

**Proposal to amend the Treasury Risk Management
Policy contained in the Regional Council's 2009-
2019 Long Term Council Community Plan and to
invest in New Zealand Local Government Funding
Agency Limited**

**Summaries of submissions and General
Managers' responses**

Local Govt Funding Authority

Submitter: A. D. Walker

Submission Number: 1

Organisation:

Topic: LGFA

SummaryID 11216

Summary: The submitter is neutral on the LGFA.

Response: Thank you for your submission.

Submitter: Reid Hebden

Submission Number: 2

Organisation:

Topic: LGFA

SummaryID 11217

Summary: The submitter supports the LGFA but prefers funding through levies rather than debt raising.

Response: Thank you for your submission. At all times Greater Wellington considers the optimum mix of debt, rate, levy and user charge funding. For longer term assets, debt is considered a sensible way of funding. Thus, given there will be a certain level of debt the LGFA provides an opportunity to access cheaper funding.

Submitter: Amanda Campbell

Submission Number: 3

Organisation:

Topic: LGFA

SummaryID 11218

Summary: The submitter supports the LGFA so long as the investments are transparent.

Response: Thank you for your submission.

Submitter: Ivey Russell Kirkwood

Submission Number: 4

Organisation:

Topic: LGFA

SummaryID 11219

Summary: The submitter supports the LGFA saying that it is a very prudent policy change.

Response: Thank you for your submission.

Submitter: Mary McGregor

Submission Number: 5

Organisation:

Topic: LGFA

SummaryID 11220

Summary: I see red
I see red
I see red
Tim Finn 1978

Response: Thank you for your submission.

Submitter: David Scott

Submission Number: 6

Organisation:

Topic: LGFA

SummaryID 11221

Summary: The submitter does not support the LGFA and says that a New Zealand bank like KiwiBank should be used instead.

Response: Thank you for your submission. With the amount of funding that is required, KiwiBank would not be able to provide the level of facility that is required. It is not intended that the LGFA be the only source of funding and other commercial avenues (including KiwiBank) will still have the opportunity to provide facilities to councils.

Submitter: Patricia Reesby

Submission Number: 7

Organisation:

Topic: LGFA

SummaryID 11222

Summary: The submitter knows nothing about the LGFA and has no intention of learning about it because Greater Wellington will take no notice anyway.

Response: Thank you for your submission. Greater Wellington takes the consultation process seriously and values all input to the decision making process.

Submitter: Barrie and Beryl Green

Submission Number: 8

Organisation:

Topic: LGFA

SummaryID 11223

Summary: The submitter supports the LGFA.

Response: Thank you for your submission.

Submitter: Mr John L Gordon

Submission Number: 9

Organisation:

Topic: LGFA

SummaryID 11224

Summary: The submitter does not support the LGFA.

Response: Thank you for your submission.

Submitter: Mr Alan Wilde

Submission Number: 10

Organisation:

Topic: LGFA

SummaryID 11225

Summary: The submitter supports the LGFA.

Response: Thank you for your submission.

Submitter:

Submission Number: 12

Organisation:

Topic: LGFA

SummaryID 11226

Summary: The submitter supports lower interest rates, but wonder why Greater Wellington would spend money it cannot afford.

Response: No response prepared as no contact details provided.

Submitter: Mr Keith Miles

Submission Number: 13

Organisation:

Topic: LGFA

SummaryID 11227

Summary: The submitter does not support the LGFA if it will incur employment wage costs to administer.

Response: Thank you for your submission. You are correct in observing that it will have administration costs, however, these will be kept to a minimum by using the Debt Management Office of Treasury to administer the scheme. The business case for the LGFA shows benefits after deducting the minimal costs of administration.

Submitter: Gwynn F. Walker

Submission Number: 14

Organisation:

Topic: LGFA

SummaryID 11228

Summary: The submitter supports the LGFA but wants Greater Wellington to control its borrowing.

Response: Thank you for your submission. Greater Wellington is extremely aware of the need to manage its borrowing well. A vote of confidence was recently given by Standard and Poors with Greater Wellington receiving a credit rating increase.

Submitter: Mr Geoff Cole

Submission Number: 15

Organisation:

Topic: LGFA

SummaryID 11229

Summary: The submitter does not support the LGFA as it will add another layer of costs on the ratepayer. The submitter states that there should be complimentary cuts elsewhere so the creation of the LGFA is fiscally neutral.

Response: The creation of the LGFA is intended to be fiscally positive, ie, will deliver a benefit to the ratepayers by reducing the cost of borrowing. The cost of administration is intended to be kept low by using the Treasury Debt Management Office to administer the scheme. The vehicle will still be fiscally positive after deducting the minimal cost of administration.

Submitter: Mr Paul Bryant

Submission Number: 16

Organisation:

Topic: LGFA

SummaryID 11230

Summary: The submitter wonders what the point of investing in the LGFA is if Greater Wellington intends to borrow from it. The submitter believes market transactions should show the real cost of borrowing.

Response: Greater Wellington uses debt funding to finance long term assets. The purpose of the LGFA is to provide an avenue to achieve cheaper access to funds.

Submitter: Pat Murdoch

Submission Number: 17

Organisation:

Topic: LGFA

SummaryID 11231

Summary: The submitter wonders if Greater Wellington considered allowing ratepayers to invest some of their own savings into LGFA for a period of time.

Response: The point you raise is one of the side benefits of the LGFA proposal. As well as providing access to cheaper loan funding for councils the vehicle will also issue debt that will give the general public the opportunity to invest in local government.

Submitter: P.B. and B Prescott

Submission Number: 18

Organisation:

Topic: LGFA

SummaryID 11955

Summary: The submitter ask the following questions:
- why invest capital into the LGFA and then borrow from the LGFA?
- how much will you invest and at what interest rate?
- how much will you borrow and what will the interest rate be?
- how can we understand this proposal better?

Response: The capital investment is only very small and is made to give a capital base on which the LGFA can then borrow from external sources. This money is then on lent to councils. Greater Wellington believe by pooling borrowing requirements in this way it will be able to keep interest rates lower.

Submitter: Ms Karryn McKenna

Submission Number: 19

Organisation:

Topic: LGFA

SummaryID 11232

Summary: The submitter supports the LGFA so long as it results in actual trading as opposed to just a new way to justify spending.

Response: Thank you very much for your response. The LGFA will certainly not be a way to justify spending. The idea is in fact to reduce costs.

Submitter: Fi Coster

Submission Number: 20

Organisation:

Topic: LGFA

SummaryID 11233

Summary: The submitter does not support the LGFA.

Response: Without understanding the reason for not supporting the vehicle it is difficult to provide any feedback to you beyond what was included in the Statement of Proposal.

Submitter: Ms Penny Salmon

Submission Number: 21

Organisation:

Topic: LGFA

SummaryID 11234

Summary: The submitter urges caution as Greater Wellington is not a private investment company and there is a risk the LGFA will go pear-shaped.

Response: Thank you for your submission. Greater Wellington has reviewed the opportunity to partake in the LGFA very thoroughly. There is of course some minor residual risk, however, this is considered manageable relative to the anticipated returns (ie, cheaper interest rates).

Submitter: Mr Tadeusz Ostapowicz

Submission Number: 22

Organisation:

Topic: LGFA

SummaryID 11235

Summary: The submitter notes that the LGFA is a matter for a wise council because people rely on Greater Wellington's judgement.

Response: Thank you for your submission.

Submitter: L. C. Bayliss

Submission Number: 23

Organisation:

Topic: LGFA

SummaryID 11303

Summary: The submitter strongly opposes the Local Government Funding Authority.

Response: Thank you for your submission.

Submitter: Laurie Greig

Submission Number: 24

Organisation:

Topic: LGFA

SummaryID 11304

Summary: The submitter supports the Local Government Funding Authority.

Response: Thank you for your submission.

Submitter: A. R. Branson

Submission Number: 25

Organisation:

Topic: LGFA

SummaryID 11305

Summary: The submitter supports the Local Government Funding Authority.

Response: Thank you for your submission.

Submitter: A. J. Prentice

Submission Number: 26

Organisation:

Topic: LGFA

SummaryID 11306

Summary: The submitter supports the Local Government Funding Authority.

Response: Thank you for your submission.

Submitter: Bob Aldred

Submission Number: 27

Organisation:

Topic: LGFA

SummaryID 11307

Summary: The submitter supports the Local Government Funding Authority if it results in lower costs.

Response: Thank you for your submission.

Submitter: Mr Roy + Hewson

Submission Number: 28

Organisation:

Topic: LGFA

SummaryID 11308

Summary: The submitter does not understand the implications of this proposal and requires further information.

Response: The idea behind the proposal is relatively straight forward in concept. Basically it involves all the participating councils pooling their funding (borrowing) requirement and seeking access to funding sources they could not otherwise access and hence achieving lower interest rates. Should the rates obtainable via the LGFA prove to be worse than those available elsewhere (ie, simple bank loans and so on) then Greater Wellington will not use this source. The risk to councils is that it needs to invest in the company initially (with the intention of making a return) and the company needs to trade in order to make profits to provide a return to shareholders. It is important to note the investment is not the primary reason for doing this. It is the access to cheaper sources of borrowing.

Submitter: Mr Rod Stubbs

Submission Number: 29

Organisation:

Topic: LGFA

SummaryID 11309

Summary: The submitter states that Greater Wellington should ensure all borrowing occurs at the lowest interest rates over extended periods.

Response: Thank you for your submission. The entire driver behind the LGFA is to achieve exactly that.

Submitter: Andre Milkop

Submission Number: 30

Organisation:

Topic: LGFA

SummaryID 11310

Summary: The submitter opposes participation in the Local Government Funding Authority because Wellington will end up guaranteeing the debts of weaker and over-borrowed local bodies.

Response: Thank you for your submission. You have absolutely correctly identified one of the residual risks of the proposal. Greater Wellington is aware of the risk, however, the likelihood of a full default (or a complete bankruptcy) by a council is considered extremely unlikely given:

- a) there is no historical occurrence of this, and
- b) the normal borrowing covenants will apply to councils seeing to access funds.

Submitter: Robin Wyllie

Submission Number: 31

Organisation:

Topic: LGFA

SummaryID 11341

Summary: The submitter thinks joint funding to lower interest rates is a great idea.

Response: Thank you very much for your submission.

Submitter: M J Kelly

Submission Number: 32

Organisation:

Topic: LGFA

SummaryID 11342

Summary: The submitter supports participation in the Local Government Funding Authority.

Response: Thank you very much for your submission.

Submitter: Mr George Hewitt

Submission Number: 33

Organisation:

Topic: LGFA

SummaryID 11343

Summary: The submitter opposes participation in the Local Government Funding Authority because it is not the role of Greater Wellington to be in funding institutions and take on those liabilities.

Response: Thank you very much for your submission. The primary reason for participation in the Agency is to obtain access to lower funding rates. The requirement to invest in the Agency initially is simply due to the nature of the vehicle. The investment is considered minimal and the risk of loss low.

Submitter: H. B. Rennie

Submission Number: 34

Organisation:

Topic: LGFA

SummaryID 11434

Summary: The submitter agrees with the proposal provided that the Local Government Funding Agency follow prudent and conservative funding policies as opposed to complex and risky strategies.

Response: Thank you very much for your submission. The policies of the Agency have been carefully reviewed by our financial advisors and the debt management office of Treasury. They are considered to appropriately manage the level of risk involved.

Submitter: W. D. Alasdair

Submission Number: 35

Organisation:

Topic: LGFA

SummaryID 11435

Summary: The submitter believes the proposed Local Government Funding Agency is absurd and that local government should only borrow from Central Government, fully government-owned banks (like KiwiBank) or the Reserve Bank at low interest rates.

Response: Thank you very much for your submission. The primary driver behind the LGFA is to provide access to funds at the lowest possible rate. The Central Government in New Zealand is also a new borrower, meaning it is not a source of loan funding to Central Government. Greater Wellington is required to invest a small amount in the vehicle to provide the required capital base to allow borrowing at the cheaper rates. Greater Wellington would not be contemplating the proposal if it resulted in an increase in the cost of borrowing.

Submitter: Mr Patrick Kinsella

Submission Number: 36

Organisation:

Topic: LGFA

SummaryID 11436

Summary: The submitter does not support the proposed Local Government Funding Agency because the submitter sees Greater Wellington as already spending beyond its means and more money spent will be more money wasted.

Response: Thank you very much for your submission. Regardless of the actual level of total council spending the LGFA is fiscally positive as its primary aim is to lower the cost of borrowing to Greater Wellington. Thus the intention is to avoid wasting money on higher than necessary interest rates.

Submitter: Mr Bryce Wigodsky

Submission Number: 37

Organisation:

Topic: LGFA

SummaryID 11437

Summary: The submitter supports the proposed Local Government Funding Agency.

Response: Thank you very much for your submission.

Submitter: B. Connell

Submission Number: 38

Organisation:

Topic: LGFA

SummaryID 11438

Summary: The submitter opposes the proposed Local Government Funding Agency because borrowing money is not a good idea.

Response: Thank you very much for your submission. Borrowing money to fund long term assets has been a feature of Greater Wellington's financial planning for some time. It is considered the best way of matching the cost of services to those enjoying the benefits of those services. This proposal minimises the cost of borrowing.

Submitter: Peter Broughton

Submission Number: 39

Organisation:

Topic: LGFA

SummaryID 11439

Summary: Without seeing all the figures the submitter believes the proposed Local Government Funding Agency is a complicated means of gaining slight debt servicing savings. The submitter states that Greater Wellington should only participate if the savings are more than the investment and overhead costs.

Response: Thank you very much for your submission. You are correct in identifying that the participation in this vehicle is only workable if the costs of running the Agency are less than savings delivered by cheaper interest rates. The aim is to minimise the overheads by having the Debt Management office of Treasury manage the operation. Also, given the amount of borrowing involved, it is considered that the benefits should be substantial.

Submitter: Mike O'Shaughnessy

Submission Number: 40

Organisation:

Topic: LGFA

SummaryID 11440

Summary: The submitter opposes the proposed Local Government Funding Agency.

Response: Thank you very much for your submission.

Submitter: C.S. Butcher

Submission Number: 41

Organisation:

Topic: LGFA

SummaryID 11441

Summary: The submitter supports the proposed Local Government Funding Agency.

Response: Thank you very much for your submission.

Submitter: Tony Watts

Submission Number: 42

Organisation:

Topic: LGFA

SummaryID 11442

Summary: The submitter will leave the proposed Local Government Funding Agency to the 'experts'.

Response: Thank you very much for your submission.

Submitter: Robin Gunston

Submission Number: 43

Organisation:

Topic: LGFA

SummaryID 11443

Summary: The proposed Local Government Funding Agency seems sensible to the submitter so long as enough parties participate in it.

Response: Thank you very much for your submission. You have identified one of the critical success factors for the proposal, being, active participation by enough agencies.

Submitter: Peter Graham

Submission Number: 44

Organisation:

Topic: LGFA

SummaryID 11444

Summary: The submitter supports the proposed Local Government Funding Agency on the assumption that Greater Wellington will get a net economic advantage from the proposal.

Response: Thank you very much for your submission. The clear intention is to achieve an economic advantage.

Submitter: R. F. McStay

Submission Number: 45

Organisation:

Topic: LGFA

SummaryID 11525

Summary: The submitter believes joining the LGFA makes good sense.

Response: Thank you very much for your submission.

Submitter: L. M. Watson

Submission Number: 46

Organisation:

Topic: LGFA

SummaryID 11527

Summary: The submitter believes investing in the LGFA will be beneficial for Wellington.

Response: Thank you very much for your submission.

Submitter: Mr Roger Manthel

Submission Number: 47

Organisation:

Topic: LGFA

SummaryID 11529

Summary: The submitter believes the proposal is a positive move and should be proceeded with.

Response: Thank you very much for your submission.

Submitter: Ms Sherry Phipps

Submission Number: 48

Organisation:

Topic: LGFA

SummaryID 11530

Summary: The submitter believes the proposal is more bureaucracy.

Response: Thank you very much for your submission. The overall objective of the LGFA is to reduce costs to ratepayers and not increase the costs of bureaucracy. Costs of administrating the scheme will be kept to a minimum by having the Treasury Debt Management Office as administrator.

Submitter: Chris Renwick

Submission Number: 49

Organisation:

Topic: LGFA

SummaryID 11531

Summary: The submitter thinks we need to do something about our exposure to natural disasters and the LGFA may be one of the better options.

Response: Thank you very much for your submission. Greater Wellington takes a number of steps to manage exposure to natural disasters. It has specific staff and processes targeted at managing events, self insurance funds and external commercial insurance. Access to lower cost funding will also be important in the event of a natural disaster.

Submitter: Anand Ranchord

Submission Number: 50

Organisation:

Topic: LGFA

SummaryID 11532

Summary: The submitter supports the proposal to join the LGFA - provided strong governance and controls remain in place over level of indebtedness and any joint guarantees for other Councils/members of LGFA are put in place.

Response: Thank you very much for your submission. The rules governing the operation of the LGFA are set to ensure appropriate lending covenants are in place and that these are adhered to.

Submitter:

Submission Number: 51

Organisation:

Topic: LGFA

SummaryID 11533

Summary: The submitter believes the proposal is a brilliant idea.

Response: Thank you very much for your submission.

Submitter: Andrew Carman

Submission Number: 52

Organisation:

Topic: LGFA

SummaryID 11534

Summary: The submitter opposes the proposal to join the LGFA, because:

- the benefit of lower borrowing rates arises only because the LGFA allows its members to spread risks amongst themselves
- this represents a moral hazard, and is likely to give rise to riskier borrowing on the part of some members, and consequent costs to everyone else
- it is not in the interest of Greater Wellington to expose themselves to that risk.

Response: Thank you very much for your submission. Greater Wellington is aware that the LGFA does increase the risk to a small degree. However, the scheme has a number of rules around lending covenants that ensure councils do not borrow beyond what they would have done in the ordinary course of business had the LGFA source not been available to them.

Submitter: Bruce Gillanders

Submission Number: 53

Organisation:

Topic: LGFA

SummaryID 11535

Summary: The submitter is totally opposed to the proposal, because:

- it is just another method of promoting living beyond our means.
- it reduces borrowing costs, not the amount of money borrowed
- loans should only be taken out for rebuilding after the major earthquake
- the proposal increases the separation between lender and borrower.

Response: Thank you very much for your submission. In general, Greater Wellington only borrows to fund fixed assets. This allows the cost of the asset to be spread over the life of the assets. Rates can then be matched to the cost and thus ensure that those ratepayers enjoying the benefits of the asset are those who pay for it. Greater Wellington does not borrow to live beyond its means.

Submitter: Elizabeth Rose

Submission Number: 54

Organisation:

Topic: LGFA

SummaryID 11536

Summary: The submitter believes the proposal is a good idea.

Response: Thank you very much for your submission.

Submitter: Ms Geraldine McDowall

Submission Number: 55

Organisation:

Topic: LGFA

SummaryID 11566

Summary: The submitter is unsure they understand it completely, but thinks that it is a good scheme.

Response: Thank you very much for your submission. Amongst all the complication, the bottom line is that the vehicle gives councils the opportunity to borrow at a cheaper rate.

Submitter: Mr Philip Smith

Submission Number: 57

Organisation:

Topic: LGFA

SummaryID 11567

Summary: The submitter agrees with the proposal.

Response: Thank you very much for your submission.

Submitter: Viv Chapple

Submission Number: 58

Organisation: Ngaio Progressive Association

Topic: LGFA

SummaryID 11568

Summary: The submitter believes the proposal to join the LGFA is a good idea, as long as it is that managed cautiously and prudently.

Response: Thank you very much for your submission. There are a number of rules and regulations around the operation of the scheme that will ensure prudence and caution are maintained.

Submitter: Ms Fiona Knight

Submission Number: 59

Organisation:

Topic: LGFA

SummaryID 11569

Summary: The submitter disagrees with the proposal to join the LGFA. The submitter does not think Greater Wellington should be taking on the liabilities of other councils. The submitter gives the example of the Christchurch earthquakes and its impact on Civic Assurance.

Response: Thank you very much for your submission. You have correctly identified that one of the risks is the exposure to default by any one council. To this point Greater Wellington has considered the risk as acceptable given the covenant arrangements in place to manage the levels of debt of any one council. The fact that no council in New Zealand has fully defaulted so far and the overall risk of total default by a council is considered very low.

Submitter: Mrs M.A. Coventry

Submission Number: 60

Organisation:

Topic: LGFA

SummaryID 11570

Summary: The submitter has no idea how the LGFA will work. The submitter recommends Greater Wellington lives within its means and stops over spending and raising debt levels.

Response: Thank you very much for your submission. In general, Greater Wellington only borrows to fund fixed assets. This allows the cost of the asset to be spread over the life of the assets. Rates can then be matched to the cost and thus ensure that those ratepayers enjoying the benefits of the asset are those who pay for it. Greater Wellington does not borrow to live beyond its means.

Submitter: Mr Richard Keller

Submission Number: 61

Organisation:

Topic: LGFA

SummaryID 11571

Summary: The submitter believes Greater Wellington should avoid getting involved as a financier. The submitter believes finance globally is out of control and asks how it will help if Greater Wellington gets side-tracked into that quick-sand?

Response: Thank you very much for your submission. The arrangement does not put Greater Wellington in the position of a financier. The LGFA will take on that role. Greater Wellington will only have a small equity interest in the entity. The primary objective of the LGFA is to give Greater Wellington access to cheaper funding.

Submitter: Mr Edwin Leong

Submission Number: 62

Organisation:

Topic: LGFA

SummaryID 11572

Summary: The submitter comments that having control of the region's key infrastructure is a worthwhile investment for Greater Wellington.

Response: Thank you very much for your submission.

Submitter: Pat Lakeman

Submission Number: 63

Organisation:

Topic: LGFA

SummaryID 11573

Summary: The submitter supports the proposal.

Response: Thank you very much for your submission.

Submitter: Mr Tom C. Wotherspoon

Submission Number: 64

Organisation:

Topic: LGFA

SummaryID 11574

Summary: The submitter believes that if the LGFA will deliver lower borrowing costs then it will be worthwhile. The submitter comments that any borrowing must match Greater Wellington's ability to repay without raising rates.

Response: Thank you very much for your submission. The intention of the LGFA is to lower borrowing costs. It is not the repayment of debt per se that causes any rate increases, it is the underlying decision to provide any new services. Often new services involve the use of assets which can then either be debt funded or funded via other means.

Submitter: Mr Max Shierlaw

Submission Number: 65

Organisation:

Topic: LGFA

SummaryID 11644

Summary: The submitter seeks that the proposal be withdrawn for the following reasons:

- the proposal overstates the benefits of joining the LGFA - 0.4% interest rate savings are unlikely in the current market
- the proposal is based on outdated information on interest rates
- the risks of joining the scheme outweigh the benefits - the joint and severable guarantee means Greater Wellington must guarantee big spending councils. Hutt City Council's experience with Riskpool is that conservative, well managed councils have to pay a disproportionate share of claims
- an AAA credit rating does not automatically ensure cheaper funds
- there has been a lack of transparency with the proposed funding agency - the underlying model and assumptions have not been made public or subjected to peer review.

The submitter refers to and attaches an article from the Dominion Post "Critics note bond bank hazards" 13 April 2011.

Response: Thank you very much for your submission. The objective of the LGFA is to drive cheaper funding. This can be achieved directly via lower interest rates from the vehicle or via the vehicle, putting pressure on other institutions to match the offered rates.

The core underlying assumptions have been made available to you allowing you to make your own judgements as to your perception or viability or otherwise.

Submitter: Mr Steven Hack

Submission Number: 66

Organisation:

Topic: LGFA

SummaryID 11645

Summary: The submitter believes the proposal is okay.

Response: Thank you very much for your submission.

Submitter: Bryon Bishop

Submission Number: 67

Organisation:

Topic: LGFA

SummaryID 11647

Summary: The submitter believes Greater Wellington should not be entering the banking business. The submitter asks:

- what is wrong with the current banking system?
- how can Greater Wellington hope to get a better rate from other councils?

Response: Greater Wellington is not intending entering the banking business. It does propose a small capital investment in the entity, however, the funding will come from other sources such as public bond issues. It will not be other councils providing the funding. The idea behind the proposal is that by pooling their funding requirements and having one entity to source funds, then cheaper funds will be available.

Submitter: Mr Hamish Allordice

Submission Number: 68

Organisation:

Topic: LGFA

SummaryID 11648

Summary: The submitter thinks the proposal looks okay and is trusting that elected representatives and officials have thought through the implications of the decision.

Response: Thank you very much for your submission.

Submitter: Mrs Betty van Gaalen

Submission Number: 69

Organisation: Kapiti Grey Power Association Inc

Topic: LGFA

SummaryID 11650

Summary: The submitter is unable to support the proposal at this stage. The submitter has the following reservations:

- the company that will be lending to local authorities has yet to be established, neither has its costs
- central government shareholding has yet to be confirmed
- members of the CCTO will be appointed, not elected, and therefore not accountable to the ratepayers whose properties will provide the security
- the information about long term default risk and how to minimise this are not satisfactory
- especially does not like that borrowing will be secured with a rates charge
- ratepayers are required to contribute minimum capital and pay guarantee obligation
- little information is provided on the annual costs to belong to the LGFA

Response: The form the company is to take has been established and a draft bill allowing for its establishment is before Parliament. The costs of running the Agency (via the Debt Management Office of Treasury) have been estimated and factored in to the cost/benefit analysis. Central Government has confirmed they will contribute \$5m to the LGFA. The rules around borrowing and lending will be finalised as part of the Company's establishment documents. Ratepayers will be required to contribute initial capital (on which Greater Wellington expects a return), then will not "pay" any cost out in relation to the joint and severely guarantee of loans unless there is a default. The risk of this has been considered and is deemed very low.

Submitter: Mr David King

Submission Number: 70

Organisation:

Topic: LGFA

SummaryID 11956

Summary: The submitter had concerns about the proposal, including:

- guaranteeing the obligations of other councils, which may encourage less than prudent behaviour
- securing the guarantee against rates and rates revenue

The submitter believes the risk of significant cost exposure has been under-estimated, and thinks the ramifications of the Christchurch earthquake should given considerable cause for concern.

Response: Thank you for your submission in which you raise some very valid points. You are correct that the LGFA does expose Greater Wellington to the debt of other councils. This is clearly a risk. Greater Wellington have considered this risk and consider it manageable in relation to the potential benefits. Greater Wellington also notes that despite the earthquake, Canterbury is not in default of any loan obligations.

Submitter: Ms Patricia Kane

Submission Number: 71

Organisation:

Topic: LGFA

SummaryID 11742

Summary: The submitter thinks it seems sensible to cooperate by investing together in order to obtain better rates of return. The comments that if central government are involved, they hope the investments will be secured.

Response: Thank you very much for your submission.

Submitter: Bernie Harris

Submission Number: 72

Organisation:

Topic: LGFA

SummaryID 11744

Summary: The submitter comments that proposal was difficult for the uninformed to understand. The submitter also comments that under the guarantee, ultimate payment comes from the ratepayers not the fund.

Response: Thank you very much for your submission. Ultimately the aim of the proposal is to achieve access to lower interest rates by pooling lending requirements and having one vehicle source the funds. You are correct that the ultimate guarantor is the ratepayer and this is both the key strength and a risk for the proposal. Greater Wellington, to this point, has considered the risk manageable.

Submitter: Philippa Boardman

Submission Number: 73

Organisation:

Topic: LGFA

SummaryID 11745

Summary: The submitter thinks the proposal would need to be well researched before commitment including looking at any overseas schemes. If it means a reduction in rates, then the submitter supports the proposal.

Response: Thank you very much for your submission.

Submitter: Mr Simon Shaw

Submission Number: 74

Organisation:

Topic: LGFA

SummaryID 11747

Summary: The submitter agrees with the proposal.

Response: Thank you very much for your submission.

Submitter: Mrs Rachel Palmer

Submission Number: 75

Organisation:

Topic: LGFA

SummaryID 11748

Summary: The submitter asks Greater Wellington to consider Capital (Investment) + Interest - tax - inflation = ? The submitter says that Local Body Funding is not new, we have had it before and it was deemed a sound investment.

Response: Thank you very much for your submission.

Submitter: Mrs Janet MacDonald

Submission Number: 76

Organisation:

Topic: LGFA

SummaryID 11750

Summary: The submitter is hopeful that the proposal is a good idea but wants to know the ratio of risk to equity and hopes it is no more than 20 percent.

Response: Thank you very much for your submission. Greater Wellington will certainly consider the risk to return equation in making the final decision.

Submitter: Angela McLeod

Submission Number: 77

Organisation: Upper Hutt Rural Residents' Association Inc

Topic: LGFA

SummaryID 11752

Summary: The submitter supports the idea of an agency especially set up to cater for local government funding. The submitter would like a guarantee that this agency is not able to be sold to private interests

Response: Thank you very much for your submission. At this point it would seem very unlikely that the Local Government Funding Authority would be sold or opened up for investment to private interests.

Submitter: Pete Matcham

Submission Number: 78

Organisation: Normandale Residents Association

Topic: LGFA

SummaryID 11775

Summary: The submitter requests that Greater Wellington withdraw from any involvement in the LGFA. The submitter believes it is a high risk strategy and the potential gains are not commensurate with this risk. The submitter is concerned by the current world economic situation and the evidence of the impact of natural and man made disasters can have on specific authorities, which this scheme would require Greater Wellington to underwrite.

Response: Thank you very much for your submission. Greater Wellington acknowledges that there are risks associated with the proposal, however, these are considered manageable and relatively low. The benefits in terms of improved interest rates are considered to outweigh the potential risks. The scheme does not give participating agencies automatic access to debt, either in the ordinary course of business or in the case of an emergency. Thus, the scheme is not insuring other agencies in the event of a natural disaster beyond what the normal debt covenants allow.

Submitter: Kate Hunter

Submission Number: 79

Organisation:

Topic: LGFA

SummaryID 11822

Summary: The submitter supports joining the Local Government Funding Agency.

Response: Thank you very much for your submission.

Submitter: Rick Mooney

Submission Number: 80

Organisation: Western Community Committee

Topic: LGFA

SummaryID 11823

Summary: The submitter opposes joining the Local Government Funding Agency because the leaking homes model has shown that prudent councils have to meet the liabilities of less prudent councils.

Response: Thank you very much for your submission. The LGFA has a number of regulations associated with it that prevent councils from borrowing imprudently. Councils will only be able to borrow to the same levels that would otherwise be possible if the LGFA did not exist.

Submitter: Andrew

Submission Number: 81

Organisation:

Topic: LGFA

SummaryID 11825

Summary: The submitter is unsure about joining the Local Government Funding Agency.

Response: Thank you very much for your submission.

Submitter: Sue Johnson

Submission Number: 82

Organisation:

Topic: LGFA

SummaryID 11868

Summary: The submitter acknowledges Greater Wellington's support of the LGFA by its agreement to be a founding shareholder. Without the support and funding of the founding shareholders it would have been difficult for the LGFA to have become established.
The submitter although not a founding shareholder, supports the concept and will be one of the first local authorities to use the LGFA when it becomes operative.

Response: Thank you very much for your submission. As you note, Greater Wellington supports the LGFA. In order for it to be successful it is important that it is utilised by councils.

Submitter: Benjamin Mallett

Submission Number: 83

Organisation:

Topic: LGFA

SummaryID 11869

Summary: The submitter thinks its sounds like a sensible efficiency.

Response: Thank you very much for your submission.

Submitter: Jeremy Macey

Submission Number: 84

Organisation:

Topic: LGFA

SummaryID 11871

Summary: The submitter supports the proposal if it lowers the cost of borrowing, provided Greater Wellington is not exposed to unwarranted or excessive risk.

Response: Thank you very much for your submission.

Submitter: Louise Cleghorn

Submission Number: 85

Organisation:

Topic: LGFA

SummaryID 11873

Summary: The submitter believes the risks outweigh the benefits. The submitter believes it also adds duties for Greater Wellington and the man-hours involved may cost more than is saved. The submitter asks if this is also putting all eggs in one basket?

Response: Thank you very much for your submission. Greater Wellington acknowledges there are risks associated with the LGFA, however, these have been considered and are thus far considered to be manageable. The intention is to keep the administrative cost of the scheme to a minimum by using the Debt Management Office of Treasury to administer the scheme.

Submitter: C Walker

Submission Number: 86

Organisation:

Topic: LGFA

SummaryID 11874

Summary: The submitter agrees with obtaining cheaper loan funds, but it should not be allowed to extend loans for pet projects.

Response: Thank you very much for your submission.

Submitter: Bryan Carver

Submission Number: 87

Organisation:

Topic: LGFA

SummaryID 11875

Summary: The submitter believes that if Greater Wellington joins the LGFA we must aim to keep debt really low, even if this means projects take a little longer. The submitter urges Greater Wellington to have sufficient reserves to handle future earthquake damage.

Response: Thank you very much for your submission. Greater Wellington only uses debt to fund long term assets. This is considered prudent to spread the cost over the life of the assets and hence spread the cost to those who enjoy the benefits of the service.

Submitter: Jeremy Harding

Submission Number: 88

Organisation: Wellington Employers' Chamber of Commerce

Topic: LGFA

SummaryID 11954

Summary: The Wellington Employers' Chamber of Commerce supports Greater Wellington using the new Local Government Funding Agency as a competitive source of debt finance because this is a sound initiative which will reduce debt servicing costs for councils.

Response: Thank you for your submission.
