

LGFA quarterly report – March 2021

Meeting: Audit, Risk and Finance Committee
Date of meeting: 11 March 2021
Reporting officer: Sue Davidson, GM Sustainable Growth & Investment

Purpose/Ngā whāinga

This report is for information only. Council is a member of Local Government Funding Agency (LGFA) and a guarantor. Reports are provided regularly by LGFA and it is appropriate that the Audit, Risk and Finance Committee understand the benefit and risks of our membership and receive a report twice a year.

Executive summary/Whakarāpopototanga

The report from LGFA details the key performance indicators and how the Local Government Funding Agency has performed. The report is positive although not all the key performance Indicators were met.

Recommendation/Ngā tūtohunga

That the Audit, Risk and Finance Committee

- a) Notes the Quarterly Report from LGFA ending 31 December 2020.

Context/Horopaki

Council is a member of LGFA and a guaranteeing Council. All Council's borrowings are made through LGFA and total \$44,000,000 as at 30 June 2020. The interest rate is slightly cheaper than that charged by other lenders.

Discussion/Ngā kōrerorero

In the LGFA report (**Attachment A**), LGFA shows how it performed against its KPIs. They met 8 out of 10 KPIs.

LGFA announced they will relax the requirements for net debt to total revenue ratio due to COVID-19. The proposed change is to provide greater financial flexibility and borrowing capacity for such Local Authorities as a result of the short-term impacts of COVID-19 and the medium-term structural changes to infrastructure requirements. I have attached Attachment 2 -Changes to Foundation Policies. While we are not a shareholder, we are a guarantor, but Council can feel confident of this as it only applies to institutions with an "A" rating and this is mitigated.

The list of guaranteeing Councils is included (**Attachment B**).

LGFA have attached a schedule of each council borrower's compliance with the financial covenants as at 30 June 2020. (Attachment 3) Council Compliance of LGFA Debt Ratios.

All councils were compliant with LGFA covenants as at 30 June 2020 but they have noted that 7 councils have still to provide financial statements that have yet to be adopted due to the COVID-19 time delays with the reporting and audit process. (those with an asterisk*).

LGFA report there are currently no loans outstanding to CCOs so there is no report on CCO compliance with covenants.

Policy and planning implications

The Treasury Policy allows the Council to borrow from a number of banks or other agencies. LGFA remains the cheapest.

Financial implications

Council receives on average a cheaper interest rate of at least 10 basis points.

Risks and mitigations

That a member council finds itself with larger debt than it can afford to repay, and calls are made on member councils.

Council considers the risk to be low:

- Because the only borrowers from the LGFA are Local Authorities and there has been no default by a Local Authority in New Zealand. In the event of a default. The LGFA will immediately be able to appoint a receiver and assess a special rate against all ratepayers in the defaulting Local Authority's district.
- The LGFA has considerable sources of capital and liquidity available to meet any shortfall in timing of payments before any call is made under the guarantee.
- Operational risk is minimal due to the conservative borrowing and lending policies proposed as part of the LGFA scheme.
- Borrowers have to adhere to treasury ratios which are reported to LGFA on a 6 monthly basis so active monitoring is occurring

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 therefore there are no next steps at this stage.

Attachments/Ngā tapiritanga

	Title
A	LGFA Quarterly Report
B	LGFA List of Guaranteeing Councils
C	Council compliance to LGFA debt ratios

Sue Davidson, 22 February 2021