

MEETING — AGENDA —

Ngā Take

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Western Bay of Plenty
District Council

COUNCIL

Te Kaunihera



C14
Thursday, 5 April 2018
Council Chambers
Barkes Corner, Tauranga
9.30am

Notice of Meeting No C14 Te Karere

Council Te Kaunihera

Thursday, 5 April 2018
Council Chambers
Barkes Corner
9.30am

His Worship the Mayor
Deputy Mayor

G J Webber (Chairperson)
M Williams

Councillors:

G Dally
M Dean
M Lally
P Mackay
K Marsh
D Marshall
M Murray-Benge
J Palmer
J Scrimgeour
D Thwaites

Media
Staff

Miriam Taris
Chief Executive Officer
Western Bay of Plenty District Council



Western Bay of Plenty
District Council

Te Kaunihera a rohe mai i nga Kuri-a-Whareki ki Otamarakau ki te Uru

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Council Delegations

Mangai o Te Kaunihera

Quorum:

The quorum for this meeting is six members.

Role:

- To exercise all powers and functions to deal with statutory and procedural matters, to carry out civic duties and responsibilities, and to exercise all non-delegated functions.
- To delegate authorities as appropriate to Council committees and the Chief Executive Officer.
- To delegate any authorities which may be additional to the roles required under the Local Government Act 2002 to Community Boards, and to appoint Councillors to Community Boards.
- To establish Joint Committees of Council, and appoint elected members and/or others to these committees.
- To make all financial decisions not otherwise delegated or included in Council's Long Term Plan and/or Annual Plan.
- To maintain, monitor and direct an overview of Council's finances including but not limited to:
 - The financial progress of major capital works projects including those considered in the Long Term Plan and Annual Plan processes.
 - Implementation of Council's risk management.
 - Approval of new debt and/or new facilities.
 - Receiving exception reports on Council's financial performance at least quarterly.
 - Undertaking all financial monitoring of performance against the Long Term Plan and Annual Plan.
 - Ensuring treasury management within the limitations of the Treasury Policy as set by the Long Term Plan.
 - Allowing for variations from Council's key treasury policy ratios.
- To exercise all non-delegated functions being:
 - (a) The power to make a rate
 - (b) The power to make a bylaw
 - (c) The power to borrow money, purchase, or dispose of assets, other than in accordance with the Long Term Plan
 - (d) The power to adopt a long term plan, annual plan, or annual report
 - (e) The power to appoint a chief executive
 - (f) The power to adopt policies required to be adopted and consulted on under the Local Government Act 2002 in association with the Long Term Plan or developed for the purpose of the local governance statement
 - (g) The power to adopt a remuneration and employment policy
 - (h) The power to enter into contracts otherwise than in accordance with the provisions of Section 4 of the Public Bodies Contracts Act 1959
 - (i) The power to initiate any proceedings in the High Court that are not injunctive proceedings
 - (j) The power to remove the Deputy Mayor subject to Schedule 7 (18) of the Local Government Act 2002

- (k) The power to discharge or reconstitute any committee established by the Mayor subject to Schedule 7 (30) of the Local Government Act 2002
- (l) Powers as conferred by the Minister of Conservation under the Reserves Act 1977

Procedural Matters:

- Confirmation of all Standing Committee minutes excluding the District Plan Committee, Regulatory Hearings Committee and District Licensing Committee minutes
- Receipt for information all Community Board minutes
- Receipt for information all District Plan Committee, Regulatory Hearings Committee minutes and District Licensing Committee minutes
- Adoption and amendment of Standing Orders.
- Establishment of and delegations to Joint Committees, Sub Committees and any other governance body that the Council deems necessary.
- Purchase, sell and dispose of Council property other than delegated in accordance with all of the following:
 - the Long Term Plan
 - the Significance Policy
 - Council's Asset Management Plans
 - Council's Reserve Management Plans
 - Committee or appropriate delegations
- Councillor and Council appointments to other organisations.
- Approval of elected member training/conference attendance.

Any other procedural matters as required under the Local Government Act 2002 or any other Act.

Mayor's Delegation:

Should there be insufficient time for Council to consider approval of elected member training/conference attendance that this be delegated to the Mayor/Deputy Mayor with a report back to Council at the next scheduled meeting.

Should there be insufficient time for Council to consider approval of a final submission to an external body that the signing off of the submission on behalf of Council be delegated to the Mayor/Deputy Mayor provided that the final submission be reported to Council or the relevant Committee at the next available meeting.

Mayor and Councillors' Delegations:

Pursuant to Clause 32(1) of Schedule 7 of the Local Government Act 2002, to each of the Mayor and Councillors, whether individually or collectively, the power to listen to and receive the presentation of views by people pursuant to Section 83(1)(d) of the Local Government Act 2002 in relation to any processes Council undertakes to consult on under the Special Consultative Procedure as required by the Local Government Act 2002 or any other Act.

Agenda for Meeting No. C14

Pages

**Present
In Attendance
Apologies**

Public Excluded Items

The Council may by resolution require any item of business contained in the public excluded section of the agenda to be dealt with while the public are present.

Public Forum

A period of up to 30 minutes is set aside for a public forum. Members of the public may attend to address Council for up to three minutes on items that fall within the delegations of Council provided the matters are not subject to legal proceedings, or to a process providing for the hearing of submissions. Speakers may be questioned through the Mayor by members, but questions must be confined to obtaining information or clarification on matters raised by the speaker. The Mayor has discretion in regard to time extensions.

Such presentations do not form part of the formal business of the meeting, a brief record will be kept of matters raised during any public forum section of the meeting with matters for action to be referred through the customer contact centre request system, while those requiring further investigation will be referred to the Chief Executive.

C14.1

Receipt of Community Board Minutes

Please refer to minutes of the meetings of the Community Boards as circulated separately with this agenda.

Recommendation

THAT the minutes of the following meetings be received:

- 1. Minute no. WB11 of the Waihi Beach Community Board held on 12 March 2018*
- 2. Minute no. OM11 of the Omokoroa Community Board held on 13 March 2018*
- 3. Minute no. K11 of the Katikati Community Board held on 14 March 2018*
- 4. Minute no. MC11 of the Maketu Community Board held on 20 March 2018*
- 5. Minute no. TP11 of the Te Puke Community Board held on 22 March 2018*

C14.2

Minutes of Council and Committee Meetings for Confirmation

Please refer to minutes of the meetings of the Council and its Standing Committees as circulated separately with this agenda.

Recommendation

THAT the minutes of the following meetings as circulated separately with the agenda are confirmed and are a true and correct record:

6. *Minute no. C13 of the Western Bay of Plenty District Council held on 22 February 2018*
7. *Minute no. LTAP4 of the Long Term and Annual Plan Committee held on 15 March 2018*
8. *Minute no. CC9 of the Community Committee held on 15 March 2018*
9. *Minute no. OP10 of the Operations and Monitoring Committee held on 28 March 2018*

C14.3

Minutes for Receipt

Please refer to the minutes as circulated separately with this agenda.

Recommendation

THAT the minutes of the following meetings as circulated separately with the agenda are received:

10. *Minute no. DL4 of the District Licensing Committee held on 25 August 2017*
11. *Minute no. DL6 of the District Licensing Committee held on 27 November 2017*
12. *Minute no. DL7 of the District Licensing Committee held on 1 March 2018*
13. *Minute no. RH11 of the Regulatory Hearings Committee held on 13 March 2018*

C14.4

Information for Receipt

Please refer to the Minute Index and Information Pack as circulated separately with this agenda.

Recommendation

THAT the information items included in the Minute Index and Information Pack dated 5 April 2018 as circulated separately with the agenda be received.

| | | |
|--------|--|---------|
| C14.5 | Recommendation from SmartGrowth Leadership Group- Collaborative Transport Planning | 10-27 |
| | Attached is a report from the Democracy Advisor dated 23 March 2018. | |
| C14.6 | BOPLASS Limited Half Yearly Report to Shareholders 2017-2018 and Draft Statement of Intent 2018-2019 | 28-57 |
| | Attached is a report from the Chief Financial Officer dated 27 February 2018. | |
| C14.7 | Local Government Funding Agency Limited Half Yearly Report to Shareholder 2017/18 and Draft Statement of Intent 2018/19 | 58-113 |
| | Attached is a report from the Chief Financial Officer date 14 March 2018. | |
| C14.8 | Te Puke Cricket Club Clubrooms Lease Area Extension - Te Puke Domain | 114-119 |
| | Attached is a report from the Reserves and Facilities Manager dated 8 March 2018. | |
| C14.9 | Storm Water Easement Over Part of the Te Puna Estuary Esplanade Reserve | 120-148 |
| | Attached is a report from the Legal Property Officer Reserves and Facilities dated 12 March 2018. | |
| C14.10 | Road Stopping and Sale Report - Beach Road, Katikati | 149-164 |
| | Attached is a report from the Legal Property Officer dated 19 March 2018. | |
| C14.11 | Chief Executive Officer's Report to Council - March 2018 | 165-166 |
| | Attached is a report from the Chief Executive Officer dated 21 March 2018. | |
| C14.12 | Mayor's Report to Council - March 2018 | 167-199 |
| | Attached is a report from His Worship the Mayor dated 21 March 2018. | |

Local Government Official Information and Meetings Act

Exclusion of the Public

Schedule 2A

Recommendation

THAT the public be excluded from the following part of this meeting namely:

- *In Confidence Council and Committee minutes for Confirmation.*
- *In Confidence Minute Index and Information Pack*
- *In Confidence Chief Executive Officer's Report - March 2018*
- *Acquire Legalisation of Kenana Road*

The general subject to each matter to be considered while the public is excluded, the reason for passing this resolution in relation to each matter, and the specific grounds under Section 48(1) of the Local Government Official Information and Meetings Act 1987 for the passing of this resolution are as follows:

| <i>General subject of each matter to be considered</i> | <i>Reason for passing this resolution in relation to each matter</i> | <i>Ground(s) under Section 48(1) for the passing of this resolution</i> |
|---|---|--|
| <i>In Confidence Council and Committee minutes for Confirmation</i> | <i>THAT the public conduct of the relevant part of the proceedings of the meeting would likely result in the disclosure of information for which good reason for withholding would exist.</i> | <i>For reasons previously stated on the relevant minutes.</i> |
| <i>In Confidence Minute Index and Information Pack</i> | <i>THAT the public conduct of the relevant part of the proceedings of the meeting would likely result in the disclosure of information for which good reason for withholding would exist.</i> | <i>For reasons previously stated on the relevant minutes.</i> |
| <i>In Confidence Chief Executive Officer's Report – March 2018</i> | <i>THAT the public conduct of the relevant part of the proceedings of the meeting would likely result in the disclosure of information for which good reason for withholding would exist.</i> | <i>Maintain legal professional privilege. To enable the Council to carry on without prejudice or disadvantage, negotiations (including commercial and industrial negotiations) Protect the privacy of natural persons, including that of deceased natural persons.</i> |

| <i>General subject of each matter to be considered</i> | <i>Reason for passing this resolution in relation to each matter</i> | <i>Ground(s) under Section 48(1) for the passing of this resolution</i> |
|---|---|---|
| <i>Acquire Legalisation of Kenana Road</i> | <i>THAT the public conduct of the relevant part of the proceedings of the meeting would likely result in the disclosure of information for which good reason for withholding would exist.</i> | <i>To enable the Council to carry on without prejudice or disadvantage, negotiations (including commercial and industrial negotiations) Maintain legal professional privilege.</i> |

Western Bay of Plenty District Council

Council

Recommendation from SmartGrowth Leadership Group – Collaborative Transport Planning

Summary

Council is required to consider the recommendations and resolve accordingly. The following options are available to Council; where appropriate the preferred option has been recommended.

Please note the following is a recommendation only.

The Council to resolve to:

- a. adopt as recommended
- b. to modify
- c. refer to another Committee
- d. to decline (giving reasons) and refer back to the <<Council / Committee >>

Recommendation from the SmartGrowth Leadership Group Wednesday 21 March 2018

| | |
|-----------|------------------|
| Remit no. | Transport |
|-----------|------------------|

Moved Cr Paula Thompson / Seconded Mayor Garry Webber

That it be Resolved

- 1 Receive** the report on collaborative transport activities from the Western Bay of Plenty Regional Investment Oversight Group
- 2 Note** the following main opportunities for improvement identified by the Regional Investment Oversight Group:
 - o The need for a clear sub-regional transport vision and layer of sub-regional strategic planning that clearly articulates outcomes, aspirations and key strategic actions aligned with SmartGrowth outcomes to mitigate the risk of multiple plans and programmes "not talking to each other".

- The opportunity for better collaboration to optimise sub-regional operational activities that grows the sub-region's capability to deliver more innovative transport improvements more effectively and with more active client ownership of transport intelligence and customer insight.
 - Governance and reporting arrangements clarified and streamlined
- 3 Note** that councils will be making decisions on the Future Develop Strategy scope and decision-making framework in March.
- 4 Endorse** that Councils require that the Future Development Strategy includes this sub-regional transport vision and strategy.
- 5 That** there be a standing report to the SLG on transport collaboration and communications.
- 6 Note** recent engagement activities and that partner councils are on an improvement pathway for enhanced community engagement.
- 7 That** it be recommended to the partners and NZTA that an appropriate (independent) resource be recruited to prepare a project plan for Western Bay Of Plenty centre for transport.
- 8 That** a submission be made to the BoP Regional Land Transport Plan seeking that the plan include the western Bay sub-regional story of integrated land-use and transportation approach and that roading infrastructure development in timely manner is a key part of implementing the agreed settlement pattern, and to include significance of economy (access to and from the port) and road safety.

CARRIED

Staff Comments – Group Manager Infrastructure Services, Gary Allis

At the meeting, members of the SmartGrowth Leadership Group considered two papers (attached for reference, labelled Papers B and C), following which the resolutions listed above were passed.

Resolution 7 seeks the endorsement of this Council to jointly recruit an independent resource to prepare a project plan for the establishment of what is described as "Western Bay of Plenty Centre of Transport".

As a consequence, funding provision in the LTP 2018-28 will be required for WBOPDC's share of the cost. The cost is expected to be around \$300,000 per year, for a full year of an expert coordinator, communications and associated costs; funding would be split between WBOPDC, TCC, BOPRC and NZTA according to a formula yet to be negotiated. It is expected that the splits would follow established practice between the four parties,

potentially based on the SmartGrowth cost share plus NZTA, or the Tauranga Transport Model cost share.

Once the funding splits are agreed, provision can be made in Council's LTP 2018-28 through the special consultative process which is currently underway. Costs incurred in 2017/18 financial year can be met funded from the Transport Planning budget.

1. Significance and Engagement

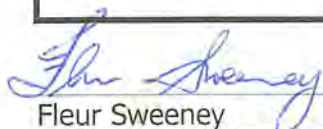
The Local Government Act 2002 requires a formal assessment of the significance of matters and decisions in this report against Council's Significance and Engagement Policy. In making this formal assessment there is no intention to assess the importance of this item to individuals, groups, or agencies within the community and it is acknowledged that all reports have a high degree of importance to those affected by Council decisions.

The Policy requires Council and its communities to identify the degree of significance attached to particular issues, proposals, assets, decisions, and activities.

In terms of the Significance and Engagement Policy this decision is considered to be of low significance because it relates only to the manner in which transport planning is undertaken and the funding required from WBOPDC does not exceed thresholds in the Significance and Engagement Policy.

Recommendation

1. ***THAT the recommendation from the SmartGrowth Leadership Group meeting be received.***
2. ***THAT the report relates to an issue that is considered to be of low significance in terms of Council's Significance and Engagement Policy.***
3. ***THAT Council approves in principle the recruitment by the SmartGrowth partners and NZTA of an appropriate (independent) resource to prepare a project plan for Western Bay of Plenty centre for transport, noting that the expected cost to all the parties is \$300,000 per year and an appropriate funding split will be negotiated by staff in due course;***
AND
4. ***THAT staff be instructed to prepare an internal submission to the draft LTP 2018-28 to enable a decision on the funding of the Western Bay of Plenty centre for transport for the term of the LTP.***



Fleur Sweeney

Democracy Management Advisor



| | |
|-----------------------|---|
| Committee Name | SmartGrowth Leadership Group (SLG) |
| Meeting Date | 21 March 2018 |
| Author (s) | Regional Investment Oversight Group (Western Bay of Plenty transport) |
| Purpose | To report on sub-regional transport collaboration actions and any gaps in delivering integrated transport responses |

Sub-regional transport collaboration – recommendations to address existing gaps

Purpose

The SmartGrowth Leadership Group (SLG) has requested a report on the current transport collaborative work and co-ordination arrangements across the SmartGrowth partners including whether there are any gaps. It also requested an update on improving community engagement for transport (*SLG 18 October meeting resolution*).

Context

Local pressures

The Western Bay of Plenty is facing the following local pressures and the challenges that come with being one of the fastest growing regions in New Zealand:

- Population increasing and aging, urbanisation;
- Demand changes through land-use and growth;
- Climate change and increasing natural hazards;
- Affordability of transport infrastructure;

These pressures and challenges can impact on liveability, when unmanaged.

Community perceptions

The recently released Vital Signs report¹ indicates the biggest issues identified for our region include 'Planning for the Region's Growth' (50%), 'Cost of Living' (40%), and 'Transportation/Roading Networks' (39%). These issues are a significant shift from 2015, when 'Affordable Housing' and 'Lack of Job Creation' were highlighted as the biggest concerns.

Community expectations

What customers are expecting of the transport system is changing. Customers and business want faster, easier, more personalised transport services. There is also an increasing call for sustainable and innovative transport choices that enhance people's lives beyond enabling movement of people and freight.

Issues identified

Past transport strategies not fully implemented

Over a number of decades, specific transport strategies have been developed to address the transport issues identified. However due to the pace of growth and the time it takes to deliver transport improvements, the number of strategies we have has increased, without clearly expressing the relative importance or distinct purpose of each, and have only been partially implemented. For example, a focus on specific corridor strategies has worked well for the Eastern Corridor but has not been fully implemented across all corridors.

Transport system is changing

What we know as transport is changing. Transport is increasingly viewed as a system to meet customer and community needs. Transport is much less about roads and infrastructure now and more about customers seamlessly connecting to a wide choice of interconnected transport services. This system is changing as technology changes, and customers want good transport options (multi-model transport options). For example, customers can use their phone to find ride shares, the best way to travel, the time for the next bus, get what you need delivered to you at home, and pay for these services. It's quick, simple and convenient. However, our current transport services are not.

Transport remains an important enabler to build better communities. Therefore, the importance of integrated land use and transport planning also remains. The ability to achieve the desired community outcomes will be strongly influenced by the quality of the integration between land use and transport planning.

Given the often long lead times to deliver transport system improvements, responding to these changes and opportunities can take a while to be realised if we are not collectively geared up to become more agile in our approach to providing our customers with the transport choices they desire.

¹ Vital Signs is a research tool used to understand the community's perceptions of the place where they live

Government direction

Previous governments have invested significantly in the Western Bay which is the only region in New Zealand where a road of national significance, the Tauranga Eastern Link, was built in response to future growth.

Government requires robust and evidenced based business cases to support investment from the National Land Transport Fund. Locally, as a group we have experienced challenges in aligning the various business cases from a sequencing and investment objective perspective. This has made it difficult to demonstrate a coordinated over-arching delivery strategy.

The new government has signalled an aspiration to build better communities, liveable cities and thriving regions with clear social, economic and environmental outcomes. From a transport perspective, the Minister of Transport has outlined the priorities of the Government. These include:

- Giving public transport greater priority in cities and expanding the public transport system to support new housing and inter-regional commuting
- Increasing the use of rail to enable efficient passenger and freight use
- Supporting regional development
- Increasing support for active modes – walking and cycling
- Mode neutrality in freight transport planning

Working better together

Local government councils who are part of the Bay of Plenty triennial forum also recently completed a Local Government Futures 2016/17 project. It concluded, in relation to transport that:

The wider Bay of Plenty councils and NZTA are collaborating well in defined areas such as growth planning, land use and transport integration and freight logistics. There is not a sole driver that is suggesting change, but a growing accumulation of elements stemming from the pressure to improve the effectiveness of transportation investments. The existing management and operation of the transportation networks has served the Bay of Plenty (BoP) well in the past, but change is inevitable if the region is to continue to compete and prosper in the face of longer term strategic challenges.

The initial business case short-listed options to improve these investments and the highest ranked option was establishing a **Transport Centre of Excellence**. It recommended that a detailed business case is completed for the short-listed options. Further information on this Transport Centre of Excellence is attached as Paper C.

Councils did not agree to progress the Local Government Futures Project 2016/17 to detailed business case development or further investigate a Transport Centre of Excellence option.

However, staff across the Western Bay of Plenty have sought to continue to improve how we work together.

Current actions, activities and governance

There is a lot going on governance level and on the ground with specific actions and activities to ensure meaningful collaboration.

Governance

The Bay of Plenty Regional Council's (BOPRC) Regional Transport Committee (RTC) operates in a collaborative manner with members from the partner councils, the NZ Transport Agency as well as Port of Tauranga, freight logistics action group and NZ police service representatives. The Regional Transport Committee is the decision-making body for the region to prioritise land transport investment and the new draft Regional Land Transport Plan will now provide this information in a western Bay sub-regional context.

In addition, there is the Tauranga City Council Transport Committee (which includes representation from the NZTA and WBOP) and the BOPRC Public Transport Committee that have oversight for specific transport functions. A joint committee of the Western Bay District Council and Tauranga City Council also provides leadership over specific transport functions.

The SmartGrowth Strategic Leadership Group is where partners come together to develop and monitor the overall vision and strategy for the western Bay. Smart transport has been identified as a priority area by SLG.

Given how much is going on and the need for improved collaboration and integration, senior staff have recently re-formed an oversight group. This group performs the collaboration functions that previously occurred through the Smart Transport Technical Group which ceased around 2010.

Current actions and activities

The collaborative actions map (Attachment 1) has been developed to illustrate all the transport activity across the western Bay of Plenty that has been delivered collaboratively.

Further, the table included as Attachment 2 sets out the opportunities for collaboration from organisational cultural, strategic, implementation, operational and delivery perspectives. Whilst the focus is transport, the table identifies the critical link to land use and community outcomes necessary to deliver quality urban development for our communities.

The table identifies the value of working closely together, where collaboration currently occurs and any opportunities for enhanced collaboration. Both attachments help to show our integrated and collaborative transport story. This is a good example of collaboration in action.

Other examples of collaboration between partners include:

1. All Councils and NZTA are contributing to the development of a multi-modal transport model to provide standardised data for future Western Bay transport planning and delivery. The partners are also considering opportunities for improved model management that enables more active client ownership at the sub-regional level of transport model intelligence. The Regional Investment Oversight Group (RIOG) considers that there is an opportunity to extend more active client ownership of transport into other realms such as use of customer insights and transport futures thinking

2. The Western Bay Regional Investment Oversight Group has also been re-established since late 2017. This group meets monthly and its focus is on integration, ensuring good relationships with all transport partners, and well-informed policy making across the agencies involved in transport planning and delivery. It has already been successful in aligning partner expectations on engaging with the public to develop the Tauranga City PBC, integrated planning for growth in Tauriko and dealing with other governance issues that project teams need support with. Its work could continue strategic oversight of both planning in the broadest sense (land use, regional policy statement, city plans, public transport blueprint etc.) and project implementation (Tauriko, Te Tumu, all Western Bay business cases). Successful completion and delivery of the Tauranga Cycle Action Plan is currently being considered, for example.
3. The Bay of Plenty (BoP) Regional Advisory Group to the BoP RTC is a mature and effective group that recommends priorities and ranked transport investment projects and are the key group developing the Regional Land Transport Plan. Given that a new RLTP is being progressed, this group has been providing recommendations and advice to the RTC. The RIOG considers that a sub-regional Western Bay RAG could also deliver some improvements in sub-regional collaboration, perhaps at a more operational level than RIOG, which focusses on navigating governance risks and issues with major investments. Activities in this area could include:
 - leveraging the work of the Tauranga Traffic Operations Centre to provide enhanced collaboration across the transport system including public transport and the police
 - More active client ownership and application of transport intelligence (e.g. the transport model and customer insights)
 - Ownership and application of transport futures
4. The Western Bay Blueprint for public transport has resulted in all Western Bay councils (and NZTA) considering and approving additional investment in public transport. NZTA, TCC and BOPRC councils are now considering funding for the Tauranga City Programme Business case, and TCC are developing an urban cycle action plan. These Councils are also referencing the role and partnership that occurs in their respective LTP consultation documents. There is a risk of these various overlapping programmes and plans “not talking to each other” well in the absence of a sub-regional layer of transport objectives and strategic responses (see point 1)

Opportunities for Improvement

While there is a lot of collaborative activity, the Regional Investment Oversight Group concludes that there are three main opportunities for improvement in how we work together:

- A clear **sub-regional transport vision and layer of sub-regional strategic planning** that clearly articulates outcomes, aspirations and key strategic actions aligned with SmartGrowth outcomes. This needs to go beyond the high-level corridor approach outlined in the current SmartGrowth Strategy – and be multi-modal and mitigate the risk of multiple programmes and plans “not talking to each other”. This could be delivered as part of the Future Development Strategy (FDS) and/or SmartGrowth Strategy refresh.
- Explore opportunities for enhanced collaboration and optimization of sub-regional operational activities e.g. leveraging the work of the Tauranga Traffic Operations Centre to further enhance system performance across public transport and the state highway network.
- **Governance and reporting arrangements clarified and streamlined.** At present, it is difficult to tell a clear, simple and integrated sub-regional story to stakeholders, the community, interest groups and to governance groups. It is also unclear where overall governance oversight should sit at a sub-regional level. There are currently multiple groups involved in the development and governance of transport investments across its lifecycle from strategy and planning through to procurement and delivery.

Community and customer experience

The partner councils are on an improvement pathway for community engagement. Specific examples of this include:

- The SmartGrowth Forums have praised the engagement process for the Tauranga Cycle Action Plan. It initiated an online survey and interactive map to gather views.
- Thousands of residents (2,300) participated in the Tauranga Transport Programme survey and the majority supported a multi-modal approach.
- A new public transport stakeholder group is meeting regularly with regional council senior staff. More than 2500 people returned surveys for the Public Transport Blueprint consultation process.
- The NZ Transport Agency has been using innovative techniques including animation to engage with local communities on construction projects.
- Western Bay of Plenty District Council has created a People’s Panel to engage on a regular basis with an established online community (currently 116 members). The council will have three rounds of community engagement on its Long-term Plan, including stakeholder conversations and community meetings. In a recent series of

14 community events for its Long-term Plan, 850 people attended. The council is using face-to-face channels combined with online engagement. It is also actively seeking out community voices that it doesn't hear from in its usual activities.

The role and purpose of the SmartGrowth community forums will be key to further improving the community and customer experience in transport system planning.

Recommendations

- 1 **Receive** the report on collaborative transport activities from the Western Bay of Plenty Regional Investment Oversight Group
- 2 **Note** the following main opportunities for improvement identified by the Regional Investment Oversight Group:
 - The need for a clear sub-regional transport vision and layer of sub-regional strategic planning that clearly articulates outcomes, aspirations and key strategic actions aligned with SmartGrowth outcomes to mitigate the risk of multiple plans and programmes "not talking to each other".
 - The opportunity for better collaboration to optimise sub-regional operational activities that grows the sub-region's capability to deliver more innovative transport improvements more effectively and with more active client ownership of transport intelligence and customer insight.
 - Governance and reporting arrangements clarified and streamlined
- 3 **Note** that councils will be making decisions on the Future Develop Strategy scope and decision-making framework in March.
- 4 **Endorse** that Councils require that the Future Development Strategy includes this sub-regional transport vision.
- 5 **Recommend** six monthly reports on transport collaboration are provided to the Strategic Leadership Group.
- 6 **Note** recent engagement activities and that partner councils are on an improvement pathway for enhanced community engagement.
- 7 **Confirm** your interest in exploring a Western Bay Transport Centre of Excellence and request CEOs report back on this item at the next SLG meeting.

Collaborating to deliver community and customer outcomes

Improved integration and collaboration between land use and transport decision making

| System components | Value of working together closely | SmartGrowth Council role | Transport Agency role | Areas of collaboration | Opportunities |
|--|--|--|--|--|---|
| The way we work | | | | | |
| Culture and behaviours | <ul style="list-style-type: none"> Ability to create shared outcomes which can then be developed into joint implementation plans across organisations Clear expectations of how we work together to achieve SmartGrowth objectives | <ul style="list-style-type: none"> SmartGrowth Strategy: 'Pillars' – Partnership, Collaborative Leadership, Integration, Evidence Based, Live, Learn, Work and play. Individual Councils sign up to work together as per SmartGrowth | <p>Organisational 'DNA' (i.e. how we think and act collectively so that we ensure we deliver on our strategy):</p> <ul style="list-style-type: none"> <i>Collaborate to achieve as one</i> <i>Customer focus to deliver value</i> <i>Curious to cultivate innovation.</i> | <ul style="list-style-type: none"> Memorandum of understanding: <ul style="list-style-type: none"> Chief Executive DHB, MOE, SG Councils, NZTA Good personal relationships Strong informal relationships | <ul style="list-style-type: none"> Review MOU to ensure that it is fit for purpose now and in the future. In reviewing the MOU, there are opportunities to include/refresh: <ul style="list-style-type: none"> the collaborative culture and behaviours to support the achievement of the SmartGrowth outcomes the involvement of iwi Improved alignment to partners planning, implementation, and operational activities |
| Planning the system | | | | | |
| Developing the big picture | <ul style="list-style-type: none"> Shared/Aligned strategic intent Mitigate future misalignment and transaction costs Vision, Objectives Evidence & Outcomes understood in place based manner. Shared direction established against which to assess community planning activities (including infrastructure investment). | <ul style="list-style-type: none"> Lead strategic direction Develop a Vision, with explanation/evidence base, outcomes seeking to achieve and specific targets, for the wider area and relevant place based scales. | Support strategic direction with forward planning of transport system. | <ul style="list-style-type: none"> SmartGrowth Settlement Pattern NPS – UDC resulting in Future Development Strategy Tauranga Transport Plan | <ul style="list-style-type: none"> Refresh SmartGrowth documentation to include: <ul style="list-style-type: none"> a combined evidence base applicable to all partners. Evidence to identify pressures, state, and response issues at regional and sub-regional levels long, medium, and short term outcomes, objectives, and targets to enable successes to be identified. Medium and short term targets based on 1-3 years and linked to LTP and local government cycles SMART place based measures/targets linked to community outcomes and customer levels of service Update Settlement Pattern policy to ensure the long term view is fit for purpose Align and implement the Tauranga Transport Plan with the Future Development strategy |
| Monitoring and reporting our successes | <ul style="list-style-type: none"> Shared understanding of the strategic drivers of change / pressures. Shared understanding of community and customer needs. Joint evidence base of how targets are tracking. | <ul style="list-style-type: none"> Provide an evidence base understanding of priorities for community experience and outcome | <ul style="list-style-type: none"> Provide transport system customer experience and outcome priority insight. | <ul style="list-style-type: none"> SmartGrowth development trends reporting | <ul style="list-style-type: none"> Include broader range of long, medium, short term measures in the trend reporting to help assess progression of achieving SmartGrowth outcomes Develop shared community and customer insights that partners can use as applicable Regularly monitor and report on progress achieved to improve community understanding |
| Designing the system | | | | | |
| Developing co-ordinated business cases | <ul style="list-style-type: none"> Transport planning focussed to delivering SmartGrowth vision, objectives and outcomes Able to develop broader programme (policy; infrastructure; operational) to enable community and customer experiences. | <ul style="list-style-type: none"> Provide system-based, community-centred outcomes. | <ul style="list-style-type: none"> Whole of transport system perspective Provide advice and assurance on business cases developed | <p>Transport planning:</p> <ul style="list-style-type: none"> Tauranga Transport Program WBOP Public Transport Blueprint Tauriko Network business case SH2 Waihi to Tauranga business case <p>Land use planning:</p> <ul style="list-style-type: none"> Tauriko West Structure Plan Te Tumu Structure Plan | <ul style="list-style-type: none"> Align business case development to be cognisant of SmartGrowth outcomes, objectives, and measures Utilise the planning based developed through SmartGrowth Utilise shared evidence based developed supporting SmartGrowth and community and customer insights Share expertise and knowledge to develop high quality business cases |

| System components | Value of working together closely | SmartGrowth Council role | Transport Agency role | Areas of collaboration | Opportunities |
|--|--|--|--|--|--|
| | | | | <ul style="list-style-type: none"> Tauranga Urban Strategy Omokoroa Structure Plan Katikati Housing infrastructure fund business case development Other Govt/Organisations: <ul style="list-style-type: none"> MOU Councils; DHB; MoE; NZTA | <ul style="list-style-type: none"> Linking business case development and structure planning to be more co-ordinated and collaborative Improved co-ordination of implementation activities identified in business cases, and management of risk |
| Co-ordinating transport decision making | More co-ordinated decision making | Commitment to implementation (RLTP) | Commitment to implementation Give effect to GPS Providing investment advice and assurance | LTP RLTP (RAG & RTC) NLTP Business Case development Statutory processes | <ul style="list-style-type: none"> Review purpose and function of existing decision making committees and streamline Develop view of short term community and customer priorities and the desired activities to support this view |
| Operating the system | | | | | |
| Operate the system (i.e. day to day operations) | <ul style="list-style-type: none"> Better community and customer experience Achievement of strategic goals | <ul style="list-style-type: none"> Internal organisational alignment to support TOC success | Internal organisational alignment to support TOC success | <ul style="list-style-type: none"> Tauranga Operations Centre (TOC) | <ul style="list-style-type: none"> Develop network operating plan to improve community and customer experiences when using the whole transport system Develop network improvement plan to prioritise activities to improve the operation of the transport system |
| Delivering and maintaining the system | | | | | |
| Co-ordinated the delivery of core Infrastructure | <ul style="list-style-type: none"> To optimise the delivery of outcomes across organisations. | Lead in the planning & delivery of infrastructure (social, transport, waters) to achieve community Vision. | Plan and invest in transport system to support community outcomes & transport customer experience. | Delivery/implementation of agreed projects | <ul style="list-style-type: none"> Map out infrastructure delivery programmes across partners to optimise delivery sequencing, minimise disruptions, and improve value for money |
| Co-ordinated network management planning | An agreed transport customer experience that supports the community outcomes. | Asset/activity management planning | Asset/activity management planning | Network Outcomes Contract | <ul style="list-style-type: none"> Further embed customer outcomes into maintenance contracts Further improve co-ordination of PT infrastructure and services to better meet agreed customer expectations |
| Co-ordinated network management delivery eg maintenance activities | An agreed implementation plan to support optimisation of outcomes across partners. | Asset/activity management implementation | Asset/activity management implementation | Network Outcomes Contract | <ul style="list-style-type: none"> Share maintenance activity schedules across SmartGrowth partners |

TRANSPORT SYSTEM, DESIGN AND DELIVERY: Collaboration in Action Across the Western Bay of Plenty

WHAT'S BEING PLANNED

REGIONAL LAND TRANSPORT PLAN

30-year Bay of Plenty regional transport plan (draft being prepared for consultation in late 2017).

All of the strategies and plans that are being planned and delivered, along with other transport related strategies/initiatives, will inform the development of the Regional Land Transport Plan. [More information](#)

REGIONAL PUBLIC TRANSPORT PLAN + NEW WESTERN BAY BUS NETWORK PLAN

And new public transport ticketing system (from mid 2018). [More information](#)

TAURANGA TRANSPORT PLAN

Long term transport plan (includes travel demand management and support for compact city and urban strategy). [More information](#)

TAURANGA CYCLE PLAN [More information](#)

TAURANGA PARKING STRATEGY

WESTERN BAY DISTRICT TRANSPORT STRATEGY

And the Western Bay District Cycle Strategy including Omokoroa to City cycleway.

PIARERE TO TAURIKO (SH29)

– business case under way for investment

WAIHI TO TAURANGA CORRIDOR (SH2)

- business case under way for investment
- Katikati bypass
- Waihi to Omokoroa
- Omokoroa to Te Puna four-laning

MAINTAINING THE CURRENT NETWORK

The NZ Transport Agency and councils also plan and deliver the maintenance of the current transport network. This is a significant cost – more than half the transport investment in our sub-region goes just on maintaining and operating our current transport system.

WHAT'S BEING DELIVERED

TAURANGA TRANSPORT IMPROVEMENTS

Set of corridor and safety improvements, road upgrades, cycling and pedestrian links. Minor improvements programme e.g. High Occupancy Vehicles, bus priority.

PUBLIC TRANSPORT SERVICE

– across western Bay of Plenty [More information](#)

OMOKOROA SH2 IMPROVEMENTS

NEW COMMUNITIES – FROM 2021

Te Tumu – future transport [More information](#)

Tauriko for tomorrow [More information](#)

Omokoroa Stage 3

CONSTRUCTION UNDERWAY OR ABOUT TO START

BAYFAIR TO BAYPARK LINK

MAUNGATAPU UNDERPASS

TAURANGA NORTHERN LINK



WHO DOES WHAT AND OPPORTUNITIES FOR IMPROVEMENT

Integrating transport and future community planning.



NZ TRANSPORT AGENCY:

- Works in partnership, primarily with councils, to maintain and deliver a nationally integrated land transport system (funding/planning/delivery)
- Responsible for allocating investment of the National Land Transport Fund
- Responsible for State Highways

TAURANGA CITY COUNCIL

- City-wide transport planning and delivery
- Infrastructure for city roads, public transport, walking, cycling
- Owns Tauranga Airport. Operated under Airports Authority Act, governed by Airport Advisory Group. Tauranga Airport Master Plan

WESTERN BAY OF PLENTY DISTRICT COUNCIL

- District-wide transport planning and delivery
- Infrastructure for district roads, public transport, walking, cycling

BAY OF PLENTY REGIONAL COUNCIL

- Region-wide public transport service, planning and delivery (Regional Public Transport Plan)
- Region-wide transport planning including prioritising significant projects seeking NZ Transport Agency investment (Regional Land Transport Plan)

Opportunities for improvement

KIWI RAIL

- Responsible for maintaining rail corridors
- Rail freight service provider

BAY OF PLENTY DISTRICT HEALTH BOARD/ TOI TE ORA

- Assessing health and wellbeing impacts of transport and promoting transport as a key community health determinant

MINISTRY OF EDUCATION

UPPER NORTH ISLAND STRATEGIC ALLIANCE

(Auckland/Northland/Bay of Plenty/Waikato)

- Cross-council alliance – has completed inter-regional studies including freight story and ports

BAY OF CONNECTIONS

- Economic development focus with Freight Logistics Action Group – Freight Logistics Strategy [More information](#)

Paper C: Information on the Transport Centre of Excellence proposal

1 Local Government Futures Transport Functional Assessment

In November 2014, the LGF project was formed by the local government councils who are part of the Bay of Plenty triennial forum. The LGF project explored options for improving local government efficiency and effectiveness and involved work streams examining the communities of interest, democracy and leadership across the region, as well as functional assessments for transportation and water and waste water.

This transportation functional assessment was undertaken by Rationale Ltd and it prepared an indicative business case. It concluded that:

“the wider Bay of Plenty councils and NZTA are collaborating well in defined areas such as growth planning, land use and transport integration and freight logistics. There is not a not a sole driver that is suggesting change, but a growing accumulation of elements stemming from the pressure to improve the effectiveness of transportation investments” (page 2, Bay of Plenty Local Government Futures, Transportation Functional Assessment Indicative Business Case, August 2016).

The indicative business case ranked the Regional Transport Centre of Excellence (TCE) option highest. It recommended that this work be progressed to a detailed business case by local government authorities and NZTA.

It did not consider the need to integrate land use planning and transport planning decisions as occurs in the Western Bay of Plenty.

2 Business Case Options

The options shortlisted for evaluation in the business case traversed all aspects of the transport function and should be considered as a continuum (see Figure 1).

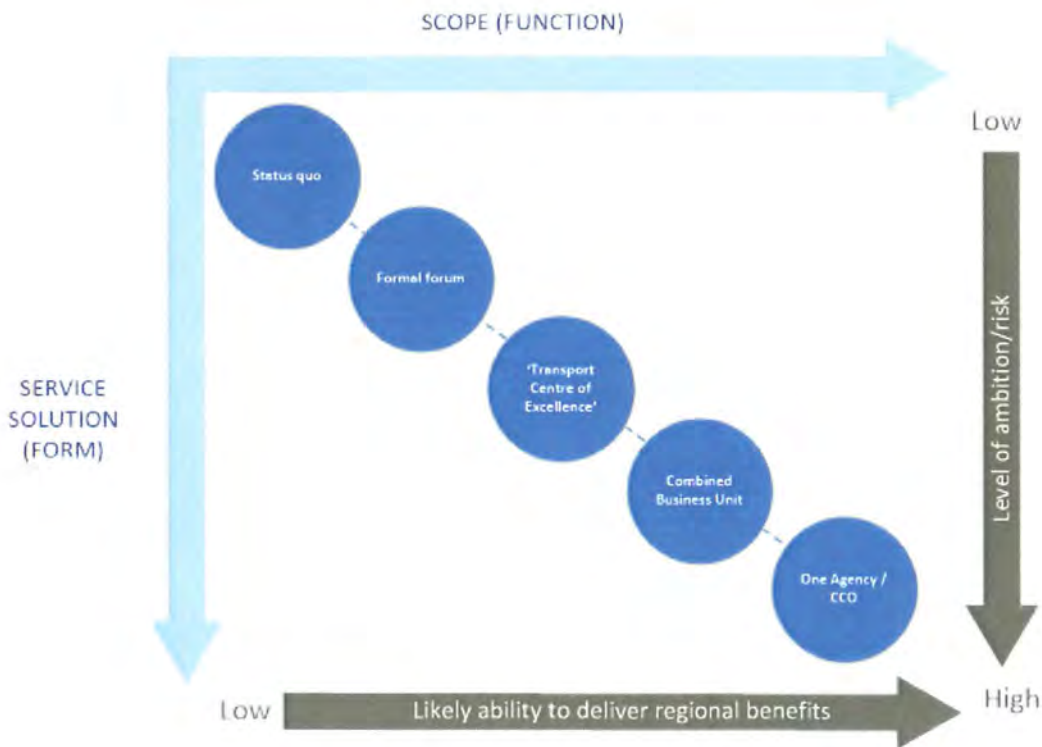


Figure 1: Indicative Scope and Service Solution of Proposed Shortlist Options (Source: Rationale)

The scope of each option is shown in Figure 2.

| SCOPE (Function elements) | | | | | | | |
|--|-----------------------|--------------------|---------------------------|---------------------|--------------------|------------------|---------------------------|
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 |
| Data & Analysis | Transport Programming | Transport Planning | Strategic Decision Making | Procurement Process | Network Management | Service Delivery | Other Service Integration |
| OPTION 1 Status Quo | | | | | | | |
| OPTION 2 Via Formal Forum | | Status Quo | | | | | |
| OPTION 3 Via Transport Centre of Excellence | | | | | Status Quo | | |
| OPTION 4 Via Combined Business Unit | | | | | | | |
| OPTION 5 One Entity (most likely a CCO) | | | | | | | |

Key:
 Status quo level of collaboration
 Significant level of collaboration over and above the status quo
 Moderate level of collaboration over and above the status quo

Figure 2: Scope of each Option (Source: Rationale)

An explanation of each functional element is explained in at the end of this Definition of Scope Options

3 What is a Transport Centre of Excellence?

Mandated by a memorandum of understanding, a TCE captures the data collection, data analysis, transport programming, transport planning, strategic decision making and selective procurement processes. It is proposed to be a regional entity given the transport planning and strategic decision-making functions.

It should be noted that:

- the 'data & analysis' and 'transport programming' components are primarily road controlling authority ones and could be delivered collaboratively irrespective of the establishment of a TCE;
- the western Bay sub-region is currently collaboratively delivering a number of 'transport planning' components such as growth planning (SmartGrowth), business cases (Western Bay of Plenty Public Transport Blueprint and Tauranga Programme Business Case) and transport modelling; and
- some aspects of the 'strategic decision-making' component are legislatively mandated as a regional council function and can not be delivered through a sub-regional TCE (e.g. Regional Land Transport Plan).

This report indicated the main benefits of a TCE as:

- improved investment stories from information sharing and joint data analysis/benchmarking, with dedicated specialist resources allocated across the functions of the Centre;
- potential improvements to human resources with specialised training and development opportunities;
- reduced procurement costs in data collection and analysis as a result of joint procurement approach;
- opportunity to align activity management plans, business cases and data capture;
- improved sharing of information around collective problem solving, business and residential community engagement and land use-transport planning approaches; and
- relatively easy to implement and flexible to scaling up if successful.

4 Definition of Scope Options

| Scope Options | Possible Coverage/Definition |
|--|--|
| Status Quo | All functions continued as at present with existing levels of collaboration. Collaboration under the status quo includes sub-regional initiatives (e.g. SmartGrowth; HO/TLA joint localised planning and operational arrangements, WBoPDC/NZTA shared Westlink contract) through to regional activities (e.g. RAG practitioners group; RTC coordination of RLTP). |
| Data & Analysis ONRC (reporting), Activity Management Plans, Long Term Plan | Regional standardisation of data specifications, systems, quality, collection, storage, processing and analysis. Achieving standardised evidence-base; procurement efficiencies; expertise in analysis; regional consistency in data use, alignment of ONRC reporting. |
| Transport Programming Renewals, Maintenance & Operations (M&O), Business Cases | Coordinated approach to development of renewals and M&O programming, involving aligned levels of service, maintenance intervention strategies and risk profiles; common evidence base and shared preparation of investment cases; peer reviews. etc. Achieve consistent one network ONRC approach to service delivery and customer outcomes, and improve planning and strategy development; |
| Transport Planning Strategic, Growth, Level of Service (LOS), Business Cases, Traffic Modelling, Customer | Joint approach to transport planning to ensure maximum regional effectiveness on strategic issues (other than those required by the RLTP) and taking into account amenity / place making aspects. Achieve integrated regional approach to provide stronger 'common voice' to Central government interaction and reduce duplication of efforts. Establish consistent processes to turn strategic priorities agreed with key stakeholders into operational and planning decisions. |
| Strategic Decision Making 30-year Infrastructure, RLTP | Identifying long-term service and network requirements, planning areas of growth and development and consequent infrastructure requirements, identifying and budgeting funding requirements. This includes inputs into regional strategies, LTPs, and 30-year infrastructure strategies, and development of RLTP. |
| Procurement Process Tendering, Specifications, Alignment, Size, Duration. | Coordination of procurement timing to remove peaks and troughs by separating contract renewal dates. Allowing contractors to know what contracts have been awarded prior to tendering for others. Develop common contract form, contract documents and/or specifications to remove variability allow consistent interpretation by industry. Thus reducing tendering cost/workload. Common approach to encouraging competitive regional supply market, e.g. minimum sub-contractor provisions. |
| Network Management | Joint Network Operating Plans to ensure network efficiencies and route optimisation especially for key urban centres and peri-urban area, with a One Network approach and consideration of multi-modal options. |
| Service Delivery (Bundling) | Potential aggregation of smaller contracts to achieve scale and be more attractive to contractors (enabling them to invest in greater skills and resources). |

5 Cost and Time Comparison

| Investment Metric | Option 1 Status Quo | Option 2 Formal Forum | Option 3 Transport Centre of Excellence | Option 4 Combined Business Unit | Option 5 One Entity / CCO |
|---|------------------------|--|---|---|---|
| Investment cost (Range) | Existing | \$0.3m - \$0.5m | \$0.4m - \$0.7m | \$0.6m - \$1m | \$1.2m - \$1.5m |
| Additional estimated operational costs (Range) ¹ | Existing | \$0.4m - \$0.6m pa. | \$0.5m - \$0.9m pa. | \$0.9m – \$1.3m pa | \$1.1 – \$1.5m pa |
| Existing resources involved ² | 100% | 5-10% | 60-70% | 80-90% | 100% |
| Additional /Reduced Resources (FTE +/-) | None | 3 additional ³ | 3 additional ⁴ | 3 additional ⁵ | 4 additional ⁶ |
| Projected savings | Existing | \$200k procurement savings per year (RATA Annual Report) | \$250k + procurement savings per year estimate over the first three years | \$2.6m per year from year 3, based on 5 organisations, with 3.1% efficiency improvements (Northland Transportation Alliance detailed business case) | \$560k - \$2.0m estimate pending further analysis |
| Time Range from point of approval and funding secured | On-going | 2 - 4 mths Comparative: RATA | 3 - 6 mths Comparative: RATA | 4 – 9 mths Comparative: Northland Transportation Alliance | 9 – 15 mths Comparative: Auckland Transport |

(Source: Page 38, Bay of Plenty Local Government Futures, Transportation Functional Assessment Indicative Business Case, August 2016)

¹ Indicative costs based on similar collaborations (Waikato, Northland & Auckland) and pro-rata.

² Existing resources involved as a percentage of each organisation's transportation workforce.

³ Plus, champions within each organisation.

⁴ Project Director, Project Manager plus Administration Support over Transition period (further analysis to determine final number).

⁵ Business Unit Manager, Project Manager and Administration Support with additional assistance from existing Managers, human resources, communication and legal representatives.

⁶ Governance specialist, Manager, Project Manager and Administration Support during transition with full resourcing to be matched to agreed scope.

Western Bay of Plenty District Council**Council****BOPLASS Limited Half Yearly Report to Shareholders
2017-2018 and
Draft Statement of Intent 2018-2019**

Purpose

Council is required to receive the Half Yearly Report to Shareholders and requested to receive and comment on, if applicable the draft Statement of Intent.

Recommendation

1. ***THAT the Chief Financial Officer's report dated 27 February 2018 and titled "BOPLASS Limited Half Yearly Report to Shareholders 2017-2018 and Draft Statement of Intent 2018-2019" be received.***
2. ***THAT the BOPLASS Limited Half Yearly Report to Shareholders 2017-2018 and Draft Statement of Intent 2018-2019 relates to an issue that is considered to be of low significance in terms of Council's Significance and Engagement Policy.***
3. ***THAT the BOPLASS Limited Half Yearly Report to Shareholders 2017-2018 be received.***
4. ***THAT the BOPLASS Limited Draft Statement of Intent 2018-2019 be received.***
5. ***THAT the Board of BOPLASS Limited be advised of the following comments on the BOPLASS Limited Draft Statement of Intent 2018-2019 within two months from 1 March 2018:***



Kumaren Perumal
Chief Financial Officer

1. Background

Bay of Plenty Local Authority Shared Services Limited (BOPLASS Ltd) is designated a council-controlled organisation under the Local Government Act 2002.

The company was formally established in January 2008 by the nine local authorities in the Bay of Plenty and Gisborne regions to foster collaboration between councils in the delivery of services particularly back office or support services.

1.1 BOPLASS Limited Half Yearly Report to Shareholders 2017-2018

Under Section 66 of the Local Government Act 2002, within two months after the end of the first half of each financial year, the board of a council-controlled trading organisation must deliver to the shareholders a report on the organisation's operations during that half year. The report is required to provide information against the objectives set out in the Statement of Intent 2017-2018. Please see **(Attachment A)**.

1.2 BOPLASS Limited Draft Statement of Intent 2018-2019

As a council-controlled organisation BOPLASS Ltd is a separate legal entity from Council and is responsible for delivery of services in accordance with an agreed Statement of Intent. The company is governed by a Board of Directors being the Chief Executives of the constituent local authorities. The Board also includes an independent Director, appointed with specific skills to add incremental value and appointed by the Board for a term of 12 months.

Under Schedule of 8 (9) of the Local Government Act 2002 the Board of a council-controlled organisation must deliver to its shareholders a draft Statement of Intent on or before 1 March each year. Please see **(Attachment B)**. The Board must consider any comments on the draft Statement of Intent that are made to it within two months of 1 March 2018 by the shareholders. Following the two months allowed for submissions the Directors of BOPLASS will consider any submissions made by Shareholders and approve a final Statement of Intent by 30 June 2018.

Council is therefore required to receive and comment on, if applicable, the draft Statement of Intent.

2. Significance and Engagement

The Local Government Act 2002 requires a formal assessment of the significance of matters and decisions in this report against Council's Significance and Engagement Policy. In making this formal assessment there is no intention to assess the importance of this item to individuals, groups, or agencies within the community and it is acknowledged that all reports have a high degree of importance to those affected by Council decisions.

The Policy requires Council and its communities to identify the degree of significance attached to particular issues, proposals, assets, decisions, and activities.

In terms of the Significance and Engagement Policy this decision is considered to be **low** because it is a statutory requirement for council-controlled organisations to deliver to the shareholders a report on the organisations operations and also receiving the Statement of Intent from a Council Controlled Organisation for shareholders comment is statutory therefore the affect on ratepayers is low.

3. Engagement, Consultation and Communication

| Interested/Affected Parties | Completed/Planned Engagement/Consultation/Communication |
|-------------------------------------|--|
| The Board of BOPLASS Limited | Any comments on BOPLASS Limited draft Statement of Intent 2017-2018 must be received by the board for its consideration within two months of the 1 March 2018. |
| The Shareholders of BOPLASS Limited | Shareholders are invited to provide comment and feedback on the draft Statement of Intent 2018-2019 within two months of 1 March 2018. |

4. Issues and Options Assessment

| <i>THAT the board of BOPLASS Limited be advised of the following comments on the BOPLASS draft Statement of Intent 2018 - 2019 within two months of 1 March 2018:</i> | |
|--|---|
| Reasons why no options are available | Legislative or other reference |
| The board of a council-controlled organisation must deliver to its shareholders a draft statement of intent on or before 1 March each year. | Schedule 8 (statements of intents) of the Local Government Act 2002 refers. |

5. Statutory Compliance

This report and its recommendations comply with the relevant legislation.

6. Funding/Budget Implications

| Budget Funding Information | Relevant Detail |
|----------------------------|---|
| | The recommendations in this report have no budgetary or funding implications. |



BOPLASS Ltd

HALF YEARLY REPORT TO SHAREHOLDERS



Period ended 31 December 2017

“COUNCILS PARTNERING FOR VALUE AND SERVICE”



BOPLASS Chair's Report

It is with pleasure the Directors present their 2017/2018 Half Yearly Report to Shareholders demonstrating the continuing contribution the company makes to collaboration between councils.

The renewal of councils' insurance through BOPLASS in November 2017 was a clear demonstration of the value added to BOPLASS councils through collaboration with other councils and the ability to leverage the buying power of a larger group. Although it is a hardening market for insurers, with significant premium increases being applied to similar NZ organisations, we were able to limit increases for the BOPLASS group while securing higher levels of cover for all councils. Additionally, BOPLASS has continued investigating opportunities to improve councils' insurance protection while also mitigating exposure and risk, with projects continuing for infrastructure hazard loss and loss modelling work.

In back office procurement BOPLASS continues to utilise the availability of All of Government (AoG) contracts and has ensured these are given early consideration in any procurement initiatives. There are a number of active procurement opportunities either in the formative stage or about to go to tender. Additional information about current projects is available in the attached report.

The Board's focus steadfastly remains on the development of shared service initiatives and particularly looking at the opportunities for inter-regional collaboration.

The review of councils' solid waste services determined a number of areas with potential to benefit through collaboration and provide cost savings, operational benefits, and/or diversion of waste from landfill. The Board has approved for proof of concept to be developed for:

- a regional or cross-regional approach to licensing and data collection for waste operators;
- diverting putrescible wastes from landfill;
- a regional facilities strategy.

These are shared service projects of significance from both an operational and community perspective and have potential to provide substantial benefits to a large group of councils.

The Board is in the process of engaging an independent review of the company's governance, but have now extended the review to cover full organisational strategy before focussing specifically on the governance aspects. The Board is currently investigating the opportunity to undertake the review in conjunction with neighbouring LASS.

BOPLASS continues to develop its reputation as an effective example of collaboration within Local Government. We would like to thank the various individuals within all of the councils who continue to support and assist with the progress of these important initiatives.

Yours faithfully

Craig O'Connell

Chair



BOPLASS Ltd
 "COUNCILS PARTNERING FOR VALUE AND SERVICE"

HALF YEARLY REPORT TO SHAREHOLDERS

14 FEBRUARY 2018

1 INTRODUCTION

The Local Government Act 2002 requires that the Directors deliver to the Shareholders a report within two months of the end of the first six months of the financial year. The report is required to provide information against the objectives set out in the Statement of Intent. The following report records the objectives of the company and reports on performance against a table of specific performance requirements set out in the Statement of Intent.

2 OBJECTIVES OF BOPLASS LTD

The company exists to provide councils in the Bay of Plenty and Gisborne regions with an umbrella vehicle to investigate, procure, develop and deliver shared services.

Working together with the full support and involvement of staff, we will provide benefit to councils and their stakeholders through improved levels of service, reduced costs, improved efficiency and/or increased value through innovation.

These will be achieved primarily through:

JOINT PROCUREMENT

Being the procurement of services or products by two or more councils from an external provider regardless of whether the service is paid for through BOPLASS or individually by participating councils.

SHARED SERVICES

Being the participation of two or more councils in the provision of a common service which may be jointly or severally hosted.

3 GOVERNANCE

In the year to date the governance structure has remained stable with no changes to the Board.

Craig O'Connell has been reappointed to the position of Chair and continues in his role of independent director.

4 NATURE AND SCOPE OF ACTIVITIES

The principle nature and scope of the activities of BOPLASS Ltd is to:

- *Use joint procurement to add value to goods and services sourced for its constituent councils.*
- *Facilitate shared services that benefit councils and their stakeholders through improved levels of service, reduced costs, improved efficiency, innovation and/or increased value.*
- *Pursue best practice in the management of all activities to obtain best value and minimise risk.*
- *Demonstrate fiduciary responsibility by ensuring that its activities are adequately funded from savings achieved, levies, council contributions, or Government funding where available.*
- *Allow other councils or organisations to participate in its activities where this will benefit its constituent councils directly or indirectly.*
- *Represent the collective views of its shareholders in matters with which it is associated.*

5 FUTURE DEVELOPMENTS

BOPLASS Ltd will continue to work on business cases for joint procurement and shared services that may be provided in the region or cross-regionally.

The Board has adjusted its strategy to ensure that BOPLASS is focused on lifting the effort on shared services and innovation and delivering wider value than just procurement savings.

Current feasibility studies for shared services include but are not limited to:

- GIS;
- ICT strategy and services;
- Joint software support;
- High speed fibre network services;
- Digitalisation Services;
- Accounts payable processing;
- Collaboration Portal;
- Archive services;
- Health and safety;
- Radio-telephony;
- IT datacentre/hosting;
- Regional waste facilities strategy
- Diversion of putrescible waste from landfill
- Waste collections licensing and data.

Other shared services may be provided after the Board has considered each individual business case and formally agreed to take on and deliver (or host/procure etc.) the shared service.

Joint procurement opportunities will continue to be identified and developed with individual councils engaging under the opt-in principle established by the Board. Joint procurement initiatives will be considered by the Board and/or its advisory groups where there is demonstrated support from two or more member councils.

The Board supports BOPLASS continuing to develop collaboration opportunities outside of the regional boundaries. BOPLASS will continue to proactively explore opportunities to partner with other Local Authorities and shared services organisations within New Zealand where they are developing, or considering developing, cost effective shared services and products that are of value to the Bay of Plenty and Gisborne councils.

BOPLASS development of the Collaboration Portal for the sharing of information on shared services or joint procurement opportunities within the constituent councils has identified a number of duplicate projects across councils that present an opportunity for further collaboration. The BOPLASS Collaboration Portal is now used by other LASS and councils and provides an opportunity to assist with the identification and management of inter-regional collaboration opportunities. BOPLASS will continue to develop the Collaboration Portal and make it available to the wider local government community.

The BOPLASS Operations Committee will continue to manage responsibility for regular monitoring and governance of operational aspects of BOPLASS projects, allowing the Board to primarily focus on supporting the strategic development of the organisation. The committee members will also be responsible for identifying additional BOPLASS projects that add value to the shareholding councils and advocating these projects within their respective councils.

6 PERFORMANCE TARGETS

To ensure the company continues to operate effectively in both governance and management terms over the next three years the current SOI targets are to:

- Investigate new joint procurement initiatives for goods and services for BOPLASS councils.
- Provide support to BOPLASS councils that are managing or investigating shared services projects.
- Further develop and extend the Collaboration Portal for access to, and sharing of, project information and opportunities from other councils and the greater Local Government community to increase breadth of BOPLASS collaboration.
- Ensure appointed vendors remain competitive and continued best value is returned to shareholders.
- Complete an independent review of governance performance and structure to ensure it supports BOPLASS' strategic direction.
- Communicate with each shareholding council at appropriate levels.
- Ensure current funding model is appropriate.

The Board believes that all targets are being achieved or are on-track to be achieved, as is demonstrated by the following list of current initiatives.

7 CURRENT INITIATIVES

The following initiatives have been under consideration or operating during the first part of the year:

HIGHLIGHTS

- Infrastructure Insurance – BOPLASS recently represented a collective group of 41 councils in negotiations for placement of councils' infrastructure insurance in the London markets. With a total insured value of \$31.5 billion significant leverage was obtained and, despite recent claims, increased limits and higher insured values for the BOPLASS councils, very competitive pricing was received at rates up to 30% cheaper than had councils insured individually.

The insurance negotiations and placements were supported by loss modelling and risk quantification projects undertaken by the BOPLASS councils in 2017.

BOPLASS is continuing to manage a project to insure 100% of the first \$10M of any natural hazard loss to councils' infrastructure to reduce potential exposure/shortfall of the non-guaranteed 60% portion provided from Central Government. In anticipation of future changes to the current 60/40 natural hazard arrangements, capacity for further coverage has also been secured through the London markets.

- Environmental Insurance / Gradual Contamination Insurance – A LASS level project to provide environmental impairment insurance to cover councils for: gradual pollution, most types of pollutant (including asbestos), 1st & 3rd party loss and restorative/clean-up costs.
- Media Distribution Services – BOPLASS is investigating opportunities for regional coordination for release and distribution of media notifications through common software and standardisation of services.
- GIS Software – Contracts have continued to be renewed or reviewed with a number of software companies. This has provided significant discounts on the purchase and maintenance of software through leveraging the group buying power and the establishment of common technology standards.
- Multi-Function Devices (printers and copiers) – joint procurement of MFDs resulted in a total upgrade of equipment across all of the BOPLASS fleet, additional functionality and significant cost savings. This common technology platform now supports the future development of collaborative solutions between councils. Current projects for electronic document management, accounts payable, and digitalisation will be developed through utilising this common infrastructure.
- Aerial Photography 2016-18 – A collective tender for BOPLASS councils' ortho-rectified imagery was awarded to AAM NZ Ltd. The contract covers specific areas and requirements within the regional flying calendar. The councils' participation in this collaborative contract has resulted in discounted pricing through the reduced effort required from the contractor, while also delivering a common standard of information across the councils and allowing for central management of the data. The collaborative approach through BOPLASS also resulted in a significant contribution towards the project costs from Land Information NZ.
- Inter Council Network – An initiative with FX Networks/Vocus and the One.Govt consortium providing a 1Gbps fibre connection between the majority of BOPLASS councils. A technology and service review in 2017 has resulted in reduced costs for this foundation service.

- Health and Safety – BOPLASS has investigated and developed a number of health and safety projects often working in conjunction with the Waikato LASS.
 - Contractor Health and Safety Pre-qualification Portal - BOPLASS and Waikato LASS have worked together on further development of the on-line contractor health and safety prequalification scheme and promotion of the scheme to other councils. The Pre-qualification Portal provides a convenient and consistent way for contractors to engage with councils, while also ensuring standardised compliance and simplified and efficient contractor management for council staff.
Development of the portal is a great example of councils working together to address a common issue.
 - Joint development of H&S policies and terms of reference. Sharing of existing H&S procedures or shared development of new procedures. Includes H&S in procurement, common documentation, processes, H&S liabilities and standard reporting measures for councils and governance.
 - Occupational Health Services – a tender is being formed for the appointment of a preferential supplier for occupational health services across BOPLASS councils – providing for cost efficiencies and consistency in service.
- Enterprise Content Management – Several BOPLASS councils are reviewing options for electronic document management. With the majority of councils currently using the same supplier this presents an opportunity for a collective review of options.
- Radio Telephony (RT) strategy – A region-wide strategy has been developed by BOPLASS for the sharing and utilisation of Radio Telephone services and technologies. This is considered to be of significant importance in civil defence strategies.
- Solid Waste Management – Opportunities for collaboration in solid waste services have been investigated, with three projects prioritised:
 - A regional or cross-regional approach to licensing and data collection for waste operators
 - Diverting putrescible wastes from landfill
 - A regional facilities strategy

Options for developing these opportunities on a cross-regional basis are under investigation. Further opportunities have also been identified with regional benefits through development of collective services in solid waste minimisation management or the establishment of aligned standards.
- Training – Collaborative training has been arranged across a number of areas of council business, providing for discounted rates, reduced staff travel (as trainer is prepared to travel to region for a larger group), opportunity to network with peers from other councils and development of tailored material.
- Internal Audit Services – The collective BOPLASS agreement with KPMG provides for the sharing of information and learnings across the greater group. A Challenges and Insights Panel session has recently been held where council representatives were able to workshop with KPMG the latest thinking and emerging trends in risk, technology and fraud in local government.
- Other LASS – We continue to maintain a close relationship with MW LASS (Manawatu/Wanganui), HBLASS (Hawkes Bay), Waikato LASS and Northland councils and

work on a number of projects together. Identification of further opportunities to share knowledge or collaborate on projects is regularly undertaken.

In addition, there are several other projects either in the formative stage or being reviewed for potential contribution to cost savings, best practice and/or better resource utilisation.

- Collaboration Portal – The Collaboration Portal was developed by BOPLASS to provide improved visibility of existing and potential collaboration opportunities across councils and to facilitate effective partnerships. This improved visibility of other councils' workstreams encourages more inter-council collaboration initiatives.

A number of other councils and government organisations are now using the Portal but sharing of information remains fairly low. A project has been undertaken to survey users and reconfigure the Collaboration Portal to encourage a higher level of sharing.

- Governance Review – The Board has commenced the process of engaging an independent review of the company's governance. Following an initial assessment of BOPLASS strategy the review has now been extended to cover full organisational strategy and establishing a first principles strategic review before focussing specifically on the governance aspects.

BOPLASS is also investigating the opportunity to share information and independent reports with neighbouring LASS currently undertaking similar reviews.

- Communication – BOPLASS continues to regularly engage with our constituent councils, senior management and shareholders to ensure opportunities continue to be developed to the benefit of all stakeholders.
- Viability of Current Funding Model – The sources of BOPLASS funding and the viability of the funding model are regularly reviewed with financial reporting provided to the BOPLASS Board.

8 FINANCIAL REPORTS

1. Financial Support and Accounting Services

Accountancy services and support continue to be provided by Tauranga City Council.

2. Accounting Policies

The company is compliant with the accounting policies stated in the Statement of Intent.

3. Tier 2 PBE Accounting Standards Applied

The financial accounts are prepared with application of Tier 2 accounting standards.

4. Financial Reports

Financial Reports for the period to 31 December 2017 are attached.

5. Variations

The organisation is operating within budget and has achieved a reasonable revenue stream for the first half of the year.

Included are the service related payments for services accessed by councils.

Project expenses, and conversely, project recoveries are higher than budget due to additional projects being undertaken by BOPLASS.

Sales of Service revenue is lower than budget due to reduced secondment of the BOPLASS IT Manager to councils for specific IT projects.

ICN expenditure is currently reporting higher than revenue as programmed changes to the ICN, and the associated cost reductions, could not be implemented by suppliers in the expected timeframes. The additional cost will be recovered in Q3 and Q4.

Aerial photography expenses are less than budget due to delays in capture from the supplier.

9 STAFFING, ACCOMMODATION AND SUPPORT

Staff

Staffing levels are unchanged with a part-time administrator continuing to provide additional project support and management of existing activities.

Accommodation and Support

We continue to appreciate the office space provided at Tauranga City Council and the support that is offered for IT and Accounting services. Although there is a monthly fee there is still a contribution in kind.

BOP LASS LTD
STATEMENT OF COMPREHENSIVE INCOME
FOR THE MONTH ENDED 31 DECEMBER 2017

| | Actual YTD | Budget YTD | Total Budget | YTD Variance |
|---|-------------------|------------------|--------------------|-------------------|
| REVENUE | | | | |
| Revenue - Core | \$156,503 | \$197,755 | \$335,510 | (\$41,252) |
| Bank Interest Received | \$348 | \$1,000 | \$2,000 | (\$652) |
| Council Contribution | \$136,757 | \$136,755 | \$273,510 | \$2 |
| Sales of Service | \$19,398 | \$60,000 | \$60,000 | (\$40,602) |
| Revenue - Projects | \$822,285 | \$688,250 | \$1,376,500 | \$134,035 |
| Aerial Photography Income | \$182,453 | \$150,000 | \$300,000 | 32,453 |
| Bank Interest Received | 1,265 | \$8,250 | \$16,500 | (\$6,985) |
| Collaboration Portal | \$64,577 | \$62,500 | \$125,000 | \$2,077 |
| Lease Income - ICN | \$90,470 | \$140,000 | \$280,000 | (\$49,530) |
| Lease Income - Video Confer. | \$17,545 | \$6,500 | \$13,000 | \$11,045 |
| Recoveries | \$461,957 | \$315,000 | \$630,000 | \$146,957 |
| Rebates | \$4,018 | \$6,000 | \$12,000 | (\$1,982) |
| Total Operating Revenue | \$978,788 | \$886,005 | \$1,712,010 | \$92,783 |
| EXPENSES | | | | |
| Expenditure - Core | \$210,156 | \$255,900 | \$460,300 | (\$45,744) |
| ACC | \$785 | \$750 | \$1,500 | \$35 |
| Accommodation & Travel | \$82 | \$750 | \$1,500 | (\$668) |
| Accounting & Audit | \$1,281 | \$17,500 | \$17,500 | (\$16,219) |
| Administration | \$19,313 | \$24,000 | \$24,000 | (\$4,687) |
| Amortisation | \$6,686 | \$10,700 | \$21,400 | (\$4,014) |
| Bank Fees | \$313 | \$400 | \$400 | (\$87) |
| Catering & General Expenses | \$902 | \$1,000 | \$2,000 | (\$98) |
| Conferences | \$1,350 | \$1,000 | \$2,000 | \$350 |
| Depreciation | \$445 | \$0 | \$0 | \$445 |
| Directors Costs | \$6,643 | \$9,000 | \$18,000 | (\$2,357) |
| Fringe Benefit Tax | \$2,860 | \$3,900 | \$7,800 | (\$1,040) |
| Health & Safety | \$0 | \$500 | \$1,000 | (\$500) |
| Insurance | \$7,146 | \$8,000 | \$8,000 | (\$854) |
| Interest Paid – TCC Loan | \$844 | \$1,000 | \$1,000 | (\$156) |
| Legal | \$0 | \$1,000 | \$2,000 | (\$1,000) |
| Postage & Stationery | \$0 | \$50 | \$100 | (\$50) |
| Salaries | \$159,324 | \$162,500 | \$325,000 | (\$3,176) |
| Salaries – C'Portal Opex | (\$9,493) | \$0 | \$0 | (\$9,493) |
| Staff Support Costs | \$9,245 | \$10,000 | \$20,000 | (\$755) |
| Staff Training Costs | \$0 | \$1,000 | \$2,000 | (\$1,000) |
| Subscriptions | \$980 | \$600 | \$600 | \$380 |
| Tax Advice | \$1,450 | \$2,250 | \$4,500 | (\$800) |
| Write Off reconciliations | \$0 | \$0 | \$0 | \$0 |
| Expenditure - Projects | \$786,079 | \$625,855 | \$1,251,710 | \$160,224 |
| Aerial Photography Expense | \$139,292 | \$150,000 | \$300,000 | (\$10,708) |
| Collaboration Portal Opex | \$29,259 | \$34,550 | \$69,100 | (\$5,291) |
| Lease Expense - ICN | \$135,964 | \$135,000 | \$270,000 | \$964 |
| Lease Expense – Video Confer. | \$14,902 | \$6,305 | \$12,610 | \$8,597 |
| Projects - Recoveries | \$466,662 | \$300,000 | \$600,000 | \$166,662 |
| Total Operating Expenditure | \$996,235 | \$881,755 | \$1,712,010 | \$114,480 |
| Operational Surplus / (Deficit) before Tax | (\$17,447) | \$4,250 | \$0 | (\$21,697) |

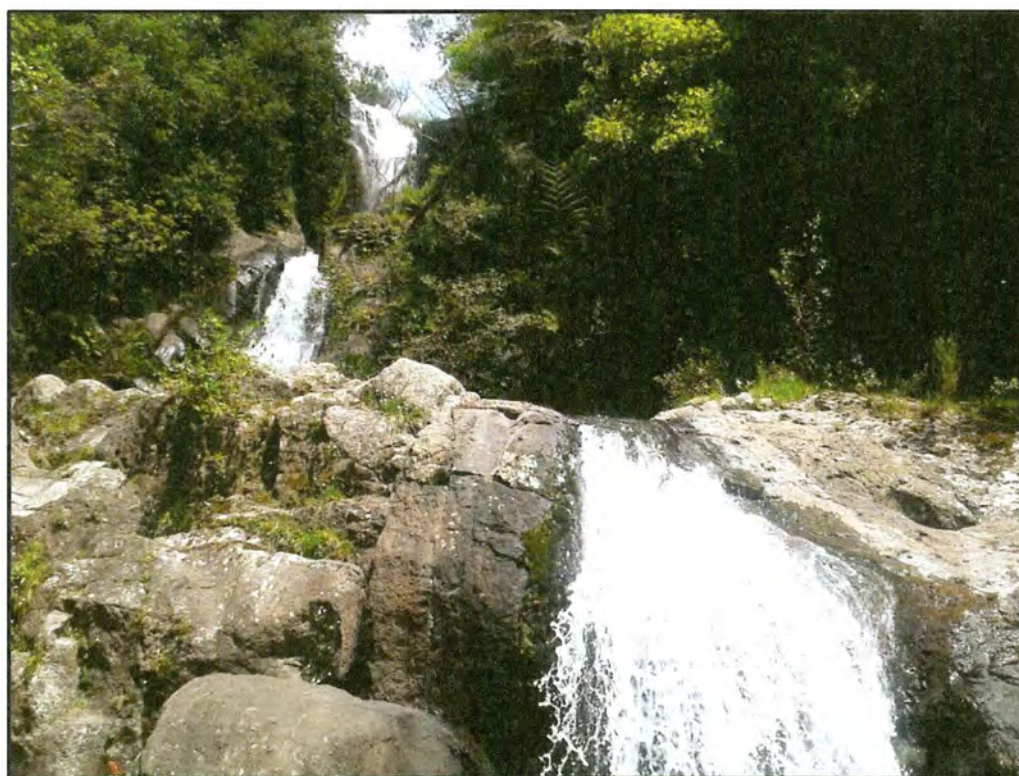
**BOP LASS LTD
STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 2017**

| | Actual YTD |
|----------------------------------|--------------------|
| Current Assets | |
| Accrued Revenue | \$0 |
| Cheque Account | \$74,440 |
| Prepayments | \$12,513 |
| Trust A/c Aerial Photography | \$563,350 |
| Trade Debtors | \$95,176 |
| Term Deposit – 180 days | \$200,000 |
| Term Investment – 1 Year | \$300,000 |
| Withholding Tax | \$10,228 |
| Total Current Assets | \$1,255,707 |
| Non-current assets | |
| Amortisation | (\$40,374) |
| Computer equip at cost | \$2,779 |
| Computer equip depreciation | (\$556) |
| Intangible - Computer Software | \$62,891 |
| Office equip at cost | \$0 |
| Office equip depreciation | \$0 |
| Total Non-current assets | \$24,740 |
| TOTAL ASSETS | \$1,280,447 |
| Current Liabilities | |
| Accrued Expenses | \$0 |
| Accrued Salaries and Wages | \$4,243 |
| GST Collected | \$2,083,134 |
| GST Paid | (\$1,621,813) |
| GST Payments/refunds | (\$462,680) |
| Income in Advance | \$1,090,996 |
| PAYE Accruals Payable | \$7,694 |
| Retentions | \$44,342 |
| TCC Loan | \$0 |
| Trade Creditors | \$101,428 |
| Total Current Liabilities | \$1,247,344 |
| TOTAL LIABILITIES | \$1,247,344 |
| NET ASSETS | \$33,103 |
| Equity | |
| Current Year Earnings | (\$17,447) |
| Retained Earnings | (\$48,451) |
| Share capital | \$99,002 |
| TOTAL EQUITY | \$33,103 |



BOPLASS Ltd

STATEMENT OF INTENT FOR 2018-2021



June 2018

1 Introduction

This Statement of Intent (SOI), developed under Schedule 8 of the Local Government Act 2002, is:

- A public declaration of the activities and intentions of BOPLASS Ltd and the objectives to which those activities will contribute.
- Provides an opportunity for the shareholders to influence the direction of BOPLASS Ltd, and
- Provides a basis for the accountability of the Directors to the Shareholders for the performance of BOPLASS Ltd.
- This Statement of Intent covers BOPLASS Ltd and any subsidiary company established in pursuance of the objectives herein.

2 Background

The councils that operate within the Bay of Plenty and Gisborne Regions have formed a CCO to investigate, develop and deliver Shared Services, Joint Procurement and communications where and when that can be done more effectively for any combination of some or all of the councils.

The expected benefits that can be achieved through Shared Services are:

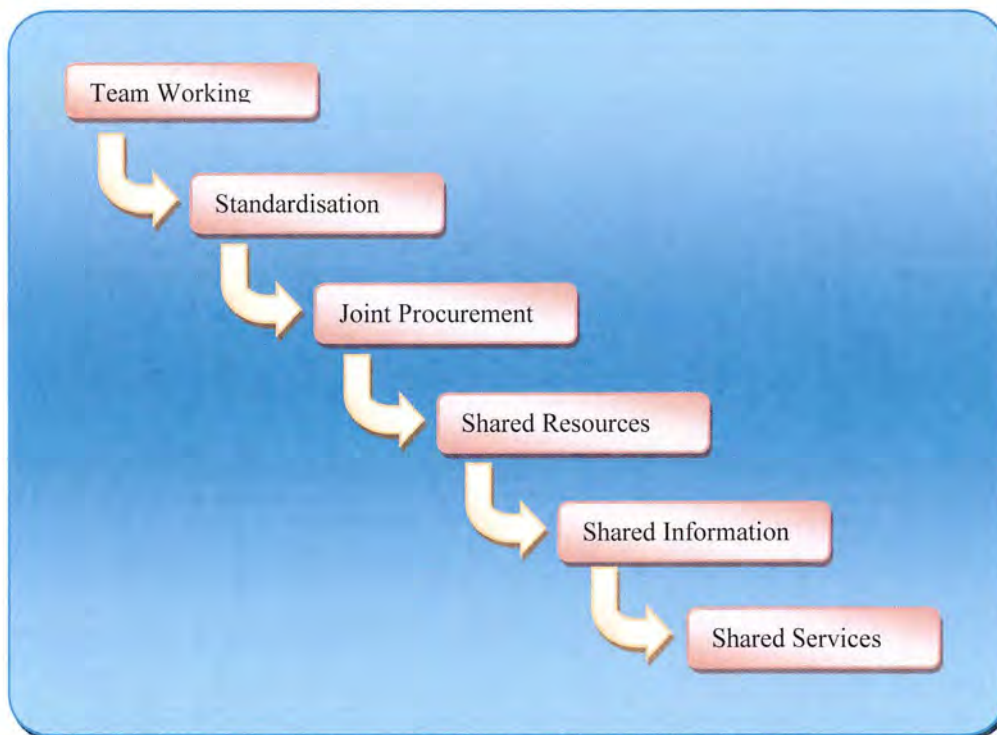
- improved levels and quality of service;
- a co-ordinated and consistent approach to the provision of services;
- reductions in the cost of support and administrative services;
- opportunities to develop new initiatives;
- economies of scale resulting from a single entity representing many councils in procurement;

These benefits and opportunities can apply to all councils irrespective of location or size.

Business processes, information architectures and functional tools differ in each council to varying degrees. It is not therefore possible to create Shared Service solutions instantly for these services. The BOPLASS strategies facilitate a journey of progressive development using the approach identified in the BOPLASS Strategy and Action Plan to:

- Enhance the capability to provide Shared Services,
- Encourage the elimination of barriers to collaborative action and
- Provide Shared Services that deliver viable business cases.

A generic sequence or stages of collaboration between multiple councils is followed to develop Shared Services, as shown in Figure 1.



Many of the BOPLASS Joint Procurement projects have supported the development of standard products, services or solutions across the councils. These standards assist in creating a foundation for the delivery of Shared Services within the councils.

Examples of procurement and projects to support the delivery of Shared Service have been:

- Establishment of 1GB fibre Inter Council Network (ICN)
- Information Services Strategic Plan
- GIS ESRI enterprise agreement
- GIS software standardisation
- Security and technology policies
- Data centre and hosting services
- Electronic purchasing
- Reprographic equipment

- Aerial photography
- Voice and data services
- Video conferencing
- IT applications and software
- Collaboration Portal
- Historic aerial imagery archiving
- After hours call management
- Health and Safety
- Internal audit services
- Solid waste services

3 **Our Vision**

“COUNCILS PARTNERING FOR VALUE AND SERVICE”

4 **Objectives of BOPLASS Ltd**

Working together with the full support and involvement of staff, we will provide benefit to councils and their stakeholders through improved levels of service, reduced costs, improved efficiency and/or increased value through innovation.

These will be achieved primarily through:

Joint Procurement

Being the procurement of services or products by two or more councils from an external provider regardless of whether the service is paid for through BOPLASS or individually by participating councils.

Shared Services

Being the participation of two or more councils in the provision of a common service which may be jointly or severally hosted.

5 **Nature and Scope of Activities**

The principle nature and scope of the activities of BOPLASS Ltd is to:

- Establish the underlying technology, framework, platform and policies to enable and support the delivery of Shared Services.
- Use Joint Procurement to add value to goods and services sourced for its constituent councils.

- Facilitate Shared Services that benefit councils and their stakeholders through improved levels of service, reduced costs, improved efficiency, innovation and/or increased value.
- Pursue best practice in the management of all activities to obtain best value and minimise risk.
- Demonstrate fiduciary responsibility by ensuring that its activities are adequately funded from savings achieved, levies, council contributions, or Government funding where available.
- Allow other councils or organisations to participate in its activities where this will benefit its constituent councils directly or indirectly.
- Actively monitor and engage with Shared Service developments across the public sector to identify opportunities for further development and establishing best practice.
- Represent the collective views of its Shareholders in matters with which it is associated.

6 Governance

BOPLASS Ltd will conduct itself in accordance with its Constitution, its annual Statement of Intent, and the provisions of the Companies Act 1993 and the Local Government Act 2002.

The Company is governed by its Directors. To ensure total synergy between the Company's activities and its council shareholders' activities, nine Directors are also the current Chief Executives of their respective shareholding councils. The dual roles recognise the interdependence of BOPLASS and its councils in the undertaking of its activities.

The Board also includes an independent Chair, appointed with specific skills and knowledge to add incremental value. This appointment brings experience and specialist skills that are complementary to those held by the other Directors.

| Shareholder | Appointed Director |
|--|---------------------------|
| Bay of Plenty Regional Council | Mary-Anne Macleod |
| Gisborne District Council | Nedine Thatcher Swann |
| Kawerau District Council | Russell George |
| Opotiki District Council | Aileen Lawrie |
| Rotorua Lakes Council | Geoff Williams |
| Taupo District Council | Gareth Green |
| Tauranga City Council | Garry Poole |
| Western Bay of Plenty District Council | Miriam Taris |
| Whakatane District Council | Marty Grenfell |
| Independent Director and Chair | Craig O'Connell |

A sub-committee of council delegates has been established by the Directors as an Operations Committee to manage responsibility for regular monitoring and governance of operational aspects of BOPLASS projects, allowing the Board to primarily focus on supporting the strategic development of the organisation.

Each activity or project is managed by an Advisory Group, nominated by the shareholding councils in that particular service. The Board retains the right to approve nominations to the Advisory Groups and all of their material decisions – there is only one Board of Directors and that remains at the umbrella or holding company level.

The Board has established a principle that participation in each initiative is decided by individual councils on an 'opt in' basis.

Each Shared Service is subject to a formal service level agreement between BOPLASS Ltd and the participating councils, outlining the services and activities provided, where, when and how; and reflecting the capital and operational costs being met by each service shareholder.

Joint Procurement initiatives consistent with their nominated role may be undertaken by any advisory group as approved by the Operations Committee. In considering Joint Procurement initiatives the Company will take into account the opportunities available through All of Government (AoG) purchasing arrangements and, where there is demonstrated benefit to the Company or its constituent councils, support such initiatives. In assessing the benefits of a Joint Procurement initiative, opportunities for integration shall be considered. The Board has recognised that the availability of All of Government Procurement options has the potential to impact on BOPLASS' ability to provide procurement options in some categories.

Subject to the approval of shareholders in accordance with the shareholder agreement the Directors may decide that a particular activity is best managed as a subsidiary company and proceed accordingly. Any subsidiary company whose objectives are in accordance with the objectives set out in this Statement of Intent shall not be required to have a separate Statement of Intent.

7 Future Developments

BOPLASS Ltd will continue to work on business cases for Joint Procurement and Shared Services that may be provided in the region.

BOPLASS Joint Procurement opportunities will be actively pursued to ensure maximum savings and benefits continue to be delivered to the participating councils through existing and new contracts.

Joint Procurement initiatives will be considered by the Board and/or its advisory groups where there is demonstrated support from two or more member councils.

Identification of Shared Service opportunities and the development of existing services will continue as a priority, with councils participating on an opt-in basis. The Board will be looking for commitment from councils to participate in Shared Services and to provide a lead in the identification and management of Shared Services projects.

BOPLASS will also proactively explore opportunities to partner with other local authorities and Shared Services organisations within NZ where they are either developing or considering developing cost effective Shared Services or Joint Procurement initiatives involving products or services that are of value to the BOPLASS councils.

The Collaboration Portal, established by BOPLASS for the sharing of information on Shared Services or Joint Procurement opportunities, has been made available to the wider local government community to provide better visibility of common projects and to encourage further cross-regional collaboration. BOPLASS will continue to market the benefits of inter-region collaboration and assist other councils through providing support and access to the Collaboration Portal.

ICT Shared Services strategy:

BOPLASS has previously been involved in an information services strategy that included an intention to align the member councils' ICT back-office systems as one. This presented an opportunity for standardised in-house IT systems and processes. Although there is no Enterprise Application across all the BOPLASS councils, there has been a certain amount of alignment of systems. For example, eight of the nine BOPLASS councils now use Objective as their electronic document and records management system (EDRMS) system and all councils use ESRI ArcGIS as their GIS platform, along with various GIS add-on packages procured through BOPLASS.

The goal of one-system for all has not been able to be achieved for a number of reasons; primarily being the changes in technology, along with the impact and disruption to council business, plus the cost to change to one-system.

Taking the example of Auckland Council, one of the goals of the amalgamation was to bring all the ICT systems into one-system. However the cost to do this has increased greatly from what was originally estimated, and progress has proved difficult.

There are a number of avenues being explored by BOPLASS and the councils to provide a one-system solution without the need to overhaul all council systems. This can now be achieved through using "middleware" solutions that provide a link from the council application to a shared platform. For example, although councils may have the same GIS software, due to historic council naming schemas for infrastructure it is difficult to combine all council GIS systems. Through using middleware software that provides a "translation" of schemas the information can

be converted without councils needing to change their underlying technologies, which in turn can assist with the delivery of a single platform to the public and for inter-council sharing.

With the advent of cloud services, such as Infrastructure-as-a-Service (IaaS) and Office365, there is scope for councils' services to still be independent but use the same underlying infrastructure, which in turn has the potential to lead to the development of Shared Services.

The BOPLASS Collaboration Portal project is an example of this. The Regional Councils also have a similar project with similar requirements for their member councils. Both projects are delivering their respective solutions as independent services, but they are using the same underlying cloud solution on the Office365 platform and sharing the costs, administration, etc. As these separate instances are using the same platform, this also provides the potential for both of these projects to join in the future as one solution.

BOPLASS will continue to explore opportunities for councils to develop ICT solutions using middleware and cloud technologies that allow for future sharing and the development of Shared Services without the wholesale replacement of IT systems.

Where it is practicable, BOPLASS will work with other LASSes or councils in developing shared service ICT strategies and/or leverage off, or participate in services established by other collective local government groups.

8 Stakeholder Engagement

BOPLASS recognises the ambitious plans our constituent councils have for their communities and endeavours to support these aspirations through:

- Regular engagement at project, management and governance level
- Including councils' short, medium and long-term goals within BOPLASS planning
- Using quality information from councils to guide our decision-making
- Identifying and developing services that directly benefit councils and/or their communities
- Monitoring councils' future plans and remaining agile to change to include these aspirations in our own planning
- Regularly communicating to ensure stakeholders are aware of what we are doing and why we are doing it
- Involving councils in our decision-making and planning

9 Performance Targets

To ensure the Company continues to operate effectively in both governance and management terms over the next three years the targets are to:

| Target | How | Measure |
|---|---|---|
| Investigate new Joint Procurement initiatives for goods and services for BOPLASS councils. | Procure from sources offering best value, service, continuity of supply and/or continued opportunities for integration. (Current identified projects are listed in Appendix B.) | A minimum of four new procurement initiatives investigated. Initiatives provide financial savings of greater than 5% and/or improved service levels to the participating councils. |
| Provide support to BOPLASS councils that are managing or investigating Shared Services projects. | BOPLASS to provide 0.25 FTE resource and expertise to assist councils in Shared Services developments and projects. | Quarterly satisfaction reviews with participating councils. Resource assignment measured from project job tracking. |
| Further develop and extend the Collaboration Portal for access to, and sharing of, project information and opportunities from other councils and the greater Local Government community to increase breadth of BOPLASS collaboration. | Increase usage of the Collaboration Portal by providing support and training material for new and existing users. Proactively market the benefits to councils. | Number of listed projects to increase by 20% per year. Number of Team Sites to increase by 20% per year. Portal is operational outside of the LASS groups with a minimum of ten additional councils or local government related organisations having utilised the portal. |
| Ensure appointed vendors remain competitive and continued best value is returned to shareholders. | Manage and/or renegotiate existing contracts. | Contracts due for renewal are tested for competitiveness in the marketplace. New suppliers are awarded contracts through a competitive procurement process involving two or more vendors. |
| Review governance performance and structure to ensure it supports BOPLASS' strategic direction. | Perform review of BOPLASS governance. | Affirmative feedback received from shareholding councils at least annually. |
| Communicate with each shareholding council at appropriate levels. | Meeting with each Executive Leadership Team. | At least one meeting per year. |
| Ensure current funding model is appropriate. | Review BOPLASS expenditure and income and review council contributions and other sources of funding. | Performance against budgets reviewed quarterly. Company remains financially viable. |

9 Balance Sheet Ratios

The Local Government Act 2002 Schedule 8 (9) requires the SOI to include the projected ratio of shareholders' funds to total assets within the Forecast Statement of Financial Position. As at 30 June 2017 the consolidated Shareholder funds comprised \$50,551 and the total assets were \$995,625. The resulting ratio is 5.1%.

As asset owning Shared Services are approved, the Board will, if appropriate, provide a mechanism for the recognition of each council's contribution.

10 Accounting Policies

10.1 Statement of Accounting Principles

The Company will adopt accounting practices that comply with NZ IFRS, the requirements of the LGA and the Financial Reporting Act 1993.

10.2 IPSAS Accounting Standards

As a Public Sector Public Benefit Entity (PS PBE), the Company has elected to report using International Public Sector Accounting Standards for Public Benefit Entities under Tier 3 PBE standards.

10.3 Measurement Basis

The Company will follow generally accepted international accounting principles for reporting of earnings and financial position.

10.4 Specific Accounting Principles

The following are principles which will have a significant effect on the measurement of financial position:

- Accounts Receivable are stated at their expected realisable value after writing off any known bad debts and providing for doubtful debts.
- Investments are valued at the prevailing market value.
- Fixed assets are recorded at cost, less accumulated depreciation.
- Any liability for overseas funding of equipment, systems or services is based on the prevailing exchange rate as at balance date.
- Where intangible assets are purchased, such as intellectual property, these are capitalised and written off on a straight line basis over their expected life, but no greater than four years.

- All assets are depreciated over their expected useful lives. Depreciation is provided on a diminishing value basis over the estimated useful life, at the same rate as is allowed by the Income Tax Act 1994.
- It is not envisaged that the Company will hold inventories, other than those that might relate to providing information services to a number of parties. They will be valued at net realisable value.
- Taxation will be provided as required in line with relevant legislation.
- In accordance with the Public Audit Act 2001 and the Local Government Act 2002, the office of the Auditor General will be responsible for the audit of the Company's financial statements.

11 Distributions to Shareholders

The Company is not expected to make profits that would ordinarily be distributed by way of dividends. Any surplus funds (after tax) remaining from an activity or the annual operations of the Company shall be carried forward to the ensuing year and may be used to reduce service costs, invest in further developing other services, and/or as the Directors may decide.

12 Information to be Provided to Shareholders

The Company will deliver the following statements to shareholders:

- On a three monthly basis the Financial Position and Cashflow.
- Within two months of the end of the first half of the financial year: Financial Performance and Financial Position.
- Within three months of the end of the financial year the following audited statements: Financial Position, Movements in Equity, Cashflows, Service Performance plus a summary of how the Company has tracked against its objectives and prospects for the next financial year, and a report on the Company's medium to long term plans.
- Six monthly summaries of project activities included in Half Yearly and Annual Reports.

13 Procedures for the Purchase and Acquisition of Shares

The Board will give approval before BOPLASS Ltd subscribes for, purchases or otherwise acquires shares in any company or other organisation, which is external to the group.

14 Activities for Which the Board Seeks Compensation

The ongoing activities to identify, develop, procure Shared Services will be budgeted for in advance, subject to a business case and either funded by individual councils without BOPLASS Ltd involvement, or agreed by the Board to be funded by BOPLASS Ltd with consequent recovery from participating councils.

Shareholding councils will make a contribution to the operational costs of the Company on an annually agreed basis.

The Company will also seek contributions by way of a levy or administration charges on services provided or administered. In determining an appropriate charge, the Directors may take into account the cost of running the Company, its future operational requirements, the nature and cost of the service provided, benefits achieved and councils' ability to pay.

The Company may provide services (at a cost recovery or a cost plus basis) to other non-shareholding councils within or beyond the region. Any surplus from such activity will be used to either reduce service costs and/or invest in further developing of that or other services, as agreed by the Advisory Group and by the Board.

15 Value of Shareholder's Investment

The Directors estimate that, at this stage, BOPLASS Ltd has little or no commercial value. As each shareholder's investment in BOPLASS Ltd is less than \$20,000, the Board believe that that fairly represents the value of their investment. The Directors will reassess the value of this shareholding on or about the 1st of March each year.

16 Financial Forecasts

The Forecast Financial Statements for the years 2018-2021 are included. The budget is not adjusted for inflation.

Core revenue includes the recovery of costs for BOPLASS salaried staff when seconded to individual council projects.

The Aerial Photography revenue/expenses reflects the flying programme determined by the participating councils which includes interim flying programmes and extensive region-wide flying programmes over the next five years.

A continued increase in Recoveries has been forecast to reflect the direct recovery of purchases made on behalf of councils through Joint Procurement projects.

It is the company's intention to always fully recover costs incurred on behalf of participating councils.

| SOI Forecast 2018/21 | | | | |
|--|-------------------|---------------------|---------------------|-----------------------|
| | Budget 2017/18 | Forecast 2018/19 | Forecast 2019/20 | Forecast 2020/2021 |
| REVENUE | | | | |
| Revenue - Core | \$335,510 | 319,510 | 329,510 | 329,510 |
| Bank Interest Received | \$2,000 | 1,000 | 1,000 | 1,000 |
| Council Contribution | \$273,510 | 273,510 | 273,510 | 273,510 |
| Sales of Service | \$60,000 | 45,000 | 55,000 | 55,000 |
| | | | | |
| Revenue - Projects | 1,376,500 | 1,563,500 | 1,251,500 | 1,249,500 |
| Aerial Photography Income | 300,000 | 600,000 | 300,000 | 300,000 |
| Bank Interest Received | 16,500 | 16,500 | 16,500 | 16,500 |
| Collaboration Portal | 125,000 | 100,000 | 90,000 | 90,000 |
| Lease Income - ICN | 280,000 | 175,000 | 175,000 | 175,000 |
| Lease Income - Video Confer. | 13,000 | 13,000 | 13,000 | 13,000 |
| Rebates | 12,000 | 9,000 | 7,000 | 5,000 |
| Recoveries | 630,000 | 650,000 | 650,000 | 650,000 |
| | | | | |
| Total Operating Revenue | 1,712,010 | 1,883,010 | 1,581,010 | 1,579,010 |
| | | | | |
| EXPENSES | | | | |
| Expenditure - Core | 460,300 | 440,400 | 438,400 | 436,400 |
| ACC | 1,500 | 1,500 | 1,500 | 1,500 |
| Accommodation & Travel | 1,500 | 1,500 | 1,500 | 1,500 |
| Accounting & Audit | 17,500 | 17,500 | 17,500 | 17,500 |
| Administration | 24,000 | 24,000 | 24,000 | 24,000 |
| Amortisation | 21,400 | 12,000 | 10,000 | 8,000 |
| Bank Fees | 400 | 400 | 400 | 400 |
| Catering Expenses | 2,000 | 2,000 | 2,000 | 2,000 |
| Conferences | 2,000 | 2,000 | 2,000 | 2,000 |
| Depreciation | 0 | 0 | 0 | 0 |
| Directors costs | 18,000 | 18,000 | 18,000 | 18,000 |
| Fringe Benefit Tax | 7,800 | 7,000 | 7,000 | 7,000 |
| Health and Safety | 1,000 | 1,000 | 1,000 | 1,000 |
| Insurance | 8,000 | 8,000 | 8,000 | 8,000 |
| Interest Paid - TCC Loan | 1,000 | 1,000 | 1,000 | 1,000 |
| Legal | 2,000 | 2,000 | 2,000 | 2,000 |
| Salaries | 325,000 | 325,000 | 325,000 | 325,000 |
| Salaries - C'Portal Opex | 0 | -10,000 | -10,000 | -10,000 |
| Staff Support Costs | 20,000 | 20,000 | 20,000 | 20,000 |
| Staff Training Costs | 2,000 | 2,000 | 2,000 | 2,000 |
| Subscriptions | 700 | 1,000 | 1,000 | 1,000 |
| Tax Advice | 4,500 | 4,500 | 4,500 | 4,500 |
| | | | | |
| Expenditure - Projects | 1,251,710 | 1,442,610 | 1,142,610 | 1,142,610 |
| Aerial Photography Expense | 300,000 | 600,000 | 300,000 | 300,000 |
| Collaboration Portal Opex | 69,100 | 40,000 | 40,000 | 40,000 |
| Lease Expense - ICN | 270,000 | 170,000 | 170,000 | 170,000 |
| Lease Expense - Video Confer. | 12,610 | 12,610 | 12,610 | 12,610 |
| Projects - Recoveries | 600,000 | 620,000 | 620,000 | 620,000 |
| | | | | |
| Total Operating Expenditure | 1,712,010 | 1,883,010 | 1,581,010 | 1,579,010 |
| | | | | |
| Operational Surplus/ (Deficit) before Tax | 0 | 0 | 0 | 0 |

Completed Joint Procurement Projects

Requiring ongoing management for performance, renewal or replacement

- × Office supplies
- × Banking
- × Postal services
- × Courier services
- × Fuel
- × Advertising services
- × Travel and accommodation services
- × Air travel
- × Insurance brokerage
- × Aerial photography
- × N3 / GSB
- × ESRI licences
- × GIS software
- × Health insurance
- × Antivirus software
- × Video conferencing
- × GPS vehicle tracking
- × Archaeological services
- × Telephony – voice, data, mobile
- × Reprographic – printers/copiers
- × Infrastructure insurance
- × Media monitoring services
- × EFTPOS services
- × Historical imagery digitisation
- × On-line services
- × Internal audit services
- × Health and safety training services
- × Risk management workshops

Identified Joint Procurement Projects

- × Civil works contracts
- × Civil works materials
- × Infrastructure valuation services
- × High volume print
- × Web services
- × Electronic document management
- × Archives
- × Document storage
- × Document scanning
- × Agenda management software
- × ICT security policies
- × Business continuity
- × IT applications
- × Web services
- × Rates collection
- × Property valuation services
- × GIS software
- × Telephony platform
- × Chemicals
- × Digital signatures
- × Recruitment/candidate management
- × Surveys and research
- × CCTV monitoring
- × EMA membership
- × Security services
- × Fleet purchasing
- × Fleet Management
- × Environmental insurance

Shared Service Projects

Managed by BOPLASS or by one or more constituent councils

- × IT hosting / datacentre
- × Internal audit services
- × GIS web services
- × Project management office
- × Shared licence server
- × Contractor H&S prequalification
- × Radio telephony strategy
- × Collaboration portal
- × After hours call management
- × Archive service
- × Health and safety auditing
- × Inter-council network
- × Smart cities
- × Section 17A reviews – Joint service reviews, cost effectiveness reviews, identification of opportunities for collaboration in delivery of services in accordance with s17A LG Act 2002
- × Video conferencing
- × GIS imagery data storage
- × Solid waste services
- × Historic aerial imagery
- × Licensing and data collection for waste operators
- × Diversion of putrescible waste from landfill
- × Regional waste facilities strategy

Shared Service Projects for Consideration

- × Rates Collection
- × Geospatial services
- × Joint software support
- × Asset Management
- × Web services
- × E-Purchasing
- × Payroll
- × Telephony platform
- × Consents Processing
- × CCTV monitoring
- × Information Services
- × Debt collection
- × Electronic Document and Records Management System
- × Business continuity planning
- × Infrastructure development codes
- × Inter-council H&S audits
- × Document digitalisation


Western Bay of Plenty District Council**Council****Local Government Funding Agency Limited Half Yearly
Report to Shareholders 2017/18 and
Draft Statement of Intent 2018/19**

Purpose

Council is required to receive Local Government Funding Agency Limited's (LGFA) Half Yearly Report to Shareholders and requested to receive and comment on, if applicable, the draft Statement of Intent.

Recommendation

- 1. THAT the Chief Financial Officer's report dated 14 March 2018 and titled "Local Government Funding Agency Limited Half Yearly Report to Shareholders 2017/18 and draft Statement of Intent 2018/19" be received.**
- 2. THAT the Local Government Funding Agency Limited Half Yearly Report to Shareholders 2017/18 and draft Statement of Intent 2018/19 relates to an issue that is considered to be of low significance in terms of Council's Significance and Engagement Policy.**
- 3. THAT the Local Government Funding Agency Limited Half Yearly Report to Shareholders 2017/18 be received.**
- 4. THAT the Local Government Funding Agency Limited draft Statement of Intent 2018/19 be received.**
- 5. THAT the Board of the Local Government Funding Agency Limited be advised of the following comments on the Local Government Funding Agency Limited draft Statement of Intent 2018/19 within two months from 1 March 2018:**



Kumaren Perumal
Chief Financial Officer

1. Background

The Local Government Funding Agency Limited (LGFA) is designated a council-controlled organisation under the Local Government Act 2002.

The company was incorporated on 1 December 2011.

As a council-controlled organisation, LGFA is a separate legal entity from Council and is responsible for delivery of services in accordance with an agreed Statement of Intent.

1.1 Local Government Funding Agency Limited Half Yearly Report - 31 December 2017 to Shareholders

Under Section 66 of the Local Government Act 2002, within two months after the end of the first half of each financial year, the board of a council-controlled organisation must deliver to the shareholders a report on the organisation's operations during that half year. Please see **(Attachment A)**.

The Chief Executive of LGFA is pleased to report on another strong period of financial and operational performance by LGFA in line with the company's Statement of Intent forecasts. The LGFA achieved two out of its four performance targets in the six-month period to 31 December 2017. Further detail on the company's performance targets is provided on page 18 of **(Attachment A)**.

1.2 Local Government Funding Agency Limited Draft Statement of Intent 2018/19

Under Schedule of 8 of the Local Government Act 2002 the board of a council-controlled trading organisation must deliver to its shareholders a draft statement of intent on or before 1 March each year. Please see **(Attachment B)**. The letter to the Shareholders is attached for information **(Attachment C)**.

The board must consider any comments on the draft statement of intent that are made to it within two months of 1 March by the shareholders or by any of them and deliver the completed statement of intent to the shareholders on or before 30 June each year.

Council is therefore requested to receive and comment on, if applicable, the draft Statement of Intent.

2. Significance and Engagement

The Local Government Act 2002 requires a formal assessment of the significance of matters and decisions in this report against Council's Significance and Engagement Policy. In making this formal assessment there is no intention to assess the importance of this item to individuals, groups, or agencies within the community and it is acknowledged that all reports have a high degree of importance to those affected by Council decisions.

The Policy requires Council and its communities to identify the degree of significance attached to particular issues, proposals, assets, decisions, and activities.

In terms of the Significance and Engagement Policy this decision is considered to be **low** because it is a statutory requirement for council-controlled organisations to deliver to the shareholders a report on the organisations operations and also receiving the Statement of Intent from a Council Controlled Organisation for shareholders comment is statutory therefore the affect on ratepayers is low.

3. Engagement, Consultation and Communication

| Interested/Affected Parties | Completed/Planned Engagement/Consultation/Communication |
|---|--|
| The Board of the Local Government Funding Agency Limited | Any comments on the Local Government Funding Agency Limited draft Statement of Intent 2018/19 must be received by the board for its consideration within two months from 1 March 2018. |
| Shareholders of the Local Government Funding Agency Limited | Shareholders are invited to provide comment and feedback on the draft Statement of Intent 2018/19 within two months from 1 March 2018. |

4. Issues and Options Assessment

| <i>THAT the Board of the Local Government Funding Agency Limited be advised of the following comments on the Local Government Funding Agency Limited draft Statement of Intent 2018/19 within two months from 1 March 2018</i> | |
|---|--------------------------------|
| Reasons why no options are available | Legislative or other reference |
| Section 66 of the Local Government Act 2002 requires Council to receive and provide comment on a CCO Statement of Intent. | |

5. Statutory Compliance

This report and its recommendations comply with the relevant legislation.

6. Funding/Budget Implications

| Budget Funding Information | Relevant Detail |
|----------------------------|---|
| | The recommendations in this report have no budgetary or funding implications. |



HALF YEAR REPORT

31
DECEMBER
2017



| | |
|---|----|
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Cover: Winding road leading to Mount Cook Village, Canterbury, South Island, New Zealand. Getty Images.

Left: Opening of the Memorial Avenue Gateway Bridge, November 2017. Christchurch City Council.

CHAIR'S REPORT

FOR THE SIX MONTHS ENDED 31 DECEMBER 2017

"LGFA has consolidated its position both as the leading provider of cost-effective funding to New Zealand councils and one of the largest issuers of New Zealand dollar fixed income securities that offer investors a highly rated, higher yielding alternative to New Zealand Government Bonds and Kauri issues."

Craig Stobo, Chair LGFA Board



Directors would like to highlight the following developments at LGFA for the six-month period to December 2017:

1. Strong Financial and Operational Performance in line with the Statement of Intent (SOI) forecasts

LGFA total interest income for the six-month period of \$178.145 million was a 14.4% increase over the 2016-17 comparable period of \$155.711 million while Net Operating Profit of \$6.036 million was a 13.6% increase on the 2016-17 comparable period of \$5.312 million.

The financial strength of LGFA was reaffirmed by credit rating agencies Standard & Poor's and Fitch Ratings who maintained our credit rating at AA+. Our credit rating is the same as the NZ Government.

2. Borrowing activity

Over the past six months, LGFA has issued \$619 million of long-dated bonds. While this is in line with SOI forecast, it is one of the lowest issuance amounts over a six-month period, reflecting reduced borrowing demand from our council members. Average term of issuance of 5.7 years was the shortest average borrowing term since LGFA commenced borrowing in early 2012.

LGFA has \$7.5 billion of bonds (including Treasury stock used for bond lending purposes) on issue across seven maturities from 2019 to 2033. LGFA is one of the largest issuer of New Zealand dollar (NZD) securities after the NZ Government and our bonds are amongst the largest and most liquid NZD debt instruments available for investors. The amount of LGFA bonds outstanding has declined from \$7.9 billion as at 30 June 2017 due to the maturity of the December 2017 LGFA bonds. The council loans matching these bonds were successfully refinanced by council borrowers ahead of the maturity that resulted in an orderly repayment to investors.

3. Lending to the sector

LGFA was established in late 2011 to provide long-dated borrowing, certainty of access to markets and to reduce the borrowing costs for the local government sector. It is pleasing to note the following achievements over the past six months:

- We admitted Rangitikei District Council as a new member in December 2017, bringing total membership to 54 councils. Horizons Regional Council also moved from being a non-guarantor to a guarantor in July 2017.

- Long-dated lending of \$518 million for the six-month period was slightly below our SOI forecast and reflected a preference for offshore borrowing by our largest borrower, Auckland Council and reduced borrowing demand from the rest of the sector. We also experienced a shortening in average tenor of council borrowing of 7.2 years compared to 8.1 years in the 2016-17 financial year.
- Bespoke lending continues to be popular for councils in that it provides flexibility for maturity dates of borrowing and the date of drawdown. LGFA lent \$452 million on a bespoke basis to councils during the six-month period. This was approximately 87% of our total lending over that period. Bespoke loans outstanding are now \$1.6 billion or approximately 22% of our total loan book.
- Short-dated lending (less than 365-day terms) to councils has been very successful with loans to 25 councils of \$332 million as at December 2017. This compares to \$240 million lent to 17 councils as at December 2016.
- The underlying credit quality of the sector continues to improve with all member councils remaining compliant with the LGFA lending covenants and three councils in the 2017 calendar year either receiving an upgrade to their credit ratings or a positive outlook change to their rating.

At the November 2017 AGM, Abby Foote retired from the LGFA Board. Abby was a founding director and I would like to acknowledge the valued contribution made by Abby to the success of this organisation since 2011 as both a director and Chair of the Audit and Risk committee. Anthony Quirk was elected a director at the AGM to fill the vacancy.

On behalf of my fellow directors I am pleased to be part of the continued success of this organisation and wish to thank our council shareholders, guarantors and borrowers as well as our financial intermediaries and investors for their continued support.



Craig Stobo
Chair, LGFA Board



Opening of the splash pad at Aotea Lagoon,
December 2017. Porirua City Council.

The statement of service performance details LGFA's performance against the objectives and targets set out in the LGFA Statement of Intent 2017-18.

1 2017-18 PERFORMANCE OBJECTIVES

The Statement of Intent 2017-18 (SOI) set out two primary performance objectives and eight complementary performance objectives for LGFA for the year ended 30 June 2018:

| Primary objectives | Additional objectives |
|---|--|
| <p>1. LGFA will operate with the primary objective of optimising the debt funding terms and conditions for Participating Local Authorities. Among other things this includes:</p> <ul style="list-style-type: none"> i. Providing savings in annual interest costs for all Participating Local Authorities on a relative basis to other sources of financing; ii. Making longer-term borrowings available to Participating Local Authorities; iii. Enhancing the certainty of access to debt markets for Participating Local Authorities, subject always to operating in accordance with sound business practice; and iv. Offering more flexible lending terms to Participating Local Authorities. <p>2. LGFA will monitor the quality of the asset book so that it remains of a high standard by ensuring it understands each Participating Local Authority's financial position and the general issues confronting the Local Government sector. This includes:</p> <ul style="list-style-type: none"> i. LGFA will review each Participating Local Authority's financial position, its financial headroom under LGFA policies and visit each Participating Local Authority on an annual basis; ii. LGFA will analyse finances at the Council group level where appropriate; iii. LGFA will work closely with the Department of Internal Affairs (DIA), Office of the Auditor General (OAG) and Local Government New Zealand (LGNZ) on sector and individual council issues; and iv. LGFA will take a proactive role to enhance the financial strength and depth of the local government debt market | <ul style="list-style-type: none"> 1. Operate with a view to making a profit sufficient to pay a dividend in accordance with its stated Dividend Policy set out in section 6; 2. Provide at least 50% of aggregate long-term debt funding to the Local Government sector; 3. Ensure its products and services are delivered at a cost that does not exceed the forecast for issuance and operating expenses set out in section 4; 4. Take appropriate steps to ensure compliance with the Health and Safety at Work Act 2015; 5. Maintain LGFA's credit rating equal to the New Zealand Government sovereign rating where both entities are rated by the same Rating Agency; 6. Achieve the Financial Forecasts (excluding the impact of AIL) set out in section 4; 7. Meet or exceed the Performance Targets outlined in section 5; and 8. Comply with its Treasury Policy, as approved by the Board. |

1 PERFORMANCE AGAINST PRIMARY OBJECTIVES

This section sets out LGFA's performance for the six-months ended 31 December 2017 against the two primary objectives set out in the 2017-18 Statement of Intent.

- 1.1 **LGFA will operate with the primary objective of optimising the debt funding terms and conditions for Participating Local Authorities. Among other things this includes:**
- i. **Providing savings in annual interest costs for all Participating Local Authorities on a relative basis to other sources of financing**

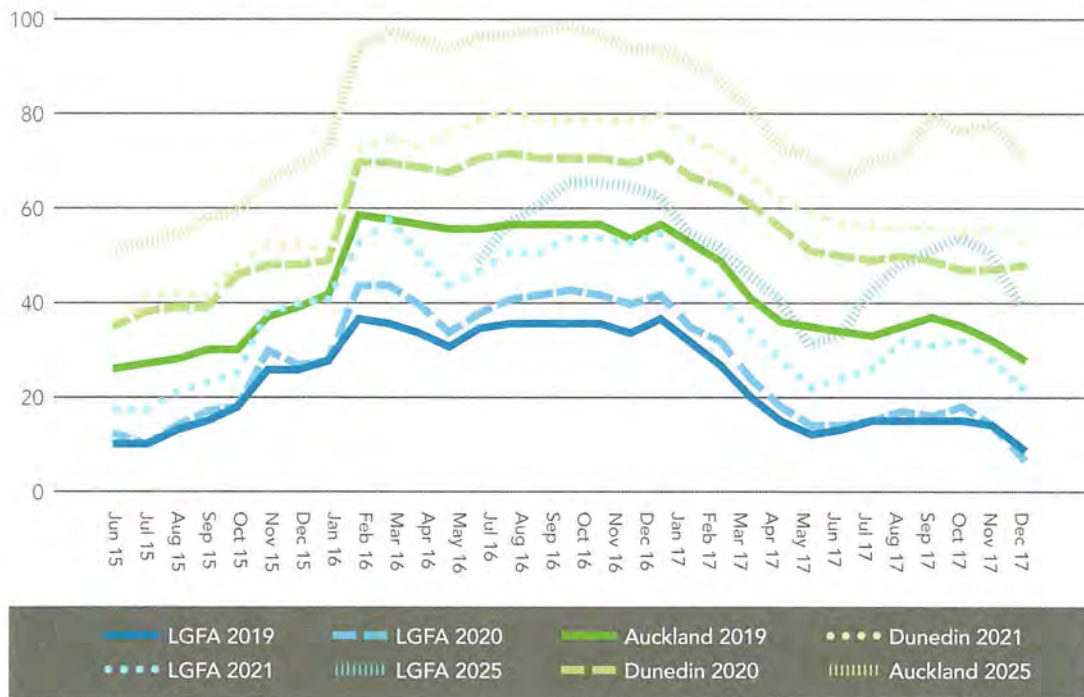
LGFA aims to minimise its issuance margin over swap rates to provide cost-effective funding to councils. The LGFA margin to swap will depend upon many factors including the relative demand and supply of high grade bonds, general credit market conditions, performance of New Zealand Government bonds and swap rates, investor perceptions of LGFA and the issuance volume and tenor of LGFA bonds. Given that LGFA tends to match fund its on-lending to councils, i.e. tends to issue bonds in similar tenors and volumes as its on-lending, then LGFA only has influence over investor perception amongst the above factors that determine LGFA spreads to swap. There will be periods within the interest rate and credit market cycles when LGFA bonds will outperform its benchmarks (spread narrowing) and there will be periods of time when LGFA bonds underperform (spread widening).

Our estimated annual savings to councils based upon the secondary market levels at 31 December 2017 of LGFA bonds compared to NZD domestic bonds issued by Auckland and Dunedin councils is between 10 basis points (bps) and 22 bps depending upon the term of borrowing. While borrowing spreads for all borrowers have narrowed over the past six months, LGFA spreads have not narrowed as much as those of Auckland and Dunedin councils. This underperformance by LGFA has been due to the relative supply of borrowing by each entity – over the past six months LGFA has borrowed \$619 million in the domestic market while Dunedin has borrowed \$80 million and Auckland Council has not borrowed in the domestic market.

| Savings comparison | Savings to AA-rated councils (bps) | | | | |
|----------------------------------|------------------------------------|--------------|--------------|---------------|---------------|
| | Auckland 2019 | Dunedin 2020 | Dunedin 2021 | Auckland 2022 | Auckland 2025 |
| AA rated councils margin to swap | 27 | 41 | 47 | 47 | 68 |
| Less LGFA margin to swap | (8) | (9) | (19) | (22) | (43) |
| LGFA Gross Funding Advantage | 19 | 32 | 28 | 25 | 25 |
| Less LGFA Base Margin | (9) | (10) | (10) | (10.5) | (11) |
| Total Saving | 10 | 22 | 18 | 14.5 | 14 |

Note that from 30 June 2017 we have removed the implied 'LGFA effect' of 10 bps of savings in borrowing costs from the analysis. The LGFA effect was the assessment of immediate savings to councils when LGFA first commenced lending to councils in February 2012 and this has become increasingly irrelevant given the passage of time.

The following chart shows the spread to swap (in basis points) in the secondary market of LGFA, Auckland Council and Dunedin City Treasury bonds.



ii. Making longer-term borrowings available to Participating Local Authorities

The average borrowing term (excluding short-dated borrowing) for the six-month period to December 2017 by council members was 7.2 years and this was significantly shorter than the average borrowing term of 8.1 years for the 2016-17 year. The shortening in term was due to councils reacting to the recent widening of borrowing margins in the longer-dated maturities. Also, many councils had taken advantage of the tighter margins in early 2017, using the opportunity to extend longer when the 2033 maturities were first made available in April 2017.

Average total months to maturity – On-lending to councils at each tender
Last 15 tenders to 31 December 2017



While LGFA can provide councils with the ability to borrow from LGFA for terms from one month to 15 years, it is up to the councils to determine their preferred term of borrowing.

iii. **Enhancing the certainty of access to debt markets for Participating Local Authorities, subject always to operating in accordance with sound business practices**

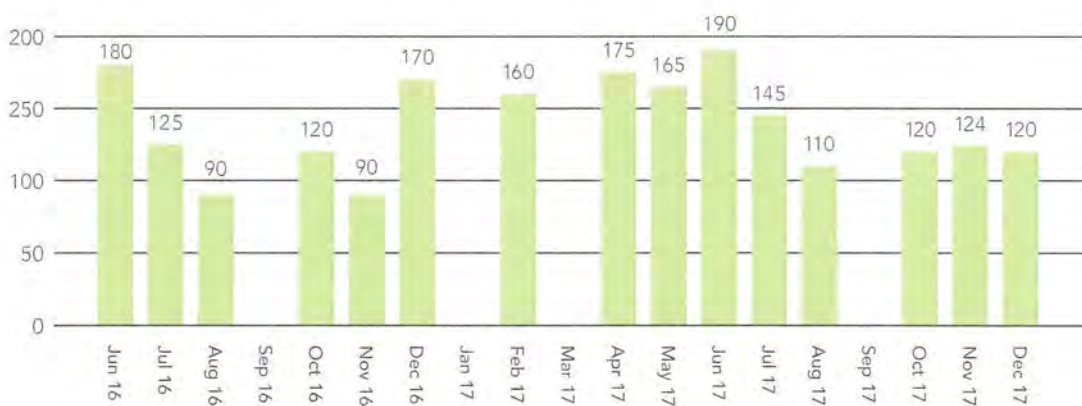
LGFA began issuing 3-month and 6-month LGFA Bills and commenced short-dated (less than one year) lending to councils in late 2015. LGFA has short-term loans to 25 councils of \$332 million outstanding as at 31 December 2017.

LGFA documented an Australian Medium-Term Notes Programme in November 2017 to provide the ability to issue in currencies other than NZD. It is not our intention to use this programme but to have it established to provide some flexibility in case of the unlikely scenario of a significant market disrupting event in the future.

The five LGFA bond tenders during the six-month period were supported by the market with the coverage ratios across the five tenders ranging between 1.61 times and 3.94 times with a weighted average of 2.54 times. We continue to offer three or four LGFA maturities at each tender and try to maintain the volume offered within the \$120 million to \$170 million range to ensure ongoing price tension.

LGFA bond issuance by tender (\$ million)

Last 15 tenders to 31 December 2017. Excludes issuance of treasury stock



Tender bid/offer summary

Last 15 tenders to 31 December 2017



Councils can borrow on a bespoke basis from LGFA and are therefore not restricted to borrowing at the time of each LGFA bond tender. This has become increasingly popular for councils who can now borrow when the timing suits them.

iv. **Offering more flexible lending terms to Participating Local Authorities**

Bespoke lending continues to be a popular borrowing option for council members. Since we introduced the ability for councils to choose their preferred maturity and date of drawdown in February 2015, we have lent \$1.645 billion in bespoke transactions. During the six-month period to 31 December 2017, we lent \$452 million on a bespoke basis across 47 transactions to 21 councils. This comprised 87% of total term lending by LGFA to its members during the six-month period.

Short-term borrowing by councils continues to be well supported by councils with loan terms to date of between three months and 12 months on \$332 million of loans outstanding as at 31 December 2017.

1.2 **LGFA will monitor the quality of the asset book so that it remains of a high standard by ensuring it understands each Participating Local Authority's financial position and the general issues confronting the Local Government sector. This includes:**

i. **LGFA will review each Participating Local Authority's financial position, its financial headroom under LGFA policies and visit each Participating Local Authority on an annual basis**

The review of each council's financial position is undertaken for all councils on an annual basis and all councils were compliant with the LGFA financial covenants as at 30 June 2017. A copy of each council's borrowing position and compliance with LGFA covenants was provided to LGFA shareholders and non-shareholder guarantors with the December 2017 quarterly report. LGFA management met with 27 councils over the six-month period.

ii. **LGFA will analyse finances at the Council group level where appropriate**

While all councils must be compliant with LGFA covenants at the parent level, we also analyse each participating member council's financial position at the Group level. This is undertaken as part of the annual review process.

iii. **LGFA will work closely with the Department of Internal Affairs (DIA), Office of the Auditor General (OAG) and Local Government New Zealand (LGNZ) on sector and individual council issues**

LGFA management met representatives from Crown Irrigation Investments Limited, Ministry of Business, Innovation and Employment, DIA, Treasury and OAG to discuss the local government sector in general and issues relating to specific councils. We provided input into the proposed Housing Infrastructure Fund and Crown Infrastructure Partners initiatives. The LGFA Board met with the Local Government Commission. We presented at both LGNZ quarterly media presentations on the financial position of the sector and LGFA.

iv. **LGFA will take a proactive role to enhance the financial strength and depth of the local government debt market**

LGFA management meet with the management team of each council at least once a year. We also presented to elected officials at councils prior to them joining LGFA to remind them of their obligations.

We have been involved in discussions between Central Government agencies and the Housing Infrastructure Fund (HIF) councils regarding the structuring of the HIF loans to ensure the interests of councils, ratepayers and LGFA are protected.

LGFA presented at various capital market conferences and met with banks and investors on a regular basis.

2 PERFORMANCE AGAINST ADDITIONAL OBJECTIVES

In addition to the two primary performance objectives, LGFA has eight performance objectives which complement the primary objectives. This section sets out LGFA's performance for the six-months ended 31 December 2017 against the additional objectives set out in the 2017-18 Statement of Intent.

2.1 Operate with a view to making a profit sufficient to pay a dividend in accordance with its stated Dividend Policy set out in section 6 of the SOI

LGFA's Net Operating Gain of \$6.036 million for the six months to 31 December 2017 was slightly above the management forecast of \$5.892 million. The average cost of funds for the six months was 3.10% which is lower than the 3.56% for the 2016-17 financial year due to lower interest rates and much shorter term of LGFA bond issuance than the previous financial year. The LGFA Board has the sole discretion to set the annual dividend which is considered following the full year financial outcome.

2.2 Provide at least 50% of aggregate long-term debt funding for Participating Local Authorities

LGFA estimates market share from the PwC Local Government Quarterly Debt Report and the most recent report is for the December 2017 quarter. LGFA market share of total sector borrowing for the six-month period to December 2017 was 76% and for the year to December 2017 was 84%. Our market share remains high compared to our global peers but will be influenced by the amount of borrowing undertaken by Auckland Council and Dunedin City Council in their own name.

LGFA Market Share – rolling one-year average



Source PwC

Rangitikei District Council joined LGFA as a non-guarantor in December 2017, bringing the total number of participating local authorities to 54. We expect a small number of councils to join LGFA in the coming year.

2.3 Ensure its products and services are delivered at a cost that does not exceed the forecast for issuance and operating expenses set out in section 4 of the SOI

Expenses for the six-month period to 31 December 2017 were \$3.58 million which is \$130k below budget. This variance is the consequence of:

- Issuance and on-lending costs (excluding Approved Issuer Levy) at \$1.088 million were \$82k below budget. There were lower fees than budgeted relating to the NZDMO facility offset by higher registry costs and legal costs than forecast. The larger amount of short-term lending and establishment of an Australian MTM programme also increased legal costs.
- Operating costs at \$1.475 million were \$40k below budget and reflected lower overheads and personnel costs than forecast.
- Approved Issuer Levy payments of \$1.02 million were in line with our forecast of \$1.03 million.

2.4 Take appropriate steps to ensure compliance with the Health and Safety at Work Act 2015

LGFA has a Health and Safety staff committee and reporting on Health and Safety issues are made to the LGFA Board on a regular basis by the Risk and Compliance Manager. There were no Health and Safety incidents during the six-month period.

Following the November 2016 Kaikoura earthquake, LGFA staff were unable to access the LGFA Wellington CBD office. Following repairs and refurbishment we relocated back into the building in December 2017.

2.5 Maintain LGFA's credit rating equal to the New Zealand Government sovereign rating where both entities are rated by the same Rating Agency

LGFA has credit ratings from Standard and Poor's (S&P) and Fitch Ratings (Fitch) and meets with both agencies in September and October each year.

Meetings have been held in 2017 with both rating agencies and S&P affirmed the long-term rating of LGFA at AA+ (stable outlook) on 25 September 2017 and Fitch affirmed the rating at AA+ (stable outlook) on 10 November 2017.

2.6 Achieve the Financial Forecasts (excluding the impact of AIL) set out in section 4 of the SOI

LGFA's financial results for key items set out in Section 4 of the SOI for the 12-month period to 30 June 2018 are

| In \$ million | 31 December 2017 actual | 31 December 2017 half year forecast | 30 June 2018 full year SOI forecast |
|--|----------------------------|---|---|
| Net interest revenue | \$9.62 | \$9.60 | \$18.22 |
| Issuance and operating expenses excluding Approved Issuer Levy (AIL) | \$2.56 | \$2.69 | \$5.45 |
| Approved Issuer Levy (AIL) | \$1.02 | \$1.02 | \$1.89 |
| Net Profit | \$6.04 | \$5.89 | \$10.88 |

2.7 Meet or exceed the Performance Targets outlined in section 5 of the SOI

LGFA achieved two out of its four performance targets in the six-month period to 31 December 2017

| Current performance targets | Target | Result for six-month period to 31 December 2017 | Outcome |
|--|---|---|--|
| Average margin above LGFA's cost of funds charged to the highest rated Participating Local Authorities for the period | <= 0.10% | 0.097% | Met |
| Annualised annual issuance and operating expenses (excluding AIL) | <= \$5.45 million | \$2.563 million | Met on annualised basis and on track to meet for full year |
| Lending to Participating Local Authorities | <= \$8.128 billion | \$7.418 billion | Not met but remains close to being met on a full year basis (depending upon the level and timing of pre-funding of the March 2019 council loans) |
| Savings on borrowing costs for council borrowers relative to other sources of financing and compared to previous years | Improvement since prior year end relative to borrowing by councils directly | As at 30 June 2017 2019s 12 bps, 2021s 20 bps and 2025s 17 bps As at 31 December 2017 2019s 10bps, 2021s 18 bps and 2025s 14 bps | Not met. The lack of single name issuance by councils has reduced supply and hence tightened spreads |

2.8 Comply with its Treasury Policy, as approved by the Board

LGFA was compliant at all times with the Treasury Policy during the six-month period ended 31 December 2017.



FINANCIAL STATEMENTS

Shared path and safety improvements to Raumati Road on the Kapiti Coast aim to improve pedestrian and cycling connections to and from the Mackays to Peka Peka expressway, cycleway, walkway and bridleway. Kapiti Coast District Council

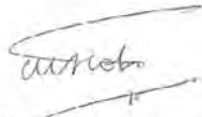
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In the opinion of the directors of the New Zealand Local Government Funding Agency Limited, the financial statements and notes on pages 20 to 35:

- Comply with New Zealand generally accepted accounting practice and give a true and fair view of the financial position of the Company as at 31 December 2017, and
- Have been prepared using appropriate accounting policies, which have been consistently applied and supported by reasonable judgements and estimates.
- The directors believe that proper accounting records have been kept which enables, with reasonable accuracy, the determination of the financial position of the Company and facilitates the compliance of the financial statements with the Financial Reporting Act 1993.

The directors consider that they have taken adequate steps to safeguard the assets of the Company, and to prevent and detect fraud and other irregularities. Internal control procedures are also considered to be sufficient to provide a reasonable assurance as to the integrity and reliability of the financial statements.

For and on behalf of the Board of Directors



C. Stobo, Director
28 February 2018



L. Robertson, Director
28 February 2018

For the six months ended 31 December 2017 in \$000s

| | Note | Unaudited six months ended 31 December 2017 | Unaudited six months ended 31 December 2016 |
|-----------------------------------|------|--|--|
| Interest income from | | | |
| Cash and cash equivalents | | 291 | 272 |
| Loans to local government | | 118,416 | 109,752 |
| Marketable securities | | 1,434 | 1,304 |
| Deposits | | 2,424 | 1,548 |
| Derivatives | | 55,580 | 42,835 |
| Fair value hedge ineffectiveness | 2 | - | - |
| Total interest income | | 178,145 | 155,711 |
| Interest expense on | | | |
| Bills | | 3,671 | 2,582 |
| Bonds | | 163,057 | 142,988 |
| Borrower notes | | 1,699 | 1,584 |
| Bond repurchases | | 100 | 46 |
| Total interest expense | | 168,527 | 147,200 |
| Net interest income | | 9,618 | 8,511 |
| Operating Expenses | | | |
| Issuance and on-lending expenses | 3 | 2,107 | 1,764 |
| Operating expenses | 4 | 1,475 | 1,435 |
| Total expenses | | 3,582 | 3,199 |
| Net operating profit | | 6,036 | 5,312 |
| Total comprehensive income | | 6,036 | 5,312 |

These statements are to be read in conjunction with the notes to the financial statements

For the six months ended 31 December 2017 (unaudited) in \$000s

| | Note | Share capital | Retained Earnings | Total equity |
|---|------|---------------|-------------------|---------------|
| Equity as at 30 June 2017 | | 25,000 | 28,878 | 53,878 |
| Net operating profit | | | 6,036 | 6,036 |
| Total comprehensive income for the year | | | 6,036 | 6,036 |
| Transactions with owners | | | - | - |
| Dividend paid on 20 September 2017 | | | (1,390) | (1,390) |
| Equity as at 31 December 2017 | 13 | 25,000 | 33,524 | 58,524 |

For the six months ended 31 December 2016 (unaudited) in \$000s

| | Note | Share capital | Retained Earnings | Total equity |
|---|------|---------------|-------------------|---------------|
| Equity as at 30 June 2016 | | 25,000 | 19,224 | 44,224 |
| Net operating profit | | | 5,312 | 5,312 |
| Total comprehensive income for the year | | | 5,312 | 5,312 |
| Transactions with owners | | | - | - |
| Dividend paid on 15 October 2016 | | | (1,392) | (1,392) |
| Equity as at 31 December 2016 | | 25,000 | 23,144 | 48,144 |

These statements are to be read in conjunction with the notes to the financial statements

As at 31 December 2017 in \$000s

| | Note | Unaudited as at 31 December 2017 | Audited as at 30 June 2017 |
|--|------|--|-------------------------------|
| Assets | | | |
| Financial assets | | | |
| Cash and bank balances | | 29,478 | 49,919 |
| Receivable unsettled bond repurchases | | - | 13,723 |
| Loans to local government | 5 | 7,535,611 | 7,783,932 |
| Marketable securities | | 36,313 | 127,641 |
| Deposits | | 118,960 | 149,949 |
| Derivatives in gain | | 386,030 | 364,953 |
| Non-financial assets | | | |
| Prepayments | | 887 | 544 |
| Other assets | 10 | 685 | 760 |
| Total assets | | 8,107,964 | 8,491,421 |
| Equity | | | |
| Share capital | | 25,000 | 25,000 |
| Retained earnings | | 27,488 | 28,878 |
| Total comprehensive income / (deficit) for the period | | 6,036 | |
| Total equity | | 58,524 | 53,878 |
| Liabilities | | | |
| Financial Liabilities | | | |
| Trade and other payables | | 246 | 453 |
| Accrued expenses | | 412 | 554 |
| Bills | 6 | 368,601 | 348,179 |
| Bonds | 7 | 7,495,647 | 7,865,401 |
| Borrower notes | 8 | 124,922 | 131,614 |
| Bond repurchases | 9 | - | 25,682 |
| Derivatives in loss | | 59,612 | 65,660 |
| Total liabilities | | 8,049,440 | 8,437,543 |
| Total equity and liabilities | | 8,049,440 | 8,491,421 |

These statements are to be read in conjunction with the notes to the financial statements

For the six months ended 31 December 2017 in \$000s

| | Note | Unaudited six months ended 31 December 2017 | Unaudited six months ended 31 December 2016 |
|---|------|---|---|
| Cash flow from operating activities | | | |
| Cash applied to loans to local government | 12 | 247,203 | (662,866) |
| Interest paid on bonds issued | | (188,895) | (166,281) |
| Interest paid on bills issued | | (3,671) | 2,582 |
| Interest paid on borrower notes | | (2,621) | - |
| Interest paid on bond repurchases | | (102) | (44) |
| Interest received from cash & cash equivalents | | 291 | 271 |
| Interest received from loans to local government | | 119,534 | 108,984 |
| Interest received from marketable securities | | 1,567 | 1,142 |
| Interest received from deposits | | 3,413 | 1,630 |
| Net interest on derivatives | | 80,406 | 63,224 |
| Payments to suppliers and employees | | (4,274) | (3,488) |
| Net cash flow from operating activities | 11 | 252,851 | (654,846) |
| Cash flow from investing activities | | | |
| Purchase of marketable securities | | 91,195 | 52,787 |
| Purchase of deposits | | 30,000 | (14,000) |
| Purchase of plant and equipment | | 76 | 69 |
| Net cash flow from investing activities | | 121,271 | 38,856 |
| Cash flow from financing activities | | | |
| Dividends paid | | (1,390) | (1,392) |
| Cash proceeds from borrower notes | 12 | (5,770) | 9,288 |
| Cash proceeds from bonds issued | 12 | (382,465) | 603,386 |
| Cash proceeds from bills issued | | 20,422 | (5,040) |
| Cash applied to bond repurchases | | (11,957) | 3,712 |
| Cash applied to derivatives | | (13,403) | (8,862) |
| Net cash flow from financing activities | | (394,563) | 601,092 |
| Net (decrease) / increase in cash | | (20,441) | (14,898) |
| Cash, cash equivalents and bank overdraft at 1 July | | 49,919 | 37,084 |
| Cash, cash equivalents and bank overdraft at 31 December | | 29,478 | 22,186 |

These statements are to be read in conjunction with the notes to the financial statements

1 Statement of accounting policies

A. REPORTING ENTITY

The New Zealand Local Government Funding Agency Limited (LGFA) is a company registered under the Companies Act 1993 and is subject to the requirements of the Local Government Act 2002.

LGFA is controlled by participating local authorities and is a council-controlled organisation as defined under section 6 of the Local Government Act 2002. LGFA is a limited liability company incorporated and domiciled in New Zealand.

The primary objective of LGFA is to optimise the debt funding terms and conditions for participating local authorities.

The registered address of LGFA is Level 8, City Chambers, 142 Featherston Street, Wellington Central, Wellington 6011.

These interim financial statements were authorised for issue by the Directors on 28 February 2018.

B. STATEMENT OF COMPLIANCE

These interim financial statements are for the six-months ended 31 December 2017 and are to be read in conjunction with the annual report for the year ended 30 June 2017. They have been prepared in accordance with New Zealand Generally Accepted Accounting Practice (NZ GAAP) and they comply with NZ IAS 34 Interim Financial Reporting. The financial results for the six-month period ended 31 December 2017 are unaudited.

C. BASIS OF PREPARATION

Accounting judgments, estimates and assumptions

The judgements, estimates and assumptions used to prepare these interim financial statements are consistent with those used at 30 June 2017.

Measurement base

The financial statements have been prepared on a historical cost basis modified by the revaluation of certain assets and liabilities.

The financial statements are prepared on an accrual basis.

Functional and presentation currency

The financial statements are presented in New Zealand dollars rounded to the nearest thousand, unless separately identified. The functional currency of LGFA is New Zealand dollars.

Foreign currency conversions

Transactions denominated in foreign currency are translated into New Zealand dollars using exchange rates applied on the trade date of the transaction.

Changes in accounting policies

There have been no changes in accounting policies.

Early adoption standards and interpretations

NZ IFRS 9: Financial Instruments. The first two phases of this new standard were approved by the Accounting Standards Review Board in November 2009 and November 2010. These phases address the issues of classification and measurement of financial assets and financial liabilities.

Standards not yet adopted

LGFA does not consider any standards or interpretations in issue but not yet effective to have a significant impact on its financial statements. Those which may be relevant to LGFA are as follows:

NZ IFRS 9: Financial Instruments (2014) – Effective for periods beginning on or after 1 January 2018. This standard aligns hedge accounting more closely with the risk management activities of the entity and adds requirements relating to the accounting for an entity's expected credit losses on its financial assets and commitments to extend credit.

D. FINANCIAL INSTRUMENTS

Financial assets

Financial assets, other than derivatives, are recognised initially at fair value plus transaction costs and subsequently measured at amortised cost using the effective interest rate method. Cash and cash equivalents include cash on hand; cash in transit, bank accounts and deposits with an original maturity of no more than three months.

Purchases and sales of all financial assets are accounted for at trade date.

At each balance date, an assessment is made whether a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset(s), and that the loss event has an impact on the future cash flows of the asset(s) that can be estimated reliably.

Financial liabilities

Financial liabilities, other than derivatives, are recognised initially at fair value less transaction costs and subsequently measured at amortised cost using the effective interest rate method.

Derivatives

Derivative financial instruments are recognised both initially and subsequently at fair value. They are reported as either assets or liabilities depending on whether the derivative is in a net gain or net loss position respectively.

Fair value hedge

Where a derivative qualifies as a hedge of the exposure to changes in fair value of an asset or liability (fair value hedge) any gain or loss on the derivative is recognised in profit and loss together with any changes in the fair value of the hedged asset or liability.

The carrying amount of the hedged item is adjusted by the fair value gain or loss on the hedged item in respect of the risk being hedged. Effective parts of the hedge are recognised in the same area of profit and loss as the hedged item.

E. OTHER ASSETS

Property, plant and equipment (PPE)

Items of property, plant and equipment are initially recorded at cost.

Depreciation is charged on a straight-line basis at rates calculated to allocate the cost or valuation of an item of property, plant and equipment, less any estimated residual value, over its remaining useful life.

Intangible Assets

Intangible assets comprise software and project costs incurred for the implementation of the treasury management system. Capitalised computer software costs are amortised on a straight-line basis over the estimated useful life of the software (three to seven years). Costs associated with maintaining computer software are recognised as expenses.

F. OTHER LIABILITIES

Employee entitlements

Employee entitlements to salaries and wages, annual leave and other similar benefits are recognised in the profit and loss when they accrue to employees.

G. REVENUE AND EXPENSES

Revenue

Interest income

Interest income is accrued using the effective interest rate method.

The effective interest rate exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. The method applies this rate to the principal outstanding to determine interest income each period.

Expenses

Expenses are recognised in the period to which they relate.

Interest expense

Interest expense is accrued using the effective interest rate method.

The effective interest rate exactly discounts estimated future cash payments through the expected life of the financial liability to that liability's net carrying amount. The method applies this rate to the principal outstanding to determine interest expense each period.

Income tax

LGFA is exempt from income tax under Section 14 of the Local Government Borrowing Act 2011.

Goods and services tax

All items in the financial statements are presented exclusive of goods and service tax (GST), except for receivables and payables, which are presented on a GST-inclusive basis. Where GST is not recoverable as input tax, then it is recognised as part of the related asset or expense.

The net amount of GST recoverable from, or payable to, the IRD is included as part of receivables or payables in the statement of financial position.

The net GST paid to, or received from the IRD, including the GST relating to investing and financing activities, is classified as a net operating cash flow in the statement of cash flows.

Commitments and contingencies are disclosed exclusive of GST.

H. LEASE PAYMENTS

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

I. SEGMENT REPORTING

LGFA operates in one segment being funding of participating local authorities in New Zealand.

J. JUDGEMENTS AND ESTIMATIONS

The preparation of these financial statements requires judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, and income and expenses. For example, the present value of large cash flows that are predicted to occur a long time into the future depends critically on judgements regarding future cash flows, including inflation assumptions and the risk-free discount rate used to calculate present values.

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. Where these judgements significantly affect the amounts recognised in the financial statements they are described below and in the following notes.

2 Hedge accounting

LGFA is exposed to interest rate risk where there is a mismatch between variable and fixed rate borrowing and lending to councils. LGFA uses interest rate swaps to manage this interest rate risk. For hedge accounting purposes, LGFA has designated certain swaps in fair value relationships to its fixed rate borrowing and council loans.

The gain or loss on the hedging instrument and the hedged item attributable to the hedged risk for fair value hedge relationships is shown in the table below.

| in \$000s | Gain/(loss) Unaudited six months ended 31 December 2017 | Gain/(loss) Unaudited six months ended 31 December 2016 |
|--|--|--|
| Hedging instruments – interest rate swaps | 202,007 | 134,733 |
| Hedged items attributable to the hedged risk – fixed rate bonds | (202,007) | (134,733) |
| Ineffectiveness recognised in profit or loss from fair value hedges | - | - |

The gains or losses on the hedging instrument (interest rate swaps) and the hedged item (bonds and loans) are mapped to the same fair value account. For this reason, the statement of comprehensive income will only report any ineffectiveness arising from the fair value hedge.

3 Issuance and on-lending expenses

Issuance and on-lending expenses are those costs that are incurred as a necessary expense to facilitate the ongoing issuance of LGFA debt securities.

| in \$000s | Unaudited six months ended 31 December 2017 | Unaudited six months ended 31 December 2016 |
|----------------------------------|---|---|
| NZDMO facility fee | 375 | 200 |
| NZX | 164 | 237 |
| Rating agency fees | 282 | 267 |
| Legal fees for issuance | 93 | 62 |
| Regulatory, registry, other fees | 45 | 18 |
| Trustee fees | 50 | 50 |
| Approved issuer levy | 1,019 | 865 |
| Information services | 79 | 65 |
| | 2,107 | 1,764 |

4 Operating expenses

Operating expenses are all other expenses that are not classified as 'Issuance and on-lending expenses'.

| in \$000s | Unaudited six months ended 31 December 2017 | Unaudited six months ended 31 December 2016 |
|------------------------|---|---|
| Consultants | 68 | 78 |
| Directors' fees | 189 | 174 |
| Insurance | 30 | 30 |
| Legal fees | 53 | 23 |
| Other expenses | 364 | 362 |
| Auditor's remuneration | | |
| Statutory audit | 44 | 46 |
| Advisory | - | 4 |
| Personnel | 727 | 718 |
| | 1,475 | 1,435 |

5 Loans to local government

| in \$000s | Unaudited as at 31 December 2017 | | Audited as at 30 June 2017 | |
|--|-------------------------------------|------------------|-------------------------------|------------------|
| | Short-term loans | Loans | Short-term loans | Loans |
| Ashburton District Council | 10,028 | 25,673 | 10,018 | 25,707 |
| Auckland Council | - | 2,102,637 | - | 2,429,887 |
| Buller District Council | - | 20,004 | - | 20,001 |
| Canterbury Regional Council | - | 30,103 | - | 25,083 |
| Central Hawkes Bay District Council | - | 2,026 | - | - |
| Christchurch City Council | 85,272 | 1,522,509 | 96,280 | 1,485,304 |
| Far North District Council | - | 30,122 | - | 30,121 |
| Gisborne District Council | 4,983 | 32,233 | - | 27,085 |
| Gore District Council | 6,024 | 11,063 | 6,023 | 11,034 |
| Greater Wellington Regional Council | - | 280,853 | - | 280,702 |
| Grey District Council | - | 20,502 | - | 20,551 |
| Hamilton City Council | - | 286,188 | - | 351,028 |
| Hastings District Council | 4,972 | 60,213 | - | 60,211 |
| Hauraki District Council | - | 38,152 | - | 41,139 |
| Horizons Regional Council | - | 15,028 | - | 10,013 |
| Horowhenua District Council | 12,016 | 66,889 | 12,013 | 63,923 |
| Hurunui District Council | - | 23,096 | - | 23,085 |
| Hutt City Council | 4,995 | 127,800 | - | 97,727 |
| Kaipara District Council | - | 40,169 | 8,925 | 43,172 |
| Kapiti Coast District Council | - | 195,641 | - | 210,623 |
| Manawatu District Council | - | 61,112 | - | 58,094 |
| Marlborough District Council | 18,850 | 63,223 | 19,851 | 63,207 |
| Masterton District Council | - | 52,228 | 2,006 | 52,209 |
| Matamata-Piako District Council | - | 24,586 | - | 29,581 |
| Nelson City Council | - | 55,203 | - | 55,201 |
| New Plymouth District Council | - | 70,301 | - | 61,167 |
| Northland Regional Council | - | 2,852 | - | - |
| Opotiki District Council | - | 5,166 | - | 5,180 |
| Otorohanga District Council | - | 6,138 | - | 9,178 |
| Palmerston North City Council | 10,026 | 77,282 | 10,025 | 77,255 |
| Porirua City Council | - | 43,692 | - | 28,608 |
| Queenstown Lakes District Council | 10,099 | 76,067 | 7,070 | 86,177 |
| Rotorua District Council | 20,046 | 104,881 | 1,001 | 114,976 |
| Selwyn District Council | - | 15,022 | - | 35,050 |
| South Taranaki District Council | - | 62,272 | - | 62,267 |
| South Wairarapa District Council | 1,533 | 16,118 | 4,034 | 13,586 |
| Tararua District Council | 3,006 | 11,050 | 1,004 | 10,033 |
| Tasman District Council | 5,004 | 90,398 | - | 90,273 |
| Taupo District Council | - | 125,419 | - | 125,417 |
| Tauranga City Council | 29,911 | 317,076 | - | 347,207 |
| Thames-Coromandel District Council | 12,012 | 23,047 | - | 35,061 |
| Timaru District Council | 7,519 | 62,338 | 10,047 | 67,347 |
| Upper Hutt City Council | 4,989 | 31,635 | 2,997 | 31,628 |
| Waikato District Council | 4,993 | 70,319 | - | 80,265 |
| Waimakariri District Council | 10,011 | 105,839 | 10,010 | 85,797 |
| Waipa District Council | 35,286 | 13,016 | - | 13,015 |
| Waitomo District Council | 10,066 | 25,084 | 5,022 | 25,027 |
| Wellington City Council | - | 349,320 | - | 294,047 |
| Western Bay Of Plenty District Council | - | 85,366 | - | 105,386 |
| Whakatane District Council | 9,043 | 39,170 | 6,021 | 34,129 |
| Whanganui District Council | 5,005 | 61,326 | - | 66,327 |
| Whangarei District Council | 9,973 | 122,499 | 9,972 | 142,522 |
| | 335,663 | 7,199,948 | 222,318 | 7,561,614 |

6 Bills on issue

| Unaudited as at 31 December 2017 in \$000's | Face Value | Unamortised premium | Accrued interest | Total |
|---|----------------|------------------------|---------------------|----------------|
| 17 January 2018 | 50,000 | (43) | - | 49,957 |
| 26 January 2018 | 25,000 | (38) | - | 24,962 |
| 5 February 2018 | 25,000 | (47) | - | 24,953 |
| 14 February 2018 | 50,000 | (118) | - | 49,882 |
| 22 February 2018 | 25,000 | (69) | - | 24,931 |
| 14 March 2018 | 50,000 | (192) | - | 49,808 |
| 22 March 2018 | 25,000 | (111) | - | 24,889 |
| 29 March 2018 | 25,000 | (113) | - | 24,887 |
| 11 April 2018 | 25,000 | (138) | - | 24,862 |
| 1 May 2018 | 20,000 | (133) | - | 19,867 |
| 16 May 2018 | 25,000 | (182) | - | 24,818 |
| 13 June 2018 | 25,000 | (215) | - | 24,785 |
| | 370,000 | (1,399) | - | 368,601 |

| Audited as at 30 June 2017 in \$000's | Face Value | Unamortised premium | Accrued interest | Total |
|---|----------------|------------------------|---------------------|----------------|
| 12 July 2017 | 50,000 | (30) | - | 49,970 |
| 4 August 2017 | 25,000 | (46) | - | 24,954 |
| 16 August 2017 | 50,000 | (129) | - | 49,871 |
| 13 September 2017 | 50,000 | (204) | - | 49,796 |
| 26 September 2017 | 25,000 | (126) | - | 24,874 |
| 11 October 2017 | 25,000 | (143) | - | 24,857 |
| 26 October 2017 | 25,000 | (172) | - | 24,828 |
| 15 November 2017 | 25,000 | (194) | - | 24,806 |
| 27 November 2017 | 25,000 | (223) | - | 24,777 |
| 13 December 2017 | 25,000 | (232) | - | 24,768 |
| 26 January 2018 | 25,000 | (322) | - | 24,678 |
| | 350,000 | (1,821) | - | 348,179 |

7 Bonds on issue

Bonds on issue do not include LGFA bonds subscribed by LGFA and held as treasury stock. However, LGFA bonds listed on the NZX include LGFA bonds subscribed by LGFA and held as treasury stock. Refer note 9: Treasury stock and bond repurchase transactions.

| Unaudited as at 31 December 2017 in \$000's | | Face Value | Unamortised Premium | Accrued Interest | Fair Value Hedge Adjustment | Total |
|---|--------------|------------------|------------------------|---------------------|-----------------------------------|------------------|
| 15 March 2019 | 5% coupon | 1,240,000 | 15,164 | 18,499 | | 1,273,663 |
| 15 April 2020 | 3% coupon | 935,000 | (8,181) | 6,011 | | 932,830 |
| 15 May 2021 | 6% coupon | 1,420,000 | 67,354 | 11,062 | | 1,498,416 |
| 15 April 2023 | 5.5% coupon | 1,429,000 | 73,485 | 16,842 | | 1,519,327 |
| 15 April 2025 | 2.75% coupon | 804,000 | (39,593) | 4,738 | | 769,145 |
| 15 April 2027 | 4.5% coupon | 996,000 | 34,052 | 9,604 | | 1,039,656 |
| 14 April 2033 | 3.5% coupon | 285,000 | (26,562) | 2,165 | | 260,603 |
| Fair value hedge adjustment | | | | | 202,007 | 202,007 |
| Total | | 7,109,000 | 115,719 | 68,921 | 202,007 | 7,495,647 |

| Audited as at 30 June 2017 in \$000's | | Face Value | Unamortised Premium | Accrued Interest | Fair Value Hedge Adjustment | Total |
|---|--------------|------------------|------------------------|---------------------|-----------------------------------|------------------|
| 15 December 2017 | 6% coupon | 1,015,000 | 7,762 | 2,662 | | 1,025,424 |
| 15 March 2019 | 5% coupon | 1,200,000 | 19,488 | 17,609 | | 1,237,097 |
| 15 April 2020 | 3% coupon | 755,000 | (12,471) | 4,765 | | 747,294 |
| 15 May 2021 | 6% coupon | 1,350,000 | 68,236 | 10,345 | | 1,428,581 |
| 15 April 2023 | 5.5% coupon | 1,350,000 | 69,813 | 15,621 | | 1,435,434 |
| 15 April 2025 | 2.75% coupon | 660,000 | (34,201) | 3,818 | | 629,617 |
| 15 April 2027 | 4.5% coupon | 960,000 | 33,450 | 9,089 | | 1,002,538 |
| 14 April 2033 | 3.5% coupon | 215,000 | (20,650) | 1,604 | | 195,954 |
| Fair value hedge adjustment | | | | | 163,460 | 163,460 |
| Total | | 7,505,000 | 131,428 | 65,513 | 163,460 | 7,865,401 |

8 Borrower notes

Borrower notes are subordinated debt instruments which are required to be held by each local authority that borrows from LGFA in an amount equal to 1.6% of the aggregate borrowings, excluding short-term loans, by that local authority.

LGFA may convert borrower notes into redeemable shares if it has made calls for all unpaid capital to be paid in full and the LGFA Board determines it is still at risk of imminent default.

9 Treasury stock and bond repurchase transactions

Periodically, LGFA subscribes for LGFA bonds as part of its tender process and holds these bonds as treasury stock. LGFA bonds held by LGFA as treasury stock are derecognised at the time of issue and no liability is recognised in the statement of financial position. As at 31 December 2017, treasury stock had been issued in the following maturities (in \$000s):

| in \$000s | | Unaudited as at 31 December 2017 | Audited as at 30 June 2017 |
|---------------|--------------|-------------------------------------|-------------------------------|
| 15 March 2019 | 5% coupon | 50,000 | 50,000 |
| 15 April 2020 | 3% coupon | 50,000 | 50,000 |
| 15 May 2021 | 6% coupon | 50,000 | 50,000 |
| 15 April 2023 | 5.5% coupon | 50,000 | 50,000 |
| 15 April 2025 | 2.75% coupon | 50,000 | 50,000 |
| 15 April 2027 | 4.5% coupon | 50,000 | 50,000 |
| 14 April 2033 | 3.5% coupon | 50,000 | 50,000 |
| Total | | 350,000 | 350,000 |

LGFA makes these treasury stock bonds available to banks authorised as its tender counterparties to borrow under short-term repurchase transactions. The objective of the bond lending facility is to assist with improving secondary market liquidity in LGFA bonds. Bonds lent to counterparties are disclosed as a separate stock lending liability on the face of the statement of financial position.

Each month, LGFA notifies the market the amount of outstanding repurchase transactions and LGFA bonds held as treasury stock.

As at 31 December 2017, there were no bond repurchase transactions outstanding.

| Bond repurchase transactions outstanding in \$000s | | Unaudited as at 31 December 2017 | Audited as at 30 June 2017 |
|--|--------------|-------------------------------------|-------------------------------|
| 15 March 2019 | 5% coupon | - | - |
| 15 April 2020 | 3% coupon | - | - |
| 15 May 2021 | 6% coupon | - | - |
| 15 April 2023 | 5.5% coupon | - | - |
| 15 April 2025 | 2.75% coupon | - | 9,981 |
| 15 April 2027 | 4.5% coupon | - | 15,701 |
| 14 April 2033 | 3.5% coupon | - | - |
| | | - | 25,682 |

10 Other assets

| Property, plant and equipment \$000s | Unaudited as at 31 December 2017 | Audited as at 30 June 2017 |
|--------------------------------------|----------------------------------|----------------------------|
| Intangible assets | 685 | 760 |
| Total other assets | 685 | 760 |

11 Reconciliation of net profit to net cash flow from operating activities

| in \$000s | Note | Unaudited six months ended 31 December 2017 | Unaudited six months ended 31 December 2016 |
|---|------|---|---|
| Net profit/(loss) for the period | | 6,036 | 5,312 |
| Cash applied to loans to local government | 12 | 247,203 | (662,866) |
| Non-cash adjustments | | | |
| Amortisation and depreciation | | 304 | 2,999 |
| Working capital movements | | | |
| Net change in trade debtors and receivables | | (207) | 59 |
| Net change in prepayments | | (343) | (292) |
| Net change in accruals | | (142) | (58) |
| Net Cash From Operating Activities | | 252,851 | (654,846) |

12 LGFA December 2017 bond maturity

The nominal value of the 15 December 2017 6% coupon bond maturity was \$1,015 million. Loans to councils with nominal values totalling \$879 million, and associated nominal borrower notes totalling \$14 million, also matured on 15 December 2017.

13 Share capital

As at 31 December 2017 LGFA had 45 million ordinary shares on issue, 20 million of which remain uncalled. All ordinary shares rank equally with one vote attached to each ordinary share.

As at 31 December 2017, the shareholding of the New Zealand Government had been fully paid up. For all other shareholders, 50% of the shareholding had been called.

| in \$000s | 31 December 2017 | | 30 June 2017 | |
|--|-------------------|-------------|-------------------|-------------|
| New Zealand Government | 5,000,000 | 11.1% | 5,000,000 | 11.1% |
| Auckland Council | 3,731,960 | 8.3% | 3,731,960 | 8.3% |
| Christchurch City Council | 3,731,960 | 8.3% | 3,731,960 | 8.3% |
| Hamilton City Council | 3,731,960 | 8.3% | 3,731,960 | 8.3% |
| Bay of Plenty Regional Council | 3,731,958 | 8.3% | 3,731,958 | 8.3% |
| Greater Wellington Regional Council | 3,731,958 | 8.3% | 3,731,958 | 8.3% |
| Tasman District Council | 3,731,958 | 8.3% | 3,731,958 | 8.3% |
| Tauranga City Council | 3,731,958 | 8.3% | 3,731,958 | 8.3% |
| Wellington City Council | 3,731,958 | 8.3% | 3,731,958 | 8.3% |
| Western Bay of Plenty District Council | 3,731,958 | 8.3% | 3,731,958 | 8.3% |
| Whangarei District Council | 1,492,784 | 3.3% | 1,492,784 | 3.3% |
| Hastings District Council | 746,392 | 1.7% | 746,392 | 1.7% |
| Marlborough District Council | 400,000 | 0.9% | 400,000 | 0.9% |
| Selwyn District Council | 373,196 | 0.8% | 373,196 | 0.8% |
| Gisborne District Council | 200,000 | 0.4% | 200,000 | 0.4% |
| Hauraki District Council | 200,000 | 0.4% | 200,000 | 0.4% |
| Horowhenua District Council | 200,000 | 0.4% | 200,000 | 0.4% |
| Hutt City Council | 200,000 | 0.4% | 200,000 | 0.4% |
| Kapiti Coast District Council | 200,000 | 0.4% | 200,000 | 0.4% |
| Manawatu District Council | 200,000 | 0.4% | 200,000 | 0.4% |
| Masterton District Council | 200,000 | 0.4% | 200,000 | 0.4% |
| New Plymouth District Council | 200,000 | 0.4% | 200,000 | 0.4% |
| Otorohanga District Council | 200,000 | 0.4% | 200,000 | 0.4% |
| Palmerston North District Council | 200,000 | 0.4% | 200,000 | 0.4% |
| South Taranaki District Council | 200,000 | 0.4% | 200,000 | 0.4% |
| Taupo District Council | 200,000 | 0.4% | 200,000 | 0.4% |
| Thames-Coromandel District Council | 200,000 | 0.4% | 200,000 | 0.4% |
| Waimakariri District Council | 200,000 | 0.4% | 200,000 | 0.4% |
| Waipa District Council | 200,000 | 0.4% | 200,000 | 0.4% |
| Whakatane District Council | 200,000 | 0.4% | 200,000 | 0.4% |
| Whanganui District Council | 200,000 | 0.4% | 200,000 | 0.4% |
| | 45,000,000 | 100% | 45,000,000 | 100% |

14 Related parties

Identity of related parties

The Company is related to the local authorities set out in the Shareholder Information by shareholding.

The Company operates under a Statement of Intent with the respective local authorities that requires the Company to provide debt to them at the lowest possible interest rates and to enhance their certainty of access to debt markets.

Shareholding local authorities, and non-shareholder local authorities who borrow more than \$20 million, are required to enter into a guarantee when they join or participate in LGFA. The guarantee is in respect of the payment obligations of other guaranteeing local authorities to the LGFA (cross guarantee) and of the LGFA itself.

Related party transactions

LGFA was established for the purpose of raising funds from the market to lend to participating councils. The lending to individual councils is disclosed in note 5, and interest income recognized on this lending is shown in the Statement of Comprehensive Income. The requirement for participating councils to subscribe to LGFA borrower notes is disclosed in note 8, and the interest expense on these is shown in the Statement of comprehensive income.

15 Subsequent events

There have been no significant events after balance date that have affected the accuracy of these financial statements.

Subsequent to balance date, LGFA has issued \$120 million in bonds through a tender on 14 February 2018.

Credit Rating

As at 31 December 2017, LGFA has the following credit ratings:

| Rating Agency | Local currency | | Foreign currency | |
|------------------|----------------|------------|------------------|------------|
| | Long-term | Short-term | Long-term | Short-term |
| Standard & Poors | AA+ | A-1+ | AA | A-1+ |
| Fitch | AA+ | F1+ | AA | F1+ |

Waivers from NZX Limited (NZX)

LGFA's fixed rate bonds are quoted on the NZX Debt Market (LGFA Bonds). NZX has granted LGFA a number of waivers from the NZX Listing Rules.

Waiver from Rule 5.2.3

NZX has granted LGFA a waiver from NZX Listing Rule 5.2.3 to the extent that this requires the LGFA Bonds to be held by at least 100 members of the public holding at least 25% of the number of securities of that class issued.

The waiver from NZX Listing Rule 5.2.3 was provided on the conditions that:

- LGFA clearly and prominently disclose the waiver, its conditions and its implications in its annual reports and in each profile or Offering Document for the LGFA Bonds;
- LGFA will disclose market liquidity as a risk in each offering document (excluding any offering document referred to in paragraph (f) of the definition of "Offering Document" under NZX Listing Rule 1.6.1) for the LGFA Bonds; and
- the nature of LGFA's business and operations do not materially change from its business and operations as at the date of the waiver decision.

The effect of the waiver is that the LGFA Bonds may not be widely held and there may be reduced market liquidity in the LGFA Bonds.

Waiver from Rule 6.3.2

NZX has granted LGFA a waiver from NZX Listing Rule 6.3.2 so that the deemed date of receipt of notices for a holder of LGFA Bonds who has supplied LGFA with an address outside of New Zealand, will be five working days after that notice is posted to that physical address.

Net Tangible Assets

Net tangible asset per \$1,000 of listed bonds as at 31 December 2017 is \$7.85 (30 June 2017: \$6.86).

Right: The Pocket Park joins the popular Hatea Loop with Port Road in Whangarei. The park provides a place with shade, seating and a playground for residents and visitors to stop and enjoy the view of the Hatea River. Whangarei District Council.

Back cover: Oneroa Beachfront Cycle and Walkway. Gisborne District Council.

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Draft Statement of Intent 2018/19

1. Introduction

This Statement of Intent (SOI) sets out the intentions and expectations of New Zealand Local Government Funding Agency Limited (LGFA).

The LGFA is enabled under the Local Government Borrowing Act 2011 and is a council-controlled organisation (CCO) for the purposes of the Local Government Act 2002.

The SOI is prepared in accordance with section 64(1) of the Local Government Act 2002.

2. Nature and scope of activities

LGFA will raise debt funding either domestically and/or offshore in either NZ dollars or foreign currency and provide debt funding to New Zealand local authorities, and may undertake any other activities considered by the Board of LGFA to be reasonably related or incidentally to, or in connection with, that business.

The LGFA will only lend to local authorities that enter into all the relevant arrangements with it (Participating Local Authorities) and comply with the LGFA's lending policies.

In lending to Participating Local Authorities, LGFA will:

- Operate in a manner to ensure LGFA is successful and sustainable in the long-term;
- Educate and inform Participating Local Authorities on matters within the scope of LGFA's operations;
- Provide excellent service to Participating Local Authorities;
- Ensure excellent communication exists and be professional in its dealings with all its stakeholders; and
- Ensure its products and services are delivered in a cost-effective manner.

3. Objectives

Principal Objectives

In accordance with the Local Government Act 2002, in carrying on its business, the principal objectives of LGFA will be to:

- Achieve the objectives and performance targets of the shareholders in LGFA (both commercial and non-commercial) as specified in this SOI;
- Be a good employer;
- Exhibit a sense of social and environmental responsibility by having regard to the interests of the community in which it operates and by endeavouring to accommodate or encourage these when able to do so; and
- Conduct its affairs in accordance with sound business practice.

Primary Objectives

LGFA will operate with the primary objective of optimising the debt funding terms and conditions for Participating Local Authorities. Among other things this includes:

- Providing savings in annual interest costs for all Participating Local Authorities on a relative basis to other sources of financing;
- Making longer-term borrowings available to Participating Local Authorities;
- Enhancing the certainty of access to debt markets for Participating Local Authorities, subject always to operating in accordance with sound business practice; and
- Offering more flexible lending terms to Participating Local Authorities.

LGFA will monitor the quality of the asset book so that it remains of a high standard by ensuring it understands each Participating Local Authority's financial position and the general issues confronting the Local Government sector. This includes

- LGFA will review each Participating Local Authority's financial position, its financial headroom under LGFA policies and endeavour to visit each Participating Local Authority on an annual basis;
- LGFA will analyse finances at the Council group level where appropriate;
- LGFA will review its debt covenant methodology and assessment of council financial position at group vs parent. LGFA will present its findings to councils at the LGFA Shareholder-Borrower Day, including a comparison of LGFA methodology to that of the credit rating agencies;
- LGFA will work closely with the Department of Internal Affairs (DIA), Office of the Auditor General (OAG) and Local Government New Zealand (LGNZ) on sector and individual council issues; and
- LGFA will take a proactive role to enhance the financial strength and depth of the local government debt market.

Additional objectives

LGFA has a number of additional objectives which complement the primary objective. These objectives will be measurable and achievable and the performance of the company in achieving its objectives will be reported annually. These additional objectives are to:

- Operate with a view to making a profit sufficient to pay a dividend in accordance with its stated Dividend Policy set out in section 6;
- Provide at least 50% of aggregate long-term debt funding to the Local Government sector;
- Ensure its products and services are delivered at a cost that does not exceed the forecast for issuance and operating expenses set out in section 4;
- Take appropriate steps to ensure compliance with the Health and Safety at Work Act 2015;
- Maintain LGFA's credit rating equal to the New Zealand Government sovereign rating where both entities are rated by the same Rating Agency;
- Achieve the Financial Forecasts (excluding the impact of AIL) set out in section 4;
- Meet or exceed the Performance Targets outlined in section 5; and
- Comply with its Treasury Policy, as approved by the Board.

4. Financial forecasts

LGFA's financial forecasts for the three years to 30 June 2021 are:

FINANCIAL YEAR (\$M)

| | Jun-19 | Jun-20 | Jun-21 |
|--|--------------|--------------|--------------|
| Comprehensive income | | | |
| Interest income | 239.11 | 241.42 | 254.38 |
| Interest expense | 220.64 | 223.71 | 232.86 |
| Net Interest income | 18.46 | 17.71 | 21.53 |
| | | | |
| Issuance and on-lending costs | 2.44 | 2.47 | 2.50 |
| Approved Issuer Levy | 2.07 | 1.56 | 1.61 |
| Operating expenses | 3.14 | 3.24 | 3.33 |
| Issuance and operating expenses | 7.65 | 7.27 | 7.44 |
| | | | |
| P&L | 10.81 | 10.44 | 14.08 |
| | | | |
| Financial position (\$m) | | | |
| Capital | 25.00 | 25.00 | 25.00 |
| Retained earnings | 48.30 | 57.42 | 70.10 |
| Total equity | 73.30 | 82.42 | 95.10 |
| Shareholder funds + borrower notes / Total assets | 2.40% | 2.49% | 2.64% |
| Dividend provision | 1.33 | 1.40 | 1.45 |
| Total assets (nominal) | 8,170.25 | 8,414.20 | 8,447.97 |
| Total LG loans - short term (nominal) | 325.00 | 325.00 | 325.00 |
| Total LG loans (nominal) | 7,695.00 | 7,936.50 | 7,972.50 |
| Total bills (nominal) | 370.00 | 370.00 | 370.00 |
| Total bonds (nominal) ex tsy stock | 7,699.00 | 7,839.00 | 7,829.00 |
| Total borrower notes (nominal) | 123.12 | 126.98 | 127.56 |

Note that there is some forecast uncertainty around the timing of Net Interest Revenue, Net Profit, Total Assets, LG Loans, Bonds and Borrower Notes depending upon council decisions regarding the amount and timing of refinancing of their March 2019, April 2020 and May 2021 loans. LGFA will work with council borrowers to reduce this uncertainty.

5. Performance targets

LGFA has the following performance targets:

- The average margin above LGFA's cost of funds charged to the highest rated Participating Local Authorities for the period to:
 - 30 June 2019 will be no more than 0.10%.
 - 30 June 2020 will be no more than 0.10%.
 - 30 June 2021 will be no more than 0.10%.

The above indicators include both LGFA Bills and Bonds and short dated and long dated lending to councils.

- LGFA's annual issuance and operating expenses (excluding AIL) for the period to:
 - 30 June 2019 will be less than \$5.58 million.
 - 30 June 2020 will be less than \$ 5.71 million.
 - 30 June 2021 will be less than \$5.83 million.
- Total lending to Participating Local Authorities¹ at:
 - 30 June 2019 will be at least \$8,020 million.
 - 30 June 2020 will be at least \$8,261 million.
 - 30 June 2021 will be at least \$8,297 million.
- Savings on borrowing costs for council borrowers:
 - LGFA will demonstrate the savings to council borrowers on a relative basis to other sources of financing. This will be measured by maintaining or improving the prevailing secondary market spread between LGFA bonds and those bonds of a similar maturity issued by (i) registered banks and (ii) Auckland Council and Dunedin Council as a proxy for single name issuance of council financing.

6. Dividend policy

LGFA will seek to maximise benefits to Participating Local Authorities as Borrowers rather than Shareholders. Consequently, it is intended to pay a limited dividend to Shareholders.

¹ Subject to the forecasting uncertainty noted previously

The Board's policy is to pay a dividend that provides an annual rate of return to Shareholders equal to LGFA fixed rate bond cost of funds plus 2.00% over the medium term.

At all times payment of any dividend will be discretionary and subject to the Board's legal obligations and views on appropriate capital structure.

7. Governance

Board

The Board is responsible for the strategic direction and control of LGFA's activities. The Board guides and monitors the business and affairs of LGFA, in accordance with the Companies Act 1993, the Local Government Act 2002, the Local Government Borrowing Act 2011, the Company's Constitution, the Shareholders' Agreement for LGFA and this SOI.

The Board comprises six directors with five being independent directors and one being a non-independent director.

The Board's approach to governance is to adopt best practice² with respect to:

- The operation of the Board.
- The performance of the Board.
- Managing the relationship with the Company's Chief Executive.
- Being accountable to all Shareholders.

All directors are required to comply with a formal Charter, to be reviewed from time to time in consultation with Shareholders.

The Board will meet on a regular basis and no fewer than 6 times each year.

Shareholders' Council

The Shareholders' Council is made up of between five and ten appointees of the Shareholders (including an appointee from the Crown). The role of the Shareholders' Council is to:

- Review the performance of LGFA and the Board, and report to Shareholders on that performance on a periodic basis.
- Make recommendations to Shareholders as to the appointment, removal, replacement and remuneration of directors.
- Make recommendations to Shareholders as to any changes to policies, or the SOI, requiring their approval.
- Ensure all Shareholders are fully informed on LGFA matters and to coordinate Shareholders on governance decisions.

² Best practice as per NZX and Institute of Directors guidelines

8. Information to be provided to Shareholders

The Board aims to ensure that Shareholders are informed of all major developments affecting LGFA's state of affairs, while at the same time recognising both LGFA's obligations under NZX Listing Rules and that commercial sensitivity may preclude certain information from being made public.

Annual Report

The LGFA's balance date is 30 June.

By 30 September each year, the Company will produce an Annual Report complying with Sections 67, 68 and 69 of the Local Government Act 2002, the Companies Act and Financial Reporting Act. The Annual Report will contain the information necessary to enable an informed assessment of the operations of the company, and will include the following information:

- Directors' Report.
- Financial Statements incorporating a Statement of Financial Performance, Statement of Movements in Equity, Statement of Financial Position, Statement of Cashflows, Statement of Accounting Policies and Notes to the Accounts.
- Comparison of the LGFA's performance with regard to the objectives and performance targets set out in the SOI, with an explanation of any material variances.
- Auditor's Report on the financial statements and the performance targets.
- Any other information that the directors consider appropriate.

Half Yearly Report

By 28 February each year, the Company will produce a Half Yearly Report complying with Section 66 of the Local Government Act 2002. The Half Yearly Report will include the following information:

- Directors' commentary on operations for the relevant six-month period.
- Comparison of LGFA's performance with regard to the objectives and performance targets set out in the SOI, with an explanation of any material variances.
- Un-audited half-yearly Financial Statements incorporating a Statement of Financial Performance, Statement of Movements in Equity, Statement of Financial Position and Statement of Cashflows.

Quarterly Report

By 31 January, 30 April, 31 July, and 31 October each year, the Company will produce a Quarterly Report. The Quarterly Report will include the following information:

- Commentary on operations for the relevant quarter, including a summary of borrowing margins charged to Participating Local Authorities (in credit rating bands).
- Comparison of LGFA's performance with regard to the objectives and performance targets set out in the SOI, with an explanation of any material variances.

- Analysis of the weighted average maturity of LGFA bonds outstanding.
- In the December Quarterly Report only, commentary on the Net Debt/Total Revenue percentage for each Participating Local Authority that has borrowed from LGFA (as at the end of the preceding financial year).
- To the extent known by LGFA, details of all events of review in respect of any Participating Local Authority that occurred during the relevant quarter (including steps taken, or proposed to be taken, by LGFA in relation thereto).

Statement of Intent

By 1 March in each year the Company will deliver to the Shareholders its draft SOI for the following year in the form required by Clause 9(1) of Schedule 8 and Section 64(1) of the Local Government Act 2002.

Having considered any comments from the Shareholders received by 30 April, the Board will deliver the completed SOI to the Shareholders on or before 30 June each year.

Shareholder Meetings

The Board will hold an Annual General Meeting between 30 September and 30 November each year to present the Annual Report to all Shareholders.

The Company will hold a meeting with the Shareholders' Council approximately every six months – prior to the Annual General Meeting and after the Half Yearly Report has been submitted. Other meetings may be held by agreement between the Board and the Shareholders' Council.

9. Acquisition/divestment policy

LGFA will invest in securities in the ordinary course of business. It is expected that these securities will be debt securities. These investments will be governed by LGFA's lending and/or investment policies as approved by the Board and/or Shareholders.

Any subscription, purchase or acquisition by LGFA of shares in a company or organisation will, if not within those investment policies, require Shareholder approval other than as concerns the formation of wholly-owned subsidiaries and the subscription of shares in such wholly-owned subsidiaries.

10. Activities for which compensation is sought from Shareholders

At the request of Shareholders, LGFA may (at its discretion) undertake activities that are not consistent with its normal commercial objectives. Specific financial arrangements will be entered into to meet the full cost of providing such as activities.

Currently there are no activities for which compensation will be sought from Shareholders.

11. Commercial value of Shareholder's investment

LGFA will seek to maximise benefits to Participating Local Authorities as Borrowers rather than Shareholders.

Subject to the Board's views on the appropriate capital structure for LGFA, the Board's intention will be

to pay a dividend that provides an annual rate of return to Principal Shareholders equal to LGFA fixed rate bond cost of funds plus 2.00% over the medium term.

As the Shareholders will have invested in the LGFA on the basis of this limited dividend, the Board considers that at establishment the commercial value of LGFA is equal to the face value of the Shareholders' paid up Principal Shares - \$25 million.

In the absence of any subsequent share transfers to the observed share transfers on 30 November 2012, the Board considers the current commercial value of LGFA is at least equal to the face value of the Shareholders' paid up Principal Shares - \$25 million.

12. Accounting policies

LGFA has adopted accounting policies that are in accordance with the New Zealand International Financial Reporting Standards and generally accepted accounting practice. A Statement of accounting policies is attached to this SOI.

The following statement is taken from the Financial Statements presented as part of LGFA's Annual Report 2017 (updated where necessary).

ATTACHMENT: Statement of accounting policies

a. Reporting Entity

The New Zealand Local Government Funding Agency Limited (LGFA) is a company registered under the Companies Act 1993 and is subject to the requirements of the Local Government Act 2002.

LGFA is controlled by participating local authorities and is a council-controlled organisation as defined under section 6 of the Local Government Act 2002. LGFA is a limited liability company incorporated and domiciled in New Zealand.

The primary objective of LGFA is to optimise the debt funding terms and conditions for participating local authorities.

The registered address of LGFA is Level 8, City Chambers, 142 Featherston Street, Wellington Central, Wellington 6011.

b. Statement of Compliance

LGFA is an FMC reporting entity under the Financial Markets Conduct Act 2013 (FMCA). These financial statements have been prepared in accordance with that Act and the Financial Reporting Act 2013, LGFA's bonds are quoted on the NZX Debt Market.

LGFA is a profit orientated entity as defined under the New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS).

The financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice (NZ GAAP) and they comply with NZ IFRS and other applicable Financial Reporting Standard, as appropriate for Tier 1 for-profit entities. The financial statements also comply with International Financial Reporting Standards (IFRS).

c. Basis of Preparation**Measurement base**

The financial statements have been prepared on a historical cost basis modified by the revaluation of certain assets and liabilities.

The financial statements are prepared on an accrual basis.

Functional and presentation currency

The financial statements are presented in New Zealand dollars rounded to the nearest thousand, unless separately identified. The functional currency of LGFA is New Zealand dollars.

Foreign currency conversions

Transactions denominated in foreign currency are translated into New Zealand dollars using exchange rates applied on the trade date of the transaction.

Changes in accounting policies

There have been no changes in accounting policies.

Early adoption standards and interpretations

NZ IFRS 9: Financial Instruments. The first two phases of this new standard were approved by the Accounting Standards Review Board in November 2009 and November 2010. These phases address the issues of classification and measurement of financial assets and financial liabilities.

Standards not yet adopted

LGFA does not consider any standards or interpretations in issue but not yet effective to have a significant impact on its financial statements. Those which may be relevant to LGFA are as follows:

NZ IFRS 9: Financial Instruments (2014) – Effective for periods beginning on or after 1 January 2018. This standard aligns hedge accounting more closely with the risk management activities of the entity and adds requirements relating to the accounting for an entity's expected credit losses on its financial assets and commitments to extend credit.

d. Financial instruments**Financial assets**

Financial assets, other than derivatives, are recognised initially at fair value plus transaction costs and subsequently measured at amortised cost using the effective interest rate method.

Cash and cash equivalents include cash on hand; cash in transit, bank accounts and deposits with an original maturity of no more than three months.

Purchases and sales of all financial assets are accounted for at trade date.

At each balance date an assessment is made whether a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired when objective evidence

demonstrates that a loss event has occurred after the initial recognition of the asset(s), and that the loss event has an impact on the future cash flows of the asset(s) that can be estimated reliably.

Financial liabilities

Financial liabilities, other than derivatives, are recognised initially at fair value less transaction costs and subsequently measured at amortised cost using the effective interest rate method.

Derivatives

Derivative financial instruments are recognised both initially and subsequently at fair value. They are reported as either assets or liabilities depending on whether the derivative is in a net gain or net loss position respectively.

Fair value hedge

Where a derivative qualifies as a hedge of the exposure to changes in fair value of an asset or liability (fair value hedge) any gain or loss on the derivative is recognised in profit and loss together with any changes in the fair value of the hedged asset or liability.

The carrying amount of the hedged item is adjusted by the fair value gain or loss on the hedged item in respect of the risk being hedged. Effective parts of the hedge are recognised in the same area of profit and loss as the hedged item.

e. Other assets

Property, plant and equipment (PPE)

Items of property, plant and equipment are initially recorded at cost.

Depreciation is charged on a straight-line basis at rates calculated to allocate the cost or valuation of an item of property, plant and equipment, less any estimated residual value, over its remaining useful life.

Intangible Assets

Intangible assets comprise software and project costs incurred for the implementation of the treasury management system. Capitalised computer software costs are amortised on a straight line basis over the estimated useful life of the software (three to seven years). Costs associated with maintaining computer software are recognised as expenses.

f) Other liabilities

Employee entitlements

Employee entitlements to salaries and wages, annual leave and other similar benefits are recognised in the profit and loss when they accrue to employees.

g) Revenue and expenses

Revenue

Interest income

Interest income is accrued using the effective interest rate method.

The effective interest rate exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. The method applies this rate to the principal outstanding to determine interest income each period.

Expenses

Expenses are recognised in the period to which they relate.

Interest expense

Interest expense is accrued using the effective interest rate method.

The effective interest rate exactly discounts estimated future cash payments through the expected life of the financial liability to that liability's net carrying amount. The method applies this rate to the principal outstanding to determine interest expense each period.

Income tax

LGFA is exempt from income tax under Section 14 of the Local Government Borrowing Act 2011.

Goods and services tax

All items in the financial statements are presented exclusive of goods and service tax (GST), except for receivables and payables, which are presented on a GST-inclusive basis. Where GST is not recoverable as input tax, then it is recognised as part of the related asset or expense.

The net amount of GST recoverable from, or payable to, the IRD is included as part of receivables or payables in the statement of financial position.

The net GST paid to, or received from the IRD, including the GST relating to investing and financing activities, is classified as a net operating cash flow in the statement of cash flows.

Commitments and contingencies are disclosed exclusive of GST.

h. Lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

i. Segment reporting

LGFA operates in one segment being funding of participating local authorities in New Zealand.

j. Judgements and estimations

The preparation of these financial statements requires judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, and income and expenses. For example, the present value of large cash flows that are predicted to occur a long time into the future depends critically on judgements regarding future cash flows, including inflation assumptions and the risk-free discount rate used to calculate present values. Refer note 2b for fair value determination for financial instruments.

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. Where these judgements significantly affect the amounts recognised in the financial statements they are described below and in the following notes.

22 February 2018

Dear Shareholder

Draft Statement of Intent 2018/19

Please find attached a copy of the Draft Statement of Intent (“SOI”) for the 2018/19 year¹.

LGFA continues to focus on delivering strong results for both our council borrowers and shareholders.

For our borrowing councils we seek to optimise funding terms and conditions by:

- Achieving savings in borrowing costs
- Provide longer dated funding and
- Provide certainty of access to markets

For our shareholders we are focused on:

- Delivering a strong financial performance
- Monitoring asset quality and
- Enhancing our approach to treasury and risk management and

The following points regarding the Draft 2018/19 SOI are worth noting:

- Profitability is forecast to remain strong with projections for Net Operating Gain of \$10.81 million, \$10.44 million and \$14.08 million for the next three years as controllable expenses remain close to previous year budgets but net interest income grows. However, we remain cautious in placing too much emphasis on the Year Three (2020/21) forecast given that over the next three years, \$3.79 billion of our LGFA bonds and \$3.336 billion of council loans mature. Assumptions regarding timing of refinancing and interest rates have a meaningful impact on financial projections.
- Net interest income is expected to increase over the next three years as we hold additional liquid assets to manage the LGFA bond maturities. We would also expect councils to refinance their loans prior to maturity and depending upon the timing, this is slightly positive for LGFA.
- We have reduced our forecast for Local Government loans outstanding as at June 2019 to \$8.020 billion and to \$8.261 billion as at June 2020 (from \$8.188 billion and \$8.391 billion in the previous SOI). This reflects uncertainty regarding the impact on LGFA lending if councils

¹ If you wish to also receive a version with tracked changes that highlight changes from the previous 2017/18 SOI then please let me know.

substitute LGFA borrowing for funding from the Housing Infrastructure Fund facility and other Central Government initiatives. Councils have also yet to release their Draft Long Term Plans and provide indications of future borrowing intentions.

- We have made no changes to the on-lending margins given the base lending margin now averages 10 bps (0.10%). Any further reductions in the base margin is unlikely as we need to ensure we have sufficient capital to match the growth in the balance sheet. LGFA on-lending margins are the narrowest when compared with our international peers.
- Compared to the previous SOI, issuance and on-lending costs excluding Approved Issuer Levy ("AIL") are forecast to be similar to the forecast in each of the 2018/19 and 2019/20 financial years.
- The SOI performance targets are the same as the targets in the previous SOI as we believe these reflect the optimal means to assess our performance against our key objectives.
- As noted above, there is some timing uncertainty within the SOI forecast relating to Local Government loans and LGFA bonds outstanding as we need to project both the repayment amount and repayment timing of the Local Government loans that are due to mature in March 2019, April 2020 and May 2021. Decisions made by our council members regarding early refinancing will have a phasing impact across all three years in the SOI forecast.

If you have any questions or wish to provide comments by 30 April 2018 then please feel free to contact myself or any member of the Shareholders Council. The LGFA Board will consider any feedback received and provide a final version of the SOI to shareholders by 30 June 2018.

Yours sincerely



Mark Butcher
Chief Executive

Western Bay of Plenty District Council

Council

Te Puke Cricket Club Clubrooms Lease Area Extension – Te Puke Domain

Purpose

To consider any public submissions or objections received in response to the Operations and Monitoring Committee's resolution (OP8.1, 6 December 2017) of its approval in principle to grant an extension to the Cricket Club's Lease area on Te Puke Domain.

This report seeks the required resolution of Council, and if approved, utilises the delegation given to Council, by the Minister of Conservation, to the granting of a lease area extension over part of Te Puke Domain, Te Puke.

No submissions or objections have been received.

Recommendation

- 1. THAT the Reserves and Facilities Manager's report dated 8 March 2018 and titled Te Puke Cricket Club Clubrooms Lease Area Extension – Te Puke Domain be received.***
- 2. THAT Council, having not received any submissions, in exercise of the powers conferred on it as the administering body of the reserve by delegation from the Minister of Conservation under the Reserves Act 1977 grants Te Puke Cricket Club the right to lease an additional area of 26.5m² to allow for the extension of the existing clubrooms situated on Te Puke Domain.***
- 3. THAT should the additional lease area approval be granted, such approval must not be construed by the applicant, as a guarantee that all other consents required by any policy, by-law, regulation or statute, will be forthcoming. The applicant is responsible for obtaining all required consents at its own cost.***
- 4. THAT the report relates to an issue that is not considered significant in terms of Council's policy on Significance.***

Date
Subject

8 March 2018
Te Puke Cricket Club Clubrooms Lease Extension – Te Puke Domain

Open Session



Peter Watson
Reserves and Facilities Manager



Approved

Gary Allis
Group Manager Engineering Services

| Minute Action Sheet | Position Code |
|----------------------------|----------------------|
| For Action | RFM |
| For Info | GM1 |
| For Info | LPOR |
| For Info | |

1. Background

The Operations and Monitoring Committee OP8.1, met on 6 December 2017, and considered an item relating to Te Puke Cricket Club's application to extend their clubrooms.

Prior to a lease being granted, Council are required to consult with the public as per Sections 119 and 120 of the Reserves Act 1977.

The Committee resolved the following:

OP8.1 **Te Puke Cricket Club Clubrooms Lease Area Extension**

1. *THAT the Reserves and Facilities Manager's report dated 21 November 2017 and titled "Te Puke Cricket Club Clubrooms Lease Area Extension" be received.*
2. *THAT the Operations and Monitoring Committee approves in principle the application by the Te Puke Cricket Club to lease an additional area of 26.5m² to allow for the extension of the existing clubrooms situated on the Te Puke Domain.*
3. *THAT such approval in principle must not be construed by the applicant, as a guarantee that all other consents required by any policy, by-law, regulation or statute, will be forthcoming. The applicant is responsible for obtaining all required consents at its own cost.*
4. *THAT staff be directed to publicly notify the proposal in terms of Section 119 of the Reserves Act 1977 and to seek the consent of the Minister of Conservation.*
5. *THAT the report relates to an issue that is considered to be of low significance in terms of Council's Significance and Engagement Policy.*

A public notice was placed in the newspaper on 14 December 2017. **Attachment A**

Public consultation was required under Section 119 of the Reserves Act 1977, and this closed on 12 February 2018. There were no submissions received.

Tapuika Iwi and Te Kapu O Waitaha were contacted for comment. No response has been received by the requested closing date.

2. Significance and Engagement

The Local Government Act 2002 requires a formal assessment of the significance of matters and decisions in this report against Council's Significance and Engagement Policy.

In making this formal assessment there is no intention to assess the importance of this item to individuals, groups, or agencies within the community and it is acknowledged that all reports have a high degree of importance to those affected by Council decisions.

The Policy requires Council and its communities to identify the degree of significance attached to particular issues, proposals, assets, decisions, and activities.

In terms of the Significance and Engagement Policy this decision is considered to be of low significance.

3. Engagement, Consultation and Communication

| Interested/Affected Parties | Completed/Planned Engagement/Consultation/Communication |
|-----------------------------|--|
| Tangata Whenua | Local iwi were contacted for comment but no response was received. |
| General Public | There were no submissions received. |

4. Issues and Options Assessment

| Option A | |
|---|--|
| <i>THAT Council, having not received any submissions, in exercise of the powers conferred on it as the administering body of the reserve by delegation from the Minister of Conservation under the Reserves Act 1977 grants Te Puke Cricket Club the right to lease an additional area of 26.5m² to allow for the extension of the existing clubrooms situated on Te Puke Domain.</i> | |
| Assessment of option for advantages and disadvantages taking a sustainable approach | Advantages: <ul style="list-style-type: none"> Investment is made by the club into upgraded facilities Improved functionality of the building, including umpire room Improved security around the building Building work contributes to local economy |
| Costs (including present and future costs, direct, indirect and contingent costs) and cost effectiveness for households and businesses | <ul style="list-style-type: none"> All costs involved with varying the club's lease are to be met by the club The club's rental would be increased due to the increased area the building would occupy |

| Option B | |
|---|--|
| <i>THAT Council does not agree to lease an additional area of 26.5m² to allow for the extension of the existing clubrooms situated on Te Puke Domain.</i> | |
| Assessment of option for advantages and disadvantages taking a sustainable approach | Disadvantages: <ul style="list-style-type: none"> • Improved facilities would not be realised • Security issues would remain • Local economy not supported |
| Costs (including present and future costs, direct, indirect and contingent costs) and cost effectiveness for households and businesses | The club would not incur any costs. |

On the basis, that the Operations and Monitoring Committee have already agreed to the lease extension in principle and there have been no submissions or objections, that Option A be adopted.

5. Statutory Compliance

Reserves Act 1977 - Public consultation has been undertaken as required by Section 119 of the Reserves Act 1977.

Reserves Act 1977 - requires Ministerial approval for a variation to a lease within a recreation reserve. This power is delegated to Council by the Minister of Conservation as at 12 June 2013 provided that the use is an existing use and the effects of the use will be the same or similar in character, intensity and scale. The proposal is in keeping with the Ministerial delegations

Te Puke Ward Reserve Management Plan - The Lease area and Clubrooms already exist and are shown on notated on the Te Puke Reserve Management Plan.

Building Act 2004 - A Building Consent will be required for any building work.

6. Funding/Budget Implications

| Budget Funding Information | Relevant Detail |
|-----------------------------------|---|
| N/A | All costs relating to the processing of the proposal are to be borne by the Te Puke Cricket Club. |

Public Notices

TE PUKE DOMAIN - NOTICE OF INTENT TO EXTEND LEASED AREA FOR TE PUKE CRICKET CLUB

Pursuant to Section 54(2) of the Reserves Act 1977, Western Bay District Council gives public notice of its intention to grant approval for Te Puke Cricket Club Inc. to extend their current leased area.

An application has been received from Te Puke Cricket Club Inc. to extend their lease area by an additional 26.5 square metres, more or less, in addition to their current lease area for a club building addition.

Copies of plans showing the proposal can be posted out upon request by phoning Joanne Hin or Julie Webb on 571 8006 or email reserves@westernbay.govt.nz

Any person wanting to submit on or object to the proposed extension may do so in writing giving details of their submission or objection to:

Joanne Hin
Legal Officer Reserves and Facilities
Western Bay District Council
Private Bag 12803

Tauranga 3143 or email reserves@westernbay.govt.nz

Submissions or objections are to be received no later than 5pm on 12 February 2018.

Miriam Taria
Chief Executive Officer



5311
PEOPLE • PLAN • PROGRESS WWW.WESTERNBAY.GOVT.NZ

**WAITAHA HEALTH CLINIC
GP services only
Xmas Opening**

Wednesday 27th December 2017

8.30 am to 12.00 / 1.00 to 5.00 pm

Thursday 28th December 2017

8.30 am to 12.00 / 1.00 to 5.00 pm

Friday 29th December 2017

8.30 am to 12.00 / 1.00 to 5.00 pm

Wednesday 03rd January 2018

8.30 am to 12.00 / 1.00 to 5.00 pm

Thursday 04th January 2018

8.30 am to 12.00 / 1.00 to 5.00 pm

Friday 05th January 2018

8.30 am to 12.00 / 1.00 to 5.00 pm

Normal opening for all services

Monday 08th January 2018

Employment Vacancies

**CHILDCARE
Need
Homebase
Childcare?**



Flexible Hours, WINZ subsidy, 20 ECE, 9 Hours Free care (conditions apply)
Phone 0800 Jemmas 0800536627

NEED \$\$\$ NOW

18+ Ladies required Massage work. Potentially make \$500+ daily. Female management, flexible hours. Rotorua Location. Phone 020 4118 3999

Got something to sell?

List it in the classifieds **PHONE 573 6200**

Te PukeTimes

For Sale

AWAKERI RAIL ADVENTURES

"don't buy them presents this year... buy them an experience" Christmas gift vouchers. Call 0800 537 4724

GOLF-TRUNDLER

electric, very portable and easy to steer, good condition \$350. Phone 573 8663

WOODCRAFTS

make great xmas gifts, Marquetry, Intaricia, wood turning, Automata from \$30 - \$120 a piece. Phone 573 6286 to view in Te Puke, lots to choose from.

Fruit & Vegetables

AVOCADO'S WANTED Cash Paid Phone 022 1013 1714

BOYSENBERRIES BOYSENBERRIES

OPENED

Tues 12 Dec

Already Picked

Open Daily

10am - 5.30pm

Closed Christmas Day

117 Te Tumu Rd Te Puke

Wanted to Buy or Exchange

CARAVANS, boats, horse floats, quads, trailers, outboards, any condition, anywhere. Phone Steve 027 622 0011

DON BAYLISS CLOTHING

Requires an enthusiastic Retail Sales Assistant to work in our small team.

What we'll need from you:

- Naturally fashion forward with a good eye
- Bubbly, outgoing personality to work with all age groups
- A people person able to make customers feel comfortable
- Excellent Sales Skills with previous retail experience
- Excellent communication and computer skills
- Attention to detail
- Good initiative, self-motivated, punctual and reliable.
- Be a team player and willing to do whatever it takes to get the job done

If this role sparks your interest and you feel you have the right skills and experience, then please apply now.

Start date ASAP but we are happy to wait for the right candidate as the right fit for our team is extremely important for us.

Please forward your C.V to info@street2surf or call Maree on 07 573 8300

Employment Vacancies

BUS DRIVERS

Mid March to Mid June 2018. Short runs to packhouses between 6.00 am - 7.00 am, and 6.00 pm - 7.00 pm. Six days a week. Good rate. Contact Graeme 021 522 960

COOK required

In busy beachside Cafe. Immediate Start. Phone Maree 027 476 0216



TE PUKE COUNTRY LODGE CARE HOME AND HOSPITAL

CLINICAL MANAGER

You are a talented nurse with a broad understanding of aged care, good management skills and proven leadership capability. In this senior role you will contribute to the overall management of the care home and strongly influence the quality of care.

You will lead and inspire the nursing team, motivating them to be the best they can be with a focus on meeting the unique needs of our residents. You will share our commitment to ongoing education and professional development - a large part of this role requires you to enhance the skills and professional knowledge of the nursing team.

It can be a challenging environment, no day is the same. Many of our residents have complex health needs and your nursing skills will be key. In this role you will have a wide range of areas that you will be responsible for. Being part of the global Bupa group will provide you with opportunities to take your career to new places, both in New Zealand, and internationally.

We are one of New Zealand's leading health and care organisations, part of the global Bupa group. We have a strong commitment to taking care of the lives in our hands. Bupa Care Homes provide a great home for people we care for offering comfort, safety and friendship.

Apply online at bupa.jobmovers.co.nz/24366
For enquiries contact Lisa Huff on 09 524 3771

Te Puke High School Second-hand Uniform Market

Do you want to buy a second-hand TPHS uniform? Do you want to earn some extra cash by selling your second-hand TPHS uniform?

Well here's your opportunity. Families who wish to buy or sell their Te Puke High School uniforms will be provided an opportunity to do so at the TPHS second-hand uniform market.

When? 10am to 2pm Thursday 25 January 2018

Where? Te Puke High School Hall

How? Cash sales only.

THANK YOU

For your support, I look forward to continuing to be your strong voice in parliament.

Anne Tolley MP

HOW ARE YOU GETTING HOME TONIGHT?

If you're out and having a few drinks, make sure you've got a sober driver to get you home safely.

TEAM MEMBER required

The Position: Car grooming, customer drop off and collection, parts delivery, caretaker. This is a permanent full time position for the right applicant.

Attributes: Initiative, good communication, ability to work unsupervised, cheerful disposition, team player, attention to detail.

Please contact Bruce for further details. **CAVANAGH MOTORS LTD** 22 Jellicoe St, Te Puke Phone 573 8303. Just remember, we do care.

To Let

HOUSE TO RENT

3 Bdrm / 1 Bathroom Home. Available for occupancy mid January 2018. Large size double bedrooms in desirable street. \$435 per week to be paid 2 weeks in advance. In addition 4 weeks rent required in advance for bond. References required. Phone 07 573 5351 for application form

HOUSE TO RENT

3 Bdrm / 1 bathroom Home. Located in quiet street in Te Puke. New insulation and fire alarms installed. \$390 per week to be paid 2 weeks in advance. In addition 4 weeks rent required in advance for bond. References required. Phone 07 573 5351 for Application form

Property Management

- Covering Matata through to Papamoa
- Do you need a personalised Owner/Manager???
- Boutique hands-on Management style
- Setting a high standard in Property Management
- See our website & our owner testimonials

BEACH Rentals

Call Shelley McCarthy now. Phone 07 2811324 or 0210487065. info@beachrentals.net.nz, www.beachrentals.net.nz

Advertise your trade in the classifieds

PH 577 7777 Te PukeTimes

Property For Sale

first national Tauranga Omokeroa Mount Papamoa



10 Herbert St, Te Puke ALL IT NEEDS IS YOU

Enjoy your space in the fresh renovation of a Somerset Quaker - a well 3 bed 2 bath home. The team brought bang up to date with attention to the detail from the current owners, with a long list of upgrades and refinements. You want to do a make as an offer and move in? Please bring through and light up to my 200 square metre home on a good sized lot. 10 square metre section that has a garage, space to play and parking to spare. From the hill view through the trees, total schooling for all ages just a walk away and local shops too. Call me to arrange a viewing or come along to the open home to see how it will work for you.

PRICE: ENQ OVER \$595,000. Open Home: Sunday 2.15-2.45pm PF1015. CONTACT: Jenny Cunningham M 022 621 3236 D 07 927 6237 E jenny@fnp.co.nz

Western Bay of Plenty District Council

Council

Storm Water Easement Over Part of Te Puna Estuary Esplanade Reserve

Purpose

This report seeks Council's consent under its delegated authority in respect of the granting of rights of easements in accordance with Section 48(1) of the Reserves Act 1977, for a storm water easement over part of Te Puna Estuary Esplanade Reserve (Lot 5 DPS 28412) in favour of Lot 7 DP 483940 (Gill Lane) to allow the discharge of storm water to Tauranga Harbour.

Recommendation

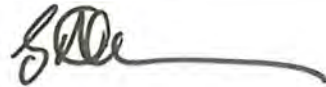
- 1. THAT the Legal Property Officer – Reserves and Facilities' report dated 12 March 2018 and titled Storm Water Easement Over Part of Te Puna Estuary Esplanade Reserve be received.**
- 2. THAT the report relates to an issue that is not considered significant in terms of Council's Policy on Significance.**
- 3. THAT pursuant to the authority delegated by the Minister of Conservation to the Western Bay of Plenty District Council, and the provisions of Section 48 of the Reserves Act 1977, Council hereby consents to the creation of a storm water easement shown on the attached plan (Attachment A) to allow Lot 7 DP 483940 to discharge stormwater over Lot 5 DPS 28412.**



Joanne Hin
**Legal Property Officer
Reserves and Facilities**



Peter Watson
Reserves and Facilities Manager



Approved

Gary Allis
Deputy Chief Executive

1. Background

- 1.1 The landowner of Lot 7 DP 483940 (Gill Lane) is proposing to build a residential house on the property and requires to discharge storm water from the site via an approved outlet over Te Puna Estuary Esplanade Reserve to Tauranga Harbour. In order to proceed an easement would be required over the adjacent esplanade reserve.
- 1.2 The owners have formally applied for the Western Bay of Plenty District Council's consent to the storm water easement. **Attachment A**
- 1.3 A survey plan will be required to be created to detail the proposed easement's location.
- 1.4 The land over which the storm water easement is to be created is part of the Te Puna Estuary Esplanade Reserve, being an esplanade reserve and is subject to the provisions of the Reserves Act 1977.
- 1.5 Within Te Puna Estuary Esplanade Reserve, the storm water pipe is proposed to be underground across a small portion of level land and then discharge at the base of the slope where measures will be undertaken to mitigate erosion. This installation will not affect the public's rights to access across the reserve.
- 1.6 The easement document ensures the protection of the Te Puna Estuary Esplanade Reserve.
- 1.7 The Department of Conservation require that in terms of the delegation of the Minister's powers under the Reserves Act 1977, this is to be made by Councils and recorded as such.

2. Issues and Options Assessment

| Option A | |
|---|--|
| <i>THAT pursuant to the authority delegated by the Minister of Conservation to the Western Bay of Plenty District Council, and the provisions of Section 48 of the Reserves Act 1977, Council hereby consents to the creation of a storm water easement shown on the attached plan (Attachment A) to allow Lot 7 DP 483940 to discharge stormwater over Lot 5 DPS 28412.</i> | |
| Benefits in terms of the present and future interests of the District taking a sustainable development approach | In order for the landowner to be able to effectively discharge storm water they are required to discharge into Tauranga Harbour via the esplanade reserve. |
| Costs (including present and future costs, direct, indirect and contingent costs) | Costs for the creation of the easement are borne by the landowner. The easement instrument protects Council from further maintenance or replacement costs of the easement facility. |
| Assessment of cost effectiveness for | N/A |

| | |
|--|--|
| households and businesses | |
| Other implications | N/A |
| Option B Status Quo | |
| Benefits in terms of the present and future interests of the District taking a sustainable development approach | If Council declines the easement, the only option for the landowner is to release storm water to a soak pit. While this option is available it is not a preferred option as Council wants to ensure that storm water runoff from all house roofs and driveways are directed away from soakage to an approved point, in this case the Tauranga Harbour. |
| Costs (including present and future costs, direct, indirect and contingent costs) | N/A |
| Assessment of cost effectiveness for households and businesses | N/A |
| Other implications | N/A |

3. Statutory Compliance

Section 48 (1) of the Reserves Act 1977 provides Council with the Statutory authority to grant easements over reserves.

4. Funding/Budget Implications

| Budget Funding Information | Relevant Detail |
|-----------------------------------|--|
| No funding required | <p>An application fee of \$307 is required from the applicant to allow the processing of the consent. No further costs will be sort from the applicant for the benefit of the easement as Council is encouraging connection into approved storm water points.</p> <p>The easement instrument protects Council from further maintenance or replacement costs of the easement facility.</p> <p>Costs associated with installing the storm water pipe and reinstatement of the site are to be borne by the applicant.</p> |

5. Significance Assessment

The Local Government Act 2002 requires a formal assessment of the significance of matters and decisions in this report against Council's Significance Policy. In making this formal assessment there is no intention to assess the importance of this item to individuals, groups, or agencies within the community and it is acknowledged that all reports have a high degree of importance to those affected by Council decisions.

| Significant / Not Significant | Reason |
|--------------------------------------|--|
| Not Significant | This item does not trigger Council's policy on significance. |

6. Consultation and Communication

The Reserves Act 1977 Section 48(3) states that where the easement will not materially alter, or permanently damage, or impede the rights of the public in the use of the reserve, public notification is not required, as the pipeline is underground. On this basis, there is not public consultation required.

The Reserves and Facilities and Utilities Departments of Council had been consulted. All parties were satisfied with the proposed works.

**Application for Easement over
Western Bay of Plenty District Council Land**

| | |
|---|---|
| Applicant Name(s) | Tim MAYSTON |
| Property Owner Name(s) (if different to applicant) | CARNIVAL TRUSTEE LIMITED. |
| Address and Legal Description of Owners property | Gill Lane Council Parcel ref: 1217/36 Lot 7 DP 483940 (COT 64629) |
| Owner's Property Valuation No. | 06829 148 28 |
| Applicant Postal Address | PO Box 16334 BETHLEHEM, TAURANGA, 3147 |
| Applicant Contact Phone Number(s) | 021 319 236 |
| Applicant Email | tim@maystonpartners.co.nz |
| Resource Consent No. (if part of a resource consent) | — |
| Name of Reserve and legal description (if known) | Te Puna Estuary Esplanade Reserve (Lot 5 DPS28412 – COT 219300) |
| Proposed works (easement type e.g. stormwater/telecommunications) – please enclose aerial plan of proposed easement area, attach any site photos, site plans and drawing. Consider alternative locations. | SEE ATTACHED ENGINEERING REPORT FROM STRATUMA CONSULTANTS. |
| Particulars of structure or pipe works. Please detail construction methods, transport means. | AS PER ATTACHED ENGINEERING REPORT. |
| Proposed date of construction (consider timeframe for easement registration) | SEP – DEC 2018. |

| | |
|--|--|
| <p>Will the structure or the use of the land materially or permanently affect the public's right to enter on to or use the land for recreational purposes</p> <p><i>(if it is determined that such an easement or structure will affect the public's right then the administering body must advertise the proposal for a statutory period of one month)</i></p> <p>Detail any engineering designs to mitigate the impact of the easement.</p> | <p>No.</p> |
| <p>My solicitor details if using own solicitor to register the easement</p> | <p>VICTORIA MANN ELLICE TANNER victoria@eth.co.nz. 078398518.</p> |
| <p>Application Fee - \$307.00 GST inclusive attached</p> | |
| <p>Once Council approves the Easement Application: Council will identify any known significant ecological, historical or archaeological features within the Reserve. This may require mitigation measures to be undertaken to protect them at the cost of the applicant.</p> <p>Council will obtain a valuation of the easement area. The applicant must pay for the cost of the valuation assessment and the assessed value of the easement area.</p> <p>The applicant shall also have a survey plan prepared showing the easement area, at their cost. This must be done in consultation with Council staff.</p> <p>All costs associated with the easement are payable by the applicant. By submitting this application, the applicant confirms they will pay all costs as they fall due. Council will not approve/submit the easement instrument (the document that registers the easement on the title) until all costs applicable to the easement have been paid by the applicant.</p> <p>If at any time during the process the easement is unsuccessful or the applicant does not wish to continue, any costs that have been incurred in relation to obtaining the easement will require to be paid and no refund will be given.</p> | |

Signed by Applicant(s):  _____

Date: 21/2/2018.

Office Use Only:

| | |
|---|----------------------|
| Arch sites checked | Date: 02/10/2017 JAH |
| Fee Paid and receipted | Date: Ref: |
| Applicant Parcel/RC No. – Condition No. | 1217/36 |

636111-M-E-C001

16 February 2018

Tim Mayston

By email: tim@maystonpartners.co.nz

Dear Tim,

Stormwater disposal for proposed new dwelling at Lot 7 Gill Lane, Te Puna

Stratum Consultants Ltd have been engaged by Tim Mayston to carry out a stormwater assessment for the proposed site development. The assessment is to accompany both an application to the Western Bay of Plenty District Council (WBOPDC) for permission to discharge stormwater directly to the Harbour and a building consent application for the proposed development.

The site at Lot 7 Gill Lane is approximately 8100 square meters and comprises of an existing avocado orchard which shall be cleared for the proposed development. The WBOPDC GIS notes that the site slopes towards the northern and eastern boundaries as seen in figure 1 below. Beyond the boundary the slope falls away to the harbor at approximately 1:1.6 and is currently well vegetated consisting of established grasses and scrub type plants.



Figure 1: Site Location (WBOPDC GIS)

Based on the architectural drawings supplied by Carnachan Architecture (attached) we note it is proposed to develop approximately 840m² including a new residential dwelling, standalone shed, pool, pool shed and decking and associated driveway/parking areas.

The dwelling has an approximate roof area of 507 sq metres and we have allowed for 200 sq metres of parking hardstand for this assessment.

We have not considered any area from the driveway as it is considered that water runoff from the driveway will shed across the current landform.

The WBOPDC require the following information to complete the assessment for stormwater drainage to the harbor:

- *We require to know the stormwater discharge rate from the property;*
- *If the discharge rate is over 130 litres per second then you will require to obtain a resource consent from the regional council;*
- *We require a plan submitted of how you will achieve erosion protection from the outlet, e.g rip rap;*
- *We require a plan of the proposed location of the pipe from the boundary to the point of discharge, the width of the pipe, photos of where the outlet will discharge, a photos of where the discharge flow path will travel to the harbour.*

We have assessed the current discharge from the property as 99.8 l/s from a 10 year 10 minute event assuming a runoff coefficient of 0.3. The developed site is calculated to discharge 120.2 l/s from a 10 year 10 minute event with a specific point discharge of 30.7 l/s being the proposed pipe outfall discharge.

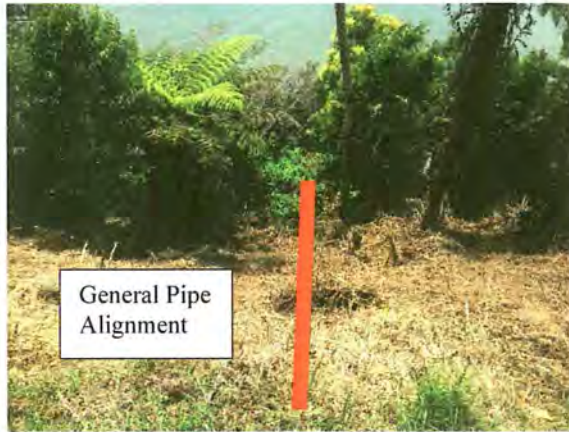
A geotechnical assessment undertaken by O'Brian Geotech Ltd identified that stormwater from hard surfaces shall be collected and piped to a location clear of the house. Erosion protection measures shall be used to dissipate energy and prevent concentrated water flows.

It is our understanding that these comments apply to discharge within the subject site and not directly to the harbor. Rock protection designed in accordance with TP10 will be suitable at the outlet of the pipe.

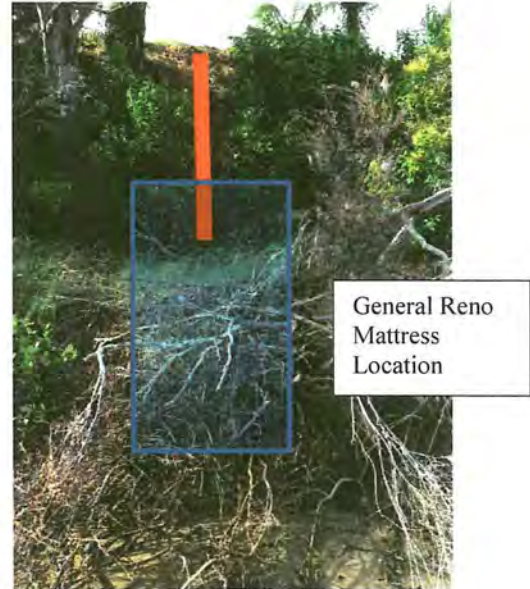
As such we propose stormwater from the new dwelling be collected and piped to the base of the slope as shown in the attached markups. The pipe down the slope shall be a 225 dia "Stormboss" type or similar and can be placed on top of the slope and anchored with waratah posts @ 1.5m c/c due to the steep slope.

The outlet is to be constructed of a 6 x 2 x 0.23 Reno Mattress and filled with clean quarry rock in accordance with installation guidelines. The mattress shall be placed on a Bidum non-woven geotextile with care taken not to puncture the fabric.

The pictures below indicate the approximate location of the outfall pipe in the north east corner of the property and the approximate location of the Reno Mattress at the base of the slope. Refer to the attached sketch for typical details.



View from top of slope



View from base of slope

Suitable grit and leaf protection shall be installed prior to the outfall to prevent decay of the outfall and regular inspections and maintenance will be required during the lifespan of the system.

We trust that the above suitably responds to the points raised. Should you have any queries on the information supplied please contact the undersigned

Yours faithfully
STRATUM CONSULTANTS LTD



Tj Hayward
BE (hons)

Reviewed by

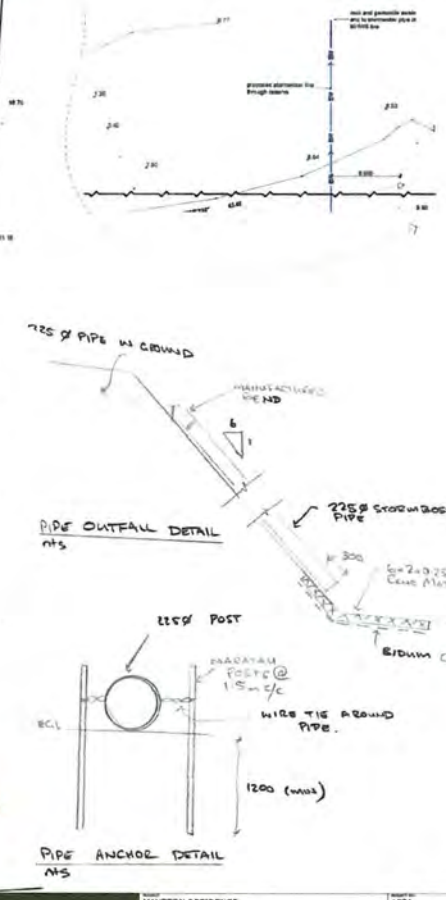
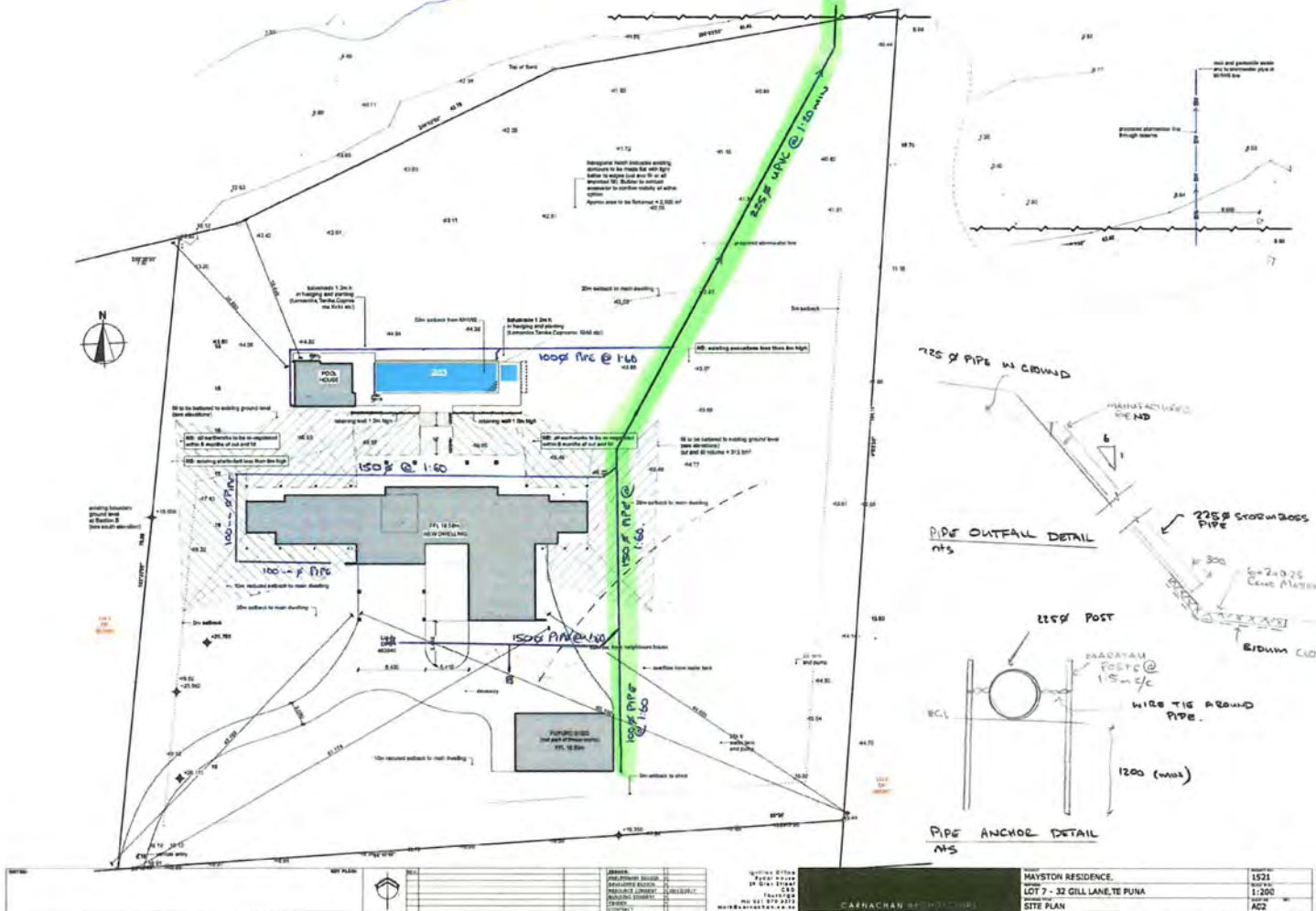


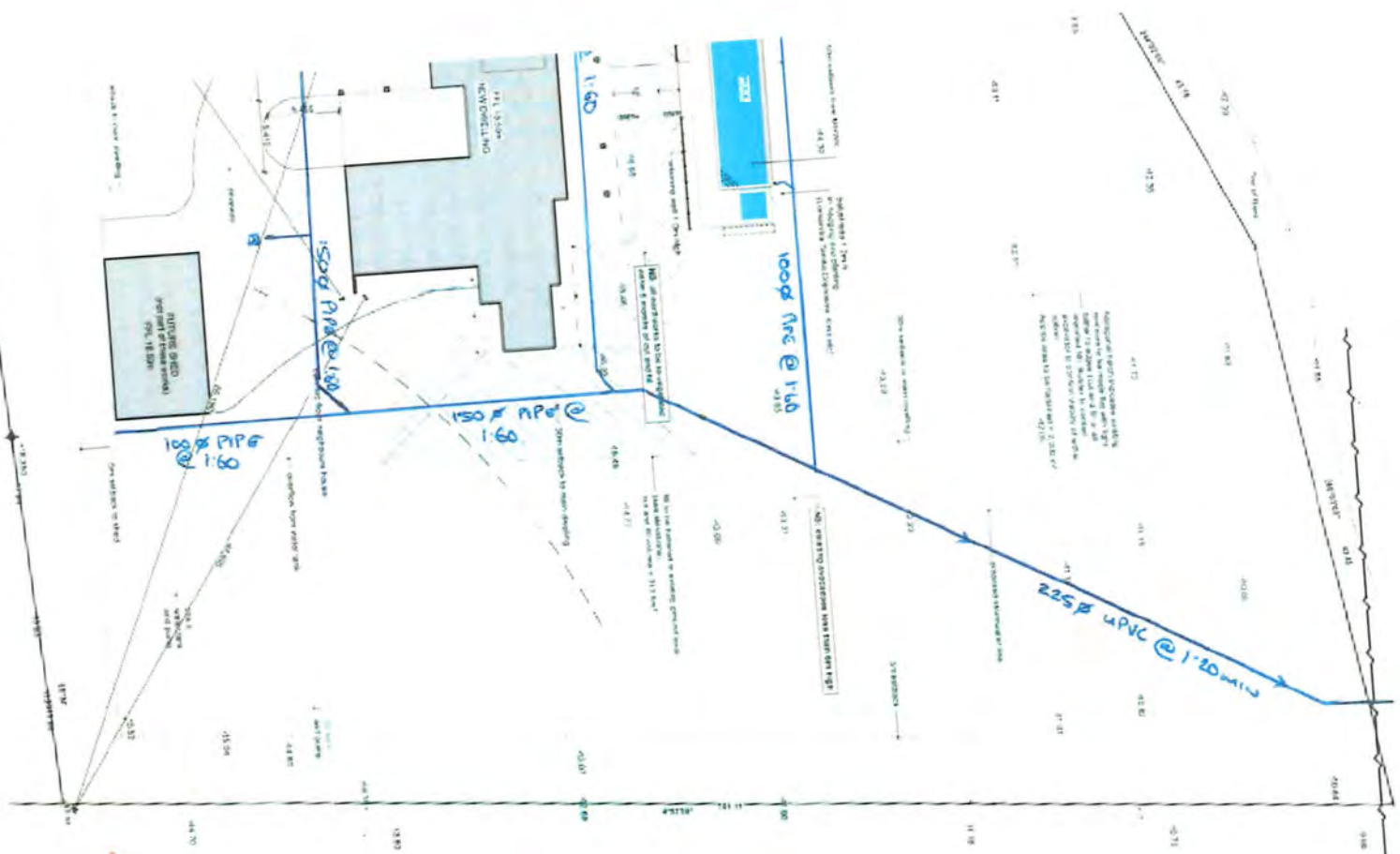
Stephen Bos
NZCE, BE (Hons), MIPENZ, CPEng (Civil / Structural)

Encl:

- *Stormwater Layout Sketch*
- *Calculations*
- *Technical Data Sheets*

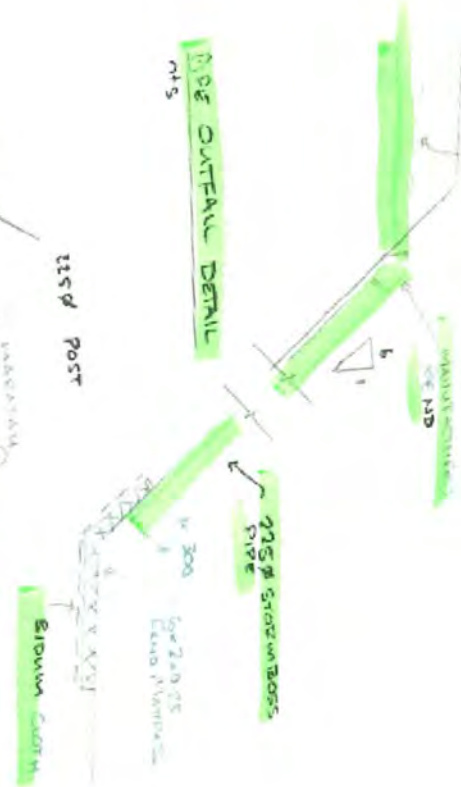
Harbour
Reserve



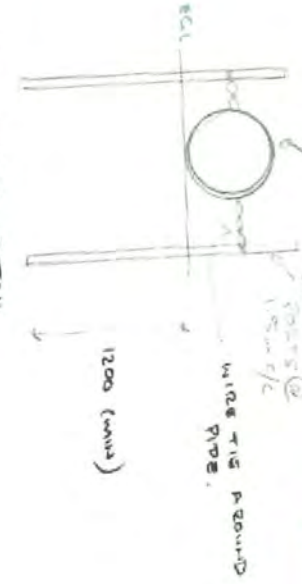


225' PIPE IN GROUND

PIPE OUTFALL DETAIL



PIPE ANCHOR DETAIL





Job Title T Mayston
Site Address Gill Lane
City Te Puna
Job No. 636111

Page
No of Pages
Date Feb 18
By TH
 TGA REV 2 - 07/07/2010



Stormwater Catchment Data

Existing Site Area = 8100 m²
 Existing runoff coeff 0.3
 Rainfall Intensities mm/hr

| Return | Duration (minutes) | | | | | | |
|--------|--------------------|----|-----|----|-----|-----|-----|
| Period | 10 | 20 | 30 | 60 | 120 | 360 | 720 |
| 10 | 148 | | 88 | 62 | 42 | 23 | 15 |
| 50 | 199 | | 116 | 84 | 55 | 30 | 20 |
| 100 | 219 | | 129 | 92 | 60 | 33 | 22 |

| Revised runoff coeff | Runoff | |
|------------------------|--------|--------------|
| | coeff | Total |
| House | 507 | 0.9 456.3 |
| Shed | 93 | 0.9 83.7 |
| Pool House | 41 | 0.9 36.9 |
| Driveway | 200 | 0.85 170 |
| Balance | 7259 | 0.3 2178 |
| | 8100 | 2925 |
| Average runoff coeff = | | <u>0.361</u> |

Existing Site Discharge (Q = CIA) l/s

| Return | Duration (minutes) | | | | | | |
|--------|--------------------|----|------|------|------|------|------|
| Period | 10 | 20 | 30 | 60 | 120 | 360 | 720 |
| 10 | 99.8 | | 59.1 | 41.8 | 28.0 | 15.2 | 10.2 |
| 50 | 134.6 | | 78.2 | 56.4 | 36.9 | 20.0 | 13.5 |

Developed Site Discharge (Q = CIA) l/s

| Return | Duration (minutes) | | | | | | |
|--------|--------------------|----|------|------|------|------|------|
| Period | 10 | 20 | 30 | 60 | 120 | 360 | 720 |
| 10 | 120.2 | | 71.2 | 50.3 | 33.7 | 18.3 | 12.3 |
| 50 | 162.0 | | 94.1 | 67.9 | 44.4 | 24.1 | 16.2 |

Total undeveloped property discharge = 99.8 l/s from a 10 yr 10 min event.
 Total developed property discharge = 120.2 l/s from a 10 yr 10 min event.

Stormwater Catchment Data

Existing Site Area = 841 m²
 Existing runoff coeff 0.888
 Rainfall Intensities mm/hr

| Return | Duration (minutes) | | | | | | |
|--------|--------------------|----|-----|----|-----|-----|-----|
| Period | 10 | 20 | 30 | 60 | 120 | 360 | 720 |
| 10 | 148 | | 88 | 62 | 42 | 23 | 15 |
| 50 | 199 | | 116 | 84 | 55 | 30 | 20 |
| 100 | 219 | | 129 | 92 | 60 | 33 | 22 |

| Revised runoff coeff | Runoff | |
|------------------------|--------|--------------|
| | coeff | Total |
| House | 507 | 0.9 456.3 |
| Shed | 93 | 0.9 83.7 |
| Pool House | 41 | 0.9 36.9 |
| Driveway | 200 | 0.85 170 |
| | 841 | 746.9 |
| Average runoff coeff = | | <u>0.888</u> |

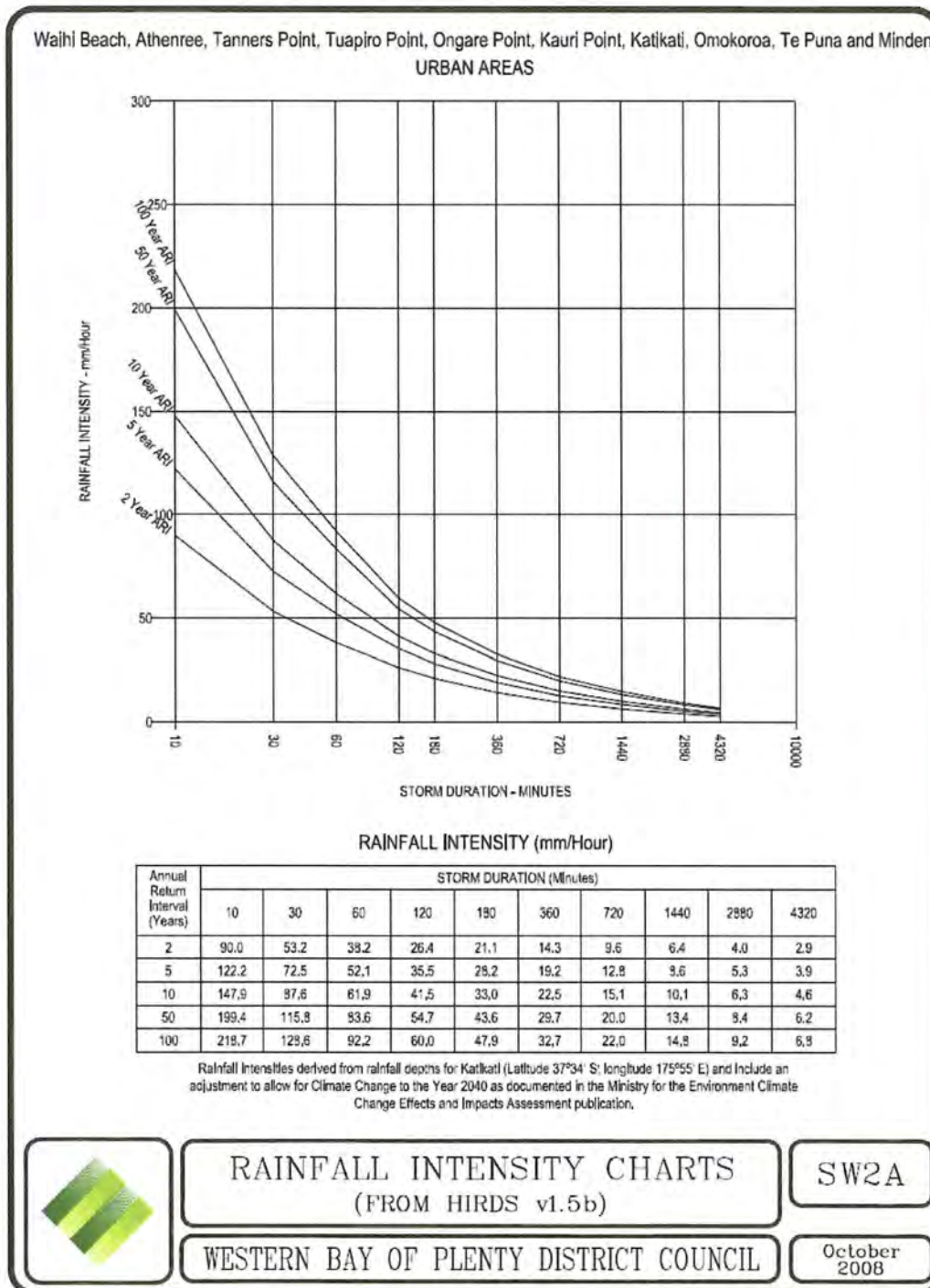
Existing Site Discharge (Q = CIA) l/s

| Return | Duration (minutes) | | | | | | |
|--------|--------------------|----|------|------|------|-----|-----|
| Period | 10 | 20 | 30 | 60 | 120 | 360 | 720 |
| 10 | 30.7 | | 18.2 | 12.8 | 8.6 | 4.7 | 3.1 |
| 50 | 41.4 | | 24.0 | 17.3 | 11.3 | 6.2 | 4.1 |

Total developed property discharge through pipe = 30.7 l/s from a 10 yr 10 min event.
 Refer to pipe sizing spreadsheet



Rainfall Intensity Chart – SW2A



| | | | | |
|-------------------------|-----------|--------------------|------|--------|
| Stratum Consultants Ltd | JOB TITLE | T Mayston | PAGE | 1 |
| | ADDRESS | Gill Lane, Te Puna | | |
| | JOB No | 636111 | DATE | Feb 10 |
| | | | BY | TH |

Stormwater Pipe Sizing

Location: Gill Lane, Te Puna

Mannings 'n' = 0.0113

Design rate is 1 in 10 year Tc = 10min

= 0.85 uPVC

| LINE | Contributing Lot | Contributing Area m ² | C | I mm/Hr | Q 1/s Q = CIA | Sum Q l/s | IL 1st point m | IL 2nd point m | Diff m | Dist Between m | GRADIENT | | Pipe Dia Rqd mm | Pipe Capacity l/s | |
|--------|------------------------|----------------------------------|------------|----------------|------------------|--------------|-------------------|-------------------|-----------|-------------------|----------|--------|--------------------|----------------------|----|
| Pipe A | Shed | 93.00 | 0.9 | 147.9 | 3.44 | 3 | | | | | 1.67% | 1.60 | 100 | 7.0 | OK |
| Pipe B | Driveway | 200.00 | 0.85 | 147.9 | 6.98 | 7 | | | | | 1.67% | 1.60 | 150 | 15.2 | OK |
| Pipe C | Building Pool House | 507.00 41.00 | 0.9 0.9 | 147.9 148.9 | 18.75 1.53 | 31 | | | | | 1.67% | 1.60 | 225 | 50.8 | OK |
| Pipe D | Outfall | | | | | 31 | | | | | 8.00% | 1.1.25 | 225 | 93.1 | OK |

Assumptions:

Sump Calculations:

NZBC E1 - Type 1 Sump 4500 L/I = 35.714 m² where I = 126 mm/h
 NZBC E1 - Type 2 Sump 40000 L/I = 317.46 m² where I = 126 mm/h



| | | | |
|---------------------|-------------|--------------------|----------|
| Job Title | Tim Mayston | Page | 1 |
| Site Address | Gill Lane | No of Pages | 1 |
| City | Te Puna | Date | 16.02.17 |
| Job No. | 636111 | By | TH |

Outlet Protection Design to ARC TP10 (Figure 13-2)

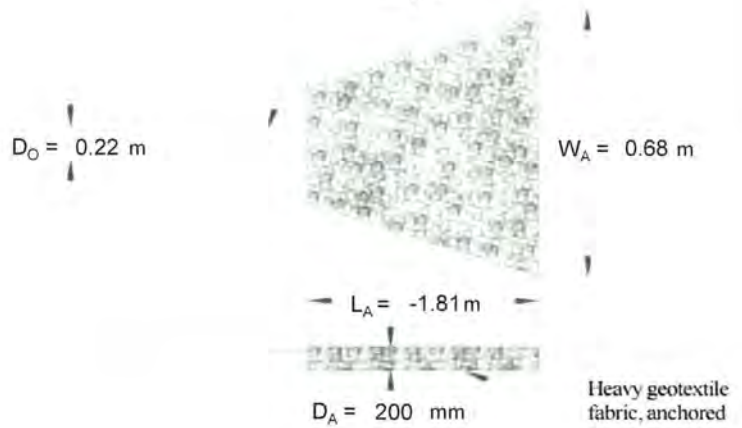
| | |
|---------------------------------------|----------------------|
| Pipe Diameter (D_o) | 0.225 m |
| Velocity | 0.1692 m/s |
| Froude Number (based on full pipe) | 0.114 |
| Stone diameter (theoretical) | 6 mm |
| Stone diameter (practical) | 100 mm |
| Depth of outlet protection (D_A) | 200 mm |
| Length of outlet protection (L_A) | -1.81 m |
| End width of protection (W_A) | 0.68 m |
| Area of protection surface | -0.81 m ² |

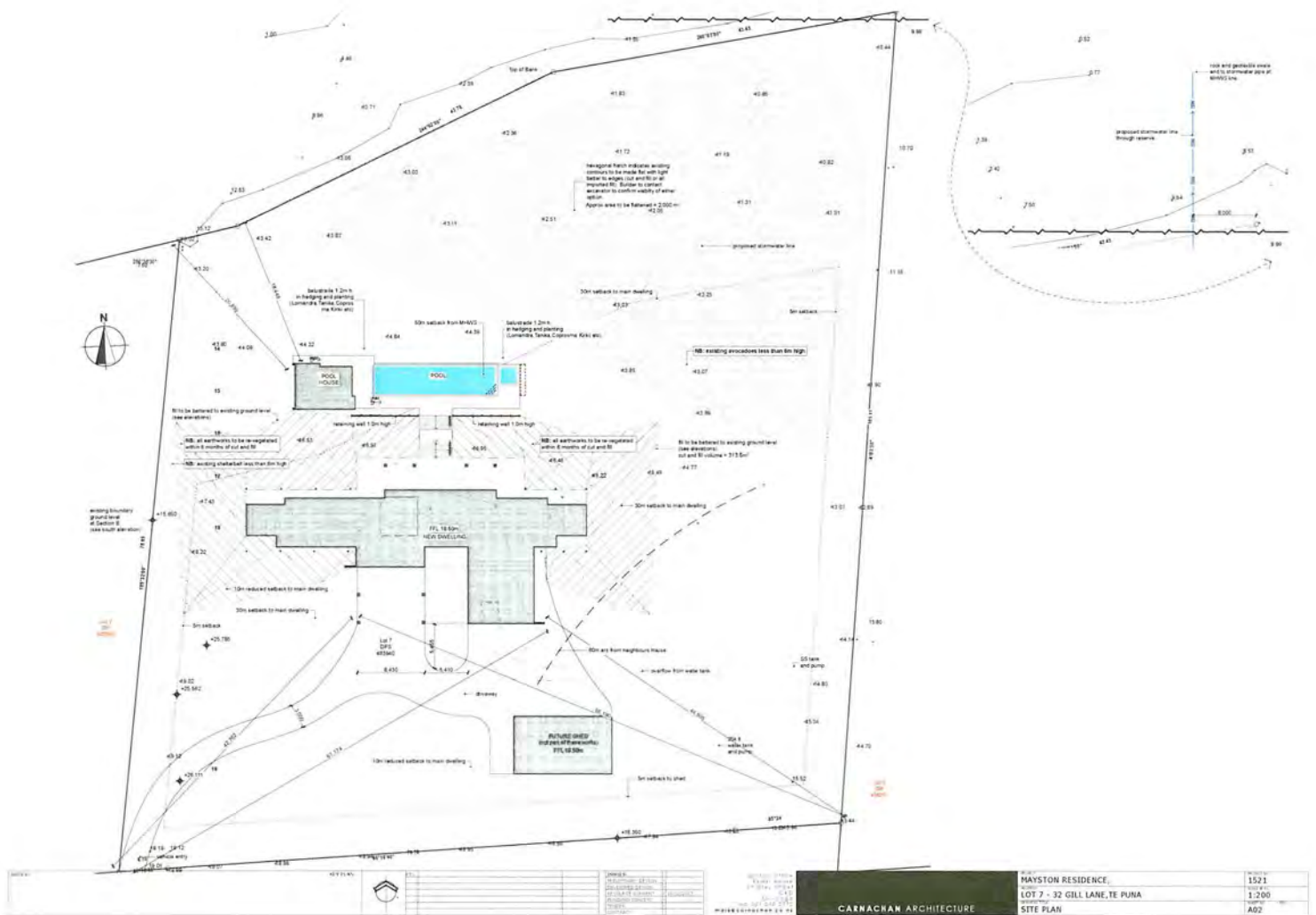
Equivalent Reno Mattress Design

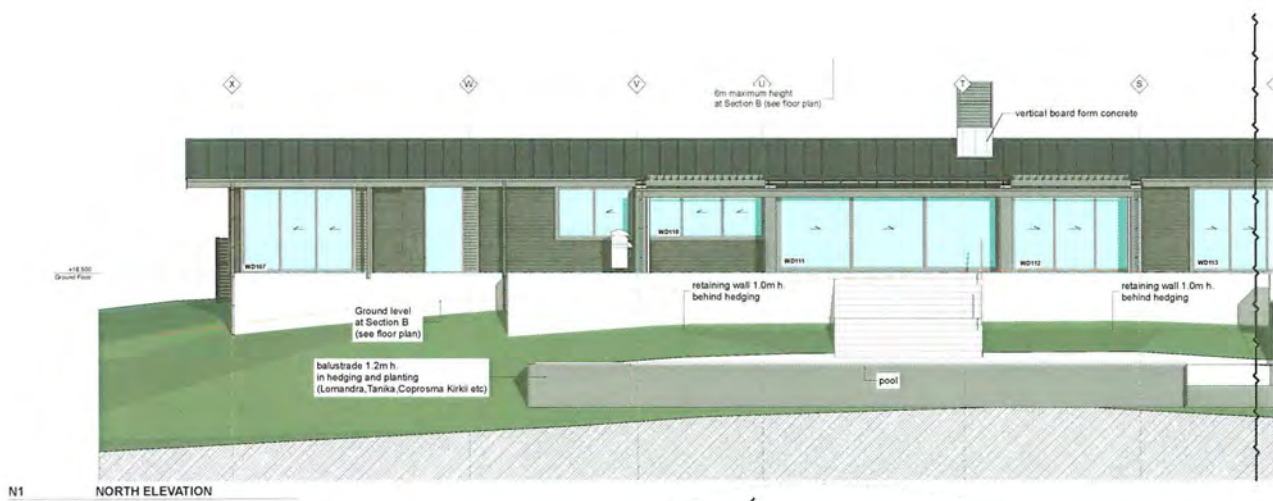
Typical sizes for reno mattresses

- 6.0m x 2.0m x 0.17m
- 6.0m x 2.0m x 0.23m
- 6.0m x 2.0m x 0.30m

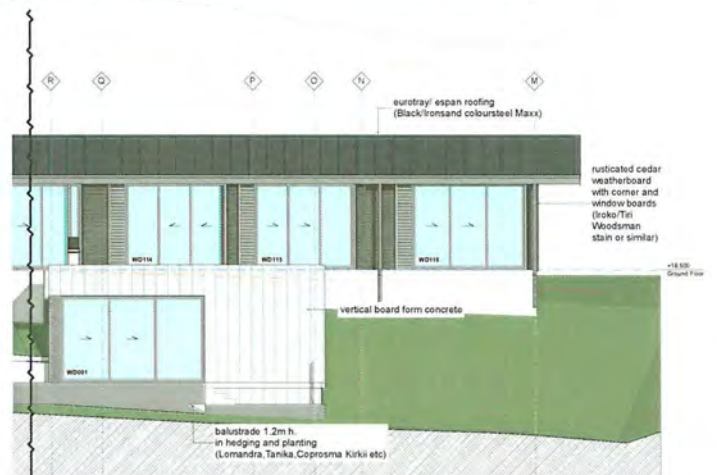
Figure 13-2
Schematic of outfall protection
No Wingwall



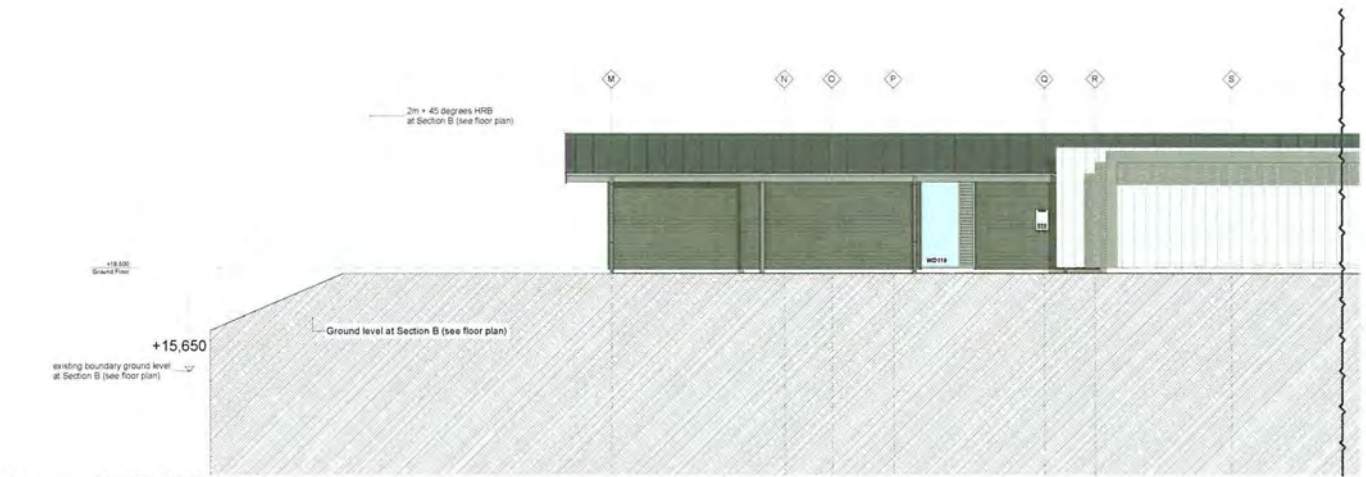




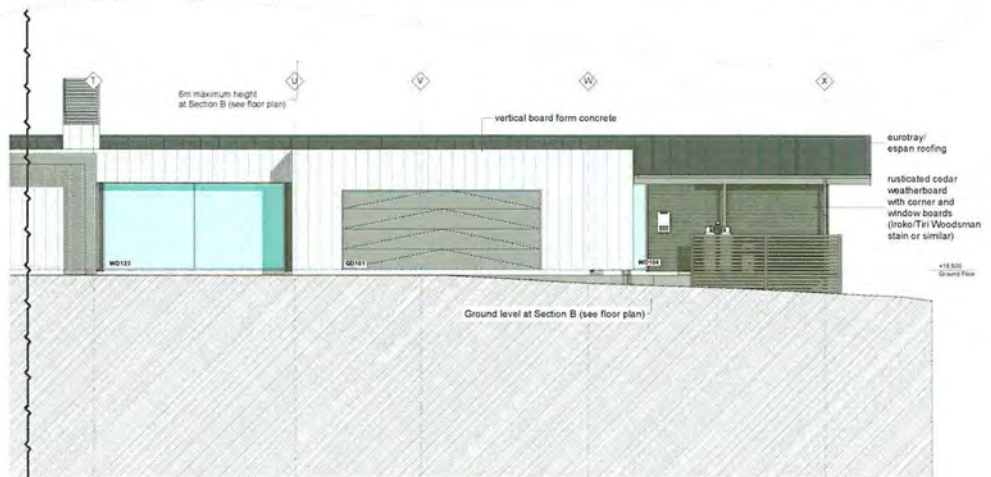
N1 NORTH ELEVATION



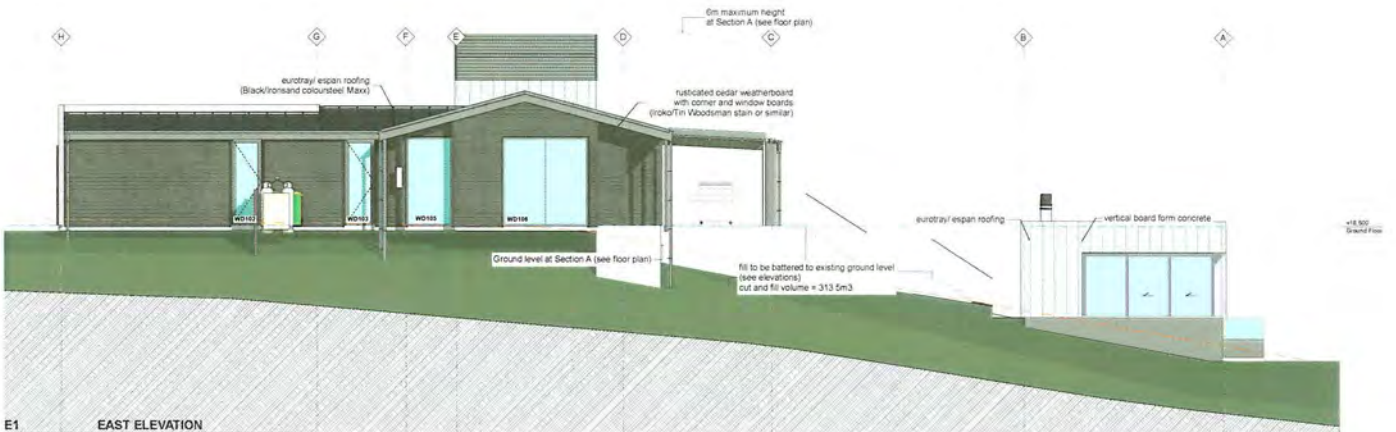
| | | | | | |
|-------------------------------|-------|--|--|--|---|
| <p>DATE</p> | NO. 1 | <p>OWNER</p> <p>PROJECT NAME</p> <p>PROJECT ADDRESS</p> <p>PROJECT LOCATION</p> <p>PROJECT CONTACT</p> | <p>ARCHITECT</p> <p>CARNACHAN ARCHITECTURE</p> | <p>NO. 1</p> <p>LOT 7 - 32 GILL LANE, TE PUNA</p> | <p>NO. 1</p> <p>1521</p> |
| | NO. 2 | | <p>ARCHITECT</p> <p>CARNACHAN ARCHITECTURE</p> | <p>NO. 2</p> <p>LOT 7 - 32 GILL LANE, TE PUNA</p> | <p>NO. 2</p> <p>1521</p> |
| | NO. 3 | | <p>ARCHITECT</p> <p>CARNACHAN ARCHITECTURE</p> | <p>NO. 3</p> <p>LOT 7 - 32 GILL LANE, TE PUNA</p> | <p>NO. 3</p> <p>1521</p> |
| | NO. 4 | | <p>ARCHITECT</p> <p>CARNACHAN ARCHITECTURE</p> | <p>NO. 4</p> <p>LOT 7 - 32 GILL LANE, TE PUNA</p> | <p>NO. 4</p> <p>1521</p> |
| <p>CARNACHAN ARCHITECTURE</p> | | | | <p>MAYSTON RESIDENCE,</p> <p>LOT 7 - 32 GILL LANE, TE PUNA</p> <p>ELEVATIONS</p> | <p>NO. 1</p> <p>1521</p> <p>1:50</p> <p>A24</p> |



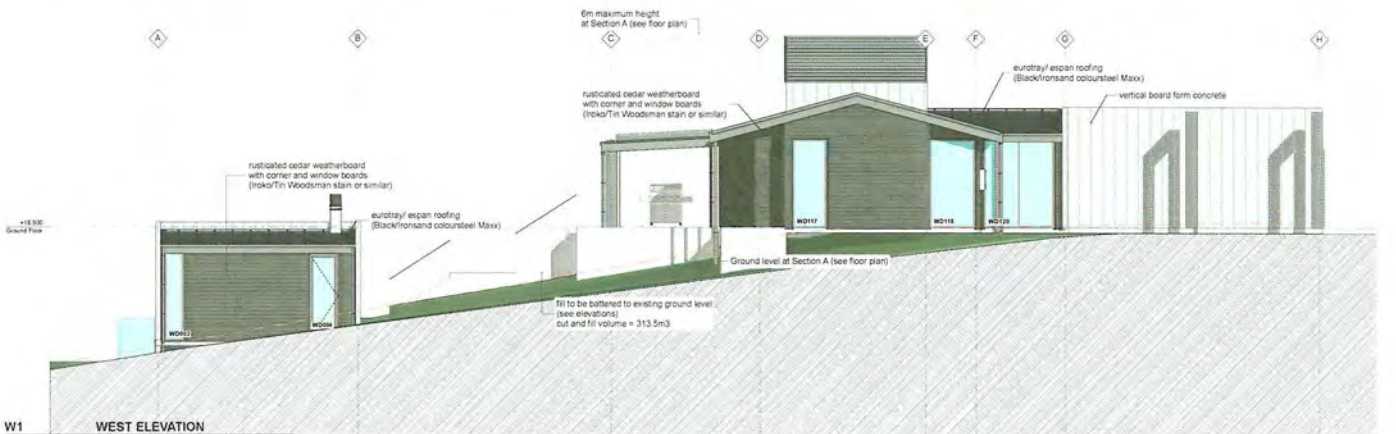
S1 SOUTH ELEVATION



| | | | | | | |
|--|---|--|--|-------------------------------|---|---|
| NAME: _____ REVISION:  | DATE: _____ DRAWN BY: _____ CHECKED BY: _____ APPROVED BY: _____ | PROJECT: _____ CLIENT: _____ ADDRESS: _____ CITY: _____ COUNTRY: _____ | SHEET NO: 01/14 TOTAL SHEETS: 14 SCALE: 1:50 DATE: 15/03/2024 DRAWN BY: J. SMITH | CARNACHAN ARCHITECTURE | PROJECT: MAYSTON RESIDENCE, LOT 7 - 32 GILL LANE, TE PUNA DRAWING: ELEVATIONS SHEET: A25 | DATE: 15/03/2024 SCALE: 1:50 SHEET: A25 |
| | PROJECT: MAYSTON RESIDENCE, LOT 7 - 32 GILL LANE, TE PUNA | | | SHEET: A25 | DATE: 15/03/2024 | |



E1 EAST ELEVATION



W1 WEST ELEVATION

| | | | | | | |
|-------------------------------|---|--|-----------------------------|----------------------------|------------------------|--|
| TITLE: NO. 1: DATE: |  | DRAWN BY: CHECKED BY: APPROVED BY: | DATE: SCALE: PROJECT: | SHEET NO. TOTAL SHEETS: | PROJECT NO. CLIENT: | NO. 1: |
| | | | | | | NO. 2: |
| CARNACHAN ARCHITECTURE | | | | | | PROJECT: MAYSTON RESIDENCE, SITE: LOT 7 - 32 GILL LANE, TE PUNA DRAWN: ELEVATIONS |
| | | | | | | SHEET NO. 1521 TOTAL SHEETS 1524 SCALE 1:50 DATE 2018 |

Installation Guidelines

Link Gabions & Mattresses

| | |
|-------------------------|--------------|
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PACKING AND DELIVERY

Link gabions and mattresses are delivered to site in a flat packed form for ease of transportation.

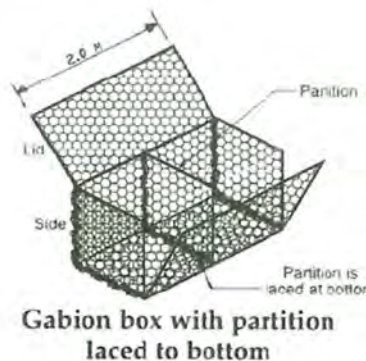
Each bundle of units (see figure 1) will contain a varying number of units but generally between 20 and 50 units. Each bundle will be marked with the product size, product type and coating type for ease of identification.

Gabion baskets include an integral lid (see figure 2) that is closed once filling is complete. Mattresses are delivered to site in two pieces (see figure 3), a base unit and a lid unit that is wired on top of the base, once filled.

Gabions and mattresses are supplied to site with coils of tie wire/lacing wire at a nominal 5% of weight of the units. When units are to be joined using pneumatic lacing tool and "C" ring fasteners, then tie wire will only be supplied at a nominal 2% by weight of the units.



FIGURE 1



**Gabion box with partition
laced to bottom**

FIGURE 2

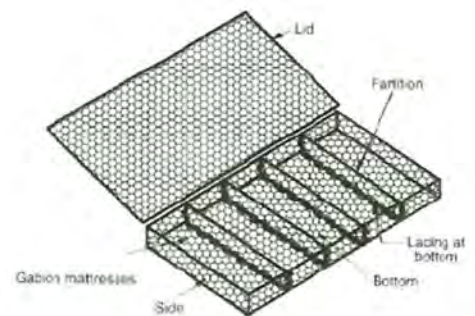


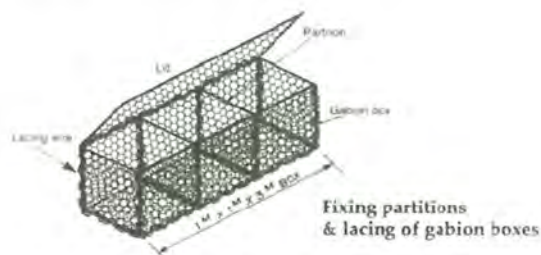
FIGURE 3

UNPACKING

The bundles shall be carefully opened to access individual units. Bundles are compressed before strapping so care must be taken to avoid injury when cutting the straps from the bundles.

PREFABRICATION

Units should be unfolded on level ground and any unwanted creases removed. Corners should be initially joined ensuring that the box shapes remain as square and as regular in shape as possible. Next, join all sides of the gabion/mattress unit together and each partition within the cage to the sides of the cage. The partitions or diaphragms are factory connected to the base of cage at the appropriate position not more than 1m apart (see figure 4). The joining/connection should be conducted as described following.



**Fixing partitions
& lacing of gabion boxes**

FIGURE 4

Installation Guidelines

Link Gabions & Mattresses

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Where a connection is to be made, the traditional manner is to take a strand of tie wire and lace in and out of mesh openings no more than 150mm apart in a continuous motion (see figure 5), alternating between a single loop and a double loop around the selvedge wires (see figure 6). An alternative means of joining or connecting gabions or mattresses is to make a connection at no more than 150mm apart using a manufacturer approved "C" ring. The "C" ring begins as an open clip to be positioned over the gabion/mattress selvedges to be connected and is closed by the action of the pneumatic tool (see figure 7) used to close the "C" rings.

Cirtex Industries can assist with the appropriate selection of "C" rings. Stainless steel rings are used for connecting any PVC coated gabions or mattresses and galfan rings are used for connecting galvanised or galfan coated cages.

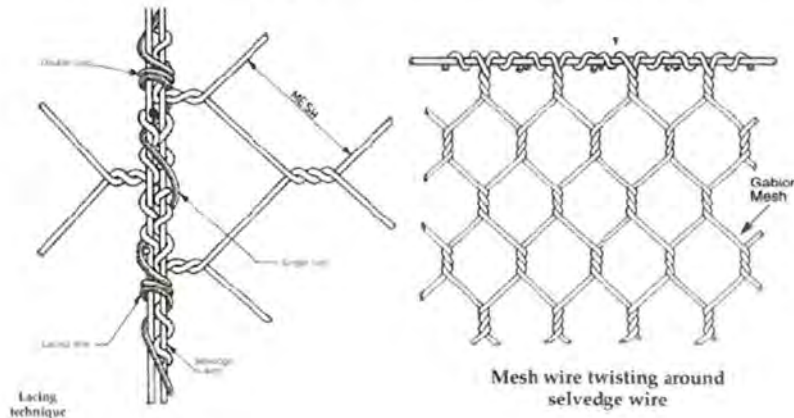


FIGURE 5

FIGURE 6



FIGURE 7

PLACEMENT AND FILLING

Prepare the site where the gabions or mattresses are to be installed. The ground should be prepared to the correct lines and levels and be relatively smooth and flat. A geotextile should always be installed first under/behind gabions and under mattresses to prevent soil from being eroded from under/behind the structure in potential flow events. The prefabricated cages are then placed in the desired position on site. Adjacent cages shall be joined together with the connection technique described above to form one monolithic structure. It may be advisable that where additional gabion or mattress units need to adjoin a previous section of work that has been rock filled, that the last gabion or mattress compartment is left empty of rock to assist in lacing the new section to the completed section.

Installation Guidelines

Link Gabions & Mattresses

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GABIONS

Gabions should be positioned as required and adjacent units connected as described above. Once in position, gabion units should be stretched taught to provide a neat straight alignment and where a high standard of rock facing is required to the gabions, additional formwork may be used on the face of the cage to provide an even straighter, neater finish.

The lid of the gabion that remains open during the filling process should be folded back out of the way whilst filling. Rock should then be machine placed into the gabion unit to about one third height of a typical 1m high cage. Laborers should then hand position the rock against the front face of the cage to ensure a neat, tightly packed finish is achieved (see figure 8). Once the rock is neatly faced, two bracing wires should be installed from front to back of the cage to prevent bulging of the face (see figure 9). The process continues with the second third of the cage height filled and faced, two additional bracing wires installed, and then the remaining one third of the cage filled. In the case of gabion units of height 0.5m, one internal set of bracing wires at the mid height is sufficient.

The gabion filling should continue until the cages are approximately 5% over filled. Over filling allows for potential settlement of rock over time. The top of the gabion should be relatively level and flat to ensure a sound base is available for stacking of gabions for tall structures.

Lastly, the gabion lid is pulled over into position on top of the rock and is laced closed to the perimeter of the gabion cage and to each of the vertical partitions/diaphragms within the gabion cage (see figure 10). Lacing should be defined above in the joining/connection technique section.



FIGURE 8

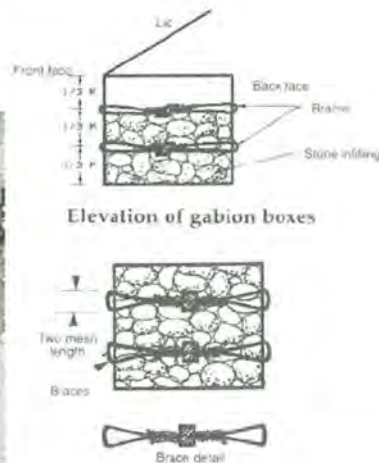


FIGURE 9



FIGURE 10

Installation Guidelines

Link Gabions & Mattresses

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|-------------------------|--------------|
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MATTRESSES

When placing a mattress into position, the diaphragms/partitions should be oriented perpendicular to the flow of water. Generally this will mean laying mattress along the base of a channel to orient the diaphragms accordingly. Conversely, when placed on steep batters, the mattress should be oriented such that the diaphragms run across the slope. This uses the diaphragms to minimise placed rock moving within the mattress compartment.

Where mattresses are installed on steep batters, the top edge should also be secured with star pickets or similar to prevent possible sliding during rock placement. Generally a spacing distance between pickets of approximately 1.5m along this top edge is sufficient to prevent sliding of the mattress. Rock should then be machine placed into the mattress base unit and filling should continue until the cages are approximately 10% over filled. During machine placement of rock, care should be taken to ensure that the internal diaphragms are not damaged or displaced. Over filling allows for potential settlement of rock over time. Manual labour may be required to neatly pack the rock into the cage and level the top surface in preparation for the mattress lid to be placed on top.

Once full, the mattress lid is positioned on top of the rock and is laced closed to the perimeter of the mattress base and to each of the 5 partitions/diaphragms over the length of the standard 6m long mattress cage. Lacing should be as defined above in the joining/connection technique section.

ROCK SPECIFICATION

The rock used to fill link gabions and mattresses should be hard durable stone. For mattresses, the nominal stone diameter should be 75mm to two thirds of the mattress depth, with no more than 10% fines. For gabions, rock should be a nominal diameter of 100mm to 250mm with no more than 10% fines.

DISCLAIMER: All information provided in this publication is correct to the best knowledge of the company and is given out in good faith. The information presented herein is intended only as a general guide to the use of such products and no liability is accepted by Cirtex Industries Ltd for any loss or damage however arising, which results either directly or indirectly from the use of such information. Cirtex Industries Ltd have a policy of continuous development so information and product specifications may change without notice.

Mattress

Woven Hexagonal Mesh Mattress Zinc Galvanised PVC Coated 6/2.0

| | |
|----------------------|---------------|
| TECHNICAL DATA SHEET | TDS G 001 028 |
| ISSUE NUMBER | 03 |
| DATE | SEPT 2015 |

MANUFACTURE

Link Rock Mattress shall be manufactured from double twist hexagonal woven wire mesh in accordance with EN 10223-3.

MESH SIZE

The mesh openings should be hexagonal, of nominal dimension of 60mm x 80mm and should conform to EN 10223-3.

MESH WIRE

The nominal mesh wire for the body of the mattress should be 2mm in diameter and of a nominal 2.4mm for the selvedge wire. Both the body wire, selvedge wire and lacing wire should be in accordance with EN 10218-2 and EN 10223-3. The stated overall wire diameters should increase by 1mm when the wire is PVC coated.

CORROSION PROTECTION

Zinc galvanised to EN 10244-2 Class A (215g/m²) with an extruded grey PVC coating of mean wall thickness of 0.5mm. PVC coating to EN 10245-2.

JOINTING

All jointing and connections should be formed with continuous 2.2mm (body wire) PVC coated zinc galvanised lacing wire and/or high tensile 3mm diameter stainless steel "C" rings.

DIAPHRAGMS

Fixed at 1m c/c across the mattress width. A Rock Mattress that is of standard 6m length will have five internal diaphragms.

BBA APPROVAL

Link Rock Mattress made from PVC coated hexagonal wire mesh is BBA certified for up to 120 years design life. BBA Agreement Certifies No. 00/3682 and 99/R117 (Roads and Bridges) refer.

STANDARD SIZES (NOMINAL)

| LENGTH | WIDTH (M) | HEIGHT (M) |
|--------|-----------|------------|
| 6 | 2 | 0.17 |
| 6 | 2 | 0.23 |
| 6 | 2 | 0.30 |
| 6 | 2 | 0.50* |

* the specification of the 6 x 2 x 0.5m unit shall be confirmed at time of order.



Ultimate
American & British Standards



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bidim[®]

Nonwoven Geotextiles

Technical Data Sheet



QUALITY - SUPPORT - EXPERTISE



Please read the important notice at the end of this brochure

Specifications

bidim® Nonwoven Geotextiles – MARV & Typical Values

bidim® geotextiles are manufactured in accordance to ISO 9001:2008, Cert No: QEC1773.

All bidim® "A" range nonwoven, needle punched geotextiles are made in Australia.

| Test | Standard | Units | | A14 | A19 | A29 | A39 | A44 | A49 | A64 | |
|---|--------------------------------------|------------|------------------------|-----------------|----------------------|------------------------|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|
| Mechanical Properties | Wide Strip Tensile Strength (MD/XMD) | AS3706.2 | kN/m | MARV Typical | 9.0/9.0 11.0/11.0 | 12.5/12.5 14.0/14.0 | 16.5/16.5 19.0/19.0 | 23.0/23.0 26.5/26.5 | 26.5/26.5 30.0/30.0 | 36.0/36.0 39.0/39.0 | 37.5/37.5 42.0/42.0 |
| | Wide Strip Toughness (MD/XMD) | AS3706.2 | kJ/m ² | MARV Typical | 1.6/2.0 2.5/3.1 | 2.0/2.4 3.2/3.7 | 3.0/3.2 4.7/5.1 | 4.2/4.5 7.0/7.4 | 4.8/5.5 7.6/8.1 | 6.6/6.9 10.9/11.4 | 8.2/8.2 12.3/12.6 |
| | Grab Tensile Strength (MD/XMD) | AS3706.2 | N | MARV Typical | 600/600 720/720 | 800/800 920/920 | 1,100/1,100 1,280/1,200 | 1,590/1,590 1,900/1,670 | 1,850/1,850 2,100/2,100 | 2,490/2,490 2,750/2,750 | 2,620/2,620 3,010/3,010 |
| | Trapezoidal Tear Strength (MD/XMD) | AS3706.3 | N | MARV Typical | 240/240 300/300 | 300/300 370/370 | 385/385 480/480 | 540/540 670/670 | 590/590 750/750 | 800/800 920/920 | 830/830 1,030/1,030 |
| | CBR Burst Strength | AS3706.4 | N | MARV Typical | 1,750 2,000 | 2,200 2,400 | 2,850 3,250 | 4,100 4,500 | 4,650 5,000 | 6,000 6,400 | 6,400 6,950 |
| | G Rating | Austrroads | - | MARV Typical | 1,300 1,550 | 1,650 1,950 | 2,200 2,500 | 3,250 3,500 | 3,500 4,000 | 4,700 5,200 | 5,100 5,600 |
| (MD) = Machine Direction Strength (XMD) = Cross Machine Direction Strength | | | | | | | | | | | |
| Hydraulic Properties | Pore Size (O ₉₅) | AS3706.7 | µm | Typical | 110 | 80 | 80 | 75 | 75 | 75 | 75 |
| | Permittivity | AS3706.9 | s ⁻¹ | Typical | 3.20 | 2.65 | 1.75 | 1.35 | 1.20 | 0.90 | 0.90 |
| | Coefficient of Permeability | AS3706.9 | m/s x 10 ⁻⁴ | Typical | 43 | 43 | 43 | 43 | 43 | 43 | 43 |
| | Flow Rate @ 100mm Head | AS3706.9 | l/m ² /s | Typical | 320 | 265 | 175 | 135 | 120 | 90 | 90 |
| Meets TNZ F/7 (2003) Specification for Geotextiles. | | | | | A | B | C | D | D | E | E |

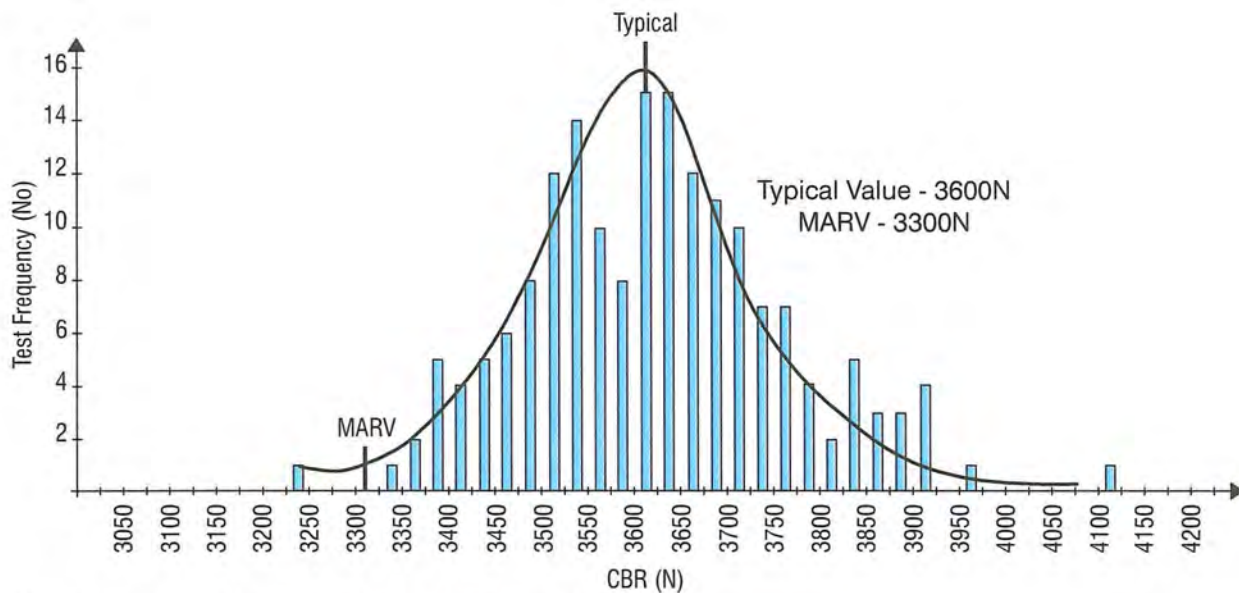
The data and specifications contained in this table are obtained from the manufacturer's laboratory testing. To ensure this information is current please contact Geofabrics New Zealand Ltd. Please note: The grab tensile strength test standard AS3706.2 is equivalent AS2001.2.3b.

The product properties listed on this sheet include both Minimum Average Roll Values (MARV) and Typical values for machine and cross machine directions (MD/XMD). Definitions of these terms are included on the reverse side of this data sheet. All testing has been carried out by a NATA accredited laboratory and copies of test certificates are available on request.

Definition of Terms

- ISO Accreditation** ISO9001 is a manufacturing quality assurance system under which **bidim®** is manufactured. Please refer to the **bidim®** Quality Assurance & Control Manual for testing frequencies.
Note: not all manufacturers test to the same frequency.
- Machine Direction (MD)** The direction in a machine-made fabric, parallel to the direction of motion of the material through the processing machine i.e. along the length of the roll.
- Cross Machine Direction (XMD)** The direction in a machine made fabric, perpendicular to the direction of motion of the material through the processing machine i.e. across the width of the roll.
- Minimum Average Roll Value (MARV)** MARV is a statistical derivation for any distribution of data. It is defined as the mean or typical value less 2 standard deviations (refer to diagram below). Mathematically it is implied that 97.5% of the tested specimens will exceed the MARV.
- Typical Value** A typical value is the arithmetic mean of a set of results (refer to diagram below). This implies that 50% of the tested specimens will typically exceed this value and 50% will typically not meet this value.

Indicative Results Spread
(for a given test method for a given period of time)



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| | | | | | | |
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| | BRISBANE (07) 3279 1588 | TOWNSVILLE (07) 4774 8222 | BUNDABERG (07) 4155 9968 | GOLD COAST (07) 5594 8600 | HOBART (03) 6273 0511 | DARWIN 0407 523 669 |
| NEW ZEALAND | AUCKLAND (64 9) 634 6495 | HAMILTON (021) 732 178 | NAPIER (021) 916 736 | CHRISTCHURCH (64 3) 349 5600 | | |

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Western Bay of Plenty District Council

Council

Road Stopping and Sale Report - Beach Road, Katikati

Purpose

Council owns an unformed section of road adjacent to 12 Noble Johnston Drive and 14, 16, 18 and 20 Beach Road, Katikati. This is shown, as Section 1 Survey Office Plan 519189 as shown in **Attachment A**. Council does not have a requirement for the unformed road.

There are five adjoining landowners to Section 1 SO 519189. The two affected landowners have signed a Memorandum of Understanding agreeing to the road stopping (**Attachment B**). The access of the remaining three landowners will not be affected by the Road Stopping, as they have access off Beach Road.

In order to complete this matter, Council is now required to pass the necessary resolutions pursuant to Section 342 and Schedule 10 of Local Government Act 1974 (LGA), to enable the stopping and sale of unformed road in accordance with Council's policy.

One objection has been received opposing the road stopping. The concern of the objector is regarding access for emergency services to properties in Noble Johnston Drive in the case of flooding and that stopping the road will prevent pedestrian access to their property from Beach Road.

Recommendation

- 1. THAT the Legal Property Officer's report dated 19 March 2018 and titled Road Stopping and Sale Report – Beach Road, Katikati be received.**
- 2. THAT the report relates to an issue that is considered to be of low significance in terms of Council's Significance and Engagement Policy.**
- 3. THAT pursuant to Section 342 of the Local Government Act 1974, Council continues the Road Stopping process set out in Schedule 10 of the Local Government Act 1974 for that area of unformed road Section 1 SO 519189.**
- 5. THAT an easement in gross be granted over the stopped area of road in favour of PowerCo.**
- 6. THAT if there are no further objections received and the current objection is resolved within the statutory timeframe set out in**

Schedule 10 of the Local Government Act 1974 then the Council declares that the unformed road Section 1 SO 519189 to be stopped.

7. THAT if the objection is not resolved Council does not uphold the objection and proceeds with the Road Stopping process.

7. THAT provided the Road Stopping process is successful, Council approves the development and sale of the unformed road once a fee simple title is issued.



Greer Golding
Legal Property Officer



Blaise Williams
Strategic Property Manager



Approved

Gary Allis
Deputy Chief Executive

1. Background

- 1.1 Council owns a section of unformed road on Beach Road Section 1 SO 519189 outlined in black at the map on **Attachment E**. The survey of this area is included for accuracy in **Attachment A**.
- 1.2 The width section of the unformed road is currently maintained by the adjoining landowners as part of their lawn.
- 1.3 Council does not have a requirement for the land.
- 1.4 If the unformed road is to be stopped a new title will be created and vest in Council as fee simple. The title will include a Right of Way to serve 14 Beach Road and is the correct width to be able to serve up to four additional lots should it be required. The proposed right of way is outlined in the map at **Attachment E** in yellow.
- 1.5 PowerCo have requested to obtain an easement for Right to Convey Electricity in gross this area is outlined in light blue in the map at **Attachment E**.
- 1.6 If Council decides to proceed to build on the land once the road is stopped the wastewater pipe will need to be removed from the middle of the road and realigned in a more appropriate place. It will need to continue to provide wastewater service to both 14 and 20 Beach Road as shown in red on the map at **Attachment E**.
- 1.7 A preliminary geotechnical investigation has established that the area of unformed road is suitable to build on.
- 1.8 **Attachment B** is a Memorandum of Understanding between the owners of 14 and 16 Beach Road and Council. This memorandum outlines Council's intention with the land and the agreement between the parties regarding land exchanges and access.
- 1.9 The owners of 14 and 16 Beach Road have agreed to support Road Stopping by signing the memorandum in **Attachment B**.
- 1.10 The owners of 16 Beach Road have agreed to gift 55 square meters of land to Council for road as part of the memorandum (please see page 6 of **Attachment B** for the map).
- 1.11 The owners at 12 Noble Johnston Drive and 18 and 20 Beach Road have legal road frontage and their access will not be affected by the road stopping.
- 1.12 Advertising of the intent to stop the road is required in terms of Schedule 10 of the LGA 1974. The intent to stop the road was advertised in three ways:
 - i. On Thursday 15 February 2018 in the Katikati Advertiser and then in the Bay of Plenty Times on Friday 16 February 2018.

- ii. The intent to stop the road was published on Council's website on Friday 9 February 2018.
 - iii. There were two A3 signs outlining the intent to stop the road erected on Friday 9 February 2018 (**Attachment C**).
- 1.13 The owners at 12 Noble Johnston Drive made an objection on 15 February 2018. Their objection reads (**Attachment D**):
- ".....One being that if Noble Johnston Drive was inaccessible for some reason like flooding that emergency services could still get access through our property if needed.*
- Secondly that although we do not use beach road as our primary access to our property we do use it regularly as pedestrian access (our daughter uses it daily to school and sports events) and we would appreciate if that was taken into consideration and the possibility of some form of access given to us."*
- 1.14 The Strategic Property Manager and Legal Property Officer are to engage with the objector and see if their concerns can be resolved before the Council meeting.
- 1.15 Advertising of intention to stop the road will cease on Friday 23 March 2018. Therefore, any objections received before the Council meeting will be presented at Council meeting.

2. Significance and Engagement

In terms of the Significance and Engagement Policy this decision is considered to be of low significance because this is a small area of unformed road that is not required by Council and Council does not have any record of it being used by anyone other than the adjoining landowners.

3. Engagement, Consultation and Communication

3a.

| Interested/Affected Parties | Completed/Planned Engagement/Consultation/Communication |
|-----------------------------------|---|
| Name of interested parties/groups | Five adjoining landowners: <ol style="list-style-type: none"> 1. 14 and 16 Beach Road <ul style="list-style-type: none"> - Attachment B 2. 12 Noble Johnston Drive and 18 and 20 Beach Road <ul style="list-style-type: none"> - Letters to serve notice of the intent to stop the road are to be sent to adjoining landowners. |
| Tangata Whenua | Consultation not required under the LGA 1974. |

| | |
|----------------|---|
| General Public | The proposed road stopping is being advertised under the LGA 1974 and statutory period for objections began on the 15 February 2018 and ends on Friday 23 March 2018. |
|----------------|---|

- 3b. In accordance with Clause 2 Schedule 10 Local Government Act 1974, the plan is open for public inspection at the Western Bay of Plenty District Council. Council have given public notice in the local newspaper the "Katikati Advertiser" and "Bay of Plenty Times" of the proposals and of the place where the plan can be inspected. The notice calls upon people that object to the road being stopped to send their objections in writing at the office of the Western Bay of Plenty District Council on or before the date specified in the notice.

In accordance with Clause 3 of Schedule 10 Local Government Act 1974, there is a notice placed at either end of area of Beach Road between 14 and 16 Beach Road for the period from the first publication of the notice and expiration of the last day of lodging objections.

4. Issues and Options Assessment

| Option A | |
|---|---|
| <i>That pursuant to Section 342 of the Local Government Act 1974, Council consents to the Road Stopping process set out in Schedule 10 of the Local Government Act 1974 for that area of unformed road, Section 1 SO 519189.</i> | |
| Assessment of option for advantages and disadvantages taking a sustainable approach | <p>Advantages:</p> <ul style="list-style-type: none"> An area of road that is stopped and a new title is created for Council to develop and to generate revenue for the district. <p>Disadvantages</p> <ul style="list-style-type: none"> The area of land will become unavailable to the public; however, the public does not currently use the land. The adjoining landowners use it but their interests are provided for in Attachment C. |
| Costs (including present and future costs, direct, indirect and contingent costs) and cost effectiveness for households and businesses | <p>In the short term, Council will have to maintain the area and provide funds for developing the land.</p> <p>In the long term when Council is able to sell the piece of land that will generate revenue.</p> |
| Option B | |
| Status Quo | |
| <i>The land Section 1 SO 519189 will remain as unformed road.</i> | |
| Assessment of option for advantages and disadvantages taking a sustainable approach | <p>Advantages</p> <ul style="list-style-type: none"> The land is currently being maintained at no cost to Council. <p>Disadvantages</p> |

| | |
|---|--|
| | <ul style="list-style-type: none"> • The land will remain and road and be utilised by the one adjoining landowner that uses it for access. • Council are unable to develop the land. |
| Costs (including present and future costs, direct, indirect and contingent costs) and cost effectiveness for households and businesses | No costs to Council. |

5. Statutory Compliance

The recommendations contained in this report meet the legislative requirements in terms of Schedule 10 of the Local Government Act 1974. The recommendations do not affect any current Council plans / bylaws or policies.

| | |
|---------------------------|---|
| Strategic Area | Managing Growth (See Rooding Network Control Manual Section 1.14 Parts 1 & 2). |
| Strategic Outcomes | To manage growth in a way that is lawful, consistent, and gives consideration to all relevant management plans. |
| Strategies | To ensure all stopping and disposal of roads are carried out within the legal framework and in compliance with the District Plan framework and policies so no opportunities are lost for future alternative land users. |

6. Funding/Budget Implications

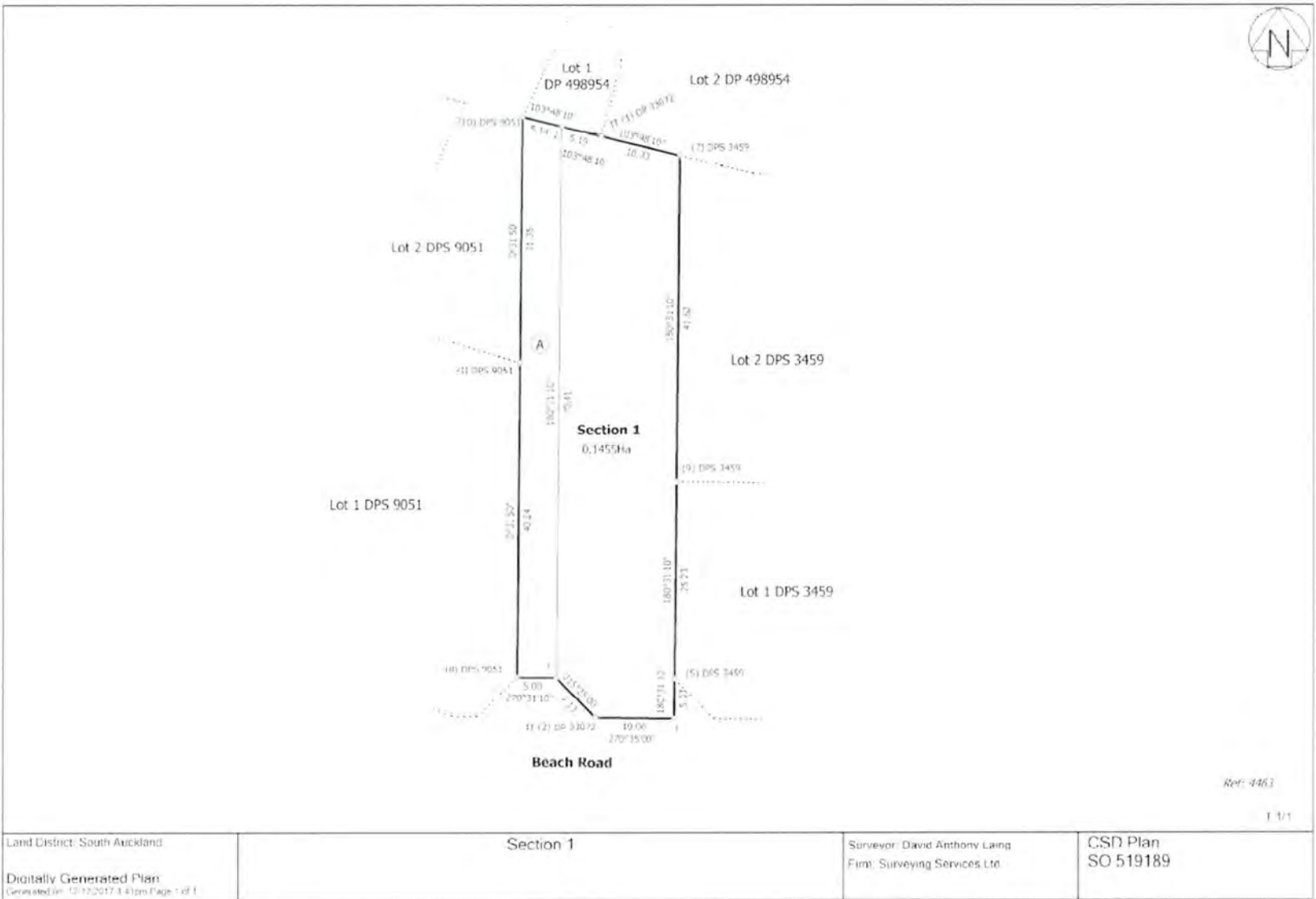
| Budget Funding Information | Relevant Detail |
|---------------------------------------|---|
| Strategic Property Cost centre | Funding exists to finalise the road stopping process and obtain fee simple title. Additional funding will be required if Council chooses to develop the property. If they obtain the necessary consents for additional lots. |

Date
Subject

19 March 2018
Road Stopping and Sale Report – Beach Road, Katikati

Open Session

Attachment A



| | | | |
|--|-----------|---|-----------------------|
| Land District: South Auckland Digitally Generated Plan <small>Generated on: 02/12/2017 3:41pm Page: 1 of 1</small> | Section 1 | Surveyor: David Anthony Laing Firm: Surveying Services Ltd | CSD Plan SO 519189 |
|--|-----------|---|-----------------------|

Attachment B**MEMORANDUM OF UNDERSTANDING**

DATED this _____ day of _____ 2018

1. PARTIES

WESTERN BAY OF PLENTY DISTRICT COUNCIL ("the Council")

AND

KEVIN MANSON TAYLOR, JEAN KATHERINE TAYLOR and DEBRA ANN CROSS ("the first landowner")

AND

CAREY ANN PEARCE ("the second landowner")

2. PURPOSE

- 2.1 The purpose of this Memorandum of Understanding ("MOU") is identify and record the parties' responsibilities and expectations in relation to the portion of Beach Road that Council are stopping and disposing of ("Road Stopping").
- 2.2 The MOU is intended to record the mutual understanding and good faith of the Parties.

3. DEFINITIONS

- 3.1 Road Stopping
 - The process of Council changing the designation of the land from Legal Road to General Fee Simple Land.
- 3.2 Development Area
 - The area of unformed road on Beach Road that Council wishes to dispose of please see attached map.
- 3.3 Tiny Houses
 - Minimal space living, approximately 30-75 square meters in floor area.
 - Associated with higher density housing.

4. BACKGROUND

- 4.1 Council wishes to dispose of an unformed portion of Beach Road, Katikati.
- 4.2 For Council to comply with the Local Government Act which provides frameworks and requirements around the Road Stopping 1974, they must not hinder access for properties off the Development Area.
- 4.3 The first landowner's dwelling encroaches onto the second landowner's private property. Therefore, the second landowner cannot use their access and uses the unformed road for access.
- 4.4 This MOU is dependent on the Road Stopping being successful.

5. COUNCIL

- 5.1 To carry out the Road Stopping process.
- 5.2 To provide access to the Second Landowner's existing dwelling and provide a legal access for an additional lot in the event that the Second Landowners land is subdivided.
- 5.3 To facilitate the gifting of the land from the Second Landowner to the First Land Owner.

6. FIRST LANDOWNER

- 6.1 The First Landowner agrees to vest approximately 55 square meters of their property; Lot 1 DPS 9051 in Council at a rate of \$0.00 per square meter.
- 6.2 The First Landowner understands that there maybe be a 10% deviation in the area outlined in clause 6.1.
- 6.3 The First Landowner understands that they are gifting the 55 square meters of their land to Council in lieu of the Second Landowner gifting their current access to the First Landowner.
- 6.4 There is no access to the First Landowners property off the Development Area.

7. SECOND LANDOWNER

- 7.1 The Second Landowner understands that their access included in Lot 2 DPS 9051 is currently being occupied by the First Landowner and is willing to gift it to the First Landowner on the basis that Council provides and forms access to their property.
- 7.2 The access that Council forms will provide access to the existing dwelling and provides a legal access for an additional lot in the event that the Second Landowners land is subdivided.

8. JOINTLY

- 8.1 Both Landowners understand that Council could develop the Development Area into Tiny Houses constructed on the Council site (see clause 3).
- 8.2 Both Landowners understand that Council may develop the Development Area as they wish provided their obligations provided for in the MOU are fulfilled.
- 8.3 This MOU is entirely dependent on the Council completing the Road Stopping process and Council will not fulfil any of the obligations outlined in this agreement if the Road Stopping process is not approved.
- 8.4 All disputes or differences between the Parties in relation to interpretation or performance of this MOU shall be raised in the first instance with the Council's Strategic Property Manager in writing.
- 8.5 If the dispute or difference is unable to be resolved by the Strategic Property Manager the Parties may agree to refer the matter to an independent mediator.
- 8.6 If, at the end of 14 days after either party gives written notice to the other seeking to refer the matter to an independent mediator, the parties have not either settled their dispute or agreed upon an independent mediator, it shall be referred to the arbitration of a single arbitrator to be appointed by the Arbitrators and Mediators Institute of NZ.

9. SUCCESSORS AND ASSIGNS

9.1 "The Council" and "The Landowners" shall include their executors, administrators, and successors or permitted assigns.



Date
Subject

19 March 2018
Road Stopping and Sale Report – Beach Road, Katikati

Open Session

DATED this _____ day of _____ 2018

THE COMMON SEAL of)
WESTERN BAY OF PLENTY)
DISTRICT COUNCIL)
in the presence of :)

Authorised Officer

SIGNED by
KEVIN MANSON TAYLOR
("the first landowner")

in the presence of) _____)

Witness Signature

Witness Name

Witness Occupation

Witness Address

SIGNED by
JEAN KATHERINE TAYLOR
("the first landowner")

in the presence of) _____)

Witness Signature

Witness Name

Witness Occupation

Witness Address

A3049128

SIGNED by
DEBRA ANN CROSS
("the first landowner")

in the presence of)
)

Witness Signature


Witness Name

Witness Occupation

Witness Address

SIGNED by
CAREY ANN PEARCE
("the second landowner")

in the presence of)
)



Witness Signature

Witness Name

Witness Occupation

Witness Address

f

Map

NOTE THIS MAP IS INDICATIVE ONLY



A3049128

4

Notice of Intention to Stop Unformed Portion of Beach Road, Katikati



Notice is hereby given that the Western Bay of Plenty District Council proposes to stop the portion of unformed road described in the schedule hereto, pursuant to the provisions of the Local Government Act 1974. A plan of the area of road affected is open for inspection at the office of the Western Bay of Plenty District Council, Barkes Corner, Cameron Road, Tauranga. All persons affected and having objections to the proposal should set forth the same in writing and send the written objection to the Western Bay of Plenty District Council, Private Bag 12803, Tauranga Mail Centre, Tauranga 3143, on or before 13 March 2018.

SCHEDULE - Beach Road

1. 1455 m2 more or less as shown marked Section 1 on SO 519189, adjoining Lot 1 and Lot 2 DPS 3459, Lot 1 and Lot 2 DP 498954 and Lot 1 and Lot 2 DPS 9051.

Explanatory Note:

1. The stoppage will not affect traffic as although the area is legal road it is not formed as road.
2. The attached plan shows Area 'A' providing a Right of Way for the adjoining landowners affected by the road stopping.

Miriam Taris
Chief Executive Officer



Attachment D

Western Bay of Plenty District Council
Barkes Corner
Greerton
Tauranga

Re: Beach Road Stopping

To Whom it may concern

In regard to the closure of the Beach unformed road that adjoins our property, 12 Noble Johnston Drive – Lot 2 DP498954.

When we purchased our property it was subject to the boundary adjustment of a portion of our land to the neighbour (what is now Lot 1 DP 498954) with this road closure we will no longer have access to beach road as the blue area butts that piece of land.

Although we do have access from Noble Johnston Drive, the access to beach road was one of the things that appealed to us when purchasing this property.

We feel that there are two things we would like you to consider here...

One being that if Noble Johnston Drive was inaccessible for some reason like flooding that emergency services could still get access through our property if needed.

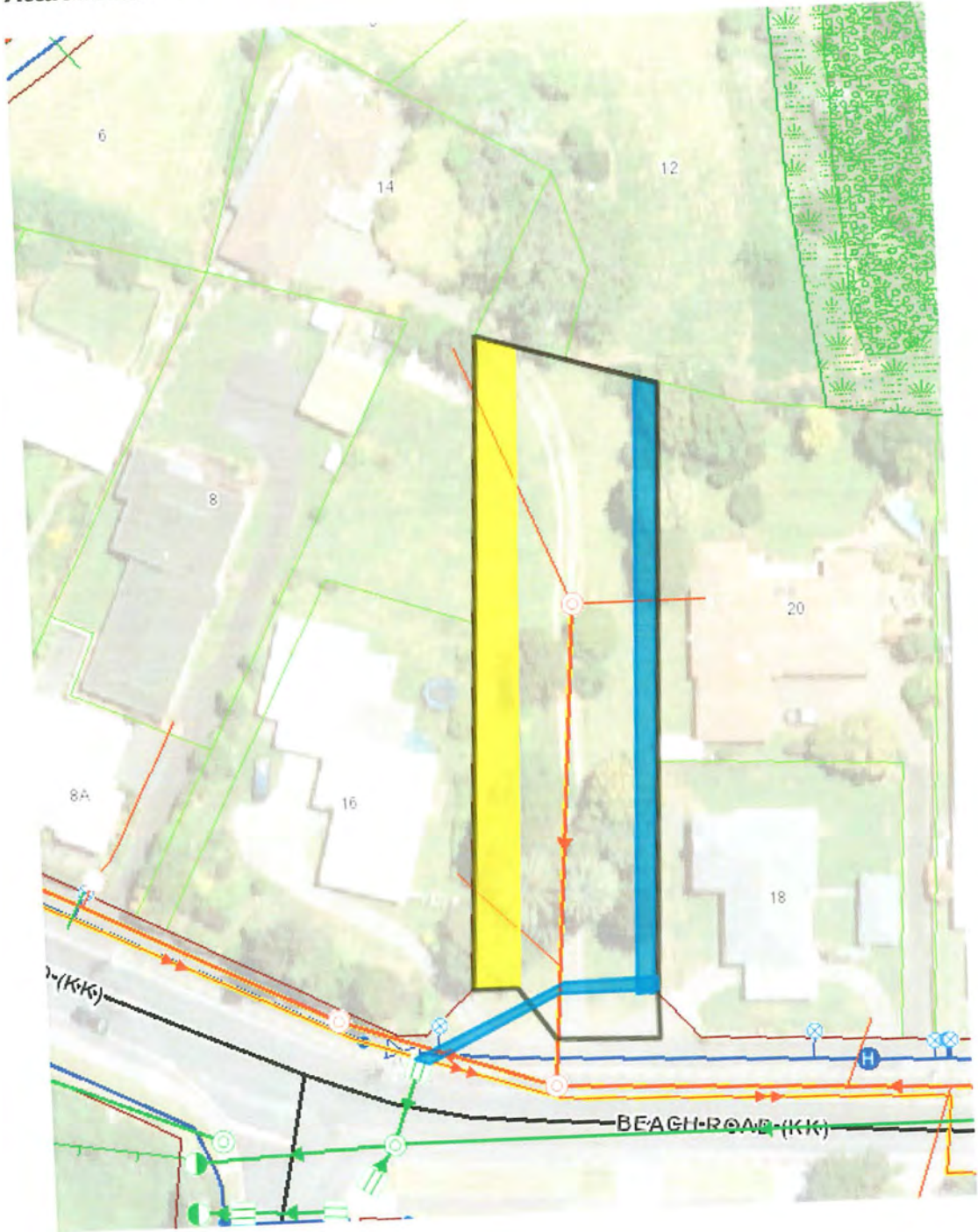
Secondly that although we do not use beach road as our primary access to our property we do use it regularly as pedestrian access (our daughter uses it daily to school and sports events) and we would appreciate if that was taken into consideration and the possibility of some form of access given to us.

Thank you



Doug and Jacinda Penwarden

Attachment E



Western Bay of Plenty District Council

Council

Chief Executive Officers Report – *March 2018*

1. Chief Executive Officer and Group Managers' Update Report

1.1. Purpose

To provide the Mayor and Council with timely advice on current projects and issues via an information report.

The Mayor has requested this report be based on topics and that the Chief Executive and Group Managers speak to items. A similar report is included in the confidential section of the agenda for confidential items.

1.2. Report

The topics and issues are set out in areas of responsibility. Detail is not provided in the written report as the detail is generally contained in the Committee reports where the topics are debated and direction provided.

The report is to provide current and timely briefings on significant topics and issues that potentially or currently are a risk item or could impact council or the community.

1.3. Chief Executive Office

- Nothing to report

1.4. Infrastructure Services

- Nothing to report

1.5. Financial Services

- Nothing to report

1.6. Policy, Planning and Regulatory Services

- Nothing to report

1.7. Technology, Customer and Community Services

- Nothing to report

Recommendation

THAT the Chief Executive Officer's report dated 21 March 2018 and titled "Chief Executive Officers Report" – March 2018 be received.

pp 

Miriam Taris
Chief Executive Officer

Western Bay of Plenty District Council

Council

Mayor's Report to Council – March 2018

1. Update on Rural and Provincial Conference

- 1.1 Freedom camping
- 1.2 Climate change
- 1.3 Privacy
- 1.4 Remuneration

2. Representation

3. Transport Issues

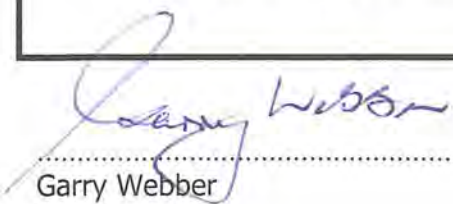
- 3.1 Regional Transport Plan
- 3.2 Restructuring of Transport Governance

4. Delegation Amendment – Chief Executive Officer

Staff have been reviewing organisational delegations and have noted that the current delegation to the Chief Executive in relation to payroll requires amendment to allow for an appropriate level of flexibility to meet changes in the FTE staff. Council is required to formally resolve any changes to the CEO delegations.

Recommendation

- 1. ***THAT the Mayor's Report to Council for March 2018 be received.***
- 2. ***THAT the Chief Executive Officer's payroll financial delegation be amended to read "As Required – Approval of payroll in accordance with Council's employment agreement commitments."***



.....
Garry Webber
Mayor

Coastal Properties - an Insurance Perspective

Tim Grafton
Chief Executive
Insurance Council of New Zealand

8 March 2018

Coastal disasters



You're not alone - councils world-wide experience....

- **ratepayers** expect they elect to understand the risks and how to deal with them
- **the political imperative of** reducing economic and social losses when the worst happens
- **uncertainty that complicates it all** – how much sea-level rise and when, coastal development, fixed annual budgets how will banks and insurers respond...etc
- **are searching to understand** what the right intervention is that will lead to a meaningful reduction in risk which has never been higher
- **know only too well the political stakes** of managing inter-generational and intra-generational tensions have never higher too
- **need new products** that link risk transfer and risk reduction, that is, deliver more than just cash after a catastrophe.
- **lack of regulatory/legislative** clarity to guide the way forward
- **potential liability** for failing to act

How does insurance respond?

- **traditional insurance** works well for random, uncertain risks that are not correlated by pooling risk and premiums so many pay for the few – assumes diversification, not all properties suffer loss at the same time
- Coastal flooding is different it is:
 - predictable; properties on same flood plain flood at periodic, recurrent intervals
 - affects a large number of properties in the same area at the same time
 - leads to adverse selection as only high-risk individuals seek out insurance (where flood is a specified add-on peril),
 - in a flood plain all properties affected at the same time, so diversification by risk pooling no longer applies
- Much the same could be said of coastal, cliff-top properties
- Unless risk is reduced, insurance becomes less affordable and if banks foresee this they will shorten terms leading depressed demand and falling prices



So, what do we do?

WHICH ONE IS RED?



Do what insurers do – understand the risk

- **assess risk in relation to objectives** – start from an understanding of what it is we wish to avoid (loss of life, property, business interruption) then assess its likelihood
- **identify the biggest risks** – focus on worst case scenarios in relation to long-term change as well as short-term events
- **consider the full range of probabilities** – bearing in mind a very low probability may correspond to a very high risk if the impact is catastrophic
- **use the best available information** – proven science or expert judgment, a best estimate is better than none
- **take a holistic view** – assess system risks as well as direct risks; models are useful but human behaviour and interactions within a system can produce different possibilities (scenario planning helps)
- **be explicit about value judgments** – they are subjective, so be transparent and subject them to public debate

Take the long view – identify adaptive pathways

Adapt to lower the probability of loss below current values. Calculate annual expected losses to inform adaptation cost-benefit analysis, consider:

- **how we build** e.g. requirements placed on developers like flood protection or land raising
- **where we build** in future e.g. don't consent where adaptation can't work
- **flood proof/flood resilient buildings**
- **relocatable buildings/retreat** where risk is too high/makes no economic sense to protect
- **upgrade existing infrastructure** to 21st century needs e.g. storm-water drains
- **build new infrastructure** e.g. sea-walls
- **protect existing infrastructure** e.g. dunes, wetlands
- **improve flood warning systems and public education** – so there is time to reduce the impact
- **learn approaches from others** – Rockefeller Resilient Cities, Zurich Alliance 5C-4R, Holland
- **UK Climate Change Act approach** – long-term apolitical framework to address adaptation

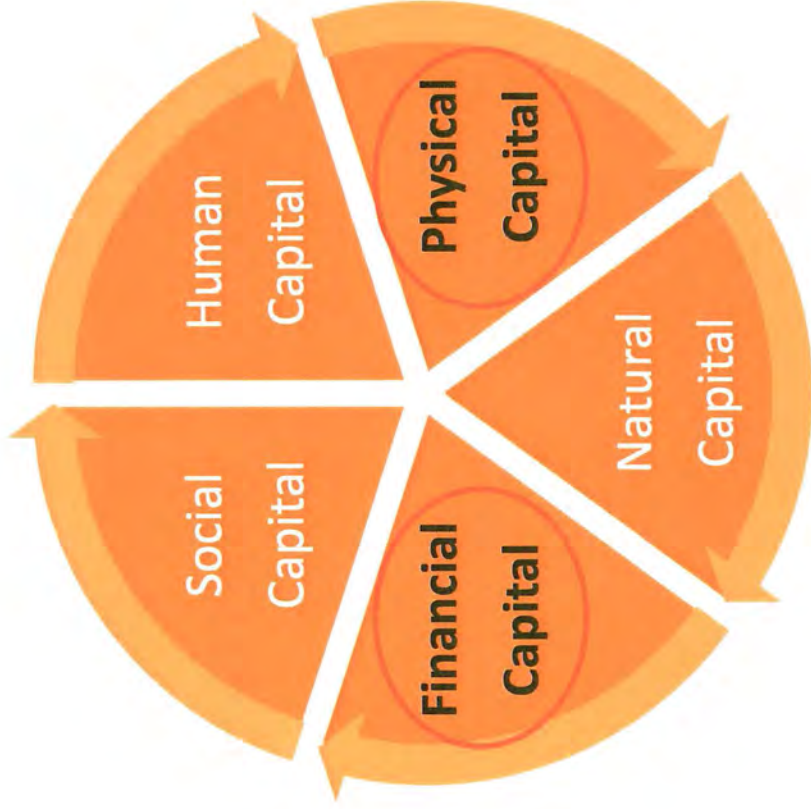
Some things you need to know if you didn't already about insurance

- No payment for betterment
- Only responds to loss from material damage
- Does not pay for economic loss e.g. section 124 notice and uninhabitable houses
- Does provide up to 6 months temporary accommodation payment if house is uninhabitable temporarily due to damage
- Only responds to sudden and accidental events
- Does not respond to the known events e.g slow moving certainty of sea level rise
- Can settle in cash which carries implications when total loss occurs and the owner moves on
- Does not insure land – EQC does but only with respect specified events

When you insure your council's assets do you ask...

- **about products** that link risk transfer and risk reduction, that is, deliver more than just cash after a catastrophe like a plan for what to do with the funds from a disaster pay-out.
- **disaster** response and business continuity as well as risk financing, so insurance contracts are structured to deliver that as opposed to just providing money
- **whether the interventions you put in place reduce the risk** in the eyes of the insurance market – understand how the market looks at your risks – get it wrong and whole neighbourhoods become uninsurable and unliveable
- **work out which resilience intervention** will make the biggest difference to thriving and surviving
- **avoid the moral hazard trap** – where the State or local Government steps in to cover the cost and encourages more of the same; regulation needs to incentivise and reward good behaviour e.g. lift your finished floor levels

Building a resilience framework



New Zealand historical insured losses

SPEAKER LOGO

- nationwide insured costs of extreme weather events in past 5 years:

| Year | Insured Loss |
|------|--------------|
| 2013 | \$175m |
| 2014 | \$150m |
| 2015 | \$115m |
| 2016 | \$52m |
| 2017 | \$242 m |

Mean loss annual
\$147m

- from 2003-2015 insured costs of floods averaged \$75m, but Water NZ estimates this at about 40% of the total cost i.e. \$190m per annum for that period or about \$367m annually for the past five years
- need for standardised data e.g. land elevation, finished floor levels to provide more granular view of vulnerability and risk

Coastal Properties an Insurance Perspective
Local Government New Zealand Rural and Provincial
Sector

SLIDE ONE

Tena kotou, tena kotou, tena kotou katoa

Thank you for this opportunity to present an insurance perspective on Coastal Properties. I am just going to talk for about 20 minutes or so to about 8 or 9 slides and then open up for questions.

SLIDE TWO – COASTAL DISASTERS

Let me start by setting out the problem as events like those illustrated here will become more frequent. This will be due to sea-level rise and increased frequency of extreme weather events because climate change impacts are cumulative:

\$20 billion worth of buildings lie on the lowest lying parts of the coast which includes over 32,000 homes

Today's 1:100 year event by 2065 would occur annually in Wellington and Christchurch, every two years in Dunedin and once every 4 years in Auckland if sea-levels rose by 30cm. A 40 cm rise would see such events occur several times a year in Wellington and Christchurch. This will unlikely be much different for rural and provincial coastal areas.

Our aging storm-water networks are designed to cope with today's 1:10 year event, much of it is gravity dependent, and vulnerable if running-off in low lying coastal areas. And the quality of some of the older infrastructure is something of an unknown.

SLIDE THREE – YOU'RE NOT ALONE

Coastal properties are just one of the challenges brought into sharp relief by Climate Change. Developed countries world-wide are grappling with similar sets of issues.

There's the dynamic for elected officials to understand the risk and how to deal with them when this has immense complexity attached to it. Then there is the added heat that the economic losses and social disruption are too big to ignore.

Unlike other issues, this one stretches out over several generations with much uncertainty attaching to what will happen in terms of the physical impact of Climate Change, when it will happen, the ability to manage that on fixed annual budgets and the implications of the response from the likes of banks and insurers.

Chances are that you are likely trying to understand amid all this uncertainty what the right intervention is that will reduce the risks to your community which have never been higher and will only increase without action being taken.

And then, even if you have all that figured out, there's the additional challenge of who pays for this? Today's generation and if so who? Everyone or just those affected? Or is it tomorrow's generation who will benefit most that pays and if so, how? So, inter-generational and intra-generational issues are significant and capable of derailing your efforts.

So you look to guidance and a fair starting point is what you are required by law to do. But if you do that, you encounter inconsistencies between the Building Act, the RMA and your own planning horizons.

Finally, if it's all-too-hard, can you afford to do nothing and just deal with today's priorities?

SLIDE FOUR – HOW DOES INSURANCE RESPOND?

Fred Dagg once said “We don’t know how lucky we are”. He could have been talking about insurance cover in New Zealand. We are the envy of the world in having over 95% of homes covered for quakes, volcanoes and tsunamis etc. We are also a rarity in having ‘all perils’ cover for our homes. Unlike many other countries, flood is not an optional extra, but generally standard.

But if coastal properties, some of which we have found lie below sea-level even today, flood frequently in the same area, then insurance will respond through higher excesses, premiums and potentially a refusal to go on risk for flood.

Potentially, at some time on the future, flood cover might become an optional addition in parts of New Zealand as occurs elsewhere. But if only those in flood prone areas buy the cover, it would shrink the pool of those who pay-in and drive premiums up.

Some insurers may say they have no appetite for some coastal properties at all, making it more difficult for those still providing cover. Much the same could be said of coastal, cliff-top properties. It is worth noting that actions of the sea are a specific exclusion in Australian policies.

Banks for their part will also take a view on the risk of insurance not being in place. Their response will be to shorten mortgage terms which will make mortgages less affordable with an inevitable impact on prices and ultimately your rateable income.

So, as insurance may become less accessible or affordable, it becomes a political economy issue for local and central Government.

SLIDE FIVE – SO WHAT DO WE DO?

So, what's to be done?

The costs and challenges seem overwhelming and unavoidable.

SLIDE SIX – DO WHAT INSURERS DO

I think the starting point is to think like an insurer. Because ultimately, if you do that well, then your end-point should be one where insurers want to accept the risk and take it off your balance sheet.

This is how an insurer approaches the problem.

They will ask what it is we want to avoid, for instance flooded houses or business interruption and get as informed as possible about the likelihood of that occurring. Think of the worst possible outcome both over the short-term and long-term, remembering that the lowest probability may well be the most catastrophic.

Draw on the best available science even if it is a best estimate – better than nothing at all or something quite outdated. Take a holistic view – take into account how people are likely to behave, so bringing your community into the process and contributing to the solutions is critical.

Engage in scenario planning to understand the widest possible range of what could happen. Sure, you'll be making value judgments because of future uncertainty – but do that and be explicit about the assumptions you have made and open them to scrutiny.

SLIDE SEVEN – TAKE THE LONG VIEW

Once the risk analysis has been done, you can avoid adding to risk exposure by regulating where and how you build in future. There really is no excuse for not doing that though the regulatory framework councils operate under is not well aligned.

Incumbent assets are a more difficult proposition. Cost-benefit analysis should determine whether some are worth protecting, and if not, then start the community conversation about how to manage the retreat over the long-term.

The pathways to retreat vary. There may be initiatives to take for the first few years that may be less expensive and disruptive before requiring a shift to another pathway and so on.

Tools exist to manage the challenges these present from hard and soft infrastructure investment to **protect** assets, lifting floor-levels to **accommodate** the risk through to relocation or abandonment in **retreat** from the inevitable.

Decision-making tools exist to enable us to make short term decisions that can be adapted to meet the dynamics of climate change uncertainty over time, and to price those options.

Funding will be a significant challenge for TLAs with small rateable bases and you will no doubt seek help from central government, noting the precedent of the 60:40 horizontal infrastructure split for post-disaster responses.

Adaptation brings a cost and because its benefit are over a long horizon, there is a tendency to prioritise spending on short-term issues. My response to that is:

- extreme events can still occur right now if conditions are right. I need only cite Dunedin, Westport, Kaiaua and Thames in recent weeks as examples.
- every \$ invested in pre-event prevention will save \$5-\$6 in post-event costs and avoid the wider social and economic disruption
- incremental investment can lower up-front costs and think about those adaptable pathways, for instance, relocatable houses
- invest where co-benefits exist, like land used as recreational parks the double as flood catchment areas. If you look to numerous examples in cities that have adopted resilience frameworks like that of the Rockefeller Foundation or the Zurich Risk Alliance or countries like Holland where most of the population lives below sea-level.
- to have any chance of a long-term, consistent approach to these risks, we do need adaptation included in a long-term framework. In my view, that is a role central Government should take up on a bipartisan basis. I guess that's really a question for the next speaker though.

SLIDE EIGHT – SOME THINGS YOU NEED TO KNOW

I have spent a bit of time talking about reducing risk for coastal properties. It's also worth canvassing some of the issues we encounter after a major event. These carry implications for councils as well as homeowners.

First, insurance puts you back to where you were before the event. It is not about putting you in a better position than you were before the loss occurred. So, that means, properties at or below sea-level are flooded, the insurance will not pay to raise the floor-levels. So, some houses in Kaiaua that were damaged but not total losses would face possible a \$25,000 cost to raise their floor levels well above sea-level.

If a property though is a total loss and a rebuild is contemplated on the same spot, then any new construction would need to meet the new finished floor levels. The insurance would meet that cost up to the agreed sum insured for the property, but equally the council might want to reflect on the long-term merits of rebuilding there.

Should the council decide the property cannot be rebuilt there, then the insurance will pay-out to the sum insured for a property to be built elsewhere. However, for the owner, because insurers do not insure land, they would need to meet the land cost.

This raises a critical issue for managing retreat from coastal properties around how the land piece is financed, possibly the banks have some ideas around that as well as councils that may be considering allocating land for those purposes.

The second important point to make is that insurance only responds to loss from material damage. If a property has not suffered any damage, then no payment occurs. So, if a council places a Section 124 notice prohibiting anyone from living in a house due to risk to life, say, because of rock-fall risk or cliff collapse, then insurance does not normally respond.

However, if the insurance policy does respond, then typically it will provide up to 6 months accommodation expenses or about \$20,000, should the house be damaged and not be habitable. Insurance policies will also cover emergency repairs to secure the property, but evidence and receipts are required, but that can be helpful for recovery authorities to know.

Perhaps an obvious but not always fully understood point is that insurance is about responding to sudden and accidental events. Sea-level rise of itself is not sudden or unknown, but a slow moving, certain event. Cliff erosion by the way can also be viewed as a slow-moving inevitability – cliffs only ever grow one way.

Depending on the circumstances and each insurers' approach, insurers may decide to cash settle losses. This provides for a rapid injection of funds to assist recovery but transfers responsibility for rebuild and repairs to the insured. If a property becomes a total loss and is cashed out, it is possible that the insured may take the pay-out to live or build elsewhere and look to sell the damaged property in an as-is-where-is condition or rent it out. That presents problems around the quality of the housing stock as well as the future insurability of those properties if they are not fixed.

As I said, insurers do not insure land. EQC does, but only within 8m of the house, though in the case of flood, unlike for earthquakes and the other perils it covers, EQC does not respond to any damage to the house. That means the EQC contribution to the first \$100,000 of damage is not in play. So, think about that in terms of retreat strategies.

Often after floods silt and debris get underneath houses and insurers have to wait on EQC to manage that to be cleared, so houses can be opened up to dry out for repair. Unless that happens quickly, further damage will be done to properties and recovery may take longer.

SLIDE NINE – WHEN YOU INSURE YOUR COUNCIL’S ASSETS...

I want to end to offer some thoughts for the future on how we – insurers, insurance brokers, councils and government - think about insuring councils’ assets close to the coast.

Should we be thinking solely about the cash pay-out you want after catastrophe hits? Should we be going to the next step and look to products that link risk transfer to risk reduction. So, post-disaster, instead of just fixing the damage to what it was and where it was before, can we be applying funds to a plan that reduces risk in future.

Perhaps we also need to be thinking about not just how to finance losses, but also assisting with meeting disaster response and business continuity costs.

If councils look through the insurers’ lens to identify and manage risk and invest in the interventions that actually reduce risk, as an insurer does, you will achieve two things. By understanding how the insurance looks at your risks, you will avoid getting it wrong which could result in whole neighbourhoods becoming uninsurable. And secondly, you will enable the risk to be transferred.

So, think about what intervention will make the biggest difference, so your community survives and thrives.

Finally, some people have thought that many of these problems can be solved by devising schemes to subsidise rising insurance costs. That has no pretty ending.

Schemes that have tried to do that become unsustainable because risk is not being priced as it should be. At the end of the day, the taxpayer or the ratepayer bears the cost, but worse such subsidization only serves to encourage people to live where their lives and property are at greater risk.

The only way to keep insurance available and affordable is to reduce the risk. Regulation needs to incentivise and reward good behavior.

SLIDE TEN – BUILDING A RESILIENCE FRAMEOWRK

My final slide is a simple one. The pizza shows we have only been talking about two of the slices, the risk to physical and financial capital. If you are looking to build resilient communities, you need to think about the human capital, that is how does this affect every individual, the natural environment and also the social capital. We don't insure those, yet by drawing on the strengths each of these embody, you do create resilient communities.

I recommend to you the Rockefeller Foundations Resilience Framework which identifies 12 drivers of resilient cities. Under the headings of:

Leadership and Strategy

- Promote leadership and effective management
- Empower a broad range of stakeholders
- Foster long-term and integrated planning

-

Health and Well being

- Meet basic needs
- Support livelihoods and employment
- Ensure public health and services

-

Economy and Society

- Foster economic prosperity
- Ensure social stability, security and justice
- Promote cohesive and engaged communities

-

Infrastructure and the Environment

- Provide and enhance natural and man-made assets
- Ensure continuity of critical services
- Provide reliable communications and mobility

Local Government Climate Change Programme

Project: Impact of sea level rise on local government infrastructure

Grace Hall and Tom Simonson

**We are.
LGNZ.**

Climate 2050

- Zero Carbon Act and independent Climate Commission
 - Consultation from May 2018
- CCATWG's Adaptation Options Report
- Coastal Hazards Guidance for local government

**We are.
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LGNZ SLR Exposure Survey - Overview

- New Zealand coastal sea levels have risen by up to 22 cm over the last 100 years; are expected to rise at a faster rate in future (Royal Society of New Zealand, 2016).
- Planning scenarios for sea-level rise are in the range
 - 0.3–0.6 m by 2070 and
 - 0.6–1.4 m by 2120 (MfE, 2017)
- The PCE (Nov 2015) report states: In New Zealand, sea level is projected to rise by about 30 centimetres between 2015 and 2065.

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LGNZ SLR Exposure Survey - Overview

- 62 Councils sent survey on 2 Feb, due now.
- 16 complete returns to date
- 20 more have been communicating with us and are in train
- Survey included:
 - Excel template to complete for 4 increments of SLR: 0.5m, 1.0m, 1.5m, 3.0m
 - Link to NIWA GIS polygons (LIDAR & DEM)

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LGNZ SLR Exposure Survey - Overview

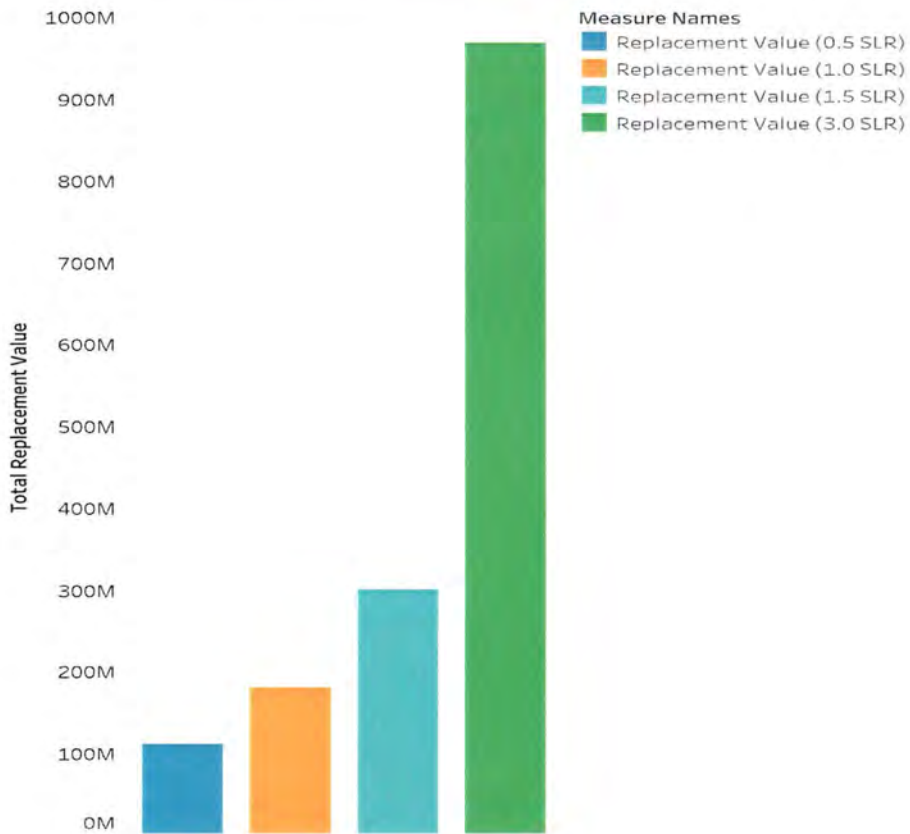
- Data gathered includes **asset quantities** and **values** (replacement and depreciated) for:
 - 3 waters
 - transport
 - buildings/facilities
 - greenspace
 - landfills

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Interim data for 16 councils

NZ Wide total replacement value (\$) by Sea Level Rise increment

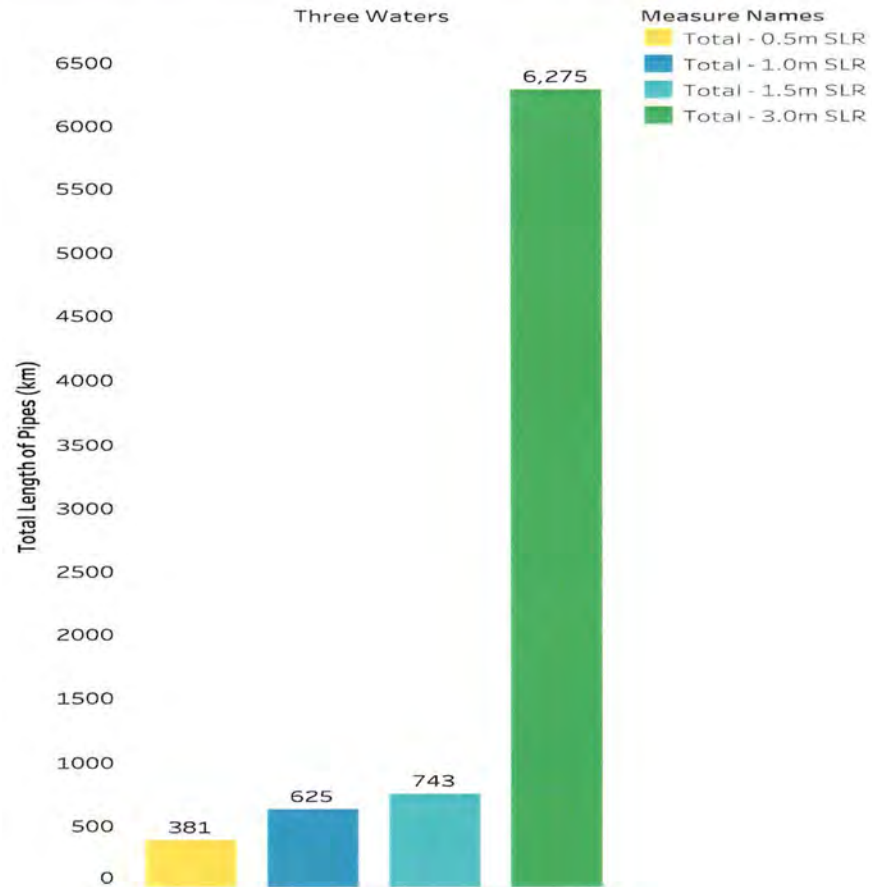
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Interim data for 16 councils (sample)

*NZ Wide length
of 3-waters
pipes affected
by Sea Level
Rise*

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Next steps

- Reach a 90 per cent or higher response rate - ASAP
- Complete full quality control and evaluate the data – March
- Working Group review – early April
- Publication – May/June

**We are.
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Climate Change Adaptation Technical Working Group – draft options report

Frances Sullivan

**We are.
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Background – the working group members

- > Dr Judy Lawrence - Climate Change Research Institute, Victoria University (Co-Chair)
- > Penny Nelson - MfE (Co-Chair)
- > James Hughes - Climate and Resilience Specialist Tonkin & Taylor
- > Bryce Davies, Senior Manager Government and Stakeholder Relations, IAG
- > Bruce Wills, farmer and businessman
- > Sam Dean, Chief Scientist, Climate and Atmosphere Centre, NIWA
- > Kirk Hope, Chief Executive of BusinessNZ
- > Dr Gavin Palmer, Director – Engineering, Hazards and Science, Otago Regional Council
- > Tina Porou and other Iwi Advisors

**We are.
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Background - TOR

- > Established by Government in November 2016 to provide advice on options for adapting to the impacts of climate change.
- > TOR include:
 - An **interim report by May 2017** including a summary of the expected impacts of climate change on New Zealand and a stocktake of existing work on adaptation, by both central and local government.
 - A **draft final report by November 2017**. The report should identify options for how New Zealand can build resilience to the effects of climate change while growing our economy sustainably.
 - A **final report by March 2018**, with final recommendations. The recommendations are not to be policy-prescriptive and should provide a range of options for consideration.

**We are.
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CLIMATE CHANGE ADAPTATION TECHNICAL WORKING GROUP

OPTIONS FOR NEW ZEALAND TO ADAPT TO CLIMATE CHANGE – TARGETED ENGAGEMENT – FEBRUARY TO MARCH 2018

PURPOSE: To seek your feedback on:

- Any significant gaps in our recommendations
- Any challenges with the implementation of these recommendations

NEXT STEPS:

- We will summarise your feedback at the end of this session. This will help us finalise the Options Report.
- We will submit our Final Report to the Minister for Climate Change in April 2018

OUR DRAFT RECOMMENDATIONS

