



# Finance and Performance Committee

## *Te Komiti Pūtea Mahi*

Thursday, 13 June 2024  
*Rāpare, 13 Pipiri 2024*

Totara Room, Whakatāne District Council  
14 Commerce Street, Whakatāne  
9:00 am

Chief Executive: Steph O'Sullivan  
Publication Date: 7 June 2024



**Live Streaming the Meeting - *Ka whakapāho mataora te hui***

**Live Streaming the Meeting - *Ka whakapāho mataora te hui***

**PLEASE NOTE**

The **public section** of this meeting will be Live Streamed via YouTube in real time.  
The live stream link will be available via Council's website.

All care will be taken to maintain your privacy however, as a visitor in the public gallery, your presence may be recorded. By remaining in the public gallery, it is understood your consent is given if your image is inadvertently broadcast.

The opinions or statements expressed during a meeting by individuals are their own, and they do not necessarily reflect the views of the Whakatāne District Council. Council thus disclaims any liability with regard to said opinions or statements.

**A Membership - *Mematanga***

**A Membership - *Mematanga***

Mayor Dr V Luca

Councillor J C Jukes - Chairperson

Deputy Mayor L N Immink - Deputy Chairperson

Councillor T Boynton

Councillor G L Dennis

Councillor A V Iles

Councillor W B James

Councillor T O'Brien

Councillor J W Pullar

Councillor N S Tánczos

Councillor N Rangiaho

**B Delegations to the Finance and Performance Committee - *Tuku Mahi ki te Komiti*****B Delegations to the Finance and Performance Committee - *Tuku Mahi ki te Komiti***

To monitor the financial and non-financial performance of Council and provide governance oversight to organisational development.

- a. To monitor the implementation of Council's organisational performance framework.
- b. To monitor financial and non-financial performance of Council against the Long-Term Plan and Annual Plan.
- c. To develop and recommend to the Council the adoption of the Annual Report.
- d. To monitor financial and non-financial performance of CCOs and CCTOs to which Council is a member or shareholder.
- e. To develop and recommend to Council the adoption of the Half Yearly and Full Year Annual Report of the Whakatāne Airport.
- f. To monitor the implementation of Council's Financial Strategy.
- g. To monitor organisational capacity and capability of underlying systems and resources required to deliver on Council's Long-Term Plan and Annual Plan obligations.
- h. To monitor organisational development projects and initiatives.
- i. To monitor Council participation in local government excellence programmes such as LGNZ CouncilMARK, and PWC/SOLGM Performance Excellence Programme.
- j. To provide governance oversight and monitoring of councils external funding and financing sources.

## TABLE OF CONTENTS

<b>1</b>	<b>Meeting Notices - <i>Ngā Pānui o te hui</i> .....</b>	<b>7</b>
<b>2</b>	<b>Apologies - <i>Te hunga kāore i tae</i> .....</b>	<b>7</b>
<b>3</b>	<b>Acknowledgements / Tributes - <i>Ngā Mihimihi</i> .....</b>	<b>7</b>
<b>4</b>	<b>Conflicts of Interest - <i>Ngākau kōnatunatu</i> .....</b>	<b>7</b>
<b>5</b>	<b>Public Participation- <i>Wānanga Tūmatanui</i> .....</b>	<b>8</b>
<b>5.1</b>	<b>Public Forum - <i>Wānanga Tūmatanui</i> .....</b>	<b>8</b>
<b>5.2</b>	<b>Deputations - <i>Nga Whakapuaki Whaitake</i> .....</b>	<b>8</b>
<b>6</b>	<b>Confirmation of Minutes - <i>Te whakaaetanga o ngā meneti o te hui</i> .....</b>	<b>8</b>
<b>7</b>	<b>Reports - <i>Ngā Pūrongo</i> .....</b>	<b>9</b>
<b>7.1</b>	<b>Health, Safety &amp; Wellbeing Report - February to April 2024 .....</b>	<b>9</b>
<b>7.2</b>	<b>Non-Financial Performance Measures Q3 .....</b>	<b>15</b>
7.2.1	Long-Term Plan Non-Financial Performance Reporting, Quarter 3 2023/24 .....	15
7.2.2	Appendix 1 - Non-Financial Performance Measures Q3 .....	19
7.2.3	Appendix 2 - Non-Financial Performance Measures Compliance with DWQAR .....	21
<b>7.3</b>	<b>Organisation Performance Q3 .....</b>	<b>24</b>
7.3.1	Organisation Performance Report - Quarter 3 2023/24 .....	24
7.3.2	Appendix 1 - Organisation Performance Q3 2023/24 .....	25
<b>7.4</b>	<b>Finance Performance Q3 March 2024 .....</b>	<b>50</b>
7.4.1	Financial Performance Report Q3 to March 2024 .....	50
<b>7.5</b>	<b>Financial Forecast Report Q3 to 30 June 2024 .....</b>	<b>58</b>
7.5.1	Financial Forecast Report Q3 to 30 June 2024 .....	58
<b>7.6</b>	<b>Half Yearly Update Report on CCOs - 2023-24 .....</b>	<b>62</b>
7.6.1	Half Yearly Update Report on CCOs - 2023/24 .....	62

7.6.2	Appendix 1 - BOPALASS Half yearly report to shareholders for the period ended 31 December 2023 .....	65
7.6.3	Appendix 2 - BOPLASS Draft Statement of Intent 2024-2027 .....	76
7.6.4	Appendix 3 - LGFA Half yearly report to shareholders for the period ended 31 December 2023 .....	93
7.6.5	Appendix 4 - LGFA Draft Statement of Intent 2024-2027 .....	112





**1 Meeting Notices - Ngā Pānui o te hui****1 Meeting Notices - Ngā Pānui o te hui****1. Live Streaming**

The Whakatāne District Council livestreams Council and Standing Committee meetings held in Tōtara Room, within the Council building. The webcast will live stream directly to Council's YouTube channel in realtime. The purpose of streaming meetings live is to encourage transparency of Council meetings. By remaining in the public gallery, it is understood your consent has been given if your presence is inadvertently broadcast. Please be aware the microphones in Totara Room are sensitive to noise, so please remain quiet throughout the meeting unless asked to speak.

**2. Health and Safety**

In case of an emergency, please follow the building wardens or make your way to the nearest exit. The meeting point is located at Peace Park on Boon Street. Bathroom facilities are located opposite the Chambers Foyer entrance (the entrance off Margaret Mahy Court).

**3. Other****2 Apologies - Te hunga kāore i tae**

No apologies have been received at the time of compiling the agenda.

**3 Acknowledgements / Tributes - Ngā Mihimihi**

An opportunity for members to recognise achievements, to notify of events, or to pay tribute to an occasion of importance.

**4 Conflicts of Interest - Ngākau kōnatunatu**

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 member and any private or other external interests they might have.

The Elected Member Register of Interest is available on the Whakatāne District Council website. If you wish to view the information, please click this [Register link](#).

## **5 Public Participation- *Wānanga Tūmatanui***

### **5 Public Participation- *Wānanga Tūmatanui***

#### **5.1 Public Forum - *Wānanga Tūmatanui***

The Committee has set aside 30 minutes for members of the public to speak in the public forum at the commencement of each meeting. Each speaker during the forum may speak for five minutes. Permission of the Chairperson is required for any person wishing to speak during the public forum.

With the permission of the Chairperson, Elected members may ask questions of speakers. Questions are to be confined to obtaining information or clarification on matters raised by a speaker.

#### **5.2 Deputations - *Nga Whakapuaki Whaitake***

A deputation enables a person, group or organisation to make a presentation to Committee on a matter or matters covered by their terms of reference. Deputations should be approved by the Chairperson, or an official with delegated authority, five working days before the meeting. Deputations may be heard at the commencement of the meeting or at the time that the relevant agenda item is being considered. No more than two speakers can speak on behalf of an organisation's deputation. Speakers can speak for up to 5 minutes, or with the permission of the Chairperson, a longer timeframe may be allocated.

With the permission of the Chairperson, Elected members may ask questions of speakers. Questions are to be confined to obtaining information or clarification on matters raised by the deputation.

## **6 Confirmation of Minutes - *Te whakaaetanga o ngā meneti o te hui***

The minutes from the Finance and Performance Committee meeting held 1 December 2023 can be viewed by clicking the link below:

Click on the link below in order to view the 'unconfirmed minutes'.

- [Finance and Performance | 29 February 2024](#)

## 7 Reports - *Ngā Pūrongo*

### 7 Reports - *Ngā Pūrongo*

#### 7.1 Health, Safety & Wellbeing Report - February to April 2024

---



To: **Finance & Performance Committee**

Date: **Thursday, 13 June 2024**

Author: **S Barnes-Lack / Senior Health, Safety & Wellbeing Advisor**

Authoriser: **E Hatch / GM People and Engagement**

Reference: **A2680278**

---

#### 1. Reason for the report - *Te Take mō tēnei rīpoata*

The purpose of this report is to provide an update on the health, safety, and wellbeing activity for the period February to April 2024.

#### 2. Recommendation - *Tohutohu akiaki*

THAT the Committee **receive** the Health, Safety & Wellbeing Report: February to April 2024.

#### 3. Executive Summary

The Executive have engaged FINDEX to conduct a review of our current health, safety and wellbeing activity to identify where we are doing well and where we can improve. A report is due at the start of June 2024.

A contractor working to expose and remove old pipes damaged an 11kV power cable. Council have investigated the incident, and the report is being finalised. A copy will be made available to elected members in due course. WorkSafe NZ were notified and while they will not be investigating, they are awaiting Council's investigation report.

Training has been provided to staff over the period in our health and safety software, The Vault. This has resulted in a number of outstanding event and risk reviews being conducted.

New Workplace Relations Minister Brooke van Velden has signalled a reform on health and safety legislation and regulations. More details will follow in due course.

#### 4. Health & Safety Reset

The Executive have engaged FINDEX, a specialist health and safety consultancy, to conduct an audit of our current health, safety and wellbeing systems, processes and documentation to identify where we are doing well and where we can improve. The audit will focus on providing a clear picture of our current state which will enable us to develop a clear plan and direction for our Health, Safety and Wellbeing activities. It will also provide us the insights required to ensure our resources are allocated to the work programmes that are highest priority.

**7.1 Health, Safety & Wellbeing Report - February to April 2024(Cont.)**

The Health & Safety team have recently provided documentation from a cross-section of the organisation for review. FINDEX will prepare a report on their findings, a plan for addressing any gaps and most importantly, recommended priorities. A draft report is due to be received by the People & Capability team in early June 2024 followed by a site visit to seek clarification on any specific issues before they finalise the report. We will report a summary of findings to Council in the next Health, Safety and Wellbeing report.

**5. Elected member training****5.1. Customer Conflict**

Following incidents where members of the public have interacted inappropriately with elected members, a short refresher session was held to determine how this can be managed. The incidents have also resulted in some minor changes being made to the Tōtara Room (Council Chambers) and surrounding facilities.

**6. Events****6.1. Events & Trends**

There were 62 events (injury, illness, incident or near miss) for the report period. The status for the investigations of these events shows 79% are complete with the remainder underway (7) or not started (6). This is a significant improvement and is likely due to recent efforts in providing People Leader training on completing these events in Vault.

Incidents included:

- Digital Services working at height equipment was checked post training and identified to be out of the certification period. This has since been remedied and equipment details stored in Vault to ensure notification of upcoming checks and certifications.
- Operator at the Te Tahi Street solid waste station was moving the steel scrap metal from inside the transfer station and while doing so has lifted the boom too high and caught the roller door causing some damage. Investigation conducted by Contractor and repairs completed.
- Three recent incidents have been reported of computer screens falling onto desks in the Civic Centre. This is likely due to staff adjusting screens daily as all staff are working flexibly (no allocated desks). A monitoring system will be implemented to ensure screens are regularly checked.
- Contractor working on the Whakatāne Memorial Hall roof saw children on the roof. The school was contacted, and meeting held with the principal and students due to them being near asbestos which was present. The students were advised to go home, shower and put on clean clothes.

**6.2. Events under investigation****6.2.1. 11kV cable damaged – Contractor incident**

A contractor working to expose and remove old pipes damaged an 11kV power cable. The excavator operator was unaware the cable had been damaged until the power company arrived on site later in the day. No-one was injured in the incident, or property damaged, but it did create a widespread

**7.1 Health, Safety & Wellbeing Report - February to April 2024(Cont.)**

power outage to the Whakatane CBD. Council have investigated the incident, and the report is being finalised. A copy will be made available to elected members in due course. WorkSafe NZ were notified and while they will not be investigating, they are awaiting Council's investigation report.

**6.2.2. Electrical incident in IT server room – Contractor incident**

A contractor investigating a failure of the UPS (uninterrupted power supply) system caused an arc while conducting electrical testing. This resulted in damage to the battery cabinet and a small fire. There was no injury to the Contractor or staff. The incident is being investigated however initial findings are that the cabinet was not earthed correctly when installed by a previous contractor. This has since been remedied and additional work conducted to install an isolation switch. The event was notified to WorkSafe, but they chose not to investigate or seek any further information.

The following two incidents fall outside of the February to April reporting period, but we feel it is pertinent to bring these to the attention of this Committee;

**a. Suspicious package at Civic Centre**

A member of the public deposited a bag in the gallery of the Civic Centre and left the area. In accordance with the Customer Services process for suspicious packages the building was evacuated, and Police called. An internal investigation of Council processes is currently underway.

In clause 11.2 we mention a recent due diligence visit about our bomb threat process. This is a slightly different process.

**b. Customer conflict incident – Hard stand**

An incident at the hard stand between a boat owner, a Council contractor and two staff is currently being investigated by Police. Council is co-operating with the investigation.

**7. Staff Work-Related Injuries/Illness**

There were five events that resulted in injuries to staff for the period. All were of a minor nature, and none resulted in lost time.

**8. Health & Wellbeing****8.1. Health monitoring**

A full review was conducted on our current health monitoring schedule to ensure all roles which have health related impacts are included and that staff are receiving the appropriate monitoring. The reviewed schedule will also assist Managers and the People & Capability Business Partners when recruiting for new staff.

Health monitoring during the period included respirator fit testing for the Reticulation and Water Treatment teams. This testing ensures staff have the correct respirator, know how to fit it correctly and ensure it is still in optimal working condition.

**7.1 Health, Safety & Wellbeing Report - February to April 2024(Cont.)****8.2. Flu vaccinations**

Flu vaccinations were provided for 75 staff and administered at our Civic Centre. Having the Wellness Rooms available to facilitate these vaccinations on site meant that they were easily accessible for staff with a reduce in down time for those who participated.

**9. Risk management****9.1. New risks**

The following new risks were identified during the period:

- Hire of electric bicycles and scooters to members of the public at the Holiday Park. Potential for harm from equipment not being maintained and clear instructions given for use, including the use of PPE.
- Brackets and screens on desks in the Civic Centre (discussed further in this report).
- Orange PPE on road construction sites (discussed further in this report).

All risks have been reviewed and controls implemented.

**9.2. Staff training**

Training conducted during the period included: health, safety & wellbeing corporate induction, Piper Alpha disaster webinar - Learning from Disaster (30 staff), Vault risk reviews (11 staff), Vault incidents & corrective actions (13 staff), first aid – full & refresher (40 staff), first aid level 2 (17 aquatics staff), fire warden & extinguisher (2 staff), working at height (3 staff), situational safety – full & refresher (28 staff), Wheels, Tracks & Rollers (1 staff member), Contractor Health & Safety (30 staff).

The Senior Health, Safety & Wellbeing Advisor listened to a legal webinar hosted by NZISM on “Whakaari – What this case means for CEO’s, Directors and Senior Leaders in New Zealand”. A recorded version could be made available for any interested elected members.

**9.3. Vault risk reviews**

“The Vault” is the software Council uses to manage our events, risks, training, compliance (i.e. trial evacuations, equipment checks), reporting and the repository for health and safety information (i.e. staff health monitoring reports).

Training has been conducted with People Leaders and Health & Safety Reps to assist them with completing their annual review of health & safety risks. There are still a number overdue, and this has been reported to Executive members for oversight and assistance with getting these progressed.

**9.4. Fulton Hogan – changes to PPE**

Fulton Hogan have advised that they have identified a risk with orange being used for Hi-Viz vests on road construction sites. The risk relates to the PPE being the same colour as road cones and road signage. They have decided to move to yellow Hi-Viz from 1 July 2024.

The Transportation team and the Health & Safety Committee have discussed this issue and currently feel there is not an urgent need to change to yellow as our staff are not working on sites for long durations (full time) like Fulton Hogan. The issue will be referred to the Executive for a final decision and has also been added to our risk register to ensure it receives regular review.

## **7.1 Health, Safety & Wellbeing Report - February to April 2024(Cont.)**

### 10. Critical Risks

#### **10.1. Confined Space**

The confined space risk control group met to identify the threats and possible mitigations for this task. This is one of the easier risks to assess because there are specific industry standards to follow. The Health, Safety and Wellbeing team are collating all the information, and the group will meet again to review the final draft document prior to it being sent to the Executive.

An update on the critical risk programme was provided to Executive with timeframes for completion.

### 11. Due diligence

#### **11.1. Re-scheduled visit**

The due diligence visit – “Managing social issues & psychological wellbeing at Te Koputu” that was scheduled for 22 May has been re-scheduled to Wednesday, 31 July 2024.

#### **11.2. Bomb threat – Customer Services**

The GM People & Engagement conducted a due diligence visit with the Civic Centre Customer Services team to discuss their processes for bomb threat. The team have a Guide and Checklist which was deemed appropriate for the task and can be made available for other Council facilities. The Customer Services Team have a regular and scheduled programme to review relevant risks for their team.

#### **11.3. H&S in Event Management**

The Tourism team are conducting an independent assessment on how Council manages this activity. Further information will be available in due course.

### 12. Engagement

#### **12.1. BOP LASS (Local Authority Shared Services)**

The Snr HSW Advisor attended the Health & Safety Advisory Group meeting during the period. These meetings are held quarterly and involve the Health & Safety staff from all BOP Council's. Items of discussion included:

- Opportunities to join the Co-Lab (Waikato LASS) procurement process for Health, Safety & Wellbeing training.
- Collective training opportunities.
- Overview of an incident investigation conducted by Gisborne District Council.

### 13. Legislation reform

#### **13.1. Health and Safety at Work Act**

New Workplace Relations Minister Brooke van Velden has signalled a reform on health and safety legislation and regulations. More details will follow in due course.

**7.1 Health, Safety & Wellbeing Report - February to April 2024(Cont.)**

**14. Significance and Engagement Assessment - Aromatawai Pāhekoheko**

**14.1. Assessment of Significance**

The decisions and matters of this report are assessed to be of low significance, in accordance with Council's Significance and Engagement Policy.

**14.2. Engagement and community views**

There is no requirement to consult on the Health, Safety & Wellbeing activity within Council.

Engagement on this matter is not being undertaken in accordance with Section 6.1 of the Council's Significance and Engagement Policy. This states that the Council will not consult when the matter is not of a nature or significance that requires public engagement.



## 7.2 Non-Financial Performance Measures Q3

### 7.2 Non-Financial Performance Measures Q3

#### 7.2.1 Long-Term Plan Non-Financial Performance Reporting, Quarter 3 2023/24



---

To: **Finance and Performance Committee**

Date: **Thursday, 13 June 2024**

Author: **Ayla Naidoo / Strategic Policy Analyst**

Authoriser: **Leny Woolsey / Manager Strategy and Performance**

Reference: **A2672842**

---

#### 1. Reason for the report - *Te Take mō tēnei rīpoata*

The purpose of this report is to provide the Finance and Performance Committee with the Long-term Plan non-financial performance results for Quarter 3 of the 2023/24 financial year (1 January – 31 March 2024).

#### 2. Recommendation - *Tohutohu akiaki*

**THAT** the Long-Term Plan Non-Financial Performance Report for Quarter 3 2023/24 be received.

#### 3. Background - *He tirohanga whakamuri*

Within the Long Term Plan (LTP), Councils must include activities and outcomes which state what the council is trying to achieve, what its activities are and how it will measure its performance. On 14 July 2021, the Council adopted the current LTP 2021-31 including an updated set of performance measures and targets to monitor levels of service delivery and financial performance. The Council adopted the following groups of activities:

- Leadership and Community
- Strategy and Futures
- Transport Connections
- Water Supply
- Sewage Treatment and Disposal
- Stormwater Drainage
- Waste Management and Minimisation
- Community Safety
- Community Experience
- Corporate services
- Whakatāne Airport

### 7.2.1 Long-Term Plan Non-Financial Performance Reporting, Quarter 3 2023/24(Cont.)

Within these activities, Council set a total of 69 measures of which 33 are mandatory. This quarterly report provides Council the opportunity to see how we are tracking against 39 non-financial measures, with all 69 measures reported on in the Annual Report at the end of the financial year.

#### 4. How we are performing

Figure 1 below indicates Council’s progress towards the LTP 2021-31 non-financial performance measures for the third quarter of the 2023/24 financial year (1 January – 31 March 2023). The 2023/24 financial year is the third year of reporting against the current LTP and will use targets set for year three in the LTP.

Of the 39 non-financial performance measures reported quarterly, 33 are on track to be achieved, three are at risk and three are known not to have met the year-end target.

Figure 1: End of year forecast of non-financial performance measures at end of Quarter 2



#### 4.1. Performance measures with result that will not be achieved by end of financial year

##### 4.1.1. Preparation of the Future Development Programme

<b>Strategic Priority</b>	<b>Preparing for population growth and housing demand</b>
<b>Activity</b>	Leadership and Community
<b>Annual Target</b>	District Plan changes to implement the Eastern Bay Spatial Plan and Future Development Strategy
<b>Quarter 3 result</b>	Not achieved
<b>Year to date (1 July to 31 December 2023)</b>	Not achieved
<b>Comment</b>	Preparation of the Eastern Bay of Plenty Spatial Plan is continuing. Work is underway to look at how much of the project can be developed in-house, to limit the external costs of the project partners. The spatial plan is not going to be completed this year but is on track to be completed by December 2025. Due to revisions taking place after the adoption of these measures and targets, this measure will not meet target.

**7.2.1 Long-Term Plan Non-Financial Performance Reporting, Quarter 3 2023/24(Cont.)****4.1.2. The extent to which Council's drinking water supplies comply with Part 4 of the Drinking Water Standards (bacteria compliance criteria)**

<b>Strategic Priority</b>	<b>Improving the safety, security and resilience of infrastructure</b>
<b>Activity</b>	Water supply
<b>Annual Target</b>	All schemes compliant
<b>Quarter 3 result</b>	2 schemes compliant out of 9
<b>Year to date (1 July to 31 December 2023)</b>	Not achieved
<b>Comment</b>	Refer to Appendix 2, which outlines compliance with the New Zealand Drinking Water Quality Assurance Rules by scheme in more detail.

**4.1.3. The extent to which Council's drinking water supplies comply with Part 5 of the Drinking Water Standards (protozoal compliance criteria)**

<b>Strategic Priority</b>	<b>Improving the safety, security and resilience of infrastructure</b>
<b>Activity</b>	Water supply
<b>Annual Target</b>	8 schemes compliant out of 9
<b>Quarter 3 result</b>	2 scheme compliant out of 9
<b>Year to date (1 July to 31 December 2023)</b>	Not achieved
<b>Comment</b>	Refer to Appendix 2, which outlines compliance with the New Zealand Drinking Water Quality Assurance Rules by scheme in more detail.

**4.2. Performance measures with result that are at risk of not meeting target at the end of financial year****4.2.1. Percentage of emergency customer service requests relating to roads and footpaths responded to within 2 hours**

<b>Strategic Priority</b>	<b>Improving the safety, security, and resilience of infrastructure</b>
<b>Activity</b>	Transport Connections
<b>Annual Target</b>	90%
<b>Quarter 3 result</b>	78.38%
<b>Year to date (1 July to 31 December 2023)</b>	

**7.2.1 Long-Term Plan Non-Financial Performance Reporting, Quarter 3 2023/24(Cont.)**

<b>Strategic Priority</b>	<b>Improving the safety, security, and resilience of infrastructure</b>
<b>Comment</b>	The transport team recruited to fill staff shortages during quarter 3 which is reflected in the percentage increasing during this period. Prior to recruitment staff did not always have the capacity to update the response time in the system to reflect the actual work undertaken. Systems have been implemented to ensure that emergency calls received outside of working hours are scheduled at the time they are scheduled to staff.

**4.2.2. Percentage of all other customer service requests relating to roads and footpaths responded to within 7 days**

<b>Strategic Priority</b>	<b>Improving the safety, security, and resilience of infrastructure</b>
<b>Activity</b>	Transport Connections
<b>Annual Target</b>	95%
<b>Quarter 3 result</b>	89.66%
<b>Year to date (1 July to 31 December 2023)</b>	89.15%
<b>Comment</b>	The transport team recruited to fill staff shortages during quarter 3 which is reflected in the percentage increasing during this period. Prior to recruitment staff did not always have the capacity to update the response time in the system to reflect the actual work undertaken.

**4.2.3. Total guest-nights in the Whakatāne Holiday Park.**

<b>Strategic Priority</b>	<b>Improving the safety, security and resilience of infrastructure</b>
<b>Activity</b>	Community Experience
<b>Annual Target</b>	Above 29,000
<b>Quarter 3 result</b>	9,009
<b>Year to date (1 July to 31 December 2023)</b>	21,857
<b>Comment</b>	The holiday park Guest nights target was set when we had a number of full time residents on site. which increased the number of guest nights. This year the park may fall slightly short of the budgeted Guest numbers given the current recessionary pressures, however it is important to note that the park is exceeding revenue targets.

**7.2.2 Appendix 1 - Non-Financial Performance Measures Q3**

Appendix 1 sets out the LTP KPIs at risk in more detail, including comparisons with the last financial year. Appendix 2 sets out the Council's compliance with Parts 4 and 5 of the New Zealand Drinking Water Quality Assurance Rules by scheme.

**5. Significance and Engagement Assessment - *Aromatawai Pāhekoheko*****5.1. Assessment of Significance**

The decisions and matters within this report are assessed to be of low significance, in accordance with the Council's Significance and Engagement Policy.

**5.2. Engagement and community views**

Engagement on this matter is not being undertaken in accordance with Section 4.2 of the Council's Significance and Engagement Policy. This states that the Council will not consult when there is already a sound understanding of the views and preferences of the persons likely to be affected or interested in the matter.

**6. Considerations - *Whai Whakaaro*****6.1. Financial/budget considerations**

There are no budget considerations associated with the recommendations of this report.

**6.2. Strategic alignment**

No inconsistencies with any of the Council's policies or plans have been identified in relation to this report.

**6.3. Climate change assessment**

The decisions and matters of this report are assessed to have low climate change implications and considerations, in accordance with the Council's Climate Change Principles.

**6.4. Risks**

The Committee will note the measures set out in section 4.1 and 4.2 which are at risk of not meeting the end of year target or are known at this stage to not be achieved for 2023/24.

**Attached to this report:**

- Appendix 1: Non-Financial Performance Measure results, Quarter 3 2023/24
- Appendix 2: Compliance with New Zealand Drinking Water Quality Assurance Rules, Quarter 3 2023/24

**7.2.2 Appendix 1 - Non-Financial Performance Measures Q3**

7.2.2 Appendix 1 - Non-Financial Performance Measures Q3(Cont.)

**Appendix 1: Quarter 3 Non-Financial Performance Measure results 2023/24**  
The table below presents the non-financial performance measure results for 1 January - 30 March 2024.  
The 'end of year forecast' box is based on the year to quarter and final 1 January - 30 March 2024.  
The previous year result is provided for comparison.  
Mandatory performance measures are indicated by (M) in the comments column.  
30 March measure / 30 March 2024



Key Performance Indicator	Annual Target	Q1 Result	Q2 Result	Q3 Result	Year to Date (quarter end)	End of year Forecast	Comments	Previous year result
<b>Leadership and Community</b>								
Percentage of items of the Whakatane.govt website that remain engaged	17%	16.20%	16.70%	16.52%	16.73%	17.30%		17.00%
<b>Strategic and Business</b>								
Preparation of the Future Development Programme	Deliver Plan Changes to implement the Eastern Bay Spatial Plan and Future Development Strategy	On-going	On-going	On-going	On-going	Not achieved	Preparation of the Eastern Bay of Plenty Spatial Plan is continuing. Work is underway to finalise the Plan. The plan will be finalised in 2024. The plan will include the general costs of the project partners. The spatial plan is not going to be completed by the end of the year but is expected to be completed by October 2024. The plan is not going to be completed by the end of the year but is expected to be completed by October 2024. The plan is not going to be completed by the end of the year but is expected to be completed by October 2024.	Not achieved
Progress made to develop the District Plan changes	Develop plan changes to ensure the District Plan remains responsive to local stakeholders and consistent with the requirements of the broader planning framework.	On-going	On-going	On-going	On-going	Not achieved		Achieved
<b>Transport Connections</b>								
Percentage of emergency customer service requests relating to roads and footpaths responded to within 2 hours	60%	95.10%	95.20%	78.30%	80.80%			90.10%
Percentage of all other customer service requests relating to roads and footpaths responded to within 7 days	60%	96.70%	87.70%	89.62%	88.15%			86.70%
<b>Water Supply</b>								
The extent to which Council's drinking water supply complies with Part 4 of the Drinking Water Standards (drinking water compliance criteria)	All schemes compliant	2 out of 9	3 out of 9	2 out of 9	Not achieved			2 schemes compliant
The extent to which Council's drinking water supply complies with Part 5 of the Drinking Water Standards (potable water compliance criteria)	All schemes compliant out of 9	1 out of 9	1 out of 9	2 out of 9	Not achieved			1 scheme compliant
Number of complaints per 1,000 connections, received by the Council about any of the following: drinking water colour, drinking water taste, drinking water odour, water pressure or the consistency of supply	Less than 30 per 1,000	3.08	3.01	4.25	10.35			16.30
Median response time to attend urgent call-outs for areas supplied by Council from the time that the local authority receives notification to the time that service personnel reach the site	Less than 3 hours	0.42	0.41	0.54	0.46	(M)		0.60
Median response time to resolve urgent call-outs for areas supplied by Council from the time that the local authority receives notification to the time that service personnel confirm resolution of the fault or restoration	Less than 8 hours	2.25	1.75	3.38	2.17	(M)		2.82
Median response time to attend non-urgent call-outs for areas supplied by Council from the time that the local authority receives notification to the time that service personnel reach the site	Less than 24 hours	3.63	11.47	17.13	16.75	(M)		16.75
Median response time to resolve non-urgent call-outs for areas supplied by Council from the time that the local authority receives notification to the time that service personnel confirm resolution of the fault or restoration	Less than 48 hours	6.80	17.25	23.08	18.38	(M)		20.38
<b>Wastewater Treatment and Disposal</b>								
Total number of complaints received per 1,000 connections about any of the following: sewage odour, sewage system faults, septic backlogs	Less than 60	2.72	3.21	3.32	6.25	(M)		10.88
Median response time to attend a sewage overflow resulting from a blockage or other fault to the Council's sewerage system, from the time that the Council receives notification to the time that service personnel reach the site	Less than 2 hours	0.45	0.58	0.28	0.51	(M)		0.47
Median response time to attend a sewage overflow resulting from a blockage or other fault to the Council's sewerage system, from the time that the Council receives notification to the time that service personnel confirm resolution of the blockage or other fault	Less than 8 hours	10.42	4.68	18.78	4.26	(M)		1.75
Number of sewer overflow overflows from the Council's sewerage system per 1,000 connections to that sewerage system	Less than 3 overflows	0.16	0.21	0.32	1.07	(M)		0.86
Number of abatement notices received by the Council in relation to the resource consents for discharge from our sewerage systems	Zero	Zero	Zero	Zero	Zero	(M)		Zero
Number of infringement notices received by the Council in relation to the resource consents for discharge from our sewerage systems	Zero	Zero	Zero	Zero	Zero	(M)		Zero
Number of enforcement orders received by the Council in relation to the resource consents for discharge from our sewerage systems	Zero	Zero	Zero	Zero	Zero	(M)		Zero
Number of consents received by the Council in relation to the resource consents for discharge from our sewerage systems	Zero	Zero	Zero	Zero	Zero	(M)		Zero
<b>Domestic Appliances</b>								
Number of flooding events* in the District	Less than 3	No flooding events	No flooding events	No flooding events	No flooding events	(M)		No flooding events
For each flooding event, the number of habitable floors affected (per 1,000 properties connected to the Council's domestic systems)	Less than 10	No flooding events	No flooding events	No flooding events	No flooding events	(M)		No flooding events
Median response time to attend a flooding event, measured from the time that the territorial authority receives notification to the time that service personnel reach the site	Less than 3 hours	No flooding events	No flooding events	No flooding events	No flooding events	(M)		No flooding events
Number of complaints received about the performance of the sewerage system, measured per 1,000 properties connected to the territorial authority's sewerage system	Less than 10	1.24	1.05	1.43	1.72	(M)		8.10
Number of abatement notices received by the Council in relation to the resource consents for discharge from our domestic systems	Zero	Zero	Zero	Zero	Zero	(M)		Zero
Number of infringement notices received by the Council in relation to the resource consents for discharge from our domestic systems	Zero	Zero	Zero	Zero	Zero	(M)		Zero
Number of enforcement orders received by the Council in relation to the resource consents for discharge from our domestic systems	Zero	Zero	Zero	Zero	Zero	(M)		Zero
Number of consents received by the Council in relation to the resource consents for discharge from our domestic systems	Zero	Zero	Zero	Zero	Zero	(M)		Zero
<small>*A 'flooding event' is defined by the Department of Internal Affairs as 'an overflow of water from a territorial authority's domestic system that enters a habitable floor'. Measure is calculated by the number of RFS logged.</small>								
<b>Waste Management and Minimisation</b>								
Amount of waste sent to landfill per person each year	Below 70% of the national average amount*	14.77%	15.76%	15.24%	15.524%			14.88%
<b>Community Safety</b>								
Compliance with Council's resource consent process	100%	100.00%	100.00%	100.00%	100.00%			100.00%
User satisfaction with Council's building consent process	60%	60.00%	61.00%	58.1%	68.6%			63.00%
Percentage of complaints relating to abandoned cars, litter and general bylaws offences responded to within 2 working days	90%	94.90%	88.70%	94.52%	82.73%			96.4%
Percentage of other than excessive noise complaints responded to promptly	90%	92.00%	90.00%	88.00%	90.00%			90.00%
Percentage of environmental health complaints including noise reported to within two working days	100%	100.00%	100.00%	100.00%	100.00%			100.00%
Percentage of council premises inspected at least once per year, including special licences	100%	100.00%	100.00%	100.00%	100.00%			100.00%
Percentage of aggressive/threatening, dog and training course complaints responded to within one hour	90%	90.00%	94.00%	91.88%	92.00%			89.70%
Percentage of all other animal complaints responded to within one working day	90%	98.00%	87.30%	94.00%	94.90%			98.00%
The change from the previous year in the number of facilities and services created on the local market, expressed as a number	More created than last year	8	5	7	10			25.00
<small>*Proportion is defined as proportion to excessive noise complaints within the following threshold: Noise 1 - 45dB(A) - 100 complaints Noise 2 - 45dB(A) - 100 complaints Noise 3 - 45dB(A) - 100 complaints Noise 4 - 45dB(A) - 100 complaints Noise 5 - 45dB(A) - 100 complaints Noise 6 - 45dB(A) - 100 complaints Noise 7 - 45dB(A) - 100 complaints Noise 8 - 45dB(A) - 100 complaints Noise 9 - 45dB(A) - 100 complaints Noise 10 - 45dB(A) - 100 complaints Noise 11 - 45dB(A) - 100 complaints Noise 12 - 45dB(A) - 100 complaints Noise 13 - 45dB(A) - 100 complaints Noise 14 - 45dB(A) - 100 complaints Noise 15 - 45dB(A) - 100 complaints Noise 16 - 45dB(A) - 100 complaints Noise 17 - 45dB(A) - 100 complaints Noise 18 - 45dB(A) - 100 complaints Noise 19 - 45dB(A) - 100 complaints Noise 20 - 45dB(A) - 100 complaints Noise 21 - 45dB(A) - 100 complaints Noise 22 - 45dB(A) - 100 complaints Noise 23 - 45dB(A) - 100 complaints Noise 24 - 45dB(A) - 100 complaints Noise 25 - 45dB(A) - 100 complaints Noise 26 - 45dB(A) - 100 complaints Noise 27 - 45dB(A) - 100 complaints Noise 28 - 45dB(A) - 100 complaints Noise 29 - 45dB(A) - 100 complaints Noise 30 - 45dB(A) - 100 complaints Noise 31 - 45dB(A) - 100 complaints Noise 32 - 45dB(A) - 100 complaints Noise 33 - 45dB(A) - 100 complaints Noise 34 - 45dB(A) - 100 complaints Noise 35 - 45dB(A) - 100 complaints Noise 36 - 45dB(A) - 100 complaints Noise 37 - 45dB(A) - 100 complaints Noise 38 - 45dB(A) - 100 complaints Noise 39 - 45dB(A) - 100 complaints Noise 40 - 45dB(A) - 100 complaints Noise 41 - 45dB(A) - 100 complaints Noise 42 - 45dB(A) - 100 complaints Noise 43 - 45dB(A) - 100 complaints Noise 44 - 45dB(A) - 100 complaints Noise 45 - 45dB(A) - 100 complaints Noise 46 - 45dB(A) - 100 complaints Noise 47 - 45dB(A) - 100 complaints Noise 48 - 45dB(A) - 100 complaints Noise 49 - 45dB(A) - 100 complaints Noise 50 - 45dB(A) - 100 complaints Noise 51 - 45dB(A) - 100 complaints Noise 52 - 45dB(A) - 100 complaints Noise 53 - 45dB(A) - 100 complaints Noise 54 - 45dB(A) - 100 complaints Noise 55 - 45dB(A) - 100 complaints Noise 56 - 45dB(A) - 100 complaints Noise 57 - 45dB(A) - 100 complaints Noise 58 - 45dB(A) - 100 complaints Noise 59 - 45dB(A) - 100 complaints Noise 60 - 45dB(A) - 100 complaints Noise 61 - 45dB(A) - 100 complaints Noise 62 - 45dB(A) - 100 complaints Noise 63 - 45dB(A) - 100 complaints Noise 64 - 45dB(A) - 100 complaints Noise 65 - 45dB(A) - 100 complaints Noise 66 - 45dB(A) - 100 complaints Noise 67 - 45dB(A) - 100 complaints Noise 68 - 45dB(A) - 100 complaints Noise 69 - 45dB(A) - 100 complaints Noise 70 - 45dB(A) - 100 complaints Noise 71 - 45dB(A) - 100 complaints Noise 72 - 45dB(A) - 100 complaints Noise 73 - 45dB(A) - 100 complaints Noise 74 - 45dB(A) - 100 complaints Noise 75 - 45dB(A) - 100 complaints Noise 76 - 45dB(A) - 100 complaints Noise 77 - 45dB(A) - 100 complaints Noise 78 - 45dB(A) - 100 complaints Noise 79 - 45dB(A) - 100 complaints Noise 80 - 45dB(A) - 100 complaints Noise 81 - 45dB(A) - 100 complaints Noise 82 - 45dB(A) - 100 complaints Noise 83 - 45dB(A) - 100 complaints Noise 84 - 45dB(A) - 100 complaints Noise 85 - 45dB(A) - 100 complaints Noise 86 - 45dB(A) - 100 complaints Noise 87 - 45dB(A) - 100 complaints Noise 88 - 45dB(A) - 100 complaints Noise 89 - 45dB(A) - 100 complaints Noise 90 - 45dB(A) - 100 complaints Noise 91 - 45dB(A) - 100 complaints Noise 92 - 45dB(A) - 100 complaints Noise 93 - 45dB(A) - 100 complaints Noise 94 - 45dB(A) - 100 complaints Noise 95 - 45dB(A) - 100 complaints Noise 96 - 45dB(A) - 100 complaints Noise 97 - 45dB(A) - 100 complaints Noise 98 - 45dB(A) - 100 complaints Noise 99 - 45dB(A) - 100 complaints Noise 100 - 45dB(A) - 100 complaints</small>								
<b>Community Services</b>								
Total go-go-go in the Mahatane Holiday Park	Above 25,000	4,861	5,847	6,000	21,687			25,111

**7.2.3 Appendix 2 - Non-Financial Performance Measures Compliance with DWQAR**

**7.2.3 Appendix 2 - Non-Financial Performance Measures Compliance with DWQAR**

**7.2.3 Appendix 2 - Non-Financial Performance Measures Compliance with DWQAR(Cont.)**

## Appendix 2 – Compliance with the Drinking Water Quality Assurance Rules

In November 2021, the role of drinking-water regulator shifted from the Ministry of Health to Taumata Arowai. New Drinking Water Quality Assurance Rules (DWQAR), Water Services (Drinking Water Standards for New Zealand) Regulations 2022 (DWSNZ), and aesthetic values took effect from 14 November 2022. Suppliers were expected to comply with the new sampling and compliance reporting requirements by 1 January 2023.

The DWQAR primarily impose requirements relating to drinking water supplier duties to:

1. Supply safe drinking water
2. Ensure that drinking water complies with the DWSNZ.

The DWQAR are structured as 'modules', with the main modules covering general rules, source water, treatment systems and distribution systems. Source water, treatment system, and distribution system rules have three complexity levels dependant on the size of the supply.

The DWQAR include rules for bacterial and protozoal compliance in treatment systems, and monitoring free available chlorine (FAC) and microbial water quality in distribution systems. Protozoal treatment of water is typically achieved through filtration and/or ultraviolet (UV) disinfection. However, if treatment is interrupted during the reporting period (for example due to power outages or flood events that cause periodic high turbidity issues), protozoal compliance will not be achieved. As such, some Council schemes do not meet the criteria to demonstrate compliance for the reported period. To ensure a safe drinking water supply if treatment is interrupted, all Council water supplies are monitored with alarm systems which alert staff or automatically shut down the water supply if necessary, for cases of high turbidity or low levels of free available chlorine.

Water in the distribution zones is monitored for FAC and the presence of *E. coli* and total coliforms. The DWSNZ set a maximum acceptable value of less than 1 *E. coli* per 100 ml sample, on the basis that this best represents the water quality as received by consumers. The Council notifies Taumata Arowai if a non-compliant test result is received.

The following table presents compliance with rules for treatment systems (T) and distribution systems (D) by drinking water supply scheme for the period 1 January to 31 March 2024. **Note the results are provisional, pending completion of an independent assessment of compliance which will be completed at the end of the financial year.**

The Council is still required to provide results for the following measures that are set by DIA, despite the new requirements that came into effect on the 1 January 2023.

Mandatory measures:

1. The extent to which Council's drinking water supplies comply with Part 4 of the Drinking Water Standards (bacteria compliance criteria)
2. The extent to which Council's drinking water supplies comply with Part 5 of the Drinking Water Standards (protozoal compliance criteria).

Results for compliance with the old Part 4 of the Drinking Water Standards are assessed using outcomes against the DWQAR treatment plant bacterial rules and distribution system rules. Results for compliance with the old Part 5 of the Drinking Water Standards are assessed using outcomes against DWQAR treatment plant protozoal rules.



## Finance and Performance Committee - AGENDA

## 7.2.3 Appendix 2 - Non-Financial Performance Measures Compliance with DWQAR(Cont.)

Water supply scheme	Component	DWQAR rule type	Overall outcome
Matatā	Awakaponga water treatment plant (WTP)	T3 Bacterial	Not met – due to an instance of low UV on 1 of 91 days.
		T3 Protozoal	Not met – due to an instance of low UV on 1 of 91 days.
	Matatā zone	D3 Disinfection	Met
		D3 Microbiological	Met
Murupara	Murupara WTP	T3 Bacterial	Not met – due to instances of low FACe and the required chlorine C.t and T <sub>10</sub> contact time values not being achieved.
		T3 Protozoal	Not met – no protozoal treatment.
	Murupara Zone	D3 Disinfection	Met
		D3 Microbiological	Met
Otumahi	Paul Rd WTP	T3 Bacterial	Met
		T3 Protozoal	Not met – no protozoal treatment.
	Te Teko WTP	T3 Bacterial	Not met – due to instances of low UV.
		T3 Protozoal	Not met – due to instances of low UV.
	Otumahi Zone	D3 Disinfection	Met
		D3 Microbiological	Met
Rangitāiki Plains	Braemar WTP	T3 Bacterial	Unable to be assessed <sup>1</sup> .
		T3 Protozoal	Unable to be assessed.
	Johnson Rd WTP	T3 Bacterial	Not met – FAC, pH and turbidity are monitored post-plant, not in the location required by the DWQAR.
		T3 Protozoal	Not met – no protozoal treatment.
	Rangitāiki Plains Zone	D3 Disinfection	Met
		D3 Microbiological	Met
Rūātoki	Rūātoki WTP	T3 Bacterial	Not met – due to instances of high turbidity and low UV.
		T3 Protozoal	Not met – due to instances of high turbidity and low UV.
	Rūātoki Zone	D3 Disinfection	Met
		D3 Microbiological	Met
Tāneatua	Tāneatua WTP	T3 Bacterial	Not met – due to lack of continuous UVT monitoring.
		T3 Protozoal	Not met – due to lack of continuous UVT monitoring.
	Tāneatua Zone	D3 Disinfection	Met
		D3 Microbiological	Met
Whakatāne	Whakatāne WTP	T3 Bacterial	Met
		T3 Protozoal	Met
	Whakatāne Zone	D3 Disinfection	Met
		D3 Microbiological	Met
	Ōhope Zone	D3 Disinfection	Met
		D3 Microbiological	Met
Te Mahoe	Te Mahoe WTP	T3 Bacterial	Not met – due to lack of continuous FAC, pH, and turbidity monitoring after the reservoir.
		T3 Protozoal	Not met – UV treatment installed in March 2024 <sup>2</sup> .
	Te Mahoe Zone	D2	Met
Waimana	Waimana WTP	T3 Bacterial	Met
		T3 Protozoal	Met
	Waimana Zone	D2	Met

<sup>1</sup> Data from the Braemar WTP is being monitored outside of the Council's supervisory control and data acquisition (SCADA) system while the plant is being commissioned, therefore a compliance report is unable to be produced.

<sup>2</sup> UV disinfection has been operational at Te Mahoe WTP since 28 March 2024.

### 7.3 Organisation Performance Q3

## 7.3 Organisation Performance Q3

### 7.3.1 Organisation Performance Report - Quarter 3 2023/24



---

To: **Finance and Performance Committee**  
Date: **Thursday, 13 June 2024**  
Author: **Ayla Naidoo / Strategic Policy Analyst**  
Authoriser: **Leny Woolsey / Manager Strategy and Performance**  
Reference: **A263009**

---

#### 1. Reason for the report - *Te Take mō tēnei rīpoata*

The purpose of this report is to provide the Committee with the Organisation Performance Report for Quarter 3 of the 2023/24 financial year (1 January– 31 March 2024).

#### 2. Recommendation - *Tohutohu akiaki*

THAT the Organisation Performance Q3 2023/24 Report be **received** by the Committee.

#### 3. Background - *He tirohanga whakamuri*

The purpose of the report is to provide Council with an overview of how we are performing across a wide range of high-level measures including: service performance, financial performance, the Council's preparedness to meet current and future obligations, and the health of the organisation. The report provides a holistic view of performance across multiple indicators so that collective decisions can be made about where and how improvements can be progressed.

The four quadrants for the performance indicators in the Organisational Performance Report are:

- Service Performance: Focuses on the effectiveness, efficiency, and the quality of Council services.
- Financial Performance: Measures the soundness of financial management practices, trends, and forecasting abilities.
- Organisational Preparedness: The capacity of the organisation to meet current and future obligations as required.
- Organisational Health: Focuses on culture, leadership, staff, internal processes, and relationships.

#### 4. Analysis

The report itself is a high-level overview of Council's performance.

Across all performance measures Council is tracking in line with previous results.

The following highlights should be noted:

### 7.3.2 Appendix 1 - Organisation Performance Q3 2023/24

- We have a marked increase in our Cultural and Leadership People Survey Results, with consistent high results reflecting the positive way in which staff feel about our organisational culture;
- Preparedness initiatives in our Emergency Operations Centre, Māori Development Training, Cyber Security Training, and Energy Management Programmes have increased;
- Performance in processing of requests for service is high in terms of speed of response;
- Building and resource consent volumes are lower than in previous years;
- Year to date operating expenditure, fees and charges revenue, and rates debtors variance percentages are lower than target;
- And 73% of the Council's Business Plan Programmes are on track or completed at the end of quarter 3.

## 5. Significance and Engagement Assessment - *Aromatawai Pāhekoheko*

### 5.1. Assessment of Significance

The decisions and matters within this report are assessed to be of low significance, in accordance with the Council's Significance and Engagement Policy.

### 5.2. Engagement and community views

Engagement on this matter is not being undertaken in accordance with Section 4.2 of the Council's Significance and Engagement Policy. This states that the Council will not consult when there is already a sound understanding of the views and preferences of the persons likely to be affected or interested in the matter.

## 6. Considerations - *Whai Whakaaro*

### 1. Financial/budget considerations

The recommendations of this Report do not have any financial implications.

### 2. Strategic alignment

No inconsistencies with any of the Council's policies or plans have been identified in relation to this report.

### 3. Climate change assessment

The decisions and matters of this report are assessed to have low climate change implications and considerations, in accordance with the Council's Climate Change Principles.

### 4. Risks

The committee should note measures that are tracking negatively.

#### Attached to this report:

Appendix 1 - Organisation Performance Q3 Report 2023/24.

### 7.3.2 Appendix 1 - Organisation Performance Q3 2023/24

**7.3.2 Appendix 1 - Organisation Performance Q3 2023/24(Cont.)**

WHAKATĀNE DISTRICT COUNCIL

# ORGANISATION PERFORMANCE REPORT Q3

Q3 2023/2024

1<sup>ST</sup> JANUARY – 30 MARCH

**Te Pūrongo  
Aroturukitanga Mahi  
a Te Kaunihera ā-rohe  
o Whakatāne Q3**

## Contents

Purpose of the report.....	2
Organisation health measures.....	4
Service performance measures .....	6
Finance performance measures .....	10
Preparedness performance measures.....	11
Business Plan.....	13
How our measures are calculated.....	19



### 7.3.2 Appendix 1 - Organisation Performance Q3 2023/24(Cont.)

## Purpose of this Report

### *Te take o tēnei pūrongo*

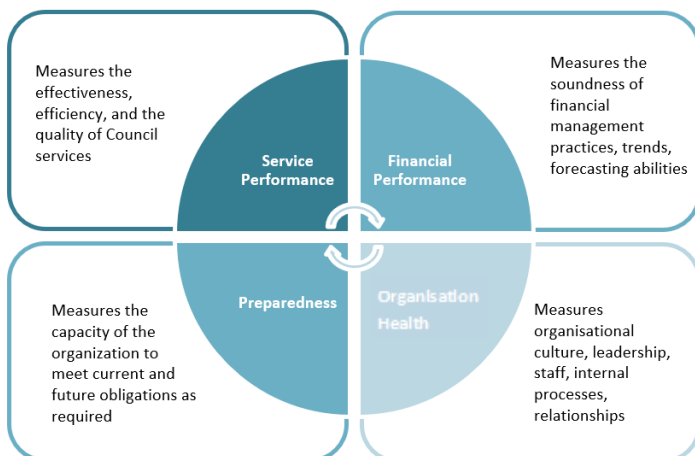
This Organisation Performance Report is a quarterly report presented to Council and covers quarter 3 of the 2023/24 financial year: 1 January – 31 March 2024.

The purpose of this report is to provide Council with an overview of how we are performing across a wide range of high-level measures including service performance, financial performance, the Council's preparedness to meet current and future obligations and the health of the organisation. This report provides a high-level holistic view of performance, so that collective decisions can be made about where and how improvements can be progressed. More detailed information on the measures of performance can be found in specific topic-based reports provided to the Council regularly.

## Performance Measurement Themes

### *Ngā Kaupapa inenga mahi*

The performance measures have been categorised into four themes, outlined below.



**7.3.2 Appendix 1 - Organisation Performance Q3 2023/24(Cont.)**

## Quarterly Summary

### Organisation Health

Cultural and Leadership People Survey results, which provide a gauge on how people are feeling working for WDC, has increased from the Q1 result to 67%, which is a marked increase, and is sitting just below target. These scores align closely with the Staff Engagement Survey which was completed in November 2023. The questions linking to our Organisational Culture are seeing consistently good results with *I enjoy working for this council* achieving 83% and *Our council is a great place to work* at 80%.

### Service Performance

Satisfaction with Council services for this quarter is sitting just below the national benchmark. The end of year Resident Satisfaction Survey resulted in four out of 15 LTP measures meeting target. Of the requests for service received in the second quarter, 95% were completed or scheduled, showing an increase from the previous quarter.

### Financial Performance

Operating performance through quarter three is largely in line with revised 2023/24 Budget. Revenue down on budget \$1.6m is mainly driven by timing of subsidies and projected to be in line by year end, this has been offset by expenditure \$1.1m under budget through March 2024 based on phasing of expenditure on capital projects. Capital Subsidies are significantly under budget (\$9.4m); with the variance reflecting timing predominantly related to transport and Better Off Funded projects, which is linked to Capital Expenditure also less than budget. Applications of Capital Funding are \$26.2m through quarter three which is \$20.0m less than budget of \$46.1m (43%), this likely variance was signalled early in the year, mainly related to the whole of project life phasing of capital expenditure, predominantly in the Transport and Three Waters Activities. Q3 forecasts indicate around \$35.4m of capital expenditure budget will be rephased to future years, of which \$29.5m has already been included in LTP2034. Net Borrowings are at \$125.0m as at March 2024 against a revised budget year to date of \$133.2m reflecting lower capital expenditure funding requirement year to date [Q3 Fcst to June 2024 \$137.9m against revised budget \$174.2m].

### Preparedness Performance

There are currently 76 staff on the Emergency Operations Centre (EOC) roster (90 required). Due to staff attrition (exit from EOC roster and/or WDC organisation) we are re-building capability, consisting of increasing rostered staff numbers and their training levels. 55% (80% goal) (50) current of the 90 required EOC staff have completed Intermediate level training.

The Toi Kotuia team has dedicated considerable effort to engaging with Iwi and Hapū, actively encouraging their input and participation in the Long-Term Plan process. This endeavour has proven successful, with a notable increase in submissions received and presentations made before our elected members. Furthermore, Toi Kotuia has been closely monitoring developments from Central Government, particularly focusing on proactive planning to anticipate potential impacts on Iwi, Hapū, and whānau.

### Business Plan

The Whakatāne District Council Business Plan provides an overview on progress against the Council's work programme as set out in the Council's Business Plan for the 2023-24 financial year. There are a total of 205 items listed in the Business Plan for the 2023-24 year; of these items, 82% are either completed or on track at the end of quarter 3. 25 item risks are brought forward for Council information.

7.3.2 Appendix 1 - Organisation Performance Q3 2023/24(Cont.)

# Organisation Health Measures

## Ngā inenga hauora o te tōpūtanga

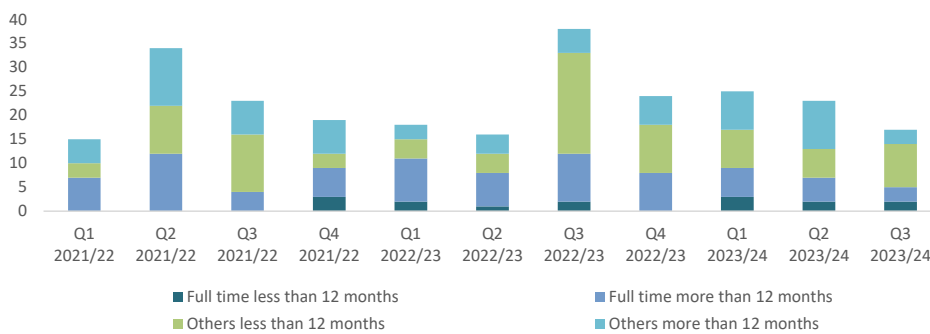
The following indicators give an overview of the organisational culture, leadership, staff, internal process, and relationships.

### Employee count (as at 31 March 2024)

**345** employees **+3.6%** vs previous quarter **+3.6%** vs previous year

**253** full time permanent staff **+2.8%** vs previous quarter **+12.9%** vs previous year

### Staff turnover



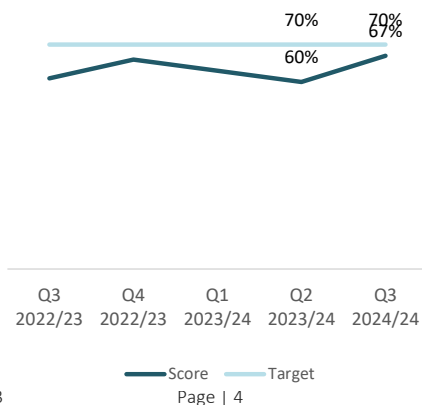
During the quarter, 17 staff (5.23%) exited the organisation. Five of these were full time permanent staff. The remaining 12, were part-time, fixed term and casual. Of the permanent staff exiting, two had been employed for less than 12 months.

The rolling 12-month turnover (fulltime permanent staff) for this quarter is 12.8%. This figure has been trending down for the previous 18 months.

### Cultural and Leadership people survey

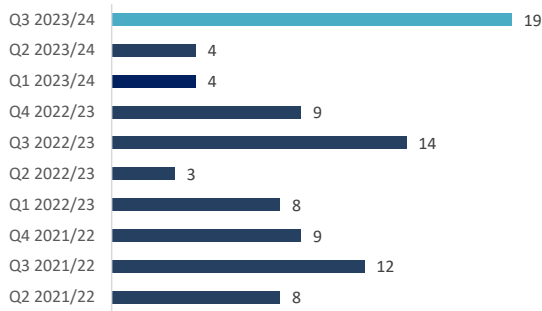
52 staff completed the survey this quarter, resulting in a score of 67%. The questions linking to our Organisational Culture are seeing consistently good results with *I enjoy working for this council* achieving 83% and *Our council is a great place to work* at 80%.

These scores align closely with the Staff Engagement Survey which was completed in November 2023. Work is currently underway to review the results of that survey and work through identifying and prioritising actions.



**7.3.2 Appendix 1 - Organisation Performance Q3 2023/24(Cont.)**

**Number of staff accessing employee assistance programme services <sup>1</sup>**



A total of 19 people have accessed EAP services this quarter, all were staff members. The numbers this quarter also include referrals which have come via the People & Capability Team which hasn't previously been reported on. It is pleasing to see the utilisation of this service. OCP reports that early conversations are very effective in reducing and minimising long term impact.

We continue to advertise our EAP service provider, OCP Services, and receive regular information and marketing products that are available for staff.

**Health & Safety**

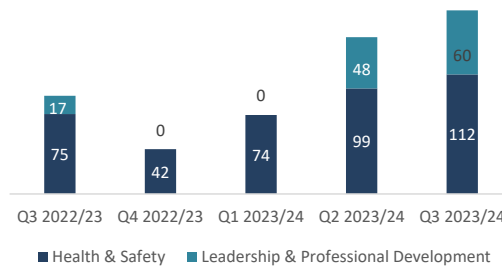
**46** Health and safety incidents      **8** Near misses

Additional information can be found in our Health and safety report.

**Number of staff participating in development training**

A number of training events have taken place in the first three months of 2024. Traffic Management training for our Open Spaces team was held in January. We've since held multiple Situational Safety courses alongside our regular First Aid training. A series of upskilling sessions have also been run with Managers and Team Leaders in the use of our Vault platform. These sessions have focused on conducting risk reviews and completing incident investigations to enable closure of events.

Leading Our People, a 12-session leadership development programme, focused on communicating powerfully, got underway in February. 24 participants are completing this programme in two separate cohorts which will finish in August with presentations on their journey and key learnings. Growing Greatness is also underway with 12 women from across the organisation.



<sup>1</sup> Please note, OCP numbers show a sharp increase this quarter. This can be attributed to incorporating attendance from OCP which includes the utilization of a private psychologist who supports some of our psychological wellbeing work.



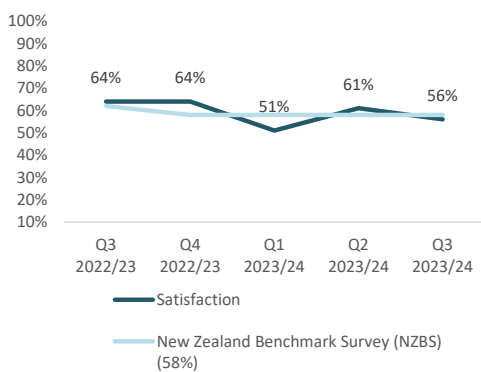
**7.3.2 Appendix 1 - Organisation Performance Q3 2023/24(Cont.)**

# Service Performance Measures

## *Ngā inenga ratonga Kaunihera*

The following indicators have been identified to measure the effectiveness, efficiency, and the quality of Council services.

**Overall resident satisfaction with Council services**

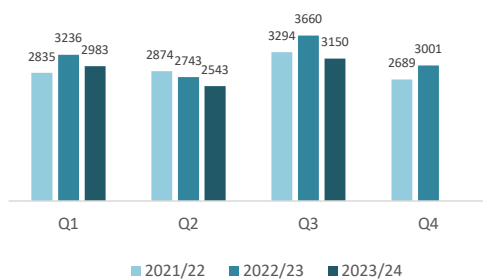


This quarter, we received an overall resident satisfaction result of 56%. Satisfaction had decreased from our Q2 result of 61% and is in line with trends seen in previous years.

Within the Residents Satisfaction Survey for this quarter, four of 15 of Council’s Long-Term Plan targets were met which aligns with previous data. Please refer to the Resident Satisfaction Survey and Non-Financial Performance Measures for further information.

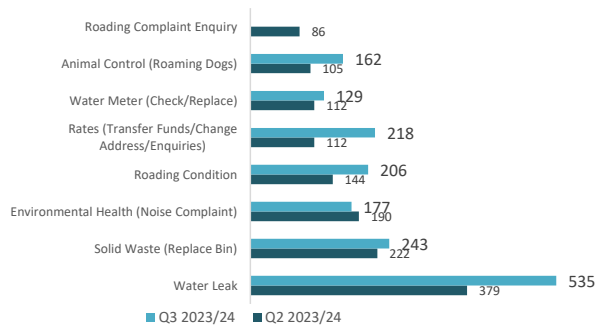
Target: Equal or above the NZ benchmark

**Number of requests for service to customer service centre**



There are 510 fewer RFS’ logged Q3 2024 than the same period last year. This directly correlates with the decrease in phone calls over this time. 2023 Jan/Feb/Mar was unseasonably wet, and the district had some weather events, therefore this could have contributed to the Q3 2024 decrease in phone calls and RFS overall. We have had a dry summer this year which lessens certain types of calls and issues, such as Roading Complaints and Enquiries.

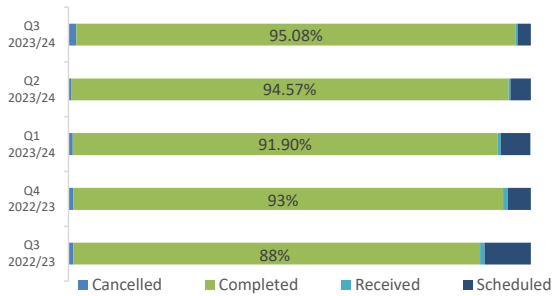
**Top 8 categories for service requests**



All subtypes (bar one) are in the top 8 this year as per previous year. With last year’s wet summer and increased weather events, there was a larger amount of Roading RFS logged in general in 2023 compared to 2024.

**7.3.2 Appendix 1 - Organisation Performance Q3 2023/24(Cont.)**

Percentage of request for service completed



**7,345** calls received by customer service

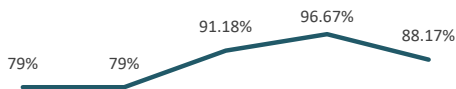
**94.38%** of calls answered within 30 secs Target: 85%

Of the 3,150 requests for services that were received this quarter, 95% of these have been completed or scheduled as of 03/05/24 when information extracted from Ozone.

Some RFS are sent to a 3rd party contractor for action, and therefore have been 'completed' within our systems.

Target: 90% completed and scheduled

Percentage of building consents processed within statutory timeframes



**91**

**Building consents processed in Quarter 3 2023/24**

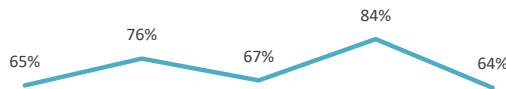
**117 same time last quarter**

Target: 60%

The downturn is most likely attributable to uncertainty in the housing market, especially interest rates.

Q3 2022/23 Q4 2022/23 Q1 2023/24 Q2 2023/24 Q3 2023/24

Percentage of resource consents processed within statutory timeframes



**39**

**Resource consents processed in Quarter 3 2023/24**

**38 same time last quarter**

Target: 60%

The downturn is most likely attributable to uncertainty in the housing market, especially interest rates.

Q3 2022/23 Q4 2022/23 Q1 2023/24 Q2 2023/24 Q3 2023/24

**7.3.2 Appendix 1 - Organisation Performance Q3 2023/24(Cont.)**

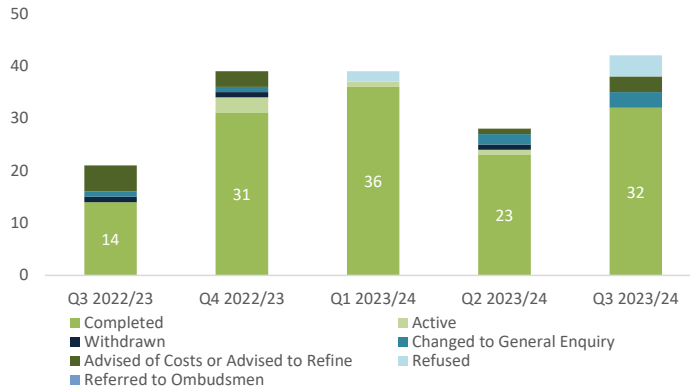
**LGOIMA Received**

**100%**

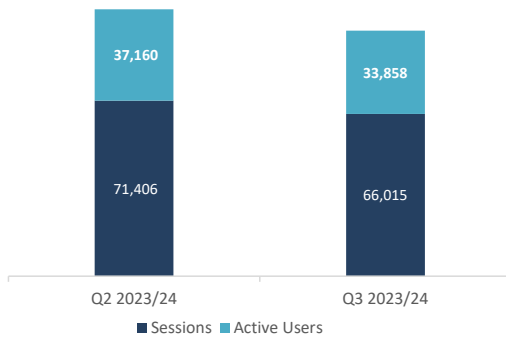
LGOIMA processed within 20 days (statutory timeframe)

Target: 100%

\*Of those refused, 1 was refused entirely, 3 were refused partially



**Number of website page visits**



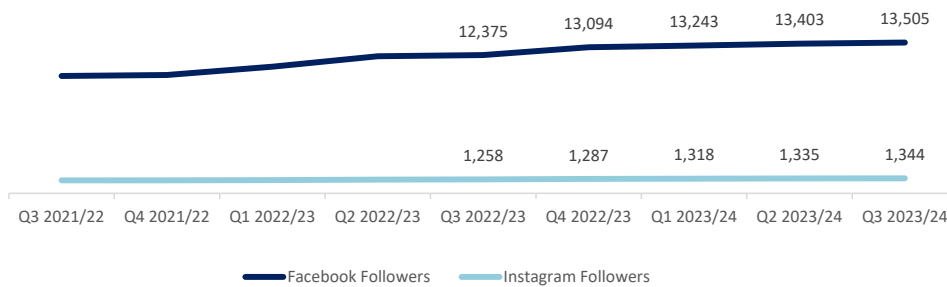
\*Please note as of Q2 2023/24 website data is being reported differently; now categorised into Sessions and Active Users.

Reporting remains as New Zealand Traffic Only.

**Sessions:** A session is a period of time during which a user interacts with our website.

**Active Users:** The number of unique individuals who have engaged with our website within the specified timeframe (October 1 – 31 December 2023).

**Number of followers on Facebook and Instagram**



**7.3.2 Appendix 1 - Organisation Performance Q3 2023/24(Cont.)****63 Campaigns delivered during Q3 2023/24 including:**

Long Term Plan consultation	Mimiha Bridge
Climate Change consultation	LWFF design collateral
Development Contribution Policy	Tourism events collateral
Water monitoring – recreational water results Dog control media queriers	Most beautiful town collateral Tourism brochures
Plan Change 8	Taituarā award application document designs ( Hybrid working and Te Toi Waka Whakareki entry)
Three Waters BAU communication – watermain renewals	Holiday Park rebranding and branding guide
Murupara water	School holiday programme collateral
Braemar Water Treatment Plant opening	Exhibitions: Moemoea by Nigel Borell, MMCA,
Wharfside and Mitchell Park	FOOTNOTE
Matatā Wastewater	Public holiday signage and collateral
Edgecumbe to Thornton Cycleway	Live streaming collateral
Ferry Road wastewater pumpstation	Community funding campaign
Project Future Proof	NZ recycling standardisation campaign
District Plan ePlan	Youth council Campaign
Cruise ship communication	Annual Report 2022/23 summary
NZ Best Beach award communication	Civil defence collateral
Backflow devices	Matatā Community Plan graphics
LTP translations (and all the docs that go with it)	Whakatāne River Bar Dredging communication
LTP Iwi engagement assistance	Stanley Road storm damage communication
LTP social media	Chorus Cabinet Art campaign promotion
Climate Change reo	Matatā Causeway communication
District Plan translations	Braemar Road storm damage communication
Reorua online info	Hono Hapori communication
Reorua funding process assistance	Summer Road Works digital info
Ko Konei (Jan/Feb/March)	Peace Street Stormwater and road safety upgrade campaign
Murupara CB Newsletter	
Rangitāiki CB Newsletter	
River access translations	
Taituarā award application video	
Taituarā award application reo	
Te Kōputu programme reo	

## 7.3.2 Appendix 1 - Organisation Performance Q3 2023/24(Cont.)

## Finance Performance Measures

*Ngā inenga mahi ahumoni*

The measures below provide an overview of Council's financial management practices, trends, and forecasting ability. Variances that are outside the target range are shown as red.

## Operating expenditure

	ACTUAL	BUDGET	VARIANCE %	Target
2023/24 YTD	\$56.27M	\$57.41M	2.0%	At or within 5% of budget

## Capital expenditure

	ACTUAL	BUDGET	VARIANCE %	Target
2023/24 YTD	\$26.15M	\$46.11M	43.3%	At or within 5% of budget

## Fees and charges revenue

	ACTUAL	BUDGET	VARIANCE %	Target
2023/24 YTD	\$8.76M	\$9.12M	3.9%	At or within 5% of budget

## Other revenue

	ACTUAL	BUDGET	VARIANCE %	Target
2023/24 YTD	\$61.64M	\$72.53M	15.0%	At or within 5% of budget

## Debt as a proportion of Annual Plan forecast

	ACTUAL	FORECAST	VARIANCE %	Target
	\$125.0M	\$133.2M	6.2%	Within 5% of forecast debt

## Rates debtors

	PERCENTAGE COLLECTED	VARIANCE %	Target
	96.57%	3.43%	Within 5% of total rates

**Operating performance** through quarter three is largely in line with revised 2023/24 Budget.

**Revenue** down on budget \$1.6m is mainly driven by timing of subsidies and projected to be in line by year end, this has been offset by expenditure \$1.1m under budget through March 2024 based on phasing of expenditure on capital projects.

**Capital Subsidies** are significantly under budget (\$9.4m); with the variance reflecting timing predominantly related to transport and Better Off Funded projects, which is linked to Capital Expenditure also less than budget.

**Applications of Capital Funding** are \$26.2m through quarter three which is \$20.0m less than budget of \$46.1m (43%), this likely variance was signalled early in the year, mainly related to the whole of project life phasing of capital expenditure, predominantly in the Transport and Three Waters Activities.

**Q3 forecasts indicate** around \$35.4m of capital expenditure budget will be rephased to future years, of which \$29.5m has already been included in LTP2034. Net Borrowings are at \$125.0m as at March 2024 against a revised budget year to date of \$133.2m reflecting lower capital expenditure funding requirement year to date [Q3 Fcst to June 2024 \$137.9m against revised budget \$174.2m].

**7.3.2 Appendix 1 - Organisation Performance Q3 2023/24(Cont.)**

## Preparedness Performance Measures

### *Ngā inenga mahi whakaritenga*

The following measures show the capacity of the organisation to meet current and future obligations as required.

#### **Emergency Operations Centre**

There are currently 76 staff on the Emergency Operations Centre (EOC) roster (90 required). Due to staff attrition (exit from EOC roster and or WDC organisation) we are re-building capability, consisting of increasing rostered staff numbers and their training levels. 55% (80% goal) 50 current of the 90 required EOC staff have completed Intermediate level training. This number includes those who have completed Function specific training and Coordinated Incident Management System (CIMS4) training (40 exclude staff with no training, foundation course level only, and the vacancies in the current roster). The 90 staff required on the roster is 10 managers + 20 staff. 30 staff per shift, 3 shifts per 24hr period.

Some new activities to help reach the capability development goals of 90 staff on roster, 80% of staff trained to Intermediate Level are; buy in from Executive Office to ensure people leaders are aware of need for EM training for EOC staff to be prioritised. New physical/virtual mix WDC Emergency Management Induction Course allowing new and existing staff to complete the foundation course alongside each other and our EMO. EOC standup monthly meetings giving EOC staff the opportunity to train inhouse. Regular updates to WDC EOC staff on regional training dates. Co-facilitation of WDC EMO (emergency management officers) in CIMS4 and Intermediate level training courses means closer consistent relationships with our staff during training.

#### **Number of staff attending Māori development training programmes**

During this reporting period, significant progress has been made regarding the Long-Term Plan and the legislative adjustments introduced by the current government.

Our team has dedicated considerable effort to engaging with Iwi and Hapū, actively encouraging their input and participation in the Long-Term Plan process. This endeavour has proven successful, with a notable increase in submissions received and presentations made before our elected members. Currently, we are reviewing these submissions and aligning them with our team's existing Long-Term Plan proposal and ongoing work programme.

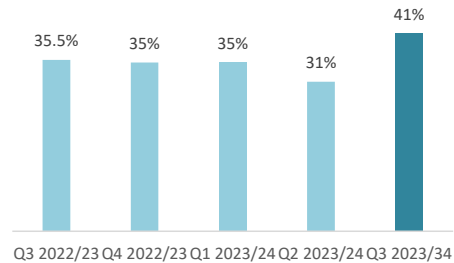
Furthermore, Toi Kotuia has been closely monitoring developments from Central Government, particularly focusing on proactive planning to anticipate potential impacts on Iwi, Hapū, and whānau regarding matters such as three waters, Māori Wards, and Fast Track Approvals. As a result, adjustments have been necessary to our current work program, prompting a concerted effort from all team members to support the organisation in crafting submissions and conducting impact analyses to assist our future work programme.

**7.3.2 Appendix 1 - Organisation Performance Q3 2023/24(Cont.)**

**Percentage of staff who have completed cyber security training**

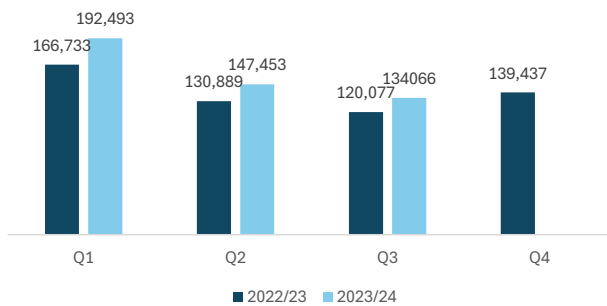
In Q3, 7 module trainings were provided from provider KnowBe4 including topics such as Phishing, Hacking and Technology Security. 41% of staff completed these. The new Team Leader liaised with a Communications Engagement Partner to try to encourage staff participation by 'wiping the slate', one module a month, 10 minute approximate timings, incentives, and explanations of first-line of defence, signifying the importance of cyber security training.

Target: 50%



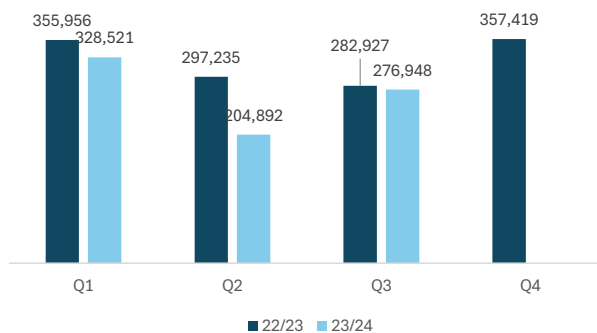
**Emission reductions through the energy management programme<sup>2</sup>**

Total CO2e (kg)



Energy emissions have reduced from the last quarter; however, when compared to the same period last year, emissions have increased by approximately 1.1%. This is a direct correlation of the increase in energy use (as displayed in the Energy Use graph below). Facilities that have contributed to increased energy usage included the Civic Building, Aquatic Centre, Braemar Rd pump station, and the Murupara pools – this is discussed in more detail in the following paragraph. It is worth noting that staff have updated the Q3 emissions 2022/23 figure since the last organisation performance report – as the Ministry for Environment have since updated their emissions calculation formula<sup>1</sup>.

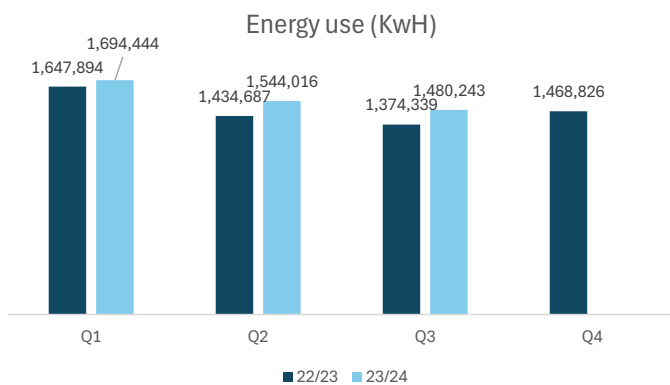
Spend (\$)



Despite energy usage being higher in comparison to the same period for the previous year, energy spend has continued to decline. This was expected as a reflection of where the electricity futures market was at the time of signing a contract with the retailer (Mercury).

<sup>2</sup> The emissions figures have been updated since the last organisation performance report. Figures have been updated due to revised emissions factors that have been released from the Ministry for Environment.

**7.3.2 Appendix 1 - Organisation Performance Q3 2023/24(Cont.)**



Energy use has fallen from the previous quarter; however, energy use has increased by 7.7% when compared to the same period last year. Reasons for the increase in energy use include staff being back in the Civic Building, with afterhours electricity being higher than anticipated in January and February; however, after-hour usage decreased in March because of improving schedules for heating, ventilation and air conditioning systems. Other reasons for increased energy usage includes additional pumps being installed at the Braemar Rd pump station for the additional screens, gas being used to heat the aquatic centre’s outdoor pool whilst the heat pump was being repaired, and the Murupara pools being open until the end of March (previously it is closed earlier) – requiring more electricity for heating.



# Progress Report against the Council Business Plan 2023-24

## Introduction:

The following information provides an overview of progress against the Whakatāne District Council's work programme as set out in the Council's Business Plan for the 2023-24 financial year. This report represents the status of the work programme at the end of quarter three of the financial year (as at 31 March 2024). The Business Plan illustrates Council's work programme for a 'one-year' period and supports implementation of Council's Long-Term Plan 2021-31 which sets out Council's direction, priorities, projects, activities and indicative budget for a 'ten year' period.

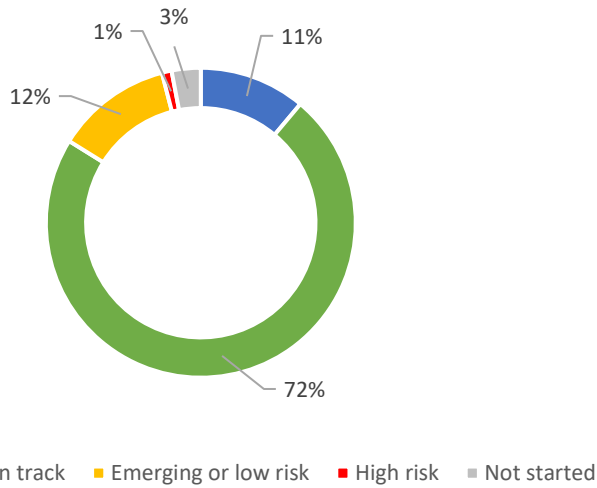
## Overview of progress against the Business Plan as at quarter 3:

- There are a total of 205 items listed in the Business Plan for the 2023-24 year (as at 31 March 2024).
- Of these items 83% are either completed or on track at the end of quarter 3.
- As we are in year three of our current LTP, there are a large number of items due for completion by end of the financial year.
- Work programme delivery risks have been reported to the executive team for management, with eight project risks brought forward for Council information.
- Of the 24 high profile "key projects" in the Business Plan, six are reporting 'low or emerging risk', and one item has not yet started\*
- Three projects (not key projects) report high risk at quarter three\*

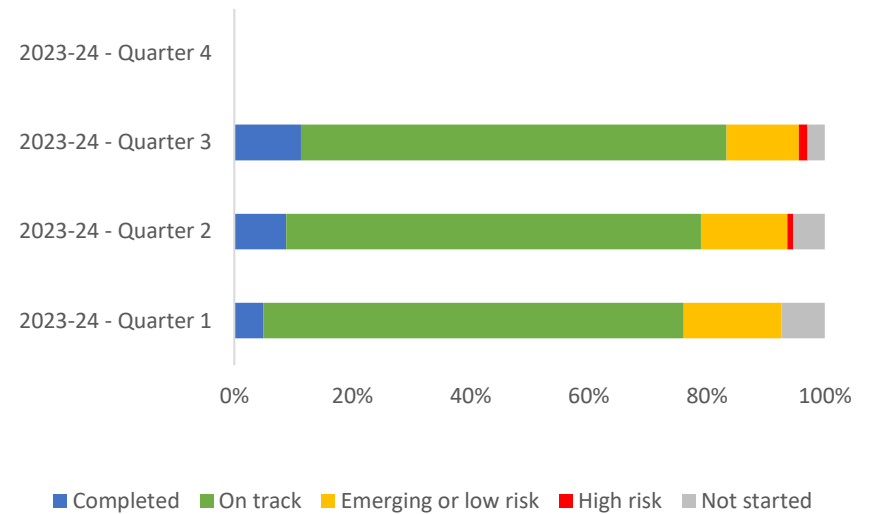
\* *These nine projects risks are included in the table later in this report.*

### How we are tracking against the full business plan:

As at quarter three, the Council Business Plan reports against 205 programmes, projects, services and initiatives. At the end of the second quarter of the 2023/24 financial year the work programme is tracking overall as follows.

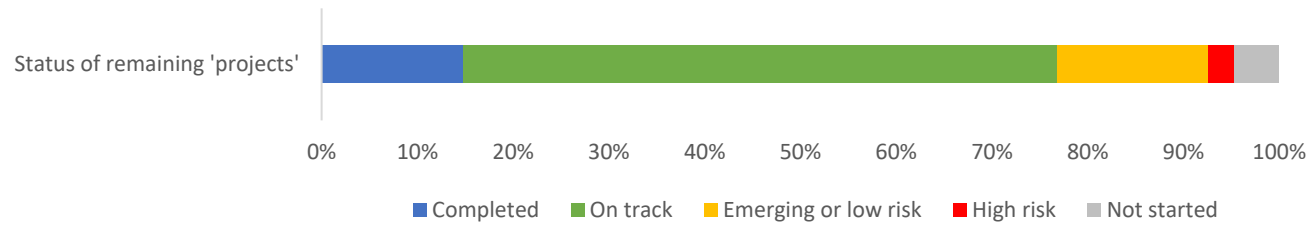
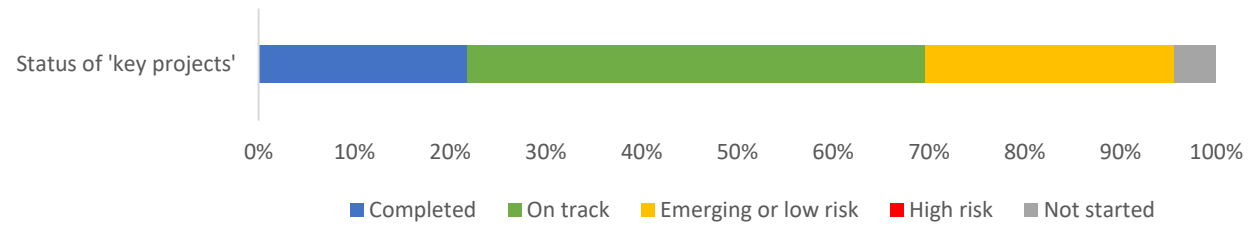
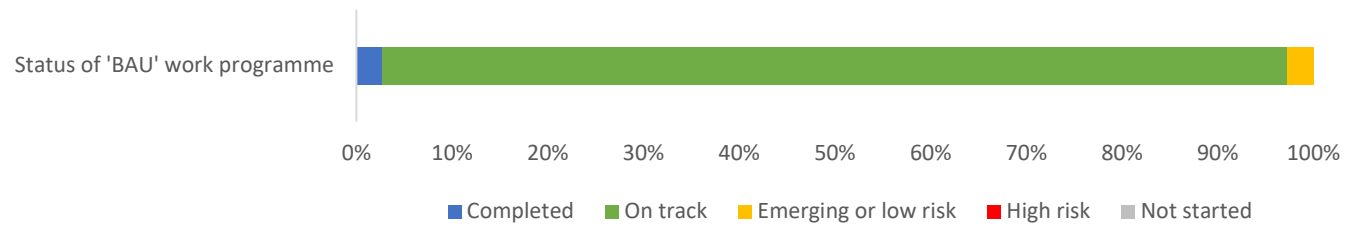


### How we are



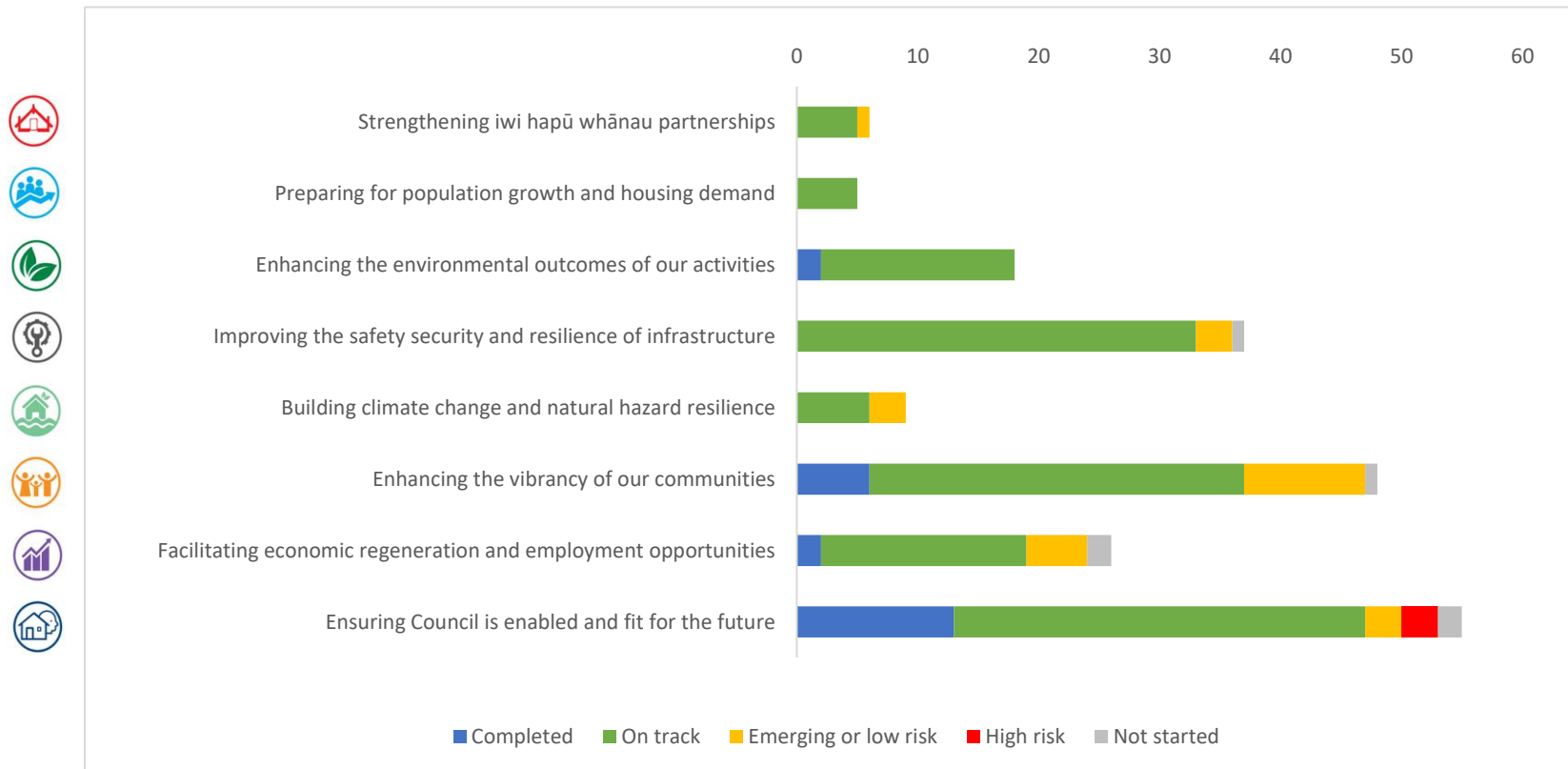
### Tracking against BAU versus projects

These charts show progress against various subsets of our work programme including the status of our ongoing service delivery work compared to projects. Our current Business Plan reports against 205 items including 111 BAU items, 24 key projects, and 70 remaining projects.



## How our work programme is tracking against the strategic goals in our Long-Term Plan (LTP)

Our 2021/31 LTP sets out eight strategic goals that the organisation is working towards on behalf of the community with Council is progressing numerous projects, initiatives and work programmes to work towards these priorities. The information on this chart illustrates progress against the full work programme arranged by each of Council’s strategic goals.



### Analysis of risk in the Business Plan as at quarter 3 of the 2023-24 financial year:

Of the 205 items in the Business Plan for this year, 25 items are brought to attention due to their risk status as at quarter 3. This includes any items that trigger the one or more of the following risk criteria.

- a. **'High risk'** Any items that identify a high level of risk.
- b. **'Key projects at risk'** Key projects that identify any level of risk or are not started.
- c. **'EOFY completion risk'** Any item that is due for completion EOFY and is not yet started or carries risk.

\*Note: Some items are triggered by multiple risk categories and will feature more than once in the following table.

Ref#	GM sponsor	Item type	Project / item	Intended completion (FY)	Risk status			Staff commentary
					Q1	Q2	Q3	
a. Items that identify a high level of risk								
1.3.05*	GM:People & Engagement	Project	Finalise communications strategy and commence implementation	2024	On track	High risk	High risk	Strategy approved by Executive. Session for Councillors and project implementation currently being developed. Scope of implementation subject to funding and resources.
2.1.10*	CFO-GM:Business Partnering	Project	LTP sub-project: Rates Review	2024	On track	On track	High risk	The rates review for UAGC has been completed as part of the LTP. With water services now remaining with Council a review of Targeted Water Rates is also necessary and will commence next financial year.
3.1.10	GM:Infrastructure	Project	Shaw Rd to Landing Rd Bridge shared use path and Awatapu causeway to Cutler Cres shared use path (Transport Choices projects)	TBC	Emerging or low risk	High risk	n/a	These projects have previously been identified as high risk due to Central Government funding changes. The projects are now 'deferred' and have been added to our Transport Improvement Projects database to be executed in accordance with the programme prioritisation.
8.3.05*	CFO-GM:Business Partnering	Project	Review financial delegations	2024	Not started	Not started	High risk	Long Term Plan priorities have impacted this deliverable. The project is expected to commence next financial year.
b. key projects that identify any level risk or are not yet started								

Ref#	GM sponsor	Item type	Project / item	Intended completion (FY)	Intended completion			Staff commentary
					Q1	Q2	Q3	
2.1.16	GM:Strategy & Transformation	Key project	Coordinate BOF programme delivery and reporting (tranche 1 projects)	2025	On track	On track	Emerging or low risk	Central government have advised a change in policy regarding Better Off Funding that may result in redirection of funding away from projects that are not yet committed.
2.4.04	GM:Strategy & Transformation	Key project	Manage Boat Harbour project workstreams and shareholder reporting to Council	ongoing	Emerging or low risk	Emerging or low risk	Emerging or low risk	The project commencement has been delayed while soil contamination assessments and remediation planning is completed to the satisfaction of Regional Council. Once the remediation plan is completed and the final stage of Resource Consenting is signed off then a project cost review and update can be completed and presented to the shareholders of which Council is one.
2.4.05	GM:Strategy & Transformation	Key project	Reset town centre riverfront project (Te Ara Hou)	2025	Emerging or low risk	Emerging or low risk	Emerging or low risk	Kanoa has been asked if funds can be reallocated to other projects such as the Boat Harbour but we have not yet received a response. The outcome has been delayed by the election and change of government.
2.4.06	GM:Strategy & Transformation	Key project	Review Town Centre vision document	2025	Not started	Not started	Not started	This project has strong linkage to the above item. The Chief Executives Group are meeting regularly but are not yet ready to start Town Centre review. Staff are working to the current plan.
4.1.06*	GM:Infrastructure	Key project	Navigating three waters reform and transition to new delivery model	2024	Emerging or low risk	Emerging or low risk	Emerging or low risk	This project has been impacted by a change in central government policy. Council currently has no clear internal resourcing plan to respond to impending legislation expected under central government 'local water done well' reframing of the reform.
7.4.07	GM:Community Experience	Key project	Acquire land and subject to acquisition, develop plan for new cemetery	2025	Emerging or low risk	Emerging or low risk	Emerging or low risk	Risk is associated with finding appropriate land to advance this project.

Ref#	GM sponsor	Item type	Project / item	Intended completion (FY)	Q1	Q2	Q3	Staff commentary
8.1.09	GM:People & Engagement	Key project	Fit for future organisation review (planning for post reform organisational design)	2027	On track	On track	Emerging or low risk	This project is on pause due to changes in central government reform programme. The project awaits the outcome of key inputs such as Local Water Done Well before recommencing.
c. Items due for completion by EOFY that carry risk or are not yet started								
1.3.05*	GM:People & Engagement	Project	Finalise communications strategy and commence implementation	2024	On track	High risk	High risk	(See commentary above under category a)
1.4.06	GM:People & Engagement	Project	Develop Diversity and Inclusion Policy	2024	Emerging or low risk	Emerging or low risk	Emerging or low risk	Work is well underway with workshops having taken place with 5 interest groups. Project risk is associated with the initially expected completion timeframe.
1.4.09	GM:People & Engagement	Project	Support development of community plan for Awatarariki fan-head reserve	2024	Emerging or low risk	Emerging or low risk	Emerging or low risk	Next steps are dependent on progress and milestones being worked through by external (community) partners. The project will continue into the next financial year.
2.1.10*	CFO-GM:Business Partnering	Project	LTP sub-project: Rates Review	2024	On track	On track	High risk	(See commentary above under category a)
2.3.05	GM:Strategy & Transformation	Project	Finalise Destination Management Plan in collaboration with Iwi	2024	On track	On track	Emerging or low risk	This project is in the process of gathering Iwi feedback and staff are following up.
2.3.07	GM:Strategy & Transformation	Project	Construct stages of Rangitaiki Cycle Trail - Edgcombe to Thornton stage and Mill Rd stage (incl BOF contribution)	2024	Emerging or low risk	Emerging or low risk	Emerging or low risk	Stage One to Edgcombe Reserve on track. Stage Two past orchards requires further research and consultation with adjoining landowners. Timeframes to change to 2025 to coincide with floodbank work.
2.3.08	GM:Strategy & Transformation	Project	Mitchell Park capital improvements programme	2024	On track	On track	Not started	Funding was not approved by Council. The project will be reconsidered a staged approach during Q1 2024-25

Ref#	GM sponsor	Item type	Project / item	Intended completion (FY)	Intended completion			Staff commentary
					Q1	Q2	Q3	
2.4.09	GM:Strategy & Transformation	Project	Research project to understand the local Māori economy	2024	Not started	Not started	Not started	This project has been deferred due to potential implications and dependency on the Eastern Bay of Plenty Economic Development Strategy which is currently under review. Iwi are heavily involved in the Strategy.
4.1.06*	GM:Infrastructure	Key project	Navigating three waters reform and transition to new delivery model	2024	Emerging or low risk	Emerging or low risk	Emerging or low risk	(See commentary above under category b)
4.1.13	GM:Infrastructure	Project	Develop a plan to reduce District wide leakage/water loss	2024	Not started	Not started	Not started	Priorities within three waters activities have been impacted by changing central government policies. Budget is being dedicated to this project through the draft LTP with the project expected to commence in the next financial year (subject to LTP finalisation).
4.1.15	GM:Infrastructure	Project	Develop a Whakatāne water scheme pressure reduction plan	2024	Emerging or low risk	Emerging or low risk	Emerging or low risk	Priorities within three waters activities have been impacted by changing central government policies. Work is in progress but with time delays.
4.1.18	GM:Infrastructure	Project	Assess options for alternative communications system for SCADA network	2024	On track	Emerging or low risk	Emerging or low risk	Priorities within three waters activities have been impacted by changing central government policies. This is a complex project in particular with uncertainty around the reform. Past SCADA strategy to be reviewed.
7.3.02	GM:Community Experience	Project	Progress renewal and capital works projects per the Holiday Park Business Plan	2024	On track	On track	Emerging or low risk	With budget pressure the ablation block project will be rescope and rephased to meet funding limitations.
7.4.08	GM:Community Experience	Project	Planning and partnership for Ngā Tapuwāe o Toi trail	2024	Emerging or low risk	Emerging or low risk	Emerging or low risk	Council is a partner in this project. The project is led by Department of Conservation with timing is outside of our control.
7.5.06	GM:Community Experience	Project	Collections condition assessment, cataloguing, and location project (storeroom 3)	2024	On track	On track	Emerging or low risk	Limited staff capacity means we have needed to prioritise other projects.



Ref#	GM sponsor	Item type	Project / item	Intended completion (FY)	Q1	Q2	Q3	Staff commentary
8.3.04	CFO-GM:Business Partnering	Project	Review procurement to centralise and align to best practice incorporating better outcomes (social procurement) framework including revised principles, policies and procedures	2024	Emerging or low risk	Emerging or low risk	Emerging or low risk	This project has been delayed due to competing ELT and CFO priorities. The Procurement and Risk Manager is developing an implementation plan for approval from ELT expected in May 2024.
8.3.05*	CFO-GM:Business Partnering	Project	Review financial delegations	2024	Not started	Not started	High risk	(See commentary above under category a)
8.4.06	CFO-GM:Business Partnering	Project	Implementation of applications and systems aligned to roadmap identified in IS Strategy, as reviewed and agreed with ISGG, to support organisational outcomes	2024	Not started	Not started	Not started	This project has been impacted by competing priorities and is expected to carry forward to 2025.

#### Common reasons for risk:

Risk commentary has been analysed to understand any key/recurring themes of risk. The main risk themes that emerged included:

- Central government uncertainty [n=12]: e.g. change in central government direction/awaiting central government direction or decision
- Capacity limitation [n=7] e.g. internal capacity challenges/competing priorities for internal capacity/recruitment delay
- Engagement dependency [n=6] e.g. need further engagement/awaiting outcomes of engagement/awaiting project partners
- Technical dependencies [n=6] e.g. awaiting consent/awaiting strategy development/working through technical matter
- Financial limitation [n=4] e.g. financial constraints/awaiting funding gateway

**7.3.2 Appendix 1 - Organisation Performance Q3 2023/24(Cont.)**

## How our measures are calculated

**Overall resident satisfaction with Council services** – Results are provided from the quarterly Residents Satisfaction Survey provided by SIL research. The overall score includes all survey questions relating to the satisfaction with Council services. The New Zealand Benchmark is calculated at the end of the financial year and compares how we have performed, against other Councils. Our target will change every year based on this result and will report against the previous year's benchmark.

**Requests for Service** – is the service delivery process that supports any request (job) received by the public that is formally recorded. The request is then referred to the appropriate department for further action and closed once completed. A Request for Service enables our community to notify Council of any problems/concerns in our District that need to be brought to our attention for necessary action such as animal control, water, or rates etc. There are multiple ways a Request for Service can be logged such as telephone, email, website or in person.

**Emergency Operations Centre (EOC) Training Requirements** – 90 staff are required to be on the EOC roster, with 60% of these staff to have completed training appropriate for the role. This measure ensures that we are prepared to effectively manage and respond to an emergency.

**Culture and Leadership Survey** – This is sent to 100 randomly selected staff members to participate in quarterly. The survey has a total of 25 questions (11 relating to workplace culture, 7 relating to leadership, and 7 relating to performance development) to help us understand staff perception of our culture and leadership.

**LGOIMA** – This is a request for information under the Local Government Official Information and Meetings Act 1987. These requests must be completed within 20 days of being received.

**Emission reductions** – Council undertook an energy audit in 2018 in collaboration with the Energy Efficiency and Conservation Authority (EECA) and with the support of Council's energy management contractor, EMSOL. Since September 2019, an energy management programme has been underway to identify, implement, and monitor opportunities for energy savings and emission reductions. Council continues to monitor specific sites and facilities of interest, which contribute towards the majority of Council's energy use. The emission reduction metric, reports on the carbon dioxide equivalent (Co2e) emitted from the 14 sites included in the energy management program. CO2e is calculated from electricity and natural gas usage. Reduction in energy usage and switching of source contributes to a reduction in our total carbon dioxide emissions.

**7.3.2 Appendix 1 - Organisation Performance Q3 2023/24(Cont.)**



WHAKATĀNE DISTRICT COUNCIL ORGANISATION PERFORMANCE REPORT Q2

1 OCTOBER – 30 DECEMBER 2023

Te Pūrongo Aroturukitanga Mahi a

Te Kaunihera ā-rohe o Whakatāne 1

## 7.4 Finance Performance Q3 March 2024

### 7.4 Finance Performance Q3 March 2024

#### 7.4.1 Financial Performance Report Q3 to March 2024



---

To: **Finance and Performance Committee**

Date: **Thursday, 13 June 2024**

Author: **Gary Connolly – CFO and GM Business Partnering**

Authoriser: **Steph O’Sullivan – Chief Executive**

Reference: **A2681096**

---

#### 1. Reason for the report - *Te Take mō tēnei rīpoata*

To provide the Finance and Performance Committee with the management Financial Performance Reporting for the period ending 31 March 2024, the third quarter (Q3) of the 2024 financial year.

#### 2. Recommendation/Actions - *Tohutohu akiaki*

**THAT** the Finance and Performance Committee **receive** the financial performance report for the period ending 31 March 2024.

#### 3. Background - *He tirohanga whakamuri*

This report is presented to the Finance and Performance Committee as a snapshot of management financial performance as at 31 March 2024, the third quarter of the 2024 financial year. This provides an indication of financial performance year to date and insights on any key variances to performance which have been identified.

##### 3.1. Financial Performance Summaries

##### 3.2. The major financial KPI indicators are summarised as follows:

- a **Surplus of Operating Activities** of \$3.3m which is under budget by \$0.5m, impacted by phasing of subsidies, and as per the following report on Q3 June 2024 Forecast we are projecting to be back within the budgeted performance by year end.
- a **Deficit of Net Capital Expenditure before Borrowings** of \$15.2m compared with the revised budget of \$25.7m; reflecting timing of capital expenditure, predominately on projects, against original budget phasing resulting in lower capital expenditure incurred year to date. Q3 forecasts indicates approximately \$39.6m of the current years’ budget of \$89.3m is unlikely to be spent this financial year and pushed out into future years, most of which has already been accounted for in LTP2034.

**7.4.1 Financial Performance Report Q3 to March 2024(Cont.)**

- a **Reported Accounting Operating Deficit** of \$(5.4)m is \$8.6m less than the revised budget Reported Operating Surplus of \$3.2m, largely driven by the timing of capital expenditure with capital subsidies reporting below year-to-date budget by \$9.4m.
- a **Reported Accounting Deficit from all Activities** of \$(6.5)m is \$(9.8)m less than the revised budget surplus of \$3.2m, again driven by the lower capital subsidies plus shifts in other surplus/(deficit) derivative revaluations.

**4. Issue/subject – *Kaupapa***

The financial reporting presented in this paper covers the period to 31 March 2024. The information presented depicts financial impacts of Operating and Capital Expenditure at a summary level along with explanations of material variances.

## 7.4.1 Financial Performance Report Q3 to March 2024(Cont.)

## 4.1. OPERATING PERFORMANCE:

Financial Performance For the 9 Months ending 31 March 2024	\$000			
	Actual YTD	Revised Budget YTD	Variance YTD	Revised Budget Full Year
<b>OPERATIONAL</b>				
Sources of Operating Funding				
Revenue from Rates	43,034	43,601	(567)	60,260
User Fees and Charges	8,764	9,117	(353)	11,594
Subsidies and Grants for Operating Purposes	5,654	7,025	(1,371)	8,374
Other Operating Income	2,162	1,534	627	2,047
<b>Total Sources of Operating Funding</b>	<b>59,614</b>	<b>61,277</b>	<b>(1,663)</b>	<b>82,275</b>
Applications of Operating Funding				
Payment to Staff	19,559	19,601	42	27,086
Payment to Suppliers	31,115	31,864	749	43,229
Financing Costs	5,600	5,951	351	8,281
<b>Total Applications of Operating Funding</b>	<b>56,273</b>	<b>57,416</b>	<b>1,142</b>	<b>78,597</b>
<b>Surplus (Deficit) of Operating Activities</b>	<b>3,341</b>	<b>3,861</b>	<b>(521)</b>	<b>3,679</b>
<b>CAPITAL</b>				
Sources of Capital Funding				
Subsidies and Grants for Capital Purposes	10,651	20,052	(9,401)	29,190
Development Contributions	134	320	(186)	426
Gain (Loss) on Disposal of Assets	205	0	205	0
<b>Total Sources of Capital Funding</b>	<b>10,989</b>	<b>20,371</b>	<b>(9,382)</b>	<b>29,616</b>
Applications of Capital Funding				
Capital Expenditure	26,154	46,110	19,955	93,360
Increase (Decrease) of Investments	0	0	0	0
<b>Total Applications of Capital Funding</b>	<b>26,154</b>	<b>46,110</b>	<b>19,955</b>	<b>93,360</b>
<b>Surplus (Deficit) of Net Capital Expenditure</b>	<b>(15,165)</b>	<b>(25,738)</b>	<b>10,573</b>	<b>(63,744)</b>
<b>OTHER ACTIVITIES</b>				
Non-Operating Activities				
Depreciation	(19,734)	(21,011)	872	(28,014)
Gain (Loss) on Revaluation - Derivatives	(1,141)	0	(1,141)	1,368
Gain (Loss) on Revaluation - Property, Plant & Equipment	0	0	0	4,176
Future loss on sale - investment property	0	0	0	(888)
<b>Surplus (Deficit) of Other Activities</b>	<b>(18,592)</b>	<b>(21,011)</b>	<b>(269)</b>	<b>(34,446)</b>
<b>FUNDING SUMMARY</b>				
Surplus (Deficit) of Operating Activities	3,341	3,861	(521)	3,679
Surplus (Deficit) of Net Capital Expenditure	(15,165)	(25,738)	10,573	(63,744)
<b>Net Operating and Capital Cash Utilisation</b>	<b>(11,824)</b>	<b>(21,877)</b>	<b>10,053</b>	<b>(60,065)</b>
<b>Funding (Debt) Movements</b>	<b>14,800</b>	<b>23,000</b>	<b>(8,200)</b>	<b>64,000</b>
<b>Reserves Funding Balance (Equity/Working Capital)</b>	<b>(2,976)</b>	<b>(1,123)</b>	<b>(1,853)</b>	<b>(3,935)</b>
Balance of Borrowings (Net of Deposits on Call and on Term)	125,000	133,200	(8,200)	174,200

Surplus from operating activities of \$3.3m is less than the budgeted operating surplus of \$3.9m.

Operating Revenue (Sources of Operating Funding) is within range of budget overall (3%) at the end of March 2024, the third quarter of the 2024 financial year.

Fees and Charges although YTD track unfavourably overall (4%) this is maintained against the previous quarterly report reflective of the new fees and charges coming into effect in December, there is no significant unfavourable variance evident in the quarter ended March 2024, indicating that with fee increases now in place we are performing in line with budget, though this reflects some offsetting variance across activities.

**7.4.1 Financial Performance Report Q3 to March 2024(Cont.)**

Resource Consents, Building Inspection, Animal Control and Parking Enforcement are reported down year to date and Whakatane Holiday Park, Trade Waste and Waste Management and Minimisation activities are reporting up.

Subsidies and Grants for Operating Purposes are less than budget by \$1.4m (20%), this variance mainly relates to Better Off Funded (\$800k) and Transport projects (\$750k) and is timing related.

Other Operating Revenue at \$2.2m is \$630k higher than budget of \$1.5m; predominantly owing to interest revenue \$450k higher than budgeted. Treasury advice was to prefund loans due in April 2023. The pre-funding has been put on term deposit until April 2024 leading to more interest revenue than originally anticipated.

**4.2. Operating Expenditure (Applications of Operating Funding) is \$56.3m which is in range of budget of \$57.4m (2%).**

Payment to Suppliers is less than budget by \$750k (2%); a timing benefit for operational project expenditure behind phased budget is offset by some expenditure classes reporting over budget at the close of Quarter Three.

Operating Project expenditure below phased budgets is outlined in the table below:

Significant Operating Project Variances as at 31 March 2024	Actual YTD \$	Revised Budget YTD \$	Variance YTD \$	Budget Full Year \$	Comment
<b>Economic Development &amp; Regeneration</b>					
E10004 - Tourism Product Development	2,030	80,805	78,775	107,740	General Rate funded.
E10006 - Town Regeneration	49,927	349,948	300,021	-	50% General Rate funded, 50% Harbour Funded.
E20001 - Investment Strategy	280,614	412,798	132,184	412,798	Budgeted to be funded from Harbour Fund
E20003 - Tourism Development Plan (MBIE funded)	135,779	559,363	423,584	586,666	Funded by MBIE subsidy
<b>Total Economic Development &amp; Regeneration</b>	<b>468,350</b>	<b>1,402,914</b>	<b>934,564</b>	<b>1,107,204</b>	
<b>Resource Management - Policy</b>					
Y50043 - Landslide District Plan change	10	200,000	199,990	200,000	Anticipated carryforward unspent balance
Y50045 - Minimum Floor Level Consenting	47	100,000	99,953	100,000	Anticipated carryforward unspent balance
Y50046 - Spatial Plan Change	424,780	161,610	(263,170)	215,480	Spend offset with subsidy revenue (BOF, KDC & BOPRC)
Y50047 - NPS Implement Updates & Change	-	120,383	120,383	228,123	Anticipated carryforward unspent balance
<b>Total Resource Management - Policy</b>	<b>424,837</b>	<b>581,993</b>	<b>157,156</b>	<b>743,603</b>	
<b>Better Off Funded Projects</b>					
L10501 - Collective Iwi Hub	36,297	629,040	592,743	1,000,000	Anticipated carryforward unspent balance
Y50050 - Southern Districts Regeneration (Murupara/Mingi)	-	225,000	300,000	-	Anticipated carryforward unspent balance
<b>Total Better Off Funded Operating Projects</b>	<b>36,297</b>	<b>854,040</b>	<b>892,743</b>	<b>1,000,000</b>	
<b>Total YTD variance</b>	<b>929,484</b>	<b>2,838,947</b>	<b>1,984,463</b>	<b>2,850,807</b>	

Offsetting the below budget costs outlined in the table are expenditure items which are reporting over budget:

- Recoverable expenses (Building and Resource Consent); \$300k overbudget, this expenditure has almost entirely been recovered through revenue.
- Legal expenses \$170k over budget; Resource Consents (\$90k), Emergency Management - relating to IAG Edgecumbe Flood claim (\$40k), Roads and Footpaths (\$30k).
- Insurance \$330k (21%) overbudget, owing to higher than budgeted premiums.
- Rates on WDC properties \$180k higher than budget; reflecting impact of revaluation particularly in Water activity, and rates budget not adjusted for additional 2.5% increase for 2024 AP (from LTP).
- Licensing expenses are over budget \$370k, while some of this is timing related, it is anticipated that these costs will exceed full year budget at year end.

**7.4.1 Financial Performance Report Q3 to March 2024(Cont.)**

Financing Costs of \$5.6m are \$350k under budget year to date (\$6.0m), meaning that on a net basis accounting for over budget performance in interest income we are \$800k down on budget. Expenditure is reflecting lower than budgeted loan drawdown owing to lower capital expenditure incurred versus budget year to date.

**4.3. CAPITAL PERFORMANCE:****4.4. Sources of Capital Funding are \$11.0m which is \$9.4m less than budget of \$20.4m.**

Capital Subsidies are significantly under budget (\$9.4m); with the variance reflecting timing predominantly related to transport and Better Off Funded projects, which is linked to Capital Expenditure also less than budget.

**4.5. Applications of Capital Funding are \$26.2m which is \$20.0m less than budget of \$46.1m (43%).**

This variance is mainly related to the timing of capital expenditure, predominantly in the Transport and Three Waters Activities. Q3 forecasts indicate around \$35.4m of capital expenditure budget will be rephased to future years, of which \$29.5m has already been included in LTP2034 .

**Depreciation and Non-Operational Activities.**

Depreciation: Depreciation of \$19.7m is \$1.3m (6%) less than budget of \$21m. Many of the Council owned assets went through Fair Value Assessments or full valuations during the 2023 financial year. Together with some capital projects not progressing in 2023, this has resulted in some activity variances. This combined with the lower application of capital funding detailed above results on the depreciation variance.

Gain on Derivatives: An overall loss on derivatives of \$1.1m is reported to the end of March. This is expected to change to be a slight gain by year end. However, this will be subject to the next OCR review on 22 May 2024.

**4.6. SUNDRY ACCOUNTS RECEIVABLE (NON-RATES)**

Sundry Accounts Receivable (non-rates) as at 31 March 2024							
Activity	Current	Overdue 30 days	Overdue 60 days	Overdue 90+ days	Total March 2024	Total March 2023	Total 30 June 2023
Airport	1,402.50	-	1,357,066.67	192,273.04	1,550,742.21	208,921.90	202,268.27
Animals	-	-	-	23,819.35	23,819.35	25,709.11	25,709.11
Building Consents	45,106.12	9,123.63	3,804.37	39,744.32	97,778.44	108,686.88	135,591.79
Refuse Transfer Station	205,907.08	26,939.28	14,395.96	14,878.11	262,120.43	221,289.12	124,490.38
Halls	27,063.55	287.55	478.75	4,708.79	32,538.64	47,461.81	20,260.71
Harbour Ground Lease	58,589.34	(1,339.42)	36,434.08	(4,880.17)	88,803.83	110,385.10	328,201.90
Leases/Rental (non Harbour)	47,626.27	1,955.38	489.08	18,321.03	68,391.76	96,471.05	86,801.18
Licences	15,679.50	5,117.20	265.54	34,175.91	55,238.15	60,982.25	80,429.82
Resource Consents	26,070.83	2,495.63	8,484.03	186,438.00	223,488.49	143,941.93	213,208.01
Roading	33,972.41	3,497.21	2,289.32	105,991.66	145,750.60	66,337.99	287,991.33
Sundry debtors	533,794.94	3,259.97	830.66	27,494.06	565,379.63	310,291.81	366,081.73
Trade Waste	92,131.46	-	10,667.88	12,384.78	115,184.12	152,888.17	16,041.74
Aquatic Centre	38,187.25	(29.00)	494.00	7,824.00	46,476.25	23,354.68	20,477.88
Moorings/Hardstand/Berthage	22,388.57	-	-	(323.43)	22,065.14	71,182.38	37,408.09
Liquor Licensing	2,564.76	(0.05)	-	323.95	2,888.66	1,008.00	1,640.45
Cemetery	39,595.00	3,505.00	-	2,195.43	45,295.43	38,955.43	39,583.43
<b>Total</b>	<b>1,190,079.58</b>	<b>54,812.38</b>	<b>1,435,700.34</b>	<b>665,368.83</b>	<b>3,345,961.13</b>	<b>1,687,867.61</b>	<b>1,986,185.82</b>
	36%	2%	43%	20%	100%	100%	100%

\* Sundry debtors reported above includes sponsorship invoicing, invoicing for pest control, invoicing to recover costs, and other invoicing that does not fit under other categories.

Analysis of the Sundry Accounts Receivable Overdue 90+ days reflects the following:



**7.4.1 Financial Performance Report Q3 to March 2024(Cont.)**

**4.6.1. Major Outstanding Amounts:**

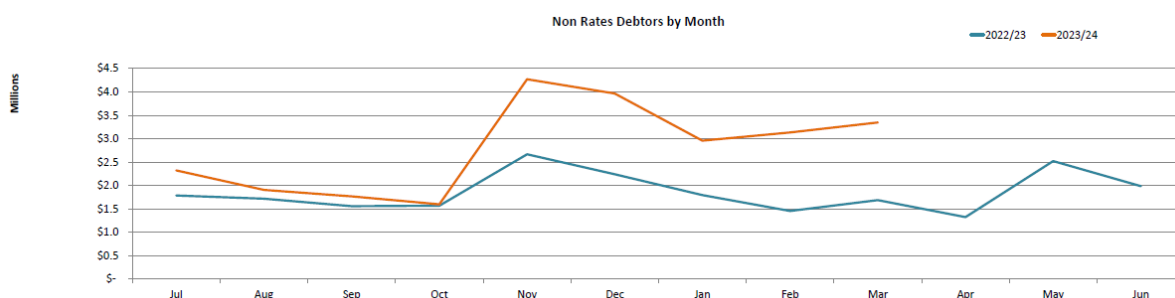
**Ministry of Transport \$1.54M**

Airport - This amount is made up of capital contributions due for the 2019 year, along with the outstanding Airport JV Contributions for the 2020-2023 year which have now been invoiced in December 2023 for \$1.35M. We are working with their senior responsible staff to arrange payment this quarter. We are currently working with Audit NZ to get the 2019 Annual Accounts finalised.

**MMS GP Ltd \$85k**

Resource consents – This amount relates to activity associated with property at 77 Bunyan Road, Piripai, referenced as the Piripai Block or also at times as the Ōpihi Block. Accounts Receivable are not actively pursuing collection pending resolution of other commercial issues associated with that property.

**4.6.2. Trend in sundry receivables:**



**Explanation of Graph – How are debt levels tracking between this year and last year?**

- Total debt for March 2024 has increased by \$1.6M compared with March 2023. Most of the increase is due to the \$1.3m of invoices being raised for the Ministry of Transport's contribution to the Whakatāne Airport. The invoices relate to 50% of the net losses and 50% of capital projects incurred for the 2020 – 2023 financial years.
- Sundry Debtors have increased by \$255K compared with the same time last year. This is due to invoices being raised to our neighbouring councils, for their contribution to the Spatial Plan project.
- 90-day debt has decreased by 20% in March (2024:28%; 2023:48%). The main contributors to this were Refuse Transfer Station (reduced by 56K) and Trade Waste (reduced by \$55K), due to overdue debts being recovered.

**4.7. RATES DEBTORS**

The total land rates debt as at 31 March 2024 is \$8.05 million (31 March 2023: \$7.99 million).

The percentage of invoiced rates collected for the 2023 financial year as at 31 March is 96.57%, this compares to 96.86% collection at the same time last year. Collection has remained relatively static despite the annual increase in rates and increased cost-of-living pressures across our communities, but a downward trend is becoming more evident.

The percentage of quarterly rates invoicing collected at the reporting date is shown in the following table:

**7.4.1 Financial Performance Report Q3 to March 2024(Cont.)**

<b>Percentage Collected</b>	<b>2024</b>	<b>2023</b>	<b>2022</b>
Q1 as at 30 September	94.76%	95.74%	95.30%
Q2 as at 31 December	96.05%	96.48%	96.69%
Q3 as at 31 March	96.57%	96.86%	96.94%
Q4 as at 30 June		97.23%	97.28%

**Rates Rebates**

Reflecting the increased focus on what we can do to support our community in managing rates payments in the current difficult economic conditions, it is positive to see an increase of 7.5% to the end of March 2023 (1,080 in comparison to last year's 1,005) for rates rebates processed on behalf of our community allowing them to offset some of the costs through central government support.

The Rates team continue to encourage low-income ratepayers to submit applications for the increased rebate amount of up to \$750. Application forms sent with 1st instalment invoices to all customers who claimed last year as well as newsletter and website updates. The team will send a reminder in the final Rates invoice for previous years applicants who haven't yet reapplied. We continue to work with Communications and Community Partnerships to further raise awareness.

5. **Options analysis - *Ngā Kōwhiringa***

No options have been identified relating to the matters of this report.

6. **Significance and Engagement Assessment - *Aromatawai Pāhekoheko***6.1. **Assessment of Significance**

The recommendations of this report are assessed to be of low significance in accordance with the Council's Significance and Engagement Policy.

6.2. **Engagement and community views**

Due to the low significance of the matters of this report, public participation is not required to inform decision-making, as set out in Section 6.1(a) of the Council's Significance and Engagement Policy.

7. **Considerations - *Whai Whakaaro***7.1. **Financial/budget considerations**

There are no budget considerations associated with the recommendations of this report other than as addressed within the analysis.

**7.4.1 Financial Performance Report Q3 to March 2024(Cont.)**

**7.2. Strategic alignment**

This report serves to assure council that financial performance is in alignment with the 2023-24 Annual Plan in support organisational strategies.

**7.3. Climate change assessment**

The matters of this specific report do not have an impact on the District biodiversity and ecology.

Based on this assessment, the decisions and matters of this report are assessed to have low climate change implications and considerations, in accordance with the Council's Climate Change Principles.

**7.4. Risks**

The ratios in comparison to policy and debenture trust deed requirements demonstrate that the loan portfolio is low risk and is comfortably within all ratio requirements.

## 7.5 Financial Forecast Report Q3 to 30 June 2024

### 7.5 Financial Forecast Report Q3 to 30 June 2024

#### 7.5.1 Financial Forecast Report Q3 to 30 June 2024



To: **Finance & Performance Committee**

Date: **Thursday, 13 June 2024**

Author: **Gary Connolly / CFO and GM Business Partnering**

Authoriser: **Steph O'Sullivan / Chief Executive**

Reference: **A2681099**

#### 1. Reason for the report - *Te Take mō tēnei rīpoata*

Financial forecasts have been prepared at the end of Quarter Three (Q3) of the 2023-24 financial year, this is to give the Council an updated indication (from Quarter Two) as to the projected financial impacts for the 2024 financial year.

#### 2. Recommendations/Actions - *Tohutohu akiaki*

1. THAT the projected Q3 Financial Forecast to 30 June 2024 report **be received**.
2. THAT the Q3 Financial Forecast **be approved**, reflecting:
  - i. a projected **Surplus of Operating Activities** of \$6.0m against a revised budget of \$3.7m [Q2 Fcst \$5.2m]
  - ii. a projected net **Capital Cash Expenditure before Borrowings** of \$31.7m against a revised budget of \$63.7m [Q2 Fcst \$37.1m]
  - iii. a projected **Reported Operating Deficit** of \$(2.7)m against a revised budget Reported Operating Surplus of \$5.3m [Q2 Fcst Surplus \$2.2m].
3. THAT it **be noted** the impact of the Q3 projected deficit owing to the projected Net Capital Expenditure being lower than Forecast Q2 means projected net borrowings are now forecast at \$137.9m an increase in the year of \$27.7m; against a revised budget net borrowing of \$174.2m [Q2 Fcst Borrowings \$143.7m].

#### 3. Background - *Tuhinga o mua*

The Council approved the 2024 Annual Plan in June 2023. The assumptions for setting the budgets for the 2024 Annual Plan were based in principle on the financial projections of year 3 of the 2021-2031 Long Term Plan (LTP) plus adjustments to recognise the significant interest rate and inflation increases since the LTP financial forecasts. The Council also approved an increase in rates revenue, from what was forecast in the LTP, however recognising that there was a shortfall in revenue that would need to be adjusted for across the years of the subsequent 2024-2034 LTP.

## Finance and Performance Committee - AGENDA

## 7.5.1 Financial Forecast Report Q3 to 30 June 2024(Cont.)

The revised Forecast 2024 Q3 remains largely unchanged from the approved Forecast 2024 Q2, with the exception of capital expenditure forecast lower (\$7.3m), with the majority of which is now re-budgeted in the 2024/34 LTP.

4. Financial Forecasts 2024 - *Matapae Putea*

Q3 Financial Performance Forecast For the 12 Months to 30 June 2024	\$'000			\$'000	
	Q3 Forecast Full Year	Revised Budget Full Year	Forecast YE Variance	Q2 Forecast Full Year	Variance to Q2 Forecast \$'000
<b>OPERATIONAL</b>					
Sources of Operating Funding					
Revenue from Rates	59,819	60,260	(441)	60,075	(256)
User Fees and Charges	11,252	11,594	(342)	11,087	165
Subsidies and Grants for Operating Purposes	8,017	8,374	(357)	6,474	1,543
Other Operating Income	3,385	2,047	1,338	2,619	766
<b>Total Sources of Operating Funding</b>	<b>82,473</b>	<b>82,275</b>	<b>197</b>	<b>80,255</b>	<b>2,218</b>
Applications of Operating Funding					
Payment to Staff	27,235	27,086	(148)	27,086	(148)
Payment to Suppliers	41,420	43,229	1,810	39,816	(1,604)
Financing Costs	7,800	8,281	481	8,175	375
<b>Total Applications of Operating Funding</b>	<b>76,455</b>	<b>78,597</b>	<b>2,142</b>	<b>75,077</b>	<b>(1,377)</b>
<b>Surplus (Deficit) of Operating Activities</b>	<b>6,018</b>	<b>3,679</b>	<b>2,339</b>	<b>5,178</b>	<b>840</b>
<b>CAPITAL</b>					
Sources of Capital Funding					
Subsidies and Grants for Capital Purposes	17,728	29,190	(11,462)	23,718	(5,819)
Development Contributions	170	426	(256)	177	(177)
<b>Total Sources of Capital Funding</b>	<b>17,898</b>	<b>29,616</b>	<b>(11,718)</b>	<b>23,895</b>	<b>(5,997)</b>
Applications of Capital Funding					
Capital Expenditure	49,630	89,260	39,629	56,887	7,257
Increase (Decrease) of Investments	0	4,100	4,100	4,100	4,100
<b>Total Applications of Capital Funding</b>	<b>49,630</b>	<b>93,360</b>	<b>43,729</b>	<b>60,987</b>	<b>11,357</b>
<b>Surplus (Deficit) of Net Capital Expenditure</b>	<b>(31,732)</b>	<b>(63,744)</b>	<b>32,012</b>	<b>(37,093)</b>	<b>5,360</b>
<b>OTHER ACTIVITIES</b>					
Non-Operating Activities					
Depreciation	(26,602)	(28,014)	1,413	(28,014)	1,412
Gain (Loss) on Revaluation - Derivatives	272	1,368	(1,096)	500	(228)
Gain (Loss) on Disposal of Assets	205	0	205	0	204
Gain (Loss) on Revaluation - Property, Plant & Equipment	4,176	4,176	0	4,176	0
Future Loss on Investment Property	(888)	(888)	0	(888)	0
<b>Surplus (Deficit) of Other Activities</b>	<b>(22,837)</b>	<b>(23,358)</b>	<b>521</b>	<b>(24,226)</b>	<b>1,388</b>
<b>FUNDING SUMMARY</b>					
Surplus (Deficit) of Operating Activities	6,018	3,679	2,339	5,178	840
Surplus (Deficit) of Net Capital Expenditure	(31,732)	(63,744)	32,012	(37,093)	5,360
<b>Net Operating and Capital Cash Utilisation</b>	<b>(25,714)</b>	<b>(60,065)</b>	<b>34,351</b>	<b>(31,915)</b>	<b>6,201</b>
<b>Funding (Debt) Movements</b>	<b>27,700</b>	<b>64,000</b>	<b>36,300</b>	<b>33,500</b>	<b>5,800</b>
<b>Reserves Funding Balance (Equity/Working Capital)</b>	<b>(1,986)</b>	<b>(3,935)</b>	<b>(1,949)</b>	<b>(1,585)</b>	<b>401</b>
<b>Balance of Borrowings (Net of Deposits on Call and on Term)</b>	<b>137,900</b>	<b>174,200</b>	<b>36,300</b>	<b>143,700</b>	<b>(5,800)</b>

The forecasts are based on actual results during the period ending 31 March 2024, which have been presented to the Council as a separate agenda item, and therefore reflect nine months actual financial results and three months of forecast financial results.

**7.5.1 Financial Forecast Report Q3 to 30 June 2024(Cont.)**

The financial forecasts show an overall surplus of \$1.1m against a budget of \$9.9m. This represents a below budget forecast of \$8.9m. Quarter Three forecasts are largely consistent with those presented to Council in March (Quarter Two forecasts). Variance in performance is predominantly related to the subsidy component associated with the reduced capital expenditure forecast.

**OPERATIONAL**

The forecast surplus for operating activities of \$6.0m is \$2.3m less than the budgeted operating surplus of \$3.7m, a negative movement of \$0.8m compared to Q2 forecasts.

**4.1. Operating Revenue (Sources of Operating Funding) is forecast to align with budget overall at the end of the 2024 financial year.**

Revenue classes are all reporting within 5% of budget overall except Other Operating Income which is forecast higher than budget owing to unbudgeted interest revenue on prefunding loan (\$1m) and subsidies from Waka Kotahi, which is offsetting lower revenue performance projected from Rates related than lower additional rateable units than assumed (\$400k); User Fees and Charges related to the delay in commencing increases in year (\$340k); and Subsidies and Grants for Operating Purposes related to timing of BOF projects net of Waka Kotahi subsidies over budget (\$360k).

**4.2. Operating Expenditure (Applications of Operating Funding) is forecast to be \$76.5m at the end of June, which is \$2.1m less than budget (3%).****CAPITAL****4.3. Sources of Capital Funding are forecast to be \$17.9m which is \$11.7m less than budget.**

Capital Subsidies are forecast significantly under budget (\$11.5m) with the variance predominantly relating to transport projects (\$6.6m) and Better Off Funded projects (\$1.5m) which aren't expected to progress this year. Subsidy Revenue of \$2.8m was budgeted for the Matatā Wastewater project, this budget was bought forward from the 2021-2031 LTP, no subsidy is expected, projected project spend is \$650k. The 2024-2034 budget for this project aligns subsidy revenue with the build phase of the project.

**4.4. Applications of Capital Funding are forecast to be \$49.6m which is \$43.7m less than budget.**

This forecast variance is related to the timing of capital expenditure. The Q3 forecast for capital expenditure is \$7.3m less than Q2 forecasts reflecting updated projections for project timing.

The increase of investments is the Council equity contribution to the Boat Harbour and is not anticipated until next financial year.

**5. Options analysis - *Ngā Kōwhiringa***

No options have been identified relating to the matters of this report.

**7.5.1 Financial Forecast Report Q3 to 30 June 2024(Cont.)****6. Significance and Engagement Assessment - *Aromatawai Pāhekoheko*****6.1. Assessment of Significance**

The recommendations of this report are assessed to be of low significance in accordance with the Council's Significance and Engagement Policy.

**6.2. Engagement and community views**

Due to the low significance of the matters of this report, public participation is not required to inform decision-making, as set out in Section 6.1(a) of the Council's Significance and Engagement Policy.

**7. Considerations - *Whai Whakaaro*****7.1. Financial/budget considerations**

There are no budget considerations associated with the recommendations of this report other than as addressed within the analysis.

**7.2. Strategic alignment**

This report serves to assure council that financial performance is in alignment with the 2023-24 Annual Plan in support organisational strategies.

**7.3. Climate change assessment**

The matters of this specific report do not have an impact on the District biodiversity and ecology.

Based on this assessment, the decisions and matters of this report are assessed to have low climate change implications and considerations, in accordance with the Council's Climate Change Principles.

**7.4. Risks**

The ratios in comparison to policy and debenture trust deed requirements demonstrate that the loan portfolio is low risk and is comfortably within all ratio requirements.

## 7.6 Half Yearly Update Report on CCOs - 2023-24

### 7.6 Half Yearly Update Report on CCOs - 2023-24

#### 7.6.1 Half Yearly Update Report on CCOs - 2023/24



---

To: **Finance & Performance Committee**

Date: **13 June 2024**

Author: **Gary Connolly / CFO and GM Business Partnering**

Authoriser: **Steph O'Sullivan / Chief Executive**

Reference: **A2638698**

---

#### 1. Reason for the report - *Te Take mō tēnei rīpoata*

The purpose of this report is to provide the Committee with an update on 23/24 financial submitted by Council-controlled Organisations.

#### 2. Recommendations/Actions - *Tohutohu akiaki*

1. THAT the half yearly update report on COOs **be received**; and
2. THAT the following reports from BOPLASS Limited included in the attachments **be received**:
  - i. Half yearly report to shareholders for the period ended 31 December 2023
  - ii. Statement of Intent for 2024-2027
3. THAT the following reports from LGFA included in the attachments **be received**:
  - i. Half yearly report to shareholders for the period ended 31 December 2023
  - ii. Statement of Intent for 2024-2027
4. THAT the exemption for Toi EDA from the provisions related to Council Controlled Organisations, as provided for under LGA sec.7 for the three year period to March 2025 **be noted**.

#### 3. Background - *Tuhinga o mua*

The Finance and Performance Committee has accountability to monitor financial and non-financial performance of CCOs and CCTOs to which Council is a member or shareholder.

CCOs and CCTOs are defined in the Local Government Act 2002 sec.6 with the distinction that a CCTO is means a council-controlled organisation that operates a trading undertaking for the purpose of making a profit.

At present Whakatāne District Council currently consider the following to be CCOs in accordance with LGA sec.6:



### 7.6.1 Half Yearly Update Report on CCOs - 2023/24(Cont.)

- Bay of Plenty Local Authority Shared Services Limited (BOPLASS) (Company) (11%),
- New Zealand Local Government Funding Agency (LGFA) (Company),
- Whakatāne Airport (Joint Venture) (50%),
- Toi-Economic Development Agency (Toi-EDA),
- Civic Financial Services Ltd (formerly NZ Local Govt Insurance Corp Ltd).

#### 4. Issue/subject - *Kaupapa*

##### **BAY OF PLENTY LOCAL AUTHORITY SHARED SERVICES LIMITED (BOPLASS)**

###### **Half yearly report to shareholders for the period ended 31 December 2023:**

BOPLASS has delivered its Half Yearly report for the period ended 31 December 2023 (Attachment 1). Key points from the Half Yearly report include:

- The board believes BOPLASS is on track to achieve all performance targets.
- The 2023 significant NZ weather events had less impact on insurance renewals than anticipated.
- Expenditure and revenue is tracking close to budget for the period.

###### **Draft Statement of Intent 2024-2027:**

BOPLASS has provided a draft SOI (Attachment 2). Key points to note in the draft SOI include:

- BOPLASS is budgeting to break even in each financial year.
- BOPLASS continues to seek opportunities for efficiency through joint procurement, shared services and sharing best practice.

#### **4.1. NEW ZEALAND LOCAL GOVERNMENT FUNDING AGENCY (LGFA)**

##### **4.1.1. *Half yearly report to shareholders for the period ended 31 December 2023:***

LGFA has delivered a covering letter and its Half Yearly report for the period ended 31 December 2023 (Attachment 3). Key points from the Half Yearly report include:

- LGFA made a Net Operating Profit for the six-month period of \$5.2 million, in line with historical results (2022:1.1 million). LGFA has \$21.77 billion of assets and Shareholder Equity of \$109.3 million as at 31 December 2023.
- The company met 16 out of its 17 performance targets for the period ending 31 December 2023, missing its target for total operating expenses. The target for the year is <\$10 million, and the result for the half year is \$5.4 million. It is expected that the year-end result will exceed target due to:
  - Higher than budgeted Approved Issuer Levy costs and higher levels of issuance and on-lending
  - Legal and associated costs for inaugural; foreign currency issuance
  - Preparation for potential role in Local Water Done Well
  - Preparation for the proposed ratepayer assistance programme, which is a project managed by a group of councils that aims to provide rates postponement relief to ratepayers.

**7.6.1 Half Yearly Update Report on CCOs - 2023/24(Cont.)**

- LGFA published their first Annual Impact Review Report and are preparing their first report under the Climate Related Disclosure requirements for the 2023/24 Annual Report.

**4.1.2. Draft Statement of Intent 2024-2027:**

In November 2023 the LGFA Shareholders' Council approved a SOE to guide the LGFA Board (Attachment 3). In response, LGFA has provided a covering letter and draft SOI (Attachment 4).

Key points to note in the draft SOI include:

- Assumption that there are no implications for LGFA from the Local Waters Done Well Programme. Enabling legislation is expected to be introduced in June and December 2024, and in the meantime a business-as-usual approach to council and CCO borrowing, including for the water activities, is assumed. The final SOI in June 2024 will be updated with implications from any future announcements.
- No further improvement in the credit quality of the sector is expected, given the recent announcement from S&P Global Ratings on the lowering trend in the local government sector.
- Projected Net Operating Gain for 2024/25 is expected to be \$15.1 million. LGFA is more cautious in its forecast of Net Operating Gain for the subsequent two years, being \$13.1 million for 2025/26, and \$10.1 million for 2026/27. This is because of the higher uncertainty of assumptions for interest rates, amount and timing of lending, with \$7.1 billion of LGFA bonds and \$7.5 billion of Council and CCO loans maturing over the next three years.
- The proposed SOI performance targets are similar to the previous SOI. The focus remains on sustainability, assisting councils with greenhouse gas (GHG) emission reporting, monitoring the credit quality of the sector, and assisting with the implementation of Local Water Done Well Programme.

**4.2. WHAKATANE AIRPORT**

Though it is accounted for within the Council reporting environment as a CCO Whakatāne Airport are required to produce SOI and Half Yearly results. These are currently being completed and will be provided to the next meeting of the Committee.

**4.3. TE RĀHUI HERENGA WAKA 2021 WHAKATĀNE**

The Council has an equal 1/3<sup>rd</sup> interest in the limited partnership, Te Rāhui Herenga Waka 2021 Whakatāne, which was formed to facilitate the construction of the new boat harbour. Within the 2023 annual report Audit New Zealand undertook a review of the documentation on the limited partnership noting even if it were consider not for profit Council has an indirect right relative to the appointment of the 4<sup>th</sup> Director, therefore meets the threshold relative to the appointment of 5% or more of the directors.

We are currently reviewing this issue to identify implications for reporting treatment and compliance obligations this may cause, and consideration for exemption under LGA sec.7, and will provide and update to the next meeting of the Committee.

**5. Options analysis - Ngā Kōwhiringa**

No options have been identified relating to the matters of this report.

## **7.6.2 Appendix 1 - BOPALASS Half yearly report to shareholders for the period ended 31 December 2023**

### 6. Significance and Engagement Assessment - *Aromatawai Pāhekoheko*

#### 6.1. Assessment of Significance

The recommendations of this report are assessed to be of low significance in accordance with the Council's Significance and Engagement Policy.

#### 6.2. Engagement and community views

Due to the low significance of the matters of this report, public participation is not required to inform decision-making, as set out in Section 6.1(a) of the Council's Significance and Engagement Policy. The Half Yearly reports and final Statement of Intent 2024-2027 are required to be published on Council's website. Our preference is that done through a link to the BPLASS and LGFA webpages which hold the source information.

### 7. Considerations - *Whai Whakaaro*

#### 7.1. Financial/budget considerations

There are no budget considerations associated with the recommendations of this report other than as addressed within the analysis.

#### 7.2. Strategic alignment

No inconsistencies with any of the Council's policies or plans have been identified in relation to this report.

#### 7.3. Climate change assessment

The matters of this specific report do not have an impact on the District biodiversity and ecology.

Based on this assessment, the decisions and matters of this report are assessed to have low climate change implications and considerations, in accordance with the Council's Climate Change Principles.

#### 7.4. Risks

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

Attached to this report:

- Appendix 1 - BOPALASS Half yearly report to shareholders for the period ended 31 December 2023.
- Appendix 2 - BOPLASS Draft Statement of Intent 2024-2027.
- Appendix 3 - LGFA Half yearly report to shareholders for the period ended 31 December 2023.
- Appendix 4 - LGFA Draft Statement of Intent 2024-2027.

## **7.6.2 Appendix 1 - BOPALASS Half yearly report to shareholders for the period ended 31 December 2023**

**7.6.2 Appendix 1 - BOPALASS Half yearly report to shareholders for the period ended 31 December 2023(Cont.)**



# HALF YEARLY REPORT TO SHAREHOLDERS



Period ended 31 December 2023

*“COUNCILS PARTNERING FOR VALUE AND SERVICE”*

**7.6.2 Appendix 1 - BOPALASS Half yearly report to shareholders for the period ended 31 December 2023(Cont.)****BOPLASS Chair's Report**

It is with pleasure the Directors present their 2023/2024 Half Yearly Report to Shareholders demonstrating the considerable contribution the company makes to collaboration between councils.

While BOPLASS typically reports on the substantial financial savings the company makes for its shareholding councils, it is important to also recognise some of the less-tangible benefits that may not always be measured financially, but still provide significant efficiencies or resource savings for all participating councils. Some examples for this year have been:

- The collective work undertaken by the BOPLASS Health and Safety Advisory Group has always been very effective and continues to deliver significant value through supporting productive collaboration between BOPLASS councils, CCO's, and often Waikato councils. While multiple projects have been undertaken by this group, the current project to address the continued increase in aggressive behaviour within public spaces is helping to address a much too common challenge faced by almost all councils. The sharing of information and development of a collective framework for the management of conflict and aggression has been very beneficial for councils and is a great example of best practice being shared for the benefit of all parties.
- The collective BOPLASS programme for aerial imagery and LiDAR data has meant that this information is readily available to councils and their communities. A recent request from Te Puni Kōiri (Ministry of Māori Development) for access to councils LiDAR data was able to be approved and delivered quickly and centrally via BOPLASS, negating time-consuming multiple requests.
- The WOLDS project has made very good progress with a vendor recently appointed for the 20 councils in the BOPLASS and Waikato regions. This involved a single RFP process managed by BOPLASS on behalf of the group; potentially saving tens of thousands of dollars (and resourcing) compared with if 20 councils were to run individual procurement processes.
- In a similar manner the CCTV project being developed across the region by BOPLASS provides significant efficiencies compared with councils undertaking this type of project individually. A single specialist contractor is developing a regional solution, completely removing the usual duplication of effort. Engagement with NZ Police within the project has also been centralised.
- Possibly one of the best examples of unreported savings to councils would be the MahiTahi Local Government Collaboration Portal. This shared resource developed by BOPLASS provides a growing conduit for the sharing of information across local government. The ability for councils to request information or documentation from their peers is exactly how local government should work as, after all, a lot of the time councils are undertaking very similar workstreams.

While BOPLASS will continue to report on the financial savings and benefits achieved, it is pleasing to also recognise some of the less obvious benefits achieved through collaboration. Additional information about current projects is available in the attached report.

We thank staff from the participating councils and acknowledge the support we have received from them.

Yours faithfully

Craig O'Connell  
Chair

**7.6.2 Appendix 1 - BOPALASS Half yearly report to shareholders for the period ended 31 December 2023(Cont.)****1 INTRODUCTION**

The Local Government Act 2002 requires that the Directors deliver to the Shareholders a report within two months of the end of the first six months of the financial year. The report is required to provide information against the objectives set out in the Statement of Intent. The following report records the objectives of the company and reports on performance against a table of specific performance requirements set out in the Statement of Intent.

**2 OBJECTIVES OF BOPLASS LTD**

The company exists to provide councils in the Bay of Plenty and Gisborne regions with an umbrella vehicle to investigate, procure, develop and deliver shared services.

Working together with the full support and involvement of staff, we will provide benefit to councils and their stakeholders through improved levels of service, reduced costs, improved efficiency and/or increased value through innovation.

These will be achieved primarily through:

**JOINT PROCUREMENT**

Being the procurement of services or products by two or more councils from an external provider regardless of whether the service is paid for through BOPLASS or individually by participating councils.

**SHARED SERVICES**

Being the participation of two or more councils in the provision of a common service which may be jointly or severally hosted.

**3 GOVERNANCE**

The end of 2023 included changes of Chief Executives at Rotorua Lakes Council and Kawerau District Council. BOPLASS welcomes new directors Andrew Moraes (Rotorua Lakes Council), and Morgan Godfery (Kawerau District Council) to the BOPLASS Board.

## 7.6.2 Appendix 1 - BOPALASS Half yearly report to shareholders for the period ended 31 December 2023(Cont.)

### 4 NATURE AND SCOPE OF ACTIVITIES

The principal nature and scope of the activities of BOPLASS Ltd is to:

- Use joint procurement to add value to goods and services sourced for its constituent councils.
- Facilitate shared services that benefit councils and their stakeholders through improved levels of service, reduced costs, improved efficiency, innovation and/or increased value.
- Pursue best practice in the management of all activities to obtain best value and minimise risk.
- Demonstrate fiduciary responsibility by ensuring that its activities are adequately funded from savings achieved, levies, council contributions, or Government funding where available.
- Allow other councils or organisations to participate in its activities where this will benefit its constituent councils directly or indirectly.
- Represent the collective views of its shareholders in matters with which it is associated.

### 5 FUTURE DEVELOPMENTS

BOPLASS Ltd will continue to work on business cases for joint procurement and shared services that may be provided in the region or cross-regionally.

The Board has adjusted its strategy to ensure that BOPLASS is focused on continuing to deliver savings and value to councils through new and existing joint procurement initiatives while also identifying new shared services opportunities.

Current reviews for joint procurement and shared services cover but are not limited to:

- Archive services
- Building consents
- Business continuity planning
- CCTV monitoring
- Centralised insurance resource
- Consents processing
- Contractor online inductions
- Debt management
- Driver training
- Geospatial services
- High volume print
- Information systems
- Inter-council secondments
- Infrastructure development codes
- Joint software support
- Payroll
- Project management office
- Rates collection
- Regional Civil Defence
- Solid waste regional facilities strategy
- Staff engagement survey systems
- Web services

Other collaborative opportunities may be progressed after the Board has considered individual business cases and formally agreed to take on and deliver (or host/procure etc.) the project.

**7.6.2 Appendix 1 - BOPALASS Half yearly report to shareholders for the period ended 31 December 2023(Cont.)**

Joint procurement opportunities will continue to be identified and developed with individual councils engaging under the opt-in principle established by the Board. Joint procurement initiatives will be considered by the Board and/or its advisory groups where there is demonstrated support from two or more member councils.

The Board supports BOPLASS continuing to develop collaboration opportunities outside of the regional boundaries. BOPLASS will continue to proactively explore opportunities to partner with other Local Authorities and shared services organisations within New Zealand where they are developing, or considering developing, cost effective shared services and products that are of value to the Bay of Plenty and Gisborne councils.

BOPLASS development of the Collaboration Portal for the sharing of information on joint procurement or shared services opportunities within the constituent councils has identified a number of duplicate projects across councils that present an opportunity for further collaboration. The BOPLASS Collaboration Portal is becoming widely used by other LASS, councils, and local government organisations and provides an opportunity to assist with the identification and management of inter-regional collaboration opportunities. BOPLASS will continue to develop the Collaboration Portal and make it available to the wider local government community.

**6 PERFORMANCE TARGETS**

To ensure the company continues to operate effectively in both governance and management terms over the next three years the current SOI targets are to:

- Ensure supplier agreements are proactively managed to maximise benefits for BOPLASS councils.
- Investigate new joint procurement initiatives for goods and services for BOPLASS councils.
- Identify opportunities to collaborate with other LASS in Procurement or Shared Service projects where alliance provides benefits to all parties.
- Further develop and extend the Collaboration Portal for access to, and sharing of, project information and opportunities from other councils and the greater Local Government community to increase breadth of BOPLASS collaboration.
- Communicate with each shareholding council at appropriate levels.
- Ensure current funding model is appropriate.

The Board believes that all targets are being achieved or are on-track to be achieved, as is demonstrated by the following list of current initiatives.

**7 CURRENT INITIATIVES**

The following initiatives have been under consideration or operating during the first part of the year:



**7.6.2 Appendix 1 - BOPALASS Half yearly report to shareholders for the period ended 31 December 2023(Cont.)****HIGHLIGHTS**

- Crime Prevention/CCTV Monitoring – BOPALASS was successful in securing co-funding from MSD for Crime Prevention initiatives in the Bay of Plenty region. Initial work has been undertaken by an independent CCTV consultancy engaged to conduct a CCTV capability maturity assessment survey of the councils involved in the BOPALASS Retail Crime Prevention project. The assessment will ensure councils' requirements are qualified, and the outcomes will be beneficial to local communities.
- Insurance renewals – Despite very challenging markets, insurance renewals have been completed for all councils under the BOPALASS collective programme. Strong underwriter interest in our programme continues to be demonstrated from new and existing syndicates – resulting in competitive pricing. While rate increases were able to be kept to a minimum, most councils premiums have been impacted by large increases in asset valuations over the last 12 months. Underwriters remain very focussed on climate change and the impact on councils' risk profiles. The 2023 significant NZ weather events had less impact on our renewal than anticipated, mainly due to diversification of risk across the BOPALASS portfolio.
- Waste Operator and Licensing Data System (WOLDS) – The development of this shared service is being led by BOPALASS on behalf of BOP, Gisborne, and Waikato councils. A recent tender was awarded for the provision of an Information Management System. Additionally, BOPALASS is exploring options of a shared Administration Service to streamline and centralise services, manage waste contractor licensing, and significantly reduce much of the workload for councils.
- Aerial Imagery – Tenders have been awarded for urban and rural orthophotography covering Taupō, Rotorua, Western BOP, Gisborne and Tauranga regions, with aerial capture to be undertaken during the summer of 2023-24.
- Managing Conflict & Aggression – The BOPALASS Health & Safety advisory group continue to collaborate and share resources to manage an increasing trend of aggressive behaviour within public spaces across BOPALASS councils. Comprehensive material and information have been made available to all BOPALASS councils allowing for a collective approach to developing best practice.
- Contractor and Employee H&S Inductions – A project continues to be investigated to develop a common platform and standard for the development and management of H&S inductions – for both staff and contractor purposes.
- GIS Technical Advisory Group – A GIS technical group has been established, with staff nominated from each BOPALASS council to develop opportunities for further sharing of information and learnings at practitioner level. While investigating further development of system commonality across councils, this also helps enable councils to provide GIS support to each other in civil defence situations.
- GIS Software and Services – A number of key contracts for councils' geospatial software have been reviewed and renewed through collective BOPALASS agreements.

**7.6.2 Appendix 1 - BOPALASS Half yearly report to shareholders for the period ended 31 December 2023(Cont.)**

- MahiTahi Collaboration Portal – Further growth has been achieved with the MahiTahi Collaboration Portal with additional councils joining and using it as a collaboration tool for sharing information across councils.
- Health insurance – A project is underway to explore benefits of establishing a group scheme across the BOPALASS group.
- Health & Safety training – BOPALASS has renewed a collective agreement for councils' H&S training services with a wider range of services now included. A project is also underway with Waikato councils for the provision of a collective Occupational Health Services provider.
- Print Media Copyright Agency (PMCA) – A collective contract providing savings for all BOPALASS councils has been renegotiated with PMCA.
- Institute of Public Works Engineering Australasia (IPWEA) – BOPALASS has renewed the single BOPALASS membership covering all councils and providing substantial savings. Discounted rates were also negotiated through IPWEA for a BOPALASS NAMS+ subscription, used by council asset managers.
- Media Monitoring Service – A BOPALASS tender has been recently awarded for a new media monitoring provider. The collective approach by councils has resulted in a more cost effective and broader service than previously received by councils. In addition to print, online and broadcast media, the services also cover all forms of social media and 'social listening' services that analyse social media feedback or sentiment.
- High volume print – Following the BOPALASS appointment of a print provider across the councils, options for high-volume print solutions are being investigated. Councils currently use a variety of solutions for their high-volume print runs, often utilising large print equipment, outsourcing to external suppliers, or a mixture of both.
- Te Puni Kōiri (Ministry of Māori Development) – LiDAR data collected by BOPALASS councils has assisted Te Puni Kōiri in understanding climate hazards by allowing them to generate rich analytics and insights of hapori Māori throughout New Zealand, demonstrating beneficial partnerships beyond local government. The collective nature of the BOPALASS LiDAR programme allowed for this data to be provided quickly and simply.
- Driver Training – BOPALASS continues to investigate options for appointing a preferred provider for driver training services.
- Lone worker field solutions – BOPALASS is investigating technologies and solutions to support council staff in lone worker situations.
- Inter-LASS collaboration – A number of procurement projects are underway covering multiple LASS and benefitting from the increased volumes. Collaboration across the regions is driving greater efficiencies within projects under consideration by more than one LASS and allows the projects to be better resourced.
- Communication – BOPALASS continues to regularly engage with our constituent councils, senior management and shareholders to ensure opportunities continue to be

**7.6.2 Appendix 1 - BOPALASS Half yearly report to shareholders for the period ended 31 December 2023(Cont.)**

developed to the benefit of all stakeholders. A communications plan is being developed to widen the audience and better inform all levels within councils.

- Viability of Current Funding Model – The sources of BOPLASS funding and the viability of the funding model are regularly reviewed with financial reporting provided to the BOPLASS Board.

**8 FINANCIAL REPORTS****8.1 Financial Support and Accounting Services**

Accountancy services and support continue to be provided by Tauranga City Council.

**8.2 Accounting Policies**

The company is compliant with the accounting policies stated in the Statement of Intent.

**8.3 Tier 2 PBE Accounting Standards Applied**

The financial accounts are prepared with application of Tier 2 accounting standards.

**8.4 Financial Reports**

Financial Reports for the period to 31 December 2023 are attached.

**8.5 Variations**

Bank Interest received is up \$19,665 on budget as a result of BOPLASS holding Crime Prevention funding provided by MSD in an interest-bearing account. This project funding is to be committed or drawn down on during this financial year.

Council Contributions are \$13,291 higher than budget because of an inflationary adjustment to the 2023/24 contributions that was not reflected in the original budget.

Crime Prevention was a new project introduced during the current financial year and was therefore not included in the 2023/24 budget. Additional lines have been included in the reporting to report expenditure and revenue for this project.

BOPLASS is reporting a \$45,032 surplus at our six-month position. We believe the company is on track to achieve budget for the financial year.

**9 STAFFING, ACCOMMODATION AND SUPPORT****Staff**

Staffing levels are unchanged with a part-time administrator continuing to provide additional project support and management of existing activities.

**Accommodation and Support**

We continue to appreciate the office space provided to us by BOP Regional Council and the support that is offered for IT and Accounting services by Tauranga City Council.

## Finance and Performance Committee - AGENDA

## 7.6.2 Appendix 1 - BOPALASS Half yearly report to shareholders for the period ended 31 December 2023(Cont.)

<b>BOP LASS LTD</b>				
<b>STATEMENT OF COMPREHENSIVE INCOME</b>				
<b>FOR THE MONTH ENDED 31 DECEMBER 2023</b>				
	<b>Actual YTD</b>	<b>Budget YTD</b>	<b>Total Budget</b>	<b>YTD Variance</b>
<b>REVENUE</b>				
<b>Revenue - Core</b>	<b>198,275</b>	<b>165,319</b>	<b>330,637</b>	<b>32,956</b>
Bank Interest Received	24,165	4,500	9,000	19,665
Council Contribution	174,110	160,819	321,637	13,291
<b>Revenue - Projects</b>	<b>870,585</b>	<b>861,586</b>	<b>1,210,200</b>	<b>8,999</b>
Bank Interest Received	1,443	86	200	1,357
Aerial Photography Revenue	139,241	150,000	300,000	(10,759)
Collaboration Portal Revenue	26,000	22,500	45,000	3,500
Lease Revenue - ICN	74,172	65,000	130,000	9,172
Lease Revenue - Video Conference	18,380	24,000	24,000	(5,620)
Projects - Recoveries Revenue	597,820	600,000	710,000	(2,180)
Crime Prevention Revenue	13,530	0	0	13,530
Rebates	0	0	1,000	0
<b>TOTAL OPERATING REVENUE</b>	<b>1,068,860</b>	<b>1,026,904</b>	<b>1,540,837</b>	<b>41,956</b>
<b>EXPENSES</b>				
<b>Expenditure - Core</b>	<b>201,641</b>	<b>201,902</b>	<b>390,103</b>	<b>-261</b>
ACC	716	450	900	266
Accommodation & Travel	5,148	2,200	2,200	2,948
Accounting & Audit	6,006	11,000	22,000	(4,994)
Administration	9,109	9,000	18,000	109
Amortisation	845	1,000	2,000	(155)
Bank Fees	1	100	200	(99)
Conferences	0	1,100	2,100	(1,100)
Depreciation	2,147	2,500	5,000	(353)
Directors Costs	9,657	11,500	23,000	(1,843)
Fringe Benefit Tax	500	1,750	3,500	(1,250)
General & Catering	0	1,200	2,400	(1,200)
Health & Safety	0	500	1,000	(500)
Insurance	11,517	11,500	11,500	17
Interest Paid - TCC Loan	0	0	0	0
Legal	0	1,250	2,500	(1,250)
Salaries	148,574	143,202	286,403	5,372
Salaries - Projects OpEx	(6,970)	(9,500)	(19,000)	2,530
Staff Support Costs	9,723	9,000	18,000	723
Staff Training Costs	504	1,000	2,000	(496)
Subscriptions	4,163	500	1,000	3,663
Tax Advice	0	2,650	5,300	(2,650)
<b>Expenditure - Projects</b>	<b>822,187</b>	<b>825,003</b>	<b>1,150,734</b>	<b>(29,876)</b>
Aerial Photography Expense	139,241	150,000	300,000	(10,759)
Collaboration Portal OpEx	13,611	14,543	28,874	(932)
Lease Expense - ICN	78,711	62,400	124,800	16,311
Lease Expense - Video Conference	19,175	22,560	22,560	(3,386)
Projects - Recoveries Expenditure	557,919	575,500	674,500	(17,581)
Crime Prevention	13,530	0	0	(13,530)
<b>TOTAL OPERATING EXPENDITURE</b>	<b>1,023,827</b>	<b>1,026,905</b>	<b>1,540,837</b>	<b>(3,077)</b>
<b>OPERATIONAL SURPLUS / (DEFICIT) BEFORE TAX</b>	<b>45,032</b>	<b>0</b>	<b>0</b>	<b>45,032</b>

## Finance and Performance Committee - AGENDA

## 7.6.2 Appendix 1 - BOPALASS Half yearly report to shareholders for the period ended 31 December 2023(Cont.)

<b>BOP LASS LTD STATEMENT OF FINANCIAL POSITION AS OF 31 DECEMBER 2023</b>	
	<b>Actual YTD</b>
<b>Bank</b>	
Cheque Account	545,141
Trust A/c Aerial Photography	31,568
Crime Prevention	968,916
Term Deposit 182 days Maturing March 2024	250,000
<b>Total Bank</b>	<b>1,795,625</b>
<b>Current Assets</b>	
Trade Debtors	465,084
Accrued Revenue	17,318
Tax Payable (Tax Receivable)	18,933
Prepayments	22,726
<b>Total Current Assets</b>	<b>524,060</b>
<b>Non-current assets</b>	
Intangible - Computer Software	79,175
Intangible - Amortisation	(72,964)
Computer Equipment at cost	4,516
Less Accumulated Depreciation on Computer Equipment	(4,219)
Inter Council Network	25,097
Accumulated Depreciation Inter Council Network	(10,686)
<b>Total Non-current assets</b>	<b>20,919</b>
<b>TOTAL ASSETS</b>	<b>2,340,604</b>
<b>Current Liabilities</b>	
Business Credit Card	25
Trade Creditors	71,531
Accrued Expenses	4,537
Accrued Leave Entitlements	22,272
GST Collected, Paid, Payments (Refunds)	69,164
Retentions	36,020
Income in Advance	2,057,925
PAYE Accruals Payable	5,578
TCC Loan	0
<b>Total Liabilities</b>	<b>2,267,053</b>
<b>NET ASSETS</b>	<b>73,552</b>
<b>Equity</b>	
Current Year Earnings	45,032
Retained Earnings	(70,482)
Share capital	99,002
<b>TOTAL EQUITY</b>	<b>73,552</b>

**7.6.3 Appendix 2 - BOPLASS Draft Statement of Intent 2024-2027**

**7.6.3 Appendix 2 - BOPLASS Draft Statement of Intent 2024-2027**

7.6.3 Appendix 2 - BOPLASS Draft Statement of Intent 2024-2027(Cont.)



# STATEMENT OF INTENT FOR 2024-2027



June 2024

*“COUNCILS PARTNERING FOR VALUE AND SERVICE”*

### 7.6.3 Appendix 2 - BOPLASS Draft Statement of Intent 2024-2027(Cont.)

#### 1. Introduction

This Statement of Intent (SOI), developed under Schedule 8 of the Local Government Act 2002:

- Declares a public statement of the activities and intentions of BOPLASS Ltd and the objectives to which those activities will contribute.
- Provides an opportunity for the shareholders to influence the direction of BOPLASS Ltd, and
- Provides a basis for the accountability of the Directors to the Shareholders for the performance of BOPLASS Ltd.
- Covers BOPLASS Ltd and any subsidiary company established in pursuance of the objectives herein.

#### 2. Background and Benefits

The councils that operate within the Bay of Plenty and Gisborne Regions have formed a Council Controlled Organisation (CCO) to investigate, develop and deliver Joint Procurement and Shared Services projects where delivery is more effective for any combination of some or all of the councils.

Since inception, estimated financial savings of over \$30 million have been achieved by the participating councils through undertaking joint initiatives. BOPLASS is forecast to return in excess of \$2.6 million in savings in the 2023-24 financial year.

Other benefits that have been achieved through collaboration are:

- improved levels and quality of service;
- a co-ordinated and consistent approach to the provision of services;
- reductions in the cost of support and administrative services;
- opportunities to develop new initiatives;
- economies of scale resulting from a single entity representing many councils in procurement.

These benefits and opportunities can apply to all councils irrespective of location or size.

Business processes, information architectures and functional tools differ in each council to varying degrees. The BOPLASS strategies facilitate a journey of progressive development using the approach identified in the BOPLASS Strategy and Action Plan to:

- enhance the capability to collaborate;
- encourage the elimination of barriers to collaborative action; and
- identify services that deliver viable business cases.

A generic sequence or stages of collaboration between multiple councils is followed to develop Shared Services, as shown in *Figure 1*.



**7.6.3 Appendix 2 - BOPLASS Draft Statement of Intent 2024-2027(Cont.)**

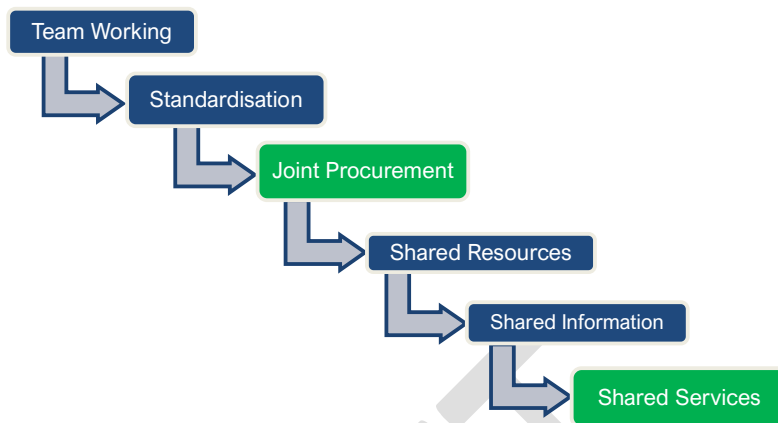


Figure 1

Many of the BOPLASS Joint Procurement projects have supported the development of standard products, services or solutions across the councils. These standards assist in creating a foundation for the delivery of collaboration within the councils.

Examples of Joint Procurement and Shared Service projects are:

- Infrastructure Insurance
- Collective Training
- Aerial Imagery and LiDAR
- Provincial Growth Fund Co-funding for LiDAR Capture
- Standardised Community Engagement App
- Lone Worker Field Solutions
- Robotic Process Automation
- Accounts Payable Automation Software
- Print Media Licencing
- Insurance Valuations
- Contractor Online Inductions
- Health and Safety Management Software
- Radio Telephony (RT) Strategy
- Solid Waste Management
- Health and Safety Inter-Council Audits
- Asbestos Protocols
- Sustainable Public Procurement
- Health and Safety Benchmarking
- Video Conferencing Services
- Council Library and Cloud Services
- Inter-Council Network (ICN) Review, Redesign and Renegotiation
- Debt Collections
- Collaboration Portal
- Capital Construction and Civil Works Projects
- Fortigate Firewall Services
- Wireless WAN
- Inter-LASS Collaboration
- Human Resources Information Systems
- CCTV and monitoring

A full list of projects is provided in Appendix B.

### 7.6.3 Appendix 2 - BOPLASS Draft Statement of Intent 2024-2027(Cont.)

#### 3. Our Vision

“COUNCILS PARTNERING FOR VALUE AND SERVICE”

#### 4. Objectives of BOPLASS Ltd

Working together with the full support and involvement of staff, we will provide benefit to councils and their stakeholders through improved levels of service, reduced costs, improved efficiency and/or increased value through innovation.

These will be achieved primarily through:

##### Joint Procurement

Being the procurement of services or products by two or more councils from an external provider regardless of whether the service is paid for through BOPLASS or individually by participating councils.

##### Shared Services

Being the participation of two or more councils in the provision of a common service which may be jointly or severally hosted.

#### 5. Nature and Scope of Activities

The principal nature and scope of the activities of BOPLASS Ltd is to:

- Use Joint Procurement to add value to goods and services sourced for its constituent councils.
- Establish the underlying technology, framework, platform and policies to enable and support collaboration.
- Facilitate initiatives that benefit councils and their stakeholders through improved levels of service, reduced costs, improved efficiency, innovation and/or increased value.
- Pursue best practice in the management of all activities to obtain best value and minimise risk.
- Demonstrate fiduciary responsibility by ensuring that its activities are adequately funded from savings achieved, levies, council contributions, or Government funding where available.
- Allow other councils or organisations to participate in its activities where this will benefit its constituent councils directly or indirectly.
- Actively monitor and engage with Shared Service developments across the public sector to identify opportunities for further development and establishing best practice.
- Represent the collective views of its Shareholders in matters with which it is associated.

**7.6.3 Appendix 2 - BOPLASS Draft Statement of Intent 2024-2027(Cont.)****6. Sustainable Future: Environmental, Social and Governance (ESG)**

The board recognises the importance of ESG in BOPLASS' role and ensuring that integrated risk management, non-financial outcomes, and Te Tiriti are considered in all BOPLASS joint procurement and shared services initiatives.

The company is committed to operating all aspects of its business with a focus on protecting and enhancing our communities today and in the future through sustainable environmentally responsible business practices, social contribution, and good governance.

The company has always had a stakeholder-centric approach, ensuring the company's objectives, goals and the undertaking of business are aligned with our constituent councils, our wider communities and supporting ESG outcomes that have wide-ranging benefits.

While achieving financial savings for member councils through BOPLASS joint procurement is a key objective, the company recognises the importance and responsibility of social procurement and will continue to consider the broader environmental, social and cultural outcomes as part of all BOPLASS procurement processes.

As examples, BOPLASS is working towards satisfying ESG criteria within social procurement by:

- Increasing access to BOPLASS procurement contracts for NZ businesses and local businesses, with particular focus on those groups that may have limited access to opportunities (such as Māori and Pacific Peoples' businesses).
- Giving consideration to organisations that provide employment opportunities to targeted groups and promote inclusion and diversity within their workforce.
- Recognising vendors that will help future-proof the ability of New Zealand businesses to trade.

With a focus on *Social Sustainability*, BOPLASS ensures a balanced approach is taken with the company's activities to create positive social and cultural outcomes for the local communities it serves while also maximising positive outcomes for Māori and the broader community.

*Environmental Sustainability* is a priority in all BOPLASS business activities – internal and external. Through collaboration and partnership with its constituent councils, BOPLASS strives to protect and enhance our environment and biodiversity. The company is committed to operating in an environmentally responsible way and will embed sustainability considerations (including ethical considerations) within a culture of excellence across its wider business and all joint procurement and shared services initiatives.

*Te Tiriti o Waitangi* responsibilities and outcomes are a driver for governance and management decisions within BOPLASS, include acknowledging and involving mana whenua as Kaitiaki o Te Taiao in project decisions impacting on land or natural

**7.6.3 Appendix 2 - BOPLASS Draft Statement of Intent 2024-2027(Cont.)**

resources. The company is committed to providing and improving opportunities for Māori to contribute to local government decision-making processes and establishing collaborative partnerships and processes that reflect mutual outcomes.

**7. Governance Structure**

BOPLASS Ltd will conduct itself in accordance with its Constitution, its annual Statement of Intent, and the provisions of the Companies Act 1993 and the Local Government Act 2002.

The Company is governed by its directors. To ensure total synergy between the Company's activities and its council shareholders' activities, nine Directors are also the current Chief Executives of their respective shareholding councils. The dual roles recognise the interdependence of BOPLASS and its councils in the undertaking of its activities.

The Board also includes an independent Chair, appointed with specific skills and knowledge to add incremental value. This appointment brings experience and specialist skills that are complementary to those held by the other Directors.

<b>Shareholder</b>	<b>Appointed Director</b>
Bay of Plenty Regional Council	Fiona McTavish
Gisborne District Council	Nedine Thatcher-Swann
Kawerau District Council	Morgan Godfery
Ōpōtiki District Council	Stace Lewer
Rotorua Lakes Council	Andrew Moraes
Taupō District Council	Julie Gardyne
Tauranga City Council	Marty Grenfell
Western Bay of Plenty District Council	John Holyoake
Whakatāne District Council	Stephanie O'Sullivan
<b>Independent Director and Chair</b>	Craig O'Connell

Sub-groups of council subject matter experts have responsibility for regular monitoring of operational aspects of BOPLASS projects, allowing the Board to primarily focus on supporting the strategic development of the organisation.

Each activity or project is managed by an Advisory Group, nominated by the shareholding councils in that particular service. The Board retains the right to approve nominations to the Advisory Groups and all of their material decisions – there is only one Board of Directors and that remains at the umbrella or holding company level.

The Board has established a principle that participation in each initiative is decided by individual councils on an 'opt in' basis.

Services delivered are subject to a formal service level agreement between BOPLASS Ltd and the participating councils, outlining the services and activities provided, where when and how; and reflecting the capital and operational costs being met by each service shareholder.

**7.6.3 Appendix 2 - BOPLASS Draft Statement of Intent 2024-2027(Cont.)**

Joint Procurement initiatives consistent with their nominated role may be undertaken by any advisory group or as approved by the Operations Committee. In considering Joint Procurement initiatives, the Company will take into account the opportunities available through All of Government (AoG) purchasing arrangements and, where there is demonstrated benefit to the Company or its constituent councils, support such initiatives. In assessing the benefits of a Joint Procurement initiative, opportunities for integration shall be considered. The Board has recognised that the availability of All of Government Procurement options has the potential to impact on BOPLASS' ability to provide procurement options in some categories.

Subject to the approval of shareholders in accordance with the shareholder agreement the Directors may decide that a particular activity is best managed as a subsidiary company and proceed accordingly. Any subsidiary company whose objectives are in accordance with the objectives set out in this Statement of Intent shall not be required to have a separate Statement of Intent.

**8. Future Developments**

The company recognises the importance of remaining adaptive in what is a complex and changing working environment. BOPLASS continues to look at new opportunities or alternative approaches to progressing projects that benefit our shareholding councils.

The Board recognise that the drive for change and/or collaboration in some key areas of council business will often be led by other groups, e.g., waters reform, RMA changes. Although BOPLASS may not be leading these specific projects, the organisation may be considered as one of the vehicles available to assist with managing collective regional outputs from these projects.

BOPLASS Joint Procurement opportunities will continue to be actively pursued to ensure maximum savings and benefits are delivered to the participating councils through existing and new contracts.

Joint Procurement initiatives will be considered by the Board and/or its advisory groups where there is demonstrated support from two or more member councils, with councils participating on an opt-in basis.

BOPLASS will explore opportunities for councils to develop ICT solutions using middleware and cloud technologies that allow for future sharing and the development of Shared Services without the wholesale replacement of IT systems.

Shared Services projects are approved by the board based upon identifying initiatives that will provide genuine value to all participating councils. Shared Services may be delivered by BOPLASS, partnering with a LASS, or in conjunction with multiple LASS.

The Board will be looking for commitment from councils to participate in collaborative services and to provide a lead in the identification and management of opportunities and projects.

**7.6.3 Appendix 2 - BOPLASS Draft Statement of Intent 2024-2027(Cont.)****9. Inter-Regional Collaboration**

The board recognise the benefits of BOPLASS proactively partnering with other local authorities and Shared Services organisations where they are either developing or considering developing cost effective services or Joint Procurement initiatives that are of value to the BOPLASS councils. The Board is constantly looking to expand on this activity and the range of opportunities for inter-regional partnering. BOPLASS will work towards providing improved visibility of projects being undertaken in other regions that may provide opportunities for multiple councils to participate in.

Where practicable, BOPLASS will work with other LASS or councils to leverage off, or participate in, services established by other collective local government groups.

The Collaboration Portal, established by BOPLASS for the sharing of information on Shared Services or Joint Procurement opportunities, has been made available to the wider local government community to provide better visibility of common projects and to encourage further cross-regional collaboration. BOPLASS will continue to market the benefits of inter-region collaboration and assist other councils through providing support and access to the Collaboration Portal.

BOPLASS has provided substantial savings to its shareholding councils through joint procurement undertaken with neighbouring regions. The Board has tasked BOPLASS with leading further inter-regional joint procurement initiatives that will provide benefit to all parties through an aggregated approach.

Significant benefits and savings have been achieved in the placement of councils' insurance through working in conjunction with other LASS. BOPLASS is considered a leader in the development of the interLASS insurance collective. Promoting the size of the aggregated LASSes to provide critical mass and maintain our favourable position within the insurance industry will continue to be leveraged.

**10. Stakeholder Engagement**

BOPLASS recognises the ambitious plans our constituent councils have for their communities and endeavours to support these aspirations through:

- Regular engagement at project, management, and governance level.
- Including councils' short, medium, and long-term goals within BOPLASS planning.
- Using quality information from councils to guide our decision-making.
- Identifying and developing services that directly benefit councils and/or their communities.
- Monitoring councils' future plans and remaining agile to change to include these aspirations in our own planning.
- Ensuring there are regular communications about individual council's LTP developments to assist BOPLASS with aligning with councils' strategic direction.
- Regularly communicating to ensure stakeholders are aware of what we are doing and why we are doing it.
- Involving councils in our decision-making and planning.

**7.6.3 Appendix 2 - BOPLASS Draft Statement of Intent 2024-2027(Cont.)****11. Performance Targets**

To ensure the Company continues to operate effectively in both governance and management terms over the next three years the targets are to:

<b>Target</b>	<b>How</b>	<b>Measure</b>
Ensure supplier agreements are proactively managed to maximise benefits for BOPLASS councils.	Manage and/or renegotiate existing contracts.	Contracts reviewed annually to test for market competitiveness. New suppliers are awarded contracts through a competitive procurement process involving two or more vendors where applicable.
Investigate new Joint Procurement initiatives for goods and services for BOPLASS councils.	Procure from sources offering best value, service, continuity of supply and/or continued opportunities for integration. (Current identified projects are listed in Appendix B.)	A minimum of four new procurement initiatives investigated. Initiatives provide financial savings of greater than 5% and/or improved service levels to the participating councils.
Identify opportunities to collaborate with other LASS in Procurement or Shared Service projects where alliance provides benefits to all parties.	BOPLASS to regularly engage with other LASS to identify and explore opportunities for further inter-regional collaboration.	Quarterly reporting on engagement and a minimum of one new collaborative initiative undertaken annually.
Further develop and extend the Collaboration Portal for access to, and sharing of, project information and opportunities from other councils and the greater Local Government community to increase breadth of BOPLASS collaboration.	Increase usage of the Collaboration Portal by providing support and training material for new and existing users. Proactively market the benefits to councils.	Number of active users to increase by 5% per year.
Communicate with each shareholding council at appropriate levels.	Actively engage in obtaining political support for identified projects.	Information provided to elected members, and feedback sought, on BOPLASS projects, benefits to local communities, and value added to each council.
Ensure current funding model is appropriate.	Review BOPLASS expenditure and income and review council contributions and other sources of funding.	Performance against budgets reviewed quarterly. Company remains financially viable.

**7.6.3 Appendix 2 - BOPLASS Draft Statement of Intent 2024-2027(Cont.)****12. Balance Sheet Ratios**

The Local Government Act 2002 Schedule 8 (9) requires the SOI to include the projected ratio of shareholders' funds to total assets within the Forecast Statement of Financial Position. As at 30 June 2023 the consolidated Shareholder funds comprised \$28,520 and the total assets were \$2,704,410. The resulting ratio is 1.05%.

As asset owning Shared Services are approved, the Board will, if appropriate, provide a mechanism for the recognition of each council's contribution.

**13. Accounting Policies****13.1 Statement of Accounting Principles**

The Company will adopt accounting practices that comply with NZ IFRS, the requirements of the LGA and the Financial Reporting Act 1993.

**13.2 IPSAS Accounting Standards**

As a Public Sector Public Benefit Entity (PS PBE), the Company has elected to report using International Public Sector Accounting Standards for Public Benefit Entities under Tier 3 PBE standards.

**13.3 Measurement Basis**

The Company will follow generally accepted international accounting principles for reporting of earnings and financial position.

**13.4 Specific Accounting Principles**

The following are principles which will have a significant effect on the measurement of financial position:

- Accounts Receivable are stated at their expected realisable value after writing off any known bad debts and providing for doubtful debts.
- Investments are valued at the prevailing market value.
- Fixed assets are recorded at cost, less accumulated depreciation.
- Any liability for overseas funding of equipment, systems or services is based on the prevailing exchange rate as at balance date.
- Where intangible assets are purchased, such as intellectual property, these are capitalised and written off on a straight-line basis over their expected life, but no greater than four years.
- All assets are depreciated over their expected useful lives. Depreciation is provided on a diminishing value basis over the estimated useful life, at the same rate as is allowed by the Income Tax Act 1994.
- It is not envisaged that the Company will hold inventories, other than those that might relate to providing information services to a number of parties. They will be valued at net realisable value.
- Taxation will be provided as required in line with relevant legislation.



**7.6.3 Appendix 2 - BOPLASS Draft Statement of Intent 2024-2027(Cont.)**

- In accordance with the Public Audit Act 2001 and the Local Government Act 2002, the office of the Auditor General will be responsible for the audit of the Company's financial statements.

**14. Distributions to Shareholders**

The Company is not expected to make profits that would ordinarily be distributed by way of dividends. Any surplus funds (after tax) remaining from an activity, or the annual operations of the Company shall be carried forward to the ensuing year and may be used to reduce service costs, invest in further developing other services, and/or as the Directors may decide.

**15. Information to be Provided to Shareholders**

The Company will deliver the following statements to shareholders:

- On a three-monthly basis the Financial Position and Cashflow.
- Within two months of the end of the first half of the financial year: Financial Performance and Financial Position.
- Within three months of the end of the financial year the following audited statements: Financial Position, Movements in Equity, Cashflows, Service Performance plus a summary of how the Company has tracked against its objectives and prospects for the next financial year, and a report on the Company's medium to long term plans.
- Six monthly summaries of project activities included in Half Yearly and Annual Reports.

**16. Procedures for the Purchase and Acquisition of Shares**

The Board will give approval before BOPLASS Ltd subscribes for, purchases, or otherwise acquires shares in any company or other organisation, which is external to the group.

**17. Activities for Which the Board Seeks Compensation**

The ongoing activities to identify, develop, procure Shared Services will be budgeted for in advance, subject to a business case and either funded by individual councils without BOPLASS Ltd involvement, or agreed by the Board to be funded by BOPLASS Ltd with consequent recovery from participating councils.

Shareholding councils will contribute to the operational costs of the Company on an annually agreed basis.

The Company will also seek contributions by way of a levy or administration charges on services provided or administered. In determining an appropriate charge, the Directors may take into account the cost of running the Company, its future operational requirements, the nature and cost of the service provided, benefits achieved and councils' ability to pay.

**7.6.3 Appendix 2 - BOPLASS Draft Statement of Intent 2024-2027(Cont.)**

The Company may provide services (at a cost recovery or a cost-plus basis) to other non-shareholding councils within or beyond the region. Any surplus from such activity will be used to either reduce service costs and/or invest in further developing of that or other services, as agreed by the Advisory Group and by the Board.

**18. Value of Shareholder's Investment**

The Directors estimate that, at this stage, BOPLASS Ltd has limited commercial value. As each shareholder's investment in BOPLASS Ltd is less than \$20,000, the Board believe that fairly represents the value of their investment. The Directors will reassess the value of this shareholding on or about the 1st of March each year.

**19. Financial Forecasts**

The Forecast Financial Statements for the years 2024-2027 are included (Appendix A).

The Aerial Photography revenue/expenses reflects the flying programme determined by the participating councils which includes interim flying programmes and extensive region-wide flying programmes over the next five years.

A continued increase in Recoveries has been forecast to reflect the direct recovery of purchases made on behalf of councils through Joint Procurement projects.

It is the company's intention to always fully recover costs incurred on behalf of participating councils.

## 7.6.3 Appendix 2 - BOPLASS Draft Statement of Intent 2024-2027(Cont.)

## Appendix A

SOI Forecast 2024/27	Budget 2023/2024	Forecast 2024/2025	Forecast 2025/2026	Forecast 2026/2027
<b>REVENUE</b>				
<b>Revenue - Core</b>	<b>327,637</b>	<b>362,115</b>	<b>371,130</b>	<b>380,871</b>
Bank Interest Received	6,000	1,500	1,500	2,000
Council Contribution	321,637	360,615	369,630	378,871
<b>Revenue - Projects</b>	<b>1,200,000</b>	<b>1,317,000</b>	<b>1,321,000</b>	<b>1,241,000</b>
Aerial Photography Income	300,000	400,000	400,000	320,000
Bank Interest Received	9,000	7,000	6,000	6,000
Collaboration Portal	45,000	40,000	45,000	50,000
Lease Income - ICN	120,000	135,000	135,000	130,000
Lease Income - Video Confer.	15,000	15,000	15,000	15,000
Rebates	1,000	0	0	0
Recoveries	710,000	720,000	720,000	720,000
<b>Total Operating Revenue</b>	<b>1,527,637</b>	<b>1,679,115</b>	<b>1,692,130</b>	<b>1,621,871</b>
<b>EXPENSES</b>				
<b>Expenditure - Core</b>	<b>395,953</b>	<b>423,436</b>	<b>436,451</b>	<b>450,992</b>
ACC	900	950	950	950
Accommodation & Travel	2,200	5,500	6,000	5,000
Accounting & Audit	22,000	24,000	25,000	26,000
Administration	18,000	20,000	20,000	22,000
Amortisation	8,700	5,000	4,500	3,800
Bank Fees	200	200	200	200
Conferences	2,200	2,500	2,500	2,500
Depreciation	650	4,300	4,000	4,000
Directors' costs	23,000	23,000	23,000	25,000
Fringe Benefit Tax	4,000	4,500	4,500	4,500
General & Catering	2,400	1,500	1,500	1,500
Health and Safety	1,000	1,000	1,000	1,000
Insurance	12,000	14,000	16,000	17,000
Interest Paid - TCC Loan	0	0	0	0
Legal	2,000	2,500	2,500	2,500
Salaries	286,403	300,723	309,744	319,037
Salaries - C'Portal Opex	-17,000	-18,000	-18,000	-18,000
Staff Support Costs	18,500	19,500	21,000	22,000
Staff Training Costs	2,500	2,500	2,500	2,500
Subscriptions	1,000	4,263	4,057	4,005
Tax Advice	5,300	5,500	5,500	5,500
<b>Expenditure - Projects</b>	<b>1,131,684</b>	<b>1,255,679</b>	<b>1,255,679</b>	<b>1,170,879</b>
Aerial Photography Expense	300,000	400,000	400,000	320,000
Collaboration Portal Opex	27,884	27,979	27,979	27,979
Lease Expense - ICN	115,200	129,600	129,600	124,800
Lease Expense - Video Confer.	14,100	14,100	14,100	14,100
Projects - Recoveries	674,500	684,000	684,000	684,000
<b>Total Operating Expenditure</b>	<b>1,527,637</b>	<b>1,679,115</b>	<b>1,692,130</b>	<b>1,621,871</b>
<b>Operational Surplus/ (Deficit) before Tax</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

**7.6.3 Appendix 2 - BOPLASS Draft Statement of Intent 2024-2027(Cont.)****Appendix B****Undertaken Joint Procurement Projects**

Requiring ongoing management for performance, renewal or replacement:

- Accounts Payable automation software
- Advertising services
- Aerial imagery and LiDAR
- Air travel
- Antivirus software
- Archaeological services
- Asbestos protocols
- Banking
- Capital construction and civil works
- Cloud services
- Collective training services
- Community engagement app
- Courier services
- Cyber insurance
- Document management – EDRMS
- Document storage
- EFTPOS services
- Electricity
- Electronic purchasing
- EMA membership
- Firewall Services
- FME Server
- Fuel
- Geospatial training services
- GIS regional technical advisor
- GIS software
- GPS vehicle tracking
- Health & Safety benchmarking
- Health & Safety management software
- Health & Safety training services
- Health & Wellbeing online platform
- Historic imagery digitisation
- HR information systems
- Infrastructure as a Service
- Insurance brokerage services
- Insurance – General
- Insurance – Infrastructure
- Internet services
- IPWEA library
- Media monitoring
- N3/GSB membership
- Office supplies
- Postal services
- Print media copyright services
- Provincial Growth Fund co-funding
- Radio telephony
- Rapid antigen tests
- Reprographic – printers/copiers
- Risk management workshops
- Security services
- Telephony – voice, data, mobile
- Tender facilitation
- Transactional banking
- Travel and accommodation services
- Valuation services provider
- Video conferencing services
- Website analytics
- Wireless WAN

**7.6.3 Appendix 2 - BOPLASS Draft Statement of Intent 2024-2027(Cont.)**

**Appendix B**

**Identified Joint Procurement Projects**

- Agenda management software
- Business continuity
- Chemicals
- Civil works contracts
- Civil works materials
- Community communication systems
- Contractor online inductions
- Digital signatures
- Document scanning
- Driver training
- Drug & Alcohol testing
- Engineering Codes of Practice
- Fleet purchasing and management
- Health insurance
- High volume print
- ICT security policies
- Infrastructure valuation services
- IT applications
- Lone worker field solutions
- Media distribution services
- PPE & Uniform
- Property valuation services
- Recruitment/Candidate management
- Risk profiling workshops
- Robotic Process Automation (RPA)
- Surveys and research

DRAFT

**7.6.3 Appendix 2 - BOPLASS Draft Statement of Intent 2024-2027(Cont.)****Appendix B****Shared Services**

Managed by BOPLASS or by one or more constituent councils:

- After hours call management
- CCTV monitoring
- Contractor H&S prequalification
- Debt recovery services
- Employee benefit schemes
- FME licensing pool
- GIS imagery data storage
- GIS support (inter-council)
- GIS web services
- Health and safety auditing
- Historic aerial imagery digitisation
- Insurance COE
- Inter-council network
- Internal audit services
- MahiTahi LG Collaboration Portal
- Media monitoring
- Occupational health
- Radio telephony strategy
- Section 17a reviews
- Shared licence server
- Solid waste services
- Standards NZ
- Video conferencing hosting
- Waste Operator Licensing

**Projects for Consideration**

- Archive services
- Asset Management
- Building consents
- Business continuity planning
- Capital Expenditure projects
- Centralised insurance resource
- Civil Defence Emergency Management
- Civil works projects marketing
- Consents Processing
- Contractor online inductions
- Debt Management
- Digital transformation
- Diversion of putrescible waste from landfill
- Document digitisation
- Driver training
- Electronic Document and Records Management System
- Geospatial services
- HR Information Systems
- Information Services
- Infrastructure development codes
- Insurance valuations
- Inter-council Secondments
- IT hosting
- Joint software support
- Payroll
- Project management office
- Rates Collection
- Regional Civil Defence
- Risk and total assurance
- Shared datacentre
- Solid waste regional facilities strategy
- Smart cities
- Staff engagement survey systems
- Web services
- Windscreen replacement

**7.6.4 Appendix 3 - LGFA Half yearly report to shareholders for the period ended 31 December 2023**

**7.6.4 Appendix 3 - LGFA Half yearly report to shareholders for the period ended 31 December 2023**



31 December 2023  
HALF YEAR REPORT

Benefiting communities through  
delivering efficient financing  
for local government.

Ka whiwhi painga ngā hapori mā te  
whakarato pūtea tōtika ki ngā kaunihera.



# Contents

## Ngā Ihirangi

**04** Message from the Chair and Chief Executive  
He karere mai i te Toihau me te Tumuaki

**08** Performance against objectives  
Ko ngā whakatutukinga ki ngā whāinga

**16** Financial statements  
Nga tauki pūtea

Statement of comprehensive income.....	16
Statement of changes in equity.....	17
Statement of financial position.....	18
Statement of cash flows .....	19
Notes to the financial statements .....	20

**33** Directory  
Rārangi tauwaea

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

Cover photo: Kopurererua River realignment project. Tauranga City Council  
Contents photo: Water flows down the spillway and beneath the Nick Patterson bridge. Waimea Dam. Tasman 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 2023

The six months to December 2023 presented a challenging period for bond issuance as markets remained volatile and an increased supply of high-grade bonds impacted sentiment. Over this period, council and council-controlled organisations (CCO) borrowing and LGFA bond issuance increased to record levels and, despite the difficult conditions, LGFA continued to deliver value to members and our investor base. Highlights over the period included our successful debut issuance in the Australian Dollar (A\$) bond market and LGFA receiving an unprecedented five awards in the annual KangaNews Awards, including New Zealand Issuer of the year for the second consecutive year.

#### 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 and our membership has grown to 77 council and 5 CCO's.

Over the six months, Infrastructure Holdings Limited and Whanganui District Council Holdings Limited joined as CCO members. We currently have 72 guarantors with West Coast Regional Council moving from non-guarantor to guarantor status during the past six months.

Lending to members over the six month period was a record \$2.63 billion of long-term loans to 56 members, with an average tenor of 5.2 years which was shorter than prior periods. Short-dated lending for terms less than 12 months continues to be supported by councils, with \$617 million outstanding to 36 members at December 2023.

Our estimated market share of total council borrowing of 89% was above our forecast and the long-term average. As at the end of December, outstanding loans totalled \$18.79 billion, as well as \$747 million of standby facilities.

#### Financial and Operational Performance

LGFA's total interest income for the six months of \$578.1 million was an 85% increase over the 2022 comparable period (\$312.9 million), while net operating

profit of \$5.2 million was a 370% increase (\$1.1 million).

Although net operating profit was significantly higher than the comparable 2022 period, it was in line with historical outturns. The low comparable 2022 period outcome was negatively influenced by the rapid rise in interest rates, mismatches between the Bank Bill Reference Rate and the Official Cash Rate, combined with a planned increased holding of liquid assets.

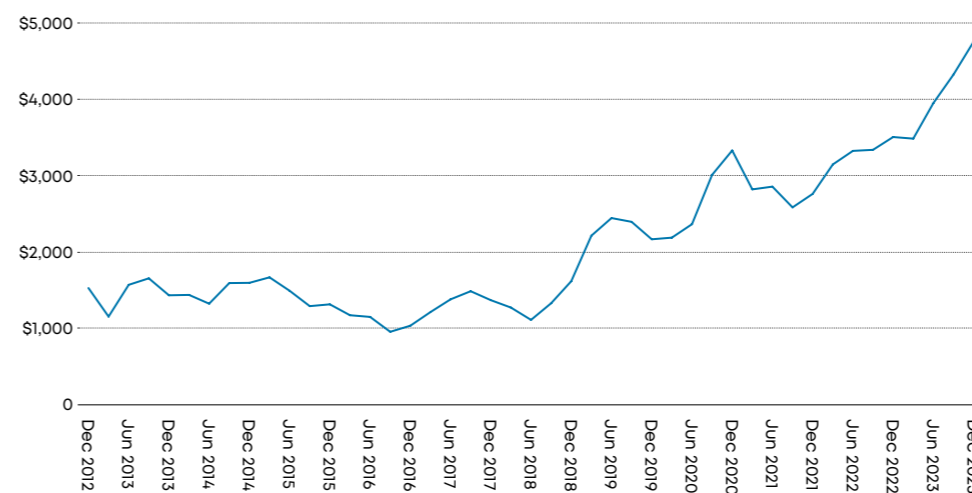
Total operating income was above budget by \$152k, however expenses were \$428k above the SOI budget, with net operating profit \$277k below budget. Our higher expenses were due to increased legal and NZX costs arising from the record levels of member borrowing and associated bond issuance, as well as establishment costs for our Euro Commercial Paper programme, SA bond issuance and higher Approved Issuer Levy (AIL) payments.

The financial strength of LGFA was affirmed by Fitch Ratings who maintained our domestic currency credit rating at AA+ in October 2023. Our AAA rating from S&P Global Ratings was affirmed in March 2023 and remains the same as the New Zealand Government.

#### Our borrowing activity

LGFA issued \$1.63 billion of NZD bonds over the past six months, with outstandings bonds totalling \$18.92 billion (including \$1.10 billion of treasury stock) across 11 maturities ranging between 2024 to 2037. The average term of our NZD bond issuance during the six months at 5.7 years was significantly longer than the prior year period.

#### LGFA Annual Council and CCO Borrowing (NZ\$ millions)



LGFA established an Australian Medium Term Note programme in 2017 to diversify our funding sources but had no reason to utilise the programme until 2023. Given our increased borrowing requirement we successfully debuted issue a A\$1 billion 5-year bond in August 2023 and followed up with an A\$650 million 7-year bond in November 2023.

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.

Increased high grade bond supply from ourselves and the NZ Government has pushed LGFA spreads wider to swap, but we have outperformed on a spread to NZGBs. The performance of LGFA bonds over the past six

7.6.4 Appendix 3 - LGFA Half yearly report to shareholders for the period ended 31 December 2023(Cont.)

months has been mixed with the spread between LGFA bonds and New Zealand Government Bonds (NZGBs) narrower by between 3 bps (2033s) and 12 bps (2027s) but wider on a spread to swap between 3 bps (2035s) to 13 bps (2026s). Outright yields on LGFA bonds declined between 28 bps (2037s) and 55 bps (2027s) over the six-month period, but it was a volatile period with the 2037 yield trading a 146-bps range between 6.58% and 5.12% and closed on 31 December 2023 at the low of 5.12%.

**KangaNews award winner**

We are pleased to advise that LGFA scooped an unprecedented five awards at the 2023 KangaNews Awards with the awards being determined by market participant votes. We received awards for the New Zealand Issuer of the Year (for the second consecutive year), NZD Rates Bond Deal, NZ Sustainability Deal, NZ Offshore Deal, and NZ innovative Deal. We want to acknowledge the support from our stakeholders and those who voted for us.

**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 managing their three waters assets during the reform process.

LGFA is assisting both Central Government and our council members under the previous government's Affordable Waters Programme and the new government's Local Water Done Well Programme.

LGFA continues to assist as required, the Ratepayer Assistance Scheme project managed by a group of councils with advice from Cameron Partners. If successful, the scheme could offer temporary financial relief to ratepayers via rates postponement. LGFA is not contributing financially to this project but providing intellectual capital and assistance.

**New products and initiatives**

We launched Green, Social and Sustainable (GSS) lending in October 2021 and Climate Action Loans

(CALs) for council and CCOs in December 2022. Both lending products offer discounted loan margins to councils and CCOs.

As at December 2023, we have undertaken \$377.2 million of GSS Loans to six members and CALs of \$1.20 billion to four members.

LGFA established a world first Sustainable Financing Bond (SFB) Framework in March 2023 and issued our first SFB under the Framework in April 2023. We subsequently issued a further \$500 million of the May 2030 SFB in October 2023. The SFBs are notionally backed by our GSS loans and CALs to councils and CCOs.

**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 Toitū Envirocare, actively marketing our GSS loan product and establishing CALs and the launch of the SFB. We published our first Annual Impact Review Report and have been preparing for our first report under Climate Related Disclosure requirements for the 2024 Annual Report.

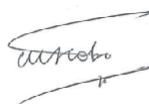
**Acknowledgments**

Our work cannot be implemented without the support of our staff, fellow directors, Shareholders Council, New Zealand Debt Management and Central Government, all whose efforts should be acknowledged.


Anthony Quirk who has been a director since 2017, retired from the Board in November 2023, and we would like to take this opportunity to thank Anthony for his invaluable contribution to LGFA over the past six years. Kumaren Perumal from Bay of Plenty Regional Council also stepped down as Chair of the Shareholders Council and we wish to acknowledge his contribution over the past two years.

Anita Furnis our inaugural Future Director also stepped down in December 2023 after an 18-month term and we appreciated her involvement and engagement that in ensures the success of the Future Director programme. We welcome David Rae to the board as an Independent Director, Kathryn Sharplin as the new Chair of the Shareholders Council and Sarah Matthews as the new Future Director.

We believe LGFA's future remains positive and look forward to working with all stakeholders in the next six months.



**Craig Stobo**  
Chair



**Mark Butcher**  
Chief Executive

# How we add value to the local government sector

**By working together with LGFA, member councils and Council-controlled organisations (CCOs) can access cheaper, easier, and more reliable funding.**

At the same time, LGFA helps underpin confidence in the local government sector, helps councils and CCOs with their sustainability goals, boosts capital markets in New Zealand, and acts as a centre of expertise that the local government sector can draw on.

**Cheaper loans.** By borrowing collectively through LGFA, our members get cheaper funding than if they all borrowed individually. There are also major savings in upfront transaction costs.

**Easier access to markets.** LGFA deals with the complexities of accessing debt capital markets, which simplifies and streamlines the process of raising loans for our members. At the same time, we provide a wide range of financing options, including short-term loans and standby facilities, long-term loans up to 13 years, with either fixed or floating interest rates, and sustainable lending products.

**Reliable financing.** LGFA has a wider range of financing sources than most councils could access on their own. These include domestic retail and institutional investors, banks, and offshore investors. This makes financing more resilient and reliable, especially in times of stressed markets. LGFA has also provided a vital role by maintaining liquidity to members during difficult market conditions. LGFA has issued under our Australian dollar bond programme and has established a Euro Commercial Paper (ECP) programme to access foreign currency debt capital markets in order to diversify our financing sources.

**Underpinning confidence.** LGFA monitor and provide oversight for the local government sector, ensuring a higher degree of confidence in council finances. Our financial covenants help ensure prudent financial management by councils. We help maintain the support of investors and the confidence of the credit rating agencies by maintaining a credit rating that is equal to the New Zealand Government. It is important to maintain parity with the New Zealand Government credit rating to protect our operating model and manage borrowing costs.

**Encouraging sustainability.** LGFA provide Climate Action Loans and Green Social and Sustainable Loans to councils and CCOs to help them make progress on their sustainability goals. On the financing side, we issue Sustainable Financing Bonds to help broaden the 'sustainable bond' market in New Zealand. We are currently working with sustainability experts and councils to measure and report on our financed emissions for all our council borrowers in our upcoming 2024 Annual Report.

**Enhancing capital markets.** LGFA are the largest issuer of NZ Dollar bonds after the New Zealand Government. Our bonds add to market liquidity and provide more options for investors, including retail investors, to support the local government sector. Our bonds act as a stable benchmark that is used for pricing other corporate bonds in the New Zealand market.

**A centre of expertise.** The LGFA team acts like a centralised Treasury for councils, providing a significant amount of experience and expertise in capital markets and debt raising.

# Performance against objectives

## Ko ngā whakatutukinga ki ngā whāinga

The statement of service performance provides a summary of LGFA's performance against the objectives and performance targets set out in the LGFA Statement of Intent 2023-26 (SOI)

### 2023-24 Objectives and performance targets

LGFA objectives and performance targets for 2023-24 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 two quarters' ended December 2023 are available on the LGFA website.

### Governance, capability and business practice

LGFA is committed to demonstrating best practice corporate governance underpinned by sound business practice to ensure its long-term sustainability and success.

Objectives	Our performance to 31 December 2023
Demonstrate best practice corporate governance.	LGFA report annually on our compliance with the eight core principles underpinning the NZX Corporate Governance Best Practice Code. The 2023 Annual Report 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 ended 31 December 2023 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. The 2023 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	2023-2024 target	Our performance to 31 December 2023
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 affirmed our foreign and domestic currency ratings at AA+ with a Stable Outlook on 19 October 2023. S&P Global Ratings affirmed our domestic currency credit rating at AAA and our foreign currency rating at AA+ in March 2023.
LGFA's total operating income for the period to 31 December 2023.	> \$20.6 million.	✓ \$10.6 million for six months to 31 December 2023. Expect to exceed SOI by year end.
LGFA's total operating expenses for the period to 31 December 2023.	< \$10.0 million.	✗ \$5.4 million for six months to 31 December 2023. Year-end operating expenses will exceed SOI due to higher Approved Issuer Levy than budgeted, as well as additional costs from (1) higher levels of issuance and onlending than budgeted; (2) legal and associated costs for inaugural foreign currency issuance, and (3) preparation for potential role in 'Local Water Done Well' and the proposed Ratepayer assistance programme.

7.6.4 Appendix 3 - LGFA Half yearly report to shareholders for the period ended 31 December 2023(Cont.)

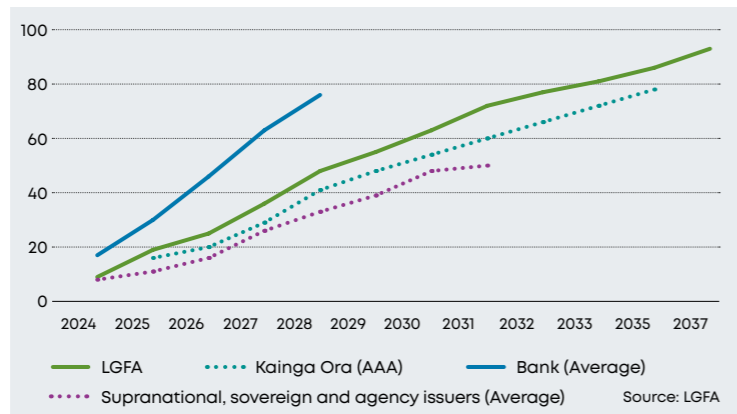
**Optimising financing services for local government**

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)**  
 LGFA's borrowing margins compare favourably to other high-grade issuers in the New Zealand capital markets.



**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**

- ANZ (AA-)
- ASB (AA-)
- 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 ended December 2023, our members borrowed \$2.656 billion in 222 long term loans across maturity dates ranging between 2024 and 2033.
- As at December 2023 there was \$617 million short-term loans outstanding to 36 members.
- As at December 2023, standby facilities totalled \$747 million across 16 members.

Deliver operational best practice and efficiency for lending services.

Over the six months ended December 2023, LGFA operations staff successfully:

- settled 1,150 new trades with a gross value of \$14.3 billion,
- processed 7,454 cash flows with a gross value of \$21.9 billion, and
- rate set 5,733 existing trades.

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 ended December 2023, we issued NZ\$1.63 billion and A\$1.65 billion of primary bonds and secondary market turnover totalled \$6.25 billion.

Performance targets	2023-2024 target	Our performance to 31 December 2023
---------------------	------------------	-------------------------------------

Share of aggregate long-term debt funding to the Local Government sector.	> 80%	✓ Met – 89% as at 31 December 2023
Total lending to Participating Borrowers.	> \$17,870 million	✓ Met – \$18,789 million as at 31 December 2023
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 2023 Stakeholder Survey.
Successfully refinance existing loans to councils and LGFA bond maturities as they fall due.	100%	✓ Met
Meet all lending requests from Participating Borrowers, where those requests meet LGFA operational and covenant requirements.	100%	✓ Met



7.6.4 Appendix 3 - LGFA Half yearly report to shareholders for the period ended 31 December 2023(Cont.)

**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 prioritise 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	Our performance to 31 December 2023
Assist the local government sector in achieving their sustainability and climate change objectives.	Over the six months to 31 December 2023, we approved a new Green, Social and Sustainability Loan (GSS loan) to Tauranga City Council. At 31 December 2023, we have approved six GSS loans with a combined approved value of \$572 million, of which \$377 million has been advanced. On 1 December 2022, we launched Climate Action Loans (CALs) which a discounted loan margin for members who have implemented a Greenhouse Gas Emission Reduction Plan and meet their emission reduction targets. Over the six months to 31 December 2023, we approved a CAL loan status to Kapiti Coast District Council. At 31 December 2023, we have approved four councils with a CAL loan status: Total loans issued to CAL approved councils total \$1,221 million.
Improve sustainability outcomes within LGFA.	In 2021, LGFA directors committed to reducing our per employee emissions by 30% by 2030, compared with a 2018/19 base year. We are on track to meet our reduction target for the 2023-24 year.

Performance targets	2023-2024 target	Our performance to 31 December 2023
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 August 2023.
Meet reduction targets outlined in our carbon reduction management plan.	Reduction targets met.	✓ On track to meet target
Increase our GSS lending book.	Two new GSS loans undertaken. Three new borrowers enter into CALs	✓ On track to meet target
Ensure Annual Report is prepared in compliance with applicable GRI Standards.	100%	✓ 2023 Annual Report prepared to meet the requirements of the Global Reporting Initiative (GRI) Standards (core option).
Meet all mandatory climate reporting standards.	100%	✓ On track to meet target

**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.

Objectives	Our performance to 31 December 2023
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 78 (75 councils and 3 Council-controlled organisations) of our members with debt outstanding at June 2023 and no council has requested that they be measured on a group basis.
Endeavour to meet each participating borrower annually, including meeting with elected officials as required, or if requested.	We met with 33 borrowers over the six months and are on target to meet with all members by 30 June 2024.

Performance targets	2023-2024 target	Our performance to 31 December 2023
Review each Participating Borrower's financial position.	100%	✓ On target to meet by 30 June 2024.
Arrange to meet each Participating Borrower over a 15-month period, including meeting with elected officials as required, or if requested.	100%	✓ On target to meet by 30 June 2024.

7.6.4 Appendix 3 - LGFA Half yearly report to shareholders for the period ended 31 December 2023(Cont.)

**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	Our performance to 31 December 2023
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.	LGFA continues to assist as required, the Ratepayer Assistance Scheme project managed by a group of councils with advice from Cameron Partners. If successful, the scheme could offer temporary financial relief to ratepayers via rates postponement. LGFA is not contributing financially to this project but providing intellectual capital and assistance.
Assist the local government sector with significant matters such as the Affordable Water Reforms.	Throughout the early part of the six-month period, we have had meetings with Treasury and the National Transition Unit team at DIA and their advisers regarding Affordable Waters Reform and the establishment of a collective funding vehicle, similar to LGFA structure, for the Water Services Entities. Following the change in Government, we have met with the Minister of Local Government and Treasury and DIA staff, offering to help with the implementation of the 'Local Water Done Well' programme
Maintain productive relationships with central government representatives.	We met regularly with OAG, Department of Internal Affairs and Treasury over the six month period.
Support councils and CCOs in the development of reporting disclosures of the impacts of sector activity on climate change.	We continue to roll out the GSS and CALs to councils and CCOs and approved a new GSS loan project and on boarded a new council for CALs. The LGFA Head of Sustainability continues to meet with his counterparts at various councils.



# Financial statements

## Nga taukī pūtea

Statement of comprehensive income..... 16  
 Statement of changes in equity..... 17  
 Statement of financial position..... 18  
 Statement of cash flows ..... 19  
 Notes to the financial statements ..... 20

### Statement of comprehensive income

For the six months ended 31 December 2023 in \$000s

	Note	Unaudited six months ended 31 December 2023	Unaudited six months ended 31 December 2022
Interest income		578,134	312,883
Interest expense		568,323	307,904
<b>Net interest income</b>	<b>4</b>	<b>9,811</b>	<b>4,979</b>
Other operating income	5	753	671
<b>Total operating income</b>		<b>10,564</b>	<b>5,651</b>
Operating expenses	6	5,355	4,542
<b>Net operating profit</b>		<b>5,209</b>	<b>1,108</b>
<b>Total comprehensive income</b>		<b>5,209</b>	<b>1,108</b>


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 28 February 2024.

### Statement of changes in equity

For the six months ended 31 December 2023 in \$000s

	Note	Share capital	Retained earnings	Total equity
<b>Equity as at 1 July 2022</b>		<b>25,000</b>	<b>79,560</b>	<b>104,560</b>
Net operating profit			2,505	2,505
Total comprehensive income for the year			2,505	2,505
Transactions with owners			-	-
Dividend paid on 2 September 2022			(1,218)	(1,218)
<b>Equity as at 1 July 2023</b>		<b>25,000</b>	<b>80,847</b>	<b>105,847</b>
Net operating profit			5,209	5,209
Total comprehensive income for the year			5,209	5,209
Transactions with owners			-	-
Dividend paid on 1 September 2023			(1,713)	(1,713)
<b>Unaudited closing balance as at 31 December 2023</b>		<b>25,000</b>	<b>84,343</b>	<b>109,343</b>

  
 Craig Stobo, Director  
 Board Chair

  
 Linda Robertson, Director  
 Chair, Audit and Risk Committee



## 7.6.4 Appendix 3 - LGFA Half yearly report to shareholders for the period ended 31 December 2023(Cont.)

**Statement of financial position**

As at 31 December 2023 in \$000s

	Note	Unaudited as at 31 December 2023	Audited as at 30 June 2023
<b>Assets</b>			
<b>Financial assets</b>			
Receivables		1,086	492
Cash and bank balances		359,688	226,222
Cash pledged as collateral		85,389	93,175
Marketable securities		1,613,984	1,127,879
Deposits		822,148	348,492
Derivatives in gain		101,535	63,845
Loans	8	18,788,758	16,313,562
<b>Non-financial assets</b>			
Prepayments		1,228	919
Other assets	9	26	58
<b>Total assets</b>		<b>21,773,843</b>	<b>18,174,644</b>
<b>Equity</b>			
Share capital	16	25,000	25,000
Retained earnings		79,135	80,847
Total comprehensive income for the period		5,209	-
<b>Total equity</b>		<b>109,343</b>	<b>105,847</b>
<b>Liabilities</b>			
<b>Financial liabilities</b>			
Payables and provisions	10	29,850	6,132
Bills	11	856,894	782,630
Bond repurchases	12	129,987	130,043
Derivatives in loss		1,291,310	1,628,316
Bonds	13	18,924,712	15,160,432
Borrower notes	14	430,751	360,348
<b>Non-financial liabilities</b>			
Other liabilities	15	995	896
<b>Total liabilities</b>		<b>21,664,499</b>	<b>18,068,797</b>
<b>Total equity and liabilities</b>		<b>21,773,843</b>	<b>18,174,644</b>

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 2023 in \$000s

	Note	Unaudited six months ended 31 December 2023	Unaudited six months ended 31 December 2022
<b>Cash flows from operating activities</b>			
Cash applied to loans	8	(2,407,840)	(1,639,024)
Interest paid on bonds issued		(243,566)	(228,725)
Interest paid on bills issued		(26,733)	(10,088)
Interest paid on borrower notes		(558)	(131)
Interest paid on bond repurchases		(5,303)	(1,738)
Interest received from loans		475,616	224,165
Interest received from cash & cash equivalents		12,273	2,396
Interest received from marketable securities		19,511	13,570
Interest received from deposits		16,943	5,897
Net interest on derivatives		(247,902)	2,276
Cash proceeds from provision of standby facilities		753	671
Payments to suppliers and employees		(6,011)	(5,317)
<b>Net cash flows from operating activities</b>	<b>18</b>	<b>(2,412,818)</b>	<b>(1,636,047)</b>
<b>Cash flows from investing activities</b>			
Purchase of marketable securities		(458,717)	206,657
(Purchase)/maturity of deposits		(458,062)	(462,937)
<b>Net cash flows from investing activities</b>		<b>(916,778)</b>	<b>(256,280)</b>
<b>Cash flows from financing activities</b>			
Cash proceeds from bonds issued	13	1,485,329	1,477,890
Cash proceeds (outflows) from bills issued		74,264	74,146
Cash proceeds (outflows) from bond repurchases		(168)	76,195
Cash proceeds from borrower notes		59,984	41,598
Dividends paid		(1,712)	(1,218)
Cash applied to derivatives		1,845,365	130,604
<b>Net cash flows from financing activities</b>		<b>3,463,063</b>	<b>1,799,215</b>
<b>Net (decrease) / increase in cash</b>		<b>133,467</b>	<b>(93,112)</b>
Cash, cash equivalents at beginning of year		226,222	158,033
<b>Cash, cash equivalents at end of year</b>		<b>359,688</b>	<b>64,921</b>

These statements are to be read in conjunction with the notes to the financial statements.

## 7.6.4 Appendix 3 - LGFA Half yearly report to shareholders for the period ended 31 December 2023(Cont.)

## 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 28 February 2024.

## 2. Statement of compliance

The interim financial statements are for the six months ended 31 December 2023 and are to be read in conjunction with the annual report for the year ended 30 June 2023.

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 issued standards or interpretations 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.

## 7.6.4 Appendix 3 - LGFA Half yearly report to shareholders for the period ended 31 December 2023(Cont.)

## Revenue and expenditure

## 4. Net interest income

in \$000s	Unaudited six months ended 31 December 2023	Unaudited six months ended 31 December 2022
<b>Interest income</b>		
Cash and cash equivalents	16,804	4,098
Marketable securities	33,313	18,342
Lease liability	-	16
Deposits	20,237	9,668
Derivatives	-	-
Loans	507,780	280,759
Fair value hedge ineffectiveness	-	-
<b>Total interest income</b>	<b>578,134</b>	<b>312,883</b>
<b>Interest expense</b>		
Bills	26,733	10,088
Bond repurchase transactions	5,415	1,949
Lease liability	17	-
Derivatives	227,217	66,245
Bonds	298,564	224,425
Borrower notes	10,377	5,196
<b>Total interest expense</b>	<b>568,323</b>	<b>307,904</b>
<b>Net interest income</b>	<b>9,811</b>	<b>4,979</b>

## 5. Other operating income

As at 31 December 2023, LGFA had provided credit standby facilities totalling \$747 million (2022: \$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 2023	Unaudited six months ended 31 December 2022
Standby facilities fee income	753	671
<b>Total other operating income</b>	<b>753</b>	<b>671</b>

## 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 2023	Unaudited six months ended 31 December 2022
<b>Issuance and on-lending expenses</b>		
Approved issuer levy <sup>1</sup>	541	343
Rating agency fees	343	333
NZDMO facility fee	750	652
Legal fees – issuance	502	205
NZX	402	367
Trustee fees	56	55
Regulatory, registry, other fees	184	106
	<b>2,779</b>	<b>2,062</b>
<b>Other operating expenses</b>		
Information technology	360	341
Consultants	131	127
Directors fees	249	213
Insurance	49	47
Legal fees	23	156
Other expenses	204	230
Auditors' remuneration		
Statutory audit	60	55
Advisory services	-	-
Personnel	1,500	1,312
	<b>2,577</b>	<b>2,481</b>
<b>Total operating expenses</b>	<b>5,355</b>	<b>4,542</b>

1. The amount of Approved Issuer Levy is a function of the number of the offshore holders of certain LGFA bond maturities.

## 7.6.4 Appendix 3 - LGFA Half yearly report to shareholders for the period ended 31 December 2023(Cont.)

## 7. Hedge accounting

LGFA is exposed to interest rate risk from its borrowing, lending and investment activities and uses interest rate swaps and cross currency 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 gain/(loss) for the six months ended 31 December 2023	Unaudited gain/(loss) for the six months ended 31 December 2022
Hedged items attributable to the hedged risk	(357,392)	329,876
Hedging instruments – interest rate swaps	357,392	(329,876)
<b>Ineffectiveness recognised in profit or loss from fair value hedges</b>	<b>-</b>	<b>-</b>

The gains or losses on the hedging instrument (interest rate swaps, cross currency 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 2023		Audited as at 30 June 2023	
	Short-term loans <sup>1</sup>	Loans	Short-term loans	Loans
Ashburton District Council	12,089	104,554	12,110	74,243
Auckland Council	-	3,631,775	-	3,225,659
Bay of Plenty Regional Council	57,991	176,577	57,428	161,353
Buller District Council	-	20,036	-	20,030
Canterbury Regional Council	5,013	77,336	10,116	65,272
Carterton District Council	-	20,552	-	17,523
Central Hawkes Bay District Council	-	38,324	4,072	38,314
Central Otago District Council	5,020	20,288	20,117	5,072
Christchurch City Council	-	2,331,650	-	2,200,409
Clutha District Council	11,583	88,191	7,554	62,905
Dunedin City Treasury	-	252,736	-	126,119
Far North District Council	10,079	92,000	-	91,984
Gisborne District Council	-	149,330	-	126,028
Gore District Council	8,554	44,478	8,556	41,915
Greater Wellington Regional Council	-	804,623	-	678,358
Grey District Council	3,971	26,801	3,990	26,799
Hamilton City Council	-	804,733	-	803,843
Hastings District Council	-	385,854	-	294,992

1. As at 31 December 2023, \$2,757 million of loans are due to mature within 12 months. This comprises all short-term loans and \$2,140 million of loans.

in \$000s	Unaudited as at 31 December 2023		Audited as at 30 June 2023	
	Short-term loans <sup>1</sup>	Loans	Short-term loans	Loans
Hauraki District Council	-	88,971	-	62,620
Hawkes Bay Regional Council	25,193	74,856	25,313	55,262
Horizons Regional Council	9,906	54,923	9,936	51,871
Horowhenua District Council	23,218	159,390	15,175	151,192
Hurunui District Council	9,060	49,571	8,092	38,435
Hutt City Council	-	479,870	-	373,239
Infrastructure Holdings Ltd	9,852	104,503	-	-
Invercargill City Council	61,774	73,889	55,448	68,788
Invercargill City Holdings Ltd	39,236	48,411	12,323	78,514
Kaikoura District Council	-	7,365	-	5,346
Kaipara District Council	-	44,572	-	44,545
Kapiti Coast District Council	-	308,407	-	277,935
Kawerau District Council	-	4,048	-	2,024
Mackenzie District Council	3,007	11,205	3,001	8,086
Manawatu District Council	15,241	79,598	15,136	79,502
Marlborough District Council	14,694	184,017	21,241	131,594
Masterton District Council	-	62,462	-	52,336
Matamata-Piako District Council	-	52,637	-	45,520
Napier City Council	-	10,095	-	10,014
Nelson City Council	-	247,217	-	186,666
New Plymouth District Council	20,136	237,018	10,114	221,668
Northland Regional Council	-	18,578	-	18,565
Opotiki District Council	-	11,584	-	9,557
Otago Regional Council	49,336	109,419	46,665	104,177
Otorohanga District Council	9,194	-	6,052	-
Palmerston North City Council	-	273,375	-	214,483
Porirua City Council	-	239,409	-	198,906
Queenstown Lakes District Council	56,097	524,697	56,007	454,003
Rangitikei District Council	-	31,238	-	31,207
Rotorua District Council	1,889	391,976	1,889	351,358
Ruapehu District Council	8,049	45,161	8,050	42,130
Selwyn District Council	-	126,430	-	116,198
South Taranaki District Council	3,072	117,496	-	117,428
South Waikato District Council	-	44,474	-	44,457

## 7.6.4 Appendix 3 - LGFA Half yearly report to shareholders for the period ended 31 December 2023(Cont.)

in \$000s	Unaudited as at 31 December 2023		Audited as at 30 June 2023	
	Short-term loans <sup>1</sup>	Loans	Short-term loans	Loans
Southland District Council	-	22,020	-	21,960
South Wairarapa District Council	-	29,174	-	29,148
Stratford District Council	-	34,885	2,030	31,858
Taranaki Regional Council	-	23,687	-	19,652
Tararua District Council	4,050	52,839	4,047	53,778
Tasman District Council	26,863	263,664	25,515	246,751
Taupo District Council	-	146,315	-	146,271
Tauranga City Council	-	930,197	-	823,933
Thames-Coromandel District Council	-	80,006	-	67,813
Timaru District Council	19,343	187,700	19,456	187,561
Upper Hutt City Council	-	182,803	-	113,212
Waikato District Council	-	156,572	9,975	111,225
Waikato Regional Council	-	30,298	5,120	25,276
Waimakariri District Council	-	182,028	-	181,960
Waimate District Council	-	3,541	-	3,540
Waipa District Council	51,618	200,515	20,010	207,374
Wairoa District Council	8,259	11,110	8,015	11,109
Waitaki District Council	8,852	52,501	8,978	33,280
Waitomo District Council	4,077	24,209	4,071	24,204
Wellington City Council	-	1,552,273	-	1,178,503
West Coast Regional Council	2,986	13,310	3,243	9,991
Western Bay Of Plenty District Council	-	86,106	-	80,992
Westland District Council	-	30,130	-	27,078
Westland Holdings Ltd	625	5,457	1,618	5,456
Whakatane District Council	-	145,172	-	114,768
Whanganui District Council	7,559	136,527	7,557	110,179
Whangarei District Council	9,921	228,466	9,927	228,151
Fair value hedge adjustment	-	(26,855)	-	(37,850)
	<b>617,406</b>	<b>18,171,352</b>	<b>547,944</b>	<b>15,765,618</b>

## 9. Other assets

in \$000s	Unaudited as at 31 December 2023	Audited as at 30 June 2023
Right-of-use lease asset	26	58
<b>Total other assets</b>	<b>26</b>	<b>58</b>

## 10. Payables and provisions

in \$000s	Unaudited as at 31 December 2023	Audited as at 30 June 2023
Loans/purchases to be advanced	29,000	5,000
Trade creditors	323	804
Credit provision	320	123
Other provisions	204	205
<b>Total receivables</b>	<b>29,847</b>	<b>6,132</b>

## 11. Bills

Unaudited as at 31 December 2023 in \$000s	Face value	Unamortised premium	Accrued interest	Total
12 January 2024	190,000	(266)	-	189,734
17 January 2024	75,000	(178)	-	74,822
1 February 2024	25,000	(120)	-	24,880
7 February 2024	50,000	(282)	-	49,718
16 February 2024	50,000	(336)	-	49,664
28 February 2024	50,000	(441)	-	49,559
8 March 2024	70,000	(700)	-	69,300
15 March 2024	95,000	(1,063)	-	93,937
21 March 2024	46,000	(555)	-	45,445
5 April 2024	25,000	(369)	-	24,631
10 April 2024	25,000	(385)	-	24,615
16 April 2024	15,000	(246)	-	14,754
8 May 2024	25,000	(486)	-	24,514
5 June 2024	25,000	(591)	-	24,409
19 July 2024	100,000	(3,088)	-	96,912
	<b>866,000</b>	<b>(9,106)</b>	<b>-</b>	<b>856,894</b>

## 7.6.4 Appendix 3 - LGFA Half yearly report to shareholders for the period ended 31 December 2023(Cont.)

Audited as at 30 June 2023 in \$000s	Face value	Unamortised premium	Accrued interest	Total
7 July 2023	45,000	(32)	-	44,968
12 July 2023	100,000	(142)	-	99,858
19 July 2023	35,000	(87)	-	34,913
2 August 2023	25,000	(112)	-	24,888
11 August 2023	75,000	(442)	-	74,558
17 August 2023	20,000	(144)	-	19,856
8 September 2023	70,000	(713)	-	69,287
15 September 2023	55,000	(630)	-	54,370
22 September 2023	102,000	(1,277)	-	100,723
28 September 2023	40,000	(549)	-	39,451
11 October 2023	25,000	(381)	-	24,619
17 October 2023	5,000	(81)	-	4,919
8 November 2023	20,000	(397)	-	19,603
28 November 2023	50,000	(1,166)	-	48,834
6 December 2023	25,000	(609)	-	24,391
14 December 2023	50,000	(1,282)	-	48,718
20 December 2023	50,000	(1,325)	-	48,675
	<b>792,000</b>	<b>(9,370)</b>	-	<b>782,630</b>

## 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 2023, \$1,100 million of LGFA 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 2023	Audited as at 30 June 2023
15 April 2024	37,803	
15 April 2025	-	16,619
15 April 2026	-	1,920
15 April 2027	-	52,513
20 April 2029	3,412	19,437
15 May 2030	17,736	-
15 May 2031	37,957	3,287
14 April 2033	4,487	1,750
15 May 2035	-	34,518
15 April 2037	28,593	-
	<b>129,987</b>	<b>130,043</b>

## 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 2023 in \$000s	Face Value	Unamortised premium	Accrued interest	Fair value hedge adjustment	Total
<b>NZD Fixed interest bonds</b>					
15 April 2024	2,218,000	(801)	10,635		2,227,834
15 April 2025	2,719,000	(37,783)	15,935		2,697,152
15 April 2026	2,155,000	(45,072)	6,889		2,116,817
15 April 2027	2,211,000	54,970	21,204		2,287,174
15 May 2028	1,553,000	(70,223)	4,512		1,487,289
20 April 2029	1,882,000	(105,057)	5,631		1,782,574
15 May 2030	1,500,000	(44,075)	8,716		1,464,640
15 May 2031	1,245,000	(81,469)	3,617		1,167,148
14 April 2033	1,515,000	5,936	11,445		1,532,381
15 May 2035	450,000	(7,496)	1,743		444,248
15 April 2037	860,000	(53,559)	3,666		810,107
<b>AUD Fixed interest bonds</b>					
1 August 2028	1,077,426	(2,784)	21,054		1,095,696
28 November 2030	700,327	(2,598)	3,336		701,065
<b>Fair value hedge adjustment</b>				(889,414)	(889,414)
	<b>20,085,754</b>	<b>(390,010)</b>	<b>118,382</b>	<b>(889,414)</b>	<b>18,924,712</b>

## 7.6.4 Appendix 3 - LGFA Half yearly report to shareholders for the period ended 31 December 2023(Cont.)

Audited as at 30 June 2023 in \$000s	Face Value	Unamortised premium	Accrued interest	Fair value hedge adjustment	Total
<b>NZD Fixed interest bonds</b>					
15 April 2024	2,218,000	(2,151)	10,499		2,226,348
15 April 2025	2,409,000	(36,176)	13,937		2,386,761
15 April 2026	2,155,000	(54,361)	6,801		2,107,440
15 April 2027	2,011,000	68,977	19,039		2,099,016
15 May 2028	1,423,000	(60,216)	4,089		1,366,873
20 April 2029	1,722,000	(83,580)	5,081		1,643,501
15 May 2030	1,000,000	(17,002)	5,747		988,745
15 May 2031	1,120,000	(60,338)	3,218		1,062,880
14 April 2033	1,350,000	33,003	10,070		1,393,073
15 May 2035	450,000	(7,728)	1,724		443,997
15 April 2037	820,000	(41,281)	3,450		782,170
<b>Fair value hedge adjustment</b>				(1,340,372)	(1,340,372)
	<b>16,678,000</b>	<b>(260,853)</b>	<b>83,656</b>	<b>(1,340,372)</b>	<b>15,160,432</b>

## 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 2023	Audited as at 30 June 2023
Lease liability		58
Accruals	995	838
<b>Total receivables</b>	<b>995</b>	<b>896</b>

## 16. Share capital

As at 31 December 2023, LGFA had 45 million ordinary shares on issue, 20 million of which remain uncalled. The 20 million of uncalled shares are held by the 30 council shareholders in proportion to the paid-up shares. The Minister of Finance and Minister for Local Government do not hold any uncalled shares.

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

The holdings outlined in this table include the 25 million of paid-up ordinary shares and 20 million of uncalled ordinary shares. The uncalled ordinary shares are held by the 30 council shareholders.

Registered holders of equity securities	As at 31 December 2023		As at 30 June 2023	
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%
	<b>45,000,000</b>	<b>100%</b>	<b>45,000,000</b>	<b>100%</b>

7.6.4 Appendix 3 - LGFA Half yearly report to shareholders for the period ended 31 December 2023(Cont.)

18. Reconciliation of net profit to net cash flow from operating activities

in \$000s	Unaudited six months ended 31 December 2023	Unaudited six months ended 31 December 2022
Net profit/(loss) for the period	5,209	1,108
Cash applied to loans	(2,407,840)	(1,639,024)
<b>Non-cash adjustments</b>		
Amortisation and depreciation	(9,728)	2,643
<b>Working capital movements</b>		
Net change in trade debtors and receivables	(476)	(378)
Net change in prepayments	(309)	(298)
Net change in accruals	126	(98)
<b>Net Cash From Operating Activities</b>	<b>(2,412,818)</b>	<b>(1,636,047)</b>

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 5, 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.

# Directory

## Rārangi tauwaea

**Postal address**

P.O. Box 5704, Lambton Quay  
Wellington 6145

**Office hours**

Monday – Friday, 9am to 5pm  
Except Public Holidays

**General enquiries**

lgfa@lgfa.co.nz

**Staff e-mail addresses**

firstname.lastname@lgfa.co.nz

Phone +64 4 974 6530

**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



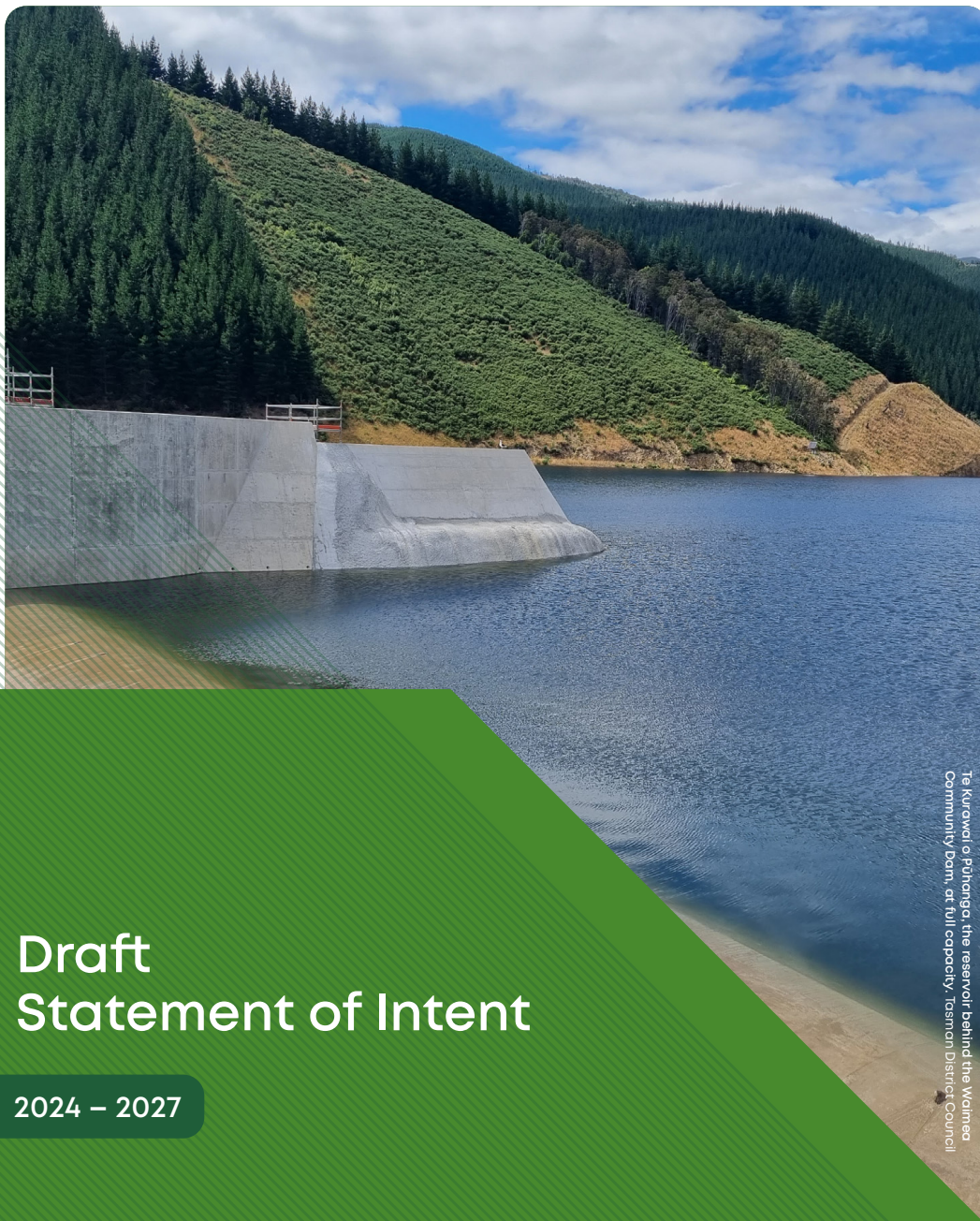
**7.6.4 Appendix 3 - LGFA Half yearly report to shareholders for the period ended 31 December 2023(Cont.)**



**7.6.5 Appendix 4 - LGFA Draft Statement of Intent 2024-2027**

**7.6.5 Appendix 4 - LGFA Draft Statement of Intent 2024-2027**

7.6.5 Appendix 4 - LGFA Draft Statement of Intent 2024-2027(Cont.)



Draft  
Statement of Intent

2024 - 2027

Te Kūrowai o Pūhanga, the reservoir behind the Moirua Community Dam, at full capacity. Tasman District Council

## 7.6.5 Appendix 4 - LGFA Draft Statement of Intent 2024-2027(Cont.)

### 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 2024 to 30 June 2027. 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 SOI, including financial forecasts, assumes that LGFA continues to lend to the water sector, either through councils as it does at present, or through any new structures under the Local Water Done Well reforms. We are awaiting further information relating to the establishment of the Water CCOs; how Water CCOs are intending to structure their borrowing; how the transition of revenue and debt will occur between our council members and Water CCOs, and the impact on future council borrowing intentions.

### 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 domestically or offshore in either NZ dollars or foreign currency.

LGFA only lends to participating borrowers that have entered into required 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, incidental 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

<p><b>We act with integrity</b></p> <p><b>E pono ana mātau</b></p>	<p><b>We are customer focused</b></p> <p><b>E arotahi ana mātau ki te kiritaki</b></p>	<p><b>We strive for excellence</b></p> <p><b>E whakapau kaha mātau kia hiranga te mahi</b></p>	<p><b>We provide leadership</b></p> <p><b>He kaiārahi mātau</b></p>	<p><b>We are innovative</b></p> <p><b>He auaha mātau</b></p>
<p>We are honest, transparent and are committed to doing what is best for our customers and our company.</p>	<p>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.</p>	<p>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.</p>	<p>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.</p>	<p>To meet our ever-changing customer requirements, we will encourage innovation and provide a diverse range of financial products and services.</p>

**7.6.5 Appendix 4 - LGFA Draft Statement of Intent 2024-2027(Cont.)****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.

**7.6.5 Appendix 4 - LGFA Draft Statement of Intent 2024-2027(Cont.)****7.Objectives and performance targets**

This section sets out LGFA's objectives and performance targets for SOI 2024-2027.

The financial performance targets are focused on the 2024-2025 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
Demonstrate best practice corporate governance.	The Annual Report outlines our compliance with the eight core principles underpinning the NZX Corporate Governance Best Practice Code. The Shareholders' Council has requested a focus on succession planning for the Board.
Set and model high standards of ethical behaviour.	LGFA has adopted a 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	2024-2025 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.
Succession plans be put in place for the Board and staff and be reviewed annually.	Plan established and shared.
LGFA's total operating income for the year to 30 June 2025.	>\$29.8 million.
LGFA's total operating expenses for the year to 30 June 2025.	<\$15.6 million.

**Optimising financing services for local government**

Objectives	How we measure our performance
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.

## Finance and Performance Committee - AGENDA

## 7.6.5 Appendix 4 - LGFA Draft Statement of Intent 2024-2027(Cont.)

Performance targets	2024-2025 target
Share of aggregate long-term debt funding to the Local Government sector.	> 80%
Total lending to Participating Borrowers.	> \$22,000 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
Develop our sustainability strategy to include the estimated financial impacts of climate change.	LGFA sustainability strategy incorporates an assessment of the estimated financial impacts of climate change.
Improve sustainability outcomes within LGFA.	LGFA is committed to reducing our carbon emissions and maintaining formalised processes to measure our greenhouse gas (GHG) emissions.

Performance targets	2024-2025 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 GSS loans undertaken. Three new borrowers enter into CALs.
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
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.
Analyse finances at the Council group level where appropriate and report to shareholders.	Participating borrowers are required to complete annual compliance certificates by the end of November each year.
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.
Work with central government and local government to facilitate a sector-wide successful transition of debt under the Local Water Done Well Programme.	LGFA is an active participant in the Local Water Done Well Programme.

**7.6.5 Appendix 4 - LGFA Draft Statement of Intent 2024-2027(Cont.)**

Performance targets	2024-2025 target
Review each Participating Borrower's financial position.	100%
Arrange to meet each Participating Borrower over a 15-month period, including meeting with elected officials as required, or if requested.	100%

**Industry leadership and engagement**

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.	Report on actions undertaken and progress made on sector issues.
Assist the local government sector with significant matters such as the Local Water Done Well Reforms and Future for Local Government	Identifying any legislative or Central Government policy changes that may impact LGFA and undertake formal or informal submissions.
Maintain productive relationships with central government representatives.	Assist the local government sector to understand any legislative or Central Government policy changes that may impact LGFA.
Support councils and CCOs in the development of reporting disclosures of the impacts of sector activity on climate change.	Report on the alignment of LGFA and councils climate and emissions reporting requirements
	Report back in how we are helping smaller councils' understand future reporting requirements.

**8. Financial forecasts**

LGFA's financial forecasts for the three years to 30 June 2027:

Comprehensive income \$m	Jun 25	Jun 26	Jun 27
<b>Net Interest income</b>	<b>28.3</b>	<b>28.3</b>	<b>27.0</b>
Other operating income	1.5	1.5	1.5
<b>Total operating income</b>	<b>29.8</b>	<b>29.8</b>	<b>28.5</b>
Approved Issuer Levy	4.2	5.8	7.2
Issuance & onlending costs	4.1	4.2	4.3
Operating overhead	6.3	6.6	6.9
<b>Issuance and operating expenses</b>	<b>14.6</b>	<b>16.6</b>	<b>18.4</b>
<b>P&amp;L</b>	<b>15.1</b>	<b>13.1</b>	<b>10.1</b>
Financial position (nominals) \$m	Jun 25	Jun 26	Jun 27
Liquid assets portfolio	2,379	2,788	2,769
Loans to local government	22,086	24,456	26,053
Total Assets	24,465	27,244	28,823
<b>Bonds on issue (ex Treasury stock)</b>	<b>22,332</b>	<b>25,017</b>	<b>26,486</b>
Bills on issue	1,350	1,350	1,350
Borrower notes	508	573	623
Total Liabilities	24,190	26,940	28,459
Capital	25	25	25
<b>Total Liabilities</b>	<b>19,308</b>	<b>20,509</b>	<b>21,577</b>



## 7.6.5 Appendix 4 - LGFA Draft Statement of Intent 2024-2027(Cont.)

Capital	25	25	25
Retained earnings	106	118	126
Dividend	(2)	(2)	(2)
<b>Shareholder equity</b>	<b>130</b>	<b>141</b>	<b>149</b>
<b>Ratios</b>	<b>Jun 25</b>	<b>Jun 26</b>	<b>Jun 27</b>
Liquid assets/funding liabilities	10.4%	10.9%	10.2%
Liquid assets / total assets	9.7%	10.2%	9.6%
Net interest margin	0.13%	0.12%	0.10%
Cost to income ratio	49.2%	55.9%	64.5%
Return on average assets	0.06%	0.05%	0.04%
Shareholder equity/total assets	0.5%	0.5%	0.5%
Shareholder equity + BN/total assets	2.6%	2.6%	2.7%
Asset growth	12.8%	11.4%	5.8%
Loan growth	11.3%	10.7%	6.5%
Return on equity	13.0%	10.1%	7.2%
Capital ratio	13.0%	13.1%	13.4%

The above forecasts assume a gross bond issuance programme of \$5.25 billion (FY25), \$5.04 billion (FY26) and \$4.72 billion (FY27) based upon term lending to councils of \$4.60 billion (FY25), \$4.86 billion (FY26) and \$5.08 billion (FY27).

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 impact on councils from the Local Water Done Well Reforms.

## 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% 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.

**7.6.5 Appendix 4 - LGFA Draft Statement of Intent 2024-2027(Cont.)****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.

**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.

**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.

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.

**7.6.5 Appendix 4 - LGFA Draft Statement of Intent 2024-2027(Cont.)****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 approved lending and investment policies.

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. A Statement of accounting policies is attached to this SOI.

**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).

**7.6.5 Appendix 4 - LGFA Draft Statement of Intent 2024-2027(Cont.)****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.

**7.6.5 Appendix 4 - LGFA Draft Statement of Intent 2024-2027(Cont.)****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.