



Kaipara te Oranganui

**KAIPARA
DISTRICT**

Two Oceans Two Harbours

Audit, Risk and Finance Committee Open Agenda

Date: Thursday 12 March 2020
Time: 10.00 am
Location: Mangawhai Club
219 Molesworth Drive
Mangawhai

Committee members: Stana Pezic (Chair)
Councillor Peter Wethey (Deputy Chair)
Deputy Mayor Anna Curnow
Councillor Jonathan Larsen
Councillor David Wills
Councillor Eryn Wilson-Collins

*For any queries regarding this meeting please contact
the Kaipara District Council on (09) 439 7059*

Thursday, 12 March, 2020

10:00 am

Mangawhai Club

219 Molesworth Drive

Mangawhai Heads

Pages

1. Opening

First meeting of the Audit, Risk and Finance Committee following the 2019 elections

1.1 Karakia

1.2 Apologies

1.3 Confirmation of agenda

1.4 Conflict of interest declaration

2. Open agenda items

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3.1	Review of Organisation Risk Register	
3.2	Cybersecurity assessment and response	
3.3	Contract monitoring and reporting	
3.4	Investigation update	
3.5	Return to open session 12 March 2020	
4.	Closure	
4.1	Karakia	

Proposed work programme to June 2021

Meeting: Audit, Risk and Finance Committee
Date of meeting: 12 March 2020
Reporting officer: Sue Davidson, GM Sustainable Growth and Investment

Purpose/Ngā whāinga

The Audit, Risk and Finance Committee is meeting for the first time this triennium and a new terms of reference has been approved by Council. It is timely to look at the work programme going forward and for the committee to approve this.

Executive summary/Whakarāpopototanga

The work programme is in line with the terms of reference. This report details the work plan so that the committee knows what to expect on its future agendas and be satisfied that the work covers the terms of reference.

Recommendation/Ngā tūtohunga

That Audit, Risk and Finance Committee:

- a) Approves the proposed Audit, Risk and Finance Committee reporting work programme for 2020/2021.

Context/Horopaki

The Audit Risk and Finance Committee provides objective advice and recommendations on:

- compliance with laws and regulations
- risk management
- the adequacy of audit functions
- the robustness of the internal control framework and financial management practices
- the reporting of the Annual Report
- the establishment of, maintenance and effectiveness of controls to safeguard the Council's financial and non-financial assets.

At the beginning of each financial year, a work programme is presented. This committee has not met since September and now has new members, so this has not been possible.

New terms of reference have been approved by Council in Attachment 1. The key difference is that Council have removed the responsibility of advising the development of the Long Term Plan and Annual Plan specifically as timeframes will not allow these reports to be adopted in a timely manner.

It is important the work of the Audit, Risk and Finance Committee is spread across its meetings in a planned and balanced matter. This will ensure any item that has a timing, which is effectively fixed by external accountability cycles, is considered at the appropriate time, while other items, for which timing is more flexible, are able to be prioritised and spread evenly across the meetings of the committee in a planned and coordinated way.

Discussion/Ngā kōrerorero

Meetings will be held four times per year and work is allocated to each meeting and aligns to external reporting for the Annual Report.

Forward planning of the work required of this committee is good business practice.

Council has not yet provided for an internal audit function, which would add to the assurance, but this will be proposed as part of the Long Term Plan as there will be an additional cost to this.

Committee members may wish to add to the work plan if they see any gaps. The work programme is detailed in Attachment 2.

Options

Option 1: Approve the work programme for the committee.

Option 2: Approve the work programme for the committee with additional items.

Policy and planning implications

This document is to provide planning for the Audit, Risk and Finance Committee.

Financial implications

There are no financial implications.

Risks and mitigations

This committee has been created to review the risks of the Council business and ensuring mitigation where there is high risk.

Significance and engagement/Hirahira me ngā whakapapa

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

Next steps/E whaiake nei

Prior to each committee meeting this work programme will be referred to, to ensure work is being completed as scheduled.

Attachments/Ngā tapiritanga

	Title
1	Audit, Risk and Finance Committee Terms of Reference
2	Work Programme to 2020/2021

Audit, Risk and Finance Committee

Reports to:	Kaipara District Council
Chair:	Stana Pezic (external appointee)
Deputy Chair:	Councillor Peter Wethey
Membership:	Deputy Mayor Anna Curnow, Councillor Jonathan Larsen, Councillor David Wills and Councillor Eryn Wilson-Collins
Meeting frequency:	Quarterly
Quorum:	Three

Terms of Reference

Purpose

- To oversee risk management and internal controls, audit functions, financial and other external corporate reporting, and compliance with legislation
- To monitor Council's financial performance against the Long Term Plan and Annual Plan.

Responsibilities

Audit

- Agree on audit scope with management
- Input into audit scope to the external auditor
- Consider the audit management letter and take appropriate actions

Risk

- Ensure a comprehensive risk management framework is in place and operates effectively
- Identify and monitor risks associated with legislative compliance

Finance

- Review and recommend financial strategies and policies to Council
- Monitor Council's financial performance and recommend actions
- Recommending the Annual Report financials to Council.

Delegations

- Make recommendations to Council
- All necessary powers to meet its responsibilities.



Audit, Risk and Finance Committee Agenda – Work Programme

The table below outlines the tasks the Audit, Risk and Finance Committee (the Committee) will complete (and when) as part of its 2020/2021 work programme in accordance with its delegations.

Task	Mar 2020	June 2020	Sept 2020	Dec 2020	Mar 2021	June 2021
Work Programme A work programme will be defined annually.	•				•	
1) External Audit The Committee will approve arrangements for the annual external audit. The Committee will discuss with management/external auditor the proposed materiality and scope of the audit, and input to scope.		•				•
Audit: Management will ensure all findings from reviews by external auditors of Council's processes are reported to the Committee with action plans to remedy identified deficiencies.			•			
2) Risk Management The Committee will review the management framework	•					
The Committee will review the risk management update report, with a focus on significant risks and how they are being treated. Once a year the full risk register will be presented.	•	•	•	•	•	•
Insurance. The Committee will review the annual insurance programme.			•			
Health and Safety	•	•	•	•	•	•
IT Security	•				•	
Internal Control/Assurance			•			•
Building Consent Authority Audit: The Committee will review and note the management letter from IANZ and ensure management addresses the issues identified.			•			
Recognised Agency Assessment - Report Food Control				•		
Internal Audit (was PWC): The Committee will review a work plan of audits and ensure management addresses the issues identified in any reports.			•			
NZTA: The Committee will review reports and ensure management addresses the issues identified in any reports			•			
Compliance The Committee will oversee Council's compliance with legal and regulatory requirements and monitor adherence to compliance	•	•	•	•	•	•
Legal Compliance Report		•				•
3) Financial Policies	•	•	•	•	•	•



Task	Mar 2020	June 2020	Sept 2020	Dec 2020	Mar 2021	June 2021
<ul style="list-style-type: none"> The Committee will review existing policies as they come due for review or as changes are made to significant policies. Sensitive Expenditure Fraud Policy Treasury Policy Financial Strategy Policy Register Update 						
Treasury Performance Treasury – the Committee will review the external report to ensure compliance with the Treasury Management Policy. This will include reviewing any guarantees entered into.	•	•	•	•	•	•
LGFA Report		•				
Monitor Financial Performance: Financial Report Debtors Report	•	•	•	•	•	•
Monitor Contract Performance Contract/Supplier Performance Report	•	•	•	•	•	•
Annual Financial Reporting The Committee will review the draft annual financial statements and recommend their adoption or otherwise to Council. At this meeting the Committee will have the opportunity to meet with the external audit director to discuss the results of the audit, and to provide any feedback on the conduct of the audit from the perspective of the Committee members.			•			
4) Special Investigations As required, the Committee will monitor special investigations, such as a possible fraud.						
Actual or Potential Litigation Matters	•	•	•	•	•	•

Deloitte independent assurance report

Meeting: Audit, Risk and Finance Committee
Date of meeting: 12 March 2020
Reporting officer: Sue Davidson GM Sustainable Growth & Investment

Purpose/Ngā whāinga

This report is for information only. The audit is required as Council has a Debenture Trust Deed and must adhere to it.

Executive summary/Whakarāpopototanga

Council received an unqualified audit in respect of its register of stock for the year ended 30 June 2019. This was received in November 2019.

Recommendation/Ngā tūtohunga

That Kaipara District Council:

- a) Notes the independent assurance report ending June 2019.

Context/Horopaki

Council has auditors ensuring Council abides by the Debenture Trust Deed. This is the report that confirms an unqualified opinion.

Significance and engagement/Hirahira me ngā whakapāpā

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

Attachments/Ngā tapiritanga

	Title
1	Stock register
2	Trustee Reporting Opinion

INDEPENDENT ASSURANCE REPORT

TO THE COUNCILLORS OF KAIPARA DISTRICT COUNCIL IN RESPECT OF THE REGISTER OF STOCK FOR THE YEAR ENDED 30 JUNE 2019

The Auditor-General is the auditor of Kaipara District Council ('the Council') pursuant to the Public Audit Act 2001. The Auditor-General has appointed me, Bryce Henderson, using the staff and resources of Deloitte Limited to carry out the audit of the annual financial statements and the performance information of the Council on his behalf.

On 13 September 2013, the Council entered into a Debenture Trust Deed ('the Trust Deed') with Corporate Trust Limited (now known as Covenant Trustee Services Limited) ('the Trustee'). The Council is required to maintain a Register of Stock ('the Register') in accordance with Clause 4 of the Trust Deed. Due to our existing appointment, the Auditor-General has also appointed me, Bryce Henderson, using the staff and resources of Deloitte Limited to conclude on whether the Register has been maintained in accordance with Clause 4 of the Trust Deed for the year ended 30 June 2019.

Unqualified Conclusion

It is our conclusion that the Register of the Council has been maintained and complies, in all material respects, with Clause 4 of the Trust Deed for the year ended 30 June 2019.

Our work was completed on 7 November 2019. This is the date at which our conclusion is expressed.

The limitations and use of this report are explained below. In addition, we explain the responsibilities of the Councillors of the Council ('the Councillors') and our responsibilities, and we explain our independence.

Limitations and Use of this Report

This independent assurance report has been prepared solely for the Councillors in accordance with Clause 4.2.8 of the Trust Deed. We disclaim any assumption of responsibility for any reliance on this report to any persons or users other than the Councillors or for any purpose other than that for which it was prepared, even though we understand that the Council may provide our report to their Trustee.

This assurance report may only be provided to the Trustee for their information in connection with their role as Trustee and we do not accept any duty, liability or responsibility to the Trustee in relation to this assurance report.

This assurance report is not to be used for any other purpose, recited or referred to in any document, copied or made available (in whole or in part) to any other person without our prior written express consent. We accept or assume no duty, responsibility or liability to any other party in connection with the assurance report or this engagement, including without limitation, liability for negligence in relation to the conclusion expressed in this assurance report.

Responsibilities of the Councillors

The Councillors are responsible for maintaining the Register in accordance with the requirements of Clause 4 of the Trust Deed. This responsibility includes the design, implementation and maintenance of internal controls relevant to the compliance Clause 4 of the Trust Deed.

Our responsibilities

We are responsible for expressing an independent conclusion on whether the Register that is being maintained by the Council complies in all material respects, with the requirements of Clause 4 of the Trust Deed, and reporting that conclusion to you based on our work.

We have carried out our engagement in accordance with the International Standard on Assurance Engagements (New Zealand) 3000 (Revised): *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information*. In addition we also used elements of SAE 3100 (Revised):

Compliance Engagements to help form our conclusion on whether the Register complies, in all material respects, with Clause 4 of the Trust Deed. Both of these standards have been issued by the External Reporting Board and copies are available on the External Reporting Board's website.

Our procedures included examining, on a test basis, evidence relevant to ascertaining whether the Register, in all material respects, contained the information referred to in Clause 4 of the Trust Deed. Any review of internal control systems was performed only to the extent required to enable us to express a conclusion on compliance with Clause 4 of the Trust Deed. Our procedures were not designed to identify all significant weaknesses in internal controls.

Because of the inherent limitations of internal control and the use of selective testing, the fact that much of the evidence available to us is persuasive rather than conclusive and the use of judgement in gathering and evaluating evidence and forming conclusions based on that evidence, it is possible that fraud, error or non-compliance may have occurred and not been detected. As the procedures performed for this engagement were not performed continuously throughout the period our assurance engagement cannot be relied on to detect all instances where the Council may not have complied with Clause 4 of the Trust Deed with respect to the maintenance of the Register.

Our Independence and Quality Control

When carrying out this engagement, we complied with the Auditor-General's:

- independence and other ethical requirements, which incorporate the independence and ethical requirements of Professional and Ethical Standard 1 (Revised) issued by the New Zealand Auditing and Assurance Standards Board; and
- quality control requirements, which incorporate the quality control requirements of Professional and Ethical Standard 3 (Amended) issued by the New Zealand Auditing and Assurance Standards Board.

Other than this engagement, the audit of the annual financial statements and performance information of the Council and providing a limited assurance report in our capacity as auditor pursuant to clause 10.2.6(a) of the Trust Deed, we have also provided a whistle blower hotline service to Council, fraud awareness training and fraud investigation assistance which are compatible with those independent requirements. Other than these engagements we have no relationship with or interest in the Council.



Bryce Henderson
for Deloitte Limited
On behalf of the Auditor-General
Auckland, New Zealand

LIMITED INDEPENDENT ASSURANCE REPORT

TO KAIPARA DISTRICT COUNCIL AND TO COVENANT TRUSTEE SERVICES LIMITED IN RESPECT OF THE KAIPARA DISTRICT COUNCIL'S DEBENTURE TRUST DEED FOR THE PERIOD ENDED 30 JUNE 2019

The Auditor-General is the auditor of Kaipara District Council ('the Council') pursuant to the Public Audit Act 2001. The Auditor-General has appointed me, Bryce Henderson, using the staff and resources of Deloitte Limited, to carry out the audit of the annual financial statements and performance information of the Council. On behalf of the Auditor-General, I have also carried out this Limited Independent Assurance Engagement, using the staff and resources of Deloitte Limited, as referred to in the Debenture Trust Deed dated 13 September 2013 ('the Trust Deed').

Council's Responsibilities

The Council is required to provide a copy of the annual report, which includes the audited financial statements and performance information of the Council and our audit opinion, to Covenant Trustee Services Limited (Trustee) under clause 10.2.1 of the Trust Deed.

The Council is responsible for preparing Reporting Certificates to the Trustee in accordance with clause 10.2.4 of the Trust Deed. The Council is responsible for such internal control as is determined necessary to ensure compliance with the requirements of the Trust Deed and also to enable the preparation of Reporting Certificates that are free from material misstatement, whether due to fraud or error.

The Council is responsible for keeping the Register and ensuring that it is separately audited in accordance with clause 4.2.8 of the Trust Deed.

The Council is required to comply with the full requirements of the Trust Deed, including the continuing covenants and reporting requirements.

The Council is responsible for interpreting the clauses and definitions in the Trust Deed. We make no representations as to whether these interpretations of the Trust Deed are appropriate.

Trustee's Responsibilities

The Trustee monitors the Council's compliance under the terms of the Trust Deed. The terms of the Trust Deed were agreed by the Trustee and the Council. We are not a signatory to the Trust Deed and we were not consulted about the terms of the Trust Deed. We therefore take no responsibility for the adequacy of the terms of the Trust Deed for monitoring the Council.

The receipt of this Limited Independent Assurance Report ('Report') and the audited financial statements and performance information of the Council, and any reliance on the audit opinion contained in our auditor's report attached to those audited financial statements and performance information, does not relieve the Trustee of its responsibilities under the Trust Deed and relevant legislation.

The Financial Markets Authority ('FMA') issued a guidance note titled "Monitoring by Securities Trustees and Statutory Supervisors". This guidance note sets out the FMA's expectations about how Trustees will carry out their monitoring functions effectively. Where applicable, it is the Trustee's responsibility to meet the FMA's expectations as set out in the guidance note.

Our Responsibilities

We conducted our Limited Independent Assurance Engagement in accordance with the International Standard on Assurance Engagements (New Zealand) 3000 (Revised): *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* issued by the External Reporting Board. A copy of this standard is available on the External Reporting Board's website. A Limited Independent Assurance

Engagement is not an audit and the procedures that have been performed are less than for an audit. As a result, the level of assurance that has been obtained is substantially lower than the assurance that would have been obtained had an audit been performed.

This standard requires that we comply with ethical requirements and plan and perform our Limited Independent Assurance Engagement to obtain limited assurance about whether anything has come to our attention to indicate the Reporting Certificate prepared for the year ended 30 June 2019 has not been prepared in accordance with the requirements of the fourth schedule of the Trust Deed.

The procedures performed when carrying out the audit of the annual financial statements and performance information of the Council are not designed to assess whether the Council has complied with the Trust Deed or to make an evaluation of the Reporting Certificate the Council issued to the Trustee.

The scope of this Limited Independent Assurance Engagement is to report on certain matters stated in clause 10.2.6(a) of the Trust Deed based on information obtained as a by-product of our engagement to perform the audit of the annual financial statements and performance information of the Council for the year ended 30 June 2019.

For the purpose of providing our Report, unless expressly stated, we have not performed any further procedures beyond those required to complete our engagement to perform the audit of the annual financial statements and performance information of the Council.

In the performance of our duties as auditors, unless expressly stated, we do not perform any work at the time the Reporting Certificate for the year ended 30 June 2019 is prepared by the Council. Accordingly, our statements contained in the Report in relation to the matters addressed in clause 10.2.6(a) of the Trust Deed must be viewed in that context.

Our responsibility under clause 10.2.6(a) of the Trust Deed is to:

- From our perusal of the Reporting Certificate dated 8 October 2019 given on behalf of the Council pursuant to clause 10.2.4 and, as far as matters that we will observe in the performance of our duties as auditors are concerned, report whether anything is brought to our attention to indicate that the statements made in such Reporting Certificate are not materially correct.

In meeting this responsibility we agreed the total amount of all categories of stock in the Reporting Certificate dated 8 October 2019 with counterparties.

The Council reported on statutory ratios at 30 June 2019 in the Reporting Certificate. Our procedures were limited to recalculating the ratios.

With reference to the other assertions made by the Chief Executive in the Reporting Certificate our procedures have been limited to talking to management and considering any issues which might have come to our attention as a by-product of our engagement to perform the audit of the annual financial statements and performance information of the Council.

- Report whether, in performing our duties as auditors, we have:
 - become aware of any matters which, in our opinion, are relevant to the exercise or performance of the powers or duties conferred or imposed on the Trustee; and
 - disclosed any matter that, in our opinion, calls for further investigation by the Trustee in the interests of the stockholders.

In meeting this responsibility, our procedures have been limited to talking to management and considering any issues which might have come to our attention as a by-product of our engagement to perform the audit of the annual financial statements and performance information of the Council.

- Report, as at the end of the financial year, from the audit procedures performed as part of our engagement to perform the audit of the annual financial statements and performance information of the Council, whether anything came to our attention to indicate that, in all material respects, principal money due and payable on the Stock and interest due and payable on the Stock, had not been paid.

We have not tested that each individual Stockholder has received all monies due and payable to them.

- Report whether the Council's agents have maintained the Register in accordance with the requirements of the Trust Deed.

The Council is responsible for maintaining the Register and ensuring it is separately audited in accordance with clause 4.2 of the Trust Deed.

Our procedures will be limited to auditing the Register for the year ended 30 June 2019. The audit of the Register is a separate engagement in the same way the engagement to perform the audit of the annual financial statements and performance information is a separate engagement.

- Report as at 30 June 2019:
 - the amount of Stock and how much is Security Stock and Bearer Stock; and
 - the Principal Money owing or secured under the Stock distinguishing between Security Stock and other categories of Stock.

In meeting this responsibility, we have agreed the total of all categories of Stock with counterparties. We have not tested that each individual Stockholder has received all monies due and payable to them.

Limitations and Use of this Report

This Limited Independent Assurance Report has been prepared solely for the Council and the Trustee in accordance with the Trust Deed. We disclaim any assumption of responsibility for any reliance on this report to any persons or users other than the Council and the Trustee or for any purpose other than that for which it was prepared.

We report to you as accountants, not lawyers. Accordingly we are not aware of all the powers and duties of trustees which may exist in statute, regulation, case law, legal precedent or otherwise.

Other than as expressly stated, we have not undertaken any additional audit work after signing our statutory audit report on the Council's financial statements and performance information. We explain the scope of our statutory audit engagement in our audit report on the Council's financial statements and performance information for the year ended 30 June 2019.

Because of the inherent limitations in evidence gathering procedures, it is possible that fraud, error or non-compliance may occur and not be detected. As the procedures performed for this engagement are not performed continuously throughout the period and the procedures performed in respect of the Council's compliance with the Trust Deed are undertaken on a test basis (that is, we do not check every transaction), our Limited Independent Assurance Engagement cannot be relied on to detect all instances where the Council may not have complied with the requirements of the Trust Deed. Our Conclusion has been formed on the above basis.

Unqualified Conclusion

Based on our work described in this report, nothing has come to our attention that causes us to believe that:

- The statements made by the Council in the Reporting Certificate dated 8 October 2019 pursuant to clause 10.2.4 are materially incorrect (Reporting Certificate dated 8 October 2019 attached).
- There are any matters which, in our opinion, are relevant to the exercise or performance of the powers or duties conferred or imposed on the Trustee;
- There are any matters that, in our opinion, calls for further investigation by the Trustee in the interests of the Stockholders;
- In all material respects, that the Council has not paid all principal money due and payable on the Stock and all interest due and payable on the Stock.

Our Limited Independent Assurance Engagement was completed on 7 November 2019 and our conclusion is expressed as at that date.

The Register and Stock

We issued the Council with an audit report about the Register for the year ended 30 June 2019 on 7 November 2019. (A copy of the audit report about the Register is attached).

Based on the work described in this Report, as at 30 June 2019 the following balances are given:

- Total stock of \$9,984,000,000

This is comprised of:

- Security stock of \$100,000,000
- Security stock (Local Government Funding Agency stock) of \$9,884,000,000

Based on the work described in this Report, as at 30 June 2019 the following balances are given:

- Total Principal Money owing and secured under the stock of \$45,000,000

This is comprised of:

- Security stock of -
- Security stock (Local Government Funding Agency stock) of \$45,000,000

The Council is one of a group of guarantors of the Local Government Funding Agency. As at 30 June 2019, Kaipara District Council had 9,840,000,000 units of Security Stock on issue associated with the guarantee.

The difference between Security Stock on issue associated with the guarantee and total borrowings of the Local Government Funding Agency at 30 June 2019 is as follows:

9,840,000,000	Units of Security Stock on issue associated with the guarantee
68,311,000	Add accrued interest
(400,000,000)	Less Treasury Stock held by the Local Government Funding Agency
23,000,000	Add Treasury Stock lent to the market via repurchase agreements by the Local Government Funding Agency
9,531,311,000	Total borrowings of the Local Government Funding Agency at 30 June 2019

Independence and quality control

When carrying out the engagement, we complied with the Auditor-General's:

- Independence and other ethical requirements, which incorporate the independence and ethical requirements of Professional and Ethical Standard 1 (Revised) issued by the New Zealand Auditing and Assurance Standards Board; and
- Quality control requirements, which incorporate the quality control requirements of Professional and Ethical Standard 3 (Amended) issued by the New Zealand Auditing and Assurance Standards Board.

Other than this engagement, the audit of the financial statements and performance information of the Council and an audit on the Council's maintenance of the Register in accordance with clause 4.2.8 of the Trust Deed, we have carried out engagements in the areas of providing a whistle blower hotline service to Council, fraud awareness training and fraud investigation assistance which is compatible with those independent requirements. Other than these engagements we have no relationship with or interest in the District Council.



Bryce Henderson
for Deloitte Limited
On behalf of the Auditor-General
Auckland, New Zealand

INDEPENDENT ASSURANCE REPORT

TO THE COUNCILLORS OF KAIPARA DISTRICT COUNCIL IN RESPECT OF THE REGISTER OF STOCK FOR THE YEAR ENDED 30 JUNE 2019

The Auditor-General is the auditor of Kaipara District Council ('the Council') pursuant to the Public Audit Act 2001. The Auditor-General has appointed me, Bryce Henderson, using the staff and resources of Deloitte Limited to carry out the audit of the annual financial statements and the performance information of the Council on his behalf.

On 13 September 2013, the Council entered into a Debenture Trust Deed ('the Trust Deed') with Corporate Trust Limited (now known as Covenant Trustee Services Limited) ('the Trustee'). The Council is required to maintain a Register of Stock ('the Register') in accordance with Clause 4 of the Trust Deed. Due to our existing appointment, the Auditor-General has also appointed me, Bryce Henderson, using the staff and resources of Deloitte Limited to conclude on whether the Register has been maintained in accordance with Clause 4 of the Trust Deed for the year ended 30 June 2019.

Unqualified Conclusion

It is our conclusion that the Register of the Council has been maintained and complies, in all material respects, with Clause 4 of the Trust Deed for the year ended 30 June 2019.

Our work was completed on 7 November 2019. This is the date at which our conclusion is expressed.

The limitations and use of this report are explained below. In addition, we explain the responsibilities of the Councillors of the Council ('the Councillors') and our responsibilities, and we explain our independence.

Limitations and Use of this Report

This independent assurance report has been prepared solely for the Councillors in accordance with Clause 4.2.8 of the Trust Deed. We disclaim any assumption of responsibility for any reliance on this report to any persons or users other than the Councillors or for any purpose other than that for which it was prepared, even though we understand that the Council may provide our report to their Trustee.

This assurance report may only be provided to the Trustee for their information in connection with their role as Trustee and we do not accept any duty, liability or responsibility to the Trustee in relation to this assurance report.

This assurance report is not to be used for any other purpose, recited or referred to in any document, copied or made available (in whole or in part) to any other person without our prior written express consent. We accept or assume no duty, responsibility or liability to any other party in connection with the assurance report or this engagement, including without limitation, liability for negligence in relation to the conclusion expressed in this assurance report.

Responsibilities of the Councillors

The Councillors are responsible for maintaining the Register in accordance with the requirements of Clause 4 of the Trust Deed. This responsibility includes the design, implementation and maintenance of internal controls relevant to the compliance Clause 4 of the Trust Deed.

Our responsibilities

We are responsible for expressing an independent conclusion on whether the Register that is being maintained by the Council complies in all material respects, with the requirements of Clause 4 of the Trust Deed, and reporting that conclusion to you based on our work.

We have carried out our engagement in accordance with the International Standard on Assurance Engagements (New Zealand) 3000 (Revised): *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information*. In addition we also used elements of SAE 3100 (Revised):

Compliance Engagements to help form our conclusion on whether the Register complies, in all material respects, with Clause 4 of the Trust Deed. Both of these standards have been issued by the External Reporting Board and copies are available on the External Reporting Board's website.

Our procedures included examining, on a test basis, evidence relevant to ascertaining whether the Register, in all material respects, contained the information referred to in Clause 4 of the Trust Deed. Any review of internal control systems was performed only to the extent required to enable us to express a conclusion on compliance with Clause 4 of the Trust Deed. Our procedures were not designed to identify all significant weaknesses in internal controls.

Because of the inherent limitations of internal control and the use of selective testing, the fact that much of the evidence available to us is persuasive rather than conclusive and the use of judgement in gathering and evaluating evidence and forming conclusions based on that evidence, it is possible that fraud, error or non-compliance may have occurred and not been detected. As the procedures performed for this engagement were not performed continuously throughout the period our assurance engagement cannot be relied on to detect all instances where the Council may not have complied with Clause 4 of the Trust Deed with respect to the maintenance of the Register.

Our Independence and Quality Control

When carrying out this engagement, we complied with the Auditor-General's:

- independence and other ethical requirements, which incorporate the independence and ethical requirements of Professional and Ethical Standard 1 (Revised) issued by the New Zealand Auditing and Assurance Standards Board; and
- quality control requirements, which incorporate the quality control requirements of Professional and Ethical Standard 3 (Amended) issued by the New Zealand Auditing and Assurance Standards Board.

Other than this engagement, the audit of the annual financial statements and performance information of the Council and providing a limited assurance report in our capacity as auditor pursuant to clause 10.2.6(a) of the Trust Deed, we have also provided a whistle blower hotline service to Council, fraud awareness training and fraud investigation assistance which are compatible with those independent requirements. Other than these engagements we have no relationship with or interest in the Council.



Bryce Henderson
for Deloitte Limited
On behalf of the Auditor-General
Auckland, New Zealand



FOURTH SCHEDULE REPORTING CERTIFICATE

I, Louise Miller the Chief Executive of Kaipara District Council (the **Council**) hereby certify to the best of my knowledge and belief for the purposes of the Debenture Trust Deed dated

13 September 2013 (the **Trust Deed**):

1. Since the date of the Trust Deed:
 - (a) all interest due on the Stock has been paid;
 - (b) all Stock which has fallen due for repayment has been repaid;
 - (c) No Enforcement Event has occurred and remains unremedied.
2. As at the end of the financial year of the Council the total amount of Stock issued and outstanding under the Trust Deed (showing separately any relevant 'Total Facility' amounts) is as follows:

(i)	Debenture Stock of:	\$ Nil
	<i>Included in the figure reported at 2(i) is:</i>	
	Commercial Paper of:	\$ Nil
(ii)	Security Stock : Amount Issued	\$ 9,984,000,000
	Principal Outstanding	\$ 45,000,000
(iii)	Bearer Stock of:	\$ Nil
3. The Council has complied with the Act in connection with the Trust Deed, the Registrar and Paying Agreement, and any borrowing documentation which the Council has entered into under, in accordance with or secured by the Trust Deed.
4. On the basis of such information as to the financial position and prospects of the Council as is generally received by me in my capacity as Chief Executive (including reports from the Council's financial managers), I am not aware of any reason why the Council will not be able to meet its liabilities in relation to Stock and interest thereon which are anticipated to fall due or to become payable during the twelve months from the date of this Certificate.
5. Since the date of the Trust Deed the Council has complied in all material respects with all the material provisions, covenants and obligations under the Trust Deed, (except as per reporting certificate) and I am not aware of any reason why in the period of twelve months from the date

of this Certificate the Council will not so comply with such provisions, covenants and obligations.

6. As at 30 June 2019:

- (a) the financial ratios and borrowing limits set out in the policies of the Council referred to in sections 102(2)(b) and 102(2)(c) of the Act were those described in the schedule to this Reporting Certificate as "Statutory Financial Ratios"; and
- (b) the Council was in compliance with the financial ratios and borrowing limits referred to in paragraph [6](a) above (with exception of those reported in the reporting certificate).

This Certificate is given by me as Chief Executive of the Council in good faith on behalf of the Council and I shall have no personal liability in connection with the issuing of this Certificate.

Terms used, but not defined, in this Certificate have the meaning given to them in the Trust Deed.

Dated: 8 October 2019



Chief Executive

Kaipara District Council



Kaipara District Council Reporting Certificate

As at 30 June 2019

This reporting certificate uses the ratios included in the Treasury Policy adopted on 28 February 2018.

Debt Ratios and limits

Ratio	KDC Policy	LGFA Covenants	KDC as at 30 June 2019	Compliance
Net debt as a percentage of total revenue	<170%	<175%	75%	Yes
Net interest as a percentage of total revenue	<15%	<20%	4%	Yes
Net interest as a percentage of annual rates income	<20%	<25%	7%	Yes
Liquidity	>110%	>110%	137%	Yes

KDC Policy

Liquidity/funding risk control limits

Maturity Profile to apply once debt reaches \$25m

	Actual \$million	Minimum cover to Maximum cover	Actual %	Compliance
0 to 3 years	26	15% to 60%	56%	Yes
3 to 5 years	12	15% to 60%	31%	Yes
5 years plus	7	10% to 60%	13%	Yes
Total 30 June 2019	45			

Council is within its policy limits as at 30 June 2019.

Debt Interest Policy Parameters

	Minimum to Maximum Fixed	Actual %	Compliance
Less than 12 months	50% to 95%	82% Fixed	Yes
12-36 months	40% to 90%	63% Fixed	Yes
37 to 60 months	30% to 80%	46% Fixed	Yes
Greater than 60 months	Nil to 50%	37% Fixed	Yes

PWC provides monthly treasury advice on debt to ensure Council meets or is working towards meeting its debt policy.

Council is within its policy limits as at 30 June 2019.

Proposed risk management framework: policy and process

Meeting: Audit, Risk and Finance Committee
Date of meeting: 12 March 2020
Reporting officer: Sue Davidson, GM Sustainable Growth and Investment

Purpose/Ngā whāinga

This report provides the policy and framework for Risk Management to be approved by the Committee.

Executive summary/Whakarāpopototanga

A Risk Management Framework needed to be developed for the Council. It is being presented for approval and is attached to this report as **Attachment A**.

Recommendation/Ngā tūtohunga

That the That Audit, Risk and Finance Committee:

- a) Adopts the Risk Management Framework (Attachment A).

Context/Horopaki

An effective risk management framework seeks to protect an organisation's operations and asset base without hindering growth. It is best practice for an organisation to have one so it can focus on the high risks of the business.

Council did have a framework of sorts for Risk Management prior to 2018 however, the Acting Chief Executive at the time (Peter Tynan) determined that the Council needed to develop a new framework and get all parts of the business to understand risk and contribute to evaluating risk in their day-to-day business. Elected members may be aware that PricewaterhouseCoopers was involved initially, but the work has been completed by another consultant and myself.

Discussion/Ngā kōrerorero

The Risk Management Framework has been developed based on best practice, and all activities have been asked to provide a risk register based on this framework for their area of operation. It is suggested that a top ten-risk register is completed and is discussed at each meeting. The full register will be presented once a year to this committee and there may be areas the committee targets for discussion. In between, the updates would show any added or deleted risks. The focus of this update is to show how the Council's most significant risks are being managed, as well as any changes to the risk registers generally (e.g. new risks identified, escalated, downgraded or deleted). The risk framework would be reviewed every 3 years to ensure it is fit for purpose and aligned with good practice.

Options

Option 1: Adopt the Framework, with or without amendments as agreed at this meeting.

Option 2: Does not adopt the Framework, and request staff to report back to the committee.

Option 1 is the recommended option.

Policy and planning implications

This framework will improve planning by ensuring everyone in the organisation considers risk as part of their daily operations.

Financial implications

Any financial and resourcing implications resulting from risk mitigation measures that are outside staff delegations will be reported and require approval from the Council before being incurred. No implications have been identified to date.

Risks and mitigations

The biggest risk is that risk assessment has to be normalised as part of business as usual and not be assumed the General Manager Sustainable Growth and Investment's responsibility but all staff responsibility. Training and knowledge that this is being reviewed regularly by the Committee will be positive.

Significance and engagement/Hirahira me ngā whakapapa


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

Next steps/E whaiake nei

The proposed Risk Framework will be utilised by staff. A better methodology of improving access to the information by staff rather than the current spreadsheet will be investigated. Training will need to occur.

Attachments/Ngā tapiritanga

	Title
A	Risk Management Framework: Policy and Process

	Title of Policy	Risk Management Framework: Policy and Process		
	Sponsor	Chief Executive	Authorised by	Chief Executive
	Author	Sue Davidson	Date authorised	Mar 2020
	Type of Policy		Last review date	Mar 2020
			Next review date	Mar 2023
	File Reference	2304.15		

Risk Management Framework: Policy and Process

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1. RISK MANAGEMENT FRAMEWORK

The Council operates across a wide range of activities, and is required to operate within a legal environment specific to local government. The Council is committed to managing risks that may impact on the delivery of its activities and services, and/or the ability to meet its legal obligations. The Council is committed to keeping its Risk management Framework relevant and applicable to all areas of operation. The framework is based on the *International Standard ISO 31000:2018 Risk Management – Guidelines* and best practice industry standards. The key elements of the Framework are Risk. Management Policy, Risk Management Process and Council – wide Risk Register.

2. RISK MANAGEMENT POLICY

2.1. Introduction

Managing risk is part of Governance and Leadership, is fundamental to how the organisation is managed at all levels and will contribute to Council's aim of continuous improvement. The risk management process is not an isolated function and can be applied to any activity, including decision-making and interaction with stakeholders. Effective identification, analysis, evaluation and treatment of defined risks, assessment of their impact on Council's reputation and development of a proactive risk culture are critical to Council achieving its objectives and meeting overall community expectations.

The goal of risk management is not to eliminate all risks, but rather to proactively manage risks involved in Council's functions and services and to create and protect value for our stakeholders and community.

Benefits to be gained from effective risk management include:

- Efficient and effective operations and resource use, including safeguarding Council's assets from fraud, misappropriation and misuse;
- Achieving and maintaining compliance with legislation, regulations and internal policies;
- Achieving and maintaining conformance with best practice and standards;
- Ensuring the safety and well-being of staff at the workplace;
- Maintaining public confidence in the services that are delivered and adapting to changes, community needs and expectations;
- Maintaining Business Continuity: risk management can help plan "what if" contingencies, build resilience to unwanted events and reduce "surprise" events and losses;
- Understanding how the risks are likely to impact Council's reputation, assets, finance and operations
- Reliable, timely and accurate management reporting.

2.2 Risk Management Objectives

Council's Risk Management **Objectives** are as follows:

1. To demonstrate leadership and commitment by ensuring that risk management is **integrated** into all areas of Council's business operations to support the delivery of the Long Term Plan objectives.
2. To consistently evaluate risk across Council to provide a reliable source of information for decision-making and planning.
3. To ensure decisions made are aligned with Council's Risk Appetite, are undertaken within approved Risk Tolerance levels and are executed with sufficient independent oversight.
4. To develop and embed a risk-aware culture amongst Council employees, where risk management is seen as a positive attribute of decision-making and staff assume responsibility for managing risks and risk management is part of day-to-day operations & not a separate compliance.

2.3 Risk Management Policy Statement

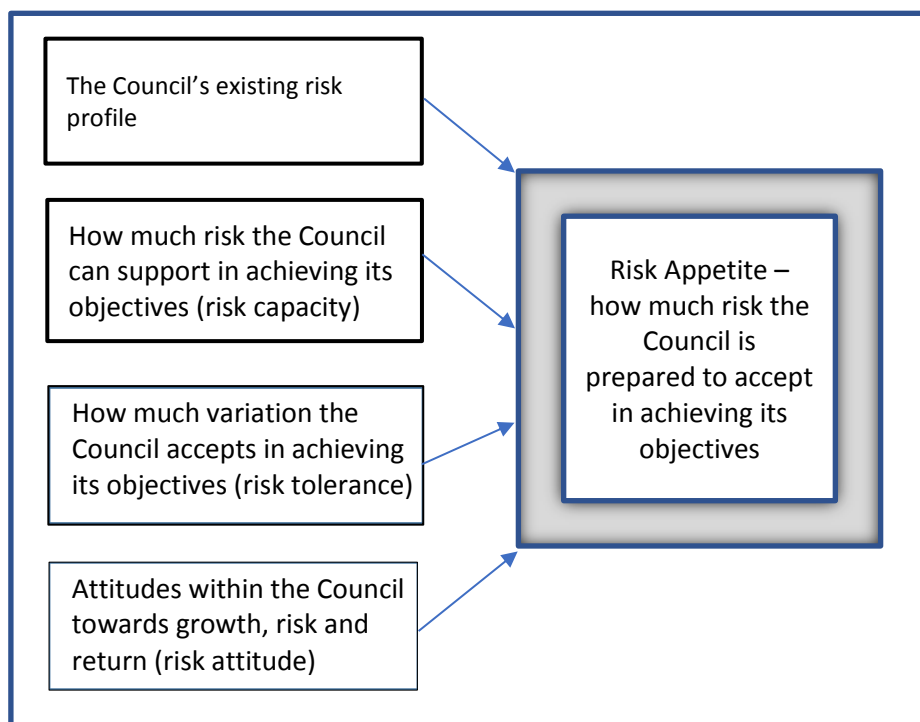
- ✓ *Council shall establish and maintain its Risk Management Framework and process in accordance with good practice (consistent with the ISO 31000:2018 Risk Management – Guidelines);*
- ✓ *Council's Risk Management Policy applies to all parts of Council and it is everyone's responsibility to manage risk;*
- ✓ *Corporate risks shall be recorded and captured in the Council-wide Risk Register;*
- ✓ *Management must maintain the currency of Group / Division's Risk Registers;*
- ✓ *Significant risks must be identified, analysed, assessed, recorded and reported on a timely basis to the appropriate level of management and the Audit, Risk and Finance Committee;*
- ✓ *Project Managers shall ensure key project risks are identified and captured in Council's Risk Reports to management;*
- ✓ *Employees responsible for key controls or mitigations must ensure the controls or mitigations are current, tested and remain effective;*
- ✓ *Learning from incidents, investigations or other sources must be communicated to the Risk Owner and Control Owner on a timely basis. The Risk Owner shall improve the risk management process / content and the Control Owner shall improve controls to give effect to the learning reported;*
- ✓ *Management must ensure that staff are adequately trained and skilled in managing risks within their specific areas of responsibility;*
- ✓ *Management must ensure that risk management is embedded in all business processes and practices;*
- ✓ *There will be "a single point of accountability" for each project or programme;*
- ✓ *A consolidated Risk Report will be produced on a quarterly basis;*
- ✓ *The "Risk Management Framework: Policy and Process" is a 'living' document and will be subject to review and evaluation as required.*

2.4. Risk Appetite and Tolerance

Risk Appetite Statements

Council has set its ambitions in the Long Term Plan and recognises that, in order to achieve these objectives, it will need to take risks. The **2019/2020 Risk Appetite Statements** (Appendix 5) acknowledge that fact. However, any risks will be carefully evaluated and managed to ensure that they are taken in an informed way, and with a full understanding of consequences and other options.

Considerations that inform Council's Risk appetite



2.5. Reputational Risks

Reputation represents one of the greatest risks to Council. Reputation sits in the collective thoughts and feelings of a broad set of stakeholders. It is an outcome that results from the accumulated decisions, actions and behaviours of the people within an organisation and how these are perceived.

A specific event or activity can impact how stakeholders perceive an organisation. Changes in stakeholder perception in turn will lead to changes in their behaviour, and this will directly impact the organisation's value.

Council recognises all reputational risks are strategic risks.

Council is committed to building **Reputational Resilience** by:

- Identifying the reputational impact for each of its Strategic, Operational and Project risks on the Risk Register;
- Understanding its stakeholder perceptions by assessing the stakeholder groups and identifying risks that reflect their priorities;
- Adjusting corporate actions accordingly for risks associated with organisational behaviour not being aligned to stakeholder expectations;

- Having clear mitigation plans for significant Reputational risks; and
- Being prepared for a crisis through a robust crisis readiness programme to address the risks associated with ineffective Crisis Management

2.6 Risk Culture

Risk Culture is the system of values, beliefs, knowledge and understanding about risk present in an organisation that shapes risk decisions of management and employees..

To promote a positive Risk Culture, Council is committed to an environment where:

- All staff can openly talk about bad news without fear or blame;
- Appropriate risk-taking behaviours are rewarded and inappropriate behaviours are challenged / sanctioned;
- Risk Event reporting is encouraged;
- Issues are identified for learning purposes and continuous improvement;
- All staff understand the specific risks and risk areas they are accountable for and are given appropriate training to manage them; and
- Risk management skills and knowledge are valued, encouraged and developed.

2.7 Roles and Responsibilities

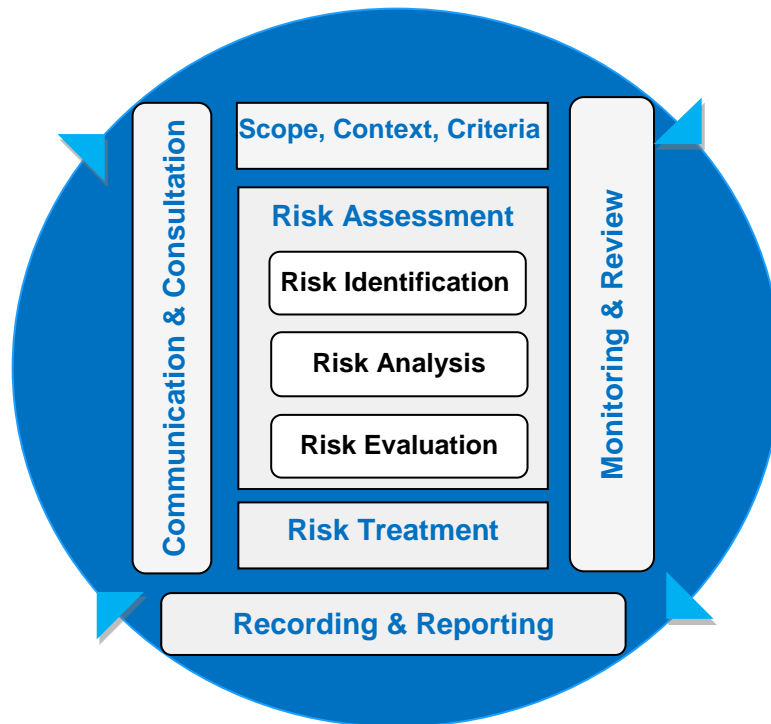
Role / Function	Risk Management responsibilities
Council	<ul style="list-style-type: none"> Ensures that an appropriate Risk Management Governance structure, Policy and accountabilities are in place.
Audit, Risk and Finance Committee	<ul style="list-style-type: none"> Under its Terms of Reference monitors, the identification and management of risks faced by Council, including any assurances sought or initiated by Management and other relevant authorities (auditors) on the efficiency of Risk Management Policies and practices. Annually reviews and endorses the Risk Management Policy and Framework. Endorses Risk Appetite and provides objective advice and recommendation to Council.
Chief Executive (CE)	<ul style="list-style-type: none"> Ensures that a Council-wide Risk Management system is established, implemented and maintained in accordance with Council's Risk Management Framework, Policy and Guidelines. Closely monitors Extreme and High risks and reviews Council's Top 10 Risks. Promotes a strong Risk Culture by providing support for risk management.
Executive Team (ET)	<ul style="list-style-type: none"> Overall responsible for the monitoring and management of risk (at a strategic, operational and project levels) relating to Council's activities. Sets Risk Appetite and Risk Tolerance levels and ensures risks are managed in accordance with that Appetite. Ensures an appropriate level of staff training, awareness and competence in relation to risk management requirements and practices. Develops a proactive Risk Culture to support the achievement of strategic objectives and facilitate continuous improvement. Demonstrates leadership in risk management matters and integrates risk management with Council's policies, processes and practices.
Council Managers (Risk Owners)	<ul style="list-style-type: none"> Identify, assess, manage monitor and report risks in their Divisions. Assign responsibilities to the Control Owners. Promote a Risk Culture that encourages the open and transparent discussion of risks. Communicate and raise awareness of risk management to the Activity Managers and staff.
Activity Managers / Managers / Project Leaders / Project Managers	<ul style="list-style-type: none"> Ensure all risks associated with Activities and Projects are identified, assessed and recorded; develop Treatment Plans that mitigate or reduce risk exposure to an Acceptable or Tolerable level. Communicate key risk issues to their direct line manager. Continually identify, assess and report all new and emerging risks to their direct line manager. Provide information, training and supervision to allow staff to carry out risk Mitigation Actions adequately and effectively. Encourage staff to report risk.

General Manager Sustainable Growth & Investment, designated as Risk Manager	<ul style="list-style-type: none"> • Management of the Risk Management process and maintenance of the Council-wide Risk Register. • Monitors all risks and key controls through the Risk Register review process. • Reviews the effectiveness of the Risk Management Policy and Framework. Quarterly reports to the ET on findings and options for continuous improvement. • Reviews and compiles the Groups' risk reports. Gathers risk information from the Risk Owners. Receives information on all new and emerging risks and consider the adequacy of how they are being managed. • Quarterly reports High and Extreme risks and how they are being managed to the ET. • Prepares the quarterly reporting to the Audit, Risk and Finance Committee. • Provides risk related advice, ongoing support, guidance and training to Management, Risk Owners and staff.
All Employees	<ul style="list-style-type: none"> • Awareness of the Risk Management Framework, Policy and Guidelines. • Proactive identification, monitoring and reporting of potential risks to their line Manager as soon as possible, maintaining Council's reputation and image.

3. RISK MANAGEMENT PROCESS

Good risk management practices ensure Council can undertake activities knowing that measures are in place to maximise the benefits and minimise the negative effect of uncertainties. Risk management involves both the management of potentially adverse effects as well as the fulfilment of potential opportunities.

ISO 31000:2018 Risk Management Process



3.1 Establishing the Scope, Context and Risk Criteria

The **Scope** includes the definition of basic assumptions for Council's external and internal environment and the overall objectives of the risk management process and activities.

The **internal and external Context** is the environment, in which Council seeks to define and achieve its objectives. Establishing the context takes into account the Council's goals, objectives, strategies & scope.

The **Risk Criteria**, by which risks will be analysed and evaluated, includes development of *the Likelihood of Occurrence, Consequence Rating, Risk Assessment Matrix and Comparative Risk Levels*.

3.2 Risk Assessment

Risk Assessment is the overall process of Risk Identification, Risk Analysis and Risk Evaluation.

a) Risk Identification

The aim of Risk Identification is to create a comprehensive list of events that may occur and, if they do, are likely to have an impact on the achievement of Council's objectives.

The key question to consider is: **"What will stop you achieving your objectives / deliverables?"**

Risks can be categorised into 3 basic categories: Strategic, Operational and Project.

At **Strategic** level, the focus is on identifying the key risks affecting the successful achievement of Council's strategic objectives. These are the risks (or opportunities) that are most likely to affect the performance and delivery of Council's strategic priorities, levels of service and projects. The risks may prevent Council from meeting statutory obligations or present a serious risk to completion of major projects.

At **Operational** level, the focus is on the risks (or opportunities) that occur in the delivery of day-to-day operations and continuity of service. This includes Health and Safety activities (which are consequences for many operational risks) and issues arising from external reports, complaints, audit reports etc.

At **Project** level, the focus is on the risks associated with project management that may affect milestones connected to delivering a specific project.

b) Risk Analysis

The risks should be analysed to understand their nature and scope, including assessment of the consequences, likelihood, events, scenarios and uncertainties. Analysis techniques can be qualitative, quantitative or a combination of these.

The purpose of the risk analysis is to define the significance of a risk by assessing its Consequence Rating (Appendix 3) & its likelihood occurrence (Appendix 4)

At this stage, the Risk Analysis occurs on an **"inherent"** basis.

The Risk Analysis also includes identification of the current **controls** in place (to mitigate the extent of potential losses) and assessment of their effectiveness.

The Controls can be:

- **Deterrent:** intended to discourage a potential attacker (e.g. establishing an information security policy);
- **Preventive:** intended to minimise the likelihood of an incident occurring (e.g. a user account management process);
- **Detective:** intended to identify when an incident has occurred (e.g. review of firewall security logs); and
- **Corrective:** intended to fix the problem after an incident has occurred (e.g. data backups).

The controls that you identify to avoid, reduce or transfer risk may not always lessen either the impact or the likelihood. Some risks will have significant impact no matter what you do, and equally, in some cases, all the controls you identify may not lessen the likelihood of something happening either. In these cases, you are identifying actions that will allow you to better manage the situation when the risk occurs.

c) Risk Evaluation

Risk Evaluation involves assessing the risks and determining which risks are the priorities for treatment. At this stage, Council determines the Inherent Risk Rating (the Risk Rating without any controls in place is called the Inherent Risk). Then the Inherent risk is **Ranked** in accordance with the *Comparative Levels of Risk* in Appendix 2 (as Low / Moderate / High / Extreme).

At the next stage, the same process of determining the Likelihood and Consequence of the same risk applies, but this time the Risk Analysis occurs on a “residual” basis – what is the risk, taking into account the identified existing controls? Council determines the Residual Risk Rating. Then the Residual risk is **Ranked** in accordance with the *Comparative Levels of Risk* in Appendix 3

Once the Risk Rating has been completed, the Residual risks can be evaluated against Council’s Risk Tolerance levels. The evaluation of risks can lead to a decision to maintain existing controls or consider Risk Mitigation / Treatment plans.

3.3 Risk Treatment

Risk Treatment (Mitigation) is the process of determining the appropriate options for managing the risk identified. Treatment options are required when the current controls are not mitigating the risk within defined Tolerance levels. An action plan is then formulated to reduce the consequence and/or likelihood of the risk.

In selecting the best way to manage a risk, the Council will consider the following **options**:

Risk Response	Description
Accept/(Tolerate)	Accept the current level of risk. Recognise that the risk exists, but continue with activity.
Reduce/(Treat)	Take action (introduce the additional controls) to reduce the consequence and/or likelihood of the event occurring.
Transfer/(Share)	Transfer the risk, or the consequences of the risk occurring, in part or entirely to others (e.g. through insurance or a third party).
Avoid/(Eliminate)	Stopping the activity completely or stop and replace with an alternative activity. Risk avoidance must be balanced with the potential risk of missed opportunities.
Increase	Increase the risk to pursue an opportunity

Once the Treatment option is identified, each risk should be assigned a Mitigation Action (Treatment Plan). The Risk Owner considers the following when deciding which Mitigation Action is needed:

- The cost of the Treatment compared with the consequence / likelihood of the risk;
- When the Mitigation Action is needed by; and
- What monitoring and reporting is needed on how implementation of the mitigation action is progressing.

3.4 Monitoring, Reviewing and Reporting

Ongoing monitoring, periodic review and regular reporting of the risks and risk management process is required to ensure that the risks remain relevant and that the effectiveness and cost of the associated Controls and Treatment Plans are aligned with Risk Criteria, Strategy, Policy and stakeholder requirements.

The Risk and Process Review is to be undertaken as follows:

Who	What	When
T3 Managers	Discuss the relevant Division's risks with the General Manager	At least once a quarter
Risk Owners	(Following the discussions), review the Divisions' risks (existing and new)	Not less than monthly (although emerging risks assessed as High or Extreme are to be escalated)
	Update the Group's Risk Register	Quarterly
General Manager Sustainable Growth & Investment, designated as Risk Manager	Review of changes to the Risk Registers, ensuring escalations have happened when needed	Monthly
	Produce the reports on: <ul style="list-style-type: none"> - Top 10 Risk Register; - Extreme and High Risks; and - Council-wide Risk Register 	As required
	Reporting to the Executive Team and Audit, Risk and Finance Committee	As required
Executive Team	Receive Reports from the Risk Manager on Top 10 Risks and Extreme & High risks	Quarterly, or as new High or Extreme risks are identified
Audit, Risk and Finance Committee	Review of Top 10 Risks	Quarterly
	Review of Extreme and High risks	Quarterly
	Review of the Council-wide Risk Register	Annually

3.5 Communication and Consultation

Communication and consultation with the internal and external stakeholders are an important consideration at each step of the risk management process.

External stakeholders should be informed of Council's approach to risk management and the effectiveness of that approach. Gathering their feedback, when necessary, can improve Council's risk management process.

Internal stakeholders should be communicated Council's risk management process and their role and responsibilities in it.

There must be a two-way dialogue between the stakeholders with the focus on consultation, rather than a one-way information flow. Effective communication between stakeholders is essential to ensure that risks are understood and decisions about risk response selection are appropriate.

APPENDIX 1: Risk Management Step-By-Step Guide

Risk = the effect of uncertainty on the strategic objectives.

Inherent Risk = the risk without any controls applied.

Residual Risk = the risk remaining after the controls have been applied.

Risk Rating = Risk Level = the likelihood of event occurring \times the consequence of such an event.

1	Establishing the Scope, Context and Criteria
	<ul style="list-style-type: none"> - What are the external factors that influence Council? - How will the internal environment impact on Council's ability to achieve strategic objectives? (see Risk Categories in Appendix 5). - What drives value in Council? What are our goals / key deliverables?
2	Risk Assessment
2.1	Risk Identification
	<p>Involve your Team in the identification of risks.</p> <p>Decide the Type of risk (e.g. Strategic / Operational / Project) and Category (see Appendix 3).</p> <p>Link the potential risks to key goals and objectives, targets and performance measures (KPIs).</p> <p>Consider the effect on Council's reputation.</p> <ul style="list-style-type: none"> - What could prevent us achieving our goals? - How and when could this happen? - Who and what would be impacted by the risk? - What would be the effect on Council's reputation?
2.2	Risk Analysis
2.2.1	<p>Consequence Assessment.</p> <p>Determine the Consequence of the event (using Appendix 2: Consequence Rating):</p> <ul style="list-style-type: none"> - What are the consequences, if the risk occurs? (without any controls for the Inherent Consequence; with existing controls for the Residual Consequence)
2.2.2	<p>Likelihood Assessment.</p> <p>Determine the Likelihood of risk occurring (using Appendix 3: Likelihood of Occurrence):</p> <ul style="list-style-type: none"> - What is the likelihood of the risk occurring? [without any controls for the Inherent Likelihood; with existing controls for the Residual Likelihood]. - When did the risk last occur? How long ago before that?
2.2.3	<p>Controls Identification and Assessment.</p> <p>Determine the existing internal controls:</p> <ul style="list-style-type: none"> - What internal controls are in place to manage the risk? - Are they adequate / effective and sufficient? - Do we need to review the controls?
2.3	Risk Evaluation
2.3.1	<p>Inherent Risk Rating and Ranking.</p> <p>Determine the Inherent Risk Rating by (using Appendix 4: Risk Assessment Matrix).</p> <p>Determine the Inherent Risk Ranking (Low / Moderate / High / Extreme), using Appendix 4: Comparative Levels of Risk.</p> <ul style="list-style-type: none"> - What is the Inherent Risk Rating and Ranking (Priority) of the risk?
2.3.2	<p>Residual Risk Rating</p> <p>Determine the Residual Risk Rating by (using Appendix 4).</p> <p>Determine the Residual Risk Ranking, using Appendix 4.</p> <ul style="list-style-type: none"> - What is the Residual Risk Rating and Ranking (Priority) of the risk?

2.3.3	Risk Response and Escalation. Evaluate the Residual Risk against the Risk Tolerance Levels Decide, if you need to escalate the risk information (using Appendix 4). - <i>Do we need to escalate the risk?</i>
3	Risk Treatment
	Choose one of the Risk Treatments (Accept / Reduce / Transfer / Avoid / Increase – see p.11) and think about further Risk Treatment Plan(s) (a set of Mitigation Actions), in addition to the existing controls: - <i>Can we introduce further controls to mitigate the risk?</i> - <i>What else can we do (to prevent the risk occurring / protect or create value / open up opportunities)?</i> - <i>Can the risk be transferred (e.g. by insurance)?</i> - <i>Should we terminate the activity?</i> - <i>Who is responsible for implementing the further Treatment Plan?</i> - <i>What does the Plan involve? What planning is required?</i> - <i>When will the Plan be implemented?</i>
4	Recording and Reporting
	Correctly document in the Risk Register: - Category and description of the risk; - Effect on Council's reputation (if any); - Risk Owner and Person Responsible; - Inherent and Residual Likelihood, Consequence, Risk Ratings and Ranking; - Key Controls in place; Treatment Plans (Mitigation Actions) and who is responsible.
5	Monitoring and Review
	- <i>Has there been a change to (increase in) the Likelihood?</i> - <i>Has there been any change to the internal or external environment?</i> - <i>Have the Council's priorities changed?</i> - <i>Has the Council's Risk Tolerance changed?</i> - <i>Are the Treatment Plans still appropriate (in terms of suitability or cost)?</i>
6	Communication and Consultation
	- <i>Is the communication and consultation on Risk Management process effective?</i> - <i>Are the risks understood by the stakeholders?</i> - <i>Are the decisions about Risk Response selection appropriate?</i> - <i>Is all information, relating to the management of risks, clear and concise / useful / timely / targeted / controlled?</i>

Appendix 2:

Consequence Rating





Risk Category	Insignificant 1	Minor 2	Moderate 3	Major 4	Catastrophic 5
Financial	Minor financial impact to operating cost <\$1M and no increase in debt levels	Operating cost overspend of \$1-\$2M or leads to debt burden over and above plan of \$1M-\$3M	Operating cost overspend of \$2-\$3M or leads to debt burden over and above plan of \$3M-\$10M	Operating cost overspend of \$3M or leads to debt burden over and above plan of \$10M-\$20M	Leads to debt burden over and above plan of \$20M+
Health and Safety	No medical attention required. First Aid treatment. Insignificant discomfort requiring intervention (e.g. workstation assessment).	Injury or illness requiring short-term medical treatment (e.g. Hospital or Doctor). Lost Time is less than 1 week.	Serious injury or illness requiring extended medical treatment. Lost Time is more than 1 week. Event notifiable to WorkSafe.	Injury or illness requiring major medical treatment. Lost Time is more than 30 days or a severe / permanent disability. Breach of H&S law resulting in prosecution and penalties.	One or more fatalities. Considerable penalties and prosecutions. Multiple law suits and jail terms.
Human Resources	Isolated staff retention problems. Internal engagement issues. All managed over a short period of time. Insignificant skill gaps.	Loss of resources and skill sets across a Division. Fragmented staff dissatisfaction / loss of confidence. All managed through minor re-structuring. Few specialist skill gaps. Difficulties in recruiting into key roles.	Loss of skill sets across a Group. Moderate staff dissatisfaction and loss of confidence. Some specialist skill gaps. Inability to recruit into key positions.	Loss of skill sets in some key positions for prolonged periods (> 6 months). Major staff dissatisfaction and loss of confidence. Major specialist skill gaps. Inability to recruit into key positions on an ongoing basis.	Large loss of resources and skill sets within numerous key positions, leading to a disruption in Council's management capability and delivery of basic services. Loss of staff confidence in the Council. No internal or external skills available
Legislative (Legal / Regulatory)	Council sued or fined less than \$100,000. Small or isolated breach of legislation, policy or contract(s), with internal investigation and minor changes to operations.	Council sued or fined for between \$100,000 and \$1m. Non-compliance with legislation, policy or contract(s) within a Division. Regulatory action resulting in investigation, but no prosecution.	Council sued or fined for between \$1m and \$5m. Non-compliance with legislation, policy or contract(s) within more than one Division. Regulatory action resulting in prosecution, but no conviction.	Council sued or fined for between \$5m and 10m. Widespread non-compliance with legislation, policy or contract(s). Regulatory action resulting in moderate prosecution and conviction.	Council sued or fined for more than \$10m. Systematic legislative non-compliance. Regulatory action resulting in major prosecution and conviction. Judicial review of a Council's decision relating to funding / rates. Loss of Building Consent Authority.
Operations & Service Delivery	Minimal loss of operational capability or minimal disruption to Groups of Activities).	Loss of operational capability in some areas and some disruption to Groups of Activities (Service Levels).	Serious loss of operational capability for over 1 week and moderate disruption to Groups of Activities.	Serious loss of operational capability for over 2 weeks and major disruption to Groups of Activities (Service Levels).	Serious loss of operational capability for over 4 weeks and critical disruption to Groups of Activities (Service Levels).
Reputational (Stakeholder Engagement (incl. Iwi) / Political)	No significant adverse comment or media coverage. Letter(s) to Council. Negative feedback from individuals or small groups in the community.	Negative comment in local media coverage (not front page. Letter(s) to CE. Complaints to Elected Members. Loss of confidence among sections of the community / single stakeholder sector dissatisfaction.	Negative comment in local media coverage for several days. Or national media interest and Central Government alerted with potential for intervention. Manageable loss in community confidence / 2-3 stakeholders' sectors dissatisfaction.	Negative comment in local media (coverage for 2 weeks). Or significant national media coverage (for 2-3 days) and Central Government intervention signalled. Large loss in community confidence that will take significant time to remedy.	Adverse comment in local media (coverage for 2 weeks +). Or negative coverage in national media for more than 3 days or Central Government intervention occurs.
Information Technology / Management	Isolated security or threat event, affecting a single IT application / system. No loss of data and/or key information. Isolated IT equipment failure.	Repeated security or threat events, affecting a single IT application / system. Temporary (up to 1 day) loss of data and/or key information. Technical performance issues impacting a key service. Failure across one Division.	Multiple security or threat events, affecting a single IT application / system. Prolonged (more than 1 day) loss of data and/or key information. Technical performance issues impacting a key service. Failure across more than one Division.	Security or threat events, affecting more than one IT application / system. Permanent loss of data and/or key information. Technical performance issues impacting a key service for an extended period. Failure across more than one Group.	Security or threat events, affecting multiple IT applications / systems. Permanent loss of data and/or key information; theft of data by unauthorised parties. Loss of IT infrastructure for an extended period.
Environmental	Little or no damage to the environment (no damage or contamination). Unlikely to cause public complaint.	Short-term / minor / contained and reversible impact on the environment. Some public complaints possible.	Medium-term / serious damage of local importance with possible regulatory intervention.	Long-term / serious damage of regional importance. Strong regulatory response with legal action.	Widespread / permanent / serious damage of national importance to local ecosystems / species, requiring ongoing remediation and monitoring with regulatory intervention.
Property Assets	Insignificant incident that causes no disruption to services	Isolated damage not requiring relocation of services to an alternative site	Damage to property that requires the relocation of some services to an alternative site	Damage to property that requires the relocation of all services for a short period.	Damage to property that requires relocation of all services for an extended period.

Appendix 3: Likelihood of Occurrence

Likelihood	Description	% within next 12 months
Almost Certain	Event is expected to occur more than once in the next year	90-100%
Likely	Event will probably occur once in the next year	70-90%
Possible	Event should occur at some time in the next 3-5 years	50-70%
Unlikely	Event could occur at some time in the next 10 years	10-50%
Rare	Event may occur only in exceptional circumstances. Once in every 20 years.	< 10%

Appendix 4: Risk Assessment Matrix

Consequence	Risk Assessment Matrix					
	Catastrophic 5	5	10	15	20	25
	Major 4	4	8	12	16	20
	Moderate 3	3	6	9	12	15
	Minor 2	2	4	6	8	10
	Insignificant 1	1	2	3	4	5
		Rare 1	Unlikely 2	Possible 3	Likely 4	Almost Certain 5
Likelihood						

-  Extreme Risks will be escalated immediately to the Executive Team
-  High risks monitored & received monthly by the Executive Team
-  Monitored quarterly
-  Keep risks on the Risk Register and formally review them quarterly to make sure that the Likelihood and Consequence continues to pose a low level.

Appendix 5:

Risk Appetite Statements

N	Type of Risk Category	Definition	No Appetite	Low	Moderate	High	Risk Appetite Statements
1	Financial	Risks that affect the budgets or financial planning of the Council. Includes management, control and ability to meet financial commitments and support strategies and objectives. Risk of loss of money or goods through fraudulent means. Wrongful or criminal deception intended to result in financial or personal gain.	x				Council has No Appetite for decisions that have a significant negative impact on Council's long-term financial sustainability.
				x			Council has Low Appetite for risks that negatively impact on Council's core financial business.
					x		Council accepts a Moderate risk for commercial opportunities.
2	Health and Safety		x				Council has No Appetite for risks that compromise the Health & Safety of Council's staff, contractors, Elected Members and/or members of the public.
3	Human Resources	Risks related to people and their well-being. Staff talent, recruitment and retention issues, including market competitiveness. Management protocols, training, development, leadership and capacity issues. Health and safety, disability and discrimination issues. Resilience and ability to change.			x		Council recognises that its staff are critical to achieving its objectives and, therefore, the support and development of staff is key to making Council an inspiring and safe place to work. It has Moderate Appetite for decisions that involve staffing or Culture to support transformational change and ensure Council is continually improving.
	Knowledge			x			Council has a Low Appetite for risks associated with the loss of knowledge.

N	Type of Risk Category	Definition	No Appetite	Low	Moderate	High	Risk Appetite Statements
4	Legislative (Legal / Regulatory Compliance)	Risk of legal and/or regulatory sanctions, financial loss and damage to reputation, because of failure to comply with all applicable laws, delegations, regulations, contractual obligations, Codes of Conduct and standards of good practice. New or amended statutory environment.	x				Council is committed to a high level of compliance with relevant legislation, regulation and standards, as well as internal policies and sound Corporate Governance principles. Council has No Appetite for deliberate or purposeful violations of legislative or regulatory requirements, or fraudulent behaviour. Identified breaches of compliance will be remedied as soon as practicable. Appetite for minor compliance breaches with limited penalties
5	Operations & Service Delivery <i>Strategic</i>	Risk arising from the day-to-day operations of Council Groups and Project Teams. Risk of loss resulting from the failed internal processes, people and systems, through which Council operates, and from the external events. Includes Legal risk and the reputational loss or damage, but excludes Strategic risk.		x			Council has a Low Appetite for risks and threats to the effective and efficient delivery of services and realisation of desired outcomes. It recognises that the actual or perceived inability to deliver strategic initiatives could have a significant impact on its ability to achieve its overall objectives, as well as reputation.
					x		There is a considerable Appetite for improvements to service delivery and improved efficiency of Council operations. I.e to be innovative and consider options that reduce operating costs.
6	Reputational (Stakeholder Engagement / Political / Public perception)			x			Council has a Low Appetite for risks that may result in widespread and sustained damage to its reputation. Council must work to ensure retains the trust of the ratepayers & has a moderate tolerance for adverse publicity arising from dissatisfaction from appropriate decisions & regulatory actions.

N	Type of Risk Category	Definition	No Appetite	Low	Moderate	High	Risk Appetite Statements
7	Information Technology <i>Processing – Prolonged outage of core systems</i>	Risks relating to reliance on IT equipment and/or machinery; changing demand / capacity. Use or misuse / security of new or existing technology. IT disruptions due to natural or man-made disasters. Obsolescence of current systems; opportunities arising from new technology.	x				Council has No Appetite for risks that have a significant impact on the core operating or corporate systems of the organisation. Maximum recovery times and points (RTO and RPO) will be identified and agreed with each Division and critical activity Recovery Plans are in place.
	<i>Security – Cyber-attack on systems or network</i>		x				The Council has No Appetite for threats to its assets arising from external malicious attacks. To manage this risk, Council operates strong internal control processes and utilises robust technology solutions based on established best practise frameworks.
	<i>Ongoing development</i>				x		Council has a Moderate Appetite for risks associated with applications that may provide innovative solutions to Council's operations.
8	Information Management (Record Keeping)	Risks that affect the Council's ability to store, retrieve and use data and information, including adequacy for decision-making and protection of privacy. Information security.		x			Council is committed to ensuring that its information is authentic, appropriately classified, properly stored and managed in accordance with legislative and business requirements. Council has a Low Appetite for the compromise of processes governing the use of information, its management and publication.
			x				Council has No Appetite for deliberate misuse of its information.
9	Environmental	Environmental sustainability through social, economic and environmental initiatives. Significant damage to the environment either through the Council's actions or lack of actions. Risks related to changing weather patterns			x		There is a considerable Appetite for decisions that promote ecologically sustainable development.

N	Type of Risk Category	Definition	No Appetite	Low	Moderate	High	Risk Appetite Statements
10	Property Assets	Risks that cause or damage to assets owned and operated by Council to provide services. Includes land, property, equipment and flood protection		x			Council has a low appetite for risks and threats that compromise or have a significant negative impact on Council's infrastructure.

This Risk Appetite Statements characterise Council's Tolerance for each risk as Low, Moderate or High, according to the following definitions:

NO Appetite – Council is not willing to accept risks that may result in financial loss, injury, legal and regulatory non-compliance and fraud.

LOW – The level of risk will not substantially impede the ability to achieve Council's mission, vision, strategic objectives and goals. Council services and reputation will only be affected in a **minor** way. Controls are prudently designed and effective.

Moderate - The level of risk may delay or disrupt achievement of Council's mission, vision, strategic objectives and goals. Council services and reputation will only be affected in a **major** way, but controls are adequately designed, generally effective and actively monitored.

High - The level of risk will significantly impede the ability to achieve Council's mission, vision, strategic objectives and goals. Council services and reputation may be **severely** damaged. Controls may be inadequately designed or ineffective.

Appendix 6: Risk Management Glossary

Assessing risks	The approach and process used to prioritise and determine the likelihood of risks occurring and their potential impact on the achievement of Council's objectives.
Consequence	The outcome of a risk event.
Contingency	An action or arrangement that can be put in place to minimise the impact or a risk, if it should occur.
Control	Any action, procedure or operation undertaken to either contain a risk to an acceptable level, or to reduce the likelihood.
Risk Identification	The process by which events, that could affect the achievement of the Council's objectives, are drawn out and listed.
Impact	The effect that risk would have, if it occurs.
Likelihood	The probability that an identified risk event will occur.
Managing and controlling risks	Developing and putting in place actions and control measures to treat or manage a risk.
Operational risks	Risks arising from the day-to-day issues that Council might face as it delivers its services.
Risk	Risk is the effect of uncertainty on objectives. A future event which, if it happens, will have an impact on Council's objectives. This could be an opportunity as well as a threat.
Risk Appetite	The level of risk Council is willing to accept, tolerate or be exposed to at any given time, in the pursuit of its objectives.
Risk Assessment	The overall process of Risk Identification, Risk Analysis, Risk Evaluation and identification of controls needed to mitigate the risk, and who is responsible for this.
Risk Averse	Avoidance of risk.
Risk Aware	Having a process in place that allows management to know which risks are being taken, what controls are in place to manage them and what is the level of risk versus Risk Appetite.
Risk Management	Coordinated activities to direct and control an organisation with regard to risk.
Risk Management Process	Systematic application of risk management policies, process and practices to establish risk scope, context and criteria; identify, analyse, evaluate risks and controls; treat, monitor, review, record and report risks.
Risk Owner	The person who has overall responsibility for ensuring that the strategy for addressing risk is appropriate and effective, and who has the authority to ensure that the right actions are being taken.
Risk Tolerance	The record of information about identified risks and how they are being managed.
Strategic risks	Risks that would significantly impact on the delivery of Council's strategic priorities.
Treatment Plan	A strategy that reduces risk by lowering the likelihood of a risk event occurring or reducing the impact of the risk should it occur.

Appendix 7: Risk Register Template

Risk ID	Category	Risk	Description	Risk Owner (ET member)	Effect on Council's reputation	Inherent (before Controls)			Risk Response	Key Controls in place	Residual (after Controls)			Is the Residual Risk Acceptable?	Mitigation Actions	Treatment Due	Risk last updated	Next Review	Comments
						Likelihood	Consequence	Rating			Likelihood	Consequence	Rating						
Risk number	Uses the Risk Categories in Appendix 5 of the Risk Management Framework	Risk Event	Should clearly describe the risk, the cause(s), and the impact should it occur (e.g. "X risk occurs, because of Y, leading to Z")	ET member, who manages the area to which the risk relates, and is accountable for its Treatment	High / Medium / Low	How likely the risk is to occur	What the impact will be if the risk occurred	How significant the risk is before it is treated	What the Risk Owner's response is to the Inherent Risk: Accept / Reduce / Transfer / Eliminate	List what Treatments are in place now (e.g. controls that reduce the risk's impact and/or likelihood)	How this has changed as a result of the Treatment	How this has changed as a result of the Treatment	How significant the risk is after the Treatment has been completed	Based on the Risk Appetite for each Type of Risk (in Appendix 5)	If the Residual risk is not Acceptable, then further future or additional) Treatment is required (e.g. <i>responsible to the ET</i>)	When the Treatment action will be completed by	When the Risk Rating and Treatment were last reviewed	When the next review is due	

Health and safety update

Meeting: Audit, Risk and Finance Committee
Date of meeting: 12 March 2020
Reporting officer: Hannah Gillespie, GM People and Capability

Purpose/Ngā whāinga

To update the committee on Kaipara Council's health and safety performance for the second quarter, October – December 2019.

Executive summary/Whakarāpopototanga

This report and its attachments provide key information that addresses Organisational Health, Safety and Wellness matters at a governance level.

Recommendation/Ngā tūtohunga

That the Audit, Risk and Finance Committee:

- a) Notes the health and safety update for October—December 2019.

Context/Horopaki

Under the Health and Safety at Work Act 2015, all elected members are deemed officers and must exercise a duty of due diligence in relation to health and safety.

The elected members' role is to provide strategic direction to the business, to oversee the management of business risks to ensure that the PCBU (Persons Conducting a Business or Undertaking) has available for use, and uses, appropriate resources and processes to eliminate or minimise risks to health and safety from work carried out as part of the conduct of the business or undertaking.

Discussion/Ngā kōrerorero

Analysis and advice

To ensure Council is informed on the current state of health and safety performance and meeting legal health and safety obligations, we submit the following:

- Risks/Issues/Mitigations - Verify the provision and use of these resources and processes
- How we are meeting our due diligence duties.

Risk/issues and mitigation as at 31 January 2020

Risk	Status	Comments/Details
Driving	Stalled	Overspeeds - Driving behaviour for >110 KPH has remained low (although this was being managed by the contracted project officer for fleet) up until December. *unable to provide more information, however this control should be monitored by managers of staff and oversight should be the fleet manager.
Fire Safety Compliance	Compliant	Procurement, facilities and fleet team and H&S Manager work conjointly on this. We note that the emergency evacuation diagrams require updating however the quotations from external service providers being excessive have meant that we are trying to source an available person in house and alternate software options.
Workplace Incident/ Emergencies	WIP	Various incidents are the catalyst for an investigation into staff safety and security. Combined reports and action plan now sit for review by the GM Customer Experience. Critical risks include working alone/remote, aggressive customers and driving. H&S is liaising with service providers to provide an after-hours incident notification service.
Working Alone/ Remote work		Various incidents are the catalyst for an investigation into staff safety and security. Combined reports and action plan now sit for review by the GM Customer Service. Critical risks include working alone/remote, aggressive customers, and driving.
Fleet Management	Stalled	Our fleet project officer contract expired, programmed work has continued Policies earmarked for review have stalled.
Staff Security/ Aggressive customers	WIP	Various incidents have instigated an investigation into staff safety and security. Combined reports and action plan now sit for review by the GM Customer Experience. Departments will identify risks during their annual review of their risk registers.
Health, Safety, Environment & Quality (HSEQ) assurance - Organisational	WIP	GM People & Capability is the risk owner – this has been identified in the Health and Safety Management System (HSMS) Review. A draft Organisational H&S Plan exists and actions from this will cascade down into various Department Business Plans 20/21. Work has started on a H&S Standard also.
HSEQ assurance/ oversight activities – Contractor Mgt	WIP	GM Infrastructure Services is continuing to review this activity and there are monthly meetings to track progress. Clarity around roles and responsibilities is an area for improvement fragmented.
Procurement	WIP	GM Infrastructure Services is taking the lead in this review (as risk owner).

Risk	Status	Comments/Details
H&S performance reporting & evaluation	To be defined	<p>H&S measures are yet to be defined. These KPIs and objectives will be agreed and endorsed by the ET and elected members for future Business Plan development.</p> <p>These KPIs will need to be broken into Contractor HSE Performance and Organisational HS Performance, Two different risk owners, being GM Infrastructure Services (to include NTA) and GM People & Capability respectively.</p> <p>Business Plans will identify these in the 20/21 period.</p> <p>Each business unit will then include their H&S performance monitoring and reporting.</p>
Staff Wellbeing	WIP	<p>Since July19 the Wellbeing portfolio has transferred to H&SS.</p> <p>Risk assessment for psychosocial hazards is a WIP - review of the current mental health service provider arrangements (EAP) has confirmed that there is no service available to Dargaville or Mangawhai and we are currently in the process of sourcing other providers.</p> <p>Sick leave analysis is a manual process. The HRIS will be able to provide reports in the future (not sure about historical data).</p> <p>Mental Health First Aid training has been completed by a variety of employees. Training is still to occur for T3 and Executive Team staff including resilience workshops.</p>
Hazard Identification & Risk Management	WIP	<p>Constantly identifying areas for improvement – at risk business units/areas have attended external nationally accredited H&S Hazard Identification and Risk Assessment training however this has failed to address the gaps in our accountability/leadership, planning, implementation, monitoring/assurance and reporting (aka the HSMS Framework).</p> <p>Review has just been completed of the Organisational H&S Risks and new risk register has been submitted to Executive Team.</p>
Incident reporting, investigation and escalation	WIP	<p>Training has been identified in 19/20 Business Plan. Council relies on manual reporting and recording on excel spreadsheet.</p> <p>Human Capital Management Software (HRIS) is scheduled over the coming months but the estimated time for arrival for H&S modules is unknown at this time.</p>
Employee consultation and engagement	WIP	<p>Action Groups have recently dispersed, and HS&W representation has historically been reported as poor.</p> <p>We have a Work Group H&S Committee that has been established, however has not met in the last six months.</p> <p>The PMO is working on this in the project risk assessment portfolio.</p> <p>Any information/engagement/issues had previously been communicated through the Action Groups for each office. HSR and Wellness Representatives were part of those action groups.</p>
H&S training & competencies	WIP	<p>Our key focus is to build capability within the organisation and to prioritise high risk business areas.</p> <p>H&SS has developed a draft People & Capability /H&S training matrix – the gap analysis identified that H&S training has identified significant areas of training required and gaps we currently have.</p> <p>E learning H&S modules are available to be purchased and can be used with our current eLearning platform – decision to invest further has been deferred until next financial year due to budget restraints. (The cost to deliver this training is about <\$10 per person).</p>

Risk	Status	Comments/Details
H&S Resourcing	update	Resourcing is regularly reviewed in line with the significant demands of this ever-evolving portfolio. The gap analysis has been able to deliver on additional staff being appointed to assist with the volume of work ear marked to commence of a review of the HSMS.
Injury Management	WIP	Injury management and rehabilitation has recently been added to the role of the H&SS.
Legal Compliance	WIP	A H&S legal register does not currently exist. Whilst we are updating our operational risk registers with legislation requirements, the H&SS relies on RSS feeds via NZ Legislation to hear about changes that may impact controls for H&S Risks.
Events Mgt	WIP	There has been a committee and subcommittee established to rectify this however there appears to be issues with ownership of the portfolio and staff resourcing. There appears to be gaps in some officer knowledge of fundamental H&S principles in relation to PCBU/asset risk
Community Grants	WIP	Three grants have been reviewed by the H&SS and we are waiting for HS&E plans to be submitted before progressing to the next stage. Community officer and H&SS working together on this. For noting is that environmental impacts are not assessed as KDC does not have an environmental officer.
Volunteer associations/groups working for council on council assets	WIP	GM Infrastructure Services is the Risk Owner and has been advised that this area requires attention.

Acronyms:

EAP –	Employee Assistance Programme
H&SS –	Health and Safety Specialist
HS&E –	Health, Safety and Environment
HSMS –	Health & Safety Management System
HSR -	Health and Safety Representatives
KPH –	Kilometres per hour
PCBU –	Person with control of a business or undertaking
PMO –	Project Management Officer
RSS –	Really Simply Syndication
WIP –	Work in Progress

Significance and engagement/Hirahira me ngā whakapāpā

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

Next steps/E whaiake nei

- Revise the current H&S Policy.
- Set Corporate H&S targets and objectives for inclusion in Department Business Plans and Executive/T3 Roadmap plans
- Investigate delivery of risk management training for all staff (customized to the various levels of accountability)
- Investigate delivery of incident investigation training (ICAM and entry level)
- Risk Management Framework has been endorsed so it is timely to review H&S Standards to ensure currency and alignment
- Annual reviews of operational risk registers
- Maintain the gap/issues register and assign, manage and report on actions
- Continue to review the end to end risk management processes
- Develop a H&S Assurance Standard.
- Develop Organisational H&S assurance schedule
- Develop Infrastructure PCBU, H&S Maintenance and Monitoring report (with KPI's)
- Monitor outstanding action items from previous AR&F Committee Meetings
- RE-invigorate H&S Consultation & Engagement Framework
- Monitor staff wellbeing including stress, burnout, bullying, harassment etc

Attachments/Ngā tapiritanga

	Title
A	Lead/Lag indicators Organisational Health and Safety
B	Lag indicators - third quarter scorecard – 01 January – 31 March 2019
C	Incidents, near miss or hazards with potential to cause a serious outcome
D	2019 H&S Achievements

Appendix A – Lag Indicators – Last Quarter Scorecard - Period 1 October – 31 December 2019

	KDC	Contractor	Public	QTR 3	KDC	Contractor	Public	QTR 4	KDC	Contractor	Public	QTR 1	KDC	Contractor	Public	QTR 2	Trend
Fatality (coroner's report)	0	0	0	0	0	0	0	0	0	0	1 Road fatality - report is with coroner	1	0	0	1 no council involvement – drowning at lakes	1	ONCE WE HAVE AN ELECTRONIC SYSTEM TO CAPTURE THIS WE SHOULD BE ABLE TO START TO IDENTIFY TRENDS WITH ARROWS UP AND DOWN
Environmental Incident	0	2	0	2	0	0	1	1	0	0	N/A	0	0	1	N/A	0	
Notifiable Incident	0	0	0	0	0	1	0	1	0	0	0	0	0	1 *chemical spill	0	1	
Lost time injury	0	0	0	0	1	1	0	2	1 ACC	0	N/A	1	1	0 REPORTED	N/A	1	
Medical treatment only	1	2	0	3	2*	0	0	2	1 ACC (no lost time)	2+1 heart attack	0	4	0	3	1 old lady on scooter	4	
First Aid only	0	3	0	3	0	1	0	1	0	6	0	6	2 1*haz	3	0	5	
Occupational Illness	0	0	0	0	0	0	0	0	0	0	N/A	0	0	0	N/A	0	
Pain and discomfort	0	0	0	0	14	0	0	14	1	0	N/A	1	3	0	N/A	3	
Property Damage (other)	4	14	0	18	0	12	0	12	5	4	2	11	3 parks 1 building	5	3	12	
Near Miss (other)	2	13	0	15	0	14	1	15	2	NOW BROKEN DOWN INTO TYPES		2	0	0	1 pontoon *another 2 in Jan	1	
Property damage (Motor vehicle) including driving	3	0	0	3	0	3	0	3	0	8	0	8	1	1	1	3	
Near Miss (Motor vehicle) including driving – thru traffic control	1	0	0	1	0	1	0	1	0	14	N/A	14	1	12	N/A	13	
Occupational Violence/Threats	2	0	0	2	1	2	0	3	0	4	N/A	4	2 *one reported to NZP	3	N/A	5	

	KDC	Contractor	Public	QTR 3	KDC	Contractor	Public	QTR 4	KDC	Contractor	Public	QTR 1	KDC	Contractor	Public	QTR 2	Trend
Public Nuisance	PREVIOUSLY NOT REPORTED AIM IS TO INCREASE REPORTING BUT ALSO TO START ADDING IN MORE CATEGORIES SO WE CAN ANALYSE TRENDS								3	0	N/A	3	7	0	N/A	7	
Traffic Management Incident/Hazard/ Non conformances					1	2	0	3	0	5	N/A	5	0	2	N/A	2	
Hazard					6	3	1	10	1	6	0	7	4*	5	0	9	
Dangerous event	PREVIOUSLY NOT REPORTED AIM IS TO INCREASE REPORTING BUT ALSO TO START ADDING IN MORE CATEGORIES SO WE CAN ANALYSE TRENDS								0	2 uncovered load & fire at refuse	0	2	Kai Iwi lakes	1	2 *pontoon NEAR MISS *gas EXPLOSION in tent exp	3	
Asset strike									0	2	N/A	2	0	5	N/A	5	
Animal attack/threat									0	1	0	1	0	0	0	0	
Chemicals/haz substances									0	1	0	1	0	0*	0	0	
Theft/Security									0	3	0	3	0	1	0	1	
Driving accident									0	0	0	0	0	1	1	2	
Incidents/near miss operating plant (excavators etc)									0	13	N/A	13	0	7	N/A	7	
Incidents/near miss operating equipment									0	4	N/A	4	0	5	N/A	5	
Incidents/near miss operating trade vehicles									0	8	N/A	8	0	1	N/A	1	

Disclaimer – unknown how many contracts exist, nor who reports HSE returns
Because of this, the figures in the table above may not identify the actual current state.
HSEQ administrator starts as KDC 10/2/20 to address this.

Attachment B – Incidents, Near Miss or Hazards with potential to cause a serious outcome

Staff/ Contractor/ Public	Incident, near miss, hazard	Details	Potential for serious harm	Action/Response
MOP	Incident	Old lady on a mobility scooter had an accident after trying to maneuver her scooter on work site <i>*there has been a prosecution in NZ when the same thing happened, and the elderly gentleman died</i>	Serious injury/death	Site auditor was instructed to investigate scene and contractor was issued with corrective actions
MOP	Near Miss	Swimmer got into distress and allegedly nearly drowned after trying to swim towards the pontoon at Kai Iwi Lakes	Drowning	We purchased life rings, AED on site already, first aid officers trained *currently unknown who owns the pontoon but NRC don't want to know about it
MOP	Near Miss	Two other reports (Jan 20) of young swimmers getting into trouble off the pontoon	Drowning	Manager of Parks and Recreation is considering next steps
Casual workers KDC	Incident	Casual Kai Iwi Lakes (campground) ambassador rolled the All Terrain Vehicle (ATV) – was sent to doctor for check	Serious injury/death	Manager of Parks and Recreation is still to investigate this at the time of writing this report
CONTRACTOR	Dangerous operations	A contractor was observed (by one of our auditors) to be operating a chainsaw, standing on the back of the truck, holding it above his head to cut down branches of a tree	Serious injury	
CONTRACTORS	TMP non-conformances	Numerous Traffic Management non-conformances	Serious injury/death to workers or third parties	We have ramped up the auditing for NTA – we now keep these separate for reporting purposes – each NNC is supported by a full report from the contractor and these are reported to NZTA
CONTRACTORS	Near Miss	Workers on/near roadside reporting near miss from other drivers/MOP	Serious injury/death	All near miss reports where workers are on or near the road carriage are investigated.
MOP	Incident	A gas cooker exploded inside the campers tent, burning the occupant	Serious injury/death	First aid by staff

Attachment C – Lead Indicators – Organisational Health and Safety

Activities	Due/reported	Actioned/completed	Comments
Business activities/tasks risk assessed Hazards identified/reported	All business units	2	Annual review by business units is due – this will/should be a KPI in all future business plans - one on one sessions has been held with parks, CSC and AMO's. All action plans sit with the relevant control owner with the risk owner managing that.
Site/Asset hazard registers	All business units	Nil to report	This appears on each Business Unit Plan – Each Manager would be reporting this via their GM as a KPI.
Workplace/Office/Town Hall inspections	3	3	Building and Fire safety and emergency drills due in Q3/2020
HS&E audits due	None scheduled for this qtr	Ongoing review	*Will be a KPI in next year's P&C business plan, H&S strategy 20/21 Ongoing internal review and gap analysis exists by H&SS.
New staff inductions	11	10	P&C now assign the H&S Inductions – whilst the backlog from having the role empty never got caught up, there is a plan to have all staff do a H&S Refresher online.
First Aid Training	20	20	All work places are adequately covered by first aid officers
Fire and Emergency Warden/Marshal training	14	14	*to cover flexible work arrangements there may need to be more training to ensure each workplace always has a fire/emergency warden on hand
H&S Hazard Identification and Risk Assessment Training	20	21	Key personnel identified for their involvement in project management and community work
Hazards reported	3	2	Most to do with facilities

Attachment D – Achievements over the last 11 months

- ✓ Focus for the year being to continue to implement and promote systems developed in previous years (all to be reviewed in 2020)
- ✓ Developed a draft centralized H&S training register
- ✓ Sourced a reporting system for H&S hazards and incidents
- ✓ Implemented an affordable solution to staff after hours emergency contact system using text2SMS
- ✓ Undertook a security review of Council offices & library frontline services
- ✓ Revised job hazard ID form which accompanied training for staff across key business units
- ✓ Sharing of 'What went wrong', what was the cost articles on WorkSafe cases shared with key staff
- ✓ Simpson Grierson H&S Training to key internal stakeholders
- ✓ Developed a template for Incident Investigations
- ✓ Simpson Grierson Newly delivered H&S Accountabilities and Responsibilities to Mayor and newly elected Councilor's, the focus on the induction being a recap on the Health and Safety at Work Act, their Health and Safety governance role, where we are at on our health and safety journey, and gave them a level of satisfaction we are on the right path
- ✓ Key staff invited to attend training on Conflict de-escalation
- ✓ Fire and Emergency Wardens attended training as did tenants of town hall
- ✓ Continued monitoring of speed and reporting on driver behaviour over-speeds has produced favourable data on how our employees driving behaviour
- ✓ Currently working on implementing Smartrak vehicle and plant and equipment checks
- ✓ Worked on event health and safety, covering off risks associated with events held within and outside the Events Centre, such as developing an events health and safety plan template for members of the community to use
- ✓ Worked with Community engagement around grants and volunteer associations conducting work on council assets
- ✓ Took a fresh look at our induction process, including health and safety induction to make it more of a conversation between the H&S Specialist and staff member rather than a checklist
- ✓ Explored options to do work electronically, including looking at audits on tablets or phones
- ✓ Reviewed changes to HSNO regime to see if there are any other obligations under WorkSafe. KDC do have an obligation as enforcers
- ✓ Worked with Building Services on risks being managed as part of the inspection process. Next steps are to capture the activities done by Building Services Team to determine what SOPs are required
- ✓ Worked with Parks and Recreation unit to identify an action plan for their H&S risks. That manager will now report progress to GM Risk Owner for monitoring and reporting.
- ✓ Development of a new vendor form which provides information to allow H&S Specialist to evaluate H&S requirements

Attachment D – Achievements over the last 11 months continued...

✓ Continued to work on our five biggest risks* including:

- Developing more site-specific inductions for visitors and contractors on Council sites to assist managers and staff who engage contractors – first step being a one-page site safety plan for each of our sites
- Looked at options to get more buy in to better utilise our Garmin InReach devices and look at more suitable options to assist us with lone worker monitoring and emergency responses
- Installed Little Green Button duress system on frontline personnel computers
- Recently employed a HSEQ role within Infrastructure to provide oversight on contractual compliance/performance

✓ During the year we continued to:

- Work with the business on promoting and embedding our health and safety system
- Work with various teams on identify role specific hazards
- Contribute to staff discussions on health and safety
- Report to management team, Council and Audit and Risk Committee
- Interrogate incidents, accidents and near misses to ensure learnings captured and appropriate actions taken
- Engage with our Contractors to ensure that we have all the necessary health and safety information to satisfy ourselves that they understand their health and safety obligations, they know what they are doing and have competent employees doing it
- Working with relevant key staff to ensure they are working within the system
- Monitor contractor work and hold regular safety conversations with contract managers/project officers

*5 Critical Risks to operations

Working Alone/Remote

Occupational Driving

Working in/near traffic and/or around plant and equipment

Occupational Violence / Aggressive customers

Contractor Management

Legal compliance update

Meeting: Audit, Risk and Finance Committee
Date of meeting: 12 March 2020
Reporting officer: Sue Davidson, GM Sustainable Growth & Investment

Purpose/Ngā whāinga

This report summarises our legal compliance with council's statutory obligations. It provides oversight to the approach to risk and complying with regulatory and statutory requirements.

Executive summary/Whakarāpopototanga

This report details instances of non-compliance and progress with addressing the instances of actual or potential non-compliance.

Recommendation/Ngā tūtohunga

That the Audit, Risk and Finance Committee:

- a) Notes the 'Legal Compliance Update'

Context/Horopaki

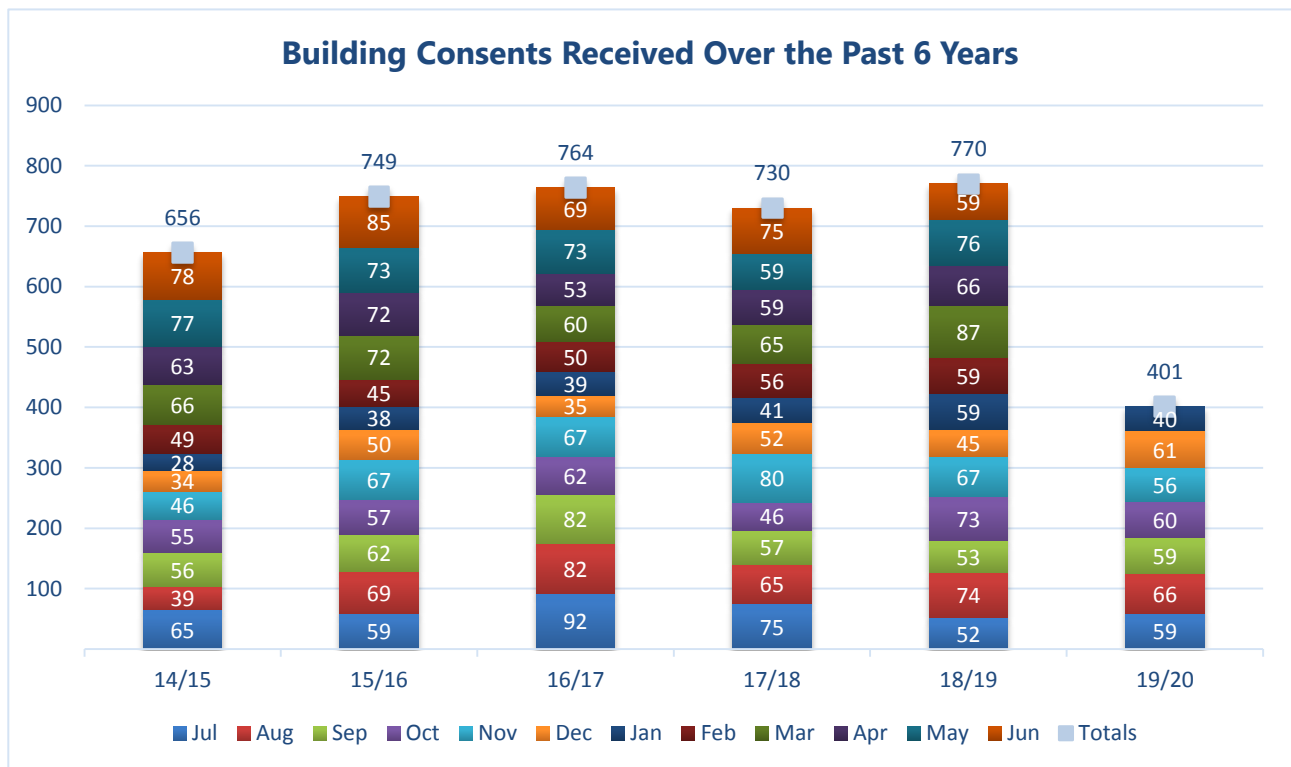
The Audit, Risk and Finance Committee (the Committee) is responsible for identifying and monitoring risks associated with legislative compliance. This report provides details where council is not complying and how this is looking to be remedied.

Discussion/Ngā kōrerorero

This report details instances of non-compliance and progress with addressing the instances of actual or potential non-compliance. Council has provided the following information:

Building consents

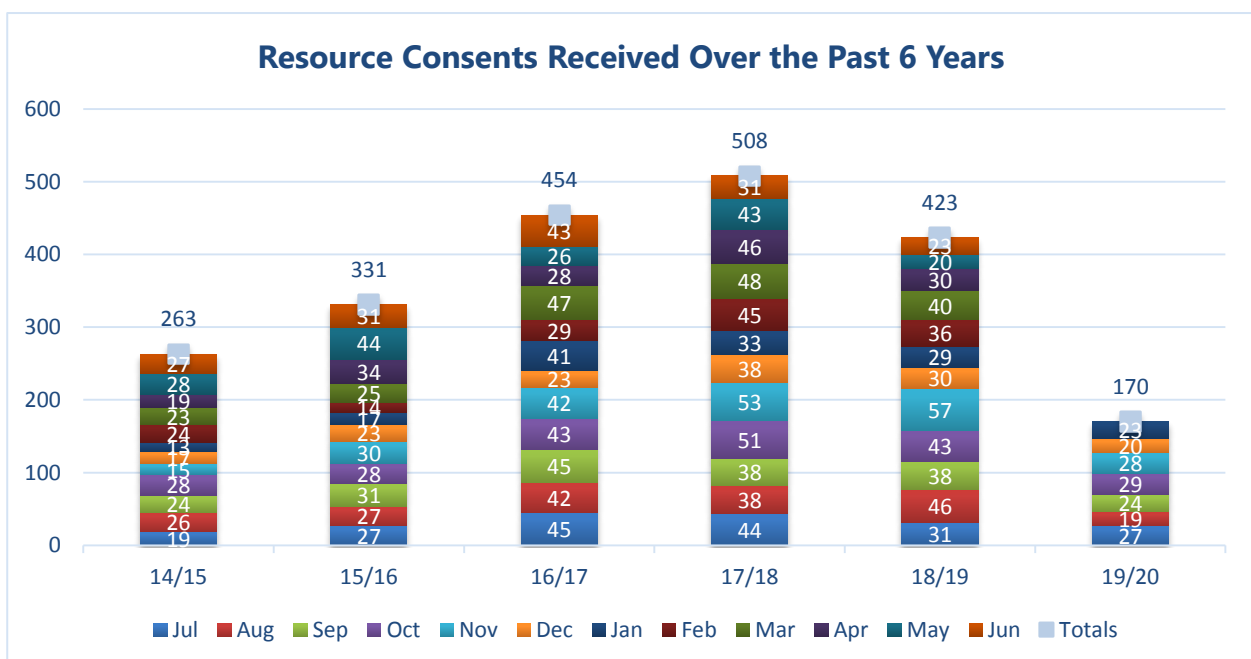
The aim is to have 100% of building consents processed within the statutory timeframe.



Percentage of building consents processed within statutory timeframes					
2014/2015	2015/2016	2016/2017	2017/2018	2018/2019	YTD
99%	99%	98%	97%	93%	98%

Resource consents

The aim is to have all non-notified land use and subdivision consents processed within the statutory timeframe. See attachment 1, Improving Resource Consent Compliance.



Percentage of resource consents processed within statutory timeframes					
2014/2015	2015/2016	2016/2017	2017/2018	2018/2019	YTD
100%	99%	99%	87%	71%	66%

Environmental Health

The legal documents have been finalised for nine properties in Kaihu to take up the loan for a water tank on their property. Currently they are on a raw water supply. Staff are still waiting for quotes for some of the properties. At the last Audit, Risk and Finance Committee meeting, the Committee asked that a report come back discussing the history and the fact that Council would not be able to put a statutory land change on the remaining properties.

Most of the properties have been identified on Maori land. A report went to the February briefing and February Council meetings.

Council has a wastewater bylaw and is proactively monitoring a percentage of the district housing with onsite domestic wastewater systems. The monitoring being undertaken has resulted in several areas being identified where there could be an issue. Further facts are being collected and a briefing/workshop has been held with council.

Infrastructure

Waters:

The discharges of treated effluent from the Kaiwaka and Te Kopuru wastewater treatment plants (WWTPs) have been consistently outside of the discharge limits set by Northland Regional Council (NRC).

Investigations have been undertaken to identify what is causing these issues and what we can do to rectify them.

- **Kaiwaka**

The Kaiwaka Wastewater treatment plant has been constructed and awaits electrical connection before commissioning. This will improve the treated water quality from Kaiwaka to the standard that meets the Resource Consent conditions.

- **Te Kopuru**

The recommendation from experts for Te Kopuru is to increase aeration and we are searching for an affordable suitably sized aerator for the wastewater ponds.

- **Dargaville Wastewater & Maungaturoto Water**

We have built two backwash discharge diversion system to wastewater for Dargaville and Maungaturoto Water Treatment Plants as the backwash occasionally comes high on aluminium.

Solid Waste:

- **Kaiwaka closed landfill** – high copper concentration 69mg/kg consent allows for 65 mg/kg (this will be tested again by NRC mid this year) they have not requested any action to be taken.
- **Ruawai closed landfill** – high copper concentration – no action requested by NRC and will be tested again this year.
- **Pahi closed landfill** – high Zinc concentration – no action requested by NRC and will be tested again this year.
- **Glinks Gully Closed Landfill** – In the past there has been issues with high concentration of lead and copper at this site, consent levels are set lower than usual due to the close proximity of the Glinks Gully secondary water supply, however this supply has been decommissioned for several years now and a variation could be applied for to lift the consent levels in line with other closed landfills, in saying that the last report done by NRC did not highlight this as an issue.

Significance and engagement/Hirahira me ngā whakapāpā

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

Next steps

Continue to monitor and work towards compliance.

Attachments/Ngā tapiritanga

Number	Title
1	Improving Resource Consent Compliance

Improving Resource Consent Compliance

The Planning team has been setting the framework to improving the response to customer & to complying with statutory deadlines.

Below are the key recommendations from Barkers & Associates Report presented to the August Council Meeting and some statistics showing we are making progress.

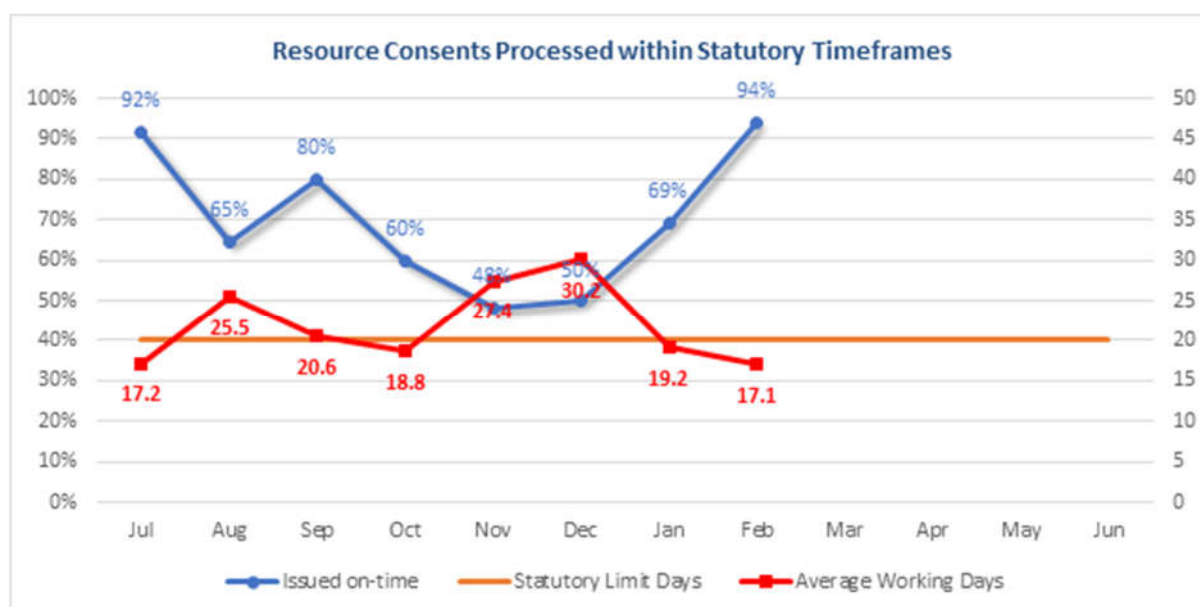
Key Recommendations	Changes Made	Result
Distribute delegations and have only one review	Completed, 4 reviewers	Increase pipeline flows
Mentoring and development plans for staff	Completed partially. Skills matrix to be completed.	Ensure aspirations of staff are recognised
Website Improvements	Started- FAQs Updated. Some forms still to be simplified.	Resource for Customers - Customer Services Staff
Develop Templates	Templates received for <ul style="list-style-type: none"> Subdivision Report Notification assessment for subdivision & land use. 8 more to come 	Aids staff in what issues they should be considering
Resource consent conditions	Completed and being utilised from last week in February. Consultants to be met with in March.	Gives some standardisation of conditions for different types of consents and ensuring they are enforceable
Implement standard hours for staff to be available	Duty Planner (Trial) Mon, Thurs & Fri 10am - 2pm Hunt line, requested from IT arrange for technical support, customer service, book cells pre application meetings with Principal Planner capturing statistics. Advertise later	Ensuring availability for customer queries with senior staff & improves relationships with customer services & the customer.
Ensure informing customers	Now sending correspondence both to agent and applicant	Ensure customers know where they are in the process
Upgrade GIS/ Introduce Eplan	GIS implemented. Eplan work till underway to get online GIS not updated for 7 years and back log to put into Magic.	Customers/ Agents can get information themselves on rules for each property

Improvements still to make

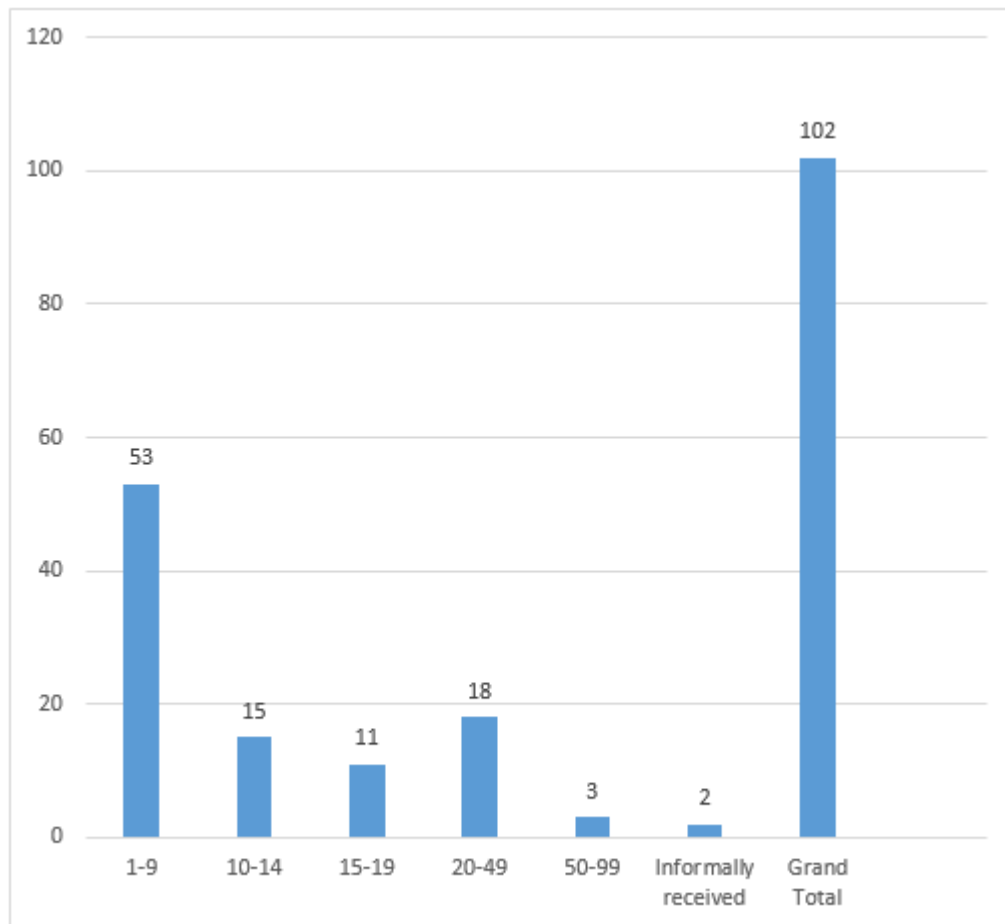
Key Recommendations	Changes to be Made	
Deal with low risk consents more efficiently	Still to begin	
Improved relationship and management of Consultants	Appointments made for March & checking capacity weekly	
Using plain language in responses	Outstanding	

In addition planning is underway for a Developers Forum in April to improve communication.

Processing of consents decreased October to December 2019, due to a concerted effort by senior team members to process older complicated consents.



Breakdown of Days Processing Resource Consents (updated weekly)



There are fewer consents over 20 days than ever before.

Policy Register review programme update

Meeting: Audit, Risk and Finance Committee
Date of meeting: 12 March 2020
Reporting officer: Linda Osborne, Administration Manager

Purpose/Ngā whāinga

To update the Audit, Risk and Finance Committee (the Committee) on the review programme of the Policy Register.

Executive summary/Whakarāpopototanga

The Policy Register contains 61 separate policies which are reviewed as they fall due. It is good practice that the Register is reported to Council on a regular basis. It is placed on the Committee's agenda for information. Since the last report in June four policies have been reviewed and updated, and staff have assessed other policies and updated the future review programme.

Recommendation/Ngā tūtohunga

That the Audit, Risk and Finance Committee:

- a) Notes the updated Policy Register.

Context/Horopaki

Council currently maintains 60 separate policies, available at **Attachment A**. General Managers have the responsibility of periodically reviewing policies in their area and the General Manager Transformation and Engagement has an over-arching programme to ensure that happens. Some policies (operational) are authorised by the Chief Executive only, whereas others, in the interest of transparency, are adopted by Council.

The Policy Register is available on Council's intranet (Te Kura) which enables all staff easy access to 'a single source of truth'. Every six months the Policy Register's status is reported to the Committee.

Discussion/Ngā kōrerorero

Since the last report in June 2019, four policies have been reviewed and updated. They are:

- Elected Member Customer Queries
- Elected Members Allowances and Recovery of Expenses
- Policy on Dogs and Dog Management Bylaw
- Staff Election Protocols.

There are twelve overdue policies. One is due for adoption at this meeting, the Risk Management Policy and Framework. Six policies are currently undergoing a review process. These are the Vehicle Procedures Policy, Performance Management Policy, Mobile Phones Policy, Flexible Working Arrangements Policy, Roading Policy and the Health and Safety Policy.

The ICT Data and Information Compliance Policy was reviewed in 2018, with a review date of June 2019. This has been amended to reflect a more realistic date due to the on-going digital transformation projects.

A new Procurement Strategy was adopted at the February 2020 Council meeting. The Procurement and Contract Management Manual will be reviewed in line with the new Strategy. A new Policy called the Environmental Awards Policy was also adopted at the February 2020 Council meeting.

The remaining policies will be reviewed as resources allow.

Significance and engagement/Hirahira me ngā whakapapa

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

Next steps/E whaiake nei

Staff will continue to review policies as and when they are due, and report updates to the Committee every six months.

Attachments/Ngā tapiritanga

	Title
A	Policy Register February 2020

Policy Name	Description	Status	Last Reviewed Date	Next Review Due	Comments	Policy Owner	RAG Status
		Adopted by full Council			Favourable or achieved	Unfavourable - looking like it may not be achieved	Unfavourable -not achieved
<u>2018 Development Contributions Policy</u>	Sets out Council's policy on levying and spending Development Contributions including how much will be levied for each activity in each catchment.	Adopted	2/23/2018	2/23/2021	Adopted in conjunction with Council's Long Term Plan	GM Sustainable Growth and Investment	
<u>Application of Sale Proceeds to Debt</u>	To ensure that the application of sales or other proceeds to debt is systematic, fair and transparent.	Adopted	3/28/2019	3/28/2022		GM Sustainable Growth and Investment	
<u>Bullying and Harassment Policy</u>	Provides guidance and information to staff on how to identify, report and help prevent bullying or harassment occurring at KDC.	Approved	11/30/2015	11/30/2020		GM People & Capability	
<u>Citizens Awards Policy</u>	This Policy provides an assessment framework to assist the Citizens Awards Committee when determining successful recipients from the pool of nominees.	Adopted	6/30/2018	5/1/2021		GM Transformation and Engagement	
<u>Class 4 Gambling Venues Policy</u>	Controls the growth, integrity and fairness of gambling. The Policy provides the mechanism to limit opportunities for crime and dishonesty and ensures money from gambling benefits the community.	Adopted	9/30/2018	9/30/2021		GM Transformation and Engagement	
<u>Code of Conduct - Staff</u>	Policy deals with the way we go about our business and provides guidance on the standards of behaviour that are to be observed to ensure that these values are upheld.	Adopted	4/3/2017	4/3/2020		GM People & Capability	
<u>Code of Conduct Elected Members</u>	Provides guidance on standards of behaviour that are expected from the Mayor and elected members of the Kaipara District Council.	Adopted	2/26/2020	2/26/2023		GM Transformation and Engagement	
<u>Community Assistance Policy</u>	The Policy sets out criteria to assist decision making when allocating funds for community assistance to competing requests.	Adopted	8/30/2017	8/30/2020		GM Transformation and Engagement	
<u>Conflict of Interest - Staff</u>	The purpose of this document is to clarify for Council Staff and representatives what constitutes a Conflict of Interest, their obligation to declare any conflict when it arises, how conflicts will be managed and the potential consequences if Staff and/or representatives do not comply with their obligations.	Adopted	7/28/2016	7/28/2021		GM People & Capability	
<u>Customer Privacy Policy</u>	This Policy governs Council's collection, use and disclosure of customers personal information (as defined in the Privacy Act 1993 (Privacy Act)) and has been prepared in accordance with Council's obligations and the customers rights set out in the Privacy Act.	Approved	3/8/2018	3/8/2021		GM People & Capability	
<u>Disposal of Operational Assets Policy</u>	The objective of this policy is to provide clear guidelines on the circumstances in which operational assets may be disposed of and the methods that can be used in such disposal.	Approved	9/28/2017	9/28/2020		GM Transformation and Engagement	
<u>Early payment of rates for subsequent years P</u>	States Council's policy with regard to the early payment of rates and zero discounts. Also payment of subsequent years rates in relation to the MCWWS.	Adopted	11/30/2017	11/30/2020	Adopted in conjunction with Council's Long Term Plan	GM Sustainable Growth and Investment	

Easter Sunday Shop Trading Policy 2017	This Policy is to allow shops the choice to trade on Easter Sunday if they wish to. The Policy neither requires shops to open, employees to work or individuals to shop on Easter Sunday.	Adopted	3/14/2017	9/14/2021		GM Transformation and Engagement	
Elected Members allowances and recovery of expenses Policy	This Policy sets out rules on the claiming of expenses by elected members and the resources that will be available to them during their term of office.	Adopted	8/29/2019	8/30/2020		GM Transformation and Engagement	
EM customer queries process	Outlines how Councillors will handle complaints, feedback and issues of some contention from constituents and provides clarity for Councillors, staff and the community.	Approved	9/30/2019	9/30/2022		GM Transformation and Engagement	
Environmental Awards Policy	The objective of these awards is to recognise and celebrate the people and/or organisations who have made a significant contribution to ensuring the natural environment thrives in the Kaipara District.	Adopted	2/26/2020	2/26/2023		GM Transformation and Engagement	
Flexible Working Arrangements Policy	This Policy supports employees with personal responsibilities, for example; family obligations, study and personal health. The policy aims to accommodate the reasonable requirements of staff members' work, life and family requirements, wherever practicable.	Approved	10/31/2016	10/31/2019	Currently under review	GM People & Capability	
Fraud Policy	Objective is to ensure that the assets and reputation of Kaipara District Council and its Staff are protected from fraudulent behaviour.	Adopted	5/30/2018	5/30/2020		GM People & Capability	
Gift Register Policy	The objective of this policy is to provide clear parameters for Council staff to ensure they are not open to influence or public criticism in relation to the receipt of gifts, hospitality and other personal benefits.	Adopted	8/31/2016	8/31/2021		GM People & Capability	
Gifts for Elected Members Policy	Provides clear guidance for Elected Members when considering whether to accept or decline a gift or hospitality. The policy also ensures the community has a clear sense of the Mayor's and Councillors decisions on these matters.	Adopted	11/30/2016	2/1/2020	Review underway	GM Transformation and Engagement	
Health and Safety Policy	Sets out Health and Safety requirements for staff, managers, Health and Safety Committee members and representatives.	Adopted	12/6/2016	12/6/2019	Currently under review	GM People & Capability	
ICT Contractor Engagement and Exit	The purpose of this policy is to ensure that risk to our systems, software and hardware is minimised and the business remains operational and that the correct processes and procedures are employed when contracting IT services.	Approved	6/30/2017	6/30/2022		GM Sustainable Growth and Investment	
ICT Crime and Incident Policy	The purpose of this Policy is to ensure that the impact and risks associated with an event of IT crime or a security incident are minimised and contained, in order for Kaipara District Council (KDC) to continue business as usual. This policy should be read in conjunction with all other ICT policies.	Approved	5/31/2017	4/30/2022		GM Sustainable Growth and Investment	
ICT Data and Information Compliance	The purpose of this Policy is to ensure Council meets all legal and industry standard requirements pertaining to information and data that is either generated or held within our operation.	Adopted	6/30/2018	6/30/2019		GM Customer Experience	

<u>ICT Equipment Purchases and BYOD (Bring Your Own Device)</u>	The purpose of this policy is to ensure that the correct processes and procedures are employed when purchasing, deploying, maintaining and replacing hardware and other equipment.	Approved	5/31/2017	5/31/2022		GM Sustainable Growth and Investment	
<u>ICT IT Asset Refresh Policy</u>	The purpose of this policy is to ensure that all desktop equipment is continually refreshed.	Approved	6/30/2017	7/31/2022		GM Sustainable Growth and Investment	
<u>ICT Staff Moves, Additions and Changes</u>	The purpose of this policy is to ensure staff and contractors have access to ICT tools and systems they need to complete their work in a timely manner and ensure that the organisation has an accurate view of its ICT Equipment and Software asset base.	Approved	5/31/2017	5/31/2022		GM Sustainable Growth and Investment	
<u>ICT Staff Moves, Additions and Changes Policy</u>	The purpose of this policy is to ensure staff and contractors have access to ICT tools and systems they need to complete their work in a timely manner and ensure that the organisation has an accurate view of its ICT Equipment and Software asset base.	Approved	5/31/2017	5/31/2022		GM Sustainable Growth and Investment	
<u>IT Change Control Policy</u>	Outlines the change management process for IT changes to ensure risk and costs are controlled	Approved	7/19/2017	7/19/2022		GM Sustainable Growth and Investment	
<u>Legislative Compliance Policy</u>	To ensure that compliance with relevant statutes and regulations are met while undertaking the functions and duties of Local Government.	Adopted	4/21/2016	4/21/2019	Will be reviewed later in the year	GM Sustainable Growth and Investment	
<u>Local Election Hoardings Policy</u>	Provides additional clarity to those wishing to erect election hoardings in addition to those guidelines contained in the District Plan Rules.	Adopted	4/23/2019	4/23/2022	Approved by ET	GM Transformation and Engagement	
<u>Maori Freehold Land Rates Postponement and Remission Policy</u>	This Policy is to ensure the fair and equitable collection of rates occurs from all sectors of the community. It is important to also recognise that Māori freehold land has particular conditions and ownership structures which may make it appropriate to provide relief from rates.	Adopted	11/30/2017	11/30/2020	Adopted in conjunction with Council's Long Term Plan	GM Sustainable Growth and Investment	
<u>Misconduct and Disciplinary Policy</u>	Provides Staff with an understanding of what constitutes misconduct and Council's disciplinary process to manage it.	Approved	7/13/2016	7/13/2021		GM People & Capability	
<u>Mobile Phones Policy</u>	The purpose of this policy is to establish clear and consistent guidelines for the issuance and use of mobile/cell (mobile) phones to conduct official business on behalf of the Council	Approved	10/31/2016	10/31/2019	Currently under review	GM People & Capability	
<u>Parental Leave Policy</u>	This Policy outlines to all staff, Council's approach to parental leave and the obligations we have to the employee and the employee has to Council.	Approved	8/30/2016	8/30/2021		GM People & Capability	
<u>Performance Management Policy</u>	The purpose of the Performance Management Policy is to outline our procedure for resolving poor, non-effective or unsatisfactory performance via informal and formal performance management mechanisms.	Approved	10/31/2016	10/31/2019	Currently under review	GM People & Capability	
<u>Petitions Policy</u>	Sets out definition and procedures around petitions in order to strengthen and improve Council's decision-making through community involvement	Adopted	10/31/2016	2/1/2020	Will be reviewed after the Standing Orders are adopted	GM Transformation and Engagement	
<u>Photocopier Usage Policy</u>	Outlines the access and use of the photocopiers within the organisation	Approved	10/27/2016	10/27/2021		GM People & Capability	
<u>Policy on Dogs and Dog Management Bylaw</u>	Sets out responsible dog ownership and community awareness to promote an environment where dogs and people can happily co-exist.	Adopted	6/30/2019	6/30/2029		GM Customer Experience	
<u>Private Road Seal Extension Policy</u>	The objective of this Policy is to set out, in a clear and transparent manner, Council's criteria for considering private seal extension requests from ratepayers and/or residents.	Adopted	11/29/2018	11/29/2023		GM Infrastructure Services	

<u>Procurement and Contract Management Manual</u>	Covers activities associated with purchasing goods and services by the Council.	Adopted	9/30/2014	9/30/2019	Once the Procurement Strategy is adopted the Manual will be reviewed	GM Infrastructure Services	
<u>Professional Development and Training Policy</u>	This Policy provides guidelines for administering professional development and training.	Approved	10/31/2016	10/31/2019	Remuneration Committee to review in future	GM People & Capability	
<u>Rates Postponement and Remission Policy</u>	This Policy is to: provide financial assistance and support to ratepayers address rating anomalies address matters related to wastewater charges address matters related to excessive water rates	Adopted	11/17/2017	11/17/2020	Adopted in conjunction with Council's Long Term Plan	GM Sustainable Growth and Investment	
<u>Recruitment and Selection Policy</u>	Policy ensures all candidates applying for opportunities at Council are treated in the same way.	Approved	8/30/2016	8/30/2021		GM People & Capability	
<u>Reserves Contributions (Use of) Policy</u>	Defines Council's priorities for use of reserve contributions and uses these priorities to guide the development of a programme of works. A works programme will be consulted on as part of each year's Annual Plan process.	Adopted	5/23/2018	12/16/2020		GM Sustainable Growth and Investment	
<u>Revenue and Finance Policy</u>	This Policy sets out how Council funds each activity it is involved in and why. It forms part of the LTP.	Adopted	6/30/2018	3/30/2021		GM Sustainable Growth and Investment	
<u>Risk Management Policy and Framework</u>	Outlines the ongoing requirement for all staff to identify opportunities that may enhance Council's objectives and to address risks that may negatively impact on the achievement of Council's objectives.	Adopted	12/15/2012	12/15/2017	Due for adoption at March 2020 Audit, Risk and Finance meeting.	GM Sustainable Growth and Investment	
<u>Roading Policy</u>	Provides guidelines and rules for Kaipara's roading network.	Adopted	9/30/2002	11/30/2016	Will be reviewed this year in line with the Long Term Plan	GM Infrastructure Services	
<u>Sensitive Expenditure Policy</u>	This Policy controls sensitive expenditure and ensure that the standards of probity and financial prudence expected of a public entity are met and the expenditure is able to withstand public scrutiny.	Adopted	3/23/2017	3/23/2020		GM People & Capability	
<u>Significance and Engagement Policy</u>	Guides the assessment of significance during decision-making and provides direction on the consideration of community views and the level of community engagement that might be desirable to enable Council to develop a clearer understanding of community views and preferences on an issue or proposal.	Adopted	12/30/2017	12/30/2020	Must be reviewed as part of the LTP process.	GM Transformation and Engagement	
<u>Smokefree Kaipara Policy</u>	The object of this Policy is to outline how Council will be proactive and demonstrate leadership by promoting a smokefree lifestyle as being desirable throughout the Kaipara district.	Adopted	12/16/2016	12/16/2021		GM Transformation and Engagement	
<u>Smokefree Workplace Policy</u>	This Policy supports the health and well-being of their employees and, indirectly, their families/whanau through providing an environment that fully supports its employees to become and remain smokefree.	Approved	6/12/2016	6/12/2021		GM People & Capability	
<u>Staff Election Protocols</u>	Sets out requirements staff need to be aware of given their position as local authority officers.	Approved	6/11/2019	3/30/2022	Was called Staff Involvement in Political Process Policy	GM Transformation and Engagement	

<u>Staff Induction Policy</u>	To enable all new employees to become effective and efficient in their role as quickly as possible they are supported through an on-boarding programme, The New Employee Journey, which covers their first three months of employment.	Approved	7/30/2016	7/30/2021		GM People & Capability	
<u>Staff Procurement Policy</u>	Provides Council employees guidelines on their ability to access procurement benefits through their employment relationship with Council.	Approved	7/29/2014	7/29/2019	Next approval by Remuneration Committee	GM People & Capability	
<u>Staff Uniform Policy</u>	The objective of this policy is to define the provision of Council-funded clothing for Council officers	Approved	11/6/2018	11/6/2023		GM People & Capability	
<u>Totalisator Agency Board (TAB) Venue Policy</u>	Council is required to develop and implement policies relating to stand-alone TAB venues. Consent is required to establish new TAB venues (other than TAB agencies where the main business carried on in the premises is not racing betting or sports betting). Limiting the number of TAB venues that can be established gives Council the opportunity to exercise control over the impact of gambling within the District.	Adopted	7/27/2018	7/27/2021	Currently under review	GM Transformation and Engagement	
<u>Treasury Policy</u>	This Policy also incorporates the Liability Management and Investment Policies. It outlines approved policies and procedures in respect of all treasury activities undertaken by Council.	Adopted	2/28/2018	2/28/2022		GM Sustainable Growth and Investment	
<u>Vehicle Procedures Policy</u>	The purpose of this Policy is to provide a guide that outlines the procedures for operating and maintaining a Council vehicle. This Policy needs to be read in conjunction with Council's Remuneration Policy and with employees individual employment agreements.	Approved	10/31/2016	10/31/2019	Currently under review	GM People & Capability	
<u>Wastewater Drainage Policy and Bylaw 2016</u>	The purpose of this Policy is to state Council's position and provide the statutory framework for protecting Council's wastewater assets and preventing unacceptable discharges of wastewater. The bylaw provides the mechanism to enforce the Policy.	Adopted	9/30/2016	9/30/2026		GM Infrastructure Services	
<u>Whistleblowing Policy</u>	Outlines the disclosure and investigation of matters of serious wrongdoing and protecting Staff who make disclosures of information about serious wrongdoing.	Adopted	11/30/2017	10/30/2020	Was previously called Protected Disclosures Policy and is currently under review	Chief Executive	

Treasury management report

Meeting: Audit, Risk and Finance Committee
Date of meeting: 12 March 2020
Reporting officer: Violeta Kayryakova, Financial Services Manager

Purpose/Ngā whāinga

To provide the Audit, Risk and Finance Committee (the Committee) with detailed treasury management information and to provide an opportunity to discuss strategic directions.

Executive summary/Whakarāpopototanga

Council undertakes treasury management activities in accordance with its Treasury Management Policy and Treasury Operations Schedule. Council is working closely with PwC treasury advisors.

Council management provides the Committee with detailed operational Treasury reporting.

Tools and techniques that are used to manage debt and funding are:

- Daily cash flow forecasting, undertaken in-house
- A treasury model, managed jointly by Council and PwC to monitor Council's funding and interest rate risk management position at a given point
- PwC treasury advisors provide in-depth advice on a monthly basis.

Council primarily borrows from the Local Government Funding Agency (LGFA) who provides the cheapest debt financing and longest maturity terms for debt financing available. Since 2016 Council has progressively refinanced and repaid debt.

LGFA are planning to offer standby facilities with 15 base points, which reduce Council's interest cost. Once this occurs the Council will look to review our arrangement with the BNZ and ANZ and cost reduction would flow into next year.

At 31 January 2020 a total of \$45.5 million was drawn. \$1.5 million of this is short term (due within one year).

Recommendation/Ngā tūtohunga

That the Audit, Risk and Finance Committee:

- a) Notes the treasury management report for January 2020.

Context/Horopaki

Council's current Treasury Management Policy was adopted in February 2018. Council's specialist Treasury advisors are PwC, since 2011.

Discussion/Ngā kōrerorero

Council management conducts treasury operations in conjunction with Council's advisors, PwC.

Tools and techniques that are used to manage debt are:

- Daily cash flow forecasting - projecting timing of cash movements over the course of the year
- A treasury model, managed jointly by Council and PwC to monitor Council's debt management position at a given point. This tool records loans and swaps that have been entered into and monitors the position against policy limits. It reflects on the current positions and projects future positions.

Council's funding and liquidity risk position (note that this position assumes existing funding maturities are repaid as they fall due).

Council's maturity profile showing its funding and liquidity risk position:

	Minimum cover to Maximum cover	Actual %	Compliance
0 to 3 years	15% to 60%	60.5%	No
3 to 5 years	15% to 60%	24.0%	Yes
5 years plus	10% to 60%	14.0%	Yes

The liquidity risk position is only just outside of the policy and once it does not comply with policy for 90 days then Council has to officially accept that there will be a breach. This will continue to be breached in the future with a large amount of debt coming due at one time.

Current position (31 January 2020): Indicates whether or not Council is within Treasury Policy parameters and its current funding and liquidity risk position, **Attachment A:**

- Actual liquidity ratio is 112%.

Council's borrowing should be within the following fixed/floating interest rate risk control limit.

Period	Minimum to Maximum Fixed	Actual %	Compliance
Less than 12 months	50% to 95%	76% Fixed	Yes
12-36 months	40% to 90%	54% Fixed	Yes
37 to 60 months	30% to 80%	48% Fixed	Yes
Greater than 60 months	Nil to 50%	28% Fixed	Yes

There is no breach of the policy parameters.

Projected positions: Indicates whether or not Council is within Treasury Policy parameters and its interest rate risk position, **Attachment B:**

- 71% of the portfolio is fixed (based on a debt forecast level of \$54 million).

Debt Interest rate policy parameters: **Attachment C.**

Debt ratios and limits:

Ratio	KDC Policy	LGFA Covenants	KDC as at 31 January 2020	Compliance
Net debt as a percentage of total revenue	<170%	<175%	123%	Yes
Net interest as a percentage of total revenue	<15%	<20%	4%	Yes
Net interest as a percentage of annual rates income	<20%	<25%	7%	Yes
Liquidity	>110%	>110%	112%	Yes

- Council is well within its policy limits as at 31 January 2020.

Significance and engagement/Hirahira me ngā whakapāpā

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

Next steps/E whaiake nei

This report is for information only and does not trigger legal or delegation implications.

Attachments/Ngā tapiritanga

A	Funding and liquidity risk position at 31 January 2020
B	Interest rate risk position at 31 January 2020
C	Debt Interest rate policy parameters at 31 January 2020
D	LGFA – An overview December 2019

31-Jan-20

Kaipara District Council

Funding & Liquidity Risk Position

Committed Loans/Stock/Facilities/Investments \$50.3m

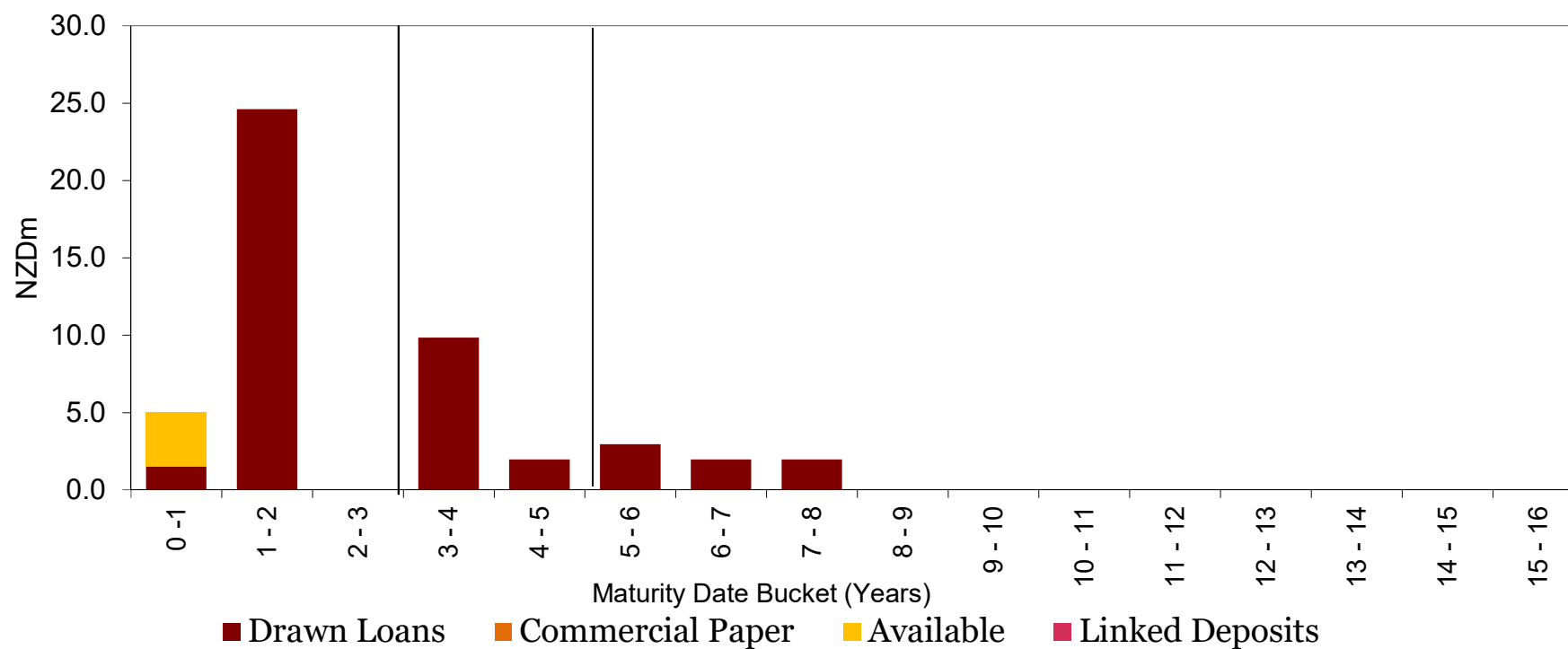
Current External Debt \$44.8m

Current Net Debt \$42.8m

Policy Liquidity Ratio $\geq 110\%$

Actual Liquidity Ratio 112%

	0 - 3 years	3 - 5 years	5 years plus
Policy Target Band	15%-60%	15%-60%	10%-60%
Actual	61%	24%	14%
Actual (NZDm)	29.60	11.81	6.89



31-Jan-20

Kaipara District Council

Interest Rate Risk Position

based on projected debt of \$53.64m 31 January 2021

Overall Fixed

Policy Min 60%

Policy Max 90%

Actual 71%

38m

Actual Floating

29%

15.6m

Policy Target band

Actual

Actual (NZDm)

1 - 3 years

15%-60%

26%

9.88

3 - 5 years

15%-60%

42%

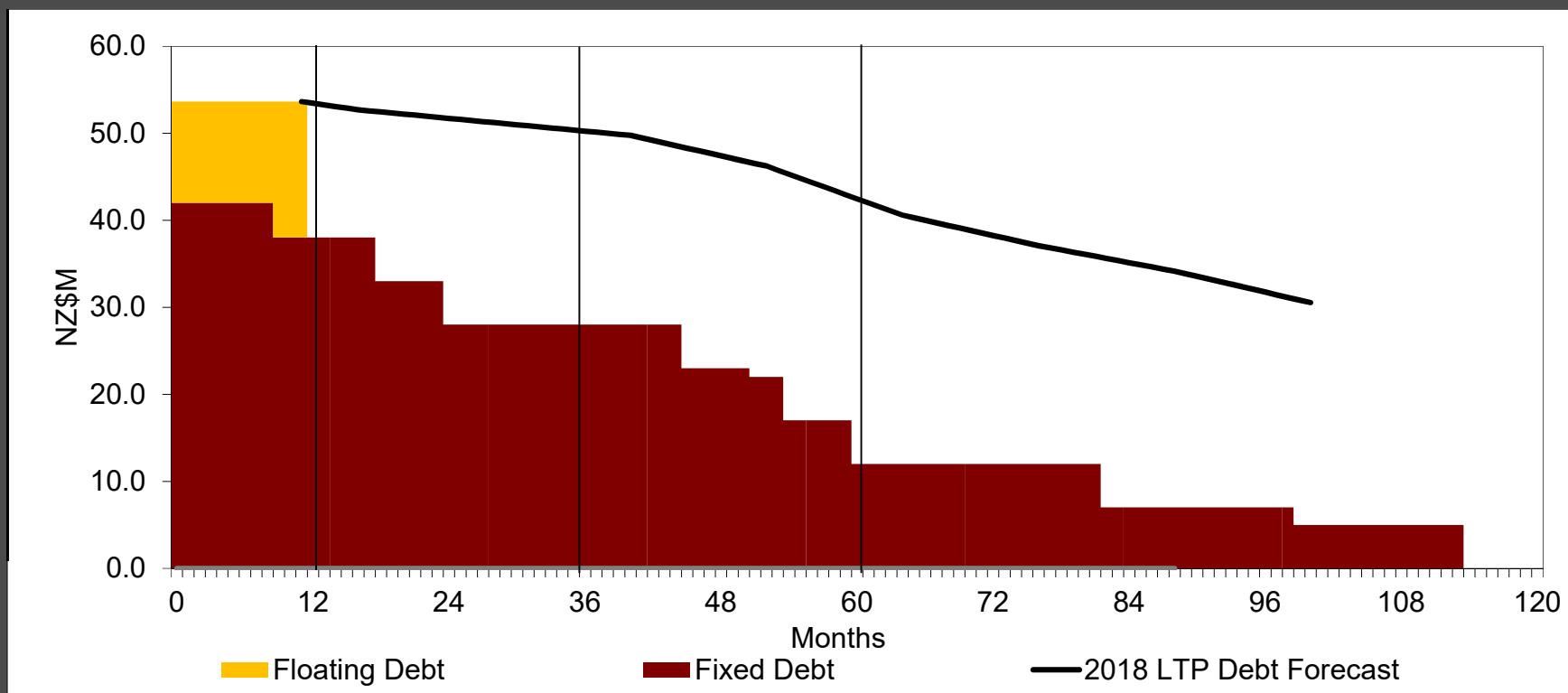
15.96

5 years plus

0%-60%

32%

12.16

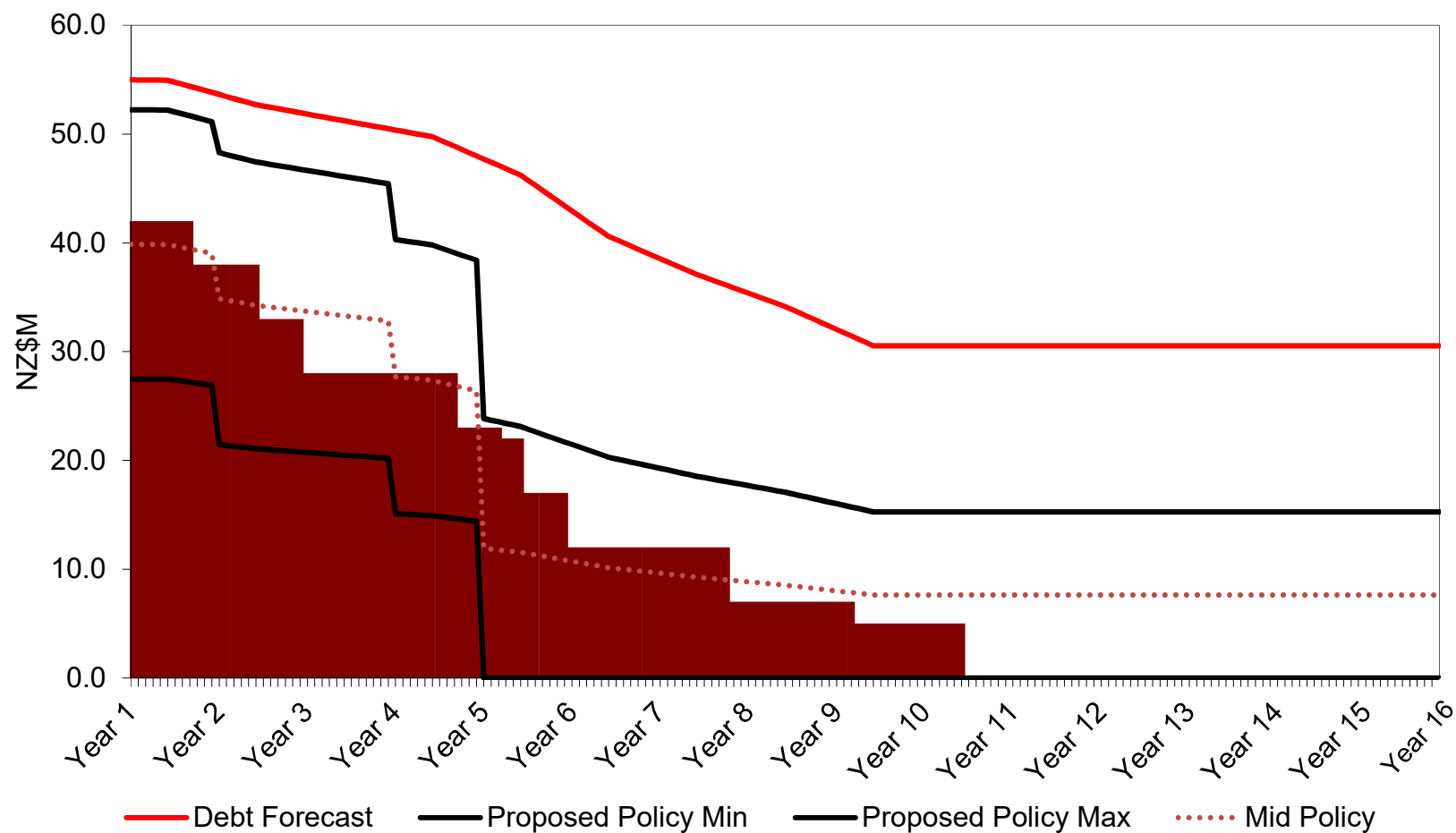


31-Jan-20

Kaipara District Council

Debt Interest Rate Policy Parameters

(calculated on rolling monthly basis)



LGFA

An overview

BUSINESS DESCRIPTION

The New Zealand Local Government Funding Agency (LGFA) is an agency specialised in financing the New Zealand local government sector. LGFA was established to raise debt on behalf of local authorities ("councils") on terms that are more favourable to them than if they raised the debt directly.

LGFA was incorporated as a limited liability company under the Companies Act 1993 on 1 December 2011, following the enactment of the Local Government Borrowing Act 2011. As LGFA is majority owned by councils, it constitutes a "council-controlled organisation" under the Local Government Act 2002.

CREDIT RATINGS

Domestic Currency AA+ / Foreign Currency AA (Positive Outlook) – Standard & Poor's
Domestic Currency AA+ / Foreign Currency AA (Stable Outlook) – Fitch Ratings
These credit ratings are the same as the New Zealand sovereign ratings.

OWNERSHIP

As at 16 December 2019 LGFA had 45 million ordinary shares on issue, 20 million of which remain uncalled. There are currently 31 shareholders, comprising the New Zealand Government at 20% and 30 councils at 80%. Any councils wanting to become new shareholders are required to purchase shares from existing council shareholders.

CAPITAL STRUCTURE

The capital structure of LGFA comprises fully paid shares, unpaid shares, retained earnings and borrower notes.

BORROWER NOTES

Borrower Notes are subordinated convertible debt instruments which each council that borrows from LGFA must subscribe for (in an amount equal to 1.6% of the total borrowing from LGFA by that council) LGFA will redeem Borrower Notes when the councils' related borrowings are repaid or no longer owed to LGFA. Currently there are NZ\$152 million of Borrower Notes on issue.

GUARANTEE STRUCTURE

LGFA's obligations in relation to its Securities issued are guaranteed by the councils that are Guarantors under the Guarantee. Other than the New Zealand Government, each shareholder in LGFA must be a Guarantor. In addition any council that borrows in aggregate NZ\$20 million or more from LGFA must be a Guarantor. The guarantee will be in favour of the obligations of LGFA. Any call under the guarantee will be allocated across all the guarantors on a pro rata basis in relation to their rates ("property tax") revenue.

LIQUIDITY FACILITY

The New Zealand Debt Management Office provides LGFA with a committed liquidity facility. The facility has an initial term of 10 years from December 2011. The facility's maximum aggregate principal amount is set at NZ\$1 billion unless LGFA selects a lower amount; and will vary depending on LGFA's credit rating (the available facility may reduce if LGFA's credit rating decreases). LGFA has selected a maximum aggregate principal amount of NZ\$600 million for the period to February 2020.

AS AT 16 DECEMBER 2019

- Enabled by Local Government Borrowing Act 2011
- Owned by 30 Local Authorities and New Zealand Government
- Same credit rating as New Zealand Sovereign
- Supported by New Zealand Government liquidity facility
- RBNZ Repo Eligible
- NZD Bonds are listed on the NZX Debt Market

Year to June 30	Funding p.a. (NZ\$m)	Securities on issue (NZ\$m)
FY 2015	1,500	4,955
FY 2016	1,265	6,220
FY 2017	1,285	7,535
FY 2018	1,229	8,119
FY 2019	2,485	9,335
FY 2020	1,640 est.*	9,774 est.*
FY 2021	1,650 est.*	9,924 est.*
FY 2022	1,350 est.*	10,274 est.*

*SOI FORECAST



NEW ZEALAND
LOCAL GOVERNMENT
FUNDING AGENCY

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Email: mark.butcher@lgfa.co.nz

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142 Featherston Street,
Wellington 6011, New Zealand
Bloomberg Ticker: NZLGFA

www.lgfa.co.nz

FUNDING

LGFA operates with the primary objective of optimising the debt funding terms and conditions for participating councils. To date this has been undertaken via tender operations and mainly issuing bonds with identical coupons and maturities as NZ Government Bonds. As at 16 December 2019 there are NZ\$10.49 billion of LGFA bonds on issue across nine maturities. These bonds are listed on the NZX Debt market and to date LGFA has only issued in NZD.

LGFA also issues 3 month and 6 month LGFA Bills via monthly tenders and private placements. As at 16 December 2019 there are \$403 million LGFA Bills on issue.

ABOUT NEW ZEALAND LOCAL GOVERNMENT

There are 78 local authorities in New Zealand comprising:

11 Regional Councils – 7 in the North Island and 4 in the South Island;

12 City Councils – 8 in the North Island and 4 in the South Island;

54 District Councils – 34 in the North Island and 20 in the South Island;

1 Unitary Territorial Authority – Auckland Council

Councils in New Zealand provide water, wastewater, storm water, regional transport and rubbish collection services, local amenities and parks.

Councils typically borrow to fund infrastructure investment in those areas.

Summary financial statistics for the sector at June 2017 are:

Total sector assets of \$138.1 billion

Total sector debt of \$15.2 billion

Total sector revenue of \$9.5 billion

Total rates (property tax) revenue of \$5.6 billion

LGFA PARTICIPANTS

- As at 16 December 2019 there are 65 Participating Local Authorities ("PLAs").
- There are 63 borrowers amongst the PLAs with MacKenzie District and Taranaki Regional the only non-Borrower.
- There are 53 Guarantors of LGFA. The only non-Guarantors (due to their small amount of borrowing) are Northland and West Coast Regional Councils and Grey, Central Hawkes Bay, Otago, Buller, Rangitikei, Stratford, Wairoa, MacKenzie, Clutha and Westland District Councils.
- There are 31 shareholders, comprising 30 councils (80% shareholding) and the New Zealand government (20% shareholding).
- Auckland Council is limited to a maximum of 40% of LGFA's total Local Authority assets.
- No more than the greater of NZ\$100 million or 33% of a council's borrowings from LGFA will mature in any 12 month period.
- The 65 council members cover 97% of New Zealand local government sector debt.

NEW ZEALAND STATISTICS

Population 4.94 million as at December 2019

Nominal GDP \$297 billion as at June 2019

Nominal GDP growth 2.4% as at June 2019

Nominal GDP per capita \$60,121 as at June 2019

CPI inflation 1.5% as at September 2019

Unemployment rate 4.2% as at September 2019

Total merchandise exports \$59.4 billion as at June 2019

Total merchandise imports \$64.4 billion as at June 2019

This document does not constitute or form part of any offer or solicitation to purchase or subscribe for securities and should not be considered as a recommendation by LGFA. Information contained in this document has been compiled from sources believed to be reliable, but LGFA does not make any representation as to their accuracy or completeness.

BORROWERS

as at 16 December 2019

Lending	NZ\$ m	%
Auckland	2,407	22.8
Christchurch	1,912	18.6
Wellington	585	5.5
Tauranga	560	5.3
Greater Wellington	400	3.8
Hamilton	385	3.6
Bay of Plenty	262	2.5
Kapiti Coast	227	2.1
Tasman	218	2.1
Rotorua	194	1.8
53 others	3,366	31.9
TOTAL	10,568	100

LGFA Bonds on Issue

as at 16 December 2019

Coupon	Maturity	NZ\$ m
3%	15/04/2020	1,030
6%	15/05/2021	1,500
2.75%	14/04/2022	950
5.5%	15/04/2023	1,500
2.25%	15/04/2024	1,165
2.75%	15/04/2025	1,459
4.5%	15/04/2027	1,326
1.5%	20/04/2029	560
3.5%	14/04/2033	1,000
TOTAL		10,490

Shareholders as at

16 December 2019 (Paid-Up)

Shareholders	%
New Zealand Government	20.00
Auckland	7.46
Christchurch	7.46
Hamilton	7.46
Bay of Plenty	7.46
Greater Wellington	7.46
Tasman	7.46
Tauranga	7.46
Wellington	7.46
Western Bay of Plenty	7.46
21 Others	12.86
TOTAL	100

LGFA draft Statement of Intent

Meeting: Audit, Risk and Finance Committee
Date of meeting: 12 March 2020
Reporting officer: Sue Davidson, GM Sustainable Growth and Investment

Purpose/Ngā whāinga

To give feedback on LGFA's (Local Government Funding Agency's) draft Statement of Intent for the 2020/2021 year, if any.

Executive summary/Whakarāpopototanga

This Statement of Intent is prepared as the intentions of LGFA for the coming year. Kaipara District Council uses LGFA for its borrowings. LGFA, as a Council controlled organisation, annually sends out a Statement of Intent as to its future expectations. Shareholders and local authorities with an interest have the opportunity to comment.

Recommendation/Ngā tūtohunga

That the Audit, Risk and Finance Committee:

- a) Notes Local Government Funding Agency's draft Statement of Intent for 2020/2021.

Context/Horopaki

Council has been a member of LGFA since 2016. LGFA have sent our Council their draft Statement of Intent for any comment.

The board of LGFA must consider any comments on the draft Statement of Intent that are made by the shareholders, and by local authorities with indirect control, or by any of them, on or before **01 May** in the year preceding the year to which the draft statement relates.

We have an interest, being a guaranteeing Council.

Discussion/Ngā kōrerorero

The draft Statement of Intent It does say that their aim is to provide interest cost savings relative to alternative sources of financing. This is the key reason this Council borrowed through LGFA.

Policy and planning implications

The information provided does not impact Council's policy or planning.

Financial implications

There are no financial implications apart from we can be assured of getting competitive and cheaper rates of interest on any amounts borrowed.

Risks and mitigations

Utilising LGFA means we are reducing our interest costs as opposed to that charged by other lenders.

Significance and engagement/Hirahira me ngā whakapāpā

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

Next steps/E whaiake nei

Any comments agreed will be sent to LGFA.

Attachments/Ngā tapiritanga

	Title
A	LGFA draft Statement of Intent 2020/2021
B	LGFA half-year report to 31 December 2019

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 AIL) 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.

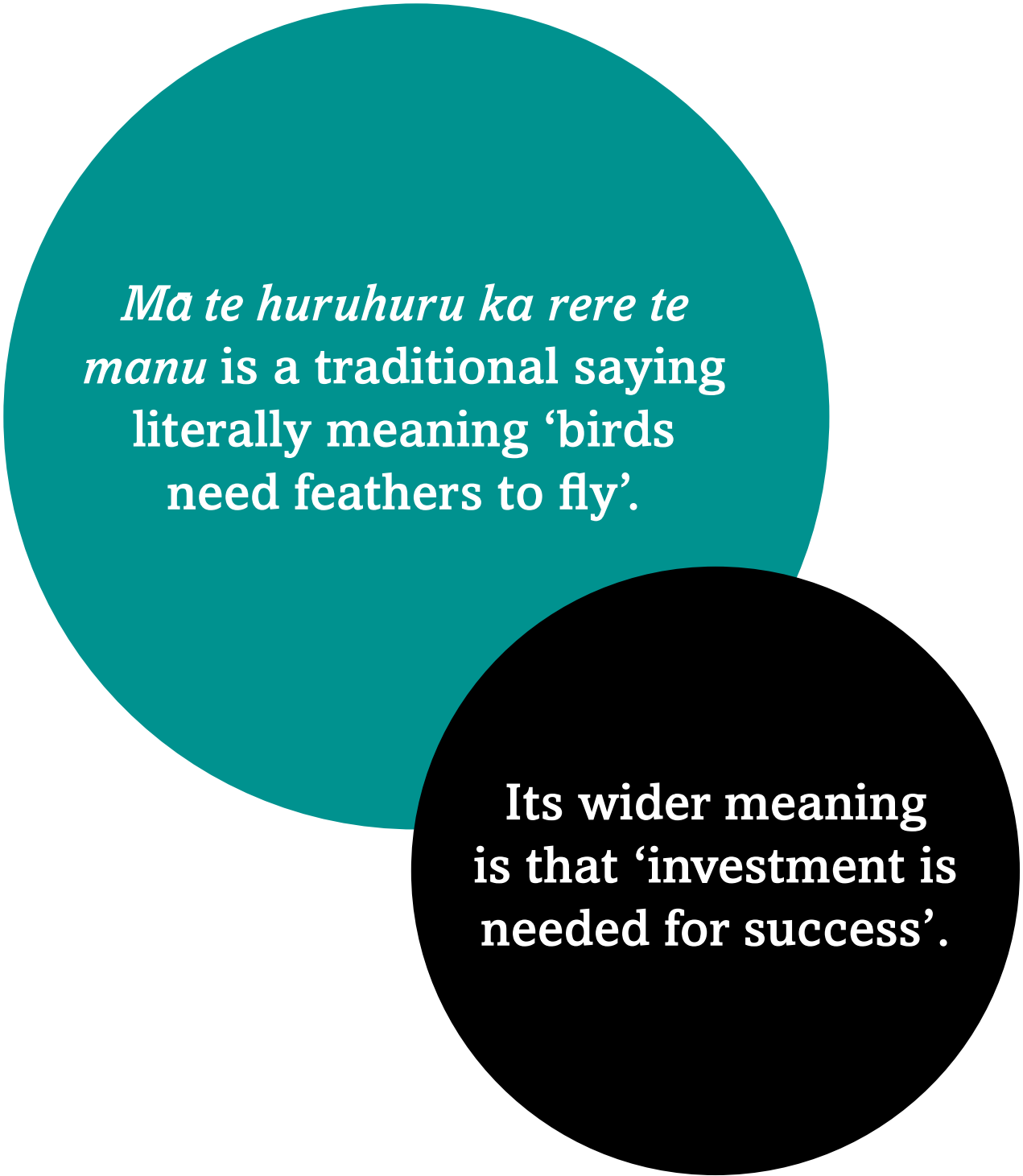
The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

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.

**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’.

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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 dark ink, appearing to read 'Craig 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.

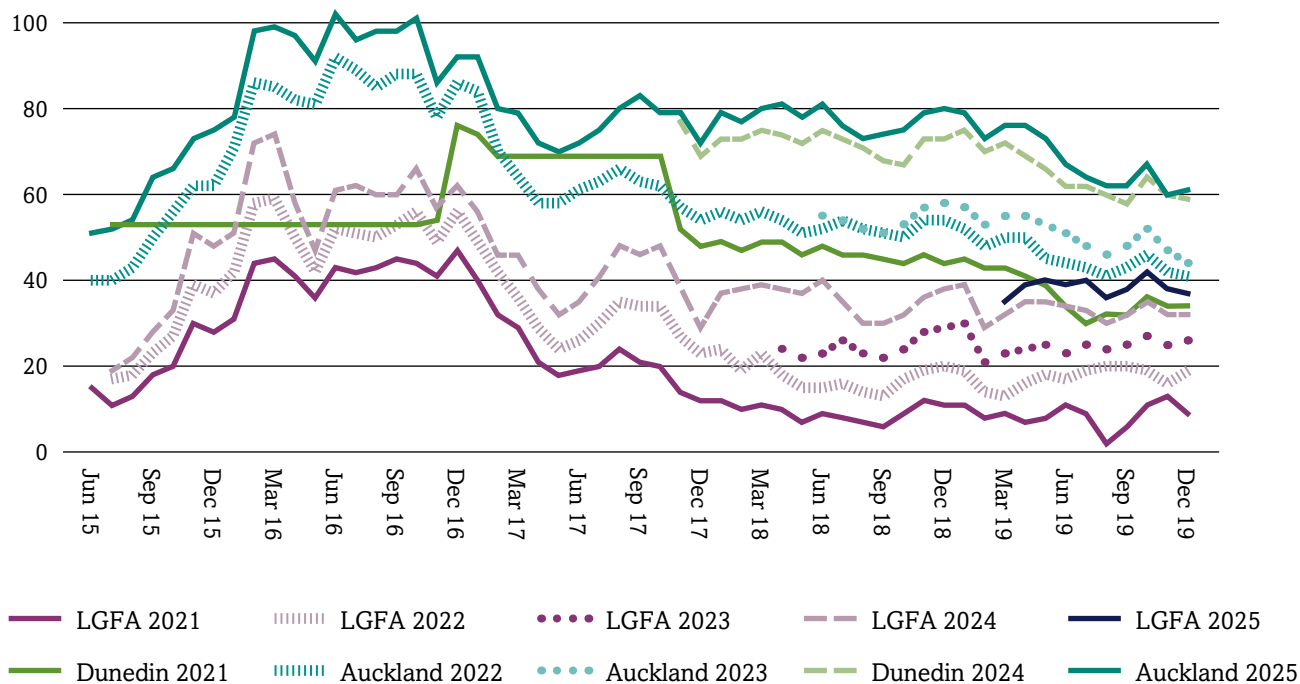
LGFA bond margin to swap	As at 31 December 2019 basis points (bps)	As at 30 June 2019 (bps)	Spread movement (bps)
15-Apr-20	7	11	(4)
15-May-21	15	15	Nil
14-Apr-22	23	22	1
15-Apr-23	27	30	(3)
15-Apr-24	34	37	(3)
15-Apr-25	40	41	(1)
15-Apr-27	46	46	Nil
20-Apr-29	59	-	n/a
14-Apr-33	67	67	Nil

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)

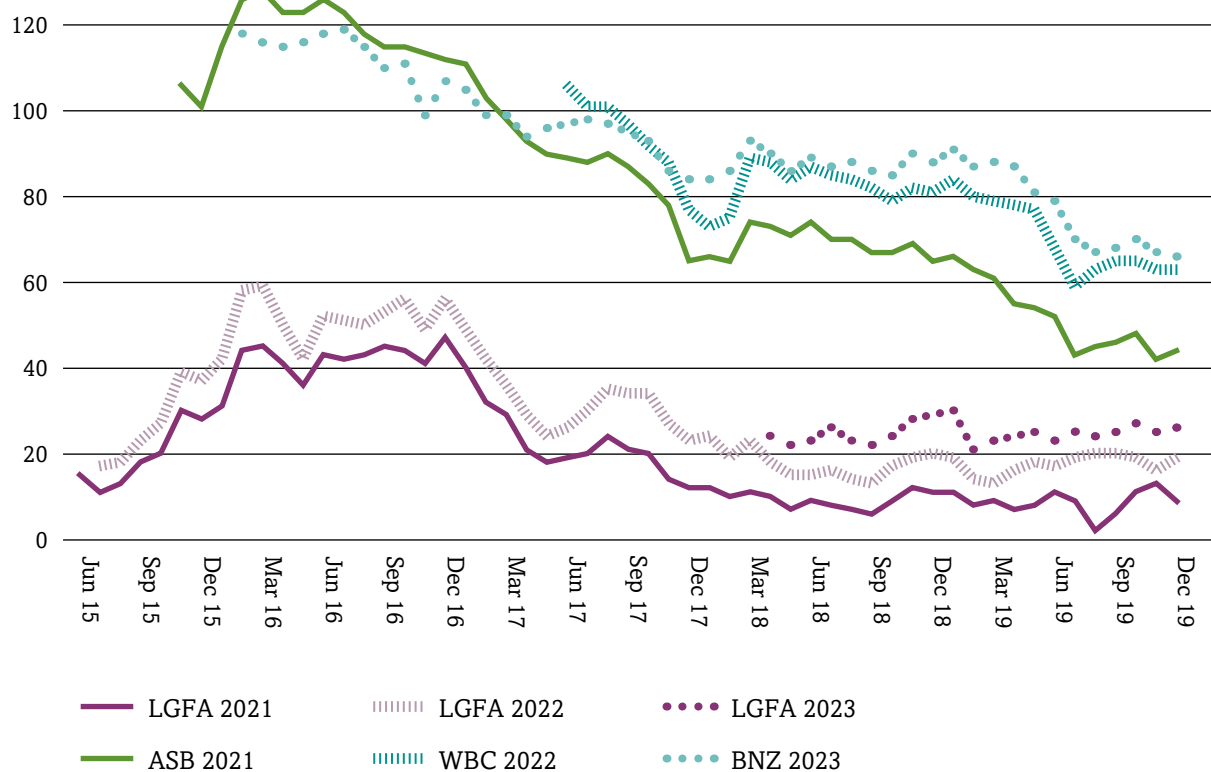
LGFA continues to provide savings in borrowing cost for councils relative to other sources of borrowing. We compare our secondary market spreads on LGFA bonds to those of Auckland Council and Dunedin City Treasury (as a proxy for councils borrowing in their own name) and a mix of banks (as a proxy for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

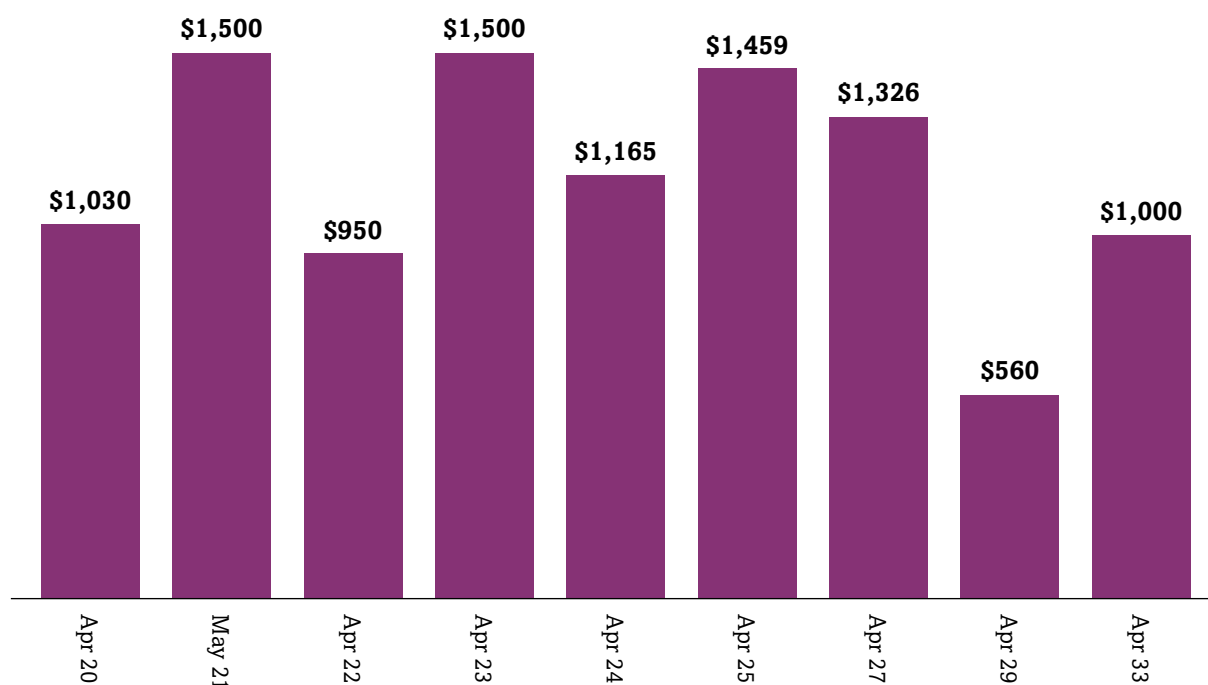
In August 2019, LGFA commenced the issuance of a 10-year bond (April 2029) providing a new benchmark to assist with the pricing of council loans between the April 2027 and April 2033 LGFA bond maturities.

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)					
	Apr 22	Apr 24	Apr 25	Apr 29	Apr 33	Total
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 otherwise 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.

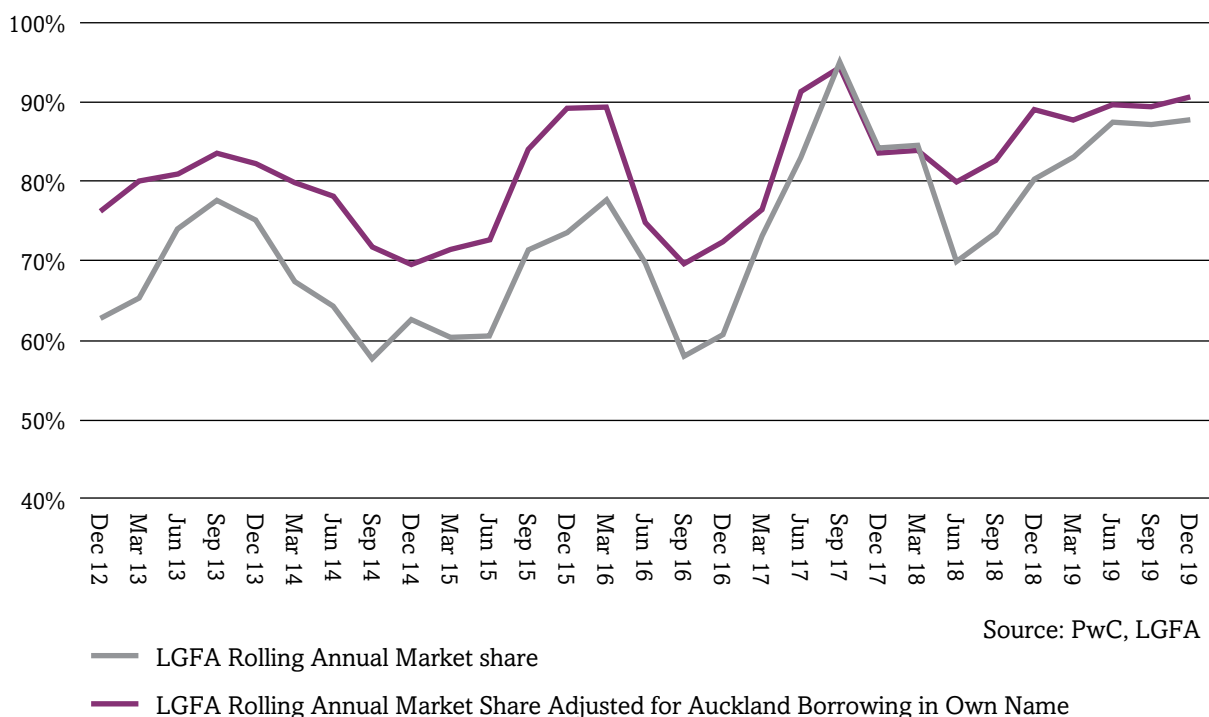
In the six months to 31 December 2019, two councils joined LGFA. Taranaki Regional Council joined as a guarantor borrower while Kaikoura District Council joined as a non-guarantor borrower.

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



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

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General enquiries

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Except Public Holidays

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Wellington 6011



AUCKLAND

Level 5
Walker Wayland Centre
53 Fort Street
Auckland 1010



NEW ZEALAND LOCAL
GOVERNMENT FUNDING AGENCY
TE PŪTEA KĀWANATANGA Ā-ROHE

Quarterly finance report

Meeting: Audit, Risk and Finance Committee
Date of meeting: 12 March 2020
Reporting officers: Christine Toms, Revenue Manager
Violeta Kayryakove, Financial Services Manager

Purpose/Ngā whāinga

To monitor financial performance.

Executive summary/Whakarāpopototanga

Commentary is provided on both land debt outstanding and sundry debtors. The January financial report is attached at the end.

Recommendation/Ngā tūtohunga

That the Audit, Risk and Finance Committee:

- a) Notes the quarterly finance report at 31 January 2020.

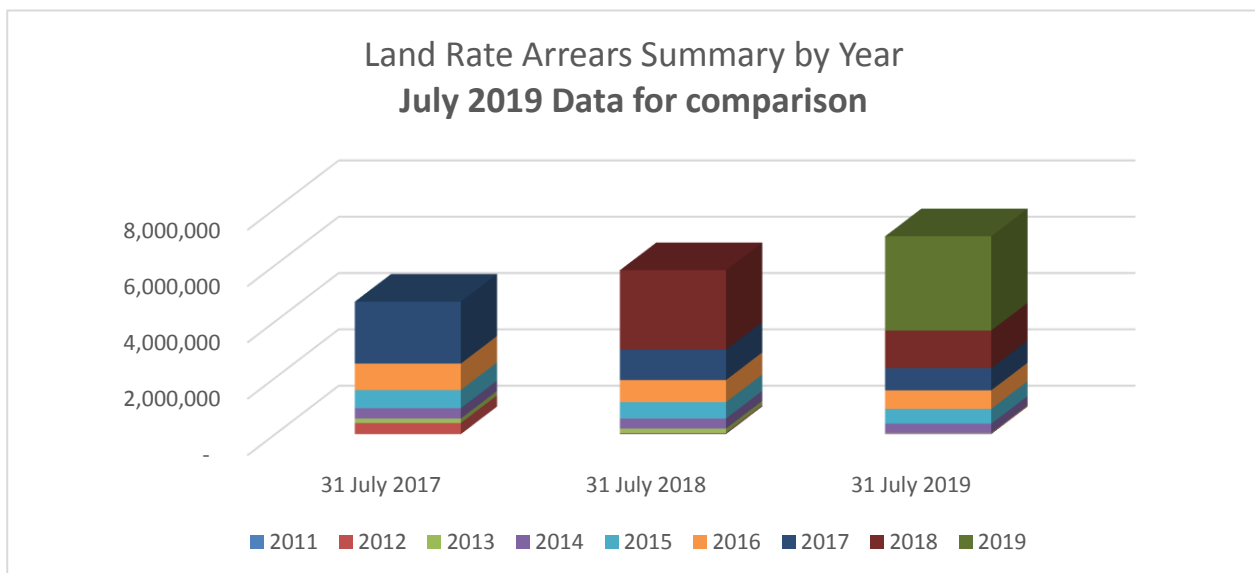
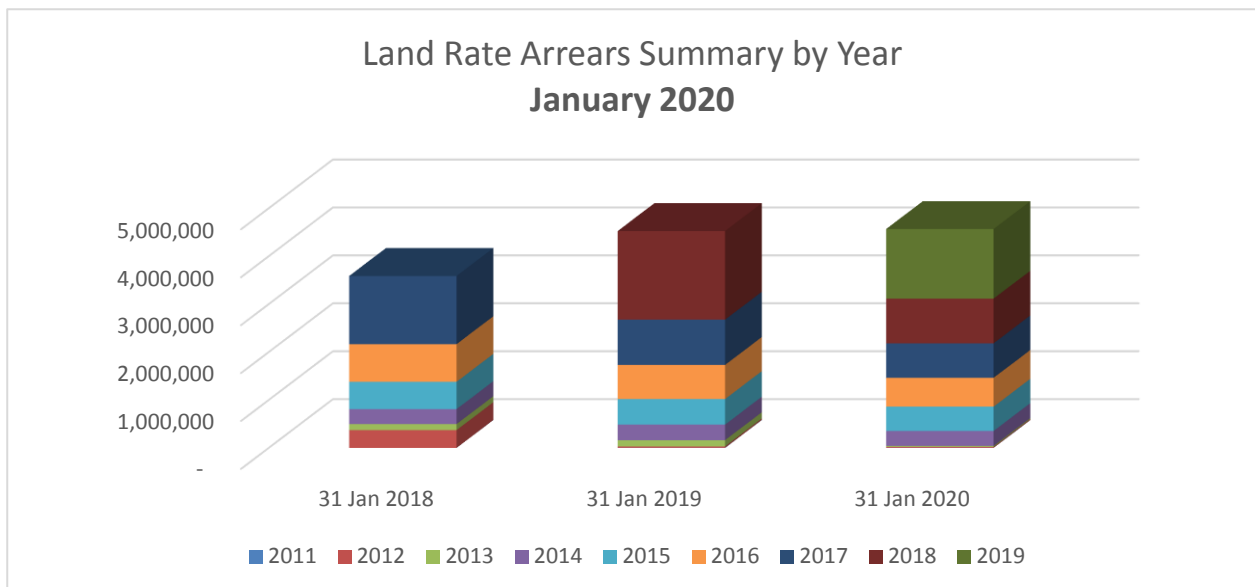
Context/Horopaki

Council Staff provide the Audit, Risk and Finance Committee (the Committee) with an update on year to date finances and debtors. Graphs have been provided to clarify debtors further.

Discussion/Ngā kōrerorero

Rates Debtors as at 31 January 2020

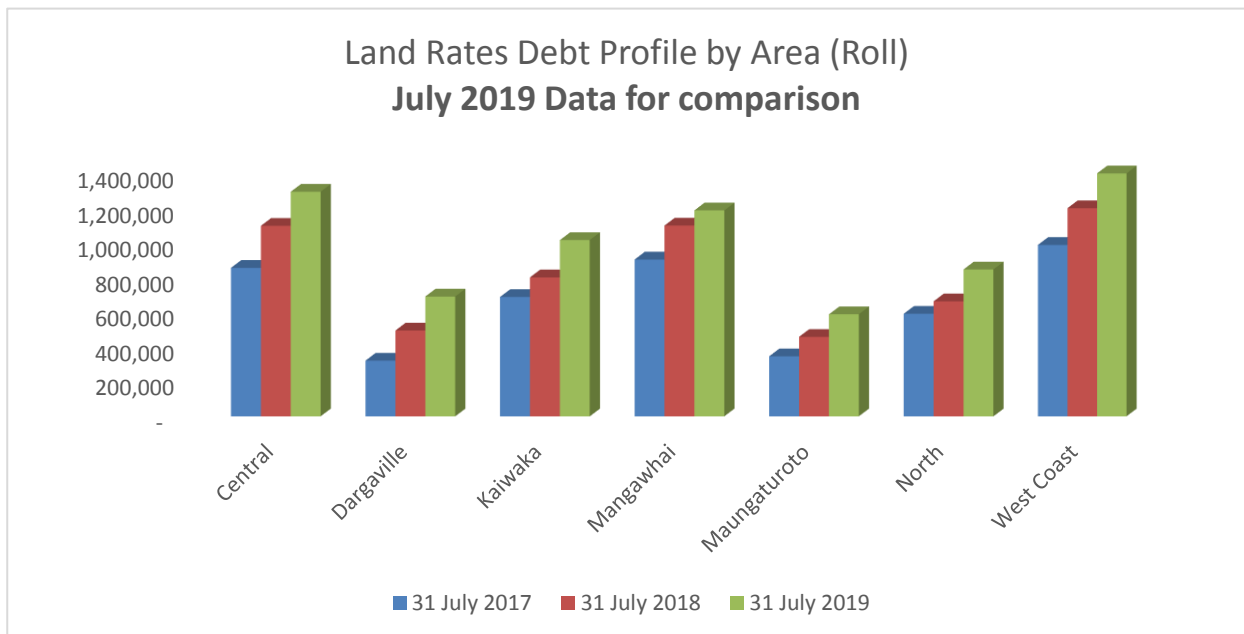
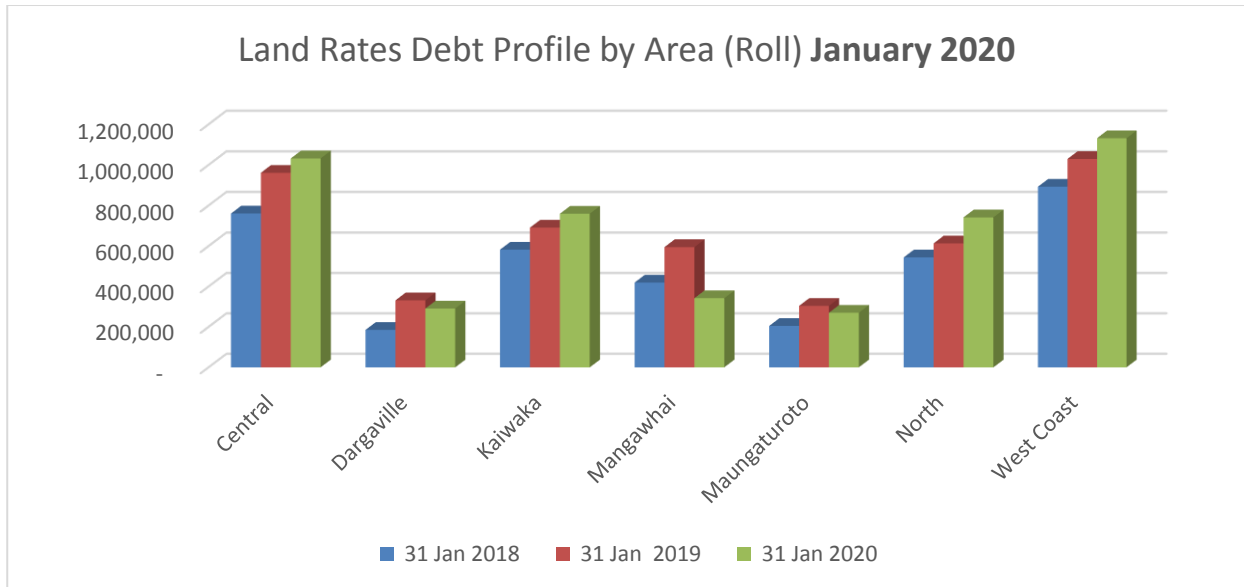
Earlier reports to the Committee focused on the land rates debt for the years up to June 2018 (previous year's arrears). This current rating year will see reports focused on the arrears up to 2019. System generated arrears reports exclude current debt, which means that the beginning of each year sees the opening debt balance increasing substantially due to the previous year debt being re-categorised as previous year arrears. The graph below shows the allocation of total land rates debt over the previous three years as at 31 January of each year.



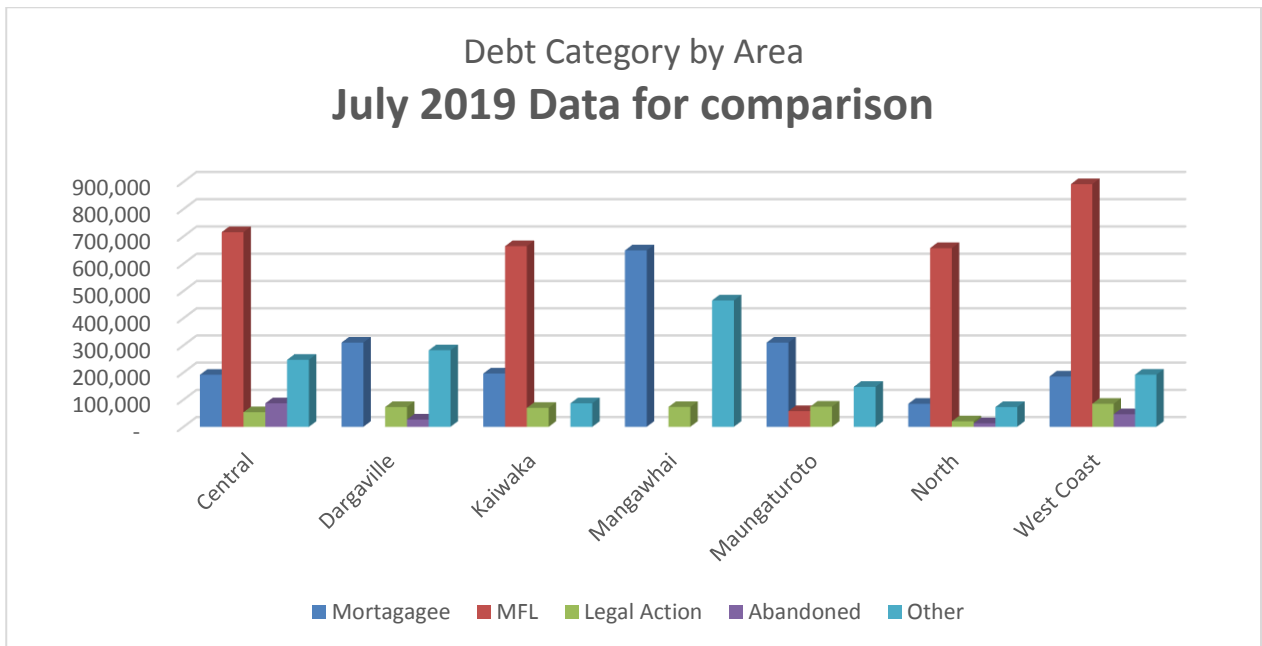
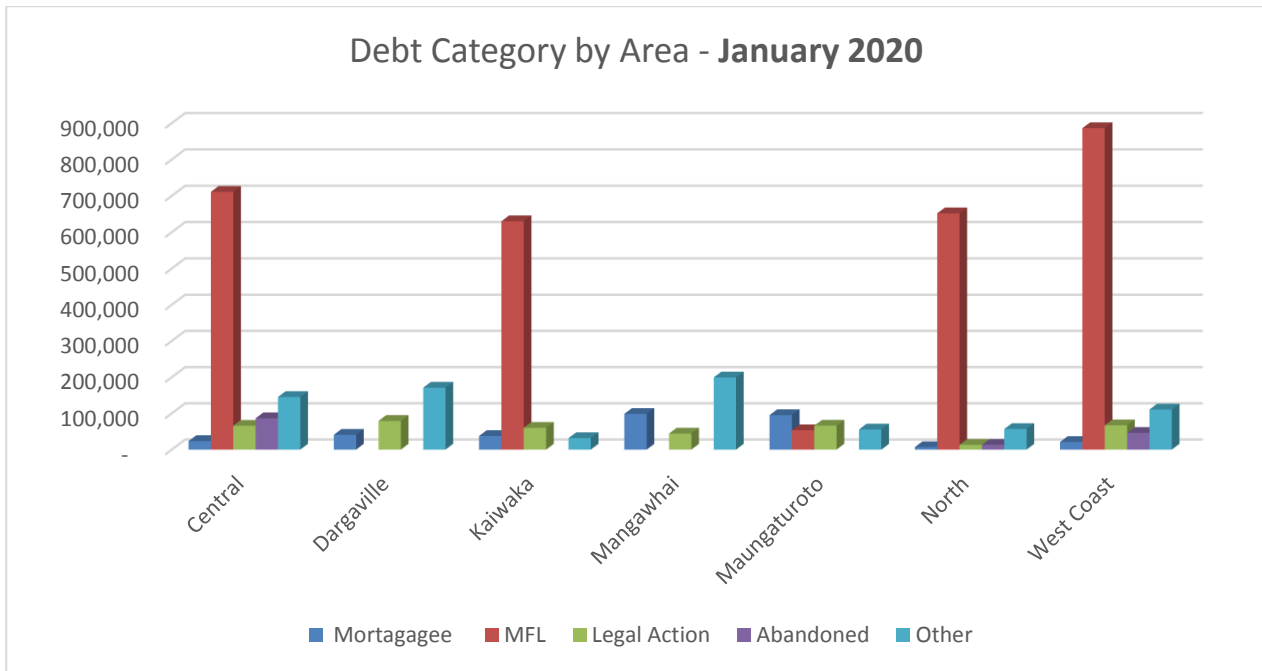
The graphs above shows that outstanding arrears for all years has decreased between July 2019 and January 2020. The graphs reflect what we would expect to see, with the majority of debt sitting in recent years due to Council's policy of allocating payments to the oldest debt first.

The total reported debt as at 30 June 2019 was \$7,389,300 and is now \$4,568,205. This shows an overall rates debt reduction for the seven months between July 2019 and January 2020 of \$2,821,095.

The chart below compares the debt over three years and shows by roll where the debt sits.



Dargaville, Mangawhai and Maungaturoto debt levels have reduced noticeably since the last report. Whilst the addition of the arrears penalty in January has seen both Central (which covers the area including Turiwiri, Arapohue, Okaho, Ruawai and Matakohē) and West Coast (covering Waipoua through to Te Kopuru and Poutu) debt increasing. This can be attributed to the high proportion of Maori Land situated in these areas.



The table below summarises the data whilst the charts above show the distribution of the debt by category and area. Overall rates debt has decreased during the period of July 2019 and 31 January 2020.

Arrears debt	31 July 2019			31 January 2020	
	No	\$		No	\$
Mortgaged Properties	725	1,926,486		125	323,909
Maori Freehold Land (MFL)	140	2,985,103		125	2,932,615
Legal Action	48	448,529		54	395,894
Abandoned Land	7	172,587		6	145,805
Other	1,275	1,491,976		320	769,982
TOTAL	2,195	7,024,681		630	4,568,205

Mortgaged Properties Category

The mortgagee demand process has resulted in a marked decrease in both the level of debt and number of ratepayers in the mortgaged properties category. The remaining debt is due to a number of factors which include; staff have entered into payment arrangements with some customers that will see the debt paid off slowly in those cases, a couple of the big banks failed to pay all demands (these are being followed up on), some of these properties have private mortgagees which we have requested third party assistance with and the remainder have finance companies as mortgagees which again staff are following up on.

Maori Freehold Land

The Local Government (Rating of Whenua Maori) Amendment Bill which was announced in Northland during the week of Waitangi day has yet to be referred to Select Committee stage. Staff are in the process of reviewing Maori Freehold Land in the district to determine what the possible implications the introduction of the Bill will mean for Kaipara. The departmental material can be viewed via the Department of Internal Affairs website: <https://222.dia.govt.nz/Whenua-Maori-rating>

The Bill can be found at:

<http://www.legislation.govt.nz/bill/government/2020/0226/latest/096be8ed8194c16b.pdf>

Legal Action

The Rogan litigation has come to an end and the outcome is favourable for both Kaipara District and Northland Regional Councils. Staff are working with the parties involved to receive payment for outstanding amounts and all costs, including the recent Supreme Court hearing court costs and disbursements.

As a direct result of the above outcome staff have also had dialogue with one of the two remaining stayed defendants who is also keen to come to a settlement over historical rate arrears. A Case Management Conference between the Court and Legal representatives is scheduled to be held at the end of March to discuss the next steps for any of the remaining stayed defendants at that time.

Staff have continued to work with customers who don't have mortgages and it can be noted that whilst the number of properties in the Legal category has increased since last report, the debt levels have decreased. It is pleasing to report that both the number of properties and the debt levels in the Other category above have decreased.

There are a number of subcategories within the Legal section as properties are at different stages in the process as the table below depicts.

Stage	31 January 2020	
	No	\$
Initial stages of Lawyers Action	11	106,110
Proceeding to Default Judgment	30	181,753
Judgment Sealed	5	63,111
Charging Order	8	44,920
TOTAL	54	395,894

Charging Orders are the first step towards enforcing payment by way of Rating Sale.

Abandoned Land

Brookfields have completed the necessary searches required under the Local Government (Rating) 2002 ("LGRA") to progress these matters through the District Court. These searches have included:

- (a) advertising for a will(s) in LawTalk and LawNews;
- (b) inquiries through the High Court to confirm the issuing of probate or letters of administration; and
- (c) request for death certificate(s) with the Department of Internal Affairs.

Staff are in the process of carrying out site inspections. Public Notice pursuant to section 77 of the LGRA was advertised in the Kaipara Lifestyler on 23 July 2019. This notice expires on 23 August 2019.

One of the properties that had previously been included in this category has since been removed and now sits within the Other category as further steps are required before it can progress to the abandoned land process. The complication is due to the fact that the property is in the name of a company which has been removed from the register and lawyers advise that it must be re-registered which will take further resource and time.

It is anticipated that the remaining six properties can be progressed through the District Court in the early part of the 2019/2020 calendar year.

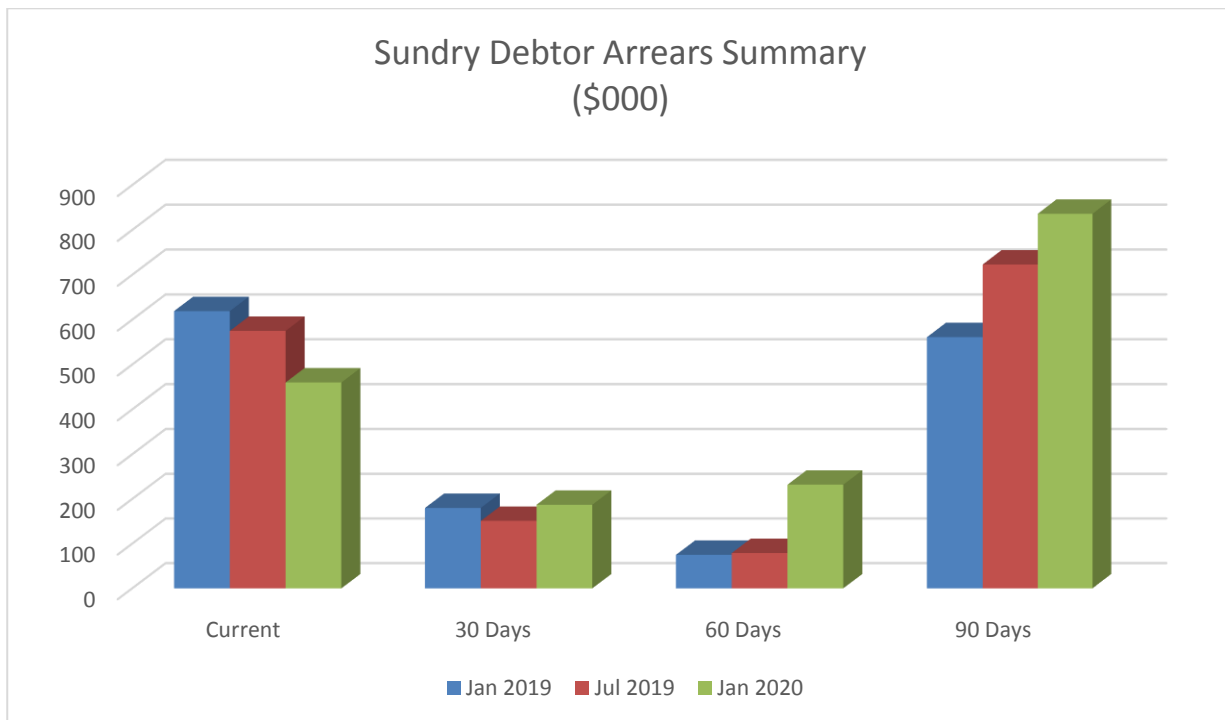
Other

Staff continue to make progress with the customers in this category and have agreed to numerous payment plans that will see the debt repaid over the next one to two years. We have also seen a number of lump sum payments being made that have cleared the debt.

A third party debt collection agency (Credit Recoveries) has been appointed to assist with collecting these outstanding debts. This is an intermediary step which staff are expecting will reduce the number of properties that are sent down the legal path. Only a handful of properties have been forwarded to Credit Recoveries to date, however when processes have been put in place more will follow. Future reports will see an additional category added which will show the number of properties and level of debt that has been forwarded to the agency.

Sundry Debtors

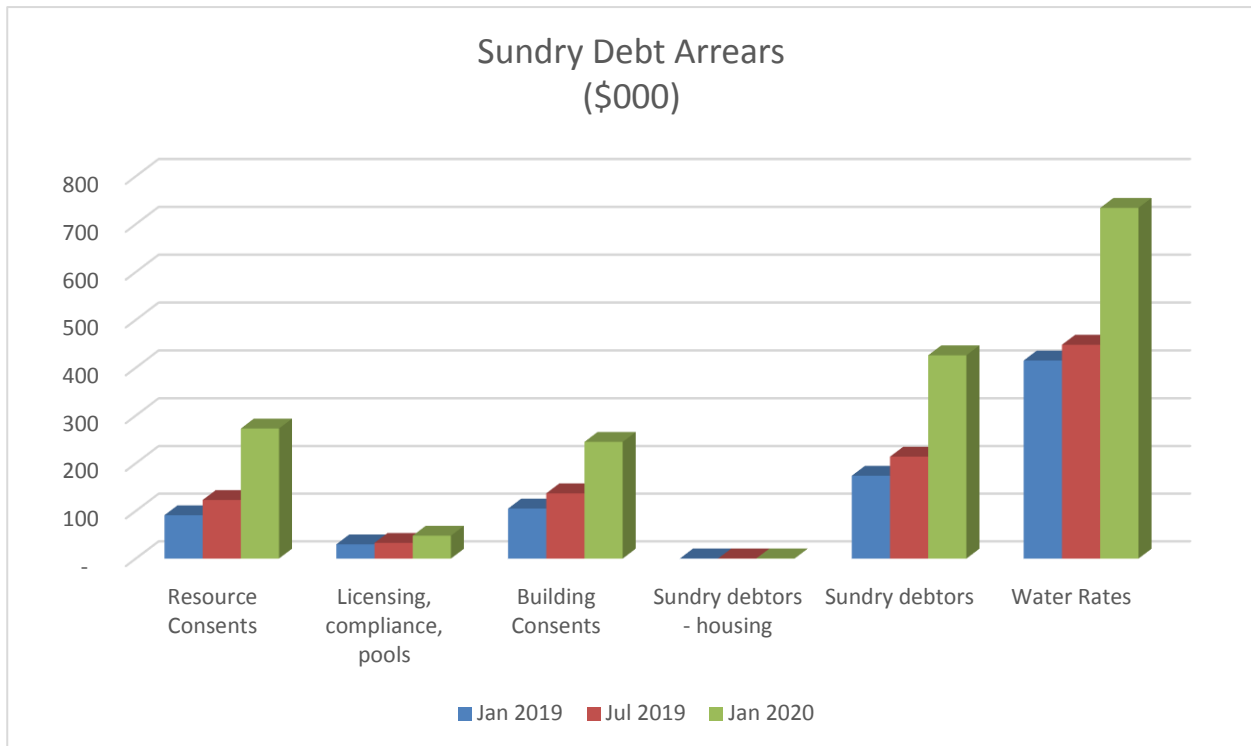
Sundry Debtors Summary \$000



The above graph demonstrates a decrease in current debt whilst all other aged debt has shown an increase when comparing January and July 2019 figures to the January 2020 data. Staff continue to investigate options for increasing the collection rate of older debt are working through the process of passing some of these debts to our third party debt collector (Credit Recoveries). We anticipate a reduction in the older debt as a result of this action.

	Current	30 Days	60 Days	90 days	Total
Month of January 2020	460	187	232	836	1,715
Aging Percentage	27%	11%	14%	49%	100%
Month of July 2019	575	151	79	723	1,528
Aging Percentage	38%	11%	5%	47%	100%
Month of January 2019	619	180	75	561	1435
Aging Percentage	44%	12%	5%	39%	100%

Summarising the aging of arrears for other debtors (\$000)



The total sundry debt reported here is \$1,726. Of this \$734,00 relates to water rates, of which \$230,000 is current debt. Staff continue to chase water debt at the same time as land rate debt.

Resource within the team has been focused on testing and working through the issues associated with a recent change of software, from being hosted on local servers to being hosted through the Cloud. All processes were required to be tested and reported on with some outstanding issues still being worked through. This has diverted attention away from focusing on our sundry debt management processes, however the teething stage of the software change is now over and we can turn our attention back to our debt collection processes.

January 2020 Financial Report

Statement of Operating and Capital Performance

	Year to 31 January 2020			Indicator	Whole Year	
	Actual \$'000	Annual Plan \$'000	Variance \$'000		Annual Plan \$'000	Forecast \$'000
Rates	22,377	21,761	616	●	36,884	36,884
Activity Revenue and Other Income	4,166	4,059	107	●	6,839	6,839
Subsidies and Grants - Operational	3,297	3,457	(161)	●	8,786	8,786
Total Operating Income	29,840	29,277	563	●	52,508	52,508
Employee Benefits	7,373	7,411	38	●	12,683	12,683
Contractors	1,163	1,466	303	●	2,448	2,448
Professional Services	4,006	4,465	460	●	8,356	8,356
Repairs and Maintenance	5,325	6,097	772	●	11,861	11,861
Finance costs	1,401	1,622	221	●	2,780	2,780
Other Operating Costs	3,950	3,994	45	●	6,004	6,004
Total Operating Costs	23,217	25,055	1,838	●	44,133	44,133
Operating Surplus/(Deficit) (before Depreciation)	6,622	4,222	2,401	●	8,375	8,375
Capital Subsidies	3,679	3,886	(207)	●	23,219	23,219
Contributions	1,195	1,701	(506)	●	3,019	3,019
Other Capital Revenue	15	0	15	●	175	175
Total Capital Revenue	4,889	5,587	(698)	●	26,413	26,413
Capital Expenditure	10,106	9,438	(668)	●	38,936	41,556
Total Capital Payments	10,106	9,438	(668)	●	38,936	41,556
Subtotal Capital	(5,217)	(3,851)	(1,366)	●	(12,523)	(15,143)
Surplus/(Deficit) - before Loan Payments and Depreciation	1,405	371	1,034	●	(4,148)	(6,768)

Key: ● Within 5% of budget

● Over or under budget by 5 - 10%

● Over or under budget by more than 10%

Operating Income:

Operating Costs:

Capital Revenue

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Statement of Financial Position

	Actual	Annual Plan	Annual Report
As at	January 2020	June 2020	June 2019
Accumulated comprehensive revenue and expense	405,460	425,697	401,364
Asset revaluation reserves	268,601	245,084	268,601
Restricted reserves	5,574	5,389	5,574
Council created reserves	(14,777)	(14,550)	(14,777)
Total net assets/equity represented by	664,859	661,620	660,762
Current assets			
Cash and Cash Equivalents	2,700	563	1,926
Trade and Other Receivables	12,665	6,548	8,317
Accrued Revenue	106	3,438	1,641
Other Financial Assets - Current	115	115	115
Non-Current Assets Held for Sale	186	186	186
LGFA Borrower notes	32	0	32
Total current assets	15,804	10,849	12,217
<i>less</i>			
Current liabilities			
Trade and Other Payables	13,991	13,329	11,219
Provisions	135	148	135
Employee Entitlements	660	1,111	905
Public debt	1,500	600	1,000
Total current liabilities	16,285	15,188	13,258
Working capital/(deficit)	(481)	(4,340)	(1,042)
<i>plus</i>			
Non-current assets			
Property, plant, equipment	717,939	720,724	714,402
LGFA Borrower notes	672	704	672
Biological Assets	1,045	1,017	1,045
Other financial assets	279	278	279
Total non-current assets	719,935	722,723	716,398
<i>less</i>			
Non-current liabilities			
Public debt	44,000	47,657	44,000
Provisions	4,599	4,679	4,599
Derivative Financial Liabilities	5,995	4,427	5,995
Total non-current liabilities	54,594	56,763	54,594
Net assets	664,859	661,620	660,762

Comments on major variances:

Trade and Other receivables – increase is due to:

- Rates instalment two has been applied in January, payments are due on 20 February 2020.
- NZTA subsidy of \$985k not paid yet.

Public Debt

The public debt position at 31 January 2020 is \$45.5 million and the net debt position (debt less cash) is \$42.8 million.

Public Debt and Requirements			
	June 2019 \$000's	January 2020 \$000's	June 2020 \$000's
Debt			
Public debt	45,000	45,500	48,257
Cash in bank (overnight deposits)	(1,926)	(2,700)	(563)
Net Debt	43,074	42,800	47,694
Reserves (future obligations)			
Development Contribution Reserve	(24,395)	(24,395)	(26,341)
Other reserves	15,192	15,192	17,180
Total reserves (future obligations)	(9,203)	(9,203)	(9,161)
Debt Requirements			
Public debt	45,000	45,500	48,257
Future obligations	15,192	15,111	17,180
Gross Debt Requirement	60,192	60,611	65,437
Less cash in bank	(1,926)	(2,700)	(563)
Net Debt Requirement	58,266	57,911	64,875

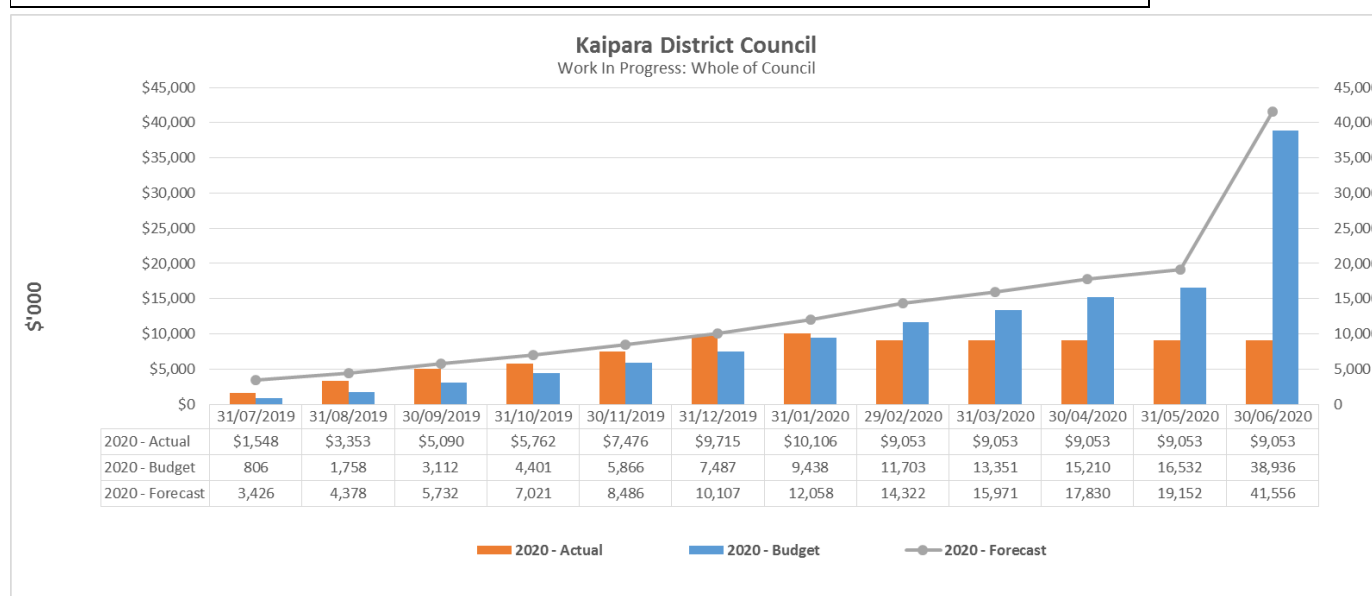
*Note: Reserves balances are only recalculated at end of year.

Activities Net Cost for the period to 31 January 2020

Activity	Actual as at 31 January 2020			Whole Year Annual Plan
	Operating Income \$000's	Operating Costs \$000's	Net Operating Surplus/(Deficit) \$000's	Net Operating Surplus/(Deficit) \$'000
Community Activities	3,727	3,197	531	150
District Leadership	4,392	4,984	(592)	(1,738)
Regulatory Management	3,860	4,257	(397)	51
Roads and Footpaths	8,919	6,694	2,225	4,116
Wastewater	4,566	1,780	2,787	2,970
Water Supply	2,143	1,228	915	1,540
Stormwater	1,059	265	794	836
Flood Control	418	223	195	143
Solid Waste	755	590	165	307
	29,840	23,217	6,622	8,375

Activities Capital projects for the period ended 31 January 2020

Activity - Work in Progress	Actual as at 31 January 2020			Whole Year	
	Actual \$000's	Annual Plan \$000's	Variance \$000's	Annual Plan \$000's	Forecast \$000's
Community Activities	491	915	424	2,643	3,184
District Leadership	1,207	1,060	(147)	6,175	6,407
Regulatory Management	0	0	0	0	0
Roads and Footpaths	6,216	6,271	55	24,618	25,276
Wastewater	1,617	514	(1,103)	2,911	3,835
Water Supply	481	512	32	1,952	2,068
Stormwater	58	166	108	216	316
Flood Control	19	0	(19)	421	421
Solid Waste	17	0	(17)	0	50
	10,106	9,438	(668)	38,936	41,556



Significant Capital projects for the period ended 31 January 2020

	Year to Date	Full Year
	Actual	Annual Plan
Roads Resurfacing 2019/2020	397,364	2,288,276
Tomorata Bridge Repairs	1,619,194	1,500,000
Upgrade Mangawhai Wastewater Existing Reticulation	36,900	1,000,000
Upgrade Mangawhai Wastewater Treatment Plant	646,537	800,000
Drainage Renewals 2019-2020	444,859	784,000
MCP Paths - Walkways and Cycleways 2019-2020	604,098	560,000
Insley/Moir Intersection (Intersection 1)	31,103	540,000
Moir/Molesworth Intersection (Intersection 2)	27,411	540,000
Matakohe West Rd - Road works sealed	29,254	520,000
Flexible workspace	320,033	480,000
Wood Street - Main street redevelopment	24,160	400,000
Racecourse SH14 watermain	13,630	400,000
Ararua Rd - Road works sealed	22,534	400,000
Total Significant Projects	4,217,078	10,212,276

Provincial Growth Fund

Programme performance:

	Actual (to date)	Budget (to date)	Forecast (All programme)
Operating Income	554,349	340,050	5,160,000
PGF100 Kaipara Kickstart Programme	454,349	340,050	1,300,000
PGF101 Kaipara Kickstart Kai	50,000	-	980,000
PGF102 Kaipara Kickstart Moana Investigation	50,000	-	950,000
PGF103 Kaipara Kickstart Waipoua River Road Investigation	-	-	120,000
PGF104 Kaipara Kickstart Waipoua Road Implementation	-	-	1,480,000
PGF105 Pouto Road Phase 2 (Investigation)	-	-	330,000
Operating costs	563,427	599,533	5,170,000
PGF100 Kaipara Kickstart Programme	273,072	599,533	1,300,000
PGF101 Kaipara Kickstart Kai	112,630	-	980,000
PGF102 Kaipara Kickstart Moana Investigation	126,147	-	950,000
PGF103 Kaipara Kickstart Waipoua River Road Investigation	23,806	-	130,000
PGF104 Kaipara Kickstart Waipoua Road Implementation	4,169	-	1,480,000
PGF105 Pouto Road Phase 2 (Investigation)	23,602	-	330,000
Internal charges and recoveries	260,540		
PGF100 Kaipara Kickstart Programme	181,276	-	-
PGF101 Kaipara Kickstart Kai	33,633	-	-
PGF102 Kaipara Kickstart Moana Investigation	40,546	-	-
PGF105 Pouto Road Phase 2 (Investigation)	5,085	-	-
Capital expenditure	1,624,956	1,630,000	13,350,000
11152 Tomorata Bridge Repairs	1,619,194	1,500,000	1,500,000
9999 120 PGF Heavy metalling	-	-	-
PGF100 Kaipara Kickstart Programme	750	-	-
PGF104 Kaipara Kickstart Waipoua Road Implementation	661	-	-
PGF105 Pouto Road Phase 2 (Investigation)	3,730	130,000	7,850,000
PGF107 Kaipara Moana Physical works	-	-	4,000,000
PGF108 Pouto Road Phase 1 (Physical Works)	621	-	-
Grand Total	1,894,573	1,889,483	13,360,000

Please note these financials have been put together with a view of the Programme to Date. This programme of works officially commenced on 03 February 2019.

Kaipara Kai

Progress across all three projects within the Kaipara KickStart Programme (Roading, Kai for Kaipara and Kaipara Wharves) is continuing, as planned, without significant delays or changes. Resource constraints are adding pressure onto the programme team, however this is currently being managed within the team.

The revised engagement approach advised at the Council Briefing on 4 December, is now operational, with draft and final deliverables being reviewed by elected members, bi-monthly briefings and observer attendance at Programme Steering Group meetings.

PGF funding of \$745k for Kai Water was announced in Dargaville on 31 January. This work establishes demonstration sites for localised water use and technology based management systems for horticultural crops. Delivery of this scope will be completed within the Kai project. The Funding Agreement for Kai Water is yet to be provided by MBIE.

Two workshops with elected members will be held on 19 February, where the Wharves Feasibility Study and options will be discussed as well as the Kai Feasibility Study and establishing the Kai Hub.

The next Kaipara KickStart briefing is being planned for March.

Policy and planning implications

These reports are in line with the Terms of Reference for monitoring the finances of the Council.

Financial implications

These are the latest Council reports. Capital expenditure is low as this is the first month of the financial year.

Risks and mitigations

Best value for the community would be delivering on the projects we stated in the Long Term Plan. The community will be more satisfied if we plan appropriately this year.

If the Council does not deliver on its projects and debt is not required as has been previously calculated, then there is a risk that this can impact on the advice our treasury advisers have provided and Council does not meet its treasury requirements.

Significance and engagement/Hirahira me ngā whakapāpā

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

Public excluded items 12 March 2020

The following recommendation is made in reliance on section 48(1)(a) of the Local Government Official Information and Meetings Act 1987 and the particular interest or interests protected by section 7 of the Act.

On the grounds that matters will be prejudiced by the presence of members of the public during discussions on the following items, it is recommended as below.

Recommendation/Ngā tūtohunga

a) That the following items are considered with the public excluded:

Item	Grounds for excluding the public
Review of Organisation Risk Register	Protect the information which is subject to an obligation of confidence or which any person has been or could be compelled to provide under the authority of any enactment, where the making available of the information would be likely to damage the public interest (Section 7(2)(c)(ii))
Cybersecurity assessment and response	Prevent the disclosure or use of official information for improper gain or improper advantage (Section 7(2)(j))
Contract monitoring and reporting	Enable any local authority holding the information to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations) (Section 7(2)(i))
Investigation update	Protect the privacy of natural persons, including that of deceased natural persons (Section 7(2)(a)) Avoid prejudice to measures protecting the health or safety of members of the public (Section 7(2)(d)) Enable any local authority holding the information to carry out, without prejudice or disadvantage, commercial activities (Section 7(2)(h))