



RANGITIKEI
DISTRICT COUNCIL
Making this place home.

ORDER PAPER

FINANCE/PERFORMANCE COMMITTEE MEETING

Date: Wednesday, 22 February 2023

Time: 9.30am

Venue: Council Chamber
Rangitikei District Council
46 High Street
Marton

Deputy Chair: Cr Jeff Wong

Chair: Cr Fi Dalgety

Membership: Cr Jarrod Calkin
Cr Brian Carter
Cr Dave Wilson
Cr Simon Loudon
Cr Greg Maughan
HWTM Andy Watson

For any enquiries regarding this agenda, please contact:

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Locations:	<table border="0" style="width: 100%;"> <tr> <td style="width: 50%; vertical-align: top;"> <u>Marton</u> Head Office 46 High Street Marton </td> <td style="width: 50%; vertical-align: top;"> <u>Bulls</u> Bulls Information Centre Te Matapihi 4 Criterion Street Bulls </td> </tr> <tr> <td style="vertical-align: top;"> <u>Taihape</u> Taihape Information Centre 102 Hautapu Street (SH1) Taihape </td> <td></td> </tr> </table>	<u>Marton</u> Head Office 46 High Street Marton	<u>Bulls</u> Bulls Information Centre Te Matapihi 4 Criterion Street Bulls	<u>Taihape</u> Taihape Information Centre 102 Hautapu Street (SH1) Taihape	
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Notice is hereby given that a Finance/Performance Committee Meeting of the Rangitīkei District Council will be held in the Council Chamber, Rangitīkei District Council, 46 High Street, Marton on Wednesday, 22 February 2023 at 9.30am.

Order Of Business

1	Welcome / Prayer	4
2	Apologies	4
3	Public Forum	4
4	Conflict of Interest Declarations	4
5	Confirmation of Order of Business	4
6	Confirmation of Minutes	5
	6.1 Confirmation of Minutes	5
7	Follow-up Action Items from Previous Meetings	13
	7.1 Follow-up Action Items from Finance/Performance Meetings	13
8	Chair's Report	15
	8.1 Chair's Report - February 2023	15
9	Reports for Information	16
	9.1 Financial Snapshot - January 2023	16
	9.2 Treasury and Debt - January 2023.....	28
	9.3 Future Treasury Position	30
	9.4 Annual Report 21/22 Progress Update	33
	9.5 LGFA - General Information	34
	9.6 QV Report	50
	9.7 Public Feedback to Council - February 2023	52
10	Meeting Closed	61

AGENDA

1 Welcome / Prayer

2 Apologies

3 Public Forum

4 Conflict of Interest Declarations

Members are reminded of their obligation to declare any conflicts of interest they might have in respect of items on this agenda.

5 Confirmation of Order of Business

That, taking into account the explanation provided why the item is not on the meeting agenda and why the discussion of the item cannot be delayed until a subsequent meeting, [enter item number](#) be dealt as a late item at this meeting.

6 Confirmation of Minutes

6.1 Confirmation of Minutes

Author: Kezia Spence, Governance Advisor

1. Reason for Report

- 1.1 The minutes from Finance/Performance Committee Meeting held on 15 December 2022 are attached.

Attachments

1. Finance/Performance Committee Meeting - 15 December 2022

Recommendation

That the minutes of Finance/Performance Committee Meeting held on 15 December 2022 [**as amended/without amendment**] be taken as read and verified as an accurate and correct record of the meeting, and that the electronic signature of the Chair of this Committee be added to the official minutes document as a formal record.

MINUTES



UNCONFIRMED: FINANCE/PERFORMANCE COMMITTEE MEETING

Date: Thursday, 15 December 2022

Time: 9.30 am

Venue: Council Chamber
Rangitikei District Council
46 High Street
Marton

Present

Cr Fi Dalgety
Cr Jeff Wong
Cr Simon Loudon
Cr Greg Maughan
Cr Brian Carter
Cr Jarrod Calkin
Cr Dave Wilson
Cr Gill Duncan
HWTM Andy Watson

In attendance

Mr Peter Beggs, Chief Executive
Ms Carol Gordon, Group Manager Democracy and Planning
Mr Dave Tombs, Group Manager Corporate Services
Ms Karen Cowper, Executive Officer
Ms Gaylene Prince, Group Manager of Community Services
Ms Sharon Grant, Group Manager People and Performance
Ms Adina Foley, Senior Project Manager - Infrastructure
Ms Hilary Walker, Management and Systems Accountant

Order of Business

1	Welcome / Prayer	3
2	Apologies	3
3	Public Forum	3
4	Conflict of Interest Declarations	3
5	Confirmation of Order of Business	3
6	Confirmation of Minutes	3
7	Follow-up Action Items from Previous Meetings	3
	7.1 Follow-up Action Items from Finance/Performance Meetings	3
8	Chair's Report	4
	8.1 Chair's Report-December 2022	4
9	Reports for Information	4
	9.1 Financial Snapshot - November 2022	4
	9.2 Future Treasury Position	5
	9.3 Treasury and Debt - November 2022	5
	9.4 QV Report	6
	9.5 Annual Report 21/22 Progress Update	6
	9.6 Copy: Council Paper - Proposed Changes to 2022/23 Roading Budget	6
	9.7 Public Feedback to Council - November 2022	6

1 Welcome / Prayer

The meeting was opened at 9.30am. Cr Wong read the Council prayer.

2 Apologies

Nil.

3 Public Forum

Nil.

4 Conflict of Interest Declarations

Nil.

5 Confirmation of Order of Business

As listed in Order Papers with no changes. The Chief Executive noted a stand-in Governance Administrator was taking minutes today.

6 Confirmation of Minutes

Amendments

1. Cr Calkin's attendance to be noted as an apology.
2. Addition on page 9 Item 8.1 – add "roading and Three Waters were valued at June 2022"

Resolved minute number 22/FPE/110

That the minutes of Finance/Performance Committee Meeting held on 23 November 2022 as amended be taken as read and verified as an accurate and correct record of the meeting, and that the electronic signature of the Chair of this Committee be added to the official minutes document as a formal record.

HWTM A Watson/Cr B Carter. Carried

7 Follow-up Action Items from Previous Meetings

7.1 Follow-up Action Items from Finance/Performance Meetings

Taken as read.

Resolved minute number 22/FPE/111

That the report 'Follow-up Action Items from Finance/Performance Meetings' be received.

Cr B Carter/Cr J C Calkin. Carried

8 Chair's Report

8.1 Chair's Report-December 2022

Cr Dalgety acknowledged the extensive effort by the Chief Executive and Executive Leadership Team to ensure a positive workplace culture is part of our point of difference here in the Rangitikei District Council.

Resolved minute number 22/FPE/112

That the Chair's Report – December 2022 be received

Cr F Dalgety/Cr B Carter. Carried

9 Reports for Information

9.1 Financial Snapshot - November 2022

Mr Tombs clarified that the "gross proceeds of sales was planned" is a wording anomaly to tidy up in future reports. The proceeds are still planned.

There were questions from the committee regarding emergency works "...either be debt funded or offset against underspends in other project budgets" and when this would be seen. Mr Tombs responded that some projects, near finalisation, will be able to determine whether they are under budget and then this will be notified to the committee.

Mr Beggs stated that there will be a paper going to Council later today regarding Roothing Capital Budget discussing funding and work that we were unable to deliver in last financial year. There have been changes in terms of prioritisation of roading, including roading projects that are within the LTP which may be moved or brought forward, one of those is Tutaenui Road towards the B&C Dams. Ms Foley will work with the roading team and make sure those changes are presented to the Assets & Infrastructure Committee so that elected members are aware of those changes and the logic behind them.

Mr Tombs stated there could be provisional budgets in place for emergency works for adverse weather events. There are issues with this, in that the budgeted amount may not cover all damages or costs associated with an event and that the stance from central government has not been consistent with funding of adverse weather events.

Resolved minute number 22/FPE/113

That the report 'Financial Snapshot – November 2022' be received.

Cr D Wilson/Cr J C Calkin. Carried

9.2 Future Treasury Position

The committee raised concerns regarding the impact of shared services and the result of Three Waters. Mr Beggs responded that work regarding staff has been managed by Manawatu District Council but has oversight from Mrs Grant. Regarding stranded overheads we do not know what capital assets are held by Manawatu District Council in regards to the delivery of the shared services contract. The majority of the buildings are owned Rangitikei District Council.

It was commented that Council is assuming full repayment of debt but there may be issues that this will be a decision by Treasury and suspect they will look at whether they actually claim the depreciation funding that we've attributed to these assets over time.

Mr Beggs stated he had received an email from DIA this week containing a clear statement "the enacted Water Services Entities Bill provides for DIA to have oversight of local govt organisation's significant water related decisions during the establishment period".

Resolved minute number 22/FPE/114

That the report Future Treasury Position be received.

Cr B Carter/Cr G Maughan. Carried

9.3 Treasury and Debt - November 2022

Recommendation 2 was not resolved at the last meeting and Mr Tombs recommended it be included now.

Mr Tombs confirmed that interest rates are fixed.

Mr Beggs received an email confirming Council's Better Off Funding was approved in principle for the projects requested. A big part of this was Taihape Town Hall (\$2m). Mr Beggs still needs to go through the contract and make sure Council is aware of its obligations within that funding, and this will be presented as part of the Annual Plan. No work is starting on any of those initiatives until 1 July 2023.

Resolved minute number 22/FPE/115

That the report 'Treasury and Debt – November 2022' be received.

Cr J C Calkin/Cr B Carter. Carried

Resolved minute number 22/FPE/116

Council notes in Section 2.2 the explanation why the Current Account balance as per the Treasury Management Policy has been exceeded.

Cr D Wilson/Cr S Loudon. Carried

9.4 QV Report

QV is currently transitioning into a new reporting model and staff are working with QV to develop a suitable replacement.

Resolved minute number 22/FPE/117

That the QV Report be received.

Cr B Carter/Cr J F Wong. Carried

9.5 Annual Report 21/22 Progress Update

Taken as read.

Resolved minute number 22/FPE/118

That the report 'Annual Report 2021/22 Progress Update' be received.

Cr D Wilson/Cr S Loudon. Carried

9.6 Copy: Council Paper - Proposed Changes to 2022/23 Roading Budget

This report will be presented at Council again this afternoon.

There is a new roading contract to be negotiated next year, there is a need to work with the contractor to make sure they have staff resource for backlog.

Ms Foley will follow up with Manawatu District Council regarding shared services and limited resources. Programme Planning and high level contract management is done by Mr John Jones for both Councils. Actual design work and the operational side of things solely doing Rangitikei District Council work at King Street has been separated out so we are not competing.

Roading staff, through the shared services agreement, will provide a series of projects that are consistent with the funding agreed by Waka Kotahi, and road or reseal work cannot be done without their approval.

This report is a supplementary report started in September 2022, prior to the new triennium to answer the question 'what is really our do-ability for our capital programme this year?'

Staff will report to Council on significant deviations to roading works so Elected Members are aware of changes.

Resolved minute number 22/FPE/119

That the report 'Copy: Council Paper - Proposed Changes to 2022/23 Roading Budget' be received.

Cr J Calkin/Cr G Maughan. Carried

ITEM 6.1 ATTACHMENT 1

9.7 Public Feedback to Council - November 2022

In response to one comment noted in the report, staff reassured elected members that customers were not waiting 10 minutes to be served and were acknowledged. There is an approximate wait time of two minutes. Recently the area has been revamped to make it more welcoming.

Resolved minute number 22/FPE/120

That the Public Feedback to Council Report – November 2022 be received.

Cr J Calkin/Cr S Loudon. Carried

The meeting closed at 10.42am.

The minutes of this meeting were confirmed at the Finance/Performance Committee held on 26 January 2023.

.....
Chairperson

7 Follow-up Action Items from Previous Meetings

7.1 Follow-up Action Items from Finance/Performance Meetings

Author: Kezia Spence, Governance Advisor

1. Reason for Report

1.1 On the list attached items raised at previous Finance/Performance meetings. Items indicate who is responsible for follow up, and a brief status comment

2. Decision Making Process

2.1 Staff have assessed the requirements of the Local Government Act 2002 in relation to this item and have concluded that, as this report is for information only, the decision-making provisions do not apply.

Attachments:

1. **Follow-up Action Items from Finance/Performance Meetings** [↓](#)

Recommendation

That the report 'Follow-up Action Items from Finance/Performance Meetings' be received.

ITEM 7.1

ATTACHMENT 1

Current Follow-up Actions

Item	From Meeting Date	Details	Person Assigned	Status Comments	Status
	15-Dec-22	Report back to Council / Finance Performance Committe on significant deviations on roading works	Adina	A paper is included in the February agenda.	Closed

8 Chair's Report

8.1 Chair's Report - February 2023

Author: Fiona (Fi) Dalgety, Councillor

1. Reason for Report

- 1.1 A verbal report will be provided during the meeting.

Recommendation

That the Chair's Report – February 2023 be received.

9 Reports for Information

9.1 Financial Snapshot - January 2023

Author: Hilary Walker, Management and Systems Accountant

Authoriser: Dave Tombs, Group Manager - Corporate Services

1. Reason for Report

1.1 To provide Committee Members with Council's latest management accounts and related commentary.

2. Activity Performance Reports

2.1 The attached Departmental Activity Performance Reports provide commentary on Departmental operational budget variances in excess of \$100k (excluding overhead allocations).

3. Expenditure

3.1 Depreciation is higher than budgeted due to the recent asset revaluations (this has resulted in proposed Depreciation budget increases for 2023/24).

4. Capital Expenditure

4.1 YTD Capital expenditure is \$11.1m compared to a budget of \$17.2m. The attached summary shows the budget variances split by cost centre with the larger budgets (>\$500k) being shown separately.

5. Funding of Unbudgeted Expenditure

5.1 The Capital Expenditure attachment to this report includes unbudgeted Emergency Capital Works expenditure of \$1.2m. This relates to work undertaken on the 2021/22 emergency works: 84% of this will be funded by FAR with the balance (\$198k) to either be debt funded or offset against underspends in other project budgets.

5.2 Further Emergency Works may arise as a result of February's weather event.

5.3 If the volume of Emergency Works is significant it *may* result in a deferral of other budgeted Roading projects.

Attachments

1. **Financial Snapshot - January 2023** [↓](#)

Recommendation

That the report 'Financial Snapshot – January 2023' be received.

**Whole of Council
Activity Performance Report
For the period ending January 2023**

	YTD Actuals	YTD Budgets	YTD Variance	YTD Percentage Variance	Full Year Budget
	\$000	\$000	\$000		\$000
Total Revenue	(29,478)	(28,212)	1,266	4%	(48,617)
Subsidies and Grants	(7,069)	(6,487)	583	9%	(17,299)
Other Revenue	(2,184)	(2,351)	(167)	-7%	(3,897)
Finance Revenue	(209)	(23)	185	793%	(41)
Gains	(442)	0	442	100%	(840)
Rates	(19,574)	(19,351)	223	1%	(26,541)
Total Expense	25,928	25,297	(631)	-2%	45,342
Other Expenses	11,871	11,957	87	1%	22,538
Personnel Costs	4,312	4,278	(34)	-1%	7,218
Finance Costs	221	376	155	41%	752
Depreciation	9,501	8,686	(814)	-9%	14,834
Overhead Allocation	0	(0)	(0)	0%	0
Losses	24	0	(24)	-100%	0
Grand Total	(3,550)	(2,914)	635		(3,275)

Variances > \$100k: Comments

Provided on following pages.

**Business Units
Activity Performance Report
For the period ending January 2023**

	YTD Actuals	YTD Budgets	YTD Variance	YTD Percentage Variance	Full Year Budget
Total Revenue	(215)	135	350	259%	(790)
Subsidies and Grants	(47)	(46)	1	1%	(47)
Other Revenue	(6)	(17)	(12)	-66%	(23)
Finance Revenue	(209)	(23)	185	793%	(41)
Gains	(0)	0	0	0%	(840)
Rates	(6,145)	(5,912)	233	4%	(8,018)
Rate Apportionment	6,191	6,134	(57)	-1%	8,179
Total Expense	280	510	230	45%	276
Other Expenses	1,834	1,885	52	3%	3,605
Personnel Costs	3,396	3,521	125	4%	5,905
Finance Costs	221	376	155	41%	(140)
Depreciation	321	349	28	8%	541
Overhead Allocation	(5,492)	(5,621)	(129)	-2%	(9,635)
Grand Total	65	645	580		(514)

Variations > \$100k: Comments

Finance Revenue	The variance is caused by higher than anticipated interest rates and bank balances.
Rates	YTD rate remissions of \$413k are lower than the associated budget of \$600k, due mainly to a reduction in rate remission requests.
Personnel Costs	The YTD variance mainly relates to vacancies in several Business Units.
Finance Costs	The variance is caused by lower than budgeted debt levels.

**Community and Leisure Assets
Activity Performance Report
For the period ending January 2023**

	YTD Actuals	YTD Budgets	YTD Variance	YTD Percentage Variance	Full Year Budget
Total Revenue	(3,908)	(3,487)	421	12%	(4,857)
Subsidies and Grants	(35)	(39)	(4)	-10%	(57)
Other Revenue	(445)	(491)	(45)	-9%	(857)
Gains	(428)	0	428	100%	0
Rate Apportionment	(3,000)	(2,957)	42	1%	(3,943)
Total Expense	3,023	3,252	229	7%	6,334
Other Expenses	1,395	1,460	65	4%	3,046
Personnel Costs	60	48	(12)	-24%	84
Finance Costs	0	0	0	0%	215
Depreciation	828	1,008	180	18%	1,728
Overhead Allocation	717	736	18	2%	1,261
Losses	23	0	(23)	-100%	0
Grand Total	(884)	(234)	650		1,477

Variances > \$100k: Comments

Gains

The \$428k is interim profit on sale of assets figure: this figure is still being finalised and may decrease once the related journals are finalised.

**Community Leadership
Activity Performance Report
For the period ending January 2023**

	YTD Actuals	YTD Budgets	YTD Variance	YTD Percentage Variance	Full Year Budget
Total Revenue	(1,078)	(1,059)	19	2%	(1,467)
Other Revenue	(1)	0	1	100%	(55)
Rates	(63)	(63)	(0)	0%	(84)
Rate Apportionment	(1,015)	(996)	19	2%	(1,328)
Total Expense	905	915	10	1%	1,507
Other Expenses	533	534	1	0%	853
Depreciation	0	1	1	100%	2
Overhead Allocation	372	380	9	2%	652
Grand Total	(174)	(144)	30		40

Variances > \$100k: Comments

No comments to make.

**Environmental and Regulatory
Activity Performance Report
For the period ending January 2023**

	YTD Actuals	YTD Budgets	YTD Variance	YTD Percentage Variance	Full Year Budget
Total Revenue	(2,383)	(2,413)	(30)	-1%	(3,757)
Subsidies and Grants	0	0	0	0%	(302)
Other Revenue	(1,087)	(1,097)	(10)	-1%	(1,700)
Rate Apportionment	(1,296)	(1,316)	(20)	-2%	(1,754)
Total Expense	1,874	1,971	96	5%	3,616
Other Expenses	254	378	124	33%	873
Personnel Costs	647	656	9	1%	1,138
Overhead Allocation	974	937	(37)	-4%	1,606
Grand Total	(508)	(442)	66		(140)

Variances > \$100k: Comments

Other Expenses

The overall variance mainly relates to the Better Off Funding budget within District Planning with a YTD actual of \$30k against a YTD budget \$135k.

**Roading and Footpaths
Activity Performance Report
For the period ending January 2023**

	YTD Actuals	YTD Budgets	YTD Variance	YTD Percentage Variance	Full Year Budget
Total Revenue	(12,065)	(11,751)	315	3%	(24,182)
Subsidies and Grants	(5,926)	(5,653)	273	5%	(16,018)
Other Revenue	(76)	(88)	(13)	-14%	(152)
Rates	(5,956)	(5,902)	54	1%	(7,869)
Rate Apportionment	(108)	(107)	1	1%	(143)
Total Expense	11,706	10,913	(793)	-7%	19,498
Other Expenses	3,883	3,841	(42)	-1%	7,269
Finance Costs	0	0	0	0%	104
Depreciation	5,974	5,137	(837)	-16%	8,806
Overhead Allocation	1,849	1,936	87	4%	3,318
Grand Total	(359)	(837)	(479)		(4,684)

Variances > \$100k: Comments

Subsidies and Grants

This variance mainly relates to both the receipt of unbudgeted revenue for Emergency Works.

**Rubbish and Recycling
Activity Performance Report
For the period ending January 2023**

	YTD Actuals	YTD Budgets	YTD Variance	YTD Percentage Variance	Full Year Budget
Total Revenue	(1,347)	(1,413)	(66)	-5%	(2,075)
Other Revenue	(470)	(545)	(75)	-14%	(919)
Rates	(760)	(752)	8	1%	(1,003)
Rate Apportionment	(116)	(115)	1	1%	(154)
Total Expense	1,230	1,229	(1)	0%	2,260
Other Expenses	962	960	(1)	0%	1,797
Finance Costs	0	0	0	0%	2
Depreciation	44	39	(5)	-13%	66
Overhead Allocation	224	230	6	2%	394
Grand Total	(117)	(184)	(67)		184

Variances > \$100k: Comments

No comments to make.

**Water, Sewerage & Stormwater
Activity Performance Report
For the period ending January 2023**

	YTD Actuals	YTD Budgets	YTD Variance	YTD Percentage Variance	Full Year Budget
Total Revenue	(7,261)	(7,305)	(44)	-1%	(10,223)
Subsidies and Grants	(570)	(479)	91	19%	(479)
Other Revenue	(39)	(104)	(65)	-62%	(178)
Rates	(6,651)	(6,722)	(71)	-1%	(9,566)
Total Expense	5,671	5,464	(207)	-4%	9,990
Other Expenses	2,281	2,209	(72)	-3%	3,839
Finance Costs	0	0	0	0%	572
Depreciation	2,318	2,147	(171)	-8%	3,681
Overhead Allocation	1,071	1,108	36	3%	1,899
Grand Total	(1,590)	(1,841)	(251)		(233)

Variances > \$100k: Comments

Subsidies and Grants

The first tranche of the Governments Three Waters Transition Funding of \$88k has been received.

Capital Expenditure +\$500k projects
For Period to 31 January 2023

Whole of Council	YTD Actuals	YTD Budgets	Full Year Budget	Comments
	11,117,579	17,227,370	33,159,378	

Business Units	YTD Actuals	YTD Budgets	Full Year Budget	Comments
	270,943	967,849	1,792,079	
95500701. Motor Vehicle Purchases (dr)	990	0	500,001	Procurement of vehicles is in underway. Information Services has spent in advance of budget, highlighting the variance.

Community and Leisure Assets	YTD Actuals	YTD Budgets	Full Year Budget	Comments
	2,345,555	3,016,833	6,560,713	
4410170611. Taihape Amenities Detailed Design Construction bf from 20/21	1,346,235	318,425	535,995	Detailed report provided separately to Council as part of PMO Reporting
4410174501. Taihape Amenities Detailed Design & Construction	0	1,087,500	2,900,000	Detailed report provided separately to Council as part of PMO Reporting

Roading and Footpaths	YTD Actuals	YTD Budgets	Full Year Budget	Comments
	5,209,991	6,079,109	13,679,887	
70100745. Marton Rail Hub	681,310	1,630,419	2,795,000	Detailed report provided separately to Council as part of PMO Reporting
70100781. Sealed Road Pavement Rehabilitation	502,614	463,565	1,204,105	Currently at 71% of the programme. Minor delay due to January weather events.
70100782. Drainage Renewals	207,154	309,270	749,700	Progressing as planned with the bulk of the physical work being in February and March. No change, still on track with existing programme.
70100783. Structures Components Replacements	120,408	328,817	597,816	Network bridge corrosion and asset assessments underway.
70100787. Sealed Road Surfacing	443,638	379,141	1,328,814	Currently at 64% of programme. Minor delay due to January weather events.
70100795. Improvements- Low Cost Low Risk	1,008,862	1,485,454	3,449,092	The work programme increases from October to March, highlighting the bulk of the expenditure.
70100797. Emergency Works 2022	1,238,189	0	0	Unbudgeted expenditure. This relates to work undertaken on emergency works of 2021/22. 84% of this will be funded by FAR, the remaining will be either debt funded or offset against underspends in other projects.
7030076106. Subdivisional Roads - Construction	240,000	114,975	197,100	Purchase of land, Henderson's Line - Lot 2, for future road connectivity to future developments north of the subdivision site as advised in Council Paper in May 2022.

Water, Sewerage & Stormwater	YTD Actuals	YTD Budgets	Full Year Budget	Comments
	3,291,091	7,163,579	11,126,699	
6060174501. New Plant	12,590	291,669	500,004	Detailed report provided separately to Council as part of PMO Reporting
6060174503. Marton Water Strategy - New Bore	688,824	972,224	2,000,000	Detailed report provided separately to Council as part of PMO Reporting
6070176204. 52: Wastewater Reticulation - Renewals	16,518	443,632	698,172	Marton wastewater pipe bridge, managed by MDC. In design stage and progressing.
6070176206. Marton to Bulls Centralisation Project	889,567	911,110	1,000,000	Detailed report provided separately to Council as part of PMO Reporting
6070176207. Land Purchase - Marton to Bulls Centralisation Project	0	1,200,000	1,200,000	Detailed report provided separately to Council as part of PMO Reporting
6060176316. Bulls Water Rising Main	454,093	0	0	Offset against Marton to Bulls Centralisation Project
6070177109. Taihape / Papakai Wastewater Pump Station	111,537	629,479	1,068,740	Project costs approved of \$6.35m. The increase of \$5.29 is unbudgeted expenditure. Detailed report provided separately to Council as part of PMO Reporting
6070177111. Ratana Complete Upgrade	634,672	1,023,530	1,750,695	Detailed report provided separately to Council as part of PMO Reporting

9.2 Treasury and Debt - January 2023**Author:** Dave Tombs, Group Manager - Corporate Services**Authoriser:** Dave Tombs, Group Manager - Corporate Services**1. Reason for Report**

- 1.1 To provide the Finance and Performance Committee with an overview of Council's current Treasury and Debt position.
- 1.2 A separate paper has been prepared that provides commentary regarding Council's future debt position.

2. Discussion

- 2.1 Note: the balances included in this report are only those that are relevant when considering Council's current treasury and debt position: other (non-financial) assets and liabilities also exist.

Investments

- 2.2 As stated in previous months' reports, Council currently earns a higher interest rate on its Current Account than it would earn on term deposits (upto 180 days). Accordingly, Council's Current Account Balance (\$6.9m at the end of January) exceeded the limit recommended in our Treasury Management Policy (\$3m).

Council has no other significant financial investments.

Liquidity

- 2.3 As at 31 January 2023 Council had a strong liquidity position as shown below:

2.3.1 Treasury Assets

- | | |
|-----------------|-----------------------|
| • Bank/Deposits | \$6.9 million |
| • Receivables | \$5.4 million |
| • Prepayments | \$0.6 million |
| • Total | \$12.9 million |

2.3.2 Treasury Current Liabilities

- | | |
|------------|---------------|
| • Payables | \$2.7 million |
|------------|---------------|

2.3.3 Net Current Treasury Position	\$10.2 million
--	-----------------------

Debt

2.4 Council currently has \$19m of long-term debt, as summarised below:

Amount	Maturity Date	Rate of Interest
3 million	15/4/2029	3.12%
5 million	14/4/2033	3.68%
11 million	15/4/2027	4.17%

2.5 Council's 22/23 Annual Plan includes a budgeted debt level at 30 June 2023 of \$47.7m.

Liquidity Ratios

2.6 At the April 2022 Finance/Performance Committee Meeting, Officers were asked to include Liquidity Ratios in future Treasury and Debt reports.

2.7 Council's Long Term Plan (pages 142 and 143) includes two Liquidity Ratio Benchmarks set by the Local Government Funding Agency. Based on Sections 2.2 to 2.3 above, the current performance in relation to these benchmarks is as follows (note these ratios are currently included in a more detailed report that is provided to each Risk and Assurance Committee):

2.8 Net Debt/Total Revenue must not exceed **175%**:

• Debt	\$19m
• Bank/Deposits	\$6.9m
• Net Debt	\$12.1m
• Budgeted Full Year Revenue	\$48m
Net Debt/Total Revenue	25%

2.9 External Debt plus Committed Facilities plus Liquid Assets (Available Finance) divided by External Debt must be greater than **110%**:

• External Debt	\$19m
• Bank/Deposits	\$6.9m
• Available Finance	\$25.9m
Available Finance divided by External Debt	136%

Attachments

Recommendation

That the report 'Treasury and Debt – January 2023' be received, noting the justification in S2.2 for Council having a Current Account Bank Balance higher than that recommended in Council's Treasury Management Policy.

9.3 Future Treasury Position

Author: Dave Tombs, Group Manager - Corporate Services

Authoriser: Peter Beggs, Chief Executive

1. Reason for Report

1.1 Further to the report provided to the Finance/Performance Committee meeting in December 2022, this report provides an update regarding financial impacts of the 3 Waters Reforms.

1.2 This report:

- is intended to be a standing item to Finance/Performance Committee, providing commentary regarding future Treasury figures based on 'what we currently know'; and
- sets the scene for future reports, with updates being included to reflect new information that arises.

2. Debt - Background

2.1 Senior finance representatives from Department of Internal Affairs (DIA) have requested a workshop on 1 March 2023 with Council officers (the Mayor, Deputy Mayor, Chair of Finance/Performance Committee also intend to attend) for the following Purpose:

Purpose

In-person formal engagement sessions with councils to discuss the Draft Settlement Accounts for the Three Waters Reform Programme, with a particular focus on agreeing the FY22 three waters debt transfer value.

While the focus of this session is on the debt transfer, we recognise that there is a strong link between your three waters debt, revenue arrangements, capital expenditure and many other financial indicators. Accordingly, we have allocated time to discuss these elements, including time to discuss any unique/bespoke items that are of interest to you.

2.2 Officers have previously provided DIA with an overview of its Three Waters related debt movements from June 2013 to June 2021, based on the Group Financial Information Statements (FIS) that are included in its Annual Report.

2.3 Each of these annual FISs show:

- Operating Income for the year
- Operating Expenses for the year
- Operating Surplus for the year
- Capital Income for the year
- Capital Expenses for the year

2.4 The nett difference between these figures is effectively an increase/decrease in Three Waters Debt or an increase/decrease in Three Waters Reserves.

Notes :

- transfers to Reserves for Three Waters ceased in 2018/2019 - since then all surplus/deficits have been transferred to Debt;
- the cumulative effect of transfers to/from to Debt are recorded in the FISs (the cumulative effect of transfers to Reserves are not).

3. Debt – 2012/13 to 2020/21

3.1 A summary of Council's Three Waters FISs for the 9 years between 2012/13 and 2020/21 is as follows (note Depreciation is excluded from this analysis as this analysis is purely 'cash' activity):

Operating Income	\$73.3m
Operating Expenses	(\$44.4m)
Operating Surplus	\$28.9m
Capital Income	\$1.2m
Capital Expenditure	(\$37.7m)
Cash Deficit	(\$7.6m)

Analysis of the Cash Deficit

Transfer to Reserves	\$3.8m
Increase in Debt	(\$11.6m)
Other	\$0.2m
Total	(\$7.6m)

4. Debt – 30 June 2021

- 4.1 Council's Three Water FISs at 30 June 2012 reported total Three Waters related debt of \$10.5m.
- 4.2 Adding the \$11.6m from S3.1.8 above provides a Three Waters debt figure at June 2021 of \$22.1m. However, this figure needs to have the Transfer to Reserves (\$3.8m) deducted, providing an amended figure of \$18.3m

5. DIA Approach to Council Debt

- 5.1 DIA have advised that Councils throughout NZ have used a wide range of different techniques/models to track their respective Three Waters debt as at June 2021.
- 5.2 DIA have accordingly provided Councils with 9 different models to help determine the level of their respective Three Waters debt and these models will be discussed at the March workshop.
- 5.3 Officers have reviewed these 9 models and concluded:
- 5.3.1 The first 7 of these models allocate a proportion of Whole-Of-Council (WOC) debt to Three Waters based on a different formulae. These 7 models do not apply to RDC as RDC's Three Water debt exceeded WOC debt (\$3m at June 2021); and

5.3.2 The other 2 models provide hypothetical Three Water debt levels of (indicative) \$25m and \$38m.

5.4 DIA have, informally, indicated a preference to base their initial discussions on our FIS models instead of the 9 models referred to above.

5.5 It is anticipated that the March workshop will clarify this position.

6. Impact on Strategic Risks

6.1 The impact of the Three Waters reforms has the potential to impact on most, if not all, of Council's Strategic Risks. Officers are assessing these impacts.

6.2 The financial aspects of this report directly relate to the '*Financial Stability Is Lost*' Strategic Risk. Officers are conducting the ongoing analyses summarised in this report to help mitigate the potential impact on this Risk.

7. Mana whenua implications

7.1 The impact of the Three Waters reforms has the potential to have mana whenua implications. Officers continue to monitor these implications.

Recommendation

That the report Future Treasury Position be received.

9.4 Annual Report 21/22 Progress Update**Author:** Dave Tombs, Group Manager - Corporate Services**Authoriser:** Dave Tombs, Group Manager - Corporate Services**1. Reason for Report**

- 1.1 A report was presented to the November and December Finance and Performance Committee meetings providing status updates on the completion of the 2021/22 Annual Report.
- 1.2 This report provides an update of the progress in, and expected timeframes associated with, the completion of the Annual Report 2021/22.

2. Commentary

- 2.1 Officers and Audit NZ are aiming to have the audit fieldwork completed so that Council's 2021/22 Annual Report can be approved in March 2023.
- 2.2 Delays in relation to the finalisation of Statement of Service Performance measures, asset revaluations, staffing constraints, holidays, COVID and the unexpected need to obtain independent audit review of our compliance with drinking water standards have all contributed to this process taking longer than initially expected.

Recommendation

That the report 'Annual Report 2021/22 Progress Update' be received.

9.5 LGFA - General Information**Author:** Dave Tombs, Group Manager - Corporate Services**Authoriser:** Dave Tombs, Group Manager - Corporate Services**1. Reason for Report**

1.1 To provide the Finance and Performance Committee with LGFA's quarterly report to shareholders.

2. Context

2.1 LGFA sends these reports to their members every three months. The Finance and Performance Committee has previously asked to receive these reports on a six-monthly basis.

2.2 This report is for general information purposes.

2.3 Council currently has a relatively low level of activity with LGFA. However, we expect to increase our borrowings from LGFA towards the end of the 2022/23 financial year.

Attachments

1. **LGFA Quarterly Report to Shareholders December 2022** [↓](#)

Recommendation

That the report 'LGFA - General Information' be received.



LGFA Quarterly Report to Shareholders



December Quarter 2022

Contents

A. December Quarter highlights	02
B. LGFA bond issuance over quarter	03
C. Summary financial information (provisional and unaudited).....	07
D. Strategic priorities. Performance against objectives and performance targets.....	07
E. Investor relations	15

A. December Quarter highlights

Quarter	Total	Bespoke Maturity	April 2023	April 2024	April 2025	April 2026	April 2027	May 2028	April 2029	May 2031	April 2033	May 2035	April 2037
Bonds issued \$m	1203	n/a	50	600	190			53	200	50	60		
Term Loans to councils \$m	976.8	559.1	41.0	41.6	36.0	106.1	90.5	52.5	50.0				
Term Loans to councils #	94	45	4	6	7	12	10	9	1				

Year to date	Total	Bespoke Maturity	April 2023	April 2024	April 2025	April 2026	April 2027	May 2028	April 2029	May 2031	April 2033	May 2035	April 2037
Bonds issued \$m	1763	n/a	110	730	240	130	103	200	150	60			40
Term Loans to councils \$m	1823.6	876.9	59.5	52.1	114.0	145.9	191.5	81.2	251.0	50.0			
Term Loans to councils #	162	77	5	10	11	20	20	14	4	1			

Key points and highlights for the December quarter:

- The LGFA bond yield curve rose and moved more inverted for the second consecutive quarter as the RBNZ tightened monetary policy with a 75 bps hike in the OCR to 4.25% and markets are now pricing in a further 130 bps of hikes by May 2023. Over the quarter, the 2025 LGFA bond yield rose by 55 bps to 5.48% while the 2037 LGFA bond yield rose by 25 bps to 5.67%.
- LGFA issued \$1.203 billion of bonds during the quarter through two bond tenders and one syndication in what remained a difficult environment for issuance. The average term of issuance during the quarter was a shorter than normal 4.07 years compared to 6.22 years for the financial year to June 2022.
- LGFA borrowing margins to swap narrowed between 7 bps and 11 bps over the quarter despite the additional supply of LGFA bonds. The announcement by Kainga Ora to cease issuing bonds helped sentiment and there was increased offshore investor buying of LGFA bonds. LGFA spreads to NZGB were mixed with short-dated maturities out to 2026 narrowing 12 bps but the 2037 spread widened by 22 bps as NZGBs were included in the World Government Bond Index on 1 November.
- Long dated lending to councils during the quarter of \$976.8 million was the third largest on record and combined with the strong September quarter lending, the H1 lending of \$1.82 billion was only surpassed by the six-month period to September 2020. The average term of lending during the quarter at 5.14 years was shorter than the 2021-22 financial year average of 6.22 years.
- LGFA has an estimated market share of 89% of total council borrowing for the rolling twelve-month period to December 2022 compared to a historical average of 75% since 2012.
- Short-term lending to councils decreased over the quarter by \$50 million to \$498 million of short-term loans outstanding on 31 December 2022 to thirty-one councils.
- LGFA Net Operating Gain (unaudited management estimate) for the six-month period to 31 December 2022 of \$1.11 million was \$282k above budget, comprising total operating income at \$145k above budget and expenses at \$137k below budget.
- We are on track to achieve sixteen out of our seventeen performance objectives after the first six half of the financial year with only our carbon reduction plan not being met as the plan has yet to be approved.
- Dunedin City Council and Environment Southland joined during the quarter as guarantors, bring the total number of council members to seventy-seven. Chatham Islands District Council is now the only non-member council in New Zealand. Dunedin City Treasury and Westland District Holdings joined as CCOs during the quarter and we now have three CCOs as members.
- We approved our first social housing loan to Christchurch City Council on behalf of the Ōtautahi Community Housing Trust and launched Climate Action Loans (CALs) for councils.
- We successfully held two webinars during the quarter to provide councils with an LGFA Update and an Economic and Financial Markets Update.
- We were voted the KangaNews New Zealand Debt Issuer of the Year for 2022.

B. LGFA bond issuance over quarter

We issued \$1.203 billion of bonds via two bond tenders (November and December) and a syndication in October. Issuance conditions remained difficult with rising interest rates, widening credit spreads, significant intraday volatility and subdued investor sentiment. We responded to these uncertain times by issuing bonds with a shorter duration than normal and used both tenders and syndication to raise funds.

The October syndication was undertaken rather than a bond tender due to the volatile market backdrop with large increases in global bond yields, big intraday swings in yields, widening credit spreads and investor nervousness. Recent high grade bond issuance by the NZ Government and Kainga Ora via bond tenders had been patchy and unpredictable in terms of outcomes.

We had also seen a surge in council long-term borrowing since the start of the financial year with \$1.16 billion of loans in the first four months of the financial year so there was a need to issue a large amount of bonds.

We continued the trend of issuing shorter bonds (2025s with 2.5 years left to maturity) to capture bank balance sheet demand but did also try to issue the 2029s to capture any investor demand. We targeted a funding requirement of \$800 million at the onset of the syndication process so were happy with the final issuance amount of \$800 million.

Price support was acceptable for both maturities as we issued 3 bps above the prevailing mid- market for a larger than normal amount of bonds. We received \$716 million of bids for the \$600 million of 2025s from eighteen investors and \$227 million of bids for the \$200 million of 2029s from fourteen investors.

The average maturity of the LGFA bonds issued was a short 3.51 years compared to the financial year average of 6.22 years. This was due to the high proportion of the short April 2025 bond maturity.

We on-lent \$313 million to sixteen councils with a weighted average term of lending at 5.5 years (67 months).

Syndication – 12 October 2022	15 Apr 2025	20 Apr 2029
Total Amount Offered (\$million)	600	200
Total Amount Allocated (\$million)	600	200
Total Number of Bids Received	716	227
Issuance Yield (%)	5.124	5.219
NZGB Spread at Issue (bps)	75.00	77.00
Swap Spread at Issue (bps)	28.00	56.00
Swap Spread: AA council (bps)	48.4	69.9
Swap Spread: AA- council (bps)	53.4	74.9
Swap Spread: A+ council (bps)	58.4	79.9
Swap Spread: Unrated council (bps)	68.4	89.9

The November bond tender result was one of the best in our ten-year history with \$200 million of issuance cleared at levels 2 bps to 5 bps below mid rates with strong bid coverage ratios.

Market sentiment had improved going into the tender with a significant increase in secondary market activity over the prior fortnight. The recent underperformance of LGFA bonds on a spread to NZGB due to the NZGB inclusion in the World Government Bond Index has sparked both offshore and domestic investor buying. LGFA bond yields were close to all-time highs for the respective bond maturities and had risen between 100 bps and 150 bps since June.

There had been no Kauri issuance for the previous two months and Kainga Ora had been issuing a smaller amount than normal. This has meant the amount of high-grade supply has been restricted to LGFA bonds.

We continued the trend of issuing shorter bonds to capture bank and offshore demand but did tender the 2031s as we had some longer dated council loans to hedge.

Overall bidding volume was particularly good at 2.8x coverage which was almost double that of the previous September tender. Successful bid ranges were good at between 1.5 bps (2031s) and 3.5 bps (2024s).

The average maturity of the LGFA bonds issued was again short at 4.2 years. We offered the 2024s as they will be too short to issue during the 2023 calendar year and issued 2031's to meet council borrowing demands.

We issued \$200 million of LGFA bonds and on-lent a larger than normal \$278 million to thirteen councils with a mix of new lending and refinancing of April 2023 loans. The average term of lending to councils at 5.5 years (64 months) was again lower than the long-term average of 78 months.

Tender 94 – 09 November 2022	15 Apr 2024	15 Apr 2026	15 May 2031
Total Amount Offered (\$million)	50	100	50
Total Amount Allocated (\$million)	50	100	50
Total Number of Bids Received	12	23	18
Total Amount of Bids Received (\$million)	180	265	116
Total Number of Successful Bids	5	8	8
Highest Yield Accepted (%)	5.465	5.425	5.410
Lowest Yield Accepted (%)	5.430	5.400	5.395
Highest Yield Rejected (%)	5.500	5.490	5.465
Lowest Yield Rejected (%)	5.465	5.430	5.410
Weighted Average Accepted Yield (%)	5.453	5.414	5.402
Weighted Average Rejected Yield (%)	5.474	5.443	5.428
Amount Allotted at Highest Accepted Yield as Percentage of Amount Bid at that Yield*	61.8	100	68
Coverage Ratio	3.60	2.65	2.32
NZGB Spread at Issue (bps)	82.00	78.00	85.00
Swap Spread at Issue (bps)	13.25	29.25	52.75
Swap Spread: AA council (bps)	31.75	48.25	68.5
Swap Spread: AA- council (bps)	36.75	53.25	73.5
Swap Spread: A+ council (bps)	41.75	58.25	78.5
Swap Spread: Unrated council (bps)	51.75	68.25	88.5

The December bond tender illustrated how a month can be a long time in markets as the November bond tender was one of the best outcomes we had, and the December bond tender was one of the more challenging tenders on record.

We had a poorly bid tender in terms of volume bid and the successful yields. We offered \$210 million of bonds across three maturities and did not issue the full amount (only \$203 million) with a small shortfall in the 2028 bond maturity.

The market volatility, proximity to Christmas and a large number of significant market moving events during the week of the bond tender made it difficult. In the preceding fortnight, the NZ Debt Management at Treasury also had an undersubscribed bond tender so we were not alone in navigating the difficult market conditions. Bond yields had rallied 60 bps from their recent highs in late October, so investors were reluctant to purchase more fixed interest securities.

We thought it might be a difficult tender given the market volatility and key events during the tender week - FOMC on the tender morning, the prior night's US CPI that led to a large overnight rally in bond yields and the Half Year Fiscal Economic Update (HYFEU) which outlined a significantly larger NZ Government borrowing programme and the wide Q3 current account deficit.

The tender size of \$210 million was the largest tender since February 2022 and compared to an average for the 2021-22 financial year of \$189 million.

Price support was best for the 2026 bond maturity as it went 1.5 bps above the prevailing mid-market for the largest amount offered.

Overall bidding volume was the worst of the ninety-five bond tenders on record with coverage of 1.2x and we under accepted the 2028s (taking \$53 million out of \$70 million offered) and over accepted the 2026s (taking \$90 million vs \$80 million offered). Successful bid ranges were wide at between 7 bps (2026s) and 12.5 bps (2033s). The 2026 range was distorted by a small bid 4 bps below the next lowest bid. The number of successful bids ranged between eleven (2026s) and seventeen (2033s).

The average maturity of the LGFA bonds issued at 6.03 years was close to the 2021-22 financial year average of 6.22 years and above the current year average term of issuance of 4.37 years.

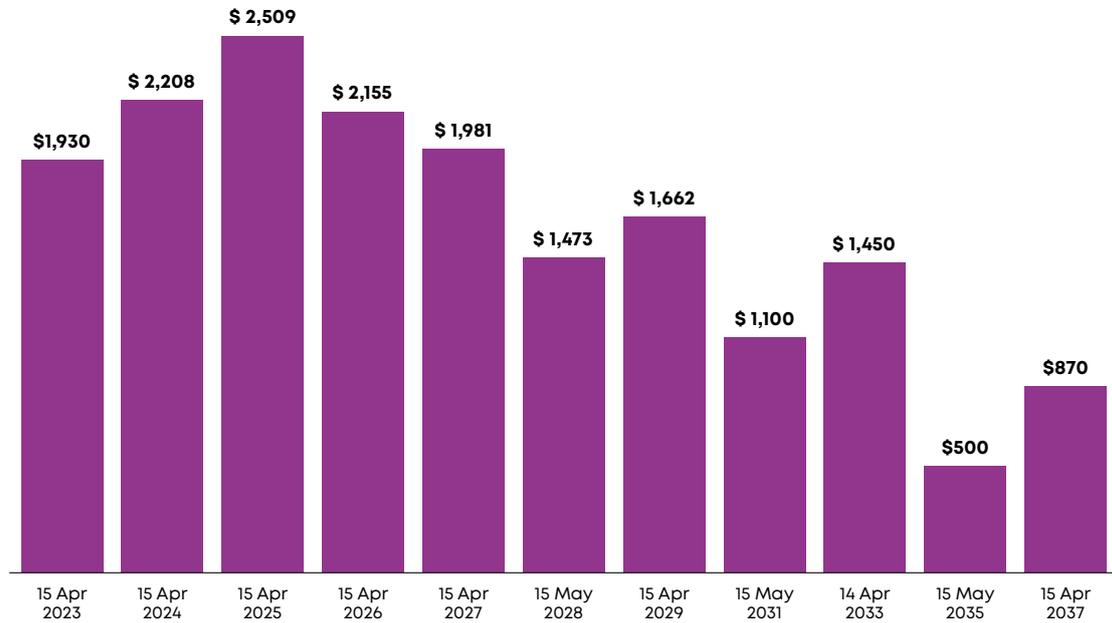
We on-lent a larger than normal \$330.5 million to seventeen councils with predominantly new lending with an average loan term at 4.5 years.

Tender 95 – 14 December 2022	15 Apr 2026	15 May 2028	15 Apr 2033
Total Amount Offered (\$million)	80	70	60
Total Amount Allocated (\$million)	90	53	60
Total Number of Bids Received	17	14	17
Total Amount of Bids Received (\$million)	115.3	65	63
Total Number of Successful Bids	11	12	17
Highest Yield Accepted (%)	5.050	4.925	4.990
Lowest Yield Accepted (%)	4.980	4.845	4.865
Highest Yield Rejected (%)	5.180	4.955	4.990
Lowest Yield Rejected (%)	5.050	4.950	4.990
Weighted Average Accepted Yield (%)	5.036	4.872	4.904
Weighted Average Rejected Yield (%)	5.090	4.951	4.990
Amount Allotted at Highest Accepted Yield as Percentage of Amount Bid at that Yield*	83.4	100	70
Coverage Ratio	1.44	0.93	1.05
NZGB Spread at Issue (bps)	57.00	64.00	76.00
Swap Spread at Issue (bps)	25.00	37.75	57.50
Swap Spread: AA council (bps)	47	58.25	76.75
Swap Spread: AA- council (bps)	52	63.25	81.75
Swap Spread: A+ council (bps)	57	68.25	86.75
Swap Spread: Unrated council (bps)	67	78.25	96.75

LGFA NZX-listed bonds on issue (NZ\$ million, face value)

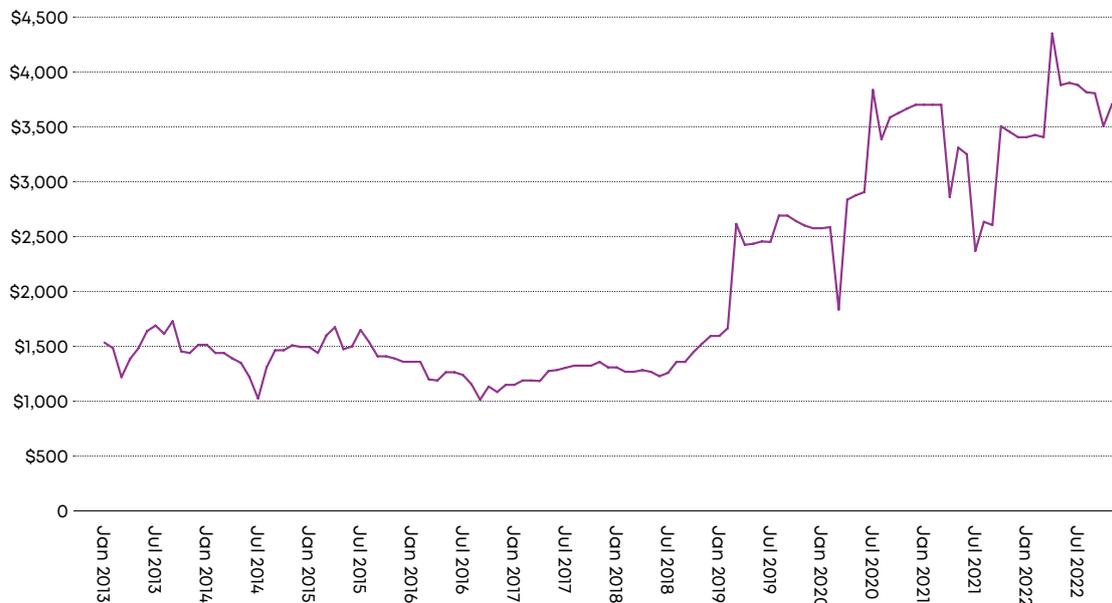
As at 31 December 2022 NZ\$17,838 million

Includes NZ\$1,100 million treasury stock



We have eleven LGFA bond maturities listed on the NZX Debt market that finance our long-term lending to councils. Our issuance volume on a rolling 12-month basis to December 2022 of \$3.61 billion was just below the record of \$4.35 billion for the 12-month period to April 2022 (which included the May 2021 syndication as well as the April 2022 syndication).

Rolling 12 month Issuance (\$ millions)



C. Summary financial information (provisional and unaudited)

The following results are management estimates only and are unaudited.

Financial Year (\$m) – cumulative	YTD as at Q2
Comprehensive income	31 Dec 22
Interest income	312.883
Interest expense	307904
Net interest revenue	4,979
Other operating Income	0.671
Total operating income	5,651
Issuance and On-lending costs	1.718
Approved issuer levy	0.343
Operating expenses	2.481
Issuance and operating expenses	4,542
Net Profit	1,108
Financial position (\$m) – as at	31 Dec 2022
Retained earnings + comprehensive income	79,453
Total assets (nominal)	17,983,313
Total LG loans (nominal)	15,679,831
Total LGFA bills (nominal)	642.0
Total LGFA bonds (nominal)	16,738
Total borrower notes (nominal)	313,282
Total equity	104,453

D. Strategic priorities. Performance against objectives and performance targets

D1. Governance, capability and business practice

Performance target	2022-23 Target	Performance against target
Comply with the Shareholder Foundation Polices and the Board-approved Treasury Policy at all times.	No breaches	Met – No breaches
Maintain LGFA's credit rating equal to the New Zealand Government's sovereign rating where both entities are rated by the same Rating Agency.	LGFA credit ratings equivalent to NZ Sovereign.	Met – Fitch Ratings upgraded LGFA Foreign Currency Rating to AA+ on 16 Sept 2022
LGFA's total operating income for the period to 30 June 2023.	> \$12.2 million	On Track – \$5,651 million as at 31 Dec 2022
LGFA's total operating expenses for the period to 30 June 2023.	< \$9.4 million	On Track – \$4,542 million as at 31 Dec 2022

There have been no policy breaches during the quarter and we are on track to meet our financial targets as at 31 December.

Fitch Ratings upgraded our long-term foreign currency credit rating to AA+ on 16 September 2022. S&P Global Ratings affirmed our domestic currency credit rating at AAA in February 2022. Our ratings remain equivalent to the New Zealand Government for both S&P Global Ratings and Fitch Ratings.

The 2022 AGM was held in Wellington on 23 November and was notable for the retirement of John Avery who had been an Independent Director since LGFA was incorporated in November 2011. Shareholders elected Helen Robinson to replace John.

D2. Optimising financing services for local government

Performance target	2022-23 Target	Performance against target
Share of aggregate long-term debt funding to the Local Government sector.	> 80%	Met – 89% as at 31 Dec 2022
Total lending to Participating Borrowers.	> \$15,004 million	On Track – \$15,680 million as at 31 Dec 2022
Conduct an annual survey of Participating Borrowers who borrow from LGFA as to the value added by LGFA to the borrowing activities.	> 85% satisfaction score	Met – 100% satisfaction score in Aug 2022 Stakeholder Survey
Successfully refinance existing loans to councils and LGFA bond maturities as they fall due.	100%	Met
Meet all lending requests from Participating Borrowers, where those requests meet LGFA operational and covenant requirements.	100%	Met

Objectives:

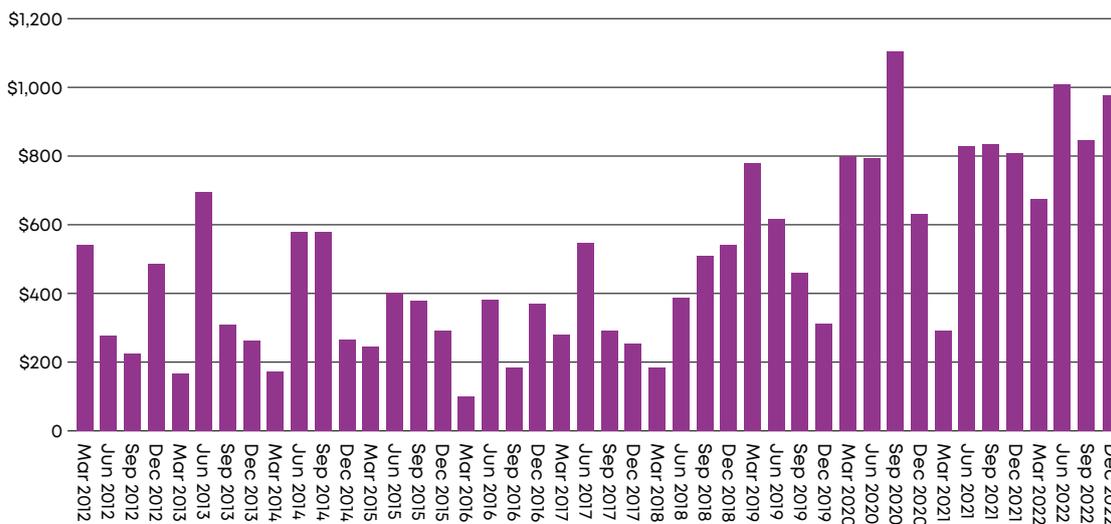
- Provide interest cost savings relative to alternative sources of financing.
- Offer flexible short and long-term lending products that meet the borrowing requirements for borrowers.
- Deliver operational best practice and efficiency for lending services.
- Ensure certainty of access to debt markets, subject always to operating in accordance with sound business practice.

LGFA provides short term loans (less than one year maturity), long term loans (between one year and April 2037), Green Social and Sustainable (GSS) Loans and standby facilities to councils and CCOs. Long term and GSS loans can be on a floating or fixed rate basis.

We have lent \$977 million to thirty-seven councils during the December quarter with Christchurch and Wellington City Councils being the largest borrowers. The average term of borrowing over the quarter at 5.14 years was shorter than the 2021-22 financial year average term of 6.22 years.

The December quarter lending was the third largest quarter on record and followed on from the September quarter being the fourth largest. Long term lending to councils for the six-month period to December 2022 of \$1.824 billion is just below the record of \$1.899 billion for the September 2020 half year. The six-month total is tracking above the forecast \$2.95 billion of council borrowing for the 2022-23 financial year.

Council Borrowing from LGFA – quarterly (NZ\$ million)



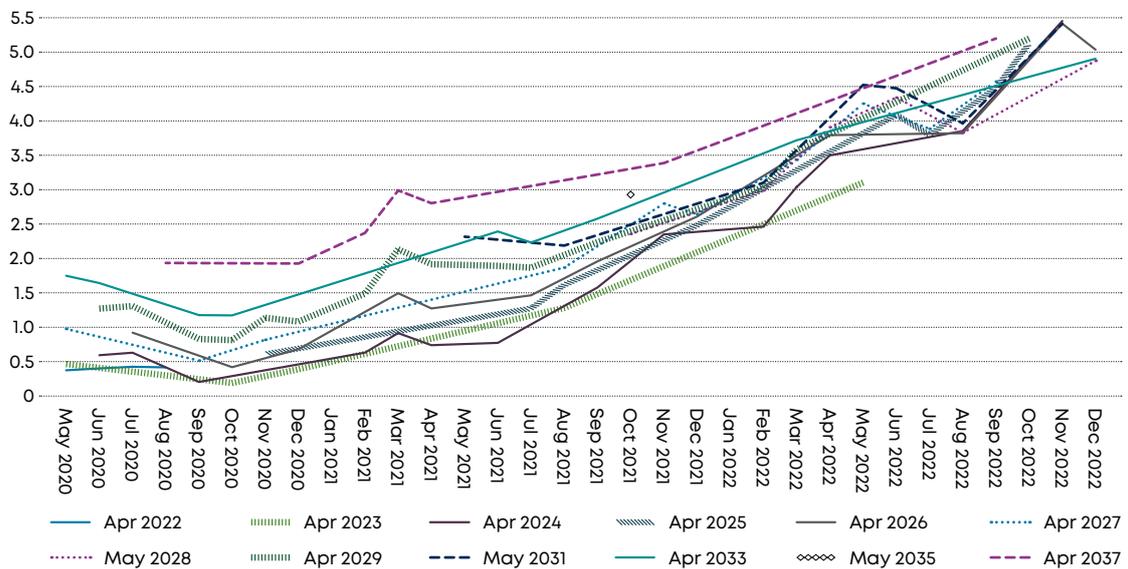
Our borrowing margins are similar to other high-grade issuers in the New Zealand capital markets.

Comparison to other high-grade issuers – secondary market spread to swap (bps)

31 Dec 2022	Comparison to other high-grade issuers – secondary market spread to swap (bps)											
	2023	2024	2025	2026	2027	2028	2029	2030	2031	2033	2035	2037
LGFA (AAA)	2	9	15	23	28	35	44		48	54	69	81
Kainga Ora (AAA)	-6		7	12	18	27		30			47	
Asian Development Bank (AAA)	2	12	18	21	28	32			47			
IADB (AAA)	7	16	18	27	29	41						
International Finance Corp (AAA)	7	10	19	20	29		33					
KBN (AAA)	13	26	25		34			52				
Rentenbank (AAA)	6	14	21		24		38					
World Bank (AAA)	4	14	14	19	29	31		41				
Nordic Investment Bank (AAA)	3		17									
ANZ (AA-)	21	29										
BNZ (AA-)	19		39	63	76	92						
Westpac Bank (AA-)	15	38	43	58	75							
SSA Average	6	15	19	22	29	35	31	47	47			
Bank Average	18	34	41	61	76							

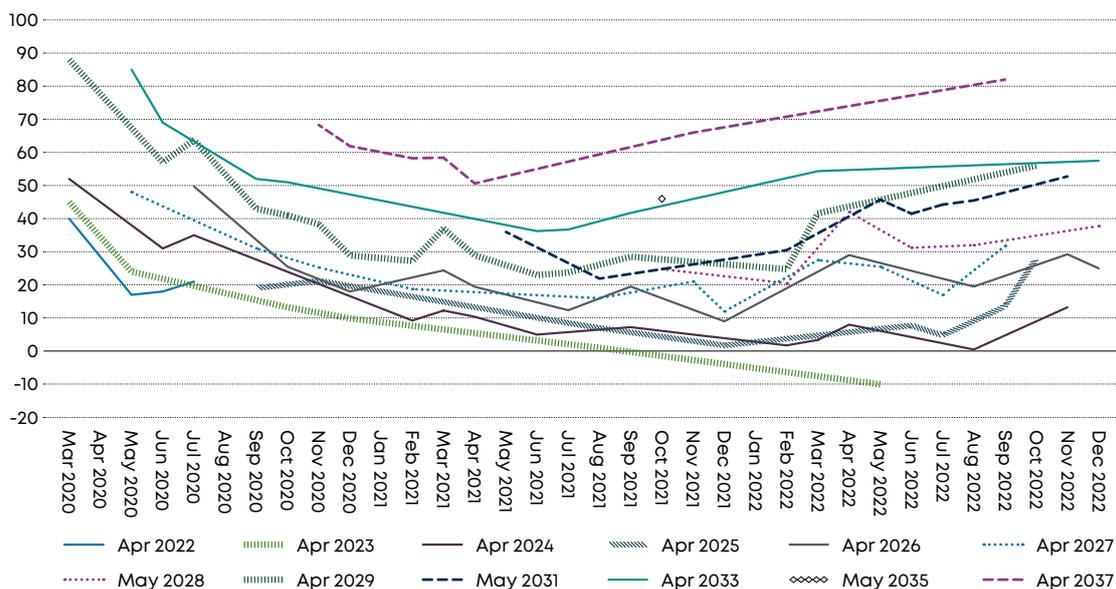
LGFA Bond Issuance Yields (%)

Last 30 tenders



Spread to swap

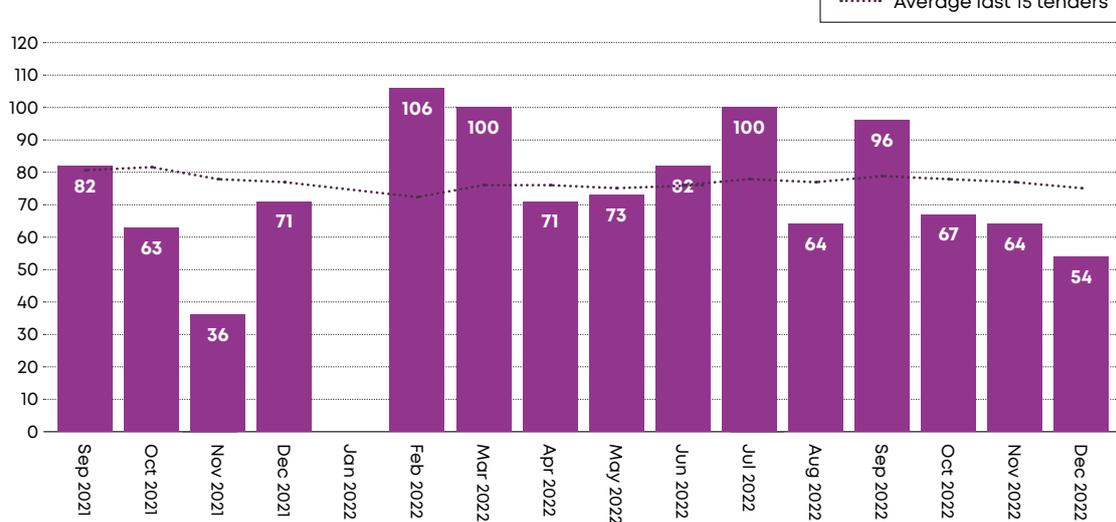
Last 30 tenders



The average borrowing term (excluding short-dated borrowing) for the December quarter by council members was 5.01 years and was shorter than the 6.17-year average term for the September quarter and 6.22 years for the year to June 2022.

Average total months to maturity – on lending to councils

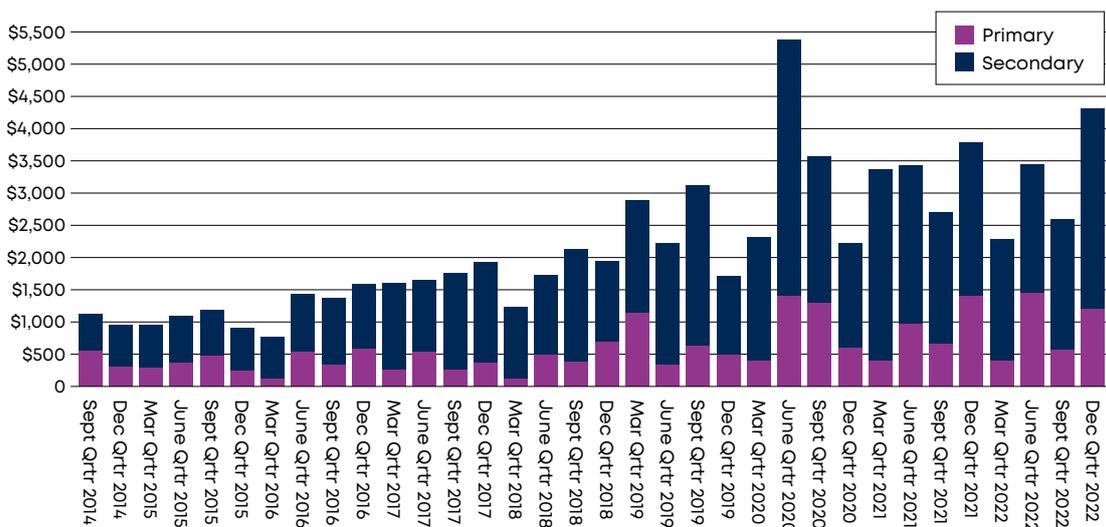
Last 15 tenders



Short-term borrowing by councils and CCOs with loan terms of between one month and 12 months remains well supported with \$497.6 million outstanding as of 31 December 2022 to thirty-one councils. The number of councils and CCOs using this product increased by two over the quarter while the total amount outstanding decreased by \$50 million. One borrower lengthened the term of their borrowing by financing long term and repaid their short-term borrowing.

For LGFA to provide certainty of access to markets for our council borrowers we need to have a vibrant primary and secondary market in LGFA bonds. The primary market is the new issuance market, and we measure strength through participation by investors at our tenders through bid-coverage ratios and successful issuance yield ranges. The secondary market is the trading of LGFA bonds following issuance and a high turnover implies a healthy market. Activity in LGFA bonds in both the primary market (tender or syndicated issuance) and secondary market (between banks and investors) was strong during the December quarter. We issued \$1.203 billion of bonds and secondary market turnover of \$3.1 billion during the quarter was the second highest on record after the June 2020 quarter.

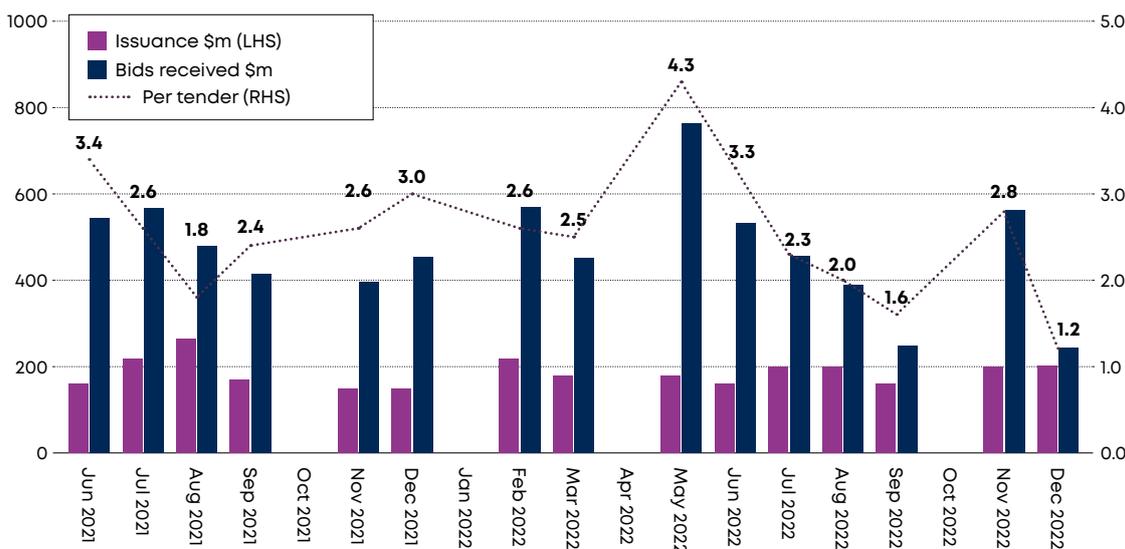
LGFA Primary and Secondary Market Activity – Quarterly (NZ\$ million)

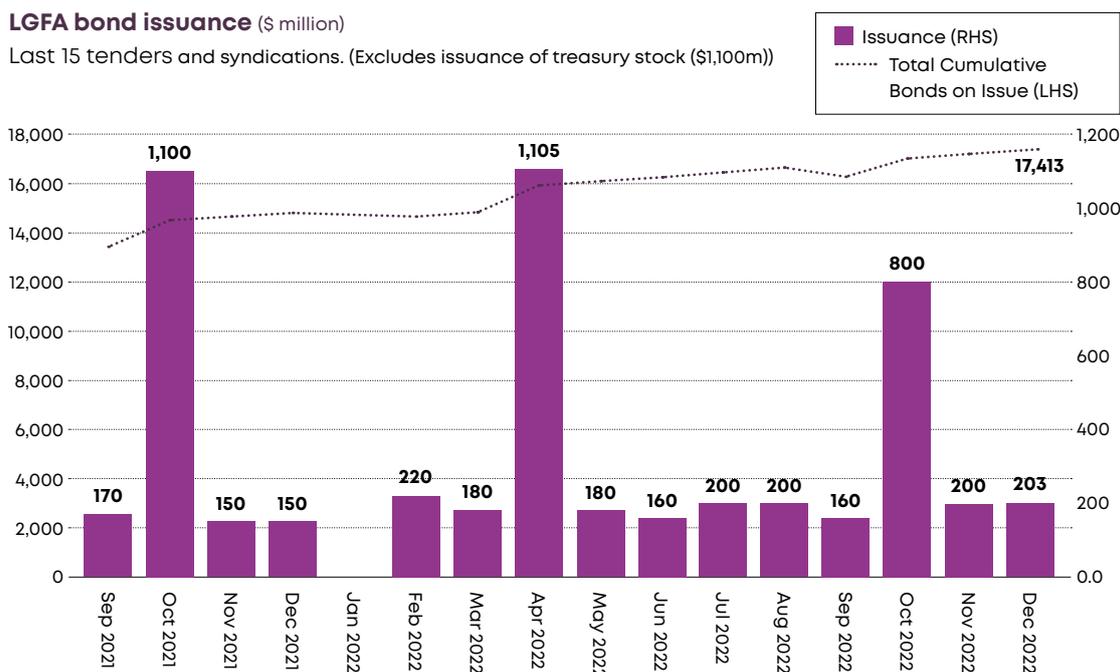


LGFA commenced issuing LGFA Bills and short dated (less than 1 year) lending to councils in late 2015. As at 31 December 2022 there were \$642 million of LGFA Bills on issue which is a record high compared to the range of \$500 million and \$642 million for the past eighteen months. We use proceeds from LGFA bills to fund short term lending to councils and hold the balance for liquidity purposes in our liquid asset portfolio.

Tender bid coverage ratio

Last 15 tenders

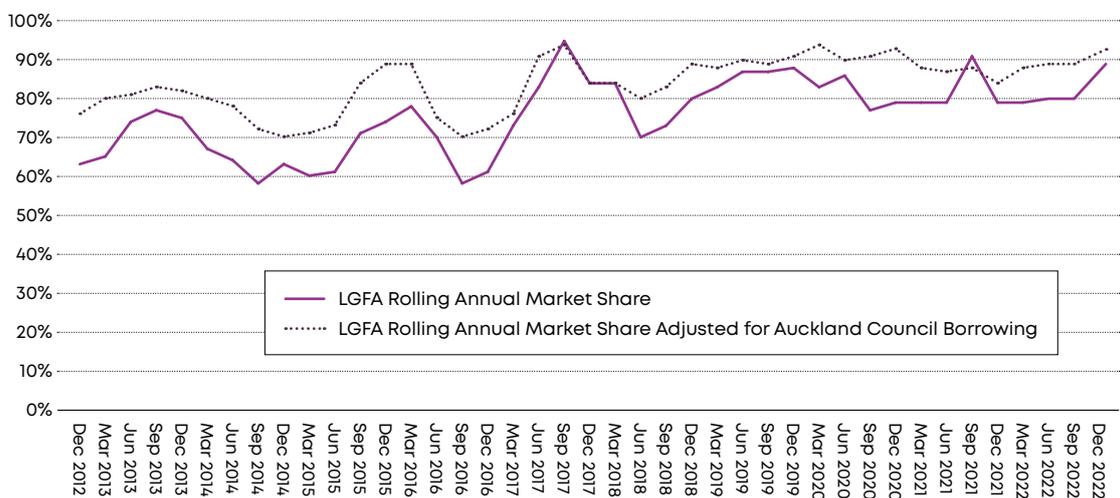




LGFA documented an Australian Medium-Term Notes Programme in November 2017 and updated the Programme in March 2020. We have no immediate intention to use this programme, but it provides flexibility if there is a market disrupting event in the future.

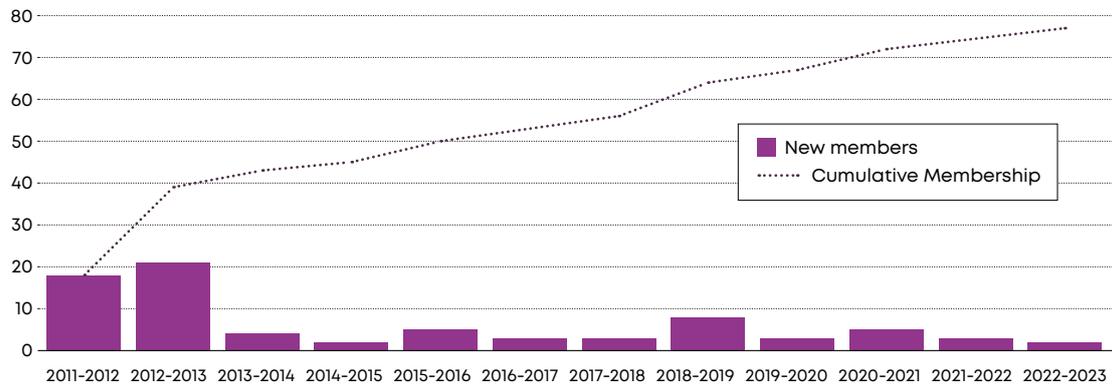
Council membership and market share

LGFA Market Share – rolling one year average



We use the PwC Local Government Debt Report as our source of market share. Our estimated market share for the rolling twelve-month period to 31 December 2022 was 89%. If we adjust for Auckland Council borrowing from both LGFA and from the market in its own name, then our market share increases to 92.6%. Our market share has increased over the past six months due to Auckland Council borrowing less in the domestic market. Our market share compares favourably to our historical average of 75% and our market share remains high compared to our global peers.

Council Membership (as at 30 September 2022)



As at 31 December 2022, there are seventy-seven councils and three CCO as members of LGFA.

Dunedin City Council and Environment Southland joined during the quarter as guarantors while Dunedin City Treasury Limited (DCTL) and Westland Holdings Limited (WHL) joined as CCOs. The number of guarantors has increased by two over the quarter to now total seventy-one.

Invercargill City Holdings Limited (ICHL) joined as a member in July 2021. As at 31 December 2022 ICHL have borrowings outstanding of \$104.9 million. The amount borrowed has increased by \$14.5 million over the quarter. WHL has borrowed \$2.4 million while DCTL has yet to borrow.

D3. Environmental and social responsibility

Performance target	2022-23 Target	Performance against target
Comply with the Health and Safety at Work Act 2015	No breaches	Met
Maintain Toitū Carbon Zero certification	Carbon-zero certification maintained.	Met
Meet reduction targets outlined in our carbon reduction management plan.	Reduction targets met.	Carbon Reduction Plan being established
Increase our GSS Lending Book	Two new participating borrowers enter into GSS loans	On Track with three new projects approved and one new loan drawn.
Ensure Annual Report is prepared in compliance with applicable GRI Standards	100%	Met
Meet all mandatory climate reporting standards	100%	Met

We are currently working on the Carbon Reduction Plan targets for each year and as a result, we cannot report on progress to date. We should have the targets completed in the coming quarter.

Objectives:

- Assist the local government sector in achieving their sustainability and climate change objectives.
- Improve sustainability outcomes within LGFA.

During the quarter, we approved our first project eligible for social lending under the GSS framework for the Christchurch City Council. This was for the Ōtautahi Community Housing Trust with lending up to \$55 million for low-cost community housing. This takes the total number of GSS loans approved to five with a combined value of \$543 million and there has been \$121 million in drawdowns as at 31 December 2022. For further information on GSS loans see the Sustainability Section on our website.

We launched Climate Action Loans (CALs) on 1 December 2022 where a council will receive a discounted loan margin if they have in place a GHG Emission Reduction Plan and are meeting their emission reduction targets. The advantage of CALs is that unlike GSS loans, they do not have to be project specific. For further information on CALs see the Sustainability Section on our website.

D4. Effective management of loans

Performance target	2022-23 Target	Performance against target
Review each participating borrower's financial position under LGFA policies.	100%	On Track
Arrange to meet each Participating Borrower at least annually, including meeting with elected officials as required, or if requested.	100%	On Track

Objectives:

- 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 meet each participating borrower annually, including meeting with elected officials as required, or if requested.

We undertook meetings with three councils and CCOs during the December quarter following on from twenty-seven in the September quarter. LGFA continues to review council agendas and management reports on an ongoing basis for those councils on the LGFA borrower watch-list.

We have received compliance certificates for LGFA covenants from all of our council and CCO members who had debt outstanding as at June 2022 and no council has requested that they be measured on a group basis. Some certificates have been provided based upon unaudited financial statements given the delays in providing final audit signoff due to auditor shortages.

We have attached to this report a list of all covenant outcomes for the council borrowers. No council or CCO is in breach of their applicable covenants.

D5. Industry leadership and engagement

Objectives

- 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.
- Assist the local government sector with significant matters such as COVID -19 response and the proposed Three Waters Reform Programme.
- Support councils and CCOs in the development of reporting disclosures of the impacts of sector activity on climate change.

We held two Webinars during the quarter for our council and CCO stakeholders

- A LGFA Update
- An Economic and Financial Market Update by Stephen Toplis the Head of Research at BNZ

Both webinars were well received by participants and we will continue with them on a quarterly basis.

Throughout the quarter we have had numerous meetings with Treasury, the National Transition Unit and Policy teams at DIA and their advisers regarding Three Waters Reform. We are actively working with them on issues relating how to debt being transitioned on 1 July 2024 and how the WSEs access borrowing through a variety of sources following transition. The Water Services Legislation Bill was introduced to Parliament on 8 December and had its first reading on 13 December. We are considering the contents of the Bill and assessing what role LGFA could play under the Three Waters Reform Programme. We are likely to be in contact with key stakeholders in the coming quarter.

LGFA has provided input into the Ratepayer Financing Scheme (RFS) project managed by a group of councils with advice from Cameron Partners. If successful, the RFS could offer temporary financial relief to ratepayers via rates postponement. LGFA is not contributing financially to this project but providing intellectual capital and assistance.

We continue to try to progress two initiatives to reduce compliance and documentation requirements for councils when they borrow from LGFA. These relate to a universal stock security certificate and for councils to allow delegation of a CEO certificate for borrowing. We are however reliant upon other organisations to work through these changes for us and do not have much control over timelines.

E. Investor relations

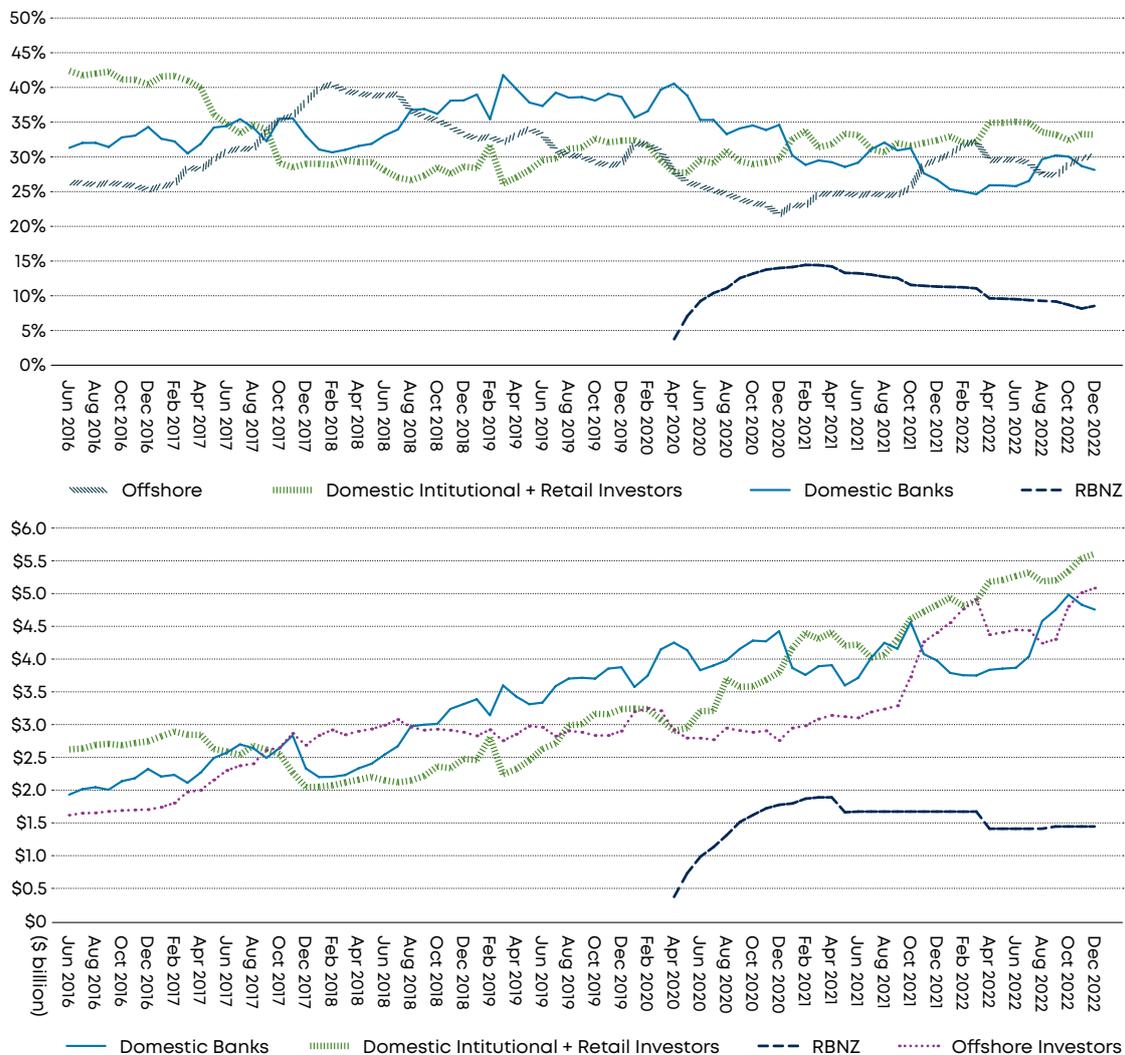
Managing relations with our investor base is especially important as the amount of LGFA bonds on issue has yet to peak and we require investors and banks to support our ongoing tender issuance.

In October we presented at a New Zealand Investor Roadshow with other high grade domestic issuers in Japan and Singapore and at a conference in Sydney.

Over the three-month period to 31 December 2022, we issued \$1.203 billion of LGFA bonds. The change in holdings amongst our investor groups during the quarter was

- Offshore investor holdings increased by \$788 million (and increased by \$680 million from 31 December 2021) with holdings estimated to be \$5.09 billion on 31 December 2022.
- Domestic bank holdings increased by \$7 million (and up \$771 million from 31 December 2021), with holdings estimated to be \$4.75 billion on 31 December 2022.
- Domestic investor (retail and institutional) holdings increased by \$404 million (and up \$775 million from 31 December 2021), with holdings estimated to be \$5.60 billion on 31 December 2022.
- The Reserve Bank of New Zealand (RBNZ) holdings were unchanged over the quarter and totalled \$1.43 billion as of 31 December 2022.

LGFA Bond Holdings by Investor Group (% and \$ billions)



9.6 QV Report**Author:** Dave Tombs, Group Manager - Corporate Services**Authoriser:** Dave Tombs, Group Manager - Corporate Services**1. Reason for Report**

- 1.1 To provide the Finance and Performance Committee with data provided by QV.
- 1.2 Officers provide this data in response to a prior request from members of the Committee. Officers have previously noted that certain market transactions cause apparent anomalies in some of the data included in the attached and emphasise that this raw information is not used for any decision making.

2. Summary

- 2.1 QV have ceased providing the report that was formerly provided to the Finance/Performance Committee and are in the process of providing the data in an alternative format.
- 2.2 The attachment to this report is an interim format that is currently being developed. Note that the data included in the attached mini-report is 'live' data so is current as at the first week of February 2023.

3. Explanations

- 3.1 QV have provided the following explanations for some terminology used in the Building Consents 'Outstanding' section of the attached report. These figures arise from the 'general practice' of QV visiting a property six months after the Building Consent application has been approved (actual timing of the visit is also based on logistical considerations):
 - 3.1.1 Under Construction: the visit reveals that construction has not been completed (QV will schedule a follow up visit); and
 - 3.1.2 Ready to Check: the 'six month waiting period' has lapsed and QV are in the process of scheduling/conducting the inspection visit. On inspection if the property is found to be not ready to value, QV would extend the date for re-inspection and the property will revert to "Under Construction" until the date is met and ready to value again.

Attachments

1. **QV Report - January 2023** [↓](#)

Recommendation

That the QV Report be received.

QV'S Application Logout

38 - Rangitikei ... Search



TOTAL CAPITAL VALUE
\$6,359,258,650
SINCE 1 JULY 2022 +0.14%

TOTAL LAND VALUE
\$4,123,105,950
+0.06%

TOTAL RATING UNITS
8,705
+31

RATING VALUATION
01 September 2020

NEXT RATING VALUATION
01 September 2023

Report Centre

- Building Consents Listing
- Objections Listing
- Outstanding Objections
- Subdivisions Listing
- Sales Listing

QV Insights

We offer a wide variety of reports and commentary to help you analyse your local property market.

- QV Reports
- QV Analysis

Your QV Contacts

Simon Willocks
Manager - Manawatu/Taranaki
06 351 6117
Simon.Willocks@qv.co.nz

Paul McCorry
Operations Manager
04 576 4477
Paul.McCorry@qv.co.nz

Building Consents

COMPLETED
4
This Month
100
Since 1 July

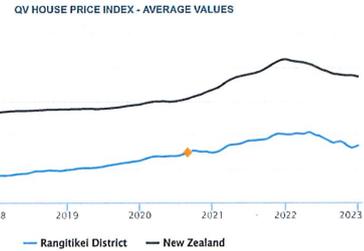
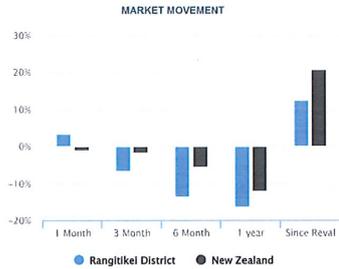
OUTSTANDING
Under Construction
176
Ready to Check
123

Subdivisions



Sales Information

PROCESSED
12
This Month
192
Since 1 July



Maintenance Objections

DECISIONS ISSUED
0
This Month
1
Since 1 July

THIS MONTH
Decisions Issued
0
To Action
0

9.7 Public Feedback to Council - February 2023**Author:** Carol Gordon, Group Manager - Democracy & Planning**Authoriser:** Carol Gordon, Group Manager - Democracy & Planning**1. Reason for Report**

- 1.1 This report provides the Finance/Performance Committee with the regular monthly report from Council's HappyOrNot system. Feedback from the feedback system - Korero Mai – Have Your Say is also included.

2. Context

- 2.1 The Happy or Not report for the month of January 2023, showing results from over the four locations, is attached (Attachment 1).
- 2.2 A total of 390 responses were received during the month from the Marton main office, Te Matapihi, Marton Library and Taihape Library / Information Centre. 80% of the feedback was very positive. You will note that a comment in the open feedback has been redacted, due to reference to a specific person. As seems to be the trend there is more negative feedback received during the school holiday period at the libraries due to the children behaving badly.
- 2.3 Also attached (Attachment 2) is feedback from the Korero Mai – Have Your Say feedback system, via QR codes and the Council website. Its great to see this feedback system starting to be used more and seeing some of the suggestions that are made, staff get sent these suggestions to see if its something they can act on or implement.

3. Decision Making Process

- 3.1 This item is not considered to be a significant decision according to the Council's Policy on Significance and Engagement.

Attachments:

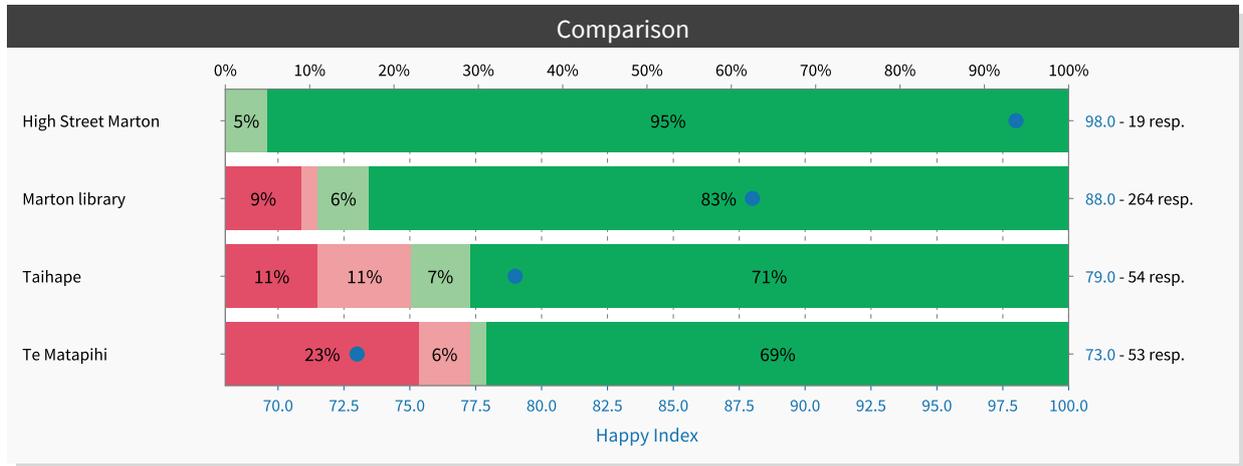
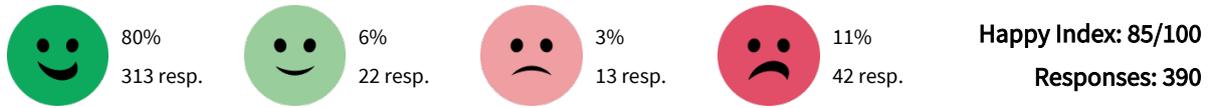
1. **Happy or Not Report - Jan 2023** [↓](#)
2. **Korero Mai Feedback Form Report - February 2023** [↓](#)

Recommendation

That the Public Feedback to Council Report – February 2022 be received.

Monthly report January 2023	Management report RDC Offices (4 units)
---------------------------------------	---

Please rate our service today



Risers		
Survey	Index	Change
High Street Marton	98	1% ↑

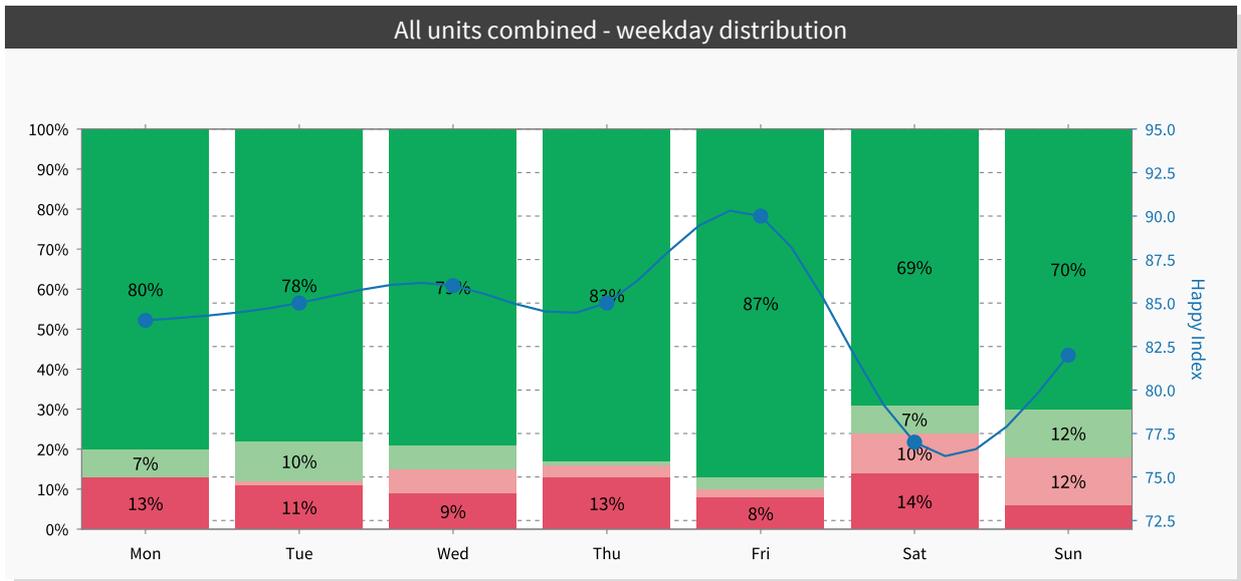
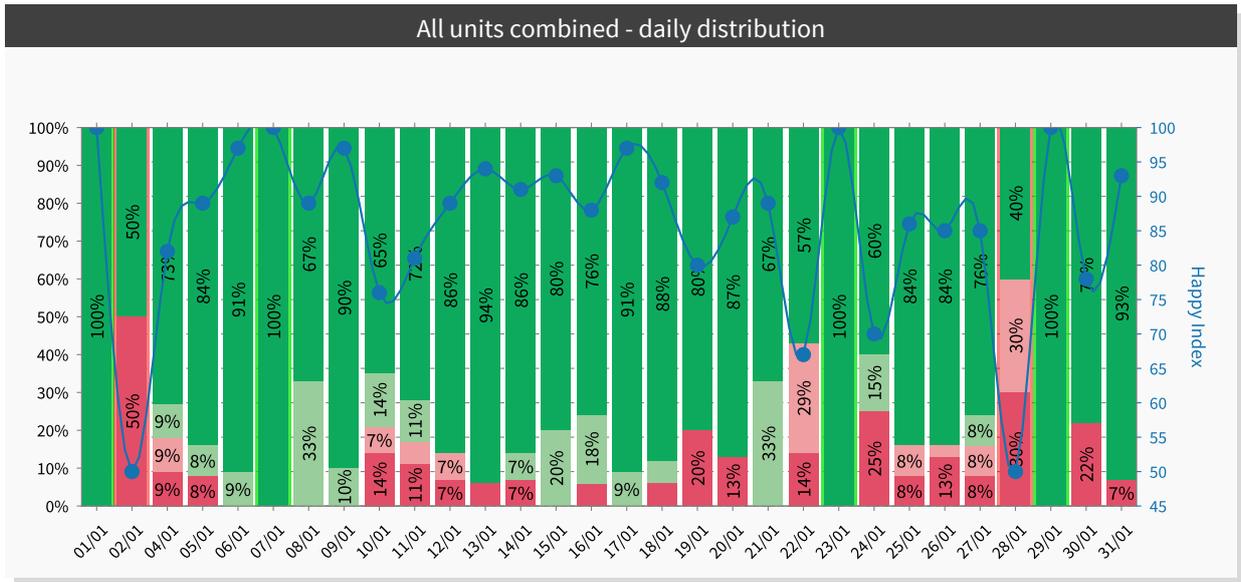
Fallers		
Survey	Index	Change
Marton library	88	-1% ↓
Taihape	79	-4% ↓
Te Matapihi	73	-12% ↓

HappyOrNot®

ITEM 9.7 ATTACHMENT 1

Monthly report
January 2023

Management report
RDC Offices (4 units)



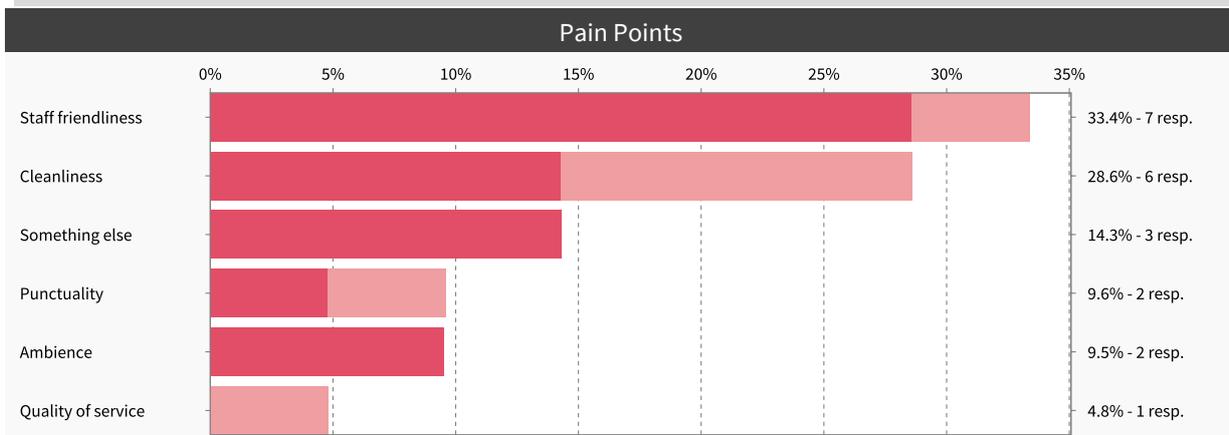
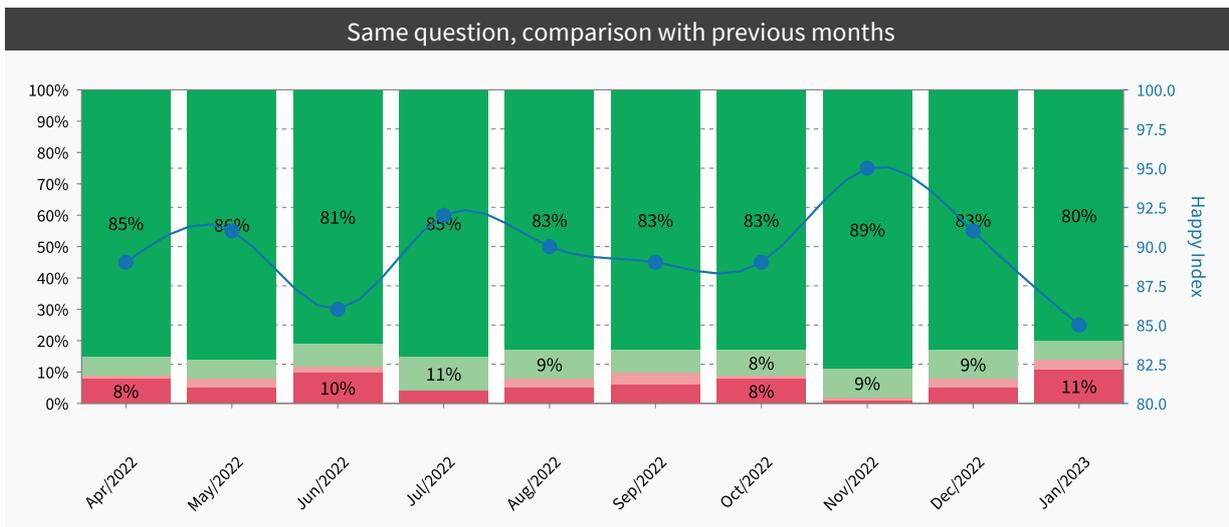
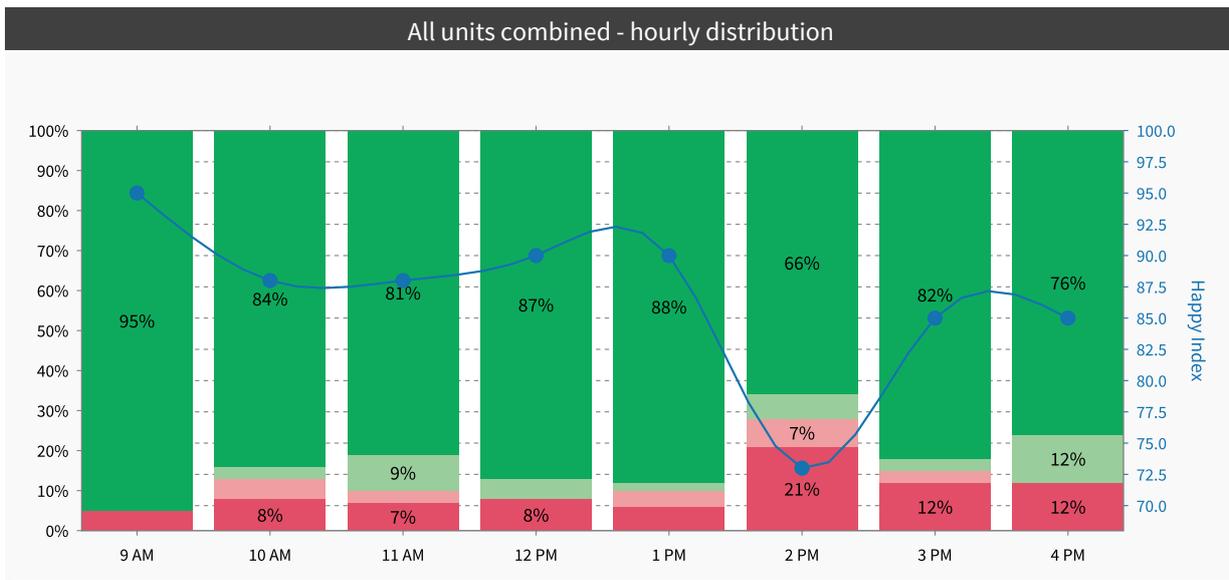
HappyOrNot®

Monthly report

January 2023

Management report

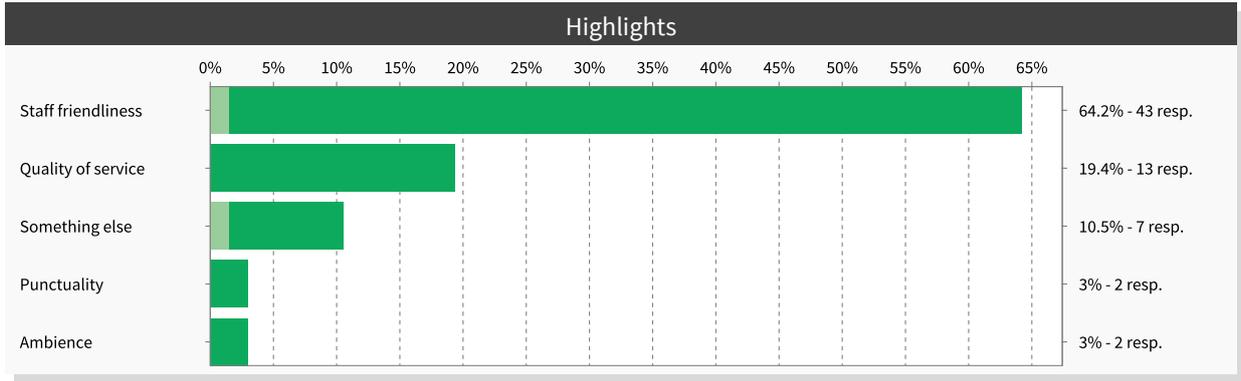
RDC Offices (4 units)



HappyOrNot®

ITEM 9.7
ATTACHMENT 1

Monthly report January 2023	Management report RDC Offices (4 units)
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HappyOrNot®

<p>Monthly report January 2023</p>	<p>Management report RDC Offices (4 units)</p>
---	---

Please rate our service today

Taihape

-  2023-01-29 4:03 PM **Staff friendliness**
great at finding booksfor me
-  2023-01-22 2:54 PM **Staff friendliness**
gave us maps for our travels super freindly
-  2023-01-16 12:16 PM **Something else**
GG is awesome! [REDACTED].
-  2023-01-14 3:53 PM **Quality of service**
thank you for having us thanks for the free wifi we will say hi to nan see you soon!
-  2023-01-13 12:27 PM **Staff friendliness**
thank you
-  2023-01-13 12:13 PM **Staff friendliness**
great people
-  2023-01-06 2:46 PM **Something else**
needed a number for urgent plumber problem solve thanks ladies
-  2023-01-06 9:52 AM **Something else**
great second hand books for sale
-  2023-01-04 12:39 PM **Something else**
happy

Te Matapihi

-  2023-01-22 11:31 AM **Staff friendliness**
staff friendlyness
-  2023-01-22 11:30 AM **Quality of service**
great
-  2023-01-14 4:06 PM **Staff friendliness**
Beatuufil new building and very helpful staff. Thank you
-  2023-01-13 1:26 PM **Staff friendliness**

HappyOrNot®

Monthly report January 2023	Management report RDC Offices (4 units)
---------------------------------------	---

so helpful _ thank you!

 2023-01-10 1:10 PM **Something else**
good

High Street Marton

 2023-01-13 10:01 AM **Staff friendliness**
love the colors!!!

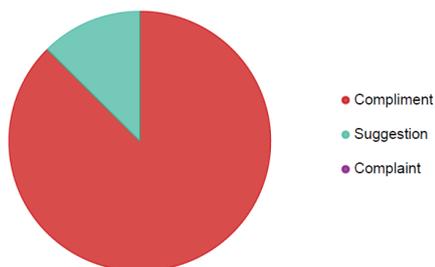
HappyOrNot®

KŌRERO MAI - HAVE YOUR SAY

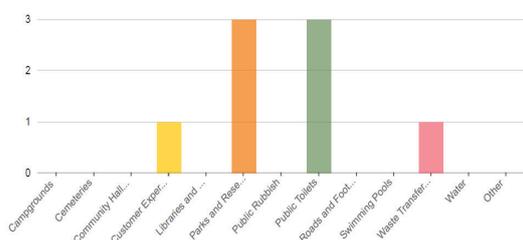
COUNCIL FEEDBACK FORM REPORT

DECEMBER 2022/JANUARY-FEBRUARY 2023

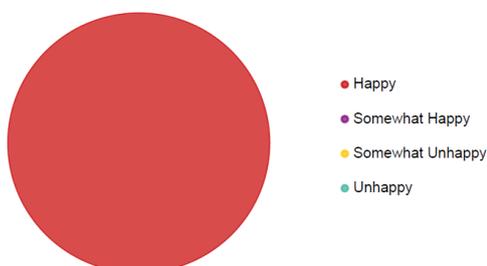
What type of feedback do you have?



Which area does your feedback relate to?



How happy are you with your experience?



Comments

- MANGAWEKA PUBLIC TOILETS**
 This was an exceptional public toilet! Great cleanliness, vibe was exquisite. Such a cute exterior. Excellent facilities with the Dyson blade etc. 10/10 would recommend.
- TAIHAPE GUMBOOT**
 The giant gumboot looks really awesome but you should make a Māori history quiz for the area when you scan the QR code.
- MANGAWEKA PUBLIC TOILETS**
 Such a cute loo!! Lovely :) Would love it if there was music (kiwi music) or bird song playing inside.
- MANGAWEKA PUBLIC TOILETS**
 Stopped here for the first ever time on a trip from Thames to home (Lower Hutt) yesterday. Very very delighted to have lovely clean toilets, with soap and water. My only quibble is that the cubicle I used (the right hand one from outside facing the toilets) had very little paper left. But we always carry a spare roll in the car so it wasn't a biggie. Well done to whoever keeps them clean and stocked up - not many public toilets these days seem to have soap. Thank you.
- BULLS WASTE TRANSFER STATION**
 Please feed forward to the new Maori guy working at the Bulls transfer station. The place was spotless!!! Well organized. I was feeling proud of the place. Hasn't looked that good since the old South African guy worked there! Honestly. He's showed a sense of pride and integrity in his work. Always super friendly and very helpful.
- LOCATION NOT GIVEN**
 It would be wonderful to have a BBQ at the playground.
- TE MATAPIHI PUBLIC TOILETS**
 I'm super impressed with the public toilets here. We are from Huntly Waikato on our way to Wellington and had to make a stop for our children. The facilities were clean, tidy and well thought out.. i hope all public toilets follow suit. Thanks so much. The Steiner Whanau x
- BULLS DOMAIN**
 Clean, nicely mowed lawns, maintained, great water filling station and picnic spot on our way to Wellington. We chanced upon this spot and love it.

Anything else

- Ka pai Bulls!
- I don't need a reply, just wanted to leave details so you know I'm not a "bot". Cheers.

ITEM 9.7

ATTACHMENT 2

KŌRERO MAI - HAVE YOUR SAY

COUNCIL FEEDBACK FORM REPORT

DECEMBER 2022/JANUARY-FEBRUARY 2023



FEEDBACK - 15 January



FEEDBACK - 29 January



FEEDBACK - 16 January

10 Meeting Closed