

Chairperson and Committee Members
OPERATIONS & FINANCE COMMITTEE

15 AUGUST 2019

Meeting Status: **Public**

Purpose of Report: For Information

**LOCAL GOVERNMENT FUNDING AGENCY FINAL 2019-2020
STATEMENT OF INTENT**

PURPOSE OF REPORT

- 1 The purpose of this report is to provide the Operations and Finance Committee with the Local Government Funding Agency (LGFA) final 2019/20 Statement of Intent (SOI).

DELEGATION

- 2 The Operations & Finance Committee has delegated authority to consider this Report under the following delegation in the Governance Structure and Delegations, Section B.2 which states that the key responsibilities of the Committee will include: *Financial Management, including risk mitigation.*

BACKGROUND

- 3 The LGFA was incorporated on 1 December 2011 with the primary objective of optimising the debt funding terms and conditions for participating local authorities. This includes providing savings in annual interest costs, making longer-term borrowings available and enhancing the certainty of access to debt markets.
- 4 The LGFA issues bonds to wholesale and retail investors and on-lends the funds raised to participating local authorities with borrowing needs. The quality of the LGFA's credit rating and the liquidity created by issuing homogenous local authority paper, ensures that participating councils can raise funds on better terms than if they were issuing in their own name.
- 5 On 30 November 2012, Kāpiti Coast District Council (the Council) became a principal shareholding local authority¹ in the LGFA. The LGFA meets the Local Government Act (LGA) 2002 definition of a Council Controlled Organisation (CCO) and as a shareholder in a CCO, the Council must regularly undertake performance monitoring of that organisation to evaluate its contribution to the achievement of the Council's desired outcomes.
- 6 As a CCO, the LGFA must deliver to its shareholders a draft SOI on or before 1 March each year. The LGFA board must consider any comments from its shareholders in relation to the draft SOI and deliver a final SOI on or before 30 June.

¹ principal shareholding local authorities are those which invest capital in the LGFA and are expected to receive a return on that capital.

- 7 The Council's monitoring obligations are assisted by the Shareholders' Council whose role is to represent all the shareholders and ensure that all individual shareholder views are heard. The Shareholders' Council comprises five to ten appointees from the council shareholders, and one from the Crown.

ISSUES AND OPTIONS

Issues

- 8 The Committee received the LGFA's draft 2019/20 SOI at its meeting on 16 May. At the meeting, officers recommended that no changes be made to the draft SOI and this was formally approved by the Committee and the LGFA so advised.
- 9 The LGFA has subsequently finalised the 2019/20 SOI however it has made two amendments to the draft. Forecast net interest income for the three-year SOI period has increased due to the LGFA holding a higher level of assets than previously anticipated.
- 10 There have been some costs increases too due to greater anticipated use of standby facilities and increased IT and consultancy costs relating to the transition to SWIFT. However, the overall profit forecast for the period has improved by \$2.7 million in the final SOI compared to the draft SOI.
- 11 The key intentions and expectations of the LGFA remain the same – to optimise debt funding terms and conditions, including the provision of savings in annual interest costs on a relative basis to other sources of financing.
- 12 The main change to the LGFA's performance objectives compared to previous years is to introduce CCO lending by December 2019, and report quarterly the volume of lending to CCOs to both the Shareholder Council and shareholders.
- 13 The LGFA final 2019/20 Statement of Intent is attached as Appendix 1.

CONSIDERATIONS

Policy considerations

- 14 In accordance with the LGA 2002, the Council has provided information on all of its CCOs in its draft 2018/38 Long Term Plan.

Legal considerations

- 15 There are no legal considerations arising from the matters in this report.

Financial considerations

- 16 There are no financial considerations arising from this report.

Tāngata whenua considerations

- 17 There are no tāngata whenua considerations.

SIGNIFICANCE AND ENGAGEMENT

Degree of significance

- 18 This matter has a low level of significance under the Council's Significant and Engagement Policy.

Consultation already undertaken

- 19 There is no need to consult on the matters discussed in this report.

Engagement planning

- 20 An engagement plan is not needed for this report to be considered.

Publicity

- 21 There are no publicity considerations.

RECOMMENDATIONS

- 22 That the Operations and Finance Committee notes the contents of the Local Government Funding Agency final 2019/20 Statement of Intent.

Report prepared by

Approved for submission

Approved for submission

**Jacinta Straker
Chief Financial Officer**

**Mark de Haast
Group Manager
Corporate Services**

**Sean Mallon
Group Manager
Infrastructure Services**

Appendix 1 – LGFA final 2019/20 Statement of Intent