



**I, Steven May, Tumu Whakarae Chief Executive Officer, hereby give notice that
Finance, Audit & Risk Committee Meeting will be held on:**

Date: Tuesday, 26 May 2020
Time: 1.30pm
Location: War Memorial Hall, Queen Street, Wairoa

AGENDA

Finance, Audit & Risk Committee Meeting

26 May 2020

The agenda and associated papers are also available on our website: www.wairoadc.govt.nz

For further information please contact us 06 838 7309 or by email info@wairoadc.govt.nz

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- 1 KARAKIA**
- 2 APOLOGIES FOR ABSENCE**
- 3 DECLARATIONS OF CONFLICT OF INTEREST**
- 4 CHAIRPERSON'S ANNOUNCEMENTS**
- 5 LATE ITEMS OF URGENT BUSINESS**
- 6 PUBLIC PARTICIPATION**

A maximum of 30 minutes has been set aside for members of the public to speak on any item on the agenda. Up to 5 minutes per person is allowed. As per Standing Order 15.1 requests to speak must be made to the Chief Executive Officer at least one clear day before the meeting; however this requirement may be waived by the Chairperson. Requests should also outline the matters that will be addressed by the speaker(s).

7 MINUTES OF THE PREVIOUS MEETING

Ordinary Meeting - 14 April 2020

**MINUTES OF WAIROA DISTRICT COUNCIL
FINANCE, AUDIT & RISK COMMITTEE MEETING
HELD AT THE COUNCIL CHAMBER, WAIROA DISTRICT COUNCIL, CORONATION SQUARE, WAIROA
ON TUESDAY, 14 APRIL 2020 AT 1.34PM**

PRESENT: His Worship the Mayor Craig Little, Cr Jeremy Harker, Cr Denise Eaglesome-Karekare, Cr Danika Goldsmith, Mr Philip Jones

IN ATTENDANCE: Cr Hine Flood, S May (Tumu Whakarae Chief Executive Officer), K Tipuna (Pouwhakarae – Hapori/Whakatūtaki Group Manager Community and Engagement) Gary Borg (Pouwhakarae – Pūtea/Tautāwhi Rangapū Group Manager Finance and Corporate Support), Kimberley Tuapawa (Pouwhakarae – Pārongo/Wheako Kiritaki Group Manager Information and Customer Experience), Stephen Heath (Pouwhakarae – Hua Pūmau Hapori/Ratonga Group Manager Community Assets and Services), Gay Waikawa (Kaiurungi Mana Arahi – Governance Officer),

The Chairman welcomed everyone during this COVID-19 Alert Level 4 lock down period and advised some rules if everyone mutes themselves and raise their hands when they want to speak. The Chairperson will ask for a mover for the motion – mover to raise their hand, the Chairman will recognise mover verbally and for the seconder of the motion to also raise their hand, and the Chair will again recognise the seconder verbally. Chair will ask for all those in favour and the Committee members will raise their hands to signal their assent.

The Chairperson advised we are not recording this meeting through Zoom but the Kaiurungi Mana Arahi – Governance Officer advised she is recording the meeting by dictaphone so that we have good notes of this meeting and to have good discipline on who is speaking and clear communications.

1 KARAKIA

Karakia was given by K Tipuna

2 APOLOGIES FOR ABSENCE

None.

3 DECLARATION OF CONFLICT OF INTEREST

None.

4 CHAIRPERSON'S ANNOUNCEMENTS

None.

5 LATE ITEMS OF URGENT BUSINESS

Have a discussion in areas of risk and use the knowledge that Mr P Jones has.

6 PUBLIC PARTICIPATION

A maximum of 30 minutes has been set aside for members of the public to speak on any item on the agenda. Up to 5 minutes per person is allowed. As per Standing Order 14.14 requests to speak must be made to the meeting secretary at least one clear day before the meeting; however this requirement may be waived by the Chairperson.

7 MINUTES OF THE PREVIOUS MEETING**COMMITTEE RESOLUTION 2020/86**

Moved: Cr Jeremy Harker

Seconded: Cr Hine Flood

That the minutes of the Ordinary Meeting held on 3 March 2020 be confirmed with alteration to apology received from Philip Jones.

CARRIED

8 GENERAL ITEMS**8.1 FINANCIAL PERFORMANCE TO 29 FEBRUARY 2020****COMMITTEE RESOLUTION 2020/87**

Moved: Cr Jeremy Harker

Seconded: Cr Denise Eaglesome-Karekare

That Committee receive the report.

CARRIED

The Pouwhakarae – Pūtea/Tautāwhi Rangapū Group Manager Finance and Corporate Support presented his report and reported on the Wairoa District Council's Monthly Report at the end of 29 February 2020.

Wairoa District Council had a net Surplus on Operations of \$4,525k against a year to date (YTD) budget of \$4,443K. The greater than budgeted surplus is primarily a result of Capital Subsidy Revenue recognised for the Mahia East Coast Road traction sealing of almost \$1m and more than compensated for the wastewater costs spend on desludging of the oxidation ponds.

Similarly general increase in compliance cost, particularly are offset against unspent budget for development of the District Plan.

Cr D Goldsack left the meeting at 2.20pm.

The Chairman queried

From the FAR Committee which was held on Tuesday, 14 April 2020 the Committee asked various question regarding the District Plan:

- what is happening with the District Plan
- the potential to complete.
- the cost to complete it and
- making sure Council has enough funds to

The Committee discussed:

- Rating for activities that Council are not undertaking.
- Providing benefit to community.
- PGF funding.
- Extension of current plans.
- What does levels 2 & 3 look like for Councils.
- Rationalise of decisions.
- Projects that can be delayed or deferred through the Long Term Plan.
- Key projects through annual plan.

Cr H Flood left meeting at 2.38pm

The meeting was closed with a karakia by K Tipuna.

The Meeting closed at 2.45pm.

The minutes of this meeting were confirmed at the Finance, Audit & Risk Committee Meeting held on 26 May 2020.

.....
CHAIRPERSON

8 GENERAL ITEMS

8.1 QRS STATEMENT OF INTENT FOR THE PERIOD 1 JULY 2020 TO 30 JUNE 2023 AND SIX MONTHLY REPORT TO 31 DECEMBER 2019.

Author: Gary Borg, Pouwhakarae – Pūtea / Tautāwhi Rangapū Group Manager Finance and Corporate Support

Authoriser: Steven May, Tumu Whakarae Chief Executive Officer

Appendices:

1. QRS Statement of Intent 2020-23 [↓](#)
2. QRS Statement of Intent 2019-22 [↓](#)
3. QRS Half Year Report 2019-20 [↓](#)

1. PURPOSE

- 1.1 To present the Draft QRS Statement of Intent 2020-23 and the company's 6 monthly performance report to 31 December 2019 for consideration by Council.

RECOMMENDATION

The Chief Financial Officer RECOMMENDS that Committee

1. Receives the report and discusses the company's financial forecasts and risks with its Board.

2. BACKGROUND

- 2.1 The Local Government Act 2002 (Schedule 8, paragraph 2) requires a Council Controlled Organisation (CCO) to deliver to its shareholders a Draft Statement of Intent (Sol) on or before 1 March each year.
- 2.2 Having received a Draft Sol, Council are required to comment, if it chooses to do so, within two months of 1 March. (LGA 2002 (Sch. 8, para.3))
- 2.3 Section 66 of the Act, and the company's current Sol, requires the Board to deliver to Council a half-yearly report on its operations within 2 months of the end of the first half of the financial year.

3. CURRENT SITUATION

- 3.1 The Draft Sol, attached as **Appendix 1**, was delivered to Council on 28 February 2020. It is complete in respect of the requirements of LGA 2002 Sch. 8, para.9.
- 3.2 The Draft Sol sets out the overall activities and intentions of QRS for the 3 years commencing 1 July 2020.
- 3.3 For ease of comparison the company's existing Sol for the period commencing 1 July 2019 is attached as **Appendix 2**.
- 3.4 The half-yearly report was delivered on 28 February 2020 and is attached as **Appendix 3**.
- 3.5 This sets out the company's financial performance for the 6 months ended 31 December 2019 and its financial position as at that date, along with performance metrics and commentary.

4. OPTIONS

4.1 The options identified are:

- a. Do nothing; or
- b. Receive the Draft Statement of Intent 2020-2023 the half-yearly report

4.2 Discussions with QRS regarding Council's expectations continue. By receiving the report the Committee will contribute to a formal and transparent record of this process, recognising the risks and opportunities associated with the economic impacts of COVID-19.

4.3 The preferred option is *b*), this contributes to the following community outcomes

Economic wellbeing	Social and Cultural Wellbeing	Environmental Wellbeing
1. A strong, prosperous and thriving economy. 2. A safe and integrated infrastructure.	6. Strong district leadership and a sense of belonging	

5. CORPORATE CONSIDERATIONS**What is the change?**

5.1 There are no changes to council operations resulting from this decision.

Compliance with legislation and Council Policy

5.2 Both documents comply with the requirements of the Local Government Act 2002 in terms of content. As noted, they were delivered before the statutory date of 1 March 2020.

What are the key benefits?

5.3 These documents provide an oversight of the company and provide Council with a health check on its main equity investment.

What is the cost?

5.4 There is no cost with this decision.

What is the saving?

5.5 No savings are generated with this decision.

Who has been consulted?

5.6 No consultation is required or has been undertaken on this report.

Service delivery review

5.7 This report does not trigger a need for a s17A review.

Māori Standing Committee

- 5.8 This has not been referred to the Māori Standing Committee because it is of equal interest to the whole community.

6. SIGNIFICANCE

- 6.1 The decision can be changed by using LGA 2002 Section 8 paragraph 5(1) which allows for shareholders by resolution to require the CCO Board to modify a statement of intent after due consultation with the Board.
- 6.2 Although there are strategic considerations this matter is largely administrative and is assessed as being of low significance.

7. RISK MANAGEMENT

- 7.1 In accordance with the Council's Risk Management Policy the inherent risks associated with this matter are:

Human	Financial	Regulatory
Low	Low	Low
Operations	Employees	Image & Reputation
Low	Low	Low

Further Information

Not Applicable.

Background Papers

Not Applicable.

References (to or from other Committees)



These documents were presented to Council at its Ordinary Meeting on 5 May 2020. They have been referred to the Committee for detailed review in accordance with Council Resolution 2020/12.

Confirmation of statutory compliance

In accordance with section 76 of the Local Government Act 2002, this report is approved as:

- containing sufficient information about the options and their benefits and costs, bearing in mind the significance of the decisions; and,
- is based on adequate knowledge about, and adequate consideration of, the views and preferences of affected and interested parties bearing in mind the significance of the decision.

Signatories

	
Author Gary Borg	Approved by Steven May



Statement of Corporate Intent 2020-2023



Covering period 1 July 2020 to 30 June 2023

Foreword



Quality Roding and Services (Wairoa) Ltd (QRS) connects workers to their jobs, creates opportunities for the community, and protects it from an increasingly unpredictable natural environment.

QRS is incorporated and domiciled in New Zealand and wholly owned by Wairoa District Council. It is a Council Controlled Trading Organisation as defined in Section 6 of the Local Government Act 2002.

Our speciality is civil construction and road maintenance. We have quarry operations, a large-scale heavy diesel workshop, and offer civil engineering skills, experience and equipment.

The company believes strongly in the importance of people, performance, communities and partnerships (PPCP).

In 2019 QRS consolidated into a company of excellence successfully tendering for contracts of national significance and delivering fit-for-purpose road maintenance at a time of public demand and challenging conditions. Our **people** are the driving force behind our success. The culture at QRS rewards good **performance** and celebrates success. We actively connect with our **community** supporting everyone who visits, lives and works in the district. A key to success has been the revitalised relationship and **partnership** QRS has fostered with its sole shareholder (and client) WDC. Through improved communication both organisations are thinking in a similar way and focussed on what's 'best for Wairoa'

This Statement of Corporate Intent (SCI) sets out the overall activities and intentions of QRS for the financial year 1 July 2020 to 30 June 2021 and the two succeeding financial years. It also states the objectives to which those activities will contribute.

QRS looks forward to continuing its significant contribution to Wairoa District Council and the communities that it serves.

Nigel Pollock

Nigel Pollock
Quality Roding and Services chief executive
March 2020

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1. Nature and scope of company activities

QRS and its staff are an integral part of Wairoa and the wider district. Our speciality is civil construction and road maintenance and offer a full range of civil engineering skills, experience and equipment.

The principal activities of QRS are:

- Roothing maintenance and associated construction
- Civil construction
- Quarrying
- Heavy transport



2. Mission and vision

WDC mission: The Wairoa District Council exists so that residents and visitors alike can enjoy the community in which they live and visit, supported by local decision-making to promote the social, economic, environmental and cultural well-being of the Wairoa District in the present and for the future.

WDC vision: Connected Communities, Desirable Lifestyles, Treasured Environments

QRS mission: To grow and sustain a profitable and locally valuable contracting business on a foundation of safety and quality.

QRS vision: Professional and growing.



3. Strategic Plan 2020-2021



4. Governance

The role of the board is to effectively represent WDC and not to act contrary to the interests of WDC whilst adding long term value to the company.

The board will regularly review and monitor the management of the company by:

Determining purpose and direction: establishing objectives which are appropriate to the environment and circumstances.

Developing an effective governance culture: Ensuring the company's objectives are understood and endorsed by management; consider policies that will strengthen the company's performance; and engage effectively with the chief executive and leadership team

Holding to account: satisfying itself that the company is achieving its objectives; agreeing with management a set of financial and non-financial key performance indicators relevant to the agreed objectives.

The board will hold quarterly governance meetings with WDC. Day-to-day management of the company will be delegated to the chief executive.

5. Ratio of shareholder funds to total assets

To provide the company with the capacity to grow whilst maintaining an efficient capital structure that minimizes risk, QRS will target the ratio of shareholder funds to total assets for each year at not less than 45%.

The shareholder funds and total assets are defined as disclosed in the audited statement of financial position as at 30 June.

6. Accounting policies

The company's accounting policies comply with the requirements of the Financial Reporting Act 1993 and are consistent with generally accepted accounting principles.

Details of the accounting policies and their application are contained in Appendix 2.

7. Procurement

WDC to engage with QRS at a governance level for non-subsidised work thereby giving both organisations the opportunity to strategically provide the best benefits for Wairoa. If in doubt, the shareholder, as the contracting entity may apply principles of transparency and non-discrimination.

8. Performance targets

The following performance targets are the measures by which the company's performance will be judged as published in the 2018-2028 Land Transport Activity Management Plan commonly referred to as the Long Term Plan.

	2020/21	2021/2022	2022/2023
Target revenue	\$17,000,000	\$18,000,000	\$19,000,000
Net profit after-tax	\$425,000	\$450,000	\$475,000
Dividend forecast	\$250,000	\$250,000	\$250,000
Net profit pre-tax of opening shareholder funds	6%	6%	6%
Ratio of Shareholders funds	>45%	>45%	>45%

9. Reports to the shareholder

9.1 General

The company will disclose information on its operations as is necessary to enable the shareholder to make an informed assessment of the performance of the company.

9.2 Draft Statement of Corporate Intent

The board will deliver to the shareholder a draft Statement of Corporate Intent on or before 1 March each year.

9.3 Completed Statement of Corporate Intent

The Board will:

(a) consider any comments on the draft Statement of Corporate Intent that are made to it within two months of March by the shareholder; and

(b) deliver the completed Statement of Corporate Intent to the shareholder on or before 30 June each year.

9.4 Quarterly update

The company will provide a quarterly update to a full general meeting of WDC.

9.5 Half year reporting

The Board will, by 28 February each year, deliver to the shareholder unaudited financial statements consisting of:

- Statement of financial position
- Statement of financial performance
- Cash flow statement for the six months to 31 December, together with statements of explanation and accounting policies upon which the financial statements are based.
- A written report on operations of the company during the period, and the amount of any interim dividend recommended, and the outlook for the next six months including any significant changes to previous forecasts or reports.

The company will make a formal presentation of the report at a meeting called by the shareholder. This meeting will be a formally constituted meeting of WDC called in terms of the Local Government Act 2002.

9.6 Annual Report

The Company will make available to the Shareholder and the public, audited financial statements in accordance with Section 67 of the Local Government Act 2002 within three months after the end of each financial year, being 30 September.

The annual general meeting of the company will be held no later than 21 days after the delivery of the annual report to the shareholder.

The company will make a formal presentation of the report to a meeting called by the shareholder. This meeting will be a formally constituted meeting of WDC called in terms of the Local Government Act 2002.

10. Consent for shareholding

Notwithstanding anything else contained in the constitution or the act, the board may not subscribe for, purchase, or otherwise acquire shares in any other company or other person without the prior written approval of the shareholder.

11. Estimate of commercial value of the shareholder's investments

The board will make an estimate of the commercial value of the company each year. An independent valuation will be performed once every three years. The shareholder will be advised of the value of their investment accordingly.

12. Profit distribution policy

Dividend Payments

The company will pay the shareholder a minimum annual dividend of \$250,000. This includes an interim dividend of \$50,000 after the six-monthly result, subject to the company passing the solvency test and board signing a solvency certificate.

In arriving at a recommendation in respect to a dividend the board will have regard to the company's:

- vision and objectives.
- financial performance for the past financial year taking regard for the future commercial environment.
- ability to meet financial commitments.
- investment proposals and profitability thereof
- ability to secure suitable financial arrangements
- requirements to reinvest in renewal of assets
- shareholder expectations with respect to overall performance of the company's commercial outcomes.

The Board may recommend the payment of dividends in addition to those contained within this statement of corporate intent.

12. Treasury policy

Corporate Objectives

Ensure the company is able to meet its future commitments as they fall due in both the short and long term through active treasury risk management. QRS will:

1. Reduce company cost of borrowing through effective control and management of its interest rate risk, and manage the company's exposure to interest rate risk within acceptable levels.
2. Manage funding risk by the selection of the best available methods for long term financing requirements.
3. Manage the company's return on funds invested through the effective control and management of its interest risk and maintain company exposure to interest risk within acceptable levels.
3. Maintain adequate internal controls to ensure that funds are invested and borrowed in accordance with company policy.
4. Know that company assets can be given as security. The use of long-term funds will be restricted to development and establishment of capital assets and the repayment of equity.

13. Investment policy

WDC believes it is important to maintain expertise in construction, roading and maintenance in the district, balanced with an intent to reduce ratepayer costs by providing effective, sustainable competition and providing community support.

As those ratepayers do not have any direct involvement with how that investment is determined, the directors owe a special duty of care to how that investment is managed.

In addition, the company will supply WDC with all business cases for investments above \$500,000 for review prior to committing to the investment.

As an overall investment policy and in alignment with the WDC Investment Policy (item 4.3 dated 5 August 2015) and the WDC Long Term Plan 2018-2028, the company will endeavour to maximise the return on opening shareholder funds whilst acting within legislative parameters, maintaining investment risk within acceptable limits, and ensuring the company's funds are properly safeguarded.

The company will also operate as per Section 59 of the Local Government Act 2002 which states that the principle objective of a CCO (Council Controlled Organisation) is to:

- achieve the objectives of its shareholders, both commercial and non-commercial, as specified in the Statement of Corporate Intent
- be a good employer
- exhibit a sense of social and environmental responsibility by having regard to the interests of the community in which it operates and by endeavouring to accommodate or encourage these when able to do so,
- and if the CCO is a CCTO (Council Controlled Trading Organisation), it will conduct its affairs in accordance with sound business practice.

While the company's ability to provide regular dividends is a strategic objective in the WDC investment policy, growth opportunities are also available with reinvestment in the business.

Using a collaborative approach to economic development WDC agree in principal that QRS future-proof its assets by building a fit-for-purpose operational hub at QRS acknowledging that in time this asset will maximise the company's profit thereby ensuring long term financial stability.

In addition, WDC and QRS will go beyond formal governance structures to encourage collaborative behaviour and or identify opportunities for collaborative solutions for the benefit of the community.

Meanwhile, QRS continues to balance its return on shareholder value by contributing to the community socially and financially. The company invests in organisations that have a core focus of assisting the environment, children, and causes that support social wellness for individuals and the community of Wairoa.

Appendix 1 Collaboration policy

Quality Roading and Services (QRS) has embraced working collaboratively as a key pillar for achieving its vision of professional and growing; and sustaining a profitable and locally valuable business on a foundation of safety and quality.

QRS believes that working collaboratively will also maximise employee satisfaction, minimise conflict and produce sustainable outcomes for the business and our clients.

To achieve these goals QRS will endeavour to develop, maintain and monitor a culture of collaboration, both internally and externally with clients and stakeholders, based on:

- building trust with each other
- looking forward, not back
- providing timely responses
- having open, honest and frank communication
- being respectful of each other
- no surprises approach
- being positive and constructive

QRS will support the ideal of continuous improvement in working collaboratively.

Nigel Pollock
Chief executive officer
March 2020

Appendix 2 Accounting policies

The company's accounting policies comply with the requirements of the Financial Reporting Act 1993 and are consistent with generally accepted accounting principles.

The general accounting principles recognised as appropriate for the measurement and reporting of results and financial position on a historical cost basis have been followed.

The following particular accounting policies which materially affect the measurement of results and financial position have been applied.

1. Revenue Recognition

QRS is in the business of providing road maintenance and construction and sale of aggregate. Revenue from contracts with customers is recognised when control of the physical work completed on the clients asset or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. The Company has generally concluded that it is the principal in its revenue arrangements, because it typically controls the goods or services before transferring them to the customer.

2. Sale of aggregate

Revenue from sale of aggregate is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the aggregate. The normal credit term is 30 to 60 days upon delivery.

3. Variable consideration

QRS does not enter into variable consideration arrangements nor provide any volume rebates. In addition, there are no financing components or warranty obligations beyond normal retentions held by the customer for road construction projects.

4. Borrowing costs

Borrowing costs are recognised as an expense when incurred.

5. Goods and services tax

The financial statements have been prepared exclusive of goods and services tax (GST) with the exception of receivables and payables which are stated with GST included. Where GST is irrecoverable as an input tax, it is recognised as part of the related asset or expense.

6. Employee benefits

Provision is made in respect of the Company's liability for annual leave, sick leave, long service leave and retirement gratuities.

The provision for sick leave is based on the additional amount that the company expects to pay as a result of the unused entitlement that has accumulated at balance date.

The provision for gratuities is based on the number of weeks the employee will be paid at retirement, the expected pay rate along with the probability of the employee still being employed by QRS at retirement age.

The provision for long service leave is the amount of future benefit that employees have earned in return for their service in the current and prior periods.

Expected future payments for gratuities and long service leave are discounted using market yields at the reporting date.

Defined contribution pension plan obligations are recognised as an expense in the statement of comprehensive income as incurred.

7. Provisions

Provisions are recognised when the company has a present obligation (legal or constructive) as a result of a past result. It is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Where discounting is used, the increase in the provision due to the passage of time is recognised as a financing cost.

8. Taxation

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities based on the current period's taxable income. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except when the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in profit or loss.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

9. Accounts receivable

Accounts receivable are recognised initially at fair value and subsequently at amortised cost less an allowance for any uncollectable amounts. The Company assesses impairment losses by estimating the expected credit loss that may exist within its portfolio of accounts receivable based on its historical experience of credit loss arising from accounts receivable.

10. Cash and cash equivalents

Cash and short-term deposits in the statement of financial position comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less.

11. Inventories

Inventories are valued on the basis of the lower of cost, determined on a first-in, first-out basis, and net realisable value.

12. Property, plant and equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation and any accumulated impairment losses. Such cost includes the cost of replacing parts that are eligible for capitalisation when the cost of replacing the parts is incurred.

Similarly, when each major inspection is performed, its cost is recognised in the carrying amount of the property, plant and equipment as a replacement only if it is eligible for capitalisation. All other repairs and maintenance are recognised in profit or loss as incurred.

There are six classes of property, plant and equipment:

- Freehold land
- Quarries

- Freehold buildings
- Plant, equipment and vehicles
- Office equipment and furniture
- Computer hardware

The quarry asset class includes all development costs in relation to the Tangihanga Joint arrangement, accounted for by QRS in accordance with accounting policy(s).

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

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.

Impairment losses are recognised in the statement of comprehensive Income in other operating expenses.

13. Depreciation

Depreciation is provided on a straight-line basis on freehold buildings and quarries. Freehold land is not depreciated.

Plant, equipment and motor vehicles, office equipment and furniture, and computer hardware are depreciated at rates calculated to allocate the assets cost less estimated residual value over their estimated useful lives. The rates for major classes of assets have been estimated as follows:

Quarries	3.3% Straight Line
Freehold Buildings	3.3% Straight Line
Plant, Equipment & Motor Vehicles	20% Diminishing Value
Office Equipment and Furniture	20% Diminishing Value
Computer Hardware	48% Diminishing Value

Depreciation is calculated on a monthly basis from the date of acquisition. The assets useful lives, residual values and depreciation method are reviewed at least every financial year.

14. Intangible assets

Intangible assets acquired separately are capitalised at cost. Following initial recognition, the cost model is applied to all classes of intangible assets.

The useful lives of all intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful life and tested for impairment whenever there is an indication that the intangible asset may be impaired.

The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for prospectively by changing the amortisation period or method, as appropriate, which is a change in accounting estimate.

The amortisation expense on intangible assets with finite lives is recognised in profit or loss in the expense category consistent with the function of the intangible asset.

Gains or losses from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of comprehensive income when the asset is derecognised.

The amortisation of the software class of intangible assets is estimated at 20%-48% diminishing value, depending on the nature of the software.

15. Statement of cash flows

Operating activities include cash received from all income sources of the company and records the cash payments made for the supply of goods and services.

Investing activities are those activities relating to the acquisition and disposal of non-current assets.

Financing activities comprise the change in equity and debt capital structure of the company.

16. Interest-bearing loans and borrowings

All loans and borrowings are initially recognised at cost, being the fair value of the consideration received net of issue costs associated with the borrowing.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any issue costs, and any discount or premium on settlement.

Gains and losses are recognised in the statement of comprehensive income when the liabilities are derecognised and as well as through the amortisation process.

17. Trade and other payables

Trade payables and other payables are carried at amortised cost. They represent liabilities for goods and services provided to the end of the financial year that are unpaid and arise when QRS becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30 days of recognition.

18. Leases

Operating lease payments, where the lessors effectively retain substantially all the risks and benefits of ownership of the leased items, are included in the determination of the operating surplus in equal instalments over the lease term.

19. Joint arrangements

QRS have a joint arrangement with Wi Pere Trust at the Tangihanga Quarry. A joint arrangement is an arrangement over which two parties or more have joint control. Joint control is the contractually agreed sharing of control over an arrangement which exists only when the decisions about the

relevant activities (being those that significantly affect the returns of the arrangement) require the unanimous consent of the parties sharing control. QRS's joint arrangement is a joint operation.

A joint operation is a type of joint arrangement in which the parties with joint control of the arrangement have the rights to the assets and obligations for the liabilities relating to the arrangement.

In relation to its interest in the joint operation, the financial statement for QRS includes:

- Assets, including its share of any assets held jointly
- Revenue from the sale of its share of the output arising from the joint operation
- Share of the revenue from the sale of the output by the joint operation
- Expenses, including its share of any expenses incurred jointly

All such amounts are measured in accordance with the terms of each arrangement which are in proportion to QRS's interest in the joint operation.

20. Tangihanga joint arrangement impairment test

QRS recognise \$366,087 as it's share of development costs of the Tangihanga joint arrangement as at 30 June 2019. As a separate cash generating unit this has been impairment tested giving assurance to the board's expectations around the following key areas:

- Revenue
- Costs
- Timing

The assumptions are based on known production capacity, market demand on published forestry information and market pricing based on current rates achieved by competitors in the market which ranged from \$21-\$49. Production costs are based upon a current model for a fully owned quarry site by QRS. Discounted cashflow over 5 years with a terminal value and growth rate of 2% has been completed.

21. Significant accounting judgements, estimates and assumptions – quarry aftercare

A provision has been made for the present value of anticipated costs of future restoration of quarry sites. The provision includes future cost estimates associated with quarry aftercare.

The calculation of this provision requires assumptions such as application of environmental legislation and life of metal extraction from each quarry site. These uncertainties may result in future actual expenditure differing from the amounts currently provided.

The provision recognised for each site is periodically reviewed and updated based on the facts and circumstances available at the time. Changes to the estimated future costs for sites are recognised in the statement of financial position by adjusting both the expense or asset (if applicable) and provision.

22. Contract assets and contract liabilities

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the company performs by transferring goods or services to a customer before the

customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

A trade receivable represents the company's right to an amount of consideration that is unconditional (i.e. only the passage of time is required before payment of the consideration is due).

A contract liability is the obligation to transfer goods or services to a customer for which the company has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the company transfers goods or services to the customer, a contract liability is recognised when the payment is made, or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when company performs under the contract.



Statement of Corporate Intent 2019-2022



Covering period 1 July 2019 to 30 June 2022

Foreword



Quality Roding and Services (Wairoa) Ltd (QRS) connects workers to their jobs, creates opportunities for the community, and protects it from an increasingly unpredictable natural environment.

QRS is incorporated and domiciled in New Zealand and wholly owned by the Wairoa District Council. It is a Council Controlled Trading Organisation as defined in Section 6 of the Local Government Act 2002.

Our speciality is civil construction and road maintenance. We have quarry operations, a large-scale heavy diesel workshop, and offer civil engineering skills, experience and equipment.

This Statement of Corporate Intent (SCI) sets out the overall activities and intentions of QRS for the financial year 1 July 2019 to 30 June 2020 and the two succeeding financial years. It also states the objectives to which those activities will contribute.

QRS looks forward to continuing its significant contribution to Wairoa District Council and the communities that it serves.

Nigel Pollock

Nigel Pollock

Quality Roding and Services chief executive.

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1. Nature and scope of company activities

QRS and its staff are an integral part of Wairoa and the wider district. Our speciality is civil construction and road maintenance and offer a full range of civil engineering skills, experience and equipment.

The principal activities of QRS are:

- Roothing maintenance and associated construction
- Civil construction
- Quarrying
- Heavy transport



2. Mission and vision

WDC mission: The Wairoa District Council exists so that residents and visitors alike can enjoy the community in which they live and visit, supported by local decision-making to promote the social, economic, environmental and cultural well-being of the Wairoa District in the present and for the future.

WDC vision: Connected Communities, Desirable Lifestyles, Treasured Environments

QRS mission: To grow and sustain a profitable and locally valuable contracting business on a foundation of safety and quality.

QRS vision: Professional and growing.



3. Objectives

To achieve its mission and vision QRS has objectives in five key focus areas: financial performance and position; people and leadership; stakeholder relationships; health and safety; and quality.

1. Financial performance and position

QRS will continue to manage the business to ensure its continued relevance to the Wairoa community.

Objective for the next three years

Strengthen and consolidate the resilience of the company

What would success look like?

Ratio of shareholder funds to total assets is not less than 45 percent.

How do we measure progress?

- Target revenue
- Net profit after-tax (4%)
- Dividend forecast
- Ratio of Shareholders funds



2. People and leadership

QRS will ensure it has the right people doing the right things all the time

Objective for the next three years

Be recognised as a good employer

Employ committed people with the right capabilities and attitude.

What would success look like?

The creation and adoption of a QRS-wide human resources strategy.

How do we measure progress?

Employee exits are no more than 6-8 percent per annum

Staff satisfaction surveys are used to understand employee attitudes and motivation, and as a result contribute to positive change.

Succession and talent identification reviews are carried out twice a year.

Performance and development plans are in place for all QRS staff



3. Stakeholder relationships

QRS will collaborate with stakeholders for the greater good of Wairoa.

Objectives for the next three years

Nurturing stakeholder relationships that add value

What would success look like?

Retention of good clients

Deliver on promises from the first contact right through to the completion of service delivery

Continued community engagement

Enduring productive strategic partnerships

How do we measure progress?

Gain a real-world view on how QRS is viewed and the things it could do or focus on to enhance its stakeholder relationships via interviews and surveys.

All Performance Assessment Contract Evaluation (PACE) report results for projects over \$500,000 are completed and received.

The community is supported within QRS's sponsorship requirements

The Collaboration Policy requirements are met

Active engagement at the governance, chief executive and leadership team levels via the monthly relationship health check



4. Health and safety

Health, safety, and wellness is embedded into QRS company culture and we operate with a zero-harm approach to health and safety and legislative compliance.

Objectives for the next three years

QRS operates with a culture that strives for zero harm in accordance with industry best practice

Enhance employee understanding and comprehension of risks, hazards and responsibilities

Effective reporting systems

Employee participation in all health and safety matters that has the potential to affect them in their work

Compliance with relevant legislation and company standards

What would success look like?

Zero harm ratios trend down

Everyone gets home safe and sound

Procedures and processes comply with the company compliance management system and the health and safety plans

How do we measure progress?

Subcontractor management inspections ensure the production of quality deliverables that meet or exceed QRS's requirements

The lost time injury frequency rate is zero

The medically treated injury frequency rate is zero

The total recordable injury frequency rate is zero

Regular audits of the health and safety plan and the company compliance management system

Measurement of repeat non-compliance of health and safety systems

Timely reporting of incidents

Employees are 100 percent drug and alcohol free while at work

No Worksafe New Zealand notices or prosecutions



5. Quality

Quality is what QRS is known for.

Objectives for the next three years

Delivering in full, on time, and in specification.

What would success look like?

Maintaining a working living company compliance management system

Adherence to the company compliance management system

Continuous system improvements

How do we measure progress?

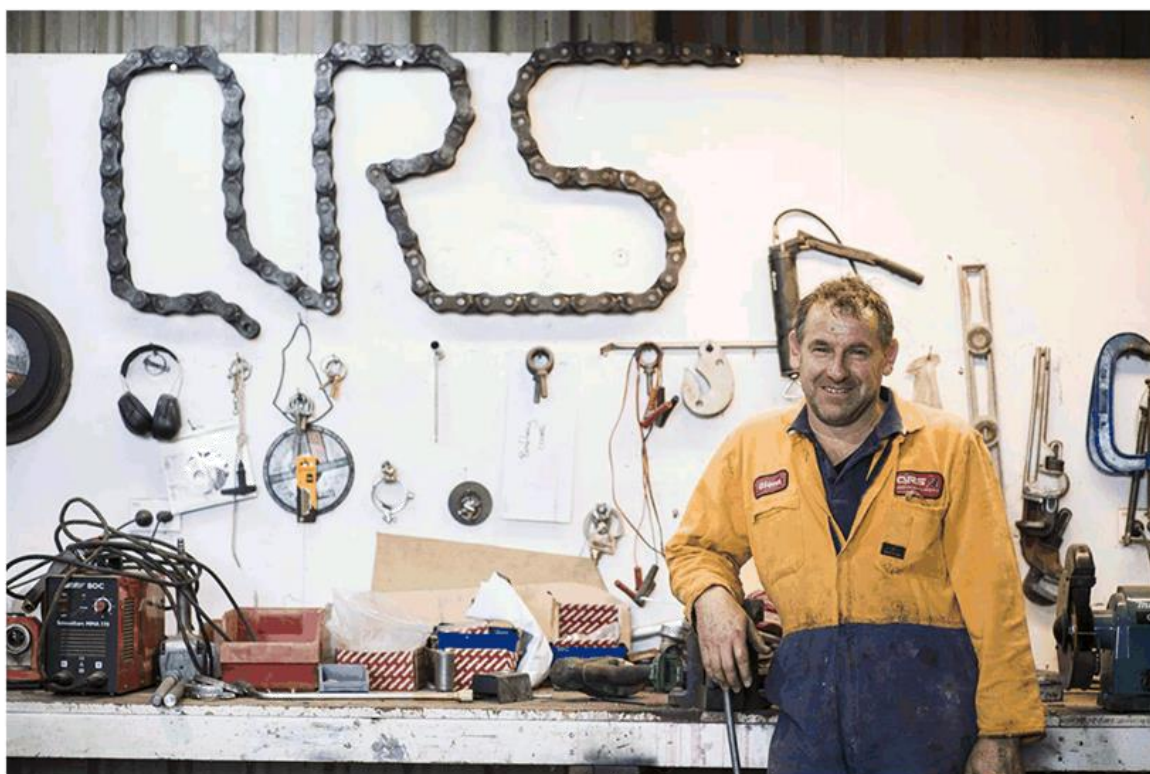
Audits of the company compliance management system to ensure adherence or improvements

Non-compliances are identified and corrective actions are then put in place and reported

Non-compliances are not repeated

Retention of industry standards organisation accreditations

Annual reviews and updates of the company compliance management system



4. Governance

The role of the board is to effectively represent WDC and not to act contrary to the interests of WDC whilst adding long term value to the company.

The board will regularly review and monitor the management of the company by:

Determining purpose and direction: establishing objectives which are appropriate to the environment and circumstances.

Developing an effective governance culture: Ensuring the company's objectives are understood and endorsed by management; consider policies that will strengthen the company's performance; and engage effectively with the chief executive and leadership team

Holding to account: satisfying itself that the company is achieving its objectives; agreeing with management a set of financial and non-financial key performance indicators relevant to the agreed objectives.

The board will hold quarterly governance meetings with WDC. Day-to-day management of the company will be delegated to the chief executive.

5. Ratio of shareholder funds to total assets

To provide the company with the capacity to grow whilst maintaining an efficient capital structure that minimizes risk, QRS will target the ratio of shareholder funds to total assets for each year at not less than 45%.

The shareholder funds and total assets are defined as disclosed in the audited statement of financial position as at 30 June.

6. Accounting policies

The company's accounting policies comply with the requirements of the Financial Reporting Act 1993 and are consistent with generally accepted accounting principles.

Details of the accounting policies and their application are contained in Appendix 2.

7. Performance targets

The following performance targets are the measures by which the company's performance will be judged:

	2019/20	2020/2021	2021/2022
Target revenue	\$16,000,000	\$17,000,000	\$18,000,000
Net profit after-tax (4%)	\$640,000	\$680,000	\$720,000
Dividend forecast	\$100,000	\$100,000	\$100,000
Ratio of Shareholders funds	>45%	>45%	>45%

7.1 The company will deliberate implementing a remuneration policy for employees.

8. Reports to the shareholder

8.1 General

The company will disclose information on its operations as is necessary to enable the shareholder to make an informed assessment of the performance of the company.

8.2 Draft Statement of Corporate Intent

The board will deliver to the shareholder a draft Statement of Corporate Intent on or before 1 March each year.

8.3 Completed Statement of Corporate Intent

The Board will:

(a) consider any comments on the draft Statement of Corporate Intent that are made to it within two months of March by the shareholder; and

(b) deliver the completed Statement of Corporate Intent to the shareholder on or before 30 June each year.

8.4 Half year report

The Board will, by 28 February each year, deliver to the shareholder unaudited financial statements consisting of:

- Statement of financial position
- Statement of financial performance
- Cash flow statement for the six months to 31 December, together with statements of explanation and accounting policies upon which the financial statements are based.
- A written report on operations of the company during the period, and the amount of any interim dividend recommended, and the outlook for the next six months including any significant changes to previous forecasts or reports.

The company will make a formal presentation of the report at a meeting called by the shareholder. This meeting will be a formally constituted meeting of WDC called in terms of the Local Government Act 2002.

8.5 Annual Report

The Company will make available to the Shareholder and the public, audited financial statements in accordance with Section 67 of the Local Government Act 2002 within three months after the end of each financial year, being 30 September.

The annual general meeting of the company will be held no later than 21 days after the delivery of the annual report to the shareholder.

The company will make a formal presentation of the report to a meeting called by the shareholder. This meeting will be a formally constituted meeting of WDC called in terms of the Local Government Act 2002.

9. Consent for shareholding

Notwithstanding anything else contained in the constitution or the act, the board may not subscribe for, purchase, or otherwise acquire shares in any other company or other person without the prior written approval of the shareholder.

10. Estimate of commercial value of the shareholder's investments

The board will make an estimate of the commercial value of the company each year. An independent valuation will be performed once every three years. The shareholder will be advised of the value of their investment accordingly.

11. Profit distribution policy

Dividend Payments

The company will pay the shareholder a minimum annual dividend of \$100,000 of the audited tax paid profit. This includes an interim dividend of \$50,000 after the six-monthly result, subject to the company passing the solvency test and board signing a solvency certificate.

In arriving at a recommendation in respect to a dividend the board will have regard to the company's:

- vision and objectives.
- financial performance for the past financial year taking regard for the future commercial environment.
- ability to meet financial commitments.
- investment proposals and profitability thereof
- ability to secure suitable financial arrangements
- requirements to reinvest in renewal of assets
- shareholder expectations with respect to overall performance of the company's commercial outcomes.

The Board may recommend the payment of dividends in addition to those contained within this statement of corporate intent.

12. Treasury policy

Corporate Objectives

Ensure the company is able to meet its future commitments as they fall due in both the short and long term through active treasury risk management. QRS will:

1. Reduce company cost of borrowing through effective control and management of its interest rate risk, and manage the company's exposure to interest rate risk within acceptable levels.
2. Manage funding risk by the selection of the best available methods for long term financing requirements.
3. Manage the company's return on funds invested through the effective control and management of its interest risk and maintain company exposure to interest risk within acceptable levels.
3. Maintain adequate internal controls to ensure that funds are invested and borrowed in accordance with company policy.
4. Know that company assets can be given as security. The use of long-term funds will be restricted to development and establishment of capital assets and the repayment of equity.

13. Investment policy

The directors acknowledge that QRS, as a Council Controlled Trading Organisation, differs from a private sector company in that the shareholding investment by WDC is on behalf of all its ratepayers.

Furthermore, as those ratepayers do not have any direct involvement with how that investment is determined, the directors owe a special duty of care to how that investment is managed.

As an overall investment policy and having regard to the special duty of care referred to, the company will endeavour to maximise the return on investments whilst acting within legislative parameters, maintaining investment risk within acceptable limits, and ensuring the company's funds are properly safeguarded.

In addition, the company will supply WDC with all business cases for investments above \$500,000 for review prior to committing to the investment.

Appendix 1 Collaboration policy

Quality Rooding and Services (QRS) has embraced working collaboratively as a key pillar for achieving its vision of professional and growing; and sustaining a profitable and locally valuable business on a foundation of safety and quality.

QRS believes that working collaboratively will also maximise employee satisfaction, minimise conflict and produce sustainable outcomes for the business and our clients.

To achieve these goals QRS will endeavour to develop, maintain and monitor a culture of collaboration, both internally and externally with clients and stakeholders, based on:

- building trust with each other
- looking forward, not back
- providing timely responses
- having open, honest and frank communication
- being respectful of each other
- no surprises approach
- being positive and constructive

QRS will support the ideal of continuous improvement in working collaboratively.

Nigel Pollack

Chief executive officer

April 2018

Appendix 2 Accounting policies

The company's accounting policies comply with the requirements of the Financial Reporting Act 1993 and are consistent with generally accepted accounting principles.

The general accounting principles recognised as appropriate for the measurement and reporting of results and financial position on a historical cost basis have been followed.

The following particular accounting policies which materially affect the measurement of results and financial position have been applied.

1. Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured. Specifically, revenue on contracts is recognised progressively over the period of each contract.

The amount included in the statement of comprehensive income, and the value of the contract work in progress, are established by assessment of individual contracts taking into account the proportion of work completed, cost analysis and estimated final results.

Where the contract outcome cannot be reliably measured, revenue is recognised only to the extent of the expenses recognised which are recoverable.

2. Expenses

Expenses shown in the statement of comprehensive income comprise the amounts paid and payable by the company for completed contracts for the supply from suppliers of goods and services in the ordinary course of business.

Borrowing costs are recognised as an expense when incurred.

3. Goods and services tax

The financial statements have been prepared exclusive of goods and services tax (GST) with the exception of receivables and payables which are stated with GST included. Where GST is irrecoverable as an input tax, it is recognised as part of the related asset or expense.

4. Employee benefits

Provision is made in respect of the Company's liability for annual leave, sick leave, long service leave and retirement gratuities.

The provision for sick leave is based on the additional amount that the company expects to pay as a result of the unused entitlement that has accumulated at balance date.

The provision for gratuities is based on the number of weeks the employee will be paid at retirement, the expected pay rate along with the probability of the employee still being employed by

QRS at retirement age.

The provision for long service leave is the amount of future benefit that employees have earned in return for their service in the current and prior periods.

Expected future payments for gratuities and long service leave are discounted using market yields at the reporting date.

Defined contribution pension plan obligations are recognised as an expense in the statement of comprehensive income as incurred.

5. Differential reporting

QRS qualifies for differential reporting under New Zealand International Financial Reporting Standards (NZ IFRS) as it is not publicly accountable and not large.

All available differential reporting exemptions under the framework for differential reporting for entities applying NZ IFRS to reporting regime have been applied, except for NZ IAS 7 statement of cash flows and NZ IAS 12 income taxes.

6. Provisions

Provisions are recognised when the company has a present obligation (legal or constructive) as a result of a past result. It is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Where discounting is used, the increase in the provision due to the passage of time is recognised as a financing cost.

7. Taxation

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities based on the current period's taxable income.

The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except when the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in

a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised.

This is the case except when the deferred income tax asset relating to the deductible temporary difference arisen from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in profit or loss.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

8. Accounts receivable

Accounts receivable are recognised and carried at original invoice amount less an allowance for any uncollectable amounts.

An estimate for doubtful debts is made when collection of the amount is no longer probable. Bad debts are written off when identified.

9. Cash and cash equivalents

Cash and short-term deposits in the statement of financial position comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less.

10. Inventories

Inventories are valued on the basis of the lower of cost, determined on a first-in, first-out basis, and net realisable value.

11. Property, plant and equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation and any accumulated impairment losses. Such cost includes the cost of replacing parts that are eligible for capitalisation when the cost of replacing the parts is incurred.

Similarly, when each major inspection is performed, its cost is recognised in the carrying amount of the property, plant and equipment as a replacement only if it is eligible for capitalisation. All other repairs and maintenance are recognised in profit or loss as incurred.

There are six classes of property, plant and equipment:

- Freehold land
- Quarries
- Freehold buildings
- Plant, equipment and vehicles
- Office equipment and furniture
- Computer hardware

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

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.

If any such indication exists where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount.

The recoverable amount of property, plant and equipment is the greater of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash generating unit.

Impairment losses are recognised in the statement of comprehensive Income in other operating expenses.

12. Depreciation

Depreciation is provided on a straight-line basis on freehold buildings and quarries. Freehold land is not depreciated.

Plant, equipment and motor vehicles, office equipment and furniture, and computer hardware are depreciated at rates calculated to allocate the assets cost less estimated residual value over their estimated useful lives. The rates for major classes of assets have been estimated as follows:

Quarries	3.3% Straight Line
Freehold Buildings	3.3% Straight Line
Plant, Equipment & Motor Vehicles	20% Diminishing Value
Office Equipment and Furniture	20% Diminishing Value
Computer Hardware	48% Diminishing Value

Depreciation is calculated on a monthly basis from the date of acquisition.

13. Intangible assets

Intangible assets acquired separately are capitalised at cost. Following initial recognition, the cost model is applied to all classes of intangible assets.

The useful lives of all intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful life and tested for impairment whenever there is an indication that the intangible asset may be impaired.

The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for prospectively by changing the amortisation period or method, as appropriate, which is a change in accounting estimate.

The amortisation expense on intangible assets with finite lives is recognised in profit or loss in the expense category consistent with the function of the intangible asset.

Gains or losses from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of comprehensive income when the asset is derecognised.

The amortisation of the software class of intangible assets is estimated at 20%-48% diminishing value, depending on the nature of the software.

14. Statement of cash flows

Operating activities include cash received from all income sources of the company and records the cash payments made for the supply of goods and services.

Investing activities are those activities relating to the acquisition and disposal of non-current assets.

Financing activities comprise the change in equity and debt capital structure of the company.

15. Interest-bearing loans and borrowings

All loans and borrowings are initially recognised at cost, being the fair value of the consideration received net of issue costs associated with the borrowing.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any issue costs, and any discount or premium on settlement.

Gains and losses are recognised in the statement of comprehensive income when the liabilities are derecognised and as well as through the amortisation process.

16. Trade and other payables

Trade payables and other payables are carried at amortised cost. They represent liabilities for goods and services provided to the end of the financial year that are unpaid and arise when QRS becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30 days of recognition.

17. Financial instruments

Financial instruments are recognised in the balance sheet when the group becomes party to a financial contract. They include cash balances, bank overdrafts, receivables, payables and term borrowings. All revenues and expenses in relation to the financial instruments are recognised in the statement of comprehensive income.

18. Leases

Operating lease payments, where the lessors effectively retain substantially all the risks and benefits of ownership of the leased items, are included in the determination of the operating surplus in equal instalments over the lease term.

19. Significant accounting judgements, estimates and assumptions – quarry aftercare

A provision has been made for the present value of anticipated costs of future restoration of quarry sites. The provision includes future cost estimates associated with quarry aftercare.

The calculation of this provision requires assumptions such as application of environmental legislation and life of metal extraction from each quarry site. These uncertainties may result in future actual expenditure differing from the amounts currently provided.

The provision recognised for each site is periodically reviewed and updated based on the facts and circumstances available at the time. Changes to the estimated future costs for sites are recognised in the statement of financial position by adjusting both the expense or asset (if applicable) and provision.

20. New accounting standards and interpretations

The accounting policies adopted are consistent with those in the previous financial year. The company has elected not to early adopt any new standards or interpretations, which have been issued but are not yet effective, including the improvements to NZ IFRSs effective 1 July 2011 or 1 January 2012. There are no new or revised standards that had a material impact on the financial statements.



Six-monthly report for the period ended 31 December 2019





QUALITY ROADING AND SERVICES (WAIROA) LIMITED

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QUALITY ROADING AND SERVICES (WAIROA) LIMITED**DIRECTORY****Directors**

Guy Gaddum (Chairman)
Tony Gray
David Proctor
Fenton Wilson (Appointed 01/08/2019)

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Wairoa

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P O Box 83
Wairoa

Phone: (06) 838 9030
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Auditor

Stuart Mutch of Ernst & Young on behalf of the Office of the Auditor General

Bankers

Westpac
Wairoa

Solicitors

Mr Ian McDonald
Wairoa

Chairman's Six Month Report 2019

For the six-month period to December 2019

The QRS Directors declare a pre-tax profit of \$351,173. (2018: \$419,733).

The Company has reported revenue to 31 December 2019 of \$12,848,000 incurring expenses of \$12,497,000.

	31/12/17	31/12/18	31/12/19
REVENUE	7,300,000	9,047,000	12,848,000
EXPENSES	7,074,000	8,627,000	12,497,000
SURPLUS/(DEFICIT)	226,000	420,000	351,000

Report on Operations for the 6 months to December 31st 2019.

Financial Performance and Position

QRS has had a strong first 6 months of its 2020 financial year as shown above. Revenue at \$12.8 million is a new company record and has been driven in the main through central government funding in regional road safety initiatives and improvements. This result goes a long way to achieving our primary financial goal of *Strengthening and Improving the Resilience of the Company*.

This result includes a \$150,000 provision for impairment of an asset. Underlying profit from operations is strong.

As a result of this, the Directors have resolved to pay an interim dividend of \$50,000 (2018: \$50,000) for the six-month period.

People and Performance

QRSSs' people continue to improve and excel. Our strategic objective is *Enhancing Committed People to Increase Internal and External Capabilities*. To this end the company has conducted staff surveys to benchmark such things as attitudes to Health and Safety, general feelings of wellbeing and job satisfaction. Investment in the Human capital at QRS remains an ongoing strategic imperative and this is a lead indicator of the company's performance across all other areas of strategic measurement. Current staff levels are 94 (2018: 106), with 90% on full time permanent contracts and wages of \$3 million for the 6 month period to 31 December 2019. All employees live locally in Wairoa and its surrounds.

Stakeholder Relationships

Our strategic achievement in this area is measured by *Delivery on Promises, Community Engagement, Productive Strategic Partnerships, Healthy Open Shareholder relationship*. We continue to enjoy a good open relationship with our 100% shareholder Wairoa District Council. This relationship is centered around quarterly liaison with a representative committee of 2 elected councilors, and a collaborative approach to the development of the companies Statement of Corporate Intent. QRS continues to be active in the local community with approximately \$17,000 allocated to various community groups in the Wairoa area for the 6 months to December 2019. Our focus for sponsorship continues to be around local community groups and youth.

Health and Safety

Zero Harm, Legislative Compliance, Health and Safety and personal wellness are embedded in the Companies Culture. The company has like many others, a Zero harm target, this means Zero harm to people, plant, the environment, whether it belongs to QRS or other stakeholders. While being an audacious goal, we continue to see gains in the right direction with all indicators around harm, damage, incidents etc., trending towards the Zero benchmark. Near hit and incident reporting continues to increase not due to

more incidents but due to a maturation in company culture where incidents are learning opportunities for the company and its staff.

Quality

QRSs' quality focus is summed up in one word-*Reputation*. We believe that by delivery in full, on time, and in specification, we will satisfy our quality goals and build a company reputation for doing what it says it will. Recent NZTA contracts have exposed the company to a new level of reporting and compliance and I commend staff and management on their ongoing high level of achievement in this area-even when things have not gone according to plan.

Forecast for the remaining Financial Year

There is a lot of uncertainty in the global economy at present due to fully unrealized threats around such things as the Chinese COVID-19 (Corona Virus), Brexit, Climate change, American politics etc. If anything, these issues are making Governments and communities more defensive and less bullish in their outlook for the 2020 year.

Recent announcements by the NZ Labour Government regarding increases in roading spending are being treated with caution by QRS management and the board as we await firming up on where in NZ this money is going to be spent.

Locally there is still development of infrastructure happening funded by both private and public entities and QRS continues to actively seek out these opportunities.

Based on current information the board and management of QRS are expecting a decline in company profitability as we head into the second half of our financial year. Despite this we are confident of meeting all other company milestones as stated in our Statement of Corporate Intent for the 2019-2020 year.

The directors and management of QRS are fully cognizant that in uncertain times there is no better risk management tool than having a financially strong business.

The Directors thank CEO Nigel Pollock and the QRS team for their dedication to the company and our clients.

Finally, I thank my fellow directors on the board of QRS, Tony Gray, David Proctor, and Fenton Wilson.



Guy Gaddum
Chairman
Quality Roothing and Services (Wairoa) Limited
17 February 2020

QUALITY ROADING AND SERVICES (WAIROA) LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 31 DECEMBER 2019



	Notes	6 mths to 31/12/2019	6 mths to 31/12/2018	12 mths to 30/06/2019
Revenue		12,848,375	9,046,649	24,283,632
Cost of Sales		8,019,666	3,808,116	13,020,058
Gross Profit		4,828,709	5,238,533	11,263,574
Personnel Expenses	2	3,242,243	3,572,233	6,991,410
Depreciation Expense	13	512,351	535,996	1,075,478
Administrative Expenses		487,004	562,792	1,097,042
Other Operating Expenses	1	202,954	83,941	408,112
		4,444,552	4,754,962	9,572,042
Operating Profit Before Financing Costs		384,157	483,571	1,691,532
Financing Income		2,878	375	815
Financing Expenses		(35,862)	(64,213)	(118,804)
Net Financing Costs		(32,984)	(63,838)	(117,989)
Profit/(Loss) Before Tax		351,173	419,733	1,573,543
Income Tax Expense	9	(98,328)	(117,525)	(443,924)
Profit/(Loss) For The Period		252,845	302,208	1,129,619
Other Comprehensive Income		-	-	-
Total Comprehensive Income/(Loss) for the Period		252,845	302,208	1,129,619

The accompanying accounting policies and notes form part of these financial statements.

QUALITY ROADING AND SERVICES (WAIROA) LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 31 DECEMBER 2019



	Notes	6 mnths to 31/12/2019	6 mnths to 31/12/2018	12 mnths to 30/06/2019
EQUITY AT BEGINNING OF THE YEAR		6,961,660	5,942,042	5,942,041
Profit for the period		252,845	302,208	1,129,619
Total recognised revenues and expenses for the period		252,845	302,208	1,129,619
Other comprehensive income		-	-	-
Total comprehensive income for the period		-	-	-
Transactions with owners in their capacity as owners:		-	-	-
Dividends Paid	10	(300,000)	(60,000)	(110,000)
EQUITY AT THE END OF THE PERIOD		6,914,505	6,184,250	6,961,660

The accompanying accounting policies and notes form part of these financial statements.

QUALITY ROADING AND SERVICES (WAIROA) LIMITED
STATEMENT OF FINANCIAL POSITION
FOR THE SIX MONTHS ENDED 31 DECEMBER 2019



	Notes	6 mths to 31/12/2019	6 mths to 31/12/2018	12 mths to 30/06/2019
ASSETS:				
Current Assets				
Bank		2,379,120	1,325,521	1,898,147
Trade and Other Receivables	5	2,927,513	2,676,948	4,487,239
Inventories	4	858,361	945,383	789,162
Contract Assets		325,122	-	71,008
Total Current Assets		6,490,116	4,947,852	7,245,556
Non Current Assets				
Deferred Tax		506,204	351,014	506,203
Intangible Assets	12	112,277	186,902	125,390
Property, Plant and Equipment	13	5,562,594	5,455,545	4,895,042
Total Non Current Assets		6,181,075	5,993,461	5,526,635
TOTAL ASSETS		12,671,191	10,941,313	12,772,191
EQUITY:				
Share Capital	10	1,250,000	1,250,000	1,250,000
Retained Earnings	10	5,664,505	4,632,042	5,711,660
TOTAL EQUITY		6,914,505	5,882,042	6,961,660
LIABILITIES:				
Current Liabilities				
Income in Advance		75,990	250,290	
GST Payable		214,963	283,916	401,512
Trade and Other Payables	6	2,267,956	1,327,193	249,078
Employee Benefits	8	609,472	645,056	714,110
Interest-Bearing Loans and Borrowings	7	576,141	709,060	463,382
Taxation Payable		57,422	52,577	464,036
Contract Liabilities		365,750		233,501
Total Current Liabilities		4,167,693	3,268,092	4,773,619
Non Current Liabilities				
Employee Benefits	8	33,424	55,239	34,973
Quarry Aftercare Provision	14	166,287	159,347	162,930
Interest-Bearing Loans and Borrowings	7	1,389,282	1,274,385	839,009
Total Non Current Liabilities		1,588,993	1,488,971	1,036,912
TOTAL LIABILITIES		5,756,686	4,757,063	5,810,531
TOTAL EQUITY AND LIABILITIES		12,671,191	10,639,105	12,772,191

For and on behalf of the Board, who authorised the issue of these financial statements on 17 February 2020

Director

Director

The accompanying accounting policies and notes form part of these financial statements.

QUALITY ROADING AND SERVICES (WAIROA) LIMITED
STATEMENT OF CASH FLOW
FOR THE SIX MONTHS ENDED 31 DECEMBER 2019



	Notes	6 mnts to 31/12/2019	6 mnts to 31/12/2018	12 mnts to 30/06/2019
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash was provided from:				
Receipts from Customers		14,153,988	8,704,558	22,060,242
Financing Income		2,878	374	815
		<u>14,156,866</u>	<u>8,704,932</u>	<u>22,061,057</u>
Cash was disbursed to:				
Payments to Suppliers		9,273,848	4,665,821	13,197,915
Payments to Employees		3,039,502	3,379,279	6,701,240
Taxes Paid		504,943	89,218	159,347
Financing Expense		35,862	64,213	118,804
		<u>12,854,155</u>	<u>8,198,531</u>	<u>20,177,306</u>
Net Cash Inflow/(Outflow) from Operating Activities	15	<u>1,302,711</u>	<u>506,401</u>	<u>1,883,751</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Cash was provided from:				
Proceeds from Sale of Property, Plant and Equipment		23,748	446,381	518,387
		<u>23,748</u>	<u>446,381</u>	<u>518,387</u>
Cash was applied to:				
Purchase of Property, Plant and Equipment		1,208,518	1,308,610	1,454,286
Purchase of Intangibles		-	7,830	7,830
		<u>1,208,518</u>	<u>1,316,440</u>	<u>1,462,116</u>
Net cash Inflow/(Outflow) from Investing Activities		<u>(1,184,770)</u>	<u>(870,059)</u>	<u>(943,729)</u>
CASH FLOWS FROM FINANCING ACTIVITIES				
Cash was provided from:				
Loans and Borrowings		1,480,727	513,700	513,700
		<u>1,480,727</u>	<u>513,700</u>	<u>513,700</u>
Cash was applied to:				
Payment of Dividends		300,000	60,000	110,000
Loans and Borrowings		817,695	481,007	1,162,061
		<u>1,117,695</u>	<u>541,007</u>	<u>1,272,061</u>
Net Cash Inflow/(Outflow) from Financing Activities		<u>363,032</u>	<u>(27,307)</u>	<u>(758,361)</u>
Net Increase / (Decrease) in Cash Held		<u>480,973</u>	<u>(390,965)</u>	<u>181,661</u>
Add Opening Cash and Cash Equivalents		1,898,147	1,716,486	1,716,486
Closing Cash and Cash Equivalents		<u>2,379,120</u>	<u>1,325,521</u>	<u>1,898,147</u>
Cash Balances in the Statement of Financial Position				
Cash / (Overdraft)		2,379,120	1,325,521	1,898,147
CLOSING CASH AND CASH EQUIVALENTS		<u>2,379,120</u>	<u>1,325,521</u>	<u>1,898,147</u>

The accompanying accounting policies and notes form part of these financial statements.

QUALITY ROADING AND SERVICES (WAIROA) LIMITED
STATEMENT OF ACCOUNTING POLICIES
FOR THE SIX MONTHS ENDED 31 DECEMBER 2019



Reporting Entity

Quality Roding and Services (Wairoa) Limited ("QRS") is incorporated and domiciled in NZ and is wholly owned by the Wairoa District Council. The Company is a Council Controlled Trading Organisation as defined in Section 6 of the Local Government Act 2002.

The principal activities for the company are Roding Maintenance and Construction, Reserves Maintenance, Quarrying, Heavy Transport, Civil Construction, Lime Production and Utility Services within the Wairoa District and wider East Coast Region.

Basis of preparation

The financial statements have been prepared in accordance with generally accepted accounting practice in New Zealand (NZ GAAP) and the requirements of the Companies Act 1993, Financial Reporting Act 2013 and the Local Government Act 2002. The financial statements have also been prepared on a historical cost basis except where specifically provided for within these financial statements. The financial statements are presented in New Zealand dollars.

Statement of compliance

The financial statements have been prepared in accordance with generally accepted accounting practice in New Zealand (NZ GAAP). They comply with New Zealand equivalents to IFRSs and other applicable Financial Reporting Standards, as appropriate for profit-oriented entities in Tier 2 (NZ IFRS RDR).

The company is eligible to report in accordance with Tier 2 for profit accounting standards on the basis that it does not have public accountability and is not a large for profit public sector entity.

Changes in Accounting Policies

NZ IFRS 15 supercedes NZ IAS 11 *Construction Contracts*, NZ IAS 18 *Revenue* and related interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. NZ IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

NZ IFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.

The Company adopted NZ IFRS 15 using the full retrospective method of adoption. There has been no impact of the transition on the current period other than the re-classification to use the terms contract assets and contract liabilities.

The adoption of NZ IFRS 9 Financial Instruments replaces NZ IAS 39 Financial Instrument: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The adoption of NZ IFRS 9 has fundamentally changed the Company's accounting for impairment losses for financial assets by replacing NZ IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. NZ IFRS 9 requires the Company to recognise an allowance for ECLs for all debt instruments not held at a fair value through profit or loss and contract assets.

QUALITY ROADING AND SERVICES (WAIROA) LIMITED
STATEMENT OF ACCOUNTING POLICIES (CONTINUED)
FOR THE SIX MONTHS ENDED 31 DECEMBER 2019



Accounting Policies

The following particular accounting policies which materially affect the measurement of results and financial position have been applied.

a1) Revenue Recognition

QRS is in the business of providing road maintenance and construction and sale of aggregate. Revenue from contracts with customers is recognised when control of the physical work completed on the clients asset or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. The Company has generally concluded that it is the principal in its revenue arrangements, because it typically controls the goods or services before transferring them to the customer.

a2) Sale of Aggregate

Revenue from sale of aggregate is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the aggregate. The normal credit term is 30 to 60 days upon delivery.

a3) Variable consideration

QRS does not enter into variable consideration arrangements nor provide any volume rebates. In addition there are no financing components or warranty obligations beyond normal retentions held by the customer for road construction projects.

b) Borrowing costs

Borrowing costs are recognised as an expense when incurred.

c) Goods and Services Tax

The Financial Statements have been prepared exclusive of goods and services tax (GST) with the exception of receivables and payables which are stated with GST included. Where GST is irrecoverable as an input tax, it is recognised as part of the related asset or expense.

d) Employee Benefits

Provision is made in respect of the Company's liability for annual leave, sick leave, long service leave and retirement gratuities.

The provision for sick leave is based on the additional amount that the company expects to pay as a result of the unused entitlement that has accumulated at balance date.

The provision for gratuities is based on the number of weeks the employee will be paid at retirement, the expected pay rate along with the probability of the employee still being employed by QRS at retirement age.

The provision for long service leave is the amount of future benefit that employees have earned in return for their service in the current and prior periods.

Expected future payments for gratuities and long service leave are discounted using market yields at the reporting date.

Defined Contribution Pension Plan obligations are recognised as an expense in the Statement of Comprehensive Income as incurred.

e) Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

QUALITY ROADING AND SERVICES (WAIROA) LIMITED
STATEMENT OF ACCOUNTING POLICIES (CONTINUED)
FOR THE SIX MONTHS ENDED 31 DECEMBER 2019



Where material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

While discounting is used, the increase in the provision due to the passage of time is recognised as a financing cost.

f) Taxation

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities based on the current period's taxable income. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except when the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in profit or loss.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

g) Accounts Receivable

Accounts receivable are recognised initially at fair value and subsequently at amortised cost less an allowance for any uncollectable amounts. The Company assesses impairment losses by estimating the expected credit loss that may exist within its portfolio of accounts receivable based on its historical experience of credit loss arising from accounts receivable.

h) Cash and Cash Equivalents

Cash and short-term deposits in the Statement of Financial Position comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less.

i) Inventories

Inventories are valued on the basis of the lower of cost, determined on a first-in, first-out basis, and net realisable value.

QUALITY ROADING AND SERVICES (WAIROA) LIMITED
STATEMENT OF ACCOUNTING POLICIES (CONTINUED)
FOR THE SIX MONTHS ENDED 31 DECEMBER 2018



j) **Property, Plant and Equipment**

Property, Plant and Equipment is stated at historical cost less accumulated depreciation and any accumulated impairment losses. Such cost includes the cost of replacing parts that are eligible for capitalisation when the cost of replacing the parts is incurred. Similarly, when each major inspection is performed, its cost is recognised in the carrying amount of the property plant and equipment as a replacement only if it is eligible for capitalisation. All other repairs and maintenance are recognised in profit or loss as incurred. There are six classes of Property, Plant and Equipment:

- a.) Freehold Land
- b.) Quarries
- c.) Freehold Buildings
- d.) Plant, Equipment and Motor Vehicles
- e.) Office Equipment and Furniture
- f.) Computer Hardware

The quarry asset class includes all development costs in relation to the Tangihanga Joint arrangement, accounted for by QRS in accordance with accounting policy (s).

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

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.

Impairment losses are recognised in the Income Statement in administration expenses.

k) **Depreciation**

Depreciation is calculated to allocate the cost less estimated residual value of property, plant and equipment over their estimated useful lives.

Depreciation is provided on a straight line basis on Freehold Buildings and Quarries. Freehold Land is not depreciated.

Plant, Equipment and Motor Vehicles, Office Equipment and Furniture, and Computer Hardware are depreciated using the diminishing value method

The rates for major classes of assets have been estimated as follows:

a.) Quarries	(3.3 % Straight Line)
b.) Freehold Buildings	(3.3 % Straight Line)
c.) Plant, Equipment & Motor Vehicles	(20 % Diminishing Value)
d.) Office Equipment and Furniture	(20 % Diminishing Value)
e.) Computer Hardware	(48 % Diminishing Value)

Depreciation is calculated on a monthly basis from the date of acquisition. The assets useful lives, residual values and depreciation method are reviewed at least every financial year.

l) **Intangible Assets**

Intangible assets acquired separately are capitalised at cost. Following initial recognition, the cost model is applied to all classes of intangible assets.

QUALITY ROADING AND SERVICES (WAIROA) LIMITED
STATEMENT OF ACCOUNTING POLICIES (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2019



The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful life and tested for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for prospectively by changing the amortisation period or method, as appropriate, which is a change in accounting estimate. The amortisation expense on intangible assets with finite lives is recognised in profit or loss in the expense category consistent with the function of the intangible asset.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the income statement when the asset is derecognised. The amortisation of the software class of intangible assets has been estimated at 20%-48% diminishing value, depending on the nature of the software.

m) Statement of Cash Flows

Operating activities include cash received from all income sources of the Company and records the cash payments made for the supply of goods and services.

Investing activities are those activities relating to the acquisition and disposal of non-current assets.

Financing activities comprise the change in equity and debt capital structure of the Company.

n) Interest-Bearing Loans and Borrowings

All loans and borrowings are initially recognised at fair value net of issue costs associated with the borrowing.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any issue costs, and any discount or premium on settlement.

Gains and losses are recognised in the income statement when the liabilities are derecognised and as well as through the amortisation process.

o) Trade and Other Payables

Trade payables and other payables are carried at amortised cost. They represent liabilities for goods and services provided to the end of the financial year that are unpaid and arise when QRS becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30 days of recognition.

p) Leases

Operating lease payments, where the lessors effectively retain substantially all the risks and benefits of ownership of the leased items, are included in the determination of the operating surplus in equal instalments over the lease term.

q) Joint Arrangements

QRS have a joint arrangement with Wi Pere Trust at the Tangihanga Quarry. A joint arrangement is an arrangement over which two parties or more have joint control. Joint control is the contractually agreed sharing of control over an arrangement which exists only when the decisions about the relevant activities (being those that significantly affect the returns of the arrangement) require the unanimous consent of the parties sharing control. QRS's joint arrangement is a joint operation.

A joint operation is a type of joint arrangement in which the parties with joint control of the arrangement have the rights to the assets and obligations for the liabilities relating to the arrangement.

QUALITY ROADING AND SERVICES (WAIROA) LIMITED
STATEMENT OF ACCOUNTING POLICIES (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2019



In relation to its interest in the joint operation, the financial statement for QRS includes:

- Assets, including its share of any assets held jointly
- Liabilities, including its share of any liabilities incurred jointly
- Revenue from the sale of its share of the output arising from the joint operation
- Share of the revenue from the sale of the output by the joint operation
- Expenses, including its share of any expenses incurred jointly

All such amounts are measured in accordance with the terms of each arrangement which are in proportion to QRS's interest in the joint operation.

r) Significant Accounting Judgements, Estimates and Assumptions
Quarry Aftercare Make good provisions

A provision has been made for the present value of anticipated costs of future restoration of quarry sites. The provision includes future cost estimates associated with quarry aftercare. The calculation of this provision requires assumptions such as application of environmental legislation and life of metal extraction from each quarry site. These uncertainties may result in future actual expenditure differing from the amounts currently provided. The provision recognised for each site is periodically reviewed and updated based on the facts and circumstances available at the time. Changes to the estimated future costs for sites are recognised in the statement of financial position by adjusting both the expense or asset (if applicable) and provision.

s) Contract Assets and Contract Liabilities

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the company performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

A trade receivable represents the company's right to an amount of consideration that is unconditional (i.e. only the passage of time is required before payment of the consideration is due)

A contract liability is the obligation to transfer goods or services to a customer for which the company has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the company transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when company performs under the contract.

QUALITY ROADING AND SERVICES (WAIROA) LIMITED
NOTES TO THE FINANCIAL STATEMENTS (Unaudited)
FOR THE SIX MONTHS ENDED 31 DECEMBER 2019



	6 mths to 31/12/2019	6 mths to 31/12/2018	12 mths to 30/06/2019
1 OTHER OPERATING EXPENSES			
Auditors remuneration	34,840	30,633	61,266
Directors fees	61,180	60,930	119,277
Impairment of trade receivables (bad and doubtful debts)	7,915	-	(2,514)
Loss on disposal of property plant and equipment	12,668	15,116	161,468
Gain on disposal of property plant and equipment	(7,800)	(141,382)	(193,046)
Loss on disposal of intangibles	-	-	39,567
Amortisation of intangibles	13,115	21,709	43,678
lease payments - operating lease	79,592	95,203	160,216
- rental costs	1,444	1,732	18,200
	<u>202,954</u>	<u>83,941</u>	<u>408,112</u>
2 PERSONNEL EXPENSES			
Wages and salaries	3,039,502	3,379,279	6,591,384
Liability for long-service leave	(948)	7,033	10,501
Liability for sick leave	114,006	87,118	203,839
Liability for gratuities	1,694	4,409	4,353
Contribution to defined contribution plans	87,990	94,394	181,333
	<u>3,242,243</u>	<u>3,572,233</u>	<u>6,991,410</u>
3 OPERATING LEASES			
Leases as lessee			
Non-cancellable operating lease rentals are payable as follows:			
Not later than one year	75,104	54,104	150,209
Later than one year and not later than five years	193,813	95,819	191,389
	<u>268,917</u>	<u>149,923</u>	<u>341,598</u>
4 INVENTORIES			
Metal Stocks	693,930	577,899	674,776
Other Supplies	98,519	93,969	102,237
Work in Progress	65,911	273,515	12,149
	<u>858,361</u>	<u>945,383</u>	<u>789,162</u>
Some inventories are subject to retention of title clauses. Work in progress is held at cost.			
5 TRADE AND OTHER RECEIVABLES			
Trade Debtors	1,764,693	1,662,843	2,621,033
Wairoa District Council	712,121	811,239	1,593,375
Provision for Doubtful Debts	(7,915)	(3,798)	-
Retentions	326,325	81,987	244,077
Prepayments	132,289	124,677	28,754
	<u>2,927,513</u>	<u>2,676,948</u>	<u>4,487,239</u>
6 TRADE AND OTHER PAYABLES			
Trade Creditors	1,517,675	1,104,259	2,026,316
Other	750,281	222,934	470,762
	<u>2,267,956</u>	<u>1,327,193</u>	<u>2,497,078</u>

QUALITY ROADING AND SERVICES (WAIROA) LIMITED
NOTES TO THE FINANCIAL STATEMENTS (Unaudited)
FOR THE SIX MONTHS ENDED 31 DECEMBER 2019



	6 mths to 31/12/2019	6 mths to 31/12/2018	12 mths to 30/06/2019
7 INTEREST BEARING LOANS AND BORROWINGS			
UDC Term Loan	1,024,939	919,199	505,108
Less Current portion	(320,356)	(377,806)	(182,528)
	<u>704,584</u>	<u>541,394</u>	<u>322,580</u>
Interest Rate	6.20%	6.20%	6.20%
UDC Current Account	-	786,430	696,430
Less Current Portion	-	(180,000)	(180,000)
	<u>-</u>	<u>606,430</u>	<u>516,430</u>
Interest Rate	6.20%	6.20%	6.20%
Porter Finance Limited	80,937	118,914	100,854
Less Current Portion	(80,937)	(37,977)	(100,854)
	<u>-</u>	<u>80,937</u>	<u>-</u>
Interest Rate	11.00%	11.00%	
Westpac Flexequip	859,546	-	-
Less Current portion	(174,848)	-	-
	<u>684,698</u>	<u>-</u>	<u>-</u>
Interest Rate	6.35%		
ANZ Term Loan	-	158,901	-
Less Current portion	-	(113,277)	-
	<u>-</u>	<u>45,624</u>	<u>-</u>
Interest Rate	6.25%	6.25%	
ANZ Term Loan			
Made up of:			
Current	576,141	709,060	463,382
Non-Current	1,389,282	1,274,385	839,010
	<u>1,965,422</u>	<u>1,983,445</u>	<u>1,302,392</u>
8 EMPLOYEE BENEFITS			
Long-service Leave	33,424	34,620	34,972
Annual Leave	339,058	392,211	383,810
Sick Leave	44,034	17,624	29,235
Gratuities	47,677	46,039	45,983
Time In Lieu	62,203	94,395	145,204
Accrued Pay	116,500	115,406	109,879
	<u>642,896</u>	<u>700,295</u>	<u>749,083</u>
Made up of:-			
Current	609,472	645,056	714,110
Non-current	33,424	55,239	34,973
	<u>642,896</u>	<u>700,295</u>	<u>749,083</u>

QUALITY ROADING AND SERVICES (WAIROA) LIMITED
NOTES TO THE FINANCIAL STATEMENTS (Unaudited)
FOR THE SIX MONTHS ENDED 31 DECEMBER 2019



	6 mths to 31/12/2019	6 mths to 31/12/2018	12 mths to 30/06/2019
9 TAXATION			
Profit/(Deficit) before taxation	351,173	419,733	1,573,543
Prima facie taxation 28%	93,828	117,525	440,593
Plus taxation effect of permanent differences:			
- Non deductible expenses	-	-	3,331
	93,828	117,525	443,924
Income tax expense at effective tax rate of 28%			
Major components of taxation expense are:			
Current taxation	-	-	506,826
Deferred taxation			
Origination and reversal of temporary differences	-	-	(62,902)
Recognised tax losses	-	-	-
	-	-	443,924
Imputation Credit Account			
10 EQUITY			
(a) Share Capital			
Opening balance	1,250,000	1,250,000	1,250,000
Closing Balance	1,250,000	1,250,000	1,250,000
At 31 December the company had issued 1,250,000 shares which are fully paid. All shares carry equal voting rights and the right to share in any surplus on winding up the company. None of the shares carry fixed dividend rights. The shares do not have a par value.			
(b) Retained Earnings			
Retained earnings at 1 July	5,711,660	4,692,042	4,692,041
Net operating surplus/deficit	252,845	-	1,129,619
Final Dividend	(300,000)	(60,000)	(50,000)
Interim Dividend	-	-	(60,000)
Retained earnings at 31 December	5,664,505	4,632,042	5,711,660
11 BANK FACILITY			
A bank facility is available at the Westpac Bank, and is secured by a fixed and floating charge over the company's assets. The facility available totals \$500,000 (2018: \$200,000). The current interest rate is 6.40% (2018: 6.95%).			
12 INTANGIBLE ASSETS			
Software			
Balance at 1 July	293,391	668,833	668,833
Additions	-	7,830	7,830
Disposals	-	(109,988)	(383,272)
Balance at 31 December	293,391	566,675	293,391
Amortisation and Impairment Losses			
Balance at 1 July	168,001	468,027	468,027
Amortisation for the year	13,113	21,709	43,679
Disposals	-	(109,963)	(343,705)
Balance at 31 December	181,114	379,773	168,001
Carrying Amounts			
At 1 July	125,390	200,806	200,806
At 31 December	112,277	186,902	125,390

QUALITY ROADING AND SERVICES (WAIROA) LIMITED
NOTES TO THE FINANCIAL STATEMENTS (Unaudited)
FOR THE SIX MONTHS ENDED 31 DECEMBER 2019



13 PROPERTY, PLANT AND EQUIPMENT

6 mths to 31/12/19

Cost	Land	Quarries	Buildings	Plant & Machinery	Fixtures, fittings & equipment	Computer Hardware	Total
Balance at 1 July	29,433	394,280	714,956	13,587,170	637,574	209,816	15,573,229
Additions	-	-	18,249	1,160,214	27,500	2,554	1,208,517
Disposals	-	-	-	(169,344)	-	-	(169,344)
Balance at 31 December	29,433	394,280	733,205	14,578,040	665,074	212,370	16,612,402
Depreciation and Impairment Losses							
Balance at 1 July	-	26,054	388,774	9,759,959	330,013	173,387	10,678,186
Depreciation for the year	-	4,028	20,812	447,152	32,352	8,005	512,349
Disposals	-	-	-	(140,728)	-	-	(140,728)
Balance at 31 December	-	30,082	409,585	10,066,383	362,365	181,392	11,049,808
Carrying Amounts							
At 1 July	29,433	368,226	326,182	3,827,211	307,561	36,429	4,895,042
At 31 December	29,433	364,198	323,619	4,511,657	302,709	30,978	5,562,594

6 mths to 31/12/18

Cost	Land	Quarries	Buildings	Plant & Machinery	Fixtures, fittings & equipment	Computer Hardware	Total
Balance at 1 July	29,433	494,288	620,335	14,187,864	706,462	443,373	16,481,755
Additions	-	83,500	64,130	1,139,385	14,518	7,079	1,308,612
Disposals	-	-	-	(1,368,913)	(48,323)	216,891	(1,634,127)
Balance at 31 December	29,433	577,788	684,465	13,958,336	672,658	233,561	16,156,240
Depreciation and Impairment Losses							
Balance at 1 July	-	22,011	345,777	10,346,627	367,181	397,114	11,478,710
Depreciation for the year	-	3,791	21,066	465,701	34,638	10,801	535,996
Disposals	-	-	-	(1,049,621)	(48,084)	216,306	(1,314,011)
Balance at 31 December	-	25,802	366,843	9,762,707	353,735	191,609	10,700,695
Carrying Amounts							
At 1 July	29,433	472,277	274,558	3,841,237	339,281	46,259	5,003,045
At 31 December	29,433	551,985	317,622	4,195,629	318,923	41,952	5,455,545

12 mths to 30/06/19

Cost	Land	Quarries	Buildings	Plant & Machinery	Fixtures, fittings & equipment	Computer Hardware	Total
Balance at 1 July	29,433	494,288	620,335	14,187,864	706,462	443,373	16,481,755
Additions	-	-	98,022	1,300,515	42,518	13,230	1,454,285
Disposals	-	100,008	3,401	(1,901,209)	(111,406)	(246,787)	(2,362,811)
Balance at 30 June	29,433	394,280	714,956	13,587,170	637,574	209,816	15,573,229
Depreciation and Impairment Losses							
Balance at 1 July	-	22,010	345,777	10,346,627	367,181	397,114	11,478,709
Depreciation for the year	-	10,044	44,272	928,389	70,393	22,380	1,075,478
Disposals	-	6,000	1,275	(1,515,057)	(107,561)	(246,107)	(1,876,001)
Balance at 30 June	-	26,054	388,774	9,759,959	330,013	173,387	10,678,186
Carrying Amounts							
At 1 July	29,433	472,278	274,558	3,841,237	339,281	46,259	5,003,046
At 30 June	29,433	368,226	326,182	3,827,211	307,561	36,429	4,895,042

QUALITY ROADING AND SERVICES (WAIROA) LIMITED
NOTES TO THE FINANCIAL STATEMENTS (Unaudited)
FOR THE SIX MONTHS ENDED 31 DECEMBER 2019



	6 mnths to 31/12/2019	6 mnths to 31/12/2018	12 mnths to 30/06/2019
14 OTHER PROVISIONS			
QUARRY AFTERCARE PROVISION			
Balance at beginning of the year	162,930	155,886	155,886
Provided for during the year	3,357	3,461	7,045
Expenditure during the year	-	-	-
Balance at the end of the year	<u>166,287</u>	<u>159,347</u>	<u>162,930</u>
A provision is recognised for expected Quarry reinstatement costs based on past experience of the level of metal extraction.			
15 RECONCILIATION OF NET OPERATING PROFIT AFTER TAXATION WITH CASH INFLOW FROM OPERATING ACTIVITIES	6 mnths to 31/12/2019	6 mnths to 31/12/2018	12 mnths to 30/06/2019
Reported net operating profit after taxation	252,845	302,208	1,129,619
Add back non-cash items:			
Depreciation	512,346	535,996	1,075,478
Amortisation	13,115	21,709	43,678
(Increase)/Decrease in Deferred Taxation	(92,288)	-	(62,901)
Increase/(Decrease) in Employee Benefits	(1,549)	10,734	(9,532)
Increase/(Decrease) in Quarry Aftercare Provision	3,356	3,461	7,045
	<u>687,825</u>	<u>874,108</u>	<u>2,183,387</u>
Add back items classified as investment activities:			
Net loss on sale of Property, Plant and Equipment	12,668	15,140	161,468
Gain on sale of Property, Plant and Equipment	(7,800)	(141,382)	(193,045)
Net loss on sale of Intangibles	-	-	39,567
	<u>4,868</u>	<u>(126,242)</u>	<u>7,990</u>
Movements in Working Capital:			
(Increase)/Decrease in Receivables & Prepayments	1,305,613	(342,091)	(2,223,390)
(Increase)/Decrease in Inventories	(69,199)	(130,018)	26,203
Increase/(Decrease) in Trade and Other Payables and GST	(207,432)	299,582	1,570,274
Increase/(Decrease) in Employee Benefits	(104,637)	(97,245)	(28,194)
(Increase)/Decrease in Tax Payable/Receivable	(314,327)	28,308	347,481
	<u>610,018</u>	<u>(241,464)</u>	<u>(307,626)</u>
Net Cash (outflow)/inflow from Operating Activities	<u>1,302,711</u>	<u>506,402</u>	<u>1,883,751</u>

8.2 DEBENTURE TRUST DEED DOCUMENT AMENDMENTS AND RESTATEMENTS

Author: Gary Borg, Pouwhakarae – Pūtea / Tautāwhi Rangapū Group Manager Finance and Corporate Support

Authoriser: Steven May, Tumu Whakarae Chief Executive Officer

Appendices: 1. Amendments-Multi-issuer Deed [↓](#)
2. Amendments-Notes Subscription Agreement [↓](#)

1. PURPOSE

- 1.1 The purpose of this report is to seek Council approval for its subscribed Debenture Trust Deed documentation to be updated to enable its Council Controlled Organisation (CCO) to borrow from the Local Government Funding Agency (LGFA)

RECOMMENDATION

The Pouwhakarae – Pūtea / Tautāwhi Rangapū Group Manager Finance and Corporate Support RECOMMENDS that Committee

Assesses the risks and opportunities of this proposal for the Group with the Board of Quality Roding and Services (Wairoa) Ltd.

2. BACKGROUND

- 2.1 Council acceded to LGFA in September 2018 and subscribed its first borrowings through the agency the following month when its existing term loan matured.
- 2.2 Council currently has \$9 million of borrowing via LGFA and this is forecast to continue to grow to fund key infrastructure projects contained in the Long-term Plan 2018-28.
- 2.3 Membership of LGFA provides Council with borrowing facilities at more competitive borrowing rates than it has been able to obtain on its own in the commercial market. The current average cost of borrowing to Council is half of that incurred with the term loan referred in 2.1. The facility also enables Council to spread risk by providing an alternative source of funds.
- 2.4 In December 2018 the LGFA Shareholder Council voted in favour of amending its foundation policies so that it can lend to CCOs.
- 2.5 Council's CCO, Quality Roding and Services (Wairoa) Ltd (QRS) has approximately \$2 million in external borrowings.

3. CURRENT SITUATION

- 3.1 In April 2020 LGFA completed the preparation of the documents required to give effect to this change and presented these to member councils. For completeness ones pertinent to this matter are attached as **Appendices 1 & 2**.
- 3.2 To enable QRS to participate in LGFA
- 3.2.1. these documents must be executed by Council.
- 3.2.2. Council must transition from borrower status to guarantor status

3.2.3. QRS must then accede to LGFA

4. OPTIONS

4.1 The options identified are:

- a. Receive the information and discuss with the company
- b. Do nothing

4.2 Receiving the report provides the opportunity for the Committee to support Council in identifying risk associated with this matter and embed measures that ensure the metrics contained in the company's Statement of Intent are appropriate.

4.3 The preferred option is *a. Receive the information and discuss with the company*, this contributes to the following community outcomes

Economic wellbeing	Social and Cultural Wellbeing	Environmental Wellbeing
1. A strong prosperous and thriving economy 2. A safe and integrated infrastructure	6. Strong district leadership and a sense of belonging	

5. CORPORATE CONSIDERATIONS

What is the change?

5.1 Council and its CCO will share in the benefits of an improved borrowing facility, but will also, to some degree, become more interdependent in this regard.

Compliance with legislation and Council Policy

5.2 The proposal is consistent with the provisions of s63 of the Local Government Act 2002 and has no direct implications for any of Council's current policies or plans.

What are the key benefits?

5.3 Lower financing costs for Council and its CCO.

What is the cost?

5.4 None

What is the saving?

5.5 As guarantor Council would typically expect to borrow from LGFA at 10 basis points lower than as a non-guarantor borrower. This equates to a modest savings of about \$10,000 per annum.

5.6 QRS would be expected to realise savings of up to \$55,000.

Service delivery review

5.7 There are no service delivery implications

Māori Standing Committee

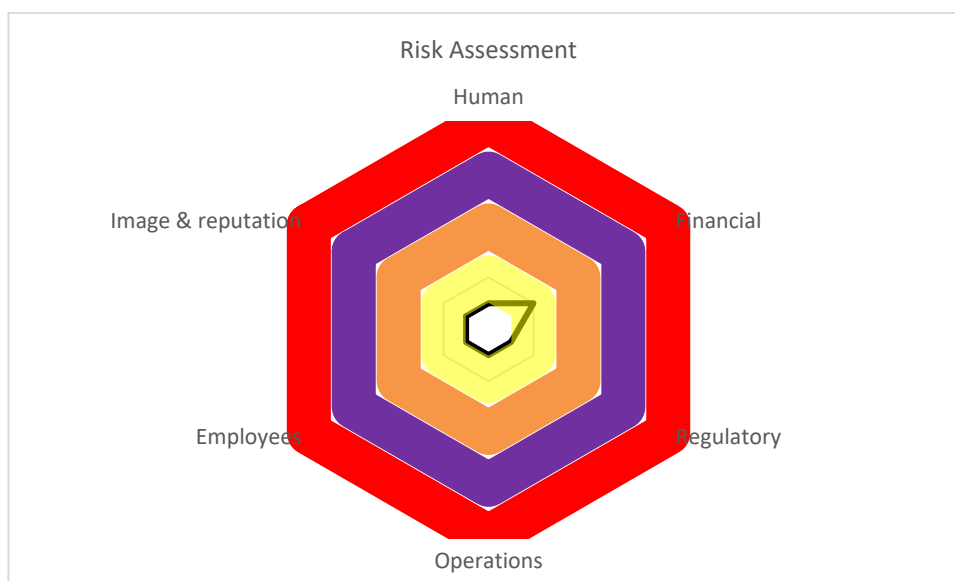
- 5.8 This has not been referred to the Māori Standing Committee because there are no cultural implications.

6. SIGNIFICANCE

- 6.1 Assessment: This decision is assessed as being of low significance.
- 6.2 There is no direct impact on individuals or sectors of the community.
- 6.3 There is moderate community interest in the financial capacity of Council and its CCO.
- 6.4 The proposal would enable QRS to be more profitable.
- 6.5 It is unlikely, in practice, that this decision could be reversed.
- 6.6 No alteration to service levels is anticipated.
- 6.7 No impact on Council's strategic assets is anticipated.
- 6.8 This would not change the way in which a significant activity is delivered.

7. RISK MANAGEMENT

- 7.1 In accordance with the Council's Risk Management Policy the inherent risks associated with this matter are:



- 7.2 By becoming a guarantor Council would become part of the group that would be liable should any member fail to meet its commitments. In practice this is very unlikely due to LGFA covenants. Furthermore, any liability would be proportionate to total borrowings in the membership, of which Wairoa is about 0.4%.
- 7.3 Council would to some extent have an extended shared borrowing threshold with its CCO. This would be best managed through the company's Statement of Intent process. It would be advisable that some debt metrics are considered in this, and the reports to Council.

Who has been consulted?

Due to the low level of significance and low inherent risk, consultation is not considered necessary.

Further Information

Information about LGFA is available at www.lgfa.co.nz



References (to or from other Committees)

This matter was presented to Council at its Ordinary Meeting on 5 May 2020. It is referred to the Committee for detailed review in accordance with Council Resolution 2020/13. Confirmation of statutory compliance

In accordance with section 76 of the Local Government Act 2002, this report is approved as:

- a. containing sufficient information about the options and their benefits and costs, bearing in mind the significance of the decisions; and,
- b. is based on adequate knowledge about, and adequate consideration of, the views and preferences of affected and interested parties bearing in mind the significance of the decision.

Signatories

	
Author Gary Borg	Approved by Steven May

- (ii) if the Interest Period is longer than 1 month but shorter than 6 months, and not 2, 3, 4, or 5 months, the rate resulting from straight line interpolation (rounded upwards, if necessary, to the nearest four decimal places) between the mid rates as displayed at or about 10.45am on the first day of that Interest Period on the Reuters Monitor Screen for bank bills having a term:

- (aa) shorter than, but closest to, that Interest Period; and

- (bb) longer than, but closest to, that Interest Period; or

- (iii) (in either case) if there are no such rates displayed for bank bills having the relevant term, then the average (rounded upwards if necessary to the nearest four decimal places) of the rates quoted to the Registrar for the relevant Series by each of the Reference Banks (or such one or more of them as are quoting) as being its buy rate for bank bills at or about that time on that date; or

(iv) if the rate cannot be determined pursuant to paragraphs (i) to (iii) above, the rate determined by the Registrar (following consultation with the Holder).

- (b) **Swap Rate:** a rate equal to the floating rate that would be determined by the Registrar or other person specified in the applicable Final Terms under an interest rate swap transaction if the Registrar or that other person were acting as calculation agent for that swap transaction under the terms of an agreement incorporating the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc. and as amended and updated as at the Issue Date of the Securities and under which:

- (i) the floating rate option is as specified in the applicable Final Terms;
 - (ii) the designated maturity is the period specified in the applicable Final Terms; and
 - (iii) unless otherwise stated in the applicable Final Terms, the relevant reset date is the first day of that Interest Period.

- (c) **Other specified rate:** any other reference rate as may be specified in the Final Terms for a Tranche,

in each case as set out in the applicable Final Terms.



Multi-issuer Deed

PARTIES

The Local Authorities Listed in Schedule 1

Principal Shareholders

New Zealand Local Government Funding Agency Limited

Subscriber

|

3756985 v1

3756985 v11

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DEED dated 7 December 2011 (as amended [and restated](#) by the deed to which this deed is attached as an appendix)

PARTIES

The Local Authorities Listed in Schedule 1

("Principal Shareholders")

New Zealand Local Government Funding Agency Limited

("Subscriber")

INTRODUCTION

- A. The Principal Shareholders and the Subscriber wish to record the arrangements agreed between them in relation to the issue of Securities to the Subscriber from time to time by the Principal Shareholders, and other Local Authorities [or CCOs](#) that may accede to this deed, as Issuers.
- B. This deed records those arrangements.
- C. ~~The Subscriber's~~ [None of the](#) obligations under this deed [of the Subscriber nor any Issuer that is a Local Authority](#) are ~~not~~ guaranteed by the Crown.

COVENANTS

1. INTERPRETATION

1.1 Definitions: In this deed, unless the context otherwise requires:

"**Accession Deed**" means a deed in the form, or substantially in the form, of schedule 4.

"**Agency Agreement**" means, in relation to an Issuer, the issue and paying agency agreement between the Issuer and an agent or agents in relation to the issue of Securities by the Issuer.

"**Annual Rates Income**" means, in relation to an Issuer [that is a Local Authority and](#) for a financial year, an amount equal to the total revenue from any funding mechanism authorised by the Local Government (Rating) Act 2002 together with any revenue received by that

Issuer from other Local Authorities for services provided by that Issuer for which those other Local Authorities rate and in each case as shown in the Financial Statements of that Issuer for that financial year, provided that if such Financial Statements are with respect to a period of less than 12 months, then such amount shall be annualised (so as to reflect a period of 12 months), and the annualised amount shall be the Annual Rates Income.

"Authorised Signatory" means, in relation to an Issuer, a person nominated as the Issuer's authorised signatory for the purposes of this deed and notified as such to the Subscriber from time to time.

"Available Financial Accommodation" means, in relation to an Issuer on any Test Date, the aggregate as at that date of:

- (a) External Indebtedness;
- (b) committed but undrawn financial accommodation that is available to the Issuer, to the extent there is no legal, contractual or other restriction on the Issuer's ability to draw upon that financial accommodation; and
- (c) Liquid Investments ~~—~~ [of the Issuer \(and not its Consolidated Group\)](#).

"Borrowed Money Indebtedness" means any indebtedness of the Subscriber to a person (other than indebtedness owed to an Issuer in respect of Borrower Notes) in respect of money borrowed or raised or any other financial accommodation whatsoever in the nature of, or having a similar economic effect to, borrowing or raising money, including indebtedness under or in respect of a negotiable or other financial instrument, guarantee, interest or currency exchange hedge or other arrangement of any kind (calculated on a net and marked to market basis).

"Borrower Notes" has the meaning given to it in the Notes Subscription Agreement.

"Cash" means, in relation to an Issuer:

- (a) any credit balance on any deposit, savings, current or other account with a registered bank which has outstanding debt securities rated as referred to in paragraph (c) of the definition of "Liquid Investments" and which is freely withdrawable on demand by the Issuer;
- (b) any credit balance of any term deposit with a maturity of less than 180 days with a registered bank which has outstanding debt securities rated as referred to in paragraph (c) of the definition of "Liquid Investments"; and
- (c) any cash in hand.

"CCO Credit Support" means, in relation to a CCO Issuer, any combination of the following:

- (a) a CCO Security;
- (b) a CCO Negative Pledge and Covenant;
- (c) a CCO Guarantee;
- (d) where a LA Shareholder provides a CCO Guarantee, the Security Stock issued by the LA Shareholder in respect of its obligations under the CCO Guarantee; and/or
- (e) any other security arrangements,

as specified in the relevant Accession Deed or as otherwise subsequently specified (in writing) by the Subscriber.

"CCO Negative Pledge and Covenant" means the undertakings given by a CCO Issuer in favour of the Subscriber and the Holder and, set out in the relevant Accession Deed, relating to:

- (a) for so long as any Series issued by the Issuer is outstanding, the restrictions on the creation or subsistence of any security interest over the whole or any part of its assets, other than a permitted security interest (as specified in the relevant Accession Deed);
- (b) for so long as any Series issued by the Issuer is outstanding, the amount of its indebtedness relative to the aggregate amount uncalled and unpaid in respect of equity securities in the Issuer owned legally and beneficially by the CCO Shareholders; and
- (c) if applicable, calling up and/or demanding payment of, the whole or part (as specified in the request from the Subscriber or Holder) of the amount uncalled and/or unpaid in respect of the equity securities referred to in paragraph (b) on written request from the Subscriber or a Holder, provided that such request may only be made following the occurrence of an Event of Default that is continuing.

"CCO Support Document" means, in relation to a CCO Issuer, any document in relation to CCO Credit Support, as specified in the relevant Accession Deed.

"Compliance Certificate" means:

- (a) in the case of an Issuer that is a Local Authority, a certificate in the form, or substantially in the form, set out in schedule 7-; and

(b) in the case of a CCO Issuer, a certificate in the form specified by the Subscriber for that Issuer.

"Conditions" means the terms and conditions contained in schedule 2.

"Confirmation Email" means, in relation to an Issuer and Securities, an email (or other communication which is satisfactory to the Subscriber) from the Issuer to the Subscriber confirming that the Issuer is offering to issue a Series or Tranche of Securities on the terms set out in the applicable Indicative Terms Email. The Confirmation Email must specify:

- (a) the Principal Amount and Maturity Date of the Securities the Issuer is offering to issue; and
- (b) whether the Securities it is offering to issue are Fixed Rate Securities, Floating Rate Securities, Amortising Securities, Zero Coupon Securities or any other type of Security set out in the Indicative Terms Email.

"Consolidated Group" means, in relation to an Issuer, the group of persons (including the Issuer) against which the financial covenants in clause 7.5(a) may be tested (as required in accordance with clause 7.5(a)), such group must be agreed in writing by the Subscriber and that Issuer.

"Demand" has the meaning given in the Guarantee.

"Disclosure Information" has the meaning given to it in clause 7.4(a)(i).

"Distribution" means:

- (a) any dividend, charge, fee, payment, other distribution (whether cash or assets), redemption, repurchase, defeasance, retirement or repayment on or in respect of any equity securities or ownership interest of a CCO Issuer;
- (b) any interest payment, any repayment or prepayment of any amount of principal or any other payment in respect of any liability of a CCO Issuer to a CCO Shareholder; and

without limiting the above, a "distribution" as defined in the Companies Act.

"EC Securities" means Securities the proceeds of which are to be applied by the relevant Issuer in paying the Exercise Price for Commitment Shares to be subscribed by the Issuer on the Issue Date.

"Equity Commitment Deed" means the deed dated on or about the date of this deed between various Local Authorities and the Subscriber entitled "Equity Commitment Deed".

"Event of Review" means, in relation ~~an Issuer, a breach of any of the financial covenants in clause 7.5 to:~~

(a) an Issuer that is a Local Authority, a breach of any of the financial covenants in clause 7.5; and

(b) a CCO Issuer, a breach of any of the financial covenants in the Accession Deed.

"External Indebtedness" means, in relation to an Issuer on any Test Date, the aggregate amount of indebtedness of the Issuer to any person in respect of money borrowed or raised or any other financial accommodation whatsoever in the nature of, or having a similar economic effect to, borrowing or raising money, including indebtedness under or in respect of a negotiable or other financial instrument, as shown in the Financial Statements of the Issuer for the financial year ending on that Test Date, but excluding:

- (a) indebtedness that is classed as "internal indebtedness" of the Issuer in the Issuer's Financial Statements for the financial year ending on that Test Date;
- (b) indebtedness that is classified as a contingent liability of the Issuer in the Issuer's Financial Statements for the financial year ending on that Test Date; and
- (c) any indebtedness of the Issuer which is an unrealised loss on hedging instruments as shown in the Issuer's Financial Statements for the financial year ending on that Test Date.

"Financial Statements" means ~~:-~~

(a) in relation to a CCO Issuer, the audited financial statements the Issuer is required to produce pursuant to sections 67 to 69 of the Act; and

(b) in relation to an Issuer that is a Local Authority, the audited financial statements the Issuer is required to produce pursuant to sections 98 and 99 of the Act.

"Final Terms" means:

- (a) in relation to a Series or Tranche of EC Securities, final terms in the form, or substantially in the form, of schedule 3; and
- (b) in relation to a Series or Tranche of any other Securities, a term sheet in the form, or substantially in the form, of schedule 5.

"Further Principal Debt Release Request" has the meaning given to it in the Guarantee.

"GAAP" means "generally accepted accounting practice" as defined in the Act.

"Guarantee" means the deed of guarantee and indemnity made by various Local Authorities in respect of the indebtedness of the Subscriber.

"Guarantor" means a guarantor under the Guarantee.

"Indicative Terms Email" means an email from the Subscriber to an Issuer setting out the indicative terms of Securities (other than pricing) that the Issuer may offer to issue to the Subscriber.

"Insolvency Event" means, in relation to a CCO Issuer or CCO Shareholder, any ["Insolvency Event" specified in the relevant Accession Deed in relation to such person.](#)

"Issuer" means a Local Authority set out in schedule 1 or any other Local Authority [or CCO](#) which is or becomes an Issuer in accordance with ~~clause~~[clauses 2.4 or 2A.4 \(including a Local Authority that becomes an Issuer because it is a LA Shareholder \(if applicable\)\).](#)

"Liquid Investments" means, in relation to an Issuer on any Test Date:

- (a) Cash;
- (b) securities issued or fully guaranteed or fully insured by the New Zealand Government;
- (c) commercial paper or other debt securities which have a long-term rating of at least A- or a short-term rating of at least A-1 by Standard & Poor's ~~Ratings~~[Rating](#) Group or an equivalent rating from either Moody's Investors Service, Inc. or Fitch Ratings ~~Ltd~~[Limited](#) (or their respective related companies); and
- (d) certificates of deposit of any registered bank which has outstanding debt securities rated as referred to in paragraph (c) above,

in each case legally and beneficially held by the Issuer, ~~and/or the Consolidated Group (as required in accordance with clause 7.5(a)).~~ not subject to any security interest, and denominated and payable in NZ Dollars and as shown in the Financial Statements of the Issuer for the financial year ending on that Test Date.

~~**"Local Authority"** means a Local Authority as defined in the Act.~~

"Maximum Additional Spread" means:

- (a) in relation to an issue of Floating Rate Securities which are not EC Securities, the maximum additional spread (expressed as a percentage (p.a.)) the Subscriber will (on the date the Final Terms are delivered pursuant to clause 4.1(a)(iii)) add to its

own issuance margin in order to determine the Margin for the relevant Tranche or Series;

- (b) in relation to an issue of Fixed Rate Securities, the maximum additional spread (expressed as a percentage (p.a.)) the Subscriber will (on the date the Final Terms are delivered pursuant to clause 4.1(a)(iii)) add to its own issuance margin in order to determine the "margin" component of the Interest Rate for the relevant Tranche or Series; and
- (c) in relation to an issue of Zero Coupon Securities, the maximum additional spread (expressed as a percentage (p.a.)) the Subscriber will (on the date the Final Terms are delivered pursuant to clause 4.1(a)(iii)) add to its own issuance margin in order to determine the annual yield for the relevant Tranche or Series,

in each case calculated in accordance with the methodology notified by the Subscriber to the Issuer on or prior to the date of the Indicative Terms Email which relates to that issue of Securities. In this definition, "**issuance margin**" has the meaning given to it in clause 4.6.

"Net Debt" means, in relation to an Issuer and any Test Date, the aggregate of all financing liabilities of the Issuer [and/or the Consolidated Group \(as required in accordance with clause 7.5\(a\)\)](#) as at that Test Date as shown in the Financial Statements of the Issuer for the financial year ending on that Test Date less Liquid Investments as at that Test Date.

"Net Interest" means, in relation to an Issuer for a financial year, an amount equal to all interest and financing costs incurred by the Issuer [and/or the Consolidated Group \(as required in accordance with clause 7.5\(a\)\)](#) for that financial year as shown in Financial Statements of the Issuer less:

- (a) interest income of the Issuer [and/or the Consolidated Group \(as required in accordance with clause 7.5\(a\)\)](#) for that financial year as shown in Financial Statements of the Issuer for that financial year; and
- (b) any interest paid by the Issuer during that financial year as shown in the Financial Statements of the Issuer for that financial year on EC Securities held by the Subscriber.

"Notes Subscription Agreement" means the agreement dated on or about the date of this deed between the Subscriber and various Local Authorities entitled "Notes Subscription Agreement".

"Notice of Commitment" means:

- (a) in relation to a Series or Tranche of EC Securities, a notice in the form, or substantially in the form, of schedule 6; and
- (b) in relation to a Series or Tranche of any other Securities, a Confirmation Email.

"Offering Document" means, on any date, each prospectus, investment statement, product disclosure statement, information memorandum or other offer document (howsoever described) prepared by, or on behalf and with the approval of, the Subscriber under which the Subscriber is offering or is able to offer debt instruments.

"Policies" has the meaning given to it in the Shareholders' Agreement.

"Potential Event of Default" means any event which, with the passing of time, or the giving of notice, or both, would constitute an Event of Default.

"Redemption Notice" has the meaning given to it in clause ~~7.5 or 7.6~~, 7.6, 7.7, 7.8 or 7.9, as applicable.

"Security Trustee" has the meaning given in the Guarantee.

"Shareholders' Agreement" means the agreement dated on or about the date of this deed between the Principal Shareholders in relation to the Subscriber entitled "Shareholders' Agreement".

"Shareholder Transaction Documents" means, in relation to an Issuer that is a LA Shareholder:

- (a) the Guarantee;
- (b) the Equity Commitment Deed;
- (c) the accession deeds (if applicable) executed by the Issuer for the purposes of the Guarantee and the Equity Commitment Deed;
- (d) each Security Stock Certificate issued by it in respect of its obligations in respect of the Guarantee and the Equity Commitment Deed;
- (e) this deed, solely in its capacity as a LA Shareholder; and
- (f) each CCO Support Document.

"Test Date" means 30 June of each year ~~or~~, or, in the case of a CCO Issuer, the date specified in the relevant Accession Deed.

"Total Revenue" means, in relation to an Issuer that is a Local Authority and for a financial year, the total cash operating revenue of the Issuer and/or the Consolidated Group (as required in accordance with clause 7.5(a)) for that financial year as shown in Financial Statements of the Issuer for that financial year including cash earnings from rates, Government grants and subsidiaries, user charges, interest, dividends and financial and other revenue but not including non-Government capital contributions (such as developer contributions and vested assets).

"Transaction Documents" means ~~:-~~

(a) in relation to an Issuer that is a Local Authority:

- ~~(a)~~ (i) this deed;
- ~~(b)~~ (ii) the Notes Subscription Agreement;
- ~~(c)~~ (iii) each Security Stock Certificate issued by ~~that Issuer~~ it in respect of its obligations in respect of the Securities and under this deed and each of the Guarantee (if applicable), and the Equity Commitment Deed (if applicable);
- ~~(d)~~ (iv) if the Issuer is a Guarantor, or is required by the Subscriber in accordance with this deed, the Policies and/or required by the Shareholders' Agreement to become a Guarantor, each of the Guarantee and Equity Commitment Deed;
- ~~(e)~~ (v) the Accession Deed (if applicable);
- ~~(f)~~ (vi) any accession deed executed by the Issuer for the purposes of the Notes Subscription Agreement, the Guarantee (if applicable) and/or the Equity Commitment Deed; (if applicable); and
- ~~(g)~~ (vii) any other document agreed by the Subscriber and the Issuer to be a Transaction Document; ~~:-~~ and

(b) in relation to a CCO Issuer:

- (i) this deed;
- (ii) the Notes Subscription Agreement;
- (iii) the Guarantee;
- (iv) the Equity Commitment Deed;

- (v) each Security Stock Certificate issued by a LA Shareholder in respect of its obligations in respect of each of the Guarantee, the Equity Commitment Deed and any CCO Support Document;
- (vi) the Accession Deed;
- (vii) any accession deed executed by the CCO Issuer for the purposes of the Notes Subscription Agreement (if applicable);
- (viii) accession deeds (if applicable) to Guarantee and Equity Commitment Deed;
- (ix) each CCO Support Document; and
- (x) any other document agreed by the Subscriber and the CCO Issuer to be a Transaction Document.

"**Verified Statements**" has the meaning given to it in clause 7.4(a)(ii).

- 1.2 **Conditions:** Words and expressions defined in the Conditions and used in this deed shall have the same meanings in this deed, unless the context requires otherwise.
- 1.3 **Equity Commitment Deed:** Except to the extent the context requires otherwise, "Commitment Shares", "Exercise Notice", "Exercise Price" and "Settlement Date" have the meanings given to them in the Equity Commitment Deed.
- 1.4 **References:** Except to the extent that the context otherwise requires, any reference in this deed to:

an "**authorisation**" includes:

- (a) any consent, authorisation, registration, filing, agreement, notarisation, certificate, permission, licence, approval, authority or exemption from, by or with a governmental agency; or
- (b) in relation to anything which will be proscribed or restricted in whole or part by law if a governmental agency intervenes or acts in any way within a specified period after lodgement, filing, registration or notification, the expiry of such period without such intervention or action.

a "**clause**" or "**schedule**" is a reference to a clause of, or schedule to, this deed.

something having a "**material adverse effect**" on a person is a reference to it having a material adverse effect on the financial condition or operations of that person which

materially adversely affects the ability of that person to perform or comply with its obligations under any Transaction Document or any Security.

something being "remedied" means it is remedied to the satisfaction of the Subscriber.

1.5 **Miscellaneous:**

- (a) The introduction to and headings in this deed are inserted for convenience only and shall be ignored in construing this deed.
- (b) Unless the context otherwise requires words denoting only the singular number shall include the plural and vice versa and words denoting any gender shall include all genders.
- (c) References to any legislation or to any provision of any legislation are deemed to be references to that legislation or provision as from time to time amended, re-enacted or substituted and, unless the context otherwise requires, shall also include any statutory instruments issued under any such legislation or provision.
- (d) References to any document (however described) shall include references to such document as modified, novated, supplemented, varied or replaced from time to time.
- (e) References to any party to this deed or any other document shall include its successors or permitted assigns.
- (f) References to a time of day are references to New Zealand time unless otherwise stated.
- (g) Anything which may be done at any time may also be done from time to time.

2. **ACCESSION OF LOCAL AUTHORITY AS AN ISSUER**

- 2.1 **Local Authority to sign Accession Deed:** Subject to clause 2.2, a Local Authority which is not a Principal Shareholder may become an Issuer under this deed by completing and signing an Accession Deed and delivering it to the Subscriber.
- 2.2 **Conditions precedent to accession and issue of Securities:** A Local Authority shall not be entitled to sign and deliver an Accession Deed or to issue Securities under this deed unless and until the following conditions have been, to the satisfaction of the Subscriber, met:

- (a) the Local Authority is a party to or has acceded to the Notes Subscription Agreement;
- (b) if required by the Subscriber in accordance with the Policies and/or required by the Shareholders' Agreement, the Local Authority has become a Guarantor and is a party to or has acceded to the Equity Commitment Deed;
- (c) the Subscriber has confirmed that the Agency Agreement to be used by the Local Authority in relation to the Securities issued by it pursuant to this deed, and the identity of the paying agent, calculation agent and registrar appointed pursuant to that agreement, are acceptable to it;
- (d) the Local Authority has delivered to the Subscriber a certificate of compliance for the purposes of ~~s118~~[section 118](#) of the Act in relation to ~~the~~[its](#) entry into this deed, the Accession Deed (if applicable), the Notes Subscription Agreement, the Agency Agreement, the Guarantee (if applicable), the Equity Commitment Deed (if applicable) and the Security Stock Certificates [and Security Stock](#) issued in respect of this deed, the Guarantee (if applicable) and the Equity Commitment Deed (if applicable);
- (e) evidence that all necessary regulatory and statutory authorisations, consents, approvals and licences in relation to its entry into this deed, the Accession Deed (if applicable), the Notes Subscription Agreement, the issuance of the Security Stock Certificates [and Security Stock](#) issued in respect of this deed and the Securities (if applicable) and the issuance of the Securities from time to time (if applicable) have been obtained and are current and satisfactory;
- (f) the Subscriber has received a first ranking Security Stock Certificate evidencing that the Issuer's obligations under this deed are secured pursuant to the Debenture Trust Deed;
- (g) any additional eligibility criteria required by the Subscriber in accordance with the Policies have been satisfied;
- (h) in respect of the first issuance by an Issuer, it has notified the Subscriber of the amount of its Annual Rates Income for its immediately preceding financial year and a breakdown of the components included in its calculation of that amount, provided that this clause 2.2(h) shall not apply where an Issuer has previously delivered Financial Statements to the Subscriber in accordance with clause 7.3 which comply with clause 7.5(c); ~~and~~

- (i) the Subscriber has received a legal opinion from counsel acceptable to the Subscriber and in a form acceptable to the Subscriber relating to the Issuer's entry into this deed, the Accession Deed (if applicable), the Notes Subscription Agreement, the Guarantee (if applicable) and the Equity Commitment Deed (if applicable) and the issuance of the first ranking Security Stock and the first ranking Security Stock Certificate described at clause 2.2(f); and
- (j) any additional conditions specified by the Subscriber in the Accession Deed or separately notified in writing to the Issuer have been satisfied.

2.3 Subscriber to countersign Accession Deed: Subject to clause 2.2, on receipt of the document described in clause 2.1 in form and substance satisfactory to the Subscriber, the Subscriber shall:

- (a) countersign the counterpart of the Accession Deed;
- (b) enter the Accession Deed in a register kept by it (which shall be conclusive); and
- (c) retain one counterpart and deliver the other to the relevant Local Authority.

2.4 Accession effective: On an Accession Deed being countersigned by the Subscriber in accordance with clause 2.3, the Local Authority shall be bound by this deed as if it were a party hereto and named herein as an Issuer.

2A. ACCESSION OF CCO AS AN ISSUER

2A.1 CCO to sign Accession Deed: Subject to clause 2A.2, a CCO may become an Issuer under this deed by:

- (a) completing and signing; and
- (b) procuring each CCO Shareholder to sign.

an Accession Deed (in form and substance satisfactory to the Subscriber) and delivering it to the Subscriber.

2A.2 Conditions precedent to accession and issue of Securities: A CCO shall not be entitled to sign and deliver an Accession Deed or to issue Securities under this deed unless and until the following conditions have been, to the satisfaction of the Subscriber, met:

- (a) the CCO has acceded to the Notes Subscription Agreement;

- (b) each LA Shareholder is a party to or has acceded to this deed as an Issuer (in the manner contemplated by clauses 2.2 to 2.4 of this deed) and the Notes Subscription Agreement as a subscriber;
- (c) each LA Shareholder is or has become a Guarantor and is a party to or has acceded to the Equity Commitment Deed as a guarantor;
- (d) the Subscriber has confirmed that the Agency Agreement to be used by the CCO in relation to the Securities issued by it pursuant to this deed, and the identity of the paying agent, calculation agent and registrar appointed pursuant to that agreement, are acceptable to it;
- (e) the CCO has delivered to the Subscriber a director's certificate in relation to its entry into this deed, the Accession Deed, the Notes Subscription Agreement, the Agency Agreement, the CCO Credit Support and the CCO Support Documents;
- (f) evidence that all necessary regulatory and statutory authorisations, consents, approvals and licences in relation to the CCO's entry into this deed, the Accession Deed, the Notes Subscription Agreement, the Agency Agreement, the CCO Credit Support and the CCO Support Documents and the issuance of Securities from time to time (if applicable) have been obtained and are current and satisfactory;
- (g) each CCO Shareholder has delivered to the Subscriber a director's certificate, or in the case of a LA Shareholder, a certificate of compliance for the purposes of section 118 of the Act, in relation to its entry into the Accession Deed, the CCO Credit Support and the CCO Support Documents;
- (h) in the case of a LA Shareholder, evidence that all necessary regulatory and statutory authorisations, consents, approvals and licences in relation to its entry into the CCO Credit Support and the CCO Support Documents have been obtained and are current and satisfactory;
- (i) any additional eligibility criteria required by the Subscriber in accordance with the Policies have been satisfied;
- (j) in respect of the first issuance by an Issuer, each LA Shareholder has notified the Subscriber of the amount of its Annual Rates Income for its immediately preceding financial year and a breakdown of the components included in its calculation of that amount, provided that this clause 2A.2(j) shall not apply where the LA Shareholder (as an Issuer) has previously delivered Financial Statements to the Subscriber in accordance with clause 7.3 which comply with clause 7.5(c);

- (k) the Subscriber has received a legal opinion from counsel acceptable to the Subscriber and in a form acceptable to the Subscriber relating to the CCO's entry into this deed, the Accession Deed, the Notes Subscription Agreement, the Agency Agreement, and any CCO Support Document (if applicable);
- (l) the Subscriber has received both the CCO Support Documents and the benefit of CCO Credit Support, in each case, in a form and substance satisfactory to the Subscriber (in its sole discretion);
- (m) the Subscriber has received a legal opinion from counsel acceptable to the Subscriber and in a form acceptable to the Subscriber relating to each CCO Shareholder's entry into each relevant CCO Support Document (if applicable);
- (n) each LA Shareholder is in compliance with each of the financial covenants in, or referred to in, clause 7.5; and
- (o) any additional conditions specified by the Subscriber in the Accession Deed or separately notified in writing to the Issuer have been satisfied.

2A.3 Subscriber to countersign Accession Deed: Subject to clause 2A.2, on receipt of the document described in clause 2A.1 in form and substance satisfactory to the Subscriber, the Subscriber shall:

- (a) countersign the counterpart of the Accession Deed;
- (b) enter the Accession Deed in a register kept by it (which shall be conclusive); and
- (c) retain one counterpart and deliver the other to the relevant CCO.

2A.4 Accession effective: On an Accession Deed being countersigned by the Subscriber in accordance with clause 2A.3, the CCO shall be bound by this deed as if it were a party hereto and named herein as an Issuer.

3. OFFERS AND SALES OF SECURITIES

- 3.1 Agreement to issue:** Subject to the terms and conditions of this deed, each Issuer may from time to time agree with the Subscriber to issue, and the Subscriber may agree to subscribe for, Securities. If the relevant Issuer and the Subscriber agree on the terms upon which such Securities should be issued and subscribed then the relevant Issuer shall be obliged to issue and the Subscriber shall be obliged to subscribe the relevant Securities issued by the Issuer on the relevant Issue Date, on the basis of, and in reliance upon, the

representations, warranties, undertakings and indemnities made or given or provided to be made or given pursuant to the terms of this deed, and otherwise on the terms so agreed.

3.2 **Offer and acceptance:** For the purposes of this deed (without limiting anything else in this deed), the issue of Securities under this deed shall (without more) be taken to be the result of an offer by the relevant Issuer to issue the Securities to the Subscriber, and an acceptance of that offer by the Subscriber.

3.3 **Several obligations:** The obligations of each Issuer under this deed are several. No Issuer shall be responsible for the obligations of any other Issuer under this deed. The rights of each Issuer under this deed are several.

4. ISSUANCE PROCESS

4.1 General procedure:

- (a) Except in the case of EC Securities or if the Subscriber and the relevant Issuer otherwise agree, an Issuer may not issue Securities pursuant to this deed unless:
 - (i) at least eight Business Days before the proposed Issue Date (or such later date as the Issuer and the Subscriber may agree), the Subscriber provides an Indicative Terms Email to the Issuer and, in the case of a CCO Issuer, with a copy to each LA Shareholder;
 - (ii) at least six Business Days before the proposed Issue Date (or such later date as the Issuer and the Subscriber may agree), the Issuer provides a Notice of Commitment to the Subscriber; and
 - (iii) at least three Business Days before the proposed Issue Date (or such later date as the Issuer and the Subscriber may agree), the Subscriber has agreed to subscribe for the Securities by signing and delivering the Final Terms for the Securities to the Issuer.
- (b) The Issuer shall counter-sign and deliver to the Subscriber a copy of the Final Terms no later than the proposed Issue Date, but failure to do so shall not affect the Issuer's obligation to issue the Securities on the proposed Issue Date and the terms set out in the Final Terms shall apply to the relevant Securities.

4.2 **Procedure for EC Securities:** An Issuer may not issue EC Securities under this deed unless:

- (a) the Issuer has received an offer to subscribe for the EC Securities under clause 3.1 of the Equity Commitment Deed; and
- (b) not less than six Business Days before the Settlement Date for the related Commitment Shares, the Issuer provides a Notice of Commitment to the Subscriber,

whereupon the Subscriber promptly (and in any case not less than four Business Days before the proposed Issue Date) shall agree to subscribe for the EC Securities specified in the Notice of Commitment by counter-signing and delivering to the Issuer a copy of the Notice of Commitment.

4.3 [Not used]

4.4 **Notice of Commitment:** A Notice of Commitment constitutes a binding, unconditional and irrevocable offer by the relevant Issuer to issue the Securities specified therein. Each Notice of Commitment in respect of EC Securities shall be accompanied by preliminary Final Terms for the proposed issuance of EC Securities, completed in all respects other than for pricing, and such Final Terms to be the same as the preliminary Final Terms that were sent to the Issuer by the Subscriber under clause 3.1 of the Equity Commitment Deed except that the Issuer may specify a lower aggregate Principal Amount and shorter Maturity Date.

4.5 **Acceptance by Subscriber:** Subject to clause 4.2, the Subscriber is not under any obligation whatsoever to accept an offer by an Issuer contained in a Notice of Commitment. The Subscriber signing and delivering the Final Terms to the relevant Issuer (in the case of Securities which are not EC Securities) or counter-signing and delivering to the relevant Issuer a copy of a Notice of Commitment (in the case of EC Securities) shall constitute a binding and irrevocable acceptance of the offer contained in the Notice of Commitment, subject only to the following conditions:

- (a) the Subscriber having received in a form and substance satisfactory to it:
 - (i) [where the Issuer is a Local Authority](#), a first ranking Security Stock Certificate evidencing that the Issuer's obligations in relation to the proposed Tranche or Series are secured pursuant to the relevant Debenture Trust Deed (which may, at the Subscriber's absolute discretion, be a Security Stock Certificate evidencing that the Issuer's obligations in relation to all Securities issued by it under this deed are secured pursuant to the relevant Debenture Trust Deed); and
 - (ii) [where the Issuer is a Local Authority](#), a certificate of compliance for the purposes of section 118 of the Act in relation to the proposed Tranche or

Series and the issue of the relevant Security Stock and related Security Stock Certificate (if applicable);

(iii) where the Issuer is a CCO Issuer, a certificate from an Authorised Signatory of the CCO addressing (among other things) the issue of the proposed Tranche or Series;

- (b) there is no impediment to the issue to the Issuer of the related Borrower Notes (if applicable) under the Notes Subscription Agreement (including, without limitation, due to the requirements of section 49 of the Companies Act 1993 and/or clause 15.4 of the Notes Subscription Agreement not being satisfied);
- (c) the Issuer has complied with the conditions specified in clause 2.2 or 2A.2 (as applicable) and any additional eligibility criteria required by the Subscriber in accordance with the Policies;
- (d) the representations and warranties set out in clause 6.1 (in the case of an Issuer that is a Local Authority) or 6.1A (in the case of a CCO Issuer) (as applicable) being true, accurate and correct in all material respects as of the Issue Date by reference to the facts and circumstances existing on that date;
- (e) no Event of Default, Potential Event of Default or Event of Review has occurred and is continuing in relation to the Issuer and no such event would occur on or after the Issue Date as a result of the Issuer issuing the Securities; ~~and~~
- (f) the Issuer, and (in the case of a CCO Issuer) each CCO Shareholder, is in compliance with this deed, the Notes Subscription Agreement, the Guarantee and (if applicable), the Equity Commitment Deed (if applicable) and any CCO Support Document (if applicable); and
- ~~(f)~~(g) the Local Government Borrowing Act 2011 has not been amended or repealed other than to the satisfaction of the Subscriber.

4.6 Pricing:

- (a) The Subscriber shall determine the pricing for each Tranche or Series of:
 - (i) EC Securities, on the Issue Date and shall notify the relevant Issuer of the pricing for the Tranche or Series on the Issue Date, following which the Final Terms for the Tranche or Series shall be updated to include the pricing information notified pursuant to this clause and each of the Issuer and the Subscriber shall sign the updated Final Terms; and

- (ii) Securities which are not EC Securities, on the date the Final Terms are delivered pursuant to clause 4.1(a)(iii) and such pricing shall be set out in the Final Terms for that Tranche or Series.

The pricing decisions of the Subscriber shall be final and binding on the relevant Issuer.

- (b) When determining the pricing for each Tranche or Series of Securities for the purposes of clause 4.6(a), the Subscriber must not, unless the relevant Issuer agrees otherwise, add an additional spread to ~~it~~ its own issuance margin which exceeds:
 - (i) in the case of EC Securities, the maximum additional spread notified in accordance with clause 3.1 of the Equity Commitment Deed; and
 - (ii) in the case of Securities which are not EC Securities, the Maximum Additional Spread.

In this clause 4.6, "**issuance margin**" means the percentage rate (p.a.) (as determined by the Subscriber) over the applicable reference rate which is payable by the Subscriber in respect of the Borrowed Money Indebtedness it incurs to subscribe for the relevant Securities and includes all of the Subscriber's costs and expenses relating to that Borrowed Money Indebtedness (including, without limitation, dealer fees, commissions, listing fees and any Approved Issuer Levy which is or may be payable by the Subscriber under the terms of that Borrowed Money Indebtedness). In this clause 4.6, "**Approved Issuer Levy**" has the meaning given to it in the Conditions as if references to the "Issuer" were to the "Subscriber" and "any Security" were to the Subscriber's "Borrowed Money Indebtedness". Without limiting the Subscriber's right to make a determination as to the "issuance margin", the Subscriber may for the purposes of determining the Approved Issuer Levy component of the issuance margin estimate its likely costs in respect of any Approved Issuer Levy.

4.7 Notices of Commitment after release: Where an Issuer is (or was previously) a Guarantor and it has delivered a valid Further Principal Debt Release Request in accordance with clause 15 of the Guarantee:

- (a) it must immediately provide a copy of the Further Principal Debt Release Request to the Subscriber; and
- (b) [neither it nor any CCO Issuer for which that Issuer is a LA Shareholder](#) may ~~not~~, on and from the date of such Further Principal Debt Release Request, provide any Notice of Commitment under this deed.

4.8 **Settlement delay:** Other than where the conditions set out in clause 4.5 are not satisfied, in the event that the Subscriber pays the Issue Price for the Securities other than on the Issue Date ("**settlement delay**"):

- (a) unless the Subscriber agrees otherwise (in writing), each of the Issuer and the Subscriber shall issue the Securities and the Borrower Notes (if applicable) respectively on the Issue Date; and
- (b) the maximum amount payable by the Subscriber to the Issuer in respect of such settlement delay will be interest on the unpaid Issue Price of the Securities, such interest to accrue on a daily basis from the Issue Date until the unpaid Issue Price is paid at a rate per annum equal to the Reserve Bank of New Zealand official cash rate on the Issue Date. Accrued interest shall not be compounded and shall be paid by the Subscriber on the date the unpaid Issue Price is paid in full and final settlement of such settlement delay.

5. ISSUE AND CREATION

5.1 Securities are issued and created by the relevant Registrar entering in the Register the particulars of the Securities.

6. REPRESENTATIONS AND WARRANTIES

6.1 **Representations and warranties:** (in relation to Issuers that are Local Authorities):

Each Issuer that is a Local Authority represents and warrants to the Subscriber in relation to itself (as an Issuer) that:

- (a) **Status:** it is either a territorial authority or regional council named as a local authority in Schedule 2 to the Act;
- (b) **Power:** it has the power generally to enter into, exercise its rights and perform and comply with its obligations under this deed and the other Transaction Documents and to issue the Securities;
- (c) **Authorisations:** it has taken all necessary action required on its part to authorise the entry into, execution and delivery of this deed and the other Transaction Documents and the issue of Securities and the performance of all obligations expressed to be binding on it;
- (d) **Obligations legally binding:** its obligations under this deed, the other Transaction Documents and the Debenture Trust Deed and the Securities (when issued)

constitute its legal, valid and binding obligations, enforceable in accordance with their respective terms (subject to laws affecting creditors' rights generally and (as to enforceability) to equitable principles of general application);

(e) **No conflict:** neither the entry by it into, nor the performance by it of this deed and the other Transaction Documents or the issue of the Securities by it will:

(i) conflict with or result in a breach of, any agreement, document, arrangement, obligation or duty to which it is a party or by which it or any of its assets may be bound; or

(ii) violate or contravene any law to which it is subject;

(f) **Accounts:** its accounts have been prepared in accordance with the Act and any other applicable legislation or guidelines and are audited in accordance with any statutory requirements;

(g) **No default:** except to the extent it has notified the Subscriber otherwise in writing, no Event of Default or Event of Review [in relation to it](#) has occurred and remains unremedied;

(h) **Certificate of exemption:** it holds a valid certificate of exemption from resident withholding tax issued pursuant to section RE 27 of the Income Tax Act 2007 and sections 32E to 32I of the Tax Administration Act 1994; [\(or, on or after 1 April 2020, it has RWT-Exempt Status\);](#)

(i) **Protected transaction:** for the purposes of section 117 of the Act, the entry by the Issuer into, and the performance by the Issuer of, this deed and the other Transaction Documents and the issue of Securities:

(i) is in compliance with the Act;

(ii) is not contrary to any provision of the Act;

(iii) is within the capacity, rights and powers of the Issuer; and

[\(iv\)](#) is for a purpose authorised by either the Act or another Act;

(j) **Ranking of obligations:** its obligations under this deed and in respect of the Securities are secured by the Debenture Trust Deed and rank, and will at all times rank, rateably and at least equally in right and priority of payment with all other first ranking secured money under the Debenture Trust Deed;

- (k) **Offering material:** except to the extent it has advised the Subscriber otherwise in writing, all information it has provided to the Subscriber for the purposes of or, it has approved (in writing) for the inclusion in, any Offering Document is true, accurate and complete in all material respects and not misleading (including by omission) in any material respect; and
- (l) **Notes Subscription Agreement:** the warranties given by it at clause 4.5 of the Notes Subscription Agreement are true and accurate.

6.1A Representations and warranties (in relation to CCO Issuers): Except to the extent that the Subscriber and the relevant CCO Issuer agree otherwise in the relevant Accession Deed:

(a) CCO Issuer: each CCO Issuer represents and warrants to the Subscriber in relation to itself (as a CCO Issuer) that:

(i) Status:

(aa) it is a company duly incorporated and validly existing under the laws of New Zealand; and

(bb) it has the power to own its assets and carry on its business as it is being conducted;

(ii) Power: it has the power to enter into, exercise its rights and perform and comply with its obligations under this deed and the other Transaction Documents and to issue the Securities;

(iii) Authorisations: it has taken all necessary action required on its part:

(aa) to authorise the entry into, execution, delivery and performance of this deed and the other Transaction Documents, the transactions contemplated by those documents, the issue of Securities and the performance of all obligations expressed to be binding on it; and

(bb) for the validity and enforceability of the Transaction Documents and the effectiveness or priority of any security interest under any Transaction Document;

(iv) Obligations legally binding: its obligations under this deed, the other Transaction Documents and the Securities (when issued) constitute its legal, valid and binding obligations, enforceable in accordance with their

respective terms (subject to laws affecting creditors' rights generally and (as to enforceability) to equitable principles of general application);

(v) **No conflict:** neither the entry by it into, nor the performance by it of this deed and the other Transaction Documents or the issue of the Securities by it will:

(aa) conflict with or result in a breach of:

(A) any agreement, document, arrangement, obligation or duty to which it is a party or by which it or any of its assets may be bound;
or

(B) its constitutional documents; or

(bb) violate or contravene any law to which it is subject;

(vi) **Accounts:** its accounts have been prepared in accordance with the Act and any other applicable legislation or guidelines and are audited in accordance with any statutory requirements;

(vii) **No default:** except to the extent it has notified the Subscriber otherwise in writing, no Event of Default or Event of Review in relation to it or each relevant LA Shareholder has occurred and remains unremedied;

(viii) **Certificate of exemption:** it holds a valid certificate of exemption from resident withholding tax issued pursuant to section RE 27 of the Income Tax Act 2007 and sections 32E to 32I of the Tax Administration Act 1994 (or, on or after 1 April 2020, it has RWT-Exempt Status);

(ix) **Offering material:** except to the extent it has advised the Subscriber otherwise in writing, all information it has provided to the Subscriber for the purposes of or, it has approved (in writing) for the inclusion in, any Offering Document is true, accurate and complete in all material respects and not misleading (including by omission) in any material respect;

(x) **Notes Subscription Agreement:** the warranties given by it at clause 4.5 of the Notes Subscription Agreement are true and accurate;

(xi) **Solvency:** no Insolvency Event has occurred in relation to it or any CCO Shareholder;

- (xii) **No proceedings pending or threatened:** no litigation, arbitration or administrative proceedings of or before any court, arbitral body or agency which, if adversely determined, might reasonably be expected to have a material adverse effect has or have (to the best of its knowledge and belief) been started or threatened against it;
- (xiii) **Immunity from suit:** it does not have, nor do any of its assets have, immunity from suit;
- (xiv) **Good title to assets:** it is the sole legal and beneficial owner of the property subject to the security interests created by any CCO Security, free from security interests other than a permitted security interest (as specified in the relevant Accession Deed);
- (xv) **Ranking of Security:** each CCO Security (if applicable) creates the security which it is expressed to create over the property to which it is expressed to apply, subject only to a permitted security interest (as specified in the relevant Accession Deed);
- (xvi) **Trustee:** it does not enter into any Transaction Document or hold any property as trustee;
- (xvii) **No misleading information:** to the best of its information, knowledge, and belief after having made due inquiry (but subject to the qualifications made when the relevant information is made available):
 - (aa) any factual information provided by or on behalf of it in writing in connection with the Transaction Documents and the transactions they contemplate was true and accurate in all material respects and not misleading in any material respect as at the date it was provided or as at the date (if any) at which it is stated;
 - (bb) any financial projections provided by it or on its behalf have been prepared on the basis of recent historical information and on the basis of reasonable assumptions; and
 - (cc) all copies of documents (including its latest Financial Statements and all authorisations) given by it or on its behalf to the Subscriber are true and complete copies as at the date they were given unless expressly specified otherwise; and

- (xviii) **Additional representations:** it makes any additional representations specified in the Accession Deed;
- (b) **LA Shareholders:** each LA Shareholder represents and warrants to the Subscriber that:
- (i) **Status:** it is either a territorial authority or regional council named as a local authority in Schedule 2 to the Act;
 - (ii) **Power:** it has the power generally to enter into, exercise its rights and perform and comply with its obligations under the Shareholder Transaction Documents;
 - (iii) **Authorisations:** it has taken all necessary action required on its part:
 - (aa) to authorise the entry into, execution, delivery and performance of the Shareholder Transaction Documents, the transactions contemplated by those documents and the performance of all obligations expressed to be binding on it under those documents; and
 - (bb) for the validity and enforceability of the Shareholder Transaction Documents and the effectiveness or priority of any security interest under any Shareholder Transaction Document;
 - (iv) **Protected transaction:** for the purposes of section 117 of the Act, the entry by the LA Shareholder into, and the performance by the LA Shareholder of, the Shareholder Transaction Documents:
 - (aa) is in compliance with the Act;
 - (bb) is not contrary to any provision of the Act;
 - (cc) is within the capacity, rights and powers of the LA Shareholder; and
 - (dd) is for a purpose authorised by either the Act or another Act;

provided that the Subscriber acknowledges that section 117 of the Act does not apply to any CCO Guarantee given by a LA Shareholder in respect of a CCO Issuer;
 - (v) **Ranking of obligations:** its obligations in respect of any CCO Guarantee it has given in relation to the CCO Issuer are secured by the Debenture Trust Deed and rank, and will at all times rank, rateably and at

least equally in right and priority of payment with all other first ranking secured money under the Debenture Trust Deed;

(vi) **Obligations legally binding:** its obligations under the Shareholder Transaction Documents and the Debenture Trust Deed constitute its legal, valid and binding obligations, enforceable in accordance with their respective terms (subject to laws affecting creditors' rights generally and (as to enforceability) to equitable principles of general application);

(vii) **No conflict:** neither the entry by it into, nor the performance by it of the Shareholder Transaction Documents will:

(aa) conflict with or result in a breach of any agreement, document, arrangement, obligation or duty to which it is a party or by which it or any of its assets may be bound; or

(bb) violate or contravene any law to which it is subject; and

(viii) **Additional representations:** it makes any additional representations in relation to an LA Shareholder specified in the Accession Deed.

6.2 **Repetition:** The representations and warranties contained in ~~clause~~clauses 6.1 and 6.1A shall be deemed to be repeated by each Issuer and, where the Issuer is a CCO Issuer, each relevant LA Shareholder for the benefit of the Subscriber on each Issue Date in respect of each Series or Tranche issued by the Issuer.

7. UNDERTAKINGS

7.1 **General undertakings in respect of Local Authority Issuers:** Each Issuer that is a Local Authority undertakes to the Subscriber that it will, for so long as any Series issued by ~~the~~ Issuer ~~it~~ is outstanding:-

(a) **Notify the Subscriber:** after having actual notice, promptly notify the Subscriber of:

(i) the occurrence of any Event of Default, Potential Event of Default or Event of Review in relation to it and, upon receipt of a request to that effect, shall confirm in writing signed by an Authorised Signatory that except as previously notified to the Subscriber no Event of Default, Potential Event of Default or Event of Review has occurred in relation to it;

- (ii) each change in its Authorised Signatories, giving specimen signatures and evidence satisfactory to the Subscriber of the authority of each new Authorised Signatory;
 - (iii) each actual or potential invalidity or unenforceability of this deed, the other Transaction Documents or the Debenture Trust Deed, or any provision hereof or thereof;
 - (iv) subject to the Act and the Local Government Official Information and Meetings Act 1987:
 - (aa) any event or series of events, whether related or not, or any circumstances arise or exist, which may have a material adverse effect on the Issuer or its ability to perform its obligations under this deed, the other Transaction Documents, the Debenture Trust Deed or the Securities; and
 - (bb) any change to the Act which may adversely affect the rights of a party lending to the Issuer or any receiver appointed by that party;
- (b) **Register:** cause the Registrar for that Series to keep the Register for the Series pursuant to the Agency Agreement;
- (c) **Agency Agreement:** comply with and perform all obligations under the Agency Agreement and not:
 - (i) terminate or enter into a new Agency Agreement;
 - (ii) ~~materially~~ modify any terms within an Agency Agreement; or
 - (iii) appoint, terminate or replace or consent to any replacement of a registrar, calculation agent or paying agent under an Agency Agreement,

without the Subscriber's prior written consent (such consent to not be unreasonably withheld or delayed);
- (d) **Validity:** take all steps required under any applicable law to enable it to perform and comply fully with its obligations under this deed, the other Transaction Documents ~~or~~ the Debenture Trust Deed or the Securities or required on its part for the validity or enforceability of this deed, the other Transaction Documents, the Debenture Trust Deed and the Securities;

- (e) **Compliance with law:** duly comply with all laws except to the extent that, in its reasonable opinion, it determines that non-compliance is not material to the business or financial condition of the Issuer;
- (f) **Information on request:** subject to the Act and the Local Government Official Information and Meetings Act 1987, on request by the Subscriber, promptly provide the Subscriber any information which the Subscriber reasonably requires with respect to matters relating to the Financial Statements, other records of the Issuer and the financial position of the Issuer;
- (g) **Other information:** provide the Subscriber with copies of all information provided to the Trustee under the reporting covenants provisions in the Debenture Trust Deed;
- (h) **Ranking of obligations:** ensure that its obligations under this deed and in respect of the Securities are secured by the Debenture Trust Deed and rank, and will at all times rank, rateably and at least equally in right and priority of payment with all other first ranking secured money under the Debenture Trust Deed; ~~and~~
- (i) **New Security Stock Certificates:** where the Subscriber has sold some or all of the Securities held by it, at the Subscriber's request and subject to the Subscriber delivering to the Issuer for cancellation the existing Security Stock Certificate for the relevant Securities, issue and deliver to each of the Subscriber and the new Holder (as applicable) a new first ranking Security Stock Certificate (in a form acceptable to the Subscriber or the Holder (as applicable) acting reasonably) evidencing that the Issuer's obligations in relation to the Securities held by each of the Subscriber and Holder (as applicable) are secured pursuant to its Debenture Trust Deed. In the case of Securities lodged in NZClear, the references in this clause 7.1(i) to "Holder" shall be deemed to be the new holder of the beneficial interest in the Security (as shown in the records of NZClear). Where the Issuer delivers any such new Security Stock Certificate it shall also deliver a certificate of compliance for the purposes of section 118 of the Act in relation to each new Security Stock Certificate. Subject to the relevant Debenture Trust Deed, where the Subscriber is holding a Security Stock Certificate evidencing that the Issuer's obligations in relation to all Securities issued by it under this deed are secured pursuant to the relevant Debenture Trust Deed, the Issuer's obligation under this clause 7.1(i) to deliver a new first ranking Security Stock Certificate to the new Holder shall not be subject to the Subscriber delivering that Security Stock Certificate to the Issuer for cancellation. ~~;~~ and

- (j) ~~Financial records:~~ ~~The~~ **Debenture Trust Deed**: not terminate or enter into a new Debenture Trust Deed, or modify any terms within the Debenture Trust Deed, without the Subscriber's prior written consent (such consent to not be unreasonably withheld or delayed);

7.1A General undertakings in respect of CCO Issuers: Except to the extent that the Subscriber and the relevant Issuer agree otherwise in the relevant Accession Deed:

- (a) **CCO Issuers:** each CCO Issuer undertakes to the Subscriber that it will, for so long as any Series issued by it is outstanding:
- (i) **Notify the Subscriber:** after having actual notice, promptly notify the Subscriber of:
 - (aa) the occurrence of any Event of Default, Potential Event of Default or Event of Review in relation to it or its LA Shareholder and, upon receipt of a request to that effect, shall confirm in writing signed by an Authorised Signatory that except as previously notified to the Subscriber no Event of Default, Potential Event of Default or Event of Review has occurred in relation to it or its LA Shareholder;
 - (bb) each change in its Authorised Signatories, giving specimen signatures and evidence satisfactory to the Subscriber of the authority of each new Authorised Signatory;
 - (cc) each actual or potential invalidity or unenforceability of this deed, the other Transaction Documents, or any provision hereof or thereof;
 - (dd) any event or series of events, whether related or not, or any circumstances arise or exist, which may have a material adverse effect on the Issuer or any CCO Shareholder or its or any CCO Shareholder's ability to perform its obligations under this deed, the other Transaction Documents, the Debenture Trust Deed or the Securities;
 - (ee) any change to the Act, its constitution or any applicable law which may adversely affect the rights of a party lending to the Issuer or any receiver appointed by that party;
 - (ff) any proposed change to a CCO Shareholder;

- (gg) any change or potential change to whether the Issuer is a CCO or a council-controlled trading organisation (as defined in the Act);
- (ii) **Register:** cause the Registrar for that Series to keep the Register for the Series pursuant to the Agency Agreement;
- (iii) **Agency Agreement:** comply with and perform all obligations under the Agency Agreement and not:
- (aa) terminate or enter into a new Agency Agreement;
- (bb) modify any terms within an Agency Agreement; or
- (cc) appoint, terminate or replace or consent to any replacement of a registrar, calculation agent or paying agent under an Agency Agreement,
- without the Subscriber's prior written consent (such consent to not be unreasonably withheld or delayed);
- (iv) **Validity:** take all steps required under any applicable law to enable it to perform and comply fully with its obligations under this deed, the other Transaction Documents or the Securities or required on its part for the validity or enforceability of this deed, the other Transaction Documents and the Securities;
- (v) **Compliance with law:** duly comply with all laws except to the extent that non-compliance is not material to the business or financial condition of the Issuer;
- (vi) **Information on request:** on request by the Subscriber, promptly provide the Subscriber any information which the Subscriber reasonably requires with respect to matters relating to the Financial Statements, other records of the Issuer and the financial position of the Issuer;
- (vii) **Authorisations:** promptly:
- (aa) obtain, comply with and do all that is necessary to maintain in full force and effect; and
- (bb) supply certified copies to the Subscriber of,

any authorisation required to perform its obligations under the Transaction Documents and to ensure the legality, validity, enforceability or admissibility in evidence of any Transaction Document and any material authorisation required for it to carry on its business;

(viii) **Disposals:** not enter into a single transaction or a series of transactions (whether related or not) and whether voluntary or involuntary to sell, lease, transfer or otherwise dispose of any asset other than a permitted disposal (as specified in the relevant Accession Deed);

(ix) **Merger:** not enter into any amalgamation, demerger, merger or corporate reconstruction other than a permitted merger (as specified in the relevant Accession Deed) or as permitted by the exceptions in clause 10.1A(h) of the Conditions;

(x) **Change of business:** procure that no material change is made to the general nature of its business from that carried on when it acceded to this deed;

(xi) **Insurance:** take out and maintain insurances with a reputable insurer in the manner and to the extent which is in accordance with prudent business practice having regard to the nature of its business and its assets (including all insurance required by applicable law), and ensure that the security interest created under any CCO Security is noted and maintained on each such policy (in accordance with usual market practice and excluding policies relating to employer's liability, workers compensation, public liability, product liability, directors and officers insurance, or any other insurance policy taken out for the benefit of a third party payee);

(xii) **Restrictions on Distributions and other transactions:** not:

(aa) pay or make any Distribution, other than a permitted Distribution (as specified in the relevant Accession Deed);

(bb) reduce or pass a resolution to reduce its capital;

(cc) acquire any of its own equity securities (unless it is required to do so by law);

- (dd) redeem any of its own equity securities which are redeemable at its option (whether or not they are also redeemable at the option of their holder);
- (ee) alter or allow to be altered any term attaching to any of its own equity securities, in a manner which would cancel or reduce the liability of any shareholder in relation to an equity security held prior to that alteration;
- (ff) amend its constitutional documents or allow them to be amended in any manner which would be likely to have a prejudicial effect on the Subscriber; or
- (gg) move any of its property outside New Zealand other than in the ordinary course of ordinary business;
- (xiii) **Financial accommodation:** not provide financial accommodation, give a guarantee or indemnity or incur or permit to remain outstanding obligations to support any third party except permitted financial accommodation (as specified in the relevant Accession Deed);
- (xiv) **Pay taxes:** file all tax returns as required by law, and pay and discharge all taxes, assessments and governmental charges payable by it or on its assets prior to the date upon which penalties become payable, except only to the extent that those taxes, assessments or governmental charges are being contested in good faith by appropriate proceedings and adequate reserves and/or credit lines are set aside for their payment;
- (xv) **Acquisitions:** not:
 - (aa) acquire any assets or make any other investment other than in the ordinary course of business; or
 - (bb) acquire any equity securities or business,
other than a permitted acquisition (as specified in the relevant Accession Deed);
- (xvi) **Corporate existence:** maintain its corporate existence (except as permitted by the exceptions in clause 10.1A(h) of the Conditions);

- (xvii) **Maintenance of assets:** maintain the property subject to any CCO Security in the manner that would be expected by a prudent person carrying on the Issuer's business;
- (xviii) **Arm's length dealings:** not enter into any transaction of any nature with, or for the benefit of, any person except on arm's length commercial terms;
- (xix) **Access:** if an Event of Default is continuing, permit the Subscriber and/or accountants or other professional advisers and contractors of the Subscriber free access at all reasonable times and on reasonable notice at the risk and cost of the Issuer to (i) its premises, assets, books, accounts and records and/or (ii) meet and discuss matters with its senior management for the purposes of monitoring compliance with the Transaction Documents;
- (xx) **Amendments to CCO Support Documents:** where the Subscriber intends to sell or has sold some or all of the Securities held by it, at the Subscriber's request:
 - (aa) agree to and execute amendments (and procure the agreement and execution of any other party) to any CCO Support Document such that the Subscriber and the new Holder (as applicable) both receive the benefit of the CCO Support Documents and the CCO Credit Support as received by the Subscriber under clause 2A; and
 - (bb) deliver a legal opinion from counsel acceptable to the Subscriber and in a form acceptable to the Subscriber relating to the Issuer and each CCO Shareholder's entry into each relevant CCO Support Document (including as amended pursuant to clauses 7.1A(a)(xx) or 7.1A(b)(ii)).

In the case of Securities lodged in NZClear, the references in this clause 7.1(a)(xx) to "Holder" shall be deemed to be the new holder of the beneficial interest in the Security (as shown in the records of NZClear); and
- (xxi) **Accession Deed:** comply with any other undertakings given by it set out in the relevant Accession Deed; and

(a) **LA Shareholder:** each LA Shareholder undertakes to the Subscriber that it will, for so long as any Series issued by a relevant CCO Issuer is outstanding:

(i) **Ranking of obligations:** ensure that its obligations under any CCO Guarantee it has given in relation to a CCO Issuer are secured by the relevant Debenture Trust Deed and rank, and will at all times rank, rateably and at least equally in right and priority of payment with all other first ranking secured money under that Debenture Trust Deed;

(ii) **Amendments to CCO Support Documents:** where the Subscriber intends to sell or has sold some or all of the Securities issued by the relevant CCO Issuer held by the Subscriber, at the Subscriber's request, agree to and execute amendments to any CCO Support Documents such that the Subscriber and the new Holder (as applicable) both receive the benefit of the CCO Support Documents and the CCO Credit Support as received by the Subscriber under clause 2A. In the case of Securities issued by the relevant CCO Issuer and lodged in NZClear, the references in this clause 7.1A(b)(ii) to "Holder" shall be deemed to be the new holder of the beneficial interest in the Security (as shown in the records of NZClear);

(iii) **Notify the Subscriber:** after having actual notice, promptly notify the Subscriber of:

(aa) the occurrence of any Event of Default, Potential Event of Default or Event of Review in relation to a relevant CCO Issuer and, upon receipt of a request to that effect, shall confirm in writing signed by an Authorised Signatory that, except as previously notified to the Subscriber, no Event of Default, Potential Event of Default or Event of Review has occurred in relation to a relevant CCO Issuer;

(bb) each actual or potential invalidity or unenforceability of the Shareholder Transaction Documents, the Debenture Trust Deed or any provision thereof;

(cc) subject to the Act and the Local Government Official Information and Meetings Act 1987:

(A) any event or series of events, whether related or not, or any circumstances arise or exist, which may have a material adverse effect on the LA Shareholder

or its ability to perform its obligations under the Shareholder Transaction Documents or the Debenture Trust Deed;

(B) any change to the Act which may adversely affect the rights of a party lending to the relevant CCO Issuer or any receiver appointed by that party; and

(C) any event or series of events, whether related or not, or any circumstances arise or exist, which may have a material adverse effect on the relevant CCO Issuer or its ability to perform its obligations under this deed, the other Transaction Documents (in relation to that CCO Issuer) or the Securities (issued by that CCO Issuer);

(dd) any change or potential change to whether a CCO Issuer is a CCO or a council-controlled trading organisation (as defined in the Act);

(iv) **Validity:** take all steps required under any applicable law to enable it to perform and comply fully with its obligations under the Shareholder Transaction Documents or required on its part for the validity or enforceability of the Shareholder Transaction Documents;

(v) **Compliance with law:** duly comply with all laws except to the extent that, in its reasonable opinion, it determines that non-compliance is not material to its business or financial condition;

(vi) **Information on request:** subject to the Act and the Local Government Official Information and Meetings Act 1987, on request by the Subscriber, promptly provide the Subscriber any information which the Subscriber reasonably requires with respect to matters relating to records of the relevant CCO Issuer and the financial position of the relevant CCO Issuer;

(vii) **Other information:** provide the Subscriber with copies of all information provided to the Trustee under the reporting covenants provisions in the Debenture Trust Deed;

(viii) **Debenture Trust Deed:** not terminate or enter into a new Debenture Trust Deed, or modify any terms within the Debenture Trust Deed,

without the Subscriber's prior written consent (such consent to not be unreasonably withheld or delayed); and

(ix) Accession Deed:

(aa) comply with all undertakings given by it in the relevant Accession Deed; and

(bb) use its reasonable endeavours to procure each relevant CCO Issuer complies with all undertakings given by it under this deed and the relevant Accession Deed.

7.2 **Financial records:** Each Issuer undertakes to the Subscriber to keep proper books of account as required pursuant to the Act and to have such accounts audited, in each case in accordance with all applicable legislation, and (subject to the Act and the Local Government Official Information and Meetings Act 1987) (if applicable) permit the Subscriber to have access to such accounts (and any other information relating to the financial position of the Issuer) on the provision of reasonable prior notice.

7.3 **Financial Statements:** ~~The~~Each Issuer undertakes to the Subscriber that it will deliver to the Subscriber:

- (a) not later than five months after the end of each of its financial years a copy of the latest Financial Statements for the preceding financial year; and
- (b) if it produces financial statements for a financial half-year, not later than three months after the end of each of its financial half-years, a copy of the latest financial statements for the preceding half-year, such financial statements not required to be audited.

7.4 **Offer documents:** Each Issuer undertakes to the Subscriber that:

- (a) it will promptly:
 - (i) and in any event within 15 Business Days following receipt of a request from the Subscriber, provide the Subscriber with all information in relation to itself which the Subscriber reasonably requests for the purposes of preparing an offering document. The information provided by the Issuer under this clause 7.4(a)(i) and clause 7.4(b) being, "**Disclosure Information**"; and
 - (ii) ~~and~~ in any event within 10 Business Days following receipt of a draft offering document from the Subscriber, (acting reasonably and in writing)

approve, or provide suggested amendments to, statements in the draft offering document relating to the Issuer, as identified in writing by the Subscriber when providing the draft offering document to the Issuer ("**Verified Statements**"). Nothing in this clause 7.4 entitles the Issuer to suggest amendments to any statement in a draft offering document other than those which relate to itself; and

- (b) if it becomes aware of any event having occurred as a result of which any Verified Statement or Disclosure Information would:
- (i) be false or misleading, or likely to mislead;
 - (ii) not be true and accurate in all material respects; or
 - (iii) omit any fact in relation to the Issuer the omission of which would make misleading in any material respect any Verified Statement or Disclosure Information,

it will promptly notify the Subscriber and provide the Subscriber with any information required by the Subscriber in order to amend or supplement the relevant Offering Document within 10 Business Days of receipt of a request from the Subscriber. The provisions of clause 7.4(a)(ii) shall apply to any draft amendment or supplement to any Offering Document as if such document was a "draft offering document", provided that the timeframe in clause 7.4(a)(ii) shall be deemed to be 5 Business Days.

7.5 Financial Covenants: Each Issuer shall:

- (a) [in the case of an Issuer that is a Local Authority](#), procure that as at each Test Date for the financial year ending on that Test Date:
- (i) the ratio that Net Debt bears to Total Revenue expressed as a percentage does not exceed 175%;
 - (ii) the ratio that Net Interest bears to Total Revenue expressed as a percentage does not exceed 20%;
 - (iii) the ratio that Net Interest bears to Annual Rates Income expressed as a percentage does not exceed 25%; and
 - (iv) the ratio that Available Financial Accommodation bears to External Indebtedness expressed as a percentage is not less than 110%,

or such other percentages applicable to the Issuer (including percentages contemplated by the foundation policies of the Subscriber) as agreed in writing by the Issuer and the Subscriber from time to time; The financial covenants in this clause 7.5(a) must be tested on the Issuer only, provided that:

(A) where the Issuer is also a LA Shareholder, the financial covenants must be tested on both the Issuer and Consolidated Group basis, however in such circumstance there is no consequence to the Issuer for any breach of the financial covenants when tested on a Consolidated Group basis; and

(B) subject to clause 7.5(a)(iv), where agreed in writing by the Subscriber and the Issuer, the financial covenants must be tested on a Consolidated Group basis only;

(ab) in the case of a CCO Issuer, comply with the financial covenants (if any) specified in the relevant Accession Deed as at each Test Date for the financial year ending on that Test Date or such other covenants applicable to the Issuer as agreed in writing by the Issuer and the Subscriber from time to time;

(b) on the same date as it delivers its Financial Statements to the Subscriber pursuant to clause 7.3(a) deliver to the Subscriber a completed Compliance Certificate signed by an Authorised Signatory of the Issuer in respect of the relevant Test Date. Each such Compliance Certificate shall certify as to the Issuer's compliance with the financial covenants in or referred to in, this clause 7.5 as at the relevant Test Date and contain reasonably detailed calculations detailing compliance with the financial covenants ~~in this clause 7.5.~~ Where the Subscriber and the Issuer agree alternative percentages in accordance with clause 7.5(a), or 7.5(ab), they may also agree alternative and/or additional reporting requirements from those provided for by this clause 7.5(b); and

(c) in the case of an Issuer that is a Local Authority, include within its Financial Statements (which may include the notes thereto) its Annual Rates Income as a separate identifiable amount.

7.6 Redemption following breach of Financial Covenants: If an Issuer breaches any of the financial covenants in or referred to in, clause 7.5, the Subscriber may by notice to the Issuer require that the Subscriber and the Issuer enter into negotiations in good faith with a view to agreeing terms on which the Subscriber is prepared to continue to subscribe for, or hold, Securities issued by the Issuer under this deed. If after 30 days from the date of the notice the Subscriber and the Issuer have not agreed upon such terms, the Subscriber may,

by giving written notice ("**Redemption Notice**") to the Issuer, require the Issuer to redeem all Securities issued by the Issuer that are at that time held by the Subscriber in full together with accrued and unpaid interest thereon on the date specified in the Redemption Notice (such date to be not less than 5 Business Days after the date of the notice). A failure to comply with the Redemption Notice shall constitute an Event of Default in respect of that Issuer, in which case the Subscriber shall be entitled to exercise its rights as a Holder under clause 10.2 of the Conditions applicable to that Issuer's Securities.

- 7.7 **Redemption of EC Securities:** If the board of directors of the Subscriber determines there is a risk of imminent default by the Subscriber under the terms of any of its Borrowed Money Indebtedness, the Subscriber may, by giving written notice to each Issuer with outstanding EC Securities ("**Redemption Notice**"), require each Issuer to redeem such number of EC Securities (as is determined by the Subscriber) issued by that Issuer that are at that time held by the Subscriber in full together with accrued and unpaid interest thereon on the date specified in the Redemption Notice (such date to be not less than 10 Business Days after the date of the notice). If a Redemption Notice is given in accordance with this clause 7.7, the redemption shall be required proportionately across all EC Securities so that the proportionate amount of EC Securities held by the Subscriber from each Issuer remains unchanged following the redemption (unless all EC Securities are redeemed). A failure by an Issuer to comply with the Redemption Notice shall constitute an Event of Default in respect of such Issuer, in which case the Subscriber shall be entitled to exercise its rights as a Holder under clause 10.2 of the Conditions.

PAYMENT FOR EC SECURITIES

- 7.8 **Redemption in relation to CCO Issuer:** Except to the extent that the Subscriber and the relevant CCO Issuer agree otherwise in the relevant Accession Deed, if, whether or not within the control of the CCO Issuer, any one or more of the following occurs:

- (a) **Change of control:** in the opinion of the Subscriber, due to a change in law or otherwise (including a change in CCO Shareholder) the creditworthiness of a party to a CCO Support Document (including any CCO Shareholder) is materially weaker immediately after such change; or
- (b) **Breach of representation:** any representation or warranty made or deemed to be made by the Issuer or a CCO Shareholder in or pursuant to any Transaction Document or Shareholder Transaction Document or in any notice, certificate, statement or other document contemplated by or made or delivered pursuant to any Transaction Document or Shareholder Transaction Document is or was untrue or incorrect in any material respect when made, deemed to be repeated or delivered, and if capable of being remedied in the opinion of the Subscriber, has not been remedied within 30 days after receipt by the Issuer of a notice in writing

from the Subscriber specifying the relevant representation or warranty and requiring it to be remedied; or

- (c) **Breach of undertakings:** the Issuer or CCO Shareholder commits any breach of, or omits to observe, any of its undertakings or obligations under any Transaction Document or a Shareholder Transaction Document (but in each case excluding any CCO Support Document, which is addressed at clause 10.1A(b) of the Conditions) and, in respect of any such breach or omission which is capable of being remedied, such breach or omission is not remedied within 30 days after receipt by the Issuer of a notice in writing from the Subscriber specifying the breach or omission and requiring it to be remedied; or
- (d) **Additional termination event:** an additional termination event specified by the Subscriber in a relevant Accession Deed occurs in respect of that Issuer or the relevant LA Shareholder,

then the Subscriber may, by giving written notice ("Redemption Notice") to the Issuer, require the Issuer to redeem all Securities issued by the Issuer that are at that time held by the Subscriber in full together with accrued and unpaid interest thereon on the date specified in the Redemption Notice (such date to be not less than 5 Business Days after the date of the notice). A failure to comply with the Redemption Notice shall constitute an Event of Default in respect of that Issuer, in which case the Subscriber shall be entitled to exercise its rights as a Holder under clause 10.2 of the Conditions applicable to that Issuer's Securities.

7.9 Redemption in relation to cross-default: Except to the extent that the Subscriber and the relevant CCO Issuer agree otherwise in the relevant Accession Deed or as otherwise agreed in writing with the Subscriber, if, whether or not within the control of the Issuer, any one or more of the following occurs:

- (a) any financial indebtedness of the Issuer owed to the Subscriber is not paid when due nor within any originally applicable grace period; or
- (b) any financial indebtedness of the Issuer owed to the Subscriber is declared to be or otherwise becomes due and payable prior to its specified maturity as a result of an enforcement event, event of default or review event (however described),

then the Subscriber may, by giving written notice ("Redemption Notice") to the Issuer, require the Issuer to redeem all Securities issued by the Issuer that are at that time held by the Subscriber in full together with accrued and unpaid interest thereon on the date specified in the Redemption Notice (such date to be not less than 5 Business Days after the date of the notice). A failure to comply with the Redemption Notice shall constitute an Event of

Default in respect of that Issuer, in which case the Subscriber shall be entitled to exercise its rights as a Holder under clause 10.2 of the Conditions applicable to that Issuer's Securities.

8. PAYMENT FOR EC SECURITIES

~~7.88.1~~ On the Issue Date for each Tranche of EC Securities, unless the Subscriber and the relevant Issuer agree otherwise, the Subscriber's obligation to pay the aggregate Issue Price for the Tranche of EC Securities automatically shall be set-off against the Issuer's obligation to pay the Exercise Price for the related Commitment Shares under the Equity Commitment Deed.

8.9. REBATES

~~8.19.1~~ The Subscriber may, at its discretion, in accordance with the rebate policy (if any) contained in the Policies, rebate to an Issuer all or part of the interest received by the Subscriber from the Issuer in relation to Securities issued by the Issuer under this deed. The Subscriber shall be under no obligation whatsoever to make any such rebate.

9.10. ISSUER INDEMNITY

~~9.110.1~~ **Indemnities:** Each Issuer indemnifies the Subscriber against any expense, damage, liability or loss arising from, and any costs incurred (as to which a certificate of the Subscriber shall in the absence of manifest or proven error be conclusive) in connection with (including any loss incurred by the Subscriber in terminating arrangements it has made with others to fund (or maintain its funding of) its subscription of the Securities):

- (a) the Issuer failing to issue Securities by reason of non-fulfilment of any of the conditions in clause 4.5; or
- (b) any amount payable by the Issuer under this deed not being paid when due; or
- (c) the occurrence or continuance of any other Event of Default in respect of the Issuer; or
- (d) the receipt or recovery by the Subscriber of all or any part of any amount payable by the Issuer hereunder (by prepayment or acceleration or otherwise) otherwise than on the due date relating to such amount; or
- (e) any actual or alleged breach by the Issuer of any representation, warranty or undertaking set out in this deed.

~~9.2~~10.2 **Payment of indemnity:** Each Issuer agrees to pay all amounts due under this indemnity on demand from the Subscriber.

~~9.3~~10.3 **Separate Obligations:** The indemnities in this clause 10 shall respectively:

- (a) constitute obligations separate and independent from each other and the other obligations under this deed;
- (b) give rise to separate and independent causes of action; and
- (c) continue in full force and effect despite any judgment, order, claim or proof for any liquidated amount under this deed or any judgment or order.

~~9.4~~10.4 **No prejudice:** Save as expressly agreed by the Subscriber, no release, delay, forbearance, compromise or any other indulgence given by the Subscriber to the Issuer or any amendment, alteration or other variation of any provisions of this deed shall discharge, release, prejudice or affect the liability of the Issuer under this clause 10.

~~9.5~~10.5 **Irrevocability:** This clause 10 is unconditional and irrevocable and, save as expressly agreed in writing by the Subscriber, is not to be discharged or impaired by any act, omission, matter or thing that might discharge or impair it, but for this clause.

~~10.11.~~ **NOTICES**

~~10.11.1~~ **Writing:** Each notice or other communication to be given or made under this deed to any person must:

- (a) **Writing:** be given or made in writing by email or letter and be signed by the sender or an authorised officer or signatory of the sender;
- (b) **Address:** be given or made to the recipient at the address or email address, and marked for the attention of the person (if any), from time to time designated by the recipient to the other for the purposes of this deed;
- (c) **Deemed delivery:** not be effective until received by the recipient, and any such notice or communication shall be deemed to be received:
 - (i) (if given or made by letter) when left at the address of the recipient or 5 Business Days after being put in the post, postage prepaid, and addressed to the recipient at that address; or

- (ii) (if given or made by email) when dispatched in tangible, readable form by the sender to the email address advised by the recipient from time to time,

provided that any notice or communication received or deemed received after 5pm on a working day in the place to which it is sent, or on a day which is not a working day in that place, shall be deemed not to have been received until the next working day in that place.

~~10.2~~11.2 **Initial address and numbers:** The initial address, email address and person (if any) designated for the purposes of this deed, are set out below:

- (a) **The Issuers:** those details set out under the heading "Details for notices" for the relevant Issuer in schedule 1 or otherwise provided in the relevant Accession Deed.
- (b) **The Subscriber:**
City Chambers
Level 8
142 Featherston Street
PO Box 5704
Wellington 6145
- Email: lgfa@lgfa.co.nz
Attention: Chief Executive

~~11.12.~~12. **AMENDMENTS**

~~11.1~~12.1 This deed shall not be amended except with the written agreement of the Subscriber and all of the Issuers.

~~12.13.~~13. **MISCELLANEOUS**

~~12.1~~13.1 **Waivers and remedies:** Time shall be of the essence in this deed but no delay in acting, or failure to act, by the Subscriber or the Issuer is a waiver of any of the Subscriber's or the Issuer's rights. The rights provided in this deed do not exclude any rights provided by law.

~~12.2~~13.2 **Partial invalidity:** An invalid provision in this deed shall not affect the enforceability of the remaining provisions of this deed.

~~12.3~~13.3 **Survival:** The indemnities given in this deed will survive the repayment of all the Securities and the termination of this deed.

~~12.4~~13.4 **Counterparts:** This deed may be signed in any number of counterparts, all of which together constitute one and the same instrument, and any of the parties may execute this deed by signing any such counterpart.

~~12.5~~13.5 **Debenture Trust Deed Notifications:** The Subscriber shall:

- (a) within one Business Day of receipt of a written request from ~~the~~an Issuer ~~that is a Local Authority~~ or ~~the~~that Issuer's Trustee, notify ~~the~~that Issuer and ~~the~~that Issuer's Trustee (in writing) of the "nominal amount" of the Security Stock:
 - (i) held by the Subscriber in respect of ~~the~~that Issuer's obligations under each of this deed, the Securities and, where ~~the~~that Issuer is a Guarantor, ~~the~~ Equity Commitment Deed; and
 - (ii) where ~~the~~that Issuer is a Guarantor, held by the Security Trustee in respect of ~~the~~that Issuer's obligations under the Guarantee,

in each case as at the date of the Subscriber's notification;
- (b) to the extent known by the Subscriber, notify each Issuer (in writing) of any Event of Default affecting any other Issuer as soon as practicable after its occurrence and of the steps taken or proposed to be taken by the Subscriber in relation to such Event of Default, provided that:
 - (i) the Subscriber's obligation under this clause 13.5(b) only applies in respect of Securities of which it is the Holder; and
 - (ii) the Subscriber shall not be liable for:
 - (aa) any failure to provide such notification to an Issuer; and
 - (bb) any inaccuracy or incomplete information given in a notification, provided the notification is given by the Subscriber in good faith; and
- (c) promptly notify each Issuer (in writing) if the board of directors of the Subscriber determines that there is a risk of imminent default by the Subscriber under the terms of any of its Borrowed Money Indebtedness.

~~12.6~~13.6 **Consent to notification:** Each Issuer consents to the Subscriber providing each other Issuer the information set out in clause 13.5.

~~13.~~14. GOVERNING LAW

~~13.~~14.1 This deed shall be governed by New Zealand law.

~~14.~~15. NO CROWN GUARANTEE

~~14.~~15.1 The parties acknowledge that the obligations and liabilities of the Subscriber and any Issuer that is a Local Authority under this deed are not guaranteed by the Crown.

SIGNED AS A DEED

[Original execution blocks intentionally deleted]

SCHEDULE 1

Principal Shareholders

Local Authority name:	Debenture Trust Deed details:	Details for notices:
Auckland Council	Debenture Trust Deed between Auckland Council and Trustees Executors Limited dated 2 December 2010, as amended from time to time (including the amendment dated on or about 30 November 2011) <u>and most recently on 25 May 2016.</u>	<p>Delivery Address:</p> <p>1 Greys Avenue <u>135 Albert Street</u> Auckland Central <u>1010</u></p> <p>Postal Address:</p> <p>Private Bag 92300 <u>Victoria Street West</u> Auckland 1142</p> <p>Fax: (09) 368 5964</p> <p><u>Email:</u> <u>john.bishop@aucklandcouncil.govt.nz</u></p> <p>Attention: Mark Butcher <u>John Bishop</u>, <u>Group Treasurer</u></p>
Bay Of Plenty Regional Council	Debenture Trust Deed between Bay of Plenty Regional Council and Trustees Executors Limited dated on or about 30 November -2011.	<p>Delivery Address:</p> <p>5 Quay Street Whakatāne</p> <p>Postal Address:</p> <p>P O Box 364 Whakatāne 3158</p> <p>Fax: 0800-884-882</p> <p><u>Email: mat.taylor@boprc.govt.nz</u></p> <p>Attention: Brian Trott <u>Mat Taylor</u></p>

Christchurch City
Council

Debenture Trust Deed
between Christchurch City
Council and Trustees
Executors Limited dated 26
March 2007, as amended
from time to time ~~(including
the amendment dated and
most recently on or about 30
November 2011)~~

Delivery Address:
Civic Offices
53 Hereford Street
Christchurch

Postal Address:
P O Box 73016
Christchurch 8154

~~Fax: 03-941-8811~~

~~Email: Treasury@ccc.govt.nz~~

Attention: ~~Paul Anderson~~ [Andrew
Jefferies](#)

Hamilton City Council

Debenture Trust Deed
between Hamilton City
Council and Trustees
Executors Limited dated 19
June 2001, as amended
from time to time ~~(including
the amendment dated and
most recently on or about 30
November 2011)~~

Delivery Address:
[260 Anglesea Street](#)
Council Building
Garden Place
Hamilton
[3240](#)

Postal Address:
Private Bag 3010
Hamilton 3240

~~Fax: 07-838-6616~~

~~Email: david.bryant@hcc.govt.nz~~

Attention: ~~Matthew Walker~~ [David Bryant](#)

Hastings District Council

Debenture Trust Deed
between Hastings District
Council and Perpetual Trust
Limited ~~(and now between
the Council and Covenant
Trustee Services Limited)~~

Delivery Address:
207 Lyndon Road East
Hastings 4122

Postal Address:
Private Bag 9002



dated 16 March 2007, as
amended from time to time
(including the amendment
dated and most recently on ~~or~~
~~about~~ 30 November 2011).

Hastings 4156

~~Fax: 06 871 5101~~

Email: brucea@hdc.govt.nz

Attention: ~~Tony Gray~~ Bruce Allan

Masterton District
Council

Debenture Trust Deed
between Masterton District
Council and Trustees
Executors Limited dated 26
June 2007, as amended
from time to time (including
the amendment dated and
most recently on ~~or about~~ 30
November 2011).

Delivery Address:

~~64 Chapel Street~~

27 Lincoln Road

Masterton ~~5840~~ 5810

Postal Address:

PO Box 444

Masterton 5840

~~Fax: 06 378 8400~~

Email: davidp@mstn.govt.nz

Attention: ~~David Paris~~ Manager Finance

New Plymouth District Council	<p>Debenture Trust Deed between New Plymouth District Council and Perpetual Trust Limited (and now between the Council and Covenant Trustee Services Limited) dated 21 May 2009, as amended from time to time (including the amendment dated and most recently on or about 30 November 2011).</p>	<p>Delivery Address: Liardet St New Plymouth</p> <p>Postal Address: Private Bag 2025 New Plymouth 4342</p> <p>Fax: 06-759-6072</p> <p>Email: alison.trustrumrainey@npdc.govt.nz / carla.freeman@npdc.govt.nz</p> <p>Attention: Philip Armstrong Alison TrustrumRainey / Carla Freeman</p>
Otorohanga Ōtorohanga District Council	<p>Debenture Trust Deed between Otorohanga Ōtorohanga District Council and Perpetual Trust Limited (and now between the Council and Covenant Trustee Services Limited) dated on or about 30 November 2011.</p>	<p>Delivery Address: 17 Maniapoto Street Otorohanga Ōtorohanga 3940</p> <p>Postal Address PO Box 11 Otorohanga Ōtorohanga 3940</p> <p>Fax: 07-873-4300</p> <p>Email: grahamb@otodc.govt.nz</p> <p>Attention: Graham Bunn</p>
Selwyn District Council	<p>Debenture Trust Deed between Selwyn District Council and Trustees Executors Limited dated 17 July 2009, as amended from time to time (including the amendment dated and most recently on or about 30 November 2011).</p>	<p>Delivery Address: 2 Norman Kirk Drive Rolleston</p> <p>Postal Address: P O Box 90 Rolleston 7643</p> <p>Fax: 03-347-2799</p>

Email:Treasury.management@selwyn.govt.nzAttention: ~~Douglas Marshall~~Greg BellSouth Taranaki District
Council

Debenture Trust Deed
between South Taranaki
District Council and Trustees
Executors Limited dated 21
December 2007, as
amended from time to time
(including the amendment
dated and most recently on or
~~about~~ 30 November 2011).

Delivery Address:

105-111 Albion Street
Hawera 4610

Postal Address:

Private Bag 902
Hawera 4640

~~Fax: 06-278-8757~~Email: vipul.mehta@stdc.govt.nz

Attention: Vipul Mehta

Tasman District Council

Debenture Trust Deed
between Tasman District
Council and Perpetual Trust
Limited (and now between
the Council and Covenant
Trustee Services Limited)
dated 7 July 2010, as
amended from time to time
(including the amendment
dated and most recently on or
~~about~~ 30 November 2011).

Delivery Address:

189 Queen Street,
Richmond, Nelson 7050

Postal Address

Private Bag 4
Richmond, Nelson 7050

~~Fax: 03-543-9524~~Email: treasury@tasman.govt.nz

Attention: ~~Murray Stait~~Corporate
Services Manager



Taupo District Council

Debenture Trust Deed
between Taupo District
Council and Trustees
Executors Limited dated 19
October 2009, as amended
from time to time ~~(including
the amendment dated and
most recently on or about 30
November 2011)~~

Delivery Address:

72 Lake Terrace
Taupo 3330

Postal Address:

Private Bag 2005
Taupo 3352

Fax: ~~07-377-2985~~Email: nward@taupo.govt.nzAttention: ~~Rob Williams~~ [Neil Ward](#)

Tauranga City Council

Debenture Trust Deed
between Tauranga District
Council and Perpetual Trust
Limited ~~(and now between
the Council and Covenant
Trustee Services Limited)~~
dated 11 August 1998, as
amended from time to time
~~(including the amendment
dated and most recently on or
about 30 November 2011)~~ 7
September 2012

Delivery Address:

91 Willow Street
Tauranga 3143

Postal Address:

Private Bag 12022
Tauranga 3143

Fax: ~~07-577-7056~~

Email:

treasury.settlements@tauranga.govt.nz

Attention: Mohan De Mel

Waipa District Council

Debenture Trust Deed
between Waipa District
Council and Trustees
Executors Limited dated 16
May 2007, as amended from
time to time ~~(including the
amendment dated and most
recently on or about 30
November 2011).~~

Delivery Address:

101 Bank Street
Te Awamutu

Postal Address:

Private Bag 2402
Te Awamutu 3800

~~Fax: 07-872-0033~~

Email:

Farrah.Templeton@waipadc.govt.nzSarah.Davies@waipadc.govt.nzKen.Morris@waipadc.govt.nz

Attention: Ken Morris

Wellington City Council

Debenture Trust Deed
between Wellington City
Council and Trustees
Executors Limited dated 11
May 2005, as amended from
time to time ~~(including the
amendment dated and most
recently on or about 5
December 2011).~~

Delivery Address:

~~101 Wakefield Street~~[Wellington City Council](#)[113 The Terrace](#)

Wellington

Postal Address:

PO Box 2199
Wellington 6140

~~Fax: 04-801-3090~~Email: martin.read@wcc.govt.nzAttention: ~~Danny McComb~~ [Martin Read](#)Wellington Regional
Council

Debenture Trust Deed
between Wellington Regional
Council and Trustees
Executors Limited dated 23
November 2011.

Delivery Address:

~~142 Wakefield Street~~[Shed 39, 2 Fryatt Quay, Pipitea](#)Wellington [6011](#)

Postal Address:



P O Box 11646
Manners Street
Wellington 6142

~~Fax: 04-385-3973~~

Email: mike.timmer@gw.govt.nz

matthias.zuschlag@gw.govt.nz

Attention: Mike Timmer

Western Bay Of Plenty
District Council

Debenture Trust Deed
between Western Bay of
Plenty District Council and
Trustees Executors Limited
dated 8 October 1999, as
amended from time to time
(including the amendment
dated [and most recently](#) on ~~or~~
~~about~~ 30 November 2011).

Delivery Address:

Barkes Corner
Greerton
Tauranga

Postal Address:

Private Bag 12803
Tauranga 3143

~~Fax: 07-577-9280~~

Email:

kumaren@perumal@westernbay.govt.nz

Attention: ~~Matthew Polton~~ [Kumaren](#)

[Perumal](#)

Whangarei District
Council

Debenture Trust Deed
between Whangarei District
Council and [Trustees
Executors Limited \(formerly
Tower Trust Limited\)](#) dated
10 June 2002, as amended
from time to time (including
the amendment dated [and
most recently](#) on ~~or about~~ 30
November 2011).

Delivery Address:

Forum North
Rust Avenue
Whangarei

Postal Address:

Private Bag 9023
Whangarei 0148

~~Fax: 09-438-7632~~

Email: alan.adcock@wdc.govt.nz



Attention: Alan Adcock

SCHEDULE 2

Conditions

The following are the Conditions which will apply to each Tranche issued by an Issuer under the Multi-issuer Deed. The applicable Final Terms in relation to a Tranche may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with these Conditions, replace or modify the Conditions applicable to the Tranche. References in these Conditions to the "Issuer" means the Issuer specified in the applicable Final Terms.

1. INTERPRETATION

1.1 **Definitions:** In these Conditions, unless the context otherwise requires:

"Act" means the Local Government Act 2002.

"Agency Agreement" means, in relation to the Issuer and a Series, the agency agreement between the Issuer and the person appointed as Registrar for the Series, as specified in the applicable Final Terms.

"Amortisation Date" means, in respect of an Amortising Security, each date (other than the Maturity Date) for the repayment of part of the Principal Amount of that Amortising Security, being the dates specified as such in the applicable Final Terms.

"Amortising Security" means a Security (whether a Fixed Rate Security or a Floating Rate Security) the Principal Amount or part of the Principal Amount of which is repayable on the scheduled Amortisation Dates for that Security.

"Approved Issuer Levy" means, in relation to any payment of interest (as defined in section 86F of the Stamp and Cheque Duties Act 1971) under any Security, the levy payable by the Issuer in accordance with section 86J of the Stamp and Cheque Duties Act 1971.

"Base Rate" means, in relation to an Interest Period:

(a) **Bill rate:**

- (i) if the Interest Period is 1, 2, 3, 4, 5, or 6 months, the mid rate (rounded upwards, if necessary, to the nearest four decimal places) as displayed at or about 10.45am on the first day of that Interest Period on the Reuters Monitor Screen page BKBM (or its successor page) ("**Reuters Monitor Screen**") for bank bills having a term approximately equal to that Interest Period; or

"Business Day" means a day (other than a Saturday, Sunday or public holiday) on which registered banks are generally open for business in Christchurch, Wellington and Auckland.

"CCO" means a "council-controlled organisation" as defined in the Act, but excludes:

- (a) a council-controlled organisation that is not a company; and
- (b) a council-controlled organisation in which the equity securities held or controlled, directly or indirectly, by one or more Local Authorities carry less than (in aggregate) 51% of the voting rights at a meeting of the shareholders of that council-controlled organisation.

"CCO Credit Support" means, in relation to a CCO Issuer, any combination of the following:

- (a) a CCO Security;
- (b) a CCO Negative Pledge and Covenant;
- (c) a CCO Guarantee;
- (d) where a LA Shareholder provides a CCO Guarantee, the Security Stock issued by the LA Shareholder in respect of its obligations under the CCO Guarantee; and/or
- (e) any other security arrangements,

as specified in the applicable Final Terms.

"CCO Guarantee" means, in relation to a CCO Issuer, a guarantee and indemnity made by one or more CCO Shareholders (subject to any applicable laws) in favour of (amongst others) the Holder in respect of the indebtedness of that CCO Issuer.

"CCO Issuer" means an Issuer that is a CCO.

"CCO Negative Pledge and Covenant" means the undertakings given by a CCO Issuer in favour of the Holder and, set out in the applicable Final Terms, relating to:

- (a) for so long as any Series issued by the Issuer is outstanding, the restrictions on the creation or subsistence of any security interest over the whole or any part of its assets, other than a permitted security interest (as specified in the applicable Final Terms);
- (b) for so long as any Series issued by the Issuer is outstanding, the amount of its indebtedness relative to the aggregate amount uncalled and unpaid in respect of

equity securities in the Issuer owned legally and beneficially by the CCO Shareholders; and

(c) if applicable, calling up and/or demanding payment of, the whole or part (as specified in the request from the Holder) of the amount uncalled and/or unpaid in respect of the equity securities referred to in paragraph (b) on written request from a Holder, provided that such request may only be made following the occurrence of an Event of Default that is continuing.

"CCO Security" means, in relation to a CCO Issuer, a first ranking security interest in all of the CCO Issuer's property (including any rights of the CCO in respect of any amounts uncalled and/or unpaid in respect of equity securities owned legally and/or beneficially by the CCO Shareholders).

"CCO Shareholder" means a LA Shareholder or an Other Shareholder.

"CCO Support Document" means, in relation to a CCO Issuer, any document in relation to CCO Credit Support, as specified in the applicable Final Terms.

"Class" means a category of Securities which in the reasonable opinion of the Issuer -at any particular time, for any particular purpose, constitutes a separate class of Securities and

"Class of Holders" means the Holders of those Securities.

"Companies Act" means the Companies Act 1993.

"Debenture Trust Deed" means, in relation to ~~the Issuer~~ a Local Authority, the debenture trust deed made by ~~the Issuer~~ that Local Authority, under which certain of the ~~Issuer's~~ Local Authority's indebtedness may, from time to time, be secured by the issuing of Security Stock.

"Default Interest" has the meaning given in clause 6.6.

"Enforcement Event" has the meaning given to it in the Debenture Trust Deed.

"Event of Default" means any of the events specified in clause ~~10.1~~ 10.1 or 10.1A (as applicable).

"Extraordinary Resolution" has the meaning set out in the schedule to these Conditions.

"Final Terms" means:

(a) in relation to a Series or Tranche of EC Securities (as defined in the Multi-issuer Deed), the document entitled **"Final Terms"** signed by the Issuer and the original subscriber; and

(b) in relation to a Series or Tranche of any other Securities, the document entitled "**NZ Local Government Funding Agency Term Sheet**" signed by an authorised signatory of the original subscriber,

in either case, that supplements these Conditions and may specify other terms and conditions which shall, to the extent inconsistent with these Conditions, replace or modify these Conditions with respect to the Tranche.

"Fixed Rate Security" means a Security bearing a fixed rate of interest.

"Floating Rate Security" means a Security bearing interest at a margin over the Base Rate.

"FMC Act" means the Financial Markets Conduct Act 2013.

"Holder" means, in relation to the Issuer at any time, the person whose name is recorded in the Register as the holder of a Security issued by the Issuer at that time.

"Insolvency Event" means, in relation to a CCO Issuer or any CCO Shareholder, any ["Insolvency Event" specified in the applicable Final Terms.](#)

"Interest Payment Date" means:

- (a) in relation to a Floating Rate Security, the last day of each Interest Period for that Floating Rate Security; and
- (b) in relation to a Fixed Rate Security, the quarterly, semi-annual or annual dates fixed at the time of issue of that Security for the payment of interest in respect of that Security as specified in the Final Terms and recorded as such in the Register.

"Interest Period" means, in relation to a Floating Rate Security, a period determined in accordance with clause ~~7.1(a)~~[7.1\(a\)](#) in respect of that Security.

"Interest Rate" means, in relation to a Security, the rate of interest (if any) payable in respect of that Security (which may be a fixed rate or a margin over the Base Rate) specified in the applicable Final Terms and recorded as such in the Register.

"Issue Date" means, in relation to a Security, the date on which that Security is issued, being the date specified as such in the applicable Final Terms and recorded as such in the Register.

"Issue Price" means, in relation to a Tranche, the Issue Price specified in the applicable Final Terms.

"LA Shareholder" means, in relation to a CCO Issuer, [each Local Authority that holds or controls \(directly or indirectly\) any equity securities of that CCO Issuer.](#)

"Local Authority" means [a local authority as defined in the Act.](#)

"Margin" means, in relation to a Floating Rate Security, the margin specified in the applicable Final Terms and recorded as such in the Register.

"Maturity Date" means, in relation to a Security, the date for the repayment of the Security, being the date specified in the applicable Final Terms and recorded as such in the Register.

"Minimum Subscription Amount" means, in relation to a Tranche, the minimum subscription amount of the Tranche, being the amount specified as such in the applicable Final Terms and recorded as such in the Register.

"Multi-issuer Deed" means the deed dated on or about 7 December 2011 [\(as amended and restated from time to time\)](#) between New Zealand Local Government Funding Agency Limited and various Local Authorities entitled **"Multi-issuer Deed"**.

"NZClear" means the securities clearing and settlement facility known as the NZClear ~~System~~ [New Zealand System or any other securities clearing and/or settlement facility which replaces or supersedes it from time to time.](#)

"NZ Dollars" or **"\$"** means the lawful currency of New Zealand.

"Other Shareholder" means, in relation to a CCO Issuer, [a person that is not a Local Authority that holds or controls \(directly or indirectly\) any equity securities of that CCO Issuer.](#)

"Principal Amount" means, in relation to a Security, the amount (other than interest) payable on redemption or repayment of the Security, being the amount specified as such in the applicable Final Terms and recorded as such in the Register or, as the context may require, in relation to an Amortising Security, the principal amount thereof for the time being outstanding, as reduced in accordance with clause 6.3 of these Conditions.

"Record Date" means, in relation to a payment due on a Security, 5.00pm on the tenth day before the due date for that payment or, if that day is not a Business Day, the preceding Business Day.

"Reference Banks" means ANZ Bank New Zealand Limited, Bank of New Zealand, ASB Bank Limited and Westpac New Zealand Limited.

"Register" means, in relation to a Series issued by the Issuer, the register of Securities maintained by the Registrar for the Series in accordance with these Conditions and the Agency Agreement.

"Registrar" means, in relation to a Series issued by the Issuer, the person named in the Agency Agreement and specified in the applicable Final Terms as the registrar, calculation agent and paying agent for the Series, or any successor agent appointed under the Agency Agreement in relation to the Series.

"RWT-Exempt Status" means ["RWT-exempt status" as defined in the Taxation \(Annual Rates for 2017–18, Employment and Investment Income, and Remedial Matters\) Act 2018.](#)

"Security" means a security issued under the Multi-issuer Deed and constituted by, and subject to the terms and conditions set out in, these Conditions, and includes an Amortising Security, a Fixed Rate Security, a Floating Rate Security, a Zero Coupon Security or any other type of security agreed from time to time by the Issuer and the initial subscriber for the security.

"Security Stock" means Security Stock as defined in the Debenture Trust Deed.

"Security Stock Certificate" means a Security Stock Certificate as defined in the Debenture Trust Deed.

"Series" means a Tranche of Securities together with any further Tranche or Tranches of Securities which are (i) expressed to be consolidated and form a single series; and (ii) identical in all respects except for their respective Issue Dates, first Interest Payment Dates and/or Issue Prices.

"Stock" has the meaning given to it in the Debenture Trust Deed.

"Tranche" means Securities of the same Series in respect of which all terms are identical.

"Trustee" means the trustee or supervisor as defined in the relevant Debenture Trust Deed.

"Zero Coupon Security" means a Security in respect of which no interest is payable, issued or to be issued by the Issuer at a discount to its Principal Amount.

1.2 **References:** Except to the extent that the context otherwise requires, any reference in these Conditions to:

a **"clause"** or **"schedule"** is a reference to a clause of, or schedule to, these Conditions.

any **"governmental agency"** includes any government or any governmental, semi-governmental or judicial entity or authority, or legislative body, or any person or body

charged with the administration of any law. It also includes any self-regulatory organisation established under statute or any stock exchange.

"indebtedness" includes an obligation (whether present or future, actual or contingent, secured or unsecured, as principal or surety or otherwise) for the payment or repayment of money.

a **"law"** includes common or customary law and any constitution, decree, judgment, legislation, order, ordinance, regulation, statute or other legislative measure, in each case of any jurisdiction whatever and **"lawful"** shall be construed accordingly.

something having a **"material adverse effect"** on a person is a reference to it having a material adverse effect on the financial condition or operations of that person which materially adversely affects the ability of that person to perform or comply with its payment obligations under these Conditions ~~or any Security~~, [any Security or any CCO Credit Support or CCO Support Documents \(if applicable\)](#).

["non-tax resident" means a Holder that is not a tax resident.](#)

"outstanding" means, in relation to Securities, all Securities other than those which have been:

- (a) redeemed or repaid in full in accordance with these Conditions; or
- (b) purchased and cancelled in accordance with these Conditions.

"payment" includes satisfaction of a monetary obligation.

"person" includes an individual, firm, company, corporation or unincorporated body of persons, organisation or trust, and any state, government or governmental agency, in each case whether or not having a separate legal personality.

"registered bank" has the meaning in section 2 of the Reserve Bank of New Zealand Act 1989.

[something being "remedied" means it is remedied to the satisfaction of the Holder.](#)

a **"security interest"** includes a security interest (as construed and defined in the Personal Property Securities Act 1999), mortgage, lien, pledge, any interest in land of a security nature, any other security arrangement creating in effect security for the payment of a monetary obligation or the observance of any other obligation, and any other arrangement having like economic effect over any property, assets or revenues, and **"unsecured"** means not subject to a security interest.

"**tax**" includes any present or future tax, levy, impost, duty, rate, charge, fee, deduction or withholding of any nature and whatever called (including, for the avoidance of doubt, Approved Issuer Levy), imposed or levied by any governmental agency, together with any interest, penalty, charge, fee or other amount imposed or made on or in respect of any of the foregoing.

"**tax resident**" means a Holder that:

- (a) is resident in New Zealand for tax purposes, ~~or engaged in~~
- (b) carries on business in New Zealand through a fixed establishment ~~in New Zealand,~~
~~and "non-tax resident"~~ and either:
 - (i) is a registered bank and is not associated with the Issuer; or
 - (ii) holds the Security for the purposes of the business it carries on in New Zealand through that fixed establishment.

provided that for the purposes of this definition, the terms "associated", "fixed establishment" and "registered bank" shall ~~be construed accordingly~~ have the meanings given in the Income Tax Act 2007.

"**written**" and "**in writing**" includes all means of reproducing words in a tangible and permanently visible form.

1.3 **Miscellaneous:**

- (a) The headings in the Conditions are inserted for convenience only and shall be ignored in construing these Conditions.
- (b) Unless the context otherwise requires words denoting only the singular number shall include the plural and vice versa and words denoting any gender shall include all genders.
- (c) References to any legislation or to any provision of any legislation are deemed to be references to that legislation or provision as from time to time amended, re-enacted or substituted and, unless the context otherwise requires, shall also include any statutory instruments issued under any such legislation or provision.
- (d) References to any document (however described) shall include references to such document as modified, novated, supplemented, varied or replaced from time to time.

- (e) References to any party to these Conditions or any other document or any Holder shall include its successors or permitted assigns.
- (f) References to a time of day are references to New Zealand time unless otherwise stated.
- (g) Anything which may be done at any time may also be done from time to time.

2. ISSUE AND FORM OF SECURITIES

2.1 **Form of Securities:** Securities may be issued on terms such that the Principal Amount is a fixed amount or a reducing amount and/or that interest (if the Security is interest-bearing) will be calculated by reference to a specific interest rate (which may be a fixed rate or a margin over the Base Rate) or as otherwise specified in the applicable Final Terms. Each Security shall:

- (a) be in uncertificated book entry form;
- (b) be denominated in NZ Dollars; and
- (c) have a Minimum Subscription Amount for holdings of the Security of at least \$750,000 and also may have a minimum multiple of that amount for such holdings, in each case as specified in the applicable Final Terms.

2.2 **Final Terms:** Securities shall be constituted and issued in Tranches. Each Tranche shall be subject to the terms and conditions set out in the Final Terms for the Tranche and (as modified by those Final Terms) these Conditions. To the extent that the Final Terms for a Tranche modifies these Conditions, or in the event of any conflict between the provisions of the Final Terms and those of these Conditions, the Final Terms shall prevail over these Conditions in relation to the Tranche.

3. STATUS OF SECURITIES

3.1 **Status of Securities:**

- (a) The Securities are and will at all times be direct, secured and unconditional indebtedness of the Issuer.
- (b) Securities issued by the Issuer rank and will at all times rank equally without any preference or priority among themselves.

3.2 **Security:** (Local Authority): All Securities issued by ~~the~~an Issuer that is a Local Authority shall have the benefit of the security interest given, and shall be subject to any security arrangements provided for, in the Debenture Trust Deed.

3.2A **Security (CCO):** All Securities issued by a CCO Issuer shall have the benefit of any security interest given, and shall be subject to any security arrangements provided for, in the CCO Support Documents.

3.3 **Provisions applicable to Securities:** Each Tranche shall be issued and held with the benefit of and subject to these Conditions and the applicable Final Terms, all of which are binding upon the Issuer and the Holders. The Holders shall be deemed to have notice of these Conditions and the applicable Final Terms.

3.4 **Enforcement of Holders' rights:** Holders may enforce any of their rights or remedies under these Conditions and the applicable Final Terms directly against the Issuer.

4. TITLE AND TRANSFER

4.1 **Certificates:** At the request of a Holder, or otherwise as required by the FMC Act or any other applicable law, the Issuer shall procure the Registrar to issue to the Holder a certificate or notice of registration in relation to the Securities held by the Holder, such certificate or notice to be in the form agreed between the Issuer and the Registrar. A certificate or notice of registration issued in respect of a Security will not constitute a document of title. Subject to clause ~~4.6~~4.6, entitlement will be determined solely by entry in the Register and, in the case of the beneficial interest in Securities lodged in NZClear, the records of NZClear.

4.2 **Transfer:** Title to a Security may be transferred by a transfer in any commonly used form signed by the transferor and the transferee and produced to the Registrar.

4.3 **Partial transfers:** A Holder may transfer part only of its interest in a Security. However, no transfer of any part of its interest may be effected if such transfer would result in the transferor or the transferee holding or continuing to hold Securities with an aggregate Principal Amount of less than the applicable Minimum Subscription Amount (or minimum multiple thereof).

4.4 **Fees:** The Issuer and the Registrar shall make no service charge to the Holders for:

- (a) the registration of any holding of Securities; or
- (b) the transfer of registered title to any Securities.

The Issuer and the Registrar may, however, require the payment of any taxes and other governmental charges payable as a result of any transfer.

4.5 **Selling restrictions:**

(a) Each Holder shall only offer for sale or sell, directly or indirectly, or transfer any Security in conformity with all applicable laws ~~and regulations~~ in any jurisdiction in which it is offered, sold or delivered.

(b) Without limitation to the generality of clause ~~4.5(a)~~, 4.5(a), Securities shall not be offered, sold or delivered, nor may any information memorandum, advertisement or other offering materials in relation to any offer of such Securities be distributed in New Zealand other than to "wholesale investors" as that term is defined in clauses 3(2)(a), (c) and (d) of Schedule 1 to the FMC Act, being a person who is:

(i) an "investment business";

(ii) "large"; or

(iii) a "government agency",

in each case as defined in Schedule 1 to the FMC Act. For the avoidance of doubt, such Securities may not be offered or transferred to, among others, "eligible investors" (as defined in the FMC Act).

(c) No information memorandum or any advertisement, prospectus or other offering material in respect of any Security may be published, delivered or distributed in or from any country or jurisdiction except under circumstances which will result in compliance with all applicable laws ~~and regulations~~.

4.6 **Debenture Trust Deed:** In the case of any Security lodged in NZClear and:

(a) issued by a Local Authority, for the purposes of the Debenture Trust Deed and any Security Stock issued under that Debenture Trust Deed for that Security and evidenced by a Security Stock Certificate, ~~or~~ or

(b) issued by a CCO, for the purposes of any CCO Support Document (if applicable).

all amounts payable (present or future, actual or contingent) under these Conditions in respect of that Security shall be deemed to be owed to the holder of the beneficial interest in the Security (as shown in the records of NZClear). This clause applies notwithstanding anything to the contrary in these Conditions.

5. REGISTER

5.1 **Register:** The Issuer shall at all times while any Series is outstanding cause the Registrar for each Series to maintain the Register, which must record in respect of each Security the information specified in the applicable Final Terms plus the following information:

- (a) the name, address and (where known) tax residency of the Holder;
- (b) details of the account to which payments in respect of the Securities are to be made;
- (c) transfers of the Security;
- (d) details of any resident withholding tax exemption certificates held by the Holder; and
- (e) any other information required by law.

5.2 **Disclosure and Inspection:** The Registrar of the relevant Series must disclose to a Holder who so requests, any information held on the Register which relates to the Security(s) registered in the name of the Holder. The Holders may at any time during normal office hours upon reasonable notice to the Registrar inspect and take extracts from each Register without payment of any fee.

5.3 **Register conclusive:** Except as ordered by a court of competent jurisdiction and subject to clause ~~4.6~~, 4.6, the Issuer and the Registrar are each entitled to recognise the Holder of a Security as the absolute owner of the Security and shall not be bound by any actual or constructive notice of any trust (express, implied or constructive), encumbrance, security or other adverse interest to which any Security may be subject. No recognition of any trust (express, implied or constructive), encumbrance, security or other adverse interest shall be entered on the Register. In the event of any conflict between any certificate or notice of registration issued in respect of a Security and the Register, the Register shall prevail.

5.4 **Correction of errors:** Each Registrar may, on such evidence as appears to it to be sufficient, correct errors and remedy omissions in the Register.

5.5 **Co-ownership Securities:**

- (a) Where two or more persons are registered as Holders of the same Security(s) by virtue of any application for Securities, memorandum of transfer or other instrument, then, unless the contrary is expressed in the application, memorandum, or other instrument, the persons will be deemed to hold the Security(s) as joint tenants with right of survivorship.
- (b) If two or more persons apply by memorandum of transfer, to be registered as Holders as tenants in common, the Registrar for the relevant Series may, after notifying the persons of its intention to do so, divide the Securities into parcels which represent each such person's share. If the Securities cannot be divided into shares which would enable each such person to hold Securities with an aggregate

Principal Amount of at least the applicable Minimum Subscription Amounts (and any minimum multiples thereof), the Registrar of the relevant Series may refuse to accept the memorandum of transfer.

- 5.6 **Acquisition of Securities by operation of law:** When the right to a Security is acquired by any person in any manner other than by way of a transfer under these Conditions (whether on the dissolution, death or bankruptcy of the relevant Holder, or under a writ of execution, or otherwise) the Registrar of the relevant Series, on application by or on behalf of that person and on being satisfied that such person is legally entitled to be registered as the Holder of the Security, will enter that person's name in the Register as the Holder of the Security accordingly.
- 5.7 **Notification by Holders:** Any change of name or address of any Holder or any change in any other information required to be inserted in the Register in respect of any Holder shall immediately be notified to the Registrar of the relevant Series in writing by the Holder, or if a joint holding by all the joint Holders.
- 5.8 **Compliance with law:** The Issuer shall comply with, and shall use its best endeavours to ensure that each Registrar complies with, all statutory requirements and the requirements of these Conditions relating to the keeping of the Register and the details entered in the Register.
6. **PAYMENT OF PRINCIPAL AMOUNT AND INTEREST**
- 6.1 **Determination of Principal Amount:** The Principal Amount of each Security shall be the amount recorded as such in the Register in respect of the Security, which may be the par or face value.
- 6.2 **Principal Amount of Securities:** The Issuer shall, on the Maturity Date of each Security, unconditionally pay or cause to be paid to, or to the order of, the relevant Holder the Principal Amount of the Security. Unless the applicable Final Terms provide otherwise, and except to the extent provided in these Conditions, a Security shall not be redeemed prior to its Maturity Date.
- 6.3 **Principal Amount of Amortising Securities:** The Issuer shall, on each Amortisation Date of each Amortising Security, unconditionally pay, or cause to be paid to, or to the order of, the relevant Holder, the portion of the Principal Amount of the Amortising Security as set out in respect of the Amortisation Date in the applicable Final Terms and recorded in the Register.
- 6.4 **Interest:** The Issuer shall pay interest on each Interest Payment Date:

- (a) on each Floating Rate Security for each Interest Period, at the rate per annum equal to the aggregate of the Base Rate for the Interest Period (as determined by the Registrar for the relevant Series) and the Margin for the Floating Rate Security; and
- (b) on each Fixed Rate Security, at the Interest Rate for the Fixed Rate Security.

6.5 **Non-payment:** Each Security will cease to bear interest from its Maturity Date unless payment of the Principal Amount is improperly withheld or refused. In such event, interest will continue to accrue (after, as well as before, any judgment) up to but excluding the date on which payment in full of the Principal Amount is made.

6.6 **Default interest:** If any amount payable by the Issuer in respect of a Security or any other amount due to any person from the Issuer under these Conditions is not paid on its due date, interest ("**Default Interest**") shall accrue on the unpaid amount (net of any interim or progress payments made) (after, as well as before, any judgment) at the rate determined by the Registrar for the relevant Series to be the aggregate of 2% and the Base Rate which on the due date would apply to an interest period of one month, shall be determined at monthly intervals thereafter until the unpaid amount (net of any interim or progress payments) is paid and shall be compounded monthly until paid. For the avoidance of doubt, this clause 6.6 shall not apply in respect of payments suspended in accordance with these Conditions.

7. CALCULATION OF INTEREST

7.1 Floating Rate Securities:

- (a) **Interest Periods:** Each Interest Period in relation to a Floating Rate Security shall be a period of one, two, three, four, five or six months' duration (as specified in the applicable Final Terms) and:
 - (i) the first Interest Period will commence on (and include) the Issue Date and end on (but exclude) the first Interest Payment Date (as specified in the applicable Final Terms) and each subsequent Interest Period will commence on (and include) the Interest Payment Date of the previous Interest Period and end on (but exclude) the next Interest Payment Date;
 - (ii) if an Interest Period would otherwise end on a day which is not a Business Day, it will be extended to the next Business Day; and
 - (iii) if the final Interest Period would otherwise extend beyond the Maturity Date, it will end on the Maturity Date.

(b) **Basis for calculation:** Interest shall be calculated on the Principal Amount of the Floating Rate Security, on the basis of the number of days in the relevant Interest Period and a year of 365 days. Interest shall accrue from day to day and shall be paid to the Holder in ~~arrears~~ arrear on the Interest Payment Date for the Interest Period.

7.2 **Fixed Rate Securities:** Interest shall be calculated on the Principal Amount of each Fixed Rate Security and shall be payable in ~~arrears~~ arrear in equal quarterly, semi-annual or annual instalments (as specified in the applicable Final Terms) on each Interest Payment Date for the Fixed Rate Security.

8. PAYMENTS

8.1 **Payment to Holder:** Payment of the Principal Amount of, and interest (if any) on, a Security (less any amount required to be deducted in accordance with clause ~~9)9)~~ shall be made to the person whose name appears in the Register as the Holder of the Security on the Record Date in respect of the relevant payment. If more than one person is so named in the Register, payment will be made to the first person so named.

8.2 **Method of payment:** A Holder may, by notice to the Registrar for the Series, request the Registrar to make payments in respect of any Security held by it to a specified bank account and may at any time cancel or amend any notice so given. No such notice, or cancellation or amendment of a notice, will have effect in respect of any payment unless received by the Registrar on or before the Record Date for the payment. In the absence of any such notice, payments in respect of each Security will be made by posting a cheque to the address of the relevant Holder appearing in the Register. Any notice given under this clause will be deemed to be automatically cancelled upon transfer of all or part of a Security. A notice from one of several Holders of the same Securities shall be deemed to be given by all such Holders.

8.3 **Business Day:** If any Interest Payment Date or the Maturity Date of a Security is not a Business Day, the due date for the payment to be made on that date will be the next following Business Day and all other provisions of these Conditions and the Agency Agreement will be read and construed accordingly.

8.4 **Unclaimed payments:** In respect of any Securities, if any payment made by the Issuer to any Holder at its address last entered in the Register is returned unclaimed the amount concerned must (unless the Registrar or the Issuer has in the meantime received notice of a change of address to be entered in the Register) be returned to the Issuer. The Issuer shall be entitled to retain for its own benefit, and will have no liability in respect of, the amount concerned if it remains unclaimed six years after the original date of payment.

- 8.5 **Reinstatement:** If any payment made to a Holder by, or on behalf of, the Issuer is subsequently rescinded, avoided or otherwise restored to the Issuer, that payment will be deemed not to have discharged or affected the liability of the Issuer in respect of which that payment was made. In that event the relevant Holder and the Issuer will be restored to the position in which each would have been, and be entitled to exercise all the rights which each would have had, if such payment had not been made.

9. TAXES

- 9.1 **Deductions or withholdings:** All sums payable under a Security or under these Conditions must be paid:

- (a) free of any restriction or condition;
- (b) free and clear of, and (except to the extent required by law or as provided in this clause ~~9.9~~) without any deduction or withholding on account of, any taxes; and
- (c) without deduction or withholding on account of any other amount whether by way of set-off or otherwise (except as provided in clauses 9.2 and 9.3).

- 9.2 **Non-resident Withholding Tax:** New Zealand non-resident withholding tax will be deducted from payments of interest (or payments deemed by law to be interest) to non-tax resident Holders. Unless the relevant non-tax resident Holder notifies the Issuer that it elects that non-resident withholding tax be deducted from payments to it instead of Approved Issuer Levy, if the Issuer is lawfully able to register for and pay Approved Issuer Levy in respect of any payment of interest (or deemed interest) to non-tax resident Holders, the Issuer shall register itself as an approved issuer and shall register the Series as registered securities, and the Issuer, or the Registrar for the relevant Series on its behalf, shall pay the Approved Issuer Levy to the appropriate authority and shall deduct the amount paid from the interest (or deemed interest) payable to those Holders in lieu of deducting New Zealand non-resident withholding tax from that payment at the rate otherwise applicable.

- 9.3 **Resident Withholding Tax:** New Zealand resident withholding tax will be deducted from payments of interest (or payments deemed by law to be interest) to Holders who are tax resident unless an appropriate exemption certificate ([or, on or after 1 April 2020, confirmation of RWT-Exempt Status](#)) is produced to the Registrar for the Series on or before the Record Date for the relevant payment.

- 9.4 **No gross-up:** The Issuer will not be required to and will not make any additional payment by way of gross-up or otherwise with respect to the deduction or withholding from any payment made in respect of the Securities under clause 9.2 or 9.3. If, in respect of any Security, the Registrar for the Series or the Issuer becomes liable to make any payment of,

or on account of, tax payable by any Holder, then the Registrar for the relevant Series and the Issuer shall be indemnified by the relevant Holder in respect of such liability. Any moneys paid by the Registrar for the relevant Series or the Issuer in respect of such liability may be recovered from the Holder as a debt due to the Registrar for the relevant Series or the Issuer and may be withheld from any further payments to that Holder. Nothing in this clause will prejudice or affect any other right or remedy of the Registrar for the relevant Series or the Issuer.

9.5 **Maximum rate:** Deductions of non-resident or resident withholding tax will be made at the maximum rates from time to time applicable unless a Holder provides evidence to the Issuer or the Registrar for the relevant Series (acceptable to it) that a lesser rate is applicable.

9.6 **Tax status:** The Issuer and the Registrar for the relevant Series shall be entitled for the purposes of this clause ~~9.9~~ to rely, without further enquiry, upon any statement made by or on behalf of a Holder in relation to that Holder's tax status or tax residency.

10. DEFAULT

10.1 **Events of Default:** (Local Authority): Any one or more of the following, whether or not within the control of the Issuer, constitutes an Event of Default for an Issuer that is a Local Authority:

(a) **Non-payment:** payment of:

- (i) the Principal Amount of the Securities is not made on the due date and such non-payment continues unremedied for two Business Days after its due date; or
- (ii) interest on the Securities is not made on the due date and such non-payment continues unremedied for seven Business Days after its due date; or

(b) **Other breach:** the Issuer commits any breach of, or omits to observe, any of its undertakings or obligations under the Securities and, in respect of any such breach or omission which is capable of being remedied, such breach or omission is not remedied within 30 days after receipt by the Issuer of a notice in writing from the ~~Subscriber~~Holder specifying the breach or omission and requiring it to be remedied; or

(c) **Receivership, Statutory management:**

- (i) a receiver, or receiver and manager is appointed (or the Issuer requests such appointment) or an encumbrancer takes possession or exercises its

powers of sale in respect of, all or any material part of the assets of the Issuer unless the Issuer demonstrates to the [SubscriberHolder](#) that such appointment or taking of possession or exercising of power will not have a material adverse effect on the ability of the Issuer to pay any amounts owing in relation to the Securities when it is due and payable; or

- (ii) a statutory manager is appointed under the Corporations (Investigation and Management) Act 1989 in respect of the Issuer or the Issuer or any associated person (as that term is defined in that Act) of the Issuer is declared at risk pursuant to the provisions of that Act; or

(d) **Enforcement Event:** an Enforcement Event occurs; or

(e) **Invalidity:** any provision of the Securities, the Security Stock Certificate issued in respect of the Securities or the Debenture Trust Deed:

- (i) ceases to have effect in whole or in part, other than by performance or as permitted by its terms; or
- (ii) becomes wholly or partly void, voidable, illegal, invalid or unenforceable (other than by reason only of a party waiving any of its rights), or the performance of any such provision becomes illegal,

or the Issuer or any person on its behalf, makes any allegation or claim to that effect; or

(f) **Change in law:** either the Act or the Local Government (Rating) Act 2002 is amended or repealed in a manner or to an extent which, in the reasonable opinion of the Holder, results in a material and adverse change in:

- (i) the ability of the Issuer to perform its payment obligations when due under the Securities, [the Security Stock issued in respect of the Securities](#) or the Debenture Trust Deed;
- (ii) the effect of the charge created by the Debenture Trust Deed for the purposes of section 115 of the Act; and/or
- (iii) the ability of any receiver which is or may be appointed over all or any part of the assets of the Issuer charged by the Debenture Trust Deed to exercise its rights under the Act to the same extent it is able to exercise those rights as at the date of the Multi-issuer Deed.

(g) **CCO Credit Support:** payment of any amount that is due under any CCO Support Document is not made on the due date (including any demand for uncalled capital made by, or on behalf of, a CCO Issuer) and such non-payment continues unremedied for two Business Days after its due date; or

(h) **Additional Event of Default:** the occurrence of any additional event of default specified in the Final Terms.

10.1A **Events of Default (CCO):** Any one or more of the following, whether or not within the control of the CCO Issuer, constitutes an Event of Default for a CCO Issuer:

(a) **Non-payment:** payment of:

(i) the Principal Amount of the Securities is not made on the due date and such non-payment continues unremedied for two Business Days after its due date; or

(ii) interest on the Securities is not made on the due date and such non-payment continues unremedied for seven Business Days after its due date; or

(iii) any amount due under any CCO Support Document is not made on the due date; or

(b) **Other breach:** the Issuer, any CCO Shareholder or any other party commits any breach of, or omits to observe, any of its undertakings or obligations under the Securities or a CCO Support Document and, in respect of any such breach or omission which is capable of being remedied, such breach or omission is not remedied within 30 days after receipt by the Issuer of a notice in writing from the Holder specifying the breach or omission and requiring it to be remedied; or

(c) **Insolvency:** an Insolvency Event occurs in relation to the Issuer, any of its LA Shareholders and any other CCO Shareholder that has entered into a document with, or granted any CCO Support Document in favour of, the Holder (including the original Holder) in respect of the Issuer; or

(d) **Enforcement Event:** an enforcement event, event of default, acceleration event or similar event (howsoever described) occurs under a CCO Support Document; or

(e) **Invalidity:** any provision of the Securities or a CCO Support Document:

(i) ceases to have effect in whole or in part, other than by performance or as permitted by its terms; or

(ii) becomes wholly or partly void, voidable, illegal, invalid or unenforceable (other than by reason only of a party waiving any of its rights), or the performance of any such provision becomes illegal,

or the Issuer, the relevant CCO Shareholder or any person on the Issuer's or CCO Shareholder's behalf, makes any allegation or claim to that effect; or

(g) **Status as a CCO:** the Issuer ceases to be a CCO; or

(h) **Cessation of business or dissolution:** the Issuer ceases or threatens to cease to carry on all or substantially all of its business or operations, or an application or an order is made, or a resolution is passed or proposed, for the dissolution of the Issuer except, in each case, for the purpose of, and followed by, an amalgamation or solvent reconstruction on terms previously approved in writing by the Holder; or

(i) **Litigation:** the Issuer is or becomes party to any litigation, tax claim or administrative or arbitration proceedings before or of any court, tribunal, arbitrator, or governmental agency, or to any dispute with any government, governmental agency, that has or would if adversely determined have a material adverse effect; or

(j) **Material adverse effect:** any event or circumstance, or series of events or circumstances (whether related or not) occurs that has or is reasonably likely to have a:

(i) material adverse effect on the Issuer or any CCO Shareholder; or

(ii) material adverse change in the effect of any CCO Credit Support or CCO Support Document; or

(k) **CCO Support Document:** a CCO Support Document does not provide a security interest to the relevant secured party having the priority which it purported to have; or

(l) **Change in law:** either the Act or the Local Government (Rating) Act 2002 is amended or repealed in a manner or to an extent which, in the reasonable opinion of the Holder, results in a material and adverse change in:

(i) the ability of the relevant CCO Shareholder to perform its payment obligations when due under any CCO Support Document or any Security Stock issued in respect of any CCO Support Document;

(ii) the effect of the charge created by the Debenture Trust Deed for the purposes of section 115 of the Act; and/or

(iii) the ability of any receiver which is or may be appointed over all or any part of the assets of the relevant CCO Shareholder charged by the Debenture Trust Deed to exercise its rights under the Act to the same extent it is able to exercise those rights as at the date of the Multi-issuer Deed; or

(m) **Additional Event of Default:** the occurrence of any additional event of default specified in the Final Terms.

10.2 **Acceleration:** Any time after the occurrence of an Event of Default, and while such is continuing unremediated or unwaived, a Holder may, by notice in writing to the Issuer declare all or any of the Securities held by the Holder to be immediately due and payable. If such a declaration is made, then the Issuer shall immediately pay to the relevant Holder:

- (a) in the case of a Fixed Rate Security or a Floating Rate Security, the Principal Amount of the Security together with accrued interest thereon at the applicable Interest Rate calculated on a daily basis from the last Interest Payment Date on which interest was actually paid in respect of the Security, or if no interest has been paid in respect of the Security, from the Issue Date to the date of payment; and
- (b) in the case of a Zero Coupon Security, the net present value, as at the date of declaration, of the Principal Amount of the Security determined by the Registrar by discounting the Principal Amount at the discount rate used to determine the purchase price for the Security at the time of its issue.

The Holder's rights under this clause 10.2 are without prejudice, and in addition, to any other rights the Holder may have (whether by law, contract or otherwise).

11. AMENDMENTS

11.1 **Limited right to amend:** Except as provided in clause ~~11.2~~ 11.2 and 11.3 the Issuer may not cancel, vary or amend any of these Conditions or the applicable Final Terms while any Securities are outstanding. Any amendment to these Conditions or any Final Terms must be in writing signed by the Issuer and all Holders of the relevant Securities.

11.2 **Amendment without consent:**

(a) The provisions of these Conditions and any Final Terms may be amended without the consent of the relevant Holders where such amendment (in the opinion of the Issuer):

- (i) is of a minor or technical nature;
- (ii) is to correct a manifest error; or
- (iii) is to comply with the requirements or a modification of the requirements of any applicable law,

and, in any such case, 2 authorised officers of the Issuer have certified for the benefit of the relevant Holders that such amendment will not be materially prejudicial to the interests of relevant Holders.

(b) Notice of any such amendment shall be provided to the relevant Holders within 30 days of the amendment being made.

11.3 **Amendment approved by Extraordinary Resolution:** Without limiting clause ~~11.2~~11.2 but subject to clause 11.4, the provisions of these Conditions and any Final Terms may be amended by the Issuer if the amendment has been approved by an Extraordinary Resolution of the Holders or relevant Class of Holders and notified in accordance with these Conditions.

11.4 **Meetings:** Meetings of Holders shall be held in accordance with the schedule to these Conditions.

11.5 **Notice:** Notice of any proposed variation under clause ~~11.2~~11.2 shall be given by the Issuer to each Holder or each affected Class of Holders not less than 14 days before the date on which it is intended that such variation take effect, but the non-receipt of notice by any such Holder shall not affect the validity of any such variation.

12. NOTICES

12.1 **Writing:** Each notice or other communication to be given or made under these Conditions to any person must:

- (a) **Writing:** be given or made in writing by email or letter and be signed by the sender or an authorised officer of the sender;
- (b) **Address:** be given or made to the recipient at the address or email address, and marked for the attention of the person (if any), from time to time designated by the recipient to the other for the purposes of these Conditions;

- (c) **Deemed delivery:** not be effective until received by the recipient, and any such notice or communication shall be deemed to be received:
- (i) (if given or made by letter) when left at the address of the recipient or 5 Business Days after being put in the post (by airmail if to another country), postage prepaid, and addressed to the recipient at that address; or
 - (ii) (if given or made by email) when dispatched in tangible, readable form by the sender to the email address advised by the recipient from time to time,

provided that any notice or communication received or deemed received after 5pm on a working day in the place to which it is sent, or on a day which is not a working day in that place, shall be deemed not to have been received until the next working day in that place.

- 12.2 **Initial address and numbers:** The initial address, email address and person (if any) designated for the purposes of these Conditions for each Holder will be specified in the Register.

13. GOVERNING LAW

- 13.1 These Conditions and the applicable Final Terms shall be governed by New Zealand law.

SCHEDULE

Meeting of Holders

1. DEFINITIONS

1.1 In these provisions:

"Appointed Time" means the day and time at which any meeting of Holders or the taking of a poll of Holders (not at a meeting of Holders) is due to be held.

"Class of Securities" means each category of Securities which in the reasonable opinion of the Issuer at any particular time, for any particular purpose, constitutes a separate class of Securities.

"Conditions" means the Conditions to which this schedule is attached and **"Final Terms"** has the meaning given in the Conditions.

"Extraordinary Resolution" means a resolution passed at a meeting of Holders, properly convened and held in accordance with the provisions of this schedule, at which not less than three fourths of the persons voting upon a show of hands or, if a poll is properly demanded, not less than three fourths of the votes given on such a poll voted in favour of the resolution.

"Proxy Closing Time" means 48 hours before the Appointed Time of the relevant meeting of Holders or taking of a poll of Holders.

"regulation" means a clause of this schedule.

"Representative" means:

- (a) in the case of an individual Holder, a person appointed by an instrument of proxy or by power of attorney or, in the event of the death of a Holder, the personal representative of that Holder; and
- (b) in the case of a Holder which is a corporation or corporation sole either:
 - (i) a person appointed by an instrument of proxy or by power of attorney; or
 - (ii) a person authorised by the directors of the corporation, or in the case of a corporation sole, a person authorised pursuant to its constitution.

2. CONVENING

- 2.1 **Meeting required by law:** The Issuer shall, whenever required to do so pursuant to the Companies Act 1993 or the FMC Act or any other applicable law, convene a meeting of the Holders.

- 2.2 **By Holders:** The Issuer shall, at the request in writing of Holders holding not less than 10% of the aggregate Principal Amount of the Securities, convene a meeting of the Holders. The request must state the nature of the business proposed to be dealt with at the meeting concerned.
- 2.3 **By Issuer:** The Issuer may at any time of its own volition convene a meeting of the Holders.
- 2.4 **Place of meeting:** Each meeting will be held in the city or town in which the Issuer is situated at a place designated in the relevant notice of meeting.
- 2.5 **Regulations:** Meetings of Holders shall be convened and held in accordance with the provisions of this schedule.

3. CLASSES OF SECURITIES

- 3.1 If, at any time, in the opinion of the Issuer, a matter is required to be determined by the Holders of a Class of Securities, a meeting may be called in respect of Holders of that Class of Securities, in which case the provisions of this schedule shall, with all necessary modifications, apply and be construed as if references to Securities were references to the relevant Class of Securities and references to Holders were references to the Holders of that Class of Securities.

4. NOTICE OF MEETINGS

- 4.1 **Persons to be notified:** Notice of every meeting shall be given in the manner provided in clause ~~4.2~~¹² of the Conditions to:
- (a) every Holder entered in the Register as at the close of business five Business Days prior to the date of despatch of the notice;
 - (b) the Issuer, if the meeting is convened by the Holders; and
 - (c) if the relevant Securities are listed, any stock exchange on which those Securities are listed.
- 4.2 **Time for notification:** At least 14 days' notice of every meeting will be given. The notice will be exclusive of the day on which it is served or deemed to be served and of the day for which it is given.
- 4.3 **Contents of notice:** The notice will specify the place and Appointed Time of the meeting and the general nature of the business to be transacted. It will not be necessary to specify in the notice the terms of the resolutions to be proposed, except in the case of a resolution

proposed to be passed as an Extraordinary Resolution in which case the text of the proposed resolution must be set out.

4.4 **Short or informal notice:** Notwithstanding any other provision of this regulation 4, a meeting may be called by shorter notice than that specified in regulation 4.2, or without any formal notice, and without compliance with regulation 4.3, and shall be deemed to have been duly called if it is so agreed by all Holders before, at or after that meeting.

4.5 **Accidental omission:** The accidental omission to give notice to, or the non-receipt of notice by, any person entitled to receive notice will not invalidate the proceedings at any meeting.

5. QUORUM

5.1 **Quorum required:** No business will be transacted at any meeting unless the requisite quorum is present at the commencement of business.

5.2 **Quorum for Extraordinary Resolution:** The quorum for passing an Extraordinary Resolution will be one or more Holders (present in person or by Representative) holding or representing a majority in Principal Amount of the Securities.

5.3 **Quorum for other business:** The quorum for the transaction of any business other than the passing of an Extraordinary Resolution will be one or more Holders (present in person or by Representative) of at least 10% in Principal Amount of the Securities.

5.4 **Quorum not present:** If, within 15 minutes (or any longer time not exceeding 45 minutes as the chairman of the meeting may decide) after the Appointed Time, a quorum is not present the meeting, if convened at the request of Holders, will be dissolved. In any other case it will be adjourned to a day and time (not being less than 14 days later) and to a place as may be appointed by the chairman. At such adjourned meeting all the Holders present in person or by Representative will be a quorum for the transaction of business including the passing of Extraordinary Resolutions.

5.5 **Notice of adjourned meeting:** Notice of any such adjourned meeting of Holders at which an Extraordinary Resolution is to be submitted will be given in the same manner as for an original meeting (except that only seven clear days' notice will be required) and such notice will state that the Holders present in person or by Representative at the adjourned meeting will form a quorum whatever the Principal Amount of Securities held by them.

6. CHAIRMAN

6.1 At a meeting of Holders a person appointed, by a resolution of Holders, from the Holders or

any Representatives present will preside as chairman at a meeting.

7. RIGHT TO ATTEND AND SPEAK

- 7.1 Any elected member, officer or solicitor of the Issuer, or any person appropriately authorised by the Issuer, may attend any meeting and all such persons will have the right to speak at the meeting.

8. ADJOURNMENT

- 8.1 **Chairman may adjourn:** The chairman may, with the consent of any meeting at which a quorum is present, and will, if so directed by the meeting, adjourn the meeting from time to time and from place to place.
- 8.2 **Business at adjourned meeting:** No business will be transacted at any adjourned meeting except business which might have been lawfully transacted at the meeting from which the adjournment took place.

9. ONLY PERSONS ON REGISTER RECOGNISED ~~BY COMPANY~~

- 9.1 The persons named as Holders in the Register will be recognised and treated as the legal owners of the Securities whether those persons are or are not in fact the owners of those Securities.

10. AUTHORITY TO VOTE

- 10.1 **Voting:** An individual Holder may vote personally or by his Representative and a Holder which is a corporation may vote by its Representative. A Holder may appoint more than one Representative, each such Representative being authorised to act on behalf of the Holder in respect of a specified Principal Amount of Securities.
- 10.2 **Entitlement:** The persons named in the Register as Holders at the Proxy Closing Time will be exclusively entitled to vote in person or by Representative in respect of the Securities recorded as owned by them.

11. PROXIES

- 11.1 **In writing:** The instrument appointing a proxy must be in writing signed by the appointer or his attorney or, if the appointer is a corporation, either by an authorised officer or attorney or

by any director, general manager, investment manager or other person who appears to have authority to appoint a proxy on behalf of the corporation.

- 11.2 **Proxy need not be Holder:** A person appointed to act as a proxy need not be a Holder. A holder of a proxy will have the right to speak at the meeting.
- 11.3 **Deposit of proxy:** The instrument appointing a proxy, and, if applicable, the power of attorney or other authority under which it is signed or a copy of such power or authority certified by a solicitor or in any other manner approved by the Issuer, must be deposited at the place appointed by the Issuer in the notice convening the meeting (or, if no such place is appointed, then at the registered office of the Issuer) not later than the Proxy Closing Time. An instrument of proxy which is not so deposited will not be treated as valid unless the Issuer, in its absolute discretion, elects to accept any instrument of proxy notwithstanding that that instrument, or any power of attorney or other authority, is received or produced at a place other than that specified above or out of time.
- 11.4 **Form of proxy:** An instrument of proxy may be in any usual or common form or in any other form approved by the Issuer and may make provision for directions to be given by the grantor to vote in favour of or against any proposed resolution.
- 11.5 **Proxy valid for meeting:** An instrument of proxy, whether in a usual or common form or not, will, unless the contrary is stated thereon, not need to be witnessed and will be valid for the meeting to which it relates and for any adjournment of that meeting. Notwithstanding any provisions contained in an instrument of proxy, no instrument of proxy will be valid after the expiration of 12 months from the date of its execution notwithstanding any provision to the contrary in the instrument, but this provision will not be construed to apply to the appointment of an attorney or Representative otherwise than by an instrument of proxy.
- 11.6 **Proxy in favour of chairman:** An instrument of proxy in favour of:
- (a) the chairman of the Issuer; or
 - (b) the chairman of the meeting,
- (however expressed) will be valid and effectual as though it were in favour of a named person and will, in the case of paragraph (a) above, constitute the person holding the office of the chairman of the Issuer or, in the case of paragraph (b) above, the person who chairs the meeting for which the proxy is used (whether on adjournment or not) the lawful proxy of the appointer.

12. HOLDER MAY APPOINT ATTORNEY

- 12.1 Any Holder may by power of attorney appoint an attorney (who need not be a Holder) to vote and act on that Holder's behalf at any meeting. An attorney will be entitled to produce evidence of his appointment at any time before the Appointed Time. An attorney who is so empowered may exercise the Holder's right to appoint a proxy.

13. CORPORATE REPRESENTATIVES

- 13.1 **Authority:** A Representative of a Holder which is a corporation or a corporation sole will, until that authority is revoked, be entitled to exercise the same powers on behalf of the corporation as that corporation could exercise if it were an individual Holder and will be entitled to produce evidence of his authority to act at any time before the Appointed Time of, or at, the meeting or adjourned meeting or for the taking of a poll at which the Representative proposes to vote.
- 13.2 **Right to act:** A Representative will have the right to demand or join in demanding a poll and will (except and to the extent to which the Representative is specially directed to vote for or against any proposal) have power generally to act at the meeting for the Holder concerned.

14. VOTING PROCEDURE AND POLLS

- 14.1 **Show of hands:** A resolution put to the vote of a meeting will be decided on a show of hands unless a poll is demanded (before or on the declaration of the result of the show of hands) by:

- (a) the chairman; or
- (b) the Issuer or any representative of the Issuer; or
- (c) one or more Holders holding or representing not less than 5% in aggregate Principal Amount of the Securities.

A declaration by the chairman that a resolution has been carried by the requisite majority or lost will be conclusive evidence of that fact unless a poll is demanded.

- 14.2 **Number of votes:** On a show of hands each person present at the meeting and entitled to vote (whether personally or as a Representative) will have one vote only. On a poll every Holder who is present in person or by a Representative will have one vote for every \$1 of Principal Amount of the Securities of which he is the Holder, provided that where a Holder holds Zero Coupon Securities, for the purposes of calculating that Holder's voting entitlement in this clause, the Principal Amount of those Zero Coupon Securities is to be construed as a

reference to the net present value of those Zero Coupon Securities (as calculated by the Registrar for the relevant Series by adjusting, on a straight line basis, the Principal Amount of the relevant Security by a proportion of any discount to that Principal Amount applicable to such Security on its Issue Date) as at the date of the meeting. On a poll, votes may be given either personally or by Representative and a person entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

- 14.3 **Poll:** If a poll is demanded it will be taken in the manner directed by the chairman and the result of the poll will be deemed to be the resolution of the meeting at which the poll was demanded.
- 14.4 **Chairman has casting vote:** In the case of an equality of votes, whether on a show of hands or on a poll, the chairman of the meeting at which the show of hands took place or at which the poll is demanded will be entitled to a casting vote in addition to the votes (if any) to which the chairman may be entitled as a Holder or on behalf of Holders.
- 14.5 **Election of chairman:** A poll demanded on the election of a chairman or on a question of adjournment will be taken immediately. A poll demanded on any other question will be taken either immediately or at a time within 30 days from the date of the meeting and in a place appointed by the chairman. The result of the poll will be deemed to be the resolution of the meeting at which the poll was demanded. No notice need be given of a poll not taken immediately.
- 14.6 **No disturbance:** The demand for a poll will not prevent the continuance of a meeting for the transaction of business other than the question in relation to which the poll has been demanded.
- 14.7 **Joint Holders:** In the case of joint Holders the vote of the senior who tenders a vote whether in person or by Representative will be accepted to the exclusion of the vote of the other joint Holders and for this purpose seniority will be determined by the order in which the names stand in the Register in respect of the joint holding.
- 14.8 **Disqualification:** A vote given in accordance with the terms of an instrument of proxy or power of attorney or other authority will be valid notwithstanding the previous death, insanity or (in the case of a corporation) liquidation of the principal or revocation of the proxy or power of attorney or authority or the transfer of the Securities in respect of which the vote is given, provided that no written notice of such death, insanity, liquidation, revocation or transfer is received by the Issuer at its registered office before the commencement of the meeting or adjourned meeting at which the proxy, attorney or authority is used.

15. EXTRAORDINARY RESOLUTIONS

15.1 **Powers:** A meeting of Holders will, in addition to all other powers which by these Conditions are specified as exercisable by Extraordinary Resolution, have the following powers exercisable by Extraordinary Resolution namely power to:

- (a) sanction either unconditionally or upon any conditions the release of the Issuer from the payment of all or any part of the moneys payable pursuant to the Securities;
- (b) sanction any request from the Issuer for the exchange of the Securities for, or the conversion of the Securities into, shares, stock, debentures, debenture stock or other obligations or securities of the Issuer or any other companyentity formed or to be formed;
- (c) postpone or, with the concurrence of the Issuer, to accelerate the day when the Principal Amount of any Securities becomes payable and to suspend or postpone for a time the payment of interest on any Securities;
- (d) sanction any alteration, release, modification, waiver, variation, or compromise or any arrangement relating to the rights of the Holders against the Issuer or its assets however those rights arise;
- (e) assent to any amendment to the terms of these Conditions or the relevant Final Terms proposed or agreed to by the Issuer and to authorise the Issuer to execute any document embodying any such amendment;
- (f) give any sanction, assent, release or waiver of any breach or default by the Issuer under any of the provisions of these Conditions or the relevant Final Terms;
- (g) sanction any scheme for the reconstruction of the Issuer or for the amalgamation of the Issuer with any other corporation where such sanction is necessary; and
- (h) authorise or direct the Issuer to execute any supplemental deed or other document embodying such sanction, authority or approval, assent, release, waiver, direction or request.

15.2 **Binding on Holders:** An Extraordinary Resolution passed at a meeting of Holders properly convened and held will be binding upon all the Holders whether or not present or entitled to be present at the meeting and the Holders will be bound to give effect to that resolution. The passing of any such resolution will, as between the Issuer and the Holders, be conclusive evidence that the circumstances justify the passing thereof the intention being that the meeting is entitled to determine without appeal whether or not the circumstances justify the

passing of any such resolution. Notwithstanding the foregoing a resolution which affects a particular Holder or Holders holding a Class of Securities only (as opposed to the rights of the Holders generally) will not be binding on such Holder or Holders unless the Holder or Holders agree to be bound by the terms of such resolution or unless the Holders of that Class have so agreed by virtue of an Extraordinary Resolution of the Holders of that Class of Securities. Whenever there are Securities outstanding which do not form a single Class then the provisions of this schedule shall have effect subject to the following:

- (a) a resolution which affects one Class only of Securities is deemed to have been duly passed if passed at a properly convened and held meeting of the Holders of that Class (or pursuant to regulation 17);
- (b) a resolution which affects more than one class of Securities, but does not give rise to a conflict of interest between the Holders of any of the Classes so affected is deemed to have been duly passed if passed at a single properly convened and held meeting of the Holders of all Classes so affected (or pursuant to regulation 17);
- (c) a resolution which affects more than one Class of Securities and gives or may give rise to a conflict of interest between the Holders of any of the Classes so affected is deemed to have been duly passed if passed at separate properly convened and held meetings of the Holders of each Class so affected (or pursuant to regulation 17); and
- (d) in respect of each meeting referred to in paragraphs (a), (b) and (c) of this regulation 15.2, the provisions of this schedule apply with the necessary modifications as though references in them to Securities and Holders were references to the relevant Class or Classes and to the Holders of the Securities comprised in such Class or Classes, respectively.

15.3 **Reliance on advice:** The Issuer may rely on, and the Holders and the Registrar for the relevant Series shall be bound by, a legal opinion from a leading law firm in New Zealand to the effect that a resolution affects one Class only or, if it affects more than one Class of Securities, does not give rise to a conflict of interest, for the purposes of determining the meeting or meetings which need to be held for the purposes of regulation 15.2.

16. MINUTES TO BE KEPT

16.1 Minutes of all resolutions and proceedings at every meeting will be made by the Issuer or, if the Issuer is not present at the meeting, by a person appointed by the chairman of the meeting. Minutes must be entered in books from time to time provided for that purpose by

the Issuer. Any such minutes, if signed or apparently signed by the chairman of the meeting at which a resolution was passed or proceedings had or by the chairman of the next meeting of Holders, will be prima facie evidence of the matters recorded in those minutes. Until the contrary is proved every meeting in respect of which minutes have been made will be deemed to have been properly held and convened and all resolutions passed or proceedings had at that meeting to have been properly passed and had.

17. RESOLUTIONS IN WRITING

- 17.1 **Extraordinary Resolution:** Anything that may be done by Holders by a resolution or Extraordinary Resolution passed at a meeting of Holders may be done by a resolution in writing signed by not less than 75% of the Holders having the right to vote on that resolution, holding in aggregate the Securities conferring the right to cast not less than 75% of the votes which could be cast on that resolution if a poll was demanded.
- 17.2 **Counterparts:** Any such resolution may consist of several documents in similar form, each signed by one or more Holders.
- 17.3 **Execution:** Any such resolution may be signed by a Holder, or an agent or attorney of the Holder duly authorised in writing, or if the Holder is a company, by a director, or by an authorised signatory or attorney so authorised by the company.

SCHEDULE 3

Form of Final Terms for EC Securities

The Final Terms in respect of each Tranche of EC Securities will be substantially in the following form, duly supplemented (if necessary), amended (if necessary) and completed to reflect the particular terms of the EC Securities and their issue. Text in this section appearing in italics does not form part of the Final Terms but denotes directions for their completion.

Final Terms dated [•]

[Name of Issuer]

Issue of *[Aggregate nominal amount of Tranche]* *[Title of EC Securities]*

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions ("Conditions") contained in the multi-issuer deed dated [•] 7 December 2011 made by New Zealand Local Government Funding Agency Limited and various Local Authorities. These Final Terms contain the final terms of the EC Securities and must be read in conjunction with the Conditions.

[Include whichever of the following apply or specify as "Not Applicable" (N/A). Note that the numbering should remain as set out below, even if "Not Applicable" is indicated for individual paragraphs or sub-paragraphs. Italics denote guidance for completing the Final Terms.]

- | | | | |
|-----|--------|------------------------------|---|
| 1. | (i) | Issuer: | [•] |
| 2. | [(i)] | Series Number: | [•] |
| | [(ii)] | Tranche Number: | [•] |
| | | | <i>[If fungible with an existing Series, details of that Series, including the date on which the Series becomes fungible]</i> |
| 3. | | Type of Securities: | <i>[Fixed Rate Securities/Floating Rate Securities/Zero Coupon Securities/Amortising Security].</i> |
| 4. | | Aggregate Principal Amount: | [•]. |
| 5. | | Issue Price: | [•]% of the aggregate Principal Amount. |
| 6. | | Minimum Subscription Amount: | [\$[750,000]] and integral multiples of \$[•]. |
| 7. | | Issue Date: | [•]. |
| 8. | | First Interest Payment Date: | [•]. |
| 9. | | Maturity Date: | [•]. |
| 10. | | Redemption restrictions: | <i>[Securities cannot be redeemed prior to Maturity Date].</i>
<i>[Amortising Securities].</i> |
| 11. | | Security: | Debenture Trust Deed dated [•] between Issuer and <i>[specify Trustee].</i> |

Provisions relating to interest (if any) payable

12. Floating Rate Security provisions:

- (i) Base Rate (if applicable): [Bill Rate / Swap Rate / Other Specified Rate].
- (ii) Margin: [•] % per annum
- (iii) Interest Periods: [One, two, three, four, five or six months].
- (iv) Interest Payment Dates: [•] in each year.

13. Fixed Rate Security provisions:

- (i) Interest Rate: [•] per cent per annum [payable annually/semi-annually/quarterly in arrears].
- (ii) Interest Payment Dates: [•] in each year.

14. Zero Coupon Security Provisions:

- (i) Annual yield: [•] per cent per annum.

Provisions relating to redemption

15. Redemption/Payment Basis: [Redemption at par].

16. Circumstances where Early Redemption Permitted: [N/A/Specify].

17. Early Redemption Amount: [Par].

18. Amortising Security provisions: [Applicable/~~NA~~/~~NA~~]

- (i) Amortisation Dates: [•]
- (ii) Principal Amount repayable on each Amortisation Date: \$[•]

General provisions applicable to the Securities

19. Governing Law: New Zealand.

20. Additional Selling Restrictions: [Specify] [N/A]

21. Additional conditions: [Specify] [N/A]

22. Registrar: [•].

Ratings

23. Ratings: [Specify] [N/A].

Operational Information

[insert as appropriate]

[Insert execution block for local authority]

**NEW ZEALAND LOCAL GOVERNMENT
FUNDING AGENCY LIMITED** by [insert
Execution method]:

SCHEDULE 4

Form of Accession Deed

ACCESSION DEED dated [●].

BETWEEN [—] PARTIES

[●]

("Acceding Party"), and ("

New Zealand Local Government Funding Agency Limited

("Subscriber")

pursuant to the Multi-~~Issuer~~ issuer Deed defined below.

INTRODUCTION

- A. The Subscriber has agreed that the Acceding Party may accede to the Multi-issuer Deed as an "Issuer".
- B. This deed records the accession.

AGREEMENT:

1. INTERPRETATION

1.1 Interpretation: In this deed:

"Local Authority" has the meaning given to it in the Local Government Act 2002.

"Multi-issuer Deed" means the deed dated [●] 7 December 2011 (as amended and restated on [●]) between the Subscriber and various Local Authorities entitled "Multi-issuer Deed".

1.2 **Multi-issuer Deed:** Terms defined in the Multi-issuer Deed have the same meaning in this deed unless the context requires otherwise.

1.3 **Inconsistency:** In the event of any inconsistency between the terms of this deed and those of the Multi-issuer Deed, the terms of this deed will prevail in respect of the Acceding Party.

2. ACCESSION

2.1 Accession: The Acceding Party hereby:

- (a) agrees with the Subscriber that with effect on and from the date of this deed, it will be bound by the Multi-issuer Deed as an Issuer as if it had been an original party thereto and named therein as an Issuer, and agrees to be bound by the terms of, and perform its obligations under, the Multi-issuer Deed; and
- (b) agrees that it will be bound by the special conditions (if any) set out in the annexure to this deed as if those were terms of the Multi-issuer Deed.

- 2.2 **Acknowledgement:** The Subscriber acknowledges and agrees to the accession made under this deed.
- 2.3 **Implied provisions:** For the purposes of section 14 of the Property Law Act 2007, the Acceding Party acknowledges that this deed is, and for all purposes and at all times shall be construed as being, supplemental to the Multi-issuer Deed.

3. NOTICE

The details for notices for the Acceding Party for the purposes of the Multi-issuer Deed are: *[specify]*

4. GOVERNING LAW

This deed shall be governed by the laws of New Zealand.

5. NO CROWN GUARANTEE

The obligations and liabilities of the *[Acceding Party and]* *[Delete bracketed text if Acceding Party is a CCO]* Subscriber under this deed and the Multi-~~Issuer~~ *issuer* Deed are not guaranteed by the Crown.

6. COUNTERPARTS

This deed may be signed in any number of counterparts, all of which together constitute one and the same instrument, and any of the parties may execute this deed by signing any such counterpart.

EXECUTED AS A DEED

Acceding Party

[LOCAL AUTHORITY/CCO] by:

Signature of ~~officer~~ *[Elected Member/Director]*

Signature of ~~officer~~ *[Elected Member/Director]*

Name of ~~officer~~ *[Elected Member/Director]*

Name of ~~officer~~ *[Elected Member/Director]*

Subscriber

**NEW ZEALAND LOCAL GOVERNMENT
FUNDING AGENCY LIMITED** by:

Signature of ~~director~~ *Director*

Signature of ~~director~~ *Director*

Name of ~~director~~ *Director*

Name of ~~director~~ *Director*

By signing the acknowledgement below, each entity identified in the annexure to this deed as a "CCO Shareholder":

- (a) _____ acknowledges the terms of this deed and the Multi-Issuer Deed;
- (b) _____ agrees to enter into any CCO Support Document to which it is expressed to be a party (as set out in the annexure to this deed); and
- (c) _____ where it is identified in the annexure to this deed as a "LA Shareholder", agrees to the additional representations, undertakings and termination events specified to apply to it pursuant to the annexure to this deed.

ACKNOWLEDGED BY:

[CCO SHAREHOLDER] by:

Signature of [Elected Member/Director]

Signature of [Elected Member/Director]

Name of [Elected Member/Director]

Name of [Elected Member/Director]

ANNEX TO THE ACCESSION DEED

~~[Additional]~~ [Exemptions and any additional conditions relating to the Acceding Party to be included here.]

[Include text below if Acceding Party is a CCO]

1. CCO Shareholder: As at the date of this deed, for the purposes of the Multi-issuer Deed, the CCO Shareholder[s] in respect of the Acceding Party is: [specify, including each CCO Shareholder's holding and whether each is a LA Shareholder or Other Shareholder].
2. CCO Credit Support: As at the date of this deed, for the purposes of the Multi-issuer Deed, the CCO Credit Support is: [specify, noting whether it reflects a "protected transaction" for any LA Shareholder].
3. CCO Support Document: As at the date of this deed, for the purposes of the Multi-issuer Deed, the CCO Support Document is: [specify, including the Debenture Trust Deed and Security Stock Certificate where a LA shareholder is giving a CCO Guarantee].
4. [CCO Negative Pledge and Covenant: [specify].]
5. Financial covenants: [For the purposes of clause 7.5 of the Multi-issuer Deed, the Acceding Party shall procure that [as at each Test Date for the financial year ending on that Test Date]: [specify financial covenants]]/[specify that no financial covenants apply]
6. Insolvency Event: means the occurrence of any of the following events in relation to the Acceding Party or any CCO Shareholder, without the prior written consent of the Subscriber:
 - (a) it is declared or becomes bankrupt or insolvent or is unable to pay its debts when they fall due;
 - (b) it is presumed to be unable to pay its debts in accordance with section 287 of the Companies Act;
 - (c) a receiver, receiver and manager, liquidator, provisional or interim liquidator, or administrator is appointed in respect of it or any of its assets;
 - (d) an application is made to a court, a meeting is convened or a resolution is passed for it to be wound up or dissolved or for the appointment of a receiver, liquidator, provisional or interim liquidator, statutory manager or administrator to it or any of its assets and such application is not withdrawn or dismissed within [●] Business Days;

(e) any step is taken to appoint, or with a view to appointing, a statutory manager (including the making of any recommendation in that regard by the Financial Markets Authority) under the Corporations (Investigation and Management) Act 1989 in respect of it, or it or any of its associated persons (as that term is defined in that Act) is declared at risk pursuant to the provisions of that Act;

(f) it:

(i) resolves to enter into, or enters into, a scheme of arrangement, a deed of company arrangement, compromise or composition with its creditors or an assignment for their benefit;

(ii) proposes or is subject to a moratorium of its debts; or

(iii) takes proceedings or actions similar to those mentioned in this paragraph as a result of which its assets are, or are proposed to be, submitted to the control of its creditors;

(g) it seeks or obtains protection from its creditors under any statute or any other law;

(h) any attachment, distress, execution or other process is made or levied against any asset of it in an amount in excess of \$[●] (or its equivalent in any currency or currencies) and is not withdrawn, stayed or dismissed within [●] Business Days; or

(i) an event occurs in relation to it which is analogous to anything referred to above or which has a substantially similar effect. *[Can be amended to reflect a CCO Shareholder's status].*

7. Permitted security interest (cl 6.1A(a)(xiv), (xv)): *[specify]/[None].*

8. Permitted disposal (cl 7.1A(a)(viii)): *[specify]/[None].*

9. Permitted Distribution (cl 7.1A(a)(xii)(aa)): *[specify]/[None].*

10. Permitted financial accommodation (cl 7.1A(a)(xiii)): *[specify]/[None].*

11. Permitted acquisition (cl 7.1A(a)(xv)): *[specify]/[None].*

12. Permitted merger (cl 7.1A(a)(ix)): *[specify]/[None].*

13. Additional representations by the Acceding Party (cl 6.1A(a)(xviii)): *[specify, including representations as to ranking obligations under the Multi-issuer Deed]/[None].*

14. Additional representations by each LA Shareholder (cl 6.1A(b)(viii)): *[specify]/[None].*

15. Additional undertakings by the Acceding Party (cl 7.1A(a)(xxi)): [specify, including undertakings as to ranking of obligations under the Multi-issuer Deed]/[None].
16. Additional undertakings by each LA Shareholder (cl 7.1A(b)(ix)(aa)): [specify]/[None].
17. Additional termination event in respect of the Acceding Party (cl 7.8(d)):
[specify]/[None].
18. Additional termination event in respect of each LA Shareholder (cl 7.8(d)):
[specify]/[None].
19. Additional Events of Default in respect of the Acceding Party:
- (a) Cross default:
- (i) any indebtedness of the Acceding Party is not paid when due nor within any originally applicable grace period;
- (ii) any indebtedness of the Acceding Party is declared to be or otherwise becomes due and payable prior to its specified maturity as a result of an enforcement event, event of default, acceleration event or similar event (howsoever described);
- (iii) any creditor of the Issuer becomes entitled to declare any indebtedness of the Issuer due and payable prior to its specified maturity as a result of an enforcement event, event of default, acceleration event or similar event (howsoever described),
- provided that no Event of Default will occur under this provision if the aggregate amount of indebtedness or commitment for indebtedness falling within paragraphs (i) to (iii) above is less than \$[•] (or its equivalent in any other currency or currencies);
- [specify each additional Event of Default (if any)].
20. Test Date: For the purposes of the Multi-issuer Deed, the Test Date for the Acceding Party is: [specify] of each year.
21. Exceptions: For the purposes of the Multi-issuer Deed, the following amendments are made to clauses 6.1A, 7.1A, 7.8 and 7.9: [specify]/[None].

SCHEDULE 5

Form of Term Sheet

The term sheet in respect of each Tranche of Securities (other than EC Securities) will be substantially in the following form, duly supplemented (if necessary), amended (if necessary) and completed to reflect the particular terms of the Securities and their issue. Text in this section appearing in italics does not form part of the term sheet but denotes directions for their completion.

New Zealand Local Government Funding Agency Limited – Term Sheet

NEW ZEALAND
LOCAL GOVERNMENT
FUNDING AGENCY

SETTLEMENTS CONTACT


EMAIL LGFA.tenderoperations@lgfa.co.nz

PH 04 974 6530

NZ LOCAL GOVERNMENT FUNDING AGENCY LIMITED TERM SHEET

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions ("Conditions") contained in the multi-issuer deed dated [•] 7 December 2011 made by New Zealand Local Government Funding Agency Limited and various Local Authorities. This term sheet contains the final terms of the Securities and must be read in conjunction with the Conditions.

[Include whichever of the following apply or specify as "Not Applicable" (N/A).]

	
LOCAL AUTHORITY LENDING SECURITY	
LGFA Term Sheet Security Reference	[•]
Subscriber	New Zealand Local Government Funding Agency Limited
Issuer	[•]
Series Number	[•]
Tranche Number	[•]
Type of Securities	<i>[Fixed Rate Securities/Floating Rate Securities/Zero Coupon Securities/Amortising Security]</i>
Security Identifier	[•]
Aggregate Principal Amount	[•]
Issue Price	[•]% of the aggregate Principal Amount
Maturity Date	[•]
Fixed Interest Rate (if Fixed Rate Securities)	[•]

Trade Yield (if Fixed Rate Securities)	[•]
Base Rate + Margin (if Floating Rate Securities)	[•]
Pricing Date (if Fixed Rate Securities) / Interest Rate Set Date (if Floating Rate Securities)	[•]
Issue Date	[•]
Interest Accrual Start Date	[•]
First Interest Payment Date	[•]
Interest Payment Dates	[•]
Interest Periods	[•]
Date Roll (Interest Payment Date and Maturity Date)	[•]
Annual Yield (if Zero Coupon Securities)	[•]
Daycount Convention	Modified Following
Holidays (Business Day)	Christchurch, Wellington, Auckland
Minimum Subscription Amount/multiples	[•]
Governing Law	New Zealand
Additional conditions	[Specify] [N/A]
Registrar	[•]
Agency Agreement	[•]
CCO Support Documents	[specify each security and guarantee document] or [N/A if not a CCO Issuer]
CCO Credit Support	[specify each security and guarantee] or [N/A if not a CCO Issuer]
CCO Negative Pledge and Covenant	[specify full negative pledge (if applicable) and any permitted security interest. See definition of "CCO Negative Pledge and Covenant" in clause 1.1 of the Conditions] or [N/A if not a CCO Issuer]
Insolvency Event	<p>[The occurrence of any of the following events in relation to the Issuer or any CCO Shareholder, without the prior written consent of the Holders:</p> <p>(a) it is declared or becomes bankrupt or insolvent or is unable to pay its debts when they fall due;</p>

	<p>(b) <u>it is presumed to be unable to pay its debts in accordance with section 287 of the Companies Act;</u></p> <p>(c) <u>a receiver, receiver and manager, liquidator, provisional or interim liquidator, or administrator is appointed in respect of it or any of its assets;</u></p> <p>(d) <u>an application is made to a court, a meeting is convened or a resolution is passed for it to be wound up or dissolved or for the appointment of a receiver, liquidator, provisional or interim liquidator, statutory manager or administrator to it or any of its assets and such application is not withdrawn or dismissed within [●] Business Days;</u></p> <p>(e) <u>any step is taken to appoint, or with a view to appointing, a statutory manager (including the making of any recommendation in that regard by the Financial Markets Authority) under the Corporations (Investigation and Management) Act 1989 in respect of it, or it or any of its associated persons (as that term is defined in that Act) is declared at risk pursuant to the provisions of that Act;</u></p> <p>(f) <u>it:</u></p> <p style="padding-left: 40px;">(i) <u>resolves to enter into, or enters into, a scheme of arrangement, a deed of company arrangement, compromise or composition with its creditors or an assignment for their benefit;</u></p> <p style="padding-left: 40px;">(ii) <u>proposes or is subject to a moratorium of its debts; or</u></p> <p style="padding-left: 40px;">(iii) <u>takes proceedings or actions similar to those mentioned in this paragraph as a result of which its assets are, or are proposed to be, submitted to the control of its creditors;</u></p> <p>(g) <u>it seeks or obtains protection from its creditors under any statute or any other law;</u></p>
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	<p>(h) <u>any attachment, distress, execution or other process is made or levied against any asset of it in an amount in excess of \$[•] (or its equivalent in any currency or currencies) and is not withdrawn, stayed or dismissed within [•] Business Days; or</u></p> <p>(i) <u>an event occurs in relation to it which is analogous to anything referred to above or which has a substantially similar effect. [Can be amended to reflect a CCO Shareholder's status] or [N/A if not a CCO Issuer]</u></p>
<u>Additional Event of Default</u>	<p>(a) Cross default:</p> <p>(i) <u>any indebtedness of the Issuer is not paid when due nor within any originally applicable grace period;</u></p> <p>(ii) <u>any indebtedness of the Issuer is declared to be or otherwise becomes due and payable prior to its specified maturity as a result of an enforcement event, event of default, acceleration event or similar event (howsoever described);</u></p> <p>(iii) <u>any creditor of the Issuer becomes entitled to declare any indebtedness of the Issuer due and payable prior to its specified maturity as a result of an enforcement event, event of default, acceleration event or similar event (howsoever described).</u></p> <p><u>provided that no Event of Default will occur under this provision if the aggregate amount of indebtedness or commitment for indebtedness falling within paragraphs (i) to (iii) above is less than \$[•] (or its equivalent in any other currency or currencies).</u></p> <p><u>[specify each additional Event of Default (if any)]</u></p>

**NEW ZEALAND LOCAL GOVERNMENT
FUNDING AGENCY LIMITED** by *[insert
Execution method]*:

[Insert execution block for local authority]

[For the avoidance of doubt, term sheets may include the terms of the corresponding Borrower Notes at the Subscriber's sole discretion and such inclusion shall not invalidate the relevant term sheet]

|

|

SCHEDULE 6

Form of Notice of Commitment for EC Securities

To: New Zealand Local Government Funding Agency Limited ("**Subscriber**")
Attention: { }

Email: { }
Date: { }

Re: Multi-issuer Deed dated [•] 7 December 2011 ("**Deed**")

Terms defined in the Deed have the same meaning in this Notice of Commitment unless the context requires otherwise.

1. For the purpose of clause 4.2(b) of the Deed, the Issuer hereby irrevocably and unconditionally offers to issue the EC Securities on the terms contained in the preliminary Final Terms enclosed with this notice.
2. The Issuer requests that the Subscriber accepts the above offer for the purposes of clause 4.2 of the Deed by counter-signing and returning to the Issuer a duplicate copy of this Notice of Commitment.

Yours faithfully
[Local Authority]

Signature of officer

The Subscriber hereby accepts the offer of the issuance of the EC Securities described in this notice, such acceptance subject to the conditions specified in clause 4.54 of the Deed.

**NEW ZEALAND LOCAL GOVERNMENT
FUNDING AGENCY LIMITED** by:

Signature of director

Signature of director

Name of director

Name of director

Date: [•]

[Attach preliminary Final Terms]

SCHEDULE 7

Form of Compliance Certificate

To: New Zealand Local Government Funding Agency Limited

Attention: { }

Email: { }

Date: { }

Re: Multi-issuer Deed dated [●] 7 December 2011 ("Deed")

Terms defined in the Deed have the same meanings in this Compliance Certificate unless the context requires otherwise.

1. This certificate is given to you pursuant to clause 7.5 of the Deed.
2. For the purposes of this certificate the Test Date is [insert date].
3. I, [name] the [insert position of Authorised Signatory] of [Council name] Council ("Issuer") certify that to the best of my knowledge and belief, having made due enquiry the covenants and ratios detailed in appendix A (comparing actual performance to the financial covenant) were true and correct in all respects as at the Test Date.
- [4. The Issuer provides the following details relating to breaches of the covenants and ratios detailed in appendix A (if any) as at the Test Date: [insert details]].

Dated: [●]

[name of Local Authority Issuer] by:

[Authorised Signatory]

APPENDIX A TO COMPLIANCE CERTIFICATE

Financial Covenant (clause 7.5)	Required Performance (%)	Actual Performance (%)
Net Debt: Total Revenue	[insert]	[insert]
Net Interest: Total Revenue	[insert]	[insert]
Net Interest: Annual Rates Income	[insert]	[insert]
Available Financial Accommodation: External Indebtedness	[insert]	[insert]

Financial Covenant Components

Net Debt	[insert]
Total Revenue	[insert]
Net Interest	[insert]
Annual Rates Income	[insert]
Available Financial Accommodation	[insert]
External indebtedness	[insert]

[insert/attach supporting information used to determine relevant financial covenant components, including providing details of various amounts at Issuer and/or Consolidated Group depending on parameters that apply under the Deed]



Notes Subscription Agreement

PARTIES

New Zealand Local Government Funding Agency Limited

Issuer

The Local Authorities Listed in Schedule 1

Principal Shareholders

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AGREEMENT dated 7 December 2011 (as amended [and restated](#) by the ~~agreement~~[deed](#) to which this agreement is attached as an appendix)

PARTIES

New Zealand Local Government Funding Agency Limited

("Issuer")

The Local Authorities Listed in Schedule 1

("Principal Shareholders")

INTRODUCTION

- A. The Issuer and the Principal Shareholders wish to record the arrangements agreed between them in relation to the issue of Borrower Notes by the Issuer from time to time to the Principal Shareholders, and other Local Authorities [or CCOs](#) that may accede to this agreement, as Subscribers.
- B. This agreement records those arrangements.

AGREEMENT

1. INTERPRETATION

- 1.1 **Definitions:** In this agreement, unless the context otherwise requires:

"Accession Deed" means a deed in the form, or substantially in the form, of schedule 2.

"Amortising Security" has the meaning given to it in the Conditions.

"Amortised Redemption Amount" means, in relation to an Amortising Security, as at any date, the aggregate LG Redemption Amount that the relevant Subscriber (in its capacity as issuer of that LG Security) has repaid to the Issuer in respect of that LG Security in accordance with its terms.

"Borrowed Money Indebtedness" means any indebtedness of the Issuer to a person (other than indebtedness owed to a Subscriber in respect of Borrower Notes) in respect of money borrowed or raised or any other financial accommodation whatsoever in the nature of, or having a similar economic effect to, borrowing or raising money, including indebtedness under or in respect of a negotiable or other financial instrument, guarantee, interest or currency exchange hedge or other arrangement of any kind (calculated on a net and marked to market basis).

"Borrower Note" means each note issued by the Issuer under this agreement.

"BN Percentage" means, in respect of a date:

(a) [from 7 December 2011 until \(and excluding\) the Initial BN Change Date, 1.6%; and](#)

(b) from (and including) the Initial BN Change Date, 2.5% or such other percentage approved by the board of the Issuer and notified (in writing) by the Issuer to all Subscribers from time to time as being applicable from (and including) the date specified in such notification.

"BN Percentage Period" means, in relation to a BN Percentage, the period during which that BN Percentage applies (in respect of the then current BN Percentage) or was applicable (in respect of any historic BN Percentage).

"Business Day" means a day (other than a Saturday, Sunday or public holiday) on which registered banks are generally open for business in Christchurch, Wellington and Auckland.

"CCO Subscriber" means a Subscriber that is a CCO.

"Commercial Paper" means in relation to a Subscriber, any securities issued by the Subscriber under the Multi-~~Issuer~~ issuer Deed which have a maturity date falling no more than 364 days after the issue date of those securities.

"Companies Act" means the Companies Act 1993.

"Constitution" means the Issuer's constitution.

"Conversion" means the conversion of Borrower Notes into Redeemable Shares in accordance with this agreement and **"Convert"**, **"Convertible"** and **"Converted"** shall be construed accordingly.

"Conversion Date" means the date specified as such in a Conversion Notice, which may be a day on or following the date of the Conversion Notice.

"Conversion Notice" has the meaning given to it in clause 8.1.

"Early Redemption Date" has the meaning given to it in clause 7.1(c).

"Extension Notice" has the meaning given to it in clause 8.6.

"FMC Act" means the Financial Markets Conduct Act 2013.

"Initial BN Change Date" means, and includes, the date of the deed to which this agreement is attached as an appendix.

"Issue Date" means, in relation a Borrower Note, the date on which the Borrower Note is issued, as recorded as such in the Register. The Issue Date of a Borrower Note shall be the same as the "Issue Date" of the related LG Securities issued by the Subscriber under the Multi-~~Issuer~~ issuer Deed.

"Issue Price" means:

- (a) in relation to Borrower Notes issued to a Subscriber on a particular date under clause 4.1, an amount equal to the aggregate Principal Amount of those Borrower Notes determined in accordance with clause 4.1(a); and
- (b) in relation to Borrower Notes issued to a Subscriber following the giving of a Top-up Notice, an amount equal to the aggregate Principal Amount of the Borrower Notes to be issued to the Subscriber as specified in the Top-up Notice.

"Interest Rate" means the interest rate applicable to a Borrower Note from time to time as determined by the Issuer, which interest rate shall be a percentage rate (p.a.) and shall be determined by the Issuer by reference to the applicable interest rate which is (or would be) payable by the Issuer in respect of the Borrowed Money Indebtedness it incurs to subscribe for the LG Securities to which the Borrower Note relates, and includes the Issuer's "issuance margin", being all of the Issuer's costs and expenses relating to that Borrowed Money Indebtedness (including, without limitation, dealer fees, commissions, listing fees and any Approved Issuer Levy which is or may be payable by the Issuer under the terms of that Borrowed Money Indebtedness). The interest rate determined by the Issuer must not include any additional spread to its issuance margin which it applies in determining the interest rate for the applicable LG Security.

"LG Interest Rate" means:

- (a) in relation to an LG Security which is a Floating Rate Security or Fixed Rate Security, the "Interest Rate" for that LG Security; and
- (b) in relation to an LG Security which is a Zero Coupon Security, the "annual yield" for the LG Security.

"LG Issue Price" means, in relation to a Tranche of LG Securities, the "Issue Price" as specified in the applicable Final Terms, expressed as a dollar amount.

"LG Redemption Amount" means, in relation to a LG Security, the "Principal Amount" as specified in the applicable Final Terms.

"LG Securities" means, in relation to a Subscriber, the securities issued by the Subscriber under the Multi-~~Issuer~~issuer Deed, but excluding any Commercial Paper.

"Local Authority" means a ~~Local Authority~~local authority as defined in the Local Government Act 2002.

"Maturity Date" means, in relation to any Borrower Notes issued to a Subscriber, the date specified as such in the Register. Subject to clause 8.6, the Maturity Date of a Borrower Note shall be the same as the "Maturity Date" of the related LG Securities issued by the Subscriber under the Multi-~~Issuer~~issuer Deed.

"Multi-~~Issuer~~issuer Deed" means the deed dated on or about the date of this agreement between New Zealand Local Government Funding Agency Limited and various Local Authorities entitled "Multi-~~Issuer~~issuer Deed".

"Principal Amount" means, for each Borrower Note, \$1.00.

"Redeemable Share" has the meaning given to it in the Constitution.

"Redemption Amount" means, in relation to a Borrower Note, an amount equal to:

- (a) the Principal Amount or, in the case of a Borrower Note that is issued in relation to a LG Security that is an Amortising Security, the amount of the Principal Amount that remains outstanding as at the Maturity Date, Early Redemption Date, Sale Redemption Date or Conversion Date (as applicable); and

- (b) the aggregate of interest accrued and unpaid on the Borrower Note from (and including) the Issue Date to (but excluding) the Maturity Date, Early Redemption Date, Sale Redemption Date or Conversion Date (as applicable).

"Registrar" means the Issuer or such other person appointed by the Issuer to maintain the Register on the Issuer's behalf.

"Register" means the register of Borrower Notes established and maintained by the Issuer in accordance with this agreement.

"Repo Arrangement" has the meaning given to it in clause 7.1(b).

"RWT-Exempt Status" has the meaning given to it in the [Taxation \(Annual Rates for 2017–18, Employment and Investment Income, and Remedial Matters\) Act 2018](#).

"Sale Redemption Date" has the meaning given to it in clause 7.1(b).

"Securities Act" means the Securities Act 1978.

"Senior Creditors" means all creditors (present and future) of the Issuer:

- (a) whose claims are or would be admitted in the Winding-Up of the Issuer; and
- (b) who are not the holders of indebtedness, the right to payment of which by its terms is, or is expressed to be, subordinated in the event of the Winding-Up of the Issuer to the claims of all unsubordinated creditors of the Issuer.

"Shareholders' Agreement" has the meaning given to it in the Constitution.

"Subscriber" means a Local Authority set out in schedule 1 or any other Local Authority [or CCO](#) which is or becomes a Subscriber in accordance with clause 2.3 [or 2A.3 \(as applicable\)](#).

"Subscription Price" means, in relation to a Subscriber, an amount equal to the [Redemption Amount of the Borrower Notes held by that Subscriber that are required to be Converted as determined under clauses 8.1 and 8.2](#).

"Top-up Notice" has the meaning given to it in clause 4.3(a).

"Winding Up" means any procedure, brought or instigated by any person, for the dissolution of the Issuer otherwise than for the purposes of, and followed by, an amalgamation or solvent reconstruction on terms previously approved by the Subscribers, and **"Wound Up"** shall have a corresponding meaning.

- 1.2 **Multi-Issuer ~~issuer~~ Deed:** Words and expressions defined in the Multi-Issuer ~~issuer~~ Deed and used in this agreement shall have the same meanings in this agreement, unless the context requires otherwise.

- 1.3 **References:** Except to the extent that the context otherwise requires, any reference in this agreement to:

an **"authorisation"** includes:

- (a) any consent, authorisation, registration, filing, agreement, notarisation, certificate, permission, licence, approval, authority or exemption from, by or with a governmental agency; or
- (b) in relation to anything which will be proscribed or restricted in whole or part by law if a governmental agency intervenes or acts in any way within a specified period after lodgement, filing, registration or notification, the expiry of such period without such intervention or action.

a **"clause"** or **"schedule"** is a reference to a clause of, or schedule to, this agreement.

"dollars" and **"\$"** means the lawful currency of New Zealand.

the **"dissolution"** of any person includes the bankruptcy, winding up or liquidation of that person, and any equivalent or analogous procedure under the law of any jurisdiction in which that person is incorporated, domiciled or resident or carries on business or has assets.

"indebtedness" means any obligation (whether present or future, actual or contingent, secured or unsecured, as principal or surety or otherwise) for the payment or repayment of money.

1.4

Miscellaneous:

- (a) The introduction to and headings in this agreement are inserted for convenience only and shall be ignored in construing this agreement.
- (b) Unless the context otherwise requires words denoting only the singular number shall include the plural and vice versa and words denoting any gender shall include all genders.
- (c) References to any legislation or to any provision of any legislation are deemed to be references to that legislation or provision as from time to time amended, re-enacted or substituted and, unless the context otherwise requires, shall also include any statutory instruments issued under any such legislation or provision.
- (d) References to any document (however described) shall include references to such document as modified, novated, supplemented, varied or replaced from time to time.
- (e) References to any party to this agreement or any other document shall include its successors or permitted assigns.
- (f) References to a time of day are references to New Zealand time unless otherwise stated.
- (g) Anything which may be done at any time may also be done from time to time.

2. ACCESSION OF LOCAL AUTHORITY AS A SUBSCRIBER

2.1 Local Authority to sign Accession Deed: A Local Authority may become a Subscriber under this agreement by:

- (a) completing and signing an Accession Deed and delivering it to the Issuer;

- (b) delivering to the Issuer a legal opinion from counsel acceptable to the Issuer in a form satisfactory to the Issuer;
- (c) providing the Issuer with evidence (in a form satisfactory to the Issuer) that all necessary regulatory and statutory authorisations, consents, approvals and licences in relation to its entry into this agreement and the Accession Deed have been obtained and are current and satisfactory; and
- (d) providing the Issuer with such evidence or documentation as the Issuer may require so as to be satisfied that the Subscriber is permitted to be a party to this agreement and subscribe for Borrower Notes in accordance with clause 15.4(a).

2.2 **Subscriber to countersign Accession Deed:** On receipt of the documents described in clause 2.1 in form and substance satisfactory to the Issuer, the Issuer shall:

- (a) countersign the counterpart of the Accession Deed;
- (b) enter the Accession Deed in a register kept by it (which shall be conclusive); and
- (c) retain one counterpart and deliver the other to the relevant Local Authority.

2.3 **Accession effective:** On an Accession Deed being countersigned by the Issuer in accordance with clause 2.2, the Local Authority shall be bound by this deed as if it were a party hereto and named herein as a Subscriber.

2A. ACCESSION OF CCO AS A SUBSCRIBER

2A.1 CCO to sign Accession Deed: A CCO may become a Subscriber under this agreement by:

- (a) completing and signing and procuring each LA shareholder to sign an Accession Deed and delivering it to the Issuer;
- (b) delivering to the Issuer a legal opinion from counsel acceptable to the Issuer in a form satisfactory to the Issuer;
- (c) providing the Issuer with evidence (in a form satisfactory to the Issuer) that all necessary regulatory and statutory authorisations, consents, approvals and licences in relation to its and each LA Shareholder's entry into this agreement and the Accession Deed have been obtained and are current and satisfactory; and
- (d) providing the Issuer with such evidence or documentation as the Issuer may require so as to be satisfied that the Subscriber is permitted to be a party to this agreement and subscribe for Borrower Notes in accordance with clause 15.4(a).

2A.2 Subscriber to countersign Accession Deed: On receipt of the documents described in clause 2A.1 in form and substance satisfactory to the Issuer, the Issuer shall:

- (a) countersign the counterpart of the Accession Deed;
- (b) enter the Accession Deed in a register kept by it (which shall be conclusive); and

(c) retain one counterpart and deliver the other to the relevant CCO.

2A.3 Accession effective: On an Accession Deed being countersigned by the Issuer in accordance with clause 2A.2, the CCO shall be bound by this deed as if it were a party hereto and named herein as a Subscriber.

3. OBLIGATIONS SEVERAL

3.1 The obligations of each Subscriber under this agreement are several. No Subscriber shall be responsible for the obligations of any other Subscriber under this agreement. The failure of a Subscriber to perform its obligations under this agreement shall not release any other Subscriber from its obligations under this agreement.

4. ISSUE AND SUBSCRIPTION

4.1 **Issue and subscription relating to issue of LG Securities:** Subject to clause ~~15.4~~, 15.4, on each date on which a Subscriber issues LG Securities to the Issuer under the Multi-Issuer issuer Deed:

- (a) the Issuer shall issue to the Subscriber Borrower Notes in an aggregate Principal Amount (rounded to the nearest dollar, with \$0.50 being rounded up) equal to ~~1.6 percent~~ the BN Percentage on that date of the ~~aggregate~~ LG Issue Price of the related LG Securities; and
- (b) the Subscriber shall subscribe for those Borrower Notes and pay to the Issuer the Issue Price for those Borrower Notes.

4.2 **Set-off:** On each Issue Date, unless the Issuer and the relevant Subscriber agree otherwise, the Subscriber's obligation to pay the Issue Price to the Issuer automatically shall be set-off against the Issuer's obligation to pay the LG Issue Price to the Subscriber for the related Tranche of LG Securities.

4.3 **Issue and subscription following Conversion:**

(a) If, following the Conversion of Borrower Notes in accordance with clause 8.1, in respect of each BN Percentage Period and a Subscriber:

- (i) the aggregate Principal Amount of Borrower Notes (in respect of related LG Securities issued by the Subscriber during that BN Percentage Period) held by a ~~the~~ Subscriber;

is less than ~~1.6% of the aggregate;~~

- (ii) the BN Percentage for that BN Percentage Period of the LG Issue Price of the related LG Securities (issued by the Subscriber during that BN Percentage Period) and then held by the Issuer (less, where the related LG Securities are Amortising Securities, the aggregate Amortised Redemption Amount of such Amortising Securities on the date of the Top-up Notice),

(such a BN Percentage Period a "Relevant BN Percentage Period") the Issuer may, by giving written notice to the Subscriber ("**Top-up Notice**") require the

Subscriber on the date specified in the Top-up Notice (which must be a date not less than 3 months after the date of the Top-up Notice) to subscribe for such number of additional Borrower Notes as are required to be issued to the Subscriber so that:

(iii) the aggregate Principal Amount of Borrower Notes (in respect of related LG Securities issued by the Subscriber during that BN Percentage Period) held by the Subscriber;

will be equal to ~~1.6% of the aggregate~~;

~~(a)(iv)~~ the BN Percentage for that BN Percentage Period of the LG Issue Price of those related LG Securities (issued by the Subscriber during that BN Percentage Period) and then held by the Issuer (less, where the related LG Securities are Amortising Securities, the aggregate Amortised Redemption Amount of such Amortising Securities on the date of the Top-up Notice).

- (b) If a Subscriber receives a Top-up Notice in accordance with clause 4.3(a), on the date specified in the Top-up Notice as the date on which the additional Borrower Notes are to be issued:
- (i) the Issuer shall, subject to the board of directors of the Issuer complying with section 49 of the Companies Act, issue to the Subscriber the amount of Borrower Notes as is specified in the Top-up Notice; and
 - (ii) the Subscriber shall subscribe for those Borrower Notes and pay to the Issuer the Issue Price for those Borrower Notes.
- (c) The Issuer shall not give a Top-up Notice to a Subscriber in accordance with clause 4.3(a) unless it gives a Top-up Notice in respect of all Relevant BN Percentage Periods of that Subscriber and at the same time to all other Subscribers who meet the criteria set out in clause ~~4.3(a), (a) in respect of all Relevant BN Percentage Periods of those other Subscribers,~~ with the intent that the requirement to subscribe for additional Borrower Notes is made to all applicable Subscribers, provided that the Issuer is not obliged to deliver a Top-up Notice to a Subscriber that does not meet the criteria set out in clause ~~15.4(a)~~ 15.4(a) as at the date of the Top-Up Notice.
- (d) For the purposes of this clause 4.3, LG Securities which have been sold by the Issuer pursuant to a Repo Arrangement shall be treated as being held by the Issuer.
- (e) Where the Issuer proposes to give Top-up Notice(s) under clause ~~4.3(a)~~ (a) it may require a Subscriber to provide evidence or documentation in accordance with clause ~~15.4(b)~~ 15.4(b).

4.4 **Creation and issue:** Borrower Notes are issued and created by the Registrar entering into the Register the particulars of the Borrower Notes.

4.5 **Warranty:** Each Subscriber warrants:

- (a) as at the date it becomes a Subscriber, that it is permitted to be a party to this agreement in accordance with clause ~~15.4(a)~~15.4(a); and
- (b) as at the date it subscribes for any Borrower Notes, it met the criteria set out in clause ~~15.4(a)~~15.4(a) as at the date the offer of the Borrower Notes was made to it by the Issuer and continues to meet the criteria as at the date it subscribes for the Borrower Notes.

5. LIMITED RIGHTS FOR SUBSCRIBERS

- 5.1 **No voting rights:** The Borrower Notes do not confer on a Subscriber any right to attend and/or vote at any meeting of the Issuer.
- 5.2 **Corporate events:** The Borrower Notes do not confer on any Subscriber the right to participate in any rights issue or bonus issues of the Issuer.
- 5.3 **Transfer:** The Borrower Notes are not transferrable by a Subscriber, except with the prior written approval of the Issuer ~~- or in accordance with clause 8.5(ia).~~

6. INTEREST

- 6.1 Interest shall accrue on the Principal Amount of each Borrower Note at the applicable Interest Rate. Interest shall accrue daily, shall not compound and, subject to clause 8.3, shall be paid to the relevant Subscriber on the Maturity Date.

7. REDEMPTION

- 7.1 **Redemption:** The Issuer shall redeem each Borrower Note (in full) on the earliest of:
 - (a) its Maturity Date;
 - (b) the date the Issuer ceases to be the holder of the related LG Security (other than pursuant to a repurchase arrangement with the Reserve Bank of New Zealand ("**Repo Arrangement**")) ("**Sale Redemption Date**"; and
 - (c) the date the Subscriber redeems the related LG Security (in full), other than on the "Maturity Date" of that LG Security, in accordance with the terms and conditions applicable to that LG Security ("**Early Redemption Date**").

Such redemption is to be made in accordance with this clause 7, provided however that, clause ~~7.4(e)~~7.1(c) shall not apply to any Borrower Note to which clause ~~8.6~~8.6 applies.

- 7.2 **Redemption by set-off:** Where a Borrower Note is being redeemed on its Maturity Date or Early Redemption Date, unless:

- (a) the Issuer and the relevant Subscriber agree otherwise; or
- (b) ~~-~~clause 8.6 applies to the Borrower Note,

(in which case clause 7.4 shall apply), and subject to clause 12.1, the Issuer's obligation to pay the Redemption Amount to the Subscriber automatically shall be set-off against the

Subscriber's obligation to pay the LG Redemption Amount (or portion thereof) for the related LG Securities and accrued and unpaid interest thereon (if any).

7.3 **Payment in instalments:** If a Borrower Note is issued in relation to a LG Security that is an Amortising Security:

- (a) the Principal Amount of the Borrower Note shall be repayable in instalments on each of the same dates (each an "**instalment date**") that a portion of the LG Redemption Amount of the related LG Security is repayable;
- (b) the amount of the Principal Amount of the Borrower Note that is repayable on each instalment date shall be an amount that bears the same proportion to the Principal Amount as the amount of the LG Redemption Amount repayable on the instalment date bears to the LG Redemption Amount of the related LG Security; and
- (c) unless the Issuer and the relevant Subscriber agree otherwise or the Issuer has ceased to be the holder of the corresponding LG Security and subject to clause 12.1, the Issuer's obligation to repay a portion of the Principal Amount of the Borrower Note on an instalment date automatically shall be set-off against the Subscriber's obligation to repay the portion of the LG Redemption Amount of the related LG Security on the instalment date.

7.4 **Redemption other than by set-off:** Where a Borrower Note is being redeemed on its Sale Redemption Date or, if in accordance with clause 7.2, this clause 7.4 applies to the redemption of a Borrower Note, on the applicable redemption date the Issuer shall, subject to clause 12.1, redeem the Borrower Note by paying the Redemption Amount to the Subscriber.

8. CONVERSION

8.1 **Right to Convert:** If, following the Issuer having made calls for all unpaid capital of the Issuer to be paid in full, the board of directors of the Issuer has determined that there is a risk of imminent default by the Issuer under the terms of any of its Borrowed Money Indebtedness the Issuer may, by giving written notice to each Subscriber ("**Conversion Notice**") elect to Convert such number of the Borrower Notes as the Issuer determines.

8.2 **Pro rata Conversion:** If a Conversion Notice is given in accordance with clause 8.1, the Conversion shall be made proportionally across all Borrower Notes so that the proportionate holdings of Borrower Notes by each Subscriber remains unchanged [\(subject, in the case of a CCO Subscriber, to the transfers of Borrower Notes required to its LA Shareholders under clause 8.5\)](#) following the Conversion (unless all Borrower Notes are Converted).

8.3 **Conversion:** If a Conversion Notice is given in accordance with clause 8.1, on the Conversion Date, the number of Redeemable Shares to be issued to each Subscriber [that is a Local Authority \(including, in respect of a CCO Subscriber, each LA Shareholder, as contemplated by clause 8.5\(ia\)\)](#) on Conversion of the relevant Borrower Notes shall be determined by the Issuer in accordance with the following formula:

$$N = RA \div IP$$

Where:

N = the number of Redeemable Shares to be issued to the Subscriber (rounded to the nearest whole unit, with 0.5 being rounded up);

RA = the aggregate Redemption Amount of the Borrower Notes held by the Subscriber that are to be Converted on the Conversion Date; and

IP = \$1.00, being the issue price per Redeemable Share.

8.4 **Selection by Issuer:** The Issuer shall select the Borrower Notes held by each Subscriber that are to be Converted on a Conversion Date in accordance with clause 8.2 and, if it is not also the Registrar, shall notify the Registrar of the selection.

8.5 **Settlement:** On the relevant Conversion Date without the need for any further act or step by the Issuer, any Subscriber or any other person:

(ia) first, each Borrower Note held by a CCO Subscriber (that is to be Converted on the Conversion Date) shall be automatically and immediately transferred to each LA Shareholder in the number determined by the following formula:

$$N = \text{TBN} \times (\text{SH} / \text{TSH})$$

Where:

N = the number of Borrower Notes to be transferred to the LA Shareholder (rounded up or down to the nearest whole unit at the Issuer's discretion);

TBN = the total number of Borrower Notes held by the CCO Subscriber that are to be Converted on the Conversion Date;

SH = the number of equity securities in the CCO Subscriber held by the LA Shareholder; and

TSH = the aggregate number of equity securities in the CCO Subscriber held by the LA Shareholders.

The consideration for such transfer shall be as agreed between the CCO Subscriber and relevant LA Shareholder;

(a) second:

(i) each Borrower Note to be Converted will immediately be required to be redeemed for its Redemption Amount;

(ii) each Subscriber holding such Borrower Note that is to be Converted agrees to subscribe for the number of Redeemable Shares to be issued to it (calculated in accordance with clause 8.3);

(iii) each Subscriber agrees to pay the Subscription Price to the Issuer on the Conversion Date in consideration for the Issuer issuing Redeemable Shares to it on the Conversion Date;

(iv) the Issuer will immediately and irrevocably apply, on the Subscriber's behalf, the Redemption Amount of the Borrower Notes required to be Converted in satisfaction of the Subscription Price for the Redeemable Shares to be issued to that Subscriber (calculated in accordance with clause 8.3); and

~~(i)~~(v) the Issuer shall (in respect of each Subscriber) issue to that Subscriber the number of Redeemable Shares to be issued to it (calculated in accordance with clause 8.3), enter the name of that Subscriber in the share register of the Issuer as the holder of such Redeemable Shares, and issue to that Subscriber a share certificate for such Redeemable Shares; and

- (b) if requested by the Issuer, each Subscriber shall (if that Subscriber is not an existing shareholder of the Issuer) deliver a signed deed of accession to the Shareholders' Agreement. The Subscriber shall (upon entry of its name in the share register in accordance with clause ~~8.5(a)~~(a)) be deemed to have agreed to be bound by the terms of the Shareholders' Agreement in the event it does not sign such a deed of accession.

8.6 **Exception:** If the board of directors of the Issuer determines:

- (a) having taken legal advice, that the Issuer cannot, with sufficient certainty, determine that it is able to (in compliance with all laws) Convert Borrower Notes; or
- (b) that the Issuer cannot, with sufficient certainty, determine that it is able to (in compliance with all laws) Convert Borrower Notes on or before a date it considers appropriate having regard to the risk of default referred to in clause 8.1,

then the Issuer may, in lieu of Converting Borrower Notes under clause 8.1, by giving written notice to each Subscriber ("**Extension Notice**"), elect to extend the Maturity Date (for such period as the Issuer determines) of such number of Borrower Notes as the Issuer determines. If an Extension Notice is given under this clause 8.6, the extension shall be made in respect of the Borrower Notes that would otherwise have been Converted in accordance with clause 8.2.

8.7 **Effect of Conversion:** Notwithstanding anything to the contrary in any Transaction Document:

(a) if a Borrower Note is transferred to a LA Shareholder in accordance with clause 8.5(ia), then with effect from the Conversion Date:

(i) the LA Shareholder will be the holder of the Borrower Note; and

(ii) the Borrower Note will immediately be required to be Converted in accordance with clause 8.5(a); and

(b) if a Borrower Note is required to be Converted in accordance with clause 8.5(a):

- (i) all of the Issuer's obligations to pay, and the relevant Subscriber's rights to receive, interest on the Borrower Note (including any accrued but unpaid interest) are immediately and irrevocably terminated, and interest will cease to accrue on the Borrower Note; and
- (ii) clause 7 will cease to apply to the Borrower Note.

9. PAYMENTS

- 9.1 **Payments:** Unless otherwise agreed in writing between the parties and subject to clauses 4.2, 7.2-~~and~~, 7.3(c), 8.5(a) and 9.4, all amounts payable under this agreement shall be paid in dollars in immediately available funds to the respective bank account each party may nominate from time to time.
- 9.2 **Payments to be free and clear:** All amounts payable under this agreement shall be paid:
- (a) on an irrevocable basis free and clear of any restriction or condition;
 - (b) free and clear of and (except to the extent required by law) without any deduction or withholding on account of any tax. If any such deduction or withholding is required, the Issuer shall not be required to pay any additional amounts in respect of the amounts deducted or withheld; and
 - (c) unless otherwise agreed in writing and subject to clauses 4.2, 7.2-~~and~~, 7.3(c), 8.5(a) and 9.4, without any deduction or withholding on account of any other amount, whether by way of set-off, counterclaim or otherwise.
- 9.3 **Resident Withholding Tax:** New Zealand resident withholding tax will be deducted from payments of interest (or payments deemed by law to be interest) to Subscribers who are tax resident unless an appropriate exemption certificate is produced to the Issuer (or, on or after 1 April 2020, the Issuer is satisfied that the relevant Subscriber has RWT-Exempt Status) on or before the date 10 days before the date of the relevant payment.
- 9.4 **No gross-up:** The Issuer will not be required to and will not make any additional payment by way of gross-up or otherwise with respect to the deduction or withholding from any payment made in respect of the Borrower Notes under clause 9.3. If, in respect of any Borrower Note, the Issuer becomes liable to make any payment of, or on account of, tax payable by any Subscriber, then the Issuer shall be indemnified by the relevant Subscriber in respect of such liability. Any moneys paid by the Issuer in respect of such liability may be recovered from the Subscriber as a debt due to the Issuer and may be withheld from any further payments to that Subscriber. Nothing in this clause will prejudice or affect any other right or remedy of the Issuer.
- 9.5 **Maximum rate:** Deductions of resident withholding tax will be made at the maximum rates from time to time applicable unless a Subscriber provides evidence to the Issuer (acceptable to it) that a lesser rate is applicable.
- 9.6 **Tax status:** The Issuer shall be entitled for the purposes of this clause 9 to rely, without further enquiry, upon any statement made by or on behalf of a Subscriber in relation to that Subscriber's tax status or tax residency.

9.7 **Refund of payments:** If any payment received or recovered by a Subscriber or any other person on behalf of the Subscriber is or may be avoided, whether by law or otherwise, then:

- (a) such payment shall be deemed not to have affected or discharged the liability of the Issuer under this agreement and the Subscriber shall, to the maximum extent permitted by law, be restored to the position in which it would have been if such payment had not been received or recovered; and
- (b) the Subscriber shall be entitled to exercise all rights which the Subscriber would have been entitled to exercise if such payment had not been received or recovered.

9.8 **Business Days:** Any payment which is due to be made on a day that is not a Business Day shall be made on the next Business Day in the same calendar month (if there is one) or the preceding Business Day (if there is not).

10. REGISTER

10.1 **Register:** The Issuer agrees to establish and maintain the Register in which the Issuer will record such details as it considers fit, including:

- (a) the name and address of each Subscriber;
- (b) the Issue Date and Maturity Date (and any extension made under clause 8.6) of the Borrower Notes;
- (c) the related LG Securities; and
- (d) each redemption or Conversion of the Borrower Notes.

10.2 **Register conclusive:** Each Subscriber and the Issuer is:

- (a) entitled to rely upon the entries in the Register as constituting the sole and conclusive record of each Borrower Note and as to the person entitled to the Borrower Notes; and
- (b) to have the power, in its absolute discretion, to correct (or, in the case of the Subscriber and in respect of its Borrower Notes only, require correction of) the Register if the Register is incorrect.

10.3 **Inspection:** The Issuer shall make that part of the Register that relates to a Subscriber available for inspection by a Subscriber at the Issuer's principal place of business during normal office hours upon receiving reasonable notice from the Subscriber.

10.4 **Appointment of Registrar:** The Issuer shall be entitled to appoint an appropriately qualified person to maintain the Register in accordance with clause 10.1 on its behalf.

11. RANKING OF NOTES

11.1 The Borrower Notes are unsecured debt securities issued by the Issuer, subordinated in accordance with clause 12, and an unsecured liability of the Issuer. The Borrower Notes

rank pari passu without any preference among themselves. The Issuer may issue securities ranking equally with or in priority to the Borrower Notes.

12. SUBORDINATION

12.1 **Subordination:** The rights and claims of Subscribers are, in a Winding Up of the Issuer, subordinated to the claims of the Senior Creditors (with the intent that all claims of Senior Creditors shall be paid in full before any claims of the Subscribers are paid), and prior to the commencement of a Winding Up of the Issuer:

- (a) the obligation of the Issuer to make any payment in respect of the Borrower Notes is conditional upon the Issuer being solvent at the time the relevant payment falls due; and
- (b) no payment shall be made in respect of the Borrower Notes except to the extent that the Issuer may make such payment and still be solvent immediately thereafter.

12.2 Solvency:

- (a) For the purposes of clause 12.1, the Issuer shall be considered to be solvent at any time if at that time it is able to meet the solvency test in section 4 of the Companies Act.
- (b) A certificate as to whether the Issuer is solvent signed by two authorised signatories of the Issuer shall be prima facie evidence of the information contained therein.

12.3 **Contingent debt:** On a Winding Up of the Issuer, the Subscribers shall only be entitled to prove for any sum payable in respect of the Borrower Notes as a debt which is subject to and contingent upon prior payment in full of the Senior Creditors. Each Subscriber agrees, and by subscribing for a Borrower Note each Subscriber of the Borrower Note will be deemed to agree, that:

- (a) in accordance with section 313(3) of the Companies Act, it is accepting a lower priority in respect of the debt represented by the Borrower Note than that which it would otherwise have under section 313; and
- (b) nothing in section 313 will prevent this agreement from having effect in accordance with its terms.

12.4 **No set-off:** No Subscriber shall be entitled to set-off against any amounts due in respect of the Borrower Notes held by that Subscriber any amount held by the Subscriber to the credit of the Issuer or otherwise to reduce the amount due to such Subscriber in respect of a Borrower Note by merger of accounts or lien or the exercise of any other rights of like effect, except to the extent permitted by clause 7.2 or 7.3(c). To the extent any set-off (other than a set-off permitted by clause 7.2 or 7.3(c)), merger, lien or other right is required by law to be exercised that exercise shall be subject to clause 12.5.

12.5 **Trust:** Any payment, whether voluntarily or in any other circumstances, received by a Subscriber from or on account of the Issuer (including by way of credit, set-off or otherwise) or from any liquidator, receiver, manager or statutory manager of the Issuer in breach of this clause 12 will be held by the relevant Subscriber in trust for and to the order of the Senior

Creditors. The trust hereby created shall be for a term expiring on the earlier of the date on which all Senior Creditors have been paid in full or eighty years [\(or such longer period as permitted by law\)](#) from the date of this agreement. No Subscriber shall have any obligation under this clause 12 in respect of any payment received by anyone other than itself.

- 12.6 ~~Contracts Privity~~[Contract and Commercial Law](#) Act: For the purposes of the ~~Contracts~~[\(Privity\) Contract and Commercial Law](#) Act ~~1982~~[2017](#) the provisions of this clause 12 are intended to confer a benefit upon the Senior Creditors and to be enforceable by the Senior Creditors directly, but no consent of the Senior Creditors shall be required to any modification or amendment to this clause 12 in accordance with clause 14.

13. NOTICES

- 13.1 **Writing:** Each notice or other communication to be given or made under this agreement to any person must:

- (a) **Writing:** be given or made in writing by email or letter and be signed by the sender or an authorised officer of the sender;
- (b) **Address:** be given or made to the recipient at the address or email address, and marked for the attention of the person (if any), from time to time designated by the recipient to the other for the purposes of this agreement;
- (c) **Deemed delivery:** not be effective until received by the recipient, and any such notice or communication shall be deemed to be received:
 - (i) (if given or made by letter) when left at the address of the recipient or 5 Business Days after being put in the post, postage prepaid, and addressed to the recipient at that address; or
 - (ii) (if given or made by email) when dispatched in tangible, readable form by the sender to the email address advised by the recipient from time to time,

provided that any notice or communication received or deemed received after 5pm on a working day in the place to which it is sent, or on a day which is not a working day in that place, shall be deemed not to have been received until the next working day in that place.

- 13.2 **Initial address and numbers:** The initial address, email address and person (if any) designated for the purposes of this agreement, are set out below:

- (a) **The Subscribers:** those details set out under the heading "Details for notices" for the relevant Subscriber in schedule 1 or otherwise provided in the relevant Accession Deed.

- (b) **The Issuer:**

City Chambers
Level 8, 142 Featherston Street
PO Box 5704, Wellington, 6145

Email: lgfa@lgfa.co.nz
Attention: Chief Executive

14. AMENDMENTS

- 14.1 This agreement shall not be amended except with the written agreement of the Issuer and all of the Subscribers, provided that the Issuer may, by notice to all parties to this agreement, vary clause ~~15.4~~15.4 to permit persons to become parties to this agreement and Subscribers to subscribe for Borrower Notes (as applicable) if they satisfy the terms of any exemption obtained by the Issuer from the requirements of the FMC Act with respect to this agreement, but any such variation shall not affect the status of any existing Subscriber as a Subscriber under this agreement.

15. MISCELLANEOUS

- 15.1 **Waivers and remedies:** Time shall be of the essence of this agreement but no delay in acting, or failure to act, by the Issuer is a waiver of any of the Issuer's rights. The rights provided in this agreement do not exclude any rights provided by law.
- 15.2 **Partial invalidity:** An invalid provision in this agreement shall not affect the enforceability of the remaining provisions of this agreement.
- 15.3 **Sections 40 and 49 of the Companies Act:** This agreement is subject to the board of directors of the Issuer complying with section 49 of Companies Act.
- 15.4 **Securities Act and FMC Act:**
- (a) The only persons which are permitted to become parties to this agreement and/or subscribe for Borrower Notes are:
 - (i) prior to 1 June 2015:
 - (aa) "eligible persons" for the purposes of sections 5(2CB) and 5(2CBA) of the Securities Act, as defined in section 5(2CC) of the Securities Act; and
 - (bb) persons who fall within 1 or more of the categories set out in subparagraphs (i) to (iii) of section 3(2)(a) of the Securities Act, and
 - (ii) on and from 1 June 2015, "wholesale investors" as that term is defined in clauses 3(2)(a), (c) and (d) and (in the case of a CCO Subscriber only) clause 3(3)(a) of Schedule 1 to the FMC Act, being a person who is:
 - (aa) an "investment business";
 - (bb) "large"; ~~or~~
 - (cc) a "government agency" ~~or~~ or
 - (dd) an "eligible investor" (in the case of a CCO Subscriber only).

in each case as defined in Schedule 1 to the FMC Act. ~~For the avoidance of doubt, "eligible investors" (as defined in each a "wholesale investor"), or an entity controlled by a wholesale investor where "control" has the FMC Act), among others, may not become parties to this agreement and/or subscribe for Borrower Notes meaning given in clause 48 of Schedule 1.~~

- (b) Prior to the Issuer offering to issue Borrower Notes to a Subscriber and/or a Subscriber subscribing for any Borrower Notes in each case in accordance with clauses ~~4.1 or 4.3~~, 4.1 or 4.3, the Subscriber must promptly (if requested by the Issuer) provide the Issuer with evidence or documentation (in a form satisfactory to the Issuer) which satisfies the Issuer that the Subscriber meets the criteria set out in sub-clauses ~~15.4(a)(i) or (ii)~~ (a)(i) or (a)(ii) as at the date of the offer by the Issuer and subscription by the Subscriber.

- 15.5 **Counterparts:** This agreement may be signed in any number of counterparts, all of which together constitute one and the same instrument, and any of the parties may execute this agreement by signing any such counterpart.

16. GOVERNING LAW

- 16.1 This agreement shall be governed by New Zealand law.

17. NO CROWN GUARANTEE

- 17.1 The parties acknowledge that the obligations and liabilities of the Issuer under this agreement are not guaranteed by the Crown.

**SIGNATURES****[ORIGINAL EXECUTION BLOCKS INTENTIONALLY DELETED]**

SCHEDULE 1 - PRINCIPAL SHAREHOLDERS

Local Authority name:

Details for notices:

Auckland Council	<p>Delivery Address: 1 Greys Avenue 135 Albert Street Auckland Central 1010</p> <p>Postal Address: Private Bag 92300 Victoria Street West Auckland 1142</p> <p>Fax: (09) 368 5964</p> <p>Email: john.bishop@aucklandcouncil.govt.nz</p> <p>Attention: Mark Butcher John Bishop, Group Treasurer</p>
Bay Of Plenty Regional Council	<p>Delivery Address: 5 Quay Street Whakatāne</p> <p>Postal Address: P O Box 364 Whakatāne 3158</p> <p>0800 884 882</p> <p>Email: mat.taylor@boprc.govt.nz</p> <p>Attention: Brian Trott Mat Taylor</p>
Christchurch City Council	<p>Delivery Address: Civic Offices 53 Hereford Street Christchurch</p> <p>Postal Address: P O Box 73016 Christchurch 8154</p> <p>Fax: 03 941 8811</p> <p>Email: Treasury@ccc.govt.nz</p> <p>Attention: Paul Anderson Andrew Jefferies</p>
Hamilton City Council	<p>Delivery Address: 260 Anglesea Street Council Building Garden Place Hamilton 3240</p>

	<p>Postal Address: Private Bag 3010 Hamilton 3240</p> <p>Fax: 07-838-6616</p> <p>Email: david.bryant@hcc.govt.nz</p> <p>Attention: Matthew Walker David Bryant</p>
Hastings District Council	<p>Delivery Address: 207 Lyndon Road East Hastings 4122</p> <p>Postal Address: Private Bag 9002 Hastings 4156</p> <p>Fax: 06-871-5101</p> <p>Email: brucea@hdc.govt.nz</p> <p>Attention: Tony Gray Bruce Allan</p>
Masterton District Council	<p>Delivery Address: 64 Chapel Street 27 Lincoln Road Masterton 5840 5810</p> <p>Postal Address: PO Box 444 Masterton 5840</p> <p>Fax: 06-378-8400</p> <p>Email: davidp@mstn.govt.nz</p> <p>Attention: David Paris Manager Finance</p>
New Plymouth District Council	<p>Delivery Address: Liardet St New Plymouth</p> <p>Postal Address: Private Bag 2025 New Plymouth 4342</p> <p>Fax: 06-759-6072</p> <p>Email: alison.trustrumrainey@npdc.govt.nz / carla.freeman@npdc.govt.nz</p> <p>Attention: Philip Armstrong Alison TrustrumRainey / Carla Freeman</p>

<p>OtorohangaŌtorohanga District Council</p>	<p>Delivery Address: 17 Maniapoto Street OtorohangaŌtorohanga 3940</p> <p>Postal Address PO Box 11 OtorohangaŌtorohanga 3940 Fax: 07-873-4300 Email: grahamb@otodc.govt.nz</p> <p>Attention: Graham Bunn</p>
<p>Selwyn District Council</p>	<p>Delivery Address: 2 Norman Kirk Drive Rolleston</p> <p>Postal Address: P O Box 90 Rolleston 7643 Fax: 03-347-2799</p> <p>Email: Treasury.management@selwyn.govt.nz</p> <p>Attention: Douglas MarshallGreg Bell</p>
<p>South Taranaki District Council</p>	<p>Delivery Address: 105-111 Albion Street Hawera 4610</p> <p>Postal Address: Private Bag 902 Hawera 4640</p> <p>Fax: 06-278-8757 Email: Vipul.mehta@stdc.govt.nz</p> <p>Attention: Vipul Mehta</p>
<p>Tasman District Council</p>	<p>Delivery Address: 189 Queen Street, Richmond, Nelson 7050</p> <p>Postal Address Private Bag 4 Richmond, Nelson 7050</p> <p>Fax: 03-543-9524</p> <p>Email: treasury@tasman.govt.nz</p> <p>Attention: Murray StaiteCorporate Services Manager</p>
<p>Taupo District Council</p>	<p>Delivery Address: 72 Lake Terrace Taupo 3330</p>

	Postal Address: Private Bag 2005 Taupo 3352 Fax: 07 377 2985 Email: nward@taupo.govt.nz Attention: Rob Williams Neil Ward
Tauranga City Council	Delivery Address: 91 Willow Street Tauranga 3143 Postal Address: Private Bag 12022 Tauranga 3143 Fax: 07 577 7056 Email: treasury.settlements@tauranga.govt.nz Attention: Mohan De Mel
Waipa District Council	Delivery Address: 101 Bank Street Te Awamutu Postal Address: Private Bag 2402 Te Awamutu 3800 Fax: 07 872 0033 Email: Farrah.Templeton@waipadc.govt.nz Sarah.Davies@waipadc.govt.nz Ken.Morris@waipadc.govt.nz Attention: Ken Morris
Wellington City Council	Delivery Address: 101 Wakefield Street Wellington City Council 113 The Terrace Wellington Postal Address: PO Box 2199 Wellington 6140 Fax: 04 801 3090 Email: martin.read@wcc.govt.nz Attention: Danny McComb Martin Read
Wellington Regional Council	Delivery Address: 142 Wakefield Street

	<p>Shed 39, 2 Fryatt Quay, Pipitea Wellington 6011</p> <p>Postal Address: P O Box 11646 Manners Street Wellington 6142</p> <p>Fax: 04-385-3973 Email: mike.timmer@gw.govt.nz matthias.zuschlag@gw.govt.nz</p> <p>Attention: Mike Timmer</p>
Western Bay Of Plenty District Council	<p>Delivery Address: Barkes Corner Greerton Tauranga</p> <p>Postal Address: Private Bag 12803 Tauranga 3143</p> <p>Fax: 07-577-9280 Email: kumaren.perumal@westernbay.govt.nz</p> <p>Attention: Matthew Potton Kumaren Perumal</p>
Whangarei District Council	<p>Delivery Address: Forum North Rust Avenue Whangarei</p> <p>Postal Address: Private Bag 9023 Whangarei 0148</p> <p>Fax: 09-438-7632 Email: alan.adcock@wdc.govt.nz</p> <p>Attention: Alan Adcock</p>

SCHEDULE 2 - FORM OF ACCESSION DEED

ACCESSION DEED dated [•].

BETWEEN [•] PARTIES



("Acceding Party", and-)

New Zealand Local Government Funding Agency Limited

("Issuer")

pursuant to the Notes Subscription Agreement defined below.

INTRODUCTION

- A. The Issuer has agreed that the Acceding Party may accede to the Notes Subscription Agreement as a "Subscriber".
- B. This deed records the accession.

AGREEMENT:

1. INTERPRETATION

1.1 Interpretation: In this deed:

"Local Authority" means has the meaning given to it in the Local Government Act 2002.

"Notes Subscription Agreement" means the notes subscription agreement dated [•] 2011 7 December 2011 (as amended from time to time) between the Issuer and various Local Authorities.

- 1.2 **Notes Subscription Agreement:** Terms defined in the Notes Subscription Agreement have the same meaning in this deed unless the context requires otherwise.

2. ACCESSION

- 2.1 **Accession:** The Acceding Party hereby agrees with the Issuer that with effect on and from the date this deed is counter-signed by the Issuer, it will be bound by the Notes Subscription Agreement as a Subscriber as if it had been an original party thereto and named therein as a Subscriber, and agrees to be bound by the terms of, and perform its obligations under, the Notes Subscription Agreement.
- 2.2 **Acknowledgement:** The Issuer acknowledges and agrees to the accession made under this deed.
- 2.3 **Implied provisions:** For the purposes of section 14 of the Property Law Act 2007, the Acceding Party acknowledges that this deed is, and for all purposes and at all times shall be construed as being, supplemental to the Notes Subscription Agreement.

3. NOTICE

The details for notices for the Acceding Party for the purposes of the Notes Subscription Agreement are: *[specify]*

4. GOVERNING LAW

This deed shall be governed by the laws of New Zealand.

5. NO CROWN GUARANTEE

The obligations and liabilities of the *[Acceding Party and]* Issuer under this deed and the Notes Subscription Agreement are not guaranteed by the Crown. *[Note: Delete reference to Acceding Party if CCO is acceding as no equivalent to section 122 of the Act for CCO.]*

6. COUNTERPARTS

This deed may be signed in any number of counterparts, all of which together constitute one and the same instrument, and any of the parties may execute this deed by signing any such counterpart.

EXECUTED AS A DEED**Acceding Party****[Local Authority/CCO]** by:_____
Signature of [Elected Member/Director]_____
Signature of [Elected Member/Director]_____
Name of [Elected Member/Director]_____
Name of [Elected Member/Director]**Issuer****NEW ZEALAND Local Government Funding****AGENCY LIMITED** by:_____
Signature of ~~director~~Director_____
Signature of ~~director~~Director_____
Name of ~~director~~Director_____
Name of ~~director~~Director

By signing the acknowledgement below, each entity identified in the annexure to this deed as a "LA Shareholder":

- (a) _____ acknowledges the terms of this deed and the Notes Subscription Agreement; and
 (b) _____ agrees to the automatic and immediate transfer to it of any Borrower Notes held by the
Acceding Party in the manner contemplated by clause 8 of the Notes Subscription
Agreement.

ACKNOWLEDGED BY:**[LA SHAREHOLDER]** by:_____
Signature of Elected Member_____
Signature of Elected Member_____
Name of Elected Member_____
Name of Elected Member

ANNEX TO THE ACCESSION DEED

1. LA Shareholder: As at the date of this deed, for the purposes of the Notes Subscription Agreement, the LA Shareholder[s] in respect of the Acceding Party is: [specify].

8.3 EXTERNAL AUDIT PLAN FOR THE YEAR ENDING 30 JUNE 2020

Author: Gary Borg, Pouwhakarae – Pūtea / Tautāwhi Rangapū Group Manager
Finance and Corporate Support

Authoriser: Steven May, Tumu Whakarae Chief Executive Officer

Appendices: 1. External Audit Plan 2019-20 [↓](#)

1. PURPOSE

- 1.1 To present to the Committee the proposed timetable for the preparation and audit of the Annual Report for the year ending 30 June 2020.
- 1.2 This matter is presented to the Committee in support of its obligations under its Terms of Reference to monitor Council's audit programme and oversee the compilation of the Annual Report.
- 1.3 Although no decisions are required from the Committee, it has a critical role in ensuring that effective oversight is applied to the integrity and timeliness of the process and the information contained in the final Annual Report that is recommended for adoption by Council.

RECOMMENDATION

The Group Manager: Finance & Corporate Support RECOMMENDS that the Committee receives the External Audit Plan 2019.

2. BACKGROUND

- 2.1 The proposed audit plan has been prepared by Council's external auditor and is attached as **Appendix 1**. This sets out the auditor's responsibilities to Council and its approach to the audit, quality assurance and risk management.

3. RISK MANAGEMENT

- 3.1 The strategic risks (e.g. publicity/public perception, adverse effect on community, timeframes, health and safety, financial/security of funding, political, legal – refer to S10 and S11A of LGA 2002, others) identified in the implementation of the recommendations made are as follows:
- 3.2 The risks identified pertain to legislative compliance and Council's reputation, arising from the potential failure to adopt an Annual Report within the statutory timeframes.



Statutory Obligations	Image & Reputation	Financial Loss
High	High	Extreme

Confirmation of statutory compliance

In accordance with section 76 of the Local Government Act 2002, this report is approved as:

- a. containing sufficient information about the options and their benefits and costs, bearing in mind the significance of the decisions; and,
- is based on adequate knowledge about, and adequate consideration of, the views and preferences of affected and interested parties bearing in mind the significance of the decision.

Signatories

	
Author Gary Borg	Approved by Steven May

Wairoa District Council

Audit Plan for the year ending 30 June
2020



Wairoa District Council

For the year ending 30 June 2020

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Welcome

Dear Members of the Finance, Audit & Risk Committee ('the Committee')



Stuart Mutch
EY Assurance
Partner

We are pleased to present our Audit Plan ('Plan') for the audit of the financial statements and service performance information of Wairoa District Council ('the Council') for the year ending 30 June 2020. Our meeting with you on 26 May 2020 is a forum to discuss our Audit Plan, the scope of our work, confirm your current expectations and make certain that our efforts are aligned with your expectations. Our audit is designed to express an audit opinion on the 30 June 2020 year financial statements and service performance information.

The situation relating to COVID-19 is constantly changing and requires us, along with management, to be agile, as Council adjusts to changes in its circumstances. We will work with management to ensure that our audit plan continues to be relevant and responsive as the situation evolves.

Since March 2020 significant changes have occurred globally and in New Zealand directly impacting the operating environment of Council and across the Council's activities and operations. Operations have been significantly impacted in COVID-19 level 4 and 3, placing increased pressure on the organisation to continue to operate.

Our Plan has been prepared acknowledging, and with consideration of, the Council's current and emerging business risks and the resultant financial statement impacts. It is designed to be responsive to the unique needs of the Council, to maximise audit effectiveness and to deliver the high-quality audit you expect.

Should you have any questions or comments, please do not hesitate to contact me. We look forward to discussing our Plan with you at the Finance, Audit & Risk Committee meeting on 26 May 2020.

Yours faithfully

Stuart Mutch
Partner



[Go to Executive Summary](#)





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AREAS OF AUDIT FOCUS

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The Areas of Audit Focus and the level of complexity or management judgement to be applied are:

- ▶ Infrastructure assets
- ▶ Rates setting, rates invoicing and collection
- ▶ Non-financial performance reporting
- ▶ Financial statement close process
- ▶ The audit and consolidation of QRS
- ▶ The Impact of COVID-19
- ▶ Provincial Growth Fund (PGF)
- ▶ Debt facilities
- ▶ NZTA claims and subsidies
- ▶ The Council's legislative compliance
- ▶ Operating expenditure, procurement and tendering
- ▶ Employee entitlements and other provisions

HIGH

HIGH

MEDIUM

MEDIUM

MEDIUM

MEDIUM

MEDIUM

LOW

LOW

LOW

LOW

LOW

[Read more on Areas of Audit Focus](#)

AUDIT SCOPING

Full Year Audit of Financial Statements & Service Performance Information

Our audit will be conducted to provide reasonable assurance as to whether the financial statements and statement of service performance of the Council for the year ending 30 June 2020 are free of material misstatement.

Trustee reporting

As a consequence of Council's Trust Deed under which it raises debt, we have an obligation to provide a report to management and the Trustee upon the completion of our audit.

PLANNING MATERIALITY

\$570K

Our planning materiality has been set at \$570k, calculated at 2% of forecast expenditure. The basis for calculating planning materiality is consistent with the prior year. We will report all audit differences over \$28k to the Finance, Audit & Risk Committee.

OUR AUDIT APPROACH

The audit approach remains broadly consistent with 2019.

We seek to test your controls in the key financial processes and therefore expect to take a controls based approach where this is more efficient and possible. Details of our controls based approach is outlined in detail on page 15.

There continues to be a substantive approach taken in relation to Rates setting and collection, the financial statement close process, other Income (fees and charges & NZTA Funding), accruals and debt facilities.

Specific procedures will be undertaken to obtain confidence in relation to the recognition and measurement of PGF funding.

Our audit approach will be amended in accordance with our mutual understanding of the impact of COVID-19 on our respective business operations.

INDEPENDENCE



We will confirm our independence throughout the audit and remain in compliance with NZICA Code of Ethics' and the Professional and Ethical Standard 1: *Code of Ethics for Assurance Practitioners*' independence requirements.



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Areas of Audit Focus

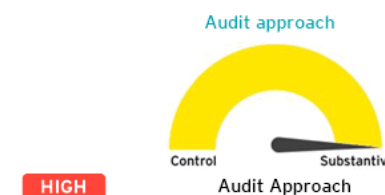
Set out below are the areas of significant focus and a description of our planned approach.

We have also outlined the expected level of complexity or management judgement to be applied as either **LOW**, **MEDIUM** or **HIGH**.

Infrastructure assets

Key Judgements: Key assumptions used in valuations, useful lives of assets and classification of capital and maintenance costs

Relevant accounting standards: [PBE IPSAS 17 Property, Plant and Equipment](#)



Background

- ▶ Infrastructure assets dominate Wairoa District Council's balance sheet with the total carrying value of the infrastructure assets at 30 June 2019 being \$240m. Significant renewal activity is currently underway, particularly in regards to wastewater assets.
- ▶ Infrastructure assets are held at fair value less accumulated depreciation and are revalued on a systematic basis in line with Councils accounting policy and IPSAS - 17. The infrastructure assets were last revalued at 30 June 2017. We therefore expect a valuation of the Infrastructure assets as at 30 June 2020 in line with the Council's policy to revalue every 3 years. The valuation of assets also represents a significant element of Councils pre-planning work ahead of the development of the 2021 - 31 Long Term Plan.
- ▶ There is a heavy reliance on the integrity of the asset remaining useful life information, as this information forms the basis of valuations and the accuracy of depreciation rates. We expect that Council make available to its valuers Councils most recent infrastructure conditioning information.
- ▶ We expect the valuers to take into consideration the impact of COVID-19 within the valuation. However, replacement cost estimates are expected to be based on long term expectations, as compared to based solely on short term costs that may see a spike in cost structures due to the expectations set for working in Level 2.

Planned Audit Approach

- ▶ We will review and test the year end reconciliation and roll forward of the Fixed Assets Register to the general ledger, including additions, disposals and depreciation.
- ▶ We will review the completion of the revaluations and how the revaluation is recorded in the financial statements.
- ▶ We will review the assumptions underlying the valuations against current asset management condition information and plans to ensure that they are appropriate.
- ▶ We will obtain assurance in relation to the appropriateness of Work in progress (WIP) cut-off at balance date and confirm that the carrying value of WIP is supportable in relation to both its valuation and that the nature of cost incurred is in line with PBE IPSAS 17.
- ▶ We will review capitalised costs and maintenance expenditure to obtain assurance over the accuracy of cost classification.
- ▶ We will review other significant additions and disposals of assets during the year.
- ▶ We will review the appropriateness of depreciation recognised against the estimated useful life information included in the Council's latest valuation and other supporting information.
- ▶ We will assess capital projects for their impact upon capital commitments and other related disclosures.



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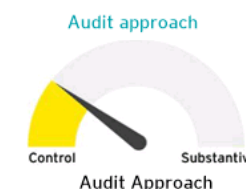
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Rates setting, rates invoicing and collection

Key Judgements: Compliance with the Local Government (Rating) Act and provisioning for outstanding rates debtors

Relevant accounting standards: [PBE IPSAS 23 Revenue from Non-Exchange Transactions](#)



Background

- ▶ Rates income levied represents the Council's primary revenue source. There is specific legislation in place which must be adhered to for the rates set to be legal. In the local authority context, failure to comply with rating law and the associated consultation requirements can create significant risks to the integrity of rates revenue.
- ▶ The requirement for there to be consistency between the rates resolution, the Funding Impact Statement for that year, and the Revenue and Financing Policy in the LTP is fundamental because this is the thread that links community consultation to the rates levied by Council forming the core of the Council's revenue.
- ▶ The accuracy of a rates setting is dependent on the integrity of the rates database. The reliability of the rates billing system should also ensure rates are billed appropriately.
- ▶ Recent legal challenges against certain local authorities have identified a range of issues relating to the legislative compliance, and therefore legality of rates sought.
- ▶ Certain rate paying groups present rates collection risk to the Council.
- ▶ The current COVID-19 pandemic emergency and the risk it brings to peoples income streams present a risk to the affordability of rates and consequently may generate a risk of non-collection.

Planned Audit Approach

- ▶ We will review Council's procedures for ensuring the rates set are in compliance with the Local Government Rating Act and test that the rates set are being applied appropriately to the rating database and invoiced accordingly.
- ▶ We will test the accuracy of the use of underlying valuation information (as prepared by Quotable Value) within the rating database and its applications to the rates that were set.
- ▶ We will assess the setting of rates by Council for the period and how this re-set has been applied to rates debtors and reflected within Councils annual reporting.
- ▶ We will review the nature and form of the rates resolution and the invoicing of rates in terms of risks that may impact the financial statements.
- ▶ We will test the integrity of the rates debtor management system.
- ▶ We will review any provision for doubtful rates debtors to consider whether it is appropriate in the circumstances and Council's expectations in regards to the risk of rate payers facing financial duress as a consequence of the impact on the economy arising from COVID-19.
- ▶ We will assess the appropriateness of any judgmental determinations made in relation to any disputes over rate charges in consideration of correspondence and any other relevant documentation.



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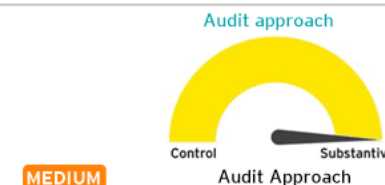
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Non-financial performance reporting

Key Judgements: Results included/excluded from measures

Relevant accounting standards: [PBE FRS 48 Service Performance Reporting](#)

Background

- ▶ The Council is required to report its performance against levels of service expectations and performance measures included in the Long Term Plan (LTP). These measures are key to the Council providing a "performance story" to the community.
- ▶ Our audit opinion on the service performance report covers compliance with generally accepted accounting practice, and whether or not the service performance report fairly reflects the Council's actual service performance for the period.
- ▶ During the last three years there has been a significant focus on Councils compliance with waste water outflows. The integrity of reporting in this area will be critical.
- ▶ There is a risk of inadequate reporting systems to monitor performance and hence the potential failure to adequately report the provision of core services to the public.
- ▶ We understand that Council will limit the coverage of its 2020 ratepayer survey to consider only measures included in the Annual Report and that the survey may be undertaken later in the calendar year at a point in time where it is hoped that COVID-19 restrictions are less restrictive.

Planned Audit Approach

- ▶ We will update our understanding of key performance reporting processes and review the collation methodologies applied by the Council.
- ▶ We will examine, on a sample basis, the Statement of Service Performance to determine if measures have been reported on and outputs have been achieved where stipulated. For the selected measures this will include obtaining the underlying supporting documentation on a sample basis and re-performing the calculations.
- ▶ We will assess completeness and adequacy of performance framework utilised.
- ▶ We will check whether all mandatory performance measures stipulated by the Non-Financial Performance Measures rules 2013 have been reported appropriately.
- ▶ We will also provide feedback on the overall annual report and the summary annual report.



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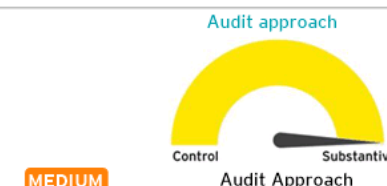
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Financial Statement Close Process & The Impact of COVID-19



Financial Statement Close Process

- ▶ Council has a statutory reporting deadline of 31 October for the adoption of its annual report. Council does not have a good track record of meeting reporting deadlines as a consequence of a range of reasons including a lack of resources, a high error rate in financial reporting and delays in the completion of critical processes such as asset management related reporting.
- ▶ As a consequence of the 2019 annual report being completed after the statutory deadline of 31 October 2019 Council initiated a review to understand the causes and what could be improved in the future. We submitted our considerations to this process in 2019.

The Impact of COVID-19

- ▶ The outbreak of Covid-19 as a global pandemic, and the response of Government in dealing with the pandemic is interfering with general activity levels within the community, the economy and the operations of businesses. The scale and duration of these developments remain uncertain as well as the impact it will have on society, the economy, your operations, cash flow and financial condition. Given the uncertainty, it is not possible to accurately estimate the impact of the outbreak's near-term and longer effects or the effectiveness of the Government's efforts to combat the outbreak and support businesses and community organisations.
- ▶ The current environment means that inputs into estimation processes will be more difficult to determine. We anticipate additional time and effort will be required by management on key estimates and on the preparation of disclosures for the financial statements that adequately describes the uncertainty. It is difficult to predict what will occur in relation to New Zealand's health environment and markets between now and September 2020.

Planned Audit Approach

- ▶ We accept that financial and non-financial reporting is complex given the size and scale of the reporting team maintained by Council. However, we feel that given Council is aware of its statutory reporting deadline there should be a process to mitigate the recurring delays involved historically.
- ▶ We will continue to work with management to support any initiatives they seek to adopt this year to improve Council's financial statement close process

The Impact of the COVID 19 Lockdown on your Control Environment

- ▶ We will need to document changes to the control environment as part of our walkthrough procedures, including understanding how the delegation framework has been adapted to respond to remote working. If new processes have been developed to respond to the current environment, or controls have been amended and are significantly different, this could result in additional processes requiring audit focus. If the environment for a process has been affected, we may need to adopt a substantive audit in that area.

Our response to COVID-19

- ▶ We have worked diligently and decisively to provide EY people with the protocols and support they need to stay positive and productive in a virtual teaming environment, minimising potential disruption and maintaining a universal commitment to high quality execution and results. This means:
- ▶ All EY audit professionals are trained to work with the same technology and methodology, on every team and in every location, even when we are working flexibly from remote locations. During the course of the last eight weeks we have continued to operate effectively



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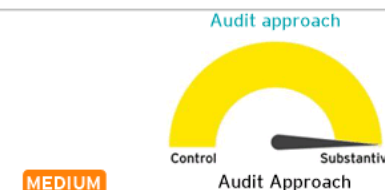
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The Audit and consolidation of Quality Roding Services (QRS)

Key Judgements: Accurate consolidation entries made

Relevant accounting standards: [PBE IPSAS 35 Consolidated Financial Statements](#)

Background

- ▶ QRS operate in a competitive environment. Over the last 24 months the Company has become significantly less exposed to a reliance on Council funded work and now carries out a range of commercial work and is exposed to a range of commercial risks, including:
 - ▶ Reputation/Litigation/Disputes
 - ▶ Disputes with sub-contractors
 - ▶ Cost to complete estimates
 - ▶ Metal stock valuation risk
 - ▶ Employee entitlement risk
- ▶ In recent years QRS has undertaken significant restructuring to align its operating model with its key areas of focus with the intention of generating cost savings and more efficient work practices.
- ▶ In FY19, QRS entered into two significant contracts to repair elements of State Highway 2 for the NZTA. This represents a key multi-year contract that has generated significant revenue recognition risk in the 2019/20 year.
- ▶ In light of nationwide lockdown due to the COVID-19 pandemic, we understand that the directive to QRS staff is to only undertake emergency works pertaining to the 18-02 contract.
- ▶ The consolidation of QRS into the Council's group financial statements is an important element of the financial statement close process.

Planned Audit Approach

- ▶ On a sample basis we will test revenue and WIP items to assess whether they have been recorded in the correct period and have been accounted for correctly in line with NZ IFRS 15. We will place a focus on the year end cut off of revenue and sub-contractor cost recognition.
- ▶ We assess the year end stock take undertaken by an independent party to obtain assurance that the quantity of metal stock is accurately recorded. We will also ensure inventory is valued at the lower of cost and net realisable value in line with NZ IAS 2.
- ▶ We will obtain assurance that the liability recognised for employee entitlements is fairly stated and that assumptions used in calculating the present value of the long service leave obligation are reasonable.
- ▶ We will review the status of any litigation and other disputes and ensure provisions/contingent liabilities are appropriately recognised, if applicable.
- ▶ QRS has access to current debt facilities with both ANZ and UDC finance. We will review the debt facilities and any covenant reporting.
- ▶ QRS recognise a significant investment in the Tangihanga quarry joint operations. Subsequent to balance date in FY19 it came to our attention that the QRS board had made enquiries to their JV partner as to whether QRS could exit the arrangement. We will monitor QRS's progress in relation to this matter.
- ▶ QRS financial statements are prepared under NZ IFRS RDR. We will review the approach adopted to consolidate QRS into the Council's group financial statements.



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Debt Facilities

Key Judgements: Cash flow and draw down of debt

Relevant accounting standards: PBE IPSAS 28 *Financial Instruments: Presentation*, PBE IPSAS 29 *Financial Instruments: Recognition and Measurement*, PBE IPSAS 30 *Financial Instruments: Disclosures*



LOW

Background

- ▶ Debt levels change with the timing of planned capital projects and repayment timelines.
- ▶ During the course of the current financial year Council have been drawing down debt to fund the significant capital work associated with the Wairoa wastewater treatment project.
- ▶ Council has and expects to continue to draw down debt during the period as infrastructure projects require cash flow.

Planned Audit Approach

- ▶ We will obtain an understanding of debt facility agreements maintained in the year and review the relevant debt facility agreements including the process for managing drawdowns.
- ▶ We will obtain third party confirmation of outstanding debt positions at year end.
- ▶ We will consider the term or current classification of the debt.
- ▶ Review disclosures associated with the debt positions held.
- ▶ Obtain debt held is in line with the policies set down in Council's Long Term Plan.
- ▶ Assess whether Council is in compliance with reporting requirements and debt covenants.
- ▶ Complete the debenture trust deed required procedures and reporting.



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New Zealand Transport Authority Claims and Subsidies

Key Judgements: Classification of roading costs incurred

Relevant accounting standards: [PBE IPSAS 23 Revenue from Non-Exchange Transactions](#)

Background

- ▶ Transport projects and maintenance undertaken by Council are eligible to receive funding from NZTA. Every three years, Council agrees the Roothing work programme with NZTA. In order for roading work to be eligible for NZTA funding, it must be competitively tendered.
- ▶ Financial reporting standards require NZTA subsidies to be recognised as revenue, while a portion of the associated expenditure is capitalised by the Council as part of the roading assets.
- ▶ There is a risk that Council will claim costs that are ineligible according to the funding requirements, thereby overstating the claim accrual and the corresponding revenue at year end.

Planned Audit Approach

- ▶ We will review the claim process and controls system (approvals, checking and reconciliations) utilised by the Council to support claims made to NZTA and obtain assurance that roading work is competitively tendered.
- ▶ We will review a sample of NZTA funding received during the financial year to test that it has been appropriately recorded in the financial statements and that the funding is generated by expenditure in line with NZTA approved budgets.
- ▶ We will assess the year end accrual for NZTA revenue to obtain assurance that the amount recognised for claims made post 30 June 2020 related to the 2019/20 financial year.
- ▶ We will carry out an assessment of the reasonability of NZTA income and its completeness in consideration of the level of costs incurred for the period.



Executive Summary	Areas of Audit Focus	Audit Approach	Your EY Team	Fees	Engagement Execution	Appendices
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The Council’s Legislative Compliance



Background

- ▶ The Council operates in a highly legislated sector. It is important from an audit perspective that we are made aware of any instances of non-compliance.
- ▶ Key areas of legislation from an audit perspective include:
 - ▶ Local Government Act 2002;
 - ▶ The Local Government Financial Reporting and Prudence Regulations 2014;
 - ▶ Local Government Official Information and Meetings Act 1987;
 - ▶ Local Government (Rating) Act 2002;
 - ▶ Building Act 2004; and
 - ▶ Resource Management Act 1991.

Planned Audit Approach

- ▶ We will consider the extent to which the Council maintains systems and procedures to monitor and manage its own legislative compliance;
- ▶ We will review both the processes the Council has in place to ensure compliance with relevant legislation, and the actual compliance with or breaches of legislation;
- ▶ We will review and test that the Council has complied with legislative requirements that directly affect the form, content and preparation of the financial statements, annual report and those that could have a fundamental effect on the entities’ operations.

Audit approach



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Operating expenditure, procurement and tendering

Key Judgements: Appropriateness/reasonableness of expenditure incurred

LOW



Background

- ▶ Council incurs significant operating costs across a range of operational activities.
- ▶ Appropriateness of Councillor and management expenditure is an area of interest to ratepayers.
- ▶ The Council's Capital works procurement programme involves significant cash flows.
- ▶ Areas of expenditure such as travel, accommodation, training and catering can present opportunities for personal benefit.

Planned Audit Approach

- ▶ We will review the incurrence and approval of operational expenditure.
- ▶ We will review the use of credit cards and obtain assurance that expenditure has been incurred for a reasonable purpose.
- ▶ We will review the application of procurement policies.
- ▶ We will review areas of potential sensitivity for appropriateness.
- ▶ We will obtain assurance that appropriate expenditure processes and controls are in place.
- ▶ For a sample of contracts tendered during the year we will establish an understanding of how the tendering process was managed. This will be completed with reference to the Council's tendering policies and good practice.



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Employee entitlements and other provisions

Key Judgements: Cash flow and draw down of debt

Relevant accounting standards: [PBE IPSAS 19 Provisions, contingent liabilities and contingent assets](#) and [PBE IPSAS 25](#)

[Employee Benefits](#)

Audit approach



LOW

Background

- ▶ Employee entitlements could be misstated, or incorrect entitlements paid.
- ▶ Payroll systems may not appropriately record employee expenses in the general ledger.
- ▶ Effective 1 April 2020, the Council have outsourced their payroll function to Datacom, a third party service provider.
- ▶ Local authorities are required to disclose information about employee costs, pay rate levels and severance payments in the annual report.
- ▶ Council is required to hold a landfill aftercare provision in line with PBE IPSAS 19.
- ▶ Assumptions used in the calculation could be subject to significant fluctuation.

Planned Audit Approach

- ▶ We will gain an understanding of the aspects of the process that are being outsourced.
- ▶ For procedures performed by Datacom we will gain an understanding of the controls implemented and any additional procedures performed by the Council.
- ▶ We will obtain and review data migration integrity checks and the parallel review reports performed by the Council.
- ▶ We will obtain and review the service provider 3402 controls report which provides clarity and reliance over the service provider controls adopted by Datacom.
- ▶ We will undertake control testing over the payroll processes and controls utilised by management, including controls around the integrity of reporting.
- ▶ We will assess the accuracy of recognised employee entitlements at year end and verify their recognition and measurement to contractual entitlements.
- ▶ We will carry out detailed analytical procedures to validate that payroll cost movements have been in line with expectations.
- ▶ Through the examination of significant one-off payments to employees we will review if any severance payments are made throughout the year along with the disclosure of these payments.
- ▶ For the landfill aftercare provision, we will:
 - ▶ Review the adequacy of future costs based on recent Council cost experience.
 - ▶ Test the assumptions (discount rates, cash flow forecasts) and test discounting of values associated with the landfill.
 - ▶ Obtain assurance that the disclosures in the financial statements are appropriate



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Provincial Growth Fund

Key Judgements: The timing of Revenue Recognition in consideration of ongoing obligations

Relevant accounting standards: [PBE IPSAS 23 Revenue from non-exchange transactions](#)**MEDIUM**

Background

- ▶ The current government has developed the \$3 billion Provincial Growth Fund (PGF) as a mechanism to support the development of infrastructure and economic growth in provincial New Zealand.
- ▶ As a part of this programme the Government has identified a range of provinces that are considered to be regions of significance that will receive funding priority.
- ▶ Through the PGF the Council is set to receive funding from the Provincial Development Unit of MBIE and NZTA for large scale projects to develop and improve the region.
- ▶ Investment announced to date include:
 - ▶ \$4.8 million for the town centre revitalisation
 - ▶ \$7.3 million to help with roading improvements for Mahia Peninsula
 - ▶ \$2.2 million for bridge and structural strengthening
 - ▶ \$400k for archive and library hub development
- ▶ These represent significant projects for the District and it is important that they are completed successfully in a timely manner. Within the current COVID-19 environment the Government are looking for "Shovel Ready" projects that will inject funds promptly into the economy to sustain jobs and restore the economic environment.
- ▶ Following the announcement of the COVID-19 pandemic central government agencies have been tasked with identifying critical projects that will provide an immediate boost to local economies. We are aware that some uncommitted PGF funds will be directed towards these initiatives, which are most likely to be focused on communities that are being hit the hardest by the current changes in the economic climate.

Planned Audit Approach

- ▶ We will obtain and review supporting documentation for funds approved and any arrangements that Council established to move projects forward.
- ▶ We will review a sample of receipts throughout the year to check that cash is received from the Provincial Growth Fund and the NZTA and recorded appropriately.
- ▶ We will assess whether all infrastructure developments are appropriately recognised in the Fixed Asset Register.
- ▶ For any funds received but not utilized, we will assess whether revenue has been appropriately recognised or deferred in line with IPSAS - 23.
- ▶ Where contractual rights have been established with the Crown we will assess what steps Council have undertaken to assess their right to funds for which contracts have been signed as at 30 June 2020.



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Audit Approach

Assessment of Internal Control Environment

In accordance with the Auditor General's auditing standards, we will perform a review of the design and operating effectiveness of the Council's significant financial recording and reporting processes.

We will ensure that any significant deficiencies that come to our attention during the course of our audit are communicated to the Committee and management in a timely manner. We will revisit our 2018/19 control findings during our audit to ensure that management's responses have been implemented during the year as agreed.

We have set out to the right a table which summarises the level of controls reliance we expect to achieve in the key financial statements processes.

IT General Controls

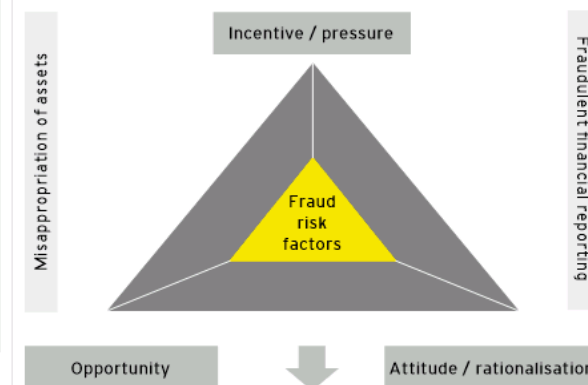
In previous years, we reviewed the core financial applications at the Council to assess whether we were able to obtain reliance on the general ledger system. However, through the work performed, we noted a number of weaknesses which resulted in us not placing reliance on the IT environment. We understand that there have been no significant changes to the system within the current year which would impact our assessment, and therefore, testing will be highly focused on manual controls.

Process	Approach
Financial statement close	
Infrastructure Assets	
Rates setting and collections	
Purchases and payables	
Fees and charges & NZTA Funding	
Payroll	
Non-Financial Performance Information Reporting	

The Risk of Fraud

Our responsibility as the external auditor is to consider the risk of fraud and the factors that are associated with it so as to provide reasonable assurance that the financial statements are free from material misstatement resulting from fraud. However, it is important to note that while our external audit work is not primarily directed towards the detection of fraud or other irregularities, we will report any matters identified during the course of our work.

When developing our Plan we use professional judgement in determining whether a fraud risk factor is present. We determine fraud risk factors in the context of the three conditions generally present when fraud occurs (i.e., incentive/pressure, opportunity and attitude/rationalisation).





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Your EY Team

We understand that our team is the most important element of your relationship with us.

Our team has been involved in the audit of the Council for a number of years. This stability provides the Council with continuity, historical knowledge of your business and industry expertise. These combined factors enable us to focus on the significant issues facing your business. Further we have incorporated experts from our IT systems and Financial Accounting Advisory team to assist us in addressing the financial risks facing the Council.

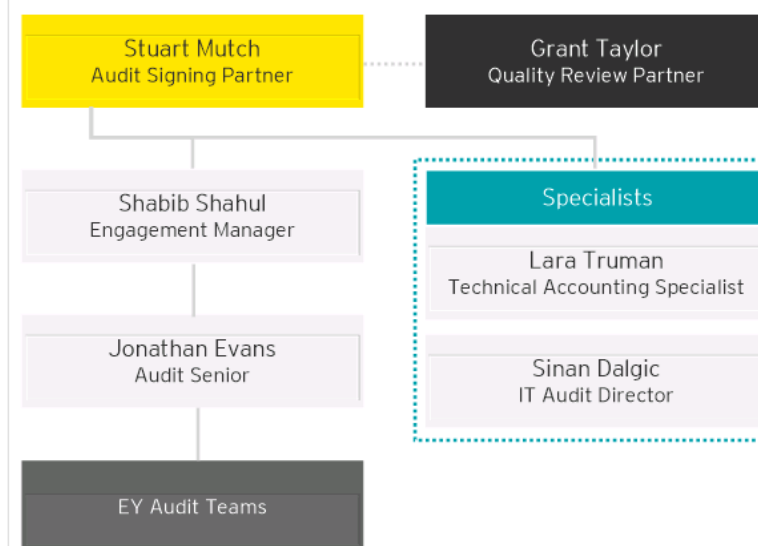
Team rotation

Stuart Mutch will continue to lead the audit team and will be assisted this year by Shabib Shahul as the manager of the engagement. Jonathan Evans will lead the engagement team on a day to day basis as audit senior following his involvement in 2019.

We believe that the periodic rotation of the key decision makers on the audit assists with maintaining our independence and bringing a fresh view. We actively plan rotation well in advance of the required rotation period to ensure that you benefits from a smooth transition.

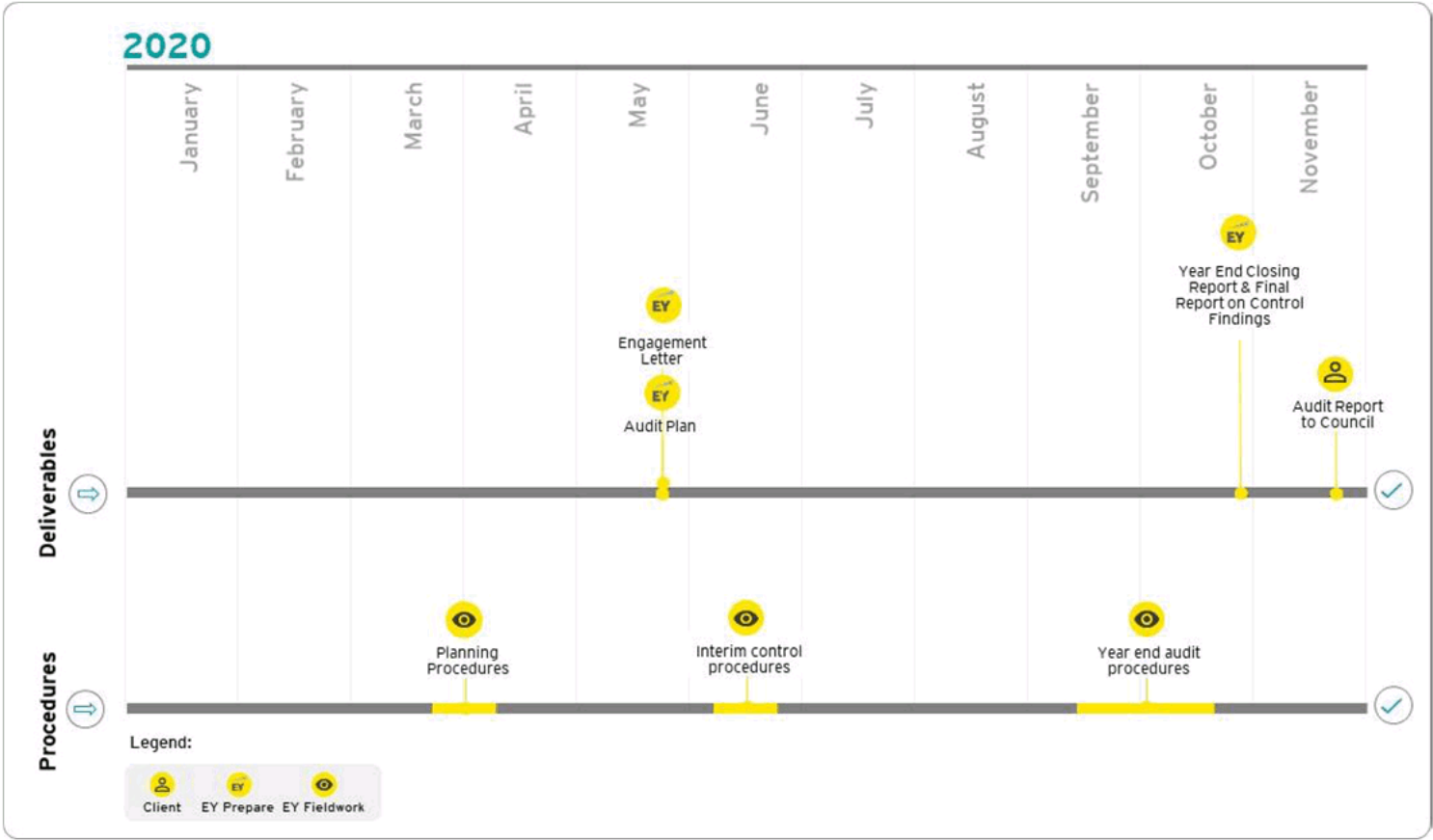
Working Remotely vs Locally

During the course of the current COVID-19 National Emergency we have moved to working remotely from our clients to maintain the safety of our clients teams and our own staff. We have utilised our remote access tools and audit methodology to progress all our audit engagements. Whilst the country has moved to Level 2 the future remains uncertain and we maintain a watching brief on how we should work with our clients. The first priority is to allow our clients to operate effectively in line with the Governments health and work environment expectations. By doing this we will keep our staff, and yours safe and support business continuity. It is likely that we will undertake our interim audit remotely. However, we will continue to assess the health environment as to what will be an acceptable approach for both parties in September and October in relation to our year end audit work.





Engagement Execution





Appendices



Independence

How we are meeting your independence requirements.



Focused on Your Future

Audit Committee members should be aware of focus areas, which includes the impact of new accounting standards.



Data Security and Privacy

Our digital audit is supported by a well-articulated data privacy and information security strategy.





Independence

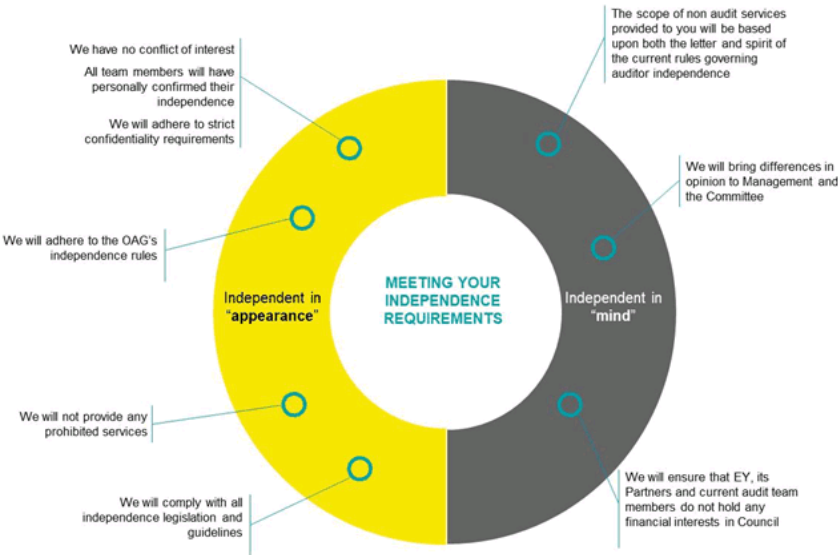
Independence is fundamental to EY as our ongoing reputation and success is connected to our ability to meet both the Council's and broader regulatory independence requirements.

We have consistently complied with all professional regulations relating to auditor independence including those outlined in:

- ▶ PES 1 Code of Ethics for Assurance Practitioners
- ▶ OAG's independence rules

Accordingly, we ensure that there are controls in place and actions taken on a regular basis that mitigate any risks to our independence.

There are no matters that, in our professional judgement, bear on our independence which need to be disclosed to the Finance, Audit & Risk Committee.





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Focused on Your Future

New accounting standards

The following Standards and Interpretations have been issued and become effective for Public Sector PBEs over the next couple of years:

PBE IPSAS 41 *Financial Instruments* Mandatory adoption from 1 July 2022

PBE IPSAS 21 *Impairment of Non-Cash Generating Assets* & PBE IPSAS 26 *Impairment of Cash-Generating Assets* Mandatory adoption from 1 July 2019

PBE FRS 48 *Service Performance Reporting* Mandatory adoption from 1 July 2021

Financial Instruments

- ▶ PBE IPSAS 41 introduces into PBE Standards the reforms introduced by NZ IFRS 9 in the for-profit sector and replaces most of the requirements of PBE IPSAS 29 Financial Instruments: Recognition and Measurement.
- ▶ This new standard introduces a forward-looking impairment model for financial assets, based on expected credit loss, which may cause certain assets to be impaired earlier than they would be under the current 'incurred loss' model.
- ▶ The standard also introduces a new classification model for financial assets, which may cause certain financial assets to be classified and measured differently as compared to PBE IPSAS 29.

Impairment

- ▶ Amends the scope of PBE IPSAS 21 *Impairment of Non-Cash-Generating Assets* and PBE IPSAS 26 *Impairment of Cash-Generating Assets* to include revalued assets.
- ▶ Revalued assets are subject to the same impairment assessment requirements as assets that are measured using the cost model.
- ▶ Where an impairment loss is recognised for an asset (or group of assets) that is revalued, an entity is not necessarily required to revalue the entire class of assets to which that impaired asset (or group of assets) belongs.
- ▶ For revalued assets, impairment losses and reversals thereof are accounted for in the same way as revaluation decreases and increases.

Service Performance Reporting

- ▶ PBE FRS 48 formalises in accounting standards requirements for PBEs to select and present service performance information.
- ▶ We acknowledge that requirements for service performance reporting already exist for local authorities in the Local Government Act 2002 and Non-financial Performance Measures Rules 2013 and changes as a result of the new standard are likely to relate to the level of disclosure regarding the judgements that have the most significant effect on the selection, measurement, aggregation, and presentation of service performance information.



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Sector matters

There continues to be ongoing change in the legislative and regulatory space for local authorities. This includes:

Three waters review**Local Government Act 2002 amendments****Productivity Commissioner's inquiry****Consultation on new and updated National Policy Statements****Three waters review**

- ▶ The Government has approved the establishment of a dedicated water regulator to help ensure safe drinking water and deliver improved environmental outcomes from New Zealand's wastewater and stormwater systems. The majority of the proposed reforms will be implemented through a Water Services Bill, which the Government is aiming to enact in mid-2020. After the establishment of a water regulator, the Government will be considering future water service delivery models and funding.

Local Government Act 2002 amendments

- ▶ The four well-beings were reintroduced into the Local Government Act 2002 in May 2019 with consequential local authority annual reporting obligations. Local authorities are now required to describe in their annual report any identified effects that any activity within the group of activities has had on the social, economic, environmental, or cultural well-being of the community, as opposed to the previous more general requirement to describe those effects on the community.

Productivity Commissioner's inquiry

- ▶ In July 2018, the Government asked the Productivity Commission to examine and report on local government funding and financing arrangements. The inquiry had a broad scope to look at cost pressures, funding and financing models, and the regulatory system. The productivity Commission has recently finalised its report and the next steps is for the Department of Internal Affairs (DIA) to consider the report and provide advice to the Minister of Local Government. Decisions will then be made regarding if, or how, recommendations will be taken forward.

Consultation on new and updated National Policy Statements

- ▶ The Government is consulting on new and updated National Policy Statements, which will create new planning requirements and standards that local authorities must meet. Those matters most significantly affecting local authorities are the National Policy Statement on Freshwater Management and Urban Development Capacity

We will continue to engage with management on these matters over the medium term as more definitive findings and intended actions are confirmed.

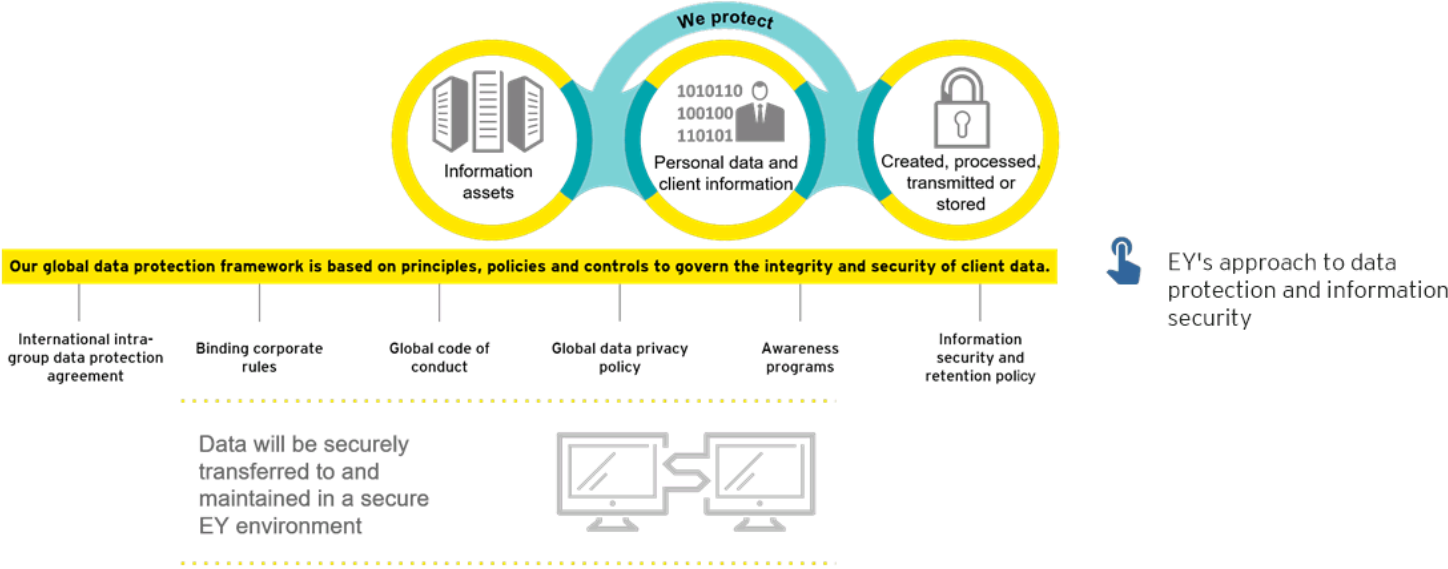


Data Security and Privacy

Our ability to provide seamless, consistent, high-quality client service worldwide is supported by a well-articulated data privacy and information security strategy.

For the audit of the Council the following applies:

- ▶ Access to EY Canvas is restricted to members of the engagement team only.
- ▶ Audit relevant information is transferred to EY securely via the EY Client Portal
- ▶ Less sensitive journal entry data is loaded into Helix GL Analyzer.





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ED None

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8.4 ANNUAL REPORT 2019-20 TIMETABLE AND AUDIT PLAN

Author: Gary Borg, Pouwhakarae – Pūtea / Tautāwhi Rangapū Group Manager
Finance and Corporate Support

Authoriser: Steven May, Tumu Whakarae Chief Executive Officer

Appendices: 1. Annual Report Timetable [↓](#)

1. PURPOSE

- 1.1 To present to the Committee the timetable for the preparation and audit of the Annual Report for the year ending 30 June 2020.

RECOMMENDATION

The Chief Financial Officer RECOMMENDS that the Committee receives the timetable for the Annual Report 2019-20.

2. BACKGROUND

- 2.1 This matter is presented to the Committee in support of its obligations under its Terms of Reference to monitor Council's audit programme and oversee the compilation of the Annual Report.
- 2.2 Although no decisions are required from the Committee, it has a critical role in ensuring that effective oversight is applied to the integrity and timeliness of the process and the information contained in the final Annual Report that is recommended for adoption by Council.
- 2.3 This paper presents a timetable and risk assessment of the key milestones and critical path that will determine successful execution of the plan and hence Council meeting its statutory obligations.

3. CURRENT SITUATION

- 3.1 The timetable is attached as **Appendix 1** and includes qualitative assessments of the risk referred in 2.3. The schedule identifies key milestones and target dates for completion, audit, and adoption of the Annual Report. It is dependent on all areas of Council's operations providing the required information within the indicated timeframes. More detailed task lists will be employed as part of the project plan.
- 3.2 In preparing this timetable additional attention has been applied to areas that have been challenging in previous reporting cycles, with a view to enhancing mitigations with regards to resourcing, timing, project management and distribution of tasks.



Confirmation of statutory compliance

In accordance with section 76 of the Local Government Act 2002, this report is approved as:

- a. containing sufficient information about the options and their benefits and costs, bearing in mind the significance of the decisions; and,

- b. is based on adequate knowledge about, and adequate consideration of, the views and preferences of affected and interested parties bearing in mind the significance of the decision.

Signatories

	
Author Gary Borg	Approved by Steven May

Annual Report Timetable 2019/20

Action	Target Completion Date	Risk (Likelihood)	Impact	Mitigation
Prepare Templates for Statements of Service Performance and Financial Statements (including comparatives)	12 June	<p>Delayed sending of the workbooks. Unanticipated</p> <p>Incorrect Target information included Very rare</p>	<p>Delays the managers completing and allowing SLT a chance to review</p> <p>Adds work to Auditors and managers to correct, delays signoff of the Audit process</p>	<p>SSP template prepared and in use (half year and third quarter) therefore turnaround quicker, and managers more familiar with the layout and expectations.</p> <p>Greater distribution of tasks.</p>
Interim Audit	22 June			Leverage opportunity to discuss areas of judgement and interpretation.
Regular Year-End Adjustments <ul style="list-style-type: none"> - Investment Adjustments - Debtors – Aging of Rating Debtors and Provision for Doubtful Debts - Stocks on Hand - Payroll - Grants - Landfill provision - Rates reconciliation 	17 July	<p>Delayed completion of this work Rare</p> <p>Systemic challenges to production of base data Rare</p>	<p>Work would need to be done in August</p> <p>Delayed close of ledgers and completion of notes to accounts</p>	<p>Stock on hand to be requested in advance for 30 June.</p> <p>Data is produced regularly to support the CEO report.</p> <p>Testing to be undertaken in May including rates reconciliation which caused delays last year</p>

Action	Target Completion Date	Risk (Likelihood)	Impact	Mitigation
				Draft landfill provision calculations to be reviewed at interim audit.
Third party confirmations	24 July	Responses delayed or incomplete. Rare	Compromise signoff	Diarise, single checklist
Creditors <ul style="list-style-type: none"> - Non-Contractual Creditors <ul style="list-style-type: none"> o Processed Invoices ex GL o Invoices not received or processed - Contract claims/Prepayments and accruals 	31 July	Creditor costs are not accurately recorded in the accounts Moderate Cost information incomplete Likely PO's are not receipted, have wrong value, or not raised Likely	Understated expenditure and capital costs in the accounts.	Control list to be created for completeness and reconciled to contracts. Liaison with activity managers, review of purchase orders. Mail-out to suppliers
Revenue not recognised including NZTA Claim 12 – Check for Wash-up	31 July	Income not included in accounts. Very rare Incomplete claims Rare	Understated Revenue and Receivables	1. Reconciliation of income to Claims. 2. Review of expenditure to claims. 3. Emergency spending FAR claims

Action	Target Completion Date	Risk (Likelihood)	Impact	Mitigation
Ledgers closed	31 July	Timing and completeness Moderate	Delay completion of financial statements	Focus on project management
Compilation of Statements of Service Performance <ul style="list-style-type: none"> Received Reviewed (SLT) 	15 July 20 July	Late or incomplete returns Likely Supporting information not reliable/inconsistent Moderate	Additional audit work, reporting delays	Supporting documentation to be supplied by managers. Half year and third quarter reports have resulted in timely provision of information.
Capital Adjustments (Additions/Deletions/Depreciation & Valuation allocations) and Accruals	31 July	Completion delayed Likely Additions/disposals not recognised Likely Operating expenditure incorrectly capitalised Likely	Delays finalisation of Depreciation, Reserve Movements, and reporting Asset values and depreciation misstated Asset values and depreciation misstated, operating expenditure and overall profit misstated	Year to 30 April for infrastructure to be sent out early June Review of project book and sign off on completion Coding and posting sequence to be agreed and confirmed. Finance and asset manager working together to clarify capitalisation considerations and ensure operating expenditure is identified and

Action	Target Completion Date	Risk (Likelihood)	Impact	Mitigation
				classified correctly. Funding Impact Statement templates to be prepared in advance of final capitalisations.
Overhead Allocations, Reserve Interest and Special Reserve funds	7 August	Complete information not available in timely fashion. Moderate	Delayed reporting, additional audit work	Dependent on above milestones, however much of the required information is now routinely prepared.
Notes, Funding Impact Statements, Financial Prudence Benchmarks	14 August			
Performance stories <ul style="list-style-type: none"> Received Reviewed 	01 August 14 August			
Joint statement	19 August			
Draft financial statements - SLT review	24 August			
Draft Financial Statements - Council	8 September			
Audit	21 September – 9 October			
Presentation of Council only draft to Finance Audit & Risk Committee	22 September			
Consolidation of CCO financial statements	02 October	QRS unable to pass info until audit is finalised Moderate	Delays completion of the accounts	Consolidation workbook and entry into the accounts template workbook to be setup in June, ready for data entry which will self-populate to ensure a fast turnaround once data received.
Audit report on Control Findings, Draft Opinion and Representation Letter	12 October	Moderate		

Action	Target Completion Date	Risk (Likelihood)	Impact	Mitigation
Report finalisation and Audit Opinion	16 October	Moderate		
Presentation of audited reports to Council for adoption	27 October	Moderate	Breach of statutory deadline for adoption of the report.	

8.5 BUDGET FOR THE DRAFT ANNUAL PLAN 2020-21

Author: Gary Borg, Pouwhakarae – Pūtea / Tautāwhi Rangapū Group Manager
Finance and Corporate Support

Authoriser: Steven May, Tumu Whakarae Chief Executive Officer

Appendices: 1. Draft Budget [↓](#)
2. Prospective Rates Distribution [↓](#)

1. PURPOSE

1.1 The purpose of this report is to present the budget for the draft Annual Plan 2020-21.

RECOMMENDATION

The Pouwhakarae – Pūtea / Tautāwhi Rangapū Group Manager Finance and Corporate Support RECOMMENDS that the Committee:

1. Endorses the draft budgets to Council for inclusion in the Annual Plan for the year ending 30 June 2021, subject to adjustments for asset revaluations.
2. Encourages Council to place emphasis on the financial sustainability of service levels during preparation and community engagement for the Long-term Plan 2021-31.

EXECUTIVE SUMMARY**2. BACKGROUND**

- 2.1 Under Section 95 of the Local Government Act 2002, Council is required to prepare and adopt an Annual Plan for each financial year.
- 2.2 By reviewing the financial statements and supporting information the Committee supports Council by assessing the prudence of the proposed budgets that underpin that plan.

3. CURRENT SITUATION

- 3.1 The financial statements and supporting information are attached as **Appendix 1**, along with analysis of prospective rates movements as **Appendix 2**.
- 3.2 The draft budgets reflect the current estimates concerning Council's revenue, financial commitments, capital expenditure, borrowings, cashflow and equity. These are presented alongside comparatives for the corresponding year in the Long-term Plan 2018-28 as well as the Annual Plan 2019-20, with key variances to the former explained.
- 3.3 At the time of writing, the draft budgets do not contain an adjustment depreciation in respect of infrastructure asset valuations. This is currently in process and a separate report concerning indicative findings for roading assets is included in this Agenda. The adjustments are likely to be significant and will exacerbate the matters discussed in 8.4 and 8.5 below.

4. KEY OBSERVATIONS

- 4.1 Total revenue is \$9 million higher than forecast in the LTP. More than 90% of this is additional subsidies from New Zealand Transport Agency (NZTA) and the Provincial Growth Fund (PGF) and is utilised in supplementary capital projects that are expected to deliver, inter alia, economic growth opportunities. This is timely, as the District begins to prepare its recovery from the effects of the COVID-19 lockdown.
- 4.2 The inclusion of the projects referred in 4.1 are the reason why capital expenditure is, at \$20.6 million, forecast to be almost double the quantum forecast in the LTP.
- 4.3 Operating expenses are forecast at \$2.5 million, almost 10%, more than the amount forecast in the LTP. These are unavoidable since, as described in the variance analysis in **Appendix 1**, it almost entirely relates to contracts that were tendered around the time that the LTP was adopted and the increased baselines exceeded the inflation factors that were allowed for in the plan.
- 4.4 Borrowings will be moderately higher than forecast in the LTP by virtue of Council's contribution to the PGF sponsored projects and accelerating other complementary projects.
- 4.5 Total rates revenue is forecast to increase by 5%, which is within the limit imposed by the Financial Strategy. This has been achieved despite the escalating costs by predominantly exercising judgement about what costs are rated for and what revenues can be used as offset. This is explored further in the Risk Management section (8) below.
- 4.6 As with every other year the complexity of Council's rating methodology means distribution of rates substantial deviations from the average, as illustrated in **Appendix 2**. This is also considered in the Risk Management Section.

5. OPTIONS

- 5.1 The options identified are:
 - a. Recommend the draft budget to Council for inclusion in the Annual Plan 2020-21
 - b. Do not recommend the budget.
- 5.2 The budget has been prepared based on current knowledge of Council's contractual commitments and cost of service delivery, within the parameters of the Financial Strategy. Notwithstanding the variations from the LTP, it is considered prudent insofar as Council's revenues will meet its financial obligations and its balance sheet remains healthy.
- 5.3 Despite the factors described in 8.4 and 8.5, it is technically a balanced budget.
- 5.4 Recommendation to Council would support the adoption of an Annual Plan within the statutory timeframe. This would enable immediate focus to be applied to the review of service delivery versus financial sustainability that will be critical to the Long-term Plan process.
- 5.5 The preferred option is *a) Recommend the draft budget to Council for inclusion in the Annual Plan 2020-21*, this contributes to the following community outcomes

Economic wellbeing	Social and Cultural Wellbeing	Environmental Wellbeing
1. A strong prosperous and	3. A community that values	7. A safe and secure

thriving economy 2. A safe and integrated infrastructure	and promotes its culture and heritage 4. Safe and accessible recreational facilities 5. Supportive, caring and valued communities 6. Strong district leadership and a sense of belonging	community 8. A lifetime of good health, education and well-being 9. An environment that is appreciated, protected and sustained for future generations
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6. CORPORATE CONSIDERATIONS

What is the change?

6.1 No change to Council policy or operating model is proposed at this time.

Compliance with legislation and Council Policy

6.2 Acknowledging the variations, the proposed budgets overall support the direction set by the Long-term Plan 2018-28.

6.3 The financial information is prepared in accordance with the Local Government (Financial Reporting and Prudence) Regulations 2014.

What are the key benefits?

6.4 The main benefit of presenting this information to the Committee is to support Council in a transparent and thorough budgetary review process.

What is the cost?

6.5 N/A

What is the saving?

6.6 N/A

Service delivery review

6.7 There are no service delivery implications proposed.

Māori Standing Committee

6.8 This matter has not been referred to the Māori Standing Committee because it relates to the funding of the whole of council.

7. SIGNIFICANCE

7.1 Although the downstream outcomes may be significant, a review by Committee is assessed of low significance, considering the following:

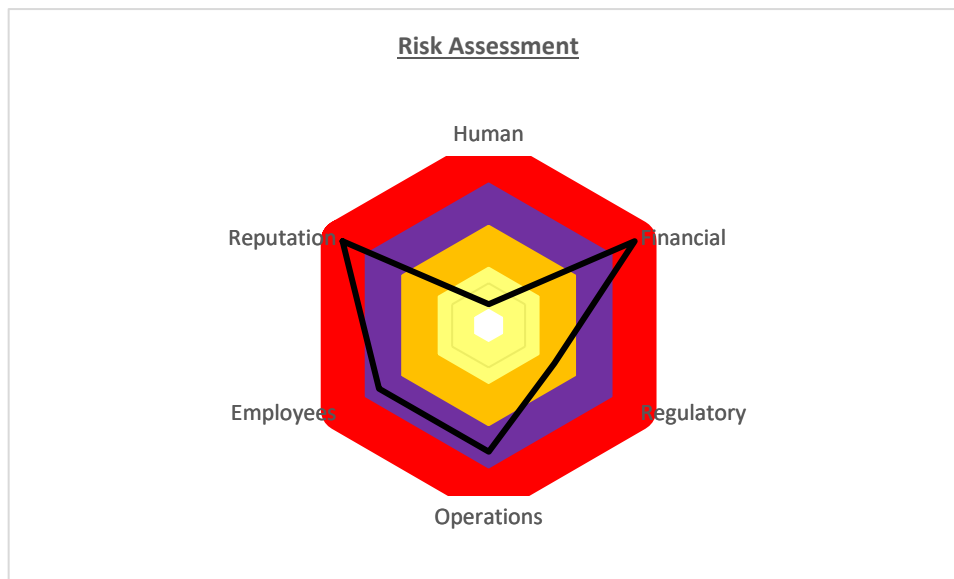
7.2 A review by Committee has no immediate impact on the community, but it will inform a process that affects everyone.

7.3 Council's budget, and moreover level of rates, generates a high level of public interest.

- 7.4 This matter is part of a process that will ultimately determine Council's budget and financial capacity.
- 7.5 It is unlikely that the Committee's direction could be reversed, at least without delaying the Annual Plan process.
- 7.6 No impact on service levels is currently foreseen.
- 7.7 There is no impact on any strategic assets. The properties proposed for sale are not considered strategic in this context.
- 7.8 There are no implications for any service delivery models.

8. RISK MANAGEMENT

- 8.1 In accordance with the Council's Risk Management Policy, the inherent risks associated with a budgetary review by Committee are low risk as no immediate decisions are made.
- 8.2 However, this matter has been assessed in the context of Council's ongoing financial sustainability and the degree to which the Committee may be able to influence a Council decision.
- 8.3 The risk assessment below assesses outcomes that could be reasonably foreseen without a controlled approach.



- 8.4 As regards financial capacity, Council's operating expenses exceed its operating revenue by \$2 million.
- 8.5 In its Annual Plan 2020-21 Council restricted the rates increase to below 5% in accordance with its Financial Strategy and is proposing to do this again in its draft Annual Plan 2021-22. Therefore, over 2 years, Council will have a \$4 million funding deficit.
 - 8.5.1. Of this, \$2.1 million has been met by not rating for depreciation. In the short term this is an acceptable risk, but over time if Council does not rate for depreciation it will have no money to replace infrastructure and operational assets when they wear out and break. Asset renewals could then only be funded by borrowing. It is not prudent to fund all capital expenditure by debt because there is a limit to how much

Council can borrow. In addition, the cost of servicing this debt would increase operating costs and therefore rates.

- 8.5.2. Council was able to restrict the rates increase by identifying properties for sale and by negotiating an increase in dividend from its CCO. The former would normally be used to fund asset enhancements and develop community facilities but was instead offset against rates. These elements amounted to \$1 million and cannot be expected to increase every year to be used to subsidise rates.
- 8.5.3. Council reduced discretionary expenses (including travel and training, maintenance, grants), and funded one-off operational projects from reserves rather than through rates. These adjustments amounted to \$0.5 million. The former is a short-term remedy and continuing this in the longer term would have detrimental impacts on services and assets. Funding from reserves reduces the amount of interest revenue that Council receives and will thus increase the future rates requirement.
- 8.5.4. Council took a risk that there would be no major emergency events and did not rate for \$0.4 million of associated costs. Floods, slips and the like happen regularly so this would not be prudent in the long term.
- 8.6 In the Long-term Plan 2021-31 Council will need to give serious consideration to the long-term sustainability of its activities and service levels.
- 8.7 As referenced in 4.6, Council's complex rating system and small rating base is a perpetual barrier to providing specific groups of rate payers certainty or consistency. A rating review will not fix this, and it is a perennial challenge that causes consternation in the community. Every year different groups are affected differently. For 2020/21:
 - 8.7.1. Rooding rates are reducing due to a higher subsidy yield. This is good news but only really benefits forestry and large farms, who have proportionately high land value to capital value and for whom rooding is up to 85% of their rates. There are several cases of reductions in these areas and rural in general is at 4% or less.
 - 8.7.2. The services rate, which is rated by capital value is increasing significantly. This is allocated 50/50 between 'urban' and 'rural', which means for Wairoa ratepayers the same rates amount is divided over a much smaller pool of rateable value. In addition, wastewater charges are also increasing by 40% and Waste Management by 28%. There are minor decreases to UAGC, Water Rates and Stormwater rates. Consequently, the baseline for Wairoa is 11%-12% increase.
 - 8.7.3. Those with high improvements values attract a greater share and the increase is considerably higher. This particularly affects larger commercial and utilities.
- 8.8 This will be exacerbated by the economic impacts of COVID19, and calls for lower, or even 0% adjustments. As described in (8.5) Council has taken all practicable measures to mitigate this.

Who has been consulted?

Although the variations compared to the LTP may be considered material, the matters pertaining have already been consulted or subject to continuing community engagement, such that Council already has a comprehensive understanding of community views.

- The waste management service levels were consulted in 2018.
- The wastewater reconsenting programme and the associated costs of compliance are the subject of an ongoing public process that has involved the community for over 3 years.
- Escalating operating costs and Council's funding challenges were the subject of community engagement for the Annual Plan 2019-20 and the Pre-Election Report 2019.
- No adjustments to service levels are currently proposed

It is vital, however, that these issues are carried forward into community engagement for the LTP 2021-31.

Further Information

LTP 2018-28, Annual Plan 2019-20, Pre-Election Report 2019

References (to or from other Committees)



This matter is part of Council's annual planning cycle.

Confirmation of statutory compliance

In accordance with section 76 of the Local Government Act 2002, this report is approved as:

- a. containing sufficient information about the options and their benefits and costs, bearing in mind the significance of the decisions; and,
- b. is based on adequate knowledge about, and adequate consideration of, the views and preferences of affected and interested parties bearing in mind the significance of the decision.

Signatories

	
Author Gary Borg	Approved by Steven May

DRAFT BUDGET

TO 30 JUNE 2021



TE WAIROA
WAIROA DISTRICT

STATEMENT OF PROSPECTIVE COMPREHENSIVE REVENUE AND EXPENSE

	Annual Plan 2019/2020 \$000	Long Term Plan 2020/21 \$000	Annual Plan 2020/21 \$000	Annual Plan variance to LTP \$000
Revenue				
Rates	13,325	13,959	13,987	28
Subsidies and grants	16,833	11,996	20,211	8,215 A
Petrol tax	87	88	88	-
Fees and charges	1,971	1,826	2,096	270 B
Investment income	1,127	619	1,154	535 C
Total revenue	33,343	28,488	37,536	9,048
Expense				
Water supply	2,140	2,198	1,731	(467) D
Stormwater	554	493	507	14
Wastewater	1,458	1,648	1,739	91 E
Solid waste	1,752	1,428	1,915	487 F
Transport	13,587	11,085	13,277	2,192 G
Community facilities	2,438	2,398	2,525	127 H
Planning and regulatory	2,081	2,186	2,696	510 I
Leadership and governance	3,601	2,818	3,538	720 J
Corporate	1,285	2,159	1,021	(1,138) K
Total expense	28,895	26,413	28,949	2,536
Net surplus (deficit) on operations	4,448	2,075	8,587	6,512
Taxation	-	-	-	-
Net surplus (deficit) after taxation	4,448	2,075	8,587	6,512
Other comprehensive income				
Increase (decrease) in revaluation reserve	15,073	-	-	-
Increase (decrease) in AFS reserve	-	-	-	-
Total comprehensive revenue and expense	19,521	2,075	8,587	6,512

Variance explanations

- A** Subsidies and grants include capital subsidies. These are significantly higher than the corresponding year of the LTP following NZTA approval of a reinstatement programme of works relating to the 2018 emergency events and the PGF approved bridge strengthening and Mahia East Coast Road traction sealing projects
- B** Fees and charges include revenue from the Gaiety Theatre, increases in landfill revenue and an increase in consent and licence volumes in regulatory areas. These are partially offset by a restatement of internal charges in Water Supply.
- C** Investment revenue includes \$0.5 million of proposed property sales and a significantly higher dividend receipt. There is a reduction in interest revenue due to lower interest rates on deposits and lower bond stock at the beginning of the year as reserves have been expended to fund capital works.
- D** The favourable variance in Water Supply expenses is a restatement of internal charges as described in **B**.
- E** Wastewater operating costs are higher than anticipated in the LTP due to increased monitoring required in order to satisfy consent conditions.
- F** Waste Management operating costs are significantly higher than forecast in the LTP. The legacy contract expired in 2018, after the LTP was adopted. This matter was the subject of a separate public consultation.
- G** Similarly, road maintenance contracts were retendered in 2018 and the variance reflects the escalating costs in the civil engineering sector.
- H** The adverse variance in Community Facilities operating costs also relates to contracts that were renegotiated, in 2019, for reserves maintenance and cleaning public toilets.
- I** The main variance in Planning and Regulatory is the carry forward of expenses to review the District Plan. This area also includes increases in operating resources to achieve augmented throughput of consent and licence applications. This is reflected in a favourable variance in fees and charges revenue as described in **B**.

Variance explanations	
J	The adverse variance in Leadership and Governance includes: <ul style="list-style-type: none"> Inclusion of operating costs for the Gaiety Theatre, offset by favourable variance in fees and charges B. Council's contribution towards Provincial Growth Fund projects Consultancy not identified in previous budgets
K	The favourable variance in corporate functions includes a restatement of LTP figures, with rates remissions now offset against gross rates revenue. Further, Council's internal loans matrix has been reconstructed so that finance costs relating to expenditure from reserves is allocated directly to the relevant activities rather than retained as a corporate expense.

STATEMENT OF PROSPECTIVE FINANCIAL POSITION

	Annual Plan 2019/2020 \$000	Long Term Plan 2020/21 \$000	Annual Plan 2020/21 \$000	Annual Plan variance to LTP \$000
Current assets				
Cash and cash equivalents	410	2,403	1,972	(431) A
Inventories	58	58	58	-
Trade and other receivables	2,483	3,638	3,120	(518) A
Total current assets	2,952	6,099	5,150	(949)
Current liabilities				
Trade and other payables	9,531	8,934	9,782	848 B
Total current liabilities	9,531	8,934	9,782	848
Working capital	(6,579)	(2,835)	(4,632)	(1,797)
Non-current assets				
Property, plant and equipment	279,200	286,847	279,284	1,946
Work in progress	16,415	11,095	20,604	
Investment in subsidiary	1,250	1,250	1,250	-
Biological asset - forestry	260	260	260	-
Available for sale financial assets	23	23	23	-
Intangible assets	231	199	198	(1)
Financial assets at fair value	7,620	5,372	8,256	2,884 A
Total non-current assets	305,000	305,046	309,875	4,829
Non-current liabilities				
Employee entitlements	115	120	112	(8)
Landfill aftercare	753	776	730	(46)
Borrowings	8,183	9,235	10,901	1,666 C
Total non-current liabilities	9,050	10,130	11,743	1,613
Net assets	289,371	292,081	293,500	1,419

Variance explanations	
A	Anticipation of increased grant revenue from PGF projects and higher NZTA financial assistance rate in respect of emergency works and State Highway 38 improvements presents the opportunity to replenish investment towards the end of the financial year, at least for the short term. Improved working capital and treasury management will divert more of these funds towards investments.
B	Payables will automatically increase as a result of increase expenditure, a large proportion of this will be capital creditors. It is noted that current liabilities exceed current assets. This is because of the quarterly invoicing pattern for rates. A proportion of capital creditors will be paid from loans, due to the nature of the expenditure, while investments will be held with range of maturities to cover variations from expected cash flows.
C	Borrowings are forecast to be higher than the LTP, primarily as a result of Council's contribution to PGF partnered projects and where depreciation reserves are insufficient as a result of reduced rating for depreciation.

STATEMENT OF PROSPECTIVE CHANGES IN EQUITY

	Annual Plan 2019/2020 \$000	Long Term Plan 2020/21 \$000	Annual Plan 2020/21 \$000	Annual Plan variance to LTP \$000
Total equity - opening balance	269,851	290,006	284,913	(5,093)
Net surplus (deficit) for period	4,448	2,075	8,587	6,512
Other comprehensive income	15,073	-	-	-
Total comprehensive income	19,521	2,075	8,587	6,512
Total equity - closing balance	289,371	292,081	293,500	1,419
Components of equity				
Ratepayers equity - opening balance	140,766	145,337	141,296	(4,041)
Net surplus/(deficit) for period	4,448	2,075	8,587	6,512
Transfers to restricted reserves	(7,830)	(4,203)	(1,788)	2,415
Transfers from restricted reserves	8,358	3,628	5,411	1,783
Transfer from revaluation reserve on disposal	-	-	-	-
Ratepayers equity - closing balance	145,742	146,837	153,506	6,669
Special funds - opening balance	17,171	17,468	16,643	(825)
Transfer to ratepayers equity	(8,358)	(3,628)	(5,411)	(1,783)
Transfer from ratepayers equity	7,830	4,203	1,788	(2,415)
Special funds - closing balance	16,643	18,043	13,020	(5,023)
Revaluation reserves - opening balance	111,913	127,201	126,974	(227)
Net transfer from revaluation reserve on disposal	-	-	-	-
Transfer to revaluation	15,073	-	-	-
Revaluation reserves - closing balance	126,986	127,201	126,974	(227)
Total equity - closing balance	289,371	292,081	293,500	1,419

STATEMENT OF PROSPECTIVE CASH FLOWS

		Annual Plan 2019/2020 \$000	Long Term Plan 2020/21 \$000	Annual Plan 2020/21 \$000	Annual Plan variance to LTP \$000
Cash flows from operating activities					
<i>Cash provided from:</i>	Rates received	13,259	13,178	14,737	1,559
	Other revenue	18,891	14,510	22,752	8,242
	Investment income	959	444	1,154	710
		33,109	28,132	38,643	10,511
<i>Cash applied to:</i>	Payments to suppliers and employees	21,222	18,728	19,129	401
	Interest paid	536	680	1,186	506
		21,758	19,408	20,315	907
Net cash flows from operating activities		11,351	8,724	18,328	9,604
Cash flows from investing activities					
<i>Cash provided from:</i>	Sale of property, plant and equipment	-	-	16	16
	Repayment of advances	-	-	-	-
	Sale of financial assets	1,500	2,500	-	(2,500)
		1,500	2,500	16	(2,484)
<i>Cash applied to:</i>	Purchase of intangibles	-	-	-	-
	Purchase of financial assets	-	-	2,115	2,115
	Purchase of property, plant and equipment	16,405	11,095	20,604	9,509
		16,405	11,095	22,719	11,624
Net cash flows from investing activities		(14,905)	(8,595)	(22,703)	(14,108)
Cash flows from financing activities					
<i>Cash provided from:</i>	Loans raised	1,648	1,853	2,702	849
		1,648	1,853	2,702	849
<i>Cash applied to:</i>	Borrowings repaid	-	116	-	(116)
		-	116	-	(116)
Net cash flows from financing activities		1,648	1,737	2,702	965
Net increase/(decrease) in cash and cash equivalents		(1,906)	1,866	(1,673)	(3,539)
Cash and cash equivalents at beginning of year		2,316	537	3,645	3,108
Cash and cash equivalents at end of year		410	2,403	1,972	(431)
Made up of:					
Cash		50	50	50	-
Short Term Deposits		360	2,353	1,922	(431)
Bank Overdraft		-	-	-	-
Cash and cash equivalents at end of year		410	2,403	1,972	(431)

FINANCIAL PRUDENCE BENCHMARKS

	Policy Limit	Planned	Met
Rates affordability benchmark¹			
Revenue	60% of operating expenses	48%	Yes
Revenue	70% of total revenue	44%	Yes
Increases	5% per annum	5%	Yes
Debt affordability benchmark²			
Borrowings not more than total revenue		29%	Yes
Balanced budget benchmark³			
100%		96%	No
Essential services benchmark⁴			
100%		228%	Yes
Debt servicing benchmark⁵			
15%		4.7%	Yes

WHOLE OF COUNCIL FUNDING IMPACT STATEMENT

FUNDING IMPACT STATEMENT - WHOLE OF COUNCIL

	Annual Plan 2019/2020 \$000	Long Term Plan 2020/21 \$000	Annual Plan 2020/21 \$000
Sources of operating funding			
General rates, uniform annual general charges, rates penalties	3,590	3,554	3,523
Targeted rates (other than a targeted rate for water supply)	9,023	9,660	10,464 A
Subsidies and grants for operating purposes	6,804	6,521	8,041
Fees and charges	2,060	1,940	2,273
Interest and Dividends from Investments	570	154	761
Local authorities fuel tax, fines, infringement fees, and other receipts	87	88	88
Total operating funding (A)	22,134	21,918	25,151
Applications of operating funding			
Payments to staff and suppliers	22,191	19,022	23,213 A
Finance costs	144	387	202
Other operating funding applications	-	-	-
Total applications of operating funding (B)	22,336	19,409	23,416
Surplus (deficit) of operating funding (A - B)	(202)	2,509	1,736
Sources of capital funding			
Subsidies and grants for capital expenditure	10,029	5,474	12,168 B
Development and financial contributions	-	-	-
Increase (decrease) in debt	1,880	2,069	2,702 B
Gross proceeds from sale of assets	31	36	16
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
Total sources of capital funding (C)	11,939	7,580	14,886
Application of capital funding			
Capital expenditure			
- to meet additional demand	-	-	-
- to improve the level of service	9,776	4,378	9,364 B
- to replace existing assets	6,639	6,717	11,239 B
Increase (decrease) in reserves	(4,678)	(1,006)	(3,980)
Increase (decrease) of investments	-	-	-
Total applications of capital funding (D)	11,737	10,089	16,623
Surplus (deficit) of capital funding (C-D)	202	(2,509)	(1,736)
Funding balance ((A-B) + (C-D))	-	-	-

Commentary

- A** In the Long-term Plan 2018-28 and Annual Plan 2019-20 rates remissions had been reported as a deduction from net rates revenue instead of gross, with a corresponding offset in Payments to Staff and Suppliers.
- B** Additional roading projects include continuing the bridge upgrade programme, Mahia East Coast Road traction sealing and Nuhaka road realignment, all or mostly funded by PGF / NZTA. The year will also see progress with the PGF supported Te Wairoa E Whanake CBD development and the associated opportunity to bring forward the Library and Archives upgrades as part of a combined programme of work.

PROJECTS AND FUNDING

Project Name	Annual Plan 2020/21 \$000	Sale of Assets \$000	Subsidy \$000	Reserve \$000	Loan \$000
Operational					
District Plan	500	0	0	0	500
Software	116	0	0	116	0
Library Software Implimentation	81	0	0	81	0
Total Operational Funding	697	0	0	197	500
Capital					
<u>Community Facilities</u>					
Building Renewals	12	0	0	12	0
Library Office Air Conditioning	6	0	0	0	6
Library Building Upgrade	1,500	0	600	450	450
Library Shelves	15	0	0	15	0
Library Building Enhancement	15	0	0	0	15
Book Purchases	36	0	0	36	0
Playground Resiting	40	0	0	0	40
Total Community Facilities	1,624	0	600	513	511
<u>Wastewater</u>					
Rising Main Kopu Road To Pilot Hill	364	0	0	0	364
Storage	270	0	0	0	270
Telemetry Base Sets Wairoa	11	0	0	0	11
Infiltration - Resulting From Study	57	0	0	0	57
Project Management - Technical Coordination	211	0	0	0	211
Outfall	540	0	0	0	540
Catchment	115	0	0	0	115
Consultancy For Wairoa Consent	117	0	0	0	117
Renewal Pump Stations	26	0	0	26	0
Purchase Flow Meters	75	0	0	0	75
Fitzroy Plant Repl Dischge Valves	644	0	0	644	0
Wairoa Reticulation - Renewals	263	0	0	263	0
Total Wastewater	2,691	0	0	933	1,757
<u>Stormwater</u>					
Mahia Beach Pipelines Renewals	100	0	0	0	100
Total Stormwater	100	0	0	0	100

Project Name	Annual Plan				
	2020/21 \$000	Sale of Assets \$000	Subsidy \$000	Reserve \$000	Loan \$000
<u>Corporate Functions</u>					
Archives Building	1,000	0	0	0	1,000
Community Complex Upgrade	250	0	0	0	250
Community Centre Remedial Works	51	0	0	0	51
Council Office Foyer Display Equipment	6	0	0	0	6
Backup Server	10	0	0	10	0
Purchase Computer Hardware	5	0	0	5	0
Replacement Laptops	7	0	0	7	0
Mobile TV Conferencing Unit	10	0	0	10	0
Fibre Optic Cabling	6	0	0	6	0
Vehicle Replacement	40	16	0	24	0
Install Of Insulation	80	0	0	0	80
Renewal Projects - Stove	10	0	0	10	0
Future Capital Requirements	15	0	0	15	0
Development Office Space	40	0	0	40	0
Total Support Services	1,531	16	0	127	1,387
<u>Transport</u>					
Purchase Office Furniture	1	0	0	1	0
Purchase Computer Equipment	5	0	0	5	0
Low Cost Low Risk	2,627	0	1,970	657	0
Bridge Strengthening	635	0	635	0	0
Emerg Wk 2018-19 Event 1	3,000	0	2,850	150	0
Road 38 Minor Improvements	100	0	100	0	0
Pavement Rehabilitation	756	0	567	189	0
Sealed Road Resurfacing	1,040	0	780	260	0
Drainage Renewals	349	0	261	87	0
Structures Component Replace	499	0	374	125	0
Traffic Services Renewals	231	0	173	58	0
Mahia East Coast Road Traction Sealing	2,300	0	2,300	0	0
Emergency Renewal Flood Damage	1,000	0	750	250	0
Emergency Enhancements Flood Damage	531	0	399	133	0
Road 38 Unsealed Rd Metalling	122	0	122	0	0
Road 38 Drainage Renewals	34	0	34	0	0
Road 38-Traffic Svcs Renewal	3	0	3	0	0
Road 38 Emergency Reinst - New	250	0	250	0	0
Total Transport	13,482	0	11,568	1,914	0
<u>Water Supply</u>					
Conditioning Report	10	0	0	0	10
Tawhara Tanks Safety Rails	50	0	0	50	0
Wairoa Pipeline Renewals	490	0	0	490	0
Valve Replacements	15	0	0	15	0
Safety Improvement	10	0	0	10	0
Replacement Of Intake Valves	15	0	0	0	15
Flood Control Protect At Intake	550	0	0	0	550
Conditioning Sampling	10	0	0	0	10
Replace Vinyl Flooring Treatment Plant	25	0	0	0	25
Total Water Supply	1,175	0	0	565	610
Total Capital Projects	20,602	16	12,168	4,053	4,365
Total Funding	21,299	16	12,168	4,250	4,865

MOVEMENTS IN SPECIAL FUNDS AND RESERVES

Name of Special Reserve	Purpose of Reserve	Activity to which Reserve relates	Opening Reserve Balance \$000	Projects Funded by Reserve \$000	Transfer within Reserves \$000	Depreciation \$000	Non Funded Depreciation \$000	Closing Reserve Balance \$000
Reserves held for Emergency Purposes								
Disaster Recovery	To fund response and recovery from emergency events and ensure business continuity	Emergency Management	769	0	0	0	0	769
Reserves held for future Asset Purchases								
Water Production Depreciation	To fund the renewal and replacement of Water supply assets	Water Supply	1,084	0	0	0	0	1,084
Water Reticulation Depreciation Wairoa	To fund the renewal and replacement of network assets in the Wairoa reticulation system	Water Supply	2,285	(555)	0	386	(100)	2,015
Water Reticulation Depreciation Tuai	To fund the renewal and replacement of network assets in the Tuai reticulation system	Water Supply	57	0	0	0	0	57
Water Reticulation - Frasertown	To fund the renewal and replacement of network assets in the Fraserten reticulation system	Water Supply	49	0	0	0	0	49
Water Reticulation - Wairoa Peri Urban	To fund the renewal and replacement of network assets in the Peri-Urban reticulation system	Water Supply	338	0	0	0	0	338
Water Reticulation - Mahanga	To fund the renewal and replacement of network assets in the Mahanga reticulation system	Water Supply	15	0	0	0	0	15
Water Treatment - Frasertown	To fund the renewal and replacement of network assets in the Frasertown reticulation system	Water Supply	49	0	0	0	0	49
Water Reticulation - Peri-urban	To fund the renewal and replacement of network assets in the Peri-urban reticulation system	Water Supply	131	0	0	0	0	131
Water Reticulation - Mahanga	To fund the renewal and replacement of network assets in the Mahanga reticulation system	Water Supply	15	0	0	0	0	15
Sewerage Depreciation Wairoa	To fund the renewal and replacement of wastewater assets in the Wairoa reticulation system	Wastewater	1,275	(933)	0	275	(130)	486
Sewerage Depreciation Tuai	To fund the renewal and replacement of wastewater assets in the Tuai reticulation system	Wastewater	317	0	0	0	0	317
Stormwater Depreciation Wairoa	To fund the renewal and replacement of stormwater assets into the Wairoa reticulation system	Stormwater	2,258	0	0	92	0	2,350
Stormwater Depreciation Mahia	To fund the renewal and replacement of stormwater control assets in Mahia	Stormwater	13	0	0	0	0	13
Landfill Depreciation	To fund the renewal and replacement of landfill and recycling assets	Waste Management	615	0	0	107	0	722
Airport Runway Depreciation	To fund the renewal and replacement of Airport runway	Transport	0	0	(5)	5	0	0
Roading Depreciation	To fund the local share of the renewal and replacement of the roading network	Transport	0	(1,783)	1,664	2,302	(2,182)	0
Footpaths Depreciation	To fund the renewal and replacement of footpaths	Transport	931	0	(7)	10	0	934
Parking Areas Depreciation	To fund the renewal and replacement of parking areas	Transport	567	0	0	1	0	568
Bridges Depreciation	To fund the local share of the renewal and replacement of bridges	Transport	1,202	(125)	(1,651)	574	0	0
Library Bk Stocks Depreciation	To fund the renewal and replacement of library books	Community Facilities	252	(36)	0	24	0	240
Parks & Reserves Depreciation	To fund the renewal and replacement of playground equipment and other recreational equipment and other recreational assets throughout the district	Community Facilities	83	0	0	459	(294)	248
Information Services Renewal	To fund the renewal and replacement of IT equipment	Corporate Functions	346	(22)	0	157	(1)	479
Pensioner Housing Depreciation	To fund the renewal and replacement of buildings used for pensioner housing	Corporate Functions	124	(25)	0	20	0	119
Asset & Vehicle Depreciation	To fund the renewal and replacement of vehicles, furniture and office equipment	All Activities	1,419	(563)	0	722	(413)	1,165

Name of Special Reserve	Purpose of Reserve	Activity to which Reserve relates	Opening Reserve Balance \$000	Projects Funded by Reserve \$000	Transfer within Reserves \$000	Depreciation \$000	Non Funded Depreciation \$000	Closing Reserve Balance \$000
Reserves held for future operational costs								
Water Reticulation - Wairoa	To fund the ongoing costs associated with growth of demand in the water supply activity	Water Supply	438	0	0	0	0	438
Water Production Depreciation	To fund the renewal and replacement of Water supply assets	Water Supply	147	0	0	182	0	329
Reserves Tuai	A specific fund created to fund projects supporting the development of amenities and community facilities in Tuai	Community Facilities	157	0	0	0	0	157
Wairoa Urban Fund	A specific fund created to fund projects supporting the development of amenities and community facilities in Wairoa	Community Facilities	275	0	0	0	0	275
General Purpose Fund	A specific fund created to fund projects supporting the development of amenities and community facilities in the rest of the district	Community Facilities	493	0	0	0	0	493
District Development	A specific fund created to fund projects supporting economic development	Economic Development	263	0	0	0	0	263
Retirement & Restructuring	To fund the estimated future cost of retirement liabilities	Corporate Functions	101	0	0	0	0	101
Reserves Held for Repayment of maturing debt								
Loan Repayment External	Accumulation of funds via rates to repay principal of external borrowings when they fall due	All Activities	2,366	0	0	0	0	2,366
Loan Repayment Internal	Accumulation of Internal interest and repayments via rates to repay funds used from surpluses in existing reserves for specific projects in other activities	All Activities	1,569	0	0	0	0	1,569
Grand Total Reserves								
Total Reserves	Total of all reserve accounts	All Activities	20,003	(4,043)	0	5,317	(3,121)	18,156

GROUP OF ACTIVITY FUNDING IMPACT STATEMENTS

WATER SUPPLY

	Annual Plan 2019/2020 \$000	Long Term Plan 2020/21 \$000	Annual Plan 2020/21 \$000
Sources of operating funding			
General rates, uniform annual general charges, rates penalties	-	-	-
Targeted rates (other than a targeted rate for water supply)	1,289	1,493	1,295
Subsidies and grants for operating purposes	-	-	-
Fees and charges	309	411	307
Internal charges and overheads recovered	427	437	436
Internal interest income	65	73	124
Interest and dividends from investments	-	-	-
Local authorities fuel tax, fines, infringement fees, and other receipts	-	-	-
Total operating funding (A)	2,090	2,414	2,163
Applications of operating funding			
Payments to staff and suppliers	1,039	1,161	781
Finance costs	-	-	-
Internal charges and overheads applied	833	818	827
Internal interest charged	-	2	83
Other operating funding applications	-	-	-
Total applications of operating funding (B)	1,872	1,982	1,693
Surplus (deficit) of operating funding (A - B)	219	433	470
Sources of capital funding			
Subsidies and grants for capital expenditure	-	-	-
Development and financial contributions	-	-	-
Increase (decrease) in debt	3	-	140
Gross proceeds from sale of assets	9	-	-
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
Total sources of capital funding (C)	12	-	140
Application of capital funding			
Capital expenditure			
- to meet additional demand	-	-	-
- to improve the level of service	97	32	20
- to replace existing assets	293	284	1,155
Increase (decrease) in reserves	(159)	117	(565)
Increase (decrease) of investments	-	-	-
Total applications of capital funding (D)	231	433	610
Surplus (deficit) of capital funding (C-D)	(219)	(433)	(470)
Funding balance ((A-B) + (C-D))	-	-	-

Commentary

Payments to Staff and Suppliers reflects a reallocation of shared costs to other activities and an expectation that reducing water loss in the network will reduce operating costs.

The additional **Capital Expenditure** relates to the protection of the intake and bridge crossings to prevent the risk of structural failure. These matters were presented to Council during 2019/20.

WASTEWATER

	Annual Plan 2019/2020 \$000	Long Term Plan 2020/21 \$000	Annual Plan 2020/21 \$000
Sources of operating funding			
General rates, uniform annual general charges, rates penalties	-	-	-
Targeted rates (other than a targeted rate for water supply)	1,163	1,275	1,513
Subsidies and grants for operating purposes	-	-	-
Fees and charges	130	205	105
Internal charges and overheads recovered	1	222	-
Internal interest income	64	63	67
Interest and dividends from Investments	-	-	-
Local authorities fuel tax, fines, infringement fees, and other receipts	-	-	-
Total operating funding (A)	1,358	1,766	1,686
Applications of operating funding			
Payments to staff and suppliers	815	643	999
Finance costs	-	-	-
Internal charges and overheads applied	307	290	295
Internal interest charged	54	113	179
Other operating funding applications	-	-	-
Total applications of operating funding (B)	1,177	1,045	1,474
Surplus (deficit) of operating funding (A - B)	181	720	213
Sources of capital funding			
Subsidies and grants for capital expenditure	-	-	-
Development and financial contributions	-	-	-
Increase (decrease) in debt	62	1,112	1,545
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
Total sources of capital funding (C)	62	1,112	1,545
Application of capital funding			
Capital expenditure			
- to meet additional demand	-	-	-
- to improve the level of service	-	211	-
- to replace existing assets	798	1,401	2,691
Increase (decrease) in reserves	(556)	(2)	(933)
Increase (decrease) of investments	-	-	-
Total applications of capital funding (D)	243	1,610	1,757
Surplus (deficit) of capital funding (C-D)	(181)	(498)	(213)
Funding balance ((A-B) + (C-D))	-	-	-

Commentary

Payments to Staff and Suppliers is higher than anticipated in the LTP due to increasing monitoring and contract management costs to meet discharge consent conditions.

Capital Expenditure is higher than anticipated in the LTP due to phasing of the Wairoa Wastewater consenting and upgrade programme and reconstruction of the outfall pipe.

STORMWATER

	Annual Plan 2019/2020 \$000	Long Term Plan 2020/21 \$000	Annual Plan 2020/21 \$000
Sources of operating funding			
General rates, uniform annual general charges, rates penalties	-	-	-
Targeted rates (other than a targeted rate for water supply)	415	450	373
Subsidies and grants for operating purposes	-	-	-
Fees and charges	-	-	-
Internal charges and overheads recovered	-	-	-
Internal interest income	39	38	95
Interest and dividends from Investments	-	-	-
Local authorities fuel tax, fines, infringement fees, and other receipts	-	-	-
Total operating funding (A)	453	489	469
Applications of operating funding			
Payments to staff and suppliers	118	67	117
Finance costs	-	-	-
Internal charges and overheads applied	159	148	153
Internal interest charged	55	73	106
Other operating funding applications	-	-	-
Total applications of operating funding (B)	331	289	377
Surplus (deficit) of operating funding (A - B)	122	199	92
Sources of capital funding			
Subsidies and grants for capital expenditure	-	-	-
Development and financial contributions	-	-	-
Increase (decrease) in debt	231	129	100
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
Total sources of capital funding (C)	231	129	100
Application of capital funding			
Capital expenditure			
- to meet additional demand	-	-	-
- to improve the level of service	386	129	100
- to replace existing assets	108	105	-
Increase (decrease) in reserves	(140)	94	92
Increase (decrease) of investments	-	-	-
Total applications of capital funding (D)	353	329	192
Surplus (deficit) of capital funding (C-D)	(122)	(199)	(92)
Funding balance ((A-B) + (C-D))	-	-	-

Commentary

Payments to Staff and Suppliers is higher than anticipated in the LTP due to contract management costs; the water services contract was renewed after the LTP was adopted.

WASTE MANAGEMENT

	Annual Plan 2019/2020 \$000	Long Term Plan 2020/21 \$000	Annual Plan 2020/21 \$000
Sources of operating funding			
General rates, uniform annual general charges, rates penalties	-	-	-
Targeted rates (other than a targeted rate for water supply)	984	882	1,260
Subsidies and grants for operating purposes	-	-	-
Fees and charges	641	504	635
Internal charges and overheads recovered	-	-	-
Internal interest income	-	-	-
Interest and dividends from Investments	-	-	-
Local authorities fuel tax, fines, infringement fees, and other receipts	-	-	-
Total operating funding (A)	1,626	1,387	1,897
Applications of operating funding			
Payments to staff and suppliers	1,299	1,056	1,512
Finance costs	-	-	-
Internal charges and overheads applied	224	211	216
Internal interest charged	58	55	61
Other operating funding applications	-	-	-
Total applications of operating funding (B)	1,582	1,323	1,790
Surplus (deficit) of operating funding (A - B)	44	63	107
Sources of capital funding			
Subsidies and grants for capital expenditure	-	-	-
Development and financial contributions	-	-	-
Increase (decrease) in debt	570	21	(107)
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
Total sources of capital funding (C)	570	21	(107)
Application of capital funding			
Capital expenditure			
- to meet additional demand	-	-	-
- to improve the level of service	570	21	-
- to replace existing assets	-	-	-
Increase (decrease) in reserves	44	63	-
Increase (decrease) of investments	-	-	-
Total applications of capital funding (D)	614	84	-
Surplus (deficit) of capital funding (C-D)	(44)	(63)	(107)
Funding balance ((A-B) + (C-D))	-	-	-

Commentary

Payments to Staff and Suppliers is higher than anticipated in the LTP. The legacy contract expired in 2018, after the LTP was adopted. This matter was the subject of a separate public consultation.

TRANSPORT

	Annual Plan 2019/2020 \$000	Long Term Plan 2020/21 \$000	Annual Plan 2020/21 \$000
Sources of operating funding			
General rates, uniform annual general charges, rates penalties	62	94	101
Targeted rates (other than a targeted rate for water supply)	3,449	3,154	2,844
Subsidies and grants for operating purposes	6,744	6,459	7,887
Fees and charges	49	42	52
Internal charges and overheads recovered	-	-	-
Internal interest income	-	-	-
Interest and dividends from Investments	-	-	-
Local authorities fuel tax, fines, infringement fees, and other receipts	-	-	-
Total operating funding (A)	10,305	9,749	10,885
Applications of operating funding			
Payments to staff and suppliers	8,747	6,417	8,526
Finance costs	-	-	-
Internal charges and overheads applied	1,635	1,549	1,562
Internal interest charged	3	13	39
Other operating funding applications	-	-	-
Total applications of operating funding (B)	10,385	7,979	10,127
Surplus (deficit) of operating funding (A - B)	(80)	1,770	758
Sources of capital funding			
Subsidies and grants for capital expenditure	10,029	5,474	11,568
Development and financial contributions	-	-	-
Increase (decrease) in debt	426	154	(758)
Gross proceeds from sale of assets	8	6	-
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
Total sources of capital funding (C)	10,463	5,635	10,810
Application of capital funding			
Capital expenditure			
- to meet additional demand	-	-	-
- to improve the level of service	7,882	3,332	6,362
- to replace existing assets	4,893	4,515	7,120
Increase (decrease) in reserves	(2,393)	(443)	(1,914)
Increase (decrease) of investments	-	-	-
Total applications of capital funding (D)	10,383	7,404	11,568
Surplus (deficit) of capital funding (C-D)	80	(1,770)	(758)
Funding balance ((A-B) + (C-D))	-	-	-

Commentary

The average rate of **Subsidy** revenue is higher than anticipated in the LTP and corresponds to the additional **Capital Expenditure**, being the PGF / NZTA funded Mahia East Coast Road traction sealing, Nuhaka realignment and bridge stock upgrades. **Subsidies and grants for operating purposes** are also at a higher rate than the standard funding assistance rate because a higher proportion of emergency remediation and maintenance on State Highway 38 is planned.

COMMUNITY FACILITIES

	Annual Plan 2019/2020 \$000	Long Term Plan 2020/21 \$000	Annual Plan 2020/21 \$000
Sources of operating funding			
General rates, uniform annual general charges, rates penalties	767	803	786
Targeted rates (other than a targeted rate for water supply)	1,452	1,465	1,606
Subsidies and grants for operating purposes	60	62	39
Fees and charges	48	68	70
Internal charges and overheads recovered	-	-	-
Internal interest income	-	-	-
Interest and dividends from Investments	-	-	-
Local authorities fuel tax, fines, infringement fees, and other receipts	-	-	-
Total operating funding (A)	2,327	2,399	2,501
Applications of operating funding			
Payments to staff and suppliers	1,737	1,782	1,908
Finance costs	-	-	-
Internal charges and overheads applied	299	278	290
Internal interest charged	23	41	69
Other operating funding applications	-	-	-
Total applications of operating funding (B)	2,060	2,102	2,268
Surplus (deficit) of operating funding (A - B)	267	296	234
Sources of capital funding			
Subsidies and grants for capital expenditure	-	-	600
Development and financial contributions	-	-	-
Increase (decrease) in debt	127	27	277
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
Total sources of capital funding (C)	127	27	877
Application of capital funding			
Capital expenditure			
- to meet additional demand	-	-	-
- to improve the level of service	121	27	1,546
- to replace existing assets	230	99	78
Increase (decrease) in reserves	44	197	(513)
Increase (decrease) of investments	-	-	-
Total applications of capital funding (D)	395	323	1,111
Surplus (deficit) of capital funding (C-D)	(267)	(296)	(234)
Funding balance ((A-B) + (C-D))	-	-	-

Commentary

The amounts in **Capital expenditure** and **Subsidies and grants for capital expenditure** are the result of bringing forward the Library building upgrade to coincide with the PGF supported Te Wairoa e Whanake CBD redevelopment project. This was planned for 2022/23 in the LTP.

LEADERSHIP AND GOVERNANCE

(COUNCIL, ECONOMIC DEVELOPMENT, VISITOR INFORMATION AND GAIETY THEATRE)

	Annual Plan 2019/2020 \$000	Long Term Plan 2020/21 \$000	Annual Plan 2020/21 \$000
Sources of operating funding			
General rates, uniform annual general charges, rates penalties	2,705	2,359	2,603
Targeted rates (other than a targeted rate for water supply)	655	569	790
Subsidies and grants for operating purposes	-	-	115
Fees and charges	312	166	302
Internal charges and overheads recovered	-	-	-
Internal interest income	-	-	-
Interest and dividends from Investments	-	-	-
Local authorities fuel tax, fines, infringement fees, and other receipts	-	-	-
Total operating funding (A)	3,672	3,096	3,811
Applications of operating funding			
Payments to staff and suppliers	1,817	1,450	1,971
Finance costs	1	1	1
Internal charges and overheads applied	1,630	1,462	1,644
Internal interest charged	3	2	31
Other operating funding applications	-	-	-
Total applications of operating funding (B)	3,450	2,914	3,647
Surplus (deficit) of operating funding (A - B)	222	181	164
Sources of capital funding			
Subsidies and grants for capital expenditure	-	-	-
Development and financial contributions	-	-	-
Increase (decrease) in debt	6	-	(164)
Gross proceeds from sale of assets	-	5	-
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
Total sources of capital funding (C)	6	5	(164)
Application of capital funding			
Capital expenditure			
- to meet additional demand	-	-	-
- to improve the level of service	11	-	-
- to replace existing assets	11	26	-
Increase (decrease) in reserves	207	160	-
Increase (decrease) of investments	-	-	-
Total applications of capital funding (D)	228	186	-
Surplus (deficit) of capital funding (C-D)	(222)	(181)	(164)
Funding balance ((A-B) + (C-D))	-	-	-

Commentary

Payments to Staff and Suppliers includes:

- Inclusion of operating costs for the Gaiety Theatre, offset by favourable variance in fees and charges
- Council's contribution towards Provincial Growth Fund projects
- Consultancy not identified in previous budgets

Much of this is recovered through Subsidies and grants for operating purposes and Fees and charges.

PLANNING AND REGULATORY

	Annual Plan 2019/2020 \$000	Long Term Plan 2020/21 \$000	Annual Plan 2020/21 \$000
Sources of operating funding			
General rates, uniform annual general charges, rates penalties	112	131	193
Targeted rates (other than a targeted rate for water supply)	1,084	1,240	1,369
Subsidies and grants for operating purposes	-	-	-
Fees and charges	452	438	631
Internal charges and overheads recovered	-	-	-
Internal interest income	-	-	-
Interest and dividends from Investments	-	-	-
Local authorities fuel tax, fines, infringement fees, and other receipts	-	-	-
Total operating funding (A)	1,648	1,810	2,194
Applications of operating funding			
Payments to staff and suppliers	1,560	1,570	2,015
Finance costs	18	18	-
Internal charges and overheads applied	336	468	598
Internal interest charged	5	5	7
Other operating funding applications	-	-	-
Total applications of operating funding (B)	1,919	2,060	2,621
Surplus (deficit) of operating funding (A - B)	(271)	(251)	(427)
Sources of capital funding			
Subsidies and grants for capital expenditure	-	-	-
Development and financial contributions	-	-	-
Increase (decrease) in debt	17	-	500
Gross proceeds from sale of assets	9	17	-
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
Total sources of capital funding (C)	26	17	500
Application of capital funding			
Capital expenditure			
- to meet additional demand	-	-	-
- to improve the level of service	62	-	-
- to replace existing assets	-	83	-
Increase (decrease) in reserves	(307)	(318)	73
Increase (decrease) of investments	-	-	-
Total applications of capital funding (D)	(245)	(234)	73
Surplus (deficit) of capital funding (C-D)	271	251	427
Funding balance ((A-B) + (C-D))	-	-	-

Commentary

The main variance in **Payments to Staff and Suppliers** is the carry forward of expenses to review the District Plan. This area also includes increases in operating resources to achieve augmented throughput of consent and licence applications. This is reflected in a favourable variance in **Fees and Charges** revenue.

The review of the District Plan will be loan funded.

CORPORATE FUNCTIONS

(INFORMATION SERVICES, FINANCE, PROPERTY, CUSTOMER SERVICE, ADMINISTRATION, TREASURY)

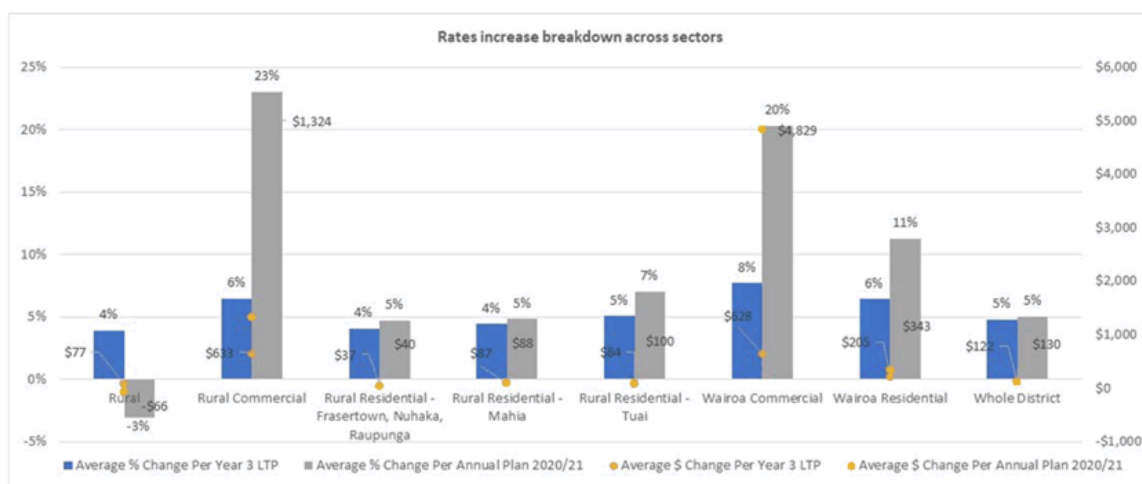
	Annual Plan 2019/2020 \$000	Long Term Plan 2020/21 \$000	Annual Plan 2020/21 \$000
Sources of operating funding			
General rates, uniform annual general charges, rates penalties	(56)	167	(160)
Targeted rates (other than a targeted rate for water supply)	(1,469)	(868)	(586)
Subsidies and grants for operating purposes	-	-	-
Fees and charges	117	105	171
Internal charges and overheads recovered	5,119	4,880	5,314
Internal interest income	265	396	1,295
Interest and dividends from Investments	570	154	761
Local authorities fuel tax, fines, infringement fees, and other receipts	87	88	88
Total operating funding (A)	4,634	4,924	6,885
Applications of operating funding			
Payments to staff and suppliers	5,059	4,876	5,385
Finance costs	126	368	201
Internal charges and overheads applied	122	93	166
Internal interest charged	233	266	1,006
Other operating funding applications	-	-	-
Total applications of operating funding (B)	5,540	5,603	6,759
Surplus (deficit) of operating funding (A - B)	(906)	(680)	126
Sources of capital funding			
Subsidies and grants for capital expenditure	-	-	-
Development and financial contributions	-	-	-
Increase (decrease) in debt	437	626	1,261
Gross proceeds from sale of assets	5	8	16
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
Total sources of capital funding (C)	442	635	1,277
Application of capital funding			
Capital expenditure			
- to meet additional demand	-	-	-
- to improve the level of service	647	626	1,336
- to replace existing assets	306	203	195
Increase (decrease) in reserves	(1,417)	(875)	(127)
Increase (decrease) of investments	-	-	-
Total applications of capital funding (D)	(464)	(45)	1,403
Surplus (deficit) of capital funding (C-D)	906	680	(126)
Funding balance ((A-B) + (C-D))	-	-	-

Commentary

Interest and Dividends from Investments is higher than forecast in the LTP because of proposed sales of property and an increased dividend receivable from Council's CCTO.

The main variation in **Capital expenditure** is the carry forward of the upgrade to the Archives facility to align with the Library upgrade and the PGF supported Te Wairoa e Whanake CBD redevelopment project.

RATES ANALYSIS – DRAFT ANNUAL PLAN 2020-21



Prospective Rates changes 2020-21

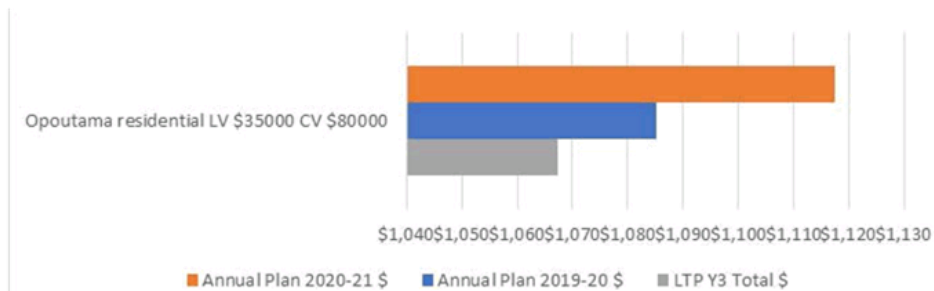
BY LAND USE

Land Use	Units	2020 Total \$	2021 Total \$	Change %	Average \$
Civic	124	156,088	193,108	24%	299
Commercial	227	1,021,625	1,208,448	18%	823
Farming	1,414	3,175,971	3,151,825	-1%	-17
Forestry	123	1,525,178	1,320,742	-13%	-1,662
Horticultural	24	54,518	55,916	3%	58
Lifestyle	949	1,225,922	1,292,050	5%	70
Residential	3,648	7,504,483	8,188,995	9%	188
Utility	28	290,849	375,185	29%	3,012
Grand Total	6,537	14,954,634	15,786,269		127

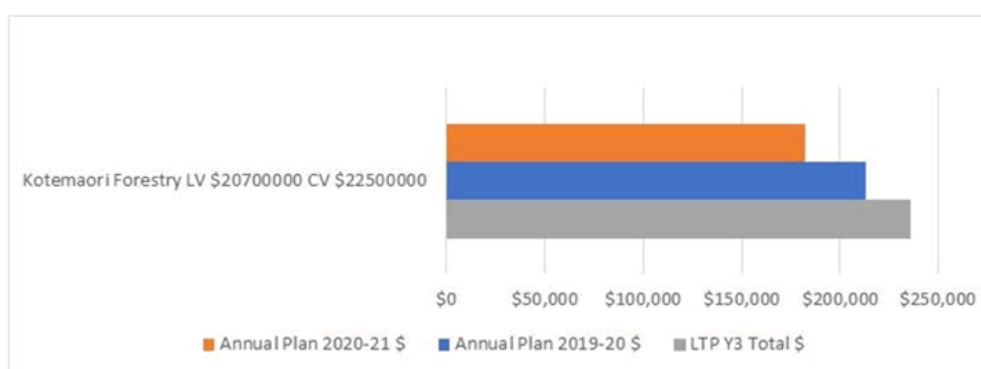
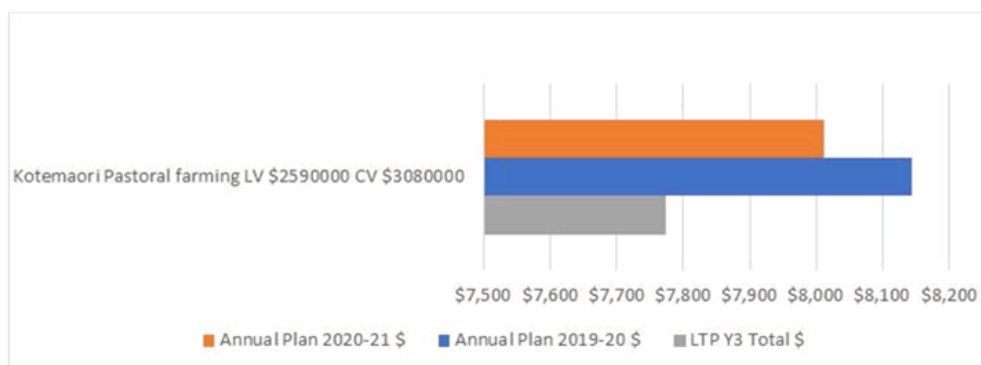
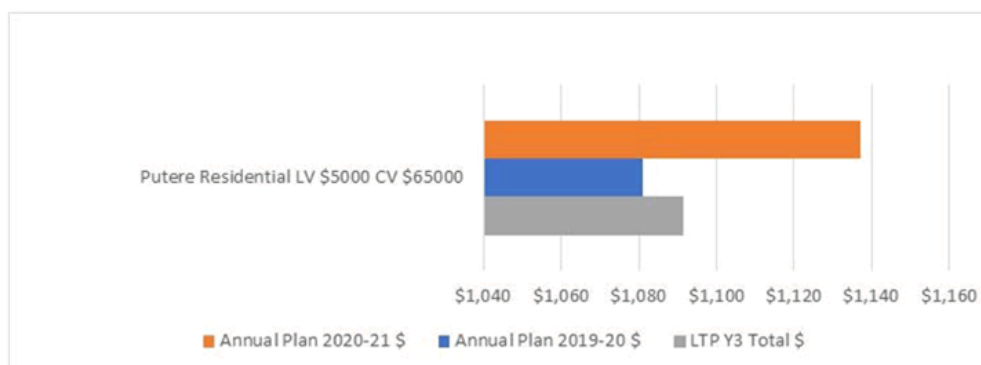
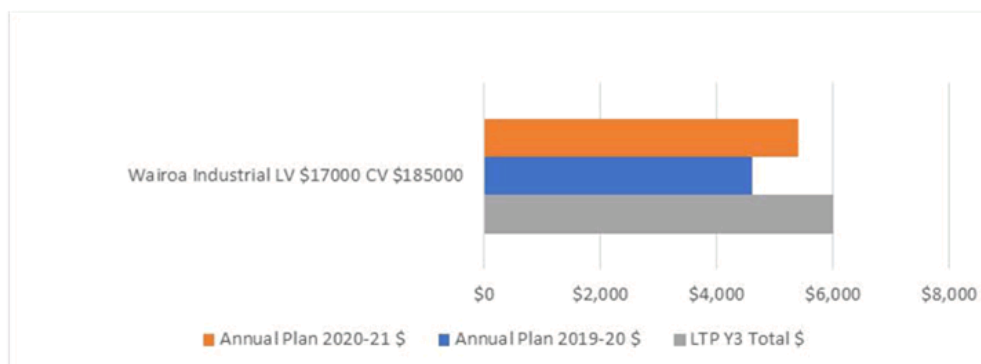
BY RATING DIFFERENTIAL

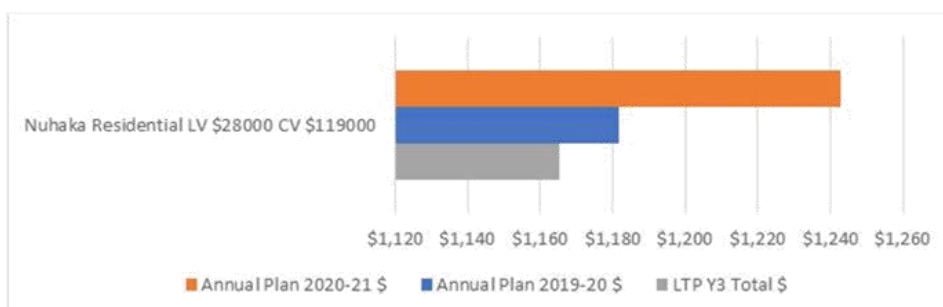
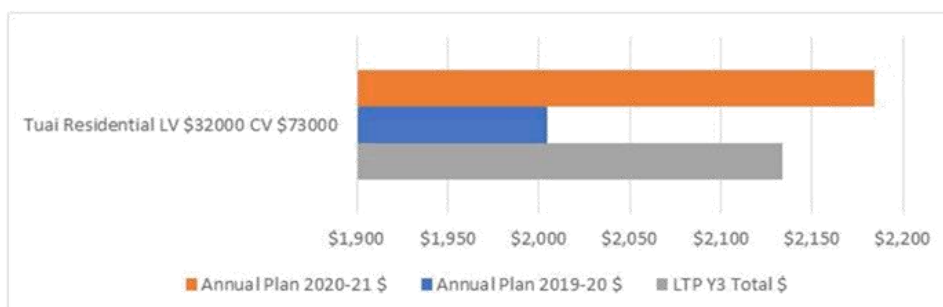
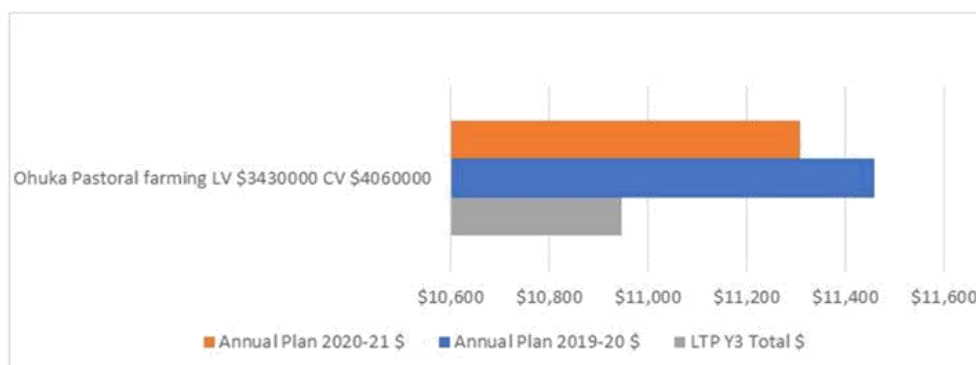
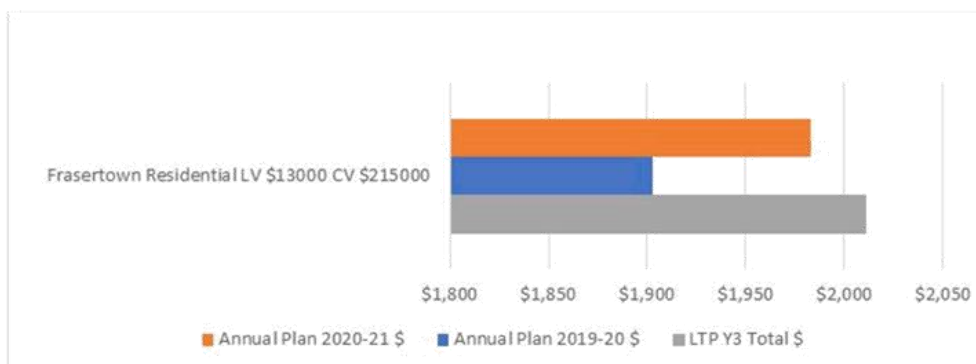
Rate Type	Units	2020 Total \$	2021 Total \$	Change %	Average \$
Utilities Only	113	127,175	165,076	30%	335
Rural 1.00	2,824	5,989,417	5,803,762	-3%	-66
Rural Commercial 3.70	46	255,627	316,549	24%	1,324
Rural Res 1.25	499	424,122	444,131	5%	40
Rural Resident 0.85	1,054	1,823,375	1,926,673	6%	98
Rural Residential 0.5	141	199,701	213,765	7%	100
Township 2.75	44	561,190	704,221	25%	3,251
Urban 1.00	1,676	5,120,160	5,694,962	11%	343
Urban 2.75	140	453,866	517,128	14%	452
Grand Total	6,537	14,954,634	15,786,269		127

RATES SAMPLES









8.6 DRINKING WATER SAFETY

Author: Stephen Heath, Pouwhakarae – Hua Pūmau Hapori / Ratonga Group Manager Community Assets and Services

Authoriser: Steven May, Tumu Whakarae Chief Executive Officer

Appendices: 1. Six Principles Drinking Water Safety [↓](#)
2. Wairoa Water Safety Plan [↓](#)

1. PURPOSE

- 1.1 This report provides information for Committee on highlighting and socialising the six principles of Drinking Water Safety. A decision is required by the Committee.

RECOMMENDATION

The Pouwhakarae – Hua Pūmau Hapori / Ratonga Group Manager Community Assets and Services RECOMMENDS that Committee receives the report and that the Water Safety Plan review is included into council projects/planning such as Annual Plan, Long Term Plan (LTP) and Asset Management Plans; Thus Endorsing the six principles of drinking water safety.

2. BACKGROUND

- 2.1 Wairoa District Council had a Public Health Risk Management Plan (PHRMP)-(now known as a Water Safety Plan) approved in February 2010 for the Wairoa and Frasertown water supply. Tuai water supply was approved in September 2009. A principle purpose of this (Water Safety Plan) WSP is to identify potential events that present public health risks to the water supply system.
- 2.2 The WSP generally follows the recommended content outlined by the Ministry of Health and includes the following key sections: 1. Description of Water Supply Scheme. 2. Risk Tables. 3. Improvement Plan. 4. Contingency Plan. See attached (Appendices 2) Wairoa Water Safety Plan-Please Note the is currently under review and serve's as more of an example only.
- 2.3 (The Water Safety Plan) WSP is a controlled document of Council. An official master copy is to be kept by the Group Manager Community Assets and Services and be reviewed and updated at least three yearly by the Utilities Manager. The WSP must be revised as and when new information becomes available. The WSP should be linked to the LTP and 3 Waters AMP. The WSP takes a multi-barrier risk management approach and includes the six principles of Drinking Water. The current (Water Safety Plans) WSP formalises the adoption by the WDC of the Six Principals of Drinking Water Safety.

3. RECOMMENDATIONS.

- 3.1 A recent Ministry of Health Audit Feb 2020 identified there was no formal evidence of the Council Management/Board Members having ongoing appreciation of the Six Principals of Drinking Water Safety.
- 3.2 Ministry of Health have indicated they are taking a more proactive partnering approach to help get Councils to absolute best practice and align to the new regime. ie: Water Regulator. Ministry of Health meetings have become a lot more frequent,

meetings were traditionally 3 yearly and 1 yearly, however, now are every two months.

3.3 The Group Manager Community Assets and Services delivered a PowerPoint presentation at a Council workshop in March 2020 giving an overview of Drinking water safety and the six principles of drinking water safety.

3.4 The Six principals of Drinking Water safety

1. A high standard of care must be embraced
2. Protection of source water is of paramount importance
3. Maintain multiple barriers against contamination
4. Change precedes contamination
5. Suppliers must own the safety of drinking water
6. Apply a preventive risk management approach

3.5 Water Safety planning is internationally recognised as the most effective means of consistently ensuring the safety of a drinking-water supply. Six principles underpin the foundation of effective water safety planning:

3.6 The Six Principles Drinking Water Safety document attached Appendices 1. should be referenced in the WSP, AMP, and LTP and is foundational.

4. OPTIONS

4.1 The options identified are:

- A. (Water Safety Plan) WSP review is included into council projects/planning such as Annual Plan, Long Term Plan (LTP) and Asset Management Plans; Thus Endorsing the six principles of drinking water safety
- B. Do Nothing

The preferred option is A, this contributes to the following community outcomes

Economic wellbeing	Social and Cultural Wellbeing	Environmental Wellbeing
1. A strong prosperous and thriving economy 2. A safe and integrated infrastructure	3. A community that values and promotes its culture and heritage 4. Safe and accessible recreational facilities 5. Supportive, caring and valued communities 6. Strong district leadership and a sense of belonging	7. A safe and secure community 8. A lifetime of good health, education and well-being 9. An environment that is appreciated, protected and sustained for future generations

5. CORPORATE CONSIDERATIONS**What is the change?**

5.1 N/A

Compliance with legislation and Council Policy

5.2 Alignment to best practice

What are the key benefits?

5.3 A defined process to follow for All key stake holders

What is the cost?

5.4 N/A

What is the saving?

5.5 N/A

Service delivery review

5.6 N/A

Maori Standing Committee

5.7 No

6. SIGNIFICANCE

6.1 Impact N/A

7. RISK MANAGEMENT

7.1 In accordance with the Council's Risk Management Policy the inherent risks associated with this matter are:

Human	Financial	Regulatory
Low	Low	Low
Operations	Employees	Image & Reputation
Low	Low	Low

Who has been consulted?

N/A

Further Information

None supplied.

References (to or from other Committees)

N/A

Confirmation of statutory compliance

In accordance with section 76 of the Local Government Act 2002, this report is approved as:

- a. containing sufficient information about the options and their benefits and costs, bearing in mind the significance of the decisions; and,
- b. is based on adequate knowledge about, and adequate consideration of, the views and preferences of affected and interested parties bearing in mind the significance of the decision.

Signatories

	
Author Stephen Heath	Approved by Steven May



THE 6 PRINCIPLES OF DRINKING WATER SAFETY

PRINCIPLE 1: A HIGH STANDARD OF CARE

All those involved in supplying drinking water, from operators to elected decision-makers, must embrace a high standard of care. Consequences of failure can cause sickness, injury and death - as in medicine and aviation - so similar diligence and competence should apply as in these fields.

PRINCIPLE 2: PROTECT SOURCE WATER

As the first and most significant barrier against contamination, it is vital to understand and manage the risks to source water.

PRINCIPLE 3: MULTIPLE BARRIERS

Because no single barrier is effective against all sources of contamination at all times, multiple barriers must be working to protect the water from "catchment to tap".

PRINCIPLE 4: WATCH FOR CHANGE

Contamination is almost always preceded by some kind of change and change must never be ignored. Baseline conditions must be known so a change of any kind can be monitored and responded to. Changes can be environmental (rainfall, etc), equipment, governance, operational (flow rates, etc), or organisational.

PRINCIPLE 5: PERSONAL OWNERSHIP

Knowledgeable, experienced, committed and responsive personnel provide the best assurance of safe drinking water. There must be commitment from the highest level of the organisation with responsibility for drinking water.

PRINCIPLE 6: PREVENTIVE RISK MANAGEMENT

The focus must always be on preventing contamination, not detecting and responding to contaminated water. A systematic assessment of risks from the catchment to tap, and identifying the ways these risks can be managed and monitored is the best approach to protecting against waterborne illness.

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THE 6 PRINCIPLES OF DRINKING WATER SAFETY

**High
Standard of Care**



**Protect the
Source Water**



Multiple Barriers



**Watch
for Change**



**Personal
Ownership**



**Preventive Risk
Management**



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Water Safety Plan

Wairoa and Frasertown Drinking Water Supply



**Document Details:**

Date: March 2019
WSP Opus Reference: 2-S50W0.01 (Issue 4)
Status: Issue 8

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1. Revision Details

Version No	Description	Approved	Revision Date
Issue 1	WSP for WDC review	GSp	30/07/14
Issue 2	Water Safety Plan (WSP) for submission	GSp	21/08/14
Issue 3	Minor client change	GSp	05/09/14
Issue 4	Amendment of Section 12, and corrective measures in risk tables	GSp	24/11/14
Issue 5	WSP Updated	LG/MG	26/06/15
Issue 6	WSP updated following Hawke's Bay District Health Board's (HBDHB) audit issues	SH	Early November 2018
Issue 7	WSP updated and approved by Council to submit to Drinking Water Assessors	SH	20 November 2018
Issue 8	WSP finalised and approved by Council's Group Manager Community Assets and Services following Drinking Water Assessors approval in December 2018	SH	March 2019

Responsibility of the Plan

The Utilities Manager is responsible for implementation of the Improvement Schedule within the timeframes indicated, subject to community and Council approvals, funding constraints and availability of resources. The Utilities Manager is responsible for ongoing review and updating of the WSP.

Assessment and Reporting of Performance

An assessment of the performance of the plan will be undertaken annually by the Utilities Manager who will produce a brief report on the performance of the plan which is to be supplied to the Group Manager Community Assets and Services.

The report shall be an evaluation of progress towards the improvements within the WSP and adjustments made to the plan on information provided by the assessment. A template for the annual review report is provided in Appendix B and includes:

- Improvements that have been completed
- Modifications or differences between the improvement plan recommendations and the work undertaken along with reasons for these differences
- Improvements which have not been undertaken within the allocated timeframe, and the reason for not being actioned
- Progress towards improvements which are underway but are not yet completed
- Events or non-compliances that have occurred



- Changes to any of the supply elements.

Links to other quality systems

This Water Safety Plan (WSP) is a controlled document of Council. An official master copy will be kept by the Group Manager Community Assets and Services and will be reviewed and updated at least three yearly by the Utilities Manager. This WSP must be revised as and when new information becomes available.

This plan is linked to the Long Term Plan, Water Services Asset Management Plan and Assessment of Water and Sanitary Services.

This plan has been simplified and consists of manageable subdocuments that are more focused for the correct audience. The layout of this plan, supporting appendices and documents are shown below including Fulton Hogan's (FH) Operating Procedures.





2. Introduction

Wairoa District Council (WDC) has committed to the preparation of a WSP for the Wairoa and Frasertown water supply to identify potential events that present public health risks to the consumers of the drinking water supply. A principle purpose of this plan is to identify potential events that present public health risks to the water supply system.

This WSP generally follows the recommended content outlined by the Ministry of Health and includes the following key sections:

1. Description of Water Supply Scheme

The detail for this has been put together from information gathered during the site investigation and discussions with key Council staff who manage the supply.

2. Risk Tables

A series of risk tables have been used to record the potential public health risks that may occur within each process area of the water supply system. For each identified risk in the table, the following related information is recorded;

- Description of the risk event
- Current measures in place to control risk
- Additional measures which could be taken to control risk
- Risk rating levels

3. Improvement Plan

The improvement plan includes measures which need to be put in place to manage the risks identified in the risk tables.

4. Contingency Plan

This is a collated list of actions for public health risk management, should any risk event actually occur.

The WDC had a Public Risk Management Plan (PHRMP) (now known as a WSP) approved in February 2010 for the Wairoa and Frasertown water supply.



3. Supply Details

Table 1. Summary of Wairoa and Frasertown Water Supply Details

Supply Details		
Supply Name	Wairoa	
WINZ CommunityCode	S00063	
Supply Owner	Wairoa District Council	
Supply Manager	Stephen Heath (Group Manager CommunityAssets and Services)	
Supply Operators	Morgan Goldsmith (Plant Manager), Patrick Knerlich (acting Utilities Manager), Victor Minter (Environmental Health Officer)	
Population Served by Supply	4,920 (2013 Census data)	
Source Details		
Source Name	Waiau River, Wairoa	
Source WINZ Code	S00063	
Type of Source	River	
Consent Number	WP110405T	
Consent Expires	2032	
Maximum Consented water take:	200L/sec, 112,000m³/7-dayperiod	
Grid Reference of Source (NZTM)	Easting : 1980305	Northing : 5678408
Treatment		
Plant Name	Wairoa	
Plant WINZ Code	TP00100	
Location	Frasertown	
Treatment Processes	Coagulation, sedimentation, sand filtration, chlorination, U.V.	
Average Daily Volume	7,000 m³/day	
Peak Daily Volume	16,000 m³/day	
Distribution		
Distribution Zone Name	Frasertown	
Distribution Zone WINZ Code	WAI006FR	
Distribution Zone Population	360	
Distribution Zone Name	Wairoa	
Distribution Zone WINZ Code	WAI006WA	
Distribution Zone Population	4,560	



4. Description of the Wairoa and Frasertown Water Supply

4.1. General

The drinking water supply is a small urban supply providing water to a population of approximately 4,920 people in Wairoa and Frasertown. The supply provides water to the usual facilities of a town of this size including medical facilities, schools and educational facilities, commercial buildings and households. The supply also provides water for the AFFCO freezing works which uses a large proportion of the supplied water.

The water is sourced from the Waiau River before it undergoes treatment at the Frasertown water treatment plant (WTP). It is then pumped from the treatment plant to the Frasertown distribution zone, and to the "Boundary Reservoirs" where the water is pumped to the Wairoa Township and the AFFCO freezing works. The scheme is administered and managed at the main council offices in Queen Street, Wairoa, but the day to day management of the WTP is carried out at the treatment plant.

Located at the water treatment plant is an IANZ registered level 2 laboratory run by the staff at the water treatment plant. The management, maintenance and operation of the Wairoa and Frasertown water supply are the responsibility of:

- Group Manager Community Assets and Services – Stephen Heath
- Water Treatment Plant Manager – Morgan Goldsmith
- Utilities Manager – Patrick Knerlich (in acting role).

4.2. History

The Wairoa water supply scheme and the tanks (known as the boundary tanks) were installed in the 1940's. During this period until the 1950's, the supply was untreated however the boundary tanks were used as a sedimentation process prior to reticulation. In the mid 1960's the Frasertown treatment plant was commissioned. At this time the intake, pipeline to the treatment plant, boundary tanks and pump station, and the reticulation network throughout Frasertown were installed. The function of the boundary tanks then changed from sedimentation to treated water storage.

By the 1970's the treatment plant had reached capacity, and a sand filter was installed in 1972. Further expansion occurred in 1983 with the installation of another sand filter and an additional clarifier.



During the 1970's and 1980's significant extensions to the Wairoa reticulation zone were made. At the time of expansion during the 1980's, a joint deal with AFFCO's predecessors was made where the meat processor contributed to the capital cost of the upgrade, and in return were supplied water at cost. This agreement has expired. WDC and AFFCO are currently in negotiation with regards to ongoing supply agreements. In addition to the AFFCO freezing works, Wairoa Sawmill (Clyde Lumber) is the second largest consumer of water connected to the water supply. In addition to the treatment clarifier and sand filter, the upgrades included new intake structures, modifications to the WTP including updated control and dosing systems, modification to flow paths to increase chlorine contact time, and replacement of the boundary pump station.

A significant number of capital improvements have been made in 2010, most notably the automation of control valves and monitoring of individual sand filters, and the installation of UV treatment in 2011. The filter component was upgraded in 2012 followed by the installation of a new chemical dosing plant in 2013.

The supply has achieved compliance with the DWSNZ during the last annual monitoring period.

4.3. Water Source and Catchment

The water originates from Te Urewera National Park and Lake Waikaremoana as shown in Figure 1. This catchment area consists of native bush. Between the National Park and the abstraction point near Frasertown many smaller tributary streams flow into the Waiau River from surrounding low intensity mixed grazing farmland. The catchment risk category approach of the Protozoal Compliance Criteria section of the DWSNZ (5.2.1) identifies that bacterial treatment and a protozoal removal requirement of log 4 is appropriate for this supply.

4.4. Source Water Quality

Water quality from the river is quite variable and is sensitive to rainfall and storm events throughout the year. The volume of water within the river also varies depending on the time of the year. Turbidity can range from 3 NTU to 6,000 NTU depending on time of year and weather conditions.

Regular samples are taken of the source water. No P2 determinants have been allocated to this source due to sample levels being well under maximum acceptable values (MAVs).

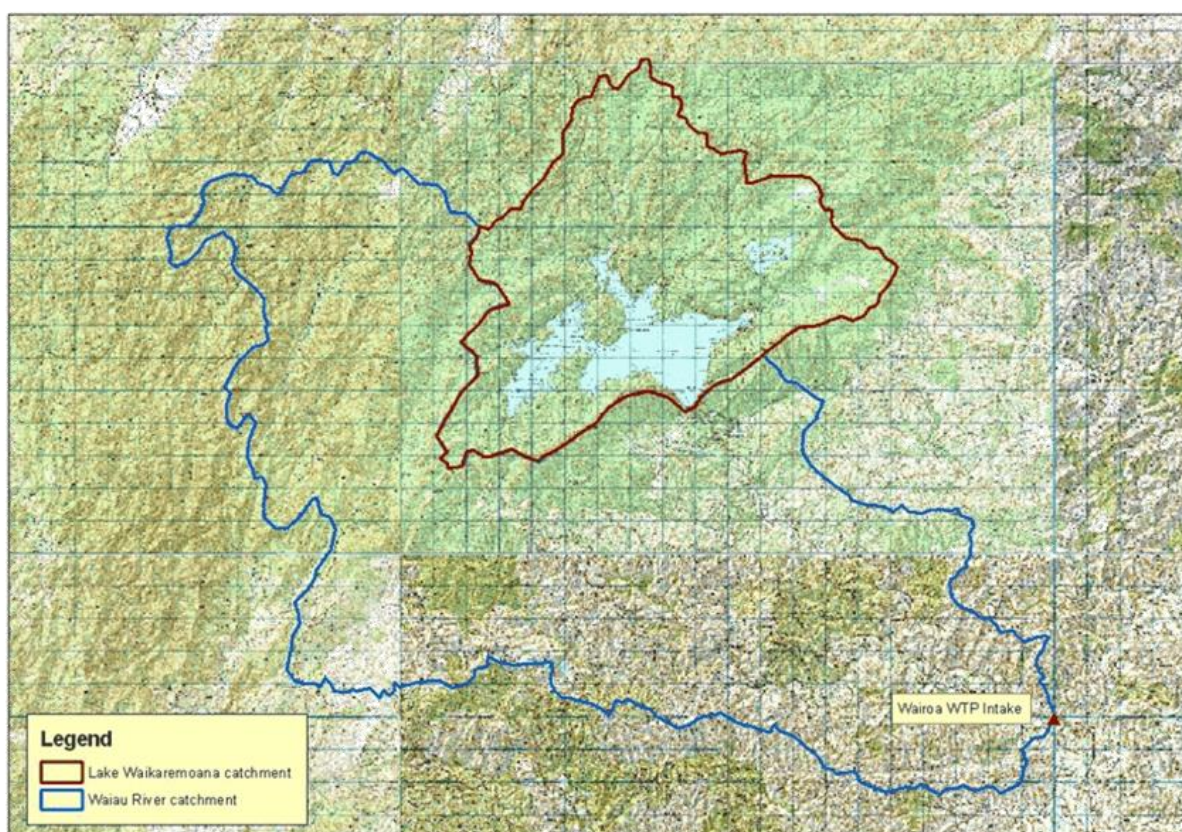


Figure 1 Extended Catchment Area

4.5. Abstraction

The Wairoa/Frasertown water supply scheme supplies water to the Wairoa and Frasertown townships from the Waiau River. The intake is located adjacent to State Highway 38 approximately 2 kilometres north west of Frasertown.

The abstraction point consists of a pump room in which 2 x 132kw surface pumps and a sump pump are housed. The pump room is located at the water level of the Waiau River, and is fully contained enabling any flood event to flow directly over the pump room without causing damage to the room or the equipment inside. The pump room is partially built into the river bank with sheet piles providing protection from the river and debris, additional sheet piles were added in 2018 to stabilise the lower pump room. The pumps have a coarse screen located in the river to prevent abstraction of debris, which are cleaned bi-annually by certified divers from Gisborne.

The pump control room is located adjacent to State Highway 38 and provides access to the concrete corridor which in turn provides access to the pump room, 10 metres below. The corridor also houses the control cables and the raw watermain. When required these pumps can be raised to up to road level via the concrete corridor for maintenance and servicing requirements.

In addition to controls, located under the control room is a surge tank to prevent surges and water hammer within the raw watermain.



From the control room, water is delivered via a 375mm diameter AC pipeline to the Water Treatment Plant located on Stout Street, in Frasertown.

The 2005 Register of Community Drinking-Water Supplies in New Zealand currently records both the Wairoa & Frasertown water distribution zones and treatment plant as ungraded.

4.6. Treatment

The treatment processes provide a bacterial and protozoal barrier to the supply. The raw water is subject to pre-settlement followed by coagulation, flocculation, chlorination, rapid sand filtration and UV disinfection. The treatment plant is configured to demonstrate compliance through enhanced individual filtration. Contact time is achieved by chlorine dosing prior to filtration to ensure a minimum of 30 minutes prior to the first consumer. Annual testing for THM (Trihalomethanes) produced results well below the MAV. The current capacity of the treatment plant is 13,000m³ per day, although the average flow rate is around 7,000m³ per day. During processing, the AFFCO meat works consumes approximately 60% of the water produced by the treatment plant.

The water from the intake is delivered into a mixing column. When raw water turbidity reaches 2,500 NTU the treatment plant is shutdown to ensure that the treatment plant is not overloaded. Warning alarms are triggered at 800 NTU to inform staff that the turbidity is high. Treatment plant staff then monitor turbidity levels and shut down the plant if it continues to rise above 3,500 NTU. The plant is then started when turbidity drops below 3,500 NTU. The plant can now treat high turbidity water for longer since the chemical dosing plant upgrade in 2013 and the new 3.5 ML reservoir which was commissioned in 2017.

Kibbled alum is added to the water at a variable rate based on turbidity. Polyaluminum chloride (PACL) has been installed and commissioned, which is dosed in conjunction with alum. Compared to alum, PACL has demonstrated improved control of the pH range and resulted in the total removal of hydrated lime altogether. It also provides improved treatment of colour which increases the effectiveness of UV treatment. It is also overall showing good results, whilst minimising input costs at higher turbidity levels. Caustic soda at 50% has replaced hydrated lime for final water pH buffering.

After pre-settlement, a flow splitter channel is used to split the flow between four up-flow clarifiers. Prior to sand filtration the water has chlorine gas injected. Free available chlorine (FAC) high and low alarm levels are set at 1.40 ppm and 0.45ppm respectively. Chlorine gas is controlled at the treatment plant control room by a Wallace and Tiernan vacuum regulator. The chlorine storage consists of a 920kg chlorine gas drum with an additional 920kg as back up. A Wallace and Tiernan leak detection device is located within the chlorine room and is connected to the treatment plant SCADA system as well the 24 hr monitored fire alarm to alert operators of a fault.

After clarification and prior to sand filtration the turbidity of the water reduces to between 0.1-0.3NTU and monitored. A high level alarm is set at 0.5NTU to inform operator of declining clarification performance. The five sand filters have a media depth of approximately 1.2m.



The filtered water is also monitored for turbidity, and usually operates at 0.03 NTU. Each filter has an individual turbidity unit with a high turbidity alarm triggered should turbidity reach 0.1 NTU for more than a 1 hour, should it then reach 0.3 NTU the plant is automatically shut down. Each filter has a flow meter and automatic actuating valves added to enable the balance of flow rate, filtration NTU management, and to manage the water level in each of the five sand filters.

Filtered water is collected by a fully enclosed box collection channel (within the treatment plant building) which delivers water into a wet well underneath the plant room.

A backwash pump provides water from the treated water storage to the sand filters for backwashing. A series of actuated valves on each filter are adjusted to enable back washing to occur and diverts backwash water to waste. Directly after backwashing, the turbidity can range between 0.5 NTU and 1.0 NTU, however water is run to waste until the turbidity drops below 0.1 NTU before the filter is brought back on line.

Backwash water is collected and stored in a sludge tank at the WTP site where the slurry is put through a plate press and disposed of at the land fill. The remaining water is discharged under permit back into the Waiau River.

For pH correction, automatic dosing of caustic soda occurs within the contact tank. Other benefits of caustic soda include health improvements and less maintenance costs for man hours, dust and cleaning (lime does build up on the UV quartz sleeves and in reservoirs).

The WDC's Environmental Health Officer issues public notices to households and in the local paper every 6 months advising water users to flush there taps when first used after a prolonged to achieve compliance with DWSNZ for plumbosolvency (priority 2c) as although the treatment contains pH correction, it hasn't been demonstrated that water from the supply is not plumbosolvent.

A UV treatment system was installed in 2011. This provides a disinfection barrier improving the overall bacterial and protozoal removal for all water leaving the plant. The UV treatment provides additional certainty to the community regarding the quality of water. It also minimises the risk of loss of supply in the event of a failure of another treatment barrier.

All online analytical measurements are logged by the SCADA, and any anomalies are also recorded manually in a log diary.

The treatment processes have been upgraded to treat high turbidity water as noted above. This is in response to changing storm events impacting the river banks as well as the release of the upstream dam water.

4.7. Reticulation Network

A pump set at the treatment plant, consisting of 2 x 90kW pumps in a duty standby configuration, delivers treated water through a class B 375mm AC pipeline to the 'Boundary Tanks' located at Kaimoana Road, Wairoa (refer to Figure 11). During 2012 a slip occurred near Frasertown which



resulted in a section of the pipeline falling into the Waiau River cutting off the supply to Wairoa for a number of days.

Since then a 3.5km section of new pipe was installed and located on the northern side of the highway to lessen the chance of this occurring again and also to by-pass Silver Fern Farms livestock processing plant as the previous pipe travelled through the property of the plant in proximity to their effluent plant.

The boundary tanks have a combined storage volume of approximately 2,850 m³. From the Boundary Tanks 2 x 110kW duty & standby pump sets delivers water to the Tawhara tanks (total storage capacity of 5,700m³) where water is then fed by gravity to the Wairoa Township. At the Boundary pump station 22kW duty and standby pumps are installed which provides water to the AFFCO meat works.

A second pump set at the treatment plant pumps water to the Frasertown reticulation and reservoirs. This pump set is also a duty standby configuration consisting of pumps with 9.5kW motors. When these reservoirs have been filled, the pumps turn off and the Frasertown reticulation zone relies on gravity to supply to residents. The Frasertown reservoirs have a combined volume of 100m³.

The condition of the existing Tawhara and Boundary reservoirs need to be assessed. This future initiative has been added to the Improvement Schedule (refer to Table 3).

The reticulation network age is relatively uniform as the initial installation occurred during the 1940's when the supply was established. More recent pipes are found in extensions to the system installed the 1970's and 1980's. The network consists predominantly of PVC, AC, spiral welded steel (concrete lined) and spiral riveted steel (some concrete lined).

The high leakage areas were identified in the Wairoa and Frasertown reticulation with an acoustic survey in 2012. Council's asset management improvement programme includes the project to check these high leakage areas initially then develop a suitable leakage management programme based on benefits and costs.

4.8. Water Pressure

Reticulation pressure within the Wairoa Township itself is moderate, with most of the properties within the supply area being provided with continuous pressure ranging consistently between 400 to 500 kPa. Water pressure has reduced to moderate levels since the installation of the new reservoir in 2017 resulting in less pipe failures. Two new pump stations, Fraser Street and Awatere, were installed in 2017 to address potential low-pressure issues for elevated properties (refer to Figures 8 and 9).

The pressure within the Frasertown reticulation averages 300kPa to most properties.

4.9. Operations and Maintenance

Staff from the WDC operate and manage the water supply under the direction of the Group Manager Community Assets and Services.

The O&M Manual for the treatment plant is currently being finalised to include the additions and amendments with the various upgrades.

Regular sampling of the water leaving the treatment plant is carried out in the IANZ accredited Laboratory located within the treatment plant building. Fully qualified treatment plant staff are IANZ certified.

Operational procedures within the treatment plant include the active management of the treatment facilities and equipment, calibration of equipment, repairs and programmed maintenance, monitoring of the raw water quality and manual adjustment of the treatment settings, sampling of treated water, vibration monitoring and regular maintenance of pumps. These procedures are governed by the draft O&M manual and the experience / knowledge of the staff located at the treatment plant. Calibration of equipment is carried out as per their respective maintenance schedules by the water treatment plant staff. A reputable third party contractor also undertakes an annual calibration validation of all analytical equipment.

A Chlorine Management Plan was completed in 2005/2006 to meet the requirements of the HSNO Act 2004. Morgan Goldsmith has HSNO certification. A hazard register is located at the WTP. The Chlorine Management Plan is part of the O&M Manual.

Maintenance of the reticulation network is carried out by local contractors under a maintenance contract. Should a break or other event occur which requires remediation by the contracting company a customer service request is raised which records the event and enables the council to ensure the remedial action is completed. Renewal / replacement of mains is determined by condition testing but there is not a formal mains replacement works programme.

Potable water samples are taken from various points within the reticulation system by the staff as well as the Environmental Health Officer. These samples are tested by WTP staff with IANZ certification in the treatment plant laboratory.

5. Photographs of Wairoa and Frasertown Water Supply



Figure 2 Intake



Figure 3 Intake Pump Station



Figure 4 View inside concrete corridor



Figure 5 Clarifier



Figure 6 Gravity sand filters



Figure 7 UV disinfection



Figure 8 Fraser Street Booster Pump Station



Figure 9 Awatere Booster Pump Station



6. Flow Chart/Schematic of the Supply

Figure 10 Supply schematic

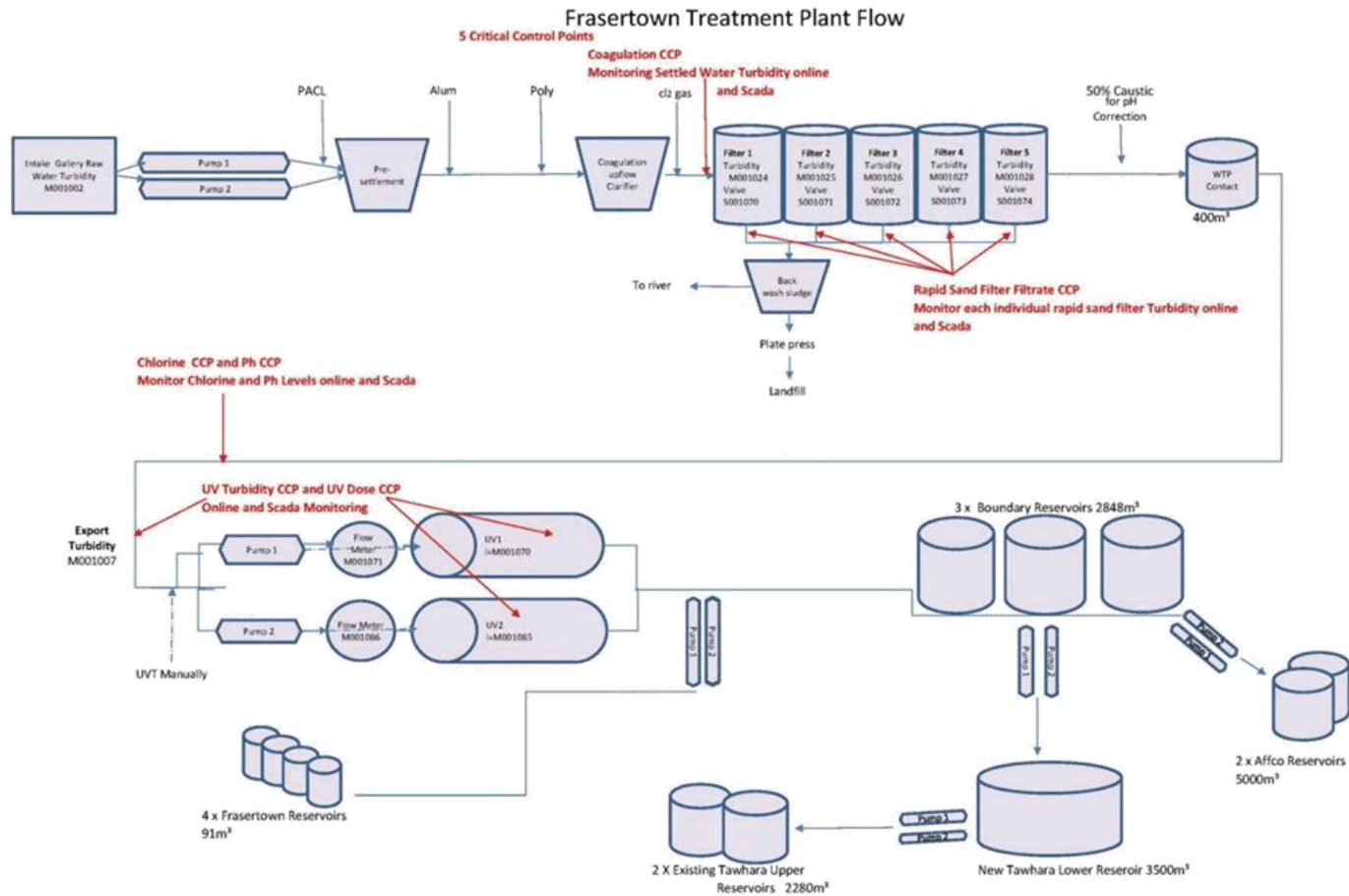
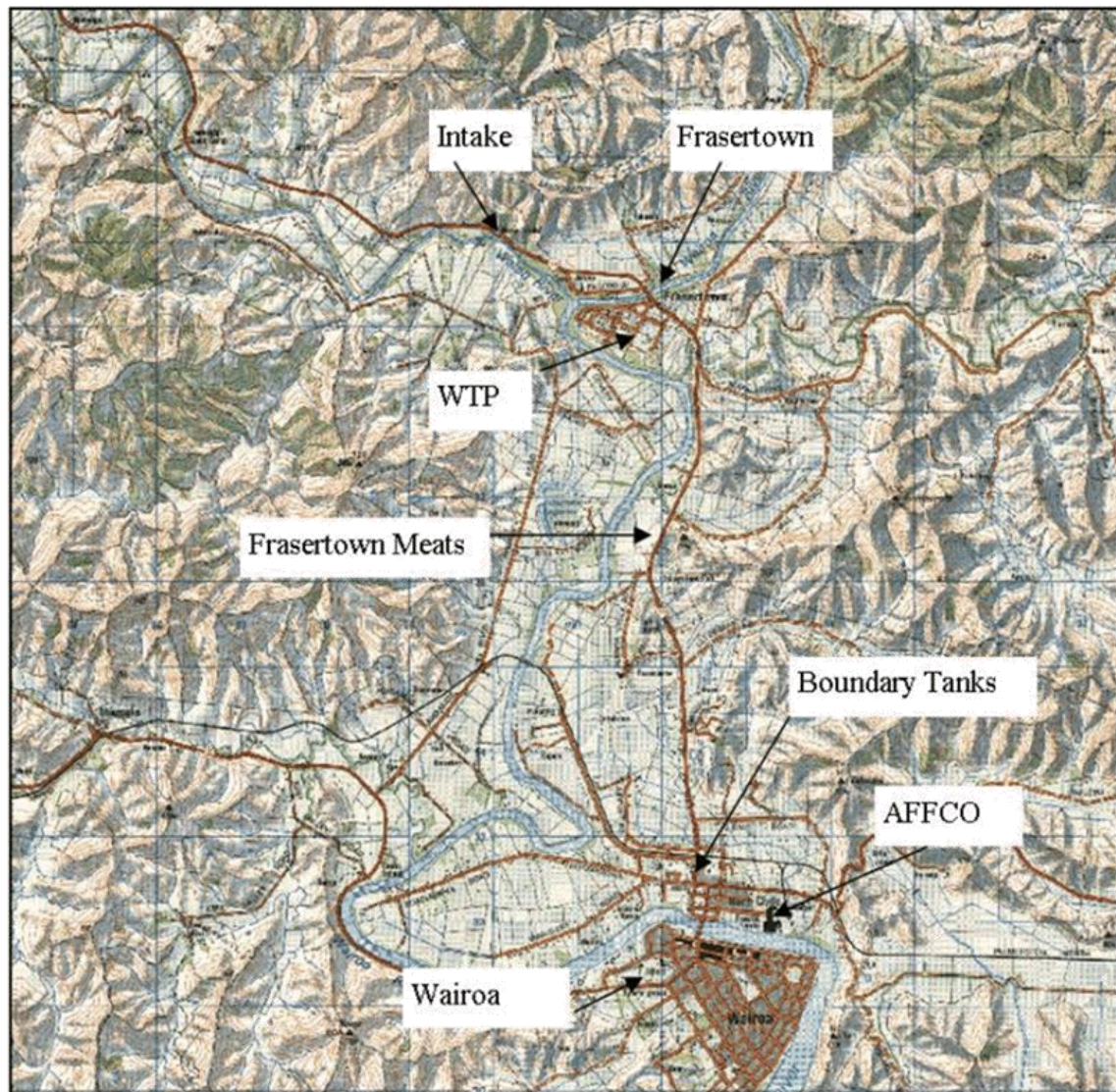


Figure 11 Scheme Location

7. Barriers to Contamination

Table 2. Critical points

Critical points where hazards can be eliminated, minimised or isolated include:

No.	Critical Point	Description
1.	Abstraction Point	Intake
2.	Coagulant/Flocculation	Discharge point of supply pipeline into treatment plant
3.	Critical Control Point 1 Clarifier	4 Clarifiers located at WTP
4.	Critical Control Point 2 Chlorine dosing	Injection of chlorine gas after clarifiers
5.	Critical Control Point 3 Sand Filters	5 Gravity acting sand filters
6.	Contact tank	The contact tank is located under building
7.	Caustic Dosing	pH adjustment of treated water
8.	Critical Control Point 4 UV treatment	Disinfection of the water
9.	Treated Water Storage	Multiple storage sites at Wairoa
10.	Distribution system connections	Connection points to consumers
11.	Pumps	Multiple pumps within scheme

Existing barriers to contamination include:

1. Coagulation and Sedimentation

The treatment plant uses the addition of coagulants to stabilise and flocculate contaminants to enable settling and filtration of the water removing microbiological organisms, organic material and suspended solids. This process **provides a barrier to protozoan and particulate contamination.**

2. Filtration

The treatment plant uses gravity sand filters to remove remaining filterable material such as organic matter, suspended solids and protozoan organisms after coagulation and sedimentation. This process step employs enhanced individual filtration and provides a particle removal **barrier to contamination.**

3. Chlorination

The treatment plant uses chlorination to disinfect the water of non-protozoan microbiological organisms. As there is at least 30 minutes contact period before the chlorinated water is distributed to consumers, this provides **a barrier** to bacterial and viral **contamination**.

4. UV disinfection

A UV disinfection plant has been added to the end of the treatment process to provide additional certainty to the system. This provides **a barrier to microbiological contamination**.

5. Prevention of contamination of treated water in storage

The reservoirs are covered to prevent unauthorised access, ingress of rainwater, contaminants, birds and vermin. The following measures contribute to provision of a **partial barrier against recontamination** of water following treatment.

6. Prevention of contamination of treated water while it is in the network reticulation

The following measures contribute to provision of a **partial barrier against recontamination** of water following treatment:

- Chlorine dosing is done at a level to ensure it is available to protect the water against microbiological contamination throughout the storage and reticulation.
- Operators are trained and experienced. Only fully qualified operators allowed to be "On Call" or in sole charge.
- A leak detection programme has been initiated
- Contractors are to comply with disinfection WDC processes during distribution network repairs.

8. Critical Control Point Process Control

A Critical Control Point (CCP) is defined as an activity, procedure or process at which control can be applied, and that is essential to prevent a hazard or reduce it to an acceptable level. For each CCP, a critical limit for operational performance is established to represent a complete loss of control of the process and the existence of an unacceptable health risk. The operator shall notify the Water Production Manager immediately if any of these critical limits cannot be met.

The Wairoa and Frasertown water supply have four critical control points over which process control can be made. These critical control points are established around the following processes:

- Coagulation and flocculation processes to remove suspended and colloidal solids
- Filtration process to provide a barrier to particulate and protozoan contamination
- Chlorine disinfection process to maintain integrity of water and reticulation hygiene
- UV disinfection process to provide a barrier to pathogenic microbiological organisms including bacteria, viruses and protozoa.



8.1. Coagulation and Flocculation Critical Control Point

8.1.1. Process objectives

To provide removal of suspended and colloidal solids such as clays. A CCP confirms that the coagulant dose, pH correction, flocculation and clarifier operations are optimised when changes occur to raw water quality or operating conditions.

Operational day-to-day monitoring of control processes		
What	Turbidity	
When	Continuously online	
Where	Turbidity at the outlet of clarifier, prior to sand filtration	
How	Turbidity monitored online via SCADA	
Who	Telemetry system	
Records	All data to be recorded in SCADA	
Process performance criteria at the operational monitoring point		Correction required if performance criteria are not met
Target Range	Water turbidity exits clarifier is <0.3 NTU	No action
Action Limits	Water turbidity exits clarifier is >0.3 NTU but <0.5 NTU	SCADA system notifies operator of increase. Operator to check coagulation /flocculation dose rates.
Critical Limits	Water turbidity exits clarifier is > 0.5 NTU (May go to this level or higher during extreme raw water turbidity fresh events exceeding 3,500 NTU)	Plant automatically shuts down. Operator in full control to diagnose causes and make adjustments immediately. Operator to notify the Water Production Manager if high level of turbidity persists.



8.2. Chlorine Disinfection Critical Control Point

8.2.1. Process objectives

1. Provide another **primary disinfection Critical Control Point** to inactivate bacterial, viral and most protozoan pathogens that may have entered upstream of dosing point.
2. Provide a minimum **residual disinfection** to help inactivate pathogens entering the reticulation of the supply downstream of the dosing point.

Operational day-to-day monitoring of control processes		
What	Free available chlorine (FAC); pH	
When	Continuously online	
Where	At the outlet of contact tank prior to the booster pumps	
How	Both monitored online via SCADA	
Who	Telemetry system	
Records	All data to be recorded in SCADA	
Process performance criteria at the operational monitoring point		Correction required if performance criteria are not met
Target Range	FAC: 0.7> and <1.2 mg/L pH: 7.6> and <7.9 pH	No action
Action Limits	FAC: < 0.7mg/L (> 30 m) or > 1.2 but < 1.4 mg/L (> 30m) pH: < 7.6 (> 30m) or > 7.9 but < 8.2(> 30m)	Operator to monitor trend and make appropriate adjustments if required. Operator to monitor trend and make appropriate adjustments if required.
Critical Limits	FAC: < 0.45 mg/L (> 15 m) or > 1.4 mg/L pH: >8.2. (> 5m)	SCADA automatically shuts down plant if FAC <0.45 or >1.4 mg/L and pages operator Operator to isolate the supply and run off storage until rectified. Operator to diagnose causes and make adjustments immediately. Operator to notify the Water Production Manager if high or low levels persist.

8.3. Filtration Critical Control Point

8.3.1. Process objectives

To provide removal of particulate material. A filtration CCP ensures that the UV disinfection process can operate at expected levels of efficiency.

<i>Operational day-to-day monitoring of control processes</i>		
What	Turbidity; flow	
When	Turbidity – continuously online	
Where	Turbidity at the outlet of each filter housing Flow measured from each filter water meter continuously online.	
How	Turbidity monitored online via SCADA Flow from flow meters on filter outlet Filter Headloss - visual inspection	
Who	Combination of WDC plant Manager / Operator and telemetry system	
Records	All electronic data is recorded digitally to the SCADA historian, and all manual data is transferred to a spreadsheet and held by Council.	
<i>Process performance criteria at the operational monitoring point</i>		<i>Correction required if performance criteria are not met</i>
Target Range	Filtered water turbidity <0.1 NTU	No action
	Filter Headloss <0-500> mm	
Action Limits	Filtered water turbidity >0.1 but < 0.3 for 1 hour	SCADA system notifies Manager/Operator if NTU is constant between these two set points for after an hour. Operator to diagnose causes and make adjustments immediately.
	Filter Headloss >500 but <1,000 mm	
Critical Limits	Filtered water turbidity is >0.3 NTU	SCADA system will shut down filters and plant and notify Operator thus keeping plant fully compliant with DWSNZ. Operator to investigate cause and back wash filter. If problem can't be solved take filter off line and notify Plant Manager/ DWA
	Filter headloss >1,000 mm	



8.4. UV Disinfection Critical Control Point

8.4.1. Process objectives

To provide a primary disinfection CCP to inactivate bacterial, viral and protozoan pathogens that may have entered the water supply system upstream of the UV Reactor. This CCP is developed for a validated UV reactor.

Operational day-to-day monitoring of control processes		
What	UV turbidity; UV intensity (fluence); UV transmittance; flow	
When	Flow, UV intensity, and UV turbidity – continuously online UV transmittance – twice weekly	
Where	UV turbidity at inlet of UV reactor UV intensity inside UV reactor UV Transmittance measured by Laboratory benchtop meter in a 10ml cell	
How	Flow, UV intensity, and UV turbidity from online instrumentation and PLC controls UV transmittance by handheld analyser This system is fully PLC automated which has been programmed to stay within the UV reactor's operating parameters at all times as per its O'Norm certificate.	
Who	Combination of WDC plant operator and telemetry system	
Records	All electronic data is recorded digitally to the SCADA historian, and all manual data is transferred to a spreadsheet and held by Council.	
Process performance criteria at the operational monitoring point.		Correction required if performance criteria are not met.
Target Range	Water turbidity exits contact tank is less than 0.10 NTU	No action required
	Turbidity does not exceed 1.0 NTU for more than 5% of the compliance monitoring period.	
	UV – The water entering the UV reactor has turbidity not greater than 2.0 NTU for any three minute period	
	UV intensity not allowed to drop below the validated performance curve for more than 2.5 % of the monitoring period.	
	UV intensity not less than 100% of the validated performance curve for any three minute period (10ml cell)	
	Flow monitored continuously every minute	
Action Limits	Water turbidity exits contact tank is > 0.10 NTU but < 0.30 NTU	Operator to monitor turbidity trend and seek further guidance if it does not drop. Check filtration and coagulation.
	UV intensity not allowed to drop below the validated performance curve for more than 3% of the monitoring period	Operator to perform a clean of the UV lamps, sleeves and intensity sensor.
	Water turbidity exists contact tank >0.30 BUT <0.50 NTU	Operator to monitor trend and investigate cause of increase and make corrective action.
	UV intensity not less than 95% of the validated performance curve for any three minute period (10ml cell)	Operator to monitor transmittance trend and seek further guidance if it continues to fail. Inform Plant Manager

Critical Limits	Water turbidity exits contact tank > 0.5 NTU	<p>SCADA shuts down treatment plant, operator investigates and resolves issues, and operates. Supply from storage until parameters return within critical limits.</p> <p>The Operator notifies the Water Production Manager. The Water Production Manager notifies DWA if inadequately treated water needs to be supplied or has been supplied to the community and considers with DWA the need to issue a boil water notice.</p>
	UV intensity not allowed to drop below the validated performance curve for more than 5 % of the monitoring period	
	UV intensity not less than 90% of the validated performance curve for any three minute period (10ml cell)	
	UV intensity not less than 80% of the validated performance curve for any three minute period (#)	
	Flow not more than 100% of the rated flow	

9. Improvement Schedule

All proposed new works and operational improvements have been extracted from the relevant risk tables to help address public health risks with the water supply.

These projects have been ranked in order of priority. By prioritising the risks and order of improvements then generally the greatest benefits in terms of addressing public health risks can be made first. The improvement schedule includes improvements where risks identified were rated as wither Moderate, High, Very High, or Extreme, using the WDC risk Matrix. In this case no risks rated as Extreme were identified.

Operational improvements often have little cost implication and can collectively contribute to providing and maintaining effective barriers to contamination which can often be undertaken within existing operational budgets.

The improvement table includes risks identified with a risk level of Moderate or above. It is recognised that other improvements have been captured within the risk tables, but are of a lower priority. These lower priority improvements can be undertaken when appropriate with other improvements if it is logical to sequence improvements at the same time, otherwise can be address once the higher priority risks are addressed.

Responsibility

Responsibility for implementation of specific improvement items have been identified as:

GM = Group Manager Community Assets and Services (Stephen Heath)

WPM = Water Production Manager (Morgan Goldsmith)

EHO = Environmental Health Officer (Victor Minter)

UM = Utilities Manager (Patrick Knerlick in acting role)

Cost Estimates

Cost estimates presented in this Improvement Schedule are intended to provide an indication of the typical cost associated with the item. The improvements cost estimates presented here may be +/- 30%. Additional work is required to adequately scope and cost these works. Implementation of the Improvement Schedule is ultimately subject to Council funding approval. In some instances, there is no direct cost other than Council staff time.

Timeframes

Although these improvements are prioritised on the basis of the risk level identified. The proposed timeframe for implementation has been determined by Council Staff taking into account the level of risks, anticipated Council funding arrangements and budgets and availability of resources, and ease of implementation. Some lower priority, low cost improvements may be completed at an earlier date where staff resources are available.



Table 3 Wairoa Frasertown Water Supply Improvement Schedule

Wairoa Frasertown Water Supply Improvement Schedule							
Priority	Water Supply Area and Reference	Risk Level	Details of Proposed Works	Person Responsible	Expected Cost	Status	Completion date (actual / planned)
1	S6	Very High	Install sealed marine hatches over all tank hatches	UM	Staff time+5k	Completed	2017
1	UV1	Very High	Review and amend the O&M manual to bring it up to date after completion of all new major projects directly affecting the operation of the plant and ensure it becomes an official working document.	WPM	Staff time	Underway	Dec 2018
2	A2	High	Repair or replace bent sheet piles protecting intake screens	UM GM	Staff time+\$30k Staff time +	Underway (with design approved; capital budget of \$150k)	Dec 2018
2	A5, A1	High	Condition assessment indicated mainline replacement in 2021. Carryout condition assessment of pipe and if required plan and prepare for future pipeline replacement. Undertake test from piece of broken trunk main if laid around the same time as the Intake pipeline	UM	Staff time=\$5k	Underway with section cut out planned; part of trunk main renewal programme (\$800k approved in 2018 LTP)	Dec 2019
2	A9	High	Investigate secondary sources of water supply as a back up to primary source. Suitable bores located either side of the Wairoa Bridge	UM	Staff time-\$10k	Partially completed with alternative water sources report (Opus)	June 2019
1		High	Replace collapsed Intake sheet pile wall downstream of intake pump room and reinstate major riverbank slip	UM	\$400-\$500k	Underway	Apr 2019



Wairoa Frasertown Water Supply Improvement Schedule							
Priority	Water Supply Area and Reference	Risk Level	Details of Proposed Works	Person Responsible	Expected Cost	Status	Completion date (actual / planned)
2	CI2	High	Ensure that the Chlorine Management Plan procedures are followed and the document is referenced to in the O & M manual. Make system duty /standby operation allowing easy safe changeover for standby qualified operator.	WPM	Staff time	Completed (now part of O & M Manual)	2017
2	CL11, T11, T4	High	Confirm back up chemical suppliers and add names and purchase procedures to O&M <i>manual</i>	WPM	Staff time	Completed (now part of O & M Manual)	2017
2	F2	High	Undertake core sampling of media determine volume and condition. Replace media when required	WPM	Staff time+\$5k +\$20k	Completed (filters are OK)	2016
2	pH2	High	Ensure staff are trained to carry out calibration of pH probes and is documented in their individual staff training Records	WPM	Staff time	Completed (now part of O & M Manual)	2017
2	R3	High	Ensure O & M procedures have disinfection procedures for materials that have undergone maintenance and have risk of exposure to a contaminant.	WPM	Staff time	Completed (now part of O & M Manual)	2017
	Added in		Assess the condition of the Wairoa storage tanks and Boundary Tanks 1 & 2.	UM	Staff time + \$15k	To start as new project added in	2019/20

10. Benefits of Proposed Improvements

The proposed actions will provide public health benefits by reducing the risk of adverse health outcomes associated with poor drinking water quality.

In addition to development of a WSP in accordance with the Ministry of Health requirements, Wairoa District Council used the opportunity to gain a number of additional benefits. These benefits are listed below and were achieved by Council actively managing the process to ensure that:

- The plan was prepared with the involvement of key WDC water supply staff to ensure ownership of the document and its implementation. Staff at all levels including operations, maintenance management, and senior engineering personnel responsible for service delivery were involved in the assessment of risks and identification of preventative measures.
- Risk identification and operational and treatment processes were discussed with staff members which encouraged communication and collaboration between operations and management staff of Council. This enabled transfer of collective knowledge between participants and identification of systemic issues.
- This WSP document is developed as a standalone document so that the document relevant to each scheme can be kept at a suitable location i.e. treatment plant, Council offices or abstraction point for ready reference and updating by as things change over time.

11. Methodology

This WSP has been prepared consistent with the approaches recommended by the Ministry of Health. Supporting documents include the WSP Guides and A Framework on How to Prepare and Develop Water Safety Plans for Drinking-water Supplies, Ministry of Health 2014. A qualitative risk assessment approach has been taken following the guidance notes in Appendix 2 of the "Framework" allowing the prioritisation of improvement needs and development of the Improvement Schedule.

The objectives of this WSP are to;

1. Identify what can go wrong with the supply (hazard)
2. Identify what might cause things to go wrong and how these problems would be identified (indicators).
3. Identify the barriers that are in place and those that need to be put in place to protect the quality of the water (to minimise, remove or inactivate hazards).
4. Identify the capital upgrade requirements that need to be put in place to ensure provision of safe drinking-water.
5. Identify the list of operational improvements that can be put in place to improve the drinking water supply and reduce risks to public health.
6. Provide an improvement plan which prioritises the most urgently required preventative measures (barriers) and monitoring requirements.

7. Provide contingency actions required to be taken if any of the potential risk events occur.

The plan also includes additional items recommended by the Government Inquiry into Havelock North Drinking-Water such as critical control points. Council has chosen to adopt the following six fundamental principles outlined by the inquiry as guiding principles for its water supplies:

- A high standard of care must be embraced
- Protection of source water is of paramount importance
- Maintain multiple barriers against contamination
- Change precedes contamination
- Suppliers must own the safety of drinking water
- Apply a preventive risk management approach.

Contingency Plans have been prepared to provide guidance in the event that control measures fail to prevent the occurrence of a risk event that may present acute risk to public health. The Group Manager Community Assets and Services and Water Treatment Plant Operator are responsible for implementation of the Contingency Plans when monitoring has identified the occurrence of a risk event.

Separate risk tables have been prepared for:

- Catchment
- Abstraction and Raw Water Pipeline
- Coagulation, Flocculation, and Sedimentation
- Chlorination Treatment
- UV Disinfection
- Filtration
- pH Adjustment
- Pumps
- Reticulation
- Storage Reservoirs
- Other.

12. Risk Ranking Procedure

Potential public health risks have been evaluated using the Likelihood and Consequence scales tabulated below to determine a risk level and match existing Wairoa District Council Risk management framework. The assessed risk level allows prioritisation of the associated improvement measures.



Table 4 Likelihood Scale

	Consequence Description	Probability	Frequency	Description
Threat	Likely	>50%	Greater than once per year	The threat can be expected to occur or a very poor state of knowledge has been established on the threat
	Quite Common	20 - 50%	Once per 1-5 years	The threat will quite commonly occur or a poor state of knowledge has been established on the threat
	Possible	10 - 20%	Once per 5-10 years	The threat may occur occasionally or a moderate state of knowledge has been established on the threat
	Unusual	2 - 10%	Once per 10-50 years	The threat could infrequently occur or a good state of knowledge has been established on the threat
	Rare	<2%	Less than once per 50 years	The threat may occur in exceptional circumstances or a very good state of knowledge has been established on the threat

Table 5 Consequence Scale

Impact Description		SERVICE DELIVERY	SOCIAL / CULTURAL	
		Level of Service (LOS)/Loss of Supply	Public Health, & Safety	Community / Social
Threat	Extreme	Complete failure to deliver services	Single fatality & Permanent Disability	Significant unplanned disruption to essential/significant community services
			Widespread severe illness	Significant damage to multiple public properties
			50% increase of infection rate	
	Major	Failure to meet 100% of LOSs	Temporary disability	Formal complaint by key stakeholder
		Failure to meet multiple significant LOSs	Illness to one person or more	
		LOS exceeded by 50% - implying overspend		
	Medium	Failure to meet 75% of LOSs	Serious injuries	Simultaneous unplanned disruption to multiple households or commercial premises or community services and/or structures
		Failure to meet significant LOS		Formal complaint by member of the public or ratepayer
		LOS exceeded by 40% - implying overspend		Formal complaint by key stakeholder with reasonable defence
	Minor	Failure to meet 50% of LOSs	Minor injuries	Community complaints
		LOS exceeded by 30% - implying overspend		
	Negligible	Failure to meet 25% of LOSs	Slight injuries	Unplanned disruption to single household or commercial premises or community services and/or structures
		LOS exceeded by 20% - implying overspend		

Table 6 Risk Level Allocation Table

RISK MATRIX							
			CONSEQUENCE				
			Negligible	Minor	Medium	Major	Extreme
Threat	LIKELIHOOD	Likely	Low	Moderate	Very High	Extreme	Extreme
		Quite Common	Low	Moderate	Very High	Very High	Extreme
		Possible	Negligible	Moderate	High	Very High	Very High
		Unusual	Negligible	Low	High	High	Very High
		Rare	Negligible	Low	Moderate	High	High

13. Drinking Water Standards Compliance

At the time this WSP was prepared, the water supply fully complies with DWSNZ. The table below shows a summary of the compliance with the DWSNZ to date. The treatment plant and distribution zone are not currently graded.

Table 7 Summary of Compliance with DWSNZ

Standards compliance assessed against	DWSNZ 2005 (R2008)
Bacterial compliance criteria used for water leaving the treatment plant	Criterion 2A or Criterion 5
Protozoa log removal requirement required for the supply	4-log
Protozoa treatment process	Coagulation, disinfection, filtration, chlorination and UV
Compliance criteria 6A or 6B is used for water in the distribution zone	Criterion 6B
Bacterial compliance for water leaving the treatment plant has been achieved for the last 4 quarters	Yes
Protozoa compliance for water leaving the treatment plant has been achieved for the last 4 quarters	Yes
Bacteria compliance for water in the distribution zone has been achieved for the last 4 quarters	Yes
P2 determinands allocated to supply	None
Chemical compliance achieved for the last 4 quarters	Yes
Cyanobacteria identified in the supply	No
Cyanobacterial compliance has been achieved for the last 4 quarters.	Yes

14. Consultation and Site Visit

In June 2014 Opus carried out a site visit of the Wairoa and Frasertown water supply with Morgan Goldsmith. The site visit included an inspection of the water treatment plant, pump stations, intake and inspection and assessment of the risks within the Frasertown and Wairoa distribution zones to determine any zone specific risks.

Risks to the supply, preventative measures that are in place, or could be put in place, critical points and the barriers to contamination were identified and discussed. Subsequent to this consultation, telephone discussions and email contact occurred including provision of additional information with the above staff along with Don Smith. This information along with that gathered during the site visit was used to prepare this WSP. During this site visit it was determined that no distribution zone specific risks were significant enough to create a risk table for each distribution zone, and are combined into a reticulation risk table.

15. Contingency Plan

The Contingency plan outlines processes and actions required should a significant event occur. The Contingency plan identifies the Type of event and indicators to help WDC staff manage events. The ownership and responsibility of the contingency plan actions lies with the Group Manager Community Assets and Services.

<i>Wairoa and Frasertown Water Supply Contingency Plan</i>	
<i>Type of Event</i>	<i>Required Contingency Action</i>
<p>Severe microbiological contamination of source water (such that treatment is ineffective)</p> <p>Indicators: A contamination event in the catchment may come from a positive test result, but may also be indicated by reported illness among consumers.</p>	<ul style="list-style-type: none"> • Shut down supply • Undertake additional sampling to confirm security of supply • Advise AFFCO Meats of problem and shut down the supply • Issue "Boil Water" notice and advise consumers to conserve water • Advise Drinking Water Assessor (DWA). Respond to storm warnings to ensure water quality is suitable.
<p>Chemical contamination of source water</p> <p>Indicators: A contamination event in the catchment may be indicated by reported water quality concerns from consumers (taste, odour, colour) or illness among consumers. Chemical tests may indicate chemical contamination.</p>	<ul style="list-style-type: none"> • Shut down supply • Advise Drinking Water Assessor (DWA) • Assess situation and advise customers regarding use/treatment/disposal of contaminated water. Undertake additional sampling to confirm security of supply. • Arrange emergency water supply (tankers) if necessary Inspect catchment and spring and abstraction point to identify source of contamination and rectify problem as quickly as possible. • If normal treatment and supply cannot be resumed within 48 hours then make arrangements for provision of emergency treatment or alternate sources. • Keep customers informed and advise once regular service is restored.

<i>Wairoa and Frasertown Water Supply Contingency Plan</i>	
<i>Type of Event</i>	<i>Required Contingency Action</i>
<p>Insufficient water available for abstraction and treatment, and loss of supply</p> <p>Indicators: Observed or reported low spring flows, consumers reporting a loss of water</p>	<ul style="list-style-type: none"> • Implement demand management strategies as required. • Advise customers to conserve water. • Shutdown AFFCO processing plant. • Ensure Diver is on standby where possible in case there is a blockage of the screens. • Inspect spring and abstraction point to identify cause of problem and rectify as quickly as possible. Identify alternative water sources. • If due to pipe failure, repair, and sterilise following council procedures. • Be prepared to use an alternative supply. • Keep customers informed and advise once regular service is restored.
<p>Cyanobacterial/Cyanotoxin contamination of source water</p> <p>Indicators: Unusual animal deaths (particularly dogs) near water bodies. Blooms in waterway, and changes in water colour or slimes forming on rocks. Notification from regional council</p>	<ul style="list-style-type: none"> • Advise Drinking Water Assessor (DWA) • Monitor source water for cyanobacteria. • Monitor water leaving the treatment plant for cyanotoxins. • If cyanotoxins in water leaving the treatment plant exceed 50% of the MAV prepare to supply drinking water from tankers to the community. • Keep customers informed and advise once regular service is restored. • Investigate activated carbon filtration for supply
<p>E. coli transgression of water leaving the treatment plant or in the distribution network.</p> <p>Indicators: E. coli transgression reported following routine monitoring. Illness within the community.</p>	<ul style="list-style-type: none"> • Follow transgression response procedure in Figure 4.1 (p33) or Figure 4.2 (p39) of DWSNZ: 2005 (rev2008). • Advise DWA. • Commence daily E. coli testing. • Send sample to Linnaeus Laboratory Gisborne for an enumeration test. • Sample in distribution system. • Investigate cause, inspect plant and source. • Take remedial action. • If E. coli < 10 per 100mL consult DWA, resample distribution zone and enumerate for E. coli for three days, continue investigation of fault. • If E. coli > 10 per 100mL consult DWA, consider 'Boil Water' notice, intensify investigation of cause, increase disinfection, and consider flushing contaminated water to waste, intensify action, and consider providing an alternative supply. • Continue until fault is corrected and E. coli is absent for three consecutive days and DWA is satisfied that there is no remaining contamination.

<i>Wairoa and Frasertown Water Supply Contingency Plan</i>	
<i>Type of Event</i>	<i>Required Contingency Action</i>
Backflow contamination Indicators: Sudden unexplained drop in pressure. Consumer complaint. Discolouration/taste odour in water.	<ul style="list-style-type: none"> • Shut down water supply, and isolate contaminated regions where known. • Investigate cause, and take remedial action. • Advise Drinking Water Assessor (DWA). • Talk to people from contaminant source to identify potential chemicals and biological contaminants. • Flush Contaminants. • Undertake additional sampling to confirm security of supply. • Issue boil water notice
Earthquake, flood or other natural disaster	<ul style="list-style-type: none"> • Refer to Council Emergency Response Plan

16. Appendix A - Risk Assessment Tables

17. Appendix B - Annual Review Report



8.7 HEALTH & SAFETY

Author: Kevin Stevenson, Kaiurungi Kore Whakawhara Zero Harm Officer

Authoriser: Steven May, Tumu Whakarae Chief Executive Officer

Appendices: 1. May 2020 Risk report. [↓](#)

1. PURPOSE

- 1.1 This report provides information for Committee on Council's health and safety (H&S) matters. No decisions are required by Committee at this stage.

RECOMMENDATION

The Kaiurungi Kore Whakawhara Zero Harm Officer RECOMMENDS that Committee receive the report.

2. BACKGROUND

- 2.1 Regular reporting of health and safety compliance ensures that Wairoa District Council recognises its moral and legal responsibility to provide a safe and healthy work environment for its workers (employees, contractors and volunteers). This commitment extends to ensuring its operations do not place the local community at risk of injury, illness or property damage.
- 2.2 Consideration of this matter contributes to Council's vision of 'Connected Communities; Desirable Lifestyles; Treasured Environments', it also contributes to the following community outcomes:
- A safe and secure community.
 - A lifetime of good health and well-being.
 - A safe and integrated transport system.
 - Strong district leadership and a sense of belonging.
 - Safe and accessible recreational facilities.

3. CURRENT SITUATION

- 3.1 Hazard Identification/Register/Accident or Near Miss Reports:** Three incidents have been reported for the period since the Committee's last update in May. Two involving Threatening Behaviour, One minor sprain to ankle and a laceration to right hand. Both incidents were of a minor nature. The laceration was the subject to an incident with a hand tool during lockdown and was covered by ACC. This incident resulted in three lost working days. The other reported Threatening Behaviour incidents were from the Animal Control Team and are under investigation by Police.

3.2 Staff Training

Four of the Engineering staff underwent an induction on the new quad bike that was purchased to assist the Water and Sewage Team to carry out remote work that is inaccessible with their current vehicle.

3.3 Health and Safety Committee.

The Committee met on 6th May and discussed the events of the last month including Councils handling of the Coronavirus. Yearly health checks for staff that are require due to their occupational position and ergonomic checks have been put on hold until all staff have returned to work.

The local chemist will come to the Chambers to administer the Flu vaccination to the staff that require it during this month.

3.4

Safety Audits Summary

Only a small amount of safety inspections undertaken for this period due to the Lockdown and they were of a visual nature to comply with social distancing rules. No major issues were identified.

3.4.1 Staff return to work under level 2 has started with social distancing and hygiene precautions' in place, Contact Tracing procedures are being followed.

The Committee is asked to consider the content of this report and advice of any practice or process changes.



Further Information

<http://www.worksafe.govt.nz/worksafe/>

<https://www.sitesafe.org.nz/>

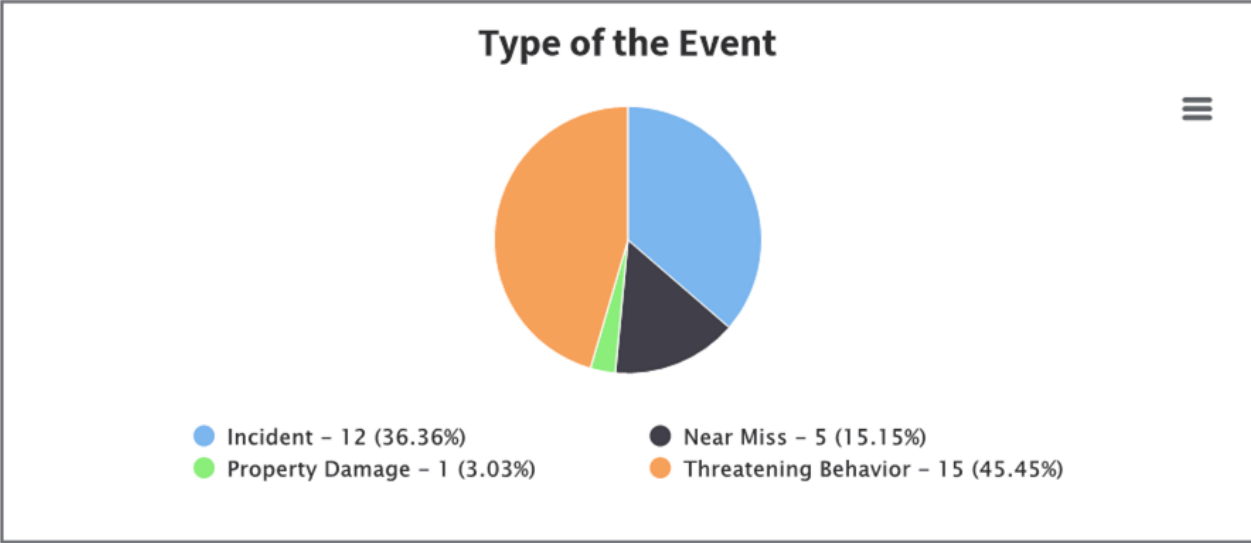
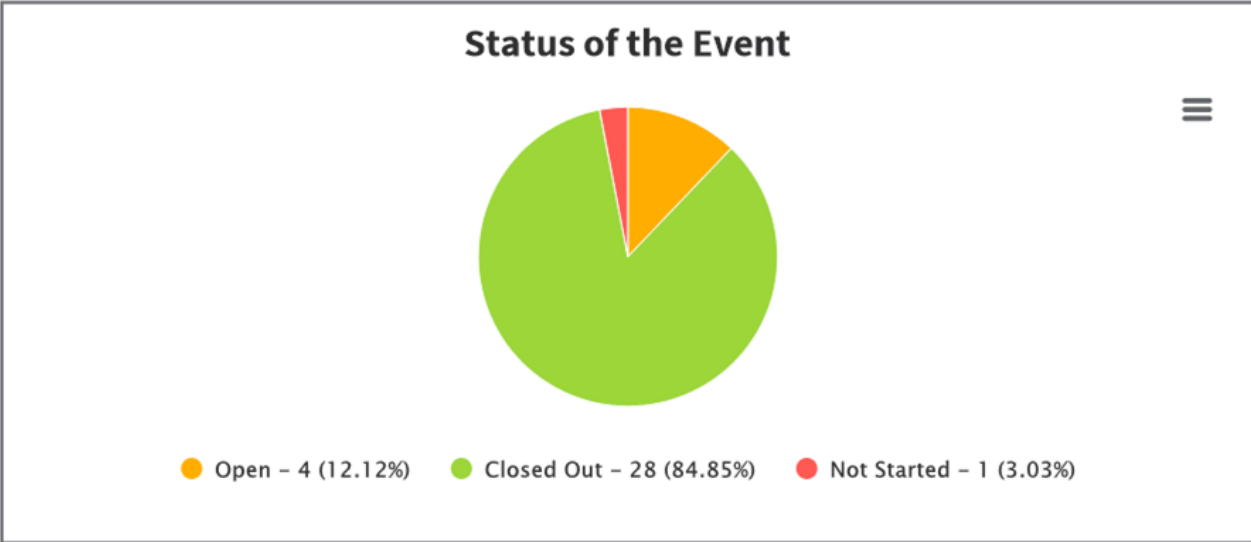
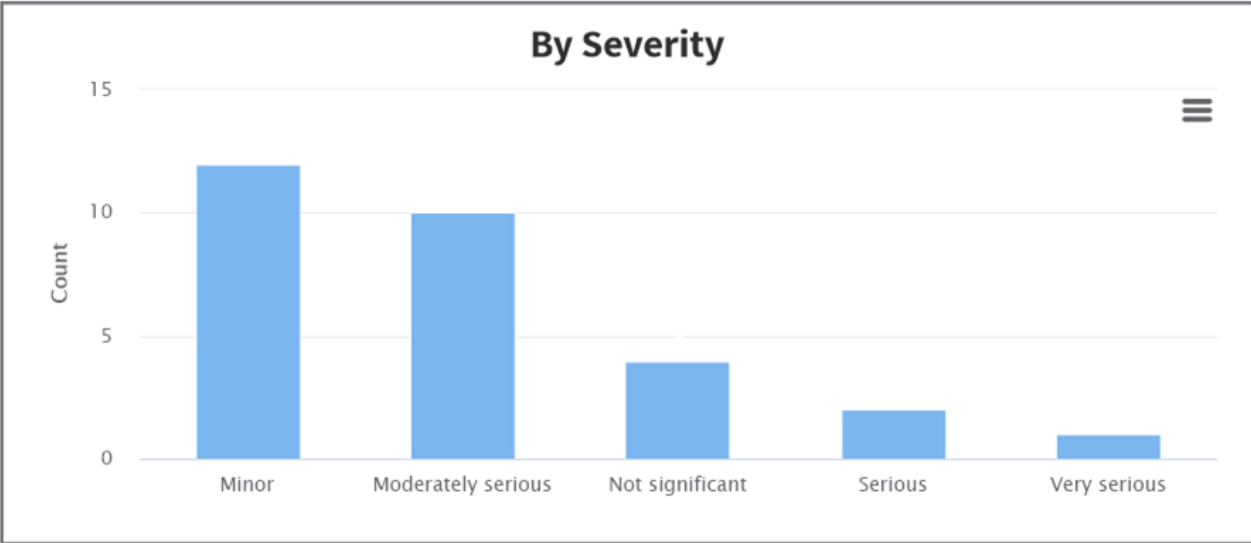
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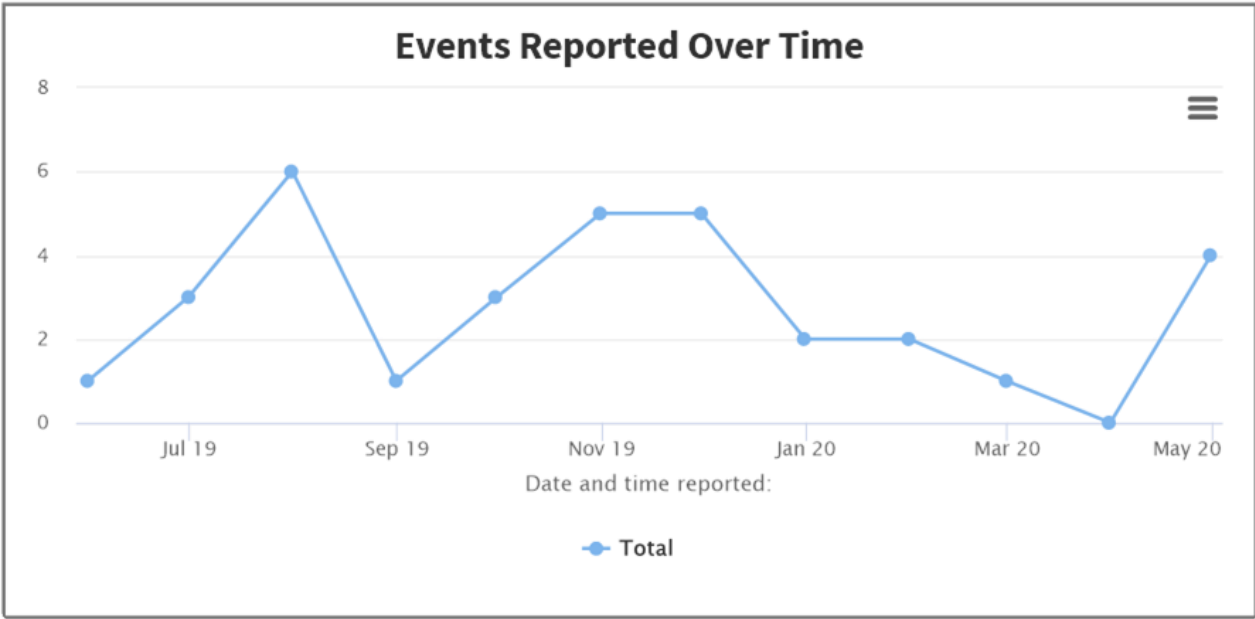
Signatories

	
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Author Kevin Stevenson	Approved by Steven May
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Events : Risk Report May 2020





8.8 FAR WORK PLAN

Author: Steven May, Tumu Whakarae Chief Executive Officer

Authoriser: Steven May, Tumu Whakarae Chief Executive Officer

Appendices: 1. FAR Committee Work Plan [↓](#)



1. PURPOSE

This report provides information for Committee on the FARC Annual Work Plan. 1.2 Attached is the FARC Annual Work Plan from the FAR Committee meeting held on Tuesday, 3 March 2020.

RECOMMENDATION

The Tumu Whakarae Chief Executive Officer RECOMMENDS that Committee receive the report.

Signatories

	
Author Steven May	Approved by Steven May

FARC ANNUAL WORK PLAN

#	Date Entered	Action to be taken	Responsible	To be completed by	Closed/Open
1.	2 April 20-19	Adopt FAR work plan/TOR as per 26 Feb 2019 FAR Committee minutes - standing agenda item for work plan	Steven May	16 July 2019	Ongoing Open
2.	2 April 2019	- establish an outstanding report to management register with a regular update.		16 July 2019	Open
3.	14 May 2019	Interim Summary from EY on Annual Report process and FY18/19 close off. Liaise with Stuart Mutch to request summary.	Gary Borg/Stuart Mutch	16 July 2019	Ongoing
4.	14 May 2019	Full draft Annual report NLT 10 Sept 2019 to be reviewed by FAR before submitting to Auditors	Gary Borg/Steven May	17 Sept 2019 – adjust to 30 Sept 2019	Open
5.	14 May 2019	Contract Management Review	Stephen Heath	17 Sept 2019	Open
6.	14 May 2019	Draft Financial Statements including summary reserves	Gary Borg	17 Sept 2019 draft to 30 Sept 2019	Open
7.	2 July 2019	Interim report on risk against Council risk policy	CEO	17 Sept 2019	Open
8.	2 July 2019	Update on Long Term Plan 2021-2031 (Project Review)	Kimberley Tuapawa	17 Sept 2019	Open
9.	6 Aug 2019	Reconciliation of reserves	Gary Borg	10 Dec 2019	Open