Notice of Meeting:
I hereby give notice that an ordinary Meeting of the Finance Committee will be held on:

Date:	**Thursday 27 April 2023**
Time:	**9.30am**
Meeting Room:	**Council Chamber and Audio Visual Link**
Venue:	**Municipal Building, Garden Place, Hamilton**

Lance Vervoort
Chief Executive

Finance and Monitoring Committee
Komiti Tahua
OPEN AGENDA

Membership

Chairperson *Heamana*	Cr Maxine van Oosten	
Deputy Chairperson *Heamana Tuarua*	Cr Moko Tauariki	
Members	Mayor Paula Southgate	Cr Ewan Wilson
	Deputy Mayor Angela O'Leary	Cr Louise Hutt
	Cr Ryan Hamilton	Cr Geoff Taylor
	Cr Melaina Huaki	Cr Andrew Bydder
	Cr Emma Pike	Cr Sarah Thomson
	Cr Mark Donovan	Cr Kesh Naidoo-Rauf
	Cr Anna Casey-Cox	
Quorum:	**A majority of members (including vacancies)**	
Meeting Frequency:	**Six weekly**	

Amy Viggers
Mana Whakahaere
Governance Lead

17 April 2023

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Purpose:

The Finance and Monitoring Committee is responsible for:

1. Monitoring Council's current financial strategy, and financial performance against the Long Term Plan and Annual Plan.
2. Determining financial matters within its delegations and Terms of Reference and making recommendations to Council on financial matters outside its authority.

In addition to the common delegations on page 10, the Finance and Monitoring Committee is delegated the following Terms of Reference and powers:

Terms of Reference:

3. To provide direction on Council's financial strategy and monitor performance against that strategy.
4. To monitor Council's financial performance against the Council's Long Term Plan and the impact of the financial performance on services levels and rate payers' value.
5. To monitor Council's capital expenditure against the Council's Long Term Plan.
6. To monitor Council's service delivery performance as outlined in the Council's Long Term Plan.
7. To develop and monitor policy related to the following matters:
   a) financial management;
   b) revenue generation; and
   c) procurement and tendering.
8. To monitor the probity of processes relating to policies developed by the Finance and Monitoring Committee.
9. To provide clear direction to the Local Government Funding Agency on Council's expectations, including feedback on the draft statements of intent.
10. To receive six-monthly reports from the Local Government Funding Agency.

The Committee is delegated the following powers to act:

- Approval of operating expenditure within the Long Term Plan or Annual Plan that exceeds the Chief Executive's delegation, excluding expenditure which:
  i. contravenes the Council's Financial Strategy; or
  ii. significantly alters any level of service outlined in the applicable Long Term Plan or Annual Plan; or
  iii. impacts Council policy or practice, in which case the delegation is recommendatory only and the Committee may make a recommendation to the Council for approval.
- Approval of contractual and other arrangements for supply and services, and revenue generating contracts, which:
  i. exceed the Chief Executive's delegations, but
  ii. exclude contracts or arrangements that are reserved for the Council or another Committee's approval.
- Approval to write-off outstanding accounts that exceeds the Chief Executive's delegation.

The Committee is delegated the following recommendatory powers:

- To set the direction of Council's Financial Strategy.
- The Committee may make recommendations to Council.
- The Committee may make recommendations to other Committees.

Recommendatory Oversight of Strategies:

- Financial Strategy

Recommendatory Oversight of Policies and Bylaws:

- *Funding Needs Analysis Policy*
- *Investment and Liability Management Policy*
- *Rates Remissions and Postponements Policy*
- *Rating Policy*
- *Revenue and Financing Policy*

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1 Apologies – *Tono aroha*

2 Confirmation of Agenda – *Whakatau raarangi take*

The Committee to confirm the agenda.

3 Declaration of Interest – *Tauaakii whaipaanga*

Members are reminded of the need to be vigilant to stand aside from decision making when a conflict arises between their role as an elected representative and any private or other external interest they might have.

4 Public Forum – *Aatea koorero*

As per Hamilton City Council's Standing Orders, a period of up to 30 minutes has been set aside for a public forum. Each speaker during the public forum section of this meeting may speak for five minutes or longer at the discretion of the Chair.

Please note that the public forum is to be confined to those items falling within the terms of the reference of this meeting.

Speakers will be put on a Public Forum speaking list on a first come first served basis in the Council Chamber prior to the start of the Meeting. A member of the Council Governance Team will be available to co-ordinate this. As many speakers as possible will be heard within the allocated time.

If you have any questions regarding Public Forum please contact Governance by telephoning 07 838 6727.

Item 5

Council Report

Committee:	Finance and Monitoring Committee	**Date:**	27 April 2023
Author:	Chantal Jansen	**Authoriser:**	Michelle Hawthorne
Position:	Governance Advisor	**Position:**	Governance and Assurance Manager
Report Name:	Confirmation of the Finance and Monitoring Committee Open Minutes of 28 February 2023		

Report Status	*Open*

Staff Recommendation - *Tuutohu-aa-kaimahi*

That the Finance and Monitoring Committee confirm the Open Minutes of the Finance and Monitoring Meeting held on 28 February 2023 as a true and correct record.

Attachments - *Ngaa taapirihanga*

Attachment 1 - Finance and Monitoring Committee Open Unconfirmed Minutes of 28 Febraury 2023

Finance and Monitoring Committee
Komiti Tahua
OPEN MINUTES

Minutes of a meeting of the Finance and Monitoring Committee held in the Council Chamber and via Audio Visual Link , Municipal Building, Garden Place, Hamilton on Tuesday 28 February 2023 at 9.32am. The meeting was opened with a Karakia.

PRESENT

Chairperson *Heamana*	Cr Maxine van Oosten
Deputy Chairperson *Heamana Tuarua*	Cr Moko Tauariki
Members	Mayor Paula Southgate Deputy Mayor Angela O'Leary Cr Andrew Bydder Cr Anna Casey-Cox (exclusively via Audio Visual link) Cr Mark Donovan Cr Ryan Hamilton Cr Melaina Huaki Cr Louise Hutt Cr Kesh Naidoo-Rauf Cr Emma Pike Cr Geoff Taylor (exclusively via Audio Visual link) Cr Sarah Thomson (exclusively via Audio Visual link) Cr Ewan Wilson
In Attendance:	Lance Vervoort - Chief Executive David Bryant - General Manager People and Organisational Performance Blair Bowcott - General Manager Growth Chris Allen - General Manager Development Eeva-Liisa Wright - General Manager Infrastructure Operations Helen Paki - General Manager Community Julie Clausen - General Manager Strategy and Communication Kelly Stokes - Capital Projects Director Rebecca Whitehead - Community Services Unit Director Tracey Musty - Finance Director Katy Nudd – Strategic Performance Manager Matthew Bell - Financial Support Services Manager

	Quentin Speers - Information Services Business Group Manager Iain Anderson - Capital Financial Lead
Governance Team:	Amy Viggers - Governance Lead Chantal Jansen & Arnold Andrews - Governance Advisors

The meeting was opened with a Karakia.

1. Apologies – *Tono aroha*

Resolved: (Mayor Southgate/Cr Bydder)

That the apologies for absence from Cr Hutt, early departure for Cr Hamilton, and lateness for Cr Naidoo-Rauf were accepted.

2. Confirmation of Agenda – *Whakatau raarangi take*

Resolved: (Cr Hamilton/Cr Donovan)

That the agenda is confirmed noting that the following items will be taken in the below order at the request of staff:

i. Item 8 (Capital Portfolio Monitoring Report)
ii. Item 7 (Financial Performance & Strategy Report to 31 January 2023)
iii. Item 6 (Non-Financial Service Performance Measures)

3. Declarations of Interest – *Tauaakii whaipaanga*

No members of the Council declared a Conflict of Interest.

4. Public Forum – *Aatea korero*

Mr. Roger Stratford spoke to Item 6 - Non-Financial Service Performance Measures.
He spoke to his concerns regarding storm water flooding and Council response times and that he supported the Three Waters Reform program, with the four major entities that could provide extra Government Resource funding for stormwater flooding events. He also suggested Commissioners review Council finances for one year to resolve debt issues.

5. Chair's Report

The Chair spoke to the report, noting this is the first report of the new triennium and that a session was held to enable new members to contribute in discussion, Interpret reports, ask questions related to the Committee and participate fully in the Committee. This session will be repeated in April and all Councillors will be invited. The Chair explained that the Financial Performance & Strategy Report will be discussed in this meeting. Mayor Southgate thanked the Chair and staff for the implementation of the workshop.

Resolved: (Cr Wilson/Mayor Southgate)

That the Finance Committee receives the report.

Item 8 (Capital Portfolio Monitoring report) was taken after item 5 (Chair's Report) at the request of staff.

Cr Naidoo-Rauf joined the meeting (09.39am) during discussion of the above item. She was present when the matter was voted on.

8. Capital Portfolio Monitoring Report

The Capital Financial Lead spoke to the report to inform the Finance and Monitoring Committee on the financial performance of the capital portfolio for the seven months ended 31 January 2023. The following three key points were noted: that the target achievements are all in progress and are on target to be delivered; that it is proposed to add a further $1.3M to the capital program for 2023 and a further $3.3M in the next financial year because of the inflation risks in relation to the deferral balances and a 7 % increase has been added; and potential risks to delivery and capital pricing were raised in relation to recovery from Cyclone Gabrielle damages.

The Capital Projects Director introduced themselves to the Committee.
The Capital Financial Lead responded to questions from Members concerning figures on page 114 of the report, priorities set in the Long Term Plan funding investment, insurance costs, long term deferrals, Biking & Mobility costs as well as capex and opex costs.

Staff Action: *Staff undertook to include a table in future Capital Portfolio Monitoring Reports that outlines which future year projects that are deferred will be completed in.*

Resolved: (Cr van Oosten/Cr Hamilton)

That the Finance and Monitoring Committee receives the report.

6. Financial Performance & Strategy Report to 31 January 2023 (Recommendation to Council)

The Finance Director spoke to the report on Council's financial performance and strategy for the period ended 31 January 2023 and that the Finance and Monitoring Committee recommend to Council the significant forecast adjustments and the capital movement set out in the Report. She noted accounting and balancing the books results, interest received in the evaluation of the Housing Infrastructure Fund (HIF) loan, increase in the floating lending cost rates, additional costs for the next six months particularly in relation to Cyclone Gabrielle and deferrals of capital projects and forecasting on capital revenue.

She responded to questions from Members concerning risks on delivery to projects, forecast on the end of the loan term, adjustments for floating and fixed rates flexibility, drop in rates income, rates payment practices and procedures, early development projections, investigations into earlier repayment of Three Waters Reform funds, the net impact of hedging practices over the long-term as well as the hedging gains and losses.

Resolved: (Cr van Oosten/Cr Tauariki)

(Recommends that the Council)

That the Finance and Monitoring Committee receives the report.

That the Finance and Monitoring Committee recommends that the Council:

a) approves the capital movement as identified in paragraph 32 of the 31 January 2023 Capital Portfolio Monitoring Report;

b) approves the significant forecast adjustments as set out in paragraphs 58 to 59 of the staff report; and

c) approves the revised Financial Strategy position for Debt to Revenue, Net Debt and Balancing the Books as set out in paragraphs 61 to 63 of the staff report.

Deputy Mayor O'Leary left the meeting (10.26am) during discussion of the above item. She was present when the matter was voted on.

Item 6 (Non-Financial Service Performance Measures) was taken after Item 7 (Financial Performance & Strategy Report to 31 January 2023) at the request of staff.

6. Non-Financial Service Performance Measures

The General Manager Strategy and Communication spoke to the report noting the Non-Financial Service Performance results for the six months between July 2022 - December 2022 as related to year two of the 2021-31 Long Term Plan that commentary was assigned to each measure in relation to current performance year-to-date, and its expected year-end position.

A summary of the projected year end position by activity was provided; the impact COVID-19 restrictions in the last two years have impacted on Council's ability to meet stated levels of service.

The priority targets, activities, performance measures and key highlights for each activity for the Non-financial Service Performance Measures were presented.

Staff Action: *Staff undertook to provide detail on the complexity and improvements already made in the building area.*

Resolved: (Cr van Oosten/Cr Tauariki)

That the Finance and Monitoring Committee:

a) receives the report; and

b) notes that the next six-monthly update will be presented as part of the 2021/22 Annual Report.

7. Resolution to Exclude the Public

Resolved: (Cr Wilson/Deputy Mayor O'Leary)

Section 48, Local Government Official Information and Meetings Act 1987

The following motion is submitted for consideration:

That the public be excluded from the following parts of the proceedings of this meeting, namely consideration of the public excluded agenda.

The general subject of each matter to be considered while the public is excluded, the reason for passing this resolution in relation to each matter, and the specific grounds under section 48(1) of the Local Government Official Information and Meetings Act 1987 for the passing of this resolution follows.

General subject of each matter to be considered	Reasons for passing this resolution in relation to each matter	Ground(s) under section 48(1) for the passing of this resolution
C1. Direct Appointment Lido Pool Plant and Pipework Renewals C2. Information Services - Gartner Contract C3. Information Services - Cornerstone Contract Renewal C4. Information Services - Cloud Hosting Contract C5. Report on overdue debtors	) Good reason to withhold) information exists under) Section 7 Local Government) Official Information and) Meetings Act 1987)	Section 48(1)(a)

as at 31 January 2023 and
Debt write-offs 2022/23

This resolution is made in reliance on section 48(1)(a) of the Local Government Official Information and Meetings Act 1987 and the particular interest or interests protected by Section 6 or Section 7 of that Act which would be prejudiced by the holding of the whole or relevant part of the proceedings of the meeting in public, as follows:

Item C1.	to enable Council to carry out commercial activities without disadvantage to enable Council to carry out negotiations	Section 7 (2) (h) Section 7 (2) (i)
Item C2.	to enable Council to carry out negotiations	Section 7 (2) (i)
Item C3.	to enable Council to carry out negotiations	Section 7 (2) (i)
Item C4.	to enable Council to carry out negotiations	Section 7 (2) (i)
Item C5.	to protect the privacy of natural persons to maintain the effective conduct of public affairs through protecting persons from improper pressure or harassment	Section 7 (2) (a) Section 7 (2) (f) (ii)

The meeting went into a Public Excluded session at 11.02am.

The meeting was declared closed at 12.03 pm.

Council Report

Committee:	Finance and Monitoring Committee	**Date:**	27 April 2023
Author:	Chantal Jansen	**Authoriser:**	Amy Viggers
Position:	Governance Advisor	**Position:**	Governance Lead
Report Name:	Chair's Report		

Report Status	*Open*

Recommendation - *Tuutohu*

That the Finance Committee receives the report.

Attachments - *Ngaa taapirihanga*

Attachment 1 - Chairs Report Finance and Monitoring Committee 27 April 2023

Chair's Report

Ngaa mihi nui, kia koutou katoa, this meeting marks 6 months into our new triennium, one of the first significant milestones is the release of our Draft Annual Plan to the community for feedback. It is worth noting that this Councils proposed rating increase is lower than others immediately around us, a promise kept from our 10 Year Plan.

Waipā District Council 6%
Waikato District Council 7%
Waikato Regional Council 5.8%
Hamilton City Council 4.9%

Community are being encouraged to have their say, submissions close 8 May 2023.

I thank Elected Members for their ongoing support of the Finance professional development sessions organised by our Finance Director Tracey Musty. The most recent gave us the opportunity to understand our treasury hedging strategy and ask questions of our PWC advisor to develop our knowledge. Special thanks to Deputy Moko Tauariki for stepping at short notice to Chair the session.

Tracey will be joining our meeting via Zoom, as this week she is presenting at the Civic Financial Services Strategic Finance Forum hosted by Taituara (Local Government Professionals Organisation). Tracey has been invited to present on our Financial Strategy, which the Office of the Auditor General recognised as one of the leading Council strategies in New Zealand. A great opportunity for Hamilton City Council to showcase our leadership and for Tracey to be recognised for her technical expertise. Congratulations and good luck for your presentation tomorrow.

Chair's Recommendation
That the Finance and Monitoring Committee receives the report.

Councillor Maxine van Oosten
Chair Finance and Monitoring Committee

Council Report

Item 7

Committee:	Finance and Monitoring Committee	**Date:**	27 April 2023
Author:	Iain Anderson	**Authoriser:**	Chris Allen
Position:	Capital Financial Lead	**Position:**	General Manager Development
Report Name:	Capital Portfolio Monitoring Report		

Report Status	*Open*

Purpose - *Take*

1. To inform the Finance and Monitoring Committee on the financial performance of the capital portfolio for the nine months ended 31 March 2023.

2. To seek approval from the Finance and Monitoring Committee delegate approval to the Chief Executive to award a Transport Choices contract to KiwiRail.

Staff Recommendation - *Tuutohu-aa-kaimahi*

3. That the Finance and Monitoring Committee:

   a) receives the report; and

   b) approval the Chief Executive to award a contract to KiwiRail for the design and construction of level crossing upgrades at Killarney Road and Claudelands East/Brooklyn Road, with an Approved Contract Sum of up to $5,500,00 (plus GST), noting that construction will not be confirmed to proceed until the Infrastructure and Transport Committee has approved the macro-scope of each project.

Executive Summary - *Whakaraapopototanga matua*

4. This report is to be read in conjunction with the Financial Performance and Strategy Report for the nine months ended 31 March 2023.

5. 2022-23 is the second year of the 2021-31 Long Term Plan (LTP).

6. The capital expenditure budget that was approved in the 2022/23 Annual Plan was $325.5m and the approved revenue budget is $70.4m.

7. Since the 2022/23 Annual Plan was approved, changes have been identified that require approval by Council through the Finance and Monitoring Committee. These changes related to both the Capital Expenditure and Capital Revenue. Since the previous report capital expenditure has reduced by $900k and capital revenue has increased by $6.0m.

8. The other changes that impact the Capital Programme are timing changes. These changes amend the timing of the projects where they either occur later than planned (deferral) or occur earlier (brought forwards).

9. The value of deferrals and brought forwards as at 31 March 2023 is $72.0m this is an increase of $35.0m over the previous report. This value reduces the capital programme for the current financial year. The capital revenue associated with these deferrals is $23.2m.

10. Staff also consider the year end of year position for deferrals and brought forwards and at this time expect the year-end position is expected to be between $80.0m and $90.0m.

11. The total actual capital expenditure for the seven months ended 31 March 2023 is $198.7m, while the associated actual capital revenue for the same period is $49.5m.

12. Capital work in progress (WIP) is $660.5m, within this amount is $174.1m of assets that are in service but have not yet been capitalised. To negate the impact on the operating result, an estimate of the depreciation amount and been made and is reflected in the Annual Monitoring Report for the year ended 30 June 2023.

13. The $174.1m is a material number, of this amount $31.0m has either been completed or is actively being worked on. The remaining $143.1m is being prioritised.

14. While the outstanding number is material this is a reflection of the size of the Councils Capital programme, since the last report to Committee, staff have been able to capitalise $30.6m, bringing the year to date value to $134.6m. This is a significant amount and reflects the emphasis the organisation is placing on getting the capitalisation process up to date.

15. HIF update. To date Council has made 17 drawdowns totalling $98.2m. There are a further 2 drawdowns about to be submitted with a combined value of $20.7m. This will bring the total funding received to $118.9m. The total available as a per the agreement is $180.3m.

16. Five projects are classified as having a risk status, all five are orange.

17. Each individual project and risk are listed in paragraphs 75-79.

18. A portfolio risk continues to be cost increases due to the current economic conditions. Economic modellers suggest this environment could potentially continue for the next 12 months and as such staff will continue to actively monitor and report the impact on the capital expenditure programme.

19. Staff continue to monitor the current environment with reference to the impact the recent cyclone to assess the impact on availability of both materials and contractors. Along with the unusually wet construction season.

20. To get approval to delegate authority to the Chief Executive to award a contract to KiwiRail to undertake level rail crossing upgrades at two sites which are part of the CERF Transport Choices programme approved by the Infrastructure and Transport Committee.

21. Staff consider the matters to be of low significance and that the recommendations comply with Council’s legal requirements.

Discussion - *Matapaki*

Programme Summary and Significant Highlights

22. **Attachment 1** contains an overview of the nine programmes which make up the Capital Portfolio. Each overview contains a summary of the target achievements for the first three years of the LTP, together with key project achievements and a graphical representation of the financial performance. In accordance with the previous direction of Committee the overviews have shifted their focus to delivery and deferral risk.

23. **Attachment 2** a summary schedule of the budget changes throughout the year. It lists the type of budget change for both expenditure and revenue. The changes are grouped by each Finance Committee meeting.

Item 7

24. **Attachment 3** contains a full schedule of the capital expenditure budgets. This schedule is presented using the external activities rather than the nine programmes. This detail relates to the summary table in paragraph 28.

25. **Attachment 4** contains a full schedule of the capital revenue budgets. This schedule mirrors the project detail in **Attachment 3**. This is a new attachment and is presented to give more visibility over the capital revenue budgets and changes. This detail relates to the summary table in paragraph 28.

Capital Expenditure and Revenue Forecasts

26. The capital forecast refers to approved changes that are made to the Approved Budget. The Capital Budget that was approved in the Approved 2022-23 Annual Plan was, expenditure of $325.5m and associated revenue $70.8m.

27. In addition to the approved Annual Plan the final deferrals from the previous financial year have been included. These deferrals were unable to be confirmed before the 2022/23 Annual Plan determined. They are included in the summary table below as Opening Deferrals & b/fwds.

28. These opening deferrals were included in the $146.3m amount that was reported to the Finance Committee in August 2022.

Current Year Changes

29. The changes included here are incorporated into the Financial Strategy results published in the Financial Performance and Strategy Report to allow the impact to be understood.

30. The following table summarises the budget changes. It starts with the approved 2022-23 Annual Plan and the opening deferrals and brought forwards, and then shows the reported changes along with the value of deferrals and brought forwards. A full summary table can be found in **Attachment 2**.

Summary Table	Expenditure	Revenue
Opening Budget as at 1 July 2023	325,535	(70,400)
Opening Deferrals & b/fwds	34,576	(5,538)
Current Year Changes		
+/- Deferrals & b/fwds	(71,965)	23,161
+/- Approved Changes and Savings	8,313	(16,422)
Forecast Budget as at 31 March 2023	296,459	(69,198)

31. A detailed schedule of the expenditure and the revenue can be found in **Attachment 3** and **4**.

Capital Expenditure Actual

32. The portfolio actual capital expenditure for the nine months ended 31 March 2023 is $198.7m. The comparative amount from the same period last year is $175.7m.

33. The detail of actual capital expenditure for key projects can be seen in the programme overviews in **Attachment 1**.

Capital Revenue Actual

34. Capital revenue provides a significant revenue stream for Council, the 2022/23 Annual Plan target is $70.4m.

35. Capital revenue is broadly categorised into two sources, Waka Kotahi (previously NZTA) subsidies and other Capital Contributions. Examples of other are, contributions received towards network connections, Government Grants such as Water Stimulus Funding or Te Awa Cycleway and Multi Party funding agreement like the Ruakura Spine Road.

36. The following table provides further detail on the revenue breakdown.

Breakdown of Capital Revenue
As at 31 March 2023 (000`s)

	Actual	Annual Plan	Annual Forecast
NZTA Capital Subsidy	27,806	53,729	40,722
NZTA Renewal Subsidy	8,242	7,715	10,990
Contributions and Grants	13,461	9,377	17,487
	49,509	**70,820**	**69,198**

37. The actual capital revenue for the seven months 31 March 2023 is $49.5m. The comparative amount from the same period last year is $64.1m.

38. The detail of actual capital revenue for key projects can be seen in the programme overviews, **Attachments 1**.

Capital Deferrals and Brought Forwards for 2022/23

39. Deferrals and brought forwards are changes to the timing of when a project is undertaken. They do not alter the value of the project.

40. In establishing the amount that is reported thought to the Finance and Monitoring Committee the Projects Managers are required to make assessments of project progress at a point in time. As at 31 March 2023 the value of deferrals and brought forward are $72.0m. This is an increase of $35.0m since the previous report. The capital revenue associated with these deferrals is $23.2m.

41. In additional to the $72.0m there is also a need to forecast what the likely year end position will be, this is required to serve the financial strategy assessment. After nine months the year end total is estimated to now be between $80.0m and $90.0m. This value is reviewed every month and any changes will be brought back to this Committee.

42. There are two significant risks that may have an impact on the value of deferrals this year and for consideration when approving the next Annual Plan work programme.

43. The first is the sheer volume of restoration work that will be required following Cyclone Gabrielle and the pressure this will put on external resources. The risk is likely to also extend to price from both potential escalation and market availability. This will be closely monitored and reported on again at the next Committee meeting.

44. The second is the unusually wet summer that has impacted on the construction season. examples being the Borman Road extension and the Peacocke programme, the impact on the latter is covered in a separate report that is in the Public Excluded section of the agenda.

45. As stated, deferrals are timing adjustments. As requested, previously there is need to give greater visibility around the impact of these timing changes on future years budgets.

46. Taking a portfolio approach the following table show the overall impact on the capital expenditure for the deferrals that are reported through to the Finance Committee. Given that the Capital programme is reset at the start of any new LTP period the following analysis relates to the 2021-31 LTP.

47. In the first year of the LTP 2021/22 $146.3m of deferrals were identified. This value was spread as follows, $88.5m moved into the 2022/23 year, $39.3M went into 2023/24 with the balance of $18.5m being outside the current LTP period.

48. In the second year of the LTP 2022/23 we have identified $72.0m (refer para. 38). This has been spread as follows $22.8m has moved into the 2023/24 year and the balance $49.2m has moved to period outside the current LTP.

Item 7

49. For the upcoming 2023/24 financial year staff identified and reported through the Draft Annual Plan process $157.3m that would require to be rephased. This full amount moves outside the current LTP period.

50. The budgets that have been moved outside the current LTP are then reconsidered as part of developing the next LTP.

51. The following table summarises the budget movements.

		Deferral transferred to		
Financial Year	**Approved value of Deferrals**	**2022/23**	**2023/24**	**2024/25 +**
2021/22	($146.3)m	$88.5m	$39.3m	$18.5m
2022/23	($72.0)m	$.0m	$22.8m	$49.2m
2023/24*	($157.3)m	$.0m	$.0m	$157.3m
	($375.6)m	**$88.5m**	**$62.1m**	**$225.0m**

* This amount was reported and approved by Council as part of the 2023/24 Draft Annual Plan meeting.

52. As stated, this is a portfolio view of the deferrals, staff are improving systems to allow the time changes to be reported at Project level. This detail will be included in future reports to this Committee.

53. While deferrals are changes to timing only Council has established that due to current economic conditions it is now prudent to apply an inflation factor to deferrals to ensure that budgets are not eroded due high inflation. The impact of inflation on deferrals has been estimated at $1.3m in the current year and $3.3m for next year. This amount will be finalised at the year end when we have certainly over the final deferral amount.

54. To improve the understanding of the root causes of the deferrals, staff have established the following classifications:

    i. *Cashflow Rephasing* - As the budgets are often set years before a project starts, staff need to forecast the cashflow of the project delivery. While the end date is not significantly moved, the expenditure across the lifecycle of the project can change. This deferral type is often used where money is moved to align with the contractor timing.

    ii. *Complexity Delays* - Unexpected delays due to increasing project complexity. For example, project consenting delays, technical issues, and/or unexpected dependency.

    iii. *Elected Member Decisions* - Delays with project scope approvals or milestone signoffs by Elected Members.

    iv. *External Resource and Material Shortages* - This includes materials supply issues and delays due to professional services providers and/or contractors.

    v. *Procurement Delays* - Delays due to requirement to re-tender or delayed award.

    vi. *Project Initiation Delays* - This is where there are the delays or it takes longer than expected to define the scope, do stakeholder and community consultation and/or complete the Business Case to get projects ready for delivery.

    vii. *Third Party Dependency* - Many of our projects need to align with external parties. Examples of third-party dependency:

        I. we are contributing to a developer led project and we need to align with their timing

II. timing of land purchase is often dependent on a third party

III. Waka Kotahi or other grant funding may need to be approved for many projects before they can commence or be delivered and delays to project due to new legislation or policies (Central Govt /WRC/HCC)

viii. *Unexpected External Event* - These are delays caused by events such as an unusually wet construction season, Covid lockdowns, or storm events.

55. The above classifications are used in **Attachment 1**.

56. Staff are aware of the impact deferrals have on both the financial strategy but also the commitment that has been made to the community to deliver the capital programme.

57. A key driver is ensuring the Capital programme that is put forward for approval during the LTP and the intervening Annual Plans is deliverable.

58. However even with a robust and deliverable programme there will be other factors that can impact on delivery that are hard to anticipate or foresee, these can include weather related factors or reliance on third parties.

59. Staff are actively working on minimising deferrals each year. This includes implementing the following strategies:

i. undertake 6 weekly reviews of the barriers to delivery at an infrastructure and community portfolio level. These reviews look at the risks and issues that are causing projects to be delayed and implementing actions that can be taken to break down barriers to delivery.

ii. reviewing the resources needed to delivery each of the programmes and looking to recruit resources both internally and externally to deliver of the projects.

60. When a deferral does become necessary then it is reported though to the Finance Committee with not only the financial impact but also the community impact.

CERF Transport Choices Contract Award

61. The Infrastructure and Transport Committee approved the Climate Emergency Response Fund (CERF) Initiative Funding Agreement project schedules (Transport Choices Programme) at its 7 March 2023 meeting.

62. Two of the projects involve upgrades to existing rail level crossings at Killarney Road (project 9) which has a budget of $1,530,000 and at Claudelands East/Brooklyn Road (Project 28) which has a budget of $4,020,000.

63. The Infrastructure and Transport Committee has requested that all project over $1.5m and some other selected projects be brought back to Committee for macroscope approval. These 2 projects are over $1.5m each and will need macroscope approval. The next Infrastructure and Transport Committee is not until 30 May 2023.

64. These works comprise of works to the rail network which can only be undertaken by KiwiRail as the network operator.

65. Delivery of the Transport Choices Programme needs to be completed by July 2024 which means that the early appointment of KiwiRail to commence design is essential.

66. It is proposed to Engage KiwiRail for the design and construction of the two projects but to not confirm construction to commence until such time as the Infrastructure and Transport Committee has approved the macroscope of each project.

67. Staff will negotiate a final contract cost with KiwiRail and ensure that the works can be completed within the CERF programme requirements

Item 7

Capital Changes

68. Since the 2022/23 Annual Plan changes have been identified that modify both the Capital Expenditure programme and the associated capital revenue.

69. Since the previous report Capital Expenditure has reduced by $900K. This is impact of Software as a Service (SaaS) being reclassed as Operating Expenditure. While Capital Revenue has increased by $6.0m. This increase recognises the additional revenue Council receives from the Service Connection works.

70. A full list details can be found in Attachment 3 for Capital Expenditure and in Attachment 4 for Capital Revenue.

Work in Progress (WIP)

71. The total value of WIP for the nine months ended 31 March 2023 is $660.5m, inclusive of vested assets.

72. The breakdown by status is:

    i. Current – $486.20m (73.6%): this is legitimate WIP and reflects the assets that cannot be capitalised until they are complete and in use; and

    ii. Outstanding – $174.1m (26.4%): these are assets are in service, but the capitalisation process has not yet been completed. This group is treated with priority. Depreciation is applicable but not yet charged.

73. While the $174.1 is constant with the amount that was reported in the in previous report. Again, this is not due to inactivity in the capitalisation process, rather it reflects the size of the Capital programme as there are assets constantly coming into service.

74. Since the start of the financial year, $134.5m has been capitalised representing the significant ongoing focus on capitalisations.

75. Council is required to undertake an asset revaluation on the assets within the Transportation class. It is essential that any Transport assets that are within the WIP outstanding category are completed before the revaluation starts.

76. The direct financial impact from delays in asset capitalisation is the depreciation expense is understated. To ensure that we do not understate the expense and report a more favourable position, an assessment of the depreciation value has been made and recorded as an expense on the Statement of Comprehensive Revenue and Expense.

HIF Drawdowns

77. This is a new section and is intended to give a high-level summary of the HIF funding.

78. The total HIF Loan Facility that was agreed to with central government on 1 August 2018 is valued at $180.3m. To date Council has made 17 drawdowns with a total value of $98.2m. A further two drawdowns are about to be submitted, these have a combined value of $20.7m. This will bring the total to $118.9m

79. As per the Facility Agreement the $180.3m is a 10-year interest free loan. However, each individual drawdown represents a separate loan agreement with the interest free period starting from the date Council receives the funding.

Item 7

Project Achievements and Risks

Achievements

80. Each of the programme sheets has indicated the target achievements at the time of setting the 2021/24 LTP that would define success if met. These are a baseline and have not changed from the first report in year 1, October 2021.

81. At this point in time which is halfway through the 3-year period, we are on track to achieve most if not all of the target achievements. We will give a more detailed report against these targets when we are looking back after the completion of year 2 and commencing the delivery of year 3 (2023/24).

Project Risks

82. Projects are reviewed for Risks monthly by the Project Managers. Risks are either Orange – considered significant and is being monitored and managed by staff or Red is considered significant and will require a Council decision.

83. From the individual programme sheets in **Attachment 1,** five projects are classified as Orange.

Ferrybank Park Enhancement – Orange

84. The risk relates to soil quality issues on the site. Staff are working with the contractor to resolve this.

Wairere Drive Extension including Bridge – Orange

85. Due to poor weather conditions over the summer period, there is a risk that the contract may extend beyond the agreed timeframe. If this occurs, then the potential arises for the contractor to make financial claims. This has been covered in a separate report, Peacocke Programme Financial Update that is in the public excluded section of the agenda.

Wastewater Strategic Infrastructure – Orange

86. There is a timing risk associated with the supply of pumps that are being sourced overseas. In addition, there is also a cost risk. This has been covered in a separate report, Peacocke Programme Financial Update that is in the public excluded section of the agenda.

Rototuna Village Infrastructure – Orange

87. The orange status relates solely to the Bourn Brook extension which continues to be delayed due to consenting issues associated with the compliance of the NPS on Fresh Water.

Whatukooruru Drive – Orange

88. Cost risks have been identified associated with landowner disruption, the widespread presence of noxious weeds and the unusually wet 2022/23 construction season. This has been covered in a separate report, Peacocke Programme Financial Update that is in the public excluded section of the agenda.

Portfolio Risks

Cost Escalation

89. While provision has been made within the 2023/24 Annual Plan, the risk remains that economic conditions continue to be challenging.

Capacity within the Market

90. This risk relates to both supply of materials and labour. While there continues to be concerns around supply chain issues and labour resourcing, Council has no evidence that these factors are impacting on the markets ability to deliver the Capital Programme.

91. There remains a significant risk associated with the recent significant weather events including both cyclone Gabrielle and the unusually wet 2022/23 construction season. These risks affect delivery and timing as well as impacting on availability of resources locally and nationally that will be required to address damage repairs.

Legal and Policy Considerations - *Whaiwhakaaro-aa-ture*

92. Staff confirm that matters and recommendations within this report comply with Council's legal and policy requirements.

Wellbeing Considerations - *Whaiwhakaaro-aa-oranga tonutanga*

93. The purpose of Local Government changed on the 14 May 2019 to include promotion of the social, economic, environmental, and cultural wellbeing of communities in the present and for the future ('the 4 well-beings').

94. The subject matter of this report has been evaluated in terms of the 4 well-beings during the process of developing this report as outlined below.

95. The recommendations set out in this report are consistent with that purpose.

Social

96. Work is currently underway to understand social procurement opportunities across our portfolio, which involves enhanced recognition and valuing of social benefits through particularly our selection of contractors.

Economic

97. Delivery of our capital works portfolio delivers significant economic benefits to Hamilton and the surrounding districts. In the past year over $250m have been injected in the Hamilton economy. While no hard data is available there is acceptance that a substantial portion of this amount has been invested in local community thereby supporting business and employment.

98. Given the Capital programme approved in the 2021-31 LTP totals $2.5 billion, staff will undertake more detail economic modelling to understand better the economic benefits and report back to this Finance Committee, this modelling has not yet been done.

Environmental

99. Across the capital portfolio, environmental consideration is integrated throughout the project life cycle, including through design, procurement, and construction.

100. In the procurement phase all physical works contracts include a component to incorporate environmental and sustainability considerations into tender evaluation, where contractor initiatives such as materials reuse, energy requirements, electric vehicle utilisation, carbon offsets etc. can be valued.

101. Across the portfolio several works projects and programmes are specifically focussed on enhancing Hamilton's natural environment or ensuring effects of city development are not at the detriment of the natural environment.

Cultural

102. Across the portfolio, engagement and partnership with iwi is continuing at a project level, and work is underway to further align and partner at programme and portfolio levels to identify opportunities for enhanced partnership and shared outcomes. This is particularly in regard to alignment with objectives of the Waikato Tainui Environmental Plan – Tai Tumu Tai Pari Tai Ao.

Risks - *Tuuraru*

103. There are no known risks associated with the recommendations in this report.

Item 7

Significance & Engagement Policy - *Kaupapa here whakahira/anganui*

Significance

104. Staff have considered the key considerations under the Significance and Engagement Policy and have assessed the matters and recommendations in this report have a low level of significance.

Engagement

105. Community views and preferences are already known to the Council through the 2021-31 10-Year Plan.

106. Given the low level of significance determined, the engagement level is low, and no further engagement is required.

Attachments - *Ngaa taapirihanga*

Attachment 1 - Programme Sheets

Attachment 2 - Capital Budget Summary

Attachment 3 - Capital Expenditure Detail

Attachment 4 - Capital Revenue Detail

March 2023 - Data

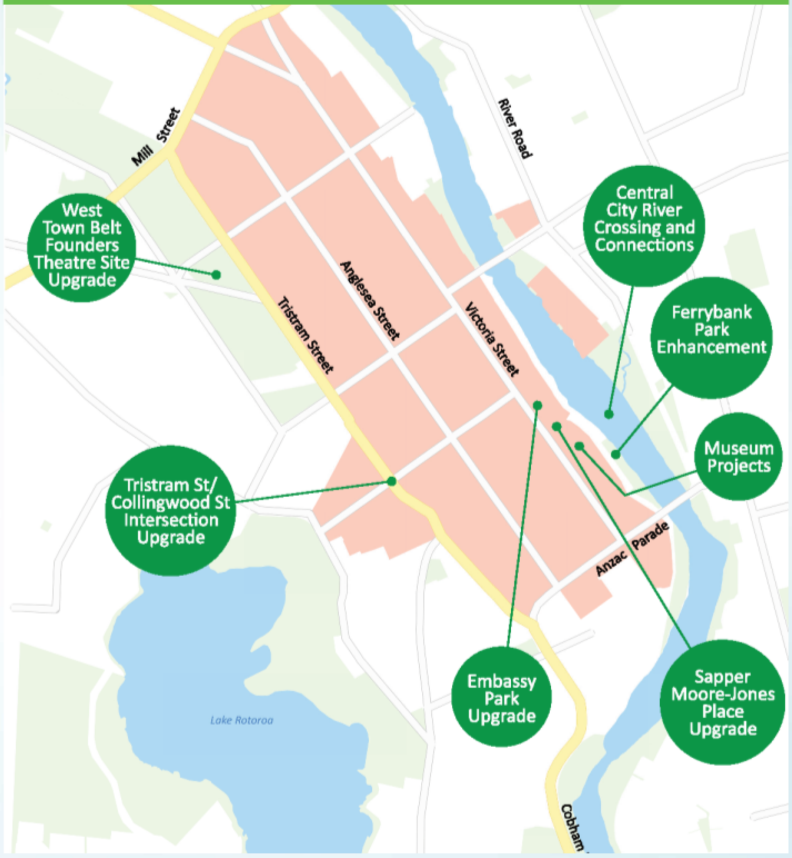
PROGRAMME CAPITAL REPORT – CENTRAL CITY

PROGRAMME OVERVIEW

Ahuahungia te pokapuu o teetehi taaone e arohaina ai e te tangata
Shaping a Central City where people love to be.

Through delivering the Central City programme, we are investing in our Central City, opening it up to the Waikato River, encouraging people to live and work here, and making it easy to access and move around in. The outcome will be a Central City that is more inclusive, vibrant and prosperous.

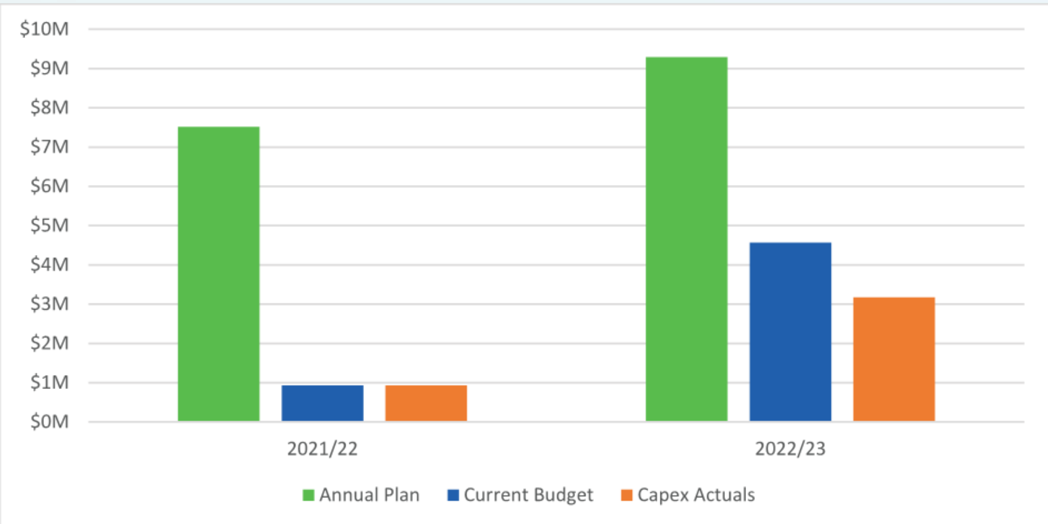
MAP



TARGET ACHIEVEMENTS FOR 21/22 - 23/24

- Aligning with the development of Regional Theatre ensure connection between Victoria Street, the Theatre and the Waikato River through the development of Embassy Park and the Sapper Moore-Jones and Victoria Street theatre access. These improvements will make sure the spaces are safe, accessible, and enjoyable for a wide range of users.
- Enhancement of the Ferrybank Park through the demolition of the municipal pool in readiness for site restoration.
- The upgrade of the Founders Theatre site will create a better place for events, community activities and recreation for Hamiltonian and attract residents to housing in the central city.
- Begin upgrades to Alexandra Street to align with the new design guidelines for the central city.
- Construction underway for the Central City River Crossing and Connections. The bridge will create a new way for people to walk, bike and scoot to and from the central city, as well as to other neighbourhoods across the river.
- Upgrade of the Tristram/Collingwood intersection.
- Updating the front entrance of the Museum with airlock doors and upgrading of the foyer.

FINANCIAL PERFORMANCE



March 2023 - Data

PROGRAMME CAPITAL REPORT – CENTRAL CITY

CENTRAL CITY - KEY PROJECTS FOR 2022/23

Status	Project Name	TOTAL PROJECT		2022/23 Milestone	22/23 POSITION				Deferral Reason (if applicable)	Comments
		Total Spend to Date	Current Total Project Budget		22/23 Actuals YTD to the end of Mar 23	22/23 Annual Plan Budget	22/23 Budget Changes	22/23 Current Budget		
	Tristram / Collingwood Intersection Upgrade	$2.1 M	$3.2 M	Project complete including Anglesea St cycling upgrades	$1.7 M	$2.7 M	$0.1 M	$2.8 M	Project Initiation Delays*	Construction has progressed well noting the number of weather events experienced. Largely completed with some close out activities remaining and forecast to be completed for the late April opening of the ACC Building.
	Ferrybank Park Enhancement - Demo the existing Municipal Pools and develop the site into a park/reserve	$1.7 M	$1.6 M	Demolition and primary redevelopment complete	$1.2 M	$1.0 M	$0.1 M	$1.1 M	Complexity Delays*	Contract works 95% completed. The delays are due to a combination of bad weather, contractor availability, and some top soil quality issues. Staff are working with the contractor to resolve the soil issues. A small budget shortfall is being offset within the programme
	Museum Entrance Upgrade	$0.0 M	$3.9 M	Design started	$0.0 M	$0.6 M	($0.5) M	$0.1 M	Project Initiation Delays	Delayed start to the project as staff worked to understand all the issues with the current building and bundle projects together. The architect has been commissioned and concept design phase is underway.
	West Town Belt Implementation - Founders Theatre Site Upgrade	$0.1 M	$4.2 M	Milestone dependent on outcome of April decision.	$0.1 M	$2.0 M	($1.9) M	$0.1 M	Elected Member Decisions	The Central City Community Facilities business case report due for consideration in April 2023 at the Community and Natural Environment Committee. This will look at overall provision of community facilities in central Hamilton, including the Founders Building.
	Embassy Park (River Plan South End Precinct)	$0.0 M	$5.3 M	Contract in place for delivery and construction underway	$0.0 M	$2.2 M	($1.8) M	$0.3 M	Third Party Dependency	Work is being carried out through a PDA with the Regional Theatre Trust
	Sapper Moore-Jones and Victoria St - Theatre Access and Pedestrian Environment	$0.0 M	$1.0 M	Contract in place for delivery	$0.0 M	$0.1 M	($0.1)M	$0.0 M		
	Infrastructure Acceleration Fund** - Projects include the Active Modes River Crossing, Ruakiwi Reservoir, Reactive upsizing 3W work and Central City 3W catchment management planning.	$0.0 M	$160.9 M	Projects initiated, Delivery Plan approved by Kaainga Ora. First milestone with Kaainga Ora is 30/6/24.	$0.0 M	$0.0 M	$0.1 M	$0.1 M		On plan to meet milestones agreed with Kaainga Ora over next 5 years and within budget. Late March, KO advised they are comfortable with progress and reporting to date. Since November 2022 internal resourcing 60% complete, project control mechanisms underway for programme, river crossing and reservoir projects. Work continues on city-wide 3 waters modelling and rapid transit to inform IAF projects.

***Budget was deferred from 21/22 to 22/23 after the Annual Plan was confirmed**
**** Budget includes $150.6M of central government funding, plus $10.3M of Council funding.**

PROJECT STATUS - LEGEND

Project is on track

Project has significant risks that are being monitored and managed

Project has significant risks that will require Council decision

Ferrybank Park Rotunda

Hamilton City Council
Te kaunihera o Kirikiriroa

PROGRAMME CAPITAL REPORT – CITY WIDE WATERS

PROGRAMME OVERVIEW

He wai tonu ka whai ture, ka haapai hoki I te tupuranga

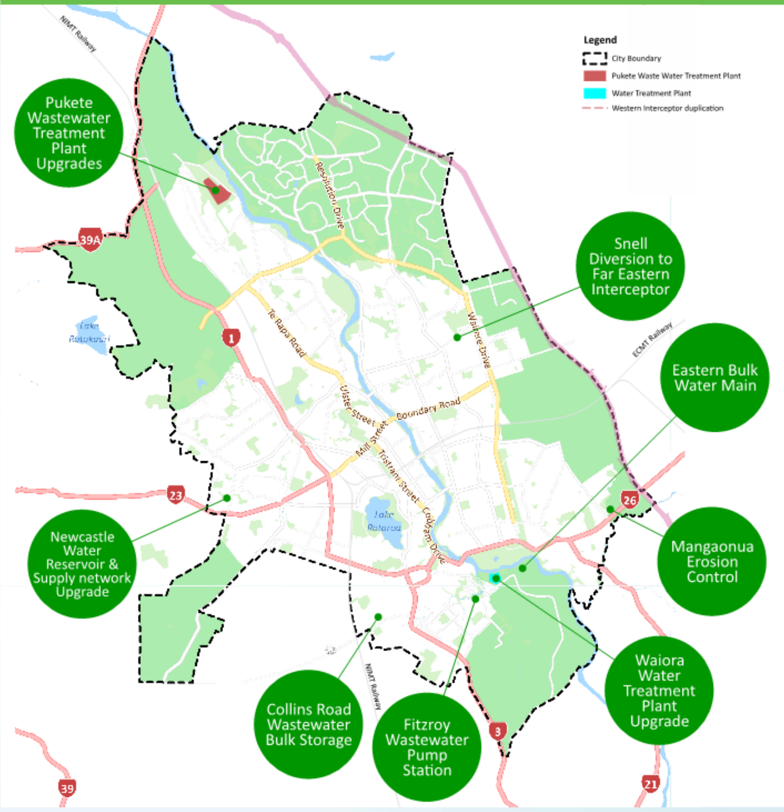
Ensuring the provision of essential water services that allow for future growth and compliance

The Citywide Waters programme ensures we can continue to keep up with new specifications, policy and standards implemented by government (compliance) and make sure our infrastructure can adapt to the pressures of growth (resilience) in our water supply, wastewater, and stormwater.

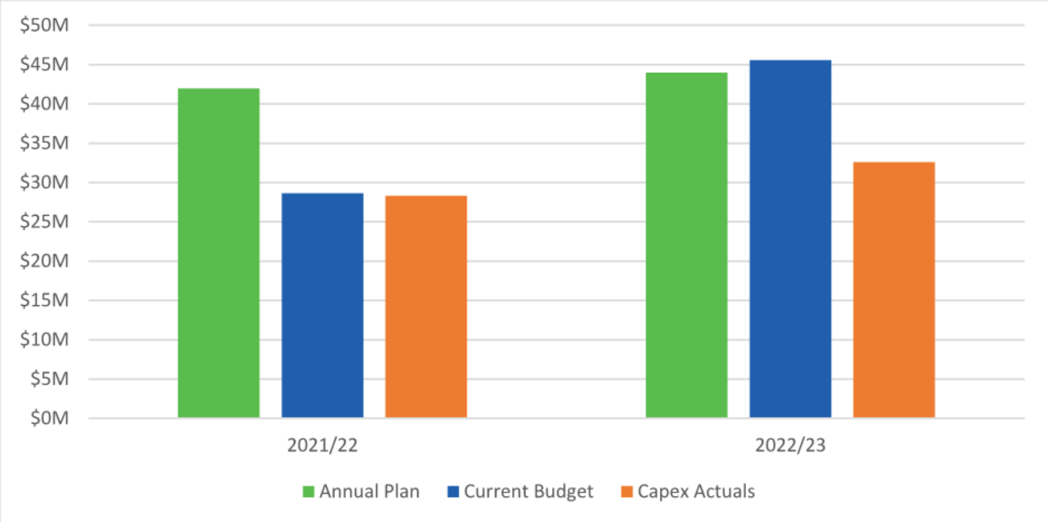
TARGET ACHIEVEMENTS FOR 21/22 - 23/24

- Complete the Pukete Wastewater Treatment Plant Bioreactor Retrofits (3b) and New Inlet Works Facility (3c) upgrades and to have commenced the design of the Pukete 4 upgrade.
- Complete the mid-section of the Western Interceptor duplication and to have commenced the investigation work to confirm the Upper Network reticulation.
- Designate Strategic Wastewater Bulk Storage sites and to have commenced construction of one.
- Upgrade of the Fitzroy Pump Station and Snell Drive Sewer Pump station diversion complete.
- Waiora 2 Water Treatment Plant upgrade including the wash water upgrade complete.
- Complete the Newcastle Demand Management Zone water project.
- Complete Eastern Reservoirs Bulk Ring Mains as part of the Waikato River Bridge project.
- Progress the ICMP and Erosion Control programme.
- Work with active developers to upsize infrastructure if necessary.
- Complete access tracks in Mangaonua gully in June 2023, followed by planting in 2024.

MAP



FINANCIAL PERFORMANCE



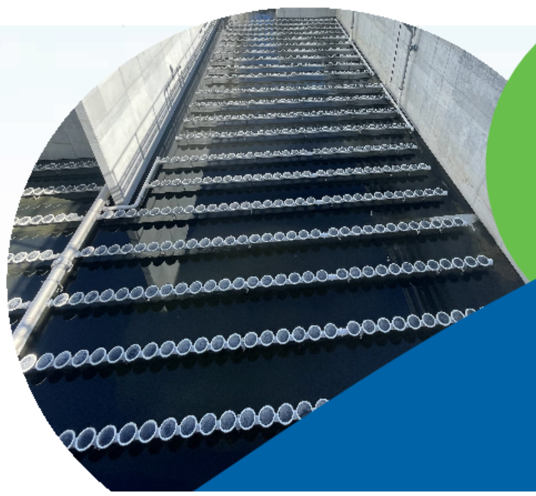
March 2023 - Data

PROGRAMME CAPITAL REPORT – CITY WIDE WATERS

CITY WIDE WATERS - KEY PROJECTS FOR 2022/23

Status	Project Name	TOTAL PROJECT BUDGET		2022/23 Milestone	22/23 POSITION				Deferral Reason (if applicable)	Comments
		Total Spend to Date	Current Total Project Budget		22/23 Actuals YTD to the end of Mar 2023	22/23 Annual Plan Budget	22/23 Budget Changes	22/23 Current Budget		
	Eastern Bulk Water Main - Installation of new strategic water mains between the Water Treatment Plant and Hamilton east via the new Peacocke Bridge.	$4.9 M	$8.5 M	Install final segments of the bulk water main lines.	$1.6 M	$3.6 M	($0.8)M	$2.8 M	**Bring Forward** from 22/23 to 21/22	
	Fitzroy WW Pump Station - Diversion of south-western catchment to the new Peacocke Pump Station.	$2.2 M	$5.6 M	Project complete	$1.5 M	$4.9 M	($0.3)M	$4.5 M	Cashflow Rephasing	A deferral has been signalled and will be confirmed over the next month to align construction with contractor timing and this project is now on track for completion in November 2023.
	Mangaonoua SW Erosion Control and Gully Restoration	$2.0 M	$4.6 M	Land Procurement, approval of contract, contract in place for planting, construction of access tracks and instream works.	$1.5 M	$2.0 M	$0.9 M	$2.8 M	Bring Forward from 23/24 to 22/23	After some minor issues with procurement of the contract this project is now contractually committed. Completion is now expected in mid 2024.
	Snell WW Pump Station - Divert the existing Snell PS discharge from the Eastern Interceptor to the Far Eastern Interceptor.	$6.8 M	$7.5 M	Project complete	$2.4 M	$1.1 M	$2.0 M	$3.0 M	Cashflow Rephasing*	This project is on track for completion in August 2023.
	Wastewater Bulk Storage Programme Development** - Feasibility Assessment, designations (if required) and approvals for planned bulk storage sites.	$0.8 M	$84.8 M	Highest priority sites will have preferred locations identified and commence Collins Road Storage design.	$0.5 M	$2.6 M	($1.8)M	$0.8 M	Complexity delays	The intial phase of the project to identify storage locations is has been completed and we are proceeding with the detailed planning, design and construction.
	Newcastle Water Reservoir and Supply Network Upgrade - Installation of new strategic water reticulation pipes plus an upgrade to the reservoir pump station.	$15.2 M	$19.5 M	Finish construction	$5.1 M	$7.5 M	($1.6)M	$6.0 M	Complexity delays	Due to cost escalation and design issues additional budget was required. This was approved at the March 2023 Infrastructure Operations and Transport Committee through the repriorisation of budgets to cover costs.
	Pukete WWTP Aeration Basin Upgrades - Retrofit of existing bioreactors to match new bioreactor layout.	$0.9 M	$3.6 M	Contract award and contractor mobilisation	$0.2 M	$1.1 M	($0.3)M	$0.8 M	**Bring Forward** from 22/23 to 21/22	
	Pukete WWTP Inlet Screen Upgrade - New inlet facility to cater for growth projections and replacement of existing assets.	$1.6 M	$20.1 M	Detailed Design complete	$1.2 M	$4.6 M	($2.3)M	$2.3 M	Complexity delays	Project has experienced design delays as a result of additional geotechnical works. Project completion due Dec 2024.
	Waiora 2 Water Treatment Plant Upgrade - Major capacity upgrade primarily delivering a new membrane sedimentation & filtration system	$19.0 M	$40.4 M	Procurement of key assets predominately complete. Resourcing requirements identified.	$4.0 M	$7.9 M	($1.1)M	$6.8 M	Cashflow Rephasing*	This project is on track for completion by February 2024.
	Subregional Wastewater Treatment Plant - Investigation and land procurement for new southern WWTP in the vicinity of the airport (budget is for HCC contribution to overall project)	$7.2 M	$9.6 M	Begin work on the design and resource consents. Purchase land if available.	$7.1 M	$0.8 M	$7.1 M	$7.9 M	Bring Forward from 23/24 to 22/23	As approved by Strategic Growth Committee in July 2022 there was a bring forward to purchase suitable land. Site selection work underway, moving into planning and design process with lodging of Notice of Requirement to designate land in mid 2024.

***Budget was deferred from 21/22 to 22/23 after the Annual Plan was confirmed**
****Budget shown is for 2021/22 to 2030/31**



Pukete Bio Reactor

PROJECT STATUS - LEGEND

- Project is on track
- Project has significant risks that are being monitored and managed
- Project has significant risks that will require Council decision

Hamilton City Council
Te kaunihera o Kirikiriroa

Item 7

Attachment 1

March 2023 - Data

PROGRAMME CAPITAL REPORT – PEACOCKE

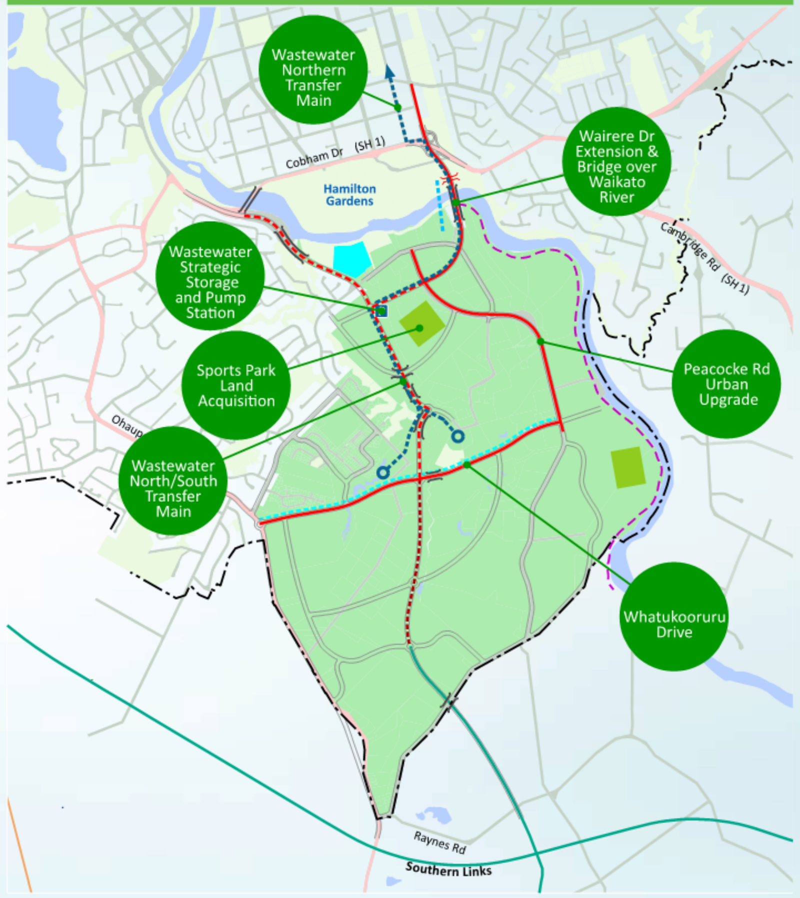
PROGRAMME OVERVIEW

Ko te whakakitenga moo te whenua Peacocke - Ko te aaheinga o te hanga he waahi ataahua, he waahi toiora ki Peacocke.

The vision for the Peacocke Programme is to enable the development of an attractive and sustainable community in the Peacocke Growth Cell.

Over the next 10 years, Peacocke is projected to deliver a third of Hamilton's medium-term housing needs and 26% of Hamilton's long-term housing needs. The Peacocke capital programme includes the delivery of the strategic network infrastructure, community facilities and infrastructure, and associated ecological protection and enhancement. $290.4M of the approximately $420M 10 year capital programme is funded through the Housing Infrastructure Fund interest-free loan, with most of the infrastructure planned for completion by 2025.

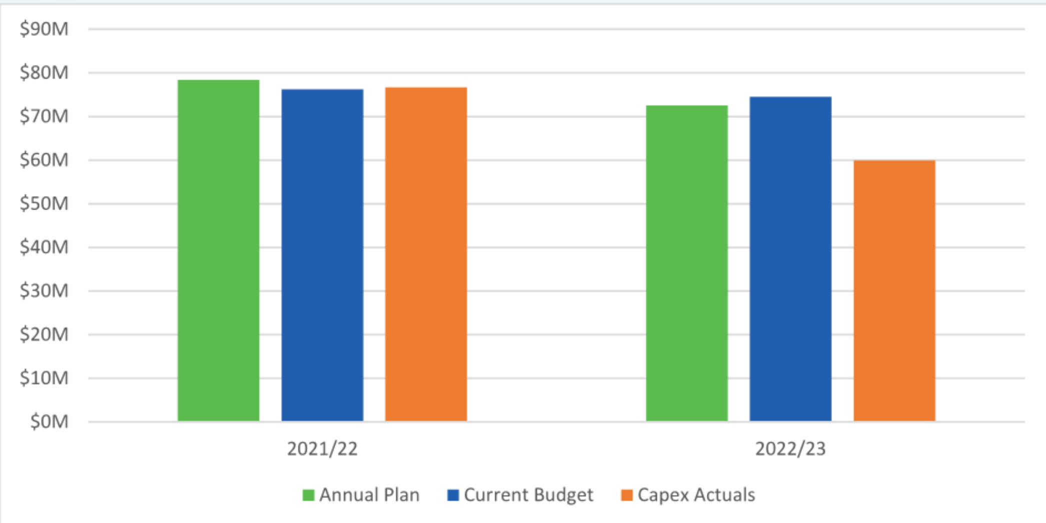
MAP



TARGET ACHIEVEMENTS FOR 21/22 - 23/24

- Land acquisition for key wastewater and Southern Links transport projects
- Completing Notice of Requirement and Land acquisition for the northern sports park
- Implementation of key transport and wastewater for network infrastructure projects including:
  - Wairere Drive Extension and the northern part of the Peacocke Road Urban Upgrade (Completion 2023)
  - Peacocke Northern Transfer Main (Completion 2022)
  - Peacocke Main Transfer Pump Station (Completion 2023)
  - Whatukooruru Drive (Construction under way)
  - Peacocke Road Urban Upgrade Southern Section (Construction under way)
  - North-South Wastewater (Construction under way)
- Approval of the Integrated Catchment Management Plan (ICMP) for Mangakootukutuku
- Implementation of environmental mitigation and enhancement associated with projects.
- To work with active developers to upsize infrastructure if necessary.

FINANCIAL PERFORMANCE



Hamilton City Council
Te kaunihera o Kirikiriroa

PROGRAMME CAPITAL REPORT – PEACOCKE

PEACOCKE - KEY PROJECTS FOR 2022/23

Status	Project Name	TOTAL PROJECT BUDGET		2022/23 Milestone	22/23 POSITION				Deferral Reason (if applicable)	Comments
		Total Spend to Date	Current Total Project Budget		22/23 Actuals YTD to the end of Mar 2023	22/23 Annual Plan Budget	22/23 Budget Changes	22/23 Current Budget		
	Wairere Drive Extension and Bridge over Waikato River including Peacocke Road Urban Upgrade (north)	$134.0 M	$160.5 M	Bridge and roads approaching completion with surfacing, traffic services and landscaping under way	$37.0 M	$32.0 M	$15.0 M	$47.0 M	Bring Forward from 23/24 to 22/23	Cost escalation led to higher early spend than anticipated for this year but this is likely to be offset by extreme weather event impacts. Completion expected late 2023.
	Wastewater Strategic Infrastructure - Pumpstation and pressure mains north to Crosby Road and south to Whatukooruru Drive (including Bikes on Pipes)	$48.9 M	$88.4 M	Northern Transfer Main complete and handover well under way. N4 Pump station approaching completion with commissioning and landscaping under way. North-South pipeline and Bikes on Pipes on site and under construction.	$13.9 M	$18.8 M	($2.4) M	$16.3 M	Cashflow Rephasing	Pump station completion expected late 2023. Time risks associated with overseas pump supply. North-south pipeline and Bikes on Pipes construction under way. Construction of ancillary western network connections delayed by material and supplier constraints. A separate report will be presented detailing issues and proposing reprioritisation of existing budgets to cover costs.
	Whatukooruru Drive - East-West arterial connection from SH3 roundabout to Peacockes Road and Peacocke Road Urban Upgrade (south).	$12.7 M	$60.4 M	Establishment and site clearance complete, bridge foundations largely complete and earthworks under way.	$6.7 M	$10.6 M	($2.7) M	$7.9 M	Cashflow Rephasing	Urban upgrade and section from Peacockes Road to Hall Road under way. Section from Hall Road to SH3 in ECI provisional procurement. Cost risks from landowner disruption and suddenly widespread noxious weed. Emerging time and cost risks from extreme weather events. A separate report will be presented detailing issues and proposing reprioritisation of existing budgets to cover costs.
	Infrastructure Land Acquisition - Secure land for construction and resolve compensation	$20.7 M	$38.6 M	Secure all land for construction and initiate Land Valuation Tribunal for 4 significant acquisitions.	$1.4 M	$7.5 M	($6.1) M	$1.4 M	Third Party Dependency	Deferral due to Land Valuation Tribunal Court processes slower than expected. Next court fixture set for September 2023.
	Sports Park Land Acquisition and Development	$9.4 M	$39.5 M	Finalise compensation of Northern Sports Park. Prepare for purchase of land in 2023/24	$0.0 M	$0.3 M	($0.3)M	$0.0 M		Final valuations for Northern Sports Park advance agreement progressing well. Planning under way for future acquisitions.
	Southern Links Designation Provisions* - Management of and compliance with designation conditions	$1.5 M	$10.6 M	Successfully complete Environmental Management Plan Audit. Deliver on mitigation requirements	$0.7 M	$1.5 M	($0.3) M	$1.2 M	Complexity Delays	Very successful results for bat boxes, gully restoration and predator control. Access track construction slower than anticipated to minimise effects.

*** Budget shown is for 2021/22 to 2030/31**

PROJECT STATUS - LEGEND

Green	Project is on track
Amber	Project has significant risks that are being monitored and managed
Red	Project has significant risks that will require Council decision

Hamilton City Council
Te kaunihera o Kirikiriroa

March 2023 - Data

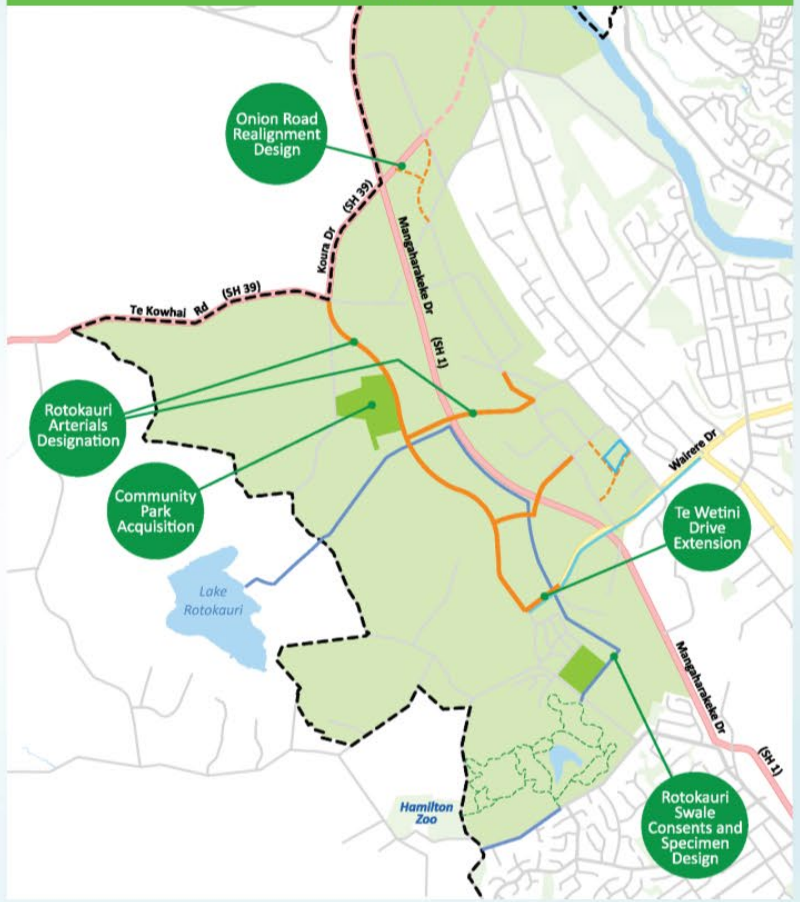
PROGRAMME CAPITAL REPORT – ROTOKAURI-NORTHWEST

PROGRAMME OVERVIEW

To ensure Hamiltonians enjoy a connected, vibrant, attractive and prosperous Rotokauri-Northwest community

The Rotokauri-Northwest growth cell refers to Rotokauri Stage 1, Rotokauri Stage 2 and Te Rapa North (including Te Awa Lakes). Rotokauri-Northwest neighbourbood will one day be home for up to 20,000 people. The goal is to plan and protect strategic infrastructure corridors and to work with developers to progress early development.

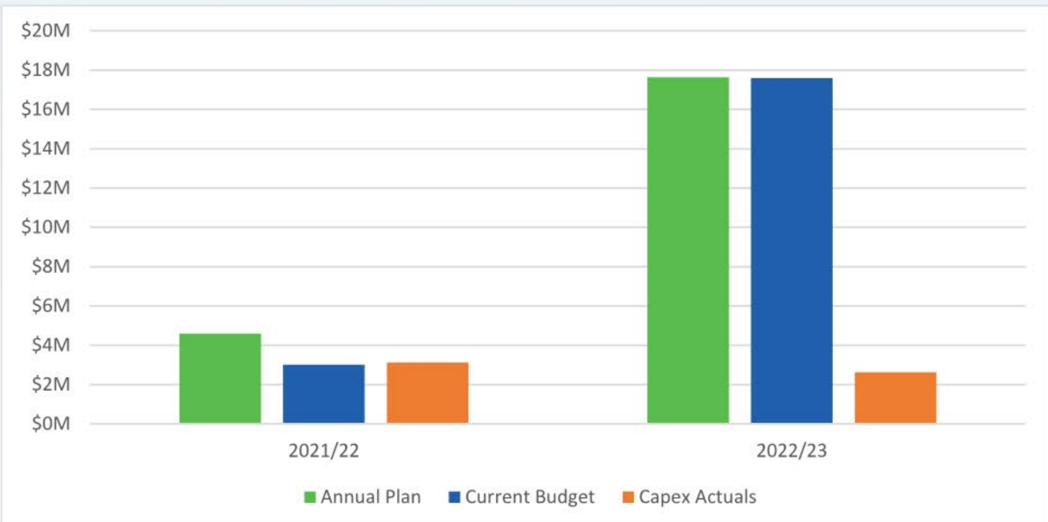
MAP



TARGET ACHIEVEMENTS FOR 21/22 - 23/24

- Complete the designation and preliminary design of the Rotokauri Transport arterial road.
- Complete the preliminary design and consenting requirements of the Rotokauri Green Swale.
- Work with active developers to upsize infrastructure if necessary.
- Purchase Rotokauri Community Park.

FINANCIAL PERFORMANCE



March 2023 - Data

PROGRAMME CAPITAL REPORT – ROTOKAURI-NORTHWEST

ROTOKAURI-NORTHWEST - KEY PROJECTS FOR 2022/23

Status	Project Name	TOTAL PROJECT BUDGET		2022/23 Milestone	22/23 POSITION				Deferral Reason (if applicable)	Comments
		Total Spend to Date	Current Total Project Budget		22/23 Actuals YTD to the end of Mar 2023	22/23 Annual Plan Budget	22/23 Budget Changes	22/23 Current Budget		
	Rotokauri Community Park Acquisition	$0.0 M	$13.7 M	Land purchased	$0.0 M	$13.7 M	$0.0 M	$13.7 M		Two sites have been identified and due diligence and valuations are in progress. Staff and land owners both have appetite to progress.
	Rotokauri Transport Arterial Designations & Permanent Levels - Work to protect land corridors required for future roading development and progressing design.	$3.9 M	$5.0 M	Lodgement of Notice of Requirement	$0.7 M	$1.2 M	($0.5) M	$0.7 M	Cashflow Rephasing	Notice of Requirment due to be lodged.
	Rotokauri Greenway Corridor - Continue design, meet consent conditions and potentially procure land for the future greenway corridor.	$1.8 M	$9.2 M	Design underway	$1.0 M	$1.2 M	$1.0 M	$2.2 M	Bring forward from 23/24 to 22/23	A Private Developer Agreement (PDA) has been signed for developer to do the detailed design and consents with a HCC contribution.
	Te Wetini Drive Extension - New Major arterial delivered by developer	$3.8 M	$4.5 M	Project complete	$1.2 M	$1.9 M	$0.0 M	$1.9 M		Project complete for capped contribution agreed by council. Waiting for vesting.

PROJECT STATUS - LEGEND

- Project is on track
- Project has significant risks that are being monitored and managed
- Project has significant risks that will require Council decision

Rotokauri Arterial Designation

Hamilton City Council
Te kaunihera o Kirikiriroa

March 2023 - Data

PROGRAMME CAPITAL REPORT – ROTOTUNA

PROGRAMME OVERVIEW

Ko te aaheinga o te hanga he waahi ataahua, he waahi toiora ki Rototuna
Enabling the development of an attractive and sustainable community in the Rototuna growth area.

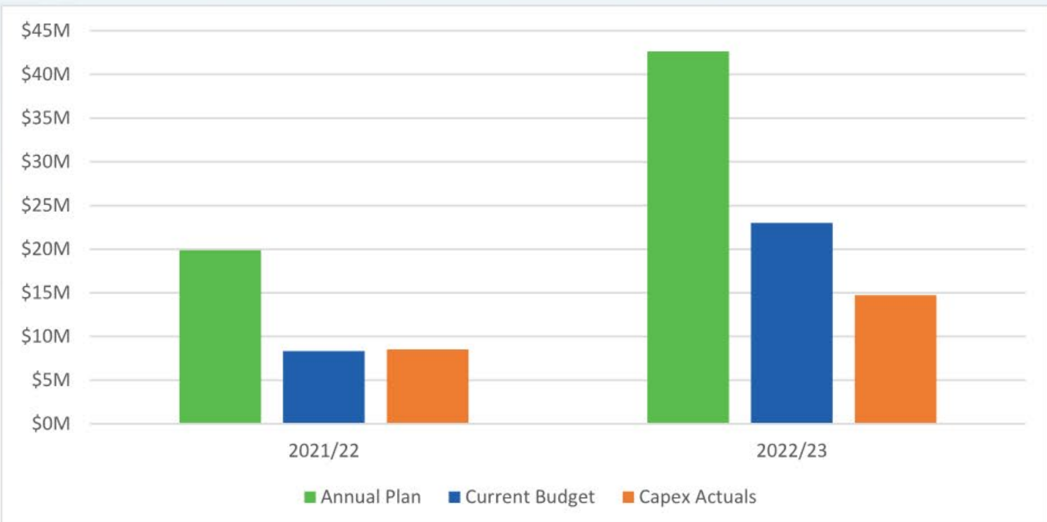
Located in Hamilton's north-east, Rototuna is the city's primary residential greenfield development area. With a high maturity of development growth, thousands of Hamiltonians call this area "home". The focus of this programme is to support the final stages of development by providing necessary strategic infrastructure and enabling the development of facilities that strengthen the community.

MAP

TARGET ACHIEVEMENTS FOR 21/22 - 23/24

- Complete the Borman/Horsham Extension and urban upgrade project.
- Complete the Rototuna Village Community facility project including provision of the supporting infrastructure.
- Purchase of an additional neighbourhood reserve.
- To work with active developers to upsize infrastructure if necessary.

FINANCIAL PERFORMANCE



March 2023 - Data

PROGRAMME CAPITAL REPORT – ROTOTUNA

ROTOTUNA - KEY PROJECTS FOR 2022/23

Status	Project Name	TOTAL PROJECT BUDGET		2022/23 Milestone	22/23 POSITION				Deferral Reason (if applicable)	Comments
		Total Spend to Date	Current Total Project Budget		22/23 Actuals YTD to the end of Mar 2023	22/23 Annual Plan Budget	22/23 Budget Changes	22/23 Current Budget		
Green	**Rototuna Village Community Facilities -** Community facilities including library, bookable rooms, public square, play spaces and park connection.	$12.2 M	$20.1 M	Construction substantively complete	$7.0 M	$12.5 M	($2.2) M	$10.3 M	Cashflow Rephasing	Deferral has been signalled to align with the contractor timing for construction. This has been compounded by the recent bad weather. Library opening is forecasted for mid 2023.
Amber	**Rototuna Village Infrastructure** - Roading upgrades and waters infrastructure in the Village - incl. North City upgrade and Turakina & Bourn Brook extensions	$6.6 M	$12.6 M	Construction well advanced	$4.7 M	$6.8 M	$2.1 M	$8.9 M	Bring forward from 2023/24 to 2022/23	Constuction is underway on all but Bourn Brook Extension with completion scheduled for late 2023. Looking for opportunities to open some finished components with the Library. Amber status relates directly to consenting issues with Bourn Brook Extension causing construction delays
Green	**Borman/Horsham Extension and Upgrade -** Extend Borman Road between Kimbrae Dr & Horsham Downs Rd + urban upgrades of Borman RD & Horsham Downs Rd	$3.4 M	$24.1 M	Construction underway	$2.6 M	$6.7 M	($3.3) M	$3.4 M	Cashflow Rephasing	Deferral has been signalled to align with the contractor timing for construction. The construction has been delayed by the very wet summer. Forecast completion mid to late 2024.

PROJECT STATUS - LEGEND

- Green: Project is on track
- Amber: Project has significant risks that are being monitored and managed
- Red: Project has significant risks that will require Council decision

Rototuna Library

Hamilton City Council
Te kaunihera o Kirikiriroa

March 2023 - Data

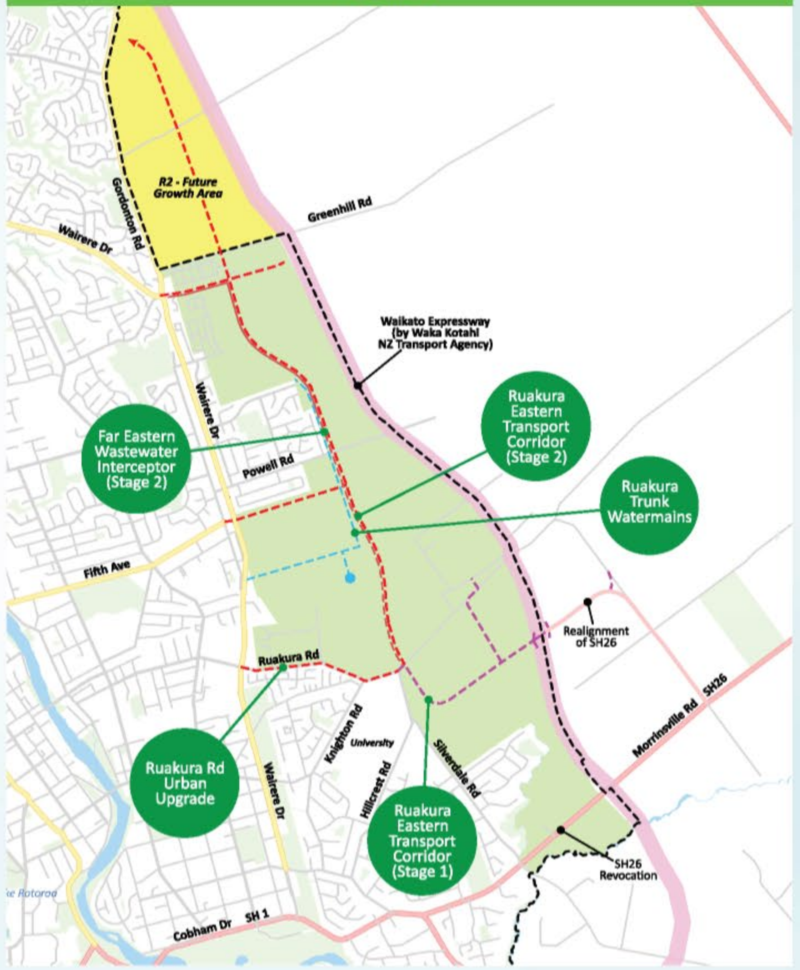
PROGRAMME CAPITAL REPORT – RUAKURA

PROGRAMME OVERVIEW

To ensure Hamiltonians enjoy a connected, vibrant, attractive and prosperous Ruakura community.

Ruakura will become New Zealand's largest integrated development, which will be anchored by a 30ha inland port operation. Once developed, Ruakura will become home for up to 8000 Hamiltonians, and will deliver major economic, social, environmental, and cultural benefits to the Waikato and New Zealand. We are working in partnership with Tainui Group Holdings and the government through funding from the Provincial Development Unit and Crown Infrastucture Partners to deliver core infrastructure to enable development.

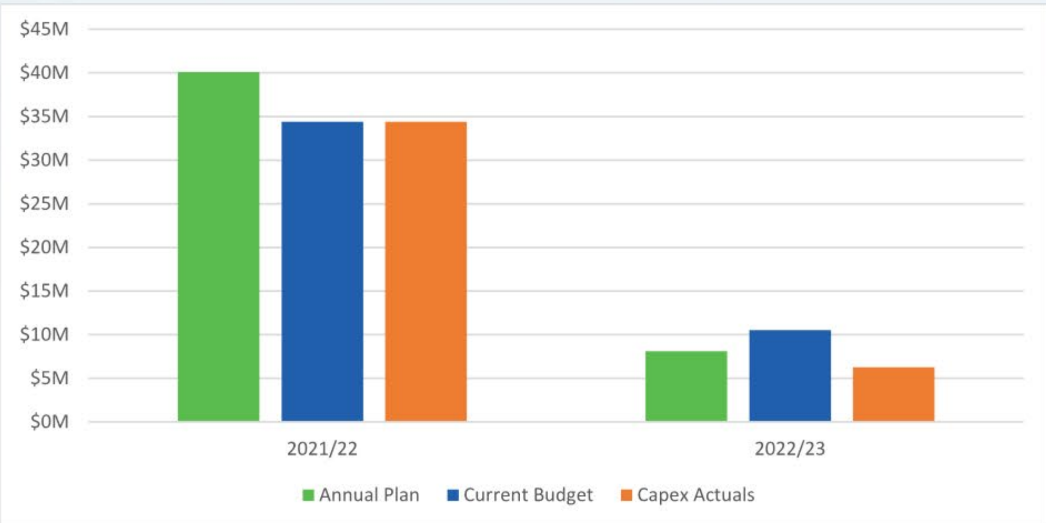
MAP



TARGET ACHIEVEMENTS FOR 21/22 - 23/24

- To provide strategic transport, wastewater infrastructure and water infrastructure that allows the Ruakura Superhub to develop.
- To complete a business case and specimen design for the Ruakura Eastern Transport Corridor connecting the superhub to central and north Hamilton.
- To work with active developers to upsize infrastructure if necessary.

FINANCIAL PERFORMANCE



Item 7

PROGRAMME CAPITAL REPORT – RUAKURA

RUAKURA - KEY PROJECTS FOR 2022/23

Status	Project Name	TOTAL PROJECT BUDGET		2022/23 Milestone	22/23 POSITION				Deferral Reason (if applicable)	Comments
		Total Spend to Date	Current Total Project Budget		22/23 Actuals YTD to the end of Mar 2023	22/23 Annual Plan Budget	22/23 Budget Changes	22/23 Current Budget		
	Ruakura Road Urban Upgrade - Complete upgrade between Wairere Drive and Silverdale Road	$13.0 M	$13.3 M	Complete upgrade between Wairere Drive and Silverdale Road	$2.1 M	$0.3 M	$1.8 M	$2.1 M	Cashflow rephasing*	Road is now complete and open.
	Ruakura Eastern Transport Corridor (Stage 1) - Construction of a new road from Silverdale Road/Ruakura Road intersection to the Waikato Expressway Ruakura Interchange to allow the development of the Ruakura Inland Port. Co-funded by TGH, HCC & PGF.	$32.6 M	$41.0 M	Complete transit connections	$4.0 M	$1.8 M	$2.4 M	$4.1 M	Third Party Dependency*	Road is open with berm works to be finalised and completed over the coming months. This has been delayed due to wet weather.
	Ruakura Eastern Transport Corridor (Stage 2) - Planning investigation and design for the future extension of the eastern transport corridor through the Ruakura development area.	$0.3 M	$3.7 M	Progress a Waka Kotahi Busines Case to undertsand the form and function of the future corridor connection	$0.2 M	$0.5 M	($0.3) M	$0.2 M	Cashflow rephasing	Business Case on track for submission in late 2023.
	Far Eastern Interceptor Stage 2 - HCC contribution to installation of strategic wastewater pipeline along the Eastern Transport Corridor. Being delivered by TGH as per CIP funding agreement	$3.5 M	$7.7 M	Completion of wastewater pipeline via third party PDA agreement	$0.0 M	$4.0 M	($2.1)M	$1.9 M	Third Party Dependency	Works are progressing well and awaiting third party invoicing. These projects are being managed as a programme and budget has been reallocated across the two projects.
	Ruakura Trunk Watermains - HCC contribution to installation of strategic watermains north/south along the Eastern Transport Corridor. Delivered by TGH as per CIP Agreement.	$0.8 M	$2.9 M	Completion of water supply pipeline via third party PDA agreement	$0.0 M	$1.5 M	$0.5 M	$2.0 M		

***Budget was deferred from 21/22 to 22/23 after the Annual Plan was confirmed**

PROJECT STATUS - LEGEND

Project is on track

Project has significant risks that are being monitored and managed

Project has significant risks that will require Council decision

Ruakura Road/ Silverdale Road

Hamilton City Council
Te kaunihera o Kirikiriroa

March 2023 - Data

PROGRAMME CAPITAL REPORT – TRANSPORT IMPROVEMENT

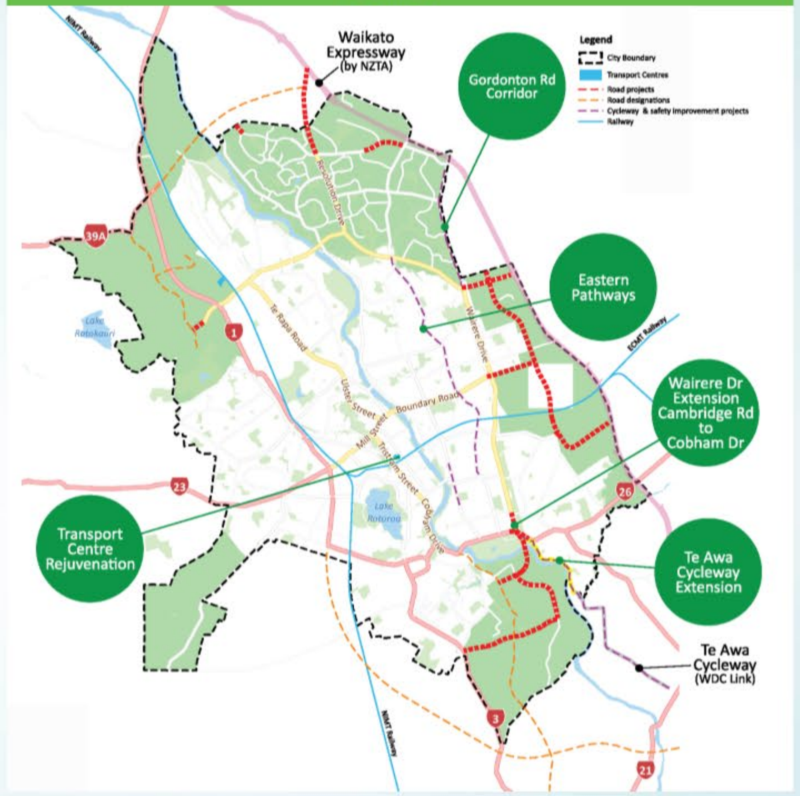
PROGRAMME OVERVIEW

Kia tika ano te hanga rori maa; Aahienga whakatupu, whakapai atu haumaru, me whakawhaanui atu ngaa koowhiringa waka.

Delivering a balanced transport system through; Enabling growth, improving safety, and improving transport choice. A great transport system is vital to the success of a thriving urban city like Hamilton.

This programme delivers on improving the wellbeing of Hamiltonians though a city that's easy to live in and where our people love to be. To undertake a programme of projects that make it safer to get around the city and that promotes better transport choices.

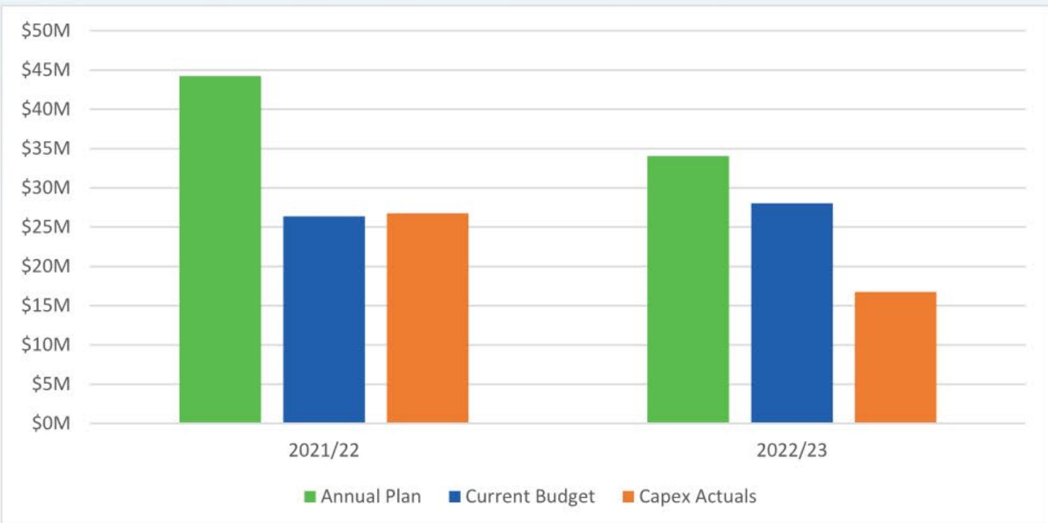
MAP



TARGET ACHIEVEMENTS FOR 21/22 - 23/24

- Complete the Ring Road/Cobham Drive interchange.
- Complete the Te Awa River Ride.
- Complete the Transport Centre Rejuvenation project.
- Be well progressed on construction of the School Link project which is part of Eastern Pathways.
- Complete pre-implementation work on university link and be in a good position to request implementation funding.
- Complete the business case for Biking and Micromobility and commence delivery of priority works.
- Effectively deliver the low-cost low-risk works programmes to significantly improve safety of our intersections and networks across the city and to promote public transport, walking and cycling.

FINANCIAL PERFORMANCE



Item 7

March 2023 - Data

PROGRAMME CAPITAL REPORT – TRANSPORT IMPROVEMENT

TRANSPORT IMPROVEMENT - KEY PROJECTS FOR 2022/23

Status	Project Name	TOTAL PROJECT BUDGET		2022/23 Milestone	22/23 POSITION				Deferral Reason (if applicable)	Comments
		Total Spend to Date	Current Total Project Budget		22/23 Actuals YTD to the end of Mar 2023	22/23 Annual Plan Budget	Budget Changes	22/23 Current Budget		
	Gordonton / Puketaha Intersection Upgrade - New roundabout incl. connection with St James Drive & associated St James network improvements.	$0.8 M	$4.4 M	Contract awarded and construction started	$0.8 M	$4.2 M	($1.0) M	$3.2 M	Third Party Dependency	Project delayed due to works needed by a third party. Project is scheduled to commence March 2023 and due for completion in June 2023.
	Biking and Micro-Mobility Implementation* - Delivery of selected network improvements in accordance with the Biking and Micro-Mobility Programme Business Case	$1.2 M	$46.2 M	Business Case completed and Claudelands Intersection completed.	$0.5 M	$1.9 M	($0.8)M	$1.1 M	Internal Capacity*	Business Case and Claudelands Intersection have been completed. Budget has been reallocated to the CERF programme to cover the local share as approved at the August 2022 Infrastructure Operations Committee.
	Eastern Pathways - School Link**- Implementation of first stages of the school link corridor along Hukanui Rd & Peachgrove Rd plus associated key connections in accordance with the project Business Case	$1.5 M	$30.0 M	Complete concept design for intersections in the first stage	$0.9 M	$4.3 M	($2.6) M	$1.7 M	Cashflow Rephasing	Concept design in progress for Peachgrove Road (Clyde to Te Aroha) and Ruakura Drive (Wairere Dr to Grey St). The deferral shown is a reset of the budget which was incorrectly budgeted through the 22/23 Annual Plan.
	Te Awa River Ride Extension - Complete the Te Awa path between the Hamilton Gardens and Mangaonoua Stream	$6.1 M	$8.6 M	Project Complete	$1.5 M	$0.0 M	$4.1 M	$4.1 M	Complexity Delays*	This project was delayed for multiple reasons including external resourcing issues, wet weather, covid lockdowns, and geotechnical complexity along the river. The River Path is complete and was opened to the public in Dec 2022. Remaining local share budget which was covered by government funding will be released when the project is complete.
	Transport Centre Upgrade	$0.8 M	$9.5 M	Concept Design Complete	$0.3 M	$0.9 M	($0.6)M	$0.3 M	Complexity Delays	Recommendation made to annual plan to defer construction costs to next LTP period
	Wairere Drive Extension - Cambridge Road to Cobham Drive	$61.5 M	$62.9 M	Project Complete	$2.8 M	$2.2 M	$1.9 M	$4.1 M	Cashflow Rephasing	Road is open and construction largely complete with some minor works.
	Climate Emergency Relief Fund (CERF) - Projects to promote mode shift across the city which are up to 90% funded by Central Government	$0.1 M	$37.0 M	Designs substantively complete and construction underway	$0.1 M	$0.0 M	$5.0 M	$5.0 M		Programme of 28 projects confirmed in March 2023. Design works currently progressing. Detailed project delivery planning underway incl. confirming baseline cashflow. Will be reported to Infrastructure and Transport committee

*Budget was deferred from 21/22 to 22/23 after the Annual Plan was confirmed
**Budget shown is for 2021/22 to 2030/31

PROJECT STATUS - LEGEND

Project is on track

Project has significant risks that are being monitored and managed

Project has significant risks that will require Council decision

Hamilton City Council
Te kaunihera o Kirikiriroa

March 2023 - Data

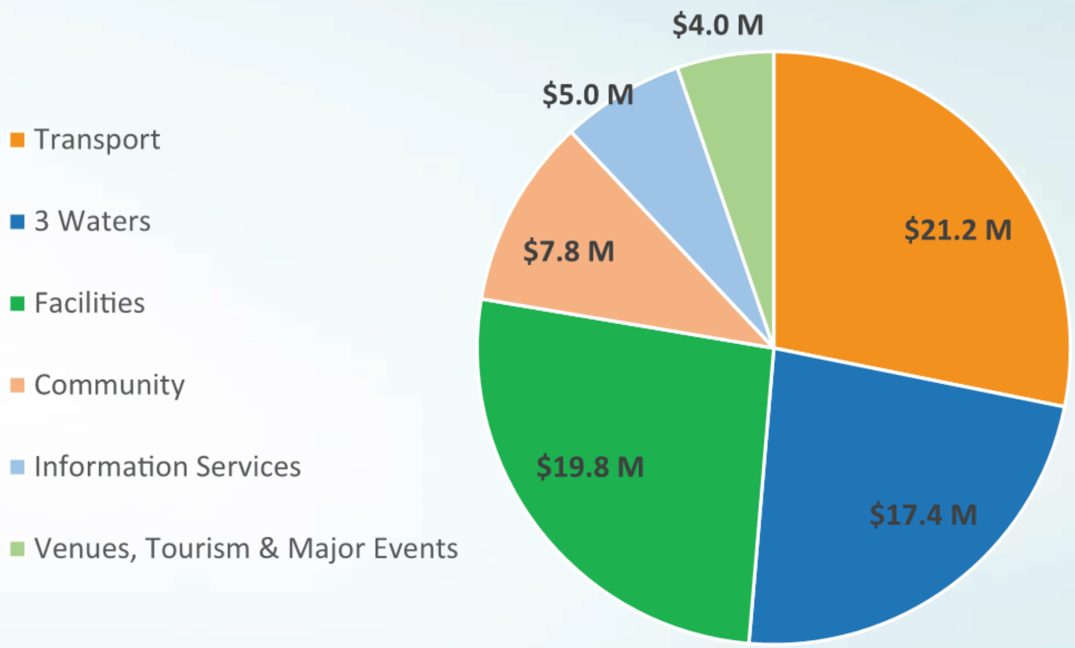
PROGRAMME CAPITAL REPORT – RENEWALS AND COMPLIANCE

PROGRAMME OVERVIEW

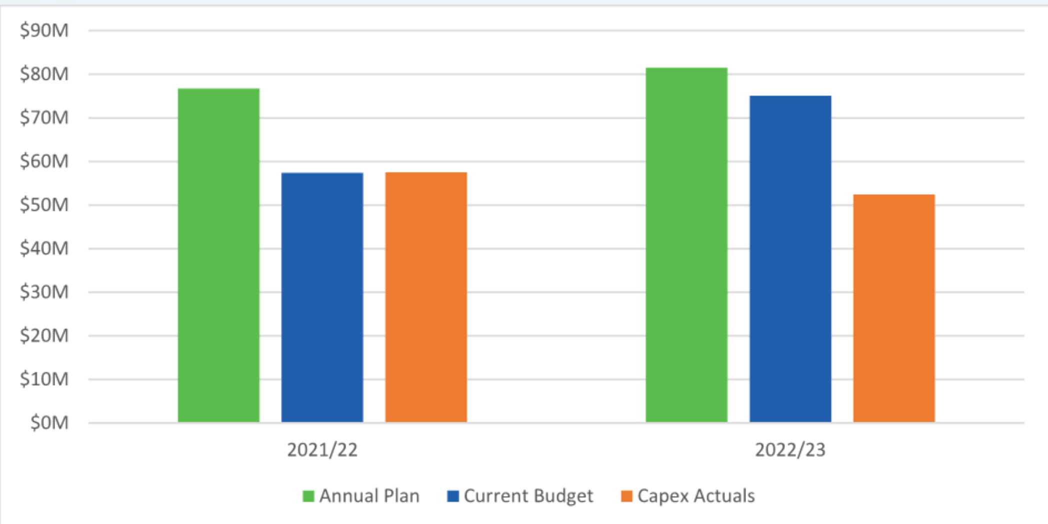
Ko te tiaki aa taatou hua hei tika moo toona whainga
Looking after the assets we have and making sure they are fit for purpose

In May 2019 Council gave staff approval to manage the Renewals and Compliance as a three year programme to allow staff to manage the renewals across all activities and the budget over the first three years of the 2021-31 LTP to ensure that the risk of asset failure is minimised and that the lifecycle costs of our assets are optimised. While each subprogramme has a delivery plan which is updated on an annual basis there is flexibility to allow for changes as required. To help ensure delivery of the renewals programme there are many multiyear contracts that have been approved by Council such as the Playground and Water main Renewals contracts. Along with programmes of work such as wastewater pipe renewals, footpath renewals, and CCTV renewal, some significant projects that are in progress or have been completed this finance year include FMG Stadium Lights Renewal, Beale Cottage Seismic Strengthening, Fairfield Community Hall Renewal and Metro Judo Roof Renewal.

CURRENT BUDGET 2022/23



FINANCIAL PERFORMANCE



Summary of Changes to the Capital Budget
for the 2022-23 Financial Year

Finance Committee Meeting Date	Annual Plan 22/23	As at 1 Jul	As at 31 Jan	As at 31 Mar	2022/23
Expenditure in 000`s					**Total**
Approved Budget	325,535	325,535	360,110	332,356	325,535
Deferrals & b/fwds		34,576	(36,968)	(34,997)	(37,389)
Approved Changes and Savings			9,213	(900)	8,313
Closing Expenditure Budget (Forecast)	**325,535**	**360,110**	**332,356**	**296,459**	**296,459**
Revenue in 000`s					**Total**
Approved Budget	(70,400)	(70,400)	(75,938)	(65,645)	(70,400)
Deferrals & b/fwds		(5,538)	20,705	2,456	17,624
Approved Changes and Savings			(10,413)	(6,009)	(16,422)
Closing Revenue Budget (Forecast)	(70,400)	(75,938)	(65,645)	(69,198)	(69,198)

2022/23 Capital Expenditure

By Activity
As at 31 March 2023

CE Code	Type	Annual Plan 22/23	Revised Budget as at 1 July 2022	Revised Budget as at 31 January 2023	Deferrals and B/fwds	Approved Changes and Savings	Movements	Revised Budget as at 31 March 2023
Community Services								
CE10001 - Aquatic facilities building renewals	R	$ 1,284,502.00	$ 1,510,376.03	$ 560,752.32	$ -	$ -	$ -	$ 560,752.32
CE10005 - Libraries collection purchases	R	$ 1,049,094.00	$ 1,049,094.00	$ 1,049,094.00	$ -	$ -	$ -	$ 1,049,094.00
CE10006 - Library operational renewals	R	$ 122,716.00	$ 290,966.00	$ 290,966.00	-$ 200,000.00	$ -	$ -	$ 90,966.00
CE10007 - Library building renewals	R	$ 659,974.00	$ 1,723,100.00	$ 1,723,100.00	$ -	$ -	$ -	$ 1,723,100.00
CE19017 - Rototuna community facilities	G	$ 12,904,733.00	$ 12,208,447.73	$ 12,208,447.73	-$ 1,558,356.17	$ -	$ -	$ 10,650,091.56
CE21005 - Aquatic facilities renewals	R	$ 230,507.00	$ 335,475.00	$ 206,098.71	$ -	$ -	$ 79,000.00	$ 285,098.71
CE21044 - Libraries development	LOS	$ -	$ -	$ -	$ -	$ -	$ -	$ 0.25
CE21046 - Aquatic facilities development	LOS	$ 15,147,970.00	$ 14,842,741.78	$ 1,207,853.28	$ 386,048.05	$ -	-$ 79,000.00	$ 1,514,901.33
Total Community Services		$ 31,399,496.00	$ 31,960,200.54	$ 17,246,312.04	-$ 1,372,308.12	$ -	$ -	$ 15,874,004.17
Overhead and support unit capital projects								
CE10151 - Strategic property renewals	R	$ 117,276.00	$ 202,276.00	$ 102,276.00	$ -	$ -	$ -	$ 102,276.00
CE10158 - Fleet vehicles renewals	R	$ 1,257,922.00	$ 2,767,813.55	$ 2,301,803.55	$ -	$ -	-$ 50,000.00	$ 2,251,803.55
CE21014 - Corporate building renewals	R	$ 2,336,184.00	$ 2,189,822.00	$ 2,189,822.00	$ -	$ -	$ 50,000.00	$ 2,239,822.00
CE21025 - Information Services renewals	R	$ 3,624,919.00	$ 1,896,740.51	$ 1,896,740.51	-$ 1,083,956.86	-$ 137,906.00	$ -	$ 674,877.65
CE21026 - Information Services upgrades	LOS	$ 5,526,936.00	$ 6,213,564.00	$ 6,213,564.00	-$ 1,076,886.00	-$ 762,094.00	$ -	$ 4,374,584.00
Total Overhead and support unit capital projects		$ 12,863,237.00	$ 13,270,216.06	$ 12,704,206.06	-$ 2,160,842.86	-$ 900,000.00	$ -	$ 9,643,363.20
Parks and Recreation								
CE10021 - Cemetery and crematorium building renewals	R	$ 5,330.00	$ 5,330.00	$ 5,330.00	$ -	$ -	$ -	$ 5,330.00
CE10030 - Parks and recreation building renewals	R	$ 2,435,388.00	$ 2,452,837.00	$ 802,217.00	$ -	$ -	$ -	$ 802,217.00
CE17004 - River plan	LOS	$ 2,204,463.31	$ 2,364,012.31	$ 944,012.31	-$ 500,000.00	$ -	$ -	$ 444,012.31
CE19007 - Peacocke parks development	G	$ 2,125,170.00	$ 2,191,296.00	$ 2,191,296.00	-$ 2,191,296.00	$ -	$ -	$ -
CE19009 - Rototuna parks development	G	$ -	$ -	$ -	$ -	$ -	$ -	$ -
CE19070 - Community facilities building renewals	R	$ 1,722,439.00	$ 1,935,987.80	$ 1,706,341.75	-$ 350,000.00	$ -	$ -	$ 1,356,341.75
CE21001 - Nursery renewals	R	$ 358,113.00	$ 876,238.00	$ 876,238.00	$ -	$ -	$ -	$ 876,238.00
CE21003 - Parks and recreation renewals	R	$ 4,094,935.00	$ 4,175,205.00	$ 6,784,484.62	-$ 1,083,000.00	$ -	$ -	$ 5,701,484.62
CE21004 - Cemeteries and crematorium renewals	R	$ 218,675.00	$ 226,707.00	$ 226,707.00	$ -	$ -	$ -	$ 226,707.00
CE21006 - Nature in the city gully restoration and development	LOS	$ 909,606.00	$ 1,052,087.91	$ 552,087.91	$ -	$ -	$ -	$ 552,087.91
CE21007 - Cemeteries and crematorium development	G	$ 117,052.00	$ 117,052.00	$ 83,062.00	$ -	$ -	$ -	$ 83,062.00
CE21008 - Indoor recreation development	LOS	$ 1,297,437.70	$ 1,316,537.70	$ 337,183.75	$ -	$ -	$ -	$ 337,183.75
CE21010 - Parks and recreation development	LOS	$ 20,432,796.08	$ 21,046,445.75	$ 18,092,255.99	-$ 800,000.00	$ -	$ -	$ 17,292,255.99
Total Parks and Recreation		$ 35,921,405.09	$ 37,759,736.47	$ 32,601,216.33	-$ 4,924,296.00	$ -	$ -	$ 27,676,920.33
Rubbish and Recycling								
CE10054 - Closed landfill assets renewals	R	$ 453,041.00	$ 600,493.00	$ 600,493.00	-$ 150,000.00	$ -	$ -	$ 450,493.00
CE10056 - Refuse Transfer Station and Hamilton Organics Centre asset renewals	R	$ 111,946.00	$ 152,842.00	$ 152,842.00	$ -	$ -	$ -	$ 152,842.00
CE15055 - Closed landfill management	LOS	$ 25,587.00	$ 64,379.50	$ 64,379.50	$ -	$ -	$ -	$ 64,379.50
CE19027 - Refuse drop off points	LOS	$ -	$ 43,300.00	$ 43,300.00	$ -	$ -	$ -	$ 43,300.00
Total Rubbish and Recycling		$ 590,574.00	$ 861,014.50	$ 861,014.50	-$ 150,000.00	$ -	$ -	$ 711,014.50
Safety								
CE21013 - Animal control building renewals	R	$ 11,727.00	$ 11,727.00	$ 11,727.00	$ -	$ -	$ -	$ 11,727.00
CE21015 - City safe renewals	R	$ 110,879.00	$ 204,676.83	$ 204,676.83	$ -	$ -	$ -	$ 204,676.83
CE21016 - City safe upgrades	LOS	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Total Safety		$ 122,606.00	$ 216,403.83	$ 216,403.83	$ -	$ -	$ -	$ 216,403.83
Stormwater								
CE10058 - Stormwater asset renewals	R	$ 752,521.00	$ 928,522.53	$ 928,522.53	-$ 175,000.00	$ -	-$ 150,000.00	$ 603,522.53
CE15059 - Rototuna stormwater infrastructure	G	$ 1,378,735.00	$ 1,409,799.62	$ -	$ 28,125.84	$ -	$ -	$ 28,125.84
CE15060 - Rotokauri stormwater infrastructure stage 1	G	$ 1,543,231.84	$ 1,100,184.38	$ 1,100,184.38	$ 1,276,118.81	$ -	$ -	$ 2,376,303.19
CE15062 - Peacocke stormwater infrastructure stage 1	G	$ 156,560.00	$ 687,401.81	$ 29,911.81	$ -	$ -	$ -	$ 29,911.81
CE15063 - Peacocke stormwater infrastructure stage 2	G	$ 2,950,744.00	$ 6,854,722.79	$ 2,399,490.51	$ -	$ -	$ -	$ 2,399,490.51
CE15067 - Comprehensive stormwater consent implementation	LOS	$ 365,980.00	$ 284,517.96	$ 284,517.96	$ -	$ -	$ -	$ 284,517.96
CE15068 - Stormwater customer connections	G	$ 25,750.01	$ 25,750.01	$ 525,750.01	$ -	$ -	$ -	$ 525,750.01
CE15162 - Integrated Catchment Management Plan	G	$ 1,178,105.00	$ 1,587,099.62	$ 1,587,099.62	$ -	$ -	$ -	$ 1,587,099.62
CE19026 - Erosion control works	LOS	$ 953,412.00	$ 1,030,525.21	$ 930,525.21	-$ 504,261.00	$ -	$ -	$ 426,264.21
CE21031 - Flood management	LOS	$ 11,536.00	$ 11,536.00	$ -	$ -	$ -	$ -	$ -
CE21032 - Stormwater infrastructure upgrades	G	$ 265,214.38	$ 364,489.18	$ 364,489.18	$ -	$ -	$ -	$ 364,489.18
CE21062 - Stormwater asset upgrades	LOS	$ 166,319.00	$ 188,339.00	$ 188,339.00	$ -	$ -	-$ 50,000.00	$ 138,339.00
CE21066 - Ruakura stormwater infrastructure	G	$ 1,961,200.00	$ 1,834,940.57	$ 834,940.57	$ 2,000,000.00	$ -	$ -	$ 2,834,940.57
CE21068 - Water Stimulus – Stormwater	LOS	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Total Stormwater		$ 11,709,308.23	$ 16,307,828.68	$ 9,173,770.78	$ 2,624,983.65	$ -	-$ 200,000.00	$ 11,598,754.43
Transport								
CE10070 - Parking enforcement renewals	R	$ 333,471.00	$ 374,977.00	$ 374,977.00	$ -	$ -	$ -	$ 374,977.00
CE10072 - Footpath and street furniture renewals	R	$ 4,607,687.00	$ 3,006,124.49	$ 2,903,124.49	$ -	$ -	$ -	$ 2,903,124.49
CE10074 - Drainage (kerb and channel) renewals	R	$ 2,803,981.00	$ 3,660,095.00	$ 3,660,095.00	$ -	$ -	$ -	$ 3,660,095.00
CE10075 - Road base Renewals	R	$ 5,620,385.00	$ 6,496,092.00	$ 6,496,092.00	$ -	$ -	$ -	$ 6,496,092.00
CE10076 - Road resurfacing	R	$ 5,790,302.00	$ 5,762,962.00	$ 5,762,962.00	$ -	$ -	$ -	$ 5,762,962.00
CE10077 - Bridge and structures renewals	R	$ 149,630.00	$ 269,587.00	$ 269,587.00	$ -	$ -	$ -	$ 269,587.00
CE10078 - Retaining wall and structures renewals	R	$ 266,538.00	$ 356,538.00	$ 356,538.00	$ -	$ -	$ -	$ 356,538.00
CE10080 - Street lighting renewals	R	$ 434,990.00	$ 385,749.00	$ 385,749.00	$ -	$ -	$ -	$ 385,749.00
CE10081 - Traffic equipment renewals	R	$ 1,004,315.00	$ 1,072,347.00	$ 1,072,347.00	$ -	$ -	$ -	$ 1,072,347.00
CE15087 - Transportation upgrades to allow for development	G	$ 334,325.50	$ 446,595.03	$ 446,595.03	$ -	$ -	$ -	$ 446,595.03
CE15088 - Peacocke transport upgrades and development stage 1	G	$ 2,000,000.00	$ 2,996,928.33	$ 2,996,928.33	-$ 800,000.00	$ -	$ -	$ 2,196,928.33
CE15089 - Peacocke transport upgrades and development stage 2	G	$ 37,597,724.00	$ 36,037,576.17	$ 52,988,307.29	-$ 3,000,000.00	$ -	$ -	$ 49,988,307.29
CE15090 - Rotokauri transport upgrades and development	G	$ 2,552,752.56	$ 4,049,743.06	$ 3,912,639.50	-$ 437,426.50	$ -	$ -	$ 3,475,213.00
CE15092 - Rototuna transport upgrades and development	G	$ 17,853,263.04	$ 19,986,822.86	$ 15,467,550.53	-$ 385,248.54	$ -	$ -	$ 15,082,301.99
CE15093 - Ruakura transport upgrades and development	G	$ 2,585,350.00	$ 14,563,804.88	$ 7,687,001.88	-$ 8,255,000.00	$ -	$ -	$ 6,432,001.88
CE15096 - Cross city connector	G	$ 406,000.00	$ 406,000.00	$ 198,940.00	$ -	$ -	$ -	$ 198,940.00
CE15097 - Northern city crossing	G	$ -	$ -	$ -	$ -	$ -	$ -	$ -
CE19036 - Ring Road	G	$ 2,206,000.00	$ 4,143,863.94	$ 4,143,863.94	$ -	$ -	$ -	$ 4,143,863.94
CE19037 - Hamilton transport model	G	$ 830,940.00	$ 873,799.00	$ 873,799.00	$ -	$ -	$ -	$ 873,799.00
CE19052 - Intersection upgrades	LOS	$ 5,123,871.40	$ 3,098,785.41	$ 2,812,225.41	$ -	$ -	$ -	$ 2,812,225.41
CE19055 - Upgrade city directional signage	R	$ -	$ -	$ -	$ -	$ -	$ -	$ -
CE19057 - Biking plan implementation	G	$ 9,481,542.00	$ 10,633,366.92	$ 12,361,017.93	-$ 2,149,731.62	$ -	$ -	$ 10,211,286.31
CE19058 - Public Transport Mode Shift	G	$ 180,766.97	$ -	$ -	$ -	$ -	$ -	$ -
CE19062 - Bridge resilience programme	LOS	$ 258,775.00	$ 258,775.00	$ 258,775.00	$ -	$ -	-$ 100,000.00	$ 158,775.00
CE19064 - Transport Centre rejuvenation	LOS	$ 916,720.00	$ 935,510.00	$ 935,510.00	-$ 667,720.00	$ -	$ -	$ 267,790.00
CE21012 - Transport building renewals	R	$ 21,323.00	$ 41,323.00	$ 41,323.00	$ -	$ -	$ -	$ 41,323.00
CE21052 - Peacocke transportation land	G	$ 7,180,029.17	$ 6,638,687.49	$ 1,111,524.32	$ -	$ -	$ -	$ 1,111,524.32
CE21053 - Central city transportation improvements	LOS	$ 430,900.00	$ 463,635.00	$ 413,635.00	-$ 250,000.00	$ -	$ -	$ 163,635.00
CE21055 - Te Rapa transportation upgrades and development	G	$ 595,000.00	$ 595,000.00	$ 295,000.00	-$ 274,575.48	$ -	$ -	$ 20,424.52
CE21057 - Ferrybank walking and cycling bridge	LOS	$ 150,000.00	$ 300,000.00	$ -	$ -	$ -	$ -	$ -
CE21058 - Transportation safety improvements	LOS	$ 9,248,170.00	$ 9,459,434.04	$ 7,944,879.33	$ -	$ -	$ -	$ 7,944,879.33
CE21059 - Transportation smart improvements	LOS	$ 200,000.00	$ 192,333.82	$ 192,333.82	$ -	$ -	$ 100,000.00	$ 292,333.82
CE21060 - Public transport improvement	LOS	$ 2,808,000.00	$ 2,955,775.97	$ 1,424,766.97	-$ 900,000.00	$ -	$ -	$ 524,766.97
CE23001 - CERF	LOS	$ -	$ -	$ 5,000,000.00	$ -	$ -	$ -	$ 5,000,000.00
Total Transport		$ 123,972,751.64	$ 140,462,231.41	$ 142,788,087.77	-$ 17,119,702.14	$ -	$ -	$ 132,668,385.63
Venues Tourism and Major Events								

CE21011 - VTME building renewals	R	$ 4,268,874.00	$ 5,161,524.85	$ 5,231,524.85	$ -	$ -	$ 50,000.00	$ 5,281,524.85
CE21041 - VTME security and health and safety programmes	LOS	$ 949,186.00	$ 1,481,963.00	$ 1,481,963.00	-$ 216,000.00	$ -	-$ 50,000.00	$ 1,215,963.00
CE21042 - VTME operational renewals	R	$ 2,677,848.00	$ 2,530,397.25	$ 2,680,397.25	-$ 100,000.00	$ -	$ 450,000.00	$ 3,030,397.25
Total Venues Tourism and Major Events		$ 7,895,908.00	$ 9,173,885.10	$ 9,393,885.10	-$ 316,000.00	$ -	$ 450,000.00	$ 9,527,885.10
Visitor Destinations								
CE10008 - Museum operational renewals	R	$ 387,727.00	$ 239,768.00	$ 219,268.00	$ -	$ -	$ -	$ 219,268.00
CE10011 - Museum building renewals	R	$ 124,004.00	$ 466,680.00	$ 805,571.00	$ -	$ -	$ -	$ 805,571.00
CE10017 - Hamilton Zoo building renewals	R	$ 614,574.00	$ 728,960.41	$ 314,960.41	$ -	$ -	$ -	$ 314,960.41
CE10026 - Hamilton Gardens renewals	R	$ 14,926.00	$ 10,309.00	$ 10,309.00	$ -	$ -	$ -	$ 10,309.00
CE10028 - Hamilton Gardens building renewals	R	$ -	$ -	$ -	$ -	$ -	$ -	$ -
CE19023 - Hamilton Gardens development	LOS	$ 3,744,933.53	$ 4,020,353.26	$ 940,353.26	$ -	$ -	$ 66,000.00	$ 1,006,353.26
CE19028 - Collection acquisition fund	LOS	$ 6,473.00	$ 6,473.00	$ 6,473.00	$ -	$ -	$ -	$ 6,473.00
CE21002 - Hamilton Zoo operational renewals	R	$ 1,269,125.00	$ 1,909,068.66	$ 955,033.36	$ -	$ -	$ -	$ 955,033.36
CE21043 - Hamilton Zoo and Waiwhakareke development	LOS	$ 4,866,730.50	$ 5,085,710.66	$ 6,893,859.96	$ -	$ -	-$ 66,000.00	$ 6,827,859.96
CE21045 - Museum development	LOS	$ 637,088.00	$ 686,864.25	$ 236,864.25	-$ 150,000.00	$ -	$ -	$ 86,864.25
CE21047 - Hamilton Gardens themed gardens	LOS	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Total Visitor Destinations		$ 11,665,581.03	$ 13,154,187.24	$ 10,382,692.24	-$ 150,000.00	$ -	$ -	$ 10,232,692.24
Wastewater								
CE10100 - Wastewater pump station asset renewals	R	$ 517,109.00	$ 603,415.90	$ 603,415.90	-$ 300,000.00	$ -	$ -	$ 303,415.90
CE10101 - Wastewater asset renewals	R	$ 3,807,314.00	$ 5,826,677.32	$ 5,291,677.32	$ -	$ -	$ 263,000.00	$ 5,554,677.32
CE10115 - Wastewater treatment plant asset renewals	R	$ 3,032,752.00	$ 3,664,930.05	$ 2,124,930.05	-$ 400,000.00	$ -	$ -	$ 1,724,930.05
CE15103 - Wastewater network improvements	LOS	$ 2,280,138.00	$ 2,468,696.84	$ 1,250,696.84	-$ 425,000.00	$ -	-$ 150,000.00	$ 675,696.84
CE15104 - Wastewater pipe upgrades	G	$ -	$ 38,594.92	$ 38,594.92	$ -	$ -	$ -	$ 38,594.92
CE15105 - Rototuna wastewater infrastructure	G	$ 1,020,818.27	$ 1,000,298.27	$ 1,000,298.27	-$ 1,000,298.27	$ -	$ -	$ -
CE15106 - Wastewater network upgrades to allow development	G	$ -	$ 93,995.50	$ 93,995.50	$ -	$ -	$ -	$ 93,995.50
CE15107 - Rotokauri wastewater infrastructure	G	$ 0.50	$ 127,422.90	$ 127,422.90	$ -	$ -	$ -	$ 127,422.90
CE15109 - Peacocke wastewater infrastructure stage 1	G	$ -	$ -	$ -	$ -	$ -	$ -	$ -
CE15111 - Increase capacity of wastewater network	G	$ 2,210,684.00	$ 2,124,208.00	$ 1,705,497.00	$ -	$ -	$ -	$ 1,705,497.00
CE15113 - Peacocke wastewater strategic pump station	G	$ -	$ -	$ -	$ -	$ -	$ -	$ -
CE15117 - Upgrade wastewater treatment plant	G	$ 5,946,320.00	$ 5,549,572.37	$ 4,549,572.37	-$ 1,310,000.00	$ -	$ -	$ 3,239,572.37
CE15120 - Wastewater treatment plant compliance	LOS	$ 4,464,594.00	$ 4,600,178.00	$ 600,178.00	-$ 200,000.00	$ -	$ -	$ 400,178.00
CE15121 - Wastewater customer connections to network	G	$ 1,077,250.00	$ 1,077,250.00	$ 1,077,250.00	$ -	$ -	$ -	$ 1,077,250.00
CE15160 - Wastewater model	R	$ 523,900.00	$ 467,350.00	$ 1,030,094.30	$ -	$ -	$ -	$ 1,030,094.30
CE15161 - Wastewater master plan	G	$ -	$ 89,760.00	$ 89,760.00	$ 300,000.00	$ -	$ -	$ 389,760.00
CE19040 - Peacocke wastewater infrastructure stage 2	G	$ 6,107,990.37	$ 8,742,347.16	$ 8,742,347.16	-$ 954,520.00	$ -	$ -	$ 7,787,827.16
CE19041 - Increase capacity wastewater far east network	G	$ 4,000,000.00	$ 5,233,940.02	$ 5,233,940.02	-$ 2,264,000.00	$ -	-$ 1,060,000.00	$ 1,909,940.02
CE19042 - Peacocke wastewater south network	G	$ 13,763,000.00	$ 11,186,254.82	$ 11,186,254.82	-$ 1,000,000.00	$ -	$ -	$ 10,186,254.82
CE19043 - Increase capacity wastewater west network	G	$ 6,719,976.20	$ 7,026,680.33	$ 5,037,128.33	-$ 90,000.00	$ -	$ -	$ 4,947,128.33
CE19044 - Increase capacity wastewater east network	G	$ 1,187,900.04	$ 3,155,470.10	$ 3,155,470.10	$ -	$ -	$ -	$ 3,155,470.10
CE21073 - Subregional wastewater treatment plant	G	$ 762,800.00	$ 889,227.00	$ 7,889,227.00	$ -	$ -	$ -	$ 7,889,227.00
CE21076 - Water Stimulus – Wastewater	LOS	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Total Wastewater		$ 57,422,546.38	$ 63,966,269.50	$ 60,827,750.80	-$ 7,643,818.27	$ -	-$ 947,000.00	$ 52,236,932.53
Water Supply								
CE10123 - Watermain renewals	R	$ 3,638,759.00	$ 3,569,029.48	$ 3,569,029.48	$ -	$ -	$ -	$ 3,569,029.48
CE10124 - Watermain valves and hydrants renewals	R	$ 691,933.00	$ 1,374,461.81	$ 624,461.81	-$ 200,000.00	$ -	-$ 100,000.00	$ 324,461.81
CE10138 - Treatment plant and reservoir renewals	R	$ 1,511,617.00	$ 1,624,031.02	$ 1,164,031.02	$ -	$ -	$ -	$ 1,164,031.02
CE10145 - Tools of trade renewals	R	$ 42,646.00	$ 8,589.88	$ 8,589.88	$ -	$ -	$ -	$ 8,589.88
CE15126 - Rototuna upgrade or new watermains	G	$ 796,190.00	$ 810,756.07	$ 810,756.07	-$ 810,756.07	$ -	$ -	$ -
CE15127 - Water pipe upgrades	G	$ 700,000.00	$ 700,000.00	$ -	$ 15,329.00	$ -	$ -	$ 15,329.00
CE15128 - Rotokauri upgrade and new watermains stage 1	G	$ 83,749.50	$ 792,838.50	$ 709,089.00	-$ 647,870.02	$ -	$ -	$ 61,219.00
CE15130 - Peacocke watermains stage 1	G	$ -	$ -	$ -	$ -	$ -	$ -	$ -
CE15132 - Water network upgrades to allow new development	G	$ 3,605,412.00	$ 1,488,405.40	$ 1,488,405.40	$ 1,489,337.83	$ -	$ -	$ 2,977,743.23
CE15133 - Water network improvements	LOS	$ 227,106.00	$ 276,091.00	$ 282,121.00	-$ 100,000.00	$ -	-$ 50,000.00	$ 132,121.00
CE15134 - Water demand management - Pukete reservoir zone	G	$ 500,000.00	$ 500,000.00	$ 200,000.00	$ -	$ -	$ -	$ 200,000.00
CE15135 - Peacocke water distribution mains stage 1	G	$ -	$ 99,226.83	$ 99,226.83	$ -	$ -	$ -	$ 99,226.83
CE15137 - Water demand management - Newcastle reservoir zone	G	$ 7,547,381.00	$ 6,955,340.51	$ 5,955,340.51	$ -	$ -	$ -	$ 5,955,340.51
CE15139 - Water treatment plant compliance - minor upgrades	LOS	$ 966,124.00	$ 1,046,124.00	$ 1,046,124.00	$ -	$ -	-$ 213,000.00	$ 833,124.00
CE15141 - Water demand management - Hillcrest reservoir zone	G	$ 18,369.32	$ -	$ -	$ -	$ -	$ -	$ -
CE15144 - Upgrade water treatment plant	G	$ 8,462,430.00	$ 10,526,909.56	$ 10,196,636.56	-$ 3,366,393.00	$ -	$ -	$ 6,830,243.56
CE15146 - Water customer connections	G	$ 633,676.00	$ 633,676.00	$ 633,676.00	$ -	$ -	$ -	$ 633,676.00
CE15148 - Ruakura upgrade and new watermains	G	$ -	$ 200,000.00	$ -	$ -	$ -	$ -	$ -
CE15158 - Water model	R	$ 373,163.00	$ 373,163.00	$ 373,163.00	-$ 165,000.00	$ -	$ -	$ 208,163.00
CE15159 - Water master plan	G	$ 5,490.00	$ 186,340.00	$ 186,340.00	$ -	$ -	$ -	$ 186,340.00
CE19045 - Ruakura reservoir and associate bulk mains	G	$ 1,500,000.00	$ 1,100,356.51	$ 1,100,356.51	$ -	$ -	$ 1,060,000.00	$ 2,160,356.51
CE19046 - Peacocke watermains stage 2	G	$ 667,250.00	$ 713,164.01	$ 713,164.01	$ -	$ -	$ -	$ 713,164.01
CE21036 - Rotokauri upgrade and new watermains stage 2	G	$ -	$ -	$ -	$ -	$ -	$ -	$ -
CE21039 - Water Stimulus – Water Supply	LOS	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Total Water Supply		$ 31,971,295.82	$ 32,978,503.58	$ 29,160,511.08	-$ 3,785,352.26	$ -	$ 697,000.00	$ 26,072,158.84
Grand Total - Capital Program		$ 325,534,709.19	$ 360,110,476.91	$ 332,355,850.53	-$ 34,997,336.00	-$ 900,000.00	$ -	$ 296,458,514.80

2022/23 Capital Revenue

By Activity
As at 31 March 2023

CE Code	Type	Annual Plan 22/23	Revised Budget as at 1 July 2022	Revised Budget as at 31 January 2023	Deferrals and B/fwds	Approved Changes and Savings	Movements	Revised Budget as at 31 March 2023
Community Services								
CE10001 - Aquatic facilities building renewals	R	$ -	$ -	$ -	$ -	$ -	$ -	$ -
CE10005 - Libraries collection purchases	R	$ -	$ -	$ -	$ -	$ -	$ -	$ -
CE10006 - Library operational renewals	R	$ -	$ -	$ -	$ -	$ -	$ -	$ -
CE10007 - Library building renewals	R	$ -	$ -	$ -	$ -	$ -	$ -	$ -
CE19017 - Rototuna community facilities	G	$ -	$ -	$ -	$ -	$ -	$ -	$ -
CE21005 - Aquatic facilities renewals	R	$ -	$ -	$ -	$ -	$ -	$ -	$ -
CE21044 - Libraries development	LOS	$ -	$ -	$ -	$ -	$ -	$ -	$ -
CE21046 - Aquatic facilities development	LOS	-$ 13,302,437.00	-$ 13,302,437.00	$ -	$ -	$ -	$ -	$ -
Total Community Services		-$ 13,302,437.00	-$ 13,302,437.00	$ -	$ -	$ -	$ -	$ -
Overhead and support unit capital projects								
CE10151 - Strategic property renewals	R	$ -	$ -	$ -	$ -	$ -	$ -	$ -
CE10158 - Fleet vehicles renewals	R	$ -	$ -	$ -	$ -	-$ 106,200.99	$ -	-$ 106,200.99
CE21014 - Corporate building renewals	R	$ -	$ -	$ -	$ -	$ -	$ -	$ -
CE21025 - Information Services renewals	R	$ -	$ -	$ -	$ -	$ -	$ -	$ -
CE21026 - Information Services upgrades	LOS	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Total Overhead and support unit capital projects		$ -	$ -	$ -	$ -	-$ 106,200.99	$ -	-$ 106,200.99
Parks and Recreation								
CE10021 - Cemetery and crematorium building renewals	R	$ -	$ -	$ -	$ -	$ -	$ -	$ -
CE10030 - Parks and recreation building renewals	R	$ -	$ -	$ -	$ -	$ -	$ -	$ -
CE17004 - River plan	LOS	$ -	$ -	$ -	$ -	$ -	$ -	$ -
CE19007 - Peacocke parks development	G	$ -	$ -	$ -	$ -	$ -	$ -	$ -
CE19009 - Rototuna parks development	G	$ -	$ -	$ -	$ -	$ -	$ -	$ -
CE19070 - Community facilities building renewals	R	$ -	$ -	$ -	$ -	$ -	$ -	$ -
CE21001 - Nursery renewals	R	$ -	$ -	$ -	$ -	$ -	$ -	$ -
CE21003 - Parks and recreation renewals	R	$ -	$ -	$ -	$ -	$ -	$ -	$ -
CE21004 - Cemeteries and crematorium renewals	R	$ -	$ -	$ -	$ -	$ -	$ -	$ -
CE21006 - Nature in the city gully restoration and development	LOS	$ -	$ -	$ -	$ -	$ -	$ -	$ -
CE21007 - Cemeteries and crematorium development	G	$ -	$ -	$ -	$ -	$ -	$ -	$ -
CE21008 - Indoor recreation development	LOS	$ -	$ -	$ -	$ -	$ -	$ -	$ -
CE21010 - Parks and recreation development	LOS	-$ 3,337,290.00	-$ 3,337,290.00	-$ 3,337,290.00	$ -	$ -	$ -	-$ 3,337,290.00
Total Parks and Recreation		-$ 3,337,290.00	-$ 3,337,290.00	-$ 3,337,290.00	$ -	$ -	$ -	-$ 3,337,290.00
Rubbish and Recycling								
CE10054 - Closed landfill assets renewals	R	$ -	$ -	$ -	$ -	$ -	$ -	$ -
CE10056 - Refuse Transfer Station and Hamilton Organics Centre asset renewals	R	$ -	$ -	$ -	$ -	$ -	$ -	$ -
CE15055 - Closed landfill management	LOS	$ -	$ -	$ -	$ -	$ -	$ -	$ -
CE19027 - Refuse drop off points	LOS	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Total Rubbish and Recycling		$ -	$ -	$ -	$ -	$ -	$ -	$ -
Safety								
CE21013 - Animal control building renewals	R	$ -	$ -	$ -	$ -	$ -	$ -	$ -
CE21015 - City safe renewals	R	$ -	$ -	$ -	$ -	$ -	$ -	$ -
CE21016 - City safe upgrades	LOS	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Total Safety		$ -	$ -	$ -	$ -	$ -	$ -	$ -
Stormwater								
CE10058 - Stormwater asset renewals	R	$ -	$ -	$ -	$ -	$ -	$ -	$ -
CE15059 - Rototuna stormwater infrastructure	G	$ -	$ -	$ -	$ -	$ -	$ -	$ -
CE15060 - Rotokauri stormwater infrastructure stage 1	G	$ -	$ -	$ -	$ -	$ -	$ -	$ -
CE15062 - Peacocke stormwater infrastructure stage 1	G	$ -	$ -	$ -	$ -	$ -	$ -	$ -
CE15063 - Peacocke stormwater infrastructure stage 2	G	$ -	$ -	$ -	$ -	$ -	$ -	$ -
CE15067 - Comprehensive stormwater consent implementation	LOS	$ -	$ -	$ -	$ -	$ -	$ -	$ -
CE15068 - Stormwater customer connections	G	-$ 25,750.00	-$ 25,750.00	-$ 525,750.00	$ -	-$ 674,250.00	$ -	-$ 1,200,000.00
CE15162 - Integrated Catchment Management Plan	G	$ -	$ -	$ -	$ -	$ -	$ -	$ -
CE19026 - Erosion control works	LOS	$ -	$ -	$ -	$ -	$ -	$ -	$ -
CE21031 - Flood management	LOS	$ -	$ -	$ -	$ -	$ -	$ -	$ -
CE21032 - Stormwater infrastructure upgrades	G	$ -	$ -	$ -	$ -	$ -	$ -	$ -
CE21062 - Stormwater asset upgrades	LOS	$ -	$ -	$ -	$ -	$ -	$ -	$ -
CE21066 - Ruakura stormwater infrastructure	G	-$ 1,855,000.00	-$ 1,798,127.45	-$ 798,127.45	$ -	$ -	$ -	-$ 798,127.45
CE21068 - Water Stimulus – Stormwater	LOS	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Total Stormwater		-$ 1,880,750.00	-$ 1,823,877.45	-$ 1,323,877.45	$ -	-$ 674,250.00	$ -	-$ 1,998,127.45
Transport								
CE10070 - Parking enforcement renewals	R	$ -	$ -	$ -	$ -	$ -	$ -	$ -
CE10072 - Footpath and street furniture renewals	R	-$ 2,390,059.00	-$ 2,006,525.20	-$ 1,903,525.20	$ -	$ -	$ -	-$ 1,903,525.20
CE10074 - Drainage (kerb and channel) renewals	R	-$ 1,183,470.00	-$ 1,615,501.00	-$ 1,615,501.00	$ -	$ -	$ -	-$ 1,615,501.00
CE10075 - Road base Renewals	R	-$ 2,126,950.00	-$ 2,857,229.00	-$ 2,857,229.00	$ -	$ -	$ -	-$ 2,857,229.00
CE10076 - Road resurfacing	R	-$ 2,941,092.00	-$ 2,918,614.00	-$ 2,918,614.00	$ -	$ -	$ -	-$ 2,918,614.00
CE10077 - Bridge and structures renewals	R	-$ 69,150.00	-$ 129,818.00	-$ 129,818.00	$ -	$ -	$ -	-$ 129,818.00
CE10078 - Retaining wall and structures renewals	R	-$ 112,270.00	-$ 155,270.00	-$ 155,270.00	$ -	$ -	$ -	-$ 155,270.00
CE10080 - Street lighting renewals	R	-$ 183,340.00	-$ 158,227.00	-$ 158,227.00	$ -	$ -	$ -	-$ 158,227.00
CE10081 - Traffic equipment renewals	R	-$ 424,360.00	-$ 459,054.00	-$ 459,054.00	$ -	$ -	$ -	-$ 459,054.00
CE15087 - Transportation upgrades to allow for development	G	$ -	$ -	$ -	$ -	$ -	$ -	$ -
CE15088 - Peacocke transport upgrades and development stage 1	G	-$ 1,020,000.00	-$ 1,022,605.62	-$ 1,022,605.62	$ -	$ -	$ -	-$ 1,022,605.62
CE15089 - Peacocke transport upgrades and development stage 2	G	-$ 18,176,910.00	-$ 16,929,826.24	-$ 16,445,699.11	$ -	$ -	$ -	-$ 16,445,699.11
CE15090 - Rotokauri transport upgrades and development	G	$ -	-$ 88,214.67	-$ 88,214.67	$ -	$ -	$ -	-$ 88,214.67
CE15092 - Rototuna transport upgrades and development	G	-$ 3,825,970.00	-$ 3,855,560.86	-$ 2,448,970.00	$ -	$ -	$ -	-$ 2,448,970.00
CE15093 - Ruakura transport upgrades and development	G	-$ 2,023,640.00	-$ 7,196,910.00	-$ 8,337,914.00	$ 2,000,000.00	$ -	$ -	-$ 6,337,914.00
CE15096 - Cross city connector	G	-$ 207,060.00	-$ 207,060.00	$ -	$ -	$ -	$ -	$ -
CE15097 - Northern city crossing	G	$ -	$ -	$ -	$ -	$ -	$ -	$ -
CE19036 - Ring Road	G	-$ 1,153,900.00	-$ 3,246,105.94	-$ 3,246,105.94	$ -	$ -	$ -	-$ 3,246,105.94
CE19037 - Hamilton transport model	G	-$ 423,779.40	-$ 423,779.40	-$ 83,444.40	$ -	$ -	$ -	-$ 83,444.40
CE19052 - Intersection upgrades	LOS	-$ 459,000.00	-$ 4,848.93	-$ 440,000.00	$ -	$ -	$ -	-$ 440,000.00
CE19055 - Upgrade city directional signage	R	$ -	$ -	$ -	$ -	$ -	$ -	$ -
CE19057 - Biking plan implementation	G	-$ 3,031,440.00	-$ 2,812,271.21	-$ 6,334,583.91	$ 306,000.00	$ 610,378.85	$ -	-$ 5,418,205.06
CE19058 - Public Transport Mode Shift	G	$ -	$ -	$ -	$ -	$ -	$ -	$ -
CE19062 - Bridge resilience programme	LOS	-$ 126,500.00	-$ 126,500.00	-$ 126,500.00	$ -	$ -	$ 51,000.00	-$ 75,500.00
CE19064 - Transport Centre rejuvenation	LOS	-$ 446,691.00	-$ 456,273.90	-$ 456,273.90	$ -	$ -	$ -	-$ 456,273.90
CE21012 - Transport building renewals	R	$ -	$ -	$ -	$ -	$ -	$ -	$ -
CE21052 - Peacocke transportation land	G	-$ 3,661,814.87	-$ 3,427,893.36	-$ 614,040.00	$ -	$ -	$ -	-$ 614,040.00
CE21053 - Central city transportation improvements	LOS	$ -	$ -	-$ 600,000.00	$ 150,000.00	$ 400,000.00	$ -	-$ 50,000.00

CE21055 - Te Rapa transportation upgrades and development	G	$ -	$ -	$ -	$ -	$ -	$ -	$ -
CE21057 - Ferrybank walking and cycling bridge	LOS	$ -	$ -	$ -	$ -	$ -	$ -	$ -
CE21058 - Transportation safety improvements	LOS	-$ 5,110,200.00	-$ 4,665,616.60	-$ 3,879,207.46	$ -	$ -	$ -	-$ 3,879,207.46
CE21059 - Transportation smart improvements	LOS	-$ 102,000.00	-$ 98,090.00	-$ 98,090.00	$ -	$ -	-$ 51,000.00	-$ 149,090.00
CE21060 - Public transport improvement	LOS	-$ 969,000.00	-$ 901,175.00	-$ 134,298.00	$ -	$ -	$ -	-$ 134,298.00
CE23001 - CERF	LOS	$ -	$ -	-$ 4,500,000.00	$ -	$ -	$ -	-$ 4,500,000.00
Total Transport		-$ 50,168,596.27	-$ 55,762,969.93	-$ 59,053,185.21	$ 2,456,000.00	$ 1,010,378.85	$ -	-$ 55,586,806.36
Venues Tourism and Major Events								
CE21011 - VTME building renewals	R	$ -	$ -	-$ 220,000.00	$ -	$ -	$ -	-$ 220,000.00
CE21041 - VTME security and health and safety programmes	LOS	$ -	$ -	$ -	$ -	$ -	$ -	$ -
CE21042 - VTME operational renewals	R	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Total Venues Tourism and Major Events		$ -	$ -	-$ 220,000.00	$ -	$ -	$ -	-$ 220,000.00
Visitor Destinations								
CE10008 - Museum operational renewals	R	$ -	$ -	$ -	$ -	$ -	$ -	$ -
CE10011 - Museum building renewals	R	$ -	$ -	$ -	$ -	$ -	$ -	$ -
CE10017 - Hamilton Zoo building renewals	R	$ -	$ -	$ -	$ -	$ -	$ -	$ -
CE10026 - Hamilton Gardens renewals	R	$ -	$ -	$ -	$ -	$ -	$ -	$ -
CE10028 - Hamilton Gardens building renewals	R	$ -	$ -	$ -	$ -	$ -	$ -	$ -
CE19023 - Hamilton Gardens development	LOS	$ -	$ -	$ -	$ -	-$ 250,000.00	$ -	-$ 250,000.00
CE19028 - Collection acquisition fund	LOS	$ -	$ -	$ -	$ -	$ -	$ -	$ -
CE21002 - Hamilton Zoo operational renewals	R	$ -	$ -	$ -	$ -	$ -	$ -	$ -
CE21043 - Hamilton Zoo and Waiwhakareke development	LOS	$ -	$ -	$ -	$ -	$ -	$ -	$ -
CE21045 - Museum development	LOS	$ -	$ -	$ -	$ -	$ -	$ -	$ -
CE21047 - Hamilton Gardens themed gardens	LOS	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Total Visitor Destinations		$ -	$ -	$ -	$ -	-$ 250,000.00	$ -	-$ 250,000.00
Wastewater								
CE10100 - Wastewater pump station asset renewals	R	$ -	$ -	$ -	$ -	$ -	$ -	$ -
CE10101 - Wastewater asset renewals	R	$ -	$ -	$ -	$ -	$ -	$ -	$ -
CE10115 - Wastewater treatment plant asset renewals	R	$ -	$ -	$ -	$ -	$ -	$ -	$ -
CE15103 - Wastewater network improvements	LOS	$ -	$ -	$ -	$ -	$ -	$ -	$ -
CE15104 - Wastewater pipe upgrades	G	$ -	$ -	$ -	$ -	$ -	$ -	$ -
CE15105 - Rototuna wastewater infrastructure	G	$ -	$ -	$ -	$ -	$ -	$ -	$ -
CE15106 - Wastewater network upgrades to allow development	G	$ -	$ -	$ -	$ -	$ -	$ -	$ -
CE15107 - Rotokauri wastewater infrastructure	G	$ -	$ -	$ -	$ -	$ -	$ -	$ -
CE15109 - Peacocke wastewater infrastructure stage 1	G	$ -	$ -	$ -	$ -	$ -	$ -	$ -
CE15111 - Increase capacity of wastewater network	G	$ -	$ -	$ -	$ -	$ -	$ -	$ -
CE15113 - Peacocke wastewater strategic pump station	G	$ -	$ -	$ -	$ -	$ -	$ -	$ -
CE15117 - Upgrade wastewater treatment plant	G	$ -	$ -	$ -	$ -	$ -	$ -	$ -
CE15120 - Wastewater treatment plant compliance	LOS	$ -	$ -	$ -	$ -	$ -	$ -	$ -
CE15121 - Wastewater customer connections to network	G	-$ 1,077,250.00	-$ 1,077,250.00	-$ 1,077,250.00	$ -	-$ 2,122,750.00	$ -	-$ 3,200,000.00
CE15160 - Wastewater model	R	$ -	$ -	$ -	$ -	$ -	$ -	$ -
CE15161 - Wastewater master plan	G	$ -	$ -	$ -	$ -	$ -	$ -	$ -
CE19040 - Peacocke wastewater infrastructure stage 2	G	$ -	$ -	$ -	$ -	$ -	$ -	$ -
CE19041 - Increase capacity wastewater far east network	G	$ -	$ -	$ -	$ -	$ -	$ -	$ -
CE19042 - Peacocke wastewater south network	G	$ -	$ -	$ -	$ -	$ -	$ -	$ -
CE19043 - Increase capacity wastewater west network	G	$ -	$ -	$ -	$ -	$ -	$ -	$ -
CE19044 - Increase capacity wastewater east network	G	$ -	$ -	$ -	$ -	$ -	$ -	$ -
CE21073 - Subregional wastewater treatment plant	G	$ -	$ -	$ -	$ -	$ -	$ -	$ -
CE21076 - Water Stimulus – Wastewater	LOS	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Total Wastewater		-$ 1,077,250.00	-$ 1,077,250.00	-$ 1,077,250.00	$ -	-$ 2,122,750.00	$ -	-$ 3,200,000.00
Water Supply								
CE10123 - Watermain renewals	R	$ -	$ -	$ -	$ -	$ -	$ -	$ -
CE10124 - Watermain valves and hydrants renewals	R	$ -	$ -	$ -	$ -	$ -	$ -	$ -
CE10138 - Treatment plant and reservoir renewals	R	$ -	$ -	$ -	$ -	$ -	$ -	$ -
CE10145 - Tools of trade renewals	R	$ -	$ -	$ -	$ -	$ -	$ -	$ -
CE15126 - Rototuna upgrade or new watermains	G	$ -	$ -	$ -	$ -	$ -	$ -	$ -
CE15127 - Water pipe upgrades	G	$ -	$ -	$ -	$ -	$ -	$ -	$ -
CE15128 - Rotokauri upgrade and new watermains stage 1	G	$ -	$ -	$ -	$ -	$ -	$ -	$ -
CE15130 - Peacocke watermains stage 1	G	$ -	$ -	$ -	$ -	$ -	$ -	$ -
CE15132 - Water network upgrades to allow new development	G	$ -	$ -	$ -	$ -	$ -	$ -	$ -
CE15133 - Water network improvements	LOS	$ -	$ -	$ -	$ -	$ -	$ -	$ -
CE15134 - Water demand management - Pukete reservoir zone	G	$ -	$ -	$ -	$ -	$ -	$ -	$ -
CE15135 - Peacocke water distribution mains stage 1	G	$ -	$ -	$ -	$ -	$ -	$ -	$ -
CE15137 - Water demand management - Newcastle reservoir zone	G	$ -	$ -	$ -	$ -	$ -	$ -	$ -
CE15139 - Water treatment plant compliance - minor upgrades	LOS	$ -	$ -	$ -	$ -	$ -	$ -	$ -
CE15141 - Water demand management - Hillcrest reservoir zone	G	$ -	$ -	$ -	$ -	$ -	$ -	$ -
CE15144 - Upgrade water treatment plant	G	$ -	$ -	$ -	$ -	$ -	$ -	$ -
CE15146 - Water customer connections	G	-$ 633,676.00	-$ 633,676.00	-$ 633,676.00	$ -	-$ 3,866,324.00	$ -	-$ 4,500,000.00
CE15148 - Ruakura upgrade and new watermains	G	$ -	$ -	$ -	$ -	$ -	$ -	$ -
CE15158 - Water model	R	$ -	$ -	$ -	$ -	$ -	$ -	$ -
CE15159 - Water master plan	G	$ -	$ -	$ -	$ -	$ -	$ -	$ -
CE19045 - Ruakura reservoir and associate bulk mains	G	$ -	$ -	$ -	$ -	$ -	$ -	$ -
CE19046 - Peacocke watermains stage 2	G	$ -	$ -	$ -	$ -	$ -	$ -	$ -
CE21036 - Rotokauri upgrade and new watermains stage 2	G	$ -	$ -	$ -	$ -	$ -	$ -	$ -
CE21039 - Water Stimulus – Water Supply	LOS	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Total Water Supply		-$ 633,676.00	-$ 633,676.00	-$ 633,676.00	$ -	-$ 3,866,324.00	$ -	-$ 4,500,000.00
Grand Total - Capital Program		-$ 70,399,999.27	-$ 75,937,500.38	-$ 65,645,278.66	$ 2,456,000.00	-$ 6,009,146.14	$ -	-$ 69,198,424.80

Council Report

Item 8

Committee:	Finance and Monitoring Committee	**Date:**	27 April 2023
Author:	Tracey Musty	**Authoriser:**	David Bryant
Position:	Finance Director	**Position:**	General Manager People and Organisational Performance

Report Name: Financial Performance & Strategy Report to 31 March 2023

Report Status	*Open*

Purpose - *Take*

1. To inform the Finance and Monitoring Committee on Council's financial performance and strategy for the period ended 31 March 2023.
2. To seek a recommendation from the Finance and Monitoring Committee that the Council approves the significant forecast adjustments as set out in this Report and the capital movement as set out in the Capital Portfolio Monitoring Report.

Staff Recommendation - *Tuutohu-aa-kaimahi* *(Recommendation to the Council)*

3. That the Finance and Monitoring Committee receives the report.
4. That the Finance and Monitoring Committee recommends that the Council:
   a) approves the capital movement as identified in paragraph 28 of the 31 March 2023 Capital Portfolio Monitoring Report;
   b) approves the significant forecast adjustments as set out in paragraphs 53 to 55 of the staff report; and
   c) approves the revised Financial Strategy position for Debt to Revenue, Net Debt and Balancing the Books as set out in paragraphs 57 to 59 of the staff report.

Executive Summary - *Whakaraapopototanga matua*

5. This report is to be read in conjunction with the 31 March 2023 Capital Portfolio Monitoring Report.
6. The 31 March 2023 financial results are as follows:

Surplus/(Deficit) Result	Actual	Budget	Variance
Accounting Surplus/(Deficit)	$106.4m	$80.5m	$53.4 ✓
Balancing the books	($11.0m)	($12.5m)	$1.5 ✓

7. **Fees and charges $3.2m**✓ - ahead as visitor and event revenue rebounds post-covid, supported by $1m water reform funding. This supports additional staff costs incurred as a result of both event staffing and water reform work being undertaken.

8. **Subsidies and Grants $2.3m**✓ - due to the nature of grants received, budgets for revenue and expenses for these items are not usually able to be confirmed at the time budgets are confirmed. Additional revenue here is usually a direct offset against the additional expenditure for which the grant was approved. The most significant additional revenue includes $1.1m from Waka Kotahi NZ subsidy claims to cover additional Operating & Maintenance costs and $0.6m of Waste Minimisation Levy due to increased tonnage fees.

9. **Capital revenue $15.1m**✓ - favourable due to $14.7m of additional vested assets, $6m favourability from waters connections, $2.3m Transport Capital Contributions and ($10m) unfavorability in NZTA capital subsidies due to delays in capital works.

10. **Net finance costs ($4.5m)**✗ - is the key driver for the unfavourable variance to the balancing the books result and is forecast to have a ($6.0m) impact for the financial year. This is the single largest unanticipated cost to Council.

11. **Gains on financial instruments $3.2m**✓ - higher interest rates are driving non-cash gains of $11.3m on the fair value of the HIF loan and $3.3m on swaps which are significant contributors to the accounting surplus as reflected in **Attachment 3**.

12. **Operating expenditure, excluding interest and depreciation ($2.5m)**✗ - The unfavorability is spread across the expense categories, mostly relating to unbudgeted spend with offsetting additional revenue and a lower capitalisation of staff costs due to staff vacancy and deferred capital spend.

13. The difference between the forecast and the annual plan budget are explained in the various sections of this report.

14. The impact of forecasting changes made, since the adoption of the 2021-31 Long Term Plan, is reflected in the Financial Strategy measures:

    i. debt to revenue is 177% and favourable against a budget of 208%;

    ii. net debt is $676m and favourable against a budget of $775m; and

    iii. balancing the books is ($21.1m) and unfavourable against a budget of ($14.4m).

15. Council's treasury position is favourable. At 31 March 2023 Council is compliant with counterparty credit limits. Council remains compliant with all other treasury policy measures **Attachment 3**.

16. Staff consider the matters in this report have low significance and that the recommendations comply with Council's legal requirements.

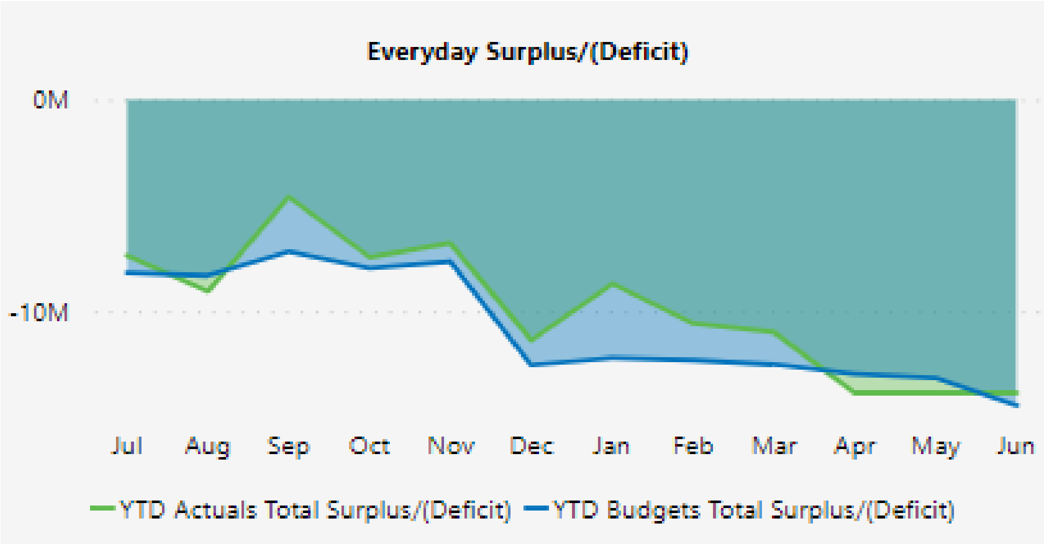
Discussion - *Matapaki*

<u>Operating Results</u>

The accounting and balancing the books result

17. The Statement of Comprehensive Revenue and Expense discloses the accounting result in accordance with accounting standards. The surplus of $106.4m is $25.9m favourable compared to the budget surplus of $80.5m.

18. The Balancing the Books result for the year to 31 March 2023 is ($11.0m). The deficit is $1.5m favourable than the budgeted deficit of ($12.5m). The graph below shows the cumulative result during the year for the Balancing the Book results.



19. The annual accounting and balancing the books results forecast for 30 June 2023 are as follows:

Surplus/(Deficit) Result	FY23 Year End Forecast	Annual Plan	Variance
Accounting Surplus/(Deficit)	$59.8m	$53.4m	($6.4m) ✘
Balancing the books	($21.1m)	($14.4m)	($6.6m) ✘

Understanding material variances

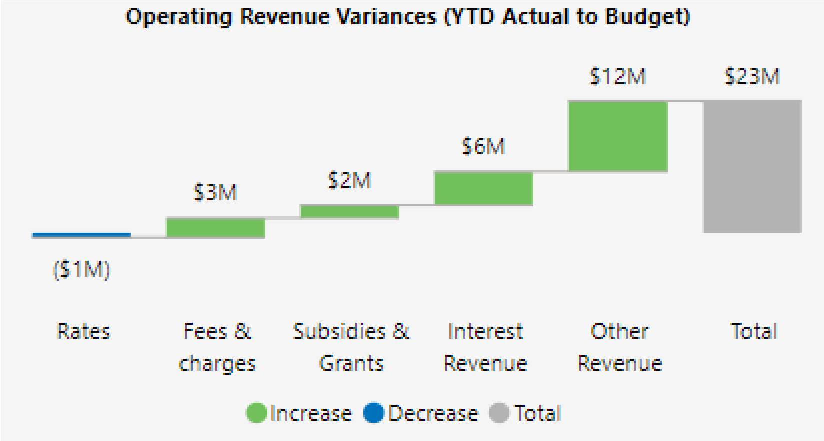
20. The Statement of Comprehensive Revenue and Expense is contained in **Attachment 1**. This statement also includes a forecast of the result for the year ending June 2023 against the annual plan for the year ending June 2023.

21. Individual Everyday Revenue and Expense statements for each of Council's activities are contained in **Attachment 2**.

22. Variances presented as a positive number impact the result in a favourable manner. Variances presented in brackets ($x.xm) impact the result in an unfavourable manner.

Operating Revenue

23. **Total YTD Operating Revenue $22.8m**✓



24. **Rates income ($0.8m)**✗ **-** The rating base at 1 July 2022 was less than the long-range forecast in the Long Term Plan, resulting in approximately ($230k) less rates to date, forecast to be a ($0.3m) variance by 30 June 2023. Rating objections processed to date are ($70k) greater than budgeted. Further objections are yet to be reviewed and finalised. Water by Meter Rates are ($0.8m) behind budget.

25. **Fees & user charges $3.2m**✓ **-** Key contributors include $1m of unbudgeted water reform funding, 2.8m of additional venues revenue. Zoo revenue continues to perform strongly following entry and café improvements contributing an additional $0.4m. March activity for building consents returned to near budgeted activity levels after a particularly slow summer, currently ($0.6m) behind budget. Aquatics revenue is ($103k) under budget.

26. **Subsidies & Grants $2.3m**✓ – Class 1 landfill tonnage fee increases for Waste Minimisation Levy have contributed $0.6m. NZTA subsidies are $1.1m ahead, offsetting additional operating and maintenance costs. Additional grants received include $0.2m MSD covid payments and a 0.1m NZ Libraries Partnership Programme grant for the library.

27. **Interest revenue $5.8m**✓ - Careful treasury monitoring of financial market movements is ensuring that we obtain optimal returns on cash holdings and maximising higher market returns on term deposits.

28. **Other Revenue $12.3m**✓ **-** Higher market interest rates year to date have driven a $11.3m non-cash fair value gain on the HIF loan. This change in value of the HIF loan is excluded from the balancing the books result. Waikato Regional Airport has also paid a $250k dividend.

29. **Operational Revenue Year-End Forecasts include:**

    i. **Fees & Charges $2.1m** – Strong venue and event results to date will be offset somewhat by lower than budgeted building consent activity over summer which is not expected to rebound prior to year-end and the Hamilton Gardens revenue generation impacted by construction work for the new Visitor Arrival Centre.

    ii. **Subsidies & Grants $0.9m** - Due to $0.6m from increased waste levy charges on Class 1 landfills, and $0.2m from the Department of Internal Affairs New Zealand Libraries partnership programme.

iii. **Interest revenue $7.7m** - Higher interest rates on cash holdings will contribute an offset to higher borrowing costs. A notional non-cash gain on the fair value of the HIF loan is adding $22.2m to the surplus for the year based on current interest rates and HIF debt to date. The value at year end will depend on interest rates at year end. The fair value gain does not impact balancing the books.

30. Material variance explanations can be found in the activity statements (**Attachment 2**).

Capital Revenue

31. **Total Capital Revenue YTD $15.1m**✓**.**

32. **Development Contributions $0.5m**✓ - Development Contributions continue to track close to budget. 83% is from residential development, with $10m from the Infill catchment and $7.2m from Rototuna.

33. **Capital revenue $0.1m**✓ - Projects attracting Waka Kotahi NZTA subsidies have progressed slower than anticipated driving ($10.1m) unfavourability. This is being offset by $6.6m of additional water connections. Transport $2.3m favourability due to $605k MBIE contributions for the Te Awa Ride, $1.6m Crown Infrastructure Partners contribution towards Ruakura development and $921k State Highway contribution towards Cobham Drive ring road development.

34. **Vested assets $14.7m**✓ – Timing and valuation of vested assets is difficult to estimate. Budgets are evenly phased throughout the year. $16.3m of vested assets in Kimbrae Drive, Rototuna North, $12.7m in Greenhill Park and $5m in Ohaupo Road are the key areas of vestment year to date. Community reserve vestments of $3.5m in Kimbrae Drive and $3.6m in Greenhill Park development were unbudgeted.

35. The addition of vested assets increases the operating & maintenance and depreciation costs for Council. Through the 2021-31 Long-Term Plan increased funding was made available for maintenance on new vested assets for infrastructural activities.

Asset class	YTD Actual $000	Full Year Annual Budget $000	Life Range (Years)	Estimated Annual Depreciation $000
Wastewater	3,589	3,763	15-100	90
Stormwater	6,616	5,455	30-100	185
Water Supply	1,366	2,034	50-80	46
Roading	24,609	27,945	12-140	410
Parks and Recreation	7,284	-	10	72
Total	**43,464**	**39,199**		**803**

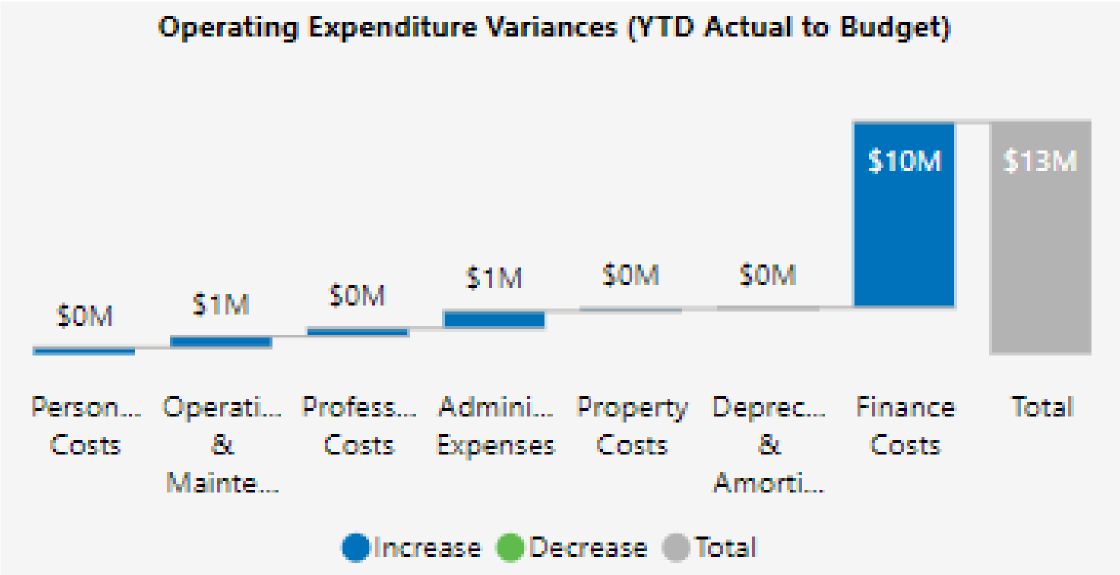
36. **Capital Revenue Year-End Forecast Variances $5.6m**

    i. **Capital Revenue ($1.6m) -** please refer to the Capital Portfolio Monitoring report for commentary on variances.

    ii. **Vested assets $7.2m** - ahead of budget due to unbudgeted assets received by Parks and Gardens.

Operating Expenditure

37. **Total YTD Operating Expenditure ($12.9m)✘.**



38. **Personnel costs ($0.4m)✘** – Staff remuneration is $4.8m less than budget due to staff vacancies. This is partially offset by ($1.2m) of external contractors filling staff roles, ($0.4m) of recruitment costs, and ($0.3m) less leave provision and ACC costs associated with lower staff numbers.

    The unfavourable variance includes ($0.3m) of SaaS costs which were budgeted as capital recoveries, ($0.4m) relates to Water Reform costs charged from contributing units for which the Council has received $1m of additional revenue to cover additional costs, and ($1.0m) of under recovery of capital and operating project time which is currently being actioned to ensure that it is accurately captured by year end.

39. **Operating & Maintenance costs ($0.6m)✘** – Rephasing of information services projects is causing a favourable variance of $1.2m. Clean-up costs from weather events have cost ($0.6m). City Delivery has a ($1.7m) unfavourable recovery of Sub Contractor costs. This variance is expected to reduce by year end.

40. **Professional Costs ($0.4m)✘** - Planning complexities with the Peacock Plan change and District Plan programme has contributed to this unfavourability.

41. **Administration Expenses ($0.8m)✘** - This unfavourability includes YTD budgeted efficiency savings yet to be achieved. This is offset by favourable variances of $0.7m in software licences and $0.3m in advertising and marketing due to project delays.

42. **Property Costs ($0.1m)✘** – This unfavourability includes higher energy costs ($0.5m) are partially offset by $0.2m of lower insurance costs.

43. **Finance costs ($10.3m)✘** - Costs exceed budget due to increased market interest rates with the 12 month rolling average at 3.6% versus a budget of 3.3%. This is partially offset by $5.8m favourable interest revenue.

44. **Depreciation ($0.1m)** ✘ –2022 asset valuations on water assets increased depreciation by ($0.6m) however the impacts of SaaS costs no longer being capitalised offsets $0.3m.

45. **Operating Expenditure Year-End Forecast Variances ($21.1m):**

    i. The largest single contributor to the unfavourable deficit is ($13.8m) interest costs due to higher interest costs. This is partially offset by an additional $7.7m of interest revenue on term investments held.

    ii. Personnel costs are expected to be ($2.1m) above budget due to variances in capitalisation of staff costs due to capital deferrals, additional staff for unbudgeted but funded programmes.

    iii. Professional costs are forecast to be ($1.0m) unfavourable largely due to additional costs for the District Plan programme and the Peacocke Plan change.

    iv. Depreciation & amortisation is expected to be ($0.4m) unfavourable due impacts from the 2022 waters valuations and the expected increase resulting from the pending revaluation of parks and gardens assets.

    Please refer to the activity statements (**Attachment 2**) for material variance explanations.

Gains and Losses

46. **Financial Instrument revaluations $3.3m** ✓ – interest rate increases are driving up the value of Council's fixed rate borrowing instruments - see Attachment 3 for swap interest rate movement.

47. **Loss on disposal of assets ($2.4m)** ✘ – the losses on disposal primarily relate to the impacts of upgrading levels of services for roading assets which have required upgrades to underlying waters infrastructure as well as the renewals works undertaken at Hamilton Zoo.

Treasury Management

48. The table below sets out Council's compliance with the Investment and Liability Management Policy (Council Policy) as at 31 March 2023.

Investment and Liability Management		
Measure	**Compliance**	**Required by**
Fixed Rate Debt Maturity	✓	Council Policy
Funding Maturity	✓	Council Policy
Counterparty Credit Risk	✓	Council Policy
Liquidity	✓	LGFA
Debt/ Revenue	✓	LGFA
Interest Cost/ Rates Revenue	✓	LGFA
Interest Cost/ Total Revenue	✓	LGFA

Interest Rate Risk Management

49. The movement on interest rate swaps relates to valuations completed at a point in time. These are based on Council's total external debt and the difference between current market interest rates and the fixed rates that Council has locked in. They are unrealised because, on maturity of each interest rate swap contract, no interest gain or loss eventuates.

50. At 31 March 2023 Council's fixed rate hedging is 55%. This falls within our debt interest rate policy parameters which requires a minimum fixed rate of 40% and a maximum fixed rate of 95%.

51. Council's gross cost of funds over a 12-month rolling average is 3.6%.

Financial Strategy

52. Any changes in significant forecasting assumptions will result in changes to the Financial Strategy outcomes. These assumptions will be considered and, if necessary, adjusted in each Annual Plan.

Significant Forecasting Adjustments

53. Significant adjustments since the 28 February 2023 Finance Committee meeting, outlined below, as compared to the 2022/23 Annual Plan budget.

54. Capital revenue, capital savings, re-phasing, and delay deferrals from 2022/23 to future years as detailed in the Capital Portfolio Monitoring Report. These have a significant impact on future years, as reflected in the Debt to Revenue and Net Debt position in this report.

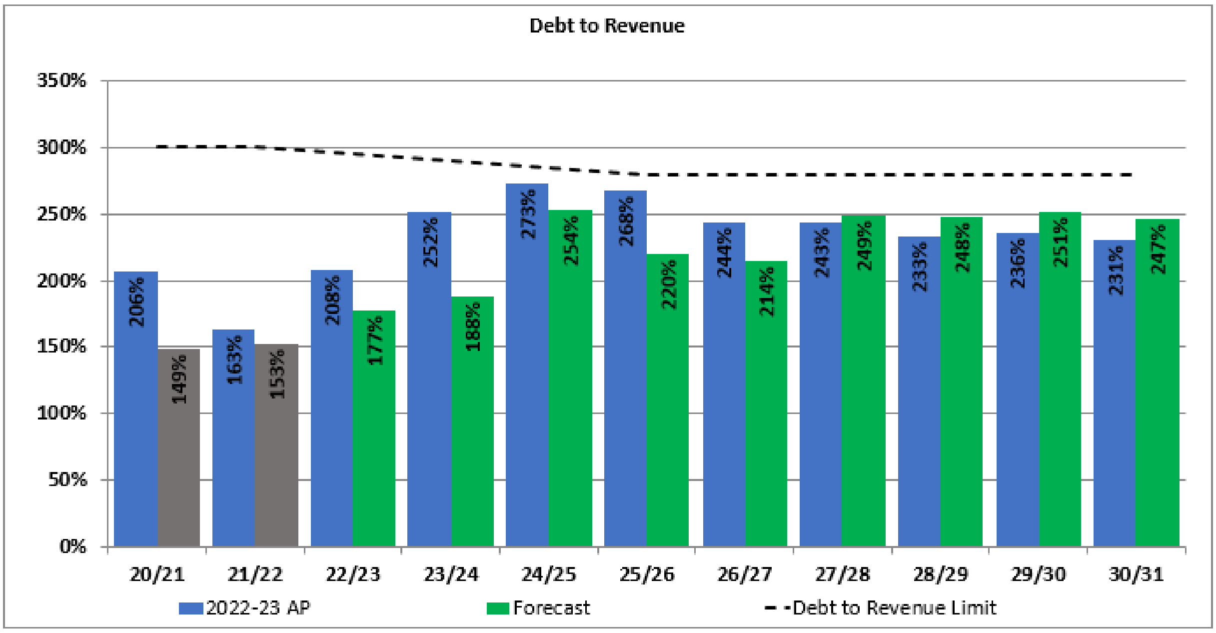
55. Current operational forecasts are indicating an increased deficit of ($21.1m) compared to a budgeted deficit of ($14.4m) - see Attachment 1.

Financial Strategy Graphs

56. The following graphs show the 2022/23 Annual Plan budgets and the total of all forecast adjustments as set out in paragraphs 53 to 55.

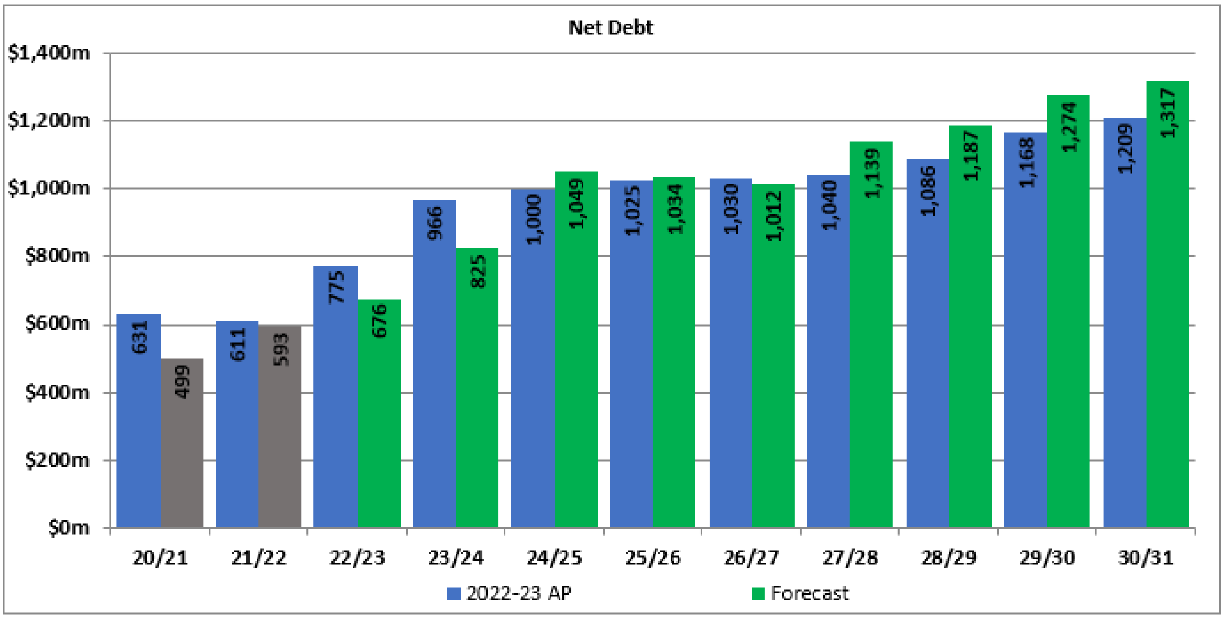
Debt to Revenue

57. The Debt to Revenue graph includes all adjustments identified in this report and shows that debt to revenue of 177% is favourable against a budget of 208%.



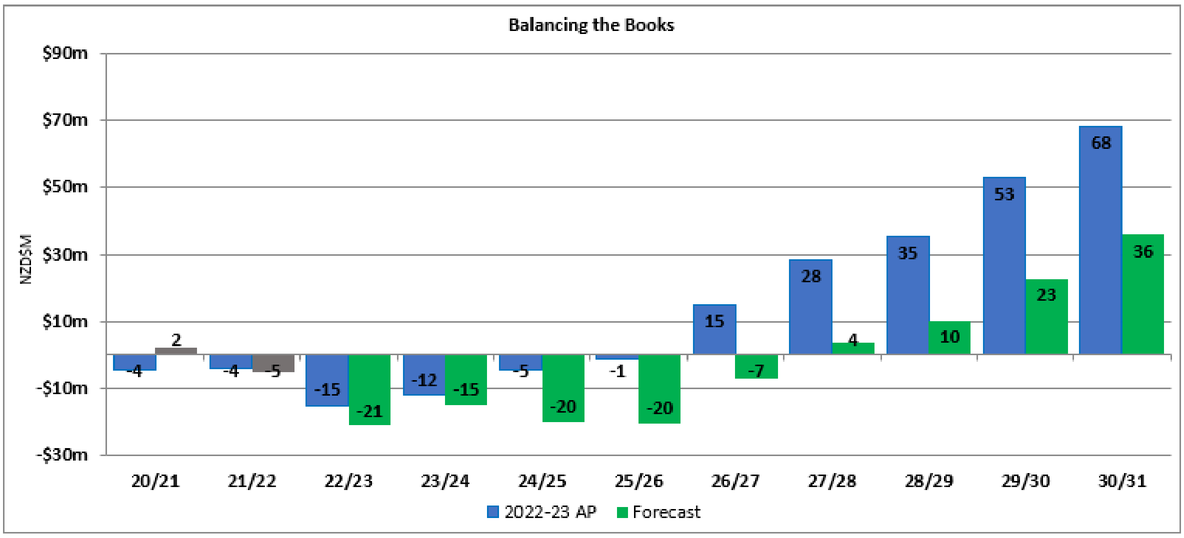
Net Debt

58. The Net Debt graph shows a decrease in net debt against the 2022-23 Annual Plan. Net debt for 2022/23 is $676m.



Balancing the Books

59. The 2022/23 balancing the books deficit is ($21.1) and is unfavourable against the 2022/23 Annual Plan budget of ($14.4m).



Emerging Issues

60. The Capital Portfolio Monitoring Report lists emerging issues that could impact the capital portfolio and consequently debt and the balancing the books result across the remainder of the Long-Term Plan.

Legal and Policy Considerations - Whaiwhakaaro-aa-ture

61. Staff confirm that matters in this report complies with Council's legal and policy requirements.

Wellbeing Considerations - *Whaiwhakaaro-aa-oranga tonutanga*

62. The purpose of Local Government changed on the 14 May 2019 to include promotion of the social, economic, environmental and cultural wellbeing of communities in the present and for the future (‘the 4 wellbeings’).

63. The subject matter of this report has been evaluated in terms of the 4 wellbeings during the process of developing this report.

64. The recommendations set out in this report are consistent with that purpose.

65. Economic wellbeing is managed through the efficient monitoring of Council’s financial results. Diligent management of Council’s budget and regular review of forecasts is required to ensure Council is operating effectively and policy compliance is met.

66. The environmental, social and cultural wellbeings are not directly impacted by the annual monitoring report. However, the efficient review and management of Council’s financial position supports the wider business in their delivery of key objectives that enhance these wellbeings.

Risks - *Tuuraru*

67. There are no known risks associated with the decisions of this report.

Significance & Engagement Policy - *Kaupapa here whakahira/anganui*

Significance

68. Having considered the Significance and Engagement Policy, staff have assessed that the matters in this report have low significance.

Engagement

69. Given the low level of significance determined, the engagement level is low. No engagement is required.

Attachments - *Ngaa taapirihanga*

Attachment 1 - Council Statement of Comprehensive Revenue and Expense March 2023

Attachment 2 - Council Activity Statements March 2023

Attachment 3 - Treasury Position 31 March 2023

STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE

Attachment 1

FOR THE MONTH ENDED 31 MARCH 2023

Last Year YTD ($000)		YTD Actual ($000)	YTD Budget ($000)	Variance Fav/(Unfav) ($000)	Annual Approved Budget ($000)	% Annual Budget Spent ($000)	Annual Forecast ($000)	Annual Variance Fav/(Unfav) ($000)
	Operating Revenue							
164,803	Rates	176,917	177,741	(824)	239,860	74%	239,501	(359)
28,456	Fees & Charges	35,050	31,809	3,241	43,028	81%	45,148	2,120
12,442	Subsidies & Grants	9,021	6,760	2,261	8,995	100%	9,918	923
756	Interest Revenue	7,224	1,399	5,825	1,866	387%	9,577	7,711
5,413	Other Revenue	28,482	16,171	12,311	17,884	159%	30,055	12,171
211,870	**TOTAL OPERATING REVENUE**	**256,694**	**233,879**	**22,815**	**311,634**	**82%**	**334,200**	**22,566**
	Capital Revenue							
15,929	Development Contributions	25,851	25,446	405	33,822	76%	33,822	
64,055	Capital Revenue	49,509	49,536	(26)	70,820	70%	69,198	(1,622)
16,463	Vested Assets	43,464	28,763	14,700	39,199	111%	46,483	7,284
96,447	**TOTAL CAPITAL REVENUE**	**118,824**	**103,745**	**15,079**	**143,840**	**83%**	**149,502**	**5,662**
308,318	**TOTAL REVENUE**	**375,518**	**337,624**	**37,894**	**455,474**	**82%**	**483,702**	**28,227**
	Expenditure							
71,093	Personnel Costs	80,318	79,945	(373)	109,582	73%	111,651	(2,070)
45,990	Operating & Maintenance Costs	57,311	56,705	(605)	76,850	75%	78,716	(1,866)
13,549	Professional Costs	10,667	10,224	(442)	16,283	66%	17,231	(948)
11,785	Administration Expenses	19,949	18,989	(960)	17,581	113%	19,774	(2,193)
8,210	Property Costs	10,671	10,530	(141)	13,754	78%	14,107	(352)
12,552	Finance Costs	26,150	15,843	(10,307)	21,454	122%	35,222	(13,768)
59,244	Depreciation & Amortisation Expense	64,936	64,890	(46)	86,520	75%	86,933	(413)
222,423	**TOTAL EXPENDITURE**	**270,001**	**257,127**	**(12,874)**	**342,023**	**79%**	**363,634**	**(21,611)**
85,895	**OPERATING SURPLUS/(DEFICIT)**	**105,517**	**80,497**	**25,020**	**113,451**	**93%**	**120,068**	**6,617**
	Gains and Losses							
31,081	Net gain/(loss) on revaluation of interest rate swaps	3,276		3,276			3,276	3,276
	Gain on fair value of investment properties		()					
(3,719)	Property, plant and equipment net gain/(loss)	(2,386)		(2,386)	(60,092)	4%	(63,481)	(3,389)
27,363	**TOTAL GAINS AND LOSSES**	**890**	**()**	**890**	**(60,092)**	**(1%)**	**(60,205)**	**(113)**
113,258	**TOTAL SURPLUS/(DEFICIT)**	**106,407**	**80,497**	**25,910**	**53,360**	**199%**	**59,863**	**6,504**

Refer to Activity Statements for variances against budget.

BALANCING THE BOOKS RESULT

FOR THE MONTH ENDED 31 MARCH 2023

Last Year YTD $000		YTD Actual $000	YTD Budget $000	Variance Fav/(Unfav) $000	Annual Approved Budget $000	% Annual Budget Spent $000	Annual Forecast $000	Annual Variance Fav/(Unfav) $000
113,258	**Surplus/(Deficit)**	**106,407**	**80,497**	**25,910**	**53,360**	**199%**	**59,863**	**6,504**
	Remove capital revenue							
(16,463)	Vested assets	(43,464)	(28,763)	(14,700)	(39,199)	111%	(46,483)	(7,284)
(7,628)	Part of Development and Financial contributions	(16,957)	(16,567)	(390)	(21,984)	77%	(21,984)	
(32,090)	Capital Subsidy (excluding subsidy on transport renewal	(27,806)	(40,296)	12,490	(53,729)	52%	(40,722)	13,006
(25,687)	Other Capital Contributions & Grants	(13,461)	(3,453)	(10,008)	(9,377)	144%	(17,487)	(8,110)
(630)	Other items not considered everyday operating revenue	(22,156)	(10,887)	(11,269)	(10,887)	204%	(22,156)	(11,269)
	Remove (gains)/losses							
(27,363)	All Gains/(Losses)	(890)		(890)	60,092	(1%)	60,205	113
	Remove other expenses							
362	Other items not considered everyday operating expense	7,344	6,960	384	7,280	101%	7,793	512
3,758	**EVERYDAY SURPLUS/(DEFICIT)**	**(10,983)**	**(12,510)**	**1,527**	**(14,444)**	**76%**	**(20,971)**	**(6,527)**

COUNCIL

FOR THE MONTH ENDED 31 MARCH 2023

Last Year YTD ($000)		YTD Actual ($000)	YTD Budget ($000)	Variance Fav/(Unfav) ($000)	Annual Approved Budget ($000)	% Annual Budget Spent ($000)	Annual Forecast ($000)	Annual Variance Fav/(Unfav) ($000)
	Everyday Revenue							
164,803	Rates**	176,917	177,741	(824)	239,860	74%	239,501	(359)
28,456	Fees & Charges	35,050	31,809	3,241	43,028	81%	45,148	2,120
12,442	Subsidies & Grants	9,021	6,760	2,261	8,995	100%	9,918	923
756	Interest Revenue	7,224	1,399	5,825	1,866	387%	9,577	7,711
5,413	Other Revenue	28,482	16,171	12,311	17,884	159%	30,055	12,171
211,870	**Total Everyday Revenue**	**256,694**	**233,879**	**22,815**	**311,634**	**82%**	**334,200**	**22,566**
	Everyday Expenditure							
71,093	Personnel Costs	80,318	79,945	(373)	109,582	73%	111,651	(2,070)
45,990	Operating & Maintenance Costs	57,311	56,705	(605)	76,850	75%	78,716	(1,866)
13,549	Professional Costs	10,667	10,224	(442)	16,283	66%	17,231	(948)
11,785	Administration Expenses	19,949	18,989	(960)	17,581	113%	19,774	(2,193)
8,210	Property Costs	10,671	10,530	(141)	13,754	78%	14,107	(352)
12,552	Finance Costs**	26,150	15,843	(10,307)	21,454	122%	35,222	(13,768)
59,244	Depreciation & Amortisation Expense**	64,936	64,890	(46)	86,520	75%	86,933	(413)
(27,363)	Gains & Losses	(890)		890	60,092	(1%)	60,205	(113)
195,060	**Total Everyday Expenditure**	**269,111**	**257,127**	**(11,984)**	**402,115**	**67%**	**423,838**	**(21,724)**
16,811	**Everyday Surplus/(Deficit)***	**(12,417)**	**(23,248)**	**10,831**	**(90,481)**	**14%**	**(89,639)**	**842**
	Capital Revenue							
15,929	Development Contributions**	25,851	25,446	405	33,822	76%	33,822	
64,055	Capital Revenue**	49,509	49,536	(26)	70,820	70%	69,198	(1,622)
16,463	Vested Assets**	43,464	28,763	14,700	39,199	111%	46,483	7,284
96,447	**Total Capital Revenue**	**118,824**	**103,745**	**15,079**	**143,840**	**83%**	**149,502**	**5,662**
113,258	**Operating Surplus/(Deficit)**	**106,407**	**80,497**	**25,910**	**53,360**	**199%**	**59,863**	**6,504**

Material variances as explained below:

Rates: ($824k) unfavourable.**
The rating base at 1 July 2022 was less than the long-range forecast in the Long Term Plan, resulting in approximately ($230k) less rates to date. There have been ($480k) of rating valuation objections processed against a budgeted allowance of ($411k), resulting in net ($70k) variance to budget. Water Meter Rates are ($786k) behind budget. These are somewhat offset by an increased value of rates penalties received $229k and a lower uptake of rates remissions for hardship applications $254k.

Finance Costs: ($10,307k) unfavourable.**
Rises in market interest rates have resulted in an increase to the interest expense on the debt that is on floating rates. This is partially offset by the $5.8m increase in interest received on term investments.

Development Contributions: $405k favourable.**
Large developments do not pay required DC's in a smooth, linear fashion, but in large amounts when development milestones are met. However actual revenue received is tracking close to budget.

Vested Assets: $14,700k favourable.**
$16.3m of vested assets in Kimbrae Drive, Rototuna North, $12.7m in Greenhill Park and $5m in Ohaupo Road are the key areas of vestment year to date. Community reserve vestments of $3.5m in Kimbrae Drive and $3.6m in Greenhill Park development were unbudgeted.

The comments below explain the material variance between annual approved budget and annual forecast.

Rates: ($359k) unfavourable.**
Lower than anticipated growth in the rating base has been extrapolated for the full year.

Finance Costs: ($13,768k) unfavourable.**
Council's interest expense has been reforecast due to increases in the interest rates for debt that is on floating rates. A reforecast of an additional $7.7m interest received partially offsets this additional spend.

Depreciation & Amortisation Expense: ($413k) unfavourable.**
Due to impacts from the 2022 waters valuations and the expected increase in parks and gardens assets as a result of the 2023 valuation (currently

Capital Revenue: ($1,622k) unfavourable.**
Capital revenue has been reforecast to reflect the impact of expected deferrals for the year.

Vested Assets: $7,284k favourable.**
The result is due to unbudgeted vested assets received in Parks and Gardens.

Attachment 2

GOVERNANCE

Governance and Public Affairs | Partnership with Maaori

FOR THE MONTH ENDED 31 MARCH 2023

$000 Last Year YTD		$000 YTD Actual	$000 YTD Budget	$000 Variance Fav/(Unfav)	$000 Annual Approved Budget	$000 % Annual Budget Spent	$000 Annual Forecast	$000 Annual Variance Fav/(Unfav)
	Everyday Revenue							
2,271	Rates**	2,459	2,457	2	3,321	74%	3,317	(5)
	Fees & Charges	176	157	19	157	112%	157	
	Subsidies & Grants	1		1			1	1
	Interest Revenue							
	Other Revenue	6		6				
2,271	**Total Everyday Revenue**	**2,642**	**2,615**	**28**	**3,479**	**76%**	**3,475**	**(4)**
	Everyday Expenditure							
369	Personnel Costs	531	463	(68)	738	72%	722	16
1	Operating & Maintenance Costs	26	25	(1)	33	77%	29	4
336	Professional Costs	649	844	195	1,122	58%	1,112	10
1,234	Administration Expenses	1,202	1,254	52	1,827	66%	1,841	(13)
	Property Costs			()				
	Finance Costs**							
	Depreciation & Amortisation Expense**							
	Gains & Losses							
1,939	**Total Everyday Expenditure**	**2,407**	**2,585**	**178**	**3,721**	**65%**	**3,704**	**17**
332	**Everyday Surplus/(Deficit)***	**235**	**29**	**206**	**(242)**	**(97%)**	**(229)**	**13**
332	**Operating Surplus/(Deficit)**	**235**	**29**	**206**	**(242)**	**(97%)**	**(229)**	**13**

** Everyday surplus/(deficit) excludes overhead allocation. Refer to Overheads activity statement for overhead results and variance explanations*

*** Rates Revenue, Finance Costs, Depreciation & Amortisation Expenses, Development Contribution, Capital Revenue and Vested Assets variances are explained in the Council activity statements*

Material variances as explained below:

Professional Costs: $195k favourable.

Election costs were incurred earlier than originally planned and therefore captured in the last financial year.

The comments below explain the material variance between annual approved budget and annual forecast.

No material variances.

Attachment 2

VISITOR DESTINATIONS

Hamilton Gardens | Waikato Museum | Hamilton Zoo | Arts Promotion

FOR THE MONTH ENDED 31 MARCH 2023

$000 Last Year YTD		$000 YTD Actual	$000 YTD Budget	$000 Variance Fav/(Unfav)	$000 Annual Approved Budget	$000 % Annual Budget Spent	$000 Annual Forecast	$000 Annual Variance Fav/(Unfav)
	Everyday Revenue							
11,437	Rates**	12,372	12,364	9	16,686	74%	16,662	(24)
1,444	Fees & Charges	2,581	2,160	421	3,010	86%	3,219	209
83	Subsidies & Grants	143	83	60	85	169%	142	57
20	Interest Revenue	203	56	147	75	271%	271	196
67	Other Revenue	114	111	2	140	81%	146	6
13,052	**Total Everyday Revenue**	**15,413**	**14,775**	**638**	**19,995**	**77%**	**20,439**	**445**
	Everyday Expenditure							
6,601	Personnel Costs	7,630	7,550	(80)	10,319	74%	10,632	(312)
2,022	Operating & Maintenance Costs	2,922	3,287	365	4,381	67%	4,194	188
243	Professional Costs	279	172	(107)	251	111%	398	(146)
303	Administration Expenses	457	479	23	336	136%	618	(282)
379	Property Costs	488	513	25	682	72%	650	32
304	Finance Costs**	720	679	(41)	906	80%	960	(54)
2,410	Depreciation & Amortisation Expense**	1,959	2,458	498	3,277	60%	2,618	658
3	Gains & Losses	425		(425)			425	(425)
12,264	**Total Everyday Expenditure**	**14,880**	**15,138**	**258**	**20,152**	**74%**	**20,494**	**(342)**
788	**Everyday Surplus/(Deficit)***	**533**	**(363)**	**896**	**(157)**	**(339%)**	**(55)**	**102**
	Capital Revenue							
5	Capital Revenue**	250	250		1,602		250	(1,352)
5	**Total Capital Revenue**	**250**	**250**		**1,602**	**16%**	**250**	**(1,352)**
793	**Operating Surplus/(Deficit)**	**783**	**(113)**	**896**	**1,444**	**54%**	**195**	**(1,249)**

** Everyday surplus/(deficit) excludes overhead allocation. Refer to Overheads activity statement for overhead results and variance explanations*

*** Rates Revenue, Finance Costs, Depreciation & Amortisation Expenses, Development Contribution, Capital Revenue and Vested Assets variances are explained in the Council activity statements*

Material variances as explained below:

Fees & Charges: $421k favourable.

Fees & Charges are favourable due to increased patronage and retail sales at Hamilton Zoo.

Operating & Maintenance Costs: $365k favourable.

Building painting workplan changes has resulted in reduced spend for the year to date, however this underspend is offset in building painting in other areas of Community Group.

Professional Costs: ($107k) unfavourable.

Unfavourable variance mostly due to the need to extend the external vet contract to December 2022, whilst awaiting the arrival of Hamilton Zoo's new Head Vet from the USA. The extra costs were partially offset by personnel expenses not incurred during that time.

Gains & Losses: ($425k) unfavourable.

The loss on disposal of assets relates to works undertaken as part of the renewal programme. Disposals include the Hamilton Zoo buildings and playground.

The comments below explain the material variance between annual approved budget and annual forecast.

Fees & Charges: $209k favourable.

Fees & Charges are expected to be favourable due to increased patronage and retail sales at Hamilton Zoo. There will be a slight offset in the last quarter of the year, as venue hire and sale of goods revenue at the Hamilton Gardens will be impacted by construction work for the new Visitor Arrival Centre.

Personnel Costs: ($312k) unfavourable.

Unfavourable variance driven by higher than expected costs due to tight employment market conditions, increased recruitment costs and the inability to meet the budgeted vacancy factor due to the need to maintain rosters at minimum staffing levels across public facing sites.

Operating & Maintenance Costs: $188k favourable.

Building painting workplan changes has resulted in reduced spend within Visitor Destinations, however this underspend will be offset in other areas of Community Group.

Professional Costs: ($146k) unfavourable.

Unfavourable variance mostly due to the need to extend the external vet contract to December 2022, whilst awaiting the arrival of Hamilton Zoo's new Head Vet from the USA.

Administration Expenses: ($282k) unfavourable.

Efficiency savings have been removed from the Administration category and reallocated against revenue/cost lines as specific budget reductions have been identified.

Gains & Losses: ($425k) unfavourable.

The loss on disposal of assets relates to works undertaken as part of the renewal programme. Disposals include the Hamilton Zoo buildings and playground.

Attachment 2

VENUES, TOURISM AND MAJOR EVENTS

Claudelands | FMG Stadium Waikato | Seddon Park | Tourism and Events Funding | Theatres

FOR THE MONTH ENDED 31 MARCH 2023

$000 Last Year YTD		$000 YTD Actual	$000 YTD Budget	$000 Variance Fav/(Unfav)	$000 Annual Approved Budget	$000 % Annual Budget Spent	$000 Annual Forecast	$000 Annual Variance Fav/(Unfav)
	Everyday Revenue							
13,953	Rates**	15,106	15,062	44	20,367	74%	20,337	(29)
2,529	Fees & Charges	6,875	4,051	2,823	5,520	125%	8,185	2,664
	Subsidies & Grants	6		6				
34	Interest Revenue	300	56	244	75	402%	400	325
599	Other Revenue	622	567	55	756	82%	830	74
17,115	**Total Everyday Revenue**	**22,908**	**19,736**	**3,172**	**26,717**	**86%**	**29,752**	**3,035**
	Everyday Expenditure							
4,229	Personnel Costs	4,922	4,952	31	6,779	73%	6,879	(100)
3,402	Operating & Maintenance Costs	5,315	3,758	(1,557)	5,680	94%	7,400	(1,720)
129	Professional Costs	174	185	11	247	70%	247	
1,269	Administration Expenses	7,617	7,293	(324)	7,628	100%	7,910	(282)
852	Property Costs	1,273	1,167	(106)	1,522	84%	1,772	(250)
636	Finance Costs**	1,066	859	(207)	1,146	93%	1,420	(274)
5,104	Depreciation & Amortisation Expense**	5,795	6,099	305	8,132	71%	7,693	439
12	Gains & Losses	117		(117)			117	(117)
15,634	**Total Everyday Expenditure**	**26,278**	**24,315**	**(1,964)**	**31,134**	**84%**	**33,438**	**(2,304)**
1,481	**Everyday Surplus/(Deficit)***	**(3,371)**	**(4,579)**	**1,208**	**(4,417)**	**76%**	**(3,686)**	**731**
	Capital Revenue							
	Capital Revenue**	227		227			227	227
	Total Capital Revenue	**227**		**227**			**227**	**227**
1,481	**Operating Surplus/(Deficit)**	**(3,143)**	**(4,579)**	**1,435**	**(4,417)**	**71%**	**(3,459)**	**958**

** Everyday surplus/(deficit) excludes overhead allocation. Refer to Overheads activity statement for overhead results and variance explanations*

*** Rates Revenue, Finance Costs, Depreciation & Amortisation Expenses, Development Contribution, Capital Revenue and Vested Assets variances are explained in the Council activity statements*

Material variances as explained below:

Fees & Charges: $2,823k favourable.

The level of event activity, particularly in larger scale events has continued stronger year to date, compared to budgeted levels.

Operating & Maintenance Costs: ($1,557k) unfavourable.

The unfavourable operating and maintenance costs is directly in line with the increased revenue from events. This is partially offset by painting budgets not yet consumed, due to scheduling of painting programme of work.

Administration Expenses: ($324k) unfavourable.

Efficiency savings have been realised through favourable revenue reflected in year to date results.

Property Costs: ($106k) unfavourable.

Utilities costs are unfavourable due to the increased level of events at our venues, along with the increased unit rates from those used at budget setting.

Gains & Losses: ($117k) unfavourable.

The loss on disposal of assets relates to works undertaken as part of the renewal programme. These include FMG Seismic Strengthening ($19k), Claudelands Emergency Lighting renewals ($60k), Seddon Park Toilet upgrade ($23k) and H3 PG Assets (10K).

Capital Revenue: $227k favourable.**

Legacy projects receiving funding via FIFA contracts for gender neutral changing rooms.

The comments below explain the material variance between annual approved budget and annual forecast.

Fees & Charges: $2,664k favourable.

The ongoing favourability in revenue due to an increased event schedule will hold for the remainder of the year.

Personnel Costs: ($100k) Unfavourable

At year end, personnel forecasted to be unfavourable due to increased revenue from event activity driving additional resource requirements, incorporating vacancy factor already achieved.

Operating & Maintenance Costs: ($1,720k) unfavourable.

($1,750k) of additional forecast event costs are aligned to associated favourable revenue forecasts. $100k maintenance costs due to schedule for painting works adjusted.

Administration Expenses: ($282k) unfavourable.

Unfavourability due to efficiency savings budget offset in favourable revenue actuals.

Property Costs: ($250k) unfavourable.

Level of event activity along with increased costs in energy costs, beyond the levels budgeted has resulted in increased forecast levels.

Gains & Losses: ($117k) unfavourable.

Refer above.

Capital Revenue: $227k favourable.**

Legacy projects receiving funding via FIFA contracts for gender neutral changing rooms.

Attachment 2

PARKS AND RECREATION

Community Parks | Natural Areas | Streetscapes | Sports Parks | Playgrounds | Cemeteries and Crematorium | Indoor Recreation

FOR THE MONTH ENDED 31 MARCH 2023

$000 Last Year YTD		$000 YTD Actual	$000 YTD Budget	$000 Variance Fav/(Unfav)	$000 Annual Approved Budget	$000 % Annual Budget Spent	$000 Annual Forecast	$000 Annual Variance Fav/(Unfav)
	Everyday Revenue							
18,562	Rates**	20,106	20,087	19	27,106	74%	27,065	(40)
3,554	Fees & Charges	3,459	3,554	(95)	5,005	69%	4,815	(190)
7	Subsidies & Grants	77	5	71	7	1110%	79	72
58	Interest Revenue	543	84	459	112	485%	724	612
234	Other Revenue	248	153	95	184	135%	290	105
22,415	**Total Everyday Revenue**	**24,433**	**23,883**	**550**	**32,413**	**75%**	**32,973**	**560**
	Everyday Expenditure							
7,808	Personnel Costs	8,030	8,499	469	11,616	69%	11,176	440
3,976	Operating & Maintenance Costs	6,507	5,309	(1,198)	6,704	97%	7,639	(935)
247	Professional Costs	496	559	63	1,545	32%	1,380	166
303	Administration Expenses	367	336	(31)	(257)	(143%)	342	(599)
308	Property Costs	388	425	37	567	68%	552	15
1,004	Finance Costs**	1,933	1,910	(23)	2,546	76%	2,577	(31)
4,009	Depreciation & Amortisation Expense**	4,136	4,364	228	5,818	71%	5,623	195
307	Gains & Losses	115		(115)			115	(115)
17,963	**Total Everyday Expenditure**	**21,972**	**21,402**	**(570)**	**28,539**	**77%**	**29,405**	**(865)**
4,453	**Everyday Surplus/(Deficit)***	**2,460**	**2,481**	**(20)**	**3,874**	**64%**	**3,568**	**(305)**
	Capital Revenue							
1,019	Development Contributions**	1,173	876	297	1,168	100%	1,168	
14	Capital Revenue**	939		939	1,440	65%	1,202	(238)
(338)	Vested Assets**	7,284		7,284			7,284	7,284
695	**Total Capital Revenue**	**9,395**	**876**	**8,519**	**2,609**	**360%**	**9,654**	**7,046**
5,147	**Operating Surplus/(Deficit)**	**11,856**	**3,357**	**8,499**	**6,482**	**183%**	**13,223**	**6,740**

** Everyday surplus/(deficit) excludes overhead allocation. Refer to Overheads activity statement for overhead results and variance explanations*

*** Rates Revenue, Finance Costs, Depreciation & Amortisation Expenses, Development Contribution, Capital Revenue and Vested Assets variances are explained in the Council activity statements*

Material variances as explained below:

Personnel Costs: $469k favourable.

The favourable variance is due to staff vacancies and the length of time to recruit in the current market. Some work has had to be completed by contractors, so we have seen a shift in spend from Personnel to Operating & Maintenance costs.

Operating & Maintenance Costs: ($1,198k) unfavourable.

Building painting workplan changes, including deferrals from previous years, has resulted in additional spend this year of $450k (however this is offset within other areas of Community Group painting underspend). The backfill of staff vacancies with contractors is offset by the reduction in personnel costs. There have also been unbudgeted costs required for the Arboriculture team to carry out maintenance services safely and in accordance with the Code of Compliance for Temporary Traffic Management, storm damage response ($390k), and upgrade requirements exceeding budget for FIFA ($130k) and Special Olympics ($56k).

Gains & Losses: ($115k) unfavourable.

The loss on disposal of assets relates to works undertaken as part of the renewal programme. These include toilet/changing rooms.

The comments below explain the material variance between annual approved budget and annual forecast.

Fees & Charges: ($190k) unfavourable.

The unfavourable variance is due to revenue from the Downer Alliance contract for street landscapes expecting to be lower. This is due to the staff vacancy impact on the contract costs being charged.

Other Revenue: $105k favourable.

The favourable variance is in part due to Environment Reinstatement infringements, and is offset by reinstatement costs in operating expenses.

Personnel Costs: $440k favourable.

This reflects the underspend in personnel costs due to vacancies (refer explanation above), over and above the vacancy factor.

Operating & Maintenance Costs: ($935k) unfavourable.

This reflects the overspend in Operating & Maintenance costs (refer explanation above).

Professional Costs: $166k favourable.

The favourable variance is due to forecasted underspends across various budget lines.

Administration Expenses: ($599k) unfavourable.

Efficiency savings have been transferred to relevant revenue/cost categories where these savings will be realised across various Community Activity areas.

Gains & Losses: ($115k) unfavourable.

Refer above.

Attachment 2

COMMUNITY SERVICES

Libraries | Community Development | Aquatics

FOR THE MONTH ENDED 31 MARCH 2023

$000 Last Year YTD		$000 YTD Actual	$000 YTD Budget	$000 Variance Fav/(Unfav)	$000 Annual Approved Budget	$000 % Annual Budget Spent	$000 Annual Forecast	$000 Annual Variance Fav/(Unfav)
	Everyday Revenue							
14,465	Rates**	15,671	15,605	66	21,105	74%	21,074	(30)
1,534	Fees & Charges	2,702	2,851	(149)	3,680	73%	3,512	(168)
176	Subsidies & Grants	261	2	259	132	198%	329	197
25	Interest Revenue	249	56	193	75	333%	332	257
(1)	Other Revenue	40	17	23	23	174%	56	33
16,199	**Total Everyday Revenue**	**18,922**	**18,531**	**392**	**25,015**	**76%**	**25,303**	**288**
	Everyday Expenditure							
7,632	Personnel Costs	7,993	7,570	(424)	10,244	78%	10,734	(491)
1,326	Operating & Maintenance Costs	1,730	1,658	(72)	2,330	74%	2,561	(231)
237	Professional Costs	305	328	23	467	65%	474	(7)
1,543	Administration Expenses	1,714	1,802	88	2,506	68%	2,591	(85)
677	Property Costs	965	922	(43)	1,226	79%	1,385	(159)
362	Finance Costs**	885	692	(193)	922	96%	1,180	(257)
3,288	Depreciation & Amortisation Expense**	4,165	3,831	(334)	5,108	82%	5,551	(443)
31	Gains & Losses	30		(30)			30	(30)
15,096	**Total Everyday Expenditure**	**17,787**	**16,803**	**(984)**	**22,804**	**78%**	**24,506**	**(1,702)**
1,104	**Everyday Surplus/(Deficit)***	**1,135**	**1,728**	**(592)**	**2,211**	**51%**	**797**	**(1,414)**
	Capital Revenue							
	Capital Revenue**				2,064	0%		(2,064)
	Total Capital Revenue				**2,064**	**0%**		**(2,064)**
1,104	**Operating Surplus/(Deficit)**	**1,135**	**1,728**	**(592)**	**4,275**	**27%**	**797**	**(3,478)**

** Everyday surplus/(deficit) excludes overhead allocation. Refer to Overheads activity statement for overhead results and variance explanations*

*** Rates Revenue, Finance Costs, Depreciation & Amortisation Expenses, Development Contribution, Capital Revenue and Vested Assets variances are explained in the Council activity statements*

Material variances as explained below:

Fees & Charges: ($149k) unfavourable.

Aquatics revenue is lower than budgeted year to date ($103k), downsides to revenue related to the impacts of a tight labour market on Gallagher Aquatic Centre operating hours and lower Learn to Swim attendances. Club Aqua Gym and swim attendances at Waterworld are favourable on budget.

Libraries revenue is under budget ($49k). This reduction relates to the impact of Council's decision to remove overdue charges for Junior and Young Adult items and the impacts of supply chain issues and publishing delays on the volume of material in the libraries pay collections.

Subsidies & Grants: $259k favourable.

Unbudgeted contributions received from the Department of Internal Affairs for the New Zealand Libraries Partnership Programme costs, and Tu Manawa funding towards Aquatics Sensory Programmes. This is offset by unbudgeted costs under staff remuneration and other operating cost lines.

Personnel Costs: ($424k) unfavourable.

The unfavourable variance due in part to unbudgeted costs associated with funded programs offset in Subsidies & Grants and a resource alignment in Aquatics to improve safety and assurance outcomes. Additionally, prior to the busy summer season Aquatics experienced the impacts of a tight labour market resulting in high volumes of recruitment (with the resulting personnel costs of training onboarding and certification).

The comments below explain the material variance between annual approved budget and annual forecast.

Fees & Charges: ($168k) unfavourable.

The unfavourable variance is due largely to the reduced hours/fees at Gallagher Aquatic Centre and lower than expected enrolments in the Learn to Swim programme. Gallagher Aquatic Centre returns to full hours and fees from 8 April 2023. The Learn to Swim enrolments are projected to increase, with the programme fully resourced and as families return from school holidays and get into their normal family rhythms.

Supply chain issues from Covid-19 have impacted volumes in our Libraries pay collections resulting in lower revenue, in addition to the impact of Council approving the removal of overdue charges for Junior and Young Adult items.

Subsidies & Grants: $197k favourable.

The favourable variance is due to unbudgeted funded programs (refer explanation above) and is offset by unbudgeted costs under staff remuneration and other operating cost lines.

Personnel Costs: ($491k) unfavourable.

The unfavourable variance is due to unbudgeted costs associated with funded programs and unbudgeted costs highlighted during the Aquatics resource realignment during the last financial year. These are partially being offset by subsidies and grants and savings through other activities and operating lines across Community Services.

Operating & Maintenance Costs: ($231k) unfavourable.

Building painting workplan changes, including deferrals from previous years, has resulted in additional spend this year (however this is offset in building painting underspend in other areas of Community Group). The remaining unfavourable variance relates to unbudgeted costs for programming (e.g. sensory and water safety programming at Waterworld) which are funded from external grants and offset by revenue, and increasing chemical and consumable costs required to maintain water quality.

Property Costs: ($159k) unfavourable.

The Aquatics gas budget had been reduced on the assumption that a new hot water heat pump was installed in this financial year. This was delayed due to supply chain disruptions and is now expected to occur in 23/24. In addition the main plant electricity costs have increased by 27% for the first six months of this year , when compared to the last two years, as pool operations return to full capacity following covid disruptions.

Attachment 2

SAFETY

Animal Education and Control | Environmental Health | Alcohol Licensing | Public Safety | Civil Defence

FOR THE MONTH ENDED 31 MARCH 2023

$000 YTD 2019/20		$000 YTD Actual	$000 YTD Budget	$000 Variance Fav/(Unfav)	$000 Annual Approved Budget	$000 % Annual Budget Spent	$000 Annual Forecast	$000 Annual Variance Fav/(Unfav)
	Everyday Revenue							
3,449	Rates**	3,743	3,743	1	5,059	74%	5,052	(7)
1,876	Fees & Charges	1,901	1,857	44	2,171	88%	2,128	(44)
38	Subsidies & Grants	57	39	18	53	109%	71	19
	Interest Revenue							
53	Other Revenue	220	23	197	31	721%	220	189
5,416	**Total Everyday Revenue**	**5,922**	**5,662**	**260**	**7,313**	**81%**	**7,471**	**157**
	Everyday Expenditure							
3,360	Personnel Costs	3,660	3,566	(94)	4,866	75%	4,902	(36)
1,016	Operating & Maintenance Costs	1,147	1,079	(68)	1,390	82%	1,376	14
132	Professional Costs	246	123	(123)	168	146%	367	(199)
264	Administration Expenses	264	239	(25)	82	323%	264	(182)
17	Property Costs	40	21	(19)	29	135%	29	
	Finance Costs**		5	5	7	5%		6
71	Depreciation & Amortisation Expense**	76	83	7	111	69%	101	9
	Gains & Losses							
4,860	**Total Everyday Expenditure**	**5,433**	**5,116**	**(317)**	**6,652**	**82%**	**7,040**	**(388)**
556	**Everyday Surplus/(Deficit)***	**490**	**546**	**(57)**	**661**	**74%**	**431**	**(230)**
	Capital Revenue							
	Capital Revenue**							
	Total Capital Revenue							
556	**Operating Surplus/(Deficit)**	**490**	**546**	**(57)**	**661**	**74%**	**431**	**(230)**

** Everyday surplus/(deficit) excludes overhead allocation. Refer to Overheads activity statement for overhead results and variance explanations*

*** Rates Revenue, Finance Costs, Depreciation & Amortisation Expenses, Development Contribution, Capital Revenue and Vested Assets variances are explained in the Council activity statements*

Material variances as explained below:

Other Revenue: $197k favourable.

Animal Control Infringements will be high this year as staff shortages and full kennels have resulted in deliberate activity to infringe more dog owners for failing to register their dog rather than seizing them. The alternative is to significantly increase the number of dogs that are euthanised, a number of which would be suitable for adoption.

Professional Costs: ($123k) unfavourable.

The unfavourable variance is a result of increased Animal Control legal costs incurred relating to multiple prosecutions, defended hearings, objections, coroners requests and general advice. The close down of courts during the covid period and decisions made to prosecute rather than seize dogs due to covid restrictions are now apparent (prosecutions are 2021 and 2022 matters).

The comments below explain the material variance between annual approved budget and annual forecast.

Other Revenue: $189k favourable.

The favourable variance reflects the additional Animal Control Infringement revenue to date (refer explanation above). The additional fees from infringements is not expected to continue past the end of April (increased infringements issued due to owners not registering dogs).

Professional Costs: ($199k) unfavourable.

The unfavourable variance reflects the increased Animal Control legal costs (refer explanation above). The forecast includes provision for more legal costs to be incurred, however this is totally dependent upon the impact of court timetables to hear cases that are awaiting hearings before the end of the financial year.

Administration Expenses: ($182k) unfavourable.

Efficiency savings have been transferred to relevant revenue/cost categories where these savings will be realised across various Community Activity areas.

GROWTH

City Planning | Planning Guidance | Building Control

FOR THE MONTH ENDED 31 MARCH 2023

Last Year YTD ($000)		YTD Actual ($000)	YTD Budget ($000)	Variance Fav/(Unfav) ($000)	Annual Approved Budget ($000)	% Annual Budget Spent ($000)	Annual Forecast ($000)	Annual Variance Fav/(Unfav) ($000)
	Everyday Revenue							
8,472	Rates**	9,125	9,132	(7)	12,308	74%	12,294	(14)
9,287	Fees & Charges	7,495	8,077	(583)	10,770	70%	10,229	(541)
	Subsidies & Grants	23						
6	Interest Revenue	48		48			64	64
4	Other Revenue	1		1				
17,769	**Total Everyday Revenue**	**16,691**	**17,209**	**(517)**	**23,077**	**72%**	**22,587**	**(490)**
	Everyday Expenditure							
7,923	Personnel Costs	8,386	8,941	556	12,210	69%	12,067	143
172	Operating & Maintenance Costs	108	439	330	585	19%	386	199
3,731	Professional Costs	3,329	2,350	(979)	3,435	97%	4,415	(980)
890	Administration Expenses	993	758	(235)	982	101%	1,524	(542)
59	Property Costs	64	63	(1)	84	76%	84	
148	Finance Costs**	170	536	366	715	24%	226	489
3	Depreciation & Amortisation Expense**	3	4		5	66%	4	1
	Gains & Losses							
12,926	**Total Everyday Expenditure**	**13,054**	**13,091**	**37**	**18,016**	**72%**	**18,706**	**(690)**
4,843	**Everyday Surplus/(Deficit)***	**3,637**	**4,118**	**(481)**	**5,062**	**72%**	**3,881**	**(1,181)**
	Capital Revenue							
	Capital Revenue**							
	Total Capital Revenue							
4,843	**Operating Surplus/(Deficit)**	**3,637**	**4,118**	**(481)**	**5,062**	**72%**	**3,881**	**(1,181)**

** Everyday surplus/(deficit) excludes overhead allocation. Refer to Overheads activity statement for overhead results and variance explanations*

*** Rates Revenue, Finance Costs, Depreciation & Amortisation Expenses, Development Contribution, Capital Revenue and Vested Assets variances are explained in the Council activity statements*

Material variances as explained below:

Fees & Charges: ($583k) unfavourable.

Building consent activity was particularly slow between Christmas and the end of February 2023. March was slightly better and closer to budgeted activity. We are continuing to monitor the trends in this area and adjust our forecast where appropriate.

Personnel Costs: $556k favourable.

The favourable variance is due to staff vacancies and the length of time to recruit in the current market. Some District Plan positions have had to be filled by consultants due to the incredibly tight market for planners. However, several positions have now been filled inhouse and so we expect to see a shift in spend from consultants to personnel costs.

Operating & Maintenance Costs: $330k favourable.

The favourable variance is in part due to less spend as a result of lower levels of consents coming in. Additionally, mix of type of consents applied for impacts the need for specialist geotech review. The need for geotech review has not been as high as budgeted so far this financial year. Lastly, levels of digitisation of paper consents across the group has not been as high as budgeted. Online consents are now far more prevalent.

Professional Costs: ($979k) unfavourable.

City Planning - District Plan Programme

Overspend in the District Plan Programme budget is in part due to the release of the Resource Management (Enabling Housing Supply and Other Matters) Amendment Bill in 2021 (HSAA). This Bill, now Act, meant that a) the work programme undertaken to satisfy the requirements of the National Policy Statement: Urban Development was no longer relevant. This led to significant re-work. And; b) the HSAA compressed the timeframes and removed appeal rights, meaning more work had to be done in a tighter timeframe.

Additionally, we have had to engage significantly more external resource than we had planned, due to inability to recruit staff and the compressed and highly specialised nature of the District Plan work required. These consultants come at a much higher cost than internal staff.

The District Plan programme has turned out to be far more compressed than budgeted and front loaded with hearings on District Plan changes commencing in February 2023 and continuing throughout the 2023 calendar year.

City Planning - Peacocke Plan Change (PC5)

The original budget was set in 2018 with little understanding of the issues that may arise through the public submission process and the complexity of these issues.

Along with the HIF funding and the Amberfield consent application being appealed, it was agreed to hold off on the notification of the plan change until the consent appeals were settled. Additional work was required to PC5 to align the provision with the outcome of the appeals. This was specifically around ecology, and the need to redraft the provision to amend the zoning within Peacocke. With the HIF fund, a review of the provision was required to ensure that we met the yield target to support the HIF, specifically with the requirement to address ecological matters. Covid also delayed the engagement with submitters and the notification of the plan change.

Once the plan change was notified, the number of submission was more than anticipated. The submissions were also more complex than anticipated. This required more work to address these submissions, specifically submitter engagement and the need for additional expert support to address ecology, planning and retail/economic matters around the town centre.

As a result of the number the number and complex nature of the submissions, the hearing was scheduled for an additional week. Also, the commissioner's direction for mediation added additional costs that were not anticipated.

The comments below explain the material variance between annual approved budget and annual forecast.

Fees and Charges: ($541k) unfavourable:

Forecast adjustment has been made to reflect the difference between budgeted and actual revenue up until the end of March. It is difficult to predict what is going to happen in this market in the coming months, but it is unlikely that we will exceed budget - and therefore have adjusted our budget to reflect this.

Personnel Costs: $143k favourable:

This reflects the underspend in personnel costs due to vacancies (refer explanation above), offset by the removal of the vacancy factor. This has been achieved through vacancies so has been removed and allocated to the personnel expenditure line.

Administration Costs: ($542k) unfavourable:

Efficiency savings have been transferred to relevant revenue/cost categories where these savings will be realised.

Operating and Maintenance Costs: $199k favourable:

The favourable variance is in part due to less spend as a result of lower levels of consents coming in. Additionally mix of type of consents applied for impacts the need for specialist geotech review - the need for geotech review has not been as high as budgeted for the first half of the financial year. Lastly, levels of digitisation of paper consents across the group has not been as high as budgeted. Online consents are now far more prevalent. The remainder of the favourable variance is made up of small underspends across the remaining 4 units - we will continue to monitor this and adjust forecast as necessary.

Professional Costs: ($980k) unfavourable:

City Planning - District Plan Programme

Refer to explanation above.

City Planning - Peacocke Plan Change (PC5)

Refer to explanation above**.**

Growth Programmes

The forecast overspend in City Planning is offset by a $266k saving in Growth Programmes. This is due to the fact that business case work in Ruakura was progressed with alternative funding. Additionally business case work to support IFF in Rotokauri was not required, as agreements have progressed with key developers in that area.

WATER SUPPLY

Water Treatment | Water Storage | Water Distribution

FOR THE MONTH ENDED 31 MARCH 2023

Last Year YTD ($000)		YTD Actual ($000)	YTD Budget ($000)	Variance Fav/(Unfav) ($000)	Annual Approved Budget ($000)	% Annual Budget Spent ($000)	Annual Forecast ($000)	Annual Variance Fav/(Unfav) ($000)
	Everyday Revenue							
15,789	Rates**	16,082	16,888	(806)	22,611	71%	22,594	(17)
()	Fees & Charges	236	(113)	349	(151)	(156%)	(151)	
2,140	Subsidies & Grants	12		12				
119	Interest Revenue	708	140	568	187	380%	944	757
	Other Revenue	692	327	365	327	212%	692	365
18,048	**Total Everyday Revenue**	**17,730**	**17,241**	**489**	**22,973**	**77%**	**24,079**	**1,105**
	Everyday Expenditure							
3,226	Personnel Costs	3,661	3,573	(89)	4,648	79%	4,648	
2,858	Operating & Maintenance Costs	2,480	3,683	1,202	4,598	54%	4,598	
975	Professional Costs	832	787	(46)	1,181	70%	1,181	
40	Administration Expenses	65	12	(53)	(1,161)	(6%)	(1,161)	
1,640	Property Costs	2,061	2,072	12	2,705	76%	2,705	
1,434	Finance Costs**	2,559	1,837	(723)	2,449	105%	3,413	(964)
5,919	Depreciation & Amortisation Expense**	7,579	7,079	(500)	9,439	80%	10,087	(648)
747	Gains & Losses	1,062		(1,062)			1,062	(1,062)
16,837	**Total Everyday Expenditure**	**20,300**	**19,042**	**(1,259)**	**23,859**	**85%**	**26,534**	**(2,675)**
1,211	**Everyday Surplus/(Deficit)***	**(2,571)**	**(1,801)**	**(770)**	**(885)**	**290%**	**(2,455)**	**(1,570)**
	Capital Revenue							
3,473	Development Contributions**	5,361	3,915	1,446	5,140	104%	5,140	
2,761	Capital Revenue**	4,006	39	3,967	52	7778%	5,341	5,289
732	Vested Assets**	1,366	1,526	(160)	2,034	67%	2,034	
6,966	**Total Capital Revenue**	**10,732**	**5,479**	**5,253**	**7,226**	**149%**	**12,515**	**5,289**
8,177	**Operating Surplus/(Deficit)**	**8,162**	**3,679**	**4,483**	**6,341**	**129%**	**10,060**	**3,719**

** Everyday surplus/(deficit) excludes overhead allocation. Refer to Overheads activity statement for overhead results and variance explanations*

Material variances as explained below:

Fees & Charges: $349k favourable.
Favourability is due to Transition Support Funding received from the Department of Internal Affairs for Water Reform Transition.

Other Revenue: $365k favourable.
The favourable variance is due to an increase in the number of drawdowns from the Housing Infrastructure Fund (HIF), as well as the upward trend in market interest rates.

Operating & Maintenance Costs: $1,202k favourable.
Due to delayed maintenance delivery across Water activity as a result of weather events and low staffing levels. Offsets overspend in Wastewater and Stormwater space.

Gains & Losses: ($1,062k) unfavourable.
The loss on disposal of assets relates to works undertaken as part of the renewal programme.

Capital Revenue: $3,967k favourable.**
Contributions toward new connections exceed budget due to increased applications. This revenue will offset capital installation costs.

The comments below explain the material variance between annual approved budget and annual forecast.

Gains & Losses: ($1,062k) unfavourable.
Refer above.

Attachment 2

WASTEWATER

Wastewater Collection | Wastewater Treatment | Wastewater Disposal

FOR THE MONTH ENDED 31 MARCH 2023

$000 Last Year YTD		$000 YTD Actual	$000 YTD Budget	$000 Variance Fav/(Unfav)	$000 Annual Approved Budget	$000 % Annual Budget Spent	$000 Annual Forecast	$000 Annual Variance Fav/(Unfav)
	Everyday Revenue							
22,249	Rates**	23,755	23,906	(151)	32,240	74%	32,201	(39)
4,233	Fees & Charges	5,422	5,181	241	7,154	76%	7,154	
2,498	Subsidies & Grants	19		19				
116	Interest Revenue	1,078	196	882	261	413%	1,437	1,176
	Other Revenue	10,884	5,335	5,549	5,335	204%	10,957	5,622
29,096	**Total Everyday Revenue**	**41,157**	**34,618**	**6,540**	**44,990**	**91%**	**51,748**	**6,759**
	Everyday Expenditure							
4,939	Personnel Costs	5,452	5,675	223	8,425	65%	8,525	(100)
5,710	Operating & Maintenance Costs	7,079	6,311	(768)	8,645	82%	8,650	(5)
2,324	Professional Costs	484	750	266	1,759	28%	1,549	210
152	Administration Expenses	166	128	(38)	(238)	(70%)	(238)	
1,666	Property Costs	2,208	2,110	(98)	2,759	80%	2,759	
2,009	Finance Costs**	4,494	3,868	(626)	5,157	87%	5,991	(834)
9,903	Depreciation & Amortisation Expense**	10,458	10,440	(19)	13,919	75%	13,921	(1)
1,731	Gains & Losses	738		(738)			738	(738)
28,433	**Total Everyday Expenditure**	**31,079**	**29,281**	**(1,798)**	**40,426**	**77%**	**41,894**	**(1,468)**
663	**Everyday Surplus/(Deficit)***	**10,078**	**5,337**	**4,741**	**4,564**	**221%**	**9,855**	**5,291**
	Capital Revenue							
5,562	Development Contributions**	8,999	7,467	1,533	9,796	92%	9,796	
3,762	Capital Revenue**	2,933	300	2,633	401	732%	3,911	3,510
1,641	Vested Assets**	3,589	2,823	766	3,764	95%	3,764	
10,965	**Total Capital Revenue**	**15,521**	**10,590**	**4,932**	**13,960**	**111%**	**17,470**	**3,510**
11,628	**Operating Surplus/(Deficit)**	**25,600**	**15,927**	**9,673**	**18,524**	**138%**	**27,324**	**8,801**

** Everyday surplus/(deficit) excludes overhead allocation. Refer to Overheads activity statement for overhead results and variance explanations*

Material variances as explained below:

Other Revenue: $5,549k favourable.

The favourable variance is due to an increase in the number of drawdowns from the Housing Infrastructure Fund (HIF), as well as the upward trend in market interest rates.

Personnel Costs: $223k favourable.

The favourable variance is due to staff vacancies and the length of time to recruit in the current market.

Operating & Maintenance Costs: ($768k) unfavourable.

The unfavourable variance is due to increased reliance on Subcontractor work in the Wastewater reactive space as a result of weather events. This is offset by underspend in Water space.

Professional Costs: $266k favourable.

Favourability due to actual expenditure for Metro Wastewater Detailed Business Case occuring later than budget phasing.

Gains & Losses: ($738k) unfavourable.

The loss on disposal of assets relates to works undertaken as part of the renewal programme.

Capital Revenue: $2,633k favourable.**

Contributions toward new connections exceed budget due to increased applications. This revenue will offset capital installation costs.

The comments below explain the material variance between annual approved budget and annual forecast.

Other Revenue: $5,622k favourable.

See detail above

Gains & Losses: ($738k) unfavourable.

Refer above.

Professional Costs: $210k favourable.

Forecast adjustment made to Consultants budget to allow for actual expenditure occurring later than budget.

STORMWATER

Stormwater Network

FOR THE MONTH ENDED 31 MARCH 2023

Last Year YTD $000		YTD Actual $000	YTD Budget $000	Variance Fav/(Unfav) $000	Annual Approved Budget $000	% Annual Budget Spent $000	Annual Forecast $000	Annual Variance Fav/(Unfav) $000
	Everyday Revenue							
13,155	Rates**	14,206	14,230	(24)	19,202	74%	19,178	(24)
268	Fees & Charges	427	199	228	276	155%	276	
540	Subsidies & Grants	7		7				
36	Interest Revenue	337	84	253	112	301%	449	337
	Other Revenue	19		19				
13,999	**Total Everyday Revenue**	**14,997**	**14,513**	**484**	**19,590**	**77%**	**19,903**	**313**
	Everyday Expenditure							
1,964	Personnel Costs	2,441	2,346	(95)	2,698	90%	2,698	
572	Operating & Maintenance Costs	1,436	396	(1,040)	473	303%	473	
856	Professional Costs	286	315	30	615	46%	515	100
23	Administration Expenses	40	11	(29)	(181)	(22%)	(181)	
478	Property Costs	420	544	124	609	69%	528	81
608	Finance Costs**	1,198	818	(380)	1,091	110%	1,519	(428)
7,547	Depreciation & Amortisation Expense**	8,748	8,374	(374)	11,166	78%	11,387	(221)
449	Gains & Losses	216		(216)			216	(216)
12,497	**Total Everyday Expenditure**	**14,784**	**12,805**	**(1,979)**	**16,470**	**90%**	**17,154**	**(684)**
1,502	**Everyday Surplus/(Deficit)***	**213**	**1,708**	**(1,495)**	**3,120**	**7%**	**2,749**	**(371)**
	Capital Revenue							
1,287	Development Contributions**	3,197	4,547	(1,350)	6,197	52%	6,197	
2,282	Capital Revenue**	1,697	2,161	(463)	2,881	59%	2,263	(617)
1,124	Vested Assets**	6,616	4,091	2,525	5,455	121%	5,455	
4,693	**Total Capital Revenue**	**11,510**	**10,799**	**711**	**14,533**	**79%**	**13,915**	**(617)**
6,195	**Operating Surplus/(Deficit)**	**11,724**	**12,507**	**(783)**	**17,653**	**66%**	**16,664**	**(989)**

** Everyday surplus/(deficit) excludes overhead allocation. Refer to Overheads activity statement for overhead results and variance explanations*

Material variances as explained below:

Fees & Charges: $228k favourable.

Favourability is due to Transition Support Funding received from the Department of Internal Affairs for Water Reform Transition.

Operating & Maintenance Costs: ($1,040k) unfavourable.

Unfavourable variance is due to additional reactive maintenance works required as a result of weather events.

Property Costs: $124k favourable.

Favourable result is due to lower than expected property rates and insurance costs year to date.

Gains & Losses: ($216k) unfavourable.

The loss on disposal of assets relates to works undertaken as part of the renewal programme.

The comments below explain the material variance between annual approved budget and annual forecast.

Gains & Losses: ($216k) unfavourable.

Refer above.

TRANSPORT

Transport Network | Transport Centre | Parking Management

FOR THE MONTH ENDED 31 MARCH 2023

$000 Last Year YTD		$000 YTD Actual	$000 YTD Budget	$000 Variance Fav/(Unfav)	$000 Annual Approved Budget	$000 % Annual Budget Spent	$000 Annual Forecast	$000 Annual Variance Fav/(Unfav)
	Everyday Revenue							
35,035	Rates**	37,934	37,856	78	51,164	74%	51,091	(73)
2,919	Fees & Charges	2,961	2,964	(3)	4,290	69%	4,090	(200)
6,390	Subsidies & Grants	7,270	6,143	1,127	8,069	90%	8,069	
365	Interest Revenue	3,572	700	2,872	933	383%	4,706	3,773
1,856	Other Revenue	13,075	7,719	5,357	8,272	158%	13,768	5,495
46,564	**Total Everyday Revenue**	**64,812**	**55,382**	**9,431**	**72,728**	**89%**	**81,723**	**8,995**
	Everyday Expenditure							
4,534	Personnel Costs	5,371	5,652	281	7,506	72%	7,506	
12,035	Operating & Maintenance Costs	14,721	14,386	(335)	19,790	74%	19,790	
2,748	Professional Costs	1,062	1,143	82	1,768	60%	1,768	
797	Administration Expenses	812	723	(89)	(1,317)	(62%)	(1,317)	
1,577	Property Costs	2,050	2,029	(21)	2,694	76%	2,694	
5,592	Finance Costs**	13,354	4,909	(8,445)	6,545	204%	17,805	(11,260)
16,076	Depreciation & Amortisation Expense**	16,392	16,440	48	21,920	75%	22,328	(407)
302	Gains & Losses	8		(8)	61,103	0%	61,103	
43,661	**Total Everyday Expenditure**	**53,770**	**45,282**	**(8,487)**	**120,007**	**45%**	**131,675**	**(11,668)**
2,904	**Everyday Surplus/(Deficit)***	**11,043**	**10,099**	**944**	**(47,279)**	**(23%)**	**(49,952)**	**(2,673)**
	Capital Revenue							
4,588	Development Contributions**	7,121	8,640	(1,520)	11,521	62%	11,521	
55,232	Capital Revenue**	39,338	46,786	(7,448)	62,381	63%	56,004	(6,377)
13,304	Vested Assets**	24,609	20,324	4,286	27,946	88%	27,946	
73,123	**Total Capital Revenue**	**71,068**	**75,750**	**(4,682)**	**101,848**	**70%**	**95,471**	**(6,377)**
76,027	**Operating Surplus/(Deficit)**	**82,111**	**85,850**	**(3,738)**	**54,568**	**150%**	**45,519**	**(9,050)**

** Everyday surplus/(deficit) excludes overhead allocation. Refer to Overheads activity statement for overhead results and variance explanations*

*** Rates Revenue, Finance Costs, Depreciation & Amortisation Expenses, Development Contribution, Capital Revenue and Vested Assets variances are explained in the Council activity statements*

Material variances as explained below:

Subsidies & Grants: $1,127k favourable.

Operational subsidies received from Waka Kotahi NZTA is favourable due to funds allocated for Maintenance and Operations. This offsets the unfavourable Operational and Maintenance Costs.

Other Revenue: $5,357k favourable.

The favourable variance is due to an increase in the number of drawdowns from the Housing Infrastructure Fund (HIF), as well as the upward trend in market interest rates.

Personnel Costs: $281k favourable.

The favourable variance is due to staff vacancies and the length of time to recruit in the current market.

Operating & Maintenance Costs: ($335k) unfavourable.

The unfavourable result is due to timing in the Network Maintenance projects. Costs are offset by favourable variances in Subsidies & Grants.

The comments below explain the material variance between annual approved budget and annual forecast.

Fees & Charges: ($200k) unfavourable.

Long Stay Parking Project still in early stages, and not quite meeting budgeted income.

Other Revenue: $5,495k favourable.

Off-street car park leases now managed in-house with an anticipated revenue increase of $250k, which offsets the unfavourable Fees & Charges for Long Stay Parking . The balance of the revenue adjustment refers to the Housing Infrastructure Fund (see comment above under Other Revenue).

RUBBISH AND RECYCLING

Refuse Collection | Waste Minimisation | Landfill Site Management

FOR THE MONTH ENDED 31 MARCH 2023

$000 Last Year YTD		$000 YTD Actual	$000 YTD Budget	$000 Variance Fav/(Unfav)	$000 Annual Approved Budget	$000 % Annual Budget Spent	$000 Annual Forecast	$000 Annual Variance Fav/(Unfav)
	Everyday Revenue							
6,212	Rates**	6,651	6,681	(30)	9,045	74%	9,032	(13)
(22)	Fees & Charges	(105)	(59)	(46)	(73)	143%	(73)	
570	Subsidies & Grants	1,090	488	603	650	168%	1,200	550
2	Interest Revenue	17		17			22	22
322	Other Revenue	340	343	(3)	457	74%	457	
7,085	**Total Everyday Revenue**	**7,993**	**7,452**	**541**	**10,079**	**79%**	**10,638**	**559**
	Everyday Expenditure							
724	Personnel Costs	976	817	(159)	964	101%	964	
5,554	Operating & Maintenance Costs	6,070	6,156	87	8,293	73%	8,293	
193	Professional Costs	275	180	(96)	359	77%	359	
3	Administration Expenses	20	48	27	(809)	(3%)	(1,078)	269
33	Property Costs	54	45	(9)	64	85%	64	
34	Finance Costs**	60	45	(15)	390	15%	409	(19)
353	Depreciation & Amortisation Expense**	436	412	(24)	549	79%	580	(30)
	Gains & Losses	25		(25)			25	(25)
6,895	**Total Everyday Expenditure**	**7,916**	**7,702**	**(214)**	**9,809**	**81%**	**9,616**	**194**
190	**Everyday Surplus/(Deficit)***	**77**	**(250)**	**327**	**270**	**29%**	**1,023**	**753**
	Capital Revenue							
	Capital Revenue**							
	Total Capital Revenue							
190	**Operating Surplus/(Deficit)**	**77**	**(250)**	**327**	**270**	**29%**	**1,023**	**753**

** Everyday surplus/(deficit) excludes overhead allocation. Refer to Overheads activity statement for overhead results and variance explanations*

*** Rates Revenue, Finance Costs, Depreciation & Amortisation Expenses, Development Contribution, Capital Revenue and Vested Assets variances are explained in the Council activity statements*

Material variances as explained below:

Subsidies & Grants: $603k favourable.

Favourable variance due to an increase in waste levy charges on all Class 1 landfills.

Personnel Costs: ($159k) unfavourable.

Unfavourable variance is due to internal recoveries. This variance is offset within the Wastewater activity and increased Waste Levy.

The comments below explain the material variance between annual approved budget and annual forecast.

Subsidies & Grants: $550k favourable.

Adjustment to the Waste Minimisation Levy Income as a result of the increase in the waste levy charge on all Class 1 landfills.

Administration Expenses: $269k favourable.

Adjustment to interest on Landfill Provision based on discount rate provided by Treasury as at 30 Sep 22.

Attachment 2

OVERHEADS

CE's Office | People, Organisational & Performance | Strategy and Communications | Strategic Property | General

FOR THE MONTH ENDED 31 MARCH 2023

$000 Last Year YTD		$000 YTD Actual	$000 YTD Budget	$000 Variance Fav/(Unfav)	$000 Annual Approved Budget	$000 % Annual Budget Spent	$000 Annual Forecast	$000 Annual Variance Fav/(Unfav)
	Everyday Revenue							
(247)	Rates**	(294)	(268)	(25)	(353)	83%	(396)	(43)
834	Fees & Charges	920	928	(8)	1,219	75%	1,608	389
	Subsidies & Grants	54		54			27	27
(24)	Interest Revenue	171	28	143	37	458%	228	191
2,277	Other Revenue	2,221	1,796	425	2,360	94%	2,640	281
2,840	**Total Everyday Revenue**	**3,072**	**2,483**	**589**	**3,264**	**94%**	**4,108**	**845**
	Everyday Expenditure							
17,784	Personnel Costs	21,265	20,571	(694)	28,570	74%	30,200	(1,629)
7,345	Operating & Maintenance Costs	7,771	10,159	2,388	13,948	56%	13,328	620
1,397	Professional Costs	2,249	2,277	28	3,365	67%	3,466	(101)
5,043	Administration Expenses	6,488	5,866	(622)	7,788	83%	8,660	(872)
525	Property Costs	660	618	(42)	813	81%	884	(71)
421	Finance Costs**	(289)	(314)	(25)	(419)	69%	(278)	(141)
4,561	Depreciation & Amortisation Expense**	5,188	5,307	118	7,076	73%	7,039	36
(30,944)	Gains & Losses	(3,626)		3,626	(1,011)	359%	(3,626)	2,615
6,132	**Total Everyday Expenditure**	**39,706**	**44,484**	**4,778**	**60,130**	**66%**	**59,673**	**457**
(3,293)	**Everyday Surplus/(Deficit)***	**(36,634)**	**(42,000)**	**5,367**	**(56,866)**	**64%**	**(55,565)**	**1,301**
	Capital Revenue							
	Capital Revenue**	118		118				
	Total Capital Revenue	**118**		**118**				
(3,293)	**Operating Surplus/(Deficit)**	**(36,515)**	**(42,000)**	**5,485**	**(56,866)**	**64%**	**(55,565)**	**1,301**

** Everyday surplus/(deficit) excludes overhead allocation. Refer to Overheads activity statement for overhead results and variance explanations*

*** Rates Revenue, Finance Costs, Depreciation & Amortisation Expenses, Development Contribution, Capital Revenue and Vested Assets variances are explained in the Council activity statements*

Material variances as explained below:

Other Revenue: $425k favourable.

Relates to $157k additional rental income on Strategic Property and $250k of dividends paid by Waikato Regional Airport.

Personnel Costs: ($694k) unfavourable.

($300k) relates to SaaS project implementation which was previously captured against Capital budgets. Facilities capital recoveries are tracking ($200k) unfavourable to budget.

Operating & Maintenance Costs: $2,388k favourable.

$1.3m relates to rephasing of Information Services projects. $600k is due to painting programme delays associated with recent weather events and staff shortages. Most painting projects now underway and it is expected works will be completed by the end of the financial year.

Administration Expenses: ($622k) unfavourable.

Unfavourability is offset by favourability in Operating & Maintenance expenditure relating to Information Services Project delivery.

Gains & Losses: $3,626k favourable.

Relates to unrealised gains on interest rate swaps due to higher interest rates.

Capital Revenue: $118k favourable.**

Generated from the clean car rebate from the Government as electric vehicles are purchased in the fleet replacement programme.

The comments below explain the material variance between annual approved budget and annual forecast.

Fees & Charges: $389k favourable.

Forecast includes income associated with Services provided to CoLab for developing e-learning content ($174k). This will offset additional personnel required to support the initiative.

Other Revenue: $281k favourable.

Forecast updated to reflect actual cost recoveries relating to Strategic Properties.

Personnel Costs: ($1,629k) unfavourable.

Forecasts include SaaS costs budgeted as capital but now required to be expensed. Capital recoveries in Facilities is forecast to be ($600k) unfavourable.

Operating & Maintenance Costs: $620k favourable.

Favourable variance is associated with the reprioritisation of the Council building painting programme with a forecast that the building painting budget across Council will be spend by year-end. Majority of painting projects budgets are committed.

Professional Costs: ($101k) unfavourable.

Additional support for the set up of the Future Fit programme.

Administration Expenses: ($872k) unfavourable.

Forecasts include an additional $86k associated with increased Fuel costs. Efficiency savings have been transferred to relevant revenue/cost categories where these savings will be realised.

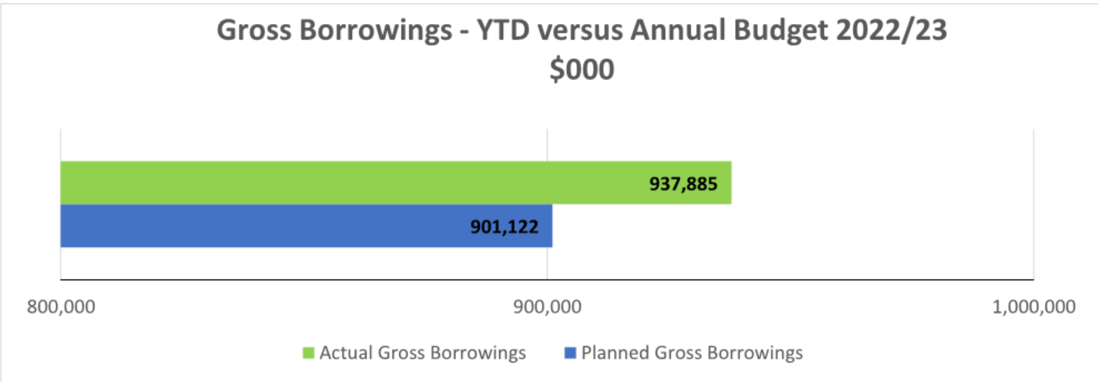
TREASURY REPORT
Year to date 31 March 2023

Investment and Cash Position
Treasury cash investments consist of:

Cash Investments	Actual $000 Mar-23	Budget $000 Mar-23	Variance $000 Fav/ (Unfav)
Cash on call	31,705	not apportioned	not apportioned
Term deposit	205,500	not apportioned	not apportioned
Closing bank balances	410	not apportioned	not apportioned
LGFA borrower notes	17,096	not apportioned	not apportioned
Total cash investments	**254,711**	**126,917**	**127,794**

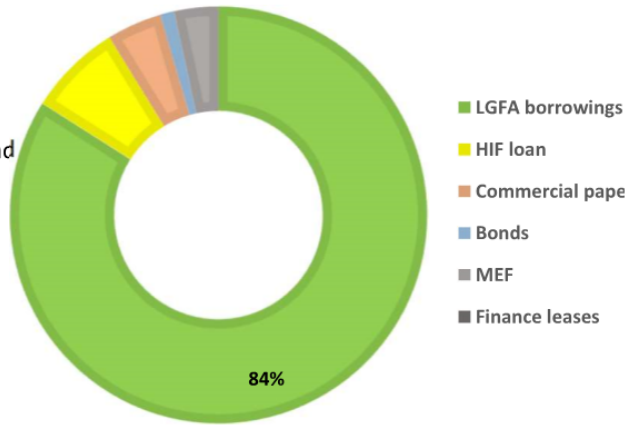
The Council's investments are managed on a regular basis, with sufficient minimum immediate cash reserves maintained. To best manage funding gaps, Council's financial investment maturities are matched with Council's forecast cash flow requirements.

Borrowing Position
Council borrowings is the external portion of debt held with the Local Government Funding Agency (LGFA), Ministry of Business, Innovation and Employment and finance lease liabilities.



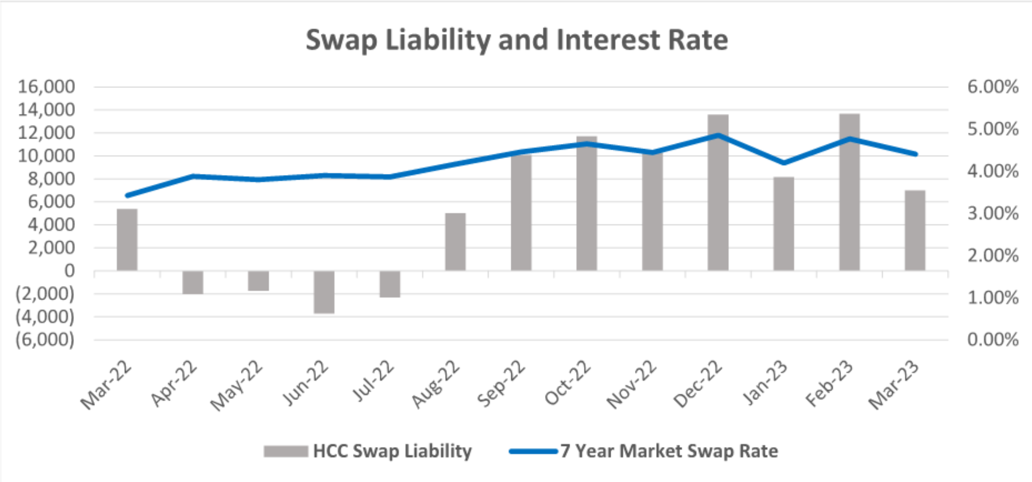
Borrowing debt is higher than budgeted as a result of the timing of debt maturity. Council will repay $65m in LFGA borrowings in April 2023. This will reduce borrowing debt to below budget.

The LGFA remains Council's most favoured and low cost source of funding.



Interest Rates

Council manages interest rate risk to reduce uncertainty relating to interest rate fluctuations through fixing of interest costs. The exposure to interest rate risk is managed and mitigated through the risk control limits as set out in the Investment and Liability Management Policy.



There is an inverse relationship between Council's swap liability and the market swap interest rate. As the market swap interest rate increases Council's swap liability decreases and a gain is then recognised on the interest rate swap. Conversely, a decrease in the market swap interest rate results in an increase in Council's swap liability and a loss is then recognised on the interest rate swap.

Council Report

Item 9

Committee:	Finance and Monitoring Committee	**Date:**	27 April 2023
Author:	Justin Wittstock	**Authoriser:**	David Bryant
Position:	Financial Accountant	**Position:**	General Manager People and Organisational Performance
Report Name:	New Zealand Local Government Funding Agency - Annual Report 2022, Half Year Report 31 December 2022 and Statement of Intent 2023-2026		

Report Status	*Open*

Purpose - *Take*

1. To inform the Finance and Monitoring Committee of the New Zealand Local Government Funding Agency (LGFA) Annual Report 30 June 2022 and letter to shareholders.
2. To inform the Finance and Monitoring Committee of the LGFA half year report to 31 December 2022 and letter to shareholders.
3. To seek approval from the Finance and Monitoring Committee on the LGFA Statement of Intent (SOI) for 2023-2026.
4. Andrew Michl, Senior Manager at the LGFA, will provide a verbal update at the Finance and Monitoring Committee meeting.

Staff Recommendation - *Tuutohu-aa-kaimahi*

5. That the Finance and Monitoring Committee:
    a) receives the report; and
    b) approves the New Zealand Local Government Funding Agency draft Statement of Intent 2023-2026.

Executive Summary - *Whakaraapopototanga matua*

6. The annual report shows the LGFA to be profitable and cashflow positive.
7. The half year report shows that the LGFA has performed favourably against the primary objectives, as set out in detail, on pages 8 to 14 of **Attachment 4**.
8. As at 31 December 2022, the LGFA have met twelve out of thirteen performance targets**,** with the exception being:

Performance Measure	**Result to 31 December 2022**
Meet reduction targets outlined in the LGFA carbon reduction management plan	LGFA are currently working on translating this target into annual plan targets.

9. The half year report shows the LGFA to be profitable and cashflow positive.

10. The draft Statement of Intent 2023-26 reaffirms the direction of business and financial projections.

11. Staff consider the matters in this report to have a low significance and that the recommendations comply with the Council's legal requirements.

Background - *Koorero whaimaarama*

12. The LGFA was established in December 2011 to provide long-dated borrowing, certainty of access to markets and to reduce the borrowing costs for the local government sector.

13. The LGFA governance structure comprises the New Zealand Government (20%) and thirty Councils (80%), the LGFA Shareholders Council and the LGFA Board of Directors.

14. Total membership is now 77 out of the 78 councils in New Zealand due to the addition of Dunedin City Council and Environment Southland over the past six months.

15. Hamilton City Council remains compliant with all LGFA Financial Covenants.

Discussion - *Matapaki*

Annual Report 2022

16. The Annual Report 2022 reflects the financial strength of LGFA having been enhanced with a net operating profit of $10.7 million, with total assets of $16.25 billion and shareholder equity of $104.6 million. A $1.217 million dividend has been declared by the LGFA board.

17. The financial strength of the LGFA was affirmed by credit rating agency S&P Global Ratings, with a long-term local currency credit rating of AAA. The LGFA's foreign currency rating is AA+.

18. The LGFA's Annual Report has been audited by KPMG, as appointed by the Auditor-General, their audit was completed on 29 August 2022 where KPMG expressed an unqualified audit opinion.

19. LGFA made longer dated borrowings options available to an increased number of council borrowers. At 30 June 2022 LGFA had loans outstanding of $14.08 billion, with the longest dated loan out to 15 years.

20. LGFA undertook their first loan to a CCO and launched Green, Social and Sustainable Loan (GSS) product during the year. LGFA subsequently made tow GSS loans during the year. A Sustainability Committee was also established during the year.

Half Year Report 2022-23

21. LGFA continued to increase lending to council and CCO borrowers. By 31 December 2022, LGFA had a market value of loans outstanding of $15.75 billion, with $1.82 billion lent over the six-month period. Two new council's and two new CCO's were added bringing the number of member councils to seventy-seven and the number of member CCO's to three.

22. LGFA continues to focus on sustainability with the launch of the Climate Action Loan (CAL) product which will incentivise borrowers through a lower loan margin if they have a GHC emission reduction plan in place and are meeting the reduction targets.

23. LGFA's financial position was tracking to forecast with Net Operating Profit for the six-month period of $1.1 million. LGFA has $18.14 billion of assets and Shareholder Equity of $104.45 million as at 31 December 2022.

24. LGFA continued to work with stakeholders; assisting Central and Local Government with the Three Waters Reform programme to ensure a smooth transition of debt from councils to the proposed new Water Services Entity in July 2024.

Draft Statement of Intent 2023-26

25. The Draft Statement of Intent sets out the intentions and expectations of the LGFA for the years 2023-26. This is set out in **Attachment 6**.

26. The LGFA's focus on delivering strong results for both Council borrowers and shareholders has been reaffirmed.

27. Key points to note on the Draft Statement of Intent are:

   i. The Statement of Intent, including financial forecasts assumes there are no implications for LGFA from the Three Waters Reform Programme. The final Statement of Intent in June 2023 will incorporate any future announcements and any material changes to forecast assumptions relating to the establishment of the Water Services Entities (WSE's) and the impact on future council borrowing intentions from the Three Waters Reform Programme.

   ii. Financial performance targets are forecast to remain strong with net operating gains of $9.5 million, $8.3 million and $7.6 million for the next three years.

   iii. An increase in the forecasts for council loans in 2024 and 2025. This reflects a higher starting point in June 2023 and councils undertaking further capex and a continued high utilisation of short-term borrowing from LGFA by councils.

   iv. An assumed narrowing in lending margins as more councils and CCO's take up the Climate Action Loan (CAL) product and LGFA undertake more Green, Social and Sustainability lending to councils and CCO's.

   v. The Statement of Intent performance targets are similar to the previous Statement of Intent. There is a greater focus on sustainability with a target for new CAL's, a greater focus on assisting councils with GHC emission reporting and assistance with the transition of Three Waters related debt from councils to the WSE's.

Legal and Policy Considerations - *Whaiwhakaaro-aa-ture*

28. Staff confirm that recommendation complies with the Council's legal and policy requirements.

Wellbeing Considerations - *Whaiwhakaaro-aa-oranga tonutanga*

29. The purpose of Local Government changed on the 14 May 2019 to include promotion of the social, economic, environmental and cultural wellbeing of communities in the present and for the future ('the 4 wellbeings').

30. The subject matter of this report has been evaluated in terms of the 4 wellbeings during the process of developing this report.

31. The recommendations set out in this report are consistent with that purpose.

32. The LGFA's activity relates strongly to the economic wellbeing by delivery of key objectives to provide cost effective financing solutions for its Council membership base, as well as assisting the local government sector with significant matters such as Covid-19 response and the proposed Three Waters Reform Programme.

33. There were no environmental, social or cultural wellbeing implications identified in the development of this report.

Risks - *Tuuraru*

34. There are no known risks associated with the decisions required for this matter.

Significance & Engagement Policy - *Kaupapa here whakahira/anganui*

Significance

35. Staff have considered the key considerations under the Significance and Engagement Policy and have assessed that the recommendation(s) in this report has/have a low level of significance.

Engagement

36. Given the low level of significance determined, the engagement level is low. No engagement is required.

Attachments - *Ngaa taapirihanga*

Attachment 1 - LGFA Cover Letter for Annual Report 2022

Attachment 2 - LGFA Annual Report 2022

Attachment 3 - LGFA Cover Letter for Half Year Report to December 2022

Attachment 4 - LGFA Half Year Report 2022

Attachment 5 - LGFA Letter to Shareholders to accompany Draft SOI

2023-26 Attachment 6 - LGFA Statement of Intent 2023-2026

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

29 August 2022

Dear Shareholder

LGFA 2022 Annual Report

The LGFA Annual Report for the 12-month period to 30 June 2022 is now available from the LGFA website: **LGFA 2022 Annual Report**

We are pleased to highlight another strong year for LGFA that included several achievements.

1. **We reached our 10-year milestone during the financial year**
Over the 10-year period since LGFA was established in December 2021, we have grown our membership from 18 foundation councils to 75 councils and one CCO, lent $20.1 billion to members and issued $21.7 billion of bonds. We have broadened our product mix to include short-dated lending, bespoke lending, Green Social Sustainable lending, CCO lending and standby facilities. LGFA is now the largest issuer of NZD bonds after the New Zealand Government and the largest bond issuer listed on the NZX. We also received an upgrade to our credit rating to the highest possible rating of AAA in 2021.

2. **We made longer dated borrowing options available to an increased number of council borrowers**
At 30 June 2022, LGFA had loans outstanding of $14.08 billion, an increase of $1.98 billion over the past year, with the longest dated loans out to 15 years (2037). Over the 12 months, we approved three new councils and one CCO member, lifting total members to 76. Over the past year, LGFA provided 80% of the sector borrowing and we are appreciative of the ongoing support from our borrowing members.

3. **New products and increasing focus on sustainability**
We undertook our first loan to a CCO (Invercargill City Holdings Limited) and launched a Green, Social and Sustainable Loan (GSS) product during the year. We subsequently made two GSS loans during the year and further loans are in the pipeline. We established a Sustainability Committee and are progressing towards fulfilling our Climate Related Disclosure reporting obligations in 2024.

   We established a Future Director programme to help grow governance capability within the sector and appointed Anita Furniss to this new position, effective 1 July 2022.

4. **A strong financial position has ensured a dividend payment of 4.87% for shareholders**
The financial strength of LGFA has been enhanced with a strong net operating profit of $10.7 million for the 2021/22 year, with total assets of $16.25 billion and shareholder equity of $104.6 million as at 30 June 2022. A $1,217,500 dividend has been declared by the LGFA Board for the year ended 30 June 2022 and a dividend notice will be sent to you shortly. The dividend rate is $0.0487 per paid up share and will be paid to you on Friday 2 September.

New Zealand Local Government Funding Agency Limited
Auckland Level 5, Walker Wayland Centre, 53 Fort Street
Wellington Level 8, City Chambers, 142 Featherston Street
PO Box 5704, Lambton Quay, Wellington 6145 | Phone +64 4 974 6530
lgfa.co.nz

Our Annual General Meeting (AGM) will be held on Wednesday 23 November 2022 in Wellington (with a virtual attendance option). We will send out a Notice of AGM by Friday 30 September 2022.

Please do not hesitate to contact me if you have any comments or questions.

Kind regards

Mark Butcher
Chief Executive

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

Contents

Ngā Ihirangi

LGFA acknowledge the assistance of the Department of Internal Affairs translation service for our Te Reo translations.

over photo: Ngā tumu 'anamata' and the boardwalk
ontents photo: Lakefront upgrade

Message from the Chair and Chief Executive

He karere mai i te Toihau me te Tumuaki

Ten years of LGFA

LGFA was established in December 2011, and we commenced our borrowing and lending activities in February 2012. Over the past decade we have grown our membership from the 18 foundation councils to now providing lending services to 75 councils and one Council-controlled organisation (CCO) having secured an estimated 80% market share of all council borrowing.

We have broadened our product mix from initially providing only term lending to councils to now encompassing short-dated lending, bespoke lending, Green, Social and Sustainable lending, CCO lending and providing standby facilities.

Today, LGFA is the largest issuer of NZD bonds after the New Zealand Government, the largest bond issuer listed on the NZX, and our bonds are amongst the largest and most liquid New Zealand-dollar debt instruments available for investors. In 2021 our credit rating from S&P Global Ratings was raised from AA+ to AAA, which is the highest credit rating available and the same as the New Zealand Government.

We would not have achieved this success over the past decade without the support of many individuals and organisations, so we want to express our thanks to our many stakeholders.

2021-22 Financial and operational performance

Total interest income for the financial year of $393.5 million increased 4.3% over the 2020-21 result of $377.2 million. Net operating profit of $10.7 million decreased 10.8% on the 2020-21 result of $12.0 million but was in line with the 2019-20 result of $10.6 million..

Both net interest income and operating profit were below the Statement of Intent (SOI) forecasts due to:

- a larger than expected liquid asset portfolio (LAP) which, over the year, yielded lower returns than our cost of borrowing (which finances our LAP investments),
- the impact from market pricing in aggressive tightening in monetary policy, as the increase in yields on cash deposits held at the RBNZ did not keep pace with the longer end of the yield curve which sets the base rate for our cost of borrowing, and
- our conservative approach to borrowing longer than our term of lending to members, due to a higher cost of borrowing in these longer terms.

Operating expenses at $7.93 million were $169k over the SOI budget. Higher Approved Issuer Levy (AIL) payments due to a increased levels of offshore investor holdings relative to forecast, higher NZX and legal fees associated with record levels of bond issuance and lending and higher personnel costs were partially offset by lower travel costs.

Borrowing activity

LGFA issued a record $3.9 billion of bonds over the financial year and outstandings now total $16.1 billion (including $1.1 billion of treasury stock) across 11 bond maturities ranging between 2023 to 2037. Bond issuance was significantly higher than the historical average annual issuance of $1.6 billion. The average term of our bond issuance during the year at 6.2 years was shorter than the prior year of 8.7 years; reflecting the more challenging market conditions for issuance and closer matching of council borrowing.

Over the past year, the spreads on LGFA bonds widened against both New Zealand Government Bonds (NZGB) and swap. LGFA bond spreads to NZGB widened between 12 bps (2023 bond) and 38 bps (2037 maturity) while LGFA bond spreads to swap ranged between a 6 bps narrowing (2023 maturity) and a 21 bps widening (2037 maturity). This change was similar to the spread movements on other high grade issuers and also reflected the record amount of bond issuance undertaken by LGFA during the year.

There was also a significant lift in yields over the year, with outright yields rising between 217 bps (2037 maturity) and 305 bps (2024 maturity).

Lending to the sector

Over the past year, we added three new members with Southland District, Waimate District and Otago Regional Council joining. Total council membership is now 75 out of the 78 councils in New Zealand. In addition, Invercargill City Holdings, our first Council Controlled Organisation (CCO), became a member during the year.

Long-dated lending to councils over the year was a record $3.3 billion as councils refinanced their April 2022 loans and increased their borrowing to finance infrastructure projects. Our estimated market share of total council borrowing of 80% was in line with last year's result and remained high on an historical basis. The average tenor of long-dated borrowing by councils of 6.2 years over the 12-month period was shorter than last year's 6.9 years.

Short-dated lending for terms less than 12 months continues to be well supported by councils. At June 2022, there were $478 million of short-term loans outstanding to 31 councils, a 68% increase over last year's $287 million outstanding to 25 councils.

COVID-19 and the proposed Three Waters Reform Programme

Over the year, the local government sector has managed under the impact from COVID-19 and two Central Government led initiatives relating to the proposed Three Waters Reform Programme and Future for Local Government Review.

The sector continues to display great resilience to the impact from COVID-19 with very little financial impact. Financial support from Central Government has assisted the sector with the delivery of infrastructure projects and enabled councils to increase their capital expenditure programmes.

LGFA has been working with Central Government and our members as they work through the proposed Three Waters Reform Programme and its funding and financing implications. Central Government has introduced legislation to create four new Water Service Entities (WSE) that will assume the ownership and management of the three waters assets from 1 July 2024, including the debt and associated revenue from the current 67 council providers.

We are awaiting further details of the proposed WSEs before we consult with our stakeholders on any potential involvement by LGFA going forward.

LGFA is also assisting the local government sector-led initiative in developing a Ratepayer Financing Scheme which is being developed with the objective of providing some financial relief options to ratepayers.

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New products and initiatives

We continue to look to innovate with our products for members and launched our Green, Social and Sustainable (GSS) lending product in October 2021, with the first GSS loans to Wellington City and Greater Wellington Regional councils in December 2021.

We undertook our first loan to a CCO in July 2021, with a second CCO member expected in the next six months.

We have increased the level of council standby facilities by $137 million to $662 million at year end, with the number of participating councils increasing by four to 11.

The LGFA board and Shareholders Council have established a Future Director programme to assist the sector with developing governance capability. Anita Furniss has been appointed to the position and commences with LGFA on 1 July 2022.

Increasing focus on sustainability and stakeholder engagement

Sustainability plays an important part within the local government sector and at LGFA. We have undertaken several initiatives over the past year, including:

- The establishment of a Sustainability Committee to advise the LGFA Board and management team on sustainability issues. The Committee comprises four external appointees and assists the LGFA Head of Sustainability.
- Ongoing commitment to reducing our carbon emissions and maintaining our CarbonNetZero certification from Toitu Envirocare.
- Launch of our GSS lending product that offers a lower borrowing margin for councils with eligible projects. We have pre-approved borrowing for two eligible projects totalling $407 million and have made loans to date of $63 million.
- Paul Matthews, a student at Massey University, reviewed how Councils are responding to climate change and the implications for LGFA as part of an internship he undertook with us.

This annual report is prepared to meet the requirements of the Global Reporting Initiative (GRI) Standards (core option).

We headlined sponsorship of the 2020 LGFA Taituara Local Government Excellence Awards for the second consecutive year, and the eighth year that we have supported the awards. We were pleased that the winner of the Supreme Award was the **Te Hiku o te Ika Revitalisation Project**, a highly successful collaboration between Far North District Council, the Kaitaia Business Association, the five iwi of Far North's Te Hiku region and the wider community. The project created employment in, and enhanced the vibrancy of, three of New Zealand's most deprived areas. Some 81 urban development, restoration and revitalisation projects were identified and folded into the project.

Acknowledgments

The Agency's work cannot be implemented without the support of our staff, fellow directors, Shareholders Council, New Zealand Debt Management (NZDM), the Reserve Bank of NZ (RBNZ), and Central Government, all whose efforts should be acknowledged. We believe the Agency's future remains positive and look forward to working with all stakeholders in the year ahead.

Craig Stobo
Chair

Mark Butcher
Chief Executive

Celebrating 10 years of cost efficient financing for councils

Since incorporation in 2011, we have:

- issued a total of **$21.7 billion** bonds to market
- lent a total of **$20.1 billion** to councils and CCOs

LGFA Staff, from left: Neil Bain, Nick Howell, Koshick Ranchhod, Jane Phelan, Mark Butcher, Ariadne Clarke, Sumitha Kaluarachi. Absent: Andrew Michl, Maya Ranzinger

LGFA Board of Directors, from left: Philip Cory-Wright, John Avery, Craig Stobo, Alan Adcock, Linda Robertson, Anthony Quirk.

Performance highlights

Ko ngā tino hua

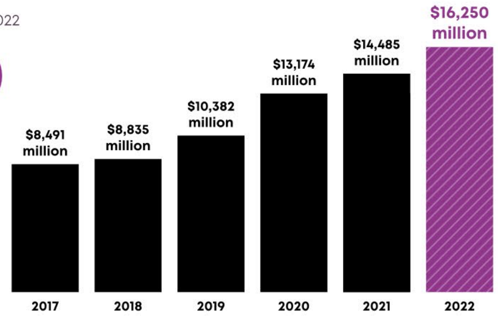
Bonds issued over the financial year
$3,900
million

Total interest income
$393.5
million
4.3%
Increase over 2021-22 year

Lending to members over the financial year
$3,228
million

Net operating profit
$10.7
million
11.1%
Decrease over 2021-22 year

Total assets at 30 June 2022
$16,250
million



Liquidity at 30 June 2022

$158 million
Cash

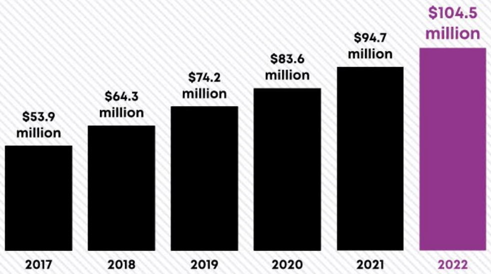
$1,491 million
Marketable securities

$462 million
Deposits

$1,100 million
Treasury stock for repurchase

$1,300 million
Government committed liquidity facility

Shareholder funds
at 30 June 2022
$104.5
million



Fully paid shares
$25.0
million

Retained earnings
$79.5
million

Borrower notes
Borrower notes are subordinated debt instruments which LGFA may convert into redeemable shares under prescribed circumstances.
$283
million

Performance against objectives

Ko ngā whakatutukinga ki ngā whāinga

The statement of service performance details LGFA's performance against the objectives and targets set out in the LGFA Statement of Intent 2021-22 (SOI)

2021-22 performance objectives

The SOI sets out two primary performance objectives and eight additional objectives for the year ended 30 June 2022.

Primary objectives

LGFA will optimise the debt funding terms and conditions for Participating Borrowers. Among other things, this includes:

- Providing interest cost savings relative to alternative sources of financing;
- Offering flexible short and long-term lending products that meet Participating Borrowers' borrowing requirements;
- Delivering operational best practice and efficiency for its lending services;
- Ensuring certainty of access to debt markets, subject always to operating in accordance with sound business practice.

LGFA will ensure its asset book remains at a high standard by ensuring it understands each Participating Borrower's financial position, as well as general issues confronting the Local Government sector. Amongst other things, LGFA will:

- Proactively monitor and review each Participating Borrower's financial position, including its financial headroom under LGFA policies;
- Analyse finances at the Council group level where appropriate and report to shareholders;
- Endeavour to meet each Participating Borrower annually, including meeting with elected officials as required, or if requested; and
- Take a proactive role to enhance the financial strength and depth of the local government debt market and work with key central government and local government stakeholders on sector and individual council issues.

Additional objectives

LGFA has the following eight measurable and achievable additional objectives which complement the primary objective. Performance against these objectives is reported annually.

LGFA will:

- Maintain LGFA's credit rating equal to the New Zealand Government sovereign rating where both entities are rated by the same Rating Agency.
- Provide at least 80% of aggregate long-term debt funding to the Local Government sector.
- Achieve the financial forecasts for net interest income and operating expenses, including provision for a shareholder dividend payment in accordance with approved dividend policy.
- Meet or exceed the Performance Targets.
- Comply with the Health and Safety at Work Act 2015.
- Comply with the Shareholder Foundation Polices and the Board-approved Treasury Policy at all times.
- Assist the local government sector with significant matters such as COVID -19 response and the proposed Three Waters Reform Programme.
- Improve sustainability outcomes within LGFA and assist the local government sector in achieving their sustainability and climate change objectives.

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Performance against primary objectives

This section sets out LGFA's performance for the year ended 30 June 2022 against the two primary objectives set out in the 2021-22 SOI.

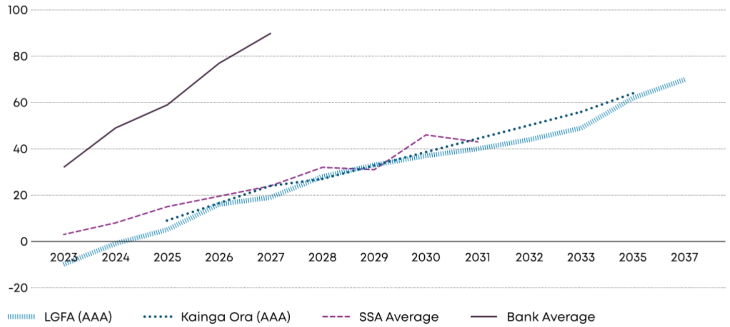
Primary objective 1: LGFA will optimise the debt funding terms and conditions for Participating Borrowers. Among other things, this includes:

Providing interest cost savings relative to alternative sources of financing.

LGFA lending base margin was 15 bps for all borrowing terms for the 2021-22 year, which covers our operating costs and also provides for capital to grow in line with increases in our balance sheet. There is an additional credit margin added to the base margin depending upon whether a council has a credit rating or is a guarantor or non-guarantor of LGFA.

LGFA continues to borrow at very competitive spreads compared to the AAA rated Sovereign, Supranational and Agencies (SSA) issuers who borrow in the New Zealand debt capital markets, the domestic banks and Kainga Ora, our closest peer issuer.

Bank, SSA, Kainga Ora and LGFA NZD Curves – Spread to Swap (bps)



We survey our members each year on their satisfaction with LGFA and our August 2021 stakeholder survey returned a 99% positive response to the question "How would you rate LGFA in adding value to your borrowing requirements?". We also received a 98% positive response to the question "How satisfied are you with the pricing that LGFA has provided to your Council?".

Offering flexible short and long-term lending products that meet Participating Borrowers' borrowing requirements.

Both short and long-term borrowing has been well supported by our members:

- At June 2022, $478 million short-term loans were outstanding to 31 councils and CCOs, with loan terms ranging between one month and 12 months.
- Over the year, 66 members borrowed $3,228 million in 292 new long-term loans, across 77 maturity dates ranging between 2021 and 2037.
- Our Green Social and Sustainability (GSS) loan product was formally launched in late 2021 with Wellington City Council and Greater Wellington Regional Council our inaugural borrowers under the GSS programme.
- Our first CCO member, Invercargill City Holdings, undertook borrowing in July 2021.

Standby facilities provided to councils increased by $147 million over the year to total $662 million across 12 councils.

Delivering operational best practice and efficiency for its lending services.

Over the year, the LGFA operations team successfully settled 1,783 new trades and 11,474 cash flows in excess of $36 billion.

In the August 2021 stakeholder survey, respondents recorded a 96% positive response to the question "How satisfied are you with the LGFA settlement process?"

Ensuring certainty of access to debt markets, subject always to operating in accordance with sound business practice.

For LGFA to provide certainty of access to markets for our council borrowers we need to have a vibrant primary and secondary market in LGFA bonds. The primary market is the new issuance market, and we measure strength with participation by investors at our tenders through bid-coverage ratios and successful issuance yield ranges. The secondary market is the trading of LGFA bonds following issuance and a healthy market implies high turnover.

LGFA issued a record $3,900 million in bonds over the year through nine tenders and two syndications. There were 12 bill tenders over the year with $565 million of bills on issue at June 2022. Proceeds from bill and bond issuances fund our lending to members, with the balance invested in our liquid asset portfolio.

In October 2021, LGFA issued two new bonds, a May 2028 and May 2035, providing members with the opportunity to extend their long-term borrowing. The weighted average borrowing term by members over the year was 6.2 years (excluding short-dated borrowing).

LGFA maintains an Australian Medium-Term Notes Programme which, to date, has not been used but which provides additional flexibility if required under future market conditions.

Primary objective 2: LGFA will ensure its asset book remains at a high standard by ensuring it understands each Participating Borrower's financial position, as well as general issues confronting the Local Government sector. Amongst other things, LGFA will:

Proactively monitor and review each Participating Borrower's financial position, including its financial headroom under LGFA policies.

LGFA reviews all borrowers financial statements on an annual basis and the agendas and management reports on an ongoing basis for all councils and CCOs on the LGFA borrower watch-list.

Borrowers are required to complete annual compliance certificates by 30 November each year. We have received compliance certificates from all borrowers, and all remained compliant as at 30 June 2021.

Analyse finances at the Council group level where appropriate and report to shareholders.

All LGFA members are measured on a parent level basis.

Endeavour to visit each Participating Borrower annually, including meeting with elected officials as required, or if requested.

LGFA met with all council and CCO members over the course of year. Where practical, we met in person with members and held meetings virtually if required.

Take a proactive role to enhance the financial strength and depth of the local government debt market and work with key central government and local government stakeholders on sector and individual council issues.

Over the year, LGFA management met with representatives from Reserve Bank of New Zealand, Department of Internal Affairs, Office of the Auditor General, Taituara, the New Zealand Debt Management section of the Treasury (NZDM).

LGFA continue to assist the sector and advisers in finding ways for LGFA to play a supporting role in providing solutions to off balance sheet financing for councils and are currently providing technical input into the Cameron Partners proposed Ratepayer Financing Scheme.

Additional objectives

LGFA has the following seven measurable and achievable additional objectives which complement the primary objective. Performance against these objectives is reported annually. LGFA will:

Maintain LGFA's credit rating equal to the New Zealand Government sovereign rating where both entities are rated by the same Rating Agency.

LGFA has an annual review process for our credit ratings from Standard and Poor's and Fitch Ratings and meets with both agencies at least annually.

- **Standard and Poor's (S&P).** On 2 March 2022, S&P affirmed our long-term local currency credit rating of AAA and our long-term foreign currency credit rating of AA+.
- **Fitch Ratings (Fitch).** On 1 November 2021 Fitch affirmed both our local currency credit rating of AA+ (stable) and foreign currency credit rating of AA (positive outlook).

Both S&P and Fitch ratings are the same as the New Zealand Government.

Provide at least 80% of aggregate long-term debt funding to the Local Government sector.

LGFA use the PwC Local Government Debt Report to determine our market share. Our estimated market share for the rolling twelve-month period to June 2022 was 80%. If we exclude Auckland Council borrowing of $500 million in its own name over the past year in the domestic market, then market share increases to 89%. This compares to a historical average of 75% and our market share remains high compared to our global peers.

Over the year, three new councils became members of LGFA, lifting total participating council members to 75. Otago Regional Council, Southland District Council and Waimate District Council joined as guarantors. In addition, Invercargill City Holdings Ltd became our first CCO member bringing total council and CCO membership to 76.

Achieve the financial forecasts for net interest income and operating expenses, including provision for a shareholder dividend payment in accordance with approved dividend policy.

Net interest income (NII) for the year was $17.516 million, which was $0.569 million under budget, while expenses of $7.933 million were $0.169 million over budget. Net operating profit of $10.673 million was $0.648 million under budget.

Included in the NII is the unrealised mark-to-market movement in fixed rate swaps that are not designated effective for hedge accounting purposes. These swaps reduce exposure to fixed rate loans made outside of the normal tender process and to reduce mismatches between borrowing and lending terms in our balance sheet. Over the year, there was an unrealised gain on these swaps of $2.33 million.

Operating expenses for the year:

- **Issuance and on-lending costs** at $2.829 million were $0.092 million over budget. Higher issuance and lending volumes than forecast resulted in higher costs for NZX, legal and registry.
- **Other operating costs** at $4.403 million were $0.014 million over budget.
- **Approved Issuer Levy (AIL)** payments of $0.701 million were $0.063 million over budget. We pay AIL on behalf of offshore investors at the time of semi-annual coupon payment and offshore investor holdings were just over our SOI forecast.

Comply with the Health and Safety at Work Act 2015.

LGFA has a Health and Safety Staff Committee and reporting on health and safety issues is made to the LGFA board on a regular basis by the Risk and Compliance Manager. There were no health and safety incidents during the year.

Comply with the Shareholder Foundation Polices and the Board-approved Treasury Policy at all times.

There were no compliance breaches during the year.

Assist the local government sector with significant matters such as COVID -19 response and the proposed Three Waters Reform Programme.

LGFA continue to have ongoing dialogue with Central Government on the proposed Three Waters reforms and provided feedback regarding financing of the proposed entities during and beyond the transition period. We are waiting for clarification from Central Government as to the role that LGFA could play, if any, in providing financing.

Improve sustainability outcomes within LGFA and assist the local government sector in achieving their sustainability and climate change objectives.

LGFA continues to develop our processes with regards to demonstrating commitment to social and environmental responsibility and aims to be a key contributor to the local government sector's investment in green projects and to support the transition to a low-carbon society.

- In September 2021 we established our Sustainability Committee, which followed our appointment of Nick Howell as Head of Sustainability in May 2021;
- In October 2021 we launched our Green, Social and Sustainability Lending Programme which offers funding to enable members to undertake GSS projects that will help drive forward climate, environmental and social projects in the New Zealand local government sector; and
- Over the course of the year, we progressed work on improving our sustainability outcomes, which include reducing our carbon footprint and implementing our Responsible Investment Policy.

Throughout the year, LGFA has been looking to widen its sustainable finance options for members by offering them the future opportunity to apply for Climate Initiative Loans (CILs). The product is currently under development but offering CIL's will align to LGFA's aim of displaying leadership to the sector on sustainable lending.

Performance Targets

Meet or exceed the Performance Targets

Performance measure	Result for the 12 month period to 30 June 2022	Outcome
LGFA total operating income for the period to June 2022 will be greater than $19.1 million	$18.6 million.	✖
Annual issuance and operating expenses (excluding AIL) will be less than $7.2 million	$7.2 million.	✖
Total nominal lending (short and long term) to participating councils to be at least $13.294 billion	$14.019 billion.	✔
Conduct an annual survey of councils and achieve 85% satisfaction score as to the value added by LGFA to council borrowing activities	August 2021 survey outcome of 99.2 %	✔
Meet all lending requests from PLAs	100%	✔
Achieve 80% market share of all council borrowing in New Zealand	80%	✔
Review each PLA financial position, its headroom under LGFA policies and arrange to meet each PLA at least annually	All councils visited	✔
No breaches of Treasury Policy, any regulatory or legislative requirements including H&S	No breaches	✔
Successfully refinance of existing loans to councils and LGFA bond maturities as they fall due	100%	✔
Maintain a credit rating equal to the New Zealand Government rating where both entities are rated by the same credit rating entity	AA+/AAA	✔

About us

Mō mātou

Establishment

The New Zealand Local Government Funding Agency Ltd (LGFA) specialises in financing the New Zealand local government sector, the primary purpose being to provide more efficient financing costs and diversified financing sources for New Zealand local authorities. LGFA was established to raise debt on behalf of local authorities on terms that are more favourable to them than if they raised the debt directly.

Incorporated on 1 December 2011 under the Companies Act 1993

Enabled by Local Government Borrowing Act 2011

Council-controlled organisation under the Local Government Act 2002

Ownership

45
million ordinary shares on issue
20 million of which remain uncalled

80%
30 Councils

20%
New Zealand Government

Share ownership is restricted to New Zealand Government or councils.

Credit rating at 30 June 2022

S&P Global Ratings	Fitch Ratings
Domestic Currency **AAA** Stable outlook	Domestic Currency **AA+** Stable outlook
Foreign Currency **AA+** **Stable outlook**	Foreign Currency **AA** **Positive outlook**

Guarantee structure

All shareholder councils are guarantors as well as councils with total borrowings over $20 million.

LGFA's securities obligations are guaranteed by council guarantors.

A council's obligations under the guarantee is secured against rates revenue

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Governance overview

31 Shareholders

30 Councils

80%

New Zealand Government

20%

Shareholders' Council
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The LGFA Shareholders' Council comprises five to ten appointees from the Council Shareholders and the New Zealand Government. The role of the Shareholders' Council is to:

- **Review and report** performance of LGFA and the Board;
- **Recommend** to Shareholders as to the **appointment, removal, replacement and remuneration of directors;**
- **Recommend** to Shareholders as to any **changes to policies**, or the Statement of Intent (SOI), requiring their approval;
- **Update Shareholders** on LGFA matters and to coordinate Shareholders on governance decisions.

LGFA Board
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The LGFA Board is responsible for the strategic direction and control of LGFA's activities. The Board guides and monitors the business and affairs of LGFA, in accordance with the:

- Local Government Act 2002;
- Local Government Borrowing Act 2011;
- Companies Act 1993;
- LGFA's Constitution;
- LGFA Shareholder Agreement;
- LGFA Annual Statement of Intent.

The Board comprises **five independent** directors and **one non-independent** director.

Bonds listed on NZX Debt Market

Issue of securities to the public under the Financial Markets Conduct Act and regulated by Financial Markets Authority

Supervised by independent trustee

Our history
by financial year

- **Incorporated** – Dec 2011
- Commenced bond issuance February 2012
- **2012**
- KangaNews NZ Domestic Issuer of the Year – 2012
- INFINZ award for Best Bond issue of 2012
- Inaugural LGFA Borrowers Forum
- **2013**
- Inaugural dividend of $1.5m declared
- **2014**
- Bespoke lending introduced
- Implemented Treasury Management System and transitioned outsourced services from NZDMO
- **2015**
- LGFA Bonds listed on NZX November 2015
- Commenced LGFA Bill issuance
- Commenced short-term lending to councils
- Transitioned to Financial Markets Conduct Act
- **2016**
- Bond lending facility established October 2016
- **2017**
- First LGFA bond not matched to a New Zealand Government bond maturity
- **2018**
- Inaugural syndication ($1.0b)
- **2019**
- KangaNews. NZ Domestic Bond Deal of the Year
- Reserve Bank adds LGFA bonds to its Large Scale Asset Purchase programme. April 2020
- **2020**
- AAA credit rating achieved
- Toitū ZeroCarbon certification (TOITŪ NET CARBON ZERO, ISO 14064-1 ORGANISATION)
- **2021**
- 10 year anniversary
- Green, social and sustainability lending offered to members
- Commenced lending to Council-controlled Organisations
- Future Director programme launched
- Record $3.90 billion bonds issued in year
- **2022**

LGFA bonds on issue

Ko ngā pūtea taurewa pūmau kua tukuna e te LGFA

How we issue bonds

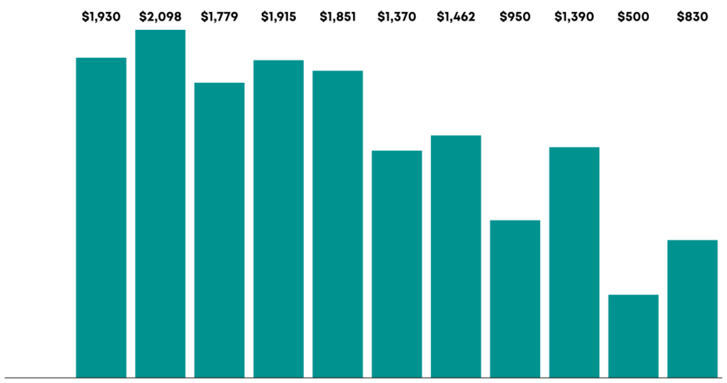
LGFA typically issues a new bond maturity via an initial syndication and then through ongoing regular scheduled tenders.

- Preferred bond tender sizes are between NZ$150 million to NZ$200 million with at least three maturities offered at each tender.
- LGFA bonds match NZ Government Bonds where possible for maturity and coupon.
- Approved Issuer Levy is paid on behalf of offshore holders.
- Target issuance of NZ$1 billion plus per series over time with a cap of $2.5 billion billion per series to support market liquidity.
- All bonds have been issued in New Zealand dollar (NZD) to date, but have capability to issue non-NZD bonds if required.
- All LGFA retail bonds are listed on the NZX.

LGFA NZX-listed bonds on issue (NZ$ million, face value)

As 30 June 2022 : NZ$16,075 million

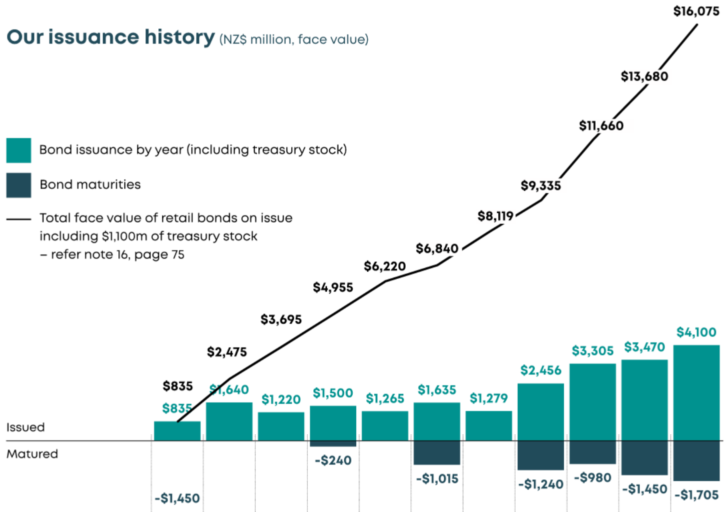
Includes NZ$1,100 million treasury stock (refer note 16, page 75)



Maturity	Apr 2023	Apr 2024	Apr 2025	Apr 2026	Apr 2027	May 2028	Apr 2029	May 2031	Apr 2033	May 2035	Apr 2037
Coupon	5.50%	2.25%	2.75%	1.50%	4.50%	2.25%	1.50%	2.25%	3.50%	3.00%	2.00%
NZX Code	LGF050	LGF100	LGF070	LGF120	LGF060	LGF150	LGF110	LGF140	LGF080	LGF160	LGF130

In addition to the retail bonds listed on the NZX, LGFA have $130 million of wholesale floating rate notes on issue.

Our issuance history (NZ$ million, face value)



Financial year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Average tender size (NZ$ million)	209	182	153	188	141	143	137	188	182	191	188
Average issuance term (years)	5.3	6.6	7.0	7.9	8.1	8.3	6.1	6.6	6.9	8.7	5.5

2021-22 issuance by maturity (NZ$ million, face value)

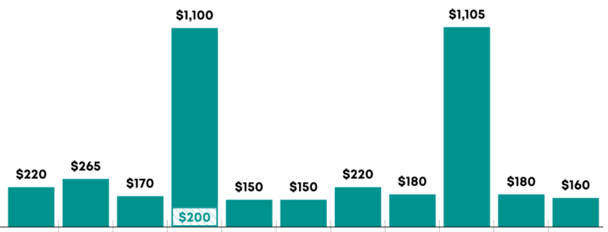
LGFA bond issuance by bond maturity over the 12-month period to 30 June 2022

Tenders	Apr 23	Apr 24	Apr 25	Apr 26	Apr 27	May 28	Apr 29	May 31	Apr 33	May 35	Apr 37	Total
7 Jul 21	-	-	50	60	-	-	60	-	50	-	-	220
12 Aug 21	90	-	50	-	45	-	-	80	-	-	-	265
8 Sep 21	-	50	-	40	-	-	40	-	40	-	-	170
10 Nov 21	-	70	-	-	50	-	-	-	-	-	30	150
12 Dec 21	-	-	50	50	50	-	-	-	-	-	-	150
2 Feb 22	-	60	-	-	-	60	60	40	-	-	-	220
9 Mar 22	-	60	-	-	60	-	30	-	30	-	-	180
11 May 22	80	-	-	-	60	-	-	40	-	-	-	180
8 Jun 22	-	-	60	-	-	60	-	40	-	-	-	160
2021/22 tender issuance	170	240	210	150	265	120	190	200	120	-	30	1,695
2021/22 syndication	-	230	-	425	-	1,150	-	-	-	400	-	2,205
Total 2021/22 issuance	**170**	**470**	**210**	**575**	**265**	**1,270**	**190**	**200**	**120**	**400**	**30**	**3,900**
Prior issuance	1,660	1,528	1,469	1,240	1,486	-	1,172	650	1,170	-	700	11,075
Total bonds excluding Treasury Stock	1,830	1,998	1,679	1,815	1,751	1,270	1,362	850	1,290	400	730	14,975
Treasury stock	100	100	100	100	100	100	100	100	100	100	100	1,100
Total bonds on issue	1,930	2,098	1,779	1,915	1,851	1,370	1,462	950	1,390	500	830	16,075

2021-22 issuance by month (NZ$ million, face value)

2021-22 issuance
$3,900 million

Treasury stock issued
$200 million



	Jul 21	Aug 21	Sep 21	Oct 21	Nov 21	Dec 21	Feb 22	Mar 22	Apr 22	May 22	Jun 22
	Tender	**Synd**	**Tender**	**Synd**	**Tender**	**Tender**	**Tender**	**Tender**	**Synd**	**Tender**	**Tender**
Tender coverage ratio	2.6x	1.8x	2.4x	N/A	2.6x	3.0x	2.6x	2.5x	N/A	4.3x	3.3x
Weighted average yield	1.71%	1.71%	1.80%	2.28%	2.31%	2.15%	2.22%	2.30%	2.76%	2.81%	2.87%

LGFA bond margins (basis points)

LGFA bond margins against swap and New Zealand Government Bonds (NZGB)

Margin to swap	Apr 23	Apr 24	Apr 25	Apr 26	Apr 27	May 28	Apr 29	May 31	Apr 33	May 35	Apr 37
30 June 2021	(1)	2	7	13	15	N/A	25	33	39	N/A	51
30 June 2022	(10)	(1)	5	16	19	28	33	40	49	62	70
Annual change	9	3	2	(3)	(4)	N/A	(8)	(7)	(10)	N/A	(19)

Margin to NZGB	Apr 23	Apr 24	Apr 25	Apr 26	Apr 27	May 28	Apr 29	May 31	Apr 33	May 35	Apr 37
30 June 2021	22	26	31	36	40	N/A	43	44	43	N/A	44
30 June 2022	34	53	55	61	60	61	62	66	65	78	79
Annual change	(12)	(27)	(24)	(25)	(20)	N/A	(19)	(22)	(22)	N/A	(35)

LGFA bond margins to swap over NZGB over the 36 months to 30 June 2022 (basis points)

Average of all LGFA bonds outstanding: Secondary market levels as at end of each month taken from end of month closing rate sheets published by NZ banks.

LGFA is New Zealand's largest:

- issuer of NZD bonds (excluding New Zealand Government)
- issuer of debt listed on the NZX

New bond maturities issued in the year to June 2022

May 2028
2.25%

May 2035
3.00%

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LGFA members

Ko ngā LGFA e noho mema ana

LGFA operates with the primary objective of optimising the debt funding terms and conditions for its members.

Participating local authorities and Council-controlled organisations are collectively referred to as LGFA members.

Among other things this includes:

- **Providing savings in annual interest costs**
- **Offering short and long-term borrowings with flexible lending terms**
- **Enhancing the certainty of debt markets**
- **Being the funder of choice for New Zealand local government.**

To become a member of LGFA, a council or CCO is required to complete a formal application. Following an application for membership, LGFA management completes a review of the prospective member's financial position and its ability to comply with LGFA's financial covenants, which is considered by the LGFA Board who approve all council memberships. All member councils are required to complete a compliance certificate each year which certifies that the council has complied with LGFA's financial covenants. In addition, LGFA monitors all members' annual reports, annual plans and long term plans on an ongoing basis to ensure that the financial forecasts are consistent with the LGFA financial covenants.

Total member borrowings at 30 June 2022
(NZ$ million)

Member type	Number of councils	Amount borrowed	% of total borrowings
Guarantors	68	14,015	99.6%
Non guarantors	7	63	0.4%
Total	**75**	**14,078**	**100%**

Member	Amount borrowed	% of total borrowings
Auckland Council	3,413	24.2%
Christchurch City Council	2,039	14.5%
Wellington City Council	967	6.9%
Tauranga City Council	649	4.6%
Hamilton City Council	633	4.5%
Greater Wellington Regional Council	576	4.1%
Rotorua District Council	288	2.0%
Hutt City Council	257	1.8%
Kapiti Coast District Council	256	1.8%
Hastings District Council	238	1.7%
63 members	4,762	33.8%
	14,078	**100%**

Loans to Auckland Council are limited to a maximum of

40%

of total loans

As at 30 June 2022

75 councils 1 council-controlled organisation

were eligible to borrow from LGFA

30 member councils are shareholders

68 member councils were guarantors

THE NUMBERS

Over the 12 months to 30 June 2022

$3,228

million of long term loans

were issued to

66

members

across

292

individual term loans

with an average term of

6.22

average borrowing years

At 30 June 2022

$478

million of short term loans

were outstanding to

31

members

Member councils are required to comply with LGFA financial covenants at all times

80%

LGFA's estimated market share of local government debt

LGFA members by year of joining

North Island

2011-12	Auckland Council	Shareholder
2011-12	Bay of Plenty Regional Council	Shareholder
2011-12	Greater Wellington Regional Council	Shareholder
2011-12	Hamilton City Council	Shareholder
2011-12	Hastings District Council	Shareholder
2011-12	Masterton District Council	Shareholder
2011-12	New Plymouth District Council	Shareholder
2011-12	Otorohanga District Council	Shareholder
2011-12	South Taranaki District Council	Shareholder
2011-12	Taupo District Council	Shareholder
2011-12	Tauranga City Council	Shareholder
2011-12	Waipa District Council	Shareholder
2011-12	Wellington City Council	Shareholder
2011-12	Western Bay of Plenty District Council	Shareholder
2011-12	Whangarei District Council	Shareholder
2012-13	Far North District Council	Borrower and Guarantor
2012-13	Gisborne District Council	Shareholder
2012-13	Hauraki District Council	Shareholder
2012-13	Horowhenua District Council	Shareholder
2012-13	Hutt City Council	Shareholder
2012-13	Kapiti Coast District Council	Shareholder
2012-13	Manawatu District Council	Shareholder
2012-13	Matamata-Piako District Council	Borrower and Guarantor
2012-13	Palmerston North City Council	Shareholder
2012-13	Rotorua District Council	Borrower and Guarantor
2012-13	Thames-Coromandel District Council	Shareholder
2012-13	Waikato District Council	Borrower and Guarantor
2012-13	Whakatane District Council	Shareholder
2012-13	Whanganui District Council	Shareholder
2013-14	Horizons District Council	Borrower and Guarantor
2013-14	Upper Hutt City Council	Borrower and Guarantor
2014-15	Opotiki District Council	Borrower
2014-15	Porirua City Council	Borrower and Guarantor
2014-15	Tararua District Council	Borrower and Guarantor
2015-16	Kaipara District Council	Borrower and Guarantor
2015-16	South Wairarapa District Council	Borrower and Guarantor
2016-17	Central Hawkes Bay District Council	Borrower and Guarantor
2016-17	Northland Regional Council	Borrower and Guarantor
2016-17	Waitomo District Council	Borrower and Guarantor
2017-18	Rangitikei District Council	Borrower
2017-18	Stratford District Council	Borrower and Guarantor
2018-19	Hawkes Bay Regional Council	Borrower and Guarantor
2018-19	Ruapehu District Council	Borrower and Guarantor
2018-19	Waikato Regional Council	Borrower and Guarantor
2018-19	Wairoa District Council	Borrower
2019-20	Taranaki Regional Council	Borrower and Guarantor
2019-20	Carterton District Council	Borrower
2020-21	Kawerau District Council	Borrower
2020-21	Napier City Council	Borrower and Guarantor
2020-21	South Waikato District Council	Borrower and Guarantor

- 2011-2012 (18)
- 2012-2013 (21)
- 2013-2014 (3)
- 2014-2015 (3)
- 2015-2016 (5)
- 2016-2017 (3)
- 2017-2018 (3)
- 2018-2019 (8)
- 2019-2020 (3)
- 2020-2021 (5)
- 2021-2022 (3)

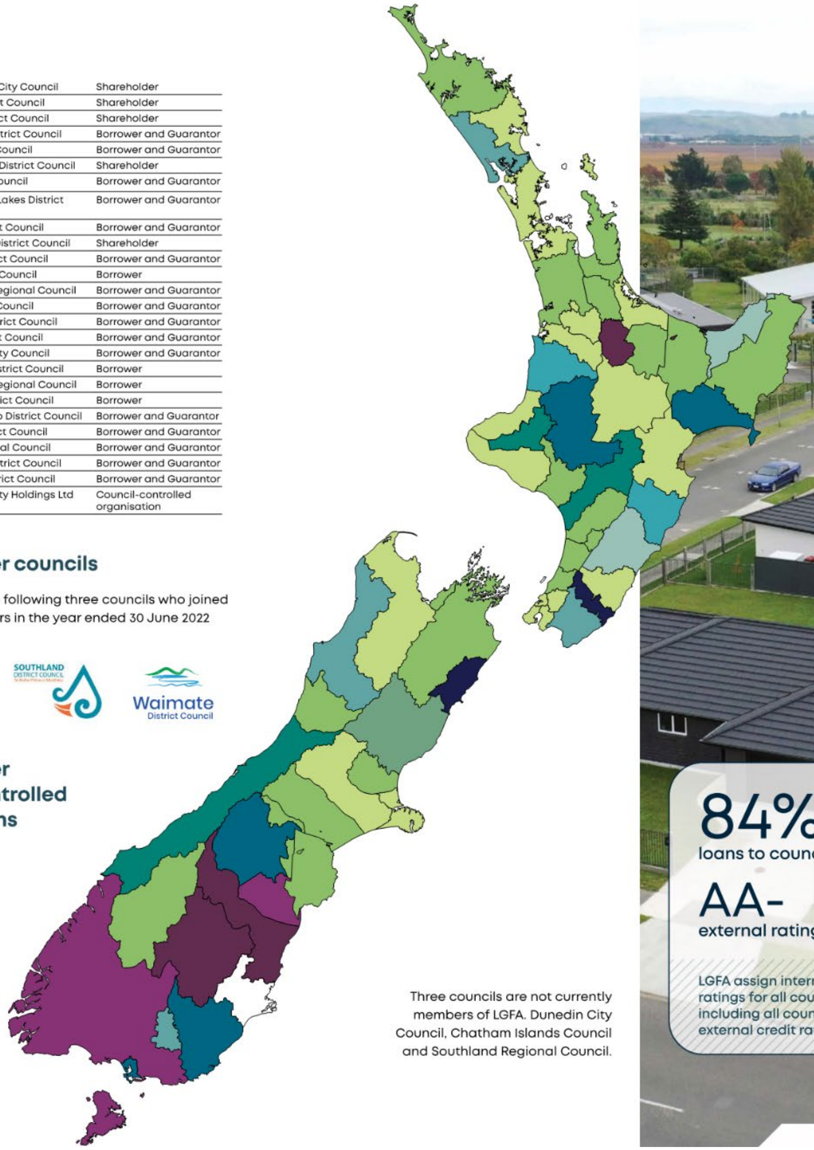
South Island

2011-12	Christchurch City Council	Shareholder
2011-12	Selwyn District Council	Shareholder
2011-12	Tasman District Council	Shareholder
2012-13	Ashburton District Council	Borrower and Guarantor
2012-13	Grey District Council	Borrower and Guarantor
2012-13	Marlborough District Council	Shareholder
2012-13	Nelson City Council	Borrower and Guarantor
2012-13	Queenstown Lakes District Council	Borrower and Guarantor
2012-13	Timaru District Council	Borrower and Guarantor
2012-13	Waimakariri District Council	Shareholder
2013-14	Hurunui District Council	Borrower and Guarantor
2015-16	Buller District Council	Borrower
2015-16	Canterbury Regional Council	Borrower and Guarantor
2015-16	Gore District Council	Borrower and Guarantor
2017-18	Westland District Council	Borrower and Guarantor
2018-19	Clutha District Council	Borrower and Guarantor
2018-19	Invercargill City Council	Borrower and Guarantor
2018-19	Mackenzie District Council	Borrower
2018-19	West Coast Regional Council	Borrower
2019-20	Kaikoura District Council	Borrower
2020-21	Central Otago District Council	Borrower and Guarantor
2020-21	Waitaki District Council	Borrower and Guarantor
2021-22	Otago Regional Council	Borrower and Guarantor
2021-22	Southland District Council	Borrower and Guarantor
2021-22	Waimate District Council	Borrower and Guarantor
2021-22	Invercargill City Holdings Ltd	Council-controlled organisation

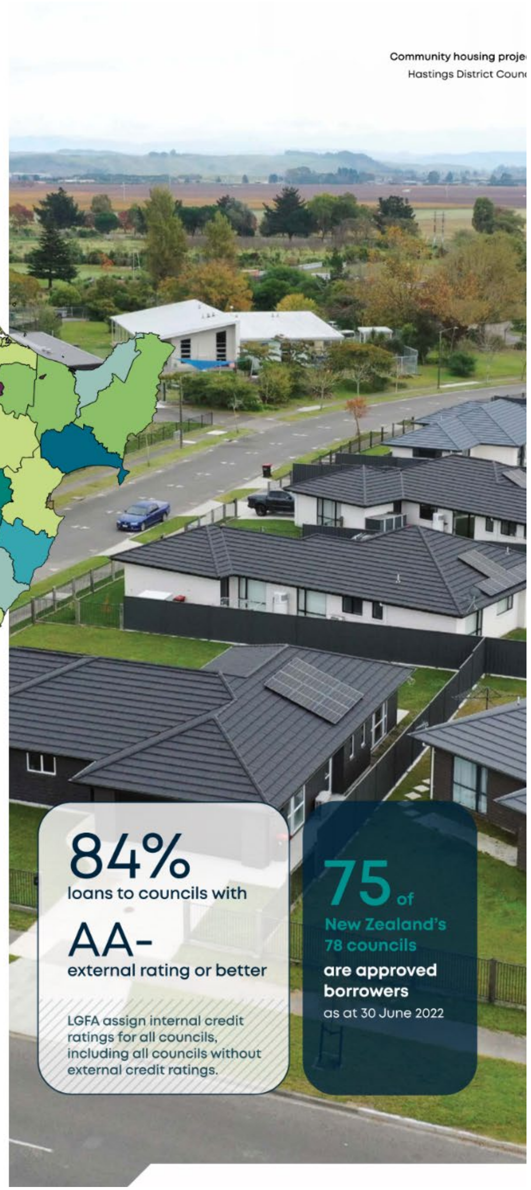
New member councils

LGFA welcomes the following three councils who joined as eligible borrowers in the year ended 30 June 2022

New member Council-controlled organisations



Three councils are not currently members of LGFA. Dunedin City Council, Chatham Islands Council and Southland Regional Council.



84% loans to councils with **AA-** external rating or better

LGFA assign internal credit ratings for all councils, including all councils without external credit ratings.

75 of New Zealand's 78 councils are approved borrowers as at 30 June 2022

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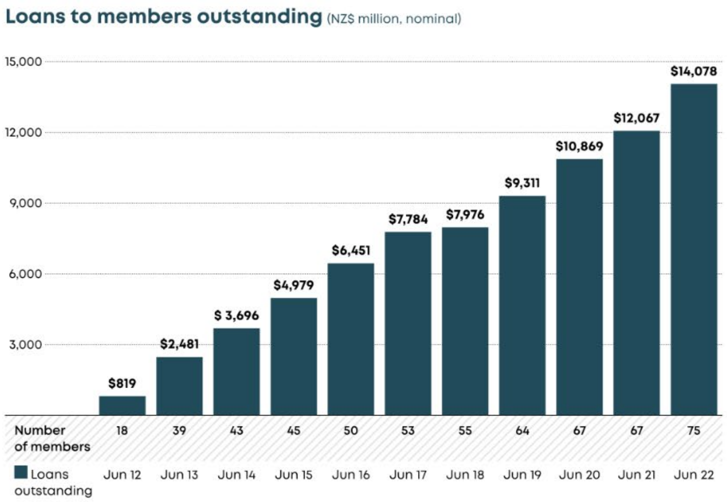
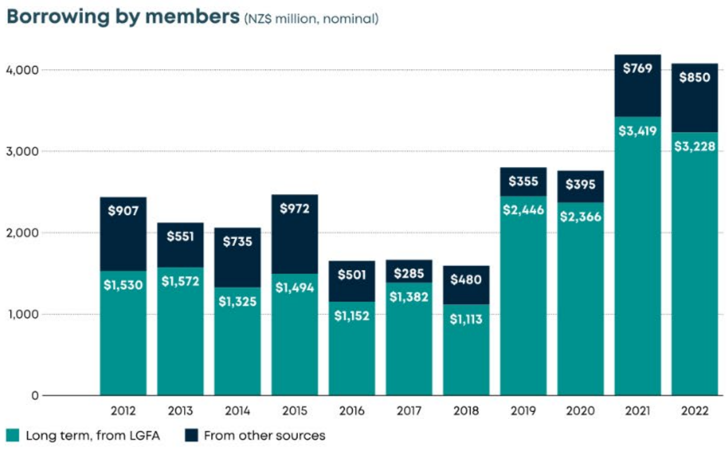




Community housing project

Sustainability at LGFA

Te toitūtanga kei te LGFA

LGFA seeks to continuously improve sustainability outcomes within the company as well as assisting the local government sector in achieving their sustainability and climate change objectives.

LGFA are committed to assist councils and council-controlled organisations finance projects that promote environmental and social wellbeing in New Zealand.

The LGFA Statement of Intent (SOI) requires us to improve sustainability outcomes within LGFA and assist the local government sector in achieving their sustainability and climate change objectives.

This section sets out our management approach for LGFA's environmental, social and governance (ESG) risks and opportunities. LGFA is committed to improving sustainability outcomes within the company, as well as assisting the local government sector achieve their sustainability and climate change objectives within their communities.

This Annual Report has been prepared in accordance with the Global Reporting Initiative (GRI) Standards (core option).

Sustainability Committee

In 2021, LGFA established our Sustainability Committee to assist us to achieve our sustainability objectives. The Committee is chaired by LGFA's Head of Sustainability and comprises three employees and four independent members.

The Committee's purpose is to advise the Chief Executive and Board on sustainability issues within LGFA, across its operating, borrowing and lending activities and includes providing input in our GSS lending programme. GSS loan applications are reviewed by LGFA's Sustainability Committee prior to approval, with approved loans monitored for ongoing compliance.

Independent members of the LGFA Sustainability Committee at 30 June 2022

Alison Howard
Erica Miles
Chris Thurston
David Woods

Our material issues

Material issues are those issues that reflect our significant economic, environmental, and social impacts, or that substantively influence the assessments and decisions of our stakeholders.

LGFA's materiality issues were determined with the assistance of Proxima, an independent sustainability consultancy. Over the past year, Proxima has worked with the executive, directors and shareholders to update the material issues relevant to our business and key stakeholders.

This year, LGFA's material issues have been updated to reflect our increasing focus on sustainability, with other material topics relatively unchanged from 2021.

Our organisation

- Culture, ethics and governance
- Transparency and disclosure
- Health, safety and wellbeing
- Diversity and inclusion
- Capability and development

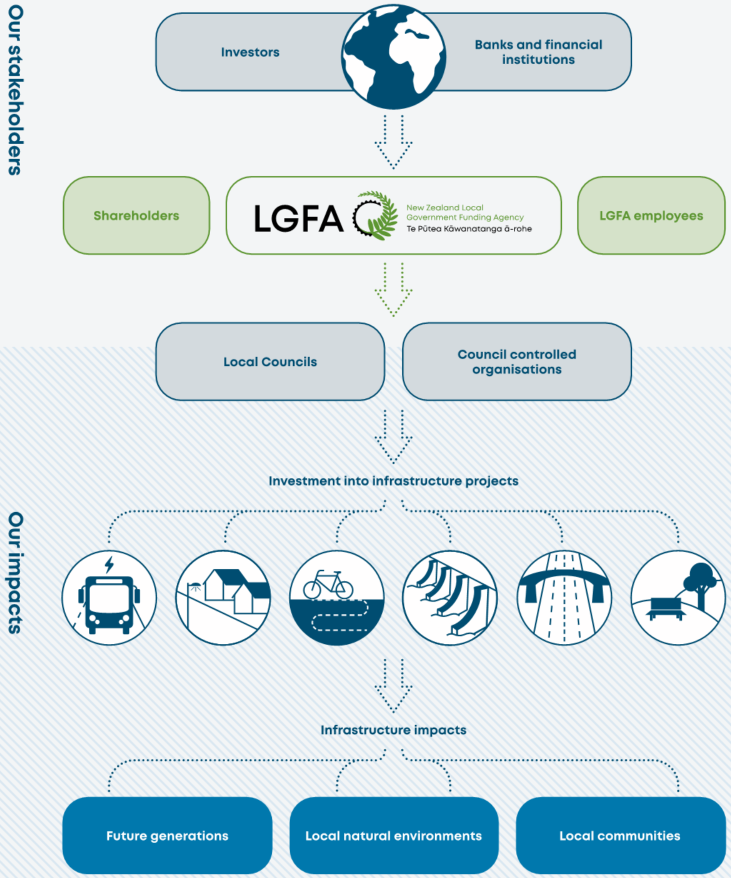
Responsible finance

- Deliver efficient and cost-effective funding
- Financial performance
- Industry collaboration and engagement
- Best practice and influence

Our environment

- Green, social and sustainability lending
- Responsible investment
- Sustainable business practices

LGFA is New Zealand's largest issuer after the New Zealand Government. Our issuance and lending functions impact our stakeholders, our communities and the environment.



LGFA is the predominant funder of New Zealand's local government and their activities and projects funded through our loans impact across our communities and environment. The impacts from council activities funded via LGFA will be either positive and negative and, while we do not specify or control the use of our proceeds from our loans, we are increasingly working with council members and the sector on identifying and progressing positive impact projects for the environment and our communities.

At the time of this report, we have begun working with members to better understand the environmental footprint for each council, as well as identifying where they are undertaking climate reduction initiatives. This information will assist us with developing future processes for reporting on the extent of LGFA's financed emissions to members.

Promoting environmental and social stewardship

LGFA recognises the emerging risks for councils from climate change and supports their commitment towards improving sustainable outcomes for local communities. LGFA supports New Zealand's contribution to meeting the United Nations' Sustainable Development Goals (UN SDGs) and will work with member councils and council-controlled organisations (CCOs) on financing projects to build towards a more sustainable and resilient society

As the primary lender to the local government sector, LGFA finances members' core investment into improving New Zealand's infrastructure and services to residents and visitors. By extension, these members' investments form an important element of LGFA's sustainability context.

Green, social and sustainability lending

A commitment to assist councils and council-controlled organisations finance projects that promote environmental and social wellbeing in New Zealand

LGFA acknowledges the importance of financing projects that promote environmental and social wellbeing in New Zealand, progress the United Nations Sustainable Development Goals, and which fund eligible green and/or social projects.

To assist our members finance sustainability projects, in 2022 we launched our green, social and/or sustainability (GSS) lending programme across the following ten green project categories and six social project categories:

Green Bond Categories

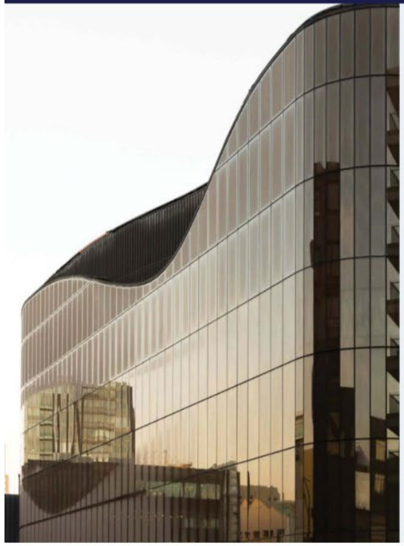
- Energy Efficiency
- Green Buildings
- Clean Transportation
- Sustainable Water and Wastewater Management
- Renewable Energy
- Pollution Prevention and Control
- Sustainable Management of Living Natural Resources and Land Use
- Climate Change Adaptation
- Terrestrial and Aquatic Biodiversity Conservation
- Circular Economy and Eco-efficient Products

Social Project Categories

- Affordable Basic Infrastructure-Clean Water, Sewer, Transport
- Access to Essential Services-Education, Healthcare
- Affordable Housing
- Employment Generation
- Food Security
- Socioeconomic Advancement and Empowerment

Under the GSS programme, LGFA lends to councils and CCOs at a discounted margin to incentivise them to undertake projects that help drive forward climate, environmental and social projects across the New Zealand local government sector.

Following the launch of our GSS loan product, LGFA are pleased to welcome Wellington City Council (WCC) and Greater Wellington Regional Council (GWRC) as inaugural lenders under the GSS programme.



Tākina Wellington Convention and Exhibition Centre
Wellington City Council

There was significant work required to investigate the correct market for GSS lending; other options investigated by Wellington City Council (WCC) were not going to align well to its needs. Working with, and issuing through, the LGFA provides benefit to the local government sector in building up to scale; and to WCC in getting this project funded in a way that works with WCC's balance sheet requirements.

Tākina Wellington Convention and Exhibition Centre, the Capital's largest infrastructure investment since the Wellington Regional Stadium two decades ago, will offer a powerful combination of facilities across three floors and 18,000 sqm that will draw visitors to Wellington to learn, meet and be inspired.

Being built to a 5 Green Star standard and rated at more than 100% of NBS, Tākina will act as a post event gathering point for the city. WCC are building resilience to climate change and natural disaster with various features including base isolation, elevated floor level, standalone plug in power supply and rain harvesting ability to ensure back up water supply is available. By doing so, WCC are ensuring the building can provide crucial post event support to the local community. All this in addition to putting Wellington on the map as a convention destination.

WCC declared a climate emergency June 2019 and have adopted Te Atakura (first to zero) carbon strategy to ensure it is demonstrating commitment to its climate response promise in everything they do. Building up a green loan portfolio and aligning GSS funding with a significant project, both in construction and over the term of the loan/life of the asset, demonstrates this commitment to its climate response for current and future generations of ratepayers.

GSS lending also provided WCC with marginally cheaper funding to offset additional compliance costs. Monitoring and complying with GSS loan requirements does involve some additional overhead and the 5 basis point reduction in funding costs goes some way to covering these.

RiverLink Project
Greater Wellington Regional Council

RiverLink brings together a range of different flood protection strategies to help protect the Hutt Valley from a natural disaster by managing flood risk and mitigating for climate change for the next 100 years. Borrowing under the LGFA's 'Climate Change Adaptation' category, the reduced cost of borrowing on the GSS loan will provide important savings each year over the asset's life.

The RiverLink Project is a partnership between Greater Wellington Regional Council (GWRC), Hutt City Council and Waka Kotahi NZ Transport Agency, working together with Mana Whenua partners – Ngāti Toa Rangatira and Taranaki Whānui ki te Upoko o te Ika.

Working collaboratively, the project encompasses flood protection works within and around Te Awa Kairangi Hutt River, the Making Places Urban Development Plan, and Melling transport improvements.

The flood protection works will upgrade the stopbanks on either side of Te Awa Kairangi Hutt River and deepen and widen the river channel to protect Lower Hutt city centre from a one in 440-year flood. As well as shielding the city, the flood protection will enhance the ecological health of the waterway. By making more space for the river it can create more fish habitats, including pools and undercut banks – places where trout, native eels and whitebait will thrive.

In August 2019, GWRC declared a climate emergency and has since developed a programme of climate action relating to corporate operations and regional outcomes. The climate emergency declaration encompasses everything GWRC are doing to combat climate change, including emissions from the Wellington region as a whole, and adapting to the effects of climate change. For GWRC to reduce its corporate carbon emissions, it has set the goal to become carbon neutral by 2030. GWRC aim to reduce net emissions by 40% by 30 June 2025, 100% net reduction by 2030 and become carbon negative by 2035.

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Deliver efficient and cost-effective funding

LGFA was established with the primary purpose of providing more efficient financing costs and diversified financing sources for New Zealand local authorities. A core objective is to raise debt on behalf of local authorities on terms that are more favourable to them than if they raised the debt directly.

By providing our members with access to cost-effective and efficient financing, LGFA supports local government by financing development and investment into New Zealand's local and regional sectors for a resilient and sustainable society.

A key indicator of satisfaction with service and pricing to members is LGFA's estimated overall market share for council lending. Since our incorporation in 2011, LGFA has firmly established itself as the prime lender to the local government sector, with a current estimated market share of 80% of local government debt.

Over the 10 years we have been in operation, LGFA has lent over $19 billion to the local government sector, with $14 billion in current loans as at 30 June 2022. With sector debt forecast to increase to $37 billion by 2031, LGFA's lending services will continue to assist New Zealand's local government sector to invest in community infrastructure and wellbeing.

Under the Local Government Act 2002, councils' are required to manage finances prudently. To assist councils, LGFA works closely with our members to encourage ongoing best practice local government financial management. LGFA's financial covenants for lenders ensure prudent levels of debt are maintained and our tiered credit margins provide financial incentives for members to seek independent external credit ratings.

Over the last seven years, there has been an improving trend in the underlying credit quality of New Zealand's council sector. As at June 2022, 33 members had current external credit ratings, with 84% of all LGFA loans being held by AA- rated councils and CCOs or better.

LGFA reports on its cost of borrowing relative to other issuers on a quarterly basis to shareholders and in our annual and half year reports. LGFA surveys members on its performance annually in relation to business delivery and satisfaction with pricing.

Best practice and influence

Delivering operational best practice and efficiency across our issuance programme and lending services is a key objective for LGFA.

Over recent years, LGFA has invested significant resource in developing our risk management framework to reflect financial markets best practice, the objective being to ensure effective management of our risks and compliance with LGFA's governance and legislative requirements.

Managing treasury risks is a critical component of LGFA's market operations and in 2021 we engaged external consultants to assist in providing an independent assessment of our treasury policies. The Managing risk section of this report provides more information on our risk management processes.

Over the course of the reporting year, LGFA operations staff processed over 11,000 transactions with total gross cash flows in excess of $36 billion without error. Where possible, LGFA employ straight-through processing to minimise operational risk across our treasury operations.

Improving our information technology control environment to mitigate emerging risks from cyber threats was another key focus over the past year, with independent consultants engaged to review our cyber control environment for compliance against best practice cyber risk controls.

Responsible investment

LGFA utilises a liquid assets portfolio (LAP) to manage its liquidity, refinancing and asset-liability mismatch risks.

In 2021, we approved our Responsible Investment Policy which commits to investing responsibly by incorporating environmental, social and governance (ESG) factors into its investment analysis and decision-making processes relating to the management of the LAP.

Industry collaboration and engagement

One of LGFA's core objectives is to take a proactive role in enhancing the financial strength and depth of local government debt market by working with key central government and local government stakeholders on sector and individual council issues.

Contributing to capital markets development to enhance local government sector debt is a key role for LGFA and we regularly meet with key industry stakeholders, including the Reserve Bank of New Zealand, Department of Internal Affairs, Office of the Auditor General, Taituarā, Infrastructure New Zealand and New Zealand Green Investment Finance. The importance of capital investment in infrastructure has been a focus over the past year, with LGFA actively engaging with councils, CCOs, central Government and investors in relation to the work being progressed on the proposed three waters reform project.

This year, LGFA were again proud to be principal sponsor for the 2022 Taituarā LGFA Local Government Excellence Awards.

Far North District Council takes top spot in the 2022 LGFA Taituarā Local Government Excellence Awards

We are delighted to announce that Far North District Council has won the 2022 LGFA Supreme Award for its Te Hiku o te Ika Revitalisation Project.

Te Hiku o te Ika Revitalisation Project is highly successful collaboration between Far North District Council, the Kaitaia Business Association, the five iwi of Far North's Te Hiku region and the wider community. Its purpose is to create employment in, and enhance the vibrancy of, three of New Zealand's most deprived areas. Some 81 urban development, restoration and revitalisation projects were identified and folded into the project

Our team

Health, safety and wellbeing

LGFA is committed to providing a safe and healthy working environment for all employees and a flexible workplace environment that promotes increasing employee engagement, productivity and enhancing recruitment and retention.

LGFA maintains policies on health and safety, flexible working, diversity and employment which outlines the company's commitment to health, safety and wellbeing.

Our Health and Safety Policy sets out the duty of directors and staff under the Health and Safety at Work Act 2015. A staff health and safety committee has been established with responsibility to continuously review health and safety issues and ongoing compliance with the Act, with reporting on health and safety issues at each Board meeting.

LGFA provides staff with access to professional support for general counselling services, individual case management and on-going monitoring of an employee's progress to ensure the assistance and treatment in meeting their needs.

Capability and development

LGFA is committed to ongoing education and professional development for staff and directors by funding professional development courses, membership of professional bodies and attendances at industry conferences. Over the last year, sustainability and climate-related training was a key focus with training completed in Climate Competency for Boards, Task Force on Climate-related Financial Disclosures Masterclass and New Zealand Green Building Green Star training.

The Future Director programme was launched in 2021 by the LGFA board and Shareholder Council. The programme aims to give young talented people from within the Local Government sector with an interest in corporate governance the opportunity to observe and participate in Boardroom discussions for an 18-month period. The Future Director attends all Board meetings, but they have no voting rights and are not involved in decision making. Anita Furniss was appointed as the inaugural Future Director starting on 1 July 2022.

Diversity and inclusion

LGFA is committed to promoting a culture that supports both workplace diversity and inclusion within the organisation.

Diversity at LGFA involves recognising and valuing the contribution that people can make because of their skills, experience, background and differing perspectives. LGFA values employees by encouraging participation and providing opportunities for its people to succeed.

LGFA has formally adopted a Diversity Policy which applies to both LGFA employees and directors. Diversity and inclusiveness at LGFA involves recognising the value of individual differences and managing them in the workplace. Diversity in this context covers gender, age, ethnicity, cultural background, sexual orientation, religious belief, disability, education and family responsibilities.

Each year, we complete a diversity review which is reported through to the Board and, when undertaking recruitment, selection panels for interview are split by gender.

Appointments to the LGFA Board are made in accordance with our Constitution and the Shareholders Agreement.

2022	Female	Male
Board	👤	👤👤👤👤👤
Staff	👤👤👤	👤👤👤👤👤👤

2021	Female	Male
Board	👤	👤👤👤👤👤
Staff	👤👤👤	👤👤👤👤👤👤

2022	Under 30 years	30-50 years	Over 50 years
Board	-	-	100%
Staff	12%	22%	66%

2021	Under 30 years	30-50 years	Over 50 years
Board	-	-	100%
Staff	12%	22%	66%

Sustainable business practices

LGFA is committed to reviewing internal processes to reduce our carbon emissions. In 2021, LGFA directors committed to reducing our carbon emissions over time, with our target of cutting per employee emissions by 30% by 2030, compared with a 2018/19 base year.

Air travel represents the majority of our carbon emissions. While air travel is essential for our business, we constantly review practical options to reduce, including virtual meetings. In 2022, we introduced one virtual Board meeting as well as a virtual attendance option for our Shareholder day. In 2022, we were able to resume travel following lifting of Covid restrictions, the reason our Scope 3 emissions increased over FY 21.

Total carbon emissions	Emissions (tC)2e) FY 22	FY 21	Variance (change %) To FY 21	To Base year
Verified				
Scope 1	0.5	1.1	-55%	+10%
Scope 2	2.5	2.9	-14%	+45%
Scope 3	39.8	26.9	+48%	-69%
Total	**42.8**	**30.9**	**+39%**	**-69%**

Toitū Carbonzero certification

As part of our carbon reduction process, LGFA achieved a Toitū CarbonZero certification in 2021. The Toitū certification recognises the processes LGFA has put in place to measure our greenhouse gas (GHG) emissions, as well as management plans to reduce our company's emissions. Where LGFA are unable to eliminate emissions, these are offset through the purchase of high-impact carbon credits from a Gold Standard-certified international project.

Kauri 2000

Kauri 2000 was established in 1999 as a project to celebrate the start of the new millennium by planting 2000 kauri on the Coromandel Peninsula. To date the Trust has planted over 55,000 trees and continues to plant kauri throughout the Coromandel.

LGFA donates to Kauri 2000 on an annual basis to assist the Trust with their planting programme. In 2022, LGFA donated $4,000.

Climate-related disclosure framework

The Financial Sector (Climate-related Disclosures and Other Matters) Amendment Act 2021 makes it mandatory for climate reporting entities to produce climate statements according to disclosure standards currently being developed by the External Reporting Board (XRB).

The XRB states reporting on climate change under the Climate-related disclosures (CRD) will:

- allow investors to make more informed decisions about the climate-related risks and opportunities facing entities and sectors into which they invest, and
- encourage entities to think about their strategic choices in light of the risks and opportunities of climate change, including the transition to a low-emissions future.

LGFA are currently developing our risk and reporting frameworks to meet the forthcoming climate-related disclosures being developed by the XRB. LGFA will be required to report in compliance with the standards for the financial year commencing 1 July 2023 and we will provide an update on our development progress in our 2023 Annual Report.

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Governance and culture

Te whakaruruhau me te ahurea

The LGFA Board is responsible for the strategic direction and control of LGFA's activities and is committed to ensuring LGFA demonstrates ongoing commitment to strong and sound corporate governance.

LGFA governance policies and documents

- LGFA Constitution
- Shareholders Agreement
- Code of Ethics
- Board Charter
- Audit and Risk Committee Charter
- Treasury Policy
- Responsible Investment Policy
- Risk Management Policy
- Internal Audit Charter
- Diversity Policy
- Remuneration Policy
- Responsible Investment
- LGFA Foundation Policies

NZX Corporate Governance Best Practice Code

LGFA is a listed issuer on the NZX Debt Market and complies with the eight core principles underpinning the NZX Corporate Governance Best Practice Code 2020.

LGFA considers that its governance practices have not materially differed from the NZX Code for the year ended 30 June 2022. Areas where LGFA has implemented alternative measures to the Code are as follows:

An issuer should establish a nomination committee to recommend director appointments to the board.	The process for the nomination and remuneration of directors is documented in the Constitution of New Zealand Local Government Funding Agency Limited and outlined on page 51.
An issuer should have a remuneration committee which operates under a written charter.	

Our purpose

Benefiting local communities through delivering efficient financing for local government.

Our values
Ō mātau uara

We act with integrity
E pono ana mātau
We are honest, transparent and are committed to doing what is best for our customers and our company

We are customer focused
E arotahi ana mātau ki te kiritaki
Our customers are our council borrowers, investors, and all other organisations that we deal with. We listen to them and act in their best interests to deliver results that make a positive difference

We strive for excellence
E whakapau kaha mātau kia hiranga te mahi
We strive to excel by delivering financial products and services that are highly valued at least cost while seeking continuous improvement in everything we do.

We are innovative
He auaha mātau
To meet our ever-changing customer requirements, we will encourage innovation and provide a diverse range of financial products and services.

We provide leadership
He kaiārahi mātau
We are here for our stakeholders in being strategically minded, providing resilience and executing our strategy. We embrace a high-performance culture and can be relied upon to deliver results.

Culture, ethics and governance

The LGFA Board is committed to ensuring LGFA demonstrates ongoing commitment to strong and sound corporate governance, and that the conduct of both directors and staff at all times meets the high standards required to reflect the company's values and to protect its reputation.

LGFA's required standards for conduct are defined in our Code of Ethics and is reflected throughout the following key governance documents: The LGFA Constitution; Shareholders' Agreement; Board Charter; Audit and Risk Committee Charter; Internal Audit Charter; and the Diversity Policy.

Code of Ethics

LGFA has adopted a formal Code of Ethics, incorporating its Conflicts of Interest and Code of Conduct policies, which sets out the standards and values that directors and employees are expected to follow.

Impartiality and transparency in governance and administration are essential to maintaining the integrity of LGFA. Accordingly, our Conflicts of Interest Policy provides guidance to directors and employees in relation to actual and potential conflicts of interest, including specific guidance on managing potential conflicts that may arise for non-independent directors. Directors and employees are expected to avoid all actions, relationships and other circumstances that may impact on their ability to exercise their professional duties.

Our Code of Conduct Policy requires employees and directors to maintain high standards of integrity and conduct by clearly setting out standards for expected behaviour. In addition, the policy sets out LGFA's commitment to employees to act in a fair and reasonable manner, while providing a fair and safe working environment.

Protected Disclosures and Whistle Blowing

Our LGFA Protected Disclosures and Whistle Blowing Policy outlines procedure, support and protection to persons who disclose information which they reasonably believe to be about serious wrong-doing in or by LGFA.

Financial Products Trading Policy

Our LGFA Financial Products Trading Policy, which applies to directors, employees and contractors, details the policy and rules for dealing in listed debt securities issued by LGFA and any other LGFA quoted financial products.

Transparency and disclosure

Transparency and disclosure are essential for shareholder, rating agencies and investor confidence and codified through:

- **Shareholders' agreement**
- **NZX listing rules**
- **Financial accounting standards**
- **Regulatory compliance**

LGFA is committed to ensuring the highest standards are maintained in financial reporting and disclosure of all relevant information. Transparency in how we operate is core to achieving our shareholders' objectives as well as for our wider stakeholders including investors, banks and other financial intermediaries and the credit rating agencies.

As such, transparency in how we operate is reflected in operating requirements outlined in our foundation documents, including the LGFA Constitution, Shareholders' Agreement and Board Charter, as well as Company policies on Continuous Disclosure, Financial Products Trading, and Protected Disclosures and Whistle Blowing.

LGFA demonstrates transparency through its annual Statement of Intent (SOI) and quarterly reporting to shareholders on its performance against the objectives set out in the SOI.

The Audit and Risk Committee has responsibility to provide assurance to the Board that due process has been followed in the preparation and audit of the financial statements and to ensure there are appropriate processes and activities to ensure compliance with relevant regulatory and statutory requirements.

LGFA has adopted a formal Continuous Disclosure Policy, the requirements of which ensure that LGFA meets the continuous disclosure requirements of the NZX Listing Rules including the disclosure for material environmental, social and governance (ESG) factors.

The GRI sustainability reporting standards are the most widely adopted global standards for sustainability reporting and this year's annual report has been prepared to meet the requirements of the Global Reporting Initiative (GRI) Standards (core option).

Audit and Risk Committee

The LGFA Audit and Risk Committee is a committee of the Board.

The Audit and Risk Committee is governed by its own Charter which states that the purpose of the Committee is to provide advice, assurance and observations to the Board relating to the effectiveness and adequacy of internal control and risk management systems, processes and activities across LGFA. The Committee assists the Board to fulfil its duties by considering, reviewing and monitoring:

- Risk management framework and processes;
- Internal control environment and mechanisms;
- Operations and effectiveness of the internal audit function;
- Preparation and audit of financial statements;
- Integrity of performance information, including financial reporting;
- Governance framework and process;
- Policies, processes and activities to ensure compliance with legislation, policies and procedures; and
- Statutory/regulatory disclosure and reporting and performance against Statement of Intent targets.

Audit and Risk Committee members are appointed by the Board. Membership comprises at least three directors, the majority of whom must be independent.

Internal audit

LGFA has an internal audit function to provide assurance that its risk management, governance and internal controls are operating effectively.

The Audit and Risk Committee has responsibility for oversight of the internal audit function, including:

- Reviewing the Internal Audit Charter, the operations of the internal audit and organisational structure of the internal audit function;
- Approving the annual audit plan;
- Reviewing the effectiveness of the internal audit function; and
- Meeting separately with the internal auditor to discuss any matters that the Audit and Risk Committee or Internal Audit considers should be discussed privately.

External audit

The external audit of LGFA is conducted in accordance with Section 14 of the Public Audit Act 2001, including the appointment of the external auditors of LGFA by the Auditor-General.

The Audit and Risk Committee has responsibility for all processes relating to the audit of financial statements, including the setting of audit fees and ensuring the independence and objectivity of the auditors.

The external audit of LGFA is conducted in accordance with a formal external audit plan which is reviewed and approved by the Audit and Risk Committee on an annual basis. The external auditor attends LGFA's Annual General Meeting.

Our Board

The LGFA Board Charter sets out the roles and responsibilities of the LGFA Board. The Charter states that role of the Board is to ensure that LGFA achieves its goals. Having regard to its role, the Board will direct, and supervise the management of the business and affairs of LGFA, including:

- ensuring that LGFA's goals are clearly established, and that strategies are in place for achieving them;
- establishing policies for strengthening LGFA's performance;
- ensuring strategies are in place for meeting expectations set out in the current Statement of Intent and monitoring performance against those expectations, in particular LGFA's primary objective of optimising the debt funding terms and conditions for participating local authorities;
- monitoring the performance of management;
- appointing the CEO, setting the terms of the CEO's employment contract and, where necessary, terminating the CEO's employment;
- deciding on whatever steps are necessary to protect LGFA's financial position and the ability to meet its debts and other obligations when they fall due, and ensuring that such steps are taken;
- ensuring that LGFA's financial statements are true and fair and otherwise conform with law;
- ensuring that LGFA adheres to high standards of ethics and corporate behaviour; and
- ensuring that LGFA has appropriate risk management/regulatory compliance policies in place. In the normal course of events, day-to-day management of LGFA will be in the hands of management. The Board will satisfy itself that LGFA is achieving its goals, and engaging and communicating with Shareholders Council; and
- engaging and communicating with shareholders.

Board composition

The LGFA Board comprises five independent directors and one non-independent director. An independent director is a director who, within five years prior to appointment, was not an employee of any shareholder, employee of a council-controlled organisation owned by a shareholder, or a councillor of any local authority which is a shareholder.

The directors of LGFA as at 30 June 2022

Craig Stobo
Independent Chair
BA (Hons) Economics First Class, Otago; C.F.Inst.D
Associate Member CFA Society New Zealand

Craig has worked as a diplomat, economist, investment banker and Chief Executive Officer of BT Funds Management (NZ) Limited. He has completed the Advanced Management Programme at Wharton Business School in Philadelphia, authored reports to the New Zealand Government on the Taxation of Investment Income (which led to the PIE regime), and the creation of New Zealand as a funds domicile. He currently chairs the listed companies Precinct Properties New Zealand Limited and AIG Insurance (NZ Board). He has directorship and private equity interests in financial services and other businesses.

Director
AIG Insurance NZ Limited
Appello Services Limited
Precinct Properties New Zealand Limited
NZ Windfarms

Director/Shareholder
Biomarine Group Limited
Elevation Capital Management Limited
Legend Terrace Limited
Saturn Portfolio Management Limited
SouthWest Trustees Limited

Managing Director/Shareholder
Stobo Group Limited

Alan Adcock
Non-Independent Director
Member Audit and Risk Committee
B.Com, MBA (with Distinction)

Alan has over 35 years' experience in the financial services and local government sectors at executive level, with over twenty years in banking, insurance and funds management followed by his current role as General Manager Corporate / CFO at Whangarei District Council.

His involvement with LGFA began in its initial planning stage, as a representative of the 'tight nine' councils that worked together to turn the concept into reality in 2011. He was an inaugural member of the Shareholders' Council, which he chaired from 2014 before joining the Board in 2021.

Chief Financial Officer
Whangarei District Council

Director
Whangarei Waste Limited

John Avery
Independent Director
LLB, C.F.Inst.D

John was Managing Partner, then Chairman of Hesketh Henry. He was a director of The Warehouse Group Limited, several start-up businesses, a number of CCOs, an industry cooperative 'ITM', Regional Facilities Auckland Limited and Spider Tracks Limited. He is currently a Trustee of the Royal New Zealand Ballet.

Trustee
Royal New Zealand Ballet

Philip Cory-Wright
Independent Director
Member Audit and Risk Committee
LLB (Hons), BCA Business Management, INFINZ (Cert), C.F.Inst.D

Philip is a solicitor of the High Court of New Zealand and Victoria. He has worked as a corporate finance adviser in New Zealand to the corporate sector on debt and equity matters for more than 30 years. He is currently a director of NZ Windfarms, Powerco, Matariki Forests, South Port New Zealand and Papa Rererangi I Puketapu (New Plymouth Airport). Philip is also a strategic adviser to clients in the energy and infrastructure sectors. He was a member of the Local Government Infrastructure Expert Advisory Group tasked with advising the Minister of Local Government on improvements in local government infrastructure efficiency.

Director
Matariki Forest Group Limited
Papa Rererangi i Puketapu (New Plymouth Airport) (Chair)
NZ Wind Farms
Powerco Limited
South Port New Zealand Limited

Anthony Quirk
Independent Director
Member Audit and Risk Committee
BCA Hons (First Class), INFINZ (Fellow), M.Inst.D

Anthony is an experienced financial services sector professional with over thirty years executive experience in the sector. He has a varied portfolio of governance interests with an emphasis on areas that improve or contribute to communities.

He is a Fellow of the Institute of Finance Professionals New Zealand (INFINZ) and is a former Chairman of that organisation. He was previously Chair of the Asset Management Advisory Board of the New Zealand Exchange, Deputy Chair and Board member of the New Zealand Society of Investment Analysts and a previous member of the Financial Reporting Standards Board of the New Zealand Society of Accountants.

Non-Executive Director/Shareholder
Milford Asset Management Limited (and associated subsidiaries)
Chair
Humanitix, New Zealand
Milford Foundation

Linda Robertson
Independent Director
Chair Audit and Risk Committee
B.Com, Dip Banking, INFINZ (Distinguished Fellow),C.F.Inst.D, GAICD

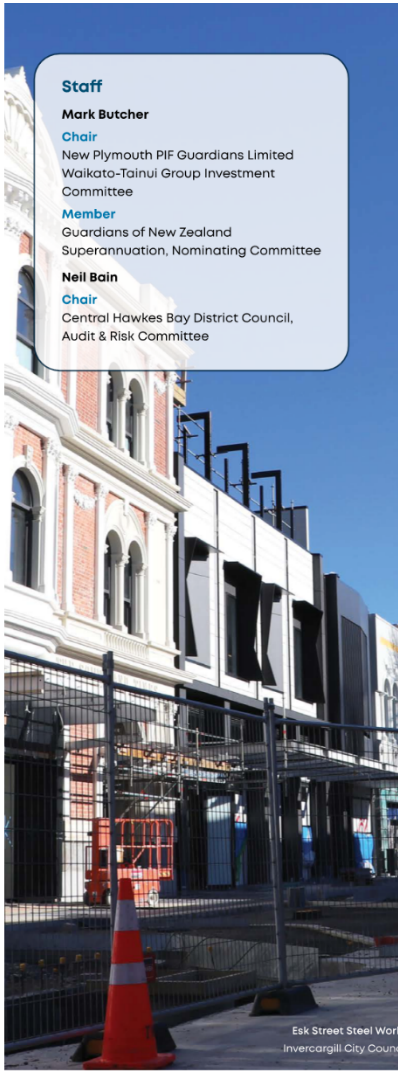
Linda is professional company director with over 20 years governance experience, combined with 30 years senior financial management experience having worked in both the banking and energy sectors in New Zealand.

Linda holds a Bachelor of Commerce Degree and a Diploma in Banking. Linda is a Certified Treasury Professional, a Distinguished Fellow of the Institute of Finance Professionals New Zealand (INFINZ), a Graduate Member of the Australian Institute of Company Directors, a Certified Fellow of the Institute of Directors in New Zealand and a Fellow of Governance NZ.

Linda is currently chair of Crown Irrigation Investments, Central Lakes Trust and Central Otago District Council's Audit and Risk Committee. She is a director of Kiwi Wealth, Dunedin City Holdings and Alpine Energy. Linda is also a member of the Capital Markets Advisory Committee and the Risk and Audit Committee of The Treasury.

Chair
Central Lakes Trust and associated subsidiary
Central Otago District Council, Audit & Risk Committee
Crown Irrigation Investments Limited
Director
Alpine Energy Limited
Dunedin City Holdings Limited
Dunedin City Treasury Limited
Dunedin Railways Limited
Dunedin Stadium Property Limited
Kiwi Wealth Limited (and related entities).
Member
Office of the Auditor-General and Audit New Zealand, Audit and Risk Committee
The Treasury, Capital Markets Advisory Committee
The Treasury, Risk and Audit Committee

Directors did not hold any interests in debt securities (including listed bonds) in the company as at 30 June 2022.



Staff

Mark Butcher
Chair
New Plymouth PIF Guardians Limited
Waikato-Tainui Group Investment Committee
Member
Guardians of New Zealand Superannuation, Nominating Committee

Neil Bain
Chair
Central Hawkes Bay District Council, Audit & Risk Committee

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Director tenure and meetings of the Board

Mike Timmer, non-independent Director, retired from the Board on 23 November 2021. Mike was appointed to the LGFA Board on 24 November 2015 and served as a Director for 6 years.

Board meetings comprised 7 scheduled and 2 additonal.

Director	Date commenced in office	Board meetings held/attended	Audit and Risk Committee held/ attended
Craig Stobo (Chair)	1 December 2011	9/9	-
Alan Adcock	23 November 2021	6/6	3/3
John Avery	1 December 2011	9/9	5/5
Philip Cory-Wright	1 December 2011	9/9	5/5
Anthony Quirk	21 November 2017	9/9	5/5
Linda Robertson	24 November 2015	9/9	5/5
Mike Timmer	24 November 2015	3/3	2/2

Board performance review

The Board has an annual formal self-assessment to assess director, Board and committee performance. In addition, Board performance is reviewed by external consultants on a periodic basis.

Nomination of Directors

Director nominations can only be made by a shareholder by written notice to LGFA and the Shareholders' Council, with not more than three months, nor less than two months before a meeting of shareholders. All valid nominations are required to be sent by LGFA to all persons entitled to attend the meeting.

Retirement and re-election of Directors

Directors are appointed to the Board by an Ordinary Resolution of shareholders. A Director must not hold office (without re-election) past the third annual meeting of the Company following the Director's appointment or three years, whichever is longer. A retiring Director shall be eligible for re-election.

Indemnities and insurance

Under LGFA's constitution, LGFA indemnifies directors for potential liabilities and costs they may incur for acts of omission in their capacity as directors. LGFA has arranged directors' and officers' liability insurance covering directors and management acting on behalf of the company. Cover is for damages, judgements, fines, penalties, legal costs awarded and defence costs arising from wrongful acts committed while acting for LGFA. The types of acts that are not covered are dishonest, fraudulent, malicious acts, or omissions, wilful breach of statute or regulation, or duty to LGFA, improper use of information to the detriment of LGFA, or breach of professional duty.

Remuneration

The remuneration of the Board reflects LGFA's size and complexity and the responsibilities, skills, performance and experience of the directors. A specialist independent adviser is used periodically to ensure the remuneration is appropriate.

Board remuneration is determined by an Ordinary Resolution of shareholders. The current board remuneration was approved by shareholder resolution at the Annual General Meeting on 23 November 2021.

Director annual fee breakdown

Position. Fees per annum	2022	2021
Board Chair	$108,000	$102,000
Audit and Risk Committee Chair	$67,000	$63,000
Director / ARC Member	$63,000	$59,000
Director	$60,000	$57,000

Director	2022
Craig Stobo	$108,000
Alan Adcock[1]	$36,750
John Avery	$60,000
Philip Cory-Wright	$63,000
Anthony Quirk	$63,000
Linda Robertson	$67,000
Mike Timmer[2]	$26,250
Total	$424,000

1. Alan Adcock was appointed as director on 23 November 2021.
2. Mike Timmer retired as director on 23 November 2021.

The remuneration of the CEO is determined by the Board and is reviewed annually taking into consideration the scope and complexity of the position with reference to the remuneration of CEOs of similar organisations. A specialist independent adviser is used periodically to ensure the remuneration is appropriate.

The CEO remuneration package comprises a fixed cash component of $572,900 per annum as at 30 June 2022 ($556,200, 2021) and an at-risk short-term incentive of the fixed cash component. The short-term incentive payment is made annually at the Board's discretion subject to the CEO and LGFA meeting a range of specific performance objectives for the respective financial year.

Chief Executive remuneration

Per annum	2022	2021
Salary	$572,900	$556,200
Taxable benefits	-	-
Subtotal	$572,400	$556,200
Pay for Performance STI	$85,935	$83,430
Kiwisaver Employer Contribution	$26,245	$25,400
Total remuneration	$685,080	$665,030

Staff remuneration

Total remuneration	2022
$150,000 to $159,999	2
$200,000 to $209,999	1
$250,000 to $259,999	1
$330,000 to $339,999	1
$340,000 to $349,999	1
$680,000 to $689,999	1
Total staff receiving $100,000 or more	7

Shareholders

Foundation documents

The LGFA Constitution and the Shareholders Agreement are foundation documents.

The Constitution defines the rights and the exercise of powers of shareholders, the acquisition and redemption of company shares, proceedings of shareholder meetings, voting at meetings and the right to demand polls, shareholder proposals and review of management.

The Shareholders Agreement is an agreement between LGFA and its shareholders which clearly defines LGFA's business, its objectives, the role of the Board, the establishment of the Shareholders Council and the approval rights of the shareholders.

LGFA Shareholders Council

The LGFA Shareholders Council comprises five to ten appointees from the Council Shareholders and the New Zealand Government. The role of the Shareholders Council comprises the following:

- Review and report performance of LGFA and the Board;
- Recommendations to shareholders as to the appointment, removal, replacement and remuneration of directors;
- Recommendations to shareholders as to any changes to policies, or the Statement of Intent (SOI), requiring their approval;
- Update shareholders on LGFA matters and to coordinate shareholders on governance decisions.

Members of the Shareholders Council as at 30 June 2022

Kumaren Perumal (Chair)
Bay of Plenty Regional Council

Shahlaa Al-Tiay
The Treasury

Steve Ballard
Christchurch City Council

John Bishop
Auckland Council

David Bryant
Hamilton City Council

Joy Buckingham
New Plymouth District Council

Mike Drummond (Deputy Chair)
Tasman District Council

James Graham
Western Bay of Plenty District Council

Sarah Houston-Eastergaard
Wellington City Council

Kathryn Sharplin
Tauranga City Council

James Stratford
Department of Internal Affairs

Stead Street stopbank

Attachment 2

Item 9

Managing risk

Ko te whakahaere tūraru

An effective risk management framework is a critical component of LGFA's business structure for managing the company's exposure to business and treasury risks arising from its business operations of raising and on-lending funds to local councils and approved council-controlled organisations.

The objective of LGFA's risk management function is to ensure that effective controls and frameworks are implemented to manage risks effectively and in compliance with LGFA's governance and legislative requirements. The risk management function ensures that LGFA can achieve its objectives, as set out in the Statement of Intent, within the risk appetite of the company's shareholders and Board.

The objective of LGFA's risk management framework is to ensure that the organisation operates within shareholder and Board-approved risk limits. LGFA's approach to risk management is based on the following core elements:

- The LGFA Board oversees the risk appetite of the organisation and ensures that it is consistent with the constitution and shareholders agreement.
- The risk appetite is reflected in policies approved by the Board and Audit and Risk Committee.
- LGFA management implements policies and controls to ensure that all relevant risks are identified, monitored, measured and managed effectively.
- The Internal Audit (IA) and risk and compliance functions provide assurance to both the Board and the Audit and Risk Committee on the performance of internal controls and risk management systems.

LGFA adopts the three lines of defence model to ensure that essential risk management functions adopt a systematic approach that reflects industry best practice:

- The first line of defence establishes risk ownership within the company and is represented by its operational risk and control processes. LGFA managers are responsible for identifying controls, maintaining effective controls and mitigating risks.
- The second line of defence ensures that the operational risk and control processes are actively and appropriately managed by processes such as the regular review of risk reports and compliance monitoring against the risk management framework.
- The third line of defence is the independent assurance provided by both the internal and external audit functions which review and highlight control weaknesses and inefficiencies to management and the Board.

Treasury risk management

LGFA finances itself through domestic and international wholesale and retail debt capital markets, with the funds raised on-lent to members. LGFA activities are governed by the Local Government Borrowing Act 2011, the Local Government Act 2002, and the Companies Act 1993. In addition, the company is required to comply with Foundation Policies outlined in the Shareholders Agreement. Any change to the Foundation Policies require shareholders consent.

LGFA's risk management uses an approved risk identification and assessment framework to actively monitor and manage all treasury and financial risks by applying best practice risk management principles, processes and practices.

LGFA has treasury exposures arising from its normal business activities that principally relate to the raising and on-lending of funds. LGFA manages treasury exposures under a Board-approved Treasury Policy, the objectives for which are to:

- Effectively manage treasury risks, within approved compliance limits, to protect LGFA's capital position and Net Interest Margin over time.
- Fund members in the most cost effective manner and in accordance with LGFA's operating principles, values and objectives.
- Protect LGFA's assets and prevent unauthorised transactions.
- Promote professional expertise of financial and management control to all external parties.
- Minimise operational risk by maintaining adequate internal controls, systems and staffing competencies.
- Provide timely reporting to the Board with meaningful and accurate reporting of interest rate exposures, liquidity, asset and liability maturity, funding, counterparty credit, performance and policy compliance.

Specific treasury exposures relate to liquidity, interest rate/market risk, foreign exchange, counterparty credit, operational and lending risks.

LGFA risk register

The LGFA risk register is a key component of the company's risk management framework. The key objective of the LGFA risk register is to ensure that the company assesses the inherent risks faced by the business on an ongoing basis.

The risk register:

- Identifies the inherent risks that LGFA is exposed to when conducting its core business activities;
- Assesses the likelihood and potential impact of the inherent risks on the business;
- Describes the internal control framework and management processes for managing and mitigating the identified inherent risks;
- Provides commentary on internal audit coverage of the identified inherent risks; and
- Provides an overall inherent and residual risk assessment and compares these to approved risk appetite settings and risk tolerance ranges

The risk register is reviewed monthly by management and at each meeting of the Audit and Risk Committee.

New Library

Liquidity risk

Liquidity risk is the potential inability to meet financial obligations when they become due, under normal or abnormal/stressed operating conditions.

Liquidity risk is managed using a forecast cashflow approach measured over a 90-day period. LGFA is required to maintain sufficient liquidity (comprising a government standby facility, and holdings of cash and liquid investments) to support six months of funding commitments.

Interest rate risk / market risk

Interest rate risk is the risk that financial assets may re-price/mature at a different time and/or by a different amount than financial liabilities.

Interest rate / market risk is managed using Value at Risk (VaR) and Partial Differential Hedge (PDH) limits to mitigate the potential change in value of the balance sheet due to changes in interest rates.

- **Value at Risk** calculates the potential amount a portfolio could be expected to lose, 5% of the time, over a given time period. It is calculated using historical changes in underlying risk variables and applying those changes to the current portfolio.

VaR is measured over a daily time horizon with a 95% confidence interval. A daily 95% VaR exposure of $1 million means that there is a 5% chance that the portfolio could potentially lose more than $1 million over the next business day.

- **Partial Differential Hedge** measures the sensitivity of a portfolio to a one basis point change in underlying interest rates. For example, a PDH of NZD$100,000 means that the portfolio value will increase by NZD$100,000 for a one basis point fall in interest rates.

In addition, LGFA also undertakes scenario analysis to model the potential effect of changing market environments on the balance sheet.

Counterparty credit risk

Counterparty credit risk is the risk of financial loss arising from a counterparty defaulting on an investment, security and/or financial instrument where LGFA is a holder or party.

Counterparty credit risk is managed through counterparty limits for investments. These limits are determined as a function of the term of investment, liquidity and credit quality of the counterparty (as measured by a recognised credit rating).

Counterparty risk on derivative contracts is mitigated by transacting all derivative trades through the Treasury (New Zealand Debt Management) as the counterparty.

Investment is restricted to approved financial instruments listed in the Treasury Policy.

Foreign currency risk

Foreign currency risk is the risk of an adverse change in the fair value of a financial instrument due to a change in foreign exchange rates.

Exposure to foreign currency risk could exist if LGFA accesses foreign capital markets for funding purposes. To date, all funding has been sourced through the New Zealand domestic currency.

Foreign exchange risk would be managed through a requirement to fully hedge back to floating rate New Zealand dollar the full amount and term of all foreign currency funding and cash flows.

Operational risk

Operational risk, with respect to treasury management, is the risk of financial and/or reputation loss arising from human error, fraud, negligent behaviour, system failures and inadequate procedures and controls.

Operational risk is managed using internal controls and procedures across operational functions. Segregation of duties between staff members who have the authority to enter transactions with external counterparties and the staff who control, check and confirm such transactions is a cornerstone internal control principle.

Financial instruments are not entered into if the systems, operations and internal controls do not satisfactorily support the measurement, management and reporting of the risks associated with the instrument.

Lending risk

Lending risk is the risk of financial loss that could occur from lending funds to councils or council-controlled organisations.

LGFA provides debt funding to New Zealand local government councils and council-controlled organisations, subject to board approval.

The LGFA Board have ultimate discretion on approving members.

All member organisations that borrow from LGFA:

- Provide debenture security in relation to their borrowing from LGFA and related obligations, and (if relevant), equity commitment liabilities to LGFA and (if relevant) guarantee liabilities to a security trustee approved for LGFA's creditors.

  Where LGFA is the only lender to a council controlled organisation, a general security arrangement (GSA) might be used in place of a debenture security.
- Are required to become a party to a deed of guarantee and an equity commitment deed if the principal amount of their borrowings is at any time equal to, or greater than, NZD 20 million.
- Issue securities (bonds/floating rate notes/ commercial paper) to LGFA (ie. not enter into facility arrangements).
- Comply with their own internal borrowing policies.
- Comply with the financial covenants outlined in the table below, provided that:
  - Unrated borrowers or borrowers with a long-term credit rating lower than 'A' equivalent can have bespoke financial covenants that exceed the:
    - Lending policy covenants outlined in the following table only with the approval of the Board;
    - Foundation policy covenants outlined in the following table only with the approval of an Ordinary Resolution of shareholders.

On 30 June 2020, a Special General Meeting of Shareholders approved a change to the Net Debt/ Total Revenue covenant contained within the Foundation Policy Covenants. For the financial year ended June 2020 a covenant limit of 250% applied. This increased to 300% for the June 2021 and June 2022 years and then reduces by 5% for each of the subsequent years until 280% applies from the June 2026 year.

- Net debt is defined as total consolidated debt less liquid financial assets and investments.
- Total revenue is defined as cash earnings from rates, government grants and subsidies, user charges, interest, dividends, financial and other revenue and excludes non-government capital contributions, eg. developer contributions and vested assets.
- Borrowers with a long-term credit rating of 'A' equivalent or higher can have bespoke financial covenants that exceed the foundation policy covenants only with the approval of an Ordinary Resolution of shareholders.
- Any Board or Ordinary Resolution approval of bespoke financial covenants will only be provided after a robust credit analysis and any approval must also include bespoke reporting and monitoring arrangements.
- Non-compliance with the financial covenants will either preclude a member council from borrowing from the LGFA or, in the case of existing council borrowers', trigger an event of review. An event of default will occur when (among other things) a council fails to meet an interest or principal payment (subject to grace periods). An event of default will enable the LGFA to accelerate a council's repayment of loans.
- Financial covenants are measured on a parent council only basis, not consolidated group, unless requested by a parent council and approved by the LGFA Board.

Financial covenant	Lending policy covenants Unrated councils	Foundation policy covenants Rated councils
Net debt/ total revenue	<175%	<280%*
Net interest / total revenue	<20%	<20%
Net interest/ annual rates income	<25%	<30%
Liquidity	>110%	>110%

* From June 2026, refer description above.

- **Net interest** is defined as the amount equal to all interest and financing costs less interest income for the relevant period.
- **Annual rates income** is defined as the amount equal to the total revenue from any funding mechanism authorised by the Local Government (Rating) Act 2002 together with any revenue received from other local governments for services provided and for which the other local governments rate.
- **Liquidity** is defined as external debt plus committed loan facilities plus liquid investments divided by external debt.

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Item 9

Attachment 2

Financial statements

Nga taukī pūtea

Statement of comprehensive income

For the year ended ended 30 June 2022 in $000s

	Note	2022	2021
Interest income		393,507	377,222
Interest expense		375,991	357,685
Net interest income	4	**17,516**	**19,537**
Other operating income	5	1,090	184
Total operating income		**18,606**	**19,721**
Operating expenses	6	7,933	7,714
Net operating profit		**10,673**	**12,007**
Total comprehensive income		**10,673**	**12,007**

These statements are to be read in conjunction with the notes to the financial statements.

Due to rounding, numbers presented in the financial statements and associated notes may not add up precisely to the reported totals.

The Board of Directors of the New Zealand Local Government Funding Agency Limited authorised these statements for issue on 29 August 2022.

Statement of changes in equity

For the year ended 30 June 2022 in $000s

	Note	Share capital	Retained earnings	Total equity
Equity as at 30 June 2020		**25,000**	**58,616**	**83,616**
Net operating profit			12,007	12,007
Total comprehensive income for the year			12,007	12,007
Transactions with owners			-	-
Dividend paid on 6 September 2019			(879)	(879)
Equity as at 30 June 2021		**25,000**	**69,743**	**94,743**
Net operating profit			10,673	10,673
Total comprehensive income for the year			10,673	10,673
Transactions with owners			-	-
Dividend paid on 4 September 2020			(857)	(857)
Equity as at 30 June 2022	**28**	**25,000**	**79,560**	**104,560**

Craig Stobo, Director
Board Chair

Linda Robertson, Director
Chair, Audit and Risk Committee

Statement of financial position

As at 30 June 2022 in $000s

	Note	2022	2021
Assets			
Financial assets			
Receivables	11	360	43,587
Cash and bank balances		158,033	391,835
Cash pledged as collateral		76	-
Marketable securities		1,491,148	768,453
Deposits		462,866	654,961
Derivatives in gain	10	94,767	559,635
Loans	12	14,041,908	12,065,668
Non-financial assets			
Prepayments		852	683
Other assets	13	156	345
Total assets		**16,250,167**	**14,485,167**
Equity			
Share capital	27	25,000	25,000
Retained earnings		79,560	69,744
Total equity		**104,560**	**94,744**
Liabilities			
Financial liabilities			
Payables and provisions	14	45,066	40,900
Bills	15	562,803	609,624
Bond repurchases	16	31,671	110,220
Derivatives in loss	10	1,206,175	187,098
Bonds	17	14,015,862	13,217,759
Borrower notes	18	283,180	224,281
Non-financial liabilities			
Other liabilities	19	850	539
Total liabilities		**16,145,607**	**14,390,422**
Total equity and liabilities		**16,250,167**	**14,485,167**

These statements are to be read in conjunction with the notes to the financial statements.

Statement of cash flows

For the year ended 30 June 2022 in $000s

	Note	2022	2021
Cash Flow from Operating Activities			
Cash applied to loans	12	(1,972,398)	(1,127,002)
Interest paid on bonds issued		(445,533)	(437,257)
Interest paid on bills issued		(5,141)	(2,100)
Interest paid on borrower notes		(1,063)	(3,918)
Interest paid on bond repurchases		(1,067)	(674)
Interest received from loans		191,228	153,340
Interest received from cash & cash equivalents		3,234	909
Interest received from marketable securities		14,108	12,059
Interest received from deposits		7,360	6,555
Net interest on derivatives		251,708	288,127
Cash proceeds from provision of standby facilities		1,090	184
Payments to suppliers and employees		(7,752)	(7,470)
Net cash flow from operating activities	**31**	**(1,964,224)**	**(1,117,249)**
Cashflow from Investing Activities			
Purchase of marketable securities		(734,412)	(194,125)
(Purchase)/maturity of deposits		192,800	(155,612)
Net Cashflow from Investing Activities		**(541,613)**	**(349,737)**
Cashflow from Financing Activities			
Cash proceeds from bonds issued	17	2,229,503	1,951,673
Cash proceeds (outflows) from bills issued		(46,822)	(37,397)
Cash proceeds (outflows) from bond repurchases		(35,987)	(134,838)
Cash proceeds from borrower notes		57,246	42,760
Dividends paid		(857)	(878)
Cash applied to derivatives		68,952	(128,326)
Net Cashflow from Financing Activities		**2,272,036**	**1,692,994**
Net (Decrease) / Increase in Cash		(233,801)	226,009
Cash, Cash Equivalents and Bank overdraft at beginning of year		391,835	165,826
Cash, Cash Equivalents and Bank overdraft at end of year		**158,033**	**391,835**

These statements are to be read in conjunction with the notes to the financial statements.

Notes to the financial statements

1. Reporting entity

The New Zealand Local Government Funding Agency Limited (LGFA) is a company registered under the Companies Act 1993 and is subject to the requirements of the Local Government Act 2002.

LGFA is controlled by participating local authorities and is a council-controlled organisation as defined under section 6 of the Local Government Act 2002. LGFA is a limited liability company incorporated and domiciled in New Zealand.

The primary objective of LGFA is to optimise the debt funding terms and conditions for participating borrowers.

The registered address of LGFA is Level 8, City Chambers, 142 Featherston Street, Wellington Central, Wellington 6011.

The financial statements are as at and for the year ended 30 June 2022.

These financial statements were authorised for issue by the Directors on 29 August 2022.

2. Statement of compliance

LGFA is an FMC reporting entity under the Financial Markets Conduct Act 2013 (FMCA). These financial statements have been prepared in accordance with that Act and the Financial Reporting Act 2013. LGFA's bonds are quoted on the NZX Debt Market.

LGFA is a profit orientated entity as defined under the New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS).

The financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice (NZ GAAP) and they comply with NZ IFRS and other applicable Financial Reporting Standard, as appropriate for Tier 1 for-profit entities. The financial statements also comply with International Financial Reporting Standards (IFRS).

3. Basis of preparation

Measurement base

The financial statements have been prepared on a historical cost basis modified by the revaluation of certain assets and liabilities.

The financial statements are prepared on an accrual basis.

Functional and presentation currency

The financial statements are presented in New Zealand dollars rounded to the nearest thousand, unless separately identified. The functional currency of LGFA is New Zealand dollars.

Foreign currency conversions

Transactions denominated in foreign currency are translated into New Zealand dollars using exchange rates applied on the trade date of the transaction.

Changes in accounting policies

LGFA does not consider any standards or interpretations in issue but not yet effective to have a significant impact on its financial statements.

Financial instruments

Financial assets

Financial assets, other than derivatives, are recognised initially at fair value plus transaction costs and subsequently measured at amortised cost using the effective interest rate method.

Cash and cash equivalents include cash on hand, bank accounts and deposits with an original maturity of no more than three months.

Cash provided by LGFA as security for financial arrangements remains a financial asset of LGFA and is recognised as cash pledged as collateral in the Statement of Financial Position, separate from cash and cash equivalents

Purchases and sales of all financial assets are accounted for at trade date.

At each balance date, an expected credit loss assessment is performed for all financial assets and is calculated as either:

- Credit losses that may arise from default events that are possible within the next 12 months, where no significant increase in credit risk has arisen since acquisition of the asset, or
- Credit losses that may arise from default events that are possible over the expected life of the financial asset, where a significant increase in credit risk has arisen since acquisition of the asset.

Impairment losses on financial assets will ordinarily be recognised on initial recognition as a 12-month expected loss allowance and move to a lifetime expected loss allowance if there is a significant deterioration in credit risk since acquisition.

Financial liabilities

Financial liabilities, other than derivatives, are recognised initially at fair value less transaction costs and subsequently measured at amortised cost using the effective interest rate method.

Derivatives

Derivative financial instruments are recognised both initially and subsequently at fair value. They are reported as either assets or liabilities depending on whether the derivative is in a net gain or net loss position respectively.

Fair value hedge

Where a derivative qualifies as a hedge of the exposure to changes in fair value of an asset or liability (fair value hedge) any gain or loss on the derivative is recognised in profit and loss together with any changes in the fair value of the hedged asset or liability.

The carrying amount of the hedged item is adjusted by the fair value gain or loss on the hedged item in respect of the risk being hedged. Effective parts of the hedge are recognised in the same area of profit and loss as the hedged item.

Other assets

Property, plant and equipment

Items of property, plant and equipment are initially recorded at cost.

Depreciation is charged on a straight-line basis at rates calculated to allocate the cost or valuation of an item of property, plant and equipment, less any estimated residual value, over its remaining useful life.

Intangible assets

Intangible assets comprise software and project costs incurred for the implementation of the treasury management system. Capitalised computer software costs are amortised on a straight-line basis over the estimated useful life of the software (three to seven years). Costs associated with maintaining computer software are recognised as expenses.

Other liabilities

Employee entitlements

Employee entitlements to salaries and wages, annual leave and other similar benefits are recognised in the profit and loss when they accrue to employees.

Revenue

Interest income

Interest income is accrued using the effective interest rate method.

The effective interest rate exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. The method applies this rate to the principal outstanding to determine interest income each period.

Expenses

Expenses are recognised in the period to which they relate.

Interest expense

Interest expense is accrued using the effective interest rate method.

The effective interest rate exactly discounts estimated future cash payments through the expected life of the financial liability to that liability's net carrying amount. The method applies this rate to the principal outstanding to determine interest expense each period.

Income tax

LGFA is exempt from income tax under Section 14 of the Local Government Borrowing Act 2011.

Goods and services tax

All items in the financial statements are presented exclusive of goods and service tax (GST), except for receivables and payables, which are presented on a GST-inclusive basis. Where GST is not recoverable as input tax, then it is recognised as part of the related asset or expense.

The net amount of GST recoverable from, or payable to, the IRD is included as part of receivables or payables in the statement of financial position.

The net GST paid to, or received from the IRD, including the GST relating to investing and financing activities, is classified as a net operating cash flow in the statement of cash flows.

Commitments and contingencies are disclosed exclusive of GST.

Segment reporting

LGFA operates in one segment being funding of participating borrowers in New Zealand.

Judgements and estimations

The preparation of these financial statements requires judgements, estimates and assumptions that affect the application of policies and reported amounts. For example, the fair value of financial instruments depends critically on judgements regarding future cash flows, including inflation assumptions and the risk-free discount rate.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates and these estimates and underlying assumptions are reviewed on an ongoing basis. Where these judgements significantly affect the amounts recognised in the financial statements they are described in the following notes.

The financial statements as at 30 June 2022 include estimates and judgements of the potential impact of COVID-19 and the proposed Three Waters Reform Programme on LGFA's financial position and performance. Whilst there has been no material impact on the estimates and judgements at the date these financial statements are authorised, it is noted that there is significant uncertainty with regards to the medium and long-term effects of COVID-19, as well as the outcome of Three Waters Reform Programme on the local government sector.

Revenue and expenditure

4. Net interest income

For the year ended ended 30 June in $000s	2022	2021
Interest income		
Cash and cash equivalents	3,527	922
Marketable securities	14,827	4,181
Deposits	7,854	6,080
Derivatives	140,956	212,759
Loans	226,342	153,280
Fair value hedge ineffectiveness	-	-
Total interest income	**393,507**	**377,222**
Interest expense		
Bills	5,141	2,100
Bond repurchase transactions	1,084	398
Lease liability	7	13
Bonds	366,044	353,005
Borrower notes	3,715	2,168
Total interest expense	**375,991**	**357,685**
Net interest income	**17,516**	**19,537**

5. Other operating income

As at 30 June 2022, LGFA had provided credit standby facilities totalling $662 million to selected councils. As at balance date, there were no drawdowns outstanding under the facilities.

For the year ended 30 June in $000s	2022	2021
Standby facilities fee income	1,090	184
Total other operating income	**1,090**	**184**

6. Operating expenses

Issuance and on-lending expenses are those costs that are incurred as a necessary expense to facilitate the ongoing issuance of LGFA debt securities.

For the year ended 30 June in $000s	2022	2021
Issuance and on-lending expenses		
Approved issuer levy [1]	701	1,055
Rating agency fees	654	633
NZDM facility fee	672	567
Legal fees - issuance	508	477
NZX	715	637
Trustee fees	108	100
Regulatory, registry, other fees	174	207
	3,531	**3,676**
Other operating expenses		
Information technology	807	725
Consultants	208	152
Directors fees	424	399
Insurance	90	85
Legal fees	137	185
Other expenses	309	355
Auditors' remuneration		
Statutory audit	110	108
Advisory services	-	-
Personnel	2,317	2,030
	4,403	**4,038**
Total operating expenses	**7,933**	**7,714**

1. The amount of Approved Issuer Levy is a function of the number of the offshore holders of certain LGFA bond maturities.

Financial instruments

7. Financial instruments accounting policy

Financial instruments recognised in the statement of financial position at amortised cost.

Fair values of financial instruments not recognised in the statement of financial position at fair value are determined for note disclosure as follows:

Cash and bank, trade and other receivables, trade and other payables

The carrying value of cash and bank, trade and other receivables, trade and other payables approximate their fair value as they are short-term instruments.

Cash pledged as collateral

LGFA enters into derivative financial instruments for hedging purpose which may require LGFA to post collateral as security with counterparties.

In line with standard industry practice, collateral is provided for derivative transactions in accordance with Credit Support Annexes (CSAs). LGFA's practice is to annex each CSA to the International Swaps and Derivatives Association (ISDA) Master Agreement it has with derivative counterparties.

LGFA is required to pledge cash deposits at call in order to meet its obligations under the CSAs for derivative positions. The pledged assets will be returned to LGFA when the underlying transaction is terminated, but in the event of default the counterparty is entitled to apply the collateral in order to settle the outstanding liability.

Marketable securities and bonds

The fair value of bonds and marketable securities are determined using the quoted price for the instrument.

Deposits

The fair value for deposits is determined using a discounted cash flow analysis. The interest rates used to discount the estimated cash flows are based on current market interest rates.

Loans

The fair value of loans is determined using a discounted cash flow analysis. The interest rates used to discount the estimated cash flows are based on LGFA bond yields at the reporting date plus an appropriate credit spread to reflect the counterparty's credit risk.

Leases

The lease liability is recognised at the present value of the remaining lease payments, discounted using LGFA's incremental borrowing rate, with the corresponding right-of-use asset recognised as an equal amount.

Borrower notes

The fair value of borrower notes is determined using a discounted cash flow analysis. The interest rates used to discount the estimated cash flows are based on LGFA bond yields at the reporting date.

Fair value of financial assets and financial liabilities

The following table shows the fair value of financial assets and financial liabilities, together with the carrying amounts shown in the statement of financial position.

As at 30 June 2022 in $000s	Financial liabilities at amortised cost	Financial assets at amortised cost	Financial assets measured at fair value in accordance with NZ IFRS 9	Fair value
Financial assets				
Receivables	-	360	-	360
Cash and bank balances	-	158,033	-	158,033
Cash pledged as collateral	-	76	-	76
Marketable securities	-	1,491,148	-	1,597,633
Deposits	-	462,866	-	462,859
Derivatives	-	-	94,767	94,767
Loans to local government	-	14,041,908	-	14,188,283
	-	**16,154,392**	**94,767**	**16,502,012**
Financial liabilities				
Payables and provisions	45,066	-	-	45,066
Bills	562,803	-	-	562,498
Bond repurchases	31,671	-	-	31,671
Derivatives	-	-	1,206,175	1,206,175
Bonds	14,015,862	-	-	14,028,971
Borrower notes	283,180	-	-	276,085
	14,938,582	**-**	**1,206,175**	**16,150,466**

As at 30 June 2021 in $000s	Financial liabilities at amortised cost	Financial assets at amortised cost	Financial assets measured at fair value in accordance with NZ IFRS 9	Fair value
Financial assets				
Receivables	-	360	-	360
Cash and bank balances	-	158,033	-	158,033
Cash pledged as collateral	-	76	-	76
Marketable securities	-	1,491,148	-	1,597,633
Deposits	-	462,866	-	462,859
Derivatives	-	-	94,767	94,767
Loans	-	14,041,908	-	14,188,283
	-	**16,154,392**	**94,767**	**16,502,012**
Financial liabilities				
Payables and provisions	45,066	-	-	45,066
Bills	562,803	-	-	562,498
Bond repurchases	31,671	-	-	31,671
Derivatives	-	-	1,206,175	1,206,175
Bonds	14,015,862	-	-	14,028,971
Borrower notes	283,180	-	-	276,085
	14,938,582	**-**	**1,206,175**	**16,150,466**

8. Derivative financial instruments

Derivative financial instruments are the only instruments recognised in the statement of financial position at fair value.

Derivative financial instruments are valued under level 2 of the following hierarchy.

Level 1 – Quoted market prices: Fair value based on quoted prices in active markets for identical assets or liabilities.

Level 2 – Valuation techniques using observable market inputs: Fair value based on a valuation technique using other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).

Level 3 – Valuation techniques using significant non-observable market inputs: Fair value based on a valuation technique using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value of derivative financial instruments is determined using a discounted cash flow analysis. Interest rates represent the most significant assumption used in valuing derivative financial instruments. The interest rates used to discount estimated cash flows are based on the New Zealand dollar swap curves at the reporting date.

9. Hedge accounting

LGFA is exposed to interest rate risk from its borrowing, lending and investment activities and uses interest rate swaps to manage this risk. For hedge accounting purposes, LGFA has designated these swaps in fair value relationships to its fixed rate borrowings, loans and investments.

The following table shows the gain or loss on the hedging instrument and the hedged item attributable to the hedged risk for fair value hedge relationships.

As at 30 June in $000s	2022 Gain/(loss)	2021 Gain/(loss)
Hedged items attributable to the hedged risk	(1,304,237)	(680,122)
Hedging instruments – interest rate swaps	1,304,237	680,122
Ineffectiveness recognised in profit or loss from fair value hedges	**-**	**-**

The gains or losses on the hedging instrument (interest rate swaps) and the hedged item (bonds, loans and investments) are mapped to the same fair value account. For this reason, the statement of comprehensive income will only report any ineffectiveness arising from the fair value hedge.

10. Offsetting

NZ IAS 32: Financial Instruments Presentation allows financial assets and liabilities to be offset only when there is a current legally enforceable right to set off the amounts and there is an intention either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

LGFA does not offset any amounts.

The following table shows the amounts subject to an enforceable master netting arrangement or similar agreement that are not offset in the statement of financial position.

As at 30 June 2022 in $000s	Derivative assets	Derivative liabilities
Gross amounts	94,767	1,206,175
Amounts offset	-	-
Carrying amounts	94,767	(94,767)
Amounts that don't qualify for offsetting	-	-
Financial assets & liabilities	(94,767)	(94,767)
Collateral	-	(76)
Net amount	**-**	**1,111,332**

As at 30 June 2021 in $000s	Derivative assets	Derivative liabilities
Gross amounts	559,635	187,098
Amounts offset	-	-
Carrying amounts	559,635	187,098
Amounts that don't qualify for offsetting	-	-
Financial assets & liabilities	(187,098)	(187,098)
Collateral	-	-
Net amount	**372,536**	**-**

11. Receivables

As at 30 June in $000s	2022	2021
Bond repurchases to be received	-	42,578
Borrower notes to be received	-	1,000
Trade debtors	360	9
Total receivables	**360**	**43,587**

12. Loans

As at 30 June in $000s	2022		2021	
	Short-term loans	Loans	Short-term loans	Loans
Ashburton District Council	12,048	78,898	10,011	60,723
Auckland Council	-	3,413,415	-	3,303,915
Bay of Plenty Regional Council	25,651	167,941	25,428	155,995
Buller District Council	-	20,015	-	20,005
Canterbury Regional Council	4,018	75,214	4,003	59,133
Carterton District Council	-	14,762	-	-
Central Hawkes Bay District Council	2,024	20,107	-	20,107
Central Otago District Council	5,024	-	-	-
Christchurch City Council	2,017	2,036,724	14,533	1,951,017
Clutha District Council	5,532	32,394	2,004	16,042
Far North District Council	-	71,822	-	51,702
Gisborne District Council	-	86,095	-	68,774
Gore District Council	6,035	29,631	6,011	26,563
Greater Wellington Regional Council	-	576,343	-	450,945
Grey District Council	3,980	26,717	3,995	21,642
Hamilton City Council	-	633,049	-	481,019
Hastings District Council	-	237,990	-	205,357
Hauraki District Council	-	43,212	-	44,101
Hawkes Bay Regional Council	-	37,992	-	18,868
Horizons Regional Council	11,984	49,771	11,991	37,194
Horowhenua District Council	11,001	127,395	16,000	92,178
Hurunui District Council	8,033	30,147	8,002	30,062
Hutt City Council	-	256,607	-	201,225
Invercargill City Council	12,845	68,725	-	68,666
Invercargill City Holdings Ltd	22,076	68,354	-	-
Kaikoura District Council	-	5,331	-	5,014
Kaipara District Council	-	44,229	-	44,088
Kapiti Coast District Council	-	256,128	-	230,366
Mackenzie District Council	10,002	-	-	-
Manawatu District Council	11,559	77,725	11,522	72,681
Marlborough District Council	37,325	100,289	30,226	73,136
Masterton District Council	-	50,260	-	48,609
Matamata-Piako District Council	-	38,191	-	26,567
Nelson City Council	-	140,581	-	90,146
New Plymouth District Council	-	170,350	-	169,999
Northland Regional Council	-	14,147	-	14,147
Opotiki District Council	-	7,073	-	8,600
Otago Regional Council	66,715	48,443	-	-
Otorohanga District Council	-	4,028	-	-
Palmerston North City Council	-	187,872	-	152,314
Porirua City Council	-	172,335	-	141,794
Queenstown Lakes District Council	50,275	241,015	25,030	130,333
Rangitikei District Council	-	19,157	-	3,020
Rotorua District Council	43,112	245,298	12,823	215,034
Ruapehu District Council	8,020	29,557	8,005	21,474
Selwyn District Council	-	75,343	-	60,129
South Taranaki District Council	-	112,566	-	95,210
South Waikato District Council	4,874	34,171	8,987	15,030
Southland District Council	-	16,899	-	-
South Wairarapa District Council	-	26,537	-	24,520
Stratford District Council	6,027	26,299	-	22,271
Taranaki Regional Council	-	14,587	4,999	-
Tararua District Council	-	51,244	-	44,100
Tasman District Council	24,193	198,190	27,037	152,035
Taupo District Council	-	125,522	-	125,177
Tauranga City Council	-	648,528	-	516,688
Thames-Coromandel District Council	-	73,365	-	61,145
Timaru District Council	28,724	136,516	22,529	117,181
Upper Hutt City Council	-	91,421	-	65,153
Waikato District Council	-	95,454	-	80,189
Waikato Regional Council	-	25,120	-	32,082
Waimakariri District Council	-	170,903	-	170,506
Waipa District Council	25,530	124,377	8,000	90,123
Wairoa District Council	-	10,062	-	8,041
Waitaki District Council	4,491	20,583	2,498	12,523
Waitomo District Council	4,017	24,092	4,003	30,045
Wellington City Council	-	967,101	-	792,505
West Coast Regional Council	3,761	6,616	2,001	6,610
Western Bay Of Plenty District Council	-	70,366	-	70,154
Westland District Council	-	29,933	-	21,858
Whakatane District Council	-	86,396	-	77,203
Whanganui District Council	7,523	99,522	7,507	94,289
Whangarei District Council	9,972	182,813	9,993	162,296
Fair value hedge adjustment	-	(36,332)	-	(1,091)
	478,385	**13,563,522**	**287,140**	**11,778,528**

As at 30 June 2022, $2,286 million of loans are due to mature within 12 months. This comprises all short-term loans and $1,807 million of loans.

13. Other assets

As at 30 June in $000s	2022	2021
Intangible assets[1]	-	154
Right-of-use lease asset	156	190
Total other assets	**156**	**345**

1. Intangible assets comprise acquired and internally developed software costs incurred on the implementation of LGFA's treasury management system.

14. Payables and provisions

As at 30 June in $000s	2022	2021
Loans to be advanced	44,000	40,000
Trade creditors	800	658
Credit provision	161	193
Other provisions	105	49
Total receivables	**45,066**	**40,900**

15. Bills

As at 30 June 2022 in $000's	Face value	Unamortised premium	Accrued interest	Total
7 July 2022	15,000	(4)	-	14,996
13 July 2022	70,000	(30)	-	69,970
19 July 2022	35,000	(33)	-	34,967
4 August 2022	25,000	(33)	-	24,967
10 August 2022	80,000	(167)	-	79,833
19 August 2022	20,000	(60)	-	19,940
30 August 2022	50,000	(201)	-	49,799
9 September 2022	68,000	(296)	-	67,704
14 September 2022	100,000	(538)	-	99,462
19 September 2022	27,000	(120)	-	26,880
6 October 2022	25,000	(148)	-	24,852
9 November 2022	25,000	(238)	-	24,762
7 December 2022	25,000	(329)	-	24,671
	565,000	**(2,197)**	**-**	**562,803**

As at 30 June 2021 in $000's	Face value	Unamortised premium	Accrued interest	Total
7 July 2021	20,000	(1)	-	19,999
15 July 2021	110,000	(13)	-	109,987
5 August 2021	25,000	(8)	-	24,992
11 August 2021	80,000	(29)	-	79,971
10 September 2021	75,000	(46)	-	74,954
17 September 2021	150,000	(95)	-	149,905
6 October 2021	20,000	(20)	-	19,980
14 October 2021	55,000	(57)	-	54,943
10 November 2021	50,000	(73)	-	49,927
8 December 2021	25,000	(34)	-	24,966
	610,000	**(376)**	**-**	**609,624**

16. Treasury stock and bond repurchases

Periodically, LGFA subscribes for LGFA bonds as part of its tender process and holds these bonds as treasury stock. LGFA bonds held by LGFA as treasury stock are derecognised at the time of issue and no liability is recognised in the statement of financial position. As at 30 June 2022, 1,100 million of LFGA bonds had been subscribed as treasury stock.

LGFA makes these treasury stock bonds available to banks authorised as its tender counterparties to borrow under short-term repurchase transactions. The objective of the bond lending facility is to assist with improving secondary market liquidity in LGFA bonds. Bonds lent to counterparties are disclosed as a separate stock lending liability on the face of the statement of financial position.

As at 30 June in $000s	2022	2021
15 April 2023	-	32,887
15 April 2024	1,456	-
15 April 2025	6,773	-
15 April 2026	5,395	-
20 April 2029	7,390	33,810
14 April 2033	4,566	38,957
15 May 2035	818	-
15 April 2037	5,272	4,566
	31,671	**110,220**

17. Bonds

Bonds on issue do not include $1,100 million (2021: $1,000) face value of issued LGFA bonds subscribed by LGFA and held as treasury stock. Refer Note 16: Treasury stock and bond repurchase transactions.

As at 30 June 2022 in $000's	Face Value	Unamortised premium	Accrued interest	Fair value hedge adjustment	Total
Fixed interest bonds					
15 April 2023	1,830,000	25,117	21,175		
15 April 2024	1,998,000	5,625	9,458		
15 April 2025	1,679,000	(13,379)	9,714		
15 April 2026	1,815,000	(31,599)	5,728		
15 April 2027	1,751,000	85,460	16,577		
15 May 2028	1,270,000	(53,384)	3,650		
20 April 2029	1,362,000	(21,893)	4,019		
15 May 2031	850,000	(19,801)	2,443		
14 April 2033	1,290,000	43,486	9,622		
15 May 2035	400,000	2,166	1,533		
15 April 2037	730,000	(12,837)	3,072		
Total fixed interest	**14,975,000**	**8,962**	**86,989**	**(1,185,774)**	**13,885,177**
Floating rate notes					
14 October 2022	130,000	(7)	692	-	130,684
Total	**15,105,000**	**8,955**	**87,681**	**(1,185,774)**	**14,015,862**

As at 30 June 2021 in $000's	Face Value	Unamortised premium	Accrued interest	Fair value hedge adjustment	Total
Fixed interest bonds					
14 April 2022	1,605,000	15,527	9,406		
15 April 2023	1,660,000	46,296	19,208		
15 April 2024	1,528,000	17,466	7,233		
15 April 2025	1,469,000	(20,190)	8,499		
15 April 2026	1,240,000	6,911	3,913		
15 April 2027	1,486,000	82,140	14,068		
20 April 2029	1,172,000	(10,512)	3,458		
15 May 2031	650,000	(4,966)	1,868		
14 April 2033	1,170,000	37,817	8,727		
15 April 2037	700,000	(8,443)	2,945		
Total fixed interest	**12,680,000**	**162,045**	**79,326**	**166,138**	**13,087,509**
Floating rate notes					
14 October 2022	130,000	(33)	283	-	130,250
Total	**12,810,000**	**162,012**	**79,610**	**166,138**	**13,217,759**

18. Borrower notes

Borrower notes are subordinated debt instruments which are required to be held by each local authority that borrows from LGFA in an amount equal to a fixed percentage of the aggregate borrowings by that local authority. The fixed percentage is 2.5% for loans issued from 1 July 2020. Prior to this date, the fixed percentage was 1.6%.

LGFA may convert borrower notes into redeemable shares if it has made calls for all unpaid capital to be paid in full and the LGFA Board determines it is still at risk of imminent default.

19. Other liabilities

As at 30 June in $000s	Year ended 2022	Year ended 2021
Lease liability	156	190
Accruals	694	349
Total receivables	**850**	**539**

20. Operating leases

As at 30 June in $000s	2022	2021
Less than one year	66	111
Between one and five years	90	79
Total non-cancellable operating leases	**156**	**190**

Risk management

21. Financial risk management

The Board of Directors has overall responsibility for carrying out the business of LGFA in accordance with risk management policies, including those relating to investing, lending, borrowing and treasury activities. The use of financial instruments exposes LGFA to financial risks, the most significant being market risk, credit risk, and liquidity risk. The exposure and management of these risks is outlined below.

22. Market risk

Market risk is the risk that changes in market prices will affect LGFA's income or value of financial instruments. The most significant market risk which LGFA is exposed to is interest rate risk. LGFA has no significant exposure to foreign exchange risk.

23. Interest rate risk

Interest rate risk is the risk that future cash flows or the fair value of financial instruments will decrease because of a change in market interest rates. LGFA is exposed to interest rate risk through its interest-bearing financial assets and liabilities.

Interest rate risk is managed using Value at Risk (VaR) and Partial Differential Hedge (PDH) limits to mitigate the potential change in value of the balance sheet due to changes in interest rates. PDH risk measures the sensitivity of a portfolio to a one basis point change in underlying interest rates, whereas VaR measures the expected loss for a given period with a given confidence.

The table below indicates the earliest period in which the interest-bearing financial instruments reprice.

As at 30 June 2022 in $000s	Face value	Less than 6 months	6 months - 1 year	1-2 years	2-5 years	Over 5 years
Financial assets						
Cash and bank Balances	158,033	158,033	-	-	-	-
Marketable securities	1,503,175	533,296	401,624	174,200	394,055	-
Deposits	461,649	441,649	20,000	-	-	-
Loans	13,975,845	11,652,617	327,675	266,900	976,700	751,953
Financial liabilities						
Bills	(565,000)	(565,000)	-	-	-	-
Bond repurchases	(31,653)	(31,653)	-	-	-	-
Derivatives	-	(12,419,250)	1,583,750	1,645,500	3,895,200	5,294,800
Bonds	(15,105,000)	(130,000)	(1,830,000)	(1,998,000)	(5,245,000)	(5,902,000)
Borrower notes	(270,059)	(223,289)	(4,574)	(5,557)	(19,932)	(16,707)
Total	**126,991**	**(583,597)**	**498,476**	**83,044**	**1,023**	**128,046**

As at 30 June 2021 in $000s	Face value	Less than 6 months	6 months - 1 year	1-2 years	2-5 years	Over 5 years
Financial assets						
Cash and bank Balances	391,835	391,835	-	-	-	-
Marketable securities	765,762	317,070	50,272	182,261	216,159	-
Deposits	654,331	509,331	145,000	-	-	-
Loans	11,999,282	10,252,377	138,782	252,500	606,100	749,523
Financial liabilities						
Bills	(610,000)	(610,000)	-	-	-	-
Bond repurchases	(67,640)	(67,640)	-	-	-	-
Derivatives	-	(10,924,750)	1,448,000	1,463,750	3,486,000	4,527,000
Bonds	(12,810,000)	(130,000)	(1,605,000)	(1,660,000)	(4,237,000)	(5,178,000)
Borrower notes	(212,750)	(180,164)	(1,982)	(4,406)	(11,382)	(14,815)
Total	**110,820**	**(441,941)**	**175,071**	**234,105**	**59,877**	**83,708**

Interest rate sensitivity

Changes in interest rates impact the fair value of fixed rate assets and liabilities, cash flows on floating rate assets and liabilities, and the fair value and cash flows of interest rate swaps. A change of 100 basis points in interest rates at the reporting date would have increased/(decreased) profit or loss and equity by the amounts shown in the following table. This analysis assumes that all other variables remain constant.

For the period ending 30 June in $000s	2022		2021	
	100 bps increase $000s	100 bps decrease $000s	100 bps increase $000s	100 bps decrease $000s
Fair value sensitivity analysis				
Fixed rate assets	-	-	-	-
Fixed rate liabilities	518,112	(529,330)	558,172	(571,857)
Derivative financial instruments	(517,469)	528,667	(557,130)	570,782
	643	**(664)**	**1,042**	**(1,075)**
Cash flow sensitivity analysis				
Variable rate assets	115,784	(115,784)	100,661	(100,661)
Variable rate liabilities	(3,541)	3,541	(3,093)	3,093
Derivative financial instruments	(124,063)	124,063	(105,568)	105,568
	(11,820)	**11,820**	**(7,999)**	**7,999**

24. Credit risk

Credit risk is the risk of financial loss if a counterparty to a financial instrument fails to meet its contractual obligations. LGFA is exposed to credit risk through its lending and investing activities.

Credit risk associated with lending activities is managed by requiring local authorities that borrow from LGFA to meet specific credit lending criteria and to provide security against the borrowing. The LGFA's credit risk framework restricts credit exposures to specific counterparties.

Credit risk associated with investing activities, excluding on-lending, is managed by only investing with New Zealand Government Agencies or counterparties that meet a minimum credit rating of A (Standard & Poor's equivalent). The LGFA's credit risk framework limits concentrations of credit risk for any single counterparty.

Exposure to credit risk

LGFA monitors the concentration of credit risk by the type of counterparty. The following table shows the carrying value and maximum exposure to credit risk at the reporting date, before taking account of collateral or other credit enhancements, for significant counterparty types.

As at 30 June 2022 in $000s	NZ government agencies	NZ local authorities	NZ registered banks	Other counter-parties	Fair Value hedge adjustment	Total carrying value
Financial assets						
Receivables	-		-	360		360
Cash and bank balances	156,331	-	1,702	-		158,033
Cash pledged as collateral	76					76
Marketable securities	239,937	29,235	331,290	890,687		1,491,148
Deposits	-	-	377,463	85,403		462,866
Derivatives	(1,111,408)	-	-	-		(1,111,408)
Loans	-	14,041,908	-	-		14,041,908
	(715,064)	**14,071,143**	**710,455**	**976,450**	**-**	**15,042,984**

As at 30 June 2021 in $000s	NZ government agencies	NZ local authorities	NZ registered banks	Other counter-parties	Fair Value hedge adjustment	Total carrying value
Financial assets						
Receivables	-	1,000	42,578	9		43,587
Cash and bank balances	388,960	-	2,875	-	-	391,836
Marketable securities	-	14,006	159,250	602,115	(6,917)	768,453
Deposits	-	-	524,839	130,122	-	654,961
Derivatives	372,536	-	-	-	-	372,536
Loans	-	12,066,760	-	-	(1,091)	12,065,668
	761,497	**12,081,765**	**729,542**	**732,246**	**(8,008)**	**14,297,042**

Collateral and credit enhancements

LGFA holds collateral against borrowings from local authorities in the form of debenture securities and guarantees.

Credit quality of financial assets

All financial assets are neither past due nor impaired. The carrying value of the financial assets is expected to be recoverable.

25. Liquidity risk

Liquidity risk is the risk that LGFA will encounter difficulty in meeting the obligations of its financial liabilities. LGFA manages liquidity risk by holding cash and a portfolio of liquid assets to meet obligations when they fall due. LGFA is required by policy to maintain sufficient liquidity (comprising a committed liquidity facility and holdings of cash and liquid investments) to meet all operating and funding commitments over a rolling 12-month period.

The Treasury (New Zealand Debt Management) provides a committed liquidity facility that LGFA can draw upon to meet any exceptional and temporary liquidity shortfall. As at 30 June 2022, the undrawn committed liquidity facility was $1,300 million (2021: $500 million). The facility is due to expire in December 2031.

26. Contractual cash flows of financial instruments.

The following table shows the contractual cash flows associated with financial assets and liabilities.

As at 30 June 2022 in $000s	On demand	Up to 3 months	3 months to 1 year	1 year to 5 years	More than 5 years	Total contractual cash flows	Total carrying value
Financial assets							
Receivables	360	-	-	-	-	360	360
Cash and bank balances	158,033	-	-	-	-	158,033	158,033
Cash pledged as collateral	76	-	-	-	-	76	76
Marketable securities	-	199,206	473,654	834,261	-	1,507,122	1,491,148
Deposits	-	322,580	142,572	-	-	465,151	462,866
Loans	-	405,638	2,296,504	7,921,322	5,316,424	15,939,887	14,041,908
Financial liabilities							
Payables and provisions	(45,066)	-	-	-	-	(45,066)	(45,066)
Bills	-	(490,000)	(75,000)	-	-	(565,000)	(562,803)
Bond repurchases	-	(31,681)	-	-	-	(31,681)	(31,671)
Bonds	-	(807)	(2,398,906)	(8,336,675)	(6,560,835)	(17,297,223)	(14,015,862)
Borrower notes	-	(2,194)	(32,788)	(149,518)	(135,615)	(320,116)	(283,180)
Derivatives	-	(74,548)	58,917	(198,031)	(180,497)	(394,159)	(1,111,408)
	113,403	**328,192**	**464,952**	**71,359**	**(1,560,523)**	**(582,617)**	**104,403**

As at 30 June 2021 in $000s	On demand	Up to 3 months	3 months to 1 year	1 year to 5 years	More than 5 years	Total contractual cash flows	Total carrying value
Financial assets							
Receivables	43,587	-	-	-	-	43,587	43,587
Cash and bank balances	391,835	-	-	-	-	391,835	391,835
Marketable securities	-	157,779	119,844	515,213	-	792,836	768,453
Deposits	-	249,627	407,175	-	-	656,802	654,961
Loans	-	194,635	1,675,752	6,285,605	4,573,829	12,729,822	12,065,668
Financial liabilities							
Payables and provisions	(40,900)	-	-	-	-	(40,900)	(40,900)
Bills	-	(460,000)	(150,000)	-	-	(610,000)	(609,624)
Bond repurchases	-	(110,222)	-	-	-	(110,222)	(110,220)
Bonds	-	(331)	(1,988,835)	(6,999,417)	(5,811,385)	(14,799,968)	(13,217,759)
Borrower notes	-	(782)	(23,588)	(112,839)	(97,506)	(234,715)	(224,281)
Derivatives	-	(23,311)	266,446	574,114	351,867	1,169,116	372,536
	394,522	**7,395**	**306,794**	**262,676**	**(983,195)**	**(11,808)**	**94,256**

Attachment 2

Item 9

Capital and dividends

27. Share capital

As at 30 June 2022, LGFA had 45 million ordinary shares on issue, 20 million of which remain uncalled.

All ordinary shares rank equally with one vote attached to each ordinary share. Ordinary shares have a face value of $1 per share.

28. Shareholder information

Registered holders of equity securities as at 30 June	2022		2021	
Minister of Finance and Minister for Local Government	5,000,000	11.1%	5,000,000	11.1%
Auckland Council	3,731,960	8.3%	3,731,960	8.3%
Christchurch City Council	3,731,960	8.3%	3,731,960	8.3%
Hamilton City Council	3,731,960	8.3%	3,731,960	8.3%
Bay of Plenty Regional Council	3,731,958	8.3%	3,731,958	8.3%
Greater Wellington Regional Council	3,731,958	8.3%	3,731,958	8.3%
Tasman District Council	3,731,958	8.3%	3,731,958	8.3%
Tauranga City Council	3,731,958	8.3%	3,731,958	8.3%
Wellington City Council	3,731,958	8.3%	3,731,958	8.3%
Western Bay of Plenty District Council	3,731,958	8.3%	3,731,958	8.3%
Whangarei District Council	1,492,784	3.3%	1,492,784	3.3%
Hastings District Council	746,392	1.7%	746,392	1.7%
Marlborough District Council	400,000	0.9%	400,000	0.9%
Selwyn District Council	373,196	0.8%	373,196	0.8%
Gisborne District Council	200,000	0.4%	200,000	0.4%
Hauraki District Council	200,000	0.4%	200,000	0.4%
Horowhenua District Council	200,000	0.4%	200,000	0.4%
Hutt City Council	200,000	0.4%	200,000	0.4%
Kapiti Coast District Council	200,000	0.4%	200,000	0.4%
Manawatu District Council	200,000	0.4%	200,000	0.4%
Masterton District Council	200,000	0.4%	200,000	0.4%
New Plymouth District Council	200,000	0.4%	200,000	0.4%
Otorohanga District Council	200,000	0.4%	200,000	0.4%
Palmerston North City Council	200,000	0.4%	200,000	0.4%
South Taranaki District Council	200,000	0.4%	200,000	0.4%
Taupo District Council	200,000	0.4%	200,000	0.4%
Thames-Coromandel District Council	200,000	0.4%	200,000	0.4%
Waimakariri District Council	200,000	0.4%	200,000	0.4%
Waipa District Council	200,000	0.4%	200,000	0.4%
Whakatane District Council	200,000	0.4%	200,000	0.4%
Whanganui District Council	200,000	0.4%	200,000	0.4%
	45,000,000	**100%**	**45,000,000**	**100%**

29. Capital management

LGFA's capital is equity, which comprises share capital and retained earnings. The objective of managing LGFA's equity is to ensure LGFA achieves its goals and objectives for which it has been established, whilst remaining a going concern.

30. Dividend

LGFA paid a dividend of $856,500 on 3 September 2021, being $0.03426 per paid up share (2021: $878,500 on 4 September 2020, being $0.03514 per paid up share).

31. Capital commitments

As at 30 June 2022, there are no capital commitments.

Other Notes

32. Reconciliation of net profit to net cash flow from operating activities

For the year ended 30 June in $000s	2022	2021
Net profit/(loss) for the period	10,673	12,007
Cash applied to loans	(1,972,398)	(1,127,002)
Non-cash adjustments		
Amortisation and depreciation	(2,527)	(2,347)
Working capital movements		
Net change in trade debtors and receivables	(148)	105
Net change in prepayments	(169)	(41)
Net change in accruals	345	29
Net Cash From Operating Activities	**(1,964,224)**	**(1,117,249)**

33. Contingencies

There are no contingent liabilities at balance date.

34. Related parties

Identity of related parties

LGFA is related to the local authorities set out in the Shareholder Information in note 28.

LGFA operates under an annual Statement of Intent that sets out the intentions and expectations for LGFA's operations and lending to participating borrowers.

Shareholding local authorities, and non-shareholder local authorities who borrow more than $20 million, are required to enter into a guarantee when they join or participate in LGFA. The guarantee is in respect of the payment obligations of other guaranteeing local authorities to the LGFA (cross guarantee) and of the LGFA itself.

Related party transactions

LGFA was established for the purpose of raising funds from the market to lend to participating borrowers. The lending to individual members is disclosed in note 12, and interest income recognised on this lending is shown in the statement of comprehensive income.

The purchase of LGFA borrower notes by participating borrowers. Refer note 18.

As at 30 June 2022, Alan Adcock was a non-independent director of LGFA and was also employed by Whangarei District Council (WDC) as Chief Financial Officer. WDC borrowed from LGFA during the financial year on the same terms and conditions as any other council borrower.

The Treasury (New Zealand Debt Management) provides LGFA with a committed credit facility and is LGFA's derivatives counterparty.

Transactions with key management personnel:

Salaries $1,016,801 (2021: $989,100)

Fees paid to directors are disclosed in operating expenses in Note 6.

35. Subsequent events

On 29 August 2022, the Directors of LGFA declared a dividend of $1,217,500 ($0.0487 per paid up share).

Subsequent to balance date, LGFA has issued $400 million in bonds.

KPMG

INDEPENDENT AUDITOR'S REPORT

TO THE READERS OF NEW ZEALAND LOCAL GOVERNMENT FUNDING AGENCY LIMITED'S FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION FOR THE YEAR ENDED 30 JUNE 2022

The Auditor-General is the auditor of New Zealand Local Government Funding Agency Limited (the company). The Auditor-General has appointed me, David Gates, using the staff and resources of KPMG, to carry out the audit of the financial statements and performance information of the company on his behalf.

Opinion

We have audited:

- the financial statements of the company on pages 60 to 83, that comprise the statement of financial position as at 30 June 2022, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information; and
- the performance information of the company on pages 10 to 15.

In our opinion:

- the financial statements of the company on pages 60 to 83:
  - present fairly, in all material respects:
    - its financial position as at 30 June 2022 and
    - its financial performance and cash flows for the year then ended; and

comply with generally accepted accounting practice in New Zealand in accordance with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and International Financial Reporting Standards (IFRS); and

the performance information of the company on pages 10 to 15 presents fairly, in all material respects, the company's actual performance compared against the performance targets and other measures by which performance was judged in relation to the company's objectives for the year ended 30 June 2022.

Our audit was completed on 29 August 2022. This is the date at which our opinion is expressed.

The basis for our opinion is explained below. In addition, we outline the responsibilities of the Board of Directors and our responsibilities relating to the financial statements and the performance information, we comment on other information, and we explain our independence.

Basis for our opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the Responsibilities of the auditor section of our report.

We have fulfilled our responsibilities in accordance with the Auditor-General's Auditing Standards.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Materiality

The scope of our audit was influenced by our application of materiality. Materiality helped us to determine the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and on the financial statements as a whole. The materiality for the financial statements as a whole was set at $120 million determined with reference to a benchmark of company Total Assets. We chose the benchmark because, in our view, this is a key measure of the company's performance. In addition, we also assess whether other matters that come to our attention during the audit would in our judgement change or influence the decisions of a reasonably knowledgeable person ('qualitative' materiality).

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements in the current period. We summarise below those matters and our key audit

KPMG

procedures to address those matters in order that the readers as a body may better understand the process by which we arrived at our audit opinion. Our procedures were undertaken in the context of and solely for the purpose of our statutory audit opinion on the financial statements as a whole and we do not express discrete opinions on separate elements of the financial statements.

The key audit matter	How the matter was addressed in our audit
Existence and impairment of loans	
Refer to Note 12 to the Financial Statements. The loans LGFA has provided to local government make up over 86% of total assets. The loans are recognised at amortised cost and the nature of the counterparties is such that we do not consider these loans to be at high risk of significant misstatement. However, based on their materiality, and the judgement involved in assessing the credit worthiness of counterparties they are considered to be the area which had the greatest effect on our overall audit strategy and allocation of resources in planning and completing our audit.	Our audit procedures included: - understanding the processes in place to assess borrowers and to record loan transactions. This included evaluating the control environment in place at LGFA. - agreeing the 30 June 2022 loan balances to external confirmations received from NZ Clear. - assessing the borrowers' compliance with financial covenants. We did not identify any material differences in relation to the existence or impairment of loans.
Application of hedge accounting	
Refer to Note 9 of the Financial Statements. LGFA enters into derivatives (interest rate swaps) to manage interest rate risk related to issuing fixed rate borrowings, loans and investments. Fair value hedge accounting is applied where specific requirements are met around documentation of the hedge relationship and the relationship is demonstrated as being an effective hedge. Hedge accounting is complex, particularly in the area of whether the requirements (both initial and ongoing) for its application are met. Should the requirements for hedge accounting not be met, LGFA could experience significant volatility in the Statement of Comprehensive Income from changes in the fair value of the derivatives. Due to the size of the derivative positions and the complexity of hedge accounting we consider this to be a key audit matter.	Our audit procedures included: - reviewing LGFA's accounting policies related to financial instruments. - agreeing the terms of the derivatives to the confirmation provided by the derivative counterparty. - using our treasury valuation specialists we independently recalculated the fair value of all of the derivatives recorded by LGFA. - ensuring the hedge documentation supporting the application of hedge accounting was in accordance with NZ IFRS 9 and the disclosures made in the financial statements were appropriate. - determining that management's hedge effectiveness calculations were correctly performed using appropriate source information. We did not identify any material differences in relation to the application of hedge accounting.

Responsibilities of the Board of Directors for the financial statements and the performance information

The Board of Directors is responsible on behalf of the company for preparing financial statements that are fairly presented and that comply with generally accepted accounting practice in New Zealand in accordance with NZ IFRS and IFRS. The Board of Directors is also responsible for preparing the performance information for the company.

The Board of Directors is responsible for such internal control as it determines is necessary to enable it to prepare financial statements and performance information that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements and the performance information, the Board of Directors is responsible on behalf of the company for assessing the company's ability to continue as a going concern. The Board of Directors is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless the Board of Directors intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors' responsibilities arise from the Local Government Act 2002 and the Financial Markets Conduct Act 2013.

Responsibilities of the auditor for the audit of the financial statements and the performance information

Our objectives are to obtain reasonable assurance about whether the financial statements and the performance information, as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit carried out in accordance with the Auditor-General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures, and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers, taken on the basis of these financial statements and the performance information.

For the budget information reported in the financial statements and the performance information, our procedures were limited to checking that the information agreed to the company's statement of intent.

We did not evaluate the security and controls over the electronic publication of the financial statements and the performance information.

As part of an audit in accordance with the Auditor-General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. Also:

- We identify and assess the risks of material misstatement of the financial statements and the performance information, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- We evaluate the appropriateness of the reported performance information within the company's framework for reporting its performance.
- We conclude on the appropriateness of the use of the going concern basis of accounting by the Board of Directors and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists we are required to draw attention in our auditor's report to the related disclosures in the financial statements and the performance information or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- We evaluate the overall presentation, structure and content of the financial statements and the performance information, including the disclosures, and whether the financial statements and the performance information represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Our responsibilities arise from the Public Audit Act 2001.

Other Information

The Board of Directors is responsible for the other information. The other information comprises the information included on pages 4 to 9, 16 to 59 and 88 to 93 but does not include the financial statements and the performance information, and our auditor's report thereon.

Our opinion on the financial statements and the performance information does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the financial statements and the performance information, our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the financial statements and the performance information or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on our work, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Independence

We are independent of the company in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1: International Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board.

For the year ended 30 June 2022 and subsequently, the Chair of the company's Audit and Risk Committee is a member of the Auditor-General's Audit and Risk Committee. The Auditor-General's Audit and Risk Committee is regulated by a Charter that specifies that it should not assume any management functions. There are appropriate safeguards to reduce any threat to auditor independence, as the member of the Auditor-General's Audit and Risk Committee does not assume any management functions as part of their oversight role of the audit of the company.

Other than the audit, and the relationship with the Auditor-General's Audit and Risk Committee, we have no relationship with, or interests in, the company.

David Gates
KPMG
On behalf of the Auditor-General
Wellington, New Zealand

Other disclosures

He whākitanga anō

Donations

A donation of $4,000 was made to Kauri 2000 for the year ended 30 June 2022.

Earnings per security

Earnings per $1,000 of bonds on issue as at 30 June 2022 is $0.71 (2021: $0.87).

Net Tangible Assets

Net tangible assets per $1,000 of listed bonds as at 30 June 2022 is $6.92 (2021: $6.86).

Amount per security of final dividends

Not applicable

Spread of Quoted Security holders

Holding Range	Holder Count	Holder Count %	Holding Quantity	Holding Quantity %
10,000 to 49,999	425	46.0	$10,266,000	0.06
50,000 to 99,999	187	20.2	$13,047,000	0.08
100,000 to 499,999	193	20.9	$37,135,000	0.23
500,000 to 999,999	36	3.9	$24,218,000	0.15
1,000,000 to 9,999,999,999,999	84	9.1	$15,990,334,000	99.47
Total	**925**	**100.0**	**$16,075,000,000**	**100.00**

Directory

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Wellington 6145

Phone +64 4 974 6530

Office hours

Monday – Friday, 9am to 5pm
Except Public Holidays

General enquiries

lgfa@lgfa.co.nz

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firstname.lastname@lgfa.co.nz

Wellington

Registered office
Level 8
City Chambers
142 Featherston Street
Wellington 6011
(entrance on Johnston Street)

Auckland

Level 5
Walker Wayland Centre
53 Fort Street
Auckland 1010

Whakarewarewa Forest Loop (Great Ride)
Rotorua Lakes Council

Attachment 2

Item 9

GRI Index

Kuputohu GRI

The GRI Standards are the world's most widely used sustainability reporting standard.

This is the second year LGFA has prepared its annual report in compliance with the GRI Standards. The following index is based on the GRI core option.

Disclosure title	Reference/Disclosure
102-1. Name of the organisation	Page 17
102-2. Activities, brands, products and services	Pages 17-26
102-3. Location of headquarters	Page 89
102-4. Location of operations	Page 89
102-5. Ownership and legal form	Pages 16, 64
102-6. Markets served	Pages 4-7, 10-15, 16-25
102-7. Scale of the organisation	Pages 4-7, 16-31, 62
102-8. Information on employees and other workers	Pages 40, 50-51
102-9. Supply chain	Pages 16-25, 34
102-10. Significant changes to the organization and its supply chain	None
102-11. Precautionary Principle or approach	Page 32
102-12. External initiatives	Pages 42-43
102-13. Membership of Associations	Financial Service Providers Register
102-14. Statement from senior decision-maker	Pages 4-7
102-16. Values, principles, standards, and norms of behaviour	Pages 42-52
102-18. Overview of Governance Structure	Pages 18-19, 32
102-40. List of stakeholder groups	Pages 4-7, 10-15, 26-31, 52
102-41. Collective bargaining agreements	None
102-42. Identifying and selecting stakeholders	Pages 33
102-43. Approach to stakeholder engagement	Pages 33-41
102-44. Key topics and concerns raised	Page 33
102-45. Entities included in the consolidated financial statements	Page 64
102-46. Defining report content and topic Boundaries	Page 33
102-47. List of material topics	Pages 32-45
102-48. Restatements of information	None
102-49. Changes in reporting	None

Disclosure title	Reference/Disclosure
102-50. Reporting period	1 July 2021 to 30 June 2022
102-51. Date of most recent report	2022 Annual Report
102-52. Reporting cycle	Annual
102-53. Contact point for questions regarding the report	lgfa@lgfa.org.nz
102-54. Claims of reporting in accordance with the GRI Standards	The report has been prepared in accordance with the GRI standards: core option
102-55. GRI content index	Pages 90-91
102-56. External assurance	None
Cost effective funding	Pages 4-7, 10-15, 27
Culture, ethics and governance	Pages 32-41, 42-52.
Transparency and disclosure	Pages 4-7, 32-41, 42-52, 54-59
Environmental and social impact of lending	Pages 4-7, 32-41
Health & safety and wellbeing	Pages 11, 14-15, 32-41.
Collaboration and local engagement	Pages 4-7, 13, 32-41
Financial markets best practice and influence	Pages 4-7, 10-15, 42-52
Diversity and inclusion	Pages 4-7, 40
Capability and development	Pages 4-7, 40
Carbon footprint	Pages 32-41
Emissions	
305-1 Direct (Scope 1) GHG emissions	Page 41
305-2 Energy indirect (Scope 2) GHG emissions.	Page 41
305-3 Other indirect (Scope 3) GHG emissions.	Page 41
Health and Safety and Wellbeing	
403-1 Occupational health and safety management system	Page 40
403-9 Work-related injuries	Pages 14-15
403-10 Work-related ill health	Pages 14-15
Diversity and Inclusion	
405-1 Diversity of governance bodies and employees	Page 40
Capability and Development	
404-2 Programs for upgrading employee skills and transition assistance programs	Page 40

Glossary

Kuputaka

AIL	Approved Issuer Levy
Annual Plans	Annual budgets issued by councils ahead of their June financial year end
Bespoke Lending	Any lending to a council with a maturity date that does not match an LGFA bond maturity dated
bps	basis points (100 basis points equals one percentage).
CCO	Council Controlled Organisation
CCTO	Council Controlled Trading Organisation
CIL	Climate Initiative Loans
Coverage Ratio	In a tender the amount of bids received divided by the amount of bonds on offer. The higher the Bod Coverage ratio the more demand there is
ESG	Environmental, social and governance
Financial Covenants	Four financial covenants that council must adhere to Debt/Revenue, Interest Expense to Rates Revenue, Interest Expense to Total Revenue, Liquidity. Annual attestation and if in breach then can be an event of repayment of loans.
Fitch	Credit rating agency who rates LGFA and a small number of councils
Foundation Policy Covenants	Within Shareholder Agreement - any changes require shareholder approval. Now mainly the financial covenants.
GHG	Greenhouse gas
GRI	Global Reporting Initiative
GSS	Green, Social and Sustainability New Zealand
GSA	General security arrangement
Guarantee and Indemnity Deed	Joint and Several Guarantee with a side agreement that pro ratas the council guarantors obligations to that of proportionate share of rates revenue
Guarantor	Any council shareholder or any council who borrows more than $20m is required to sign the Guarantee and Indemnity Deed.
IA	Internal audit
INFINZ	Institute of Finance Professionals
LAP	Liquid Assets Portfolio
LGFA Bills	Short dated securities (less than 1 year) issued by LGFA
LGFA Bonds	Fixed rate coupon bonds issued by LGFA with maturities between 2022 and 2037. Issued via tenders or syndication
Local Government Act 2002	Overarching legislation for Councils, CCOs and CCTOs
Local Government Borrowing Act 2011	Act that established LGFA
Multi Issuer Deed (MID)	Over arching borrowing document - accession of councils and CCOs, reps and warranties, financial covenants, BN conversion
NII	Net interest income
Non Guarantor	Any member council that is not a guarantor. Non-Guarantor member councils cannot borrow more than $20m
NZD (also NZ$)	New Zealand Dollar
NZDM	New Zealand Debt Management of the Treasury - our contact point for our Crown Liquidity Facility and derivative swap counterparty
NZDM Facility	Crown Liquidity Facility where we can drawdown up to $1.5 billion of emergency funding (subject to certain conditions)
NZGB	New Zealand Government Bonds
PDH	Partial Differential Hedge
S&P	Standard and Poor's
Shareholders Agreement	Board, Shareholder Council appointments, sale of shares, voting rights and Foundation policies
SOI	Statement of Intent
Spread to NZGB	The basis point difference between LGFA Bonds and NZ Government Bonds. Investors will often use the spread the gauge when LGFA bonds are trading at a premium or discount
Spread to Swap	The basis point difference between LGFA Bonds and the swaps curve. The spread is often used as a proxy to gauge if LGFA bonds are being issued at a discount or premium
SSA	Supra and Sub Sovereign Agency issuers- same as Supras - they issue Kauri bonds in NZD. Examples are World Bank, Asian Development Bank, Kommunalbanken (LGFA Norway equivalent)
Swap	Interest rate derivative instruments transacted with the NZDM to hedge the balance sheet and convert fixed rate borrowing into floating rate exposures.
Syndication	The LGFA issues LGFA Bonds by Syndication normally twice a year, if market conditions are favourable. Syndications provide diversity to the LGFA funding program, by offering an alternative funding tool to the scheduled bond tenders.
Taituara	Formerly Society of Local Government Managers (SOLGM)
TCFD	Task Force on Climate Related Financial Disclosures
Tender	The LGFA issues LGFA Bonds and Bills to the market in scheduled tenders, typically every six weeks of the financial year.
UN SDG	United Nations' Sustainable Development Goals
VaR	Value at risk
WSE	Water service entities

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

lgfa.co.nz

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

24 February 2023

Dear LGFA Stakeholder

LGFA 2022-23 Half Year Report

Please find attached a copy of the Half Year Report for the six-month period to December 2022. A copy is also available for download on our website www.lgfa.co.nz.

We are pleased to highlight another positive six-month period for LGFA including the following

1. **Increased lending to council and CCO borrowers**
   By 31 December 2022, LGFA had a market value of loans outstanding of $15.75 billion. We lent $1.82 billion over the six-month period which was the second highest amount on record. We added two new councils and two new CCOs to bring the number of member councils to seventy-seven and the number of member CCOs to three.

2. **A focus on sustainability.**
   We launched our Climate Action Loan (CAL) product for council and CCO members in December 2022 that will incentivise borrowers through a lower loan margin if they have a GHG emission reduction plan in place and are meeting the reduction targets.

   We have approved a further three projects as eligible for Green, Social and Sustainable (GSS) loans over the six-month period, bringing the number of eligible projects to five across five councils. Councils receive a discounted borrowing margin for eligible projects.

   Sustainability remains important at LGFA as noted with the CAL product launch and ongoing dialogue with councils relating to GHG emission reporting and reduction.

3. **A financial position tracking to forecast.**
   Net Operating Profit for the six-month period was $1.1 million, which is lower than the comparable prior period but in line with our SOI forecast. We expect a lift in profitability during the next six-month period. LGFA has $18.14 billion of assets and Shareholder Equity of $104.45 million as at 31 December 2022.

4. **Working with our stakeholders.**
   We have been assisting Central and Local Government with the Three Waters Reform programme to ensure a smooth transition of debt from councils to the proposed new Water Services Entities in July 2024.

   We continue to receive the support of our growing investor base. It is pleasing to see the amount of LGFA bonds held by offshore investors grow to a record $5.09 billion as at 31 December 2022 as well as domestic banks, institutional and retail investors increase their holdings. Having a diverse investor base for LGFA bonds helps provide certainty of access to markets for our council and CCO borrowers.

New Zealand Local Government Funding Agency Limited
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lgfa.co.nz

A further highlight was LGFA being voted by market participants as the KangaNews New Zealand Debt Issuer of the Year award for 2022.

Finally, we appreciate the support of all our stakeholders and thank you for your contribution and assistance over the past six months.

Please do not hesitate to contact me if you have any comments or questions.

Kind regards

Mark Butcher
Chief Executive

HALF YEAR REPORT
31 December 2022

Benefiting communities through delivering efficient financing for local government.

Ka whiwhi painga ngā hapori mā te whakarato pūtea tōtika ki ngā kaunihera.

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

Contents

Ngā Ihirangi

LGFA acknowledge the assistance of the Department of Internal Affairs translation service for our Te Reo translations.

Cover photo: The Green Corridors programme enhances areas of native bush along streams, provides a place for wildlife to thrive, improves water quality, and creates open green spaces from the Tararua Ranges to the Manawatū River.
Palmerston North City Council.
Contents photo: Tauroa Road Boardwalk.
Hastings District Council

Message from the Chair and Chief Executive

He karere mai i te Toihau me te Tumuaki

For the six-months ended 31 December 2022

The six-months to December presented a challenging period for financial markets, with LGFA's operating performance over this period subdued due to the volatile markets. Despite the difficult conditions, LGFA continued to deliver value to members and our investor base while meeting our financial targets. Highlights over the period included launching our new Climate Action Loan product for members and being awarded the KangaNews New Zealand Debt Issuer of the year.

Financial and Operational Performance

LGFA's total interest income for the six-month period to December 2022 of $312.9 million was a 68.4% increase over the 2021 comparable period ($185.9 million), while net operating profit of $1.1 million for the six-month period decreased 81.3% on the 2021 comparable period ($5.9 million).

Net operating profit was significantly lower than the comparable period a year ago due to the sharp rise in interest rates combined with increased holdings of liquid assets. This outcome was expected and forecast in our Statement of Intent (SOI) last year. Both net interest income and operating profit were slightly ahead of the SOI forecast and we are forecasting an improvement in financial performance in the second half of the financial year.

Expenses have been managed under the SOI budget over the past six months. Lower fees relative to budget for the NZ Debt Management standby facility and lower NZX and legal fees relating to issuance were positive. These savings were offset by higher legal costs relating to considering the implications from the proposed Three Waters Reform, the development of new sustainability initiatives, including related consultancy costs.

The financial strength of LGFA was affirmed by Fitch Ratings who maintained our domestic currency credit rating at AA+ in October 2022. Our AAA rating from S&P Global Ratings was affirmed in March 2022 and remains the same as the New Zealand Government.

Borrowing activity

LGFA issued $1.76 billion of bonds over the past six months and outstandings now total $17.84 billion (including $1.10 billion of treasury stock) across 11 maturities ranging between 2023 to 2037. The average term of our bond issuance during the six months at 4.37 years was significantly shorter than the prior year period.

LGFA has the largest amount of New Zealand dollar (NZD) bonds on issue after the New Zealand Government and our individual bond tranches are amongst the largest and most liquid NZD debt instruments available for investors. Secondary market activity in our bonds continues to rise, assisting investors' access to our bonds throughout the year.

The performance of LGFA bonds over the past six months has been soft with LGFA bond spreads to New Zealand Government Bonds (NZGBs) and spreads to swap in general moving wider in line with global high grade markets. Spreads widened between 3 basis points (bps) and 25 bps to NZGB and between 7 bps to 12 bps to swap over the six-month period. The inclusion of the NZGBs into the World Government Bond Index was also positive for the performance of NZGBs relative to LGFA bonds. Outright yields on LGFA bonds rose between 157 bps (2024 maturity) and 75 bps (2033 maturity) over the six-month period.

LGFA was voted by market participants as the KangaNews New Zealand Debt Issuer of the Year award for 2022 and we want to acknowledge their support.

It is also pleasing to observe the increased participation by offshore investors over the past six months as NZD-denominated investments have become relatively more attractive for investors. We estimate that offshore investors have increased their holdings of LGFA bonds over the past six months by $638 million to a record $5.09 billion (or 30.1% of LGFA bonds on issue), while domestic institutional and retail investors hold 33.2%, domestic banks 28.2% and the Reserve Bank 8.5%.

Lending to the sector

LGFA was established in 2011 to provide long-dated borrowing, certainty of access to markets and to reduce the borrowing costs for the local government sector. The original 31 shareholders including the Crown remain as shareholders. Over the past six months, we added two councils and two Council-controlled organisations (CCOs) as members, with Dunedin City Council and Environment Southland joining as guarantors and Westland Holdings and Dunedin City Treasury joining as CCOs. Total membership is now 77 out of the 78 councils in New Zealand and three CCOs.

Long-dated lending to council and CCO members over the six-month period was $1.82 billion provided to 51 members. This was the second highest amount lent over a rolling six-month period and was just below the amount of loans made during the six-month period to September 2020. Our estimated market share of total council borrowing of 89% was above forecast and the third highest annual average on record. The average tenor of long-dated borrowing by councils of 5.6 years over the six-month period was in line with prior periods.

Short-dated lending for terms less than 12 months continues to be supported by councils. As at 31 December 2022, LGFA had $493 million of short-term loans outstanding to 30 council and CCO members.

Our role in assisting Local and Central Government

The local government sector continues to face a period of change and uncertainty having to deal with climate-related events, rising cost pressures and the Central Government-led initiatives relating to the proposed Three Waters Reform Programme and the Future for Local Government Review.

LGFA is assisting on an as-required basis, both Central Government and our council members, as they work through the proposed Three Waters Reform Programme. The Government's proposed Three Water Reform Programme will be the largest change to the local authority sector in recent years.

LGFA continues to assist the local government sector-led initiative in developing a Ratepayer Financing Scheme that may provide some financial relief to ratepayers.

New Zealand Issuer of the Year for 2022

KANGANEWS AWARDS 2022

Thank you to our investors, intermediaries and market participants for their support.

Attachment 4

Item 9

New products and initiatives

We launched Green, Social and Sustainable (GSS) lending in October 2021 and over the past six months have approved three further projects as being eligible for GSS loans, bringing the number to five loans across five councils. As at 31 December 2022 we have undertaken $101 million of GSS Loans to three councils.

We launched Climate Action Loans (CALs) for councils and CCOs in December 2022. A CAL provides a discounted loan margin to those councils with a Greenhouse Gas Emission Reduction Plan in place and who are meeting their targets.

Increasing focus on sustainability

Sustainability plays an important part within the local government sector and at LGFA. We have undertaken several initiatives over the past year, including maintenance of CarbonZero certification from Toitu Envirocare, actively marketing our GSS loan product and establishing CALs.

We reviewed the Climate Change Emergency Declarations and responses by Councils and a copy of the report is available on our website: **Review of Climate Emergency Declarations and Responses by Councils**

Acknowledgments

The Agency's work cannot be implemented without the support of our staff, fellow directors, Shareholders Council, New Zealand Debt Management (NZDM) and Central Government, all of whose efforts should be acknowledged.

John Avery, one of LGFA's foundation directors, retired in November 2022, and we would like to take this opportunity to sincerely thank John for his invaluable contribution to LGFA since 2011.

We believe LGFA's future remains positive and look forward to working with all stakeholders.

Craig Stobo
Chair

Mark Butcher
Chief Executive

Pedestrian bridge, Waikanae River, Otaihanga Domai
Kapiti Coast District Council. Photo by Mark Coo

Performance against objectives

Ko ngā whakatutukinga ki ngā whāinga

The statement of service performance provides a summary of LGFA's performance for the first half of the financial year against the objectives and performance targets set out in the LGFA Statement of Intent 2022-23 (SOI)

2022-23 Objectives and performance targets

LGFA objectives and performance targets for 2022-23 fall within the following five strategic priorities which encompass our shareholders' foundation objectives and guide the LGFA Board and management in determining our strategy:

- Governance, capability and business practice
- Optimising financing services for local government
- Environmental and social responsibility
- Effective management of loans
- Industry leadership and engagement

Our quarterly reports to shareholders provide more detail on our performance against objectives and performance targets. The reports for the quarters' ended September and December 2022 are available on the LGFA website.

Governance, capability and business practice

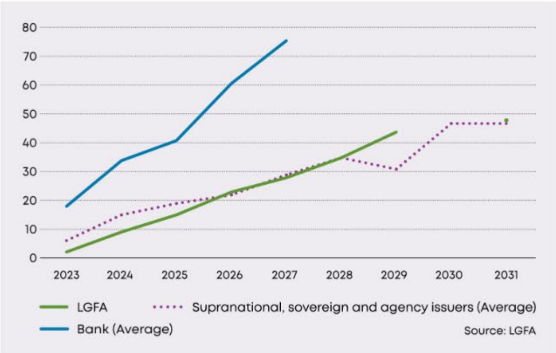
LGFA is committed to best practice corporate governance to ensure its long-term sustainability and success.

Objectives	Our performance to 31 December 2022
Demonstrate best practice corporate governance.	LGFA is committed to demonstrating best practice corporate governance and we report annually on our compliance with the eight core principles underpinning the NZX Corporate Governance Best Practice Code. Our 2022 Annual Report, released on 30 August 2022, is the most recent report with commentary on our compliance with the NZX Code.
Set and model high standards of ethical behaviour.	LGFA has adopted a formal Code of Ethics, incorporating its Conflicts of Interest and Code of Conduct policies, which sets out the standards and values that directors and employees are expected to follow.
Ensure products and services offered to participating borrowers are delivered in a cost-effective manner.	LGFA prepares annual operating budgets and monitors progress against these monthly. Our performance against our financial performance targets for the six months to 31 December is summarised below under our performance targets.
Be a good employer by providing safe working conditions, training and development and equal opportunities for staff.	LGFA is committed to being a good employer and we report our employment practices annually in our Annual Report. Our 2022 Annual Report is our most recent report outlining our health and safety and wellbeing practices and policies, including compliance with the Health and Safety at Work Act, diversity and inclusion and capability and development.

Performance targets	2022-2023 target		Our performance to 31 December 2022
Comply with the Shareholder Foundation Polices and the Board-approved Treasury Policy at all times.	No breaches.	✓	No breaches.
Maintain LGFA's credit rating equal to the New Zealand Government sovereign rating where both entities are rated by the same Rating Agency.	LGFA credit ratings equivalent to NZ Sovereign.	✓	Our ratings remain equivalent to the New Zealand Government for both S&P Global Ratings and Fitch Ratings. Fitch Ratings upgraded our long-term foreign currency credit rating to AA+ on 16 September 2022. S&P Global Ratings affirmed our domestic currency credit rating at AAA in February 2022.
LGFA's total operating income for the period to 30 June 2023.	> $12.2 million.	✓	On target to meet by 30 June 2023. $5.651 million as at 31 December 2022.
LGFA's total operating expenses for the period to 30 June 2023.	< $9.4 million.	✓	On target to meet by 30 June 2023. $4.542 million as at 31 December 2022.

Optimising financing services for local government

LGFA's primary objective is to optimise the terms and conditions of the debt funding it provides to participating borrowers. Amongst other things, LGFA will achieve this by delivering operational best practice and efficiency across our lending products and services.

Objectives	How we measure our performance
Provide interest cost savings relative to alternative sources of financing.	**Comparison to other high-grade issuers - secondary market spread to swap (bps)**  **Supranational, sovereign and agency issuers** Kainga Ora (AAA) Asian Development Bank (AAA) IADB (AAA) International Finance Corp (AAA) KBN (AAA) Rentenbank (AAA) World Bank (AAA) Nordic Investment Bank (AAA) **Banks** BNZ (AA-) Westpac Bank (AA-)
Offer flexible short and long-term lending products that meet the borrowing requirements for borrowers.	LGFA provides members with short term loans (less than one year), long term loans on either a floating or fixed rate basis (between one year and April 2037), Green Social and Sustainable Loans and standby facilities. • Over the six months to 31 December 2022, our members borrowed $1.82 billion in 163 long term loans across maturity dates ranging between 2023 and 2033, with December quarter lending being the second highest on record. • As at 31 December 2022 there were 45 short term loans totaling $497 million. • As at 31 December 2022, standby facilities totalled $682 million across 13 members.
Deliver operational best practice and efficiency for lending services.	Over the six months to 31 December 2022, LGFA operations staff successfully: • settled 842 new trades with a gross value of $9.97 billion, • processed 6,067 cash flows with a gross value of $15.0 billion, and • rate set 4,305 existing trades. There were no LGFA settlement errors over the six months.
Ensure certainty of access to debt markets, subject always to operating in accordance with sound business practice.	There was strong activity in LGFA bonds in both the primary market (tender or syndicated issuance) and secondary market (between banks and investors). Over the six months to 31 December 2022, we issued $1.76 billion of primary bonds and secondary market turnover totalled $5.14 billion. Secondary market turnover of $3.1 billion over the December quarter was at the second highest on record.

Performance targets	2022-2023 target	Our performance to 31 December 2022
Share of aggregate long-term debt funding to the Local Government sector.	> 80%	✓ 89% as at 31 December 2022 (compared to a historical average of 75% since 2012).
Total lending to Participating Borrowers.	> $15,004 million	✓ On target to meet by 30 June 2023. $15,751 million as at 31 December 2022.
Conduct an annual survey of Participating Borrowers who borrow from LGFA as to the value added by LGFA to the borrowing activities.	> 85% satisfaction score	✓ 100% satisfaction score in August 2022 Stakeholder Survey.
Successfully refinance existing loans to councils and LGFA bond maturities as they fall due.	100%	✓ 100%
Meet all lending requests from Participating Borrowers, where those requests meet LGFA operational and covenant requirements.	100%	✓ 100%

Waikato riverpath, Hamilton City Council

Environmental and social responsibility

LGFA recognises the risks inherent in climate change for councils and supports New Zealand's shift to a low-carbon economy. LGFA will exhibit a sense of social and environmental responsibility by having regard to the interests of the community in which it operates and by endeavouring to accommodate or encourage these when able to do so.

Objectives	How we measure our performance
Assist the local government sector in achieving their sustainability and climate change objectives.	Over the six months, we approved GSS loans to Hutt City Council for the Naenae swimming pool, Whangarei District Council for the Civic Centre, and approved our first eligible project for social lending for Christchurch City Council's Ōtautahi Community Housing Trust. In total, to date we have approved five GSS loans with a combined approved value of $543 million, with $101 million of loans drawn down to date. On 1 December 2022, we launched Climate Action Loans (CALs) which provides councils with a discounted loan margin if they have implemented a Greenhouse Gas Emission Reduction Plan and meet their emission reduction targets. LGFA completed research on which New Zealand councils declared a climate emergency over 2019-2020 (16 out of 78), their subsequent responses and any opportunities for LGFA. A copy of our report is available from our website: **Review of Climate Emergency Declarations and Responses by Councils**
Improve sustainability outcomes within LGFA.	In 2021, LGFA directors committed to reducing our carbon emissions over time, with our target of cutting per employee emissions by 30% by 2030, compared with a 2018/19 base year. We are currently working on translating this target into annual carbon reduction plan targets.

Performance targets	2022-2023 target	Our performance to 31 December 2022
Comply with the Health and Safety at Work Act 2015.	No breaches	✓ No breaches.
Maintain Toitū Carbon Zero certification.	Carbon-zero certification maintained.	✓ Toitū Net Carbon-zero recertification approved 11 October 2022.
Meet reduction targets outlined in our carbon reduction management plan.	Reduction targets met.	✗ We are currently working on translating this target into annual carbon reduction plan targets.
Increase our GSS lending book.	Two new participating borrowers enter into GSS loans.	✓ Three new participating borrowers approved for GSS lending.
Ensure Annual Report is prepared in compliance with applicable GRI Standards.	100%	✓ 2022 Annual Report prepared to meet the requirements of the Global Reporting Initiative (GRI) Standards (core option).
Meet all mandatory climate reporting standards.	100%	✓ Voluntarily comply with GRI standards (core option). Undertaking development work on meeting Climate Related Disclosure requirements.

Effective management of loans

LGFA will ensure its loan book remains at a high standard by ensuring it understands each participating borrower's financial position. LGFA manages its assets within an appropriate risk management framework to ensure shareholder value is not compromised.

Objectives	How we measure our performance
Proactively monitor and review each Participating Borrower's financial position, including its financial headroom under LGFA policies. Analyse finances at the Council group level where appropriate and report to shareholders.	Over the six months, we reviewed council agendas and management reports on an ongoing basis for all members on the LGFA borrower watch-list. We have received compliance certificates for LGFA covenants from all of our members with debt outstanding at June 2022 and no council has requested that they be measured on a group basis. Some certificates have been provided based upon unaudited financial statements given the delays in providing final audit signoff due to audit shortages.
Endeavour to meet each participating borrower annually, including meeting with elected officials as required, or if requested.	We met with 30 borrowers over the six months and are on target to meet with all members by 30 June 2023.

Performance targets	2022-2023 target	Our performance to 31 December 2022
Review each participating borrower's financial position under LGFA policies.	100%	✓ On target to meet by 30 June 2023.
Arrange to meet each Participating Borrower at least annually, including meeting with elected officials as required, or if requested.	100%	✓ On target to meet by 30 June 2023.

Industry leadership and engagement

LGFA will take a proactive role to enhance the financial strength and depth of the local government debt market and will work with key central government and local government stakeholders on sector issues.

Objectives	How we measure our performance
Take a proactive role to enhance the financial strength and depth of the local government debt market and work with key central government and local government stakeholders on sector and individual council issues.	This year we have introduced two new webinars for members: • LGFA Quarterly Update • An Economic and Financial Market Update by BNZ These inaugural webinars were well attended by participants and will be formalised as ongoing quarterly events.
Assist the local government sector with significant matters such as COVID-19 response and the proposed Three Waters Reform Programme.	Over the six months we met with Treasury, the National Transition Unit and Policy teams at DIA (and their advisers) regarding proposed Three Waters Reform, working actively on issues relating how to the transition of council debt on 1 July 2024, as well as the borrowing options for the Water Services Entities (WSEs) following transition. The Water Services Legislation Bill was introduced to Parliament in December and, in consultation with key stakeholders, we are considering the contents of the Bill and what potential role LGFA could play under the proposed Three Waters Reform Programme.
Support councils and CCOs in the development of reporting disclosures of the impacts of sector activity on climate change.	LGFA has provided input into the Ratepayer Financing Scheme (RFS) project managed by a group of councils with advice from Cameron Partners. If successful, the RFS could offer temporary financial relief to ratepayers via rates postponement. LGFA is not contributing financially to this project but providing intellectual capital and assistance. We are continuing work on initiatives to reduce compliance and documentation requirements for members when they borrow. Met with Chair of the Review into the Future for Local Government.


Bay of Plenty Regional Oil Spill Response Team training exercise in Tauranga Harbour.
Bay of Plenty Regional Council

Financial statements

Nga taukī pūtea

Statement of comprehensive income

For the six months ended 31 December 2022 in $000s

	Note	Unaudited six months ended 31 December 2022	Unaudited six months ended 31 December 2021
Interest income		312,883	185,886
Interest expense		307,904	176,709
Net interest income	**4**	**4,979**	**9,178**
Other operating income	5	671	526
Total operating income		**5,651**	**9,704**
Operating expenses	6	4,542	3,769
Net operating profit		**1,108**	**5,935**
Total comprehensive income		**1,108**	**5,935**

These statements are to be read in conjunction with the notes to the financial statements.

Due to rounding, numbers presented in the financial statements and associated notes may not add up precisely to the reported totals.

The Board of Directors of the New Zealand Local Government Funding Agency Limited authorised these statements or issue on 24 February 2023.

Statement of changes in equity

For the six months ended 31 December 2022 in $000s

	Note	Share capital	Retained earnings	Total equity
Equity as at 1 July 2021		**25,000**	**69,744**	**94,744**
Net operating profit			10,673	10,673
Total comprehensive income for the year			10,673	10,673
Transactions with owners			-	-
Dividend paid on 3 September 2021			(857)	(857)
Equity as at 1 July 2022		**25,000**	**79,559**	**104,560**
Net operating profit			1,108	1,108
Total comprehensive income for the year			1,108	1,108
Transactions with owners			-	-
Dividend paid on 2 September 2022			(1,218)	(1,218)
Unaudited closing balance as at 31 December 2022	**17**	**25,000**	**79,450**	**104,450**

Craig Stobo, Director
Board Chair

Linda Robertson, Director
Chair, Audit and Risk Committee

Attachment 4 Item 9

Statement of financial position

As at 31 December 2022 in $000s

	Note	Unaudited as at 31 December 2022	Audited as at 30 June 2022
Assets			
Financial assets			
Receivables		1,895	360
Cash and bank balances		64,921	158,033
Cash pledged as collateral		337,009	76
Marketable securities		1,312,958	1,491,148
Deposits		594,359	462,866
Derivatives in gain		77,470	94,767
Loans	8	15,751,420	14,041,908
Non-financial assets			
Prepayments		1,150	852
Other assets	9	112	156
Total assets		**18,141,294**	**16,250,167**
Equity			
Share capital	16	25,000	25,000
Retained earnings		79,450	79,560
Total equity		**104,450**	**104,560**
Liabilities			
Financial liabilities			
Payables and provisions	10	95,576	45,066
Bills	11	636,949	562,803
Bond repurchases	12	108,077	31,671
Derivatives in loss		1,717,879	1,206,175
Bonds	13	15,146,187	14,015,862
Borrower notes	14	331,468	283,180
Non-financial liabilities			
Other liabilities	15	708	850
Total liabilities		**18,036,844**	**16,145,607**
Total equity and liabilities		**18,141,294**	**16,250,167**

These statements are to be read in conjunction with the notes to the financial statements.

Statement of cash flows

For the six months ended 31 December 2022 in $000s

	Note	Unaudited six months ended 31 December 2022	Unaudited six months ended 31 December 2021
Cash Flow from Operating Activities			
Cash applied to loans	8	(1,639,024)	(1,427,636)
Interest paid on bonds issued		(228,725)	(215,363)
Interest paid on bills issued		(10,088)	(1,591)
Interest paid on borrower notes		(131)	(212)
Interest paid on bond repurchases		(1,738)	(254)
Interest received from loans		224,165	76,952
Interest received from cash & cash equivalents		2,396	1,031
Interest received from marketable securities		13,570	5,624
Interest received from deposits		5,897	2,206
Net interest on derivatives		2,276	136,753
Cash proceeds from provision of standby facilities		671	526
Payments to suppliers and employees		(5,317)	(3,927)
Net cash flow from operating activities	**18**	**(1,636,047)**	**(1,425,888)**
Cashflow from Investing Activities			
Purchase of marketable securities		206,657	(594,958)
(Purchase)/maturity of deposits		(462,937)	(185,743)
Purchase of plant and equipment		-	-
Net Cashflow from Investing Activities		**(256,280)**	**(780,701)**
Cash flows from financing activities			
Cash proceeds from bonds issued	13	1,477,890	2,096,802
Cash proceeds (outflows) from bills issued		74,146	(75,367)
Cash proceeds (outflows) from bond repurchases		76,195	158,143
Cash proceeds from borrower notes		41,598	35,509
Dividends paid		(1,218)	(857)
Cash applied to derivatives		130,604	(25,240)
Net cash flows from financing activities		**1,799,215**	**2,188,991**
Net (Decrease) / Increase in Cash		(93,112)	(17,599)
Cash, cash equivalents at beginning of year		158,033	391,835
Cash, cash equivalents at end of year		**64,921**	**374,236**

These statements are to be read in conjunction with the notes to the financial statements.

Notes to the financial statements

1. Reporting entity

The New Zealand Local Government Funding Agency Limited (LGFA) is a company registered under the Companies Act 1993 and is subject to the requirements of the Local Government Act 2002.

LGFA is controlled by participating local authorities and is a council-controlled organisation as defined under section 6 of the Local Government Act 2002. LGFA is a limited liability company incorporated and domiciled in New Zealand.

The primary objective of LGFA is to optimise the debt funding terms and conditions for participating borrowers.

The registered address of LGFA is Level 8, City Chambers, 142 Featherston Street, Wellington Central, Wellington 6011.

These financial statements were authorised for issue by the Directors on 24 February 2023.

2. Statement of compliance

The interim financial statements are for the six months ended 31 December 2022 and are to be read in conjunction with the annual report for the year ended 30 June 2021.

The financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice (NZ GAAP) and in compliance with NZ IAS 34 Interim Financial Reporting.

3. Basis of preparation

Measurement base

The financial statements have been prepared on a historical cost basis modified by the revaluation of certain assets and liabilities.

The financial statements are prepared on an accrual basis.

Functional and presentation currency

The financial statements are presented in New Zealand dollars rounded to the nearest thousand, unless separately identified. The functional currency of LGFA is New Zealand dollars.

Foreign currency conversions

Transactions denominated in foreign currency are translated into New Zealand dollars using exchange rates applied on the trade date of the transaction.

Changes in accounting policies

There have no changes to accounting policies.

Early adoption standards and interpretations

LGFA has not early adopted any standards.

Standards not yet adopted

LGFA does not consider any standards or interpretations in issue but not yet effective to have a significant impact on its financial statements.

Financial instruments

Financial assets

Financial assets, other than derivatives, are recognised initially at fair value plus transaction costs and subsequently measured at amortised cost using the effective interest rate method.

Cash and cash equivalents include cash on hand, bank accounts and deposits with an original maturity of no more than three months.

Cash provided by LGFA as security for financial arrangements remains a financial asset of LGFA and is recognised as cash pledged as collateral in the Statement of Financial Position, separate from cash and cash equivalents

Purchases and sales of all financial assets are accounted for at trade date.

At each balance date, an expected credit loss assessment is performed for all financial assets and is calculated as either:

- Credit losses that may arise from default events that are possible within the next 12 months, where no significant increase in credit risk has arisen since acquisition of the asset, or
- Credit losses that may arise from default events that are possible over the expected life of the financial asset, where a significant increase in credit risk has arisen since acquisition of the asset.

Impairment losses on financial assets will ordinarily be recognised on initial recognition as a 12-month expected loss allowance and move to a lifetime expected loss allowance if there is a significant deterioration in credit risk since acquisition.

Financial liabilities

Financial liabilities, other than derivatives, are recognised initially at fair value less transaction costs and subsequently measured at amortised cost using the effective interest rate method.

Derivatives

Derivative financial instruments are recognised both initially and subsequently at fair value. They are reported as either assets or liabilities depending on whether the derivative is in a net gain or net loss position respectively.

Fair value hedge

Where a derivative qualifies as a hedge of the exposure to changes in fair value of an asset or liability (fair value hedge) any gain or loss on the derivative is recognised in profit and loss together with any changes in the fair value of the hedged asset or liability.

The carrying amount of the hedged item is adjusted by the fair value gain or loss on the hedged item in respect of the risk being hedged. Effective parts of the hedge are recognised in the same area of profit and loss as the hedged item.

Other assets

Property, plant and equipment

Items of property, plant and equipment are initially recorded at cost.

Depreciation is charged on a straight-line basis at rates calculated to allocate the cost or valuation of an item of property, plant and equipment, less any estimated residual value, over its remaining useful life.

Intangible assets

Intangible assets comprise software and project costs incurred for the implementation of the treasury management system. Capitalised computer software costs are amortised on a straight-line basis over the estimated useful life of the software (three to seven years). Costs associated with maintaining computer software are recognised as expenses.

Other liabilities

Employee entitlements

Employee entitlements to salaries and wages, annual leave and other similar benefits are recognised in the profit and loss when they accrue to employees.

Revenue

Interest income

Interest income is accrued using the effective interest rate method.

The effective interest rate exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. The method applies this rate to the principal outstanding to determine interest income each period.

Expenses

Expenses are recognised in the period to which they relate.

Interest expense

Interest expense is accrued using the effective interest rate method.

The effective interest rate exactly discounts estimated future cash payments through the expected life of the financial liability to that liability's net carrying amount. The method applies this rate to the principal outstanding to determine interest expense each period.

Income tax

LGFA is exempt from income tax under Section 14 of the Local Government Borrowing Act 2011.

Goods and services tax

All items in the financial statements are presented exclusive of goods and service tax (GST), except for receivables and payables, which are presented on a GST-inclusive basis. Where GST is not recoverable as input tax, then it is recognised as part of the related asset or expense.

The net amount of GST recoverable from, or payable to, the IRD is included as part of receivables or payables in the statement of financial position.

The net GST paid to, or received from the IRD, including the GST relating to investing and financing activities, is classified as a net operating cash flow in the statement of cash flows.

Commitments and contingencies are disclosed exclusive of GST.

Segment reporting

LGFA operates in one segment being funding of participating borrowers in New Zealand.

Judgements and estimations

The preparation of these financial statements requires judgements, estimates and assumptions that affect the application of policies and reported amounts. For example, the fair value of financial instruments depends critically on judgements regarding future cash flows, including inflation assumptions and the risk-free discount rate.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates and these estimates and underlying assumptions are reviewed on an ongoing basis. Where these judgements significantly affect the amounts recognised in the financial statements they are described in the following notes.

The financial statements as at 31 December 2022 include estimates and judgements of the proposed Three Waters Reform Programme on LGFA's financial position and performance. Whilst there has been no material impact on the estimates and judgements at the date these financial statements are authorised, it is noted that there is significant uncertainty with regards to the medium and long-term effects of COVID-19, as well as the outcome of proposed Three Waters Reform Programme on the local government sector.

4. Net interest income

in $000s	Unaudited six months ended 31 December 2022	Unaudited six months ended 31 December 2021
Interest income		
Cash and cash equivalents	4,098	1,036
Marketable securities	18,342	4,259
Lease liability	16	-
Deposits	9,668	3,129
Derivatives	-	90,015
Loans	280,759	87,447
Fair value hedge ineffectiveness	-	-
Total interest income	**312,883**	**185,886**
Interest expense		
Bills	10,088	1,591
Bond repurchase transactions	1,949	319
Lease liability	-	5
Derivatives	66,245	-
Bonds	224,425	173,439
Borrower notes	5,196	1,355
Total interest expense	**307,904**	**176,709**
Net interest income	**4,979**	**9,178**

5. Other operating income

As at 30 June 2022, LGFA had provided credit standby facilities totalling $662 million to selected councils. As at balance date, there were no drawdowns outstanding under the facilities.

in $000s	Unaudited six months ended 31 December 2022	Unaudited six months ended 31 December 2021
Standby facilities fee income	671	526
Total other operating income	**671**	**526**

6. Operating expenses

Issuance and on-lending expenses are those costs that are incurred as a necessary expense to facilitate the ongoing issuance of LGFA debt securities.

in $000s	Unaudited six months ended 31 December 2022	Unaudited six months ended 31 December 2021
Issuance and on-lending expenses		
Approved issuer levy [1]	343	325
Rating agency fees	333	324
NZDM facility fee	652	250
Legal fees - issuance	205	225
NZX	367	390
Trustee fees	55	51
Regulatory, registry, other fees	106	68
	2,062	**1,633**
Other operating expenses		
Information technology	341	399
Consultants	127	95
Directors fees	213	212
Insurance	47	43
Legal fees	156	51
Other expenses	230	136
Auditors' remuneration		
Statutory audit	55	55
Advisory services	-	-
Personnel	1,312	1,145
	2,481	**2,135**
Total operating expenses	**4,542**	**3,769**

1. The amount of Approved Issuer Levy is a function of the number of the offshore holders of certain LGFA bond maturities.

Item 9

Attachment 4

7. Hedge accounting

LGFA is exposed to interest rate risk from its borrowing, lending and investment activities and uses interest rate swaps to manage this risk. For hedge accounting purposes, LGFA has designated these swaps in fair value relationships to its fixed rate borrowings, loans and investments.

The following table shows the gain or loss on the hedging instrument and the hedged item attributable to the hedged risk for fair value hedge relationships.

in $000s	Unaudited six months ended 31 December 2022	Unaudited six months ended 31 December 2021
Hedging instruments - interest rate swaps	329,876	520,010
Hedged items attributable to the hedged risk	(329,876)	(520,010)
Ineffectiveness recognised in profit or loss from fair value hedges	-	-

The gains or losses on the hedging instrument (interest rate swaps) and the hedged item (bonds, loans and investments) are mapped to the same fair value account. For this reason, the statement of comprehensive income will only report any ineffectiveness arising from the fair value hedge.

8. Loans

in $000s	Unaudited as at 31 December 2022		Audited as at 30 June 2022	
	Short-term loans [1]	Loans	Short-term loans	Loans
Ashburton District Council	7,064	79,152	12,048	78,898
Auckland Council	-	3,629,211	-	3,413,415
Bay of Plenty Regional Council	25,465	167,970	25,651	167,941
Buller District Council	-	20,027	-	20,015
Canterbury Regional Council	-	75,366	4,018	75,214
Carterton District Council	-	14,772	-	14,762
Central Hawkes Bay District Council	1,011	28,168	2,024	20,107
Central Otago District Council	10,083	5,050	5,024	-
Christchurch City Council	-	2,285,660	2,017	2,036,724
Clutha District Council	7,547	37,590	5,532	32,394
Far North District Council	-	71,895	-	71,822
Gisborne District Council	-	111,572	-	86,095
Gore District Council	8,573	35,263	6,035	29,631
Greater Wellington Regional Council	-	636,734	-	576,343
Grey District Council	3,944	26,781	3,980	26,717
Hamilton City Council	-	726,508	-	633,049
Hastings District Council	-	275,067	-	237,990
Hauraki District Council	-	52,432	-	43,212
Hawkes Bay Regional Council	-	46,141	-	37,992
Horizons Regional Council	11,942	49,831	11,984	49,771
Horowhenua District Council	21,187	131,653	11,001	127,395
Hurunui District Council	8,073	34,307	8,033	30,147
Hutt City Council	-	303,302	-	256,607
Invercargill City Council	36,004	68,763	12,845	68,725
Invercargill City Holdings Ltd	18,469	68,438	22,076	68,354
Kaikoura District Council	-	5,341	-	5,331
Kaipara District Council	-	44,425	-	44,229
Kapiti Coast District Council	-	257,151	-	256,128
Kawerau District Council	-	2,005	-	-
Mackenzie District Council	2,018	8,080	10,002	-
Manawatu District Council	11,570	77,919	11,559	77,725
Marlborough District Council	47,553	107,324	37,325	100,289
Masterton District Council	-	56,244	-	50,260
Matamata-Piako District Council	-	45,907	-	38,191
Nelson City Council	-	171,371	-	140,581
New Plymouth District Council	10,084	216,117	-	170,350
Northland Regional Council	-	14,148	-	14,147
Opotiki District Council	-	9,067	-	7,073

1. As at 31 December 2022, $2,415 million of loans are due to mature within 12 months. This comprises all short-term loans and $1,922 million of loans.

in $000s	Unaudited as at 31 December 2022 Short-term loans [1]	Loans	Audited as at 30 June 2022 Short-term loans	Loans
Otago Regional Council	26,793	73,682	66,715	48,443
Otorohanga District Council	-	4,028	-	4,028
Palmerston North City Council	-	213,980	-	187,872
Porirua City Council	-	178,148	-	172,335
Queenstown Lakes District Council	55,703	401,978	50,275	241,015
Rangitikei District Council	-	19,158	-	19,157
Rotorua District Council	53,600	275,679	43,112	245,298
Ruapehu District Council	8,037	29,588	8,020	29,557
Selwyn District Council	-	85,725	-	75,343
South Taranaki District Council	-	113,060	-	112,566
South Waikato District Council	4,954	34,294	4,874	34,171
Southland District Council	-	16,900	-	16,899
South Wairarapa District Council	-	26,631	-	26,537
Stratford District Council	-	32,359	6,027	26,299
Taranaki Regional Council	3,963	19,632	-	14,587
Tararua District Council	2,013	55,670	-	51,244
Tasman District Council	24,295	235,580	24,193	198,190
Taupo District Council	-	171,208	-	125,522
Tauranga City Council	-	761,621	-	648,528
Thames-Coromandel District Council	-	73,665	-	73,365
Timaru District Council	29,108	152,022	28,724	136,516
Upper Hutt City Council	-	95,766	-	91,421
Waikato District Council	-	110,947	-	95,454
Waikato Regional Council	-	25,202	-	25,120
Waimakariri District Council	-	171,473	-	170,903
Waimate District Council	-	3,534	-	-
Waipa District Council	26,030	154,231	25,530	124,377
Wairoa District Council	-	11,102	-	10,062
Waitaki District Council (WD)	6,903	31,201	4,491	20,583
Waitomo District Council	4,027	24,160	4,017	24,092
Wellington City Council	-	1,195,968	-	967,101
West Coast Regional Council	-	11,396	3,761	6,616
Western Bay Of Plenty District Council	-	70,687	-	70,366
Westland District Council	-	30,050	-	29,933
Westland Holdings Ltd	-	2,405	-	-
Whakatane District Council	-	108,433	-	86,396
Whanganui District Council	7,544	99,907	7,523	99,522
Whangarei District Council	9,947	183,505	9,972	182,813
Fair value hedge adjustment	-	(43,416)	-	(36,332)
Total loans	**493,505**	**15,257,915**	**478,385**	**13,563,522**

9 . Other assets

in $000s	Unaudited as at 31 December 2022	Audited as at 30 June 2022
Right-of-use lease asset	112	156
Total other assets	**112**	**156**

10. Payables and provisions

in $000s	Unaudited as at 31 December 2022	Audited as at 30 June 2022
Loans/purchases to be advanced	95,000	44,000
Trade creditors	185	800
Credit provision	139	161
Other provisions	252	105
Total payables and provisions	**95,576**	**45,066**

11. Bills

Unaudited as at 31 December 2022 in $000s	Face value	Unamortised premium	Accrued interest	Total
13 January 2023	145,000	(139)	-	144,861
2 February 2023	25,000	(78)	-	24,922
10 February 2023	80,000	(337)	-	79,663
17 February 2023	20,000	(107)	-	19,893
28 February 2023	50,000	(348)	-	49,652
10 March 2023	70,000	(538)	-	69,462
15 March 2023	50,000	(436)	-	49,564
20 March 2023	52,000	(504)	-	51,496
5 April 2023	25,000	(265)	-	24,735
12 April 2023	20,000	(234)	-	19,766
18 April 2023	15,000	(191)	-	14,809
10 May 2023	15,000	(245)	-	14,755
7 June 2023	25,000	(522)	-	24,478
14 June 2023	50,000	(1,106)	-	48,894
Total bills	**642,000**	**(5,051)**	**-**	**636,949**

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Attachment 4

Audited as at 30 June 2022 in $000s	Face value	Unamortised premium	Accrued interest	Total
7 July 2022	15,000	-	(4)	14,996
13 July 2022	70,000	-	(30)	69,970
19 July 2022	35,000	-	(33)	34,967
4 August 2022	25,000	-	(33)	24,967
10 August 2022	80,000	-	(167)	79,833
19 August 2022	20,000	-	(60)	19,940
30 August 2022	50,000	-	(201)	49,799
9 September 2022	68,000	-	(296)	67,704
14 September 2022	100,000	-	(538)	99,462
19 September 2022	27,000	-	(120)	26,880
6 October 2022	25,000	-	(148)	24,852
9 November 2022	25,000	-	(238)	24,762
7 December 2022	25,000	-	(329)	24,671
Total bills	**565,000**	**-**	**(2,197)**	**562,803**

12. Treasury stock and bond repurchases

Periodically, LGFA subscribes for LGFA bonds as part of its tender process and holds these bonds as treasury stock. LGFA bonds held by LGFA as treasury stock are derecognised at the time of issue and no liability is recognised in the statement of financial position. As at 31 December 2022, $1,100 million of LFGA bonds had been subscribed as treasury stock.

LGFA makes these treasury stock bonds available to banks authorised as its tender counterparties to borrow under short-term repurchase transactions. The objective of the bond lending facility is to assist with improving secondary market liquidity in LGFA bonds. Bonds lent to counterparties are disclosed as a separate stock lending liability on the face of the statement of financial position.

in $000s	Unaudited as at 31 December 2022	Audited as at 30 June 2022
15 April 2023	4,054	
15 April 2024	-	1,456
15 April 2025	9,512	6,773
15 April 2026	893	5,395
15 April 2027	35,962	-
15 May 2028	-	-
20 April 2029	15,416	7,390
15 May 2031	8,223	-
14 April 2033	-	4,566
15 May 2035	-	818
15 April 2037	34,017	5,272
Total bond repurchases	**108,077**	**31,671**

13. Bonds

Bonds on issue do not include $1,100 million face value of issued LGFA bonds subscribed by LGFA and held as treasury stock. Refer Note 12: Treasury stock and bond repurchase transactions.

Unaudited as at 31 December 2022 in $000s	Face Value	Unamortised premium	Accrued interest	Fair value hedge adjustment	Total
Fixed interest bonds					
15 April 2023	1,830,000	9,127	21,568		
15 April 2024	2,108,000	862	10,164		
15 April 2025	2,409,000	(45,646)	14,196		
15 April 2026	2,055,000	(52,395)	6,605		
15 April 2027	1,881,000	78,421	18,138		
15 May 2028	1,373,000	(59,559)	4,011		
20 April 2029	1,562,000	(60,236)	4,699		
15 May 2031	1,000,000	(42,471)	2,921		
14 April 2033	1,350,000	34,731	10,255		
15 May 2035	400,000	2,096	1,558		
15 April 2037	770,000	(25,117)	3,300		
Total bonds	**16,738,000**	**(160,188)**	**97,415**	**(1,529,039)**	**15,146,187**

Audited as at 30 June 2022 in $000s	Face Value	Unamortised premium	Accrued interest	Fair value hedge adjustment	Total
Fixed interest bonds					
15 April 2023	1,830,000	25,117	21,175		
15 April 2024	1,998,000	5,625	9,458		
15 April 2025	1,679,000	(13,379)	9,714		
15 April 2026	1,815,000	(31,599)	5,728		
15 April 2027	1,751,000	85,460	16,577		
15 May 2028	1,270,000	(53,384)	3,650		
20 April 2029	1,362,000	(21,893)	4,019		
15 May 2031	850,000	(19,801)	2,443		
14 April 2033	1,290,000	43,486	9,622		
15 May 2035	400,000	2,166	1,533		
15 April 2037	730,000	(12,837)	3,072		
Total fixed interest	**14,975,000**	**8,962**	**86,989**	**(1,185,774)**	**13,885,177**
Floating rate notes					
14 October 2022	130,000	(7)	692	-	130,684
Total bonds	**15,105,000**	**8,955**	**87,681**	**(1,185,774)**	**14,015,862**

Attachment 4

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14. Borrower notes

Borrower notes are subordinated debt instruments which are required to be held by each local authority that borrows from LGFA in an amount equal to a fixed percentage of the aggregate borrowings by that local authority. The fixed percentage is 2.5% for loans issued from 1 July 2020. Prior to this date, the fixed percentage was 1.6%.

LGFA may convert borrower notes into redeemable shares if it has made calls for all unpaid capital to be paid in full and the LGFA Board determines it is still at risk of imminent default.

15. Other liabilities

in $000s	Unaudited as at 31 December 2022	Audited as at 30 June 2022
Lease liability	112	156
Accruals	596	694
Total other liabilities	**708**	**850**

16. Share capital

As at 31 December 2022, LGFA had 45 million ordinary shares on issue, 20 million of which remain uncalled.

All ordinary shares rank equally with one vote attached to each ordinary share. Ordinary shares have a face value of $1 per share.

17. Shareholder information

Registered holders of equity securities	As at 31 December 2022		As at 30 June 2022	
Minister of Finance and Minister for Local Government	5,000,000	11.1%	5,000,000	11.1%
Auckland Council	3,731,960	8.3%	3,731,960	8.3%
Christchurch City Council	3,731,960	8.3%	3,731,960	8.3%
Hamilton City Council	3,731,960	8.3%	3,731,960	8.3%
Bay of Plenty Regional Council	3,731,958	8.3%	3,731,958	8.3%
Greater Wellington Regional Council	3,731,958	8.3%	3,731,958	8.3%
Tasman District Council	3,731,958	8.3%	3,731,958	8.3%
Tauranga City Council	3,731,958	8.3%	3,731,958	8.3%
Wellington City Council	3,731,958	8.3%	3,731,958	8.3%
Western Bay of Plenty District Council	3,731,958	8.3%	3,731,958	8.3%
Whangarei District Council	1,492,784	3.3%	1,492,784	3.3%
Hastings District Council	746,392	1.7%	746,392	1.7%
Marlborough District Council	400,000	0.9%	400,000	0.9%
Selwyn District Council	373,196	0.8%	373,196	0.8%
Gisborne District Council	200,000	0.4%	200,000	0.4%
Hauraki District Council	200,000	0.4%	200,000	0.4%
Horowhenua District Council	200,000	0.4%	200,000	0.4%
Hutt City Council	200,000	0.4%	200,000	0.4%
Kapiti Coast District Council	200,000	0.4%	200,000	0.4%
Manawatu District Council	200,000	0.4%	200,000	0.4%
Masterton District Council	200,000	0.4%	200,000	0.4%
New Plymouth District Council	200,000	0.4%	200,000	0.4%
Otorohanga District Council	200,000	0.4%	200,000	0.4%
Palmerston North District Council	200,000	0.4%	200,000	0.4%
South Taranaki District Council	200,000	0.4%	200,000	0.4%
Taupo District Council	200,000	0.4%	200,000	0.4%
Thames-Coromandel District Council	200,000	0.4%	200,000	0.4%
Waimakariri District Council	200,000	0.4%	200,000	0.4%
Waipa District Council	200,000	0.4%	200,000	0.4%
Whakatane District Council	200,000	0.4%	200,000	0.4%
Whanganui District Council	200,000	0.4%	200,000	0.4%
Total	**45,000,000**	**100%**	**45,000,000**	**100%**

18. Reconciliation of net profit to net cash flow from operating activities

in $000s	Unaudited six months ended 31 December 2022	Unaudited six months ended 31 December 2021
Net profit/(loss) for the period	1,108	5,935
Cash applied to loans	(1,639,024)	(1,427,636)
Non-cash adjustments		
Amortisation and depreciation	2,643	(3,955)
Working capital movements		
Net change in trade debtors and receivables	(378)	13
Net change in prepayments	(298)	(319)
Net change in accruals	(98)	73
Net Cash From Operating Activities	**(1,636,047)**	**(1,425,888)**

19. Related parties

Identity of related parties

LGFA is related to the local authorities set out in the Shareholder Information in note 17.

LGFA operates under an annual Statement of Intent that sets out the intentions and expectations for LGFA's operations and lending to participating borrowers.

Shareholding local authorities, and non-shareholder local authorities who borrow more than $20 million, are required to enter into a guarantee when they join or participate in LGFA. The guarantee is in respect of the payment obligations of other guaranteeing local authorities to the LGFA (cross guarantee) and of the LGFA itself.

Related party transactions

LGFA was established for the purpose of raising funds from the market to lend to participating borrowers. The lending to individual councils is disclosed in note 8, and interest income recognised on this lending is shown in the statement of comprehensive income.

The purchase of LGFA borrower notes by participating borrowers. Refer note 14.

The Treasury (New Zealand Debt Management) provides LGFA with a committed credit facility and is LGFA's derivatives counterparty.

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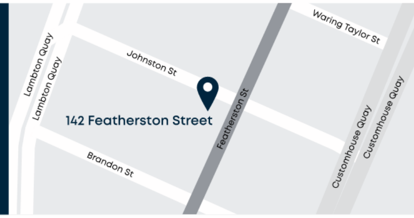

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LGFA

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

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

24 February 2023

Dear Shareholder

Draft Statement of Intent 2023-26

Please find attached a copy of the draft Statement of Intent (SOI) for the 2023-26 period.

LGFA continues to focus on delivering strong results for both our council borrowers and shareholders.

For our borrowing councils we seek to optimize funding terms and conditions by

- Achieving savings in borrowing costs
- Provide longer dated funding and
- Provide certainty of access to markets

For our shareholders we are focused on

- Delivering a strong financial performance
- Monitoring asset quality
- Enhancing our approach to treasury and risk management and
- Ensuring we have the correct governance framework and capital structure in place.

For our guarantors we are focused on

- Minimising the risk of a call upon the guarantee through actively monitoring and managing the business risks faced by LGFA including operational, credit, liquidity, interest rate and funding risk.

The following points regarding the draft SOI 2023-26 are worth noting:

- This draft SOI, including financial forecasts, assumes that there are no implications for LGFA from the Three Waters Reform Programme. We are awaiting further information relating to the establishment of the Water Services Entities (WSEs); how WSEs are intending to structure their borrowing; how the transition of revenue and debt will occur between our council members and WSEs, and the impact on future council borrowing intentions from the Three Waters Reform Programme. The final SOI in June 2023 will be updated from this draft to incorporate any future announcements/legislation relating to the Three Waters Reform Programme and will include a statement if there have been any material changes to our forecast assumptions.

- Profitability is forecast to rebound from the 2022-23 period with projections for Net Operating Gain of $9.5 million, $8.3 million and $7.6 million for the next three years.

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However, we remain cautious in placing too much emphasis on the Year Two (2024-25) and Three (2025-26) forecasts given we have $6.6 billion of LGFA bonds and $5.8 billion of council and CCO loans maturing over the three-year SOI forecast period. Assumptions regarding the amount and timing of refinancing and interest rates have a meaningful impact on financial projections.

- We have increased our forecast for council loans (short and long term) outstanding as at June 2024 to $16.410 billion and to $17.137 billion as at June 2025 (from $15.995 billion and $16.650 billion in the previous SOI). This reflects a higher starting position as at 30 June 2023 and councils undertaking further capex and a continued high utilisation of short-term borrowing from LGFA by councils.

- We are assuming a gross bond issuance of $3.2 billion (2023-24), $3.2 billion (2024-25) and $3.15 billion (2025-26) based on council gross lending of $2.8 billion (2023-24), $2.9 billion (2024-25) and $3.0 billion (2025-26)

- Net interest income is expected to gradually reduce over the forecast period as the balance sheet grows from increased council lending and positive impact from higher interest rates on the Liquid Asset Portfolio offset is offset by narrower lending margins.

- We have assumed a modest narrowing in lending margins as more councils and CCOs take up the Climate Action Loan (CAL) product and we undertake more Green, Social and Sustainability (GSS) lending to councils and CCOs. Given the high starting point with an average credit rating of "AA" on the council lending book, we have assumed no further improvement in the credit quality of the sector improves.

- Compared to the previous SOI, issuance and operating expenses, excluding Approved Issuer Levy ("AIL") are forecast to be approximately $500k higher in the 2023-24 and 2024-25 financial years. This is due to forecast higher IT, staffing and legal costs.

- The SOI performance targets are similar to the previous SOI. There is a greater focus on sustainability with a target for new CALs, a greater focus on assisting councils with GHG emission reporting and assistance with the transition of Three Waters related debt from councils to the WSEs.

- As noted above, there is some timing uncertainty within the SOI forecast relating to council loans and LGFA bonds outstanding as we need to project both the repayment amount and repayment timing of the council loans that are due to mature in April 2024, April 2025 and April 2026. Decisions made by our council members regarding early refinancing will have a phasing impact across all three years in the SOI forecast.

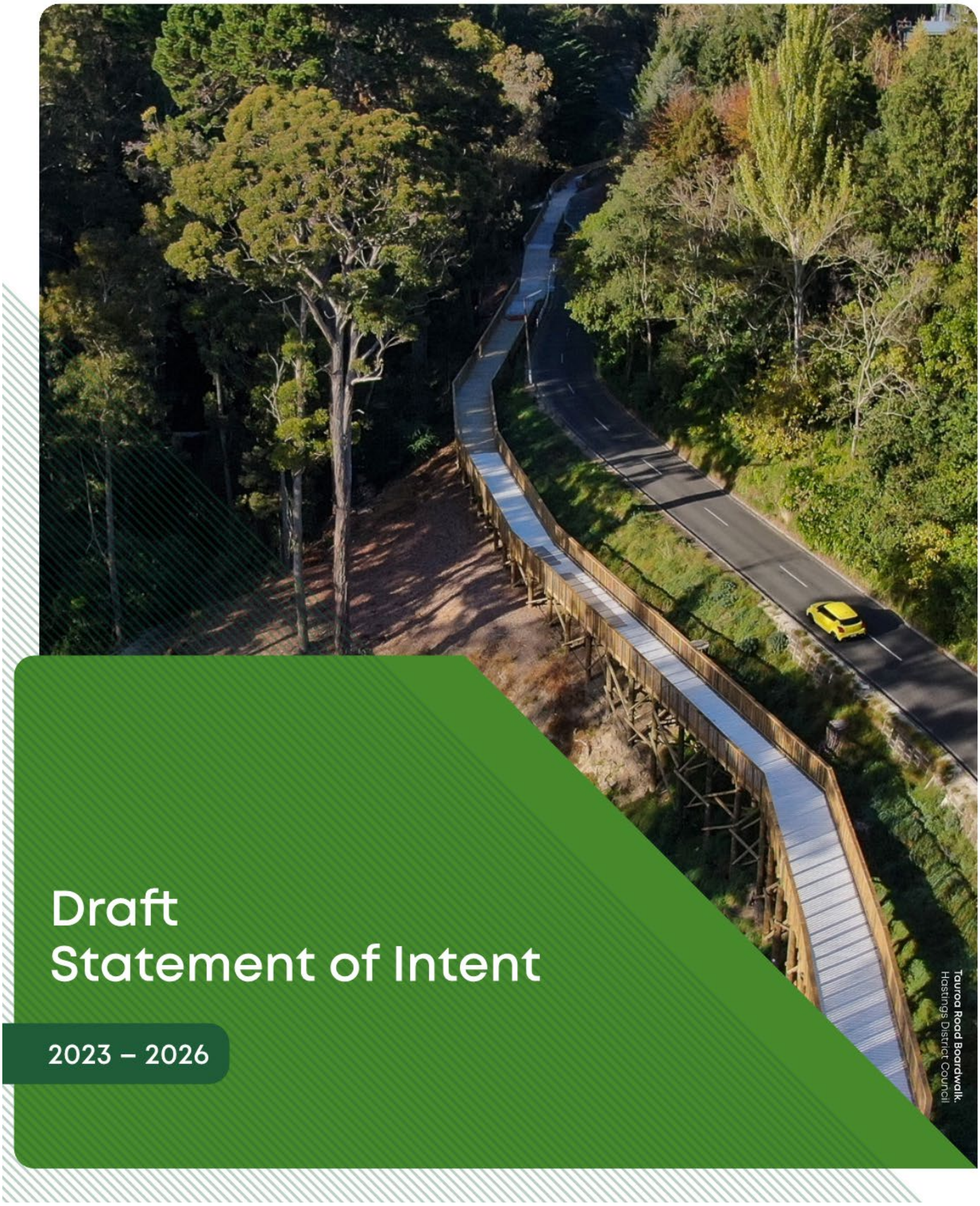
If you have any questions or wish to provide comments by 1 May 2023 then please feel free to contact myself or any member of the Shareholders Council. The LGFA board will consider any feedback received and provide a final version of the SOI to shareholders by 30 June 2023.

Yours sincerely

Mark Butcher
Chief Executive

LGFA

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



Tauroa Road Boardwalk.
Hastings District Council

Draft
Statement of Intent

2023 – 2026

1. Introduction

This Statement of Intent (SOI) sets out the nature and scope of the activities, objectives and performance targets for the New Zealand Local Government Funding Agency Limited (LGFA) for the three-year period 1 July 2023 to 30 June 2026.

LGFA is enabled under the Local Government Borrowing Act 2011 and is a council-controlled organisation (CCO) for the purposes of the Local Government Act 2002.

The SOI is prepared in accordance with section 64(1) of the Local Government Act 2002.

Note: This draft SOI, including financial forecasts, assumes that there are no implications for LGFA from the proposed Three Waters Reform Programme. We are awaiting further information relating to the establishment of the Water Services Entities (WSEs); how WSEs are intending to structure their borrowing; how the transition of revenue and debt will occur between our council members and WSEs, and the impact on future council borrowing intentions from the proposed Three Waters Reform Programme. The final SOI in June 2023 will be updated from this draft to incorporate any future announcements/legislation relating to the proposed Three Waters Reform Programme and will include a statement if there have been any material changes to our forecast assumptions as a consequence.

2. Nature and scope of activities

LGFA raises debt funding for the purpose of providing debt financing to New Zealand local authorities and CCOs (participating borrowers).

LGFA may raise debt funding either domestically and/or offshore in either NZ dollars or foreign currency.

LGFA only lends to participating borrowers that have entered into required relevant legal and operational arrangements and comply with the LGFA's lending policies.

In addition, LGFA may undertake any other activities considered by the LGFA Board to be reasonably related, incidentally to, or in connection with, that business.

3. Our purpose Ta tatou kaupapa

Benefiting local communities through delivering efficient financing for local government.

Ka whiwhi painga ngā hapori mā te whakarato pūtea tōtika ki ngā kaunihera.

4. Our values Ō mātau uara

We act with integrity E pono ana mātau	We are customer focused E arotahi ana mātau ki te kiritaki	We strive for excellence E whakapau kaha mātau kia hiranga te mahi	We provide leadership He kaiārahi mātau	We are innovative He auaha mātau
We are honest, transparent and are committed to doing what is best for our customers and our company.	Our customers are our council borrowers, investors, and all other organisations that we deal with. We listen to them and act in their best interests to deliver results that make a positive difference.	We strive to excel by delivering financial products and services that are highly valued at least cost while seeking continuous improvement in everything we do.	We are here for our stakeholders in being strategically minded, providing resilience and executing our strategy. We embrace a high-performance culture and can be relied upon to deliver results.	To meet our ever-changing customer requirements, we will encourage innovation and provide a diverse range of financial products and services.

5. Foundation objectives

The Shareholders' Agreement is a foundation document and states that, in accordance with the Local Government Act, in carrying on its business the objectives of the Company will be to:

(a) achieve the objectives of the Shareholders (both commercial and non-commercial) as specified in the Statement of Intent. The Shareholders agree that the Company shall carry on its business with a view to making a profit sufficient to pay a dividend in accordance with the Dividend Policy, but that the primary objective of the Shareholders with respect to the Company is that it optimises the terms and conditions of the debt funding it provides to Participating Local Authorities;

(b) be a good employer;

(c) exhibit a sense of social and environmental responsibility by having regard to the interests of the community in which it operates and by endeavouring to accommodate or encourage these when able to do so; and

(d) conduct its affairs in accordance with sound business practice.

This Statement of Intent sets out the company's strategic priorities, together with associated objectives and performance targets, which align with the foundation objectives and have been agreed with shareholders.

6. Strategic priorities

The following five strategic priorities encompass the foundation objectives and guide the LGFA Board and management in determining our strategy, objectives and associated performance targets.

Governance, capability and business practice

LGFA is committed demonstrating best practice corporate governance underpinned by sound business practice to ensure its long-term sustainability and success.

Optimising financing services for local government

LGFA's primary objective is to optimise the terms and conditions of the debt funding it provides to participating borrowers. Amongst other things, LGFA will achieve this by delivering operational best practice and efficiency across our lending products and services.

Environmental and social responsibility

LGFA recognises the risks inherent in climate change for councils and supports New Zealand's shift to a low-carbon economy. LGFA will exhibit a sense of social and environmental responsibility by having regard to the interests of the community in which it operates and by endeavouring to accommodate or encourage these when able to do so.

Effective management of loans

LGFA will ensure its loan book remains at a high standard by ensuring it understands each participating borrower's financial position and managing assets within an appropriate risk management framework to ensure shareholder value is not compromised.

Industry leadership and engagement

LGFA will take a proactive role to enhance the financial strength and depth of the local government debt market and will work with key central government and local government stakeholders on sector issues.

7. Objectives and performance targets

This section sets out LGFA's objectives and performance targets for SOI 2023-2026.

The financial performance targets are focused on the 2023-2024 year and, as applicable, are based on the financial forecasts outlined in section 8.

Governance, capability and business practice

Objectives	How we measure our performance
LGFA will:	
Demonstrate best practice corporate governance.	The Annual Report outlines our compliance with the eight core principles underpinning the NZX Corporate Governance Best Practice Code.
Set and model high standards of ethical behaviour.	LGFA has adopted a formal Code of Ethics, incorporating its Conflicts of Interest and Code of Conduct policies, which sets out the standards and values that directors and employees are expected to follow.
Achieve the shareholder-agreed objectives and performance targets specified in this Statement of Intent.	LGFA reports performance against objectives quarterly to shareholders and in our Annual and Half Year Reports.
Ensure products and services offered to participating borrowers are delivered in a cost-effective manner.	LGFA prepares annual operating budgets and monitors progress against these monthly. Financial performance is reported quarterly to shareholders and in our Annual and Half Year Reports.
Be a good employer by providing safe working conditions, training and development and equal opportunities for staff	The Annual Report reports on our health and safety and wellbeing practices and policies, compliance with the Health and Safety at Work Act, diversity and inclusion and capability and development.

Performance targets	2023-2024 target
Comply with the Shareholder Foundation Polices and the Board-approved Treasury Policy at all times	No breaches
Maintain LGFA's credit rating equal to the New Zealand Government sovereign rating where both entities are rated by the same Rating Agency	LGFA credit ratings equivalent to NZ Sovereign
LGFA's total operating income for the period to 30 June 2024	> $19.3 million
LGFA's total operating expenses for the period to 30 June 2024	< $9.5 million

Optimising financing services for local government

Objectives	How we measure our performance
LGFA will:	
Provide interest cost savings relative to alternative sources of financing.	Measure LGFA issuance spreads against other high-grade issuers in the New Zealand domestic capital markets.
Offer flexible short and long-term lending products that meet the borrowing requirements for borrowers.	Measure LGFA's share of overall council borrowing. Survey participating borrowers on an annual basis.
Deliver operational best practice and efficiency for lending services.	Monitor settlements errors for new trades and cashflows. Survey participating borrowers on an annual basis.
Ensure certainty of access to debt markets, subject always to operating in accordance with sound business practice.	Maintain a vibrant primary and secondary market in LGFA bonds. Monitor participation by investors at our tenders through bid-coverage ratios and successful issuance yield ranges.

Performance targets	2023-2024 target
Share of aggregate long-term debt funding to the Local Government sector	> 80%
Total lending to Participating Borrowers	> $16,410 million
Conduct an annual survey of Participating Borrowers who borrow from LGFA as to the value added by LGFA to the borrowing activities	> 85% satisfaction score
Successfully refinance existing loans to councils and LGFA bond maturities as they fall due	100%
Meet all lending requests from Participating Borrowers, where those requests meet LGFA operational and covenant requirements	100%

Environmental and social responsibility

Objectives	How we measure our performance
LGFA will:	
Assist the local government sector in achieving their sustainability and climate change objectives.	LGFA is committed to assist borrowers financing of projects that promote environmental and social wellbeing in New Zealand. Green, Social & Sustainability (GSS) loan applications from councils are appraised by the LGFA Sustainability Committee, with approved loans monitored for ongoing compliance.
Improve sustainability outcomes within LGFA.	LGFA is committed to reducing our carbon emissions and formalised processes to measure our greenhouse gas (GHG) emissions, as well as management plans to reduce our company's emissions.

Performance targets	2023-2024 target
Comply with the Health and Safety at Work Act 2015	No breaches
Maintain Toitū Carbon Zero certification	Carbon-zero certification maintained
Meet reduction targets outlined in our carbon reduction management plan	Reduction targets met.
Increase our GSS lending book and Climate Action Loans	Two new borrowers enter into GSS loans Three new borrowers enter into CALs
Issuance of LGFA Bonds under Sustainable Funding Framework	Issue Sustainable Funding Bonds
Ensure Annual Report is prepared in compliance with applicable GRI Standards	100%
Meet all mandatory climate reporting standards	100%

Effective management of loans

Objectives	How we measure our performance
LGFA will:	
Proactively monitor and review each Participating Borrower's financial position, including its financial headroom under LGFA policies.	LGFA reviews all participating councils and CCOs financial statements on an annual basis and the agendas and management reports on an ongoing basis for all councils on the LGFA borrower watch-list. Participating borrowers are required to complete annual compliance certificates by the end of November each year.
Analyse finances at the Council group level where appropriate and report to shareholders.	

Endeavour to meet each participating borrower annually, including meeting with elected officials as required, or if requested	Number of participating borrowers visited in a year
Assist a smooth transition of Three Water Related loans if the Three Waters Reform Programme progresses during the financial year for a 1 July 2024 implementation date	By 30th June 2024, LGFA will endeavour to facilitate a successful transition of existing council Three Water related loans to the Water Services Entities

Performance targets	2023-2024 target
Review each Participating Borrower's financial position	100%
Arrange to meet each Participating Borrower at least annually, including meeting with elected officials as required, or if requested	100%
Three Waters debt transition plan in place by 30 June 2024	100%

Industry leadership and engagement

Objectives	How we measure our performance
LGFA will:	
Take a proactive role to enhance the financial strength and depth of the local government debt market and work with key central government and local government stakeholders on sector and individual council issues.	Report on actions undertaken and progress made on sector issues. Identifying any legislative or Central Government policy changes that may impact LGFA and undertake formal or informal submissions.
Assist the local government sector with significant matters such as the proposed Three Waters Reform Programme.	Assist the local government sector with understanding any legislative or Central Government policy changes that may impact LGFA.
Maintain productive relationships with central government representatives.	Report back on the alignment of LGFA and council's climate and emissions reporting requirements
Support councils and CCOs in the development of reporting disclosures of the impacts of sector activity on climate change.	Report back in how we are helping smaller council's understand future reporting requirements.

8. Financial forecasts

LGFA's financial forecasts for the three years to 30 June 2026 are:

Comprehensive income $m	Jun 24	Jun 25	Jun 26
Net Interest income	**17.9**	**17.1**	**16.7**
Other operating income	1.3	1.3	1.3
Total operating income	**19.3**	**18.5**	**18.1**
Approved Issuer Levy	0.3	0.3	0.3
Issuance & onlending costs	3.8	3.9	4.0
Operating overhead	5.4	5.6	5.9
Issuance and operating expenses	**9.5**	**9.8**	**10.2**
P&L	**9.8**	**8.6**	**7.9**

Financial position (nominals) $m	Jun 24	Jun 25	Jun 26
Liquid assets portfolio	2,008	2,125	1,934
Loans to local government	16,410	17,137	17,980
Other assets	-	-	-
Total Assets	**18,419**	**19,262**	**19,914**
Bonds on issue (ex Treasury stock)	17,305	18,021	18,676
Bills on issue	600	600	600
Borrower notes	357	388	415
Other liabilities	-	-	-
Total Liabilities	**18,262**	**19,009**	**19,691**
Capital	25	25	25
Retained earnings	96	103	109
Dividend	(2)	(2)	(2)
Shareholder equity	**119**	**126**	**132**
Ratios	**Jun 24**	**Jun 25**	**Jun 26**
Liquid assets/funding liabilities	11.4%	11.5%	10.1%
Liquid assets/total assets	10.9%	11.0%	9.7%
Net interest margin	0.11%	0.10%	0.09%
Cost to income ratio	49.3%	53.3%	56.5%
Return on average assets	0.05%	0.04%	0.04%
Shareholder equity/total assets	0.6%	0.7%	0.7%
Shareholder equity + BN/total assets	2.6%	2.7%	2.7%
Asset growth	5.6%	4.6%	3.4%
Loan growth	5.7%	4.4%	4.9%
Return on equity	8.8%	7.2%	6.2%
Capital ratio	12.9%	13.4%	13.7%

Due to rounding, summary numbers presented in these financial forecasts may not add up precisely to the reported totals. The above forecasts assume a gross bond issuance programme of $3.20 billion (FY24), $3.20 billion (FY25) and $3.15 billion (FY26) based upon term lending to councils of $2.78 billion (FY24), $2.90 billion (FY25) and $3.0 billion (FY26).

Note there is a high level of uncertainty regarding the financial forecasts for both council borrowing and LGFA bond issuance due to the uncertainty relating to the proposed Three Waters Reform and the impact on councils.

Councils prepared their 2021-31 Long Term Plans (and borrowing forecasts) on the assumption that proposed Three Water Reform was not progressing and we have made the same assumption with our forecasts. LGFA projects it could have between $5 billion to $6 billion of loans to councils in June 2024 that are related to Three Waters. There have been no final decisions regarding the transfer mechanism for assets, liabilities and revenue from councils to the proposed Three Water entities. We intend to provide an update to stakeholders on implications for LGFA as further information becomes available.

9. Dividend policy

LGFA primary objective is to maximise benefits to participating borrowers rather than shareholders. Consequently, it is intended to pay a limited dividend to shareholders.

The Board's policy is to pay a dividend that provides an annual rate of return to shareholders equal to LGFA fixed rate bond cost of funds plus 2.00% over the medium term.

At all times payment of any dividend will be discretionary and subject to the Board's legal obligations and views on appropriate capital structure.

10. Governance

Board

The Board is responsible for the strategic direction and control of LGFA's activities. The Board guides and monitors the business and affairs of LGFA, in accordance with the Companies Act 1993, the Local Government Act 2002, the Local Government Borrowing Act 2011, the Company's Constitution, the Shareholders' Agreement for LGFA and this SOI.

The Board comprises six directors with five being independent directors and one being a non-independent director.

The Board's approach to governance is to adopt best practice with respect to:

- The operation of the Board.
- The performance of the Board.
- Managing the relationship with the Company's Chief Executive.
- Being accountable to all Shareholders.

All directors are required to comply with a formal Charter.

The Board will meet on a regular basis and no fewer than six times each year.

Shareholders' Council

The Shareholders' Council is made up of between five and ten appointees of the Shareholders (including an appointee from the Crown). The role of the Shareholders' Council is to:

- Review the performance of LGFA and the Board, and report to Shareholders on that performance on a periodic basis.
- Make recommendations to Shareholders as to the appointment, removal, replacement and remuneration of directors.
- Make recommendations to Shareholders as to any changes to policies, or the SOI, requiring their approval.
- Ensure all Shareholders are fully informed on LGFA matters and to coordinate Shareholders on governance decisions.

11. Information to be provided to Shareholders

The Board aims to ensure that Shareholders are informed of all major developments affecting LGFA's state of affairs, while at the same time recognising both LGFA's obligations under NZX Listing Rules and that commercial sensitivity may preclude certain information from being made public.

Annual Report

The LGFA's balance date is 30 June.

By 30 September each year, the Company will produce an Annual Report complying with Sections 67, 68 and 69 of the Local Government Act 2002, the Companies Act 1993 and Financial Reporting Act 2013. The Annual Report will contain the information necessary to enable an informed assessment of the operations of the company, and will include the following information:

- Directors' Report.
- Financial Statements incorporating a Statement of Financial Performance, Statement of Movements in Equity, Statement of Financial Position, Statement of Cashflows, Statement of Accounting Policies and Notes to the Accounts.
- Comparison of the LGFA's performance regarding the objectives and performance targets set out in the SOI, with an explanation of any material variances.
- Auditor's Report on the financial statements and the performance targets.
- Any other information that the directors consider appropriate.

Half Yearly Report

By 28 February each year, the Company will produce a Half Yearly Report complying with Section 66 of the Local Government Act 2002. The Half Yearly Report will include the following information:

- Directors' commentary on operations for the relevant six-month period.
- Un-audited half-yearly Financial Statements incorporating a Statement of Financial Performance, Statement of Movements in Equity, Statement of Financial Position and Statement of Cashflows.

Quarterly Report

By 31 January, 30 April, 31 July, and 31 October each year, the Company will produce a Quarterly Report. The Quarterly Report will include the following information:

- Commentary on operations for the relevant quarter, including a summary of borrowing margins charged to Participating Borrower's (in credit rating bands).
- Comparison of LGFA's performance regarding the objectives and performance targets set out in the SOI, with an explanation of any material variances.
- Analysis of the weighted average maturity of LGFA bonds outstanding.
- In the December Quarterly Report only, commentary on the Net Debt/Total Revenue percentage for each Participating Local Authority that has borrowed from LGFA (as at the end of the preceding financial year).
- To the extent known by LGFA, details of all events of review in respect of any Participating Borrower that occurred during the relevant quarter (including steps taken, or proposed to be taken, by LGFA in relation thereto).
- Details of any lending to CCOs during the quarter and the amount of CCO loans outstanding.
- Commentary on sustainability initiatives.

Statement of Intent

By 1 March in each year the Company will deliver to the Shareholders its draft SOI for the following year in the form required by Clause 9(1) of Schedule 8 and Section 64(1) of the Local Government Act 2002.

Having considered any comments from the Shareholders received by 30 April, the Board will deliver the completed SOI to the Shareholders on or before 30 June each year.

Shareholder Meetings

The Board will hold an Annual General Meeting between 30 September and 30 November each year to present the Annual Report to all Shareholders.

The Company will hold a meeting with the Shareholders' Council approximately every six months – prior to the Annual General Meeting and after the Half Yearly Report has been submitted. Other meetings may be held by agreement between the Board and the Shareholders' Council.

12. Acquisition / divestment policy

LGFA will invest in securities in the ordinary course of business. It is expected that these securities will be debt securities. These investments will be governed by LGFA's lending and/or investment policies as approved by the Board and/or Shareholders.

Any subscription, purchase or acquisition by LGFA of shares in a company or organisation will, if not within those investment policies, require Shareholder approval other than as concerns the formation of wholly owned subsidiaries and the subscription of shares in such wholly owned subsidiaries.

13. Activities for which compensation is sought from Shareholders

At the request of Shareholders, LGFA may (at its discretion) undertake activities that are not consistent with its normal commercial objectives. Specific financial arrangements will be entered into to meet the full cost of providing such activities.

Currently there are no activities for which compensation will be sought from Shareholders.

14. Commercial value of Shareholder's investment

LGFA will seek to maximise benefits to Participating Local Authorities as Borrowers rather than Shareholders.

Subject to the Board's views on the appropriate capital structure for LGFA, the Board's intention will be to pay a dividend that provides an annual rate of return to Principal Shareholders equal to LGFA fixed rate bond cost of funds plus 2.00% over the medium term.

As the Shareholders will have invested in the LGFA on the basis of this limited dividend, the Board considered that at establishment the commercial value of LGFA was equal to the face value of the Shareholders' paid up Principal Shares - $25 million.

In the absence of any subsequent share transfers to the observed share transfers on 30 November 2012, the Board considers the current commercial value of LGFA is at least equal to the face value of the Shareholders' paid up Principal Shares of $25 million. This equates to a value per share of $1.00.

15. Accounting policies

LGFA has adopted accounting policies that are in accordance with the New Zealand International Financial Reporting Standards and generally accepted accounting practice.

Statement of Accounting Policies

1. Reporting entity

The New Zealand Local Government Funding Agency Limited (LGFA) is a company registered under the Companies Act 1993 and is subject to the requirements of the Local Government Act 2002.

LGFA is controlled by participating local authorities and is a council-controlled organisation as defined under section 6 of the Local Government Act 2002. LGFA is a limited liability company incorporated and domiciled in New Zealand.

The primary objective of LGFA is to optimise the debt funding terms and conditions for participating borrowers.

The registered address of LGFA is Level 8, City Chambers, 142 Featherston Street, Wellington Central, Wellington 6011.

2. Statement of compliance

LGFA is an FMC reporting entity under the Financial Markets Conduct Act 2013 (FMCA). These financial statements have been prepared in accordance with that Act and the Financial Reporting Act 2013. LGFA's bonds are quoted on the NZX Debt Market.

LGFA is a profit orientated entity as defined under the New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS).

The financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice (NZ GAAP) and they comply with NZ IFRS and other applicable Financial Reporting Standard, as appropriate for Tier 1 for-profit entities. The financial statements also comply with International Financial Reporting Standards (IFRS).

3. Basis of preparation

Measurement base

The financial statements have been prepared on a historical cost basis modified by the revaluation of certain assets and liabilities.

The financial statements are prepared on an accrual basis.

Functional and presentation currency

The financial statements are presented in New Zealand dollars rounded to the nearest thousand, unless separately identified. The functional currency of LGFA is New Zealand dollars.

Foreign currency conversions

Transactions denominated in foreign currency are translated into New Zealand dollars using exchange rates applied on the trade date of the transaction.

Changes in accounting policies

There have no changes to accounting policies.

Early adoption standards and interpretations

LGFA has not early adopted any standards.

Standards not yet adopted

LGFA does not consider any standards or interpretations in issue but not yet effective to have a significant impact on its financial statements.

Financial instruments

Financial assets

Financial assets, other than derivatives, are recognised initially at fair value plus transaction costs and subsequently measured at amortised cost using the effective interest rate method.

Cash and cash equivalents include cash on hand, bank accounts and deposits with an original maturity of no more than three months.

Cash provided by LGFA as security for financial arrangements remains a financial asset of LGFA and is recognised as cash pledged as collateral in the Statement of Financial Position, separate from cash and cash equivalents

Purchases and sales of all financial assets are accounted for at trade date.

At each balance date, an expected credit loss assessment is performed for all financial assets and is calculated as either:

- Credit losses that may arise from default events that are possible within the next 12 months, where no significant increase in credit risk has arisen since acquisition of the asset, or
- Credit losses that may arise from default events that are possible over the expected life of the financial asset, where a significant increase in credit risk has arisen since acquisition of the asset.

Impairment losses on financial assets will ordinarily be recognised on initial recognition as a 12-month expected loss allowance and move to a lifetime expected loss allowance if there is a significant deterioration in credit risk since acquisition.

Financial liabilities

Financial liabilities, other than derivatives, are recognised initially at fair value less transaction costs and subsequently measured at amortised cost using the effective interest rate method.

Derivatives

Derivative financial instruments are recognised both initially and subsequently at fair value. They are reported as either assets or liabilities depending on whether the derivative is in a net gain or net loss position respectively.

Fair value hedge

Where a derivative qualifies as a hedge of the exposure to changes in fair value of an asset or liability (fair value hedge) any gain or loss on the derivative is recognised in profit and loss together with any changes in the fair value of the hedged asset or liability.

The carrying amount of the hedged item is adjusted by the fair value gain or loss on the hedged item in respect of the risk being hedged. Effective parts of the hedge are recognised in the same area of profit and loss as the hedged item.

Other assets

Property, plant and equipment

Items of property, plant and equipment are initially recorded at cost.

Depreciation is charged on a straight-line basis at rates calculated to allocate the cost or valuation of an item of property, plant and equipment, less any estimated residual value, over its remaining useful life.

Intangible assets

Intangible assets comprise software and project costs incurred for the implementation of the treasury management system. Capitalised computer software costs are amortised on a straight-line basis over the estimated useful life of the software (three to seven years). Costs associated with maintaining computer software are recognised as expenses.

Other liabilities

Employee entitlements

Employee entitlements to salaries and wages, annual leave and other similar benefits are recognised in the profit and loss when they accrue to employees.

Revenue

Interest income

Interest income is accrued using the effective interest rate method.

The effective interest rate exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. The method applies this rate to the principal outstanding to determine interest income each period.

Expenses

Expenses are recognised in the period to which they relate.

Interest expense

Interest expense is accrued using the effective interest rate method.

The effective interest rate exactly discounts estimated future cash payments through the expected life of the financial liability to that liability's net carrying amount. The method applies this rate to the principal outstanding to determine interest expense each period.

Income tax

LGFA is exempt from income tax under Section 14 of the Local Government Borrowing Act 2011.

Goods and services tax

All items in the financial statements are presented exclusive of goods and service tax (GST), except for receivables and payables, which are presented on a GST-inclusive basis. Where GST is not recoverable as input tax, then it is recognised as part of the related asset or expense.

The net amount of GST recoverable from, or payable to, the IRD is included as part of receivables or payables in the statement of financial position.

The net GST paid to, or received from the IRD, including the GST relating to investing and financing activities, is classified as a net operating cash flow in the statement of cash flows.

Commitments and contingencies are disclosed exclusive of GST.

Segment reporting

LGFA operates in one segment being funding of participating borrowers in New Zealand.

Judgements and estimations

The preparation of these financial statements requires judgements, estimates and assumptions that affect the application of policies and reported amounts. For example, the fair value of financial instruments depends critically on judgements regarding future cash flows, including inflation assumptions and the risk-free discount rate.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates and these estimates and underlying assumptions are reviewed on an ongoing basis. Where these judgements significantly affect the amounts recognised in the financial statements they are described in the following notes.

The financial statements as at 30 June 2022 include estimates and judgements of the potential impact of COVID-19 and the proposed Three Waters Reform Programme on LGFA's financial position and performance. Whilst there has been no material impact on the estimates and judgements at the date these financial statements are authorised, it is noted that there is significant uncertainty with regards to the medium and long-term effects of COVID-19, as well as the outcome of proposed Three Waters Reform Programme on the local government sector.

Resolution to Exclude the Public

Section 48, Local Government Official Information and Meetings Act 1987

The following motion is submitted for consideration:

That the public be excluded from the following parts of the proceedings of this meeting, namely consideration of the public excluded agenda.

The general subject of each matter to be considered while the public is excluded, the reason for passing this resolution in relation to each matter, and the specific grounds under section 48(1) of the Local Government Official Information and Meetings Act 1987 for the passing of this resolution follows.

General subject of each matter to be considered	Reasons for passing this resolution in relation to each matter	Ground(s) under section 48(1) for the passing of this resolution
C1. Confirmation of the Finance and Monitoring Committee Public Excluded Minutes of 28 Febraury 2023	) Good reason to withhold) information exists under) Section 7 Local Government) Official Information and) Meetings Act 1987)	Section 48(1)(a)
C2. Capital Portfolio Monitoring Report - Peacocke Programme Financial Update		
C3. Information Services - Civica Contract Renewal		
C4. H3 Contracts for Approval		

This resolution is made in reliance on section 48(1)(a) of the Local Government Official Information and Meetings Act 1987 and the particular interest or interests protected by Section 6 or Section 7 of that Act which would be prejudiced by the holding of the whole or relevant part of the proceedings of the meeting in public, as follows:

Item C1.	to prevent the disclosure or use of official information for improper gain or improper advantage	Section 7 (2) (j)
Item C2.	to enable Council to carry out commercial activities without disadvantage to enable Council to carry out negotiations	Section 7 (2) (h) Section 7 (2) (i)
Item C3.	to enable Council to carry out negotiations	Section 7 (2) (i)
Item C4.	to enable Council to carry out negotiations	Section 7 (2) (i)