

# Draft Long-term Plan 2021-41

Consultation – supporting information

## Council controlled organisations statement



# Consideration of council controlled organisations

## Local Government Funding Agency (LGFA)

### Background information:

In November 2012, Council became a principal shareholding local authority in the Local Government Funding Agency (LGFA). The Council holds 200,000 shares (the total number of shares available is 45 million) reflecting a 0.44% interest.

The primary objective of the LGFA is to optimise 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.

### Local Government Act (LGA) 2002 considerations:

The LGFA meets the definition of a council-controlled organisation under section 6(10)(a) as an entity in respect of which one or more local authorities have, whether or not jointly with other local authorities or persons, control, directly or indirectly, of 50% or more of the votes at any meeting of the members or controlling body of the entity.

Council therefore has a controlling interest over the LGFA, which is subject to the reporting requirements of a council-controlled organisation.

### Financial reporting considerations:

*IPSAS 20 Related Party Disclosure:* the Council does not have the ability to control the entity (0.44% shareholding is less than control threshold). The Council does not exercise significant influence over the entity in making financial and operating decisions. The relationship with the LGFA therefore does not

meet the definitions of a related party as outlined in the accounting standard.

*IPSAS 7 Investment in Associates and Joint Ventures:* the Council does not exercise significant influence over the entity in making financial and operating decisions. The relationship with the LGFA therefore does not meet the definitions of an associate or joint venture as outlined in the accounting standard.

*IPSAS 6 Consolidated and Separate Financial Statements:* the Council does benefit from the activities of the LGFA under the terms and conditions of participating local authorities. The Council does not have the power to govern the financial and operating policies of the LGFA, therefore the relationship with the LGFA does not meet the definition of a controlled entity.

Based on the assessments outlined above, the LGFA does not meet the requirements for consolidation into the Council's financial reports.

### Implications:

LGA 2002: the LGFA is subject to the reporting requirements imposed on council-controlled organisations outlined in Part 5 of the Act.

Financial reporting: there are no financial reporting obligations arising from the Council's relationship with the LGFA.

### Key performance targets:

The LGFA has the following performance targets, as disclosed in its draft 2021/22 Statement of Intent.

LGFA's total operating income for the period to:

- 30 June 2022 will be greater than \$18.7 million.
- 30 June 2023 will be greater than \$24.2 million
- 30 June 2024 will be greater than \$27.6 million

The LGFA's annual issuance and operating expenses (excluding the Approved Issuer Levy) for the period to:

- 30 June 2022 will be less than \$7.0 million.
- 30 June 2023 will be less than \$7.2 million.
- 30 June 2024 will be less than \$7.4 million.

Total lending to participating local authorities at:

- 30 June 2022 will be at least \$12,874 million.
- 30 June 2023 will be at least \$13,291 million.
- 30 June 2024 will be at least \$13,578 million.

Conduct an annual survey of Participating Borrowers who borrow from LGFA and achieve at least an 85% 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 80% 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.

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