# Audit, Risk & Finance Committee

# AGENDA

## Notice of Meeting:

A meeting of the Audit, Risk & Finance Committee will be held on:

| | |
|---|---|
| **Date:** | **Thursday 9 July 2020** |
| **Time:** | **11.15am** *approx. (to follow Infrastructure Services)* |
| **Venue:** | **Council Chamber**<br>**137 Havelock Street, Ashburton** |

**Membership**

| | |
|---|---|
| Chairperson | Leen Braam |
| Deputy Chairperson | John Falloon |
| Members | Carolyn Cameron<br>Liz McMillan<br>Stuart Wilson<br>Murray Harrington (external appointee)<br>Mayor Neil Brown (ex-officio) |

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# Audit, Risk & Finance Committee

| Timetable | |
|---|---|
| 11.15am (approx.) | Meeting commences |
| 11.30am | GCH Aviation – Matthew Boulcott |
| 12pm | Audit NZ Director Dereck Ollsson |

**ORDER OF BUSINESS**



3 July 2020

# 4. Audit Risk & Finance Committee – 19/03/20

Minutes of the Audit, Risk & Finance Committee meeting held on Thursday 19 March 2020, commencing at 1.30pm, in the Council Chamber, 137 Havelock Street, Ashburton.

**Present**

His Worship the Mayor, Neil Brown; Councillors Leen Braam (Chair), John Falloon, Carolyn Cameron, Liz McMillan and Stuart Wilson; Murray Harrington (external appointee via Zoom).

**Also present:**

Councillors Angus McKay and Diane Rawlinson.

**In attendance**

Hamish Riach (Chief Executive), Paul Brake (GM Business Support), Jane Donaldson (GM Strategy & Compliance), Neil McCann (GM Infrastructure Services), Rachel Sparks (Finance Manager), Toni Durham (Strategy & Policy Manager), Rachel Thomas (Policy Advisor), Chris Stanley (3Waters Engineer), Bevan Rickerby (Economic Development Manager), Ruben Garcia (Communications Manager) and Phillipa Clark (Governance Team Leader).

**Presentation:**

Experience Mid Canterbury 1.40pm- 2.09pm.

## 1 Apologies

Nil.

## 2 Extraordinary Business

Nil.

## 3 Declarations of Interest

Nil.

## 4 Confirmation of Minutes 4/02/20

**That** the minutes of the Audit, Risk & Finance Committee meeting held on 4 March 2020, be taken as read and confirmed.

Cameron/McMillan Carried

## 5 Ashburton Airport Authority Subcommittee – 5/03/20

**That** the Committee receives the minutes of the Ashburton Airport Authority Subcommittee meeting held on 5 March 2020.

Falloon/McMillan Carried

- **Drones**

The Commercial Manager confirmed the requirement for drone operators to check the field operations area on AirShare and geo-fence the property they will fly over.

- **Airport Authority Subcommittee terms of reference**

**Recommendation to Council** *[ratified by Council 9/04/20]*

**That** Council adopts the Ashburton Airport Authority Subcommittee terms of reference.

Falloon/Cameron Carried

## 6 Experience Mid Canterbury Quarterly Report

James Urquhart and Bruce Moffat were welcomed to the meeting.

- *Funding request*

Under the circumstances of COVID-19, EMC have withdrawn their request for additional annual funding of $90,000 and an additional $36,831 for audit and governance fees.
The presenters commented on the impact that the Covid-19 pandemic will have on tourism, noting

- Spending has increased by $1m since the EMC report was written but it's expected that will fall by $3-5m in the March report.
- EMC have been advised to hold off on any marketing internationally and have limited domestic marketing.
- Approximately $500k of forward bookings have been cancelled in the past few weeks just for this district.
- ChChNZ started a campaign about three weeks ago, which EMC is involved in, but it's now on hold.
- ChCh Airport have agreed to remain as a partner.
- Central government released a $1m campaign three months ago specifically for tourism agencies to canvas the domestic market, because of the COVID-19 outbreak.
- Methven i-Site has had its worst summer period on record. EMC is looking at its whole operation, including ways that the i-Site can be supported.
- EMC is championing an approach with ChChNZ to ensure that when the market is ready, EMC will be back with its partners.

**That** the Committee receives the Experience Mid Canterbury Quarterly report.

McMillan/Mayor Carried

## 7 Experience Mid Canterbury Draft Statement of Intent 2020-21

Key changes to the 2020-21 draft were noted.

The Committee asked for an additional measure to be added to the draft statement of intent to show the Methven i-Site's gross profit.

**Recommendation to Council** *[ratified by Council 9/04/20]*

**That** Council receives the Experience Mid Canterbury 2020-21 draft Statement of Intent and make any comments on the draft Statement of Intent to the EMC Board by 30 April 2020.

McMillan/Cameron Carried

## 8 Ashburton Contracting Ltd Draft Statement of Intent 2020-21

**Recommendation to Council** *[ratified by Council 9/04/20]*

**That** Council receives the Ashburton Contracting Limited 2020-21 draft Statement of Intent and make any comments on the draft Statement of Intent to the ACL Board by 30 April 2020.

Mayor/Cameron Carried

## 9 Appointment and Remuneration of Directors of Council Organisations Policy

The Policy Advisor noted minor changes and agreed to provide the rationale for Council's involvement in RDR Management Ltd, which will be updated in the draft policy document for Council's consideration on 9 April.

**Recommendation to Council** *[ratified by Council 9/04/20]*

**That** Council adopts the revised Appointment and Remuneration of Directors of Council organisations policy, with the next review scheduled for 2025.

Cameron/Wilson Carried

## 10 Drinking Water Review

The Policy Advisor outlined the report, noting that the cost/benefit analysis will be presented to Council later in the year. The Committee heard that the Residential D metering is being addressed in a separate report as work in that area has already started and it's separate to the funding of the entire service.
The Committee supported the proposal to address this matter after item 11.

**That** the recommendation lies on the table until item 11 is dealt with**.**

McMillan/Cameron Carried

## 11 Drinking Water Review – Residential D metering

The Policy Advisor responded to questions noting that volumetric quantities are not addressed in this recommendation but instead will be shown in the LTP. There will be opportunity to make changes through the Revenue & Financing Policy, which is currently being reviewed for adoption next year.
The proposal to install water meters on the remaining Residential D properties, without charging, wasn't fully supported. Councillors opposing the recommendation asked whether it is fair that some and not all Residential D property owners are being charged for water use. They suggested that water meter charges be removed for Residential D properties until such time that all property owners are connected.

Members speaking in support of the proposal noted the intention to have the meters installed in the 2020-21 financial year. The 3Waters Engineer confirmed the intention to install the meters as soon as possible. Procurement will start from 1 July with the aim of reading consumption from 1 October this year.

The Group Manager Business Support advised that Council's Revenue & Financing Policy clearly states that Residential D properties are charged for water use. To remove that would trigger a change to the policy and the Special Consultation Procedure. He reminded the Committee that the Policy will soon be reviewed as part of the LTP process. Council can then decide whether a volumetric charge is considered appropriate or not.
The Committee acknowledged that a change to the Revenue & Financing Policy now would be difficult and unnecessary.

**Recommendation to Council** *[ratified by Council 9/04/20]*

**That** Council approves a budget of $120,000 to install the remaining water meters on Residential D properties, and this be funded from the Ashburton water reserve account.

Mayor/Cameron Carried

## 10 Drinking Water Review

**That** the recommendation be uplifted.

McMillan/Cameron Carried

**Recommendation to Council** *[ratified by Council 9/04/20]*

1. **That** Council directs officers to prepare a cost benefit analysis to investigate installing water meters district-wide through the Long-Term Plan 2021-31.
2. **That** Council directs officers to continue to fund drinking water as per the status quo of a fixed charge for connected ordinary properties and a fixed plus volumetric charge for extra-ordinary properties for the Revenue & Financing Policy 2021.

Falloon/Cameron Carried

## 2 Development Fund Contributions Policy

The Senior Policy Advisor outlined the purpose of the report which identifies Phase 1 of the 2021 review of the Development Fund Contributions Policy and recommends that items 2-7 and 9 remain for detailed analysis and items 1 and 8 be removed.

Officers advised that, in Option A of the report, the proposal is for Council to abandon development contributions on an ongoing basis, so loans would ultimately be funded from rates. Without the revenue, debt would be cumulatively increasing each year. It was further noted that legislation allows Council to collect in advance of works occurring (in the case of Phase 1 contributions – community infrastructure, from 1 July 2021).

The Senior Policy Advisor explained that the report signals concerns around development contributions for the open spaces and stormwater activities. But there is some value in Council exploring what it might do in the future with transportation as this is one of Council's largest areas of expenditure. Traffic growth means future beneficiaries who could contribute through DCs. This would need careful discussion as transportation is vital to agricultural economy and there's concerns about the impact on that sector. 2020 might be too soon but Council could consider in long term.

The Committee adjourned for afternoon tea from 3.10pm until 3.29pm.

**That** the Development Fund Contributions Policy report lies on the table and is further discussed at the next Audit Risk and Finance Committee meeting.

Braam/McMillan Carried

## 13 Property Leases and Licences Policy

**That** the Committee receives the updated report on the Property Leasing and Licensing Policy.

Wilson/Falloon Carried

## 14 Ng King Bros Chinese Market Garden Settlement – funding request

**Recommendation to Council** *[ratified by Council 9/04/20]*

1. **That** Council approves an additional budget of $40,000 to fund the complete restoration of the Ng King Bros Chinese Market Garden Settlement buildings; and
2. **That** this funding is subject to the project obtaining Heritage New Zealand listing and receiving confirmation of their 50% contribution.

McMillan/Cameron Carried

## 15 Approval to use the Access Trust special fund

The Economic Development Manager reported on the proposal to appoint a person for a fixed period (likely 6-8 months) to co-ordinate the youth driver's licence schemes that are currently offered in the district, without taking away the role of those current service providers. Council will appoint the co-ordinator.

The Committee heard that the Access Trust funding was originally provided by central government as part of Council's involvement in the Task Force Green scheme. Additional funding will be provided through Council's existing budget for the 'My Next Move' scheme.

**Recommendation to Council** *[ratified by Council 9/04/20]*

**That** Council approves the use of the Access Trust special fund money of $39,376 to apply towards the youth driver's licence project and the special fund be closed.

Mayor/Wilson Carried

**16 Six- monthly Performance Report**

**That** the Committee receives the six-monthly non-financial performance report.

Falloon/Wilson Carried

**17 Environment Canterbury – draft Annual Plan 2020-21 Submission**

The Strategy & Policy Manager reported that ECan have extended the timeframe for submissions to be lodged. Council will have the opportunity to approve a final submission at its meeting on 9 April.

The Committee agreed to amend the draft submission and remove the reference to Council questioning whether Zone Committees are still serving the purpose they were originally established for.

**Recommendation to Council** *[ratified by Council 9/04/20]*

**That** Council approves the submission to Environment Canterbury about the draft Annual Plan 2020-21.

Mayor/Braam Carried

**18 Consultation for the Annual Plan 2020-21**

**Recommendation to Council** *[ratified by Council 9/04/20]*

**That** Council decide not to consult on the Annual Plan 2020-21 in accordance with section 95 (2)(a) of the Local Government Act 2002.

Falloon/McMillan Carried

## Financial Variance Report – January 2020

- Reference to the $100k previously allocated to EANC for pool extensions is shown in error and has been corrected.
- Unforecasted / unbudgeted work – wording will be changed to reflect that only critical work will be carried out.

**Business transacted with the public excluded – 4.09pm.**

That the public be excluded from the following parts of the proceedings of this meeting, namely – 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 are as follows:

| Item No | General subject of each matter to be considered: | In accordance with Section 48(1) of the Act, the reason for passing this resolution in relation to each matter: | |
|---|---|---|---|
| 20 | **Minutes 4/02/20** | Sections 7(2)(h) & 7(2)(a) | Commercial activities<br>Protection of privacy of natural persons |
| 21 | **Airport Authority Subcommittee** | Section 7(2)(h) | Commercial activities |
| 22 | **Health & Safety Report** | Section 7(2)(a) | Protection of privacy of natural persons |

McMillan/Wilson Carried

The Committee resumed in open meeting at 4.40pm.

# 5. Committee updates

## 5.1 Rates resolution – 25 June 2020

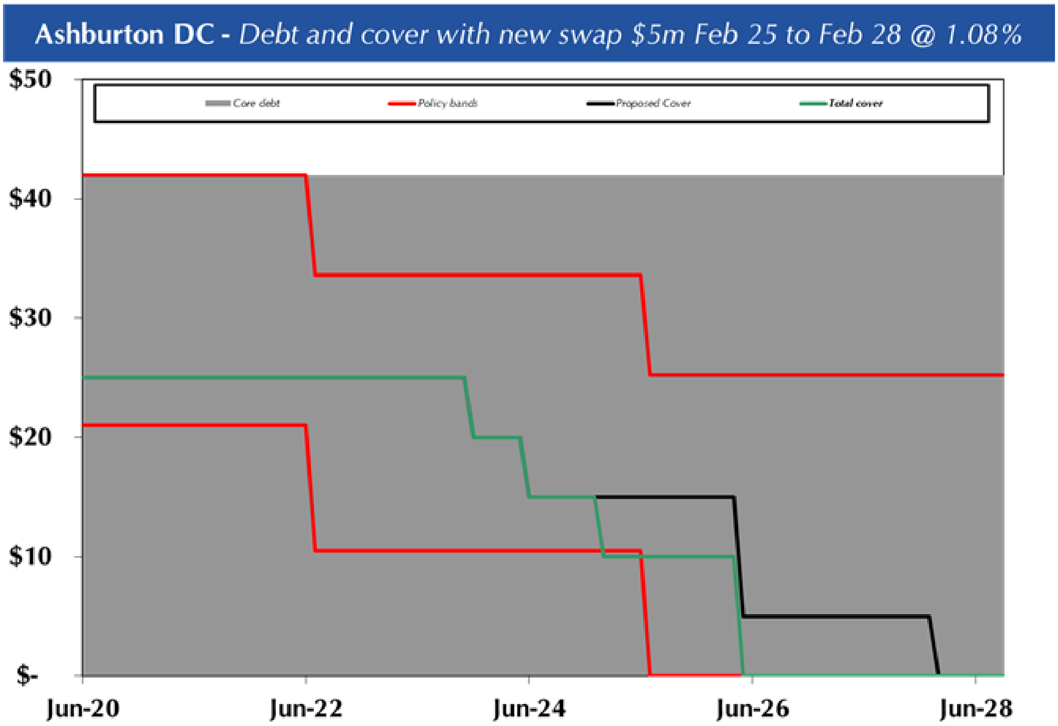
Council amended and adopted its Annual Plan for the2020/21 year at the 25 June Council meeting. Council then immediately passed the 2020/21 rates resolution. The changes to the Annual Plan included the addition of a Methven Uniform Annual Charge (UAC) of $20,000 towards the cost of the Mt Hutt Hall operation, and a change to the penalty instalment charges. Because Council is levying the Uniform Annual General Charge (UAGC) at the legal maximum of 30%, the additional Methven rate meant that the UAGC needed to be reduced by $20,000 and the general rate increased by $20,000.

The actual change to the general rate in the dollar and the UAGC were not quantified, hence Council has adopted the rate resolution without these two rates being known. Legal advice is that the rates resolution is not complete and cannot be used as the basis of levying the 2020/21 rates.

To remedy this, it is intended that the rates resolution be revoked, and a new rates resolution be passed at the extraordinary Council meeting on 30 July 2020. This will not impact the timing of the first instalment.

## 5.2 Breach of hedging and policy compliance

Council's current debt structure results in a minor breach of Council's hedging and policy compliance as at 30 June 2020.



Council could address this breach by taking a $5 million swap starting 17 February 2025 and maturing 17 February 2028 at an indicative cost of 1.08%.

The preferred alternative is too note the minor breach and structure the new debt to be raised in 2020/21 in a manner that removes this breach without the need for an interest rate swap.

The breach will also be noted in the Bancorp quarterly report for 30 June 2020.

**Recommendation**

**That** Council notes the breach of the debt hedging compliance at 30 June 2020.

## 5.3 Local Government Funding Agency – Statement of Intent

At the recent Special General meeting of the Local Government Funding Agency, the shareholder approved a change to the Net Debt / Total Revenue financial covenant applying to councils with a credit rating of A or higher.

The current covenant previously required that net debt must be less than 250% of total revenue and now requires that net debt must be less than 300% of total revenue. This was to recognise the financial difficulty some councils are facing as a result of Covid-19. The increased limit will reduce by 5% increments each year thereafter, to a level of 280% in 2025/26.

This would take the current level for Ashburton District Council under this covenant from a maximum of $174 million of net debt to $209 million of net debt.

The final LGFA Statement of Intent for 2020/21 is attached. **Appendix 1**

## 5.4 Audit Arrangements Letters

Council has received the following documents from Audit New Zealand:

1 **Draft Audit Proposal letter covering the audit 2020-2022**

The proposal sets out for the next three years, the entities that will be audited, key members of the audit team and hours and levels of fees, including any assumptions made as part of the projected fees.

2 **Draft Audit Engagement Letter covering 2020-2022**

This sets out the Council's responsibility for the 2020 audit in addition to the responsibility of the Auditor undertaking the audit. In addition the letter sets out areas of audit focus.

3 **Draft Audit Plan for the 2020 Audit**

The plan sets out the specific focus Audit will take in the audit of the 30 June 2020 annual report.

All three documents are attached and will be discussed with Audit NZ Director Dereck Ollsson with the public excluded (agenda item 9).

Paul Brake
**Group Manager Business Support**

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

# Statement of Intent 2020/21

## 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 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:

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

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 their COVID -19 response.

## 4. Financial forecasts

LGFA's financial forecasts for the three years to 30 June 2023 are:

| FINANCIAL YEAR ($M) | SOI 2020/21 FINAL | | |
|---|---|---|---|
| **Comprehensive income** | **Jun-21** | **Jun-22** | **Jun-23** |
| Interest income | 162.7 | 184.7 | 251.7 |
| Interest expense | 143.9 | 164.5 | 222.7 |
| **Net Interest income** | **18.8** | **20.2** | **29.0** |
| | | | |
| Approved Issuer Levy | 1.2 | 0.7 | 1.0 |
| Issuance & onlending costs | 2.7 | 2.7 | 2.7 |
| Operating overhead | 4.1 | 4.1 | 4.3 |
| **Issuance and operating expenses** | **8.0** | **7.5** | **8.0** |
| | | | |
| **P&L** | **10.9** | **12.7** | **21.0** |
| **Financial position ($m)** | **Jun-21** | **Jun-22** | **Jun-23** |
| Capital | 25.0 | 25.0 | 25.0 |
| Retained earnings | 69.9 | 81.8 | 101.9 |
| Total equity | 94.9 | 106.8 | 126.9 |
| Shareholder funds + borrower notes / Total assets | 2.3% | 2.4% | 2.6% |
| Dividend provision | 0.9 | 0.8 | 0.9 |
| Total assets (nominal) | 12,728.1 | 13,712.8 | 14,355.1 |
| Total LG loans - short term (nominal) | 400.0 | 400.0 | 400.0 |
| Total LG loans (nominal) | 11,264.1 | 11,859.8 | 12,280.9 |
| Total bills (nominal) | 400.0 | 400.0 | 400.0 |
| Total bonds (nominal) ex treasury stock | 11,941.0 | 12,886.0 | 13,486.0 |
| Total borrower notes (nominal) | 199.5 | 227.1 | 252.6 |

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 May 2021, April 2022 and April 2023 loans. LGFA will work with council borrowers to reduce this uncertainty. The above table assumes gross issuance of LGFA bonds per year of $2.53 billion (2020/21), $2.10 billion (2021/22) and $2.15 billion (2022/23), 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.

## 5. Performance targets

LGFA has the following performance targets:

- LGFA's net interest income for the period to:
  - 30 June 2021 will be greater than $18.8 million.
  - 30 June 2022 will be greater than $20.2 million.
  - 30 June 2023 will be greater than $29.0 million.
- LGFA's annual issuance and operating expenses (excluding AIL) for the period to:
  - 30 June 2021 will be less than $6.8 million.
  - 30 June 2022 will be less than $6.8 million.
  - 30 June 2023 will be less than $7.0 million.
- Total lending to Participating Borrowers[1] at:
  - 30 June 2021 will be at least $11,664 million.
  - 30 June 2022 will be at least $12,260 million.
  - 30 June 2023 will be at least $12,681 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.
- Maintain a credit rating equal to the New Zealand Government rating where both entities are rated by the same credit rating agency.

[1] Subject to the forecasting uncertainty noted previously

## 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[2] 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 remuneration of directors.
- Make recommendations to Shareholders as to any changes to policies, or the SOI, requiring their approval.

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

- 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 2019 (updated where necessary), accordingly, the statement does not contemplate LGFA lending to CCOs**.

## ATTACHMENT: Statement of accounting policies

### 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.

### 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 9. New Zealand Equivalent to International Financial Reporting Standard 9. Financial Instruments.

NZ IFRS 9 (2014) is effective for the fiscal year commencing 1 July 2018.

NZ IFRS 9 replaces NZ IAS 39 Financial Instruments: Recognition and Measurement and sets out the requirements for hedge accounting and impairment for financial assets and liabilities. LGFA early adopted NZ IFRS 9 (2010) for the classification and measurement of financial instruments at commencement of business in 2012.

LGFA has elected to apply NZ IFRS 9 (2014) on a retrospective basis. Comparative information has not been restated as there has not been a material impact. Instead, the impact of adopting the new standard is reflected in opening equity on 1 July 2018.

**Hedge accounting**

There has been no change to accounting policy for hedge accounting as LGFA's current fair value hedge accounting meets the requirements of NZ IFRS 9.

**Impairment**

NZ IFRS 9 prescribes an expected credit loss impairment model which replaces the incurred loss impairment model in NZ IAS 39. The expected credit loss model requires LGFA to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition.

LGFA has not previously incurred any credit losses under the incurred loss impairment model (NZ IAS 39) and the introduction of the expected credit loss model (NZ IFRS 9) has not had a material impact on the measurement of LGFA's financial assets.

The changes to LGFA's accounting policies for expected credit losses on financial assets are set out below.

**Methodology to determine expected credit losses**

As at 30 June 2019, LGFA deemed that there had been no significant increase in credit risk since initial recognition for any financial asset and calculated the loss allowance for these instruments at an amount equal to 12-month expected credit losses, using the estimated probability of default multiplied by the estimated recovery rate.

The estimated probability of default is based on the Standard & Poor's' (S&P) Annual Global Default Study. Individual securities were assigned a probability of default over the 12-month period year based on their S&P, Fitch or Moody's credit rating. Unrated local authorities were assigned a shadow credit rating of A+, based on all complying with LGFA's financial covenants as at 31 December 2018, and S&P rating methodology where all New Zealand local authorities who have a credit rating from S&P are rated between AA and A+.

The estimated recovery rate is assigned using the S&P recovery rating scale. All local authorities were assigned a category of 1+, based on LGFA holding security over a council's rates which, in the event of a default, would give a statutory manager the legal right to impose a targeted rate to recover the principal and interest owing. All other financial assets were assigned a recovery rate based on the industry category and average S&P recovery rates for the security type.

The Treasury (New Zealand Debt Management) was assigned a category of 1+ for derivatives in gain.

**Early adoption standards and interpretations**

LGFA has not early adopted any standards.

**New standards adopted**

NZ IFRS 15. Revenue from Contracts with Customers.

NZ IFRS 15 has been adopted from 1 July 2018. There has been no impact on the financial statements.

**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.

NZ IFRS 16 Leases

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

**Change in presentation. Statement of financial position**

LGFA has changed the order of presentation of assets and liabilities in the Statement of financial position to reflect the order of liquidity for financial assets and liabilities. The change in presentation has been applied to both the current reporting period as well as associated comparatives.

**d. Financial instruments**

**Financial assets**

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

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

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

At each balance date, an 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. Lease payments**

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

**i. Segment reporting**

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

**j. Judgements and estimations**

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

# 5. Ashburton Hospital Helipad

Author *James Lamb, Safety Advisor*
*Tania Paddock, Legal Counsel*

General Manager *Sarah Mosley: People & Capability Manager*

## Summary

- The purpose of this report is to present the request and seek approval for GCH Aviation (Appendix 1) to implement Instrument Flight Rule (IFR) approach for rescue helicopters into Ashburton Hospital Helipad, located on Ashburton Domain, and establish the Helipad as a published pad in the New Zealand Aeronautical Information Publication (AIP).
- IFR operations into the Hospital Helipad will permit them to conduct safer operations in inclement weather conditions or night time flights.
- Publishing the Helipad in the New Zealand AIP will give Ashburton Hospital (as the Helipad Operator) and Ashburton District Council (as land owner) more control and enable only GCH Aviation, Helicopters Otago and Southern Lakes Helicopters to land at the helipad.
- Once the Helipad is recognised in the New Zealand AIP the pad will incur a 4km radius for restricted UAV operations (often referred to as drones) which will give the rescue helicopters a further line of protection during approach and departure.

**Recommendation to Council**

**That** Council:

1. Grants approval for GCH Aviation and Helicopters Otago to implement IFR approach operations to Ashburton Hospital Helipad; and
2. Authorises the helipad be published in the New Zealand AIP as an established pad.

**Appendix 1: GCH Aviation letter of request**
**Appendix 2: Ashburton Helipad Category A operations**

## Background

### The current situation

1. South Island Air Ambulance services are provided by Helicopter Emergency Medical Services New Zealand Limited (HEMS), a joint venture between GCH Aviation and Helicopters Otago and supported by Southern Lakes Helicopters from the National Ambulance Sector Office (NASO). Currently GCH Aviation operate day and night under Visual Flight Rules (VFR) including Night Vision Goggle (NVG) operations throughout Canterbury, West Coast and Tasman regions. Their helicopters are twin-engine and when operating into and out of the Ashburton Hospital Helipad they operate under Category A operations (see Appendix 2).

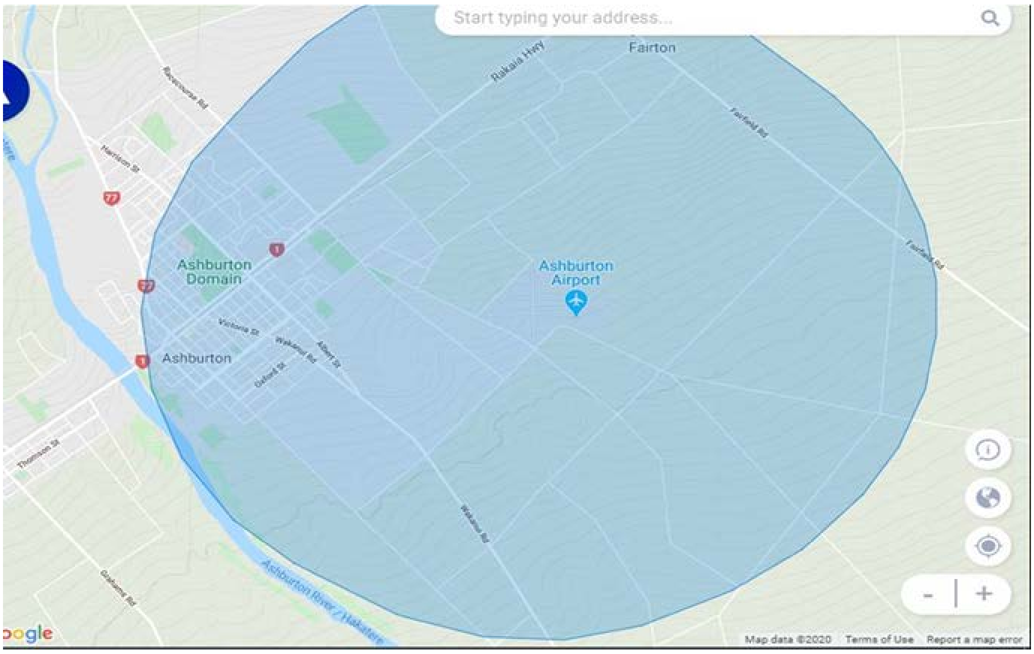
2. One of most common causes of cancelled helicopter missions is low cloud ceiling which is below the Civil Aviation Authority minimum VFR, especially at night. Current VFR minima by night into Ashburton Hospital Helipad is 2000ft ceiling with 5km visibility (CAA Rules) or 8km visibility (Air Ambulance standards).

3. The proposed Instrument Flight Rules IFR minima for Ashburton Helipad is 410ft ceiling with 1500m visibility. Under IFR, they can fly through or above cloud and have a much-reduced cloud base for the final visual portion to and from the hospital helipad. Adopting the IFR approach into the Ashburton helipad will provide more surety for helicopter operations during periods of reduced visibility.

4. The Ashburton Hospital Helipad is a non-established helipad. This means the helipad is not currently published in the New Zealand Aeronautical Information Publication (AIP). The AIP is a set of documents that provide all the operational information required for safe national and international air navigation within New Zealand airspace.

5. While the helipad has historically only been used by rescue helicopters, there is currently no process in place to prohibit private helicopters from using the helipad. Establishing the helipad in the AIP will allow Ashburton Hospital and Ashburton District Council to define its use for emergency helicopter use only.

6. There is an existing 4km restriction area around Ashburton Airport (as shown below). The 4km zone is based from the thresholds of the aerodrome runways which for Ashburton is complex because of the multiple runways. As Ashburton Airport is an uncontrolled airfield, any UAV Operators wishing to fly an unmanned aircraft (often referred to as a 'drone') outside of 'shield operation thresholds' must seek approval of the Airport operator. For Ashburton Airport that is Mid-Canterbury Aero Club. Mid-Canterbury Aero Club will then request a NOTAM from Airway NZ for the drone flight. UAV Operators must also file a flight plan on Airways NZ website AirShare.



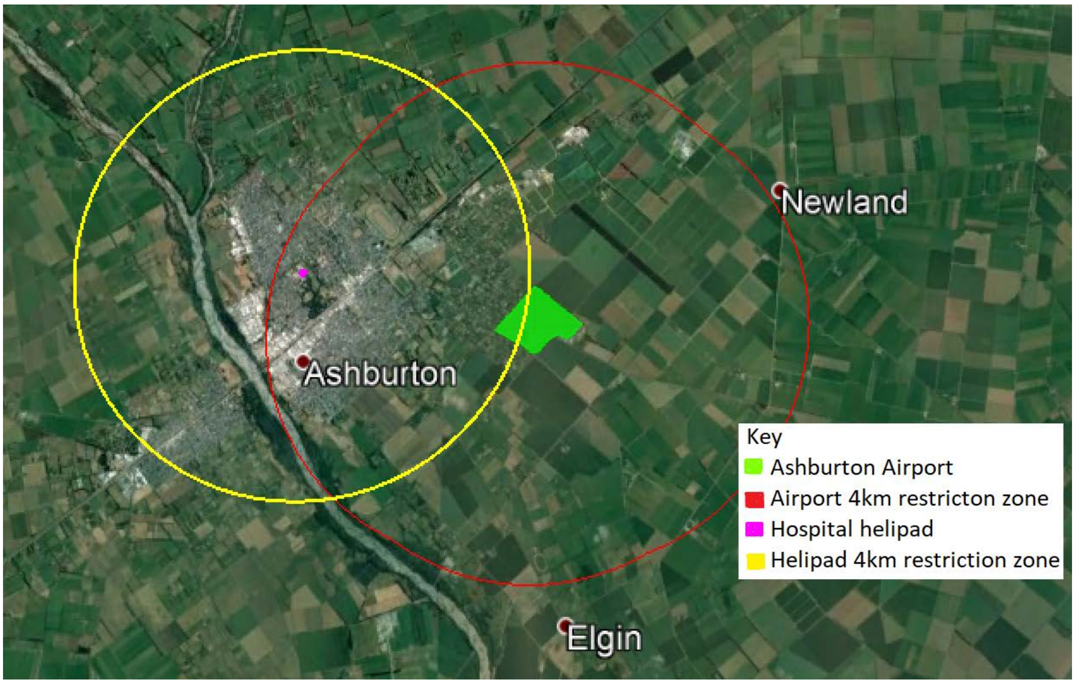

7. Shielded operation is a flight where an aircraft remains within 100 metres of, and below the top of, a natural or man-made object. For example, a building, tower, or trees. UAV Operators relying on a shielded operation to fly their unmanned aircraft within 4 km of Ashburton aerodrome, in addition to remaining within 100 metres of, and below the height of the object providing the shield, must also ensure a physical barrier like a building or stand of trees is between their unmanned aircraft and the aerodrome. This barrier must be capable of stopping their aircraft in the event of a fly-away.


8. This report is an example of multiple PCBU's working together to meet the requirements of the Health & Safety at Work Act 2015 by consulting, co-operating and co-ordinating.

## Proposed changes

9. GCH Aviation and Helicopters Otago are both capable of conducting IFR operations and could, if permitted by Council as landowner, operate safely with IFR into the Ashburton Helipad. Southern Lakes Helicopters currently do not conduct IFR operations, but as an emergency helicopter operator could if permitted operate VFR flights into Ashburton Helipad if required.

10. If the Helipad is established in New Zealand AIP, it will automatically incur a 4km restricted UAV operation of its own. The combined coverage area of both drone restriction areas will effectively cover all of Ashburton and a significant area of Tinwald, as shown below.




11. The Hospital Helipad will be operated by Ashburton Hospital and any requests for drone flights within the helipad restricted no-fly zone will be approved by them.

12. Mid Canterbury Aero Club and Ashburton Hospital will have to establish a procedure for sharing information on requests for drone flights. Where the drone flight takes place in the area of overlapping coverage, the UAV operator will need to apply to both organisations for permission to make the flight outside of shielded operations.

13. UAV operators will not be able to use shielded operations for any flights over the cricket/soccer fields along Walnut Avenue on Ashburton Domain, as this area offers no physical barrier between their aircraft and the Hospital helipad.

14. Publishing the Ashburton Helipad as an established pad in New Zealand AIP will allow Ashburton Hospital and Ashburton District Council to control what helicopters can land at the helipad. Currently, as an unestablished helipad, there is no effective notification to pilots advising what helicopters can use the helipad.

15. Approach and departure to Ashburton Hospital helipad under IFR operations will be conducted under Category A conditions, but the aircraft flight path will change. Appendix 2 covers Category A conditions and the proposed IFR minima for Ashburton Helipad, including the proposed new arrival and departure flight routes.

16. If the helipad is established in the New Zealand AIP, the approach and departure paths must meet CAA safety regulations which require a graduated approach. This may require several trees on Walnut Avenue to be trimmed (approximately 3 metres) to meet height restrictions on the flight path. GCH Aviation are working with Airways and CAA to seek an exemption to the graduated approach rule. If trimming is required this cost would fall to Ashburton Hospital and GCH.

17. UAV Operators filing a flight plan on AirShare for flights over Ashburton will only need to fill in one flight plan even if they are operating in the area of over lapping coverage.

### Interested and affected parties

18. GCH Aviation attended the Thursday 19th December 2019 meeting of the Ashburton Airport Safety Committee to brief them of their intention to apply for IFR approach to Ashburton Hospital Helipad and the request to establish the helipad in New Zealand AIP. The Airport Safety Committee was supportive of both the initiatives. Ashburton District Councillors Braam, Letham and Lovett were in attendance at the meeting.

## Options analysis

### Option one – Approve GCH Aviation request for IFR operations in Ashburton Helipad and establish the Helipad in the New Zealand AIP (*Recommended Option*)

19. This option provides more surety for HEMS operations into and out of Ashburton Hospital helipad in marginal weather conditions. This will make available additional emergency flights from Ashburton Hospital.

20. Publishing the Helipad in the New Zealand AIP will establish a 4km restriction zone around the helipad, which will provide additional safety for helicopters as the risk of UAV's is diminished. Publishing the Helipad will also provide greater management control for Ashburton Hospital on who can land at the Helipad.

21. However, the second 4km restriction zone will effectively mean all of Ashburton and most of Tinwald are covered.

### Option two – Approve GCH Aviation request for IFR operations in Ashburton but opt not to have the helipad published in the New Zealand AIP

22. This option provides more surety for HEMS New Zealand operations into and out of Ashburton Hospital helipad in marginal conditions. This will make available additional emergency flights from Ashburton Hospital.

23. If the helipad is not established in the New Zealand AIP, no 4km restriction will be imposed around the helipad. Therefore, UAV flights will remain a risk for HEMS operations especially near the helipad. Not establishing the helipad in the New Zealand AIP will also restrict Ashburton Hospital and Council in managing helicopter access to the helipad.

**Option three – Require GCH Aviation to continue VFR operations in Ashburton, with the helipad not published in the New Zealand AIP**

24. This option is Status Quo, with no changes to current operations. This option will preclude flight operations in limited visibility, which could have been completed by HEMS under IFR operations.

25. Like Option two, UAV flights will remain a risk for HEMS operations especially near the helipad. Not establishing the helipad in the New Zealand AIP will restrict Ashburton Hospital & Council in managing helicopter access to the helipad.

## Legal/policy implications

### Civil Aviation Requirements

26. There is no legal requirement in the Civil Aviation Rules, or any other Civil Aviation legislation, for the helipad to change to IFR operations, or to publish the helipad in the New Zealand AIP.

27. However, for the reasons outlined above, the recommended options in this report are proposed to ensure flights can occur in more difficult weather conditions. Further, the 4km restriction zone around the helipad will provide additional safety for helicopters as the risk of UAV's is diminished.

28. As set out in paragraph 16 above, Ashburton Hospital and GCH Aviation are responsible for meeting Civil Aviation requirements in relation to the use of the helipad.

### Ashburton District Plan

29. The Noise Chapter of the Ashburton District Plan regulates noise from helicopter landing pads. Under the District Plan, any noise from the helicopter landing pad shall comply with NZ6807:1994 *Noise Management and Land Use Planning for Helicopter Landing Pads*, otherwise resource consent is required.

30. Ashburton Hospital, along with the authorised helicopter companies, are responsible for ensuring their current and future activities comply with these requirements of the District Plan.

### Council Policies/Bylaws

31. Section 14 of Council's Open Spaces Bylaw sets restrictions on the use of aircraft in Council's Open Spaces areas.

32. Clause 14.1 of the Bylaw authorises the take-off and landing of any aircraft in Council's Open Spaces areas (such as the Domain) in the case of an emergency. The proposed changes to the use of the helipad by GCH Aviation and Helicopters Otago will still only result in flights occurring in emergencies and will therefore be consistent with this Bylaw.

33. Further, no change will be required to the Bylaw as a result of the 4km restriction for UAVs. The Bylaw already states that the use of unmanned aircraft, such as drones, in Council's Open Spaces areas must comply with Civil Aviation Rules.

### Legal Occupation of Land

34. Ashburton Hospital is the operator of the helipad on the Domain. However, the Hospital currently does not have any formal lease or licence agreement with Council. It is proposed that Council's Property Team will prepare a licence to occupy between Council and Ashburton Hospital for the occupation of the helipad area.

35. As the Domain is reserve land for the purposes of the Reserves Act 1977, the licence to occupy must comply with the requirements of this Act.

## Financial implications

| Requirement | Explanation |
|---|---|
| **What is the cost?** | None, administration costs for drone flight approval in Ashburton Airport no-fly zone already covered by Mid-Canterbury Aeroclub. The administration costs for the helipad would be the responsibility of Ashburton Hospital |
| **Is there budget available in LTP / AP?** | N/A |
| **Where is the funding coming from?** | N/A |
| **Are there any future budget implications?** | N/A |
| **Reviewed by Finance** | N/A |

## Significance and engagement assessment

| Requirement | Explanation |
|---|---|
| **Is the matter considered significant?** | No |
| **Level of significance** | Medium |
| **Level of engagement selected** | Level 2 – Informal two-way communications with operators and regulatory authorities. |
| **Rationale for selecting level of engagement** | Matter of interest to stakeholder but not significant enough for wider public consultation. |
| **Reviewed by Strategy & Policy** | Richard Mabon<br>Senior Policy Advisor |

## Appendix One - Letter of request

GCH AVIATION

To Whom It May Concern,

GCH Aviation (formally Garden City Helicopters), have been operating the Westpac Rescue Helicopter throughout the Canterbury region for over 25 years. Throughout this time, we have been constantly striving to improve our capabilities with advancements in new equipment, training and aircraft.

The latest enhancement is the implementation of Instrument Flight Rules, IFR, for Helicopter HEMS operations. There are many advantages of this type of flying with the main reason being an ability to conduct safe HEMS operation is more inclement weather conditions. One of the most common causes of cancelled HEMS missions is low cloud ceiling which is below the Civil Aviation Authority minimum Visual Flight Rules especially at night. Under Instrument Flight Rules we can fly through or above cloud and have a much-reduced cloud base for the final visual portion to and from the hospital helipad. We are also designing low level IFR coastal routes and inland routes to further enhance this capability.

GCH Aviation would like to implement Instrument Flight Rule procedures for Ashburton Hospital Helipad and require your permission to do so.

If you agree to IFR operations for Ashburton Hospital Heliport, could you please reply in writing.

These operations would be open to both GCH Aviation and Heli Otago who already implement IFR operations in southland, so could you authorise both companies in your reply.

Regards

Matthew Boulcott | HEMS Pilot

GCH Aviation | Tel: +64 3 358 4360 | Mob: +64 27 734 5401

Owner / Operators of the Westpac Rescue Helicopter /

Nelson Marlborough Rescue Helicopter /

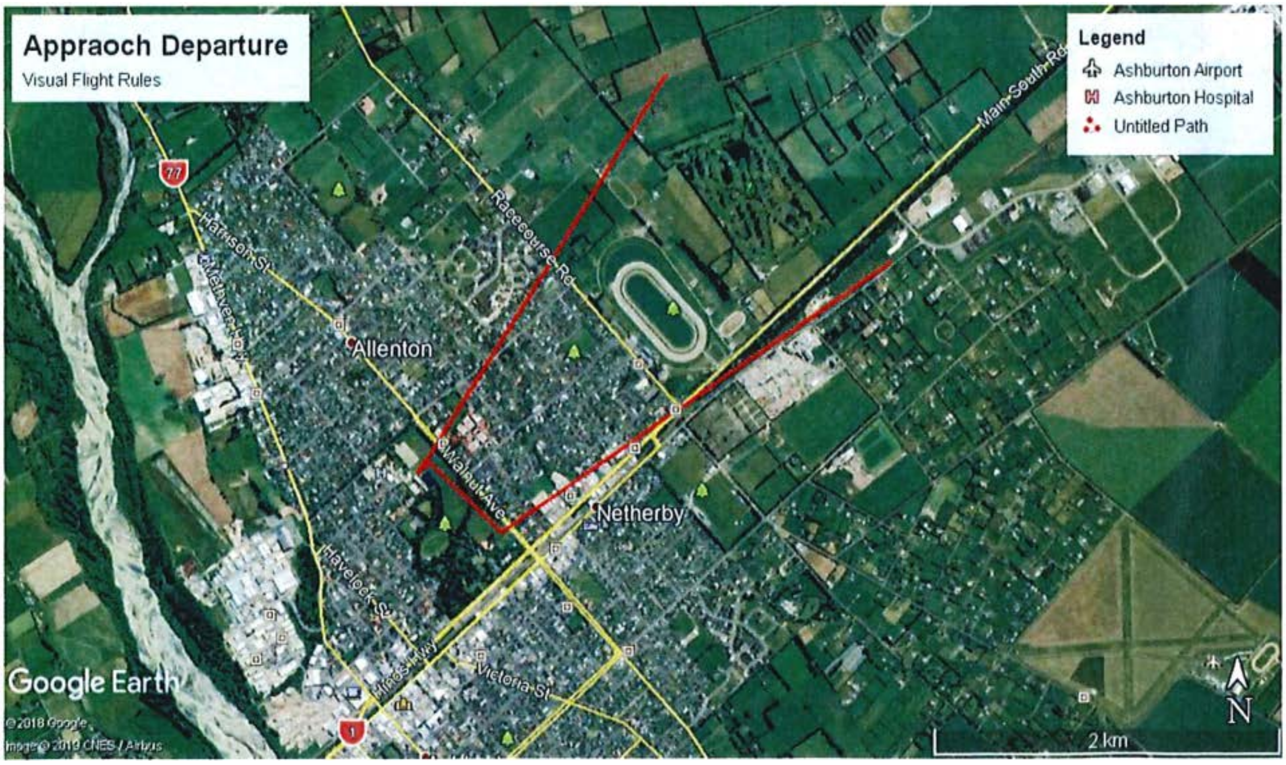
NZCC Greymouth Rescue Helicopter/

NZ Flying Doctor Service

## Appendix Two – Ashburton Helipad Category A Operations

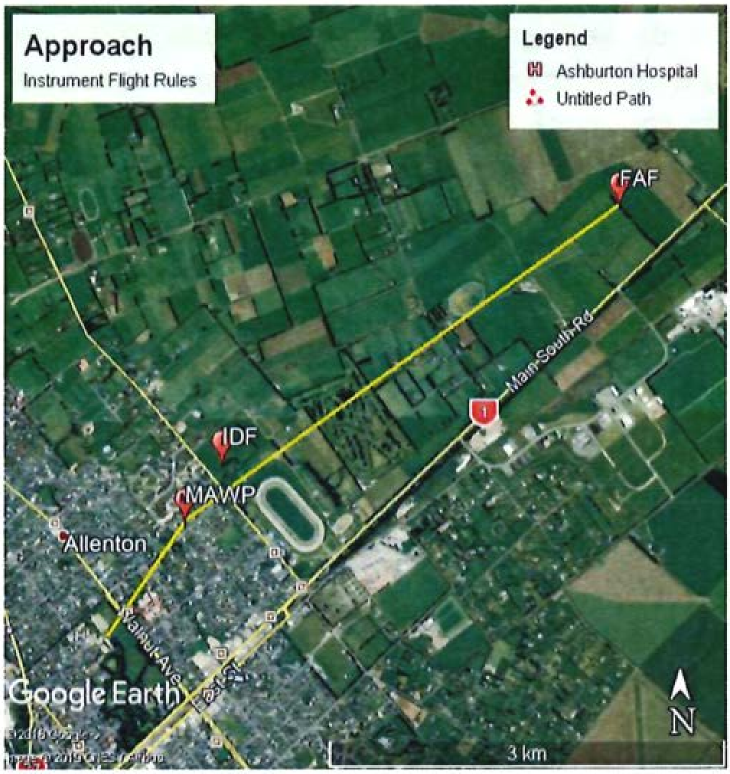
On take-off, GCH helicopters climb vertically to at least 130 feet (40m) in the H145 (140 feet, 43m BK117) above pad elevation plus obstacle and train clearance height before they initiate forward flight. With the north western departure, they use around 200ft (61m) above pad and to the north eastern around 220ft (67m) above pad elevation for obstacle and terrain clearance in the event of an engine failure. This means they will be established in the climb higher than these figures before passing any residential areas in Ashburton.

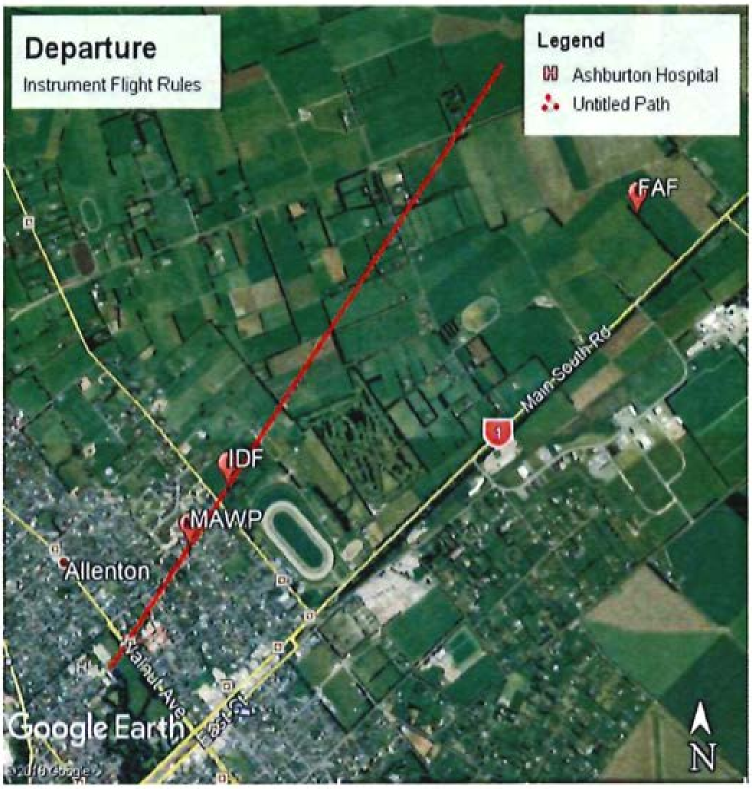
<u>Current VFR Approach:</u>




*Current VFR minima by night: 2000ft ceiling 5km visibility (CAA Rules) or 8km visibility (Air Ambulance standards)*

Proposed IFR Flight Path:




*IFR minima: s410ft ceiling 1500m visibility*

# 7. 2020/21 Rates – Rates Remission Policy

| | |
|---|---|
| Author | *Toni Durham; Strategy & Policy Manager* |
| Activity Manager | *Paul Brake; GM Business Support* |
| GM Responsible | *Hamish Riach; Chief Executive* |

## Summary


- The purpose of this report is for Council to review section 7 of its Rates Remission Policy, which allows the remission of penalties for late payment of rates under 'financial hardship or difficulties'.
- As a result of the ongoing effects of COVID-19 on the economy, some ratepayers may face financial hardship in paying their rates over 2020-21.
- During the adoption of the 2020-21 Annual Plan and the subsequent striking of the rates, Council requested that a report to review section 7 of the Rates Remission Policy be brought to the Audit, Risk & Finance Committee.


**Recommendation to Council**

1. **That** Council undertakes targeted consultation with the community to propose relaxing the criteria and process in the Rates Remission Policy for 2020-21 only, for penalty write-offs for instalments 1-4 of the 2020-21 rates, specifically;
   a. **That** Council waives the restriction to allow for penalty waivers to be applied if applicants have already received a waiver in the past 24 months, with the maximum number of write-offs available being for the rates instalments 1-4 in the 2020-21 rating year.
   b. **That** Council allows applicants to apply for a penalty waiver in writing, via an online form or over the phone.
2. **That** officers undertake consultation in line with Section 82 of the LGA and report back findings to Council on 13 August 2020.

## Background

### Current Situation

36. Council relaxed its criteria and process in the Rates Remission Policy on 9 April 2020 for the fourth and final instalment of rates in 2019-20. This was done without consultation as officers considered there to be exceptional circumstances of the time with COVID-19 and that the decision only affected a single rate instalment.

37. Through the adoption of the Annual Plan 2020-21, Council set the rate penalties for 2020-21 as follows:

| Instalment 1 | Instalment 2 | Instalment 3 | Instalment 4 | Annual penalty |
|---|---|---|---|---|
| 5% | 5% | 10% | 10% | 10% |

38. In the discussion of setting these penalties, Council expressed a desire to revisit its previous decision of 9 April and consider if extending this is appropriate given that the impacts of COVID-19 are expected to be felt by the local economy for some time yet.

39. By December 2020 the Government's income support and mortgage relief packages to support households and businesses are likely to have ended. This may mean that some ratepayers who face genuine financial hardship may have difficulty meeting their rate payments.

40. Rates are effectively a tax. They are levied under the Local Government (Rating) Act 2002. This is a prescriptive Act in that it only allows councils to do what is explicitly authorised in that Act. There is no flexibility to do anything that is not authorised by the Act even if the Council wanted to. Hence there are only limited options available to Council at this time.

**Rates Remission Policy, 2018**

41. Council's current rates remission policy (last reviewed and adopted 28 June 2018) recognises that instances of hardship will exist from time to time and allows for a write off of a penalty when an instalment has not been paid by the due date. The current policy states:

***(7) Remission of Rates Penalties***
*Council may agree to the remission of rates penalties where payment has been late due to significant family disruption, death, illness, accident or genuine mistake.*
*Council will only consider one remission of rates penalties per applicant within a 24 month period, applicable to a single rates instalment (three-monthly).*
*Penalties resulting from Council error will be remitted.*
*Rates penalties on single rates instalments (excluding annual penalties) may also be remitted as part of an agreed repayment plan for ratepayers with significant arrears as a result of financial hardship or difficulties.*

42. This policy allows the Council to remit one penalty in a 24 month period for those ratepayers who are facing financial hardship and agree to enter a payments plan. These repayment plans are where the ratepayers agrees to pay the instalment off over a finite period in addition to meeting the next instalment when rates are due in full. This will be available to ratepayers who incur a penalty due to financial hardship, but will not be available if they have already had a penalty written off in the last 24 month period.

43. Council waived this clause on 9 April 2020, meaning that even if a ratepayer had previously had a penalty waived in the past 24 months, they were able to apply for another penalty remission in regard to the final quarter of 2019/20. Officers do not consider that this was a full review of the Rates Remission Policy and plans to undertake this in full through the Long-Term Plan 2021-31 development.

44. 181 ratepayers applied for the penalty waiver; 181 were granted the penalty waiver for the fourth quarter of the 2019/20 rates instalment.

## Options analysis

**Option 1 – Undertake targeted community consultation proposing relaxing the policy on penalty write-offs from that in the Rates Remission Policy for 2020-21.**

45. The Rates Remission Policy only allows one penalty remission for hardship in a 24 month period. For the four instalments of the 2020-21 year, Council may wish to waive this restriction, so that all genuine hardship cases can be approved whether a penalty write off has been made in the last 24 months or not. Also, ratepayers facing hardship will be able to request a repayment plan be put in place ahead of the penalty being applied.

46. The current policy requires the application to be in writing including via email, an online form or a hard-copy letter. An application form will be available on the Council's website .

47. To relax the policy on penalty write-offs for a full 12 month period as proposed in this option, officers have sought legal advice that confirms that this requires consultation under section 82 of the Local Government Act 2002. Should Council wish to pursue this option officers would prepare a short online survey following Council direction through the Audit, Risk and Finance Committee, with results presented to Council at the 13 August Council meeting, for Council to make a final decision on whether to relax the policy on penalty write-offs.

48. When the policy is reviewed as part of the review on the LTP rating policies in 2021, officers will propose this change in the policy.

**Advantages**

- This would allow hardship cases to be approved whether a penalty write off has been made in the last 24 months or not.
- The write off categories remain as per Council's current Rates Remission Policy. These are significant family disruption, death, illness, accident, genuine mistake and financial hardship. The only change is to the financial hardship penalty write off provisions and only to 2020/21. This would still signal the Council's expectation that those who can pay rates should pay them before penalties are applied.
- Deciding on a case by case basis ensures as far as possible that only those facing genuine financial hardship will receive the penalty write off.

**Disadvantages**

- The Council could receive a significant number of applications for a penalty write off; however, this may have been the case under the existing policy anyway. Council has staff resources that can be allocated to assist in the processing of these applications.
- Officers are concerned that to relax this policy rule for the entire 2020-21 could be seen to be amending and altering policy in an ad-hoc and reactionary manner, which can result in unintended consequences.

### Option 2 –Make no change for 2020/21 penalties from that in the Rates Remission Policy

49. This option would see officers apply the Rates Remission Policy as it is currently written with no changes. Council would still be able to remit penalties for applicants that have not received a remittance within the past 24 months.

50. Through the lowering of the rates penalties for the first two rates instalments of the Annual Plan 2020-21, it could be argued that Council has already taken the risk of financial hardship into account.

**Advantages**

- Council still can remit penalties under certain limits within the policy.
- Council would not be amending aspects of the policy inconsistently and would undertake a full review of the policy through the Long-Term Plan 2018 process.

**Disadvantages**

- The current criteria limits penalty remissions to one remission in a 24 month period and the requirement to make the application in writing is still required. This may be too restrictive to meet community need during the prevailing economic conditions at this point in time.

## Legal/policy implications

### Local Government (Rating) Act 2002

51. Council's rates are set as authorised by the provisions of the Local Government (Rating) Act 2002.

52. S.57 of that Act is as follows:

    **S.57 Penalties on unpaid rates**
    (1) *A local authority may, by resolution, authorise penalties to be added to rates that are not paid by the due date.*
    *(2) A resolution made under subsection (1) must—*
    ***(a)*** *be made not later than the date when the local authority sets the rates for the financial year; and*
    ***(b)*** *state—*
    ***(i)*** *how the penalty is calculated; and*
    ***(ii)*** *the date that the penalty is to be added to the amount of the unpaid rates.*
    *(3) A penalty must not—*
    ***(a)*** *exceed 10% of the amount of the unpaid rates on the date when the penalty is added; or*
    ***(b)*** *be added to rates postponed under section 87 until the rates become payable*

53. As stated in s.57(2)(a) the penalties cannot be set or amended after the date Council sets the rates, which for instalment four was 25 June 2019.

## Financial implications

54. Council may face an increase in applications from ratepayers for the remission of the penalty on instalments one to four of the 2020/21 financial year due to financial hardship, and if all applications meet the criteria, Council will receive less penalty income then would typically be received.

55. There may be a delay in receiving the full instalment from those ratepayers receiving the penalty remission if a repayment plan for the instalment is put in place, however, the medium-term effect on Council's revenue will be minimal.

| Requirement | Explanation |
|---|---|
| What is the cost? | The average penalty income per instalment is $64,000 |
| Is there budget available in LTP / AP? | Not applicable |
| Where is the funding coming from? | The reduced penalties will be met from the Council's operating reserve. |
| Are there any future budget implications? | No |
| Finance review required? | Yes |

## Significance and engagement assessment

56. The recommended option is not considered significant and is of moderate significance under Council's Significance and Engagement Policy. While for those facing hardship at this point in time the relaxing of the criteria and process will be welcomed, it is not expected that the use of the penalty waiver will be widespread.

| Requirement | Explanation |
|---|---|
| Is the matter considered *significant*? | No |
| Level of significance | Moderate – not significant |
| Level of *engagement* selected | 2 – Comment – informal two way communication |
| Rationale for selecting level of engagement | If Council does want to relax the rules for the policy for 2020-21, consultation with the community would be required as there is a legal requirement to use a consultation process. We know that the community has supported the previous decision (April 2020) and supports locals helping locals. |
| Reviewed by Strategy & Policy | Rachel Thomas and Richard Mabon: Policy Advisors |