

**10.1 LOCAL GOVERNMENT FUNDING AGENCY ANNUAL GENERAL MEETING****File Number:** COU1-1400**Author:** Brent Chamberlain, Acting Chief Financial Officer**Authoriser:** Monique Davidson, Chief Executive**Attachments:**

1. LGFA Notice of Annual Meeting
2. LGFA Shareholder's Council AGM Recommendations Paper

The Council is satisfied that, pursuant to s48(1)(a)(i) of the *Local Government Act 2002*, the information to be received, discussed or considered in relation to this agenda item is:

- s7(2)(a) the withholding of the information is necessary to protect the privacy of natural persons, including that of deceased natural persons
- s7(2)(i) the withholding of the information is necessary to enable Council to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations).

**PURPOSE**

The matter for consideration by the Council is to recommend that the Council appoints a proxy and alternate to vote at the Local Government Funding Agency's (LGFA) Annual General Meeting (AGM) to be held on the 21st November 2019 and to provide voting instructions.

**RECOMMENDATION FOR CONSIDERATION**

**That having considered all matters raised in the report, Council:**

1. **Notes the Local Government Funding Agency has advised that its Annual General Meeting will be held on Thursday 21st November 2019 at 2pm at the Bolton Hotel in Wellington.**
2. **Appoints the Chair of the Local Government Funding Agency Board as alternate.**
3. **Agrees that the proxy to vote in favour of the following proposals which require ordinary shareholder resolutions:**
  - a) **Linda Robertson is re-appointed to the Local Government Funding Agency's board as an independent director.**
  - b) **Mike Timmer is re-appointed to the Local Government Funding Agency's board as a non-independent director.**
  - c) **Auckland Council is re-elected to the Shareholders' Council.**
  - d) **Western Bay of Plenty District Council is re-elected to the Shareholders' Council.**
  - e) **Increases in Directors' remuneration.**
  - f) **Changes to the local Government Funding Agency's foundation policies.**
  - g) **Changes to the Local Government Funding Agency's Shareholders' Agreement.**
4. **That this report be released as publicly available information on 21st November 2019**
5. **That the minute relating to this item be released as publicly available information on 21st November 2019**

**BACKGROUND**

This report is staff generated as a result of receiving the LGFA's Notice of AGM and information supporting items.

The LGFA is council-controlled organisation (CCO), owned 20% by the New Zealand Government and 80% by 30 local authorities.

The LGFA was established to provide councils with improved access to cost-effective long term debt. It is a registered financial institution regulated by the Reserve Bank. Total loans made to local government total around \$9.31 billion. Together Auckland Council and Christchurch Council have approximately 45% of the LGFA's issued debt, with the remainder shared between the other councils.

The LGFA's Shareholder's Agreement (SHA) provides that the board may comprise between four and seven directors, a majority of whom must be independent. Since inception in 2011, the board has six directors, one of which was non-independent (aside from one very short period due to a time lag between the retirement of a director and the appointment of a replacement). The SHA provides that in each year, the longest serving independent director, and the longest serving non-independent director must retire from the board but may offer themselves for re-election.

Current board members are Craig Stobo (Chair) who was initially appointed in 2011 and reappointed in 2017, Phillip Cory-Wright (initially appointed in 2011 and re-elected in 2016), Linda Robertson (appointed 2015), Anthony Quirk (appointed 2017), and John Avery (initially appointed in 2011 and re-appointed in 2018) and Mike Timmer (initially appointed in 2015 and re-appointed each subsequent year as the only non-independent director).

Council oversight is provided through the Shareholders' Council. The members are Auckland Council, Christchurch City Council, Hamilton City Council, Bay of Plenty Regional Council, Tasman District Council, Tauranga City Council, Wellington City Council, Western Bay of Plenty District Council and Whangarei District Council as well as the NZ Government (with oversight through the Ministers of Local Government and Finance).

The SHA provides that the role of the Shareholders' Council is to advise shareholders on certain matters for resolution at the Annual Meeting:

- Review and report to shareholders' periodically on the performance of the company and the board;
- Make recommendations on the appointment, removal, re-election, replacement and remuneration of directors; and
- Make recommendations to shareholders on, and endeavour to ensure that shareholders are fully informed on matters concerning the company.

## **DISCUSSION**

The LGFA has issued a notice of Annual Meeting to be held at the Bolton Hotel in Wellington on Thursday 21st November 2019, commencing at 2pm (**attached as Attachment 1**).

The Shareholders' Council has provided recommendations to the shareholders on the resolutions sought at the AGM. It has recommended voting in favour of all.

In order to vote at the AGM, the Council must appoint a proxy and alternate and provide voting instructions. The Notice of Proxy form must be received by the LGFA no later than 48 hours before the start of the meeting (ie by 2pm on 19 November 2019). It is proposed that the Chair of the LGFA Board be appointed as the Council's proxy.

## **RISK ASSESSMENT AND MITIGATION**

There are no legal or operational risks

## **FOUR WELLBEINGS**

This report has no impact on Cultural, Social, or Environmental matters.

This report will allow the LGFA to operate efficiently, and continue to pass on interest rate savings to Councils throughout New Zealand. This in turn assists Central Hawkes Bay District Council to

borrow at affordable rates, and therefore the savings can be passed onto the ratepayer providing economic wellbeing.

## **DELEGATIONS OR AUTHORITY**

This report is required Council to delegate its powers to Council's nominated proxy who will be attending the meeting, and will vote in the manner Council instructs them.

## **SIGNIFICANCE AND ENGAGEMENT**

In accordance with the Council's Significance and Engagement Policy, this matter has been assessed as being of low significance.

## **OPTIONS ANALYSIS AND RECOMMENATIONS**

### Agenda Item 4 – Election of Company Directors

Incumbent directors, Linda Robertson (independent director first appointed in 2015) and Michael Timmer (non-independent director first appointed in 2015) are retiring by rotation and standing for re-election. There are no alternative candidates standing for the positions.

The LGFA Board seeks shareholder resolutions in favour of the re-election of both directors. The shareholders' Council has noted in its recommendations that both Linda Robertson and Michael Timmer have proven themselves to be effective and competent directors.

### Agenda Item 5 – Election of Nominating Local Authorities (NLA's) to the Shareholder Council

Auckland Council and Western Bay of Plenty Council are retiring by rotation and standing for re-election.

Staff support the re-election of these members to the Shareholders' Council which is currently made up of representatives of the largest shareholders in the LGFA. Nine of the 30 nominating local authorities are represented on the Shareholders' Council (along with the crown).

### Agenda Item 7 – Changes to Foundation Policies and SHA

The LGFA board has noted that the company's business has grown and changed significantly since the foundation policy limits were drafted in 2011 and amended by shareholders in the 2017 AGM. Primarily there is a requirement for a larger portfolio of liquid assets. This is due to bespoke lending gaining in popularity with 45% of council borrowing in the 2018-19 financial year being of non-LGFA maturities.

- It is proposed an increase in the size of the Company's balance sheet, requiring greater Treasury Policy limits.

At the November 2018 AGM it was agreed to extend LGFA's operations to include direct lending to Council Controlled Organisations (CCOs), and to allow financial covenants to be measured on a group (rather than council parent) basis in certain circumstances. Currently council can borrow from the LGFA and on-lend to the CCO's when required.

- A considerable amount of work has been undertaken, with the Shareholders' Council playing an integral part in the process. Taking expert legal advice to ensure any changes did not expose any additional risk to guaranteeing councils.
- During deliberations the Shareholders' Council have recognised that we have separate interests as shareholders, guarantors and borrowers. They facilitated considerable discussion in accommodating the wide (and often subtle) variations in the way councils and their CCO's are structured across the sector.
- Given the strong cooperative structure of LGFA, the Shareholders' Council felt these interests did not give rise to any specific conflicts the precluded any members from participation in the process.
- The Shareholders' Council recommend that approvals are given to allow LGFA to lend directly to CCO's.

There are no budget implications

**RECOMMENDATION**

**That having considered all matters raised in the report, Council:**

- 1. Notes the Local Government Funding Agency has advised that its Annual General Meeting will be held on Thursday 21st November 2019 at 2pm at the Bolton Hotel in Wellington.**
- 2. Appoints the Chair of the Local Government Funding Agency Board as alternate.**
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