



# **RĀRANGI TAKE AGENDA**

## **Rautaki, Whakahaere, me te Ahumoni | Strategy, Operations and Finance Committee Meeting**

**I hereby give notice that a Meeting of the Rautaki, Whakahaere, me te Ahumoni | Strategy, Operations and Finance Committee will be held on:**

**Te Rā | Date: Thursday, 14 November 2024**

**Te Wā | Time: 9.30am**

**Te Wāhi | Location: Council Chamber  
Ground Floor, 175 Rimu Road  
Paraparaumu**

**Kris Pervan  
Group Manager Strategy & Growth**

**Kāpiti Coast District Council**

**Notice is hereby given that a meeting of the Rautaki, Whakahaere, me te Ahumoni | Strategy, Operations and Finance Committee will be held in the Council Chamber, Ground Floor, 175 Rimu Road, Paraparaumu, on Thursday 14 November 2024, 9.30am.**

**Rautaki, Whakahaere, me te Ahumoni | Strategy, Operations and Finance Committee Members**

Cr Sophie Handford	Chair
Cr Liz Koh	Deputy
Mayor Janet Holborow	Member
Deputy Mayor Lawrence Kirby	Member
Cr Glen Cooper	Member
Cr Martin Halliday	Member
Cr Rob Kofoed	Member
Cr Jocelyn Prvanov	Member
Cr Shelly Warwick	Member
Cr Nigel Wilson	Member
Cr Kathy Spiers	Member
Ms Kim Tahiwī	Member
Mr Huriwai Paki	Member
Ātiawa ki Whakarongotai Representative	Member

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**1 NAU MAI | WELCOME**

**2 KARAKIA A TE KAUNIHERA | COUNCIL BLESSING**

I a mātou e whiriwhiri ana i ngā take kei mua i ō mātou aroaro *As we deliberate on the issues before us,*

E pono ana mātou ka kaha tonu ki te whakapau mahara huapai mō ngā hapori e mahi nei mātou. *We trust that we will reflect positively on the communities we serve.*

Me kaha hoki mātou katoa kia whaihua, kia tōtika tā mātou mahi, *Let us all seek to be effective and just,*

Ā, mā te māia, te tiro whakamua me te hihiri *So that with courage, vision and energy,*

Ka taea te arahi i roto i te kotahitanga me te aroha. *We provide positive leadership in a spirit of harmony and compassion.*

**3 WHAKAPĀHA | APOLOGIES**

**4 TE TAUĀKĪ O TE WHAITAKE KI NGĀ MEA O TE RĀRANGI TAKE | 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 HE WĀ KŌRERO KI TE MAREA MŌ NGĀ MEA E HĀNGAI ANA KI TE RĀRANGI TAKE | PUBLIC SPEAKING TIME FOR ITEMS RELATING TO THE AGENDA**

**6 NGĀ TEPUTEIHANA | DEPUTATIONS**

Nil

**7 NGĀ TAKE A NGĀ MEMA | MEMBERS' BUSINESS**

(a) Leave of Absence

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

**8 HE KŌRERO HOU | UPDATES**

Nil

## 9 PŪRONGO | REPORTS

### 9.1 LOCAL GOVERNMENT FUNDING AGENCY'S STATEMENT OF INTENT 2024-27 AND ANNUAL REPORT 2023/24

Kaituhi | Author: **Ian Georgeson, Chief Financial Officer**

Kaiwhakamana | Authoriser: **Steffi Haefeli, Acting Group Manager Corporate Services**

#### TE PŪTAKE | PURPOSE

- 1 The purpose of this report is to provide the Strategy, Operations and Finance Committee with the Local Government Funding Agency (LGFA) Statement of Intent (SOI) 2024-27 and their Annual Report to 30 June 2024.

#### HE WHAKARĀPOPOTO | EXECUTIVE SUMMARY

- 2 An executive summary is not required for this report.

#### TE TUKU HAEPAPA | DELEGATION

- 3 The Council's Strategy, Operations and Finance Committee has the authority to consider this report.

#### TAUNAKITANGA | RECOMMENDATIONS

- A. That the Strategy, Operations and Finance Committee receives and notes the Local Government Funding Agency's Statement of Intent 2024-27, including covering letter to shareholders, attached as Appendix 1 to this report.
- B. That the Strategy, Operations and Finance Committee receives and notes the Local Government Funding Agency's Annual Report to 30 June 2024, including covering letter to shareholders, attached as Appendix 2 of this report.

#### TŪĀPAPA | BACKGROUND

- 4 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 borrowing costs, making longer-term borrowings available and enhancing the certainty of access to debt markets.
- 5 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.
- 6 In 2012, Kāpiti Coast District Council (the Council) became a principal shareholding local authority<sup>1</sup> 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.

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<sup>1</sup> principal shareholding local authorities are those which invest capital in the LGFA and are expected to receive a return on that capital.

- 7 As a CCO, the LGFA must deliver to its shareholders a draft SOI on or before 1 March each year. The draft SOI 2024-2027 was presented to this committee on 11 April 2024. 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.
- 8 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.

## HE KÖRERORERO | DISCUSSION

### He take | Issues

- 9 LGFA has issued its final SOI 2024-2027.
- 10 Strategic priority areas remain unchanged from the previous year, and are:
  - 10.1 Governance, capability, and business practice
  - 10.2 Optimising financial services for local government
  - 10.3 Environmental and social responsibility
  - 10.4 Effective management of loans
  - 10.5 Industry leadership and engagement
- 11 Objectives and performance targets for each priority area are set out in the SOI.
- 12 LGFA in their SOI cover letter note the need to strengthen LGFA’s financial and capital position given the weakening credit outlook of the sector and additional borrowing by councils which drives higher operating costs and the need for increased liquid assets.
- 13 Consequently, from 1 July 2024 LGFA has increased their base lending margin by 5 basis points and their Borrower Notes percentage to 5% (previously 2.5%).
- 14 Borrower Notes are a tool to assist LGFA liquidity, particularly as lending grows. Borrower Notes are subordinated convertible debt instruments which each council that borrows from LGFA must subscribe to (in an amount now equal to 5% of the total borrowing from LGFA by that council). LGFA redeem the Notes when the councils’ related borrowings are repaid and pay interest on those Notes at the date of redemption.
- 15 Changes to the Final SOI compared to the Draft presented to the committee on 11 April 2024 included increasing forecast council borrowing, net interest income, expenses and operating profit.
- 16 Actual and forecast financial performance (combining information from both the Annual Report and the SOI) is summarised in the following table:

	2022/23 \$m Actual	2023/24 \$m Actual	2024/25 \$m Forecast	2024/25 \$M Forecast	2025/26 \$M Forecast
Total operating income	11.6	21.8	31.4	41.1	43.0
Operating expenses	9.1	11.8	16.8	19.6	21.8
Net profit	2.5	10.0	16.8	19.6	21.8
<b>Loans to local government</b>	<b>16,313</b>	<b>20,549</b>	<b>23,957</b>	<b>26,509</b>	<b>29,043</b>

- 17 In summary, LGFA grew strongly in 2023/24 with lending activity to the local government sector increasing by 56% over the previous year. This drove a corresponding increase to operating income and net profit (although LGFA note that 2022/23 net profit was abnormally low).

- 18 LGFA forecast this growth to continue but note the high level of uncertainty, due to the uncertain impact of Local Water Done Well reforms on councils.
- 19 The Council holds 200,000 ordinary shares (0.44% of the total 45,000,000), unchanged from the previous year. Of this shareholding, 100,000 are subscribed shares that receive dividends while the remaining 100,000 are unsubscribed and do not. A dividend of \$7,370 was received in September 2024 (2023: \$6,850).
- 20 The final SOI and Annual Report to 30 June 2024 are attached as Appendix 1 and 2 to this report. Subject to availability, LGFA Officials will be invited to present to the Strategy, Operations and Finance Committee.

### **Ngā kōwhiringa | Options**

- 21 There are no options to consider with this report.

### **Mana whenua**

- 22 There are no mana whenua considerations arising from this report.

### **Panonitanga Āhuarangi me te Taiao | Climate change and Environment**

- 23 There are no climate change and environment considerations within this report.

### **Ahumoni me ngā rawa | Financial and resourcing**

- 24 There are no additional financial considerations within this report.

### **Tūraru ā-Ture me te Whakahaere | Legal and Organisational Risk**

- 25 There are no legal considerations arising from the matters in this report.
- 26 LGFA is a CCO and plays a critical role in ensuring Council is able to fund its operations. Monitoring LGFA performance is an important aspect of Council's financial risk management.

### **Ngā pānga ki ngā kaupapa here | Policy impact**

- 27 There is no policy impact resulted from this report.

## **TE WHAKAWHITI KŌRERO ME TE TŪHONO | COMMUNICATIONS & ENGAGEMENT**

### **Te mahere tūhono | Engagement planning**

- 28 An engagement plan is not needed for this report to be considered as it does not trigger the Significance and Engagement Policy.

### **Whakatairanga | Publicity**

- 29 The report and its appendices will be publicly available through the agenda for the meeting and any decisions will be released as part of the minutes of the meeting.

## **NGĀ ĀPITI HANGA | ATTACHMENTS**

1. LGFA's Statement of Intent 2024-27 including cover letter to shareholders [↓](#)
2. LGFA's Annual Report 2023/24 including cover letter to shareholders [↓](#)





25 June 2024

Dear LGFA stakeholder

### Statement of Intent 2024-2027

Please find attached the Statement of Intent (SOI) for the 2024-27 period.

LGFA remains focused on delivering strong results for our council borrowers and shareholders.

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

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

For our shareholders we are focused on

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

The following points regarding the 2024-27 SOI are worth noting:

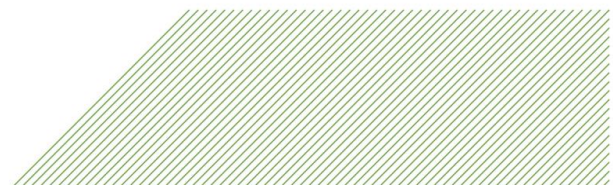
- We are needing to strengthen the financial and capital position of LGFA given
  - the weakening credit outlook for the sector<sup>1</sup>
  - the additional borrowing by councils and CCOs that has led to increase borrowing costs incurred by LGFA e.g. the cost of offshore issuance, Approved Issuer Levy, legal and issuance expenses, a larger amount of liquid assets to ensure liquidity and NZX listing fees.

We propose to do this by increasing the base on-lending margin by 5 bps (0.05%) and to increase the Borrower Notes percentage to 5%. This will improve our profitability, retained earnings, capital base and preserve our high level of creditworthiness.
- As with previous years, there remains uncertainty within the SOI forecasts relating to the amount of both council loans and LGFA bonds outstanding as this depends upon the magnitude and timing of council borrowing. The actual amount of borrowing will be influenced by the ability of councils to deliver on the capex projections in their Long Term Plans (“LTPs”), any cost increases as we well as the amount of Central Government assistance in funded capex delivery.
- The Local Water Done Well reform programme (“LWDW”) is progressing with the second (of three) Bills currently passing through Parliament. There remains uncertainty for the sector

<sup>1</sup> S&P Global Ratings have placed twenty-one councils and two CCO on negative outlook, and they comprise 39% of the LGFA loan book.

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lgfa.co.nz



(and LGFA) as to the amount, timing and transition of assets, debt and revenue to the new water organisations. We have assumed that any impact from LWDW is unlikely to occur until the 2025-26 year. For our council borrowing and bond issuance forecasting purposes we have used the latest Draft 2024-34 LTPs from councils (that incorporate water related activities). The only adjustment made is that we have assumed that LGFA won't be lending to financially independent Water CCOs such as Watercare.

- The SOI performance targets are the same as the targets in the prior year SOI except we have strengthened our focus on achieving sustainability outcomes and added performance targets to our Industry Leadership and Engagement Objectives.

The changes made to the Final SOI compared to the Draft SOI that you received in February 2024 for comment have been:

- We have increased our forecasts for council borrowing in the 2024-25, 2025-26 and 2026-27 financial years by \$1.2 billion, \$340 million, and \$1.1 billion. We have increased our forecasts for LGFA bond issuance by 2024-25, 2025-26 and 2026-27 financial years by \$150 million, \$460 million, and \$1.12 billion. We have increased our forecast for LGFA Bills on issue by \$500 million.
- Net Interest Income is forecast to increase in the 2024-25, 2025-26 and 2026-27 financial years by \$1.6 million, \$1.3 million, and \$14.5 million.
- Expenses are forecast to increase by \$2.2 million in 2024-25, \$2.9 million in 2025-26 and \$3.4 million in 2026-27 with over half of the increase in expenses coming from increased Approved Issuer Levy payments to Central Government from our offshore bond issuance.
- Forecast Net Operating Profit is forecast to decrease by \$600k (2024-25) but increase by \$8.4 million (2025-26) and \$11.1 million (2026-27).

We remain committed to delivering the lowest possible borrowing cost to the sector, providing certainty of access to funding and long dated tenors to councils while at the same time protecting the interests of our guarantors and shareholders.

We thank you for your support of LGFA and please feel free to contact me if you have any questions or require further clarification on anything relating to the SOI or LGFA in general.

Yours sincerely



Mark Butcher  
Chief Executive

































































































































































## 10 TE WHAKAŪ I NGĀ ĀMIKI | CONFIRMATION OF MINUTES

### 10.1 CONFIRMATION OF MINUTES

**Author:** Jessica Mackman, Senior Advisor Governance

**Authoriser:** Kris Pervan, Group Manager Strategy & Growth

#### TAUNAKITANGA | RECOMMENDATIONS

That the minutes of the Strategy, Operations and Finance Committee meeting of 24 October 2024 be accepted as a true and correct record.

#### NGĀ ĀPITIHINGA | ATTACHMENTS

1. Minutes of Strategy, Operations and Finance Committee Meeting of 24 October 2024 [↓](#)







11 PURONGO KĀORE E WĀTEA KI TE MAREA | PUBLIC EXCLUDED REPORTS

RESOLUTION TO EXCLUDE THE PUBLIC

**PUBLIC EXCLUDED RESOLUTION**

That, pursuant to Section 48 of the Local Government Official Information and Meetings Act 1987, the public now be excluded from the meeting for the reasons given below, while the following matters are considered.

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

<b>General subject of each matter to be considered</b>	<b>Reason for passing this resolution in relation to each matter</b>	<b>Ground(s) under section 48 for the passing of this resolution</b>
<b>11.1 - 2024 Community and Affordable Housing Seed Fund - Additional Funding Request and Summary of Successful Applicants</b>	Section 7(2)(b)(ii) - the withholding of the information is necessary to protect information where the making available of the information would be likely unreasonably to prejudice the commercial position of the person who supplied or who is the subject of the information	Section 48(1)(a)(i) - the public conduct of the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding would exist under section 6 or section 7

**12 KARAKIA WHAKAMUTUNGA | CLOSING KARAKIA**

Kia tau ngā manaakitanga ki runga i a  
tātou katoa,

*May blessings be upon us all,*

Kia hua ai te mākihikihi, e kī ana

*And our business be successful.*

Kia toi te kupu

*So that our words endure,*

Kia toi te reo

*And our language endures,*

Kia toi te wairua

*May the spirit be strong,*

Kia tau te mauri

*May mauri be settled and in balance,*

Ki roto i a mātou mahi katoa i tēnei rā

*Among the activities we will do today*

Haumi e! Hui e! Taiki e!

*Join, gather, and unite! Forward together!*