer	Terms (months)	Staggered or Blended
Meridian Energy	24,36,48 and 60	All blended
Genesis Energy	60	Blended
Mercury Energy	36 and 60	36m staggered, 60 blended
Contact Energy	36	Staggered

The Mercury Energy thirty-six-month offer was staggered, whilst the Meridian Energy offers were blended or constant pricing across all the years in each offer. Genesis Energy offered a sixty-month blended offer. N.B. A staggered offer means the pricing is for a particular year and is not blended or averaged across the term. Genesis Energy has advised a thirty-six-month blended offer is available but did not submit this at the time of tender.

The following tables set out the financial value of the offers received for KCDC. These are all based on Fixed Price Variable Volume (FPVV) offers and exclude local losses and network fees, but include AC loss factors, metering, administrative charges, and EA levies. GST is excluded and PPD where available has been applied.

24 Month Term

Financial Information	TOU - 2 Year		
	Estimated Load	*Value*	*Average c/kWh*
Existing Pricing	14,799,318	$1,284,907	8.68
Meridian Energy	14,799,318	$2,441,765	16.50

TOU Comparisons			
	Ann. Value	*Difference*	*Percentage*
Existing Pricing	$ 642,454	$ -	0.00%
Meridian Energy	$1,220,882	$ 578,429	90.03%

36 Month Term

Financial Information	TOU - 3 Year		
	Estimated Load	*Value*	*Average c/kWh*
Existing Pricing	22,198,977	$1,927,361	8.68
Mercury Energy	22,198,977	$3,489,923	15.72
Meridian Energy	22,198,977	$3,399,285	15.31
Contact Energy	22,198,977	$3,487,665	15.71

TOU Comparisons			
	Ann. Value	*Difference*	*Percentage*
Existing Pricing	$ 642,454	$ -	0.00%
Mercury Energy	$1,163,308	$ 520,854	81.07%
Meridian Energy	$1,133,095	$ 490,641	76.37%
Contact Energy	$1,162,555	$ 520,101	80.96%

Page 8 of 12

TOU - Annual Breakdown						
	Year 1		Year 2		Year 3	
	Value	*Average c/kWh*	*Value*	*Average c/kWh*	*Value*	*Average c/kWh*
Existing Pricing	$ 642,454	8.68	$ 642,454	8.68	$ 642,454	8.68
Mercury Energy	$ 1,559,811	21.08	$ 1,013,803	13.70	$ 916,310	12.38
Meridian Energy	$ 1,133,095	15.31	$ 1,133,095	15.31	$ 1,133,095	15.31
Contact Energy	$ 1,431,425	19.34	$ 1,071,350	14.48	$ 984,890	13.31

48 Month Term

Financial Information	TOU - 4 Year		
	Estimated Load	*Value*	*Average c/kWh*
Existing Pricing	29,598,636	$2,569,815	8.68
Meridian Energy	29,598,636	$4,164,590	14.07

TOU Comparisons			
	Ann. Value	*Difference*	*Percentage*
Existing Pricing	$ 642,454	$ -	0.00%
Meridian Energy	$ 1,041,147	$ 398,694	62.06%

60 Month Term

Financial Information	TOU - 5 Year		
	Estimated Load	*Value*	*Average c/kWh*
Existing Pricing	36,998,296	$3,212,269	8.68
Genesis Energy	36,998,296	$5,020,868	13.57
Mercury Energy	36,998,296	$5,004,464	13.53
Meridian Energy	36,998,296	$4,715,573	12.75

TOU Comparisons			
	Ann. Value	*Difference*	*Percentage*
Existing Pricing	$ 642,454	$ -	0.00%
Genesis Energy	$ 1,004,174	$ 361,720	56.30%
Mercury Energy	$ 1,000,893	$ 358,439	55.79%
Meridian Energy	$ 943,115	$ 300,661	46.80%

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4.4) Non Half Hour (NHH)

KCDC received NHH offers from = Genesis Energy, Meridian Energy, Mercury Energy and Contact Energy.

All offers are fully bundled, i.e. inclusive of AC loss factors, local loss factors, EA levies, account management and metering fees.

We have applied the PPD where offered in the NHH offers. We have undertaken our analysis on an annual basis, as these tariffs do not change as TOU tariffs do, i.e. the annual costs for Year One, Two and Three would all be the same.

N.B. These calculations have been undertaken using pre-COVID consumption patterns, i.e. data up to March 2020.

Analysed over a single year, the least cost offer for the supply of NHH electricity to KCDC is provided by **Genesis Energy** at an expected average annual cost of **$428,834** which represents an annual increase of **$113,522 or 36%** over existing prices. These are all inclusive of local losses, network fees, metering, administrative charges and EA levies. GST is excluded and PPD where available has been applied.

Financial Information	NHH - 1 Year*		
	Estimated Load	*Value*	*Average c/kWh*
Existing Pricing	2,069,706	$ 315,312	15.23
Genesis Energy	2,069,706	$ 428,834	20.72
Mercury Energy	2,069,706	$ 490,721	23.71
Meridian Energy	2,069,706	$ 453,802	21.93
Contact Energy	2,069,706	$ 538,593	26.02

NHH Comparisons			
	Ann. Value	*Difference*	*Percentage*
Existing Pricing	$ 315,312	$ -	
Genesis Energy	$ 428,834	$ 113,522	36.00%
Mercury Energy	$ 490,721	$ 175,410	55.63%
Meridian Energy	$ 453,802	$ 138,490	43.92%
Contact Energy	$ 538,593	$ 223,281	70.81%

5.0) Recommendation

As much as the results from this tender are unpalatable, they represent where the New Zealand electricity market is today.

The supply of natural gas is not something that is going to be resolved in 2021, if ever. New Zealand's largest gas field Maui is nearing the end of its extended, extended life and the next largest field Pohokura is 25% below the output field operator OMV expected it to be. And only continuing to decline.

The NIWA forecast for the remainder of 2021 is bleak in terms of receiving meaningful rain in the South Island hydro catchment area. With February 2021 already being the third lowest water inflows on record and March almost certainly to be similar, electricity prices are predicted to go higher still.

Electricity market spot prices are presently 50 to 70 cents/kWh and as the year heads into winter with a corresponding greater demand for electricity, these are not expected to drop.

This is a very long way of saying that the results of this tender are not what any of us were hoping for, but that the **thirty-six month offer from Meridian Energy** for TOU at 15.31 cents/kWh is certainly a far better alternative arrangement than being on the spot market, which would be the likely outcome if none of these offers were to be accepted.

The question is how long a term of contract is preferred? We are not going to make any specific recommendation over the length of term, as this needs to be viewed by KCDC in terms of appetite for risk.

If certainty is more important to council than the potential of lower prices from 2024 to 2026 then the sixty month offers should be favoured. However, if the council is looking to seek the best prices in three years' time in anticipation of a more favourable electricity market in the future then the thirty-six-month term should be favoured. Both approaches come with risks.

Both Meridian Energy Genesis Energy provided information relating to the non-price aspects of this RFP and both can provide Renewable Energy Certificates (RECs) to help the council meet its decarbonisation objectives. Other proposals such as Solar and EV charging were also offered.

Appendix A –Tendering Methodology

The following process was followed:

1. Your organisation accepted a proposal by Carbon EMS to provide specific consultancy services in undertaking the tender for electrical supply and associated services on 23rd December 2020.

2. EOI were received from Meridian Energy, Genesis Energy, Contact Energy, Mercury Energy, they were willing to submit an offer.

3. Carbon EMS developed the RFP documents, and these were sent out to all parties who had registered their interest on the 11th of March 2021, with a tender close date of 25th March 2021.

4. Offers of supply were received by Carbon EMS from the following retailers before the 25th March closing time: Meridian Energy, Genesis Energy, Contact Energy and Mercury Energy.

5. Tender offers were evaluated by Carbon EMS and compared against each other, in accordance with the RFP requirements.

6. Carbon EMS assumes that the 1st April 2021 expiry date for Genesis Energy, Contact Energy and Mercury Energy offers will not be extended and therefore KCDC must receive issue their letter of intent before these dates.

8.4 NPS ON URBAN DEVELOPMENT MONITORING REPORT - QUARTER 3

Author: Aston Mitchell, Policy Advisor

Authoriser: Natasha Tod, Group Manager Strategy, Growth and Recovery

PURPOSE OF REPORT

1 To provide the Committee with the 2020/21 third quarter National Policy Statement on Urban Development (NPS UD) Monitoring Report, that covers the period from 1 December 2020 – 28 February 2021.

2 The 2020/21 third quarter NPS UD Monitoring Report is attached as Appendix 1 to this report.

DELEGATION

3 The Strategy and Operations Committee has the authority to consider this matter under section B.1 of the Governance structure and delegations 2019-2022.

BACKGROUND

4 The NPS UD requires Council to undertake quarterly monitoring and reporting of a range of market indicators published by the Ministry of Housing and Urban Development (HUD).

5 Monitoring reports are completed quarterly in September (Q1), December (Q2), March (Q3), and June (Q4) each year, and focus on changes to key indicators across the quarters. The September account also contains annual reporting to provide more in depth analysis across the previous year.

6 Previous Monitoring Reports are available on our 'Urban development capacity' webpage at https://www.kapiticoast.govt.nz/our-district/the-kapiti-coast/urban-development-capacity/.

7 The 2020/21 third quarter Monitoring Report provides an update and analysis of changes across the housing and development market for the period from 1 December 2020 – 28 February 2021. Specifically, this report focuses on Kāpiti Coast District Council's resource and building consent data during the quarter.

KEY POINTS OF INTEREST

8 Key points of interest from this report include:

- Resource and building consent activity has decreased in the last quarter, as expected for the Christmas period.
  - 116 building consents were issued in the third quarter for a total value of $35,907,648 (the second quarter issued 173 building consents with a total value of $38,207,421).
  - 66 resource consents were granted across all consent types, with potential net additional dwellings totalling 53 (the second quarter granted 74 resource consents with potential net additional dwellings totalling 88).
- When compared to the third quarter in 2019/20, both building consent activity has decreased slightly while resource consent activity has increased slightly (from 123 and 57 respectively), with potential net dwellings from resource consents decreasing (down from 101).

CONSIDERATIONS

Policy considerations

9 Regular monitoring of indicators informs NPS UD requirements to assess development capacity every three years. Monitoring information will also help support the review of the District Growth Strategy (formerly Development Management Strategy) which is due to be completed in December 2021.

Legal Considerations

10 Appendix 1 to this report meets the NPS UD 2020 requirements to monitor and publish monitoring results.

Financial Considerations

11 There are no financial considerations arising from this report.

Tāngata whenua considerations

12 We have not engaged directly with iwi on this report.

Strategic considerations

13 *Toitū Kāpiti* reflects aspirations for a vibrant and thriving Kāpiti, with strong and safe communities that are connected to our natural environment. Monitoring under the NPS UD supports Council to adapt and respond to evidence about urban development, market activity and the social, economic, cultural and environmental wellbeing of people and communities and future generations, in a timely way.

SIGNIFICANCE AND ENGAGEMENT

Significance policy

14 This matter has a low level of significance under Council's Significance and Engagement Policy.

Publicity

15 The 2020/21 third quarter Monitoring Report will be published on the Council's 'Urban Development' webpage alongside previous quarters' reports. An email will also be distributed to a list of stakeholders who have expressed an interest in the reports and to receive future updates.

RECOMMENDATIONS

16 That the Committee receives this report; and

17 That the Committee notes the contents of the NPS UD 2020/21 third quarter Monitoring Report for the period 1 December 2020 to 28 February 2021, as attached as Appendix 1 to this report.

APPENDICES

1. NPS UD - March Q3 Report ⇩

National Policy Statement on Urban Development

Kāpiti Coast District Council Quarter 3 Monitoring Report

March 2021

Contents

Executive summary

This third quarter NPS-UD monitoring report provides an update and analysis of changes across the development market for the 1 December 2020 – 28 February 2021 period.

Quarterly reporting identifies changes in development activity and a range of market and price efficiency indicators sourced from the Ministry of Housing and Urban Development's Urban Development Dashboard where available, however these have not been updated since the last quarterly report or prior. As a result, this report primarily focuses on an update of development control activity.

Both resource and building consent activity has decreased over the last quarter as expected for the Christmas holiday period, however numbers are mixed from the same period last year, with building consents slightly down and resource consents slightly up. Potential net additions to new stock from new builds and subdivisions is also slightly down, with a potential of 53 new additions to new stock this quarter, compared to last quarter's 88.

The Ministry of Social Development's Housing Register, updated in December 2020, continues to show a nation-wide trending increase in registrations both quarterly and yearly, however Kāpiti did experience a small decrease from last quarter from 175 to 173.

A snapshot of indicator activity for the 1 December 2020 – 28 February 2021 is summarised below:

Indicator	Movement from Last quarter	Context
Building consent applications issued	Decrease (by 57 as per Appendix 1)	116 consents issued with a total value of $35,907,648
Resource consent applications granted	Decrease (by 8 as per Appendix 1)	66 consents granted - 56 residential - 10 non-residential - Indicating a potential net addition of 53 dwellings from new builds and subdivisions

Indicators not updated for this quarter are below, and are listed with their latest updated activity levels. These will be updated in the next quarterly report subject to updates made to the Urban Development Dashboard by the Ministry of Housing and Urban Development.

Dwelling stock (number of dwellings)	*Increasing*	*Baseline stock numbers have not been revised since 30/09/2019 where they sat at 22,415.*
Dwellings sale volume as percentage of stock	*Decreasing*	*After a recent high of 1.814% for the period ending 31/12/2018, the ratio of sales to volume has fallen to 1.08% as at 30/09/2019.*
Nominal mean rent	Increasing	*Mean rent has continued to increase, strengthening from $438 for 30/06/2019 to $455 in 31/03/2020. This increased to $469 per week in 30/09/2020.*
HAM Buy: share of first home buyer households with below-average income after housing costs	*Decreasing (improving)*	*Latest data sees affordability to buy improve as it declines from the recent peak of 0.82 in June 2018 back to 0.80 as at 31/12/2018.*
HAM Rent: share of renting households with below-average income after housing costs	*Decreasing (Improving)*	*Latest data sees affordability of renting improve, falling from 0.41 at 31/12/2018 to 0.40 at 31/12/2018.*
House values	*Increasing*	*The median value of house sales has historically increased, rising from $730,000 in 30/09/2020 to $756,750 for the latest period to 30/12/2020.*
House sales	*Increasing*	*The sales figures for 31/09/2019 were 308, with an increase for 30/09/2020 to 406.*
Land value as percentage of capital value	*Maintaining*	*Maintaining 47% (as of 30/09/2017)*
Average land value of a dwelling	*Increasing*	*$265,405 (as of 30/09/2017) increasing since 2014*

National Policy Statement on Urban Development

Kāpiti Coast District Council - Quarter 3 Monitoring Report March 2021

Introduction

This is the third quarter monitoring report implementing the National Policy Statement on Urban Development (NPS-UD). The report provides updated data and analysis of changes to the housing market from the 1 December 2020 – 28 February 2021 period.

Quarterly reporting identifies changes in development activity and a range of market and price efficiency indicators sourced from the Ministry of Housing and Urban Development's Urban Development Dashboard, however these have not recently been updated so this report focuses primarily on development control activity.

Regular monitoring supports Council's work to understand and develop an assessment of development capacity and a fit-for-purpose evidence base for Council's decision-making on infrastructure investment and the future release of land to meet development needs.

Previous monitoring reports are available at: www.kapiticoast.govt.nz/Our-District/The-Kapiti-Coast/urban-development-capacity

Update on the review of the District Growth Strategy

Council is currently in the process of reviewing its District Growth Strategy (formerly the Development Management Strategy 2008). The strategy will provide a broad framework for how the district plans to grow over the next 30 years. This includes how it will help meet both the current and future needs of the district, with an additional 30,000 people expected to call the district home by 2050.

The review of the strategy enables us to reflect the long term regional vision for growth and change set out in the draft Wellington Regional Growth Framework, while providing further detail for how Kāpiti plans to manage its own future growth. The strategy will also help inform Councils response to requirements under the National Policy Statement on Urban Development (NSP- UD) to develop well-functioning urban areas and ensure sufficient development capacity to meet current and future community needs. This includes identifying where and how future growth is provided for, both up and out, including a range of housing typologies and intensification around centres, transport connections and future greenfield areas. This will help inform future plan changes to give effect to the NPS-UD.

Discussions are being planned with key stakeholders, including the development community, later in May 2021 to provide an update on the process and discuss challenges and opportunities for future growth of the district. This will be followed by consultation on a draft strategy later in July – August 2021. Further information on the review is available at www.kapiticoast.govt.nz/your-council/projects/growth-strategy.

Housing Register Quarterly Update – December 2020

The Ministry of Social Development National Housing Register was last updated in December 2020. The update at this time shows that over the September to December 2020 period, applications for social housing in Kāpiti have decreased slightly, from 175 to 173 registrations. Nationally registrations have increased in 84% of locations, moving from a total of 21,415 to 22,521 over this period. Compared to the same quarter last year registrations in Kāpiti have increased from 109 to 173. This follows the national trend where overall registrations have increased from 14,869 to 22,521 for this period comparison. Housing Register data is available at: https://www.msd.govt.nz/about-msd-and-our-work/publications-resources/statistics/housing/index.html

1 GROWTH TRENDS

Consent numbers (both building and resource) for this quarter have decreased from the last quarter which is not unusual for the Christmas period, with potential net additional dwellings also down. Compared to the same period last year there has been a slight decrease in building consents issued, and a slight increase in resource consents granted, however there has also been a slight decrease in potential net dwellings.

Building consents[7]

Data on building consents helps identify development activity across the district. Between 1 December 2020 – 28 February 2021, 116 consents were issued. Of these, 53 related to new builds[8] (down from 60 from the last quarter), 54 related to dwellings - additions and alterations (down from 95 from the last quarter), and 1 related to a re-sited house.

Compared to last quarter building consent numbers have decreased (down from 176), with the total value of work reflecting this at $35,907,648 down from last quarters $38,207,421.

Compared to the same period last year, building consents are slightly down (123 to 116), with an increase in the total value of work from $33,865,584 to $35,907,648. The difference can be largely attributed to higher value projects within the new (& prebuilt) house, unit, bach, crib category for the same period last year (an increase this quarter of $3,855,947) with an increase in work for other buildings – alternations & additions (an increase of $1,390,000), and a decrease in work for dwellings – alterations & additions (a decrease of $1,768,883).

Further detail on the number and type of consents issued for this quarter can be found in Appendix One.

Resource consents[9]

Between 1 December 2020 – 28 February 2021, Council granted 66 resource consents. This included 35 land use consents, 21 subdivision consents, and 10 resource consents for deemed permitted activities that involved a boundary activity[10]. Overall, 56 of the consents granted related to residential activities and information from the consents suggests that these applications have the potential to yield 53 net additional dwellings. This is down from the 88 potential net additional dwellings reported last quarter.

During this period, rural residential activities accounted for 6 of the 57 residential activities (accounting for 4 of the potential net additional dwellings), with the majority of the residential consents (20) again coming from the wider Waikanae area (accounting for 20 of the potential net additional dwellings). Raumati Beach and Raumati South feature strongly for this period,

[7] Note: Applications for garages, fireplaces, fences, retaining walls, outbuildings, conservatories, swimming and spa pools, and other construction (e.g. signs and pergolas) are excluded from this analysis of building consents.
[8] From statistics category for New (& prebuilt) House, Unit, Bach, Crib
[9] Quarterly resource consent activity excludes applications that varies or changes consent conditions or outline plans, which are included in wider Resource Management Act monitoring.
[10] Resource Management Act 1991, Sections 87BA, 87BB.

accounting for 11 of the residential consents however this is yielding only 3 potential net additional dwellings due to a number of consents for other activities such as extensions, a garage, and a replacement build; Paraparaumu also features strongly with 11 residential consents yielding 13 of the potential net additional dwellings.

There were also 10 non-residential resource consents granted during this period. These included the repair and maintenance of a heritage building (the Otaki Civic Centre), operating a retail activity in the industrial/service zone, and installing and operating an industrial activity (mobile asphalt plant) in the Rural Dunes Zone.

Resource consent activity for this quarter is lower than the same period last year where 57 resource consents were granted, with the number of potential net additional dwellings also down (from 101).

This quarter also identified five applications where a house is to be re-built and three where cross leases were to be updated. We continue to monitor these activities as they provide an indication of the market and the extent to which the increase in value supports opportunities for improving or further investment into a property.

The table of residential and non-residential consents for the last quarter can be found in Table 2 of Appendix One.

Appendix One: Building and resource consents

Table 1: Building consents issued by type, Kāpiti Coast District, first and second quarter comparison

Application type	1 June 2020 – 31 August 2020		1 September 2020 - 30 November 2020		1 December 2020 – 28 February 2021	
	Number	Value $	Number	Value $	Number	Value $
New (& prebuilt) House, Unit, Bach, Crib	48	28,352,304	60	27,884,746	53	27,152,648
New Flats	0	0	1	205,000	1	80,000
New Industrial Bldgs, eg foundry	0	0	1	70,000	0	0
New Farm Buildings - Other	2	175,000	2	166,000	0	0
New Other Buildings	1	149,000	2	533,500	1	65,000
New Office/Warehouse Buildings	1	650,000	0	0	0	0
Education Bldgs - new foundations only	0	0	1	400,000	1	700,000
Farm Buildings - New Foundations Only	0	0	1	11,500	1	62,000
Other Buildings - new foundations only	1	80,000	1	500	0	0
Dwellings - Alterations & additions	68	3,863,464	95	6,918,990	54	5,953,000
Dwelling with flats - New Foundations on	1	125,000	0	0	0	0
Dwelling with flats - Alterations & additions	1	200,000	1	3,000	0	0
Resited Houses	1	150,000	1	25,000	1	200,000
Education Bldgs – alterations & additions	0	0	0	0	1	300,000
Social Bldgs - Alterations & additions	0	0	1	320,000	0	0
Farm Buildings - alterations & additions	1	80,000	0	0	0	0
Other Buildings - alterations & addition	1	10,000	6	1,669,185	3	1,395,000
Total	**126**	**33,834,768**	**173**	**38,207,421**	**116**	**35,907,648**

Note: applications for garages, fireplaces, fences, retaining walls, outbuildings, conservatories, swimming and spa pools, and other construction (e.g. signs and pergolas) have been deliberately excluded.
Source: Kāpiti Coast District Council building consent data.

Table 2: Resource consents granted by location, Kāpiti Coast District, first and second quarter comparison.

Location	1 June 2020 – 31 August 2020	1 September 2020 – 30 November 2020	1 December 2020 – 28 February 2021
	Number	Number	Number
Maungakotukutuku	2	2	3
Ōtaki	5	8	5
Ōtaki Forks	4	6	3
Paekākāriki	3	1	3
Paraparaumu (Central, North Beach, and South Beach & Otaihanga)	8	12	9
Peka Peka (Te Horo and Kaitawa)	4	2	1
Raumati Beach and Raumati South	14	14	12
Waikanae	27	22	20
Residential (total)	**67**	**67**	**56**
Maungakotukutuku	0	0	
Ōtaki	1	2	4
Ōtaki Forks	0	0	
Paekākāriki	0	0	1
Paraparaumu (Central, North Beach, and South Beach)	0	3	3
Peka Peka (Te Horo and Kaitawa)	0	1	2
Raumati Beach and Raumati South	0	1	
Waikanae	0	0	
Non-residential (total)	**1**	**7**	**10**
Total granted	**68**	**74**	**66**

Source: Kāpiti Coast District Council resource consent data.

Table 3: Resource consents granted by type, Kāpiti Coast District, first and second quarter comparison.

Resource Consent Type	1 June 2020 – 31 August 2020	1 September 2020 – 30 November 2020	1 December 2020 – 28 February 2021
	Number	Number	Number
Deemed Permitted Boundary Activity	8	14	10
Land Use - Controlled	1	1	1
Land Use - Discretionary	17	14	17
Land Use - Non-complying	8	4	7
Land Use - Restricted Discretionary	16	11	10
Right of Way Approval	0	1	1
Subdivision - Controlled	0	4	1
Subdivision - Discretionary	7	6	7
Subdivision - Non-complying	6	11	8
Subdivision - Restricted Discretionary	5	8	4
Total	**68**	**74**	**66**

Source: Kāpiti Coast District Council resource consent data.

Table 4: Net dwelling increases for resource consents granted by location, Kāpiti Coast District, first and second quarter comparison.

Location	1 June 2020 – 31 August 2020	1 September 2020 – 31 November 2020	1 December 2020 – 28 February 2021
	Number	Number	Number
Maungakotukutuku	1	2	4
Ōtaki	2	56	10
Ōtaki Forks	7	4	2
Paekākāriki	1	0	0
Paraparaumu (Central, North Beach, and South Beach & Otaihanga)	3	7	13
Peka Peka (Te Horo and Kaitawa)	2	0	1
Raumati Beach and Raumati South	3	5	3
Waikanae	53	14	20
Total	**72**	**88**	**53**

Source: Kāpiti Coast District Council resource consent data.

9 CONFIRMATION OF MINUTES

9.1 CONFIRMATION OF MINUTES

Author: **Grayson Rowse, Democracy Services Advisor**

Authoriser: **Janice McDougall, Group Manager People and Partnerships**

CONFIRMATION OF MINUTES

RECOMMENDATIONS

1 That the Council accepts the minutes of the Strategy and Operations committee meeting of 18 March 2021 as a true and correct record.

APPENDICES

1. Minutes of Strategy and Operations Committee 18 March 2021 ⇩

**MINUTES OF KAPITI COAST DISTRICT COUNCIL
STRATEGY AND OPERATIONS COMMITTEE MEETING
HELD AT THE COUNCIL CHAMBER, GROUND FLOOR, 175 RIMU ROAD, PARAPARAUMU
ON THURSDAY, 18 MARCH 2021 AT 9.30AM**

PRESENT: Cr James Cootes, Cr Gwynn Compton, Mayor K Gurunathan, Deputy Mayor Janet Holborow, Cr Jackie Elliott, Cr Martin Halliday, Cr Sophie Handford, Cr Jocelyn Prvanov, Cr Bernie Randall, Cr Robert McCann

IN ATTENDANCE: Community Board Members Guy Burns, Margaret Stevenson-Wright, Mr Sean Mallon, Mrs Janice McDougall, Mr Darryn Grant, Mr Hamish McGillivray, Mr Ian Georgeson, Ms Marece Wenhold, Mr Glen O'Connor, Mrs Tanicka Mason, Ms Leyanne Belcher, Ms Sarah Wattie

APOLOGIES: There were none.

LEAVE OF ABSENCE: There were none.

1 WELCOME

Kira Jaunas, Esme Bainbridge, Milla Thorns, Mia-nina Adams, students from Kapiti College introduced themselves. They attended the meeting as part of the Kapiti College work day.

2 COUNCIL BLESSING

Councillor Cootes welcomed everyone to the meeting and Councillor Randall read the Council blessing.

Councillor Cootes read the following statement:

This Council chamber should be a safe place for anybody wishing to participate in the democratic process. As chair I'm committed to creating a safe environment in which opinions can be respectfully expressed. In doing so I will not tolerate any inappropriate behaviour to those in this chamber.

Cr Prvanov arrived at 9.34am

3 APOLOGIES

Apologies for lateness were noted for Councillor Elliott.

APOLOGY

COMMITTEE RESOLUTION SAOCC2021/8

Moved: Deputy Mayor Janet Holborow
Seconder: Cr Sophie Handford

That the apology received from Cr Angela Buswell be accepted.

CARRIED

4 DECLARATIONS OF INTEREST RELATING TO ITEMS ON THE AGENDA

Cr McCann has declared an interest in item 8.2 on the agenda. Cr McCann is a board member of Kāpiti living without violence.

5 PUBLIC SPEAKING TIME FOR ITEMS RELATING TO THE AGENDA

Trevor Daniels spoke to item 8.2 on the agenda. Mr Daniels was pleased to see that pages 41-43 of the appendix related to housing. He noted that Greypower will be interested in the workshops that the CAP team will carry out. Greypower would also like the project supported by Council, to better understand family violence, to also include elder abuse. Mr Daniels also asked questions around water income, seawall repairs and stormwater.

6 MEMBERS' BUSINESS

(a) Public Speaking Time Responses

Sean Mallon gave responses in regards to the Seawall, GWRC Stormwater and Water charges.

Janice McDougall made comments around family violence and neighbourhood support as part of the social investment programme.

Cr McCann as the portfolio holder, made comments around housing.

(b) Leave of Absence

(c) Matters of an Urgent Nature (advice to be provided to the Chair prior to the commencement of the meeting)

7 UPDATES

There were none.

8 REPORTS

8.1 FINANCE REPORT AS AT 31 DECEMBER 2020

Ian Georgeson, Chief Financial Officer gave a brief overview of the report and took the report as read and answered members questions.

COMMITTEE RESOLUTION SAOCC2021/9

Moved: Cr Bernie Randall
Seconder: Cr Martin Halliday

That the Strategy and Operations Committee receives and notes this report.

That the Strategy and Operations Committee notes the actual financial performance and position of the Council for the half year ended 31 December 2020.

CARRIED

8.2 ACTIVITY REPORTS FOR THE PERIOD 1 OCTOBER 2020 TO 31 DECEMBER 2020.

Marece Wenhold, Senior Advisor gave a brief overview of the report. Each Activity Manager spoke to their relevant section. Members questions were answered at the end of each activity.

Cr Elliott arrived at 10.20am

Cr Robert McCann left the meeting at 10:32 am.

Cr Robert McCann returned to the meeting at 10:32 am.

Cr Holborow gave thanks to staff for the hard work and effort put in around the District Plan in progressing Variation 2.

Cr Sophie Handford left the meeting at 10:46 am.

Cr Sophie Handford returned to the meeting at 10:48 am.

Cr Bernie Randall left the meeting at 10:54 am.

Cr Bernie Randall returned to the meeting at 10:56 am.

The meeting adjourned at 11.00am.

The meeting resumed at 11.12am

Cr Handford returned to the meeting at 11.30am

Cr Jackie Elliott left the meeting at 12:09 pm.

Cr Jackie Elliott returned to the meeting at 12:13 pm.

COMMITTEE RESOLUTION SAOCC2021/10

Moved: Cr Jackie Elliott
Seconder: Cr Robert McCann

That the Strategy and Operations Committee receives this report, including Appendix A to this report.

That the Strategy and Operations Committee notes the Council's performance for the second quarter of the 2020/21 financial year, for each activity included in its 2018-38 Long Term Plan.

CARRIED

8.3 CONTRACTS UNDER DELEGATED AUTHORITY

Sean Mallon, Group Manager Infrastructure Services took the paper as read.

COMMITTEE RESOLUTION SAOCC2021/11

Moved: Cr Bernie Randall
Seconder: Cr Gwynn Compton

That the Strategy and Operations Committee notes there were four contracts accepted under delegated authority over $250,000 for the period 1 October to 30 December 2020.

CARRIED

8.4 ROAD MAINTENANCE AND RESURFACING CONTRACT EXTENSIONS.

Glen O'Connor, took the paper as read and answered members questions.

COMMITTEE RESOLUTION SAOCC2021/12

Moved: Deputy Mayor Janet Holborow
Seconder: Cr Martin Halliday

That the Strategy and Operations Committee agree that Higgins Contractors Limited are awarded contract extensions for Contract C178 Road Maintenance and Contract C198 Resurfacing.

That the Strategy and Operations Committee agree that the Chief Executive has delegated authority to conclude all contract extension negotiations for contracts C178 Road Maintenance and Contract C198 Resurfacing and execute the contract extension documents.

CARRIED

9 CONFIRMATION OF MINUTES

9.1 CONFIRMATION OF MINUTES

COMMITTEE RESOLUTION SAOCC2021/13

Moved: Cr Jackie Elliott
Seconder: Deputy Mayor Janet Holborow

The minutes of the Strategy and Operations committee meeting of 4 March 2021 be accepted as a true and correct record.

CARRIED

10 PUBLIC SPEAKING TIME

- For items not on the agenda

11 CONFIRMATION OF PUBLIC EXCLUDED MINUTES

Nil

The Strategy and Operations Committee meeting closed at 12.38pm.

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CHAIRPERSON

10 PUBLIC SPEAKING TIME

- For items not on the agenda