

Regional Council

NOTICE IS GIVEN

that the next meeting of the **Regional Council** will be held via **Zoom (Audio Visual meeting)**, **Bay of Plenty Regional Council's Virtual Meeting Room** on:

Thursday, 14 May 2020 commencing at 9.30 am

This meeting is open to the public through live streaming on the BOPRC website. To watch the meeting live please click on this link <http://www.boprc.govt.nz/livestream>

Fiona McTavish
Chief Executive
6 May 2020



Council

Membership

Chairperson	Chairman Doug Leeder
Deputy Chairperson	Cr Jane Nees
Members	All Councillors
Quorum	Seven members, consisting of half the number of members
Meeting frequency	Six weekly or as required for Annual Plan, Long Term Plan and other relevant legislative requirements

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.

Role

- 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.
- Review and decide the Council's electoral and representation arrangements.
- Consider issues of regional significance which are not the responsibility of any specific standing committee or that are of such regional significance/high public interest that the full Council needs to decide on them.
- Adopt Council's Policy on Significance and Engagement Policy.
- Develop, adopt and implement the Triennial Agreement, Code of Conduct and Standing Orders.

- Consider and agree on matters relating to elected members' remuneration.
- Appoint the Chief Executive, 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.
- Oversee the work of all committees and subcommittees.
- 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.
- Monitor and review the achievement of outcomes for the Bay of Plenty Community.
- 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 Regional Council policy.
- Address strategic corporate matters including property and accommodation.
- Consider and agree on the process to develop the Long Term Plan, Annual Plan and Annual Report.
- Adopt the Long Term Plan, Annual Plan and budgets variations, 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).
- Develop, review and approve Council's Financial Strategy and funding and financial policies and frameworks.
- 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.

Delegations from Council to committees

- Council has a role to monitor the functioning of all committees.
- Council will consider matters not within the delegation of any one Council committee.
- 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, 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

Chairman:	D Leeder
Deputy Chairman:	J Nees
Councillors:	N Bruning, W Clark, S Crosby, T Iti, D Love, M McDonald, S Rose, P Thompson, L Thurston, A von Dadelszen, T White, K Winters
Committee Advisor:	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 oranga tonu ki ngā āhuatanga 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

4 Acceptance of Late Items

5 Confidential Business to be Transferred into the Open

6 Declarations of Conflicts of Interests

7 Previous Minutes

7.1 Regional Council (Extraordinary Meeting) Minutes - 17 April 2020 15

8 Reports

8.1 Chairman's Report 23

8.2 Local Government New Zealand Nomination, AGM Process and Other Representative Matters 29

8.3	Towards Thriving Kaimai-Mamaku Forests: A proposal to increase animal pest control 2020-2025	33
	APPENDIX 1 - 2020 05 01 Toward a Thriving Kaimai Mamaku through increased pest management V3.1	37
8.4	Recommendation to Council from Strategy and Policy Committee: Development of an Inter-Regional Marine Pest Pathway Plan	59
8.5	<u>10.30 am</u>: Bay of Plenty Local Authority Shared Services (BOPLASS) Draft Statement of Intent 2020 - 2023, and Half Yearly Report 2019/20	63
	APPENDIX 1 - Bay of Plenty Local Authority Shared Services (BOPLASS) Half yearly report 2019-20	67
	APPENDIX 2 - Bay of Plenty Local Authority Shared Services (BOPLASS) SOI 2020-2023 Approved Draft	79
	APPENDIX 3 - Bay of Plenty Local Authority Shared Services (BOPLASS) Half Yearly Report - 2019-20 - Letter to Shareholders - BOPRC	97
8.6	Local Government Funding Agency (LGFA) Draft Statement of Intent 2020/21 and Half Yearly Report 2019/20	101
	APPENDIX 1 - Local Government Funding Agency (LGFA) Half Year Report 2019 Final	105
	APPENDIX 2 - Local Government Funding Agency Letter to Shareholders to accompany Draft SOI 2020-21	143
	APPENDIX 3 - Local Government Funding Agency (LGFA) Draft Statement of Intent 2020-21	149
8.7	Arotake Tuatoru 2019-20 Performance Monitoring Report Quarter Three	

This report (including open and confidential attachments) will be circulated under separate cover.

9 Public Excluded Section 167

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
10.1 Public Excluded Regional Council (Extraordinary Meeting) Minutes - 17 April 2020	As listed in the open section of the minutes	Good reason for withholding exists under Section 48(1)(a)
10.2 2- Confidential Attachment to Arotake	To carry out commercial	Good reason for

Report Bancorp Treasury Report March 2020 – <i>under separate cover</i>	activities	withholding exists under Section 48(1)(a)
10.3 3- Confidential Attachment to Arotake Report Toi Moana Trust Report March 2020 – <i>under separate cover</i>	To carry out commercial activities	Good reason for withholding exists under Section 48(1)(a)
10.4 4- Confidential Attachment to Arotake Report Market Update 6 May 2020 – <i>under separate cover</i>	To carry out commercial activities	Good reason for withholding exists under Section 48(1)(a)

9.1 Public Excluded Regional Council (Extraordinary Meeting) Minutes - 17 April 2020

169

10 Closing Karakia

Previous Minutes

Minutes of the Regional Council Meeting held via Zoom (Audio Visual meeting) on Friday, 17 April 2020 commencing at 9.30 am

Present:

Chairman: D Leeder

Deputy Chairman: J Nees

Councillors: L Thurston, P Thompson, N Bruning, W Clark, S Crosby, K Winters, A von Dadelszen, M McDonald, S Rose, T Iti, T White, D Love

In Attendance: Fiona McTavish – Chief Executive, Mat Taylor – General Manager Corporate, Namouta Poutasi – General Manager Strategy & Science, Sarah Omundsen – General Manager Regulatory Services, Chris Ingle – General Manager Integrated Catchments; Kataraina O’Brien - Strategic Engagement Manager, Debbie Hyland – Finance and Transport Operations Manager, Yvonne Tatton – Governance Manager, Tone Nerdrum Smith – Committee Advisor

Apologies: Cr Crosby (absence during the meeting)

1 Opening Karakia

Provided by Cr Te Taru White.

2 Apologies

It was noted that Cr Crosby would be absent during parts of the meeting.

3 Public Forum

Nil

4 Acceptance of Late Items

Nil

5 General Business

Nil

6 Confidential Business to be Transferred into the Open

Nil

7 Declaration of Conflicts of Interest

The Chairman noted that Cr Crosby and Cr Thompson were Directors of Quayside Holdings Ltd, in relation to the Quayside Holdings Limited Half Yearly Report 2019/20 and Draft Statement of Intent 2020/21 (Public Excluded Section).

8 Previous Minutes

8.1 Regional Council Minutes - 24 March 2020

Resolved

That the Regional Council:

- 1 Confirms the Regional Council Minutes - 24 March 2020 with the following amendments:

Minute Item 6.2 - Adoption of the Proposed Flood Protection and Drainage Bylaws 2020 Statement of Proposal for Formal Consultation ADD Cr Bill Clark as a member to the Hearings Panel to hear submissions on the proposed Flood Protection and Drainage Bylaws 2020 (refer resolution 3, pg. 3 of the minutes).

Leeder/von Dadelszen
CARRIED

9 Reports

9.1 COVID-19: Essential Services and Emergency Response

Fiona McTavish – Chief Executive, Sarah Omundsen – General Manager Regulatory Services and Chris Ingle – General Manager Integrated Catchments responded to questions of the report.

In Response to Questions

- Council and Committee meetings would continue via remote technology, i.e. Zoom, until changes in Alert Levels meant physical meetings could resume
- There were comprehensive health and safety protocols in place for staff working in the field
- The overall occurrence of odour complaints had increased during lockdown
- Council continued to liaise with Iwi and Māori, and other key stakeholders, during the lockdown period
- The Rotorua lakes were currently within the consented levels.

Key Points – Members

- Formal Zoom meetings could be co-ordinated from Regional House when alert levels had reduced as long as a physical quorum was present and the number of people physically present did not exceed 10 under Level 3.

Resolved

That the Regional Council:

1 Receives the report, COVID-19: Essential Services and Emergency Response.**Nees/Rose
CARRIED****9.2 COVID-19: Economic Recovery Plan**

PowerPoint Presentation – Objective Reference A520714, website link [Economic Recovery Plan Presentation](#)

Namouta Poutasi – General Manager Strategy & Science, Chris Ingle – General Manager Integrated Catchments and Kataraina O'Brien - Strategic Engagement Manager presented this item and responded to questions.

Key Points

- Recognised the unprecedented situation the world was currently facing
- Concerned regarding a spike in unemployment, in particular for Māori Trusts and businesses, e.g. forestry and tourism
- Recognised that the situation also provided an opportunity to work differently, with collaboration being a critical component
- Clarified what was currently classified as “essential services”, which had continued during the lockdown period
- Outlined the prioritised projects for the next 6-12 months, including Crown Infrastructure Projects; Regional Green Work Projects; Regional and Public Transport Projects; and Māori Economic Development
- Community input would be imperative in moving forward.
- The Plan supported the Bay of Connections’ drive towards the development of a low carbon circular economy
- Council was working with a number of partners with regards to employment pathways and educational opportunities.

Key Points – Members

- Consideration should be given to the establishment of a contestable infrastructure fund
- Noted that Council was in the process of working through its Financial Strategy and that the establishment of an infrastructure fund could be considered as part of this
- Emphasised the importance of meaningful Māori participation in the recovery plan
- Recognised the strength of the proposed framework, and encouraged planning and working regionally/acting locally to avoid potential duplication
- Sought further work with regards to a social procurement policy to ensure fairness and community involvement
- Noted the significant negative impact the current situation had on the tourism sector in Rotorua
- Recognised the value of the three Māori Councillors in the Māori recovery space, including active involvement by Toi Kai Rawa Trust.

10.25 am – Cr Crosby **withdrew** from the meeting.

Resolved

That the Regional Council:

- 1 Receives the report, COVID-19: Economic Recovery Plan;**
- 2 Endorses Bay of Plenty Regional Council Crown Infrastructure Projects: Rangitāiki Floodway project, Flood Protection Resilience Projects, and the Bay of Plenty's scheme drain network.**
- 3 Endorses the Rangiuru Business Park Public Infrastructure Proposal.**
- 4 Agrees to seek central government funding to initiate the Green Projects identified in this report.**
- 5 Agrees to seek expressions of interest from community stakeholders on other Green Projects that could be considered for central government funding and regional delivery.**
- 6 Adopts the initial Regional Economic Recovery Framework.**
- 7 Agrees for further work to be done on developing a regional recovery plan working closely with key partners and stakeholders and report back to Council in September to inform the Long Term Plan reset.**
- 8 Agrees to seek direction from Komiti Māori with regards to how best to engage with Māori and Iwi Partners on the Economic Recovery Plan.**

**Iti/White
CARRIED**

9.3 COVID-19 Rotorua District 2019/20 Quarter Four Rates Deferral

Mat Taylor – General Manager Corporate provided an outline of the report.

In Response to Questions

- The word 'may' in the resolution provided required flexibility to remit late payment penalties on a case by case basis
- Rotorua Lakes Council was working through their remission criteria based on Central Government direction.

Key Points – Members

- Noted that the rates referral applied to the 2019/20 financial year only
- Concerned regarding accumulated household debt due to the repayment deferrals currently taking place in various sectors.

Resolved

That the Regional Council:

- 1 Receives the report, COVID-19 Rotorua District 2019/20 Quarter Four Rates Deferral;**

- 2 Notes the action taken by Rotorua Lakes Council to approve a rates postponement initiative for the 2019/20 financial year quarter four rates instalment due in May 2020 in response to COVID-19.
- 3 Agrees that postponing collection of the Rotorua Lakes constituency 2019/20 financial year fourth quarter rates instalment is inconsistent with the Remission and Postponement of Rates Policy because it extends eligibility to non-residential ratepayers and offers different payment terms.
- 4 Agrees that applying the Rotorua Lakes Council rates postponement initiative for the 2019/20 financial year fourth quarter rates instalment to Bay of Plenty Regional Council rates is efficient for ratepayers because Rotorua Lakes Council collect rates on behalf of Bay of Plenty Regional Council.
- 5 Agrees that Rotorua Lakes Council may apply their rates postponement initiative to Bay of Plenty Regional Council rates that they collect for the 2019/20 financial year fourth quarter instalment due in May 2020, with the following options available to suitably qualified ratepayers:
 - a) Defer payment of the instalment amount to the first quarter of the next financial year, payable in August 2020; or
 - b) Defer payment of the instalment amount and spread payments over the balance of the next financial year ending 30 June 2021.
- 6 Agrees that Rotorua Lakes Council may agree to remit any penalties incurred by ratepayers who are entitled to rates postponement under the initiative.
- 7 Agrees that the Remission and Postponement of Rates Policy is part of the financial frameworks review for the Long Term Plan 2021-2031 and this will include consideration of whether changes should be made to financial hardship rules.

Thurston/Winters
CARRIED

9.4 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	Grounds under Section 48(1) LGOIMA 1987 for

	matter	passing this resolution
COVID-19 Financial Update	To carry out commercial activities	Good reason for withholding exists under Section 48(1)(a)
Quayside Holdings Limited Half Yearly Report 2019/20 and Draft Statement of Intent 2020/21	To protect the privacy of an individual	Good reason for withholding exists under Section 48(1)(a)
COVID-19: Financial Update (to be distributed under separate cover)	To carry out commercial activities	Good reason for withholding exists under Section 48(1)(a)
Appendix 5 – Attachment to Economic Recovery Plan April 2020 - Rangioru CIP	To carry out commercial activities	Good reason for withholding exists under Section 48(1)(a)

THAT Scott Hamilton and Sir Robert McLeod – Quayside Holdings Ltd be permitted to stay after the public has been excluded for the Quayside Holdings Limited Half Yearly Report 2019/20 and Draft Statement of Intent 2020/21 item.

**Leeder/Rose
CARRIED**

The Chairman advised that the public section of the meeting would **close** and that the livestreaming would end before the meeting moved into the Public Excluded section.

10 Closing Karakia

Provided by Cr Te Taru White.

The meeting closed at 12.35 pm

Confirmed DATE

Doug Leeder
Chairman Bay of Plenty Regional Council

Reports

Receives Only – No Decisions



Report To: Regional Council

Meeting Date: 14 May 2020

Report From: Douglas Leeder, Council Chairman

Chairman's Report

Executive Summary

Since the preparation of the previous Chairman's Report (for the 20 February 2020 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. Due to COVID-19, the meetings from late March onwards were all conducted online.

This report sets out those meetings and engagements, outside of Council, Committee and Sub-Committee meetings, 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, outside of Council, Committee and Sub-Committee meetings; I have attended and participated in as Chairman. From late March, due to COVID-19 the meetings that went ahead were all conducted online.

The report also highlights some 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
12 February	2020 Special Interest Groups (SIG) Convenor's Plenary – <i>Wellington</i>	An annual event, this year's theme was 'Agility in a Changing Political World'. Sector challenges, opportunities and reflections were discussed and an update on the SIG Network including a progress report since the 2019 SIG Plenary.
14 February	Bay of Plenty Triennial Agreement Meeting – <i>Rotorua</i>	This is covered in more detail in the following section.
17 February	Meeting with two Southern Generation Partnership Board Members – <i>Whakatāne</i>	Councillors Clark and Iti also attended.
18 February	SmartGrowth Mayors/Chair and Chief Executive Meeting – <i>Tauranga</i>	Attended.
19 February	SmartGrowth Leadership Group Workshop – <i>Tauranga</i>	Discussed the Urban Form and Transport Initiative Spatial Plan Financial case of implementation and the Spatial Plan alignment. An update on the Draft MOU between the partners was also discussed.
20 February	Regional Sector Water Subgroup Meeting – <i>Wellington</i>	Attended.
	Local Government New Zealand Regional Sector Dinner – <i>Wellington</i>	Attended.
21 February	Regional Sector Group Meeting – <i>Wellington</i>	This is covered in more detail in the following section.
	Announcement: Ahuwhenua Trophy Excellence Māori Horticulture Awards 2020 Finalists – <i>Wellington</i>	Minister for Māori Development Hon Nanaia Mahuta announced the finalists for the inaugural Ahuwhenua Trophy Excellence Māori Horticulture Awards 2020.
25 February	Presentation to Kawerau District Council – <i>Kawerau</i>	Quayside and BOPRC provided a presentation covering who we are, challenges and opportunities, achievements so far and what's ahead.
	Provincial Growth Fund Announcement – <i>Kawerau</i>	Minister of Regional Economic Development Hon Minister Shane Jones announced a \$19.9 million investment to help develop essential infrastructure for an industrial hub in Kawerau.

Date	Meeting/Engagement	Comment
26 February	Celebration to mark the vesting of the legal ownership of the Lake Ōkaro lakebed to Te Arawa Lakes Trust – <i>Rotorua</i>	A celebration of the transfer of ownership which is a significant milestone for members of Te Arawa iwi. The celebration recognises the many years of collective effort to implement commitments made in the historical Te Arawa Lakes Settlement.
28 February	Regional Sector Preparatory Session for Kahui Wai Māori – <i>Wellington</i>	Regional Sector Group representatives discussed Freshwater Farm Plans.
	Kahui Wai Māori – <i>Wellington</i>	Meeting to discuss Freshwater Implementation.
	Primary Sector Leaders: Implementation of Freshwater Reforms – <i>Wellington</i>	Discussion with Regional Sector Group representatives.
29 February	Lakeside 2020 Concert: Tātau Tātau – <i>Rotorua</i>	A free annual outdoor concert for the region featuring the best of Maori, classical and contemporary music.
2 March	Meeting with the New Zealand Transport Agency – <i>Tauranga</i>	Meeting with the wider WBOP leadership team(s) following funding announcements for the Western Bay of Plenty.
3 March	Chairs of the Freshwater Advisory Groups meeting with Ministers David Parker and Damien O'Connor – <i>Wellington</i>	Discussed the Freshwater Reforms.
	Farewell event for Mercury Chief Executive Fraser Whineray – <i>Auckland</i>	An acknowledgement of Fraser Whineray's contribution to Mercury and the energy sector.
10 March	Presentation to Ōpōtiki District Council – <i>Ōpōtiki</i>	Quayside and BOPRC provided a presentation covering who we are, challenges and opportunities, achievements so far and what's ahead.
12 March	Presentation to Whakatāne District Council – <i>Whakatāne</i>	Quayside and BOPRC provided a presentation covering who we are, challenges and opportunities, achievements so far and what's ahead.
13 March	Rotorua Te Arawa Lakes Strategy Group Meeting – <i>Rotorua</i>	Attended.
16 March	Meeting with Western Bay of Plenty and Tauranga City Council Mayors and Chief Executives – <i>Tauranga</i>	Discussed our various partner initiatives.

Date	Meeting/Engagement	Comment
17 March	Presentation to Western Bay of Plenty District Council – <i>Tauranga</i>	Quayside and BOPRC provided a presentation covering who we are, challenges and opportunities, achievements so far and what's ahead.
18 March	SmartGrowth Leadership Group Meeting – <i>Tauranga</i>	Attended.
19 March	Opening and Blessing of the Bay of Plenty Regional Council Rotorua Office – <i>Rotorua</i>	Attended the opening at blessing at 1118 Fenton Street, Rotorua.
20 March	Local Government New Zealand National Council Meeting – <i>Video Conference</i>	Attended.
6 April	Civil Defence and Emergency Management Update – <i>Video Conference</i>	Sarah Stuart-Black Director CDEM and National Controller, and Dr Ian Town Ministry of Health Chief Science Advisor / Chair COVID-19 Technical Advisory Group provided a briefing to local government Chief Executives and Joint Committee Chairs on the COVID-19 response strategy to contain and eliminate the virus and answer questions.
	Meeting with Tauranga City Council and Western Bay of Plenty District Council Mayors and Chief Executives – <i>Video Conference</i>	Discussed Western Bay projects and post COVID-19 SmartGrowth / UFTI.
8 April	Informal Bay of Plenty Mayoral Forum – <i>Video Conference</i>	Attended.
14 April	Bay of Plenty Extraordinary Mayoral Forum – <i>Video Conference</i>	This is covered in more detail in the following section.
16 April	Meeting with SmartGrowth Mayors and Chief Executives of Tauranga City Council and Western Bay of Plenty District Council – <i>Video Conference</i>	Discussed meeting with Minister Phil Twyford scheduled for 21 April.
20 April	Meeting with SmartGrowth Mayors and Chief Executives of Tauranga City Council, Western Bay of Plenty District Council – <i>Video Conference</i>	Further discussion of Ministerial meeting scheduled for 21 April.
21 April	Meeting with Minister Phil Twyford – <i>Video Conference</i>	Discussed our SmartGrowth partnership, UFTI work and COVID-19 response packages submitted by both the SmartGrowth partnership and the partners respectively.

Date	Meeting/Engagement	Comment
22 April	Weekly catch up for Regional Sector Chairs and Mayors – <i>Video Conference</i>	Discussed Regional Sector issues.
23 April	Meeting with MPs Kiri Allan, Tamati Coffey, Angie Warren-Clarke, Jan Tinetti - <i>Video Conference</i>	Discussed key issues the region is facing.
28 April	Regional Sector Water Subgroup Meeting – <i>Video Conference</i>	Briefing ahead of Regional Sector meeting on 1 May.
1 May	Regional Sector Group Meeting – <i>Video Conference</i>	This is covered in more detail in the following section.

3 Matters of Potential Interest

3.1 Bay of Plenty Mayoral Forum (previously Bay of Plenty Triennial Agreement Meeting)

On 14 February the Bay of Plenty Triennial Agreement meeting was held in Rotorua where members agreed to a name change to the Bay of Plenty Mayoral Forum. The 2019-2022 Mayoral Forum Triennial Agreement was adopted along with the 2020 Mayoral Forum Work Programme. Each member council also shared their key issues for their areas and there was a verbal update from the Collaboration Bay of Plenty Chair.

On 14 April, the Extraordinary Mayoral Forum discussed Crown Infrastructure Projects to be submitted to the Crown Infrastructure Partnerships Group to assist the Bay of Plenty Region to recover from COVID-19 and deliver lasting benefits for regional communities.

This meeting was livestreamed to the public; the agenda, minutes and video are all available on our website.

3.2 Regional Sector Meeting

The Regional Sector meeting was held in Wellington on 21 February 2020, for regional/unitary council Chairs/Mayors and Chief Executives. Sector Updates on Water, Regional Chief Executive Officers, and Biodiversity and Biosecurity were discussed. There were also guest speakers including:

- Ken Taylor, Chair of the Essential Freshwater Science and Technical Advisory Group provided a briefing on the Advisory Group.
- Tim Mackle, Chief Executive of DairyNZ spoke about the freshwater reform implementation.
- Nicole Rosie, Chief Executive of the New Zealand Transport Agency introduced herself to the sector as she recently commenced her role in February 2020.

The Regional Sector meeting on 1 May was focussed on the:

- “Green initiatives”/ “spade ready” environmental enhancement projects submitted as a regional sector package to Minister Eugenie Sage. The proposed series of projects are able to distribute investment to be delivered in a regional context and targets addressing key issues of climate change, biodiversity enhancement, predator management, water quality improvement, estuary restoration, terrestrial and marine pest control.
- Caring for Communities Regional Operating Model which National Emergency Management Agency Chief Executive, Carolyn Schwalger spoke to.
- Essential Freshwater Reform - Minister David Parker was invited to speak to the sector about the direction of the reform, the timing of decisions on the package and to respond to recent correspondence to Ministers from the Regional Sector Water Subgroup.

Doug Leeder
Chairman

for Council Chairman

4 May 2020



Report To: Regional Council
Meeting Date: 14 May 2020
Report From: Douglas Leeder, Council Chairman

Local Government New Zealand Nomination, AGM Process and Other Representative Matters

Executive Summary

Notice has been received regarding Local Government New Zealand's AGM and nominations to its Executive Council. In this paper Council is asked to consider: who its Regional Council LGNZ delegates are for the purpose of voting rights at the LGNZ AGM; nominating one of its Councillors for the office of LGNZ President; the LGNZ AGM remit process and the resignation of Councillor Love as a representative on the Rangitāiki River Forum.

Recommendations

That the Regional Council:

- 1 Receives the report, Local Government New Zealand Nomination, AGM Process and Other Representative Matters;**
- 2 Supports Councillor Stuart Crosby standing for the position of Local Government New Zealand's Presidency;**
- 3 Nominates Councillor Stuart Crosby for the office of President of Local Government New Zealand (LGNZ);**
- 4 Appoints Chairman Leeder as the Regional Council/Toi Moana's presiding delegate for the purpose of voting at the LGNZ Annual General Meeting;**
- 5 Appoints Crs: _____, _____, _____ and _____ as the Regional Council/Toi Moana's other delegates, for the purpose of voting at the LGNZ Annual General Meeting**
- 6 Accepts the resignation from Councillor Love as a Regional Council/Toi Moana representative on the Rangitāiki River Forum.**
- 7 Appoints Cr _____ as a Regional Council/Toi Moana representative on the Rangitāiki River Forum.**

1 LGNZ Annual General Meeting and representative delegates

The LGNZ Annual General Meeting (AGM) has been postponed to 20 November 2020 due to the Covid-19 event, however registrations for the AGM are now open.

Bay of Plenty Regional Council/Toi Moana is entitled to five votes at the 2020 AGM. The voting entitlement of each member authority is determined by that authority's subscription levels.

The maximum number of delegates for each local authority at the AGM is determined by that local authority's population. Bay of Plenty Regional Council is entitled to be represented by 5 delegates at the 2020 AGM.

Please note that the number of delegates at the AGM does not affect the number of additional Regional Council delegates able to attend the conference.

Regional Council is asked to appoint a presiding delegate responsible for voting on behalf of the Council at the AGM and four other delegates who may vote on behalf of the Council if the presiding delegate is absent from the AGM.

2 Nomination for the office of LGNZ President

The LGNZ President and Vice President are elected by ballot of member authorities at the AGM in the year following the year in which triennial local government elections are held. Any person who is an elected member is qualified to be nominated for the position of President.

Council is asked to support Councillor Stuart Crosby standing for the office of LGNZ President following his term as Vice President and further more to agree to the Regional Council nominating him for the position of LGNZ President.

3 LGNZ Remit Process

Member councils are able to submit proposed remits for consideration at the LGNZ AGM. The closing date for remits is 31 July 2020. Remits should only address major strategic "issues of the moment". They should have a national focus articulating a major interest or concern at the national political level. Remits must have the formal support from either a zone or sector group or five councils prior to being submitted. Remits are screened by the National Council to determine which remits are voted on at the AGM.

At this stage the Chief Executive has indicated there are no issues from a staff perspective that would require Regional Council to propose a remit, however Council may wish to direct staff to draft remits on specific issues for consideration.

Requests for remit support received from other councils will be presented to Council for consideration. When the full list of remits going forward to the AGM has been received from LGNZ's National Council, an opportunity will be provided to enable Council to give guidance on each remit to the Council's presiding voting member at the AGM.

4 Councillor representation on the Rangitāiki River Forum

Due to other commitments Councillor Love has requested his resignation as a Council representative on the Rangitāiki River Forum be accepted. Council has the ability to appoint up to five members on the River Forum. On the acceptance of Cr Love's resignation there will be four Council representatives. Council may choose to appoint an additional member if it so desires.

5 Budget Implications

5.1 Current Year Budget

There are no budget implications associated with this report.

5.2 Future Budget Implications

There are no future budget implications as LGNZ representative delegates' expenses are included in the Governance Services' budget.

6 Community Outcomes

Regional Council representation locally and nationally directly contributes to all the Community Outcomes in the Council's Long Term Plan 2018-2028.

Yvonne Tatton
Governance Manager

for Council Chairman

6 May 2020



Report To: Regional Council

Meeting Date: 14 May 2020

Report From: Chris Ingle, General Manager, Integrated Catchments

Towards Thriving Kaimai-Mamaku Forests: A proposal to increase animal pest control 2020-2025

Executive Summary

Council has supported the Manaaki Kaimai Mamaku Forum since its inception in 2009. When adopting its 2019/20 Annual Plan, Council approved funding of \$1.5 million over five years to improve forest health and mauri by increasing animal pest control in the ranges, conditional on matching funding from Department of Conservation.

This paper provides an update on recent and planned work, including presentation of a Joint Agency Committee proposal that has now been adopted by the Manaaki Kaimai Mamaku Trust and Steering Group. This proposal will guide operations over the next five years.

Recommendations

That the Regional Council:

- 1 Receives the report, Towards Thriving Kaimai-Mamaku Forests: A proposal to increase animal pest control 2020-2025;**
- 2 Endorses the attached Joint Agency Committee proposal, for implementation.**

1 Background

The Manaaki Kaimai Mamaku Forum was established in 2009 with the objectives of:

1. Bringing together all stakeholders from both sides of the ranges; and
2. Increasing efforts to restore forest health and the wider catchment areas.

The Forum has facilitated a number of good discussions and raised awareness of the issues, as well as producing a number of useful documents. The Forum now understands that to successfully improve forest health, a growing awareness and conversations between hapū, local communities and the Department of Conservation are needed. Through that awareness an increased social licence to operate modern pest control methods can be applied in strategic parts of the ranges.

Over the years since its inception in 2009, the Bay of Plenty Regional Council's role has been one of support, including part-funding the Forum's coordinator, and providing technical advice through the Tauranga Harbour Activity and Land Management Officers.

During deliberations on the 2019/20 Annual Plan, Council approved funding of \$1.5 million over five years to substantially increase the health and mauri of the Kaimai Mamaku forests. Council also wrote to central government seeking additional funding from the Conservation Minister for this purpose. The Conservation Minister met with Forum members and Regional Councillors to discuss this matter on 12 August 2019.

In late 2019 the Forum established the Manaaki Kaimai Mamaku Trust (the Trust) as a legal entity with five Trustees. The Trust is chaired by Councillor Bruning as a representative of the Joint Agency Committee (JAC), comprising the Department of Conservation (DOC), Waikato Regional Council (WRC) and Bay of Plenty Regional Council.

Over recent months, staff have worked together with DOC and WRC to prepare a Joint Agency Committee proposal to contribute towards achievement of the Forum's vision and objectives. This proposal was presented to the Trust on 27 March 2020 and to the Forum's Steering Group and Iwi/Hapū Roopu in mid-April. Feedback from the Forum's representatives has been incorporated into the latest version of the proposal, which was adopted unanimously by the Trust on 1 May 2020.

2 The Joint Agency Committee proposal

The Joint Agency Committee proposal is attached as Appendix 1, and includes three stages or projects, which complement existing investments in pest control:

1. Outlining a five-year partnership agreement between Joint Agency Partners to almost double the funding and animal pest control work from now until 2025, using methods where social licence to operate exists already. The specifics are currently being negotiated, but priorities at present include:
 - a. Doubling the effort put into controlling feral goat populations which damage the forest understorey;
 - b. Increasing the rat, possum and mustelid control at Opuiaki Ecological Area to protect the kokako population and forest health;
 - c. Adding to the bait station network between the successful community-led projects at Ōtānewainuku and Te Whakakaha; and
 - d. Supporting the pest control programme already underway at Mokaihaha.
2. Outlining support for flax-roots 'community igniter' or 'hapu activator' roles where these will help grow hapū/iwi and community-led support (social licence).
3. Outlining the funds available for animal pest control from the Joint Agencies subject to hapū/iwi and community-led support for efficient and effective methods.

Work is now underway to implement the proposal. Pending Council endorsement, field operations can commence in winter or spring of this year. A new Project Governance Group oversees the work, including both Councillor Bruning and Pim de Monchy.

As a part this proposal, the existing funding support for the Forum's Coordinator (\$35,000 per year) will instead be used to fund Project 2 above (after 1 July).

3 Budget Implications

3.1 Current Year Budget

The current year's budget includes \$242,000 for animal pest control, \$35,000 part-funding of the Forum Coordinator, an allowance for consultant input (\$10,000) and staff time.

It is unlikely that more than 15% of the animal pest control budget will be spent this year due to the lack of an agreed plan, until very recently; so the forecast end-of-year actual spend of \$81,300, represents an under-spend of \$205,700.

3.2 Future Budget Implications

Staff expect expenditure in the next four years to be in line with future budget allowed for in the Long Term Plan (as described above). It is suggested the under-spend from 2019/20 be used in the 2024/25 year, which will provide for a full five years of benefit to forest health and biodiversity in the Kaimai Mamaku ranges.

4 Community Outcomes

This project directly contributes to the Healthy Environment Community Outcome in the Council's Long Term Plan 2018-2028.

Pim De Monchy
Coastal Catchments Manager

for General Manager, Integrated Catchments

6 May 2020

APPENDIX 1

**2020 05 01 Toward a Thriving Kaimai Mamaku through
increased pest management V3.1**

Towards Thriving Kaimai-Mamaku Forests: A proposal to increase animal pest control 2020-2025

Pim de Monchy, Brad Angus, Jeff Milham, Andrew Thomas, Hamish Dean on behalf of the Manaaki Kaimai Mamaku Forum's Joint Agency Committee

Version 3.1: 1 May 2020, including feedback from MKM Trust, MKM Steering Group and the MKM Iwi/Hapū Roopu

1 Introduction

In 2009, a partnership between government agencies, iwi, NGOs and a cross section of community stakeholders were established with the Kaimai Mamaku Catchments Forum. This partnership has since evolved to include a Trust, a Steering Group, a Joint Agency Committee, a Iwi/Hapu Roopu, the Forum itself, and three Project Groups.

The vision of the Forum is: "The Kaimai thrive; hence we thrive". Within that, one of the key goals of the Forum has consistently included restoration of the mauri of the forest through comprehensive animal pest control and biodiversity management. In particular:

- Healthy stands of indigenous forests
- Abundant native bird species
- Fewer pest animals and plants

All parties understand that in order to succeed in the long term, sustained animal pest control must be under-pinned by a social licence to operate that is generated through effective local level iwi/hapū and community engagement, awareness and a 'flax-roots' drive for action. The Forum's work in recent times, including Cam Speedy's 2019 report, the recent advice from Kiwis 4 Kiwi, and the local Department of Conservation's co-decision-making approach with iwi/hapū, have all highlighted the critical importance of this with iwi/hapū. Such a social licence exists in some places, but not in others.

There is a general feeling that the Forum has now been operating for 10 years but has few concrete outcomes to show for it. One of the true successes of the Forum thus far has been its ability to maintain support from a wide and diverse range of stakeholders particularly iwi & hapū level support and engagement throughout this time. All parties are now eager to see action but are also aware that ill-considered approaches risk generating opposition that may see the outcomes fail to be achieved. Kōrero needs to be held in the decision-making spaces of hapū/iwi with outside expertise invited in.

The other ingredient required is security of funding and resources. At present, the Joint Agency Committee members invest approximately \$134,000 per year into animal pest control in the Kaimai Mamaku Ranges. In the context of the Forum's wider Operational Plan, 'Kaimai Mamaku Ranges' includes the Kaimai Range and the Northern Mamaku Plateau (including Opuiaki, Mokaihāhā, Otawa, Ōtanewainuku), associated forests and

landscapes within catchments that flow into the Waihou basin and to Tauranga Moana. The agency funding is currently dwarfed by the estimated 11,300 hours of voluntary work put into biodiversity work in the Kaimai Mamaku Ranges annually, valued at \$500,000 per year, by a number of successful community-led projects.

If we are to successfully access / unlock more funding, there is a need for hapū/iwi and the community to drive for ambitious landscape-scale restoration through effective and sustained pest control.

This proposal sets out how, from the perspective of the Joint Agency Committee, further progress towards the goal of the Forum can be made now. The proposal includes a doubling of the agency-funded work already underway in places where social licence to operate exists; ensuring the right conversations happen in the right places to establish or strengthen a social licence to operate elsewhere; and unlocking access to available funds for larger landscape-scale animal pest control operations to restore the mauri of the Ranges when that social licence has been created.

2 Purpose of this proposal

To provide a clear view of how the Department of Conservation, Waikato Regional Council and Bay of Plenty Regional Council wish to support achievement of the vision, goals and objectives of the Manaaki Kaimai Mamaku Forum over the next five years.

Now that feedback from the Forum has been included in this proposal, the Joint Agency Committee members will start to implement it. Implementation will involve creating the Governance Group so that Forum representatives continue to provide the vision and strategic priorities at a governance level, and help shape key decisions. Successful implementation of this proposal will help in securing substantial long-term funding support from the joint agencies going forward.

This proposal does not replace the important role of the MKM Forum and associated MKM Groups.

3 Scope of proposal

There are three parts to the proposal:

1. Outlining a five-year partnership agreement between Joint Agency Partners to almost double the funding and animal pest control work from now until 2025
2. Outlining support for flax-roots 'community igniter' or 'hapu activator' roles where these will help grow hapū/iwi and community-led support (social licence)
3. Outlining the funds available for animal pest control from the Joint Agencies subject to hapū/iwi and community-led support for efficient and effective methods

The geographic scope of this proposal is shown by yellow outline in the map below, which includes 170,852 hectares. Within that, six specific 'pest control hubs' have been identified for additional animal pest control work as discussed in the work of Cam Speedy in consultation with Forum members. Some of this additional work can be undertaken immediately, but much of it relies on increased targeted and local social engagement.

The temporal scope of this proposal is five years for the initial increase in agency funding. However, it is anticipated that this will be updated and amended as either the area where social licence to operate increases, or as additional funding becomes available.

The following is out of scope and not covered in this proposal

1. Sourcing external funding. That is a potential role of the MKM Trust.
2. Administration and management of the MKM Forum.
3. Delivering on the Kaimai Mamaku Operational Plan 2017-2022 which is the role of the MKM Trust specifically;
 - a. Project 2 of the 2017 Operational Plan: (Projects that involve collaboration by connecting people and places).
 - b. Project 3 of the 2017 Operational Plan: (Showcase the Kaimai Mamaku Ranges and Forum).
 - c. Enabling Action 1 of the 2017 Operational Plan: (Information Collation and mapping).
 - d. Enabling Action 2 of the 2017 Operational Plan: (Research and Monitoring).
 - e. Enabling Action 3 of the 2017 Operational Plan: (Communications, coordination and resourcing).
 - f. Enabling Action 4 of the 2017 Operational Plan: (Strategic Planning and Influence).

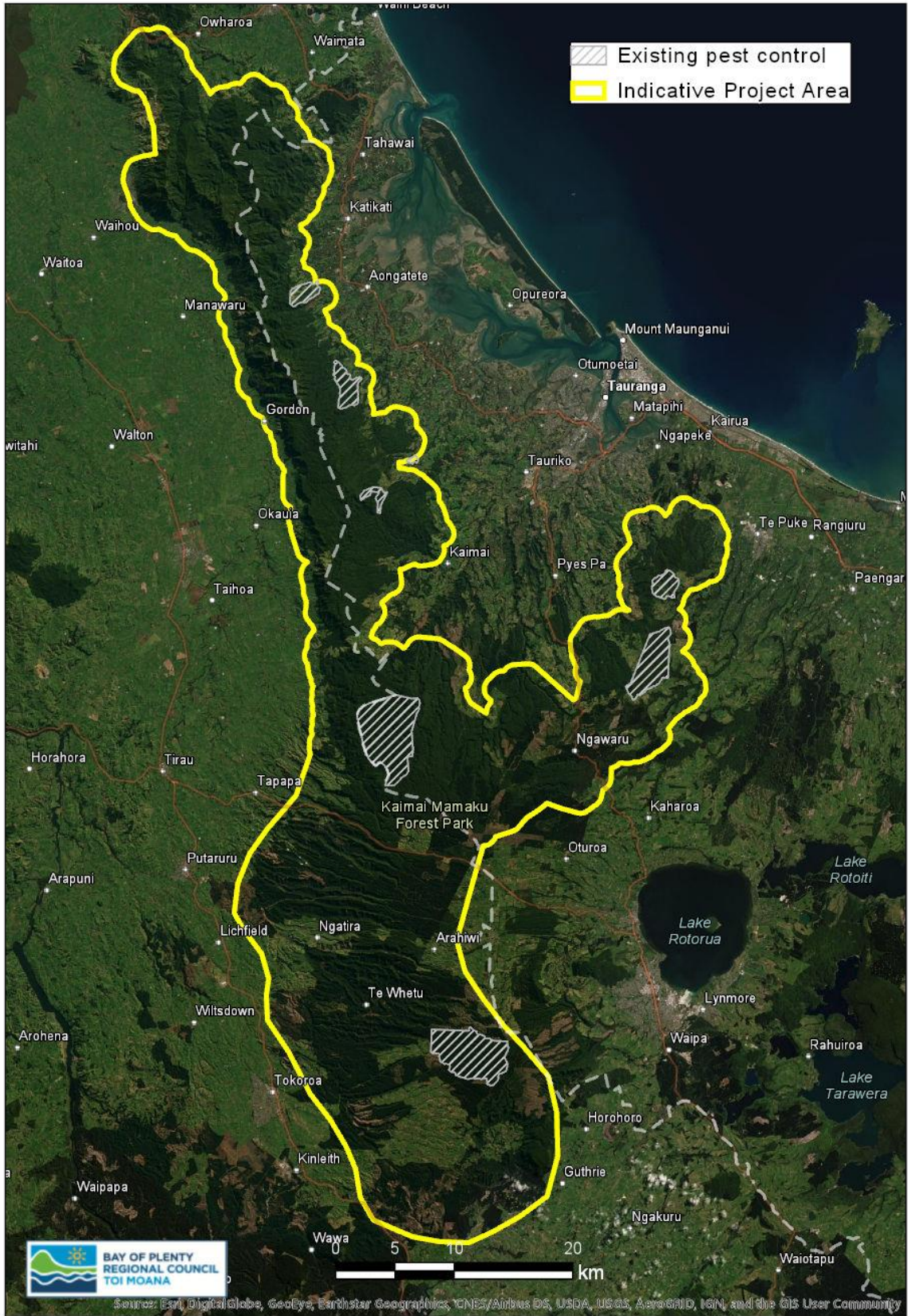


Figure 1: The Manaaki Kaimai Mamaku project area, showing existing animal pest control areas

The species considered for control in this proposal will ultimately be determined through Project 2 discussion with Iwi/hapu and local communities but could include Ship rat, Norway rat, Weasel, Stoat, Ferret, Feral cat, Possum, Goat, Red Deer, Fallow Deer, Feral pigs and Dama wallaby. Dama wallaby containment and control efforts are subject to a separate wallaby agency led Project involving the Department of Conservation, Waikato Regional Council and Bay of Plenty Regional Council.

This proposal does not describe in detail the enormous efforts already being undertaken by community groups or agencies within the Kaimai Mamaku Ranges. However, it acknowledges the incredible contribution made by so many people over a lengthy period towards restoration of the mauri of the forest, and makes an assumption that this work will continue and be increasing supported going forward.

In particular we would like to acknowledge the work of the:

- Protect Karangahake Inc
- Lund Road Pest Control Group
- Aongatete Forest Restoration Trust
- Whakamarama Community Inc, Friends of the Blade/Pa Kereru
- Otanewainuku Kiwi Trust
- Te Whakakaha Trust
- Ngamanawa Incorporation
- Mokaihaha Kokako Trust
- Friends of Puketoki

3.1 **Project 1: Doubling Joint Agency Funding for operations**

At present, the Joint Agency Committee members Department of Conservation, Waikato Regional Council invest an average of \$134,000 per year into animal pest control in the Kaimai Mamaku Ranges, plus community group support (see Appendix 1) and staff time. Under this proposal, Bay of Plenty Regional Council will match that funding each year for the coming five years to double the agency-funded efforts to protect biodiversity. The additional work through Project 1 would be managed by Department of Conservation staff, supported by a project team and informed by close working relationships with Manaaki Kaimai Mamaku Forum representatives.

This additional funding can boost efforts where social licence to operate already exists. Subject to agreement, these operations are likely to include:

- a. Doubling the goat control efforts to minimise their impact, and investigating the control of deer in places where they have historically been absent, so that the values of these largely ecologically intact areas are protected
- b. Increasing the size of ground-control efforts at Opuiaki Ecological Area, and increasing the frequency of control to annual, so that the kōkako population is saved from extinction and forest health is improved
- c. Increasing the size of ground control efforts between Ōtānewainuku and Ōtawa (Te Whakakaha) to link these operational areas and create a larger more sustainable habitat for the bird, frog and invertebrate species there
- d. Continuing Mokaihaha Ecological Area aerial 1080 operations every three years, supported by ground control operations over part of the area in between, to continue to sustain and grow the kokako population there and improve forest health

3.2 Project 2: Supporting hapū, iwi and community engagement through ‘community / hapū igniter’ or ‘activator’ roles

The Joint Agency Committee members acknowledge the critical importance of flax-roots level awareness, engagement and drive for action from local hapū, iwi and wider communities. The Department of Conservation is mandated and committed to operate in a co-decision-making manner with mana whenua. The collective Tangata Whenua Forum has just formed and wānanga started in March 2020. Both are essential to hapū/iwi information sharing, leadership and decision making.

The key outcome sought in Project 2, is to give hapū/iwi and local communities a ‘reason to believe’ that increased animal pest control and forest restoration work is worth aspiring to and fighting for, by sharing stories and by a growing awareness of what healthy forests can look like.

To support this local leadership and strong hapū/iwi voices for the Kaimai Mamaku, and to contribute directly towards the Joint Agency Committee is prepared to fund and resource one or more part-time or temporary full-time ‘community, Hapu igniter’ or ‘activator’ roles. These roles will need to be further shaped but the preference is for them to be filled by individuals within iwi or hapū who can ensure local expertise, and trusted voices and information, are shared. They will be individuals who want to lead the conversations within their hapū. The support they need will vary, but is likely to include payment for their time and access to specialists in this field such as Kiwis 4 Kiwi representatives and others for wānanga and advice, as well as access to agency staff. As part of this, funding may be available to enable the activators to facilitate wānanga, and hīkoi to areas within and outside of the Kaimai Mamaku Ranges, to support the discussion, learning and decision-making spaces of their hapū/iwi. Hapū-led wānanga offer a space for informed kōrero and a place where iwi and outside expertise can be welcomed.

Hubs may choose to request assistance from Kiwis 4 Kiwi specialists, or others to develop customised approaches to engagement.

The ‘community, Hapu igniter’ or ‘activator’ roles may need some creative thinking to decide where and how they best fit into the structure for implementation. It may be that hapū or iwi are well set-up for this as ‘employer’ or ‘principal’, or it may be that the Trust or one of the agencies take on this role.

3.3 Project 3: Accessing the funding available for new animal pest control, subject to meeting an efficiency and effectiveness test

Both Bay of Plenty Regional Council and the Department of Conservation have access to funds for significant expansion of animal pest control in the Kaimai Mamaku Ranges. However, this additional funding is conditional on social licence for efficient and cost-effective methods of pest control being in place, such as aerial 1080 operations. This is because effective ground control costs about \$240 per hectare to establish, and then \$110 per hectare per year to run, compared with aerial 1080 which can achieve similar or better results at a cost of around \$35 per hectare. Both agencies have funding limitations, and approval for expenditure will normally only be given where it can be shown that the pest control meets the cost effectiveness criterion, noting that there is some flexibility.

Through its Tiakina Ngā Manu (Battle for Our Birds) programme, the Department of Conservation has funds available for integrated animal pest control in the Kaimai Mamaku Ranges. However, these nationally distributed funds are normally contingent on aerial 1080 being the primary method of control due to its cost-effectiveness (subject to some flexibility).

Through its Annual Plan 2019-20, Bay of Plenty Regional Council took the unusual step of allocating \$1.5M of ratepayer funds over five years towards animal pest control in the Kaimai Mamaku Ranges, despite much of this area being non-rateable Public Conservation Land. This funding was made conditional on the Department of Conservation (or other agency) at least matching the Regional Council amount, and for the methods used to be cost-effective. These methods include aerial 1080 operations, effective goat, pig or deer control operations, and other options in some circumstances. Projects 1 and 2 are expected to account for approximately 60% of this funding, leaving about \$600,000 to contribute to larger projects.

Waikato Regional Council have a targeted Natural Heritage rate, some of which can be applied for in grants in excess of \$40K through the Natural Heritage Fund (NHF). There is no set limit on how much can be applied for from this fund, but the largest grant that has been successful so far was \$1.4M (\$350K per annum) over four years. Waikato Regional Council's Natural Heritage Fund was established in 2005 to protect and manage, in perpetuity, special places of ecological significance. Key priorities include the preservation of access to waterways and the coast, as well as protection of biodiversity, heritage sites and landscapes of significance to the community. Natural heritage projects have very long term, inter-generational benefits. An application to this fund is developed in partnership with Judy van Rossem, Biodiversity Project Manager at Waikato Regional Council. Due to the size of these funding grants, applications go before Council's Finance Committee, a subset of WRC Councillors. For more information this fund please visit:

<https://www.waikatoregion.govt.nz/community/funding-and-scholarships/natural-heritage-fund/>

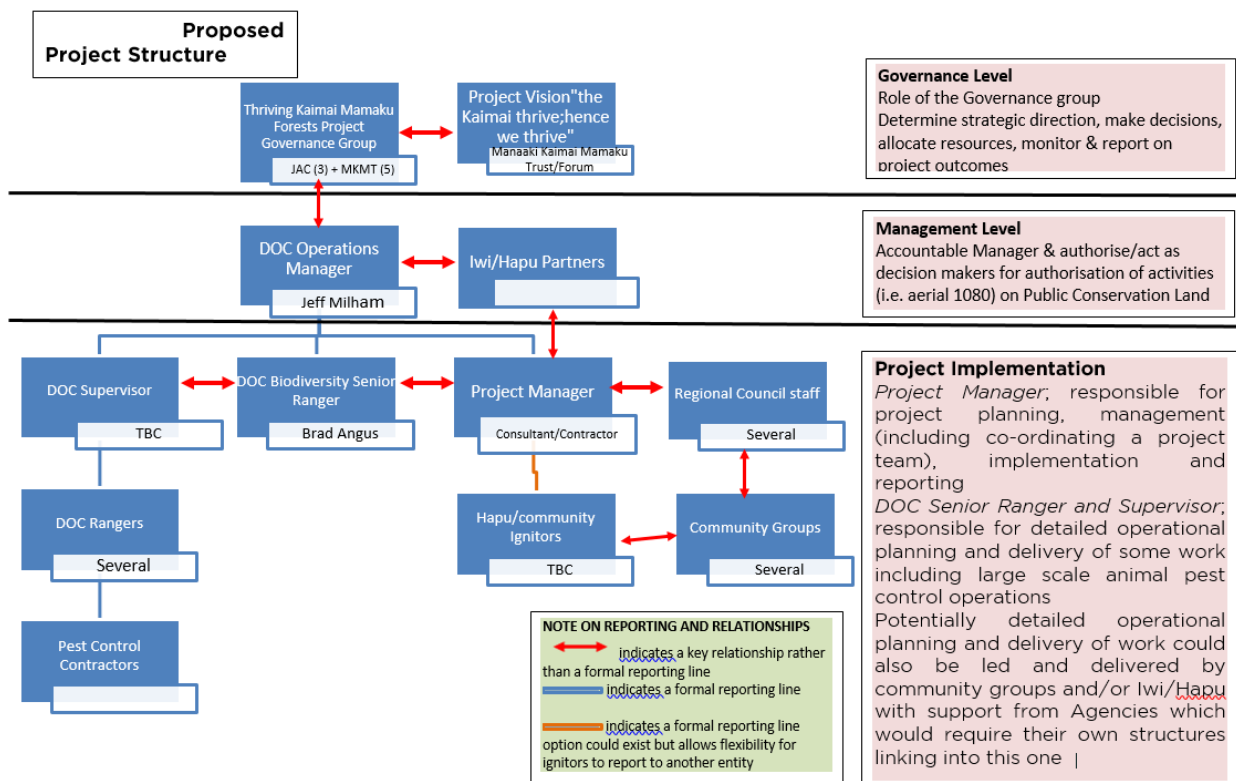
Finally, central and regional government economic recovery initiatives following the response to Covid-19 may open up temporary access to additional 'employment-rich' opportunities. It is possible that such opportunities might include scaling up or maintaining existing animal or plant pest control initiatives in the Kaimai Mamaku Conservation Area and its surrounding catchments.

Accessing the funding available through Project 3 will be enabled by successful implementation of Project 2, and through a ramping up of work to establish a social licence to operate by the Forum's members, including the Joint Agency Committee partners.

In addition to the potential Joint Agency funding there remains a critical role for the Manaaki Kaimai Mamaku Trust to access additional funding that may not be available to the Joint Agency Partners or others working individually. From the perspective of the Joint Agency Partners this remains a core role of the Trust. No single agency or community can achieve long term improvements in the health of the entire Kaimai Mamaku Forests, instead a collective and coordinated approach is required to make a difference.

4 Roles and Responsibilities

The Manaaki Kaimai Mamaku Trust, Steering Group, Joint Agency Committee and other relevant Manaaki Kaimai Mamaku Forum groups have taken on a role as an advocate for the Kaimai Mamaku Ranges on behalf of the community at large. The Forum has set itself the task of convening people to discuss and advocate for high-level and joined-up options for restoration of the forest and associated catchments, and have articulated that through a Vision, Objectives and a list of projects in the 2017-2022 Operational Plan (including a Kaimai Mamaku Pest Management Plan). In addition, the Forum has adopted a new 'Hub'/rohe based approach on the 2019 Cam Speedy Restoration Report, and further developed in the advice given by Kiwis 4 Kiwi staff. **This proposal from the Joint Agency Committee is intended to implement these actions. The proposed project structure is shown below, and at a bigger scale in Appendix 3:**



Following its recent role in helping shape this proposal, the Trust and/or Steering Group’s ongoing role in this proposal is through representation on a Project Governance Group to provide vision and strategic direction / priorities, and to review and provide advice into its implementation, monitoring and reporting. The Trust is also set up to raise funds to achieve its purpose, should it choose to do so.

The Department of Conservation is the key Crown agency responsible for managing conservation under the Conservation Act, and as the statutory manager responsible for administration and management of the Kaimai Mamaku Conservation Area and other public conservation lands. Regional Councils also have responsibilities for biodiversity monitoring and management under the Resource Management and Biosecurity Acts, as well as responsibilities for managing freshwater water and the harbours. All Joint Agency Committee members are committed to a model of co-design and co-management with mana whenua, and to supporting better and enabling the work of communities. This includes working in partnership with the hugely successful existing community group

projects around the Kaimai Mamaku. The Joint Agency Committee recognises the recreational hunting sector as a stakeholder in the process of planning and implementing the management of animal populations in the Kaimai Mamaku forests, and the additional statutory role of the Game Animal Council under the Game Animal Council Act (2013).

The preference of the Joint Agency Committee is for any new animal pest control work to be hapū/community-led partnerships with the Department of Conservation as the primary landowner and key agency, supported by Regional Councils and other stakeholders. This is consistent with the Conservation Act which requires recognition of Te Tiriti in the management of conservation land. In order to be implemented successfully, there will need to be a Project Manager role with skills in project management, communications, biodiversity/pest management operations, and tikanga Māori.

The Joint Agency Committee has considered four options for implementation of this proposal as requested by the Trust. The preferred option is for the Project Manager to be contracted by the Department of Conservation as the majority landowner, and as the agency whose enabling legislation most closely matches the activities in the plan.

The Project Manager would be directed by the DOC Operations Manager, who is a member of the Joint Agency Committee. The Manaaki Kaimai Mamaku Trust / Steering Group (seven members in total) and the Joint Agency Committee (three members) would form the Project Governance Group to oversee, shape and monitor the project at a strategic level. The DOC Operations Manager would be accountable for project implementation, delivered by the Project Manager and other DOC staff, contractors and partners.

A Project Team could be set up to support the Project Manager at an operational level, including members of the Forum. This could help access bigger networks, utilise key geospatial, communications, or operational resources, and ensure that tikanga and mātauranga Māori were built into operations.

The 'community, hapū igniter' or 'activator' roles may need some creative thinking to decide where and how they best fit into the structure for implementation. It may be that hapū or iwi around each of the hubs are well set-up for this, or it may be that the Trust or one of the agencies take on this role. As the potential funders for these roles, the Joint Agency Committee members are open to exploring the various options to make it work but have a preference being with hapū/iwi.

The Department of Conservation, Waikato Regional Council and Bay of Plenty Regional Council commit to engaging collaboratively with appropriate Forum representatives. This includes communications on progress to the Forum representatives; we will keep all members updated, whatever final shape the project management takes. However, as a consequence of making funds available for Projects 1, 2 and 3 and focussing scarce resources into operations or targeted engagement, the Joint Agency Committee members propose a scaling down and withdrawal of funding for the Forum's coordination role – however this is a well-informed consequence, as the MKM Trust are now set up and have the ability to seek external funding in order to resource the running of the forum and the rest of its Operational Plan (2017-2022).

A proposed Project structure is attached as Appendix 3 and will be implemented to ensure monitoring and management of performance and effective decision-making occurs.

5 Funding and Assumptions

The following assumptions are made in preparation of this plan:

1. That a \$1,340,000 operational budget is available for Project 1 from the Joint Agency Partners (\$268,000 per year from 1 July 2020 for five years),
2. That reasonable funding for Project 2 is available from the Joint Agency Partners subject to further planning and engagement work with Kiwis 4 Kiwi and Manaaki Kaimai Mamaku Forum representatives,
3. That, as a consequence of funding Project 2, funding for the coordination of the Forum may no longer be available through the Joint Agency Committee members, but the MKM Trust are now well set up and have the ability to secure external funding in order to resource the running of the forum and its Operational Plan (2017-2022).
4. That funding for Project 3 is available from the Joint Agency Partners, subject to social licence to operate existing for effective and efficient animal pest control methods, such as aerial 1080 and targeted goat control operations,
5. That all legal pest control options are available for consideration at least in certain parts of the ranges,
6. That existing animal pest control operations conducted by DOC or community groups within the Kaimai Mamaku Ranges will continue independently of this funding,
7. That integrated animal pest control of a range of species at specific sites is preferable to control of selected species that ignores key impacts to biodiversity at those sites,
8. That hapū or iwi representatives will be partners in the project's governance, planning, implementation, monitoring and reporting,
9. That where not already obtained, approval from landowners will be sought and obtained, or boundaries/methods adjusted to suit, prior to implementation,
10. That all other statutory permissions will be sought and obtained.

6 Next steps

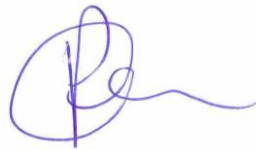
The Joint Agency Committee is keen to hear feedback from Manaaki Kaimai Mamaku Trustees and Steering Group members on this proposal, and in particular, on the proposed relationship between the Forum and the agencies. Once negotiated this proposal will become an operable plan/agreement with annual review and reporting requirements and signed by JAC managers.

The agencies are ready to negotiate and plan for implementation of Projects 1 and 2.


We note that the COVID-19 pandemic may substantially change priorities for government agencies and the Forum itself, so this letter and the attached plan are based on the state of play at the end of March 2020.



Jeff Milham
**Department of
Conservation**



Pim de Monchy
**Bay of Plenty
Regional Council**



Andrew Thomas
**Waikato
Regional Council**

Appendix 1: Current and future investment in Kaimai Mamaku animal pest control

Table 1: Current and potential investment per year in Kaimai animal. *denotes exclusion of community group support

	Status quo	Project 1	Project 2	Project 3
DOC	\$114,000*	+Project manager	+Community Activators	\$\$\$
WRC	\$20,000*	+PM support#	+Community Activators?#	\$\$\$#
BOPRC	\$0* ((\$50,000 to CGs)	\$134,000 + PM support	+Community Activators	\$\$\$
Community Groups	\$500,000			

#Funding from Waikato Regional Council is provisional on a successful funding application through the Natural Heritage Fund or a business case through the Long Term Plan.

Appendix 2: Proposed Pest Control Hubs

Hub 1: Northern Kaimai

Description

This is 20,631 hectares of contiguous forest spanning from SH2 at Karangahake Gorge in the north to Thompson's Track in the south, and from Te Aroha in the west to Athenree and Katikati in the east. There are numerous conservation values, including the rare Te Aroha Stag Beetle, and a continuous sequence of forest from the montane to coastal.

Current animal pest control

Currently, this area receives some goat control, and there are some relatively small-scale community initiatives around the edges. The Lund Rd Pest Control Group is the largest of these in the south-east of the block.

Project 1

Through Project and will likely receive increased goat control, and some targeted pig control to as part of the Department of Conservation's Kauri Dieback Programme.

Project 2

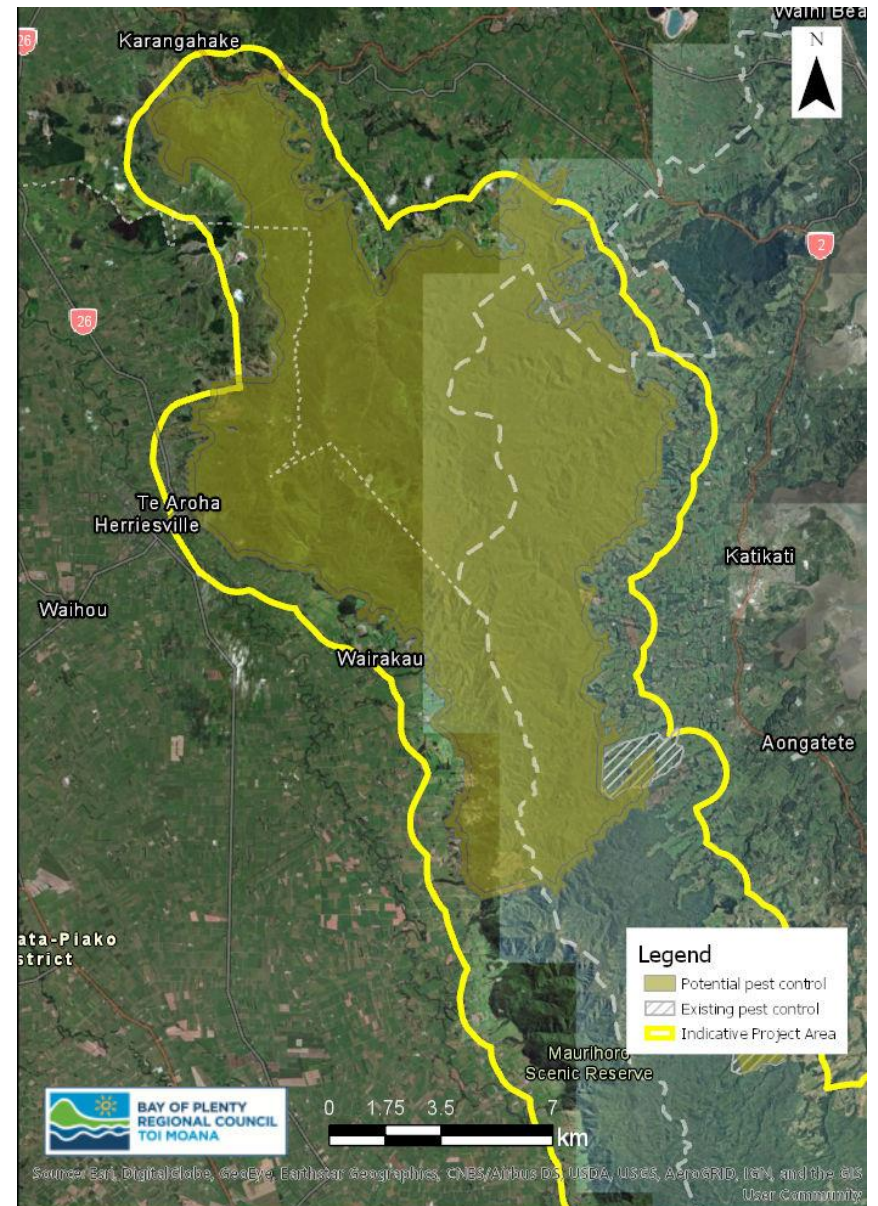
It is expected that this area will be a focus for Project 2.

Project 3

It is hoped that Project 2 may make it possible to undertake integrated control of possums, rats and mustelids, and/or other pests, over time.

Conservation outcomes

To be determined through development of Projects 1, 2 and 3



Objective ID: A3516491

Hub 2: Aongatete

Description

This Hub covers approximately 7,500 hectares of the northern central Kaimai Range from Thompson's Track south towards Whakamarama in the east and Goodwin Rd in the west. It is valued for its position on the 'limit of distribution' for a number of native species and plant associations. It is home to long tailed bats, robins, kingfern and a range of other threatened species.

Current animal pest control

The Aongatete Forest Project has established a 550 hectare network of rat, possum and mustelid control on the eastern side of the range. The Department of Conservation also carries out goat control. The forest understorey is affected by relatively high browsing pressure from ungulate species, mainly red deer.

Project 1

Increased goat surveillance and control.

Project 2

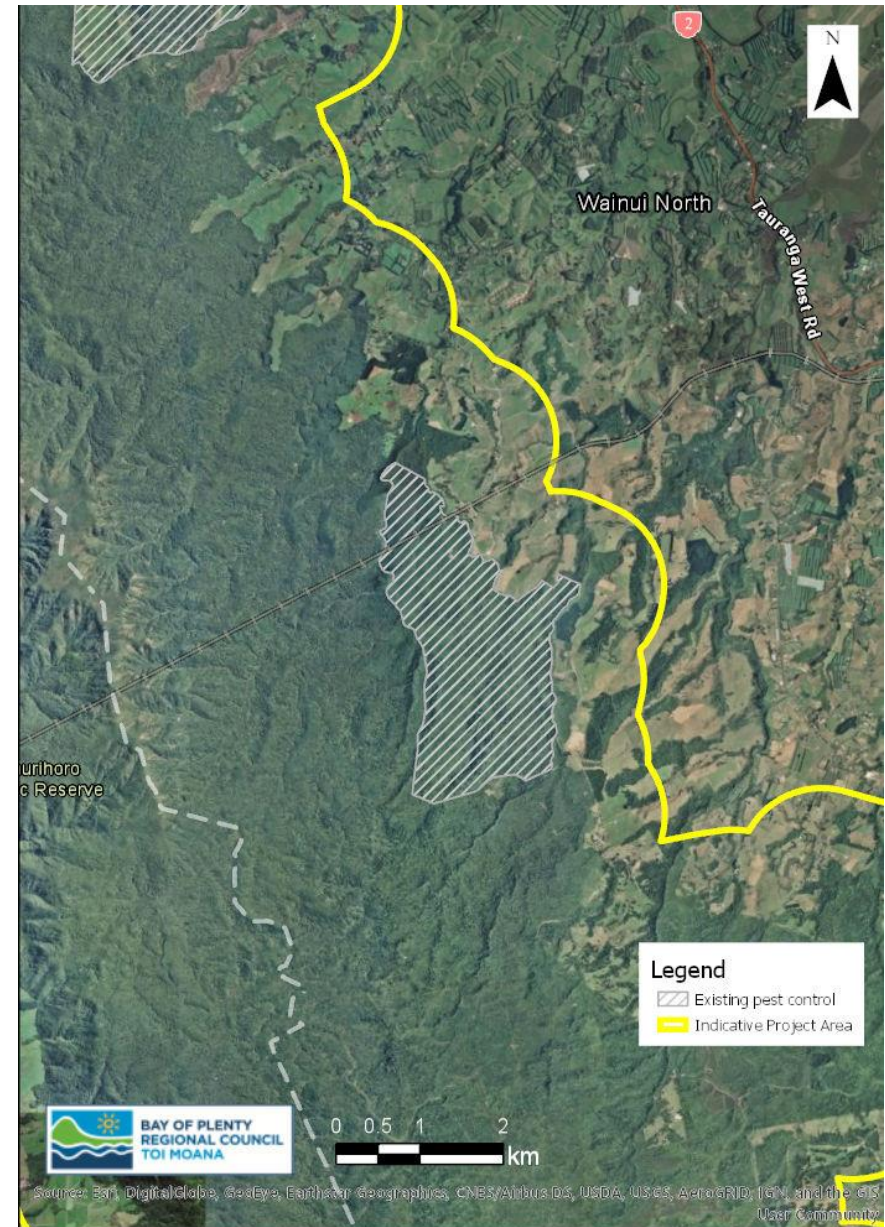
This area could be a focus for Project 2.

Project 3

It is hoped that Project 2 may make it possible to undertake integrated control of possums, rats and mustelids, and/or other pests, over time.

Conservation outcomes

To be determined through development of Projects 1, 2 and 3



Hub 3: Whakamarama

Description

This hub covers approximately 8,000 hectares of forest from State Highway 29 north to Whakamarama and Goodwin Rd, although those areas are very much indicative only.

Current animal pest control

In addition to occasional goat control, this section of the Kaimai Range includes a 200 hectare community trapping project at Whakamarama.

Project 1

Increased goat surveillance and control.

Project 2

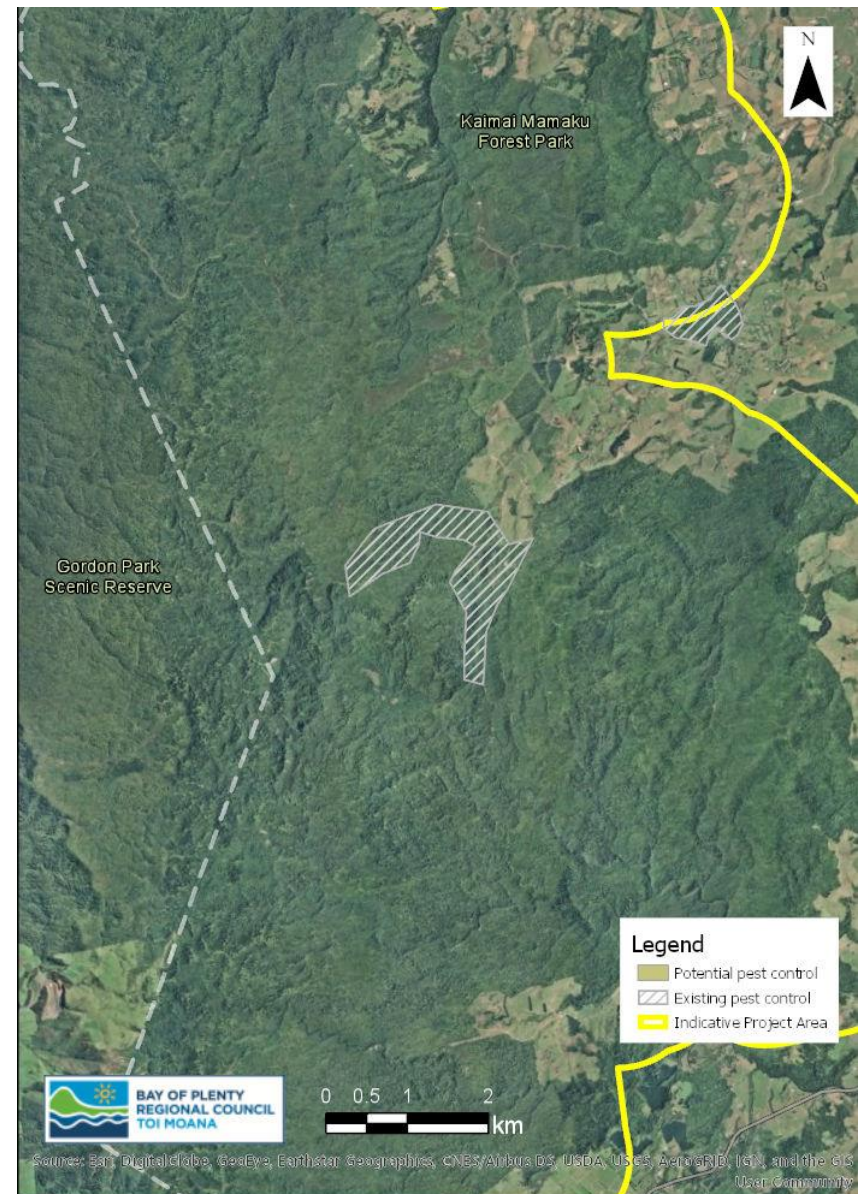
This area could be a focus for Project 2.

Project 3

It is hoped that Project 2 may make it possible to undertake integrated control of possums, rats and mustelids, and/or other pests, over time.

Conservation outcomes

To be determined through development of Projects 1, 2 and 3



Hub 4: Opuiaki

This 15,000 hectare block of indigenous forest lies between SH29 in the north and SH5 in the south, on an incised plateau draining into the Wairoa River to the north-east, and the upper Waihou River to the west. It includes the ecologically significant 2,643 hectare Opuiaki Ecological Area where threatened populations of kokako and kiwi remain.

Current animal pest control

In addition to occasional surveillance to keep goats and deer out, there is an existing 800 hectare ground control operation at Opuiaki for possums, rats and mustelids.

Project 1

The ground control operation would be extended to cover 1,050 hectares, and increase the control frequency of rats, possums and mustelids. The recommendations from Ian Flux of the National Kōkako Recovery Group would drive this work programme. Goats and deer are present in very low numbers, but increased control efforts would be implemented to ensure this remains the case and protect the healthy forest understorey. This would be possible through Project 1.

Project 2

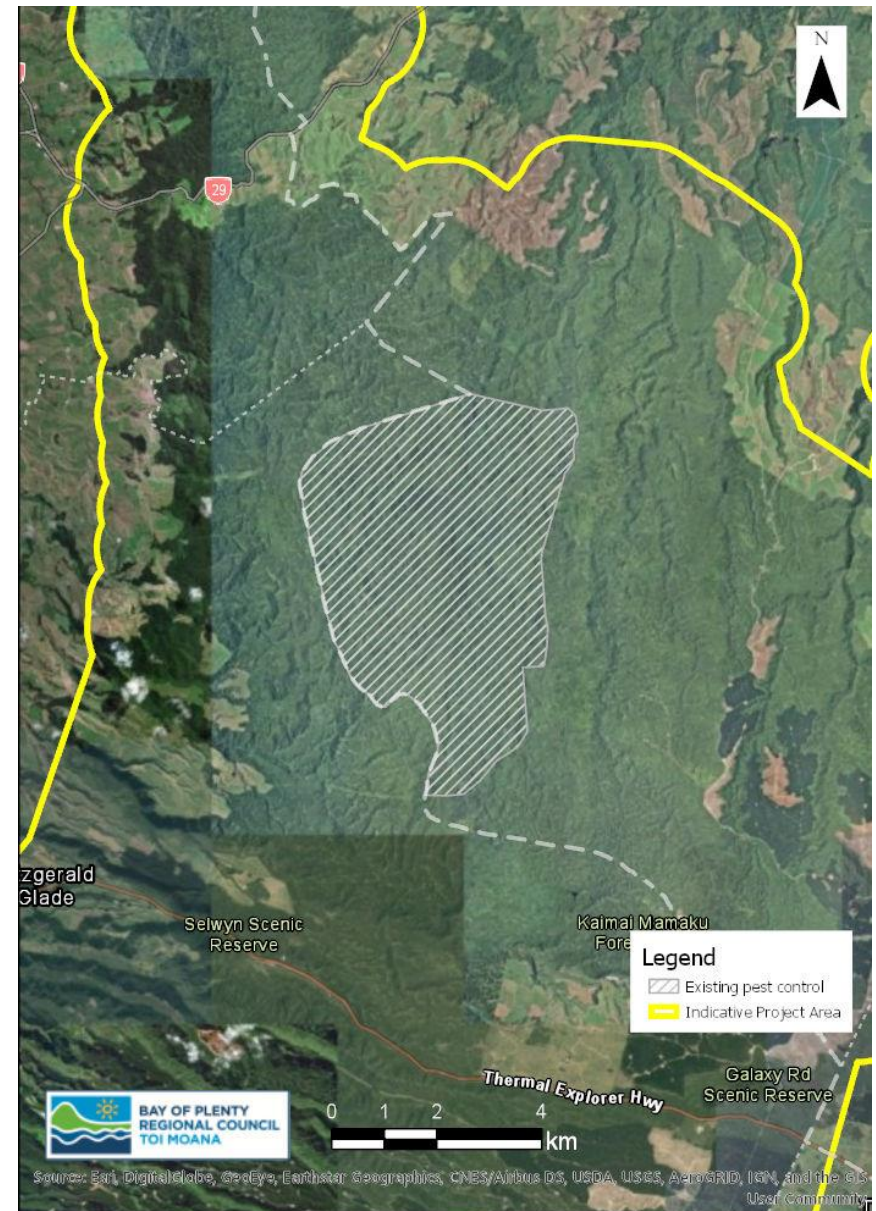
It is expected that this area will be a focus for Project 2.

Project 3

It is hoped that Project 2 may make it possible to undertake integrated control of possums, rats and mustelids, and/or other pests, over time.

Conservation outcomes

To be determined through development of Projects 1, 2 and 3



Objective ID: A3516491

Hub 5: Ōtawa - Ōtānewainuku

Description

This corridor of forest lying between Mangatōi Rd in the south and Ōtawa in the north includes the Ōtānewainuku Ecological Area (home to growing kiwi and kokako populations amid podocarps and mixed broadleaf forest) and the Ōtawa Sanctuary (home to a genetically distinct and highly threatened Hochstetter's Frog).

Current animal pest control

There are intensive ground control operations covering approximately 1,600 hectares in this area, undertaken by the Ōtānewainuku Kiwi Trust and Te Whakakaha Trust.

Project 1

Increased goat control, and a 993 hectare increase in the bait station ground control network to link the Ōtānewainuku Kiwi Trust and Te Whakakaha Sanctuary control areas.

Project 2

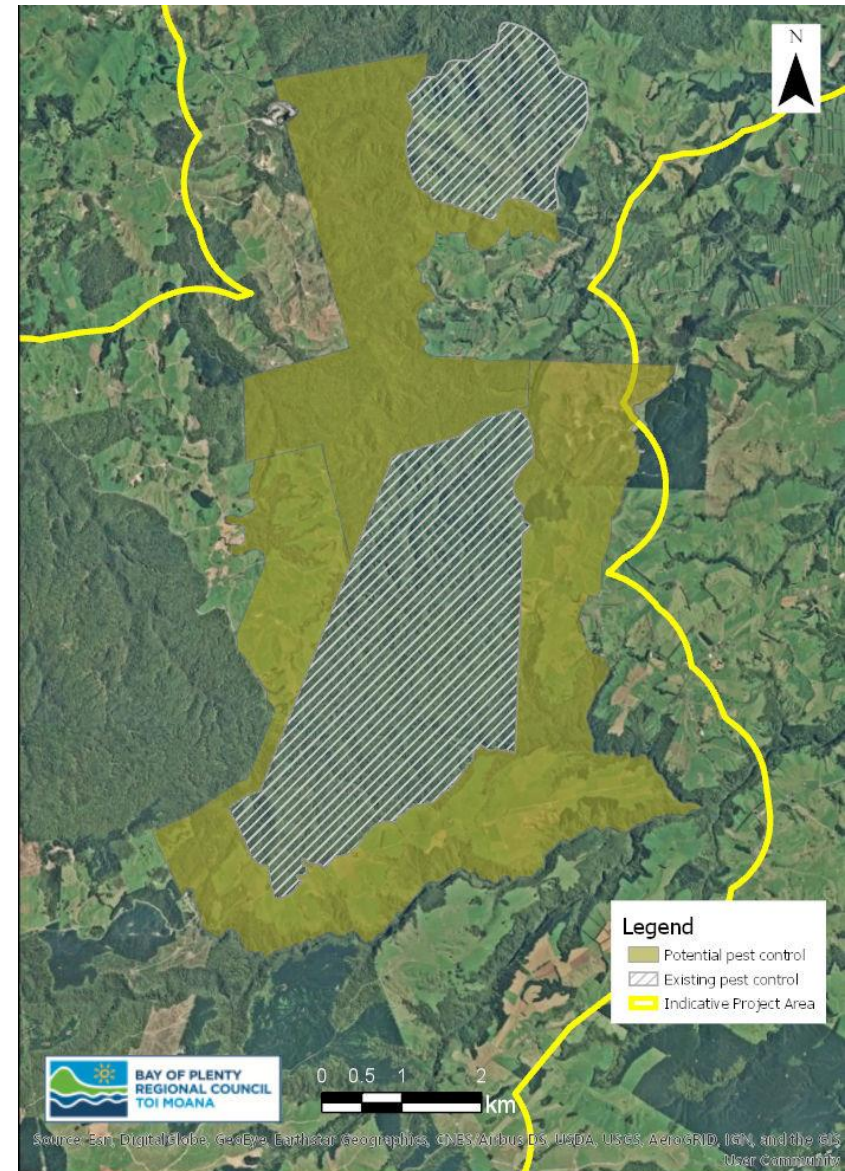
This area could be a focus for Project 2.

Project 3

It is hoped that Project 2 may make it possible to undertake integrated control of possums, rats and mustelids, and/or other pests, over time.

Conservation outcomes

To be determined through development of Projects 1, 2 and 3



Hub 6: Mokaihaha

This 2,137 hectare block includes the Mokaihaha Ecological Area, a nationally significant mid-altitude podocarp forest on the Mamaku Plateau midway between Rotorua and Tokoroa, draining into the upper Waikato River. The forest has a growing kokako population and is considered one of the few remaining podocarp treasures of the North Island.

Current animal pest control

Every year the Mokaihaha Kokako Trust carries out ground control of pests through a bait station network. This is complemented every third year by the Department of Conservation delivering an aerial 1080 operation to control pests over the entire ecological area. In addition, there is occasional goat control.

Project 1

Increased focus on goat and ungulate control, and potentially an increase to the ground control network area.

Project 2

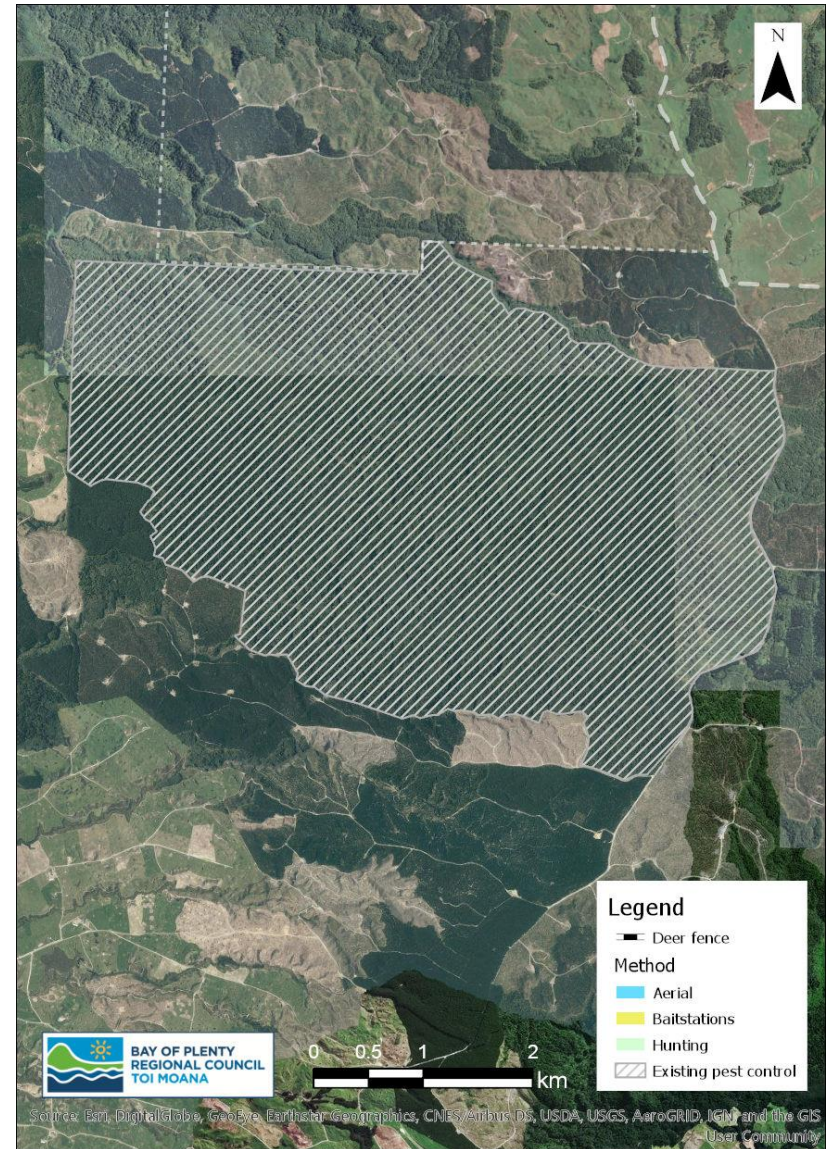
This area could be a focus for Project 2.

Project 3

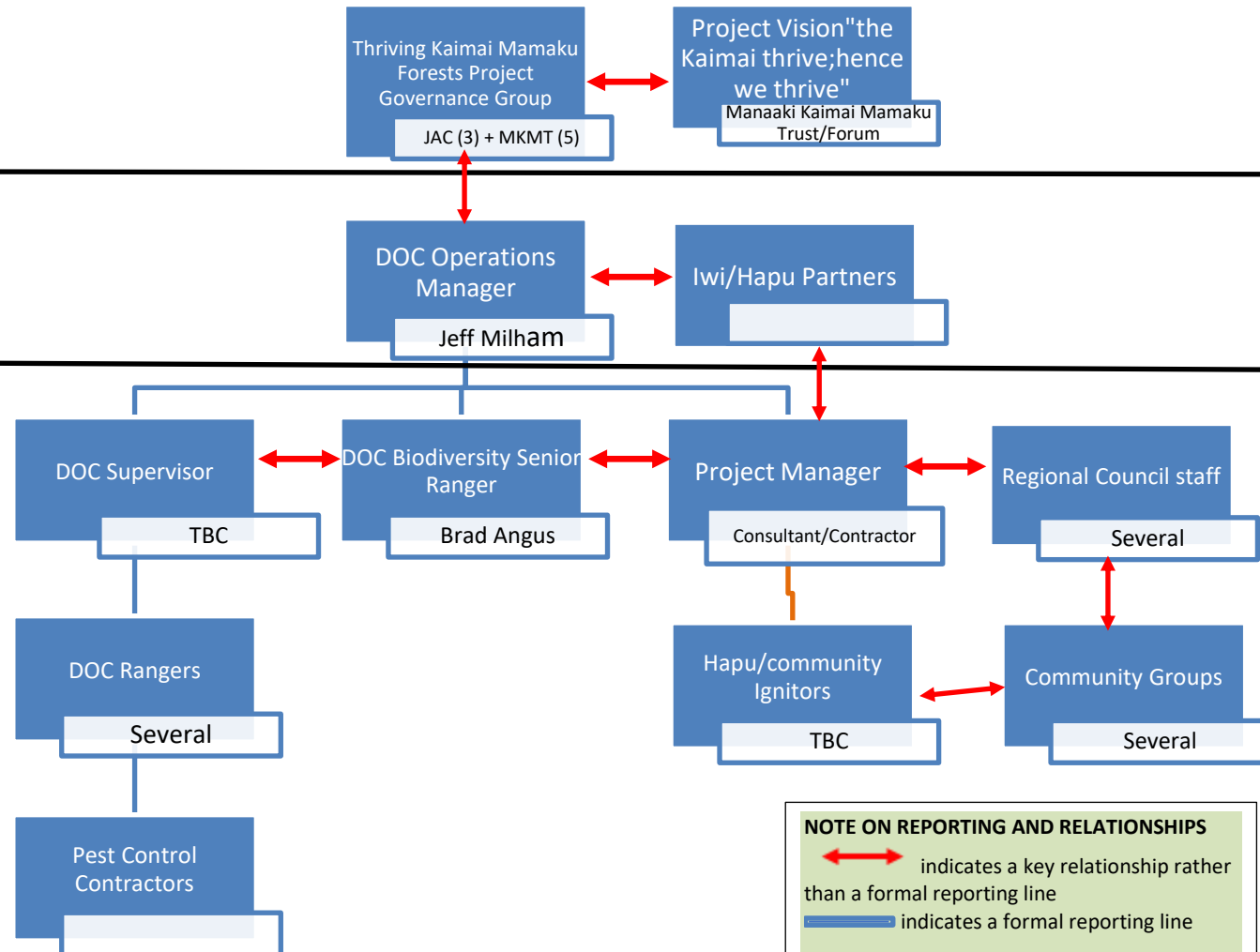
The Mokaihaha Ecological Area already has funding for integrated animal pest control. However, there are likely to be improvements that can be made over time.

Conservation outcomes

To be determined through development of Projects 1, 2 and 3



Appendix 2: Proposed Project Structure



Governance Level
 Role of the Governance group
 Determine strategic direction, make decisions, allocate resources, monitor & report on project outcomes

Management Level
 Accountable Manager & authorise/act as decision makers for authorisation of activities (i.e. aerial 1080) on Public Conservation Land

Project Implementation
Project Manager; responsible for project planning, management (including co-ordinating a project team), implementation and reporting
DOC Senior Ranger and Supervisor; responsible for detailed operational planning and delivery of some work including large scale animal pest control operations
 Potentially detailed operational planning and delivery of work could also be led and delivered by community groups and/or Iwi/Hapu with support from Agencies which would require their own structures linking into this one

NOTE ON REPORTING AND RELATIONSHIPS

- ↔ indicates a key relationship rather than a formal reporting line
- indicates a formal reporting line
- - - indicates a formal reporting line option could exist but allows flexibility for igniters to report to another entity



Report To: Regional Council

Meeting Date: 14 May 2020

Report From: Chris Ingle, General Manager, Integrated Catchments

Recommendation to Council from Strategy and Policy Committee: Development of an Inter-regional Marine Pest Pathway Plan

Executive Summary

Committees and subcommittees are empowered to make decisions within their terms of reference without having to go back to full Council. Where a matter is beyond a committee (or subcommittee) terms of reference they can make recommendations to their parent bodies or full Council. When the parent body or full Council considers such a recommendation it can resolve to:

- (i) adopt the recommendation;
- (ii) modify the recommendation;
- (iii) refer the recommendation to another committee; or
- (iv) defer or decline a recommendation (giving reasons).

This report outlines recommendations from the Strategy and Policy Committee meeting held on 5 May 2020 for Council to consider relating to the Development of an Inter-regional Marine Pest Pathway Plan.

Recommendations

That the Regional Council:

- 1 Receives the report, Recommendation to Council from Strategy and Policy Committee: Development of an Inter-regional Marine Pest Pathway Plan;**
- 2 Authorise the development of an inter-regional marine pest pathway proposal on the basis of Option 3 as outlined within this report.**
- 3 Authorises staff to develop a formal proposal for an inter-regional marine pest pathway plan under the Biosecurity Act 1993 in conjunction with project partners.**
- 4 Authorises staff to engage with Māori and key stakeholders in developing the proposal.**

- 5 Request that staff bring the proposal back to Council for consideration later in 2020, including the supporting information required under the Biosecurity Act 1993 and the results of further consultation with Māori and key stakeholders.**

1 Background

As reported in the meeting agenda of the Strategy and Policy Committee meeting of 5 May 2020, the Top of the North Biosecurity Partnership (Partnership) is a collaboration between Waikato, Northland, Bay of Plenty, Gisborne and Hawkes Bay Regional Councils, Auckland Council, Biosecurity New Zealand and the Department of Conservation. The Partnership has been considering how best to manage the inter-regional spread of marine pests. This work has included seeking our communities' feedback on marine pest issues and options via a discussion document in 2019. This work has identified the management of biofouling on vessels as the preferred option for the Partnership to pursue.

The Strategy and Policy Committee has recommended Council agree that the Partnership develops a formal proposal for an inter-regional marine pest pathway plan under the Biosecurity Act 1993, to manage the spread of marine pests in a consistent manner across the Northland, Auckland, Waikato and Bay of Plenty regions.

If Council approves this step, staff would develop the proposal and supporting information required under the Biosecurity Act, for Council consideration later this year.

The Strategy and Policy Committee meeting agenda of 5 May 2020 provides further background detail on: the major threat and vulnerability placed on the wider Top of the North (TON) regions from marine pest incursions, a summary of work to date, options analysis considered, community views, implications for Māori, next steps towards a Statement of Proposal process under the Biosecurity Act 1993 and the Inter-Regional Marine Pest Pathway consultation report.

2 Legal Requirements

The Local Government Act (LGA) gives broad delegation powers to the Regional Council, which includes section 92 and 93 powers. However, restrictions on delegation in the Biosecurity Act override LGA provisions.

Section 100H of the Biosecurity Act expressly provides that the following powers cannot be delegated in relation to a regional pest management plan or a regional pathway management plan:

- a. the power to determine the ways in which consultation must be undertaken; or
- b. the power to make, review, amend, or revoke a plan.

Whether 'making' a pathway plan means includes all the consecutive steps set out in the Biosecurity Act (sections 90-95) or just the final step (the actual adoption) is open to legal interpretation. Due to that delegation uncertainty, staff recommend Council authorise development of the Inter-regional Marine Pest Pathway proposal.

3 Budget Implications

3.1 Current Year Budget

There are no implications for this year's budget as all staff time involved has been allowed for in the current year's budget.

3.2 Future Budget Implications

There are no implications for future year's budgets as the staff time involved is not significant and has been allowed for in future year's budgets.

4 Community Outcomes

This work directly contributes to the Healthy Environment and Freshwater for Life Community Outcomes in the Council's Long Term Plan 2018-2028.

Shari Kameta
Committee Advisor

for General Manager, Integrated Catchments

5 May 2020



Receives Only – No Decisions

Report To: Regional Council

Meeting Date: 14 May 2020

Report From: Mat Taylor, General Manager, Corporate

Bay of Plenty Local Authority Shared Services (BOPLASS) Draft Statement of Intent 2020 - 2023, and Half Yearly Report 2019/20

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 2019/20

Appendix 1 provides the Half Yearly Report which reviews the performance for the six months from July to December 2019. A number of initiatives are currently underway including the significant on-going savings achieved through joint procurement.

Draft Statement of Intent 2020 - 2023

The cover letter and draft Statement of Intent (SOI) 2020 - 2023 sets out Objectives, and the nature and scope of activities, and the performance targets, and financial forecasts for 2020/21, 2020/22, and 2021/23.

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 2020 - 2023 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 2020 - 2023, and Half Yearly Report 2019/20;**
- 2 Notes the Draft SOI 2020 – 2023 and Half Yearly Report 2019/20.**

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.

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

2 2019/20 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 2019.

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

3 Draft Statement of Intent 2020 – 2023

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 2020. Following the two months allowed for submissions the Directors must consider any comments made by Shareholders and approve a final document by 30 June 2020.

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 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.

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 2019/20.

5.2 Future Budget Implications

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

Mat Taylor
General Manager, Corporate

5 May 2020

APPENDIX 1

Bay of Plenty Local Authority Shared Services (BOPLASS) Half yearly report 2019-20



BOPLASS Ltd

HALF YEARLY REPORT TO SHAREHOLDERS



Period ended 31 December 2019

“COUNCILS PARTNERING FOR VALUE AND SERVICE”



BOPLASS Chair's Report

It is with pleasure the Directors present their 2019/2020 Half Yearly Report to Shareholders demonstrating the continuing contribution the company makes to collaboration between councils.

The first six months of this financial year has seen the successful completion of the Provincial Growth Fund (PGF) co-funding application, in conjunction with LINZ, for the capture of LiDAR to provide 3D mapping for the entire Bay of Plenty region over the next five years. The tender received responses priced significantly lower than budgeted and, as a result of the lower pricing, improved specifications for the LiDAR capture can now be used. This initiative provides the opportunity for the BOPLASS councils to benefit by up to \$790,000 through this successful co-funding application.

Following the scoping of specific solid waste opportunities, a project is now underway to develop cross-regional licencing of waste operators and the coordinated collection of waste data. This is being undertaken as a joint BOPLASS and Waikato LASS initiative with the intention to provide the same standards and services across the greater regions.

The BOPLASS debt management collection project is also another good example of inter-council collaboration. BOPLASS engaged with MWLASS to provide their existing service to BOPLASS councils, effectively utilising a professional local government-centric debt management service (Debt Management Central) as an inter-regional shared service.

The Board is very supportive of inter-regional collaboration as it significantly reduces duplication of effort and assists with resourcing. Additionally, through aggregating volumes it often provides improved pricing and savings for all participating councils. With BOPLASS now managing a number of procurement contracts on behalf of other LASS and councils outside the region, importance is placed upon reviewing, renewing or replacing these contracts to ensure appointed vendors remain competitive and continued best value is returned to all participating councils. BOPLASS is currently managing cross-regional tenders for insurance brokerage services, postal services, and courier services covering most of the councils in the central North Island.

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

We thank staff from the participating councils and acknowledge the continued support we receive from them.

Yours faithfully

Craig O'Connell

Chair



BOPLASS Ltd

"COUNCILS PARTNERING FOR VALUE AND SERVICE"

HALF YEARLY REPORT TO SHAREHOLDERS

18 FEBRUARY 2020

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 no changes to the Board of Directors or Shareholder Representatives.

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 continuing to deliver savings and value to councils through new and existing joint procurement initiatives.

Current feasibility studies for joint procurement and shared services cover 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 collaborative opportunities may be progressed after the Board has considered individual business cases and formally agreed to take on and deliver (or host/procure etc.) the project.

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 joint procurement or shared services 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, councils and local government organisations 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:

- Ensure supplier agreements are proactively managed to maximise benefits for BOPLASS councils.
- 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.
- 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

- Insurance Risk Loss Modelling – A project has been undertaken to review and update councils' loss modelling and loss limits to ensure appropriate insurance levels are in place for infrastructure, material damage and business interruption cover.
- Accounts Payable Automation – Following presentations from vendors on workflow automation Esker have been selected as the preferred solution for implementation of Accounts Payable automation software.
- ESRI Enterprise Licensing Agreement – BOPLASS has recently renegotiated an Enterprise Agreement for councils' ESRI software (foundation geospatial software) providing significant savings and a common platform for all BOPLASS councils.
- Insurance valuations – A collective project to complete reviews of councils' asset valuation processes is underway to ensure a consistent and accurate valuation methodology is used across all councils. This is essential in securing competitively priced insurance and for maintaining full coverage.
- Print Media Copyright Agency (PMCA) – A collective contract providing savings for all BOPLASS councils has been renewed with PMCA for councils' print and media copyright services.
- Debt Recovery Services – Partnering with MW LASS access has been provided to Debt Management Central to provide specialised local government debt recovery services to BOPLASS councils as a shared service.
- Inter-Council Network review and redesign – Changes to vendors and reconfiguration of services have resulted in a further reduction in costs for the high-speed inter-council network.
- GIS Software and Services – A number of key contracts for councils' geospatial software have been reviewed and renewed through collective BOPLASS agreements.
- Infrastructure Insurance – Councils infrastructure insurance was renewed through the London markets with good outcomes achieved for all councils. While markets remain cautious about the risk they are prepared to write, there is obvious confidence in the information being provided by BOPLASS councils and our historical relationships continue to be a strength for us at renewal time.
- Solid Waste Data and Licencing Project – a project is underway covering BOPLASS and Waikato councils to develop cross-regional licencing of waste operators and coordinated collection of waste data. The project includes engagement with The Ministry for the Environment and WasteMINZ to ensure that the proposed approach is aligned with national strategies.

- Sustainable Public Procurement – BOPLASS Councils are participating in this project in conjunction with the Sustainable Business Network and Toi Ohomai. Councils and their communities are benefiting through procurement policies and practices being better aligned with national and local objectives of sustainability.
- LiDAR Capture (3D imagery) – Following the successful application for Provincial Growth Fund co-funding BOPLASS has managed a tender process in conjunction with LINZ for the appointment of a provider to undertake the LiDAR capture. Aerial Surveys Limited have been appointed with flying due to start in early 2020.
- Internal Audits - Following a review by BOPLASS councils, the Internal Audit Services agreement has been renewed with KPMG. The collective arrangement provides competitive pricing for these services but also enables the sharing of internal audit information and insights across the group.
- Robotic Process Automation (RPA) – BOPLASS is facilitating a workgroup to investigate opportunities for councils to collaborate in the development of RPA programmes across the region as a shared service.
- Health and Safety Advisory Group – The BOPLASS and Waikato LASS Health and Safety groups have a number of collaborative projects underway sharing Health and Safety policies and procedures across the greater region.
- Collaboration Portal Development and Marketing – The Collaboration Portal continues to support opportunities for collaboration between New Zealand local government organisations. Membership and the number of projects are continuing to grow.
- Civil Defence Emergency Management GIS Group – GIS data and tools are now an integral part of a Civil Defence response and the BOPLASS councils have formed a group to work collaboratively on CDEM initiatives. This work is supported by all councils using the same core GIS systems aligned through BOPLASS contracts.
- Inter-LASS collaboration – A number of procurement projects are underway covering multiple LASS and benefitting from the increased volumes. Collaboration across the regions is driving greater efficiencies within projects under consideration by more than one LASS and allows the projects to be better resourced.
- 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

8.1 Financial Support and Accounting Services

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

8.2 Accounting Policies

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

8.3 Tier 2 PBE Accounting Standards Applied

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

8.4 Financial Reports

Financial Reports for the period to 31 December 2019 are attached.

8.5 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.

Aerial photography revenue and expenditure will remain lower than budget this year due to the withholding of the BOPLASS flying programme while the PGF co-funding and tender for services were completed.

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

Video conferencing expenditure and recoveries have been delayed while new technology is being deployed.

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

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 2019

	Actual YTD	Budget YTD	Total Budget	YTD Variance
REVENUE				
Revenue - Core	136,858	137,256	274,510	-398
Bank Interest Received	102	498	1,000	-396
Council Contribution	136,756	136,758	273,510	-2
Sales of Service	0	0	0	0
Revenue - Projects	625,917	852,002	1,213,000	-226,085
Bank Interest Received	3,454	8,250	16,500	-4796
Aerial Photography Income	11,581	180,000	300,000	-168,419
Collaboration Portal	37,910	75,000	75,000	-37,090
Lease Income - ICN	54,526	67,500	135,000	-12,974
Lease Income - Video Confer.	5,218	15,252	30,500	-10,034
Recoveries	506,467	500,000	650,000	6,467
Rebates	6,762	6,000	6,000	762
Total Operating Revenue	762,775	989,258	1,487,510	-226,483
EXPENSES				
Expenditure - Core	151,327	212,252	383,800	-60,925
ACC	752	1,500	1,500	-748
Accommodation & Travel	346	600	1,500	-254
Accounting & Audit	0	17,500	17,500	-17,500
Administration	6,995	7,200	14,400	-205
Amortisation	3,674	4,002	8,000	-328
Bank Fees	132	198	400	-66
Conferences	0	1,000	2,000	-1000
Depreciation	328	0	0	328
Directors Costs	7,949	9,000	18,000	-1,051
Fringe Benefit Tax	1,567	3,500	7,000	-1,933
General & Catering Expenses	824	2,000	2,000	-1,176
Health & Safety	0	1,000	1,000	-1,000
Insurance	8,837	8,500	8,500	337
Interest Paid – TCC Loan	0	1,000	1,000	-1,000
Legal	0	2,000	2,000	-2,000
Salaries	120,576	142,500	285,000	-21,924
Salaries – C'Portal Opex	-10,234	-4,998	-10,000	-5,236
Staff Support Costs	8,784	8,250	16,500	534
Staff Training Costs	0	2,000	2,000	-2,000
Subscriptions	0	1,000	1,000	-1,000
Tax Advice	800	4,500	4,500	-3,700
Write Off reconciliations	0	0	0	0
Expenditure – Projects	567,299	799,158	1,103,710	-231,589
Aerial Photography Expense	11,581	180,000	300,000	-168,420
Collaboration Portal Opex	16,838	26,000	26,000	-9,162
Lease Expense - ICN	53,002	64,548	129,100	-11,546
Lease Expense – Video Confer.	6,098	28,610	28,610	-22,512
Projects - Recoveries	479,781	500,000	620,000	-20,219
Total Operating Expenditure	718,626	1,011,410	1,487,510	-292,784
Operational Surplus / (Deficit) before Tax	44,149	-22,152	0	66,301

**BOP LASS LTD
STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 2019**

	Actual YTD
Current Assets	
Cheque Account	\$175,799
Trust A/c Aerial Photography	\$453,218
Term Deposit – #1	\$300,000
Term Deposit – #2	\$250,000
Term Deposit – #3	\$250,000
Trade Debtors	\$44,589
Accrued Revenue	\$42,801
Withholding Tax	\$24,281
Prepayments	\$1,849
Total Current Assets	\$1,542,537
Non-current assets	
Intangible - Computer Software	\$79,175
Amortisation	(\$58,607)
Computer Equip at cost	\$3,995
Computer Equip depreciation	(\$2,940)
Office equip at cost	\$0
Office equip depreciation	\$0
Total Non-current assets	\$21,623
TOTAL ASSETS	\$1,564,160
Current Liabilities	
Trade Creditors	\$22,553
Accrued Expenses	\$17,464
GST Collected, Paid, Payments/refunds	\$1,814
Retentions	0
Accrued Salaries and Wages	\$6,928
Accrued Leave Entitlements	\$1,670
PAYE Accruals Payable	\$4,156
Income in Advance	\$1,420,347
TCC Loan	\$0
Total Current Liabilities	\$1,474,932
TOTAL LIABILITIES	\$1,474,932
NET ASSETS	\$89,227
Equity	
Current Year Earnings	\$44,149
Retained Earnings	(\$53,923)
Share capital	\$99,002
TOTAL EQUITY	\$89,227

APPENDIX 2

Bay of Plenty Local Authority Shared Services (BOPLASS) SOI 2020-2023 Approved Draft



BOPLASS Ltd

STATEMENT OF INTENT FOR 2020-2023



June 2020

“COUNCILS PARTNERING FOR VALUE AND SERVICE”

1. Introduction

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

- Declares a public statement 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.
- 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:

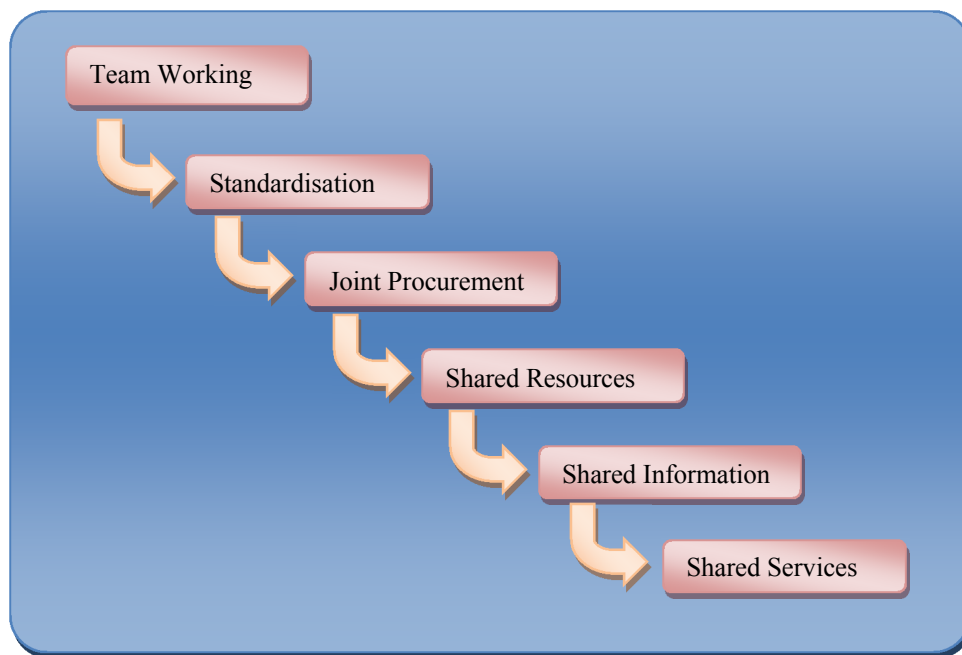
- improved levels and quality of service;
- a co-ordinated and consistent approach to the provision of services;
- reductions in the cost of support and administrative services;
- opportunities to develop new initiatives;
- economies of scale resulting from a single entity representing many councils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

- Infrastructure Insurance
- Collective Training
- Aerial Imagery and LiDAR
- Provincial Growth Fund Co-funding for LiDAR Capture
- Standardised Community Engagement App
- Lone Worker Field Solutions
- Robotic Process Automation
- Accounts Payable Automation Software
- Print Media Licencing
- Insurance Valuations
- Contractor Online Inductions
- Health and Safety Management Software
- Radio Telephony (RT) Strategy
- Solid Waste Management
- Insurance Forums
- Health and Safety Inter-Council Audits
- Asbestos Protocols
- Sustainable Public Procurement
- Health and Safety Benchmarking
- Video Conferencing Services
- Council Library and Cloud Services
- Inter-Council Network (ICN) Review, Redesign and Renegotiation
- Debt Collections
- Collaboration Portal
- Capital Construction and Civil Works Projects
- Fortigate Firewall Services
- Wireless WAN
- Inter-LASS Collaboration

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.

Shareholder	Appointed Director
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
Independent Director and Chair	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 Board recognise the significant savings BOPLASS has provided to member councils through joint procurement and has tasked BOPLASS with leading inter-

regional joint procurement initiatives that will provide benefit to all parties through an aggregated approach.

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 LASS' 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 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.
Identify opportunities to collaborate with other LASS in Procurement or Shared Service projects where alliance provides benefits to all parties.	BOPLASS to regularly engage with other LASS to identify and explore opportunities for further inter-regional collaboration.	Quarterly reporting on engagement and a minimum of one new collaborative initiative undertaken annually.
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 10% per year. Number of active users to increase by 20% per year.
Communicate with each shareholding council at appropriate levels.	Meeting with members of 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.

10. 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.

11. Accounting Policies

11.1 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.

11.2 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.

11.3 Measurement Basis

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

11.4 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.

12. 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.

13. 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.

14. 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.

15. 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.

16. 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 fairly represents the value of their investment. The Directors will reassess the value of this shareholding on or about the 1st of March each year.

17. Financial Forecasts

The Forecast Financial Statements for the years 2020-2023 are included (Appendix A). The budget is not adjusted for inflation.

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 2020/23	Budget 2019/20	Forecast 2020/21	Forecast 2021/22	Forecast 2022/2023
REVENUE				
Revenue - Core	\$274,510	\$274,510	\$274,510	\$274,510
Bank Interest Received	1,000	1,000	1,000	1,000
Council Contribution	273,510	273,510	273,510	273,510
Revenue - Projects	1,213,000	1,533,000	1,243,000	1,243,000
Aerial Photography Income	300,000	600,000	300,000	300,000
Bank Interest Received	16,500	16,500	16,500	16,500
Collaboration Portal	75,000	75,000	75,000	75,000
Lease Income - ICN	135,000	135,000	135,000	135,000
Lease Income - Video Confer.	30,500	30,500	30,500	30,500
Rebates	6,000	6,000	6,000	6,000
Recoveries	650,000	670,000	680,000	680,000
Total Operating Revenue	1,487,510	1,807,510	1,517,510	1,517,510
EXPENSES				
Expenditure - Core	383,800	383,650	383,650	383,650
ACC	1,500	1,000	1,000	1,000
Accommodation & Travel	1,500	1,500	1,500	1,500
Accounting & Audit	17,500	17,500	17,500	17,500
Administration	14,400	15,300	15,300	15,300
Amortisation	8,000	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	650	650	650
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	8,500	9,000	9,000	9,000
Interest Paid - TCC Loan	1,000	500	500	500
Legal	2,000	2,000	2,000	2,000
Salaries	285,000	285,000	285,000	285,000
Salaries - C'Portal Opex	-10,000	-12,000	-12,000	-12,000
Staff Support Costs	16,500	16,500	16,500	16,500
Staff Training Costs	2,000	2,000	2,000	2,000
Subscriptions	1,000	1,000	1,000	1,000
Tax Advice	4,500	5,300	5,300	5,300
Expenditure - Projects	1,103,710	1,423,860	1,133,860	1,133,860
Aerial Photography Expense	300,000	600,000	300,000	300,000
Collaboration Portal Opex	26,000	26,150	26,150	26,150
Lease Expense - ICN	129,100	129,100	129,100	129,100
Lease Expense - Video Confer.	28,610	28,610	28,610	28,610
Projects - Recoveries	620,000	640,000	650,000	650,000
Total Operating Expenditure	1,487,510	1,807,510	1,517,510	1,517,510
Operational Surplus/ (Deficit) before Tax	0	0	0	0

Completed Joint Procurement Projects

Requiring ongoing management for performance, renewal or replacement:

- × Collective Geospatial training
- × Aerial Imagery and LiDAR
- × Provincial Growth Fund co-funding for LiDAR Capture
- × Antenno community engagement app
- × Accounts Payable Automation Software
- × Insurance Valuations
- × Contractor online inductions
- × Eastern BOP Electricity
- × Health and Safety Management Software
- × Solid Waste Management
- × Insurance Forums
- × Asbestos protocols
- × Sustainable Public Procurement
- × Health and Safety Benchmarking
- × Council Library and cloud services
- × Inter-Council Network (ICN) review, redesign and renegotiation
- × Debt Collections
- × Collaboration Portal
- × Capital Construction and Civil Works Projects
- × Inter-LASS collaboration
- × Spark Fortigate Firewall Services
- × Evolution Networks Wireless WAN
- × 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 H&S 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
- × Electronic document management
- × Archives
- × Document storage
- × Document scanning
- × Agenda management software
- × ICT security policies
- × Business continuity
- × IT applications
- × Property valuation services
- × Telephony platform
- × Chemicals
- × Digital signatures
- × Recruitment/candidate management
- × Surveys and research
- × Media distribution services
- × CD emergency notifications
- × Fleet purchasing
- × Push wireless
- × Fleet management
- × Community communication systems
- × Lone worker field solutions
- × 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
- × Shared licence server
- × Contractor H&S prequalification
- × Radio telephony strategy
- × Collaboration Portal
- × After hours call management
- × Archive service
- × Debt management
- × Health and safety auditing
- × Inter-council network
- × Smart cities
- × Section 17A reviews
- × 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
- × Robotics processing automation

Projects for Consideration

- × Rates Collection
- × Geospatial services
- × Joint software support
- × Asset Management
- × Web services
- × Payroll
- × Consents Processing
- × CCTV monitoring
- × Information Services
- × HR Information systems
- × Electronic Document and Records Management System
- × Business continuity planning
- × Infrastructure development codes
- × Solid waste regional facilities strategy
- × Building consents
- × Regional Civil Defence
- × Document digitalisation
- × Capital Expenditure projects
- × Project management office

APPENDIX 3

Bay of Plenty Local Authority Shared Services (BOPLASS) Half Yearly Report - 2019-20 - Letter to Shareholders - BOPRC



“COUNCILS PARTNERING FOR VALUE AND SERVICE”

21 February 2020

Fiona McTavish
Chief Executive Officer
Bay of Plenty Regional Council
87 First Avenue
TAURANGA 3110

BOPLASS Ltd
C/- Tauranga City Council
Willow Street
Tauranga

PO Box 13056
Tauranga 3141
Phone 07 577 7342
www.boplass.govt.nz

Dear Fiona

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 attached report and accompanying Chair's letter records the objectives of the Company and reports on performance against the performance requirements set out in the Statement of Intent.

The report was approved for presentation to Shareholder Councils by a resolution of the Board on 18 February 2020.

An electronic copy is attached.

Yours faithfully

Stephen Boyle
BOPLASS Ltd



Receives Only – No Decisions

Report To: Regional Council

Meeting Date: 14 May 2020

Report From: Mat Taylor, General Manager, Corporate

Local Government Funding Agency (LGFA) Draft Statement of Intent 2020/21 and Half Yearly Report 2019/20

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 2019/20

The Half Yearly Report 2019/20 provides the following notable highlights including that the LGFA has issued \$1.105 billion of bonds so far in 19/20. The total loans to councils at the end of December 2019 were \$732 million. Also, Standard and Poor's and Fitch provided a credit rating of AA+.

Statement of Intent 2020/21

The LGFA's draft Statement of Intent (SOI) 2020/21 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 2020/21, with uncertainty and risk relating to the level of future council borrowing.

Recommendations

That the Regional Council:

- 1 Receives the report, Local Government Funding Agency (LGFA) Draft Statement of Intent 2020/21 and Half Yearly Report 2019/20;**

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 2020/21 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 2019/20 is attached as Appendix 1. The LGFA's half yearly report provides the following notable highlights:

- LGFA has issued \$1.105 billion of bonds so far in 19/20
- 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 2020/21

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 2020. 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.

The cover letter from the LGFA in relation to the draft SOI is at Appendix 2, and the draft SOI 2020/21 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.

Recent LGFA Announcement – Foundation Policy Covenant

The recent announcement that the LGFA intends to seek shareholder's agreement to adjust a foundation policy covenant, relating to borrowing ratios, is being considered and will be discussed at the meeting.

It is expected that the proposed change will assist high growth councils to further access low cost borrowing to meet the needs of their communities for expenditure.

This is one of a range of funding and financing tools, and flexible arrangements, that the local government sector is looking to have available, following the economic impact of Covid-19.

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 2019/20.

5.2 Future Budget Implications

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

Mat Taylor
General Manager, Corporate

6 May 2020

APPENDIX 1

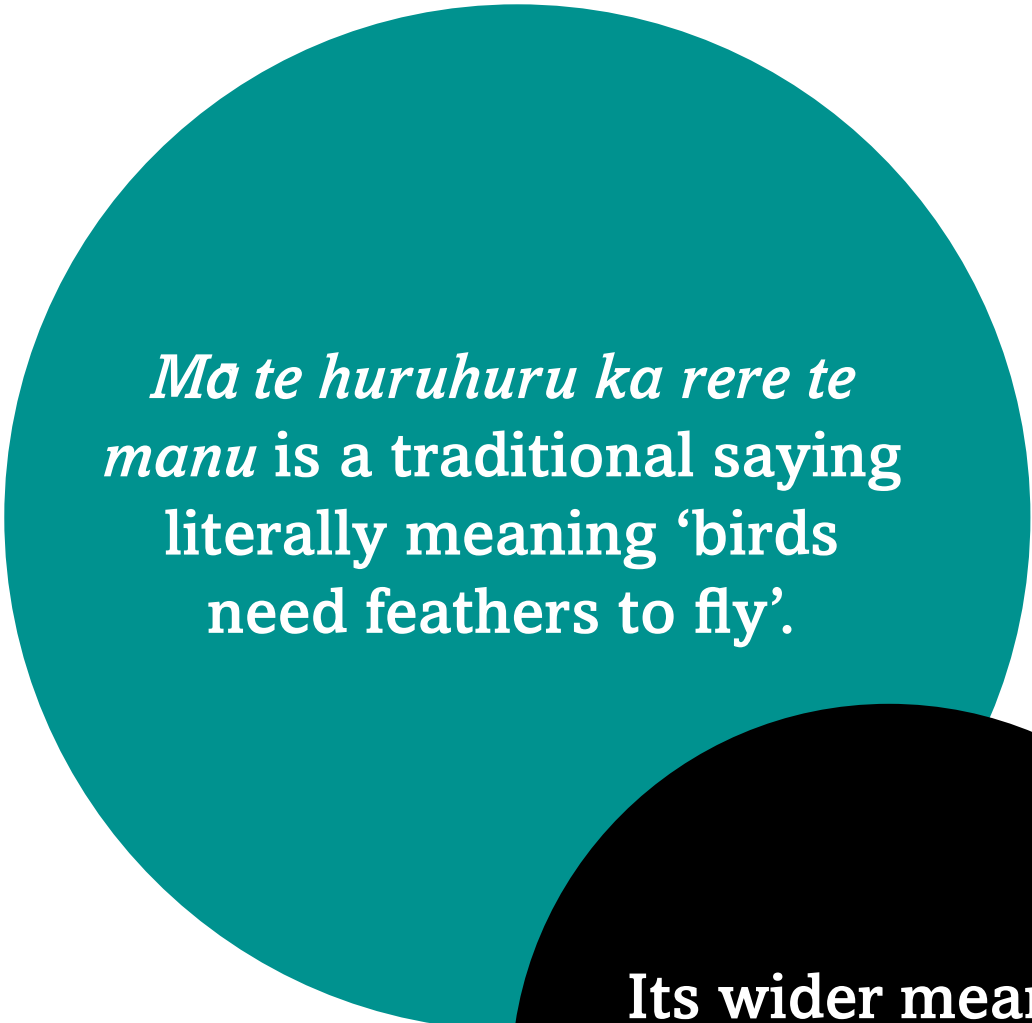
Local Government Funding Agency (LGFA) Half Year Report 2019 Final

**Financing
the infrastructure
investment undertaken
by New Zealand
councils**

**Te tuku pūtea ki ngā
haumitanga hanganga e
whakamahia ana e ngā
kaunihera o Aotearoa**

Half year report
31 December 2019





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



Its wider meaning is that ‘investment is needed for success’.

Contents

Ihirangi

04

Message from
the Chair
He karere mai
i te Toihau

08

Performance
against objectives
Tutukinga mahi
ki ōna whāinga

18

Financial
statements
Taukī pūtea

Statement of comprehensive income	19
Statement of changes in equity.....	20
Statement of financial position.....	21
Statement of cash flows.....	22
Notes to financial statements.....	23

35

Directory
Rārangi tauwaea

Message from the Chair

He karere mai i te Toihau

**For the six months ended
31 December 2019**

“LGFA continues to provide cost effective financing solutions for its growing council membership base while offering New Zealand dollar fixed income investors a choice of investment maturities with a relatively attractive yield pickup over 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 2019.

Strong Financial and Operational Performance

LGFA total interest income for the six-month period of \$185.1 million was a 2.3% increase over the 2018-19 comparable period result of \$180.9 million while net operating profit of \$6.10 million was a 0.3% increase on the 2018-19 comparable period result of \$6.08 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 council loans maturing in April 2020 and a higher level of new council borrowing.

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

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 Fitch Ratings who maintained our credit rating at 'AA+' in November 2019 and our 'AA+' rating from S&P Global Ratings remains on positive outlook, both of which are the same as the New Zealand Government.

Borrowing activity

LGFA issued \$1.105 billion of bonds over the past six months and nominal outstandings now total \$10.49 billion (including \$450 million of treasury stock) across nine maturities from 2020 to 2033.

The new April 2029 bond maturity by syndication of \$500 million in August 2019 was another successful issue, following on from the \$1 billion April 2024 syndication in March 2019. The April 2024 syndication was recognised at the KangaNews awards as the New Zealand Domestic Bond Deal of the Year.

LGFA is the largest issuer of New Zealand dollar securities after the New Zealand Government and our bonds are amongst the largest and most liquid New Zealand dollar debt instruments available for investors. We have seen a shift in investor

composition over the past six months as offshore investors have become less attracted to the lower yielding NZD fixed income asset class while domestic investors have increased their holdings based on the outlook for lower interest rates and lack of supply of other high-grade bonds. Our offshore investor holdings have reduced from 33% in June 2019 to 29% in December 2019, while NZ Institutional and retail investor holdings have increased from 29% to 32%.

The performance of LGFA bonds over the past six months has been positive with LGFA bond spreads to both swap and New Zealand Government Bonds (NZGB) becoming tighter with a greater narrowing on the spread to NZGB as market participants expect additional future issuance of NZGBs. Outright yields on LGFA bonds have declined modestly over the past six months by between 2 bps (0.02%) on the 2027 maturity and 11 bps (0.11%) on the 2021 maturity, although there was greater volatility with the 2027 LGFA bond yield trading a 65 bps (0.65%) range over the six-month period.

LGFA continues to issue short-dated LGFA Bills ranging in maturities from three months to 12 months through a combination of monthly tenders and private placements. As at 31 December 2019, outstandings under the programme are \$405 million. These instruments provide a source of funding for short-dated lending to our council borrowers and assist LGFA with liquidity management.

Lending to the sector

LGFA was established in December 2011 to provide long-dated borrowing, certainty of access to markets and to reduce the borrowing costs for the local government sector. Over the past six months, we added two new members with Taranaki Regional Council joining as a guarantor and Kaikoura District Council joining as a non-guarantor. Total membership of 66 councils is very pleasing and this is expected to increase slightly in the coming six months as several councils are partly through the joining process.

Long-dated lending over the six-month period was \$732 million with the lending activity a mix of new borrowing and the refinancing of council loans maturing on 15th April 2020. The tenor of borrowing by councils at 6.8 years was longer than the average term of borrowing of 6.0 years over the 12-month period to June 2019.

Short-dated lending for terms less than 12 months has been well supported by councils and, as at 31 December 2019, LGFA had \$525 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 we are pleased to be part of the continued success of this organisation and wish to thank our council shareholders, guarantors and borrowers as well as NZ Debt Management, 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



Pipe replacement
work on Queens
Drive.
Invercargill City
Council

Performance against objectives Tutukinga mahi ki ōna whāinga

The statement of service performance details LGFA's performance for the first half of the financial year against the objectives and targets set out in the LGFA Statement of Intent 2019-20 (SOI).

Performance against 2019-20 primary objectives

This section sets out LGFA's performance for the six-month period ended 31 December 2019 against the two primary objectives set out in the 2019-20 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:**

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 and swap rates, investor perceptions of LGFA, and the issuance volume and tenor of LGFA bonds.

2019-20 performance objectives

The SOI sets out two primary performance objectives and eight additional objectives for LGFA for the year ended 30 June 2020:

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. Offering short and long-term borrowings with flexible lending terms;
 - 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. Being the debt funder of choice for New Zealand local government.
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. Implement the changes to the Foundation Policies that were approved at the November 2018 AGM to allow for lending to council-controlled organisations (CCOs). Changes to operational policies and practices need

to ensure that no additional risk is borne by lenders, guarantors or the Crown;

- iii. LGFA will analyse finances at the Council group level where appropriate and report to shareholders as to which participating local authorities are measured on a group basis; and
- iv. 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

1. Operate with a view to making a profit sufficient to pay a dividend in accordance with its stated Dividend Policy;
2. Provide at least 75% of aggregate long-term debt funding to the local government sector;
3. Achieve the financial forecasts (excluding the impact of AIL) set out in section 4;
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;
5. Take appropriate steps to ensure compliance with the Health and Safety at Work Act 2015;
6. Maintain LGFA's credit rating equal to the New Zealand Government sovereign rating where both entities are rated by the same rating agency;
7. Introduce CCO lending by December 2019 and report quarterly, the volume of lending to CCOs; and
8. Comply with its Treasury Policy, as approved by the Board.

Given that LGFA tends to match fund its on-lending to councils where possible, i.e. tends to issue bonds in a similar tenor and volume as its on-lending, LGFA only has influence over investor perception amongst the above factors that determine LGFA spreads to swap.

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 (spread widening). It is also very difficult to find an appropriate benchmark to

measure performance against.

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, in general, narrowed modestly or are unchanged.

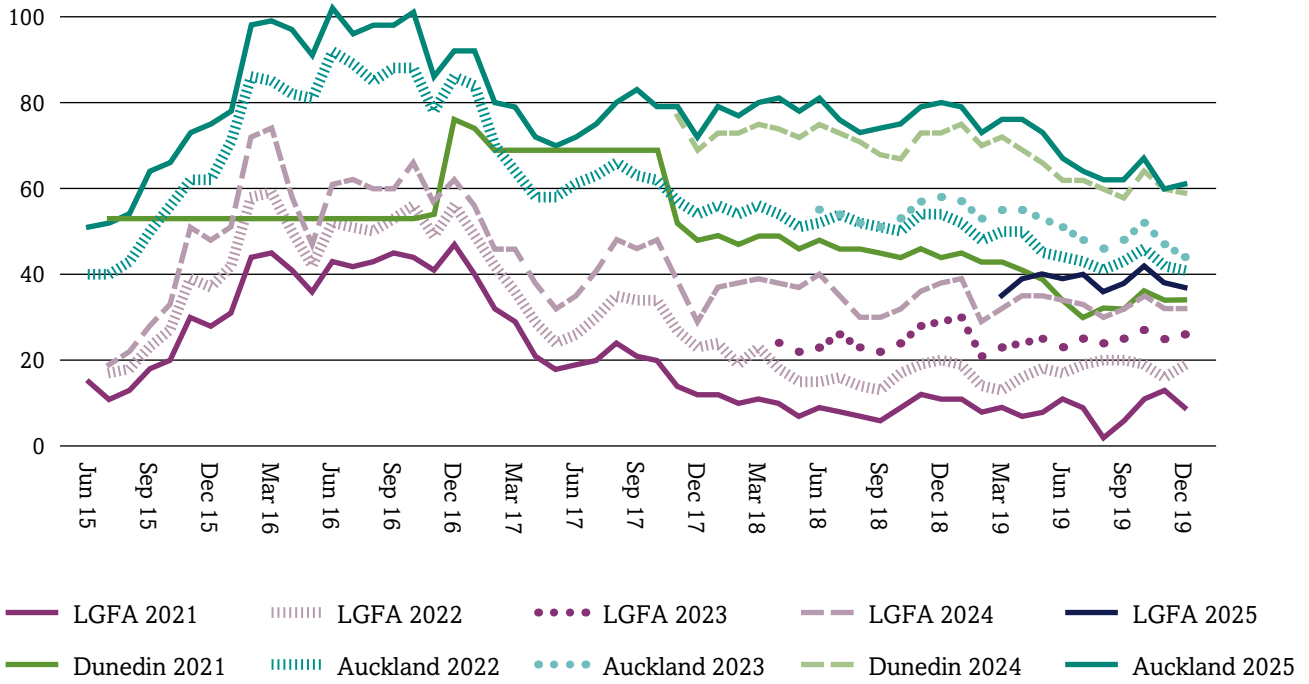
LGFA bond margin to swap	As at 31 December 2019 basis points (bps)	As at 30 June 2019 (bps)	Spread movement (bps)
15-Apr-20	7	11	(4)
15-May-21	15	15	Nil
14-Apr-22	23	22	1
15-Apr-23	27	30	(3)
15-Apr-24	34	37	(3)
15-Apr-25	40	41	(1)
15-Apr-27	46	46	Nil
20-Apr-29	59	-	n/a
14-Apr-33	67	67	Nil

Some of the movement is due to the changes in the spread between swap rates and NZ Government Bond (NZGB) yields as, over the same period, LGFA spreads to NZGB have narrowed for all maturities (except the April 2020s as the RBNZ is repurchasing this very short dated NZGB maturity).

LGFA bond margin to NZGB	As at 31 December 2019 (bps)	As at 30 June 2019 (bps)	Spread movement (bps)
15-Apr-20	37	30	7
15-May-21	27	36	(9)
14-Apr-22	35	42	(7)
15-Apr-23	41	51	(10)
15-Apr-24	46	59	(13)
15-Apr-25	50	65	(15)
15-Apr-27	56	70	(14)
20-Apr-29	68	-	n/a
14-Apr-33	73	92	(21)

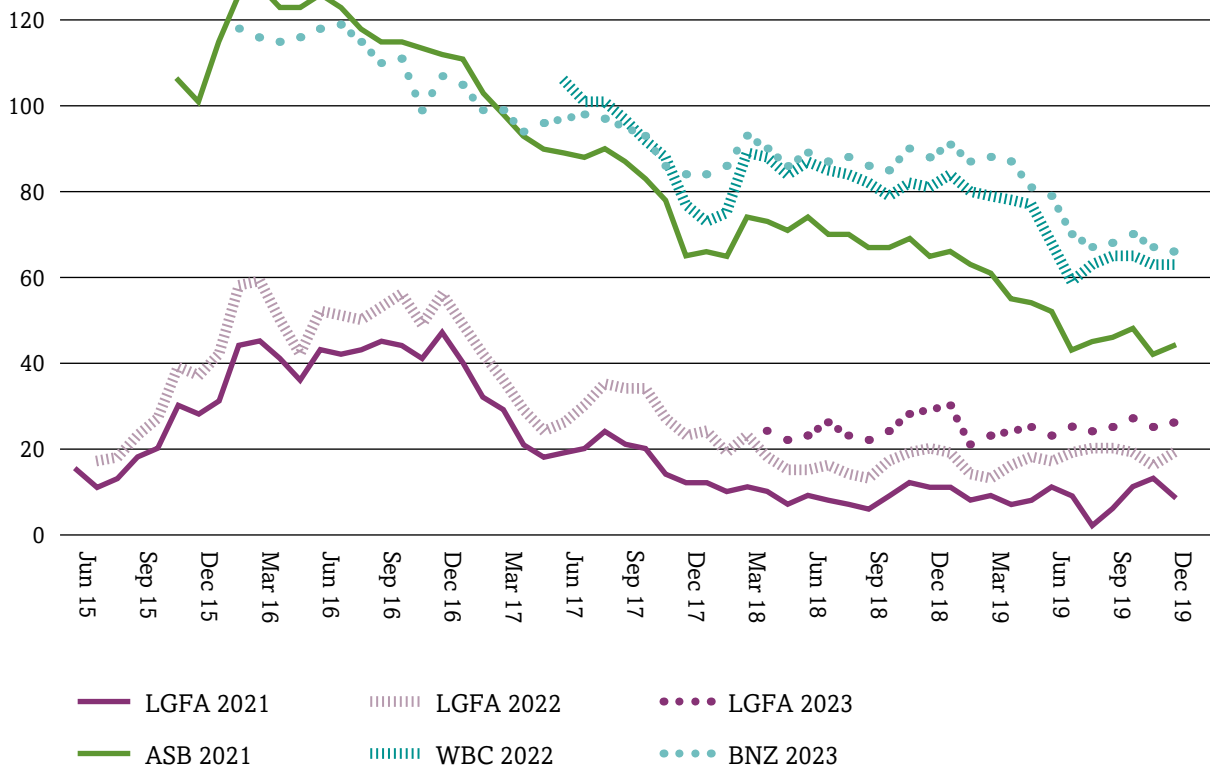
LGFA continues to provide savings in borrowing cost for councils relative to other sources of borrowing. We compare our secondary market spreads on LGFA bonds to those of Auckland Council and Dunedin City Treasury (as a proxy for councils borrowing in their own name) and a mix of banks (as a proxy for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

Offering short and long-term borrowings with flexible lending terms

The average borrowing term (excluding short-dated borrowing) for the six-month period to 31 December 2019 by councils was 7.4 years, being an increase on the 6.0 years for the year to 30 June 2019. Councils lengthened the term of borrowing in response to the narrowing in borrowing spreads, low outright yields and by borrowing into 2030 and 2033 maturities.

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

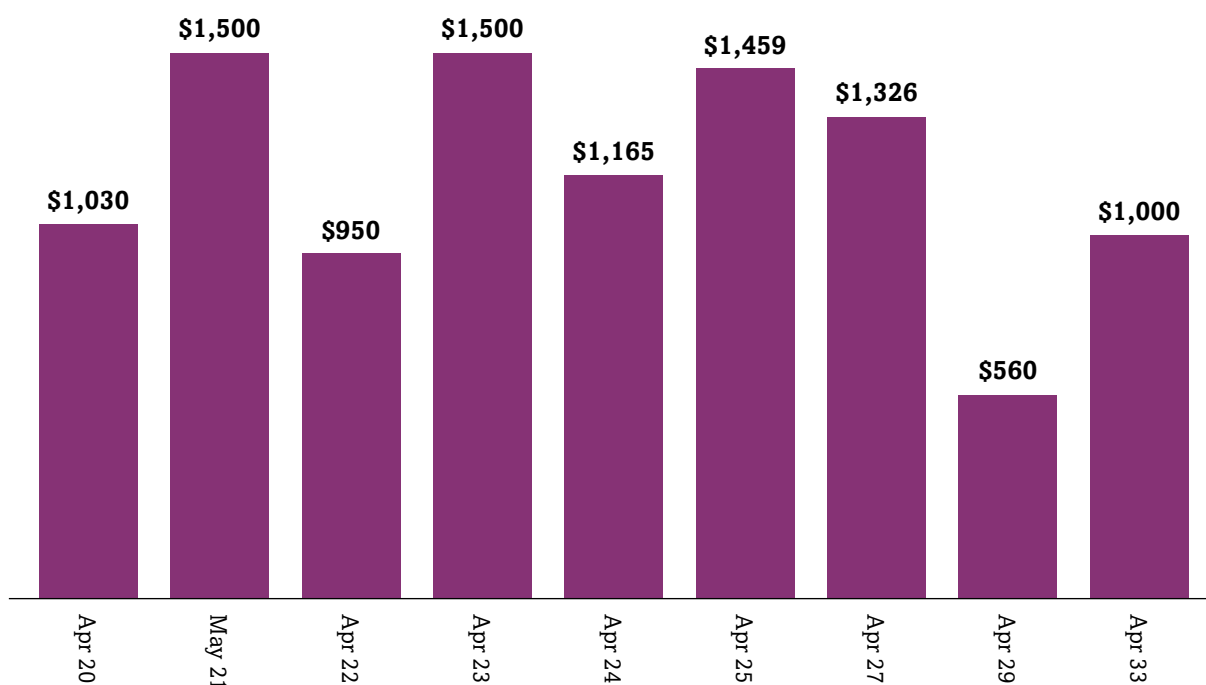
In August 2019, LGFA commenced the issuance of a 10-year bond (April 2029) providing a new benchmark to assist with the pricing of council loans between the April 2027 and April 2033 LGFA bond maturities.

The following chart shows the total LGFA bond outstandings, including treasury stock, by maturity as at 31 December 2019.

LGFA bonds on issue (NZ\$ million)

As at 31 December 2019 : NZ\$10,490 million

Includes NZ\$450 million treasury stock



Enhancing the certainty of access to debt markets for participating local authorities, subject always to operating in accordance with sound business practice;

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 on the NZX Debt Market since listing has been \$10.6 million per month which represents 7.9% of the total turnover of the NZX Debt Market. Turnover has remained at lower than normal levels over the past six months as retail investors seek higher term deposit rates.

In late 2015, LGFA commenced the issuance of LGFA Bills (three and six months) which facilitated the offer of short-term loans of less than one year to councils. As at 31 December 2019, short-term loans totaling \$525.1 million were outstanding to 31 councils (\$360 million, 30 June 2019), which were partially funded by LGFA Bills on issue of \$403 million.

LGFA held four bond tenders during the six-month period to 31 December 2019, with an average tender volume of \$164 million and a range of \$160 million to \$170 million for each tender. LGFA also issued \$450 million of an April 2029 maturity via syndication in August 2019. This was our second syndicated issue following the successful April 2024 syndication undertaken in March 2019.

All tenders were successful although, in general, demand was less than in previous periods due to lower interest rates and tighter spreads to NZGBs. Offshore investors continue to hold LGFA bonds, but they have not increased their holdings in line with the increased issuance. The average bid-coverage ratio across the four bond tenders was 2.1 times and this compared to the average of 3.0 times for the 68 bond tenders held since LGFA first commenced issuance in February 2012.

The successful bid range (i.e. difference between the highest and lowest successful bid yield) for each maturity at each tender averaged between 0 bps and 3.8 bps, with an average of 1.9 bps across all maturities and tenders over the six-month period.

Issuance Dates	Issuance Volumes (NZ\$million)					Total
	Apr 22	Apr 24	Apr 25	Apr 29	Apr 33	
11-Dec (tender)	40	30	-	60	35	165
6-Nov (tender)	40	40	30	-	50	160
2-Oct (tender)	50	35	-	-	75	160
21-Aug (syndication)	-	-	-	450	-	450
17-Jul (tender)	60	60	-	-	50	170
Total issuance six-months to 31 Dec 2019	190	165	30	510	210	1105
Average tender bid coverage ratio	1.97x	2.49x	2.3x	1.82x	1.96x	2.1x
Average tender successful bid range	0.8 bps	1.1 bps	1.5 bps	1 bps	3.8 bps	1.9 bps

Being the debt funder of choice for New Zealand local government.

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

As at 31 December 2019, short-term borrowing by councils totaled \$525.1 million, an increase of \$163.1 million from 30 June 2019.

We survey council members each year and the latest survey in July 2019 returned a 100% satisfaction result to the question “How would you rate LGFA in adding value to your borrowing requirements?” and 99% satisfaction result to the question “How satisfied are you with the pricing that LGFA has provided to your Council?”

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:

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 completes a detailed financial assessment for each member council by reviewing annual plans, long-term plans and annual financial statements, and assigns an internal credit rating to each council as part of this review exercise.

As at 30 June 2019, all councils were compliant with LGFA financial covenants. A copy of each council’s borrowing position and compliance with LGFA covenants were provided to LGFA shareholders and non-shareholder guarantors with the December 2019 quarterly report.

LGFA management met with 29 individual councils over the six-month period to 31 December 2019.

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

LGFA expect to commence lending to CCOs in the first half of the 2020 calendar year, with implementation being delayed due to requiring shareholder approval at the November 2019 AGM and ensuring the process and controls are robust.

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 reviews the financial position of each council on a parent basis, the exception being Auckland Council. For Auckland Council, LGFA analyses the financial statements at both parent and group level.

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

LGFA management aim to meet with the management team of each council at least once a year. We are also available to present to elected officials at councils prior to them joining LGFA to remind them of their obligations.

LGFA have been involved in discussions between central government agencies around infrastructure funding and financing to assist both central and local government with this workstream.

LGFA presented at various capital market conferences and met with banks and investors on a regular basis.

Performance against 2019-20 additional objectives

In addition to the two primary performance objectives, LGFA has eight performance objectives which complement the primary objectives. This section sets out LGFA's performance for the six-month period to 31 December 2019 against the additional objectives set out in the 2019-20 Statement of Intent.

1. Operate with a view to making a profit sufficient to pay a dividend in accordance with its stated Dividend Policy

The LGFA Board has 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's cost of funds plus 2%.

On 20 August 2019, LGFA directors declared a dividend for the year to 30 June 2019 of \$1,165,000 (\$0.0466 per share) calculated on LGFA's cost of funds for the 2018-19 year of 2.66% plus a 2% margin.

The 2019 dividend was lower than the previous year (2018: \$0.0514 per share) due to a lower interest rate environment resulting in a lower cost of funds for LGFA. While council borrowers benefit from lower borrowing costs, the dividend payment calculated is lower than it would other-wise be in an environment of higher interest rates.

LGFA's average cost of funds for the six-month period to 31 December 2019 was 1.78%.

2. Provide at least 75% of aggregate long-term debt funding for participating local authorities

Councils have strongly supported LGFA by joining as members and borrowing from LGFA. As at 31 December 2019, 63 of our 66 member councils have borrowed from LGFA.

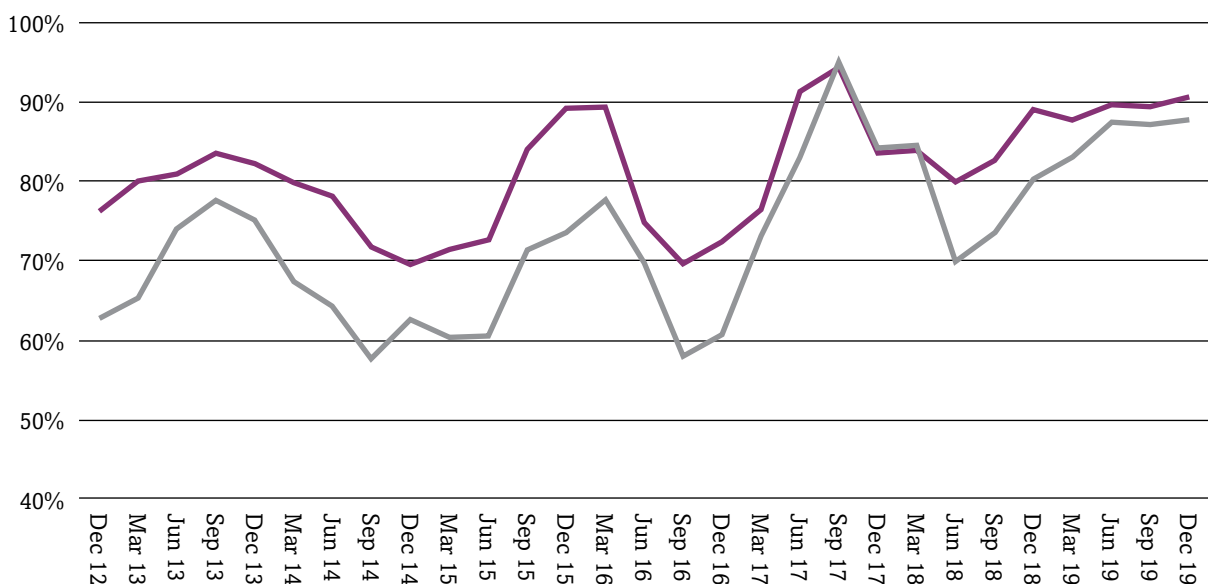
In the six months to 31 December 2019, two councils joined LGFA. Taranaki Regional Council joined as a guarantor borrower while Kaikoura District Council joined as a non-guarantor borrower.

The following chart shows LGFA's share of new local government long-term debt issuance and is derived from survey data provided by PwC. LGFA's share of long-term borrowing by the sector including non-members of LGFA was 87.7% for the rolling 12-month period to 31 December 2019.

The market share is influenced by the amount of debt issued by the sector's largest domestic borrower, Auckland Council (in its own name). Auckland Council is required to issue debt under its own name as LGFA's foundation policies restrict

total loans outstanding to Auckland to a maximum of 40%. If Auckland Council's external borrowing is excluded, then LGFA's estimated market share for the period was 90.6%.

LGFA Market Share – rolling one year average



Source: PwC, LGFA

— LGFA Rolling Annual Market share

— LGFA Rolling Annual Market Share Adjusted for Auckland Borrowing in Own Name

3. Achieve the financial forecasts (excluding the impact of AIL) set out in Section 4

For the six-month period to 31 December 2019, net interest income was \$435k above budget while total expenses were \$169k below budget. Excluding AIL, expenses were \$35k below budget. Net operating gain of \$6.110 million was \$598k above SOI target.

4. Ensure its products and services are delivered at a cost that does not exceed the forecast for issuance and operating expenses

Issuance and operating expenses for the six-month period to 31 December 2019 were \$169k under SOI budget.

Take appropriate steps to ensure compliance with the Health and Safety at Work Act 2015;

LGFA has a Health and Safety Staff Committee with regular reporting to the board on health and safety by the Risk and Compliance Manager. There were no health and safety incidents during the six-month period to 31 December 2019.

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 S&P Global Ratings (S&P) and Fitch Ratings (Fitch). Both the S&P and Fitch ratings are the same as, and are capped by, New Zealand Government's credit ratings.

LGFA meets with both agencies each year and last met with Fitch in September 2019 and S&P in November 2019.

On 4 February 2019, S&P placed our long-term credit rating on positive outlook, following their decision to place the long-term credit rating of the New Zealand Government on positive outlook the previous week.

On 6 November 2019, Fitch reaffirmed our long-term credit rating as AA+ and classified LGFA as a corporate mission, government related entity (GRE) under its GRE rating criteria. Fitch equalises our ratings with those of the New Zealand Government.

S&P and Fitch ratings reports are available on our website (www.lgfa.co.nz/for-investors/ratings).

6. Introduce CCO lending by December 2019 and report quarterly, the volume of lending to CCOs to both the Shareholder Council and shareholders

LGFA expect to commence lending to CCOs in the first half of the 2020 calendar year, the implementation being delayed due to requiring shareholder approval at the November 2019 AGM.

7. Comply with its Treasury Policy as approved by the Board

There were no compliance breaches at any time during the six-month period to 31 December 2019.

Meet or exceed the Performance Targets outlined in section 5.

LGFA has achieved (or is on track to achieve at year-end) all of our ten performance targets in the six-month period to 31 December 2019.

Performance measure	Target	Result to 31 December 2019	Outcome
LGFA net interest income for the period to June 2020	> \$17.88 million	\$9.80 million	✓ On track to be met
Annual issuance and operating expenses (excluding AIL)	< \$6.30 million	\$3.05 million	✓ On track to be met
Total lending (short and long term) to participating councils	At least \$9.79 billion	\$10.15 million	✓ Met
Conduct an annual survey of councils	80% satisfaction score	Survey completed July 2019	✓ Met. Survey outcome of 100%
Meet all lending requests from PLAs	100% of borrowing requests	100%	✓ Met
Achieve 75% market share of all council borrowing in New Zealand	75%	87.7%	✓ Met
Review each PLA financial position, its headroom under LGFA policies and arrange to meet each PLA at least annually	29 council visits year to date		✓ On track to be met
No breaches of Treasury Policy, any regulatory or legislative requirements including Health & Safety	No breach.	No breach	✓ On track to be met
Successfully refinance of existing loans to councils and LGFA bond maturities as they fall due		100%	✓ On track to be met
Maintain a credit rating equal to the New Zealand Government rating where both entities are rated by the same credit rating entity	AA+/AA+	AA+/AA+	✓ On track to be met

The
redevelopment
of Avalon Park as a
central community
green space.
Hutt City Council



Financial statements Taukī pūtea

Statement of comprehensive income

For the six months ended 31 December 2019 in \$000s

	Note	Unaudited six months ended 31 December 2019	Unaudited six months ended 31 December 2018
Interest income			
Cash and cash equivalents		216	226
Marketable securities		2,072	1,229
Deposits		3,065	2,251
Derivatives		69,933	53,131
Loans to local government		109,786	124,053
Fair value hedge ineffectiveness	2	-	-
Total interest income		185,072	180,890
Interest expense			
Bills		3,521	4,610
Bond repurchase transactions		257	225
Lease liability		14	-
Bonds		169,918	164,513
Borrower notes		1,562	1,769
Total interest expense		175,272	171,117
Net interest income		9,800	9,773
Operating expenses			
Issuance and on-lending expenses	3	1,846	1,975
Operating expenses	4	1,851	1,723
Total expenses		3,697	3,698
Net operating profit		6,103	6,075
Total comprehensive income		6,103	6,075

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

The Board of Directors of New Zealand Local Government Funding Agency Limited authorised these financial statements for issue on 27 February 2020.



Craig Stobo, Director
Board Chair



Linda Robertson, Director
Chair, Audit and Risk Committee

Statement of changes in equity

For the six months ended 31 December 2019 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			(35)	(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 period			6,075	6,075
Transactions with owners			-	-
Dividend paid on 7 September 2018			(1,285)	(1,285)
Unaudited closing balance as at 31 December 2018		25,000	44,045	69,045
Equity as at 1 July 2019		25,000	49,149	74,149
Net operating profit			6,103	6,110
Total comprehensive income for the period			6,103	6,110
Transactions with owners			-	-
Dividend paid on 6 September 2019			(1,155)	(1,155)
Unaudited closing balance as at 31 December 2019	12	25,000	54,097	79,097

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

Statement of financial position

As at 31 December 2019 in \$000s

	Note	Unaudited as at 31 December 2019	Audited as at 30 June 2019
Assets			
Financial assets			
Cash and bank balances		45,398	56,198
Marketable securities		252,341	255,715
Deposits		302,081	136,216
Derivatives in gain		608,089	622,559
Loans to local government	5	10,150,107	9,310,617
Non-financial assets			
Prepayments		829	570
Other assets	10	539	457
Total assets		11,359,384	10,382,332
Equity			
Share capital	12	25,000	25,000
Retained earnings		47,994	49,149
Total comprehensive income for the period		6,103	
Total equity		79,097	74,149
Liabilities			
Financial liabilities			
Payables and provisions		336	563
Bills	6	402,759	503,225
Bond repurchases	9	1,034	24,625
Derivatives in loss		44,200	12,926
Bonds	7	10,665,097	9,612,394
Borrower notes	8	166,564	154,168
Non-financial liabilities			
Other liabilities		297	282
Total liabilities		11,280,287	10,308,183
Total equity and liabilities		11,359,384	10,382,332

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 2019 in \$000s

	Note	Unaudited six months ended 31 December 2019	Unaudited six months ended 31 December 2018
Cash Flow from Operating Activities			
Cash applied to loans to local government		(847,625)	(1,338,445)
Interest paid on bonds issued		(184,896)	(180,956)
Interest paid on bills issued		(3,498)	(4,610)
Interest paid on borrower notes		(48)	-
Interest paid on bond repurchases		(278)	(226)
Interest received from loans to local government		117,942	121,772
Interest received from cash & cash equivalents		215	226
Interest received from marketable securities		1,711	1,627
Interest received from deposits		1,534	2,884
Net interest on derivatives		75,341	73,024
Payments to suppliers and employees		(4,270)	(4,299)
Net cash flow from operating activities	11	(843,872)	(1,329,003)
Cashflow from Investing Activities			
Purchase of marketable securities		3,734	161,738
Purchase of deposits		(164,334)	130,000
Purchase of plant and equipment		-	-
Net Cashflow from Investing Activities		(160,600)	291,738
Cashflow from Financing Activities			
Cash proceeds from bonds issued		1,137,733	994,187
Cash proceeds from bills issued		(100,489)	9,455
Cash proceeds from bond repurchases		(23,570)	(523)
Cash proceeds from borrower notes		10,882	16,800
Dividends paid		(1,155)	(1,285)
Cash applied to derivatives		(29,715)	(9,256)
Lease payments		(14)	-
Net Cashflow from Financing Activities		993,672	1,009,378
Net (Decrease) / Increase in Cash		(10,800)	(27,887)
Cash, cash equivalents and bank overdraft at beginning of year		56,198	50,280
Cash, Cash Equivalents and Bank overdraft at end of year		45,398	22,393

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

1 Statement of accounting policies

a. Reporting entity

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

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

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

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

These financial statements were authorised for issue by the Directors on 27 February 2020.

b. Statement of compliance

The interim financial statements are for the six-months ended 31 December 2019 and are to be read in conjunction with the annual report for the year ended 30 June 2019.

The financial statements 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 2019 are unaudited.

c. Basis of preparation

Accounting judgements, estimates and assumptions

The judgements, estimates and assumptions used to prepare these interim financial statements are consistent with those used at 30 June 2019.

Measurement base

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

The financial statements are prepared on an accrual basis.

Functional and presentation currency

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

Foreign currency conversions

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

Changes in accounting policies

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

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

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

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

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

There have been no other changes to accounting policies.

Early adoption standards and interpretations

LGFA has not early adopted any standards.

Standards not yet adopted

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

d. Financial instruments

Financial assets

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

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

Interest expense

Interest expense is accrued using the effective interest rate method.

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

Income tax

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

Goods and services tax

All items in the financial statements are presented exclusive of goods and service tax (GST), except for receivables and payables, which are presented on a GST-inclusive basis. Where GST is not recoverable as input tax, then it is recognised as part of the related asset or expense.

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

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

Commitments and contingencies are disclosed exclusive of GST.

h. Segment reporting

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

i. Judgements and estimations

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

The estimates and associated assumptions are based on historical experience and various other

factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

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

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 2019	Gain/(loss) Unaudited six months ended 31 December 2018
Hedging instruments – interest rate swaps	465,184	301,917
Hedged items attributable to the hedged risk – fixed rate bonds / loans	(465,184)	(301,917)
Ineffectiveness recognised in profit or loss from fair value hedges	-	-

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

3 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 2019	Unaudited six months ended 31 December 2018
NZDM facility fee	308	303
NZX	235	200
Rating agency fees	301	297
Legal fees for issuance	223	164
Regulatory, registry, other fees	79	68
Trustee fees	50	50
Approved issuer levy ¹	650	893
	1,846	1,975

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

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 2019	Unaudited six months ended 31 December 2018
Information services	-	79
Information technology ¹	358	-
Consultants	52	105
Directors fees	199	189
Insurance	35	31
Legal fees	73	35
Depreciation	41	-
Other expenses	151	390
Auditors' remuneration		
Statutory audit	53	48
Advisory services	-	-
Personnel	889	846
	1,851	1,723

1. Information technology aggregates all LGFA information technology-related expenses under a single category. Previously, these expenses were recorded across information services, consultants and other expenses.

5 Loans to local government

in \$000s	Unaudited as at 31 December 2019		Audited as at 30 June 2019	
	Short-term loans	Loans	Short-term loans	Loans
Ashburton District Council	15,041	27,371	10,025	27,465
Auckland Council	-	2,419,254	-	2,422,898
Bay of Plenty Regional Council	70,098	121,844	90,974	50,631
Buller District Council	-	20,009	-	20,013
Canterbury Regional Council	6,005	48,148	6,006	32,108
Central Hawkes Bay District Council	-	16,077	-	2,027
Christchurch City Council	50,096	1,870,057	27,110	1,721,759
Clutha District Council	-	5,025	-	5,020
Far North District Council	20,053	56,708	-	40,149
Gisborne District Council	-	58,819	5,982	42,819
Gore District Council	6,009	13,042	6,011	13,059
Greater Wellington Regional Council	-	401,294	-	401,676
Grey District Council	4,986	15,252	4,978	15,305
Hamilton City Council	-	386,329	-	356,737
Hastings District Council	-	149,487	-	105,985
Hauraki District Council	-	43,157	-	38,192
Hawkes Bay Regional Council	-	2,510	-	2,509
Horizons Regional Council	-	37,206	-	35,182
Horowhenua District Council	16,008	94,736	11,006	85,780
Hurunui District Council	4,991	32,108	-	32,140
Hutt City Council	-	179,569	-	179,746
Invercargill City Council	37,539	30,105	25,093	30,095
Kaipara District Council	-	44,145	999	44,189
Kapiti Coast District Council	-	215,635	-	210,804
Manawatu District Council	-	69,212	-	68,229
Marlborough District Council	27,857	73,219	26,545	73,252
Masterton District Council	-	55,182	-	50,248
Matamata-Piako District Council	-	21,575	2,546	21,597
Nelson City Council	-	65,192	-	65,264
New Plymouth District Council	-	114,980	-	99,535
Northland Regional Council	-	9,729	-	9,728
Opotiki District Council	-	7,117	-	5,125

in \$000s	Unaudited as at 31 December 2019		Audited as at 30 June 2019	
	Short-term loans	Loans	Short-term loans	Loans
Otorohanga District Council	-	3,042	-	3,048
Palmerston North City Council	10,018	109,349	10,024	104,439
Porirua City Council	-	121,850	-	86,894
Queenstown Lakes District Council	20,046	95,656	20,076	85,644
Rangitikei District Council	-	3,020	-	3,013
Rotorua District Council	2,812	195,161	2,817	180,186
Ruapehu District Council	6,008	13,059	3,027	13,070
Selwyn District Council	5,022	10,037	5,097	10,053
South Taranaki District Council	-	105,371	-	80,383
South Wairarapa District Council	-	20,025	-	20,023
Stratford District Council	1,013	13,565	1,003	13,570
Taranaki Regional Council	3,962	-	-	-
Tararua District Council	4,006	25,094	4,020	21,104
Tasman District Council	41,136	137,109	25,380	127,172
Taupo District Council	-	115,322	-	115,452
Tauranga City Council	39,919	522,353	9,963	432,609
Thames-Coromandel District Council	5,009	51,188	-	51,244
Timaru District Council	12,522	67,262	17,568	67,313
Upper Hutt City Council	4,986	44,150	4,975	38,174
Waikato District Council	4,967	80,285	-	80,400
Waikato Regional Council	-	22,084	-	22,120
Waimakariri District Council	10,008	135,707	10,010	135,872
Waipa District Council	67,132	15,042	-	15,013
Wairoa District Council	-	9,037	1,514	3,519
Waitomo District Council	10,043	30,078	10,055	30,093
Wellington City Council	-	586,253	-	533,151
West Coast Regional Council	2,003	5,611	1,985	5,608
Western Bay Of Plenty District Council	-	90,331	-	90,478
Westland District Council	-	18,673	-	18,688
Whakatane District Council	5,007	57,214	5,008	57,298
Whanganui District Council	3,013	83,356	-	73,408
Whangarei District Council	9,981	132,434	9,976	122,543
	527,296	9,622,811	359,771	8,950,846

As at 31 December 2019, \$1,319 million of loans to local government are due to mature within 12 months. This comprises all short-term loans and \$792 million of loans.

6 Bills on issue

Unaudited as at 31 December 2019 in \$'000's	Face value	Unamortised premium	Accrued interest	Total
8 January 2020	70,000	-	(17)	69,983
17 January 2020	58,500	-	(34)	58,466
24 January 2020	32,000	-	(32)	31,968
29 January 2020	13,000	-	(11)	12,989
5 February 2020	25,000	-	(34)	24,966
12 February 2020	50,000	-	(66)	49,934
3 March 2020	5,000	-	(11)	4,989
11 March 2020	50,000	-	(114)	49,886
8 April 2020	25,000	-	(72)	24,928
7 May 2020	25,000	-	(102)	24,898
13 May 2020	25,000	-	(103)	24,897
10 June 2020	25,000	-	(144)	24,856
	403,500	-	(741)	402,759

Audited as at 30 June 2019 in \$'000's	Face value	Unamortised premium	Accrued interest	Total
4 July 2019	25,000	-	(4)	24,996
10 July 2019	85,000	-	(41)	84,959
17 July 2019	25,000	-	(23)	24,977
29 July 2019	25,000	-	(35)	24,965
5 August 2019	25,000	-	(48)	24,952
14 August 2019	50,000	-	(109)	49,891
23 August 2019	45,000	-	(117)	44,883
11 September 2019	50,000	-	(174)	49,826
4 October 2019	25,000	-	(124)	24,876
9 October 2019	25,000	-	(125)	24,875
7 November 2019	25,000	-	(168)	24,832
13 November 2019	25,000	-	(159)	24,841
4 December 2019	25,000	-	(203)	24,797
11 December 2019	25,000	-	(180)	24,820
22 January 2020	25,000	-	(266)	24,734
	505,000	-	(1,775)	503,225

7 Bonds on issue

Bonds on issue do not include \$450 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 2019 in \$000's	Face value	Unamortised premium	Accrued interest	Fair value hedge adjustment	Total
15 April 2020	980,000	(981.00)	6,265.00		
15 May 2021	1,450,000	29,988.00	11,233.00		
14 April 2022	900,000	10,716.00	5,342.00		
15 April 2023	1,450,000	49,854.00	16,996.00		
15 April 2024	1,115,000	995.00	5,347.00		
15 April 2025	1,409,000	(33,923.00)	8,258.00		
15 April 2027	1,276,000	48,291.00	12,237.00		
20 April 2029	510,000	(11,628.00)	1,526.00		
14 April 2033	950,000	(7,780.00)	7,177.00		
Total	10,040,000	85,532	74,381	465,184	10,665,097

Audited as at 30 June 2019 in \$000's	Face value	Unamortised premium	Accrued interest	Fair value hedge adjustment	Total
15 April 2020	980,000	(2,674)	6,185		
15 May 2021	1,450,000	40,569	11,111		
14 April 2022	710,000	5,876	4,161		
15 April 2023	1,450,000	56,972	16,778		
15 April 2024	950,000	(3,895)	4,497		
15 April 2025	1,379,000	(38,648)	7,978		
15 April 2027	1,276,000	51,179	12,080		
14 April 2033	740,000	(35,533)	5,520		
Total	8,935,000	73,848	68,311	535,236	9,612,394

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 face value of loans 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. As at 31 December 2019, \$450 million face value of issued LGFA bonds have been subscribed by LGFA and held as treasury stock.

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

Bond repurchase transactions:

Maturity date	Unaudited as at 31 December 2019	Audited as at 30 June 2019
15 April 2020	-	-
15 May 2021	-	-
14 April 2022	1,034	15,535
15 April 2023	-	-
15 April 2024	-	-
15 April 2025	-	-
15 April 2027	-	5,837
15 April 2029	-	-
14 April 2033	-	3,252
	1,034	24,625

10 Other assets

	Unaudited as at 31 December 2018	Audited as at 30 June 2018
Intangible assets ¹	382	457
Right-of-use lease asset	157	-
Total	539	457

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 to net cash flow from operating activities

in \$000s	Unaudited six months ended 31 December 2019	Unaudited six months ended 31 December 2018
Net profit/(loss) for the period	6,103	6,075
Cash applied to loans to local government	(847,625)	(1,338,445)
Non-cash adjustments		
Amortisation and depreciation	(1,700)	4,043
Working capital movements		
Net change in trade debtors and receivables	(248)	(196)
Net change in prepayments	(259)	(308)
Net change in accruals	(143)	(172)
Net Cash From operating activities	(843,872)	(1,329,003)

12 Share Capital

As at 31 December 2019, 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 2019		30 June 2019	
New Zealand Government	5,000,000	11.1%	5,000,000	11.1%
Auckland Council	3,731,960	8.3%	3,731,960	8.3%
Christchurch City Council	3,731,960	8.3%	3,731,960	8.3%
Hamilton City Council	3,731,960	8.3%	3,731,960	8.3%
Bay of Plenty Regional Council	3,731,958	8.3%	3,731,958	8.3%
Greater Wellington Regional Council	3,731,958	8.3%	3,731,958	8.3%
Tasman District Council	3,731,958	8.3%	3,731,958	8.3%
Tauranga City Council	3,731,958	8.3%	3,731,958	8.3%
Wellington City Council	3,731,958	8.3%	3,731,958	8.3%
Western Bay of Plenty District Council	3,731,958	8.3%	3,731,958	8.3%
Whangarei District Council	1,492,784	3.3%	1,492,784	3.3%
Hastings District Council	746,392	1.7%	746,392	1.7%
Marlborough District Council	400,000	0.9%	400,000	0.9%
Selwyn District Council	373,196	0.8%	373,196	0.8%
Gisborne District Council	200,000	0.4%	200,000	0.4%
Hauraki District Council	200,000	0.4%	200,000	0.4%
Horowhenua District Council	200,000	0.4%	200,000	0.4%
Hutt City Council	200,000	0.4%	200,000	0.4%
Kapiti Coast District Council	200,000	0.4%	200,000	0.4%
Manawatu District Council	200,000	0.4%	200,000	0.4%
Masterton District Council	200,000	0.4%	200,000	0.4%
New Plymouth District Council	200,000	0.4%	200,000	0.4%
Otorohanga District Council	200,000	0.4%	200,000	0.4%
Palmerston North District Council	200,000	0.4%	200,000	0.4%
South Taranaki District Council	200,000	0.4%	200,000	0.4%
Taupo District Council	200,000	0.4%	200,000	0.4%
Thames-Coromandel District Council	200,000	0.4%	200,000	0.4%
Waimakariri District Council	200,000	0.4%	200,000	0.4%
Waipa District Council	200,000	0.4%	200,000	0.4%
Whakatane District Council	200,000	0.4%	200,000	0.4%
Whanganui District Council	200,000	0.4%	200,000	0.4%
	45,000,000	100%	45,000,000	100%

13 Related parties

Identity of related parties

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

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

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

Related party transactions

LGFA was established for the purpose of raising funds from the market to lend to participating councils. The lending to individual councils is disclosed in note 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.

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

Other disclosures

Net Tangible Assets

Net tangible assets per \$1,000 of listed bonds as at 31 December 2019 is \$7.54 (30 June 2019: \$7.95).

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

General enquiries

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



APPENDIX 2

Local Government Funding Agency Letter to Shareholders to accompany Draft SOI 2020-21

27 February 2020

Dear Shareholder

Draft Statement of Intent 2020/21

Please find attached a copy of the Draft Statement of Intent (SOI) for the 2020/21 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

For our guarantors we are focused on

- Minimising the risk of a call upon the guarantee through actively monitoring and managing the business risks faced by LGFA including operational, credit, liquidity, interest rate and funding risk.

The following points regarding the Draft SOI 2020/21 are worth noting:

- Profitability is forecast to remain strong with projections for Net Operating Gain of \$10.8 million, \$12.1 million and \$14.4 million for the next three years, which is an improvement to results from previous years. However, we remain cautious in placing too much emphasis on the Year Three (2022/23) forecast given that over the next three years, we estimate that \$4.0 billion of our LGFA bonds and \$4.3 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 increase over the forecast period as the balance sheet grows from increased council lending and we hold additional liquid assets to manage the LGFA bond maturities. However, this is offset by a 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. Also, the improving credit quality of the sector has resulted in a reduced credit margin applied to council loans.

- We have increased our forecast for council loans (short and long term) outstanding as at June 2021 to \$11.028 billion and to \$11.713 billion as at June 2021 (from \$10.083 billion and \$10.171 billion in the previous SOI). This reflects a higher starting position as at 30 June 2020 and councils undertaking further capex and a continued high utilisation of short term borrowing from LGFA by councils. 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 further 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%). LGFA on-lending margins are the narrowest when compared with our international peers.
- Compared to the previous SOI, issuance and operating expenses, excluding Approved Issuer Levy ("AIL") are forecast to be approximately \$100k higher in the 2020/21 financial year and unchanged in the 2021/22 financial year.
- The SOI performance targets are the same as the targets in the previous SOI. We will however be considering how we report to shareholders on our contribution to the four well beings and will work with the Shareholder Council on the reporting of lending to CCOs.
- As noted above, there is some timing uncertainty within the SOI forecast relating to council loans and LGFA bonds outstanding as we need to project both the repayment amount and repayment timing of the council loans that are due to mature in May 2021, April 2022 and April 2023. 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 1 May 2020 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 2020.

Yours sincerely



Mark Butcher
Chief Executive

APPENDIX 3

Local Government Funding Agency (LGFA) Draft Statement of Intent 2020-21

Draft Statement of Intent 2020/21

1. Introduction

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

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

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

2. Nature and scope of activities

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

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

In lending to Participating Borrowers, LGFA will:

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

3. Objectives

Principal Objectives

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

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

Primary Objectives

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

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

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

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

Additional objectives

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

LGFA will:

1. Maintain LGFA's credit rating equal to the New Zealand Government sovereign rating where both entities are rated by the same Rating Agency.
2. Provide at least 75% of aggregate long-term debt funding to the Local Government sector.
3. Achieve the financial forecasts outlined in section 4 for net interest income and operating expenses, including provision for a shareholder dividend payment in accordance with approved dividend policy.
4. Meet or exceed the Performance Targets outlined in section 5.
5. Comply with the Health and Safety at Work Act 2015.
6. Comply with the Shareholder Foundation Policies and the Board-approved Treasury Policy at all times.

4. Financial forecasts

LGFA's financial forecasts for the three years to 30 June 2023 are:

FINANCIAL YEAR (\$M)	SOI 2021 FEB DRAFT		
Comprehensive income	Jun-21	Jun-22	Jun-23
Interest income	246.1	247.7	271.2
Interest expense	227.1	227.8	248.8
Net Interest income	19.0	19.9	22.4
Approved Issuer Levy	1.5	1.0	1.0
Issuance & onlending costs	2.7	2.7	2.7
Operating overhead	4.0	4.1	4.2
Issuance and operating expenses	8.1	7.7	7.9
P&L	10.8	12.1	14.4
Financial position (\$m)	Jun-21	Jun-22	Jun-23
Capital	25.0	25.0	25.0
Retained earnings	68.9	80.1	93.5
Total equity	93.9	105.1	118.5
Shareholder funds + borrower notes / Total assets	2.3%	2.3%	2.3%
Dividend provision	0.9	0.9	1.0
Total assets (nominal)	11,655.1	12,451.4	12,915.8
Total LG loans - short term (nominal)	500.0	500.0	500.0
Total LG loans (nominal)	10,527.5	11,213.4	11,497.7
Total bills (nominal)	400.0	400.0	400.0
Total bonds (nominal) ex treasury stock	10,941.0	11,716.0	12,166.0
Total borrower notes (nominal)	168.4	179.4	184.0

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 May 2021, April 2022 and April 2023 loans. LGFA will work with council borrowers to reduce this uncertainty. The above table assumes gross issuance of LGFA bonds per year of \$2.28 billion (2021/22), \$1.85 billion (2022/23) and \$1.9 billion (2023/24), however the issuance volume will be determined by LGFA at the relevant time by reference to factors including refinancing of existing borrowing by councils and (if applicable) council-controlled organisations, new borrowing by councils and (if applicable) council-controlled organisations and LGFA's own borrowing requirements for liquidity purposes. No decision has been made as to final issuance volume at this point and will depend upon market conditions.

5. Performance targets

LGFA has the following performance targets:

- LGFA's net interest income for the period to:
 - 30 June 2021 will be greater than \$19.0 million.
 - 30 June 2022 will be greater than \$19.9 million.
 - 30 June 2023 will be greater than \$22.4 million.
- LGFA's annual issuance and operating expenses (excluding ALL) for the period to:
 - 30 June 2021 will be less than \$6.7 million.
 - 30 June 2022 will be less than \$6.8 million.
 - 30 June 2023 will be less than \$7.0 million.
- Total lending to Participating Borrowers¹ at:
 - 30 June 2021 will be at least \$11,027 million.
 - 30 June 2022 will be at least \$11,713 million.
 - 30 June 2023 will be at least \$11,998 million
- Conduct an annual survey of Participating Borrowers who borrow from LGFA and achieve at least an 80% satisfaction score as to the value added by LGFA to the borrowing activities
- Meet all lending requests from Participating Borrowers, where those requests meet LGFA operational and covenant requirements.
- Achieve 75% market share of all council borrowing in New Zealand
- Review each Participating Borrower's financial position, its headroom under LGFA policies and arrange to meet each Participating Borrower at least annually.
- No breaches of Treasury Policy, any regulatory or legislative requirements including the Health and Safety at Work Act 2015.
- Successfully refinance of existing loans to councils and LGFA bond maturities as they fall due.
- Maintain a credit rating equal to the New Zealand Government rating where both entities are rated by the same credit rating agency.

¹ Subject to the forecasting uncertainty noted previously

6. Dividend policy

LGFA will seek to maximise benefits to Participating Local Authorities as Borrowers rather than Shareholders. Consequently, it is intended to pay a limited dividend to Shareholders.

The Board's policy is to pay a dividend that provides an annual rate of return to Shareholders equal to LGFA fixed rate bond cost of funds plus 2.00% over the medium term.

At all times payment of any dividend will be discretionary and subject to the Board's legal obligations and views on appropriate capital structure.

7. Governance

Board

The Board is responsible for the strategic direction and control of LGFA's activities. The Board guides and monitors the business and affairs of LGFA, in accordance with the Companies Act 1993, the Local Government Act 2002, the Local Government Borrowing Act 2011, the Company's Constitution, the Shareholders' Agreement for LGFA and this SOI.

The Board comprises six directors with five being independent directors and one being a non-independent director.

The Board's approach to governance is to adopt best practice² with respect to:

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

All directors are required to comply with a formal Charter.

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

Shareholders' Council

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

- Review the performance of LGFA and the Board, and report to Shareholders on that performance on a periodic basis.
- Make recommendations to Shareholders as to the appointment, removal, replacement and remuneration of directors.
- Make recommendations to Shareholders as to any changes to policies, or the SOI, requiring their approval.

² Best practice as per NZX and Institute of Directors guidelines

- Ensure all Shareholders are fully informed on LGFA matters and to coordinate Shareholders on governance decisions.

8. Information to be provided to Shareholders

The Board aims to ensure that Shareholders are informed of all major developments affecting LGFA's state of affairs, while at the same time recognising both LGFA's obligations under NZX Listing Rules and that commercial sensitivity may preclude certain information from being made public.

Annual Report

The LGFA's balance date is 30 June.

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

- Directors' Report.
- Financial Statements incorporating a Statement of Financial Performance, Statement of Movements in Equity, Statement of Financial Position, Statement of Cashflows, Statement of Accounting Policies and Notes to the Accounts.
- Comparison of the LGFA's performance regarding the objectives and performance targets set out in the SOI, with an explanation of any material variances.
- Auditor's Report on the financial statements and the performance targets.
- Any other information that the directors consider appropriate.

Half Yearly Report

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

- Directors' commentary on operations for the relevant six-month period.
- Comparison of LGFA's performance regarding the objectives and performance targets set out in the SOI, with an explanation of any material variances.
- Un-audited half-yearly Financial Statements incorporating a Statement of Financial Performance, Statement of Movements in Equity, Statement of Financial Position and Statement of Cashflows.

Quarterly Report

By 31 January, 30 April, 31 July, and 31 October each year, the Company will produce a Quarterly Report. The Quarterly Report will include the following information:

- Commentary on operations for the relevant quarter, including a summary of borrowing margins charged to Participating Borrower's (in credit rating bands).

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

Statement of Intent

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

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

Shareholder Meetings

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

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

9. Acquisition/divestment policy

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

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

10. Activities for which compensation is sought from Shareholders

At the request of Shareholders, LGFA may (at its discretion) undertake activities that are not consistent with its normal commercial objectives. Specific financial arrangements will be entered into to meet the full cost of providing such 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 is equal to the face value of the Shareholders' paid up Principal Shares - \$25 million.

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

12. Accounting policies

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

The following statement is taken from the Financial Statements presented as part of LGFA's Annual Report 2019 (updated where necessary), accordingly, the statement does not contemplate LGFA lending to CCOs.

ATTACHMENT: Statement of accounting policies

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.

b. Statement of compliance

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

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

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

c. Basis of preparation

Measurement base

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

The financial statements are prepared on an accrual basis.

Functional and presentation currency

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

Foreign currency conversions

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

Changes in accounting policies

NZ IFRS 9. New Zealand Equivalent to International Financial Reporting Standard 9. Financial Instruments.

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.

LGFA has elected to apply NZ IFRS 9 (2014) on a retrospective basis. Comparative information has not been restated as there has not been a material impact. Instead, the impact of adopting the new standard is reflected in opening equity on 1 July 2018.

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.

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

Methodology to determine expected credit losses

As at 30 June 2019, 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 complying with LGFA's financial covenants as 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 in gain.

Early adoption standards and interpretations

LGFA has not early adopted any standards.

New standards adopted

NZ IFRS 15. Revenue from Contracts with Customers.

NZ IFRS 15 has been adopted from 1 July 2018. There has been no impact on the financial statements.

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.

NZ IFRS 16 Leases

NZ IFRS 16 becomes effective from 1 July 2019 and will not have a material impact on the 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. Refer note 2a for fair value determination for financial instruments.

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

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

