LGFA
New Zealand Local Government Funding Agency
Te Pūtea Kāwanatanga ā-rohe

11 March 2024

Chris McCashin
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Dear Chris

This is a response to your request made under the Local Government Official Information and Meetings Act 1987 ("**LGOIMA**") dated 3 March 2024.

Thanks you for your questions and please find our responses below.

Q1. Please provide in excel format as follows:
List of Current Shareholders.
Annual Rates Revenue Only for the Shareholder 2020 - 2023 Total Debt Associated with that shareholder for those years.

Please find attached a spreadsheet of the current shareholders, their rates revenue and the amount that each shareholder has borrowed from LGFA. For borrowings by shareholders from sources other than LGFA, you might have to contact each shareholder individually or refer to their annual reports.

Q2. Can you also provide how you provide money to the shareholders?

We lend to councils as requested by them for general borrowing purposes.

When a council borrows, they issue to LGFA, loan securities under their Debenture Trust Deed. The loan securities can be fixed rate or floating rate notes or commercial paper or they can enter into a standby facility arrangement with LGFA.

If the principal amount of a council's borrowings, or LGFA's commitment under a facility agreement with a council, is at any greater than NZD 20 million, the council is required to become a party to a deed of guarantee and an equity commitment deed.

Q3. In the context of this I am wanting to know how you know where the funding that you are providing the councils is going.

Our lending to councils is for general financing purposes and is not usually against specific projects.

The only lending we undertake linked to a specific project will be if the Council has applied for a Green, Social and Sustainable (GSS) loan where the projects have been pre-approved to ensure they meet the GSS eligibility criteria.

Q4. I understand that the LGFA was setup to assist in infrastructure spending. How does the LGFA know that is where the funding is going?

We review the Long-Term Plan, Annual Plan and Annual Reports of councils for information. We also meet with councils at least once a year and review meeting agendas and other financial information.

We undertake a credit analysis of each council borrower and monitor on an ongoing basis.

Q5. By way of an example WCC currently gets circa $480m rates revenue yet has circa $800m OPEX and another $500m CAPEX. This clearly means WCC are borrowing to fund day to day activities which clearly isn't sustainable.
What does LGFA do to ensure councils aren't spending beyond there means and then passing these costs on to the ratepayer because they have no fiscal constraint and the LGFA continues to give them money.

Councils must meet financial covenants imposed by LGFA e.g. net debt / total revenue, net interest / total revenue, net interest / annual rates income and a liquidity ratio. The financial covenants vary if a council has a credit rating provided by and credit rating agency of if they are unrated.

For further information on these financial covenants please refer to the Lending Risk section on our website
Risk management | New Zealand Local Government Funding Agency (lgfa.co.nz)

I hope this information and our responses are helpful.

You have the right, by way of complaint to an Ombudsman under section 27(3) of LGOIMA, to seek an investigation and review of LGFA's refusal of your request.

Regards

Mark Butcher
Chief Executive Officer