



Date: Tuesday, 7 July 2020
Time: 1.30pm
Location: Council Chamber, Wairoa District Council,
Coronation Square, Wairoa

AGENDA

Late Reports

Finance, Audit & Risk Committee Meeting

7 July 2020

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

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1 GENERAL ITEMS

1.1 SUPPORT FOR QRS PROJECT FUNDING

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Authoriser: Steven May, Tumu Whakarae Chief Executive Officer

Appendices: Nil

1. PURPOSE

- 1.1 The purpose of this report is to seek the Committee's endorsement for Council confirm its willingness to lend up to \$1.2 million to Quality Roding Services (Wairoa) Ltd (QRS) for the company to proceed with its proposed Operations Hub project.

RECOMMENDATION

The Pouwhakarae – Pūtea / Tautāwhi Rangapū Group Manager Finance and Corporate Support RECOMMENDS that Committee endorses the proposal for Council confirm its willingness to lend up to \$1.2 million to QRS for the purposes of securing funding for its Operations Hub.

EXECUTIVE SUMMARY

2. BACKGROUND

- 2.1 As part of the process to review QRS' Statement of Intent for the period 1 July 2020 to 30 June 2023 Council confirmed its support for the company to proceed with the construction of an Operations Hub, subject to confirmed funding conditions.
- 2.2 QRS has received project approval from the Provincial Growth Fund (PGF) on a 50:50 co-funded basis.
- 2.3 To secure PGF funding the company is required to demonstrate a confirmed funding source for its contribution by 31 July 2020. The funds will be required in 2021.
- 2.4 The relevant Local Government Funding Agency (LGFA) deeds are currently being amended and restated to enable Council Controlled Organisations (CCOs) to borrow from the Agency. Due to the COVID-19 lockdown this process was protracted and will not be completed in time for QRS to utilise the facility by 31 July 2020.
- 2.5 Furthermore, since QRS is a Council Controlled Trading Organisation (CCTO), Council will need to provide uncalled capital for the company to borrow directly from the LGFA.
- 2.6 The following resolutions are relevant:
- 2.6.1. Council 2020/12, 2020/01, 2020/17, 2020/25
 - 2.6.2. Committee 2020/90, 2020/91
- 2.7 Resolution 2020/25 provides that a maximum of 80% of the project costs, forecast to be \$4 million, can be funded by borrowing. The PGF, at 50%, will provide \$2 million, leaving \$1.2 million to be borrowed elsewhere.

- 2.8 Currently QRS only needs to demonstrate to the PGF that it has available facilities to meet its co-funding obligations. It can do this unilaterally via its existing bank facilities, but to include borrowing from the LGFA as an option it would require endorsement from Council. It is anticipated this would take the form of a letter of undertaking, or similar, because Council cannot provide a guarantee on behalf of a CCTO.

3. OPTIONS

- 3.1 The options identified are:
- a. Do nothing
 - b. Endorse the proposal to Council
- 3.2 If the proposal is endorsed QRS will have more options to source competitively priced borrowings for its contribution to the project funding.
- 3.3 The preferred option is *b. Endorse the proposal to Council*, this contributes to the following community outcomes

Economic wellbeing	Social and Cultural Wellbeing	Environmental Wellbeing
1. A strong prosperous and thriving economy	5. Supportive, caring and valued communities	8. A lifetime of good health, education and well-being
2. A safe and integrated infrastructure	6. Strong district leadership and a sense of belonging	

4. CORPORATE CONSIDERATIONS

What is the change?

- 4.1 No change

Compliance with legislation and Council Policy

- 4.2 This matter observes the following sections of the Local Government Act 2002:
- 4.2.1. S62: Prohibition on guarantees, etc
 - 4.2.2. S63: Restriction on lending to council-controlled trading organisation

What are the key benefits?

- 4.3 QRS will be able to secure sufficient funding to proceed with its Operations Hub.

What is the cost?

- 4.4 There is no cost to Council beyond minor administration.
- 4.5 Should the additional borrowings eventuate this would be a variance on Council's balance sheet compared to the Annual Plan 2020-21. This would be netted off by a receivable from QRS.

What is the saving?

4.6 Based on current information it is estimated that the interest costs for QRS on these borrowings would be \$36,000 lower than from a commercial lender.

Service delivery review

4.7 Not applicable

Māori Standing Committee

4.8 This matter has no specific cultural implications

5. SIGNIFICANCE

- 5.1 This matter is assessed as being of low significance.
- 5.2 This decision has no immediate impact on the community
- 5.3 As a major employer and contractor in the district the performance and viability of QRS generates moderate public interest.
- 5.4 As noted in 4.5, if Council ultimately borrows and relends to QRS it will increase debt on Council’s balance sheet. However, Council is well within its borrowing covenants and its debt capacity will not be compromised in the medium term.
- 5.5 Council will be required to ensure it does not take on any obligations on behalf of QRS.
- 5.6 There will be no alterations to service levels.
- 5.7 No strategic assets will be affected.
- 5.8 This does not affect the way in which any significant activities are delivered.

6. RISK MANAGEMENT

6.1 In accordance with the Council’s Risk Management Policy the inherent risks associated with this matter are:



Who has been consulted?

This matter merely considers a vehicle through which a previous decision can be effected. No consultation is required.

References (to or from other Committees)

Council – 24 March 2020 - Council endorsement for a QRS PGF application

Council – 5 May 2020 - QRS Statement of Intent for the period 1 July 2020 to 30 June 2023 and Six Monthly Report to 31 December 2019.

Council – 5 May 2020 - Debenture Trust Deed document amendments and restatements

Finance, Audit & Risk Committee – 26 May 2020 - QRS Statement of Intent for the period 1 July 2020 to 30 June 2023 and Six Monthly Report to 31 December 2019.



Finance, Audit & Risk Committee – 26 May 2020 - Debenture Trust Deed document amendments and restatements

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