

20 March 2012

To All LGFA Shareholders

## **1. PROPOSED 2012/13 STATEMENT OF INTENT**

At its meeting of the 8<sup>th</sup> March 2012 the Local Government Funding Agency Shareholders' Council reviewed the company's draft Statement of Intent (SOI) for the 2012/2013 period.

The Shareholders' Council is comfortable with the document in its current form. We make the following observations however as to where changes or further explanation could be considered.

### **Section 12 - Accounting Policies**

We would encourage a review of the accounting policies to ensure their relevance to the business of the LGFA.

### **Section 5 - Performance Targets**

We note that forecast overhead expenses for the 2015 financial year represent a 10% increase on the prior year and seek some explanation for this movement.

### **Section 7 - Governance**

The LGFA is committed to "best practice" governance which is supported by the Shareholders' Council. A draft charter to guide the board in its actions has been prepared and all LGFA directors will be required to comply with the charter. The following statement is made in Section 7:

"All directors are required to comply with a formal charter, to be developed and agreed with shareholders".

The Shareholders Council would like to see the words "and agreed" replaced with "in consultation". This change recognises the importance of consultation, similar to the SOI overall, while reducing the need for a formal shareholder approval process.

## **2. PROPOSED SHAREHOLDERS RESOLUTION REGARDING ACTING CHIEF EXECUTIVE ROLE**

The Shareholders' Council at its meeting of the 8<sup>th</sup> March 2012 also reviewed a proposed shareholder resolution regarding a payment to the chairman of the LGFA board for acting as Chief Executive (CE) for the period prior to the appointed CE beginning in late January 2012. To help finalise its position on the proposal additional information was also obtained from the company regarding costs of alternative arrangements.

The Shareholders' Council is supportive of the proposed resolution, noting the following key factors:

- Immediately post incorporation, the operational imperative for the company was to begin core borrowing and lending activities as soon as possible,
- Craig Stobo is suitably qualified and experienced to perform the acting CE role,

- Based on the executive work-load that was required to be performed during this period and market rates for external contractors, the fee of \$29,371 represents good value, being close to 25% lower than alternative arrangements the board could have considered at the time.

I encourage you to discuss any of the items above with either myself or other members of the Shareholders' Council. Members of the Shareholding Council are:

Matthew Walker (Chair)	Hamilton City Council
Alan Adcock	Whangarei District Council
Brian Trott	Bay of Plenty Regional Council
Damian Zelas	Department of Internal Affairs (representing the Crown)
Douglas Marshall	Selwyn District Council
Matt Pott	Western Bay of Plenty District Council
Mike Timmer	Greater Wellington Regional Council
Mohan De Mel	Tauranga City Council
Murray Staite	Tasman District Council
Warwick Hayes	Wellington City Council

Yours sincerely



**Matthew Walker**  
Chair, LGFA Shareholders' Council