Finance Committee Agenda

Date:	Wednesday, 4 September, 2024
Time:	9:00 am
Location:	Civic Centre, Te Iwitahi, 9 Rust Avenue
Elected Members:	Cr Paul Yovich (Chairperson) Cr Phil Halse (Deputy Chairperson) His Worship the Mayor Vince Cocurullo Cr Ken Couper Cr Deborah Harding Cr Patrick Holmes Cr Simon Reid

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

Finance Committee – Terms of Reference

Membership

Chairperson	Councillor Paul Yovich
Deputy Chairperson	Councillor Phil Halse
Members	His Worship the Mayor Vince Cocurullo Councillors Ken Couper, Deborah Harding, Patrick Holmes and Simon Reid
Meetings	Monthly
Quorum	**4**

Purpose

To ensure than Council finances and other corporate support functions are well managed. Management of disposal and purchase of individual properties within Council's commercial property portfolio.

Key responsibilities

- Manage the budget process including the co-ordination and preparation of budgets and financial statements for the Annual Plan and Long-Term Plan.
- Preparation of the financial component of Council's Annual Report.
- Operational reporting for the Corporate Group within Council.
- Operational accountability of performance including:
  - Health and Safety
  - Regular reporting on service delivery
  - Compliance
  - Sustainability
  - Finance
- Procurement – general procurement relating to the areas of business of this committee, within delegations.
- Shared Services – investigate opportunities for shared services for recommendation to council.

- Council's commercial property portfolio, including:
  - The purchase and disposal of commercial properties specifically identified in the Long Term Plan
  - The purchase and disposal of commercial properties as authorised by Council, where these are not specifically identified in the Long Term Plan.
  - Recommendations to Council for the purchase and disposal of any other commercial properties.

- Council Controlled Organisations (CCOs) – monitoring the financial and non-financial performance of CCOs whose functions would otherwise fall under the scope of this committee. Includes trading CCOs (CCTOs) and those CCOs exempted under the LGA. Responsibilities include:
  - advising on the content of annual Statement of Expectations to CCOs
  - monitoring against the Statement of Intent
  - for exempted CCOs, monitoring and reporting as agreed between Council and the organisation
  - quarterly reporting on performance

  CCO accountable to this committee:

  - Local Government Funding Agency (LGFA)
    **Statement of Intent agreement to council*

Delegations

(i) All powers necessary to perform the committee's responsibilities, including:

(a) Approval of expenditure of less than $5 million plus GST.
(b) Purchase and disposal of commercial properties as identified above and within the budget limits identified in the Long Term Plan.
(c) Establishment of working parties or steering groups.

The Committee does not have:

I. The power to establish sub-committees.

II. The powers Council is expressly prohibited from delegating as outlined in Clause 32(1)(a)-(h) of Schedule 7 of the Local Government Act 2002; being:
- the power to make a rate
- the power to make a bylaw
- the power to borrow money, or purchase or dispose of assets, other than in accordance with the long-term plan

- the power to adopt a long-term plan, annual plan or annual report
- the power to appoint a chief executive the power to adopt policies required to be adopted and consulted on under the Local Government 2002 in association with the long-term plan or developed for the purpose of the local governance statement
- the power to adopt a remuneration and employment policy.

4.1 Financial Report for the 1 month ending 31 July 2024

Meeting:	Finance Committee
Date of meeting:	4 September 2024
Reporting officer:	Alan Adcock (General Manager - Corporate CFO)

1 Purpose / Te Kaupapa

To provide the operating results for the one month ending 31 July 2024.

2 Recommendation / Whakataunga

That the Finance Committee notes the operating results for the one month ending 31 July 2024.

3 Background / Horopaki

As per previous years at this point in the reporting cycle, the full monthly financial report for the period ending 31 July 2024 could not be prepared due to the following tasks currently in progress:

- finalising the 2023-24 results which impact on the opening balances for the 2024-25 year
- final confirmation of 2023-24 capital projects and associated carry forwards into 2024-25
- finalising the revised budget to incorporate final carry forwards and associated operational expenses and subsidies
- phasing of the 2024-25 revised budget.

A monthly financial report will be prepared for the next Finance Committee meeting for the two months ended 31 August 2024 (actuals against phased budget). Budget managers will complete a full year forecast in September.

4 Discussion

4.1 Opex Reporting

Management is currently reviewing the existing operational financial reports provided to the Finance Committee, to ensure the most meaningful representation of our financial information is provided each month. This work also involves:

- investigating the possibility of reporting our Everyday Funding position throughout the year
- determining the appropriate level of variance reporting
- considering how to represent opex on project spend.

4.2 Capital Project Reporting and Multi-year Forecasting

The introduction of multi-year forecasting requires a significant re-think of how budget models are created and managed within our Enterprise Budgeting system. While this initiative is expected to provide many benefits, it comes with many challenges to ensure the integrity of our data is maintained. Working through the practicalities of this has been a large drain on resource within the finance team, during which is already a very busy time.

As part of working towards multi-year forecasting, further improvements are being made to assist staff in tracking Council decisions made in-between budget cycles. An example of this is providing a mechanism for Finance staff to be able to capture additional approved capex budget, or the bringing forward of a budget from a future year across the ten years of the plan. This will help ensure any decisions made outside the budget process are reflected accurately in future budget setting processes. Staff anticipate this will provide the ability for additional scrutiny and transparency in both the setting of capital project budgets, as well as variance reporting throughout the year.

Another process change being implemented involves the ability for management to distribute a capital programme budget to a lower level, to enable better tracking and reporting. This functionality has historically only been available at the start of a financial year, providing less flexibility for project management to track their spend against budget at a lower level throughout the year. Having the ability to revise budgets will provide more transparency and flexibility to deliver programmes of work.

This will require stringent controls and approval processes to be in place, as well as the introduction of additional role delegations. Further information will be provided as this functionality is confirmed.

Similarly to opex reporting, staff are reviewing capital projects reporting to future Finance Committees to ensure information is fit for purpose.

4.3 External Net Debt and Treasury

Total external net debt at the end of July 2024 was $227.2 million compared to year-to-date budgeted net debt of $221.1 million, resulting in net debt being $6.1 million over budget.

As at 31 July 2024 cash and term deposits held of $37.8 million was comprised of:

- $20.0 million of term deposits relating to debt repayment prefunding.
- $1.6 million cash on hand relating to the Whangarei Harbour Marina Management Trust loan not yet advanced.
- $1.6 million cash on hand relating to contract retentions held.
- $14.6 million of cash on hand.

5 Accounts Receivable and Arrears

Total arrears as at 30 July 2024 were $6.1 million, $0.6 million more than July 2023, and $0.5 million less than last month.

Land rates arrears decreased by $0.5 million from last month and are $0.7 million more than July 2023. Water rates are $0.1 million less than July 2023. Other debtors are the same level as July 2023.

6 Significance and engagement / Te Hira me te Arawhiti

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

7 Attachments / Ngā Tāpiritanga

Attachment 1 – Treasury report

TREASURY REPORT
31 JULY 2024

S&P GLOBAL RATINGS CREDIT RATING:	AA	Outlook: Stable

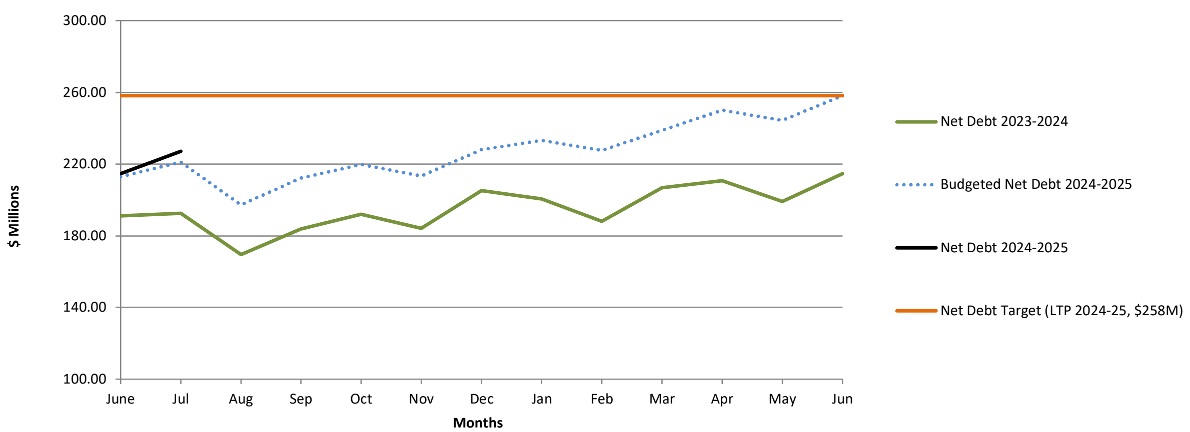
DEBT SUMMARY:

As at 31 July 2024		
External Debt		
Opening public debt as at 1 July 2024		265,000,000
Plus loans raised during month	-	
Less loan repayments made during month (Note: Facility movement has been netted)	-	
Net movement in external debt		-
Total External Debt		**265,000,000**
Less: Cash balances (excluding funds held on behalf)	17,594,907	
Term deposits (Funds held on deposit until required for project funding)	20,175,000	
Total cash and term deposits		37,769,907
Total Net External Debt		**227,230,093**

Note: Council also holds $5.83m of LGFA borrower notes. These are not included in net external debt as per Council's Treasury Risk Management Policy.

External debt is represented by:	
Less than 1 Year	21,239,340
1-3 Years	75,760,660
3-5 Years	100,000,000
Greater than 5 Years	68,000,000
Total	**265,000,000**

NET EXTERNAL DEBT COMPARED TO BUDGET:



Internal Funding* Reserve balances are indicative only and will be updated as part of the Annual Report/year end process		
Community Development Funds		11,510,194
Property Reinvestment Reserve - Committed	-	
Property Reinvestment Reserve - Available for Investment	21,239,340	
		21,239,340
Hikurangi Swamp		313,106
Waste Minimisation Reserve		1,084,134
Water Reserve		31,915,433
Wastewater Reserve		40,778,248
Total		**106,840,455**

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

The Property Reinvestment Reserve is split to record funds that have been already been committed to land purchases, and the remaining uncommitted balance that is available for other future investment purchases.

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

4.2 Whangarei District Council 2024 Credit Rating Update

Meeting:	Finance Committee
Date of meeting:	4 September 2024
Reporting officer:	Alan Adcock (General Manager – Corporate/CFO)

1 Purpose / Te Kaupapa

To inform Council of the updated credit rating report from S&P Global Ratings (S&P).

2 Recommendation/s / Whakataunga

That the Finance Committee receives the 2024 S&P Global Ratings credit rating report and notes that Whangarei District Council's credit rating is reaffirmed at AA with a Stable outlook.

3 Background / Horopaki

Whangarei District Council (WDC) uses the rating agency S&P to provide our credit rating, which allows LGFA, banks and other funders to determine the risks involved in lending to WDC and thus the interest rates our debt incurs. The better our credit rating, the less interest we are charged on debt. In addition, the credit rating process provides a hardnosed independent commercial assessment of WDC's financial position, financial policies and management capability. This serves to provide evidence to Elected Members and ratepayers of the state of WDC's financial position and strategy.

In August 2024 S&P re-affirmed the credit rating for Whangarei District Council as AA with a Stable outlook.

4 Discussion / Whakawhiti korero – WDC reaffirmed as AA, with Stable outlook

This is a very pleasing result given the difficult financial environment and the downward pressure on local government ratings across New Zealand. WDC is expected to be among the few that retain their current rating in this cycle.

Some key extracts from the report include:

The council adopted its 2024-2034 long-term plan (LTP) on July 16, 2024. The plan outlines a NZ$1.2 billion capital program, which focuses largely on essential infrastructure and accommodation for future population growth. Capital expenditure (capex) will continue to rise beyond our prior forecasts and deepen after capital account deficits. We expect Whangarei's experienced management team to keep debt steady and liquidity coverage high. While rising construction costs in the council's capital budgets will weigh on budgetary outcomes, increases in revenue should mostly offset this. The council plans to increase *revenue from property rates by more than 10% per year in each of the next three years. This should also support a substantial improvement in operating surpluses.*

Whangarei's economic growth prospects and stability should be bolstered by an improvement in diversification, following the closure of the Marsden Point oil refinery in late 2022. The structural change in the district's economy should provide Whangarei with greater resilience to future economic shocks. The contribution of the manufacturing sector to local GDP fell to about 8%, from over 20% between 2022 and 2023. The economy is well diversified in our view, with no single industry contributing more than 11% of GDP in 2023.

We anticipate operating surpluses will substantially improve and be very strong by domestic and global standards, averaging 24% over the next three years. Whangarei will increase total revenues from property rates by more than 10% in each of the next three years to recoup rising operational expenses. We project, based on the 2024-2034 LTP, that the council will contain cash operating expenses at 2025 levels for the subsequent two years. If this doesn't occur, financial outcomes are likely to underperform our forecast.

The stable outlook reflects our view that Whangarei's strong financial management will keep its liquidity coverage high and debt steady as the council runs large after capital account deficits.

The last two paragraphs make it clear that while our current credit rating has been reaffirmed, we face a future downgrade if we do not follow the Financial Strategy set out in the 2024-34 Long Term Plan – particularly in relation to the proposed rates rises, containment of costs and debt management. Any downgrade would see our interest costs increase in the future.

The AA rating leaves WDC among the highest rated organisations in New Zealand. In comparison, the major retail trading banks have ratings of AA-, while Fonterra sits at A-.

5 Conclusion

The reaffirming of WDC's AA (Stable) credit rating reinforces the prudent and fiscally responsible decisions made in setting the 2024-34 Long Term Plan.

It also sees the first objective in the plan being met, with one of the financial principles being that *"Councils' credit rating should be actively managed with no further drops during the LTP term"*.

6 Significance and engagement / Te Hira me te Arawhiti

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

7 Attachments / Ngā Tāpiritanga

Attachment 1 – Credit Rating Report August 2024

S&P Global Ratings

RatingsDirect®

Research Update:

Whangarei District Council 'AA/A-1+' Ratings Affirmed; Outlook Stable

August 5, 2024

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Overview

- We believe Whangarei's economic prospects are sound and in line with domestic peers. Economic diversification in the district has improved during the past two years.
- Whangarei District Council's expenses continue to grow as capital deliverability rises, although large increases in property rates revenue should mitigate the impact on debt.
- We affirmed our 'AA' long-term and 'A-1+' short-term issuer credit ratings on Whangarei.
- The outlook on the long-term rating is stable.

Rating Action

On Aug. 6, 2024, S&P Global Ratings affirmed its 'AA' long-term and 'A-1+' short-term issuer credit ratings on Whangarei District Council, a New Zealand local government. The outlook on the long-term rating is stable.

Outlook

The stable outlook reflects our view that Whangarei's strong financial management will keep its liquidity coverage high and debt steady as the council runs large after capital account deficits.

Downside scenario

We could lower our ratings on Whangarei if we believed financial management was weakening. This could result in operating surpluses not substantially improving as we forecast. Such a deterioration could widen after capital account deficits and lead to liquidity coverage falling below 120% of annual debt service structurally.

Upside scenario

Upward pressure on the rating is unlikely in the next two years. We could raise our ratings on Whangarei if both its own after capital account deficits narrowed materially, and the overall commitment of the New Zealand local government sector to strong finances improves.

Rationale

We expect Whangarei's local economy to perform in line with domestic peers as the council's economic diversification improves. The conversion of the Marsden Point oil refinery into an import-only terminal and broader economic growth has helped reduce Whangarei's reliance on the manufacturing sector. This should mean future economic growth will be more consistent than in the past.

The council adopted its 2024-2034 long-term plan (LTP) on July 16, 2024. The plan outlines a NZ$1.2 billion capital program, which focuses largely on essential infrastructure and accommodation for future population growth. Capital expenditure (capex) will continue to rise beyond our prior forecasts and deepen after capital account deficits.

We expect Whangarei's experienced management team to keep debt steady and liquidity coverage high. While rising construction costs in the council's capital budgets will weigh on budgetary outcomes, increases in revenue should mostly offset this. The council plans to increase revenue from property rates by more than 10% per year in each of the next three years. This should also support a substantial improvement in operating surpluses.

Our base case assumes Whangarei will continue to deliver all water-related activities. In May 2024, the New Zealand central government (the Crown) introduced the first of two planned pieces of legislation to implement its "Local Water Done Well" reforms. These reforms could give councils the option to shift drinking water, wastewater, and stormwater assets into new regional water utilities. The second piece of legislation is due by mid-2025. The reforms could change the composition of Whangarei's revenues, expenses, and debt, depending on the final form of the changes.

Robust economic profile and strong financial management support ratings; New Zealand's institutional framework could be weakening.

Whangarei's economic growth prospects and stability should be bolstered by an improvement in diversification, following the closure of the Marsden Point oil refinery in late 2022. The structural change in the district's economy should provide Whangarei with greater resilience to future economic shocks. The contribution of the manufacturing sector to local GDP fell to about 8%, from over 20% between 2022 and 2023. The economy is well diversified in our view, with no single industry contributing more than 11% of GDP in 2023.

Whangarei's local economy contracted by 1.1% in the year to March 2024, according to Infometrics, a New Zealand consultancy. This followed a 5.6% contraction during the prior year. The decline was mainly due to the closure of the oil refinery. Over the last 12 months, the main state highway between Whangarei and Auckland has been closed for more than two months following a series of weather events. This has delayed Whangarei's economic recovery. However, labor market outcomes remain in line with the New Zealand average, with unemployment rising slightly to 4.0% in March 2024. Whangarei is wealthy in global terms, with GDP per capita of about

NZ$54,000, spread across 101,900 people, according to Infometrics.

Higher interest rates have restricted spending and weigh on growth in New Zealand. We forecast real GDP growth will rise to 1.1% in 2024, after two consecutive quarters of contraction in the second half of 2023 (see "Economic Outlook Asia-Pacific Q3 2024: Exporters And EMs Are Outperforming," published June 23, 2024, on RatingsDirect). Strong population growth will keep New Zealand's economy growing, with record net migration. New Zealand's population grew 2.8% in 2023, the largest annual increase since 1946.

Whangarei's financial management processes are credible and well established. The council prepares 10-year LTPs every three years, annual plans in the intervening years, and audited annual reports, in line with sector-wide requirements. The council's treasury risk-management policy sets limits on external borrowing, liquidity, and interest-rate risks.

Whangarei can borrow only in local currency, in accordance with legislation. Like all New Zealand councils, Whangarei is governed by an elected group of councilors. The council left its financial strategy largely unchanged in its 2024 LTP, and councilors broadly support the council's strategic direction.

The institutional framework within which New Zealand councils operate is a key factor supporting Whangarei's credit profile. We believe this framework is currently one of the strongest and most predictable globally. It promotes a robust management culture, fiscal discipline, and high levels of transparency and disclosure.

However, rising infrastructure budgets and responsibilities are exerting pressure on the finances of New Zealand local governments. Furthermore, the sector has elevated policy uncertainty. The Crown has tabled the first bill of its water reforms after repealing the previous government's reforms. This bill could pass soon and a second bill is due in December 2025.

If these trends continue, we could lower the institutional framework settings for local councils in New Zealand (see "New Zealand Councils' Extremely Predictable And Supportive Institutional Settings Are At Risk," published Feb. 18, 2024).

After capital account deficits remain large although rising revenues will keep debt steady; liquidity remains strong.

We estimate Whangarei will record after capital account deficits averaging 15% over the next three years as it ramps up capex. We forecast the council will deliver NZ$368 million of capex over this period, or around 25% more than the preceding three-year period. Rising capital deliverability and increasing costs of delivering services will ensure deficits remain high.

We anticipate operating surpluses will substantially improve and be very strong by domestic and global standards, averaging 24% over the next three years. Whangarei will increase total revenues from property rates by more than 10% in each of the next three years to recoup rising operational expenses. We project, based on the 2024-2034 LTP, that the council will contain cash operating expenses at 2025 levels for the subsequent two years. If this doesn't occur, financial outcomes are likely to underperform our forecast.

In our view, Whangarei has a higher degree of fiscal flexibility than its domestic and international peers. General property rates--the largest source of revenue for the council--can be readily adjusted to meet budgetary needs and are relatively immune to economic downturns. In addition, we believe Whangarei could delay or reschedule some nonessential capex, if required, like it has in the past.

We assess Whangarei's debt burden to be midrange in a domestic context, but high in a global context. We estimate tax-supported debt, as a proportion of operating revenue, will rise slightly to 156% in fiscal 2027 (year ending June 30) from 148% in fiscal 2023. We expect interest expenses will average 6% of operating revenues during fiscals 2024-2026. Like most of its domestic peers, Whangarei sources its external debt through New Zealand Local Government Funding Agency Ltd. (LGFA).

Whangarei's contingent liabilities are minimal and do not weigh on its credit profile. The council has a 50% interest in Whangarei District Airport (the Crown owns the remainder), which has no external debt. Whangarei is one of 72 local authorities that provide a joint-and-several guarantee over LGFA's borrowings. We consider the likelihood of this guarantee being activated to be remote.

Whangarei's large cash position and undrawn bank facilities support the council's strong liquidity. We estimate that Whangarei's total free cash--inclusive of term deposits, access to NZ$30 million in undrawn standby facilities with Bank of New Zealand, and after-budget needs--is sufficient to cover about 125% of debt maturities and interest payments during the next 12 months. Whangarei's debt-servicing needs comprise NZ$24 million of term debt maturing in 2025; NZ$10 million of short-dated commercial paper, which is regularly rolled over; and NZ$12 million of annual interest expenses.

Liquidity coverage could weaken if deficits turn out larger than we forecast, coupled with rising interest expenses. That said, we expect the council's prudent liquidity policies to keep coverage above 120% of debt service requirements.

LGFA provides Whangarei with strong access to a well-established source of external liquidity, in our view. LGFA benefits from an extremely high likelihood of extraordinary Crown support, and it has helped councils to lengthen their maturity profiles and reduce borrowing costs.

Key Statistics

Table 1

Whangarei District Council--Selected Indicators

	--Fiscal year ended June 30--				
(NZ$ mil.)	**2023**	**2024e**	**2025bc**	**2026bc**	**2027bc**
Operating revenues	156	177	190	210	228
Operating expenditures	134	148	159	159	159
Operating balance	22	30	31	51	68
Operating balance (% of operating revenues)	14.1	16.8	16.3	24.4	30.0
Capital revenues	41	46	44	34	31
Capital expenditures	95	108	113	120	136
Balance after capital accounts	(32)	(33)	(38)	(34)	(36)
Balance after capital accounts (% of total revenues)	(16.2)	(14.7)	(16.3)	(14.1)	(14.0)
Debt repaid	41	18	20	18	49
Gross borrowings	80	52	39	53	86
Balance after borrowings	8	1	(19)	1	1
Tax-supported debt (outstanding at year-end)	231	265	284	319	356
Tax-supported debt (% of consolidated operating revenues)	148.0	149.3	149.2	152.1	156.3

Table 1

Whangarei District Council--Selected Indicators (cont.)

	--Fiscal year ended June 30--				
(NZ$ mil.)	2023	2024e	2025bc	2026bc	2027bc
Interest (% of operating revenues)	5.4	6.4	6.4	6.5	6.7
National GDP per capita (single units)	76,370	77,578	80,116	82,945	85,949

The data and ratios above result in part from S&P Global Ratings' own calculations, drawing on national as well as international sources, reflecting S&P Global Ratings' independent view on the timeliness, coverage, accuracy, credibility, and usability of available information. The main sources are the financial statements and budgets, as provided by the issuer. bc--Base case reflects S&P Global Ratings' expectations of the most likely scenario. N/A--Not applicable. N.A.--Not available. N.M.--Not meaningful.

Ratings Score Snapshot

Table 2

Whangarei District Council--Ratings score snapshot

Key rating factors	Scores
Institutional framework	1
Economy	2
Financial management	1
Budgetary performance	3
Liquidity	1
Debt burden	4
Stand-alone credit profile	aa
Issuer credit rating	AA

S&P Global Ratings bases its ratings on non-U.S. local and regional governments (LRGs) on the six main rating factors in this table. In our "Methodology For Rating Local And Regional Governments Outside Of The U.S.," published on July 15, 2019, we explain the steps we follow to derive the global scale foreign currency rating on each LRG. The institutional framework is assessed on a six-point scale: 1 is the strongest and 6 the weakest score. Our assessments of economy, financial management, budgetary performance, liquidity, and debt burden are on a five-point scale, with 1 being the strongest score and 5 the weakest.

Key Sovereign Statistics

- Sovereign Risk Indicators. An interactive version is available at http://www.spratings.com/sri

Related Criteria

- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- Criteria | Governments | International Public Finance: Methodology For Rating Local And Regional Governments Outside Of The U.S., July 15, 2019
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

Related Research

- Economic Outlook Asia-Pacific Q3 2024: Exporters And EMs Are Outperforming, June 24, 2024
- New Zealand Councils Will Lean Into Rising Credit Risk, May 6, 2024
- New Zealand Local Government Funding Agency Ltd. Ratings Affirmed; Outlook Stable, Feb. 27, 2024
- New Zealand Councils' Extremely Predictable and Supportive Institutional Settings Are At Risk, Feb. 18, 2024
- Various Rating Actions Taken On New Zealand Local Councils On Weakening Institutional Framework Trend, Feb. 18, 2024
- Global Ratings List: International Public Finance Entities January 2024, Jan. 18, 2024
- Local and Regional Governments' Workarounds Are Running Out Of Time, Dec. 6, 2023
- New Zealand Local Government Outlook 2024: Bridge Over Troubled Waters, Nov. 19, 2023
- Global LRGs Rating History List, July 6, 2023
- Default, Transition, and Recovery: 2022 Annual International Public Finance Default And Rating Transition Study, May 23, 2023

In accordance with our relevant policies and procedures, the Rating Committee was composed of analysts that are qualified to vote in the committee, with sufficient experience to convey the appropriate level of knowledge and understanding of the methodology applicable (see 'Related Criteria And Research'). At the onset of the committee, the chair confirmed that the information provided to the Rating Committee by the primary analyst had been distributed in a timely manner and was sufficient for Committee members to make an informed decision.

After the primary analyst gave opening remarks and explained the recommendation, the Committee discussed key rating factors and critical issues in accordance with the relevant criteria. Qualitative and quantitative risk factors were considered and discussed, looking at track-record and forecasts.

The committee's assessment of the key rating factors is reflected in the Ratings Score Snapshot above.

The chair ensured every voting member was given the opportunity to articulate his/her opinion. The chair or designee reviewed the draft report to ensure consistency with the Committee decision. The views and the decision of the rating committee are summarized in the above rationale and outlook. The weighting of all rating factors is described in the methodology used in this rating action (see 'Related Criteria And Research').

Ratings List

Ratings Affirmed	
Whangarei District Council	
Issuer Credit Rating	AA/Stable/A-1+

S&P Global Ratings Australia Pty Ltd holds Australian financial services license number 337565 under the Corporations

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at www.spglobal.com/ratings for further information. Complete ratings information is available to RatingsDirect subscribers at www.capitaliq.com. All ratings affected by this rating action can be found on S&P Global Ratings' public website at www.spglobal.com/ratings.

Whangarei District Council

4.3 Local Government Funding Agency – Statement of Intent 2024-27

Meeting:	Finance Committee
Date of meeting:	4 September 2024
Reporting officer:	Delyse Henwood (Manager – Finance)

1 Purpose / Te Kaupapa

To agree to the Local Government Funding Agency (LGFA) 2024-27 Statement of Intent in accordance with Section 65(2) of the Local Government Act 2002.

2 Recommendation / Whakataunga

That the Finance Committee agrees to the Local Government Funding Agency 2024-27 Statement of Intent.

3 Background / Horopaki

Section 64 of the Local Government Act 2002 advises that Council Controlled Organisations (CCOs) must have a Statement of Intent (SOI). The purpose of a SOI is to state publicly the activities and intentions of the CCO, to provide an opportunity for Council to influence the direction of the organisation, and to provide a basis for accountability.

Council must either agree with the SOI or ask for modifications as outlined in section 65(2).

The Draft SOI for the LGFA was presented to this Committee at its meeting on 3 April 2024.

4 Discussion / Whakawhiti kōrero

The final SOI for the LGFA, of which Council has a shareholding, is included as Attachment One. It meets the obligations of Section 64 and Schedule 8 in the Local Government Act 2002.

The LGFA covering letter to shareholders is included as Attachment Two. The letter highlights key points and notes the changes made to the 2024-27 SOI after presentation of the draft to this Committee in April 2024 as well as feedback from the LGFA Shareholders' Council.

5 Significance and engagement / Te Hira me te Arawhiti

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

6 Attachments / Ngā Tāpiritanga

Attachment 1 – LGFA 2024-27 Statement of Intent

Attachment 2 – LGFA letter to Stakeholders dated 25 June 2024

LGFA

New Zealand Local Government Funding Agency
Te Pūtea Kāwanatanga ā-rohe

Greater Wellington Regional Council, Wairio Wetlands, South Wairarapa

Statement of Intent

2024 – 2027

1. Introduction

This Statement of Intent (SOI) sets out the nature and scope of the activities, objectives and performance targets for the New Zealand Local Government Funding Agency Limited (LGFA) for the three-year period 1 July 2024 to 30 June 2027.

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.

Note: This SOI, including financial forecasts, assumes that there are no implications for LGFA from the Local Water Done Well Reforms and council borrowing forecasts are based on Draft LTPs. We are awaiting further information relating to the establishment of the Water CCOs; how Water CCOs are intending to structure their borrowing; how the transition of revenue and debt will occur between our council members and Water CCOs, and the impact on future council borrowing intentions.

2. Nature and scope of activities

LGFA raises debt funding for the purpose of providing debt financing to New Zealand local authorities and CCOs (participating borrowers).

LGFA may raise debt funding either domestically and/or offshore in either NZ dollars or foreign currency.

LGFA only lends to participating borrowers that have entered into required relevant legal and operational arrangements and comply with the LGFA's lending policies.

In addition, LGFA may undertake any other activities considered by the LGFA Board to be reasonably related, incidentally to, or in connection with, that business.

3. Our purpose Ta tatou kaupapa

Benefiting local communities through delivering efficient financing for local government.

Ka whiwhi painga ngā hapori mā te whakarato pūtea tōtika ki ngā kaunihera.

4. Our values Ō mātau uara

We act with integrity E pono ana mātau	We are customer focused E arotahi ana mātau ki te kiritaki	We strive for excellence E whakapau kaha mātau kia hiranga te mahi	We provide leadership He kaiārahi mātau	We are innovative He auaha mātau
We are honest, transparent and are committed to doing what is best for our customers and our company.	Our customers are our council borrowers, investors, and all other organisations that we deal with. We listen to them and act in their best interests to deliver results that make a positive difference.	We strive to excel by delivering financial products and services that are highly valued at least cost while seeking continuous improvement in everything we do.	We are here for our stakeholders in being strategically minded, providing resilience and executing our strategy. We embrace a high-performance culture and can be relied upon to deliver results.	To meet our ever-changing customer requirements, we will encourage innovation and provide a diverse range of financial products and services.

5. Foundation objectives

The Shareholders' Agreement is a foundation document and states that, in accordance with the Local Government Act, in carrying on its business the objectives of the Company will be to:

(a) achieve the objectives of the Shareholders (both commercial and non-commercial) as specified in the Statement of Intent. The Shareholders agree that the Company shall carry on its business with a view to making a profit sufficient to pay a dividend in accordance with the Dividend Policy, but that the primary objective of the Shareholders with respect to the Company is that it optimises the terms and conditions of the debt funding it provides to Participating Local Authorities;

(b) be a good employer;

(c) exhibit a sense of social and environmental responsibility by having regard to the interests of the community in which it operates and by endeavouring to accommodate or encourage these when able to do so; and

(d) conduct its affairs in accordance with sound business practice.

This Statement of Intent sets out the company's strategic priorities, together with associated objectives and performance targets, which align with the foundation objectives and have been agreed with shareholders.

6. Strategic priorities

The following five strategic priorities encompass the foundation objectives and guide the LGFA Board and management in determining our strategy, objectives and associated performance targets.

Governance, capability and business practice

LGFA is committed demonstrating best practice corporate governance underpinned by sound business practice to ensure its long-term sustainability and success.

Optimising financing services for local government

LGFA's primary objective is to optimise the terms and conditions of the debt funding it provides to participating borrowers. Amongst other things, LGFA will achieve this by delivering operational best practice and efficiency across our lending products and services.

Environmental and social responsibility

LGFA recognises the risks inherent in climate change for councils and supports New Zealand's shift to a low-carbon economy. LGFA will exhibit a sense of social and environmental responsibility by having regard to the interests of the community in which it operates and by endeavouring to accommodate or encourage these when able to do so.

Effective management of loans

LGFA will ensure its loan book remains at a high standard by ensuring it understands each participating borrower's financial position and managing assets within an appropriate risk management framework to ensure shareholder value is not compromised.

Industry leadership and engagement

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

7. Objectives and performance targets

This section sets out LGFA's objectives and performance targets for SOI 2024-2027.

The financial performance targets are focused on the 2024-2025 year and, as applicable, are based on the financial forecasts outlined in section 8.

Governance, capability and business practice

Objectives	How we measure our performance
Demonstrate best practice corporate governance.	The Annual Report outlines our compliance with the eight core principles underpinning the NZX Corporate Governance Best Practice Code. The Shareholders' Council has requested a focus on succession planning for the Board.
Set and model high standards of ethical behaviour.	LGFA has adopted a formal Code of Ethics, incorporating its Conflicts of Interest and Code of Conduct policies, which sets out the standards and values that directors and employees are expected to follow.
Achieve the shareholder-agreed objectives and performance targets specified in this Statement of Intent.	LGFA reports performance against objectives quarterly to shareholders and in our Annual and Half Year Reports.
Ensure products and services offered to participating borrowers are delivered in a cost-effective manner.	LGFA prepares annual operating budgets and monitors progress against these monthly. Financial performance is reported quarterly to shareholders and in our Annual and Half Year Reports.
Be a good employer by providing safe working conditions, training and development and equal opportunities for staff	The Annual Report reports on our health and safety and wellbeing practices and policies, compliance with the Health and Safety at Work Act, diversity and inclusion and capability and development.

Performance targets	2024-2025 target
Comply with the Shareholder Foundation Polices and the Board-approved Treasury Policy at all times.	No breaches
Maintain LGFA's credit rating equal to the New Zealand Government sovereign rating where both entities are rated by the same Rating Agency.	LGFA credit ratings equivalent to NZ Sovereign.
A succession plan be put in place for the Board and staff and be reviewed annually.	Plan established. Staff plan shared with board and Board Plan shared with Shareholders' Council
LGFA's total operating income for the period to 30 June 2025.	> $31.4 million
LGFA's total operating expenses (excluding AIL) for the period to 30 June 2025.	< $11.5 million

Optimising financing services for local government

Objectives	How we measure our performance
Provide interest cost savings relative to alternative sources of financing.	Measure LGFA issuance spreads against other high-grade issuers in the New Zealand domestic capital markets.
Offer flexible short and long-term lending products that meet the borrowing requirements for borrowers.	Measure LGFA's share of overall council borrowing. Survey participating borrowers on an annual basis.
Deliver operational best practice and efficiency for lending services.	Monitor settlements errors for new trades and cashflows. Survey participating borrowers on an annual basis.
Ensure certainty of access to debt markets, subject always to operating in accordance with sound business practice.	Maintain a vibrant primary and secondary market in LGFA bonds. Monitor participation by investors at our tenders through bid-coverage ratios and successful issuance yield ranges.

Performance targets	2024-2025 target
Share of aggregate long-term debt funding to the Local Government sector.	> 80%
Total lending to Participating Borrowers.	> $23,957 million
Conduct an annual survey of Participating Borrowers who borrow from LGFA as to the value added by LGFA to the borrowing activities.	> 85% satisfaction score
Successfully refinance existing loans to councils and LGFA bond maturities as they fall due.	100%
Meet all lending requests from Participating Borrowers, where those requests meet LGFA operational and covenant requirements.	100%

Environmental and social responsibility

Objectives	How we measure our performance
Assist the local government sector in achieving their sustainability and climate change objectives.	LGFA is committed to assist borrowers financing of projects that promote environmental and social wellbeing in New Zealand and to encourage a reduction in greenhouse gas emissions amongst borrowers. Green, Social & Sustainability (GSS) loan and Climate Action Loan applications from councils are appraised by the LGFA Sustainability Committee, with approved loans monitored for ongoing compliance.
Improve sustainability outcomes within LGFA.	LGFA is committed to reducing our carbon emissions and formalised processes to measure our greenhouse gas (GHG) emissions, as well as management plans to reduce our company's emissions.

Performance targets	2024-2025 target
Comply with the Health and Safety at Work Act 2015	No breaches.
Maintain Toitū Carbon Zero certification	Carbon-zero certification maintained.
Meet reduction targets outlined in our carbon reduction management plan.	Reduction targets met.
Increase our GSS lending book and Climate Action Loans	Two new GSS loans undertaken. Three new borrowers enter into CALs.
Meet all mandatory climate reporting standards	100%
Provide annual seminar for councils updating them on latest sustainability developments, climate change impact and LGFA reporting requirements	One seminar for councils and CCOs

Effective management of loans

Objectives	How we measure our performance
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.	LGFA reviews all participating councils and CCOs 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. Participating borrowers are required to complete annual compliance certificates by the end of November each year.
Endeavour to meet each participating borrower annually, including meeting with elected officials as required, or if requested	Number of participating borrowers visited in a year
Ensure a smooth transition of water-related loans if the Local Water Done Well Reforms progresses over forecast period.	LGFA will be able to ensure the successful transition of existing council water-related loans to the Water CCOs (if requested by a council)

Performance targets	2024-2025 target
Review each Participating Borrower's financial position.	100%
Arrange to meet each Participating Borrower over a 15-month period, including meeting with elected officials as required, or if requested.	100%

Industry leadership and engagement

Objectives	How we measure our performance
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.	Report on actions undertaken and progress made on sector issues.
Assist the local government sector with significant matters such as the Local Water Done Well Reforms and Future for Local Government	Identifying any legislative or Central Government policy changes that may impact LGFA and undertake formal or informal submissions.
Maintain productive relationships with central government representatives.	Assist the local government sector with understanding any legislative or Central Government policy changes that may impact LGFA.
Support councils and CCOs in the development of reporting disclosures of the impacts of sector activity on climate change.	Report back on the alignment of LGFA and councils climate and emissions reporting requirements Report back in how we are helping smaller council's understand future reporting requirements.

Performance targets	2024-2025 target
Provide input into Local Water Done Well Legislation	Provide feedback to DIA and Treasury during legislation drafting
Provide quarterly updates to shareholders and borrowers on sector developments that are impacting LGFA	Four quarterly updates to councils and CCOs
Meet annually with Infrastructure Commission, Local Government New Zealand, Taituara, Water New Zealand, Infrastructure New Zealand, Crown Infrastructure Partners, Department of Internal Affairs, Treasury and Minister's office to discuss sector issues from an LGFA perspective.	Nine meetings across stakeholders

8. Financial forecasts

LGFA's financial forecasts for the three years to 30 June 2027:

Comprehensive income $m	Jun 25	Jun 26	Jun 27
Net Interest income	**29.9**	**39.6**	**41.5**
Other operating income	1.5	1.5	1.5
Total operating income	**31.4**	**41.1**	**43.0**
Approved Issuer Levy	5.3	7.3	9.1
Issuance & onlending costs	4.3	4.6	4.7
Operating overhead	7.2	7.6	8.0
Issuance and operating expenses	**16.8**	**19.6**	**21.8**
P&L	**14.5**	**21.5**	**21.2**

Financial position (nominals) $m	Jun 25	Jun 26	Jun 27
Liquid assets portfolio	2,597	2,876	3,866
Loans to local government	23,957	26,509	29,043
Total Assets	**26,555**	**29,385**	**32,909**
Bonds on issue (ex Treasury stock)	23,702	26,277	29,485
Bills on issue	1,850	1,850	1,850
Borrower notes	707	905	1,114
Total Liabilities	**26,259**	**29,032**	**32,449**
Capital	25	25	25
Retained earnings	106	126	145
Dividend	(2)	(2)	(2)
Shareholder equity	**129**	**149**	**169**
Ratios	**Jun 25**	**Jun 26**	**Jun 27**
Liquid assets/funding liabilities	10.6%	10.6%	12.6%
Liquid assets/total assets	9.8%	9.8%	11.7%
Net interest margin	0.12%	0.15%	0.14%
Cost to income ratio	53.7%	47.6%	50.6%
Return on average assets	0.05%	0.07%	0.06%
Shareholder equity/total assets	0.5%	0.5%	0.5%
Shareholder equity + BN/total assets	3.2%	3.6%	3.9%
Asset growth	13.3%	10.7%	12.0%
Loan growth	16.5%	10.7%	9.6%
Return on equity	12.5%	16.6%	14.2%
Capital ratio	15.8%	17.9%	19.5%

The above forecasts assume a gross bond issuance programme of $5.4 billion (FY25), $5.5 billion (FY26) and $5.9 billion (FY27) based upon term lending to councils of $5.8 billion (FY25), $5.2 billion (FY26) and $6.2 billion (FY27).

Note there is a high level of uncertainty regarding the financial forecasts for both council borrowing and LGFA bond issuance due to the uncertainty relating to the Local Water Done Well Reforms and the impact on councils.

Our council lending and LGFA bond issuance forecasts are based on the assumption that LGFA will be lending to the proposed Water CCOs if they meet the qualifying criteria for LGFA membership as a CCO. We have assumed we will not be lending to financially independent Water CCOs such as Watercare as they are unlikely to meet the qualifying criteria. There have been no final decisions regarding the transfer mechanism for assets, liabilities and revenue from councils to the proposed Water CCOs. We will update stakeholders on implications for LGFA as further information becomes available, but this is not expected until late 2024.

The above forecasts assume a 5 bps increase in base lending margins to councils and CCOs and an increase in the Borrower Notes as a percentage of loans to 5%. These changes will take place from 1 July 2024. These changes have been carefully considered by the LGFA board and are necessary to increase the capital strength of LGFA and to meet the additional costs incurred by LGFA in financing the larger borrowing requirement of the sector.

9. Dividend policy

LGFA primary objective is to maximise benefits to participating 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.

10. 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 can comprise up to seven directors. Currently the board size is 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 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 six times each year.

Shareholders' Council

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

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

11. 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.
- Unaudited 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 Borrowers (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.
- Commentary on sustainability initiatives.

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.

Climate Related Disclosures Reporting

LGFA will publish a Climate Related Disclosure Report by 30 September 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.

12. 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.

13. 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.

14. 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 considered that at establishment the commercial value of LGFA was equal to the face value of the Shareholders' paid up Principal Shares – $25 million.

In the absence of any subsequent share transfers to the observed share transfers on 30 November 2012, the Board considers the current commercial value of LGFA 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.

15. 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.

Statement of Accounting Policies

1. 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 borrowers.

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

2. 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).

3. Basis of preparation

Measurement base

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

The financial statements are prepared on an accrual basis.

Functional and presentation currency

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

Foreign currency conversions

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

Changes in accounting policies

There have 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.

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, bank accounts and deposits with an original maturity of no more than three months.

Cash provided by LGFA as security for financial arrangements remains a financial asset of LGFA and is recognised as cash pledged as collateral in the Statement of Financial Position, separate from cash and cash equivalents.

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.

Other assets

Property, plant and equipment

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.

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.

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.

Segment reporting

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

Judgements and estimations

The preparation of these financial statements requires judgements, estimates and assumptions that affect the application of policies and reported amounts. For example, the fair value of financial instruments depends critically on judgements regarding future cash flows, including inflation assumptions and the risk-free discount rate.

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 and these estimates and underlying assumptions are reviewed on an ongoing basis. Where these judgements significantly affect the amounts recognised in the financial statements they are described in the following notes.

LGFA
New Zealand Local Government Funding Agency
Te Pūtea Kāwanatanga ā-rohe

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[1]
  - 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

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

(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

Whangarei District Council

4.4 LGFA role in Local Water Done Well and provided financial assistance for high growth Councils

Meeting:	Finance Committee
Date of meeting:	4 September 2024
Reporting officer:	Delyse Henwood (Manager – Finance)

1 Purpose / Te Kaupapa

To provide information received from LGFA regarding funding for Local Water Done Well (LWDW) and high growth Councils.

2 Recommendation / Whakataunga

That the Finance Committee receives the information.

3 Background / Horopaki

On 8 August 2024, the Minister of Local Government and LGFA announced new initiatives regarding the financing of Water CCOs and providing relief to high growth councils regarding debt levels.

A letter from LGFA outlining the initiative, the NZX release and a Factsheet from DIA are included as attachments to this agenda.

Alan Adcock, General Manager Corporate / CFO has a governance relationship with LGFA as a Non-Independent Director on the LGFA Board. Any potential conflicts of interest this causes are dealt with as circumstances dictate.

4 Significance and engagement / Te Hira me te Arawhiti

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

5 Attachments / Ngā Tāpiritanga

Attachment 1 – LGFA Letter to stakeholders regarding LWDW and High Growth Councils

Attachment 2 – NZX Announcement 8 August 2024

Attachment 3 – Factsheet – Financing for Councils and water organisations

LGFA
New Zealand Local
Government Funding Agency
Te Pūtea Kāwanatanga ā-rohe

08 August 2024

Dear LGFA stakeholder

LGFA Role in Local Water Done Well and Providing Financing Assistance for High Growth Councils

LGFA and the Minister of Local Government has today announced several initiatives to provide some certainty to councils regarding the financing of Water CCOs under Local Water Done Well and to also assist high growth councils.

This work has been underway since the end of 2023, and it is pleasing for us to provide clarity to councils as they look to develop their Water Services Delivery Plans.

LGFA confirms that it will extend its existing lending to council-controlled organisations (CCOs) to new water organisations[1] that are CCOs and financially supported by their parent council or councils.

- LGFA will support leverage for water organisations up to a level equivalent to 500 percent of operating revenues[2] (around twice that of existing councils), subject to water organisations meeting prudent credit criteria.
- LGFA will treat borrowing by water organisations as separate from borrowing by parent council or councils.
- LGFA will lend to multiply-owned water organisations, who are supported by the parent councils.
- LGFA will make available to water organisations its existing suite of financial products that are currently made available to councils and CCOs. These include green and sustainable loans and climate action loans, short and long-term loans and standby facilities.

Councils will also retain the ability to borrow through LGFA should they choose to keep water services 'in house' rather than establish a water organisation.

LGFA is also reviewing whether it can prudently provide additional flexibility to councils to meet the future challenges faced by the sector. That work will include consideration of the following options:

- LGFA increasing debt limits for high growth councils beyond the current ceiling of 285[3] percent of operating revenue to a level of 350% subject to LGFA board approval on a bespoke basis; and

[1] 'Water organisation' means the separate organisations that councils may establish to provide water services – and does not include councils. There will be various types of water organisations under Local Water Done Well, and LGFA will only be lending to water organisations that meet the qualifying criteria for LGFA membership as a CCO. In particular, financially independent water organisations will not meet the qualifying criteria.
[2] Note that this metric is being used for comparative purposes only and a more appropriate metric for water organisations will ultimately be used.
[3] This reduces to 280% from 1 July 2025.

New Zealand Local Government Funding Agency Limited
Auckland Level 5, Walker Wayland Centre, 53 Fort Street
Wellington Level 8, City Chambers, 142 Featherston Street
PO Box 5704, Lambton Quay, Wellington 6145 | Phone +64 4 974 6530
lgfa.co.nz

- In time, and subject to prudent criteria and LGFA stakeholder approval, LGFA lending to water organisations on an unsupported basis.

Next Steps

We will be providing an opportunity to summarise today's news and for you to ask questions at our Quarterly Update on Monday 12 August 2024 at 3pm. Please contact Jane Phelan at jane.phelan@lgfa.co.nz to receive an invite if you have not already received one.

The responsibility for changes required to facilitate Water CCO lending is with the LGFA Board as the Water CCOs will be under the existing CCO lending framework.

We will work with DIA, the economic regulator (once established) and other stakeholders to determine the appropriate set of financial covenants that will apply to the financially supported Water CCOs.

We will be seeking shareholder approval of the change to the Net Debt/Total Revenue covenant at the Annual Meeting of Shareholders on Tuesday 19 November 2024. The Notice of Annual Meeting and supporting materials will be provided to shareholders in mid-September 2024.

Please reach out to us if you have any questions.

Yours sincerely

Mark Butcher
Chief Executive

New Zealand Local Government Funding Agency
Te Pūtea Kāwanatanga ā-rohe

NZX Announcement
08 August 2024

UPDATE ON LOCAL WATER DONE WELL AND ADDITIONAL FINANCING FOR HIGH GROWTH COUNCILS

New Zealand Local Government Funding Agency Limited (LGFA) has been working alongside Central Government, the Treasury and Department of Internal Affairs regarding financing options to support *Local Water Done Well.*

LGFA has confirmed that it will provide financing to support water organisations[1] established under *Local Water Done Well* and look to assist high growth councils with additional financing.

LGFA will extend its existing lending to council-controlled organisations (CCOs) to new water organisations that are CCOs and are financially supported by their parent council or councils. The ability of councils to establish water organisations will be provided for by the Local Government Water Services Bill.

- LGFA will support leverage for water organisations up to a level equivalent to 500 percent of operating revenues[2] (around twice that of existing councils), subject to water organisations meeting prudent credit criteria. LGFA will treat borrowing by water organisations as separate from borrowing by parent council or councils.
- LGFA will lend to multiply-owned water organisations, who are supported by the parent councils.
- LGFA will make available to water organisations its existing suite of financial products that are currently made available to councils and CCOs. These include green and sustainable loans and climate action loans, short and long-term loans and standby facilities.

Councils will also retain the ability to borrow through LGFA should they choose to keep water services 'in house' rather than establish a water organisation.

Alongside the broader policy framework developed by Central Government as part of *Local Water Done Well* (which ensures that water organisations will be commercially focused and subject to economic regulation), the steps being taken by LGFA will support councils to prudently and sustainably invest in long lived water infrastructure. Councils will be able to set up their water services in a way that suits their own circumstances and will not be reliant on 'balance sheet separation' to achieve effective access to financing.

In preparation for the above, and in recognition of the expected growth in debt required by councils as expressed in their Long Term Plans, LGFA has taken its own steps to improve its working capital

[1] 'Water organisation' means the separate organisations that councils may establish to provide water services – and does not include councils. There will be various types of water organisations under *Local Water Done Well,* and LGFA will only be lending to water organisations that meet the qualifying criteria for LGFA membership as a CCO. In particular, financially independent water organisations will not meet the qualifying criteria.

[2] Note that this metric is being used for comparative purposes only and a more appropriate metric for water organisations will ultimately be used.

and financial strength over time. From 1 July 2024, both borrower loan margins and the borrower notes subscription rate have been increased.

LGFA is also reviewing whether it can prudently provide additional flexibility to councils to meet the future challenges faced by the sector. That work will include consideration of the following options:

- LGFA increasing debt limits for high growth councils beyond the current ceiling of 285[3] percent of operating revenues to a level of 350% subject to LGFA board approval on a bespoke basis; and
- In time, and subject to prudent criteria and LGFA stakeholder approval, LGFA lending to water organisations on an unsupported basis.

Central Government is working collaboratively with LGFA in this review. The Crown is a 20% shareholder in LGFA and currently provides a NZ$ 1.5 billion liquidity facility to LGFA. It recognises the importance of the role that LGFA plays in providing access to financing for councils and CCOs. The Crown has confirmed the existing support it provides to LGFA, and as part of the review will consider whether that support will remain appropriately sized given the growth in LGFA's balance sheet.

This announcement, along with a Department of Internal Affairs Factsheet: "Financing for councils and water organisations" is available on our website at https://www.lgfa.co.nz/about-lgfa/news-and-market-announcements

Released on behalf of New Zealand Local Government Funding Agency Limited by
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Chief Executive.
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Website lgfa.co.nz

[3] This reduces to 280% from 1 July 2025.

Te Tari Taiwhenua
Internal Affairs

August 2024

LOCAL WATER DONE WELL

Factsheet: Financing for councils and water organisations

This is one of a series of factsheets giving an overview of key Local Water Done Well policy decisions, including those that will be reflected in the proposed Local Government Water Services Bill, which is expected to be introduced to Parliament in December 2024.

It is based on Cabinet decisions announced by the Minister of Local Government and Minister of Commerce and Consumer Affairs in August 2024.

This factsheet provides an overview of financing options for local government water service providers[1] under Local Water Done Well, resulting from ongoing work with New Zealand Local Government Funding Agency Limited (LGFA). It covers current and emerging options.

It should be read alongside other Local Water Done Well factsheets. More detailed information can be found in the associated Cabinet papers that have been proactively released on the Department of Internal Affairs' website.

What are the proposed changes?

LGFA has confirmed that it will provide financing to support water council-controlled organisations (CCOs) established under Local Water Done Well and look to assist high growth councils with additional financing.

LGFA will extend its existing lending to CCOs to new water organisations[2] that are CCOs and are financially supported by their parent council or councils. The ability of councils to establish water organisations will be provided for by the Local Government Water Services Bill.

- LGFA will support leverage for water organisations up to a level equivalent to 500 percent of operating revenues[3] (around twice that of existing councils), subject to water organisations meeting prudent credit criteria. LGFA will treat borrowing by water organisations as separate from borrowing by parent council or councils.

[1] 'Water service provider' means all forms of local government provider – including councils that continue with direct (in-house) delivery, and water organisations.

[2] 'Water organisation' means the separate organisations that councils may establish to provide water services – and does not include councils. There will be various types of water organisation under Local Water Done Well, and LGFA will only be lending to water organisations that meet the qualifying criteria for LGFA membership as a CCO. In particular, financially independent water organisations will not meet the qualifying criteria.

[3] Note that this metric is being used for comparative purposes only and a more appropriate metric for water organisations will ultimately be used.

- LGFA will lend to multiply-owned water organisations, who are supported by the parent councils.
- LGFA will make available to water organisations its existing suite of financial products that are currently made available to councils and CCOs. These include green and sustainable loans and climate action loans, short and long-term loans and standby facilities.

Councils will also retain the ability to borrow through LGFA should they choose to keep water services 'in house' rather than establish a water organisation.

LGFA is also reviewing whether it can prudently provide additional flexibility to councils to meet the future challenges faced by the sector. That work will include consideration of the following options:

- LGFA increasing debt limits for high growth councils beyond the current ceiling of 285 percent of operating revenues; and
- In time, and subject to prudent criteria and LGFA stakeholder approval, LGFA lending to water organisations on an unsupported basis.

The Crown confirms the existing supports it provides to LGFA, and as part of the review will consider whether those supports remain appropriately sized given the growth in LGFA's balance sheet.

Why are these changes needed?

LGFA is the source of most debt financing accessed by local government. This is because LGFA is the lowest cost provider of financing to local government as a result of its scale and its AAA credit rating which is similar to that of central government due to the support of both central and local government.

LGFA has various requirements that councils need to meet and stay within to access LGFA funding. These requirements are to preserve the credit quality of the LGFA lending book in order to maintain its AAA credit rating. A key requirement is that total council debt cannot be more than 285[4] percent of council operating revenues for rated councils and 175 percent for unrated councils, plus there are interest cover ratios based on rates and total council revenues.

Many councils will need to increase borrowing in order to make the necessary investments to bring water infrastructure up to standard and support new housing. Some councils are already close to their LGFA debt limits.

Without change to key financing ratios, some councils will find it difficult to stay under the current LGFA debt to revenue 'ceiling' while making necessary water investments.

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[4] This reduces to 280% from 1 July 2025.

The changes proposed under Local Water Done Well enable councils to choose what structural options for water services delivery work best for them. One of those options is to establish a water organisation. That option is expected to have multiple benefits:

- It will result in an organisation that is dedicated to water services, their delivery and their quality.
- It will reduce the debt directly attributed to the parent council(s) if councils transfer water related debt to the water organisations.
- Water organisations will be able to borrow more than councils can and therefore make the necessary investments to provide quality water services.

If councils establish water organisations and do not provide financial support, those organisations could not as it currently stands, access LGFA funding and would need to seek debt funding directly from the private sector.

In addition to cost benefits, an advantage of financing through LGFA is that there will be no transition issues for eligible water organisations. Water organisations are not required to join LGFA and once they have joined, they are not obliged to borrow from LGFA.

Under Local Water Done Well, the Government has been working with LGFA to confirm its intended approach to increased lending to councils and water organisations.

LGFA has also taken steps to improve its working capital and financial strength over time. From 1 July 2024, both borrower loan margins and the borrower notes subscription rate have been increased.

Financial benefits for new water organisations and parent councils

The establishment of new water organisations will enable additional debt financing to fund capital investment into water infrastructure. In practice, this will enable:

- An increased proportion of capital expenditure for water infrastructure to be financed by debt rather than operating revenues – spreading the cost of the infrastructure asset over its useful life;
- A reduction in operating revenue requirements for a financially sustainable water organisation against the status quo – where additional debt financing will mean operating revenues will only need to cover the interest costs and debt repayments, as opposed to direct funding investment;
- Enable borrowings for water services infrastructure to be directly supported by water services revenues at a higher gearing, negating the requirement to use non-water services council revenues to borrow for water services;
- Additional borrowing headroom to be realised for parent councils whose current water services borrowings exceed council borrowings for other activities on a debt to revenue basis; and

- The opportunity for parent councils to pass on the benefit of any additional debt headroom created to consumers, by utilising this to finance non-water capital expenditure with a corresponding reduction to rates revenue requirements.

Proposed economic regulation of all local government water services providers will ensure closer scrutiny that costs are ring-fenced and providers become more efficient. The recovery of costs through water rates are expected to give lenders greater confidence in the financial sustainability of water service providers.

To illustrate these benefits, the new financing arrangements have been applied to a hypothetical council in Annex A.

What does this mean for consumers?

Consumers will benefit from increased lending flexibility because it will support greater investment to improve water infrastructure and services at a lower cost of borrowing than other sources.

Increased borrowing to fund necessary investment in water infrastructure reduces the need to fund investments directly from rates and other revenue. This can smooth the impact of investments across longer periods of time, which should be reflected in smaller increases in rates and water charges.

Next steps

LGFA and the Government will update the sector on how these proposed changes can be implemented ahead of LGFA's November 2024 Annual Meeting of Shareholders.

The Department of Internal Affairs will work with LGFA to develop guidance for councils on financing options, as this work progresses.

Local Government (Water Services Preliminary Arrangements) Bill

The second Local Water Done Well Bill, the Local Government (Water Services Preliminary Arrangements) Bill, is currently before Parliament and is expected to be enacted in August 2024.

The Department will be providing guidance and information for councils' development of Water Services Delivery Plans, following the enactment of the Bill.

Further information

For further information about Local Water Done Well, visit www.dia.govt.nz/Water-Services-Policy-and-Legislation

Questions? Contact waterservices@dia.govt.nz

Annex A: An illustrative example for 'Council A'

To illustrate the financial benefits for new water organisations and parent councils, the new financing arrangements have been applied to the hypothetical 'Council A' which has established a new water organisation ('Water Organisation A'), which LGFA has agreed to lend to at up to 500% of operating revenues. Water Organisation A is financially supported by uncalled capital issued to Council A.

'Water Organisation A':

- Has been established as a company, owned by 'Council A', with appropriate protections against privatisation;
- Owns Council A's water infrastructure assets and has the power to assess, set and collect water services charges from consumers;
- Has its activities limited to the provision of water services and directly-related activities; and
- Is governed by a board which is independent from the council in terms of having no council staff or elected members, with directors appointed for their competency and to ensure an appropriate mix of skills, knowledge and experience.

Through the creation of 'Water Organisation A', Council A has transferred staff, assets and debt relating to water services to the new water organisation. LGFA has agreed to lend up to 500% of operating revenues, subject to 'Water Organisation A' demonstrating sufficient projected cashflows to meet LGFA's covenants and meeting prudent credit criteria.

'Water Organisation A' has identified that it can reduce its projected revenue requirements, by utilising debt financing for capital expenditure, keeping revenues to a level sufficient to cover the costs of service and to meet LGFA's cashflow covenants requirements. These lower revenue requirements are translated into savings for consumers.

The establishment of the new water organisation has also generated additional borrowing headroom for Council A, as its water services were more highly leveraged than remaining council business. Council A has opted to utilise this additional borrowing ability to fund non-water capital expenditure over three years, passing on a corresponding saving to ratepayers.

This arrangement will enable:

- 'Water Organisation A' to reduce projected water charges by $16.4 million over three years (15.4% saving), through more efficiently utilising debt to fund capital expenditure; and
- 'Council A' to utilise additional debt headroom of $14.1 million from the separation of water services for funding non-water capital expenditure, reducing rates requirements by $13.7 million over three years (7.7% saving); for
- Total savings passed on to ratepayers and water consumers of $30.1 million over three years (10.6% saving).

Table 1: Council A's projected rates revenues and charges in the current LTP

Council A's current LTP	Year 1	Year 2	Year 3	3 Year Total
Council rates revenue ($m)	$85.3m	$95.0m	$104.1m	$284.4m
Council rates revenue increases, including water charges (%)	13.6%	11.3%	9.6%	38.7%
Council rates revenue increases, excluding water charges (%)	10.4%	6.1%	4.2%	22.0%
Water services charges ($m)	$29.2m	$35.4m	$42.1m	$106.7m
Water services charges increases (%)	20.3%	21.4%	18.8%	73.5%
Projected debt for water services ($m)	$103.0m	$114.9m	$131.3m	
Water debt to operating revenue (%)	332%	308%	299%	

Table 2: Water Organisation A's projected charges, borrowings and savings to water services consumers

Water Organisation A	Year 1	Year 2	Year 3	3 Year Total
Water services charges ($m)	$27.0m	$29.9m	$33.4m	$90.3m
Updated water services charges increases required (%)	11.4%	10.7%	11.8%	37.7%
Reduction in water services charges – savings ($m)	$2.2m	$5.5m	$8.7m	$16.4m
Reduction in water services charges – savings (%)	7.4%	15.6%	20.6%	15.4%
Projected debt for water services ($m)	$105.3m	$123.1m	$149.0m	
Water debt to operating revenue (%)	364%	387%	423%	

Table 3: Councils A's additional debt headroom passed as savings to ratepayers

Council A (excluding water services)	Year 1	Year 2	Year 3	3 Year Total
Debt headroom from separating water services ($m)	$14.1m			$14.1m
Updated non-water services rates increases required (%)	2.9%	5.1%	3.1%	11.5%
Capital expenditure financed by debt headroom ($m)	$3.8m	$4.7m	$5.6m	$14.1m
Additional interest costs ($m)	$0.0m	$0.1m	$0.2m	$0.4m
Reduction in non-water services rates – savings ($m)	$3.8m	$4.6m	$5.4m	$13.7m
Reduction in non-water services rates – savings (%)	6.8%	7.7%	8.6%	7.7%

Table 4: Combined savings to ratepayers and water services consumers

Council A and Water Organisation A (combined)	Year 1	Year 2	Year 3	3 Year Total
Projected rates increases – per current LTP (%)	13.6%	11.3%	9.6%	38.7%
Projected rates increases – Council/Water Org combined (%)	5.6%	7.0%	6.1%	20.0%
Savings to water services consumers – Water Org A ($m)	$2.2m	$5.5m	$8.7m	$16.4m
Savings to ratepayers – Council A ($m)	$3.8m	$4.6m	$5.4m	$13.7m
Total savings ($m)	$6.0m	$10.1m	$14.0m	$30.1m
Total savings (%)	7.0%	10.6%	13.5%	10.6%

4.5 Operations Report – Corporate Group – September 2024

Meeting:	Finance Committee
Date of meeting:	4 September 2024
Reporting officer:	Alan Adcock (General Manager – Corporate/CFO)

1 Purpose / Te Kaupapa

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

2 Recommendation / Whakataunga

That the Finance Committee notes the Corporate Group operations report for September 2024 which contains statistics up to 31 July 2024.

3 Background / Horopaki

The Finance Committee terms of reference list key responsibilities which include provision of an operations report from the Corporate Group.

This report provides a brief overview of some of the operational highlights across functions and services of the Corporate Group, including comment on some future planned activities. This report contains statistics up to 31 July 2024 and other narrative is provided as a general update.

4 Significance and engagement / Te Hira me te Arawhiti

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

5 Attachments / Ngā Tāpiritanga

Attachment 1 – Corporate Group Operations Report – September 2024 (statistics to 31 July 2024)

Whangarei District Council

Operations Report
Corporate Group

September 2024
(statistics to 31 July 2024)

Contents

1. Management Update

This report contains statistics up to 31 July 2024 and other narrative is provided as a general update.

1.1 Procurement Reporting – Contracts Approved Under Delegated Authority

Relevant contracts are listed below.

Finance Department

- Deloitte: 2024 Annual Report Audit Fee $378,964

1.2 Current Priorities and Challenges

The challenges and priorities for the Corporate Group are outlined in the report under each department. In summary, the main issues are:

- setting rates for 2024/25, with the subsequent issuing of rates notices
- preparing for the 2023/24 Audit and Annual Report
- finalising capital project carry forwards
- initial work on the 2025/26 Annual Plan
- implementation phase of several ICT projects
- preparation for a review of rating policy
- working with ratepayers to minimise rates arrears, and
- managing ongoing operational cost pressures.

1.3 Civic Precinct Landscaping

Paving at the front of the site is nearing completion (see photo below). While additional features such as garden planting and bike racks are still to be installed, this will allow pedestrian access to all buildings in this area to return to normal very soon.

Work is now progressing into Lovers Lane / Te Ara Hikoi a Kauika, with formation of kerbing strips between the garden areas and the shared pedestrian/cycleway now completed.

The project remains within budget and on track for completion towards the end of the year. This is planned to coincide with completion of the Lovers' Lane bridge, which is a separate project.

Te Iwitahi has been confirmed as a finalist in the NZ Institute of Architecture Awards to be held in November.

2. Information Communications Technology (ICT)

2.1 Current Priorities and Challenges

Our current priorities are the completion of the NTA process to merge WDC staff previously in NTA back into Council, the finalisation of our ICT 2024 to 2027 Strategy, and the completion of our Technology One implementation roadmap.

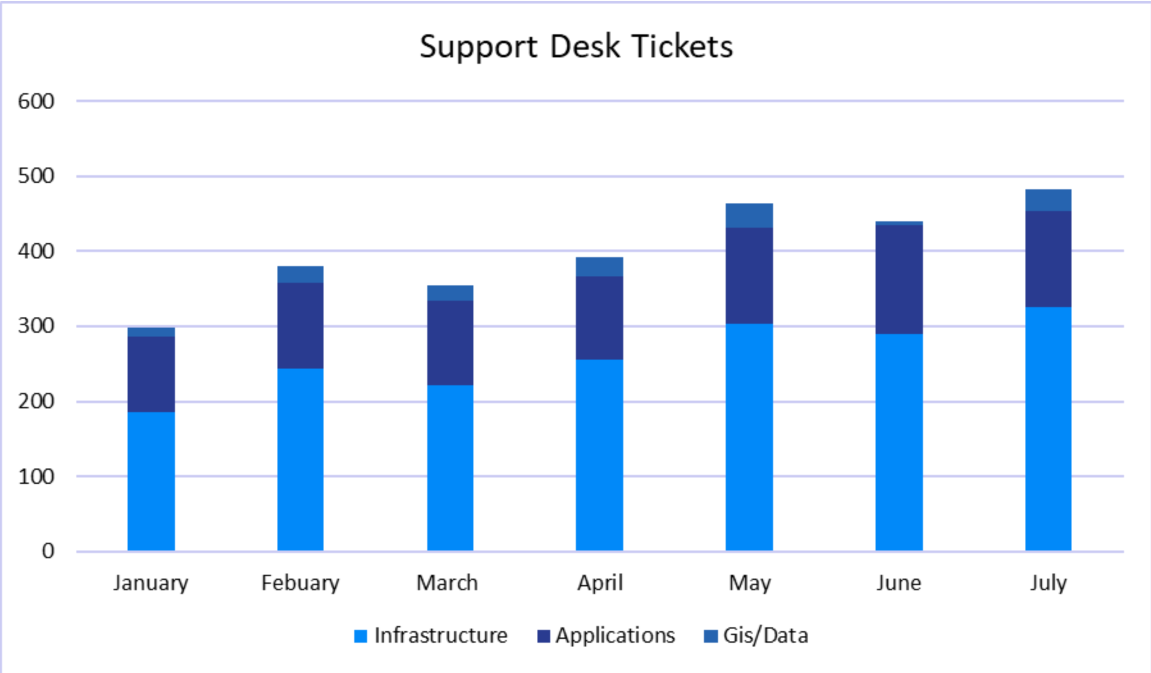
2.2 Operational Activities

The ICT team successfully deployed the Project Lifecycle Management system within Technology One for ICT projects.

ICT End User Support

Business as usual support

The number of tickets this month increased by 10%. Support for end of financial year and dissolving of the NTA has contributed to this increase.



10 new staff joined Council during July and ICT have provided induction and co-ordinated training as needed.

ICT Systems Engineering

Managed Events/P1 Incidents for the month

There was one minor incident that affected externally hosted systems as a result of the global Crowdstrike issue, resulting in an 11 hour outage overnight. Internal systems were not affected.

Availability Management

All systems at our Datacentre remained operational.

Business as usual

For the month of July, our focus was on preparing for our Windows 11 migration.

Information Management

Business as Usual

- Final changes to the Civil Defence workspace are being made – while ensuring regular engagement to ensure fit for purpose.
- Clean up on missing metadata for contracts is continuing – both for active contracts and within Kete archives.
- Issues with the lookup configuration for old licence files has continued to delay migration to backscan. Most of the files are now queued ready to migrate once the issue is fixed.
- Refresher training in Harmon.ie is due to be delivered mid-July. So far 2 sessions have been scheduled and a further one may be added if there is the demand.
- During July 560 physical files that have been digitised, have been destroyed.
- Communications have been published outlining the process to follow for new folder requests or updates to libraries. Information management is regularly monitoring this area.
- Information stored in the NTA SharePoint tenancy has been analysed. Kete roading and transportation workspace reviewed, and appropriate locations mapped to help staff understand where information should be stored within Kete. Refresher training for NTA staff shifting back to WDC has been completed.

ICT Projects

Council's new Project Lifecycle Management System was successfully rolled out to the ICT Department. It will be extended to Infrastructure projects once the Investment Management Framework is bedded in.

LEDEND: ***NOT STARTED*** ***ON TRACK*** ***GOING OFF TRACK*** ***OFF TRACK***

Project Name	Phase	On Schedule	On Budget
ePlan	Completed		
• *SLA has now been signed* • *Post implementation review meeting scheduled* • *Project will then close*			
HRIS – Training & Development	Execution		
• *UAT activities have commenced* • *Training for Managers planned* • *All staff presentation planned* • *Go-Live Scheduled: 16th September*			
Health & Safety	Early Life Support		
• *Still in early life support. Bugs ironed out and enhancements have been completed* • *Permit to Work & Contractor Monitoring planning commenced*			
PLM (Project LifeCycle Management)	Execution		
• *Multi-year budgeting Go Live* • *PLM ICT Projects Go Live 31st July* • *Steering Committee has agreed and approved to new Go Live for Construction – Feb 2025* • *PLM Construction – Configuration complete* • *PLM Construction – Analyst Testing commenced*			

IaaS Contract	Execution		
• *Contract agreed* • *Contract to be presented to Council*			
Digital Transformation	Execution		
• *Is The Game On, awaiting on Go Live date from the business.* • *Teams Wizard, Go-Live for ICT, Finance & Strategic Teams – mid-August* • *Submission Deployment Template completed* • *RFC workflow commenced*			
Grants & Funding App	Execution		
• *Purchasing of Smarty Grants approved* • *Implementation begins*			
TechOne – NA (Names and Addresses)			
• *Session planned for Systems Analysts to become familiar with readiness tool* • *Planning underway to enable business to check their data using tool*	Planning		
Objective Build Upgrade (Alpha One)	Planning		
• *Workshop completed* • *UAT test environment available soon*			

3. Finance

3.1 Current Priorities and Challenges

Key priorities this month include:

- Finalising the 2023-24 financial year including carry forwards
- Creating forecasting models for the 2024-25 financial year
- Phasing of capital and operational budgets for the 2024-25 year
- Development of training materials for forecasting including multi-year forecasting for capital budgets
- Preparation of the 2024 Annual Report
- CCO audits
- Discussion and active participation with Project Lifecycle Management (PLM) project, including investigating implications of multi-year forecasting.

Key challenges this month include:

- Sickness across the Finance team and managing impacts on deadlines and workstreams.
- Working through the impacts and process changes concerned with multi-year forecasting.

3.2 Operational Activities

2024-25 Financial Year

The standard Financial Report for the one month of July 2024 has not been provided. The Finance team are currently working through finalising the revised budget and the phasing of budgets to allow year to date reporting to commence.

2024-2034 Long Term Plan (LTP)

The Finance team are incorporating changes for actual June year-end carry forwards and finalising the revised budget. The 2024-25 revised budget will then be phased for operational and project expenditure to enable year to date reporting for the new financial year.

2023-24 Annual Report and Audit

The preparation of the Annual Report continues this month. Revaluations of roading, infrastructure assets, and investment properties are also all in progress. There is a significant amount of work to complete before the final audit. This has been challenging with staff time being diverted to the complexities of multi-year forecasting, combined with staff absence due to sickness.

The interim audit will occur in the second half of August, with the final audit scheduled to commence from the beginning of October 2024. Adoption of the Annual Report is planned for 28 November 2024 (in accordance with the legislative deadline extension due to LTP delays).

Deloitte have been officially engaged as our Auditors, with the budgeted fees agreed at $$378,964.

Multi Year Forecasting

The Finance team are currently working on the implications of introducing multi-year forecasting for projects. This will enable project managers to forecast further than just the current financial year, enabling more of a project lifetime view. There are a number of complexities to be worked through to ensure rigorous financial controls remain intact, as well as changes to our processes, data models and reporting.

A training programme to cover multi-year forecasting, as well as standard operational budget forecasting, is currently being developed and will be delivered to budget managers prior to the first round of full year forecasting to be completed by the business in September.

Staff are also reviewing the monthly reporting produced as part of the Financial Report agenda in light of changes made as a result of multi-year forecasting.

4. Revenue

4.1 Current Priorities and Challenges

Priorities:

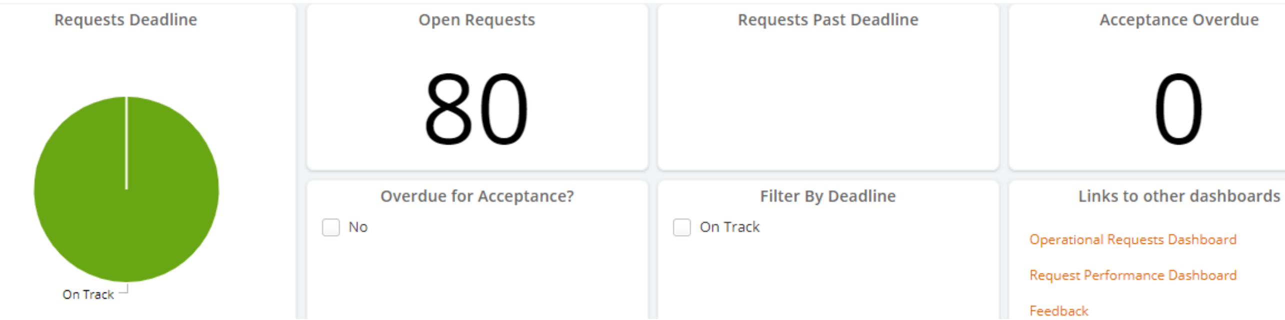
- 2024-25 year start, dog licences, rates rebates
- 2023-24 Annual Report and audit.

Challenges:

- Delay to 2024-25 rate setting increasing workload
- Managing the number of customer interactions.

4.2 Request System Dashboard

At 5 August 2024



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There were 820 online customer service requests received in July 2024, 266 more than July last year and more than double last month (June). The 80 unresolved requests are: 31 from August and 49 from July.

4.3 Operational Activities

Projects

In July the focus was:

- 2024-25 year start

Operations

The team's workload was impacted by the delayed adoption of the 2024-34 Long Term Plan. Property sales occurring between 1 July and the date the rates were set required both proposed and estimated water and land rates to be provided to solicitors. Some solicitors contacted us daily asking for the final amounts so they could complete a detailed reconciliation for their clients. The water rates notices for property sales all sent by 19 July. Final land rates amounts were provided 16-17 July.

The land rates notices were posted and emailed 26 July – 5 days later than last year as the process could not be started until the rates had been resolved on 16 July. The water rates notice processing for July was not impacted by the delayed rates resolution, however revenue was less than expected as the water meter readings were less than normal. The backlog will be addressed in August.

We included with the land rates notice, letters to some 11,000 ratepayers that pay their land rates weekly, fortnightly and monthly. In previous years these letters were sent separately 2 weeks before the notices were sent. As the mail-out dates were approaching we saved postage costs and combined the information.

When the discount period ended, 11,013 dog licences were paid and 2,444 (18%) remained unpaid, a slight improvement on last year. More people are paying online with 27% of payments received in person (30% last year).

Almost 3,000 pre-filled rates rebates forms were posted to customers after the rates were set and the rebates office opened on 22 July 2024. We employ 3 additional temporary staff to help, and we are lucky last year's team all returned to help this year. In addition to Te Iwitahi, customers can drop into the Ruakaka office and the I-site where they can be assisted in completing the form. As at 7 August, 1,200 rebates have been processed and sent to the Department of Internal Affairs for payment. A further 500 have been received but not completely processed. Last year we processed 2,200 rebates while the office was open, we are on track for when the office closes 22 August.

Collections

At 31 July 2024, total land rates due are $38.9 million including prior year's arrears of $3.8 million ($1.6 million Māori freehold land); current year land rates due are $35.1 million. Arrears decreased by $0.5 million from June.

Detail of the arrears by payment group (under payment arrangement, mortgaged, no mortgage and whenua Mãori) and property capital value (lower, middle and upper quartiles) is analysed below with the amount due and the number of properties (owing more than $100). Of the properties with arrears, there are 40% that have a payment arrangement in place, 36% with mortgage and 24% with no mortgages. Those struggling to pay their rates are evenly spread across property values.

Land rates arrears by sector and property capital value ($ amount/number of properties)

Recovery group	Arrangement $		Mortgage $		No Mortgage $		Total $		Whenua Mãori $		Total Properties	% with arrears
Business (industrial and commercial)												
< $495,000	900	1	17,100	5	5,300	4	23,300	10	-	-	473	2%
→ $1,700,000	33,100	8	14,700	3	22,300	7	70,100	18	-	-	951	2%
> $1,700,000	59,500	2	49,600	4	40,600	1	149,700	7	-	-	513	1%
Total business	***93,500***	***11***	***81,400***	***12***	***68,200***	***12***	***243,100***	***35***	***-***	***-***	***1,937***	***2%***
Rural (farming)												
< $850,500	17,400	5	10,300	4	47,600	14	75,300	23	70,900	5	463	6%
→ $2,157,000	9,600	9	31,100	12	29,300	8	70,000	29	53,700	3	925	3%
> $2,157,000	1,300	1	66,900	7	53,500	6	121,700	14	-	-	463	3%
Total rural	***28,300***	***15***	***108,300***	***23***	***130,400***	***28***	***267,000***	***66***	***124,600***	***8***	***1,851***	***4%***
Residential												
< $540,000	92,700	97	125,100	71	257,800	82	475,600	250	285,000	66	7,995	4%
→ $875,000	109,000	153	301,400	146	153,900	59	564,300	358	135,100	22	14,877	3%
> $875,000	49,800	46	90,900	38	70,600	21	211,300	105	236,800	18	7,584	2%
Total residential	***251,500***	***296***	***517,400***	***255***	***482,300***	***162***	***1,251,200***	***713***	***656,900***	***106***	***30,456***	***3%***
Lifestyle												
< $690,000	60,900	41	56,700	32	49,500	28	167,100	101	485,600	62	2,408	7%
→ $1,175,000	42,000	51	99,800	48	34,300	21	176,100	120	292,100	14	4,587	3%
> $1,175,000	30,900	15	34,700	15	15,900	7	81,500	37	33,200	1	2,493	2%
Total lifestyle	***133,800***	***107***	***191,200***	***95***	***99,700***	***56***	***424,700***	***258***	***810,900***	***77***	***9,488***	***4%***
Other	-	-	-	-	13,200	9	13,200	9	-	-	487	2%
Total	**507,100**	**429**	**898,300**	**385**	**793,800**	**267**	**2,199,200**	**1,081**	**1,592,400**	**191**	**44,219**	**3%**

During July, "intention to demand" notifications were sent to the mortgagees for 425 properties with rates arrears and 135 water rates arrears only ($1.2 million). In August, we will refer many of the properties without mortgage to our debt collector for further recovery actions. Details will be provided in the next report.

5. Business Support

5.1 Current Priorities and Challenges

Current priorities include:

- Finalising the cleaning contract procurement and transitioning new staff.
- Initiating the procurement process for the security contract.
- Completing landscaping projects.

Current challenges include:

- Overseeing final defect remediation at Te Iwitahi in collaboration with project partners.
- Coordinating with contractors to ensure compliance with Health and Safety standards and managing work schedules to minimise staff disruption.
- Addressing the impacts of departmental restructuring on team dynamics and service delivery.

5.2 Operational Activities

Procurement

Internal

- Providing general advice and support to staff involved in procurement-related projects.
- The primary focus this month has been planning and executing the Roading Maintenance and Renewals Right Track Workshop.

Strategic

- Delivering advanced procurement training for staff.
- Collaborating with ICT to assess Council's requirements for managing Procurement, Supplier, and Contract Management processes, aiming to identify optimal solutions.
- Organising the Local Government Strategic Procurement Group Conference in Whangārei for October, which will be hosted by Council staff.

Major work streams in procurement in July have included:

Service/Good Being Procured	Detail	Procurement Commencement Date	Business Owner	Date Advertised on GETS	Expected End Date
After Hours Call Services	Provision of telephone answering services after core business hours	August 2023	Customer Services	April 2024	July 2024
Veterinary Services	Services required at Animal Control facility	May 2024	Health and Bylaws	May 2024	July 2024
Security and Related Services	Security services including cash in transit, guard services and alarm monitoring	To be determined	Business Support	To be determined	To be determined

Service/Good Being Procured	Detail	Procurement Commencement Date	Business Owner	Date Advertised on GETS	Expected End Date
Road Maintenance Contracts	Facilitate Right Track Workshop	To be managed by Roading team	Roading		
Forum North Concourse roof repairs	Repairs to concourse roof to prevent further damage from water ingress	To be determined	Venues and Events	To be determined	To be determined

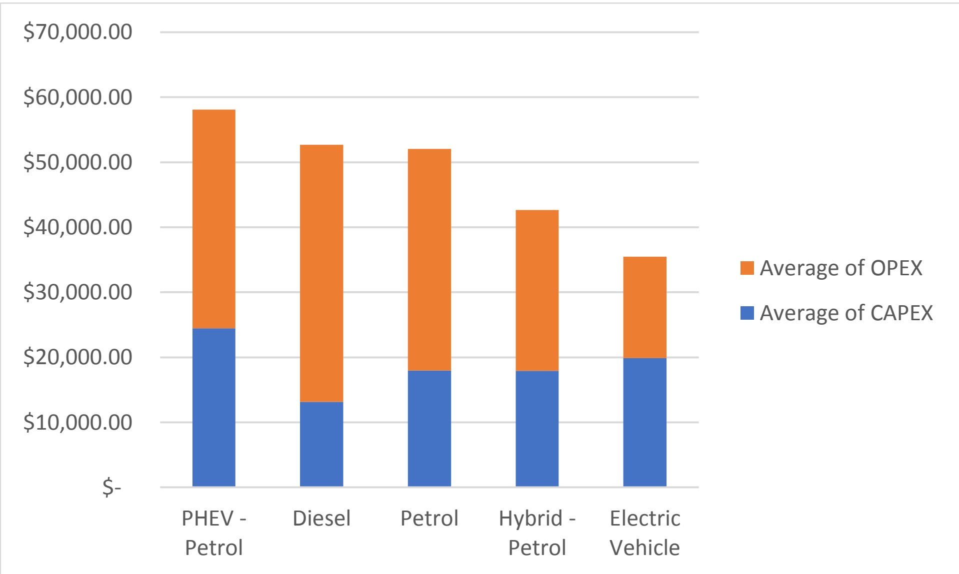
Sustainability

Whangārei District Council Fleet Costing Analysis

The Sustainability Adviser has analysed the total lifetime costs of fleet vehicles based on powertrain type. The analysis reveals that PHEV - Petrol vehicles incur the highest lifetime costs, followed by Diesel, Petrol, and Hybrid - Petrol, with Electric Vehicles being the most cost-effective.

CAPEX costs were calculated by subtracting the resale value from the Council's purchase price, with resale values obtained using the GenLess Total Cost of Ownership tool. OPEX costs, which include energy expenses and road user charges over the vehicle's lifetime (150,000km per Council policy), support our shift toward lower emission options and align with Council’s goal of reducing operating emissions. Nonetheless, vehicle selection also considers whether the vehicles meet operational needs.

It is noteworthy that there is significant variance in fuel consumption per 100km among PHEV - Petrol vehicles of the same make and model. This discrepancy suggests they might not be used optimally, particularly in utilising their electric capabilities. Improving the usage of these vehicles could potentially influence their total lifetime cost ranking. Driver training for those using these vehicles regularly will be put in place soon.



The total CAPEX cost was determined by subtracting the resale value from the Council’s purchase price. The resale value was determined using the GenLess Total Cost of Ownership tool.

The OPEX cost includes the energy cost and road user charges over the vehicles lifetime, which by Council policy is 150,000km.

This helps support our transition to lower emission options, aligning with Council's ambitions to reduce operating emissions. However, fleet purchase decisions also factor in ensuring vehicles are fit for purpose.

Switching to LED Bulbs at Council Owned Buildings

Some lightbulbs at the i-Site need replacement due to failures. In addition to the replacement cost, Council received a quote to upgrade all fixtures and bulbs to LED. This upgrade is estimated to save around $2,000 annually in electricity costs, with the capital investment being recouped in just under three years. Further cost savings will come from the reduced frequency of bulb replacements. This upgrade will also contribute to lowering emissions associated with Council's electricity use.

Facilities Maintenance

Our standard operational activities encompass several critical functions:

- **Managing Maintenance:** Overseeing comprehensive maintenance for all Civic and Commercial Buildings, including strict compliance monitoring and Warrant of Fitness certifications.
- **Supervising Scheduled Services:** Coordinating exterior cleaning, security, and air conditioning system maintenance to ensure these services meet required standards.
- **Assessing Defects and Maintenance Issues:** Collaborating with Project partners at Te Iwitahi to address and resolve outstanding defects and maintenance concerns.
- **Overseeing Facilities Contracts:** Managing contracts that support the entire organisation, ensuring service delivery and compliance across all facilities.

These activities contribute to the efficient operation and maintenance of our buildings and services, ultimately reducing long-term operational costs.

Work completed during the last month:

- Finalised the Civic Buildings Cleaning Contract and transitioned to a new supplier.
- Developed a Procurement Plan for upgrades at the Central Library.
- Implemented new contracts for HVAC and Security Systems maintenance and compliance monitoring at Te Iwitahi.
- Completed on-charging reconciliations for recovering outgoing costs from Community and Commercial tenants.
- Collaborated with the Projects Team on security and compliance services for the new Animal Shelter.

Leases and Licences

We have successfully dispatched 30 Hikurangi Swamp licences to all licensees, with the majority returned and executed by the Council. We are actively working to finalise the remaining agreements. Annual rent negotiations for the Dent Street ground leases have been completed, and new leases have been issued for tenant signatures. Several Town Basin leases are pending rent reviews, and we are awaiting rental valuations from our appraiser.

Our current priorities include:

- Processing 26 new leases and licences.
- Awaiting an update on the surrender of a lease and drafting a new lease.
- Managing 11 rent reviews/renewals, with 2 in arbitration.
- Overseeing 1 rent review/assignment.
- Conducting 3 rent reviews.
- Processing 1 variation and 2 renewals with variations.

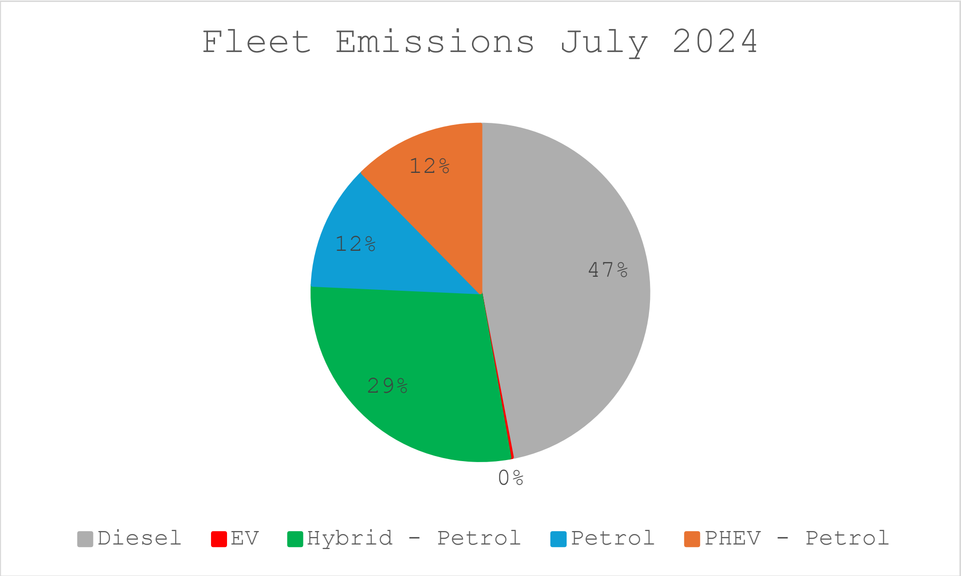
Community and Infrastructure Leases

We are currently managing:

- 15 new leases
- 2 variations
- 1 renewal
- 3 rent reviews.

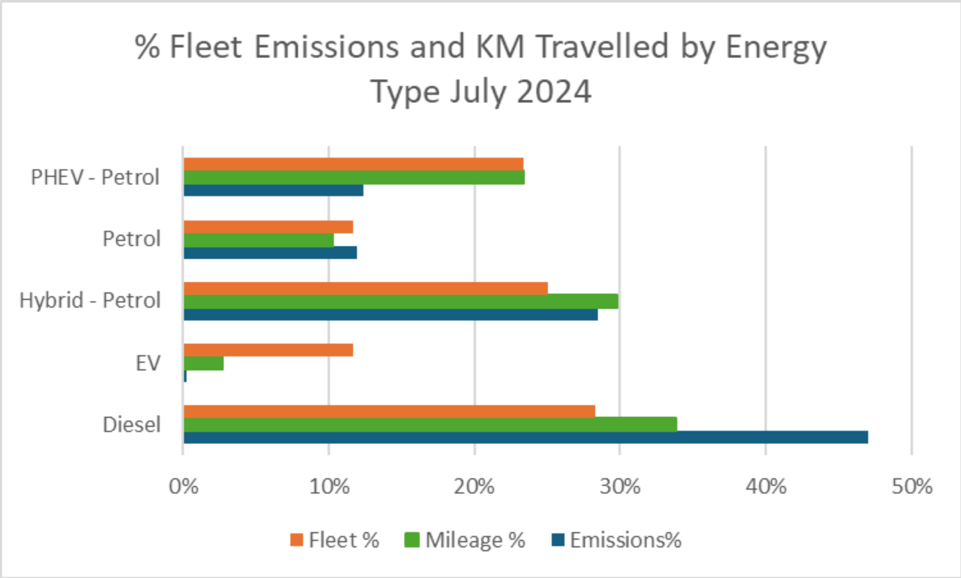
The variations are necessary due to building improvements that impact lease areas and terms, and we are collaborating with Parks and tenants to finalise these changes.

Fleet



In July 2024, the total fleet emissions amounted to 13,041.85 kg of CO_2 equivalents (CO_2-e). Diesel vehicles contributed the highest proportion, accounting for 47% of the total emissions. Emissions in July 2024 were 6% higher than in June 2024.

The chart below illustrates the percentage of emissions and kilometres travelled by energy type.



Our current fleet comprises 58 vehicles in total:

• 14	Plug in Hybrids (PHEV) - Petrol	24%
• 6	Petrol 95	10%
• 15	Hybrids – Petrol	26%
• 8	Electric	14%
• 15	Diesel	26%

Our new BEV Full electric Ford Transit Van – this will save us 148 grams per Kilometre driven.

6. Communications

6.1 Current priorities and challenges

Supporting the Future Development Strategy and raising the profile of the eNewsletter, What's New Whangarei have been two key focuses for the team this month, as well as supporting annual processes, including dog registrations and setting of the rates.

6.2 Operational activities

Media coverage

- Ratepayers will be hit hard by a 17.2% rates increase
- Thousands of trees planted in Hikurangi through Whangarei District Council Kaipara Moana partnership
- Locky Docks to provide safe bike parking and charging in Whangārei city
- Northland leaders support Northport expansion despite decision of commissioner's decision against resource consent
- Speed limits are introduced in Pataua North
- Advancing four-laning between Whangarei and Wellsford is celebrated – a "game changer"
- Abbey Caves remain closed
- Explanation of responsibilities for wild cattle on District's roads
- Northland Emergency Services Trust (NEST) helicopter to remain at Kensington for a year
- Slip closes Brynderwyns less than a month after road opened.

Communications and engagement projects

A summary of campaigns of note include:

Campaign	Comment
Silver Festival	Booklet, website listings and promotional material design
Future Development Strategy	Document design, proofing and communications support for upcoming consultation
Accessibility Map	Design of new map of central city with an accessibility focus
Regional climate resilience	Comms support for Climate Adaptation Te Taitokerau joint regional working group, including website content and resilience stories and Council programmes of work
Coastal Protection Works Policy	Planning with NRC and FNDC for a series of 'Coastal Conversations' over summer, to build strong networks and community awareness of erosion control techniques, council processes and adaptation programmes
Elections 2025	Comms support and planning for Elections 2025 and the Māori Wards decision making process
Welcoming Week 2024	Comms support for Welcoming Week 2024 (6-14 September) promotion of events, podcast and internal story telling series
Airport Location Study Project	Ongoing engagement support provided to the Working Group while the site investigations continue. Data from the Metstation is being analysed and online information is being kept up to date. Project Control Group update scheduled for end of August

Campaign	Comment
Ruakaka Wastewater Treatment Plant	Comms and Engagement planning is underway with initial meeting held to help identify and re-connect with stakeholders
Waterfront to City Centre Connection	Comms and Engagement is starting soon for the design phase of this project. Stakeholder identification and engagement with city centre businesses will begin in the coming weeks
Parua Bay wastewater investigations	A residential survey (electronic and paper options) will be carried out in the coming weeks to investigate issues within the Parua Bay wastewater network

District pride campaign

We are increasing the focus on celebrating our place, showcasing more positive stories about our District, celebrating some of our local attractions and highlights, and encouraging the community to get behind well-known waste minimisation campaigns like Keep New Zealand Beautiful.

Activity over this period included:

- Takahiwai multi-court renewal and sports field lighting opening
- Whau Valley dam at 100%
- Stories from the Sub-Antarctic event at the library
- Riperian planting day in Cafler Park
- New kerbside recycling guide
- Rates insert highlighting good news stories around the District
- 100 days to go to the International Rally of Whangarei
- New rock-faced steps on the Elizabeth Track
- For the Blue free movie screening
- Top 5 reasons to visit Whangarei in the off-peak season
- Painted rocks at the Quarry Gardens (Love it here)
- Tutukaka Head track (Love it here)
- Whangarei restaurants post (Love it here)
- Congrats to Hello Pickle for their pie award (Love it here)
- Kiwi at Kiwi North (Love it here)
- Poor Knights and Dive! Tutukaka – Top 100 World's Greatest Places (Love it here)
- Sandbox Fandom Fest promotion (Love it here)
- Six-year old's kids guide to Whangarei (Love it here)
- Rush hour at Te Matau a Pohe reel (Love it here)

Social media

July included some major functional communications pieces such as dog registration season and news about Rates / the Long Term Plan. This year we have been following the reach and engagement metrics of most topics closely to ensure our messages successfully reach a suitable wide audience and have been making more use of local Facebook groups to be proactive in reaching people who are not followers of the page.

Top 3 performing posts in July 2024 refer to Appendix 1 for screenshots

Topic	Reach & engagement notes
Take care around train lines	65k reach, ~4k engagement
Brynderwyn Hills slip / closure	54k reach, 7.5k engagement
Kauri protection work on tracks	49k reach, 2.5k engagement

Website and digital channels

Digital transformations*

We are building website capacity to allow for more customer interactions online.

Recently completed processes that customers can now start and complete through our website:

- School Holiday programme providers form to add, update or remove a listing
- Funeral Directors' Cemeteries Pre-Approval form
- Apply for an Amusement device permit
- Sports park booking form
- Puanga on a Plate event including, restaurant registration form, map listing of restaurants registered and dishes, Peoples' Choice Award voting form.
- Papakāinga Fund.

Process transformations underway:

- LIM application
- i-Site customer feedback form
- Clapham Clocks customer feedback form
- Event public attendee feedback form.

** Updated every three months – next update November 2024.*

Top 5 pages visited (main website only, *Google Analytics* report)

June	July
Puanga Matariki Festival	Rates database
Pohutukawa Coast plant give-away	Dog registrations
Rates database	Contact us
Puanga on a Plate (Puanga Matariki event)	Payments gateway
Rubbish and recycling collection	Online maps
Notable: What's on (events catalogue, average time over 1 minute), Contact Us (significant drop to 11th place), online payments, A-Z recycling and Disposal Guide, online maps, profile on Lois Howe.	Notable: Newsletter sign-ups (new), Rates rebate information, A-Z Recycling and Disposal Guide, What's On (events), ePlan (upgraded page) – all in top 20 most visited pages.

Appendix 1 - Social media (by top performing posts)

Whangarei District Council

Published by Craig Neilson

· 11 July ·

Trains and other rail-vehicles are running again in Whangārei and Northland, in preparation for the official line reopening. They can't slow down or stop easily and will wipe you out if you're on the tracks.

Make sure you look both ways when crossing, and never hang around on tracks. If you see a train approaching, ⚠️ always wait for it to pass.

See insights and ads

Boost post

333

80 comments 57 shares

Whangarei District Council
Published by Craig Neilson
· 19 July at 16:04 ·

Update: the Brynderwyn Hills route is open again now.

PREVIOUSLY:
NZTA have closed SH1 at the Brynderwyn Hills due to multiple slips. Please delay journeys.

We also have an underslip reported this morning on Paparoa-Oakleigh, meaning that route not suitable as detour at present. One lane is open.

See insights and ads

Boost post

Civil Defence Northland and 130 others

123 comments 111 shares

Whangarei District Council
Published by Craig Neilson
· 22 July at 20:02 ·

New rock-faced steps on the Elizabeth Track, part of the AH Reed Memorial Kauri Park ✅

The upgraded path surface is designed to catch and contain kauri dieback spores (but it's still important to clean your shoes).

The Elizabeth Track also connects to the Canopy walk, an elevated boardwalk amongst the kauri tree-tops and all the abundant life of the forest. The whole park is a fantastic place to take your time and enjoy the lush native forest atmosphere.

See insights and ads

Boost post

What's On Whangārei and 584 others

60 comments 25 shares

RESOLUTION TO EXCLUDE THE PUBLIC **Move/Second** That the public be excluded from the following parts of proceedings of this meeting. The general subject of each matter to be considered while the public is excluded, the reason for passing this resolution in relation to each matter, and the specific grounds under Section 48(1) of the Local Government Official Information and Meetings Act 1987 for the passing of this resolution are as follows:		
General subject of each matter to be considered	**Reason for passing this resolution in relation to each matter**	**Ground(s) under Section 48(1) for passing this resolution**
1.1 Commercial Property – August 2024 Quarterly Update	Good reason to withhold information exists under Section 7 Local Government Official Information and Meetings Act 198	Section 48(1)(a)

This resolution is made in reliance on Section 48(1)(a) of the Local Government Official Information and Meetings Act 1987 and the particular interest or interests protected by Section 6 or Section 7 of that Act which would be prejudiced by the holding of the whole or the relevant part of the proceedings of the meeting in public, are as follows:		
Item	**Grounds**	**Section**
1.1	To enable Council to carry on without prejudice or disadvantage commercial activities.	S7(2)(h)
	To enable Council to carry on without prejudice or disadvantage negotiations (including commercial and industrial negotiations).	S7(2)(i)

Resolution to allow members of the public to remain

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

Move/Second

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

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