

# Regional Council

## **NOTICE IS GIVEN**

that the next meeting of the **Regional Council** will be held in **Mauao Rooms, Bay of Plenty Regional Council Building, 87 First Avenue, Tauranga** on:

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**Thursday, 21 March 2019 commencing at 9.30 am.**

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Fiona McTavish  
Chief Executive  
13 March 2019





# Regional Council

## Terms of Reference

### Purpose

- Enable democratic local decision-making and action by, and on behalf of, Bay of Plenty communities.
- Meet the current and future needs of communities for good-quality local infrastructure, local public services, and performance of regulatory functions in a way that is most cost-effective for households and businesses.
- Set the overarching strategic direction for Bay of Plenty Regional Council as an organisation.
- Hold ultimate responsibility for allocating financial resources across the Council.

### Membership

All councillors are members of the Regional Council.

### Quorum

In accordance with Council standing order 10.1(a), the quorum at a meeting of the Regional Council is seven members, consisting of half the number of members.

### Meeting frequency

Six-weekly.

### Role of Council

- Address Local Electoral Act matters and Local Government Rating Act matters.
- Oversee all matters relating to identifying and contributing to community outcomes.
- Consider and agree on matters relating to significant new activities or areas of involvement such as infrastructure which are not the responsibility of a specific committee.
- Provide regional leadership on key issues that require a collaborative approach between a number of parties.
- Develop, adopt and review Council's Policy on Significance and decision-making policy and processes.
- Develop, adopt and implement the Triennial Agreement and the Code of Conduct.
- Consider and agree on matters relating to elected members' remuneration matters.
- Appoint the Chief Executive Officer, and review their contract, performance and remuneration at least annually.
- Approve all delegations to the Chief Executive, including the authority for further delegation to staff.
- Establish committees, subcommittees, and working parties and appoint members.
- Receive and consider recommendations and matters referred to it by its committees, joint committees, subcommittees and working parties.

- Approve membership to external bodies and organisations, including Council Controlled Organisations.
- Develop, adopt and review policies for, and monitor the performance of, Council Controlled Organisations.
- Review and approve strategic matters relating to the sale, acquisition and development of property for the purposes of meeting Council's organisational requirements and implement approved Regional Council policy.
- Address strategic corporate matters including property and accommodation.
- Institute any proceedings in the High Court that are not injunctive proceedings.
- Exercise the powers and duties conferred or imposed on Council by the Public Works Act 1981.
- Consider and agree on the process to develop the Long Term Plan, Annual Plan and Annual Report.
- Adopt Council policies as required by statute (for example Regional Policy Statement and Regional Land Transport Strategy) to be decided by Council or outside of Committee delegations (for example infrastructure policy).
- Delegate to commissioners to exercise the powers, functions and duties of the Council as a consent authority under the Resource Management Act 1991 including to hear and decide a consent application.
- Monitor Council's financial and non-financial performance in-year.
- Develop, review and approve Council's Financial Strategy and funding and financial policies and frameworks.

## Delegations from Council to Committees

- Full Council has a role to monitor the functioning of all committees.
- Full Council will consider matters not within the delegation of any one Council committee.
- Full Council may at any time, revoke or modify a delegation to a Council committee, either permanently, for a specified time or to address a specific matter, if it considers there is good reason to do so.
- The delegations provided to committees may be further delegated to subcommittees unless the power of further delegation is restricted by Council or by statute.

It is accepted in making these delegations that:

- The committees, in performing their delegated functions, powers or duties, may, without confirmation by the Council, exercise or perform them in a like manner and with the same effect as the Council itself could have exercised or performed them.
- The delegated powers given shall at all times be subject to their current policies and principles or directions, as given by the Council from time to time.
- The chairperson of each committee shall have the authority to exercise their discretion, as to whether or not the delegated authority of the committee be used where, in the opinion of the chairperson, circumstances warrant it.

## Powers that cannot be delegated

Under Clause 32 Schedule 7 of the Local Government Act 2002, Full Council must make the following decisions:

- Make a rate.
- Make a bylaw.
- Borrow money or purchase or dispose of assets, other than in accordance with the long-term plan.
- Adopt the long-term plan, annual plan, or annual report.
- Appoint a chief executive.
- Adopt policies required to be adopted and consulted on under the Local Government Act 2002 in association with the long-term plan or developed for the purpose of the local governance statement.
- Adopt a remuneration and employment policy.



## Public Forum

1. A period of up to 15 minutes may be set aside near the beginning of the meeting to enable members of the public to make statements about any matter on the agenda of that meeting which is open to the public, but excluding any matter on which comment could prejudice any specified statutory process the council is required to follow.
2. The time allowed for each speaker will normally be up to 5 minutes but will be up to the discretion of the chair. A maximum of 3 public participants will be allowed per meeting.
3. No statements by public participants to the Council shall be allowed unless a written, electronic or oral application has been received by the Chief Executive (Governance Team) by 12.00 noon of the working day prior to the meeting and the Chair's approval has subsequently been obtained. The application shall include the following:
  - name of participant;
  - organisation represented (if any);
  - meeting at which they wish to participate; and matter on the agenda to be addressed.
4. Members of the meeting may put questions to any public participants, relevant to the matter being raised through the chair. Any questions must be asked and answered within the time period given to a public participant. The chair shall determine the number of questions.





# Membership

<b>Chairman:</b>	D Leeder
<b>Deputy Chairman:</b>	J Nees
<b>Councillors:</b>	N Bruning, W Clark, J Cronin, S Crosby, D Love, T Marr, M McDonald, A Tahana, P Thompson, L Thurston, A von Dadelszen, K Winters
<b>Committee Advisor:</b>	T Nerdrum-Smith

Recommendations in reports are not to be construed as Council policy until adopted by Council.

## Agenda

*E te Atua nui tonu, ko mātau ēnei e inoi atu nei ki a koe, kia tau mai te māramatanga ki a mātau whakarite mō tēnei rā, arahina hoki mātau, e eke ai te ōranga tonu ki ngā āhuetanga katoa a ngā tangata ki tō mātau rohe whānui tonu. Āmine.*

*“Almighty God we ask that you give us wisdom in the decisions we make here today and give us guidance in working with our regional communities to promote their social, economic, environmental and cultural well-being. Amen”.*

### 1 Opening Karakia

### 2 Apologies

### 3 Public Forum

Mel Fountain will speak regarding a cruise ship terminal at Coronation Park (5 minutes)

### 4 Acceptance of Late Items

### 5 General Business

### 6 Confidential Business to be Transferred into the Open

### 7 Declarations of Conflicts of Interests

### 8 Previous Minutes

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<b>8.3</b>	<b>Tauranga Moana Advisory Group Minutes - 15 February 2019 (for receipt only)</b>	<b>25</b>
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	This report will be circulated under separate cover	
<b>10</b>	<b>Public Excluded Section</b>	<b>201</b>

### **Resolution to exclude the public**

**THAT the public be excluded from the following parts of the proceedings of this meeting.**

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

<b>General Subject of Matter to be Considered</b>	<b>Reason for passing this resolution in relation to this matter</b>	<b>Grounds under Section 48(1) LGOIMA 1987 for passing this resolution</b>
<b>10.1 Public Excluded Regional Council Minutes - 14 February 2019</b>	<b>Please refer to the relevant section of the open minutes</b>	Good reason for withholding exists under Section 48(1)(a)
<b>10.2 Public Excluded Regional Council Minutes - 25 February 2019</b>	<b>Please refer to the relevant section of the open minutes</b>	Good reason for withholding exists under Section 48(1)(a)
<b>10.3 Quayside Holdings Limited Half Yearly Report 2018/19 and Draft Statement of Intent 2019/20. <u>This item at 11.00 am</u></b>	<b>To protect the commercial position of an individual</b>	Good reason for withholding exists under Section 48(1)(a)
<b>10.4 Harbourmaster Direction – Closure of Kaituna River Gorges</b>	<b>To protect measures that may prejudice the health and safety of the public and maintain legal professional privilege</b>	Good reason for withholding exists under Section 48(1)(a)
<b>10.5 Awatarariki Fanhead Managed Retreat</b>	<b>To carry out commercial and industrial negotiations</b>	Good reason for withholding exists under Section 48(1)(a)
<b>10.6 Te Pourepo o Kaituna land negotiations and status update</b>	<b>To protect the commercial position of an individual</b>	Good reason for withholding exists under Section 48(1)(a)
<b>10.7 Public Transport in Western Bay of Plenty (to be circulated separately)</b>	<b>To carry out commercial and industrial negotiations</b>	Good reason for withholding exists under Section 48(1)(a)

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<b>10.5 Awatarariki Fanhead Managed Retreat</b>	<b>335</b>
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<b>10.6 Te Pourepo o Kaituna Land Negotiations and Status Update</b>	<b>361</b>
<b>10.7 Public Transport in Western Bay of Plenty</b>	
This report will be circulated under separate cover	
<b>11 Confidential Business to be Transferred into the Open</b>	
<b>12 Readmit the Public</b>	
<b>13 Consideration of General Business</b>	
<b>14 Closing Karakia</b>	

# Previous Minutes



# Minutes of the Regional Council Meeting held in Mauao Rooms, Bay of Plenty Regional Council Building, 87 First Avenue, Tauranga on Thursday, 14 February 2019 commencing at 9.30 a.m.

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## Present:

**Chairman:** D Leeder

**Deputy Chairman:** J Nees

**Councillors:** J Cronin, T Marr, L Thurston, P Thompson, D Love, N Bruning, A Tahana, W Clark, S Crosby, K Winters, A von Dadelszen, M McDonald

**In Attendance:** Fiona McTavish – Chief Executive, Mat Taylor – General Manager Corporate, Sarah Omundsen – General Manager Regulatory Services, Chris Ingle – General Manager Integrated Catchments, Paula Chapman – Project Manager, Mark Townsend – Engineering Manager, Nic Newman – Principal Advisor, Debbie Hyland – Finance and Corporate Planning Manager, Graeme Howard – Corporate Planning Lead, T Nerdrum-Smith – Committee Advisor

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## 1 Karakia

A Karakia was provided by Cr Marr.

## 2 Apologies

Nil

## 3 Public Forum

Nil

## 4 Acceptance of Late Items

### Resolved

That pursuant to section 46A of the Local Government Official Information and Meetings Act 1987 the following items be considered at this meeting.

1) **Terms of Reference for Community Reference Group for the Ngongotahā Flood Event**

The item was not available the time the agenda was issued and time restrictions mean discussion cannot be delayed until the next meeting of Council.

Winters/Marr  
CARRIED

## 5 General Business

### Discussion

- Increased roading tolls by NZTA.

## 6 Confidential Business to be Transferred into the Open

Nil

## 7 Declaration of Conflicts of Interest

Nil

## 8 Previous Minutes

### 8.1 Regional Council Minutes - 13 December 2018

#### **Resolved**

**That the Regional Council:**

#### **1 Confirms the Regional Council Minutes - 13 December 2018**

##### Matters Arising:

- Residents Survey analysis was scheduled to be presented to Council in March 2019
- Tertiary bus service /targeted rates. Council was seeking commitment from tertiary providers regarding funding towards bus service
- Waikato Regional Council targeted rate for Hamilton City: Once a bus service was established in a certain area and bus stop within 600m of a residence, targeted rate was applied. Update of any changes in current WRC LTP to be provided to Councillors.

Leeder/Love  
CARRIED

### 8.2 Regional Transport Committee Minutes - 23 November 2018

#### **Resolved**

**That the Regional Council:**

#### **1 Receives the Regional Transport Committee Minutes - 23 November 2018**

##### Matters Arising:

- Review of Regional Land Transport Plan in 2019: Current RLTP had been developed in the disruptive environment of a new Government Policy Statement and amendments had already been identified and implemented. Regional Transport Committee encouraged a more structured approach to amendments, with an overall review aligning with the release of the second GPS.

Crosby/Nees



**CARRIED**

**8.3 Civil Defence Emergency Management Group Joint Committee Minutes - 07 December 2018**

**Resolved**

That the Regional Council:

- 1 Receives the Civil Defence Emergency Management Group Joint Committee Minutes - 07 December 2018

**Crosby/Nees  
CARRIED**

**8.4 Rangitaiki River Forum Minutes - 07 December 2018**

**Resolved**

That the Regional Council:

- 1 Receives the Rangitaiki River Forum Minutes - 07 December 2018

**Crosby/Nees  
CARRIED**

**8.5 Te Maru o Kaituna River Authority Minutes - 14 December 2018**

**Resolved**

That the Regional Council:

- 1 Receives the Te Maru o Kaituna River Authority Minutes - 14 December 2018

**Crosby/Nees  
CARRIED**

**9 Reports**

**9.1 Chairman's Report**

Report was taken as read.

**Resolved**

That the Regional Council:

- 1 Receives the report, Chairman's Report.

**Leeder/Love  
CARRIED**

## 9.2 Chief Executive's Report

### Key Points

- Urban Form and Transport Initiative project plan would be presented to the SmartGrowth Leadership Group in March 2019
- Tauranga's transfer stations did not have capacity to accommodate the increasing growth and conversations were taking place on how to best address the situation.

### Key Points – Members

- The ability of Council to meet the expectations of the Bay of Plenty region, in particular in the areas of strategic growth, should be further discussed
- Toi EDA to work closer with Regional Council regarding the projected growth in the Eastern Bay of Plenty
- Understanding and responding to iwi expectations was a significant issue for Council.

## Resolved

That the Regional Council:

- 1 Receives the report, Chief Executive's Report.

Von Dadelszen/Marr  
CARRIED

## 9.3 2016 0146 3 year Contract Extension for Rivers and Drainage Panel Suppliers and Procurement Plan for Additional Suppliers

Chris Ingle – General Manager Integrated Catchments and Paula Chapman – Project Manager presented this item.

### In Response to Questions

- Supplier shortages were mainly in the electric field and fencing work
- Subcontracting was not permitted to providers not on the list
- There were processes in place to approve subcontractors that were not on the list
- Any changes in ownership of an approved contractor would be considered by Council to ensure required standards were maintained.

## Resolved

That the Regional Council:

- 1 Receives the report, 2016 0146 3 year Contract Extension for Rivers and Drainage Panel Suppliers and Procurement Plan for additional suppliers;
- 2 Approves the decision to renew existing supplier contracts to 28 February 2022;

- 3 Approves going to market to invite new proposals/tenders as set out in the procurement plan;
- 4 Confirms that the decision has a low level of significance

**Crosby/von Dadelszen  
CARRIED**

#### 9.4 **Rangitaiki River Scheme Review Implementation**

Chris Ingle – General Manager Integrated Catchments, Mark Townsend - Engineering Manager and Nic Newman – Principal Advisor presented this item

##### In Response to Questions

- Work on the concrete walls on the western side of the River was progressing well, but taking longer than initially anticipated
- Council was well connected with the Edgecumbe community and regular media releases were communicating progress.

##### Key Points – Members

- Suggested that the Audit & Risk Committee undertake a more active role in the monitoring of major Council projects from a governance perspective.

#### **Resolved**

**That the Regional Council:**

- 1 **Receives the report, Rangitaiki River Scheme Review Implementation;**
- 2 **Resolves to send a copy of this report to the Review author, Sir Michael Cullen.**

**Leeder/Winters  
CARRIED**

#### 9.5 **Kaituna Re-Diversion - Request to Bring Forward Budget**

#### **Resolved**

**That the Regional Council:**

- 1 **Receives the report, Kaituna Re-diversion - request to bring forward budget;**
- 2 **Approves transferring \$4.5 million of the project's capital budget from year 2 of the LTP to the current year.**

**Crosby/Bruning  
CARRIED**

## 9.6 April 2017 Flood Recovery Project - Progress Report

Chris Ingle – General Manager Integrated Catchments and Paula Chapman – Project Manager presented this item.

### Key Points

- Co-operation between Council and the various insurance providers was positive and recovery costs aligned with budgeted expectations
- Recognised the challenges in sourcing the required amount of rocks.

## Resolved

**That the Regional Council:**

- 1 **Receives the report, April 2017 Flood Recovery Project - Progress Report.**

Clark/Bruning  
CARRIED

## 9.7 Arotake Tuarua 2018/19 - Performance Monitoring Report, July to December 2018

*PowerPoint presentation – Reference A3134286*

Debbie Hyland – Finance and Corporate Planning Manager and Graeme Howard – Corporate Planning Lead presented this item.

### Key Points of Presentation

- Arotake Tuarua 2018/19
- Financial performance
- Capital performance.

### Staff Follow-up for Next Arotake Tuara Monitoring Report

- Update on the development of the Coastal Marine Research Centre
- Overspend vs underspend: Higher level of detail to be provided
- Consider the possible inclusion of a monitoring tool of current and future challenges, recognising the backward looking aspect of the report and public sensitivities
- Building project spends related to the Tauranga, Whakatāne and Rotorua Council buildings.

## Resolved

**That the Regional Council:**

- 1 **Receives the report, Arotake Tuarua 2018/19 - Performance Monitoring Report, July to December 2018.**

Nees/Love  
CARRIED

## 10 Public Excluded Section

### Resolved

#### Resolution to exclude the public:

THAT the public be excluded from the following parts of the proceedings of this meeting.

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

General Subject of Matter to be Considered	Reason for passing this resolution in relation to this matter	Grounds under Section 48(1) LGOIMA 1987 for passing this resolution
Public Excluded Regional Council Minutes - 13 December 2018	Refer to the relevant section of the minutes	Good reason for withholding exists under Section 48(1)(a)
Whakapoungakau Aggregated Lands Trust Gorse Conversion Agreement	To protect the privacy of an individual	Good reason for withholding exists under Section 48(1)(a)
Rangitaiki Floodway Stage 5 – Contract Award	To carry out commercial activities	Good reason for withholding exists under Section 48(1)(a)
Regional Property Update	To protect the commercial position of an individual	Good reason for withholding exists under Section 48(1)(a)
Electricity Supply Contract	To carry out commercial and industrial negotiations	Good reason for withholding exists under Section 48(1)(a)
Confidential Treasury Report - Arotake Tuarua 2018/19 – <u>At 10.30am</u>	To carry out commercial and industrial negotiations	Good reason for withholding exists under Section 48(1)(a)

THAT Earl White – Bancorp Treasury Services Ltd permitted to stay after the public was excluded due to his knowledge of the Confidential Treasury Report - Arotake Tuarua 2018/19.

Leeder/Nees  
CARRIED

## 11 Consideration of Late Items

### 11.1 Terms of Reference for Community Reference Group for the Ngongotahā Flood Event

Chris Ingle – General Manager Integrated Catchment presented this item.

Key Points

- Noted that Cr Thurston would be the Chairperson of the Reference Group.

**Resolved**

**That the Regional Council:**

- 1 Receives the report, Terms of Reference (ToR) for the Community Reference Group for the Ngongotahā Flood Event ;**
- 2 Endorses the Terms of Reference for the Community Reference Group for the Ngongotahā Flood Event.**

**Thurston/Thompson  
CARRIED**

**12 Consideration of General Business**

Matter Discussed

- Increase in road tolls by NZTA: Staff to seek information regarding the rationale for the increase.

**The meeting closed at 12.02 pm**

Confirmed DATE

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Doug Leeder  
Chairman - Bay of Plenty Regional Council

**Minutes of the Regional Council Meeting held in Mauao Rooms, Bay of Plenty Regional Council Building, 87 First Avenue, Tauranga on Monday, 25 February 2019 commencing at 1.30 p.m.**

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**Present:**

**Chairman:** D Leeder

**Deputy Chairman:** J Nees

**Councillors:** J Cronin, L Thurston, P Thompson, D Love, N Bruning, A Tahana, S Crosby, K Winters (via Video Conference), A von Dadelszen, M McDonald

**In Attendance:** Fiona McTavish – Chief Executive, Mat Taylor – General Manager Corporate, Namouta Poutasi – General Manager Strategy & Science, Jessica Easton – Solicitor, Garry Maloney – Transport Policy Manager, Matt Hunt – Marketing and Communications Advisor, Debbie Hyland – Finance and Corporate Planning Manager, Tone Nerdrum Smith – Committee Advisor

**Apologies:** Cr Clark, Cr Marr and Cr von Dadelszen (late arrival)

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**1 Apologies**

**Resolved**

**That the Regional Council:**

- 1 Accepts the apology from Cr Clark, Cr Marr and Cr von Dadelszen (late arrival) tendered at the meeting.

**Leeder/Love  
CARRIED**

**2 Acceptance of Late Items**

Nil

**3 Confidential Business to be Transferred into the Open**

Nil

**4 Declaration of Conflicts of Interest**

Nil

## 4.1 Public Excluded Section

### Resolved

#### Resolution to exclude the public

**THAT** the public be excluded from the following parts of the proceedings of this meeting.

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

General Subject of Matter to be Considered	Reason for passing this resolution in relation to this matter	Grounds under Section 48(1) LGOIMA 1987 for passing this resolution
Tauranga School Bus Emergency Services	To carry out commercial and industrial negotiations	Good reason for withholding exists under Section 48(1)(a)

**Leeder/Love  
CARRIED**

**The meeting closed at 2.10 pm**

Confirmed DATE

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Chairman Doug Leeder  
Bay of Plenty Regional Council



# Minutes of the Tauranga Moana Advisory Group meeting held at the Cruise Deck, Club Mount Maunganui, 45 Kawaka Street, Mount Maunganui, on Friday, 15 February 2019 commencing at 9.30am

## Present:

**Chairperson:** Cr Norm Bruning - Bay of Plenty Regional Council

**Members:** Piatarihi Bennett - Ngāi Te Rangi  
Te Pio Kawe - Ngāti Ranginui  
Cr Catherine Stewart - Tauranga City Council  
Cr Kelvin Clout - Tauranga City Council  
Cr Mark Dean - Western Bay of Plenty District Council  
Cr Peter Mackay - Western Bay of Plenty District Council  
Cr Andrew von Dadelszen - Bay of Plenty Regional Council  
Cr Matemoana McDonald - Bay of Plenty Regional Council

## In Attendance:

### Bay of Plenty Regional Council (BOPRC):

Cr Jane Nees - Deputy Chair; Sarah Omundsen - General Manager Regulatory Services; Toby Barach - Principal Advisor, Coastal Catchments; Hamish Dean - Team Leader Western Catchments; Santiago Bermeo - Senior Planner; Samantha Titze - Land Management Officer (Tauranga); Harry Singh - Marketing and Communications Advisor; Clarke Koopu - Senior Advisor (Treaty) and Merinda Pansegrouw - Committee Advisor

### Tauranga City Council (TCC):

Joel Peters - Principal Strategic Advisor; Robyn Skelton - Executive Officer; Dianne Paton - Parks Co-ordinator Environmental; Warren Aitken - Team Leader Parks and Environment

### Other:

Wendy Rapana - Kaimai Mamaku Ranges Forests Forum Coordinator and Darryl Jensen - Provincial President, Bay of Plenty Federated Farmers

## Apologies:

Deputy Chairperson Charlie Tawhiao - Ngāi Te Rangi; Kahurangi Tapsell - Ngāti Pūkenga; Cr Paula Thompson - Bay of Plenty Regional Council, Jeff Milham - Department of Conservation

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## 1 Opening Karakia

Councillor Kelvin Clout opened the meeting with a karakia.

## 2 Apologies

### Resolved

That the Tauranga Moana Advisory Group:

- 1 Accepts the apologies tendered by Deputy Chairperson Charlie Tawhiao, Kahurangi Tapsell, Cr Paula Thompson and Jeff Milham.

Bruning/Stewart  
CARRIED

## 3 Declarations of Conflicts of Interest

### 3.1 Item 7.3 - Tauranga Moana Programme update

Bay of Plenty Regional Council Councillors: Andrew von Dadelszen and Matemoana McDonald declared that they had served on the Hearing Panel for Air Quality Plan Change (Proposed Plan Change 13) and did not participate in this part of the discussion.

### 3.2 Item 8.4 - Kopurererua Valley Redevelopment Project

Cr Andrew von Dadelszen - Bay of Plenty Regional Council and Cr Mark Dean - Western Bay of Plenty District Council declared a conflicted interest and did not participate in the discussion.

## 4 Previous Minutes

### 4.1 Tauranga Moana Advisory Group Minutes – 16 November 2018

#### Resolved

That the Tauranga Moana Advisory Group:

- 1 Confirms the Tauranga Moana Advisory Group Meeting Minutes of 16 November 2018, as a true and correct record.

Dean/Mackay  
CARRIED

## 5 Update from Partners

### 5.1 Ngāi Te Rangi

Addressed under item 7.3.

### 5.2 Ngāti Ranginui

Te Pio Kawe updated members on Ngāti Ranginui matters:

Key Point

- Following an urgent hearing application by Ngāti Ranginui regarding the recent Hauraki settlement, a hearing with the Waitangi Tribunal had been granted for the week of 8 April 2019.

### 5.3 Ngāti Pukenga

Nil

### 5.4 Western Bay of Plenty District Council

Western Bay of Plenty District Council Councillor Mark Dean provided a verbal update highlighting the following:

#### Key Points

- Ongare Point Wastewater Scheme was operational – only one property still needed to be included / 60 tanks had been installed
- Katikati Wastewater Scheme – Resource Consent had been approved
- Te Puna West Wastewater – Project completed
- Planting hazelnut trees in Te Puke along Waiari River in an effort to absorb nitrogen
- Omokoroa to Tauranga Cycleway Project was on track, with a "clip-on" structure to be fitted to the Wairoa River state highway bridge. A presentation providing a detailed update on the Cycleway Project would be presented at the next meeting scheduled for May 2019
- Tuapiro Point – wetland restoration underway
- Ōmokoroa – successfully completed the installation of pipe drains.

#### Item for Staff Follow-up

- Western Bay of Plenty District Council staff to provide feedback on the status of Te Rereatukahia Marae Wastewater Connection at the next meeting scheduled for May 2019.

### 5.5 Tauranga City Council

Cr Kelvin Clout provided a verbal update, highlighting Tauranga City Council's (TCC) key work streams as follows:

#### Key Points

- Water provision and related systems in Tauranga were currently under pressure due to the severe heat and lack of rain, hence the current water restrictions
- Construction of the new sludge thickening and dewatering plant at the Te Maunga Waste Water Treatment Plant was progressing well – due for completion in April 2019
- As part of City Water's drive to reduce wastewater blockages in the network, the wet wipe campaign "Save our pipes from wipes" was progressing well and would continue. 30% of blockages within the TCC network were caused by wipes. TCC was involved in reviewing the national flush ability standards for wet wipes
- Kulim Park Redevelopment Project – installation of the new timber seawall had been completed. Sand nourishment at Kilim Park was commencing in April with 4500m<sup>3</sup> of sand to be placed on the foreshore
- Continuous development and restoration of the Kopurereroa Valley Reserve, with the support of Ngai Tamarawaho and BOPRC
- Rapid cycle path in Kopurereroa Valley to be upgraded to make it easier and safer for people on all types of bikes

- Summer Industrial Stormwater Audit Programme to commence shortly.

#### Points Raised by Members

- Suggested that soft engineering options supplementing the existing structures at the Kulim Park Redevelopment Project be considered (such as planting spinifex as a native sand-binding grass)

#### Item for Staff Follow-up

- Councillor Kelvin Clout to discuss introducing soft engineering options at Kulim Park as part of the Redevelopment Project with TCC staff
- Bay of Plenty Regional Council Principal Advisor, Coastal Catchments Toby Barach to raise the matter of wet wipes with the Regional Wastewater Management Group.
- A joint communique (draft to be prepared by the Regional Wastewater Management Group), supported by all territorial authorities in the Bay of Plenty Region, to be sent to the Minister for the Environment, highlighting the seriousness of wastewater blockages caused by wet wipes marketed as 'flushable' and 'biodegradable'.

## 5.6 Bay of Plenty Regional Council

Cr Norm Bruning outlined BOPRC priorities:

#### Key Points

- Recommendations from the Hearing Panel for Proposed Plan Change 13 (air quality) had been received and would be considered by Regional Council in February. If the recommendations were accepted, decisions would be publically notified and the Regional Plan amended. New rules associated with fumigation, as well as handling of bulk solid materials (e.g. palm kernel) were expected
- Since the new monitors had been in place in the Mount Maunganui Industrial Area, there had been six PM10 exceedances and three SO<sub>2</sub> exceedances of the national standards across the whole area. These had been published in the Bay of Plenty Times as exceedances needed to be publically notified under the national standards
- 14 appeals had been received on Proposed Plan Change 9 (water quantity) with a further 26 parties joining the appeals. Key issues related to Māori rights and interests, renewable electricity, dairy sheds and municipal supply. Council had received direction from the Environment Court and would begin resolution of appeals
- A discussion document had been prepared for managing marine pests across the upper north island regions. It was called "Better ways to stop marine pests" and if agreed by all Councils would be consulted on March to May.

## 6 Conservation Update

### 6.1 Department of Conservation

Nil

## 7 Reports

### 7.1 Strategic Context: Freshwater Futures update

Bay of Plenty Regional Council Senior Planner Santiago Bermeo provided a verbal update on ongoing work under the National Policy Statement for Freshwater Management.

#### Key Point

- The Programme for the staged implementation of the National Policy Statement for Freshwater Management had been updated with an extension of the timeline to complete implementation by 31 December 2030.

#### Points Raised by Members

- Levels of nutrients from fertilisers flowing into waterways were concerning and needed to be monitored/regulated
- Lack of control of gorse in the catchment area was concerning and required a strategy to be put in place
- Noted that the key documents on the Three Waters Review / Essential Freshwater, which were published by Central Government in November 2018, would form an integral part of the water discussion
- Bay of Plenty Regional Council Pou Ngaio (Technical/Cultural) Nathan Capper had been seconded to the Fresh Water Task Force at MfE.

### Resolved

That the Tauranga Moana Advisory Group:

1. **Receives the report, National Policy Statement for Freshwater Management Implementation Programme which served before the Regional Direction and Delivery Committee of the Bay of Plenty Regional Council on 11 December 2018.**

**Bruning/Nees  
CARRIED**

### 7.2 Jurisdictional Boundaries in Tauranga Harbour

#### Resolved

That the Tauranga Moana Advisory Group:

- 1 **Receives the report “Jurisdictional Boundaries in Tauranga Harbour” dated 15 February 2019.**

**Mackay/Von Dadelszen  
CARRIED**

### 7.3 Tauranga Moana Programme update

*Bay of Plenty Regional Council Councillors: Andrew von Dadelszen and Matemoana McDonald declared that they had served on the Hearing Panel for Air Quality Plan Change (Proposed Plan Change 13) and did not participate in this part of the discussion.*

*Refer PowerPoint Presentation Objective ID A3134944*

Bay of Plenty Regional Council Team Leader, Western Catchments Hamish Dean presented the Tauranga Moana Programme Update report, supported by a PowerPoint Presentation:

Key Points of the Presentation

- The State of the Environment Report was currently in a final design phase and would be available in due course
- The final draft Tauranga Harbour Inundation and Coastal Erosion report was being reviewed. A joint public release was expected March 2019
- Overview of Programme Updates
- Key up-coming Activities
- Update on methyl bromide monitoring: boundary monitoring for Methyl Bromide at the Port of Tauranga occurred via both Council and consent holder (Genera) monitoring
- Low levels of sea lettuce growth had been reported for this season with no clean-ups required. An ongoing project was being undertaken by the University of Waikato (with support from BOPRC) with the view of determining whether sea lettuce could possibly provide any economically viable options.

Points Raised by Members

- Ngāi Te Rangi iwi had never intended / understood that the Tauranga Moana Iwi Management Plan 2016 – 2026 would replace the 2008 Te Awanui Tauranga Harbour Iwi Management Plan. According to Ngāi Te Rangi iwi, the 2008 Te Awanui Tauranga Harbour Iwi Management Plan was still deemed alive and relevant
- Concern was expressed that the State of the Environment Report was within its final design phase; particularly since it was pointed out at the meeting in November 2018 that the final executive summary should only be published once the Tauranga Moana Advisory Group had familiarised itself with the contents of the full report and were comfortable with the outcomes/conclusions.

Items for Staff Follow-up

- Staff to verify whether mangroves were impacting on seagrass growth
- Further information to be provided on the increase of seaweed observed off Tauranga coast beaches over summer
- The Tauranga Moana Programme Update spreadsheet to be expanded to include an additional column displaying iwi/hapū programmes/priorities that had been undertaken to date. A map reflecting the input/work undertaken by various iwi/hapū/community groups and local authorities would be very useful
- Review of the State of the Environment Report as requested by the Tauranga Moana Advisory Group in November 2018 - namely that the final executive summary should only be published once the Tauranga Moana Advisory Group had familiarised itself with the contents of the full report and were comfortable with the outcomes/conclusions.

## Resolved

**That the Tauranga Moana Advisory Group:**

- 1 Receives the report “Tauranga Moana Programme Update” containing the Tauranga Moana Programme Dashboard dated February 2019.**

**Bruning/Von Dadelszen**

CARRIED

## 8 Presentations

### 8.1 National Policy Statement for Freshwater Management – Te Mana o Te Wai

Addressed under item 7.1.

### 8.2 Tauranga City Council Environment Strategy

*Refer PowerPoint Presentation Objective ID A3137381*

Tauranga City Council (TCC) Principal Strategic Advisor Joel Peters provided an outline on progress made with the development of the Environment Strategy:

#### Key Points of the Presentation

- Submitted a first draft for review
- Working on some minor amendments
- Steering Group meetings had been cancelled due to TCC restructuring and a change in reporting lines
- Spending time testing quantifiable objectives
- Strategic Focus / Strategy Challenges
- Driven by legal requirements, community vision and risk
- Alignment of large outcomes with growth
- Next Steps
  - To work with a new steering group
  - To seek approval of objectives to minimise the reliance on action planning.

#### Points Raised by Members

- As point of departure in developing an Environment Strategy, thorough benchmarking/stocktake and establishing a comprehensive database was critical
- Since human impact on the environment was one of the biggest challenges, a joint approach to the Environment Strategy was vital: a joint task force/hui/forum cross councils was necessary to enable all players to provide input in the targets to be identified and to coordinate, integrate and understand the collective response required
- A report by AECOM New Zealand Limited “Community Carbon Footprint Tauranga City 2015/16” was available:  
[https://www.tauranga.govt.nz/Portals/0/data/future/strategic\\_planning/strategic\\_focus/files/carbon\\_footprint\\_report15-16.pdf](https://www.tauranga.govt.nz/Portals/0/data/future/strategic_planning/strategic_focus/files/carbon_footprint_report15-16.pdf)
- It was imperative that the Environment Strategy take into consideration the significance of Kai Moana; the mapping of the harbour health was therefore critical
- Suggested that input from Consent Teams, to enhance the understanding of the potential impact/effects of consented activities on the environment, would be beneficial.

10:55 am The meeting **adjourned**.

11:20 am The meeting **reconvened**.

### 8.3 Kaimai Catchment Forum Update

*Refer PowerPoint Presentation Objective ID A3134963*

Kaimai Mamaku Ranges Forests Forum Coordinator Wendy Rapana provided members with an update on the Kaimai Catchment Forum:

Key Points of the Presentation

- Overview of the Kaimai Mamaku Ranges: was a taonga, a treasured place, and a connector of two regions, multiple iwi, hapū, industry, conservation groups and recreation groups
- The Kaimai Mamaku Ranges Forests Forum (KMRFF) represented the collective voice for the Kaimai Mamaku Ranges, Forests and its catchments
- KMRFF brought together multiple kaitiaki, agencies, stakeholders and interest groups connected by the Kaimai Mamaku Ranges; offered a wealth of knowledge, skills and experience; brought together people who care for and value our forests, farms and water flowing into the Waihou River and Te Awanui/Tauranga Harbour
- Vision was the improvement of the Kaimai and Mamaku Ranges and Forests and its catchments to provide for this and coming generations
- Established to represent a collective voice
- Long term Operational & Strategic Goals
- KMRFF Steering Group focussed on relationships with iwi/hapū
- KMRFF Joint Agency Committee focussed on relationships with Government Agencies: Department of Conservation (DOC), Bay of Plenty Regional Council, Waikato Regional Council
- Strategic Plan Outcomes / Opportunities (No single agency or community could achieve long term improvements in the health of the Kaimai Mamaku Ranges; instead a collective and coordinated approach was needed)
- Relationship building (“We can achieve more together than apart”)
- Focus for 2017 – 2022.
- Steering Group had agreed on Charitable Trust status and engaged assistance to draft a Trust Deed - completed document to be tabled at the next Forum event on 29 March 2019 for ratification
- Establishment of education and training opportunities for Māori, and others - training to be aligned with NQF Levels 3, 4 and 5 to lead to a qualification or parts of a qualification
- Invitation extended to all members to the next meeting of the Kaimai Mamaku Ranges Forests Forum scheduled for 29 March 2019, 10: 00 am, at the new Community Hub in Katikati.

Points Raised by Members

- A map depicting the areas where the approximately 200 kaitiaki, agencies, stakeholders interest groups were actively involved in the Kaimai Mamaku Ranges would be helpful as this would indicate where the gaps were. Noted that there was a map showing where the 1% of pest control was taking place in the Kaimai Mamaku Ranges
- Raising the Kaimai Mamaku Ranges’ current status as Conservation Park to National Park would ultimately elevate the resources to be allocated to the area.

Item for Staff Follow-up

- To keep members updated on details relating to up-coming pest control workshops.

## 8.4 **Kopurererua Valley Redevelopment Project**

*Cr Andrew von Dadelszen - Bay of Plenty Regional Council and Cr Mark Dean - Western Bay of Plenty District Council declared a conflicted interest and did not participate in the discussion.*



*Refer PowerPoint Presentation Objective ID A3134637*

Tauranga City Council Parks Co-ordinator Dianne Paton and Team Leader Parks and Environment Warren Aitken provided an update on the Kopurererua Valley Redevelopment Project, highlighting the following:

Key Points of Presentation

- Projects for the current financial year
  - 2019 Tonkin & Taylor Preliminary Research Report
  - Retiring two large grazing areas
  - Rotary Planting Day
  - Barn Fire asbestos clean-up
  - Vegetation removal on Puketoromiro
  - Sealing of the rapid cycleway
- 2020 – 2024 Projects
- Issues
  - Motorcycles / flooding / impact of climate change effects
- Awards & Partnerships
  - 2017 NZRA Runner-up Most Outstanding Park Award
  - 2018 Winner NZRA Most Outstanding Project
- Key Partnerships contributing to the success
  - Ngai Tamarawaho Hapu
  - K Valley Rotary Centennial Trust
  - Comvita
  - Trees for Survival.

12:16 pm Cr Kelvin Clout **withdrew** from the meeting.

## 8.5 Kaiate Falls Update

*Refer PowerPoint Presentation Objective ID A3124148*

Bay of Plenty Regional Council Senior Planner Santiago Bermeo and Land Management Officer (Tauranga) Samantha Titze provided an update on land management work in the catchment area as well as the outcome of a recent survey regarding the public preferences relating to possible water quality interventions for the Kaiate Falls:

Key Points of Presentation

- Kaiate Falls was a popular site with more than 19,000 visits since April 2018 and more than 2,000 in the last week of 2018 alone
- Current state was unsuitable for swimming with a number of exceedance of thresholds, median concentration, 95<sup>th</sup> percentile concentration. E. coli was an indicator of other bacteria that might make people sick
- Kaiate Falls catchment land use included very low intensity farming with mainly lifestyle blocks. Which were very steep, lots of intermittent waterways and seeps and not all fully fenced. E. coli was mainly caused from ruminants (deer, goats, cows) and some from birds
- A range of possible solutions included:
  - No additional intervention
  - Full fencing only
  - Full fencing and planting
  - No grazing in the catchment upstream of the Falls
  - Upstream catchment retired to public use
- Study undertaken to obtain view of public – 710 respondents

- Take home points from the results
  - Public wanted action for Kaiate Falls
    - Allocation of costs (ratepayers vs. catchment landowners) did not affect preferences, particularly for non-ratepayers
    - Preferences for retirement and no grazing correlated and were more common amongst respondents who have visited the Falls
- Challenges:
  - Largest property was unfenced. Cost to fully protect and allow farming was \$220k due to steep terrain and farm layout
  - Large cost to ratepayer and community
  - Outside funding sources secured
  - Resistance due to grazing loss
  - Non-compliant with rule 7 – have tried to negotiate agreements without compliance
- Action plan
  - Extensive summer water quality survey took place during the period November to February, flow gauging was included and analysis was currently underway
  - Investigating pest animal influences
  - Working with Ngā Whenua Rāhui to stop grazing in Kawenata area
  - Proposal sent to smaller landowners to work with Care Group to fence and plant
  - Environmental Programme drafted for largest property with farm consultant
  - Working hard to get successful results during the current financial year.

## 9 Consideration of General Business

Nil

## 10 Next Meeting – 17 May 2019

The next meeting had been scheduled for 17 May 2019.

## 11 Closing Karakia

Cr Matemoana McDonald closed the meeting with a karakia.

**The meeting concluded at 12:47 pm.**

Confirmed

\_\_\_\_\_  
Chair, Tauranga Moana Advisory Group

\_\_\_\_\_  
Date

# Reports



Receives Only – No Decisions



**Report To:** Regional Council

**Meeting Date:** 21 March 2019

**Report From:** Douglas Leeder, Council Chairman

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## Chairman's Report

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### Executive Summary

Since the preparation of the previous Chairman's Report (for the 14 February 2019 Council meeting) I have attended and participated in a number of meetings and engagements as Chairman on behalf of the Bay of Plenty Regional Council.

This report sets out those meetings and engagements and highlights key matters of interest that I wish to bring to Councillors' attention.

### Recommendations

**That the Regional Council:**

- 1 Receives the report, Chairman's Report.**

### 1 Purpose

The purpose of this report is to update Council on meetings and engagements I have attended and participated in as Chairman and to highlight key matters that will be of interest to Councillors.

The following section summarises these meetings and engagements. I will provide further detail at the meeting in response to any questions you may have.

### 2 Meetings and Engagements

Date	Meeting/Engagement	Comment
7 February	2019 Special Interest Group Conveners' Plenary – <i>Wellington</i>	Spoke about the Regional Sector Strategic Directions and LGNZ National Council priorities.

<b>Date</b>	<b>Meeting/Engagement</b>	<b>Comment</b>
	2019 Special Interest Group Conveners' Dinner – <i>Wellington</i>	Attended.
8 February	National Council meeting – <i>Wellington</i>	Attended.
12 February	Meeting with Minister Twyford – <i>Wellington</i>	Discussed the Urban Form and Transport Initiative.
15 February	Regional Sector meeting – <i>Wellington</i>	This is covered in more detail in the following section.
18 February	Port of Tauranga Board Meeting – <i>Tauranga</i>	Attended.
	Voiceover recording for River Management video – <i>Tauranga</i>	Spoke about river management, flood protection.
21 February	CouncilMark discussion – <i>Tauranga</i>	Met with Scott Necklen, LGNZ Deputy Chief Executive Commercial.
22 February	Ballance Farm Environment Awards – <i>Tauranga</i>	An event to recognise and celebrate good farm practices which promote sustainable land management. Council support the awards as a regional partner. Councillor Bruning also attended and presented the two Council Environment awards.
27 February	Kāhui Wai Māori hui – <i>Wellington</i>	Discussed freshwater reforms.
1 March	Zone Two meeting – <i>Hamilton</i>	The meeting included presentations on: rates rebate subsidy, millennial employees, and the proposed changes to polytechnics and technology institutes.
3 March	Don Riesterer's funeral service – <i>Ōpōtiki</i>	Attended.
4 March	Meeting with Minister Damien O'Connor – <i>Wellington</i>	Discussed the success of the National Wilding Conifer Programme and requested ongoing support for the programme.  Also touched on the Freshwater Reforms and Biodiversity.
	Meeting with Minister Eugenie Sage – <i>Wellington</i>	Also discussed the success of the National Wilding Conifer Programme and requested ongoing support for the programme.

Date	Meeting/Engagement	Comment
5 March	Eastern Bay of Plenty Mayors/Chair meeting with Michael Barnett, Chair Toi-EDA and Board – <i>Whakatāne</i>	An opportunity to engage with Toi-EDA to enhance connectivity and collaboration about economic development matters for the Eastern Bay.
	Eastern Bay of Plenty Joint Committee meeting – <i>Whakatāne</i>	Attended.
	Eastern Bay of Plenty Mayors/Chair/CEs meeting – <i>Whakatāne</i>	Debrief session following the day's earlier meetings.
7 March	Mayors meeting prior to the Rural and Provincial meeting – <i>Wellington</i>	Invited to attend.
	Rural and Provincial meeting (Day 1) – <i>Wellington</i>	This is covered in more detail in the following section.
	LGNZ stakeholder function – <i>Wellington</i>	Attended.
8 March	LGNZ Rural and Provincial Sector meeting (Day 2) – <i>Wellington</i>	I presented the Regional Sector priorities and Essential Freshwater.
	Meeting with Charlotte Rutherford, GM Sustainable Dairying and Lisa Payne, Head of Co-operative Affairs Bay of Plenty (Fonterra) – <i>Tauranga</i>	Attended.
9 March	Mayoral Invitation to Rotorua Lakeside Concert 2019 – <i>Rotorua</i>	A free annual outdoor concert for the region featuring the best of Maori, classical and contemporary music.
11 March	SmartGrowth Urban Form and Transport Initiative (UFTI) Sponsors Group Meeting – <i>Tauranga</i>	Attended.

### 3 Matters of Interest

#### 3.1 Regional Sector Meeting

The RSG meeting was held on 15 February 2019, for regional/unitary council Chairs, Mayors and Chief Executives. Key items included:

- Minister of Education, Hon Chris Hipkins spoke about the reform of vocational education.

- Productivity Commission Commissioner Murray Sherwin discussed the Local Government Funding and Financing Inquiry including the inquiry timeline and engaging with the Regional Sector.
- Parliamentary Commissioner for the Environment, Hon Simon Upton presented the current and future inquiries, with a focus on Overseer.

### 3.2 Rural and Provincial Sector Meeting

At the Rural and Provincial meeting on 7 and 8 March 2019, for Rural and Provincial Mayors and Chief Executives, a variety of topics were discussed including:

- National and the rural heartland – a discussion on how policy can adapt to a rapidly changing world where rural NZ is not insulated from this change.
- Ministry for the Environment staff provided an update on the future direction of Waste and the policy work programme.
- Environmental regulation –the Environmental Protection Authority presented on the pending changes and a new role for the EPA.
- Climate Change – an outline of the current international waves of climate change litigation, and their relevance to our local government.
- Ministers Update:
  - Education Minister, Hon Chris Hipkins spoke about the reform of vocational education;
  - Associate Minister of Transport, Hon Julie Anne Genter spoke about the portfolio priorities;
  - Minister of Rural Communities, Agriculture, Biosecurity, Food Safety, Trade and Export Growth, Hon Damien O'Connor spoke about the government's priorities with a focus on the Rural Communities portfolio.

Doug Leeder  
**Chairman**

**for Council Chairman**

**12 March 2019**





**Receives Only – No Decisions**

**Report To:** Regional Council

**Meeting Date:** 21 March 2019

**Report From:** Fiona McTavish, Chief Executive

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## Chief Executive's Report

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### Executive Summary

This report provides Council with an update on progressing those strategic issues and identifies the related Council papers in the agenda.

### Recommendations

**That the Regional Council:**

- 1 Receives the report, Chief Executive's Report.**

#### 1 Purpose

The purpose of this report is to provide Council with a regular update on progressing council strategic issues as well as identifying the related Council papers in this agenda.

In future months, this report will be revised as the Organisational Strategy work is further progressed and consolidated benchmarking reporting can be provided to council. This report will also be used to provide regular updates to council on the changing operating context.

#### 2 Strategic Issues Update

Strategic Issue	Update
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Strategic Issue	Update
<b>Climate Change</b>	<p>Councillors approved the climate change question as part of the Annual Plan consultation document at the Council Meeting on 7 March 2019. This will provide the community with the opportunity to tell us where they think Council should focus its efforts.</p> <p>Staff continue to work on the draft action plan, with a view to presenting this to Council in mid-2019. We are liaising with the region's local authorities around climate change action planning and have been involved in discussions with CoBoP, CONNECT and BOC regarding opportunities for working together on climate change. A report on options for regional collaboration on climate change is planned for the next Triennial Meeting on 12 April.</p>
<b>Sustainable Urban Growth</b>	<p>Phase 1 of the Urban Form and Transport Initiative (UFTI) for the western Bay of Plenty has been completed. UFTI seeks to develop a strategic approach for the development of the western Bay of Plenty sub-region's urban form and transport system to help guide decision-making processes in the short, medium and long-term.</p>
<b>Biosecurity</b>	<p>The summer season has been very busy with operations in Tauranga Harbour (fanworm inspections), Lakes Rotoiti and Rotorua (catfish control) and weed management region-wide.</p> <p>Marine pathway planning with neighbouring regions and planning for wallabies contracting work are progressing well; and the 56 submissions on the Proposed Regional Pest Management Plan are being worked through.</p>
<b>Regional Development</b>	<p>Work is progressing on the development of a revised Regional Development Strategy that will come to a future council meeting for endorsement. This strategy that is being progressed by Bay of Connections Governance Group members and will be discussed with Mayors before the next triennial meeting.</p>
<b>Managing Iwi Expectations</b>	<p>The Council workshop on 19 March will focus on the Changing Landscape for Māori and Council – opportunities and challenges.</p> <p>Chris Finlayson has been confirmed to speak about key issues at a National level. Councillors will also hear from presenters from Mahaanui Kurataiao which is an Environmental Company that provides resource management services for several Rūnanga in Canterbury.</p> <p>Overlapping interests of Hauraki into the Tauranga Moana rohe continue to strain working relationships between Ngāi Te Rangi employees and Council staff.</p> <p>Ngāi Te Rangi recently lodged a Wai Māori statement as a relevant planning document under the Resource Management Act. A policy on how to take into account relevant matters in Iwi documents has been drafted and will go to the relevant committee for approval.</p>

### **3 Regulatory Services Snapshot**

#### **3.1 Consents**

- We have received 484 applications this year and have processed 79% internally. 49 of these applications were returned, and 3 withdrawn.
- 197 of the 484 new applications have been approved so far, 186 of which were within timeframes. Only 3 discounts have been issued so far this year.
- A total of 345 applications have been approved this year (this includes applications lodged prior to the new financial year)
- The new satisfaction survey (1 December 2018 through 4 March) shows 80% applicants were satisfied with the overall service they received.

#### **3.2 Compliance**

- We have received 20% more calls in to the Pollution Hotline than this time last year, we are averaging 13 calls a day but it has been as high as 38.
- 1321 Compliance monitoring inspections were completed between 1 July 2018 and 31 January 2019. Dairy effluent inspections have made up the majority of our work over the first 7 months of the 2018/2019 period (403 completed inspections). This is closely followed by earthworks with 378 completed inspections.
- 97 urgent calls have been received since 1 July 2018, and all were responded to within 12 working hours.
- 44 Abatement Notices have been served since 1 July 2018, and 12 Infringement Notices have been issued.
- We've received 92% positive feedback from our complaint for the first quarter of the 18/19 period.

Fiona McTavish  
**Chief Executive**

**12 March 2019**





**Report To:** Regional Council  
**Meeting Date:** 21 March 2019  
**Report From:** Mat Taylor, General Manager, Corporate

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## **Councillor Appointment to the Rangitaiki River Forum**

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### **Executive Summary**

Council is asked to consider appointing an additional member to the Rangitāiki River Forum (the Forum) following the enactment of the Ngāti Tūwharetoa Claims Settlement Act 2018, which came into force on the day after Royal assent on 18 December 2018.

### **Recommendations**

**That the Regional Council:**

- 1 Receives the report, Councillor Appointment to the Rangitaiki River Forum;**
- 2 Appoints Councillor \_\_\_\_\_ as an additional member onto the Rangitāiki River Forum;**
- 3 Agrees the above appointment will take effect once Ngāti Tūwharetoa (Taupō) has appointed a member to the Rangitāiki River Forum;**
- 4 Adopts the consequential amendments made to the Rangitāiki River Forum Terms of Reference, as attached at Appendix 1.**

### **1 Background**

Council received a report on 17 August 2017 that informed of the Deed of Settlement (DoS) signed by Ngāti Tuwharetoa (Taupō) and the Crown on 8 July 2017 with the settlement coming into force anticipated in mid-late 2018.

The Settlement encompasses parts of the Rangitāiki River headwaters and upper catchment near the Napier-Taupō highway. In recognition of Ngāti Tūwharetoa (Taupō) interests in the Rangitāiki River, the settlement legislation provides for membership on the Forum and the corresponding appointment of an additional Council elected member.

The Ngāti Tūwharetoa Claims Settlement Act 2018 (the Act) has since been enacted and came into force on the day after Royal assent on 18 December 2018.

## 2 Provision for appointments to the Rangitāiki River Forum

The Act<sup>1</sup> states that the following appointments may be made to the membership of the Rangitāiki River Forum:

- (a) The Ngāti Tūwharetoa (Taupō) trustees may appoint 1 person; and
- (b) The Bay of Plenty Regional Council may appoint 1 person (who must be an elected council member of that council).

Council must therefore consider appointing an additional member to the Forum in accordance with the Act. It is recommended that Council appoints a further member to maintain the balance between the composition of iwi and council appointments.

Council's current members on the Forum are: Councillors Bill Clark, Tīpene Marr, Kevin Winters, David Love and Matemoana McDonald as the alternate member.

With the appointment of additional members, the Forum's membership will increase from 12 to 14 members comprising:

- One member appointed by Te Rūnanga o Ngāti Whare;
- One member appointed by Te Rūnanga o Ngāti Manawa;
- One member appointed by Ngāti Tūwharetoa (BOP) Settlement Trust;
- One member appointed by Te Rūnanga o Ngāti Awa;
- One member appointed by Ngāti Hineuru;
- One member appointed by Ngāi Tūhoe;
- One member appointed by Ngāti Tūwharetoa (Taupō)
- One member appointed by the Whakatāne District Council;
- One member appointed by the Taupō District Council;
- Five members appointed by the Bay of Plenty Regional Council.

## 3 Consequential amendment to the Forum's Terms of Reference

With the additional appointments, a consequential amendment to the Forum's Terms of Reference is required to be adopted by Council, as attached at Appendix 1.

## 4 Budget Implications

### 4.1 Current Year Budget

The appointment of an additional member does not pose any implications to the current year budget. The establishment and implementation of Council's governance and decision-making structure is budgeted for in the Governance Services' activity.

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<sup>1</sup> Part 4, s187 Ngāti Tūwharetoa Claims Settlement Act 2018

#### **4.2 Future Budget Implications**

Continued implementation of Council's governance and decision-making structure is budgeted for under the Governance Services activity in Council's Long Term Plan 2018-2028.

### **5 Community Outcomes**

The appointment of an additional member directly contributes to the Freshwater for Life and A Vibrant Region Community Outcome in the Council's Long Term Plan 2018-2028.

Yvonne Tatton  
**Governance Manager**

**for General Manager, Corporate**

**8 March 2019**





# APPENDIX 1

## Consequential Amendment to Rangitaiki River Forum Terms of Reference



# Rangitāiki River Forum

## Terms of Reference

### Interpretation

“Rangitāiki River” means the Rangitāiki River and its catchment, including the:

- Rangitāiki River
- Whirinaki River
- Wheao River
- Horomanga River

The scope and delegation of this Forum covers the geographical area of the Rangitāiki River catchment as shown in the attached map.

### Purpose

The purpose of the Forum is as set out in Ngāti Manawa Claims Settlement Act 2012 and the Ngāti Whare Claims Settlement Act 2012:

The purpose of the Forum is the protection and enhancement of the environmental, cultural, and spiritual health and wellbeing of the Rangitāiki River and its resources for the benefit of present and future generations.

Despite the composition of the Forum as described in section 108, the Forum is a joint committee of the Bay of Plenty Regional Council and the Whakatāne District Council within the meaning of clause 30(1)(b) of Schedule 7 of the Local Government Act 2002.

Despite Schedule 7 of the Local Government Act 2002, the Forum—

- (a) is a permanent committee; and
- (b) must not be discharged unless all appointers agree to the Forum being discharged.

The members of the Forum must act in a manner so as to achieve the purpose of the Forum.

### Functions

The principle function of the Forum is to achieve its purpose. Other functions of the forum are to:

- Prepare and approve the Rangitāiki River Document for eventual recognition by the Regional Policy Statement, Regional Plans and District Plans. See Figure 1 Rangitāiki River Document Recognition Process for RPS.
- Promote the integrated and coordinated management of the Rangitāiki River
- Engage with, and provide advice to:
  - Local Authorities on statutory and non-statutory processes that affect the Rangitāiki River, including under the Resource Management Act 1991.
  - Crown agencies that exercise functions in relation to the Rangitāiki River.
- Monitor the extent to which the purpose of the Rangitāiki River Forum is being achieved including the implementation and effectiveness of the Rangitāiki River Document.
- Gather information, disseminate information and hold meetings
- Take any other action that is related to achieving the purpose of the Forum.

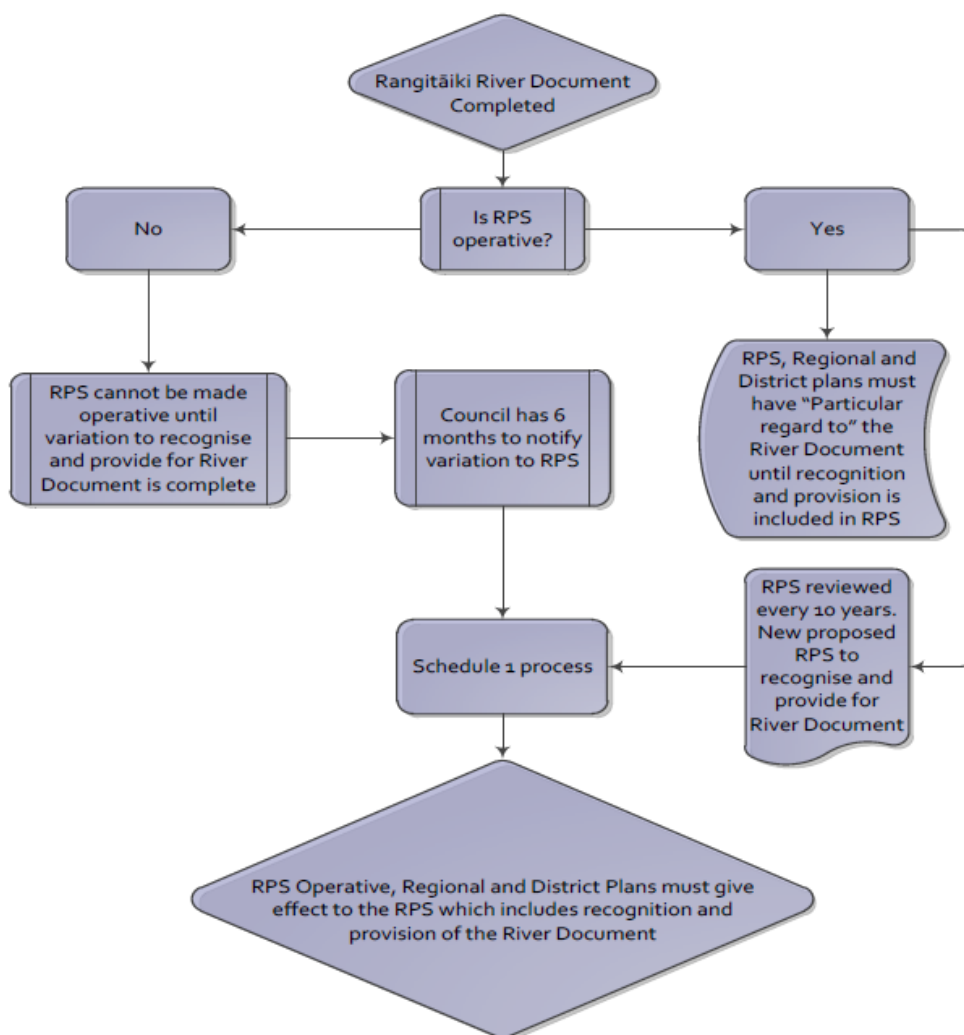


Figure 1 Rangitāiki River Document Recognition Process for RPS

## Membership<sup>1</sup>

- One member appointed by Te Rūnanga o Ngāti Whare;
- One member appointed by Te Rūnanga o Ngāti Manawa;
- One member appointed by Ngāti Tūwharetoa (Bay of Plenty) Settlement Trust;
- One member appointed by Te Rūnanga o Ngāti Awa;
- One member appointed by Ngāti Hineuru;
- One member appointed by Tūhoe Te Uru Taumatua;
- One member appointed by Ngāti Tūwharetoa (Taupō)
- One member appointed by the Whakatāne District Council;
- One member appointed by the Taupō District Council;
- Four-Five members appointed by the Bay of Plenty Regional Council.

### Note:

Despite the composition of the Forum, this is a joint committee of the Bay of Plenty Regional Council, ~~and the~~ Whakatāne District Council and Taupō District Council.

<sup>1</sup> Consequential amendments adopted Regional Council Meetings 17 August 2017 and 21 March 2019

## Quorum

In accordance with Rangitāiki River Forum standing orders 2.3.3 and 2.3.4, the quorum for a meeting of the Forum is six members, comprising of:

- Three members appointed by the iwi appointers; and
- Three members appointed by the local authority appointers; and
- Must include a member appointed by Ngāti Whare and a member appointed by Ngāti Manawa.

## Term of Committee

This Forum is a permanent committee under the Ngāti Manawa Claims Settlement Act 2012 and the Ngāti Whare Claims Settlement Act 2012 and therefore will not disbanded at the end of a triennium.

The establishment of the Forum is also supported by the Ngāti Whare Deed of Settlement – Clauses 5.49 (October 2009) and the Ngāti Manawa Deed of Settlement – Clause 5.40 (October 2009).

### Ngāti Whare Deed of Settlement

5.49 The Crown and Te Rūnanga o Ngāti Whare acknowledge and agree that:

5.49.1 *the parties are yet to finalise discussions in relation to a framework for the effective participation of Ngāti Whare in the management of the Rangitāiki River;*

5.49.2 *following the signing of this Deed the parties will continue to discuss a framework that provides for the effective participation of Ngāti Whare in the management of the Rangitāiki River (“**Rangitāiki River management framework**”), with the objective of improving the health and wellbeing and sustainable use of the river;*

5.49.3 *the discussions in relation to the Rangitāiki River management framework will:*

- a. be undertaken in good faith, honour and integrity and will reflect the wider commitments set out in the Deed of Settlement;*
- b. be undertaken in accordance with an agreed programme for further engagement and completed by the date of the introduction of the Settlement Legislation;*
- c. where appropriate, reflect a catchment wide and integrated approach to management of the Rangitāiki River and its resources;*
- d. reflect the need to recognise and provide for the interests of other iwi, local authorities, and other entities with interests or statutory roles in relation to the Rangitāiki River;*
- e. develop a programme for engagement with other iwi, local authorities, and other entities with interests or statutory roles in relation to the Rangitāiki River; and*
- f. allow for the Rangitāiki River management framework to be incorporated in the Settlement Legislation as necessary either at the time of introduction to Parliament or by way of a Supplementary Order Paper.*

5.49.4 *the discussions will be based on:*

- a. Ngāti Whare’s principles, to be agreed with the Crown, regarding the Rangitāiki River;*
- b. as appropriate, the principles of other iwi with interests in relation to the Rangitāiki River as agreed with the Crown;*
- c. the need to protect the integrity of existing statutory frameworks; and*
- d. the need to ensure consistency and fairness between settlements.*

## Ngāti Manawa Deed of Settlement

5.40 The Crown and Ngāti Manawa acknowledge and agree that:

5.40.1 *the parties are yet to finalise the redress for the effective participation of Ngāti Manawa in the management of the Rangitāiki River;*

5.40.2 *following the signing of this deed the parties will continue to discuss a framework that provides for the effective participation of Ngāti Manawa in the management of the Rangitāiki River (the “Rangitāiki River management framework”), with the objective of improving the health and best use of the river;*

5.40.3 *the discussions will be based on:*

- a. *Ngāti Manawa’s principles regarding the Rangitāiki River as set out in clause 5.41;*
- b. *the need to protect the integrity of existing statutory frameworks; and*
- c. *the need to ensure consistency and fairness between settlements;*

5.40.4 *the discussions will:*

- a. *be undertaken in good faith, honour and integrity and will reflect the commitments set out in the deed of settlement;*
- b. *be undertaken in accordance with an agreed programme for further engagement and completed by the date of the introduction of the settlement legislation;*
- c. *reflect the need to recognise and provide for the interests of other iwi, local authorities, and other entities with interests or statutory roles in relation to the Rangitāiki River;*
- d. *develop a programme for engagement with other iwi, local authorities, and other entities with interests or statutory roles in relation to the Rangitāiki River; and*
- e. *allow for the Rangitāiki River management framework to be incorporated in the settlement legislation as necessary either at the time of introduction to Parliament or by way of a Supplementary Order Paper.*

## Specific Responsibilities and Delegations

To avoid doubt, the Forum, except as identified in the functions above, has the discretion to determine in any particular circumstance:

- Whether to exercise any function identified.
- To what extent any function identified is exercised.

## Provision for other groups to join the Forum

Other iwi and local authorities through consensus of the Forum, may join the Forum.



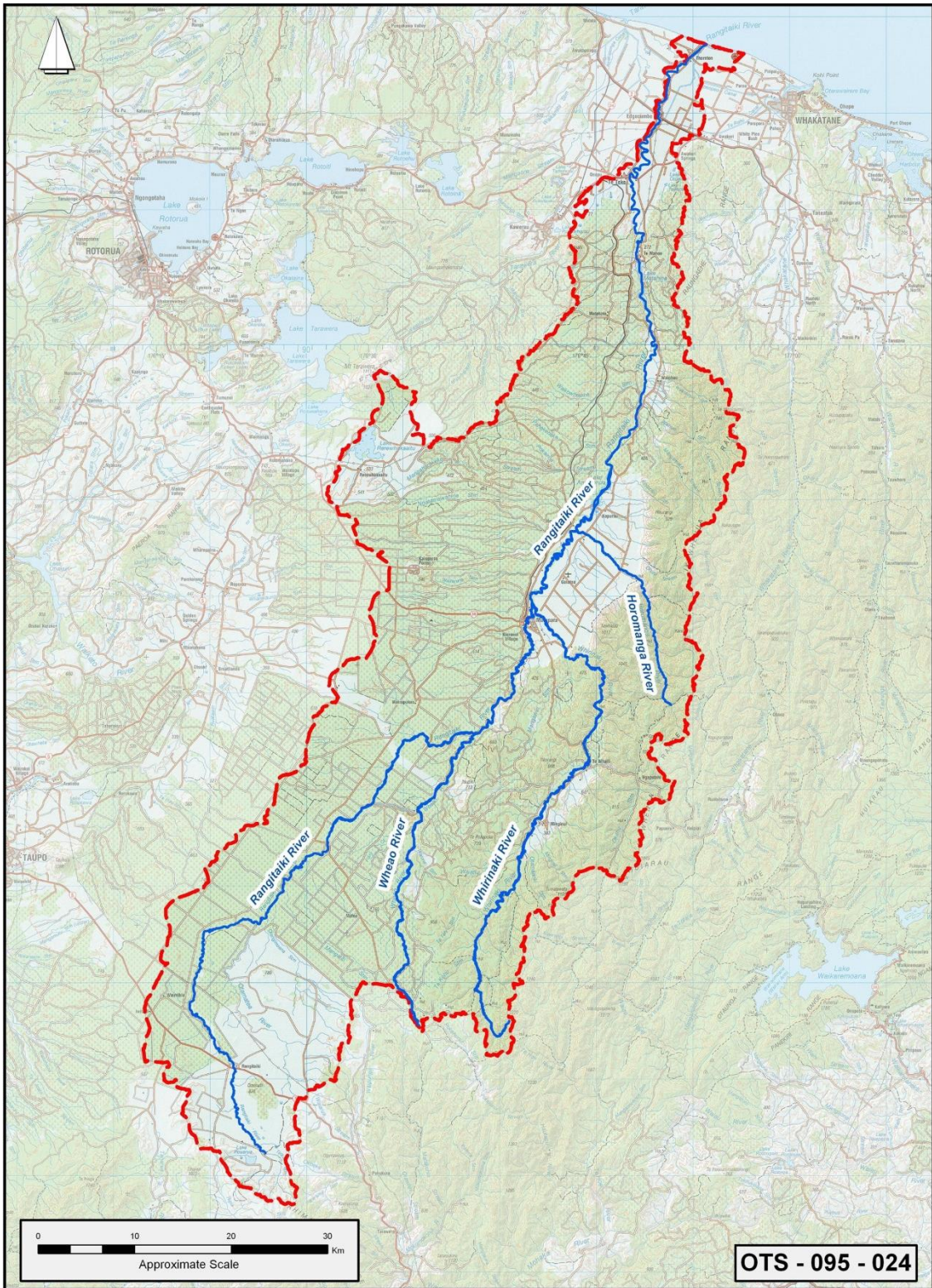


Figure 2 Map of the Rangitāiki River Catchment







**Report To:** Regional Council  
**Meeting Date:** 21 March 2019  
**Report From:** Mat Taylor, General Manager, Corporate

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## **Bay of Plenty Regional Council Representation on the Eastern Bay of Plenty Delegation to Jiangxi China**

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### **Executive Summary**

At its meeting on 13 December 2018, Council resolved to appoint two councillors as their representatives on the Eastern Bay of Plenty Delegation to Jiangxi China. Since then the two representatives have notified that they are no longer in a position to attend. Council is therefore asked rescind the resolution.

### **Recommendations**

**That the Regional Council:**

- 1** Receives the report, Bay of Plenty Regional Council Representation on the Eastern Bay of Plenty Delegation to Jiangxi China;
- 2** Rescind the following resolution carried at the Council meeting of 13 December 2018, being:  
  
*Appoints Cr Clark and Cr Love as the Bay of Plenty Regional Council representatives on the Eastern Bay of Plenty Mayoral Delegation to Jiangxi China in April 2019.*
- 3** Agrees that, in this instance, there will be no Bay of Plenty Regional Council representation on the Eastern Bay of Plenty Mayoral Delegation to Jiangxi China this year.

### **1 Background**

The Whakatane, Kawerau and Opotiki District Councils, alongside the North East Asia CAPE, New Zealand China Friendship Society and Eastern Bridge has invited a Regional Council representative to join their official delegation to Jiangxi Province and participate in formalising an Eastern Bay of Plenty – Jiangxi Sister Province relationship. Businesses interested in exporting to China and schools from the Eastern Bay of Plenty region have also been invited to join the delegation.

## **2 Previous Resolution**

Following an Expressions of Interest process facilitated by the Chairman and Deputy Chair, Councillors Love and Clark were appointed as Regional Council representatives at the 13 December 2018 Council meeting:

*Appoints Cr Clark and Cr Love as the Bay of Plenty Regional Council representatives on the Eastern Bay of Plenty Mayoral Delegation to Jiangxi China in April 2019.*

*Thompson/Thurston*

**CARRIED**

Council also delegated to the Chief Executive to determine whether the delegation warranted a third representative and if required suggested Cr Marr as the potential delegate.

## **3 Considerations**

Since then the delegation's timeframe has change from April to mid June 2019, and both Councillors have advised they are no longer able to participate in the delegation.

Council is therefore asked to rescind the previous representative appointment resolution or resolve to send other Councillors as replacements representatives.

## **4 Budget Implications**

### **4.1 Current Year Budget**

There are minimal budget implications in not participating in the China delegation.

### **4.2 Future Budget Implications**

There are no future budget implications in not participating in the China delegation.

## **5 Community Outcomes**

This item directly contributes to the A Vibrant Region Community Outcome in the Council's Long Term Plan 2018-2028.

Yvonne Tatton  
**Governance Manager**

**for General Manager, Corporate**

**8 March 2019**



**Report To:** Regional Council  
**Meeting Date:** 21 March 2019  
**Report From:** Warwick Lampp, Electoral Officer

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## **Order of Candidates on Voting Papers for the 2019 Local Authority Triennial Elections**

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### **Executive Summary**

In preparation for the 2019 Local Authority Triennial Elections, Council is required under the Local Electoral Act 2001 to decide its preferred option for what order candidates' names are arranged on voting documents.

### **Recommendations**

**That the Regional Council:**

- 1 Receives the report, Order of Candidates on Voting Papers for the 2019 Local Authority Triennial Elections;**
- 2 Selects either:**
  - **alphabetical by surname; or**
  - **random; or**
  - **pseudo-random**

**as Council's preferred option for the order of candidates' names as they will appear on voting documents for the 2019 Local Authority Triennial Election.**

### **1 Options**

Under the Local Electoral Regulations 2001, Regulation 31, Council may choose to pass a resolution on its preferred option for the order of candidates' names as they will appear on voting documents. If no resolution is passed, the names must be arranged in alphabetical order.

The three options for the order of candidates' names are:

1. Alphabetical order of surname,

2. Pseudo-random order, or
3. Random order.

Pseudo random is where the candidates' names are drawn out of a hat and they appear on each voting paper in the order drawn.

Random order results in each individual voting paper having a different random ordering of candidates' names..

For the 2013 election, Council used the pseudo-random order of surname option, and for the 2016 election, the random order.

There is no difference in costs for the pseudo-random and the random order.

## **2 Budget Implications**

### **2.1 Current Year Budget**

All costs associated with the administration and support for the 2019 Local Authority Triennial Election for the Bay of Plenty Regional Council is budgeted for in the 2019-2020 Annual Plan and the 2018-2028 Ten Year Plan.

### **2.2 Future Budget Implications**

There are no future financial implications associated with the decision that Council is being asked to make.

## **3 Community Outcomes**

This item/project directly contributes to the A Vibrant Region Community Outcome in the Council's Long Term Plan 2018-2028.

Tone Nerdrum Smith  
**Deputy Electoral Officer**

**for Electoral Officer**

**8 March 2019**

**Report To:** Regional Council

**Meeting Date:** 21 March 2019

**Report From:** Namouta Poutasi, General Manager, Strategy & Science

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## **Toi EDA - Council Controlled Organisation Exemption**

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### **Executive Summary**

Section 7 of the Local Government Act 2002 provides for Council to resolve to renew the exemption of Toi-EDA (the Eastern Bay Economic Development Agency) from provisions of a Council Controlled Organisation (CCO). Council must review an exemption it has granted within three years. The last exemption was granted by Council on 21 April 2018.

Toi-EDA is established and funded by contributions from Eastern Bay of Plenty Councils and support from the Regional Council. The benefits of having the exemption are the avoidance onerous reporting conditions that apply to all CCOs and enable Toi-EDA to focus on economic development.

This report seeks approval to continue to exempt Toi EDA for a further three years to March 2022.

### **Recommendations**

**That the Regional Council:**

- 1 Receives the report, Toi EDA - Council Controlled Organisation Exemption;**
- 2 Exempts Toi-EDA from the provisions related to Council Controlled Organisations as provided for under section 7 of the Local Government Act 2002 for a period of three years from March 2019 to March 2022.**
- 3 Notes that Ōpōtiki, Whakatāne and Kawerau District Councils are undertaking an approval process to exempt Toi-EDA from the CCO requirements.**

### **1 Background**

The Eastern Bay of Plenty Regional Economic Development Trust (REDA) was established to support regional economic development. The REDA is governed by

Trustees appointed by the three District Councils; Ōpōtiki, Whakatāne and Kawarau, the Bay of Plenty Regional Council and Te Runanga o Ngati Awa.

The primary purpose of the Trust was to establish the Toi-Economic Development Agency (Toi-EDA) as the economic development agency for the eastern Bay of Plenty.

The REDA falls within the definition of a CCO in section 6 of the Local Government Act 2002 as:

- “(b) an organisation in respect of which 1 or more local authorities have, whether or not jointly with other local authorities or persons,*
- (i) control, directly or indirectly, of 50% or more of the votes at any meeting of the members or controlling body of the organisation; or*
  - (ii) the right, directly or indirectly, to appoint 50% or more of the trustees, directors or managers (however described) of the organisation”*

## **2 CCO Requirements**

The requirements of a CCO under the Local Government Act 2002 include:

- Preparation of a Statement of Intent (in accordance with timeframes and process set out in the Act)
- Preparation of half yearly reports and Annual Reports
- Consultation on establishment
- Having a policy on the appointment and remuneration of directors
- Monitoring performance.

However, section 7 of the Local Government Act 2002 provides:

- (3) A local authority may, after having taken account of the matters specified in subsection (5), exempt a small organisation that is not a council-controlled trading organisation, for the purposes of section 6(4)(i).*
- (4) An exemption must be granted by resolution of the local authority.*
- (5) The matters are:*
  - (a) the nature and scope of the activities provided by the organisation; and*
  - (b) the costs and benefits, if an exemption is granted, to the local authority, the council-controlled organisation, and the community.*
- (6) A local authority must review an exemption it has granted:*
  - (a) within 3 years after it is granted; and*
  - (b) after the first review, at intervals of not less than 3 years.*
- (7) A local authority may, at any time, revoke an exemption it has granted.”*

### **3 Reasons for Exemption**

The Local Government Act requirements on a CCO are onerous and costly. For example, the requirement to have an annual report audited.

In terms of the nature and scope of the CCO's activities, Toi-EDA's role is focused on activities which contribute to the sustainable growth and development of the regional economy. The Council contributes to Toi-EDA as a public service for the future of households and business in the Eastern Bay of Plenty.

Being exempted from being a CCO allows the Trust to focus its resources on improving economic development without the additional CCO administrative requirements of the Act.

The eastern Bay of Plenty district councils are also undertaking an approval process to exempt Toi-EDA from the CCO requirements.

### **4 Implications for Māori**

The Objectives of Toi EDA noted in the Trust Deed (2005)<sup>1</sup> serve to:

- a) Cultivate economic activities and foster growth for the benefit of Māori and the Eastern Bay of Plenty.
- b) Promote the economic, environmental, cultural and social well-being of Māori and the Eastern Bay of Plenty Community.
- c) Foster, develop and assist in the management of best practices and effective use of the resources of the Eastern Bay of Plenty.
- d) Promote and nurture community-based, sustainable economic growth through projects to benefit Māori and the Eastern Bay of Plenty Community.

Te Rūnanga of Ngāti Awa (Ngāti Awa tribe Iwi Authority) is a party to the Trust Deed. The exemption requested allows the Trust to focus its resources on supporting Māori economic development without the additional CCO administrative requirements of the Act.

### **5 Budget Implications**

There are no known current or future budget implications relating to the recommendations in this report.

Kataraina O'Brien  
**Strategic Engagement Manager**

**for General Manager, Strategy & Science**

**12 March 2019**

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<sup>1</sup> A copy of the Trust Deed is attached as an Appendix.





# **APPENDIX 1**

## **TOI EDA Trust deed 2005**



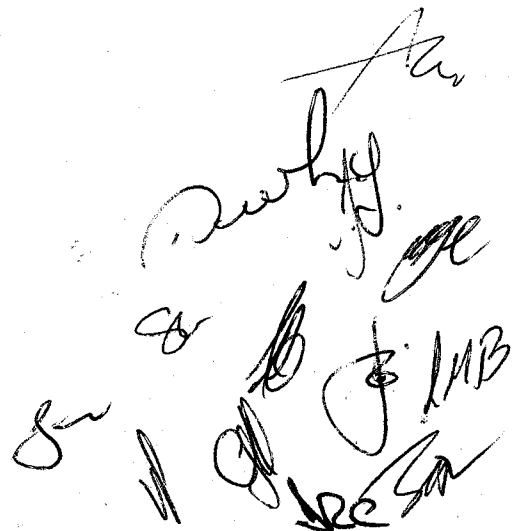
**THE WHAKATANE DISTRICT COUNCIL, THE KAWERAU DISTRICT COUNCIL,  
THE OPOTIKI DISTRICT COUNCIL, THE BAY OF PLENTY REGIONAL COUNCIL  
AND TE RUNANGA O NGATI AWA (Jointly)**

(Settlors)

Lorraine Brill, Stuart Milne, Doug Leeder, Chris Marjoribanks

(Trustees)

**DEED OF TRUST FOR THE  
EASTERN BAY OF PLENTY REGIONAL ECONOMIC DEVELOPMENT TRUST**

A cluster of handwritten signatures and initials in the bottom right corner of the page. The signatures are in black ink and appear to be cursive. One prominent signature at the top right looks like 'Aur'. Below it, there are several other signatures, some with initials like 'MB' and 'SM' visible. The handwriting is somewhat overlapping and difficult to decipher fully.

# DEED OF TRUST FOR THE EASTERN BAY OF PLENTY REGIONAL ECONOMIC DEVELOPMENT TRUST

## CONTENTS

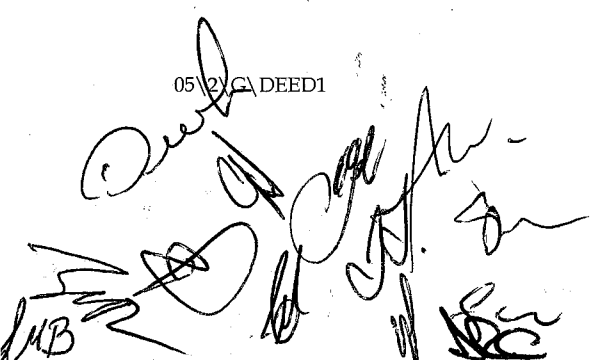
### Clause No

- 1 Definitions and Interpretation
- 2 Establishment of Trust
- 3 Objects of the Trust
- 4 Application of the Trust Fund and Income
- 5 Gifts
- 6 Appointment of Trustees
- 7 Duties of Trustees
- 8 Powers of Settlers
- 9 Transactions Involving Self Interest
- 10 Special Requirements Relating to Borrowing and Other Obligations
- 11 Trustees Powers
- 12 Restrictions on Benefits from the Trust
- 13 Remuneration of Trustees
- 14 Financial Statements
- 15 Appointment of Officers
- 16 Incorporation as a Board
- 17 Variation of the Trust Deed
- 18 Liability
- 19 Indemnity
- 20 Winding Up of the Trust

### Schedules

- 1 Rules Governing the Appointment and Removal of Trustees
- 2 Rules Governing the Proceedings of the Trustees
- 3 Trustees' Specific Powers

05/20/2011 DEED1



**DEED OF TRUST**

DEED dated the \_\_\_\_\_ day of \_\_\_\_\_ 2005

**PARTIES**

- 1 THE WHAKATANE DISTRICT COUNCIL and THE KAWERAU DISTRICT COUNCIL and THE OPOTIKI DISTRICT COUNCIL and THE BAY OF PLENTY REGIONAL COUNCIL and TE RUNANGA O NGATI AWA ("Settlors")
- 2 Lorraine Brill, Stuart Milne, Doug Leeder, Chris Marjoribanks ("Trustees")

**INTRODUCTION**

- A The Settlers wish to establish a charitable trust for the purpose among others, of promoting a co-ordinated approach to regional economic development throughout the Eastern Bay of Plenty. The aim is to bring together local people to achieve sustainable economic growth that produces economic benefits and quality of life improvements for all the community. The focus of the Trust is to be on enhancing economic competitiveness and ensuring the benefits of the resulting growth are felt throughout the community.
- B The Settlers have paid to the Trustees the sum of \$10.00 to be held by the Trustees upon the trusts and with the powers set out in this deed.
- C It is anticipated that further moneys, investments or property may from time to time be paid, transferred or vested in the name and control of the Trustees.
- D The Trustees have consented to become Trustees upon the trusts and with and subject to, the powers and provisions expressed in this deed.

**THIS DEED RECORDS**

- 1 **DEFINITIONS AND INTERPRETATION**

05\2\G\DEED1

Handwritten signatures and initials in the bottom right corner of the page, including names like 'Lorraine Brill', 'Stuart Milne', 'Doug Leeder', and 'Chris Marjoribanks'.

## Definitions

1.1 In this deed unless the context otherwise requires:

"Act" means the Income Tax Act 1994,

"Charitable Purpose" has the meaning given to that expression in section OB 1 of the Act,

"Eastern Bay of Plenty Community" means people who live, work or undertake their education or training in the Eastern Bay of Plenty,

"Councils" means the Whakatane District Council, Kawerau District Council, Opotiki District Council and Bay of Plenty Regional Council or such other additional local authority as may be formally recognised and represented on the Board of trustees from time to time, or in the event of any re-organisation of local government within the Whakatane District Council, or Kawerau District Council or Opotiki District Council or such other Council districts as may be represented on the Board, the principal Units of local government in those districts,

"Designated Gift" means a gift, which is subject to a trust for a specific purpose that falls within the Objects of the Trust,

"Financial Ratios" means the ratios regulating the Trust's ability to borrow money or incur liability that are set out in clause 10,

"Income Year" means any period beginning on a date in one calendar year from time to time stipulated by the Trustees and ending on the date so stipulated in the next calendar year, and subject to any such stipulation means any year ending on 30 June and includes the period from the date of this deed to the next succeeding 30 June,

"Initial Trustees" means both the Trustees who are the original signatories to this deed and any trustees appointed by the Runanga subsequent to the signing of this deed in accordance with First Schedule, clause 2.1,

"Objects of the Trust" means the objects or purposes of the Trust specified in clauses 3.1 and 3.2,

05\2\G\DEED

"Resolution" when used in the context of the Settlers making a decision by way of resolution, means a resolution passed with the consent or confirmation of such a majority of persons as required by the Local Government Act 2002 in the case of the Councils, and in the case of the Runanga, by other equivalent process,

"Runanga" means Te Runanga o Ngati Awa on behalf of the Mataatua Iwi Forum,

"Special Resolution" means a resolution passed with the consent or confirmation of not less than three-quarters of the Trustees (when the resolution is put to them),

"Term" means the period of office for which the Trustees are appointed, as provided in the First Schedule, clause 7,

"Trustees" means the trustees for the time being of this deed,

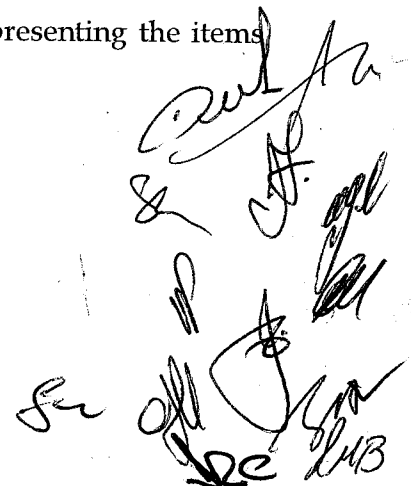
"Trust" refers to the trust constituted by this deed,

"Eastern Bay of Plenty" means the geographical region contained within the jurisdiction of the Whakatane District Council, the Kawerau District Council and the Opotiki District Council or such extended area as the Trust may determine from time to time,

"Trust Fund" means

- (a) the sum of \$10.00 referred to in paragraph B of the introduction being the initial capital settled on the Trustees, and
- (b) all other moneys or property (both tangible and intangible) paid or transferred to or acquired by the Trustees (including without limitation any moneys or property representing Designated Gifts) to be held by them upon the trusts established by this deed, and
- (c) all accumulations of income made pursuant to clause 4.3(b) and (c) of this deed and all other accretions to capital, and
- (d) all moneys invested and property from time to time representing the items mentioned in (a), (b) and (c) of this definition.

05\2\G\DEED1



The bottom right corner of the page contains several handwritten signatures and initials in black ink. There are approximately seven distinct signatures, some of which appear to be initials or abbreviations. The handwriting is cursive and somewhat overlapping.

**Interpretation**

1.2 In this deed

- (a) where the context permits, the singular includes the plural and vice versa,
- (b) references to one gender include the other gender,
- (c) references to a section number are references to all clauses of this deed identified by that number as their initial number,
- (d) references to sections, clauses and schedules are references to sections, clauses, and schedules in or to this deed unless stated otherwise,
- (e) headings are inserted for guidance only and shall not govern the interpretation of the sections and clauses that they introduce,
- (f) all references to legislation are (unless stated otherwise) references to New Zealand legislation and Include all subordinate legislation, any re-enactment of, or amendment to, that legislation and all legislation passed In substitution for that legislation.

1.3 Defined words and expressions bear the defined meaning throughout this deed including the introduction.

**2 ESTABLISHMENT OF TRUST**

2.1 The Settlers hereby direct and declare, and the Trustees hereby acknowledge, that the Trustees shall stand possessed of the Trust Fund and all income deriving from the Trust Fund in perpetuity upon the trusts and with the powers set out in this deed.

2.2 The name of the Trust shall be "THE EASTERN BAY OF PLENTY REGIONAL ECONOMIC DEVELOPMENT TRUST".

**3 OBJECTS OF THE TRUST**

3.1 The Objects of the Trust are to:

05\2\G\DEED1

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- (a) Cultivate economic initiatives and foster growth for the benefit of Maori and the Eastern Bay of Plenty Community.
- (b) Promote the economic, environmental, cultural and social well being of Maori and the Eastern Bay of Plenty Community.
- (c) Foster, develop and assist in the management of best practices and effective use of the resources of the Eastern Bay of Plenty.
- (d) Promote and nurture community-based, sustainable economic growth through projects to benefit the Maori and the Eastern Bay of Plenty Community.

3.2 To achieve the Objects of the Trust, the Trust intends pursuing a variety of initiatives including (without limitation):

- (a) Identifying and supporting opportunities for innovation, entrepreneurship and business expansion in the Eastern Bay of Plenty.
- (b) Liasing with local, regional and central government agencies to create general economic benefit for the Eastern Bay of Plenty community.
- (c) Developing population growth strategies for the Eastern Bay of Plenty.
- (d) Fostering an active partnership with Ngati Awa, Whakatohea, Ngati Whare, Te Whanau a Apanui, Tuwharetoa ki Kawerau, Ngaitai, Ngati Manawa, Tuhoe and Ngati Rangitihī, with emphasis placed on seeking ongoing opportunities to give effect to the Treaty of Waitangi.
- (e) Fostering partnerships between local industry and local high schools, tertiary and vocational institutions to develop a regional industry matched education and skills training plan in the Eastern Bay of Plenty.
- (f) The development of employment initiatives designed to retain young and skilled people in Eastern Bay of Plenty, reduce unemployment, promote and attract new investment and to encourage existing business to remain and grow in the Eastern Bay of Plenty.
- (g) Marketing and promoting business opportunities in the Eastern Bay of Plenty.

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- (h) The development of a brand that reflects the region's attributes and provides impetus for business development in the Eastern Bay of Plenty.
- (i) Identifying and managing barriers to growth and making the Eastern Bay of Plenty a more "business friendly" environment.
- (j) Encouraging research and development in the area of sustainable land use potential in the Eastern Bay of Plenty.
- (k) The development of a strategic plan for regional economic development in the Eastern Bay of Plenty.
- (l) Such other means and strategies as found in the Trust's strategic plan, and as the trustees think fit to carry on the Trust's Charitable Purposes.

3.3 The Trust will honour the Treaty of Waitangi and foster an active partnership with the Mataatua Iwi Forum.

3.4 The economic initiatives and growth strategies undertaken by the Trustees in co-operation with the Councils are to be undertaken in an Eastern Bay of Plenty context, that is to say, the Trust is to work together with the Councils and with other councils and trusts recognising the synergy gained by working together in the strength of numbers and togetherness.

#### 4 APPLICATION OF THE TRUST FUND AND INCOME

4.1 The capital and income of the Trust Fund shall be applied by the Trustees for such of the Objects of the Trust as the Trustees may from time to time determine. The Trustees need not treat each of the Objects of the Trust equally.

4.2 The capital and income of the Trust Fund shall be applied only within New Zealand to meet the Objects of the Trust. In no circumstance shall any part of the capital and income of the Trust Fund be applied outside New Zealand but the operation of this clause shall not prevent the Trust from investing in export industries that have a direct or indirect beneficial effect on the Eastern Bay of Plenty and assist the Trust in meeting its objects.

4.3 The Trustees may with respect to all or any part of the income of the Trust for each Income Year:

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- 5.3 The Trustees shall not use the assets of any separate specific trust that relates to a Designated Gift to make good any deficit, loss, damage or breach of trust relating to any other separate specific trust. Similarly, the Trustees shall not use the general assets of the Trust Fund for such purposes.
- 5.4 Each separate specific trust shall bear its own administration expenses plus a fair proportion (determined by the Trustees) of the administration expenses applicable to carrying out the general Objects of the Trust.
- 5.5 The receipt of the secretary, treasurer or other person or persons appearing to the Trustees to be authorised to give receipts on behalf of the recipient of any payment made under the terms of this deed, shall be a complete discharge to the Trustees for that payment.

## 6 TRUSTEES

- 6.1 The rules set forth in the First Schedule (with such amendments, deletions, and additions thereto as may be permitted by this Deed or at law) shall govern the appointment, retirement, removal and proceedings of the Trustees and associated matters.

## 7 DUTIES OF TRUSTEES

- 7.1 In addition to the duties arising out of and incidental to the trusts declared by this deed the Trustees shall:
- (a) Develop appropriate mechanisms to ensure the Trust Fund is applied for Charitable Purposes.
  - (b) Actively promote the work of the Trust in order to attract extra funding and for that purpose may:
    - (i) seek, accept and receive donations, subsidies, grants, endowments, gifts, legacies, loans and bequests in money, in kind or partly in both;
    - (ii) acquire, by way of purchase, lease, gift, or bequest any real or personal property for the purposes of the Trust;
    - (iii) carry out fund raising schemes and charitable projects for the purposes of the Trust, including entertainments, competitions, conferences and seminars;

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- (iv) establish, promote and foster facilities, community programmes, workshops and other activities;
- (v) publish, distribute or sell books, tapes, recordings, videos and any other means of disseminating information;
- (vi) make known and advertise the Trust and its purposes by such use of the media as the Trustees may decide;
- (vii) subsidise, encourage and co-operate with any other person, organisation or group (whether incorporated or not) sharing similar charitable objects to the Trust; and
- (viii) undertake such other activities and enterprises to further the Charitable Purposes of the Trust as the Trustees may decide.

## 8 POWERS OF SETTLORS

8.1 Except as provided in clause 8.2, the Settlers shall have no powers to give directions to or exercise control over the Trustees or any part of the Trust's activities.

8.2 The Settlers shall have the power to:

- (a) Appoint Trustees as provided in the First Schedule.
- (b) Monitor the performance of the trust and require such reports to be furnished to the Settlers as they may reasonably require from time to time, including the right to do so in respect of any designated gift or other gift made by the Settlers to the Trust.
- (c) Request that any Trustee appointed by the Settlor be removed from office in accordance with the First Schedule, clause 4. Such a request must be made in writing and must clearly specify the substantive reasons upon which the request is made.
- (d) Consider and if thought fit, approve by resolution any proposals presented by the Trustees to:
  - (i) Vary, add to or revoke any provision of the deed of trust other than the object of the trust; and
  - (ii) Wind up the trust.
- (e) Determine remuneration to the Trustees pursuant to clause 13 herein.

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- (f) Borrow funds and incur liability on behalf of the Trust if requested to do so from time to time by the Trustees.

8.3 For the avoidance of doubt, clause 8.2 does not limit the Trustees ability to meet and consult with the Eastern Bay of Plenty Regional Development Governance Group for the purpose of seeking strategic economic development advice, provided always that the Trustees are in no way obliged to adopt such advice unless the Trustees are satisfied that to do so would meet the objects of the Trust.

**9 TRANSACTIONS INVOLVING SELF INTEREST**

**Prohibition on Voting**

9.1 A Trustee or member of any committee of the Trustees shall not vote upon any matter before the Trustees or any committee in which he or she has directly or indirectly any pecuniary interest other than an interest in common with the general public, and such a Trustee or committee member shall take no part in the discussion of the matter in which he or she is interested or vote on any resolution pertaining to that matter.

**Disclosure of Interest**

9.2 Any Trustee or committee member who, under the preceding clause, is prohibited from participation in any matter before the Trustees or committee by reason of pecuniary interest shall, when the matter is raised before the Trustees or committee, disclose to the meeting the fact that he or she has such a pecuniary interest and the facts so disclosed shall be duly recorded in the minutes of the Trustees or the committee (as the case may be).

**10 SPECIAL REQUIREMENTS RELATING TO BORROWING AND OTHER OBLIGATIONS**

10.1 The Trust shall not undertake any borrowing (either with or without security) or incur any liability if the effect of undertaking that borrowing or incurring that liability would be to cause:

- (a) the amount of current liabilities to exceed 100% of current assets; and

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- (b) the amount of total liabilities to exceed 20% of the then current value of the Trust's assets as determined by a registered valuer; and
- (c) the amount of interest payable on any borrowing to exceed 40% of the Trust's net income before interest and tax (if any).

10.2 If any borrowing or liability proposed to be undertaken or incurred by the Trust:

- (a) exceeds \$250,000 it must be approved by a Special Resolution of the Trustees; and
- (b) is \$250,000 or less it must be approved by an ordinary resolution passed by a majority of the Trustees.

10.3 Before the Trustees vote on any resolution approving the borrowing of money or the incurring of any liability by the Trust, the Trustees shall:

- (a) ensure that the proposed borrowing or incurring of the proposed liability does not breach the Financial Ratios set out above, and for that purpose, seek such expert advice as the Trustees consider necessary; and
- (b) satisfy themselves that following such borrowing or the incurring of such liability the trust will continue to remain solvent and creditworthy; and
- (c) satisfy themselves that, in the event that they propose to appoint an officer pursuant to clause 15, the Trust will be able to meet any fixed term or continuing contractual or other obligation to pay the officer a salary and/or allowances.

**11 TRUSTEES POWERS**

11.1 Subject to compliance with the express terms of this deed, including the provisions of the Third Schedule, the Trustees shall have, in relation to the Trust Fund and the income arising from the Trust Fund, the same powers as if they were the beneficial owners of the property from time to time comprising the Trust Fund.

A cluster of handwritten signatures and initials in black ink, located in the bottom right corner of the page. The signatures are overlapping and include names such as 'Paul', 'John', 'Gordon', 'LMB', and 'SUN'. There are also some initials and scribbles that are difficult to decipher.

## 12 RESTRICTIONS ON BENEFITS FROM THE TRUST

12.1 If the Trustees carry on any business for the purposes of the Trust they shall ensure that no business activity is conducted that is capable of conferring any benefit on any person who falls within the category of persons referred to in the second proviso to section CB4(1)(e) of the Act, so that the income of any such business ceases to be exempt income pursuant to section CB4(1)(e) of the Act.

12.2 Notwithstanding any other provision contained in this deed:

- (a) Any income, benefit or advantage shall be applied to the Charitable Purposes of the Trust.
- (b) No Trustee shall participate in or materially influence any decision made by the Trustees in respect of the payment to or on behalf of any such Trustee, of any income, benefit, or advantage whatsoever.
- (c) Any such income paid to a Trustee shall be reasonable and relative to that which would be paid in an arms length transaction (being the open market value).
- (d) No individual shall receive private pecuniary profit, which would be contrary to the Charitable Purposes of this deed for the purposes of the Act.
- (e) The provisions and effects of this clause shall not be removed from this deed and shall be included and implied into any document replacing this deed.

## 13 REMUNERATION OF TRUSTEES

13.1 The Trustees may by ordinary resolution make application to the Settlor to be paid for their services as Trustees, provided that any remuneration is reasonable having regard to the Trustees duties and responsibilities.

13.2 Each of the Trustees shall be entitled to be reimbursed for any reasonable expenses properly incurred by that person on behalf of the Trust in the exercise of his or her powers and duties under this deed. Such payments shall be paid out of the Trust Fund or any other fund available for that purpose.

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## 14 FINANCIAL STATEMENTS

- 14.1 The Trustees shall ensure that full and correct accounts of the financial transactions of the Trust and its assets, liabilities and funds are kept.
- 14.2 The Trustees shall at the end of each Income Year have prepared financial statements including a Statement of Financial position and a Statement of Financial Performance which give a true and fair view of the financial affairs of the Trust for the immediately preceding Income Year. The financial statements for the Trust shall be completed in accordance with the requirements of the Financial Reporting Act 1993.
- 14.3 The Trustees shall provide the Councils with a copy of the Trust's financial statements at the end of each Income Year.
- 14.4 The financial statements shall be audited by an auditor appointed by and funded by the Councils for the purpose, being a person qualified for appointment as an auditor of a company pursuant to the Companies Act 1993, and not being a Trustee, employee or agent of the Trust.
- 14.5 The Councils may require the Trustees to report on any other information about the Trust and its activities at any time. The Trustees shall prepare and give the Councils such accounting and other information concerning the Trust as the Councils may require to fulfil their obligations under the Local Government Act 2002.

## 15 APPOINTMENT OF OFFICERS

- 15.1 The Trustees may from time to time appoint a chief executive, secretary, and a treasurer and such other officers and employees as are considered necessary for the administration of the Trust. Any person so appointed may be removed by the Trustees. The respective duties and conditions of appointment of such officers shall be prescribed by the Trustees from time to time.
- 15.2 Subject to clause 10.3(c), the Trustees may pay the officers such reasonable salaries and allowances as they think fit.

Handwritten signatures and initials, including 'Paul An', 'D. J. J.', 'S. J.', 'S. M.', 'S. B.', and 'LMB'.

**16 INCORPORATION AS A BOARD**

**Application**

16.1 The Trustees may apply to be incorporated as a Board under Part II of the Charitable Trusts Act 1957 under the name of the Trust.

**Board's Powers**

16.2 Upon incorporation all the powers hereby conferred on the Trustees may be exercised by the Board.

**Common Seal**

16.3 The Board shall obtain a seal and provide for its safe custody. The seal shall only be used with the authority of the Trustees, and every instrument to which the seal is affixed shall be signed by two Trustees.

**17 VARIATION OF THE TRUST DEED**

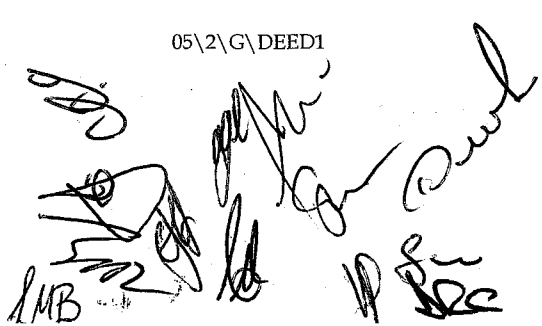
17.1 The provisions of this deed other than the objects of the trust and clause 12.2 may be revoked, varied or added to, provided that any such addition, revocation or amendment:

- (a) is approved by a Special Resolution of the Trustees and by a resolution by each of the Settlers;
- (b) is not in conflict with the Objects of the Trust;
- (c) does not affect the Trust's charitable status for tax purposes; and
- (d) has the prior written approval of the Inland Revenue Department.

**18 LIABILITY**

18.1 No Trustee shall be liable for any loss that is not attributable to that Trustee's own dishonesty or to the wilful commission or omission by that Trustee of an act known by the Trustee to be a breach of trust.

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- 18.2 The Trustees shall not be answerable for any loss that may arise by reason of any funds of the Trust being lawfully deposited in the hands of any banker, solicitor, or agent, or for the sufficiency or insufficiency of security upon which any trust money may be invested or for any loss in the administration of the Trust unless the loss happens through their neglect or wilful default.
- 18.3 No Trustee shall be bound to take or be liable for failing to take, any proceedings against a co-Trustee for breach or alleged breach of trust.

## 19 INDEMNITY

- 19.1 Each Trustee or former Trustee shall be entitled to a full and complete indemnity from the Trust Fund for any personal liability which that Trustee may incur in any way arising out of, or in connection with, that Trustee acting or purporting to act as a Trustee of the Trust, provided such liability is not attributable to that Trustee's own dishonesty, or to the wilful commission or omission by that Trustee of any act known by that Trustee to be a breach of trust.
- 19.2 The Trustees shall be entitled to take out a trustees' indemnity Insurance policy or policies in relation to the Trustees and any person employed by the Trustees and the Councils shall pay the premiums in respect of that policy or policies.

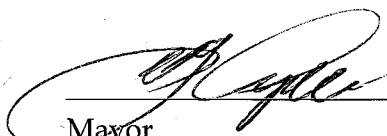
## 20 WINDING UP OF THE TRUST

- 20.1 The Trustees and the Settlers may determine to wind up the Trust provided that any such determination is approved by a Special Resolution of the Trustees and by a resolution of each of the Settlers.
- 20.2 On the winding up of the Trust all surplus assets, after payment of all costs, debts and liabilities shall be paid, applied or appropriated by the Trustees to or for any purpose within the Eastern Bay Of Plenty that the Settlers deem to be of a similar nature and for a similar purpose as the Objects of this Trust.

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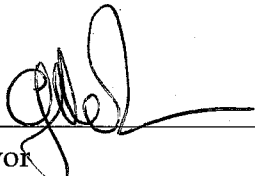
**EXECUTION**

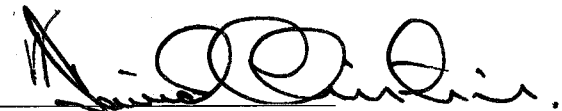
SIGNED on behalf of  
THE KAWERAU DISTRICT COUNCIL

  
\_\_\_\_\_  
Mayor

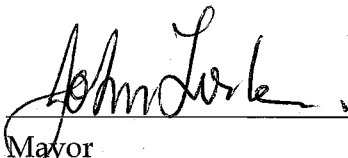
  
\_\_\_\_\_  
Chief Executive Officer

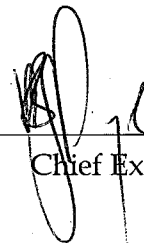
SIGNED on behalf of  
THE WHAKATANE DISTRICT COUNCIL by

  
\_\_\_\_\_  
Mayor

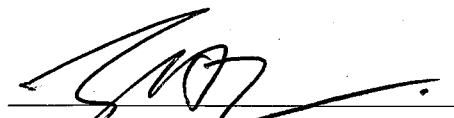
  
\_\_\_\_\_  
Chief Executive Officer


SIGNED on behalf of  
THE OPOTIKI DISTRICT COUNCIL by

  
\_\_\_\_\_  
Mayor


  
\_\_\_\_\_  
Chief Executive Officer

SIGNED on behalf of  
THE BAY OF PLENTY REGIONAL COUNCIL by

  
\_\_\_\_\_  
Chief Executive Officer

  
\_\_\_\_\_  
Chairperson

SIGNED on behalf of  
TE RUNANGA O NGATI AWA by

  
\_\_\_\_\_  
General Manager

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MB  
be.

SIGNED by Lorraine Brill )  
as Trustee in the presence of )



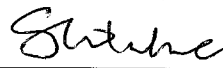
Signature of Trustee



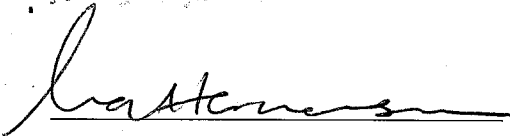
Signature of witness

Occupation: Strategic Planner  
Place of residence: Whakatane.

SIGNED by Stuart Milne )  
as Trustee in the presence of )



Signature of Trustee



Signature of witness

Occupation: Manages Marketing & Economic Development  
Place of residence: Ohope

SIGNED by Doug Leeder )  
as Trustee in the presence of )



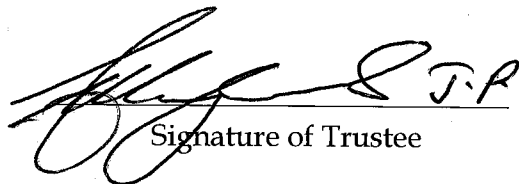
Signature of Trustee



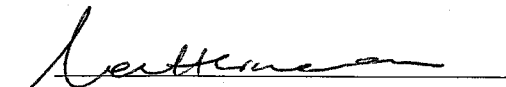
Signature of witness

Occupation: Personal Assistant (WDC)  
Place of residence: Whakatane

SIGNED by Chris Marjoribanks )  
as Trustee in the presence of )



Signature of Trustee



Signature of witness

Occupation: Manages Marketing & Economic Development  
Place of residence: Ohope

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## FIRST SCHEDULE

### Rules Governing the Appointment and Removal of Trustees

#### 1 NUMBER OF TRUSTEES

- 1.1 The Trustees shall be not less than four or more than eight in number provided always that if at any time there are less than the minimum number of Trustees in office specified for that period the remaining Trustees shall be entitled to act until the number of Trustees is restored to the minimum number and no act or decision of the Trustees shall be called in to question on such account.

#### 2 APPOINTMENT OF INITIAL TRUSTEES

- 2.1 Each of the four Councils shall appoint one Initial Trustee prior to the commencement of the term of the Trust, and the Runanga may appoint two Initial Trustees subsequent to the commencement of the term of the Trust, in each case in accordance with the criteria set out under First Schedule, clause 6.
- 2.2 The term of office of each Initial Trustee is set out at First Schedule, clause 7. Upon the expiry of the term of office of an Initial Trustee, the Settlor responsible for appointing that Trustee shall have the power to appoint a Trustee to fill that vacancy in accordance with the criteria set out under First Schedule, clause 6. If the Settlor fails to appoint a new Trustee within 21 days and the number of remaining Trustees is less than four, the remaining Trustees shall have the power to appoint a suitable person to fill such a vacancy in accordance with the criteria.

#### 3 APPOINTMENT OF OTHER TRUSTEES

- 3.1 The Trustees shall have the power to appoint additional trustees to fill any casual vacancies that occur during the term of the Trust as the Trustees deem necessary.
- 3.2 This power of appointment shall be exercised by Special Resolution of the continuing Trustees.

#### 4 REMOVAL OF TRUSTEES

- 4.1 The Trustees may remove a Trustee from office by way of Special Resolution of the continuing Trustees. Without limiting the Trustee's power of removal, the power may be exercised by the Trustees following a request from a Settlor in accordance with clause 8.2, provided that in all cases the Trustees satisfy themselves that

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adopting such a course of action is consistent with the terms and Objects of the Trust.

## 5 ELIGIBILITY FOR APPOINTMENT

5.1 The following persons shall not be eligible for appointment as a Trustee and may not hold office as a Trustee:

- (a) A bankrupt who has not obtained a final order of discharge or whose order of discharge has been suspended for a term not yet expired, or is subject to a condition not yet fulfilled, or to any order under s 111 of the Insolvency Act 1967.
- (b) A person who has been convicted of any offence punishable by a term of imprisonment of two or more years unless that person has obtained a pardon or has served the sentence or otherwise suffered the sentence imposed upon that person.
- (c) A person who has been sentenced to imprisonment for any offence unless that person has obtained a pardon or has served the sentence.
- (d) A person who is disqualified under s 199E of the Companies Act 1955 or s 151 of the Companies Act 1993 from being a director of a company.
- (e) A person who is mentally disordered within the meaning of the Mental Health (Compulsory Assessment and Treatment) Act 1992 or any enactment amending or replacing that Act.
- (f) A person who is subject to a property order made under ss 30 or 31 of the Protection of Personal and Property Rights Act 1988.

5.2 A person shall not be disqualified from appointment and may continue to hold that office:

- (a) In any case to which rule 5.1(b) applies, until the expiration of the time for appealing against the conviction and, in the event of an appeal against conviction, until the appeal has been determined.

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- (b) In any case to which rule 5.1(c) applies, until the expiration of the time for appealing against the sentence of imprisonment and, in the event of an appeal, until the appeal has been determined.

## 6 CRITERIA FOR APPOINTMENT

- 6.1 Trustees shall be primarily appointed on the basis of their acknowledged and proven skills and attributes, including their general business skills, entrepreneurial ability, financial and economic skills, and their vision for the economic development of the Eastern Bay of Plenty District.
- 6.2 The Settlers shall endeavour as far as practically possible, to appoint as Trustees people who are able to represent the major ethnic groups represented in the Eastern Bay of Plenty and shall ensure that the principles of the Treaty of Waitangi are carried into effect in the appointment of Trustees. In particular, Trustees appointed by the Settlers should be persons who:
- (a) Collectively have a range of business competencies, leadership qualities and community and cultural interests.
- (b) Are in the opinion of the Settlers best suited to:
- (i) carry out the Objects of the Trust;
  - (ii) manage the Trust on a prudent commercial basis;
  - (iii) make the Trust successful; and
  - (iv) honour the Treaty of Waitangi.
- (c) The Settlers may have regard to the following attributes in making their appointment but shall not be bound by such attributes in respect of any person or persons:
- (i) the business experience and knowledge of any Trustee or prospective Trustee obtained at a senior level in a large or a small business setting;
  - (ii) the prospective Trustee's leadership and standing in commerce and industry as well as in the community;

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- (iii) the prospective Trustee's understanding and empathy for economic and community needs of the Eastern Bay of Plenty community;
- (iv) the understanding of employment and training needs of the Eastern Bay of Plenty Community;
- (v) the ability and willingness to contribute to organisational growth of the Trust by contributing to development of strategies and business plans;
- (vi) the prospective Trustee's interpersonal skills and well developed communication, strategic planning, marketing, financial management and human resource development skills.

## 7. TERM OF OFFICE

7.1 A Trustee shall cease to hold office if:

- (a) the Trustee resigns by written notice to the Trustees;
- (b) the Trustee is ineligible for appointment as a Trustee pursuant to First Schedule, clause 5;
- (c) the Trustee dies while holding office as a trustee; or
- (d) the Trustee is removed from his office as Trustee pursuant to First Schedule, clause 4.

7.2 The first term of office of each Initial Trustee is set out below:

- (a) Lorraine Brill and Stuart Milne shall retire at the date of the annual general meeting to be held in 2006.
- (b) Doug Leeder and Chris Marjoribanks shall retire at the date of the annual general meeting to be held in 2007.
- (c) Any Initial Trustees appointed by the Runanga shall retire at the date of the annual general meeting to be held in 2008.

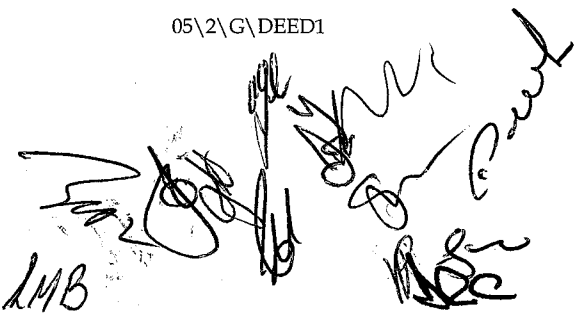
7.3 The second term of office of any Initial Trustee (if reappointed) and the term of office for any other Trustee shall be a period of three years from the date of that Trustee's appointment.

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 One signature at the top right, followed by several initials and signatures, including "Saw" and "MB".

**8 REAPPOINTMENT**

8.1 A retiring Trustee may be reappointed provided that he or she is not otherwise ineligible and that no Trustee shall be a Trustee of the Trust for more than two consecutive terms.

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## SECOND SCHEDULE

### Rules Governing the Proceedings of the Trustees

#### 1 MEETINGS OF THE TRUSTEES

- 1.1 The Trustees shall from time to time elect one of their number chairperson to preside at every meeting of the Trustees but, in the absence of the chairperson from any meeting, the Trustees present shall select one of their number to be the chairperson of that meeting.
- 1.2 The first meeting of the Trustees shall be held within one month after the date of this deed and at such time and place as they determine.
- 1.3 Subsequent meetings of the Trustees shall be held at such times and places as the Trustees determine. One such meeting shall be convened within three months after the end of each Income Year to consider the accounts for that year.
- 1.4 A special meeting of the Trustees may at any time be called by the chairperson and the chairperson shall convene a special meeting if requested to do so in writing by a majority of the Trustees not less than seven clear days notice of every special meeting and of the business to be transacted shall be given to each Trustee for the time being in New Zealand business other than that specified in the notice shall be transacted at that meeting.

#### 2 QUORUM

- 2.1 At all meetings of the Trustees the quorum necessary for the transaction of business shall be a majority of the Trustees in office for the time being.

#### 3 VOTING

- 3.1 Every question before the Trustees that is not required to be resolved by a Special Resolution may be resolved by a resolution passed by a bare majority of the Trustees present at the meeting. A Trustee present at a meeting of the Trustees is presumed to have agreed to, and to have voted in favour of, a resolution of the Trustees unless that Trustee expressly dissents from, or votes against, the resolution at the meeting. In the case of an equality of votes the chairperson shall have a second or casting vote.

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Handwritten signatures and initials, including names like 'G.P.', 'L.M.B.', and 'G.P.'.

#### 4 WRITTEN RESOLUTION

- 4.1 A written resolution signed by all the Trustees is as valid and effective as if passed at a meeting of the Trustees any such resolution may consist of several documents (which may be transmitted by facsimile or other similar means) in substantially the same form, each signed by one or more Trustees.

#### 5 VALIDITY OF PROCEEDINGS

- 5.1 All acts done by the Trustees or by any meeting of a committee shall, notwithstanding that it be afterwards discovered that there was some defect in the appointment of any of their number or that any of them were for any reason disqualified, be as valid as if the person concerned had been duly appointed and was qualified so to act.
- 5.2 The lack of the minimum number of Trustees at the commencement of a Term or during a Term, shall not limit or affect the powers of the appointed Trustees to carry out and discharge the functions of the Trustees under the Trust, pending the appointment of a further Trustee or Trustees to achieve the minimum number of Trustees required by this deed.

#### 6 RECISSION OR VARIATION OF RESOLUTIONS

- 6.1 Any resolution of the Trustees may be rescinded or varied from time to time by the Trustees by subsequent resolution passed by the same majority.

#### 7 COMMITTEES

- 7.1 The Trustees may from time to time appoint one or more committees for making any inquiry or recommendation on any matter relating to the Objects of the Trust, for considering, supervising or transacting any business of the Trust, for the investment and management of the Trust Fund, or for the performance of any duty or function which in the opinion of the Trustees will further the Objects of the Trust Subject to these rules, and to any directions from time to time given by the Trustees, every such committee may regulate its own procedure but so that a quorum at any meeting of the committee will be a majority of its members for the time being persons other than Trustees may be co-opted to serve on any such committee.

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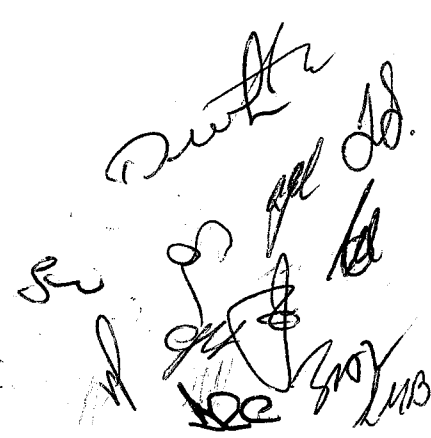
**8 METHODS OF HOLDING MEETINGS**

8.1 A meeting of the Trustees (or a committee of the Trustees) may be held either:

- (a) by a number of the Trustees (or the committee members) who constitute a quorum being assembled together at the place, date and time appointed for the meeting; or
- (b) by means of audio, or audio and visual, communication by which all the Trustees (or committee members) participating and constituting a quorum can simultaneously hear each other throughout the meeting.

**9 MINUTES**

9.1 The Trustees and any committee shall cause minutes to be kept of their meetings.

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**THIRD SCHEDULE**  
Trustees' specific Powers

Subject to any express terms in this deed limiting or restricting the exercise of the following powers, the Trustees shall have the power to:

- 1 Invest the Trust Fund or any part of it in any property in New Zealand, notwithstanding that the property acquired may be subject to any liability.
- 2 Sell all or any part of the property comprising the Trust Fund at such price on such terms and subject to such conditions as the Trustees in their absolute discretion think fit with power to allow the whole or any part of the purchase money to remain owing as a debt to the Trust.
- 3 Retain property forming part of the Trust Fund notwithstanding its wasting or hazardous nature.
- 4 Subject to compliance with the Financial Ratios (where applicable), borrow moneys or incur liabilities on such terms and subject to such conditions as the Trustees think fit.
- 5 Lease or take on lease or licence any property on such terms and subject to such conditions as the Trustees think fit and to accept or effect such surrenders of leases and licences as they think fit.
- 6 Lend moneys on such terms and subject to such conditions as the Trustees think fit.
- 7 Subject to the restriction imposed in clause 12.1, to carry on any business for the purposes of the Trust.
- 8 Maintain manage repair improve and develop any property or an interest in which for the time being forms part of the Trust Fund in such manner as the Trustees shall think fit.
- 9 Open an account or accounts at any time or times in any name or names and either on their own behalf or jointly with others at any Bank and to overdraw any such account with or without giving security and, in addition to the powers conferred by section 81 of the Trustee Act 1956, to make arrangement with any Bank for any Trustee and/or any delegate or delegates named in writing by the Trustees to operate upon any account at that Bank. All sums of money received on account of

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*[Handwritten signatures and initials, including "LMB" and "MB"]*

the Trust shall be forthwith paid into the credit of such account or accounts unless otherwise expressly ordered by the Trustees. All negotiable instruments and all receipts for money paid to the Trust shall be signed, drawn, accepted, endorsed or otherwise executed as the case may be in such manner as the Trustees from time to time determine.

- 10 Insure against loss or damage by any cause whatsoever any insurable property to any amount not exceeding the full insurable value thereof or the full replacement value thereof as the Trustees may in their absolute discretion from time to time think fit.
- 11 Enter into contracts of any nature whatsoever for the purpose of protecting maintaining or enhancing the value of all or any assets acquired or held by the Trustees or which the Trustees have the right to acquire or hold.
- 12 Delegate any of their powers and duties to any committee or committees consisting of the Trustees and/or such other persons as they may appoint for the purpose.
- 13 Subject to the provisions of this deed, to exercise as the Trustees in their absolute discretion think fit all the voting powers attaching to any shares forming part of the Trust Fund. For the purpose of exercising their discretion, the Trustees may consider any recommendations made by the directors of any company on any proposal relating to any reconstruction or amalgamation or merger of the company or any subsidiary or any modification of the rights of shareholders or any increase in reduction of capital or other dealing with the shares. After giving due consideration to such recommendations of the directors the Trustees may make a decision to exercise their voting powers, provided that the Trustees consider in their absolute discretion that to do so will be for the benefit, or in the interests, of the Trust Fund.
- 14 Determine whether any money is to be considered as capital or income, and which expenses should be paid out of capital and out of income respectively, and also to apportion blended funds each determination or apportionment shall be final and binding on all persons beneficially interested in the Trust Fund.
- 15 Set up and maintain any depreciation or replacement funds for any purpose the Trustees may consider advisable, and in this regard to determine in their discretion:

(a) The amount of income to be credited from time to time to any of those funds;

and

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- (b) Whether those funds are income or capital.
- 16 Subject to Third Schedule, clause 9, enter into, or join in entering into, any guarantee by the Trustees, alone or together with any other person, the giving of which the Trustees may decide to be in the best interest of the Trust and/or in furtherance of the Objects of the Trust and to authorise any company in which the Trustees shall hold shares, securities or other rights to enter into such a guarantee or to enter into any other arrangement whatsoever which the Trustees may decide to be in the interests of the Trust and/or in furtherance of the Objects of the Trust and in support of, or in lieu of, any such guarantee to give security over the whole of the Trust Fund or any property comprised therein.
- 17 Exchange property, with or without payment or receipt of moneys for equality of exchange.
- 18 Subscribe for or otherwise acquire the shares, securities or other rights of any company, whether or not the same may be issued with any deferred, limited or special rights and notwithstanding that any such shares, securities or other rights may not be fully paid up or may have restricted or limited rights of voting.
- 19 Employ and discharge such managers, agents, employees, valuers, surveyors, engineers, solicitors, accountants and other persons as the Trustees may decide, and to pay such remuneration in each case as the Trustees consider expedient provided such remuneration is reasonable, and generally instead of acting personally to employ and pay any person to do any act relating to the trusts hereto (including the receipt and payment of money), without being liable for any loss incurred thereby.
- 20 Do such other acts and things as the Trustees may in their absolute discretion consider incidental or conducive to the attainment of the Objects of the Trust.

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**Receives Only – No Decisions**

**Report To:** Regional Council

**Meeting Date:** 21 March 2019

**Report From:** Mat Taylor, General Manager, Corporate

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## **Bay of Plenty Local Authority Shared Services (BOPLASS) Draft Statement of Intent 2019/20, and Half Yearly Report 2018/19**

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### **Executive Summary**

BOPLASS is a Council Controlled Organisation (CCO). Schedule 8 of the Local Government Act 2002 requires Council Controlled Organisations to deliver to shareholders a draft Statement of Intent for the coming financial year, by 1 March in the preceding financial year.

#### Half Yearly Report 2018/19

Appendix 1 provides the Half Yearly Report which reviews the performance for the six months from July to December 2018. A number of initiatives are currently underway including the significant on-going savings achieved through joint procurement.

#### Draft Statement of Intent 2019/20

The cover letter and draft Statement of Intent (SOI) 2018/19 sets out Objectives, and the nature and scope of activities, and the performance targets, and financial forecasts for 2019/20, 2020/21, and 2021/22.

Performance targets set out for the SOI are intended to provide targets and measures to ensure on-going reporting and monitoring of organisational effectiveness. The draft SOI 2019/20 continues to represent maintaining the current practice of making strong financial savings from joint procurement initiatives, although not realising the full potential for shared services opportunities.

### **Recommendations**

**That the Regional Council:**

- 1 Receives the report, Bay of Plenty Local Authority Shared Services (BOPLASS) Draft Statement of Intent 2019/20, and Half Yearly Report 2018/19;**
- 2 Notes the Draft SOI 2019/20, and Half Yearly Report 2018/19.**

### **1 Background**

BOPLASS is a Council Controlled Organisation (CCO). Schedule 8 of the Local Government Act 2002 requires Council Controlled Organisations to deliver to shareholders a draft Statement of Intent for the coming financial year, by 1 March in the preceding financial year. The Bay of Plenty Regional Council, as a shareholder, then has up to two months to make comments on the draft.

The CCO Board must consider these comments and deliver a final Statement of Intent to shareholders before the 30 April 2019.

**Representatives from BOPLASS will attend the Council meeting to present their report and draft SOI.**

## **2 2018/19 Half Yearly Report**

BOPLASS is a Council Controlled Organisation (CCO). The CCO's Statement of Intent and the Local Government Act 2002 requires it to report performance to Council half yearly and annually. Appendix 1 provides the Half Yearly Report which reviews the performance for the six months from July to December 2018.

A number of initiatives are currently underway including the significant on-going savings achieved through joint procurement.

## **3 Draft Statement of Intent 2019/20**

The draft Statement of Intent 2019/20 is attached as Appendix 2 to this report and includes:

- Objectives
- Nature and Scope of Activities,
- Governance
- Future developments,
- Performance targets, and
- Financial forecasts for 2019/20, 2020/21, and 2021/22.

The covering letter provided with SOI states:

*The primary document setting out the company's strategic direction is the Statement of Intent which is required to be consulted on and approved by Directors each year. Schedule 8 (9) of the Local Government Act 2002 sets out the content of the document which must cover the next three financial years.*

*A formal draft document has been approved by the Board for circulation to Shareholders by 1 March 2019. Following the two months allowed for submissions the Directors must consider any comments made by Shareholders and approve a final document by 30 June 2019.*

*The approved draft is attached and is now circulated for Shareholder comment. The council's Chief Executive is the Shareholder representative and will be responsible for representing the views of the council to the Board in writing prior to 30 April 2019.*

*We believe that the document realistically deals with the challenges facing the company, identifies ways in which it can contribute value to its constituent councils and reflects an awareness of the challenges facing Local Government. We look forward to any comments your council wishes to make.*

BOPRC continue to be committed to shared service opportunities across the Bay of Plenty where they make sense from an economic and/or an increased customer experience. Performance targets set out for the SOI are intended to provide targets and measures to ensure on-going reporting and monitoring of organisational effectiveness.

The draft SOI 2019/20 continues to represent maintaining the current practice of making strong financial savings from joint procurement initiatives, although not realising the full potential for shared services opportunities.

## **4 Council's Accountability Framework**

### **4.1 Community Outcomes**

BOPLASS contributes to Community Outcomes in the council's Long Term Plan 2018-2028.

### **4.2 Long Term Plan Alignment**

This work is planned under the Corporate Services Activity in the Long Term Plan 2018-2028.

Your Report starts here. Free type your headings and text. Suggested headings:

## **5 Budget Implications**

### **5.1 Current Year Budget**

This work is being undertaken within the current budget for the Corporate Services Activity in the Annual Plan 2018/19.

### **5.2 Future Budget Implications**

Future work is provided for in Council's Long Term Plan 2018-2028.

## **6 Community Outcomes**

This item/project directly contributes to all Community Outcome in the Council's Long Term Plan 2018-2028.

Mat Taylor  
**General Manager, Corporate**

**12 March 2019**

# **APPENDIX 1**

## **Half yearly report 2018-2019**





**BOPLASS Ltd**

# HALF YEARLY REPORT TO SHAREHOLDERS



Period ended 31 December 2018

**“COUNCILS PARTNERING FOR VALUE AND SERVICE”**

Page 103 of 200







## BOPLASS Chair's Report

It is with pleasure the Directors present their 2018/2019 Half Yearly Report to Shareholders demonstrating the continuing contribution the company makes to collaboration between councils.

There has been one change to the Board this year and we welcome the Whakatane District Council Chief Executive, Stephanie O'Sullivan, to the Board as Director and Shareholder Representative.

The first six months of this year has seen a number of new projects initiated by BOPLASS and also continued success with ongoing joint procurement. A unique approach to the tender for aerial imagery resulted in a vendor being appointed at approximately \$100,000 less than budgeted, with the participating councils benefiting directly from these additional savings. The lead BOPLASS is providing in coordinating a Provincial Growth Fund application for the capture of LiDAR to provide 3D mapping for the entire BOP region provides the opportunity for our councils to benefit by up to \$1,000,000 through this co-funding.

BOPLASS has continued the investigation of collaborative opportunities outside of back of office services and a project is currently underway to investigate improved coordination of capital works programmes across the region. This provides the potential for collective marketing of a sequenced programme to assist in attracting improved responses from contractors. Scoping of the solid waste projects being led by BOPLASS has now been completed with Waikato and BOP councils currently reviewing the collaborative approach to progressing these projects.

The BOPLASS Health and Safety group continues to deliver significant value through productive collaboration between BOP and Waikato councils. The sharing of information and partnering in projects is a good example of how all parties can benefit through collaboration and how this significantly reduces duplication of effort. A project is currently underway to develop Health and Safety Benchmarking across the councils so councils can continue to benefit from sharing information and learnings. BOPLASS has recently assisted the councils in the procurement of Health and Safety management software. This collective approach resulted in councils achieving significant cost savings and a standard technology platform across the majority of BOP and Waikato councils.

The Collaboration Portal continues to prove its value in the NZ local government community by providing improved visibility of participating councils' work plans and it is becoming an essential conduit for the sharing of information across councils. A project is being managed by BOPLASS to further develop the Collaboration Portal to assist NZ councils in developing a higher level of sharing.

BOPLASS also has a number of active procurement opportunities either in the formative stage or about to go to tender. Additional information about current projects is available in the attached report.

Yours faithfully

Craig O'Connell

**Chair**





**BOPLASS Ltd**

**"COUNCILS PARTNERING FOR VALUE AND SERVICE"**

# HALF YEARLY REPORT TO SHAREHOLDERS

**27 FEBRUARY 2019**

## 1 INTRODUCTION

The Local Government Act 2002 requires that the Directors deliver to the Shareholders a report within two months of the end of the first six months of the financial year. The report is required to provide information against the objectives set out in the Statement of Intent. The following report records the objectives of the company and reports on performance against a table of specific performance requirements set out in the Statement of Intent.

## 2 OBJECTIVES OF BOPLASS LTD

The company exists to provide councils in the Bay of Plenty and Gisborne regions with an umbrella vehicle to investigate, procure, develop and deliver shared services.

Working together with the full support and involvement of staff, we will provide benefit to councils and their stakeholders through improved levels of service, reduced costs, improved efficiency and/or increased value through innovation.

These will be achieved primarily through:

### JOINT PROCUREMENT

Being the procurement of services or products by two or more councils from an external provider regardless of whether the service is paid for through BOPLASS or individually by participating councils.

### SHARED SERVICES

Being the participation of two or more councils in the provision of a common service which may be jointly or severally hosted.

## 3 GOVERNANCE

In the year to date the governance structure has remained stable with the only change being the appointment of the Whakatane Chief Executive, Stephanie O'Sullivan, to the Board as Director and Shareholder Representative.

## 4 NATURE AND SCOPE OF ACTIVITIES

The principle nature and scope of the activities of BOPLASS Ltd is to:

- *Use joint procurement to add value to goods and services sourced for its constituent councils.*
- *Facilitate shared services that benefit councils and their stakeholders through improved levels of service, reduced costs, improved efficiency, innovation and/or increased value.*
- *Pursue best practice in the management of all activities to obtain best value and minimise risk.*
- *Demonstrate fiduciary responsibility by ensuring that its activities are adequately funded from savings achieved, levies, council contributions, or Government funding where available.*
- *Allow other councils or organisations to participate in its activities where this will benefit its constituent councils directly or indirectly.*
- *Represent the collective views of its shareholders in matters with which it is associated.*

## 5 FUTURE DEVELOPMENTS

BOPLASS Ltd will continue to work on business cases for joint procurement and shared services that may be provided in the region or cross-regionally.

The Board has adjusted its strategy to ensure that BOPLASS is focused on lifting the effort on shared services and innovation and delivering wider value than just procurement savings.

Current feasibility studies for shared services include but are not limited to:

- GIS;
- ICT strategy and services;
- Joint software support;
- High speed fibre network services;
- Digitalisation Services;
- Accounts payable processing;
- Collaboration Portal;
- Archive services;
- Health and safety;
- Radio-telephony;
- IT datacentre/hosting;
- Regional waste facilities strategy
- Diversion of putrescible waste from landfill
- Waste collections licensing and data.
- Insurance valuations
- Robotic Process Automation

Other shared services may be provided after the Board has considered each individual business case and formally agreed to take on and deliver (or host/procure etc.) the shared service.

Joint procurement opportunities will continue to be identified and developed with individual councils engaging under the opt-in principle established by the Board. Joint procurement initiatives will be considered by the Board and/or its advisory groups where there is demonstrated support from two or more member councils.

The Board supports BOPLASS continuing to develop collaboration opportunities outside of the regional boundaries. BOPLASS will continue to proactively explore opportunities to partner with other Local Authorities and shared services organisations within New Zealand where they are developing, or considering developing, cost effective shared services and products that are of value to the Bay of Plenty and Gisborne councils.

BOPLASS development of the Collaboration Portal for the sharing of information on shared services or joint procurement opportunities within the constituent councils has identified a number of duplicate projects across councils that present an opportunity for further collaboration. The BOPLASS Collaboration Portal is now used by other LASS and councils and provides an opportunity to assist with the identification and management of inter-regional collaboration opportunities. BOPLASS will continue to develop the Collaboration Portal and make it available to the wider local government community.

The BOPLASS Operations Committee will continue to manage responsibility for regular monitoring and governance of operational aspects of BOPLASS projects, allowing the Board to primarily focus on supporting the strategic development of the organisation. The committee members will also be responsible for identifying additional BOPLASS projects that add value to the shareholding councils and advocating these projects within their respective councils.

## 6 PERFORMANCE TARGETS

To ensure the company continues to operate effectively in both governance and management terms over the next three years the current SOI targets are to:

- Investigate new joint procurement initiatives for goods and services for BOPLASS councils.
- Provide support to BOPLASS councils that are managing or investigating shared services projects.
- Further develop and extend the Collaboration Portal for access to, and sharing of, project information and opportunities from other councils and the greater Local Government community to increase breadth of BOPLASS collaboration.
- Ensure appointed vendors remain competitive and continued best value is returned to shareholders.
- Review governance performance and structure to ensure it supports BOPLASS' strategic direction.
- Communicate with each shareholding council at appropriate levels.
- Ensure current funding model is appropriate.

The Board believes that all targets are being achieved or are on-track to be achieved, as is demonstrated by the following list of current initiatives.

## 7 CURRENT INITIATIVES

The following initiatives have been under consideration or operating during the first part of the year:

### HIGHLIGHTS

- Aerial Imagery and LiDAR Tender – A sub-regional tender has been recently awarded to AAM NZ Ltd for Aerial Imagery and \*LiDAR, with aerial capture being undertaken during the summer of 2018-19. An additional financial savings of approximately \$100,000 was achieved (beyond the benefits of a collective tender) through a unique flying and capture process being utilised.

*\*LiDAR (Light Detection and Ranging) data, or height data, is precise laser measurements of the Earth's surface that is used for creating highly accurate 3D maps of the land. LiDAR is particularly useful for flood modelling purposes because it provides accurate terrain and surface models of the land. LiDAR allows us to better understand where water will flow, what protection may be needed and where the areas at greatest risk from flooding are.*

- Provincial Growth Fund Application for LiDAR Capture – BOPLASS is managing a coordinated regional approach to a Provincial Growth Fund application for LiDAR capture for the entire Bay of Plenty region. Co-funding is available through the Fund to invest in an expansion of 3D mapping to assist with supporting major development projects and improve land use management in the regions.
- Account Payable Automation Software – BOPLASS is leading a project to identify collaborative opportunities for the automation of accounts payable processes through specific software or collective development of a shared solution.
- Robotic Process Automation – RPA provides an opportunity for the automation of repeatable processes that can run without intervention. BOPLASS has facilitated workshops with vendors and also with Auckland Council as they have developed a mature process for developing solutions based upon various business units' requirements.
- Drug and Alcohol Testing – BOPLASS is currently managing a tender on behalf of Waikato and BOPLASS councils for drug and alcohol testing services. The majority of Waikato and BOPLASS councils currently use the same provider for alcohol and drug testing services but rates and services are based upon individual contracts and vary across councils.
- Lone Worker Field Solutions – The BOPLASS Health and Safety group have engaged with vendors to review communication and technology solutions for lone or remote workers.
- Video Conferencing – New video conference services have been established using Canon and Zoom to deliver desktop and meeting room services to participating councils.
- Debt Management – BOPLASS has engaged with MWLASS to investigate opportunities for BOPLASS councils to participate in their debt management service (Debt Management Central) as a shared service. The level of engagement will vary from council to council dependent on each council's requirements.
- Community Communications Services – BOPLASS is investigating opportunities for a standard communications platform to allow councils to connect and communicate with their communities through a mobile device app.

- Infrastructure Insurance – BOPLASS has recently represented a collective group of councils in negotiations for placement of councils' infrastructure insurance into the London markets. Although faced with a hardening insurance market BOPLASS councils were able to achieve particularly good outcomes as a result of our existing underwriter relationships and a good history within the London insurance markets. This was supported by accurate loss modelling information, asset valuations, and risk quantification data, all of which have become essential information in securing appropriate and competitively priced insurance.
- Sustainability in Procurement – BOPLASS has recently supported Toi-Ohomai Institute of Technology in a research report on Sustainable Public Procurement in the Bay of Plenty. BOPLASS is now working with COBOP and The Sustainable Business Network to progress the opportunities identified in the report. The research report investigates how procurement policies and practices of local government authorities in the Bay of Plenty are aligned with the Australian and New Zealand Government Framework for Sustainable Procurement.
- Inter Council Network – An initiative with FX Networks/Vocus and the One.Govt consortium providing a 1Gbps fibre connection between the majority of BOPLASS councils. A technology and service review has resulted in reduced costs for this foundation service.
- Health and Safety Management Software – A BOPLASS preferred supplier agreement has been established with Vault with preferential pricing applied to all participating Waikato and BOPLASS councils. The agreement provides significant savings for all councils and migration to the latest Vault version at no cost to participating councils.
- Health and Safety Benchmarking – The BOPLASS and Waikato LASS health and safety groups are reviewing the opportunity of implementing a local authority health and safety benchmarking system.
- Radio Telephony (RT) Strategy – Push Wireless have been appointed as preferred supplier to coordinate region-wide Radio Telephone services and technologies. Standardisation of services and networks also provides the potential for further alignment in civil defence strategies.
- Solid Waste Management – Scoping for two of the three solid waste services that are being coordinated by BOPLASS has been completed, with significant opportunities for cross-regional collaboration identified:
  - A regional or cross-regional approach to licensing and data collection for waste operators
  - Diverting putrescible wastes from landfill

The Regional Facilities Strategy project is awaiting commitment from Waikato councils before completing the initial scoping.
- Capital Construction and Civil Works Projects – A regional-wide marketing approach to civil projects is being reviewed. The focus of this approach is to market the project plans of the region as a whole to the construction sector and to help avoid the complex issue of regional versus local prioritisation for delivery of projects. The anticipated benefit of this approach is to attract a better response from contractors for councils across the region.
- Collaborative Training – Cross-council training has continued to be arranged across a number of areas of council business, providing for discounted rates, reduced staff travel (as trainer is prepared to travel to region for a larger group), opportunity to network with peers from other councils and development of tailored material.

- Collaboration Portal – The Collaboration Portal was developed by BOPLASS to provide improved visibility of existing and potential collaboration opportunities across councils and to facilitate improved sharing of information. A project is underway to further develop the Collaboration Portal to enable and encourage a higher level of sharing.
- Inter-LASS collaboration – BOPLASS continues to encourage collaboration between all LASSes and has established quarterly meetings for LASS leaders to share information and identify opportunities for collective partnering.
- Communication – BOPLASS continues to regularly engage with our constituent councils, senior management and shareholders to ensure opportunities continue to be developed to the benefit of all stakeholders.
- Viability of Current Funding Model – The sources of BOPLASS funding and the viability of the funding model are regularly reviewed with financial reporting provided to the BOPLASS Board.

## 8 FINANCIAL REPORTS

### 1. Financial Support and Accounting Services

Accountancy services and support continue to be provided by Tauranga City Council.

### 2. Accounting Policies

The company is compliant with the accounting policies stated in the Statement of Intent.

### 3. Tier 2 PBE Accounting Standards Applied

The financial accounts are prepared with application of Tier 2 accounting standards.

### 4. Financial Reports

Financial Reports for the period to 31 December 2018 are attached.

### 5. Variations

The organisation is operating within budget and has achieved a reasonable revenue stream for the first half of the year.

Included are the service related payments for services accessed by councils.

Project expenses, and conversely, project recoveries are reporting lower than budget due to the timing of additional projects being undertaken by BOPLASS.

Revenue from rebates exceeds budget as a supplier rebate is to be paid this year covering a prior period.

An additional video conference service has been established for participating councils resulting in increased expenditure and revenue recoveries.

Savings have been made in core ICN costs and this is reflected in the reduced revenue and expenditure of ICN services.

Aerial photography revenue and expenditure will remain lower than budget this year due to BOPLASS achieving exceptionally good pricing through our most recent tender.



## 9 STAFFING, ACCOMMODATION AND SUPPORT

### **Staff**

Staffing levels are unchanged with a part-time administrator continuing to provide additional project support and management of existing activities.

### **Accommodation and Support**

We continue to appreciate the office space provided at Tauranga City Council and the support that is offered for IT and Accounting services. Although there is a monthly fee there is still a contribution in kind.

**BOP LASS LTD**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE MONTH ENDED 31 DECEMBER 2018**

	Actual YTD	Budget YTD	Total Budget	YTD Variance
<b>REVENUE</b>				
<b>Revenue - Core</b>	<b>166,082</b>	<b>159,750</b>	<b>319,510</b>	<b>6,332</b>
Bank Interest Received	379	498	1,000	-119
Council Contribution	136,755	136,752	273,510	3
Sales of Service	28,948	22,500	45,000	6,448
<b>Revenue - Projects</b>	<b>770,449</b>	<b>979,748</b>	<b>1,563,500</b>	<b>-209,299</b>
Bank Interest Received	5,167	8,250	16,500	-3,083
Aerial Photography Income	85,606	250,000	600,000	-164,394
Collaboration Portal	78,400	63,000	100,000	15,400
Lease Income - ICN	62,851	87,500	175,000	-24,649
Lease Income - Video Confer.	30,196	6,498	13,000	23,698
Recoveries	482,242	560,000	650,000	-77,758
Rebates	25,988	4,500	9,000	21,488
<b>Total Operating Revenue</b>	<b>936,531</b>	<b>1,139,498</b>	<b>1,883,010</b>	<b>-202,967</b>
<b>EXPENSES</b>				
<b>Expenditure - Core</b>	<b>214,580</b>	<b>237,966</b>	<b>440,400</b>	<b>-23,386</b>
ACC	864	1,500	1,500	-636
Accommodation & Travel	540	750	1,500	-210
Accounting & Audit	543	17,500	17,500	-16,957
Administration	15,212	12,000	24,000	3,212
Amortisation	3,335	6,000	12,000	-2,665
Bank Fees	160	204	400	-44
Conferences	2,655	1,002	2,000	1,653
Depreciation	704	0	0	704
Directors Costs	12,126	9,000	18,000	3,126
Fringe Benefit Tax	2,240	3,500	7,000	-1,260
General & Catering Expenses	877	1,002	2,000	-125
Health & Safety	0	504	1,000	-504
Insurance	8,425	8,000	8,000	425
Interest Paid – TCC Loan	1,056	1,000	1,000	56
Legal	0	2,000	2,000	-2,000
Salaries	161,867	162,498	325,000	-631
Salaries – C'Portal Opex	-11,692	-4,998	-10,000	-6,694
Staff Support Costs	12,169	10,002	20,000	2,167
Staff Training Costs	0	1,002	2,000	-1,002
Subscriptions	0	1,000	1,000	-1,000
Tax Advice	3,500	4,500	4,500	-1,000
Write Off reconciliations	0	0	0	0
<b>Expenditure - Projects</b>	<b>662,263</b>	<b>909,306</b>	<b>1,442,610</b>	<b>-247,043</b>
Aerial Photography Expense	85,606	250,000	600,000	-164,394
Collaboration Portal Opex	15,742	19,998	40,000	-4,256
Lease Expense - ICN	54,115	85,002	170,000	-30,887
Lease Expense – Video Confer.	29,635	6,306	12,610	23,329
Projects - Recoveries	477,164	548,000	620,000	-70,836
<b>Total Operating Expenditure</b>	<b>876,843</b>	<b>1,147,272</b>	<b>1,883,010</b>	<b>-270,429</b>
<b>Operational Surplus / (Deficit) before Tax</b>	<b>59,689</b>	<b>-7,774</b>	<b>0</b>	<b>67,463</b>

**BOP LASS LTD  
STATEMENT OF FINANCIAL POSITION  
AS OF DECEMBER 2018**

	Actual YTD
<b>Current Assets</b>	
Cheque Account	\$203,036
Trust A/c Aerial Photography	\$374,462
Term Deposit – #1	\$300,000
Term Deposit – #2	\$250,000
Term Deposit – #3	\$250,000
Trade Debtors	\$39,733
Accrued Revenue	58,871
Withholding Tax	\$16,804
Prepayments	\$39,227
<b>Total Current Assets</b>	<b>\$1,532,133</b>
<b>Non-current assets</b>	
Intangible - Computer Software	\$66,465
Amortisation	(\$50,395)
Computer Equip at cost	\$3,995
Computer Equip depreciation	(\$1,908)
Office equip at cost	\$0
Office equip depreciation	\$0
<b>Total Non-current assets</b>	<b>\$18,158</b>
<b>TOTAL ASSETS</b>	<b>\$1,550,290</b>
<b>Current Liabilities</b>	
Trade Creditors	\$96,356
Accrued Expenses	\$180,089
GST Collected, Paid, Payments/refunds	(\$14,359)
Retentions	\$56,761
Accrued Salaries and Wages	\$5,127
Accrued Leave Entitlements	\$11,300
PAYE Accruals Payable	\$10,207
Income in Advance	\$1,105,364
TCC Loan	\$0
<b>Total Current Liabilities</b>	<b>\$1,450,845</b>
<b>TOTAL LIABILITIES</b>	<b>\$1,450,845</b>
<b>NET ASSETS</b>	<b>\$99,445</b>
<b>Equity</b>	
Current Year Earnings	\$59,689
Retained Earnings	(\$59,245)
Share capital	\$99,002
<b>TOTAL EQUITY</b>	<b>\$99,445</b>



## **APPENDIX 2**

### **BOPLASS SOI 2019-2022 approved draft**





**BOPLASS Ltd**

# STATEMENT OF INTENT FOR 2019-2022



June 2019

**“COUNCILS PARTNERING FOR VALUE AND SERVICE”**





## **1 Introduction**

This Statement of Intent (SOI), developed under Schedule 8 of the Local Government Act 2002, is:

- A public declaration of the activities and intentions of BOPLASS Ltd and the objectives to which those activities will contribute.
- Provides an opportunity for the shareholders to influence the direction of BOPLASS Ltd, and
- Provides a basis for the accountability of the Directors to the Shareholders for the performance of BOPLASS Ltd.
- This Statement of Intent covers BOPLASS Ltd and any subsidiary company established in pursuance of the objectives herein.

## **2 Background**

The councils that operate within the Bay of Plenty and Gisborne Regions have formed a Council Controlled Organisation (CCO) to investigate, develop and deliver Joint Procurement and Shared Services projects where delivery is more effective for any combination of some or all of the councils.

Benefits that can be achieved through collaboration are:

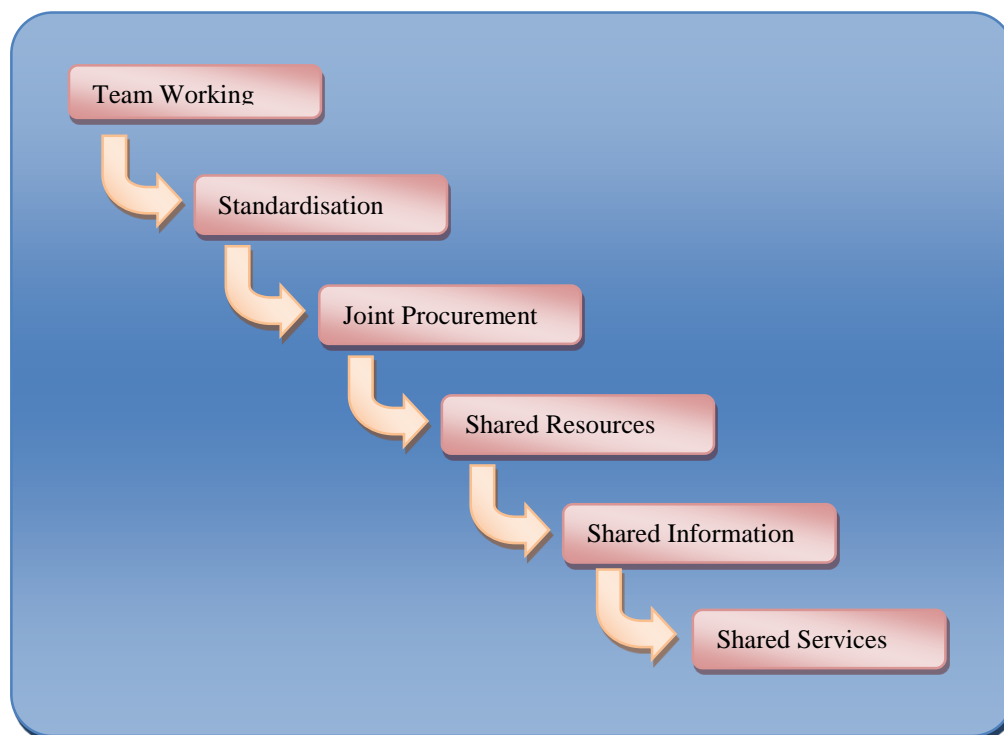
- improved levels and quality of service;
- a co-ordinated and consistent approach to the provision of services;
- reductions in the cost of support and administrative services;
- opportunities to develop new initiatives;
- economies of scale resulting from a single entity representing many councils in procurement;

These benefits and opportunities can apply to all councils irrespective of location or size.

Business processes, information architectures and functional tools differ in each council to varying degrees. The BOPLASS strategies facilitate a journey of progressive development using the approach identified in the BOPLASS Strategy and Action Plan to:

- Enhance the capability to collaborate,
- Encourage the elimination of barriers to collaborative action and
- Identify services that deliver viable business cases.

A generic sequence or stages of collaboration between multiple councils is followed to develop Shared Services, as shown in Figure 1.



Many of the BOPLASS Joint Procurement projects have supported the development of standard products, services or solutions across the councils. These standards assist in creating a foundation for the delivery of collaboration within the councils.

Examples of procurement and projects are:

- Establishment of 1GB fibre Inter Council Network (ICN)
- Information Services Strategic Plan
- GIS ESRI enterprise agreement
- GIS software standardisation
- Security and technology policies
- Data centre and hosting services
- Electronic purchasing
- Reprographic equipment
- Aerial photography

- Voice and data services
- Video conferencing
- IT applications and software
- Collaboration Portal
- Historic aerial imagery archiving
- After hours call management
- Health and Safety
- Internal audit services
- Solid waste services

### **3 Our Vision**

***“COUNCILS PARTNERING FOR VALUE AND SERVICE”***

### **4 Objectives of BOPLASS Ltd**

Working together with the full support and involvement of staff, we will provide benefit to councils and their stakeholders through improved levels of service, reduced costs, improved efficiency and/or increased value through innovation.

These will be achieved primarily through:

#### Joint Procurement

Being the procurement of services or products by two or more councils from an external provider regardless of whether the service is paid for through BOPLASS or individually by participating councils.

#### Shared Services

Being the participation of two or more councils in the provision of a common service which may be jointly or severally hosted.

### **5 Nature and Scope of Activities**

The principle nature and scope of the activities of BOPLASS Ltd is to:

- Use Joint Procurement to add value to goods and services sourced for its constituent councils.
- Establish the underlying technology, framework, platform and policies to enable and support collaboration.

- Facilitate initiatives that benefit councils and their stakeholders through improved levels of service, reduced costs, improved efficiency, innovation and/or increased value.
- Pursue best practice in the management of all activities to obtain best value and minimise risk.
- Demonstrate fiduciary responsibility by ensuring that its activities are adequately funded from savings achieved, levies, council contributions, or Government funding where available.
- Allow other councils or organisations to participate in its activities where this will benefit its constituent councils directly or indirectly.
- Actively monitor and engage with Shared Service developments across the public sector to identify opportunities for further development and establishing best practice.
- Represent the collective views of its Shareholders in matters with which it is associated.

## 6 Governance

BOPLASS Ltd will conduct itself in accordance with its Constitution, its annual Statement of Intent, and the provisions of the Companies Act 1993 and the Local Government Act 2002.

The Company is governed by its Directors. To ensure total synergy between the Company's activities and its council shareholders' activities, nine Directors are also the current Chief Executives of their respective shareholding councils. The dual roles recognise the interdependence of BOPLASS and its councils in the undertaking of its activities.

The Board also includes an independent Chair, appointed with specific skills and knowledge to add incremental value. This appointment brings experience and specialist skills that are complementary to those held by the other Directors.

<b>Shareholder</b>	<b>Appointed Director</b>
Bay of Plenty Regional Council	Fiona McTavish
Gisborne District Council	Nedine Thatcher Swann
Kawerau District Council	Russell George
Opotiki District Council	Aileen Lawrie
Rotorua Lakes Council	Geoff Williams
Taupo District Council	Gareth Green
Tauranga City Council	Marty Grenfell
Western Bay of Plenty District Council	Miriam Taris
Whakatane District Council	Stephanie O'Sullivan
<b>Independent Director and Chair</b>	Craig O'Connell

A sub-committee of council delegates has been established by the Directors as an Operations Committee to manage responsibility for regular monitoring and governance of operational aspects of BOPLASS projects, allowing the Board to primarily focus on supporting the strategic development of the organisation.

Each activity or project is managed by an Advisory Group, nominated by the shareholding councils in that particular service. The Board retains the right to approve nominations to the Advisory Groups and all of their material decisions – there is only one Board of Directors and that remains at the umbrella or holding company level.

The Board has established a principle that participation in each initiative is decided by individual councils on an 'opt in' basis.

Services delivered are subject to a formal service level agreement between BOPLASS Ltd and the participating councils, outlining the services and activities provided, where, when and how; and reflecting the capital and operational costs being met by each service shareholder.

Joint Procurement initiatives consistent with their nominated role may be undertaken by any advisory group as approved by the Operations Committee. In considering Joint Procurement initiatives the Company will take into account the opportunities available through All of Government (AoG) purchasing arrangements and, where there is demonstrated benefit to the Company or its constituent councils, support such initiatives. In assessing the benefits of a Joint Procurement initiative, opportunities for integration shall be considered. The Board has recognised that the availability of All of Government Procurement options has the potential to impact on BOPLASS' ability to provide procurement options in some categories.

Subject to the approval of shareholders in accordance with the shareholder agreement the Directors may decide that a particular activity is best managed as a subsidiary company and proceed accordingly. Any subsidiary company whose objectives are in accordance with the objectives set out in this Statement of Intent shall not be required to have a separate Statement of Intent.

## **7 Future Developments**

BOPLASS Ltd will continue to work on business cases for Joint Procurement and Shared Services that may be provided in the region.

BOPLASS Joint Procurement opportunities will be actively pursued to ensure maximum savings and benefits continue to be delivered to the participating councils through existing and new contracts.

Joint Procurement initiatives will be considered by the Board and/or its advisory groups where there is demonstrated support from two or more member councils, with councils participating on an opt-in basis.

The Board will be looking for commitment from councils to participate in collaborative services and to provide a lead in the identification and management of opportunities and projects.

BOPLASS will also proactively explore opportunities to partner with other local authorities and Shared Services organisations within NZ where they are either developing or considering developing cost effective services or Joint Procurement initiatives involving products or services that are of value to the BOPLASS councils.

The Collaboration Portal, established by BOPLASS for the sharing of information on Shared Services or Joint Procurement opportunities, has been made available to the wider local government community to provide better visibility of common projects and to encourage further cross-regional collaboration. BOPLASS will continue to market the benefits of inter-region collaboration and assist other councils through providing support and access to the Collaboration Portal.

BOPLASS will continue to explore opportunities for councils to develop ICT solutions using middleware and cloud technologies that allow for future sharing and the development of Shared Services without the wholesale replacement of IT systems.

Where it is practicable, BOPLASS will work with other LASSes or councils in developing shared service ICT strategies and/or leverage off, or participate in services established by other collective local government groups.

## **8 Stakeholder Engagement**

BOPLASS recognises the ambitious plans our constituent councils have for their communities and endeavours to support these aspirations through:

- Regular engagement at project, management and governance level
- Including councils' short, medium and long-term goals within BOPLASS planning
- Using quality information from councils to guide our decision-making
- Identifying and developing services that directly benefit councils and/or their communities
- Monitoring councils' future plans and remaining agile to change to include these aspirations in our own planning
- Regularly communicating to ensure stakeholders are aware of what we are doing and why we are doing it
- Involving councils in our decision-making and planning

## 9 Performance Targets

To ensure the Company continues to operate effectively in both governance and management terms over the next three years the targets are to:

Target	How	Measure
Ensure supplier agreements are proactively managed to maximise benefits for BOPLASS councils.	Manage and/or renegotiate existing contracts.	Contracts are reviewed annually to test for market competitiveness. New suppliers are awarded contracts through a competitive procurement process involving two or more vendors where applicable.
Investigate new Joint Procurement initiatives for goods and services for BOPLASS councils.	Procure from sources offering best value, service, continuity of supply and/or continued opportunities for integration. (Current identified projects are listed in Appendix B.)	A minimum of four new procurement initiatives investigated. Initiatives provide financial savings of greater than 5% and/or improved service levels to the participating councils.
Provide support to BOPLASS councils that are managing or investigating Shared Services projects.	BOPLASS to provide 0.25 FTE resource and expertise to assist councils in Shared Services developments and projects.	Resource assignment measured from project job tracking.
Further develop and extend the Collaboration Portal for access to, and sharing of, project information and opportunities from other councils and the greater Local Government community to increase breadth of BOPLASS collaboration.	Increase usage of the Collaboration Portal by providing support and training material for new and existing users. Proactively market the benefits to councils.	Number of listed projects to increase by 20% per year. Number of active users to increase by 20% per year.
Communicate with each shareholding council at appropriate levels.	Meeting with each Executive Leadership Team.	At least one meeting per year.
Ensure current funding model is appropriate.	Review BOPLASS expenditure and income and review council contributions and other sources of funding.	Performance against budgets reviewed quarterly. Company remains financially viable.

## **9 Balance Sheet Ratios**

The Local Government Act 2002 Schedule 8 (9) requires the SOI to include the projected ratio of shareholders' funds to total assets within the Forecast Statement of Financial Position. As at 30 June 2018 the consolidated Shareholder funds comprised \$39,757 and the total assets were \$1,192,245. The resulting ratio is 3.3%.

As asset owning Shared Services are approved, the Board will, if appropriate, provide a mechanism for the recognition of each council's contribution.

## **10 Accounting Policies**

### **10.1 Statement of Accounting Principles**

The Company will adopt accounting practices that comply with NZ IFRS, the requirements of the LGA and the Financial Reporting Act 1993.

### **10.2 IPSAS Accounting Standards**

As a Public Sector Public Benefit Entity (PS PBE), the Company has elected to report using International Public Sector Accounting Standards for Public Benefit Entities under Tier 3 PBE standards.

### **10.3 Measurement Basis**

The Company will follow generally accepted international accounting principles for reporting of earnings and financial position.

### **10.4 Specific Accounting Principles**

The following are principles which will have a significant effect on the measurement of financial position:

- Accounts Receivable are stated at their expected realisable value after writing off any known bad debts and providing for doubtful debts.
- Investments are valued at the prevailing market value.
- Fixed assets are recorded at cost, less accumulated depreciation.
- Any liability for overseas funding of equipment, systems or services is based on the prevailing exchange rate as at balance date.
- Where intangible assets are purchased, such as intellectual property, these are capitalised and written off on a straight line basis over their expected life, but no greater than four years.



- All assets are depreciated over their expected useful lives. Depreciation is provided on a diminishing value basis over the estimated useful life, at the same rate as is allowed by the Income Tax Act 1994.
- It is not envisaged that the Company will hold inventories, other than those that might relate to providing information services to a number of parties. They will be valued at net realisable value.
- Taxation will be provided as required in line with relevant legislation.
- In accordance with the Public Audit Act 2001 and the Local Government Act 2002, the office of the Auditor General will be responsible for the audit of the Company's financial statements.

## **11 Distributions to Shareholders**

The Company is not expected to make profits that would ordinarily be distributed by way of dividends. Any surplus funds (after tax) remaining from an activity or the annual operations of the Company shall be carried forward to the ensuing year and may be used to reduce service costs, invest in further developing other services, and/or as the Directors may decide.

## **12 Information to be Provided to Shareholders**

The Company will deliver the following statements to shareholders:

- On a three monthly basis the Financial Position and Cashflow.
- Within two months of the end of the first half of the financial year: Financial Performance and Financial Position.
- Within three months of the end of the financial year the following audited statements: Financial Position, Movements in Equity, Cashflows, Service Performance plus a summary of how the Company has tracked against its objectives and prospects for the next financial year, and a report on the Company's medium to long term plans.
- Six monthly summaries of project activities included in Half Yearly and Annual Reports.

## **13 Procedures for the Purchase and Acquisition of Shares**

The Board will give approval before BOPLASS Ltd subscribes for, purchases or otherwise acquires shares in any company or other organisation, which is external to the group.

## **14 Activities for Which the Board Seeks Compensation**

The ongoing activities to identify, develop, procure Shared Services will be budgeted for in advance, subject to a business case and either funded by individual councils without BOPLASS Ltd involvement, or agreed by the Board to be funded by BOPLASS Ltd with consequent recovery from participating councils.

Shareholding councils will make a contribution to the operational costs of the Company on an annually agreed basis.

The Company will also seek contributions by way of a levy or administration charges on services provided or administered. In determining an appropriate charge, the Directors may take into account the cost of running the Company, its future operational requirements, the nature and cost of the service provided, benefits achieved and councils' ability to pay.

The Company may provide services (at a cost recovery or a cost plus basis) to other non-shareholding councils within or beyond the region. Any surplus from such activity will be used to either reduce service costs and/or invest in further developing of that or other services, as agreed by the Advisory Group and by the Board.

## **15 Value of Shareholder's Investment**

The Directors estimate that, at this stage, BOPLASS Ltd has little or no commercial value. As each shareholder's investment in BOPLASS Ltd is less than \$20,000, the Board believe that that fairly represents the value of their investment. The Directors will reassess the value of this shareholding on or about the 1<sup>st</sup> of March each year.

## **16 Financial Forecasts**

The Forecast Financial Statements for the years 2019-2022 are included (Appendix A). The budget is not adjusted for inflation.

Core revenue includes the recovery of costs for BOPLASS salaried staff when seconded to individual council projects.

The Aerial Photography revenue/expenses reflects the flying programme determined by the participating councils which includes interim flying programmes and extensive region-wide flying programmes over the next five years.

A continued increase in Recoveries has been forecast to reflect the direct recovery of purchases made on behalf of councils through Joint Procurement projects.

It is the company's intention to always fully recover costs incurred on behalf of participating councils.

## Appendix A

SOI Forecast 2019/22				
	<b>Budget 2018/19</b>	<b>Forecast 2019/20</b>	<b>Forecast 2020/21</b>	<b>Forecast 2021/2022</b>
<b>REVENUE</b>				
<b>Revenue - Core</b>	<b>\$319,510</b>	<b>\$274,510</b>	<b>\$274,510</b>	<b>\$274,510</b>
Bank Interest Received	1,000	1,000	1,000	1,000
Council Contribution	273,510	273,510	273,510	273,510
Sales of Service	45,000	0	0	0
<b>Revenue - Projects</b>	<b>1,563,500</b>	<b>1,213,000</b>	<b>1,513,000</b>	<b>1,213,000</b>
Aerial Photography Income	600,000	300,000	600,000	300,000
Bank Interest Received	16,500	16,500	16,500	16,500
Collaboration Portal	100000	75,000	75,000	75,000
Lease Income - ICN	175,000	135,000	135,000	135,000
Lease Income - Video Confer.	13,000	30,500	30,500	30,500
Rebates	9,000	6,000	6,000	6,000
Recoveries	650,000	650,000	670,000	680,000
<b>Total Operating Revenue</b>	<b>1,883,010</b>	<b>1,487,510</b>	<b>1,787,510</b>	<b>1,487,510</b>
<b>EXPENSES</b>				
<b>Expenditure - Core</b>	<b>440,400</b>	<b>383,800</b>	<b>383,800</b>	<b>383,800</b>
ACC	1,500	1,500	1,500	1,500
Accommodation & Travel	1,500	1,500	1,500	1,500
Accounting & Audit	17,500	17,500	17,500	17,500
Administration	24,000	14,400	14,400	14,400
Amortisation	12,000	8,000	8,000	8,000
Bank Fees	400	400	400	400
Catering Expenses	2,000	2,000	2,000	2,000
Conferences	2,000	2,000	2,000	2,000
Depreciation	0	0	0	0
Directors costs	18,000	18,000	18,000	18,000
Fringe Benefit Tax	7,000	7,000	7,000	7,000
Health and Safety	1,000	1,000	1,000	1,000
Insurance	8,000	8,500	8,500	8,500
Interest Paid - TCC Loan	1,000	1,000	1,000	1,000
Legal	2,000	2,000	2,000	2,000
Salaries	325,000	285,000	285,000	285,000
Salaries - C'Portal Opex	-10,000	-10,000	-10,000	-10,000
Staff Support Costs	20,000	16,500	16,500	16,500
Staff Training Costs	2,000	2,000	2,000	2,000
Subscriptions	1000	1000	1000	1000
Tax Advice	4,500	4,500	4,500	4,500
<b>Expenditure - Projects</b>	<b>1,442,610</b>	<b>1,103,710</b>	<b>1,403,710</b>	<b>1,103,710</b>
Aerial Photography Expense	600,000	300,000	600,000	300,000
Collaboration Portal Opex	40,000	26,000	26,000	26,000
Lease Expense - ICN	170,000	129,100	129,100	129,100
Lease Expense - Video Confer.	12,610	28,610	28,610	28,610
Projects - Recoveries	620,000	620,000	640,000	650,000
<b>Total Operating Expenditure</b>	<b>1,883,010</b>	<b>1,487,510</b>	<b>1,787,510</b>	<b>1,487,510</b>
<b>Operational Surplus/ (Deficit) before Tax</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

### **Completed Joint Procurement Projects**

Requiring ongoing management for performance, renewal or replacement

- × Office supplies
- × Banking
- × Postal services
- × Courier services
- × Fuel
- × Advertising services
- × Travel and accommodation services
- × Air travel
- × Insurance brokerage
- × Aerial imagery
- × N3 / GSB
- × ESRI licences
- × GIS software
- × Health insurance
- × Security services
- × Antivirus software
- × Video conferencing
- × Above ground asset insurance
- × GPS vehicle tracking
- × Archaeological services
- × Telephony – voice, data, mobile
- × Reprographic – printers/copiers
- × Infrastructure insurance
- × Media monitoring services
- × EFTPOS services
- × Historical imagery digitisation
- × On-line services
- × Internal audit services
- × Health and safety training services
- × Risk management workshops
- × Infrastructure insurance – excess layer
- × Collective geospatial training
- × EMA membership
- × Environmental insurance
- × Print Media Copyright Services
- × Health and Safety software

### **Identified Joint Procurement Projects**

- × Civil works contracts
- × Civil works materials
- × Infrastructure valuation services
- × High volume print
- × Web services
- × Electronic document management
- × Archives
- × Document storage
- × Document scanning
- × Agenda management software
- × ICT security policies
- × Business continuity
- × IT applications
- × Web services
- × Rates collection
- × Property valuation services
- × Telephony platform
- × Chemicals
- × Digital signatures
- × Recruitment/candidate management
- × Surveys and research
- × CCTV monitoring
- × Media distribution services
- × CD emergency notifications
- × Fleet purchasing
- × Drug and alcohol testing
- × Push wireless
- × Fleet management
- × Community communication systems
- × Lone worker
- × Eastern BOP electricity procurement
- × LiDAR acquisition – PGF

## **Collaborative Projects**

Managed by BOPLASS or by one or more constituent councils

- × IT hosting / IaaS
- × Shared datacentre
- × Internal audit services
- × GIS web services
- × Project management office
- × Shared licence server
- × Contractor H&S prequalification
- × Radio telephony strategy
- × Collaboration portal
- × After hours call management
- × Archive service
- × Health and safety auditing
- × Inter-council network
- × Smart cities
- × Section 17A reviews –identification of opportunities for collaboration in delivery of services in accordance with s17A LG Act 2002
- × Video conferencing
- × GIS imagery data storage
- × Waste licencing and data collection
- × Historic aerial imagery
- × Sustainable procurement
- × Diversion of putrescible waste from landfill
- × Civil works projects marketing

## **Projects for Consideration**

- × Rates Collection
- × Geospatial services
- × Joint software support
- × Asset Management
- × Web services
- × Payroll
- × Telephony platform
- × Consents Processing
- × CCTV monitoring
- × Information Services
- × Debt management
- × Capital construction
- × Electronic Document and Records Management System
- × Business continuity planning
- × Infrastructure development codes
- × Inter-council H&S audits
- × Solid waste regional facilities strategy
- × Building consents
- × Accounts payable automation
- × Regional Civil Defence
- × Document digitalisation
- × Robotics processing automation
- × Electronic document management-managed service





**Receives Only – No Decisions**

**Report To:** Regional Council

**Meeting Date:** 21 March 2019

**Report From:** Mat Taylor, General Manager, Corporate

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## **Local Government Funding Agency (LGFA) Draft Statement of Intent 2019/20 and Half Yearly Report 2018/19**

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### **Executive Summary**

The Bay of Plenty Regional Council participates in the Local Government Funding Agency scheme as a principal, and currently as a 'non-borrowing', shareholder.

#### Half Yearly Report 2018/19

The Half Yearly Report 2017/18 provides the following notable highlights including that the LGFA has issued \$985 million of bonds so far in 18/19. The total loans to councils at the end of December 2017 were \$7.2 billion. Also, Standard and Poor's and Fitch provided a credit rating of AA+.

The period also reported compliance with all covenants and treasury limits.

#### Statement of Intent 2019/20

The LGFA's draft Statement of Intent (SOI) 2019/20 has been received following extensive discussions with the Shareholders Council, it covers the information that is required to be provided to all shareholders and presents the LGFA's proposed borrowing and lending expectations on behalf of councils in New Zealand.

Some specific highlights from the SOI show that there are no key changes proposed to objectives in 2019/20, with uncertainty and risk relating to the level of future council borrowing.

There is an expectation that councils will have borrowed \$9.5 billion from the LGFA at the end of the financial year.

### **Recommendations**

**That the Regional Council:**

- 1 Receives the report, Local Government Funding Agency (LGFA) Draft Statement of Intent 2019/20 and Half Yearly Report 2018/19;**
- 2 Notes the draft Statement of Intent 2019/20 and the continuation of LGFA's performance targets and core mandate set out within it.**

## **1 Background**

The LGFA was established in 2011 as a Council Controlled Organisation (CCO) by the Crown and nine 'founding' Councils, of which the Bay of Plenty Regional Council is one. Whilst our Council had no immediate need for a debt facility the significant benefit that the LGFA would bring to the Territorial Authorities within our region was seen as of strategic importance to this Council.

The Bay of Plenty Regional Council currently participates in the Local Government Funding Agency scheme as a principal and borrowing shareholder.

There is a risk associated with being a shareholder in that there is a joint liability (based on rates income) to pay debt costs in the event of a council defaulting on debt repayments. This risk has been assessed and valued, and the basis for the calculation agreed with Audit New Zealand. To date the value of that risk has been too small and immaterial to be included within the Council's financial statements. However, it is a risk that will continue to exist while the Council is a shareholder in the LGFA.

Council's interests as a shareholder are represented by the Shareholders' Council. This body is made up of five to ten appointees of shareholders (including an appointee from the Crown). Council have consistently had an appointee on the Shareholders Council, and currently this position is filled by Mat Taylor General Manager, Corporate.

The LGFA's draft Statement of Intent 2019/20 has been received following extensive discussions with the Shareholders Council, it covers the information that is required to be provided to all shareholders and presents the LGFA's proposed borrowing and lending expectations on behalf of councils in New Zealand.

## **2 Half Yearly Report Highlights**

The Half Yearly Report 2018/19 is attached as Appendix 1. The LGFA's half yearly report provides the following notable highlights:

- LGFA issued \$1 billion of longer term loans to councils so far in 18/19, and has lent 9 billion to councils since inception.
- Standard and Poor's and Fitch Ratings provided a credit rating of AA+ (stable outlook).

The LGFA continues to grow and become the most significant lender to local government in New Zealand as intended when it was established. The financial performance of the LGFA is recognised by the continued strong credit rating and the participation in each of the bond issuances.

Key performance indicators continue to show satisfactory results so far for the year, especially in the current financial markets. The period also reported compliance with all covenants and treasury limits.

## **3 Draft Statement of Intent 2019/20**

The draft SOI recognises the on-going maturity of the LGFA as the significant lender to the local government sector, with a growing number of council's joining the LGFA and borrowing funds. As in previous years it is consistent with the longer term direction and objectives of the LGFA and provides clear future direction. LGFA has, and continues,



to plan for the longer term, also adapting to the changing economic climate based on a lower interest rate outlook in the short and medium term.

The draft SOI undergoes a process, on behalf of all Councils, led by the Shareholder's Council. As part of the on-going review of the LGFAs performance, The Shareholder's Council prepared a 'Letter of Expectation' that was sent to the LGFA in early 2019. This is consistent with previous messages regarding the expectations of the LGFA operating in the local government environment. This letter was followed up with a meeting with the CEO of the LGFA to discuss how best to accommodate shareholder's views within the draft SOI for 2019/20.

The cover letter from the LGFA in relation to the draft SOI is at Appendix 2, and the draft SOI 2019 /20 is at Appendix 3.

### SOI Objectives and Content

Some specific highlights from the draft SOI are:

- A recognition that there is risk and uncertainty relating to the level of future Council borrowing because central government initiatives like the Housing Infrastructure Fund (HIF) and Provincial Growth Fund will begin funding capital projects.
- An expectation that Council's will have borrowed \$9.5 billion from the LGFA at the end of the 2019/20 financial year.

## **4 Council's Accountability Framework**

### **4.1 Community Outcomes**

The LGFA indirectly contributes to Community Outcomes in the Council's Long Term Plan 2018-2028.

### **4.2 Long Term Plan Alignment**

The work is planned under the Corporate Activity in the Long Term Plan 2018-2028

## **5 Budget Implications**

### **5.1 Current Year Budget**

This work is being undertaken within the current budget for the Corporate Services Activity in the Annual Plan 2018/19.

### **5.2 Future Budget Implications**

Future work is provided for in the Council's Long Term Plan 2018-2028

Mat Taylor  
**General Manager, Corporate**

**12 March 2019**

# **APPENDIX 1**

## **LGFA\_HalfYearReport\_2018\_Web**



# Partnering with Councils to finance infrastructure investment

**Mā te huruhuru  
ka rere te manu**

Half year report  
31 December 2018

**LGFA**



NEW ZEALAND LOCAL  
GOVERNMENT FUNDING AGENCY

Page 141 of 200 KĀWANATANGA Ā-ROHE

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

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

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# Message from the Chair

## He karere mai i te Toihau

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

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

**Craig Stobo, Chair LGFA Board**





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

## Strong Financial and Operational Performance

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

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

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

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

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

## Borrowing activity

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

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

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

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

LGFA continues to issue short-dated LGFA Bills ranging in maturities from three months to 12 months through a combination of monthly tenders and private placements. Outstandings under the programme have reached a record \$485 million. These instruments provide a source of funding for short-dated lending to our council borrowers and assist LGFA with liquidity management.

## Lending to the sector

LGFA was established in December 2011 to provide long-dated borrowing, certainty of access to markets and to reduce the borrowing costs for the local government sector. The original 31 shareholders including the Crown remain as shareholders. Over the past six months, we added five new members with Ruapehu District and Waikato Regional Councils joining as guarantors and Wairoa, Clutha and Mackenzie District Councils joining as non-guarantors. Gore District Council also moved to become part of the guarantor group of councils. Total membership of 61 councils is very pleasing and this is expected to rise slightly in the coming year as several councils are partly through the joining process.

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

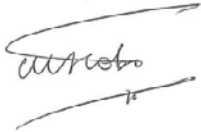
Customised lending continues to be popular for councils in that it provides opportunity to borrow to maturity dates which are different from LGFA bond maturities. LGFA lent \$800 million on a flexible basis to councils during the six-month period, which was approximately 76% of our total long-term lending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

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

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

### Acknowledgments

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

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

**Craig Stobo**  
Chair, LGFA Board





River rock wall repairs. New rock being positioned to reinstate flood protection.  
Bay of Plenty Regional Council



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



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



# Performance against objectives Tutukinga mahi ki ōna whāinga

The statement of service performance details LGFA's performance against the objectives and targets set out in the LGFA Statement of Intent 2018-19 (SOI).

## Performance against primary objectives

This section sets out LGFA's performance for the six-month period ended 31 December 2018 against the two primary objectives set out in the 2018-19 SOI.

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

- i. Providing savings in annual interest costs for all Participating Local Authorities on a relative basis to other sources of financing;**

LGFA aims to minimise its issuance margin over swap rates to provide cost effective funding to councils. The LGFA margin to swap will depend upon several factors including the relative demand and supply of high-grade bonds, general credit market conditions, performance of New Zealand Government bonds (NZGB) and swap rates, investor perceptions of LGFA and the issuance volume and tenor of LGFA bonds.

## 2018-19 performance objectives

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

### Primary objectives

1. LGFA will operate with the primary objective of optimising the debt funding terms and conditions for Participating Local Authorities. Among other things this includes:
  - i. Providing savings in annual interest costs for all Participating Local Authorities on a relative basis to other sources of financing;
  - ii. Making longer-term borrowings available to Participating Local Authorities;
  - iii. Enhancing the certainty of access to debt markets for Participating Local Authorities, subject always to operating in accordance with sound business practice; and
  - iv. Offering more flexible lending terms to Participating Local Authorities.
2. LGFA will monitor the quality of the asset book so that it remains of a high standard by ensuring it understands each Participating Local Authority's financial position and the general issues confronting the Local Government sector. This includes:
  - i. LGFA will review each Participating Local Authority's financial position, its financial headroom under LGFA policies and endeavour to visit each Participating Local Authority on an annual basis;
  - ii. LGFA will analyse finances at the Council group level where appropriate;
  - iii. LGFA will review its debt covenant methodology and assessment of council financial position at group vs parent.

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

- iv. LGFA will work closely with the Department of Internal Affairs (DIA), Office of the Auditor General (OAG) and Local Government New Zealand (LGNZ) on sector and individual council issues; and
- v. LGFA will take a proactive role to enhance the financial strength and depth of the local government debt market.

### Additional objectives

1. Operate with a view to making a profit sufficient to pay a dividend in accordance with its stated Dividend Policy set out in section 6;
2. Provide at least 50% of aggregate long-term debt funding to the Local Government sector;
3. Ensure its products and services are delivered at a cost that does not exceed the forecast for issuance and operating expenses set out in section 4;
4. Take appropriate steps to ensure compliance with the Health and Safety at Work Act 2015;
5. Maintain LGFA's credit rating equal to the New Zealand Government sovereign rating where both entities are rated by the same Rating Agency;
6. Achieve the Financial Forecasts (excluding the impact of AIL) set out in section 4;
7. Meet or exceed the Performance Targets outlined in section 5; and
8. Comply with its Treasury Policy, as approved by the Board.

There will be periods within the interest rate and credit market cycles when LGFA bonds will outperform its benchmarks (spread narrowing) and there will be periods of time when LGFA bonds underperform (spreads widening).

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

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

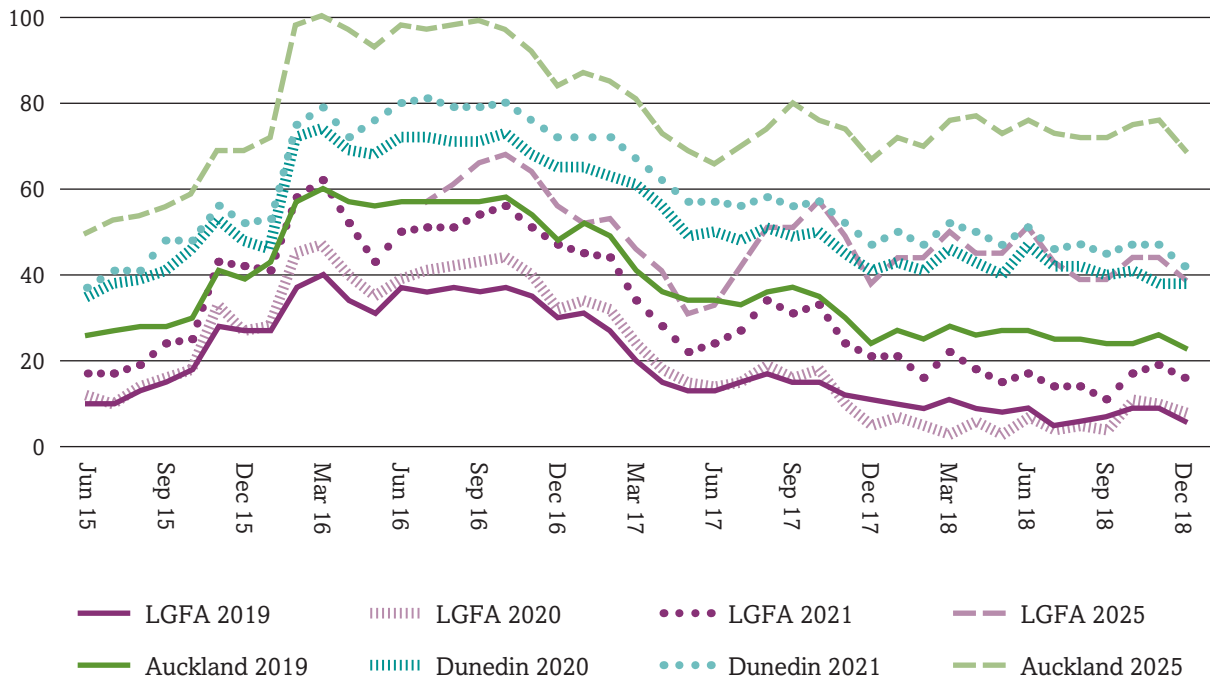
A similar pattern is evident over the same period with the LGFA spreads to NZGB narrowing in the mid curve maturities only.

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

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

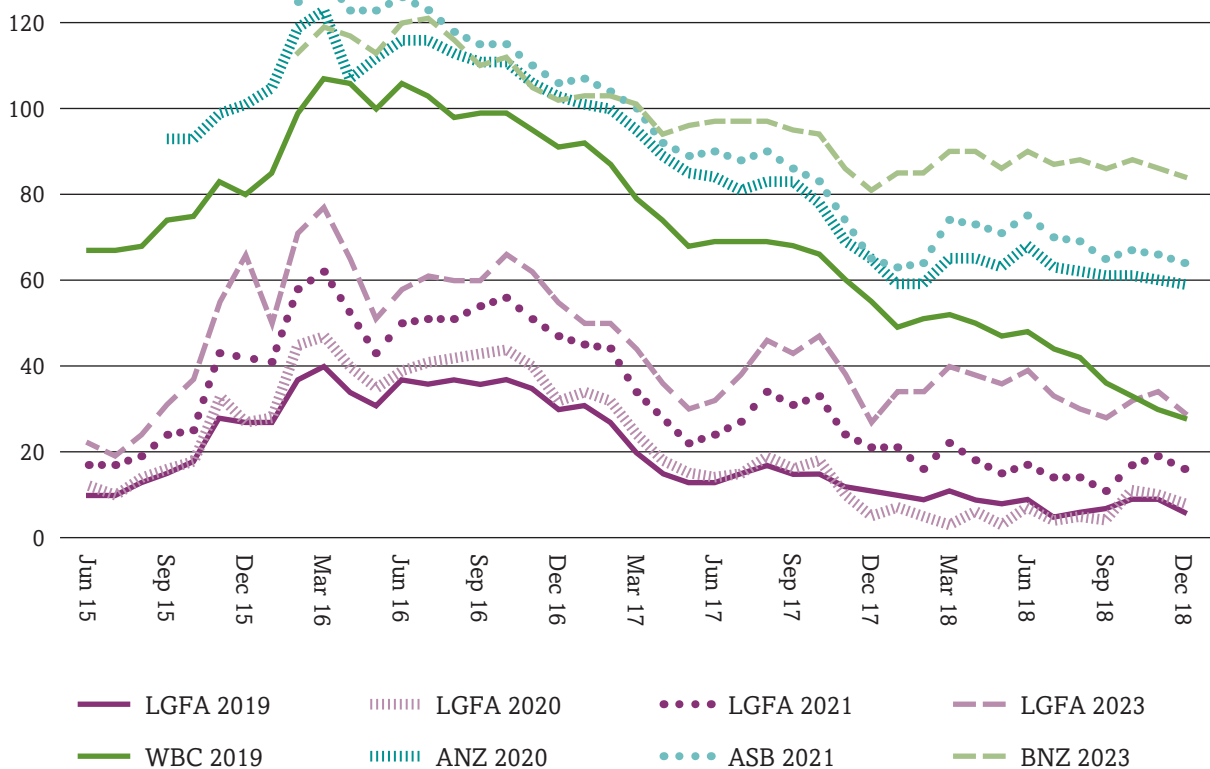
LGFA continues to provide savings in borrowing costs for councils relative to other sources of borrowing. We compare our secondary market spreads on LGFA bonds to those of Auckland Council and Dunedin City Treasury (as a proxy for councils borrowing in their own name) and a mix of banks (as a proxy for general market conditions).

## Secondary market credit spread to swap for LGFA and council bonds (basis points)



Source: Bloomberg, LGFA

## Secondary market credit spread to swap for LGFA and bank bonds (basis points)



Source: Bloomberg, LGFA

From the table below, we estimate that based upon secondary market spread data as at 31 December 2018, LGFA was saving AA-rated councils between 2 bps and 17 bps depending upon the term of maturity. This compares to savings of between 10 bps and 22 bps a year ago, but one would expect savings to diminish naturally over time as the bonds approach their maturity date and shorten their duration.

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

\* Note that from June 2017 we have excluded from the estimated savings any positive impact from the 'LGFA effect' that was equivalent to 10 bps of savings evident when LGFA first commenced lending in February 2012.

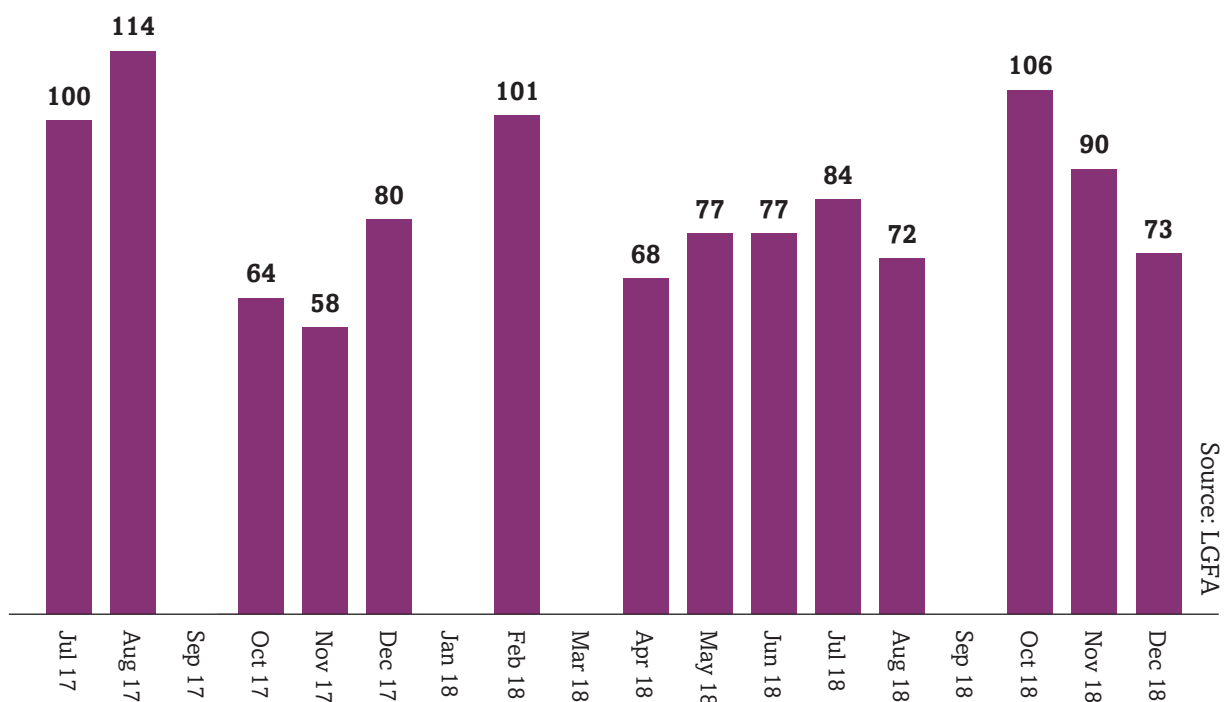
#### ii. Making longer-term borrowings available to Participating Local Authorities;

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

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

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

Last 18 months





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

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

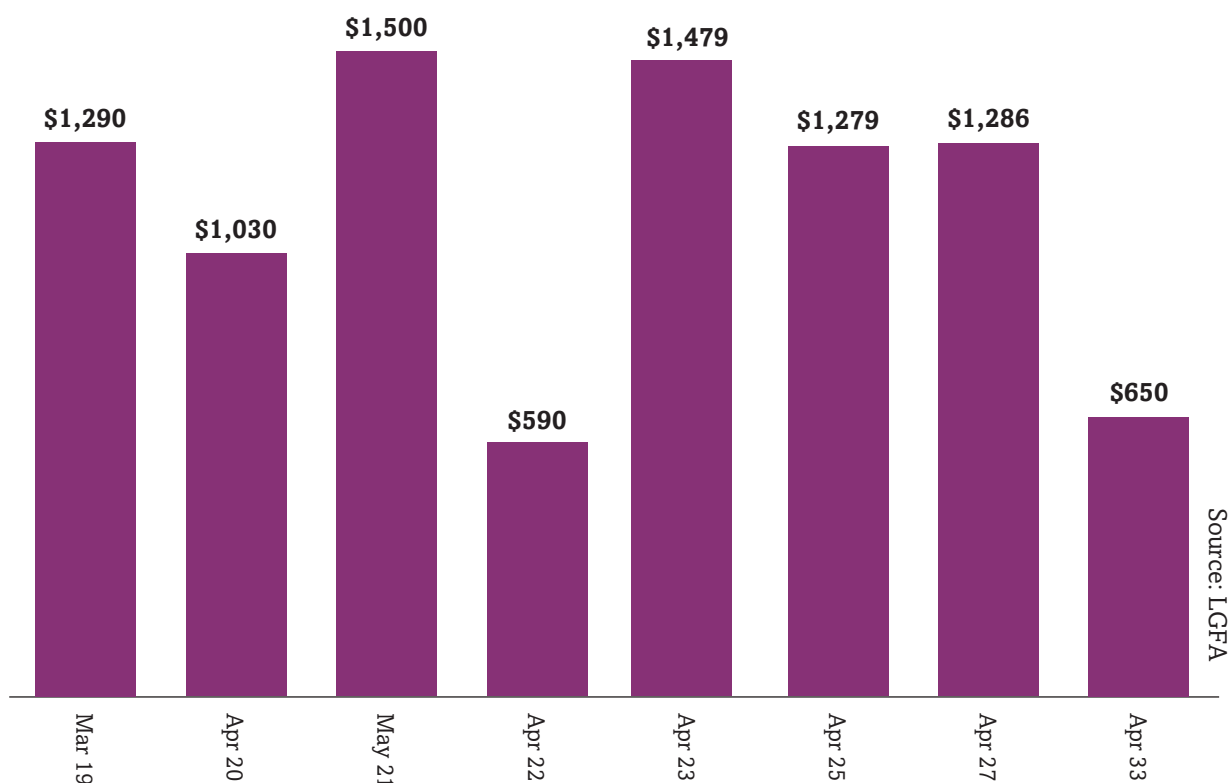
basis (for any preferred maturity date, at any time) out to 14 years.

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

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

As at 31 December 2018 : NZ\$9,104 million

Includes NZ\$400 million treasury stock



### iii. Enhancing the certainty of access to debt markets for Participating Local Authorities, subject always to operating in accordance with sound business practices;

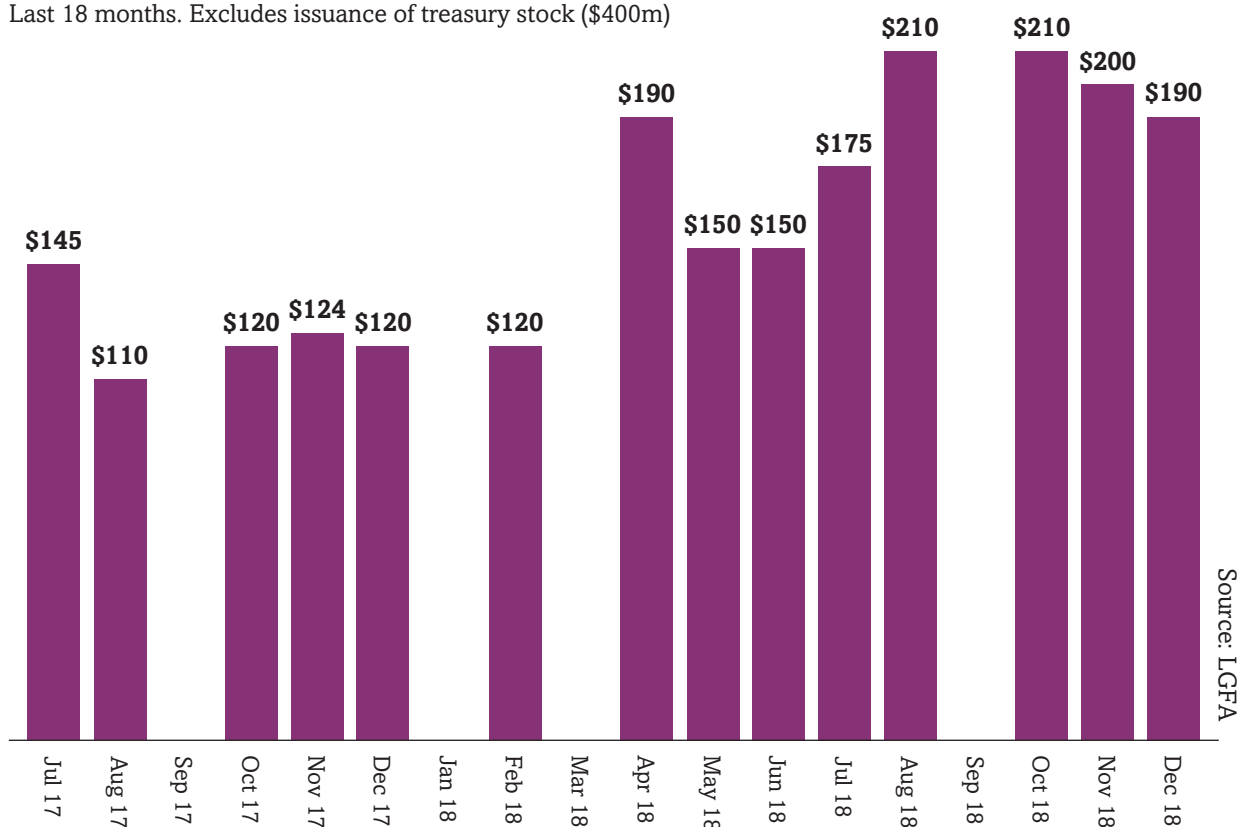
LGFA listed its bonds on the NZX Debt Market in November 2015 and this has led to greater awareness and participation in LGFA bonds by domestic retail and offshore investors. Average turnover of LGFA bonds on the NZX Debt Market since listing has been \$12 million per month or 8.1% of the total turnover of the NZX Debt Market. Turnover has reduced over the past six months as retail investors are more attracted to higher term deposit rates.

LGFA commenced the issuance of LGFA Bills for terms of three months and six months in late 2015. Because of this issuance, LGFA has offered short-term loans of less than one year to councils since 2015. As at 31 December 2018, LGFA has short-term loans outstanding to 31 councils of \$527 million. This is a record amount of loans and an increase of \$283 million over the past six months.

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

## LGFA bond issuance by tender (NZ\$ million)

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



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

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

The successful bid range (difference between the highest and lowest successful bid yield) for each maturity at each tender averaged between 0 bps and 4 bps with the largest range being on the longer-dated maturities.

LGFA established an Australian Medium-Term Notes Programme in November 2017 to provide the ability to issue in currencies other than the New Zealand dollar (NZD). It is not our intention to use this programme but instead to provide some flexibility in case of the unlikely scenario of a significant market disrupting event in the future.

**iv. Offering more flexible lending terms to Participating Local Authorities.**

Councils can access flexible lending conditions by using the short-term lending and bespoke lending products. Short-term lending is for loans between 30 days and 364 days while bespoke lending is where councils can borrow for any term between one year and the longest dated LGFA bond maturity (currently 14 April 2033) on any drawdown date. Therefore, council members can borrow for terms ranging from 30 days to 14 years at any time they wish to drawdown.

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

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

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

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

LGFA undertakes a detailed financial assessment on each of its borrowers and endeavours to meet with all member councils on an annual basis while monitoring council performance throughout the year. LGFA reviews the annual and long-term plans for each council and the annual financial statements. All councils were compliant with LGFA financial covenants as at 30 June 2018 and a copy of each council's borrowing position and compliance with LGFA covenants was provided to LGFA shareholders and non-shareholder guarantors in January 2019. LGFA assigns an internal credit rating to each of its council members as part of the review exercise.

LGFA management met with 31 councils over the six-month period to 31 December 2018.

**ii LGFA will analyse finances at the Council group level where appropriate;**

LGFA reviews the financial position of each council on a parent basis except for Auckland Council where LGFA analyses the financial statements at both parent and group level. This is because Auckland Council is the only council to deliver a wide range of its essential services on a group basis.

**iii LGFA will work closely with the Department of Internal Affairs (DIA), Office of the Auditor General (OAG) and Local Government New Zealand (LGNZ) on sector and individual council issues.**

LGFA staff and directors have met with Treasury, New Zealand Debt Management, DIA, Trustees Executors, Productivity Commission, Standard & Poor's, Fitch and Infrastructure New Zealand during the past six months to discuss LGFA and sector issues. LGFA attended the Infrastructure New Zealand annual conference and the NZX issuer forum.

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

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

We presented at various capital market conferences and meet with banks and investors on a regular basis. We present each quarter on sector finances at the LGNZ media briefing.

## Performance against additional objectives

In addition to the two primary performance objectives, LGFA has eight additional performance objectives which complement the primary objectives. This section sets out LGFA's performance for the six-months ended 31 December 2018 against the additional objectives set out in the 2018-19 Statement of Intent.

### 2.1 Operate with a view to making a profit sufficient to pay a dividend in accordance with its stated Dividend Policy set out in section 6 of the SOI.

The LGFA Board has the sole discretion to set the dividend, and the policy is to pay a dividend that provides an annual rate of return to shareholders equal to LGFA cost of funds plus 2%.

On 28 August 2018, the directors of LGFA declared a dividend for the year to 30 June 2018 of \$1,285,000 (\$0.0514 per share). This was calculated on LGFA's cost of funds for the 2017-18 year of 3.14% plus a 2% margin. This was a similar dividend to the previous year dividend of \$0.0556 per share.

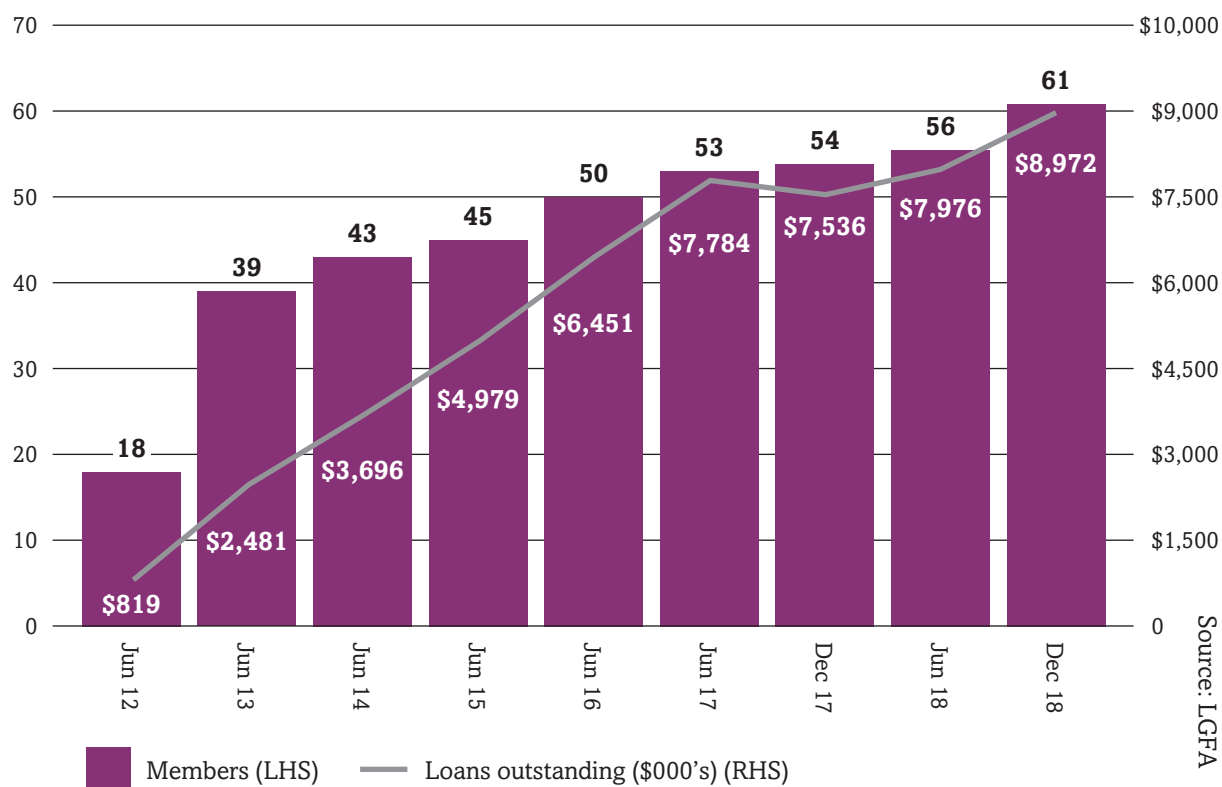
The impact from the current low interest rate environment is that LGFA has a lower cost of funds. While council borrowers benefit from lower borrowing costs, the dividend payment calculated on the above guidance is lower than it would otherwise be in an environment of higher interest rates.

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

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

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

## LGFA council members and nominal loans outstanding



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

in its own name in the domestic market. Auckland Council is required to issue debt under its own name as LGFA is restricted by its foundation policies to a maximum of 40% of total loans outstanding to Auckland. If Auckland Council's external borrowing is excluded from the data, then LGFA estimated market share for the 12-month period to 31 December 2018 was 89.0%.

## LGFA council members and LGFA loans outstanding



### 2.3 Ensure its products and services are delivered at a cost that does not exceed the forecast for issuance and operating expenses set out in section 4 of the SOI.

Issuance and operating expenses for the six-month period to 31 December 2018 were \$3.698 million which is \$130k below SOI forecast.

This variance is the consequence of:

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

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

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

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

LGFA has credit ratings from Standard and Poor's (S&P) and Fitch Ratings (Fitch) and meets with both agencies each year. Meetings were held in 2018 with both agencies and S&P affirmed the long-term rating of LGFA at AA+ (stable outlook)

on 12 July 2018 and Fitch affirmed the rating at AA+ (stable outlook) on 19 November 2018.<sup>1</sup>

Both the S&P and Fitch ratings reports are available on our website ([www.lgfa.co.nz/for-investors/ratings](http://www.lgfa.co.nz/for-investors/ratings)).

Both the S&P and Fitch ratings are the same as, and are capped by, New Zealand's sovereign credit rating. Fitch has defined LGFA as a credit linked Public Sector Entity and our credit rating is explicitly linked to the New Zealand Sovereign credit rating.

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

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

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

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

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

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

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

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

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

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

# Financial statements

## Taukī pūtea

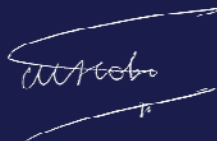
In the opinion of the directors of the New Zealand Local Government Funding Agency Limited, the financial statements and notes on pages 21 to 37:

- Comply with New Zealand generally accepted accounting practice and give a true and fair view of the financial position of the Company as at 31 December 2018, and
- Have been prepared using appropriate accounting policies, which have been consistently applied and supported by reasonable judgements and estimates.

- The directors believe that proper accounting records have been kept which enables, with reasonable accuracy, the determination of the financial position of the Company and facilitates the compliance of the financial statements with the Financial Reporting Act 1993.

The directors consider that they have taken adequate steps to safeguard the assets of the Company, and to prevent and detect fraud and other irregularities. Internal control procedures are also considered to be sufficient to provide a reasonable assurance as to the integrity and reliability of the financial statements.

For and on behalf of the Board of Directors



Craig Stobo, Director  
Chair, LGFA Board  
27 February 2019



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



## Statement of comprehensive income

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

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

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

## Statement of changes in equity

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

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

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

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

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

## Statement of financial position

As at 31 December 2018 in \$000s

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

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

## Statement of cash flows

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

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

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

## 1 Statement of accounting policies

### a. Reporting entity

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

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

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

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

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

### b. Statement of compliance

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

### c. Basis of preparation

Accounting judgments, estimates and assumptions

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

#### Measurement base

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

The financial statements are prepared on an accrual basis.

#### Functional and presentation currency

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

#### Foreign currency conversions

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

#### Changes in accounting policies

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

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

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

#### Hedge accounting

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

#### Impairment

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

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

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

#### Methodology to determine expected credit losses

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

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

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

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

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

#### Early adoption standards and interpretations

LGFA has not early adopted any standards.

#### Standards not yet adopted

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

#### Change in presentation. Statement of financial position

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

### d. Financial instruments

#### Financial assets

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

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

original maturity of no more than three months.

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

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

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

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

#### Financial liabilities

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

#### Derivatives

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

#### Fair value hedge

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

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

### e. Other assets

#### Property, plant and equipment (PPE)

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

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

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

#### Intangible Assets

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

### f. Other liabilities

#### Employee entitlements

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

### g. Revenue and expenses

#### Revenue

##### Interest income

Interest income is accrued using the effective interest rate method.

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

##### Expenses

Expenses are recognised in the period to which they relate.

##### Interest expense

Interest expense is accrued using the effective interest rate method.

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

##### Income tax

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

##### Goods and services tax

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

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

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

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

Commitments and contingencies are disclosed exclusive of GST.

### h. Lease payments

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

### i. Segment reporting

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

### j. Judgements and estimations

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

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

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



## 2 Hedge accounting

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

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

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

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

## 3 Issuance and on-lending expenses

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

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

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



## 4 Operating expenses

Operating expenses are all other expenses that are not classified as 'Issuance and on-lending expenses'.

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

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

## 5 Loans to local government

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

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

## 6 Bills on issue

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

Audited as at 30 June 2018 in \$000's	Face value	Unamortised premium	Accrued interest	Total
11 July 2018	50,000	-	(27)	49,973
27 July 2018	25,000	-	(36)	24,964
2 August 2018	125,000	-	(210)	124,790
6 August 2018	25,000	-	(47)	24,953
15 August 2018	50,000	-	(121)	49,879
23 August 2018	25,000	-	(72)	24,928
12 September 2018	50,000	-	(199)	49,801
26 September 2018	25,000	-	(121)	24,879
10 October 2018	25,000	-	(146)	24,854
31 October 2018	25,000	-	(177)	24,823
14 November 2018	25,000	-	(192)	24,808
12 December 2018	25,000	-	(232)	24,768
	<b>475,000</b>	<b>-</b>	<b>-1,579</b>	<b>473,421</b>

## 7 Bonds on issue

Bonds on issue do not include \$400 million face value of issued LGFA bonds subscribed by LGFA and held as treasury stock. Refer Note 9: Treasury stock and bond repurchase transactions.

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

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

## 8 Borrower notes

Borrower notes are subordinated debt instruments which are required to be held by each local authority that borrows from LGFA in an amount equal to 1.6% of the aggregate borrowings by that local authority.

LGFA may convert borrower notes into redeemable shares if it has made calls for all unpaid capital to be paid in full and the LGFA Board determines it is still at risk of imminent default.

## 9 Treasury stock and bond repurchase transactions

Periodically, LGFA subscribes for LGFA bonds as part of its tender process and holds these bonds as treasury stock. LGFA bonds held by LGFA as treasury stock are derecognised at the time of issue and no liability is recognised in the statement of financial position.

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

Each month, LGFA notifies the market the amount of outstanding repurchase transactions and LGFA bonds held as treasury stock.

Bond repurchase transactions:

Maturity date		Unaudited as at 31 December 2018	Audited as at 30 June 2018
15 March 2019	5% coupon	-	1,035
15 April 2020	3% coupon	-	4,076
15 May 2021	6% coupon	-	-
14 April 2022	2.75% coupon	-	-
15 April 2023	5.5% coupon	5,660	-
15 April 2025	2.75% coupon	-	-
15 April 2027	4.5% coupon	-	1,072
14 April 2033	3.5% coupon	-	-
		<b>5,660</b>	<b>6,183</b>

## 10 Other assets

	Unaudited as at 31 December 2018	Audited as at 30 June 2018
Intangible assets <sup>1</sup>	533	609
<b>Total</b>	<b>533</b>	<b>609</b>

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

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

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

## 12 Share Capital

As at 31 December 2018, LGFA had 45 million ordinary shares on issue, 20 million of which remain uncalled. All ordinary shares rank equally with one vote attached to each ordinary share. Ordinary shares have a face value of \$1 per share.

### Shareholder Information

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



## 13 Loans to local government not yet advanced

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

## 14 LGFA December 2017 bond maturity

The nominal value of the 15 December 2017 6% coupon bond maturity was \$1,015 million. Loans to councils with nominal values totalling \$879 million, and associated nominal borrower notes totalling \$14 million, also matured on 15 December 2017.

## 15 Related parties

### Identity of related parties

The Company is related to the local authorities set out in the Shareholder Information in note 12.

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

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

### Related party transactions

LGFA was established for the purpose of raising funds from the market to lend to participating councils. The lending to individual councils is disclosed in note 5, and interest income recognised on this lending is shown in the statement of comprehensive income.

The purchase of LGFA borrower notes by participating councils. Refer note 8.

NZDMO provides LGFA with a committed credit facility and is LGFA's derivatives counterparty.

## 16 Subsequent events

Subsequent to balance date:

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

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

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

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

# Other disclosures

## Whākitanga

### Waivers from NZX Limited (NZX)

LGFA's fixed rate bonds are quoted on the NZX Debt Market (LGFA Bonds). NZX has granted LGFA a number of waivers from the NZX Listing Rules.

#### **Waiver from Rule 3.2.1**

NZX has granted LGFA a waiver from NZX Listing Rule 3.2.1(a) to the extent that this requires the trust deed under which the LGFA Bonds are issued (Trust Deed) to provide that the appointment of a new trustee is to be approved by an extraordinary resolution of the holders of the Securities to which the Trust Deed relates. Effective from 10 May 2016, LGFA ceased to rely on this waiver as the Trust Deed was amended to comply with NZX Listing Rule 3.2.1(a).

#### **Waiver from Rule 5.2.3**

NZX has granted LGFA a waiver from NZX Listing Rule 5.2.3 to the extent that this requires the LGFA Bonds to be held by at least 100 members of the public holding at least 25% of the number of securities of that class issued.

The waiver from NZX Listing Rule 5.2.3 was provided on the conditions that:

- a. LGFA clearly and prominently disclose the waiver, its conditions and its implications in its annual reports and in each profile or Offering Document for the LGFA Bonds;
- b. LGFA will disclose market liquidity as a risk in each offering document (excluding any offering document referred to in paragraph (f) of the definition of "Offering Document" under NZX Listing Rule 1.6.1) for the LGFA Bonds; and
- c. the nature of LGFA's business and operations do not materially change from its business and operations as at the date of the waiver decision.

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

#### **Waiver from Rule 6.3.2**

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

#### Net Tangible Assets

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

# Directory

## Rārangi tauwaea



### Postal address

PO Box 5704  
Lambton Quay  
Wellington 6145



### Phone

+64 4 974 6530



### Personnel e-mail addresses

firstname.lastname@lgfa.co.nz

### Website

**[www.lgfa.co.nz](http://www.lgfa.co.nz)**

### General enquiries

[lgfa@lgfa.co.nz](mailto:lgfa@lgfa.co.nz)

### Office hours

Monday through Friday,  
09.00-17.30 hrs

Except Public Holidays

### Street address



### WELLINGTON

Level 8  
City Chambers  
142 Featherston Street  
Wellington 6011



### AUCKLAND

Level 5  
Walker Wayland Centre  
53 Fort Street  
Auckland 1010



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

## **APPENDIX 2**

### **LGFA Letter to shareholders to accompany 2019-20 Draft SOI**



27 February 2019

Dear Shareholder

### **Draft Statement of Intent 2019/20**

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

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

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

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

For our shareholders we are focused on

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

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

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

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

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

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

Yours sincerely



Mark Butcher  
Chief Executive



# **APPENDIX 3**

## **LGFA Draft SOI 2019-20**



## **Statement of Intent 2019/20**

### **1. Introduction**

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

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

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

### **2. Nature and scope of activities**

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

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

In lending to Participating Local Authorities, LGFA will:

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

### **3. Objectives**

#### **Principal Objectives**

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

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

#### **Primary Objectives**

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

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

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

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

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

## **Additional objectives**

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

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

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

#### 4. Financial forecasts

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

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

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

#### 5. Performance targets

LGFA has the following performance targets:

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

- 30 June 2021 will be greater than \$19.00 million.
- 30 June 2022 will be greater than \$18.90 million.
- LGFA’s annual issuance and operating expenses (excluding AIL) for the period to:
  - 30 June 2020 will be less than \$6.10 million.
  - 30 June 2021 will be less than \$6.20 million.
  - 30 June 2022 will be less than \$6.40 million.
- Total lending to Participating Local Authorities<sup>1</sup> at:
  - 30 June 2020 will be at least \$9,560 million.
  - 30 June 2021 will be at least \$9,806 million.
  - 30 June 2022 will be at least \$9,879 million.
- Conduct an annual survey of councils who borrow from LGFA and achieve at least an 80% satisfaction score as to the value added by LGFA to the council borrowing activities.
- Meet all lending requests from Participating Local Authorities, where those requests meet LGFA operational and covenant requirements.
- Achieve 75% market share of all council borrowing in New Zealand.
- Review each Participating Local Authority's financial position, its headroom under LGFA policies and arrange to meet each Participating Local Authority at least annually.
- No breaches of Treasury Policy, any regulatory or legislative requirements including the Health and Safety at Work Act 2015.
- Successfully refinance of existing loans to councils and LGFA bond maturities as they fall due.
- Maintain a credit rating equal to the New Zealand Government rating where both entities are rated by the same credit rating agency.

## **6. Dividend policy**

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

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

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

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<sup>1</sup> Subject to the forecasting uncertainty noted previously

## **7. Governance**

### **Board**

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

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

The Board's approach to governance is to adopt best practice<sup>2</sup> with respect to:

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

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

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

### **Shareholders' Council**

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

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

## **8. Information to be provided to Shareholders**

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

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<sup>2</sup> Best practice as per NZX and Institute of Directors guidelines



## **Annual Report**

The LGFA's balance date is 30 June.

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

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

## **Half Yearly Report**

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

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

## **Quarterly Report**

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

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

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

### **Statement of Intent**

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

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

### **Shareholder Meetings**

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

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

## **9. Acquisition/divestment policy**

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

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

## **10. Activities for which compensation is sought from Shareholders**

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

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

## **11. Commercial value of Shareholder's investment**

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

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

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

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

## **12. Accounting policies**

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

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

### **ATTACHMENT: Statement of accounting policies**

#### **a. Reporting Entity**

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

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

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

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

#### **b. Statement of Compliance**

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

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

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

#### **c. Basis of Preparation**

##### **Measurement base**

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

The financial statements are prepared on an accrual basis.

## **Functional and presentation currency**

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

## **Foreign currency conversions**

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

## **Changes in accounting policies**

There have been no changes in accounting policies.

## **Early adoption standards and interpretations**

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

## **Standards not yet adopted**

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

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

### **d. Financial instruments**

#### **Financial assets**

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

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

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

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

#### **Financial liabilities**

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

## **Derivatives**

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

### **Fair value hedge**

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

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

### **e. Other assets**

#### **Property, plant and equipment (PPE)**

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

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

#### **Intangible Assets**

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

### **f) Other liabilities**

#### **Employee entitlements**

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

### **g) Revenue and expenses**

#### **Revenue**

#### **Interest income**

Interest income is accrued using the effective interest rate method.

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

#### **Expenses**

Expenses are recognised in the period to which they relate.

## **Interest expense**

Interest expense is accrued using the effective interest rate method.

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

## **Income tax**

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

## **Goods and services tax**

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

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

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

Commitments and contingencies are disclosed exclusive of GST.

### **h. Lease payments**

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

### **i. Segment reporting**

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

### **j. Judgements and estimations**

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

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

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

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

