

NEW PLYMOUTH PIF GUARDIANS LIMITED

STATEMENT OF INTENT

FOR THE YEAR TO 30 JUNE 2022

1. PURPOSE

The Local Government Act 2002 (LGA) section 64(1) requires all Council-Controlled Organisations (CCO) to annually prepare a Statement of Intent. The content of a Statement of Intent must adhere to the Local Government Act 2002 schedule 8.

New Plymouth PIF Guardians Limited (**the Company, NPG**) is a CCO established pursuant to LGA. Control in the Company is vested in the New Plymouth District Council (**the Council, NPDC**).

The Statement of Intent sets out the overall intentions and objectives of NPG for the period 1 July 2021 to 30 June 2022 and the two succeeding years.

2. OBJECTIVES

The Company operates with the responsibility of:

- (a) Managing the Council's Perpetual Investment Fund (**the PIF, the Fund**) in line with the Governance Deed (**GD**).

In respect of the Council's investments the Company's objectives are:

- (b) To appoint and manage a Full Outsourced Investment Agent. (FOA).
- (c) To monitor and report the performance of the FOA.
- (d) To monitor and report the performance of the Fund against appropriate benchmarks.
- (e) To ensure the FOA invest the funds in line with the Statement of Investment Policies and Objectives (SIPO) and the Strategic Asset Allocation (SAA) included in the SIPO.

3. CONTRIBUTION TO NPDC

The Company's activities help provide an investment return on the Council's investment fund, which enables a release payment to be made to the Council on a quarterly basis.

The release payment is based on international best practice "spending" rules and is payable on a sustainable basis, which over the long term allows the real capital of the PIF to be maintained for current and future generations at an agreed level with the shareholder. The formula for the release payment is outlined in the SIPO.

4. GOVERNANCE AND MANAGEMENT

The GD sets out the relationship between the Council and the Company. The Company will continue to comply with the terms contained within the GD and advise Council of any breaches in a timely fashion.

The Board of Directors is appointed by the shareholder to govern the Company in the interests of the shareholder and in accordance with the Company's constitution and relevant law. The Board has adopted the principles set out in the GD.

Administration for the Company is carried out by NPDC in line with a Service Level Agreement.

To ensure strong communications and alignment between the Council and the Company, an advisor will attend, as an observer, all Board meetings. This is currently the Group Manager of Corporate Services.

Given that the PIF is an investment of ratepayers funds, the risk profile of investments will reflect this and the targeted rate of return will be made in line with the SIPO, including the strategic asset allocation.

5. PERFORMANCE TARGETS

The performance of NPG will be assessed against the terms in the GD, the Statement of Intent, and industry benchmarks as detailed in the SIPO. Below are the key performance measures.

5.1 Benchmarks for NPG financial performance

- (a) NPG is operated on a full cost recovery basis and is therefore budgeted to operate at a nil net cost. The sum below reflects its expected management costs, which are charged to NPDC.
- (b) **NPG budget**

	FY2022F \$000's	FY2023F \$000's	FY2024F \$000's
Revenue			
Advisory management fees	277	280	283
Interest revenue	1	1	1
Total revenue	278	281	284
Expenditure			
Directors fees	166	166	166
Directors expenses	15	16	17
NPDC services*	35	35	35
Audit fees	12	13	14
Consulting and other expenses	50	51	52
Total expenditure	278	281	284
Surplus/(deficit)	-	-	-

*FY2022 NPDC services comprise the following: governance \$5,000 and accounting \$30,000.

5.2 Benchmarks for PIF performance

- (a) **Release payment target**

	FY2022F Est \$M	FY2023F Est \$M	FY2024F Est \$M
Release payment target forecast	9.3	9.8	10.3

- (b) **Fund balance target**

	FY2022F Est \$M	FY2023F Est \$M	FY2024F Est \$M
Closing balance of fund	345.4	355.0	364.6

- (c) **Performance targets**

i) Total portfolio return

A prime focus for the Council is to ensure that returns from the PIF are at a level that meets its objectives for the fund. The total return on the portfolio (net of all costs) measured on a rolling five-year basis is currently a target of 3.3 per cent plus NZ inflation (as measured by the Consumers Price Index).

ii) Market comparison

The portfolio has two distinct categories of assets:

- Listed Securities (Equities / fixed income / cash)

The return on this proportion of the portfolio is targeted to be 0.50% per annum above the weighted average benchmark. NPG will measure and report on these securities quarterly, annually and on a rolling five year basis.

- Unlisted Securities (Private Equity / Alternative Assets)

These assets are illiquid, are largely not traded on markets and are valued infrequently. Therefore performance cannot be compared to benchmark returns on a short term basis. NPG will report on the performance of these securities annually.

(d) **Maintain PIF within Strategic Asset Allocations ranges**

Asset class	Strategic asset allocation %	Allowable range %
Global equities		
- developed markets	40	25 - 55
- emerging markets	5	0 - 10
Private equity	17.5	10 - 25
Alternative assets	17.5	10 - 25
<i>Total growth assets</i>	<i>80</i>	<i>60 - 95</i>
Fixed income	15	5 - 25
Cash	5	0 - 20
<i>Total income assets</i>	<i>20</i>	<i>5 - 40</i>

6. RATIO OF SHAREHOLDER FUNDS TO TOTAL ASSETS

As the Company's shareholder funds are nil, so is the ratio of shareholder funds to total assets.

7. ACCOUNTING POLICIES

The measurement and reporting of earnings are under the policies as contained in the 2019/20 Annual Report with updates as required to meet Public Benefit Entity International Financial Reporting Standards.

8. INFORMATION TO BE PROVIDED TO SHAREHOLDER

The following information will be made available:

- A draft Statement of Intent, including an annual budget, is to be provided to Council officers by 1 March 2022. Council officers will provide feedback on the draft SOI with the intention of providing an agreed draft to the CCO Committee meeting on 30 March 2022. Any feedback by Councillors will be taken into account and a final SOI will be provided to Council officers by 30 June 2022.
- A quarterly report on the performance of the PIF operations including a comparison against the Statement of Intent and the budget within 60 days after the end of that quarterly reporting period. The report should also detail any significant issues relating to the Perpetual Investment Fund. The report will provide the information outlined in the GD.
- A half-yearly report provided to the CCO Committee within 60 days of the end of the first half of the financial year. The report will be prepared in accordance with the LGA, the reporting requirements prescribed from time to time by the Companies Act 1993 and generally accepted accounting practice in New Zealand. The half-yearly report will include the following:
 - Statement of comprehensive revenue and expense;
 - Statement of financial position;
 - Statement of changes in equity;
 - Statement of cash flows;
 - Notes to the financial statements as deemed necessary.

- (d) An annual report provided to the CCO Committee and made available to the public within 90 days of the year end. The report will be prepared in accordance with the LGA, the reporting requirements prescribed from time to time by the Companies Act 1993 and generally accepted accounting practice in New Zealand. The annual report will include the following:
- i) Statement of comprehensive revenue and expense;
 - ii) Statement of financial position;
 - iii) Statement of changes in equity;
 - iv) Statement of cash flows;
 - v) Report on activities;
 - vi) Notes to the financial statements as deemed necessary.

9. ACTIVITIES FOR WHICH COMPENSATION IS SOUGHT

There are no current activities for which specific compensation is sought from the shareholder. NPG currently provides the investment management services defined in the GD, on a full cost reimbursement basis from the PIF as noted above.

10. SHARE ACQUISITION

While NPG manages the PIF on behalf of the Council all investments made are in the name of the Council. All investment decisions are made, with advice from NPG, by the FOA. Any subscription, purchase or acquisition by NPG of shares, in its own name, in a company or organisation will require Council approval.

11. COMMERCIAL VALUE OF SHAREHOLDER'S INVESTMENT

The nominal par value of the Council's investment in the Company is estimated to be nil, being the net equity invested at historical cost. This estimate will be re-assessed in the same manner on an annual basis.

12. TIMELY RESPONSE

Provide investment advice within one month to the shareholder on any significant developments that may have an impact on either the income stream to the Council or the value of the Council's PIF.

13. "NO SURPRISES" POLICY

It is expected that NPG will maintain a "no surprises" policy and inform the Council well in advance of any material or significant events, transactions or other issues that would be considered contentious or attract wide public interest.

14. SENSITIVE EXPENDITURE

While noting that the Company operates in a different market to the Council, NPG is cognizant of the fact that it operates in a public environment and is aware of the Council's sensitive expenditure policy.

15. RELATIONSHIP WITH NEW PLYMOUTH COMMUNITY

The Council expects that NPG's decisions are for the benefit of the district.

16. RELATIONSHIP WITH IWI, HAPŪ AND OTHER MĀORI ORGANISATIONS

The Council expects that if any of NPG's decisions impact local Iwi and Hapū these parties will need to be consulted.

17. OBLIGATIONS

NPG must act at all times in a manner consistent with the statutory obligations of NPDC and also those pursuant to agreements with third parties (including Iwi, Hapū, or other Māori organisations).