Notice is given that an ordinary meeting of the Full Council will be held on:

Date:	**Thursday 8 April 2021**
Time:	**9:30 am**
Meeting Room:	**Tasman Council Chamber**
Venue:	**189 Queen Street Richmond**

Full Council

AGENDA

MEMBERSHIP

Mayor	Mayor T King	
Deputy Mayor	Deputy Mayor S Bryant	
Councillors	Cr C Butler	Cr D McNamara
	Cr B Dowler	Cr D Ogilvie
	Cr M Greening	Cr T Tuffnell
	Cr C Hill	Cr A Turley
	Cr C Mackenzie	Cr T Walker
	Cr K Maling	Cr D Wensley

(Quorum 7 members)

Contact Telephone: 03 543 8400
Email: Robyn.Scherer@tasman.govt.nz
Website: www.tasman.govt.nz

Note: The reports contained within this agenda are for consideration and should not be construed as Council policy unless and until adopted.

AGENDA

1 OPENING, WELCOME

2 APOLOGIES AND LEAVE OF ABSENCE

Recommendation
That apologies be accepted.

3 PUBLIC FORUM

4 DECLARATIONS OF INTEREST

5 LATE ITEMS

6 CONFIRMATION OF MINUTES

That the minutes of the Full Council meeting held on Thursday, 25 February 2021, be confirmed as a true and correct record of the meeting.

That the minutes of the Full Council meeting held on Thursday, 18 March 2021, be confirmed as a true and correct record of the meeting.

7 PRESENTATIONS

8 REPORTS

9 CONFIDENTIAL SESSION

7 PRESENTATIONS

7.1 GOLDEN BAY MARINE RESTORATION GROUP

Decision Required

Report To:	Full Council
Meeting Date:	8 April 2021
Report Author:	Robyn Scherer, Executive Assistant to the Mayor
Report Number:	RCN21-04-1

PRESENTATION

Gene Klein will make a presentation to the Full Council on behalf of the Golden Bay Marine Restoration Group.

Attachment 1 provides some background to the group and their goals.

Appendices

GOLDEN BAY MARINE RESTORATION GROUP

PRESENTATION TO TDC MEETING OF FULL COUNCIL

Background

The group of 6 individuals came together informally in late 2020, through a shared concern for the state of our local coastal marine environment.
Members come from a variety of backgrounds but all have a deep concern for our inshore coastal environment, and although some are members of other environmentally focused organisations, we do not represent any other body.
Through regular informal meetings as a group alone, and also with other marine focused individuals including marine scientists and researchers, priorities have been identified and plans for practical action have been formulated.
Support has been canvassed from significant individuals and entities, and universally support, and in some cases enthusiasm to be involved, has been expressed.

Goals

The focus of the group is:

1. To promote awareness of the degraded plight of the coastal marine environment in Golden Bay, and the impact historical and current human activities have on marine biodiversity and species populations, including stocks of valued fish species targeted by recreational and commercial fishers in GB waters.
2. To gain support from a wide cross-section of the community for changes to practices in land use as well as marine resource exploitation, that are having a negative impact on the inshore marine environment.
3. To propose practical actions that will protect identified special areas of marine life, arrest the further decline of this coastal environment, enhance increase in biodiversity and population growth, and lead to ongoing sustainable activity by all stake-holders in the marine environment, through engagement with TDC and other governmental bodies with jurisdiction over this area, and the capability to bring about change.
4. To carry out proven practical activities that will enhance biodiversity and population growth, in conjunction with other identified interested groups, and engage in 'citizen science' projects to monitor the effectiveness of these activities over time.

Members of the Group Currently

John Davis
Gene Klein
John McKie
Gordon Mather
Lex Taylor
Neil Wilson
The formal constitution of this group as an ongoing entity is under active investigation.

Item 8.1

8 REPORTS

8.1 HAMAMA WATER SUPPLY REFERENDUM

Decision Required

Report To:	Full Council
Meeting Date:	8 April 2021
Report Author:	Mike Schruer, Utilities Manager; Becky Marsay, Water Engineer
Report Number:	RCN21-04-2

1 Summary

1.1 The Tasman District Council owns the Hamama Water Supply Scheme and provides financial services by rating properties connected to the water supply to provide funding for the operations and maintenance of the scheme.

1.2 Under an outdated maintenance agreement and bylaw, the Hamama Water Supply Committee is mandated to be responsible for the day-to-day management, operations and maintenance of the scheme.

1.3 The scheme users and the committee have for many years indicated they wish to take over full ownership of the scheme. There have been past efforts to start the process to divest the scheme to the users but the process has been delayed.

1.4 The Hamama Water Supply Users have established a legal entity called the Hamama Water Supply Incorporated Society.

1.5 This report seeks the Council's approval to undertake a binding referendum with the Hamama Water Supply users with the intention of handing ownership of the Hamama Water Supply to the Hamama Water Supply Incorporated Society.

2 Draft Resolution

That the Full Council:

1. **receives the Hamama Water Supply Referendum report RCN21-04-2**; **and**
2. **approves proceeding with undertaking a binding referendum to transfer ownership and management of the Hamama Water Supply to the Hamama Water Supply Incorporated Society; and**
3. **subject to a successful outcome of the referendum, undertakes a special consultative procedure to cease rating users on the Hamama Water Supply Scheme; and**
4. **notes that rating could only cease from 1 July 2022 because of the timing required to undertake the binding referendum and the special consultative procedure.**

3 Purpose of the Report

3.1 The purpose of this report is to seek approval from the Full Council to undertake a binding referendum of Hamama Water Supply users and if successful continue the process of transferring the scheme from the Council to the Hamama Water Supply Incorporated Society.

4 Background and Discussion

Background

4.1 Hamama is small rural settlement in Golden Bay and located between Upper Takaka and Takaka. It is a basic water supply scheme providing water to local farm properties. It is mainly for stock purposes but there are numerous connections to houses where it is likely that the water is being used for drinking water and domestic purposes (refer Figure 1).

4.2 The water supply scheme consists of a surface intake from Gold Creek that is surrounded by native bush. The stream catchment is an 80-hectare area of land owned by the Council and is designated as a water supply reserve area. The water is not treated but there are two settling tanks used to settle out large particles before water enters the reticulation that delivers water to farm properties.

4.3 The scheme was originally designed for 10 farms but demand has grown considerably with rural subdivision and now it is reported that the system operates at its maximum capacity in the dry periods during the milking season.

4.4 There are currently 29 connections registered in the Council's billing database. When Hamama Road was resealed in 2007, all of these connections were upgraded with new toby boxes and double check valves. The population of Hamama served by the water scheme is approximately 60 people.

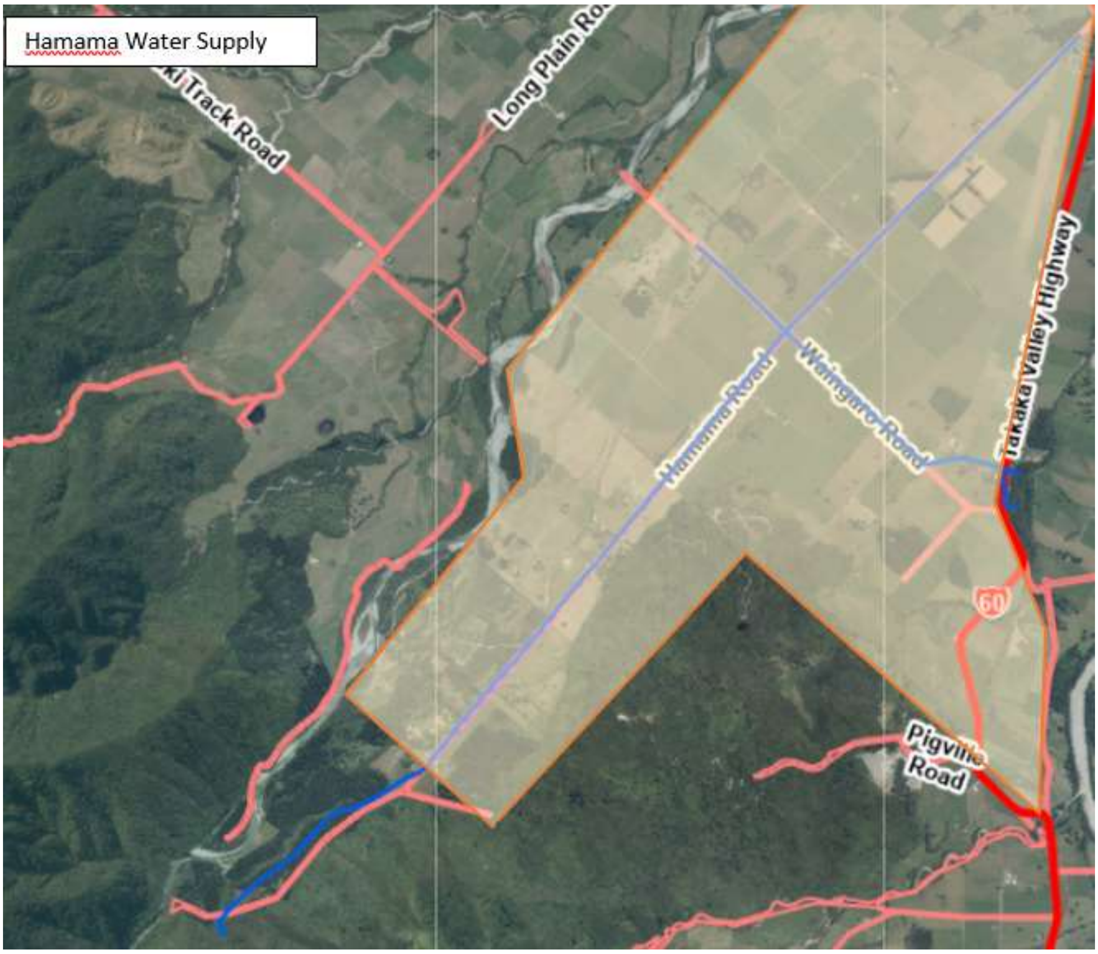


Figure 1 - Hamama Water Supply Extent

Scheme History

4.5 The Hamama Water Supply Scheme was proposed in 1957 when a group of farmers applied to the then Department of Agriculture for an assessment to make an application through the marginal lands grant scheme to set up a water supply scheme. The Golden Bay County Council made an application to the Ministry of Works for a 1:2 subsidy, which was approved by Treasury. The water supply reserve was gazetted in 1959, the construction contract tendered in 1960 and the Hamama Water Supply Scheme commenced operation in 1960 with a formal opening on 23 November 1960.

4.6 The Hamama Water Supply Bylaw came into operation in 1979. It outlines how the Hamama Water Supply will be managed.

4.7 The Hamama Water Supply Committee (the ‘Committee’) was formed in 1979 and the Committee operates the supply under this Golden Bay County Council bylaw.

4.8 The following year the Golden Bay County Council and the Committee entered into a maintenance agreement for the Hamama Water Supply Scheme, which came into effect on 18 June 1980. The maintenance agreement sets out that the Council has delegated some of it powers in that any maintenance work required of the water supply scheme shall be carried out by, or for, the Committee.

4.9 The Local Government Act 2002 (Sections 158 and 160) requires a bylaw to be reviewed every five years. If this review does not occur, the bylaw expires two years after the final review period. There is no record of any review being undertaken, so it can be assumed that the Hamama Water Supply Bylaw has expired.

4.10 The Committee negotiated two loans through the Council to pay for major upgrades to the Hamama Water Supply Scheme;

4.10.1 The first, in 1984, paid for the replacement of the pipeline from the crossroads to Spring Brook.

4.10.2 The second, in 2004, paid for the replacement of the original concrete pipeline with a 100 mm diameter uPVC water main from the crossroads to 50m from the end of the new seal.

4.11 The Hamama water supply users funded these two projects. It was either by payment of a lump sum or by a targeted rate spread over 20 years. Of the 25 users connected to the scheme at the time, 16 opted to pay their portion of the loan through a targeted rate over 20 years with an interest rate of 8%. The final payments for this will be made in 2024/25.

4.12 The Committee has undertaken further minor upgrades; replacing most of the galvanised pipe on the lower section of Hamama Road with alkythene pipe and upgrading all the draw-off points.

Existing Maintenance Agreement

4.13 Under the maintenance agreement, the Committee manages the day-to-day operations and maintenance of the scheme. Traditionally, this has been done using a retired plumber or if more major work is required, a registered plumber and drain layer, with appropriate traffic management certification and qualifications.

4.14 The Council only provides financial services to the Hamama Water Supply Scheme, which is operated as a closed account. The Council rates users and provides the funds to the Committee to undertake the maintenance and operations.

4.15 The scheme is funded by three separate rates, as follows:

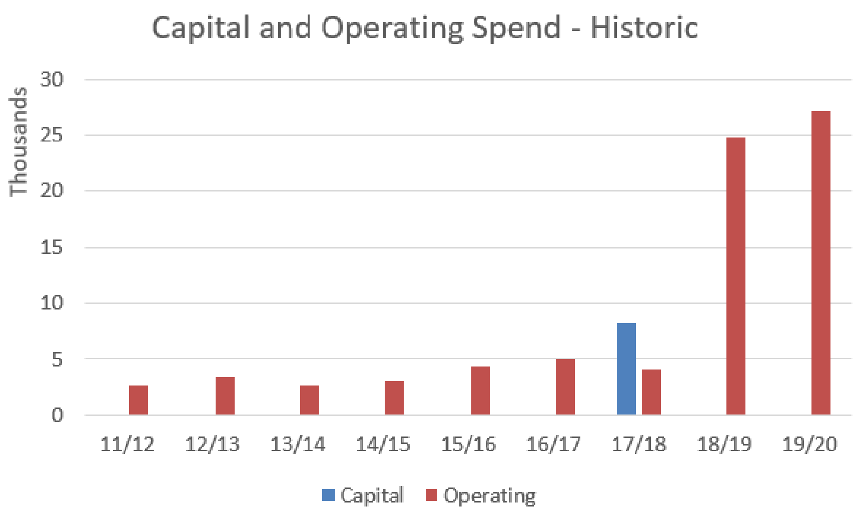
4.15.1 A targeted rate to pay off the existing loans; [0.165c/$LV] (total income of $7,780 for 2020/21). Final payment of this targeted rate is 2024/25; and

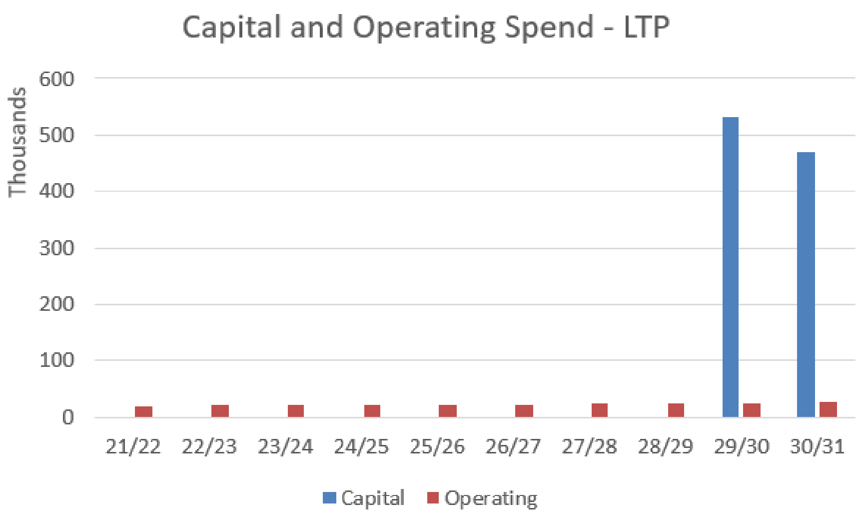
4.15.2 A fixed charge on each connected property; [$244.18/property] (total income of $6,158 in 2020/21); and

4.15.3 A variable charge based on each property valuation [0.045c/$LV] (total income of $7,934 in 2020/21).

4.16 Water charges are not based on water usage and the connections are not metered, however, three meters have been installed recently to record demand.

4.17 The operational account currently has a surplus of $25,445.





Process of Divestment

4.18 The current agreement between the Council and the Committee is outdated. It poses an ongoing risk to the Council in that it does not comply with current legislation. This specifically relates to compliance with the Health and Safety Act and with the Drinking Water Standards New Zealand.

4.19 In 2016, following requests from the Committee and users of the scheme, the Council began to consider the possible divestment of the scheme to its users.

4.20 In June 2016, a Ministry of Health Drinking Water Assessor evaluated the scheme to determine whether it met the Rural Agricultural Drinking Water Supply (RADWS) Guidelines 2015 criteria. The guidelines stated that to qualify as a RADWS, at least 75% of the water had to be for stock purposes. At the time of that assessment there was insufficient data to determine the split between rural/agricultural water and domestic purposes.

4.21 In December 2016, staff investigated what process needed to be followed to transfer the Hamama Water Supply (HWS) Scheme to a community entity using the process to transfer a small water scheme, which is set out in Part 7 of the Local Government Act.

4.22 In 2017, the Committee installed a flow meter to determine flow volumes and scheme usage, a requirement of the resource consent.

4.23 In February 2018, a report was presented to the Engineering Services Committee (ESC18-02-04). The following resolution was passed:

4.23.1 Instructed staff to undertake consultation with the Medical Officer of Health; (**Attachments 1 and 2**).

4.23.2 Instructed staff to consult with the HWS users to determine if they supported the transfer of the HWS Scheme to them; (**Attachment 3**).

4.23.3 Requested that the outcome of the consultation with the Medical Officer of Health and the HWS users be reported back to the Engineering Services Committee.

4.24 In July 2018, Tasman District Council conducted a survey of all properties connected to the HWS and all property owners indicated support of the transfer of ownership from the Council to an entity owned and operated by the HWS users (**Attachment 3**)

4.25 In November 2018, a meeting between Ministry of Health (MoH), HWS Committee and Tasman District Council discussed the transfer process. Several outcomes were agreed:

4.25.1 Collect data to establish volume and percentage of water used for domestic purpose.

4.25.2 Develop a Water Safety Plan to assess and mitigate risk.

4.25.3 Develop legal supply agreements.

(Meeting notes from Tasman District Council and MoH are included in **Attachments 1 and 2**)

4.26 In 2019, the Committee renewed focus to obtain RADWS status and transfer the scheme.

4.27 In July 2020 staff supplied the Committee with three water meters to capture and monitor water usage in the attempt to illustrate typical domestic water usage in a bid to obtain RADWS status.

Discussion

4.28 The 2018 report to the Engineering Services Committee (**Attachment 4**) summarises and discusses the eight key points of the existing maintenance agreement. These are detailed below:

a) The Committee on and after the last day of January, 1980 shall undertake on behalf of the Council all works of maintenance to at least the same safe and adequate standard appertaining at the date of transfer of responsibility to the Committee, and such emergency work as may arise from time to time.

The Hamama Water Supply Committee undertakes operations and maintenance for the Hamama Water Supply Scheme. A number of issues, standards and laws have changed over the years since this agreement was put in place. However, limited records are passed back to the Council as to what work has been carried out on a daily basis and to what standard. The Council holds limited as-built information of the scheme and has no knowledge of the Hamama Water Supply Committee's Health and Safety plans, processes and procedures.

b) That the costs of maintaining the Hamama Water Supply shall be borne by the consumers and shall be recovered by the Council by way of a special rate on the capital value of the properties supplied.

The Council rates for water on behalf of the Hamama Water Supply Committee and pays for the work performed by or on behalf of the committee.

c) All the accounts and charges incurred in the maintenance of the water supply shall be paid by the Council after written authorisation from the Committee Chairman and Secretary.

In accordance with the maintenance agreement, all invoices are signed off by the Hamama Water Supply Committee Chairman or Secretary before being sent to Tasman District Council for payment. The current operational account is in credit to the sum of $46,000. The outstanding balance of the current loans is $42,000.

No asset register exists and depreciation is not set aside for future renewals or upgrades. While not formally depreciated the committee has agreed to maintain the rates at current levels, which is now building up a surplus to cover limited future renewals.

d) The Committee shall consult with the Council regarding any major maintenance works necessary for each ensuing year prior to 1 May of that year.

e) That a suitable public liability insurance policy to cover the Committee or any of them or theot servants or agents or workmen shall be taken out by the Council during the term of agreement.

The Council's public liability insurance will cover the plant and assets but does not cover servants, agents or workers outside of Council's employment.

f) In the event of serious damage to the water supply which would require abnormal manpower and equipment, the Council shall come to the committee's aid in restoring the supply to working condition.

The Council is able to instruct its Operations and Maintenance contractor to undertake any works required to get the scheme operational. The costs of these works would be recovered from the Hamama Water Supply Scheme account.

g) Any technical expertise required, of an advisory nature, pertaining to the maintenance and capital works exercised by permanent Council staff shall be borne by the Council out of general rates.

Such work is not covered by general rates and therefore all advice and support is funded by the Urban Water Club, which is not fair to those ratepayers who are, in effect, subsidising these costs for the Hamama Water Supply Scheme.

h) It is hereby further agreed that should it be found necessary from time to time due to unforeseen or special circumstances to alter, vary or add to one or more of the terms, conditions and stipulations herein contained, such variations, alterations and additions may be mutually arranged and agreed to by correspondence between the parties without the necessity of the execution of a new agreement. Provided however and it is hereby agreed that this agreement may be terminated at any time by three months' notice in writing by either of the parties to the other.

The Council is undertaking this review to determine the best ownership model for the users of the Hamama Water Supply Scheme. The status quo is no longer appropriate, the Council is responsible for the compliance of the scheme with resource consents and other legislation but has no control over the operation and maintenance of the network.

4.29 The water supply scheme has now been approved as a RADWS and was registered as such in February 2021. Analysis of the data collected from the scheme flow meter and the domestic use meters indicates that greater than 90% of the water taken from the intake is used for rural/agricultural purposes.

4.30 A draft Water Management Plan is currently in development by the Committee and is based on the HWS having RADWS status.

4.31 The HWS Committee are working towards a more formal and established management system and in March 2021 the Hamama Water Supply Incorporated Society was registered with the New Zealand Companies Office.

5 Options

5.1 The Council has three options which are summarised in the table below:

Option	Pros	Cons
Option 1 Recommended: Approve a binding referendum on the intention to transfer ownership and	• The users operate and maintain their own water supply scheme.	• No Council Operations and Maintenance involvement.

Option	Pros	Cons
operations and maintenance of the Hamama Water Supply Scheme to the Hamama Water Supply Incorporated Society. The Incorporated Society is aware of and will be responsible for ensuring the Hamama water supply meets the outcome requirements of the 3 Water Reforms.	• Legal entity has been created to own the scheme. • Legal entity employs, operates, maintains and charges for water and pays own invoices. • Existing operations knowledge is retained. • Funding and budgeting retained by community. • The Hamama Water Committee already has easements for the infrastructure on and through private land.	• The Council will not collect water rates and there is no statutory authority for the new entity to require invoices be paid. • The Hamama Water Supply Incorporated Society will need to obtain its own Public Liability insurance. • Depending on the outcome of the current 3-waters reforms, there is a question over the ability to comply with the Water Services Bill compliance reporting requirements, with the potential that the Council would need to take over full control of the water supply in the future should the community struggle to meet compliance requirements. However, this would be the same for all of the other community owned and managed water supplies throughout the District. • The Incorporated Society would need to obtain a ‘licence to occupy’ for the water assets within the roading corridor. • The targeted rate for the 2004 upgrade will not end until 2024/25. • Costs for the referendum

Item 8.1

Option	Pros	Cons
		(approximately $10,000) will need to be met by the Hamama community. • A Special Consultative Procedure (SCP) will be required before the rate can be stopped.
Option 2: Status quo. The Council owns the Hamama Water Supply, but management, operation and maintenance are carried out by the Hamama Community The Council will be responsible for ensuring the Hamama water supply meets the outcome requirements of the 3-Waters reforms.	• Retains the Council's statutory authority to ensure rates are paid and to access public reticulation on private property.	• The Council remains responsible for the compliance of water quality without having any control over the scheme. This is not acceptable to the Council and is unlikely to comply with the Water Services Bill. • The H&S risk associated with work managed by the Committee exposes the Council as owner of the scheme.
Option 3: The Council takes on full responsibility of ownership, management, operation and maintenance of the Hamama Water Supply and operates the water scheme through the Utilities Operations and Maintenance contract. The Council will be responsible for ensuring the Hamama water supply meets the outcome requirements of the 3-Waters reforms.	• Compliance with Health & Safety • Retains the Council's statutory authority to ensure rates are paid and to access public reticulation on private property. • Compliance with all legislation. • Staff skills relating to compliance with the Health Act. • Operated as part of the Councils 'Water Club'. • Operated in accordance with the Council's current Water Supply Bylaw.	• Water costs could increase. • Loss of direct community input into operations and maintenance. • Potential loss of knowledge from existing operators.

Option	Pros	Cons
	• Repairs undertaken by suitably qualified and experienced operators. • O&M history recorded. • Funds full depreciation costs. • The Council has mandatory reporting in place to meet requirements for the operation of water supplies.	

5.2 Council staff recommend **Option 1.** There is a very strong push from the users to hand the scheme over. Staff can accept this on the basis that the scheme will meet all the requirements of the Water Safety Bill and the operators of the scheme are able to meet the compliance and monitoring requirements.

5.3 If the community is unable to comply with these requirements, then it is possible the Council may have to take back the scheme.

6 Strategy and Risks

6.1 Council staff have discussed the transfer of ownership, operation and maintenance of the water supply scheme with the Medical Officer of Health and the Hamama Water Supply Committee.

6.2 Major water reforms are ongoing and present the risk that despite going through the process to hand the scheme over to the community, the regulator might require that the operation of smaller water schemes, which are unable to comply with DWSNZ, be undertaken by a water supply company capable of meeting the requirements.

6.3 It is likely that all large schemes (serving greater than 500 people) will need to comply with the Water Services Bill within one year. This does not apply to the Hamama Water Supply Scheme. However, provided the scheme is operated properly and is safe, it is likely that it could have up to five years to become fully compliant with the Water Services Bill.

6.4 It is likely that the regulator (Taumati Arowai) will need to be assured that whoever is responsible for running the HWS Scheme has the appropriate qualifications, skills and experience to operate and maintain the scheme to provide drinking water to the appropriate standard. This is the same as for many other private water supply schemes within the District and throughout New Zealand.

7 Climate Change Impact Assessment

Climate Change Consideration	Assessment	Explanation of Assessment
Is this activity associated with one of the goals in Council's Climate Action Plan?	No	Climate Change considerations are not relevant to this report.
Will this decision affect the ability of Tasman District to proactively respond to the impacts of climate change?	No	This decision will not affect the ability of the Council to proactively respond to the impacts of climate change.

8 Policy / Legal Requirements / Plan

8.1 The process to transfer the HWS Scheme to a community entity is set out in Section 131(2)(d) of the Local Government Act 2002.

Closure or transfer of small water services

131 Power to close down or transfer small water services

(1) Despite section 130(2), a local government organisation may, in relation to a water service that it is no longer appropriate to maintain,—

(a) close down the water service; or

(b) transfer the water service to an entity representative of the community for which the service is operated.

(2) A local government organisation must not close down or transfer a water service unless—

(a) there are 200 or fewer persons to whom the water service is delivered and who are ordinarily resident in the district, region, or other subdivision; and

(b) it has consulted on the proposal with the Medical Officer of Health for the district; and

(c) it has made publicly available in a balanced and timely manner—

(i) the views of the Medical Officer of Health; and

(ii) the information it has received in the course of—

(A) undertaking a review, assessment, and comparison under section 134(a) and (b); or

(B) preparing a management plan and making assessments under section 135(a), (b), and (c); and

(d) the proposal is supported, in a binding referendum conducted under section 9 of the Local Electoral Act 2001 using the First Past the Post electoral system,—

(i) in the case of a proposal to close down a water service, by 75% or more of the votes cast in accordance with subsection (3); and

(ii) in the case of a proposal to transfer a water service, by more than 50% of the votes cast in accordance with section 132.

(3) For the purpose of subsection (2)(a), a certificate signed by the chief executive of the local government organisation as to the number of persons to whom the water service is delivered in the district, region, or other subdivision at any date is conclusive evidence of that number.

8.2 Changes in the drinking water legislation may have a significant impact in the long term on the ownership of the scheme.

8.3 The Hamama Water Supply Users have established and registered an incorporated society (Hamama Water Supply Incorporated Society) to take on the ownership of the HWS Scheme.

8.4 The rates are set as part of the Long Term Plan process and are based on the ten year financial projections. Transferring ownership of the scheme to the Incorporated Society may require an amendment to the Revenue and Finance Policy (RFP). It will also require an amendment to the Financial Impact Statement (FIS). This is because it involves removing three rates currently being levied for the HWS. Any amendments to the RFP and FIS documents will require public consultation through a Special Consultative Process (SCP).

9 Consideration of Financial or Budgetary Implications

9.1 There are cost implications associated with this decision. Costs to undertake the referendum are in the region of $7,000-$10,000, which would need to be met by the HWS Scheme. These costs would not be recovered if ownership of the scheme were to change as a consequence of the 3-waters reform. The referendum documentation will need to highlight this risk.

9.2 In addition to the referendum costs, there are costs associated with potential amendments to the Revenue and Financial Policy (RFP) and definite amendments to the Funding Impact Statement (FIS). These are in the region of $7,000-$10,000 and would also be funded from the closed HWS Scheme account or met directly by the HWS.

9.3 If the transfer of the HWS to the HWS Incorporated Society is approved, then the Council would no longer levy rates on the HWS. Given the timeframes for the referendum and SCP, this would not be implemented until 1 July 2022. The HWS Incorporated Society would have to take on the responsibility of recovering the balance for the targeted rate for the outstanding loans from the 16 users.

10 Significance and Engagement

10.1 The significance of Council decisions sought in this report are considered low. Community engagement and consultation was undertaken with a survey in July 2018.

Issue	Level of Significance	Explanation of Assessment
Is there a high level of public interest, or is decision likely to be controversial?	Low	There is local interest in the community of Hamama, but there is not a wide interest across the District
Is there a significant impact arising from duration of the effects from the decision?	Low	
Does the decision relate to a strategic asset? (refer Significance and Engagement Policy for list of strategic assets)	Low	Water supply is a strategic asset but this is a small scheme and the decision affects a very small part of the community
Does the decision create a substantial change in the level of service provided by Council?	Low	The Council will no longer provide a service, but it is not substantial.

Issue	Level of Significance	Explanation of Assessment
Does the proposal, activity or decision substantially affect debt, rates or Council finances in any one year or more of the LTP?	Low	Impact on the water rates taken for the Hamama Water Supply Scheme is a minor part of the water supply activity and is a closed account
Does the decision involve the sale of a substantial proportion or controlling interest in a CCO or CCTO?	NA	
Does the proposal or decision involve entry into a private sector partnership or contract to carry out the deliver on any Council group of activities?	Low	No
Does the proposal or decision involve Council exiting from or entering into a group of activities?	High	Exiting from the ownership of the Hamama Water Supply
Does the proposal require inclusion of Māori in the decision making process (consistent with s81 of the LGA)?	NA	

11 Conclusion

11.1 The Hamama Water Supply users have requested that the ownership, management, operation and maintenance of the Hamama Water Supply Scheme be handed over to the HWS Incorporated Society.

11.2 A decision to hand over the scheme needs to be made as the current agreement is outdated and provides an ongoing risk to the Council. This is specifically related to compliance with the Health & Safety Act and the Drinking Water Standards New Zealand.

11.3 Staff recommend that the Council approve the request to hold a binding referendum on the ownership of the Hamama water supply and subject to the outcome that referendum undertake an SCP to cease levying the three rates on HWS users.

12 Next Steps / Timeline

12.1 A binding referendum has a 89-day timetable.

12.2 The next steps of the referendum process are set out below.

12.2.1 Arrange for the Council’s electoral officer to prepare a special roll of persons eligible to vote in the binding referendum, Section 133(2) Local Government Act.

12.2.2 The electoral officer must make a copy of the Electoral Roll available at the principal office of the Council and any other place that the electoral officer and the occupier of that place agrees as a place at which the roll may be kept.

12.2.3 The electoral officer must give public notice of the place where the roll is kept and keep it open for public inspection for a period of not less than 21 days before closing of the roll, Section 42 Local Electoral Act.

12.2.4 The electoral officer must give public notice of the referendum in accordance with Section 52 Local Electorate Act 2001 not later than 28 days before the closing of the roll.

12.2.5 The Council must make publicly available in a balanced and timely manner:

12.2.5.1 The views of the Medical Officer of Health; and

12.2.5.2 The information the Council has received in the course of preparing the Management Plan and the Section 135 Assessments (future capital operating costs and ability to operate).

12.2.6 Conduct a referendum under Section 9 of the Local Government Act using first past the post electoral system, by more than 50% of the votes cast, Section 131(2)(d)(ii) Local Government Act.

12.2.7 Voting period and declaration of poll result.

12.3 If the referendum approves the handover of the HWS to the HWS Incorporated Society then the Council would need to initiate a Special Consultative Procedure to amend the Revenue and Financing Policy, if required, and the Funding Impact Statement. This is likely to take up to three months as it will require one month of consultation, followed by hearings, deliberations and a final decision.

12.4 The process following consultation will be as follows;

12.4.1 Draft agreement to transfer assets, easements and consents to the community entity (consider benefit of transferring the water service to the community entity so as to coincide with the Council's end of year processing as at 1 July 2022).

12.4.2 Settlement pursuant to the agreement and handing over responsibility for operation and maintenance of the water service.

12.4.3 Advise Medical Officer of Health of the change of ownership.

12.4.4 Allow period for operational handover of water service.

12.4.5 Adjust billing for water service so that individual scheme members are billed directly by the community entity.

12.4.6 Arrange for water rates for affected parties to be amended.

12.5 It is intended that all of this will be completed so that the Hamama Water Supply Scheme can be officially handed over to the HWS Incorporated Society on 1 July 2022.

Attachments

Hamama Water Supply.

Meeting date:
23rd November 2018 at 1.30pm
Present:
Ministry of Health: Stephen Bridgman, Evan McKenzie,
Hamama Water Committee: Mik Symmons, Gavin Peterson
Tasman District Council: David Burn, Mike Schruer, Jeff Cuthbertson.

General discussion:

- Mik and Gavin gave a brief introduction of how the water scheme came about and how the water scheme has been managed over the years.
- Jeff gave a brief outline of the Local Government Act 2002 and the process Council is intending to follow.
- Ministry of Health (MOH)- Public Health must be assured the issues relating to ownership of the scheme requires:
  (1) Rural Agricultural water scheme status.
  (2) Legislation (Health Act) fits the bill relating to Rural Agricultural scheme.
  (3) It was noted that the water scheme is already registered as a Rural Agricultural scheme.
  (4) Need flow data for 1 year forwarded to the MOH to ensure that they are satisfied with the Rural Agricultural status being imposed on the Hamama water scheme.
  (5) Rural Agricultural status must still comply with the Health (Drinking water) amendment Act.
  (6) Need to refer to the guidelines, Rural Agricultural Drinking water supply. https://www.health.govt.nz/system/files/documents/publications/rural-agricultural-drinking-water-supply-guideline-mar15-v3.docx
  (7) MOH recommends the adoption of the Rural Agricultural Drinking water supply (RADWS) by the committee and as part of the new ownership.
  (8) MOH also refer to the current uncertainty of the legislation and the potential for future changes in the legislation in light of the Havelock North issues.
  (9) All members need to be aware of the Health (Drinking water) amendment Act. www.legislation.govt.nz/act/public/2007/0092/latest/DLM1234204.html
  (10)The committee and The Council need to identify the need to establish a legal Entity for the Hamama water supply.

Water usage: Average Winter usage is 1700m^3/day.
Average Summer usage is 2700m^3/day.

We need to identify how the water averages are worked out?
Water is extracted for the Hamama Water supply from the Tasman District Council Local purpose Works Reserve area and the Kahurangi National Park (Department of Conservation). Refer attached aerial plan.

Hamama water committee sends out twice yearly notices to all customer stating the risks relating to the water supply.
Hamama water supply has no control of what people use the water for. nor do they have the ability to stop customers mixing their water sources.eg water supply water and roof or bore water into the same tank.
All water scheme customers receive their water through a water meter and standard backflow devices.

All scheme members need to be aware that the water source is unprotected and the potential health risks associated with this unprotected water source.
The Water Safety Plans to be developed for the water scheme will identify how individuals can protect themselves.

When the scheme is set up a legal supply agreement needs to be in place for each customer. This legal agreement needs to include:

- the requirements for household treatment,
- the requirement for backflow prevention,
- Risks related to the source water,
- Management and Water Safety Plan,
- Risks relating to the mixing of water sources,
- Requirement to pay for water,

Next steps:

- Get information relating to the years flows to the MOH?
- Create the management and Water Safety Plans.
- How will the Committee deal with the customer agreement?
- Jeff - find out details relating to the referendum from Kate Redgrave.
- Can we get a copy of the Tukurua Water Safety Plan

Attached:

- Hamama water intake location.
- Copy of the Rural Agricultural Drinking water Supply Guidelines.

CONVERSATION AND MEETING RECORD FORM

Please mark 'X' for your choice

NEW WORK		X	**FORFILING**		**EXISTING WORK**	
DWA or Trainee Name		Evan McKenzie		**Date and Time**	23/11/18	
File Ref	**CWS_4_HAM004**		**Conversation**		**Meeting**	X

With	Jeff Cuthbertson, David Byrne, Mike Schruer	From	Tasman District Council
With	Myk Symmons & 1 other	From	Hamama Community
With	Stephen Bridgman	From	Public Health Service MOH
With		From	

COMMENT / NOTES

Meeting organised by TDC following on from earlier discussions re proposal to transfer ownership of Hamama supply to Hamama community. This is allowed under LGA section 51. MOH views must be obtained.

Evan outlined the current compliance obligations held by Hamama. Subject to final assessment that it is a RADWS supply, does not currently have legal obligation to comply with 69s to 69ZC of the Health Act. Of most implication is the current status that they do not need to comply with the DWSNZ. Water-use data is required to finalise the provisional assessment made by the DWA in 2016 that the supply was RADWS.

M Symmons undertook to provide the metering data that is available.

Evan described that with the current review by the Gov't of the drinking water regulatory regime, there is no guarantee that the current obligations will remain, be strengthened or be relaxed.

MOH and DWA are not overly concerned as to the ownership structure of the supply, as long as public health is protected as far as possible. DWA presented the RADWS Guidelines – Myk Symmons was already aware of them.

Outlined the recommendations that the DWA would make, endorsed by the MOH.

1. Implementation of the *Rural Agricultural Drinking-water supply Guideline*
2. The scheme members are fully apprised of the current Health Act obligations pertaining to Hamama and be given some idea of what they could become.
3. That transfer is to an entity that is readily identifiable and can be held accountable with regard to the Health Act.

4. The RADWS status of this supply is verified asap and this will require flow and metering data of some description.

TDC looking to conduct a referendum, as required by LGA, at next Council elections in 2019.

Jeff Cuthbertson to draft a memo to Hamama residents in due course and will run this by DWA & MOH prior to finalisation.

If record is for New Work, please attach to an email and send to: drinkingwaterunit@cdhb.health.nz with **NEWWORK_FileReference_Subject** in the subject line.

Nelson Marlborough and Public Health South DWAs: If record is For Filing/ existing work, please attach to an email and send to drinkingwaterunit@cdhb.health.nz with **FORFILING_Date_ FileReference_Subject** in the Subject line.

CPH DWAs: please save into the **FORFILING** folder using the required format identifier – **YYMMDD_FileReference_Initials_Topic_Version#**.

Template Form Approved by: Technical Manager   Date: 22/12/2015

HAMAMA WATER SUPPLY SCHEME SURVEY RESULTS - JULY 2018

	Name	Name	Valuation No.	1 Do you live on this property connected to the HWSS?	2 If no, is the property occupied by?	3 If occupied by a business please describe the type of business	4 How many connections to the HWSS do you have on your property?	4a Number of Domestic connections	4b Number of Farm connections	5 How many seprate houses/dwellings are there on your property?	6 How many of these houses/dwellings are supplied water from the Hamama Water Supply Scheme?	7 How many people in these residences use the Hamama water for drinking and domestic purposes?	8 How many of your houses/dwellings have water treatment?
1	Thomas Jessica Jane	Thomas Robert Arthur Colin	1870019200	Yes		N/A	1			1	1	4	1
2	Winter Alister Lyell	Winter Giesela Gunther	1870017404	Yes			1			1	1	3	0
3	Chubb Robert Geoffrey	Chubb Cherrie Karren	1870019402	No			1			0	N/A		N/A
4	Chubb Robert Geoffrey	Chubb Cherrie Karren	1870018400	Yes			2	1	1	1	1	3	0
5	Symmons Michael John	Sadlowski Carin Doris	1870019203	Yes			1	1		1	1	2	1
6	Heyes Alan Leslie	Richards Nancy Margaret	1870017406	Yes			1			1	1	2	0
7	Kaka Eiden James	Morwood Selene Ann	1870017400	Yes			2	1	1	1	1	1	0
8	Morcom Richard Evan	Morcom Kimberlee Johnson	1870018805	Yes			1			1	1	2	0
9	Goodger Kelly Wayne		1870018806	Yes			1			1	1	2	1
10	McIntyre Brent Anthony	Neary Jacqueline Margaret	1870018601	Yes			1			1	1		1
11	Domett Michelle Marie		1870019300	Yes			1	1		1	1		1
12	Riley Peter	Riley Robin Scott	1870019602	Yes			1	1		1	1		1
13	Lindsay Ross Dudley		1870019201	Yes			2			1	1		0
14	Burnt Section Limited		1870019601A	Yes			5		5	2	2	4	2
15	Neighbours Colin James		1870018602	Yes			1			1	1	2	1
16	Russell Iain Allan	Godfey Gillian Clare	1870019403	Yes			1	1		1	1	2	1
17	Joyce Anthony John		1870019401	Yes			1			1	1		1
18	Petterson Brian Scott	Petterson Judith Ann	1870017401	Yes			1		1	1	1		1
19	Savage Karen June		1870020300	No	Employee	Dairy farm	1	1	1	1	1	6	0
20	Savage Karen June		1870019901	Yes		Dairy farm	2		2	0	0		
21	Savage Karen June		1870018705	Yes			2	1	1	2	2	4	0
22	Betts Leah Margaret		1870017700										
23	Harwood Gary Arthur	Harwood Vanessa Cherie	1870018900	Yes			3	2	1	2	2	6	1
24	Gunsboro Limited		1870017500	No	Employee		7	2	5	3	2	4	2
25	Petterson Scott Anthony Hugh		1870020500A	Yes		Dairy farm	2	1	3	2	2		2
26	Petterson Scott Anthony Hugh	Feasey Francis Norton	1870017403	No		Farm run off	1		1	0			0
27	Savage Lisa Marie	Fletcher Vautier Moore Trustees Limited	1870018701	No	Tenant		1	1		1	1	5	0
28	Bensemann Susan Janice		1870018603										
29	Clarke Amanda Elizabeth	Coleman Louise Ann	1870019100										
30	Dos Rios Dairy Limited		1870017205A										
			Total				44	14	22	29	28	52	17

	9a What type of treatment do you have for each dwelling?	9b Pore size (micron)	10 Is there another residential water source on the property?	11 If yes, what is it?	12 Are the water supplies stored seprately or mixed into the same tank?	13 Do you have seasonal changes in number of people resident at this property through the year?	14 For this peak period what would be the total number resident at the property for more than 2 months of the year?	15 What is the total water storage capacity, connected to the scheme on your property?	16 Do you utilise the HWSS for stock or agricultural purposes?	17 What portion (%) of your water supply is used for stock or agricultural purposes?	18 Would you support the transfer of ownership of the scheme from the Council to an entitiy owned and operated by the Hamama Water users?
1	Filter only	1	No			No	N/A	2 m³	Yes	75	Yes
2	None		Yes	Bore	Always separate	No	1-5	N/A	Yes	80	Yes
3							N/A		Yes	100	Yes
4			Yes			Yes	1-5		Yes	100	Yes
5			No		N/A	No	1-5	1000 m³	Yes	50	Yes
6			No			No		5000 m³	Yes		Yes
7	Filter only	10	No		N/A	No	1-5		Yes	40	Yes
8	None		No			No	1-5		Yes	80	Yes
9	Filter only	5	No			No	N/A	2 m³	Yes	30	Yes
10	UV only		Yes	Rain	N/A	No	N/A		Yes	90	Yes
11	Filter only	5	No		N/A	No	1-5		No		Yes
12	Filter only		No		N/A	No	N/A		No		Yes
13	None		No		N/A	No	N/A	25m³	Yes	75	Yes
14	Filter only	1	No		N/A	No	N/A	1m³	Yes	99	Yes
15	Filter only	5	No		N/A	No	1-5	20m³	Yes	40	Yes
16	Filter only	20	No			No	N/A	20m³	Yes	10	Yes
17	Filter only		No		N/A	Yes	1-5	30m³	Yes		Yes
18	Filter only		No	Rain	N/A	No	1-5		Yes	60	Yes
19			No		N/A	No			Yes	100	Yes
20			No			No		20m³	Yes	100	Yes
21						No		40m³	Yes	100	Yes
22	None		Yes		N/A	No	1-5		No		Yes
23	Filter only		No		Always mixed	No	6-10	35m³	Yes	90	Yes
24	Filter and UV		Yes	Rain	Always separate	No	1-5		Yes	90	Yes
25	Filer only		No		Always separate	No	1-5		Yes	99	Yes
26			No			No			Yes	100	Yes
27			No			No	1-5	0m³	No		Yes
28											
29											
30											

tasman district council

9.2 HAMAMA WATER SUPPLY

Decision Required

Report To:	Engineering Services Committee
Meeting Date:	15 February 2018
Report Author:	Jeff Cuthbertson, Senior Engineer Utilities; Mike Schruer, Utilities Manager
Report Number:	RESC18-02-02

1 Summary

1.1 Tasman District Council owns the Hamama Water Supply Scheme but the Hamama Water Supply Committee manages the day-to-day operations and maintenance of the scheme.

1.2 The current agreement between the Council and the water supply users is outdated, does not comply with current legislation and provides a significant risk to the Council particularly relating to compliance with the Health & Safety Act and the Drinking Water Standards New Zealand.

1.3 Two options for the future ownership and management of the Hamama Water Supply Scheme have been discussed with the Hamama Water Supply Committee:

- The Council operates the water scheme through the Utilities Operations and Maintenance contract; or
- The Council transfers ownership and operations and maintenance of the Hamama Water Supply Scheme to the Hamama water supply users.

1.4 We recommend that the Council discuss the proposal to transfer the Hamama Water Supply Scheme to the Hamama water supply users with the Medical Officer of Health to determine his views.

1.5 Subject to the views of the Medical Officer of Health, staff intend to consult with the Hamama water supply users on the option to transfer the scheme to them.

1.6 The outcome of the consultation with the Medical Officer of Health and the Hamama water supply users will be reported back to the Engineering Services Committee.

2 Draft Resolution

That the Engineering Services Committee:

1. **receives the Hamama Water Supply report, RESC18-02-02; and**
2. **instructs staff to undertake consultation with the Medical Officer of Health with a view to transfer the Hamama Water Scheme to the Hamama water supply users; and**

HAMAMA WATER SUPPLY

3. **instructs staff to consult with the Hamama water supply users to determine if they are in favour of transferring the Hamama Water Supply Scheme to them; and**
4. **requests that the outcome of the consultation with the Medical Officer of Health and the Hamama water supply users be reported back to the Engineering Services Committee.**

HAMAMA WATER SUPPLY

3 Purpose of the Report

3.1 The purpose of this report is to seek approval from the Engineering Services Committee to initiate the process to transfer the Hamama Water Supply Scheme from Council ownership to the Hamama Water Supply Scheme users.

4 Background and Discussion

4.1 The Hamama Water Supply Scheme was proposed in 1957 when a group of farmers applied to the then Department of Agriculture for an assessment to make an application through the marginal lands grant scheme to set up a water supply scheme. The Golden Bay County Council made an application to the Ministry of Works for a 1:2 subsidy, which was approved by Treasury. The water supply reserve was gazetted in 1959, the construction contract tendered in 1960 and the Hamama Water Supply Scheme commenced operation in 1960 with a formal opening on 23 November 1960.

4.2 The following year the Golden Bay County Council and the Hamama Water Supply Committee entered into a maintenance agreement for the Hamama Water Supply Scheme, which came into effect on 18 June 1980. The Hamama Water Supply Bylaw was created later that year.

4.3 In accordance with the Local Government Act 2002 (Sections 158 and 160) a bylaw needs to be reviewed every five years. If this review does not occur, the bylaw expires two years after the final review period. Therefore, the Hamama Water Supply Bylaw has expired.

4.4 The Hamama Water Supply Committee has negotiated two further loans through the Council to pay for major upgrades to the Hamama Water Supply Scheme. The first, in 1984, replaced the pipeline from the crossroads to Spring Brook. The second, in 2004, replaced the original concrete pipeline with a 100 mm diameter uPVC water main from the crossroads to 50m from the end of the new seal. This project was funded by the Hamama water supply users by either the payment of a lump sum or a targeted rate spread over 20 years.

4.5 The Hamama Water Supply Committee has undertaken further minor upgrades; replacing most of the galvanised pipe on the lower section of Hamama Road with alkythene pipe and upgrading all the draw-off points.

4.6 The Hamama Water Supply Committee undertakes minor repairs using a retired plumber or if more major work is required, a registered plumber and drainlayer, with appropriate traffic management certification and qualifications.

4.7 The Council only provides financial services to the Hamama Water Supply Scheme, which is operated as a closed account.

4.8 The scheme is funded by three separate rates, as follows:

- A targeted rate to pay off the existing loans;
- a fixed charge on each connected property; and
- a variable charge based on property valuation.

HAMAMA WATER SUPPLY

4.9 Water charges are not based on water usage and the connections are not metered.

4.10 The operational account currently has a surplus of $46,000 and the intention is to use these funds to pay for the installation of water meters later this year.

5 The Existing Maintenance Agreement

5.1 The maintenance agreement (**Attachment 1**) comprises eight key points, which are discussed below:

a) The Committee on and after the last day of January, 1980 shall undertake on behalf of the Council all works of maintenance to at least the same safe and adequate standard appertaining at the date of transfer of responsibility to the Committee, and such emergency work as may arise from time to time.

The Hamama Water Supply Committee undertakes operations and maintenance for the Hamama Water Supply Scheme. A number of issues, standards and laws have changed over the years since this agreement was put in place. However, limited records are passed back to the Council as to what work has been carried out on a daily basis and to what standard. The Council holds limited as-built information of the scheme and has no knowledge of the Hamama Water Supply Committee's Health and Safety plans, processes and procedures.

b) That the costs of maintaining the Hamama Water Supply shall be borne by the consumers and shall be recovered by the Council by way of a special rate on the capital value of the properties supplied.

The Council rates for water on behalf of the Hamama Water Supply Committee and pays for the work performed by or on behalf of the committee.

c) All the accounts and charges incurred in the maintenance of the water supply shall be paid by the Council after written authorisation from the Committee Chairman and Secretary.

In accordance with the maintenance agreement, all invoices are signed off by the Hamama Water Supply Committee Chairman or Secretary before being sent to Tasman District Council for payment. The current operational account is in credit to the sum of $46,000. The outstanding balance of the current loans is $42,000.

No asset register exists and depreciation is not set aside for future renewals or upgrades. While not formally depreciated the committee has agreed to maintain the rates at current levels, which is now building up a surplus to cover limited future renewals.

d) The Committee shall consult with the Council regarding any major maintenance works necessary for each ensuing year prior to 1 May of that year.

e) That a suitable public liability insurance policy to cover the Committee or any of them or theot servants or agents or workmen shall be taken out by the Council during the term of agreement.

The Council's public liability insurance will cover the plant and assets but does not cover servants, agents or workers outside of Council's employment.

f) In the event of serious damage to the water supply which would require abnormal manpower and equipment, the Council shall come to the committee's aid in restoring the supply to working condition.

The Council is able to instruct its Operations and Maintenance contractor to undertake any works required to get the scheme operational. The costs of these works would be recovered from the Hamama Water Supply Scheme account.

g) Any technical expertise required, of an advisory nature, pertaining to the maintenance and capital works exercised by permanent Council staff shall be borne by the Council out of general rates.

Such work is not covered by general rates and therefore all advice and support is funded by the Urban Water Club, which is not fair to those ratepayers who are, in effect, subsidising these costs for the Hamama Water Supply Scheme.

h) It is hereby further agreed that should it be found necessary from time to time due to unforeseen or special circumstances to alter, vary or add to one or more of the terms, conditions and stipulations herein contained, such variations, alterations and additions may be mutually arranged and agreed to by correspondence between the parties without the necessity of the execution of a new agreement. Provided however and it is hereby agreed that this agreement may be terminated at any time by three months' notice in writing by either of the parties to the other.

The Council is undertaking this review to determine the best ownership model for the users of the Hamama Water Supply Scheme. The status quo is no longer appropriate, the Council is responsible for the compliance of the scheme with resource consents and other legislation but has no control over the operation and maintenance of the network.

6 Options

6.1 Due to the size and permanent nature of the Hamama water supply, it is classified as a "drinking water supply". This means that all practical steps must be undertaken to upgrade the water supply to meet the bacteriological and protozoa requirements of the Drinking Water Standards. As it is likely that 75% of the volume of water consumed in the scheme is used for agricultural purposes, the scheme may be classified as a Rural Agricultural Drinking Water Supply. If this can be proved, there is an option to install treatment at each dwelling rather than treating the whole supply. This may be the cheaper option to upgrade the scheme, especially if the water is of good enough quality to allow simple cartridge filtration and UV disinfection. An approved Water Safety Plan is also required to meet the Drinking Water Standards.

6.2 Staff have met with the Chair and Secretary of the Hamama Water Supply committee and discussed the option of transferring ownership of the scheme to the water supply users and the likely implications. This was confirmed with a letter to the committee (**Attachment 2**). We also discussed the implications of continuing Council ownership and the need to comply with relevant legislation, in particular; the Health Act and Drinking Water Standards, Health and Safety Act, the Resource Management Act and the Local Government Act.

6.3 The Committee identified several concerns regarding the water user's ownership of the scheme and sought clarification from the Council before the water users agreed to consider ownership of the scheme.

6.4 The first related to the collection of water rates from the users of the scheme. They enquired if it was possible for the Council to rate the users on behalf of a privately owned scheme. We have investigated this option with our Corporate Services staff and their advice is that the Rating Powers Act does not allow the Council to rate for the operation and maintenance of infrastructure that it does not own. Furthermore, the management of a privately owned scheme has the ability to cut off a water supply service to a customer who does not pay, which a council is unable to do under the Local Government Act.

6.5 Secondly, they enquired about the existing loans currently being paid off through targeted rates by some members of the scheme. A change of ownership of the scheme would not affect this arrangement, the Council would continue to apply the targeted rate until the loans are repaid.

6.6 Finally, they asked if Council assistance would be forthcoming in the event of a natural disaster causing significant damage to the water supply scheme. In the event of a natural disaster, the Council responds to the needs of the water users and ensures that essential services are restored in the District, irrespective of ownership. It would then address the issue of payment for that response once the recovery phase of the event has passed.

6.7 There are two options to be considered for the future ownership, operations and maintenance of the Hamama Water Supply Scheme:

Option 1 – the Council takes over the operations and maintenance of the Hamama Water Supply Scheme, which it already owns.

Option 2 – the Council consults with the Medical Officer of Health, the Hamama Water Supply Committee and the Hamama water supply users with a view to transferring the Hamama Water Supply Scheme to the water supply users to be owned, operated and maintained as a private water supply scheme.

Option 1 – The Council takes over the operation and maintenance of the Hamama Water Supply Scheme:

6.8 The Council would merge this operation into its Three Waters Utilities Operations and Maintenance contract. At a later stage Council could decide whether this scheme should have its own closed account or be included in the Urban Water Club.

6.9 The charging mechanism will be the same as for the Urban Water Club, depending on whether they have on-demand metering or restricted supplies.

6.10 The scheme would be brought up to the required standards to comply with necessary legislation thereby mitigating the risks for which the Council would currently be liable.

6.11 Should the Council take over the operations and maintenance of the scheme, the water supply users would not have the same level of involvement in the day-to-day running of the scheme and decisions on upgrades and other expenditure would be made by the Council but would be consulted through the Long Term Plan process.

6.12 A reasonable amount of work will be required to bring the scheme up to standard, such as:

- Accurate as-built records of the network
- Valuation of the network for audit and depreciation purposes
- Condition analysis of the infrastructure
- Water Safety Plans
- System Operating Plans
- Drinking Water Standards NZ requirements

Option 2 – Staff undertake consultation with the Medical Officer of Health and the Hamama water supply users with a view to transferring the Hamama Water Scheme to the Hamama water supply users.

6.13 Currently the Council owns the assets of the Hamama Water Supply scheme but it does not operate, maintain or upgrade the scheme. The Council could transfer these assets to the Hamama water supply users through a process outlined in Part 7 of the Local Government Act 2002. The Hamama Water Supply Committee would administer the scheme on behalf of the users.

6.14 The users believe that they could run the scheme cheaper than the Council can and we are not keen for the users to run the scheme on Council's behalf, as discussed above.

6.15 The Council would need to gain the support of the Hamama water supply users through a referendum, in order to transfer the scheme to the users.

6.16 At this stage it is uncertain what impact the recommendations of the Stage 2 Havelock North Inquiry will have on privately owned community water supply schemes, which does pose a risk that the Council may need to take over the scheme some time in the future.

6.17 Staff do not have a preferred option, but strongly believe that the status quo is not a viable option as the Council is responsible for the compliance of the scheme with resource consents and other legislation but has no control over the operation and maintenance of the network.

7 Strategy and Risks

7.1 Council staff have previously consulted with the Medical Officer of Health, who had no objection to the proposal at the time, however he has since retired. Therefore, Council staff will consult with the recently appointed Medical Officer of Health to ensure that the transfer of ownership, operation and maintenance of the water supply scheme will not result in a public health issue for the Hamama water supply users. The Medical Officer of Health will need to be assured that whoever is responsible for running the community scheme has the appropriate qualifications, skills and experience to operate and maintain the water supply scheme to provide drinking water to the appropriate standard.

8 Policy / Legal Requirements / Plan

8.1 Part 7 of the Local Government Act 2002 provides a methodology for the transfer of a water supply scheme from council to community ownership if there are 200, or fewer, persons to whom the water service is delivered.

8.2 Part 7 of the Local Government Act 2002 also requires the Council to carry out a referendum, which must achieve more than 50% of the total votes cast in order to transfer the scheme to the water supply users.

8.3 A formal agreement will be required to transfer the water supply scheme to the water supply users. The Medical Officer of Health must be consulted on this agreement and their minimum requirements for level of treatment and operator qualifications and training must be considered in the agreement.

9 Consideration of Financial or Budgetary Implications

9.1 Currently, Tasman District Council rates the Hamama Water Supply Scheme users for the water supply. The funding from the rates collected is used by the Hamama Water Supply committee to operate, maintain and upgrade the Hamama Water Supply Scheme.

9.2 The current operating account for the Hamama Water Supply Scheme is in credit and the Committee intends to use this surplus to install water meters later this year.

9.3 The Council will incur costs transferring the scheme, including but not limited to:

- Legal costs;
- Potential costs associated with Operations and Maintenance training to operate the water supply;
- Costs of the referendum.

9.4 The draft Long Term Plan 2018 – 2028 makes provision for the ongoing funding of the scheme in its current mode of operation but it does not allow sufficient funding to operate, maintain and upgrade the scheme to meet current legislation, including Drinking Water Standards. If the recommendations from the Stage 2 Havelock North Inquiry become mandatory this would likely be even more onerous.

10 Significance and Engagement

10.1 The decisions sought in this report are to decide whether to consult with the Medical Officer of Health and the Hamama water supply users on the proposal to transfer the Hamama Water Supply Scheme to the water supply users.

10.2 Prior to preparing this report, we discussed the proposal to transfer the water supply scheme to the Hamama water supply users with the Chairman and Secretary of the current Hamama Water Supply Committee.

10.3 It is considered that the decisions sought are of low to moderate significance.

HAMAMA WATER SUPPLY

Issue	Level of Significance	Explanation of Assessment
Is there a high level of public interest, or is decision likely to be controversial?	Low – District High - Hamama	There will only be interest from the consumers on the Hamama water supply. There will likely be an increase in water charges if the scheme is included in the Urban Water Club.
Is there a significant impact arising from duration of the effects from the decision?	High	If the Council transfers the Hamama Water Supply scheme, then the decision is likely to be long term.
Does the decision relate to a strategic asset? (refer Significance and Engagement Policy for list of strategic assets)	Low	The asset will only affect the consumers on the Hamama water supply.
Does the decision create a substantial change in the level of service provided by Council?	Low	The Council will not be involved with the provision of a water supply to the Hamama water supply users but the Council's overall water supply level of service will not change.
Does the proposal, activity or decision substantially affect debt, rates or Council finances in any one year or more of the LTP?	Low	Rates will no longer be collected by the Council, however, the remaining debt for upgrades to the scheme will continue to be rated through until 2024.
Does the decision involve the sale of a substantial proportion or controlling interest in a CCO or CCTO?	No	
Does the proposal or decision involve entry into a private sector partnership or contract to carry out the deliver on any Council group of activities?	No	
Does the proposal or decision involve Council exiting from or entering into a group of activities?	No	It only relates to the Hamama Water Supply.

11 Conclusion

11.1 The current arrangement of Council ownership of the Hamama Water Supply Scheme and the water supply users responsible for the operations and maintenance, poses a number of legislative compliance risks for Council and is not sustainable.

11.2 We have discussed the proposal to transfer the water supply to the Hamama water supply users with the Chairman and Secretary of the current Hamama Water Supply Committee and they are in favour of further investigating this option as they believe it would be more affordable for them to take over the scheme. They raised a few concerns, as discussed in Section 6, but we believe we can cover these through the legal agreement to transfer ownership to the water supply users.

11.3 The Engineering Services Committee's approval is sought for staff to consult with the Medical Officer of Health and the Hamama water supply users to investigate the option of transferring the Hamama Water Supply Scheme to the water supply users.

12 Next Steps / Timeline

12.1 Staff estimate that the process for the Council to transfer the Hamama Water Supply scheme will take approximately two years.

12.2 Subject to approval of the Engineering Services Committee, staff will consult with the Medical Officer of Health and his views need to be provided to the Hamama water supply users as part of the consultation with them.

12.3 Staff will then consult with the Hamama water supply users.

12.4 If there is general agreement that transferring the scheme to the water supply users is the best possible option, staff will present a report to the Council requesting approval to undertake a binding referendum of the Hamama water supply users to gauge support.

12.5 If a majority of over 50% is achieved with the referendum to transfer the scheme, the transfer process outlined in the Local Government Act will then follow.

13 Attachments

1. Hamama Water Supply-Maintenance Agreement
2. Letter-Hamama Water Supply Committee-2017-12-13

8.2 MOTUEKA WASTEWATER TREATMENT PLANT - REQUEST FOR ADDITIONAL FUNDING

Decision Required

Report To:	Full Council
Meeting Date:	8 April 2021
Report Author:	Mike Schruer, Utilities Manager; Juliet Westbury, Asset Engineer - Wastewater
Report Number:	RCN21-04-3

1 Summary

1.1 The membrane filtration plant capacity at the Motueka Wastewater Treatment Plant (WWTP) has decreased from 5,500m³/day to 3,500m³/day over the last five years. There was insufficient treatment capacity in November 2020 and an emergency controlled overflow couldn't be avoided. To prevent the need for another overflow and associated resource consenting, an early renewal of the membranes is recommended.

1.2 The waterproofing clay liner in the Motueka WWTP aeration basin has eroded due to high water velocities from the more powerful aerators installed in 2015. The basin needs to be relined urgently to avoid overloading the oxidation pond and adding additional pressure to the underperforming membranes.

2 Draft Resolution

That the Full Council:

1. **receives the Motueka Wastewater Treatment Plant - Request for Additional Funding report, RCN21-04-3; and**
2. **approves the use of Nelson Regional Sewerage Business Unit (NRSBU) capital budget underspend in 2020/2021 to fund the membrane renewal and aeration basin relining for the Motueka Wastewater Treatment Plant at a total cost of $892,000; and**
3. **notes that the $380,000 shortfall from the NRSBU budgets will be reviewed in the next two years as and when the NRSBU schedule the respective capital investment.**

3 Purpose of the Report

3.1 To request funding for the early renewal of the membranes at the Motueka Wastewater Treatment Plant and the repair of the aeration basin embankment lining.

4 Background and Discussion

4.1 The Motueka WWTP is the largest treatment plant that the Council operates. It serves the populations of Motueka, Riwaka and Kaiteriteri, up to 12,000 people during peak summer.

Motueka WWTP Membrane Filtration Plant

4.2 In mid-November 2020 the flows into the Motueka WWTP exceeded the capacity of the membrane filtration plant for several weeks. This led to the ponds nearing the point of overflow. A decision was made, in conjunction with manawhenua iwi and the Council's consenting staff, to undertake an emergency discharge into the former soakage area, which had recently been part of a revegetation project. This prevented an uncontrolled overflow and possible scouring of embankments, and directed the overflow away from waterways. This controlled overflow was a one-off emergency event and was permitted under Section 330 of the Resource Management Act. There was no evidence of any environmental impact from the short over-pumping event.

4.3 The membranes were designed to provide a maximum treatment rate of 5,500m^3/day with a turbidity of 60 NTU (Nephelometric Turbidity Units – measure of turbidity/clarity). The 5,500m^3/day design capacity was based on the biggest high flow event recorded in 2008, see Figure 1. During the 2008 event, inflows exceeded 5,500m^3/day, however modelling showed that by utilising the storage capacity in the oxidation pond, a treatment rate of 5,500m^3/day was sufficient.

4.4 The turbidity of wastewater at the Motueka WWTP regularly exceeds 120 NTU, especially over summer. This has resulted in a reduced treatment rate as more cleaning is required. Also, each clean requires chemicals which over time reduces the life of the membranes.

4.5 Peak treatment capacity during the November 2020 high flow event was down to around 3,500m^3/day, significantly less than the design capacity.

4.6 The new membranes were originally guaranteed for seven years, although it was possible to get up to 10 years of use. With the extra cleaning due to high turbidity, combined with a high pH event, the expected membrane life has reduced significantly from 10 years. Given this deterioration staff originally scheduled the replacement of the membranes in 2021/22 (Year 1 of the Long Term Plan 2021/2031). During LTP deliberations this was delayed until 2022/23 to assist with budgetary constraints in the proposed Long Term Plan 2021-2031.

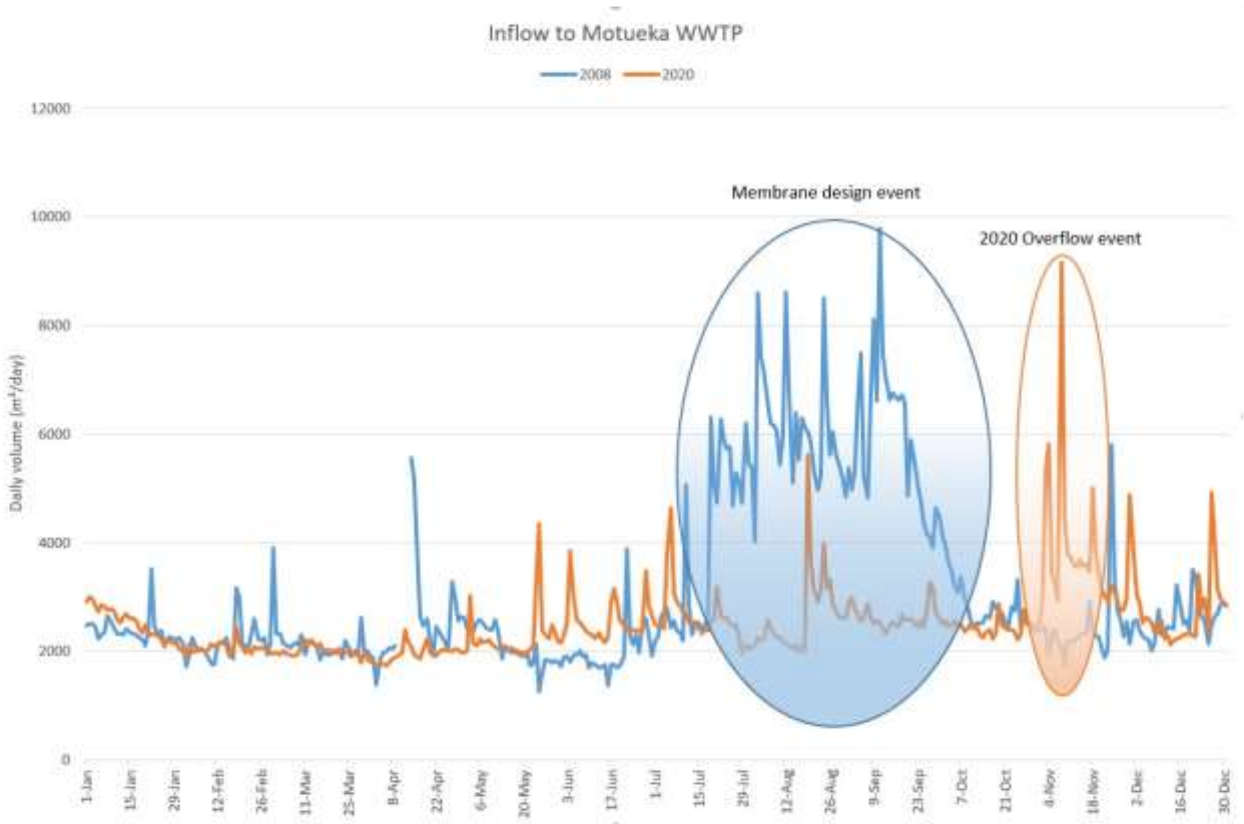


Figure 1: 2008 design event compared to the much smaller 2020 overflow event.

4.7 The November 2020 high flow event was not unusual, it happens at least once a year and can last longer than shown in Figure 2.

4.8 While replacing the membranes, like for like, may not achieve the full 5,500m³/day with the highly variable turbidity, peak wet weather flows are expected to reduce by up to 500m³/day. Normal daily flows have already reduced by 140m³ with the relocation of the Hau Road laundry to Richmond in December 2020. A small portion of this reduction will be offset by growth.

4.9 Council staff are continuing to investigate and remove inflow and infiltration (I/I) from the wastewater network connected to the Motueka WWTP. Several large sources of I/I have been identified and removed with the largest due to be fixed by the end of summer 2021/22.

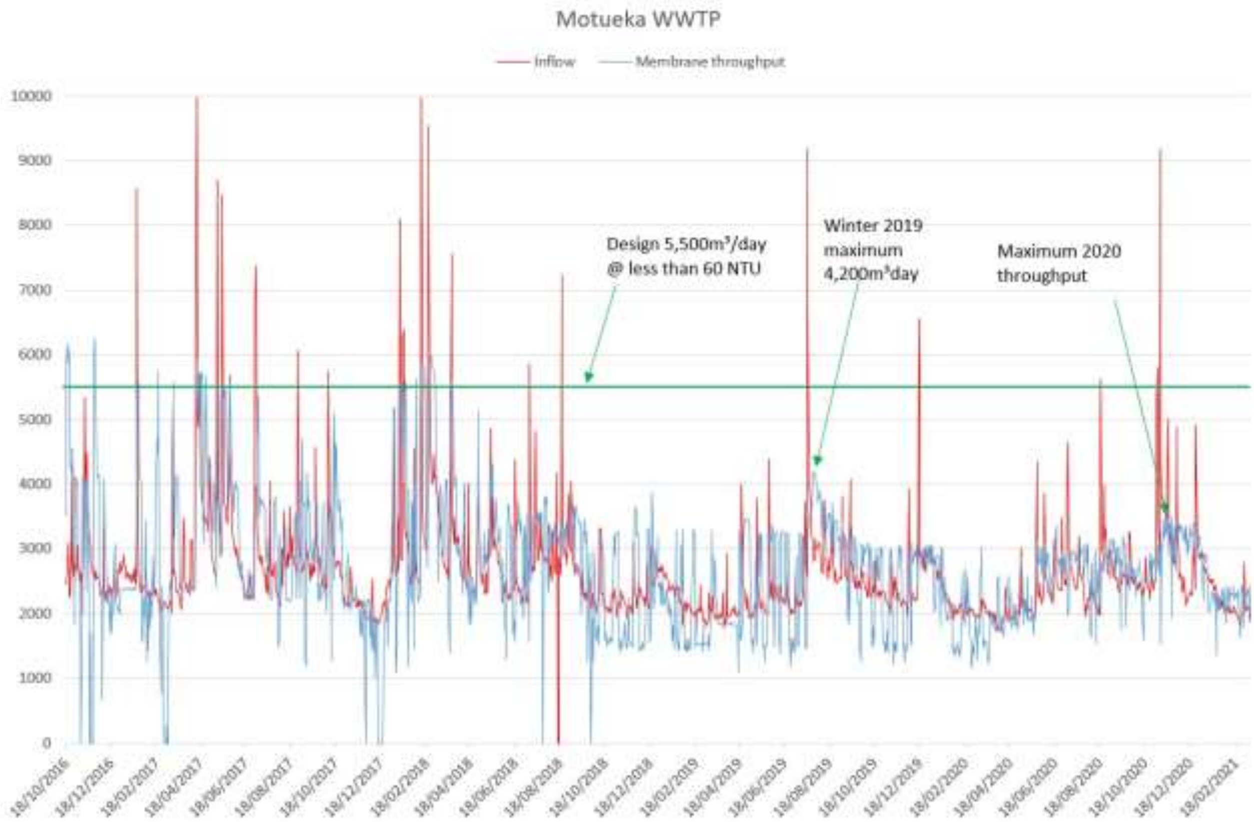


Figure 2: Reducing peak capacity of membranes since commissioning.

Motueka WWTP Aeration Basin Liner

4.10 A geotechnical inspection of the pond embankments at the Motueka WWTP was undertaken in November 2020 as a result of some seepage being observed due to the high water levels. The inspection noted that there was some cracking behind the concrete waveband along the northern side of the aeration basin. Council staff monitored this crack and confirmed it was getting worse in mid-January 2021. The waveband was slumping. The aeration basin was able to be emptied in mid-February 2021 once pond levels had returned to normal and the basin bypass had been re-established.

4.11 An inspection of the basin confirmed the clay lining the embankment below the concrete waveband on the northern side, had been eroded away. Similar erosion had started on the southern embankment and in patches elsewhere. The erosion was caused by the installation of more powerful aerators during the 2015 upgrade, despite being assessed as unlikely at the time. There was some localised scour of the silt overburden placed above the geosynthetic clay liner in the base of the basin, however the base liner is intact. The embankments themselves are in good condition.

4.12 The aeration basin and wider wastewater treatment plant are planned to be replaced by a new inland wastewater treatment plant before the current consents for the plant expire in 2035. Therefore the basin liner only needs to last for another 15 years. This means that materials like HDPE, which are cheaper and quicker to install than concrete and GCL or other clay based liners, could be considered.

4.13 The aeration basin is currently empty and cannot be returned to service without the embankments being relined. Leaving the basin out of service beyond April, and possibly over winter when the treatment capacity of the main ponds are at their lowest, is a significant environmental risk. If the main ponds are overloaded and fail, there is a risk of significant and prolonged odour events that could affect large parts of Motueka and will be a non-compliance with resource consents. There will also be greater stress on the already underperforming membranes. The membrane treatment capacity will reduce further with the need for more frequent cleaning and consequently further reducing the remaining membrane life.

4.14 The repair of the aeration basin is being treated as urgent and is proposed to be treated as a variation to the Council's existing Three Waters Operations and Maintenance Contract 1065.

4.15 The Council's contractors and consultants have been working collaboratively to quickly provide the most cost effective solution to remediate the basin. The repair details have been confirmed and a guideline estimate prepared by the Council's contractor. The final construction methodology is being worked on before a Total Outturn Cost is agreed. The lining company is available to start work at the start of April 2021.

5 Options

Motueka WWTP Membrane Filtration Plant

5.1 Purchase membranes now and store on site until needed. Replacing the membranes is expected to take a week **(preferred option)**.

5.2 Purchase and install membranes now.

5.3 Apply for resource consent to discharge excess partially treated wastewater to the former soakage area for the next two years and wait until 2022/23 to purchase and install replacement membranes, as per the proposed LTP. In effect do nothing.

Motueka WWTP Aeration Basin Liner

5.4 Go ahead with planned relining of the aeration basin as soon as possible **(preferred option)**.

5.5 Do nothing.

6 Strategy and Risks

Motueka WWTP Membrane Filtration Plant

6.1 If the membranes are not replaced before this winter, there is a high probability of a similar high flow event that will result in the need for a controlled overflow of partially treated wastewater. The Council's consenting team has confirmed a consent will be required for any future overflow event. If a consent is not in place quickly and an overflow event occurs, then compliance action may be taken.

6.2 Any resource consent sought to dispose of partially treated wastewater to the former soakage area could be objected to as the WWTP was designed and consented based on the treatment plant being able to treat the full 2008 flows, which were considerably more than recent high flow events.

6.3 Reputational risk for the Council as the 2015 upgrade was designed and consented based on the treatment plant being able to treat the full 2008 flows, which were considerably more than recent high flow events.

6.4 The membranes have a delivery time of four weeks from Australia to New Zealand. However given the current disruption to shipping and transportation networks, there is a risk this could be longer.

Motueka WWTP Aeration Basin Liner

6.5 Leaving the basin out of service over winter, when the treatment capacity of the main ponds are at their lowest, is a significant environmental risk. If the main ponds are overloaded and fail, a significant and prolonged odour event could affect large parts of Motueka, a breach or our discharge consent. There will also be greater stress on the already underperforming membranes, treatment capacity will reduce further with more frequent cleaning needed and the remaining membrane life will decrease.

7 Policy / Legal Requirements / Plan

7.1 If the membranes are not replaced now, a resource consent for future over-pumping to the former soakage area will be required. A failure to have a consent in place before the next overflow may result in enforcement action.

7.2 Odour generation and dispersion over Motueka, due to a treatment failure from not repairing the aeration basin in a timely manner, may result in enforcement action.

8 Consideration of Financial or Budgetary Implications

8.1 The cost of replacing the membranes was estimated at $512,000 for the 2021 Long Term Plan in 2022/2023. In early March 2021 we received a quote for purchase and delivery of replacement membranes which comes to $417,000. There will be additional cost for installation, commissioning and disposal of the old membranes, approximately $25,000.

8.2 The cost to repair the aeration basin based, on the preliminary concept, is estimated at approximately $450,000, including scope and delivery risk.

8.3 This is unplanned expenditure and there are no capital budgets for either of the renewals in this financial year.

8.4 With the exception of the NRSBU pipeline project, all wastewater capital budgets for this financial year are committed.

8.5 The NRSBU has funding of $3,830,000 in 2020/21 for capital works but is forecasting to underspend its capital budget this financial year. However, it has indicated that it intends carrying this over into the next financial year. The NRSBU is currently reforecasting its capital spend for this year.

8.6 We intend to utilise $892,000 of the $3,830,000 and allocate the $512,000 membrane funding in 2022/23 to the NRSBU as required. The $380,000 shortfall from the NRSBU budgets will be reviewed in the next two years as and when the NRSBU schedule the respective capital investment.

9 Significance and Engagement

9.1 This assessment has been completed based on the recommendation included in the conclusion. The significance of this decision is regarded as low.

	Issue	Level of Significance	Explanation of Assessment
1.	Is there a high level of public interest, or is decision likely to be controversial?	Low	
2.	Are there impacts on the social, economic, environmental or cultural aspects of well-being of the community in the present or future?	Low	
3.	Is there a significant impact arising from duration of the effects from the decision?	Low	No, planned 15 years asset life remaining
4.	Does this activity contribute or detract from one of the goals in the Tasman Climate Action Plan 2019?	Low	No impact, early renewal.
5.	Does the decision relate to a strategic asset? (refer Significance and Engagement Policy for list of strategic assets)	Medium	Yes, Motueka Wastewater Treatment Plant
6.	Does the decision create a substantial change in the level of service provided by Council?	Low	No, maintains level of service
7.	Does the proposal, activity or decision substantially affect debt, rates or Council finances in any one year or more of the LTP?	Low	No, largely funded by underspend.
8.	Does the decision involve the sale of a substantial proportion or controlling interest in a CCO or CCTO?	Low	No
9.	Does the proposal or decision involve entry into a private sector partnership or contract to carry out the deliver on any Council group of activities?	Low	No
10	Does the proposal or decision involve Council exiting from or entering into a group of activities?	Low	No
11	Does the proposal require inclusion of Māori in the decision making process (consistent with s81 of the LGA)?	Low	No, renewal of existing above ground asset.

10 Conclusion

10.1 The NRSBU has funding of $3,830,000 in 2020/21 for capital works and it has confirmed that the full amount will not be spent this year.

10.2 Staff recommend that:

- Replacement membranes are ordered now and stored on site, ready to be installed when needed. Installation is expected to take a week.

- The urgent relining of the aeration basin embankments is completed through a Variation to Contract 1065.
- The membrane renewal (estimated $442,000) is funded from funding allocated to the NRSBU in 2020/21.
- The aeration basin relining (estimated $450,000) is funded from funding allocated to the NRSBU in 2020/21.

Attachments

Nil

8.3 TRAFFIC CONTROL DEVICES BYLAW - PROPOSED CONTROL CHANGES

Decision Required

Report To:	Full Council
Meeting Date:	8 April 2021
Report Author:	Megan Bell, Technical Officer - Transportation
Report Number:	RCN21-04-4

1 Summary

1.1 The Council's Traffic Control Bylaw, and its accompanying Traffic Control Devices Register and map display, is the mechanism for the Council to record all authorised traffic control devices (such as parking restrictions and certain regulatory traffic signs).

1.2 This report requests the Council's approval for various changes to the Traffic Control Devices Register. These include the installation of no parking lines, changes to time-limited parking and registering Tasman's shared paths in the devices register.

1.3 A summary of the changes can be found in Section 2, and a detailed description of each change in **Attachment 1**.

2 Draft Resolution

That the Full Council:

1. **receives the Traffic Control Devices Bylaw - Proposed Control Changes report RCN21-04-4; and**
2. **approves the following changes to the Traffic Control Devices Register under the Traffic Control Bylaw, with effect from 8 May 2020.**

Street name	Primary Restriction	Start NZTM X	Start NZTM Y	End NZTM X	End NZTM Y
Edward Street	No Parking	1616135.94	5423280.57	1616147.59	5423290.42
Coleman Street	No Parking	1614861.98	5423298.96	1614863.85	5423310.53
Lower Queen Street	No Parking	1614826.14	5424325.46	1614860.18	5424285.60
Tasman District Council	Council Staff Only Parking -Mon-Fri	1615631.75	5423249.61	1615644.44	5423261.26

Item 8.3

Street name	Primary Restriction	Start NZTM X	Start NZTM Y	End NZTM X	End NZTM Y
Private Carpark	7.30am - 5.00pm				
Tasman District Council Private Carpark	Council Staff Only Parking -Mon-Fri 7.30am - 5.00pm	1615601.74	5423215.72	1615628.32	5423237.82
Tasman District Council Private Carpark	Council Staff Only Parking -Mon-Fri 7.30am - 5.00pm	1615608.01	5423208.11	1615633.54	5423229.01
Tasman District Council Private Carpark	Council Staff Only Parking -Mon-Fri 7.30am - 5.00pm	1615612.49	5423203.03	1615636.68	5423224.98
Tasman District Council Private Carpark	Armadillos Staff Only Parking - Mon-Fri 7.30am - 5.00pm	1615628.32	5423237.82	1615630.70	5423239.76
Tasman District Council Private Carpark	Armadillos Staff Only Parking - Mon-Fri 7.30am - 5.00pm	1615636.68	5423224.98	1615638.92	5423226.77
Tasman District Council Private Carpark	Armadillos Staff Only Parking - Mon-Fri 7.30am - 5.00pm	1615639.96	5423240.21	1615646.38	5423232.59
Tasman District Council Private Carpark	No Parking	1615599.20	5423182.28	1615645.04	5423221.25
Appleby Highway Underpass	No Parking	1613902.81	5423003.35	1613969.54	5422959.61
Appleby Highway Underpass	No Parking	1613962.97	5422982.30	1613955.95	5422989.32

Street name	Primary Restriction	Start NZTM X	Start NZTM Y	End NZTM X	End NZTM Y
Appleby Highway Underpass	No Parking	1613887.73	5423070.98	1613913.70	5423040.97
Appleby Highway Underpass	No Parking	1613874.14	5423037.54	1613821.74	5423145.77
Appleby Highway Underpass	Give Way to Cyclists Control	1613908.33	5423042.02		
Appleby Highway Underpass	Give Way to Cyclists Control	1613901.31	1613901.31		
Appleby Highway Underpass	Stop Control	1613896.24	5423050.08		
Wensley Road	No Parking	1615123.31	5422687.31	1615130.48	5422693.44
Fairose Drive	No Parking	1615015.10	5422074.66	1615025.85	5422070.48
Fairose Drive	No Parking	1615029.59	5422064.66	1615031.53	5422055.40
Sundial Square	P5 Loading Zone Restriction Goods Vehicle Only	1615472.43	5423634.98	1615477.91	5423639.35
Dorset Street	No Parking	1615339.93	5423272.99	1615343.18	5423268.07
Atkins Street	No Parking	1600223.63	5449007.77	1600235.27	5449002.32
Pah Street	No Parking	1600242.36	5449003.96	1600251.69	5449007.40
Pah Street	No Parking	1600866.85	5449030.91	1600875.73	5449030.80
Robinson Road	No Parking	1599804	5444566	1599655	5444316
Robinson Road	No Parking	1599781	5444568	1599661	5444325
High Street	P10 Restricted Parking	1600935.80	5449131.74	1600935.65	5449125.77
Bloomfield Place	Stop Control	1601850.96	5448936.57		
Wilson Crescent	Stop Control	1601845.88	5448918.95		
Old Wharf Road	No Parking	1601589.09	5447417.69	1601655.67	5447416.49

Street name	Primary Restriction	Start NZTM X	Start NZTM Y	End NZTM X	End NZTM Y
Rowling Road	No Parking	1601668.83	5456374.99	1601672.41	5456347.07
Rowling Road	No Parking	1601601.62	5456448.56	1601667.30	5456350.48
Whitby Road	No Parking	1604011.62	5416356.10	1604044.61	5416346.99
Whitby Road	No Parking	1604015.80	5416368.04	1604044.31	5416360.58
Whitby Road	No Parking	1603933.24	5416367.60	1603970.86	5416366.10
Waitapu Road	No Parking	1583732.48	5478122.45	1583735.91	5478118.98
Commercial Street	No Parking	1583686.72	5477026.16	1583685.67	5477015.41
Willow Street Carpark	EV Charging Station	1583665.89	5476554.29	1583667.13	5476552.24
Mapua Drive	Shared Path	1606023	5433249	1606597	5433401
Stafford Drive	Shared Path	1607332	5435090		
Aranui Road	Shared Path			1607609	5433744
Seaton Valley Road	Shared Path	1605323	5434356	1607072	5433842
Chaytor Road	Shared Path	1604674	5434220		
Gardner Valley Road	Shared Path			1604573	5434128
Tadmor Valley Road	Shared Path	1584469	5418238	1584128	5418024

3 Purpose of the Report

3.1 The purpose of this report is to gain the Council's approval to make changes to the Traffic Control Devices Register and map display.

4 Background and Discussion

4.1 The Council's Traffic Control Bylaw enables the Council to establish, alter or remove traffic control devices by resolution, amending the Traffic Control Devices Register and map display.

4.2 Parking restrictions and certain regulatory Traffic Control Devices are managed through this bylaw. Changes require a resolution of the Council to become legally enforceable.

4.3 The last update of the Traffic Control Devices Register was approved by the Council on the 22 October 2020.

Richmond

Edward Street

4.4 Cars parking over accessway when dropping children at the daycare facility.

4.5 Proposed 'No Parking' lines to improve access for residents.

Coleman Street

4.6 Proposed 'No Parking' lines after a request from Smart Environment as cars parked at the end of the cul-de-sac are making it difficult for their truck to turn around.

Lower Queen Street

4.7 Proposed 'No Parking' lines at entrance to Richmond Showgrounds after a request from the Manager of the park and independent Road Safety Audit recommendations.

Tasman District Council Private Carpark

4.8 Request from the Council's Property Services team as an ongoing issue of non-staff taking up carparks during day-time hours.

4.9 Restriction to be changed to 'Private Parking' for Council and Armadillos staff for Monday-Friday 7.30am – 5.00pm

Appleby Underpass Area

4.10 Proposed 'No Parking' lines to improve safety of Tasman's Great Taste Trail and access to new commercial area.

Harriet Court

4.11 Residents having issues making a right turn into Wensley Road are unable to see oncoming cars as cars parking too close to the corner.

4.12 Proposed 9.5 metres of 'No Parking' to improve sightlines when exiting the intersection.

Fairose Drive

4.13 Proposed 'No Parking' lines to improve sightlines when exiting Langdale Drive onto Fairose Avenue

Sundial Square

4.14 Request from businesses to add supplementary 'Goods Vehicle Only' to the existing 'P5 Loading Zone' restriction so that the loading zone is used as intended.

7 Dorset Street

4.15 Retaining wall of new subdivision causing sightline issues when exiting the accessway.

4.16 Proposed 'No Parking' lines installed and the removal on one carpark.

Motueka

Pah Street/Atkins Street Intersection

4.17 Concerns raised by various road users in regard to vehicles at 78A Pah Street parking too close to the intersection.

4.18 Proposed 'No Parking' lines to improve the safety and sightlines at the intersection.

Pah Street – Countdown Supermarket

4.19 Proposed removal of one carpark outside the Countdown supermarket to improve sightlines when exiting the Countdown carpark.

Robinson Road – Motueka Steiner School

4.20 Proposed 'No Parking' lines to be installed in front of school and shared path as per consent conditions.

4.21 This will also increase safety for students and stop congestion at the school entrance.

92 High Street

4.22 Proposal to change the restriction from 60 minutes to 10 minutes outside of Taste of Turkey to improve safety when exiting the driveway next to this parking space.

Krammer Street/Bloomfield Place Intersection

4.23 Install Stop control.

Old Wharf Road

4.24 Proposed 'No Parking' lines to keep the berm free for pedestrians along a section of road where there is no footpath.

4.25 Rowling Road

4.26 Proposed 'No Parking' lines installed to improve access for residents and keep cul-de-sac area clear.

Wakefield

Whitby Road (SH6)

4.27 Proposed 'No Parking' lines to improve safety at the Arrow Street pedestrian refuge.

Takaka

13 Waitapu Road (SH60)

4.28 Proposed 'No Parking' lines to improve safety at the pedestrian crossing.

82 Commercial Street (SH60)

4.29 Proposed 'No Parking' lines to provide the regulatory ability to require parking within the marked on-road car park spaces. Poor parking discipline is affecting sightlines when exiting the accessway at 82 Commercial Street.

EV charging station

4.30 Proposed EV vehicle restriction for the carpark space at the already installed EV charging station.

Shared Paths

4.31 Mapua Drive shared path from number 73 Mapua Drive to Dominion Flats recently constructed.

4.32 Stafford Drive shared path inherited from Waka Kotahi and likely to have been in their Gazette should be added to our bylaw for clarity

4.33 An existing unsealed shared path along Seaton Valley Road should be added to our bylaw to allow continued use by cyclists.

4.34 An existing shared path link and underpass from Chaytor Road to Gardner Valley Road should be added to our bylaw to allow continued use by cyclists.

4.35 A recently constructed unsealed shared path along Tadmor Valley Road.

4.36 Further descriptions and location diagrams for each proposed change can be found in **Attachment 1**.

5 Options

5.1 The Council has three options to consider.

Option	Advantage	Disadvantage
1. Approve changes proposed in the report and in Attachment 1 with effect from 20 November 2020. This is the recommended option.	• Improved function and safety of the road network. • Positive feedback from the community who raised some of the concerns and proposals with Council staff.	• There is some cost from existing budgets to install No Parking lines and extra signs.
2. Approve some of the proposed changes.	• There would be some positive feedback from the community who raised concerns with some of the proposals from the Council.	• There is some cost for the installation of the No Parking lines and extra signs, although this is minimal. • If not all changes are approved, there could be safety issues and negative feedback from the community, particularly

Option	Advantage	Disadvantage
		where proposals were consulted on.
3. Withdraw the proposed changes.	• No physical changes to the roading network required.	• There could be safety issues and negative community feedback from those already consulted with.

5.1 Staff recommend Option 1 to the Council for approval.

6 Strategy and Risks

6.1 The requests for No Parking lines, changes to existing parking restrictions and the installation of pedestrian crossings are consistent with the Council's road safety aims.

6.2 This report is in line with the Council's Proposed Richmond and Motueka Town Centre Parking Strategy 2018–2038.

7 Policy / Legal Requirements / Plan

7.1 This request meets the requirements of the Tasman District Council Traffic Control Bylaw 2016.

8 Consideration of Financial or Budgetary Implications

8.1 The cost of extra signage and the installation of No Parking lines and signage for parking restrictions is not significant. These costs will be met from the existing subsidised roading maintenance budget.

8.2 The Shared Paths have already been constructed, there is no additional cost.

8.3 The cost for updating the Traffic Control Devices Register is covered as part of day-to-day staff duties.

9 Significance and Engagement

9.1 The following table describes the level of significance of this decision. Overall, the level of significance is considered low as the changes are generally minor and we have consulted with directly affected residents, businesses and stakeholders.

	Issue	Level of Significance	Explanation of Assessment
1.	Is there a high level of public interest, or is decision likely to be controversial?	Medium	Council staff have consulted with interest groups, business owners and residents in regards to the changes.

	Issue	Level of Significance	Explanation of Assessment
			A number of proposed changes have come from members of the community who are directly affected. Proposed changes have minimal effects on nearby residents or other traffic at each location. There will be improved road safety at the location of the proposed changes.
2.	Are there impacts on the social, economic, environmental or cultural aspects of well-being of the community in the present or future?	Low	Parking can contribute towards the success of a place, poorly managed and designed parking can undermine efforts to create highly livable urban areas. The parking restrictions proposed are to address issues identified and no economic impacts have been identified.
3.	Is there a significant impact arising from duration of the effects from the decision?	Low	Traffic devices are not permanent and can be changed if required.
4.	Does this activity contribute or detract from one of the goals in the Tasman Climate Action Plan 2019?	contribute	Any transportation activity that encourages vehicle use may have a negative effect on the Council's goal to contribute to efforts to reduce greenhouse gas emissions. The parking changes proposed are minor and are unlikely to alter driving behavior. Some of the proposed changes are to allow for more accessible streets for cyclist and pedestrians. Alternative transport modes can have a positive contribution to efforts to reduce greenhouse gases.
5.	Does the decision relate to a strategic asset? (refer Significance and Engagement Policy for list of strategic assets)	Low	The Council's roading network is considered a strategic asset, but these changes are small in scale, have good safety outcomes and have been consulted on.
6.	Does the decision create a substantial change in the level of service provided by Council?	Low	Minimal effects on level of service provided.
7.	Does the proposal, activity or decision substantially affect debt, rates or	N/A	

	Issue	Level of Significance	Explanation of Assessment
	Council finances in any one year or more of the LTP?		
8.	Does the decision involve the sale of a substantial proportion or controlling interest in a CCO or CCTO?	N/A	
9.	Does the proposal or decision involve entry into a private sector partnership or contract to carry out the deliver on any Council group of activities?	N/A	
10	Does the proposal or decision involve Council exiting from or entering into a group of activities?	N/A	
11	Does the proposal require inclusion of Māori in the decision making process (consistent with s81 of the LGA)?	N/A	

9.2 **Attachment 1** describes the consultation carried out at each location.

9.3 Some proposed changes have been deferred to the next Council meeting. It is considered that further consultation is needed with residents or community groups.

9.4 Some proposed plans have been changed slightly after consultation with affected residents.

10 Conclusion

10.1 The proposed changes to existing parking restrictions are consistent with the Council's road safety aims and the Richmond and Motueka Town Centre Parking Strategy 2018 – 2038.

11 Next Steps / Timeline

11.1 If the Council approves the proposed changes:

- Staff will provide instructions to the contractor to action all new parking restrictions required.
- Staff will update the Traffic Control Devices Register as soon as changes are in place.
- Engineering Services staff will provide the communications team with details of the significant approved changes to be included in Newsline and on the Council's website.
- Where they are not already in place, these signs and road markings will be installed as soon as possible.

Attachments

Traffic Control Devices - Update April 2021

Edward Street, Richmond

- Issue to do with parents/cars from daycare parking too close to the shared driveway and residents not being able to get out.
- Resident would like some yellow lines painted across the driveway so cars do not park too close.
- Consultation sent with no feedback received.
- Extend No Parking 2.5m from driveway.

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Traffic Control Devices - Update April 2021

Coleman Street, Richmond

- Issue to do with the Smart Environmental truck not being able to turn around because of cars sometimes parked at the end.
- Smart as requested that NP lines are installed around the cul-de-sac area
- Consultation undertaken.
- Plan amended slightly after discussion with resident.

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Traffic Control Devices - Update April 2021

Lower Queen Street, Richmond

- Issue to do with exiting the A&P showgrounds.
- Manager has requested for No Parking lines to be painted from the main entrance extending to the entrance towards the speedway – and also extended from main entrance 50 metres towards Richmond
- The Berryfield Drive signals Road Safety Audit Team (SAT) also recommend taking out this parking.

In the opinion of the SAT the crash records listed in Table 3.1 above indicate three key findings:

- The 2001 and 2011 crashes indicate activity of both cyclists and vehicles around the Richmond showgrounds (Nelson racecourse) entry which further emphasise the importance of finding 2.4. The 2011 cyclist crash was consistent with two other non-injury related crashes in the area which justify the no parking zone along this stretch.
- The 2015, 2019, and 2020 crashes indicate that road users are not yet accustom to the increase in traffic along Lower Queen Street and the road environment does not currently

Tonkin & Taylor Ltd Berryfield Drive/ Lower Queen Street Signalised Intersection Upgrade Preliminary Design - Road Safety Audit Report Tasman District Council	February 2021 Job No: 1004808.0310 v2

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Traffic Control Devices - Update April 2021

Tasman District Council private carpark

- Request from Properties Team.
- Non-staff taking up parks during the day so the team would like to have it classed as Restricted Parking under the bylaw so it can be enforced
- The restriction is that this is private parking (Council & Armadillos Staff only) for Mon-Fri between 7.30am - 5pm.
- The affected areas are marked in turquoise (Council) and red (Armadillos) on the plan attached.
- Add the existing no parking lines to our Traffic Control Devices Register

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Traffic Control Devices - Update April 2021

Appleby Highway Underpass

- No Parking lines to be installed to help improve the safety of the Great Taste Trail , improve access to the new commercial area and ease congestion on parked cars which can narrow the road.
- Cycle lane given priority similar to Nelson's Railway Reserve cycle corridor.
- Cycle crossing placed on a raised safety table and regulatory Giveway signs added.
- Stop control added to short leg from under the underpass. Development now makes the lane on the north side of the overbridge the dominant leg.
- Waka Kotahi have been consulted with.
- Consultation carried out with residents.
- Some minor parking changes made to proposed plan after discussion's with a resident.

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Item 8.3

Attachment 1

Traffic Control Devices - Update April 2021

Harriet Court/Wensley Road intersection, Richmond

- Residents having issues make right turn into Wensley road as cars parking too close to corner and unable to see oncoming cars.
- Request for no parking lines installed at intersection.
- Consultation undertaken

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Traffic Control Devices - Update April 2021

Fairose Drive/Langdale intersection, Richmond

- Request for no parking lines at intersection as cars parking too close and blocking visibility when turning left into Fairose
- Consultation undertaken.

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Traffic Control Devices - Update April 2021

Loading Zone, Sundial Square

- Add supplementary "Goods Vehicle Only" to existing P5 Loading Zone restriction.
- Request has come from businesses as the space cannot be used for what it is intended for due to people using it to pop into subway and bank .
- The existing Loading Zone is already designated solely for the purpose of loading or unloading goods or passengers.
- The additional sign makes the intended Loading Zone use clearer to the public, but also limits a passenger vehicle set down or pick up.

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Traffic Control Devices - Update April 2021

7 Dorset Street

- New subdivision and retaining wall causing sightline issues
- Propose to remove one carpark
- Consultation undertaken

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Traffic Control Devices - Update April 2021

Pah Street, Motueka

- Issue to do with cars from No. 78A parking too close to intersection – multiple calls from the public in regard to this.
- When carrying out consultation No. 78B noted that she also has issues trying to get out of her property as cars parked to close to the driveway
- Consultation undertaken

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Traffic Control Devices - Update April 2021

Pah Street, Countdown - Motueka

- Request to remove one carpark space in front of Countdown as when a larger vehicle is parked there it causes sightline issues when exiting carpark
- Consultation undertaken

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Traffic Control Devices - Update April 2021

Motueka Steiner School, 165 Robinson Road - Motueka

- No parking lines to be installed in front of school and a shared path constructed to Main Road Lower Moutere as per consent conditions.
- *'Condition 24 of our land use consent (RM151031 requires that drop off and collection zone from inside applicant site only with no stopping on road frontage outside site. Parking and drop off areas have been provided inside the site but to further discourage any parents stopping outside the site no parking lines are requested'*
- This will also increase safety for students at the entrance to the school.

Shared path to Main Road Lower Moutere

Street Name	Primary Restriction	Start NZTM X	Start NZTM Y	End NZTM X	End NZTM Y
Robinson Road	No Parking	1599804	5444566	1599655	5444316
Robinson Road	No Parking	1599781	5444568	1599661	5444325

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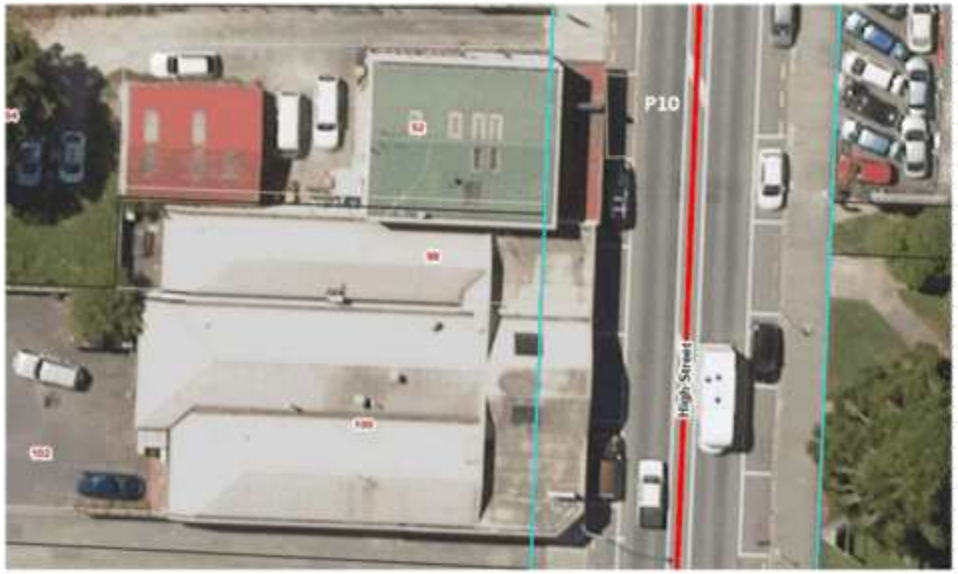
Traffic Control Devices - Update Post April 2021

92 High Street, Motueka

- Request to change the restriction from 60 minutes to 10 minutes outside of Taste of Turkey - multiple near misses wen customers exiting driveway.
- Waka Kotahi have been consulted.
- Consultation undertaken with businesses



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Traffic Control Devices - Update April 2021

Bloomfield Place/Krammer Street intersection, Motueka

- Due to poor safety record of cross roads intersections the Land Transport Safety Authority produced guidelines stating all cross roads intersections must have stop, or give way control.
- The sight distances do not meet the minimum criteria for giveway signs

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Traffic Control Devices - Update April 2021

82 Old Wharf Road, Motueka

- Request for No Parking lines to protect the berm as pedestrian space. There is no footpath along this section of road.
- Vehicles park on the unsealed berm here and push pedestrians onto the road
- Site visit undertaken
- Consultation undertaken

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Traffic Control Devices - Update April 2021

Rowling Road, Kaiteriteri

- Request for No Parking lines on residential side of Rowling road , portion that runs next to beach at Little Kaiteriteri
- Issue when busy with beachgoers, residents cannot get in and out of driveway.
- Consultation undertaken.
- Some residents want ones extended further and on both sides of the road.
- One resident noted it is not needed as its only busy for a small period of the year.
- Council staff recommend changes as proposed. The 6m road width does not provide for parking on both sides of the road and through traffic.
- North of the angle parking the road is 7.5m wide providing for parking on both sides of the road and through traffic.

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Traffic Control Devices - Update April 2021

Whitby Road , Wakefield

- Proposed 'No Parking' lines to improve safety at the Arrow Street pedestrian refuge.
- Request to consult on these changes from Waka Kotahi due to Road Safety Audit recommendations.
- Consultation undertaken.

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Traffic Control Devices - Update April 2021

13 Waitapu Road, Takaka

- No Parking lines proposed to improve safety at the pedestrian crossing.
- Waka Kotahi requested that Council consult with property owner on the prosed changes.
- No feedback received after formal consultation sent.

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Traffic Control Devices - Update April 2021

84 Commercial Street, Takaka

- Sightlines issues when exiting accessway. Vehicles parking to close to the access.
- Request for carparks to be removed.
- Waka Kotahi requested that we consult on just installing No Parking lines over the accessway rather than removing a carpark.
- Adding No Parking lines across the driveway matches the existing car park spaces marked on the road, so results in no change to the parking layout. The yellow No Parking lines do provide the regulatory ability to require drivers to park within the provided spaces.
- Consultation undertaken

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Traffic Control Devices - Update April 2021

EV charging station , Takaka

- EV charging station is already installed in the carpark but needs to be retrospectively included in the Traffic Control Devices Bylaw.

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Traffic Control Devices - Update April 2021

Mapua Drive, Mapua

- New shared path being completed from number 73 Mapua Drive to Dominion Flats.

Street Name	Primary Restriction	Start NZTM X	Start NZTM Y	End NZTM X	End NZTM Y
Mapua Drive	Shared Path	1606023	5433249	1606597	5433401

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Traffic Control Devices - Update April 2021

Stafford Drive, Mapua

- An existing shared path from Pomona Road to Aranui Road.
- This shared path was inherited from Waka Kotahi NZTA when the road reverted from state highway to local road and was likely in the Gazette.
- For clarity this should be added to our Bylaw.

Street Name	Primary Restriction	Start NZTM X	Start NZTM Y	End NZTM X	End NZTM Y
Stafford Drive	Shared Path	1607332	5435090		
Aranui Road				1607609	5433744

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Traffic Control Devices - Update April 2021

Seaton Valley Road, Mapua

- An existing unsealed shared path from Dawson Road to Mapua Drive.
- To allow cyclists to continue to use the shared path this should be added to our Bylaw.

Street Name	Primary Restriction	Start NZTM X	Start NZTM Y	End NZTM X	End NZTM Y
Seaton Valley Road	Shared Path	1605323	5434256	1607072	5433842

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Traffic Control Devices - Update April 2021

Chaytor Road to Gardner Valley Road underpass, Mapua

- Existing link path under SH60, The Coastal Highway
- To allow cyclists to continue to use the shared path this should be added to our Bylaw.

Street Name	Primary Restriction	Start NZTM X	Start NZTM Y	End NZTM X	End NZTM Y
Chaytor Road	Shared Path	1604674	5434220		
Gardner Valley Road				1604573	5434128

Traffic Control Devices - Update April 2021

Tadmor Valley Road – New Shared Path

- New unsealed Shared Path

Street Name	Primary Restriction	Start NZTM X	Start NZTM Y	End NZTM X	End NZTM Y
Tadmor Valley Road	Shared Path	1584469	5418238	1584128	5418024

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RCN21-04-5 FEBRUARY 2021 QUARTERLY FINANCIAL UPDATE

Information Only - No Decision Required

Report To:	Full Council
Meeting Date:	8 April 2021
Report Author:	Matthew McGlinchey
Report Number:	RCN21-04-5

1 Summary

1.1 This Quarterly Financial Report provides an update on key Council financial information at the end of February 2021. The budget included in this financial update reflects the original Annual Plan adjusted for the re-forecast approved by the Council on 1 October 2020. This re-forecast was required to achieve the 0% rates income increase for 2020/21.

1.2 In the revised Annual Plan 2020/21, the Council budgeted for a February year to date (YTD) controllable deficit of $6.9m; the actual February YTD result was a deficit of $2.5m, which is a favourable variance of $4.4m. Controllable operating income contributed $2.5m to the favourable variance driven in the main by favourable Building Consents revenue, central government funding and the early receipt of the interim Port Nelson dividend. Controllable operating expense contributed $2.5m to the favourable variance driven in the main by a lower depreciation charge, consultancy and employee related expenses.

1.3 The Council's financial position remains strong. Although we have not carried out a full re-forecast for the year, after taking into account timing variances we expect that the Council's financial position will continue to be favourable to budget through to 30 June 2021 year-end.

1.4 February 2021 YTD capital expenditure is $27.2m against a full-year budget including carryovers of $79.4m. It will be challenging for the Council to bring actual spend into alignment with the budget over the four months from February to June 2021. The hiring of two additional Project Managers in Engineering Services is supporting our drive to achieve the work programme and the related capital budget. The capital re-forecast in March will give us a more accurate picture of where we are likely to be at year-end.

1.5 External net debt is $161.5m, compared to a full-year Annual Plan budget of $199.7m. The Council's net debt has increased from $156.3m at 30 June 2020. The increase is due to the funding of capital expenditure during the first eight months of the year offset by the positive impact of the February quarterly rates take on cash flow.

2 Draft Resolution

That the Full Council receives the February 2021 Quarterly Financial Update report, RCN21-04-5.

3 Purpose of the Report

3.1 The purpose of this report is to update the Council on the YTD financial performance to 28 February 2021.

4 Background and Discussion – Quarterly Financial Report (February 2021 YTD)

4.1 This is the second Quarterly Financial Report for the 2020/2021 financial year.

4.2 Controllable operating income for February YTD is $82.9m. This is a YTD favourable variance of $2.5m against a February YTD budget of $80.4m. The key drivers are set out in section six.

4.3 Controllable operating expenditure for February YTD is $85.5m. This is a favourable variance of $1.9m on the February YTD budget of $87.3m. The key drivers are set out in section seven.

4.4 Capital expenditure totals $27.2m as of 28 February 2021, against a full-year budget including carryovers of $79.4m. A capital re-forecast is being carried in March. Expenditure by the department is set out in section ten.

4.5 Total net debt as of 28 February was $161.5m compared to the 2020/21 full-year budgeted net debt of $199.7m.

4.6 The below table shows the key drivers of February YTD controllable operating variance to budget.

Financial summary Feb YTD, $000's	
Budgeted Feb YTD total controllable Operating Surplus	(6,911)
Actual Feb YTD total controllable Operating Surplus	(2,507)
Indicative favourable variance to budget	**4,404**
Key Drivers	
Favourable Movements	
Operating subsidies and grants	586
Building Consents Revenue	1,008
Challies Gravel Revenue	324
Interim Port Dividend (timing)	750
Targeted Rates Revenue	232
Finance income	304
Depreciation expense	507
Community Development maintenance	363
Consultancy expense	530
Employee related expense	420
Saxton Field Grants paid	350
Other	133
Total Favourable Movements	**5,507**
Less: Unfavourable Movements	
Engineering Maintenance	516
Forestry Revenue	587
Total Unfavourable Movements	**1,103**
Total Indicative Favourable Variance	**4,404**

4.7 The focus of this report is the year to date position as of 28 February 2021. The table below provides a reconciliation of the accounting position compared to the controllable operational position. This table strips out non-cash items and items that can only be used to fund capital expenditure, e.g. development and financial contributions, swap revaluations, vested assets and capital subsidies.

4.8 Development and Financial Contributions are now included in the non-controllable items (previously included in controllable operating surplus). The budgeted deficit is a reflection of the inclusion of the full cost of depreciation in controllable operating expenses. We will not fully fund depreciation until June 2025 hence the budget deficit position.

Accounting Surplus v Operating Surplus, $000's			
	YTD Actual Feb 2021	**YTD Budget Feb 2021**	**Variance YTD $000**
Accounting Surplus/(Deficit)	27,796	14,954	12,842
Less Non Controllable			
Development and financial contributions	12,683	9,427	3,256
Revaluation of Swaps (non cash)	7,961	0	7,961
Vested Assets (non cash)	0	2,968	(2,968)
Capital subsidies	9,659	9,470	189
Total	**30,303**	**21,865**	**8,438**
Controllable Operational Surplus/(Deficit)	**(2,507)**	**(6,911)**	**4,404**
Explained by			
Income	82,945	80,430	2,515
Expenditure	85,452	87,341	1,889
Total	**(2,507)**	**(6,911)**	**4,404**

4.9 Development and financial contributions were $4.2m favourable to budget YTD. The key driver of this variance is the release from revenue in advance of $5.8m of contributions that were collected in 2019/20 but related to future year's expenditure.

4.10 The favourable variance in capital subsidies is largely driven by a $1.6m favourable variance relating to central government funding. Three-waters funding was received in full early in the year but budgeted evenly across the year. This is offset by $1.2m of funding that is yet to be received for the Motueka stopbank works.

Item 8.4

5 Statement of Comprehensive Financial Performance

Statement of Comprehensive Revenue and Expense For the year to 28 February 2021, $000's	YTD Actual Feb 2021	YTD Budget Feb 2021	Variance YTD
REVENUE			
General rates	27,226	27,241	(15)
Targeted rates	24,693	24,461	232
Development and financial contributions	12,683	9,427	3,256
Operating subsidies and grants	6,967	6,381	586
Capital subsidies and grants	9,659	9,470	189
Fees and charges	11,620	10,287	1,333
Other revenue	11,654	14,623	(2,969)
Fair value gain on revaluation	7,961	0	7,961
Other gains	118	41	77
Finance income	667	364	303
Total revenue	**113,248**	**102,295**	**10,953**
EXPENSE			
Finance expense	4,797	4,740	(57)
Employee related expense	17,612	18,032	420
Other expenses	28,721	29,839	1,118
Maintenance	15,590	15,490	(100)
Depreciation and amortisation	18,732	19,240	508
Total expense	**85,452**	**87,341**	**1,889**
Surplus/(deficit) before taxation	**27,796**	**14,954**	**12,842**
Income tax expense	0	0	0
Surplus/(deficit) after tax	**27,796**	**14,954**	**12,842**
Total other comprehensive revenue and expense	**0**	**0**	**0**
Total comprehensive revenue and expense	**27,796**	**14,954**	**12,842**
TOTAL OPERATING SURPLUS (as above)	**27,796**	**14,954**	**12,842**
Less Non-Controllable Activities			
Development and financial contributions	12,683	9,427	3,256
Capital subsidies	9,659	9,470	189
Vested assets	0	2,968	(2,968)
Fair value movement on revaluation	7,961	0	7,961
Total Non-Controllable Activities	**30,303**	**21,865**	**8,438**
Total controllable surplus/deficit	**(2,507)**	**(6,911)**	**4,404**

5.1 Commentary is provided on the revenue and expenditure in sections six and seven.

6 Income Analysis

Income by Department Feb YTD, $000's			
	Actual	Budget	Var
Environment & Planning	17,332	15,294	2,038
Engineering	42,289	42,776	(487)
Community Development	12,919	12,949	(30)
Council Enterprises	7,876	8,026	(150)
Governance	2,470	2,297	173
Departmental Overheads	59	(912)	971
Total Controllable Income	**82,945**	**80,430**	**2,515**
Non-Controllable Income			
Development and Financial Contributions	12,683	9,427	3,256
Fair value movement on revaluation swaps	7,961	(0)	7,961
Capital subsidies and grants	9,659	9,470	189
Vested assets	(0)	2,968	(2,968)
Total Income	**113,248**	**102,295**	**10,953**

6.1 We have received an additional controllable income of $2.5m, over and above the February YTD budget.

6.2 The key driver of the favourable variance to budget in Environment and Planning relates to funds of $1.6m received from the Ministry of Primary Industries against a budget of $1.1m, additional revenue for Building Control of $1.0m; this is demand-driven and reflects the level of consent processing required to support the District's growth. There is also a timing variance relating to Challies gravel extraction of $0.3m which we expect to come back in line with the budget by year-end.

6.3 The unfavourable revenue variance in Engineering Services is mainly due to less income received than budgeted from Resource Recovery Centres and Rivers recoveries due to less recoverable maintenance being carried out.

6.4 The unfavourable revenue variance in the Council's Enterprises is mainly due to an unfavourable Forestry harvesting income due to a phasing variance which is partly offset by favourable variances in Camp Lease income and government grants for MBIE funding for the Port Tarakohe development investigations.

6.5 The main driver of additional revenue in Governance is unbudgeted Government grants relating to the February 2019 Pigeon Valley fire event.

6.6 The favourable variance in Department overheads is mainly driven by additional interest earned on investments and the Interim Port dividend of $0.8m being received earlier in the year than was budgeted, this is forecast to align more closely by year-end.

7 Operating Expenditure Analysis

Operating expenditure by Department Feb YTD, $000's			
	Actual	Budget	Var
Environment & Planning	8,585	9,489	904
Engineering	27,086	27,127	41
Community Development	8,203	9,263	1,059
Council Enterprises	5,695	5,579	(117)
Governance	1,299	1,337	38
Departmental Overheads	11,053	10,567	(487)
Total Departmental Expenditure	**61,922**	**63,362**	**1,438**
Finance expense	4,797	4,740	(57)
Depreciation and amortisation	18,732	19,240	508
	23,530	**23,980**	**451**
Total (including dep, amort & recoveries)	**85,452**	**87,341**	**1,889**

7.1 There was a favourable February YTD variance of $1.4m in controllable operating expenditure. There are several significant items that drive this variance.

7.2 Environment and Planning had a $0.9m favourable YTD variance to budget, this is driven in the main by a favourable variance of $1m in contractor costs in the Jobs for Nature programme as the projects are in the process of getting established, this is offset by an unfavourable variance in Building Consultancy of $0.4m as the team looks to manage their heavy workloads driven by growth and demand for services. Salaries are also favourable to the budget which is largely driven by vacancies within the department.

7.3 Engineering Services had a $0.04m favourable YTD variance to budget. There has been a higher level of roading maintenance carried out in the first eight months of the year than budgeted. This is offset by favourable variances in consultancy fees where work relating to the Motueka Long Term Wastewater Strategy, CCTV inspections and data capture and wastewater modelling has been delayed. There has also been less river maintenance carried out than budgeted which is partially offset by lower river recoveries from landowners.

7.4 Community Development had a $1.0m favourable YTD variance to budget mainly due to maintenance costs which are lower than budget and the timing of various community grants and the Nelson Saxton Field grant. This is a phasing issue and will come back into line with the budget by year-end.

7.5 Council Enterprises had a $0.1m unfavourable YTD variance to budget mainly due to consultancy fees paid in respect of the Port Tarakohe development business case. This is offset by a favourable variance in income.

7.6 Departmental overheads had a $0.5m unfavourable YTD variance to budget due to a range of areas, including professional fees relating to structural assessment of the Richmond office, Programme Management Office costs that will be recovered over the life of the managed projects and software licensing that is forecast to come into line with the budget by year-end.

Item 8.4

8 Statement of Financial Position

Statement of Financial Position As at 28 February 2021, $000's	YTD Actual Feb 2021	Budget 2020/21
CURRENT ASSETS		
Cash and cash equivalents	22,869	10,128
Trade and other receivables	13,909	16,434
Other financial assets	32,083	1,371
Non current assets held for resale	0	0
Total current assets	**68,861**	**27,933**
CURRENT LIABILITIES		
Trade and other payables	20,470	20,429
Employee benefit liabilities	2,694	2,219
Current portion of borrowings	27,003	16,636
Current portion of derivative financial instruments	0	3,625
Total current liabilities	**50,167**	**42,909**
Working capital	**18,694**	**(14,976)**
NON CURRENT ASSETS		
Investments in associates	169,652	137,599
Other financial assets	33,171	22,296
Intangible assets	1,300	2,376
Trade & other receivables	0	0
Forestry assets	47,058	44,722
Investment property	5,612	5,279
Property, plant and equipment	1,549,062	1,625,736
Total non current assets	**1,805,855**	**1,838,008**
NON CURRENT LIABILITIES		
Term borrowings	183,178	191,409
Derivative financial instruments	15,436	15,511
Employee benefit liabilities	316	406
Provisions	3,729	2,296
Total non current liabilities	**202,659**	**209,622**
Total net assets	**1,621,890**	**1,613,410**
EQUITY		
Accumulated equity	686,157	670,121
Restricted reserves	33,615	24,272
Revaluation reserves	902,118	919,017
Total equity	**1,621,890**	**1,613,410**

8.1 Overall, the financial position of the Council remains strong and ahead of year-end budget expectations.

8.2 Cash and cash equivalents are significantly higher than the full-year budget as February was a rates month, this balance will reduce over the following two months.

8.3 In other financial assets, there is a mismatch between current and long term other financial assets. This part of the balance sheet is where we pre-fund any debt maturing in the next six months or any longer-term requirements. Having a mismatch between short and long-term assets such as this is a reflection of market conditions in terms of what length of maturity we enter into.

8.4 Trade receivables and payables are in line with historical trends. Because of the demand arising from high growth in the District, less work has occurred in the debt management space than staff would like.

8.5 Investments in associates is favourable to budget due to the revaluation of the Port Nelson in 2020.

9 Total Net Debt

9.1 Total net debt is $161.5m as of 28 February 2021, compared to a full-year budget of $199.7m. The Council net debt has increased from $156.3m as of 30 June 2020. The increase is due to less funding of capital expenditure during the first eight months of the year than budgeted and the quarterly February rates take impact on cash flows.

9.2 Net debt is gross debt less cash on hand and other liquid financial assets.

Net Debt, $000's	
Opening Net Debt July 2020	156,300
Net Debt February 2021	161,500
Budgeted Net Debt June 2021 (2020/21 Annual Plan)	199,700

10 Capital Expenditure Analysis

Capital Expenditure by Department, $000's			
	Actual Feb YTD	Budget 2020/21	% of Full Budget
Environment & Planning	563	1,063	53%
Engineering	21,679	57,659	38%
Community Development	2,576	12,166	21%
Council Enterprises	616	4,523	14%
Departmental Overheads	1,805	4,046	45%
Total Capital Expenditure	**27,239**	**79,457**	**34%**

10.1 Overall, the capital programme is tracking behind schedule but we are expecting an uplift in activity for the remainder of the financial year, however, it will be challenging to achieve the budgeted spend. We are carrying out a capital works programme re-forecast in March which will give a more accurate picture of where we are likely to be at year-end.

10.2 Environment and Planning activities are tracking close to budget with the largest single capital spend being the Challies Wetland Road Upgrade which is on budget YTD.

10.3 Engineering Services are tracking behind budget at 38% of full-year budget, although we expect capital project works to increase over the coming four months, it will be a challenge to meet the budget. Outside of the impacts of COVID-19 on project timelines the other main driver of project delays is land purchases/negotiations including the Richmond South low-level reservoir, Pohara stormwater improvements and the Upper Moutere shared path. After our full capital work programme re-forecast in March we will have a more accurate picture of overall engineering capital expenditure for the remainder of the year.

10.4 Community Development's capital spend YTD is behind budget due to delays in the project start date for the Motueka Library in part as a result of COVID-19, this delay will push the project well into 2021/22. In addition the Saxton Field Roading and Reserve Financial Contributions are tracking behind budget. It is always difficult to forecast accurately when land for reserves will become available to purchase.

10.5 The Council Enterprises YTD spend is behind budget due to the planned Port Tarakohe capital works not proceeding due to no government funding, we're currently waiting on the progress of a new development plan for the port. Capital works relating to Campgrounds and Commercial Property are progressing and on budget YTD.

10.6 Departmental Overheads YTD capital spend relates largely to laptops purchased during the first four months of the year. Capital works relating to the Richmond office refit are favourable to budget as this work has been put on hold as accommodation options are reviewed.

11 Attachments

Nil

8.14 TREASURY REPORT

Information Only - No Decision Required

Report To:	Full Council
Meeting Date:	8 April 2021
Report Author:	Matthew McGlinchey, Finance Manager
Report Number:	RCN21-04-6

1 Summary

1.1 The Council's borrowings as of 28 February 2021 are $213.5m, no change from 31 October 2020. The $15.0m of Local Government Funding Agency (LGFA) short-term borrowing that matured in February was rolled over, primarily to improve liquidity by taking advantage of relatively low interest rates.

- The net debt level at the end of February 2021 is $161.5m. There is $52.0m on deposit, including $25m pre-funding for maturing debt and a $9m provision for the Waimea Community Dam shareholder advance.

1.2 The Council's funding and liquidity risk position is currently compliant with Treasury Management Policy parameters. This has been achieved with the implementation of the following strategies:

- We have pre-funded $25m of LGFA debt which is due on 15 May 2021 and deposited these funds at a weighted average interest rate of 1.93%.
- Pre-funding a $9m loan commitment made to Waimea Water Limited (WWL), through the LGFA at a bespoke lending rate of 2.8% over a five-year term. This provides an interest rate certainty to align with the $8.75m loan agreement with WWL. The initial draw on these funds still needs to be confirmed; until then the funds are invested on a term deposit at a rate of 3.74%.

1.3 The interest rate differential between the amount the Council has borrowed from the LGFA and the amount re-invested is a current side benefit and not the driver of the pre-funding strategy. Given the historically low current term deposit rates, prefunding of maturing debt in the future may come at a cost to the Council.

1.4 The Council's cost of funds (including interest rate swaps, bank margins, and line fees) is 3.85%, compared to a budget of 4.4% (in 2019-2020 it was 4.35%). The Treasury cost centre has a retained surplus due to the lower than forecasted debt levels and the lower than budgeted finance costs over the past few years. Staff continue to closely monitor the markets to capitalise on opportunities to reduce the Council's external borrowing costs.

1.5 The Official Cash Rate (OCR) remains at 0.25%. On 16 March 2020, the rate was cut by 0.75% in an emergency announcement from the Reserve Bank to navigate economic implications from the COVID-19 pandemic. The Reserve Bank continues to give guidance that the OCR will likely remain at 0.25% at least until March 2021; it is no longer predicting a further drop but is also not predicting a rise.

1.6 In addition, the Reserve Bank added $3 billion of LGFA debt to its large-scale asset purchase programme in April 2020. The Government also announced an amendment to the LGFA Crown Liquidity Facility that extends the term of the facility to 31 December 2031 (from 31 December 2021) and increases the size of the facility to NZD1.5 billion (from NZD1 billion). The LGFA welcomed support from central government as the facility plays an important role in enabling LGFA to deliver low-cost financing to the local government sector.

1.7 The Council successfully tendered for the borrowing of $25m with the LGFA on 8 June 2020 to pre-fund debt maturing in May 2021. The Council also rolled over $12m of maturing LGFA short-term borrowing on 25 August 2020 and $15m on 19 February 2021. Staff continue to monitor cash flows closely which will inform the timing of any additional borrowing requirements.

1.8 An additional $18m facility agreement on concessional terms has been arranged with Crown Irrigation Investments Limited (CIIL) to be used when funding is required for the Waimea Community Dam (WCD) cost over-runs. Total CIIL Council facilities are $28m, including $10m already drawn.

2 Draft Resolution

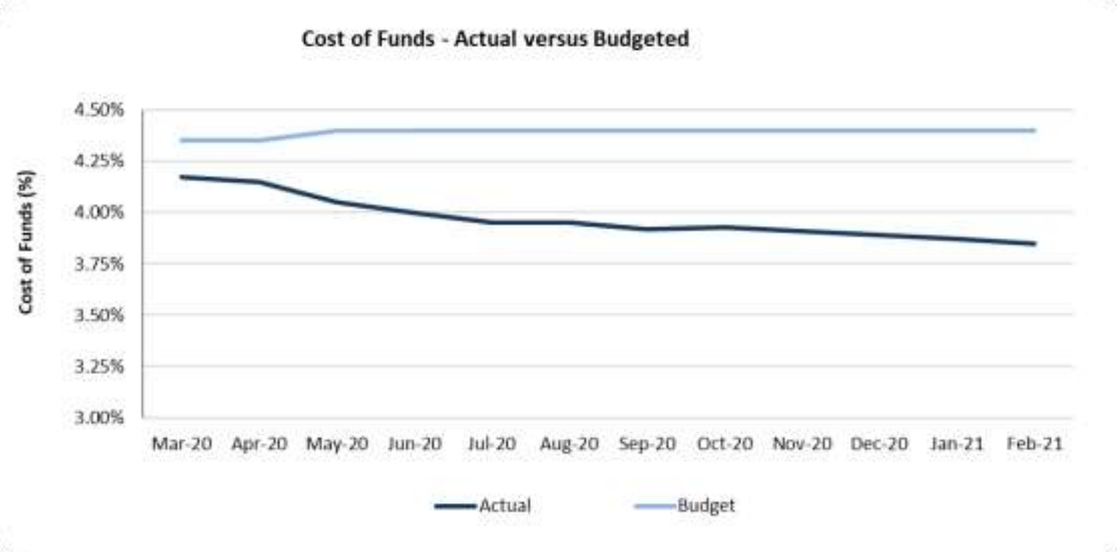
That the Full Council receives the Treasury Report, RCN20-04-06.

3 Treasury February 2021

Debt Levels

3.1 The Council's debt at 28 February 2021 stands at $213.5m with an average interest rate of 3.85%.

Cost of Funds



3.2 The above graph shows the Council's actual weighted average cost of funds as at 28 February 2021, including interest rate swaps, bank margins and an average interest rate of 3.85% against a budgeted rate of 4.4%.

Interest Rate Swaps

3.3 The Corporate and Governance Services Manager has delegated authority to enter into interest rate swaps on behalf of the Council on the proviso that such transactions are reported back to the Council. The Council's approval is required before entering into long-dated swaps with a maturity over 12 years.

3.4 No swap transactions were entered into in the last 20 months.

3.5 As of 28 February 2021, the Council had $100m of interest rate swaps in place. This, along with the fixed debt of $98m, equates to >100% cover over our forecast gross debt less pre-funding of $186m.

Treasury Limits

3.6 The following are details of the Council's compliance with Treasury limits.

Treasury Policy Limits	Actual February 2021	Within Limits	Total Net Debt ratio limit
Net debt not to exceed 20% of equity	10.1%	✓	$318m
Net external debt not to exceed 225% of total operating revenues	121.3%	✓	$300m

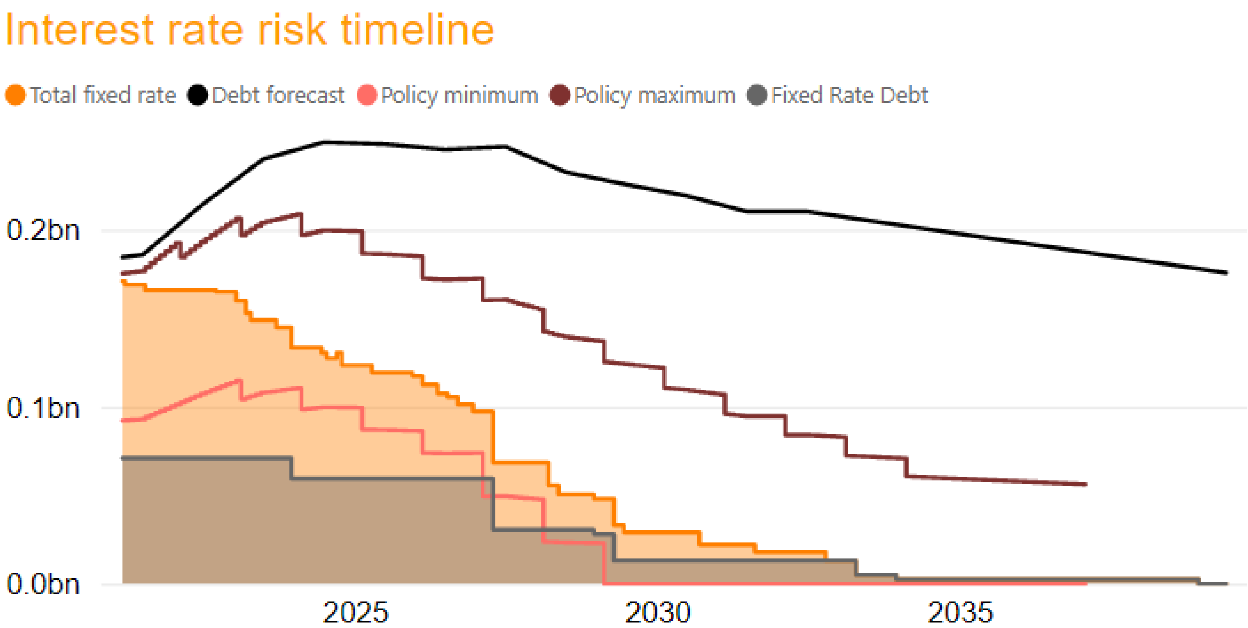
Net interest as a % of total revenues to be less than 15%	4.3%	✓	$569m
Net interest as a % of total annual rates to be less than 25%	9.0%	✓	$449m
Liquidity over existing external debt to be at least 110%	143.5%*	✓	
* Includes CIIL facilities that can only be used to fund the Waimea Community Dam			

3.7 The lowest Treasury limit sets the indicative maximum borrowing amount. In this case, the net debt to operating revenue ratio would be the first limit reached, i.e. that ratio sets the current $300m maximum theoretically-affordable debt if the self-imposed $200m net debt cap was not in place. The net interest to total revenues and net interest to annual rates limits are sensitive to movements in borrowing costs. These provide a high limit at this time due to the historically low interest rates.

3.8 With a projected increase in debt, combined with a reduction in rates and other income in 2020/2021, the debt to revenue ratio will deteriorate over the coming year. This ratio is key in assessing our credit rating. On 30 June 2020, LGFA shareholders agreed to change the LGFA debt covenants. The new covenants allow for a debt to revenue ratio of 300% in 2020-2021 and 2021-2022 for 'A' or better-rated councils, with a reduction back to 280% over the coming years. The Council's Treasury Policy debt to revenue ratio limit is currently 225%. If the Council wanted to increase its internal debt to revenue ratio limit, it would need to amend the current Treasury policy.

Interest Rate Risk Position Graph

3.9 The chart below displays the interest rate risk position of the Council.



3.10 The interest rate risk position graph visually represents the interest rate position within approved interest rate control limits, as set out in the Council's Treasury Policy. This chart takes a snapshot of the risk position as of the reporting date.

3.11 The orange section depicts the amount of debt that is fixed, this includes fixed-rate bonds and payer swaps, meaning debt that is reprised in one year or later.

3.12 The key areas of focus are:

Fixed-Rate Percentage Limit (wholesale interest rate certainty):

- The fixed-rate percentage calculation is the total amount of fixed-rate debt/interest rate hedges over the 12-month forecast net debt amount. The fixed-rate is defined as having an interest rate resetting maturity/expiry date of greater than 12-months.

Fixed-Rate Maturity Limits (spreading of wholesale interest rate maturity risks):

- Fixed-rate repricing maturity dates are spread based on defined maturity band limits; one to three years, three to five years and five to ten years. Minimum and maximum percentage limits within each time band ensure a spread of maturities and reduce the risk of maturity concentration.

Fixed-Rate Maturity Profile Limit

3.13 This measures the spread of the Council's risk of refinancing interest rates, achieved through the use of interest rate swaps.

	Minimum	Maximum	Actual: February 2021	Within Limits
0–3 years	15%	60%	53%	✓
3–5 years	15%	60%	15%	✓
5–10 years	15%	60%	32%	✓

Fixed/Floating Profile

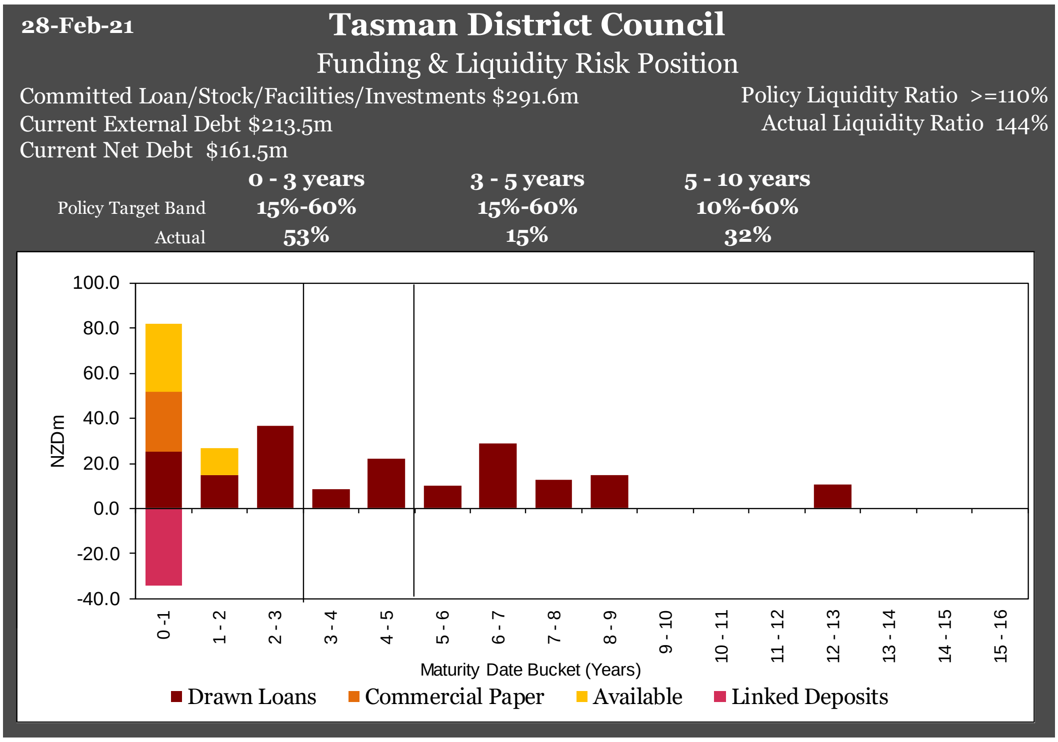
3.14 This measure shows the balance between minimising exposures to negative fluctuations in floating rates, against savings opportunities. The Council's strategy is to limit negative exposure and provide certainty of future interest rate costs. This is achieved through its use of interest rate swaps.

(A maturity greater than one year is defined as fixed).

Minimum	Maximum	Fixed Actual: February 2021	Within Limits
50%	95%	81%*	✓
* Current fixed-rate loans and swaps still available in 12 months' time ÷ forecast debt in 12 months' time			

Liquidity and Funding Maturity Risk Position Graph

3.15 The chart below represents the Council's funding maturity profile. The measures indicate how effectively the Council has spread the risk of refinancing its facilities and loans. The liquidity ratio represents the debt headroom available in the Council's facilities, along with cash available over and above its existing external debt.



3.16 The liquidity and funding risk position visually represents the approved funding maturity limits as set out in the Council's Treasury Policy. The chart takes a snapshot of the risk position as of the reporting date.

3.17 The key areas of focus are:

Liquidity Ratio: (maintaining additional committed liquidity):

- The liquidity ratio calculation represents the total committed bank facilities and term debt amounts, together with liquid investments, over the total debt amount.

Funding Maturity Risk Position (spreading of debt maturity dates):

- Existing committed bank facility expiry dates and term debt maturity dates are spread, based on defined maturity band limits of up to three years; three to five years and five years plus. Minimum and maximum percentage limits within each time band ensure a spread of maturities and reduce the risk of maturity concentrations.

3.18 The Council is complying with its Treasury Management Policy and is within all funding and liquidity limits.

Counterparty Credit Risk

3.18 The Council's policy is that New Zealand registered banks must have a minimum S&P's (or equivalent) short term rating of A-1+ or long-term rating of AA-. All counterparty banks are S&P AA- rated.

3.19 The policy credit limit (NZ$) for each New Zealand registered bank is $30m. This covers the Council's interest rate risk management instruments and cash investments.

Bank	Cash/Cash Investments $m	Swaps credit exposure $m	Credit Exposure $m	Compliance
Westpac	15.00	13.19	28.19	Within Policy
ASB	16.80	2.85	19.65	Within Policy
ANZ	0.00	3.70	3.70	Within Policy
BNZ	20.21	0.00	20.21	Within Policy

Current Borrowings

3.20 The Council's current gross borrowings of $213.5m are made up of $176.5m LGFA long-term debt, $27m LGFA short-term Commercial Paper and a $10m interest-free Crown Irrigation Investments Limited loan.

4 Investments

4.1 The Council's cash investments total $52.0m with an average interest rate of 1.93% (June 2020, 1.71%). In line with the Treasury Policy, specific reserves are not kept as cash. The Council continues to maintain adequate cash reserves and committed bank facilities to support any drawdown against specified reserves.

4.2 The individual investment balances are as follows:

	$ Invested	Interest Rate
Term Deposit (1,097 days)	9,000,000	3.74%
Term Deposit (337 days)	15,000,000	1.79%
Term Deposit (337 days)	10,000,000	2.13%
ASB on call Money Market	15,533,196	0.25%
Other Investments	2,481,822	0%
Total	**52,015,018**	**1.65%**

5 Emissions Trading Scheme

5.1 Consultation has started on proposed amendments to the New Zealand Emissions Trading Scheme (ETS). There are two sets of proposed amendments to strengthen the ETS framework and to reduce the complexity around the forestry scheme. The Council has no exposure to landfills as these are managed through the Nelson Tasman Regional Landfill Business Unit.

	Minimum Cover	Maximum Cover	Actual October 2019	Within Limits
***Committed**	80%	100%	100%	✓
Forecast period				

Item 8.5

	Minimum Cover	Maximum Cover	Actual October 2019	Within Limits
0 – 1 years	0%	80%	80%	✓
1 – 2 years	0%	50%	50%	✓
2 – 3 years	0%	30%	0%	✓

**exposure becomes committed in January-March (quarter following emission period as the Council must report emissions from the previous year).*

6 Market Comment

6.1 The OCR remains at 0.25%. However once operationally ready, the Reserve Bank has said that a negative OCR remains an option “if needed”. Our treasury advisor PwC has advised that a negative OCR is now less likely than not, and a growing number of forecasters now share this view. The Reserve Bank also reported that a package of additional monetary instruments must remain in active preparation. The deployment of such tools will depend on the outlook for inflation and employment. The package of further instruments includes a negative OCR supported by funding retail banks directly at OCR (a Funding for Lending Programme). Purchases of foreign assets also remain an option.

6.2 New Zealand’s terms of trade (the ratio between New Zealand export and import prices) is back down to normal levels (following the record high in 2020 Q2). This follows the usual pattern of a negative balance of trade over winter and spring.

6.3 According to Statistics New Zealand, gross domestic product fell by 1% in the December 2020 quarter, following a revised 13.9% increase in the September 2020 quarter. The September quarter reflected a bounce back after a slump in the June quarter, due to the impact of COVID-19.

6.4 Internationally, Australia’s GDP exceeded expectations in the December quarter, increasing by 3.3% from the previous quarter driven by a relaxing of COVID-19 restrictions, the United Kingdom’s increased by 1% but remains 7.8% below its December 2019 level, China continues to rebound strongly from COVID-19 with a 6.5% GDP increase contributing to an overall increase of 2.3% for the 2020 year, economists are predicting China will be the only major economy to experience GDP growth in 2020. The world’s largest economy, the United States grew by 4% in the December Quarter but full year GDP declined by 3.5% the worst result since the end of World War II. There is however cautious optimism from some economists that the economy will pick up through 2021 with the rollout of vaccinations across the country and the $1.9 trillion COVID-19 relief package recently passed by Congress.

6.5 Council staff continue to work closely with our PwC advisors regarding the best debt financing strategy going forward, given the ongoing uncertainty in global markets.

7 Treasury Cost Centre

7.1 The Treasury cost centre operates as the Council’s internal bank. It manages the external costs of borrowing and allocates them across internal loans within individual activities. It also pays/charges interest on reserves and activity balances. As per the Treasury Risk Management Policy, these interest rates are set quarterly. For the quarter starting January

2021, interest is charged on loans and overdrawn closed account balances at 3.35% and paid at 0.28% on credit balances for the next quarter.

8 Attachments

Nil

RCN21-04-7 LOCAL GOVERNMENT FUNDING AGENCY DRAFT STATEMENT OF INTENT 2021/22 AND HALF-YEAR REPORT TO 31 DECEMBER 2020

Decision Required

Report To:	Full Council
Meeting Date:	8 April 2021
Report Author:	Mike Drummond, Corporate Services Manager
Report Number:	RCN21-04-7

1 Summary

1.1 We received the LGFA Draft Statement of Intent 2021/22 on 27 February 2019, and also the Half-Year Report to 31 December 2020, along with an LGFA Letter to Shareholders on the draft SOI **(Attachment 1)**.

1.2 The draft Statement of Intent has been reviewed by the LGFA Shareholders' Council (SC) who, on behalf of Shareholders, met to discuss the deliverables and priorities they wished the Board to consider in the coming year.

1.3 A Statement of Expectations letter from the Shareholders' Council has been sent to the LGFA who have also responded (**Attachments 2 and 3**).

1.4 The Shareholders' Council will meet again prior to the final Statement of Intent being adopted to provide further feedback. As members of the Shareholders' Council, our participation in this process is encouraged. Any Councillor feedback can be provided to the Corporate and Governance Services Manager who is the Council's representative on the LGFA Shareholders' Council.

1.5 The LGFA is reporting another strong period of financial and non-financial performance in its Half-Year Report to 31 December 2020. Highlights are provided in this report.

2 Draft Resolution

That the Full Council:

1. **receives the Local Government Funding Agency draft Statement of Intent 2021/22 and Half-Year Report to 31 December 2020 report RCN21-04-7; and**
2. **receives the Local Government Funding Agency Statement of Intent 2021/22 (Attachment 4); and**
3. **agrees to the Statement of Intent and acknowledges that the Local Government Funding Agency Shareholders' Council will provide feedback (if any) on the draft Statement of Intent on behalf of Shareholding Councils; and**
4. **notes the receipt of the Local Government Funding Agency Half-Year results in accordance with the companies Statement of Intent.**

3 Purpose of the Report

3.1 To provide an update on the Local Government Funding Agency draft Statement of Intent 2021/22 and to receive the Half-Year Report to 31 December 2018.

4 Background and Discussion – Draft Statement of Intent 2018/19

Draft Statement of Intent 2021-2022

4.1 We have received the LGFA draft Statement of Intent (SOI) for the 2021/22 year **(Attachment 1)**.

4.2 Late last year the Shareholders' Council (SC) sent the LGFA Board a Statement of Expectation for their consideration in preparing this draft **(Attachment 2)**. The Board then responded to the SC (**Attachment 3**) outlining how they responded to the SC's expectations in preparing the draft SOI. The SC has subsequently reviewed the Board's response and the draft SOI and is pleased to see the extent to which its comments have been taken on board. While all Shareholders can respond to the draft SOI individually, the SC welcomes any comments for it to consider before providing feedback to the Board and the SOI is finalised.

4.3 For its shareholders, the LGFA continues to focus on delivering a strong financial performance; monitoring asset quality; enhancing its approach to treasury and risk management; and ensuring it has the correct governance framework and capital structure in place.

4.4 For its borrowing councils, the LGFA seeks to optimise funding terms and conditions by achieving savings in borrowing costs; providing longer-term funding; and providing certainty of access to capital markets.

4.5 Prior to the Board completing this draft SOI, the Shareholders' Council (SC) met to discuss the deliverables and priorities it wished the Board to consider in the coming year.

4.6 A copy of the Shareholders' Council Statement of Expectation letter is attached, along with the Board's response **(Attachments 2 and 3)**. Together they demonstrate a desire to take the largely 'status quo' approach while ensuring maintenance of overall credit quality. The Shareholders' Council (SC) also asked the Board to take a proactive role in the development of any alternative funding options for the sector and asked the Board to review its succession plan.

4.7 The SC will meet again prior to the final SOI being received and will provide further feedback if necessary. We are encouraged, as a Council member of the SC, to participate in this process.

4.8 The following points regarding the draft 2020/21 SOI are worth noting:

- Profitability is forecast to remain strong with projections for Net Operating Gain of $10.4m, $15.4m and $18.9m for the next three years, which is an improvement to actual results from previous years and will continue to strengthen the retained earnings metric.
- There is some forecast uncertainty around the timing of LGFA Net Interest Income, Profit and Loss, Total Assets, Local Government Loans, Bonds and Borrower Notes depending upon council decisions regarding the amount and timing of refinancing of

their April 2022, April 2023 and April 2024 LGFA loans. LGFA advised that they will work with council borrowers to reduce this uncertainty.

- The draft SOI assumes gross issuance of LGFA bonds per year of $2.60 billion (2021/22), $2.25 billion (2022/23) and $2.15 billion (2023/24), however the issuance volume will be determined by LGFA at the relevant time by reference to factors including refinancing of existing borrowing by councils and (if applicable) council-controlled organisations, new borrowing by councils and (if applicable) council-controlled organisations and LGFA's borrowing requirements for liquidity purposes. No decision by the LGFA has been made as to final issuance volume at this point and that will depend upon market conditions.
- There has been no allowance made in the LGFA SOI forecasts for the impact on councils or the LGFA from the Governments proposed three-waters reform programme.
- The SOI performance targets are the same as the targets in the previous SOI except for the revised operating income, annual issuance, and total lending targets which have been updated to reflect current demands and operating conditions.

4.9 The additional objectives (page 3) have been amended to include assisting the local government sector with significant matters including the three-waters reform programme.

4.10 The final version of the SOI will go to shareholders by 30 June 2021.

5 Background and Discussion – Half-Year Report to 31 December 2020

Half-Year Report to December 2020

5.1 We have also received the LGFA Half-Year Report for the six month period to 31 December 2020. A full copy of this report is available to Councillors on request.

5.2 The LGFA is reporting another strong period of financial and non-financial performance. The following are highlights from the report:

- Total interest income for the six month period was a 2.9% increase over the 2019/20 comparable period, while Net Operating Profit was a 2.5% decrease over the 2019/20 comparable period. While the profit was lower than the prior-year (due to the interest rate environment) it was ahead of the SOI forecast.
- The financial strength of the LGFA has reaffirmed with Standard & Poor's and Fitch Ratings maintained the LGFA credit rating at AA+. This is the same as the New Zealand Government.
- LGFA Bonds continue to be an attractive investment for investors. The LGFA has also rolled out standby facilities to councils.
- The Reserve Bank has continued to support the New Zealand domestic capital markets through the purchase of LGFA bonds in the Large-scale Asset Purchase Programme. The Reserve Bank now holds $1.79b of LGFA bonds (14% of outstanding bonds). Offshore investors hold 21.6%, while NZ institutional investors hold 29.7% and domestic banks hold the remaining 34.6%.
- Over the last six months, the LGFA has issued a record of $1.90 billion in bonds.

- The LGFA has $13.71 billion of bonds (including Treasury stock used for bond lending purposes) on the issue across ten maturities from 2021 to 2037.
- Long-dated lending of $1.74 billion for the period was strong with the lending activity a mix of new borrowing and the refinancing of council loans maturing on 15 May 2021. The average length of the borrowing was 7.1 years that is longer than the average term of 5.4 years over the year to June 2020.
- Short-dated lending (less than 365-day terms) to councils has been well supported with loans of $343m to 26 council members as at December 2020.
- The underlying credit quality of the sector continues to remain very strong, with all member councils remaining compliant with the LGFA lending covenants.

6 Options

6.1 The Council has three options in relation to the draft Statement of Intent:

a) **Option 1** (recommended) **–** to accept the draft SOI and advise the LGFA (and the LGFA Shareholders Council) that the Council has no specific changes it wishes them to consider in drafting the final SOI.

b) **Option 2** - To refer matters of concern regarding the SOI to the LGFA Shareholders Council with commentary on the particular areas of the SOI that Council believes need attention prior to reconsideration of the final SOI by the Council.

c) **Option 3** - To formally refer the SOI back to the LGFA Board with comments on the areas of the SOI that need attention prior to reconsideration of the final SOI by the Council.

6.2 The Council, through its representation by the Corporate and Governance Services Manager on the LGFA Shareholders Council, has input into the draft SOI process. A decision not to support the draft SOI, as negotiated between the Shareholders Council and the LGFA, would result in some difficulties. By itself, the Council cannot effect any change to the draft SOI. Changes would need to be managed through the Shareholders Council as they would require the agreement of both the LGFA and the majority of shareholders.

7 Strategy and Risks

7.1 There is no identified change in risks or benefits associated with the LGFA operations and this draft SOI. The company has provided the Half-Yearly report to this Council. This covered financial, and non-financial performance measures. There are no matters that require the attention of this Council.

7.2 There is a risk that the relationship between the shareholder councils and the LGFA could be significantly damaged if there is a failure of this Council and the LGFA Shareholders Council to agree on the 2021/2022 LGFA SOI.

7.3 As the LGFA has the Crown and other councils as shareholders, the shareholder interactions are managed through the LGFA Shareholders Council. The Council will need to consider the views and preferences of the LGFA Shareholders Council and its members in any decision to provide feedback to the LGFA.

8 Policy / Legal Requirements / Plan

8.1 The LGFA must have an SOI that complies with Clauses 7 to 10 of s8 of the Local Government Act 2002 (LGA). The draft SOI complies.

8.2 The Statement of Intent must not be inconsistent with the company's (LGFA) constitution.

8.3 Draft SOIs must be delivered to shareholding councils on or before 1 March each year. Shareholders may extend this deadline for a period or periods up to one calendar month.

8.4 The LGA Schedule 8(2) requires the Board to consider any comments on the draft SOI that are made to it by the first of May and deliver a completed SOI to shareholders on or before 30 June each year. This is managed through the LGFA Shareholders' Council.

8.5 S65 (2) of the LGA requires the Council (as a shareholder) as soon as practicable after receiving an SOI to agree to the SOI, or if it does not agree to take all practicable steps under clause 6 of schedule 8 of the LGA to require the SOI to be modified.

8.6 Clause 6 of Schedule 8 to the LGA allows shareholders to impose certain SOI provisions on the company. Such a course of action would require shareholders to agree on the changes to be imposed.

8.7 S64(9) of the LGA requires each shareholding local authority to publish the **adopted** Statement of Intent on an internet site maintained by or on behalf of the local authority within one month of adopting it and it must maintain the statement on that site for no less than seven years.

8.8 **Half-Yearly, Quarterly Report and Annual Reports –** Each local authority that receives a report must publish the report on an internet site maintained by or on behalf of the local authority within one month of receiving it and must maintain the report on that site for no less than seven years.

9 Consideration of Financial or Budgetary Implications

9.1 There are no budgetary or financial implications in receiving the report or providing feedback on the draft Statement of Intent.

10 Significance and Engagement

10.1 This is a routine matter and the significance of this report is assessed as low and no special engagement with the community is required.

10.2 The draft LGFA Statement of Intent is also available to the public on the LGFA website (https://www.lgfa.co.nz) for those members of the community with a particular interest.

11 Conclusion

11.1 The draft SOI provides for the status quo in terms of direction and approach by the LGFA. In the draft SOI, the LGFA has met the SOI the expectations set out in the Letter of Expectations by the Shareholders' Council. The staff recommendation is for this Council to agree to the draft SOI.

11.2 The Half-Yearly Report assures that the LGFA continues to operate prudently and successfully.

12 Next Steps / Timeline

12.1 The members' responses to the SOI will be reviewed by the LGFA Shareholders' Council at its next scheduled meeting.

12.2 The final SOI will be received by Shareholders by 30 June 2021.

12.3 A link to the draft SOI will be placed on the Council's website.

13 Attachments

LGFA
NEW ZEALAND LOCAL GOVERNMENT FUNDING AGENCY
TE PŪTEA KĀWANATANGA Ā-ROHE

26 February 2021

Dear Shareholder

Draft Statement of Intent 2021/22

Please find attached a copy of the Draft Statement of Intent (SOI) for the 2021/22 year.

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

For our borrowing councils we seek to optimize 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
- Enhancing our approach to treasury and risk management and
- Ensuring we have the correct governance framework and capital structure in place

For our guarantors we are focused on

- Minimising the risk of a call upon the guarantee through actively monitoring and managing the business risks faced by LGFA including operational, credit, liquidity, interest rate and funding risk.

The following points regarding the Draft SOI 2021/22 are worth noting:

- Profitability is forecast to remain strong with projections for Net Operating Gain of $11.1 million, $16.3 million, and $19.9 million for the next three years, which is an improvement to actual results from previous years. However, we remain cautious in placing too much emphasis on the Year Three (2023/24) forecast given that over the next three years, we estimate that $6.4 billion of our LGFA bonds and $6.1 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 forecast period as the balance sheet grows from increased council lending and we hold additional liquid assets to manage the LGFA bond maturities. However, this is offset by a reduction in on-lending margins as loans to councils made in previous years at higher margins are refinanced by councils at maturity

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with lower margin loans. Also, the improving credit quality of the sector has resulted in a reduced credit margin applied to council loans.

- We have increased our forecast for council loans (short and long term) outstanding as at June 2022 to $12.87 billion and to $13.29 billion as at June 2023 (from $12.26 billion and $12.68 billion in the previous SOI). This reflects a higher starting position as at 30 June 2021 and councils undertaking further capex and a continued high utilisation of short term borrowing from LGFA by councils. We have made no assumptions regarding the proposed Three Waters Reform programme as any changes to council borrowing requirements or the timing of change have not yet been confirmed.

- Compared to the previous SOI, issuance and operating expenses, excluding Approved Issuer Levy ("AIL") are forecast to be approximately $200k higher in the 2021/22 financial year and 2022/23 financial year due to higher costs associated with higher levels of council lending and bond issuance.

- The SOI performance targets are the same as the targets in the previous SOI except we have included to assist councils with the proposed Three Waters Reform Programme.

- As noted above, there is some timing uncertainty within the SOI forecast relating to council loans and LGFA bonds outstanding as we need to project both the repayment amount and repayment timing of the council loans that are due to mature in April 2022, April 2023 and April 2024. 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 1 May 2021 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 2021.

Yours sincerely

Mark Butcher
Chief Executive

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LGFA
NEW ZEALAND
LOCAL GOVERNMENT
FUNDING AGENCY

24 December 2020

Craig Stobo
Chair
New Zealand Local Government Funding Agency Ltd
P O Box 5704
Wellington 6145

Dear Craig,

Shareholder Expectations and the Statement of Intent 2021/22

I am writing to set out the Shareholders' Council's (the Council's) expectations of the New Zealand Local Government Funding Agency Ltd (LGFA) for consideration in the LGFA's business planning for the upcoming year and the development of its 2021/22 Statement of Intent (SOI).

The Council values the positive and open working relationship with the LGFA. The timely provision of information, and a 'no surprises' approach by both parties, helps ensure the relationship remains productive.

Governance

It is important that the LGFA continues to build on its Board and management strengths, and works closely with the Council to ensure the Board membership maintains an optimum mix of expertise, appropriate gender/diversity balance and experience.

We expect the LGFA to maintain a focus on longer term succession planning, particularly with regard to the role of Chair and ensuring that there is appropriate senior experience working in or with central government amongst the Board's membership. It is noted that during the current year the Council is planning to undertake an independent review of the Board's performance and to assess the appropriate skills mix for the future. This will help inform succession planning for the Board Chair and Audit & Risk Chair roles.

The shareholders would like to reiterate that consideration be given to the current non-independent director rotation process. It seems appropriate that non-independent director rotation timing should be better aligned with that of independent directors. For example, at times where there is only one non-independent director it may be more appropriate for the rotation timing to be a minimum of two years.

Sector Initiatives

We urge the LGFA to continue to seek to influence government decision-making for the benefit of the sector, and to keep abreast of the issues facing the sector.

We ask that you assess the impacts on LGFA from Infrastructure Funding and Financing Act 2020 and Urban Development Act 2020. These may lead to less funding requirements from LGFA and, however, may increase sector risks.

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With the Three Waters Reform Program being undertaken by the Department of Internal Affairs there is an opportunity to inform and provide advice to the Crown on the provision of improved three water service delivery for communities. As part of this process the Crown has made available stimulus funding to support economic recovery post COVID-19 and address persistent systemic issues in the three waters sector. This initiative is likely to have significant impacts on the sector funding requirements. These three water entities may or may not be owned by councils and may significantly impact on future funding sourced from LGFA.

We ask that you explore opportunities to be part of the Reserve Bank's Funding and Lending Program to assess the possibility of LGFA sourcing funding directly from the Reserve Bank to lower the cost of funds to the sector.

Similarly, we support LGFA's involvement in the potential development of the Ratepayer Financing Scheme development in an advisory capacity.

In all these matters it would be appreciated if would report back on any implications of options and proposal(s) on the LGFA and its guarantors e.g. if the scope of LGFA's operations could change, or the potential for additional risks emerge.

Sector Representation

With the increase in the number of borrowers/guarantors over the last few years, the Council is conscious that there are now a significant number of councils that are affected by LGFA's overall operations; but who have limited visibility and no influence over them.

The Council has instigated regular contact with guaranteeing councils that are not also shareholders through the portfolio allocated to each member. Any relevant information will be passed on to the LGFA Board and management for consideration via our existing processes.

However, we also request that the Board consider whether it is appropriate to provide the opportunity for non-shareholding councils to become shareholders. This may be achieved by an issue of new shares and or a sell-down of shares (at current valuation) by existing shareholders. We would welcome dialogue with the Board on this issue at a suitable time. This may also be a relevant topic for discussion at the next Shareholders/Borrowers day.

Constancy of objectives and intentions

It is the Council's expectation that the company's objectives and operating intentions be reflected in the 2021/22 SOI. The SOI is the ideal opportunity for the LGFA to reaffirm its:

- commitment to providing a range of borrowing products and services;
- focus on lowering the cost of local government borrowing;
- strategy for maintaining a high-quality asset book and ensure appropriate insurance cover and/or reserves maintained to cover unplanned event risk;
- proactive risk management approach; and
- intention to return a dividend to shareholders.
- With regard to extending the range of borrowing products and services, consideration should be given to the company's original purpose to be a funding vehicle en-masse to the sector.

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- Both lending to CCOs and offering Standby Facilities to councils are now underway, we assume reporting on these matters will be incorporated in the quarterly report.
- While we expect customer demand to drive new product and service development, a balance needs to be maintained between the risk, cost and complexity of introducing and managing them versus the extent of the incremental benefits they provide. We expect that robust risk / cost benefit analysis be undertaken and agreed with the Council prior to introduction on any further new products.
- We understand that process improvements are currently being considered to streamline the councils borrowing from LGFA, we support this initiative.

Performance indicators

Performance indicators should provide a robust, meaningful performance overview for key stakeholders. The Council asks that the LGFA's performance indicators and targets are regularly reviewed to confirm that they are providing the most effective performance picture.

With reference to the current measurement of savings to council borrowers, we believe the current comparison to Auckland Council and Dunedin Council does not reflect the true value of savings to councils due to the overall impact of the LGFA and this comparison is of marginal benefit now.

Now that LGFA is firmly established as the primary funder to the sector it may be more appropriate to change this measure to demonstrate 'value added', rather than direct savings, which are becoming increasingly harder to isolate and track.

Treasury policy

It is the Council's enduring expectation that the LGFA will continue to take the appropriate steps to ensure that it understands risks arising from debt maturity consolidation, each borrower's headroom and funding intentions, and the overall sector's financial position.

The LGFA's Lending Policies and Foundation Policies, as detailed in the company's Treasury Policy, should appropriately reflect the sector's position.

We ask that you complete a comprehensive review of the Treasury Policy within the next twelve months and continue to monitor relevant borrowing parameters, regardless of whether they are specified covenants. This will enable LGFA to 'future proof' the policy. The Statement of Intent is a good way to signal to stakeholders that a review is planned.

We also ask that you explore opportunities to allow the Board to amend some areas within the policy without requiring a shareholder resolution, such as counterparty credit limits and associated minimum credit ratings for investments. All fundamental aspects of the policy still would require approval by the shareholders.

It is also important to allow sufficient time for shareholders to assess any future changes that may be required.

Lending Processes

The Council requests ongoing reviews to enable the most efficient processing of agreements, transactions and documentation. Consideration should also be given to the difficulty of obtaining Chief Executives' signatures within the current half day timeline and whether some form of pre-approval or delegation can occur for some components.

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Financial and general reporting

The current SOI contains brief financial forecast information. The Council continues to appreciate the LGFA providing more detailed financial and operational information in the quarterly reports. It is important that this information continues to be provided in 2021/22.

The Council notes the importance of shareholders receiving full and early disclosure from the LGFA of company policy breaches by Participating Local Authorities. It is crucial that all shareholders are informed as soon as possible after an event has occurred, given their potential liability.

As well as ensuring that the expectations outlined above are met, we request that the basis of the calculation of financial covenants and any direct lending to Council Controlled Organisations be included in quarterly and annual reports to ensure transparency for all stakeholders.

The Council would like to hold further discussions with the Board to carry out a review to determine the level of consistency around the way calculations are applied to covenant measures in the foundation documents and the risk coverage achieved with this approach. The Council also requests that to maintain the integrity and security of the LGFA for Guarantors that no more risk is taken on by the LGFA.

Delivery of draft 2021/22 SOI

The Council would welcome a discussion on the content of this letter and the LGFA's views on its priorities for 2021/22. We look forward to receiving the company's draft SOI as early as possible, to allow us to engage with shareholders in a meaningful fashion. The Council will respond with feedback as promptly as possible, and prior to the statutory deadline of 1 May 2021, in order that the company is in a position to deliver its final SOI by 30 June 2021.

We would also appreciate an update from the Board and LGFA management on its future strategic direction and how LGFA is preparing itself to operate in a fluid and dynamic global environment.

It was a pleasure to attend the 2020 Annual General Meeting, and recognise the significant achievements of the LGFA over the last year. Please do not hesitate to contact me if you have any queries or comments.

Yours sincerely

Alan Adcock
Chair, LGFA Shareholders' Council

cc. Mark Butcher, Chief Executive LGFA

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LGFA
NEW ZEALAND LOCAL GOVERNMENT FUNDING AGENCY
TE PŪTEA KĀWANATANGA Ā-ROHE

19 February 2021

Alan Adcock

Chair Shareholder Council

New Zealand Local Government Funding Agency Ltd

Dear Alan,

Letter of Expectation and the Draft Statement of Intent 2021/22

Many thanks for providing the Letter of Expectation ("LoE") from the Shareholder Council ("SC") and we appreciated receiving it at the end of 2020 as it plays an important part in the development of our 2021/22 Statement of Intent ("SOI").

The LGFA board and management appreciate the support and input from the Shareholder Council as we continue to manage the business to deliver on the objectives for stakeholders as well as minimising risk for guarantors.

We have fully considered the issues raised in the LoE as part of the SOI process and happy to provide a response to each as follows.

Governance

We agree with the importance of a strong board and management team. We welcome the board review, and this will feed through into succession planning for both the Chair and directors.

We agree with your view to have the non-independent director rotation timing better aligned with that of independent directors. We will look to make a change to a two-year appointment period for the non-independent director at the November 2021 AGM.

Sector Initiatives

We agree with the role that LGFA can play to influence government decision-making for the benefit of the sector, and to keep abreast of the issues facing the sector.

As part of our March 2021 board strategy day we will focus on the potential impact on LGFA from the Infrastructure Funding and Financing Act 2020, Urban Development Act 2020 and Three Waters Reform Programme. We will then build any conclusions and outcomes from this day into the Final SOI by late June 2021.

We maintain a positive ongoing dialogue with the Reserve Bank of New Zealand ("RBNZ"), and they are now our single largest holder of LGFA bonds. We have benefited from LGFA being the only issuer

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other than the New Zealand Government to be part of the Large-Scale Asset Purchase Programme as this has led to lower borrowing costs for our council members and the ability to have borrowed a record $3 billion over the 2020 calendar year. We must be mindful however that we are not treated by the RBNZ as a bank as that would lead to a need for additional capital and greater regulatory oversight.

We continue to both support and remain involved in the development of the Ratepayer Financing Scheme.

We appreciate the dialogue with the Shareholder Council and will continue to liaise with you on any matter that may lead to a change in LGFA's operations or the potential for additional risks.

Sector Representation

There are thirty-one shareholders comprising thirty councils and Central Government and there has been no changes to the shareholding base since the partial sell down by the eighteen foundation council shareholders in November 2012 to twelve new council shareholders.

We undertake a formal review of the capital structure every two years and to date the board has not determined that we need additional capital. Any issuance of additional shares by LGFA would require a higher amount of Net Operating Profit to be paid as dividends without any additional financial benefit to LGFA. We believe that the use of Borrower Notes is a more appropriate form of raising capital but will reconsider at our next capital review in early 2022. We are willing to assist with the sell-down of shares by existing shareholders but suggest that this is one area that the SC could manage.

Constancy of objectives and intentions

We agree with the SC that the SOI is the ideal opportunity for the LGFA to reaffirm its:

- commitment to providing a range of borrowing products and services;
- focus on lowering the cost of local government borrowing;
- strategy for maintaining a high-quality asset book and ensure appropriate insurance cover and/or reserves maintained to cover unplanned event risk;
- proactive risk management approach; and
- intention to return a dividend to shareholders.

We agree that the company's purpose is to be a funding vehicle en-masse to the sector.

We are reporting in the current financial year (2020-21) on CCO lending and Standby Facilities in the quarterly report.

We will continue to look for ways to streamline the documentation process for councils borrowing from LGFA.

However, we view that as inappropriate that any new product or services should be subject to SC agreement prior to introduction. The role of the SC is to

- review and report performance of LGFA and the Board

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- recommend to Shareholders as to the appointment, removal, replacement and remuneration of directors
- recommend to Shareholders as to any changes to policies, or the SOI, requiring their approval and
- update Shareholders on LGFA matters and to coordinate Shareholders on governance decisions.

Performance indicators

We agree that performance indicators should provide a robust, meaningful performance overview for key stakeholders and we undertake a review of our performance indicators and targets on an annual basis.

We agree with your view that the current comparison to Auckland Council and Dunedin Council does not reflect the true value of savings to councils and we will instead focus on demonstrating 'value added' both in a quantitative and qualitative sense.

Treasury policy

We intend to undertake an independent external review of the Treasury Policy in the 2021 calendar year and will share the results with the SC.

As part of this process we will also review the Foundation Policy limits to see what changes could be made to streamline the approval process without compromising the position of shareholders and guarantors.

We agree that it is important to allow enough time for shareholders to assess any future changes that may be required and will aim to have the results of the review to the SC by late June 2021

Lending Processes

We agree to an ongoing review of the documentation process in order to reduce the administrative burden on council borrowers. It is important however to ensure we always protect the position of guarantors.

Financial and general reporting

We will continue to provide as much detailed financial and operational information to shareholders in the quarterly reports. We also value the time we spend with the SC at your quarterly meetings and are happy to receive feedback as to how we can provide more insight to you subject to our limitations around the Companies Act and not having SC members deemed to be directors.

We acknowledge the importance to shareholders and guarantors of a breach by a Participating Local Authority and will inform you as soon as possible after an event has occurred.

We agree to provide details of all direct lending to CCOs in the quarterly and annual reports. We cannot however provide financial covenant outcomes on a quarterly basis for CCOs as we do this only on an annual basis for councils. We intend to provide covenant outcome compliance on an annual basis. It should be reiterated that the residual credit risk on lending to a CCO is the strength of either the guarantee or uncalled capital provided to the CCO by the council shareholder(s). The council shareholder(s) are also required to be guarantors of LGFA.

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We understand there are some members of the SC concerned with how the calculations are applied to covenant measures in the foundation documents and we will continue to work with them to allay those concerns.

Delivery of draft 2021/22 SOI

We will engage with the SC between our February board meeting date and the 28 February deadline for distribution of the Draft SOI to shareholders.

We are very happy to update the SC on our strategic direction and possibly the best time would be after our March 2021 strategy day.

Regards

Craig Stobo
Board Chair

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LGFA NEW ZEALAND LOCAL GOVERNMENT FUNDING AGENCY
TE PŪTEA KĀWANATANGA Ā-ROHE

Draft Statement of Intent 2021/22

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 CCOs 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 Councils and CCOs that enter into all the relevant arrangements with it (such Councils being "Participating Local Authorities" and such Councils and CCOs being "Participating Borrowers") and comply with the LGFA's lending policies.

In lending to Participating Borrowers, 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 Borrowers;
- 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 shareholder-agreed objectives and performance targets specified in this Statement of Intent;
- Be a good employer;
- Demonstrate social, economic, environmental and cultural responsibility;
- Maintain strong and sound corporate governance;
- Set and model high standards of ethical behaviour; and
- Operate in accordance with sound business practice.

Primary Objectives

LGFA will optimise the debt funding terms and conditions for Participating Borrowers. Among other things, this includes:

- Providing interest cost savings relative to alternative sources of financing;
- Offering flexible short and long-term lending products that meet Participating Borrowers' borrowing requirements;
- Delivering operational best practice and efficiency for its lending services;
- Ensuring certainty of access to debt markets, subject always to operating in accordance with sound business practice.

LGFA will ensure its asset book remains at a high standard by ensuring it understands each Participating Borrower's financial position, as well as general issues confronting the Local Government sector. Amongst other things, LGFA will:

- Proactively monitor and review each Participating Borrower's financial position, including its financial headroom under LGFA policies;
- Analyse finances at the Council group level where appropriate and report to shareholders;
- Endeavour to meet each Participating Borrower annually, including meeting with elected officials as required, or if requested; and
- Take a proactive role to enhance the financial strength and depth of the local government debt market and work with key central government and local government stakeholders on sector and individual council issues.

Additional objectives

LGFA has the following seven measurable and achievable additional objectives which complement the primary objective. Performance against these objectives is reported annually.

LGFA will:

1. Maintain LGFA's credit rating equal to the New Zealand Government sovereign rating where both entities are rated by the same Rating Agency.
2. Provide at least 80% of aggregate long-term debt funding to the Local Government sector[1].
3. Achieve the financial forecasts outlined in section 4 for net interest income and operating expenses, including provision for a shareholder dividend payment in accordance with approved dividend policy.
4. Meet or exceed the Performance Targets outlined in section 5.
5. Comply with the Health and Safety at Work Act 2015.
6. Comply with the Shareholder Foundation Polices and the Board-approved Treasury Policy at all times.
7. Assist the local government sector with significant matters such as COVID -19 response and Three Waters Reform Programme.

[1] This includes Auckland Council borrowing both in its own name and through LGFA and recognising that the amount of borrowing by Auckland Council from LGFA is restricted by the Foundation Policy covenants.

4. Financial forecasts

LGFA's financial forecasts for the three years to 30 June 2024 are:

FINANCIAL YEAR ($M)	DRAFT SOI 2021/22		
Comprehensive income	**Jun-22**	**Jun-23**	**Jun-24**
Interest income	160.0	182.9	200.7
Interest expense	142.0	159.6	174.1
Net Interest income	**18.0**	**23.3**	**26.6**
Other operating income	0.7	0.9	1.0
Total operating income	**18.7**	**24.2**	**27.6**
Approved Issuer Levy	0.6	0.6	0.3
Issuance & onlending costs	2.7	2.8	2.8
Operating overhead	4.2	4.4	4.5
Issuance and operating expenses	**7.6**	**7.8**	**7.7**
P&L	**10.4**	**15.4**	**18.9**
Financial position ($m)	**Jun-22**	**Jun-23**	**Jun-24**
Capital	25.0	25.0	25.0
Retained earnings	79.2	93.9	112.1
Total equity	104.2	118.9	137.1
Shareholder funds + borrower notes / Total assets	2.4%	2.6%	2.8%
Dividend provision	0.7	0.7	0.8
Total assets (nominal)	14,428.8	15,041.3	15,557.4
Total LG loans - short term (nominal)	350.0	350.0	350.0
Total LG loans (nominal)	12,523.6	12,940.7	13,228.3
Total bills (nominal)	500.0	500.0	500.0
Total bonds (nominal) ex treasury stock	13,405.0	13,995.0	14,495.0
Total borrower notes (nominal)	245.9	271.7	293.9

Note that there is some forecast uncertainty around the timing of Net Interest Income, Profit and Loss, Total Assets, LG Loans, Bonds and Borrower Notes depending upon council decisions regarding the amount and timing of refinancing of their April 2022, April 2023 and April 2024 loans. LGFA will work with council borrowers to reduce this uncertainty. The above table assumes gross issuance of LGFA bonds per year of $2.60 billion (2021/22), $2.25 billion (2022/23) and $2.15 billion (2023/24), however the issuance volume will be determined by LGFA at the relevant time by reference to factors including refinancing of existing borrowing by councils and (if applicable) council-controlled organisations, new

borrowing by councils and (if applicable) council-controlled organisations and LGFA's own borrowing requirements for liquidity purposes. No decision has been made as to final issuance volume at this point and will depend upon market conditions.
There has been no allowance made in the forecasts for the impact on councils from the proposed Three Waters Reform Programme.

5. Performance targets

LGFA has the following performance targets:

- LGFA's total operating income for the period to:
  - 30 June 2022 will be greater than $18.7 million.
  - 30 June 2023 will be greater than $24.2 million.
  - 30 June 2024 will be greater than $27.6 million.
- LGFA's annual issuance and operating expenses (excluding AIL) for the period to:
  - 30 June 2022 will be less than $7.0 million.
  - 30 June 2023 will be less than $7.2 million.
  - 30 June 2024 will be less than $7.4 million.
- Total lending to Participating Borrowers[2] at:
  - 30 June 2022 will be at least $12,874 million.
  - 30 June 2023 will be at least $13,291 million.
  - 30 June 2023 will be at least $13,578 million.
- Conduct an annual survey of Participating Borrowers who borrow from LGFA and achieve at least an 85% satisfaction score as to the value added by LGFA to the borrowing activities
- Meet all lending requests from Participating Borrowers, where those requests meet LGFA operational and covenant requirements.
- Achieve 85% market share of all council borrowing in New Zealand
- Review each Participating Borrower's financial position, its headroom under LGFA policies and arrange to meet each Participating Borrower at least annually.
- No breaches of Treasury Policy, any regulatory or legislative requirements including the Health and Safety at Work Act 2015.
- Successfully refinance of existing loans to councils and LGFA bond maturities as they fall due.

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[2] Subject to the forecasting uncertainty noted previously

- Maintain a credit rating equal to the New Zealand Government rating where both entities are rated by the same credit rating agency.

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.

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 practice[3] 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.

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

[3] Best practice as per NZX and Institute of Directors guidelines

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.

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 1993 and Financial Reporting Act 2013. 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 regarding 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 regarding 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 Borrower's (in credit rating bands).
- Comparison of LGFA's performance regarding 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 Borrower that occurred during the relevant quarter (including steps taken, or proposed to be taken, by LGFA in relation thereto).
- Details of any lending to CCOs during the quarter and the amount of CCO loans outstanding.

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 of $25 million. This equates to a value per share of $1.00.

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 2020 (updated where necessary), accordingly, the statement does not contemplate LGFA lending to CCOs.

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.

The financial statements are as at and for the year ended 30 June 2020.

These financial statements were authorised for issue by the Directors on [xx] August 2020.

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

NZ IFRS 16 Leases.

NZ IFRS 16 became effective from 1 July 2019 and did not have a material impact on the financial statements.

On adoption of NZ IFRS 16, LGFA recognised right-of-use assets and lease liabilities in relation to its property leases which had previously been classified as operating leases under NZ IAS 17 Leases.

In adopting NZ IFRS 16, LGFA elected to use the simplified retrospective approach which does not require restatement of comparative information. The lease liability is recognised at the present value of the remaining lease payments, discounted using LGFA's incremental borrowing rate, with the corresponding right-of-use asset recognised as an equal amount.

The following items in the balance sheet were impacted by the change of accounting on 1 July 2019: Other assets and Other liabilities both increased by $0.157 million.

Lease payments previously included in other operating expense are now classified to financing and depreciation costs under NZ IFRS 16.

There have been no other changes to accounting policies. [KPMG to review note]

Early adoption standards and interpretations

LGFA has not early adopted any standards. [KPMG to review note]

New standards adopted

NZ IFRS 16 Leases became effective from 1 July 2019. [KPMG to review note]

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. [KPMG to review note]

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 and 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 expected credit loss assessment is performed for all financial assets and is calculated as either:

- Credit losses that may arise from default events that are possible within the next 12 months, where no significant increase in credit risk has arisen since acquisition of the asset, or
- Credit losses that may arise from default events that are possible over the expected life of the financial asset, where a significant increase in credit risk has arisen since acquisition of the asset.

Impairment losses on financial assets will ordinarily be recognised on initial recognition as a 12-month expected loss allowance and move to a lifetime expected loss allowance if there is a significant deterioration in credit risk since acquisition.

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. Segment reporting

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

i. 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 2a 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.

Financing New Zealand councils' infrastructure investment

Te tuku pūtea ki te haumitanga hanganga kaunihera o Aotearoa

Half Year Report

31 December 2020

LGFA NEW ZEALAND LOCAL GOVERNMENT FUNDING AGENCY

TE PŪTEA KĀWANATANGA Ā-ROHE

Ma te huruhuru ka rere te manu is a traditional saying literally meaning 'birds need feathers to fly'.

Its wider meaning is that 'investment is needed for success'.

Contents
Ihirangi

Message from the Chair and Chief Executive

He karere mai i te Toihau me te Tumuaki

Craig Stobo, Board Chair

for the six-months ended 31 December 2020

"LGFA continues to meet the challenges of COVID-19 while providing cost effective financing solutions for its growing council membership base and offering New Zealand dollar fixed income investors a choice of high-grade investment maturities"

We are pleased to highlight another period of positive financial and non-financial performance by the company for the six-month period to 31 December 2020.

Mark Butcher, Chief Executive

Strong Financial and Operational Performance

LGFA total interest income for the six-month period of $190.38 million was a 2.9% increase over the 2019-20 comparable period result of $185.10 million while net operating profit of $5.92 million was a 2.5% decrease on the 2019-20 comparable period result of $6.10 million.

While operating profit was lower than the prior period due to the lower interest rate environment, it was ahead of the Statement of Intent (SOI) forecast due to the early refinancing of council loans maturing in May 2021 and a higher level of new council borrowing.

Expenses have been managed under budget over the past six months. In terms of composition, lower fees paid on the NZDM facility, and lower Approved Issuer Levy payments were somewhat offset by higher legal and NZX costs from higher than forecast lending and bond issuance activities.

LGFA bonds continue to be an attractive investment for investors while LGFA has also delivered savings in borrowing costs, extended the tenor of lending available by four years and rolled out the provision of standby facilities to council members.

The financial strength of LGFA was reaffirmed by Fitch Ratings who maintained our domestic currency credit rating at 'AA+' in November 2020 and our 'AA+' rating from S&P Global Ratings remains on positive outlook, both of which are the same as the New Zealand Government.

Borrowing activity

LGFA issued a record $1.90 billion of bonds over the past six months and just eclipsed the prior six-month record of $1.80 billion. Nominal outstandings of LGFA bonds total $13.71 billion (including $950 million of treasury stock) across ten maturities from 2021 to 2037. The debut of a new April 2037 bond maturity by syndication of $500 million in July 2020 was another successful issue and the bond tenders were well supported by market participants.

LGFA is the largest issuer of New Zealand dollar securities after the New Zealand Government and our bonds are amongst the largest and most liquid New Zealand dollar debt instruments available for investors. We have seen a shift in investor composition over the past six months as offshore investors have become less attracted to the lower yielding NZD fixed income asset class while domestic banks and investors have increased their nominal holdings based on the outlook for lower interest rates and lack of supply of other high-grade bonds. The Reserve Bank has continued to support the domestic capital markets through the purchase of LGFA bonds in the Large-Scale Asset Purchase Programme and hold $1.79 billion or 14% of our bonds outstanding as at 31 December 2020. Our offshore investors hold 21.6% of LGFA bonds on issue while NZ Institutional and retail investors hold 29.7% and domestic banks hold 34.6%

The performance of LGFA bonds over the past six months has been pleasing with LGFA bond spreads to both swap and New Zealand Government Bonds (NZGB) tighter on positive credit market sentiment as well as investors seeking additional yield in what is a low interest-rate environment. Outright yields on LGFA bonds have declined modestly over the past six months by between 2 basis points (bps) (0.02%) on the 2022 maturity and 12 bps (0.12%) on the 2027 maturity. It was another period of volatility with the 2027 LGFA bond yield trading in a 60 bps (0.60%) range over the six-month period, trading to a low of 0.49% in early November before rising to 0.87% on 31 December 2020.

LGFA continues to issue short-dated LGFA Bills ranging in maturities from three months to 12 months through a combination of monthly tenders and private placements. As at 31 December 2020, outstandings under the programme were $612.5 million. These instruments provide a source of funding for short-dated lending to our council borrowers and assist LGFA with liquidity management.

Lending to the sector

LGFA was established in December 2011 to provide long-dated borrowing, certainty of access to markets and to reduce the borrowing costs for the local government sector. Over the past six months, we added four new members with South Waikato, Waitaki and Central Otago District Councils joining as guarantors and Kawerau District Council joining as a non-guarantor. Total membership of 71 councils is very pleasing and this is expected to increase slightly in the coming six months as several councils are partly through the joining process.

Long-dated lending over the six-month period was $1.74 billion with the lending activity a mix of new borrowing and the refinancing of council loans due to mature on 15 May 2021. The average tenor of borrowing by councils at 7.1 years was longer than the average term of borrowing of 5.4 years over the 12-month period to June 2020.

Short-dated lending for terms less than 12 months has been well supported by councils and, as at 31 December 2020, LGFA had $343.4 million of short-term loans outstanding to 26 councils.

The underlying credit quality of the sector continues to remain very strong with all member councils remaining compliant with the LGFA lending covenants.

The impact from COVID-19 on the sector and LGFA

The local government sector has felt the impact from COVID-19, albeit there has been a divergence of the severity of impact amongst councils. Councils have in general experienced a reduction in revenue from fees and charges and reduced income from their investment portfolios. It has also been difficult for many councils to implement planned rate increases given the financial impact from COVID-19 on some ratepayers within the community. Meanwhile there has been a need to continue, if not increase, capital expenditure on infrastructure.

LGFA responded by increasing the Net Debt / Total Revenue covenant for councils with a long-term credit rating of 'A' equivalent or higher from 1 July 2020. This will assist councils with greater financial flexibility through the COVID-19 economic recovery phase as well as reflecting the strong financial position of the sector. We have also introduced standby facilities for councils as an alternative to sourcing from banks. We have also extended the term of the LGFA bond curve from 2033 to 2037 and in doing so can now offer longer borrowing terms for councils. In line with the legislative change to extend statutory reporting deadlines by two months due to COVID-19, we allowed councils an extension to provide their compliance certificates to LGFA. All have provided their certificates, and all remain compliant with our financial covenants.

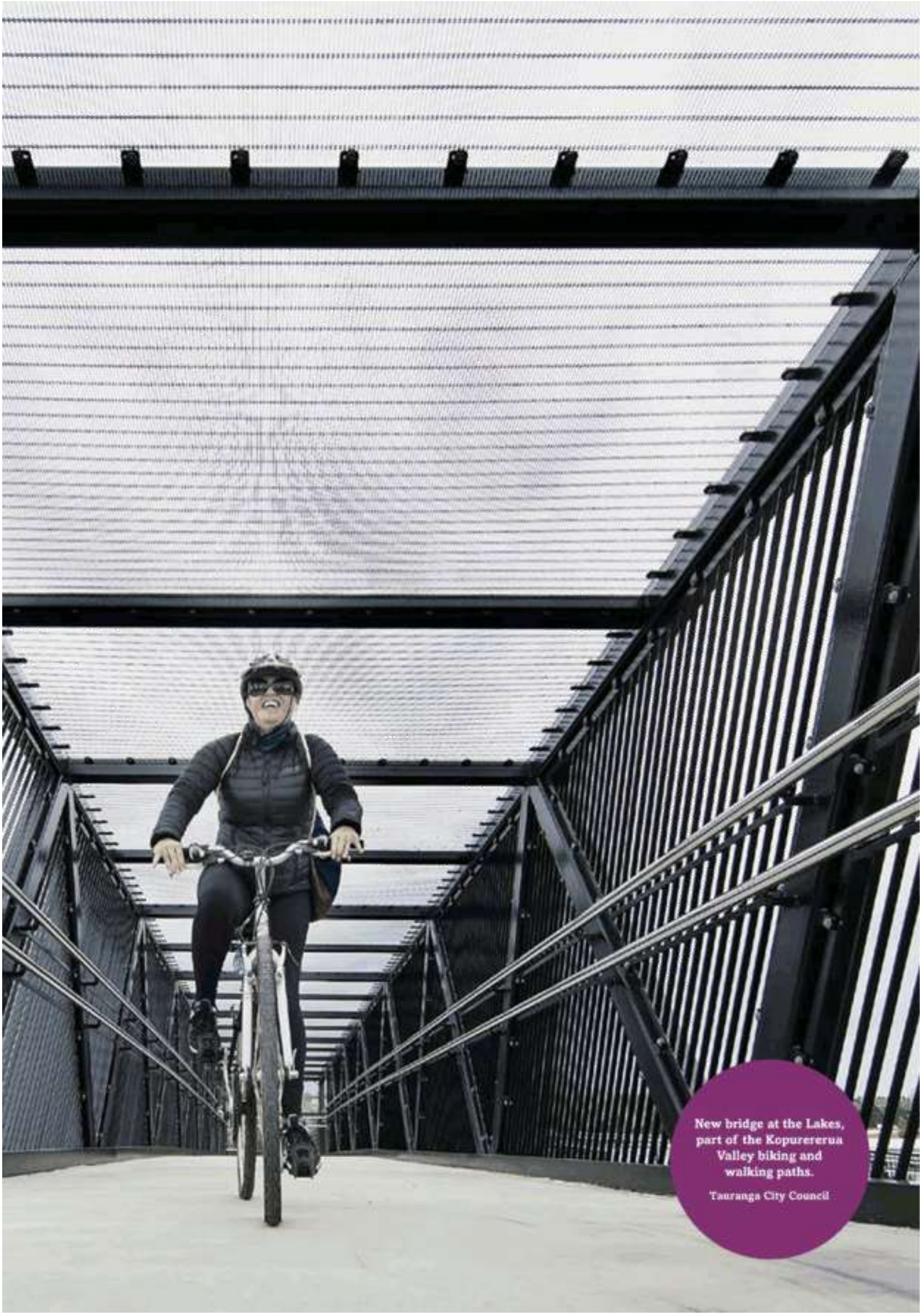
While COVID-19 has restricted travel, we were able to hold our annual shareholder-borrower day for council members and held events to update investors on the proposed water industry reform.

Acknowledgments

On behalf of the Board we are pleased to be part of the continued success of this organisation and wish to thank our council shareholders, guarantors and borrowers as well as the Reserve Bank of New Zealand, NZ Debt Management, our financial intermediaries, investors and staff for their continued support.

Craig Stobo
Chair, LGFA Board

Mark Butcher
Chief Executive



New bridge at the Lakes, part of the Kopurererua Valley biking and walking paths.

Tauranga City Council

Performance against objectives
Ko ngā whakatutukinga ki ngā whāinga

The statement of service performance details LGFA's performance for the first half of the year against the objectives and targets set out in the LGFA Statement of Intent 2020-21 (SOI)

2020-21 performance objectives

The SOI sets out two primary performance objectives and seven additional objectives for the year ended 30 June 2021.

Primary objectives

LGFA will optimise the debt funding terms and conditions for Participating Borrowers. Among other things, this includes:

- Providing interest cost savings relative to alternative sources of financing;
- Offering flexible short and long-term lending products that meet Participating Borrowers' borrowing requirements;
- Delivering operational best practice and efficiency for its lending services;
- Ensuring certainty of access to debt markets, subject always to operating in accordance with sound business practice.

LGFA will ensure its asset book remains at a high standard by ensuring it understands each Participating Borrower's financial position, as well as general issues confronting the Local Government sector. Amongst other things, LGFA will:

- Proactively monitor and review each Participating Borrower's financial position, including its financial headroom under LGFA policies;
- Analyse finances at the Council group level where appropriate and report to shareholders;
- Endeavour to visit each Participating Borrower annually, including meeting with elected officials as required, or if requested; and
- Take a proactive role to enhance the financial strength and depth of the local government debt market and work with key central government and local government stakeholders on sector and individual council issues.

Additional objectives

LGFA has the following seven measurable and achievable additional objectives which complement the primary objective. Performance against these objectives is reported annually.

LGFA will:

- Maintain LGFA's credit rating equal to the New Zealand Government sovereign rating where both entities are rated by the same Rating Agency.
- Provide at least 85% of aggregate long-term debt funding to the Local Government sector.
- Achieve the financial forecasts for net interest income and operating expenses, including provision for a shareholder dividend payment in accordance with approved dividend policy.
- Meet or exceed the Performance Targets.
- Comply with the Health and Safety at Work Act 2015.
- Comply with the Shareholder Foundation Polices and the Board-approved Treasury Policy at all times.
- Assist the local government sector with their COVID-19 response.

Performance against primary objectives

This section sets out LGFA's performance for the six months ended 31 December 2020 against the two primary objectives set out in the 2020-21 SOI.

LGFA will optimise the debt funding terms and conditions for Participating Borrowers. Among other things, this includes:

Providing interest cost savings relative to alternative sources of financing;

LGFA continues to borrow at very competitive spreads compared to Sovereign, Supranational and Agencies (SSA) issuers who borrow in the New Zealand debt capital markets, the domestic banks and our closest domestic peer issuer Kainga Ora. The benefits are greater the longer the term of financing.

In the latest stakeholder survey result in August 2020, respondents recorded a 99% satisfaction result to the questions "How would you rate LGFA in adding value to your borrowing requirements?" and "How satisfied are you in general as a borrower?"

Offering flexible short and long-term lending products that meet Participating Borrowers' borrowing requirements;

Both short and long-term borrowing has been well supported by member councils. Over the six-month period to 31 December 2020:

- there were 37 new short-term loans transacted with loan terms ranging between one month and 12 months. As at 31 December 2020, $343 million of short-term loans were outstanding to 26 councils.
- 46 councils borrowed $1,738 million in 137 new long-term loans, across 169 maturity dates ranging between 2021 and 2037.

In July 2020, LGFA issued a new April 2037 bond providing councils with the opportunity to extend their long term borrowing if desired. The average borrowing term by councils (excluding short-dated borrowing) was 7.22 years for the September quarter and 6.77 years for the December quarter, with both quarters exceeding the average term of 5.42 years for the year to June 2020.

In December 2020, LGFA launched the Standby Facility Agreement as a new product that will help reduce overall financing costs for councils and we entered into the first agreement with a council for a $100 million facility.

Delivering operational best practice and efficiency for its lending services;

Over the six months, LGFA operations successfully processed 2,900 financial payments and 2,386 financial receipts without settlement error.

In the latest stakeholder survey result in August 2020, respondents recorded a 94% satisfaction result to the question "How satisfied are you with the settlement process?"

Ensuring certainty of access to debt markets, subject always to operating in accordance with sound business practice.

For LGFA to provide certainty of access to markets for our council borrowers we need to have a vibrant primary and secondary market in LGFA bonds. The primary market is the new issuance market and we measure strength with participation by investors at our tenders through bid-coverage ratios and successful issuance yield ranges. The secondary market is the trading of LGFA bonds following issuance and a healthy market implies high turnover.

Over the six months, LGFA issued $1.9 billion in bonds, through five tenders and a syndication, as well as $612.5 million bills through six tenders and private placements. LGFA uses proceeds from LGFA bills and LGFA bond issuances to fund lending to councils and invests the balance in our liquid asset portfolio.

We estimated secondary market turnover across all maturities in LGFA bonds of $3.9 billion in the six month period. This compares favourably to turnover of $3.7 billion in the prior corresponding period.

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

LGFA will ensure its asset book remains at a high standard by ensuring it understands each Participating Borrower's financial position, as well as general issues confronting the Local Government sector. Amongst other things, LGFA will:

Proactively monitor and review each Participating Borrower's financial position, including its financial headroom under LGFA policies;

LGFA reviews all councils' financial statements on an annual basis and the agendas and management reports on an ongoing basis for all councils on the LGFA borrower watch-list.

We have received compliance certificates from all Participating Borrowers, and all remain compliant as at 30 June 2020. There are seven councils who, due to COVID-19 delays in finalising the audit process, have provided outcomes based on unaudited financial statements. LGFA has reviewed these financial statements and are comfortable with them.

Analyse finances at the Council group level where appropriate and report to shareholders;

No council has yet to request to LGFA that they be measured on a group basis.

Endeavour to visit each Participating Borrower annually, including meeting with elected officials as required, or if requested; and

Following the lifting of COVID-19 travel restrictions, LGFA commenced council visits again in the later months of 2020. We met with 22 councils over the six months and that number will increase in the second half of the current financial year.

Take a proactive role to enhance the financial strength and depth of the local government debt market and work with key central government and local government stakeholders on sector and individual council issues.

Over the six months, LGFA management met with representatives from Reserve Bank of New Zealand, Department of Internal Affairs, Office of the Auditor General, SOLGM, the New Zealand Debt Management section of the Treasury (NZDM) and members of the Three Waters Reform Group. We held investor conference calls for investors and banks relating to bond issuance and provided updates on the impact on the local government sector from COVID-19 and the proposed water industry reforms.

In our 2020 Annual Report, LGFA outlined our commitment to develop lending products to assist councils finance projects that promote environmental and social wellbeing. LGFA is committed to exploring opportunities in Green, Social and Sustainable lending and we are actively progressing development in this area, with the objective of launching inaugural Green, Social and Sustainable lending products.

LGFA continues to assist the sector and the advisers in finding ways for LGFA to play a supporting role in providing solutions to off balance sheet financing for councils and are currently providing technical input into the Cameron Partners Ratepayer Financing Scheme.

Additional objectives

LGFA has the following seven measurable and achievable additional objectives which complement the primary objective. Performance against these objectives is reported annually. LGFA will:

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 an annual review process regarding our credit ratings from Standard and Poor's and Fitch Ratings and meets with both agencies at least annually. Formal review meetings were last held in November 2019 with S&P and in October 2020 with Fitch.

- **Standard and Poor's (S&P).** On 28 February 2020, S&P affirmed our long-term local currency credit rating (AA+) and our long-term foreign currency credit rating (AA). Both ratings remain on positive outlook and the same as the New Zealand Government.
- **Fitch Ratings (Fitch).** On 4 November 2020, Fitch affirmed our long-term local currency credit rating as AA+ and classified LGFA as a corporate mission, government-related entity (GRE) under its GRE rating criteria. Fitch equalises our ratings with those of the New Zealand Government. Our foreign currency credit rating of AA remains on positive outlook.

Provide at least 85% of aggregate long-term debt funding to the Local Government sector.

LGFA's estimated market share of 82% for the rolling twelve-month period to 31 December 2020 and our market share is strong compared to our global peers.[1]

Over the six months, four new councils became members of LGFA, lifting total participating members to 71 as at 31 December 2020. South Waikato District Council, Waitaki and Central Otago District Councils joined as guarantors and Kawerau District Council joined as a non-guarantor.

Achieve the financial forecasts for net interest income and operating expenses, including provision for a shareholder dividend payment in accordance with approved dividend policy.

Net interest income (NII) over the six months, on an unaudited basis, was $609k above budget while expenses were $30k below budget. The six-month net operating profit of $5.918 million was $673k above budget.

Included in the NII is the unrealised mark-to-market movement in fixed rate swaps that are not designated effective for hedge accounting purposes. These swaps reduce exposure to fixed rate loans made outside of the normal tender process and to reduce mismatches between borrowing and on-lending terms in our balance sheet. The unrealised loss increases as interest rates fall but turns to a profit if interest rates rise. Due to a rise in interest rates since June 2020, the year to date revaluation is a profit of $317k.

Expenses for the six-month period, on an unaudited basis, were $3.938 million which is $30k below budget. Key drivers for the variance are:

- **Issuance and on-lending costs** (excluding Approved Issuer Levy) at $1.4 million were $14k above budget. A larger amount of bond issuance and short-term lending increased these costs relative to budget, primarily in relation to higher NZX costs and legal costs. These were offset to some extent from lower fees than budgeted relating to the NZDM facility.
- **Operating costs** at $1.945 million were $33k below budget due to lower travel and consulting costs offset by higher legal and personnel costs relative to budget.
- **Approved Issuer Levy** (AIL) payments of $593k were $11k below budget. We pay AIL on behalf of offshore investors at the time of semi-annual coupon payment and offshore investor holdings are just below our SOI forecasts.

Comply with the Health and Safety at Work Act 2015.

LGFA has a Health and Safety Staff Committee and reporting on health and safety issues is 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 months.

Comply with the Shareholder Foundation Polices and the Board-approved Treasury Policy at all times.

There were no compliance breaches during the six-month period.

Assist the local government sector with their COVID -19 response.

On 30 June 2020, in response to COVID-19, shareholders approved a change to LGFA's Foundation Policy covenants to provide short term relief to councils from any temporary reduction in revenue and to allow councils to co-invest alongside Central Government in infrastructure projects. For the financial year ending 30 June 2021, the net debt/total revenue covenant for borrowers with an external credit rating of at least A+ has been increased from 250% to 300%. In addition to this direct response:

- LGFA continues to provide input into the Ratepayer Financing Scheme project that, if successful, could offer temporary financial relief to ratepayers via rates postponement.
- The new Standby Facility product will provide greater certainty of access to cost-effective standby funding for councils as an alternative to the traditional bank provider.
- LGFA has extended the longest dated borrowing maturity for councils from 2033 to 2037 to enable councils to be better match assets with liabilities and to benefit from record lows in interest rates and borrowings spreads.

1. LGFA use the PwC Local Government Debt Report as source data for calculating market share.

Meet or exceed the Performance Targets.

As at 31 December 2020, LGFA were meeting eight out of the ten performance targets.

Performance measure	Result to 31 December 2020	Outcome
LGFA net interest income for the period to June 2021 will be greater than $18.8 million	$9.85 million	✓
Annual issuance and operating expenses (excluding AIL) will be less than $6.30 million	$3.93 million	✓
Total nominal lending (short and long term) to participating councils to be at least $9.79 billion	$12,289 million	✓
Conduct an annual survey of councils and achieve 85% satisfaction score as to the value added by LGFA to council borrowing activities	August 2020 survey outcome of 98.8%	✓
Meet all lending requests from participating councils	100%	✓
Achieve 85% market share of all council borrowing in New Zealand[1]	81.8%	✗
Review each participating council's financial position, its headroom under LGFA policies and arrange to meet each council at least annually	22 council visits but behind plan due to COVID travel difficulties	✗
No breaches of Treasury Policy, any regulatory or legislative requirements including H&S	Nil	✓
Successful refinancing of existing loans to councils and LGFA bond maturities as they fall due	100%	✓
Maintain a credit rating equal to the New Zealand Government rating where both entities are rated by the same credit rating entity	AA+/AA+	✓

1. After excluding Auckland Council borrowing, LGFA's share of councils' borrowing in New Zealand was 94.0% at 31 December 2020.


Waikawa flood prevention work commences.
Marlborough District Council

Financial statements
Nga taukī pūtea

Statement of comprehensive income

For the six months ended 31 December 2020 in $000s

	Note	Unaudited six months ended 31 December 2020	Unaudited six months ended 31 December 2019
Interest income			
Cash and cash equivalents		385	216
Marketable securities		1,911	2,072
Deposits		3,493	3,065
Derivatives		107,810	69,933
Loans		76,776	109,786
Fair value hedge ineffectiveness	2	-	-
Total interest income		**190,375**	**185,072**
Interest expense			
Bills		1,149	3,521
Bond repurchase transactions		325	257
Lease liability		9	14
Bonds		177,963	169,918
Borrower notes		1,077	1,562
Total interest expense		**180,523**	**175,272**
Net interest income		**9,852**	**9,800**
Other operating income	3	5	-
Total operating income		**9,857**	**9,800**
Operating expenses			
Issuance and on-lending expenses	4	1,993	1,846
Operating expenses	5	1,945	1,851
Total expenses		**3,938**	**3,697**
Net operating profit		**5,918**	**6,103**
Total comprehensive income		**5,918**	**6,103**

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

The Board of Directors of the New Zealand Local Government Funding Agency Limited authorised these statements or issue on 26 February 2021.

Craig Stobo, Director
Board Chair

Linda Robertson, Director
Chair, Audit and Risk Committee

Statement of changes in equity

For the six months ended 31 December 2020 in $000s

	Note	Share capital	Retained earnings	Total equity
Equity as at 1 July 2019		**25,000**	**49,149**	**74,149**
Net operating profit			6,103	6,103
Total comprehensive income for the year			6,103	6,103
Transactions with owners			-	-
Dividend paid on 6 September 2019			(1,155)	(1,155)
Unaudited closing balance as at 31 December 2019		25,000	54,097	79,097
Equity as at 1 July 2020		**25,000**	**58,616**	**83,616**
Net operating profit			5,918	5,918
Total comprehensive income for the year			5,918	5,918
Transactions with owners			-	-
Dividend paid on 4 September 2020			(878)	(878)
Unaudited closing balance as at 31 December 2020		**25,000**	**63,656**	**88,656**

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

Statement of financial position

As at 31 December 2020 in $000s

	Note	Unaudited as at 31 December 2020	Audited as at 30 June 2020
Assets			
Financial assets			
Receivables		5	-
Cash and bank balances		323,854	165,826
Marketable securities		613,360	589,124
Deposits		640,500	499,824
Derivatives in gain		913,793	1,018,775
Loans	6	12,319,999	10,899,756
Non-financial assets			
Prepayments		963	642
Other assets	11	471	419
Total assets		**14,812,945**	**13,174,365**
Equity			
Share capital	13	25,000	25,000
Retained earnings		57,738	58,616
Total comprehensive income for the period		5,918	-
Total equity		**88,656**	**83,616**
Liabilities			
Financial liabilities			
Payables and provisions		909	706
Bills	7	612,111	647,021
Bond repurchases	10	36,935	202,755
Derivatives in loss		41,351	19,075
Bonds	8	13,811,478	12,038,468
Borrower notes	9	221,088	182,272
Non-financial liabilities			
Other liabilities		417	453
Total liabilities		**14,724,289**	**13,090,749**
Total equity and liabilities		**14,812,945**	**13,174,365**

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

Statement of cash flows

For the six months ended 31 December 2020 in $000s

	Note	Unaudited six months ended 31 December 2020	Unaudited six months ended 31 December 2019
Cash Flow from Operating Activities			
Cash applied to loans		(1,420,594)	(847,625)
Interest paid on bonds issued		(212,221)	(184,896)
Interest paid on bills issued		(1,149)	(3,498)
Interest paid on borrower notes		(137)	(48)
Interest paid on bond repurchases		(599)	(278)
Interest received from loans		77,156	117,942
Interest received from cash & cash equivalents		377	215
Interest received from marketable securities		5,376	1,711
Interest received from deposits		2,978	1,534
Net interest on derivatives		139,963	75,341
Payments to suppliers and employees		(4,177)	(4,270)
Cash proceeds from provision of standby facilities		5	-
Net cash flow from operating activities	**12**	**(1,413,023)**	**(843,872)**
Cashflow from Investing Activities			
Purchase of marketable securities		(27,701)	3,734
Purchase of deposits		(140,161)	(164,334)
Net Cashflow from Investing Activities		**(167,862)**	**(160,600)**
Cashflow from Financing Activities			
Cash proceeds from bonds issued		2,026,534	1,137,733
Cash proceeds from bills issued		(34,910)	(100,489)
Cash proceeds from bond repurchases		(165,546)	(23,570)
Cash proceeds from borrower notes		37,876	10,882
Dividends paid		(878)	(1,155)
Cash applied to derivatives		(124,161)	(29,729)
Net Cashflow from Financing Activities		**1,738,914**	**993,672**
Net (Decrease) / Increase in Cash		**158,029**	**(10,800)**
Cash, Cash Equivalents and Bank overdraft at beginning of year		165,826	56,198
Cash, Cash Equivalents and Bank overdraft at end of year		**323,854**	**45,398**

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 financial statements were authorised for issue by the Directors on 26 February 2021.

b. Statement of compliance

The interim financial statements are for the six months ended 31 December 2020 and are to be read in conjunction with the annual report for the year ended 30 June 2020.

The financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice (NZ GAAP) and in compliance with NZ IAS 34 Interim Financial Reporting.

c. Basis of preparation

Accounting judgements, estimates and assumptions

The judgements, estimates and assumptions used to prepare these interim financial statements are consistent with those used at 30 June 2020.

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 no changes to accounting policies.

Early adoption standards and interpretations

LGFA has not early adopted any standards.

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.

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 and 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 expected credit loss assessment is performed for all financial assets and is calculated as either:

- Credit losses that may arise from default events that are possible within the next 12 months, where no significant increase in credit risk has arisen since acquisition of the asset, or
- Credit losses that may arise from default events that are possible over the expected life of the financial asset, where a significant increase in credit risk has arisen since acquisition of the asset.

Impairment losses on financial assets will ordinarily be recognised on initial recognition as a 12-month expected loss allowance and move to a lifetime expected loss allowance if there is a significant deterioration in credit risk since acquisition.

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.

Other operating income

Other operating income is recognised as services are performed and the related performance obligations are fulfilled.

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. Segment reporting

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

i. 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 from fixed rate borrowing and variable rate lending to councils. LGFA uses interest rate swaps to manage this interest rate risk. For hedge accounting purposes, LGFA has designated these swaps in fair value relationships to its fixed rate borrowings and loans.

The following table shows the gain or loss on the hedging instrument and the hedged item attributable to the hedged risk for fair value hedge relationships.

in $000s	Unaudited gain/(loss) for the six months ended 31 December 2020	Unaudited gain/(loss) for the six months ended 31 December 2019
Hedging instruments – interest rate swaps	635,001	465,184
Hedged items attributable to the hedged risk – fixed rate bonds	(635,001)	(465,184)
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 or 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. Other operating income

in $000s	Unaudited six months ended 31 December 2020	Unaudited six months ended 31 December 2019
Standby facilities fee income	5	-
Total other operating income	5	-

4. 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 2020	Unaudited six months ended 31 December 2019
Rating agency fees	311	301
NZDM facility fee	308	308
Legal fees – issuance	294	223
NZX	340	235
Trustee fees	50	50
Regulatory, registry, other fees	97	79
Approved Issuer Levy[1]	593	650
	1,993	**1,846**

1. The amount of Approved Issuer Levy is a function of the number of the offshore holders of certain LGFA bond maturities.

5. 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 2020	Unaudited six months ended 31 December 2019
Information technology	367	358
Consultants	16	52
Directors fees	200	199
Insurance	42	35
Legal fees	95	73
Other expenses	159	192
Auditors' remuneration		
Statutory audit	54	53
Advisory services	-	-
Personnel	1,012	889
	1,945	**1,851**

6. Loans

in $000s	Unaudited as at 31 December 2020		Audited as at 30 June 2020	
	Short-term loans	Loans	Short-term loans	Loans
Ashburton District Council	20,010	52,250	10,001	32,279
Auckland Council	-	3,215,451	-	2,766,155
Bay of Plenty Regional Council	-	232,150	-	192,077
Buller District Council	-	20,004	-	20,005
Canterbury Regional Council	6,002	64,145	6,002	48,129
Central Hawkes Bay District Council	-	20,108	-	20,107
Christchurch City Council	9,005	2,080,650	25,094	1,904,271
Clutha District Council	2,002	11,036	2,003	7,030
Far North District Council	-	56,714	10,001	46,686
Gisborne District Council	-	73,755	-	58,754
Gore District Council	6,011	23,554	6,004	16,538
Greater Wellington Regional Council	-	450,898	-	425,877
Grey District Council	3,991	15,144	3,967	15,196
Hamilton City Council	-	531,033	-	481,064
Hastings District Council	-	185,368	-	150,335
Hauraki District Council	-	49,104	-	44,102
Hawkes Bay Regional Council	-	8,821	-	2,507
Horizons Regional Council	6,993	37,202	6,987	37,199
Horowhenua District Council	16,003	90,213	16,003	90,618
Hurunui District Council	8,005	33,063	8,005	30,065
Hutt City Council	-	206,491	-	216,523
Invercargill City Council	25,013	78,698	25,013	65,165
Kaikoura District Council	-	5,014	4,007	3,008
Kaipara District Council	-	44,082	-	44,089
Kapiti Coast District Council	-	220,339	-	210,353
Manawatu District Council	11,523	72,687	11,519	65,669
Marlborough District Council	30,222	73,155	27,224	73,157
Masterton District Council	-	55,609	-	51,215
Matamata-Piako District Council	-	33,573	-	26,561
Nelson City Council	-	90,143	-	75,118
New Plymouth District Council	-	185,010	-	139,939
Northland Regional Council	-	14,148	-	9,729
Opotiki District Council	-	8,611	-	8,620
Otorohanga District Council	-	3,029	-	3,035
Palmerston North City Council	-	167,305	-	137,267

in $000s	Unaudited as at 31 December 2020		Audited as at 30 June 2020	
	Short-term loans	Loans	Short-term loans	Loans
Porirua City Council	-	141,772	-	131,787
Queenstown Lakes District Council	25,025	120,481	20,027	95,525
Rangitikei District Council	-	3,020	-	3,020
Rotorua District Council	2,821	205,105	22,855	195,105
Ruapehu District Council	8,004	17,063	8,005	17,061
Selwyn District Council	-	60,117	-	35,092
South Taranaki District Council	-	107,214	-	101,232
South Waikato District Council	24,966	-	-	22,018
South Wairarapa District Council	-	22,020	-	-
Stratford District Council	-	22,774	-	15,571
Taranaki Regional Council	3,997	-	3,992	-
Tararua District Council	-	45,090	2,006	33,080
Tasman District Council	27,071	177,062	31,143	177,039
Taupo District Council	-	135,178	-	115,177
Tauranga City Council	19,986	566,724	-	526,768
Thames-Coromandel District Council	-	69,150	-	61,147
Timaru District Council	22,507	67,194	22,577	67,203
Upper Hutt City Council	-	57,120	2,993	46,108
Waikato District Council	-	95,201	-	95,222
Waikato Regional Council	-	32,079	-	32,085
Waimakariri District Council	-	160,529	-	160,550
Waipa District Council	15,805	57,113	13,503	40,053
Wairoa District Council	-	9,046	-	9,045
Waitaki District Council (WD)	2,498	12,517	-	-
Waitomo District Council	6,008	30,043	7,022	30,044
Wellington City Council	-	806,414	-	635,684
West Coast Regional Council	2,001	6,611	2,001	6,610
Western Bay Of Plenty District Council	-	90,183	-	90,212
Westland District Council	-	23,856	-	19,652
Whakatane District Council	-	78,185	-	67,178
Whanganui District Council	7,506	104,295	7,510	94,290
Whangarei District Council	9,994	165,317	9,992	142,301
	322,970	11,997,029	315,456	10,584,299

As at 31 December 2020, $1,920 million of loans are due to mature within 12 months. This comprises all short-term loans and $1,597 million of loans.

7. Bills on issue

Unaudited as at 31 December 2020 in $000's	Face value	Unamortised premium	Accrued interest	Total
6 January 2021	20,000	-	(1)	19,999
15 January 2021	140,000	-	(16)	139,984
5 February 2021	25,000	-	(8)	24,992
10 February 2021	85,000	-	(30)	84,970
10 March 2021	50,000	-	(28)	49,972
15 March 2021	87,500	-	(58)	87,442
7 April 2021	25,000	-	(20)	24,980
15 April 2021	25,000	-	(20)	24,980
12 May 2021	55,000	-	(54)	54,946
9 June 2021	25,000	-	(32)	24,968
14 June 2021	25,000	-	(34)	24,966
14 September 2021	50,000	-	(88)	49,912
	612,500	-	**(389)**	**612,111**

Audited as at 30 June 2020 in $000's	Face value	Unamortised premium	Accrued interest	Total
8 July 2020	110,000	-	(21)	109,979
17 July 2020	58,500	-	(31)	58,469
22 July 2020	12,000	-	(9)	11,991
6 August 2020	225,000	-	(102)	224,898
12 August 2020	75,000	-	(79)	74,921
9 September 2020	50,000	-	(59)	49,941
7 October 2020	17,000	-	(36)	16,964
11 November 2020	50,000	-	(63)	49,937
9 December 2020	25,000	-	(37)	24,963
15 December 2020	25,000	-	(43)	24,957
	647,500	-	**(479)**	**647,021**

8. Bonds on issue

Bonds on issue do not include $950 million face value of issued LGFA bonds subscribed by LGFA and held as treasury stock. Refer Note 10: Treasury stock and bond repurchase transactions.

Unaudited as at 31 December 2020 in $000's	Face value	Unamortised premium	Accrued interest	Fair value hedge adjustment	Total
Fixed interest bonds					
15 May 2021	1,450,000	8,241	11,296		
14 April 2022	1,605,000	25,268	9,579		
15 April 2023	1,660,000	58,789	19,564		
15 April 2024	1,348,000	11,809	6,499		
15 April 2025	1,469,000	(22,584)	8,657		
15 April 2026	1,150,000	7,139	3,696		
15 April 2027	1,426,000	76,592	13,751		
20 April 2029	952,000	(4,577)	2,864		
14 April 2033	1,130,000	34,748	8,584		
15 April 2037	570,000	3,894	2,443		
Total fixed interest	**12,760,000**	**199,318**	**86,933**	**635,001**	**13,681,252**
Floating rate notes					
14 October 2022	130,000	(45)	272	-	130,226
Total	**12,890,000**	**199,272**	**87,204**	**635,001**	**13,811,478**

As at 30 June 2020 in $000's	Face value	Unamortised premium	Accrued interest	Fair value hedge adjustment	Total
Fixed interest bonds					
15 May 2021	1,450,000	19,259	11,111		
14 April 2022	1,155,000	16,630	6,769		
15 April 2023	1,550,000	55,449	17,935		
15 April 2024	1,248,000	6,717	5,908		
15 April 2025	1,409,000	(31,014)	8,152		
15 April 2026	1,000,000	763	3,156		
15 April 2027	1,326,000	56,918	12,554		
20 April 2029	692,000	(14,904)	2,042		
14 April 2033	1,030,000	8,706	7,683		
Total fixed interest	**10,860,000**	**118,524**	**75,309**	**854,268**	**11,908,100**
Floating rate notes					
14 October 2022	130,000	(58)	426	-	130,368
Total	**10,990,000**	**118,465**	**75,735**	**854,268**	**12,038,468**

9. 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 a fixed percentage of the aggregate borrowings by that local authority. The fixed percentage is 2.5% for loans issued from 1 July 2020. Prior to this date, the fixed percentage was 1.6%.

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.

10. 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 2020, $950 million of LFGA bonds had been subscribed as treasury stock.

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.

As at 31 December 2020, bond repurchase transactions comprised:

Maturity date	Unaudited as at 31 December 2020	Audited as at 30 June 2020
15 May 2021	-	25,970
14 April 2022	-	25,196
15 April 2023	-	27,670
15 April 2024	-	25,139
15 April 2025	21,901	22,135
15 April 2026	-	-
15 April 2027	-	31,145
20 April 2029	-	22,899
14 April 2033	-	22,600
15 April 2037	15,034	-
	36,935	**202,755**

11. Other assets

	Unaudited as at 31 December 2020	Audited as at 30 June 2020
Intangible assets[1]	230	306
Right-of-use lease asset	241	113
Total	**471**	**419**

1. Intangible assets comprise acquired and internally developed software costs incurred on the implementation of LGFA's treasury management system.

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

For the year ended 30 June in $000s	Unaudited six months ended 31 December 2020	Unaudited six months ended 31 December 2020
Net profit/(loss) for the period	5,948	6,103
Cash applied to loans	(1,420,594)	(847,625)
Non-cash adjustments		
Amortisation and depreciation	1,937	(1,700)
Working capital movements		
Net change in trade debtors and receivables	149	(248)
Net change in prepayments	(321)	(259)
Net change in accruals	(143)	(143)
Net Cash From operating activities	**(1,413,023)**	**(843,872)**

13 Share Capital

As at 31 December 2020, 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. Ordinary shares have a face value of $1 per share.

Shareholder information

Registered holders of equity securities as at 31 December 2020	31 December 2020		30 June 2020	
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

LGFA is related to the local authorities set out in the Shareholder Information in note 13.

LGFA operates under an annual Statement of Intent with the respective local authorities that sets out the intentions and expectations for LGFA's operations and lending to participating local authorities.

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 6, and interest income recognised on this lending is shown in the statement of comprehensive income.

The purchase of LGFA borrower notes by councils who borrow from LGFA is disclosed in note 9.

The Treasury (New Zealand Debt Management) provides LGFA with a committed credit facility and is LGFA's derivatives counterparty.

Other disclosures

Net Tangible Assets

Net tangible assets per $1,000 of listed bonds as at 31 December 2020 is $6.86 (30 June 2020: $7.09).

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LGFA

NEW ZEALAND LOCAL
GOVERNMENT FUNDING AGENCY
TE PŪTEA KĀWANATANGA Ā-ROHE

www.lgfa.co.nz

8.7 CHIEF EXECUTIVE'S UPDATE

Decision Required

Report To:	Full Council
Meeting Date:	8 April 2021
Report Author:	Janine Dowding, Chief Executive Officer
Report Number:	RCN21-04-8

1 Purpose of the Report

1.1 The purpose of this report is to provide the Council with an update on some key activity since my last report on 25 February 2021. A copy of the Council Action sheet is attached for the Council's reference.

1.2 This report also includes a request from staff that the Council pass a resolution to endorse the Council's application for funding to the Rata Foundation to support the construction of the Motueka Skatepark during the 2021/2022 financial year.

2 Draft Resolution

That the Full Council:

1. **receives the Chief Executive's Update report, RCN21-04-8; and**
2. **supports the application for funding to the Rata Foundation for the amount of $80,000 to support construction of the Motueka Skatepark during the 2021/2022 financial year, in addition to the Council and Motueka Community Board funding towards the total project cost estimated at $255,000; and**
3. **notes the Council Action Sheet.**

3 Funding Application to the Rata Foundation

3.1 Staff are seeking a resolution from the Council to support our application for funding to the Rata Foundation for the amount of $80,000 to support construction of the proposed Motueka Skatepark during the 2021/2022 financial year.

3.2 The Council has a budget of $50,000 for the project from the Motueka Reserve Contributions account in the 2020/2021 financial year, which staff will request be carried forward into the next financial year. The Motueka Community Board has also allocated $30,000 from its special projects fund towards the skatepark, which will also need to be carried forward.

3.3 We have consulted the community on the skatepark proposal and have a concept design. The design has been broken down into three stages that could be completed over time, if sufficient funding can be obtained. The estimated cost of constructing the full design is $255,000. Therefore, we have a shortfall of $175,000 for the project. We are applying to Rata Foundation for funding to help close the deficit. Before we can apply for the funding, the Rata Foundation requires a Council resolution to go with our application.

4 Update from the Programme Management Office

4.1 The Government COVID-19 Economic Stimulus Programme continues to progress well. We now have the majority of projects in the delivery stage, with the Tenders Panel having approved the award of contracts for the Motueka Thorp Street Water Main Upgrade, Pohara Water Treatment Plant Update and the Dovedale Water Scheme Improvements this week.

4.2 We have four Funding Agreements in negotiation. Two from the Freshwater Improvement Fund for Wetland and Fish Passage projects are likely to be signed in the next few days. The remaining agreements are for the Significant Natural Area Weed Control programme with the Kotahitanga mō te Taiao Alliance, and restoration of native woodlands in the Teapot Valley area. We hope that by the end of April we will have all the funding agreements signed and that all projects will be in the delivery stage.

4.3 The Tenders Panel recently approved a new supplier panel for the Environmental Jobs for Nature programme. This enables work to be procured from a diverse panel of suppliers for the $15m Jobs for Nature Programme. This procurement process has been an efficient way to engage a wide range of large and small suppliers from within our region that we can call on for work on the Jobs for Nature projects. Forty-four (44) tenders were received, three were non-conforming applications and only one was rejected (for being out of the region and unable to employ local people). We are very pleased to have such a good response from the market, and particularly that smaller, local businesses made a tender application. There are five (5) main 'tranches' of projects in the programme and these are outlined in the following table:

Tranche	Funders	Projects	Tranche Completion Date
Water Infrastructure Projects	DIA/ CIP	Pohara Water Treatment Plan Emergency Storage Tanks – Waste Water Pump Stations Dovedale Source and Treatment Upgrade Richmond South Water Main – (sections C-D) Thorp St Motueka Water Main	March 2022
Jobs for Nature	MPI / DOC DOC MfE MfE MfE MPI	Wilding Conifer Control SNA Weed Control Waimea Inlet Enhancement / Billion Trees Phase 2 Wetlands Fish Passage Teapot Valley Restoration	All projects will be complete by mid-2025
Renovation of Town Halls	MBIE	Collingwood Memorial Hall Motueka Recreation Centre Lower Moutere Memorial Hall Spring Grove Drill Hall	April 2021
Climate Resilience	MBIE MBIE MBIE / PDU	Worker Deployment on Roading – roadside tree removal Worker Deployment on Roading – roadside drainage improvements Motueka Stopbank Improvements	April 2021 2023
Libraries	DIA – NZ Libraries Funding	Library secondments	Dec 2022

5 Operational Governance Update

Official Information Requests

5.1 Requests for information have seen a marked increased since the recent announcements regarding the Waimea Community Dam and the Port Nelson/Nelson Airport proposal. The Council has a strong process to ensure that requests are handled in line with Local Government Official Information and Meeting Act (LGOIMA) guidelines and timeframes, which is managed by the Operational Governance team. Training has also been developed around best practice for managing information requests and is available to staff and elected members who would like more awareness of our obligations.

Audit and Risk Committee Review update

5.2 The recommendations from the recent review are now being implemented with the recruitment process for an Independent Chair underway. A new work-plan has been socialised with contributors and the Committee will start to see additional reports coming through.

Council Committees and Community Boards

5.3 The Operational Governance team has completed a review of the types of reports coming to the Council to identify which would be better considered at a Standing Committee. They are also undertaking a review of the Commercial Committee.

5.4 The team is also supporting the process of implementing the recommendations from the Local Government Commission following the hui with the Golden Bay Community Board.

6 Update from Kaihautū

Three-Waters Workshop at the Beachside Conference and Event Centre

6.1 This workshop was held with both local government and iwi/Māori together. The workshop design catered for some separate break-outs with parallel presentations on matters specific to the sector and to iwi/Māori. The Department of Internal Affairs invited iwi/Māori directly to this workshop, which was a full-day session with break-out and Q&A opportunities enabling a wide-range of discussions. The Kaihautū and I attended, as did members of the Leadership Team, the Mayor and a number of elected members.

Motueka Waste Water Strategy Working Group Workshop.

6.2 A workshop was held in Motueka with a wide range of community and iwi interests contributing to the future proposed Wastewater Plant. Those attending have been encouraged to contribute their ideas to the design of this significant asset.

Matariki 2021

6.3 Planning is underway with colleagues at Nelson City Council to coordinate activities and form closer relationships on this and perhaps the Te Reo Maori Language week activities. It has proven to be a good opportunity for sharing ideas and combining promotional advertising opportunities.

Pomona Road Reservoir Site Upgrade

6.4 The project site blessing marked the commencement of activities and was an opportunity to meet local residents and view the scope of the water reticulation upgrade.

Organisational use of Te Reo Maori in Council Documents

6.5 The Council's Kaihautū has been working to formalise and standardise the use of Māori words and phrases in our official documents, looking at ensuring correct spelling and reviewing the meaning of words to ensure we use them appropriately.

Papa Pounamu Day 1 of the National NZPI Conference

6.6 The Council's Kaihautū attended the powhiri and facilitated speakers for the day-1 events at the Rutherford Hotel. The three day conference was attended by over 500 people with Council planning staff and senior officials involved.

7 People Management

7.1 There have been nine events reported by staff since my last report. The door lock of the disabled toilet beside Council Chamber failed causing a staff member to be temporarily trapped inside, one event resulted in a minor cut to a staff member's toe, two events were near miss events involving wasp nests, two events were reports of self-discomfort, one event was caused by staff accessing a wrong road and finding themselves in an operating forestry site, two events involved the Richmond Library building – a set of the glass entrance doors shattered from a faulty door closing mechanism and contractors identified a crack in the roof trusses while repairing sagging roof tiles.

7.2 We have recently completed a four-week consultation with all staff on a proposed new organisation structure for Council. The proposed structure is anticipated to respond to District growth, the numerous Government reforms that are either underway or being signalled and position us to be able to positively respond to the changes, opportunities and challenges ahead of us. We received a great amount of feedback from staff and the Leadership Team is considering this feedback as part of the final decision process. Once finalised, the new structure is expected to commence from July this year to coincide with the new financial year.

7.3 Recruitment continues to remain consistent and we are currently at various stages of recruiting for a:

- Consent Planner – Land Use (replacement)
- Consent Planner – Natural Resources (replacement)
- Senior Resource Scientist – Soils/Land (replacement)
- Digital Workplace Engineer (new position)
- Senior Activity Planning Advisor – Water & Wastewater (new position)
- Building Compliance Officer – Pools, fixed term (replacement)
- Team Leader – Building Consents (replacement)
- Enterprise Portfolio Manager (replacement)
- Enterprise Portfolio Officer (new position)
- Senior Revenue Accountant (replacement)
- Project Manager – Fish Passage Remediation, fixed term (new position)
- Project Manager – Wetlands Restoration, fixed term (new position)
- Maori Liaison Officer, fixed term (new position)
- Building Support Officer x 2 (replacement)
- Building Technical Officer – Inspections (replacement)

7.4 Since my last report, another 13 appointments have been made:

- Team Leader – Environmental Health (replacement)
- Communications Officer x 2 (replacement)
- Assistant Financial Officer – fixed term 12 months (replacement)
- Trainee Building Technical Officer (replacement)
- Building Officer – Compliance (replacement)
- Value Stream Analyst x 2 (replacement)
- Applications Specialist – Sharepoint (new position)
- Digital Solutions Architect (new position)
- Team Leader – Building Compliance (replacement)
- Property Officer (new position)
- Environmental Monitoring Officer (replacement)

8 Council Action Sheet

8.1 The Council Action Sheet has been updated and is attached for Council's information.

Attachments

Action Sheet – Full Council as at 8 April 2021

Meeting Date / Item	Action Required	Responsibility	Completion Date/Status
7 November 2019			
Moutere-Waimea Ward Reserves	Report back to Full Council (in committee) including legal advice and other matters relevant to any decision to initiate the process to declare as reserve Council land not currently protected under the Reserves Act.	Policy Advisor	In progress. Kerensa Johnson presented to the Council at a briefing on 29 July 2020. Staff will meet with Wakatu as directed at that briefing and a further report will be presented at a later date.
13 February 2020			
Tasman District Council – Committee Terms of Reference	• Review grants from rates section of the Committee Terms of Reference after the local board proposal is completed.	Operational Governance Manager	Completed
Appointment of Advisers to the Tasman Regional Transport Committee	• Continue discussions with iwi and the NRDA regarding the appointment of advisers to the Tasman Regional Transport Committee	Engineering Services Manager	Economic adviser confirmed at Full Council meeting on 10 September 2020. Iwi discussions regarding an iwi representative are ongoing.
22 October 2020			
Mayor's Update Report	• Keep the Council apprised of NPS Freshwater issues as they arise and are debated within the local government regional sector	Environment & Planning Manager	Ongoing – update provided at the Regulatory Committee on 1 April 2021
25 February 2021			
Hangar Houses, Motueka Aerodrome	• Timeline for review of the Motueka Aerodrome Development Plan	Corporate and Governance Services Manager	

Meeting Date / Item	Action Required	Responsibility	Completion Date/Status
Best Island – Access to Residential Properties	• Report to Full Council regarding funding options including target rating	Engineering Services Manager	
Schedule of Fees and Charges	• Provide a range of the percentage increase for the amended/additional charges	Policy Adviser	The Summary in the Draft Schedule of Fees & Charges provides information on the changes/amendments and additions to the Schedule. The inflation adjustment rate is based on advice the Council receives from BERL and we applied a rate of 2.6% to most charges. Completed.
Chief Executive's Activity Report	• Standard process for Council workshops	Chief Executive	A process has been developed and is ready to be implemented once it has been socialise with staff and elected members.
Chief Executive's Activity Report	• Provide emergency action plan for Waimea Dam project	Environment & Planning Manager	Plan has been emailed to Councillors. Completed.
Establishment of Golden Bay Recreation Park Management Committee	• Appointment of Mayor's nominee	Mayor King	Will be discussed at the first meeting of the Recreation Park Management Committee.
Long Term Plan Consultation Document	• Present report for approval	Corporate and Governance Services Manager	Presented at Full Council meeting on 18 March 2021. Completed

8.8 MAYOR'S UPDATE

Information Only - No Decision Required

Report To:	Full Council
Meeting Date:	8 April 2021
Report Author:	Tim King, Mayor
Report Number:	RCN21-04-9

1 Summary

1.1 Welcome to today's meeting.

1.2 After numerous workshops and briefings during the past many months, it is pleasing to finally have our draft Long Term Plan Consultation Document completed so that our residents and ratepayers can have their say on our plans for the next ten years.

1.3 I must acknowledge the huge effort that so many have made to get us to this point – both staff and Councillors. Long Term Plan years are never easy and this one certainly lived up to that expectation.

1.4 At the time of writing this report, I have attended two LTP public consultation meetings with the Tasman Community Association and the Richmond Rotary Club with many more to come. As expected, the cost overruns for the Waimea Community Dam are a cause of concern for some but it is pleasing to see a wide range of questions on a broad number of issues including growth, housing, climate change, public and active transport, costs of providing infrastructure and our response to the COVID-19 pandemic.

1.5 It was disappointing to receive a negative response from Hon Grant Robertson, Minister of Finance regarding our request for more Government funding for the Waimea Community Dam (see **Attachment 1**).

2 Draft Resolution

That the Full Council receives the Mayor's Update RCN21-04-9.

3 Mayoral Activity

3.1 I attended two workshops with some of our Councillors, Nelson City Council representatives, staff from both councils and Waka Kotahi personnel to discuss the Richmond transport programme business case. While I understand the need to investigate all the options, I am somewhat frustrated with the inordinate amount of time it is taking to formulate a plan that will alleviate the growing traffic congestion issues in our fast-growing region.

3.2 The new Chief Executive of the Cawthron Institute was welcomed at a Powhiri held at the Whakatū Marae on 24 February 2021. Volker Kuntzsch has over 30 years in the seafood industry and was previously Chief Executive of Sanford Ltd. Volker's appointment coincides with the Cawthron Institutes' celebration of 100 years delivering world-class science.

3.3 I had my regular meeting with our 2021 TUIA Scholar, Elizabeth Lucas on 25 February 2021. Elizabeth is currently working at the Te Kura Kaupapa Māori o Tuia te Matangi in Richmond. Elizabeth attended her first wananga with other TUIA Scholars from throughout the country earlier this month and was in her words "blown away by the experience". It is great to support our future Māori leaders through this scholarship.

3.4 I attended the Local Government New Zealand regional sector meeting in Wellington on 26 February 2021. Needless to say the key topics were essential freshwater implementation, RMA reform and the three-waters reforms.

3.5 Along with the Marlborough District and Nelson City Mayors, Ministry of Education staff and Ministry of Social Development staff, I attended a meeting to discuss opportunities to support young people in our region who are either unemployed or not pursuing any further education or training.

3.6 Staff and Councillors from Marlborough District and Nelson City also attended a workshop organised by PwC to discuss the three-waters reforms prior to the Department of Internal Affairs workshop held on 9 March 2021.

3.7 Discussions continue with the Golden Bay Community Board, the Local Government Commission, Golden Bay Ward Councillors, our Chief Executive and me regarding our future working relationship with the Board. We are making good progress and have developed a new purpose statement, made a commitment to improve our communications between the Board and all levels of the Council and are considering additional delegations for the Board. We have also recognised the Board's desire to be able to spend more time on influencing the big issues and for Board members to gain further governance training.

3.8 Along with Nelson City Mayor, Rachel Reese, I spoke at the Volunteer Nelson-Tasman combined community and whanau meeting on 10 March 2021. This was a good opportunity to acknowledge the many volunteers who work so tirelessly in our region to help others. I also took the opportunity to speak about our draft Long Term Plan.

3.9 Leighton Evans, Chief Executive of the Rata Foundation met with me on 11 March 2021 to discuss opportunities to access their funding. As a result of our meeting, I updated the Leadership Team and encouraged them to look at possible projects that may meet the Foundation's criteria.

3.10 Later that day I spent nearly two hours with the children at the Waimea Kindergarten who had invited me along to see their Monarch butterfly caterpillars and to show me around their centre. A great opportunity to interact with the young minds of our future residents as they navigate their way in life.

3.11 I took the opportunity to visit the National Science Technology Roadshow when it came to the Waimea Intermediate School on 15 March 2021. It was great to see the enthusiasm and engagement our students have for science and science processes which contribute so much in stimulating our economy.

3.12 I was interviewed by a local author for a book she is writing to celebrate Taylors Contracting's 50 years of operations including my thoughts on their work to assist landowners during the Pigeon Valley fire event two years ago.

3.13 Robyn Scherer and I attended the quarterly meeting with Grey Power on 17 March 2021. Items for discussion included the traffic issues on Lower Queen Street, the upcoming Positive Aging Expo, land zoning, freedom camping and a proposed pedestrian crossing in Takaka.

3.14 I met with James McMeekin from St John Ambulance on 18 March 2021 to discuss the proposed changes to St John Ambulance services in Murchison. I was pleased to see that a solution to retain the paid staff in the Murchison area will be trialled.

3.15 A Project Kōkiri leadership team meeting was held on 19 March 2021 to discuss next steps in developing a five-year economic development strategy for Nelson-Tasman.

3.16 Rachel Boyack and I met for our regular catch-up on 22 March 2021.

3.17 Mayor Rachel Reese and I met for our regular catch up on 23 March 2021.

3.18 Our first "in person" citizenship ceremony since the COVID-19 lockdown was held on 24 March 2021 with ten new citizens swearing their oath of allegiance. My thanks to the staff waiata group who supported this event and impressed everyone with their singing.

3.19 Along with Mayor Reese, I welcomed the 500-plus delegates to the New Zealand Planning Institute's conference held at the Rutherford Hotel on 24-25 March 2021.

3.20 Fulton Hogan held their annual client function on 25 March at the Trailways Hotel.

3.21 Nelson City Deputy Mayor, Judene Edgar and I were part of the judging panel for the competition to find the region's leading apprentice. This event was the "fun" part of the competition and included tasks such as changing a tyre, building a bird box, plaiting hair and making and applying a sling. Great fun for those involved. I was particularly impressed with the eventual winner, Lee McMillian whose previous role as a pilot came to an abrupt pause during the COVID-19 lockdown. Since then Lee has joined the team at Lawn Rescue working to complete his apprenticeship.

3.22 I met with our two Community Board Chairs, Brent Maru and Abbie Langford for our regular catch up on 30 March 2021.

3.23 Another workshop looking at the preferred option for the Richmond Transport Programme Business Case was held on 31 March 2021.

4 Attachments

Hon Grant Robertson
MP for Wellington Central
Deputy Prime Minister
Minister of Finance
Minister for Infrastructure
Minister for Sport and Recreation
Minister for Racing

25 MAR 2021

Tim King
Tasman District Council
Tim.King@tasman.govt.nz

Your Worship

Thank you for your letter of 23 February to Hon Stuart Nash and me regarding the additional cost overruns for the Waimea Community Dam project. I am responding on behalf of the Government.

I acknowledge the additional cost pressures and challenges that the Tasman District Council (TDC) is experiencing. I agree that this is an important project for your region, which is why the Crown, through Crown Irrigation Investments Limited (CIIL), has already provided considerable assistance for this project.

I appreciate that COVID-19 has had a significant impact on New Zealand's infrastructure projects, including the Waimea Community Dam. As a result, shareholding Ministers of CIIL approved an additional $18 million of support for the TDC in late 2020. This was to contribute to the estimated COVID-19 costs at the time ($13 million) and some pre-COVID-19 cost overruns at the Waimea Community Dam. I understand that you have now quantified the COVID-19 costs to date at $11.2 million, which also covers an estimate for future costs.

I am advised that the cost overrun is in part, a result of geological conditions on the site and was an identified risk that the TDC is contractually liable for. I am also advised that the hydro option was not included in the original plans for economic reasons.

Any further funding required to complete this project is expected to be borne by the TDC, as set out in the initial contract, unless there are compelling reasons for further Government funding.

I would appreciate if you could continue to keep CIIL informed of progress, challenges and COVID-19 impacts associated with this project.

Thank you for taking the time to write. I wish you all the best for the remainder of this project.

Yours sincerely

Hon Grant Robertson
Minister of Finance

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8.9 MACHINERY RESOLUTIONS REPORT

Decision Required

Report To:	Full Council
Meeting Date:	8 April 2021
Report Author:	Rhian Williams, Executive Support Officer - Executive and Council Services
Report Number:	RCN21-04-10

EXECUTIVE SUMMARY

The execution of the following documents under Council Seal require confirmation by the Council.

RECOMMENDATION/S

That the report be received and that the execution of the documents under the Seal of Council be confirmed.

DRAFT RESOLUTION

That the Tasman District Council

1. receives the Machinery Resolutions report, RCN21-04-10 and that the execution of the following documents under the Seal of Council be confirmed:

a) Deed of Covenant – Heather and Tre Sylvawood – Deed of Covenant to permit two water tanks to remain on legal road for a term of 20 years with an annual charge.

b) Deed of Lease – Angus and Moore Limited – Mark Stagg and Ross Moore 41111L27 – 1012M^2 Ground Lease at Motueka Aerodrome on which 729m^2 hangar is to be constructed. Lease commencement 1 August 2021, 20 year term with three renewals to a total of 49 years. Expiry 31 July 2070. Three yearly rent reviews.

c) Deed – Lease Variation – Coman Construction Limited – Extension of Elms Street storage – 5 years.

d) Deed of Lease - Vodafone New Zealand Limited – Telecommunication Site Lease, located in Kingsland Forest, Richmond. 306m$^{2.}$ Current Lease expires 31 August 2021. New Lease negotiated and commences 1 September 2021 for 35 years less one day with yearly CPI rent reviews.

RCN21-04-11 WAIMEA WATER LIMITED - DRAFT STATEMENT OF INTENT 2021-2022 REPORT

Decision Required

Report To:	Full Council
Meeting Date:	8 April 2021
Report Author:	Mike Drummond, Corporate Services Manager
Report Number:	RCN08 April 2021-11

1 Summary

1.1 The draft 2021-2022 Statement of Intent (SOI) for Waimea Water Ltd (WWL) was received by shareholders on 26 February 2021 **(Attachment 1).** The SOI has been reviewed by staff for compliance with the Local Government Act (LGA). In addition, the SOI has been considered in light of the matters set out in the Letter of Expectations **(Attachment 2).**

1.2 Feedback to the Company on the draft SOI is required from both shareholders as this is a shareholder matter. We have been advised that the board of Waimea Irrigators Ltd has considered the draft SOI. The WWL directors resolved to accept the draft SOI at their Board meeting on 30 March 2021.

1.3 Following the review of the draft SOI, there are no specific matters that staff need to bring to the Council's attention. The increased estimated cost to complete the Waimea Community Dam and revised time to complete were covered at the Council meeting on 25 February 2021.

1.4 The specific matters referred to in the shareholders' Letter of Expectations have been covered in the draft SOI, being the Company's approach to risk management and sustainability. This is referred to specifically in the Sustainability and Community relationships section beginning on page 17 and Cost and Risk Management on page 22 of the draft SOI.

1.5 It is recommended that the Council consider the draft SOI as a whole and provide commentary to WWL for consideration in drafting the final 2021-2022 SOI.

2 Draft Resolution

That the Full Council:

1. **receives the Waimea Water Limited - Draft Statement of Intent 2021-2022 report RCN19-03-08; and**
2. **provides the following comments and feedback to the Waimea Water Ltd Board –**
    a. **that the Statement of Intent meets Tasman District Council's shareholder expectations; or**
    b. **requests the Board considers… (to be determined at the meeting).**

3 Purpose of the Report

3.1 To present to the Council the Waimea Water Ltd (WWL) draft Statement of Intent 2021-2022 and to provide shareholder comment (if any) on the draft SOI to the Company.

4 Background and Discussion

4.1 Waimea Water Ltd (WWL), along with other Council Controlled Organisations (CCOs), is required to complete an SOI by 30 June each year. The draft SOIs are required to be delivered to shareholders by 1 March each year. The WWL draft SOI was received by the Council on 26 February 2021. This draft SOI covers the period from 1 July 2021 to 30 June 2022. It also includes prospective financial information out to June 2025.

4.2 While the draft SOI includes estimates for operating costs post dam completion and assumes an operating model, these matters are still being discussed between the company and shareholders. These matters are expected to be settled by 30 June 2021 as set out in the draft SOI.

4.3 The purpose of an SOI is set out in the Local Government Act 2002 Schedule 8. This purpose is repeated here as a background for the Council's discussion on the draft SOI presented by WWL.

Purpose of statement of intent

4.4 The purpose of the Statement of Intent is to:

(a) state publicly the activities and intentions of a council-controlled organisation for the year and the objectives to which those activities will contribute; and

(b) provide an opportunity for shareholders to influence the direction of the organisation; and

(c) provide a basis for the accountability of the directors to their shareholders for the performance of the organisation.

4.5 The SOI has been checked for compliance with the statutory requirements and there are no matters to bring to the Council's attention.

4.6 In order to assist the company, the shareholders (the Council and Waimea Irrigators Ltd (WIL) jointly issue a Statement of Expectations **(Attachment 2)** which sets out the shareholders' expectations regarding the content and performance measures in the company's SOI.

4.7 With regard to WWL, the specific matters that the shareholders have asked the company to consider regard Risk Management and Sustainability. Shareholders expect that the Board will detail and specify how they are meeting their obligations in regard to these matters. In addition, the company has been requested to consider future operating budgets and the future operating model (post-completion and commissioning). The operating model and budgets are a work in progress and under the operative, SOI is due to be completed by 30 June 2021.

4.8 These matters have been covered in the SOI on pages 17 and 22. The company will continue to provide quarterly, mid-year and annual results on the same timeline as in the past. We expect there may be some challenges with the timely completion of their annual report audit due to priorities and resourcing at Audit NZ.

4.9 Terminology - SP in the draft SOI refers to 'Separable Portion'. SP1 is the point that the dam is complete and the start of filling reservoir, mechanical works and then commissioning. SP2 is the point of practical completion.

5 Options

5.1 The Council has two options:

a) **Option 1** - To formally refer the SOI back to the WWL Board with comments on the areas of the SOI that need attention prior to reconsideration of the final SOI by the shareholders.

b) **Option 2 –** to accept the draft SOI and advise the company that the Council has no specific changes it wishes them to consider in drafting the final SOI.

6 Strategy and Risks

6.1 There is no identified change in risks associated with the WWL operations and this SOI.

6.2 The company provided a six-monthly presentation at the Full Council meeting on 25 February 2021. This covered financial, administration and project activity and also provided an opportunity to cover off the issues arising with the construction project. This included the revised estimate of the cost to complete the project and the revised completion and commissioning dates.

6.3 There is a risk that the relationship between the shareholders and WWL could be significantly damaged if there is a failure of WWL and both shareholders to agree on the 2021-2022 SOI.

6.4 As WWL is a joint venture partnership with WIL, the Council will need to consider the views and preferences of WIL in providing feedback to the company. We have been advised that the board of Waimea Irrigators Ltd has considered the draft SOI. The WWL directors resolved to accept the draft SOI at their Board meeting on 30 March 2021.

7 Policy / Legal Requirements / Plan

7.1 A Council-Controlled Organisation (CCO) must have an SOI that complies with clauses 7 to 10 of schedule 8 of the Local Government Act 2002 (LGA).

7.2 The principal objective of a CCO is set out in Section 59 (1) of the LGA.

7.3 SOIs must not be inconsistent with the CCO's Constitution.

7.4 Draft SOIs must be delivered to the Council on or before 1 March each year. Shareholders may extend the deadline for a period or periods not exceeding one calendar month.

7.5 The LGA Schedule 8(2) requires the Board to consider any comments on the draft SOI that are made to it by the first of May and deliver a completed SOI to Shareholders on or before 30 June each year.

7.6 S65 (2) of the LGA requires the Council, as soon as practicable after receiving a statement of intent for a CCO, to agree to the SOI or, if it does not agree, to take all practicable steps under clause 6 of schedule 8 of the LGA to require the SOI to be modified.

7.7 If an agreement with the Board of WWL on the SOI is not reached, the shareholders will need to consider imposing a modification of the SOI by resolution of the shareholders using their powers under the LGA schedule 8 (6). This would be a last resort approach as it would signal a breakdown in the relationship between the shareholders and the WWL Board.

8 Consideration of Financial or Budgetary Implications

8.1 There are no financial or budgetary implications arising from this decision. The increase in the costs to complete the project (and included in this draft SOI) have been provided for in the draft Long Term Plan 2021-2031 budgets. The costs of the review of the SOI and engagement with WWL and WIL are met from within the Corporate and Governance Services Department existing budgets.

9 Significance and Engagement

9.1 The adoption of the SOI for Waimea Water Ltd is considered to be of low significance to ratepayers as a whole. The SOI is consistent with arrangements entered into Financial Close in December 2018. The project and the formation of WWL have been consulted on through formal engagement and consultation processes. The Council has been updated on the revised cost to complete and the progress of the project at the Council meeting on 25 February 2021. The public has also been provided with an update on the project through the presentation to the Council and the issue of the company's mid-year report. Further engagement on the draft SOI is not required.

9.2 As WWL shareholders, Waimea Irrigators Ltd has also considered the draft SOI. The WWL Directors resolved to accept the draft SOI at their Board meeting on 30 March 2021.

10 Conclusion

10.1 The draft WWL SOI was received in accordance with the statutory timeframe. The draft SOI meets statutory requirements. The Council should turn its mind to the matters included in the Statement of Expectations and determine what, if any, comment needs to be provided to the WWL Board.

11 Next Steps / Timeline

11.1 Staff will communicate the Council's decision and comments to the other shareholder (WIL) and to the Waimea Water Ltd Board (WWL).

11.2 A link to the draft SOI will be placed on the Council's website within seven days.

11.3 On receipt of a revised (final) SOI, it will be presented to the shareholders for formal review and adoption.

12 Attachments

Waimea Water

STATEMENT OF INTENT

1 July 2021 – 30 June 2022

VERSION: DRAFT 28 February 2021

Waimea Water

Contents

1.Introduction

This Statement of Intent (SOI), Version: Draft 28 February 2021, is presented by the Directors of Waimea Water Limited (WWL), in accordance with Section 64 of the Local Government Act 2002 (LGA). Established in December 2018, WWL is a Council Controlled Organisation under Section 6 of the LGA.

The purpose of this document is to provide the scope, objectives, intentions and activities of WWL for the period 1 July 2021 to 30 June 2022 with forecast cashflows for three years from 1 July 2021.

WWL acknowledges the Statement of Expectation from shareholders Tasman District Council (TDC) and Waimea Irrigators Limited (WIL) dated 4 February 2021 and would like to thank them for their continued support.

A full copy of this SOI will be available via the WWL website (www.waimeawater.nz).

2.Purpose Statement

WWL is committed to building and operating a safe, reliable, sustainable and efficient dam for the benefit of the region. WWL's vision is to build and operate the Waimea Community Dam ('the dam') to the highest affordable standards.

Construction Site, February 2021

3. Background

WWL was established in November 2018, as a Council-Controlled Organisation, to manage the construction, operation and maintenance of the dam. A joint venture between the TDC and WIL, the dam will secure the Nelson Tasman region's urban and rural water demand for the next 100 years.

The dam will improve the resilience of the regional economy, support regional growth and improve and maintain the mauri of the Waimea River by using nature's storage and delivery system to provide water to our region.

WWL is focused on ensuring that it has the people, the policies and positive relationships needed to deliver a world-class water infrastructure project to support the Nelson Tasman region and its growth.

The Waimea Community Dam is a significant local infrastructure project to augment the supply of water and add to the sustainability of the region. The benefits of the dam include:

- Supporting a growing population and providing the community with water security
- Healthy Lee and Waimea Rivers for swimming, fishing and other recreational activities
- Healthier rivers for aquatic life to thrive
- A robust economy strengthened by the success of horticulture and farming industries and the subsequent growth of associated secondary and tertiary industries.

Supporting a growing population with water security

4. WWL Objectives

WWL's activities to design, construct and operate the dam are based on the following objectives:

4.1. Safety

Personnel safety

WWL will continue to use an appropriate and robust risk-based Health and Safety Management System to mitigate the risk of serious injuries to staff, contractors and the public during the construction and operation of the dam.

Dam safety

WWL will construct and operate the dam to the appropriate high standards described by the New Zealand Society on Large Dams (NZSOLD) guidelines[1] to mitigate risk to the public and to the asset.

4.2. Reliability

WWL will design, construct, operate and maintain the dam in a manner that allows it to reliably operate over its planned 100-year life to:

- Meet the requirements of the resource consent
- Maintain asset integrity to meet the requirements of NZSOLD guidelines.

WWL will use independent and qualified technical experts to verify integrity. Asset integrity will be demonstrated through competent inhouse engineering and verified by external and independent Producer Statements (PS)[2] from qualified experts. This will include a PS-1 from competent design engineers, and PS-2 and PS-4 from qualified, competent and reputable peer reviewers.

4.3. Sustainability

WWL will ascribe to a sustainability-based management regime that considers and balances:

- Economic sustainability by providing shareholders with a safe, reliable and efficient asset
- Environmental sustainability by understanding consumption and waste, emissions and implementing its environmental and biodiversity management plans
- Social sustainability by engaging and nurturing positive relationships with the community it works within, contributing to its community and its prosperity, and being a good employer.

4.4. Efficiency

WWL will endeavour to construct and operate the dam within the approved budget and schedule, as adjusted for conditions encountered and significant uncontrolled events, while always bearing in mind the priority objectives to provide a safe, reliable and sustainable asset. WWL will efficiently and proactively manage construction and operating risks.

[1] https://nzsold.org.nz/wp-content/uploads/2017/08/nzsold_dam_safety_guidelines-may-2015.pdf

[2] A producer statement is a professional opinion based on sound judgement and specialist expertise. There are currently four types of producer statement, all with generally widespread Council acceptance. They are known as: PS 1 – Design, PS 2 – Design review, PS 3 – Construction (often used by the installers of proprietary systems), PS 4 – Construction review.

5. Governance and Reporting

5.1. Governance

The WWL Board is committed to a high standard of corporate governance and regulatory compliance in guiding and monitoring WWL's activities.

The Board carries out its decision-making responsibilities in accordance with legislation, and directors comply with their obligations under the Companies Act 1993, the LGA and other relevant legislation.

5.2. Composition of the Board

The WWL Board currently has seven highly experienced directors appointed by shareholders and iwi. The TDC may appoint four directors; WIL appoints two directors and Ngāti Koata appoints one director.

Directors are appointed for a period of up to four years.

5.3. Structure of the Board

The WWL Board is supported by four committees that consist of subgroups of directors and staff.

The committees provide governance and assurance across audit and risk, human resources, design and construction, and sustainability and communities.

5.4. Reporting

WWL will provide shareholders with a SOI, annual and mid-year reports in accordance with the LGA. In addition, WWL will provide quarterly and other financial statements and reports in accordance with shareholder expectations.

Statement of Intent

WWL will deliver to the shareholders a draft SOI no later than 1 March each year that fulfils the requirements of Section 64 of the LGA. Following review by shareholders, a final SOI shall be published before 30 June each year.

Quarterly Reports

No later than two months after the end of the March and September quarters, WWL shall deliver to the shareholders a brief unaudited report containing information and commentary on results for that quarter.

Mid-Year Report

No later than 28 February, WWL shall deliver to the shareholders an unaudited report containing the following information relating to the six-month financial period ending 31 December:

- Statement of Comprehensive Revenue and Expense, disclosing actual and comparative figures
- Statement of Financial Position at the end of the period
- Statement of Cash Flows
- A commentary on the results for the period, including progress against SOI objectives.

Annual Report

No later than 30 September each year, WWL shall deliver to the shareholders an annual report that fulfils the statutory requirements of Section 67 of the LGA, including audited financial statements that comply with the appropriate reporting standards and contain at least the following information:

- A report including a summary of the financial results, a review of operations and comparison of performance in relation to objectives in the Statement of Intent
- Statement of Comprehensive Revenue and Expenses disclosing actual expenditure and comparative figures from previous annual reports
- Statement of Financial position at the end of the year
- Statement of Cash Flows
- Auditor's report.

The annual report is to be available for public inspection (on the WWL website waimeawater.nz/).

5.5. Functions and Operations

WWL's activities are directed by the requirements of a governance and accountability framework including the company constitution, statutory compliance obligations, company policies and procedures, a performance and accountability framework and project control disciplines.

5.6. Management

The Chief Executive Officer is accountable to the Board and has responsibility for the management, operation and administration of WWL.

WWL management works to a Board-approved Management System for:

- Management of change
- Dam and personnel safety
- Risk management
- Authorities and financial controls
- Budget controls
- Organisation preservation
- Regulatory compliance

Audit NZ completes the annual external audit for the Board.

WIL shareholders tour the site in 2020

6. Nature and Scope of Activities

The construction programme has been extended to account for the project delays to date. WWL expects, therefore, that Practical Completion of the dam to be six months late and will likely be in the 2nd quarter of 2022, with the reservoir being filled over the winter of 2022 in time for commissioning by the following summer and season of 2022/2023.

The scope of WWL's activities include:

1. Health, Safety and Wellbeing
2. Environmental management
3. Design
4. Construction
5. Sustainability and community relationships
6. Financial management
7. Operational readiness.

The following sections provide the details of these seven activities.

6.1. Health, Safety and Wellbeing

Consistent with WWL's objectives, personal and process safety is of critical importance to WWL. WWL's Health, Safety and Wellbeing charter is:

> *We are committed to a culture that creates personal accountability for and a relentless focus on health and safety as part of the way we do things. No task is too important or so urgent as to preclude health and safety.*

WWL has developed and will continue to use a risk-based Health and Safety Management System, that has been independently peer reviewed, to mitigate risk of harm to its staff, contractors and the public, and to ensure compliance with the Health and Safety at Work Act 2015. As part of this system, WWL has and will continue to work with and oversee its contractors to ensure their own systems comply with WWL's requirements and the Health and Safety at Work Act 2015, and so minimise and manage safety risks.

During the period of this SOI, WWL will:

- Use and review its own and Fulton Hogan and Taylor's ('the contractor') Health and Safety Systems
- Verify compliance with those systems.

H&S award ceremony held at site November 2020

6.2. Environmental Management

The dam will reliably improve water quality to provide a better river environment for plants, fish and animals.

WWL is committed to efficiently minimising impacts on the environment during the build and operation of the dam, and ensuring the benefits are not eroded through unexpected adverse effects on the surrounding area.

WWL has and will continue to use skilled and experienced specialists and robust systems for environmental auditing, monitoring and training. Through a continuous 'Plan-Do-Check-Improve' cycle WWL monitors compliance, deals with change and ensures construction partners continue to work in a manner that protects our natural environment.

SLR staff Emma Woods checking water clarity downstream of site.

SLR conducting fortnightly water quality testing

Clean water flowing through the diversion culvert during construction works

The project currently has 22 permits containing 184 resource consent conditions. These have been consolidated into 98 monitored obligations. These conditions include, but are not limited to:

- Salvaging and propagating rare plants from the reservoir footprint
- Offsetting vegetation loss through a range of biodiversity enhancements
- Preparing to prevent and respond to spills during construction
- Constructing sediment ponds to protect water quality during construction
- Measuring and tracking river water quality
- Remediating the land within the project footprint on completion of the dam.

During the period of this SOI, WWL will:

- Comply with all resource consent conditions, including ensuring Supplementary Construction Environmental Management Plans (SCEMPs) are approved by the regulator, and WWL verifies performance and compliance with the SCEMPs
- Continue to monitor river water quality in accordance with the resource consent and take steps to improve river water quality as required
- Continue to implement the Biodiversity Management Plan, including the removal and propagation of four native plant species and planting at Rough Island

Meet obligations for carbon associated with deforestation prescribed by the Climate Change Response Act 2002.

11,000 trees were planted on Rough Island in July 2020

Waimea Water

6.3. Design

The dam has been designed in accordance with the highest requirements of the NZSOLD guidelines and in accordance with New Zealand building regulations. The dam was designed by Tonkin and Taylor, who issued a PS-1, and peer reviewed by WSP Opus who issued a PS-2. WWL's independent engineering reviewer of construction, Damwatch Engineering Ltd (DWE), also reviewed and completed due diligence of the design.

Since the original design was consented, the design has had to be modified for the encountered geology and topography. The revised embankment, spillway and culvert designs were completed by DWE, who issued PS-1 for the changes. GHD Engineering peer reviewed and provided a PS-2. The mechanical design has been completed by DWE and MTL and peer reviewed by GHD Engineering.

The dam break analysis has been revised and published. The dam is designed to withstand significant natural hazards including an earthquake with a 1:10,000-year probability of occurring. The membrane provides a reliable impermeable layer and the rock embankment is designed to drain any seepage to prevent any uncontrolled loss of the reservoir. The spillway, which is anchored to rock with drainage beneath, is designed for a Probable Maximum Flood (PMF) that has a peak flow of almost three times a 100-year flood event.

With necessary design changes now largely complete, focus during the period of this SOI will be on completing construction, commissioning and preparing for operations and WWL will:

- Complete an Emergency Action Plan (EAP) in accordance with the NZSOLD guidelines and based on the revised dam break analysis
- Complete the dam surveillance plan (piezometers, seismometers, survey) to inform and complete a Dam Safety Management Plan in accordance with the NZSOLD guidelines
- Commission dam safety instrumentation and systems
- Complete a closure and reservoir filling plan
- Complete operations and maintenance manuals
- Prepare a commissioning plan.

Downstream view of rockfill embankment

Aerial view of the site progress, February 2021

Aerial illustration of the future Waimea Community Dam filled with water

6.4. Construction

A baseline project schedule to build the dam was agreed with shareholders and financers when WWL was incorporated in December 2018. In 2019, WWL finalised key contracts and sub-contracts, mobilised plant and machinery and attracted talented people to build the dam in a safe, reliable and efficient way. To date WWL has:

- Completed access to site and haul roads around the site and constructed access bridges
- Completed the diversion culvert, diverted the river and constructed a coffer dam
- Completed the starter dam
- Progressed the spillway, plinth and grout curtain
- Progressed the rock embankment, including the rock reinforced dam
- Commenced the spillway

WWL will continue to work collaboratively with the contractor to resolve construction and geological challenges and seek opportunities to enhance the dam.

During the period of this SOI, WWL and its contractor will:

- Complete the plinth and grout curtain
- Complete the rock embankment
- Complete the face/membrane and parapet wall
- Complete the spillway and plunge pool
- Commence constructing the mechanical, electrical, power and control systems.

WWL expects to complete civil works, close the diversion and commence filling the reservoir (SP1) during the period of the SOI. WWL will provide independent verification of construction, complying with the specification and drawings, with a PS-4 from DWE. In accordance with the resource consent (condition 88b), WWL will seek a Code of Compliance from the Regulator prior to closing and filling the reservoir.

As has been reported previously, the geology of the site continues to be a considerable risk for the project and has resulted in incremental costs. It remains a residual, albeit diminishing, risk to the project. Although some areas of rock have met expectations, other areas of the predominantly argillite rock (siltstone/mudstone) exhibit significantly more incipient foliations than expected, resulting in the rock breaking up more readily than anticipated. Construction of the embankment and plunge pool will continue to adjust during construction.

WWL will continue to regularly report against the schedule to keep both shareholders and financiers informed of progress.

Stock pile of blended 2B material

Importing and blending material

Waimea Water

Construction progress in images

Overview of reinforced rockfill placement, Dec 2020

Pouring concrete in steep LH plinth section, Dec 2020

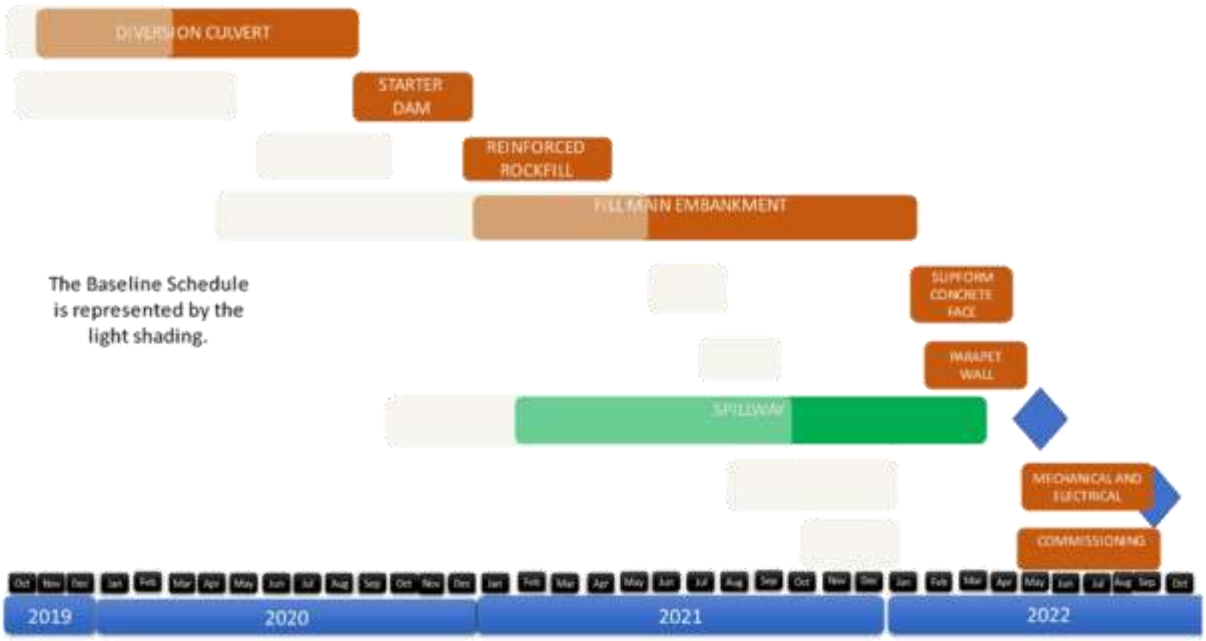
Pouring concrete in starter dam, Nov 2020

RHS plinth void buttress support concrete pour, Nov 2020

Overview of RHS plinth foundation and void, Dec 2020

LHS plinth progress looking downstream, Dec 2020

Construction timeline



WWL expects to complete construction of the dam and commence filling the reservoir in May 2022, to allow commissioning of the dam and project completion by October 2022.

The first part of the dam's outlet works

6.5. Sustainability and Community Relationships

WWL's vision is to build and operate the dam to the highest affordable sustainability standards.

WWL is committed to ensuring that the public is well-informed, has easy access to information and people are given the opportunity to ask questions and find out more about the project.

During the period of this SOI, WWL will:

- Work closely with mana whenua, the Department of Conservation, landowners, local communities and those who have a focus on the development and sustainability of the region
- Continue to work closely with Ngāti Koata to protect and nurture native taonga in the area and to integrate Māori cultural values in caring for the environment
- Complete a Sustainability Plan, that will describe how the dam will be sustained in the long term (economically, environmentally and socially).

WWL will be upfront and transparent about the progress of the project and clearly describe issues and plans.

WWL will continue to engage the public through a range of channels, including a presence at regional events and locations, social media, media releases, TDC meetings, newsletters and the WWL website. WWL aims to increase engagement with the development of brochures in the coming year.

Diversion Culvert Blessing (14 August 2020)

Information stand at Tasman's A&P Show (22 November 2020)

6.6. Financial Management

When WWL was incorporated in December 2018 a budget was approved with shareholders and financiers. Managing costs and funding is done in accordance with the Company Constitution, best practice, and Generally Accepted Accounting Principles. WWL provides regular reporting against budget to keep both shareholders and financiers informed of progress.

WWL is funded by its shareholders TDC and WIL.

WWL has a tight focus on financial management and is doing all it can to minimise costs without compromising safety, reliability and sustainability. Finance activities are centred on producing accurate and timely financial information for decision makers, with a focus on quarterly reporting to shareholders and financiers, and ensuring all systems and processes support an unqualified audit opinion from Audit NZ on behalf of the Auditor General.

During the period of this SOI, WWL will:

- Continue to manage Costs to Complete, as adjusted for encountered conditions and uncontrolled events and risks
- Meet agreed quarterly reporting deadlines
- Comply with financer expectations
- Obtain unqualified audit opinions on annual financial statements.

6.7. Operational Readiness

Once constructed, WWL will operate and maintain the dam in accordance with NZSOLD guidelines, the resource consent, and business plans and budgets.

During the period of this SOI, WWL will:

- Complete the plans required to operate the dam, as prescribed in the resource consent, including an Operational Management Plan, a Reservoir Release Management Plan and River and Reservoir Quality Monitoring Programmes
- Complete an EAP and Dam Safety Management Plan in accordance with NZSOLD guidelines
- Complete the operating model and operating budgets for shareholders.

Waimea Water

7. Performance Targets (KPIs)

The following table provides the objectives and key performance indicators for the period 1 July 2021 to 30 June 2022 (FY22) and the two years following.

All objectives relate to the seven key activity areas outlined in the previous sections, with each objective reflecting the guiding principles to be safe, reliable, sustainable and efficient.

1. Health, Safety and Wellbeing		
Objective	**FY22 KPI**	**Post 2022 KPI**
To meet the requirements of health and safety in workplace legislation	WWL system peer reviewed by industry qualified expert	Migrate from construction system to operations system
Review and verify contractors' Health, Safety & Wellbeing systems	FHTJV system peer reviewed by industry qualified expert	n/a
No fatalities or serious injuries	0	
Total recordable injury rate	≤5 injuries per 1m hours	
2. Environmental management		
Objective	**FY22 KPI**	**Post 2022 KPI**
To meet resource consents conditions	100% compliance	100%
Approve and validate SCEMPs	100% compliance	n/a
Implement the Biodiversity Management Plan	100% compliance	100%
3. Design		
Objective	**FY22 KPI**	**Post 2022 KPI**
Modify and optimise design for all encountered conditions to meet NZSOLD guidelines	PS-1 and PS-2	n/a
Revise dam break analysis and prepare Emergency Action Plan (EAP) (#84)	EAP complete	Update as per NZSOLD guidelines
Complete surveillance strategy and Dam Safety Management Plan (DSMP)	DSMP complete	Update as per NZSOLD guidelines
Implement design enhancements identified pre financial close by Crown Irrigation Investment Limited's (CIIL) Independent Technical Expert (ITE)	ITE verification	n/a

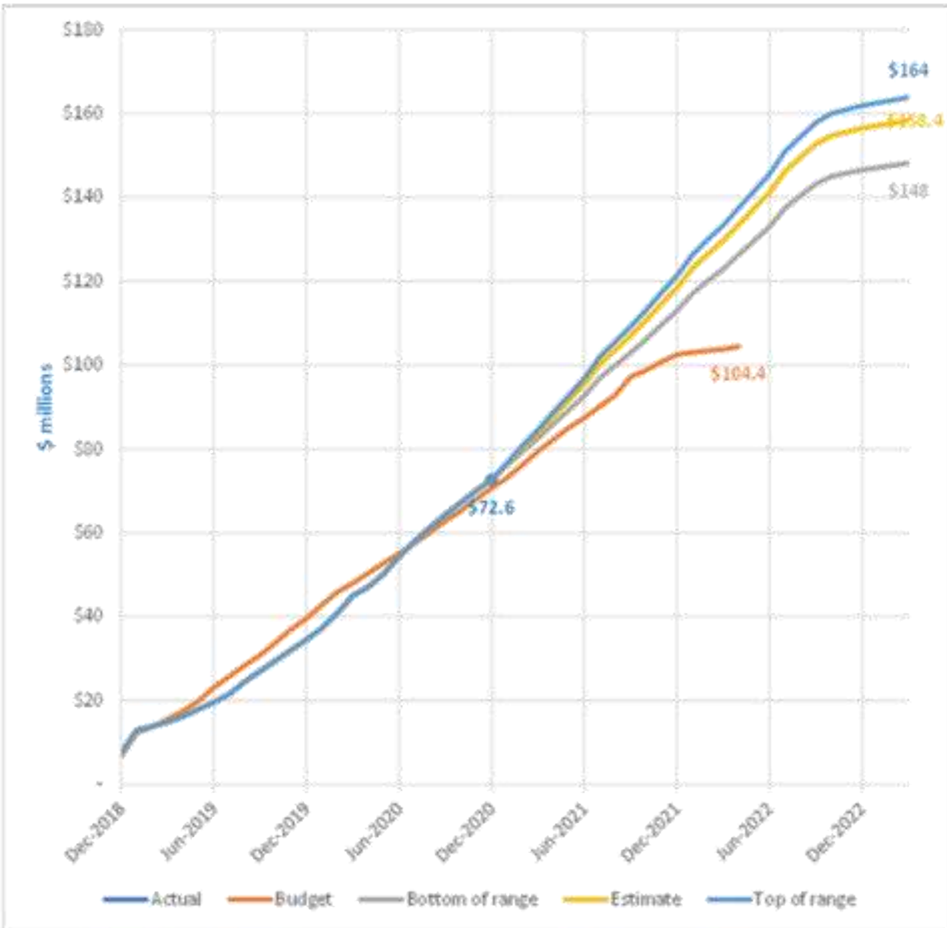
4. Construction		
Objective	**FY22 KPI**	**Post 2022 KPI**
Construct dam in accordance with specification	PS-3 and PS-4 Regulator Code of Compliance (#88b)	Revised Code of Compliance
Deliver project to schedule, as adjusted for encountered conditions and uncontrolled events	Commence filling reservoir (SP1) Track variance to schedule	Commission dam (SP2) and move to operations
Report COVID-19 impacts	Track variance to schedule	
Utilise appropriate risk-based management system	Risk register follows NZTA Z/44 guideline	
5. Sustainability and Community relationships		
Objective	**FY22 KPI**	**Post 2022 KPI**
Transparent engagement with stakeholders and community	Regular updates to shareholders and public	TBA
Consultation with Ngāti Koata	Annual update	
Recognise key cultural milestones	Closure and reservoir blessing	TBA
Develop Sustainability Plan	Plan approved	Plan complied with
6. ***Financial management***		
Objective	**FY22 KPI**	**Post 2022 KPI**
Manage Costs to Complete	Update in Mid-Year and Annual Reports	Update in Mid-Year and Annual Reports
Agreed quarterly reporting deadlines met	100% compliance	
Compliance with financer expectations	100% of expectations met	
An unqualified audit opinion on annual financial statements	Unqualified opinion on FY21 financial statements	Unqualified opinion on FY22 and FY23 financial statements
7. Operational readiness		
Objective	**FY22 KPI**	**Post 2022 KPI**
Complete Land Owner Consultation and Land Access Report (#87)	Completed and approved	Annual review
Complete Operational Management Plan (#92)	Completed and approved	Annual review
Complete Reservoir Management Release Plan (#108)	Completed and approved	Annual review
Complete River Quality Monitoring (#110) and Reservoir Quality Monitoring (#106) programmes	Completed and approved	Annual review
Complete operating model and budgets for shareholders consideration	Completed and approved	Annual review

8. Cost and Risk Management

8.1. Construction Cost forecast

WWL forecasts a revised cost to complete of $147.2M, excluding COVID-19 costs and associated delays. The COVID-19-related costs experienced to date, the associated delays to the project and a provisional allowance for future impacts resulting from COVID-19 cost an additional $11.2M, such that the forecast cost to completion is $158.4M.

Recognising residual uncertainty in COVID-19 costs and geology, WWL expects the cost of the project to be between $148M to $164M. The increase in cost is described in the 28 February 2021 Mid-Year Report.



Cost and Risk forecast.

8.2. Risk Management

WWL is committed to constructing and operating the dam as efficiently and reasonably as possible with respect to cost and schedule, recognising the overarching principles that the dam shall be safe, reliable and sustainable.

WWL will continue to operate a robust risk management system, and the risk register is continuously updated as risks are identified and closed.

8.3. Operating Plan and Cost forecast

During the period of this SOI, WWL will finalise for approval its Operating Budgets and Plans with shareholders. During the previous SOI period WWL completed and submitted to shareholders a draft Operating Plan and Budget for consultation.

Cashflow forecasts during operations are based on this draft plan, and include $2.75M pa in the first two years of operation and then $2.5M pa for subsequent years, noting these assumptions exclude finance charges.

8.4. Note to risks

Project risk is dissipating with progress and as structures come up out of the ground. The most significant risks as the project progresses relate to:

- Geology: Grouting of the sub-surface grout curtain, due to be complete in late 2021
- Geology: Exposing of the spillway foundation, due to complete in late in 2021
- Geology: Exposing of the plunge pool has not yet commenced and is scheduled for late 2021
- Flood and abnormal weather risk: The risk of flooding gradually dissipates with dam height
- COVID-19: WWL does not expect another enforced shut down for the project and is taking steps with MBIE to be considered as an important infrastructure project to protect against further shutdowns. COVID-19 is, however, clearly having emerging and uncertain impacts on procurement. WWL is starting to see costs and delays associated with logistics and increasing commodity (steel) prices. There is further risk that purchase and delivery of mechanical and electrical components escalates with a worsening supply chain.

Given the delay and increasing cost of the project, WWL has included increased insurance for the contract work in this cost forecast.

WWL expects an effective delay to the project of approximately six months, predominantly resulting from COVID-19 and assuming there are no further delays associated with the pandemic.

For these reasons, the final cost of the dam will not be known until near completion of the project, but is expected to be within the cost to complete range indicated in section 8.1.

9. Additional Information

9.1. Entity and stakeholder information

WWL is a limited liability company, incorporated under the Companies Act 1993.

WWL is a Council Controlled Organisation (CCO) subject to the LGA and represents the shared interests of TDC and WIL. TDC is the majority shareholder with 51% of the issued shares and WIL holds the remaining 49% of issued shares.

CIIL provides a $25m loan to WWL, and further loans to the TDC.

TDC contributions are supported by a Ministry for the Environment grant of $7m and a $5m contribution from Nelson City Council.

WWL operates on a cost recovery basis only. Dividends will not be paid.

WWL does not undertake any activities for which the Board seeks compensation from any local authority; this is prohibited by WWL's constitution.

9.2. Professional Support Information

Contractor:	Fulton Hogan & Taylors (FHTJV)
Temporary Works Designer:	GHD Engineering
Design Engineer:	Damwatch Engineering Ltd
Design Reviewer:	GHD Engineering
Quantity Surveyor:	Rawlinsons
Engineer to Contract:	Stantec
Legal Support:	Anderson Lloyd
Accounting:	Findex
Auditor:	Audit New Zealand on behalf of the Auditor-General
Banker:	ANZ Corporation

9.3. Accounting Policies

Reporting entity

WWL is a CCO under Section 6 of the LGA. WWL is registered under the Companies Act 1993. WWL has been established to manage the construction, operation and maintenance of the Waimea Community Dam.

Basis of preparation

(a) Statement of compliance

Financial statements are prepared in accordance with the LGA, which includes the requirement to comply with Generally Accepted Accounting Practice in New Zealand as outlined in the Companies Act 1993. The Company has a balance date of 30 June.

Financial statements are prepared in accordance with and comply with PBE Standards RDR and disclosure concessions have been applied. WWL is eligible to report in accordance with these standards because it does not have public accountability and it is not large.

(b) Basis of measurement

The financial statements are prepared on the basis of historical cost and the going concern basis.

(c) Functional and presentation currency

The financial statements are presented in the functional currency of WWL, which is New Zealand dollars (NZ$), and all values are rounded to the nearest thousand dollars ("000s").

(d) Comparatives

Statements report comparative figures.

(e) Changes in accounting policies

Accounting policies are adopted consistently.

Summary of significant accounting policies

The preparation of financial statements requires WWL to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Future outcomes could differ from those estimates. The principal areas of judgement in preparing financial statements are set out below. These will be assessed by management as part of the annual reporting process and included within the final annual accounts.

(f) Cash and Cash Equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the Statement of Financial Position.

(g) Trade and Other Receivables

Trade and other receivables are initially stated at fair value and subsequently stated at their amortised cost using the effective interest method less impairment losses. A provision for impairment of receivables is established when there is objective evidence that WWL will not be able to collect all the amounts due according to the original terms of the receivables. The amount of the provision is the difference between the asset's carrying value and the present value of the expected future cash flows discounted using the effective interest method.

(h) Trade and Other Payables

Trade and other payables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method.

(i) Property, plant and equipment

Property, Plant & Equipment (PPE) will be recognised in accordance with PBE IPSAS 17, at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. 'Directly attributable' includes all costs directly associated with the dam build, including professional fees, all staff costs, where a majority of the person's time is directly associated with the dam build, and a reasonable allocation of other costs incurred for staff identified above. Assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, if there is an indication of a significant change since the last reporting date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Uncompleted capital works are not depreciated until ready for service.

Subsequent expenditure is capitalised and the cost incurred added to the carrying amount of an item of Property, Plant and Equipment if it is probable that the future economic benefits embodied in the specific asset will flow to the Company and the cost of the item can be measured reliably. The costs of day-to-day servicing of Property, Plant and Equipment are recognised in the surplus or deficit as incurred.

Individual assets, or groups of assets, are capitalised if their cost is greater than $500. Where an asset is acquired at no cost, or for a nominal cost, it is recognised at fair value as at the date of acquisition. The majority of capital expenditure will remain as work in progress for the duration of the project and is not depreciated until ready for service.

Disposals

Gains and losses are determined by comparing the proceeds with the carrying amount and are recognised in the surplus or deficit. Net gains and losses are only recognised when the significant risks and rewards or ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs can be estimated reliably, and there is no continuing involvement.

Depreciation

The depreciable amount of an asset is determined based on its useful life. Rates and methods of depreciation reflect the pattern in which the asset's future economic benefits are expected to be consumed by WWL.

Buildings	not applicable
Leasehold improvements	10%
Furniture and equipment	16% - 50%
Vehicles	20% - 30%
Dam (Capital WiP)	not applicable

(j) Intangible assets

Software Acquisition and Development.

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Costs associated with maintaining computer software are recognised as an expense when incurred.

(k) Impairment of non-current assets

The carrying amounts of WWL's assets are reviewed at each balance date to determine whether there is any indication of impairment. If any such impairment exists, the asset's recoverable amount is estimated. If the estimated recoverable value amount of an asset is less than its carrying amount, the asset is written down to its estimated recoverable amount, and an impairment loss is recognised in the surplus or deficit.

The recoverable amount of an asset is the higher of the fair value less costs to sell and value in use. Value in use is determined by estimating future cash flows from the use and discounting these to their present value using a pre-tax discount rate that reflects the current market rates and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised to the extent that an impairment loss for that asset was previously recognised in the surplus or deficit immediately.

(l) Other Financial Assets

Term investments over 90 days are classified as "other financial assets." They are initially measured at fair value, net of transaction costs. After initial recognition, financial assets in this category are measured at amortised cost using the effective investment method, less impairment. Gains and losses when the asset is impaired are recognised in the surplus or deficit.

(m) Share Capital

Ordinary shares are classified as equity. Direct costs of issuing shares are shown as a deduction from the proceeds of issue.

(n) Interest Bearing Borrowings

Interest bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest bearing borrowings are stated at amortised cost using the effective interest method. Borrowing costs directly attributable to the acquisition or construction of a qualifying asset, which is determined to be an asset that takes a period of greater than one year to get ready for its intended use, are capitalised as part of the cost of the asset.

(o) Employee Entitlements

A liability for annual leave is accrued and recognised in the Statement of Financial Position. The liability is calculated on an actual entitlements basis at current rates of pay. These include salaries and wages accrued up to balance date, alternate days earned but not yet taken, and annual leave earned but not yet taken up to balance date.

(p) Revenue

Revenue comprises the fair value of the consideration received or receivable in the ordinary course of the Company's activities, net of discounts, rebates and taxes. Revenue is recognised to the extent it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.

Interest income is recognised on an accrual basis using the effective interest method.

(q) Expenses

Financing Costs

Financing costs comprise interest payable on borrowings calculated using the effective interest rate method.

Dividends

WWL operates on a cost recovery basis therefore no dividends are payable.

(r) Income Tax

Income tax expense in relation to the surplus or deficit for the period comprises current tax and deferred tax.

Current tax is the amount of income tax payable based on the taxable profit for the current year, plus any adjustments to the income tax payable in respect to prior years. Current tax is calculated using rates that have been enacted or substantively enacted by balance date.

Deferred tax is the amount of income tax payable or recoverable in future periods in respect of temporary differences and unused tax losses. Temporary differences are differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences or tax losses can be utilised.

Deferred tax is not recognised if the temporary difference arises from the initial recognition of an asset and liability in a transaction that is not a business combination, and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, using tax rates that have been enacted or substantively enacted by balance date.

Current tax and deferred tax are charged or credited to the surplus or deficit, except when it relates to items charged or credited directly to equity, in which case the tax is dealt with in equity and other comprehensive revenue and expenses.

(s) Goods and Services Tax (GST)

All items in the financial statements are stated exclusive of GST, except for receivables and payables, which are stated 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, Inland Revenue is included as part of receivables or payables in the Statement of Financial Position.

Waimea Water

10. Financial forecast

At incorporation in December 2018 shareholders anticipated Total Project Costs of $104.4m. In February 2021, as described elsewhere in this document, shareholders acknowledged an updated Total Project Costs estimate of $158.4m. WWL has completed two financial years (FY19 and FY20), and the next five years to FY25 will see a transition from construction to operations.

10.1. Profit and loss overview to SP2

Construction period						
Costs and income	FY19 7 months Jun-2019	FY20 full year Jun-2020	FY21 full year Jun-2021	FY22 full year Jun-2022	FY23 6 months Dec-2022	Total 49 months Dec-2022
Construction	7,694	26,575	30,455	43,199	12,003	119,927
Pre-launch costs	8,203	11	(2)	338	-	8,550
Land and environmental	531	488	719	997	360	3,095
Dam Operations	-	-	-	-	-	-
Dam Safety OpEx	-	-	-	-	-	-
Design / Oversight	643	4,246	4,320	1,988	468	11,664
QA / Peer review	126	629	1,112	772	321	2,961
Total Delivery Costs	**17,197**	**31,949**	**36,605**	**47,293**	**13,152**	**146,197**
Staff	852	1,609	1,832	1,597	1,187	7,077
Directors	136	255	267	266	133	1,057
Professional fees	572	288	412	354	168	1,794
Rates etc	-	-	-	-	-	-
Finance costs	387	170	149	33	67	805
Insurance	27	58	66	70	-	221
Vehicles	152	74	23	25	12	286
Facilities / Admin etc	217	290	221	207	117	1,052
Total Project Costs	**19,540**	**34,694**	**39,575**	**49,844**	**14,837**	**158,489**
Offset by interest income	(325)	(646)	(459)	-	-	(1,430)
Offset by water charges						-
Net Commitment	**19,215**	**34,048**	**39,116**	**49,844**	**14,837**	**157,059**
Accounting treatment	FY19	FY20	FY21	FY22	FY23	Total
P&L impact	318	411	402	587	254	1,972
Capital	18,896	33,637	38,714	49,257	14,582	155,087
Net Commitment	**19,215**	**34,048**	**39,116**	**49,844**	**14,837**	**157,059**

Operations period			
Costs and income	FY23 6 months Jun-2023	FY24 full year Jun-2024	FY25 full year Jun-2025
Construction	-	-	-
Pre-launch costs	-	-	-
Land and environmental	266	531	423
Dam Operations	132	263	304
Dam Safety OpEx	95	190	135
Design / Oversight	-	-	-
QA / Peer review	-	-	-
Total Delivery Costs	**492**	**984**	**863**
Staff	206	412	394
Directors	75	150	150
Professional fees	23	47	47
Rates etc	194	389	409
Finance costs	-	-	-
Insurance	337	673	678
Vehicles	14	28	28
Facilities / Admin etc	38	76	77
Total Project Costs	**1,379**	**2,759**	**2,646**
Offset by interest income			
Offset by water charges	(1,379)	(2,759)	(2,646)
Net Commitment	-	-	-
Accounting treatment	FY23	FY24	FY25
P&L impact	-	-	-
Capital	-	-	-
Net Commitment	-	-	-

10.2. Cash flow overview to SP2

	Construction period						Operations period		
Cash flows	FY19	FY20	FY21	FY22	FY23	Total	FY23	FY24	FY25
	7 months	full year	full year	full year	6 months	49 months	6 months	full year	full year
Income from operations						-	1,379	2,759	2,646
Paid to suppliers/employe	(440)	(1,169)	(860)	(587)	681	(2,376)	(1,379)	(2,759)	(2,646)
Operating outflows	**(440)**	**(1,169)**	**(860)**	**(587)**	**681**	**(2,376)**	-	-	-
Capital (payments)/receip	(9,748)	(31,039)	(39,582)	(49,226)	(18,781)	(148,375)	80	-	-
Equity contributions (TDC)	15,201	10,877	16,098	41,795	14,835	98,805	-		
Equity contributions (WIL)	12,617	9,174	4,176	-	-	25,967			
Change in Term Deposits	(15,281)	(1,064)	16,345	-	-	(0)			
Net interest rec'd	311	501	618	-	-	1,430			
Loans	2,062	12,266	3,525	6,698	(2)	24,550			
Cash balance	**4,722**	**4,268**	**4,587**	**3,266**	**(0)**	**(0)**	**80**	**80**	**80**

10.3. Balance Sheet overview to SP2

	Construction period					Operations period		
Balance Sheet	FY19	FY20	FY21	FY22	FY23	FY23	FY24	FY25
	Jun-2019	Jun-2020	Jun-2021	Jun-2022	Dec-2022	Jun-2023	Jun-2024	Jun-2025
Cash balance	4,722	4,268	4,587	3,266	(0)	80	80	80
Receivables	213	1,584	558	666	-			
Accounts payable	(2,073)	(4,617)	(3,830)	(3,939)	(9)			
Capital WiP	18,592	51,139	91,009	140,311	154,914	154,914	154,914	154,914
Fixed assets	204	297	238	194	173	84	84	84
Non-current liabilities	(2,161)	(14,597)	(18,272)	(25,000)	(25,000)	(25,000)	(25,000)	(25,000)
Term deposits	15,281	16,345	0	0	0			
Total net assets	**34,778**	**54,418**	**74,290**	**115,497**	**130,078**	**130,078**	**130,078**	**130,078**
Shareholders	35,096	55,147	75,421	117,215	132,050	132,050	132,050	132,050
Retained earnings	(318)	(729)	(1,131)	(1,718)	(1,972)	(1,972)	(1,972)	(1,972)
Net equity	**34,778**	**54,418**	**74,290**	**115,497**	**130,078**	**130,078**	**130,078**	**130,078**

Waimea Water

11. Glossary

This section summarises abbreviations used throughout this document.

Abbreviation	Definition
CIIL	Crown Irrigation Investments Ltd
DSMP	Dam Safety Management Plan
DWE	Damwatch Engineering
EAP	Emergency Action Plan
FHTJV	Fulton Hogan Taylors Joint Venture
ITE	Independent Technical Expert
KPI	Key Performance Indicator
LGA	Local Government Act 2002
LHS	Left-hand side
SoE	Statement of Expectation
NZSOLD	New Society of Large Dams
PMF	Probable Maximum Flood
PS	Producer Statement
SCEMP	Supplementary Construction Environmental Management Plan
SLR	SLR Consulting NZ Limited
SOI	Statement of Intent
TDC	Tasman District Council
WCD	Waimea Community Dam
WIL	Waimea Irrigators Ltd
WWL	Waimea Water Ltd

File:
Mike.drummond@tasman.govt.nz
Phone 543 8499

04 February 2021

Waimea Water Limited

Attention: Board Chair,David Wright

By email: wright829@gmail.com

Attn: David Wright

Dear David

STATEMENT OF EXPECTATION

We apologise for the delay in sending you this Statement of Expectations. We appreciate you will have already prepared your draft Statement of Intent (SOI). There are no substantive changes in the shareholder expectations for the coming year.

This Statement of Expectation is intended to inform Waimea Water Limited's Board of the shareholders' high-level strategic direction and performance expectations in advance of your preparation of the Statement of Intent. In clarifying our expectations early, we expect that the passage through to acceptance by both Shareholders will be more efficient and effective. Under the Local Government Act, this Statement of Expectation will be made available to the public, on the Councils' website. Council has determined that will occur 30 days after delivery to the Company.

Statement of Intent 2020/21

Shareholders expect that CCOs will treat the SOI as more than a strict compliance document and will aim for best practice. This will entail a SOI covering more than the statutory minimum requirements. To be effective, your SOI should tell the performance story of the Company, providing a clear and succinct understanding of the Company's purpose, the goods and services it delivers and what success looks like. As shareholders, the Council and WIL are particularly interested in the delivery of the project on time and within budget.

The SOI must meet the requirements set out in the Local Government Act 2002. Your staff are likely to now be familiar with the CCO provisions of these Acts. We note they have changed by an amendment to the Act effective from 2019, we have advised the Company of the changes by email.

Both Shareholders wish to support the Company in delivering a good SOI. Council has assigned a senior manager to each CCO to assist. In your case, the person assigned is Mike Drummond. Mike is available to your team throughout the process.

The general expectations set by Tasman District Council for all CCOs are as follows:

1.1 Set out below are the general expectations that form the basis for the SOE's for all Council CO's including the Nelson Airport, Port Nelson and TBHT. Any general expectation that is not applicable to WWL is noted.

1.2 SOIs/SOCI must include a complete set of summary prospective financial statements for at least three years (preferably five years) i.e. Statement of Comprehensive Income, Statement of Financial Position and cash flow statement.

1.3 SOIs/SOCIs should disclose measures like earnings before interest and tax (EBIT) and earnings before interest, tax, depreciation and amortisation (EBITDA) and balance sheet ratios where applicable.

1.4 SOIs must fully comply with the new Schedule 8 of the Local Government Act.

1.5 Compliance with legislation and reporting on Health and Safety matters must be given due emphasis.

1.6 Dividends are to be disclosed along with the dividend payout policies, where applicable. (For WWL, this will be that no dividend is payable as the company is operated on a cost-recovery basis only).

1.7 Capital Expenditure and Asset Management Intentions should be included. (For WWL, this will be the cost to Completion of Dam and Time to Completion).

1.8 CCOs should use the same information for both managing the business and reporting through to the shareholders, i.e. the information used for setting targets and reporting against them for the SOI should overlap and be a subset of the information used for internal reporting.

1.9 SOIs and other CCO reports should be in a plain style, concise, relevant and accessible. They should be focused on meeting the needs of the Shareholding Councils' and the public they represent. The use of graphs, tables and charts is expected to convey both financial and non-financial information along with trends (past, current and future numbers).

1.10 To be effective, the SOI must disclose the performance story for the CCO providing a clear and succinct understanding of the CCO purpose, the goods and services it delivers and what success looks like. Providing a clear message to the Boards on these requirements and other expectations will assist in ongoing improvements in the SOI and reporting.

1.11 The main aspects of the SOI performance story are:

- 1.11.1 Strategic context;
- 1.11.2 Specifying and presentation of the outcomes framework;
- 1.11.3 Main measures and targets, outcomes and objectives;

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1.11.4 Linking the strategy outputs performance together.

1.12 **Risk management** - Shareholders would like the Company to include in the SOI how the Board is considering and managing risks, including natural hazards and their response to climate change.

1.13 **Health and Safety** - Given the requirements of the Health and Safety at Work Act 2015, it is appropriate for the Council to set out its expectations in relation to Health and Safety in the CCOs/CCTOs.

1.13.1 Under Section 44 (3) of the Act elected members do not have a duty to exercise due diligence to ensure that any Council-controlled organisation complies with its duties or obligations under the Act, unless that member is also an officer of that Council-controlled organisation. However, as shareholders, it is still appropriate to set out expectations of Health and Safety management in CCOs/CCTOs.

1.13.2 Shareholders expect the Boards of CCTOs/CCOs to set appropriate Health and Safety strategy and policy, understand the nature of risks/hazards within the business, monitor performance and activities to ensure risk is being managed and review H&S systems and performance.

1.14 **Governance Performance** - In order to aid the Council when making decisions on Director/Trustee remuneration and appointments, the Board should undertake regular evaluations of its own performance. Shareholders expect these reviews to be carried out at least once every eighteen months.

1.15 The Chair of the Board should reference this evaluation when making recommendations on the re-appointment or recruitment of Board members. In addition, Director Recruitment must take into account the requirement in the LGA 2002 to ensure that when identifying the skills, knowledge and experience required of Directors, consideration is given to whether knowledge of Tikanga Maori may be relevant to the governance of that Council-controlled organisation.

1.16 In the case of WWL, the decisions on appointments relate only to the Council appointed directors. Ngati Koata and WIL have their own appointment process. The Board evaluation of its performance is however, a matter for all shareholders to consider.

1.17 Improve performance reporting by the inclusion of quantifiable measures and SMART targets, including enhanced measures on Health and Safety

1.18 Shareholders require that the Council controlled organisations, before making a decision that may significantly affect land or a body of water, must take into account the relationship of Maori and their culture and traditions with their ancestral land, water, sites, wahi tapu, valued flora and fauna and other taonga. This is a new provision in the LGA 2002.

Specific expectations to be included in the WWL SOI

1.19 In regard to risk management and sustainability as mentioned above, the expectation is that the Board must detail and specify how they are meeting their obligations in regard to these.

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1.20 Shareholders note we are now just one year away from requiring certified and approved plans, including but not limited to an Emergency Action Plan (which requires a revised Dam Break/rainy day analysis); Operational and Reservoir Management Plan; and Reservoir Release Water Management Plan. Plans are expected to be developed based on the post-completion operating model for the Company developed as part of the project approval process. That model was designed to minimise the size and complexity of the Company, post the completion of the dam and remains a key part of the project budget.

1.21 In addition, future operating budgets and an operating model based on prudent and efficient management (post dam completion) are to be prepared and presented to the shareholders for consideration. We note that some work in this regard has commenced and we would expect that to be completed by 30 June 2021.

If you have any queries, please contact Mike Drummond on 03 543 8499 or Mike.drummond@tasman.govt.nz (for Council) or Natasha Berkett on 0276 511 411 (for WIL).

Yours sincerely

Tim King
Mayor of Tasman District

Murray King on behalf of
Waimea Irrigators Limited

cc: Waimea Irrigators Ltd, Natasha Berkett
Tasman District Council - Mike Drummond, Corporate Services Manager

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9 CONFIDENTIAL SESSION

9.1 Procedural motion to exclude the public

The following motion is submitted for consideration:

That the public be excluded from the following part(s) of the proceedings of this meeting. The general subject of 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 follows.

This resolution is made in reliance on section 48(1)(a) of the Local Government Official Information and Meetings Act 1987 and the particular interest or interests protected by section 6 or section 7 of that Act which would be prejudiced by the holding of the whole or relevant part of the proceedings of the meeting in public, as follows:

9.2 Waimea Community Dam - Nelson City Council Funding Agreement

Reason for passing this resolution in relation to each matter	Particular interest(s) protected (where applicable)	Ground(s) under section 48(1) for the passing of this resolution
The public conduct of the part of the meeting would be likely to result in the disclosure of information for which good reason for withholding exists under section 7.	48(1)(d) - To deliberate in private in a procedure where a right of appeal lies to a Court against the final decision. s7(2)(i) - The withholding of the information is necessary to enable the local authority to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations).	s48(1)(a) The public conduct of the part of the meeting would be likely to result in the disclosure of information for which good reason for withholding exists under section 7.

9.3 Waimea Community Dam - Project Update Report

Reason for passing this resolution in relation to each matter	Particular interest(s) protected (where applicable)	Ground(s) under section 48(1) for the passing of this resolution
The public conduct of the part of the meeting would be likely to result in the disclosure of information for which good reason for withholding exists under section 7.	s7(2)(b)(ii) - The withholding of the information is necessary to protect information where the making available of the information would be likely unreasonably to prejudice the commercial position of the person who supplied or who is the subject of the information. s7(2)(i) - The withholding of the information is necessary to enable the local authority to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations).	s48(1)(a) The public conduct of the part of the meeting would be likely to result in the disclosure of information for which good reason for withholding exists under section 7.

9.4 Motueka Service Centre report

Reason for passing this resolution in relation to each matter	Particular interest(s) protected (where applicable)	Ground(s) under section 48(1) for the passing of this resolution
The public conduct of the part of the meeting would be likely to result in the disclosure of information for which good reason for withholding exists under section 7.	s7(2)(h) - The withholding of the information is necessary to enable the local authority to carry out, without prejudice or disadvantage, commercial activities. s7(2)(i) - The withholding of the information is necessary to enable the local authority to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations).	s48(1)(a) The public conduct of the part of the meeting would be likely to result in the disclosure of information for which good reason for withholding exists under section 7.