



FINANCE, AUDIT AND RISK COMMITTEE

AGENDA – 27 March 2019

The meeting will be held in the Supper Room, Waihinga Centre and will commence at 11:30am. The meeting will be held in public (except for any items specifically noted in the agenda as being for public exclusion).

Membership of the Committee

Deputy Mayor Brian Jephson (Chair), Mayor Viv Napier, Councillors Pam Colenso, Ross Vickery and Colin Wright

Open Section

- A1. Apologies
- A2. Conflicts of interest
- A3. Public participation
As per standing order 14.17 no debate or decisions will be made at the meeting on issues raised during the forum unless related to items already on the agenda.
- A4. Actions from public participation
- A5. Extraordinary business
Committee discussion on application of Standing Orders and agreement of meeting protocol.
- A6. Minutes for receipt: Risk and Audit Working Party Pages 1-2
Proposed Resolution: *That the notes from the Risk and Audit and Working Party meeting held on 29 January 2019 be received.*
- A7. Notices of motion

B. Decision Reports from Chief Executive and Staff

- B1. Feedback, Compliments and Complaints Policy N800 Pages 3-15
- B2. LGFA Guarantor Proposal Pages 16-52
- Andrew Michl in attendance at 11:45am
- B3. Data Security and Risk Register (to be tabled)

C. Information and Verbal Reports from Chief Executive and Staff

- C1. Financial Report Pages 53-68
- C2. NZTA Audit Pages 69-76
- C3. Project Update Summary Pages 77-79
- C4. Verbal update on interim audit
- C5. Verbal update on potential insurance claim

SWDC Audit & Risk Working Party

Notes from meeting held 29 January 2019

Present: Cr Brian Jephson (Chair), Cr Colin Olds , Mayor Viv Napier, Cr Margaret Craig, Cr Colin Wright, Jennie Mitchell, Katrina Neems

Apologies: Paul Crimp

Also in attendance: Cr Ross Vickery

Conflicts of Interest: None

Minutes of last meeting reviewed and acknowledged.

Matters Arising – members noted items that had been actioned since last meeting.

1 Risks

Council resolution 618 from September 2018 Council meeting: “In conjunction with the Audit and Risk Working Party, consider how the information from risk management is fed into strategy at the Council level”. This was discussed and agreed the new project update report covers this off as A&R will receive a status update for all major projects at each meeting going forward.

A **potential insurance claim** was discussed. **Action:** GMCS and CEO to keep A&R members informed of progress.

2 Financials

Financial Statements for November and December 2018 were provided. The December financial statements were reviewed noting income and expenditure are close to budget in most areas.

Waihinga Centre report – December 2018 – Updated forecast noted. Working party members acknowledged the considerable contribution from the CEO to keeping this very large project within budget.

Summary report for the GTN wastewater to land project – Updated report and photograph of construction site were noted.

Rates arrears December 2018 – graphs were reviewed. Good progress has been made recovering arrears via banks where the property has a mortgage.

Audit management report – 2017/18 Financial statements and year end – the report had been reviewed by A&R working party members. No major issues had been raised. Actions have been agreed by Management to rectify and issues raised by Audit NZ.

3 Policies update -

C500 Infrastructure Protection Deposits – proposed changes agreed with small amendments. Amended policy to go to next Council meeting for approval.

N800 Compliments and Complaints policy – this is a new policy. Agreed with small amendments. Amended policy to go to next Council meeting for approval.

4 Health & Safety report will go to next Council meeting.

5 Legislative Compliance - Nothing new to report.

6 General Business

Project update - An update on projects including progress regarding the Whatarangi Cliffs, sale of Old Stella Bull Park, Wastewater to land projects, and the Fitzherbert Street land was provided and reviewed. This report will be provided at future A&R meetings for all ongoing projects.

Update on accepting Credit card payments –Additional information was provided on the proposal to roll out accepting credit card payments from ratepayers and other SWDC customers.

This will start with accepting over the counter credit card payments for all types of council charges and add on administration charges to the person making the payment. Will be implemented at the Council offices first before rolling out to service centres so any teething problems can be ironed out by finance team. Look at providing online payments when new website is rolled out, including credit card payments.

Investment fund discussion paper – this was reviewed and agreed the working party do not wish to change the investment policy and enter into any investments that could put SWDC funds at risk.

Action: GMCS and Finance Manager to look into LGFA bonds and ensure we comply with any central government rules regarding investment.

Next meeting: 27 March 2019 (TBC)

Topics for future meetings:

- Policy review timing
- A&R working party terms of reference review (one Governance review complete)
- E800 - Urban Street Tree Policy
- H200 - Control of Dogs
- J100 - Promotion, Publicity and Media Liaison
- K100 – Concessions for Charitable organisations
- M1000 – Pain Farm Trust Fund Income Distribution
- M1100 - Water leak waiver policy
- Legislative review

FINANCE, AUDIT AND RISK COMMITTEE

27 MARCH 2019

AGENDA ITEM B1

FEEDBACK, COMPLIMENTS AND COMPLAINTS POLICY N800

Purpose of Report

To inform Finance Audit and Risk Committee members of the proposed new Feedback Compliments and Complaints Policy N800.

Recommendations

Officers recommend that the Committee:

1. *Receive the Feedback Compliments and Complaints Policy N800 with amendments since the 20 February 2019 Council meeting.*
2. *Recommend that Council approve the Feedback Compliments and Complaints Feedback Policy N800.*
3. *Recommend that Council agree the next review date should be February 2020.*

1. Executive Summary

The Compliments and Complaints Policy N800 was a new policy developed by officers to formalise the processes relating to dealing with compliments and complaints within SWDC. The policy went to Council for approval on 20 February 2019.

Several Councillors indicated they wanted amendments made to the policy and referred it back to Finance Audit & Risk (FAR) for review. This review has now been completed by Officers and the amended Policy is attached at Appendix One. As the policy covers all types of feedback, the name of the policy has been changed to reflect this.

2. Background

The South Wairarapa District Council recognises the importance of customer feedback about its services. Council welcomes this feedback and is committed to using the information it receives to help further drive improvements to its service delivery.

This policy outlines the aims of Council in dealing with customer feedback and sets out what customers can expect when contributing feedback regarding Council services or staff.

The policy applies to services that Council provides both directly and indirectly, for example where the service is provided through an outside contractor.

3. Summary

The Feedback Compliments and Complaints Policy is designed to provide staff with a consistent definition and approach to dealing with requests for service (RFS), compliments and complaints.

The reason the policy includes information on RFS is that it is important to define the difference between an RFS and a complaint. This is a requirement of our Auditors as part of the level of service reporting for our annual reports. We need to track requests for service and response times in order to be able to report on actual results against targets in our annual report.

This policy will also ensure customers of Council are confident that their feedback will be handled efficiently, impartially and that they are aware of their right to express their opinion of Council services.

The policy seeks to improve the quality of Council services by providing a reliable system of performance measurement and continuous improvement and to improve Council's relationship with our customers.

In addition, the policy provides elected representatives with confidence that complaints will be responded to and that problems raised by customer are addressed.

The changes made since the first draft of this policy are shown as tracked changes in Appendix 1.

4. Conclusion

The Feedback Compliments and Complaints Policy N800 has been prepared by officers in light of feedback since the 20 February 2019 Council meeting. This was previously known as the Compliments and Complaints policy. The name change came about as a result of feedback from Councillors.

It is now submitted to FAR for their review and recommendation to Council.

5. Appendices

Appendix 1 – Feedback Compliments and Complaints Policy N800

Contact Officer: Jennie Mitchell, Group Manager Corporate Support

Appendix 1 – Feedback, Compliments and Complaints Policy N800



Feedback, Compliments and Complaints Policy

1. INTRODUCTION

The South Wairarapa District Council recognises the importance of customer feedback about its services. Council welcomes this feedback and is committed to using the information it receives to help further drive improvements to its service delivery.

This policy outlines the aims of Council in dealing with customer feedback and sets out what customers can expect when contributing feedback regarding Council services or staff.

This policy and the procedures contained within apply to services that Council provides both directly and indirectly, for example where the service is provided through an outside contractor.

2. PURPOSE OF POLICY

- 2.1 To provide all staff with a consistent definition and approach to dealing with requests for service (RFS), ~~queries~~, compliments and complaints.
- 2.2 To ensure all customers of Council are confident that their RFS, compliment or complaint will be handled efficiently, impartially and that they are aware of their right to express their opinion of Council services.
- 2.3 To improve the quality of Council services by providing a reliable system of performance measurement and continuous improvement.
- 2.4 To improve Council's relationship with our customers.
- 2.5 To provide elected representatives with confidence that complaints will be responded to and that problems raised by customer are addressed.

3. DEFINITIONSDefinitions

Council welcomes feedback, and in many cases the voice of the community is crucial to identifying problems.

Council have analysed the feedback received by Council and have identified three general types of feedback as detailed below:

3.1 Request for Service (RFS): a RFS is defined as a contact with Council that results in the generation of an instruction for work and one that a customer does not intend it to be an expression of complaint or grievance, or compliment. A RFS will be processed using the existing Customer Service System.

3.2 Complaint: a complaint is defined as feedback that includes an expression of dissatisfaction and which requires a response or resolution.

A complaint may be about any matter including the following:

- delays
- a lack of response
- discourtesy, rudeness or uncooperativeness
- a failure to consult
- the standard of service received
- costs or charges
- the quality of a repair

~~All written letters of complaint (expressing any form of dissatisfaction) will be referred in the first instance to the Chief Executive (see Section 6).~~

Sometimes there are reasons why Council is unable to deal with certain complaints under this policy. See Section 9 for further information.

3.3 Compliment: A compliment is defined as feedback that includes an expression of satisfaction.

~~3.4 Customer: A customer is a ratepayer, resident or visitor to the South Wairarapa District (SWDC) who has cause to contact Council staff to ask for advice, obtain information or obtain a service which SWDC supplies.~~

4. RECEIVING FEEDBACK

RFS, complaints and compliments may be made either in person at any Council Office, by telephone, fax, email or using Council's online feedback form on the Council website.

~~RFS~~ requests for service, compliments and complaints will be logged into SWDC Customer ~~Service Request~~ System

Some basic information is required from the customer. This includes a name, address, and contact telephone number, details of the issue or problem concerned and its location if appropriate.

To ensure the best outcome and response to their feedback, each customer should:

- keep their complaint brief
- explain their problem calmly and clearly
- avoid being angry or threatening
- make sure they give their full contact details
- keep a record of their efforts to resolve their problem
- supply copies, not originals, if sending a written complaint
- keep a note of important dates, discussions, what was agreed to, and the next steps
- be prepared for some negotiation before their problem is resolved.

Frontline staff must forward the feedback to the appropriate staff member and the staff member must inform the citizen customer of the relevant response time for resolution of the RFS or complaint.

4.1 Anonymous ~~Complaints-Feedback~~

Where callers-customers refuse to leave their contact details, or are otherwise unable to be identified, their feedback will still be received and actioned but the outcome cannot be reported back to the complainant. Council views anonymous complaints-feedback as a valid means of identifying opportunities for improvement.

5. RESPONSE TIMES

5.1 Request for Service (RFS)

The timeframe for the resolution of a RFSrequest for service will differ according to the type of request. These target timeframes for different RFS are specified in Appendix Two of the policySWDCs Annual Plan, Long term plan and Annual report.

5.2 Complaint

The receipt of complaints will be acknowledged within three (3) working days. The timeframe for responding to a complaint is ten (10) working days.

5.3 Compliments

The receipt of compliments will be acknowledged within three (3) working days. No further action is required.

6. COMPLAINTS PROCEDURE

All ~~queries, RFS, complaints and compliments~~ will be directed to the relevant Officer/manager(s) or those with designated responsibility to receive them.

The staff member who receives the contact will determine what type of feedback is being received. If the contact is determined to be a complaint using the definitions provided above, the following process will be followed.

6.1 Verbal Complaints

All verbal complaints must be either escalated or delegated in the first instance to the appropriate Group Manager.

NB: The Group Manager in receipt of any complaint must continue to own it until it is Resolved - even if it is escalated or delegated - which means that they must always follow-up and check on progress and resolution.

The Group Manager will acknowledge receipt of the complaint within three (3) working days.

This acknowledgement to the customer will contain as a minimum the following information:

1. How long before a reply will be given.
2. The contact details of the officer/manager dealing with the complaint.

The Group Manager will then investigate the complaint and reply to the customer within ten (10) working days from the date of receipt. If unable to reply within the agreed ten (10) days, i.e. for very complex matters, the citizen-customer will be informed, and the appropriate timescales for reply set out.

6.21 **Written Complaints**

Written complaints will be referred in the first instance to the Chief Executive who will acknowledge receipt within three (3) working days. The Chief Executive may delegate the investigation to the appropriate Group Manager or officer, but will retain ownership of the complaint. A full response in writing from the Chief Executive is to be provided within ten (10) working days. A written complaint includes a letter, an e-mail, a facsimile, a hand written note or an online form. If unable to reply within the agreed ten (10) days, i.e. for very complex matters, the customer will be informed, and the appropriate timescales for reply set out.

7. REPORTING AND CONTINUOUS IMPROVEMENT

Council will use ~~RFS and complaints~~feedback received as a method of monitoring performance and improving our services. Council will be monitoring all RFS compliments and complaints received. By analysing complaints Council aims to highlight specific areas of Council service provision where improvement is needed and improve service as a result.

The CEO will advise the Chair of the Audit and Risk working party of any complaints that may impact on the reputation of Council and represent a significant risk. The CEO and Chair of the Audit and Risk working party will decide when it is appropriate for a complaint to be advised to the working party.

8. MISCONDUCT BY COUNCIL STAFF OR ELECTED MEMBERS

Any complaints relating to the misconduct of staff may be investigated using Council's Human Resources Procedures. If this is the case, the Chief Executive is not obliged to share the outcome of the investigation with the customer in view of Council's obligations to maintain confidentiality.

Any complaints relating to the misconduct of elected members may be dealt with under the Code of Conduct.

9. SPECIAL CASES

Council intends, where possible, to allow a complaint to be dealt with under this policy. Sometimes Council cannot or is not allowed to do so. These exceptions relate to some statutory and legal limitations such as:

- an Environment Court appeal against refusal of planning permission
- other cases where there is a separate right of appeal (e.g. disputes over parking tickets and resource consents)
- a request received from the Office of the Ombudsman
- a complaint where the ~~citizen-customer~~ or Council has commenced legal proceedings or has taken court action (but not cases where a ~~citizen-customer~~ has simply threatened to start legal proceedings against Council)
- a complaint that has already been heard by a court or tribunal
- a staff complaint about a personnel matter, including appointments, dismissals, pay, pensions and discipline (but not from staff as service users)
- a complaint about the issue of an infringement notice (except administrative issues) and the recovery process thereafter
- where special procedures apply by law (e.g. release of Official Information)

Please note this list is not exhaustive.

10. FURTHER REMEDIES - INTERNAL

If the customer is unhappy with the outcome of their complaint or the way in which the complaint has been investigated, there are other avenues available. Within Council, a customer may apply for

review by the Chief Executive (CE) (if the CE has not already been involved in responding to the complaint), and if necessary then review by Council (elected members) as detailed below:

10.1 Chief Executive Review

If the customer is unhappy with the response that has been provided under the policy described in Section 6, they may ask Council's Chief Executive to review the action taken in respect of their complaint.

On receipt of a request for a review, the Chief Executive will acknowledge the complaint within three (3) working days. A full response within ten (10) working days, although if the matter is complex e.g. interviews/site visits need to be undertaken, this may be extended after consultation with the ~~citizen~~customer.

The Chief Executive will inform the ~~citizen~~customer of the result of his review together with any further action that the ~~citizen~~customer might be able to take in respect of their complaint.

10.2 Council Review

Customers that are unhappy with the outcome of complaints managed by staff may wish to apply for Council review. This review will take place at the next appropriate meeting of Council, the date and time of which will be communicated directly to the customer. Please note that depending on the nature of the complaint, the matter may be discussed in a public excluded session.

11. FURTHER REMEDIES - EXTERNAL

If the ~~citizen~~customer is still unhappy with the outcome of their complaint or the way their complaint has been investigated within Council, there are numerous external opportunities to take the matter further. Attached in Appendix One of this policy are a number of ways of taking a complaint further. Please note these may be specific to particular issues and this list is not exhaustive.

APPENDIX ONE

A1.1 OMBUDSMAN

The Office of the Ombudsman may be able to help customer who think they have been treated unfairly by Council. The Ombudsman normally require complainants to have tried to resolve the matter with Council prior to requesting an Ombudsman investigation or review.

Ombudsmen investigate complaints from individuals and organisations about administrative acts and decisions of central, regional and local government agencies. Ombudsmen also review decisions where a government agency has declined to release official information which they hold.

To make a complaint, customer should write a letter stating:

- what they think has been done wrong or incorrectly
- what has happened to them as a result
- what they think should be done to fix it
- the name of the department or organisation concerned
- their name and address

To contact the Office of the Ombudsman:

Telephone: 0800 802 602

Mail: PO Box 10152

The Terrace

WELLINGTON 6143

Email: info@ombudsman.parliament.nz

Website: <http://www.ombudsman.parliament.nz>

Council welcomes helpful criticism by the Office of the Ombudsman and Council will endeavour to respond to Ombudsman enquiries within ten (10) working days

A1.2 THE DEPARTMENT OF BUILDING & HOUSING (BUILDING PERFORMANCE)

The DBH is the New Zealand Crown agency that manages the building control system. One of the functions of the Department of Building & Housing is to determine certain matters of doubt or dispute in relation to building control.

Such matters might include Council's decision in relation to the issuing, refusal or amendment of a building consent, notice to rectify, code compliance certificate or compliance schedule or Council's granting or refusal of any waiver or modification.

A 'determination' is a binding decision on technical matters of doubt or dispute about compliance with the New Zealand Building Code made by the DBH. An application for a determination can be made only by one of the parties concerned.

To contact the Department of Building & Housing:

Telephone: 0800 242 243
Mail: PO Box 10-729
The Terrace
WELLINGTON 6143
Email: info@building.govt.nz
Website: <https://www.building.govt.nz>

A1.3 OFFICE OF THE AUDITOR GENERAL

The Auditor-General has responsibilities under the Local Authorities (Members' Interests) Act 1968, which applies to local authorities. The Act regulates financial dealings between members and their authority and precludes members from participating at meetings in matters in which they have a pecuniary interest.

Under the Public Audit Act 2001, the Auditor-General can carry out inquiries (either on request or on the Auditor-General's own initiative) into any matter concerning a public entity's use of its resources.

In general, an inquiry can involve looking into a matter of concern raised with the Auditor-General by a member of the public, a Member of Parliament, or another organisation about a financial, accountability, or governance issue in a public entity. In conducting an inquiry it is not the Auditor-General's role to question the applicable local authority policy.

To contact the Office of the Auditor General:

Telephone: 04 917 1500
Mail: Private Box 3928
WELLINGTON 6140
Email: enquiry@oag.govt.nz
Website: www.oag.govt.nz

A1.4 Environment Court

The Environment Court of New Zealand, formerly called the Planning Tribunal, is constituted by the Resource Management Amendment Act 1996. The Court is not bound by the rules of evidence and the proceedings are often less formal than the general courts. Most of the Court's work involves public interest questions.

The Environment Court covers the following jurisdictions:

- Resource Management Act 1991 - the contents of regional and district statements and plans and appeals arising out of applications for resource consent.
- Public Works Act 1981 - objections to compulsory taking of land.
- Historic Places Act - Appeals about archaeological sites.
- Local Government Act 1974 - Objections to road stopping proposals.
- Land Transport Management Act 2003 - Objections regarding access to limited access roads.
- Heritage New Zealand Pouhere Taonga Act 2014

- Forests Act 1949
- Transit NZ Act 1989
- Electricity Act 1992
- Crown Minerals Act 1991
- Biosecurity Act 1993

To contact the Environment Court:

Telephone: 04 918 8300
Mail: Wellington Registry
PO Box 5027
Lambton Quay
WELLINGTON 6145

Email: EnvironmentCourt@justice.govt.nz

Website: www.environmentcourt.govt.nz

A1.5 OFFICE OF THE PRIVACY COMMISSIONER

If a ~~citizen~~-customer believes Council has caused them some harm by releasing information about them without their permission, they can complain to the Office of the Privacy Commissioner. A complaint needs to be put in writing.

To contact the Office of the Privacy Commissioner:

Telephone: 0800 803 909

Mail: PO Box 10094

The Terrace

WELLINGTON 6143

Email: information@privacy.org.nz

(Please include a contact address and phone number because investigating officers do not respond by email in case of security risks)

Website: www.privacy.org.nz

A1.6 Disputes Tribunal

From 8 July 2003, the Consumer Guarantees Act 1993 applied to the supply of water and the removal of wastewater. Under the terms of the Act, these services must meet the following guarantees:

- Services must be provided with reasonable skill and care
- Services must be fit for purpose
- Services must be provided within a reasonable time
- Services must be provided for a reasonable price

If a complaint regarding these services, or any associated consequential loss, cannot be resolved with Council following negotiation, it may be appropriate to make a claim in the Disputes Tribunal.

To make a claim in the Disputes Tribunal, obtain a 'Notice of Claim' form from the local District Court. Fill in the form giving details of the dispute. Give it to the court staff and pay the hearing fee. Each party will be told the date, time and place of the hearing. A hearing is usually held within six weeks of making a claim, although it could take longer dependent on the number of current claims. The claim will be heard in the Disputes Tribunal nearest to where the claim is made.

FINANCE, AUDIT AND RISK COMMITTEE

27 MARCH 2019

AGENDA ITEM B2

BECOMING A GUARANTOR BORROWER WITH LGFA

Purpose of Report

This report discusses the implications of becoming a guarantor borrower with the Local Government Funding Agency (LGFA).

Recommendations

Officers recommend that the Committee:

1. *Receive the Becoming a Guarantor Borrower with LGFA Report.*
2. *To recommend to Council to become a guarantor member of the LGFA.*

1. Background

At the Council meeting on 24 February 2016, Council resolved to become a non-guarantor member of the LGFA. Joining the LGFA meant the Council had access to borrowing at more competitive interest rates.

The relevant resolutions are below:

Local Government Funding Agency
COUNCIL RESOLVED (DC2016/24):

1. To receive the information.
2. To approve the Debenture Trust Deed with Trustees Executer's Ltd.
3. To approve the Security Transition Deed.
4. To approve the Accession deed to Multi Issuer Deed.
5. To approve the Accession Deed to Notes Subscription Agreement.
6. To note that SWDC will be a borrower only.
(Moved Mayor Staples/Seconded Cr Napier) Carried

As a non-guarantor borrower, the Council can borrow a maximum of \$20 million from the LGFA. The interest rate the Council pays also includes an additional 10 basis points.

The Council currently has all its loan funding with LGFA having moved all loans from the Bank of New Zealand to take advantage of the much lower LGFA rates.

The 2018-2028 Long Term Plan forecasts that debt may peak at \$20.5 million over the next ten years. These funds will need to be sourced from

the commercial banks or from the LGFA. If the Council wishes to make full use of the interest rate savings available through the LGFA, then it will need to become a guarantor borrower.

Council currently owes \$19.9 million to LGFA.

Officers have met with Andrew Michl LGFA's Credit and Client Relations Manager to discuss the implications of becoming a guarantor to enable SWDC to borrow over \$20 million. We have asked Andrew to attend today's Finance Audit and Risk Committee meeting to enable them to listen to a presentation by Andrew Michl and ask any questions they wish to regarding this proposed change in status.

A copy of Mr Michl's presentation, is attached at Appendix 1.

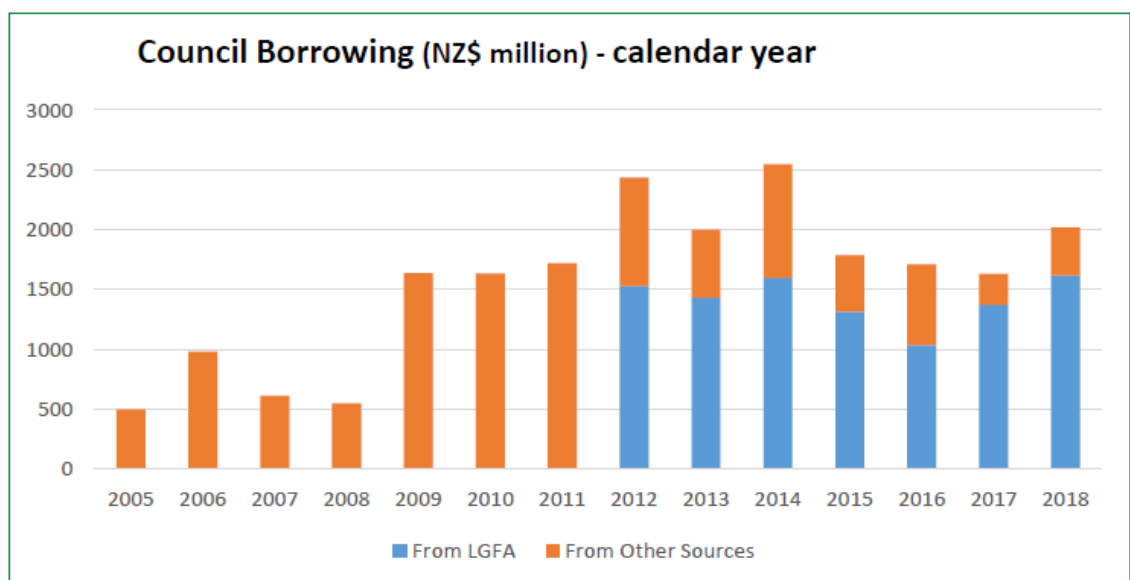
In particular, slides 19 and 20 discuss the guarantor relationship.

1.1 Who should the Council borrow from?

The Council could borrow from commercial banks or from the LGFA. The LGFA continues to lend at more competitive rates than the commercial banks.

The Council's weighted average cost of funds fell by almost 1.47% (from 4.43% to 2.96%) when it refinanced with the LGFA in February 2017.

The LGFA now has the majority of the sector's debt with only a small percentage of new borrowing in the sector coming from other sources. This can be seen on the graph below from slide 13 of Mr Michl's presentation (also shown below).



The viewpoint of the Finance staff, is that the LGFA offers not only the best value for money but also more flexible borrowing arrangements, such as its short-term borrowing facility.

Accordingly, we recommend the Council take the step of becoming a guarantor.

1.2 What is an LGFA guarantor?

A guarantor borrower guarantees the debts of LGFA to its investors, **not** the debts of other member councils who borrow from the LGFA.

The LGFA receives money from investors which they then lend to member councils. If a council fails to pay back its debt, then the LGFA will move to recover the debt from the defaulting council by way of a special rate targeted to that council's ratepayers. The debt then becomes a timing issue, i.e. they have to pay back their investors, but have to find other funds to finance this while they recover the debt from the council in default. The default will likely be only for part of that council's total debt given that councils seek to minimise refinancing risk by staggering the maturities of their debt portfolio.

It is important to note the LGFA lends secured on Council's rates, not Council's assets under the Debenture Trust Deed.

1.3 Why does the LGFA need guarantors?

Simply put, the LGFA does not need guarantors to ensure its viability. The LGFA only has guarantors so that it can achieve its AA+ credit rating. Without this credit rating, it would not be able to provide lending to councils at such cheap rates.

The reality is that the other measures the LGFA has at its disposal are more than adequate to manage a loss arising from a default, without enacting the guarantee.

The LGFA is modelled on the Scandinavian local government funding agencies which have been successfully operating for over 100 years. These agencies have never called on their guarantee provisions.

Similarly, no New Zealand Council has ever defaulted on a loan.

1.4 When would the LGFA call on the guarantee?

In practicality, it is unlikely the LGFA would call on the guarantee. It has been intentionally structured so that it has a number of options to absorb a loss while it seeks to recover the funds from the council in default.

- \$1 billion standby facility for liquidity from the NZ Government.
- Liquid assets portfolio.
- Uncalled equity from shareholder councils of \$20 million.
- Conversion of borrower notes into equity.
- Future earnings, currently \$11.8 million per year.

While the NZ Government provides a standby facility of \$1 billion, it does not guarantee the obligations of either the LGFA or member councils.

1.5 How likely is it that a council will default and the LGFA incur a loss?

Because of New Zealand's local government regulatory environment, it is highly unlikely that a council would default on a loan and that this default would lead to a loss for the LGFA.

For a council to default, it would have to be in the position where it could not refinance. For this reason, the LGFA regularly assesses each member council's compliance with its borrowing covenants, which have been set at prudent levels.

As mentioned above, no New Zealand council has ever defaulted on a loan. The power to set rates means that a Council should always be able to raise enough revenue to pay back its debt. Note that this is the first step the LGFA would take if it appointed a receiver. Property taxes are unavoidable and have first ranking security over property in the event the rates are not paid.

Another fact that decreases the likelihood of a default is the stringent reporting and planning framework council's must follow. Each council's annual report is subject to an external audit, and each must prepare a long term plan. This provides certainty and accountability for the sector's finances.

Additionally, Central Government is not slow to appoint commissioners when an issue surfaces, like in the case of Kaipara District Council. In this case, through careful planning and using normal rating tools, the commissioners were able to bring that council's financing onto a stable footing.

The Government has also been quick to support councils in the event of a natural disaster, alleviating financial pressures and assisting with the recovery efforts, as shown in the case of the Christchurch and Hurunui/Kaikoura earthquakes.

Lastly, as was stated above, the Scandinavian local government funding agencies have never had the need to call on their guarantee provisions.

Based on these facts, a default that leads to a loss is unlikely.

1.6 If the guarantee was called on how would it impact South Wairarapa District Council?

If the LGFA made a call on the guarantee, South Wairarapa District Council's share would be 0.25%. Each council's share is based on its share of rates income of all the guarantor councils.

If every council in New Zealand defaulted at the same time, the Council's share of the total LGFA issuance of \$9.5 billion would equate to \$23.75 million. However, this is a pretty apocalyptic scenario, and in reality, a default would never be that large.

Say hypothetically; a council defaulted on the repayment of a \$100 million bond and it could not refinance or rate for the repayment. Say also that the LGFA could not use its other options and has to call on the guarantee. In this case, the Council would need to contribute \$250,000 so that the LGFA could meet its obligations to its investors.

1.7 If the Council becomes a guarantor borrower, does it need to consult the community?

There is no requirement to consult when guaranteeing the obligations of the LGFA.

While the Council is not a shareholder of the LGFA, if the LGFA converted the Council's borrower notes to equity, then the Council could end up being a shareholder of a CCO.

2. Summary

The Council needs to increase its borrowing facilities to complete the work set out in the 10 Year Plan. Because of its AA+ credit rating, the LGFA continues to offer the best borrowing rates in the local government sector.

While the term "guarantor" often comes loaded with many negative connotations, in this instance, the risk of the guarantee ever being called on is infinitesimal.

The LGFA has more than adequate resources and mechanisms to absorb a credit loss and recover the funds from the defaulting council without resorting to the guarantee.

Furthermore, when the planning and reporting context of the New Zealand Local Government sector is considered against the benefit of borrowing at the lowest available rates, the case for becoming a guarantor borrower is compelling.

3. Appendices

Appendix 1 - Mr Michl's presentation

Contact Officer: Jennie Mitchell, Group Manager Corporate Support

Appendix 1 - Mr Michl's presentation

LGFA UPDATE FOR COUNCILS



❑ Primary Objective – to optimise the debt funding terms and conditions for participating local authorities:

- Savings in interest costs;
- Availability of longer term borrowings;
- Enhance certainty of access to debt markets;
- More flexible lending terms;
- Monitor quality of the asset book so that it remains of a high standard.

❑ Additional Objectives

- Operate with a view to make a profit sufficient to pay a dividend;
- Provide at least 50% of aggregate long term funding for participating local authorities;
- Ensure products and services are delivered at a cost in line with budget;
- Ensure compliance with Health and Safety at Work Act 2015;
- Maintain LGFA's credit rating equal to the New Zealand Government sovereign rating;
- Achieve financial forecasts;
- Meet or exceed performance targets;
- Comply with Treasury policy.

January 2018 year to date

- S&P (July 2018) and Fitch (November 2018) reaffirm LGFA credit rating at AA+
- March 2019 refinancing of \$1.2 billion of council loans and LGFA bonds largely completed
- Change in Central Government
 - Focus on regional economic development (NZ First coalition partner)
 - Focus on high growth areas (Auckland, Hamilton, Tauranga, Waikato and Queenstown)
 - Housing Infrastructure Fund (HIF) and Crown Infrastructure Partners (CIPs) to provide additional infrastructure
 - Review of Local Government announced (2019 completion)
 - Review of water infrastructure delivery announced (2019 completion)
 - Reintroduced the “four well beings” as focus for Local Government (economic, environment, social, cultural)
- Five new council members joined since June 2018 – Clutha DC, Mackenzie DC, Ruapehu DC, Waikato RC, Wairoa DC
- Council Ten Year Long Term Plans published (by June 2018)
- New April 2022 bond issuance a subtle change to issuance strategy
- Offshore holdings of LGFA bonds reached 40% in March 2018
- LGFA placed on positive outlook by S&P in February 2019 (on back of NZ Sovereign credit rating)

Two changes to the foundation policies approved:

- Test compliance with LGFA financial covenants at either group level or parent level subject to LGFA board approval.
 - Councils can request that their covenants be measured at group level but subject to LGFA Board approval.
 - Better reflective of financial and credit position for councils that provide core services through CCO's (water and roading).
 - Will not be used to accommodate for deterioration in council credit worthiness.
- LGFA now have the ability to lend directly to a CCO subsidiary of a council providing there is a guarantee from the parent council or uncalled capital from the parent council exceeding the CCO's financial obligations
 - Streamline of current process where six councils are currently borrowing from LGFA and on-lending to CCOs.
 - Dunedin City Council who is not a LGFA member borrows only through a CCO subsidiary.
 - Future proofing LGFA business model in case Central Government establishes Water CCOs that are multiple owned by councils.

Director appointments and Shareholder Council appointments

- Michael Timmer (GWRC) reappointed as a non independent director
- John Avery rappointed as an independent director
- Tauranga City Council and Hamilton City Council reappointed as Nominating Local Authorities on the Shareholders Council

1. Frequent tenders in year prior to maturity – nine tenders are scheduled for 2019.
2. Communication with councils and their advisers.
3. Ability for councils to repay their loans early (although for the March 2019's we found most councils who refinanced early then invested the surplus cash).
4. \$527 million of council borrowing matures in April 2020. In addition there is \$245 million of bespoke borrowing between March 2019 and May 2021.
5. Significant borrower concentration both an advantage and disadvantage
 - our two largest borrowers (Auckland and Christchurch) having borrowed \$311 million or 59% of the total council borrowings into the April 2020 maturity date.
 - our ten largest council borrowers have borrowed \$476 million or 90% of the total borrowings into the April 2020 maturity date.
6. LGFA has issued a April 2033 LGFA bond maturity. This gives councils more maturity options as able to select any maturity date up to April 2033.

Issuance Strategy

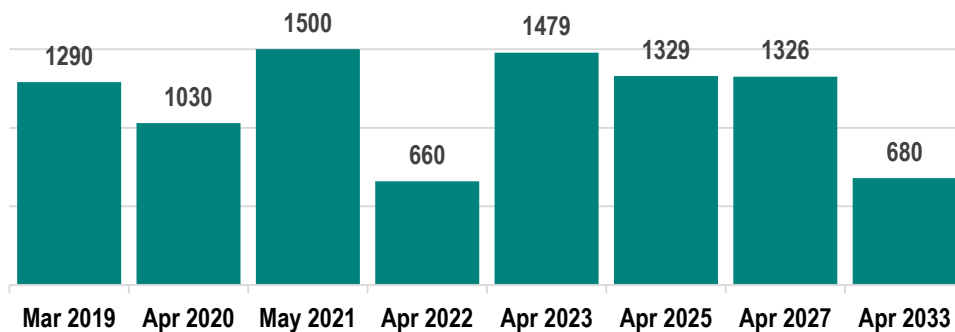
- Match NZ Government where possible - Maturities, Coupons, Tenders, AIL paid on behalf of offshore holders.
- Issued a new April 2022 maturity that does not match NZGB yield curve in April 2018
- Liquidity important – objective of NZ\$1 billion plus tranches
- NZD issuance only to date
- All LGFA bonds listed on NZX
- Tenders every five weeks of NZ\$125 million to NZ\$175 million in size and at least three maturities tendered
- February 2019 - announced considering possible syndication in 2019

| | Projected Gross Issuance | Projected Net Issuance |
|---------|--------------------------|------------------------|
| 2018-19 | NZ\$1.60 billion | NZ\$360 million |
| 2019-20 | NZ\$1.27 billion | NZ\$140 million |
| 2020-21 | NZ\$1.41 billion | NZ\$(10) million |

LGFA bonds on issue (NZ\$ million)

As 15 February 2019 : NZ\$ 9,294 million

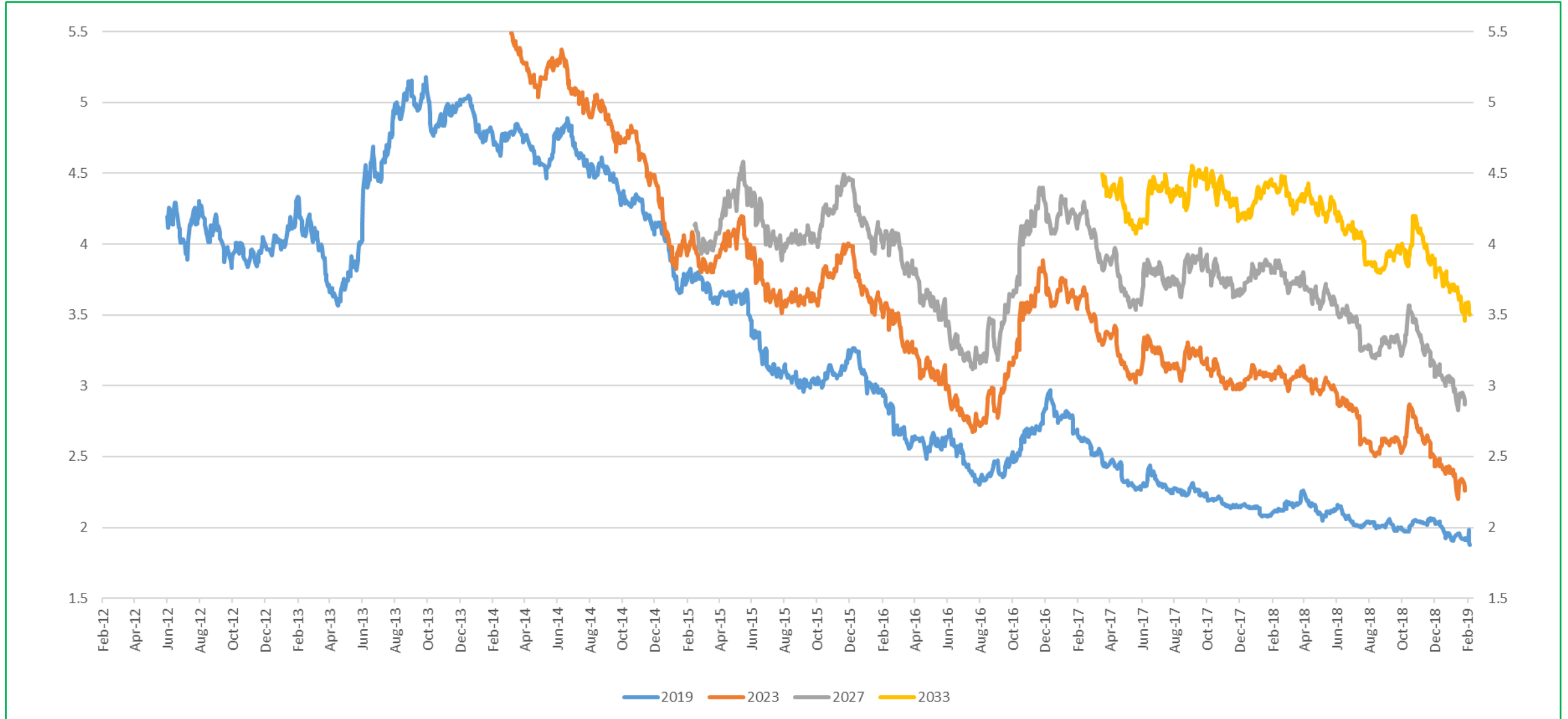
Includes NZ\$400 million treasury stock



LGFA Bonds Issued by June Financial Year (NZ\$ million)

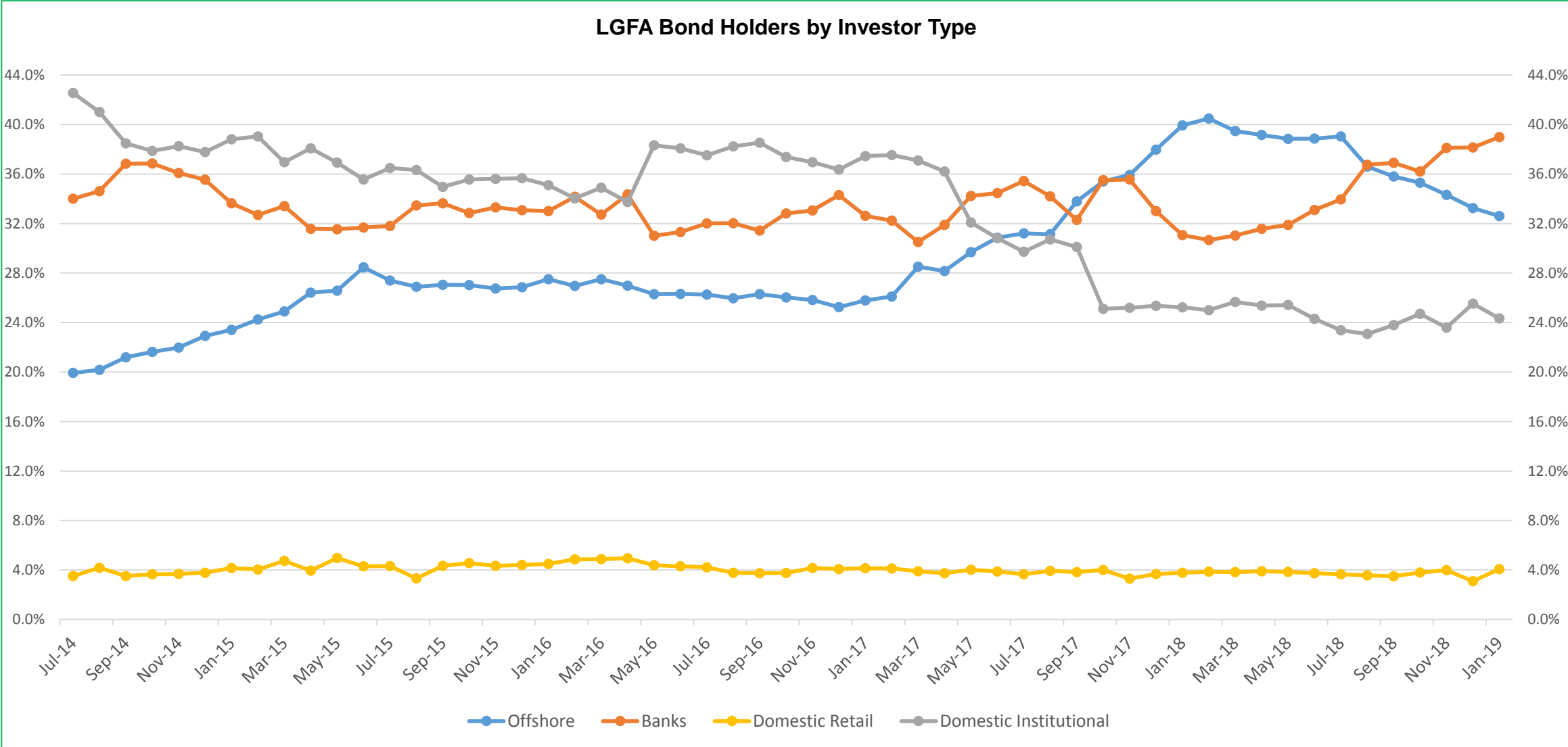
| Maturity | 2011-12 (5 months) | 2012-13 | 2013-14 | 2014-15 | 2015-16 | 2016-17 | 2017-18 | 2018-19 ytd |
|--|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| 15-Apr-15 | 155 | 10 | 75 | | | | | |
| 15-Dec-17 | 605 | 245 | 110 | 55 | | | | |
| 15-Mar-19 | 75 | 900 | 95 | 40 | 70 | 20 | 40 | |
| 15-Apr-20 | | | | 365 | 200 | 190 | 225 | |
| 15-May-21 | | 445 | 625 | 100 | 150 | 30 | 70 | 30 |
| 14-Apr-22 | | | | | | | 270 | 340 |
| 15-Apr-23 | | | 355 | 655 | 275 | 65 | 79 | |
| 15-Apr-25 | | | | | 100 | 560 | 309 | 310 |
| 15-Apr-27 | | | | 285 | 470 | 205 | 96 | 220 |
| 14-Apr-33 | | | | | | 215 | 140 | 275 |
| Total Volume (NZ\$ million) | 835 | 1600 | 1260 | 1500 | 1265 | 1285 | 1229 | 1175 |
| Average Bond Tender Size (NZ\$ million) | 209 | 182 | 153 | 188 | 141 | 143 | 137 | 196 |
| Average Issuance Term (years) | 5.34 years | 6.57 years | 7.04 years | 7.92 years | 8.10 years | 8.28 years | 6.07 years | 7.66 years |

LGFA YIELDS – 2019s, 2023s, 2027s, 2033s



- ❑ Maturities from 30 days to 364 days
- ❑ Minimum amounts of \$1 million
- ❑ As at 28 February 2019, twenty nine councils had borrowed \$507 million

| Short Term Lending Margins | 30 to 181 days | 182 to 364 days |
|----------------------------|------------------|------------------|
| Rated Council | 11 bps over BKBM | 16 bps over BKBM |
| Unrated Council | 22 bps over BKBM | 27 bps over BKBM |

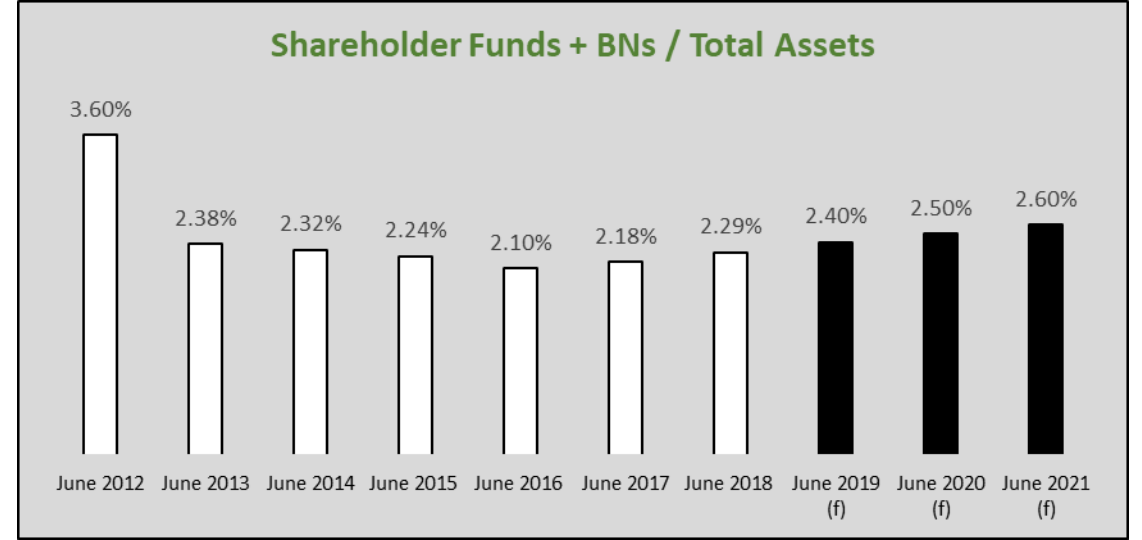
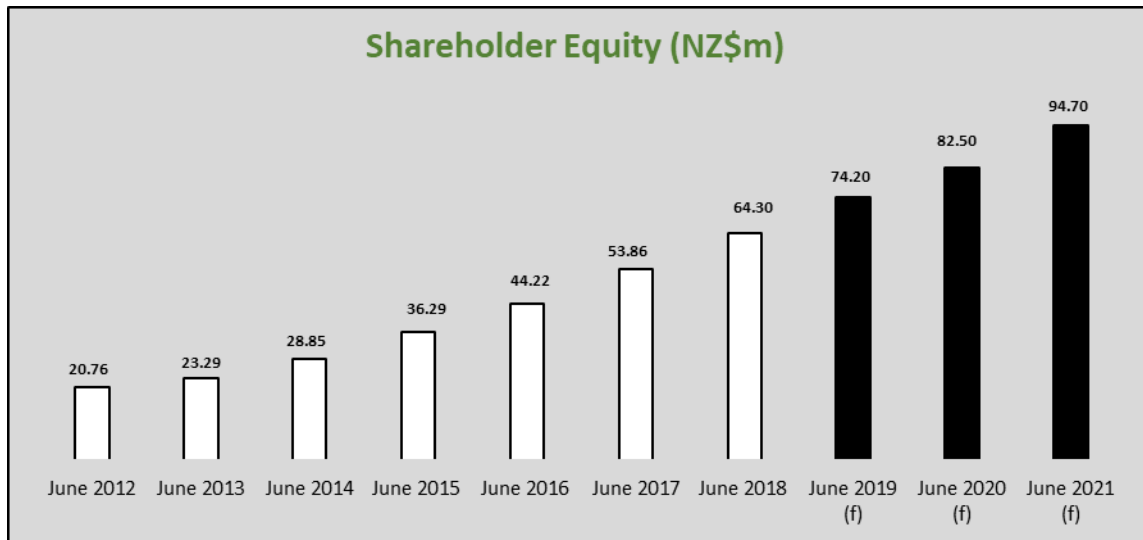
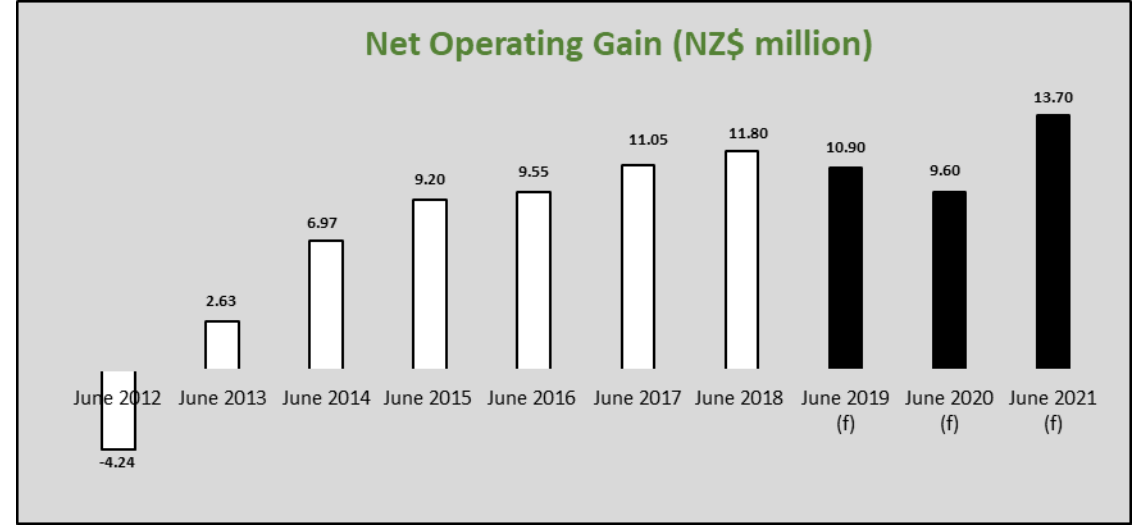
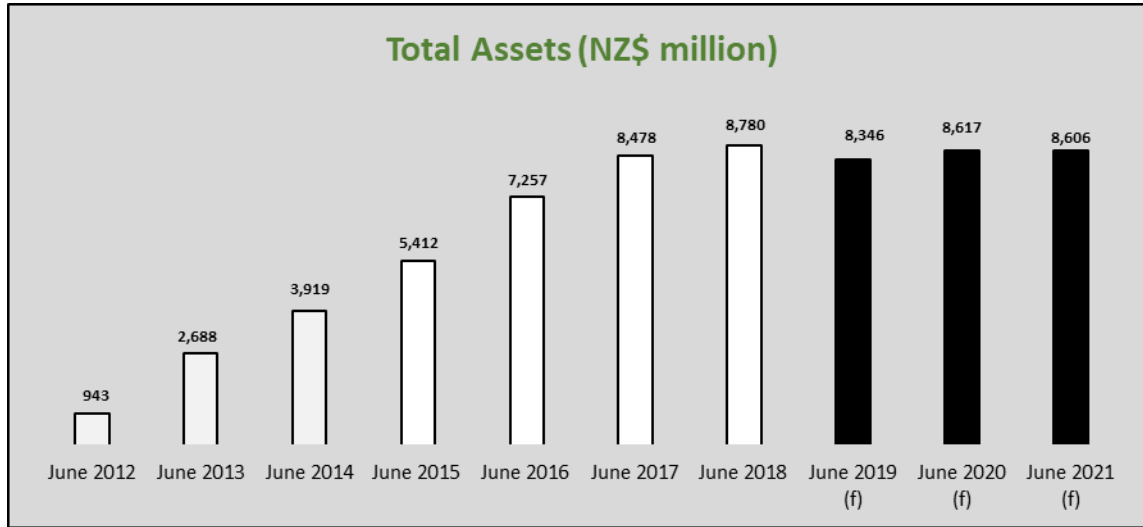


- Net Operating Profit \$11.8 million compared to budget \$10.9 million and up 6.8% yoy.
- Net Interest Income \$18.9 million compared to budget \$18.2 million and up 8.2% yoy.
- Total Expenses \$7.2 million compared to budget \$7.3 million and up 10.7% yoy.
- Bond Issuance \$1.23 billion compared to forecast \$1.25 billion

- Net Operating Profit favourable to SOI forecast
 - Loan book lower than forecast due to Auckland Council not borrowing from LGFA
 - Liquid Assets Portfolio higher than forecast as a result
 - Pre funding by councils ahead of loan maturities continues and this adds to net interest income
 - Higher than forecast loan book resulted in net interest income being \$0.93 million higher than budgeted

- Expenses have been managed under budget for the year
 - All expense items generally in line with budget or slightly below except legal costs
 - DMO facility fee lower than budget while legal costs associated with establishing Australian Notes programme was unbudgeted.
 - Approved Issuer Levy (AIL) above budget by \$88k to \$1.975 million due to higher than forecast offshore holdings of LGFA bonds

HISTORIC AND FORECAST FINANCIAL PERFORMANCE



Forecast performance based upon assumptions outlined in LGFA SOI 2018-19. The principal assumption is NZ\$1.3 billion approximately of gross issuance in each of 2018-19, 2019-20 and 2020-21 financial years. Source: LGFA

SHAREHOLDERS

- ❑ LGFA was incorporated on 1 December 2011 with 18 foundation council shareholders and the New Zealand Government.
- ❑ On 30 November 2012 a further 12 new council shareholders joined bringing the total number of council shareholders to 30. (In addition to the New Zealand Government).

BORROWERS

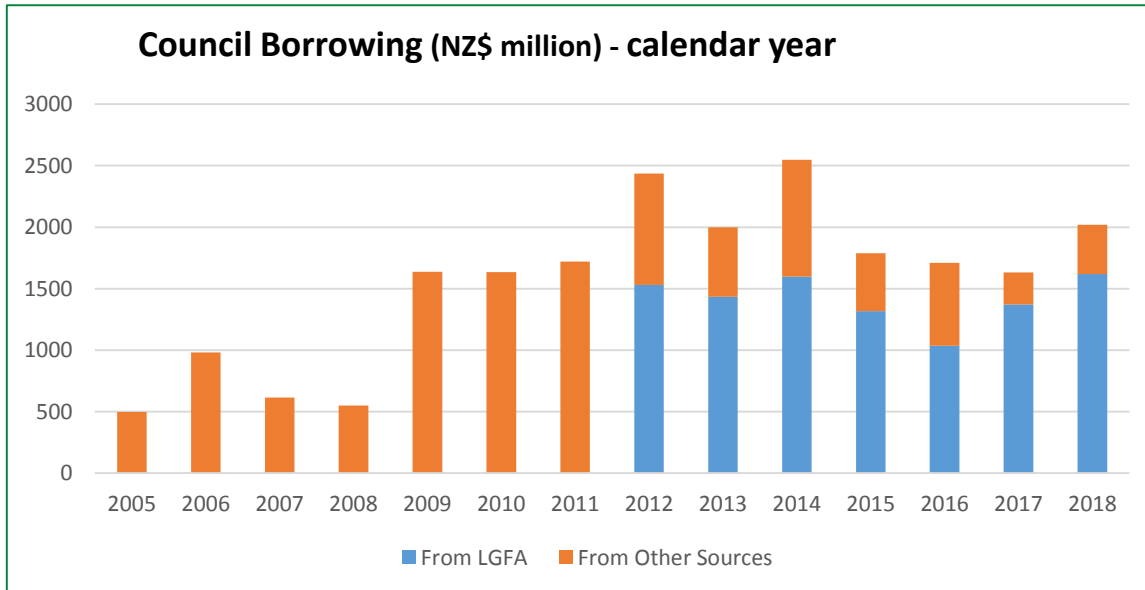
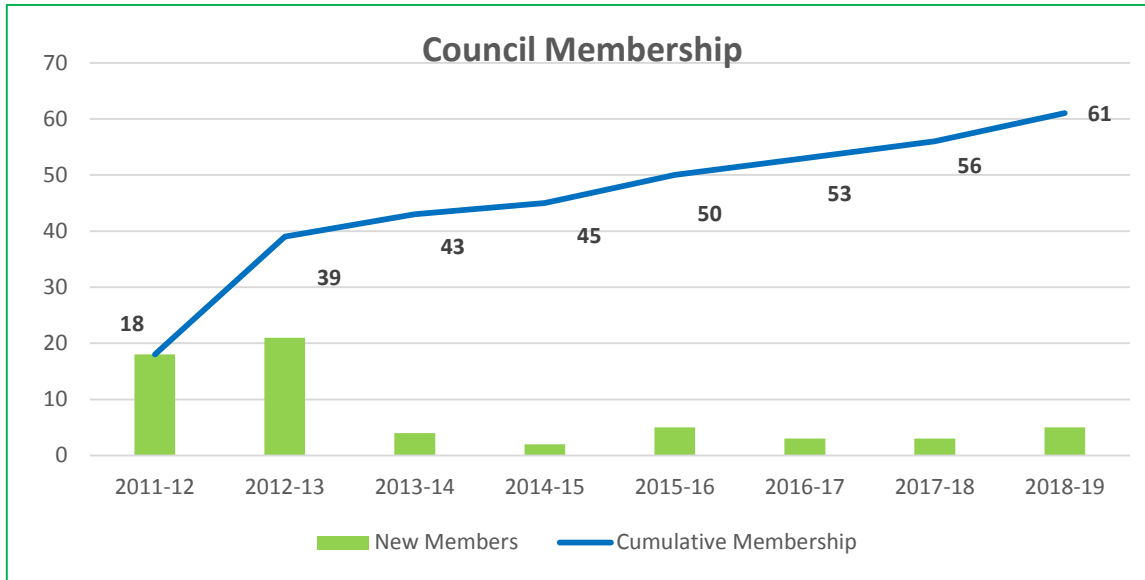
- ❑ As at 28 Feb 2019 there are 61 councils who eligible borrowers.
- ❑ As at 28 Feb 2019, 58 councils had borrowed from LGFA with Rangitikei, Clutha and Mackenzie District Councils the only non-Borrower.
- ❑ As at 28 Feb 2019, the 61 councils comprised around 98% of the sector debt.

GUARANTORS

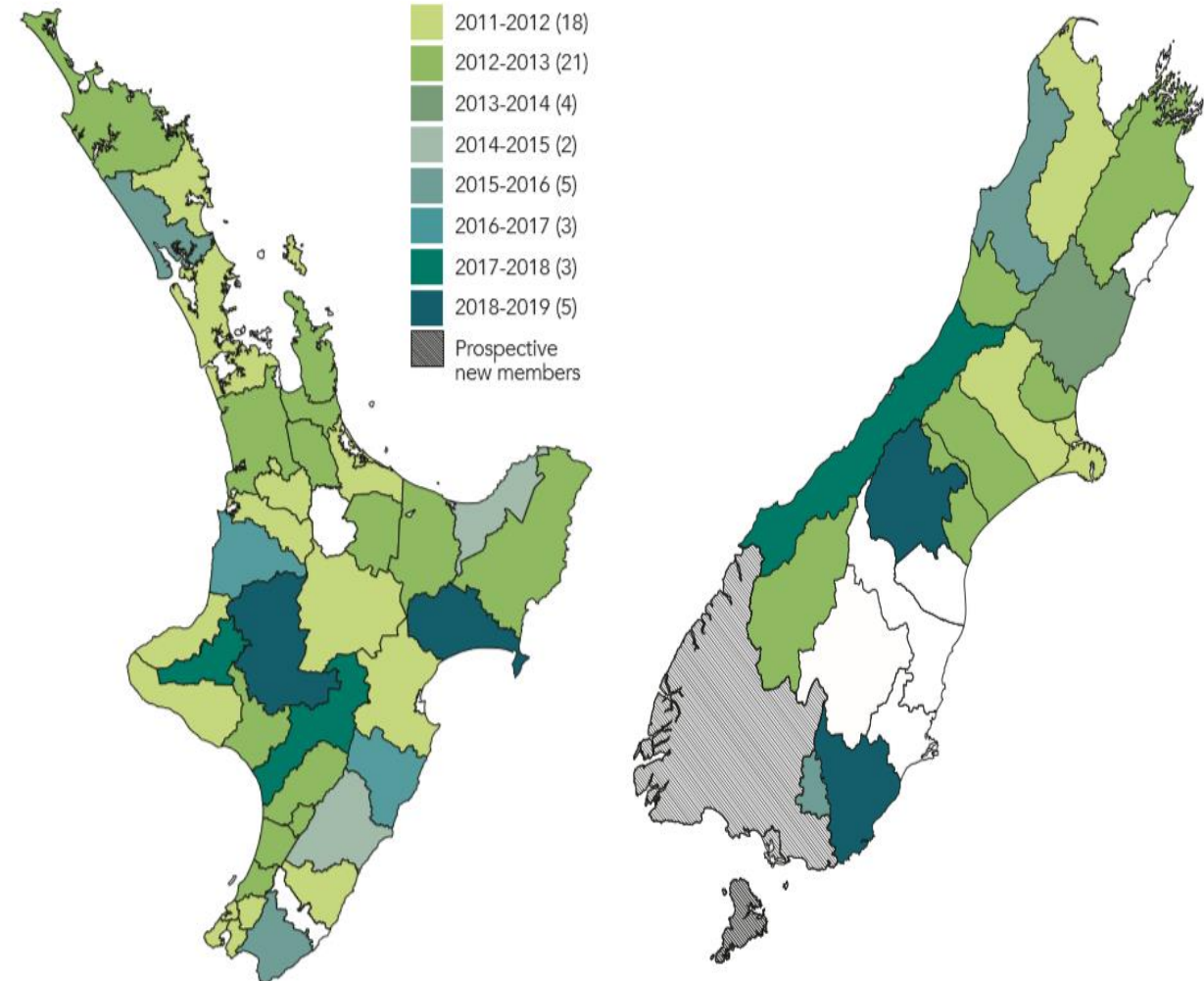
- ❑ There are 48 Guarantors of LGFA.
- ❑ Guarantors comprise:
 - All shareholders except the NZ Government
 - Any non shareholder who may borrow more than NZ\$20 million
- ❑ The borrowers who are non-Guarantors are:
 - Buller District Council
 - Central Hawkes Bay DC
 - Clutha District Council
 - Grey District Council
 - Mackenzie District Council
 - Northland Regional Council
 - Opotiki District Council
 - Rangitikei District Council
 - South Wairarapa District Council
 - Stratford District Council
 - Tararua District Council
 - Wairoa District Council
 - Westland District Council

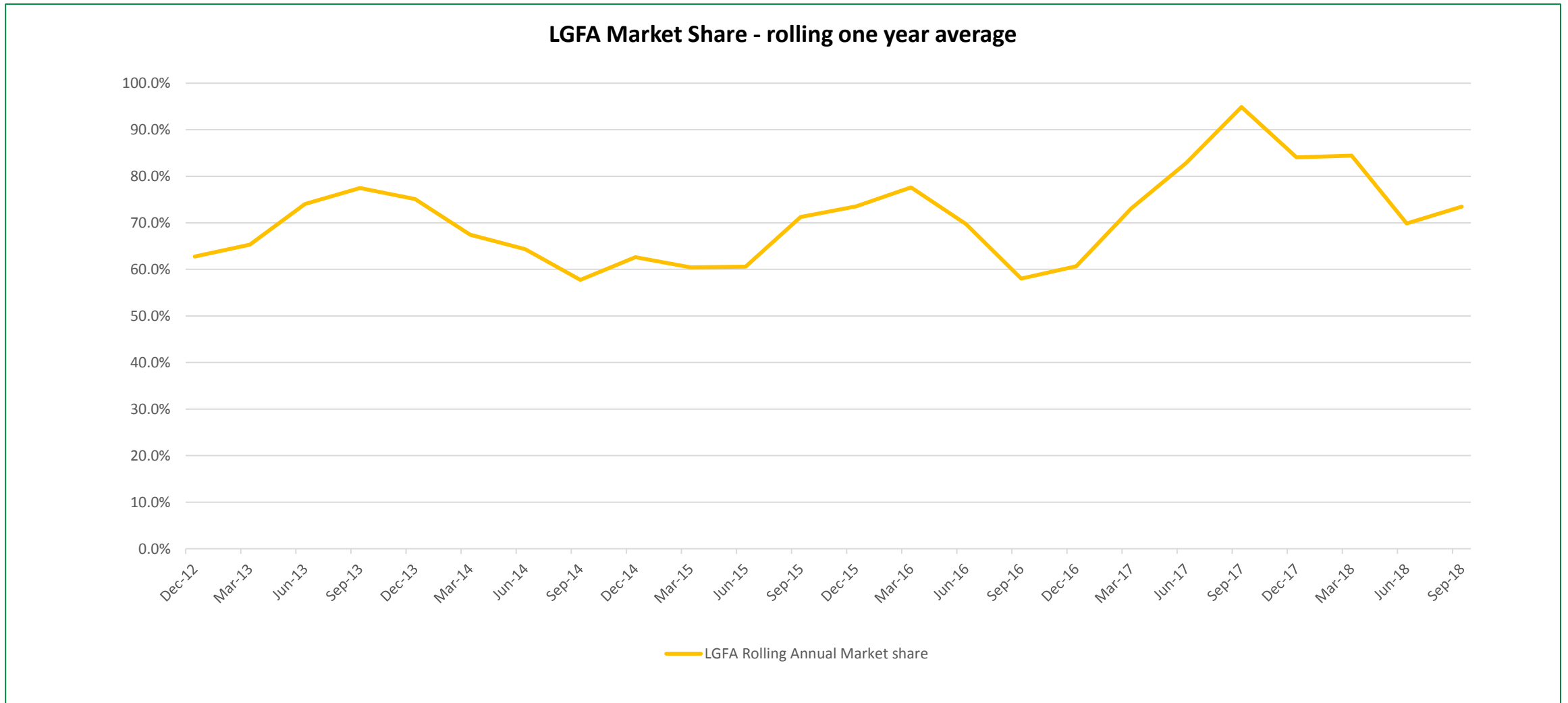
There are 78 local authorities in New Zealand comprising:

- 11 Regional Councils
- 12 City Councils (including 1 unitary)
- 54 District Councils (including 3 unitary)
- 1 Unitary Territorial Authority



LGFA participating councils highlighted with year of joining





Source: PWC and LGFA

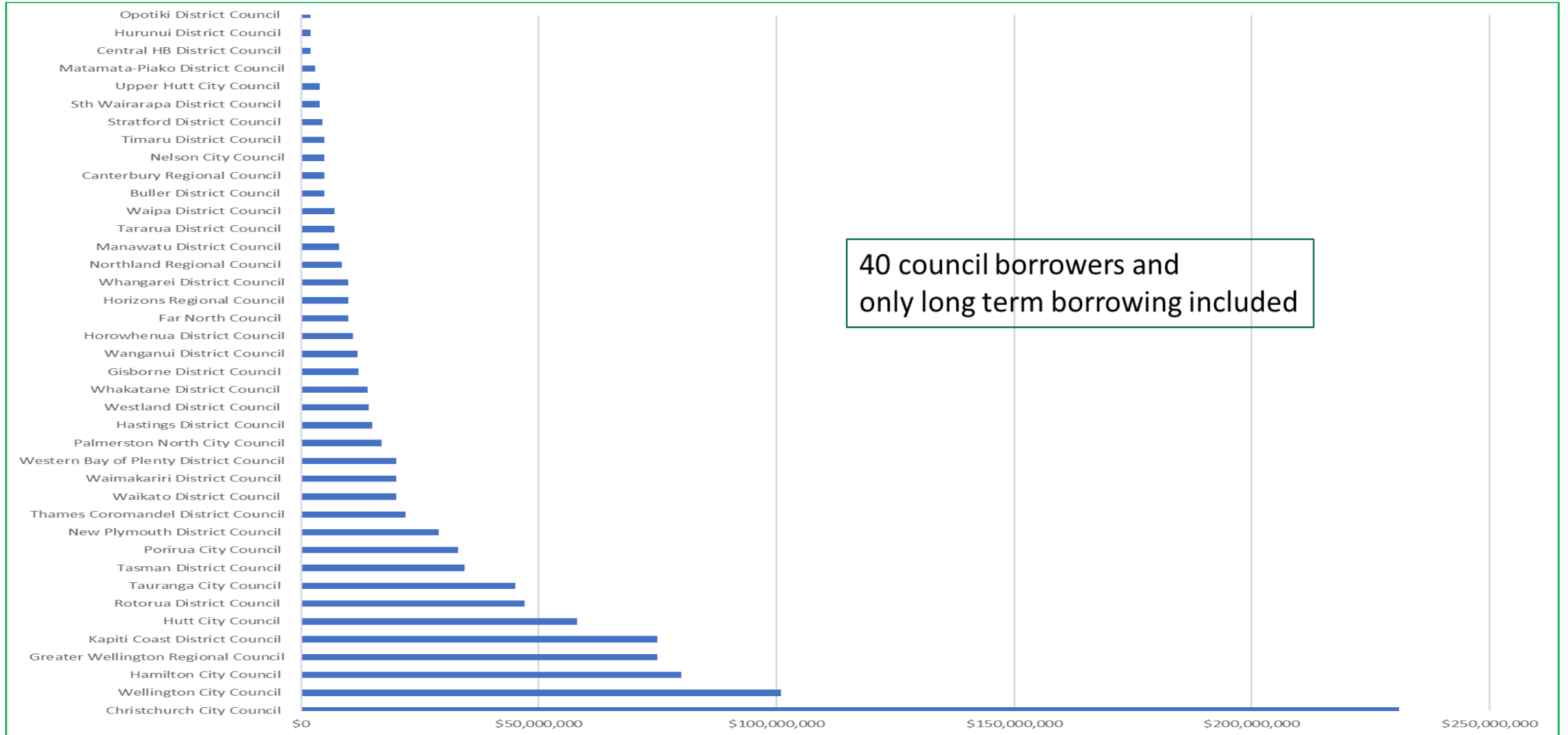
LGFA MEMBERS (As at 20 February 2019)

| Shareholders | Total Shares (NZ\$) | Shareholding (%) | Amount borrowed (NZ\$ million) | Borrowing (%) | Share Guarantee (%) |
|--|---------------------|------------------|--------------------------------|---------------|---------------------|
| New Zealand Government | 5,000,000 | 11.10% | | | |
| Auckland Council | 3,731,960 | 8.30% | 2,157.0 | 22.7 | 32.5 |
| Christchurch City Council | 3,731,960 | 8.30% | 1,957.1 | 20.6 | 8.8 |
| Hamilton City Council | 3,731,960 | 8.30% | 400.0 | 4.2 | 3.1 |
| Bay of Plenty Regional Council | 3,731,958 | 8.30% | 141.8 | 1.5 | 0.8 |
| Greater Wellington Regional Council | 3,731,958 | 8.30% | 400.0 | 4.2 | 2.9 |
| Tasman District Council | 3,731,958 | 8.30% | 176.0 | 1.9 | 1.3 |
| Tauranga City Council | 3,731,958 | 8.30% | 450.0 | 4.7 | 3.0 |
| Wellington City Council | 3,731,958 | 8.30% | 519.0 | 5.5 | 5.7 |
| Western Bay of Plenty District Council | 3,731,958 | 8.30% | 115.0 | 1.2 | 1.2 |
| Whangarei District Council | 1,492,784 | 3.30% | 142.0 | 1.5 | 1.8 |
| Hastings District Council | 746,392 | 1.70% | 123.5 | 1.3 | 1.4 |
| Marlborough District Council | 400,000 | 0.90% | 100.0 | 1.1 | 1.2 |
| Selwyn District Council | 373,196 | 0.80% | 30.1 | 0.3 | 1.0 |
| Gisborne District Council | 200,000 | 0.40% | 47.6 | 0.5 | 1.1 |
| Hauraki District Council | 200,000 | 0.40% | 49.0 | 0.5 | 0.5 |
| Horowhenua District Council | 200,000 | 0.40% | 104.1 | 1.1 | 0.7 |
| Hutt City Council | 200,000 | 0.40% | 186.0 | 2.0 | 2.0 |
| Kapiti Coast District Council | 200,000 | 0.40% | 230.5 | 2.4 | 1.2 |
| Manawatu District Council | 200,000 | 0.40% | 68.0 | 0.7 | 0.6 |
| Masterton District Council | 200,000 | 0.40% | 60.0 | 0.6 | 0.5 |
| New Plymouth District Council | 200,000 | 0.40% | 110.0 | 1.2 | 1.6 |
| Otorohanga District Council | 200,000 | 0.40% | 6.0 | 0.1 | 0.2 |
| Palmerston North City Council | 200,000 | 0.40% | 122.1 | 1.3 | 1.7 |
| South Taranaki District Council | 200,000 | 0.40% | 82.0 | 0.9 | 0.8 |
| Taupo District Council | 200,000 | 0.40% | 145.0 | 1.5 | 1.2 |
| Thames-Coromandel District Council | 200,000 | 0.40% | 60.2 | 0.6 | 1.2 |
| Waimakariri District Council | 200,000 | 0.40% | 145.1 | 1.5 | 1.1 |
| Waipa District Council | 200,000 | 0.40% | 42.3 | 0.4 | 1.1 |
| Whanganui District Council | 200,000 | 0.40% | 82.0 | 0.9 | 1.1 |
| Whakatane District Council | 200,000 | 0.40% | 68.1 | 0.7 | 0.8 |
| Total | 45,000,000 | | 8,319.5 | 87.6 | 82.1 |

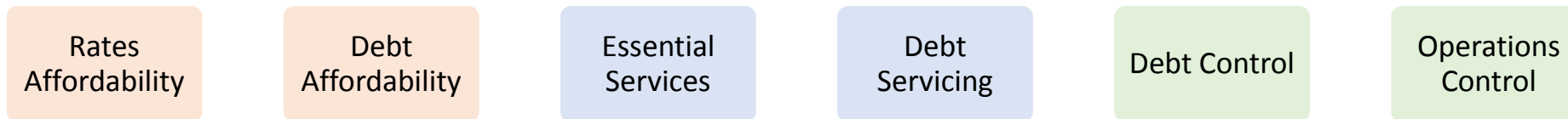
Note: Total shares includes called and uncalled shares

LGFA MEMBERS CONTINUED (As at 20 February 2019)

| Borrowers and Guarantors | Amount borrowed (NZ\$ million) | Borrowing (%) | Share of Guarantee (%) |
|-------------------------------------|--------------------------------|---------------|------------------------|
| Ashburton District Council | 52.2 | 0.6 | 0.6 |
| Canterbury Regional Council | 33.0 | 0.3 | 1.9 |
| Far North District Council | 60.1 | 0.6 | 1.6 |
| Gore District Council | 17.0 | 0.2 | 0.3 |
| Hurunui District Council | 32.0 | 0.3 | 0.3 |
| Horizons Regional Council | 42.0 | 0.4 | 0.8 |
| Kaipara District Council | 50.0 | 0.5 | 0.7 |
| Matamata-Piako District Council | 30.1 | 0.3 | 0.7 |
| Nelson City Council | 70.0 | 0.7 | 1.3 |
| Porirua City Council | 71.5 | 0.8 | 1.2 |
| Queenstown Lakes District Council | 85.0 | 0.9 | 1.3 |
| Rotorua District Council | 214.5 | 2.3 | 1.6 |
| Ruapehu District Council | 12.0 | 0.1 | 0.4 |
| Timaru District Council | 84.7 | 0.9 | 0.9 |
| Upper Hutt City Council | 43.0 | 0.5 | 0.7 |
| Waikato District Council | 90.0 | 0.9 | 1.5 |
| Waikato Regional Council | 22.0 | 0.2 | 1.6 |
| Waitomo District Council | 40.1 | 0.4 | 0.4 |
| Total | 1049.3 | 11.0 | 17.9 |
| Borrowers Only | | | |
| Buller District Council | 20.0 | 0.2 | |
| Central Hawkes Bay District Council | 2.0 | 0.0 | |
| Clutha District Council | 0.0 | 0.0 | |
| Grey District Council | 20.0 | 0.2 | |
| Mackenzie District Council | 0.0 | 0.0 | |
| Northland Regional Council | 8.5 | 0.1 | |
| Opotiki District Council | 5.0 | 0.1 | |
| Rangitikei District Council | 0.0 | 0.0 | |
| South Wairarapa District Council | 17.5 | 0.2 | |
| Stratford District Council | 14.5 | 0.2 | |
| Tararua District Council | 19.0 | 0.2 | |
| Wairoa District Council | 5.0 | 0.1 | |
| Westland District Council | 17.3 | 0.2 | |
| Total | 128.9 | 1.4 | |
| Total Borrowing from LGFA | 9,497.7 | 100.0 | |



- Local Government Framework reduces risk of financial distress – no historical default by a council
- Council have own Treasury Management and borrowing policies – most have independent advice
- Council financial oversight by Office of Auditor General (OAG), Audit NZ and Department of Internal Affairs
- Councils under Local Government (Financial Reporting and Prudence) Regulations 2014 Act required to report annually on performance against six benchmarks



Six step intervention process possible by Central Government



- Council required to comply with LGFA lending covenants
 - Annual attestation by council
 - LGFA credit watch-list in place
 - LGFA credit analysis and monitoring performed through the year
 - LGFA not obligated to lend to council members
- Covenant breach is an Event of Review – after 30 days LGFA can seek repayment of loans

- 26 LGFA member councils have credit ratings (A+ to AA range)
- LGFA undertakes detailed credit analysis of each council if they apply to join LGFA (and ongoing) - not every council has been accepted as a member
- A council default becomes a timing issue for LGFA
 - LGFA lends secured against rates revenue under Debenture Trust Deed
 - Unlikely to be other claimants on rates revenue given LGFA is the dominant lender to councils
 - Trustee appoints receiver and a special rate (property tax) levied on all properties in the council region to meet obligations (interest + principal) when due
 - Property taxes unavoidable and first ranking security over property
 - If council in financial difficulty you would expect some degree of Central Government intervention
- Sources of LGFA liquidity and additional capital
 - \$1 billion standby facility from NZ Government
 - Liquid Assets Portfolio
 - Issuance of additional LGFA Bills and Bonds
 - Conversion of Borrower Notes into equity
 - Uncalled capital of \$20 million
- LGFA Board can call upon the guarantee from councils
- **Central Government does not guarantee obligations of either LGFA or council members**

LGFA’s policy to minimise financial risks and carefully identify, manage and control all risk.

❑ Market Risk

- PDH limit of NZ\$40,000
- VAR limit of NZ\$250,000

❑ Credit Risk

All Councils that borrow from LGFA are obliged to:

- Provide security in relation to their borrowing from LGFA and related obligations.
- Issue securities (bonds/FRNs/CP) to LGFA.
- Comply with their own internal borrowing policies.
- Comply with the LGFA financial covenants within either the Lending Policy or Foundation Policy

Auckland Council is limited to a maximum of 40% of LGFA’s total Local Authority assets.

No more than the greater of NZ\$100 million or 33% of a Local Authority’s borrowings from LGFA will mature in any 12 month period.

❑ Liquidity and Funding Risk

Cash and Investments

- LGFA manages liquidity risk by holding cash and a portfolio of liquid assets to meet obligations when they fall due.
- Only invest in NZD senior debt securities, money market deposits and registered certificates of deposits within strict counterparty limits.

DMO standby facility

- The New Zealand Debt Management Office provides a committed liquidity facility up to NZ\$1 billion in size that LGFA can draw upon to meet any exceptional and temporary liquidity shortfall.
- Currently the facility size is set by LGFA at NZ\$800 million (as at 30 September 2017)

| Financial covenant | Lending policy covenants | Foundation policy covenants |
|------------------------------------|--------------------------|-----------------------------|
| Net Debt / Total Revenue | <175% | <250% |
| Net Interest / Total Revenue | <20% | <20% |
| Net interest / Annual Rates Income | <25% | <30% |
| Liquidity | >110% | >110% |

| Liquidity position as at 31 May 2018 | NZ\$ million |
|--------------------------------------|------------------|
| Cash and cash equivalents | \$24.5 |
| Deposits and Marketable Securities | \$371.3 |
| NZDMO Liquidity Facility | \$800.0 |
| Total | \$1,195.8 |

Source: LGFA

❑ **Fitch Ratings - November 2018** (Note: Refer to the full report for a comprehensive analysis of LGFA)

Local Currency AA+ / Stable/ F1+

Foreign currency rating AA / Stable / F1+

Fitch notes:

- strong links to the sovereign – classified as a credit linked Public Sector Entity;
- deemed to be of strategic importance;
- sound underlying asset quality of its shareholders, local councils;
- long-term rating is capped by the ratings of the sovereign;
- support of a joint and several liability guarantee.

❑ **Standard and Poor's Ratings Services – February 2019** (Note: Refer to the full report for a comprehensive analysis of LGFA)

Local Currency AA+ / Stable / A-1+

Foreign Currency AA / Stable / A-1+

Both long-term ratings placed on “positive outlook” on 4th February 2019

Strengths:

- dominant market position as a lender to New Zealand local government;
- high credit quality of underlying lending;
- extremely strong likelihood of support from the New Zealand Government in a stress scenario;
- robust and experienced management and governance.

Weaknesses:

- highly concentrated loan portfolio;
- modest risk adjusted capital ratio;
- reliance upon domestic market funding.

Source: S&P, FITCH, LGFA

| Council | S&P | Fitch | Moody's |
|--|-------------|-------|---------|
| Auckland Council | AA | | Aa2 |
| Bay of Plenty Regional Council | AA | | |
| Dunedin City Council | AA | | |
| Greater Wellington Regional Council | AA Positive | | |
| Hastings District Council | AA | | |
| Hutt City Council | AA | | |
| Invercargill City Council | | AA | |
| Marlborough District Council | AA | | |
| Nelson City Council | AA | | |
| New Plymouth District Council | AA Positive | | |
| Palmerston North City Council | AA Positive | | |
| Porirua City Council | AA | | |
| Tasman District Council | AA | | |
| Taupo District Council | AA Positive | | |
| Waimakariri District Council | AA Negative | | |
| Wellington City Council | AA Positive | | |
| Western Bay of Plenty District Council | AA | | |
| Whanganui District Council | AA Positive | | |
| Whangarei District Council | AA Positive | | |
| Hamilton City Council | | AA- | |
| Queenstown Lakes District Council | | AA- | |
| Rotorua Lakes District Council | | AA- | |
| South Taranaki District Council | AA- | | |
| Tauranga City Council | AA- | | |
| Timaru District Council | | AA- | |
| Christchurch City Council | A+ Positive | | |
| Horowhenua District Council | A+ | | |
| Kapiti Coast District Council | A+ Positive | | |

43

28 councils in New Zealand have credit ratings – 26 are members of LGFA

Over 2014, 2015, 2016, 2017, 2018

- **Nelson, South Taranaki, Tauranga, Tasman, Taupo, Western Bay of Plenty (twice), Whanganui and Whangarei District Councils were upgraded**
- **No Council ratings were downgraded**

Seven councils with “AA” credit rating placed on positive outlook in February 2019

As at 1 March 2019

Source: S&P, Fitch, LGFA

S&P RATING CHANGES OVER THE PAST THREE YEARS

| Council | Action | Date |
|--|---|----------------|
| Christchurch City Council | Outlook Revised from Negative to Stable | Dec 7, 2015 |
| Nelson City Council | Upgraded from AA- to AA | Nov 23, 2015 |
| Whangarei District Council | Upgraded from AA- to AA | May 19, 2016 |
| Western Bay of Plenty District Council | Outlook Revised from Stable to Positive | Sep 26, 2016 |
| Tasman District Council | Outlook Revised from Stable to Positive | Oct 27, 2016 |
| Invercargill Council | Outlook Revised from Stable to Negative | Dec 02, 2016 |
| South Taranaki District Council | Upgraded from A+ to AA- | May 19, 2017 |
| Whanganui District Council | Outlook revised from Stable to Positive | June 28, 2017 |
| Western Bay of Plenty District Council | Upgraded from AA- to AA | Sep 22, 2017 |
| Invercargill Council | Outlook Revised from Negative to Stable | Dec 05, 2017 |
| Waimakariri District Council | Outlook Revised from Stable to Negative | April 11, 2018 |
| Whanganui District Council | Upgraded from AA- to AA | June 7, 2018 |
| Kapiti Coast District Council | Outlook revised from Stable to Positive | Sep 25, 2018 |
| Tasman District Council | Upgraded from AA- to AA | Oct 30, 2018 |
| Tauranga City Council | Upgraded from A+ to AA- | Oct 30, 2018 |
| Greater Wellington Regional, Wellington City, Taupo District, Whangarei District, New Plymouth District, Whangarei District , Palmerston North City Councils | Outlook revised from Stable to Positive | Feb 4, 2019 |

WHAT IS THE CREDIT QUALITY OF THE LENDING BOOK ?

- 88.5% of LGFA loans to councils with credit ratings
- 64.0% of LGFA loans to AA- rated councils or better
- Average credit quality is slightly above AA-
- Improving trend in underlying credit quality of local government sector over the past five years
 - 8 councils on positive outlook = \$1.7 billion or 17.4% loan book
 - 1 council on negative outlook = \$145 million or 1.6% loan book
- Not all councils have credit ratings due to cost of obtaining a rating vs benefits
 - Average total lending to unrated councils is NZ\$31 million per council
 - NZ\$45 million of debt is approximate breakeven for a borrower to obtain a credit rating
- LGFA undertakes detailed credit analysis of all council borrowers separate to the external credit rating process performed by S&P, Fitch and Moodys
- Unrated councils are in general of better credit quality than those councils with credit rating

| External Credit Rating (S&P, Fitch) | Lending (NZ\$ million) | Lending (%) | Number of Councils |
|-------------------------------------|------------------------|-------------|--------------------|
| AA | \$4,806.0 | 50.6% | 17 |
| AA- | \$1,316.2 | 13.9% | 6 |
| A+ | \$2,291.7 | 24.1% | 3 |
| Unrated | \$1,083.8 | 11.4% | 35 |
| Total | \$9,497.7 | 100% | 61 |

As at 20 February 2019

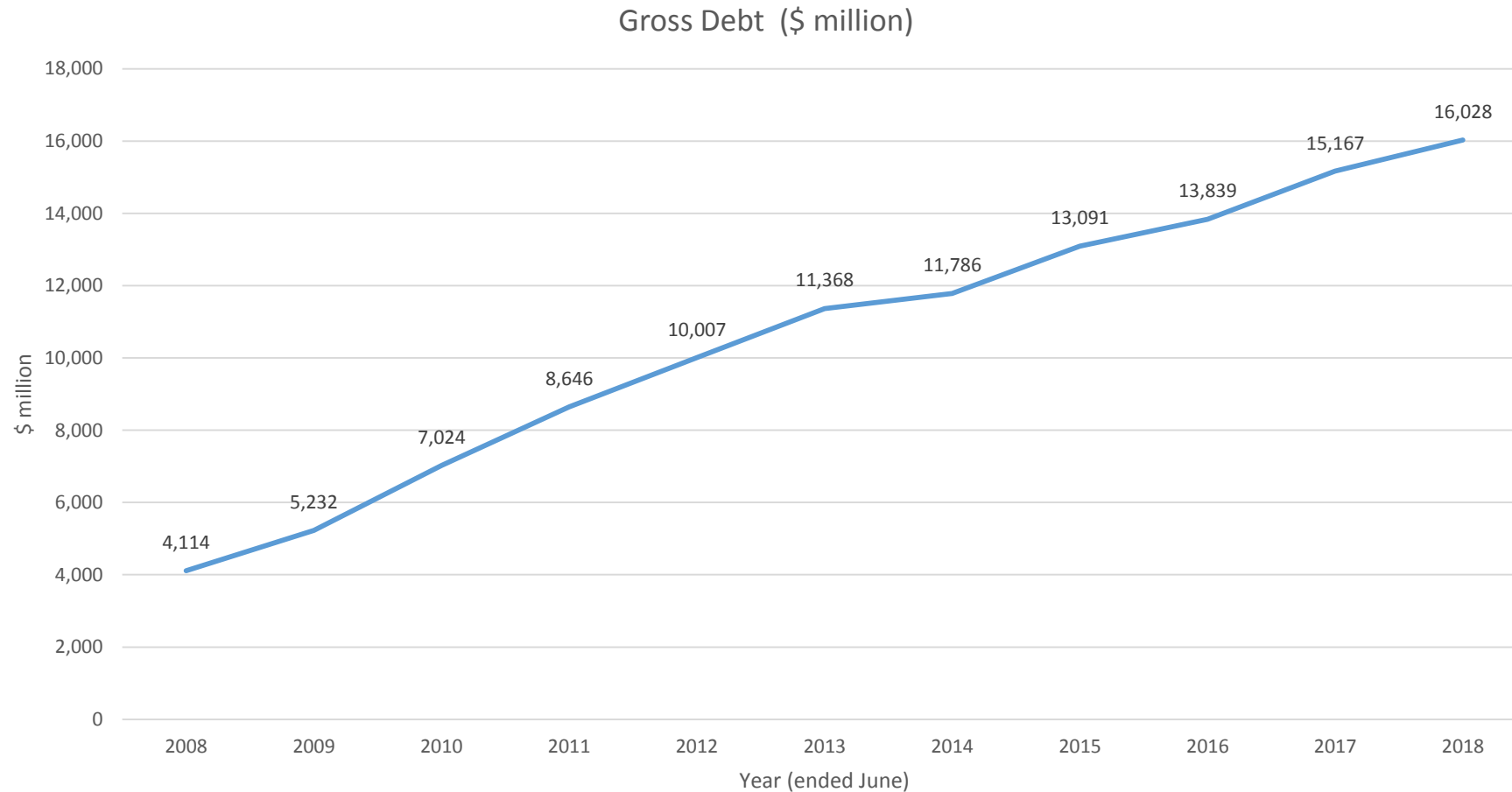
Source: LGFA

LGFA PARTICIPATING COUNCILS BY REGION



| | Gross Debt June 2017 \$m | LGFA Lending June 2018 \$m | Population | Sector Debt 2017 (%) | Borrowing from LGFA 2018 (%) | Share of Population | Share of LGFA Guarantee (%) |
|-------------------|--------------------------------|----------------------------------|------------------|----------------------------|------------------------------------|------------------------|-----------------------------------|
| Northland | \$287.6 | \$235.5 | 175,500 | 1.9% | 3.0% | 3.7% | 4.1% |
| Auckland | \$8,306.0 | \$2,082.0 | 1,657,200 | 54.8% | 26.1% | 34.6% | 33.0% |
| Waikato | \$841.3 | \$737.6 | 460,100 | 5.5% | 9.3% | 9.6% | 10.1% |
| Bay of Plenty | \$726.7 | \$672.8 | 299,900 | 4.8% | 8.4% | 6.3% | 8.8% |
| Taranaki | \$232.5 | \$140.5 | 118,000 | 1.5% | 1.8% | 2.5% | 2.4% |
| Manawatu-Wanganui | \$385.2 | \$352.1 | 234,500 | 2.5% | 4.4% | 4.9% | 5.4% |
| Gisborne | \$37.7 | \$37.1 | 48,500 | 0.2% | 0.5% | 1.0% | 1.1% |
| Hawkes Bay | \$91.4 | \$79.0 | 164,000 | 0.6% | 1.0% | 3.4% | 1.4% |
| Wellington | \$1,354.4 | \$1,255.9 | 513,900 | 8.9% | 15.8% | 10.7% | 14.1% |
| Nelson | \$92.4 | \$60.0 | 51,400 | 0.6% | 0.8% | 1.1% | 1.3% |
| Tasman | \$126.2 | \$118.5 | 51,100 | 0.8% | 1.5% | 1.1% | 1.4% |
| Malborough | \$82.9 | \$80.3 | 46,200 | 0.5% | 1.0% | 1.0% | 1.3% |
| West Coast | \$76.4 | \$57.3 | 32,400 | 0.5% | 0.7% | 0.7% | 0.0% |
| Canterbury | \$2,125.8 | \$1,963.0 | 612,000 | 14.0% | 24.6% | 12.8% | 14.3% |
| Otago | \$295.1 | \$85.1 | 224,200 | 1.9% | 1.1% | 4.7% | 1.2% |
| Southland | \$105.5 | \$17.0 | 98,300 | 0.7% | 0.2% | 2.1% | 0.00% |
| Total | \$15,167.1 | \$7,973.7 | 4,787,200 | | | | |

HISTORICAL COUNCIL GROSS DEBT



Note: Debt is at parent level except for Auckland Council which is at group level.
2015/25 LTP's forecast gross debt at June 2018 of \$17.4 billion (actual was \$1.4 billion lower).

CHANGE IN NET DEBT LEVELS

| Group | 2018 (\$ million) | 2017 (\$ million) | 2016 (\$ million) | 2015 (\$ million) | 2014 (\$ million) | Per Head Pop 2018 (\$) | Per Head Pop 2017 (\$) | Per Head Pop 2016 (\$) | Per Head Pop 2015 (\$) | Per Head Pop 2014 (\$) |
|--------------------------|----------------------------------|----------------------------------|----------------------------------|----------------------------------|----------------------------------|---|---|---|---|---|
| All Councils | 11,737 | 10,609 | 9,727 | 9,494 | 8,769 | 2,403 | 2,213 | 2,072 | 2,066 | 1,944 |
| Rural | 131 | 131 | 157 | 168 | 169 | 413 | 422 | 512 | 552 | 562 |
| Provincial | 949 | 868 | 847 | 965 | 1,074 | 708 | 660 | 657 | 761 | 860 |
| Metro (excl Auckland) | 2,410 | 2,157 | 1,904 | 2,054 | 1,926 | 1,806 | 1,646 | 1,480 | 1,627 | 1,549 |
| Regional | -95 | -232 | -282 | -422 | -421 | -32 | -79 | -98 | -149 | -151 |
| Unitary | 285 | 255 | 234 | 251 | 248 | 1,426 | 1,293 | 1,206 | 1,308 | 1,301 |
| Auckland Council | 8,059 | 7,424 | 6,866 | 6,478 | 5,773 | 4,752 | 4,480 | 4,254 | 4,127 | 3,781 |

LGFA Financial Covenants – member councils as at 30 June 2018 with an external credit rating (26)

| Foundation Policy Covenant | Net Debt / Total Revenue <250% | Net Interest / Total Revenue <20% | Net Interest / Rates <30% |
|------------------------------|--------------------------------|-----------------------------------|---------------------------|
| Range of councils compliance | -160.5% to 190.3% | -7.5% to 9.6% | -17.1% to 16.6% |

LGFA Financial Covenants – member councils as at 30 June 2018 without an external credit rating (29)

| Lending Policy Covenant | Net Debt / Total Revenue <175% | Net Interest / Total Revenue <20% | Net Interest / Rates <25% |
|------------------------------|--------------------------------|-----------------------------------|---------------------------|
| Range of councils compliance | -52.8% to 127.4% | -1.5% to 5.4% | -3.1% to 8.6% |

- Note some negative outcomes due to some councils having negative Net Debt i.e. financial assets and investments > borrowings
- LGFA councils operating within financial covenants
- Ranges highlights the differences between councils
- Sufficient financial headroom for most councils
- Improvement from 2014 for most councils
 - Revenue increased
 - Interest rates lower
 - Capex and debt restrained

Source: LGFA using data from individual council annual reports

LGFA Member Councils with an external credit rating (26 in 2018, 23 in 2017, 22 in 2016, 20 in 2015 and 17 in both 2014 and 2013)

| Financial Covenant | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 |
|-------------------------|-------|-------|-------|-------|--------|--------|
| Net Debt to Revenue | 76.0% | 86.0% | 87.9% | 96.4% | 104.7% | 111.8% |
| Net Interest to Revenue | 4.0% | 5.3% | 6.1% | 6.8% | 6.6% | 7.3% |
| Net Interest to Rates | 6.1% | 8.1% | 9.1% | 10.0% | 9.6% | 11.1% |

LGFA Member Unrated Councils (30 in 2018, 30 in 2017, 28 in 2016, 25 in 2015, 26 in 2014 and 21 in 2013)

| Financial Covenant | 2017 | 2017 | 2016 | 2015 | 2014 | 2013 |
|-------------------------|-------|-------|-------|-------|-------|-------|
| Net Debt to Revenue | 32.3% | 29.9% | 32.4% | 38.2% | 42.6% | 52.5% |
| Net Interest to Revenue | 1.9% | 1.8% | 2.2% | 2.4% | 2.9% | 3.2% |
| Net Interest to Rates | 2.9% | 2.6% | 2.9% | 3.1% | 4.0% | 4.1% |

2012-22, 2015-25, 2018-2028 LTP GROSS DEBT FORECASTS

NZ\$ millions

| 2012-22 LTP | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
|-------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Gross Debt | 10,073 | 11,755 | 13,584 | 14,967 | 15,659 | 16,641 | 17,499 | 18,266 | 19,240 | 19,653 | 20,135 |
| % Change | | 16.7% | 15.6% | 10.2% | 4.6% | 6.3% | 5.2% | 4.4% | 5.3% | 2.2% | 2.5% |

| 2015-25 LTP | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 |
|-------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Gross Debt | 14,119 | 14,941 | 16,527 | 17,440 | 17,821 | 18,445 | 18,943 | 19,554 | 19,913 | 20,031 | 20,036 |
| % Change | | 5.8% | 10.6% | 5.5% | 2.2% | 3.5% | 2.7% | 3.2% | 1.8% | 0.6% | 0.0% |

| 2018-28 LTP | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 |
|-------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Gross Debt | 16,073 | 17,667 | 19,767 | 21,837 | 23,199 | 24,250 | 24,869 | 25,433 | 25,851 | 25,879 | 25,870 |
| % Change | | 9.9% | 11.9% | 10.5% | 6.2% | 4.5% | 2.6% | 2.3% | 1.6% | 0.1% | 0.0% |

Note: Kaikoura District Council only produced a 3 year plan (no debt added in for Kaikoura from 2022)



The screenshot shows the LGFA website homepage. At the top, there is a navigation menu with links for 'ABOUT LGFA', 'INVESTORS', 'BONDS', 'BILLS', and 'CONTACT'. Below the navigation is a large green banner with the headline 'Providing diversified funding sources for NZ local authorities'. To the right of the banner is a photograph of a city street with a caption: 'Victoria Street, Wellington. Upgraded lanes, parking and pedestrian area on Victoria Street. Wellington City Council'. Below the banner are two buttons: 'More about what we do' and 'About Investing in LGFA'. At the bottom left, there is a section for 'August 2017 LGFA An Overview' with links for 'Overview', 'DIE LGFA im Überblick (DE)', and 'LGFA 概説 (JP)'.

Features

| | |
|--|-------------|
| Press Release: The 2017 LGFA Annual Report has been released » | 31 Aug 2017 |
| Notice of Repo Outstandings as at 31 July 2017 » | 1 Aug 2017 |
| Press Release: The LGFA Quarterly Report to Shareholders for June 2017 has been released » | 1 Aug 2017 |
| Notice of Repo Outstandings as at 30 June 2017 » | 3 Jul 2017 |
| Press Release: The LGFA Statement of Intent 2017/18 has been released » | 27 Jun 2017 |

Securities Issuance

Next tender date
4 Oct 2017

LGFA Bonds
Results of Tender 49 have been published [View Here >>](#)

[View full bond tender schedule >](#) [View tender results >](#)

Next tender date
13 Sep 2017

LGFA Bills
Results of Tender 23 have been published [View Here >>](#)

[View full bill tender schedule >](#) [View tender results >](#)



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Bloomberg Ticker: NZLGFA

Bloomberg : LGFA

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FINANCE, AUDIT AND RISK COMMITTEE

27 MARCH 2019

AGENDA ITEM C1

FINANCIAL REPORT

Purpose of Report

To present financial results for the seven month period to 31 January 2019, as well as other related information.

Recommendations

Officers recommend that the Committee:

1. *Receive the Financial Report.*

1. Background

Officers have prepared the following Financial Reports for review by the Finance, Audit and Risk Committee:

- Monthly financial statements to 31 January 2019
- Rates arrears report to 28 February 2019
- Quarterly CAPEX forecast report including 6 months actual and 6 months forecast capital expenditure

2. Summary

2.1 Financial Statements

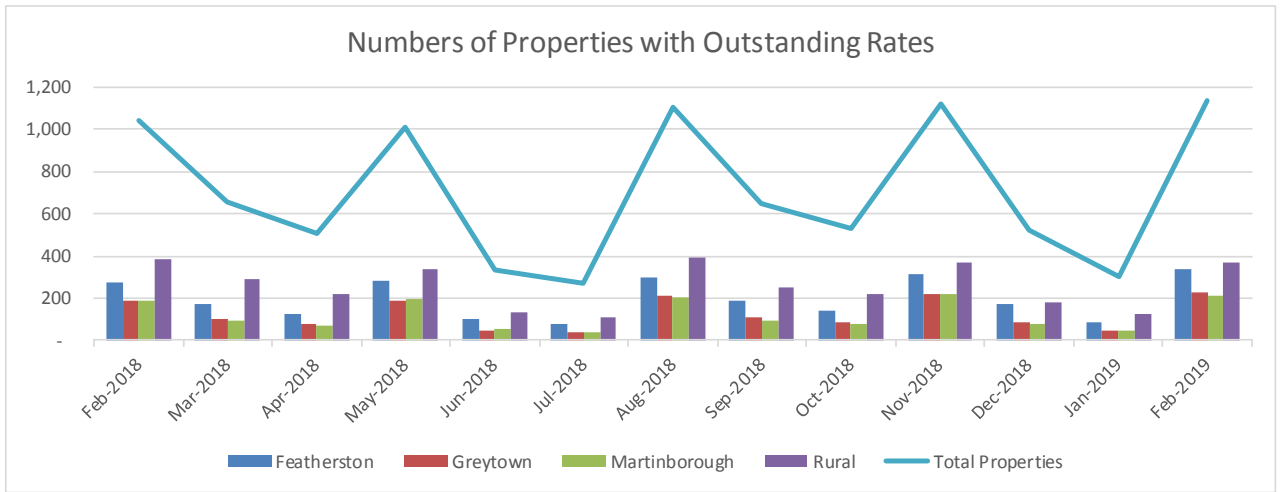
The financial statements for the seven month period to 31 January 2019 include commentary on results and variances year to date and are included in Appendix 1.

Highlights

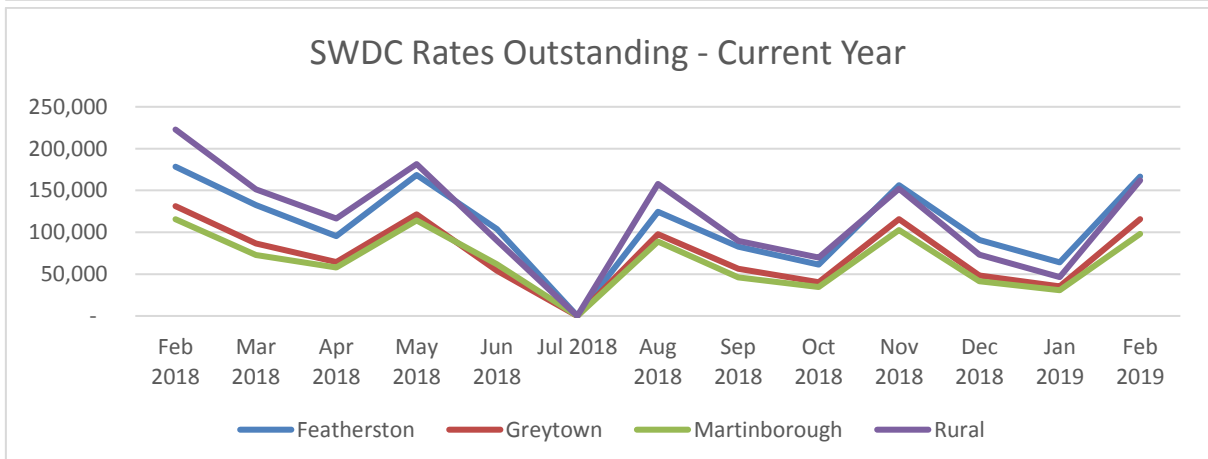
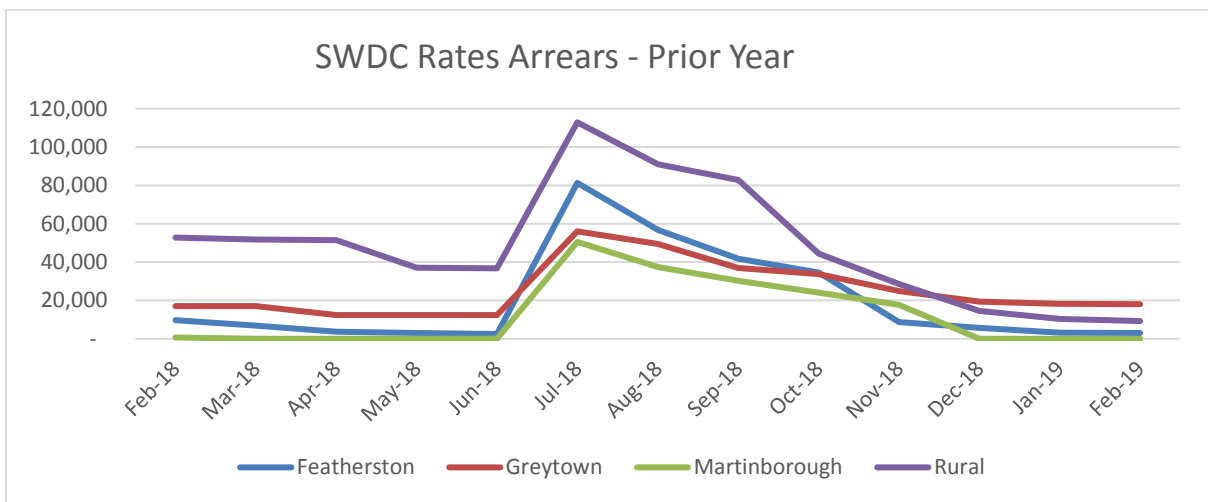
- Year to date operating surplus is 1,902K vs. budget surplus of \$1,758K the result is favourable to budget by \$144K.
- Total surplus YTD is \$3,917K vs. budget surplus \$2,546K, favourable by \$1,371K.

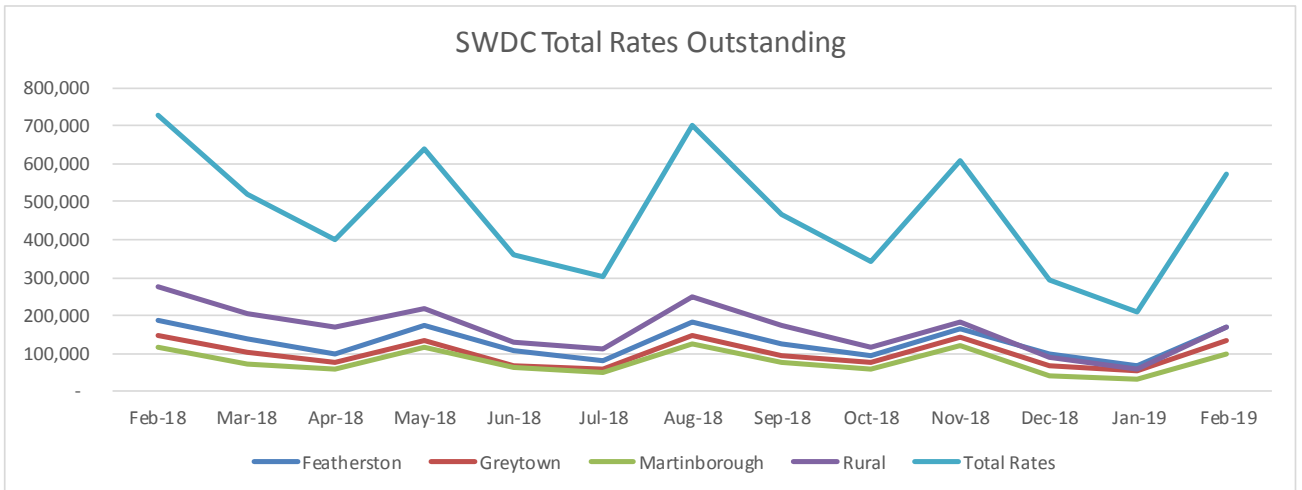
2.2 Rates Arrears

The rates arrears graphs below show continued improvement in the recovery of overdue rates which is due to a consistent approach to dealing with our overdue debtors.



The total amount owing in arrears from prior years is \$30,000, possibly an all-time record. This represents 12 ratepayers of which 4 are on repayment plans, 3 have issues with the title of their property, 2 have been lodged with our debt collectors and 3 are \$200 or less.





2.3 Quarterly CAPEX forecast

The Quarterly CAPEX forecast report includes 6 months actual capital expenditure to 31 December 2018 and 6 months forecast expenditure to 30 June 2019. This shows most CAPEX budgets will be spent this year apart from those noted as being carried over to next financial year.

| SOUTH WAIRARAPA DISTRICT COUNCIL | | | | | | | | | |
|--|---------------------|------------------|------------------|------------------|-------------------|---------------------|----------------------|-------------------|------------------|
| CAPITAL EXPENDITURE QUARTERLY FORECAST - 2018/19 financial year | | | | | | | | | |
| Based on second quarter actual expenditure | | | | | | | | | |
| DESCRIPTION | Year to Date | | | Budget | Total | Quarter 3 | Quarter 4 | Full | Variance |
| | Dec-19 | Dec-19 | Full year | Carried | Available | Forecast | Forecast | Year | to FY |
| | Actual | Budget | Budget | Forward | Budget | Jan to March | April to June | Forecast | Budget |
| Baseline CAPEX: | | | | | | | | | |
| Amenities | 1,595,758 | 379,230 | 758,424 | 1,922,205 | 2,680,629 | 409,129 | 592,858 | 2,597,744 | 82,885 |
| Water Supply | 191,778 | 400,620 | 801,248 | 358,963 | 1,160,211 | 55,000 | 896,600 | 1,143,378 | 16,833 |
| Solid Waste Management | - | 168,228 | 336,450 | 20,000 | 356,450 | - | 321,450 | 321,450 | 35,000 |
| Stormwater Reticulation | - | 27,390 | 54,779 | 53,600 | 108,379 | 25,000 | 40,000 | 65,000 | 43,379 |
| Wastewater* | 2,293,949 | 1,136,976 | 2,273,950 | 3,048,300 | 5,322,250 | 1,446,000 | 850,000 | 4,589,949 | 732,302 |
| Land Transport | 737,226 | 1,066,968 | 2,133,934 | - | 2,133,934 | 663,262 | 733,446 | 2,133,934 | 0 |
| Information Technology | 77,866 | 78,876 | 157,748 | 53,753 | 211,501 | 60,000 | 73,635 | 211,501 | 0 |
| Council Property** | 3,295 | 305,664 | 611,319 | 32,745 | 644,064 | 39,000 | 101,082 | 143,377 | 500,687 |
| | 4,899,871 | 3,563,952 | 7,127,852 | 5,489,566 | 12,617,418 | 2,697,391 | 3,609,071 | 11,206,332 | 1,411,086 |
| *Papawai pipeline delayed due to other priorities, partially offset by purchase of FTN Golf Club and additional costs for FTN WW to land consent | | | | | | | | | |
| **Delay office refurbishment until next financial year | | | | | | | | | |

3. Appendices

Appendix 1 – Financial Statements to 31 January 2019

Contact Officer: Jennie Mitchell, Group Manager Corporate Support

Appendix 1 – Financial Statements to 31 January 2019

MONTHLY FINANCIAL STATEMENTS
FOR THE PERIOD ENDED
31 JANUARY 2019

STATEMENT OF FINANCIAL PERFORMANCE
STATEMENT OF FINANCIAL POSITION
STATEMENT OF CASHFLOWS
SCHEDULE OF CAPITAL EXPENDITURE
SCHEDULE OF INVESTMENTS

SOUTH WAIRARAPA DISTRICT COUNCIL

STATEMENT OF FINANCIAL PERFORMANCE FOR THE PERIOD ENDED 31 JANUARY 2019

| 2018 | YTD | | | 2019 | |
|---------------------|--|-------------------|------------------|--------------------|-------------|
| LY Actual | Actual | Budget | Variance | Budget | % of Budget |
| | <u>OPERATING INCOME</u> | | | | |
| 9,906,151 | 10,521,405 | 10,502,056 | 19,349 | 13,993,011 | 75% |
| 98,808 | 79,791 | 94,056 | (14,265) | 140,000 | 57% |
| 263,576 | 268,042 | 243,432 | 24,610 | 449,099 | 60% |
| 12,299 | 12,299 | 12,300 | (1) | 20,880 | 59% |
| 742,285 | 810,613 | 727,170 | 83,443 | 1,154,450 | 70% |
| 368,320 | 346,524 | 318,252 | 28,272 | 700,315 | 49% |
| 43,137 | 44,106 | 40,989 | 3,117 | 69,650 | 63% |
| 757,347 | 570,205 | 547,290 | 22,915 | 1,261,390 | 45% |
| 54,330 | 57,699 | 46,841 | 10,858 | 82,905 | 70% |
| 459,461 | 16,267 | 11,242 | 5,025 | 15,198 | 107% |
| 302,537 | 321,445 | 283,445 | 38,000 | 503,938 | 64% |
| 50,572 | 0 | 0 | 0 | 0 | 0% |
| 233,958 | (12,390) | 69,856 | (82,246) | 137,689 | -9% |
| 13,292,780 | 13,036,006 | 12,896,929 | 139,077 | 18,528,525 | |
| | <u>OPERATING EXPENDITURE</u> | | | | |
| 1,067,513 | 1,166,841 | 1,159,888 | (6,953) | 2,017,155 | 58% |
| 539,305 | 647,892 | 593,993 | (53,899) | 1,034,152 | 63% |
| 284,526 | 357,432 | 300,775 | (56,657) | 546,556 | 65% |
| 737,658 | 758,557 | 784,261 | 25,705 | 1,355,145 | 56% |
| 287,765 | 250,256 | 295,958 | 45,702 | 526,493 | 48% |
| 236,106 | 310,330 | 317,015 | 6,685 | 464,229 | 67% |
| 1,533,978 | 1,736,259 | 1,686,271 | (49,988) | 2,735,816 | 63% |
| 2,981,736 | 2,529,295 | 2,597,581 | 68,286 | 5,110,234 | 49% |
| 1,357,535 | 1,437,093 | 1,386,941 | (50,152) | 2,388,643 | 60% |
| 825,108 | 870,905 | 752,490 | (118,415) | 1,414,226 | 62% |
| 889,445 | 949,197 | 1,115,080 | 165,883 | 1,886,427 | 50% |
| 106,616 | 98,946 | 118,220 | 19,274 | 184,425 | 54% |
| 13,751 | 14,131 | 30,337 | 16,206 | 40,000 | 35% |
| - | 2,058 | 0 | (2,058) | 0 | 0% |
| 10,861,042 | 11,133,475 | 11,138,810 | 5,335 | 19,703,501 | |
| 2,431,738 | 1,902,531 | 1,758,119 | 144,412 | (1,174,976) | |
| | <u>CAPITAL EXPENDITURE INCOME</u> | | | | |
| 367,504 | 532,405 | 470,051 | 62,354 | 1,192,296 | 45% |
| 728,800 | 415,000 | 0 | 415,000 | 0 | 0% |
| 428,321 | 478,351 | 318,262 | 160,089 | 1,036,888 | 46% |
| 1,524,625 | 1,425,756 | 788,313 | 637,443 | 2,229,185 | |
| | <u>OTHER INCOME</u> | | | | |
| - | 589,137 | 0 | 589,137 | 0 | 0% |
| - | 0 | 0 | 0 | 38,868 | 0% |
| - | 589,137 | 0 | 589,137 | 38,868 | |
| \$ 3,956,363 | 3,917,425 | 2,546,432 | 1,370,993 | 1,093,077 | |

Included in the operating expenditure is:

| | | | | | | |
|-----------|--------------|-----------|-----------|-----------|-----------|-----|
| 2,604,313 | Depreciation | 2,600,506 | 2,806,718 | (206,212) | 4,892,393 | 53% |
| 322,702 | Interest | 351,591 | 427,294 | (75,703) | 740,220 | 47% |

SOUTH WAIRARAPA DISTRICT COUNCIL

STATEMENT OF FINANCIAL POSITION AS AT 31 JANUARY 2019

| | 31 JANUARY 2019 | 30 JUNE 2018 | MOVEMENT |
|---|-----------------------|-----------------------|---------------------|
| <u>ASSETS</u> | | | |
| <u>Current Assets</u> | | | |
| Cash and Bank | 91,102 | 161,549 | (70,447) |
| Short Term Deposits | 1,110,310 | 4,050,072 | 2,260,745 |
| Reserve and Loan redemption Term deposits | 5,200,507 | - | (2,536,428) |
| Investments | 6,529,314 | 9,065,743 | (2,536,428) |
| Prepayments & Receivables | 5,285,273 | 2,757,040 | 2,528,233 |
| Inventories | 17,072 | 23,647 | (6,574) |
| Properties Intended For Sale | - | 1,500,000 | (1,500,000) |
| Total Current Assets | 18,233,578 | 17,558,050 | 675,528 |
| <u>Non-Current Assets</u> | | | |
| Investments | 371,898 | 375,022 | (3,124) |
| Term Deposits | - | 1,765,421 | (1,765,421) |
| Investment Properties | 8,435,000 | 8,435,000 | - |
| Intangible Assets | 101,314 | 124,513 | (23,200) |
| Properties Intended For Sale | 1,500,000 | - | 1,500,000 |
| Property, Plant & Equipment | 443,380,784 | 438,692,798 | 4,687,986 |
| Total Non-Current Assets | 453,788,996 | 449,392,754 | 4,396,242 |
| TOTAL ASSETS | \$ 472,022,574 | \$ 466,950,804 | \$ 5,071,769 |
| <u>LIABILITIES</u> | | | |
| <u>Current Liabilities</u> | | | |
| Cash and Bank | - | - | - |
| Payables and Accruals | 3,585,879 | 4,373,741 | (787,862) |
| Employee Entitlements | 289,976 | 347,769 | (57,793) |
| Public Debt - Current Portion | - | 4,000,000 | (4,000,000) |
| Provisions - Current Portion | 34,043 | 34,043 | - |
| Total Current Liabilities | 3,909,898 | 8,755,554 | (4,845,655) |
| <u>Non-Current Liabilities</u> | | | |
| Public Debt - Non-Current Portion | 19,500,000 | 13,500,000 | 6,000,000 |
| Provisions - Non-Current Portion | 433,901 | 433,900 | - |
| Total Non-Current Liabilities | 19,933,901 | 13,933,900 | 6,000,000 |
| <u>EQUITY</u> | | | |
| Public Equity | 155,000,674 | 151,083,249 | 3,917,425 |
| Special Separate & Trust Funds | 22,724,914 | 22,724,914 | - |
| Asset Revaluation Reserve | 270,450,885 | 270,450,885 | - |
| Sinking Fund Reserves | - | - | - |
| Other Reserves | 2,303 | 2,303 | - |
| Total Equity | 448,178,775 | 444,261,350 | 3,917,426 |
| TOTAL LIABILITIES & EQUITY | \$ 472,022,574 | \$ 466,950,804 | \$ 5,071,769 |

SOUTH WAIRARAPA DISTRICT COUNCIL

STATEMENT OF CASHFLOWS AS AT 31 JANUARY 2019

| | 31 JANUARY 2019 | 30 JUNE 2018 |
|--|------------------------|---------------------|
| <u>OPERATING ACTIVITIES</u> | | |
| <u>Cash was provided from:</u> | | |
| Rates | 8,322,392 | 13,320,429 |
| Grants & Subsidies | 2,404,084 | 4,514,636 |
| Petrol Tax | 48,536 | 95,559 |
| Other Income | 1,935,426 | 4,293,551 |
| Interest on Investments | 211,637 | 414,296 |
| | <hr/> | <hr/> |
| Total Operating Cash Inflow | 12,922,076 | 22,638,471 |
| <u>Cash was applied to:</u> | | |
| Payments to Suppliers & Employees | 10,060,327 | 12,302,325 |
| Interest Paid | 298,211 | 570,471 |
| | <hr/> | <hr/> |
| Total Operating Cash Outflow | 10,358,539 | 12,872,796 |
| Net Cashflow from Operating Activities | 2,563,537 | 9,765,675 |
| <u>INVESTING ACTIVITIES</u> | | |
| <u>Cash was provided from:</u> | | |
| Sale of Property, Plant & Equipment | - | 276,612 |
| Term Investments, Shares & Advances | 4,301,849 | 6,510,056 |
| Investments in Loan Redemption & Sinking Funds | - | - |
| | <hr/> | <hr/> |
| Total Investing Cash Inflow | 4,301,849 | 6,786,668 |
| <u>Cash was applied to:</u> | | |
| Purchase of Property, Plant & Equipment | 6,673,031 | 7,969,751 |
| Term Investments, Shares & Advances | 2,058 | 10,895,165 |
| Investments in Loan Redemption & Sinking Funds | - | - |
| | <hr/> | <hr/> |
| Total Investing Cash Outflow | 6,675,089 | 18,864,916 |
| Net Cashflow from Investing Activities | (2,373,238) | (12,078,248) |
| <u>FINANCING ACTIVITIES</u> | | |
| <u>Cash was provided from:</u> | | |
| Public Debt | 2,000,000 | 4,000,000 |
| | <hr/> | <hr/> |
| Total Financing Cash Inflow | 2,000,000 | 4,000,000 |
| <u>Cash was applied to:</u> | | |
| Repayment of Public Debt | (0) | 4,000,000 |
| | <hr/> | <hr/> |
| Total Financing Cash Outflow | (0) | 4,000,000 |
| Net Cash Flow from Financing Activities | 2,000,000 | - |
| NET INCREASE / (DECREASE) IN CASH | 2,190,299 | (2,312,572) |
| OPENING CASH BALANCE | 1 JULY 2018 | 6,524,195 |
| | <hr/> | <hr/> |
| CLOSING CASH BALANCE | 31 JANUARY 2019 | 4,211,621 |
| | <hr/> | <hr/> |
| | \$ 6,401,920 | \$ 4,211,621 |
| <u>REPRESENTED BY:</u> | | |
| Cash and Cash equivalents | 91,102 | 161,549 |
| Short Term Deposits | 6,310,818 | 4,050,072 |
| Investments (Current) | <hr/> | <hr/> |
| | \$ 6,401,920 | \$ 4,211,621 |
| | <hr/> | <hr/> |

SOUTH WAIRARAPA DISTRICT COUNCIL

SCHEDULE OF CAPITAL EXPENDITURE FOR THE PERIOD ENDED 31 JANUARY 2019

| <u>DESCRIPTION</u> | Year to Date | | Annual | Budget | Total | Full | Carry |
|-------------------------|---------------------|---------------------|---------------------|---------------------------------|----------------------|----------------------|---------------------|
| | Actual | Budget | Budget | Brought Forward from Prev Years | Budget Available | Year Forecast | Forward to 2019-20 |
| Baseline CAPEX: | | | | | | | |
| Amenities | 1,677,242 | 442,435 | 758,424 | 1,922,205 | 2,680,629 | 2,597,744 | 82,885 |
| Water Supply | 194,169 | 467,390 | 801,248 | 358,963 | 1,160,211 | 1,143,378 | 16,833 |
| Solid Waste Management | - | 196,266 | 336,450 | 20,000 | 356,450 | 321,450 | 35,000 |
| Stormwater Reticulation | - | 31,955 | 54,779 | 53,600 | 108,379 | 65,000 | 43,379 |
| Wastewater | 3,565,432 | 1,326,472 | 2,273,950 | 3,048,300 | 5,322,250 | 4,589,949 | 732,302 |
| Land Transport | 1,068,500 | 1,244,796 | 2,133,934 | - | 2,133,934 | 2,133,934 | 0 |
| Information Technology | 88,735 | 92,022 | 157,748 | 53,753 | 211,501 | 211,501 | 0 |
| Council Property | 3,295 | 356,608 | 611,319 | 32,745 | 644,064 | 143,377 | 500,687 |
| | <u>\$ 6,597,372</u> | <u>\$ 4,157,944</u> | <u>\$ 7,127,852</u> | <u>\$ 5,489,566</u> | <u>\$ 12,617,418</u> | <u>\$ 11,206,332</u> | <u>\$ 1,411,086</u> |

SUMMARY OF INVESTMENTS

| ORGANISATION | | INTEREST RATE | INVESTED DATE | MATURITY DATE | Term | TOTAL INVESTED |
|------------------------------------|--------------|-----------------------|---------------|-----------------------|----------|------------------------|
| SHORT TERM FUNDS | | | | | | |
| Registered Banks | Code | | | | | |
| ASB Call account | 99182811 | 1.25% | 20-Jun-17 | On Call | On Call | \$75,085.71 |
| ASB Reserve Fund | 99182811 | 3.58% | 13-Jun-18 | 13-Jun-19 | 365 days | \$300,000.00 |
| ASB Term Deposit - Loan redemption | 99182811 | 3.68% | 23-Jan-18 | 15-Jul-19 | 538 days | \$225,000.00 |
| ASB Term Deposit - Loan redemption | 99182811 | 3.58% | 25-Jul-18 | 25-Jul-19 | 365 days | \$225,000.00 |
| ASB Term Deposit - Loan redemption | 99182811 | 3.76% | 27-Apr-18 | 17-Oct-19 | 538 days | \$226,000.00 |
| | | | | | | \$1,051,085.71 |
| ANZ CALL ACCOUNT | 99182813 | 0.70% | 31-Jan-19 | On Call | On Call | \$71.32 |
| ANZ Term Deposit | 99182813 | 3.10% | 23-Oct-18 | 20-Feb-19 | 120 days | \$500,000.00 |
| ANZ Term Deposit | 99182813 | 3.42% | 20-Nov-18 | 20-May-19 | 181 days | \$1,000,000.00 |
| ANZ Reserve Fund | 99182813 | 3.54% | 22-Jun-18 | 24-Jun-19 | 367 days | \$750,000.00 |
| ANZ Term Deposit - Loan redemption | 99182813 | 3.45% | 4-Jan-19 | 3-Jan-20 | 365 days | \$150,000.00 |
| | | | | | | \$2,400,071.32 |
| BNZ AUTOCALL (-025) | 99182812 | 0.10% | 31-Jan-19 | On Call | On Call | \$1,000,194.17 |
| BNZ Term Deposit | 99182812 | 2.92% | 21-Nov-18 | 19-Feb-19 | 90 days | \$1,000,000.00 |
| BNZ Reserve Fund | 99182812 | 3.66% | 24-May-18 | 24-May-19 | 365 days | \$1,000,000.00 |
| BNZ Loan Redemption | 99182812 | 3.61% | 12-Nov-18 | 12-Nov-19 | 365 days | \$375,000.00 |
| | | | | | | \$3,375,194.17 |
| KIWIBANK Term Deposit | 99182819 | 1.75% | 31-Jan-19 | On call | On call | \$0.00 |
| KIWIBANK Term Deposit | 99182819 | 3.15% | 20-Nov-18 | 20-Mar-19 | 120 days | \$1,000,000.00 |
| KIWIBANK Term Deposit | 99182819 | 3.10% | 23-Oct-18 | 23-Apr-19 | 182 days | \$500,000.00 |
| KIWIBANK Loan Redemption | 99182819 | 3.45% | 23-Oct-18 | 23-Oct-19 | 365 days | \$500,000.00 |
| KIWIBANK Loan Redemption | 99182819 | 3.60% | 13-Nov-18 | 13-Nov-19 | 365 days | \$225,000.00 |
| | | | | | | \$2,225,000.00 |
| WBS Call account | 99182816 | 0.50% | 31-Jan-19 | On Call | On Call | \$1.29 |
| WBS Reserve fund | 99182816 | 3.60% | 22-Nov-18 | 22-Nov-19 | 365 days | \$190,705.06 |
| WBS Reserve fund | 99182816 | 3.60% | 25-Nov-18 | 25-Nov-19 | 365 days | \$184,799.54 |
| WBS Reserve fund | 99182816 | 3.55% | 21-Dec-18 | 21-Dec-19 | 365 days | \$150,000.00 |
| | | | | | | \$525,505.89 |
| WESTPAC TRUST ONLINE CALL | 99182814 | 0.10% | 31-Jan-19 | On Call | On Call | \$13.24 |
| WESTPAC Term Deposit | 99182814 | 2.63% | 21-Dec-18 | 19-Feb-19 | 60 Days | \$400,000.00 |
| WESTPAC Term Deposit | 99182814 | 2.63% | 3-Jan-19 | 4-Mar-19 | 60 Days | \$1,000,000.00 |
| WESTPAC Reserve Fund | 99182814 | 3.45% | 22-Jun-18 | 24-Jun-19 | 367 days | \$1,314,421.02 |
| WESTPAC Term Deposit - Loan redemp | 99182814 | 3.45% | 23-Oct-18 | 23-Oct-19 | 365 days | \$500,000.00 |
| | | | | | | \$3,214,434.26 |
| TOTAL | | | | | | \$12,791,291.35 |
| INVESTMENTS | | | | | | |
| LGFA Borrower Bonds | NZLFGDG472C5 | 3.01% | 20-Jun-16 | 15-Apr-23 | | \$28,800.00 |
| LGFA Borrower Bonds | NZLFGDG472C3 | 2.81% | 20-Jun-16 | 15-May-21 | | \$91,200.00 |
| LGFA Borrower Bonds | | 2.65% | 20-Feb-17 | 15-Mar-19 | | \$64,000.00 |
| LGFA Borrower Bonds | | 2.98% | 20-Feb-17 | 15-Apr-20 | | \$32,000.00 |
| LGFA Borrower Bonds | | 2.98% | 21-Aug-17 | 15-May-22 | | \$40,000.00 |
| LGFA Borrower Bonds | | 3.08% | 19-Feb-18 | 15-Apr-23 | | \$24,000.00 |
| | | | | | | \$280,000.00 |
| FORESTRY | | | | | | |
| Plantation - Hurupi Stock | 99283827 | | | | | \$9,305.00 |
| | | | | | | \$9,305.00 |
| SHARES | | | | | | |
| AIRTEL LTD | 99283824 | | | | | \$0.00 |
| FARMLANDS | 99283825 | | | | | \$1,159.00 |
| NZ LOC GOVT INS CO | 99283823 | | | | | \$81,434.30 |
| | | | | | | \$82,593.30 |
| TOTAL INVESTMENTS | | | | | | \$13,163,189.65 |
| Bank of New Zealand | | \$3,375,194.17 | | ASB | | \$1,051,085.71 |
| ANZ | | \$0.00 | | ANZ | | \$2,400,071.32 |
| Westpac | | \$3,214,434.26 | | | | |
| Wairarapa Building Society | | \$525,505.89 | | | | \$3,451,157.03 |
| KiwiBank | | \$2,225,000.00 | | | | |
| | | \$9,340,134.32 | | SHORT TERMS: | | \$12,791,291.35 |
| | | | | SHARES | | \$82,593.30 |
| | | | | FORESTRY | | \$9,305.00 |
| | | | | BORROWER NOTES | | \$280,000.00 |
| | | | | | | \$13,163,189.65 |

South Wairarapa District Council

For the seven months ending 31 January 2019

Financial Report

1. SUMMARY & HIGHLIGHTS

Purpose

The purpose of this report is to provide Council with a commentary on:

- Year to date budget vs actual.
- Commentary on material variances.
- Full year risks (if any) for each significant activity.

Highlights

- Year to date operating surplus is 1,902K vs. budget surplus of \$1,758K the result is favourable to budget by \$144K.
- Total surplus YTD is \$3,917K vs. budget surplus \$2,546K, favourable by \$1,371K.
- Rates Penalties unfavourable by \$14K.
- Interest receivable favourable \$25K
- Fess and Licences favourable \$83k
- User Levies favourable \$28k
- Overall Operating income is favourable by \$139K.
- Operating Expenditure is on budget YTD.
- Working Capital which expresses the ability of council to meet its short term obligations is strong with a ratio in excess of 4 times, and a total value of \$14,324K.
- Interest cost 3.35% of rates revenue, SWDC maximum 12%.
- Current Net debt \$19,500K, at 3.15% average borrowing rate. Maximum debt per LTP: \$25,820k.
- Budgets have been phased based on last years actual spend. Some variances are due to actual spending patterns being different between years.

2. STATEMENT OF FINANCIAL PERFORMANCE

OPERATING INCOME

Rates

Favourable to budget \$19K.

Rates Penalty

Revenue from rates penaliies are underbudget by \$14k reflecting the work the rates team does collecting overdue rates and getting people onto payment plans and direct debits early

Interest Revenue

Interest received on term deposits has a 24k favourable variance YTD. This is a reflection of slightly higher short term deposit rates, and timings of investments.

Fees & Licences

Favourable \$83K. The number of building consents remains high \$62K over budget, resource consents income also up \$40K over budget, Liquor & Health licences are trending higher than last year so up on budget \$13K.

User Levies

Favourable by \$28K.

NZTA Subsidy

Operating Income \$23K favourable, Capital Income \$62K favourable. The full year programme will be met so actual should align with budget at year end.

Rental / Hire

Favourable \$38K, made up of rental income \$18K F and wastewater rental \$19K F

Miscellaneous Income

Unfavourable \$82K, this includes \$22K of footpath deposits being repaid to property owners.

OPERATING EXPENDITURE

Corporate Services

On Budget.

In-house Professional Services

Unfavourable \$54K, mainly due to valuation costs not budgeted until later in the year, plus salaries and wages being over budget.

Governance

Unfavourable \$57K. \$45K is the Featherston sculpture grant which is using funds carried forward from previous years.

Public Protection

Overall Public Protection expenditure is Favourable to budget \$26K, there are some variances in the outputs below that offset each other.

Public Protection & Health

On Budget

Building and Construction

Favourable \$29K, due to savings in vehicle expenses and software licences YTD.

Animal Control

On budget.

Emergency Management

Unfavourable \$8K.

Resource Management

Favourable \$46K, Salaries and wages \$19K F due to staff changes and vacancy for a short time, Legal expenses \$18K F.

Economic Cultural & Community Development

Economic Development

On budget.

Community Wellbeing

Favourable 28K due to Grants being under budget by 24K

Amenities

Overall Amenities are Unfavourable by \$50K, there are some variances in the outputs below that offset each other.

Swimming Pools

Favourable \$90K, mainly due to Contractors being favourable \$50K and routine maintenance \$18K favourable but likely to be on budget going forward.

Community Buildings

On budget.

Cemeteries

On budget.

Rental Properties

Unfavourable \$45K, \$30K due to expenses on properties intended for sale not budgeted. R&M unfavourable \$11K due to FTN sport stadium overlay interior walls with ply and lighting not budgeted for.

Toilets

Unfavourable \$36K, mainly routine maintenance \$20K unfavourable to budget YTD. Should balance out at end of the year.

Land Transport

Actual Expenditure YTD \$2,530K, made up of:

- Subsidised \$2,382K
- Non Subsidised \$147K

Favourable \$68K, to budget year to date, expected to be on track at year end.

Water Supply

Unfavourable \$50K, due to depreciation being higher than budgeted.

Solid Waste Management

Unfavourable \$118k due to a significant increase in landfill maintenance, and increased visitor numbers

Wastewater

Favourable \$166K. This includes a reduction in depreciation of \$61k due to delayed capital expenditure, and utilities and routine maintenance being under budget YTD.

Stormwater Drainage

Favourable \$19K, mainly due to favourable routine maintenance spend.

CAPITAL EXPENDITURE INCOME

NZ Transport Agency

\$62K Unfavourable to budget YTD.

Grants

\$415K favourable to budget due to Waihinga Centre grants and donations budgeted in previous years.

Contributions

Favourable \$160K due to increased development activity in the district.

3. STATEMENT OF FINANCIAL POSITION

Working Capital

Working capital (current assets less current liabilities) stands at \$14K. (30 June 2018 \$8,802K).

Prepayments and Receivables

Prepayments and receivables total \$5,285K. Key components are Rates \$3,847K, general Debtors \$319K, Interest receivable \$161K, Future installments \$342K & NZTA subsidies \$416K.

Payables and Accruals

Payables and accruals total \$3,586K. Key items are Sundry creditors \$530K, Rates in advance SWDC \$240K, Rates owing to GWRC \$1,038K, Contract retentions \$252K

Public Debt Current Portion

The comparative column shows a variance between the 30 June amount and that now reported. For the annual report we are required to split out the current and term portions of the public debt. For management reporting we report all public debt as one amount. (Non-current)

Gross Public Debt

Total public debt stands at \$19,500K. This is an increase of \$2m from 30 June 2018

FINANCE, AUDIT AND RISK COMMITTEE

27 MARCH 2019

AGENDA ITEM C2

NZTA AUDIT

Purpose of Report

To inform the Committee of the NZTA scheduled audit for April 2019.

Recommendations

Officers recommend that the Committee:

1. *Receive the NZTA Audit Report.*

1. Executive Summary

NZTA have signalled their intention to undertake a technical and procedural investment audit of South Wairarapa from 1 April 2019 – 4 April 2019.

The period to be audited will be from 1st July 2015 to 30 June 2018 (financials) and 1st July 2015 to the current date for other aspects. The audit will be carried out in terms of sub-section 95 (1) (e) (ii) of the Land Transport Management Act 2003. The audit will focus on SWDC's systems and procedures for managing the delivery of transport outcomes, and where appropriate NZTA may recommend performance improvements.

An outline of the audit programme is attached in Appendix 1.

2. Appendices

Appendix 1 – Outline of the NZTA Audit Programme

Contact Officer: Jennie Mitchell, Group Manager Infrastructure and Services

Appendix 1 – Outline of the NZTA Audit Programme



25 February 2019

Chief Executive
South Wairarapa District Council
PO Box 6
Martinborough 5741

Attn: Tim Langley

Dear Tim

Investment Audit of South Wairarapa District Council

I would like to confirm our combined (both technical and procedural) investment audit of South Wairarapa District Council commencing Monday 1 April.

Tony Lange and I will arrive at approximately 11:00 am on Monday 1 April and expect to complete the audit on Thursday 4 April 2019.

The period to be audited will be from 1st July 2015 to 30 June 2018 (financials) and 1st July 2015 to the current date for other aspects. The audit will be carried out in terms of sub-section 95 (1) (e) (ii) of the Land Transport Management Act 2003. The audit will focus on your organisation's systems and procedures for managing the delivery of transport outcomes, and where appropriate we may recommend performance improvements. An outline of the audit programme is attached to this letter (appendix C).

Audit Requirements

The procedural and technical components of the audit have separate requirements. These are detailed in both appendices A & B.

It is central to the technical audit process that Council staff accompany the team on field inspections. A suitable people-mover will be provided by the audit team.

The audit team will require time to review fieldwork findings and prepare notes for the exit meeting. Timing for this is flexible and is dependent upon observations arising from the fieldwork.

Post Audit Discussion

At the conclusion of the audit, which should be completed on **Thursday 4 April**, a post audit discussion will be held between the auditors and those staff you consider may have an interest in the audit.

Draft Audit Report

Subsequent to the audit visit, a draft report will be prepared and sent to you for comment prior to being finalised. Any comments you make will be taken into account when finalising the report.

Conclusion

Should you have any questions in relation to the audit, please contact us as follows:

For procedural matters phone me on 021 577 196 or e-mail glenn.mcgregor@nzta.govt.nz

For technical matters phone Tony Lange on 021 594 961 or e-mail tony.lange@nzta.govt.nz

Yours sincerely



Glenn McGregor
Senior Investment Auditor

Procedural Audit Requirements

It would be helpful to the audit process if the following are available on commencement of our visit:

- In the event South Wairarapa District Council's (SWDC) records management system is maintained electronically, pre-arranged read access will be required to both its financial and asset management records including contract procurement documentation;
- A copy of the latest audit management report from SWDC's external auditors;
- Reports for any internal audits carried out since the previous audit in March 2016;
- Copies of final claims for the years ending 30th June 2016, 2017 and 2018 (three years) clearly reconciled to your land transport disbursement ledger accounts (relevant working papers should be attached);
- A list of General Ledger codes that make up Council's Land Transport Disbursement Account;
- Printouts of your contract retentions account (as at 30 June 2018), with financially assisted contracts separately identified;
- A list of all New Zealand Transport Agency financially assisted contracts let since March 2016 to present day (physical works and professional services), including their let values and total costs (for completed contracts). If possible could this information be provided to me in advance of the audit so I can advise you of the contract sample I wish to review;
- A copy of your latest Activity Management Plan;
- A copy of your contract administration manual;
- A copy of your endorsed procurement strategy;
- Organisation Charts including:
 - Asset Management Structure
 - Professional Services delivery model;
- For professional services delivered in-house:
 - Budget forecast
 - Ledger printouts showing revenue and expenditure
 - A copy of the documented management system;
- A copy of your most recent Annual Plan;
- A copy of your most recent Annual Report; and
- A copy of your delegations.

Technical Audit Requirements

Specifically we will:

- Ensure compliance with Transport Agency requirements
- Assess network performance, including value for money and
- Engage, sharing good practice

The audit will consist of four parts,

- Pre visit review of documentation (PIKB, AMP, TIO RAMM etc.),
- Entry meeting,
- Field visit and
- Exit meeting.

Prior to arrival, we need to see the latest AMP for your network and other documents that support your business case for investment, e.g. dTIMS reports.

Upon arrival you need to be able to demonstrate compliance with PIKB for

- Renewals, present value analysis
- Safety, safety management system and deficiency database and road safety audits.
- Network condition rating, survey data that demonstrates frequency.

The field visit is an opportunity for the team to assess alignment between the AMP and on road operations (Line of Sight) the quality of general maintenance and inspect a sample of the renewal and minor improvement projects completed in 2017/18 and proposed in 2018/19.

As a sharing exercise (engage); the audit is an opportunity for you to showcase new techniques or designs that have recently been introduced to the network that we are able to share with other local authorities. A simple question is - does the initiative demonstrate a measurable benefit that delivers value for money?

Audit Assessment

- Alignment with the Government Policy Statement
 - Safety
 - Access
 - Environment
 - Value for Money
- Road Efficiency Group reports
- Recommendations from the previous audit, what issues, if any, remain unresolved from the previous audit?
- Network Management, is SWDC following good practice in network management?
- Activity Management, do the Activity Management Plan (AMP) and Council's Land Transport Programme reflect the network needs?
- Database, does SWDC understand its databases and are the databases accurate and robust?
- Safety, is safety performance understood and being well managed?

We expect you to demonstrate how the current road operations, maintenance, renewal and improvement activities meet agreed levels of service and optimise the life-cycle costs of the road network.

Investment Audit Programme

1. Previous audit outcomes - Procedural - March 2016, Technical - 2009
2. Land Transport Disbursement Account
3. Final claims for 2015/16, 2016/17, 2017/18
4. Reconciliation between ledgers supporting final claim and the audited financial statements
5. Transactions (accounts payable) 2017/18
6. Retentions Account
7. Procurement Procedures
8. Contract Variations
9. Roading Maintenance (includes fieldwork inspection)
10. Roading Renewals
11. Road Safety Management
12. Contract Management
13. Asset Management
14. Professional Services
15. Transport Investment On-line (TIO) Reporting
16. Other issues that may be raised during the audit
17. Close out meeting (to be arranged)

FINANCE, AUDIT AND RISK COMMITTEE

27 MARCH 2019

AGENDA ITEM C3

PROJECT SUMMARY REPORT

Purpose of Report

To provide the Committee with an update on Council projects.

Recommendations

Officers recommend that the Committee:

1. *Receive the Project Summary Report.*

1. Executive Summary

A brief report on the status of current Council projects is attached in Appendix 1 for the Committee's information.

2. Appendices

Appendix 1 – Project Summary

Contact Officer: Jennie Mitchell, Group Manager Infrastructure and Services

Appendix 1 – Project Summary

**Project update - Finance, Audit and Risk Committee
March 2019 meeting**

| Project | Update |
|--|---|
| WW to land - GTN | See separate report. Go live date: mid-April 2019 |
| WW to land - FTN - long term consent (35 Yrs) | Hearing set for 28 May 2019. Likely to be 2 weeks. Evidence being prepared, to be submitted by 29 March 2019. |
| WW to land - FTN - short term consent (5 yrs) | Consent lodged 10 January 2019, but subsequently withdrawn to improve submission. Will be resubmitted early April 2019. Construction scheduled to enable irrigation by mid-May 2019. |
| WW to land - MBA | Operating to plan |
| Houses at Whatarangi Cliffs | No change from insanitary or dangerous for the buildings perspective. Building team visit after storm events and while in the area to check for any changes. We got the following back from GWRC: Their advisor is organising consultant advice input on this coastal erosion/land impact and ongoing hazard topic. They have a contract to help complete a first order coastal vulnerability assessment. The idea is that Councils can use this to prioritise funding and work programmes for coastal adaptation to climate change and natural hazards. It's a co-funded project with each participating council chipping in an amount on a pro rata basis, with bigger councils are contributing more. See report re rates arrears on badly eroded property. |
| Purchase of FTN Golf Club Land | Settlement went ahead 30.11.2018. Next steps post settlement. Lessee identified, lawyer working on lease at present. Will advertise for expressions of interest to lease clubrooms. |
| Waiyinga Centre | Opened 10 December 2018. Numerous small details being worked through with contractors and tenants. Final sign off due May 2019. Internal project team working through issues on a daily basis. Additional costs to get code of compliance. Proposed these be funded from the District Property Reserve. |
| Greytown land sale – Old Stella Bull Park | Final paperwork filed, awaiting confirmation from LINZ. |
| Fitzherbert Street, FTN land sale – update re Chorus | Chorus update discussed at workshop 14.11.18. FCB met with community for feedback for what to do next with the land. Consensus it to sell or lease for commercial use. Paper to go to Council 3 April 2019 to approve sale or lease. |
| MSC TOR and Policy review | MSC met 5.11.18 and are working on revised wording. Council approved (Feb 2019 meeting) funding for Amber to complete a review of wording and recommend new TOR and policy. |
| IT server upgrade and Disaster recovery project | Project is 85% complete except for Office 365 upgrade and firewall cutover. Completion expected early April 2019. |
| Capes Land Purchase, Greytown | Awaiting confirmation of subdivision. S224 issued Friday 15 March 2019. |
| Wellington Water | Workshops held with Councillors and Officers late January 2019. Paper to Council 20 Feb followed by consultation. Consultation closed 15 March. 18 submissions. 3 in favour, 8 wanting status quo, 5 wanting Wairarapa 3 water set up. 6 wish to speak to their submissions. Hearing to be held 27 March 2019. |
| Spatial Plan | Workshops set up with senior officers and Councillors Ree Anderson Consulting. Draft SP to Mayor and CE 13.3.2019. |
| Office reorganisation/refurbishment | Mark's team moved to 18 Kitchener Street. Some internal moves will happen at 19 Kitchener street next, with alterations to follow. |