Te Kaunihera-ā-Rohe o Ngāmotu
New Plymouth District Council

CCOs COMMITTEE MEETING AGENDA

Wednesday, 13 December 2023 at 1pm

COUNCIL CHAMBER
LIARDET STREET, NEW PLYMOUTH

Chairperson:	Cr	Marie	Pearce
Members:	Cr	Anneka Carlson	Matthews (Deputy)
	Cr	Max	Brough
	Cr	David	Bublitz
	Cr	Murray	Chong
	Cr	Bali	Haque
	Cr	Bryan	Vickery
	Mayor	Neil	Holdom

COMMITTEE PURPOSE

Purpose of Local Government
The reports contained in this agenda address the requirements of the Local Government Act 2002 in relation to decision making. Unless otherwise stated, the recommended option outlined in each report meets the purpose of local government and:

- Promote the social, economic, environmental, and cultural well-being of communities in the present and for the future.

- Would not alter significantly the intended level of service provision for any significant activity undertaken by or on behalf of the Council, or transfer the ownership or control of a strategic asset to or from the Council.

END

OPENING KARAKIA

Kia uruuru mai	I draw in (to my being)
Ā hauora	The reviving essence
Ā haukaha	The strengthening essence
Ā haumāia	The essence of courage
Ki runga, ki raro	Above, below
Ki roto, ki waho	Within, without
Rirerire hau paimarire	Let there be peace

Te Kaunihera-ā-Rohe o Ngāmotu
New Plymouth District Council

Health and Safety Message / Te Whaiora me te Marutau

In the event of an emergency, please follow the instructions of Council staff.

Please exit through the main entrance.

Once you reach the footpath please turn right and walk towards Pukekura Park, congregating outside the Spark building. Please do not block the foothpath for other users.

Staff will guide you to an alternative route if necessary.

If there is an earthquake – drop, cover and hold where possible. Please be mindful of the glass overhead.

Please remain where you are until further instruction is given.

APOLOGIES / NGĀ MATANGARO

None advised

CONFLICTS OF INTEREST / NGĀ ARA KŌNATUNATU

1. People who fill positions of authority must undertake their duties free from real or perceived bias. Elected members must maintain a clear separation between their personal interests and their duties as an elected member. Failure to do so could invalidate a Council decision and leave the elected member open to prosecution and ouster from office.

2. An elected member is entitled to interact with the Council as a private citizen. However, they cannot use their position as an elected member to gain an advantage not available to the general public.

3. Elected and appointed members will:

    - Declare any interest whether pecuniary or non-pecuniary at a meeting where the interest is relevant to an item on that agenda.

    - Exclude themselves from any informal discussions with elected members relating to a matter they have an interest in.

    - Seek guidance from the Chief Executive if they are unclear of the extent of any interest.

    - Seek guidance or exemption from the Office of the Auditor General if necessary.

ADDRESSING THE MEETING

Requests for public forum and deputations need to be made at least one day prior to the meeting. The Chairperson has authority to approve or decline public comments and deputations in line with the standing order requirements.

PUBLIC FORUM / ĀTEA Ā-WĀNANGA

Public Forums enable members of the public to bring matters to the attention of the committee which are not contained on the meeting agenda. The matters must relate to the meeting's terms of reference. Speakers can speak for up to 5 minutes, with no more than two speakers on behalf of one organisation.

- None advised

DEPUTATIONS / MANUHIRI

Deputations enable a person, group or organisation to speak to the meeting on matters contained on the agenda. An individual speaker can speak for up to 10 minutes. Where there are multiple speakers for one organisation, a total time limit of 15 minutes, for the entire deputation, applies.

- None advised

PREVIOUS COMMITTEE MINUTES / NGĀ MENETI O MUA

Recommendation

That the minutes of the CCOs Committee 6 September 2023 (ECM9065613), and the proceedings of the said meeting, as previously circulated, be taken as read and confirmed as a true and correct record.

END

REPORTS

ITEMS FOR DECISION BY COMMITTEE

1 CCOs Performance Reports for Quarter ended 30 September 2023

Includes presentations by CCOs:

a) Perpetual Investment Fund (PIF) – including Mercer presentation on responsible investing.

B) Te Puna Umanga / Venture Taranaki Trust (VTT) - including Economic Update presentation by Shamubeel Eaqab.

c) Papa Rererangi I Puketapu Ltd (PRIP).

2 CCOs Performance Report for Quarter ended 30 June 2023 (PRIP and VTT)

3 CCOs Audited Financial Statements for the Year ended 30 June 2023

4 CCOs Draft Statements of Expectations

5 LGFA Annual Report for the year ending 30 June 2023

END

PERFORMANCE REPORTS FOR NPDC'S COUNCIL-CONTROLLED ORGANISATIONS FOR THE QUARTER ENDED 30 SEPTEMBER 2023

PURPOSE/ TE WHĀINGA

1. The purpose of this report is for the CCOs Committee to note the quarter one 2023/24 Performance Reports for New Plymouth District Council's Council Controlled Organisations (CCOs) – New Plymouth PIF Guardians Limited (NPG), Papa Rererangi i Puketapu Limited (PRIP, the Airport), Te Puna Umanga Venture Taranaki Trust (VT), and New Zealand Local Government Funding Authority (LGFA).

RECOMMENDATION / NGĀ WHAIKUPU

That, having considered all matters raised in the report, Council

a) Note the quarter one 2023/24 Performance Reports for the period to 30 September 2023 of:

i) New Plymouth PIF Guardians Limited;

ii) Papa Rererangi i Puketapu Limited;

iii) Te Puna Umanga Venture Taranaki Trust (VT); and

iv) New Zealand Local Government Funding Agency (LGFA).

b) Note that quarterly reports must be placed on the Council's website for a period of seven years.

SIGNIFICANCE AND ENGAGEMENT / TOHUTOHU KAI WHAKAHAERE

2. This report is provided for information purposes only, and has been assessed as being of some importance.

BACKGROUND / WHAKAPAPA

3. Each CCO prepares an annual Statement of Intent (SOI). The SOIs form the basis for performance monitoring, including the requirement for quarterly performance reports.

4. The first quarterly 2023/24 performance report for each CCO must be delivered to council within two month of the end of the quarter (30 November 2023). All reports were received within the deadline.
5. A summary of each of the CCO's first quarterly performance report is provided below.

Summary of Perpetual Investment Fund (NPG) quarterly report

6. The balance of the Fund as at 30 September 2023 was $345.4m.

7. The Fund suffered a 1.5 per cent decrease for the quarter to 30 September 2023.

8. Below is the Fund performance summary from Mercer New Zealand to 30 September 2023.

	Since inception (Nov 2004) %	5 years % (p.a.)	3 years % (p.a.)	1 year % (p.a.)	3 months %
Returns (after fees and taxes)	6.8% p.a.	6.6% p.a.	7.9% p.a.	6.3% p.a.	-1.5% p.a.
Relative to CPI +3.3%	-	-0.8	-1.4	-2.7	-4.1
Relative to Benchmark	-	0.4	+0.3	-5.5	-1.3
Fund Listed Asset Return	-	6.5	7.3	12.4	-1.4
Relative to Benchmark	-	+0.9	+1.6	+0.3	+0.2
Fund Unlisted Asset Return	-	8.3	10.9	0.5	-1.8
Relative to Benchmark	-	-1.1	+0.2	-10.6	-4.1
Distributions to Council (release payments)	251.4m*	$45m*	$27.4m*	$8.2m*	*

**Q1 2023/24 distribution of $3.1m was requested and paid in October 2023, and is therefore excluded from distributions reported to 30 September 2023.*

9. The directors of NPG have previously spoken about responsible investing with regard to the PIF. As requested by Council, Mercer will present to the CCOs Committee on this topic during the current meeting. See appendix two for accompanying material from Mercer.

Tasmanian Land Company Limited Group

10. On 1 August 2023 Council resolved to deregister Tasmanian Land Company Pty Limited (TLC) and we have received confirmation the company has been removed from Australia Securities and Investment Commission's active register.

11. A deed was signed by the directors of TLC on 23 July 2023 to confirm the assignment of outstanding TLC matters to the Council. Under the Deed, TLC has assigned the proceeds from its remaining litigation to Council. There are no legal costs related to this final matter and we expect to receive a payment of around $900k in the next month.

Summary of PRIP's quarterly report

12. Passenger numbers for the period were lower than forecast by approximately 10 per cent. This was due to a combination of factors – cancellations due to weather disruptions and Air New Zealand reliability issues, and general economic conditions.

13. PRIP has engaged aviation industry experts TDZ Projects to assist with project management for its capital projects. Various capital projects are currently planned or underway:

    a) The new car parking system has been completed and has received positive feedback so far.

    b) The runway resurfacing project is scheduled for February/March 2024, and will be done at night after scheduled operations have been completed.

    c) PRIP will take over the Fire Rescue Service function at the airport from January 2023. Negotiations are underway for the purchase of plant and equipment from Air Services Taranaki. A new fire truck has also been purchased, and employment contracts for the new Fire Rescue Service staff are being worked through.

    d) A high level concept design for the Airside Covered Walkway has been developed, which will be in line with the current covered walkway areas.

    e) The solar farm project is progressing on schedule, with the final design and scope of the project still to be determined. A financial investment decision is expected by the first quarter of 2024.

14. Revenue is 6 per cent lower than forecast due to the decrease in passenger numbers. Operating expenditure to date is 3 per cent higher than forecast.

15. Cashflow for the year to date is positive, and is expected to remain so for the rest of the financial year.

Summary of VT's quarterly report

16. Good progress was made on the entity's performance measures, with nine out of 10 indicators on target or achieved.

17. Key highlights from the quarter were:

    a) Winning the bid to host the Business Events Industry Aotearoa Conference 2024.

    b) Shifting the Major Events Funding strategy to a single annual funding round to increase efficiency and timeliness.

    c) Joining the Taranaki delegation to Lithuania. This was hugely insightful as they uncovered innovative technologies that are allowing Lithuania to be world-leaders in the low-emissions space.

    d) Quarterly reports were refreshed to more closely align with VT's Statement of Intent and key strategic focus areas, with more reporting being included in quarter two & quarter four in regards to their sustainability and emissions reductions, financial position and regional intelligence.

Summary of LGFA's quarterly report

18. LGFA is a CCO by virtue of NPDC having shareholding of 0.4 per cent in the Company, and all shareholders being local authorities or central government.

19. LGFA's total operating income for the quarter was $5.6m. When comparing to the target of >$20.6m it appears they are on track to exceed this target.

20. LGFA's total operating expenses for the period were $2.5m. When comparing to the target of <$10m it appears they are on track to come in under the target.

21. LGFA had a total of $12b outstanding loans at the end of the quarter. This is down from $14b at the end of the 2023 financial year.

CLIMATE CHANGE IMPACT AND CONSIDERATIONS / HURINGA ĀHUARANGI

22. The CCOs are expected to consider the environmental implications of their activities, including climate change impact.

23. Investment advice provided by NPG takes account of environment, social and governance factors as part of promoting responsible investing, in particular the mitigation of and adaptation to climate change.

24. PRIP is conscious of the climate change implications of airport activities and has signed up to the Tourism Sustainability Commitment. They are also involved in the New Zealand Airports sustainability committee and have put systems in place to measure sustainability impacts.

25. Venture Taranaki is responsible for coordinating the overall implementation of Taranaki 2050 – the roadmap to a low emissions future. The quarterly report highlights some of the work done in this area.

26. The LGFA Board and management recognise environmental and social responsibility as key strategic priority. The LGFA recognises the risks inherent in climate change for councils and supports New Zealand's shift to a low-carbon economy.

REFORM IMPLICATIONS

27. No implications from any Local Government Reform agenda have been identified in relation to this matter.

NEXT STEPS / HĪKOI I MURI MAI

28. CCOs are required to deliver half-yearly reports to the shareholders within two months after the end of the first half of the financial year. Half-yearly reports for NPG, VTT and PRIP are expected to be presented to the CCOs Committee in early 2024.

FINANCIAL AND RESOURCING IMPLICATIONS / NGĀ HĪRAUNGA Ā-PŪTEA, Ā-RAUEMI

29. This report is produced within existing resources and budgets.

IMPLICATIONS ASSESSMENT / HĪRANGA AROMATAWAI

30. This report confirms that the matter concerned has no particular implications and has been dealt with in accordance with the Local Government Act 2002. Specifically:
    - Council staff have delegated authority for any decisions made;
    - Council staff have identified and assessed all reasonably practicable options for addressing the matter and considered the views and preferences of any interested or affected persons (including Māori), in proportion to the significance of the matter;
    - Council staff have considered how the matter will promote the social, economic, environmental, and cultural well-being of communities in the present and the future.
    - Unless stated above, any decisions made can be addressed through current funding under the Long-Term Plan and Annual Plan;
    - Any decisions made are consistent with the Council's plans and policies; and

- No decisions have been made that would alter significantly the intended level of service provision for any significant activity undertaken by or on behalf of the Council, or would transfer the ownership or control of a strategic asset to or from the Council.

APPENDICES / NGĀ ĀPITIHANGA

Appendix 1 Perpetual Investment Fund Performance report to 30 September 2023 (ECM 9120217)

Appendix 2 Mercer (N.Z.) Limited - responsible investing (ECM 9124761)

Appendix 3 Papa Rererangi i Puketapu Ltd Performance report to 30 September 2023 (ECM 9121639)

Appendix 4 Te Puna Umanga Venture Taranaki Trust Performance report to 30 September 2023 (ECM 9120218)

Appendix 5 Local Government Funding Agency Performance report to 30 September 2023 (ECM 9120219)

Report Details

Prepared By:	Kiri Engels (Financial Accountant)
Team:	Corporate Innovation
Approved By:	Damien Clark (Manager Community and Economic Development)
Ward/Community:	District wide
Date:	17 November 2023
File Reference:	ECM 9120221

----------End of Report ----------


Mercer
Quarterly Report
NPDC Perpetual Investment Fund
Q3 2023

1. Fund Overview
2. Fund Performance
3. Asset Allocation
4. Council Education (Private Equity)
5. Compliance Statement

Agenda

Fund Overview

1

Fund Overview

Fund size ex. TIML	Fund size incl. TIML
$345.4m	$345.5m

Returns (after fees and taxes)

Since inception p.a. (Nov 2004)	5 years p.a.	3 years p.a.	1 year	3 months
6.8%	6.6%	7.9%	6.3%	-1.5%

Distributions to Council (release payments)

Since inception (Nov 2004)	5 years	3 years	1 year
$251.4m	$45m	$27.4m	$8.2m

NB. Implementation of Guardian and Full Outsource Agent (Mercer) model took effect 1 March 2017. Results and distributions incorporate TIML results for period prior to March 2017.

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Equities and bonds falter

As markets internalise the “higher for longer” narrative

- Global risk assets had a weak quarter in Q3 as both global equities and bonds sold off amid hawkish central bank commentary.
- Equities declined this quarter, having rallied in the first half of the year. Despite the sell off, better performers remained concentrated with mega-cap tech stocks dominating the returns. Within equities, emerging markets outperformed developed markets but still produced negative returns on an absolute basis due to weak performance in China.
- Global equities and emerging market equities declined -2.6% and -1.4% respectively over the quarter. China continued to perform poorly as sentiment declined and the property sector woes deepened. Small-cap equities were also negative as growth names felt the pressure of higher rates.
- Sovereign bond markets posted negative returns over Q3 with the sharp rise in long term yields. Hawkish comments from central banks including the Fed caused yields to increase as it reiterated its data dependency and the possibility of further hikes.
- Developed government bond yields increased sharply in September. In the US, 10-year and 30-year bond yields rose by 40-50bps. Outside the US, 10-year yields rose by roughly 10bps for the UK and Japan, and roughly 40 bps for Germany and Australia. However, in the UK, short-dated yields declined as dovish commentary from BoE Chair Andrew Bailey and softer inflation led the market to think the BoE’s hiking cycle could be over.
- In the US, inflation expectations, as measured by the 10-year inflation breakeven rate, remained at 2.3%. This suggests that the increase in nominal yields was almost entirely driven by rising real yields.
- Global investment grade credit spreads narrowed over the quarter, but returns were still negative because of the rise in government bond yields. Global high-yield spreads were broadly unchanged. Both local and hard currency emerging market debt declined due to both an increase in yields and currency weakness.
- Commodity returns were mixed in September, as a sharp increase in oil prices offset weakness in other commodities.
- The US dollar appreciated sharply against most major developed and emerging market currencies, amid risk-off sentiment and expectations for US rates to remain elevated.

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Market index returns

A challenging and volatile quarter for majority of asset classes

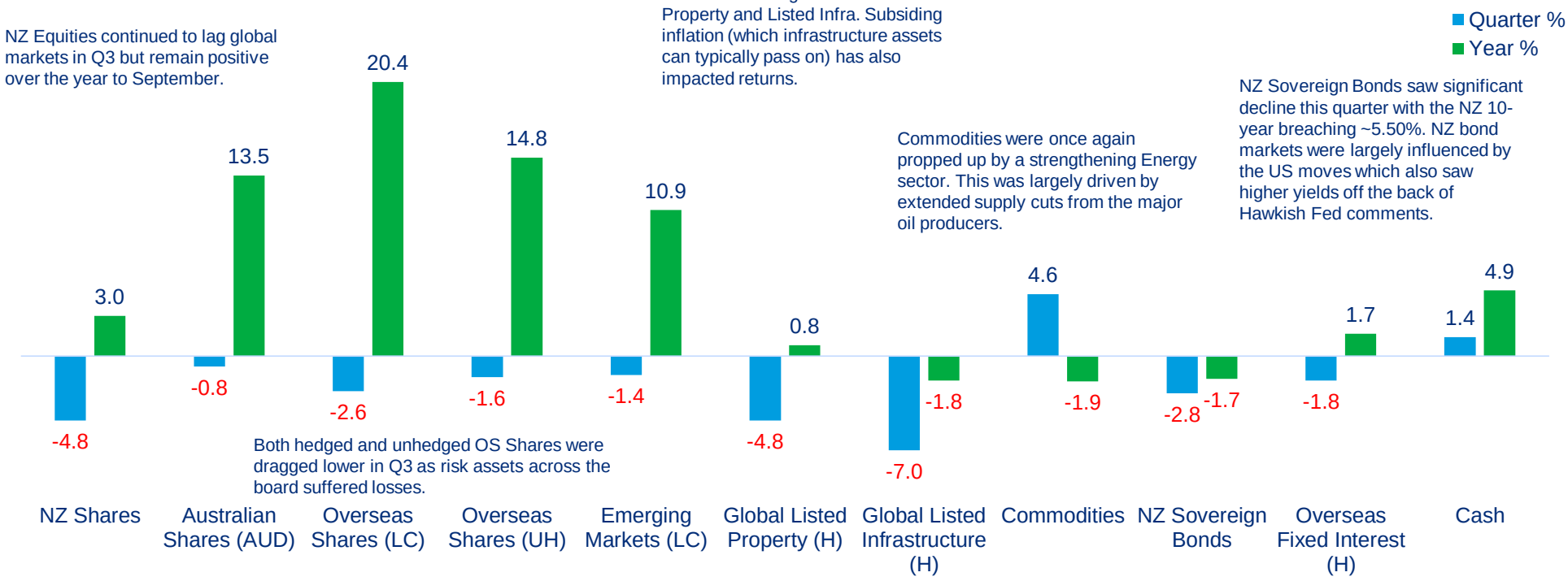
NZ Equities continued to lag global markets in Q3 but remain positive over the year to September.

Tightening financial conditions have continued to weigh on Global Listed Property and Listed Infra. Subsiding inflation (which infrastructure assets can typically pass on) has also impacted returns.

Commodities were once again propped up by a strengthening Energy sector. This was largely driven by extended supply cuts from the major oil producers.

NZ Sovereign Bonds saw significant decline this quarter with the NZ 10-year breaching ~5.50%. NZ bond markets were largely influenced by the US moves which also saw higher yields off the back of Hawkish Fed comments.

Both hedged and unhedged OS Shares were dragged lower in Q3 as risk assets across the board suffered losses.



As at 30 September 2023. Indices used: NZ Shares is S&P/NZX 50 Index with IC, Australian Shares (AUD) is S&P ASX 200, Overseas Shares is MSCI World, Overseas shares (UH) is MSCI World in NZD, Emerging Markets is MSCI World Emerging Markets, Global Listed Property is FTSE EPRA NAREIT Developed Index Hedged (NZD), Global Listed Infrastructure is FTSE Global Core Infrastructure 50/50 Hedged (NZD), Commodities is Bloomberg Commodity Index Hedged (NZD), NZ Sovereign Bonds is S&P/NZX NZ Government Bond Index, Overseas Fixed Interest is Bloomberg Capital Global Aggregate-Hedged (NZD) and Cash is S&P/NZX Bank Bills 90-Day Index.

Mercer

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RBNZ sticks with “Watch, Worry and Wait”

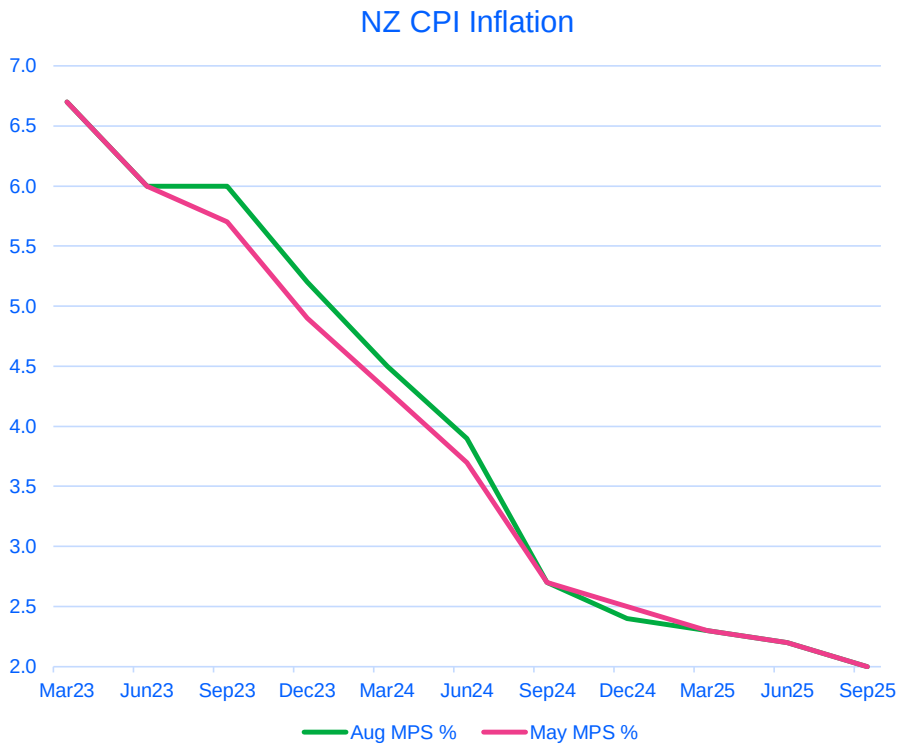
Holds OCR steady at 5.5% at its last three meetings, consistent with messaging in May

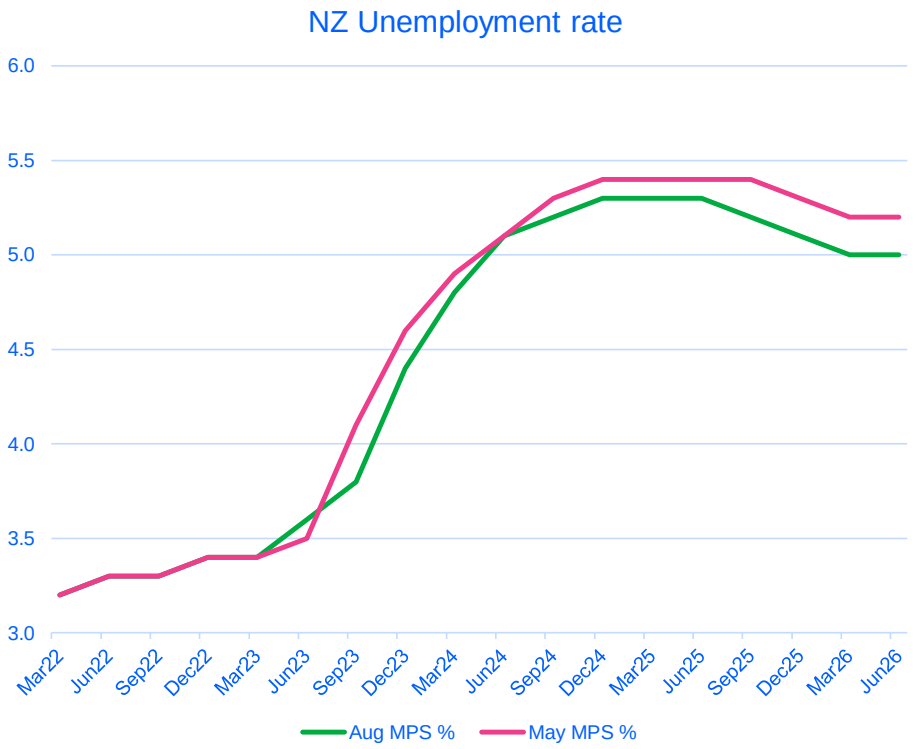
- The Reserve Bank of New Zealand (RBNZ) held the OCR at 5.5% but revised its OCR forward track a little higher to 5.6% following its August meeting. The increase was attributed to a rise in the long-term neutral interest rate to 2.25% (+25bps) and the track showed a delayed easing profile starting in September 2024.
- Additionally, the RBNZ revised its unemployment rate projections lower, suggesting a slower easing of labour conditions while revising inflation forecasts higher - a reflection of persistent inflationary pressures. This supports our view that the RBNZ sees a higher hurdle to raise interest rates further.
- The surprisingly strong rebound in NZ Q2 GDP of 0.9%, which came in 0.4% above RBNZ’s forecast, coupled with revisions to previous quarters, led markets to question whether the current policy rate is sufficiently restrictive and started to price in a further rate hike.
- While revisions show a resilient domestic economy, we don’t think this has changed the outlook for the economy, as risks remain skewed to the downside. Higher interest rates and cost of living pressures will likely weigh on household spending going forward. Most recently, the RBNZ acknowledged the higher than anticipated rebound but maintained its view that the growth outlook remained weak and that “interest rates may need to remain at a restrictive level for a more sustained period of time”.
- On the fiscal side, the PREFU released by the Treasury showed a deteriorating fiscal position with lower tax revenue and a higher budget deficit. This has led New Zealand Debt Management (NZDM) to increase its borrowing programme by $2bn for the current fiscal year and $9bn over the next four years. We believe that this has contributed somewhat to the recent sell-off in long term yields, with markets already swamped by new supply of government bonds.

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Hurdle for further OCR hikes moves higher

RBNZ revises estimate of CPI inflation upwards and unemployment downwards





Source: Stats NZ, RBNZ estimates.

Mercer

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Fund Performance



Fund Performance

- The Fund returned -1.5% for the quarter (after fees). The Fund is below its CPI +3.3% objective for longer periods as elevated inflation rates are rolling further into the 3-year and 5-year calculations (YoY annual inflation rates have been above the RBNZ's target of 2% since June 2021).

	3 months (%)	1 year (%)	3 years (% p.a.)	5 years (% p.a.)
Fund return (net of fees)	-1.5	6.3	7.9	6.6
Value-add (total portfolio including legacy PE)				
• Relative to CPI + 3.3%	*-4.1*	*-2.7*	*-1.4*	*-0.8*
• Relative to benchmark*	*-1.3*	*-5.5*	*+0.3*	*-0.4*
Equities, Fixed Interest and Cash	-1.4	12.4	7.3	6.5
Relative to benchmark	*+0.2*	*+0.3*	*+1.6*	*+0.9*
Private Equity and Alternatives**	-1.8	0.5	10.9	8.3
Relative to benchmark	*-4.1*	*-10.6*	*+0.2*	*-1.1*

*The Fund's benchmark is a composite of the underlying sector benchmarks. This includes CPI + 4% for Alternatives (Listed Property and Infrastructure) and CPI + 6% for Private Equity.
**Alternatives includes Listed Property and Infrastructure.

Mercer

Sector Performance

3 Months

Gross Returns[2]	$ Value ($M)	Weighting (%)	Return (%)	Excess over benchmark (%)	Return attribution[1] (%)
Overseas Shares (incl. PE Proxy)	**111.8**	**32.3**	**-1.9%**	**+0.1**	**-0.5%**
Emerging Markets	**17.9**	**5.2**	**-0.5%**	**+0.4**	**0.0%**
Alternatives[3]	**58.0**	**16.8**	**-8.0%**	**-10.0**	**-1.2%**
Mercer Listed Property	29.2	8.4	-7.6%	-2.8	
Mercer Listed Infrastructure	28.8	8.3	-8.4%	-1.3	
Private Equity	**97.0**	**28.1**	**2.0%**	**-0.6**	**0.5%**
Fixed Interest[5]	**52.1**	**15.1**	**-1.4%**	**+0.4**	**-0.2%**
Mercer Overseas Sovereign Bonds	28.8	8.3	-0.8%	+1.6	
Mercer Global credit	23.3	6.8	-2.2%	-0.3	
Cash[4]	**8.7**	**2.5**	**1.4%**	**+0.0**	**0.0%**
Total Portfolio	**345.5**	**100.0%**	**-1.4%**		**-1.4%**

1. Weighted contribution to total fund return.
2. Gross returns for all sectors except Private Equity which is net of fees.
3. The Alternatives Sector has a benchmark of CPI + 4%, which is the long-term target. CPI is reported with a one-quarter lag. The Alternatives sub-sectors are also shown versus their respective benchmarks.
4. Cash includes Cash and TIML cash.
5. At the sector level, Fixed Interest is benchmarked against the Bloomberg Barclays Global Aggregate Index (100% NZD Hedged).

Mercer

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Sector Performance

12 Months

Gross Returns[2]	$ Value ($M)	Weighting (%)	Return (%)	Excess over benchmark (%)	Return attribution[1] (%)
Overseas Shares (incl. PE Proxy)	**111.8**	**32.3**	**17.6%**	**-0.1**	**6.0%**
Emerging Markets	**17.9**	**5.2**	**6.7%**	**+1.1**	**0.4%**
Alternatives[3]	**58.0**	**16.8**	**-2.4%**	**-12.4**	**-0.4%**
Mercer Unlisted Property	0.0	0.0	4.3%	+4.5	
Mercer Unlisted Infrastructure	0.0	0.0	8.1%	-1.5	
Mercer Listed Property	29.2	8.4	-2.7%	-3.5	
Mercer Listed Infrastructure	28.8	8.3	-0.8%	+1.0	
Private Equity	**97.0**	**28.1**	**1.5%**	**-10.7**	**0.4%**
Fixed Interest[5]	**52.1**	**15.1**	**1.7%**	**-0.0**	**0.3%**
Mercer Overseas Sovereign Bonds	28.8	8.3	-0.2%	+0.1	
Mercer Global credit	23.3	6.8	2.9%	-0.6	
Cash[4]	**8.7**	**2.5**	**5.1%**	**+0.2**	**0.1%**
Total Portfolio	**345.5**	**100.0**	**6.8%**		**6.8%**

1. Weighted contribution to total fund return.
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Mercer

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Sector Performance

Since 1 March 2017 (Mercer as FOA)

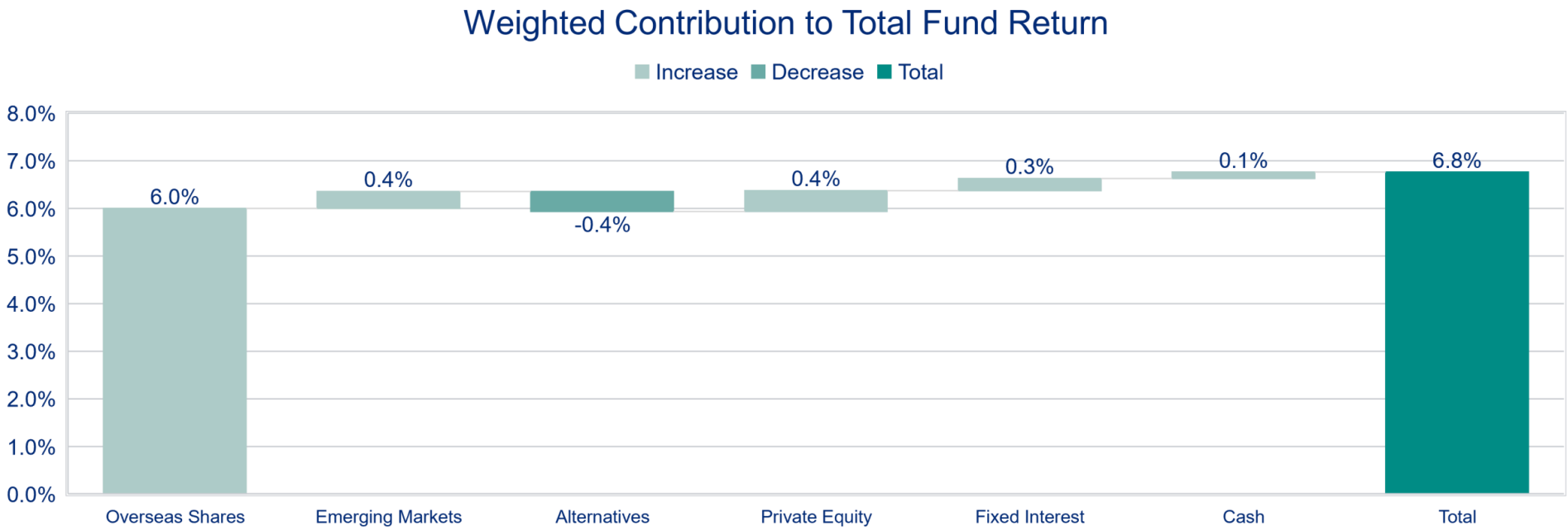
Gross Returns[2]	$ Value ($M)	Weighting (%)	Return (%)	Excess over benchmark (%)	Return attribution[1] (%)
Overseas Shares (incl. PE Proxy)	**111.8**	**32.3**	**9.6%**	**+0.1**	**3.3%**
Emerging Markets	**17.9**	**5.2**	**6.4%**	**+0.5**	**0.4%**
Alternatives[3]	**58.0**	**16.8**	**4.1%**	**-3.3**	**0.7%**
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Mercer Unlisted Infrastructure	0.0	0.0	12.1%	+4.1	
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Mercer Listed Infrastructure	28.8	8.3	4.0%	-0.2	
	0.0				
Private Equity	**97.0**	**28.1**	**10.0%**	**-0.6**	**2.9%**
Fixed Interest[5]	**52.1**	**15.1**	**1.2%**	**+0.5**	**0.2%**
Mercer Overseas Sovereign Bonds	28.8	8.3	1.6%	+1.2	
Mercer Global credit	23.3	6.8	0.8%	+0.0	
Cash[4]	**8.7**	**2.5**	**2.2%**	**+0.3**	**0.1%**
Total Portfolio	**345.5**	**100.0**	**7.6%**		**7.6%**

1. Weighted contribution to total fund return.
2. Gross returns for all sectors except Private Equity which is net of fees.
3. The Alternatives Sector has a benchmark of CPI + 4%, which is the long-term target. CPI is reported with a one-quarter lag. The Alternatives sub-sectors are also shown versus their respective benchmarks.
4. Cash includes Cash and TIML cash.
5. At the sector level, Fixed Interest is benchmarked against the Bloomberg Barclays Global Aggregate Index (100% NZD Hedged).

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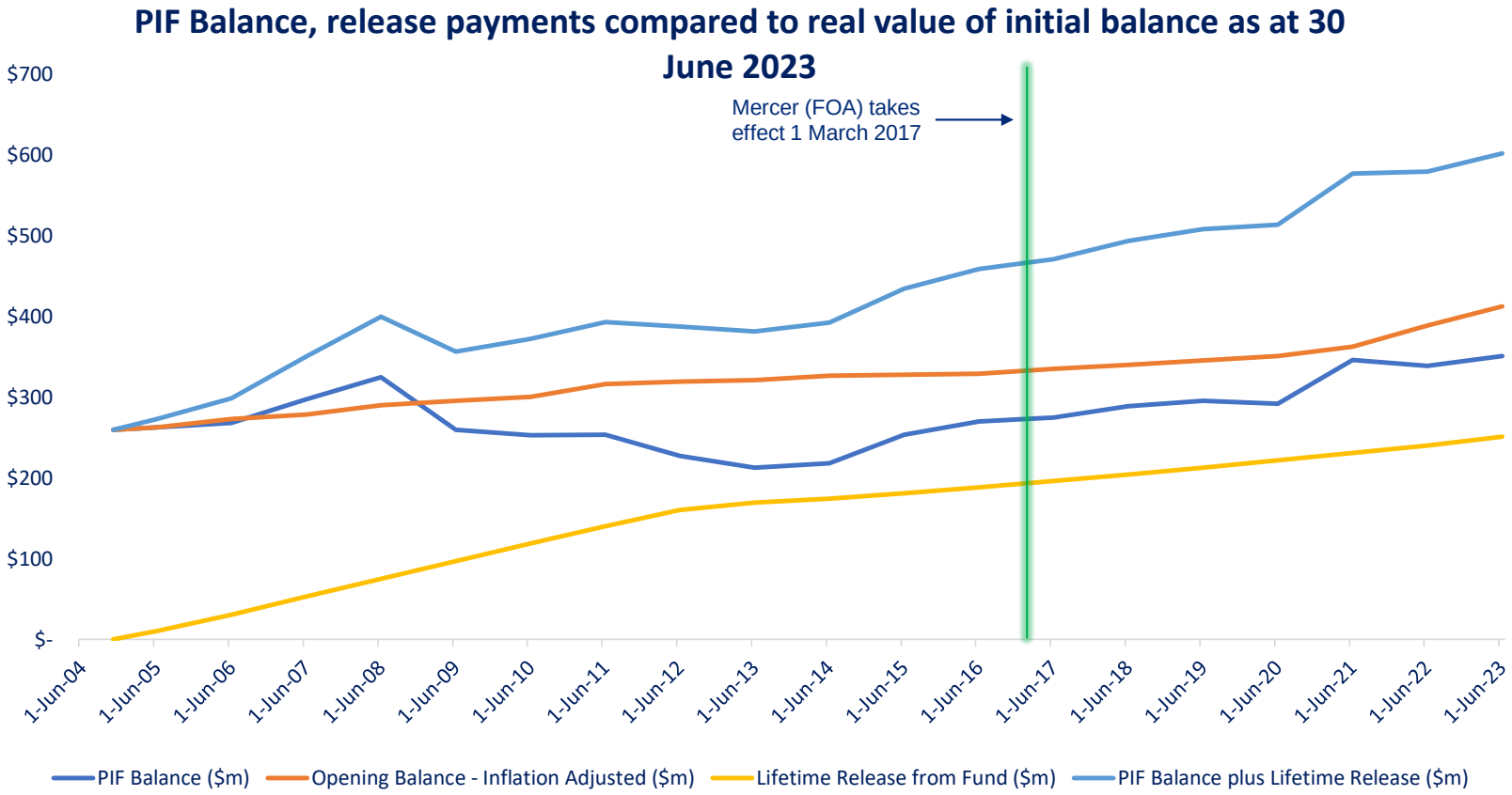
Sector Performance - 12 months



Note: Returns are at the gross level for all sectors except Private Equity (which are net of fees).

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PIF Balance



Note: The "PIF Balance plus Lifetime Release ($m)" trend only adds lifetime releases from the Fund to actual balances at each year end, and therefore omits hypothetical compounding returns which would have been achieved had the release amounts remained invested along with the existing balance.

Source: NPDC, updated on an annual basis.

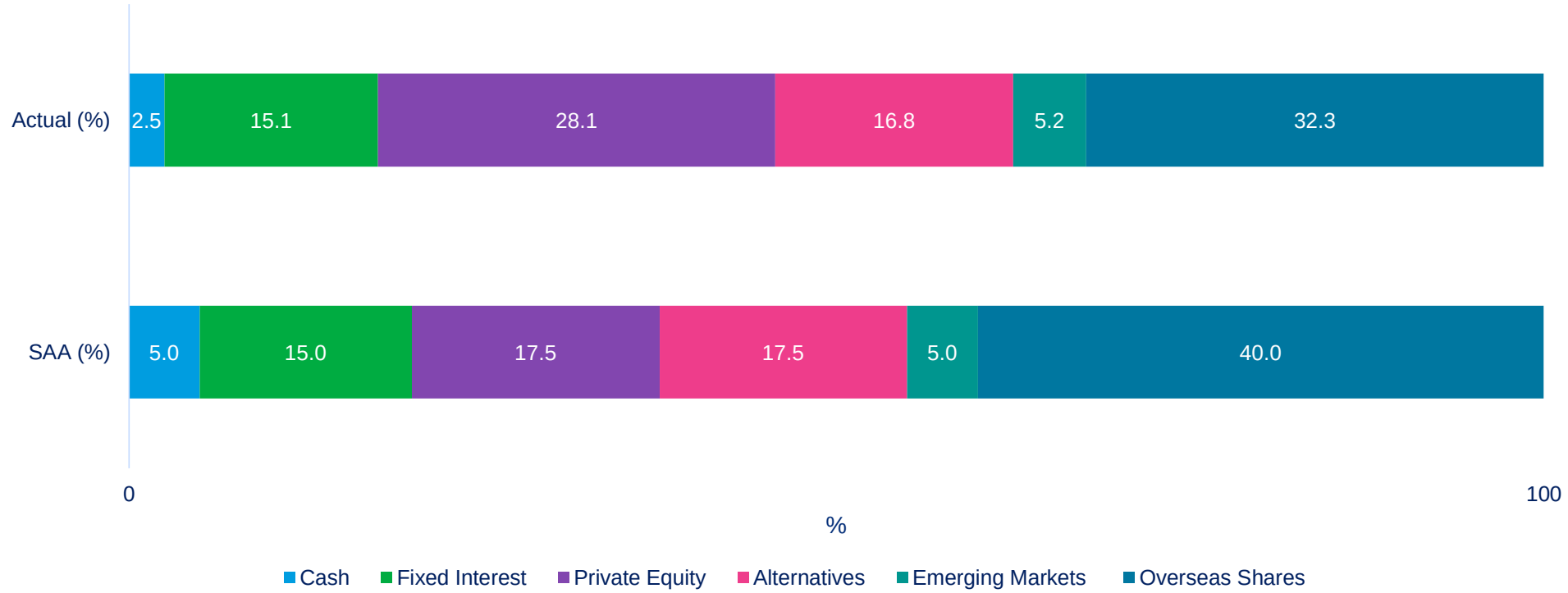
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Asset Allocation



Asset Allocation

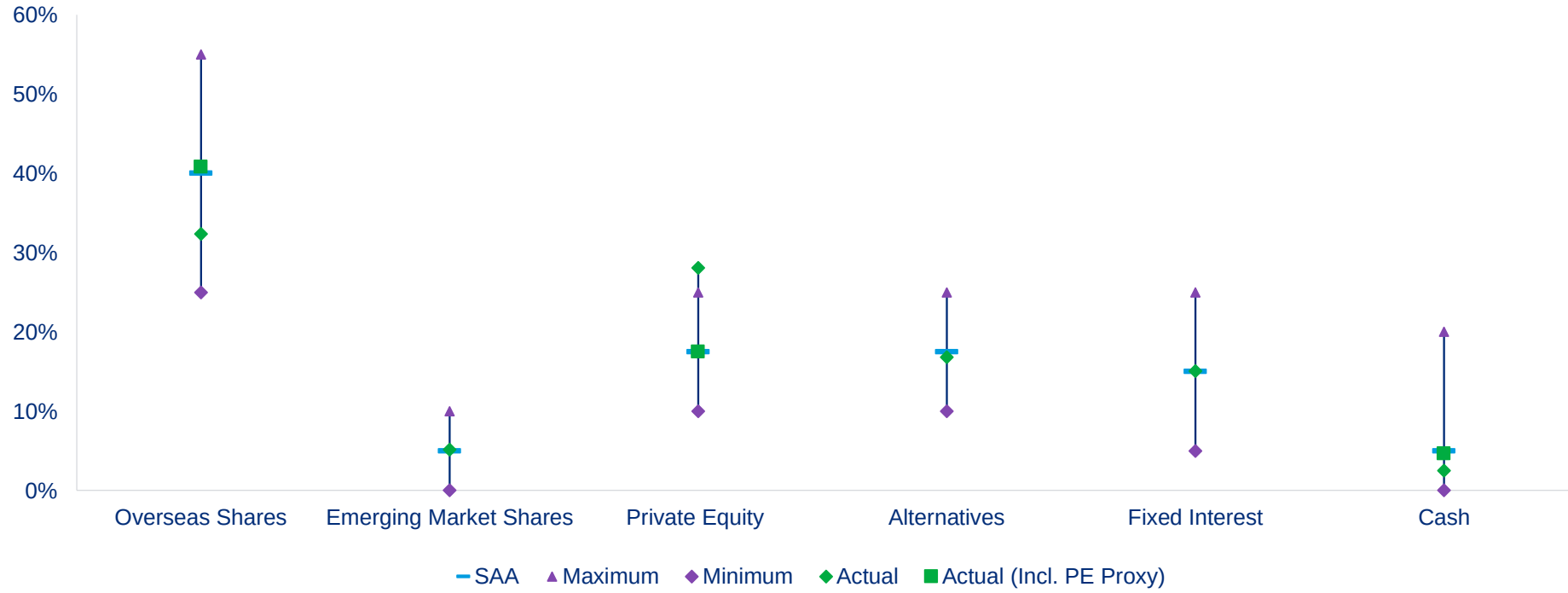


- The Private Equity allocation is currently above the benchmark SAA level which has reduced the Overseas Shares allocation by -8.46% and Cash by -2.12%.
- The target hedging ratio for Overseas Shares is 50% (effective 31 August 2019).
- Cash is 2.5% Mercer Cash and 0.04% TIML Cash.

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Asset Allocation

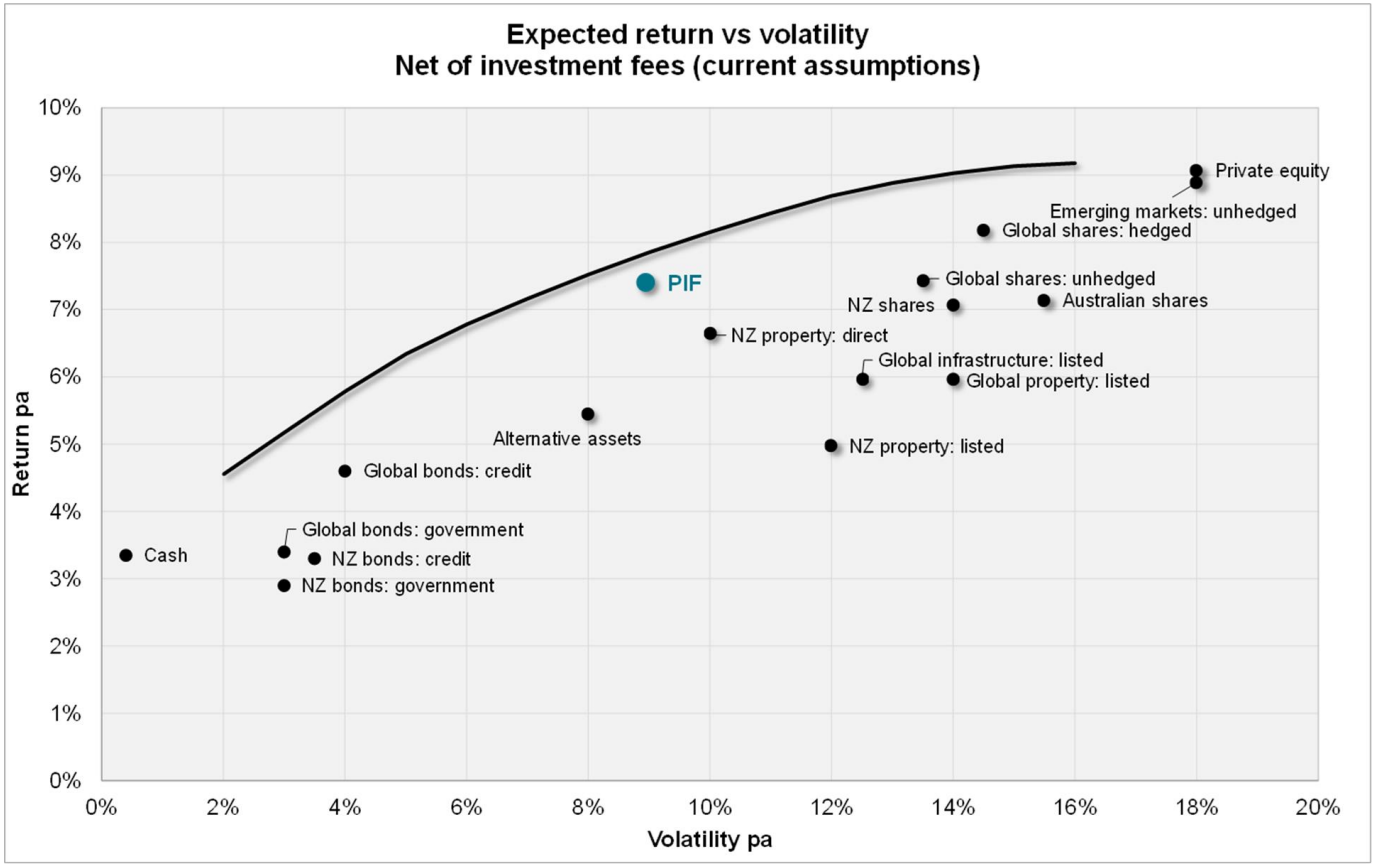
Ranges



- All asset class allocations are within the ranges specified in the SIPO.

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Asset class risk/return assumptions



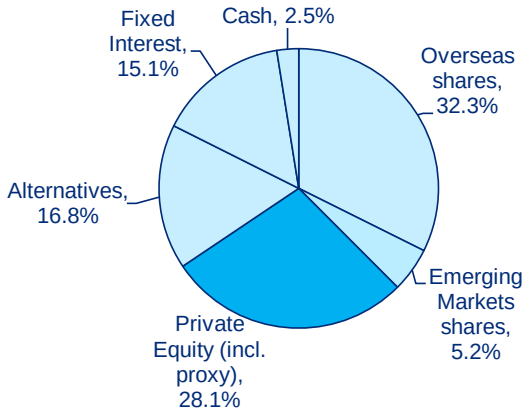
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Council Education

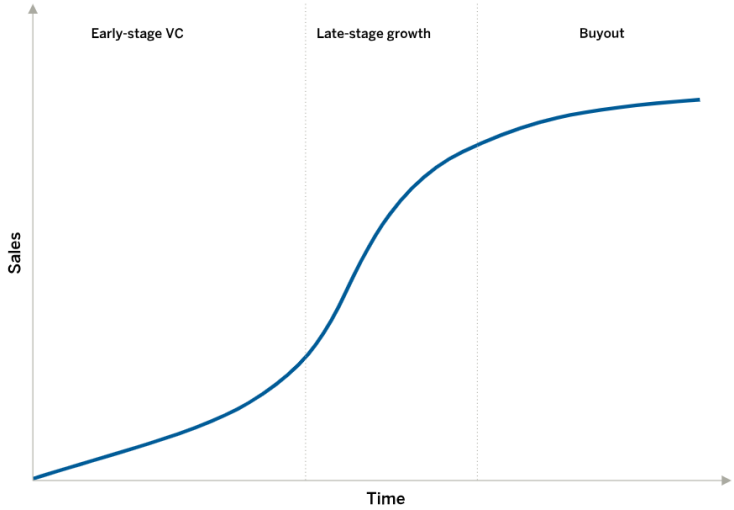


Sector in focus – Private Equity

- What is Private Equity (PE)? PE can be defined as investments in companies that are not listed on the share market. They are often held in closed-end funds (not open to new investors) with a typical term of 10 years. PE managers seek to add value by improving companies over their ownership period.
- How does it work? Certain PE Funds may specialise in investing in early-stage firms with high growth potential, established companies with stable cash flows, or struggling companies in need of restructuring. The ultimate objective of a PE Fund is to generate returns through the purchase and sale of stakes in companies. Returns typically come from dividends and the capital return upon “exit” of an investee company.
- Role in portfolio: The primary purpose of PE is to provide capital growth over the long-term, taking advantage of the equity and illiquidity risk premia. PE forms part of the growth assets allocation in the portfolio.
- Strategies: PE covers a continuum of strategies that have specific risk/return characteristics that can be grouped along a company’s life cycle in terms of cash-flow generation: venture capital, growth equity, buyouts and special situations.
- Allocation: The Fund’s long-term PE allocation is 17.5% (currently 28.1%, boosted by strong past returns) and is diversified across several managers investing into companies based in NZ and around the world. The allocation is put place over several years to diversify across vintages. During this phase, a proxy allocation comprised of 80% Overseas Shares and 20% Cash is used to meet the 17.5% target allocation.
- Bottom line: Investors can enhance their exposure and diversification by allocating capital to different stages of a business's life cycle (see adjacent graph), including early-stage venture capital, late-stage growth, and buyout investments. This approach allows for a balanced exposure and reduces the correlation to downturns in the public markets, providing stability during challenging times.



Private equity across business life cycles



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Sector in focus – Private Equity cont'd

Fees

- As a very "hands on" asset class in terms of management, PE tends to have higher fees than most other asset classes, and generally incur performance-based fees. A typical fund will charge management fees on committed capital during the investment period. The fees on invested capital are a multiple of the headline fee since portfolios are built over three to five years. After the investment period, a fund tends to levy fees on remaining invested capital rather than net asset value. During this period, the management fees as a percentage of net asset value are more reasonable. Investors tend to see a significant increase of value upon sale and that value is not subject to the management fee.

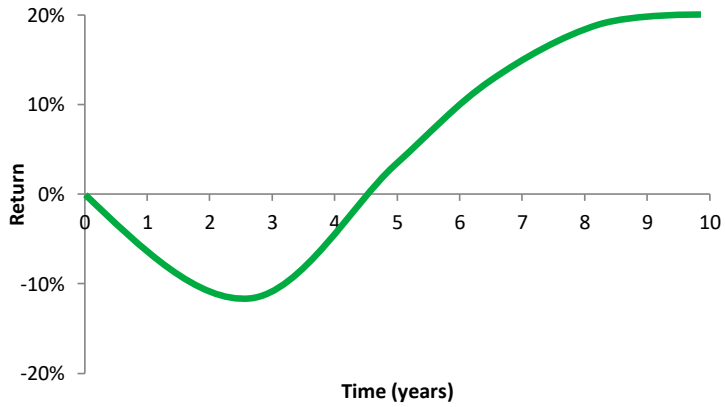
The J-Curve

- In the early years of a fund, investors pay fees and the gross returns from a PE portfolio are typically flat or not positive enough to overcome the fee burden.
- As a result, the net returns are usually negative during the earliest portion of a fund's life. In addition, certain strategies are prone to taking write-downs early or may see valuations marked down due to a need to reduce cash to make improvements in businesses. This contributes to negative returns before the winners are recognised and (all being well) net returns turn positive. Mapping the return over time produces a curve that is shaped like the letter J (like the example in the graph to the right).
- NPDC's PE allocation is diversified across several vintages, so different funds are in different stages on the J-Curve, which helps to manage this impact.

Valuation lag

- Due to its illiquid nature, changes in reported PE valuations often lag those in public markets (equities) which are valued on a day-to-day basis. While equities can be a point of reference, it is most meaningful to compare returns over longer time periods.

J-Curve Example



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Compliance Statement



Compliance statement

Document	Status
New Plymouth PIF Guardians SIPO	There were no breaches reported in the quarter
Mercer Investment Trusts NZ SIPO	There were no breaches reported in the quarter
Sustainable Investment Policy	There were no breaches reported in the quarter

Investments held in Mercer Investment Trusts NZ	Status
Segregated mandates	There were no breaches reported in the quarter
Mercer managed funds	There were no breaches reported in the quarter
External managed funds	There were no breaches reported in the quarter

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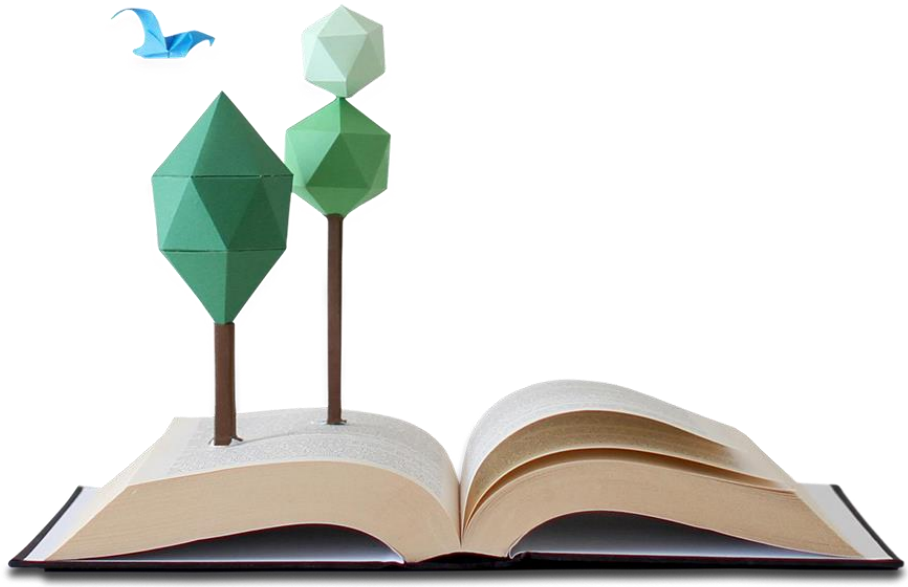
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welcome to brighter

NPDC PIF ESG Update



December 2023

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NPDC ESG priorities



Summary

Delivery of the Guardians ESG policies

SIPO requirements	Response
Support the six UN Principles of Responsible Investment	✓ Mercer is a signatory as a consultant and a fund manager ✓ Majority of fund managers Mercer partners with are signatories
FOA (Mercer) to consider SI policies when selecting Fund Managers	✓ SI is core to our onboarding decision of Managers. This translates into ESG manager ratings. Objective is to continue to progressively improve the average manager ESG weighting in the fund over time.
Fund managers must report on their SI activities	✓ Fund Manager ESG activities are documented by Mercer researchers and translates into ESG manager ratings
Fund managers to actively vote their shares in line with good corporate governance	✓ Company voting rate 99% globally
Exclusions for sectors considered abhorrent by vast majority of New Plymouth community	✓ Cluster munitions, controversial weapons including semi-automatic firearms and tobacco excluded across whole of the portfolio ✓ Additional exclusions (alcohol, gambling, adult entertainment and fossil fuels) are excluded from sustainable funds
Seek cost-effective ways to minimise risk of investing in non-SI companies for the index portion of the fund	✓ Top ESG rated index manager (Legal & General).

ESG credentials of the PIF Portfolio



Mercer's approach to Sustainable Investment

As applied to NPDC PIFs portfolio

1 Beliefs ▶ 2 Policy ▶ 3 Process ▶ 4 Portfolio

We believe a **sustainable investment** approach is **more likely to create and preserve long-term investment capital**.

Our Policy, process and portfolio implementation adopts a **four-pillar** approach, shown right

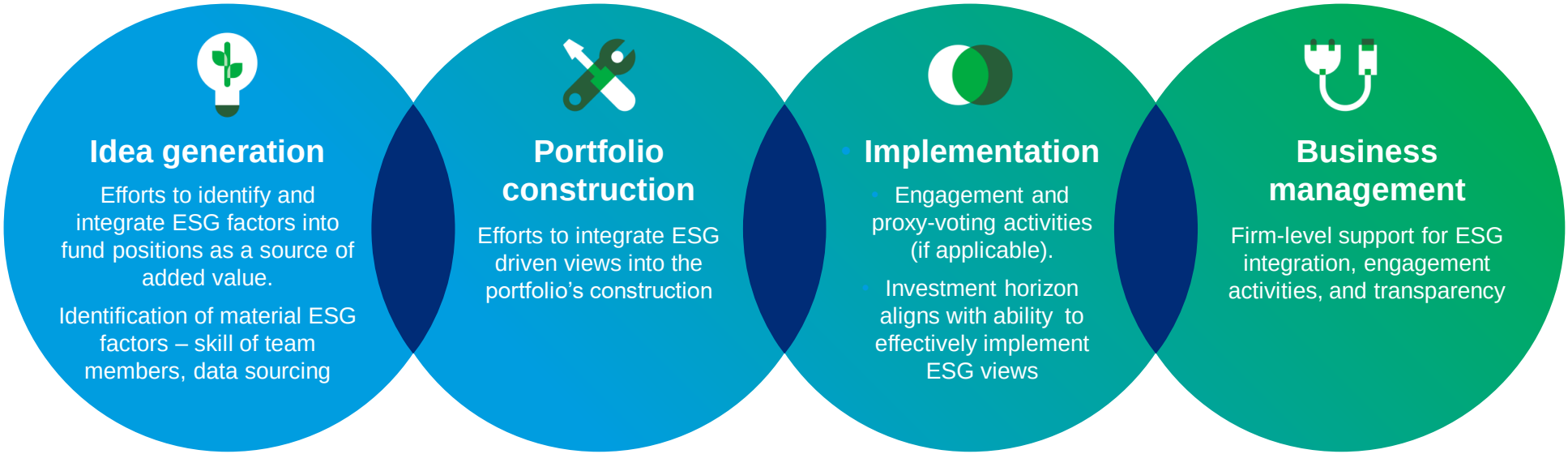




Integration	Investment	Active Ownership	Exclusions
Objective: **Take a broader view on risk/return** by including environmental, social, and governance (ESG) factors in decisions	**Objective:** **Explore investment opportunities** linked to sustainability themes and solutions	**Objective:** **Help realisation of long-term value** through voting and engagement	**Objective:** **Exclude certain sectors, products or activities** that meet Mercer Funds' exclusions criteria
Application: • Review Mercer manager ESG ratings and promote integration with managers • Climate scenario analysis and transition risk analysis using multiple metrics • Diversity and modern slavery analysis	**Application:** • Seek investments which link to sustainability themes where this is aligned with achievement of investment objectives • Provide sustainability-themed funds which are aligned with investor needs and preferences	**Application:** • Work closely with appointed listed equity investment managers on voting and engagement • Engage with companies and policymakers either directly or via managers and/or collaboratively • Engage with managers with regard to portfolio exposure to priority engagement themes (e.g. modern slavery)	**Application:** • Refer to Mercer's sustainable investment policy or the fund product disclosure statement (PDS) / information booklet for exclusion criteria applied
Disclosure: Transparency and reporting			

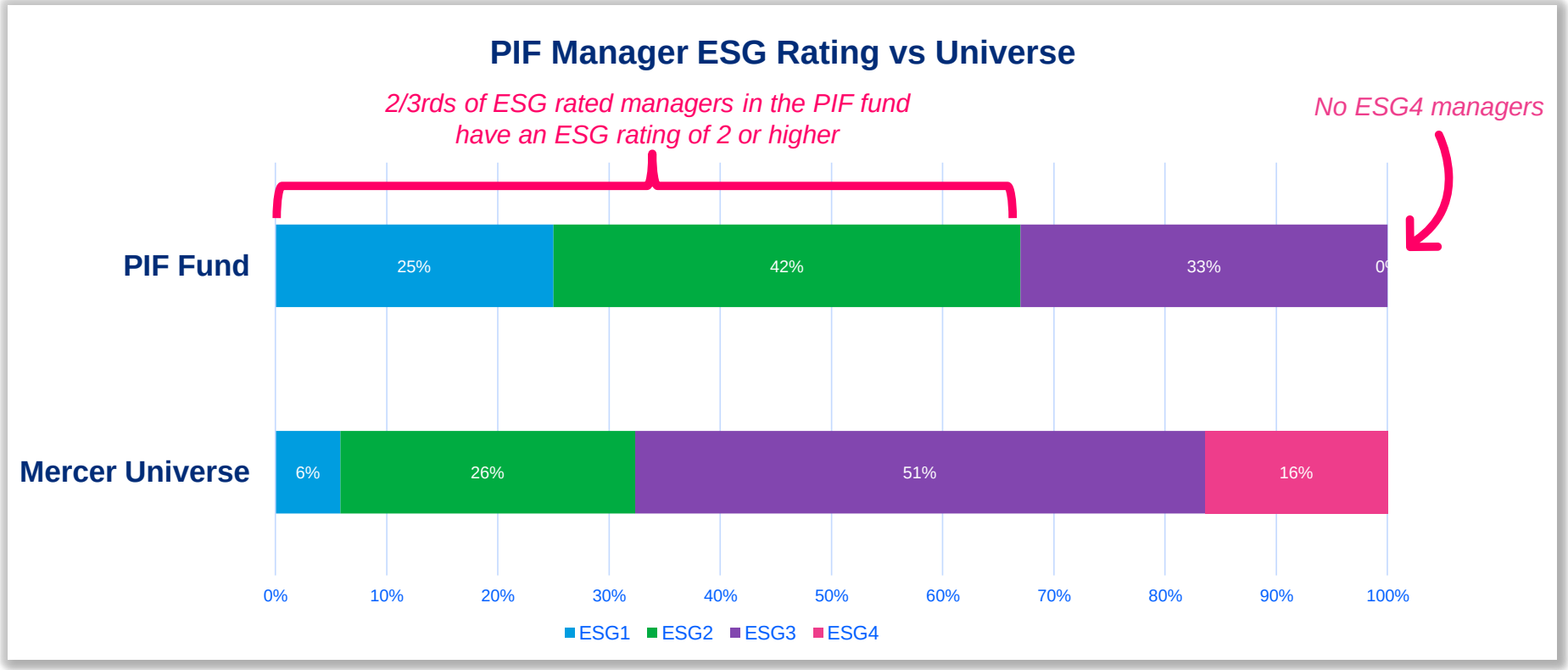
Evaluation of investment manager's ESG capabilities

Mercer's Four Factor Framework viewed with an ESG lens



ESG manager rating benchmarking

The ESG ratings for the NPDC Portfolio are significantly better than the universe



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Data as at 30 June 2023. 7

Climate Transition



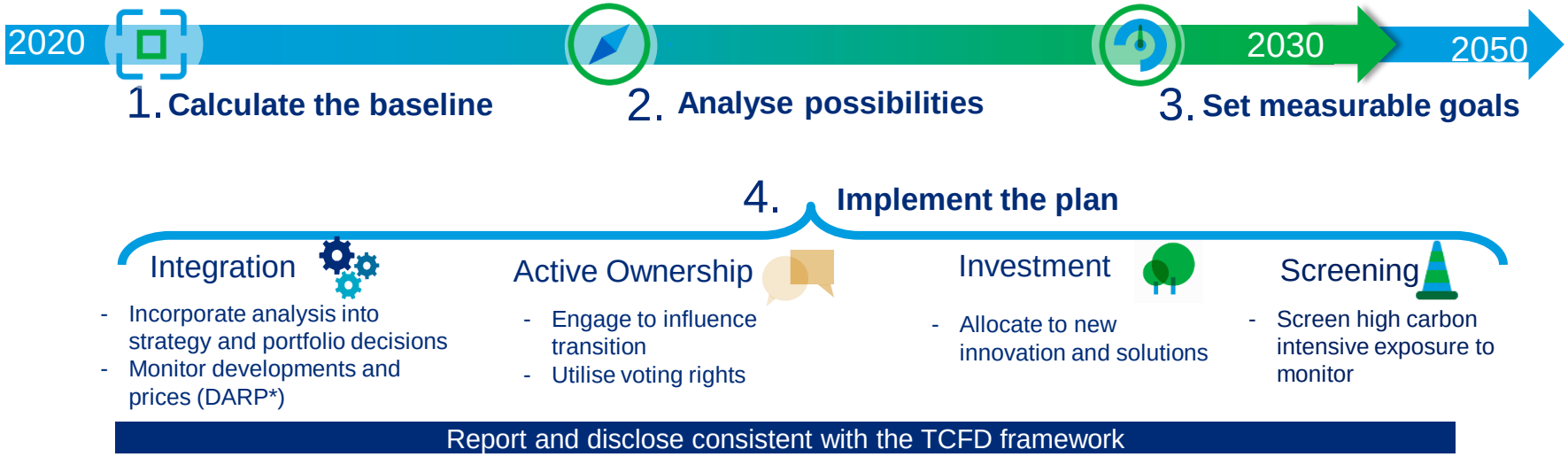
Climate Transition Framework

The Framework to Implement our Net Zero Commitment

- Mercer has adopted a **spectrum approach** that aims to build **transition capacity** across portfolios, supported by our Analytics for Climate Transition (ACT), and a **step-by-step plan**.



- The focus is on **genuine whole of economy and portfolio transition**, the 'grey, the green and the in-between' , not just emissions reductions, and **thoughtful implementation with our appointed managers** across asset classes.
- The below provides an overview of the planned implementation steps.



(*DARP - Decarbonisation at the Right Price)

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9

Stewardship & Engagement



How is active ownership/stewardship approached/implemented?

Overview

1. Engagement	Approach	2. Voting
Mercer conducts regular engagement with appointed investment managers via: • An annual global Manager Engagement Survey. • Targeted manager follow up, connecting material holdings, analytics and survey results. • Topic-specific engagement, such as net zero target implementation.	***Managers*** 	• Mercer outsources proxy voting responsibility to its listed equity investment managers. • Our voting approach is detailed in our Sustainable Investment Policy • Mercer's Proxy Voting Disclosure Site (hosted by Glass Lewis) provides detailed information on vote decisions. • Mercer's Public Annual Sustainable Investments Report includes aggregate proxy voting reporting.
Mercer: • Participates in several initiatives where we collaborate with other large investors for greater impact. • Monitors its involvement to track progress and ongoing alignment with intended objectives.	***Collaborative*** 	• Mercer is subscribed to **Glass Lewis' Voting Engagement Service**, which leverages over 1,500 engagement meetings that Glass Lewis holds annually across 100+ markets globally. • Mercer is monitoring the recently 'launched' CA100+ flagged votes approach and will consider if and how to incorporate this into our activities.
Mercer believes its appointed investment managers are best placed to prioritise engagement topics by company. However, Mercer does: • Monitor other major global holdings. We may initiate proactive dialogue around contentious issues.	***Direct*** 	

Manager Engagement Survey

Overview

Mercer conducts a Manager Engagement Survey with all appointed investment managers globally to monitor developments and assist in company engagements. Below are extracts from our Pacific region.

Top 5 ESG Topics for Engagement – Pacific	
1. Climate Change	89%
2. Labour Practices and Human Rights	82%
3. Transparent Disclosure of Material ESG Factors	73%
4. Aligned Remuneration and Incentives	68%
5. Pollution, Biodiversity Loss and Natural Resource Degradation	62%

Top 5 Engagement Strategies – Pacific	
1. Goal orientated discussions and meetings with management	92%
2. Goal oriented discussions and meetings with Board members	73%
3. Collaboration with other investors	66%
4. Communicate objectives for clear outcomes and time horizons	68%
5. Voting at general meetings	56%

More than 100 company engagement case studies, with environmental examples focused on:

- Disclosure
- Net Zero implementation
- Net Zero for airports
- Carbon capture
- Climate adaptation policies
- Water usage
- Biodiversity
- Pollution
- Deforestation
- Live animal exports
- Mine tailings issues

Summary

The 2022 survey had a **91%** response rate globally, **86%** in the Pacific (399 submitted responses globally, 107 for Pacific).

Some key Pacific results include:

- **68%** were awarded 4 or 5 stars by the PRI at the latest review. 8% were awarded 3 stars and 25% were not rated.
- **36%** have set climate transition targets and another 25% plan to within 1-2yrs.
- **62%** consider nature/biodiversity in investment decisions.
- **75%** monitor for UN Global Compact red flags, or similar.

Methodology

- *Mercer sends the online survey (with word version for internal response collation) to all appointed managers globally, to complete for each strategy. It is sent in early December for early January submission and results are compiled in Q1. Mercer's global surveys team supports the exercise.*
- *Results are prioritised in conjunction with portfolio analytics and targeted follow up with managers will then be undertaken throughout the year by portfolio managers and the sustainable investment team.*

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12

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New Plymouth
Airport
Papa Rererangi i Puketapu Ltd

Quarter 1 Report
1 July - 30 September 2023

New Plymouth Airport
PO Box 9022
Bell Block
New Plymouth 4351

Phone: 06 759 6078
Mob: 027 705 0481
Email: david@nplairport.co.nz
Website: www.nplairport.co.nz

1. Introduction

This report is for Quarter 1 (Q1), Financial Year 2023-2024. The report is presented by Papa Rererangi i Puketapu Limited (PRIP) in accordance with Sections 64 and 65 of the Local Government Act 2022 (LGA) referencing the company's Statement of Intent and PRIP's monitoring and reporting requirements.

2. Purpose and Objectives

2.1 PRIP's main purpose is to operate the Airport on a sustainable commercial basis and to ensure the ongoing safe and successful operation of the Airport.

2.2 PRIP's primary objectives are to:

- Operate the Airport in full compliance with the regulations set down by the New Zealand Civil Aviation Authority
- Ensure that the business is run on a sustainable commercial basis
- Optimise the use of its assets; and
- Generate a reasonable rate of return on investment.

3. Shareholder Relationship and Agreements

PRIP have entered into the following agreements with NPDC for the ongoing operation of the Airport, namely:

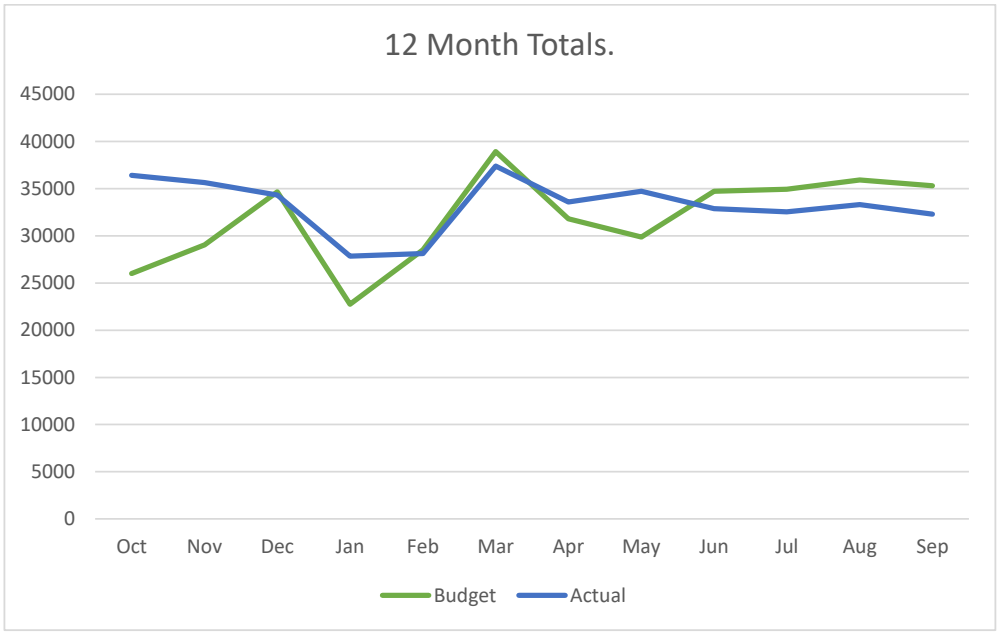
- Service Level Agreement
- Loan Facility Agreement
- General Security Deed
- Intergroup Asset Transfer
- Deed of Lease Airport Land.

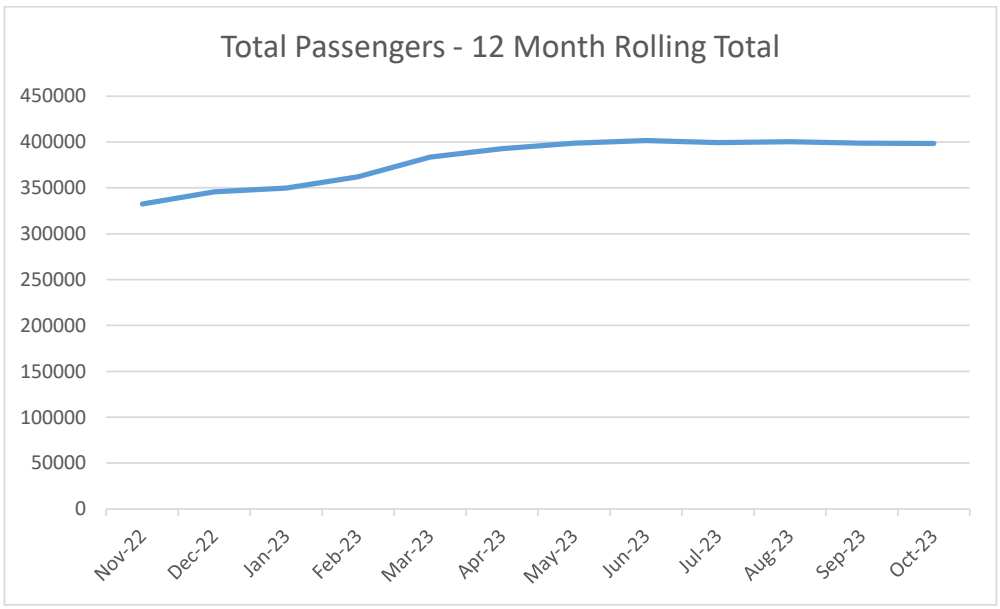
The Service Level Agreement is currently under review as well as the drafted loan agreement.

4. Board Chair and Chief Executive's Report

4.1 <u>Passenger Numbers</u>

Passenger numbers for the first three months of Financial Year 2023/2024 have been below forecast by approximately 10%. Both July and August have had significant weather disruptions as well as reliability issues with Air NZ resulting in numerous cancellations. Also, economic conditions as well as the impending election have seen a bit of softening which is having an impact on the passenger totals.





4.2 Capital Project Update

4.2.1 PRIP has engaged aviation industry experts TDZ Projects to assist with project management for its capital projects as identified in the Statement of Intent working specifically on the Waste Water, Landside Development and Runway Resurfacing projects.

4.2.2 New Car parking System

New Plymouth Airport now has a tickletless, frictionless and cashless parking system. The new system uses the latest number plate recognition technology and providers customers with a quick hassle free system for those visitors to the airport. Feedback so far has been positive with customers enjoying the quick effortless process.

4.2.3 Runway Resurfacing

The runway resurfacing project scheduled for February/March 2024. This is a significant undertaking which will be done at night after scheduled operations have been completed. Beca have completed the designs for the project and Fulton Hogan will be the works contractor.

4.2.4 Rescue Fire Service

PRIP has an in principal agreement to purchase equipment and plant from Air Services Taranaki (AST) and a formal sales and purchase agreement is being developed by its legal advisors. In addition full employment contracts incorporating the new Rescue Fire Service staff are also being worked through. PRIP will take over the RFS function in January 2024.

PRIP has purchased a new Fire Truck which is scheduled for factory acceptance in the first half of 2024.

4.2.5 Airside Covered Walkway

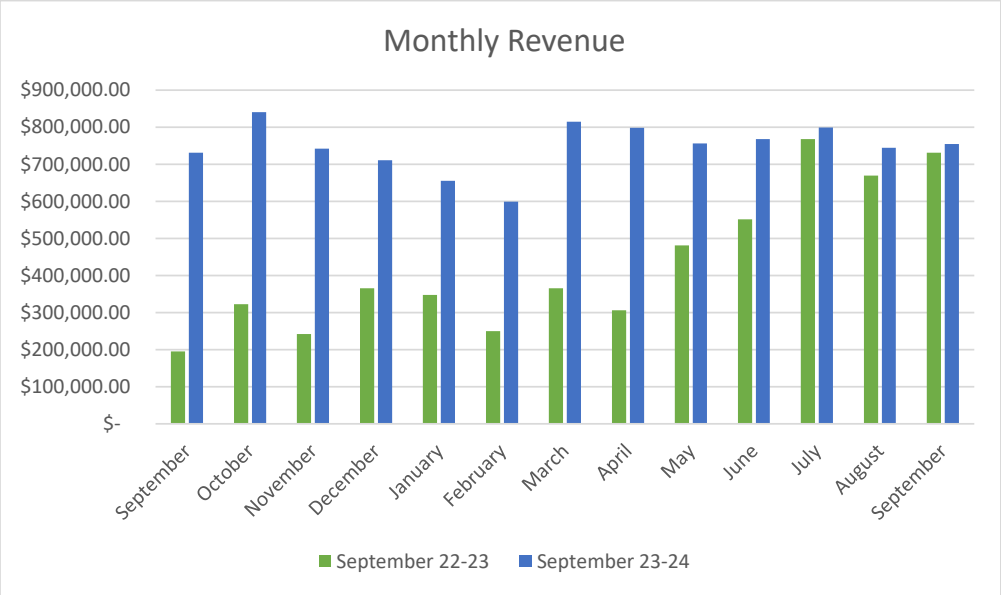
Working with Puketapu Hapū and local engineers, preliminary designs have been completed with a high level concept developed. The design of the walkway will be line with the current covered landside walkway areas.

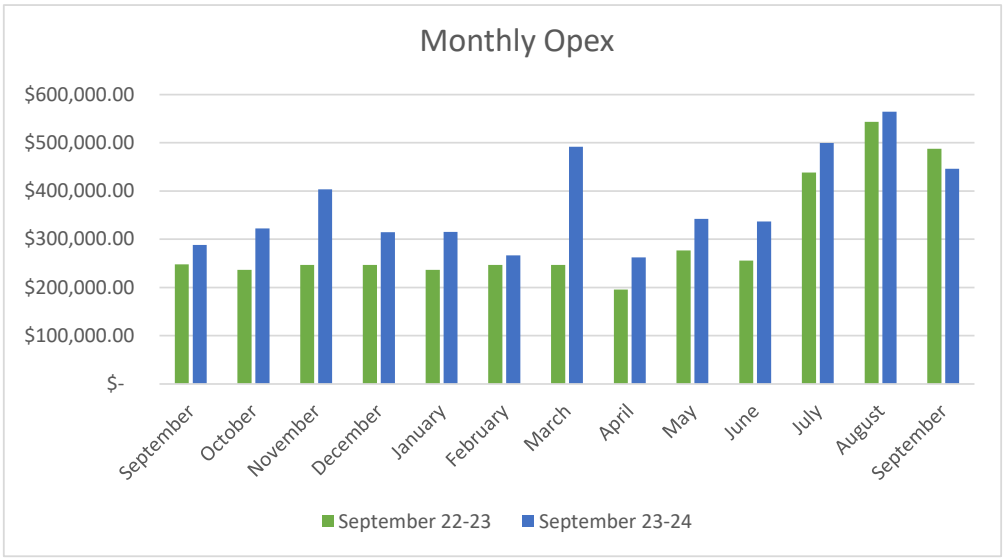
4.2.6 Solar Farm

The solar farm project is progressing on schedule. The final design and scope of the project are still to be determined. Grid studies are underway to understand what availability exists for power consumption. A financial investment decision is expected by the first quarter of 2024.

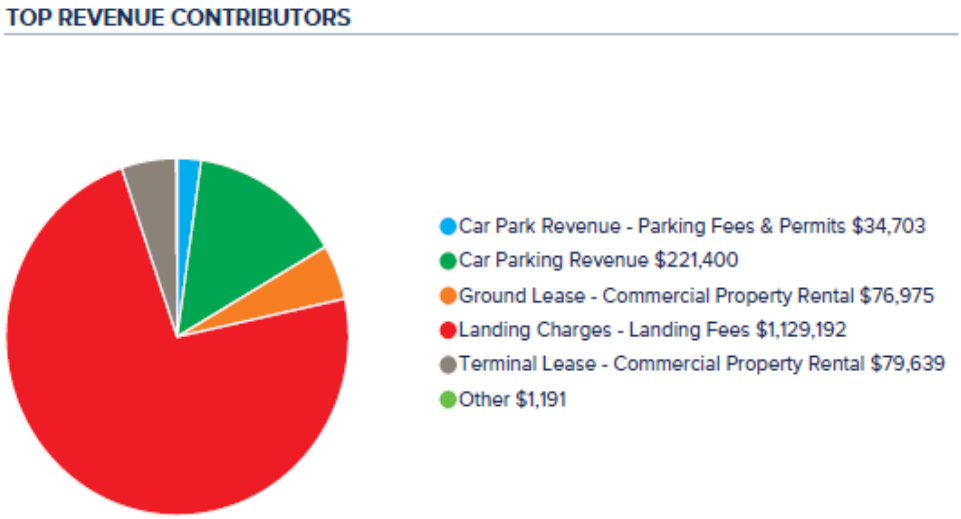
4.3 Financial Report

4.3.1 The softer than expected passenger numbers have impacted revenue against forecast. Year to date revenue is 5.4% below forecast at $2.3m, OPEX 2.7% above forecast at $1.57m and EBITDA 2.6% below forecast at $6.0m.

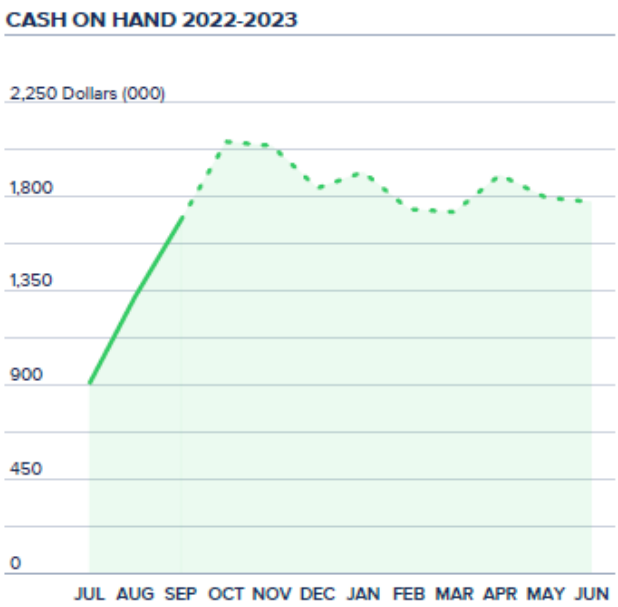


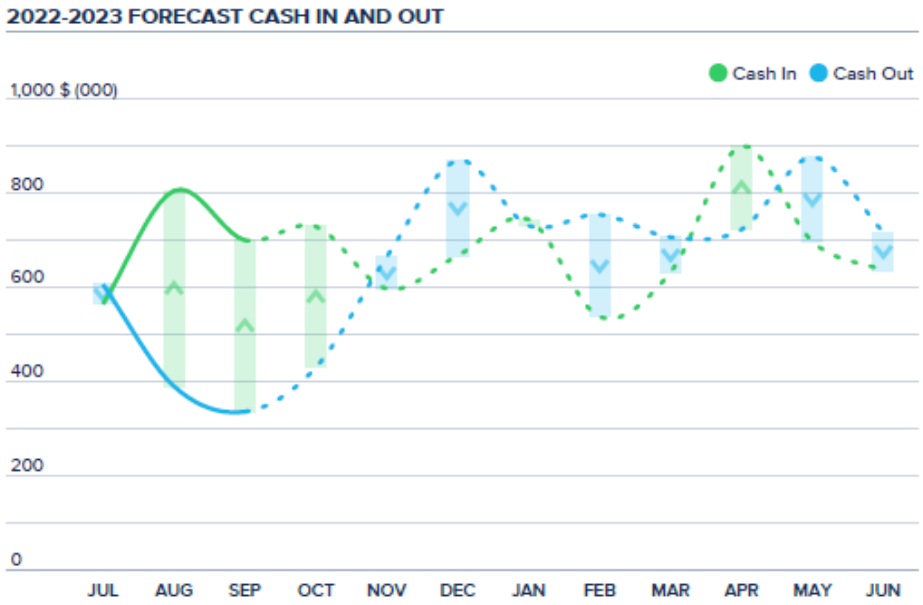


4.3.2 The September profit and loss report has landing fees as the highest contributor to revenue, with steady contributions from car parking, terminal and ground leases.



4.3.3 PRIP cashflow is positive year to date and forecasting this to remain the same for the rest of the financial year.





4.4 Operational Update

4.4.1 The existing Airport facilities have been well maintained throughout the year and there has been no diversion of regular passenger transport services resulting from Airport operational issues.

4.4.2 Deeds of lease signed with rental car operators – Ian working through….along with a board resolution to negotiate new leases with hangar operators.

4.4.3 PRIP has undertaken a comprehensive review of their manuals and policies to ensure compliance within the Civil Aviation Act including an update to their incident reporting tool.

4.4.4 Working with Puketapu Hapū for the development of the landside hillock area, including identifying local plants to be grown and used within the area.

Philip Cory-Wright
Chair, Papa Rererangi i Puketapu

David Scott
Chief Executive Officer, Papa Rererangi i Puketapu

Quarterly Report 2023/24

Quarter One (July to September 2023)



Govett-Brewster Art Gallery | Len Lye Centre

venture TARANAKI
Te Puna Umanga

Contents

Message from the CE	3
Key Performance Snapshot	4
Regional Strategy Refresh	5
Key Strategic Focus Areas	6
Regional Development Agency Functions	10
Major Events Fund	13
Performance Measures	14
External Project Measures	15
Coming up next quarter	16



Hāwera Water Tower

Message from the CE

Tēnā koutou

We kicked off quarter one (Q1) with some big wins and accomplishments, including winning the bid to host the Business Events Industry Aotearoa Conference in 2024. This will attract 170 industry-leading event professionals to Taranaki and will bolster our regional profile as a vibrant destination to host future major conferences and business events.

Events are a key driver of visitation for Taranaki and significantly boost our region's economy as people stay to shop, eat, and explore. In Q1, we shifted our Major Events Funding strategy to a single annual funding round. The change aimed to increase efficiency and timeliness for the Event Owners, and we have already had great feedback on this more streamlined process.

Energy transition continues to be a key strategic focus for VT, and a highlight this quarter was joining a Taranaki delegation to Lithuania. The visit was hugely insightful as we uncovered innovative technologies that are allowing Lithuania to be world-leaders in the low-emissions space and explored opportunities for international collaboration.

Mahi in the food and fibre space continues to progress and we were thrilled to support eight Taranaki food and beverage producers to the Auckland Food Show in July, to showcase Taranaki products on a national level. Work is also underway to support the Taranaki Farmers Market to thrive and grow, along with exciting advancements in our Branching Out food and fibre diversification programme.

While there is a lot to celebrate in Q1, it also brings some uncertainty as we lead up to the New Zealand election.

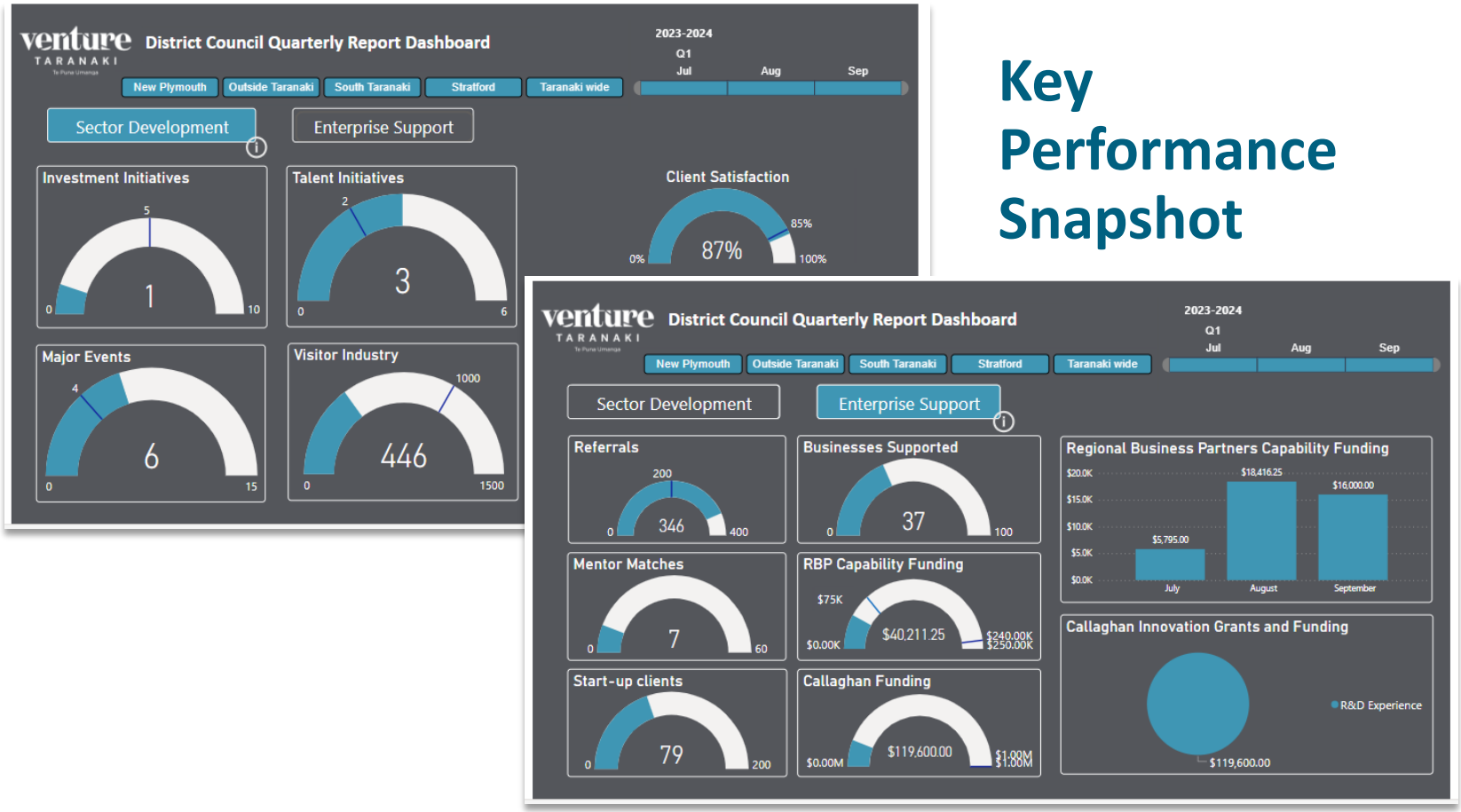
We are well placed to support our business community with our core enterprise support services and have facilitated many activities this quarter to enable connections and capability development for our business community. This includes grant information sessions, innovative Smart Factory Tours, and hosting Callaghan Innovation's Executive Leadership team on a famil to meet local research and development companies.

Finally, during Q1 we have also refreshed our quarterly reports to more closely align with our Statement of Intent and key strategic focus areas of Energy, Food & Fibre, Hi Tech Innovation and Destination. Moving forward, the Q1 and Q3 reports will be not be as fulsome as our Q2 and Q4 reports that will include more on our sustainability and emissions reduction, our financial position and regional intelligence.

As we head into quarter two, we look forward to continuing to provide our core support services and driving forward our strategic focus areas to achieve a thriving region for all.

Kelvin Wright,
CE Te Puna Umanga
Venture Taranaki





Key Performance Snapshot

Venture Taranaki offers an interactive dashboard that provides a comprehensive overview of key performance metrics by district, month, and quarter. To view this live dashboard please visit the link below:
https://www.venture.org.nz/regional-intelligence/performance-dashboard/
Note: The dashboard is for internal use only and is not linked to the public website.

Regional Strategy Refresh



Tapuae Roa the regional economic development strategy and action plan for Taranaki was developed in 2017/18, with the Taranaki 2050 road map and underlying transition pathway actions plans being finalised in 2020, driven by government policy change on offshore permitting. This was swiftly followed by a global pandemic accompanied by an economic reset, significant regulatory reform, community infrastructure concerns, and government policy change that have all challenged the Taranaki Economy. Given the immense disruption and restriction, the region responded well through this period of challenge, uniting in the face of adversity, and working collectively to lead our region through to today. Taranaki still has significant challenges ahead with the traditional core of its economy being disrupted, and new economies emerging. We face national challenges around Infrastructure, Health, Education, Housing, Equity, and Social issues. At a macro level we also face global challenges around climate change and decarbonisation, and regional challenges around infrastructure, transitioning workforce, and establishment of new industries to ensure a prosperous and thriving Taranaki for all – a region that is attractive to live, work, invest, and play.

With so much behind us, now is the time to refresh our Regional Strategy, providing clarity on regional priorities in order to unite and catalyse the region around the opportunity to transition and grow our regional economy, creating and maintaining employment opportunities, and attracting investable opportunities for both government and private business. It's also an opportunity to reflect on our current context, understanding and embracing our uniqueness, diversity, and how this translates to a thriving Taranaki for all. Taranaki has many opportunities ahead, hence, with a clear plan to guide and catalyse investment, and collectivise effort we will be well placed to take advantage of our opportunities, while mitigating our risks.

Our Maunga, that gives way to our highly fertile soils, and relatively climate-resistant landscape sit at the middle of our biggest opportunities and threats. A plan to recognise this uniqueness and plan for economic prosperity, alongside economic recovery and resilience will be critical to our region's future economic proposition while living alongside our ancestor Taranaki Maunga and protecting him for generations to come.

A series of workshops have been run with local councils to acknowledge the need to refresh the Regional Economic Development Strategy and identify any key priorities from Councils. We are working collaboratively alongside our iwi colleagues as they refresh the Ngā Iwi o Taranaki Strategy, to determine in partnership how these outcomes are included in the Regional Strategy. Ngā Iwi o Taranaki and regional priorities will be brought together through a workshop with regional leaders early in the new year. The intent is to have a concise set of collective regional priorities, accountabilities, funding, resourcing, and reporting to ensure the outcomes are enabled, supported, and delivered for our region.

Strategic Focus Areas Snapshot

Highlighted below is a snapshot of the work undertaken in Q1 that fall within Venture Taranaki's key strategic focus areas. For more detail on these projects and workstreams, refer to the following pages





Energy

The New Zealand Wind Energy Association Summit

The New Zealand Wind Energy Association Summit was held from 12 - 13 September. Anne Probert, Director Strategic Partnerships facilitated a panel session at this national event on offshore wind. The summit spanned a range of topics and demonstrated the progress made to date, including the pioneering Offshore Wind Energy Report, launched in 2020 by Venture Taranaki.

Energy Efficiency Programme

In conjunction with project partners, VT have been involved in securing investment for a two-year farm energy efficiency programme, encompassing energy audits and workshops for farmers in Taranaki, with learnings to be shared nationally.

H2 Taranaki Roadmap Update

Several projects are being progressed which align the H2 Taranaki roadmap with heavy transport as a key area of focus. The H2 Taranaki Roadmap – which aligns to Tapuae Roa and Taranaki 2050 – outlines how the region could leverage its skills, infrastructure and resources to become a leader in hydrogen production and utilisation.



Food and Fibre

Auckland Food Show

The Auckland Food Show was held from 27 to 30 July. VT supported eight local food and beverage businesses to attend under the 'Taste of Taranaki' banner, providing the opportunity for these businesses to connect with key industry stockists and suppliers.

Taste of Taranaki Food Pop-up at WOMAD

As a major sponsor of WOMAD, VT is using its allocated activation space at WOMAD 2024 for a 'Taste of Taranaki Food Pop-up' store featuring 10-12 food and beverage producers from around the region. The pop-up will tell the story of Taranaki as a vibrant and diverse food-producing region and be used as an opportunity to further promote Taranaki as a destination, as well as connect our producers with new audiences to potentially bring significant impact to our food and beverage industry.

Branching Out – Trial sites underway

The Sustainable Crop Rotation planting commenced in July with garlic and faba beans planted in both North and South Taranaki. With significant interest across the region for all Branching Out crop trials, we have selected trial sites in all three districts, working with committed landowners that include horticulturalists, organic dairy farmers and whānau. Hop trials are advancing to phase 2 with scale up support to growers to increase overall hectare size for the 2024/2025 growing season.

Destination

Talent attraction

VT designed and provided a 'Find your Career in Taranaki' handout for the 21 August Taranaki Careers Expo. This included information on the most in demand jobs for the region, as well as future roles needed within the Food and Fibre, Energy, Education, Technology, Health and Construction, and Manufacturing and Engineering sectors.

Partnered with the Chamber of Commerce, Mobile Relocations, and Auld Brewer Mazengarb & McEwen, VT hosted an Immigration Event for businesses in August to explore the process of attracting and retaining international talent.

Cruise sector development

Alongside our Port Taranaki partners, VT attended the NZ Cruise conference in August. The conference enabled VT to connect directly with in bounders and cruise handlers, as well as cruise line representatives and destination managers and provide them with the Cruise Taranaki prospectus. This has since resulted in one cruise liner that currently doesn't come into port seriously considering Taranaki as a destination.

Industry support and updates

A hui for South Taranaki operators was held at Ohangai at the end of August, bringing together over 20 people who share a passion for putting South Taranaki tourism on the map.

A networking evening was held in Urenui for women in the farming sector to learn more about support and initiatives to diversify their land (Agri Tourism), including the business support available to enhance their management capabilities.

In early September VT hosted the Tourism NZ Experience Leadership Team in Taranaki for two days. This included a famil showcasing local operators as well as visits to attractions including the coastal walkway, Tawhiti Museum, Stratford Mountain House, West End Precinct and The Ōkato. The feedback was very positive with one team member stating "we all had a great time and I think it might have been our best famil as a team so far!"



Speaker and local businesses at Immigration Event



NZ Cruise Conference



AgriTourism Networking Event



Tourism NZ experience leadership team

Hi Tech Innovation

Smart Factory Showcase

Through collaboration and targeted regional promotion of the Smart Factory Showcase in Taranaki, VT along with Callaghan Innovation, EMA and BECA brought together the region's manufacturing sector to explore the latest advancements including the impact of 4.0 technologies on efficiencies.

Taranaki Tech and Innovation Sector Action Plan

Our vision for the Taranaki Tech and Innovation sector is one that can provide local, innovative solutions to support the challenges facing Taranaki businesses and industries alongside our key strategic focus areas. We have now finalised the sector action plan for FY23/24 which is focused on discovery of the existing ecosystem and understanding what value VT can provide the sector in the medium-long term.

Tech Step Events

Together with the Taranaki Chamber of Commerce, VT, Learner Me and Te Heru Māpara organised two Tech Step events, one in Hawera on 27 September and the other to be held in New Plymouth on 4 October. Both events targeted educators working in the technology space and included a panel discussion with tech professionals at various stages of their career to provide insight into what they're doing, how they got there and where their tech careers are taking them.



Speakers and local manufacturers at Smart Factory Showcase



Speakers at Tech Step event in Hawera

Regional Development Agency Functions

PowerUp Programmes

PowerUp - Start Up Weekend

VT was thrilled to be the signature sponsor at Startup Weekend at Te W'anake The Foundry coworking space in Hāwera in September, with our Chief Executive Kelvin Wright being part of the judging panel along with South Taranaki superstars Gemma Adams, Vizlink and Sonia Kiser, Carac Group. It was fantastic to see the high level of innovative thinking and creativity from all four teams over an intensive 54-hours, that culminated in an exciting pitch-off which saw team Refill-It take out the win.



DOSO and Venture Taranaki Startup Weekend held in Hawera with support from South Taranaki District Council



Startup Weekend Award Event

PowerUp Masterclass

PowerUp Masterclass is a series of four half-day workshops designed to help entrepreneurs develop their skillset and take their enterprise to the next level, with practical advice from industry experts. The first PowerUp Masterclass Raising Capital For Growth will take place on 7 November in New Plymouth, with a focus on investment readiness. Led by Chris Burgess, Investment Manager at New Zealand Trade and Enterprise (NZTE), participants will gain practical advice on becoming investment ready and capital raising strategies, as well as hear from a local speaker who will share their investment journey. Themes and dates for the remaining masterclasses this financial year will be released soon.



Regional Development Agency Functions

Enterprise support

Regional Business Partner (RBP) Fund

Enterprise clients have been seeking more general support this quarter. Some are growing and scaling despite the challenges and are seeking guidance on the next phases of their business cycle, whilst others are struggling with reduced sales and increasing costs. Marketing (social media and digitalisation), leadership and management continue to be the most popular support services requested.

Spend on capability development is down significantly in Q1 spend compared with previous years, despite client enquiries and engagement levels being maintained. Clients are reluctant to commit to spending on training in the current economic climate, with fears of recession and uncertainty around the election outcome. Spending may pick up post-election when marketing is planned to promote the programme.

Callaghan Innovation Fund

Callaghan Innovation Research and Development (R&D) Student Experience grant applications launched during Q1. This grant supports student summer internships for R&D projects within businesses. This year there were nine Taranaki applications and 11 student placements. The fund closed early due to the budget being fully allocated.

Capability building areas of interest this quarter included a higher level of intellectual property enquiries.

In August, Venture Taranaki hosted the Callaghan Innovation Executive Leadership Team for two days. The visit included meeting with some local R&D companies to find out more about their R&D challenges. Led by CEO Stefan Korn, the organisation is aiming to spend time with customers to gain first-hand insights to inform future support for businesses. Taranaki was the first region outside of the main centres to be visited by the whole of the Callaghan Innovation leadership team together and it was great for the region to have our feedback raised directly.



Callaghan Innovation Senior Leadership Team visit Begin Distilling (Juno Gin)

Startup Clinics

Demand remains high for VT's Start-up services, both online and in-person. Demand for in-person clinics has increased across the region, and these will be offered weekly instead of fortnightly in Q2 to cater for demand.

Business Mentors NZ

Demand for mentoring has picked up over the quarter, with clients requiring expertise in business planning, strategy and marketing (digital marketing most popular). Two mentors were recruited, and seven matches made.

Regional Development Agency Functions

Film and Convention Bureau

Attracting and supporting business events

In September VT attended the three-day Business Events Industry Aotearoa Conference in Marlborough. Approximately 170 delegates attended (including venue managers, RTOs (Regional Tourism Organisations) and PCOs (Professional Conference Organisers) to network and hear from industry experts and speakers. With the support of New Plymouth Airport and local operators (including venues, transport providers, sound/audio hire, and accommodation providers) Taranaki has been successful in winning the rights to host the conference in 2024 which will attract 170 industry-leading event professionals to Taranaki, and is expected conservatively to deliver $170k in direct economic impact.

During the last quarter, VT have had confirmation that two conferences – collectively attended by 520-570 delegates – will be held in region in September 2024. VT are currently working with PCO's on an additional four conferences for 2024 which if secured will bring a further 900 delegates to the region for a period of 2-4 days (DEI ($960,000 – 1,918,800).

Attracting and supporting film

In August VT hosted a team from a large American film production company who were looking at locations for the filming of a high-profile international film. Feedback was very positive from both the Producer and Director, and we are waiting to hear the outcome. Securing this film would not only profile the region on an international scale, but it would also bring a film crew, cast and support to the region for multiple days to weeks.

VT met with New Plymouth District Council, Stratford District Council and South Taranaki District Council to discuss the development of a centralised regional film permitting process to streamline the process for those looking to film in Taranaki, and centralising data (including economic impact) to support further strategic development of this $3B industry nation-wide. VT are continuing to develop this system and expect to have this live by end of the financial year.



Visitor and Events Adviser Melissa Devine with BEIA CE Lisa



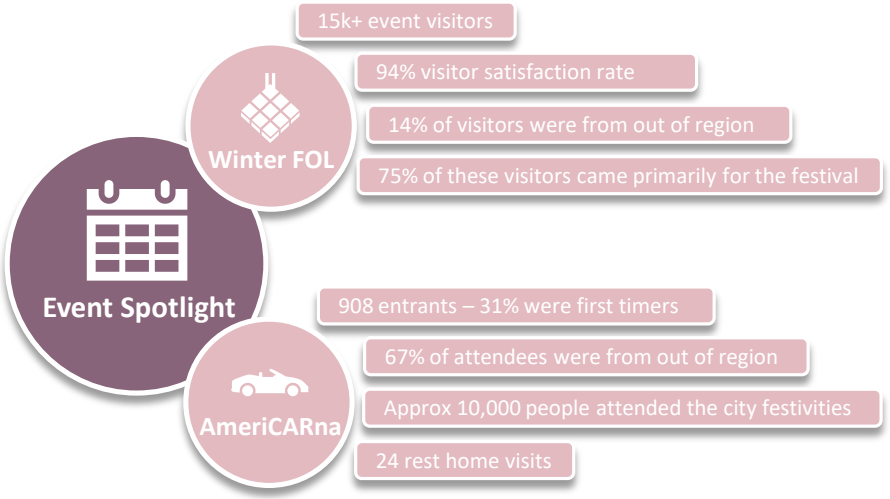


American film producer scouting

Destination: Major Events Fund*

Attracting and supporting major events in New Plymouth district

NO.	Event Name	Event Contracted
1	Festival of Lights (FOL) – Summer	13 Sept 2023
2	Festival of Lights (FOL) – Winter	13 Sept 2023
3	WOMAD	18 Sept 2023
4	Bowl of Brooklands – concert one	18 Sept 2023
5	Bowl of Brooklands – concert two	18 Sept 2023
6	NZ Breakers	14 Sept 2023



This quarter saw a change to our previous administration of the Major Events Fund with the introduction of an annual Major Event Fund funding round. This change has provided internal efficiencies and the ability to maximise our ability to strategically manage the fund in line with funding intent as directed by our Shareholder.

Event producers have been very supportive of this change, and we look forward to continuing to review and evolve our administration of the fund as required to achieve the best outcomes for the region.

During this round, we received a total of 23 applications, offering 19 contracts to successful applications who met the criteria. Of these applications, six of these contracts have now been fully executed and the remaining are with the event managers for completion.

**Due to the reporting method, we have revised the event list according to the contracted date only*

Performance Measures 2023/24

Performance Measure	Target	Q1	Q2	Q3	Q4	YTD	Status
Number of major events attracted or retained (funded in accordance with the criteria of the major events fund).	4	6				6	
Undertaking initiatives to support investment into Taranaki.	5	1				1	
The level of annual investment in regional businesses (subject to central government policy).	$1m	$119,600.00				$119,600.00	
The annual percentage of clients satisfied with Venture Taranaki business support services.	>85%						
The level of annual investment* in the management capability of Taranaki's small and medium sized businesses.	$240k	$40,211.25				$40,211.25	
Number of enterprise referrals** and connections made by Venture Taranaki staff.	200	346				346	
Number of engagements*** with visitor industry operators (including local operators, other RTOs, national and international tourism agencies).	1000	446				446	
The number of talent initiatives to facilitate the retention, growth or attraction of talent (human resource) into Taranaki	2	3				3	
Number of Start-up clients.		79				79	
Number of Mentor matches.	50	7				7	

* Investment includes capability development funding as part of the nationwide Regional Business Partner programme.
** Referrals are instances where a business or organisation is referred to a resource of which they were previously unaware. This may be a funding opportunity, programme, cluster group etc. A connection is an instance where two contacts are introduced to one another for a specific purpose that is likely to be mutually beneficial.
*** Engagement is defined as an interaction by staff with an external party and includes meetings, workshops, activity-focused emails, phone and video-conferencing conversations.

On Target
Achieved
Behind target

External Project KPI 2023/24

Title	Cost centre	Owner	Start date	End date	KPI	Result	Traffic light	Commentary	Description
Regional Event Fund	Destination	MBIE	12/1/2020	7/1/2024	Extensive	On track		All funding is committed, and to be paid out as determined in individual events contracts.	To support the development and hosting of events that drive regional economic growth & attract visitors to specific regions in NZ.
Regional Business Partner	Economic Development	MBIE	7/1/2022	6/30/2025	Multiple	38 (22%)		Number of engaged clients is slightly behind due to staff leave in Q1. This is expected to recover.	To support business growth by providing businesses with access to advisory services, training, and funding opportunities.
BTAG	Economic Development	MSD	4/1/2022	6/30/2024	None			Referral-based contract, ongoing.	To support emerging businesses with developing a business plan, training in business skills, advice and project reports.
Business Mentors	Economic Development	BMNZ	7/1/2022	6/30/2024	50 matches per annum	7 (14%)		50 has always been a stretch target. In the past five years, it has been reached only once, in 2019/20. Despite this, Taranaki continues to be recognised as one of the top performing regions for this programme.	To facilitate delivery of the Business mentors programme to mentors and mentees on Behalf of BMNZ.
Massey Partnership	Regional Investment	Massey	9/1/2012	6/1/2024	Multiple			Partnership program on track and delivering on all KPIs.	Connection for Taranaki industry, business and organisations with Massey University expertise, knowledge and innovation to encourage greater development, innovation and growth.
Participatory Science Platform	Regional Investment	MBIE	12/1/2021	6/1/2024	Multiple	All met		The PSP programme will have no future funding allocated due to Govt budget cuts. We have confirmed that we have an extension of contract to December 2024 to complete the current funding round.	To encourage collaboration between scientists and communities, fostering engagement in scientific research and empowering individuals to actively participate in scientific endeavors.
Branching Out	Regional Investment	MPI	11/1/2022	6/30/2025	Multiple	On track		Extension on some KPIs to be delivered at next milestone date in November, approved by MPI.	To diversify food and fibre value chains to generate better economic, social and environmental outcomes for Taranaki.
Branching Out	Regional Investment	NPDC, STDC, SDC and other partners	11/1/2022	6/30/2025	Multiple	On track		Extension on some KPIs to be delivered at next milestone date in November, approved by MPI.	To diversify food and fibre value chains to generate better economic, social and environmental outcomes for Taranaki.
Branching Out - Better Off Funding	Regional Investment	DIA - via NPDC	5/5/2023	6/30/2027	Multiple	On Track		Deliverables on track.	Capital/operational grant for a dryer and hemp processing/manufacturing.

Traffic light key

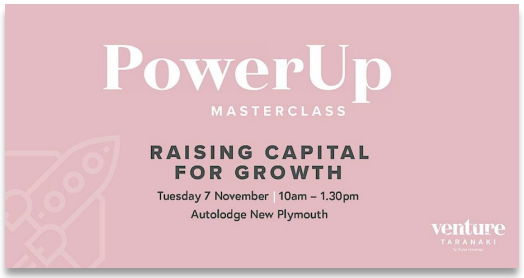
- All KPIs met, contract complete or reporting period complete
- All KPIs substantially met (within 90%), contract complete
- All KPIs on track to be met by completion of contract
- Some KPIs not on track to be met by completion of contract
- Some or all KPIs not substantially met, contract complete

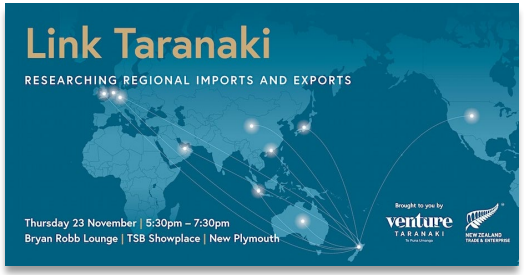


Coming up next quarter:

4 October: Tech Step Event New Plymouth
18 October: Taste of Taranaki WOMAD Vendor applications open
25 October: Food for Thought Networking Event and Panel Discussion
27 October: Launch of Centuria Taranaki Garden Festival and Taranaki Arts Trail (MEF recipient)
1-3 November: Regional Film Offices National hui and conference
7 November: PowerUp Masterclass: Raising Capital for Growth
8 November: Taranaki Business Survey
16 November: Q2 Visitor Industry evening, Puke Ariki
21 November: Attending New Zealand Business Expo
23 November: Export and Import survey launch
28 November: EECA (Energy Efficiency & Conservation Authority) Regional Energy Transition Accelerate workshop
17 December: First cruise vessel of season in port, the Noordam
28 December: Cruise vessel in port, Queen Elizabeth
December: Land Diversification programme developed
October - December: Branching Out will complete all sowing and transplanting of crops (2 x gin botanicals, 2 x medicinal plants, hemp, 3 x crop rotation). Funding will also be deployed to support the local hop growers to scale up and industry strategies will be delivered for hops, medicinal plants, and gin botanicals.







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

LGFA Quarterly Report to Shareholders



September Quarter 2023

Contents

A. September Quarer highlights 02
B. LGFA bond issuance over quarer 03
C. Summary financial information 07
D. Strategic priorities. Perormance agains objectives and perormance targets 07
E. Invesor relations 15

A. September Quarter highlights

Quarter	Total	Bespoke Maturity	April 2024	April 2025	April 2026	April 2027	May 2028	Aug 2028	April 2029	May 2030	May 2031	April 2033	May 2035	April 2037
Bonds issued $m	**2,230**	n/a		310		110	50	1060	110	500	50	40		
Term Loans to councils $m	**1215.3**	609.7		41.1	111.5	58.0	35.0		22.0	138.0		200.0		

Key points and highlights for the September quarter:

- The LGFA bond yield curve rose and steepened over the September quarter in line with global bond market moves as investors remained cautious on the need for Central Banks globally to maintain, if not increase the level of interest rates to get inflation back to within their target bands. Concerns over additional bond supply due to deteriorating fiscal outlook in most countries also pushed long dated yields up to 15-year highs. The RBNZ left monetary policy unchanged with no change to the 5.5% OCR since the last increase in May 2023. The 2025 LGFA bond yield rose 35 bps to 5.95% while the 2037 LGFA bond yield rose by 108 bps (1.08%) to 6.49%.
- LGFA issued $2.23 billion of bonds during the quarter through one NZD syndication, two NZD bond tenders and an AUD bond issue. The AUD issue was a 5 year (maturing 1 August 2028), and we swapped the proceeds back into NZD to remove any foreign currency risk. The issue was our first offshore issuance, and we undertook the issue as our borrowing requirement is increasing and we need to diversify our borrowing sources. The average term of issuance during the quarter was 5.03 years.
- LGFA borrowing margins to swap widened between 10 bps (2027s) and 20 bps (2033s) on increased supply of bonds by both LGFA and the NZ Government. LGFA spreads to NZGB were mixed with short-dated bond spreads tighter by 6 bps (2025s) but long dated spreads wider by 16 bps (2037s) following their narrowing during the prior quarter.
- Long dated lending to councils and CCOs during the quarter of $1.215 billion was higher than expected. Due to the strong lending volumes in the quarter, we have revised the FY24 forecast lending up by $300 million to $4.2 biLGFA has an estimated market share of 88.1% of total council borrowing for the rolling twelve-month period to September 2023 compared to a historical average of 76% since 2012.
- Short-term lending increased over the quarter by $3 million to $558 million of short-term loans outstanding on 30 September 2023 to a record thirty-seven councils and CCOs.
- We established an Euro Commercial Paper (ECP) Programme in late September which will allow us to issue short dated CP in foreign currencies (but then swap the proceeds back to NZD). Alongside the AUD Notes Programme, this provides an additional source of funding for us.
- LGFA Net Operating Gain (unaudited management estimate) for the quarter of $3.122 million was $996k below budget, comprising total operating income at $758k below budget and expenses at $238k above budget. The variances were due to the larger amount of bond issuance by LGFA to maintain a larger amount of liquid assets.
- Whanganui District Holdings Limited and Infrastructure Holdings Limited joined as CCO members during the quarter with membership now at seventy-seven councils and five CCOs. West Coast Regional Council moved to become a guarantor, bringing the number of guarantors to seventy-two councils.
- We lent a further $77 million of Green Social and Sustainability Loans and $420 million of Climate Action Loans (CALs) to councils and CCOs. Total GSS loans and CALs outstanding as at 30 September 2023 was $1,311.9 million which is 8% of total long term lending.

B. LGFA bond issuance over quarter

We issued $1.38 billion of NZD bonds via two bond tenders (July and August) and one syndication in September.

The July bond tender result was our 100th bond tender and we achieved a satisfactory result with the full amount issued in what was a larger than normal tender size in difficult conditions. The NZ Debt Management launched a $5 billion syndicated issue of April 2033 bonds the day before the LGFA bond tender, and we had also announced the prior week a $1 billion upsize to LGFA's bond issuance programme for the 2023/24 financial year (on the back of higher forecast council borrowing).

We offered $230 million of bonds across four bond maturities with one tranche a good result and the other three tranches were satisfactory outcomes. The tender size of $230 million was the largest bond tender since August 2021 and above the average size of $192 million. We offered four bond maturities to ensure a successful outcome given the amount of council lending that LGFA was financing.

Price support was strongest for the 2027 bonds with weighted average yield at prevailing mid-market, but demand softened in the 2029s and 2031s (5 bps above market). The 2025 bond result was a bit underwhelming as shorter dated maturities have been well sought after in recent tenders. After strong March, May and June bond tenders combined with a positive April syndication we were not expecting the July tender to match those outcomes.

Bidding volume was below average with an overall bid coverage ratio of 2.0 x but did vary between 1.4x for the 2025s and 3x for the 2029s. Successful bid ranges varied between 3 bps (2027s) and 5.5 bps (2025s and 2031s). The number of successful bids varied between 6 (2027s) and 13 (2031s).

The average maturity of the LGFA bonds issued was a short 4.67 years compared to the 2022-23 financial year average of 5.5 years. The average term of issuance over the 2022-23 financial year was the shortest average annual term since we commenced issuance in 2012.

We issued a larger than normal $230 million of LGFA bonds and we on-lent a large $374 million to seventeen councils. Council borrowing is continuing to remain higher than it has been in recent years. Contributing factors to this are the higher than budgeted cost of capex, councils undertaking three water capex ahead of the reforms and the cost of weather events. The average term of lending to councils at 5.8 years (69 months) was in line with recent averages.

Tender 100 – 05 July 2023	15 Apr 25	15 Apr 27	20 Apr 29	15 May 31
Total Amount Offered ($million)	60	60	60	50
Total Amount Allocated ($million)	60	60	60	50
Total Number of Bids Received	14	16	24	17
Total Amount of Bids Received ($million)	85	135	180	75.06
Total Number of Successful Bids	9	6	9	13
Highest Yield Accepted (%)	5.725	5.280	5.280	5.350
Lowest Yield Accepted (%)	5.670	5.250	5.240	5.295
Highest Yield Rejected (%)	5.770	5.370	5.370	5.395
Lowest Yield Rejected (%)	5.730	5.280	5.280	5.350
Weighted Average Accepted Yield (%)	5.692	5.262	5.261	5.323
Weighted Average Rejected Yield (%)	5.743	5.314	5.308	5.348
Amount Allotted at Highest Accepted Yield as Percentage of Amount Bid at that Yield*	100	50	25	66.3
Coverage Ratio	1.42	2.25	3.00	1.50
NZGB Spread at Issue (bps)	30.00	48.00	57.00	64.00
Swap Spread at Issue (bps)	5.00	30.00	55.00	68.00
Swap Spread: AA council (bps)	25	50	75	88
Swap Spread: AA- council (bps)	30	55	80	93
Swap Spread: A+ council (bps)	35	60	85	98
Swap Spread: Unrated council (bps)	45	70	95	108

The August bond tender was a pleasing turnaround from the July bond tender. Conditions were much improved from the previous month. Stability in spreads and a strong positive reaction to our Australian dollar bond issue helped sentiment.

We offered $190 million of bonds across four bond maturities with all tranches performing well. The tender size of $190 million was the second equal smallest size for the past year. We offered four bond maturities to ensure a successful outcome as did not want a recurrence of the subdued July tender result.

Price support was strongest for the 2028s ,2029s and 2033s with weighted average yield just below prevailing mid-market whereas the 2027s were 1 bps above mid-market. We were surprised by the low volume and price support for the 2027s given the relative flatness of the curve amongst the three mid curve bond maturities that we tendered.

Bidding volume was strong at 3.16x overall bid coverage ratio (the second highest for a year) but did vary between 2.32x for the 2027s and 4.16x for the 2028s. Successful bid ranges varied between 0.5 bps (2029s) and 2 bps (2027s) so were consistently tight. The number of successful bids were again tight at 8-2-3-2 for each successive maturity.

The average maturity of the LGFA bonds issued was 5.76 years compared to the 2022-23 financial year average of 5.5 years.

We issued $190 million of LGFA bonds but on-lent a large $582.1 million to twenty-one councils (the second highest number for a year). Council borrowing demand is continuing to be higher than LGFA have been forecasting. The average term of lending to councils at 6.1 years (73 months) was above recent averages.

Tender 101 – 09 August 2023	15 Apr 27	15 May 28	20 Apr 29	14 Apr 33
Total Amount Offered ($million)	50	50	50	40
Total Amount Allocated ($million)	50	50	50	40
Total Number of Bids Received	12	16	12	20
Total Amount of Bids Received ($million)	116	208	152	124.2
Total Number of Successful Bids	8	2	3	2
Highest Yield Accepted (%)	5.265	5.245	5.280	5.370
Lowest Yield Accepted (%)	5.245	5.235	5.275	5.360
Highest Yield Rejected (%)	5.300	5.350	5.360	5.535
Lowest Yield Rejected (%)	5.265	5.250	5.280	5.385
Weighted Average Accepted Yield (%)	5.256	5.240	5.278	5.365
Weighted Average Rejected Yield (%)	5.281	5.274	5.294	5.435
Amount Allotted at Highest Accepted Yield as Percentage of Amount Bid at that Yield*	62.5	100	41.7	100
Coverage Ratio	2.32	4.16	3.04	3.11
NZGB Spread at Issue (bps)	39.00	52.00	55.00	64.00
Swap Spread at Issue (bps)	26.00	38.00	52.50	71.50
Swap Spread: AA council (bps)	46	59	71.5	89
Swap Spread: AA- council (bps)	51	64	76.5	94
Swap Spread: A+ council (bps)	56	69	81.5	99
Swap Spread: Unrated council (bps)	66	79	91.5	109

The September NZD syndication was the tenth syndication undertaken since March 2019.

The syndication result was pleasing in terms of meeting our volume requirements ($750 million) and preferred split between the two maturities. Conditions were difficult with spreads widening 5 bps over the previous week as concerns increased over the Pre-Election Fiscal Update (PREFU). LGFA bonds have significantly outperformed NZGBs over the past three months (narrowing by 35 bps) and as a result our offshore investors who are our largest investor group had been reducing their holdings.

Going into the syndication our objective was to issue $750 million of bonds across the 2025 vanilla bond of $250 million and 2030 Sustainable Financing Bond (SFB) of $500 million. We could not issue more than $500 million of the SFB as our sustainable asset pool is just over $1.2 billion. We issued the 2025s as this is the last opportunity to issue them as they only have 19 months to run until maturity. The syndication of $750 million was an average size syndication with previous syndications between $450 million and $1.1 billion.

The average maturity of the LGFA bonds issued was 5.0 years so in line with our average term of debt outstanding.

We issued $750 million of LGFA bonds and on-lent $229.2 million to eleven councils (the lowest number for a year). The average term of lending to councils at 5.0 years (61 months) was the shortest since December 2022 but it did match our term of issuance.

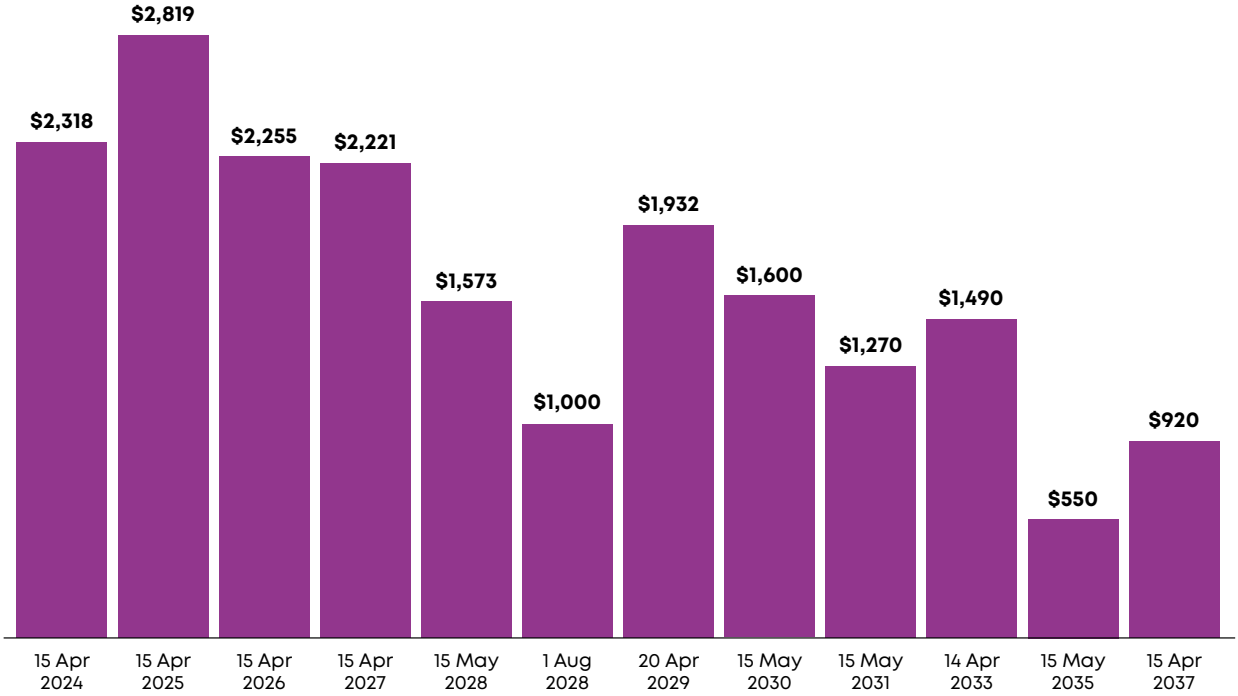
Syndication – 07 September 2023	15 Apr 25	15 May 30
Total Amount Offered ($million)	250	500
Total Amount Allocated ($million)	250	500
Total Number of Bids Received	299	948.875
Yield (%)	5.765	5.536
NZGB Spread at Issue (bps)	22.00	55.00
Swap Spread at Issue (bps)	16.00	69.00
Swap Spread: AA council (bps)	36	89
Swap Spread: AA- council (bps)	41	94
Swap Spread: A+ council (bps)	46	99
Swap Spread: Unrated council (bps)	56	109

We undertook a successful **Australian Dollar** syndication in August where we issued A$1 billion of a 5 year bond (maturing 1 August 2028) to Australian, offshore and New Zealand investors. This was our first issuance in foreign currency and we swapped the A$ proceeds back into NZD to remove any foreign currency risk. The borrowing cost after hedging was in line with our NZD borrowing cost but the key benefits were the volume achieved and diversification of investor base with over thirty new investors.

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

As at 30 September 2023 NZ$19,948 million and A$1,000 million

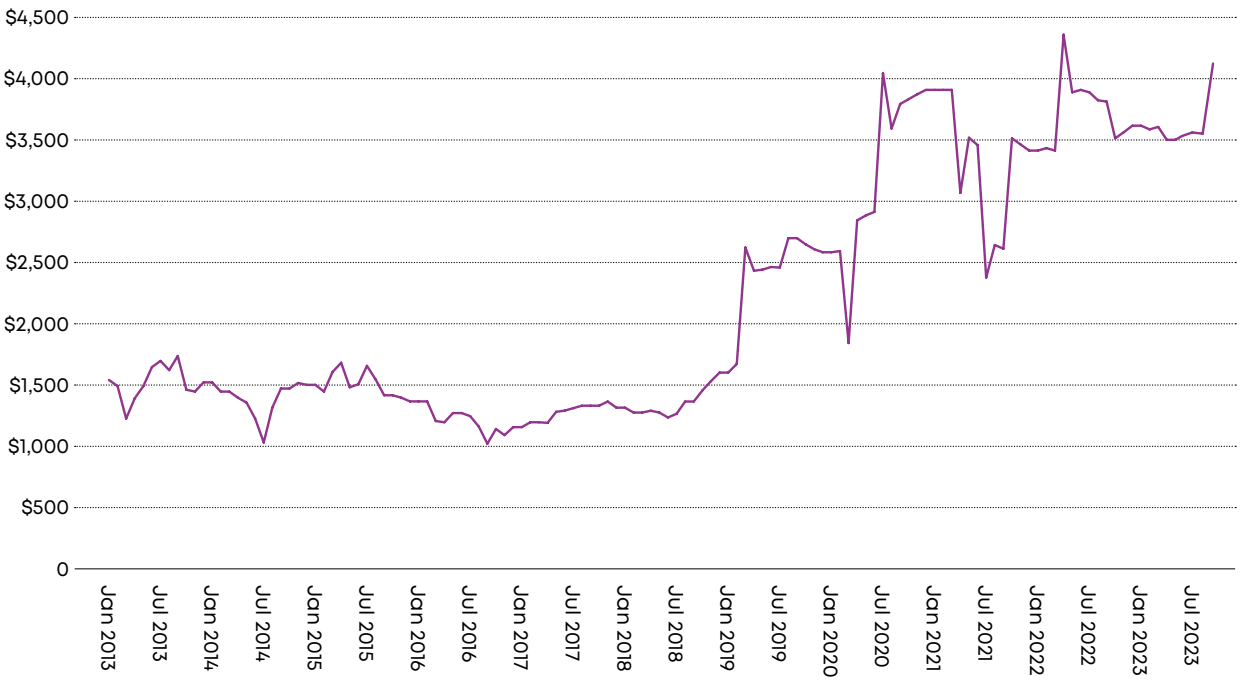
Includes NZ$1,100 million treasury stock



We have eleven LGFA bond maturities listed on the NZX Debt market that finance our long-term lending to councils. We had NZ$19.948 billion of NZD bonds on issue (including treasury stock) as at 30 September 2023. We also had A$1 billion of bonds issued under our Australian Medium Term Notes programme.

Our issuance volume on a rolling 12-month basis to September 2023 was a larger than normal $4.1 billion but below the record $4.4 billion in the year to April 2022.

Rolling 12 month Issuance ($ millions)



C. Summary financial information

The following results are management estimates only.

Financial Year ($m) – cumulative	YTD as at Q1
Comprehensive income	**30 Sept 2023**
Interest income	164.108
Interest expense	158.902
Net interest revenue	**5.206**
Other operating Income	0.376
Total operating income	**5.583**
Issuance and On-lending costs	1.144
Approved issuer levy	0.000
Operating expenses	1.317
Issuance and operating expenses	**2.461**
Net Profit	**3.122**
Financial position ($m) – as at	**30 Sept 2023**
Retained earnings + comprehensive income	79.137
Total assets	20,556
Total LG loans	17,479
Total LGFA bills (nominal)	968
Total LGFA bonds (nominal)	18,924
Total borrower notes	367.772
Total equity	107.258

D. Strategic priorities. Performance against objectives and performance targets

D1. Governance, capability and business practice

Performance target	2023-24 Target	Performance against target
Comply with the Shareholder Foundation Polices and the Board-approved Treasury Policy at all times.	No breaches	Met – No breaches
Maintain LGFA's credit rating equal to the New Zealand Government's sovereign rating where both entities are rated by the same Rating Agency.	LGFA credit ratings equivalent to NZ Sovereign.	Met
LGFA's total operating income for the period to 30 June 2024.	> $20.6 million	Not Met – $5.583 million as at 30 September 2023
LGFA's total operating expenses for the period to 30 June 2024.	< $10.0 million	Not Met – $2.461 million as at 30 September 2023

There have been no policy breaches during the quarter, the credit rating was maintained in line with the New Zealand Government. Total operating income was $758k less than budget due to the additional issuance we undertook in the quarter that led to a larger holding of liquid assets. Expenses were above budget by $238k due to the additional legal and NZX costs associated with higher issuance combined with the legal costs associated with establishing the Euro Commercial Paper (ECP) Programme. We expect to meet the budget for total operating income by 30 June 2024.

Fitch Ratings last upgraded our long-term foreign currency credit rating to AA+ on 16 September 2022. S&P Global Ratings affirmed our domestic currency credit rating at AAA in March 2023. Our ratings remain equivalent to the New Zealand Government for both S&P Global Ratings and Fitch Ratings.

D2. Optimising financing services for local government

Performance target	2023-24 Target	Performance against target
Share of aggregate long-term debt funding to the Local Government sector.	> 80%	Met – 88.1% as at 30 September 2023
Total lending to Participating Borrowers.	> $17,870 million	On track to meet – $17,396 million as at 30 September 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	Met – 99% satisfaction score in Aug 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

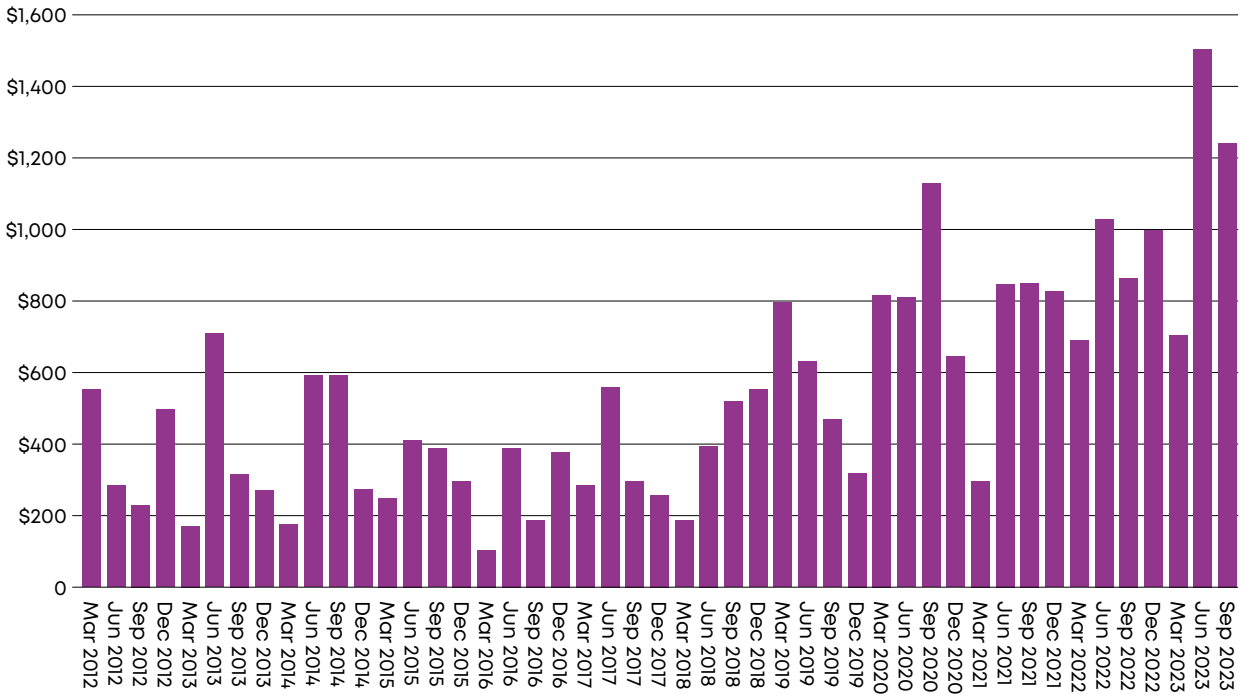
Objectives:

- Provide interest cost savings relative to alternative sources of financing.
- Offer flexible short and long-term lending products that meet the borrowing requirements for borrowers.
- Deliver operational best practice and efficiency for lending services.
- Ensure certainty of access to debt markets, subject always to operating in accordance with sound business practice.

LGFA provides short term loans (less than one year maturity), long term loans (between one year and April 2037), Green Social and Sustainable (GSS) Loans, Climate Action Loans (CALs) and standby facilities to councils and CCOs. Long term loans, GSS loans and CALs can be on a floating or fixed rate basis.

We have lent $1.215 billion to forty-one councils during the September quarter with Auckland, Wellington City and Christchurch City Councils being the largest borrowers. Long term lending to councils for the first quarter is tracking above the full year SOI forecast of $3.9 billion of council borrowing and we revised upwards our estimate at the end of the quarter to $4.2 billion.

Council Borrowing from LGFA – quarterly (NZ$ million)



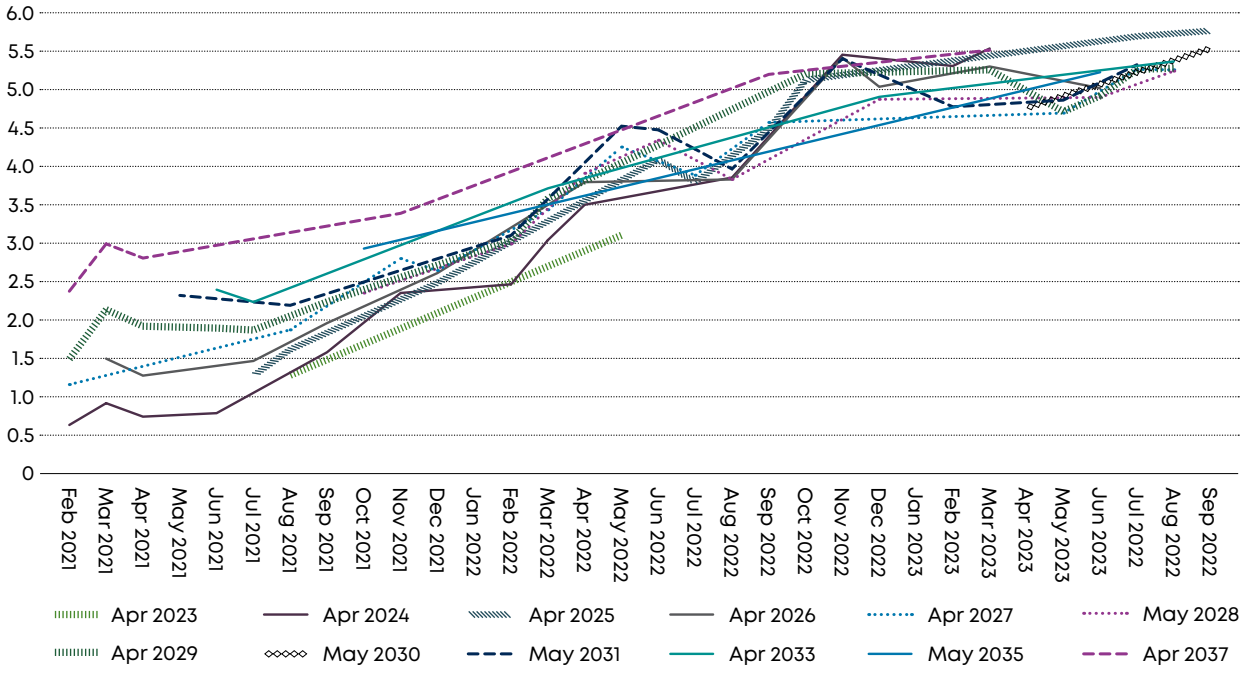
Our borrowing margins relative to other high-grade issuers in the New Zealand capital markets are similar despite our larger issuance programme. Our borrowing spreads are higher than Kāinga Ora as they are no longer borrowing in their own name but funding through the NZ Treasury. This reduction in supply has been beneficial to their borrowing spread while our increased issuance has led to a widening in our borrowing spread.

Comparison to other high-grade issuers – secondary market spread to swap (bps)

30 Sep 2023	Comparison to other high-grade issuers – secondary market spread to swap (bps)											
	2024	2025	2026	2027	2028	2029	2030	2031	2033	2034	2035	2037
LGFA (AAA)	12	18	19	32	47	58	67	75	81	86	86	95
Kāinga Ora (AAA)		12	14	26	36		51				71	
Asian Development Bank (AAA)	6	8	12	23	30			50				
IADB (AAA)	9	11	21	26	40		48					
International Finance Corp (AAA)	7	10	18	29		42						
KBN (AAA)	11	14	22	31			55					
Rentenbank (AAA)	9	11		26		38						
World Bank (AAA)	5	8	13	27	29		45					
Nordic Investment Bank (AAA)		11					44					
ASB (AA-)	25		49	65								
ANZ (AA-)	15				71							
BNZ (AA-)	20	31	50	63	79							
Westpac Bank (AA-)	21	31	43	55								
SSA Average	8	10	17	27	33	40	48	50				
Bank Average	20	31	47	61	75							

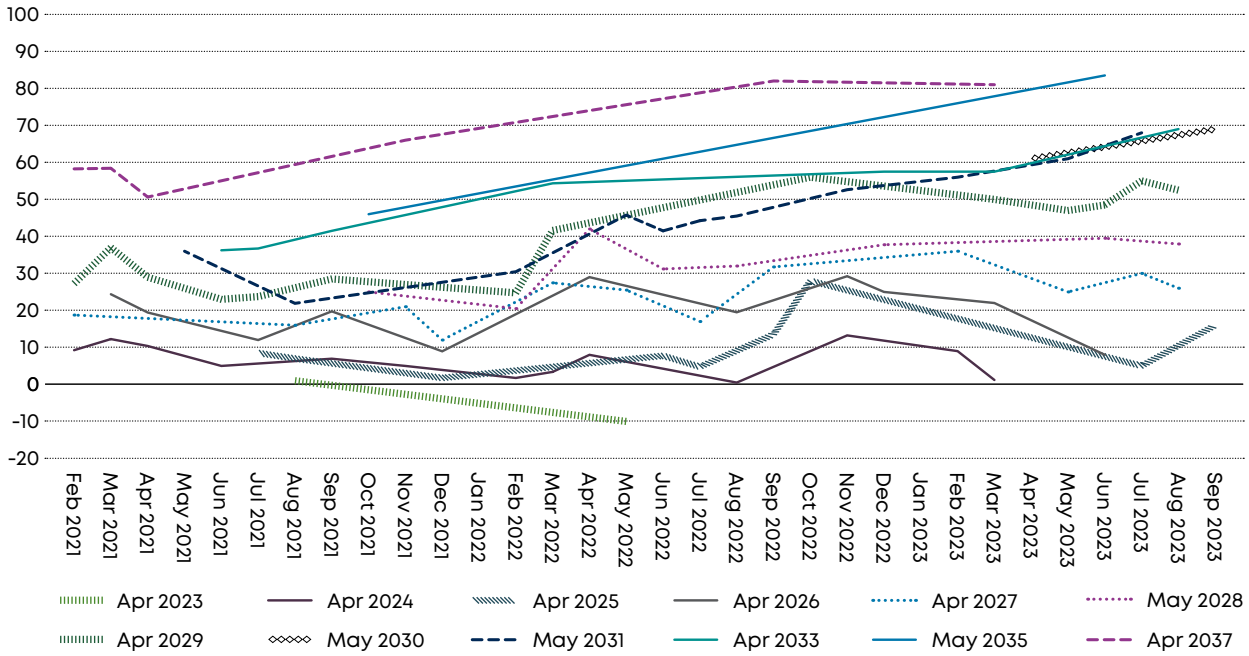
LGFA Bond Issuance Yields (%)

Last 30 tenders



Spread to swap

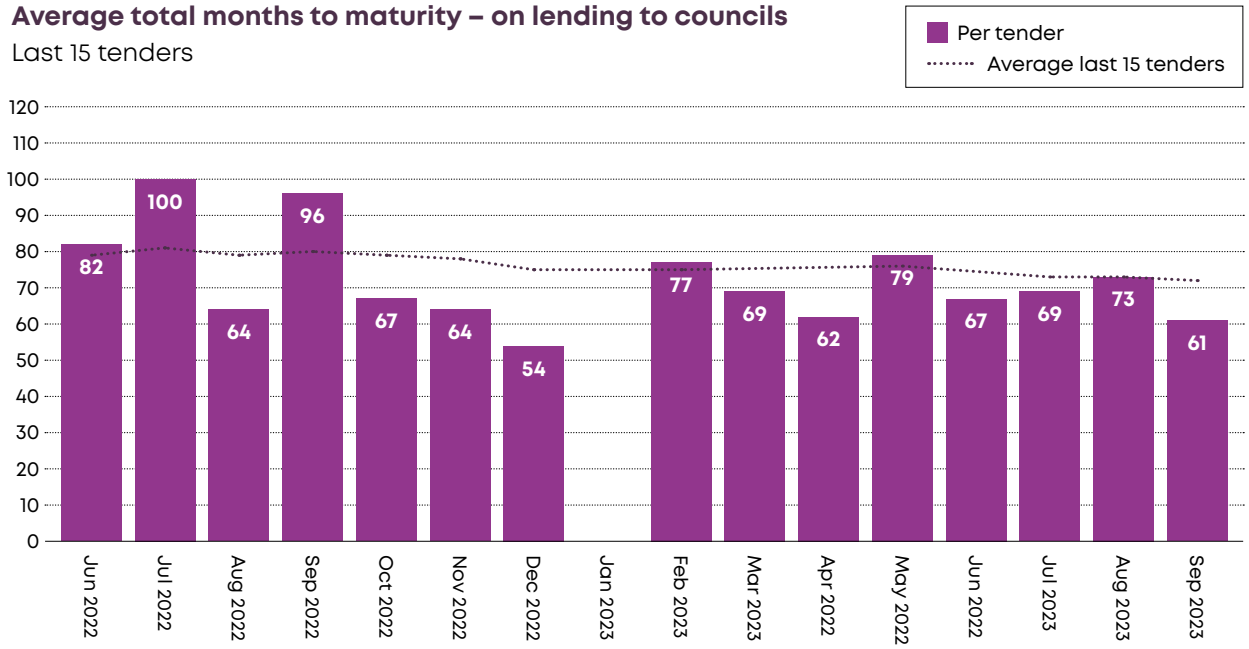
Last 30 tenders



The average borrowing term (excluding short-dated borrowing) for the September quarter by council members was 5.55 years and 5.21 years for the twelve-months to 30 September 2023. This is longer than the 4.53 years for the year to June 2023.

Average total months to maturity – on lending to councils

Last 15 tenders

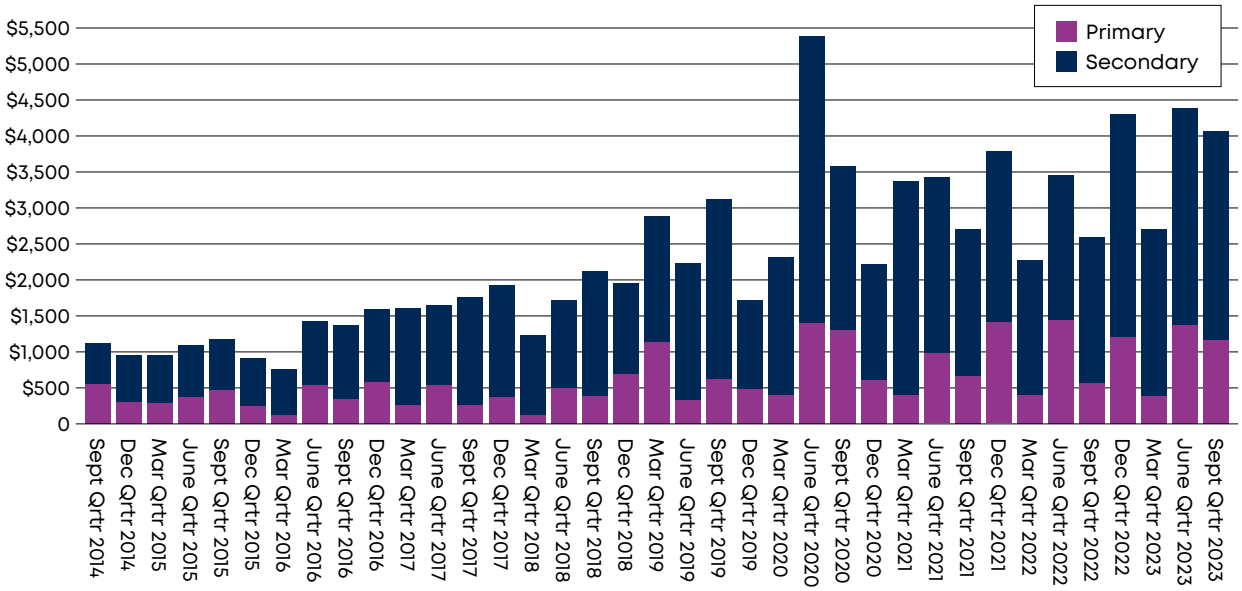


Short-term borrowing by councils and CCOs with loan terms of between one month and 12 months remains well supported with $558 million outstanding as of 30 September 2023 to thirty-seven councils and CCOs. The number of councils and CCOs using this product was unchanged over the quarter while the total amount outstanding increased by $3 million.

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

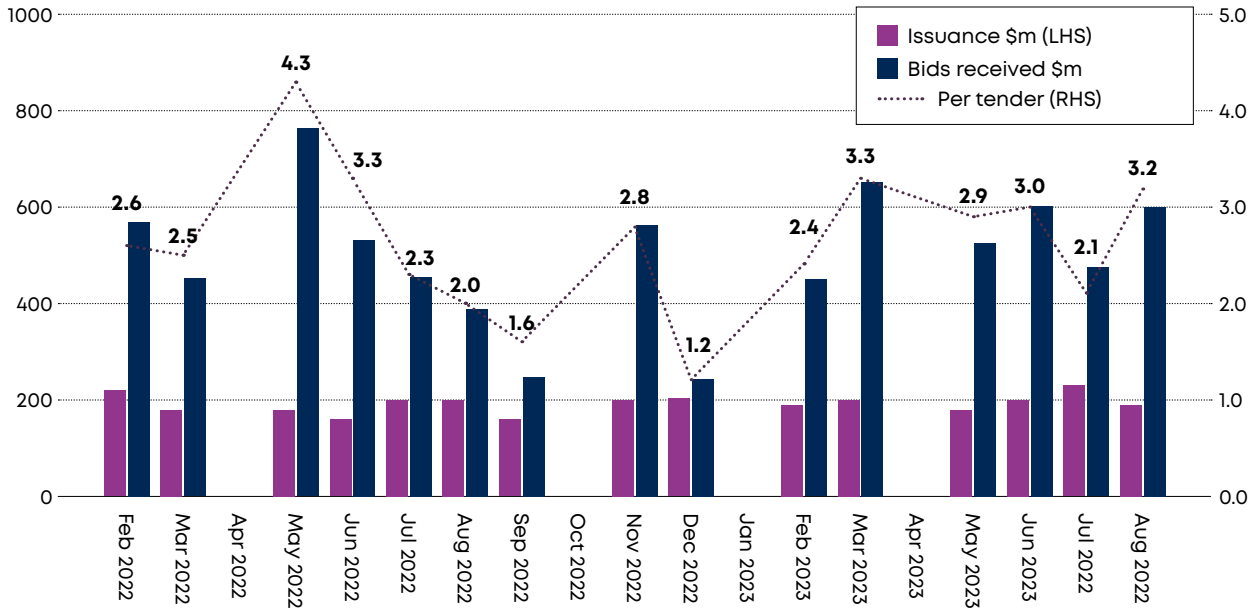
Activity in LGFA bonds in both the primary market (tender or syndicated issuance) and secondary market (between banks and investors) was strong during the September quarter on a seasonal basis with combined activity of $4.07 billion. This was the fourth highest on record after the June 2020, December 2022, and June 2023 quarters. Primary issuance (bond tenders and syndication) was $1.17 billion and there was secondary market turnover of $2.90 billion during the quarter.

LGFA Primary and Secondary Market Activity – Quarterly (NZ$ million)



Tender bid coverage ratio

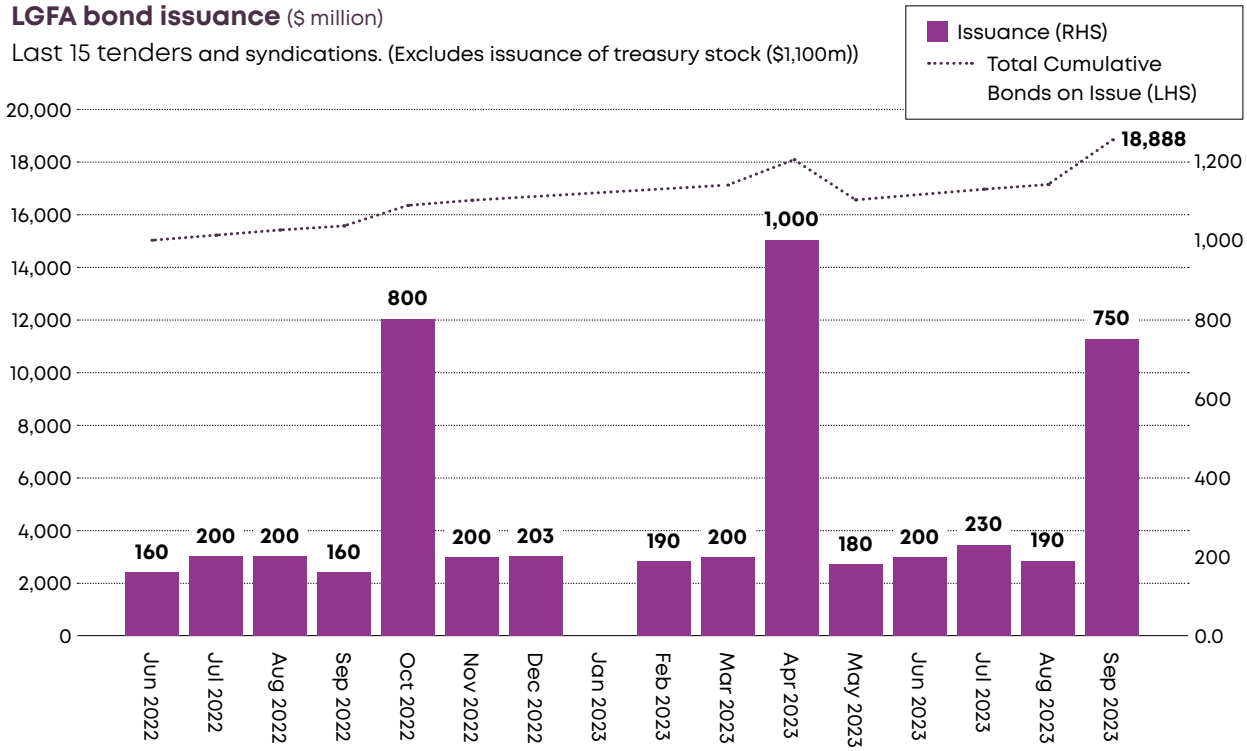
Last 15 tenders



LGFA commenced issuing LGFA Bills and short dated (less than 1 year) lending to councils in late 2015. As at 30 September 2023 there were $968 million of LGFA Bills on issue which is a record high. We use proceeds from LGFA bills to fund short term lending to councils and hold the balance for liquidity purposes in our liquid asset portfolio.

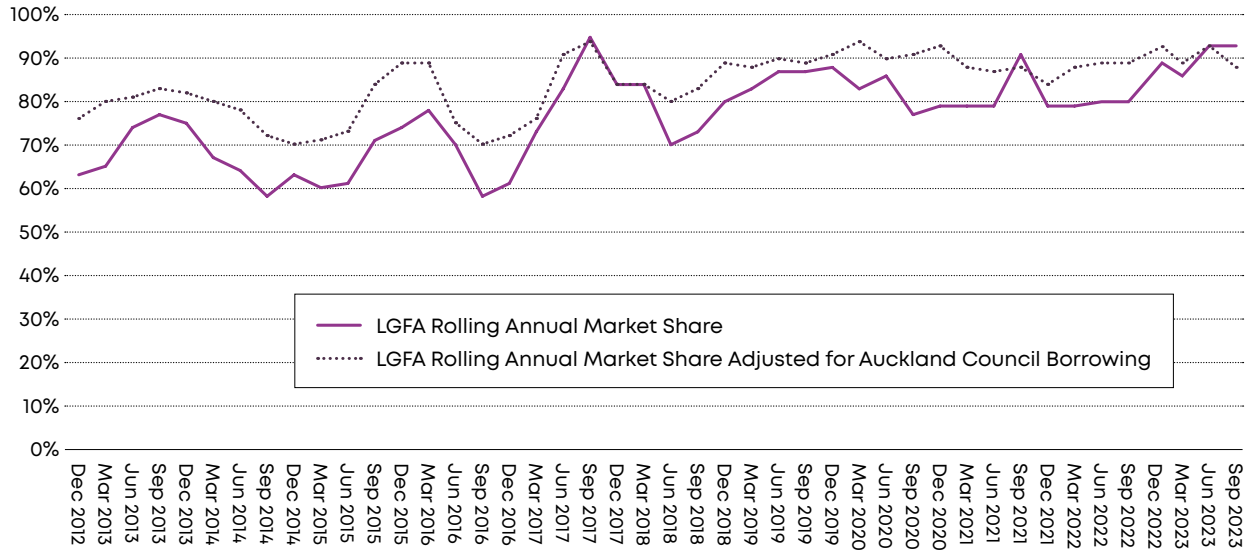
LGFA bond issuance ($ million)

Last 15 tenders and syndications. (Excludes issuance of treasury stock ($1,100m))



LGFA documented an Australian Medium-Term Notes Programme in November 2017 and updated the Programme in March 2020 and July 2023. We issued $1 billion of a 5-year bond in August 2023 following strong investor engagement. The AUD issuance helps diversify our funding base away from a reliance upon NZD.

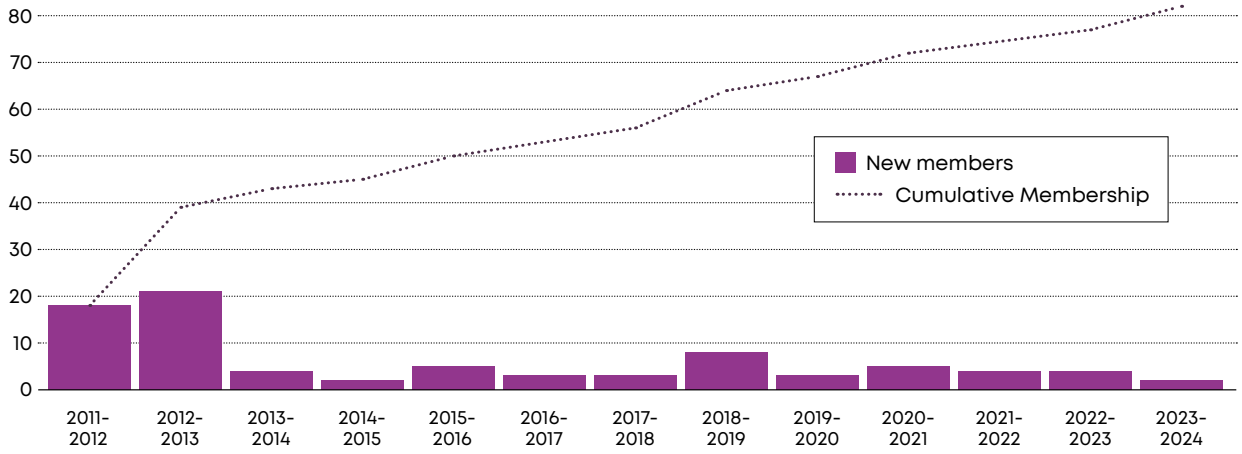
LGFA Market Share – rolling one year average



Council membership and market share

We use our own data and the PwC Local Government Debt Report to estimate our market share. Our estimated market share for the rolling twelve-month period to 30 September 2023 was 88%. If we adjust for Auckland Council borrowing from both LGFA and from the market in its own name, then our market share increases to 93% (as Auckland Council borrowed through LGFA and in its own name during the quarter). Our market share compares favourably to our historical average of 76.5% and our market share remains high compared to our global peers.

Council and CCO Membership (as at 30 September 2023)



Our CCO lending comprises $222.4 million of loans to three CCOs.

- Invercargill City Holdings Limited joined as a member in July 2021 and has borrowings outstanding of $91.4 million as at 30 September 2023 (an increase of $0.7 million over the quarter).
- Westland Holdings Limited joined as a member in November 2022 and has borrowings outstanding of $6.0 million as at 30 September 2023 (a decrease of $1.1 million over the quarter).
- Dunedin City Treasury Limited joined as a member in November 2022 and has borrowings outstanding of $125 million as at 30 September 2023 (unchanged).

D3. Environmental and social responsibility

Performance target	2023-24 Target	Performance against target
Comply with the Health and Safety at Work Act 2015	No breaches	Met
Maintain Toitū Carbon Zero certification	Carbon-zero certification maintained.	Met
Meet reduction targets outlined in our carbon reduction management plan.	Reduction targets met.	Met – Carbon Reduction Plan established
Increase our GSS Lending Book and Climate Action Loans	Two new GSS loans and three new borrowers enter CALs	On track to meet
Ensure Annual Report is prepared in compliance with applicable GRI Standards	100%	Met
Meet all mandatory climate reporting standards	100%	Met

Objectives:

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

During the quarter, we lent $77 million to finance pre-approved projects under our Green, Social and Sustainability Lending Programme. This takes the total number of GSS loans approved to five with a combined value of $562 million and there has been $371.2 million in loans undertaken as at 30 September 2023. For further information on GSS loans see our website Green, Social & Susainability Loans | New Zealand Local Government Funding Agency (lgfa.co.nz)

We approved Auckland Council, Dunedin City Treasury and Hutt City Council as our first group of borrowers under the Climate Action Loans (CALs) Programme during the March quarter and Kāpiti District Council during the September quarter. We had $940.7 million of CALs to the four councils as at 30 September 2023 which was an increase of $420 million over the quarter. Eligible councils will receive a discounted loan margin if they have in place a GHG Emission Reduction Plan and are meeting their emission reduction targets. The advantage of CALs is that unlike GSS loans, they do not have to be project specific. For further information on CALs see our website Climate Action Loans | New Zealand Local Government Funding Agency (lgfa.co.nz)

D4. Effective management of loans

Performance target	2022-23 Target	Performance against target
Review each participating borrower's financial position under LGFA policies.	100%	Met
Arrange to meet each Participating Borrower at least annually, including meeting with elected officials as required, or if requested.	100%	Met

Objectives:

- Proactively monitor and review each Participating Borrower's financial position, including its financial headroom under LGFA policies.
- Analyse finances at the Council group level where appropriate and report to shareholders.
- Endeavour to meet each participating borrower annually, including meeting with elected officials as required, or if requested.
- Ensure a smooth transition of water related loans if the Affordable Water Reforms progresses over the forecast period.

We undertook meetings with eight councils and CCOs during the September quarter. LGFA continues to review council agendas and management reports on an ongoing basis for those councils on the LGFA borrower watch-list.

We have received compliance certificates for LGFA covenants from all our council and CCO members who had debt outstanding as at June 2022 and no council has requested that they be measured on a group basis.

D5. Industry leadership and engagement

Objectives

- 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.
- Assist the local government sector with significant matters such as the Affordable Waters Reforms.
- Maintain productive relationships with central government representatives.
- Support councils and CCOs in the development of reporting disclosures of the impacts of sector activity on climate change.

We held the annual Shareholder Borrower Forum at Tākina – Wellington Convention & Exhibition Centre in July with over one hundred in person or virtual attendees.

Throughout the quarter we have had meetings with Treasury and the National Transition Unit team at DIA and their advisers regarding Affordable Waters Reform. We are actively collaborating with them on issues relating how to debt is to be transitioned from 1 July 2024 and how the WSEs access borrowing through a variety of sources following transition. We have provided feedback on the possible establishment of a collective funding vehicle like LGFA for the WSEs.

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

We continue to try to progress two initiatives to reduce compliance and documentation requirements for councils when they borrow from LGFA. These relate to a universal stock security certificate and for councils to allow delegation of a CEO certificate for borrowing. We are however reliant upon other organisations to work through these changes for us and do not have control over timelines.

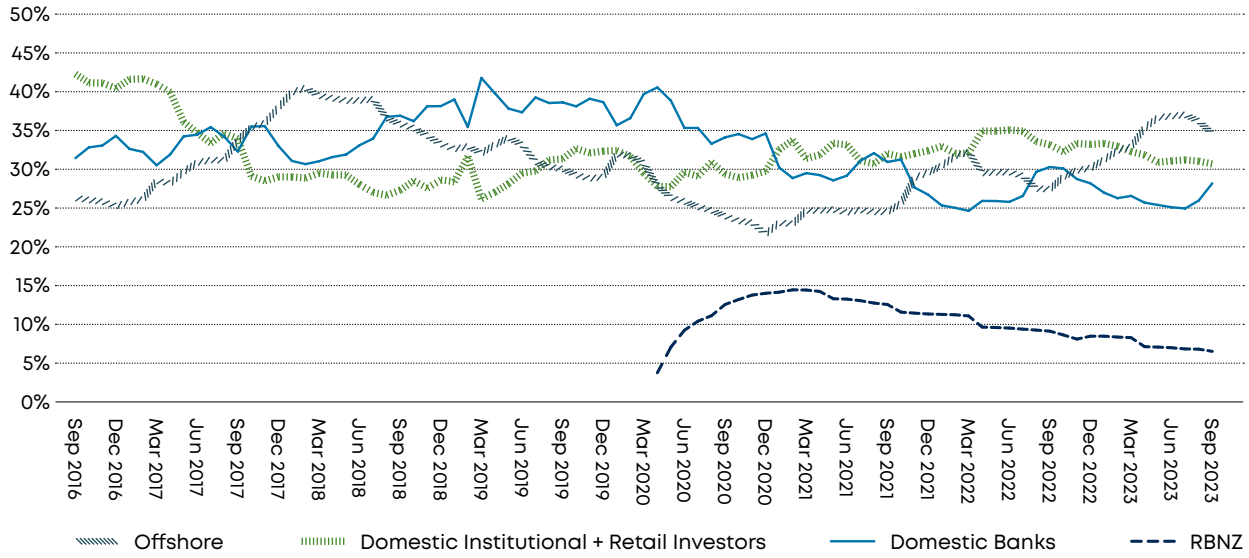
E. Investor relations

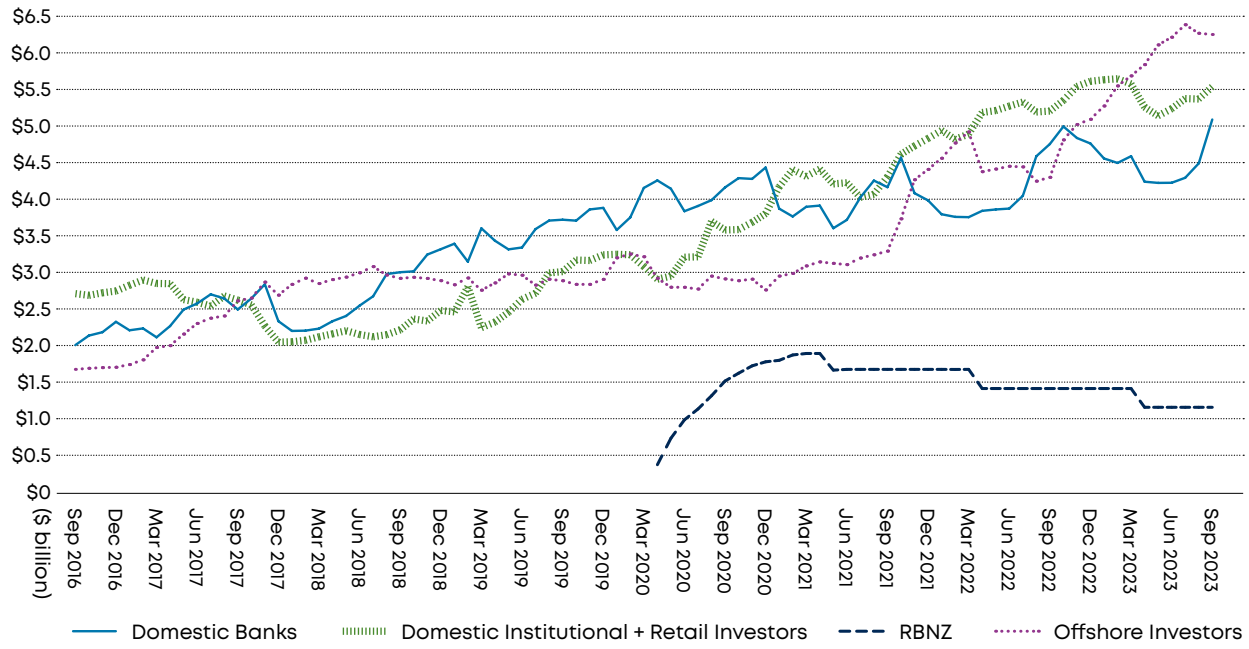
Managing relations with our investor base is especially important as the amount of LGFA bonds on issue has yet to peak and we require investors and banks to support our ongoing tender issuance. Offshore investor holdings are now at a record high.

Over the three-month period to 30 September 2023, we issued $1.17 billion of LGFA NZD bonds. The change in holdings amongst our investor groups during the quarter was:

- Offshore investor holdings increased by $37 million to be $6.2 billion on 30 September 2023 (34.6% of bonds on issue).
- Domestic bank holdings increased by $857 million to be $5.1 billion on 30 September 2023 (28.2%).
- Domestic investor (retail and institutional) holdings increased by $298 million to be $5.5 billion on 30 September 2023 (30.7%).
- The Reserve Bank of New Zealand (RBNZ) holdings were unchanged at $1.2 billion as of 30 September 2023 (6.5%).

LGFA Bond Holdings by Investor Group (% and $ billions)





PERFORMANCE REPORTS FOR NPDC'S COUNCIL-CONTROLLED ORGANISATIONS FOR THE QUARTER ENDED 30 JUNE 2023 – PAPA RERERANGI I PUKETAPU LTD AND TE PUNA UMANGA VENTURE TARANAKI TRUST

PURPOSE/ TE WHĀINGA

1. The purpose of this report is for the CCOs Committee to note the quarter four 2022/2023 Performance Reports for New Plymouth District Council's Council Controlled Organisations (CCOs) – Papa Rererangi i Puketapu Limited (PRIP, the Airport) and Te Puna Umanga Venture Taranaki Trust (VTT).

RECOMMENDATION / NGĀ WHAIKUPU

That, having considered all matters raised in the report, Council

a) Notes the Quarter Four Performance Reports for the period to 30 June 2023 of:

i) Papa Rererangi i Puketapu Limited; and

ii) Venture Taranaki Trust.

b) Note that quarterly reports must be placed on the Council's website for a period of seven years.

SIGNIFICANCE AND ENGAGEMENT / TOHUTOHU KAI WHAKAHAERE

2. This report is provided for information purposes only, and has been assessed as being of some importance.

BACKGROUND / WHAKAPAPA

3. Each CCO prepares an annual Statement of Intent (SOI). The SOIs form the basis for performance monitoring, including the requirement for quarterly performance reports.

4. The fourth quarter 2022/2023 performance report for each CCO must be delivered to Council within two months of the end of the quarter (31 August 2023). The reports from PRIP and VTT were received before this deadline but after the agenda closed for the last CCOs Committee meeting.

5. The fourth quarter 2022/23 performance report for New Plymouth PIF Guardians Limited (NPG) was presented at the previous CCOs Committee meeting held 6 September 2023.

6. A summary of PRIP and VTT's fourth quarterly performance reports are provided below.

Summary of PRIP's quarterly report

7. Below are the key results for year to 30 June 2023:

	Actual	Period Budget	Prior year Actual
Passenger numbers	401,686	362,444	243,858
Revenue	$8,852k	$7,777k	$4,632k
Operating expenditure	$4,018k	$3,803k	$3,328k
Net profit/(loss) before tax	$2,241k	$1,523k	$(998k)

8. **Passenger numbers:** The year to 30 June 2023 saw passenger numbers increase 165 per cent on the previous year. This shows that passenger numbers have returned to pre-pandemic levels, excluding JetStar who exited the New Plymouth Market in 2019.

9. Passenger numbers for the twelve-months were 401,686 against a forecast of 362,444.

10. **Financial results:** Actual revenue was above forecast revenue by 14 per cent due to the increase in passengers. Operational expenditure was 6 per cent above budget.

11. Due to the strong results in the year to 30 June 2023, PRIP has been able to restart its capital programme.

Summary of VT's quarterly report

12. The PowerUP Business Ready programme took place with 13 participants engaged in a series of workshops.

13. Expressions of interest for growers to be involved in crop trials as a part of Branching Out closed with 255 received from 89 individuals or groups.

14. An Oil and Gas Industry Research report was completed which focused on employee flows, changes post 2018 and future implications and scenarios for the Taranaki workforce.

15. Three events were held, driven by VT's focus on the food and fibre sector of enabling an ecosystem where new food businesses are able to emerge and grow.

16. VT hosted a "Positioning for the Future" economic insights event with over 100 registered attendees.

17. Four international education agents were hosted in region for a three-day familiarisation of some of Taranaki's school, attractions and activities. The agents represented Korean, Japanese, Chinese and Indian markets.

18. VT partnered with Agritourism NZ to launch a 6-month Agritourism accelerator programme and delivered the Taranaki Environment Centre Business Case, Cruise Taranaki Strategic Action Plan and the Taranaki Visitor Food Box feasibility report.

19. VT's actual leveraged revenue for 2022/23 was $3.04m compared to the budgeted $2.7m.

CLIMATE CHANGE IMPACT AND CONSIDERATIONS / HURINGA ĀHUARANGI

20. The CCOs are expected to consider the environmental implications of their activities, including climate change reports.

21. PRIP is conscious of the climate change implications of airport activities and has signed up to the Tourism Sustainability Commitment. They are also involved in the New Zealand Airports sustainability committee and has put systems in place to measure sustainability impacts.
22. Venture Taranaki is responsible for coordinating the overall implementation of Taranaki 2050 – the roadmap to a low emissions future. The quarterly report highlights some of the work done in this area.

REFORM IMPLICATIONS

23. No implications from any Local Government Reform agenda have been identified in relation to this matter.

NEXT STEPS / HĪKOI I MURI MAI

24. Each CCO must prepare a quarterly performance report for the period 1 October to 31 December and deliver this to council within two months of the end of the quarter (29 February).

FINANCIAL AND RESOURCING IMPLICATIONS / NGĀ HĪRAUNGA Ā-PŪTEA, Ā-RAUEMI

25. This report was produced within existing resources and budgets.

IMPLICATIONS ASSESSMENT / HĪRANGA AROMATAWAI

26. This report confirms that the matter concerned has no particular implications and has been dealt with in accordance with the Local Government Act 2002. Specifically:
    - Council staff have delegated authority for any decisions made;
    - Council staff have identified and assessed all reasonably practicable options for addressing the matter and considered the views and preferences of any interested or affected persons (including Māori), in proportion to the significance of the matter;
    - Council staff have considered how the matter will promote the social, economic, environmental, and cultural well-being of communities in the present and the future.
    - Unless stated above, any decisions made can be addressed through current funding under the Long-Term Plan and Annual Plan;
    - Any decisions made are consistent with the Council's plans and policies; and
    - No decisions have been made that would alter significantly the intended level of service provision for any significant activity undertaken by or on behalf of the Council, or would transfer the ownership or control of a strategic asset to or from the Council.

APPENDICES / NGĀ ĀPITIHANGA

Appendix 1 Papa Rererangi i Puketapu Ltd Quarter 4 Performance Report 2022/23 (ECM 9079284)

Appendix 2 Te Puna Umanga - Venture Taranaki Trust 2022/23 Quarter 4 Performance Report 2022/23 (ECM 9120245)

Report Details

Prepared By:	Kiri Engels (Financial Accountant)
Team:	Corporate Innovation
Approved By:	Damien Clark (Manager Community and Economic Development)
Ward/Community:	District wide
Date:	17 November 2023
File Reference:	ECM 9120220

----------End of Report ----------

New Plymouth Airport
Papa Rererangi i Puketapu Ltd

Quarter 4 Report for the period 1 April 2023 - 30 June 2023

1. Introduction

This report is for Quarter 4 (1 April 2023 to 30 June 2023) of Financial Year 2022-2023. The report is presented by Papa Rererangi i Puketapu Ltd (PRIP) in accordance with the requirements of Sections 64 and 65 of the Local Government Act 2002 referencing the company's Statement of Intent and PRIP's monitoring and reporting requirements.

2. Purpose and Objectives

PRIP was established in July 2017 and is 100% owned by New Plymouth District Council (NPDC). The company operates as a Council Controlled Trading Organisation (CCTO) through an independent skills-based Board of Directors and employs its own Chief Executive and staff. PRIP operates under a Statement of Intent (SOI) agreed to by its Directors and consistent with a Statement of Expectations issued by NPDC.

PRIP's primary objectives are to:

- Operate the Airport in full compliance with the regulations set down by the New Zealand Civil Aviation Authority and in a safe manner.
- Ensure that the business is run on a sustainable and commercial basis
- Optimise the use of its assets; and
- Generate a reasonable rate of return on investment.

The Airport is viewed as an essential infrastructure asset for New Plymouth and has a key role to play in the economic performance, growth and development of the Taranaki region. As part of this, PRIP will work collaboratively with the airlines, NPDC, Venture Taranaki, the Chamber of Commerce, Iwi and other local key stakeholders to work towards the region's common strategic goals.

The Aerodrome certification, operation and use are governed by the New Zealand Civil Aviation Authority (CAA) and NPDC is currently the Aerodrome Operator Certificate (AOC) holder. Under an agreement with the CAA, PRIP manages the Airport on behalf of NPDC as if it was the holder of the Aerodrome Operator Certificate holder in its own right.

3. Shareholder Relationship and Agreements

There are various agreements that have been established between the Council and PRIP for the ongoing operation of the Airport namely:

- Service Level Agreement
- Loan Facility Agreement
- General Security Deed
- Intergroup Asset Transfer
- Deed of Lease of Airport Land

4. Board Chair and Chief Executive's Report

Summary

The final quarter of Financial Year 2022-2023 saw a continuation of the post COVID-19 recovery. Airline passenger numbers were back to pre-pandemic levels, excluding JetStar who exited the New Plymouth Market in 2019, and all other financial metrics exceeded forecast.

This has enabled PRIP to restart the capital programme which had been paused while the organisation managed its way through the past three years. A number of capital works are currently in the planning phase with FY2024 shaping up as a busy year.

PRIP is also in the process of evaluating revenue generating opportunities. A proposed solar farm on the ex-Western property is currently in the feasibility stage and PRIP is encouraged by this opportunity.

PRIP's relationship with Puketapu Hapū continues to build with regular meetings and collaboration regarding future master planning now taking place.

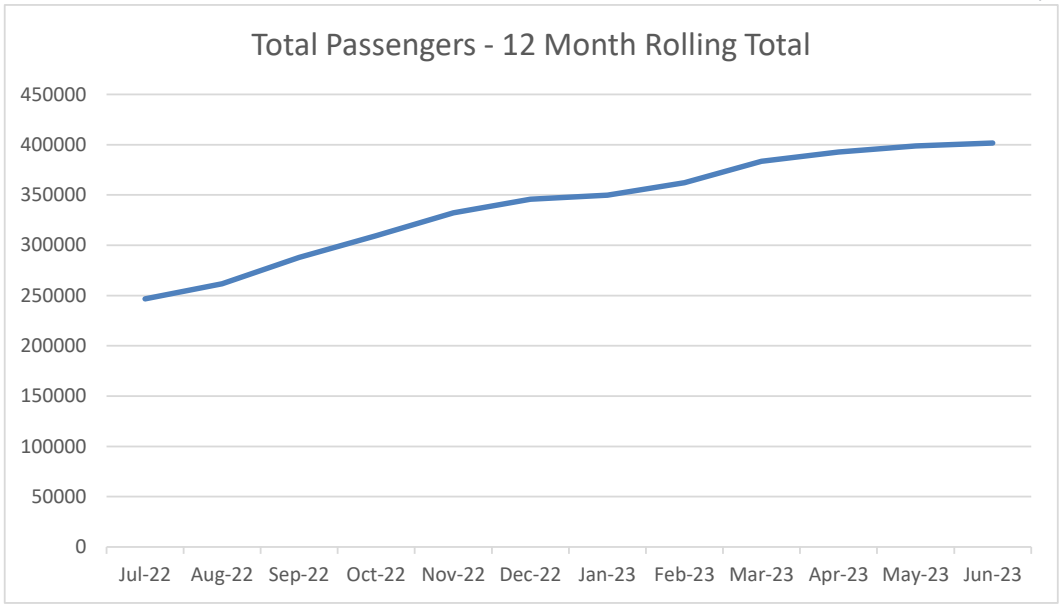
In April 2023, Elected Members adopted Council Officers' recommendation to reappoint Philip Cory-Wright and Chris Myers for a further term of 3 years until 30 June 2027. The other PRIP Directors, Rachel Farrant and Shelley Kopu were reappointed in December 2021 with terms expiring in December 2024.

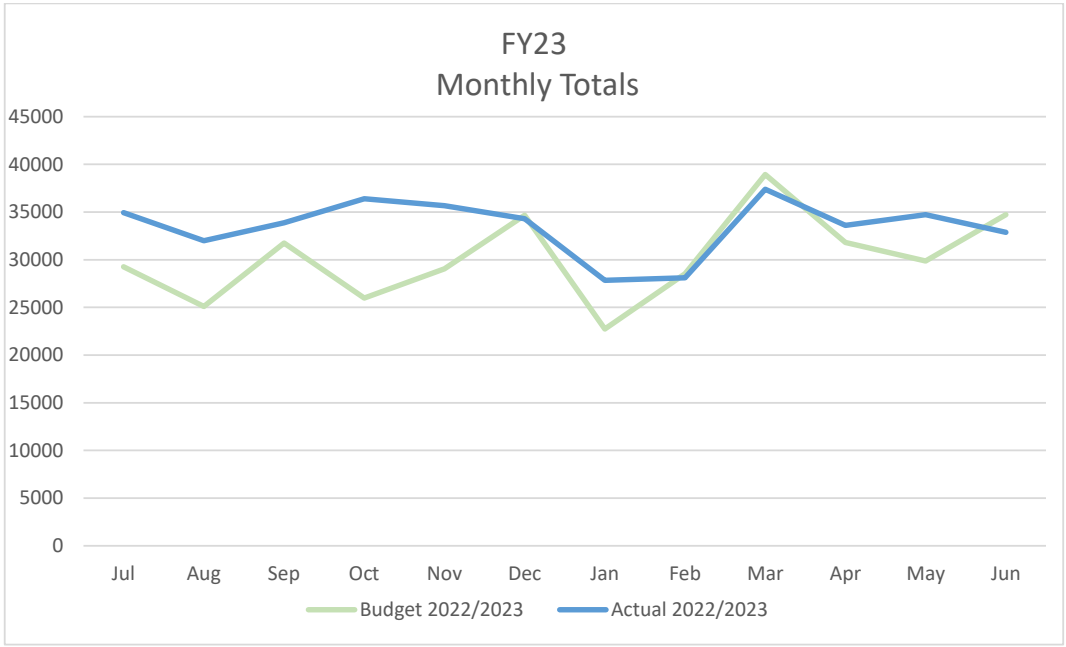
5. Operational Report

Passenger Numbers

Airline passenger numbers finished the financial year at 401,686. This was 10% above the original forecast and a very pleasing result. The passenger recovery has happened more quickly than anticipated and this has helped to drive a strong financial result.

This growth is forecasted to continue, and with Air New Zealand recently announcing additional capacity, this is good news for the travelling community.


Total Passengers - 12 Month Rolling Total
450000
400000
350000
300000
250000
200000
150000
100000
50000
0
Jul-22
Aug-22
Sep-22
Oct-22
Nov-22
Dec-22
Jan-23
Feb-23
Mar-23
Apr-23
May-23
Jun-23

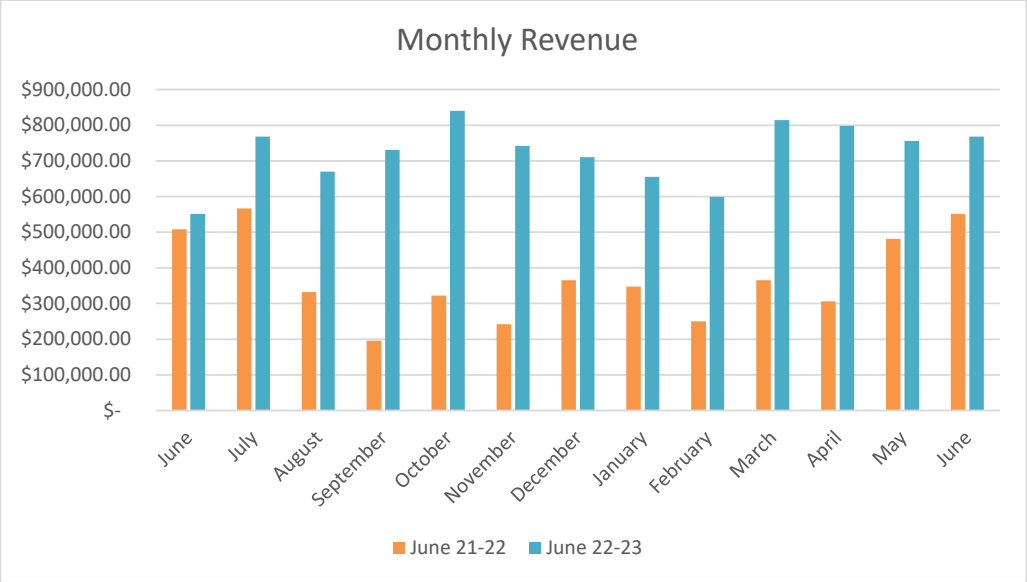

FY23
Monthly Totals
45000
40000
35000
30000
25000
20000
15000
10000
5000
0
Jul
Aug
Sep
Oct
Nov
Dec
Jan
Feb
Mar
Apr
May
Jun
Budget 2022/2023
Actual 2022/2023

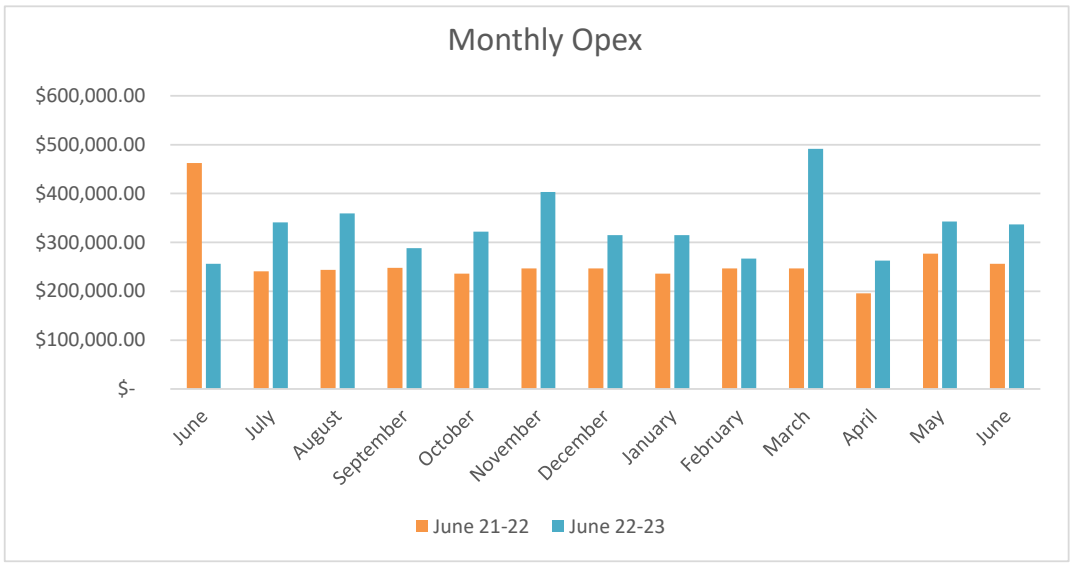
6. Financial Summary

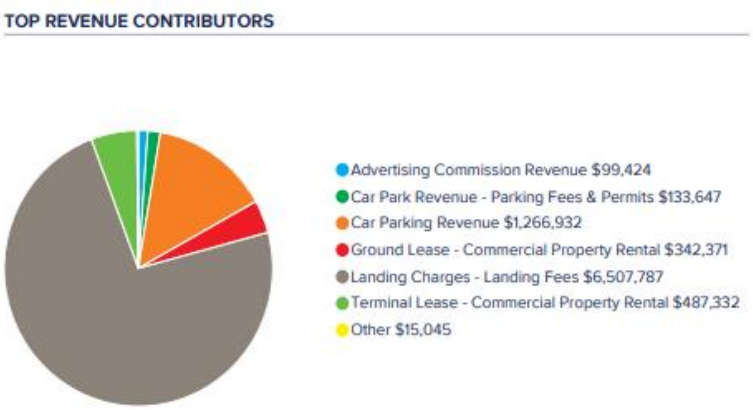
Strong passenger numbers aided the post COVID-19 recovery with PRIP posting a Net Profit before tax of $2.241 million, well above budget. After three years of disruption, it is pleasing that all of the related businesses of car parking, tenants and cafés have benefited from the strong passenger volumes.

Year End at 30th June 2023

	Actual	Budget	FY 2022 Actual
Operating revenue	$ 8,852,567	$ 7,777,000	$ 4,632,278
Operating expenditure	$ 4,018,672	$ 3,803,000	$ 3,328,000
EBITDA	$ 4,833,895	$ 3,974,000	$ 1,304,278
Depreciation & interest	$ 2,592,667	$ 2,451,000	$ 2,303,000
Net profit (Loss) before tax	$ 2,241,228	$ 1,523,000	-$ 998,722
Passenger numbers	401,686	362,444	243,858


Monthly Revenue
$900,000.00
$800,000.00
$700,000.00
$600,000.00
$500,000.00
$400,000.00
$300,000.00
$200,000.00
$100,000.00
$-
June
July
August
September
October
November
December
January
February
March
April
May
June
June 21-22
June 22-23


Monthly Opex
$600,000.00
$500,000.00
$400,000.00
$300,000.00
$200,000.00
$100,000.00
$-
June
July
August
September
October
November
December
January
February
March
April
May
June
June 21-22
June 22-23


TOP REVENUE CONTRIBUTORS
Advertising Commission Revenue $99,424
Car Park Revenue - Parking Fees & Permits $133,647
Car Parking Revenue $1,266,932
Ground Lease - Commercial Property Rental $342,371
Landing Charges - Landing Fees $6,507,787
Terminal Lease - Commercial Property Rental $487,332
Other $15,045

7. Capital projects

The return to profitability has enabled PRIP to restart its capital programme. Below is a summary of capital projects that are currently in the advanced planning stage or currently underway. The next 12 months shapes as a busy time with a number of projects due for completion. In addition PRIP continues to look for income diversification opportunities. In particular, the solar farm on the ex-Western property has progressed encouragingly. PRIP is committed to a thorough analysis of a solar farm and whether or not it will be a viable opportunity for New Plymouth Airport.

a) Landside redevelopment.

PRIP is looking to redevelop its landside infrastructure and has issued an ROI to interested parties. The responses are currently being evaluated. These will address how future carparking and the coastal walkway can be integrated into the airport precinct.

b) Ticketless Parking

A new ticketless parking system will be installed and commissioned in the first quarter of FY 2024.

c) Solar opportunity

PRIP is in the final stages of a detailed feasibility study to evaluate a solar farm on the ex- Mary Western property adjacent to the airport. While there are still a number of steps to determine the overall viability of a solar farm, PRIP is confident a significant opportunity exists to provide renewable energy that will help the airport with its energy requirements moving forward. PRIP is anticipating being able to present a financial investment decision by the end of calendar year 2023 with construction starting towards the end of 2024.

d) Runway Upgrade

The runway overlay project is in detailed design phase and a contract has been entered into. Works are scheduled for February-March 2024.

8. Sustainability

American Carbon Accreditation (ACA) Level 2 certification

The American Carbon Accreditation comprises six levels: Mapping, Reduction, Optimization, Neutrality, Transformation and Transition.

New Plymouth Airport has achieved the ACA Level 2 and is now looking at what is involved to achieve Level 3.

9. Stakeholder relations

NPDC, as the 100% Shareholder, has nominated an advisor who attends the PRIP Board meetings as an observer.

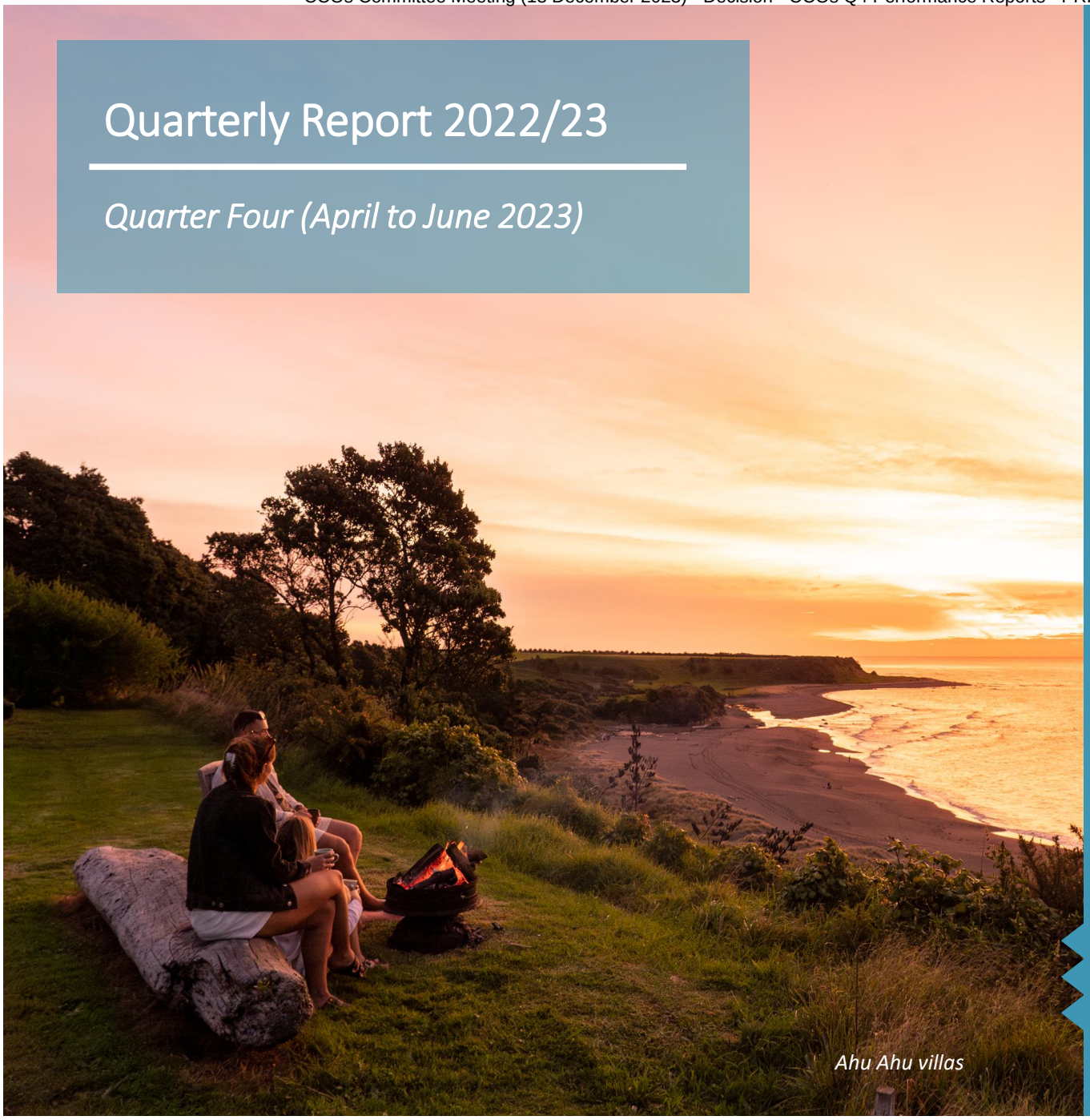
PRIP management is also working in close collaboration with the Venture Taranaki Trust and the Chamber of Commerce to promote the district from tourism and economic development perspectives. PRIP is a Chamber of Commerce Regional Partner.

PRIP will continue to build upon the strong relationship with Puketapu Hapu that have developed over the past six years and, in particular, during the Airport Terminal Redevelopment project.

PRIP is aware of the potential that future decisions may impact on local Iwi and Hapu and is committed to an appropriate level of consultation at all times.

Quarterly Report 2022/23

Quarter Four (April to June 2023)



Ahu Ahu villas

venture TARANAKI
Te Puna Umanga

Contents

Message from the CE	3
Key Performance Snapshot	4
Entrepreneurship and Enterprise Support	5-9
Branching Out	10
Sector Development	11
Regional Intelligence	12
Talent Initiatives	13
Curious Minds & Massey University Partnership	14
Visitor Performance Indicators	15
Convention Bureau and MICE	16
Destination Development	17-19
Major Events	20
Destination Promotion and Positioning	21
Finance Summary	22
Sustainability and Emissions Reduction Plan	23
Customer Feedback	24
Performance Measures	25
Coming up next quarter	26

Stratford bike park

Message from the CE

Tēnā koutou

As we wrap up quarter four and the end to our financial year, we are delighted to have progressed our regional strategic priorities with several significant milestones reached.

A pivotal achievement during this quarter was the official launch of the Branching Out growing trials in June, with the planting of the first crop, garlic. This is a significant step in our long-term project to develop a diverse and resilient food and fibre sector for the region and to bolster the Taranaki economy with value-add market potential opportunities.

This quarter also marked the end of our Visitor Futures Programme funding. This 3-year investment enabled great developments in the visitor space including new drive journeys like the Coastal Arts Trail, future-focused product developments such as the Trip-to app, along with allowing us to tap into a new South Island (Christchurch) growth market audience.

The visitor space was a hive of activity over this quarter, as we continued to support a vibrant region through major events such as Taste and Tales and the Right Royal Cabaret Festival, and led significant developments in Cruise, Film, and Visitor Trade. We also went to market with a brand-new visitor campaign, Fill Your Cup, to showcase everything Taranaki has to offer and encourage visitation through the off-peak season.

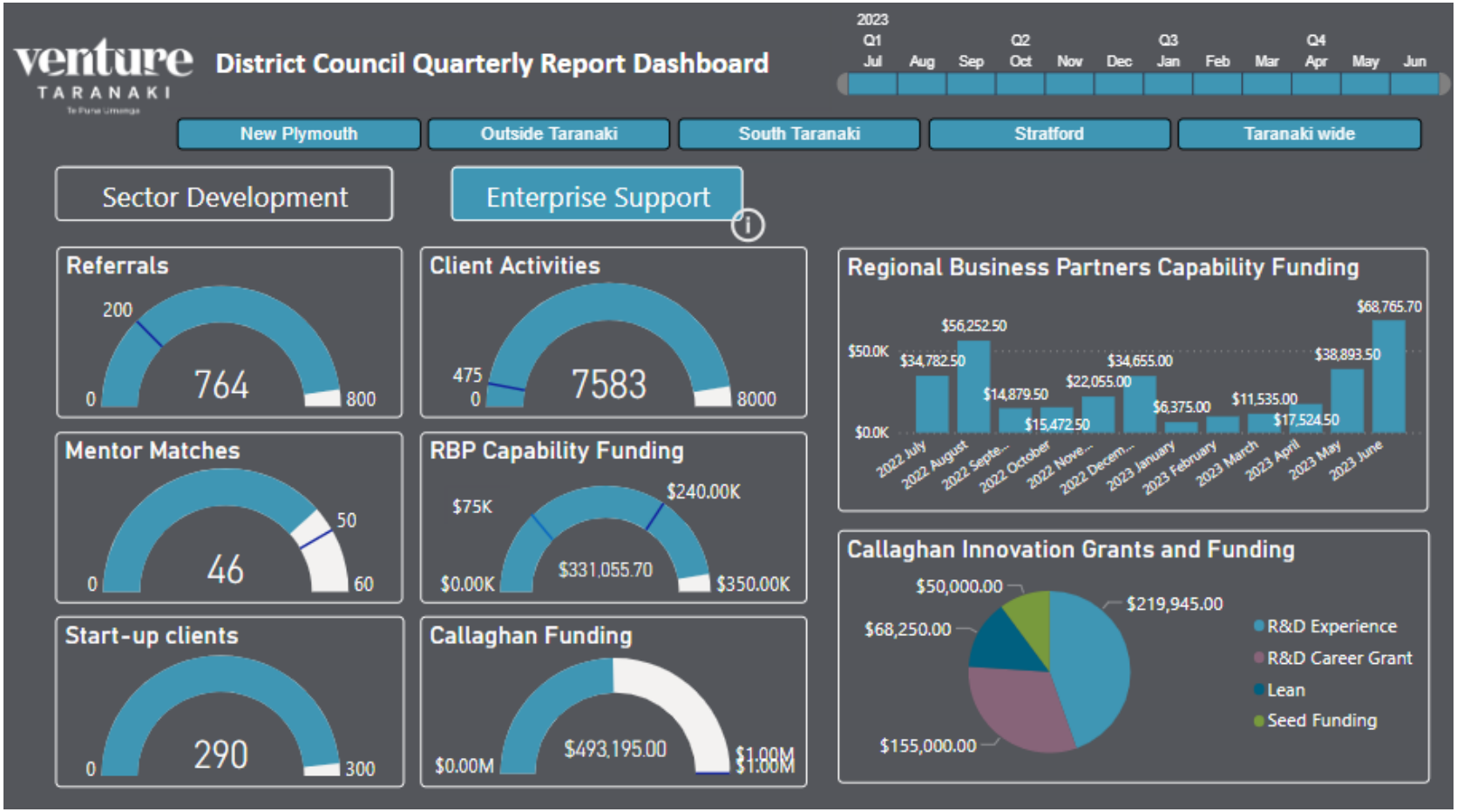
The changing landscape of business operations, particularly in our key farming and energy sectors has not gone unnoticed. This was explored at our 'Positioning for the Future – Economic Insights' event on 27 June. Panellists Trish Rankin, Justine Gilliland, Simon Craddock, and Mayor Neil Holdom discussed ways we can turn potential disruptors into growth opportunities to achieve economic success for our region, while the latest Winter Taranaki Trends results were also shared.

Te Puna Umanga Venture Taranaki is well-placed to help local enterprises and individuals navigate through this period of uncertainty, with our range of enterprise support services and upcoming initiatives to drive forward our renewed strategic priorities.

Kelvin Wright,
CE Te Puna Umanga Venture Taranaki



Key performance snapshot in Q4



Venture Taranaki offers an interactive dashboard that provides a comprehensive overview of key performance metrics by district, month, and quarter. Click the above picture to see the live dashboard or alternatively visit the link below:
https://www.venture.org.nz/regional-intelligence/performance-dashboard/
Note: The dashboard is for internal use only and is not linked to the public website.

Entrepreneurship and Enterprise Support

Business Advisory and Strategic Partnerships

Business Advisory

Many client businesses working with VT Enterprise Advisors are concerned about inflation and rising interest rates. They are also increasingly realising the importance of a digital presence as to attract new audiences and revenue streams.

Many of these client businesses have also been focusing more on human resources, particularly developing a culture to build loyalty, change management, supporting development of senior staff and recruiting.

Strategic Partnerships

During Q4, VT sponsored the Rebel Business School startup programme in partnership with South Taranaki District Council. This is a free, 10-day programme covering the basics of starting a business with no startup capital. It was attended by 10 entrepreneurs, some of whom went on to attend VT startup clinics to progress their ideas.

VT also sponsored the He Toronga Pakihi ki Taranaki Construction Consortium “Meet the Buyer” event in New Plymouth, co-hosted by Amotai. This was an opportunity for Māori and Pasifika trade businesses to meet and hear presentations from major construction firms and contractors in region, in order to help prepare for tender opportunities. Jenn Patterson, VT’s GM Economic Development attended and gave the opening address.



Jenn Patterson giving opening address

Entrepreneurship and Enterprise Support

Callaghan Innovation grants and funding

Callaghan Innovation launched two new grants for innovation in Q4 for projects that can provide benefits to the New Zealand innovation ecosystem. **The Ārohia Innovation Trailblazer grant** has two parts; The **Ārohia Seed Grant** that offers up to $25,000 to co-fund 50% of the validation of an innovation, and the **Ārohia Full Grant** which can provide up to $4,000,000 to support 30% of the implementation of that innovation. One Taranaki company was among the first round of Ārohia Seed grant approvals in June 2023, and there are several businesses with applications in progress.

Venture Taranaki remains active in promoting and referring Taranaki enterprises to the innovation grants and support available from Callaghan Innovation, however the quantum of Callaghan grants issued in region for the year ended June 2023 has dropped significantly since Callaghan cut its 40% Research and Development (R&D) grants in favour of the 15% Research and Development Tax Incentive (RDTI) in June 2022 (see below for more information on RDTI). The replacement grant products described above are both contestable and have much tighter eligibility criteria. Advisors have responded to this challenge by exploring other sources of grants and funding for Taranaki enterprises.

One of these options is the Kānoa Regional Strategic Partnership Fund. Several Taranaki businesses have been approved for support from this fund contingent on also finding private sector investment to partner with. Additionally, Agmardt is another funding source for agritech innovators. Their budget was used up early this year, possibly due to the reduction in grant funding from other sources such as Callaghan Innovation. It is scheduled to be back online from August 2023.



Research and Development Tax Incentive

IRD issued its first data on its Research and Development Tax Incentive (RDTI) in June 2023, for data collected since 2019.

Over the last four years, the cumulative total of eligible R&D expenditure in Taranaki was $9,955,211, from which we can infer a 15% tax credit of approximately $1.5m. The RDTI tax credit can be used to reduce the amount of income tax paid, and in some circumstances, businesses can receive a cash refund in place of a tax credit.

Entrepreneurship and Enterprise Support

Mentor Matches, Startups and New Business Clinics

Business Mentoring (BMNZ)

BMNZ ran a training session for mentors during Q4, facilitated by VT and was well attended. This was followed by the annual mentor appreciation event, at which long time mentor Wayne Brunton was awarded a Pin of Recognition for his outstanding contribution to the programme over 12 years of service.

VT Business Mentor Coordinator Kayleen Schoeman was also recognised for ten years of service in the role.

Startup and new business clinics

Demand remains high for the start-up service, offering an option of online or in person. Demand is increasing for in-person sessions, and the team will be offering weekly instead of fortnightly clinics from July to meet this demand.

Investment clinics

During Q4, VT launched a pilot Investment Clinic, run by Stephanie Laird. The clinic is targeted at established businesses requiring investment to realise an opportunity. Ten sessions were held over May and June, serving six different businesses.



BMNZ annual mentor appreciation event



Kayleen Schoeman on the right

Entrepreneurship and Enterprise Support

District updates



New Plymouth District Council:

21 NPDC businesses have had discovery meetings to understand their challenges and opportunities. They sought support on leadership development, staff retention, marketing and brand strategy, leadership & governance, managerial essentials, exploring new markets for growth and leading people through change. 17 of the 21 businesses were from New Plymouth, one from Inglewood, two from Ōakura and one from Egmont Village.

Startup clinics in New Plymouth met with 74 clients during the quarter, including five clients who travelled in from Stratford District to attend. Startup ideas from New Plymouth included car valet, print and art shop, bakery, home handyman, roofing, cyber security, farming, surf school, personal organiser and personal trainer.



South Taranaki District Council:

Four STDC businesses have had discovery meetings to understand their challenges and opportunities. They sought branding support, Health and Safety Management training, development support for a new venture, and strategic planning support to explore growth opportunities. Three of these businesses were from Hawera, and one was from Waitōtara.

Venture Taranaki sponsored Rebel Business School during the quarter, in partnership with South Taranaki District Council. Refer to the Strategic Partnerships section of this report for further detail.

Startup clinics in South Taranaki met with seven clients during the quarter, some of whom were part of the Rebel Business School. Startup ideas included security, magazine publishing, mānuka oil products, a retail shop, head lice treatments and clothing.



Stratford District Council:

One business had a discovery meeting to understand its challenges and opportunities. The business was seeking support for digital marketing.

Startup clinics in Stratford District met with two clients during the quarter, however, there were seven clients meeting with an advisor, including five Stratford clients who travelled to New Plymouth to attend the clinic there. Startup ideas included a petrol station, a retail shop and a nail technician.

Entrepreneurship and Enterprise Support

PowerUp, Digital Boost

PowerUp Business Ready

PowerUp Business Ready programme took place across six weeks in May and June. Thirteen participants engaged in a series of workshops led by trained facilitators, that covered topics including business planning, marketing, and financials. They had the unique opportunity to learn from seasoned local entrepreneurs, with guest speaker appearances from Juno Gin, Design Garage, GQ Law, and BDO.

Participants were all at different stages of their entrepreneurship journey and spanned a wide range of industries including Māori medicine, food and fibre products, HR, tourism, fashion, and energy.

"Thank you for the opportunity. This course has shown there are plenty of people and businesses willing to help and support startups. Guest speakers were all excellent. "

- Participant quote

Digital Boost

VT supported MBIE's Digital Boost Facilitation Scheme programme in Taranaki by funding a total of seven intermediaries to run facilitated workshops for cohorts of small businesses, to adopt and practically use the Digital Boost Platforms to digitally transform their businesses.

165 Taranaki businesses have taken part since late 2022 across 11 cohorts (10 NPDC / 1 STDC). Participants attend group workshops and have peer to peer learning opportunities throughout the programme, covering things like social media, digital marketing, branding, small business accounting and e-commerce.



PowerUp Business Ready Workshop

Branching Out

Microclimate project

During Q4, VT commissioned a report to provide a project plan to investigate and ground truth microclimates in Taranaki. Providing more detailed info about localised climates will support the continued diversification of land around the region. This project plan will include details about next steps, costs and timings to progress this work. The project plan is expected to be completed in Q1 FY23/24.

Land Diversification Toolkit

A 'diversification tool kit' has been advanced during Q4 for farmers, land owners, and growers. This provides a structured decision-making process to assist identification and evaluation of land use options to achieve business diversification goals. The launch of this toolkit will be undertaken over the coming months, aligned with the Branching Out programme.

Better Off Capex Funding agreement

This agreement was signed and work has begun on the investigation of Capex options and related business models.

Pilot Trials

Expressions of Interest (EOI) to partake in the trials have closed. 255 submissions were received across all the crop trials, from 89 individual growers or grower groups including Hapū (kinship group/subtribe). A rigorous decision matrix has been developed to provide a structured and systematic approach to the selection process. Further, the grower locations for each EOI submission were mapped and overlaid with the ideal growing zones for that particular crop. Once this has been completed for all EOI submissions, the shortlist will be discussed with the relevant consultant to determine final locations for each crop.

Vanesa Martin joined the Investment team as an Agronomist in May, she will be leading our crop trials and gathering further information from around the region about specific growing conditions and suitability.

Education Impact Programme

Garlic has been identified as a possible crop that could be incorporated into the existing farming system (through a 4-year crop rotation) to restore soil, increase sustainability, build resilience, and add value and diversity to farming incomes.

Supported by the LA Alexander Trust, a specialised education/training programme has been developed in partnership with Ross Redpath, Agricultural Education and Project Advisor across all high schools. The programme of work will see growing trials and harvesting of garlic at a number of schools around the region, using the crop to demonstrate the benefits and potential of value-addition. In late June, the garlic growing trials kicked off at eight schools from across the region, with 40 students participating.



Garlic planting at Francis Douglas Memorial College

Sector Development

Energy Transition

VT commissioned and completed an Oil and Gas Industry Research report during Q4, which focused on employee flows (e.g. numbers entering and leaving the industry), changes post 2018, and future implications and scenarios for the Taranaki workforce as well as alignment with the Taranaki 2050 Roadmap. The work was funded by MBIE through the Just Transitions Unit/Partnership. It has already been used in discussions with various companies and agencies (e.g. the Regional Skills Leadership Group) as part of 'future of energy' workforce planning.

Food and Fibre Transition

During Q4, VT held three events driven by VT's key focus within the food and fibre sector of enabling an ecosystem where new food businesses are able to emerge and grow:

1. Beverage and Food Gurus Workshop: Full day introductory workshop, facilitated by the Beverage and Food Gurus, walking participants through the product commercialisation process, focusing on many key barriers preventing growth. Topics included: product validation, packaging development, labelling compliance, margin analysis, and sales and distribution.
2. Food for Thought: An evening networking event held at Shining Peak with approximately 50 people in attendance. This event gave VT an opportunity to communicate more on the plans for the sector in the upcoming year, and included a panel session featuring Planta, Shining Peak and Van Dyck's about growing a business and operating in Taranaki.
3. Emerging Supplier Forum: Hosted in partnership with Foodstuffs North Island and the Food Innovation Network, this forum gave new and emerging food and beverage businesses an opportunity to meet with key supermarket stakeholders to understand the process for supplying retail and scaling business.

High Tech and Niche Sectors

Rural Energy: In partnership with key regional players, VT supported the development of a two-year funding application to resource and accelerate Taranaki as a lead region for rural energy.



Food for Thought event



Beverage and Food Gurus Workshop

Regional Intelligence

Undertaking environmental scans and regional economic monitoring

VT hosted a “Positioning for the Future” Economic Insights event on 27 June, comprising an economic briefing and panel discussion on potential disruptions and opportunities. The event began with the launch of Taranaki Trends Winter edition followed by the release of VT’s Taranaki Business Survey Results and economic outlook for the following 12 months.

Panellists Trish Rankin, Justine Gilliland, Simon Craddock, and Mayor Neil Holdom further explored the future of the region and what economic success could look like in 2030, and how to leverage change and disruption to our advantage.

There were over 100 registered attendees, with positive feedback received. Through VT pitching to media, the event received coverage in Stuff News.

http://www.stuff.co.nz/taranaki-daily-news/132435143/taranaki-economy-remains-resilient-despite-recession?cid=app-android

Within the first four weeks of being available to download, the Taranaki Trends Winter edition and Taranaki Business Survey results received a number of views/downloads:



Published in Q4
- **230 views**
- **180 download**



Published in Q4
- **82 views**
- **45 download**

Both reports can be downloaded via the link at the bottom of the Regional Intelligence page: https://www.venture.org.nz/regional-intelligence/



VT's Anne Probert presenting



Panel session at Positioning for the Future event

Talent Initiatives

International Familiarisation

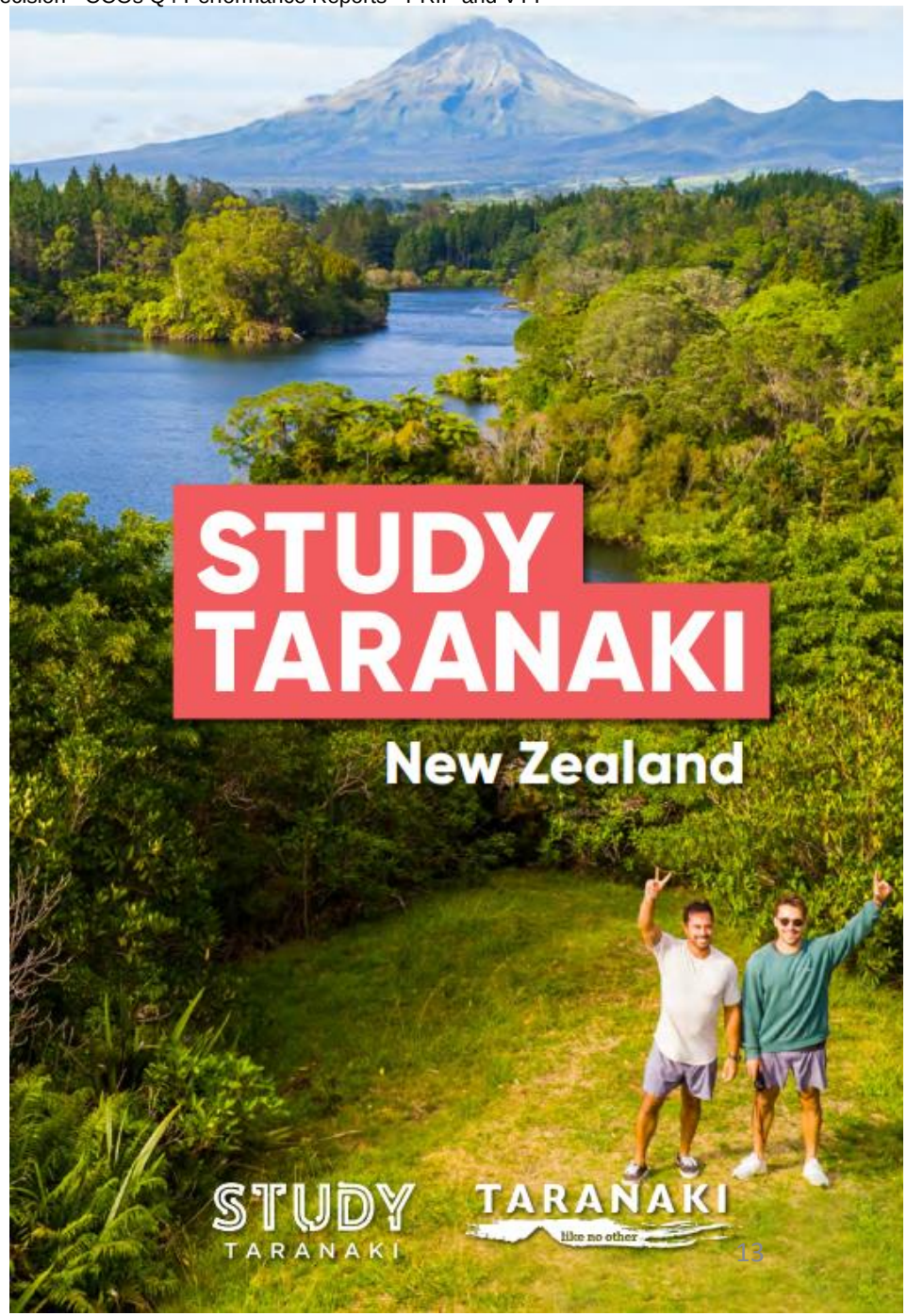
VT hosted four International Education Agents for a three-day familiarisation of some of our kura (schools), and regional attractions and activities. These agents represented Korean, Japanese, Chinese and Indian markets.

Study Taranaki

During Q4, VT also rebranded Study Taranaki and finalised the Study Taranaki Booklet. This is a resource for schools in this network, as well as international education agents to use at offshore events for International Education.

Study Taranaki webpage:
https://www.taranaki.co.nz/live-work-and-learn/learn-here/international-support/

Study Taranaki Booklet:
https://www.taranaki.co.nz/assets/Uploads/Like-No-Other/Study-Taranaki_NZ.pdf





School kids at Mimitangiatua river



ASEAN Scholars at Food and Agribusiness Value Chains course

Science, Technology, Engineering and Math Education

Curious Minds

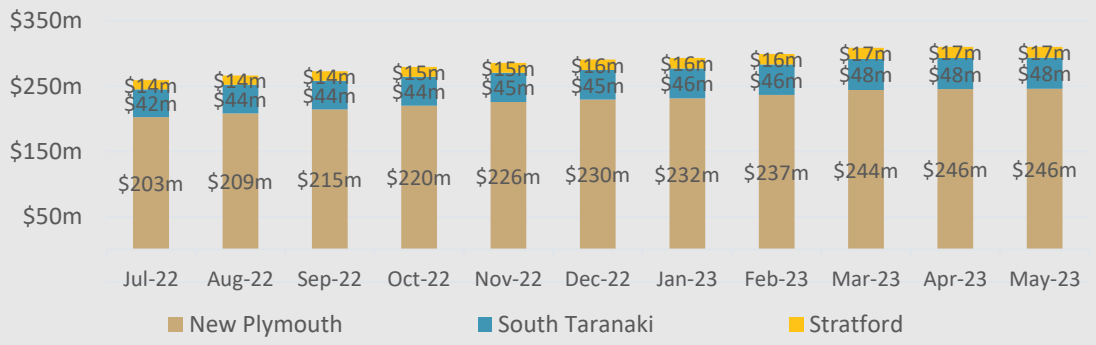
The latest funding round was wrapped up in Q4 with four new projects being selected for funding; Her Strength, Naturally Native, native space-planted systems in Taranaki via Verdantia, and Let's Not Beat Around the Bush.

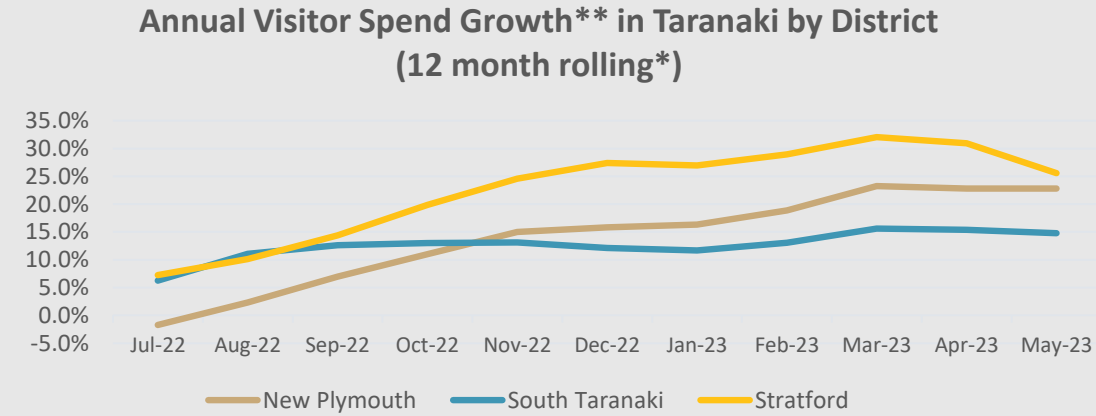
Massey University Partnership

In conjunction with Massey University, VT hosted 21 ASEAN Scholars undertaking a Food and Agribusiness Value Chains course delivered by Massey University in region in May, with visits to Taranaki businesses including Barton Holdings, Van Dyck Fine Foods, and Juno Gin.

Destination: Visitor performance indicators

Visitor growth and performance over time by district





Visitor Spend Stats is based on the Tourism Electronic Card Transactions.
**12 month rolling refers to the accumulative spend from the past 12 months.*
***Growth rate is compared with the same period last year. e.g. May 2022 to May 2023.*

Visitor Spend was sustained across all three districts after a lift in March 2023 from $237m to $244m in February 2023 across New Plymouth, which coincided with the return of WOMAD. Growth continued in New Plymouth into April, sustaining again in May. Both Stratford and South Taranaki lifted from $16m and $46m respectively in February 2023, to $17m, and $48m in March which was sustained in April-May. This is reflective of the shoulder season and a natural seasonal slowing on visitation.

Growth in annual visitor spend growth was up across all three regions compared to the same period in 2022. With Stratford reporting a growth rate of 25.5% compared to May 2022, South Taranaki 14.7%, and New Plymouth 22.8%. We suggest this is due to steady domestic visitation on the back of a softening of covid restrictions, as well as increased international visitation with borders reopening.

Destination

Convention Bureau: Business events and conferences

In June, VT representatives attended the Business Events Industry Aotearoa Convention Bureau trade event 'Meetings' in Wellington, where they represented the region and the region's events venues and conference centres to connect with Professional Conference Organisers (PCO's) to generate awareness of our regional business event venues and conference centres, and to attract further business events activity in region.


Venture Taranaki and NP Event Venues

Te Puna Umanga/Venture Taranaki met with 25 Australasian Professional Conference Organisers (PCO's) (3 from Australia and 22 from New Zealand).

The event generated multiple regional opportunities, with conversations and planning underway around the following:

- Charity event, 150 people for one night in September 2024, two venues suggested
- Association awards event, 250 people for two nights in 2024, considering two venues
- Well-known NZ business looking to host executive team meetings / workshops in region (14 held annually, 50 people)
- Tour group currently running tours to Taranaki (3 nights, 8-10 people) looking for new content
- Conference confirmed for Oct 2024, 200 people for 4 nights
- Conference confirmed for Feb 2024, 140 people for 3 nights



Taranaki Meetings stand

Destination

Visitor Trade and operator capability

Visitor Trade event and business development
In May, VT representatives attended the international tourism trade event 'TRENZ' in Ōtautahi Christchurch. The team connected with over 40 inbound tour operators (who on-sell tourism product at volume) bringing attention to all Taranaki has to offer, and connecting buyers with tourism product and our operators in region to support the growth of tourism through tourism trade over time. The team made many new connections, as well as building and nurturing existing, and the meeting also generated a trade familiarisation (famil) with a large Australasian coach tour inbounder (sells packaged product at volume), who prior to TRENZ was not considering the addition of Taranaki to their touring routes. We look forward to continuing to work with this inbounder to support the development of a Taranaki route.



Venture Taranaki at TRENZ

Operator capability and trade-readiness
In April, VT partnered with Agritourism NZ to launch a 6-month Agritourism accelerator programme to introduce the opportunity agritourism presents to land-owners looking to diversify their existing land use and on-farm activities. The programme kicked off with a one-day workshop, and continues to be delivered online to the cohort of 13 via a monthly zoom call. The programme covers critical areas such as business planning and product development, health and safety, and marketing and promotions and is led by Agritourism expert Marijke Dunselman of Agritourism NZ.


Agritourism Accelerator workshop day

VT engaged Tourism Recreative Conservation (TRC) to host a free workshop on 16 May that centred around packaging and pricing. The workshop was attended by 15 people and aimed to increase participants understanding and knowledge of effective packages that visitors are looking for. The workshop also covered visitor expectations and how to understand and build a value proposition of experiences to fit target markets, as well as what sustainable pricing looks like, what packages might work to strengthen the destination's positioning to create more compelling reasons to visit the region, and how these packages can be facilitated.

Destination

Visitor Futures – externally funded by MBIE

The 3-year MBIE funded (Strategic Tourism Asset Protect Programme and Support, Recovery and Reset funding) Visitor Futures programme wrapped up in Q4, with the final report delivered to MBIE.

In Q4 delivery included the Taranaki Environment Centre Business Case, Cruise Taranaki Strategic action plan, Taranaki Visitor Food Box feasibility report, and a draft regional Ambassador programme.

Spotlight on: Cruise Strategic Action Plan and industry development

With strong forecast growth in the cruise sector, significant untapped capacity in Port Taranaki and a desire to provide more consistent commercial robustness and potential for operators, VT identified an opportunity to sustainably boost tourism in the Taranaki region through a coordinated and aligned approach to cruise in Taranaki.

This involved the development of a regional Cruise strategy in Partnership with Port Taranaki and the clustering of key stakeholders and enablers, who attended a kick-off workshop on 7 June. Led by consultant and Cruise industry expert Tony Rogers the group contributed to a session that focused on identifying the strategic vision for Taranaki Cruise, as well as identifying the key strategic priority areas to develop a responsive and relevant action plan.

It was identified within the workshop that the formation of a steering group of key enablers and partners would be beneficial to continue progress on actions and momentum. With this group now confirmed, including representatives from Venture Taranaki, Port Taranaki, NDPC, Taranaki Chamber of Commerce, and Ngāti Te Whiti hapū, as well as tourism operator representatives from Weir Tours, Discover Taranaki, and Tranzit, the group moves to finalise and launch the strategy, and delivery the identified actions.





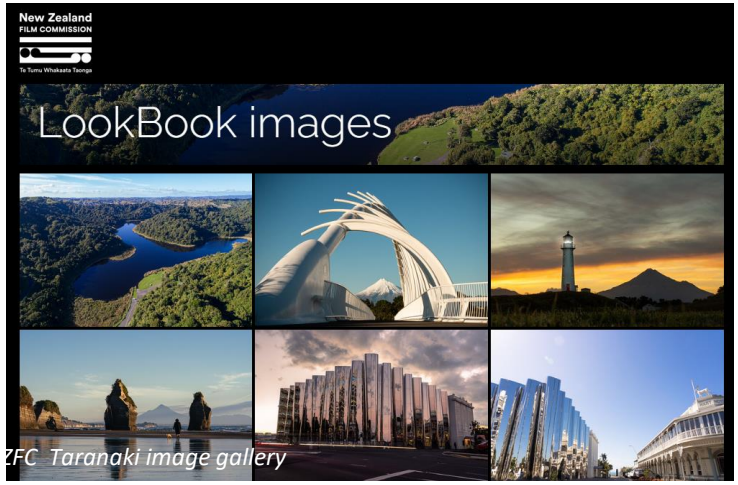
Cruise Strategy Workshop

Destination

Regional film office

VT has been working with the New Zealand Film Commission (NZFC) to update the region's online image gallery providing a diverse range of imagery to ensure producers and directors have a broad view of all the region has to offer, from our Maunga, to our coastline cliff faces, and futuristic architecture.

During Q4, VT had one location request from NZFC for an American producer and have a familiarisation trip planned for early August.
This quarter, VT's Destination team attended the monthly Regional Film Offices of NZ meetings which are attended by all Film offices in New Zealand.



ZFC Taranaki image gallery

VT also confirmed a partnership agreement for Sachie's Kitchen Series 2 during the quarter. The partnership includes up to three stories showcasing the region's landscapes, towns, people, producers and food entrepreneurs. The Series will be broadcasted on:

- Stuff.co.nz (for three years)
- TVNZ 1 (Saturday mornings)
- TNVZ+ streaming for two years
- SBS Food Australia (primetime with rerun rights and streaming for three years).



Filming will take place in Q1 in the 2023/24 financial year with delivery in the fourth quarter.

Destination: Major Events Fund*

Attracting and supporting major events in New Plymouth district

Number	Event Name	Event Contracted
1	Americarna	Jul 2022
2	Spiegel Fest	Jul 2022
3	WOMAD	Aug 2022
4	TSB Festival of Lights	Sep 2022
5	Summer Friends	Sep 2022
6	Dream 11 Super Smash	Nov 2022
7	Chiefs vs Reds	Nov 2022
8	Taranaki Beer Festival	Jan 2023
9	FOL Winter Pop up	Feb 2023
10	Taste & Tales	Feb 2023
11	Tri Taranaki Festival World Cup 2023	Feb 2023
12	Oxfam Trailwalker	Mar 2023
13	Matchbox 20 & the Goo Goo Dolls	Mar 2023
14	NZ Tattoo & Art Festival 2023	Apr 2023
15	Right Royal Cabaret Festival	Apr 2023
16	Taranaki Arts Trail	Apr 2023
17	Taranaki Fringe Garden Festival	Apr 2023
18	Taranaki Sustainable Backyards Trail	May2023
19	Tour of Taranaki	Jun 2023
20	Re-imagine Festival	Jun 2023

*Due to the reporting method, we have revised the event list according to the contracted date only

WOMAD - March 2023

- 13,285 people attended
- 8,808 visitors to the region
- 29,456 visitor nights
- $2.99m new operational spend in the Taranaki region
- $6.5m GDP generated in the Taranaki region

Festival of Lights – December 2022 – January 2023

- 140,000 people attended
- 39,000 visitors to the region
- For every $1 spent by organisers, $6.70 in additional expenditure was generated in the region = economic impact of $8.3M (GDP $4.3M)



Oxfam Trailwalker

Destination: Promotions

Fill your cup campaign

The Fill your cup campaign was in market from May to June 2023, with a focus on driving visitation to Taranaki outside of peak season. The campaign was aimed at visitors driving and flying to Taranaki, and featured on TVNZ, Stuff, NZ Herald, YouTube and socials. The Waikato region was further targeted with two billboards and one busback promotion. This campaign resulted in 560k+ impressions, 130k+ YouTube video views and 3.3K+ clicks to website, supporting regional awareness and visitation over time.

Publications

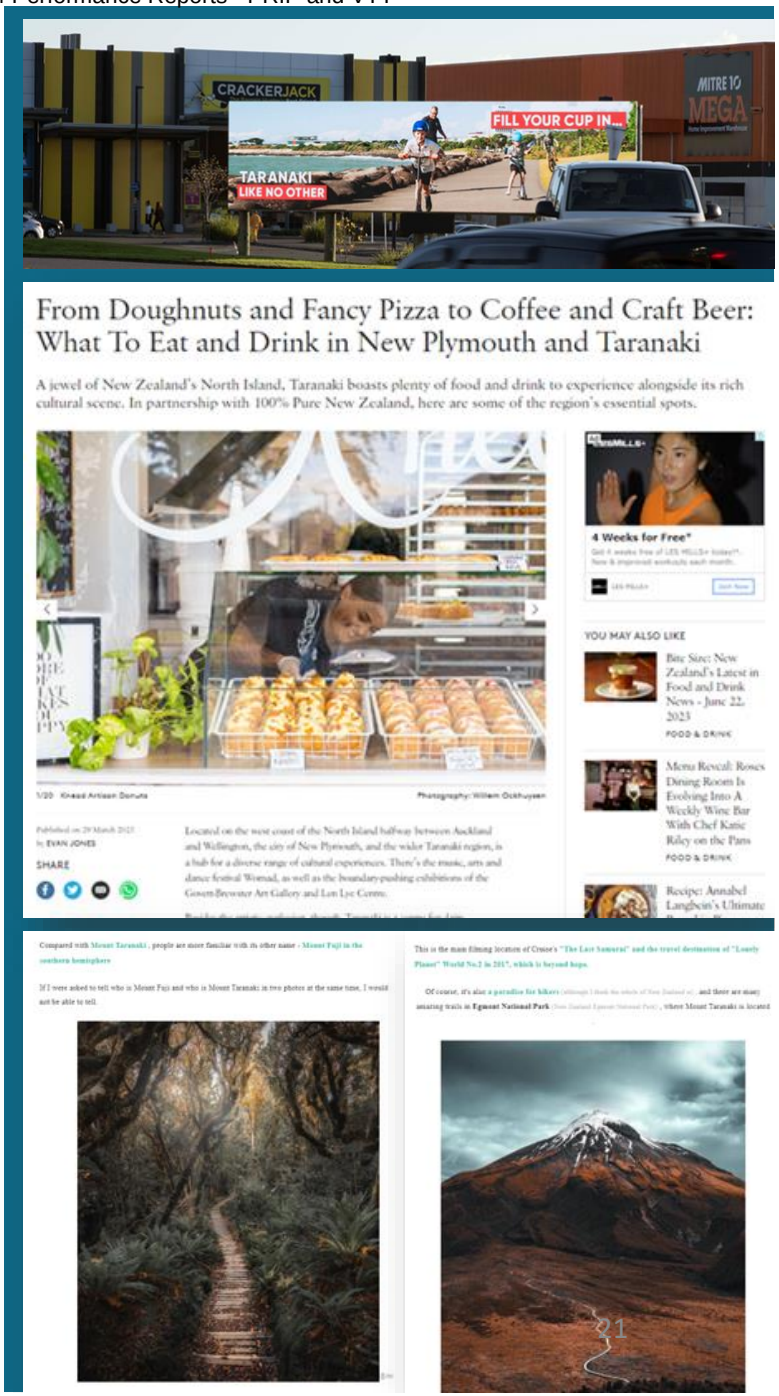
Total of four insertions in New Zealand publications during Q4:

- Two Partnership publications: half page in Capital magazine (May/June, Wellington target) and half page ad plus advertorial in NZ Motor Caravanner (June, NZ wide)
- One Right Royal Cabaret Festival programme (25,000 copies to Manawatu, Whanganui and Wellington)
- One full-page ad and digital banners in Wilderness Magazine (June/July, 7.7k circulated nationally and 55,000 website users)

Partnerships

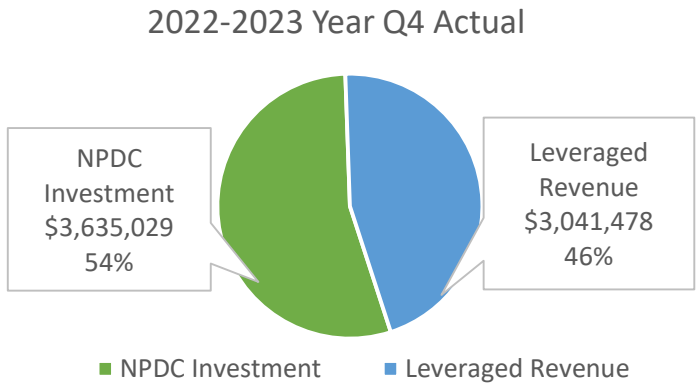
Tourism NZ (TNZ) partnership features (as reported by TNZ in Q4):

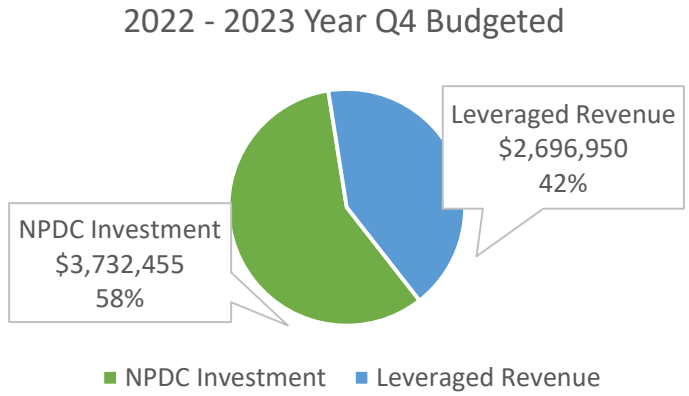
- In January Taranaki featured in a travel feature on 'WeChat' for the Chinese market as part of VT's TNZ Partnership (23,000 readership, $12k value). This focused on Taranaki Maunga and Surf Highway45.
- A large feature in Broadsheet.com.au (Australian publication) where the Taranaki article was the top performer with 9k views (vs 5k benchmark) plus supporting social media activity.

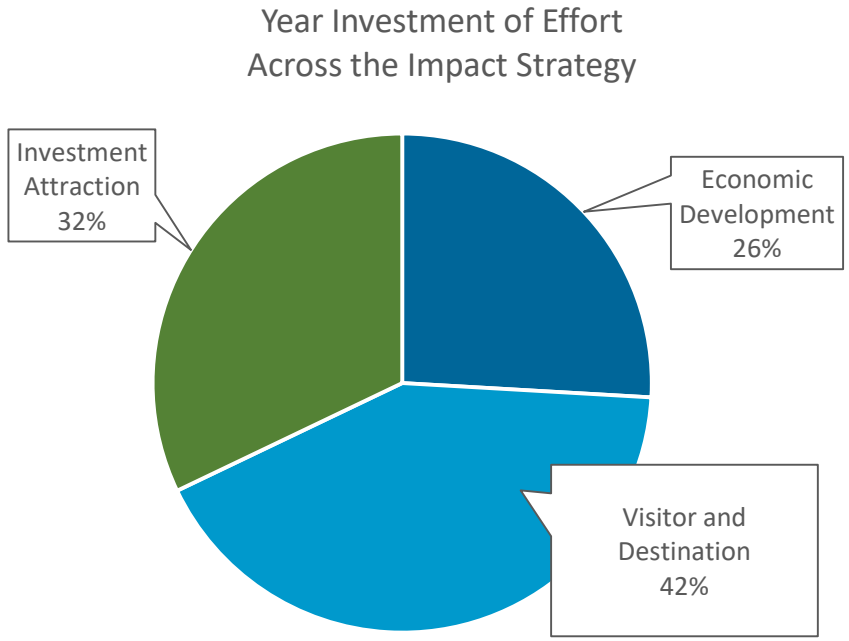


Finance Summary 2022/23 – Quarter Four

BUDGET SUMMARY	Q4 2022-2023 Year Actual				Q4 2022-2023 Year Budgeted			
END OF Q4 2022-2023	Total Revenue	NPDC Investment	Leveraged Revenue	Expenditure	Total Revenue	NPDC Investment	Leveraged Revenue	Expenditure
Total	$6,676,507	$3,635,029	$3,041,478	$6,693,007	$6,429,405	$3,732,455	$2,696,950	$6,381,650





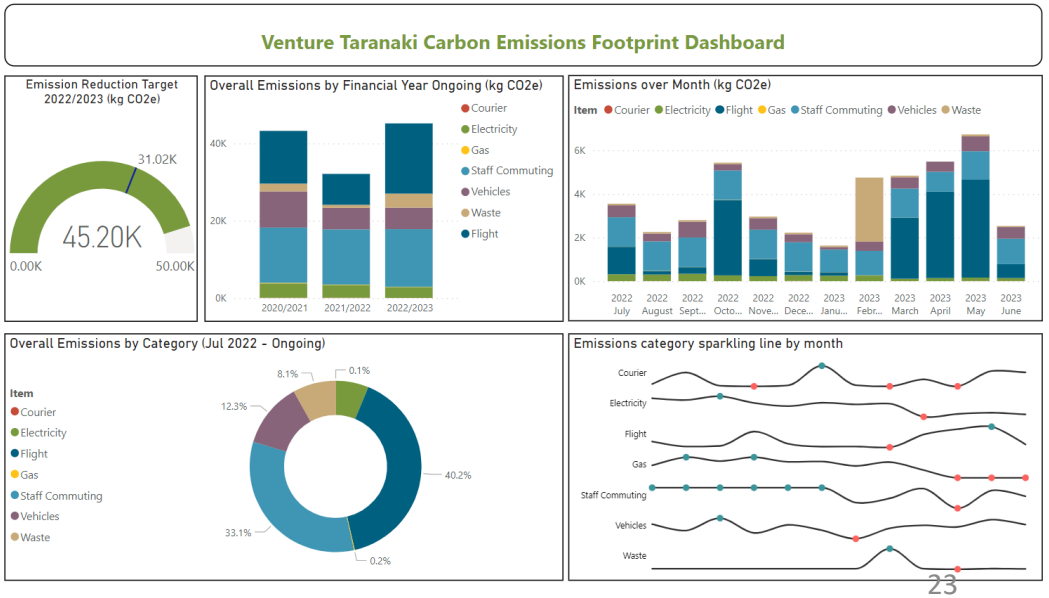




Sustainability and Emissions Reduction Plan

Venture Taranaki has increased emissions slightly compared to the 2020/21 base year, and significantly compared to the 2021/22 financial year. The significant reductions recorded in 2021/22 were due largely to Covid-19 restrictions, and the 2022/23 year has been a “bounceback” year, with a higher than average level of events and activities. This is reflected in an increase in the number of flights taken, for a range of projects including TechWeek, Branching Out, Economic Development New Zealand (EDNZ) events and Te Unga Mai.

Waste disposal during the office move was also a core contributor to increased emissions this year.



Customer Feedback

"Thank you so much for all of your work that went into the agent familiarisation. The agents that I spoke to were having a great time. I am also really excited about your enthusiasm for international education. "
- Talent Attraction Contact in New Plymouth

"I just wanted to pass on that you are very good at guiding people through this process – it makes it so much easier for everyone involved. Thank you!"
- Business Support in New Plymouth

"We really appreciate your support for our business. VT have been great! I also want to thank the team for enabling us to have the opportunity to go to the Food show and for being part of the We Love Local food boxes "
-Business/Sector Support in South Taranaki

"Thank you so much for reaching out and following up and for recognising the need for further help for businesses in the Food and Beverage sector. Really appreciate your fantastic work!"
- Business Support in New Plymouth

"Thank you so much for inviting us to the Venture Taranaki familiarisation trip. Despite having an office in NZ, I haven't actually had many opportunities to visit or learn about the Taranaki region however, I came out with an in-depth knowledge of the schools we visited and as a result, I am able to better explain New Plymouth and recruit students accordingly. Post-Covid the international market for New Zealand has only just started moving (baby steps) and is not as active as it used to be prior to the pandemic, so it was incredibly encouraging to see Venture Taranaki actively taking steps to ensure agents felt supported."
-Talent Attraction Contact outside Taranaki

"<Mentor> has been a wonderful mentor and the programme has been valuable."
- Business Mentors New Zealand client in New Plymouth

"<Mentors> were just outstanding. They were never pushy and simply offered hints that may or may not help, it was always for me to decide. Sometimes it's not weekly meetings it just unlocking the right piece of info to set the fire ablaze."
- Business Mentors New Zealand client in South Taranaki

"Some of their ideas for a business are really good and some will find it challenging in developing and establishing their channels to market – we are so lucky in New Plymouth to be able to go to a course such as the PowerUp and get that first understanding on how to build a business. Well done to you, VT and the team."
- PowerUp Business Ready Client, Taranaki wide

"Thank you so much for this action plan, it's so helpful. Thanks again for the time with <VT contact>, she was amazing! We do hope to keep in touch on our progression."
- Startup Clinic Client in New Plymouth

"VT Support has been EPIC! VT have put us in touch with some incredible people, enabling us to grow our capacity to show up and make our dream more of a reality, much quicker than we had anticipated. Through the skilled programme/workshop, the connections, and the support that VT has provided us with, our enthusiasm has grown, while our knowledge on where to go next has given us greater direction to which we are incredibly grateful. The further networking opportunities (Power Up Business Ready, BFGs workshop and the after function at Shining Peak) has given us a network that without VT we would not have tapped into. The additional points that enable us to give thanks – is those conversations with our VT contact, to give me a boost of 'you got this'... keep going forward, and just ask for help and let's see where we can get some support! The extra conversations we are grateful for – is those with STDC, and then further, to allow us to be a part of the Taste and Tails Trail. Big love for all that VT have given us – we are so grateful for where we are as a result of these conversations and opportunities."
- Business, Sector and Destination Support in South Taranaki

Performance Measures 2022/23 – Annual results

Performance Measure	Target	Q1	Q2	Q3	Q4	YTD	Status
Number of major events attracted or retained (funded in accordance with the criteria of the major events fund)	4	5	2	6	7	20	
Undertaking initiatives to support investment into Taranaki	5	4	3	2	2	11	
The level of annual investment in regional businesses (subject to central government policy).*	$1m	*$300,597.00*	$82,598.00	$30,000.00	$80,000.00	$493,195.00	
The annual percentage of clients satisfied with Venture Taranaki business support services.	>85%	87%					
The level of annual investment** in the management capability of Taranaki's small and medium sized businesses.	$240k	$105,914.50	*$72,182.50*	$27,775.00	$125,183.70	$331,055.70	
Number of enterprise referrals*** and connections made by Venture Taranaki staff	200	191	171	*136*	*266*	496	
Number of engagements**** with visitor industry operators (including local operators, other RTOs, national and international tourism agencies)	1000	*369*	*742*	*150*	*606*	1867	
The number of talent initiatives to facilitate the retention, growth or attraction of talent (human resource) into Taranaki	2	3	3	3	2	11	
Number of Start-up clients.		87	64	54	85	290	
Number of Mentor matches.*****	50	13	11	11	11	46	

* Reduced Callaghan Innovation funding from Government impacts our ability to meet this metric (see page 7)
** Investment includes capability development funding as part of the nationwide Regional Business Partner programme.
*** Referrals are instances where a business or organisation is referred to a resource of which they were previously unaware. This may be a funding opportunity, programme, cluster group etc. A connection is an instance where two contacts are introduced to one another for a specific purpose that is likely to be mutually beneficial.
**** Engagement is defined as an interaction by staff with an external party and includes meetings, workshops, activity-focused emails, phone and video-conferencing conversations.
***** Mentor match targets are set by Business Mentors NZ, not by NPDC. These are designed to be stretch targets.

On Target
Achieved
Behind target

Coming up next quarter:

- 27 – 30 July: 'Taste of Taranaki Collective' stand at Auckland Food Show
- July 2023: University of Canterbury graduate in region to progress hemp product development
- July – September 2023: Crop establishment for gin botanicals, medicinal plants, hemp and crop rotation
- 1 August: Callaghan Innovation Lean Workshop
- 2 August: Teacher consultation on STEM Ecosystem project
- 7 August: Major Events Fund funding round opens
- 8 August: Visitor Industry evening; South Taranaki operators
- 9 August: Talk by Miles Benton from Nanopore Technologies on science behind nanopore sequencing
- 11 August: International Education welcome event for Taranaki secondary students
- 14 August: Visitor Industry evening event in New Plymouth
- 18 August: NZ Cruise Conference
- 21 August: Curious Minds Taranaki funding round opens up
- 31 August - 3 September: Kia Ora magazine media familiarisation trip to write Taranaki feature
- August: Land diversification programme launch
- August: Cruise Industry Steering Group hui
- September: Major Events Taranaki hui
- 1 - 3 September: Techstars Startup Weekend in Hāwera
- 14 September: Tourism New Zealand Leadership team hui
- 18 September: Convention Bureaus meeting
- 18 - 20 September: Business Events Industry Association Conference



Auckland Food Show 2023

AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023 OF NEW PLYMOUTH DISTRICT COUNCIL'S COUNCIL CONTROLLED ORGANISATIONS

PURPOSE/ TE WHĀINGA

1. The purpose of this report is for the CCOs Committee to note the Audited Financial Statements (the statements) for the year ended 30 June 2023 of the New Plymouth District Council's (NPDC, the Council) Council Controlled Organisations (CCOs) - New Plymouth PIF Guardians Limited (NPG), Papa Rererangi i Puketapu Ltd (PRIP, the Airport), Te Puna Umanga Venture Taranaki (VT) and two Forestry Joint Ventures – Duthie and McKay.

2. These statements are for the financial year ending 30 June 2023. The statements for NPG, PRIP and Duthie and McKay Forestry Joint Ventures have been audited by Audit New Zealand and have received unmodified audit opinions. The statements for VT have been audited by Silks Audit Chartered Accountants and have received an unmodified audit opinion.

RECOMMENDATION / NGĀ WHAIKUPU

That, having considered all matters raised in the report, Council note the Audited Financial Statements for the year ending 30 June 2023 for the following Council- Controlled Organisations:

a) New Plymouth PIF Guardians Limited

b) Papa Rererangi i Puketapu Limited

c) Te Puna Umanga Venture Taranaki

d) Duthie Forestry Joint Venture

e) McKay Forestry Joint Venture

SIGNIFICANCE AND ENGAGEMENT / TOHUTOHU KAI WHAKAHAERE

3. This report is provided for information purposes only, and has been assessed as being of some importance.

BACKGROUND / WHAKAPAPA

4. NPG, PRIP, VT and the two Forestry Joint Ventures are CCOs pursuant to the Local Government Act 2002 (LGA 2002). The LGA 2002 requires that each CCO prepare, have audited, and adopt annual financial statements each year within three months after the end of each financial year. Attached are the statements of each of NPDC's CCOs to satisfy that legislative requirement.

Summary of NPG's Audited Financial Statements

5. NPG operates at a break-even position and produced a net surplus of $nil for the year. The Company achieved all of its Service Performance Indicators.

6. Annual expenditure was less than budgeted, due to consultants being underutilised compared to budget.

7. Audit New Zealand has issued an unmodified opinion on the financial statements.

Summary of PRIP's Audited Financial Statements

8. PRIP made a net profit after tax of $1,511k for the year, which is consistent with budgeted net profit after tax of $1,523k.

9. Revenue for the year of $8,853k is a significant increase from actual revenue of $4,632k in the prior year. This is driven by a significant increase in passenger levels.

10. Passenger numbers for the year were 402k; this is higher than the budget of 362k and actual prior year passenger numbers of 243k. Passenger numbers are back to pre-Covid-19 levels when JetStar is excluded (JetStar exited the New Plymouth Market in 2019).

11. Although loans were available to assist with capital expenditure, NPDC did not need to advance funds to PRIP during the year. All operating costs were met from Airport revenue.

12. Operating expenditure was $191k higher than budgeted. This was primarily due to bad debts written off from a terminal tenant which ceased operating during the year, and consultancy fees incurred due to planning requirements.

Summary of VT's Audited Financial Statements

13. VT incurred a net deficit of $16.5k compared to a forecast net surplus of nil.

14. Revenue for the year of $6,676k was higher than forecast by $353k. This was primarily due to digital boost cohort funding received by VT which was not budgeted for and unexpected increases in the Official Cash Rate (OCR) leading to significantly higher interest revenue being received. However, personnel expenses were significantly higher than budget, due to a restructure and Council pay equity review resulting in unbudgeted salary increases.

15. From a total of nine performance measures for the year, all but one performance measure was achieved. This was due to a change in the way grant funding for Research & Development is given. Performance against four measures was however lower than in the prior year.

16. Silks Audit Chartered Accountants has issued an unmodified opinion on the financial statements.

Summary of Duthie Forestry Joint Venture's Audited Financial Statements

17. The entity incurred a greater deficit than budgeted. This was primarily due to a large loss on revaluation that had not been budgeted for. The audit fee was also significantly higher than budgeted due to an increase in the fee charged by Audit New Zealand to better align with the actual time required to complete the audit.

18. Only inspection and maintenance activities were required during the period. Harvesting is not anticipated until 2025.

19. Audit New Zealand has issued an unmodified opinion on the financial statements.

Summary of McKay Forestry Joint Venture's Audited Financial Statements

20. The entity incurred a net deficit for the year compared to a budgeted surplus. This was primarily due to the budget including forecast revenue from harvesting; however, due to current market prices for harvested logs, the joint venture partners decided to delay harvesting by at least 12 months. Operating costs included a large loss on revaluation that had not been budgeted for. The audit fee was also significantly higher than budgeted due to an increase in the fee charged by Audit New Zealand to better align with the actual time required to complete the audit.

21. Only inspection and maintenance activities were required during the period. Harvesting is now anticipated to take place during 2024/25.

22. Audit New Zealand has issued an unmodified opinion on the financial statements.

CLIMATE CHANGE IMPACT AND CONSIDERATIONS / HURINGA ĀHUARANGI

23. The CCOs are expected to consider the environmental implications of their activities, including climate change impacts.

24. Investment advice provided by NPG takes account of environmental, social and governance factors as part of promoting responsible investing, in particular the mitigation of and adaptation to climate change.
25. PRIP is conscious of the climate change implications of airport activities and has signed up to the Tourism Sustainability Commitment. They are also involved in the New Zealand Airports sustainability committee and has put systems in place to measure sustainability impacts.

26. VT is responsible for coordinating the overall implementation of Taranaki 2050 – the roadmap to a low emissions future.

REFORM IMPLICATIONS

27. No implications from any Local Government Reform agenda have been identified in relation to this matter.

NEXT STEPS / HĪKOI I MURI MAI

28. The Audited financial statements will be published on the Council website within one month. The Audited financial statements for NPG were published on 28 September 2023, and for the Forestry JVs on 2 October 2023.

FINANCIAL AND RESOURCING IMPLICATIONS / NGĀ HĪRAUNGA Ā-PŪTEA, Ā-RAUEMI

29. This report is produced within existing resources and budgets.

IMPLICATIONS ASSESSMENT / HĪRANGA AROMATAWAI

30. This report confirms that the matter concerned has no particular implications and has been dealt with in accordance with the Local Government Act 2002. Specifically:
    - Council staff have delegated authority for any decisions made;
    - Council staff have identified and assessed all reasonably practicable options for addressing the matter and considered the views and preferences of any interested or affected persons (including Māori), in proportion to the significance of the matter;
    - Council staff have considered how the matter will promote the social, economic, environmental, and cultural well-being of communities in the present and the future.
    - Unless stated above, any decisions made can be addressed through current funding under the Long-Term Plan and Annual Plan;
    - Any decisions made are consistent with the Council's plans and policies; and
    - No decisions have been made that would alter significantly the intended level of service provision for any significant activity undertaken by or on behalf of the Council, or would transfer the ownership or control of a strategic asset to or from the Council.

APPENDICES / NGĀ ĀPITIHANGA

Appendix 1 NPG Audited Financial Statements for the year ended 30 June 2023 (ECM 9075015)

Appendix 2 Papa Rererangi i Puketapu Audited Financial Statements for the year ended 30 June 2023 (ECM 9120222)

Appendix 3 Te Puna Umanga Venture Taranaki Trust Audited Financial Statements for the year ended 30 June 2023 (ECM 9114927)

Appendix 4 Duthie Forestry JV Audited Financial Statements for the year ended 30 June 2023 (ECM 9115406)

Appendix 5 McKay Forestry JV Audited Financial Statements for the year ended 30 June 2023 (ECM 9115410)

Report Details

Prepared By:	Kiri Engels (Financial Accountant)
Team:	Corporate Innovation
Approved By:	Damien Clark (Manager – Community and Economic Development)
Ward/Community:	District wide
Date:	17 November 2023
File Reference:	ECM 9120223

----------End of Report ----------

NEW PLYMOUTH PIF GUARDIANS LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

NEW PLYMOUTH PIF GUARDIANS LIMITED

CONTENTS

3	Company Directory
4	Statutory Information
7	Statement of Service Performance
9	Summary of Investment Performance
10	Annual Performance Summary
11	Statement of Comprehensive Revenue and Expense
11	Statement of Changes in Equity
12	Statement of Financial Position
13	Statement of Cash Flows
14	Notes to the Financial Statements
20	Independent Auditor's Report

NEW PLYMOUTH PIF GUARDIANS LIMITED
COMPANY DIRECTORY

Directors:	Graham Ansell Mark Butcher Michelle Tsui Sarah Vrede *(appointed 1 January 2023)* Mark Weenink *(appointed 1 July 2022)*
Shareholder:	New Plymouth District Council
Registration details:	Company number 1102498
Registered office:	New Plymouth District Council Civic Chambers Liardet Street New Plymouth
Auditors:	Audit New Zealand on behalf of the Auditor-General
Fully Outsourced Agent:	Mercer New Zealand Limited (Mercer)
Bankers:	Westpac Banking Corporation PO Box 91 New Plymouth
Solicitors:	Simpson Grierson PO Box 2402 Wellington

NEW PLYMOUTH PIF GUARDIANS LIMITED

STATUTORY INFORMATION
FOR THE YEAR ENDED 30 JUNE 2023

NATURE OF INTEREST	COMPANY
Graham Ansell	
Director	New Plymouth PIF Guardians Limited
Director	BNZ Investment Services Limited
Director	National Provident Fund
Director	PSS Trustees Limited
Investment Committee Member	BNZ Investment Limited
Mark Butcher	
Chair	New Plymouth PIF Guardians Limited
Chair	Waikato Tainui Group Investment Committee
Chief Executive	New Zealand Local Government Funding Agency Limited
Nominating Committee member	Guardians of NZ Superannuation Fund
Director / Beneficial shareholding	Hakuba Capital Limited
Michelle Tsui	
Director	New Plymouth PIF Guardians Limited
Trustee	Foundation North
Director	Foundation North Grants Limited
Director	ASB Community Trust Limited
Nominating Committee Member	Guardians of NZ Superannuation Fund
Investment Committee Member	Todd Family Office
Employee	Willis Towers Watson
Sarah Vrede	
Director	New Plymouth PIF Guardians Limited
Chief Executive	New Zealand Financial Markets Association Incorporated
Director	Government Superannuation Fund Authority

NEW PLYMOUTH PIF GUARDIANS LIMITED

STATUTORY INFORMATION (continued)
FOR THE YEAR ENDED 30 JUNE 2023

NATURE OF INTEREST	COMPANY
Mark Weenink	
Director	New Plymouth PIF Guardians Limited
Board Member	Financial Markets Authority
Director / Beneficial shareholding	Escalate Investments Limited
Director / Beneficial shareholding	MBW Advisory Limited
General Counsel	Todd Corporation Group
Director	Todd Capital Limited
Director	Todd Energy Limited
Director	Todd Offshore Limited
Director	Todd Petroleum Mining Company Limited
Director	Todd Digital Limited
Director	Todd Forests Limited
Director	Todd Forestry Investments Limited
Director	Todd Minerals Limited
Director	Todd Property Group Limited
Director	Todd Property Land Development
Director	Todd Property Stonefields Apartments Limited
Director	Todd Property Ormiston Town Centre Limited
Director	Todd Property USA Limited
Director	Stonefields Developments Limited
Director	Todd Property Pegasus Town Limited
Director	LLD Limited
Director	Long Bay Communities Limited
Director	Todd Technologies Limited
Director	Todd Land Holdings Limited
Director	Todd Sisson (NZ) Limited
Director	Tio (NZ) Limited
Director	TSL Methanol Limited
Director	Nova Energy Limited
Director	Altera Apartments General Partner Limited
Director	Bellus Apartments General Partner Limited
Director	Ilico Apartments General Partner Limited
Director	Verto Apartments General Partner Limited
Director	Integria Healthcare Limited
Director	Long Bay Village Limited
Director	TP Flat Bush School Road Limited
Director	Okura Holdings Limited
Director	Long Bay Farming Limited
Director	Stonefields Communities Limited
Director	Ethify Limited
Director	Serendipity Bees Limited

NEW PLYMOUTH PIF GUARDIANS LIMITED

STATUTORY INFORMATION (continued)
FOR THE YEAR ENDED 30 JUNE 2023

Shareholding by directors

The Directors do not hold any interest in the shares of New Plymouth PIF Guardians Limited (the Company, NPG).

Insurance arrangements

The Directors have resolved to and have entered into a Directors and Officers Combined Indemnity insurance policy to a level they consider appropriate, given the size of the Company, to provide investment advisory services.

Dividend recommendation

The Directors do not recommend the payment of a dividend in relation to the year ended 30 June 2023.

Changes in accounting policy

During the current year, the Company adopted PBE IPSAS 41 *Financial Instruments*. There were no material impacts from the application of this standard for the first time. Apart from this, there were no changes in accounting policies during the year ended 30 June 2023.

Shares issued

The Company has 1,000 shares on issue as at 30 June 2023 (2021/22:1,000).

Statutory information

The Shareholder has agreed that the requirements of section 211 (1) (a) and (e) to (h) of the Companies Act 1993 need not be reported against.



NEW PLYMOUTH PIF GUARDIANS LIMITED

STATEMENT OF SERVICE PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2023

PERFORMANCE TARGETS

The performance of NPG will be assessed against the terms in the Governance Deed, the Statement of Intent and industry benchmarks as detailed in the Statement of Investment Policies and Objectives. Below are the key performance measures.

Benchmarks for NPG Financial Performance

NPG is operated on a full cost recovery basis and is therefore budgeted to operate at a nil net cost. The sum below reflects its expected management costs, which are charged to New Plymouth District Council (the Council).

Financial Performance

Year Ended 30 June 2023	2022/23 Actual $000	2022/23 Budget $000
Revenue	266	306
Costs	266	306
Net profit	-	-
Net profit after tax to average shareholder funds	Nil	Nil

Benchmarks for PIF Performance

	2022/23 $M Actual	2022/23 $M Budget
Release Payment	10.9	10.4
Closing Balance of Fund		
Mercer Managed Assets	350.8	378.0
Tasmanian Land Company	0.1	0.1

Total Portfolio Return

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

Assessment: Actual return net of costs was 6.9% for the 12 month period to 30 June 2023. The total return of the portfolio for the past five years is 7.6% p.a. which is 0.3% above the rolling five-year target.

In nominal terms, the 6.9% after fees fund return represented a strong return for the portfolio over the last 12 months. The returns were driven predominantly by the growth areas of the portfolio, namely overseas shares. These shares recorded an impressive 18.7% return over the year.

The continued impact of higher than projected levels of inflation has impacted the portfolio's after-inflation returns. For the 5 years to June 2023, annualised inflation-adjusted returns are ahead of the targeted CPI +3.3% by 0.3%.

NEW PLYMOUTH PIF GUARDIANS LIMITED
STATEMENT OF SERVICE PERFORMANCE (continued)
FOR THE YEAR ENDED 30 JUNE 2023

PERFORMANCE TARGETS (CONTINUED)

Market Comparison
The portfolio has two distinct categories of assets:

Listed Securities (Equities / fixed income / cash) comprising $195.3m
The return on this proportion of the portfolio is targeted to be 0.50% per annum above the weighted average benchmark, before fees. NPG will measure and report on these securities quarterly, annually and on a rolling five year basis.

Assessment: The total gross return on Listed Securities for the 12 month period to 30 June 2023 was 12.6% which was 0.6% better than the benchmark of 12.0%.

Unlisted Securities (Private Equity / Alternative Assets) comprising $155.5m
These assets are illiquid, are largely not traded on markets and are valued infrequently. Therefore performance cannot be compared to benchmark returns on a short term basis. NPG will report on the performance of these securities annually.

Assessment: The return for the 12 month period to 30 June 2023 from private equity and alternative assets was 1.9%.

Reporting

Provide a quarterly report to the shareholder covering activities undertaken by the Company, and the performance of and significant issues relating to the Perpetual Investment Fund. The report will provide the information outlined in the Governance Deed.

Assessment: Quarterly reports have been provided throughout the year with information provided as per the Governance Deed.

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

Assessment: Information has been provided by the Directors in a timely manner throughout the year. Mercer provided monthly reports to the shareholder during the year.

NEW PLYMOUTH PIF GUARDIANS LIMITED

PERPETUAL INVESTMENT FUND

Summary of Investment Performance for the year ended 30 June 2023

Release payment target	2023		2022	
	Actual $m	Budget $m	Actual $m	Budget $m
Release payments	10.9	10.4	9.7	9.3

Closing Fund balance target	2023		2022	
	Actual $m	Budget $m	Actual $m	Budget $m
Mercer Managed Assets	350.8	378.0	339.0	345.3
Tasmanian Land Company	0.1	0.1	0.9	0.1

MAINTAIN PIF WITHIN STRATEGIC ASSET ALLOCATION (SAA) TARGET

Asset Allocation %	Allowable Range	Actual as at 30 June 2023	SAA 2023 target	As at 30 June 2022
Global equities				
- Developed Market equities	25 - 55%	33.1%	40.0%	35.5%
- Emerging markets equities	0 - 10%	5.2%	5.0%	5.2%
Private equity	10 - 25%	26.8%	17.5%	23.8%
Alternative assets	10 - 25%	17.5%	17.5%	17.7%
Total Growth Assets	*60 - 95%*	*82.7%*	*80.0%*	*82.2%*
Fixed income	5 - 25%	14.8%	15.0%	11.9%
Cash	0 - 20%	2.5%	5.0%	5.9%
Total Income Assets	*5 - 40%*	*17.3%*	*20.0%*	*17.8%*
Total	**100%**	**100%**	**100%**	**100%**

The fund was within the SAA ranges during the twelve month period to 30 June 2023 with the exception of Private Equity, which has been overweight on the allowable range during the period. This has reduced the allocation to Global equities and Cash within the fund.

This table reflects the Mercer Managed Assets only.

NEW PLYMOUTH PIF GUARDIANS LIMITED

PERPETUAL INVESTMENT FUND

Annual Performance Summary for the year ended 30 June 2023

NPG is a Council Controlled Organisation which monitors and directs the investment of the Council's Perpetual Investment Fund managed by Mercer in accordance with the Statement of Investment Policy and Objectives.

Service Performance Indicators

	Achieved 2023	Achieved 2022
Manage the PIF as per agreement	YES	YES
Provide timely advice as requested	YES	YES
Provide regular quarterly reports to the Council	YES	YES
Operate within financial budget	YES	YES
Provide Statement of Intent to the Council	YES	YES
Provide six monthly report to the Council and public	YES	YES
Provide prior year annual report to public within statutory deadlines *	YES	YES

*Due to Covid-19 the statutory deadline for the year ended 30 June 2022 was extended to 30 November 2022.

For the year ended 30 June 2023 the Company provided its annual report to the public within 90 days of year end.

NEW PLYMOUTH PIF GUARDIANS LIMITED

STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE FOR THE YEAR ENDED 30 JUNE 2023

	Note	2022/23 Actual $	2022/23 Budget $	2021/22 Actual $
Revenue				
Advisory management fees *(non-exchange)*	3a	265,527	306,000	238,765
Interest revenue *(exchange)*		292	-	23
Total revenue		**265,819**	**306,000**	**238,788**
Expenses				
Directors fees	4	184,500	185,000	166,000
Other expenses	5	81,319	121,000	72,788
Total expenses		**265,819**	**306,000**	**238,788**
Surplus/(deficit) before tax		-	-	-
Income tax expense		-	-	-
Surplus/(deficit) after tax		-	-	-
Other comprehensive revenue and expense		-	-	-
Total comprehensive revenue and expense		-	-	-
Attributable to New Plymouth District Council – 100%		-	-	-

Explanations of major variances against budget are included in note 2.

The accompanying notes form part of these financial statements.

NEW PLYMOUTH PIF GUARDIANS LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2023

	2022/23 Actual $	2022/23 Budget $	2021/22 Actual $
Balance at 1 July	-	-	-
Total comprehensive revenue and expense	-	-	-
Balance at 30 June	-	-	-

The accompanying notes form part of these financial statements.

NEW PLYMOUTH PIF GUARDIANS LIMITED

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2023

	Note	2022/23 Actual $	2021/22 Actual $
Current assets			
Cash and cash equivalents	6	31,950	241
Related party receivable from the Council	3b	40,075	41,773
Other receivables		440	314
Prepayments		10,803	10,273
Tax receivable		1,997	1,915
GST receivable		462	1,207
Total current assets / Total assets		**85,727**	**55,723**
Current liabilities			
Creditors and other payables	7	55,727	25,723
Related party advance from the Council	3c	30,000	30,000
Total current liabilities / Total liabilities		**85,727**	**55,723**
NET ASSETS		**-**	**-**
Equity			
Accumulated funds		-	-
Share capital	8	-	-
TOTAL EQUITY		**-**	**-**

The accompanying notes form part of these financial statements.

Chair .....

Date 27 September 2023.....

Director .....

Date 27 September 2023.....

NEW PLYMOUTH PIF GUARDIANS LIMITED

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2023

	Note	2022/23 Actual $	2021/22 Actual $
Cash flows from operating activities			
Receipts from NPDC		262,205	224,353
Interest received		210	17
Payments to suppliers, employees and directors		(236,471)	(246,361)
Goods and services tax (net)		5,765	(7,014)
Net cash from operating activities		**31,709**	**(29,005)**
Cash flows from financing activities		-	(10,000)
Cash flows from investing activities		-	-
Net cash from financing and investing activities		**-**	**(10,000)**
Net increase/(decrease) in cash and cash equivalents		31,709	(39,005)
Cash and cash equivalents at 1 July		241	39,246
Cash and cash equivalents at 30 June	6	**31,950**	**241**

The accompanying notes form part of these financial statements.

NEW PLYMOUTH PIF GUARDIANS LIMITED
NOTES TO THE FINANCIAL STATEMENTS

1 STATEMENT OF ACCOUNTING POLICIES

REPORTING ENTITY

The Company is a wholly owned subsidiary of the New Plymouth District Council (the Council, NPDC) and is a Council-Controlled Organisation as defined in section 6 of the Local Government Act 2002. The Company is incorporated and domiciled in New Zealand.

Rather than making a financial return, the primary objective of the Company is to provide advisory services to the Council in relation to the Council's Perpetual Investment Fund (PIF) and other equity investments, when requested. Accordingly, the Company designates itself as a Public Benefit Entity (PBE) and applies Tier 2 PBE Accounting Standards. These standards are based on International Public Sector Accounting Standards (IPSAS), with amendments for the New Zealand environment.

The financial statements of the Company are for the year ended 30 June 2023. The financial statements were authorised for issue by the Board on 27 September 2023.

STATEMENT OF COMPLIANCE

These financial statements have been prepared:

- In line with New Zealand Generally Accepted Accounting Practice (NZ GAAP), the Local Government Act 2002 (LGA).
- In line with PBE Accounting Standards with reduced disclosure requirements (Tier 2). The Company qualifies as Tier 3 but elects to report under Tier 2 reporting on the basis that it is not publicly accountable and it is not considered large under the PBE accounting standards.
- On a going concern basis and the accounting policies have been applied consistently throughout the period.
- On a historical cost basis.
- In New Zealand dollars (functional and reporting currency), rounded to the nearest dollar.

CHANGES IN ACCOUNTING POLICIES

There have been no new or revised accounting standards, interpretations and amendments effective during the period which have a material impact on the Company's accounting policies or disclosures, except as noted below.

The Company has applied the following new accounting standard for the first time during the period:

PBE IPSAS 41 Financial Instruments
In March 2019, the External Reporting Board (XRB) issued PBE IPSAS 41 *Financial Instruments*, which supersedes both PBE IFRS 9 Financial instruments and PBE IPSAS 29 Financial instruments: Recognition and Measurement. The Company has adopted PBE IPSAS 41 and the main changes between PBE IPSAS 29 and PBE IPSAS 41 are:

- New financial asset classification requirements for determining whether an asset is measured at fair value or amortised cost.
- A new impairment model for financial assets based on expected credit losses, which may result in earlier recognition of impairment losses.
- Revised hedge accounting requirements to better reflect the management of risks.

Information about the transition to PBE IPSAS 41 is disclosed in note 11. The adoption of this standard has not resulted in a material impact on the Company.

NEW PLYMOUTH PIF GUARDIANS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)

SIGNIFICANT ACCOUNTING POLICIES

Significant accounting policies are included in the notes to which they relate. Significant accounting policies that do not relate to a specific note are outlined below.

Revenue
Revenue is measured at the fair value of consideration received or receivable. Revenue is recognised in the period which the Company provides the related services.

Interest Income
Interest income is recognised using the effective interest method.

Goods and services tax (GST)
All items in the financial statements are stated exclusive of GST, except billed receivables and payables which include GST. 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 Inland Revenue Department (IRD) is included as part of the receivables or payables in the Statement of Financial Position.

The net GST paid to, or received from the IRD, including GST relating to investing and financing activities, is classified as an operating cash flow in the Statement of cash flows.

Budget figures
The budget figures are those approved by the Directors in the Statement of Intent at the beginning of the financial year. The budget figures have been prepared in accordance with NZ GAAP, using accounting policies that are consistent with those adopted in preparing these financial statements.

Rounding differences
Some totals in the financial statements may not add to the sum of their parts due to rounding cents to the dollar.

CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

In preparing these financial statements, the Company has made estimates and assumptions concerning the future. These estimates and assumptions may differ from the actual results. Estimates and assumptions are continually evaluated, and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. There have been no estimates and/or assumptions that have a significant risk of causing a material adjustment to the value of assets and liabilities, with the next financial year.

NEW PLYMOUTH PIF GUARDIANS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)

2 MAJOR BUDGET VARIATIONS

	2022/23 Actual $	2022/23 Budget $	Variance $	Comments
Management fees	265,527	306,000	(40,473)	Management fee revenue is charged at a level required to fully offset expenditure incurred by the Company. Due to variances in actual expenditure against budgeted amounts, as discussed below, management fees required for the year were less than budgeted.
Consulting, overheads and other general expenses	15,977	50,000	(34,023)	Consultants were underutilised during the financial year relative to the budget.
Directors' expenses	7,300	15,000	(7,700)	Less travel costs were incurred than forecast due to more meetings during the year being attended remotely rather than in person.
Audit fees	13,042	11,000	2,042	Budgeted audit fees were based on prior year actual costs, and were set before the audit proposal letter for 2023-25 was received.

3 RELATED PARTIES

Accounting policy
Debtors and other receivables are recorded at face value less an allowance for expected credit losses over the lifetime of these assets.

As the sole shareholder, the Council is deemed to be a related party of the Company.

(a) Transactions between the Company and the Council during the financial year

For the year ended 30 June 2023, transactions between the two parties consisted of:

- Accounting and governance services provided by the Council to the Company of $45,000 (2021/22: $35,000).
- Advisory services provided to the Council by the Company of $265,527 (2021/22: $238,765).
- The amount payable for NPDC services at 30 June 2023 was $11,250 (2021/22: $8,750).

No debts between the parties were written off or forgiven and no transactions between the parties took place at nil or nominal value.

(b) Related party receivable from the Council

The related party receivable from the Council is non-interest bearing. As such, the carrying value approximates its fair value. The total balance of $40,075 (not past due) is all non-exchange revenue (2021/22: $41,773 not past due).

NEW PLYMOUTH PIF GUARDIANS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)

3 RELATED PARTIES (continued)

(c) Advance from the Council

During the 2015/16 financial year the Council advanced the Company $60,000 to be repaid at a future date. The Company repaid $20,000 during 2017/18. During the 2021/22 financial year, the Company repaid a further $10,000. The cash flow funding does not incur interest on the principal.

(d) Directors

The Company's Chair, Mark Butcher is the Chief Executive Officer of New Zealand Local Government Funding Agency Limited (LGFA). During the year, the Council borrowed funds from the LGFA and also holds loan balances from prior periods.

All transactions occurred within a normal supplier or client/recipient relationship and on terms and conditions no more or less favourable than those it is reasonable to expect the Company would have adopted in dealing with either party at arm's length in the same circumstances.

4 REMUNERATION

Key management personnel comprises the Board of Directors.

	2022/23 Actual $	2021/22 Actual $
Directors fees		
G Ansell	37,000	37,000
M Butcher	55,000	55,000
K Campbell	-	37,000
M Tsui	37,000	37,000
S Vrede (*part-year in 2022/23*)	18,500	-
M Weenink	37,000	-
Total directors fees	**184,500**	**166,000**
Full time equivalents	**5**	**4**

Due to the difficulty in determining the full-time equivalents for directors, the full-time equivalent figure is taken as the number of directors.

5 OTHER EXPENSES

	2022/23 Actual $	2021/22 Actual $
Audit fees for financial statements (Audit New Zealand)	13,042	10,673
Directors travel and expenses	7,300	1,706
Consulting costs and other professional services fees	-	11,044
Overheads and other general expenses	15,977	14,365
NPDC services - accounting	40,000	30,000
NPDC services - governance	5,000	5,000
Total other expenses	**81,319**	**72,788**

NEW PLYMOUTH PIF GUARDIANS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)

6 CASH AND CASH EQUIVALENTS

Accounting policy
Cash and cash equivalents includes cash on hand and deposits held at call with banks with original maturities of three months or less.

	2022/23 Actual $	2021/22 Actual $
Bank account - current	31,950	241
Total cash and cash equivalents	**31,950**	**241**

7 CREDITORS AND OTHER PAYABLES

Accounting policy
Creditors and other payables are non-interest bearing and are normally settled on 30 day terms. Therefore, the carrying value of creditors and other payables approximates their fair value. All amounts in creditors and other payables are assessed as exchange as these balances arose from transactions carried out on normal business terms.

	2022/23 Actual $	2021/22 Actual $
Related party payable to the Council	22,768	15,046
Audit fee accrual	13,042	10,673
Other payables	19,917	4
Total creditors and other payables	**55,727**	**25,723**

Related party payables to the Council includes Directors fees of $11,518 (2021/22: $6,296).

8 SHARE CAPITAL

Share capital comprises 1,000 shares, all of which are issued but not fully paid (at $0 per share) (2021/22: 1,000 shares at $0 per share).

9 CAPITAL COMMITMENTS

There are no capital commitments at 30 June 2023 (2021/22: nil).

10 CONTINGENT ASSETS AND LIABILITIES

There are no contingent assets or contingent liabilities at 30 June 2023 (2021/22: nil).

NEW PLYMOUTH PIF GUARDIANS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)

11 FINANCIAL INSTRUMENTS

	2022/23 Actual $	2021/22 Actual $
Cash and receivables		
Cash and cash equivalents	31,950	241
Debtors and other receivables	40,515	42,087
Total cash and receivables	**72,465**	**42,328**
Financial liabilities		
Creditors and other payables	55,727	25,723
Related party advance	30,000	30,000
Total financial liabilities	**85,727**	**55,723**

Change in accounting policy
As at 30 June 2023 the Company has adopted PBE IPSAS 41. In accordance with the transitional provisions in PBE IPSAS 41, the Company has elected not to restate the comparative information. The comparative information continues to be reported under PBE IPSAS 29. There have been no adjustments arising from the adoption of PBE IPSAS 41 at 1 July 2022 (the date of initial application). The expected credit loss allowance for the Company as at 1 July 2022 and 30 June 2023 is nil, and all financial instruments are deemed to have a low credit risk.

On the date of initial of application of PBE IPSAS 41, the classification and carrying amounts of financial assets under PBE IPSAS 41 and PBE IPSAS 29 is outlined in the tables below.

	Classification (PBE IPSAS 29)	Classification (PBE IPSAS 41)	2021/22 Actual (PBE IPSAS 29) $	2021/22 Actual (PBE IPSAS 41) $	Adoption adjustment $
Financial Assets					
Cash and cash equivalents	Loans and receivables	Amortised cost	241	241	-
Debtors and other receivables	Loans and receivables	Amortised cost	42,087	42,087	-

The measurement categories and carrying amounts for financial liabilities have not changed on transition to PBE IPSAS 41.

12 EVENTS AFTER BALANCE DATE

There are no significant events after balance date.

13 STATUTORY BREACH

The Company's budget figures have been prepared in accordance with NZ GAAP, using accounting policies that are consistent with those adopted in preparing these financial statements. However the Company did not comply in full with the requirements of the Local Government Act 2002. As a result the forecast financial information was limited to the Statement of Comprehensive Revenue and Expense and Statement of Changes in Equity.

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

Independent Auditor's Report

To the readers of New Plymouth PIF Guardians Limited's financial statements and performance information for the year ended 30 June 2023

The Auditor-General is the auditor of New Plymouth PIF Guardians Limited (the Company). The Auditor-General has appointed me, Debbie Perera, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements and performance information of the Company on his behalf.

Opinion

We have audited:

- the financial statements of the Company on pages 11 to 19, that comprise the statement of financial position as at 30 June 2023, the statement of comprehensive revenue and expense, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information; and
- the performance information of the Company on pages 7 to 9.

In our opinion:

- the financial statements of the Company on pages 11 to 19:
    - present fairly, in all material respects:
        - its financial position as at 30 June 2023; and
        - its financial performance and cash flows for the year then ended; and
    - comply with generally accepted accounting practice in New Zealand in accordance with Public Benefit Entity Standards Reduced Disclosure Regime; and
- the performance information of the Company on pages 7 to 9 presents fairly, in all material respects, the Company's actual performance compared against the performance targets and other measures by which performance was judged in relation to the Company's objectives for the year ended 30 June 2023.

Our audit was completed on 27 September 2023. This is the date at which our opinion is expressed.

The basis for our opinion is explained below, and we draw attention to the comparison of forecast financial statements with historical financial statements by the Company. In addition, we outline the responsibilities of the Board of Directors and our responsibilities relating to the financial statements and the performance information, we comment on other information, and we explain our independence.

Basis for our opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the Responsibilities of the auditor section of our report.

We have fulfilled our responsibilities in accordance with the Auditor-General's Auditing Standards.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter – Comparison of forecast financial statements with historical financial statements

Without modifying our opinion, we draw attention to Note 13 on page 19, which outlines that the Company presented forecast financial information with the historical financial statements that was limited to the Statement of Comprehensive Revenue and Expense and Statement of Changes in Equity.

Responsibilities of the Board of Directors for the financial statements and the performance information

The Board of Directors is responsible on behalf of the Company for preparing financial statements that are fairly presented and that comply with generally accepted accounting practice in New Zealand. The Board of Directors is also responsible for preparing the performance information for the Company.

The Board of Directors is responsible for such internal control as it determines is necessary to enable it to prepare financial statements and performance information that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements and the performance information, the Board of Directors is responsible on behalf of the Company for assessing the Company's ability to continue as a going concern. The Board of Directors is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless the Board of Directors intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors' responsibilities arise from the Local Government Act 2002.

Responsibilities of the auditor for the audit of the financial statements and the performance information

Our objectives are to obtain reasonable assurance about whether the financial statements and the performance information, as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit carried out in accordance with the Auditor-General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures, and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers, taken on the basis of these financial statements and the performance information.

For the budget information reported in the financial statements and performance information, our procedures were limited to checking that the information agreed to the Company's statement of intent.

We did not evaluate the security and controls over the electronic publication of the financial statements and the performance information.

As part of an audit in accordance with the Auditor-General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. Also:

- We identify and assess the risks of material misstatement of the financial statements and the performance information, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.

- We evaluate the appropriateness of the reported performance information within the Company's framework for reporting its performance.

- We conclude on the appropriateness of the use of the going concern basis of accounting by the Board of Directors and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists we are required to draw attention in our auditor's report to the related disclosures in the financial statements and the performance information or, if such disclosures are

inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- We evaluate the overall presentation, structure and content of the financial statements and the performance information, including the disclosures, and whether the financial statements and the performance information represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Our responsibilities arise from the Public Audit Act 2001.

Other Information

The Board of Directors is responsible for the other information. The other information comprises the information included on pages 1 to 6 and 10, but does not include the financial statements and the performance information, and our auditor's report thereon.

Our opinion on the financial statements and the performance information does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the financial statements and the performance information, our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the financial statements and the performance information or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on our work, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Independence

We are independent of the Company in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1: International Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board.

Other than the audit, we have no relationship with, or interests in, the Company.



Debbie Perera
Audit New Zealand
On behalf of the Auditor-General
Palmerston North, New Zealand

Financial Statements

Papa Rererangi i Puketapu Limited
For the year ended 30 June 2023

Prepared by Tandem Group Limited

Contents

3 Directory

4 Approval of Financial Report

5 Statutory Information

6 Statement of Service Performance

9 Statement of Comprehensive Revenue and Expense

10 Statement of Financial Position

11 Statement of Changes in Equity

12 Statement of Cash Flows

14 Notes to the Financial Statements

35 Audit Report

Directory

Papa Rererangi i Puketapu Limited
For the year ended 30 June 2023

Company Number

6315607

Companies Act

The Company is registered under the Companies Act 1993.

Registered Office

Tandem Group Limited
369 Devon Street East

Strandon
NEW PLYMOUTH 4312

Shareholders

New Plymouth District Council	35,000,000 Ordinary

Directors

Philip Cory-Wright (Chair)
Rachel Farrant
Shelley Kopu
Christopher Myers

Bankers

Westpac Bank
NEW PLYMOUTH

Solicitors

Auld Brewer Mazengarb & McEwen
NEW PLYMOUTH

Ford Sumner

WELLINGTON

Chartered Accountant

Brent Abbott
Tandem Group
NEW PLYMOUTH

Approval of Financial Report

Papa Rererangi i Puketapu Limited
For the year ended 30 June 2023

The Directors are pleased to authorise the approved financial report including the historical financial statements of Papa Rererangi i Puketapu Limited for year ended 30 June 2023.

APPROVED

For and on behalf of the Board of Directors.

Philip Cory-Wright

Date .....30/09/2023.....

..

Rachel Farrant

Date .....30/09/2023.....

Statutory Information

Papa Rererangi i Puketapu Limited

For the year ended 30 June 2023

Entries in the Interest Register

The directors have declared that general disclosure of interest in the following entities:

Philip Cory Wright	
Chair	Papa Rererangi i Puketapu Limited
Director	South Port NZ Limited
Director	New Zealand Local Government Funding Agency Limited
Director	Matariki Forests Group
Director	Powerco Limited
Director	NZ Windfarms Limited
Shelley Kopu	
Director	Papa Rererangi i Puketapu Limited
Trustee	Te Kotahianga o Te Atiawa
Director	Tui Ora Limited
Board Member	St Marys College
Director	Kopu and Associates Limited
Board Member	Youthline
Rachel Farrant	
Director	Papa Rererangi i Puketapu Limited
Director & Shareholder via Trust	BDO Wellington Limited
Director	Skellerup Holding Limited
Director	Fairway Resolutions Limited
Director	The Property Group Limited
Chris Myers	
Director	Papa Rererangi i Puketapu Limited
Chairperson	Pricetech Limited t/a MarginFuel
Director	Forever Forests Limited
Trustee	Venture Taranaki
David Scott	
Chief Executive	Papa Rererangi i Puketapu Limited
Paul Tench	
Safety and Operations Manager	Papa Rererangi i Puketapu Limited – ceased 25 January 2023
Christopher Coplestone	
Safety and Operations Manager	Papa Rererangi i Puketapu Limited – started 14 March 2023

Statement of Service Performance

Papa Rererangi i Puketapu Limited
For the year ended 30 June 2023

Nature of Business

Papa Rererangi i Puketapu Limited (PRIP) is a Council Controlled Organisation whose prime purpose is to operate the New Plymouth Airport on a sustainable commercial basis, and to ensure the ongoing safe and successful operation of the Airport. PRIP owns passenger terminals, aircraft hangars, airside Infrastructure (car parking areas, roading and underground utilities). These facilities are sited on land occupied under a long-term lease from the New Plymouth District Council (NPDC).

Ownership

PRIP's sole shareholder is the New Plymouth District Council.

Performance Targets

	ACTUAL 2022/23	FINAL SOI BUDGET 2022/23	ACTUAL 2021/22
1. Passenger Numbers			
Passenger Numbers	401,686	362,000	243,828
Total Passenger Numbers	**401,686**	**362,000**	**243,828**

The dollar values in note 2 and 3 are rounded to $,000.

	ACTUAL 2022/23	FINAL SOI BUDGET 2022/23	ACTUAL 2021/22
2. Financial Performance			
Operating Profit			
Operating Revenue	8,853	7,777	4,632
Other Income	-	-	-
Operating Expenditure	(3,994)	(3,803)	(3,328)
Depreciation and Interest	(2,593)	(2,451)	(2,303)
Net Profit before Tax	**2,266**	**1,523**	**(999)**
Taxation			
Taxation	(755)	-	158
Total Taxation	**(755)**	-	**158**
Net Profit (Loss) After Tax	1,511	1,523	(841)

	ACTUAL 2022/23	FINAL SOI BUDGET 2022/23	ACTUAL 2021/22
3. Forecast Statement of Financial Position			
Assets			
Current Assets	4,661	1,250	1,481
Deferred Tax as Set	-	-	-
Property, Plant & Equipment and Other	77,796	69,810	71,127
Loans Provided	-	47	-
Total Assets	82,457	71,107	72,608
Liabilities			
Current Liabilities	689	399	499
Current Borrowings	-	1,387	3,296
Non-Current Borrowings	15,095	16,390	11,800
Deferred Tax Liability	4,812	-	1,765
Total Liabilities	20,596	18,176	17,360
Net Assets	61,861	52,931	55,248

Explanation of Major Variances to Budget

Statement of Comprehensive Revenue and Expense

Revenue

The build up to return to pre-Covid passenger numbers has occurred at a faster rate than forecasted . Passenger numbers were budgeted at 362,000 but actuals were 401,686.

The major revenue streams, landing charges, car parking and café revenues all were higher as a result. Revenue was $8,852,567 which was an increase of 13.8% on a forecast of $7,777,000.

Expenses

Operational expenses were over budget circa $191,000. Consultancy fees were a contributing factor due to planning requirements and future planning and an increase in maintenance work completed.

Statement of Financial Position

Property, Plant & Equipment and Other

All interest payments were made to council as scheduled, no principal payments were made during FY2023 as PRIP is self funding ongoing capital projects from revenue rather than paying down and then redrawing funds from New Plymouth District Council.

COVID-19 IMPACT

During the 2023 financial year, the impact of Covid-19 was minimised as the international borders opened, local hospitality events took place (WOMAD), and New Zealanders gained the confidence to travel again. PRIP estimates that passenger numbers will return to, if not surpass pre-Covid numbers in 2024, per forecast.

4. Operational Performance

To operate an essential infrastructure transport hub for New Plymouth and the Taranaki region and to provide facilities that are safe, efficient and welcoming

KPI	Outcome
• Maintain the Airport facilities to avoid any disruption of scheduled commercial flights other than for weather or airline problems.	The existing Airport facilities have been well maintained throughout the year and there has been no diversion of regular passenger transport services resulting from Airport operations.
• Meeting all operating, maintenance, capital expenditure and interest costs from Airport revenue (including recovery of the aeronautical portion through landing charges).	Passenger numbers continue to increase towards pre-covid numbers, All operating costs associated with the day-to-day management of the Airport have been met from Airport revenue. Loans have been made available from NPDC to assist with capital expenditure, however these have not been utlised in the 2023 financial year and interest also being fully serviced from Airport revenue.
• Manage New Plymouth Airport in full compliance with the approved operating procedures of the Civil Aviation Authority Rule Part 139.	Under an agreement with the Civil Aviation Authority (CAA), PRIP manages the Airport on behalf of the Aerodrome Operator Certificate holder, NPDC. During the period the Airport has been managed in full compliance with the CAA Rule Part 139.

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Statement of Comprehensive Revenue and Expense

Papa Rererangi i Puketapu Limited
For the year ended 30 June 2023

	NOTES	2023	2022
Non-Exchange Revenue			
Wages Subsidy		-	53,734
Resurgence Support Payment		-	16,348
Total Non-Exchange Revenue		-	70,082
Exchange Revenue			
Car Parking Revenue		1,400,577	795,998
Landing Charges Revenue		6,507,787	3,062,336
Rental Revenue		829,703	655,626
Other Revenue		114,501	46,345
Investment Revenue		-	1,746
Total Exchange Revenue		8,852,567	4,562,051
Total Revenue		8,852,567	4,632,133
Expenses			
Terminal Building Operations		645,673	550,006
Personnel Costs		828,084	635,105
General & Operational Expenditure	4	2,481,551	2,143,008
Loss on Disposal of Assets		38,129	-
Total Expenses		3,993,438	3,328,119
Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA)		4,859,130	1,304,013
Non Operating Expenses			
Interest Costs to Related Parties	4	624,388	581,746
Depreciation & Amortisation Expense		1,968,279	1,721,242
Total Non Operating Expenses		2,592,667	2,302,988
Surplus before Taxation		2,266,463	(998,975)
Taxation and Adjustments			
Income Tax Expense (Benefit)	5	755,343	(157,911)
Total Taxation and Adjustments		755,343	(157,911)
Surplus (Deficit) after Taxation		1,511,120	(841,063)
Other Comprehensive Revenue and Expense			
Gain on Property, Plant & Equipment Revaluation		7,434,050	7,047,874
Movement in Deferred Tax at Revaluation	5	(2,333,189)	(1,770,405)
Total Other Comprehensive Revenue and Expense		5,100,861	5,277,470
Total Comprehensive Revenue and Expense		6,611,981	4,436,406

The accompanying notes form part of these financial statements.

Statement of Financial Position

Papa Rererangi i Puketapu Limited
As at 30 June 2023

	NOTES	30 JUNE 2023	30 JUNE 2022
Assets			
Current Assets			
Cash and Cash Equivalents	6	3,910,266	947,741
Trade and Other Receivables	7	751,136	533,557
Total Current Assets		**4,661,402**	**1,481,298**
Non-Current Assets			
Property, Plant & Equipment, Capital Works & Work in Progress	10	77,795,812	71,127,208
Total Non-Current Assets		**77,795,812**	**71,127,208**
Total Assets		**82,457,214**	**72,608,506**
Liabilities			
Current Liabilities			
Trade and Other Payables	9	504,204	390,858
GST Payable		67,445	42,163
Employee Entitlements	13	75,631	66,064
Borrowings	12	-	3,295,927
Provision for Tax	5	41,554	-
Total Current Liabilities		**688,835**	**3,795,012**
Non-Current Liabilities			
Borrowings	12	15,095,927	11,800,000
Deferred Tax		4,811,911	1,764,933
Total Non-Current Liabilities		**19,907,838**	**13,564,933**
Total Liabilities		**20,596,673**	**17,359,946**
Net Assets		**61,860,542**	**55,248,561**
Equity			
Share Capital			
NPDC Current Equity	15	49,138,485	49,138,485
Total Share Capital		**49,138,485**	**49,138,485**
Retained Earnings (Deficit)		(1,068,503)	(2,579,623)
Revaluation Reserve		13,790,560	8,689,699
Total Equity		**61,860,542**	**55,248,561**

The accompanying notes form part of these financial statements.

Statement of Changes in Equity

Papa Rererangi i Puketapu Limited
For the year ended 30 June 2023

	2023	2022
Equity		
Opening Balance	55,248,561	50,812,154
Increases		
Total Comprehensive Revenue & Expense for the year	6,611,981	4,436,406
Total Increases	**6,611,981**	**4,436,406**
Total Equity	**61,860,542**	**55,248,561**

These accompanying notes form part of these financial statements.

Statement of Cash Flows

Papa Rererangi i Puketapu Limited
For the year ended 30 June 2023

	2023	2022
Operating Activities		
Cash was provided from:		
Receipts from customers	8,662,754	4,526,502
Interest received	-	641
Grants received	-	-
Wage subsidy/resurgence support	-	70,082
Total Cash was provided from:	**8,662,754**	**4,597,224**
Cash was applied to:		
Payments to suppliers and employees	3,909,711	3,365,904
Interest paid	605,389	583,704
Tax payments	-	-
Net GST	(4,410)	(2,277)
Total Cash was applied to:	**4,510,691**	**3,947,331**
Net Cash Flows from Operating Activities	4,152,063	649,894

	2023	2022
Investing Activities		
Cash was provided from:		
Other cash items from investing activities	-	-
Total Cash was provided from:	-	-
Cash was applied to:		
Loans to tenants	-	-
Payment for property, plant and equipment	1,189,540	373,551
Total Cash was applied to:	**1,189,540**	**373,551**
Net Cash Flows from Investing Activities	(1,189,540)	(373,551)

	2023	2022
Financing Activities		
Cash was provided from:		
Proceeds from New Plymouth District Council Loans	-	-
Total Cash was provided from:	-	-
Cash was applied to:		
Other cash items	-	-
Total Cash was applied to:	-	-
Net Cash Flows from Financing Activities	-	-

	2023	2022
Cash & Cash Equivalents		
New Increase/ (Decrease) in Cash & Cash Equivalents Held	2,962,525	279,393
Opening Cash & Cash Equivalents Brought Forward	947,741	668,348
Total Cash & Cash Equivalents (Note 6)	**3,910,266**	**947,741**

Notes to the Financial Statements

Papa Rererangi i Puketapu Limited
For the year ended 30 June 2023

1. Statement of Accounting Policies

Reporting Entity
Papa Rererangi i Puketapu Limited (PRIP) was established on 3 July 2017. It is a public benefit entity (PBE) Company, incorporated and domiciled in New Zealand. PRIP is a reporting entity for the purposes of the Financial Reporting Act 2013 and its Financial Statements comply with that Act and the Companies Act 1993.

PRIP is a wholly owned subsidiary of the New Plymouth District Council (the Council) and is a Council Controlled Trading Organisation as defined in Section 6 of the Local Government Act 2002.

The financial statements for the Airport are for the year ended 30 June 2023.

The financial statements were authorised for issue by the Board on 30 September 2023.

Statement of Compliance
The Financial Statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand (NZ GAAP). They comply with Public Benefit Entity Standards Reduced Disclosure Regime (PBE Standards RDR). The Company is eligible and has elected to report in accordance with Tier 2 PBE Standards RDR on the basis that the Company has no public accountability and is not large as defined in XRB A 1.

Basis of Preparation
These financial statements have been prepared on a going concern basis and the accounting policies, methods of computation and classification have been applied consistently throughout the periods within this report.

The Directors have determined the going concern basis is appropriate based on the following key estimates and judgments:

- Future passenger numbers forecasted to increase and have increased during FY2023.
- Major capital programmes are complete, reducing the need to incur borrowings from NPDC at previous levels.
- Cashflow forecasts for the period FY22-25 indicate sufficient cash to meet operational expenditure requirements

Presentation Currency
These financial statements are presented in New Zealand (NZ) dollars ($), which is also the Company's functional currency.

The financial statements are rounded to the nearest dollar.

Changes in Accounting Policies

There have been no new or revised accounting standards, interpretations and amendments effective during the period which have a material impact on the Company's accounting policies or disclosures except as noted below.

The Company has applied the following new accounting standard for the first time during the period:

PBE IPSAS 39 Employee Benefits

PRIP has evaluated this new standard in relation to Employee Benefits provided by PRIP. By definition of "Employee Benefit", PRIP only provides short-term employee benefits in the form of salaries, wages, paid annual (vesting) and sick leave (non-vesting) and not those post-employment long-term benefits as detailed in the standard. As such there is no further reclassification or re-measurement required.

PBE IPSAS 41 Financial instruments

PBE IPSAS 41 supersedes both PBE IFRS 9 Financial Instruments and PBE IPSAS 29 Financial Instruments: Recognition and Measurement and is effective for the year ending 30 June 2023. PRIP has adopted PBE IPSAS 41 and the main changes between PBE IPSAS 29 and PBE IPSAS 41 are:

- New financial asset classification requirements for determining whether an asset is measured at fair value or amortised cost.
- A new impairment model for financial assets based on expected credit losses, which may result in earlier recognition of impairment losses.
- Revised hedge accounting requirements to better reflect the management of risks.

Information about the transition to PBE IPSAS 41 is disclosed in note 18. The adoption of this standard has not resulted in a material impact on the Company.

2. Summary of Significant Accounting Policies

Significant accounting policies are included in the notes to which they relate.

Significant accounting policies that do not relate to a specific note are outlined below.

Covid-19 Note

Papa Rererangi i Puketapu Limited
For the year ended 30 June 2023

Item	Note	2023	2022
Cash and Cash Equivalents	6	PRIP maintained a positive cash balance. Management ensured the cash balance was maintained above $900,000 throughout the year, with an increasing balance at yearend.	PRIP maintained a positive cash balance. Management ensured the cash balance was maintained above $500,000 throughout the year, with an increasing balance at yearend.
Trade Debtors and Other Receivables	7	Trade Receivables represent 85% - 90% return to pre-Covid-19 passenger numbers exceeding forecast. June 2019 actual passenger numbers 456,766 compared to June 2023 actual passenger numbers 401,686 Trade Receivables are assessed for impairment per note 7.	Trade Receivables represent increased flight activity post-Covid-19 lockdown, with passenger numbers exceeding forecast. Trade Receivables are assessed for impairment per note 7. PRIP has experienced higher bad debt expenses than prior years.
Financial Instruments	18	PRIP evaluated the fair value of financial instruments and adjusted for amortised cost. An allowance for expected credit losses has been recognised against Trade Debtors. The Board considers all financial instruments are recorded at fair value or amortised cost and are recoverable.	PRIP evaluated the fair value of financial instruments given the impact of Covid-19. The Loan Receivable to Collab Hospitality Limited has been impaired in full. An allowance for expected credit losses has been recognised against Trade Debtors. The Board considers all financial instruments are recorded at fair value and are recoverable.
Property, Plant and Equipment	10	Covid-19 has had significant impact on global supply availability. In light on the increasing price and demand for construction materials PRIP sought the services	Covid-19 has had significant impact on global supply availability. In light on the increasing price and demand for construction materials PRIP sought the services of an

	of an independent valuer to value the PPE. In the post Covid economy the regional demand for commercial land has dropped.	independent valuer to value the PPE. The Board has agreed that the movement in value of the buildings is significant to warrant revaluation.

Goods and Services Tax

These financial statements have been prepared exclusive of GST, except receivables and payables, which are GST inclusive. Where GST is not recoverable as an input tax, 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 the Receivables or Payables in the Statement of Financial Position.

Impairment Policies

At the end of each reporting period PRIP reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, PRIP estimates the recoverable amount of the cash generating unit to which the asset belongs.

Recoverable amount is the greater of market value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount.

For non-revalued assets, impairment losses are recognised as an expense immediately. For revalued assets, the impairment loss is treated as a revaluation decrease to the extent it reverses previous accumulated revaluation increments for that asset.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, subject to the restriction that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years.

A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase to the extent that any impairment losses on the same asset had been previously charged to equity.

Statement of Cash Flow Policies

Operating Activities include cash received from all PRIP's income sources and record the cash payments for the supply of goods and services.

Investing Activities are those activities relating to the acquisition and disposal of non-current assets.

Financial Activities comprise of activities that change PRIP's equity and debt capital structure.

Critical Accounting Estimates and Assumptions

In preparing these financial statements, the Airport has made estimates and assumptions concerning the future. These estimates and assumptions may differ from the actual results. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed reasonable under the circumstances. In the future, actual experience may differ from those estimates and assumptions.

Significant judgments, estimates and assumptions regarding the value of property, plant and equipment (refer Note 10), have been made by management in preparing these Financial Statements.

Specific Accounting Policies

Specific accounting policies are contained within the relevant notes.

3. Revenue

Accounting Policy

Revenue is measured at the fair value of the consideration received or receivable.

Exchange Revenue

Landing fees are fees charged to the users of the Airport's aeronautical facilities. Revenue from landing fees is recognised upon use of the runway. Lease receipts under an operating sub-lease are recognised as revenue on a straight-line basis over the lease term. Interest income is recognised using the effective interest method. Parking revenue is recognised when the parking ticket is paid. Boardroom hire is recognised at the time of hire. Prior to 30 June 2023 PRIP provided rent relief and forgave rents by tenants as a result of Covid-19 reducing the passenger numbers and hence the revenue generation of tenants operations. Rent relief is recognised on a straight line basis over the remaining term of the life, forgiven rents are recognised as a credit against rent revenues.

Non-Exchange Revenue

Non-exchange revenue consists of grants and subsidies. The grant revenue is recognised when the conditions attached to the grant have been complied with. Where there are unfulfilled conditions attached to the grant, the amounts relating to the unfulfilled conditions are recognised as liabilities and released to revenue as the conditions are fulfilled.

4. Expenses

Accounting Policy
All borrowing costs are recognised as an expense in the financial year in which they are incurred.

Interest expenses are accrued on a time basis using the effective interest method. During the year PRIP's, interest rates ranged between 3.77% and 4.42%. (2022: 2.83% and 4.11%)

Expenses	Notes	2023 ($)	2022 ($)
General and Operational Expenditure			
Rescue Fire Service Operations		976,734	865,447
Lease Property Maintenance		89,716	79,252
Directors Fees		176,000	175,788
Director Expenses		18,674	10,234
Overhead Charges (New Plymouth District Council)		51,317	54,544
Audit Fees - Audit New Zealand		48,357	40,065
Bank Fees		1,318	919
Impairment Loss Allowance		0	56,950
Bad Debts Written Off		1,078	44,244
Other Expenses		1,118,357	815,564
Total General and Operational Expenditure		**2,481,551**	**2,143,008**

	Notes	2023 ($)	2022 ($)
Interest Costs			
Interest Costs to Related Parties		624,388	581,746
Total Interest Costs		**624,388**	**581,746**

5. Income Tax Expense

Accounting Policy
Income tax expense is the aggregate of current period movements, in relation to current and deferred tax. Current tax is the amount of income tax payable, based on the taxable surplus for the current year, plus any adjustments to income tax payable in respect of prior years. The current tax is calculated using tax rates (and tax laws) that have been enacted or substantively enacted at balance date.

Deferred tax is the amount of income tax payable or recoverable in future periods, in relation to temporary differences and unused tax losses. Temporary differences are differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable surplus.

Deferred tax is measured at the tax rates that are expected to apply when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or

substantively enacted at balance date. The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the group expects to recover or settle the carrying amount of its assets and liabilities.

Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable surpluses will be available, against which the deductible temporary differences or tax losses can be utilised.

Current tax and deferred tax is recognised against the surplus or deficit for the period, except to the extent that it relates to transactions recognised in other comprehensive income or directly in equity.

Income Tax Expense	Notes	2023 ($)	2022 ($)
Surplus before tax		2,266,463	(998,975)
Income & Deferred Tax			
Tax at 28%		634,610	(279,713)
Permanent Differences		120,734	121,802
Prior Period Adjustment		0	0
Total Tax Expense		**755,343**	**(157,911)**
Components of Taxation Expenses (Benefits)			
Current Tax		41,553	0
Deferred Taxation		713,790	(157,911)
Total Components of Taxation Expenses (Benefits)		**755,343**	**(157,911)**

Deferred Taxation	Notes	2023 ($)	2022 ($)
Balance comprises temporary differences attributable to:			
Property, plant and equipment		(4,830,644)	(2,400,665)
Employee provisions		15,116	12,784
Other provisions		3,617	3,156
Tax Losses		0	619,791
Total Deferred Taxation		**(4,811,911)**	**(1,764,934)**
Movements			
Opening Balance		(1,764,934)	(152,440)
Charged to Profit or Loss		(713,788)	157,911
Charged to Equity		(2,333,189)	(1,770,405)
Closing Balance		**(4,811,911)**	**(1,764,934)**

6. Cash and Cash Equivalents

Accounting Policy

Cash and cash equivalents comprise of cash on hand and demand deposits, and other short-term highly liquid investments, that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. The carrying value of cash at bank and the carrying value of term deposits with maturities less than three months, approximates their fair value.

Although Cash and Cash Equivalents at 30 June 2023 are subject to the expected credit loss requirements of IPSAS 41 no loss allowance has been recognised as the amount is trivial.

Cash and Cash Equivalents	Notes	2023 ($)	2022 ($)
Cash at Bank		3,910,266	947,741
Total Cash and Cash Equivalents		**3,910,266**	**947,741**

7. Trade and Other Receivables

Accounting Policy

Short-term receivables are recorded at the amount due, less an allowance for credit losses. PRIP applies the simplified expected credit loss model of recognising lifetime expected credit losses for receivables. In measuring expected credit losses, short-term receivables have been assessed on a collective basis, by debtor type as they possess shared credit risk characteristics. They have been grouped based on the days past due.

Short-term receivables are written off when there are no reasonable expectations of recovery. Indicators that there is no reasonable expectations of recovery include the debtor being in liquidation or the receivable being more than one year overdue.

Previous Accounting Policy:

In the previous year the allowance for credit loss was based on the incurred credit loss model. An allowance for credit losses was recognised only when there was objective evidence that the amount would not be fully collected.

Trade and Other Receivables	Notes	2023 ($)	2022 ($)
Exchange Receivables			
Accounts Receivables		701,403	509,164
Less: Allowance for Credit Losses		(12,918)	(9,809)
Accrued Revenue		51,887	24,352
Other Receivables		0	0
Lease Receivables		0	0
Prepayments		10,765	9,850
Total Exchange Receivables		**751,136**	**533,557**
Total Trade and Other Receivables		**751,136**	**533,557**

The expected credit loss rates for receivables at 30 June 2023 are based on industry knowledge on the payment profile of revenue. The loss rates are adjusted for current and forward-looking macroeconomic factors that might affect the recoverability of receivables. Given the short period of credit risk exposure, the effect of macroeconomic factors is not considered significant. Credit losses as at 30 June 2023 are calculated based on the likelihood and impact of the credit risk exposure.

The ageing profile of receivables at year end is detailed:	Notes	2023 ($)	2022 ($)
Not Past Due		682,044	494,746
Past Due 1 - 30 Days		13,364	10,917
Past Due 31 - 60 Days		3,299	3,439
Past Due >60 Days		2,695	63
Total The ageing profile of receivables at year end is detailed:		**701,403**	**509,164**

8. Loan Receivables

Accounting Policy

Loans are included in current assets, except for maturities greater than 12 months after the balance date, which are included in non-current assets. Loans are initially recognised at cost, being fair value of the consideration received. Due to the length of the loans they are annually reviewed for impairment against the borrowers ability to service the loan and current market interest rates. If impairment is established it is recognised in other comprehensive revenue and expense statement.

Income earned from the borrowings is recognised as interest within the comprehensive statement of revenue and expenses as it is earned, not paid.

Significant Changes

In June 2022 PRIP impaired the entire loan to Collab under provision's allowed in PBE IPSAS 29 sections 68 (b) and (d). Section 68 requires PRIP to have objective evidence and data of impairment losses prior to recognising an impairment allowance, to ensure this requirement is met PRIP prepared an impairment assessment and sought advice from professional consultants.

With the transition from PBE IPSAS 29 to PBE IPSAS 41 the Company has reassessed the treatment of the Collab Loan, there is no difference in treatment, as such no adjustment is required.

9. Trade and Other Payables

Accounting Policy
Trade and other payables are measured at the amount payable.

Trade and Other Payables	Notes	2023 ($)	2022 ($)
Exchange Payables			
Trade Creditors		249,244	188,584
Contract Retentions		0	(19,480)
Accruals		62,228	55,959
Credit Cards		4,434	2,382
Income in Advance		0	0
Amounts Due to Related Parties		21,915	16,029
Interest Payable to NPDC		166,383	147,384
Total Exchange Payables		**504,204**	**390,858**
Total Trade and Other Payables		**504,204**	**390,858**

10. Plant, Property and Equipment

Accounting Policy
Property, plant, and equipment consists of the following asset classes: land, runway, taxiway and aprons, buildings, general infrastructure, furniture and fittings, airspresso chattels, IT equipment, artwork and work in progress.

Land is measured at fair value, and buildings are measured at fair value less accumulated depreciation and impairment losses. All other assets classes are measured at cost, less accumulated depreciation, and impairment losses.

Individual assets, or group of assets, are capitalised if their cost is greater than $1,000.

Significant Changes
There were no significant policy changes in 2023.

Revaluations
Land and buildings are revalued with sufficient regularity to ensure that the carrying amount does not differ materially from their fair value and at least every three years.

All other asset groups will be valued with sufficient regularity to ensure their carrying amount does not differ materially from fair value and at least every three years.

Revaluations of PPE will be accounted for on a class-of-asset basis.

The carrying values of revalued assets will be assessed annually to ensure they do not differ materially from the asset fair values. If there is a material difference, then asset classes will be revalued prior to the 3 yearly cycle.

Additions between valuations will be recorded at cost. Cost represents the fair value of the consideration given to acquire the assets, and the value of other directly attributable costs that have been incurred in bringing the assets to the location and condition necessary for their intended service.

Revaluation increments are credited to the asset revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised as an expense in comprehensive revenue and expense, in which case, the increase is credited to comprehensive income and expense to the extent of the decrease previously charged. A decrease in carrying amount arising on the revaluation is charged as an expense in comprehensive income and expense to the extent that it exceeds the balance, if any, held in the asset revaluation reserve relating to a previous revaluation of that asset. On disposal, the attributable revaluation surplus remaining in the revaluation reserve, net of any related deferred taxes, is transferred directly to retained earnings.

Additions

The cost of an item of property, plant, and equipment is recognised as an asset only when it is probable that future economic benefits or service potential associated with the item will flow to the PRIP and the cost of the item can be measured reliably. Work in progress is recognised at cost less impairment and is not depreciated.

In most instances, an item of property, plant and equipment is initially recognised at its cost. Where an asset is acquired through a non-exchange transaction, it is recognised at its fair value as at the date of acquisition.

Disposals

Gains and losses on disposals are determined by comparing the disposal proceeds with the carrying amount of the asset. Gains and losses on disposals are included in surplus or deficit. When a revalued asset is sold, the amount included in the property revaluation reserve in respect of the disposed asset is transferred to equity.

Subsequent Costs

Costs incurred subsequent to initial acquisition are capitalised if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to PRIP, and the cost of the item can be measured reliably.

Revaluation and Fair Value Assessments

PRIP engaged independent valuer Mike Drew, Director (BBS (VPM) ANZIV, MPINZ), Telfer Young Limited (registered valuers), to undertake the valuation of the following asset categories as at 30 June 2023.

- Buildings
- Runway Infrastructure
- Equipment and Furniture
- General Infrastructure
- Land
- Airspresso Assets
- Artwork
- IT Equipment

Valuation process and assumptions on buildings:

The majority of PRIP buildings are specialised buildings where there is no alternative or active market for the buildings.

Whether there is local availability of replacement construction resources, materials, labour.

Information from recent similar assets, published construction cost data and QV Costbuilder information.

Valuation process and assumptions of all asset categories, including buildings:

- Asset useful life was obtained by speaking with airport staff, alongside economic life.
- To calculate fair value componentisation was used, which acknowledges that assets may be made up of several components and that the economic life of material components within should be evaluated.
- Estimates on remaining useful life can be affected by local conditions, i.e weather patterns, air traffic growth.

Depreciation and Amortisation

Depreciation commences when the asset is ready for use, and is charged to comprehensive income and expense on all PPE other than work in progress (WIP) over their estimated useful lives, using the straight-line method (SL). The useful lives and estimated residual values are reviewed at each balance date and amended if necessary. The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset, and is recognised in comprehensive income and expense.

The useful lives and associated depreciation rates for each class of assets are as follows:

Asset Class	Useful Life
Airspresso Assets	Non-Depreciable - 14 years
Artwork	Non-Depreciable
Buildings	1 - 50 years
Furniture & Fittings	1 - 50 years
General Infrastructure	Non-Depreciable - 71 years
IT Equipment	2 - 5 years
Runway Sub-base	Non-Depreciable
Runway, Taxiway & Aprons	1.3 - 70 years

The residual value and the useful life of an asset are reviewed, and adjusted if applicable, at the end of each financial year.

When PPE is revalued, any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset. The net amount is restated to reflect the revaluation.

Estimates and Assumptions Applied in Determining the Value of PPE
Construction costs used for the calculations have been taken from reference to actual recent construction/maintenance contracts carried out at the Airport.

Asset lives have been determined based on their expected economic value and vary depending upon the nature and style of the asset involved. An asset's total life is the asset's age to date, plus its future economic life estimated.

Generally, depreciation has been undertaken on a straight-line approach, utilising the remaining life of the asset over its total estimated life. With componentisation, different useful lives have been placed on the various components found at the property, and this process also allows for refurbishment and upgrading that has been undertaken to the various components. Componentisation takes into account the varying economic lives that each component of an asset may have.

Estimates and Assumptions Regarding Finance Leased Assets
A finance lease is a lease that transfers to the lessee substantially all the risks and rewards incidental to ownership of an asset, whether or not title is eventually transferred.

The Airport leases land which is owned by the Council. In accordance with paragraph 28 of IPSAS 13, at the commencement of the lease term, the Airport recognises the land as an asset

in the statement of financial position at fair value with a corresponding credit to equity, as the transaction is effectively an in-substance equity contribution.

The lease term is the non-cancellable period for which the lessee has contracted to lease the asset (see Note 14), together with any further terms for which the lessee has the option to continue to lease the asset, with or without further payment, when at the inception of the lease it is reasonably certain that the lessee will exercise the option.

The land is owned by the Council, the Crown retains a 50% beneficial interest in the land and any proceeds if it were to be sold in the future. The land cannot be disposed of without prior consent from the Crown.

Papa Rererangi i Puketapu Limited has a renewable 99-year lease over this land at a peppercorn rental of $1 per year. The leasehold interest in the land was last valued as at 30 June 2023 by Telfer Young (Taranaki) Limited in accordance with 2023 International Valuation Standards (Fair value $16,034,015; 2022: $16,932,879).

10. Property, Plant and Equipment Note

Papa Rererangi i Puketapu Limited
For the year ended 30 June 2023

	OPENING COST	ADDITIONS	DISPOSALS	REVALUATION GAIN/(LOSS) (EXCLUDING DEPRECIATION REVERSED)	TRANSFERS	CLOSING COST	OPENING ACCUMULATED DEPRECIATION	DEPRECIATION	TRANSFERS	ACCUMULATED DEPRECIATION ON DISPOSAL	ACCUMULATED DEPRECIATION REVERSED ON REVALUATION	CLOSING ACCUMULATED DEPRECIATION	NET BOOK VALUE
Property Plant and Equipment June 2023													
Airspresso	650,000	-	-	60,921	-	710,921	23,059	13,192	-	-	(36,251)	-	710,921
Artwork	580,850	-	-	88,900	-	669,750	-	-	-	-	-	-	669,750
Buildings	33,097,367	195,000	(6,238)	3,391,128	-	36,677,257	-	1,018,319	-	-	(1,018,319)	-	36,677,257
Furniture and Fittings	1,741,286	4,808	(940)	(198,679)	-	1,546,475	276,007	136,060	-	-	(412,068)	-	1,546,475
General Infrastructure	9,141,120	-	(30,951)	1,055,701	-	10,165,870	676,211	380,967	-	-	(1,057,178)	-	10,165,870
IT Equipment	134,056	7,817	-	(73,627)	-	68,245	54,832	26,933	-	-	(81,765)	-	68,246
Land	16,932,879	-	-	(898,764)	-	16,034,115	-	-	-	-	-	-	16,034,115
Runway, Taxiways & Aprons	9,847,726	-	-	1,010,085	-	10,857,811	-	392,808	-	-	(392,808)	-	10,857,811
Work In Progress	32,035	1,033,337	-	-	-	1,065,367	-	-	-	-	-	-	1,065,367
Total Property Plant and Equipment June 2023	**72,157,319**	**1,240,962**	**(38,129)**	**4,435,665**	**-**	**77,795,811**	**1,030,109**	**1,968,279**	**-**	**-**	**(2,998,389)**	**-**	**77,795,812**

	OPENING COST	ADDITIONS	DISPOSALS	REVALUATION GAIN/(LOSS) (EXCLUDING DEPRECIATION REVERSED)	TRANSFERS	CLOSING COST	OPENING ACCUMULATED DEPRECIATION	DEPRECIATION	TRANSFERS	ACCUMULATED DEPRECIATION ON DISPOSAL	ACCUMULATED DEPRECIATION REVERSED ON REVALUATION	CLOSING ACCUMULATED DEPRECIATION	NET BOOK VALUE
Property Plant and Equipment June 2022													
Airspresso	650,000	-	-	-	-	650,000	9,867	13,192	-	-	-	23,059	626,941
Artwork	580,850	-	-	-	-	580,850	-	-	-	-	-	-	580,850
Buildings	29,575,861	-	-	3,536,845	(15,339)	33,097,367	866,988	887,037	(3,704)	-	(1,750,321)	-	33,097,367
Furniture and Fittings	1,705,058	23,026	-	-	13,202	1,741,286	139,459	134,981	1,567	-	-	276,007	1,465,279
General Infrastructure	9,064,284	76,836	-	-	-	9,141,120	302,628	373,583	-	-	-	676,211	8,464,908
IT Equipment	131,919	-	-	-	2,137	134,056	26,312	26,384	2,137	-	-	54,832	79,223
Land	16,207,879	-	-	725,000	-	16,932,879	-	-	-	-	-	-	16,932,879
Runway, Taxiways & Aprons	9,508,855	-	-	338,872	-	9,847,726	410,775	286,062	-	-	(696,837)	-	9,847,726
Work In Progress	18,888	13,147	-	-	-	32,035	-	-	-	-	-	-	32,035
Total Property Plant and Equipment June 2022	**67,443,594**	**113,009**	**-**	**4,600,716**	**-**	**72,157,319**	**1,756,029**	**1,721,238**	**-**	**-**	**(2,447,158)**	**1,030,109**	**71,127,208**

11. Capital Commitments

PRIP are committed to purchasing a Rosenbauer 6x6 ARFF Fire Fighting Appliance from Rosenbauer Australia Pty Limited. The contracted price is $1,604,596. PRIP have paid a deposit of $320,919 prior to 30 June 2023. The expected delivery date is the 4th quarter of 2024. (2022: Nil).

12. Borrowings

Borrowings are initially recognised at cost, being the fair value of the consideration received net of issue costs (if any) associated with the borrowing and subsequently measured at amortised cost using the effective interest rate method. Amortised cost is calculated taking into account any issue costs and any discount or premium on drawdown.

All borrowing costs are recognised in comprehensive income and expense in the period in which they are incurred.

At inception of the Company, the Council made available to it a non-current loan facility and current loan facility. An initial non-current loan was advanced to PRIP in order to cover the transfer price of the assets purchased from the Council (refer Note 14). Current loan advances have been made during the year for the terminal redevelopment project.

There is a revision to the agreement between New Plymouth District Council and PRIP. From the 2023 year there is no minimum repayments of principal required until the expiry date of the loan (30/9/2037). The total loan balance therefore has been reclassified as non current if more than 12 months out from the facility expiry date.

The interest rate on the loan has been set at the Council's cost of funds plus 0.15% per annum, currently 4.42% (2022: 4.11% on non current portion and 3.21% on current portion).

Borrowings	Notes	2023 ($)	2022 ($)
Secured Loans from New Plymouth District Council at Amortised Cost as classified			
Current		0	3,295,927
Non-Current		15,095,927	11,800,000
Total Trade and Other Payables		**15,095,927**	**15,095,927**

13. Employee Benefit Expenses

Accounting Policy

Employee benefits expected to be settled within 12 months of balance date are measured at nominal values, based on accrued entitlements, at current rates of pay. These include salaries and wages accrued up to balance date and annual leave earned to, but not yet taken, at balance date.

One non-director employee received remuneration and benefits over $100,000 during the year.

Employee Benefit Expenses	Notes	2023 ($)	2022 ($)
Salaries and Wages Accrued		21,644	20,406
Provision for Annual Leave		53,987	45,657
Total Employee Benefit Expenses		**75,631**	**66,064**

14. Related Parties

As the sole shareholder of PRIP, the Council is deemed to be a related party of the Airport.

On 3 July 2017, the Airport entered into an agreement with the Council to transfer its interest in the assets of the New Plymouth Airport to the Company. The agreed transfer price was $15,312,000. The Airport satisfied the transfer price by:

- Issue of 13,000,000 Ordinary Shares at $1 each for $13,000,000
- A secured loan from New Plymouth District Council $2,312,000

In addition to the assets, the Council also leased the Airport land to PRIP under a lease agreement for 99 years at a nominal consideration of $1 per year and with no rights of renewal.

No debts between the parties were written off or forgiven and no transactions between the parties took place at nil or nominal value.

NPDC provides services to PRIP per SLA agreements. These have not been altered during this financial year and are invoiced out periodically. NPDC have invoiced PRIP $199,483.00 excluding interest on loans and charges to NPDC from PRIP $3,000, both net GST.

Transactions Occurred Between NPDC and PRIP	Notes	2023 ($)	2022 ($)
Charges to PRIP by the Council			
Goods and Services provided by NPDC		199,483	188,401
Advance Provided by NPDC		0	0
Interest Paid to NPDC		624,388	581,746
Total Charges to PRIP by the Council		**823,871**	**770,147**

	Notes	2023 ($)	2022 ($)
Charges by PRIP to NPDC			
Services Paid during the year		0	0
Car Parking		3,000	3,000
Terminal Lease		0	0
Total Charges by PRIP to NPDC		**3,000**	**3,000**

	Notes	2023 ($)	2022 ($)
Balances Remaining Payable to NPDC at Balance Date			
Borrowings		15,095,927	15,095,927
Interest Payable			147,384
Outstanding Invoices		21,915	16,029
Total Balances Remaining Payable to NPDC at Balance Date		**15,284,225**	**15,259,340**

Other related Party Disclosures

Directors are considered to be related parties of PRIP as they have a considerable amount of control over the governance of the entity.

15. Share Capital

Share capital for the year of $49,138,485 (2022: $49,138,485) comprises 13,000,000 fully paid ordinary shares issued in 2017, plus the 22,000,000 ordinary shares issued in 2020 and $14,138,485 relating to the financial lease of the land. Fully paid ordinary shares carry one vote per share and carry the right to dividends.

PRIP paid no dividends in the 2023 financial year. (2022: nil)

16. Operating Lease Commitments - PRIP as Lessor

Accounting Policy

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

Lease Arrangements

Operating commitments as a lessor includes leases that the Airport has with lessee's. These commitments cannot be cancelled until the end of the lease. The lessee may sell their lease to a third party, but PRIP must approve of the transaction. Many leases contain rights of renewal, however these are not guaranteed to be taken up.

Operating Lease Commitments - PRIP as Lessor	Notes	2023 ($)	2022 ($)
Non-cancellable Operating Lease Receivables			
No longer than 1 year		705,561	589,598
Longer than 1 year and not longer than 5 years		1,876,514	1,481,618
Longer than 5 years		3,042,333	2,164,231
Total Charges to PRIP by the Council		**5,624,408**	**4,235,447**

17. Key Management Personnel

Directors
In November 2020, PRIP management were advised by NPDC that the tenure of the four current directors would be extended to ensure continuity in the current environment and create the ability to rotate two directors every 18 months.

Chief Executive Officer and Airport Operations Manager
Key management personnel includes the Chief Executive Officer and Safety and Operations Manager and Directors.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, including the Board of Directors, Chief Executive Officer and Airport Operations/Safety Manager.

At balance date, the Airport employed 9.3 full-time equivalent employees (FTE). (2022: 6.3).

Key Management Personnel Compensation	Notes	2023 ($)	2022 ($)
Senior Management Team			
Senior Management Team Remuneration		343,170	313,836
Total Senior Management Team		**343,170**	**313,836**

	Notes	2023 ($)	2022 ($)
Directors			
Directors Remuneration		176,000	175,788
Total Directors		**176,000**	**175,788**
Total Key Management Personnel Compensation		**519,170**	**489,624**

Key Personnel Full Time Equivalents	Notes	2023 ($)	2022 ($)
Senior Management Team		2	2
Directors		1	1
Total Senior Management Team		**3**	**3**

18. Financial Instruments – Assets and Liabilities

As at 30 June 2023 the Company has adopted PBE IPSAS 41. In accordance with the transitional provisions in PBE IPSAS 41, the Company has elected not to restate the comparative information. The comparative information continues to be reported under PBE IPSAS 29. There have been no adjustments arising from the adoption of PBE IPSAS 41 at 1 July 2022 (the date of initial applications).

On the date of initial application of PBE IPSAS 41, the classification and carrying amounts of financial assets under PBE IPSAS 41 and PBE IPSAS 29 is outlined in the tables below.

The accounting policies for the year ended 30 June 2023 have been updated to comply with PBE IPSAS 41. The main changes to PRIP's accounting policies are:

Note 6 – Cash and Cash Equivalents - This policy has been updated to reflect that Cash and Cash Equivalents are subject to expected credit loss impairment.

Note 7 – Receivables – This policy has been updated to reflect that the impairment of short-term receivables is now determined by applying the simplified expected credit loss model.

Financial instrument	Previous classification (IPSAS 29)	New classification (IPSAS 41)	30 June 2023 PBE IPSAS 29 $	30 June 2023 PBE IPSAS 41 $	Adoption adjustment $
Assets					
Cash and cash equivalents	Loans and receivables	Amortised cost	3,910,266	3,910,266	0
Debtors and other receivables	Loans and receivables	Amortised cost	751,136	751,136	0
			4,661,402	**4,661,402**	**0**
Liabilities					
Creditors and other payables	Amortised cost	Amortised cost	-504,204	-504,204	0
Related party loans	Amortised cost	Amortised cost	-15,095,927	-15,095,927	0
			-15,600,131	**-15,600,131**	**0**

19. Contingent Assets and Contingent Liabilities

PRIP had no contingent assets or liabilities at 30 June 2023 (2022 - Nil)

20. Events After the Balance Sheet Date

There are no significant events after balance date 30 June 2023 (2022 - Nil)

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

Independent Auditor's Report

To the readers of Papa Rererangi i Puketapu Limited's financial statements and performance information for the year ended 30 June 2023

The Auditor-General is the auditor of Papa Rererangi i Puketapu Limited (the Company). The Auditor-General has appointed me, Debbie Perera, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements and performance information of the Company on his behalf.

Opinion

We have audited:

- the financial statements of the Company on pages 9 to 34, that comprise the statement of financial position as at 30 June 2023, the statement of comprehensive revenue and expense, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information; and
- the performance information of the Company on pages 6 to 8.

In our opinion:

- the financial statements of the Company on pages 9 to 34:
    - present fairly, in all material respects:
        - its financial position as at 30 June 2023; and
        - its financial performance and cash flows for the year then ended; and
    - comply with generally accepted accounting practice in New Zealand in accordance with the Public Benefit Entity Standards Reduced Disclosure Regime; and
- the performance information of the Company on pages 6 to 8 presents fairly, in all material respects, the Company's actual performance compared against the performance targets and other measures by which performance was judged in relation to the Company's objectives for the year ended 30 June 2023.

Our audit was completed on 2 October 2023. This is the date at which our opinion is expressed.

The basis for our opinion is explained below. In addition, we outline the responsibilities of the Board of Directors and our responsibilities relating to the financial statements and the performance information, we comment on other information, and we explain our independence.

Basis for our opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the Responsibilities of the auditor section of our report.

We have fulfilled our responsibilities in accordance with the Auditor-General's Auditing Standards.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Board of Directors for the financial statements and the performance information

The Board of Directors is responsible on behalf of the Company for preparing financial statements and performance information that are fairly presented and that comply with generally accepted accounting practice in New Zealand.

The Board of Directors is responsible for such internal control as it determines is necessary to enable it to prepare financial statements and performance information that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements and the performance information, the Board of Directors is responsible on behalf of the Company for assessing the Company's ability to continue as a going concern. The Board of Directors is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless the Board of Directors intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors' responsibilities arise from the Local Government Act 2002.

Responsibilities of the auditor for the audit of the financial statements and the performance information

Our objectives are to obtain reasonable assurance about whether the financial statements and the performance information, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit carried out in accordance with the Auditor-General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures, and can arise from fraud or error. Misstatements are considered material if, individually or in the

aggregate, they could reasonably be expected to influence the decisions of readers, taken on the basis of these financial statements and the performance information.

For the budget information reported in the financial statements and the performance information, our procedures were limited to checking that the information agreed to the Company's statement of intent.

We did not evaluate the security and controls over the electronic publication of the financial statements and the performance information.

As part of an audit in accordance with the Auditor-General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. Also:

- We identify and assess the risks of material misstatement of the financial statements and the performance information, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.

- We evaluate the appropriateness of the reported performance information within the Company's framework for reporting its performance.

- We conclude on the appropriateness of the use of the going concern basis of accounting by the Board of Directors and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists we are required to draw attention in our auditor's report to the related disclosures in the financial statements and the performance information or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- We evaluate the overall presentation, structure and content of the financial statements and the performance information, including the disclosures, and whether the financial statements and the performance information represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Our responsibilities arise from the Public Audit Act 2001.

Other Information

The Board of Directors is responsible for the other information. The other information comprises the information included on pages 1 to 5, but does not include the financial statements and the performance information, and our auditor's report thereon.

Our opinion on the financial statements and the performance information does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the financial statements and the performance information, our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the financial statements and the performance information or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on our work, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Independence

We are independent of the Company in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1: International Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board.

Other than the audit, we have no relationship with, or interests in, the Company.



Debbie Perera
Audit New Zealand
On behalf of the Auditor-General
Palmerston North, New Zealand



Annual Report 2023

venture TARANAKI
Te Puna Umanga

An initiative of

Te Kaunihera-ā-Rohe o Ngāmotu
New Plymouth District Council

Venture Taranaki Trust is the Regional Development Agency for Taranaki. We help Taranaki prosper.

Venture Taranaki is an initiative founded, owned and principally funded by the New Plymouth District Council. In addition to their support, the Trust also receives funding from South Taranaki District Council, Stratford District Council, Taranaki Regional Council, Toi Foundation, New Zealand Trade and Enterprise, Ministry of Business, Innovation and Employment, and Ministry of Primary Industries.



Design: C7 Design, Taranaki

Contents

A message from our Chair	2
A message from our CE	4
Meet the team	5
Intervention logic	6
Venture Taranaki 2022/23 by the numbers	8
Visitor Futures	9
Destination	13
Awards and Accolades	16
Enterprise Support	17
PowerUp	18
Branching Out	20
Offshore Wind Forum	22
Food and Fibre	23
Talent and International Education	24
Māori Partnerships	25
Regional Intelligence	26
Performance 2022-2023	28
Audit Report	28
Trustees' Review	30
Statement of Financial Position	31
Statement of Comprehensive Revenue and Expenses	32
Statement of Changes in Equity	33
Statement of Cash Flows	34
Notes to the Financial Statements	35
About Venture Taranaki	52
Changes to the Performance Framework	53
Trust Directory	57
Contact Information	58



A message from our Chair



Ehara taku toa I te toa takitahi, engari he toa takitini

'My success is not mine alone, but it is the strength of many.'

As I reflect on the last year, it is evident the Te Puna Umanga Venture Taranaki team continues to elevate the region through its many strands of work that connect back to the region's long-term vision for a resilient, high-value and low-emissions future. The team has driven forward transformational projects while upholding a strategic lens across the region to identify challenges, assess global and national impacts, and enable emerging opportunities. The whakatauki I start with reflects on the team's strength over the past year but also the strengths of the wider community and our partnerships that allow us to support a thriving Taranaki.

2022/23 has been a year of many successes and a time of stabilising and resetting as our freshly pointed CE, Kelvin Wright, and four new Board members took on their roles and orientated themselves to the culture and values of Te Puna Umanga. The new CE and Board members marked a new chapter in our journey, and they have bought their blended skills and experiences along with fresh perspectives to invigorate our mission and, through understanding our strategic vision, have ensured we continued our path towards future success.

In November 2022, we also welcomed Stacey Hitchcock to the team as the new GM Investment/Deputy Chief Executive. Stacey's appointment completed the renewed Executive Leadership Team, including Kelvin Wright, Chief Executive; Brylee Flutey, GM Destination; and Jennifer Patterson, GM Economic Development. The Executive Leadership Team and the organisation gained clarity on our strategic focus as a catalyst for the future prosperity of the region.

Another noteworthy change during the year was Venture Taranaki settling into its new home in the heart of the CBD. I commend the team for their continued adaptability and for keeping projects moving forward, as shifting a whole office space is no easy feat, and it happened with little to no disruption to operations or our service to clients.

The team navigated and responded to changing economic conditions to support our business community, as pressure points were felt from the rising cost of living, inflation, increased costs of materials and a restricted labour supply. Positively, the year saw a staggering increase in visitor numbers and spend with the sector bouncing back to pre-COVID levels. Alongside this, we hit a significant milestone with the completion of the government-funded Visitor Futures programme. This 3-year investment enabled significant developments in the visitor space, including new drive journeys like the Coastal Arts Trail and future-focused product developments like the Trip-to app.

Branching Out, a long-term strategic project for Taranaki, secured a substantial funding boost to progress its second phase, including growing trials that will take place over the next three years. The funding boost signals that local and central government and regional partners see the project's huge potential for Taranaki and New Zealand's food and fibre sector by adding to Aotearoa's export earnings and job creation over the next decade and ensuring a thriving and resilient regional economy.

As core sectoral work was completed and progressed, including the delivery of a third Offshore Renewable Energy Forum in partnership with Ara Ake, Venture Taranaki was acknowledged by its national peers at the Economic Development New Zealand annual awards. The team retained our award-winning standards and took out two categories: Best Practice for Innovation for the PowerUp programme and Best Practice for Primary Research for Branching Out. Additionally, The Coastal Arts Trail was recognised with a commendation for Best Practice Collaboration with our counterparts from Whanganui and Manawatū.

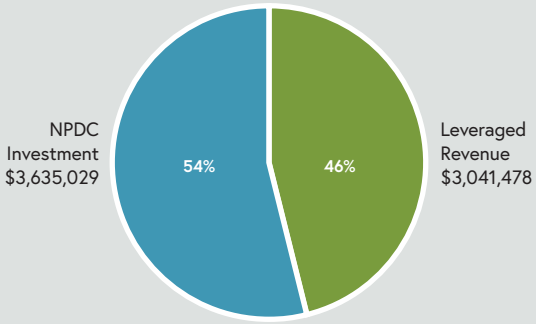
Excellent work Venture Taranaki team, and well done on another year full of hard work to achieve outstanding regional outcomes.

Looking ahead, we acknowledge the forthcoming changes and challenges, including an upcoming election, tighter regulations, and a commitment to emissions reduction. As the Regional Development Agency, we embrace these significant environmental factors, including integrating new and emerging technologies, notably advancements in AI. With our determination, adaptability, and collaborative approach, I look forward to the year ahead, where the team will continue to demonstrate regional leadership and advance our strategic priorities for a thriving Taranaki for all.

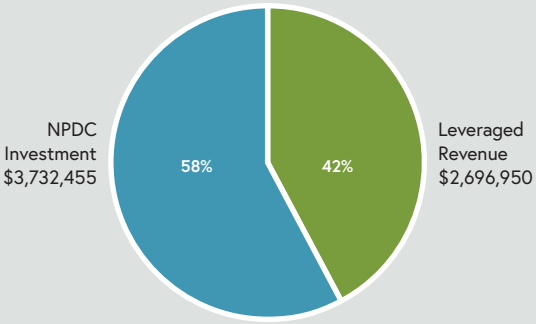
DR JOANNA BREARE
Board Chair
Te Puna Umanga Venture Taranaki Trust

Venture Taranaki revenue 2022/23

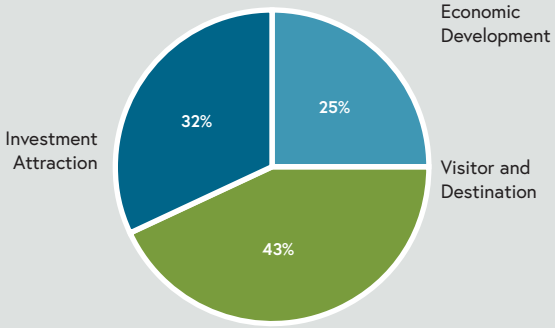
2022-2023 Year Actual



2022 - 2023 Year Budgeted



2022/23 Year Investment of Effort Across the Impact Strategy



New Plymouth District Council (NPDC) revenue includes core funding, which is fully allocated during the financial year, and ring-fenced funding, including the Major Event Fund, Branching Out, and the emergent opportunities fund. Ring-fenced funding is deferred to the next financial year unless it is spent on specific project objectives. The variation in leveraged revenue is accounted for by the fact that it is comprised of externally funded programmes where timelines may vary significantly from the budget. Externally funded programmes include MBIE's Strategic Tourism Assets Protection Programme (STAPP) for the Visitor Futures programme, MBIE's Digital Boost scheme, and Ministry for Primary Industries Sustainable Food and Fibre Futures Fund for Branching Out.

A message from our CE



Manaaki whenua, Manaaki tangata, Haere whakamua — care for the land, care for the people, go forward

Throughout the year our coordinated and strategic approach focused on energy transition, food and fibre transition, catalysing hi-tech innovation, and visitor futures and destination development. We firmly believe these areas are where we can make the most impact for a prosperous and thriving Taranaki.

This year presented significant change and disruption as we navigated extreme weather events, wider global unrest, supply chain disruptions, and the emergence of new technologies. Te Puna Umanga Venture Taranaki strives to lead regional efforts to transform this dynamic backdrop into growth opportunities for the region and we actively explored ways to leverage potential disruptors to our advantage during our most recent Economic Insights event.

We have now settled into our new office premises at 50 Devon Street West, New Plymouth, which we share with our partners at NZTE. Our move reflects a strategic decision as a result of these tougher economic times, to reduce our operational overhead to ensure we can maximise operational spend on projects to support the region, and to position ourselves in a central and more visible area. We have increased our visibility in South Taranaki too, with a permanent space set up at Te W'anake The Foundry in Hāwera town centre, where our Enterprise Advisors are enjoying being based once per week, along with holding monthly startup clinics.

While tighter economic conditions have been challenging, we have also had many fantastic milestones to celebrate too.

Our journey in Te Ao Māori holds immense significance, and we have undertaken efforts to build our 'why' through immersive experiences, cultural practices, and storytelling. These endeavors have facilitated exploration and understanding of the world through a Te Ao Māori lens for our team. We are on the verge of visually presenting our narrative through Toi Māori, coinciding well with the rollout of our new core strategies and values, which will underpin our direction in the Te Ao Māori space. This framework of competencies, practices, and resources will establish us as a trusted and valued partner, fostering positive outcomes for Māori.

This year marked a pivotal achievement in our Branching Out, food and fibre diversification project. Now in its exciting second phase, Branching Out aims to leverage our region's strengths, such as a suitable climate and whenua, and the expertise of our engaged community. We kicked off the project's growing trials in June with the planting of the first crop, garlic, setting the stage for a promising journey ahead.

Power Up launched its inaugural Business Ready programme to great success, with thirteen innovative thinkers building their business capability and connections over six-weeks. Now into its third year, Power Up continues to be a great initiative to foster a connected eco-system and ensure startups are equipped with comprehensive resources, skills, and mentorship to achieve success.

Fostering entrepreneurship and innovation is key to attracting and retaining talent and driving economic growth for the region, particularly through these uncertain times. Our range of enterprise support services aim to achieve this, from mentor matching to our highly in-demand startup clinics, and the trial of our new investment clinic.

We are thrilled to see how vibrant the region has been throughout 2022 and 2023 with a captivating line-up of enriching events. Events are a major driver of visitation for the region and we are proud to support many of these through the Major Events Fund, as they not only highlight local talent but contribute significantly to our regional economy as visitors stay to dine, shop, and experience all that Taranaki has to offer.

Promoting Taranaki as a top year-round destination remains a priority for us. Our regional promotions include the successful launch of a new nationwide 'Fill Your Cup' visitor campaign to showcase our amazing region and inspire visitors year-round. Great steps have been taken in the Destination Development space, from an Agritourism workshop for landowners, to the development of a Cruise Strategy with Port Taranaki to capitalise on the high-value cruise industry.

I look forward to progressing the many exciting developments that are underway for Taranaki. Ngā mihi nui to the tīma at Te Puna Umanga for their collective efforts and passion to grow our region.

KELVIN WRIGHT
Tumu Whakarae Chief Executive
Te Puna Umanga Venture Taranaki Trust

Meet the team

The 2022/23 financial year saw many changes for the team, including Stacey Hitchcock as the new GM Investment/Deputy Chief Executive. Stacey brings with her 20 years of leadership, governance and strong strategic partnership experience that is already positively impacting the organisation and region. Along with Stacey, a number of other significant appointments were made. Meet our new team members.



STACEY HITCHCOCK

Stacey Joins as the Deputy CE and GM Investment.



RONELBA BLANCO

Ronelba joins the Economic Development team as an Enterprise Advisor.



SEAN MARKHAM

Sean joins the Investment team as a Talent Advisor.



MELISSA DEVINE

Melissa joins the Destination team as a Visitor and Events Adviser.



HOLLY COLLINS

Holly joins the Destination team as a Communications and Marketing Adviser.



NINA STAIRMAND

Nina joins Venture Taranaki as an Executive Officer.



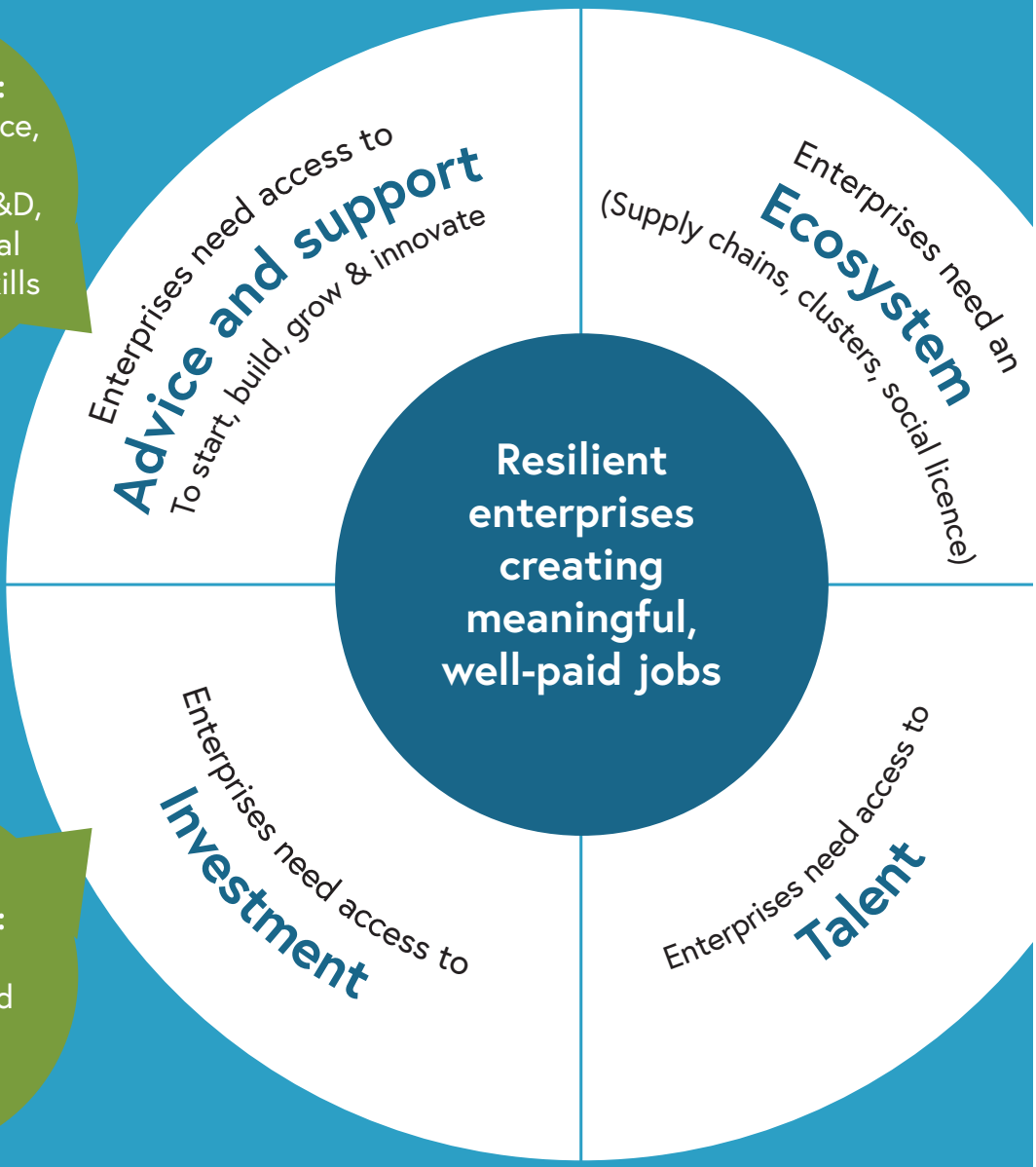
VANESA MARTIN

Vanesa joins the Investment team as an Agronomist to support the Branching Out project.

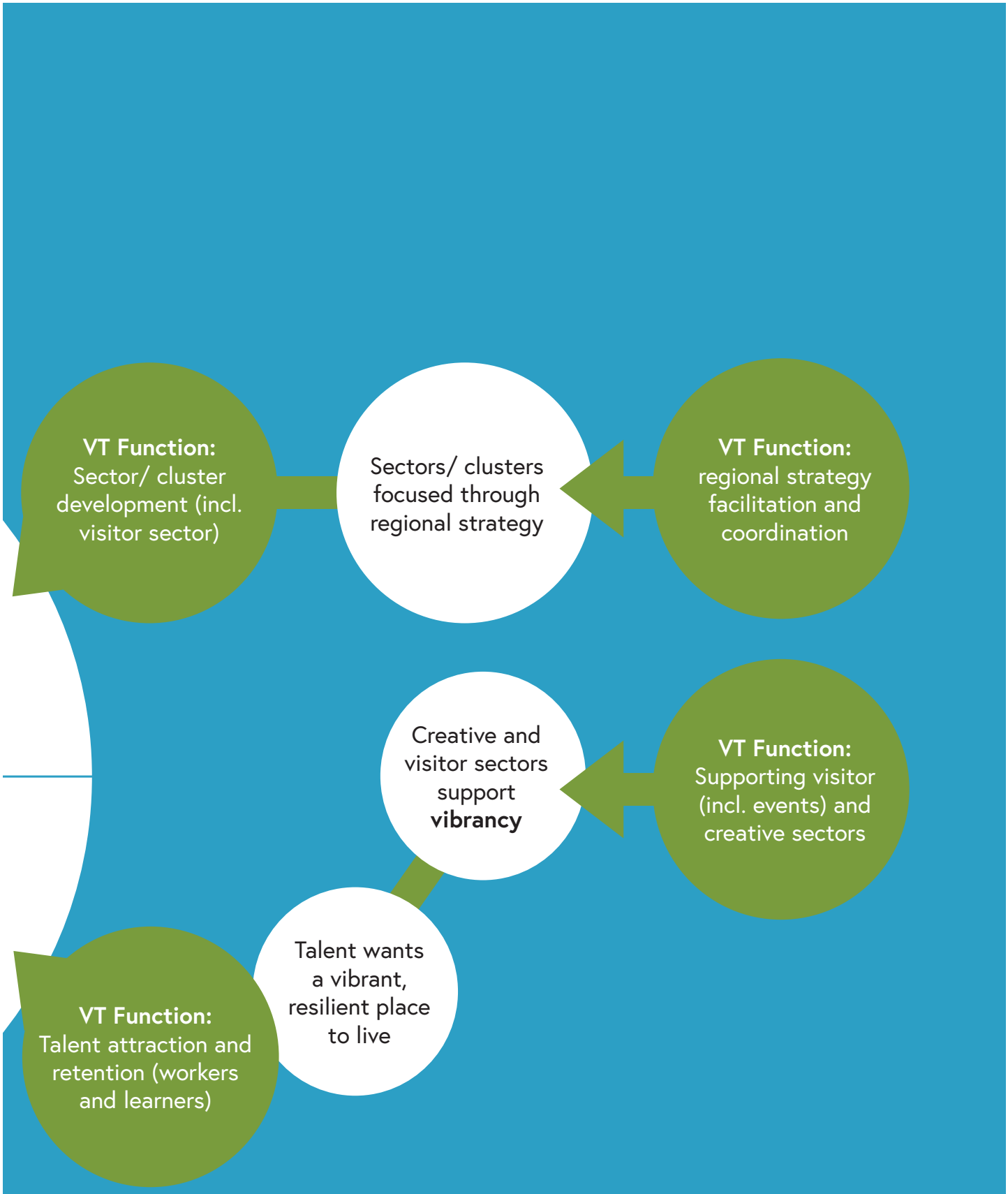
Intervention logic

Why Venture Taranaki undertakes or selects the activities it does

VT Function:
Enterprise advice, mentoring, connections, R&D, entrepreneurial mindset and skills



VT Function:
Investment attraction and matching


VT Function:
Sector/ cluster development (incl. visitor sector)
Sectors/ clusters focused through regional strategy
VT Function:
regional strategy facilitation and coordination
Creative and visitor sectors support vibrancy
VT Function:
Supporting visitor (incl. events) and creative sectors
Talent wants a vibrant, resilient place to live
VT Function:
Talent attraction and retention (workers and learners)

Venture Taranaki 2022/23 by the numbers



REGIONAL BUSINESS PARTNER (RBP) CAPABILITY DEVELOPMENT FUNDS ISSUED

$331,055



VALUE OF R&D GRANTS ISSUED TO TARANAKI ENTERPRISES

$493,195



FUNDING RECEIVED FOLLOWING A VT CONNECTION OR REFERRAL

$426,087



NUMBER OF STARTUP CLIENTS

290

NET PROMOTOR SCORE

41.7





BUSINESS MENTOR MATCHES

47

MAJOR EVENTS CONTRACTED

20





CLIENT SATISFACTION SURVEY

87%

SATISFACTION

NUMBER OF CLIENT INTERACTIONS

7,583





Visitor Futures

Pouakai Tarn walk

In 2020 Te Puna Umanga was funded through MBIE and the Strategic Tourism Assets Protection Programme (STAPP) to support and develop a regional approach to Destination Management as well as regional tourism recovery with borders closed and domestic tourism slowed due to lockdowns and other Covid-19 restrictions.

This funding enabled the region to come together to develop a strategic vision and action plan for tourism in Taranaki, as well as being able to step-back and look at macro mega-trends, applying a design-thinking lens to identify product development opportunity and visitor potential in region.

In June 2023 all of the activities within the Visitor Futures investment plan were completed and delivered, resulting in the delivery of multiple significant initiatives and activities that have supported our regional recovery, and that will continue to bring significant clarity of direction, as well as economic benefit, including jobs, and investment ongoing.

Over a period of three years, more than ten product development initiatives have been supported and explored, including Taranaki Food Bags, the Taste of Taranaki pop-up in Eltham, Trip-to Taranaki, Historical Walk Virtual Reality experience prototype, Māori tourism experience development and business plan, Accessible tourism framework, and more.

Alongside this, the project delivered our region's Destination Management Plan, capability and learning and development for our tourism operators and businesses including cultural workshops, Agri-tourism cluster development and programme delivery in partnership with Agri-tourism NZ, a sustainability programme in partnership with Sustainable Business Network, and support for pricing and packaging.

Destination Management Plan

"The Taranaki visitor sector holds untapped potential to not only help diversify our economy, but share our environmental mahi (work) and our rich and significant histories."

The completion of the *Destination Management Plan Overview* in December 2022 marked a significant milestone for the Visitor Futures Programme. The plan provides an overview of Taranaki's approach to Destination Management, articulating a regional vision for destination development, and identifying the actions required to support and deliver to the destination vision in the future.

The Destination Management Plan Overview takes a bespoke regional approach, providing a consolidated view of its parent documents, Tapuae Roa, and Taranaki 2050, which form the strategic basis for the identified destination direction, with additional post-covid context applied. The identified actions fall under six pou (pillars) or categories, including Regional Positioning, branding, marketing and promotions; Leadership and Collaboration; Experience and product development; Capability and collaboration; Capability and development; Environmental stewardship; and Access, amenities, services, and infrastructure. These pou and the various actions defined within will help to form the basis of our Taranaki destination activity ongoing, with impacts, outcomes, and indicators being tracked and measured over time.



Visitor Futures

Vallery, the world's first gallery camper

Drive journey development

COASTAL ARTS TRAIL

A partnership between Venture Taranaki, Whanganui & Partners, and Central Economic Development Agency (CEDA), the Coastal Arts Trail brings together three regions that share a depth of artistic and cultural assets. The trail is the biggest of its kind in New Zealand, featuring over 60 stops across the lower west coast of the North Island, including more than 30 stops along the Taranaki coastline and within the region.

The trail has been a long time in the making, however with support from the Strategic Tourism Asset Protection Programme the three regions were able to develop and launch this innovative new visitor product on 3 August 2023.

The trail celebrates the creative pulse of the northern west coast, and the many vibrant and unique artists, galleries, and studios found along the way. Since its launch, the trail has been heavily promoted, including the development of 'Vallery', the world's first gallery camper, that was launched in partnership with Quirky Campers to drive awareness of the trail. At launch, the campaign reached over 6 million people both internationally and domestically, and the site has been viewed more than 35,000 times.

In recognition of the collaboration between all three regions, the Coastal Arts Trail was also awarded as 'highly commended' at the 2022 Economic Development New Zealand (EDNZ) awards, for Best Practice for Collaboration.



Coastal Arts Trail map, Taranaki

THE WAIKATO TO TARANAKI WAY

In partnership with Hamilton and Waikato Tourism, the Waikato to Taranaki Way was launched in December 2022 in time for the peak season, and to capitalise on the flow of visitors coming through Hamilton and Waikato.

The journey celebrates the many existing natural attractions and experiences along the way, from a hot water beach experience at Kāwhia, to Waitomo Caves, and Tongapōrutu and the unforgettable Three Sisters rock formation.

Industry capability

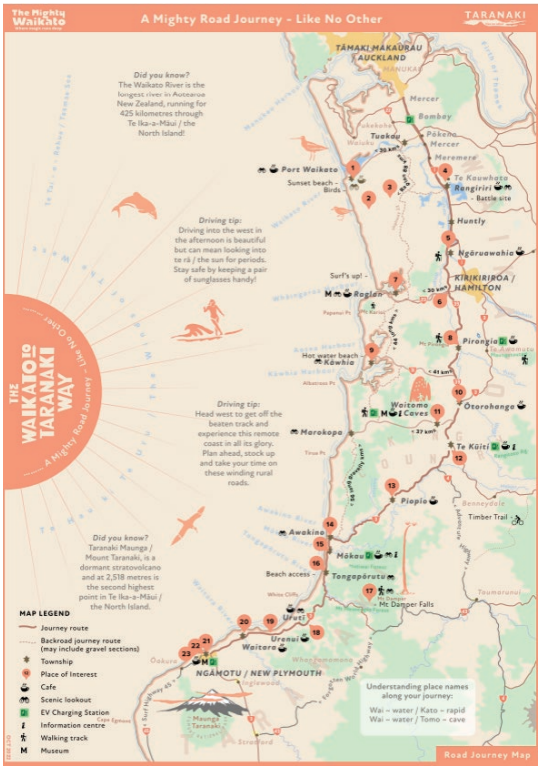
Industry capability and learning and development was identified as a critical component of Visitor Futures, underpinning a thriving and vibrant visitor sector.

AGRITOURISM ACCELERATOR

Te Puna Umanga/Venture Taranaki had the opportunity to partner with Agritourism NZ to deliver a 6-month Agritourism accelerator programme. The programme aims to cluster those in the region with an interest in agritourism and on-farm diversification through tourism.

The programme kicked off in April with a full-day in-person interactive strategic planning day, with a cohort of 14 regional representatives. Following this, the cohort have been taken through five monthly in-depth webinars that cover a range of critical topics, including pricing and packaging, health and safety, marketing and promotions, and Agritourism product development which looks at assessing the existing farm for agrotourism opportunity.

With a strong existing rural presence in Taranaki, Agritourism represents an exciting potential opportunity for those with whenua (land) to explore pathways for land diversification and additional revenue streams, and this cluster will look to support the development of further agritourism opportunity and development in Taranaki within a global market that is estimated to reach 10.7 billion USD in 2028 (Global Agritourism Market Size, Share & Industry Trends Analysis Report By Activity).



The Waikato to Taranaki Way map design

PRICING AND PACKAGING

Knowing how to price a tourism product continues to be a challenge for many tourism operators nation-wide, and our operators in Taranaki are no different. With the international market coming back online it was identified that our operators were needing additonal support and the chance to think strategically around pricing and packaging in a post-covid world to support long-term financial sustainability.

Partnering with TRC (Tourism Recreation Conservation) on 16 May Venture Taranaki supported the delivery of a half-day pricing and packaging workshop, focusing on sustainable pricing and operator collaboration to package and sell experiences. Attended by 15 operators, the facilitators also stepped the group through how they could work within the existing Taranaki Destination proposition to align with and add value to the destination experience, as well as providing an overview of how to work with third-party sellers and trade agents to promote and sell their products.

With tourism-trade activity rebounding strongly as international market comes back online and as international travellers look for further security when travelling in a post-covid environment this partnership presented a timely and valuable exercise for our operators and tourism professionals.



Pricing and packaging workshop attendees

Visitor Futures



Cruise workshop with stakeholders and enablers



Family fun at Hollard Gardens

CRUISE INDUSTRY DEVELOPMENT

With strong forecast growth in the cruise sector, significant untapped capacity in Port Taranaki and a desire to provide more consistent commercial robustness and potential for operators, Venture Taranaki identified an opportunity to sustainably boost tourism in the Taranaki region through a coordinated and aligned approach to cruise in Taranaki.

This involved the development of a regional Cruise strategy in Partnership with Port Taranaki and the clustering of key stakeholders and enablers, who attended a kick-off workshop on June 7. Led by consultant and Cruise industry expert Tony Rogers the group contributed to a session that focused on identifying the strategic vision for Taranaki Cruise, as well as identifying the key strategic priority areas to develop a responsive and relevant action plan.

It was identified within the workshop that the formation of a steering group of key enablers and partners would be beneficial to continue progress on actions and momentum. With this group now confirmed, including representatives from Venture Taranaki, Port Taranaki, NPDC, Taranaki Chamber of Commerce, and Ngāti Te Whiti hapū, as well as tourism operator representatives from Weir Tours, Discover Taranaki, and Tranzit, the group moves to finalise and launch the strategy, and deliver the identified actions.

Through successful implementation the strategy has the potential to increase Taranaki cruise ship visits to 28 by 2028 growing the total value contribution of cruise to $10.5m per annum. This represents a significant contribution to the total visitor economy, will boost the sustainability and confidence of tourism operators and is a catalyst to accelerate collaboration amongst stakeholders in the region enabling wider tourism and economic benefits.

ACCESSIBLE TOURISM

Identified as a tourism macro-trend as part of an earlier Visitors Future report in 2021 titled Designing the Visitor Futures of Taranaki, Accessible tourism presents significant potential for the Taranaki visitor economy with 15% of the world's population and 24% of New Zealanders estimated to be living with a disability, and the adult disabled travel market in the USA alone during 2018 –19 representing $58.7b.

Te Puna Umanga partnered with Auckland University of Technology (AUT) to explore what opportunities accessible tourism presented at a local level, and what actions and collective effort would be required to strategically and sustainably support and encourage accessible tourism growth in Taranaki.

This led to the delivery and completion of a significant workstream, which explored and identified the accessible visitor, the potential value of the Taranaki accessible tourism market, and the completion of the Taranaki Accessible Tourism Summary Report and Action Plan. These findings, and the resulting actions and recommendations have already begun to be implemented, including on-site recommendations to improve accessibility on the Taranaki like no other regional tourism website.

Destination

Regional Promotions

As the regional tourism office, Venture Taranaki has a multifaceted role in promoting the region and developing the visitor sector. Te Puna Umanga, strives to position the region as an attractive destination for investment, living, working, playing, creating, learning, and visiting. They achieve this through planned promotions, media engagements, and communications initiatives that generate significant regional exposure domestically and internationally.

The 'Fill your cup' national visitor campaign was developed to support the visitor sector and encourage visitation to Taranaki outside of the peak season. The campaign was in market from May to June 2023, and aimed at visitors driving and flying to Taranaki, and featured across TVNZ, Stuff, NZ Herald, YouTube and social channels. The Waikato region was further targeted with two billboards and one busback in high-traffic locations.

This campaign resulted in over 560,000 impressions, 130,000 Youtube video views, and 3,300 clicks to our website.

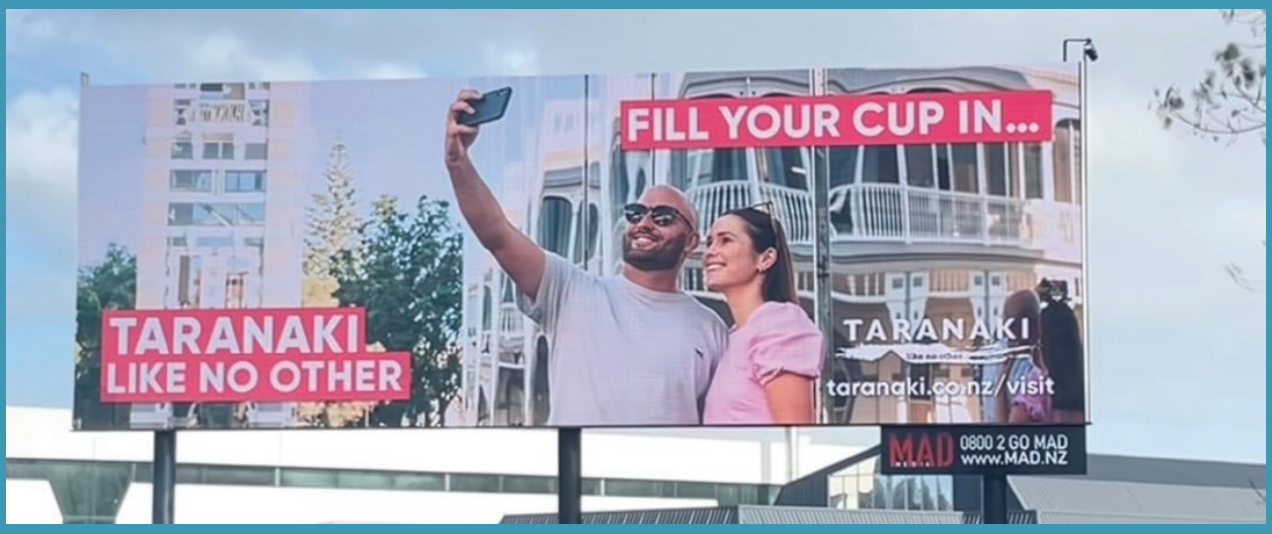
Visitor spend in Taranaki saw an impressive increase of 20.6% compared to the year ending April 2023. This growth, even when accounting for inflation, is significantly noticeable compared to the figures reported in 2022. Monthly visitor spend has also showcased a notable recovery compared to pre-COVID levels, both domestically and internationally.

These figures highlight Taranaki is a sought-after tourist destination and reinforces the importance of visitor futures and destination development, including regional promotion being a key strategic focus for Venture Taranaki, as regional visitation results in direct economic benefit while adding vibrancy to our communities.





(TOP) Lake Mangamahoe. (ABOVE) Festival of Lights, Pukekura Park



Billboard in market in Hamilton



Crowd at WOMAD

Major Event Fund

Venture Taranaki is responsible for attracting, hosting, and investing in Major Events on behalf of the New Plymouth District and strives to bring impactful events that offer economic, social, cultural, and marketing exposure benefits to the region. Twenty Major Events were contracted via the Major Events Fund over the past year, including:

- Americarna
- WOMAD
- TSB Festival of Lights
- Spiegel Fest
- Summer Friends
- Dream 11 Super Smash
- Chiefs vs Red
- Festival of Lights Winter Pop Up
- Taste & Tales
- Tri Taranaki Festival World Cup
- Oxfam Trailwalker
- Matchbox 20 and the Goo Goo Dolls
- Taranaki Beer Festival
- NZ Tattoo & Art Festival
- Re-imagine Festival
- Right Royal Cabaret Festival
- Taranaki Arts Trail
- Taranaki Fringe Garden Festival
- Taranaki Sustainable Backyards Trail
- Tour of Taranaki

Economic impact highlights

WOMAD - MARCH 2023

13,285 people attended

8,808 visitors to the region

29,456 visitor nights

$2.99m new operational spend in the Taranaki region

$6.5m GDP generated in the Taranaki region

FESTIVAL OF LIGHTS – DECEMBER 2022 – JANUARY 2023

140,000 people attended

39,000 visitors to the region

For every $1 spent by organisers, $6.70 in additional expenditure was generated in the region = economic impact of $8.3M (GDP $4.3M)

AMERICARNA – FEBRUARY 2023

908 total entrants and 280 of these were new entrants.

Majority of entrants are from within New Zealand, including 299 from Taranaki (33%).

Remaining 609 entrants are from outside the Taranaki region (67%)

Approximately 10,000 people attended the event on Saturday

Approximately 2,300 bed nights (people staying in commercial accommodation).

NZ TATTOO AND ART FESTIVAL – NOVEMBER 2022

8,000 people attended

Over 300 participating artists, including 200 international artists (taking the total to over 9,000 attendees over the 2-day festival)

68.6% of ticket purchasers were from outside the Taranaki region.



Ahu Ahu Villas

Visitor Trade

In March, Venture Taranaki attended a Regional Tourism New Zealand Inbound Trade Event and engaged with over 60 inbound companies over two days. Several operators, who had not previously considered Taranaki as a destination, showed great interest and enthusiasm along with their clients (groups and free independent travellers) in exploring parts of Aotearoa that are off the main trunk. Venture Taranaki will now nurture these newfound connections and ensure Taranaki remains a prominent consideration for these companies.

Venture Taranaki also participated in TRENZ in May this year, an international business-to-business travel trade event that spanned three days. This event provided an opportunity for New Zealand tourism industry leaders and representatives to showcase their products and services to esteemed international and domestic buyers, as well as influential travel trade and tourism media. During the event, approximately 40 buyer relationships were formed and will continue to be strengthened over time to ensure the international and domestic buyers have Taranaki front of mind and are promoting visitation to the region.

Business events & convention bureau

In June, members of the Destination team attended MEETINGS, the only national tradeshow in New Zealand for the Business Events industry. Organised by Business Events Industry Aotearoa (BEIA), this tradeshow brings together the Meetings, Incentives, Conferences and Exhibitions (MICE) and travel incentive sector. This was a successful activity as connections were made with 25 professional conference organisers who sent personal follow-ups within a week. There has been a noticeable increase in MICE enquiries in recent months, and quality leads from this event are still ongoing.



Brylee Flutey, GM Destination and Melissa Devine, Visitor and Events Adviser at TRENZ



Taranaki stand at MEETINGS



Awards and Accolades

Venture Taranaki team at EDNZ Awards

In October 2022, Venture Taranaki was acknowledged for excellence in Economic Development, taking out two categories; Best Practice for Innovation for the PowerUp programme and Best Practice for Primary Research for Branching Out announced at a ceremony in Christchurch at the 2022 EDNZ Conference.

Additionally, The Coastal Arts Trail was recognised with a commendation for Best Practice Collaboration shared jointly by Venture Taranaki, Whanganui & Partners and Central Economic Development Agency.

The annual awards held by EDNZ celebrate economic development best practices and demonstrate regional economic development agencies' positive impact on the regions they serve.

PowerUp, Branching Out, and the Coastal Arts Trail are significant projects that align with the regional strategy, supporting the growth and resilience of Taranaki. The development, delivery and success of these initiatives are made possible due to the highly engaged and supportive community and partnerships Venture Taranaki holds.

"Without the willing partnership of the three regions, we could never have had the reach and promotional impact we achieved with the Coastal Arts Trail, and we could not have developed such an extensive and impressive arts offering,"

Paul Chaplow, Whanganui & Partners' Visitor Industries Strategic Lead

"These awards are a testament to the team at Venture Taranaki, and the calibre of work we consistently produce as one of the country's leading EDA's,"

Kelvin Wright, Venture Taranaki CE



Enterprise Support

CALLAGHAN INNOVATION

Venture Taranaki is tasked with supporting the many service offerings that Callaghan Innovation provides to support innovation development in our region. From July 2022, changes for Callaghan Innovation funding have seen a reduction in grant funding available for research and development (R&D). The bulk of the grants budget has been replaced by the IRD's Research and Development Tax Incentive (RDTI) programme. The IRD issued its first data on its Research and Development Tax Incentive in June. Over the last four years, the cumulative total of approved claims amount to $1,298,678 tax credits on eligible research and development (R&D) spend of $8,657,859.

Callaghan Innovation has retained two student grants (The R&D Experience Grant and R&D Career Grant) and has introduced two niche grant funding products in 2023. A "New to R&D" grant supports companies that might be building the capabilities of a new R&D team, and the Ārohia Innovation Trailblazer Grant that supports innovation commercialisation. Both have strict criteria and limited availability but Venture Taranaki are working hard to support innovative companies in the region to apply.

REGIONAL BUSINESS PARTNER

Venture Taranaki continued as the Regional Business Partner for Taranaki during 2022/23, facilitating the MBIE Capability Development Fund and Callaghan Innovation services for the region. Te Puna Umanga provided 173 clients with business advisory support and issued more than $330,000 in capability development funding. The capability development fund is 50/50 matched funding. Approximately 76% of this was issued to businesses based in New Plymouth district, 19% went to South Taranaki district businesses, and 5% went to Stratford district businesses.

LAUNCH OF INVESTMENT CLINICS

As part of the PowerUp programme, Venture Taranaki launched a pilot Investment Clinic over May and June of 2023, in response to demand from high-growth enterprise clients looking for support to understand their options for expansion through investment. Specialist Investment Advisor Stephanie Laird met with six businesses over 10 sessions to discuss investment pathways, techniques to get "pitch ready", and documentation required for investment contracts. The pilot will continue to the end of 2023.

"The VTT team is and has always been great to deal with. Though programs change and staff change, the desire from VTT to assist all businesses both big and small is clear any time one deals with VTT." Client Satisfaction Survey 2023



PowerUp Business Ready workshop

Innovation and entrepreneurship ecosystem

PowerUp, now into its third year, continued to help build smart and connected communities and enterprises by 'powering-up' the entrepreneurship and innovation ecosystem so that ideas, entrepreneurship, and innovation can continue to thrive in Taranaki.

PowerUp does this through its Grow, Connect, and Tell approach, which encompasses a range of support services and activities, including the new Business Ready Programme, along with the third season of the popular PowerUp Podcast, and regular articles in NZ Entrepreneur Magazine.

The inaugural PowerUp Business Ready programme took place across six-weeks in May and June, and led thirteen participants through a series of interactive workshops designed to build their business capability and accelerate their early-stage startups or big ideas.

Delivered in partnership with SODA Inc., topics included business planning, marketing and financials, along with guest speaker appearances from local Taranaki entrepreneurs who shared their real-world experience and helped to further connect the group with the entrepreneur ecosystem in Taranaki.

Business Ready participants spanned a wide range of industries, including food and fibre, HR, Māori medicine, tourism, fashion and energy. On completion of the programme, participants could then book a one-on-one session with a Venture Taranaki Enterprise Advisor to review their learnings and business plan, and ensure they were ready to take the next steps.

The third season of the PowerUp Podcast was launched in March, aiming to showcase more local entrepreneurial stories. Throughout the six-part series, valuable insights and practical advice was shared by trailblazing Taranaki enterprise owners who have emerged as leaders in their respective fields. The diverse range of industries covered in the third season included award-winning breweries, with Joe Emans from Three Sisters Brewery; industrial transport and commercial development, by CJ Mahony of AGTRANS; digital content creation, with Hannah Hunt from ROAR Collective; innovative energy sector insights from Nick Jackson and Brett Rogers of Elemental Group; tech healthcare advances represented by Elliot Taylor of ThroughLine; and food and beverage expertise brought by Morgan Maw of Boring Oat Milk.

Since its launch, the PowerUp Podcast has been widely embraced, garnering 5,389 downloads and counting. The series has succeeded in celebrating local success stories and providing a platform for entrepreneurs to share their experiences, wisdom, and accomplishments, inspiring others in the community to pursue their own business ventures. The podcast continues to make a positive impact by fostering a supportive environment for aspiring and established entrepreneurs alike.



Guest speakers Juno Gin at PowerUp Business Ready





PowerUp Podcast in NZ Entrepreneur (TOP).
PowerUp Podcast in Mood Magazine (ABOVE)

"Venture Taranaki have put us in touch with some incredible people, enabling us to grow our capacity to show up and make our dream more of a reality, much quicker than we had anticipated.

The networking opportunities through PowerUp Business Ready, along with their recent food industry networking events, has given us a network that we would not have otherwise tapped into."

Andrea Rowe, owner of 8 Acres Orchard



Branching Out

Branching Out, a long-term strategic project for Taranaki, emerged from Tapuae Roa and aligns with the Taranaki 2050 Roadmap, which envisions a low-emissions future for the region. Its primary goal is to unlock the untapped potential in Taranaki's food and fibre sector. Since 2020, Branching Out has identified, investigated, and validated diversification opportunities and high-value food and fibre ventures, ensuring the long-term sustainability and resilience of the sector and the communities it supports.

The project's success lies in its ability to leverage the region's regional strengths, including suitable climate and fertile land, along with the skills and expertise of the community. By growing, processing, and manufacturing complementary high-value food and fibre products locally, Branching Out addresses environmental concerns and changing consumer demands while presenting significant opportunities for the region and New Zealand.

Now entering its second phase, Branching Out received a substantial boost of $975,000 from the Ministry for Primary Industries Sustainable Food and Fibre Futures Fund in December 2022. This funding is combined with contributions from Toi Foundation, LA Alexander Trust, AGMARDT, the region's four local councils - New Plymouth District Council, South Taranaki District Council, Stratford District Council, and the Taranaki Regional Council, and adds an additional $800,000 in project funding. Furthermore, the project receives extensive in-kind contributions from industry partners, growers, and research institutes, and the culmination of this support has set the stage for an ambitious three-year plan.



Francis Douglas Memorial College students planting garlic



Michelle Bauer Branching Out Project Manager and Kelvin Wright CE at the launch of the growing trials

The second phase focuses on testing crops through growing trials, and further evaluating the market potential and opportunity for the region. Growing trials for a range of crops, including angelica (gin botanicals), ashwagandha (medicinal plants), calendula (medicinal plants), hemp for fibre, hops, liquorice (gin botanicals), and sustainable crop rotation, began in June 2023, with the planting of garlic.

Venture Taranaki invited landowners to participate in the trials, with a minimum of three sites planned for each crop trial, spanning two growing cycles. Experts and a newly appointed Field Agronomist, Vanesa Martin, will be vital in guiding farmers and growers throughout the next two years and to ensure industry best practices are followed, collating trial results and analysing performance.

The key objectives of Branching Out are clear: broaden sustainable land use to increase resilience and diversify farming businesses, develop new related enterprises, generate employment opportunities, and attract investment to the region. By encouraging the exploration and de-risking of new opportunities, the project does not seek to replace Taranaki's mainstay industries like beef and dairy, but rather to add value to the existing food and fibre sector.

Branching Out is a game changer for Taranaki as it addresses the need for collective responses to the changing needs of the environment and explores opportunities for supporting a robust, resilient economy for the people and region through land and related value chain diversification.



Vanesa Martin, Agronomist prepping for garlic trials



Offshore Wind Forum

In March, Te Puna Umanga Venture Taranaki and Ara Ake hosted the 2023 Offshore Renewable Energy Forum.

This event followed on from the successful 2020 Offshore Wind Forum and the 2021 Offshore Future Energy Forum. The 2023 Forum's aim was to build on previous events, bringing key sector stakeholders together to discuss how best to ensure the successful development of an industry across the motu (island).

The sold-out event, with over 200 in-person and online attendees, included iwi, international experts, government, developers, and energy innovators who explored the challenges to commercialising offshore technologies. There was a strong focus on the opportunities for the development of offshore wind in New Zealand, including off the coast of South Taranaki. The event also featured informative presentations on other marine based technologies, including wave energy generation devices and energy storage solutions.

A global overview was also provided, highlighting how New Zealand can utilise international experiences to its advantage. By adopting these learnings, the development of an emerging industry across the country can be supported, resulting in maximum benefits for the community, local supply chains, and service providers. The aim is to ensure that the industry's growth is sustainable with a focus on long-term benefits for all.

The Forum outlined how New Zealand and Taranaki have a world-class wind resource and immense skills and talent in the region that will serve it well as an offshore wind industry develops. Although, panel discussions raised that there are challenges ahead, such as regulatory settings, supply chains, key infrastructure upgrades, and understanding market demand.

The Forum was timed following announcements about planned offshore wind development off the coast of South Taranaki and Waikato and to enable conversations about the Ministry of Business, Innovation and Employment (MBIE) discussion document, 'Enabling investment in offshore renewable energy'.



Panel discussion at Forum

MBIE's discussion document consults on proposed approaches to enabling feasibility studies for offshore renewable energy developments and further consultation will take place from June 2023 to focus on the broader regulatory settings for how infrastructure will be constructed, operated, and decommissioned.

"What is critical for us now, is to work collaboratively as part of the wider stakeholder group to build this emerging industry to support our transition to a low-emissions future while presenting an intergenerational opportunity by providing environmental, economic, and social benefits," Kelvin Wright.



Food and Fibre

CAPABILITY BUILDING

Venture Taranaki has a strategic focus on Food and Fibre enablement and growth, and as a result delivered a number of capability-building activities and networking events for the region's food and beverage enterprises throughout June and July.

These activities focused on the early stages of business growth, ensuring there is sufficient support for the region's new and emerging food business to thrive, to support a strong regional food network and enable connections.

Events included a full-day Beverage and Food Guru product validation workshop, covering topics such as packaging development, labelling compliance, sales and distribution, along with the many key barriers preventing growth.

An Emerging Supplier Forum hosted in partnership with Foodstuffs North Island and the Food Innovation Network, gave new and emerging food and beverage enterprises an opportunity to connect with key supermarket stakeholders, understand the retail grocery process, and hear the latest customer insights.

Food for Thought, a networking evening held at Shining Peak with more than 50 guests in attendance, gave Venture Taranaki an opportunity to communicate more on its plans for the sector over the coming year, and included a panel discussion from Planta, Shining Peak, and Van Dyck's.

In addition, Venture Taranaki also supported eight Taranaki food businesses to attend the Auckland Food Show, New Zealand's largest food trade event, under the 'Taste of Taranaki' banner, allowing them to forge distribution connections and raise their brand awareness. The eight Taranaki food businesses included Egmont Honey, Juno Gin, Little Liberty, Planta, Three Sisters Brewery, Maison Aotearoa Charcuterie, and Van Dyck's Fine Foods.

"Since we started the preliminary planning for Planta, Venture Taranaki has been a fantastic partner. They've helped us with specialist skills and subsidies as well as organising industry specific events.

We have a great stockist base here in Taranaki and the Bay of Plenty, but we now need to access other regional markets and we will be at the Auckland Food Show this year, with VT's help," Isaac Drought, Planta (Previous PowerUp Kickstart Participant).



Talent and International Education

In partnership with Education New Zealand (ENZ),Te Puna Umanga Venture Taranaki completed an International Education regional strategy, refreshed the Study Taranaki Toolkit, hosted a regional famil with international agents, and is leading the rebuild of the international education sector with local schools, PTEs and Te Pūkenga / WITT in the collective.

Prior to 2020 Taranaki had approximately 1000 international students, who created 300 direct and indirect jobs, provided our local students with international exchanges in thoughts and culture, helped fill skills and labor shortages, and contributed to around $40 million of the region's GDP.

Since borders reopened in July 2022, the Study Taranaki group have been working collaboratively to help rebuild International Education in the region. Venture Taranaki organised and held an event in October, with guest speakers from the Schools International Education Business Association (SIEBA), ENZ and Immigration New Zealand (INZ), inviting those already in or interested in the International Education sector in general to facilitate sharing of knowledge, networking, discussions, and ideas around the sector.

The Study Taranaki group also hosted a three-day agent famil in June 2023 which saw four international agents representing Japan, China, Korea and India take a tour of the local education providers and the region to get a better understanding of what it's like to be an international student in Taranaki. This was the first agent famil since 2019 and it is crucial to have these relationships to rebuild this sector. The agents were impressed by the caliber and range of the education providers and the lifestyle and education students can have outside the classroom.



International Education agent famil visit

The Taranaki Lifestyle Toolkit has also seen a refresh. This document has been developed to help people discover what living and working in Taranaki is like, and what an amazing career and lifestyle can be achieved here. It is filled with real life stories of people who have made the move to Taranaki, as well as local insights and tips and tricks to moving and settling into the region.



Māori Partnerships

Jenn Patterson, VT's GM Economic Development opening He Toronga Pakihi ki Taranaki "Meet the Buyer" event

Te Puna Umanga Venture Taranaki is proud to have embarked on a Te Ao Māori journey and is committed to building understanding and capability through immersive experiences, cultural practices, relationships, and storytelling, including the history and narratives of Ngāmotu and mana whenua, Ngati Te Whiti. Through these activities, the organisation understands the importance of Te Ao Māori and Te Reo me ōna Tikanga (The Māori worldview, language and cultural practices) and where appropriate, Venture Taranaki continues to embed Te Ao Māori and Te Reo me ōna Tikanga into its practices, recognising the added value it brings to the organisational culture of Te Puna Umanga.

Venture Taranaki also holds a strategic partnership with He Toronga Pakihi ki Taranaki (the Taranaki Māori Business Network). In June 2023, Venture Taranaki sponsored the He Toronga Pakihi ki Taranaki Construction Consortium "Meet the Buyer" event in New Plymouth, co-hosted by Amotai. This was an opportunity for Māori and Pasifika trade businesses to meet and hear presentations from major construction firms and contractors in region, in order to help prepare for tender opportunities. Jenn Patterson, Venture Taranaki GM Economic Development attended and gave the opening address at the Construction Consortium event.



Venture Taranaki team learning Waka ama at Ngāmotu Beach



Regional Intelligence

Venture Taranaki continues to lead Regional Intelligence through a range of activities across the year, including an interactive webpage that houses key economic measurements (GDP, unemployment rate, consumer spend, visitor spend, guest night and median house prices), and interactive dashboards which are updated quarterly and monthly. Te Puna Umanga also undertakes an analysis of two six-monthly Taranaki Business Surveys and developing two six-monthly 'Taranaki Trends' reports, a publication that explores the regional economic performance.



Dr Nana presenting at the February Taranaki Insights event

Taranaki Insights

LEADING THE CONVERSATION FOR ECONOMIC GROWTH

Venture Taranaki held two regional economic events throughout the year. In February 2023 with special guest speaker Dr Ganesh Nana, Chair of the Productivity Commission Te Kōmihana Whai Hua o Aotearoa, who explored the need to take a long-term view with future economic conditions likely to be challenging. This event had over 100 registered attendees and kicked off the release of the summer edition of Taranaki Trends.

POSITIONING FOR THE FUTURE

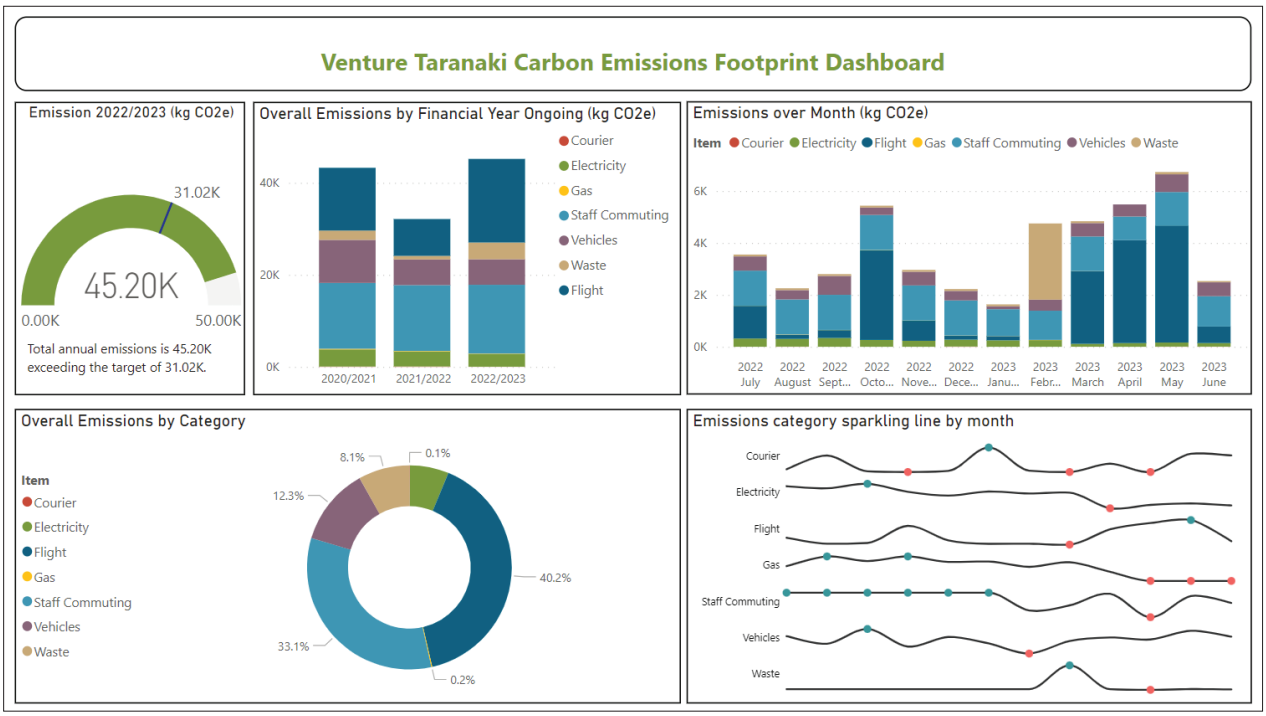
Venture Taranaki held a second, "Positioning for the Future" Economic Insights event in June 2023, comprising an economic briefing and panel discussion on potential disruptions and opportunities. Panelists Trish Rankin, Justine Gilliland, Simon Craddock, and Mayor Neil Holdom explored what economic success could look like in 2030 and released the latest Trends Winter 2023 results. There were over 100 registered attendees, with positive feedback received.

Sustainability Measurement Framework

Venture Taranaki is now in its third year of carbon emissions tracking, and this year developed a more accurate process to measure emissions from staff commuting by capturing data from employees as they log in for the day. Te Puna Umanga increased total emissions slightly compared to the benchmark year 2020/21, due primarily to waste disposal during the downsizing and office move. Flights also increased during the year, as a number of guest speakers were hosted for industry events. Venture Taranaki is now working on an emissions reduction plan that will align the Trust with New Plymouth District Council's emissions reduction targets.

Carbon Emissions Footprint

The dashboard presents a general breakdown of the Venture Taranaki carbon emissions arising from internal operations in the office and organisational activities.



Performance 2022-2023

Independent Auditor's Report

To the readers of the Venture Taranaki Trust's financial statements and performance information for the year ended 30 June 2023.

The Auditor-General is the auditor of Venture Taranaki Trust. The Auditor-General has appointed me, Cameron Town, using the staff and resources of Silks Audit Chartered Accountants, to carry out the audit of the financial statements and performance information of the Trust's on his behalf.

OPINION

We have audited:

- the financial statements of the Trust on pages 6 to 24, that comprise the statement of financial position as at 30 June 2023, the statement of comprehensive revenue and expenses, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information; and
- the performance information of the Trust on pages 25 to 26.

In our opinion:

- the financial statements of the Trust:
  - present fairly, in all material respects:
    - its financial position as at 30 June 2023; and
    - its financial performance and cash flows for the year then ended; and
  - comply with generally accepted accounting practice in New Zealand in accordance with the Tier 2 Public Benefit Entity Reporting Standards Reduced Disclosure Regime; and
- the performance information of the Trust presents fairly, in all material respects, the Trust's actual performance compared against the performance targets and other measures by which performance was judged in relation to the Trust's objectives for the year ended 30 June 2023.

Our audit was completed on [date]. This is the date at which our opinion is expressed.

The basis for our opinion is explained below. In addition, we outline the responsibilities of the Trustees and our responsibilities relating to the financial statements and the performance information, we comment on other information, and we explain our independence.

BASIS FOR OUR OPINION

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the Responsibilities of the auditor section of our report.

We have fulfilled our responsibilities in accordance with the Auditor-General's Auditing Standards.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

RESPONSIBILITIES OF THE BOARD FOR THE FINANCIAL STATEMENTS AND THE PERFORMANCE INFORMATION

The Board of Trustees is responsible on behalf of the Trust for preparing financial statements that are fairly presented and that comply with generally accepted accounting practice in New Zealand. The Board of Trustees also responsible for preparing the performance information for the Trust.

The Board of Trustees is responsible for such internal control as it determines is necessary to enable it to prepare financial statements and performance information that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements and the performance information, the Board of Trustees is responsible on behalf of the Trust for assessing the Trust's ability to continue as a going concern. The Board of Trustees is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless the Board of Trustees intends to liquidate the Trust or to cease operations or has no realistic alternative but to do so.

The Board of Trustees responsibilities arise from the Local Government Act 2002.

RESPONSIBILITIES OF THE AUDITOR FOR THE AUDIT OF THE FINANCIAL STATEMENTS AND THE PERFORMANCE INFORMATION

Our objectives are to obtain reasonable assurance about whether the financial statements and the performance information, as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit carried out in accordance with the Auditor-General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers,[21] taken on the basis of these financial statements and the performance information.

We did not evaluate the security and controls over the electronic publication of the financial statements and the performance information.[22]

As part of an audit in accordance with the Auditor-General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. Also:

- We identify and assess the risks of material misstatement of the financial statements and the performance information, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the trust's internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Trustees.
- We evaluate the appropriateness of the reported performance information within the trust's framework for reporting its performance.
- We conclude on the appropriateness of the use of the going concern basis of accounting by the Board of Trustees and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the trust's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements and the performance information or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the trust to cease to continue as a going concern.
- We evaluate the overall presentation, structure and content of the financial statements and the performance information, including the disclosures, and whether the financial statements and the performance information represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Trustees regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Our responsibilities arise from the Local Government Act 2002.

OTHER INFORMATION

The Board is responsible for the other information. The other information comprises the Trustees' Review included on pages 5, but does not include the financial statements, Performance information and our auditor's report thereon.

Our opinion on the financial statements and the performance information does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on our work, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

INDEPENDENCE

We are independent of the trust in accordance with the independent requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1: International Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board.

Other than the audit, we have no relationship with, or interests in, the Trust.



Cameron Town
Silks Audit Chartered Accountants
On behalf of the Auditor-General
Auckland, New Zealand

VENTURE TARANAKI TRUST

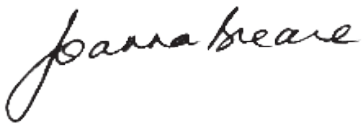
Trustees' Review

For the year ended 30 June 2023

The Board of Trustees present their Annual Report including financial statements of the Trust for the year ended ended 30 June 2023.

The business of the Trust is facilitating regional development in Taranaki. The nature of the Trust's business has not changed during the year under review.

For and on behalf of the Trustees



Chair, Board of Trustees



Chair, Audit & Risk Committee

VENTURE TARANAKI TRUST

Statement of Financial Position

As at 30 June 2023

	Notes	2023 $	2022 $
Assets			
Current assets			
Cash and cash equivalents	8	1,274,724	1,742,937
Trade and other receivables from non-exchange transactions	9	71,896	119,431
Other current assets	10	86,303	71,275
Deferred tax asset	17	44,229	43,033
GST receivable	11	139,554	113,007
Investments	12	501,393	500,641
Total current assets		2,118,099	2,590,324
Non-current assets			
Intangible assets	13	7,751	57,876
Property, plant and equipment	14	161,238	195,353
Total non-current assets		168,989	253,229
Total Assets		2,287,088	2,843,553
Liabilities			
Current liabilities			
Trade and other payables	15	479,413	266,980
Current tax payable	17	-	41,382
Employee entitlements	16	231,216	226,655
Revenue received in advance from non-exchange transactions	4	919,171	1,635,944
Total current liabilities		1,629,800	2,170,961
Total Liabilities		1,629,800	2,170,961
Net Assets		657,288	672,592
Equity			
Trust equity	19	657,288	672,592
Total Equity		657,288	672,592

These financial statements were authorised for issue by the Trustees on 1 November 2023:

_____Chair _____Trustee

The accompanying notes form part of these financial statements.

VENTURE TARANAKI TRUST

Statement of Comprehensive Revenue & Expenses

For the year ended 30 June 2023

	Notes	2023 $	2022 $
Revenue			
Grant revenue	4	6,519,921	6,418,573
Other revenue	4	64,424	81,234
Interest revenue	4	92,162	19,851
Total Revenue		6,676,507	6,519,658
Expenses			
Amortisation expense	13	29,500	29,500
Depreciation expense	14	62,670	89,439
Grants	5	1,610,991	1,150,815
Personnel expenses	6	2,665,810	2,604,637
Trustee fees		206,886	123,846
Other expenses	7	2,117,150	2,287,704
Total Expenses		6,693,007	6,285,941
Surplus / (deficit) before Taxation		(16,500)	233,717
Income tax			
Income tax expense / (benefit)	17	(1,196)	79,123
Surplus / (deficit) after Taxation		(15,304)	154,594
Other Comprehensive Revenue and Expenses		-	-
Total Comprehensive Revenue and Expenses		(15,304)	154,594

The accompanying notes form part of these financial statements.

VENTURE TARANAKI TRUST

Statement of Changes in Equity

For the year ended 30 June 2023

	2023 $	2022 $
Total Equity		
Opening balance	672,592	517,998
Total comprehensive revenue and expenses for the year	(15,304)	154,594
Balance at 30 June	657,288	672,592

The accompanying notes form part of these financial statements.

VENTURE TARANAKI TRUST

Statement of Cash Flows

For the year ended 30 June 2023

	Notes	2023 $	2022 $
Cash Flows			
Cash flows from operating activities			
Receipts from grants and other income		5,915,107	6,990,734
Interest revenue received		73,517	17,632
Income tax refund		-	3,138
Payments to suppliers and employees		(6,289,439)	(6,201,528)
Income tax payments		(41,382)	-
Goods and services tax (net)	20	(26,547)	37,736
Net cash inflow / (outflow) from operating activities		(368,744)	847,712
Cash flows from investing activities			
Receipts from the sale of property, plant and equipment		3,336	18,413
Purchase of property, plant and equipment		(102,805)	(10,440)
Purchase of intangible assets		-	(24,375)
Purchase of investments		-	(500,000)
Net cash inflow / (outflow) from investing activities		(99,469)	(516,402)
Cash flows from financing activities			
Cashflow from financing activities		-	-
Net cash inflow / (outflow) from financing activities		-	-
Net increase/(decrease) in cash and cash equivalents		(468,213)	331,310
Cash and cash equivalents at beginning of year		1,742,937	1,411,627
Cash and cash equivalents at end of year	8	1,274,724	1,742,937

The accompanying notes form part of these financial statements.

VENTURE TARANAKI TRUST

Notes to the Financial Statements

For the year ended 30 June 2023

1. REPORTING ENTITY

Venture Taranaki Trust is a Charitable Trust incorporated in New Zealand under the Charitable Trusts Act 1957 and Trust Deed dated 27 May 1998. The Trust commenced operations on 1 July 1998 and is domiciled in New Zealand.

The Trust is a wholly owned subsidiary of New Plymouth District Council and is a Council Controlled Organisation as defined in Part 1 Section 6 of the Local Government Act 2002.

The Trust is a Tier 2 Public Sector Public Benefit Entity (PBE) for financial reporting purposes.

The financial statements of the Trust are for the year ended 30 June 2023. These financial statements were authorised by the Board for issue on 1 November 2023.

2. BASIS OF PREPARATION

The financial statements have been prepared on the going concern basis, and the accounting policies have been applied consistently throughout the period.

STATEMENT OF COMPLIANCE

The financial statements have been prepared in accordance with the requirements of the Financial Reporting Act 2013 which include the requirement to comply with New Zealand Generally Accepted Accounting Practice (NZ GAAP).

The financial statements have been prepared in accordance with Tier 2 Public Sector PBE Financial Reporting Standards as issued by the New Zealand External Reporting Board (XRB). The financial statements comply with International Public Sector Accounting Standards Reduced Disclosure Regime (IPSAS RDR) and other applicable Financial Reporting Standards as appropriate to Public Sector PBE's. All reduced reporting disclosures have been made; except for PBE IPSAS 2 Statement of Cash Flows, as the Trust has elected to report Cash Flows on a Tier 1 basis.

The Trust is eligible to report in accordance with Tier 2 Public Sector PBE Accounting Standards on the basis that it does not have public accountability and annual expenditure is between $2 million and $30 million.

The Trust is deemed a Tier 2 public benefit entity for financial reporting purposes, as its primary objective is to provide services to the community and the Trust has been established with a view to supporting that primary objective rather than a financial return.

PRESENTATION CURRENCY AND ROUNDING

The financial statements are presented in New Zealand dollars ($) and all values are rounded to the nearest dollar.

ACCOUNTING POLICIES

The accounting policies presented in these notes have been applied consistently to all periods presented within the financial statements with the exception of the new and amended standards detailed below and the treatment of deferred tax. Previously timing differences were not recognised as deferred tax assets due to uncertainty of available future profits. The Trust has changed their view with deferred tax introduced in the 30 June 2023 financial year including restating opening balances in comparative figures.

NEW AND AMENDED STANDARDS ADOPTED

The Trust has applied the following amendments for the first time for their annual reporting period commencing 1 July 2022:

PBE IPSAS 41 Financial Instruments – replaces *PBE IFSAS 9 Financial Instruments* and *PBE IPSAS 29 Financial Instruments Recognition and Measurement*. The main changes include a new financial asset classification for determining whether an asset is measured at fair value or amortised cost, a new impairment model for expected credit losses and revised hedge accounting requirements.

Other than a reclassification of financial assets from loans and receivables to amortised cost and a revised process for calculating credit losses (note 9 and 18), the PBE IPSAS 41 amendments have not had any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

PBE FRS 48 Service Performance Reporting – replaces service performance reporting requirements of *PBE IPSAS 1 Presentation of Financial Statements*. The main impact from adoption of the new standard is additional disclosures have been made in the Statement of Service Performance. Additional content includes contextual information about the Trust's purpose and agreed intent, how the Trust goes about achieving its objectives and disclosure of judgements on the selection of measures, aggregation and presentation of service performance information. The nature and effect of any changes to selection and presentation are detailed in the service performance report with comparative information provided, where available.

VENTURE TARANAKI TRUST

Notes to the Financial Statements *continued*

For the year ended 30 June 2023

CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

In preparing these financial statements, estimates and assumptions have been made concerning the future. These estimates and assumptions may differ from subsequent actual results. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations or future events that are believed to be reasonable under the circumstances.

FOREIGN CURRENCY TRANSACTIONS

Foreign currency transactions are translated into NZ$ (the functional currency) using the spot exchange rate at the date of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end and exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the surplus or deficit.

3. PROVISIONS

The Trust recognises a provision for future expenditure of uncertain amount or timing when there is a present obligation (either legal or constructive) as a result of a past event, it is probable that expenditures will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised in "finance costs".

4. REVENUE

	2023 $	2022 $
Revenue from non-exchange transactions		
Grant revenue - detailed below	6,519,921	6,418,573
Total Revenue from non-exchange transactions	6,519,921	6,418,573
Revenue from exchange transactions		
Rental income from property subleases	37,382	33,792
Other exchange revenue	27,042	29,029
Interest revenue	92,162	19,851
Total Revenue from exchange transactions	156,586	82,672
Other income		
Gain on disposal of assets	-	18,413
Total Other income	-	18,413
Total Revenue	6,676,507	6,519,658

Grant revenue	2023 $	2022 $
Breakdown of grant revenue		
New Plymouth District Council	3,635,029	3,635,671
Other Council funding Taranaki region	397,290	435,985
Ministry of Business, Innovation and Employment	2,040,472	1,829,488
Other Government	283,520	427,625
Other	163,610	89,804
Total Grant revenue	6,519,921	6,418,573

Revenue received in advance from non-exchange transactions	2023 $	2022 $
Grants received in advance	919,171	1,635,944
Total Revenue received in advance from non-exchange transactions	919,171	1,635,944

REVENUE – ACCOUNTING POLICY

Revenue is recognised in surplus or deficit when it is probable that economic benefits or service potential will flow to the Trust and the revenue can be reliably measured, regardless of when cash is received. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment. The specific accounting policies for significant revenue items detailed below must also be met before revenue is recognised.

Non-exchange transactions are those where the Trust receives value from another entity (e.g. cash, goods, services, or use of assets) without giving approximately equal value in exchange. Exchange transactions directly give approximately equal value to another entity in exchange.

Non-exchange revenue

Grant revenue

Grants received from the New Plymouth District Council are the primary source of funding to the Trust and are restricted for the purposes of the Trust meeting its objectives as specified in the Trust Deed. The Trust also receives government and other council assistance for specific purposes, and these grants usually contain restrictions on their use.

Council, Government, and Non-Government grants are recognised as revenue when they become receivable unless there is an obligation to return the funds if conditions of the grant are not met. If there is such an obligation, the grants are initially recorded as grants received in advance and recognised as revenue when conditions of the grant are satisfied.

Grants received in advance are comprised of several grants available for projects that the Trust is currently working on. The balance has reduced as of 30 June 2023 after the Visitor Futures, Digital Boost and Be Your Own Boss programmes grant funding has been spent. New funding has been received for the Branching out project.

Exchange revenue

Interest income is recognised using the effective interest method.

Rental income from sublease for operating leases is recognised on a straight-line basis over the term of the lease. Further information is provided in note 21.

VENTURE TARANAKI TRUST

Notes to the Financial Statements *continued*

For the year ended 30 June 2023

5. GRANT EXPENSE – ACCOUNTING POLICY

Grants are made up of funding provided to applicants meeting criteria for specific activities, such as major events and the Participatory Science Platform project.

Grant expenses were lower in previous years due to Covid 19 affecting the ability to run major events and projects. This year additional funding was spent on the digital boost initiative.

Non-discretionary grants are those grants awarded if the grant meets the specified criteria. They are expensed when an application that meets the specified criteria for the grant has been received. The Trust's non-discretionary grants have no conditions that need to be fulfilled to receive the grant.

Discretionary grants are those grants where the Trust has no obligation to award the grant on receipt of the grant application. For discretionary grants without substantive conditions, the total committed funding is expensed when the grant is approved and the approval has been communicated to the applicant. Discretionary grants with substantive conditions are expensed at the earlier of the grant payment date or when the grant conditions have been satisfied.

6. PERSONNEL EXPENSES

	2023 $	2022 $
Wages	2,503,083	2,413,912
Kiwisaver	71,463	69,088
Other personnel expenses	91,264	121,637
Total Personnel expenses	2,665,810	2,604,637

PERSONNEL EXPENSES – ACCOUNTING POLICY

Wages are recognised as an expense when employees provide services and includes payments to the Chief Executive and Senior Management but does not include payments to Trustees. Other personnel expenses include contractor, training and other staff related costs recognised when they are incurred.

7. OTHER EXPENSES

	2023 $	2022 $
Breakdown of other expenses		
Administration	105,234	120,249
Audit fee	30,874	27,100
Events and catering	83,709	120,649
ICT expenses	136,240	149,745
Loss on disposal of assets	70,914	-
Marketing	399,893	468,339
Professional fees	859,711	965,502
Rental and occupancy expenses	246,194	230,326
Sponsorship	33,795	30,200
Travel and vehicle expenses	58,462	32,282
Other operating expenses	92,124	143,312
Total other expenses	2,117,150	2,287,704

RENTAL AND OCCUPANCY EXPENSES – ACCOUNTING POLICY

The Trust leases part of an office building under an operating lease. Further information is provided in note 21. An operating lease is a lease that does not transfer substantially all the risks and rewards incidental to ownership of an asset. Expense payments made under operating leases are recognised in surplus or deficit on a straight line basis over the lease term.

8. CASH AND CASH EQUIVALENTS

	2023 $	2022 $
Cash on hand	150	150
TSB Premier account	1,255,956	1,742,787
TMNZ on call deposit	18,618	-
Total Cash and cash equivalents	1,274,724	1,742,937

The Trust holds unspent funds from non-exchange transactions, included in cash at bank and investments of $919,171 that is subject to funding restrictions (30 June 2022: $1,635,944).

CASH AND CASH EQUIVALENTS – ACCOUNTING POLICY

Cash and cash equivalents include cash on hand and deposits held at call with banks and other short term highly liquid investments with original maturities of three months or less.

VENTURE TARANAKI TRUST

Notes to the Financial Statements *continued*

For the year ended 30 June 2023

9. TRADE AND OTHER RECEIVABLES – ACCOUNTING POLICY

Trade receivables includes grants due to be paid from funders. The Trust has not recognised any allowance for expected credit losses as the estimated allowance is trivial.

Short-term receivables are recorded at the amount due, less an allowance for credit losses. The Trust applies the simplified expected credit loss model of recognising lifetime expected credit losses for receivables. In measuring expected credit losses, short-term receivables have been assessed on a collective basis as they possess shared credit risk characteristics. They have been grouped based on the days past due. A provision matrix is established based on historical credit loss experience, adjusted for forward looking factors specific to the debtors and the economic environment.In previous periods an allowance for impairment was only recognised when there was objective evidence the amount due would not be fully collected.

Short-term receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectations of recovery include the debtor being in liquidation or the receivable being more than one year overdue.

10. OTHER CURRENT ASSETS

	2023 $	2022 $
Accrued interest	22,171	4,278
Prepayments	64,132	66,997
Total other current assets	86,303	71,275

11. GOODS AND SERVICES TAX (GST) – ACCOUNTING POLICY

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.

12. INVESTMENTS

	2023 $	2022 $
Financial assets at amortised cost (30 Jun 2022: Loans and receivables)		
TSB Term investment	501,393	500,641
Total Investments at amortised cost	501,393	500,641
Total Investments		
Current	501,393	500,641
Total Investments	501,393	500,641

INVESTMENTS – ACCOUNTING POLICY

Investments at amortised cost include term deposits with original maturities greater than three months or more. Where a term deposit matures within 12 months it is classified as a current asset. All other term deposits are classified as non-current assets. Term deposits

are initially recorded at the amount invested, as this reflects fair value for these market-based transactions. Interest is subsequently accrued and added to the investment balance.

13. INTANGIBLE ASSETS

Software	2023 $	2022 $
Carrying amounts		
Opening net book value	37,251	63,001
Opening work in progress capitalised once asset operational	20,625	-
Subtotal	57,876	63,001
Additions	-	3,750
Additions to work in progress	-	20,625
Reclassifications to expenses or other assets	(20,625)	-
Amortisation	(29,500)	(29,500)
Closing net book value	7,751	57,876
Balance at end of period		
Cost	133,260	133,260
Accumulated amortisation	(125,509)	(96,009)
Work in progress	-	20,625
Closing net book value	7,751	57,876

Software work in progress has been reviewed by the Trustees in consideration of recent Software as a Service (SaaS) guidelines and the work completed to date. The Trustees have determined the nature of work no longer meets the definition of an intangible asset and has expensed as professional fees in the surplus or deficit, holding any portion considered as prepaid in other current assets. There are no restrictions over the title of the Trust's intangible assets; nor are any intangible assets pledged as security for liabilities.

INTANGIBLE ASSETS – ACCOUNTING POLICY

Software acquisition
Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Staff training costs are recognised as an expense when incurred.

Costs associated with maintaining computer software are recognised as an expense when incurred.

Costs associated with development and improvements of the Venture Taranaki website is recognised as an asset when incurred as the website generates future economic benefits.

Work in progress
Software work in progress is recognised at cost less impairment and is not amortised.

Amortisation
Computer software licenses are amortised on a straight-line basis over their estimated useful life of two and a half years. Amortisation begins when the asset is available for use and ceases at the date when the asset is disposed of. The amortisation charge for each year is recognised in surplus or deficit.

Impairment
Intangible assets are reviewed for indicators of impairment as at each reporting date. When there is an indicator of impairment, the asset is written down to the recoverable amount with the impairment loss recognised in the surplus or deficit. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

VENTURE TARANAKI TRUST

Notes to the Financial Statements *continued*

For the year ended 30 June 2023

14. PROPERTY PLANT AND EQUIPMENT

	Leasehold improvements	Fixtures and fittings	Office equipment	Other fixed Assets	Motor vehicles	Total fixed assets
12 MONTHS TO 30 JUNE 2023						
Carrying amounts						
Opening net book value	36,230	61,934	56,502	29,990	10,697	195,353
Additions	69,826	995	31,132	-	852	102,805
Disposals	(32,944)	(13,211)	(2,567)	(25,528)	-	(74,250)
Depreciation	(5,524)	(9,057)	(38,541)	(2,778)	(6,770)	(62,670)
Closing net book value	67,588	40,661	46,526	1,684	4,779	161,238
Balance at end of period						
Cost	69,826	77,791	217,882	18,087	113,227	496,235
Accumulated depreciation	(2,238)	(37,130)	(171,356)	(16,403)	(108,448)	(334,997)
Closing net book value	67,588	40,661	46,526	1,684	4,779	161,238
12 MONTHS TO 30 JUNE 2022						
Carrying amounts						
Opening net book value	41,158	71,597	100,971	34,004	26,622	274,352
Additions	-	-	10,440	-	-	10,440
Disposals	-	-	-	-	-	-
Depreciation	(4,928)	(9,663)	(54,909)	(4,014)	(15,925)	(89,439)
Closing net book value	36,230	61,934	56,502	29,990	10,697	195,353
Balance at end of period						
Cost	49,282	99,221	239,944	55,176	112,375	555,998
Accumulated depreciation	(13,052)	(37,287)	(183,442)	(25,186)	(101,678)	(360,645)
Closing net book value	36,230	61,934	56,502	29,990	10,697	195,353

There are no restrictions over the title of the Trust's property, plant and equipment; nor is any pledged as security for liabilities.

PROPERTY, PLANT AND EQUIPMENT – ACCOUNTING POLICY

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Additions

The cost of an item of property, plant, and equipment is recognised as an asset only when it is probable that service potential associated with the item will flow to the Trust and the cost of the item can be measured reliably. In most instances, an item of property, plant, and equipment is initially recognised at its cost. Where an asset is acquired at no cost, or for a nominal cost, it is recognised at its fair value when control over the asset is obtained.

Disposals

Gains and losses on disposals are determined by comparing the disposal proceeds with the carrying amount of the asset. Gains and losses on disposals are presented net in the surplus or deficit.

Subsequent costs

Costs incurred subsequent to initial acquisition are capitalised only when it is probable that service potential associated with the item will flow to the Trust and the cost of the item can be measured reliably. The costs of day-to-day servicing of property, plant, and equipment are recognised as an expense as they are incurred.

Depreciation

Depreciation is provided on a straight line basis at rates calculated to allocate the assets cost less estimated residual value, over the estimated useful life of the asset.

Major depreciation periods are:

Leasehold alterations	10 years
Furniture and fittings	10 years
Office equipment	3-4 years
Motor vehicles	5 years
Other fixed assets	3-10 years

The residual value and useful life of an asset is reviewed, and adjusted if applicable, at each financial year end.

Impairment

Property, plant, and equipment are reviewed for indicators of impairment as at each reporting date. Refer to the policy for impairment of intangible assets note 13. The same approach applies to the impairment of property, plant and equipment.

15. TRADE AND OTHER PAYABLES

	2023 $	2022 $
Current portion		
Trade creditors	442,444	232,755
Accruals	30,412	28,042
TSB Visa	6,557	6,183
Total Current portion	479,413	266,980
Total trade and other payables		
Trade and other payables under exchange transactions	281,520	255,336
Trade and other payables under non-exchange transactions	197,893	11,644
Total trade and other payables	479,413	266,980

TRADE AND OTHER PAYABLES – ACCOUNTING POLICY

Short term creditors and other payables are measured at the amount payable. Trade creditors are non interest bearing and are normally settled on 30 day terms, therefore the carrying value of trade and other payables approximates their fair value.

VENTURE TARANAKI TRUST

Notes to the Financial Statements *continued*

For the year ended 30 June 2023

16. EMPLOYEE ENTITLEMENTS

Current employee entitlements	2023 $	2022 $
Accrued pay	111,150	101,184
Annual leave	120,066	125,471
Total current portion	231,216	226,655
Total Employee entitlements	231,216	226,655

EMPLOYEE ENTITLEMENTS – ACCOUNTING POLICY

Short term employee entitlements

Employee benefits that are due to be settled within 12 months after the end of the period in which the employee renders the related service are measured at nominal values based on accrued entitlements at current rates of pay. These include salaries and wages accrued up to the reporting date, annual leave earned to, but not yet taken at the reporting date, and sick leave.

17. TAXATION

	2023 $	2022 $
Income tax		
Reconciliation of tax expense and accounting profit		
Net surplus / (deficit) before tax	(16,500)	233,717
Tax at 33%	(5,445)	77,126
Plus / (less) tax effect of:		
Permanent differences	4,249	1,997
Total income tax expense / (benefit)	(1,196)	79,123
Components of tax expense		
Current tax	-	41,382
Deferred tax	(1,196)	37,741
Total income tax expense / (benefit)	(1,196)	79,123

Current tax asset / (liability)		
Opening balance	(41,382)	3,138
Charged to surplus or deficit	-	(41,382)
Tax paid / (refunded)	41,382	(3,138)
Total current tax receivable / (payable)	-	(41,382)

	Property, plant and equipment	Provisions	Tax losses	Total
Deferred tax asset / (liability)				
12 MONTHS TO 30 JUNE 2023				
Opening balance	-	43,033	-	43,033
Charged to surplus or deficit	164	(8,859)	9,891	1,196
Closing balance	164	34,174	9,891	44,229
12 MONTHS TO 30 JUNE 2022				
Opening balance	-	74,486	6,288	80,774
Charged to surplus or deficit	-	(31,453)	(6,288)	(37,741)
Closing balance	-	43,033	-	43,033

There are $29,973 tax losses available to carry forward and offset against future taxable income (30 June 2022: Nil).

INCOME TAX – ACCOUNTING POLICY

Income tax expense includes components relating to both current tax and deferred tax.

Current tax is the amount of income tax payable based on the taxable profit for the current year, plus any adjustments to income tax payable in respect of prior years. Current tax is calculated using tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax is the amount of income tax payable or recoverable in future periods in respect of temporary differences and unused tax losses. Temporary differences are differences between the carrying amount of assets and liabilities in the Statement of Financial Position and the corresponding tax bases used in the computation of taxable profit.

Deferred tax is measured at the tax rates that are expected to apply when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the entity expects to recover or settle the carrying amount of its assets and liabilities.

Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences or tax losses can be used.

Deferred tax is not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition of an asset or liability in a transaction that is not a business combination, and at the time of the transaction, affects neither accounting profit nor taxable profit.

Current and deferred tax is recognised against the surplus or deficit for the period, except to the extent that it relates to a business combination, or to transactions recognised in other comprehensive revenue and expense or directly in equity.

VENTURE TARANAKI TRUST

Notes to the Financial Statements *continued*

For the year ended 30 June 2023

18. FINANCIAL INSTRUMENTS

The carrying amounts of financial instruments are as follows:

	2023 $	2022 $
Financial assets at amortised cost (30 Jun 2022: Loans and receivables)		
Cash and cash equivalents	1,274,724	1,742,937
Trade and other receivables	71,896	119,431
Investments	501,393	500,641
Accrued interest	22,171	4,278
Total loans and receivables	1,870,184	2,367,287
Financial liabilities at amortised cost		
Trade and other payables	479,413	266,980
Total financial liabilities at amortised cost	479,413	266,980

FINANCIAL INSTRUMENTS – ACCOUNTING POLICY

Adoption of PBE IPSAS 41 Financial Instruments

The accounting policies for the year ended 30 June 2023 have been updated to comply with PBE IPSAS 41. The amendments have not had any material impact on the amounts recognised in prior periods, therefore no comparative information has been restated.

The key changes to the accounting policies are:

- Receivables policy (note 9) has been updated to reflect that the impairment of short term receivables is now determined by applying the simplified expected credit loss model.
- Financial assets policy has been updated to reflect new classification categories, as well as new measurement and recognition of loss allowances based on the expected credit loss model.

Financial instruments

Financial assets and financial liabilities are recognised when the Trust becomes a party to the contractual provisions of the financial instrument.

Financial instruments are initially measured at fair value, plus directly attributable transactions costs, unless subsequently measured as fair value through surplus or deficit. Subsequent measurement is dependent on the classification with specific policies for significant items explained below.

Financial assets

The Trust's financial assets have been classified at amortised cost. In previous years financial assets were classified as loans and receivables at amortised cost. The Trust has not recognised any allowance for expected credit losses on financial assets on the basis any expected losses are trivial.

Financial assets are initially recorded at fair value. They are then classified as, and subsequently measured as either amortised cost, fair value through other comprehensive revenue and expense (FVTOCRE); or fair value through surplus or deficit (FVTSD).

The classification of a financial asset depends on its cash flow characteristics and the Trust's management model for managing them.

Amortised cost
A financial asset is classified and subsequently measured at amortised cost if it gives rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal outstanding and is held within a management model whose objective is to collect the contractual cash flows of the asset. These assets are subsequently measured at amortised cost using the effective interest method, less any expected credit losses. Where applicable, interest accrued is added to the investment balance. Instruments in this category include cash and cash equivalents, trade and other receivables, term investments, accrued interest and community loans.

Concessionary loans
Loans made at nil or below market interest rates are initially recognised at the present value of their expected future cash flows, discounted at the current market rate of return for a similar financial instrument. For loans to community organisations, the difference between the loan value and present value of the expected future cash flows of the loan is recognised in the surplus or deficit as a grant expense.

Other classifications
A financial asset is classified and subsequently measured at FVTOCRE, less any expected credit losses if it gives rise to cashflows that are SPPI and held within a management model whose objective is achieved by both collecting contractual cash flows and selling financial assets. Financial assets that do not meet the criteria to be measured at amortised cost or FVTOCRE are subsequently recognised as FVTSD.

Expected credit loss allowance (ECL)
At each reporting date, the Trust assesses whether financial assets not classified as FVTSD are credit-impaired. The Trust recognises an allowance for ECL's only if expected credit losses are not trivial. ECL's are the probability-weighted estimate of credit losses, measured at the present value of cash short falls, which is the difference between the cash flows due to the Trust in accordance with the contract and cash flows expected. ECL's are discounted at the effective interest rate of the financial asset.

An ECL allowance is recognised for the expected 12 month of credit losses (12-month ECL) unless there has been a significant increase in credit risk since initial recognition, the ECL allowance is then based on losses possible for the remaining life of the financial asset (lifetime ECL). Trade receivables are always measured to an amount equal to the lifetime ECL. When determining whether the credit risk of a financial asset has increased significantly since initial recognition, the Trust considers both quantitative and qualitative information based on the group's historical experience and forward-looking information. Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the asset.

The Trust considers a financial asset to be in default when it is more than 90 days past due or if any information indicates the entity is unlikely to pay its credit obligations in full. If the Trust has no reasonable expectations of recovering a financial asset or part thereof it will make an assessment with respect to the timing and amount of write-off.Financial assets written off could still be subject to enforcement activities.

Financial liabilities
The Trust's financial liabilities have been classified at amortised cost. Instruments in this category include trade and other payables. Financial liabilities are initially recorded at fair value and are subsequently measured at amortised cost using the effective interest method.

19. TRUST EQUITY

CAPITAL MANAGEMENT

The Trust's capital is its equity, which comprises Trust capital and retained surpluses. Equity is represented by net assets. The Trust Deed requires the Board of Trustees to manage its revenues, expenses, assets, liabilities, investments, and general financial dealings prudently. The Trust's equity is largely managed as a by-product of managing revenues, expenses, assets, liabilities, investments, and general financial dealings.

The objective of managing the Trust's equity is to ensure that the Trust effectively achieves its objectives and purpose, whilst remaining a going concern.

VENTURE TARANAKI TRUST

Notes to the Financial Statements *continued*

For the year ended 30 June 2023

20. RECONCILIATION OF NET SURPLUS WITH NET CASH FLOW FROM OPERATING ACTIVITIES

	2023 $	2022 $
Net surplus / (deficit) after tax	(15,304)	154,594
Add/(less) non cash items:		
Depreciation	62,670	89,439
Amortisation	29,500	29,500
Deferred tax	(1,196)	37,741
Net loss / (gain) on disposal	70,914	(18,413)
Reclassification of intangible assets	14,000	-
Total non cash items	175,888	138,267
Movements in working capital:		
(Increase) / decrease in trade and other receivables	47,535	171,251
(Increase)/decrease in other current assets	(9,155)	214,091
(Increase) / decrease in GST (net)	(26,547)	37,736
Increase/(decrease) in trade and other payables	212,433	(344,662)
Increase/(decrease) in revenue received in advance	(716,773)	338,090
Increase / (decrease) in employee benefits	4,561	93,825
Increase/(decrease) in current tax	(41,382)	44,520
Total movement in working capital	(529,328)	554,851
Net cash flow from operating activities	(368,744)	847,712

The net GST component of operating activities reflects the net GST paid and received from the Inland Revenue Department. The GST component has been presented on a net basis, as the gross amounts do not provide meaningful information for financial statement purposes.

21. OPERATING LEASE COMMITMENTS

The Trust has non-cancellable operating leases for general equipment and the lease of part of an office building.

On 1 March 2023 Venture Taranaki Trust moved offices from 25 Dawson Street to 50 Devon Street West, New Plymouth. This resulted in the early termination of the office building lease at 25 Dawson Street on 28 February 2023 and break fee of $40,000. The Trust signed a new lease for 50 Devon Street, New Plymouth commencing on 1 March 2023 for the ground floor and basement storage. The lease expires on 28 February 2028, with 1 right of renewal of 5 years.

Part of the office space is sublet by the Trust to 3rd parties. The existing non-cancellable operating sublease due to expire on 24 November 2023 has been replaced with a new lease expiring 28 February 2028, with 1 right of renewal of 5 years.

Operating leases as lessee
Future minimum lease commitments under non-cancellable leases are:

	2023 $	2022 $
Not later than one year	106,675	214,462
Later than one year and not later than five years	387,200	89,359
More than five years	-	-
Total non-cancellable operating leases payments	493,875	303,821

Operating leases as lessors
Future minimum lease receipts under non-cancellable leases are:

	2023 $	2022 $
Not later than one year	28,709	22,630
Later than one year and not later than five years	105,265	9,429
More than five years	-	-
Total non-cancellable operating lease receipts	133,974	32,059

22. CAPITAL COMMITMENTS

There were no capital commitments at the reporting date (30 June 2022: $Nil).

VENTURE TARANAKI TRUST

Notes to the Financial Statements *continued*

For the year ended 30 June 2023

23. RELATED PARTY TRANSACTIONS

All transactions with related parties were carried out on normal commercial terms.

No provision has been required, nor any expense recognised, for impairment of receivables from related parties (30 June 2022: $Nil).

Related party disclosures have not been made for transactions with related parties that are within a normal supplier or client/recipient relationship on terms and conditions no more or less favourable than those that are reasonable to expect that the Trust would have adopted in dealing with the party at arm's length in the same circumstances. Further, transactions with Government agencies (for example, Government departments and Crown entities) are not disclosed as related party transactions when they are consistent with the normal operating arrangements and undertaken on the normal terms and conditions for such transactions.

Key management personnel
Key management personnel include 0.76 FTE Trustees, 1 FTE Chief Executive and 3.75 FTE Senior Management (30 June 2022: 0.72 FTE Trustees, 1 FTE Chief Executive and 5.75 FTE Senior Management).

The Trustee board now has 7 trustees, an increase of 1 from the prior year. After a review, Trustee remuneration has been increased to reflect additional workload and current economic conditions.

Key management personnel remuneration	2023 $	2022 $
Key Management Personnel		
Trustees	206,886	117,238
Chief Executive and Senior Management	819,377	970,200
Total key management personnel remuneration	1,026,263	1,087,438

24. CONTINGENCIES

Contingent Liabilities
The Trust has no contingent liabilities at the reporting date (30 June 2022: $Nil).

Contingent Assets
The Trust has no contingent assets at the reporting date (30 June 2022: $Nil).

25. PRIOR PERIOD RESTATEMENT

The following adjustments have been made to the comparative figures for the year ended 30 June 2022 to align the comparatives with changes to current year figures after completion of a presentation review:

- The Statement of Comprehensive Revenue & Expenses presentation has been simplified to disclose only key revenue and expenses in a similar format to the Trust's Statement of Intention. All revenue other than grant revenue and interest revenue is now included in other revenue with a breakdown of total revenue contained in note 4. Expenses other than amortisation, depreciation, grants, personnel, and trustee fees are now classified in other expenses in note 7.
- Other exchange revenue of $33,792 in note 4 has been split into a new category rental income from property subleases.
- Other expenses of $425,625 in note 7 have been split into additional categories being administration, events and catering, ICT expenses, sponsorship, and travel and vehicle expenses.There are no other changes to the other expense totals, other than reclassifying $27,500 from professional fees to sponsorship.
- Wage accruals of $101,184 has been reclassified in the Statement of Financial Position from accruals in trade and other payables in note 15 to employee entitlements in accrued pay in note 16. This has resulted in a reclassification from payables to employee benefits in the reconciliation of net surplus with net cash flow from operating activities in note 20 and wage accruals have been removed from Trade and other payables in note 18.
- Trade and other payables of $11,644 in note 15 has been reclassified as non-exchange.
- Other current assets has been adjusted to only disclose accrued interest in note 18.

The Trust has also introduced deferred tax with the first year being for the financial year ended 30 June 2023. The following adjustments have been made to comparative figures to bring in opening deferred tax balances:

- The Statement of Changes in Equity balance at 1 July 2021 has been restated from $443,512 to $517,998 to bring in opening deferred tax balances.
- Tax expense has been restated from $47,670 to $79,123 in the Statement of Comprehensive Revenue & Expenses recalculating the after tax profit from $186,047 to $154,594. This is also reflected in the Statement of Changes in Equity 2022 total comprehensive revenue and expenses for the year figure recalculating the closing balance from $629,559 to $672,592.
- The Statement of Financial Position current and total assets have been restated to include $43,033 deferred tax asset.
- There have been a number of changes to the taxation note in note 17. In the reconciliation of tax expense and accounting profit temporary differences have been removed updating the total income tax expense balance from $47,670 to $79,123. Components of tax expense have been restated to update current tax from $47,670 to $41,382 and include deferred tax of $37,741. The current tax asset/ (liability) reconciliation has been restated from an opening balance of $9,426 to $3,138 receivable. A new deferred tax note has been added to show the deferred tax reconciliation.
- The reconciliation of net surplus with net cash flow from operating activities in note 20 has been restated to include the revised net surplus after tax of $154,594. Deferred tax has been added to non cash items to include the deferred tax movement of $37,741. Movement in working capital has also been restated to update the increase in current tax from $50,808 to $44,520.

26. EVENTS AFTER REPORTING DATE

There are no events reported after the reporting date.

VENTURE TARANAKI TRUST

Statement of Service Performance

For the year ended 30 June 2023

ABOUT VENTURE TARANAKI

Venture Taranaki (VT) is a Council Controlled Organisation owned by New Plymouth District Council and is responsible for regional development and promotion activities in Taranaki. Venture Taranaki is a Trust incorporated under the Charitable Trusts Act 1957 but does not meet the criteria for a registered charity under the Charities Act 2005.

Venture Taranaki's objectives are set out in its founding trust deed which are summarised as:

Provide leadership and support for the development and implementation of local, regional and national strategies for the creation of a vibrant and prosperous Taranaki regional economy. Facilitate, promote, encourage and support sustainable enterprise growth, investment and employment opportunities in the Taranaki region. Support the region's commercial enterprises, large and small, mature or start-up, to establish, flourish and prosper.

Governance of Venture Taranaki Trust is the responsibility of the Board of Trustees. Operations of the organisation are the responsibility of the Chief Executive who reports to the Chair of the Board of Trustees. The duty of the Board of Trustees is set out in the Trust deed. Trustees are appointed by New Plymouth District Council in accordance with its Appointment and Remuneration of Directors of Council Organisations Policy and the Venture Taranaki Trust Deed.

The nature and scope of the activities to be undertaken by Venture Taranaki are guided by our simplified intervention logic and supporting performance and accountability impacts and measures (below).

TE TIRITI O WAITANGI PARTNERSHIP

Venture Taranaki is committed to being a partner organisation under Te Tiriti o Waitangi. This includes working in partnership and collaboration with Taranaki iwi, Māori and Māori organisations across all areas of work, as required and as appropriate. This collaboration is the foundation for VT's Te Tiriti o Waitangi approach and in developing strategy.

Venture Taranaki Trust Intervention Logic and Performance Framework

Venture Taranaki/Te Puna Umanga is a Crown Controlled Organisation (CCO) and receives each year a Statement of Expectation (SOE) from its owner, New Plymouth District Council (NPDC). This SOE is developed in accordance with the Local Government Act 2002 (LGA) Section 64b including:

- Specifying how the organisation is to conduct its relationship with New Plymouth District Council (NPDC, the Council, the shareholder) and the wider district including our local Iwi and Hapū and other Māori organisations; and
- Requiring the CCO to act consistently with the statutory obligations of the Council and the Council's obligations pursuant to agreements with third parties.

Venture Taranaki responds to this SOE with a Statement of Intent (SOI), which includes a performance framework, and performance measures that have been mutually agreed. These performance measures include those which form part of the Economic Development commitment of NPDC as part of their Long Term Plan (LTP), which VT delivers on behalf of NPDC. Therefore, these performance measures are set for the duration of the LTP. The current LTP runs to the end of June 2024, at which point it will be revised by NPDC.

CHANGES TO THE PERFORMANCE FRAMEWORK

Since 2019, Venture Taranaki reported against an extensive list of outcome measures, in addition to the Economic Development measures of NPDC, as part of an Impact Strategy developed in 2018 in response to recommendations from an NPDC review fulfilling the requirements s17A of the Local Government Act 2002.

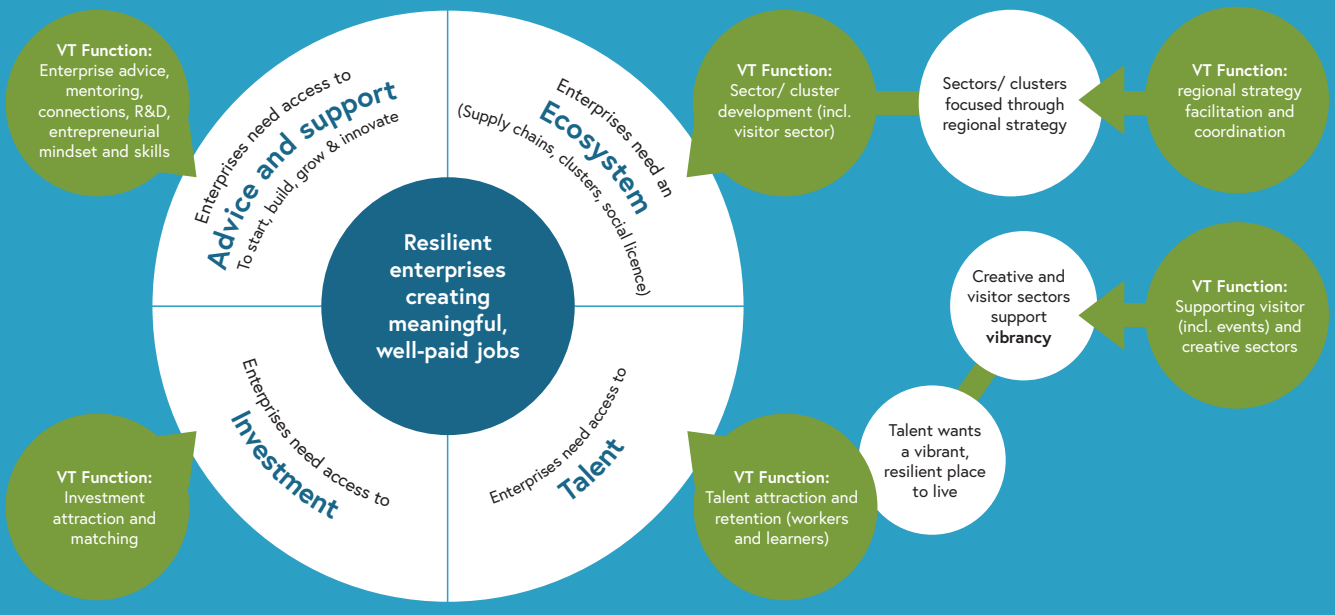
During the 2021-22 year, New Plymouth District Council (NPDC) engaged the consulting firm Henley Hutchings to undertake the review of Venture Taranaki/Te Puna Umanga, fulfilling the requirements of the above act, focused on governance and ownership arrangements. Venture Taranaki actively participated in the review and has worked with NPDC on the findings and recommendations from the review over the course of 2022/23, which has been considered a transitional year in the development of a revised strategy for Venture Taranaki.

Venture Taranaki continues to report against key regional outcome measures as part of its regular regional monitoring reports, however they have been removed from the Performance Framework, in agreement with NPDC, as they did not form a direct measure of the actual work undertaken by the organisation.

Venture Taranaki continues to operate within a simplified Intervention Logic that shows the connections between the functions and activities undertaken by VT to a desired outcome for the region. It guides investment and resourcing decisions, prioritises activities, and communicates to stakeholders and the region the purpose of the activities Venture Taranaki Trust delivers. The Intervention Logic is supported by a set of key performance indicators (below) for the activities or outputs of the Trust, as well as project deliverables, stakeholder and client satisfaction targets. Together these form the basis of Venture Taranaki Trust's accountability and performance reporting.

Intervention logic

Why Venture Taranaki undertakes or selects the activities it does



VENTURE TARANAKI TRUST

Statement of Service Performance *continued*

For the year ended 30 June 2023

HOW DID WE PERFORM?

SOI OPERATING BUDGET VARIANCE FOR THE YEAR ENDED 30 JUNE 2023

	Actual 2023	SOI forecast 2023	Variance 2023
Revenue			
Grant revenue	6,519,921	6,284,138	235,783
Other revenue	64,424	26,830	37,594
Interest revenue	92,162	12,000	80,162
Total Revenue	6,676,507	6,322,968	353,539
Expenses			
Amortisation & depreciation	92,170	120,000	27,830
Personnel expenses	2,665,810	2,090,117	(575,693)
Grants & other opex	3,728,141	3,906,684	178,543
Trustee fees	206,886	206,167	(719)
Total Expenses	6,693,007	6,322,968	(370,039)
Surplus / (deficit) before Taxation	(16,500)	-	16,500

Grant Revenue	Digital boost cohort grant funding was not budgeted for.
Other revenue	Additional lease income and refund of postponed Auckland Foodshow.
Interest revenue	Current economic environment interest rates were very low, OCR increase later unexpected
Amortisation & Depreciation	Capital investment delayed
Personnel costs	Restructure and Council equity pay review resulted in salary increases not budgeted for at SOI stage (35% of variance) Only core salaries budgeted in SOI Personnel costs, externally funded staff budgeted for in Grants & other opex Actual personnel costs include Other Personnel related expenses such as training and contractors, budgeted in Grants & other opex
Grants & other opex	Externally funded staff variance is offset by Digital boost cohort grant expense. The remaining variance is due to Other personnel expenses reported in in Actuals in Personnel costs.

PERFORMANCE MEASURES

The Measurement Framework articulates four levels of measurement:

- Performance measures: KPIs against activities/outputs to ensure agreed levels of service are delivered.
- Project value measures: progress tracking for planned projects.
- Key stakeholder evaluation: a stakeholder survey will be undertaken at the end of each financial year, and results reported in the Annual Report (commencing in the financial year 2023/24).
- Client satisfaction survey: VT will continue to conduct an annual Client Satisfaction Survey to understand the value and impact of its activities within the community.

Activity	Measure	Target		Outcomes 2022/23	Outcomes 2021/22
Promoting investment in Taranaki	Undertaking initiatives to support investment into Taranaki	Number of initiatives to support investment into Taranaki	5	**Achieved:** 11 attraction opportunities identified and supported.[1]	**Achieved:** 8 attraction opportunities identified and supported.
Regional Monitoring	Undertaking environmental scans and regional economic monitoring	Number of regional monitoring updates released	4	**Achieved:** 4 updates released, including 2x Taranaki Trends, 2x Business Survey.	**Achieved:** 5 updates released, including 2x Taranaki Trends, 2x Business Survey, Export Taranaki survey.
Enterprise support and enablement	Enterprise Connection and Signposting	Number of referrals and connections made by Venture Taranaki staff	200	**Achieved:** 764 referrals recorded	**Achieved:** 579 referrals recorded
	Innovation and R&D Support	The level of annual investment in regional businesses (subject to government policy)	$1m	**Not achieved:** $493,195.00[2]	**Achieved:** $1,660,092.00
	Building capability	The level of annual investment in the management capability of Taranaki's small and medium sized businesses.	$240k	**Achieved:** $331,055.70	**Achieved:** $389,293.00
	Client satisfaction	The annual percentage of clients satisfied with Venture Taranaki business support services.	>85%	**Achieved:** 87%	**Achieved:** 93%
Promoting Taranaki as a great place to live, learn, create and play	Administer the Major Events Fund	Number of major events funded in accordance with the criteria of NPDC's major events fund	4	**Achieved:** 20 events (meeting NPDC criteria) attracted or retained.[3]	**Achieved:** 13 events (meeting NPDC criteria) attracted or retained
	Destination Promotion	Number of engagements with visitor industry operators (including local operators, other RTOs, national and international tourism agencies)	1,000	**Achieved:** 1,867 visitor industry engagements recorded.	**Achieved:** 1,706 visitor industry engagements recorded
	Facilitate talent attraction and retention	Number of talent initiatives	2	**Achieved:** 11 Talent initiatives delivered.[4]	**Achieved:** 23 Talent initiatives delivered

1 *Investment initiatives are: Branching Out investment blueprint received and phase two under tracking; Energy transition planning; Leveraging science knowledge and funding to benefit the region; Investment dashboard; Branching Out Phase Two funding secured to incentivise investment and de-risk diversification opportunities; Co-work and support Engineering Taranaki Consortium (ETC) on 2023 Business Plan; Initialling discussion between NPDC and the Farmers Market to improve the offering and outcomes of the market; AGMARDT funding was secured by VT/Massey to support South Taranaki miscanthus growers to visit the UK in March for relationships building and insights; 2023 Offshore Renewable Energy Forum; Hosted 20 ASEAN Scholars undertaking a Food and Agribusiness Value Chains course; Launching a pilot Investment clinic.*

2 *From July 2022, businesses throughout Aotearoa New Zealand have experienced a reduction in grant funding for research and development (R&D) due to changes at Callaghan Innovation. The bulk of the grants budget has been replaced by the IRD's Research and Development Tax Incentive (RDTI) programme. Venture Taranaki supports businesses by promoting the RDTI and connecting them through to application, however the Trust does not have direct access to data relating to RDTI, therefore totals cannot be attributed to this KPI. Callaghan Innovation has retained two student grants (R&D Experience Grant and R&D Career Grants) and has introduced two niche grant funding products in 2023. A "New to R&D" grant supports companies that might be building the capabilities of a new R&D team, and the Ārohia Innovation Trailblazer Grant that supports innovation commercialisation. Both have strict criteria and limited availability; however, Venture Taranaki are working hard to support innovative companies in the region to apply. It is noted that this KPI is subject to government policy.*

3 *Events contracted were: Americarna 2023; WOMAD 2023; TSB Festival of Lights 2022/23; Spiegel Fest 2022; Summer Friends 2022; Dream 11 Super Smash 2022/23; Chiefs vs Reds 2023; Festival of Light Winter Pop up 2023; Taste & Tales 2023; Tri Taranaki Festival World Cup 2023; Oxfam Trailwalker 2023; Matchbox 20 & the Goo Goo Dolls 2024; Taranaki Beer Festival 2023; NZ Tattoo & Art Festival 2023; Re-imagine Festival 2023; Right Royal Cabaret Festival 2023; Taranaki Arts Trail 2023; Taranaki Fringe Garden Festival 2023; Taranaki Sustainable Backyards Trail 2023; Tour of Taranaki 2024.*

4 *Talent initiatives are: International education sector rebuild project; Strategic projects on talent initiatives with Regional Skills Leadership Group working on Building Energy's Talent Pipeline report; Tactical initiatives including international engineering talent attraction to the region and collaborative workshop with project Maunga, MSD, MBIE, Why Ora and MOE in lead group to map work plans; Develop a regional international education group; Engineering Talent campaign; Facilitate networking, discussions, and collaboration in the International Education sector through larger event; Study Taranaki showcase at the Multi Ethnic Extravaganza in partnership with Lingua (Taranaki specialized language school); Facilitated 'Go with Tourism' regional coordinator for building up connections to grow the talent recruitment for Hospitality/ tourism in region; Branching Out collaborated with the region's high schools and Massey University to develop a specialized education program, funded by LA Alexander Trust's Education Impact Project Fund; Study Taranaki rebrand and Booklet update; Familiarisation tour for International Education Agents.*

VENTURE TARANAKI TRUST

Statement of Service Performance *continued*

For the year ended 30 June 2023

PROJECT MEASURES

The externally funded projects and contracts for service that VT undertakes are determined annually as part of the Venture Taranaki business planning process. The Trust is required to meet any KPIs that are attached to these external contracts.

Some contracts run annually within a financial year cycle that aligns with Venture Taranaki's financial year. Some contracts run for longer or shorter periods and may be extended or renewed.

Title	Funder	Ends	Result	Commentary
Regional Event Fund	MBIE	1/07/2024		All funding is committed
Visitor Futures	MBIE	1/06/2023		Contract now complete
Digital Boost	MBIE	1/06/2023		All funding allocated, one cohort still to complete by August.
Regional Business Partners	MBIE	Annual		Contract continues to 2025
Business Mentors NZ	BMNZ	Annual		Contract is renewed annually
Partnership Seed Funding	ENZ	1/06/2023		Extension granted by ENZ to complete KPIs by end of August
Participatory Science Platform	MBIE	Annual		Contract continues to 2024
Branching Out (Phase 2)	MPI	30/06/2025		Milestones are on track

KEY

All KPIs met, contract complete or reporting period complete	
All KPIs substantially met (within 90%), contract complete	
All KPIs on track to be met by completion of contract	
Some KPIs not on track to be met by completion of contract	
Some or all KPIs not substantially met, contract complete	

STAKEHOLDER REVIEW

Venture Taranaki will undertake an annual stakeholder survey, with a view to measuring the level of stakeholder engagement. The measures below are established from the 2021 NPDC review of VT and form the benchmark for improvement. This review was not conducted during the 2022/23 year by agreement with New Plymouth District Council and will commence in 2023/24.

Stakeholders respond they are satisfied or very satisfied with VT	>70%
Stakeholders respond they have a strong or very strong perception of value for money provided by VT	>55%
Stakeholders respond they are clear or very clear on the purpose of VT	>50%

VENTURE TARANAKI TRUST

Trust Directory

For the year ended 30 June 2023

Nature of Business

Facilitating economic development in Taranaki

Business Office

50 Devon Street West, New Plymouth

Trustees

Joanna Breare
Gillian Cagney
David Downs
Roddy Bennett
Joshua Hitchcock
Grant McQuoid
Christopher Myers

Auditors

Silks Audit, Whanganui

Accountants

BDO Taranaki Limited, New Plymouth

Bankers

TSB Bank, New Plymouth

Solicitors

Govett Quilliam, New Plymouth



venture
TARANAKI
Te Puna Umanga

Taranaki Regional Development Agency
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New Plymouth 4310, New Zealand
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E info@venture.org.nz
venture.org.nz

An initiative of
Te Kaunihera-ā-Rohe o Ngāmotu
New Plymouth District Council



JOINT VENTURE FORESTRY

DUTHIE FORESTRY JOINT VENTURE
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

DUTHIE FORESTRY JOINT VENTURE

CONTENTS

3	Statement of Service Performance
4	Statement of Comprehensive Income
4	Statement of Changes in Equity
5	Statement of Financial Position
6	Statement of Cash Flows
7	Notes to the Financial Statements
11	Independent Auditor's Report

DUTHIE FORESTRY JOINT VENTURE
STATEMENT OF SERVICE PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2023

PERFORMANCE TARGETS

1. Financial performance

	Actual	SOI Forecast		
	2022/23 $000	2022/23 $000	2023/24 $000	2024/25 $000
Net operating (deficit)/surplus	(74)	(7)	(7)	795
Council funding support	7	7	7	7
Net equity	472	507	507	-

2. Silvicultury and harvesting

The performance of the joint venture is measured by ensuring that the trees are managed in accordance with accepted silvicultural practice. The joint venture agreement sets out the following regime:

(a) plantation thinned to 300-500 stems per hectare; and

(b) between 300-500 stems pruned in three stages to 6.0 metres.

Harvesting is not anticipated until 2025 and is dependent on tree growth and log prices which may either bring forward or delay the harvesting process. No silvicultural activities, other than inspection and maintenance were required during the year ended 30 June 2023.

Objective: To complete all programmes outlined in the Forest Management Plans and agreements.

Assessment: The regime set out in the joint venture agreement was fully completed historically. Aside from inspection and general maintenance, no further work has been required subsequent to this.

All programmes outlined in the Forest Management Plan for 2022/23 have been completed.

Objective: To report annually in compliance with the agreements.

Assessment: The joint venture forest has been inspected by PF Olsen Limited with reports sent to the owners annually.

DUTHIE FORESTRY JOINT VENTURE
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2023

	Note	2022/23 Actual $	2022/23 Budget $	2021/22 Actual $
Income				
Gain on revaluation	2	-	-	31,566
Total income		-	-	**31,566**
Expenditure				
Loss on revaluation	2	66,048	-	-
Audit fee		4,155	2,000	3,297
Administration and general expenses		1,300	1,800	1,300
Operations and maintenance		2,941	2,800	2,562
Total expenditure		**74,444**	**6,600**	**7,159**
(Deficit)/Surplus before tax		**(74,444)**	**(6,600)**	**24,407**
Income tax expense		-	-	-
(Deficit)/Surplus after tax		**(74,444)**	**(6,600)**	**24,407**
Other comprehensive revenue and expense		-	-	-
Total comprehensive revenue and expense		**(74,444)**	**(6,600)**	**24,407**
Attributable to:				
New Plymouth District Council		(44,604)	(6,600)	10,145
J.L and G.C Duthie		(29,840)	-	14,262

The accompanying notes form part of these financial statements.

Budget variations
- Forestry is revalued annually. Due to the number of variables which can impact the valuation any gain or loss is not budgeted for.
- Actual audit fee is higher than budget due to increases in the audit fee to better align fee with actual time required to complete the audit.
- Budgeted administration and general expenses included contingencies as extra costs were expected during the financial year.

DUTHIE FORESTRY JOINT VENTURE
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2023

	2022/23 Actual $	2022/23 Budget $	2021/22 Actual $
Balance at 1 July	**538,565**	**507,000**	**507,092**
Total comprehensive revenue and expense	(74,444)	(6,600)	24,407
Contribution from New Plymouth District Council	7,434	6,600	7,066
Balance at 30 June	**471,555**	**507,000**	**538,565**

The accompanying notes form part of these financial statements.

DUTHIE FORESTRY JOINT VENTURE
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2023

	Note	2022/23 Actual $	2022/23 Budget $	2021/22 Actual $
ASSETS				
Current assets				
Cash and cash equivalents		-	-	-
Total current assets		-	-	-
Non-current assets				
Forestry	2	475,996	507,000	542,044
Total non-current assets		**475,996**	**507,000**	**542,044**
TOTAL ASSETS		**475,996**	**507,000**	**542,044**
LIABILITIES				
Current liabilities				
Creditors and other payables		4,441	-	3,479
Total current liabilities		**4,441**	-	3,479
TOTAL LIABILITIES		**4,441**	-	**3,479**
NET ASSETS		**471,555**	**507,000**	**538,565**
EQUITY				
Joint venture ownership				
New Plymouth District Council		257,668	277,937	294,838
JL & GC Duthie		213,887	229,063	243,727
TOTAL EQUITY		**471,555**	**507,000**	**538,565**

The accompanying notes form part of these financial statements.

Budget variations
Forestry is revalued annually. Due to the number of variables which can impact the valuation any gain or loss is not budgeted for.

Chief Executive .....

Date 29 September 2023

Mayor .....

Date 29 September 2023

5

DUTHIE FORESTRY JOINT VENTURE
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2023

	2022/23 Actual $	2022/23 Budget $	2021/22 Actual $
Cash flows from operating activities			
Payments to suppliers and employees	(7,434)	(6,600)	(7,066)
Net cash from operating activities	**(7,434)**	**(6,600)**	**(7,066)**
Cash flows from financing activities			
Contribution from New Plymouth District Council	7,434	6,600	7,066
Net cash from financing activities	**7,434**	**6,600**	**7,066**
Net increase/(decrease) in cash and cash equivalents	-	-	-
Cash and cash equivalents at 1 July	-	-	-
Cash at cash equivalents at 30 June	-	-	-

There were no cash flows from investing activities in the current or prior years.

The accompanying notes form part of these financial statements.

RECONCILIATION OF NET SURPLUS/DEFICIT AFTER TAX TO NET CASH FLOW FROM OPERATING ACTIVITIES

	2022/23 Actual $	2021/22 Actual $
Net (deficit)/surplus	**(74,444)**	**24,407**
Add/(less) non-cash items:		
Increase in payables	962	93
Change in forestry asset valuation	66,048	(31,566)
Net cash outflows from operating activities	**(7,434)**	**(7,066)**

The accompanying notes form part of these financial statements.

DUTHIE FORESTRY JOINT VENTURE
NOTES TO THE FINANCIAL STATEMENTS

1 STATEMENT OF ACCOUNTING POLICIES

REPORTING ENTITY

Duthie Forestry Joint Venture (joint venture) is a forestry joint venture between J.L and G.C Duthie (45.18 per cent) and the New Plymouth District Council (54.82 per cent). The ownership and operation of the forest (22.7 hectares) is undertaken as a joint venture between the two joint venture partners. The land is 100 per cent owned by J.L and G.C Duthie and the operating costs are met by the New Plymouth District Council (the Council).

The joint venture is a Council-Controlled Organisation as defined in part 1, section 6, of the Local Government Act 2002. The joint venture is domiciled in New Zealand and is classified as a profit-oriented entity, whose primary objective is to grow and harvest trees.

The financial statements of the joint venture are for the year ended 30 June 2023. The financial statements were authorised for issue by the Council on 29 September 2023. While there is no intention to amend the financial statements after being issued, the Council has the power to do so.

BASIS OF PREPARATION

Statement of compliance
These financial statements have been prepared on a going concern basis and the accounting policies have been applied consistently throughout the year.

The financial statements of the joint venture have been prepared in accordance with Generally Accepted Accounting Practice (GAAP). The financial statements comply with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS), and other New Zealand accounting standards and authoritative notices that are applicable to entities that apply to NZ IFRS Reduced Disclosure Regime (NZ IFRS RDR).

The joint venture is eligible and has elected to report in accordance with Tier 2 For-profit accounting standards. NZ IFRS RDR has been applied on the basis that the joint venture has no public accountability and is not a large for-profit public sector entity.

The financial statements have been prepared so as to take advantage of all reporting concessions available to the joint venture, except for NZ IAS 7 *Statement of Cash Flows,* as the joint venture has elected to report cash flows on a Tier 1 basis.

Measurement base
The financial statements have been prepared on a historical costs basis, modified by the revaluation of forestry assets.

Functional and presentation currency
The financial statements are presented in New Zealand dollars and all values are rounded to the nearest dollar. The functional currency of the joint venture is New Zealand dollars.

SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the joint venture have been applied consistently to all periods presented in these financial statements.

Significant accounting policies are included in the notes to which they relate. Significant accounting policies that do not relate to a specific note are outlined below.

DUTHIE FORESTRY JOINT VENTURE
NOTES TO THE FINANCIAL STATEMENTS

Cash and cash equivalents
Cash and cash equivalents includes cash on hand and deposits held at call with banks with original maturities of three months or less.

Income Tax
The joint venture is not a taxable entity. The parties to the joint venture are responsible for meeting their own obligations for taxation in relation to their share of the earnings.

Application of new and revised accounting standards, interpretations and amendments
There have been no new or revised accounting standards, interpretations and amendments effective during the period which have a material impact on the joint venture's accounting policies or disclosures.

CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

Financial statement preparation requires judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, revenue and expenses. Actual results may differ from those estimates. Estimates are continually evaluated and are based on historical experience and other factors, including expectations or future events that are considered reasonable under the circumstances.

The significant estimates and assumptions that have the greatest risk of causing a material adjustment to the reported amounts are estimating the value of forestry assets (refer to note 2).

2 Forestry assets

Accounting policy
Forestry assets are valued on an annual basis by PF Olsen Limited, an independent external consultant, to the fair value less estimated point of sale costs.

Fair value is determined based on the present value of expected net cash flows discounted at a current market determined rate. This calculation is based on existing sustainable felling plans and assessments regarding growth, timber prices, felling costs and silvicultural costs. The calculation also takes into consideration environmental, operational, and market restrictions.

Any gains or losses on revaluation, including impairment, are recognised in the Statement of Comprehensive Income. The costs to maintain the forestry assets are recognised in the Statement of Comprehensive Income.

	2022/23 Actual $	2021/22 Actual $
Balance at 1 July	542,044	510,478
(Losses)/Gains arising from changes in fair value	(66,048)	31,566
Balance at 30 June	**475,996**	**542,044**

(a) Valuation

Independent registered valuers, PF Olsen Limited, have valued forestry assets as at 30 June 2023 based on methodology recommended by the New Zealand Institute of Forestry. The valuation complies with the requirements of NZ IAS 41 *Agriculture*, which applies to the valuation of tree crops.

The following significant valuation assumptions have been adopted in determining the fair value of forestry assets:

- A post-tax discount rate of seven point eight per cent (2021/22: seven per cent) has been used in discounting the present value of expected cash flows.
- The forest has been valued on a going concern basis and only includes the value of the existing crops on a single rotation basis less point of sale costs estimated at two per cent (2021/22: two per cent).
- Costs are average costs. No allowance has been made for cost improvements in future operations.
- Fair value of forestry assets has been determined using observable inputs (level 2).
- Log prices have improved since the last valuation. Near-term log price assumptions are down in 2023/24, but this is expected to improve in the longer term (2021/22: Long-term log prices will recover and revert to the long-term averages by 2027 if there aren't any structural changes to the log export markets).

(b) Financial risk management strategies

Key financial risks arise from increase in costs associated with logging/loads and cartage harvesting costs. There is also a risk in sale price of forestry. The joint venture is a long-term forestry investor and does not expect timber prices to decline significantly in the foreseeable future. Therefore, no measures have been taken to manage the risks of a decline in timber prices. The joint venture reviews its outlook for harvested log prices regularly in considering the need for active financial risk management.

(c) Impact of the Emission Trading Scheme

The forestry valuation does not include any impact in respect of the Emission Trading Scheme. Any liability will be the responsibility of the land owner rather than the joint venture.

3 Related parties

As a joint venture partner, the Council is deemed to be a related party of the joint venture.

Transactions between the two parties consist of: reimbursement of expenses, incurred by the Council, on behalf of the joint venture; and charges to the joint venture for the provision of services.

For the year ended 30 June 2023, the total value of transactions between the Council and the joint venture was $8,396 (2021/22: $7,159). Transactions between the two parties consist of:

- Reimbursement of costs incurred by the Council on behalf of the joint venture of $7,096 (2021/22: $5,859).
- The Council charged the joint venture $1,300 (2021/22: $1,300) for the provision of accounting and administrative services.

For the year ending 30 June 2023:

- No debts between the parties were written off or forgiven, and no transactions between the parties took place at nil or nominal value.
- No members of the Council or its senior management entered into any transactions with the joint venture.

DUTHIE FORESTRY JOINT VENTURE
NOTES TO THE FINANCIAL STATEMENTS

4 Capital commitments

As at 30 June 2023, there are no capital commitments (2021/22: nil).

5 Contingent assets and liabilities

As at 30 June 2023, there are no contingent assets or liabilities (2021/22: nil).

6 Events after the balance sheet date

There were no significant events after the balance sheet date (2021/22: nil).

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

Independent Auditor's Report

To the readers of Duthie Forestry Joint Venture's financial statements and performance information for the year ended 30 June 2023

The Auditor-General is the auditor of Duthie Forestry Joint Venture (the joint venture). The Auditor-General has appointed me, Debbie Perera, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements and performance information of the joint venture on his behalf.

Opinion

We have audited:

- the financial statements of the joint venture on pages 4 to 10, that comprise the statement of financial position as at 30 June 2023, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information; and
- the performance information of the joint venture on page 3.

In our opinion:

- the financial statements of the joint venture on pages 4 to 10:
    - present fairly, in all material respects:
        - its financial position as at 30 June 2023; and
        - its financial performance and cash flows for the year then ended; and
    - comply with generally accepted accounting practice in New Zealand in accordance with New Zealand Equivalents to International Financial Reporting Standards Reduced Disclosure Regime; and
- the performance information of the joint venture on page 3 presents fairly, in all material respects, the joint venture's actual performance compared against the performance targets and other measures by which performance was judged in relation to the joint venture's objectives for the year ended 30 June 2023.

Our audit was completed on 29 September 2023. This is the date at which our opinion is expressed.

The basis for our opinion is explained below. In addition, we outline the responsibilities of the New Plymouth District Council and our responsibilities relating to the financial statements and the performance information, and we explain our independence.

Basis for our opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the Responsibilities of the auditor section of our report.

We have fulfilled our responsibilities in accordance with the Auditor-General's Auditing Standards.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the New Plymouth District Council for the financial statements and the performance information

The New Plymouth District Council is responsible on behalf of the joint venture for preparing financial statements that are fairly presented and that comply with generally accepted accounting practice in New Zealand. The New Plymouth District Council is also responsible for preparing the performance information for the joint venture.

The New Plymouth District Council is responsible for such internal control as it determines is necessary to enable it to prepare financial statements and performance information that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements and the performance information, the New Plymouth District Council is responsible on behalf of the joint venture for assessing the joint venture's ability to continue as a going concern. The New Plymouth District Council is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless the New Plymouth District Council intends to liquidate the joint venture or to cease operations, or has no realistic alternative but to do so.

The New Plymouth District Council's responsibilities arise from the Local Government Act 2002.

Responsibilities of the auditor for the audit of the financial statements and the performance information

Our objectives are to obtain reasonable assurance about whether the financial statements and the performance information, as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit carried out in accordance with the Auditor-General's Auditing Standards will always detect a material

misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures, and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers, taken on the basis of these financial statements and the performance information.

For the budget information reported in the financial statements and the performance information, our procedures were limited to checking that the information agreed to the joint venture's statement of intent and budgets approved by the Board.

We did not evaluate the security and controls over the electronic publication of the financial statements and the performance information.

As part of an audit in accordance with the Auditor-General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. Also:

- We identify and assess the risks of material misstatement of the financial statements and the performance information, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the joint venture's internal control.

- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the New Plymouth District Council.

- We evaluate the appropriateness of the reported performance information within the joint venture's framework for reporting its performance.

- We conclude on the appropriateness of the use of the going concern basis of accounting by the New Plymouth District Council and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the joint venture's ability to continue as a going concern. If we conclude that a material uncertainty exists we are required to draw attention in our auditor's report to the related disclosures in the financial statements and the performance information or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the joint venture to cease to continue as a going concern.

- We evaluate the overall presentation, structure and content of the financial statements and the performance information, including the disclosures, and whether the financial statements and the performance information represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the New Plymouth District Council regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Our responsibilities arise from the Public Audit Act 2001.

Independence

We are independent of the joint venture in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1: International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand) (PES 1) issued by the New Zealand Auditing and Assurance Standards Board.

Other than the audit, we have no relationship with, or interests in, the joint venture.



Debbie Perera
Audit New Zealand
On behalf of the Auditor-General
Palmerston North, New Zealand

JOINT VENTURE FORESTRY

MCKAY (1259 OKAU ROAD) FORESTRY JOINT VENTURE
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

MCKAY (1259 OKAU ROAD) FORESTRY JOINT VENTURE

CONTENTS

3	Statement of Service Performance
4	Statement of Comprehensive Income
5	Statement of Changes in Equity
6	Statement of Financial Position
7	Statement of Cash Flows
8	Notes to the Financial Statements
12	Independent Auditor's Report

MCKAY (1259 OKAU ROAD) FORESTRY JOINT VENTURE
STATEMENT OF SERVICE PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2023

PERFORMANCE TARGETS

1. Financial performance

	Actual	SOI Forecast		
	2022/23 $000	2022/23 $000	2023/24 $000	2024/25 $000
Net operating (deficit)/surplus	(334)	1,080	1,082	-
Council funding support	8	8	6	-
Net equity	1,823	2,146	-	-

2. Silviculture and harvesting

The performance of the joint venture is measured by ensuring that the trees are managed in accordance with accepted silvicultural practice. The joint venture agreement sets out the following regime:

(a) Planting at 833 stems per hectare.
(b) Plantation thinned to waste to 360 stems per hectare at age seven years.
(c) Pruning of 360 stems per hectare to 6.5 metres at age seven years.

Harvesting is not anticipated until 2024 and is dependent on tree growth and log prices which may either bring forward or delay the harvesting process. No silvicultural activities, other than inspection and maintenance were required during the year ended 30 June 2023.

Objective: To complete all programmes outlined in the Forest Management Plans and agreements.

Assessment: The regime set out in the joint venture agreement was fully completed historically. Aside from inspection and general maintenance, no further work has been required subsequent to this.

All programmes outlined in the Forest Management Plan for 2022/23 have been completed.

Objective: To report annually in compliance with the agreements.

Assessment: The joint venture forest has been inspected by PF Olsen Limited with reports sent to the owners annually.

MCKAY (1259 OKAU ROAD) FORESTRY JOINT VENTURE
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2023

	Note	2022/23 Actual $	2022/23 Budget $	2021/22 Actual $
Income				
Gain on revaluation	2	-	-	2,851
Income from harvesting		-	3,050,000	-
Total Income		-	3,050,000	2,851
Expenditure				
Loss on revaluation	2	324,860	-	-
Audit fee		4,155	2,000	3,297
Administration and general expenses		1,300	3,000	1,300
Operations and maintenance		3,788	2,800	3,707
Harvesting expenses		-	1,962,000	-
Total expenditure		334,103	1,969,800	8,304
Deficit/(Surplus) before tax		(334,103)	1,080,200	(5,453)
Income tax expense		-	-	-
Deficit/(Surplus) after tax		(334,103)	1,080,200	(5,453)
Other comprehensive revenue and expense		-	-	-
Total comprehensive revenue and expense		(334,103)	1,080,200	(5,453)
Attributable to:				
New Plymouth District Council		(192,789)	606,920	(6,693)
McKay		(141,314)	473,280	1,240

The accompanying notes form part of these financial statements.

Budget variations
- Forestry is revalued annually. Due to the number of variables which can impact the valuation any gain or loss is not budgeted for.
- Budgeted income from harvesting and associated harvesting expenses have not been received or incurred during the financial year due to the decision by the joint venture partners to delay harvesting by at least 12 months (due to current market prices for harvested logs).
- Actual audit fee is higher than budget due to increases in the audit fee to better align fee with actual time required to complete the audit.
- Budgeted administration and general expenses included contingencies as extra costs were expected during the financial year.
- Actual operations and maintenance expenditure is greater than budgeted due to increased insurance premium.

MCKAY (1259 OKAU ROAD) FORESTRY JOINT VENTURE
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2023

	2022/23 Actual $	2022/23 Budget $	2021/22 Actual $
Balance at 1 July	**2,148,924**	**2,146,000**	**2,146,166**
Total comprehensive revenue and expense	(334,103)	1,080,200	(5,453)
Contribution from New Plymouth District Council	8,281	7,800	8,211
Distributions due to joint venture partners	-	(1,088,000)	-
Balance at 30 June	**1,823,102**	**2,146,000**	**2,148,924**

The accompanying notes form part of these financial statements.

MCKAY (1259 OKAU ROAD) FORESTRY JOINT VENTURE
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2023

	Note	2022/23 Actual $	2022/23 Budget $	2021/22 Actual $
ASSETS				
Current assets				
Cash and cash equivalents		-	1,088,000	-
Total current assets		**-**	**1,088,000**	**-**
Non-current assets				
Forestry	2	1,827,543	1,058,000	2,152,403
Total non-current assets		**1,827,543**	**1,058,000**	2,152,403
TOTAL ASSETS		**1,827,543**	**2,146,000**	**2,152,403**
LIABILITIES				
Current liabilities				
Creditors and other payables		4,441	-	3,479
Total current liabilities		**4,441**	**-**	**3,479**
TOTAL LIABILITIES		**4,441**	**-**	**3,479**
NET ASSETS		**1,823,102**	**2,146,000**	**2,148,924**
EQUITY				
Joint venture ownership				
New Plymouth District Council		1,028,120	1,212,490	1,212,628
McKay		794,982	933,510	936,296
TOTAL EQUITY		**1,823,102**	**2,146,000**	**2,148,924**

The accompanying notes form part of these financial statements.

Budget variations
- Budgeted cash and cash equivalents assume that harvesting of the forestry asset would be partially complete as at year end. However, during the year the joint venture partners made the decision to delay harvesting by at least 12 months (due to current market prices for harvested logs).
- Forestry is revalued annually. Due to the number of variables which can impact the valuation any gain or loss is not budgeted for.

Chief Executive .....

Date 29 September 2023

Mayor .....

Date 29 September 2023

6

MCKAY (1259 OKAU ROAD) FORESTRY JOINT VENTURE
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2023

	2022/23 Actual $	2022/23 Budget $	2021/22 Actual $
Cash flows from operating activities			
Receipts from harvesting	-	3,050,000	-
Payments to suppliers and employees	(8,281)	(1,969,800)	(8,211)
Net cash from operating activities	**(8,281)**	**1,080,200**	**(8,211)**
Cash flows from financing activities			
Contribution from New Plymouth District Council	8,281	7,800	8,211
Net cash from financing activities	**8,281**	**7,800**	**8,211**
Net increase in cash and cash equivalents	**-**	**1,088,000**	**-**
Cash and cash equivalents at 1 July	-	-	-
Cash at cash equivalents at 30 June	**-**	**1,088,000**	**-**

There were no cash flows from investing activities in the current or prior years.

The accompanying notes form part of these financial statements.

RECONCILIATION OF NET SURPLUS/DEFICIT AFTER TAX TO NET CASH FLOW FROM OPERATING ACTIVITIES

	2022/23 Actual $	2021/22 Actual $
Net deficit	**(334,103)**	**(5,453)**
Add/(less) non-cash items:		
Increase in payables	962	93
Change in forestry asset valuation	324,860	(2,851)
Net cash outflows from operating activities	**(8,281)**	**(8,211)**

The accompanying notes form part of these financial statements.

MCKAY (1259 OKAU ROAD) FORESTRY JOINT VENTURE
NOTES TO THE FINANCIAL STATEMENTS

1 STATEMENT OF ACCOUNTING POLICIES

REPORTING ENTITY

McKay (1259 Okau Road) Forestry Joint Venture (joint venture) is a forestry joint venture between McKay (43.5 per cent) and the New Plymouth District Council (56.5 per cent). The ownership and operation of the forest (83.5 hectares) is undertaken as a joint venture between the two joint venture partners. The land was previously 100 per cent owned by McKay but has since been sold to G & S Evans Limited. However, McKay has retained their interest in the forest. The operating costs are met by the New Plymouth District Council (the Council).

The joint venture is a Council-Controlled Organisation as defined in part 1, section 6, of the Local Government Act 2002. The joint venture is domiciled in New Zealand and is classified as a profit-oriented entity, whose primary objective is to grow and harvest trees.

The financial statements of the joint venture are for the year ended 30 June 2023. The financial statements were authorised for issue by the Council on 29 September 2023. While there is no intention to amend the financial statements after being issued, the Council has the power to do so.

BASIS OF PREPARATION

Statement of compliance
These financial statements have been prepared on a going concern basis and the accounting policies have been applied consistently throughout the year.

The financial statements of the joint venture have been prepared in accordance with Generally Accepted Accounting Practice (GAAP). The financial statements comply with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS), and other New Zealand accounting standards and authoritative notices that are applicable to entities that apply to NZ IFRS Reduced Disclosure Regime (NZ IFRS RDR).

The joint venture is eligible and has elected to report in accordance with Tier 2 for-profit accounting standards. NZ IFRS RDR has been applied on the basis that the joint venture has no public accountability and is not a large for-profit public sector entity.

The financial statements have been prepared so as to take advantage of all reporting concessions available to the joint venture, except for NZ IAS 7 *Statement of Cash Flows,* as the joint venture has elected to report cash flows on a Tier 1 basis.

Measurement base
The financial statements have been prepared on a historical costs basis, modified by the revaluation of forestry assets.

Functional and presentation currency
The financial statements are presented in New Zealand dollars and all values are rounded to the nearest dollar. The functional currency of the joint venture is New Zealand dollars.

SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the joint venture have been applied consistently to all periods presented in these financial statements.

Significant accounting policies are included in the notes to which they relate. Significant accounting policies that do not relate to a specific note are outlined below.

Cash and cash equivalents
Cash and cash equivalents includes cash on hand and deposits held at call with banks with original maturities of three months or less.

Income Tax
The joint venture is not a taxable entity. The parties to the joint venture are responsible for meeting their own obligations for taxation in relation to their share of the earnings.

Application of new and revised accounting standards, interpretations and amendments
There have been no new or revised accounting standards, interpretations and amendments effective during the period which have a material impact on the joint venture's accounting policies or disclosures.

CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

Financial statement preparation requires judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, revenue and expenses. Actual results may differ from those estimates. Estimates are continually evaluated and are based on historical experience and other factors, including expectations or future events that are considered reasonable under the circumstances.

The significant estimates and assumptions that have the greatest risk of causing a material adjustment to the reported amounts are estimating the value of forestry assets (refer to note 2).

2 Forestry assets

Accounting policy
Forestry assets are valued on an annual basis by PF Olsen Limited, an independent external consultant, to the fair value less estimated point of sale costs.

Fair value is determined based on the present value of expected net cash flows discounted at a current market determined rate. This calculation is based on existing sustainable felling plans and assessments regarding growth, timber prices, felling costs and silvicultural costs. The calculation also takes into consideration environmental, operational, and market restrictions.

Any gains or losses on revaluation, including impairment, are recognised in the Statement of Comprehensive Income. The costs to maintain the forestry assets are recognised in the Statement of Comprehensive Income and expense.

	2022/23 Actual $	2021/22 Actual $
Balance at 1 July	2,152,403	2,149,552
(Losses)/Gains arising from changes in fair value	(324,860)	2,851
Balance at 30 June	**1,827,543**	**2,152,403**

(a) Valuation

Independent registered valuers, PF Olsen Limited, have valued forestry assets as at 30 June 2023 based on methodology recommended by the New Zealand Institute of Forestry. The valuation complies with the requirements of NZ IAS 41 *Agriculture*, which applies to the valuation of tree crops.

The following significant valuation assumptions have been adopted in determining the fair value of forestry assets:

- A post-tax discount rate of seven point eight per cent (2021/22: seven per cent) has been used in discounting the present value of expected cash flows.
- The forest has been valued on a going concern basis and only includes the value of the existing crops on a single rotation basis less point of sale costs estimated at two per cent (2021/22: two per cent).
- Costs are average costs. No allowance has been made for cost improvements in future operations.
- Fair value of forestry assets has been determined using observable inputs (level 2).
- Log prices have improved since the last valuation. Near-term log price assumptions are down in 2023/24, but this is expected to improve in the longer term (2021/22: Long-term log prices will recover and revert to the long-term averages by 2027 if there aren't any structural changes to the log export markets).
- The harvesting cost class assigned is medium.
- The roading cost assigned is very high to reflect the erosion susceptibility of the forestry block.

(b) Financial risk management strategies

Key financial risks arise from increase in costs associated with logging/loads and cartage harvesting costs. There is also a risk in sale price of forestry. The joint venture is a long-term forestry investor and does not expect timber prices to decline significantly in the foreseeable future. Therefore, no measures have been taken to manage the risks of a decline in timber prices. The joint venture reviews its outlook for harvested log prices regularly in considering the need for active financial risk management.

(c) Impact of the Emission Trading Scheme

The forestry valuation does not include any impact in respect of the Emission Trading Scheme. Any liability will be the responsibility of the land owner rather than the joint venture.

3 Related parties

As a joint venture partner, the Council is deemed to be a related party of the joint venture.

Transactions between the two parties consist of: reimbursement of expenses, incurred by the Council, on behalf of the joint venture; and charges to the joint venture for the provision of services.

For the year ended 30 June 2023, the total value of transactions between the Council and the joint venture was $9,243 (2021/22: $8,304). Transactions between the two parties consist of:

- Reimbursement of costs incurred by the Council on behalf of the joint venture of $7,943 (2021/22: $7,004).
- The Council charged the joint venture $1,300 (2021/22: $1,300) for the provision of accounting and administrative services.

For the year ending 30 June 2023:

- No debts between the parties were written off or forgiven, and no transactions between the parties took place at nil or nominal value.
- No members of the Council or its senior management entered into any transactions with the joint venture.

MCKAY (1259 OKAU ROAD) FORESTRY JOINT VENTURE
NOTES TO THE FINANCIAL STATEMENTS (continued)

4 Capital commitments

As at 30 June 2023, there are no capital commitments (2021/22: nil).

5 Contingent assets and liabilities

As at 30 June 2023, there are no contingent assets or liabilities (2021/22: nil).

6 Events after the balance sheet date

There were no significant events after the balance sheet date (2021/22: nil).

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

Independent Auditor's Report

To the readers of McKay (1259 Okau Road) Forestry Joint Venture's financial statements and performance information for the year ended 30 June 2023

The Auditor-General is the auditor of McKay (1259 Okau Road) Forestry Joint Venture (the joint venture). The Auditor-General has appointed me, Debbie Perera, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements and performance information of the joint venture on his behalf.

Opinion

We have audited:

- the financial statements of the joint venture on pages 4 to 11, that comprise the statement of financial position as at 30 June 2023, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information; and
- the performance information of the joint venture on page 3

In our opinion:

- the financial statements of the joint venture on pages 4 to 11:
    - present fairly, in all material respects:
        - its financial position as at 30 June 2023; and
        - its financial performance and cash flows for the year then ended; and
    - comply with generally accepted accounting practice in New Zealand in accordance with New Zealand Equivalents to International Financial Reporting Standards Reduced Disclosure Regime; and
- the performance information of the joint venture on page 3 presents fairly, in all material respects, the joint venture's actual performance compared against the performance targets and other measures by which performance was judged in relation to the joint venture's objectives for the year ended 30 June 2023.

Our audit was completed on 29 September 2023. This is the date at which our opinion is expressed.

The basis for our opinion is explained below. In addition, we outline the responsibilities of the New Plymouth District Council and our responsibilities relating to the financial statements and the performance information, and we explain our independence.

Basis for our opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the Responsibilities of the auditor section of our report.

We have fulfilled our responsibilities in accordance with the Auditor-General's Auditing Standards.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the New Plymouth District Council for the financial statements and the performance information

The New Plymouth District Council is responsible on behalf of the joint venture for preparing financial statements that are fairly presented and that comply with generally accepted accounting practice in New Zealand. The New Plymouth District Council is also responsible for preparing the performance information for the joint venture.

The New Plymouth District Council is responsible for such internal control as it determines is necessary to enable it to prepare financial statements and performance information that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements and the performance information, the New Plymouth District Council is responsible on behalf of the joint venture for assessing the joint venture's ability to continue as a going concern. The New Plymouth District Council is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless the New Plymouth District Council intends to liquidate the joint venture or to cease operations, or has no realistic alternative but to do so.

The New Plymouth District Council's responsibilities arise from the Local Government Act 2002.

Responsibilities of the auditor for the audit of the financial statements and the performance information

Our objectives are to obtain reasonable assurance about whether the financial statements and the performance information, as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit carried out in accordance with the Auditor-General's Auditing Standards will always detect a material

misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures, and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers, taken on the basis of these financial statements and the performance information.

For the budget information reported in the financial statements and the performance information, our procedures were limited to checking that the information agreed to the joint venture's statement of intent and budgets approved by the Board.

We did not evaluate the security and controls over the electronic publication of the financial statements and the performance information.

As part of an audit in accordance with the Auditor-General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. Also:

- We identify and assess the risks of material misstatement of the financial statements and the performance information, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the joint venture's internal control.

- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the New Plymouth District Council.

- We evaluate the appropriateness of the reported performance information within the joint venture's framework for reporting its performance.

- We conclude on the appropriateness of the use of the going concern basis of accounting by the New Plymouth District Council and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the joint venture's ability to continue as a going concern. If we conclude that a material uncertainty exists we are required to draw attention in our auditor's report to the related disclosures in the financial statements and the performance information or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the joint venture to cease to continue as a going concern.

- We evaluate the overall presentation, structure and content of the financial statements and the performance information, including the disclosures, and whether the financial statements and the performance information represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the New Plymouth District Council regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Our responsibilities arise from the Public Audit Act 2001.

Independence

We are independent of the joint venture in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1: International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand) (PES 1) issued by the New Zealand Auditing and Assurance Standards Board.

Other than the audit, we have no relationship with, or interests in, the joint venture.



Debbie Perera
Audit New Zealand
On behalf of the Auditor-General
Palmerston North, New Zealand

DRAFT STATEMENTS OF EXPECTATIONS FOR COUNCIL CONTROLLED ORGANISATIONS – NEW PLYMOUTH PIF GUARDIANS LIMITED, PAPA RERERANGI I PUKETAPU, TE PUNA UMANGA - VENTURE TARANAKI TRUST

PURPOSE/ TE WHĀINGA

1. The purpose of this report is to approve the Statements of Expectations (SOEs) for New Plymouth PIF Guardians Limited, Papa Rererangi i Puketapu and Te Puna Umanga - Venture Taranaki Trust for their 2024/25 Statements of Intent (SOI).

RECOMMENDATION / NGĀ WHAIKUPU

That, having considered all matters raised in the report, Council approves the Statements of Expectations of:

a) New Plymouth PIF Guardians Limited

b) Papa Rererangi i Puketapu

c) Te Puna Umanga - Venture Taranaki Trust

SIGNIFICANCE AND ENGAGEMENT / TOHUTOHU KAI WHAKAHAERE

2. This report has been assessed as being of some importance.

BACKGROUND / WHAKAPAPA

3. New Plymouth PIF Guardians Limited (NPG) and Te Puna Umanga - Venture Taranaki Trust (VTT) are New Plymouth District Council (NPDC) Council-Controlled Organisations (CCOs) and Papa Rererangi i Puketapu (PRIP) is a Council-Controlled Trading Organisation (CCTO).

4. Draft Statements of Expectations of NPG, PRIP and VTT are being presented to the Council for consideration and approval.

5. The SOEs have been prepared under the Local Government Act (LGA) 2002. The LGA allows NPDC to prepare SOEs that specify how a CCO is to conduct its relationships with the New Plymouth District Council (NPDC) and the wider New Plymouth District community including Iwi, Hapū and other Māori organisations.

6. Draft SOEs are attached as Appendix 1, 2 and 3. SOEs require each CCO to act consistently with the statutory obligations of NPDC and NPDC's obligations pursuant to agreements with third parties. The draft SOEs have been developed in collaboration with the CCOs.

7. The SOEs outline Council's expectations in relation to community engagement and collaboration with NPDC and others in the delivery of services. The content of the SOEs is expected to be covered in the CCOs 2024/25 Statements of Intent, where appropriate.

CLIMATE CHANGE IMPACT AND CONSIDERATIONS / HURINGA ĀHUARANGI

8. Under the LGA, CCOs must achieve the objectives of their shareholder/s, both commercial and non-commercial, as specified in their SOI. Each CCO must also "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".

9. SOEs are the appropriate opportunity for NPDC to express any expectations related to climate change to their CCOs to incorporate into their SOIs for the following year.

10. Both PRIP and VTT have included environmental related activities and information in their reporting this year.

11. Investment advice provided by NPG takes account of environmental, social and governance factors as part of promoting responsible investing, in particular the mitigation of, and adaptation to, climate change.

12. PRIP is conscious of the climate change implications of airport activities and has signed up to the Tourism Sustainability Commitment. They are also involved in the New Zealand Airports sustainability committee and have put systems in place to measure sustainability impacts.

13. VTT is responsible for coordinating the overall implementation of Taranaki 2050 – the roadmap to a low emissions future.

14. The Draft SOEs state that the CCOs must assist in the achievement of the NPDC sustainability strategic goal and Climate Action Framework.

REFORM IMPLICATIONS

15. There are no current reform implications relating to the SOEs and this report.

NEXT STEPS / HĪKOI I MURI MAI

16. Councillors are able to amend the SOEs before approval.

17. Final SOEs, as approved by Council (or the CCO Committee), will be sent to the CCOs for their consideration in preparation of their draft SOIs.

18. Draft SOIs must be presented to Council officers by 1 March 2024. These will then be considered by the CCOs Committee.

19. After the final SOEs are approved, these documents must be published on the NPDC website, as per the LGA, section 64B.

FINANCIAL AND RESOURCING IMPLICATIONS / NGĀ HĪRAUNGA Ā-PŪTEA, Ā-RAUEMI

20. All costs relating to the NPDC CCOs are included in the Long-Term Plan 2021-31 and Annual Plan 2023/24. If a SOE is likely to have financial implications, these should be considered in the Long-Term Plan 2024-34.

21. CCOs are required to report quarterly to Council on their financial status.

IMPLICATIONS ASSESSMENT / HĪRANGA AROMATAWAI

22. This report confirms that the matter concerned has no particular implications and has been dealt with in accordance with the Local Government Act 2002. Specifically:
    - Council staff have delegated authority for any decisions made;
    - Council staff have identified and assessed all reasonably practicable options for addressing the matter and considered the views and preferences of any interested or affected persons (including Māori), in proportion to the significance of the matter;
    - Council staff have considered how the matter will promote the social, economic, environmental, and cultural well-being of communities in the present and the future.
    - Unless stated above, any decisions made can be addressed through current funding under the Long-Term Plan and Annual Plan;
    - Any decisions made are consistent with the Council's plans and policies; and
    - No decisions have been made that would alter significantly the intended level of service provision for any significant activity undertaken by or on behalf of the Council, or would transfer the ownership or control of a strategic asset to or from the Council.

APPENDICES / NGĀ ĀPITIHANGA

Appendix 1 Draft New Plymouth PIF Guardians Limited Statement of Expectations (ECM 9120247)

Appendix 2 Draft Papa Rererangi i Puketapu Statement of Expectations (ECM 9120242)

Appendix 3 Draft Te Puna Umanga - Venture Taranaki Trust Statement of Expectations (ECM 9120241)

Report Details

Prepared By:	Damien Clark (Manager Community and Economic Development) and Mathew Whitmore (Financial Accountant)
Team:	Community and Economic Development and Financial Services
Approved By:	Kathryn Scown (Acting GM Operational Excellence)
Ward/Community:	District Wide
Date:	20 November 2023
File Reference:	ECM 9120243

----------End of Report ----------

Te Kaunihera-ā-Rohe o Ngāmotu
New Plymouth District Council

When replying please quote: <DOCNUM>

20 November 2023

NEW PLYMOUTH PIF GUARDIANS LIMITED STATEMENT OF EXPECTATIONS

As part of the process of establishing the Statement of Intent (SOI) each year the Council issues a Statement of Expectations (SOE) to Council Controlled Organisations (CCOs).

New Plymouth PIF Guardians Limited's (NPG, the Company) SOE should guide the Company's strategic direction and set out the expectations that should be addressed in their 2024/25 SOI.

This SOE has been developed in accordance with the Local Government Act 2002 (LGA) Section 64b including:

- Specifying how the CCO is to conduct its relationship with New Plymouth District Council (NPDC, the Council) and the wider district including our local Iwi and Hapū and other Māori organisations; and
- Requiring the CCO to act consistently with the statutory obligations of the Council and the Council's obligations pursuant to agreements with third parties.

Expectations Specific to NPG

1 *Governance Deed:* The Governance Deed sets out the relationship between the Council and NPG. The Council expects that NPG will continue to comply with the terms contained within and advise officers of any breaches in a timely fashion.

2 *Returns:* A prime focus for the Council is to ensure that the returns from the PIF are at a level that meets its objectives. The target return of the Fund is 3.3 per cent plus NZ inflations, net of fees and costs, measured on a rolling five year basis.

3 *Risk management:* Given that the PIF is an investment of ratepayers' funds, the Council's expectation is that the risk profile of investments will reflect this and the targeted rate of return. Investments will be made in line within the Statement of Investment Policies and Objectives, including the strategic asset allocation and environmental, social and governance aspects of investments, in particular the mitigation of and adaptation to climate change.

General Expectations

1 *Draft SOI*: All CCOs must provide a draft SOI to council officers by 1 March each year. The draft SOI will be considered by the CCOs Committee and the final SOI is to be provided to council officers by 30 June.

2 *Reporting:* A quarterly report will be provided to the CCOs Committee within two months of the end of each quarter. A half-yearly report will be provided to the CCOs Committee within two months of the end of the first half of the financial year. The Board approved Annual Report will be provided to the Financial Audit and Risk Committee within three months of year end. All reports will be made publicly available within one month of being received.

3 *"No Surprises" Policy:* It is expected that you will maintain a "no surprises" policy and inform council officers well in advance of any material or significant events, transactions or other issues that would be considered contentious or attract wide public interest.

4 *Sensitive Expenditure*: While noting that CCOs operate in a different market than the Council, they need to be cognizant of the fact that they are operating in a public environment and should be aware of the Council's sensitive expenditure policy.

5 *Sustainability/Climate change*: NPDC has adopted a strategic goal "Sustainability: Nurturing our environment, mitigating our impact and adapting to climate change" and also a Climate Action Framework. CCOs must be aware of these and assist in the achievement of them where and when appropriate. This should be reported on in the half-yearly and end-of-year reports.

6 *Relationship with NPDC*: To ensure strong communications and alignment between the Council and its CCOs an advisor will attend, as an observer, all Board meetings.

7 *Relationship with New Plymouth District Community*: Council expects that NPG's decisions are for the benefit of the District.

8 *Relationship with Iwi, Hapū and other Māori organisations:* The Council expects NPG to advise and consult with local Iwi and Hapū.

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

Yours faithfully

Marie Pearce
CHAIRPERSON CCO'S COMMITTEE

Te Kaunihera-ā-Rohe o Ngāmotu
New Plymouth District Council

20 November 2023

PAPA RERERANGI I PUKETAPU LIMITED STATEMENT OF EXPECTATIONS

As part of the process of establishing the Statement of Intent (SOI) each year the Council issues a Statement of Expectations (SOE) to Council Controlled Organisations (CCOs).

This Papa Rererangi i Puketapu Ltd (PRIP) SOE has been developed in a collaboration with PRIP to guide their strategic direction and set out the expectations to be addressed in their 2024/25 SOI.

This SOE has been developed in accordance with the Local Government Act 2002 (LGA) Section 64b including:

- Specifying how the CCO is to conduct its relationship with New Plymouth District Council (NPDC, the Council) and the wider district including our local Iwi and Hapū and other Māori organisations; and
- Requiring the CCO to act consistently with the statutory obligations of the Council and the Council's obligations pursuant to agreements with third parties.

Expectations Specific to PRIP

1 *Airport Terminal:* A project "Benefits Realisation" report, was previously delayed due to the uncertainty around passenger numbers post-Covid. This must be reconsidered when numbers reach pre-Covid levels (i.e. 450,000 per annum).

2 *Capital Projects:* The Council expects that the Board will have in place appropriate controls to ensure that capital projects are appropriately managed and delivered within time and on budget.

3 *Agreements:* There are various agreements (Service Level Agreement, Loan Facility, General Security Deed and Lease of Airport Land Deed) between the Council and PRIP regarding the on-going operation of the airport. The Council expects that PRIP will abide by these agreements in good faith and report any breaches of these agreements to council officers on a timely basis.

4 *Civil Aviation Requirements:* As holder of the Airport Operations Certificate (AOC), the Council is responsible for meeting aviation health and safety obligations under the Civil Aviation Authority (CAA) Rules part 139. This requirement is managed by PRIP on a day to day basis, on behalf of the Council. PRIP will keep council officers informed, at all times, of any changes in the status of these obligations.

5 *Updated quarterly cashflow forecasts:* When PRIP require funds from Council to be advanced for capital projects, they are to provide council officers with an updated quarterly cash flow forecast including their future borrowing requirements.

6 *Loan facilities:*

- On 30 June 2020 the Council resolved that $22 million of debt owed to the Council by PRIP be converted to equity. If PRIPs financial position indicates that they are able to pay dividends on this investment, PRIP must seek clarification from Council on the best option for these funds, such as paying dividends, reducing the loan balance or investing in other activities.

- PRIP must include expected drawdowns of the loan facility in the draft and final SOI. Any other drawdowns must meet the requirements of the loan facility agreement.

- If the SOI signals a potential need to go above the current loan facility limits, it must be made clear that it is subject to formal approval by Council – the receipt of the SOI does not approve an increase.

7 *Diversification:*

- PRIP is to consider all opportunities to grow and/or diversify its sources of income. This is to reduce the impact of flight disruptions on the organisation.

- Opportunities for diversification should fit with the master plan currently being developed.

8 Accounting

- Council officers must continue to be provided access to PRIP's accounting software (currently Xero) and any other documentation or information required for the officers to fulfil their financial accounting duties.

- PRIP are expected to co-operate in the company's financial audit and in resolving any audit issues raised in the "Report to the Board on the audit".

- The signed audit opinion and audit management report will be presented to the CCOs Committee (or any other appropriate committee) after it has been reviewed by the PRIP Board. Council expect the audit opinion to be unqualified.

- PRIP are expected to answer reasonable queries on their financial performance as and when requested by council officers or councillors via the shareholders representative or at briefings.

General Expectations

1 *Draft SOI*: All CCOs must provide a draft SOI to council officers by 1 March each year. The draft SOI will be considered by the CCOs Committee and the final SOI is to be provided to council officers by 30 June.

2 *Reporting*:

- A quarterly report will be provided to Council officers within two months of the end of each quarter to be presented to the CCOs Committee. The Board approved Annual Report will be provided within three months of year end. All reports will be made publicly available within one month of being received.

- The half-yearly and end-of-year reports must be detailed and include updates on all measures and activities (where applicable). The quarter one and three reports may be less detailed dashboard style reports.

3 *CCO Committee Meetings*: The board Chair or in their absence a board member, must attend CCO Committee meetings to present quarterly updates. The Chief Executive and/or management should attend to answer questions for clarification.

4 *CCO Committee Briefings*: Briefings should be led by the Chair or in their absence a board member. Management should attend to answer questions and present any detailed information.

5 *"No Surprises" Policy*: It is expected that you will maintain a "no surprises" policy and inform council officers well in advance of any material or significant events, transactions or other issues that would be considered contentious or attract wide public interest.

6 *Sensitive Expenditure*: While noting that CCOs operate in a different market than the Council, they need to be cognizant of the fact that they are operating in a public environment and should be aware of the Council's sensitive expenditure policy.

7 *Sustainability/Climate change*: NPDC has adopted a strategic goal "Sustainability: Nurturing our environment, mitigating our impact and adapting to climate change" and also a Climate Action Framework. CCOs must be aware of these and assist in the achievement of them where and when appropriate. This should be reported on in the half-yearly and end-of-year reports.

8 *Relationship with NPDC*: To ensure strong communications and alignment between the Council and its CCOs an advisor will attend, as an observer, all Board meetings.

9 *Relationship with New Plymouth District Community*: Council expects that PRIP's decisions are for the benefit of the District.

10 *Relationship with Iwi, Hapū and other Māori organisations:* The Council expects the PRIP Board and Airport Company to drive and maintain a strong partnership with mana whenua. This includes discussions with Puketapu Hapū at any time it is considered appropriate and at all times when future decisions will impact local Iwi and Hapū.

11 *Obligations*: PRIP must always act in a manner consistent with the statutory obligations of NPDC and also those pursuant to agreements with third parties (including Iwi, Hapū, or other Māori organisations).

Yours faithfully

Marie Pearce
CHAIRPERSON CCO'S COMMITTEE

Te Kaunihera-ā-Rohe o Ngāmotu
New Plymouth District Council

20 November 2023

VENTURE TARANAKI TRUST – TE PUNA UMANGA STATEMENT OF EXPECTATIONS

As part of the process of establishing the Statement of Intent (SOI) each year, the Council issues a Statement of Expectations (SOE) to Council Controlled Organisations (CCOs).

This Venture Taranaki Trust – Te Puna Umanga (VT) SOE has been developed in a collaboration with VT. Its purpose is to guide their strategic direction and set out the expectations that should be addressed in their 2024/25 SOI.

This SOE has been developed in accordance with the Local Government Act 2002 (LGA) Section 64b including:

- Specifying how the organisation is to conduct its relationship with New Plymouth District Council (NPDC, the Council, the shareholder) and the wider district including our local Iwi and Hapū and other Māori organisations; and
- Requiring the CCO to act consistently with the statutory obligations of the Council and the Council's obligations pursuant to agreements with third parties.

Context

The Council commissioned a review of VT in 2021. The review found general satisfaction with VT and did not identify any serious concerns.

The VT review was initiated to improve the clarity of the purpose of VT, consider how it is situated in the current operating environment and to identify opportunities to further increase regional cooperation and inclusivity while optimising shareholder investment on behalf of the community.

The VTT Board have successfully responded to the review findings and are continuing to implement changes. The Board has approved a new vision and strategic framework. They have also developed a Value Creation Framework which looks at the direct economic impact of projects as well other benefits such as those related to social, cultural, environmental and wellbeing measures.

Expectations Specific to VT

1 Strategic framework:

- VT must present their final strategic framework during the SOI process and begin to implement it during the 2024/25 year.
- The VT strategic framework and direct economic impact framework should guide and prioritise the activities of VT and be reported on during the year.

This should also help frame up discussions with and reporting to the other Taranaki Councils.

2 *Communications:*

- Communications was a key topic in the VT review, in particular a lack of understanding of the role of VT by some. The following three stakeholder related measures were identified in the VT review. These should continue to be monitored, and improvement achieved over time:
    - Overall stakeholder satisfaction with VT
    - Overall stakeholder views on value for money provided by VT
    - Overall stakeholder clarity on the purpose of VT
- VT should provide early advice to Council on risks they have identified as facing the Taranaki economy or VT itself.

3 *Accountability:*

- An outline of budgets and spending should continue to be provided in the Statement of Intent (SOI) and half-yearly reports, showing proportional investment across programmes and performance against other appropriate indicators. This is to provide transparency of allocation of resources across programmes and the prioritisation of these.
- Performance reporting should continue to update the Council quarterly on the progress of the delivery of Tapuae Roa and Taranaki 2050 actions (or any Council agreed replacement strategic programme) and six-monthly on the VT Strategic Framework. The level of this reporting should be high-level, strategic and outcome focused, as appropriate for the shareholder.

4 *Regional strategy and sectors:*

- VT will continue to oversee the coordination and reporting of the implementation and delivery of the Tapuae Roa programme on behalf of the Taranaki Mayoral Forum.
- Council acknowledges that the Tapuae Roa Regional Economic Development Strategy is due for review. VT should continue to provide recommendations on how this should proceed and work with the Taranaki Mayoral Forum and Ngā Iwi o Taranaki to progress the review.
- VT will support Nga Kaiwhakatere o Taranaki (or it's replacement) if requested, in a secretariat role and in other ways as agreed with the VT Board.
- VT should collaborate with, and support, key stakeholders in the community to provide support to enterprises, where appropriate. This will ensure the best outcomes for the community and that there is not a doubling up of effort. This

includes but is not limited to the Taranaki Chamber of Commerce, Te Aranga o Taranaki, WITT/Te Pūkenga, Doso (formerly Start Up Taranaki), Innovation HQ and sector leaders across key parts of the Taranaki economy.

5 *Accounting:*

- VT are expected to meet reporting deadlines. This includes providing a trial balance and additional disclosure information to Council and delivery of fully audited financial statements to fit the Council Annual Report and Audit schedule at Financial Year End. This will be agreed annually in advance.
- VT are expected to provide a quarterly trial balance to Council Officers by the 12th working day of the month following or as agreed.
- Financial reports are expected to represent a fair view of the organisation's financial performance and position of the reporting period being presented to Council.
- VT interim and annual financial statements are expected to comply with the appropriate generally accepted accounting standards (currently being Public Benefit Entity) and the financial reporting requirements of the Local Government Act 2002.
- VT are expected to manage the trust's financial audit and for resolving any audit issues raised in the "Report to the Board" on the audit.
- The signed audit opinion and audit management report will be presented to the scheduled CCOs Committee after it has been reviewed by the VT Board. Council expect the audit opinion to be unqualified.
- VT are expected to answer queries on their financial performance as and when requested by Council Officers or elected members.
- Appropriate reconciliations of the financial accounts will need to comply with Audit expectations to ensure a smooth and timely audit process for the annual accounts.

6 *Employer obligations:*

- A principal role of a CCO is to be a good employer as per the definition for a local authority under section 36 of the LGA. VT must meet these obligations and where and when possible and practicable align practices with Council. This is to provide equity and consistency for those with the experience and skills required to achieve the outcomes for the community.

General Expectations

1 *Draft SOI:* All CCOs must provide a draft SOI to council officers by 1 March each year. The draft SOI will be considered by the CCOs Committee meeting on 27 March 2024. Feedback will be provided at that meeting and the final SOI is to be provided to council officers by 30 June.

2 *Reporting:*

- A quarterly report will be provided to the CCOs Committee within two months of the end of each quarter. The Board approved Annual Report will be provided to the CCOs Committee within three months of year end. All reports will be made publicly available within one month of being received.

- The half-yearly and end-of-year reports must be appropriately detailed and include updates on all measures and activities (where applicable). The quarter one and three reports may be less detailed dashboard style reports.

3 *CCO Committee Meetings:* The board Chair or in their absence a board member, must attend CCO Committee meetings to present quarterly updates. The Chief Executive and/or management should attend to answer questions for clarification.

4 *CCO Committee Briefings:* Briefings should be led by the Chair or in their absence a board member. Management should attend to answer questions and present any detailed information.

5 *"No Surprises" Policy:* It is expected that VT will maintain a "no surprises" policy and inform Council officers well in advance of any material or significant events, transactions or other issues that would be considered contentious or attract wide public interest.

6 *Sensitive Expenditure:* While noting that CCOs operate in a different market than the Council, they need to be cognizant of the fact that they are operating in a public environment and should be aware of the Council's sensitive expenditure policy.

7 *Sustainability/Climate change:* NPDC has adopted a strategic goal "Sustainability: Nurturing our environment, mitigating our impact and adapting to climate change" and a Climate Action Framework. CCOs must be aware of these and assist in the achievement of them where and when appropriate. This should be reported on in the half-yearly and end-of-year reports.

8 *Relationship with NPDC:* To ensure strong communications and alignment between the Council and its CCOs it is planned that an advisor will attend, as an observer, all Board meetings.

9 *Relationship with New Plymouth District Community*: Council expects that VT's decisions are for the benefit of the District and Region.

10 *Relationship with Iwi, Hapū and other Māori organisations*: The Council expects ongoing and meaningful relationship building to occur with Taranaki Iwi, Hapū and other Māori organisations. Opportunities to partner with Ngā Iwi o Taranaki are strongly encouraged recognising te tiriti obligations of Local Government and subsidiaries.

11 *Obligations*: VT must always act in a manner consistent with the statutory obligations of NPDC and also those pursuant to agreements with third parties (including Iwi, Hapū, or other Māori organisations).

Yours faithfully

Marie Pearce
CHAIRPERSON CCOS COMMITTEE

ANNUAL REPORT FOR THE YEAR ENDING 30 JUNE 2023 FOR THE NEW ZEALAND LOCAL GOVERNMENT FUNDING AGENCY

PURPOSE/ TE WHĀINGA

1. The purpose of this report is to note the Annual Report, including annual Financial Statements, (the report) for the year ended 30 June 2023 of the New Zealand Local Government Funding Agency (LGFA, the Company).

RECOMMENDATION / NGĀ WHAIKUPU

That, having considered all matters raised in the report Council:

a) Note the Annual Report for the year ended 30 June 2023.

b) Note that annual reports must be placed on the Council's website for a period of seven years.

SIGNIFICANCE AND ENGAGEMENT / TOHUTOHU KAI WHAKAHAERE

2. This report is provided for information purposes only, and has been assessed as being of some importance.

BACKGROUND / WHAKAPAPA

3. The Council currently holds 200,000 shares in the LGFA (0.4 per cent of total shares on issue). As the LGFA is predominantly jointly owned and controlled by Councils throughout New Zealand, by virtue of Section 6 of the Local Government Act 2002 (LGA), the LGFA is a Council Controlled Organisation (CCO).

4. The Local Government Act 2002 (LGA) requires that, within three months after the end of the each financial year, each CCO must deliver to the shareholder(s) a report on the organisation's operations during that year. Attached is the Annual Report from the LGFA to satisfy that legislative requirement.

5. The LGFA met sixteen of its seventeen performance targets during the year to 30 June 2023. Details of the one performance target not met are provided below:

    a) LGFA's total operating income for the period to 30 June 2023 – the Company had set a target for the year of total operating income greater than $12.2m; however performance for the year resulted in total operating income of $11.6m as at 30 June 2023.

6. During the year to 30 June 2023, the LGFA made a net operating profit of $2.5m. This was slightly below the annual forecast of $2.8m net operating profit for the 12 months to June 2023, but significantly less than net operating profit for the prior year, which was $10.7m. The reduced profit for the current year was primarily due to a conservative approach of borrowing for longer periods than those offered by LGFA to borrowers, and holding a large amount of liquid assets during a period of rising interest rates and volatile market conditions. Profitability is expected to improve during the upcoming 2023-24 financial year.

7. As at 30 June 2023, the Company is in a stable financial position, with $105.9m of equity, comprised of $25m of share capital and $80.9m of retained earnings from the current and prior periods.

8. Total loans made by the Company to participating borrowers during the year to 30 June 2023 were a record $3.9b. Total loans increased by $2.27b net during the year. LGFA provided an estimated 93 per cent of total borrowings undertaken by councils during the year.

9. A dividend of 6.85 cents per paid up share has been declared by the LGFA Board for payment. Council has 100,000 paid up shares in the Company; this equates to a dividend of $6,850, which was received by Council on 1 September 2023.

CLIMATE CHANGE IMPACT AND CONSIDERATIONS / HURINGA ĀHUARANGI

10. All Council CCOs are expected to consider the environmental implications of their activities, including climate change impacts.

11. The LGFA Board and management recognise environmental and social responsibility as a key strategic priority. The LGFA recognises the risks inherent in climate change for councils and supports New Zealand's shift to a low-carbon economy.

12. In December 2022 the LGFA launched their Climate Action Loan (CAL) product for Council and CCO members, which will incentivise borrowers with lower margins if they have Greenhouse Gas Emission Reduction Plans in place and are meeting the reduction targets. A further three Green, Social and Sustainable (GSS) loans were made during the year. At 30 June 2023, the Company had GSS loans totalling $295m to five councils and CALs totalling $521m to three councils.

REFORM IMPLICATIONS

13. No implications from any Local Government Reform agenda have been identified in relation to this matter.

NEXT STEPS / HĪKOI I MURI MAI

14. CCOs are required to deliver a Half Year Report within two months after the end of the first half of each financial year.

FINANCIAL AND RESOURCING IMPLICATIONS / NGĀ HĪRAUNGA Ā-PŪTEA, Ā-RAUEMI

15. This report is produced within existing resources and budgets.

IMPLICATIONS ASSESSMENT / HĪRANGA AROMATAWAI

16. This report confirms that the matter concerned has no particular implications and has been dealt with in accordance with the Local Government Act 2002. Specifically:
    - Council staff have delegated authority for any decisions made;
    - Council staff have identified and assessed all reasonably practicable options for addressing the matter and considered the views and preferences of any interested or affected persons (including Māori), in proportion to the significance of the matter;
    - Council staff have considered how the matter will promote the social, economic, environmental, and cultural well-being of communities in the present and the future.
    - Unless stated above, any decisions made can be addressed through current funding under the Long-Term Plan and Annual Plan;
    - Any decisions made are consistent with the Council's plans and policies; and
    - No decisions have been made that would alter significantly the intended level of service provision for any significant activity undertaken by or on behalf of the Council, or would transfer the ownership or control of a strategic asset to or from the Council.

APPENDICES

Appendix 1 LGFA cover letter to shareholders – 2023 Annual Report (ECM 9059170)

Appendix 2 New Zealand Local Government Funding Agency Annual Report 30 June 2023 (ECM 9059173)

Report Details

Prepared By:	Mathew Whitmore (Financial Accountant)
Team:	Corporate Services
Approved By:	Joy Buckingham (Group Manager Corporate Services)
Ward/Community:	District wide
Date:	1 September 2023
File Reference:	ECM 9059187

----------End of Report ----------

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

28 August 2023

Dear Shareholder

LGFA 2023 Annual Report

The LGFA Annual Report for the 12-month period to 30 June 2023 is now available from the LGFA website: **LGFA 2023 Annual Report**

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

1. Financial and Operational performance.

Financial performance was not as strong as previous years with Net Operating Profit of $2.5 million slightly below SOI forecast but lower than the comparable year result. Our conservative approach of borrowing longer than our term of lending, combined with maintaining a large amount of liquid assets during a period of rising interest rates and volatile conditions, were key factors in our lower result for the year. We are expecting a strong bounce back in profitability in the coming year.

We met 16 out of 17 performance objectives and were awarded the New Zealand Issuer of the Year for 2022 by KangaNews.

2. We made longer dated borrowing options available to an increased number of council and CCO borrowers.

At 30 June 2023, LGFA had loans outstanding of $16.31 billion, an increase of $2.27 billion from previous year, with the longest dated loans out to 14 years (2037). Over the 12 months, we approved two new councils and two new CCO members, lifting total members to 77 councils and 3 CCOs. Over the past year, LGFA lent a record $3.9 billion to the sector and provided 93% of the sector borrowing. We are appreciative of the ongoing support from our borrowing members.

3. New products and increasing focus on sustainability.

We made a further three Green, Social and Sustainable Loan (GSS) loans during the year and launched Climate Action Loans (CALs) for council and CCO members. By 30 June 2023 we had GSS loans of $295 million to five councils and $521 million of CALs to three councils which form our sustainable asset pool. In April 2023, we issued $1.1 billion of a May 2030 Sustainable Financing Bond under our new Sustainable Financing Bond Framework, the proceeds of which are notionally allocated against the sustainable asset pool.

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

4. A dividend payment of 6.85% for shareholders.

The financial strength of LGFA has been affirmed with total assets of $18.1 billion and shareholder equity of $105.9 million as at 30 June 2023. A $1,712,500 dividend has been declared by the LGFA Board for the year ended 30 June 2023 and a dividend notice will be sent to you shortly. The dividend rate is $0.0685 per paid up share and will be paid to you on Friday 1 September.

Our Annual General Meeting (AGM) will be held on Thursday 23 November 2023 in Wellington (with a virtual attendance option). We will send out a Notice of AGM by Friday 29 September 2023.

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

Kind regards



Mark Butcher
Chief Executive



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

Contents

Ngā Ihirangi

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

08 Perormance highlights
Ko ngā tino hua

10 Perormance agains objectives
Ko ngā whakatutukinga ki ngā whāinga

16 About us
Mō mātou

20 LGFA bonds on issue
Ko ngā pūtea taurewa pūmau kua tukuna e te LGFA

26 LGFA members
Ko ngā LGFA e noho mema ana

32 Susainability at LGFA
Te toittanga kei te LGFA

44 Governance and culture
Te whakaruruhau me te ahurea

58 Managing risk
Ko te whakahaere tūraru

64 Financial satements
Nga taukī pūtea

Statement of comprehensive income 64
Statement of changes in equity 65
Statement of financial position 66
Statement of cash flows 67
Notes to the financial satements 68
Auditors Repor 88

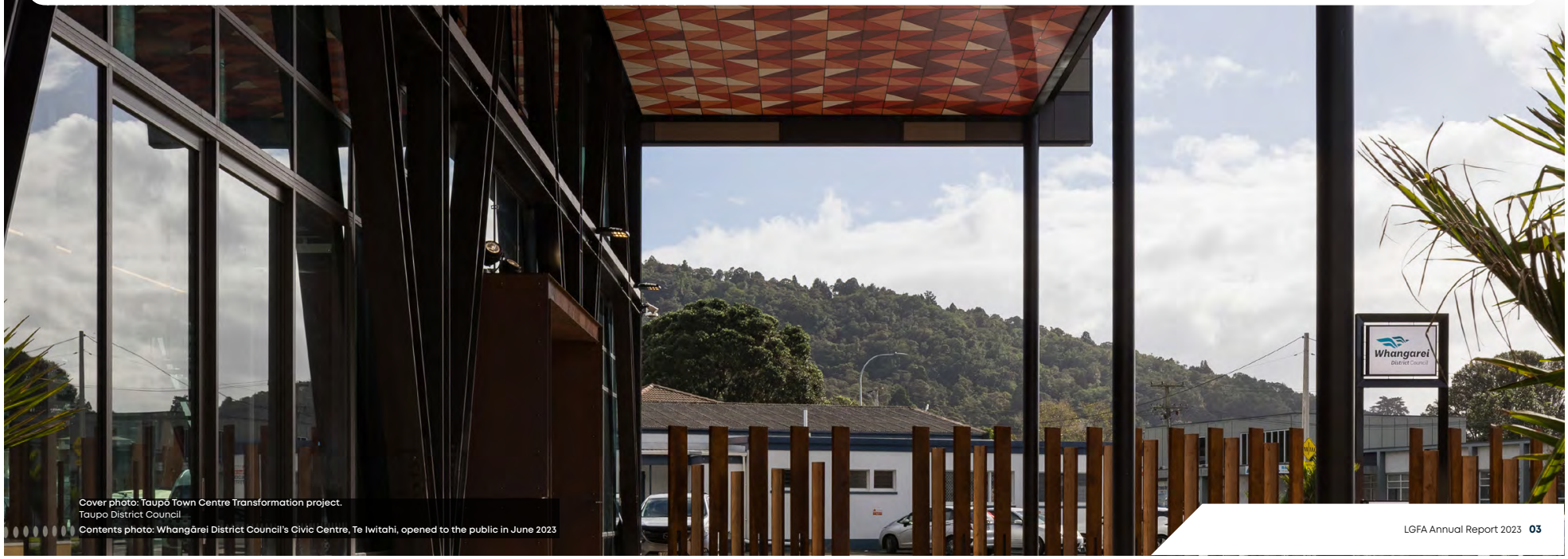
92 Other disclosures
He whākitanga anō

93 Directory
Rārangi tauwaea

94 GRI Index
Kuputohu GRI

96 Glossary
Kuputaka

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



Cover photo: Taupō Town Centre Transformation project.
Taupo District Council
Contents photo: Whangārei District Council's Civic Centre, Te Iwitahi, opened to the public in June 2023

Message from the Chair and Chief Executive

He karere mai i te Toihau me te Tumuaki

For the year ended 30 June 2023

During challenging market conditions of the past year, LGFA focused on meeting the funding requirements for our local government sector, at the same time extending our suite of innovative sustainable funding and lending products and achieving several key milestones.



New Zealand Issuer of the Year
New Zealand Local Government Funding Agency

On behalf of the directors and staff of LGFA, we are pleased to highlight the following developments over the past year. Of note was the launch of our Climate Action Loan product for council and CCO members and the establishment of our Sustainable Financing Bond Framework, culminating in our first sustainable bond issuance. We achieved a 100% satisfaction outcome in our member survey, 93% market share of council borrowing, and were awarded the KangaNews Issuer of the Year Award for 2022.

2022-23 Financial and operational performance

Over the past year we achieved 16 out of our 17 performance objectives, with the only objective missed being our target for total operating income.

Total interest income for the financial year of $763.6 million increased 94% over the 2021-22 result of $393.5 million. Net operating profit of $2.5 million decreased 77% on the 2021-22 result of $10.7 million. The decrease in net operating profit was largely driven by our decision to adopt a prudent approach of borrowing longer than our term of lending and maintaining a larger than forecast liquid asset portfolio (LAP) during a period of rising interest rates and volatile market conditions. There was also a modest negative impact from our decision to offer a reduced lending margin to members for our sustainability lending products.

Operating expenses at $9.1 million were $300k below the SOI budget. There were higher than expected NZX and registry fees related to increased bond issuance and lending, as well as additional legal costs incurred with new member accessions and the Affordable Waters Reform. These were offset by lower than forecast consultancy and information technology costs and a lower NZDM facility utilisation fee.

Borrowing activity

Our bond issuance of $3.5 billion over the year was significantly higher than the historical average of $1.6 billion, with year-end outstandings totalling $17.8 billion (including $1.1 billion of treasury stock) across 11 bond maturities ranging between 2024 to 2037. The average term of issuance during the year at 5.5 years was shorter than the prior year of 6.2 years, reflecting the more challenging market conditions for issuance and closer matching to member borrowing.

In November 2022, we were delighted to be awarded the New Zealand Issuer of the Year at the 2022 KangaNews Awards, which recognises the support that we have received from investors, intermediaries and market participants, not just over the past year, but also throughout the past decade since we commenced issuance in 2012.

The highlight for the year was the $1.1 billion issuance in April 2023 of a new 2030 bond, being the first issuance under our Sustainable Financing Bond Framework. The bond was well received by global and domestic investors who are looking for these types of sustainable finance investments for their portfolios. Our sustainable financing bond is backed by our sustainable asset pool comprising Green Social and Sustainability Loans and Climate Action Loans to members.

As our issuance has grown it has been pleasing to see a corresponding rise in our offshore investor base who have increased their holdings over the last year by $1.8 billion to $6.2 billion, or an equivalent 37% of our total bonds on issue.

Over the past year, the spreads on LGFA bonds narrowed against New Zealand Government Bonds (NZGB) but widened over swap. LGFA bond spreads to NZGB beyond 2024 narrowed between 4 bps (2029 bond) and 22 bps (2025 bond) while LGFA bond spreads to swap widened between 6 bps (2025 bond) and 25 bps (2029 and 2031 bonds). This change was similar to the spread movements on other high-grade issuers and also reflected the large amount of bond issuance undertaken by LGFA during the year.

Market conditions during a period of monetary policy tightening contributed to a significant lift in yields over the year, with outright yields rising between 56 bps (2037 maturity) and 179 bps (2024 maturity).

Lending to the sector

Over the past year, we welcomed two new member councils with Dunedin City Council and Environment Southand joining as guarantors. Total council membership is now 77 out of the 78 councils in New Zealand. In addition, Dunedin City Treasury Limited and Westland Holdings Limited joined as Council-controlled organisation (CCO) members, bringing the number of CCO members to three.

Long-dated lending to members over the year was a record $3.9 billion as members refinanced their April 2023 loans and increased their borrowing to finance infrastructure projects. Our estimated market share of total council borrowing of 93% for the year to 30 June 2023 was a historical high compared to the long-term average of 77%.

The average tenor of long-dated borrowing by members of 5.2 years over the 12-month period was shorter than the prior year's 6.2 years.

Short-dated lending for terms less than 12 months continues to be well supported by members. At June 2023, there were $548 million of short-term loans outstanding to 37 members, a 14% increase over last year's $478 million outstanding to 31 members.

New products and initiatives

In addition to the launch of our new Sustainable Financing Bond Framework, another significant sustainability initiative was the December 2022 launch of our Climate Action Loan (CAL) lending product which provides a discounted loan margin for members who have an approved greenhouse gas emission reduction plan in place and are meeting their reduction targets. This new initiative was well received by members, with $521 million lent to three councils under the CAL lending product.

Over the year, members borrowed $232 million under our Green, Social and Sustainability (GSS) lending product launched in October 2021, taking the year end outstanding of GSS loans to $295 million to five members.

New standby facilities totalling $55 million were approved for five new members, increasing the total of standby products to 16 members totalling $727 million.

Climate-related events and the proposed Affordable Waters Reform Programme

Over the year, the local government sector dealt with significant climate-related events as well as the proposed Affordable Waters Reform Programme.

LGFA has been assisting Central Government and our members as they work through the funding and financing implications for the proposed Affordable Waters Reform Programme. The transition date for the three waters related assets, debt, and revenue into the Water Services Entities (WSEs) has been extended to allow for WSEs to be established over the period from 1 July 2024 to 1 July 2026.

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

2023 LGFA Taituarā Local Government Excellence Awards

LGFA was the headline sponsor for the 2023 LGFA Taituarā Local Government Excellence Awards for the third consecutive year, and the ninth year that we have supported the awards.

We were pleased that the winner of the Supreme Award was the Takai Here Tāngata Project (binding people together). Takai Here Tāngata is an urban village of 19 houses situated on Te Ara o Takapā in Taitā, Lower Hutt. It is the result of Hutt City's innovative partnership with its property arm Urban Plus Ltd, Kahungunu Whānau Services, and Te Rānanganui o Te Āti Awa and is regarded as a proof of concept for a highly transferable methodology that has the potential to deliver housing at scale.

Acknowledgments

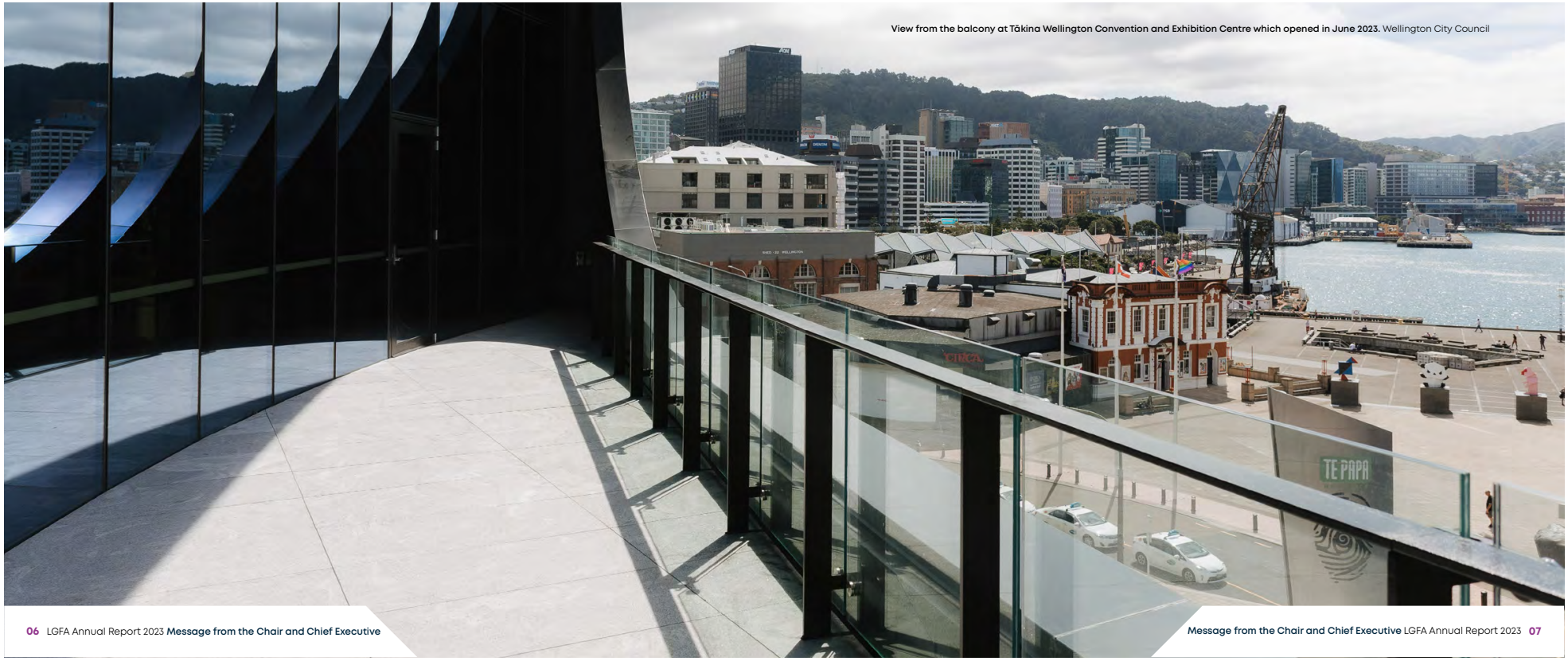
We would like to acknowledge the contribution made to LGFA by John Avery who retired as Director at the November 2022 AGM after eleven years of service. John, an independent director from establishment, played a significant role in developing our culture and guiding the organisation to where it is today, as well as representing the Board on many council visits with staff. We thank John and would like to wish him all the best for his future endeavours.

We acknowledge the support of the wider local government sector as they face several challenges including the uncertainty and additional workload from the proposed Affordable Waters Reform Programme, rising cost pressures and ratepayer affordability issues, the challenges to balance budgets and funding depreciation as well as the impact from North Island weather events.

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

Craig Stobo
Chair

Mark Butcher
Chief Executive



View from the balcony at Tākina Wellington Convention and Exhibition Centre which opened in June 2023. Wellington City Council

Performance highlights

Ko ngā tino hua

Bonds issued over the financial year

$3,533
million

Total interest income

$763.6
million

94%
Increase over 2021-22 year

Lending to members over the financial year

$3,951
million

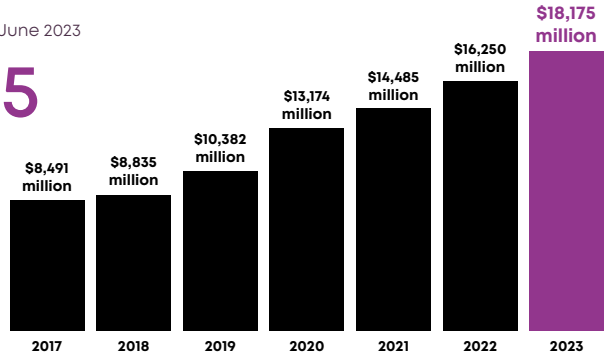
Net operating profit

$2.5
million

77%
Decrease over 2021-22 year

Total assets at 30 June 2023

$18,175
million



Liquidity at 30 June 2023

$226 million
Cash

$1,128 million
Marketable securities

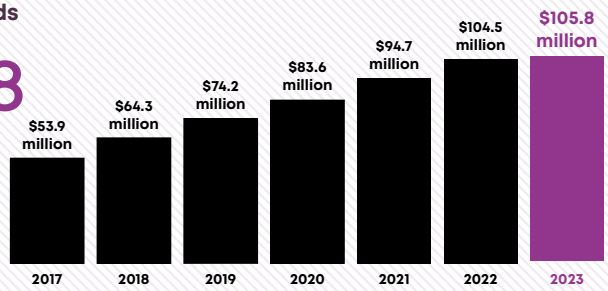
$348 million
Deposits

$1,100 million
Treasury stock for repurchase

$1,500 million
Government committed liquidity facility

Shareholder funds
at 30 June 2023

$105.8
million



Fully paid shares

$25.0
million

Retained earnings

$80.8
million

Borrower notes

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

$360
million

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 2022-25 (SOI)

2022-23 Objectives and performance targets

LGFA objectives and performance targets for 2022-23 fall within the following five strategic priorities which encompass our shareholders' foundation objectives and guide the 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 four quarters ended June 2023 are available on the LGFA website.

Governance, capability and business practice

LGFA is committed to best practice corporate governance to ensure its long-term sustainability and success.

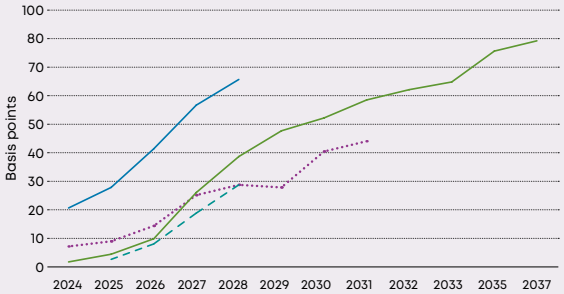
Objectives	Our performance to 30 June 2023
Demonstrate best practice corporate governance.	LGFA is committed to demonstrating best practice corporate governance and we report annually on our compliance with the eight core principles underpinning the NZX Corporate Governance Best Practice Code. The 2023 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 targets for the year-ended 30 June 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, compliance with the Health and Safety at Work Act, diversity and inclusion and capability and development.

Performance targets	2022-2023 target	Our performance to 30 June 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 upgraded LGFA Foreign Currency Rating to AA+ on 16 Sept 2022. S&P Global Ratings affirmed our domestic currency credit rating at AAA in March 2023.
LGFA's total operating income for the period to 30 June 2023.	> $12.2 million.	✗ Not met. Total operating income $11.6 million at 30 June 2023.
LGFA's total operating expenses for the period to 30 June 2023.	< $9.4 million.	✓ Met. Operating expenses $9.1 million at 30 June 2023.

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 are comparable to other high-grade issuers in the New Zealand capital markets.



Supranational, sovereign and agency issuers

Kainga Ora (AAA)	KBN (AAA)
Asian Development Bank (AAA)	Rentenbank (AAA)
IADB (AAA)	World Bank (AAA)
International Finance Corp (AAA)	Nordic Investment Bank (AAA)

Banks

ASB (AA-) ANZ (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, Climate Action Loans and standby facilities. • Over the year-ended June 2023, our members borrowed $3.95 billion in 380 long term loans across maturity dates ranging between 2023 and 2033. • As at June 2023 there was $548 million short-term loans outstanding to 37 members. • As at June 2023, standby facilities totalled $727 million across 13 members.
Deliver operational best practice and efficiency for lending services.	Over the year-ended 30 June 2023, LGFA operations staff successfully: • settled 2,039 new trades with a gross value of $10.0 billion, • processed 13,527 cash flows with a gross value of $34.0 billion, and • rate set 9,314 existing trades. There were no LGFA settlement errors over the year.
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 year-ended 30 June 2023, we issued $3.553 billion of primary bonds and secondary market turnover totalled $10.5 billion.

Performance targets	2022-2023 target	Our performance to 30 June 2023
Share of aggregate long-term debt funding to the Local Government sector.	> 80%	✓ Met – 93.3% as at 30 June 2023
Total lending to Participating Borrowers.	> $15,004 million	✓ Met – $16,314 million as at 30 June 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 2022 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

Effective management of loans

LGFA will ensure its loan book remains at a high standard by ensuring it understands each participating borrower's financial position. LGFA manages its assets within an appropriate risk management framework to ensure shareholder value is not compromised.

Objectives	Our performance to 30 June 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 year, we reviewed council agendas and management reports on an ongoing basis for all members on the LGFA borrower watch-list. We have received compliance certificates for LGFA covenants from all of our members with debt outstanding at June 2022 and no council has requested that they be measured on a group basis. Some certificates have been provided based upon unaudited financial statements given the delays in providing final audit signoff due to audit shortages.
Endeavour to meet each participating borrower annually, including meeting with elected officials as required, or if requested.	We met with all borrowers over the course of the year.

Performance targets	2022-2023 target	Our performance to 30 June 2023
Review each participating borrower's financial position under LGFA policies.	100%	✓ Met
Arrange to meet each Participating Borrower at least annually, including meeting with elected officials as required, or if requested.	100%	✓ Met

Environmental and social responsibility

LGFA recognises the risks inherent in climate change and supports councils shift to a low-carbon economy. LGFA will exhibit a sense of social and environmental responsibility by having regard to the interests of the community in which it operates and by endeavouring to accommodate or encourage these when able to do so.

Objectives	Our performance to 30 June 2023
Assist the local government sector in achieving their sustainability and climate change objectives.	Over the year to 30 June 2023, we approved GSS loans to Hutt City Council for the Naenae swimming pool, Whangārei District Council for the Civic Centre, and approved our first eligible social lending project for Christchurch City Council's Ōtautahi Community Housing Trust. At 30 June 2023, we had approved five GSS loans with a combined approved value of $562 million of which $294.5 million had been advanced. On 1 December 2022, we launched Climate Action Loans (CALs) which provide a discounted loan margin for members who have implemented a Greenhouse Gas Emission Reduction Plan and meet their emission reduction targets. At 30 June 2023, we had approved CAL loans to Auckland Council, Hutt City Council and Dunedin City Treasury Limited, with combined advances totalling $521 million. In September 2022, LGFA published our report on climate emergencies declared by New Zealand councils over 2019-2020 (16 out of 78), their subsequent responses and any opportunities for LGFA. A copy of this report is available from our website: Review of Climate Emergency Declarations and Responses by Councils.
Improve sustainability outcomes within LGFA.	In 2021, LGFA committed to reducing our carbon emissions over time, with our target of cutting per employee emissions by 30% by 2030, compared with a 2018/19 base year.

Performance targets	2022-2023 target	Our performance to 30 June 2023
Comply with the Health and Safety at Work Act 2015.	No breaches	✓ No breaches.
Maintain Toitū net carbonzero certification.	Net carbonzero certification maintained.	✓ Toitū Net Carbon-zero recertification approved 11 October 2022.
Meet reduction targets outlined in our carbon reduction management plan.	Reduction targets met.	✓ Met. Refer to the emissions table on page 43 that highlights the uncertainties that exist in regards to emission reporting.
Increase our GSS lending book.	Two new participating borrowers enter into GSS loans.	✓ Three new participating borrowers approved for GSS lending.
Ensure Annual Report is prepared in compliance with applicable GRI Standards.	100%	✓ 2023 Annual Report prepared to meet the requirements of the Global Reporting Initiative (GRI) Standards (core option).
Meet all mandatory climate reporting standards.	100%	✓ There are no mandatory climate reporting standards applying at the date of this report. LGFA has elected to prepare this annual report in compliance with the GRI standard (core option).

Industry leadership and engagement

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

Objectives	How we measure our performance
Take a proactive role to enhance the financial strength and depth of the local government debt market and work with key central government and local government stakeholders on sector and individual council issues.	This year we have introduced two new webinars for members: • LGFA Quarterly Update • Economic and Financial Market Update webinars These inaugural webinars were well attended by participants and will be formalised as ongoing quarterly events. Over the year we met with Treasury, the National Transition Unit and Policy teams at DIA (and their advisers) regarding the proposed Affordable Water Reform, working actively on issues relating to the transition of council debt, as well as the borrowing options for the Water Services Entities (WSEs) following transition. In consultation with key stakeholders, we are considering what potential role LGFA could play under the proposed Affordable Waters Reform programme.
Assist the local government sector with significant matters such as COVID -19 response and the proposed Three Waters Reform Programme.	LGFA provided input into the Ratepayer Financing Scheme (RFS) project managed by a group of councils with advice from Cameron Partners. If successful, the RFS could offer temporary financial relief to ratepayers via rates postponement. LGFA is not contributing financially to this project but providing intellectual capital and assistance.
Support councils and CCOs in the development of reporting disclosures of the impacts of sector activity on climate change.	We are continuing work on initiatives to reduce compliance and documentation requirements for members when they borrow. These initiative relate to a universal stock security certificate and delegation of a CEO certificate for borrowing.

About us

Mō mātou

The New Zealand Local Government Funding Agency Ltd (LGFA) specialises in financing the New Zealand local government sector, the primary objective being to optimise the terms and conditions of the debt funding it provides to participating borrowers.

LGFA was established to raise debt on behalf of councils on terms that are more favourable to them than if they raised the debt directly. Since establishment, LGFA has expanded its product suite to include short-dated lending, bespoke lending, standby facilities, sustainable financing alternatives and lending to CCOs. LGFA membership has grown to include 77 out of the 78 councils in New Zealand and has provided 93% of council borrowing in the year to June 2023.

Please refer to our website lgfa.co.nz for more information on LGFA, including our Statement of Intent and Quarterly Reports.

Incorporated on 1 December 2011 under the Companies Act 1993

Enabled by Local Government Borrowing Act 2011

Council-controlled organisation under the Local Government Act 2002

Ownership



80%
30 Councils

20%
New Zealand Government

Share ownership is restricted to New Zealand Government or councils.

Credit rating at 30 June 2023

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

Guarantee structure

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

LGFA's securities obligations are guaranteed by council guarantors.

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

Governance overview

31 Shareholders

30 Councils

80%

New Zealand Government

20%

Shareholders' Council

Page 57

The Shareholders' Council comprises five to ten appointees from shareholders. The role of the Shareholders' Council is to:

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

Board

Page 50

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:

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

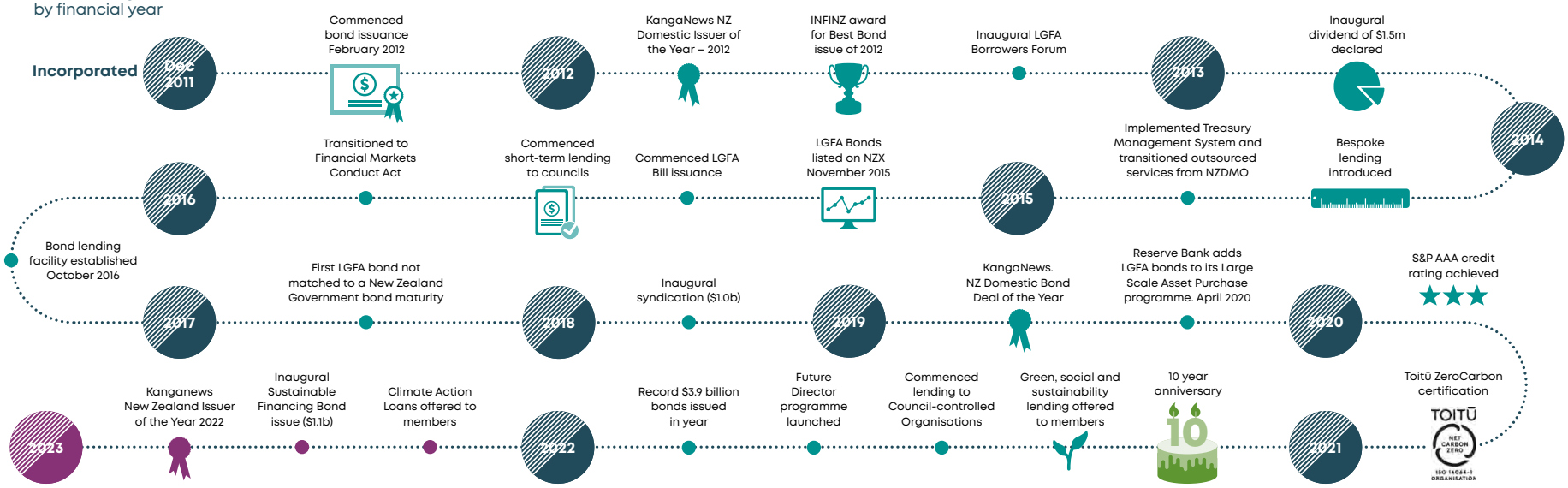
The Board comprises **five independent** directors and **one non-independent** director.

Bonds listed on NZX Debt Market

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

Supervised by independent trustee

Our history
by financial year



LGFA bonds on issue

Ko ngā pūtea taurewa pūmau kua tukuna e te LGFA

How we issue bonds

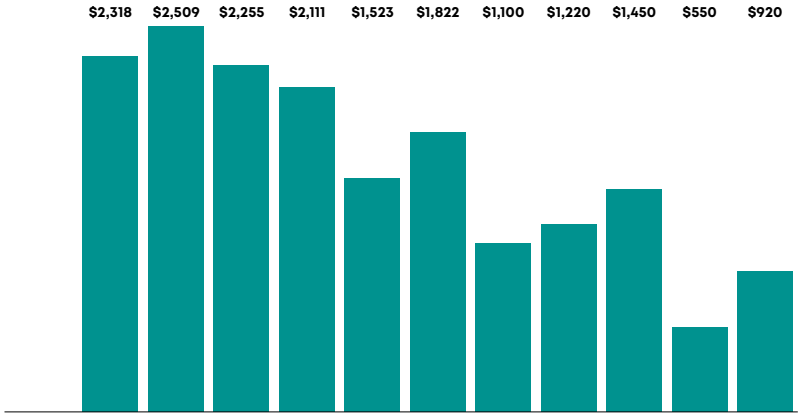
LGFA typically issues a new bond maturity via an initial syndication and then through ongoing regular scheduled tenders.

- Preferred bond tender sizes are between $150 million to $225 million with at least three maturities offered at each tender.
- LGFA bonds match NZGB where possible for maturity and coupon.
- Approved Issuer Levy is paid on behalf of offshore holders.
- Target issuance of $1 billion plus per maturity over time with a cap of $3.0 billion per maturity to support market liquidity.
- All bonds have been issued in New Zealand dollar (NZD) to June 2023, but have capability to issue non-NZD bonds if required.
- All LGFA retail bonds are listed on the NZX.

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

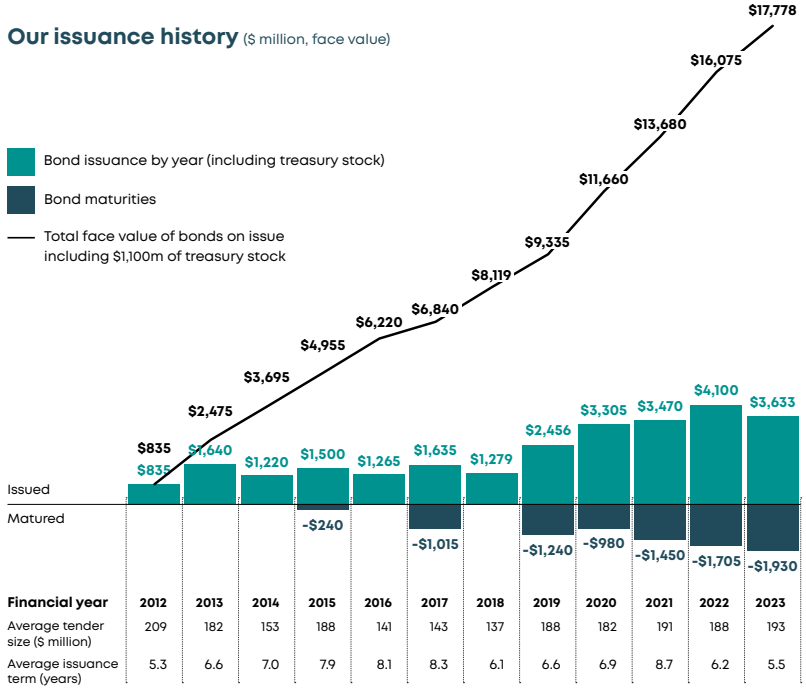
As 30 June 2023 : $17,778 million

Includes $1,100 million treasury stock (refer note 16, page 79)



Maturity	Apr 2024	Apr 2025	Apr 2026	Apr 2027	May 2028	Apr 2029	May 2030	May 2031	Apr 2033	May 2035	Apr 2037
Coupon	2.25%	2.75%	1.50%	4.50%	2.25%	1.50%	4.50%	2.25%	3.50%	3.00%	2.00%
NZX Code	LGF100	LGF070	LGF120	LGF060	LGF150	LGF110	LGF170	LGF140	LGF080	LGF160	LGF130

Our issuance history ($ million, face value)



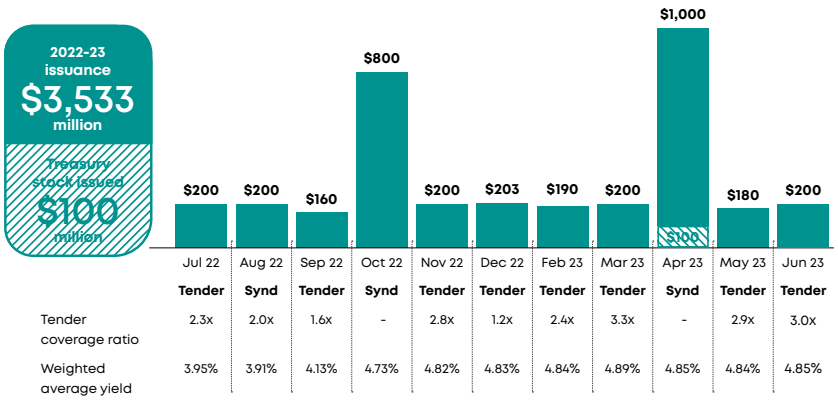
Financial year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Average tender size ($ million)	209	182	153	188	141	143	137	188	182	191	188	193
Average issuance term (years)	5.3	6.6	7.0	7.9	8.1	8.3	6.1	6.6	6.9	8.7	6.2	5.5

2022-23 issuance by maturity ($ million, face value)

LGFA bond issuance by bond maturity over the 12-month period to 30 June 2023

Tenders	Apr 24	Apr 25	Apr 26	Apr 27	May 28	Apr 29	May 30	May 31	Apr 33	May 35	Apr 37	Total
6 Jul 22	-	70	-	70	-	-	-	60	-	-	-	200
10 Aug 22	60	-	50	-	50	-	-	40	-	-	-	200
7 Sep 22	-	60	-	60	-	-	-	-	-	-	40	160
9 Nov 22	50	-	100	-	-	-	-	50	-	-	-	200
14 Dec 22	-	-	90	-	53	-	-	-	60	-	-	203
1 Feb 23	60	-	-	70	-	-	-	60	-	-	-	190
1 Mar 23	50	-	50	-	-	50	-	-	-	-	50	200
10 May 23	-	-	-	60	-	60	-	60	-	-	-	180
7 Jun 23	-	-	50	-	50	50	-	-	-	50	-	200
2022/23 tender issuance	**220**	**130**	**340**	**260**	**153**	**160**	**-**	**270**	**60**	**50**	**90**	**1,733**
2022/23 syndication	**-**	**600**	**-**	**-**	**-**	**200**	**1,000**	**-**	**-**	**-**	**-**	**1,800**
Total 2022/23 issuance	**220**	**730**	**340**	**260**	**153**	**360**	**1,000**	**270**	**60**	**50**	**90**	**3,533**
Prior issuance	1,998	1,679	1,815	1,751	1,270	1,362	-	850	1,290	400	730	13,145
Total bonds excluding Treasury Stock	**2,218**	**2,409**	**2,155**	**2,011**	**1,423**	**1,722**	**1,000**	**1,120**	**1,350**	**450**	**820**	**16,678**
Treasury stock	100	100	100	100	100	100	100	100	100	100	100	1,100
Total bonds on issue	**2,318**	**2,509**	**2,255**	**2,111**	**1,523**	**1,822**	**1,100**	**1,220**	**1,450**	**550**	**920**	**17,778**

2022-23 issuance by month ($ million, face value)



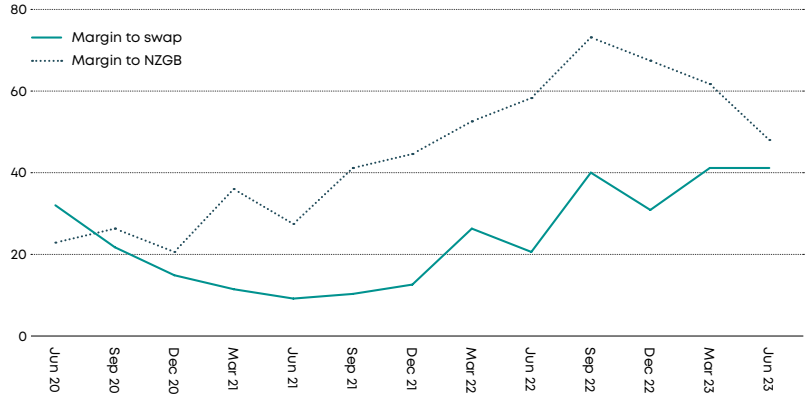
LGFA bond margins (basis points)

LGFA bond margins against swap and NZGB

Margin to swap	Apr 24	Apr 25	Apr 26	Apr 27	May 28	Apr 29	May 30	May 31	Apr 33	May 35	Apr 37
30 June 2022	(10)	(1)	5	16	19	28	N/A	40	49	62	70
30 June 2023	2	5	11	29	43	53	58	65	72	84	88
Annual change	(12)	(6)	(6)	(13)	(24)	(25)	N/A	(25)	(23)	(22)	(18)

Margin to NZGB	Apr 24	Apr 25	Apr 26	Apr 27	May 28	Apr 29	May 30	May 31	Apr 33	May 35	Apr 37
30 June 2022	34	53	55	61	60	61	N/A	66	65	78	79
30 June 2023	41	31	43	47	54	57	56	60	60	64	63
Annual change	(7)	22	12	14	6	4	N/A	6	5	N/A	16

LGFA bond margins to swap over NZGB over the 36 months to 30 June 2023 (basis points)



Average of all LGFA bonds outstanding.

Secondary market levels as at end of each month taken from end of month closing rate sheets published by NZ banks.

LGFA is New Zealand's largest:

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

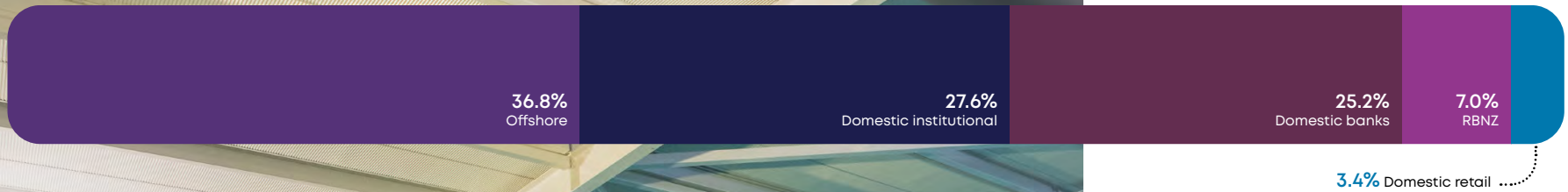
New bond maturities issued in the year to June 2023:

May 2030
4.5% coupon



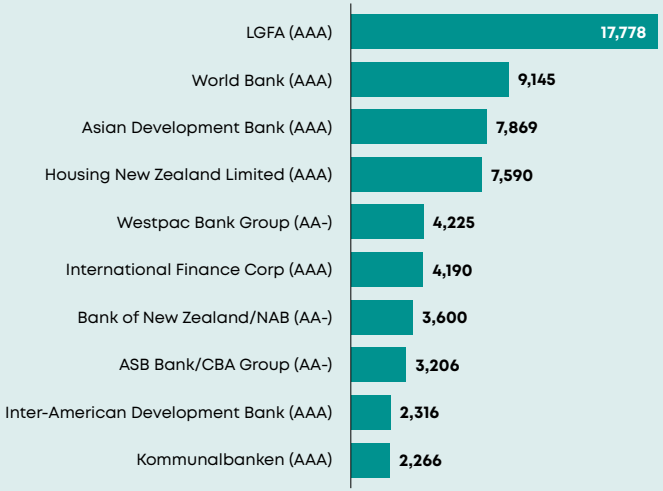
Pool side at Wai o Rua – Stratford Aquatic Centre which opened in October 2022. Stratford District Council

LGFA bond holders by investor group as at 30 June 2023



Largest issuers of NZD bonds by outstandings

excluding NZGB, as at 30 June 2023 ($ million)



LGFA estimate, based on aggregation of Bloomberg sourced data.

LGFA members

Ko ngā LGFA e noho mema ana

LGFA operates with the primary objective to optimise the terms and conditions of the debt funding it provides to participating borrowers.

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

Among other things this includes:

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

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

Total member borrowings at 30 June 2023
($ million)

Member type	Number of councils	Amount borrowed	% of total borrowings
Guarantors	70	16,184	99.0%
Non guarantors	8	167	1.0%
Total	**78**	**16,351**	**100%**

Member	Amount borrowed	% of total borrowings
Auckland Council	3,226	19.7%
Christchurch City Council	2,200	13.5%
Wellington City Council	1,179	7.2%
Tauranga City Council	824	5.0%
Hamilton City Council	804	4.9%
Greater Wellington Regional Council	678	4.1%
Queenstown Lakes District Council	510	3.1%
Hutt City Council	373	2.3%
Rotorua District Council	353	2.2%
Hastings District Council	295	1.8%
57 councils	5,909	36.2%
	16,351	**100%**

Loans to Auckland Council are limited to a maximum of

40%

of total loans

As at 30 June 2023

77 councils **3** council-controlled organisation

were eligible to borrow from LGFA

30 member councils are shareholders

70 member councils were guarantors

THE NUMBERS

Over the 12 months to 30 June 2023

$3,921

million of long term loans

were issued to

66

members

across

380

individual term loans

with an average term of

5.21

borrowing years

At 30 June 2023

$548

million of short term loans

were outstanding to

37

members

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

93%

LGFA's estimated market share of local government debt

LGFA member councils by year of joining

North Island

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

South Island

2011-12	Christchurch City Council	Shareholder
2011-12	Selwyn District Council	Shareholder
2011-12	Tasman District Council	Shareholder
2012-13	Ashburton District Council	Borrower and Guarantor
2012-13	Grey District Council	Borrower and Guarantor
2012-13	Marlborough District Council	Shareholder
2012-13	Nelson City Council	Borrower and Guarantor
2012-13	Queenstown Lakes District Council	Borrower and Guarantor
2012-13	Timaru District Council	Borrower and Guarantor
2012-13	Waimakariri District Council	Shareholder
2013-14	Hurunui District Council	Borrower and Guarantor
2015-16	Buller District Council	Borrower
2015-16	Canterbury Regional Council	Borrower and Guarantor
2015-16	Gore District Council	Borrower and Guarantor
2017-18	Westland District Council	Borrower and Guarantor
2018-19	Clutha District Council	Borrower and Guarantor
2018-19	Invercargill City Council	Borrower and Guarantor
2018-19	Mackenzie District Council	Borrower
2018-19	West Coast Regional Council	Borrower
2019-20	Kaikoura District Council	Borrower
2020-21	Central Otago District Council	Borrower and Guarantor
2020-21	Waitaki District Council	Borrower and Guarantor
2021-22	Otago Regional Council	Borrower and Guarantor
2021-22	Southland District Council	Borrower and Guarantor
2021-22	Waimate District Council	Borrower and Guarantor
2022-23	Dunedin City Council	Borrower and Guarantor
2022-23	Environment Southland Regional Council	Borrower and Guarantor

New member councils

LGFA welcomes the following two councils who joined as eligible borrowers in the year ended 30 June 2023.

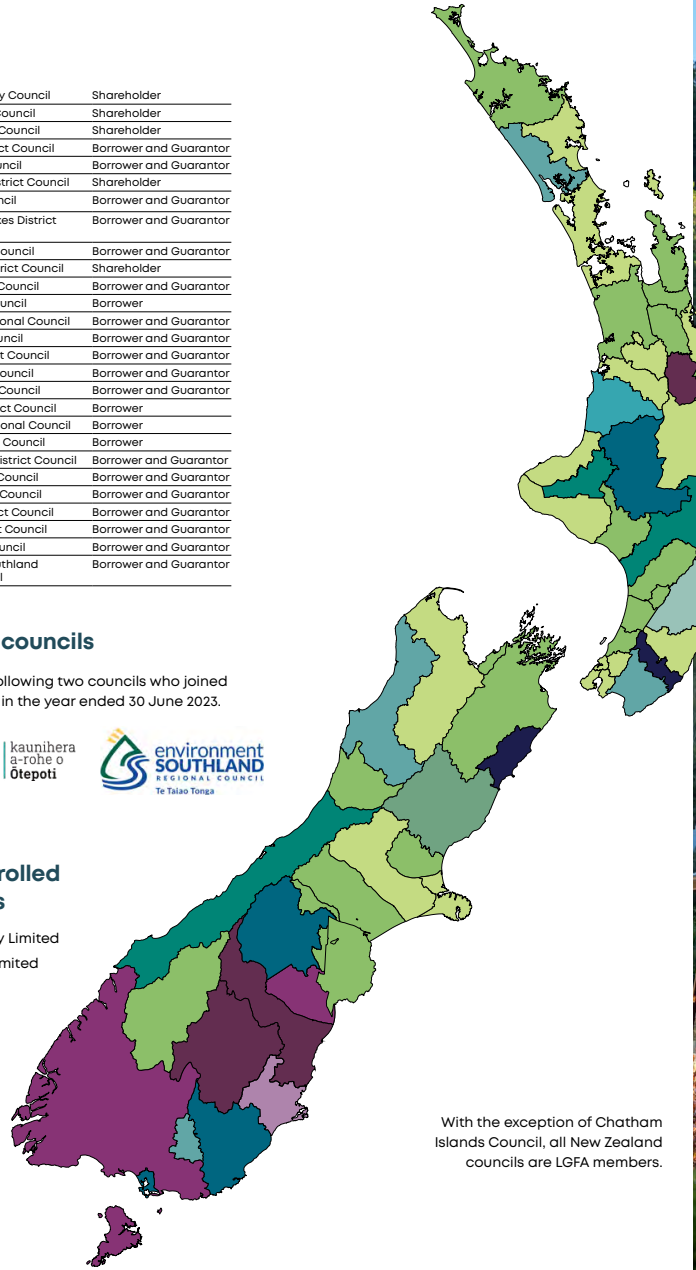
DUNEDIN CITY COUNCIL | kaunihera a-rohe o Ōtepoti

environment SOUTHLAND REGIONAL COUNCIL Te Taiao Tonga

New member Council-controlled organisations

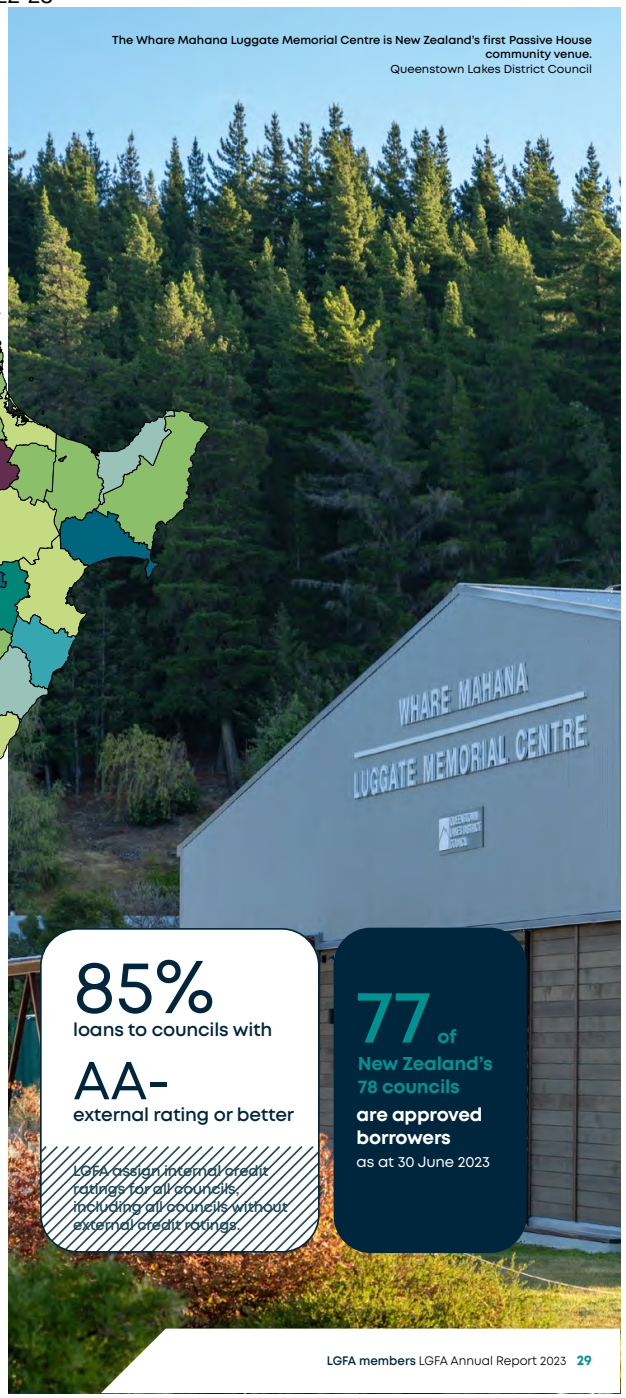
Dunedin City Treasury Limited

Westland Holdings Limited



2011-2012 (18) | 2012-2013 (21) | 2013-2014 (3) | 2014-2015 (3) | 2015-2016 (5) | 2016-2017 (3) | 2017-2018 (3) | 2018-2019 (8) | 2019-2020 (3) | 2020-2021 (5) | 2021-2022 (3) | 2022-2023 (2)

With the exception of Chatham Islands Council, all New Zealand councils are LGFA members.



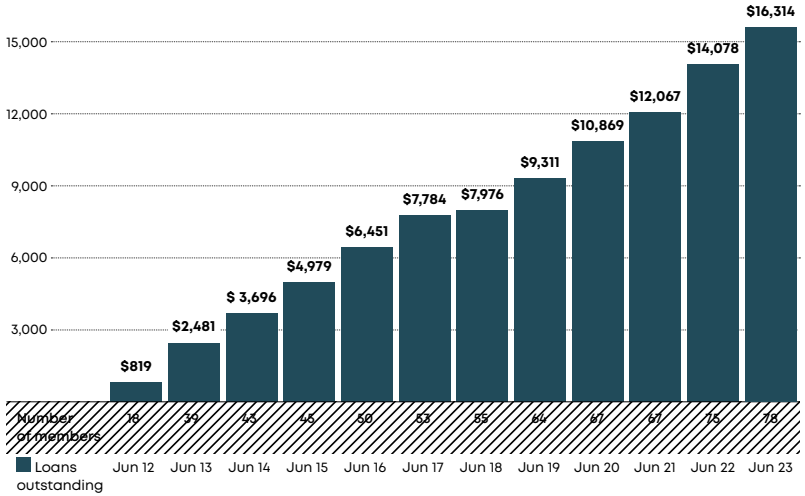
The Whare Mahana Luggate Memorial Centre is New Zealand's first Passive House community venue.
Queenstown Lakes District Council

85%
loans to councils with
AA-
external rating or better

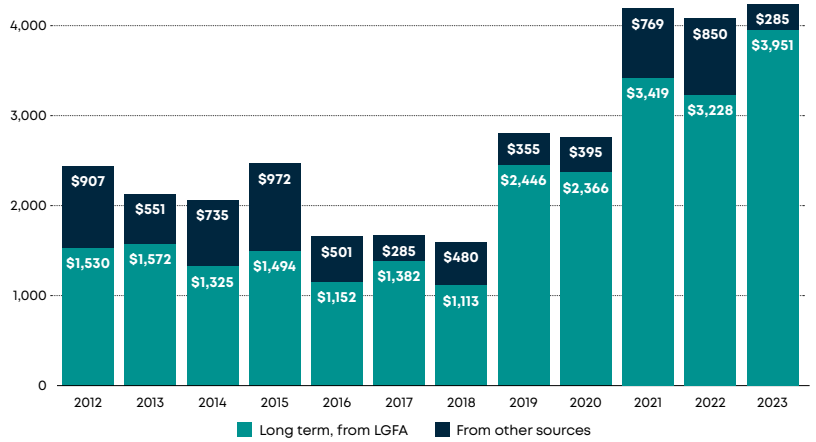
LGFA assign internal credit ratings for all councils, including all councils without external credit ratings.

77 of New Zealand's 78 councils **are approved borrowers** as at 30 June 2023

Loans to members outstanding ($ million, nominal)



Borrowing by members ($ million, nominal)





He Puna Taimoana. The New Brighton hot saltwater pools are a key development in the New Brighton Regeneration Project.
Christchurch City Council

Community housing project
Hastings District Council

Sustainability at LGFA

Te toitūtanga kei te LGFA

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

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

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

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

Sustainability Committee

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

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

Independent members of the LGFA Sustainability Committee at 30 June 2023

Alison Howard
Erica Miles
Chris Thurston
David Woods

Our material issues

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

LGFA's materiality issues were determined with the assistance of Proxima, an independent sustainability consultancy. LGFA's material issues, unchanged from last year, reflect our increasing focus on sustainability.

Our organisation

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

Responsible finance

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

Our environment

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

Climate-related disclosure framework

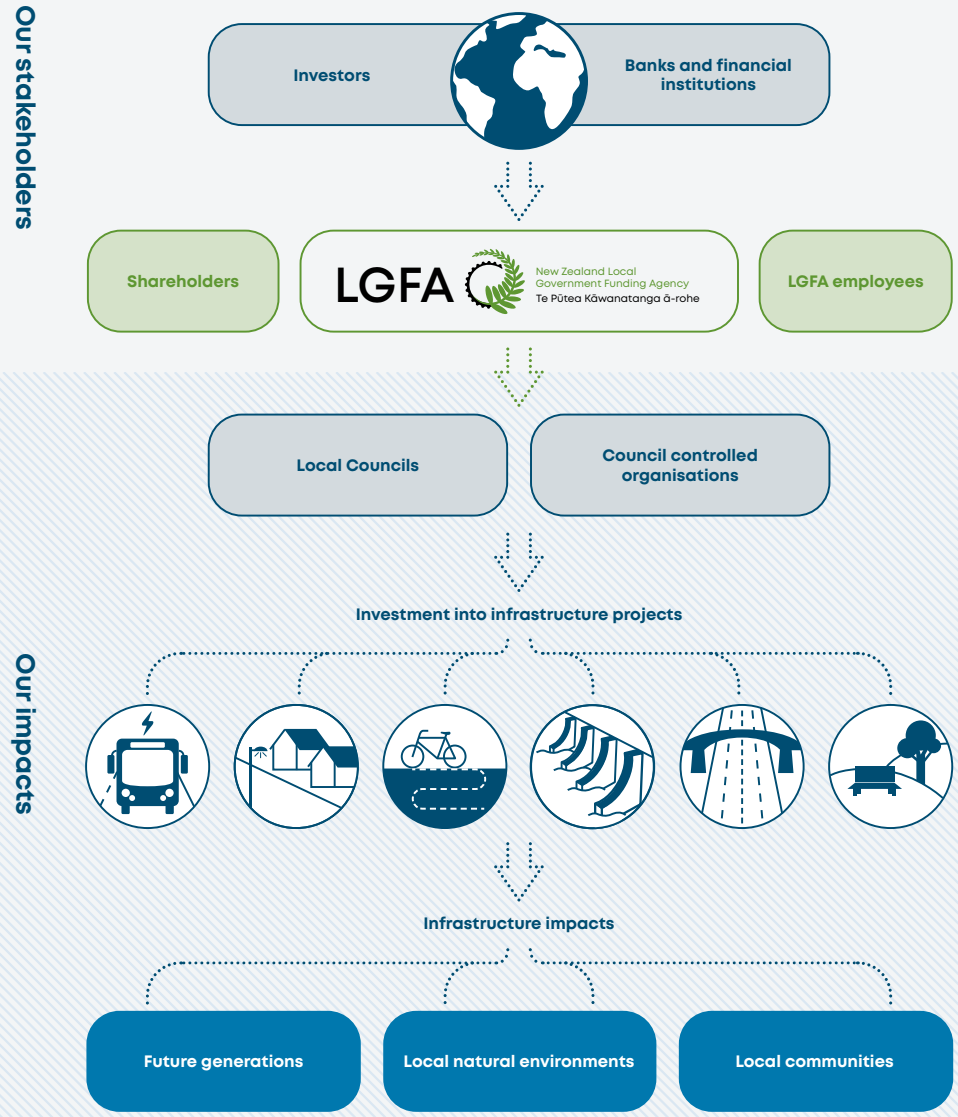
The Financial Sector (Climate-related Disclosures and Other Matters) Amendment Act 2021 makes it mandatory for climate reporting entities to produce climate statements according to disclosure standards in the Aotearoa New Zealand Climate Standards issued by the External Reporting Board in December 2022.

LGFA is a designated Climate Reporting Entity as it is a listed issuer of quoted debt securities with a combined face value of quoted debt exceeding $60 million.

Climate Reporting Entities are required to make annual disclosures covering governance arrangements, risk management, strategies and metrics and targets for mitigating and adapting to climate change impacts.

The mandatory reporting regime takes effect for accounting periods that start on or after the 1 January 2023. This means that LGFA will be required to disclose according to the standard for the accounting period commencing on 1 July 2023, with our first climate statement as part of our 2024 Annual Report.

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



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

Through our sustainable lending products, LGFA continues to work with members to better understand the environmental footprint for each council, as well as identifying where they are undertaking climate reduction initiatives.

Promoting environmental and social stewardship

LGFA recognises the emerging risks for councils from climate change and supports their commitment towards improving sustainable outcomes for local communities. LGFA supports member councils and council-controlled organisations (CCOs) on financing projects to build towards a more sustainable and resilient society. As the primary lender to the local government sector, LGFA finances members' core investment into improving New Zealand's infrastructure and services to residents and visitors. By extension, these members' investments form an important element of LGFA's sustainability context.

Industry collaboration and engagement

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

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

As at June 2023

Sustainable Financing Bond	Green, social & sustainable loans	Climate action loans
$1.1 billion	$295 million	$521 million

Our Sustainability timeline

- **Apr 2021** — Head of Sustainability appointed
- **Jun 2021** — Toitū Envirocare net carbonzero certification
- **Sep 2021** — Sustainability Committee established
- **Oct 2021** — Green, Social And Sustainability Lending launch
- **Dec 2021** — First GSS Loans approved
- **Dec 2022** — Climate Action Loans launch
- **Mar 2023** — Sustainable Financing Bond Framework established
- **May 2023** — First Climate Action Loans approved
- **Apr 2023** — Inaugural Sustainable Financing Bond issued

LGFA Sustainable Financing Bond Framework

In March 2023, LGFA announced our Sustainable Financing Bond Framework.

The Framework outlines the process by which LGFA will issue and manage sustainable financing bonds that will be notionally allocated to a pool of Sustainable Loans that meet the eligibility criteria set out in the Framework.

Launching the Framework enables LGFA to:

- demonstrate its commitment to support council and CCO borrowers to fund sustainable assets and activities, and incentivise GHG emissions reductions;
- issue bonds that are notionally allocated to the Sustainable Loans on LGFA's balance sheet; and
- advance the market for sustainable finance by providing an innovative opportunity for investors to support council and CCO borrowers to achieve their sustainability aspirations.

The Framework follows the proceeds-based pillars of the general market standards for sustainable finance, namely the International Capital Markets Association's Green Bond Principles (GBP), Social Bond Principles (SBP), and Sustainability Bond Guidelines (SBG). However, LGFA does not claim direct alignment of the Framework with these principles as the pool of Sustainable Loans comprises both GSS Loans and CALs together in the same asset pool.

Sustainable loans are made by LGFA to member councils and CCOs under the Green, Social and Sustainability (GSS) Lending Programme and the Climate Action Loans (CALs) Programme.

The Framework is supported by a Second Party Opinion (SPO) provided by Sustainalytics.

In April 2023, LGFA completed the inaugural issue of $1.1 billion of Sustainable Financing Bonds maturing 15th May 2030.

Sustainable lending products

Offering members with innovative sustainable lending products aligns to LGFA's commitment to display sector leadership on sustainable lending and incentivising member councils and CCOs to progress sustainability issues.

Our sustainable lending products comprise Green, Social and Sustainable lending and Climate Incentive Loans.

Green, social and sustainability lending

A commitment to assist our members to finance projects that promote environmental and social wellbeing in New Zealand.

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

Our green, social and/or sustainability (GSS) lending programme, launched in 2021, provides funding for our members across the following nine green project categories and three social project categories:

Green Project Categories

- Energy Efficiency
- Green Buildings
- Clean Transportation
- Sustainable Water and Wastewater Management
- Renewable Energy
- Pollution Prevention and Control
- Sustainable Management of Living Natural Resources and land use and Use
- Climate Change Adaptation
- Terrestrial and Aquatic Biodiversity Conservation

Social Project Categories

- Affordable Basic Infrastructure-Clean Water, Sewer, Transport
- Access to Essential Services-Education, Healthcare
- Affordable Housing

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

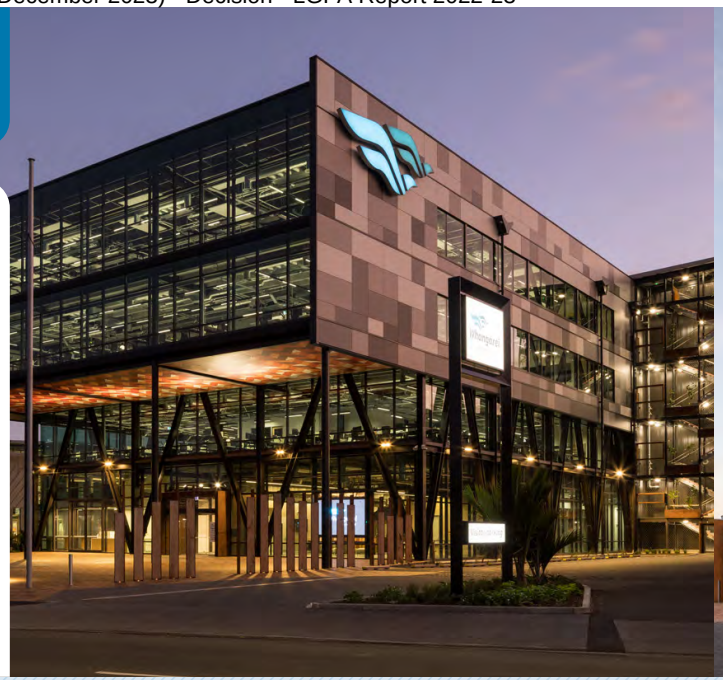
Climate Action Loans

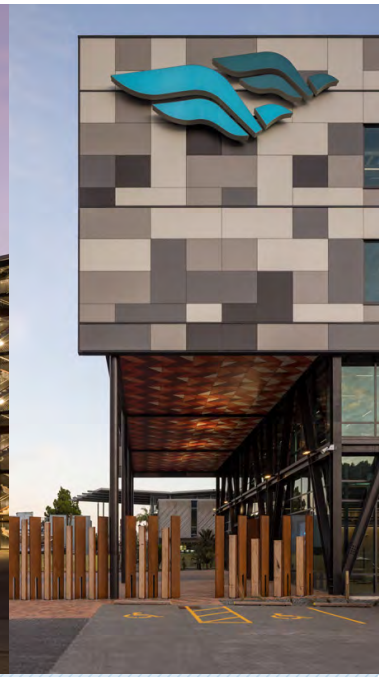
A commitment to incentivise our members to act on climate change and reduce greenhouse gas emissions.

LGFA launched its Climate Action Loans (CALs) lending programme in December 2022. CALs are target-based lending structures designed to incentivise councils and council-controlled organisations (CCOs) to act on climate change and reduce greenhouse gas (GHG) emissions.

A CAL rewards a borrower through a lending margin discount if they have adopted an Emission Reduction Plan setting out specific Emissions Reduction Targets for their operational greenhouse gas emissions at member council or CCO level. CALs are available for all members, including those who may not have eligible projects to access Green, Social and Sustainability (GSS) loans.

LGFA are pleased to welcome Hutt City Council, Whangārei City Council and Christchurch City Council as new lenders under the GSS programme.





Whangārei Civic Centre
Whangārei District Council

Whangārei District's new civic building has been designed to provide a welcoming, inclusive and easily accessible customer experience. The building has also been designed to be sustainable and to strongly reflect Whangārei's cultural identity and heritage. The building will be a central hub for local government-related activities, including:

- democratic processes;
- customer services;
- administrative functions;
- council staff; and
- Northland Transport Alliance staff.

In addition to the sustainable aspect of the building, a solar array system was designed to specifically meet Whangārei District Council's requirements and according to the roof space available for the Civic Centre.

The building also has a number of innovative aspects including a Green wall / Fire Stairs. The fire escape stairs on each side of the building have a 4-storey green wall utilising an endangered species from the Three Kings Islands, with the plants irrigated via rainwater harvesting from the roof.

Cultural connections – The building and surrounding landscape incorporates a very strong cultural narrative, with a Roopu Kaumatua group representing local hapū involved throughout the design process. As well as influencing design themes, this input has led to specific construction features that support tikanga Maori, such as the siting of ablution, cooking and eating spaces throughout the building; as well as the choice of materials used.



Naenae Pool and Fitness Centre
Hutt City Council

The rebuild of the existing Naenae Pool and Fitness Centre with a new swimming pool that will be 65% bigger than the old pool and will be much more energy efficient with up to 53% reduction on energy use. Due to open in July 2024, the Naenae Pool and Fitness Centre will have the following sustainability design features:

- A building that is resilient to the impacts of a changing climate and natural disasters;
- High quality indoor air quality and high standards of acoustic, lighting, visual and thermal comfort;
- EV parks with charging points and secure bicycle stands;
- Ground-water source heat pumps;
- High efficiency heat recovery air-handling units providing dehumidification and air conditioning;
- High efficiency window and glazing suites.

Hutt City Council Chief Executive Jo Miller said "caring for and protecting the environment was one of the six key priorities in the Council's 10-year-plan. A key driver across the Naenae Pool and Fitness Centre planning was sustainability, not just during the life of the project build but also for the future operation of the facility.

Being part of the LGFA GSS funding programme recognises all the work the team has put in to deliver a greener facility with the additional benefit of cost savings across the life of the loan. This is a win-win situation for our ratepayers who get a state-of-the-art pool and fitness centre with savings because of our determination to build greener. We continue to improve the infrastructure across the city which was a main element of feedback on our 10-year-plan while being financial prudent and finding savings where we can – this all supports building a better place to live for Hutt residents."



Ōtautahi Community Housing Trust – Affordable Housing Project
Christchurch City Council

The Ōtautahi Community Housing Trust (ŌCHT) is the second largest Community Housing Provider in New Zealand. ŌCHT is a charitable trust offering affordable homes and building sustainable communities across greater Ōtautahi. ŌCHT's objective is to deliver a tenant-centric service and a financially sustainable portfolio. In doing so, it wants to improve and grow community housing in Christchurch. It is a Charitable Trust, so surpluses are reinvested into community housing.

ŌCHT was formed in 2016 out of Christchurch City Council's (CCC's) wish for a financially sustainable model for its social housing portfolio. CCC passed the management of about 2,300 units across to the ŌCHT.

Part of ŌCHT's programme is to build at least 400 units to replace those lost due to the Canterbury earthquakes and the GSS Loan provided by LGFA financed the build of these properties. The Ministry of Housing and Urban Development supports the development and ŌCHT is contracted to provide homes for people on the Public Housing Register.

Taituarā LGFA Local Government Excellence Awards

This year we are delighted to announce that Hutt City Council won the 2023 LGFA Supreme Award for its Takai Here Tāngata initiative.

The Takai Here Tāngata initiative led by the Hutt City Council (HCC), Kahungunu Whānau Services, Te Rānanganui o Te Āti Awa, and Urban Plus Limited (UPL) had the goal of putting more people into permanent housing.

Takai Here Tāngata (the binding of people together) signifies how through collaboration and partnership new pathways and practices can be created to enable healthy, thriving, secure, and affordable homes to be built across Lower Hutt.

"HCC is incredibly proud of our partnership and are delighted to see nineteen whānau now living in purpose-built environmentally friendly homes.

The housing of mana whenua and all our people has been identified by the partners as a key priority. Housing has a major impact on people, providing for improved quality of life, stability, and better health outcomes, and ultimately it enables our whānau to have a greater say in determining their own well-being and futures."







Deliver efficient and cost-effective funding

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

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

A key indicator of satisfaction with service and pricing to members is LGFA's estimated overall market share for council lending. Since our incorporation in 2011, LGFA has firmly established itself as the prime lender to the local government sector, with a current estimated market share in excess of 90% of local government debt.

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

Over the last seven years, there has been an improving trend in the underlying credit quality of New Zealand's council sector. As at June 2023, 34 members had current external credit ratings, with 85% of all LGFA loans being held by AA- rated councils and CCOs or better.

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

Best practice and influence

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

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

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

Over the reporting year, LGFA operations processed over 13,500 transactions with total gross cash flows in excess of $34 billion without error. Where possible, LGFA employ straight-through processing to minimise operational risk across our treasury operations.

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

Responsible investment

Our Responsible Investment Policy commits to investing responsibly by incorporating environmental, social and governance (ESG) factors into its investment analysis and decision-making processes relating to the management of the liquid assets portfolio.

Sustainable business practices

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

Total carbon emission intensity for year ended June 2023

Total carbon emissions	Emissions (tC)2e)		Variance (change %)	
	FY 23	FY 22	To FY 22	To Base year
Verified				
Scope 1	0.00	0.00	--	--
Scope 2	3.04	2.48	+23%	+24%
Scope 3	50.52	39.75	+27%	-63%
Total	**53.56**	**42.23**	**+27%**	**-61%**

In aggregate, our scope 1 and 2 emissions are minimal, with scope 3 air travel, at 90% of total, representing the significant majority of our 2022/23 emissions. The increase in our travel-related emissions over 2021/22 followed the full lifting of Covid travel restrictions which facilitated the first opportunity since Covid to visit key offshore investors. While a certain level of air travel is essential for our business, we have achieved a substantial reduction over our base year. We constantly review options to reduce air travel where practical, including the recent introduction of one virtual Board meeting, increased use of hybrid meetings (in-person and virtual attendance) as well as offering a virtual option for members attending our annual Shareholder and Borrowers' day.

The scope of the emissions disclosure includes all activities within the operational boundaries of LGFA including its offices in Wellington and Auckland. LGFA has measured the emissions resulting from its operational activities, purchased energy, and selected impacts from its value chain activities, including business travel, freight, and waste sent to landfill. It is noted that there are a range of activities that have previously been shown to be de minimis and these are excluded from the scope of the inventory. GHG quantification is subject to inherent uncertainty because of incomplete scientific knowledge used to determine emissions factors and the values needed to combine emissions of different gases.

Toitū net carbonzero certification

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

TOITŪ NET CARBON ZERO ISO 14064-1 ORGANISATION

Kauri 2000

Kauri 2000 was established in 1999 as a project to celebrate the start of the new millennium by planting 2000 kauri on the Coromandel Peninsula. To date the Trust has planted over 55,500 trees and continues to plant kauri throughout the Coromandel. LGFA donates to Kauri 2000 on an annual basis to assist the Trust with their planting programme. In 2023, LGFA donated $4,000.

KAURI 2000

Governance and culture

Te whakaruruhau me te ahurea

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

LGFA governance policies and documents

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

NZX Corporate Governance Best Practice Code

LGFA is a listed issuer on the NZX Debt Market and complies with the eight core principles underpinning the NZX Corporate Governance Best Practice Code (1 April 2023).

LGFA considers that its governance practices have not materially differed from the NZX Code for the year ended 30 June 2023. Areas where LGFA has implemented alternative measures to the Code are as follows:

An issuer should establish a nomination committee to recommend director appointments to the board.	The process for the nomination and remuneration of directors is documented in the Constitution of New Zealand Local Government Funding Agency Limited and outlined on page 54.
An issuer should have a remuneration committee which operates under a written charter.	

Our purpose

Benefiting local communities through delivering efficient financing for local government.

Our values
Ō mātau uara



We act with integrity
E pono ana mātau

We are honest, transparent and are committed to doing what is best for our customers and our company



We are customer focused
E arotahi ana mātau ki te kiritaki

Our customers are our council borrowers, investors, and all other organisations that we deal with. We listen to them and act in their best interests to deliver results that make a positive difference



We strive for excellence
E whakapau kaha mātau kia hiranga te mahi

We strive to excel by delivering financial products and services that are highly valued at least cost while seeking continuous improvement in everything we do.



We are innovative
He auaha mātau

To meet our ever-changing customer requirements, we will encourage innovation and provide a diverse range of financial products and services.



We provide leadership
He kaiārahi mātau

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

Culture, ethics and governance

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

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

Code of Ethics

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

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

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

Protected Disclosures and Whistle Blowing

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

Financial Products Trading Policy

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

Transparency and disclosure

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

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

LGFA is committed to ensuring the highest standards are maintained in financial reporting and disclosure of all relevant information. Transparency in how we operate is core to achieving our shareholders' objectives as well as for our wider stakeholders including investors, banks and other financial intermediaries and the credit rating agencies. As such, transparency in how we operate is reflected in operating requirements outlined in our foundation documents, including the Constitution, Shareholders' Agreement and Board Charter, as well as Company policies on Continuous Disclosure, Financial Products Trading, and Protected Disclosures and Whistle Blowing.

LGFA demonstrates transparency through its annual Statement of Intent (SOI) and quarterly reporting to shareholders on its performance against the objectives set out in the SOI.

The Audit and Risk Committee has responsibility to provide assurance to the Board that due process has been followed in the preparation and audit of the financial statements and to ensure there are appropriate processes and activities to ensure compliance with relevant regulatory and statutory requirements.

LGFA has adopted a formal Continuous Disclosure Policy, the requirements of which ensure that we meet the continuous disclosure requirements of the NZX Listing Rules, including the disclosure for material environmental, social and governance (ESG) factors.

The GRI sustainability reporting standards are the most widely adopted global standards for sustainability reporting and this year's annual report has been prepared to meet the requirements of the Global Reporting Initiative (GRI) Standards (core option).

Audit and Risk Committee

The Audit and Risk Committee is a committee of the Board.

The Audit and Risk Committee is governed by its own Charter which states that the purpose of the Committee is to provide advice, assurance and observations to the Board relating to the effectiveness and adequacy of internal control and risk management systems, processes and activities across LGFA. The Committee assists the Board to fulfil its duties by considering, reviewing and monitoring:

- Risk management framework and processes;
- Internal control environment and mechanisms;
- Operations and effectiveness of the internal audit function;
- Preparation and audit of financial statements;
- Integrity of performance information, including financial reporting;
- Governance framework and process;
- Policies, processes and activities to ensure compliance with legislation, policies and procedures; and
- Statutory/regulatory disclosure and reporting and performance against Statement of Intent targets.

Audit and Risk Committee members are appointed by the Board. Membership comprises at least three directors, the majority of whom must be independent.

Internal audit

LGFA has an internal audit function to provide assurance that its risk management, governance and internal controls are operating effectively.

The Audit and Risk Committee has responsibility for oversight of the internal audit function, including:

- Reviewing the Internal Audit Charter, the operations of the internal audit and organisational structure of the internal audit function;
- Approving the annual audit plan;
- Reviewing the effectiveness of the internal audit function; and
- Meeting separately with the internal auditor to discuss any matters that the Audit and Risk Committee or Internal Audit considers should be discussed privately.

External audit

The external audit of LGFA is conducted in accordance with Section 14 of the Public Audit Act 2001, including the appointment of the external auditors of LGFA by the Auditor-General.

The Audit and Risk Committee has responsibility for all processes relating to the audit of financial statements, including the setting of audit fees and ensuring the independence and objectivity of the auditors.

The external audit of LGFA is conducted in accordance with a formal external audit plan which is reviewed and approved by the Audit and Risk Committee on an annual basis. The external auditor attends LGFA's Annual General Meeting.

Our team

Health, safety and wellbeing

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

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

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

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

Capability and development

LGFA is committed to ongoing education and professional development for staff and directors by funding professional development courses, membership of professional bodies and attendances at industry conferences.

The Future Director programme, launched in 2021 by the Board and Shareholder Council, aims to give talented people within the Local Government sector with an interest in corporate governance the opportunity to observe and participate in Boardroom discussions for an 18-month period. The Future Director actively participates at Board meetings, but they have no voting rights. Anita Furniss commenced on 1 July 2022 as the inaugural Future Director.

Diversity and inclusion

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

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

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

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

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

2023	Female	Male
Board	2	4
Staff	3	6

2022	Female	Male
Board	1	5
Staff	3	6

2023	Under 30 years	30-50 years	Over 50 years
Board	-	-	100%
Staff	12%	22%	60%

2022	Under 30 years	30-50 years	Over 50 years
Board	-	-	100%
Staff	12%	22%	60%



LGFA Board of Directors

From left: Anthony Quirk, Alan Adcock, Linda Robertson, Craig Stobo, Helen Robinson, Philip Cory-Wright. Absent Anita Furnis (Future Director).



LGFA Staff

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

Our Board

The LGFA Board Charter sets out the roles and responsibilities of the Board. The Charter states that role of the Board is to ensure that LGFA achieves its goals. Having regard to its role, the Board will direct, and supervise the management of the business and affairs of LGFA, including:

- ensuring that LGFA's goals are clearly established, and that strategies are in place for achieving them;
- establishing policies for strengthening LGFA's performance;
- ensuring strategies are in place for meeting expectations set out in the current Statement of Intent and monitoring performance against those expectations, in particular LGFA's primary objective to optimise the debt funding terms and conditions for participating borrowers;
- monitoring the performance of management;
- appointing the CEO, setting the terms of the CEO's employment contract and, where necessary, terminating the CEO's employment;
- deciding on whatever steps are necessary to protect LGFA's financial position and the ability to meet its debts and other obligations when they fall due, and ensuring that such steps are taken;
- ensuring that LGFA's financial statements are true and fair and otherwise conform with law;
- ensuring that LGFA adheres to high standards of ethics and corporate behaviour; and
- ensuring that LGFA has appropriate risk management/regulatory compliance policies in place. In the normal course of events, day-to-day management of LGFA will be in the hands of management. The Board will satisfy itself that LGFA is achieving its goals, and engaging and communicating with Shareholders Council; and
- engaging and communicating with shareholders.

Board composition

The Board comprises five independent directors and one non-independent director. An independent director is a director who, within five years prior to appointment, was not an employee of any shareholder, employee of a council-controlled organisation owned by a shareholder, or a councillor of any local authority which is a shareholder.

The directors of LGFA as at 30 June 2023



Craig Stobo
Independent Chair
BA (Hons) Economics First Class, Otago; C.F.Inst.D
Associate Member CFA Society New Zealand

Craig has worked as a diplomat, economist, investment banker and Chief Executive Officer of BT Funds Management (NZ) Limited. He has completed the Advanced Management Programme at Wharton Business School in Philadelphia, authored reports to the New Zealand Government on the Taxation of Investment Income (which led to the PIE regime), and the creation of New Zealand as a funds domicile. He currently chairs the listed companies Precinct Properties New Zealand Limited and NZ Windfarms. He has directorship and private equity interests in financial services and other businesses.

Director
Precinct Properties New Zealand
NZ Windfarms
Appello Services
Director/Shareholder
Biomarine Group
Elevation Capital Management
Legend Terrace
Saturn Portfolio Management
SouthWest Trustees
Managing Director/Shareholder
Stobo Group



Alan Adcock
Non-Independent Director
Member Audit and Risk Committee
B.Com, MBA (with Distinction)

Alan has over 35 years' experience in the financial services and local government sectors at executive level, with over twenty years in banking, insurance and funds management followed by his current role as General Manager Corporate / CFO at Whangārei District Council.

His involvement with LGFA began in its initial planning stage, as a representative of the 'tight nine' councils that worked together to turn the concept into reality in 2011. He was an inaugural member of the Shareholders' Council, which he chaired from 2014 before joining the Board in 2021.

Chief Financial Officer
Whangārei District Council
Director
Whangārei Waste Limited



Philip Cory-Wright
Independent Director
Member Audit and Risk Committee
LLB (Hons), BCA Business Management, INFINZ (Cert), C.F.Inst.D

Philip is a solicitor of the High Court of New Zealand and Victoria. He has worked as a corporate finance adviser in New Zealand to the corporate sector on debt and equity matters for more than 30 years. He is currently a director of NZ Windfarms, Powerco, Matariki Forests, South Port New Zealand and Papa Rererangi I Puketapu (New Plymouth Airport). Philip is also a strategic adviser to clients in the energy and infrastructure sectors. He was a member of the Local Government Infrastructure Expert Advisory Group tasked with advising the Minister of Local Government on improvements in local government infrastructure efficiency.

Director
Matariki Forest Group
Papa Rererangi i Puketapu (New Plymouth Airport) (Chair)
NZ Wind Farms
Para Bidco
Powerco
South Port New Zealand



Anthony Quirk
Independent Director
Member Audit and Risk Committee
BCA Hons (First Class), INFINZ (Fellow), M.Inst.D

Anthony is an experienced financial services sector professional with extensive executive experience in the sector. He has a varied portfolio of governance interests with an emphasis on areas that improve or contribute to communities. He is a Fellow of the Institute of Finance Professionals New Zealand (INFINZ) and is a former Chairman of that organisation. He was previously Chair of the Asset Management Advisory Board of the New Zealand Exchange, Deputy Chair and Board member of the New Zealand Society of Investment Analysts and a previous member of the Financial Reporting Standards Board of the New Zealand Society of Accountants.

Chair
Milford Asset Management Limited (and some associated subsidiaries)
Humanitix, New Zealand

Trustee
Milford Foundation



Linda Robertson
Independent Director
Chair Audit and Risk Committee
B.Com, Dip Bank, INFINZ (Distinguished Fellow), C.F.Inst.D, GAICD, FGNZ

Linda is professional company director with over 20 years governance experience, combined with 30 years senior financial management experience having worked in both the banking and energy sectors in New Zealand.

Linda holds a Bachelor of Commerce Degree and a Diploma in Banking. Linda is a Distinguished Fellow of the Institute of Finance Professionals New Zealand (INFINZ), a Graduate Member of the Australian Institute of Company Directors, a Certified Fellow of the Institute of Directors in New Zealand and a Fellow of Governance NZ.

Linda is currently chair of Crown Irrigation Investments, Central Lakes Trust and Central Otago District Council's Audit and Risk Committee. She is a director of Horizon Energy, Invercargill City Holdings, Kordia, SBS Bank and Alpine Energy. Linda is also a member of the Capital Markets Advisory Committee and the Risk and Audit Committee of The Treasury; and the Audit and Risk Committee of the Office of the Auditor General.

Chair
Central Lakes Trust and associated subsidiary
Central Otago District Council, Audit & Risk Committee
Crown Irrigation Investments Limited

Director
Alpine Energy Limited and associated subsidiary
Kordia Group Limited
Invercargill City Holdings Limited and associated subsidiary
Horizon Energy Distribution Limited and associated subsidiaries
Southland Building Society (SBS Bank) and associated subsidiary

Member
Office of the Auditor-General and Audit New Zealand, Audit and Risk Committee
The Treasury, Capital Markets Advisory Committee
The Treasury, Risk and Audit Committee



Helen Robinson
Independent Director
Member Audit and Risk Committee
ONZM

Helen is an experienced business leader locally and internationally mostly in the technology and sustainability sectors. Helen was Managing Director of Microsoft New Zealand, VP of Pivotal Corporation Asia Pacific and Managing Director, Markit Group (now S&P Global). Helen founded and was CEO for Organic Initiative Ltd (Oi).

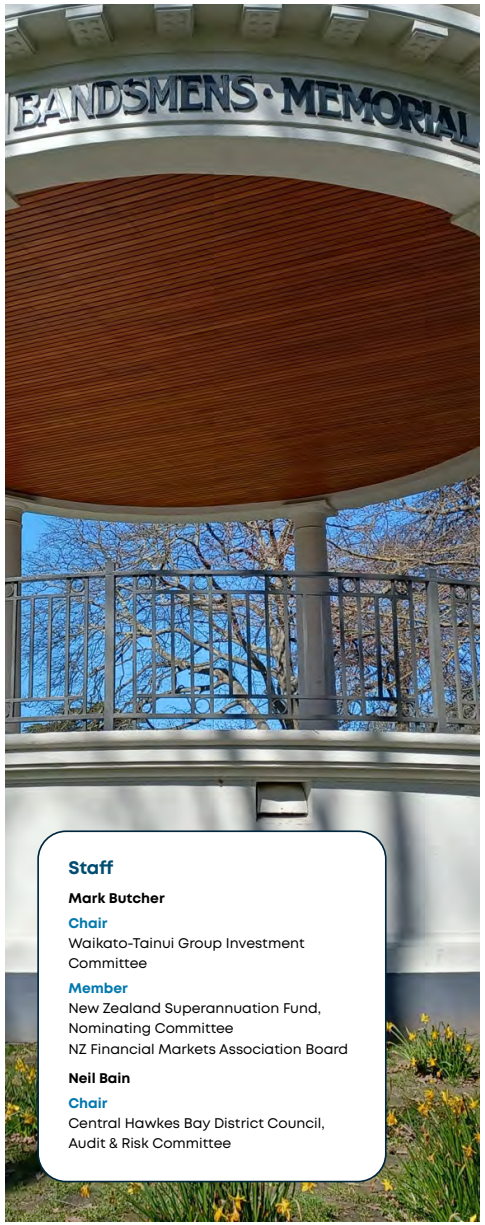
Helen has decades of governance experience acting as Director or Chair for numerous public, private and public sector organisations.

She is a member of Global Women, a Chartered Member of the NZ Institute of Directors, and holds an international honorary membership to Beta Gamma Sigma. Helen was awarded the NZ Women of Influence Supreme Award 2016, the Most Inspiring Individual at NZ Innovation Awards 2017, Next Magazine's Woman of the Year in Business & Innovation, and Most Inspiring Women Leader at the NZ International Business Awards in 2019.

Director and Shareholder
Organic Initiative Limited
Penguin Consulting Limited

Chair
Kara Technologies Limited
Astrix Astronautics Limited

Directors did not hold any interests in debt securities (including listed bonds) in the company as at 30 June 2023.



Staff

Mark Butcher

Chair
Waikato-Tainui Group Investment Committee

Member
New Zealand Superannuation Fund, Nominating Committee
NZ Financial Markets Association Board

Neil Bain

Chair
Central Hawkes Bay District Council, Audit & Risk Committee

The Bandsmen's Memorial Rotunda is a well-known landmark in the Christchurch Botanic Gardens.
Christchurch City Council

Director tenure and meetings of the Board

John Avery, Independent Director, retired from the Board on 23 November 2022. John was appointed to the Board on 1 December 2011 and served as a Director for 11 years.

There were seven Board meetings and five Audit and Risk Committee meetings over the year.

Director	Date commenced in office	Board meetings held/attended	Audit and Risk Committee held/ attended
Craig Stobo (Chair)	1 December 2011	7/7	-
Alan Adcock	23 November 2021	7/7	5/5
John Avery	1 December 2011	3/3	-
Philip Cory-Wright	1 December 2011	6/7	5/5
Anthony Quirk	21 November 2017	7/7	5/5
Linda Robertson	24 November 2015	7/7	5/5
Helen Robinson	23 November 2022	4/4	2/3

Board performance review

The Board has an annual formal self-assessment to assess director, Board and committee performance. In addition, Board performance is reviewed by external consultants on a periodic basis.

Nomination of Directors

Director nominations can only be made by a shareholder by written notice to LGFA and the Shareholders' Council, no more than three months, nor less than two months, before a meeting of shareholders. All valid nominations are required to be sent by LGFA to all persons entitled to attend the meeting.

Retirement and re-election of Directors

Directors are appointed to the Board by an Ordinary Resolution of shareholders. A Director must not hold office (without re-election) past the third annual meeting of the Company following the Director's appointment or three years, whichever is longer.

A retiring Director shall be eligible for re-election.

Indemnities and insurance

Under LGFA's constitution, LGFA indemnifies directors for potential liabilities and costs they may incur for acts of omission in their capacity as directors. LGFA has arranged directors' and officers' liability insurance covering directors and management acting on behalf of the company. Cover is for damages, judgements, fines, penalties, legal costs awarded and defence costs arising from wrongful acts committed while acting for LGFA. The types of acts that are not covered are dishonest, fraudulent, malicious acts, or omissions, wilful breach of statute or regulation, or duty to LGFA, improper use of information to the detriment of LGFA, or breach of professional duty.

Remuneration

The remuneration of the Board reflects LGFA's size and complexity and the responsibilities, skills, performance and experience of the directors. A specialist independent adviser is used periodically to ensure the remuneration is appropriate.

Board remuneration is determined by an Ordinary Resolution of shareholders. The current board remuneration was approved by shareholder resolution at the Annual General Meeting on 23 November 2021.

Director annual fee breakdown

Position. Fees per annum	2023	2022
Board Chair	$108,000	$108,000
Audit and Risk Committee Chair	$67,000	$67,000
Director / ARC Member	$63,000	$63,000
Director	$60,000	$60,000

Director	2023
Craig Stobo (Chair)	$108,000
Alan Adcock	$63,000
John Avery[1]	$25,000
Philip Cory-Wright	$63,000
Anthony Quirk	$63,000
Linda Robertson	$67,000
Helen Robinson[2]	$36,750

1. John Avery retired as director on 23 November 2022.
2. Helen Robinson was appointed as director on 23 November 2022.

The remuneration of the CEO is determined by the Board and is reviewed annually taking into consideration the scope and complexity of the position with reference to the remuneration of CEOs of similar organisations. A specialist independent adviser is used periodically to ensure the remuneration is appropriate. The CEO remuneration package comprises a fixed cash component of $754,000 per annum as at 30 June 2023 ($572,900, 2022) and an at-risk short-term incentive of the fixed cash component. The short-term incentive payment is made annually at the Board's discretion subject to the CEO and LGFA meeting a range of specific performance objectives for the respective financial year.

Chief Executive remuneration

Per annum	2023	2022
Salary	$754,000	$572,900
Taxable benefits	-	-
Subtotal	$754,000	$572,400
Pay for Performance STI	$113,100	$85,935
Kiwisaver Employer Contribution	$34,684	$26,245
Total remuneration	$901,784	$685,080

Staff remuneration

The following table shows the number of staff who received more than $100,000 in total remuneration, in $10,000 bands.

Total remuneration	2023
$160,000 to $169,999	1
$180,000 to $189,999	1
$210,000 to $219,999	1
$270,000 to $279,999	1
$350,000 to $359,999	1
$360,000 to $369,999	1
$900,000 to $909,999	1

LGFA Future Director

In 2022, LGFA appointed Anita Furniss as its inaugural Future Director under the LGFA Future Directors programme, effective 1 July 2022 for a period of 18 months.

The purpose of the Future Director programme is to give talented people working in the Local Government sector the opportunity to observe and participate in Board room discussions over an 18-month period. During this time, the Future Director actively participates in all Board meetings, although they do not possess voting rights and are not involved in decision-making.



Anita Furniss
LGFA Future Director

Anita has a legal background and during her 16 years of legal practice experience she worked in a litigation team in private practice, and in local government in both London and New Zealand on a broad range of legal issues.

Anita started her local government career at Franklin District Council in 2007 and following her time at the London Borough of Camden and London Borough of Hackney, returned to New Zealand and to the Auckland Council.

In her time at Auckland Council, Anita has provided legal and strategic advice on a wide range of issues for executive and governance level decisions in a range of roles. She began in the Public Law team, was the Executive Officer to the Finance Division, Executive Officer to the Deputy Chief Executive, Acting General Manager People & Culture Implementation Lead for Strategic Programmes, and is currently Executive Officer for the Group Services Division.

Anita reflects on her experience as LGFA's inaugural Future Director:

"The LGFA Future Director role has been an extraordinary opportunity to expand my governance experience by seeing and being part of a professional, high performing and innovative Board of Directors in action.

I went into the role with an interest in how robust governance decision making grapples with complex challenges, and it has been inspiring to see the Board's purpose led approach. There is no doubt that the wider local government sector, future generations, and local communities throughout New Zealand benefit from the efficient financing that LGFA provides.

The LGFA participating in the Future Director programme is an example of the leadership it provides the local government sector. As one of many local government employees throughout New Zealand, and the inaugural Future Director, I am proud to have played a small part in the LGFA journey and in its achievements."

Shareholders

Foundation documents

The Constitution and the Shareholders Agreement are foundation documents.

The Constitution defines the rights and the exercise of powers of shareholders, the acquisition and redemption of company shares, proceedings of shareholder meetings, voting at meetings and the right to demand polls, shareholder proposals and review of management.

The Shareholders Agreement is an agreement between LGFA and its shareholders which clearly defines LGFA's business, its objectives, the role of the Board, the establishment of the Shareholders Council and the approval rights of the shareholders.

Shareholders Council

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

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

Members of the Shareholders Council as at 30 June 2023

Kumaren Perumal (Chair)
Bay of Plenty Regional Council

Mike Drummond (Deputy Chair)
Tasman District Council

John Bishop / Andrew John
Auckland Council

Steve Ballard
Christchurch City Council

David Bryant
Hamilton City Council

Joy Buckingham
New Plymouth District Council

Kathryn Sharplin
Tauranga City Council

Sarah Houston-Eastergaard
Wellington City Council

Adele Henderson
Western Bay of Plenty District Council

Nyika Gwanoya / Phoebe Slee
The Treasury

James Stratford
Department of Internal Affairs



Front Entrance at Wai o Rua – Stratford Aquatic Centre which opened in October 2022.
Stratford District Council

Managing risk

Ko te whakahaere tūraru

An effective risk management framework is a critical component of LGFA's business structure for managing the company's exposure to business and treasury risks arising from its business operations of raising and on-lending funds to approved members.

The objective of LGFA's risk management function is to ensure that effective controls and frameworks are implemented to manage risks effectively and in compliance with LGFA's governance and legislative requirements. The risk management function ensures that LGFA can achieve its objectives, as set out in the Statement of Intent, within the risk appetite of the company's shareholders and Board.

The objective of LGFA's risk management framework is to ensure that the organisation operates within shareholder and Board-approved risk limits. LGFA's approach to risk management is based on the following core elements:

- The Board oversees the risk appetite of the organisation and ensures that it is consistent with the Constitution and Shareholders Agreement.
- The risk appetite is reflected in policies approved by the Board and Audit and Risk Committee.
- LGFA management implements policies and controls to ensure that all relevant risks are identified, monitored, measured and managed effectively.
- The Internal Audit and risk and compliance functions provide assurance to both the Board and the Audit and Risk Committee on the performance of internal controls and risk management systems.

LGFA adopts the three lines of defence model to ensure that essential risk management functions adopt a systematic approach that reflects industry best practice:

- The first line of defence establishes risk ownership within the company and is represented by its operational risk and control processes. LGFA managers are responsible for identifying controls, maintaining effective controls and mitigating risks.
- The second line of defence ensures that the operational risk and control processes are actively and appropriately managed by processes such as the regular review of risk reports and compliance monitoring against the risk management framework.
- The third line of defence is the independent assurance provided by both the internal and external audit functions which review and highlight control weaknesses and inefficiencies to management and the Board.

LGFA risk register

The LGFA risk register is a key component of the company's risk management framework. The key objective of the risk register is to ensure that the company assesses the inherent risks faced by the business on an ongoing basis.

The risk register:

- Identifies the inherent risks that LGFA is exposed to when conducting its core business activities;
- Assesses the likelihood and potential impact of the inherent risks on the business;
- Describes the internal control framework and management processes for managing and mitigating the identified inherent risks;
- Provides commentary on internal audit coverage of the identified inherent risks; and
- Provides an overall inherent and residual risk assessment and compares these to approved risk appetite settings and risk tolerance ranges

The risk register is reviewed quarterly by management and the Audit and Risk Committee.

Treasury risk management

LGFA finances itself through domestic and international wholesale and retail debt capital markets, with the funds raised on-lent to members. LGFA activities are governed by the Local Government Borrowing Act 2011, the Local Government Act 2002, and the Companies Act 1993. In addition, the company is required to comply with Foundation Policies outlined in the Shareholders Agreement. Any change to the Foundation Policies require shareholders consent.

LGFA's risk management uses an approved risk identification and assessment framework to actively monitor and manage all treasury and financial risks by applying best practice risk management principles, processes and practices.

LGFA has treasury exposures arising from its normal business activities that principally relate to the raising and on-lending of funds. LGFA manages treasury exposures under a Board-approved Treasury Policy, the objectives for which are to:

- Effectively manage treasury risks, within approved compliance limits, to protect LGFA's capital position and net interest margin over time.
- Fund members in the most cost effective manner and in accordance with LGFA's operating principles, values and objectives.
- Protect LGFA's assets and prevent unauthorised transactions.
- Promote professional expertise of financial and management control to all external parties.
- Minimise operational risk by maintaining adequate internal controls, systems and staffing competencies.
- Provide timely reporting to the Board with meaningful and accurate reporting of interest rate exposures, liquidity, asset and liability maturity, funding, counterparty credit, performance and policy compliance.

Specific treasury exposures relate to liquidity, interest rate/market risk, foreign exchange, counterparty credit, operational and lending risks.



Liquidity risk

Liquidity risk is the potential inability to meet financial obligations when they become due, under normal or abnormal/ stressed operating conditions.

Liquidity risk is managed using a forecast cashflow approach measured over a 90-day period. LGFA is required to maintain sufficient liquidity (comprising a government standby facility, and holdings of cash and liquid investments) to support six months of funding commitments.

Interest rate risk / market risk

Interest rate risk is the risk that financial assets may re-price/ mature at a different time and/ or by a different amount than financial liabilities.

Interest rate / market risk is managed using Value at Risk (VaR) and Partial Differential Hedge (PDH) limits to mitigate the potential change in value of the balance sheet due to changes in interest rates.

- **Value at Risk** calculates the potential amount a portfolio could be expected to lose, 5% of the time, over a given time period. It is calculated using historical changes in underlying risk variables and applying those changes to the current portfolio.

VaR is measured over a daily time horizon with a 95% confidence interval. A daily 95% VaR exposure of $1 million means that there is a 5% chance that the portfolio could potentially lose more than $1 million over the next business day.

- **Partial Differential Hedge** measures the sensitivity of a portfolio to a one basis point change in underlying interest rates. For example, a PDH of NZD$100,000 means that the portfolio value will increase by NZD$100,000 for a one basis point fall in interest rates.

In addition, LGFA also undertakes scenario analysis to model the potential effect of changing market environments on the balance sheet.

Counterparty credit risk

Counterparty credit risk is the risk of financial loss arising from a counterparty defaulting on an investment, security and/or financial instrument where LGFA is a holder or party.

Counterparty credit risk is managed through counterparty limits for investments. These limits are determined as a function of the term of investment, liquidity and credit quality of the counterparty (as measured by a recognised credit rating).

All derivative contracts are subject to formal collateral arrangements to mitigate counterparty risk.

Investment is restricted to approved financial instruments listed in the Treasury Policy.

Foreign currency risk

Foreign currency risk is the risk of an adverse change in the fair value of a financial instrument due to a change in foreign exchange rates.

Foreign currency risk could exist if LGFA accesses foreign capital markets for funding purposes. To date, all funding has been sourced through the New Zealand domestic currency.

Foreign exchange risk would be managed through a requirement to fully hedge back to floating rate New Zealand dollar the full amount and term of all foreign currency funding and cash flows.

Operational risk

Operational risk, with respect to treasury management, is the risk of financial and/or reputation loss arising from human error, fraud, negligent behaviour, system failures and inadequate procedures and controls.

Operational risk is managed using internal controls and procedures across operational functions. Segregation of duties between staff members who have the authority to enter transactions with external counterparties and the staff who control, check and confirm such transactions is a cornerstone internal control principle.

Financial instruments are not entered into if the systems, operations and internal controls do not satisfactorily support the measurement, management and reporting of the risks associated with the instrument.

Tākina Wellington Convention and Exhibition Centre.
Wellington City Council

Lending risk

Lending risk is the risk of financial loss that could occur from lending funds to councils or council-controlled organisations.

LGFA provides debt funding to New Zealand councils and council-controlled organisations, subject to Board approval.

The Board have ultimate discretion on approving members.

All member organisations that borrow from LGFA:

- Provide debenture security in relation to their borrowing from LGFA and related obligations, and (if relevant), equity commitment liabilities to LGFA and (if relevant) guarantee liabilities to a security trustee approved for LGFA's creditors.

  Where LGFA is the only lender to a council controlled organisation, a general security arrangement (GSA) might be used in place of a debenture security.
- Are required to become a party to a deed of guarantee and an equity commitment deed if the principal amount of their borrowings is at any time equal to, or greater than, NZD 20 million.
- Issue securities (bonds/floating rate notes/ commercial paper) to LGFA (ie. not enter into facility arrangements).
- Comply with their own internal borrowing policies.
- Comply with the financial covenants outlined in the table below, provided that:
  - Unrated borrowers or borrowers with a long-term credit rating lower than 'A' equivalent can have bespoke financial covenants that exceed the:
    - Lending policy covenants outlined in the following table only with the approval of the Board;
    - Foundation policy covenants outlined in the following table only with the approval of an Ordinary Resolution of shareholders.

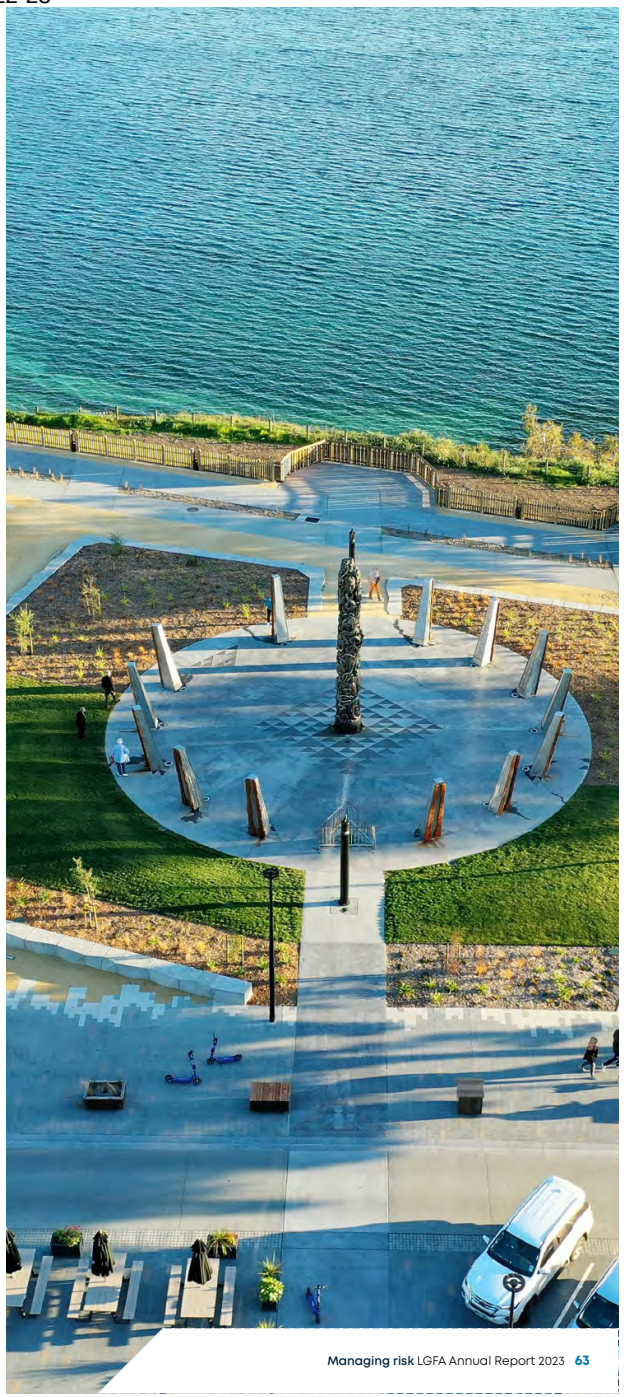
On 30 June 2020, a Special General Meeting of Shareholders approved a change to the Net Debt/ Total Revenue covenant contained within the Foundation Policy Covenants. For the financial year ended June 2020 a covenant limit of 250% applied. This increased to 300% for the June 2021 and June 2022 years and then reduces by 5% for each of the subsequent years until 280% applies from the June 2026 year.

- Net debt is defined as total consolidated debt less liquid financial assets and investments.
- Total revenue is defined as cash earnings from rates, government grants and subsidies, user charges, interest, dividends, financial and other revenue and excludes non-government capital contributions, eg. developer contributions and vested assets.
- Borrowers with a long-term credit rating of 'A' equivalent or higher can have bespoke financial covenants that exceed the foundation policy covenants only with the approval of an Ordinary Resolution of shareholders.
- Any Board or Ordinary Resolution approval of bespoke financial covenants will only be provided after a robust credit analysis and any approval must also include bespoke reporting and monitoring arrangements.
- Non-compliance with the financial covenants will either preclude a member council from borrowing from LGFA or, in the case of existing council borrowers', trigger an event of review. An event of default will occur when (among other things) a council fails to meet an interest or principal payment (subject to grace periods). An event of default will enable LGFA to accelerate a council's repayment of loans.
- Financial covenants are measured on a parent council only basis, not consolidated group, unless requested by a parent council and approved by the Board.

Financial covenant	Lending policy covenants Unrated councils	Foundation policy covenants Rated councils
Net debt/ total revenue	<175%	<280%*
Net interest / total revenue	<20%	<20%
Net interest/ annual rates income	<25%	<30%
Liquidity	>110%	>110%

* From June 2026, refer description above.

- **Net interest** is defined as the amount equal to all interest and financing costs less interest income for the relevant period.
- **Annual rates income** is defined as the amount equal to the total revenue from any funding mechanism authorised by the Local Government (Rating) Act 2002 together with any revenue received from other local governments for services provided and for which the other local governments rate.
- **Liquidity** is defined as external debt plus committed loan facilities plus liquid investments divided by external debt.



Taupō Town Centre Transformation project.
Taupo District Council

Financial statements

Nga taukī pūtea

Statement of comprehensive income....64
Statement of changes in equity....65
Statement of financial position....66
Statement of cash flows....67
Notes to the financial satements....68
Revenue and expenditure....70
Financial insruments....72
Risk management....81
Capital and dividends....86
Other Notes....87
Independent auditors repor....88

Statement of comprehensive income

For the year ended ended 30 June 2023 in $000s

	Note	2023	2022
Interest income		763,600	393,507
Interest expense		753,308	375,991
Net interest income	4	**10,293**	**17,516**
Other operating income	5	1,349	1,090
Total operating income		**11,642**	**18,607**
Operating expenses	6	9,138	7,933
Net operating profit		**2,505**	**10,673**
Total comprehensive income		**2,505**	**10,673**

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

Due to rounding, numbers presented in the financial statements and associated notes may not add up precisely to the reported totals.

The Board of Directors of the New Zealand Local Government Funding Agency Limited authorised these statements or issue on 28 August 2023.

Statement of changes in equity

For the year ended 30 June 2023 in $000s

	Note	Share capital	Retained earnings	Total equity
Equity as at 30 June 2021		**25,000**	**69,743**	**94,743**
Net operating profit			10,673	10,673
Total comprehensive income for the year			10,673	10,673
Transactions with owners			-	-
Dividend paid on 3 September 2021			(857)	(857)
Equity as at 30 June 2022		**25,000**	**79,560**	**104,560**
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)
Equity as at 30 June 2023	28	**25,000**	**80,847**	**105,847**

Craig Stobo, Director
Board Chair

Linda Robertson, Director
Chair, Audit and Risk Committee

Statement of financial position

As at 30 June 2023 in $000s

	Note	2023	2022
Assets			
Financial assets			
Receivables	11	492	360
Cash and bank balances		226,222	158,033
Cash pledged as collateral		93,175	76
Marketable securities		1,127,879	1,491,148
Deposits		348,492	462,866
Derivatives in gain	10	63,845	94,767
Loans	12	16,313,562	14,041,908
Non-financial assets			
Prepayments		919	852
Other assets	13	58	156
Total assets		**18,174,644**	**16,250,167**
Equity			
Share capital	27	25,000	25,000
Retained earnings		80,847	79,560
Total equity		**105,847**	**104,560**
Liabilities			
Financial liabilities			
Payables and provisions	14	6,132	45,066
Bills	15	782,630	562,803
Bond repurchases	16	130,043	31,671
Derivatives in loss	10	1,628,316	1,206,175
Bonds	17	15,160,432	14,015,862
Borrower notes	18	360,348	283,180
Non-financial liabilities			
Other liabilities	19	896	850
Total liabilities		**18,068,797**	**16,145,607**
Total equity and liabilities		**18,174,644**	**16,250,167**

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

Statement of cash flows

For the year ended 30 June 2023 in $000s

	Note	2023	2022
Cash flows from operating activities			
Cash applied to loans	12	(2,222,368)	(1,972,398)
Interest paid on bonds issued		(496,597)	(445,533)
Interest paid on bills issued		(25,942)	(5,141)
Interest paid on borrower notes		(4,886)	(1,063)
Interest paid on bond repurchases		(5,140)	(1,067)
Interest received from loans		600,415	191,228
Interest received from cash & cash equivalents		7,102	3,234
Interest received from marketable securities		38,465	14,108
Interest received from deposits		23,192	7,360
Net interest on derivatives		(134,734)	251,708
Cash proceeds from provision of standby facilities		1,349	1,090
Payments to suppliers and employees		(8,965)	(7,752)
Net cash flows from operating activities	32	**(2,228,108)**	**(1,964,224)**
Cash flows from investing activities			
Purchase of marketable securities		362,942	(734,412)
(Purchase)/maturity of deposits		22,664	192,800
Purchase of plant and equipment		-	-
Net cash flows from investing activities		**385,606**	**(541,613)**
Cash flows from financing activities			
Cash proceeds from bonds issued	17	1,327,354	2,229,503
Cash proceeds (outflows) from bills issued		219,827	(46,822)
Cash proceeds (outflows) from bond repurchases		98,180	(35,987)
Cash proceeds from borrower notes		68,750	57,246
Dividends paid		(1,218)	(857)
Cash applied to derivatives		197,795	68,952
Net cash flows from financing activities		**1,910,690**	**2,272,036**
Net (decrease) / increase in cash		68,188	(233,801)
Cash, cash equivalents at beginning of year		158,033	391,835
Cash, cash equivalents at end of year		**226,222**	**158,033**

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

Notes to the financial statements

1. Reporting entity

The New Zealand Local Government Funding Agency Limited (LGFA) is a company registered under the Companies Act 1993 and is subject to the requirements of the Local Government Act 2002.

LGFA is controlled by participating councils and the Government as shareholders and is a council-controlled organisation as defined under section 6 of the Local Government Act 2002. LGFA is a limited liability company incorporated and domiciled in New Zealand.

The primary objective of LGFA is to optimise the debt funding terms and conditions for participating borrowers.

The registered address of LGFA is Level 8, City Chambers, 142 Featherston Street, Wellington Central, Wellington 6011.

The financial statements are as at and for the year ended 30 June 2023.

These financial statements were authorised for issue by the Directors on 28 August 2023.

2. Statement of compliance

LGFA is an FMC reporting entity under the Financial Markets Conduct Act 2013 (FMCA). These financial statements have been prepared in accordance with that Act and the Financial Reporting Act 2013. LGFA's bonds are quoted on the NZX Debt Market.

LGFA is a profit orientated entity as defined under the New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS).

The financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice (NZ GAAP) and they comply with NZ IFRS and other applicable Financial Reporting Standard, as appropriate for Tier 1 for-profit entities. The financial statements also comply with International Financial Reporting Standards (IFRS).

3. Basis of preparation

Measurement base

The financial statements have been prepared on a historical cost basis modified by the revaluation of certain assets and liabilities.

The financial statements are prepared on an accrual basis.

Functional and presentation currency

The financial statements are presented in New Zealand dollars rounded to the nearest thousand, unless separately identified. The functional currency of LGFA is New Zealand dollars.

Foreign currency conversions

Transactions denominated in foreign currency are translated into New Zealand dollars using exchange rates applied on the trade date of the transaction.

Changes in accounting policies

There have no changes to accounting policies.

Early adoption standards and interpretations

LGFA has not early adopted any standards.

Standards not yet adopted

LGFA does not consider any standards or interpretations in issue but not yet effective to have a significant impact on its financial statements.

Financial instruments

Financial assets

Financial assets, other than derivatives, are recognised initially at fair value plus transaction costs and subsequently measured at amortised cost using the effective interest rate method.

Cash and cash equivalents include cash on hand, bank accounts and deposits with an original maturity of no more than three months.

Cash provided by LGFA as security for financial arrangements remains a financial asset of LGFA and is recognised as cash pledged as collateral in the Statement of Financial Position, separate from cash and cash equivalents

Purchases and sales of all financial assets are accounted for at trade date.

At each balance date, an expected credit loss assessment is performed for all financial assets and is calculated as either:

- Credit losses that may arise from default events that are possible within the next 12 months, where no significant increase in credit risk has arisen since acquisition of the asset, or
- Credit losses that may arise from default events that are possible over the expected life of the financial asset, where a significant increase in credit risk has arisen since acquisition of the asset.

Impairment losses on financial assets will ordinarily be recognised on initial recognition as a 12-month expected loss allowance and move to a lifetime expected loss allowance if there is a significant deterioration in credit risk since acquisition.

Financial liabilities

Financial liabilities, other than derivatives, are recognised initially at fair value less transaction costs and subsequently measured at amortised cost using the effective interest rate method.

Derivatives

Derivative financial instruments are recognised both initially and subsequently at fair value. They are reported as either assets or liabilities depending on whether the derivative is in a net gain or net loss position respectively.

Fair value hedge

Where a derivative qualifies as a hedge of the exposure to changes in fair value of an asset or liability (fair value hedge) any gain or loss on the derivative is recognised in profit and loss together with any changes in the fair value of the hedged asset or liability.

The carrying amount of the hedged item is adjusted by the fair value gain or loss on the hedged item in respect of the risk being hedged. Effective parts of the hedge are recognised in the same area of profit and loss as the hedged item.

Other assets

Property, plant and equipment

Items of property, plant and equipment are initially recorded at cost.

Depreciation is charged on a straight-line basis at rates calculated to allocate the cost or valuation of an item of property, plant and equipment, less any estimated residual value, over its remaining useful life.

Intangible assets

Intangible assets comprise software and project costs incurred for the implementation of the treasury management system. Capitalised computer software costs are amortised on a straight-line basis over the estimated useful life of the software (three to seven years). Costs associated with maintaining computer software are recognised as expenses.

Other liabilities

Employee entitlements

Employee entitlements to salaries and wages, annual leave and other similar benefits are recognised in the profit and loss when they accrue to employees.

Revenue

Interest income

Interest income is accrued using the effective interest rate method.

The effective interest rate exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. The method applies this rate to the principal outstanding to determine interest income each period.

Expenses

Expenses are recognised in the period to which they relate.

Interest expense

Interest expense is accrued using the effective interest rate method.

The effective interest rate exactly discounts estimated future cash payments through the expected life of the financial liability to that liability's net carrying amount. The method applies this rate to the principal outstanding to determine interest expense each period.

Income tax

LGFA is exempt from income tax under Section 14 of the Local Government Borrowing Act 2011.

Goods and services tax

All items in the financial statements are presented exclusive of goods and service tax (GST), except for receivables and payables, which are presented on a GST-inclusive basis. Where GST is not recoverable as input tax, then it is recognised as part of the related asset or expense.

The net amount of GST recoverable from, or payable to, the IRD is included as part of receivables or payables in the statement of financial position.

The net GST paid to, or received from the IRD, including the GST relating to investing and financing activities, is classified as a net operating cash flow in the statement of cash flows.

Commitments and contingencies are disclosed exclusive of GST.

Segment reporting

LGFA operates in one segment being funding of participating borrowers in New Zealand.

Judgements and estimations

The preparation of these financial statements requires judgements, estimates and assumptions that affect the application of policies and reported amounts. For example, the fair value of financial instruments depends critically on judgements regarding future cash flows, including inflation assumptions and the risk-free discount rate.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under

the circumstances. Actual results may differ from these estimates and these estimates and underlying assumptions are reviewed on an ongoing basis. Where these judgements significantly affect the amounts recognised in the financial statements they are described in the following notes.

The financial statements as at 30 June 2023 include estimates and judgements of the potential impact of the proposed Affordable Waters Reform Programme on LGFA's financial position and performance. Whilst there has been no material impact on the estimates and judgements at the date these financial statements are authorised, it is noted that there is significant uncertainty with regards to the outcome of the proposed Affordable Waters Reform Programme on the local government sector.

Revenue and expenditure

4. Net interest income

For the year ended 30 June in $000s	2023	2022
Interest income		
Cash and cash equivalents	10,280	3,527
Marketable securities	41,661	14,827
Lease liability	13	-
Deposits	21,392	7,854
Derivatives	-	140,956
Loans	690,256	226,342
Fair value hedge ineffectiveness	-	-
Total interest income	**763,600**	**393,507**
Interest expense		
Bills	25,942	5,141
Bond repurchase transactions	5,331	1,084
Lease liability	-	7
Derivatives	240,445	-
Bonds	468,411	366,044
Borrower notes	13,179	3,715
Total interest expense	**753,308**	**375,991**
Net interest income	**10,293**	**17,516**

5. Other operating income

As at 30 June 2023, LGFA had provided credit standby facilities totalling $727 million (2022: $662 million) to selected councils. As at balance date, there were no drawdowns outstanding under the facilities.

For the year ended 30 June in $000s	2023	2022
Standby facilities fee income	1,349	1,090
Total other operating income	**1,349**	**1,090**

6. Operating expenses

Issuance and on-lending expenses are those costs that are incurred as a necessary expense to facilitate the ongoing issuance of LGFA debt securities.

For the year ended 30 June in $000s	2023	2022
Issuance and on-lending expenses		
Approved issuer levy [1]	561	701
Rating agency fees	672	654
NZDMO facility fee	1,385	672
Legal fees – issuance	397	508
NZX	782	715
Trustee fees	110	108
Regulatory, registry, other fees	246	174
	4,154	**3,531**
Other operating expenses		
Information technology	656	807
Consultants	303	208
Directors fees	427	424
Insurance	96	90
Legal fees	287	137
Other expenses	437	309
Auditors' remuneration		
Statutory audit	121	110
Advisory services	-	-
Personnel	2,658	2,317
	4,984	**4,403**
Total operating expenses	**9,138**	**7,933**

1. The amount of Approved Issuer Levy is a function of the number of the offshore holders of the 2027 bond maturity.

Financial instruments

7. Financial instruments accounting policy

Financial instruments recognised in the statement of financial position at amortised cost.

Fair values of financial instruments not recognised in the statement of financial position at fair value are determined for note disclosure as follows:

Cash and bank, trade and other receivables, trade and other payables

The carrying value of cash and bank, trade and other receivables, trade and other payables approximate their fair value as they are short-term instruments.

Cash pledged as collateral

LGFA enters into derivative financial instruments for hedging purpose which may require LGFA to post collateral as security with counterparties.

In line with standard industry practice, collateral is provided for derivative transactions in accordance with Credit Support Annexes (CSAs). LGFA's practice is to annex each CSA to the International Swaps and Derivatives Association (ISDA) Master Agreement it has with derivative counterparties.

LGFA is required to pledge cash deposits at call in order to meet its obligations under the CSAs for derivative positions. The pledged assets will be returned to LGFA when the underlying transaction is terminated, but in the event of default the counterparty is entitled to apply the collateral in order to settle the outstanding liability.

Marketable securities and bonds

The fair value of bonds and marketable securities are determined using the quoted price for the instrument.

Deposits

The fair value for deposits is determined using a discounted cash flow analysis. The interest rates used to discount the estimated cash flows are based on current market interest rates.

Loans

The fair value of loans is determined using a discounted cash flow analysis. The interest rates used to discount the estimated cash flows are based on LGFA bond yields at the reporting date plus an appropriate credit spread to reflect the counterparty's credit risk.

Leases

The lease liability is recognised at the present value of the remaining lease payments, discounted using LGFA's incremental borrowing rate, with the corresponding right-of-use asset recognised as an equal amount.

Borrower notes

The fair value of borrower notes is determined using a discounted cash flow analysis. The interest rates used to discount the estimated cash flows are based on LGFA bond yields at the reporting date.

Fair value of financial assets and financial liabilities

The following table shows the fair value of financial assets and financial liabilities, together with the carrying amounts shown in the statement of financial position.

As at 30 June 2023 in $000s	Financial liabilities at amortised cost	Financial assets at amortised cost	Financial assets measured at fair value in accordance with NZ IFRS 9	Fair value
Financial assets				
Receivables	-	492	-	492
Cash and bank balances	-	226,222	-	226,222
Cash pledged as collateral	-	93,175	-	93,175
Marketable securities	-	1,127,879	-	1,140,099
Deposits	-	348,492	-	441,713
Derivatives	-	-	63,845	63,845
Loans	-	16,313,562	-	16,512,334
	-	**18,109,822**	**63,845**	**18,477,881**
Financial liabilities				
Payables and provisions	6,132	-	-	6,132
Bills	782,630	-	-	782,566
Bond repurchases	130,043	-	-	130,044
Derivatives	-	-	1,628,316	1,628,316
Bonds	15,160,432	-	-	15,022,449
Borrower notes	360,348	-	-	347,825
	16,439,585	**-**	**1,628,316**	**17,917,332**

As at 30 June 2022 in $000s	Financial liabilities at amortised cost	Financial assets at amortised cost	Financial assets measured at fair value in accordance with NZ IFRS 9	Fair value
Financial assets				
Receivables	-	360	-	360
Cash and bank balances	-	158,033	-	158,033
Cash pledged as collateral	-	76	-	76
Marketable securities	-	1,491,148	-	1,597,633
Deposits	-	462,866	-	462,859
Derivatives	-	-	94,767	94,767
Loans	-	14,041,908	-	14,188,283
	-	**16,154,392**	**94,767**	**16,502,012**
Financial liabilities				
Payables and provisions	45,066	-	-	45,066
Bills	562,803	-	-	562,498
Bond repurchases	31,671	-	-	31,671
Derivatives	-	-	1,206,175	1,206,175
Bonds	14,015,862	-	-	14,028,971
Borrower notes	283,180	-	-	276,085
	14,938,582	**-**	**1,206,175**	**16,150,466**

8. Derivative financial instruments

Derivative financial instruments are the only instruments recognised in the statement of financial position at fair value.

Derivative financial instruments are valued under level 2 of the following hierarchy.

Level 1 – Quoted market prices: Fair value based on quoted prices in active markets for identical assets or liabilities.

Level 2 – Valuation techniques using observable market inputs: Fair value based on a valuation technique using other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).

Level 3 – Valuation techniques using significant non-observable market inputs: Fair value based on a valuation technique using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value of derivative financial instruments is determined using a discounted cash flow analysis. Interest rates represent the most significant assumption used in valuing derivative financial instruments. The interest rates used to discount estimated cash flows are based on the New Zealand dollar swap curves at the reporting date.

9. Hedge accounting

LGFA is exposed to interest rate risk from its borrowing, lending and investment activities and uses interest rate swaps to manage this risk. For hedge accounting purposes, LGFA has designated these swaps in fair value relationships to its fixed rate borrowings, loans and investments.

The following table shows the gain or loss on the hedging instrument and the hedged item attributable to the hedged risk for fair value hedge relationships.

As at 30 June in $000s	2023 Gain/(loss)	2022 Gain/(loss)
Hedged items attributable to the hedged risk	(149,558)	(1,304,237)
Hedging instruments – interest rate swaps	149,558	1,304,237
Ineffectiveness recognised in profit or loss from fair value hedges	**-**	**-**

The gains or losses on the hedging instrument (interest rate swaps) and the hedged item (bonds, loans and investments) are mapped to the same fair value account. For this reason, the statement of comprehensive income will only report any ineffectiveness arising from the fair value hedge.

10. Offsetting

NZ IAS 32: Financial Instruments Presentation allows financial assets and liabilities to be offset only when there is a current legally enforceable right to set off the amounts and there is an intention either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

LGFA does not offset any amounts.

The following table shows the amounts subject to an enforceable master netting arrangement or similar agreement that are not offset in the statement of financial position.

As at 30 June 2023 in $000s	Derivative assets	Derivative liabilities
Gross amounts	63,845	1,628,316
Amounts offset	-	-
Carrying amounts	63,845	(63,845)
Amounts that don't qualify for offsetting	-	-
Financial assets & liabilities	(63,845)	(63,845)
Collateral	-	(93,175)
Net amount	**-**	**1,471,295**

As at 30 June 2022 in $000s	Derivative assets	Derivative liabilities
Gross amounts	94,767	1,206,175
Amounts offset	-	-
Carrying amounts	94,767	(94,767)
Amounts that don't qualify for offsetting	-	-
Financial assets & liabilities	(94,767)	(94,767)
Collateral	-	(76)
Net amount	**-**	**1,111,332**

11. Receivables

As at 30 June in $000s	2023	2022
Trade debtors	492	360
Total receivables	**492**	**360**

12. Loans

As at 30 June in $000s	2023 Short-term loans	2023 Loans	2022 Short-term loans	2022 Loans
Ashburton District Council	12,110	74,243	12,048	78,898
Auckland Council	-	3,225,659	-	3,413,415
Bay of Plenty Regional Council	57,428	161,353	25,651	167,941
Buller District Council	-	20,030	-	20,015
Canterbury Regional Council	10,116	65,272	4,018	75,214
Carterton District Council	-	17,523	-	14,762
Central Hawkes Bay District Council	4,072	38,314	2,024	20,107
Central Otago District Council	20,117	5,072	5,024	-
Christchurch City Council	-	2,200,409	2,017	2,036,724
Clutha District Council	7,554	62,905	5,532	32,394
Dunedin City Treasury	-	126,119	-	-
Far North District Council	-	91,984	-	71,822
Gisborne District Council	-	126,028	-	86,095
Gore District Council	8,556	41,915	6,035	29,631
Greater Wellington Regional Council	-	678,358	-	576,343
Grey District Council	3,990	26,799	3,980	26,717
Hamilton City Council	-	803,843	-	633,049
Hastings District Council	-	294,992	-	237,990
Hauraki District Council	-	62,620	-	43,212
Hawkes Bay Regional Council	25,313	55,262	-	37,992
Horizons Regional Council	9,936	51,871	11,984	49,771
Horowhenua District Council	15,175	151,192	11,001	127,395
Hurunui District Council	8,092	38,435	8,033	30,147
Hutt City Council	-	373,239	-	256,607
Invercargill City Council	55,448	68,788	12,845	68,725
Invercargill City Holdings Ltd	12,323	78,514	22,076	68,354
Kaikoura District Council	-	5,346	-	5,331
Kaipara District Council	-	44,545	-	44,229
Kapiti Coast District Council	-	277,935	-	256,128
Kawerau District Council	-	2,024	-	-
Mackenzie District Council	3,001	8,086	10,002	-
Manawatu District Council	15,136	79,502	11,559	77,725
Marlborough District Council	21,241	131,594	37,325	100,289
Masterton District Council	-	52,336	-	50,260
Matamata-Piako District Council	-	45,520	-	38,191
Napier City Council	-	10,014	-	-
Nelson City Council	-	186,666	-	140,581
New Plymouth District Council	10,114	221,668	-	170,350
Northland Regional Council	-	18,565	-	14,147
Opotiki District Council	-	9,557	-	7,073
Otago Regional Council	46,665	104,177	66,715	48,443
Otorohanga District Council	6,052	-	-	4,028
Palmerston North City Council	-	214,483	-	187,872
Porirua City Council	-	198,906	-	172,335
Queenstown Lakes District Council	56,007	454,003	50,275	241,015
Rangitikei District Council	-	31,207	-	19,157
Rotorua District Council	1,889	351,358	43,112	245,298
Ruapehu District Council	8,050	42,130	8,020	29,557
Selwyn District Council	-	116,198	-	75,343
South Taranaki District Council	-	117,428	-	112,566
South Waikato District Council	-	44,457	4,874	34,171
Southland District Council	-	21,960	-	16,899
South Wairarapa District Council	-	29,148	-	26,537
Stratford District Council	2,030	31,858	6,027	26,299
Taranaki Regional Council	-	19,652	-	14,587
Tararua District Council	4,047	53,778	-	51,244
Tasman District Council	25,515	246,751	24,193	198,190
Taupo District Council	-	146,271	-	125,522
Tauranga City Council	-	823,933	-	648,528
Thames-Coromandel District Council	-	67,813	-	73,365
Timaru District Council	19,456	187,561	28,724	136,516
Upper Hutt City Council	-	113,212	-	91,421
Waikato District Council	9,975	111,225	-	95,454
Waikato Regional Council	5,120	25,276	-	25,120
Waimakariri District Council	-	181,960	-	170,903
Waimate District Council	-	3,540	-	-
Waipa District Council	20,010	207,374	25,530	124,377
Wairoa District Council	8,015	11,109	-	10,062
Waitaki District Council	8,978	33,280	4,491	20,583
Waitomo District Council	4,071	24,204	4,017	24,092
Wellington City Council	-	1,178,503	-	967,101
West Coast Regional Council	3,243	9,991	3,761	6,616
Western Bay Of Plenty District Council	-	80,992	-	70,366
Westland District Council	-	27,078	-	29,933
Westland Holdings Ltd	1,618	5,456	-	-
Whakatane District Council	-	114,768	-	86,396
Whanganui District Council	7,557	110,179	7,523	99,522
Whangārei District Council	9,927	228,151	9,972	182,813
Fair value hedge adjustment	-	(37,850)		(36,332)
	547,944	**15,765,618**	**478,385**	**13,563,522**

As at 30 June 2023, $2,512 million of loans are due to mature within 12 months. This comprises all short-term loans and $1,964 million of loans.

13. Other assets

As at 30 June in $000s	2023	2022
Right-of-use lease asset	58	156
Total other assets	**58**	**156**

14. Payables and provisions

As at 30 June in $000s	2023	2022
Loans/purchases to be advanced	5,000	44,000
Trade creditors	804	800
Credit provision	123	161
Other provisions	205	105
Total payables	**6,132**	**45,066**

15. Bills

As at 30 June 2023 in $000's	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
	792,000	**(9,370)**	**-**	**782,630**

As at 30 June 2022 in $000's	Face value	Unamortised premium	Accrued interest	Total
7 July 2022	15,000	(4)	-	14,996
13 July 2022	70,000	(30)	-	69,970
19 July 2022	35,000	(33)	-	34,967
4 August 2022	25,000	(33)	-	24,967
10 August 2022	80,000	(167)	-	79,833
19 August 2022	20,000	(60)	-	19,940
30 August 2022	50,000	(201)	-	49,799
9 September 2022	68,000	(296)	-	67,704
14 September 2022	100,000	(538)	-	99,462
19 September 2022	27,000	(120)	-	26,880
6 October 2022	25,000	(148)	-	24,852
9 November 2022	25,000	(238)	-	24,762
7 December 2022	25,000	(329)	-	24,671
	565,000	**(2,197)**	**-**	**562,803**

16. Treasury stock and bond repurchases

Periodically, LGFA subscribes for LGFA bonds as part of its issuance process and holds these bonds as treasury stock. LGFA bonds held by LGFA as treasury stock are derecognised at the time of issue and no liability is recognised in the statement of financial position. As at 30 June 2023, $1,100 million of LFGA bonds had been subscribed as treasury stock.

LGFA makes these treasury stock bonds available to banks authorised as its tender counterparties to borrow under short-term repurchase transactions. The objective of the bond lending facility is to assist with improving secondary market liquidity in LGFA bonds. Bonds lent to counterparties are disclosed as a separate stock lending liability on the face of the statement of financial position.

As at 30 June in $000s	2023	2022
15 April 2024	16,619	1,456
15 April 2025	1,920	6,773
15 April 2026	-	5,395
15 April 2027	52,513	-
20 April 2029	19,437	7,390
15 May 2031	3,287	-
14 April 2033	1,750	4,566
15 May 2035	34,518	818
15 April 2037	-	5,272
	130,043	**31,671**

17. 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 16: Treasury stock and bond repurchase transactions.

As at 30 June 2023 in $000's	Face Value	Unamortised premium	Accrued interest	Fair value hedge adjustment	Total
Fixed interest bonds					
15 April 2024	2,218,000	(2,151)	10,499		
15 April 2025	2,409,000	(36,176)	13,937		
15 April 2026	2,155,000	(54,361)	6,801		
15 April 2027	2,011,000	68,977	19,039		
15 May 2028	1,423,000	(60,216)	4,089		
20 April 2029	1,722,000	(83,580)	5,081		
15 May 2030	1,000,000	(17,002)	5,747		
15 May 2031	1,120,000	(60,338)	3,218		
14 April 2033	1,350,000	33,003	10,070		
15 May 2035	450,000	(7,728)	1,724		
15 April 2037	820,000	(41,281)	3,450		
Total	**16,678,000**	**(260,853)**	**83,656**	**(1,340,372)**	**15,160,432**

As at 30 June 2022 in $000's	Face Value	Unamortised premium	Accrued interest	Fair value hedge adjustment	Total
Fixed interest bonds					
15 April 2023	1,830,000	25,117	21,175		
15 April 2024	1,998,000	5,625	9,458		
15 April 2025	1,679,000	(13,379)	9,714		
15 April 2026	1,815,000	(31,599)	5,728		
15 April 2027	1,751,000	85,460	16,577		
15 May 2028	1,270,000	(53,384)	3,650		
20 April 2029	1,362,000	(21,893)	4,019		
15 May 2031	850,000	(19,801)	2,443		
14 April 2033	1,290,000	43,486	9,622		
15 May 2035	400,000	2,166	1,533		
15 April 2037	730,000	(12,837)	3,072		
Total fixed interest	**14,975,000**	**8,962**	**86,989**	**(1,185,774)**	**13,885,177**
Floating rate notes					
14 October 2022	130,000	(7)	692	-	130,684
Total	**15,105,000**	**8,955**	**87,681**	**(1,185,774)**	**14,015,862**

18. Borrower notes

Borrower notes are subordinated debt instruments which are required to be held by each local authority that borrows from LGFA in an amount equal to a fixed percentage of the aggregate borrowings by that local authority. The fixed percentage is 2.5% for loans issued from 1 July 2020. Prior to this date, the fixed percentage was 1.6%.

LGFA may convert borrower notes into redeemable shares if it has made calls for all unpaid capital to be paid in full and the Board determines it is still at risk of imminent default.

19. Other liabilities

As at 30 June in $000s	2023	2022
Lease liability	58	156
Accruals	838	694
Total receivables	**896**	**850**

20. Operating leases

As at 30 June in $000s	2023	2022
Less than one year	58	66
Between one and five years	-	90
Total non-cancellable operating leases	**58**	**156**

Risk management

21. Financial risk management

The Board of Directors has overall responsibility for carrying out the business of LGFA in accordance with risk management policies, including those relating to investing, lending, borrowing and treasury activities. The use of financial instruments exposes LGFA to financial risks, the most significant being market risk, credit risk, and liquidity risk. The exposure and management of these risks is outlined below.

22. Market risk

Market risk is the risk that changes in market prices will affect LGFA's income or value of financial instruments. The most significant market risk which LGFA is exposed to is interest rate risk. LGFA has no significant exposure to foreign exchange risk.

23. Interest rate risk

Interest rate risk is the risk that future cash flows or the fair value of financial instruments will decrease because of a change in market interest rates. LGFA is exposed to interest rate risk through its interest-bearing financial assets and liabilities.

Interest rate risk is managed using Value at Risk (VaR) and Partial Differential Hedge (PDH) limits to mitigate the potential change in value of the balance sheet due to changes in interest rates. PDH risk measures the sensitivity of a portfolio to a one basis point change in underlying interest rates, whereas VaR measures the expected loss for a given period with a given confidence.

The table below indicates the earliest period in which the interest-bearing financial instruments reprice.

As at 30 June 2023 in $000s	Face value	Less than 6 months	6 months - 1 year	1-2 years	2-5 years	Over 5 years
Financial assets						
Cash and bank Balances	226,222	226,222	-	-	-	-
Marketable securities	1,150,805	540,532	154,418	104,273	351,582	-
Deposits	447,115	447,115	-	-	-	-
Loans	16,201,725	13,382,721	363,171	370,400	1,418,820	666,614
Financial liabilities						
Bills	(792,000)	(792,000)	-	-	-	-
Bond repurchases	(129,833)	(129,833)	-	-	-	-
Derivatives	-	(13,758,700)	1,843,500	2,031,200	4,145,000	5,739,000
Bonds	(16,678,000)	-	(2,218,000)	(2,409,000)	(5,589,000)	(6,462,000)
Borrower notes	(338,809)	(277,881)	(6,110)	(7,492)	(32,191)	(15,135)
Total	**87,225**	**(361,825)**	**136,979**	**89,381**	**294,211**	**(71,521)**

As at 30 June 2022 in $000s	Face value	Less than 6 months	6 months - 1 year	1-2 years	2-5 years	Over 5 years
Financial assets						
Cash and bank Balances	158,033	158,033	-	-	-	-
Marketable securities	1,503,175	533,296	401,624	174,200	394,055	-
Deposits	461,649	441,649	20,000	-	-	-
Loans	13,975,845	11,652,617	327,675	266,900	976,700	751,953
Financial liabilities						
Bills	(565,000)	(565,000)	-	-	-	-
Bond repurchases	(31,653)	(31,653)	-	-	-	-
Derivatives	-	(12,419,250)	1,583,750	1,645,500	3,895,200	5,294,800
Bonds	(15,105,000)	(130,000)	(1,830,000)	(1,998,000)	(5,245,000)	(5,902,000)
Borrower notes	(270,059)	(223,289)	(4,574)	(5,557)	(19,932)	(16,707)
Total	**126,991**	**(583,597)**	**498,476**	**83,044**	**1,023**	**128,046**

Interest rate sensitivity

Changes in interest rates impact the fair value of fixed rate assets and liabilities, cash flows on floating rate assets and liabilities, and the fair value and cash flows of interest rate swaps. A change of 100 basis points in interest rates at the reporting date would have increased/(decreased) profit or loss and equity by the amounts shown in the following table. This analysis assumes that all other variables remain constant.

For the period ending 30 June in $000s	2023		2022	
	100 bps increase $000s	100 bps decrease $000s	100 bps increase $000s	100 bps decrease $000s
Fair value sensitivity analysis				
Fixed rate assets	-	-	-	-
Fixed rate liabilities	547,192	(557,506)	518,112	(529,330)
Derivative financial instruments	(547,324)	557,646	(517,469)	528,667
	(132)	**140**	**643**	**(664)**
Cash flow sensitivity analysis				
Variable rate assets	132,093	(132,093)	115,784	(115,784)
Variable rate liabilities	(2,775)	2,775	(3,541)	3,541
Derivative financial instruments	(137,537)	137,537	(124,063)	124,063
	(8,219)	**8,219**	**(11,820)**	**11,820**

24. Credit risk

Credit risk is the risk of financial loss if a counterparty to a financial instrument fails to meet its contractual obligations. LGFA is exposed to credit risk through its lending and investing activities.

Credit risk associated with lending activities is managed by requiring members that borrow from LGFA to meet specific credit lending criteria and to provide security against the borrowing. LGFA's credit risk framework restricts credit exposures to specific counterparties.

Credit risk associated with investing activities, excluding on-lending, is managed by only investing with New Zealand Government Agencies or counterparties that meet a minimum credit rating of A (Standard & Poor's equivalent). LGFA's credit risk framework limits concentrations of credit risk for any single counterparty.

Exposure to credit risk

LGFA monitors the concentration of credit risk by the type of counterparty. The following table shows the carrying value and maximum exposure to credit risk at the reporting date, before taking account of collateral or other credit enhancements, for significant counterparty types.

As at 30 June 2023 in $000s	NZ government agencies	NZ councils	NZ registered banks	Other counter-parties	Fair Value hedge adjustment	Total carrying value
Financial assets						
Receivables	-		-	492		492
Cash and bank balances	223,783	-	2,439	-		226,222
Cash pledged as collateral	93,175					93,175
Marketable securities	79,082	16,950	347,933	706,787	(22,873)	1,127,879
Deposits	(93,175)	-	436,739	4,929		348,492
Derivatives	(1,468,363)	-	(96,108)	-		(1,564,470)
Loans	-	16,351,411	-	-	(37,850)	16,313,562
	(1,165,498)	**16,368,361**	**691,002**	**712,208**	**(60,722)**	**16,545,351**

As at 30 June 2022 in $000s	NZ government agencies	NZ councils	NZ registered banks	Other counter-parties	Fair Value hedge adjustment	Total carrying value
Financial assets						
Receivables	-		-	360		360
Cash and bank balances	156,331	-	1,702	-		158,033
Cash pledged as collateral	76					76
Marketable securities	239,937	29,235	331,290	910,038	(19,351)	1,491,148
Deposits	-	-	377,463	85,403		462,866
Derivatives	(1,111,408)	-	-	-		(1,111,408)
Loans	-	14,078,239	-	-	(36,331)	14,041,908
	(715,064)	**14,107,474**	**710,455**	**995,801**	**(55,682)**	**15,042,984**

Collateral and credit enhancements

LGFA holds collateral against borrowings from councils in the form of debenture securities and guarantees.

Credit quality of financial assets

All financial assets are neither past due nor impaired. The carrying value of the financial assets is expected to be recoverable.

25. Liquidity risk

Liquidity risk is the risk that LGFA will encounter difficulty in meeting the obligations of its financial liabilities. LGFA manages liquidity risk by holding cash and a portfolio of liquid assets to meet obligations when they fall due. LGFA is required by policy to maintain sufficient liquidity (comprising a committed liquidity facility and holdings of cash and liquid investments) to meet all operating and funding commitments over a rolling 12-month period.

The Treasury (New Zealand Debt Management) provides a committed liquidity facility that LGFA can draw upon to meet any exceptional and temporary liquidity shortfall. As at 30 June 2023, the undrawn committed liquidity facility was $1,500 million (2022: $1,300 million). The facility is due to expire in December 2031.

26. Contractual cash flows of financial instruments.

The following table shows the contractual cash flows associated with financial assets and liabilities.

As at 30 June 2023 in $000s	On demand	Up to 3 months	3 months to 1 year	1 year to 5 years	More than 5 years	Total contractual cash flows	Total carrying value
Financial assets							
Receivables	492	-	-	-	-	492	492
Cash and bank balances	226,222	-	-	-	-	226,222	226,222
Cash pledged as collateral	93,175	-	-	-	-	93,175	93,175
Marketable securities	-	168,607	350,627	709,893	-	1,229,127	1,127,879
Deposits	-	209,258	145,558	-	-	354,816	348,492
Loans	-	676,189	2,722,811	10,726,760	6,001,820	20,127,580	16,313,562
Financial liabilities							
Payables and provisions	(6,132)	-	-	-	-	(6,132)	(6,132)
Bills	-	(567,000)	(225,000)	-	-	(792,000)	(782,630)
Bond repurchases	-	(130,215)	-	-	-	(130,215)	(130,043)
Bonds	-	-	(2,662,170)	(9,221,173)	(7,131,780)	(19,015,123)	(15,160,432)
Borrower notes	-	(1,549)	(40,931)	(220,864)	(178,502)	(441,846)	(360,348)
Derivatives	-	(210,678)	(254,986)	(1,243,521)	(807,012)	(2,516,197)	(1,564,470)
	313,757	**144,611**	**35,909**	**751,096**	**(2,115,474)**	**(870,101)**	**105,766**

As at 30 June 2022 in $000s	On demand	Up to 3 months	3 months to 1 year	1 year to 5 years	More than 5 years	Total contractual cash flows	Total carrying value
Financial assets							
Receivables	360	-	-	-	-	360	360
Cash and bank balances	158,033	-	-	-	-	158,033	158,033
Cash pledged as collateral	76	-	-	-	-	76	76
Marketable securities	-	199,206	473,654	834,261	-	1,507,122	1,491,148
Deposits	-	322,580	142,572	-	-	465,151	462,866
Loans	-	405,638	2,296,504	7,921,322	5,316,424	15,939,887	14,041,908
Financial liabilities							
Payables and provisions	(45,066)	-	-	-	-	(45,066)	(45,066)
Bills	-	(490,000)	(75,000)	-	-	(565,000)	(562,803)
Bond repurchases	-	(31,681)	-	-	-	(31,681)	(31,671)
Bonds	-	(807)	(2,398,906)	(8,336,675)	(6,560,835)	(17,297,223)	(14,015,862)
Borrower notes	-	(2,194)	(32,788)	(149,518)	(135,615)	(320,116)	(283,180)
Derivatives	-	(74,548)	58,917	(198,031)	(180,497)	(394,159)	(1,111,408)
	113,403	**328,192**	**464,952**	**71,359**	**(1,560,523)**	**(582,617)**	**104,403**

Capital and dividends

27. Share capital

As at 30 June 2023, LGFA had 45 million ordinary shares on issue, 20 million of which remain uncalled.

All ordinary shares rank equally with one vote attached to each ordinary share. Ordinary shares have a face value of $1 per share.

28. Shareholder information

Registered holders of equity securities as at 30 June	2023		2022	
Minister of Finance and Minister for Local Government	5,000,000	11.1%	5,000,000	11.1%
Auckland Council	3,731,960	8.3%	3,731,960	8.3%
Christchurch City Council	3,731,960	8.3%	3,731,960	8.3%
Hamilton City Council	3,731,960	8.3%	3,731,960	8.3%
Bay of Plenty Regional Council	3,731,958	8.3%	3,731,958	8.3%
Greater Wellington Regional Council	3,731,958	8.3%	3,731,958	8.3%
Tasman District Council	3,731,958	8.3%	3,731,958	8.3%
Tauranga City Council	3,731,958	8.3%	3,731,958	8.3%
Wellington City Council	3,731,958	8.3%	3,731,958	8.3%
Western Bay of Plenty District Council	3,731,958	8.3%	3,731,958	8.3%
Whangārei 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%
	45,000,000	**100%**	**45,000,000**	**100%**

29. Capital management

LGFA's capital is equity, which comprises share capital and retained earnings. The objective of managing LGFA's equity is to ensure LGFA achieves its goals and objectives for which it has been established, whilst remaining a going concern.

30. Dividend

LGFA paid a dividend of $1,217,500 on 2 September 2022, being $0.0487 per paid up share (2022: $856,500 on 3 September 2021, being $0. 03426 per paid up share).

31. Capital commitments

As at 30 June 2023, there are no capital commitments.

Other Notes

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

For the year ended 30 June in $000s	2023	2022
Net profit/(loss) for the period	2,505	10,673
Cash applied to loans	(2,222,368)	(1,972,398)
Non-cash adjustments		
Amortisation and depreciation	(8,417)	(2,527)
Working capital movements		
Net change in trade debtors and receivables	96	(148)
Net change in prepayments	(67)	(169)
Net change in accruals	144	345
Net Cash From Operating Activities	**(2,228,108)**	**(1,964,224)**

33. Contingencies

There are no contingent liabilities at balance date.

34. Related parties

Identity of related parties

LGFA is related to the councils set out in the Shareholder Information in note 12.

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 councils, and non-shareholder councils 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 councils to LGFA (cross guarantee) and of LGFA itself.

Related party transactions

LGFA was established for the purpose of raising funds from the market to lend to member borrowers. The lending to individual councils is disclosed in note 12, and interest income recognised on this lending is shown in the statement of comprehensive income.

The purchase of LGFA borrower notes by participating borrowers. Refer note 18.

The Treasury (New Zealand Debt Management) provides LGFA with a committed credit facility and is LGFA's derivatives counterparty.

Transactions with key management personnel:

Salaries $1,239,462 (2022: $1,016,801)

Fees paid to directors are disclosed in operating expenses in Note 6.

35. Subsequent events

On 28 August 2023, the Directors of LGFA declared a dividend of $1,712,500 ($0.0685 per paid up share).

Subsequent to balance date, LGFA has issued $420 million in NZD bonds and AUD 1 billion in AUD bonds.

KPMG

INDEPENDENT AUDITOR'S REPORT

TO THE READERS OF NEW ZEALAND LOCAL GOVERNMENT FUNDING AGENCY LIMITED'S FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION FOR THE YEAR ENDED 30 JUNE 2023

The Auditor-General is the auditor of New Zealand Local Government Funding Agency Limited (the company). The Auditor-General has appointed me, David Gates, using the staff and resources of KPMG, to carry out the audit of the financial statements and performance information of the company on his behalf.

Opinion

We have audited:

- the financial statements of the company on pages 64 to 87, that comprise the statement of financial position as at 30 June 2023, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information; and
- the performance information of the company on pages 10 to 15.

In our opinion:

- the financial statements of the company on pages 64 to 87:
  - present fairly, in all material respects:
    - its financial position as at 30 June 2023 and
    - its financial performance and cash flows for the year then ended; and
  - comply with generally accepted accounting practice in New Zealand in accordance with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and International Financial Reporting Standards (IFRS); and
- the performance information of the company on pages 10 to 15 presents fairly, in all material respects, the company's actual performance compared against the performance targets and other measures by which performance was judged in relation to the company's objectives for the year ended 30 June 2023.

Our audit was completed on 28 August 2023. This is the date at which our opinion is expressed.

The basis for our opinion is explained below, and we draw attention to the inherent uncertainties in the measurement of greenhouse gas emissions. In addition, we outline the responsibilities of the Board of Directors and our responsibilities relating to the financial statements and the performance information, we comment on other information, and we explain our independence.

Basis for our opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the Responsibilities of the auditor section of our report.

We have fulfilled our responsibilities in accordance with the Auditor-General's Auditing Standards.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter – Inherent uncertainties in the measurement of greenhouse gas emissions

The company has chosen to include a measure of its greenhouse gas (GHG) emissions in its performance information. Without modifying our opinion and considering the public interest in climate change related information, we draw attention to page 14 of the annual report, which outlines the uncertainty in the reported GHG emissions. Quantifying GHG emissions is subject to inherent uncertainty because the scientific knowledge and methodologies to determine the emissions factors and processes to calculate or estimate quantities of GHG sources are still evolving, as are GHG reporting and assurance standards.

KPMG

Materiality

The scope of our audit was influenced by our application of materiality. Materiality helped us to determine the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and on the financial statements as a whole. The materiality for the financial statements as a whole was set at $135 million determined with reference to a benchmark of company Total Assets. We chose the benchmark because, in our view, this is a key measure of the company's performance. In addition, we also assess whether other matters that come to our attention during the audit would in our judgement change or influence the decisions of a reasonably knowledgeable person ('qualitative' materiality).

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements in the current period. We summarise below those matters and our key audit procedures to address those matters in order that the readers as a body may better understand the process by which we arrived at our audit opinion. Our procedures were undertaken in the context of and solely for the purpose of our statutory audit opinion on the financial statements as a whole and we do not express discrete opinions on separate elements of the financial statements.

The key audit matter	How the matter was addressed in our audit
Existence and impairment of loans	
Refer to Note 12 to the Financial Statements. The loans LGFA has provided to local government make up over 89% of total assets. The loans are recognised at amortised cost and the nature of the counterparties is such that we do not consider these loans to be at high risk of significant misstatement. However, based on their materiality, and the judgement involved in assessing the credit worthiness of counterparties they are considered to be the area which had the greatest effect on our overall audit strategy and allocation of resources in planning and completing our audit.	Our audit procedures included: - understanding the processes in place to assess borrowers and to record loan transactions. This included evaluating the control environment in place at LGFA. - agreeing the 30 June 2023 loan balances to external confirmations received from NZ Clear. - assessing the borrowers' compliance with financial covenants. We did not identify material differences in relation to the existence or impairment of loans.
Application of hedge accounting	
Refer to Note 9 of the Financial Statements. LGFA enters into derivatives (interest rate swaps) to manage interest rate risk related to issuing fixed rate borrowings, loans and investments. Fair value hedge accounting is applied where specific requirements are met around documentation of the hedge relationship and the relationship is demonstrated as being an effective hedge. Hedge accounting is complex, particularly in the area of whether the requirements (both initial and ongoing) for its application are met. Should the requirements for hedge accounting not be met, LGFA could experience significant volatility in the Statement of Comprehensive Income from changes in the fair value of the derivatives. Due to the size of the derivative positions and the complexity of hedge accounting we consider this to be a key audit matter.	Our audit procedures included: - reviewing LGFA's accounting policies related to financial instruments. - agreeing the terms of the derivatives to the confirmation provided by the derivative counterparty. - using our treasury valuation specialists we independently recalculated the fair value of all of the derivatives recorded by LGFA. - ensuring the hedge documentation supporting the application of hedge accounting was in accordance with NZ IFRS 9 and the disclosures made in the financial statements were appropriate. - determining that management's hedge effectiveness calculations were correctly performed using appropriate source information. We did not identify material differences in relation to the application of hedge accounting.

Responsibilities of the Board of Directors for the financial statements and the performance information

The Board of Directors is responsible on behalf of the company for preparing financial statements that are fairly presented and that comply with generally accepted accounting practice in New Zealand in accordance with NZ IFRS and IFRS. The Board of Directors is also responsible for preparing the performance information for the company.

The Board of Directors is responsible for such internal control as it determines is necessary to enable it to prepare financial statements and performance information that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements and the performance information, the Board of Directors is responsible on behalf of the company for assessing the company's ability to continue as a going concern. The Board of Directors is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless the Board of Directors intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors' responsibilities arise from the Local Government Act 2002 and the Financial Markets Conduct Act 2013.

Responsibilities of the auditor for the audit of the financial statements and the performance information

Our objectives are to obtain reasonable assurance about whether the financial statements and the performance information, as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit carried out in accordance with the Auditor-General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures, and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers, taken on the basis of these financial statements and the performance information.

For the budget information reported in the financial statements and the performance information, our procedures were limited to checking that the information agreed to the company's statement of intent.

We did not evaluate the security and controls over the electronic publication of the financial statements and the performance information.

As part of an audit in accordance with the Auditor-General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. Also:

- We identify and assess the risks of material misstatement of the financial statements and the performance information, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- We evaluate the appropriateness of the reported performance information within the company's framework for reporting its performance.
- We conclude on the appropriateness of the use of the going concern basis of accounting by the Board of Directors and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists we are required to draw attention in our auditor's report to the related disclosures in the financial statements and the performance information or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- We evaluate the overall presentation, structure and content of the financial statements and the performance information, including the disclosures, and whether the financial statements and the performance information represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Our responsibilities arise from the Public Audit Act 2001.

Other Information

The Board of Directors is responsible for the other information. The other information comprises the information included on pages 1 to 9, 16 to 63 and 92 to 97 but does not include the financial statements and the performance information, and our auditor's report thereon.

Our opinion on the financial statements and the performance information does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the financial statements and the performance information, our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the financial statements and the performance information or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on our work, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Independence

We are independent of the company in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1: International Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board.

For the year ended 30 June 2023 and subsequently, the Chair of the company's Audit and Risk Committee is a member of the Auditor-General's Audit and Risk Committee. The Auditor-General's Audit and Risk Committee is regulated by a Charter that specifies that it should not assume any management functions. There are appropriate safeguards to reduce any threat to auditor independence, as the member of the Auditor-General's Audit and Risk Committee does not assume any management functions as part of their oversight role of the audit of the company.

Other than the audit, and the relationship with the Auditor-General's Audit and Risk Committee, we have no relationship with, or interests in, the company.



David Gates
KPMG
On behalf of the Auditor-General
Wellington, New Zealand

Other disclosures

He whākitanga anō

Donations

A donation of $4,000 was made to Kauri 2000 for the year ended 30 June 2023.

Earnings per security

Earnings per $1,000 of bonds on issue as at 30 June 2023 is $0.15 (2022: $0.71).

Net Tangible Assets

Net tangible assets per $1,000 of listed bonds as at 30 June 2023 is $6.35 (2022: $6.92).

Amount per security of final dividends

Not applicable

Spread of Quoted Security holders

Holding Range	Holder Count	Holder Count %	Holding Quantity	Holding Quantity %
10,000 to 49,999	457	46	$10,998,000	0.06
50,000 to 99,999	193	19	$13,417,000	0.08
100,000 to 499,999	217	22	$41,531,000	0.23
500,000 to 999,999	31	3	$21,074,000	0.12
1,000,000 to 9,999,999,999,999	103	10	$17,690,980,000	99.51
Total	**1,001**	**1,001**	**$17,778,000,000**	**100.00**

Directory

Rārangi tauwaea

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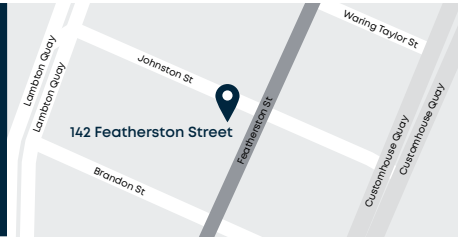
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Taranaki's Yarrow Stadium is being redeveloped; the stadium has one of the best backdrops in Aotearoa New Zealand – Mt Taranaki.
Taranaki Regional Council
Photo by Charles Woollin

GRI Index

Kuputohu GRI

The GRI Standards are the world's most widely used sustainability reporting standard.
This is the second year LGFA has prepared its annual report in compliance with the GRI Standards.
The following index is based on the GRI core option.

Disclosure title	Reference/Disclosure
102-1. Name of the organisation	Page 17
102-2. Activities, brands, products and services	Pages 17-26
102-3. Location of headquarters	Page 93
102-4. Location of operations	Page 93
102-5. Ownership and legal form	Pages 16, 69
102-6. Markets served	Pages 4-7, 10-25
102-7. Scale of the organisation	Pages 4-7, 16-31, 66
102-8. Information on employees and other workers	Pages 48-49, 54-55
102-9. Supply chain	Pages 16-25, 34
102-10. Significant changes to the organization and its supply chain	None
102-11. Precautionary Principle or approach	Page 32
102-12. External initiatives	Pages 44-45
102-13. Membership of Associations	Financial Service Providers Register
102-14. Statement from senior decision-maker	Pages 4-7
102-16. Values, principles, standards, and norms of behaviour	Pages 44-47
102-18. Overview of Governance Structure	Pages 18-19
102-40. List of stakeholder groups	Pages 4-7, 10-15, 26-31, 57
102-41. Collective bargaining agreements	None
102-42. Identifying and selecting stakeholders	Pages 33
102-43. Approach to stakeholder engagement	Pages 33-43
102-44. Key topics and concerns raised	Page 33
102-45. Entities included in the consolidated financial statements	Page 68
102-46. Defining report content and topic Boundaries	Page 33
102-47. List of material topics	Pages 32-57
102-48. Restatements of information	None
102-49. Changes in reporting	None
102-50. Reporting period	1 July 2022 to 30 June 2023
102-51. Date of most recent report	2023 Annual Report
102-52. Reporting cycle	Annual
102-53. Contact point for questions regarding the report	lgfa@lgfa.org.nz
102-54. Claims of reporting in accordance with the GRI Standards	The report has been prepared in accordance with the GRI standards: core option
102-55. GRI content index	Pages 94-95
102-56. External assurance	None
Cost effective funding	Pages 4-7, 10-15, 27
Culture, ethics and governance	Pages 32-57
Transparency and disclosure	Pages 4-7, 32-57
Environmental and social impact of lending	Pages 4-7, 32-43
Health & safety and wellbeing	Pages 11, 14-15, 32-43
Collaboration and local engagement	Pages 4-7, 13, 32-43
Financial markets best practice and influence	Pages 4-7, 10-15, 44-57
Diversity and inclusion	Pages 4-7, 48
Capability and development	Pages 4-7, 48
Carbon footprint	Pages 32-43
Emissions	
305-1 Direct (Scope 1) GHG emissions	Page 43
305-2 Energy indirect (Scope 2) GHG emissions.	Page 43
305-3 Other indirect (Scope 3) GHG emissions.	Page 43
Health and Safety and Wellbeing	
403-1 Occupational health and safety management system	Page 48
403-9 Work-related injuries	Pages 14
403-10 Work-related ill health	Pages 14
Diversity and Inclusion	
405-1 Diversity of governance bodies and employees	Page 48
Capability and Development	
404-2 Programs for upgrading employee skills and transition assistance programs	Page 48

Glossary

Kuputaka

AIL	Approved Issuer Levy
Annual Plans	Annual budgets issued by councils ahead of their June financial year end
Bespoke Lending	Any lending to a council with a maturity date that does not match an LGFA bond maturity dated
bps	Basis points (100 basis points equals one percentage).
CCO	Council Controlled Organisation
CCTO	Council Controlled Trading Organisation
CAL	Climate Action Loans
Coverage Ratio	In a tender the amount of bids received divided by the amount of bonds on offer. The higher the Bod Coverage ratio the more demand there is
ESG	Environmental, social and governance
Financial Covenants	Four financial covenants that council must adhere to Debt/Revenue, Interest Expense to Rates Revenue, Interest Expense to Total Revenue, Liquidity. Annual attestation and if in breach then can be an event of repayment of loans.
Fitch	Credit rating agency who rates LGFA and a small number of councils
Foundation Policy Covenants	Within Shareholder Agreement – any changes require shareholder approval. Now mainly the financial covenants.
GHG	Greenhouse gas
GRI	Global Reporting Initiative
GSS	Green, Social and Sustainability
GSA	General security arrangement
Guarantee and Indemnity Deed	Joint and Several Guarantee with a side agreement that pro ratas the council guarantors obligations to that of proportionate share of rates revenue
Guarantor	Any council shareholder or any council who borrows more than $20m is required to sign the Guarantee and Indemnity Deed.
IA	Internal audit
INFINZ	Institute of Finance Professionals
LAP	Liquid Assets Portfolio
LGFA Bills	Short dated securities (less than 1 year) issued by LGFA
LGFA Bonds	Fixed rate coupon bonds issued by LGFA with maturities between 2024 and 2037. Issued via tenders or syndication
Local Government Act 2002	Overarching legislation for Councils, CCOs and CCTOs
Local Government Borrowing Act 2011	Act that established LGFA
Multi Issuer Deed (MID)	Over arching borrowing document – accession of councils and CCOs, reps and warranties, financial covenants, BN conversion
NII	Net interest income
Non Guarantor	Any member council that is not a guarantor. Non-Guarantor member councils cannot borrow more than $20m
NZD	New Zealand Dollar
NZDM	New Zealand Debt Management of the Treasury – our contact point for our Crown Liquidity Facility and derivative swap counterparty
NZDM Facility	Crown Liquidity Facility where we can drawdown up to $1.5 billion of emergency funding (subject to certain conditions)
NZGB	New Zealand Government Bonds
PDH	Partial Differential Hedge
S&P	Standard and Poor's
Shareholders Agreement	Board, Shareholder Council appointments, sale of shares, voting rights and Foundation policies
SOI	Statement of Intent
Spread to NZGB	The basis point difference between LGFA Bonds and NZ Government Bonds. Investors will often use the spread the gauge when LGFA bonds are trading at a premium or discount
Spread to Swap	The basis point difference between LGFA Bonds and the swaps curve. The spread is often used as a proxy to gauge if LGFA bonds are being issued at a discount or premium
SSA	Supra and Sub Sovereign Agency issuers- same as Supras – they issue Kauri bonds in NZD. Examples are World Bank, Asian Development Bank, Kommunalbanken (LGFA Norway equivalent)
Swap	Interest rate derivative instruments transacted with the NZDM to hedge the balance sheet and convert fixed rate borrowing into floating rate exposures.
Syndication	LGFA issues Bonds by Syndication normally twice a year, if market conditions are favourable. Syndications provide diversity to LGFA's funding program, by offering an alternative funding tool to the scheduled bond tenders.
Taituarā	Formerly Society of Local Government Managers (SOLGM)
TCFD	Task Force on Climate Related Financial Disclosures
Tender	LGFA issues Bonds and Bills to the market in scheduled tenders, typically every six weeks of the financial year.
UN SDG	United Nations' Sustainable Development Goals
VaR	Value at risk
WSE	Water service entities





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

Contents

Ngā Ihirangi

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

08 Perormance highlights
Ko ngā tino hua

10 Perormance agains objectives
Ko ngā whakatutukinga ki ngā whāinga

16 About us
Mō mātou

20 LGFA bonds on issue
Ko ngā pūtea taurewa pūmau kua tukuna e te LGFA

26 LGFA members
Ko ngā LGFA e noho mema ana

32 Susainability at LGFA
Te toittanga kei te LGFA

44 Governance and culture
Te whakaruruhau me te ahurea

58 Managing risk
Ko te whakahaere tūraru

64 Financial satements
Nga taukī pūtea

Statement of comprehensive income 64
Statement of changes in equity 65
Statement of financial position 66
Statement of cash flows 67
Notes to the financial satements 68
Auditors Repor 88

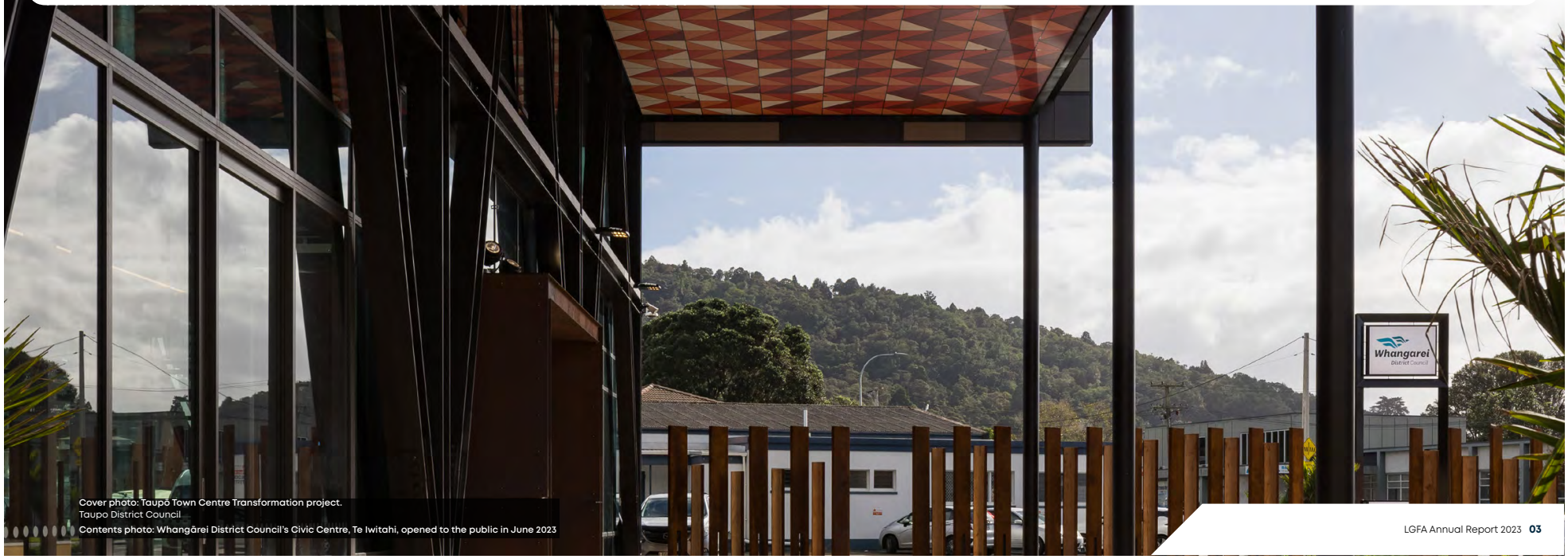
92 Other disclosures
He whākitanga anō

93 Directory
Rārangi tauwaea

94 GRI Index
Kuputohu GRI

96 Glossary
Kuputaka

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



Cover photo: Taupō Town Centre Transformation project.
Taupo District Council
Contents photo: Whangārei District Council's Civic Centre, Te Iwitahi, opened to the public in June 2023

Message from the Chair and Chief Executive

He karere mai i te Toihau me te Tumuaki

For the year ended 30 June 2023

During challenging market conditions of the past year, LGFA focused on meeting the funding requirements for our local government sector, at the same time extending our suite of innovative sustainable funding and lending products and achieving several key milestones.



New Zealand Issuer of the Year
New Zealand Local Government Funding Agency

On behalf of the directors and staff of LGFA, we are pleased to highlight the following developments over the past year. Of note was the launch of our Climate Action Loan product for council and CCO members and the establishment of our Sustainable Financing Bond Framework, culminating in our first sustainable bond issuance. We achieved a 100% satisfaction outcome in our member survey, 93% market share of council borrowing, and were awarded the KangaNews Issuer of the Year Award for 2022.

2022-23 Financial and operational performance

Over the past year we achieved 16 out of our 17 performance objectives, with the only objective missed being our target for total operating income.

Total interest income for the financial year of $763.6 million increased 94% over the 2021-22 result of $393.5 million. Net operating profit of $2.5 million decreased 77% on the 2021-22 result of $10.7 million. The decrease in net operating profit was largely driven by our decision to adopt a prudent approach of borrowing longer than our term of lending and maintaining a larger than forecast liquid asset portfolio (LAP) during a period of rising interest rates and volatile market conditions. There was also a modest negative impact from our decision to offer a reduced lending margin to members for our sustainability lending products.

Operating expenses at $9.1 million were $300k below the SOI budget. There were higher than expected NZX and registry fees related to increased bond issuance and lending, as well as additional legal costs incurred with new member accessions and the Affordable Waters Reform. These were offset by lower than forecast consultancy and information technology costs and a lower NZDM facility utilisation fee.

Borrowing activity

Our bond issuance of $3.5 billion over the year was significantly higher than the historical average of $1.6 billion, with year-end outstandings totalling $17.8 billion (including $1.1 billion of treasury stock) across 11 bond maturities ranging between 2024 to 2037. The average term of issuance during the year at 5.5 years was shorter than the prior year of 6.2 years, reflecting the more challenging market conditions for issuance and closer matching to member borrowing.

In November 2022, we were delighted to be awarded the New Zealand Issuer of the Year at the 2022 KangaNews Awards, which recognises the support that we have received from investors, intermediaries and market participants, not just over the past year, but also throughout the past decade since we commenced issuance in 2012.

The highlight for the year was the $1.1 billion issuance in April 2023 of a new 2030 bond, being the first issuance under our Sustainable Financing Bond Framework. The bond was well received by global and domestic investors who are looking for these types of sustainable finance investments for their portfolios. Our sustainable financing bond is backed by our sustainable asset pool comprising Green Social and Sustainability Loans and Climate Action Loans to members.

As our issuance has grown it has been pleasing to see a corresponding rise in our offshore investor base who have increased their holdings over the last year by $1.8 billion to $6.2 billion, or an equivalent 37% of our total bonds on issue.

Over the past year, the spreads on LGFA bonds narrowed against New Zealand Government Bonds (NZGB) but widened over swap. LGFA bond spreads to NZGB beyond 2024 narrowed between 4 bps (2029 bond) and 22 bps (2025 bond) while LGFA bond spreads to swap widened between 6 bps (2025 bond) and 25 bps (2029 and 2031 bonds). This change was similar to the spread movements on other high-grade issuers and also reflected the large amount of bond issuance undertaken by LGFA during the year.

Market conditions during a period of monetary policy tightening contributed to a significant lift in yields over the year, with outright yields rising between 56 bps (2037 maturity) and 179 bps (2024 maturity).

Lending to the sector

Over the past year, we welcomed two new member councils with Dunedin City Council and Environment Southand joining as guarantors. Total council membership is now 77 out of the 78 councils in New Zealand. In addition, Dunedin City Treasury Limited and Westland Holdings Limited joined as Council-controlled organisation (CCO) members, bringing the number of CCO members to three.

Long-dated lending to members over the year was a record $3.9 billion as members refinanced their April 2023 loans and increased their borrowing to finance infrastructure projects. Our estimated market share of total council borrowing of 93% for the year to 30 June 2023 was a historical high compared to the long-term average of 77%.

The average tenor of long-dated borrowing by members of 5.2 years over the 12-month period was shorter than the prior year's 6.2 years.

Short-dated lending for terms less than 12 months continues to be well supported by members. At June 2023, there were $548 million of short-term loans outstanding to 37 members, a 14% increase over last year's $478 million outstanding to 31 members.

New products and initiatives

In addition to the launch of our new Sustainable Financing Bond Framework, another significant sustainability initiative was the December 2022 launch of our Climate Action Loan (CAL) lending product which provides a discounted loan margin for members who have an approved greenhouse gas emission reduction plan in place and are meeting their reduction targets. This new initiative was well received by members, with $521 million lent to three councils under the CAL lending product.

Over the year, members borrowed $232 million under our Green, Social and Sustainability (GSS) lending product launched in October 2021, taking the year end outstanding of GSS loans to $295 million to five members.

New standby facilities totalling $55 million were approved for five new members, increasing the total of standby products to 16 members totalling $727 million.

Climate-related events and the proposed Affordable Waters Reform Programme

Over the year, the local government sector dealt with significant climate-related events as well as the proposed Affordable Waters Reform Programme.

LGFA has been assisting Central Government and our members as they work through the funding and financing implications for the proposed Affordable Waters Reform Programme. The transition date for the three waters related assets, debt, and revenue into the Water Services Entities (WSEs) has been extended to allow for WSEs to be established over the period from 1 July 2024 to 1 July 2026.

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

2023 LGFA Taituarā Local Government Excellence Awards

LGFA was the headline sponsor for the 2023 LGFA Taituarā Local Government Excellence Awards for the third consecutive year, and the ninth year that we have supported the awards.

We were pleased that the winner of the Supreme Award was the Takai Here Tāngata Project (binding people together). Takai Here Tāngata is an urban village of 19 houses situated on Te Ara o Takapā in Taitā, Lower Hutt. It is the result of Hutt City's innovative partnership with its property arm Urban Plus Ltd, Kahungunu Whānau Services, and Te Rānanganui o Te Āti Awa and is regarded as a proof of concept for a highly transferable methodology that has the potential to deliver housing at scale.

Acknowledgments

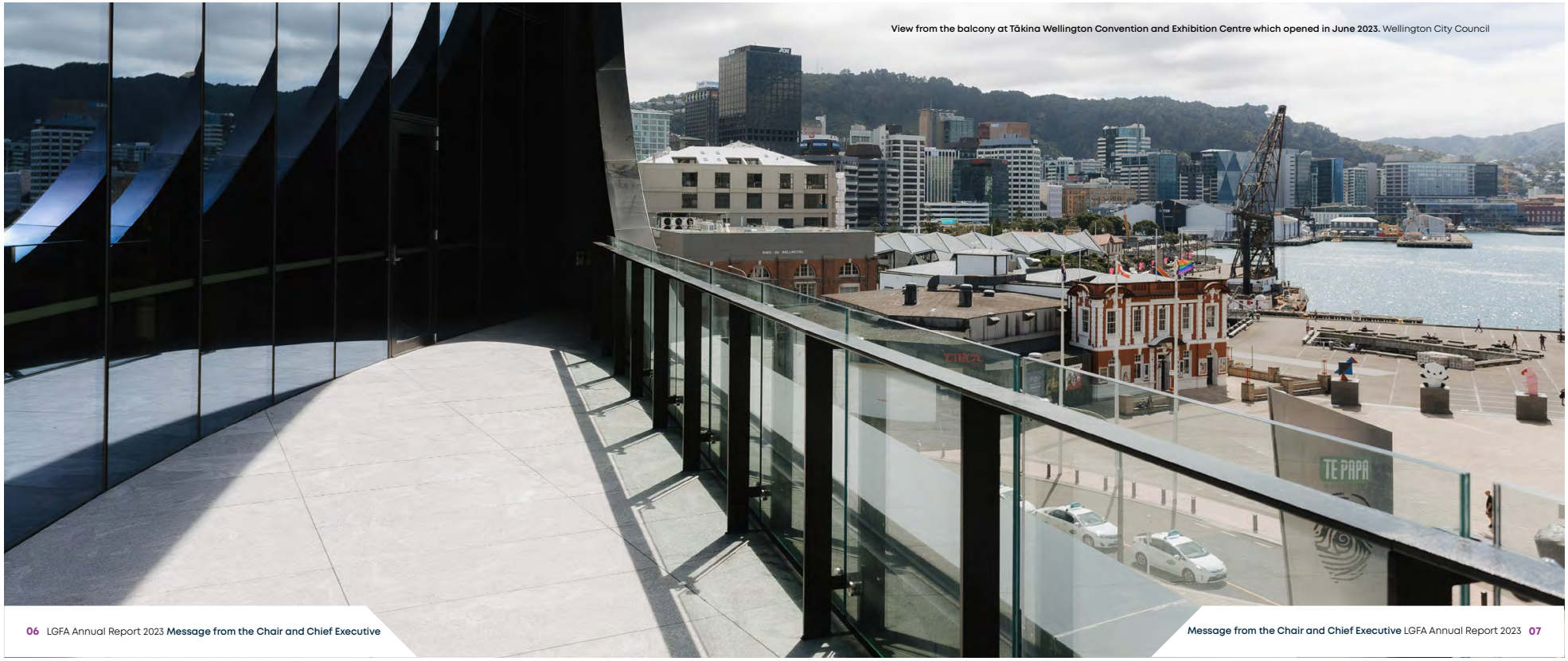
We would like to acknowledge the contribution made to LGFA by John Avery who retired as Director at the November 2022 AGM after eleven years of service. John, an independent director from establishment, played a significant role in developing our culture and guiding the organisation to where it is today, as well as representing the Board on many council visits with staff. We thank John and would like to wish him all the best for his future endeavours.

We acknowledge the support of the wider local government sector as they face several challenges including the uncertainty and additional workload from the proposed Affordable Waters Reform Programme, rising cost pressures and ratepayer affordability issues, the challenges to balance budgets and funding depreciation as well as the impact from North Island weather events.

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

Craig Stobo
Chair

Mark Butcher
Chief Executive



View from the balcony at Tākina Wellington Convention and Exhibition Centre which opened in June 2023. Wellington City Council

Performance highlights

Ko ngā tino hua

Bonds issued over the financial year

$3,533
million

Total interest income

$763.6
million

94%
Increase over 2021-22 year

Lending to members over the financial year

$3,951
million

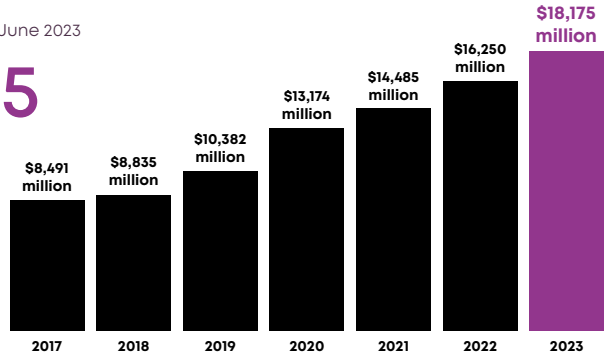
Net operating profit

$2.5
million

77%
Decrease over 2021-22 year

Total assets at 30 June 2023

$18,175
million



Liquidity at 30 June 2023

$226 million
Cash

$1,128 million
Marketable securities

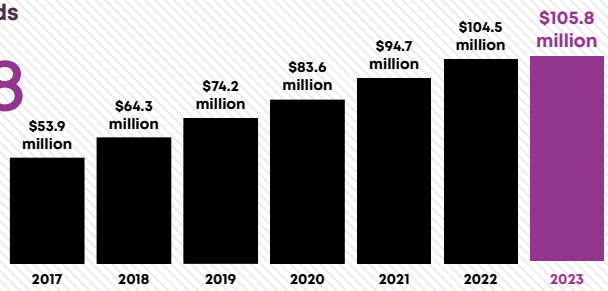
$348 million
Deposits

$1,100 million
Treasury stock for repurchase

$1,500 million
Government committed liquidity facility

Shareholder funds
at 30 June 2023

$105.8
million



Fully paid shares

$25.0
million

Retained earnings

$80.8
million

Borrower notes

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

$360
million

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 2022-25 (SOI)

2022-23 Objectives and performance targets

LGFA objectives and performance targets for 2022-23 fall within the following five strategic priorities which encompass our shareholders' foundation objectives and guide the 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 four quarters ended June 2023 are available on the LGFA website.

Governance, capability and business practice

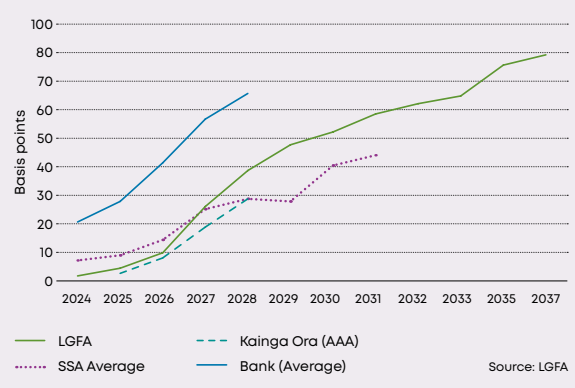
LGFA is committed to best practice corporate governance to ensure its long-term sustainability and success.

Objectives	Our performance to 30 June 2023
Demonstrate best practice corporate governance.	LGFA is committed to demonstrating best practice corporate governance and we report annually on our compliance with the eight core principles underpinning the NZX Corporate Governance Best Practice Code. 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 targets for the year-ended 30 June 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, compliance with the Health and Safety at Work Act, diversity and inclusion and capability and development.

Performance targets	2022-2023 target	Our performance to 30 June 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 upgraded LGFA Foreign Currency Rating to AA+ on 16 Sept 2022. S&P Global Ratings affirmed our domestic currency credit rating at AAA in March 2023.
LGFA's total operating income for the period to 30 June 2023.	> $12.2 million.	✗ Not met. Total operating income $11.6 million at 30 June 2023.
LGFA's total operating expenses for the period to 30 June 2023.	< $9.4 million.	✓ Met. Operating expenses $9.1 million at 30 June 2023.

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 are comparable 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** ASB (AA-) ANZ (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, Climate Action Loans and standby facilities. • Over the year-ended June 2023, our members borrowed $3.95 billion in 380 long term loans across maturity dates ranging between 2023 and 2033. • As at June 2023 there was $548 million short-term loans outstanding to 37 members. • As at June 2023, standby facilities totalled $727 million across 13 members.
Deliver operational best practice and efficiency for lending services.	Over the year-ended 30 June 2023, LGFA operations staff successfully: • settled 2,039 new trades with a gross value of $10.0 billion, • processed 13,527 cash flows with a gross value of $34.0 billion, and • rate set 9,314 existing trades. There were no LGFA settlement errors over the year.
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 year-ended 30 June 2023, we issued $3.553 billion of primary bonds and secondary market turnover totalled $10.5 billion.

Performance targets	2022-2023 target	Our performance to 30 June 2023
Share of aggregate long-term debt funding to the Local Government sector.	> 80%	✓ Met – 93.3% as at 30 June 2023
Total lending to Participating Borrowers.	> $15,004 million	✓ Met – $16,314 million as at 30 June 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 2022 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

Effective management of loans

LGFA will ensure its loan book remains at a high standard by ensuring it understands each participating borrower's financial position. LGFA manages its assets within an appropriate risk management framework to ensure shareholder value is not compromised.

Objectives	Our performance to 30 June 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 year, we reviewed council agendas and management reports on an ongoing basis for all members on the LGFA borrower watch-list. We have received compliance certificates for LGFA covenants from all of our members with debt outstanding at June 2022 and no council has requested that they be measured on a group basis. Some certificates have been provided based upon unaudited financial statements given the delays in providing final audit signoff due to audit shortages.
Endeavour to meet each participating borrower annually, including meeting with elected officials as required, or if requested.	We met with all borrowers over the course of the year.

Performance targets	2022-2023 target	Our performance to 30 June 2023
Review each participating borrower's financial position under LGFA policies.	100%	✓ Met
Arrange to meet each Participating Borrower at least annually, including meeting with elected officials as required, or if requested.	100%	✓ Met

Environmental and social responsibility

LGFA recognises the risks inherent in climate change and supports councils shift to a low-carbon economy. LGFA will exhibit a sense of social and environmental responsibility by having regard to the interests of the community in which it operates and by endeavouring to accommodate or encourage these when able to do so.

Objectives	Our performance to 30 June 2023
Assist the local government sector in achieving their sustainability and climate change objectives.	Over the year to 30 June 2023, we approved GSS loans to Hutt City Council for the Naenae swimming pool, Whangārei District Council for the Civic Centre, and approved our first eligible social lending project for Christchurch City Council's Ōtautahi Community Housing Trust. At 30 June 2023, we had approved five GSS loans with a combined approved value of $562 million of which $294.5 million had been advanced. On 1 December 2022, we launched Climate Action Loans (CALs) which provide a discounted loan margin for members who have implemented a Greenhouse Gas Emission Reduction Plan and meet their emission reduction targets. At 30 June 2023, we had approved CAL loans to Auckland Council, Hutt City Council and Dunedin City Treasury Limited, with combined advances totalling $521 million. In September 2022, LGFA published our report on climate emergencies declared by New Zealand councils over 2019-2020 (16 out of 78), their subsequent responses and any opportunities for LGFA. A copy of this report is available from our website: Review of Climate Emergency Declarations and Responses by Councils.
Improve sustainability outcomes within LGFA.	In 2021, LGFA committed to reducing our carbon emissions over time, with our target of cutting per employee emissions by 30% by 2030, compared with a 2018/19 base year.

Performance targets	2022-2023 target	Our performance to 30 June 2023
Comply with the Health and Safety at Work Act 2015.	No breaches	✓ No breaches.
Maintain Toitū net carbonzero certification.	Net carbonzero certification maintained.	✓ Toitū Net Carbon-zero recertification approved 11 October 2022.
Meet reduction targets outlined in our carbon reduction management plan.	Reduction targets met.	✓ Met. Refer to the emissions table on page 43 that highlights the uncertainties that exist in regards to emission reporting.
Increase our GSS lending book.	Two new participating borrowers enter into GSS loans.	✓ Three new participating borrowers approved for GSS lending.
Ensure Annual Report is prepared in compliance with applicable GRI Standards.	100%	✓ 2023 Annual Report prepared to meet the requirements of the Global Reporting Initiative (GRI) Standards (core option).
Meet all mandatory climate reporting standards.	100%	✓ There are no mandatory climate reporting standards applying at the date of this report. LGFA has elected to prepare this annual report in compliance with the GRI standard (core option).

Industry leadership and engagement

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

Objectives	How we measure our performance
Take a proactive role to enhance the financial strength and depth of the local government debt market and work with key central government and local government stakeholders on sector and individual council issues.	This year we have introduced two new webinars for members: • LGFA Quarterly Update • Economic and Financial Market Update webinars These inaugural webinars were well attended by participants and will be formalised as ongoing quarterly events. Over the year we met with Treasury, the National Transition Unit and Policy teams at DIA (and their advisers) regarding the proposed Affordable Water Reform, working actively on issues relating to the transition of council debt, as well as the borrowing options for the Water Services Entities (WSEs) following transition. In consultation with key stakeholders, we are considering what potential role LGFA could play under the proposed Affordable Waters Reform programme.
Assist the local government sector with significant matters such as COVID -19 response and the proposed Three Waters Reform Programme.	LGFA provided input into the Ratepayer Financing Scheme (RFS) project managed by a group of councils with advice from Cameron Partners. If successful, the RFS could offer temporary financial relief to ratepayers via rates postponement. LGFA is not contributing financially to this project but providing intellectual capital and assistance.
Support councils and CCOs in the development of reporting disclosures of the impacts of sector activity on climate change.	We are continuing work on initiatives to reduce compliance and documentation requirements for members when they borrow. These initiative relate to a universal stock security certificate and delegation of a CEO certificate for borrowing.

About us

Mō mātou

The New Zealand Local Government Funding Agency Ltd (LGFA) specialises in financing the New Zealand local government sector, the primary objective being to optimise the terms and conditions of the debt funding it provides to participating borrowers.

LGFA was established to raise debt on behalf of councils on terms that are more favourable to them than if they raised the debt directly. Since establishment, LGFA has expanded its product suite to include short-dated lending, bespoke lending, standby facilities, sustainable financing alternatives and lending to CCOs. LGFA membership has grown to include 77 out of the 78 councils in New Zealand and has provided 93% of council borrowing in the year to June 2023.

Please refer to our website lgfa.co.nz for more information on LGFA, including our Statement of Intent and Quarterly Reports.

Incorporated on 1 December 2011 under the Companies Act 1993

Enabled by Local Government Borrowing Act 2011

Council-controlled organisation under the Local Government Act 2002

Ownership



80%
30 Councils

20%
New Zealand Government

Share ownership is restricted to New Zealand Government or councils.

Credit rating at 30 June 2023

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

Guarantee structure

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

LGFA's securities obligations are guaranteed by council guarantors.

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

Governance overview

31 Shareholders

30 Councils

80%

New Zealand Government

20%

Shareholders' Council

Page 57

The Shareholders' Council comprises five to ten appointees from shareholders. The role of the Shareholders' Council is to:

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

Board

Page 50

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:

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

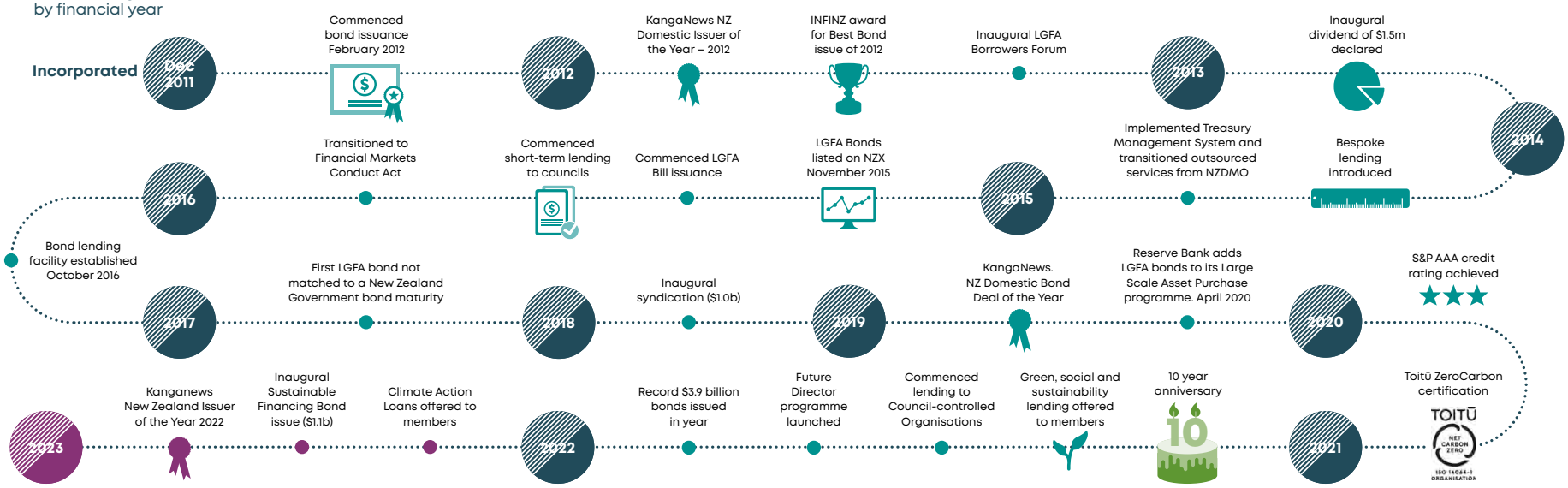
The Board comprises **five independent** directors and **one non-independent** director.

Bonds listed on NZX Debt Market

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

Supervised by independent trustee

Our history
by financial year



LGFA bonds on issue

Ko ngā pūtea taurewa pūmau kua tukuna e te LGFA

How we issue bonds

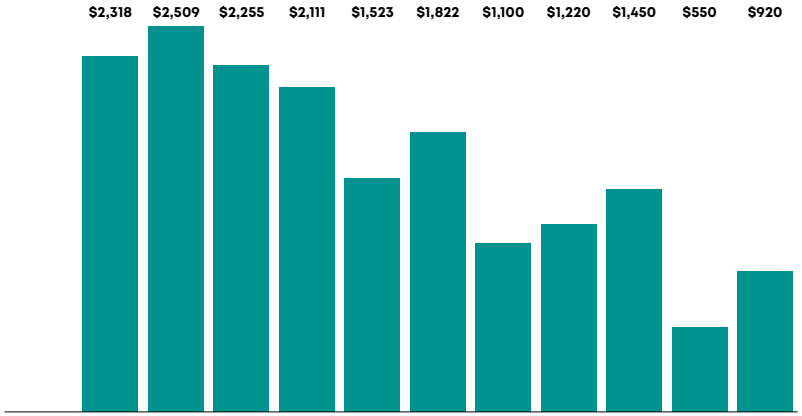
LGFA typically issues a new bond maturity via an initial syndication and then through ongoing regular scheduled tenders.

- Preferred bond tender sizes are between $150 million to $225 million with at least three maturities offered at each tender.
- LGFA bonds match NZGB where possible for maturity and coupon.
- Approved Issuer Levy is paid on behalf of offshore holders.
- Target issuance of $1 billion plus per maturity over time with a cap of $3.0 billion per maturity to support market liquidity.
- All bonds have been issued in New Zealand dollar (NZD) to June 2023, but have capability to issue non-NZD bonds if required.
- All LGFA retail bonds are listed on the NZX.

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

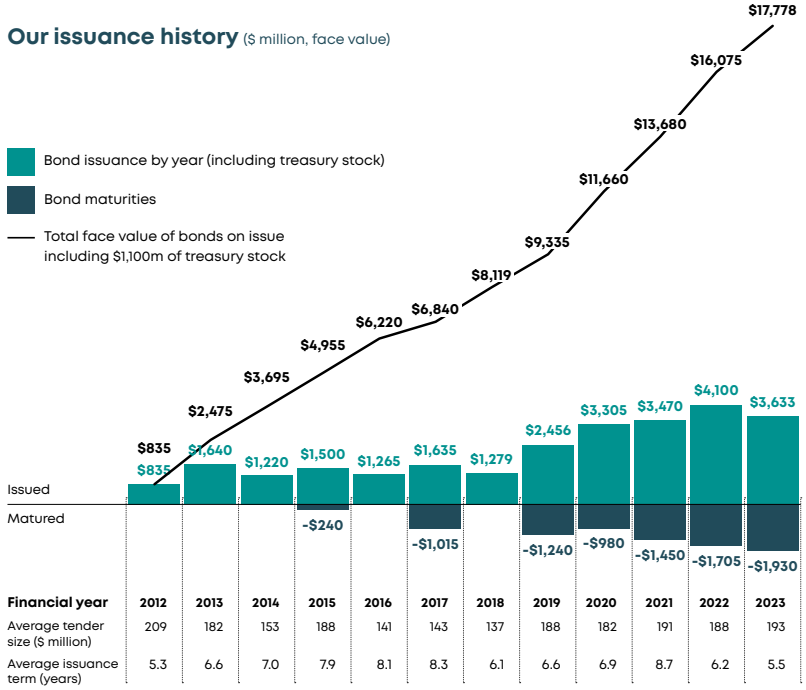
As 30 June 2023 : $17,778 million

Includes $1,100 million treasury stock (refer note 16, page 79)



Maturity	Apr 2024	Apr 2025	Apr 2026	Apr 2027	May 2028	Apr 2029	May 2030	May 2031	Apr 2033	May 2035	Apr 2037
Coupon	2.25%	2.75%	1.50%	4.50%	2.25%	1.50%	4.50%	2.25%	3.50%	3.00%	2.00%
NZX Code	LGF100	LGF070	LGF120	LGF060	LGF150	LGF110	LGF170	LGF140	LGF080	LGF160	LGF130

Our issuance history ($ million, face value)



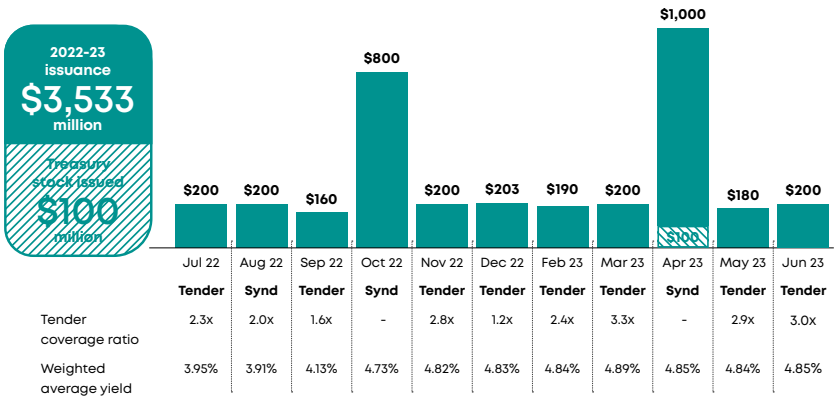
Financial year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Average tender size ($ million)	209	182	153	188	141	143	137	188	182	191	188	193
Average issuance term (years)	5.3	6.6	7.0	7.9	8.1	8.3	6.1	6.6	6.9	8.7	6.2	5.5

2022-23 issuance by maturity ($ million, face value)

LGFA bond issuance by bond maturity over the 12-month period to 30 June 2023

Tenders	Apr 24	Apr 25	Apr 26	Apr 27	May 28	Apr 29	May 30	May 31	Apr 33	May 35	Apr 37	Total
6 Jul 22	-	70	-	70	-	-	-	60	-	-	-	200
10 Aug 22	60	-	50	-	50	-	-	40	-	-	-	200
7 Sep 22	-	60	-	60	-	-	-	-	-	-	40	160
9 Nov 22	50	-	100	-	-	-	-	50	-	-	-	200
14 Dec 22	-	-	90	-	53	-	-	-	60	-	-	203
1 Feb 23	60	-	-	70	-	-	-	60	-	-	-	190
1 Mar 23	50	-	50	-	-	50	-	-	-	-	50	200
10 May 23	-	-	-	60	-	60	-	60	-	-	-	180
7 Jun 23	-	-	50	-	50	50	-	-	-	50	-	200
2022/23 tender issuance	**220**	**130**	**340**	**260**	**153**	**160**	**-**	**270**	**60**	**50**	**90**	**1,733**
2022/23 syndication	**-**	**600**	**-**	**-**	**-**	**200**	**1,000**	**-**	**-**	**-**	**-**	**1,800**
Total 2022/23 issuance	**220**	**730**	**340**	**260**	**153**	**360**	**1,000**	**270**	**60**	**50**	**90**	**3,533**
Prior issuance	1,998	1,679	1,815	1,751	1,270	1,362	-	850	1,290	400	730	13,145
Total bonds excluding Treasury Stock	**2,218**	**2,409**	**2,155**	**2,011**	**1,423**	**1,722**	**1,000**	**1,120**	**1,350**	**450**	**820**	**16,678**
Treasury stock	100	100	100	100	100	100	100	100	100	100	100	1,100
Total bonds on issue	**2,318**	**2,509**	**2,255**	**2,111**	**1,523**	**1,822**	**1,100**	**1,220**	**1,450**	**550**	**920**	**17,778**

2022-23 issuance by month ($ million, face value)



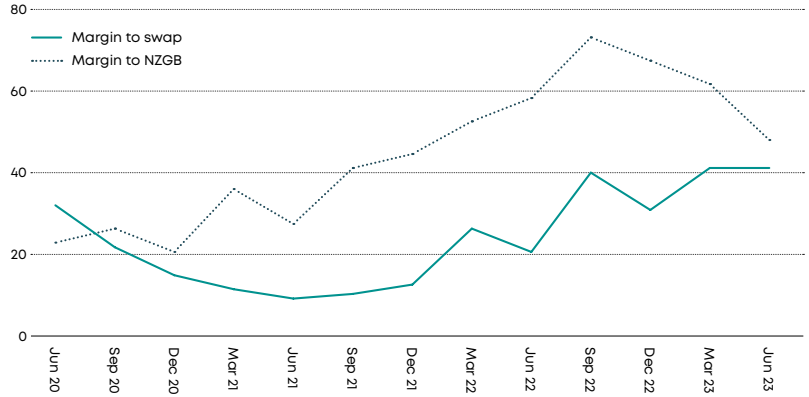
LGFA bond margins (basis points)

LGFA bond margins against swap and NZGB

Margin to swap	Apr 24	Apr 25	Apr 26	Apr 27	May 28	Apr 29	May 30	May 31	Apr 33	May 35	Apr 37
30 June 2022	(10)	(1)	5	16	19	28	N/A	40	49	62	70
30 June 2023	2	5	11	29	43	53	58	65	72	84	88
Annual change	(12)	(6)	(6)	(13)	(24)	(25)	N/A	(25)	(23)	(22)	(18)

Margin to NZGB	Apr 24	Apr 25	Apr 26	Apr 27	May 28	Apr 29	May 30	May 31	Apr 33	May 35	Apr 37
30 June 2022	34	53	55	61	60	61	N/A	66	65	78	79
30 June 2023	41	31	43	47	54	57	56	60	60	64	63
Annual change	(7)	22	12	14	6	4	N/A	6	5	N/A	16

LGFA bond margins to swap over NZGB over the 36 months to 30 June 2023 (basis points)



Average of all LGFA bonds outstanding.

Secondary market levels as at end of each month taken from end of month closing rate sheets published by NZ banks.

LGFA is New Zealand's largest:

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

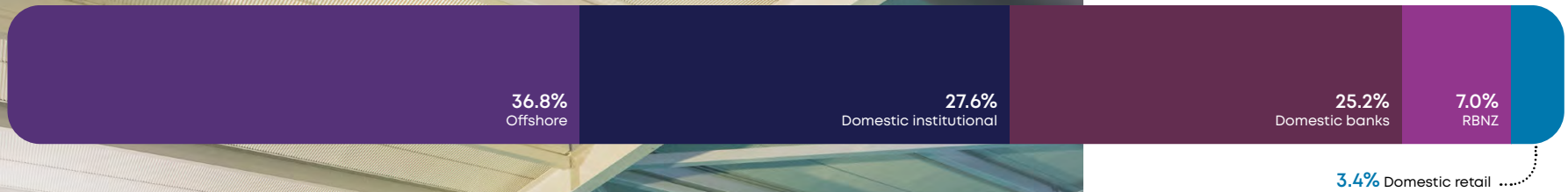
New bond maturities issued in the year to June 2023:

May 2030
4.5% coupon



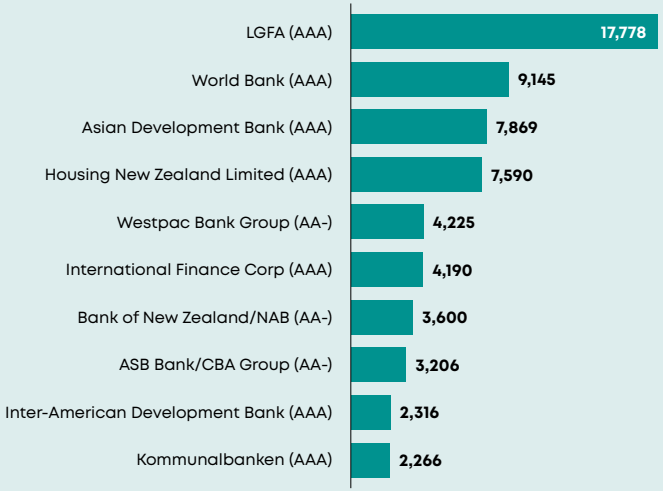
Pool side at Wai o Rua – Stratford Aquatic Centre which opened in October 2022. Stratford District Council

LGFA bond holders by investor group as at 30 June 2023



Largest issuers of NZD bonds by outstandings

excluding NZGB, as at 30 June 2023 ($ million)



LGFA estimate, based on aggregation of Bloomberg sourced data.

LGFA members

Ko ngā LGFA e noho mema ana

LGFA operates with the primary objective to optimise the terms and conditions of the debt funding it provides to participating borrowers.

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

Among other things this includes:

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

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

Total member borrowings at 30 June 2023
($ million)

Member type	Number of councils	Amount borrowed	% of total borrowings
Guarantors	70	16,184	99.0%
Non guarantors	8	167	1.0%
Total	**78**	**16,351**	**100%**

Member	Amount borrowed	% of total borrowings
Auckland Council	3,226	19.7%
Christchurch City Council	2,200	13.5%
Wellington City Council	1,179	7.2%
Tauranga City Council	824	5.0%
Hamilton City Council	804	4.9%
Greater Wellington Regional Council	678	4.1%
Queenstown Lakes District Council	510	3.1%
Hutt City Council	373	2.3%
Rotorua District Council	353	2.2%
Hastings District Council	295	1.8%
57 councils	5,909	36.2%
	16,351	**100%**

Loans to Auckland Council are limited to a maximum of

40%

of total loans

As at 30 June 2023

77 councils **3** council-controlled organisation

were eligible to borrow from LGFA

30 member councils are shareholders

70 member councils were guarantors

THE NUMBERS

Over the 12 months to 30 June 2023

$3,921

million of long term loans

were issued to

66

members

across

380

individual term loans

with an average term of

5.21

borrowing years

At 30 June 2023

$548

million of short term loans

were outstanding to

37

members

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

93%

LGFA's estimated market share of local government debt

LGFA member councils by year of joining

North Island

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

South Island

2011-12	Christchurch City Council	Shareholder
2011-12	Selwyn District Council	Shareholder
2011-12	Tasman District Council	Shareholder
2012-13	Ashburton District Council	Borrower and Guarantor
2012-13	Grey District Council	Borrower and Guarantor
2012-13	Marlborough District Council	Shareholder
2012-13	Nelson City Council	Borrower and Guarantor
2012-13	Queenstown Lakes District Council	Borrower and Guarantor
2012-13	Timaru District Council	Borrower and Guarantor
2012-13	Waimakariri District Council	Shareholder
2013-14	Hurunui District Council	Borrower and Guarantor
2015-16	Buller District Council	Borrower
2015-16	Canterbury Regional Council	Borrower and Guarantor
2015-16	Gore District Council	Borrower and Guarantor
2017-18	Westland District Council	Borrower and Guarantor
2018-19	Clutha District Council	Borrower and Guarantor
2018-19	Invercargill City Council	Borrower and Guarantor
2018-19	Mackenzie District Council	Borrower
2018-19	West Coast Regional Council	Borrower
2019-20	Kaikoura District Council	Borrower
2020-21	Central Otago District Council	Borrower and Guarantor
2020-21	Waitaki District Council	Borrower and Guarantor
2021-22	Otago Regional Council	Borrower and Guarantor
2021-22	Southland District Council	Borrower and Guarantor
2021-22	Waimate District Council	Borrower and Guarantor
2022-23	Dunedin City Council	Borrower and Guarantor
2022-23	Environment Southland Regional Council	Borrower and Guarantor

New member councils

LGFA welcomes the following two councils who joined as eligible borrowers in the year ended 30 June 2023.

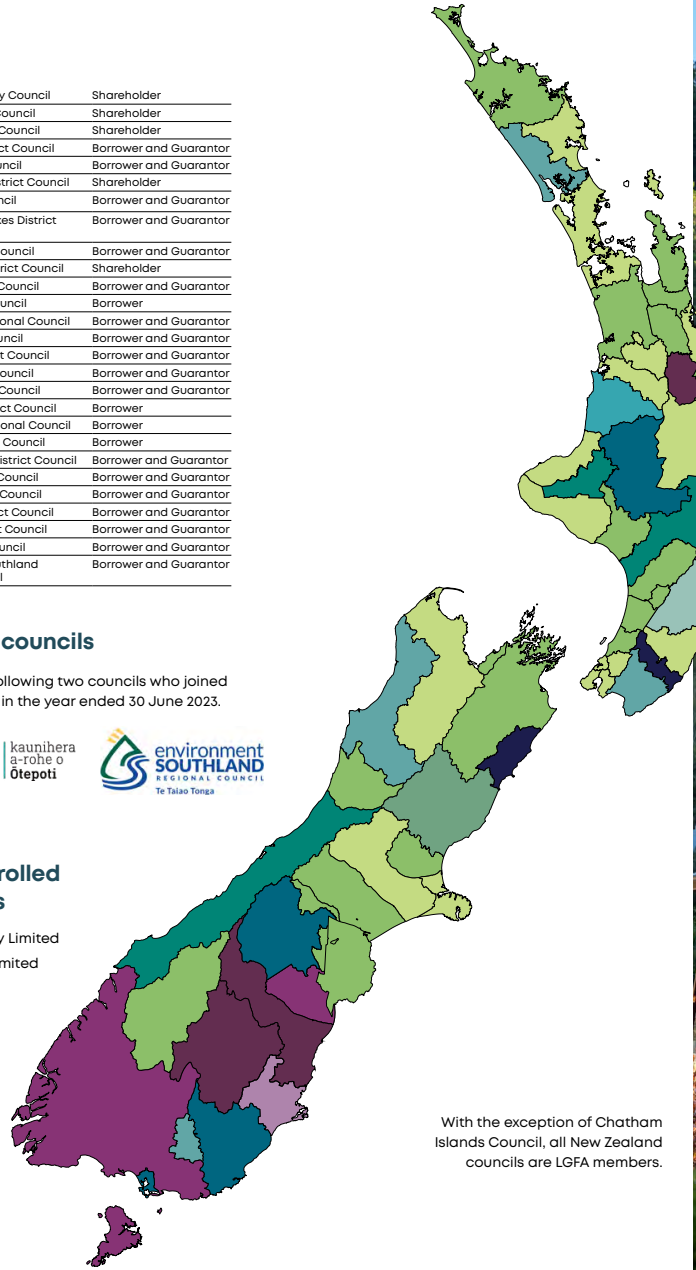
DUNEDIN CITY COUNCIL | kaunihera a-rohe o Ōtepoti

environment SOUTHLAND REGIONAL COUNCIL Te Taiao Tonga

New member Council-controlled organisations

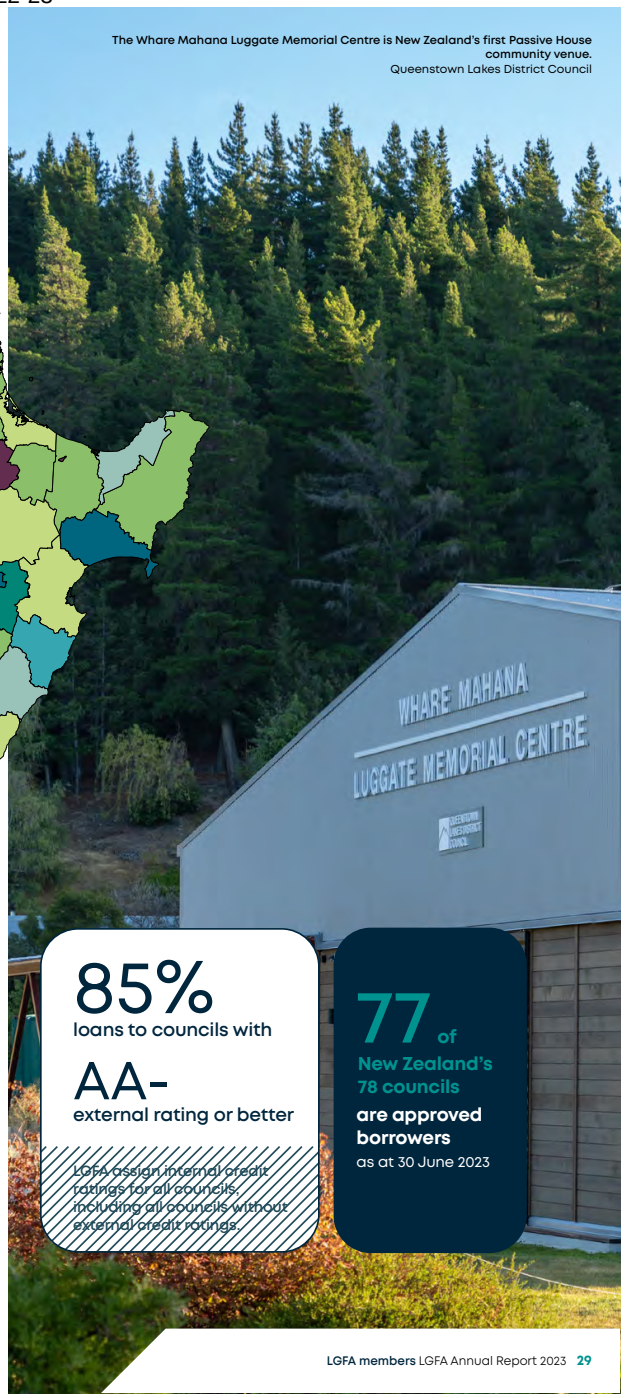
Dunedin City Treasury Limited

Westland Holdings Limited



2011-2012 (18) | 2012-2013 (21) | 2013-2014 (3) | 2014-2015 (3) | 2015-2016 (5) | 2016-2017 (3) | 2017-2018 (3) | 2018-2019 (8) | 2019-2020 (3) | 2020-2021 (5) | 2021-2022 (3) | 2022-2023 (2)

With the exception of Chatham Islands Council, all New Zealand councils are LGFA members.



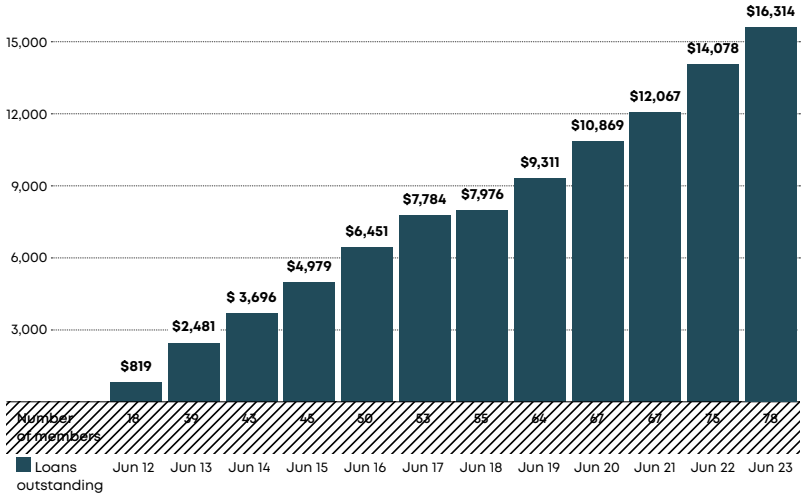
The Whare Mahana Luggate Memorial Centre is New Zealand's first Passive House community venue.
Queenstown Lakes District Council

85%
loans to councils with
AA-
external rating or better

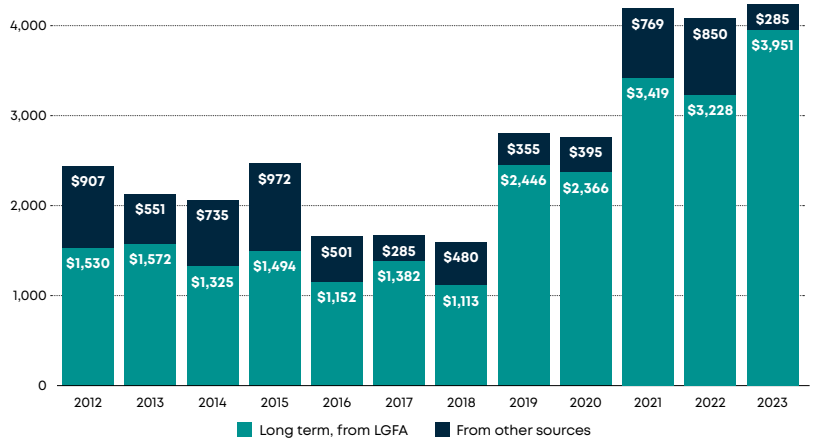
LGFA assign internal credit ratings for all councils, including all councils without external credit ratings.

77 of New Zealand's 78 councils **are approved borrowers** as at 30 June 2023

Loans to members outstanding ($ million, nominal)



Borrowing by members ($ million, nominal)





He Puna Taimoana. The New Brighton hot saltwater pools are a key development in the New Brighton Regeneration Project.
Christchurch City Council

Community housing project
Hastings District Council

Sustainability at LGFA

Te toitūtanga kei te LGFA

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

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

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

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

Sustainability Committee

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

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

Independent members of the LGFA Sustainability Committee at 30 June 2023

Alison Howard
Erica Miles
Chris Thurston
David Woods

Our material issues

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

LGFA's materiality issues were determined with the assistance of Proxima, an independent sustainability consultancy. LGFA's material issues, unchanged from last year, reflect our increasing focus on sustainability.

Our organisation

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

Responsible finance

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

Our environment

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

Climate-related disclosure framework

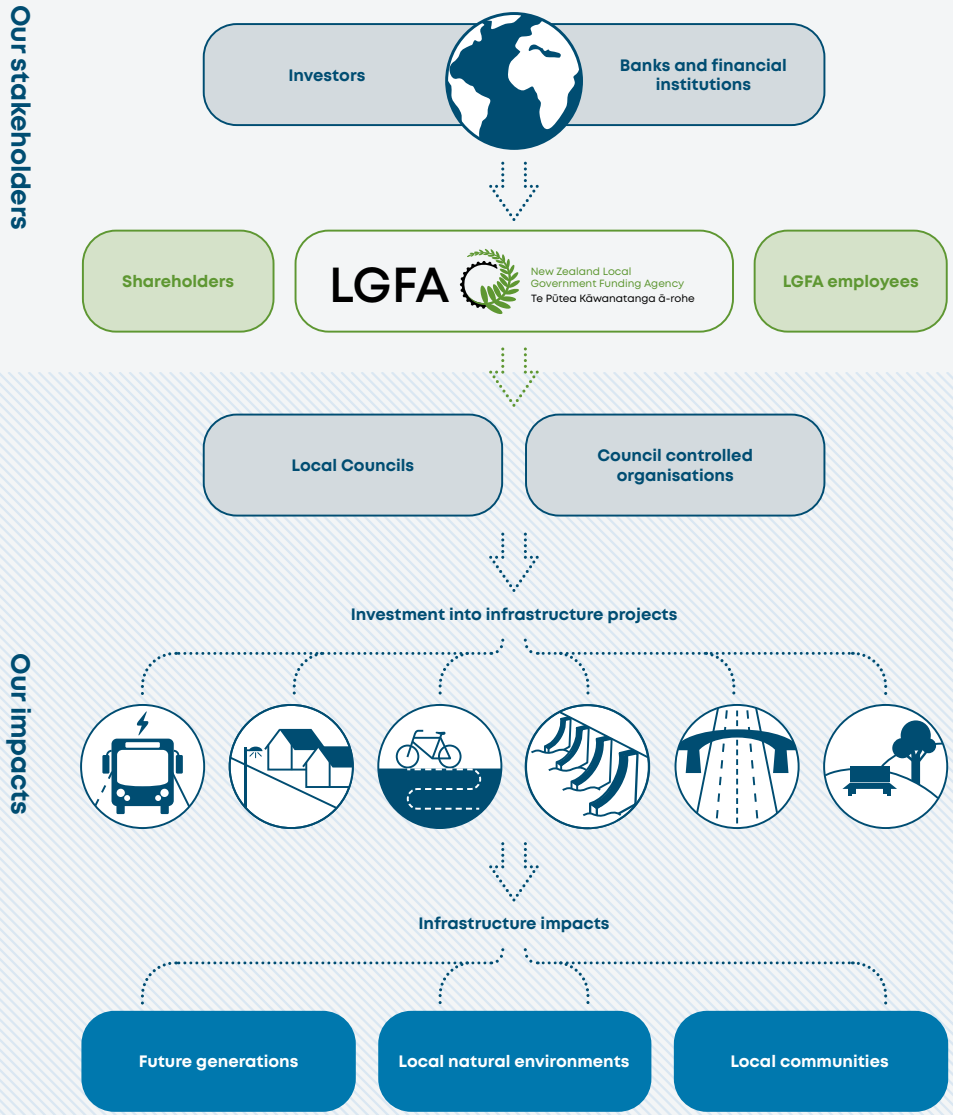
The Financial Sector (Climate-related Disclosures and Other Matters) Amendment Act 2021 makes it mandatory for climate reporting entities to produce climate statements according to disclosure standards in the Aotearoa New Zealand Climate Standards issued by the External Reporting Board in December 2022.

LGFA is a designated Climate Reporting Entity as it is a listed issuer of quoted debt securities with a combined face value of quoted debt exceeding $60 million.

Climate Reporting Entities are required to make annual disclosures covering governance arrangements, risk management, strategies and metrics and targets for mitigating and adapting to climate change impacts.

The mandatory reporting regime takes effect for accounting periods that start on or after the 1 January 2023. This means that LGFA will be required to disclose according to the standard for the accounting period commencing on 1 July 2023, with our first climate statement as part of our 2024 Annual Report.

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



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

Through our sustainable lending products, LGFA continues to work with members to better understand the environmental footprint for each council, as well as identifying where they are undertaking climate reduction initiatives.

Promoting environmental and social stewardship

LGFA recognises the emerging risks for councils from climate change and supports their commitment towards improving sustainable outcomes for local communities. LGFA supports member councils and council-controlled organisations (CCOs) on financing projects to build towards a more sustainable and resilient society. As the primary lender to the local government sector, LGFA finances members' core investment into improving New Zealand's infrastructure and services to residents and visitors. By extension, these members' investments form an important element of LGFA's sustainability context.

Industry collaboration and engagement

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

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

As at June 2023

Sustainable Financing Bond	Green, social & sustainable loans	Climate action loans
$1.1 billion	$295 million	$521 million

Our Sustainability timeline

- **Apr 2021** — Head of Sustainability appointed
- **Jun 2021** — Toitū Envirocare net carbonzero certification
- **Sep 2021** — Sustainability Committee established
- **Oct 2021** — Green, Social And Sustainability Lending launch
- **Dec 2021** — First GSS Loans approved
- **Dec 2022** — Climate Action Loans launch
- **Mar 2023** — Sustainable Financing Bond Framework established
- **May 2023** — First Climate Action Loans approved
- **Apr 2023** — Inaugural Sustainable Financing Bond issued

LGFA Sustainable Financing Bond Framework

In March 2023, LGFA announced our Sustainable Financing Bond Framework.

The Framework outlines the process by which LGFA will issue and manage sustainable financing bonds that will be notionally allocated to a pool of Sustainable Loans that meet the eligibility criteria set out in the Framework.

Launching the Framework enables LGFA to:

- demonstrate its commitment to support council and CCO borrowers to fund sustainable assets and activities, and incentivise GHG emissions reductions;
- issue bonds that are notionally allocated to the Sustainable Loans on LGFA's balance sheet; and
- advance the market for sustainable finance by providing an innovative opportunity for investors to support council and CCO borrowers to achieve their sustainability aspirations.

The Framework follows the proceeds-based pillars of the general market standards for sustainable finance, namely the International Capital Markets Association's Green Bond Principles (GBP), Social Bond Principles (SBP), and Sustainability Bond Guidelines (SBG). However, LGFA does not claim direct alignment of the Framework with these principles as the pool of Sustainable Loans comprises both GSS Loans and CALs together in the same asset pool.

Sustainable loans are made by LGFA to member councils and CCOs under the Green, Social and Sustainability (GSS) Lending Programme and the Climate Action Loans (CALs) Programme.

The Framework is supported by a Second Party Opinion (SPO) provided by Sustainalytics.

In April 2023, LGFA completed the inaugural issue of $1.1 billion of Sustainable Financing Bonds maturing 15th May 2030.

Sustainable lending products

Offering members with innovative sustainable lending products aligns to LGFA's commitment to display sector leadership on sustainable lending and incentivising member councils and CCOs to progress sustainability issues.

Our sustainable lending products comprise Green, Social and Sustainable lending and Climate Incentive Loans.

Green, social and sustainability lending

A commitment to assist our members to finance projects that promote environmental and social wellbeing in New Zealand.

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

Our green, social and/or sustainability (GSS) lending programme, launched in 2021, provides funding for our members across the following nine green project categories and three social project categories:

Green Project Categories

- Energy Efficiency
- Green Buildings
- Clean Transportation
- Sustainable Water and Wastewater Management
- Renewable Energy
- Pollution Prevention and Control
- Sustainable Management of Living Natural Resources and land use and Use
- Climate Change Adaptation
- Terrestrial and Aquatic Biodiversity Conservation

Social Project Categories

- Affordable Basic Infrastructure-Clean Water, Sewer, Transport
- Access to Essential Services-Education, Healthcare
- Affordable Housing

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

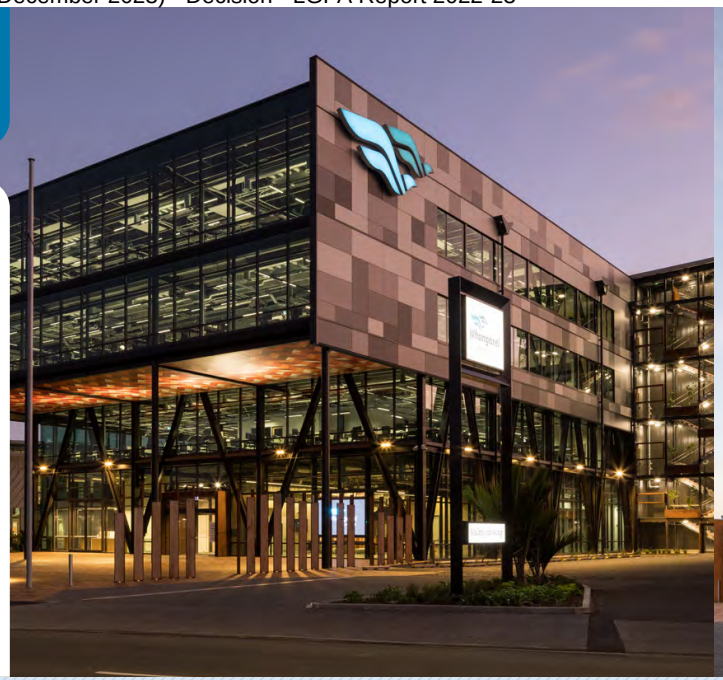
Climate Action Loans

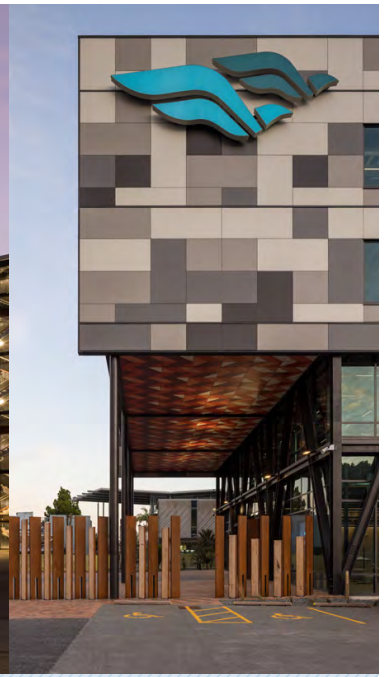
A commitment to incentivise our members to act on climate change and reduce greenhouse gas emissions.

LGFA launched its Climate Action Loans (CALs) lending programme in December 2022. CALs are target-based lending structures designed to incentivise councils and council-controlled organisations (CCOs) to act on climate change and reduce greenhouse gas (GHG) emissions.

A CAL rewards a borrower through a lending margin discount if they have adopted an Emission Reduction Plan setting out specific Emissions Reduction Targets for their operational greenhouse gas emissions at member council or CCO level. CALs are available for all members, including those who may not have eligible projects to access Green, Social and Sustainability (GSS) loans.

LGFA are pleased to welcome Hutt City Council, Whangārei City Council and Christchurch City Council as new lenders under the GSS programme.





Whangārei Civic Centre
Whangārei District Council

Whangārei District's new civic building has been designed to provide a welcoming, inclusive and easily accessible customer experience. The building has also been designed to be sustainable and to strongly reflect Whangārei's cultural identity and heritage. The building will be a central hub for local government-related activities, including:

- democratic processes;
- customer services;
- administrative functions;
- council staff; and
- Northland Transport Alliance staff.

In addition to the sustainable aspect of the building, a solar array system was designed to specifically meet Whangārei District Council's requirements and according to the roof space available for the Civic Centre.

The building also has a number of innovative aspects including a Green wall / Fire Stairs. The fire escape stairs on each side of the building have a 4-storey green wall utilising an endangered species from the Three Kings Islands, with the plants irrigated via rainwater harvesting from the roof.

Cultural connections – The building and surrounding landscape incorporates a very strong cultural narrative, with a Roopu Kaumatua group representing local hapū involved throughout the design process. As well as influencing design themes, this input has led to specific construction features that support tikanga Maori, such as the siting of ablution, cooking and eating spaces throughout the building; as well as the choice of materials used.



Naenae Pool and Fitness Centre
Hutt City Council

The rebuild of the existing Naenae Pool and Fitness Centre with a new swimming pool that will be 65% bigger than the old pool and will be much more energy efficient with up to 53% reduction on energy use. Due to open in July 2024, the Naenae Pool and Fitness Centre will have the following sustainability design features:

- A building that is resilient to the impacts of a changing climate and natural disasters;
- High quality indoor air quality and high standards of acoustic, lighting, visual and thermal comfort;
- EV parks with charging points and secure bicycle stands;
- Ground-water source heat pumps;
- High efficiency heat recovery air-handling units providing dehumidification and air conditioning;
- High efficiency window and glazing suites.

Hutt City Council Chief Executive Jo Miller said "caring for and protecting the environment was one of the six key priorities in the Council's 10-year-plan. A key driver across the Naenae Pool and Fitness Centre planning was sustainability, not just during the life of the project build but also for the future operation of the facility.

Being part of the LGFA GSS funding programme recognises all the work the team has put in to deliver a greener facility with the additional benefit of cost savings across the life of the loan. This is a win-win situation for our ratepayers who get a state-of-the-art pool and fitness centre with savings because of our determination to build greener. We continue to improve the infrastructure across the city which was a main element of feedback on our 10-year-plan while being financial prudent and finding savings where we can – this all supports building a better place to live for Hutt residents."



Ōtautahi Community Housing Trust – Affordable Housing Project
Christchurch City Council

The Ōtautahi Community Housing Trust (ŌCHT) is the second largest Community Housing Provider in New Zealand. ŌCHT is a charitable trust offering affordable homes and building sustainable communities across greater Ōtautahi. ŌCHT's objective is to deliver a tenant-centric service and a financially sustainable portfolio. In doing so, it wants to improve and grow community housing in Christchurch. It is a Charitable Trust, so surpluses are reinvested into community housing.

ŌCHT was formed in 2016 out of Christchurch City Council's (CCC's) wish for a financially sustainable model for its social housing portfolio. CCC passed the management of about 2,300 units across to the ŌCHT.

Part of ŌCHT's programme is to build at least 400 units to replace those lost due to the Canterbury earthquakes and the GSS Loan provided by LGFA financed the build of these properties. The Ministry of Housing and Urban Development supports the development and ŌCHT is contracted to provide homes for people on the Public Housing Register.

Taituarā LGFA Local Government Excellence Awards

This year we are delighted to announce that Hutt City Council won the 2023 LGFA Supreme Award for its Takai Here Tāngata initiative.

The Takai Here Tāngata initiative led by the Hutt City Council (HCC), Kahungunu Whānau Services, Te Rānanganui o Te Āti Awa, and Urban Plus Limited (UPL) had the goal of putting more people into permanent housing.

Takai Here Tāngata (the binding of people together) signifies how through collaboration and partnership new pathways and practices can be created to enable healthy, thriving, secure, and affordable homes to be built across Lower Hutt.

"HCC is incredibly proud of our partnership and are delighted to see nineteen whānau now living in purpose-built environmentally friendly homes.

The housing of mana whenua and all our people has been identified by the partners as a key priority. Housing has a major impact on people, providing for improved quality of life, stability, and better health outcomes, and ultimately it enables our whānau to have a greater say in determining their own well-being and futures."







Deliver efficient and cost-effective funding

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

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

A key indicator of satisfaction with service and pricing to members is LGFA's estimated overall market share for council lending. Since our incorporation in 2011, LGFA has firmly established itself as the prime lender to the local government sector, with a current estimated market share in excess of 90% of local government debt.

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

Over the last seven years, there has been an improving trend in the underlying credit quality of New Zealand's council sector. As at June 2023, 34 members had current external credit ratings, with 85% of all LGFA loans being held by AA- rated councils and CCOs or better.

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

Best practice and influence

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

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

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

Over the reporting year, LGFA operations processed over 13,500 transactions with total gross cash flows in excess of $34 billion without error. Where possible, LGFA employ straight-through processing to minimise operational risk across our treasury operations.

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

Responsible investment

Our Responsible Investment Policy commits to investing responsibly by incorporating environmental, social and governance (ESG) factors into its investment analysis and decision-making processes relating to the management of the liquid assets portfolio.

Sustainable business practices

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

Total carbon emission intensity for year ended June 2023

Total carbon emissions	Emissions (tC)2e)		Variance (change %)	
	FY 23	FY 22	To FY 22	To Base year
Verified				
Scope 1	0.00	0.00	--	--
Scope 2	3.04	2.48	+23%	+24%
Scope 3	50.52	39.75	+27%	-63%
Total	**53.56**	**42.23**	**+27%**	**-61%**

In aggregate, our scope 1 and 2 emissions are minimal, with scope 3 air travel, at 90% of total, representing the significant majority of our 2022/23 emissions. The increase in our travel-related emissions over 2021/22 followed the full lifting of Covid travel restrictions which facilitated the first opportunity since Covid to visit key offshore investors. While a certain level of air travel is essential for our business, we have achieved a substantial reduction over our base year. We constantly review options to reduce air travel where practical, including the recent introduction of one virtual Board meeting, increased use of hybrid meetings (in-person and virtual attendance) as well as offering a virtual option for members attending our annual Shareholder and Borrowers' day.

The scope of the emissions disclosure includes all activities within the operational boundaries of LGFA including its offices in Wellington and Auckland. LGFA has measured the emissions resulting from its operational activities, purchased energy, and selected impacts from its value chain activities, including business travel, freight, and waste sent to landfill. It is noted that there are a range of activities that have previously been shown to be de minimis and these are excluded from the scope of the inventory. GHG quantification is subject to inherent uncertainty because of incomplete scientific knowledge used to determine emissions factors and the values needed to combine emissions of different gases.

Toitū net carbonzero certification

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

TOITŪ NET CARBON ZERO ISO 14064-1 ORGANISATION

Kauri 2000

Kauri 2000 was established in 1999 as a project to celebrate the start of the new millennium by planting 2000 kauri on the Coromandel Peninsula. To date the Trust has planted over 55,500 trees and continues to plant kauri throughout the Coromandel. LGFA donates to Kauri 2000 on an annual basis to assist the Trust with their planting programme. In 2023, LGFA donated $4,000.

KAURI 2000

Governance and culture

Te whakaruruhau me te ahurea

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

LGFA governance policies and documents

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

NZX Corporate Governance Best Practice Code

LGFA is a listed issuer on the NZX Debt Market and complies with the eight core principles underpinning the NZX Corporate Governance Best Practice Code (1 April 2023).

LGFA considers that its governance practices have not materially differed from the NZX Code for the year ended 30 June 2023. Areas where LGFA has implemented alternative measures to the Code are as follows:

An issuer should establish a nomination committee to recommend director appointments to the board.	The process for the nomination and remuneration of directors is documented in the Constitution of New Zealand Local Government Funding Agency Limited and outlined on page 54.
An issuer should have a remuneration committee which operates under a written charter.	

Our purpose

Benefiting local communities through delivering efficient financing for local government.

Our values
Ō mātau uara



We act with integrity
E pono ana mātau

We are honest, transparent and are committed to doing what is best for our customers and our company



We are customer focused
E arotahi ana mātau ki te kiritaki

Our customers are our council borrowers, investors, and all other organisations that we deal with. We listen to them and act in their best interests to deliver results that make a positive difference



We strive for excellence
E whakapau kaha mātau kia hiranga te mahi

We strive to excel by delivering financial products and services that are highly valued at least cost while seeking continuous improvement in everything we do.



We are innovative
He auaha mātau

To meet our ever-changing customer requirements, we will encourage innovation and provide a diverse range of financial products and services.



We provide leadership
He kaiārahi mātau

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

Culture, ethics and governance

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

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

Code of Ethics

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

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

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

Protected Disclosures and Whistle Blowing

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

Financial Products Trading Policy

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

Transparency and disclosure

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

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

LGFA is committed to ensuring the highest standards are maintained in financial reporting and disclosure of all relevant information. Transparency in how we operate is core to achieving our shareholders' objectives as well as for our wider stakeholders including investors, banks and other financial intermediaries and the credit rating agencies. As such, transparency in how we operate is reflected in operating requirements outlined in our foundation documents, including the Constitution, Shareholders' Agreement and Board Charter, as well as Company policies on Continuous Disclosure, Financial Products Trading, and Protected Disclosures and Whistle Blowing.

LGFA demonstrates transparency through its annual Statement of Intent (SOI) and quarterly reporting to shareholders on its performance against the objectives set out in the SOI.

The Audit and Risk Committee has responsibility to provide assurance to the Board that due process has been followed in the preparation and audit of the financial statements and to ensure there are appropriate processes and activities to ensure compliance with relevant regulatory and statutory requirements.

LGFA has adopted a formal Continuous Disclosure Policy, the requirements of which ensure that we meet the continuous disclosure requirements of the NZX Listing Rules, including the disclosure for material environmental, social and governance (ESG) factors.

The GRI sustainability reporting standards are the most widely adopted global standards for sustainability reporting and this year's annual report has been prepared to meet the requirements of the Global Reporting Initiative (GRI) Standards (core option).

Audit and Risk Committee

The Audit and Risk Committee is a committee of the Board.

The Audit and Risk Committee is governed by its own Charter which states that the purpose of the Committee is to provide advice, assurance and observations to the Board relating to the effectiveness and adequacy of internal control and risk management systems, processes and activities across LGFA. The Committee assists the Board to fulfil its duties by considering, reviewing and monitoring:

- Risk management framework and processes;
- Internal control environment and mechanisms;
- Operations and effectiveness of the internal audit function;
- Preparation and audit of financial statements;
- Integrity of performance information, including financial reporting;
- Governance framework and process;
- Policies, processes and activities to ensure compliance with legislation, policies and procedures; and
- Statutory/regulatory disclosure and reporting and performance against Statement of Intent targets.

Audit and Risk Committee members are appointed by the Board. Membership comprises at least three directors, the majority of whom must be independent.

Internal audit

LGFA has an internal audit function to provide assurance that its risk management, governance and internal controls are operating effectively.

The Audit and Risk Committee has responsibility for oversight of the internal audit function, including:

- Reviewing the Internal Audit Charter, the operations of the internal audit and organisational structure of the internal audit function;
- Approving the annual audit plan;
- Reviewing the effectiveness of the internal audit function; and
- Meeting separately with the internal auditor to discuss any matters that the Audit and Risk Committee or Internal Audit considers should be discussed privately.

External audit

The external audit of LGFA is conducted in accordance with Section 14 of the Public Audit Act 2001, including the appointment of the external auditors of LGFA by the Auditor-General.

The Audit and Risk Committee has responsibility for all processes relating to the audit of financial statements, including the setting of audit fees and ensuring the independence and objectivity of the auditors.

The external audit of LGFA is conducted in accordance with a formal external audit plan which is reviewed and approved by the Audit and Risk Committee on an annual basis. The external auditor attends LGFA's Annual General Meeting.

Our team

Health, safety and wellbeing

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

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

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

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

Capability and development

LGFA is committed to ongoing education and professional development for staff and directors by funding professional development courses, membership of professional bodies and attendances at industry conferences.

The Future Director programme, launched in 2021 by the Board and Shareholder Council, aims to give talented people within the Local Government sector with an interest in corporate governance the opportunity to observe and participate in Boardroom discussions for an 18-month period. The Future Director actively participates at Board meetings, but they have no voting rights. Anita Furniss commenced on 1 July 2022 as the inaugural Future Director.

Diversity and inclusion

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

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

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

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

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

2023	Female	Male
Board	2	4
Staff	3	6

2022	Female	Male
Board	1	5
Staff	3	6

2023	Under 30 years	30-50 years	Over 50 years
Board	-	-	100%
Staff	12%	22%	60%

2022	Under 30 years	30-50 years	Over 50 years
Board	-	-	100%
Staff	12%	22%	60%



LGFA Board of Directors

From left: Anthony Quirk, Alan Adcock, Linda Robertson, Craig Stobo, Helen Robinson, Philip Cory-Wright. Absent Anita Furnis (Future Director).



LGFA Staff

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

Our Board

The LGFA Board Charter sets out the roles and responsibilities of the Board. The Charter states that role of the Board is to ensure that LGFA achieves its goals. Having regard to its role, the Board will direct, and supervise the management of the business and affairs of LGFA, including:

- ensuring that LGFA's goals are clearly established, and that strategies are in place for achieving them;
- establishing policies for strengthening LGFA's performance;
- ensuring strategies are in place for meeting expectations set out in the current Statement of Intent and monitoring performance against those expectations, in particular LGFA's primary objective to optimise the debt funding terms and conditions for participating borrowers;
- monitoring the performance of management;
- appointing the CEO, setting the terms of the CEO's employment contract and, where necessary, terminating the CEO's employment;
- deciding on whatever steps are necessary to protect LGFA's financial position and the ability to meet its debts and other obligations when they fall due, and ensuring that such steps are taken;
- ensuring that LGFA's financial statements are true and fair and otherwise conform with law;
- ensuring that LGFA adheres to high standards of ethics and corporate behaviour; and
- ensuring that LGFA has appropriate risk management/regulatory compliance policies in place. In the normal course of events, day-to-day management of LGFA will be in the hands of management. The Board will satisfy itself that LGFA is achieving its goals, and engaging and communicating with Shareholders Council; and
- engaging and communicating with shareholders.

Board composition

The Board comprises five independent directors and one non-independent director. An independent director is a director who, within five years prior to appointment, was not an employee of any shareholder, employee of a council-controlled organisation owned by a shareholder, or a councillor of any local authority which is a shareholder.

The directors of LGFA as at 30 June 2023



Craig Stobo
Independent Chair
BA (Hons) Economics First Class, Otago; C.F.Inst.D
Associate Member CFA Society New Zealand

Craig has worked as a diplomat, economist, investment banker and Chief Executive Officer of BT Funds Management (NZ) Limited. He has completed the Advanced Management Programme at Wharton Business School in Philadelphia, authored reports to the New Zealand Government on the Taxation of Investment Income (which led to the PIE regime), and the creation of New Zealand as a funds domicile. He currently chairs the listed companies Precinct Properties New Zealand Limited and NZ Windfarms. He has directorship and private equity interests in financial services and other businesses.

Director
Precinct Properties New Zealand
NZ Windfarms
Appello Services
Director/Shareholder
Biomarine Group
Elevation Capital Management
Legend Terrace
Saturn Portfolio Management
SouthWest Trustees
Managing Director/Shareholder
Stobo Group



Alan Adcock
Non-Independent Director
Member Audit and Risk Committee
B.Com, MBA (with Distinction)

Alan has over 35 years' experience in the financial services and local government sectors at executive level, with over twenty years in banking, insurance and funds management followed by his current role as General Manager Corporate / CFO at Whangārei District Council.

His involvement with LGFA began in its initial planning stage, as a representative of the 'tight nine' councils that worked together to turn the concept into reality in 2011. He was an inaugural member of the Shareholders' Council, which he chaired from 2014 before joining the Board in 2021.

Chief Financial Officer
Whangārei District Council
Director
Whangārei Waste Limited



Philip Cory-Wright
Independent Director
Member Audit and Risk Committee
LLB (Hons), BCA Business Management, INFINZ (Cert), C.F.Inst.D

Philip is a solicitor of the High Court of New Zealand and Victoria. He has worked as a corporate finance adviser in New Zealand to the corporate sector on debt and equity matters for more than 30 years. He is currently a director of NZ Windfarms, Powerco, Matariki Forests, South Port New Zealand and Papa Rererangi I Puketapu (New Plymouth Airport). Philip is also a strategic adviser to clients in the energy and infrastructure sectors. He was a member of the Local Government Infrastructure Expert Advisory Group tasked with advising the Minister of Local Government on improvements in local government infrastructure efficiency.

Director
Matariki Forest Group
Papa Rererangi i Puketapu (New Plymouth Airport) (Chair)
NZ Wind Farms
Para Bidco
Powerco
South Port New Zealand



Anthony Quirk
Independent Director
Member Audit and Risk Committee
BCA Hons (First Class), INFINZ (Fellow), M.Inst.D

Anthony is an experienced financial services sector professional with extensive executive experience in the sector. He has a varied portfolio of governance interests with an emphasis on areas that improve or contribute to communities. He is a Fellow of the Institute of Finance Professionals New Zealand (INFINZ) and is a former Chairman of that organisation. He was previously Chair of the Asset Management Advisory Board of the New Zealand Exchange, Deputy Chair and Board member of the New Zealand Society of Investment Analysts and a previous member of the Financial Reporting Standards Board of the New Zealand Society of Accountants.

Chair
Milford Asset Management Limited (and some associated subsidiaries)
Humanitix, New Zealand

Trustee
Milford Foundation



Linda Robertson
Independent Director
Chair Audit and Risk Committee
B.Com, Dip Bank, INFINZ (Distinguished Fellow), C.F.Inst.D, GAICD, FGNZ

Linda is professional company director with over 20 years governance experience, combined with 30 years senior financial management experience having worked in both the banking and energy sectors in New Zealand.

Linda holds a Bachelor of Commerce Degree and a Diploma in Banking. Linda is a Distinguished Fellow of the Institute of Finance Professionals New Zealand (INFINZ), a Graduate Member of the Australian Institute of Company Directors, a Certified Fellow of the Institute of Directors in New Zealand and a Fellow of Governance NZ.

Linda is currently chair of Crown Irrigation Investments, Central Lakes Trust and Central Otago District Council's Audit and Risk Committee. She is a director of Horizon Energy, Invercargill City Holdings, Kordia, SBS Bank and Alpine Energy. Linda is also a member of the Capital Markets Advisory Committee and the Risk and Audit Committee of The Treasury; and the Audit and Risk Committee of the Office of the Auditor General.

Chair
Central Lakes Trust and associated subsidiary
Central Otago District Council, Audit & Risk Committee
Crown Irrigation Investments Limited

Director
Alpine Energy Limited and associated subsidiary
Kordia Group Limited
Invercargill City Holdings Limited and associated subsidiary
Horizon Energy Distribution Limited and associated subsidiaries
Southland Building Society (SBS Bank) and associated subsidiary

Member
Office of the Auditor-General and Audit New Zealand, Audit and Risk Committee
The Treasury, Capital Markets Advisory Committee
The Treasury, Risk and Audit Committee



Helen Robinson
Independent Director
Member Audit and Risk Committee
ONZM

Helen is an experienced business leader locally and internationally mostly in the technology and sustainability sectors. Helen was Managing Director of Microsoft New Zealand, VP of Pivotal Corporation Asia Pacific and Managing Director, Markit Group (now S&P Global). Helen founded and was CEO for Organic Initiative Ltd (Oi).

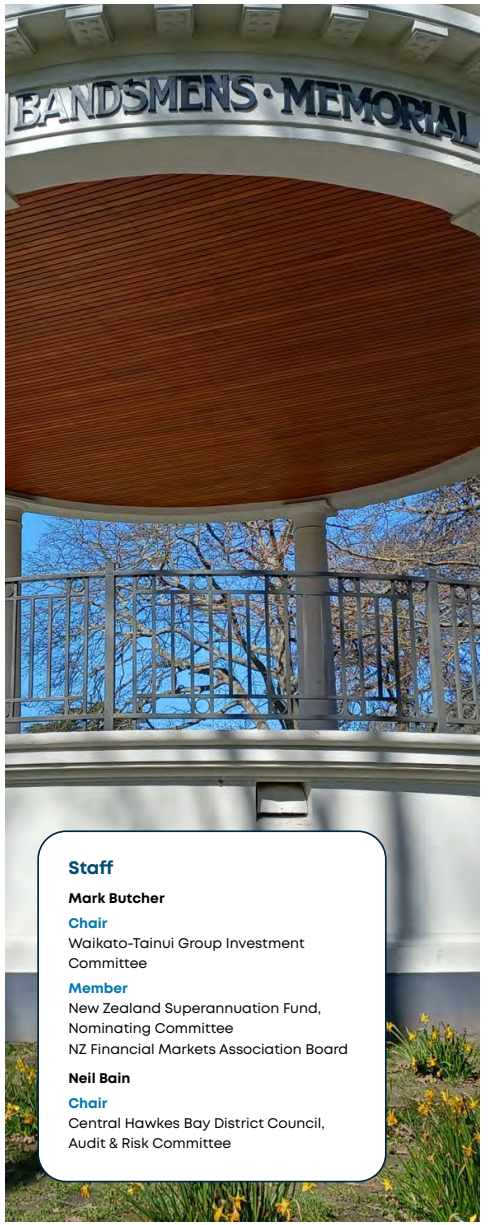
Helen has decades of governance experience acting as Director or Chair for numerous public, private and public sector organisations.

She is a member of Global Women, a Chartered Member of the NZ Institute of Directors, and holds an international honorary membership to Beta Gamma Sigma. Helen was awarded the NZ Women of Influence Supreme Award 2016, the Most Inspiring Individual at NZ Innovation Awards 2017, Next Magazine's Woman of the Year in Business & Innovation, and Most Inspiring Women Leader at the NZ International Business Awards in 2019.

Director and Shareholder
Organic Initiative Limited
Penguin Consulting Limited

Chair
Kara Technologies Limited
Astrix Astronautics Limited

Directors did not hold any interests in debt securities (including listed bonds) in the company as at 30 June 2023.



Staff

Mark Butcher

Chair
Waikato-Tainui Group Investment Committee

Member
New Zealand Superannuation Fund, Nominating Committee
NZ Financial Markets Association Board

Neil Bain

Chair
Central Hawkes Bay District Council, Audit & Risk Committee

The Bandsmen's Memorial Rotunda is a well-known landmark in the Christchurch Botanic Gardens.
Christchurch City Council

Director tenure and meetings of the Board

John Avery, Independent Director, retired from the Board on 23 November 2022. John was appointed to the Board on 1 December 2011 and served as a Director for 11 years.

There were seven Board meetings and five Audit and Risk Committee meetings over the year.

Director	Date commenced in office	Board meetings held/attended	Audit and Risk Committee held/ attended
Craig Stobo (Chair)	1 December 2011	7/7	-
Alan Adcock	23 November 2021	7/7	5/5
John Avery	1 December 2011	3/3	-
Philip Cory-Wright	1 December 2011	6/7	5/5
Anthony Quirk	21 November 2017	7/7	5/5
Linda Robertson	24 November 2015	7/7	5/5
Helen Robinson	23 November 2022	4/4	2/3

Board performance review

The Board has an annual formal self-assessment to assess director, Board and committee performance. In addition, Board performance is reviewed by external consultants on a periodic basis.

Nomination of Directors

Director nominations can only be made by a shareholder by written notice to LGFA and the Shareholders' Council, no more than three months, nor less than two months, before a meeting of shareholders. All valid nominations are required to be sent by LGFA to all persons entitled to attend the meeting.

Retirement and re-election of Directors

Directors are appointed to the Board by an Ordinary Resolution of shareholders. A Director must not hold office (without re-election) past the third annual meeting of the Company following the Director's appointment or three years, whichever is longer.

A retiring Director shall be eligible for re-election.

Indemnities and insurance

Under LGFA's constitution, LGFA indemnifies directors for potential liabilities and costs they may incur for acts of omission in their capacity as directors. LGFA has arranged directors' and officers' liability insurance covering directors and management acting on behalf of the company. Cover is for damages, judgements, fines, penalties, legal costs awarded and defence costs arising from wrongful acts committed while acting for LGFA. The types of acts that are not covered are dishonest, fraudulent, malicious acts, or omissions, wilful breach of statute or regulation, or duty to LGFA, improper use of information to the detriment of LGFA, or breach of professional duty.

Remuneration

The remuneration of the Board reflects LGFA's size and complexity and the responsibilities, skills, performance and experience of the directors. A specialist independent adviser is used periodically to ensure the remuneration is appropriate.

Board remuneration is determined by an Ordinary Resolution of shareholders. The current board remuneration was approved by shareholder resolution at the Annual General Meeting on 23 November 2021.

Director annual fee breakdown

Position. Fees per annum	2023	2022
Board Chair	$108,000	$108,000
Audit and Risk Committee Chair	$67,000	$67,000
Director / ARC Member	$63,000	$63,000
Director	$60,000	$60,000

Director	2023
Craig Stobo (Chair)	$108,000
Alan Adcock	$63,000
John Avery[1]	$25,000
Philip Cory-Wright	$63,000
Anthony Quirk	$63,000
Linda Robertson	$67,000
Helen Robinson[2]	$36,750

1. John Avery retired as director on 23 November 2022.
2. Helen Robinson was appointed as director on 23 November 2022.

The remuneration of the CEO is determined by the Board and is reviewed annually taking into consideration the scope and complexity of the position with reference to the remuneration of CEOs of similar organisations. A specialist independent adviser is used periodically to ensure the remuneration is appropriate. The CEO remuneration package comprises a fixed cash component of $754,000 per annum as at 30 June 2023 ($572,900, 2022) and an at-risk short-term incentive of the fixed cash component. The short-term incentive payment is made annually at the Board's discretion subject to the CEO and LGFA meeting a range of specific performance objectives for the respective financial year.

Chief Executive remuneration

Per annum	2023	2022
Salary	$754,000	$572,900
Taxable benefits	-	-
Subtotal	$754,000	$572,400
Pay for Performance STI	$113,100	$85,935
Kiwisaver Employer Contribution	$34,684	$26,245
Total remuneration	$901,784	$685,080

Staff remuneration

The following table shows the number of staff who received more than $100,000 in total remuneration, in $10,000 bands.

Total remuneration	2023
$160,000 to $169,999	1
$180,000 to $189,999	1
$210,000 to $219,999	1
$270,000 to $279,999	1
$350,000 to $359,999	1
$360,000 to $369,999	1
$900,000 to $909,999	1

LGFA Future Director

In 2022, LGFA appointed Anita Furniss as its inaugural Future Director under the LGFA Future Directors programme, effective 1 July 2022 for a period of 18 months.

The purpose of the Future Director programme is to give talented people working in the Local Government sector the opportunity to observe and participate in Board room discussions over an 18-month period. During this time, the Future Director actively participates in all Board meetings, although they do not possess voting rights and are not involved in decision-making.



Anita Furniss
LGFA Future Director

Anita has a legal background and during her 16 years of legal practice experience she worked in a litigation team in private practice, and in local government in both London and New Zealand on a broad range of legal issues.

Anita started her local government career at Franklin District Council in 2007 and following her time at the London Borough of Camden and London Borough of Hackney, returned to New Zealand and to the Auckland Council.

In her time at Auckland Council, Anita has provided legal and strategic advice on a wide range of issues for executive and governance level decisions in a range of roles. She began in the Public Law team, was the Executive Officer to the Finance Division, Executive Officer to the Deputy Chief Executive, Acting General Manager People & Culture Implementation Lead for Strategic Programmes, and is currently Executive Officer for the Group Services Division.

Anita reflects on her experience as LGFA's inaugural Future Director:

"The LGFA Future Director role has been an extraordinary opportunity to expand my governance experience by seeing and being part of a professional, high performing and innovative Board of Directors in action.

I went into the role with an interest in how robust governance decision making grapples with complex challenges, and it has been inspiring to see the Board's purpose led approach. There is no doubt that the wider local government sector, future generations, and local communities throughout New Zealand benefit from the efficient financing that LGFA provides.

The LGFA participating in the Future Director programme is an example of the leadership it provides the local government sector. As one of many local government employees throughout New Zealand, and the inaugural Future Director, I am proud to have played a small part in the LGFA journey and in its achievements."

Shareholders

Foundation documents

The Constitution and the Shareholders Agreement are foundation documents.

The Constitution defines the rights and the exercise of powers of shareholders, the acquisition and redemption of company shares, proceedings of shareholder meetings, voting at meetings and the right to demand polls, shareholder proposals and review of management.

The Shareholders Agreement is an agreement between LGFA and its shareholders which clearly defines LGFA's business, its objectives, the role of the Board, the establishment of the Shareholders Council and the approval rights of the shareholders.

Shareholders Council

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

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

Members of the Shareholders Council as at 30 June 2023

Kumaren Perumal (Chair)
Bay of Plenty Regional Council

Mike Drummond (Deputy Chair)
Tasman District Council

John Bishop / Andrew John
Auckland Council

Steve Ballard
Christchurch City Council

David Bryant
Hamilton City Council

Joy Buckingham
New Plymouth District Council

Kathryn Sharplin
Tauranga City Council

Sarah Houston-Eastergaard
Wellington City Council

Adele Henderson
Western Bay of Plenty District Council

Nyika Gwanoya / Phoebe Slee
The Treasury

James Stratford
Department of Internal Affairs



Front Entrance at Wai o Rua – Stratford Aquatic Centre which opened in October 2022.
Stratford District Council

Managing risk

Ko te whakahaere tūraru

An effective risk management framework is a critical component of LGFA's business structure for managing the company's exposure to business and treasury risks arising from its business operations of raising and on-lending funds to approved members.

The objective of LGFA's risk management function is to ensure that effective controls and frameworks are implemented to manage risks effectively and in compliance with LGFA's governance and legislative requirements. The risk management function ensures that LGFA can achieve its objectives, as set out in the Statement of Intent, within the risk appetite of the company's shareholders and Board.

The objective of LGFA's risk management framework is to ensure that the organisation operates within shareholder and Board-approved risk limits. LGFA's approach to risk management is based on the following core elements:

- The Board oversees the risk appetite of the organisation and ensures that it is consistent with the Constitution and Shareholders Agreement.
- The risk appetite is reflected in policies approved by the Board and Audit and Risk Committee.
- LGFA management implements policies and controls to ensure that all relevant risks are identified, monitored, measured and managed effectively.
- The Internal Audit and risk and compliance functions provide assurance to both the Board and the Audit and Risk Committee on the performance of internal controls and risk management systems.

LGFA adopts the three lines of defence model to ensure that essential risk management functions adopt a systematic approach that reflects industry best practice:

- The first line of defence establishes risk ownership within the company and is represented by its operational risk and control processes. LGFA managers are responsible for identifying controls, maintaining effective controls and mitigating risks.
- The second line of defence ensures that the operational risk and control processes are actively and appropriately managed by processes such as the regular review of risk reports and compliance monitoring against the risk management framework.
- The third line of defence is the independent assurance provided by both the internal and external audit functions which review and highlight control weaknesses and inefficiencies to management and the Board.

LGFA risk register

The LGFA risk register is a key component of the company's risk management framework. The key objective of the risk register is to ensure that the company assesses the inherent risks faced by the business on an ongoing basis.

The risk register:

- Identifies the inherent risks that LGFA is exposed to when conducting its core business activities;
- Assesses the likelihood and potential impact of the inherent risks on the business;
- Describes the internal control framework and management processes for managing and mitigating the identified inherent risks;
- Provides commentary on internal audit coverage of the identified inherent risks; and
- Provides an overall inherent and residual risk assessment and compares these to approved risk appetite settings and risk tolerance ranges

The risk register is reviewed quarterly by management and the Audit and Risk Committee.

Treasury risk management

LGFA finances itself through domestic and international wholesale and retail debt capital markets, with the funds raised on-lent to members. LGFA activities are governed by the Local Government Borrowing Act 2011, the Local Government Act 2002, and the Companies Act 1993. In addition, the company is required to comply with Foundation Policies outlined in the Shareholders Agreement. Any change to the Foundation Policies require shareholders consent.

LGFA's risk management uses an approved risk identification and assessment framework to actively monitor and manage all treasury and financial risks by applying best practice risk management principles, processes and practices.

LGFA has treasury exposures arising from its normal business activities that principally relate to the raising and on-lending of funds. LGFA manages treasury exposures under a Board-approved Treasury Policy, the objectives for which are to:

- Effectively manage treasury risks, within approved compliance limits, to protect LGFA's capital position and net interest margin over time.
- Fund members in the most cost effective manner and in accordance with LGFA's operating principles, values and objectives.
- Protect LGFA's assets and prevent unauthorised transactions.
- Promote professional expertise of financial and management control to all external parties.
- Minimise operational risk by maintaining adequate internal controls, systems and staffing competencies.
- Provide timely reporting to the Board with meaningful and accurate reporting of interest rate exposures, liquidity, asset and liability maturity, funding, counterparty credit, performance and policy compliance.

Specific treasury exposures relate to liquidity, interest rate/market risk, foreign exchange, counterparty credit, operational and lending risks.



Liquidity risk

Liquidity risk is the potential inability to meet financial obligations when they become due, under normal or abnormal/ stressed operating conditions.

Liquidity risk is managed using a forecast cashflow approach measured over a 90-day period. LGFA is required to maintain sufficient liquidity (comprising a government standby facility, and holdings of cash and liquid investments) to support six months of funding commitments.

Interest rate risk / market risk

Interest rate risk is the risk that financial assets may re-price/ mature at a different time and/ or by a different amount than financial liabilities.

Interest rate / market risk is managed using Value at Risk (VaR) and Partial Differential Hedge (PDH) limits to mitigate the potential change in value of the balance sheet due to changes in interest rates.

- **Value at Risk** calculates the potential amount a portfolio could be expected to lose, 5% of the time, over a given time period. It is calculated using historical changes in underlying risk variables and applying those changes to the current portfolio.

VaR is measured over a daily time horizon with a 95% confidence interval. A daily 95% VaR exposure of $1 million means that there is a 5% chance that the portfolio could potentially lose more than $1 million over the next business day.

- **Partial Differential Hedge** measures the sensitivity of a portfolio to a one basis point change in underlying interest rates. For example, a PDH of NZD$100,000 means that the portfolio value will increase by NZD$100,000 for a one basis point fall in interest rates.

In addition, LGFA also undertakes scenario analysis to model the potential effect of changing market environments on the balance sheet.

Counterparty credit risk

Counterparty credit risk is the risk of financial loss arising from a counterparty defaulting on an investment, security and/or financial instrument where LGFA is a holder or party.

Counterparty credit risk is managed through counterparty limits for investments. These limits are determined as a function of the term of investment, liquidity and credit quality of the counterparty (as measured by a recognised credit rating).

All derivative contracts are subject to formal collateral arrangements to mitigate counterparty risk.

Investment is restricted to approved financial instruments listed in the Treasury Policy.

Foreign currency risk

Foreign currency risk is the risk of an adverse change in the fair value of a financial instrument due to a change in foreign exchange rates.

Foreign currency risk could exist if LGFA accesses foreign capital markets for funding purposes. To date, all funding has been sourced through the New Zealand domestic currency.

Foreign exchange risk would be managed through a requirement to fully hedge back to floating rate New Zealand dollar the full amount and term of all foreign currency funding and cash flows.

Operational risk

Operational risk, with respect to treasury management, is the risk of financial and/or reputation loss arising from human error, fraud, negligent behaviour, system failures and inadequate procedures and controls.

Operational risk is managed using internal controls and procedures across operational functions. Segregation of duties between staff members who have the authority to enter transactions with external counterparties and the staff who control, check and confirm such transactions is a cornerstone internal control principle.

Financial instruments are not entered into if the systems, operations and internal controls do not satisfactorily support the measurement, management and reporting of the risks associated with the instrument.

Tākina Wellington Convention and Exhibition Centre.
Wellington City Council

Lending risk

Lending risk is the risk of financial loss that could occur from lending funds to councils or council-controlled organisations.

LGFA provides debt funding to New Zealand councils and council-controlled organisations, subject to Board approval.

The Board have ultimate discretion on approving members.

All member organisations that borrow from LGFA:

- Provide debenture security in relation to their borrowing from LGFA and related obligations, and (if relevant), equity commitment liabilities to LGFA and (if relevant) guarantee liabilities to a security trustee approved for LGFA's creditors.

  Where LGFA is the only lender to a council controlled organisation, a general security arrangement (GSA) might be used in place of a debenture security.
- Are required to become a party to a deed of guarantee and an equity commitment deed if the principal amount of their borrowings is at any time equal to, or greater than, NZD 20 million.
- Issue securities (bonds/floating rate notes/ commercial paper) to LGFA (ie. not enter into facility arrangements).
- Comply with their own internal borrowing policies.
- Comply with the financial covenants outlined in the table below, provided that:
  - Unrated borrowers or borrowers with a long-term credit rating lower than 'A' equivalent can have bespoke financial covenants that exceed the:
    - Lending policy covenants outlined in the following table only with the approval of the Board;
    - Foundation policy covenants outlined in the following table only with the approval of an Ordinary Resolution of shareholders.

On 30 June 2020, a Special General Meeting of Shareholders approved a change to the Net Debt/ Total Revenue covenant contained within the Foundation Policy Covenants. For the financial year ended June 2020 a covenant limit of 250% applied. This increased to 300% for the June 2021 and June 2022 years and then reduces by 5% for each of the subsequent years until 280% applies from the June 2026 year.

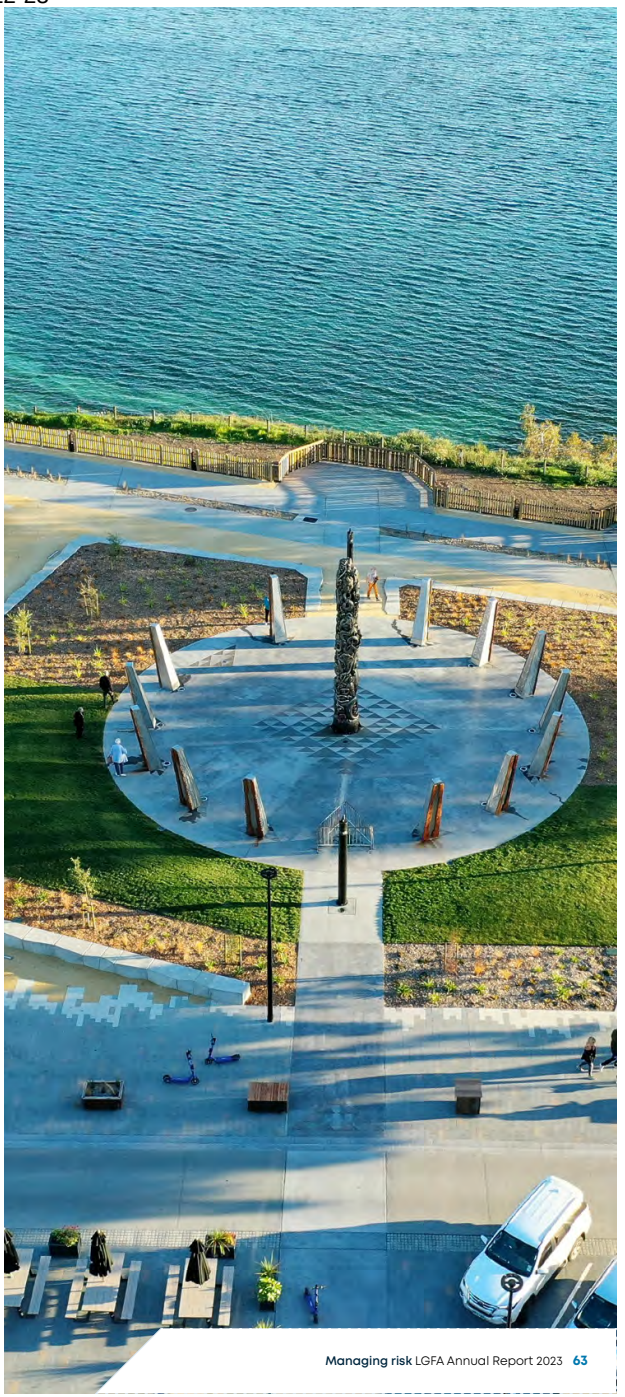
- Net debt is defined as total consolidated debt less liquid financial assets and investments.
- Total revenue is defined as cash earnings from rates, government grants and subsidies, user charges, interest, dividends, financial and other revenue and excludes non-government capital contributions, eg. developer contributions and vested assets.
- Borrowers with a long-term credit rating of 'A' equivalent or higher can have bespoke financial covenants that exceed the foundation policy covenants only with the approval of an Ordinary Resolution of shareholders.
- Any Board or Ordinary Resolution approval of bespoke financial covenants will only be provided after a robust credit analysis and any approval must also include bespoke reporting and monitoring arrangements.
- Non-compliance with the financial covenants will either preclude a member council from borrowing from LGFA or, in the case of existing council borrowers', trigger an event of review. An event of default will occur when (among other things) a council fails to meet an interest or principal payment (subject to grace periods). An event of default will enable LGFA to accelerate a council's repayment of loans.
- Financial covenants are measured on a parent council only basis, not consolidated group, unless requested by a parent council and approved by the Board.

Financial covenant	Lending policy covenants Unrated councils	Foundation policy covenants Rated councils
Net debt/ total revenue	<175%	<280%*
Net interest / total revenue	<20%	<20%
Net interest/ annual rates income	<25%	<30%
Liquidity	>110%	>110%

* From June 2026, refer description above.

- **Net interest** is defined as the amount equal to all interest and financing costs less interest income for the relevant period.
- **Annual rates income** is defined as the amount equal to the total revenue from any funding mechanism authorised by the Local Government (Rating) Act 2002 together with any revenue received from other local governments for services provided and for which the other local governments rate.
- **Liquidity** is defined as external debt plus committed loan facilities plus liquid investments divided by external debt.

Taupō Town Centre Transformation project.
Taupo District Council



Financial statements

Nga taukī pūtea

Statement of comprehensive income....64
Statement of changes in equity....65
Statement of financial position....66
Statement of cash flows....67
Notes to the financial satements....68
Revenue and expenditure....70
Financial insruments....72
Risk management....81
Capital and dividends....86
Other Notes....87
Independent auditors repor....88

Statement of comprehensive income

For the year ended ended 30 June 2023 in $000s

	Note	2023	2022
Interest income		763,600	393,507
Interest expense		753,308	375,991
Net interest income	4	**10,293**	**17,516**
Other operating income	5	1,349	1,090
Total operating income		**11,642**	**18,607**
Operating expenses	6	9,138	7,933
Net operating profit		**2,505**	**10,673**
Total comprehensive income		**2,505**	**10,673**

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

Due to rounding, numbers presented in the financial statements and associated notes may not add up precisely to the reported totals.

The Board of Directors of the New Zealand Local Government Funding Agency Limited authorised these statements or issue on 28 August 2023.

Statement of changes in equity

For the year ended 30 June 2023 in $000s

	Note	Share capital	Retained earnings	Total equity
Equity as at 30 June 2021		**25,000**	**69,743**	**94,743**
Net operating profit			10,673	10,673
Total comprehensive income for the year			10,673	10,673
Transactions with owners			-	-
Dividend paid on 3 September 2021			(857)	(857)
Equity as at 30 June 2022		**25,000**	**79,560**	**104,560**
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)
Equity as at 30 June 2023	28	**25,000**	**80,847**	**105,847**

Craig Stobo, Director
Board Chair

Linda Robertson, Director
Chair, Audit and Risk Committee

Statement of financial position

As at 30 June 2023 in $000s

	Note	2023	2022
Assets			
Financial assets			
Receivables	11	492	360
Cash and bank balances		226,222	158,033
Cash pledged as collateral		93,175	76
Marketable securities		1,127,879	1,491,148
Deposits		348,492	462,866
Derivatives in gain	10	63,845	94,767
Loans	12	16,313,562	14,041,908
Non-financial assets			
Prepayments		919	852
Other assets	13	58	156
Total assets		**18,174,644**	**16,250,167**
Equity			
Share capital	27	25,000	25,000
Retained earnings		80,847	79,560
Total equity		**105,847**	**104,560**
Liabilities			
Financial liabilities			
Payables and provisions	14	6,132	45,066
Bills	15	782,630	562,803
Bond repurchases	16	130,043	31,671
Derivatives in loss	10	1,628,316	1,206,175
Bonds	17	15,160,432	14,015,862
Borrower notes	18	360,348	283,180
Non-financial liabilities			
Other liabilities	19	896	850
Total liabilities		**18,068,797**	**16,145,607**
Total equity and liabilities		**18,174,644**	**16,250,167**

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

Statement of cash flows

For the year ended 30 June 2023 in $000s

	Note	2023	2022
Cash flows from operating activities			
Cash applied to loans	12	(2,222,368)	(1,972,398)
Interest paid on bonds issued		(496,597)	(445,533)
Interest paid on bills issued		(25,942)	(5,141)
Interest paid on borrower notes		(4,886)	(1,063)
Interest paid on bond repurchases		(5,140)	(1,067)
Interest received from loans		600,415	191,228
Interest received from cash & cash equivalents		7,102	3,234
Interest received from marketable securities		38,465	14,108
Interest received from deposits		23,192	7,360
Net interest on derivatives		(134,734)	251,708
Cash proceeds from provision of standby facilities		1,349	1,090
Payments to suppliers and employees		(8,965)	(7,752)
Net cash flows from operating activities	32	**(2,228,108)**	**(1,964,224)**
Cash flows from investing activities			
Purchase of marketable securities		362,942	(734,412)
(Purchase)/maturity of deposits		22,664	192,800
Purchase of plant and equipment		-	-
Net cash flows from investing activities		**385,606**	**(541,613)**
Cash flows from financing activities			
Cash proceeds from bonds issued	17	1,327,354	2,229,503
Cash proceeds (outflows) from bills issued		219,827	(46,822)
Cash proceeds (outflows) from bond repurchases		98,180	(35,987)
Cash proceeds from borrower notes		68,750	57,246
Dividends paid		(1,218)	(857)
Cash applied to derivatives		197,795	68,952
Net cash flows from financing activities		**1,910,690**	**2,272,036**
Net (decrease) / increase in cash		68,188	(233,801)
Cash, cash equivalents at beginning of year		158,033	391,835
Cash, cash equivalents at end of year		**226,222**	**158,033**

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

Notes to the financial statements

1. Reporting entity

The New Zealand Local Government Funding Agency Limited (LGFA) is a company registered under the Companies Act 1993 and is subject to the requirements of the Local Government Act 2002.

LGFA is controlled by participating councils and the Government as shareholders and is a council-controlled organisation as defined under section 6 of the Local Government Act 2002. LGFA is a limited liability company incorporated and domiciled in New Zealand.

The primary objective of LGFA is to optimise the debt funding terms and conditions for participating borrowers.

The registered address of LGFA is Level 8, City Chambers, 142 Featherston Street, Wellington Central, Wellington 6011.

The financial statements are as at and for the year ended 30 June 2023.

These financial statements were authorised for issue by the Directors on 28 August 2023.

2. Statement of compliance

LGFA is an FMC reporting entity under the Financial Markets Conduct Act 2013 (FMCA). These financial statements have been prepared in accordance with that Act and the Financial Reporting Act 2013. LGFA's bonds are quoted on the NZX Debt Market.

LGFA is a profit orientated entity as defined under the New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS).

The financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice (NZ GAAP) and they comply with NZ IFRS and other applicable Financial Reporting Standard, as appropriate for Tier 1 for-profit entities. The financial statements also comply with International Financial Reporting Standards (IFRS).

3. Basis of preparation

Measurement base

The financial statements have been prepared on a historical cost basis modified by the revaluation of certain assets and liabilities.

The financial statements are prepared on an accrual basis.

Functional and presentation currency

The financial statements are presented in New Zealand dollars rounded to the nearest thousand, unless separately identified. The functional currency of LGFA is New Zealand dollars.

Foreign currency conversions

Transactions denominated in foreign currency are translated into New Zealand dollars using exchange rates applied on the trade date of the transaction.

Changes in accounting policies

There have no changes to accounting policies.

Early adoption standards and interpretations

LGFA has not early adopted any standards.

Standards not yet adopted

LGFA does not consider any standards or interpretations in issue but not yet effective to have a significant impact on its financial statements.

Financial instruments

Financial assets

Financial assets, other than derivatives, are recognised initially at fair value plus transaction costs and subsequently measured at amortised cost using the effective interest rate method.

Cash and cash equivalents include cash on hand, bank accounts and deposits with an original maturity of no more than three months.

Cash provided by LGFA as security for financial arrangements remains a financial asset of LGFA and is recognised as cash pledged as collateral in the Statement of Financial Position, separate from cash and cash equivalents

Purchases and sales of all financial assets are accounted for at trade date.

At each balance date, an expected credit loss assessment is performed for all financial assets and is calculated as either:

- Credit losses that may arise from default events that are possible within the next 12 months, where no significant increase in credit risk has arisen since acquisition of the asset, or
- Credit losses that may arise from default events that are possible over the expected life of the financial asset, where a significant increase in credit risk has arisen since acquisition of the asset.

Impairment losses on financial assets will ordinarily be recognised on initial recognition as a 12-month expected loss allowance and move to a lifetime expected loss allowance if there is a significant deterioration in credit risk since acquisition.

Financial liabilities

Financial liabilities, other than derivatives, are recognised initially at fair value less transaction costs and subsequently measured at amortised cost using the effective interest rate method.

Derivatives

Derivative financial instruments are recognised both initially and subsequently at fair value. They are reported as either assets or liabilities depending on whether the derivative is in a net gain or net loss position respectively.

Fair value hedge

Where a derivative qualifies as a hedge of the exposure to changes in fair value of an asset or liability (fair value hedge) any gain or loss on the derivative is recognised in profit and loss together with any changes in the fair value of the hedged asset or liability.

The carrying amount of the hedged item is adjusted by the fair value gain or loss on the hedged item in respect of the risk being hedged. Effective parts of the hedge are recognised in the same area of profit and loss as the hedged item.

Other assets

Property, plant and equipment

Items of property, plant and equipment are initially recorded at cost.

Depreciation is charged on a straight-line basis at rates calculated to allocate the cost or valuation of an item of property, plant and equipment, less any estimated residual value, over its remaining useful life.

Intangible assets

Intangible assets comprise software and project costs incurred for the implementation of the treasury management system. Capitalised computer software costs are amortised on a straight-line basis over the estimated useful life of the software (three to seven years). Costs associated with maintaining computer software are recognised as expenses.

Other liabilities

Employee entitlements

Employee entitlements to salaries and wages, annual leave and other similar benefits are recognised in the profit and loss when they accrue to employees.

Revenue

Interest income

Interest income is accrued using the effective interest rate method.

The effective interest rate exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. The method applies this rate to the principal outstanding to determine interest income each period.

Expenses

Expenses are recognised in the period to which they relate.

Interest expense

Interest expense is accrued using the effective interest rate method.

The effective interest rate exactly discounts estimated future cash payments through the expected life of the financial liability to that liability's net carrying amount. The method applies this rate to the principal outstanding to determine interest expense each period.

Income tax

LGFA is exempt from income tax under Section 14 of the Local Government Borrowing Act 2011.

Goods and services tax

All items in the financial statements are presented exclusive of goods and service tax (GST), except for receivables and payables, which are presented on a GST-inclusive basis. Where GST is not recoverable as input tax, then it is recognised as part of the related asset or expense.

The net amount of GST recoverable from, or payable to, the IRD is included as part of receivables or payables in the statement of financial position.

The net GST paid to, or received from the IRD, including the GST relating to investing and financing activities, is classified as a net operating cash flow in the statement of cash flows.

Commitments and contingencies are disclosed exclusive of GST.

Segment reporting

LGFA operates in one segment being funding of participating borrowers in New Zealand.

Judgements and estimations

The preparation of these financial statements requires judgements, estimates and assumptions that affect the application of policies and reported amounts. For example, the fair value of financial instruments depends critically on judgements regarding future cash flows, including inflation assumptions and the risk-free discount rate.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under

the circumstances. Actual results may differ from these estimates and these estimates and underlying assumptions are reviewed on an ongoing basis. Where these judgements significantly affect the amounts recognised in the financial statements they are described in the following notes.

The financial statements as at 30 June 2023 include estimates and judgements of the potential impact of the proposed Affordable Waters Reform Programme on LGFA's financial position and performance. Whilst there has been no material impact on the estimates and judgements at the date these financial statements are authorised, it is noted that there is significant uncertainty with regards to the outcome of the proposed Affordable Waters Reform Programme on the local government sector.

Revenue and expenditure

4. Net interest income

For the year ended 30 June in $000s	2023	2022
Interest income		
Cash and cash equivalents	10,280	3,527
Marketable securities	41,661	14,827
Lease liability	13	-
Deposits	21,392	7,854
Derivatives	-	140,956
Loans	690,256	226,342
Fair value hedge ineffectiveness	-	-
Total interest income	**763,600**	**393,507**
Interest expense		
Bills	25,942	5,141
Bond repurchase transactions	5,331	1,084
Lease liability	-	7
Derivatives	240,445	-
Bonds	468,411	366,044
Borrower notes	13,179	3,715
Total interest expense	**753,308**	**375,991**
Net interest income	**10,293**	**17,516**

5. Other operating income

As at 30 June 2023, LGFA had provided credit standby facilities totalling $727 million (2022: $662 million) to selected councils. As at balance date, there were no drawdowns outstanding under the facilities.

For the year ended 30 June in $000s	2023	2022
Standby facilities fee income	1,349	1,090
Total other operating income	**1,349**	**1,090**

6. Operating expenses

Issuance and on-lending expenses are those costs that are incurred as a necessary expense to facilitate the ongoing issuance of LGFA debt securities.

For the year ended 30 June in $000s	2023	2022
Issuance and on-lending expenses		
Approved issuer levy [1]	561	701
Rating agency fees	672	654
NZDMO facility fee	1,385	672
Legal fees – issuance	397	508
NZX	782	715
Trustee fees	110	108
Regulatory, registry, other fees	246	174
	4,154	**3,531**
Other operating expenses		
Information technology	656	807
Consultants	303	208
Directors fees	427	424
Insurance	96	90
Legal fees	287	137
Other expenses	437	309
Auditors' remuneration		
Statutory audit	121	110
Advisory services	-	-
Personnel	2,658	2,317
	4,984	**4,403**
Total operating expenses	**9,138**	**7,933**

1. The amount of Approved Issuer Levy is a function of the number of the offshore holders of the 2027 bond maturity.

Financial instruments

7. Financial instruments accounting policy

Financial instruments recognised in the statement of financial position at amortised cost.

Fair values of financial instruments not recognised in the statement of financial position at fair value are determined for note disclosure as follows:

Cash and bank, trade and other receivables, trade and other payables

The carrying value of cash and bank, trade and other receivables, trade and other payables approximate their fair value as they are short-term instruments.

Cash pledged as collateral

LGFA enters into derivative financial instruments for hedging purpose which may require LGFA to post collateral as security with counterparties.

In line with standard industry practice, collateral is provided for derivative transactions in accordance with Credit Support Annexes (CSAs). LGFA's practice is to annex each CSA to the International Swaps and Derivatives Association (ISDA) Master Agreement it has with derivative counterparties.

LGFA is required to pledge cash deposits at call in order to meet its obligations under the CSAs for derivative positions. The pledged assets will be returned to LGFA when the underlying transaction is terminated, but in the event of default the counterparty is entitled to apply the collateral in order to settle the outstanding liability.

Marketable securities and bonds

The fair value of bonds and marketable securities are determined using the quoted price for the instrument.

Deposits

The fair value for deposits is determined using a discounted cash flow analysis. The interest rates used to discount the estimated cash flows are based on current market interest rates.

Loans

The fair value of loans is determined using a discounted cash flow analysis. The interest rates used to discount the estimated cash flows are based on LGFA bond yields at the reporting date plus an appropriate credit spread to reflect the counterparty's credit risk.

Leases

The lease liability is recognised at the present value of the remaining lease payments, discounted using LGFA's incremental borrowing rate, with the corresponding right-of-use asset recognised as an equal amount.

Borrower notes

The fair value of borrower notes is determined using a discounted cash flow analysis. The interest rates used to discount the estimated cash flows are based on LGFA bond yields at the reporting date.

Fair value of financial assets and financial liabilities

The following table shows the fair value of financial assets and financial liabilities, together with the carrying amounts shown in the statement of financial position.

As at 30 June 2023 in $000s	Financial liabilities at amortised cost	Financial assets at amortised cost	Financial assets measured at fair value in accordance with NZ IFRS 9	Fair value
Financial assets				
Receivables	-	492	-	492
Cash and bank balances	-	226,222	-	226,222
Cash pledged as collateral	-	93,175	-	93,175
Marketable securities	-	1,127,879	-	1,140,099
Deposits	-	348,492	-	441,713
Derivatives	-	-	63,845	63,845
Loans	-	16,313,562	-	16,512,334
	-	**18,109,822**	**63,845**	**18,477,881**
Financial liabilities				
Payables and provisions	6,132	-	-	6,132
Bills	782,630	-	-	782,566
Bond repurchases	130,043	-	-	130,044
Derivatives	-	-	1,628,316	1,628,316
Bonds	15,160,432	-	-	15,022,449
Borrower notes	360,348	-	-	347,825
	16,439,585	**-**	**1,628,316**	**17,917,332**

As at 30 June 2022 in $000s	Financial liabilities at amortised cost	Financial assets at amortised cost	Financial assets measured at fair value in accordance with NZ IFRS 9	Fair value
Financial assets				
Receivables	-	360	-	360
Cash and bank balances	-	158,033	-	158,033
Cash pledged as collateral	-	76	-	76
Marketable securities	-	1,491,148	-	1,597,633
Deposits	-	462,866	-	462,859
Derivatives	-	-	94,767	94,767
Loans	-	14,041,908	-	14,188,283
	-	**16,154,392**	**94,767**	**16,502,012**
Financial liabilities				
Payables and provisions	45,066	-	-	45,066
Bills	562,803	-	-	562,498
Bond repurchases	31,671	-	-	31,671
Derivatives	-	-	1,206,175	1,206,175
Bonds	14,015,862	-	-	14,028,971
Borrower notes	283,180	-	-	276,085
	14,938,582	**-**	**1,206,175**	**16,150,466**

8. Derivative financial instruments

Derivative financial instruments are the only instruments recognised in the statement of financial position at fair value.

Derivative financial instruments are valued under level 2 of the following hierarchy.

Level 1 – Quoted market prices: Fair value based on quoted prices in active markets for identical assets or liabilities.

Level 2 – Valuation techniques using observable market inputs: Fair value based on a valuation technique using other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).

Level 3 – Valuation techniques using significant non-observable market inputs: Fair value based on a valuation technique using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value of derivative financial instruments is determined using a discounted cash flow analysis. Interest rates represent the most significant assumption used in valuing derivative financial instruments. The interest rates used to discount estimated cash flows are based on the New Zealand dollar swap curves at the reporting date.

9. Hedge accounting

LGFA is exposed to interest rate risk from its borrowing, lending and investment activities and uses interest rate swaps to manage this risk. For hedge accounting purposes, LGFA has designated these swaps in fair value relationships to its fixed rate borrowings, loans and investments.

The following table shows the gain or loss on the hedging instrument and the hedged item attributable to the hedged risk for fair value hedge relationships.

As at 30 June in $000s	2023 Gain/(loss)	2022 Gain/(loss)
Hedged items attributable to the hedged risk	(149,558)	(1,304,237)
Hedging instruments – interest rate swaps	149,558	1,304,237
Ineffectiveness recognised in profit or loss from fair value hedges	**-**	**-**

The gains or losses on the hedging instrument (interest rate swaps) and the hedged item (bonds, loans and investments) are mapped to the same fair value account. For this reason, the statement of comprehensive income will only report any ineffectiveness arising from the fair value hedge.

10. Offsetting

NZ IAS 32: Financial Instruments Presentation allows financial assets and liabilities to be offset only when there is a current legally enforceable right to set off the amounts and there is an intention either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

LGFA does not offset any amounts.

The following table shows the amounts subject to an enforceable master netting arrangement or similar agreement that are not offset in the statement of financial position.

As at 30 June 2023 in $000s	Derivative assets	Derivative liabilities
Gross amounts	63,845	1,628,316
Amounts offset	-	-
Carrying amounts	63,845	(63,845)
Amounts that don't qualify for offsetting	-	-
Financial assets & liabilities	(63,845)	(63,845)
Collateral	-	(93,175)
Net amount	**-**	**1,471,295**

As at 30 June 2022 in $000s	Derivative assets	Derivative liabilities
Gross amounts	94,767	1,206,175
Amounts offset	-	-
Carrying amounts	94,767	(94,767)
Amounts that don't qualify for offsetting	-	-
Financial assets & liabilities	(94,767)	(94,767)
Collateral	-	(76)
Net amount	**-**	**1,111,332**

11. Receivables

As at 30 June in $000s	2023	2022
Trade debtors	492	360
Total receivables	**492**	**360**

12. Loans

As at 30 June in $000s	2023 Short-term loans	2023 Loans	2022 Short-term loans	2022 Loans
Ashburton District Council	12,110	74,243	12,048	78,898
Auckland Council	-	3,225,659	-	3,413,415
Bay of Plenty Regional Council	57,428	161,353	25,651	167,941
Buller District Council	-	20,030	-	20,015
Canterbury Regional Council	10,116	65,272	4,018	75,214
Carterton District Council	-	17,523	-	14,762
Central Hawkes Bay District Council	4,072	38,314	2,024	20,107
Central Otago District Council	20,117	5,072	5,024	-
Christchurch City Council	-	2,200,409	2,017	2,036,724
Clutha District Council	7,554	62,905	5,532	32,394
Dunedin City Treasury	-	126,119	-	-
Far North District Council	-	91,984	-	71,822
Gisborne District Council	-	126,028	-	86,095
Gore District Council	8,556	41,915	6,035	29,631
Greater Wellington Regional Council	-	678,358	-	576,343
Grey District Council	3,990	26,799	3,980	26,717
Hamilton City Council	-	803,843	-	633,049
Hastings District Council	-	294,992	-	237,990
Hauraki District Council	-	62,620	-	43,212
Hawkes Bay Regional Council	25,313	55,262	-	37,992
Horizons Regional Council	9,936	51,871	11,984	49,771
Horowhenua District Council	15,175	151,192	11,001	127,395
Hurunui District Council	8,092	38,435	8,033	30,147
Hutt City Council	-	373,239	-	256,607
Invercargill City Council	55,448	68,788	12,845	68,725
Invercargill City Holdings Ltd	12,323	78,514	22,076	68,354
Kaikoura District Council	-	5,346	-	5,331
Kaipara District Council	-	44,545	-	44,229
Kapiti Coast District Council	-	277,935	-	256,128
Kawerau District Council	-	2,024	-	-
Mackenzie District Council	3,001	8,086	10,002	-
Manawatu District Council	15,136	79,502	11,559	77,725
Marlborough District Council	21,241	131,594	37,325	100,289
Masterton District Council	-	52,336	-	50,260
Matamata-Piako District Council	-	45,520	-	38,191
Napier City Council	-	10,014	-	-
Nelson City Council	-	186,666	-	140,581
New Plymouth District Council	10,114	221,668	-	170,350
Northland Regional Council	-	18,565	-	14,147
Opotiki District Council	-	9,557	-	7,073
Otago Regional Council	46,665	104,177	66,715	48,443
Otorohanga District Council	6,052	-	-	4,028
Palmerston North City Council	-	214,483	-	187,872
Porirua City Council	-	198,906	-	172,335
Queenstown Lakes District Council	56,007	454,003	50,275	241,015
Rangitikei District Council	-	31,207	-	19,157
Rotorua District Council	1,889	351,358	43,112	245,298
Ruapehu District Council	8,050	42,130	8,020	29,557
Selwyn District Council	-	116,198	-	75,343
South Taranaki District Council	-	117,428	-	112,566
South Waikato District Council	-	44,457	4,874	34,171
Southland District Council	-	21,960	-	16,899
South Wairarapa District Council	-	29,148	-	26,537
Stratford District Council	2,030	31,858	6,027	26,299
Taranaki Regional Council	-	19,652	-	14,587
Tararua District Council	4,047	53,778	-	51,244
Tasman District Council	25,515	246,751	24,193	198,190
Taupo District Council	-	146,271	-	125,522
Tauranga City Council	-	823,933	-	648,528
Thames-Coromandel District Council	-	67,813	-	73,365
Timaru District Council	19,456	187,561	28,724	136,516
Upper Hutt City Council	-	113,212	-	91,421
Waikato District Council	9,975	111,225	-	95,454
Waikato Regional Council	5,120	25,276	-	25,120
Waimakariri District Council	-	181,960	-	170,903
Waimate District Council	-	3,540	-	-
Waipa District Council	20,010	207,374	25,530	124,377
Wairoa District Council	8,015	11,109	-	10,062
Waitaki District Council	8,978	33,280	4,491	20,583
Waitomo District Council	4,071	24,204	4,017	24,092
Wellington City Council	-	1,178,503	-	967,101
West Coast Regional Council	3,243	9,991	3,761	6,616
Western Bay Of Plenty District Council	-	80,992	-	70,366
Westland District Council	-	27,078	-	29,933
Westland Holdings Ltd	1,618	5,456	-	-
Whakatane District Council	-	114,768	-	86,396
Whanganui District Council	7,557	110,179	7,523	99,522
Whangārei District Council	9,927	228,151	9,972	182,813
Fair value hedge adjustment	-	(37,850)		(36,332)
	547,944	**15,765,618**	**478,385**	**13,563,522**

As at 30 June 2023, $2,512 million of loans are due to mature within 12 months. This comprises all short-term loans and $1,964 million of loans.

13. Other assets

As at 30 June in $000s	2023	2022
Right-of-use lease asset	58	156
Total other assets	**58**	**156**

14. Payables and provisions

As at 30 June in $000s	2023	2022
Loans/purchases to be advanced	5,000	44,000
Trade creditors	804	800
Credit provision	123	161
Other provisions	205	105
Total payables	**6,132**	**45,066**

15. Bills

As at 30 June 2023 in $000's	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
	792,000	**(9,370)**	**-**	**782,630**

As at 30 June 2022 in $000's	Face value	Unamortised premium	Accrued interest	Total
7 July 2022	15,000	(4)	-	14,996
13 July 2022	70,000	(30)	-	69,970
19 July 2022	35,000	(33)	-	34,967
4 August 2022	25,000	(33)	-	24,967
10 August 2022	80,000	(167)	-	79,833
19 August 2022	20,000	(60)	-	19,940
30 August 2022	50,000	(201)	-	49,799
9 September 2022	68,000	(296)	-	67,704
14 September 2022	100,000	(538)	-	99,462
19 September 2022	27,000	(120)	-	26,880
6 October 2022	25,000	(148)	-	24,852
9 November 2022	25,000	(238)	-	24,762
7 December 2022	25,000	(329)	-	24,671
	565,000	**(2,197)**	**-**	**562,803**

16. Treasury stock and bond repurchases

Periodically, LGFA subscribes for LGFA bonds as part of its issuance process and holds these bonds as treasury stock. LGFA bonds held by LGFA as treasury stock are derecognised at the time of issue and no liability is recognised in the statement of financial position. As at 30 June 2023, $1,100 million of LFGA bonds had been subscribed as treasury stock.

LGFA makes these treasury stock bonds available to banks authorised as its tender counterparties to borrow under short-term repurchase transactions. The objective of the bond lending facility is to assist with improving secondary market liquidity in LGFA bonds. Bonds lent to counterparties are disclosed as a separate stock lending liability on the face of the statement of financial position.

As at 30 June in $000s	2023	2022
15 April 2024	16,619	1,456
15 April 2025	1,920	6,773
15 April 2026	-	5,395
15 April 2027	52,513	-
20 April 2029	19,437	7,390
15 May 2031	3,287	-
14 April 2033	1,750	4,566
15 May 2035	34,518	818
15 April 2037	-	5,272
	130,043	**31,671**

17. 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 16: Treasury stock and bond repurchase transactions.

As at 30 June 2023 in $000's	Face Value	Unamortised premium	Accrued interest	Fair value hedge adjustment	Total
Fixed interest bonds					
15 April 2024	2,218,000	(2,151)	10,499		
15 April 2025	2,409,000	(36,176)	13,937		
15 April 2026	2,155,000	(54,361)	6,801		
15 April 2027	2,011,000	68,977	19,039		
15 May 2028	1,423,000	(60,216)	4,089		
20 April 2029	1,722,000	(83,580)	5,081		
15 May 2030	1,000,000	(17,002)	5,747		
15 May 2031	1,120,000	(60,338)	3,218		
14 April 2033	1,350,000	33,003	10,070		
15 May 2035	450,000	(7,728)	1,724		
15 April 2037	820,000	(41,281)	3,450		
Total	**16,678,000**	**(260,853)**	**83,656**	**(1,340,372)**	**15,160,432**

As at 30 June 2022 in $000's	Face Value	Unamortised premium	Accrued interest	Fair value hedge adjustment	Total
Fixed interest bonds					
15 April 2023	1,830,000	25,117	21,175		
15 April 2024	1,998,000	5,625	9,458		
15 April 2025	1,679,000	(13,379)	9,714		
15 April 2026	1,815,000	(31,599)	5,728		
15 April 2027	1,751,000	85,460	16,577		
15 May 2028	1,270,000	(53,384)	3,650		
20 April 2029	1,362,000	(21,893)	4,019		
15 May 2031	850,000	(19,801)	2,443		
14 April 2033	1,290,000	43,486	9,622		
15 May 2035	400,000	2,166	1,533		
15 April 2037	730,000	(12,837)	3,072		
Total fixed interest	**14,975,000**	**8,962**	**86,989**	**(1,185,774)**	**13,885,177**
Floating rate notes					
14 October 2022	130,000	(7)	692	-	130,684
Total	**15,105,000**	**8,955**	**87,681**	**(1,185,774)**	**14,015,862**

18. Borrower notes

Borrower notes are subordinated debt instruments which are required to be held by each local authority that borrows from LGFA in an amount equal to a fixed percentage of the aggregate borrowings by that local authority. The fixed percentage is 2.5% for loans issued from 1 July 2020. Prior to this date, the fixed percentage was 1.6%.

LGFA may convert borrower notes into redeemable shares if it has made calls for all unpaid capital to be paid in full and the Board determines it is still at risk of imminent default.

19. Other liabilities

As at 30 June in $000s	2023	2022
Lease liability	58	156
Accruals	838	694
Total receivables	**896**	**850**

20. Operating leases

As at 30 June in $000s	2023	2022
Less than one year	58	66
Between one and five years	-	90
Total non-cancellable operating leases	**58**	**156**

Risk management

21. Financial risk management

The Board of Directors has overall responsibility for carrying out the business of LGFA in accordance with risk management policies, including those relating to investing, lending, borrowing and treasury activities. The use of financial instruments exposes LGFA to financial risks, the most significant being market risk, credit risk, and liquidity risk. The exposure and management of these risks is outlined below.

22. Market risk

Market risk is the risk that changes in market prices will affect LGFA's income or value of financial instruments. The most significant market risk which LGFA is exposed to is interest rate risk. LGFA has no significant exposure to foreign exchange risk.

23. Interest rate risk

Interest rate risk is the risk that future cash flows or the fair value of financial instruments will decrease because of a change in market interest rates. LGFA is exposed to interest rate risk through its interest-bearing financial assets and liabilities.

Interest rate risk is managed using Value at Risk (VaR) and Partial Differential Hedge (PDH) limits to mitigate the potential change in value of the balance sheet due to changes in interest rates. PDH risk measures the sensitivity of a portfolio to a one basis point change in underlying interest rates, whereas VaR measures the expected loss for a given period with a given confidence.

The table below indicates the earliest period in which the interest-bearing financial instruments reprice.

As at 30 June 2023 in $000s	Face value	Less than 6 months	6 months - 1 year	1-2 years	2-5 years	Over 5 years
Financial assets						
Cash and bank Balances	226,222	226,222	-	-	-	-
Marketable securities	1,150,805	540,532	154,418	104,273	351,582	-
Deposits	447,115	447,115	-	-	-	-
Loans	16,201,725	13,382,721	363,171	370,400	1,418,820	666,614
Financial liabilities						
Bills	(792,000)	(792,000)	-	-	-	-
Bond repurchases	(129,833)	(129,833)	-	-	-	-
Derivatives	-	(13,758,700)	1,843,500	2,031,200	4,145,000	5,739,000
Bonds	(16,678,000)	-	(2,218,000)	(2,409,000)	(5,589,000)	(6,462,000)
Borrower notes	(338,809)	(277,881)	(6,110)	(7,492)	(32,191)	(15,135)
Total	**87,225**	**(361,825)**	**136,979**	**89,381**	**294,211**	**(71,521)**

As at 30 June 2022 in $000s	Face value	Less than 6 months	6 months - 1 year	1-2 years	2-5 years	Over 5 years
Financial assets						
Cash and bank Balances	158,033	158,033	-	-	-	-
Marketable securities	1,503,175	533,296	401,624	174,200	394,055	-
Deposits	461,649	441,649	20,000	-	-	-
Loans	13,975,845	11,652,617	327,675	266,900	976,700	751,953
Financial liabilities						
Bills	(565,000)	(565,000)	-	-	-	-
Bond repurchases	(31,653)	(31,653)	-	-	-	-
Derivatives	-	(12,419,250)	1,583,750	1,645,500	3,895,200	5,294,800
Bonds	(15,105,000)	(130,000)	(1,830,000)	(1,998,000)	(5,245,000)	(5,902,000)
Borrower notes	(270,059)	(223,289)	(4,574)	(5,557)	(19,932)	(16,707)
Total	**126,991**	**(583,597)**	**498,476**	**83,044**	**1,023**	**128,046**

Interest rate sensitivity

Changes in interest rates impact the fair value of fixed rate assets and liabilities, cash flows on floating rate assets and liabilities, and the fair value and cash flows of interest rate swaps. A change of 100 basis points in interest rates at the reporting date would have increased/(decreased) profit or loss and equity by the amounts shown in the following table. This analysis assumes that all other variables remain constant.

For the period ending 30 June in $000s	2023		2022	
	100 bps increase $000s	100 bps decrease $000s	100 bps increase $000s	100 bps decrease $000s
Fair value sensitivity analysis				
Fixed rate assets	-	-	-	-
Fixed rate liabilities	547,192	(557,506)	518,112	(529,330)
Derivative financial instruments	(547,324)	557,646	(517,469)	528,667
	(132)	**140**	**643**	**(664)**
Cash flow sensitivity analysis				
Variable rate assets	132,093	(132,093)	115,784	(115,784)
Variable rate liabilities	(2,775)	2,775	(3,541)	3,541
Derivative financial instruments	(137,537)	137,537	(124,063)	124,063
	(8,219)	**8,219**	**(11,820)**	**11,820**

24. Credit risk

Credit risk is the risk of financial loss if a counterparty to a financial instrument fails to meet its contractual obligations. LGFA is exposed to credit risk through its lending and investing activities.

Credit risk associated with lending activities is managed by requiring members that borrow from LGFA to meet specific credit lending criteria and to provide security against the borrowing. LGFA's credit risk framework restricts credit exposures to specific counterparties.

Credit risk associated with investing activities, excluding on-lending, is managed by only investing with New Zealand Government Agencies or counterparties that meet a minimum credit rating of A (Standard & Poor's equivalent). LGFA's credit risk framework limits concentrations of credit risk for any single counterparty.

Exposure to credit risk

LGFA monitors the concentration of credit risk by the type of counterparty. The following table shows the carrying value and maximum exposure to credit risk at the reporting date, before taking account of collateral or other credit enhancements, for significant counterparty types.

As at 30 June 2023 in $000s	NZ government agencies	NZ councils	NZ registered banks	Other counter-parties	Fair Value hedge adjustment	Total carrying value
Financial assets						
Receivables	-		-	492		492
Cash and bank balances	223,783	-	2,439	-		226,222
Cash pledged as collateral	93,175					93,175
Marketable securities	79,082	16,950	347,933	706,787	(22,873)	1,127,879
Deposits	(93,175)	-	436,739	4,929		348,492
Derivatives	(1,468,363)	-	(96,108)	-		(1,564,470)
Loans	-	16,351,411	-	-	(37,850)	16,313,562
	(1,165,498)	**16,368,361**	**691,002**	**712,208**	**(60,722)**	**16,545,351**

As at 30 June 2022 in $000s	NZ government agencies	NZ councils	NZ registered banks	Other counter-parties	Fair Value hedge adjustment	Total carrying value
Financial assets						
Receivables	-		-	360		360
Cash and bank balances	156,331	-	1,702	-		158,033
Cash pledged as collateral	76					76
Marketable securities	239,937	29,235	331,290	910,038	(19,351)	1,491,148
Deposits	-	-	377,463	85,403		462,866
Derivatives	(1,111,408)	-	-	-		(1,111,408)
Loans	-	14,078,239	-	-	(36,331)	14,041,908
	(715,064)	**14,107,474**	**710,455**	**995,801**	**(55,682)**	**15,042,984**

Collateral and credit enhancements

LGFA holds collateral against borrowings from councils in the form of debenture securities and guarantees.

Credit quality of financial assets

All financial assets are neither past due nor impaired. The carrying value of the financial assets is expected to be recoverable.

25. Liquidity risk

Liquidity risk is the risk that LGFA will encounter difficulty in meeting the obligations of its financial liabilities. LGFA manages liquidity risk by holding cash and a portfolio of liquid assets to meet obligations when they fall due. LGFA is required by policy to maintain sufficient liquidity (comprising a committed liquidity facility and holdings of cash and liquid investments) to meet all operating and funding commitments over a rolling 12-month period.

The Treasury (New Zealand Debt Management) provides a committed liquidity facility that LGFA can draw upon to meet any exceptional and temporary liquidity shortfall. As at 30 June 2023, the undrawn committed liquidity facility was $1,500 million (2022: $1,300 million). The facility is due to expire in December 2031.

26. Contractual cash flows of financial instruments.

The following table shows the contractual cash flows associated with financial assets and liabilities.

As at 30 June 2023 in $000s	On demand	Up to 3 months	3 months to 1 year	1 year to 5 years	More than 5 years	Total contractual cash flows	Total carrying value
Financial assets							
Receivables	492	-	-	-	-	492	492
Cash and bank balances	226,222	-	-	-	-	226,222	226,222
Cash pledged as collateral	93,175	-	-	-	-	93,175	93,175
Marketable securities	-	168,607	350,627	709,893	-	1,229,127	1,127,879
Deposits	-	209,258	145,558	-	-	354,816	348,492
Loans	-	676,189	2,722,811	10,726,760	6,001,820	20,127,580	16,313,562
Financial liabilities							
Payables and provisions	(6,132)	-	-	-	-	(6,132)	(6,132)
Bills	-	(567,000)	(225,000)	-	-	(792,000)	(782,630)
Bond repurchases	-	(130,215)	-	-	-	(130,215)	(130,043)
Bonds	-	-	(2,662,170)	(9,221,173)	(7,131,780)	(19,015,123)	(15,160,432)
Borrower notes	-	(1,549)	(40,931)	(220,864)	(178,502)	(441,846)	(360,348)
Derivatives	-	(210,678)	(254,986)	(1,243,521)	(807,012)	(2,516,197)	(1,564,470)
	313,757	**144,611**	**35,909**	**751,096**	**(2,115,474)**	**(870,101)**	**105,766**

As at 30 June 2022 in $000s	On demand	Up to 3 months	3 months to 1 year	1 year to 5 years	More than 5 years	Total contractual cash flows	Total carrying value
Financial assets							
Receivables	360	-	-	-	-	360	360
Cash and bank balances	158,033	-	-	-	-	158,033	158,033
Cash pledged as collateral	76	-	-	-	-	76	76
Marketable securities	-	199,206	473,654	834,261	-	1,507,122	1,491,148
Deposits	-	322,580	142,572	-	-	465,151	462,866
Loans	-	405,638	2,296,504	7,921,322	5,316,424	15,939,887	14,041,908
Financial liabilities							
Payables and provisions	(45,066)	-	-	-	-	(45,066)	(45,066)
Bills	-	(490,000)	(75,000)	-	-	(565,000)	(562,803)
Bond repurchases	-	(31,681)	-	-	-	(31,681)	(31,671)
Bonds	-	(807)	(2,398,906)	(8,336,675)	(6,560,835)	(17,297,223)	(14,015,862)
Borrower notes	-	(2,194)	(32,788)	(149,518)	(135,615)	(320,116)	(283,180)
Derivatives	-	(74,548)	58,917	(198,031)	(180,497)	(394,159)	(1,111,408)
	113,403	**328,192**	**464,952**	**71,359**	**(1,560,523)**	**(582,617)**	**104,403**

Capital and dividends

27. Share capital

As at 30 June 2023, LGFA had 45 million ordinary shares on issue, 20 million of which remain uncalled.

All ordinary shares rank equally with one vote attached to each ordinary share. Ordinary shares have a face value of $1 per share.

28. Shareholder information

Registered holders of equity securities as at 30 June	2023		2022	
Minister of Finance and Minister for Local Government	5,000,000	11.1%	5,000,000	11.1%
Auckland Council	3,731,960	8.3%	3,731,960	8.3%
Christchurch City Council	3,731,960	8.3%	3,731,960	8.3%
Hamilton City Council	3,731,960	8.3%	3,731,960	8.3%
Bay of Plenty Regional Council	3,731,958	8.3%	3,731,958	8.3%
Greater Wellington Regional Council	3,731,958	8.3%	3,731,958	8.3%
Tasman District Council	3,731,958	8.3%	3,731,958	8.3%
Tauranga City Council	3,731,958	8.3%	3,731,958	8.3%
Wellington City Council	3,731,958	8.3%	3,731,958	8.3%
Western Bay of Plenty District Council	3,731,958	8.3%	3,731,958	8.3%
Whangārei 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%
	45,000,000	**100%**	**45,000,000**	**100%**

29. Capital management

LGFA's capital is equity, which comprises share capital and retained earnings. The objective of managing LGFA's equity is to ensure LGFA achieves its goals and objectives for which it has been established, whilst remaining a going concern.

30. Dividend

LGFA paid a dividend of $1,217,500 on 2 September 2022, being $0.0487 per paid up share (2022: $856,500 on 3 September 2021, being $0. 03426 per paid up share).

31. Capital commitments

As at 30 June 2023, there are no capital commitments.

Other Notes

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

For the year ended 30 June in $000s	2023	2022
Net profit/(loss) for the period	2,505	10,673
Cash applied to loans	(2,222,368)	(1,972,398)
Non-cash adjustments		
Amortisation and depreciation	(8,417)	(2,527)
Working capital movements		
Net change in trade debtors and receivables	96	(148)
Net change in prepayments	(67)	(169)
Net change in accruals	144	345
Net Cash From Operating Activities	**(2,228,108)**	**(1,964,224)**

33. Contingencies

There are no contingent liabilities at balance date.

34. Related parties

Identity of related parties

LGFA is related to the councils set out in the Shareholder Information in note 12.

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 councils, and non-shareholder councils 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 councils to LGFA (cross guarantee) and of LGFA itself.

Related party transactions

LGFA was established for the purpose of raising funds from the market to lend to member borrowers. The lending to individual councils is disclosed in note 12, and interest income recognised on this lending is shown in the statement of comprehensive income.

The purchase of LGFA borrower notes by participating borrowers. Refer note 18.

The Treasury (New Zealand Debt Management) provides LGFA with a committed credit facility and is LGFA's derivatives counterparty.

Transactions with key management personnel:

Salaries $1,239,462 (2022: $1,016,801)

Fees paid to directors are disclosed in operating expenses in Note 6.

35. Subsequent events

On 28 August 2023, the Directors of LGFA declared a dividend of $1,712,500 ($0.0685 per paid up share).

Subsequent to balance date, LGFA has issued $420 million in NZD bonds and AUD 1 billion in AUD bonds.

KPMG

INDEPENDENT AUDITOR'S REPORT

TO THE READERS OF NEW ZEALAND LOCAL GOVERNMENT FUNDING AGENCY LIMITED'S FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION FOR THE YEAR ENDED 30 JUNE 2023

The Auditor-General is the auditor of New Zealand Local Government Funding Agency Limited (the company). The Auditor-General has appointed me, David Gates, using the staff and resources of KPMG, to carry out the audit of the financial statements and performance information of the company on his behalf.

Opinion

We have audited:

- the financial statements of the company on pages 64 to 87, that comprise the statement of financial position as at 30 June 2023, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information; and
- the performance information of the company on pages 10 to 15.

In our opinion:

- the financial statements of the company on pages 64 to 87:
  - present fairly, in all material respects:
    - its financial position as at 30 June 2023 and
    - its financial performance and cash flows for the year then ended; and
  - comply with generally accepted accounting practice in New Zealand in accordance with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and International Financial Reporting Standards (IFRS); and
- the performance information of the company on pages 10 to 15 presents fairly, in all material respects, the company's actual performance compared against the performance targets and other measures by which performance was judged in relation to the company's objectives for the year ended 30 June 2023.

Our audit was completed on 28 August 2023. This is the date at which our opinion is expressed.

The basis for our opinion is explained below, and we draw attention to the inherent uncertainties in the measurement of greenhouse gas emissions. In addition, we outline the responsibilities of the Board of Directors and our responsibilities relating to the financial statements and the performance information, we comment on other information, and we explain our independence.

Basis for our opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the Responsibilities of the auditor section of our report.

We have fulfilled our responsibilities in accordance with the Auditor-General's Auditing Standards.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter – Inherent uncertainties in the measurement of greenhouse gas emissions

The company has chosen to include a measure of its greenhouse gas (GHG) emissions in its performance information. Without modifying our opinion and considering the public interest in climate change related information, we draw attention to page 14 of the annual report, which outlines the uncertainty in the reported GHG emissions. Quantifying GHG emissions is subject to inherent uncertainty because the scientific knowledge and methodologies to determine the emissions factors and processes to calculate or estimate quantities of GHG sources are still evolving, as are GHG reporting and assurance standards.

KPMG

Materiality

The scope of our audit was influenced by our application of materiality. Materiality helped us to determine the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and on the financial statements as a whole. The materiality for the financial statements as a whole was set at $135 million determined with reference to a benchmark of company Total Assets. We chose the benchmark because, in our view, this is a key measure of the company's performance. In addition, we also assess whether other matters that come to our attention during the audit would in our judgement change or influence the decisions of a reasonably knowledgeable person ('qualitative' materiality).

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements in the current period. We summarise below those matters and our key audit procedures to address those matters in order that the readers as a body may better understand the process by which we arrived at our audit opinion. Our procedures were undertaken in the context of and solely for the purpose of our statutory audit opinion on the financial statements as a whole and we do not express discrete opinions on separate elements of the financial statements.

The key audit matter	How the matter was addressed in our audit
Existence and impairment of loans	
Refer to Note 12 to the Financial Statements. The loans LGFA has provided to local government make up over 89% of total assets. The loans are recognised at amortised cost and the nature of the counterparties is such that we do not consider these loans to be at high risk of significant misstatement. However, based on their materiality, and the judgement involved in assessing the credit worthiness of counterparties they are considered to be the area which had the greatest effect on our overall audit strategy and allocation of resources in planning and completing our audit.	Our audit procedures included: - understanding the processes in place to assess borrowers and to record loan transactions. This included evaluating the control environment in place at LGFA. - agreeing the 30 June 2023 loan balances to external confirmations received from NZ Clear. - assessing the borrowers' compliance with financial covenants. We did not identify material differences in relation to the existence or impairment of loans.
Application of hedge accounting	
Refer to Note 9 of the Financial Statements. LGFA enters into derivatives (interest rate swaps) to manage interest rate risk related to issuing fixed rate borrowings, loans and investments. Fair value hedge accounting is applied where specific requirements are met around documentation of the hedge relationship and the relationship is demonstrated as being an effective hedge. Hedge accounting is complex, particularly in the area of whether the requirements (both initial and ongoing) for its application are met. Should the requirements for hedge accounting not be met, LGFA could experience significant volatility in the Statement of Comprehensive Income from changes in the fair value of the derivatives. Due to the size of the derivative positions and the complexity of hedge accounting we consider this to be a key audit matter.	Our audit procedures included: - reviewing LGFA's accounting policies related to financial instruments. - agreeing the terms of the derivatives to the confirmation provided by the derivative counterparty. - using our treasury valuation specialists we independently recalculated the fair value of all of the derivatives recorded by LGFA. - ensuring the hedge documentation supporting the application of hedge accounting was in accordance with NZ IFRS 9 and the disclosures made in the financial statements were appropriate. - determining that management's hedge effectiveness calculations were correctly performed using appropriate source information. We did not identify material differences in relation to the application of hedge accounting.

Responsibilities of the Board of Directors for the financial statements and the performance information

The Board of Directors is responsible on behalf of the company for preparing financial statements that are fairly presented and that comply with generally accepted accounting practice in New Zealand in accordance with NZ IFRS and IFRS. The Board of Directors is also responsible for preparing the performance information for the company.

The Board of Directors is responsible for such internal control as it determines is necessary to enable it to prepare financial statements and performance information that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements and the performance information, the Board of Directors is responsible on behalf of the company for assessing the company's ability to continue as a going concern. The Board of Directors is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless the Board of Directors intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors' responsibilities arise from the Local Government Act 2002 and the Financial Markets Conduct Act 2013.

Responsibilities of the auditor for the audit of the financial statements and the performance information

Our objectives are to obtain reasonable assurance about whether the financial statements and the performance information, as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit carried out in accordance with the Auditor-General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures, and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers, taken on the basis of these financial statements and the performance information.

For the budget information reported in the financial statements and the performance information, our procedures were limited to checking that the information agreed to the company's statement of intent.

We did not evaluate the security and controls over the electronic publication of the financial statements and the performance information.

As part of an audit in accordance with the Auditor-General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. Also:

- We identify and assess the risks of material misstatement of the financial statements and the performance information, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- We evaluate the appropriateness of the reported performance information within the company's framework for reporting its performance.
- We conclude on the appropriateness of the use of the going concern basis of accounting by the Board of Directors and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists we are required to draw attention in our auditor's report to the related disclosures in the financial statements and the performance information or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- We evaluate the overall presentation, structure and content of the financial statements and the performance information, including the disclosures, and whether the financial statements and the performance information represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Our responsibilities arise from the Public Audit Act 2001.

Other Information

The Board of Directors is responsible for the other information. The other information comprises the information included on pages 1 to 9, 16 to 63 and 92 to 97 but does not include the financial statements and the performance information, and our auditor's report thereon.

Our opinion on the financial statements and the performance information does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the financial statements and the performance information, our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the financial statements and the performance information or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on our work, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Independence

We are independent of the company in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1: International Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board.

For the year ended 30 June 2023 and subsequently, the Chair of the company's Audit and Risk Committee is a member of the Auditor-General's Audit and Risk Committee. The Auditor-General's Audit and Risk Committee is regulated by a Charter that specifies that it should not assume any management functions. There are appropriate safeguards to reduce any threat to auditor independence, as the member of the Auditor-General's Audit and Risk Committee does not assume any management functions as part of their oversight role of the audit of the company.

Other than the audit, and the relationship with the Auditor-General's Audit and Risk Committee, we have no relationship with, or interests in, the company.



David Gates
KPMG
On behalf of the Auditor-General
Wellington, New Zealand

Other disclosures

He whākitanga anō

Donations

A donation of $4,000 was made to Kauri 2000 for the year ended 30 June 2023.

Earnings per security

Earnings per $1,000 of bonds on issue as at 30 June 2023 is $0.15 (2022: $0.71).

Net Tangible Assets

Net tangible assets per $1,000 of listed bonds as at 30 June 2023 is $6.35 (2022: $6.92).

Amount per security of final dividends

Not applicable

Spread of Quoted Security holders

Holding Range	Holder Count	Holder Count %	Holding Quantity	Holding Quantity %
10,000 to 49,999	457	46	$10,998,000	0.06
50,000 to 99,999	193	19	$13,417,000	0.08
100,000 to 499,999	217	22	$41,531,000	0.23
500,000 to 999,999	31	3	$21,074,000	0.12
1,000,000 to 9,999,999,999,999	103	10	$17,690,980,000	99.51
Total	**1,001**	**1,001**	**$17,778,000,000**	**100.00**

Directory

Rārangi tauwaea

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Wellington 6145

Office hours

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

General enquiries

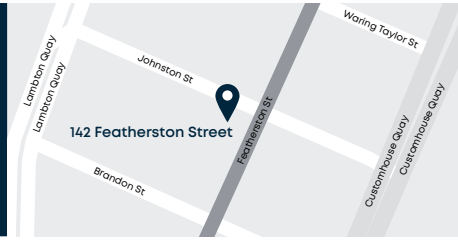
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Taranaki's Yarrow Stadium is being redeveloped; the stadium has one of the best backdrops in Aotearoa New Zealand – Mt Taranaki.
Taranaki Regional Council
Photo by Charles Woollin

GRI Index

Kuputohu GRI

The GRI Standards are the world's most widely used sustainability reporting standard.
This is the second year LGFA has prepared its annual report in compliance with the GRI Standards.
The following index is based on the GRI core option.

Disclosure title	Reference/Disclosure
102-1. Name of the organisation	Page 17
102-2. Activities, brands, products and services	Pages 17-26
102-3. Location of headquarters	Page 93
102-4. Location of operations	Page 93
102-5. Ownership and legal form	Pages 16, 69
102-6. Markets served	Pages 4-7, 10-25
102-7. Scale of the organisation	Pages 4-7, 16-31, 66
102-8. Information on employees and other workers	Pages 48-49, 54-55
102-9. Supply chain	Pages 16-25, 34
102-10. Significant changes to the organization and its supply chain	None
102-11. Precautionary Principle or approach	Page 32
102-12. External initiatives	Pages 44-45
102-13. Membership of Associations	Financial Service Providers Register
102-14. Statement from senior decision-maker	Pages 4-7
102-16. Values, principles, standards, and norms of behaviour	Pages 44-47
102-18. Overview of Governance Structure	Pages 18-19
102-40. List of stakeholder groups	Pages 4-7, 10-15, 26-31, 57
102-41. Collective bargaining agreements	None
102-42. Identifying and selecting stakeholders	Pages 33
102-43. Approach to stakeholder engagement	Pages 33-43
102-44. Key topics and concerns raised	Page 33
102-45. Entities included in the consolidated financial statements	Page 68
102-46. Defining report content and topic Boundaries	Page 33
102-47. List of material topics	Pages 32-57
102-48. Restatements of information	None
102-49. Changes in reporting	None
102-50. Reporting period	1 July 2022 to 30 June 2023
102-51. Date of most recent report	2023 Annual Report
102-52. Reporting cycle	Annual
102-53. Contact point for questions regarding the report	lgfa@lgfa.org.nz
102-54. Claims of reporting in accordance with the GRI Standards	The report has been prepared in accordance with the GRI standards: core option
102-55. GRI content index	Pages 94-95
102-56. External assurance	None
Cost effective funding	Pages 4-7, 10-15, 27
Culture, ethics and governance	Pages 32-57
Transparency and disclosure	Pages 4-7, 32-57
Environmental and social impact of lending	Pages 4-7, 32-43
Health & safety and wellbeing	Pages 11, 14-15, 32-43
Collaboration and local engagement	Pages 4-7, 13, 32-43
Financial markets best practice and influence	Pages 4-7, 10-15, 44-57
Diversity and inclusion	Pages 4-7, 48
Capability and development	Pages 4-7, 48
Carbon footprint	Pages 32-43
Emissions	
305-1 Direct (Scope 1) GHG emissions	Page 43
305-2 Energy indirect (Scope 2) GHG emissions.	Page 43
305-3 Other indirect (Scope 3) GHG emissions.	Page 43
Health and Safety and Wellbeing	
403-1 Occupational health and safety management system	Page 48
403-9 Work-related injuries	Pages 14
403-10 Work-related ill health	Pages 14
Diversity and Inclusion	
405-1 Diversity of governance bodies and employees	Page 48
Capability and Development	
404-2 Programs for upgrading employee skills and transition assistance programs	Page 48

Glossary

Kuputaka

AIL	Approved Issuer Levy
Annual Plans	Annual budgets issued by councils ahead of their June financial year end
Bespoke Lending	Any lending to a council with a maturity date that does not match an LGFA bond maturity dated
bps	Basis points (100 basis points equals one percentage).
CCO	Council Controlled Organisation
CCTO	Council Controlled Trading Organisation
CAL	Climate Action Loans
Coverage Ratio	In a tender the amount of bids received divided by the amount of bonds on offer. The higher the Bod Coverage ratio the more demand there is
ESG	Environmental, social and governance
Financial Covenants	Four financial covenants that council must adhere to Debt/Revenue, Interest Expense to Rates Revenue, Interest Expense to Total Revenue, Liquidity. Annual attestation and if in breach then can be an event of repayment of loans.
Fitch	Credit rating agency who rates LGFA and a small number of councils
Foundation Policy Covenants	Within Shareholder Agreement – any changes require shareholder approval. Now mainly the financial covenants.
GHG	Greenhouse gas
GRI	Global Reporting Initiative
GSS	Green, Social and Sustainability
GSA	General security arrangement
Guarantee and Indemnity Deed	Joint and Several Guarantee with a side agreement that pro ratas the council guarantors obligations to that of proportionate share of rates revenue
Guarantor	Any council shareholder or any council who borrows more than $20m is required to sign the Guarantee and Indemnity Deed.
IA	Internal audit
INFINZ	Institute of Finance Professionals
LAP	Liquid Assets Portfolio
LGFA Bills	Short dated securities (less than 1 year) issued by LGFA
LGFA Bonds	Fixed rate coupon bonds issued by LGFA with maturities between 2024 and 2037. Issued via tenders or syndication
Local Government Act 2002	Overarching legislation for Councils, CCOs and CCTOs
Local Government Borrowing Act 2011	Act that established LGFA
Multi Issuer Deed (MID)	Over arching borrowing document – accession of councils and CCOs, reps and warranties, financial covenants, BN conversion
NII	Net interest income
Non Guarantor	Any member council that is not a guarantor. Non-Guarantor member councils cannot borrow more than $20m
NZD	New Zealand Dollar
NZDM	New Zealand Debt Management of the Treasury – our contact point for our Crown Liquidity Facility and derivative swap counterparty
NZDM Facility	Crown Liquidity Facility where we can drawdown up to $1.5 billion of emergency funding (subject to certain conditions)
NZGB	New Zealand Government Bonds
PDH	Partial Differential Hedge
S&P	Standard and Poor's
Shareholders Agreement	Board, Shareholder Council appointments, sale of shares, voting rights and Foundation policies
SOI	Statement of Intent
Spread to NZGB	The basis point difference between LGFA Bonds and NZ Government Bonds. Investors will often use the spread the gauge when LGFA bonds are trading at a premium or discount
Spread to Swap	The basis point difference between LGFA Bonds and the swaps curve. The spread is often used as a proxy to gauge if LGFA bonds are being issued at a discount or premium
SSA	Supra and Sub Sovereign Agency issuers- same as Supras – they issue Kauri bonds in NZD. Examples are World Bank, Asian Development Bank, Kommunalbanken (LGFA Norway equivalent)
Swap	Interest rate derivative instruments transacted with the NZDM to hedge the balance sheet and convert fixed rate borrowing into floating rate exposures.
Syndication	LGFA issues Bonds by Syndication normally twice a year, if market conditions are favourable. Syndications provide diversity to LGFA's funding program, by offering an alternative funding tool to the scheduled bond tenders.
Taituarā	Formerly Society of Local Government Managers (SOLGM)
TCFD	Task Force on Climate Related Financial Disclosures
Tender	LGFA issues Bonds and Bills to the market in scheduled tenders, typically every six weeks of the financial year.
UN SDG	United Nations' Sustainable Development Goals
VaR	Value at risk
WSE	Water service entities





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

Contents

Ngā Ihirangi

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

08 Perormance highlights
Ko ngā tino hua

10 Perormance agains objectives
Ko ngā whakatutukinga ki ngā whāinga

16 About us
Mō mātou

20 LGFA bonds on issue
Ko ngā pūtea taurewa pūmau kua tukuna e te LGFA

26 LGFA members
Ko ngā LGFA e noho mema ana

32 Susainability at LGFA
Te toittanga kei te LGFA

44 Governance and culture
Te whakaruruhau me te ahurea

58 Managing risk
Ko te whakahaere tūraru

64 Financial satements
Nga taukī pūtea

Statement of comprehensive income 64
Statement of changes in equity 65
Statement of financial position 66
Statement of cash flows 67
Notes to the financial satements 68
Auditors Repor 88

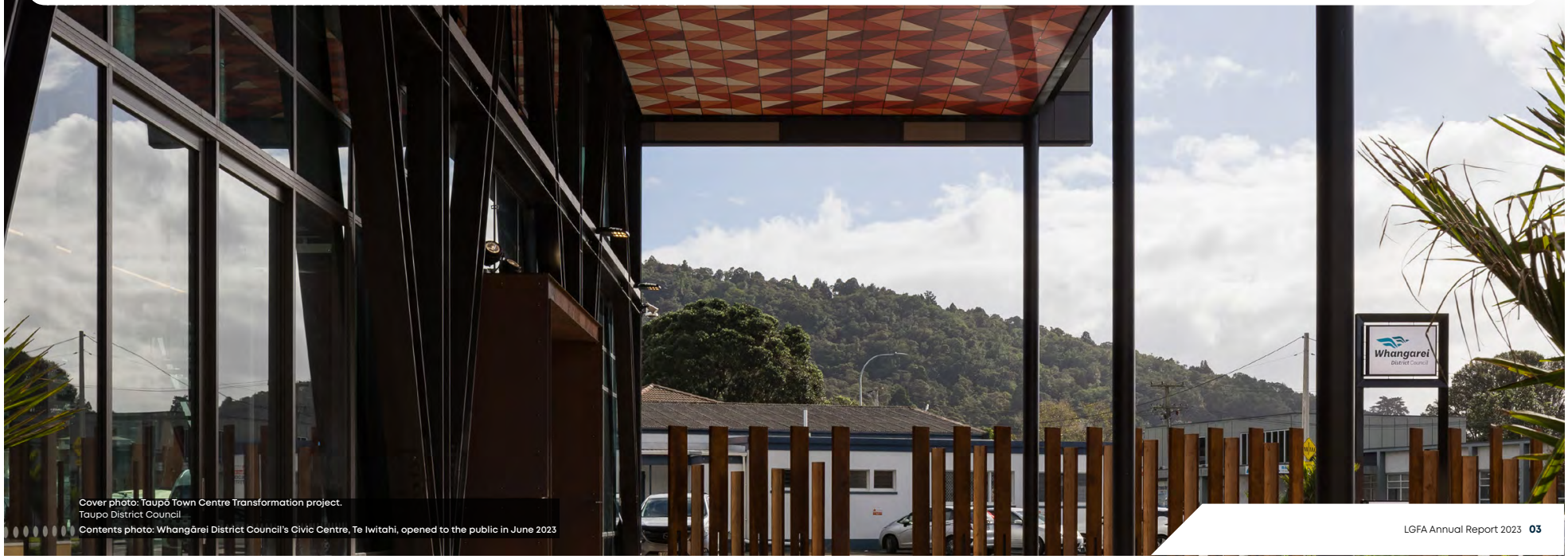
92 Other disclosures
He whākitanga anō

93 Directory
Rārangi tauwaea

94 GRI Index
Kuputohu GRI

96 Glossary
Kuputaka

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



Cover photo: Taupō Town Centre Transformation project.
Taupo District Council
Contents photo: Whangārei District Council's Civic Centre, Te Iwitahi, opened to the public in June 2023

Message from the Chair and Chief Executive

He karere mai i te Toihau me te Tumuaki

For the year ended 30 June 2023

During challenging market conditions of the past year, LGFA focused on meeting the funding requirements for our local government sector, at the same time extending our suite of innovative sustainable funding and lending products and achieving several key milestones.



New Zealand Issuer of the Year
New Zealand Local Government Funding Agency

On behalf of the directors and staff of LGFA, we are pleased to highlight the following developments over the past year. Of note was the launch of our Climate Action Loan product for council and CCO members and the establishment of our Sustainable Financing Bond Framework, culminating in our first sustainable bond issuance. We achieved a 100% satisfaction outcome in our member survey, 93% market share of council borrowing, and were awarded the KangaNews Issuer of the Year Award for 2022.

2022-23 Financial and operational performance

Over the past year we achieved 16 out of our 17 performance objectives, with the only objective missed being our target for total operating income.

Total interest income for the financial year of $763.6 million increased 94% over the 2021-22 result of $393.5 million. Net operating profit of $2.5 million decreased 77% on the 2021-22 result of $10.7 million. The decrease in net operating profit was largely driven by our decision to adopt a prudent approach of borrowing longer than our term of lending and maintaining a larger than forecast liquid asset portfolio (LAP) during a period of rising interest rates and volatile market conditions. There was also a modest negative impact from our decision to offer a reduced lending margin to members for our sustainability lending products.

Operating expenses at $9.1 million were $300k below the SOI budget. There were higher than expected NZX and registry fees related to increased bond issuance and lending, as well as additional legal costs incurred with new member accessions and the Affordable Waters Reform. These were offset by lower than forecast consultancy and information technology costs and a lower NZDM facility utilisation fee.

Borrowing activity

Our bond issuance of $3.5 billion over the year was significantly higher than the historical average of $1.6 billion, with year-end outstandings totalling $17.8 billion (including $1.1 billion of treasury stock) across 11 bond maturities ranging between 2024 to 2037. The average term of issuance during the year at 5.5 years was shorter than the prior year of 6.2 years, reflecting the more challenging market conditions for issuance and closer matching to member borrowing.

In November 2022, we were delighted to be awarded the New Zealand Issuer of the Year at the 2022 KangaNews Awards, which recognises the support that we have received from investors, intermediaries and market participants, not just over the past year, but also throughout the past decade since we commenced issuance in 2012.

The highlight for the year was the $1.1 billion issuance in April 2023 of a new 2030 bond, being the first issuance under our Sustainable Financing Bond Framework. The bond was well received by global and domestic investors who are looking for these types of sustainable finance investments for their portfolios. Our sustainable financing bond is backed by our sustainable asset pool comprising Green Social and Sustainability Loans and Climate Action Loans to members.

As our issuance has grown it has been pleasing to see a corresponding rise in our offshore investor base who have increased their holdings over the last year by $1.8 billion to $6.2 billion, or an equivalent 37% of our total bonds on issue.

Over the past year, the spreads on LGFA bonds narrowed against New Zealand Government Bonds (NZGB) but widened over swap. LGFA bond spreads to NZGB beyond 2024 narrowed between 4 bps (2029 bond) and 22 bps (2025 bond) while LGFA bond spreads to swap widened between 6 bps (2025 bond) and 25 bps (2029 and 2031 bonds). This change was similar to the spread movements on other high-grade issuers and also reflected the large amount of bond issuance undertaken by LGFA during the year.

Market conditions during a period of monetary policy tightening contributed to a significant lift in yields over the year, with outright yields rising between 56 bps (2037 maturity) and 179 bps (2024 maturity).

Lending to the sector

Over the past year, we welcomed two new member councils with Dunedin City Council and Environment Southand joining as guarantors. Total council membership is now 77 out of the 78 councils in New Zealand. In addition, Dunedin City Treasury Limited and Westland Holdings Limited joined as Council-controlled organisation (CCO) members, bringing the number of CCO members to three.

Long-dated lending to members over the year was a record $3.9 billion as members refinanced their April 2023 loans and increased their borrowing to finance infrastructure projects. Our estimated market share of total council borrowing of 93% for the year to 30 June 2023 was a historical high compared to the long-term average of 77%.

The average tenor of long-dated borrowing by members of 5.2 years over the 12-month period was shorter than the prior year's 6.2 years.

Short-dated lending for terms less than 12 months continues to be well supported by members. At June 2023, there were $548 million of short-term loans outstanding to 37 members, a 14% increase over last year's $478 million outstanding to 31 members.

New products and initiatives

In addition to the launch of our new Sustainable Financing Bond Framework, another significant sustainability initiative was the December 2022 launch of our Climate Action Loan (CAL) lending product which provides a discounted loan margin for members who have an approved greenhouse gas emission reduction plan in place and are meeting their reduction targets. This new initiative was well received by members, with $521 million lent to three councils under the CAL lending product.

Over the year, members borrowed $232 million under our Green, Social and Sustainability (GSS) lending product launched in October 2021, taking the year end outstanding of GSS loans to $295 million to five members.

New standby facilities totalling $55 million were approved for five new members, increasing the total of standby products to 16 members totalling $727 million.

Climate-related events and the proposed Affordable Waters Reform Programme

Over the year, the local government sector dealt with significant climate-related events as well as the proposed Affordable Waters Reform Programme.

LGFA has been assisting Central Government and our members as they work through the funding and financing implications for the proposed Affordable Waters Reform Programme. The transition date for the three waters related assets, debt, and revenue into the Water Services Entities (WSEs) has been extended to allow for WSEs to be established over the period from 1 July 2024 to 1 July 2026.

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

2023 LGFA Taituarā Local Government Excellence Awards

LGFA was the headline sponsor for the 2023 LGFA Taituarā Local Government Excellence Awards for the third consecutive year, and the ninth year that we have supported the awards.

We were pleased that the winner of the Supreme Award was the Takai Here Tāngata Project (binding people together). Takai Here Tāngata is an urban village of 19 houses situated on Te Ara o Takapā in Taitā, Lower Hutt. It is the result of Hutt City's innovative partnership with its property arm Urban Plus Ltd, Kahungunu Whānau Services, and Te Rānanganui o Te Āti Awa and is regarded as a proof of concept for a highly transferable methodology that has the potential to deliver housing at scale.

Acknowledgments

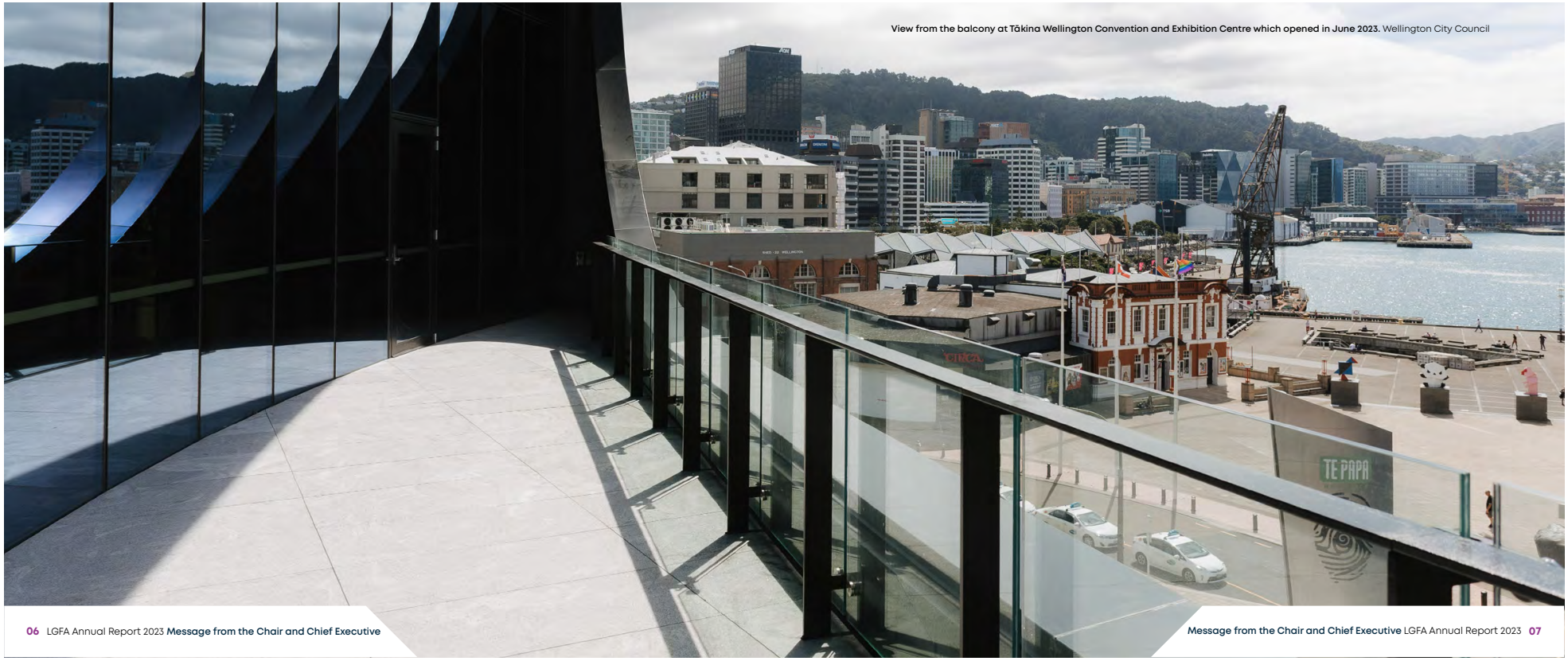
We would like to acknowledge the contribution made to LGFA by John Avery who retired as Director at the November 2022 AGM after eleven years of service. John, an independent director from establishment, played a significant role in developing our culture and guiding the organisation to where it is today, as well as representing the Board on many council visits with staff. We thank John and would like to wish him all the best for his future endeavours.

We acknowledge the support of the wider local government sector as they face several challenges including the uncertainty and additional workload from the proposed Affordable Waters Reform Programme, rising cost pressures and ratepayer affordability issues, the challenges to balance budgets and funding depreciation as well as the impact from North Island weather events.

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

Craig Stobo
Chair

Mark Butcher
Chief Executive



View from the balcony at Tākina Wellington Convention and Exhibition Centre which opened in June 2023. Wellington City Council

Performance highlights

Ko ngā tino hua

Bonds issued over the financial year

$3,533 million

Total interest income

$763.6 million

94% Increase over 2021-22 year

Lending to members over the financial year

$3,951 million

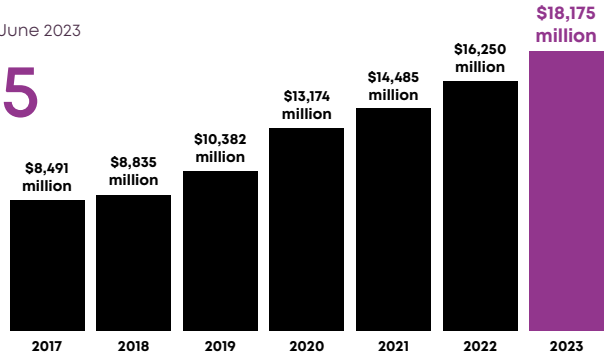
Net operating profit

$2.5 million

77% Decrease over 2021-22 year

Total assets at 30 June 2023

$18,175 million



Liquidity at 30 June 2023

$226 million
Cash

$1,128 million
Marketable securities

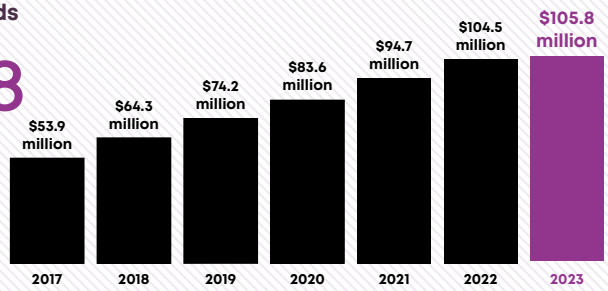
$348 million
Deposits

$1,100 million
Treasury stock for repurchase

$1,500 million
Government committed liquidity facility

Shareholder funds
at 30 June 2023

$105.8 million



Fully paid shares

$25.0 million

Retained earnings

$80.8 million

Borrower notes

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

$360 million

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 2022-25 (SOI)

2022-23 Objectives and performance targets

LGFA objectives and performance targets for 2022-23 fall within the following five strategic priorities which encompass our shareholders' foundation objectives and guide the 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 four quarters ended June 2023 are available on the LGFA website.

Governance, capability and business practice

LGFA is committed to best practice corporate governance to ensure its long-term sustainability and success.

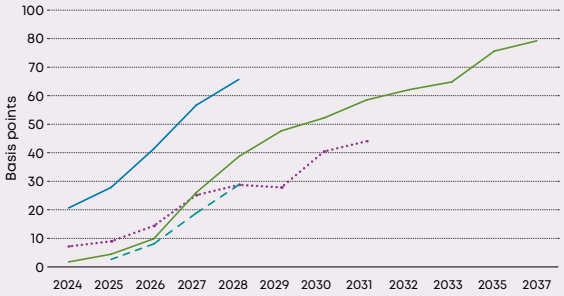
Objectives	Our performance to 30 June 2023
Demonstrate best practice corporate governance.	LGFA is committed to demonstrating best practice corporate governance and we report annually on our compliance with the eight core principles underpinning the NZX Corporate Governance Best Practice Code. The 2023 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 targets for the year-ended 30 June 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, compliance with the Health and Safety at Work Act, diversity and inclusion and capability and development.

Performance targets	2022-2023 target	Our performance to 30 June 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 upgraded LGFA Foreign Currency Rating to AA+ on 16 Sept 2022. S&P Global Ratings affirmed our domestic currency credit rating at AAA in March 2023.
LGFA's total operating income for the period to 30 June 2023.	> $12.2 million.	✗ Not met. Total operating income $11.6 million at 30 June 2023.
LGFA's total operating expenses for the period to 30 June 2023.	< $9.4 million.	✓ Met. Operating expenses $9.1 million at 30 June 2023.

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 are comparable to other high-grade issuers in the New Zealand capital markets.



Supranational, sovereign and agency issuers

Kainga Ora (AAA)	KBN (AAA)
Asian Development Bank (AAA)	Rentenbank (AAA)
IADB (AAA)	World Bank (AAA)
International Finance Corp (AAA)	Nordic Investment Bank (AAA)

Banks

ASB (AA-) ANZ (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, Climate Action Loans and standby facilities. • Over the year-ended June 2023, our members borrowed $3.95 billion in 380 long term loans across maturity dates ranging between 2023 and 2033. • As at June 2023 there was $548 million short-term loans outstanding to 37 members. • As at June 2023, standby facilities totalled $727 million across 13 members.
Deliver operational best practice and efficiency for lending services.	Over the year-ended 30 June 2023, LGFA operations staff successfully: • settled 2,039 new trades with a gross value of $10.0 billion, • processed 13,527 cash flows with a gross value of $34.0 billion, and • rate set 9,314 existing trades. There were no LGFA settlement errors over the year.
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 year-ended 30 June 2023, we issued $3.553 billion of primary bonds and secondary market turnover totalled $10.5 billion.

Performance targets	2022-2023 target	Our performance to 30 June 2023
Share of aggregate long-term debt funding to the Local Government sector.	> 80%	✓ Met – 93.3% as at 30 June 2023
Total lending to Participating Borrowers.	> $15,004 million	✓ Met – $16,314 million as at 30 June 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 2022 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

Effective management of loans

LGFA will ensure its loan book remains at a high standard by ensuring it understands each participating borrower's financial position. LGFA manages its assets within an appropriate risk management framework to ensure shareholder value is not compromised.

Objectives	Our performance to 30 June 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 year, we reviewed council agendas and management reports on an ongoing basis for all members on the LGFA borrower watch-list. We have received compliance certificates for LGFA covenants from all of our members with debt outstanding at June 2022 and no council has requested that they be measured on a group basis. Some certificates have been provided based upon unaudited financial statements given the delays in providing final audit signoff due to audit shortages.
Endeavour to meet each participating borrower annually, including meeting with elected officials as required, or if requested.	We met with all borrowers over the course of the year.

Performance targets	2022-2023 target	Our performance to 30 June 2023
Review each participating borrower's financial position under LGFA policies.	100%	✓ Met
Arrange to meet each Participating Borrower at least annually, including meeting with elected officials as required, or if requested.	100%	✓ Met

Environmental and social responsibility

LGFA recognises the risks inherent in climate change and supports councils shift to a low-carbon economy. LGFA will exhibit a sense of social and environmental responsibility by having regard to the interests of the community in which it operates and by endeavouring to accommodate or encourage these when able to do so.

Objectives	Our performance to 30 June 2023
Assist the local government sector in achieving their sustainability and climate change objectives.	Over the year to 30 June 2023, we approved GSS loans to Hutt City Council for the Naenae swimming pool, Whangārei District Council for the Civic Centre, and approved our first eligible social lending project for Christchurch City Council's Ōtautahi Community Housing Trust. At 30 June 2023, we had approved five GSS loans with a combined approved value of $562 million of which $294.5 million had been advanced. On 1 December 2022, we launched Climate Action Loans (CALs) which provide a discounted loan margin for members who have implemented a Greenhouse Gas Emission Reduction Plan and meet their emission reduction targets. At 30 June 2023, we had approved CAL loans to Auckland Council, Hutt City Council and Dunedin City Treasury Limited, with combined advances totalling $521 million. In September 2022, LGFA published our report on climate emergencies declared by New Zealand councils over 2019-2020 (16 out of 78), their subsequent responses and any opportunities for LGFA. A copy of this report is available from our website: Review of Climate Emergency Declarations and Responses by Councils.
Improve sustainability outcomes within LGFA.	In 2021, LGFA committed to reducing our carbon emissions over time, with our target of cutting per employee emissions by 30% by 2030, compared with a 2018/19 base year.

Performance targets	2022-2023 target	Our performance to 30 June 2023
Comply with the Health and Safety at Work Act 2015.	No breaches	✓ No breaches.
Maintain Toitū net carbonzero certification.	Net carbonzero certification maintained.	✓ Toitū Net Carbon-zero recertification approved 11 October 2022.
Meet reduction targets outlined in our carbon reduction management plan.	Reduction targets met.	✓ Met. Refer to the emissions table on page 43 that highlights the uncertainties that exist in regards to emission reporting.
Increase our GSS lending book.	Two new participating borrowers enter into GSS loans.	✓ Three new participating borrowers approved for GSS lending.
Ensure Annual Report is prepared in compliance with applicable GRI Standards.	100%	✓ 2023 Annual Report prepared to meet the requirements of the Global Reporting Initiative (GRI) Standards (core option).
Meet all mandatory climate reporting standards.	100%	✓ There are no mandatory climate reporting standards applying at the date of this report. LGFA has elected to prepare this annual report in compliance with the GRI standard (core option).

Industry leadership and engagement

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

Objectives	How we measure our performance
Take a proactive role to enhance the financial strength and depth of the local government debt market and work with key central government and local government stakeholders on sector and individual council issues.	This year we have introduced two new webinars for members: • LGFA Quarterly Update • Economic and Financial Market Update webinars These inaugural webinars were well attended by participants and will be formalised as ongoing quarterly events. Over the year we met with Treasury, the National Transition Unit and Policy teams at DIA (and their advisers) regarding the proposed Affordable Water Reform, working actively on issues relating to the transition of council debt, as well as the borrowing options for the Water Services Entities (WSEs) following transition. In consultation with key stakeholders, we are considering what potential role LGFA could play under the proposed Affordable Waters Reform programme.
Assist the local government sector with significant matters such as COVID -19 response and the proposed Three Waters Reform Programme.	LGFA provided input into the Ratepayer Financing Scheme (RFS) project managed by a group of councils with advice from Cameron Partners. If successful, the RFS could offer temporary financial relief to ratepayers via rates postponement. LGFA is not contributing financially to this project but providing intellectual capital and assistance.
Support councils and CCOs in the development of reporting disclosures of the impacts of sector activity on climate change.	We are continuing work on initiatives to reduce compliance and documentation requirements for members when they borrow. These initiative relate to a universal stock security certificate and delegation of a CEO certificate for borrowing.

About us

Mō mātou

The New Zealand Local Government Funding Agency Ltd (LGFA) specialises in financing the New Zealand local government sector, the primary objective being to optimise the terms and conditions of the debt funding it provides to participating borrowers.

LGFA was established to raise debt on behalf of councils on terms that are more favourable to them than if they raised the debt directly. Since establishment, LGFA has expanded its product suite to include short-dated lending, bespoke lending, standby facilities, sustainable financing alternatives and lending to CCOs. LGFA membership has grown to include 77 out of the 78 councils in New Zealand and has provided 93% of council borrowing in the year to June 2023.

Please refer to our website lgfa.co.nz for more information on LGFA, including our Statement of Intent and Quarterly Reports.

Incorporated on 1 December 2011 under the Companies Act 1993

Enabled by Local Government Borrowing Act 2011

Council-controlled organisation under the Local Government Act 2002

Ownership



80%
30 Councils

20%
New Zealand Government

Share ownership is restricted to New Zealand Government or councils.

Credit rating at 30 June 2023

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

Guarantee structure

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

LGFA's securities obligations are guaranteed by council guarantors.

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

Governance overview

31 Shareholders

30 Councils

80%

New Zealand Government

20%

Shareholders' Council

Page 57

The Shareholders' Council comprises five to ten appointees from shareholders. The role of the Shareholders' Council is to:

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

Board

Page 50

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:

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

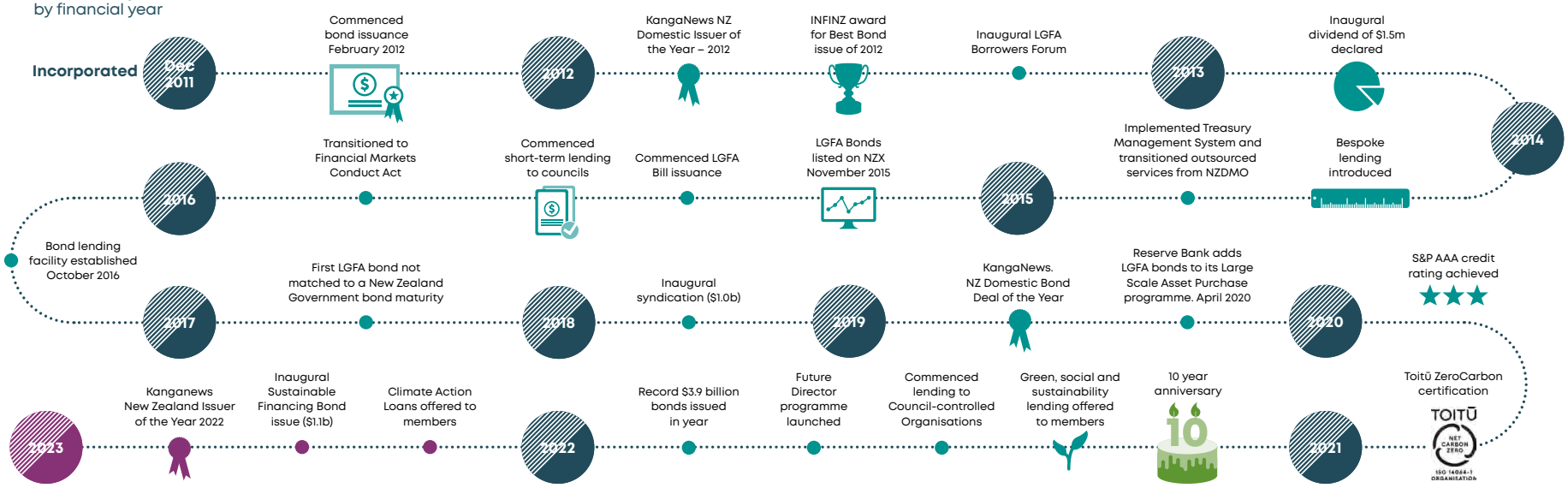
The Board comprises **five independent** directors and **one non-independent** director.

Bonds listed on NZX Debt Market

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

Supervised by independent trustee

Our history
by financial year



LGFA bonds on issue

Ko ngā pūtea taurewa pūmau kua tukuna e te LGFA

How we issue bonds

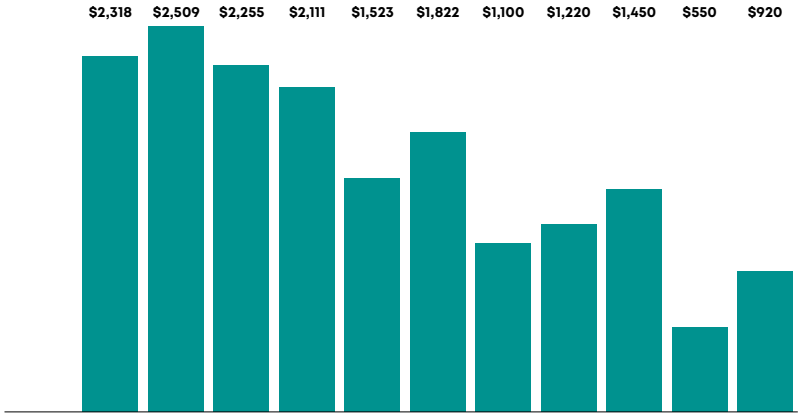
LGFA typically issues a new bond maturity via an initial syndication and then through ongoing regular scheduled tenders.

- Preferred bond tender sizes are between $150 million to $225 million with at least three maturities offered at each tender.
- LGFA bonds match NZGB where possible for maturity and coupon.
- Approved Issuer Levy is paid on behalf of offshore holders.
- Target issuance of $1 billion plus per maturity over time with a cap of $3.0 billion per maturity to support market liquidity.
- All bonds have been issued in New Zealand dollar (NZD) to June 2023, but have capability to issue non-NZD bonds if required.
- All LGFA retail bonds are listed on the NZX.

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

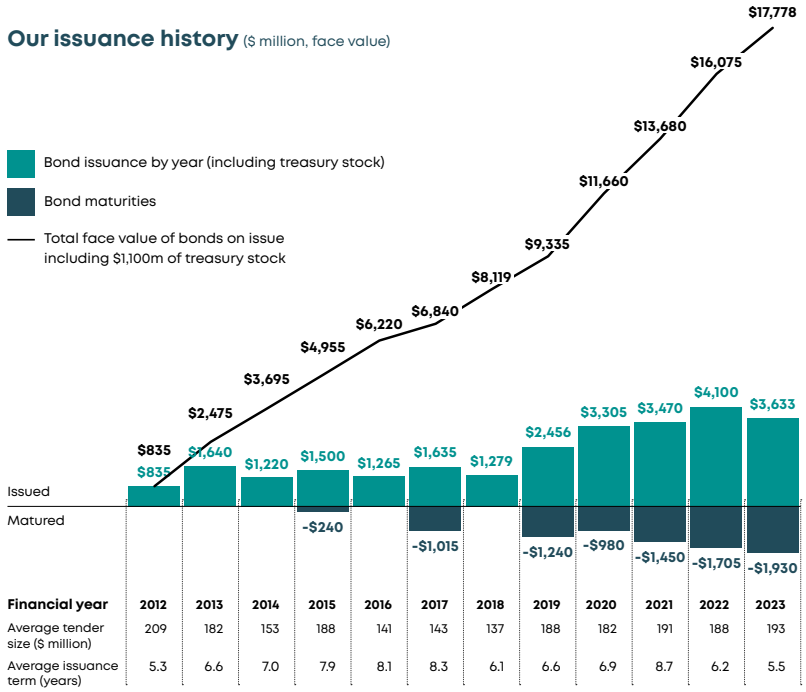
As 30 June 2023 : $17,778 million

Includes $1,100 million treasury stock (refer note 16, page 79)



Maturity	Apr 2024	Apr 2025	Apr 2026	Apr 2027	May 2028	Apr 2029	May 2030	May 2031	Apr 2033	May 2035	Apr 2037
Coupon	2.25%	2.75%	1.50%	4.50%	2.25%	1.50%	4.50%	2.25%	3.50%	3.00%	2.00%
NZX Code	LGF100	LGF070	LGF120	LGF060	LGF150	LGF110	LGF170	LGF140	LGF080	LGF160	LGF130

Our issuance history ($ million, face value)



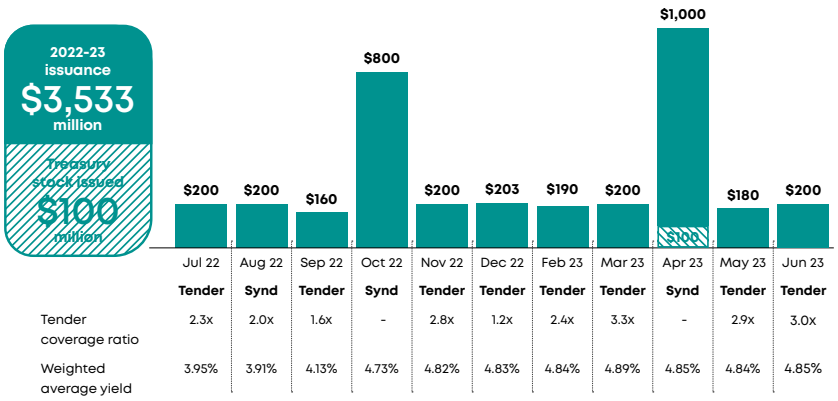
Financial year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Average tender size ($ million)	209	182	153	188	141	143	137	188	182	191	188	193
Average issuance term (years)	5.3	6.6	7.0	7.9	8.1	8.3	6.1	6.6	6.9	8.7	6.2	5.5

2022-23 issuance by maturity ($ million, face value)

LGFA bond issuance by bond maturity over the 12-month period to 30 June 2023

Tenders	Apr 24	Apr 25	Apr 26	Apr 27	May 28	Apr 29	May 30	May 31	Apr 33	May 35	Apr 37	Total
6 Jul 22	-	70	-	70	-	-	-	60	-	-	-	200
10 Aug 22	60	-	50	-	50	-	-	40	-	-	-	200
7 Sep 22	-	60	-	60	-	-	-	-	-	-	40	160
9 Nov 22	50	-	100	-	-	-	-	50	-	-	-	200
14 Dec 22	-	-	90	-	53	-	-	-	60	-	-	203
1 Feb 23	60	-	-	70	-	-	-	60	-	-	-	190
1 Mar 23	50	-	50	-	-	50	-	-	-	-	50	200
10 May 23	-	-	-	60	-	60	-	60	-	-	-	180
7 Jun 23	-	-	50	-	50	50	-	-	-	50	-	200
2022/23 tender issuance	**220**	**130**	**340**	**260**	**153**	**160**	**-**	**270**	**60**	**50**	**90**	**1,733**
2022/23 syndication	**-**	**600**	**-**	**-**	**-**	**200**	**1,000**	**-**	**-**	**-**	**-**	**1,800**
Total 2022/23 issuance	**220**	**730**	**340**	**260**	**153**	**360**	**1,000**	**270**	**60**	**50**	**90**	**3,533**
Prior issuance	1,998	1,679	1,815	1,751	1,270	1,362	-	850	1,290	400	730	13,145
Total bonds excluding Treasury Stock	**2,218**	**2,409**	**2,155**	**2,011**	**1,423**	**1,722**	**1,000**	**1,120**	**1,350**	**450**	**820**	**16,678**
Treasury stock	100	100	100	100	100	100	100	100	100	100	100	1,100
Total bonds on issue	**2,318**	**2,509**	**2,255**	**2,111**	**1,523**	**1,822**	**1,100**	**1,220**	**1,450**	**550**	**920**	**17,778**

2022-23 issuance by month ($ million, face value)



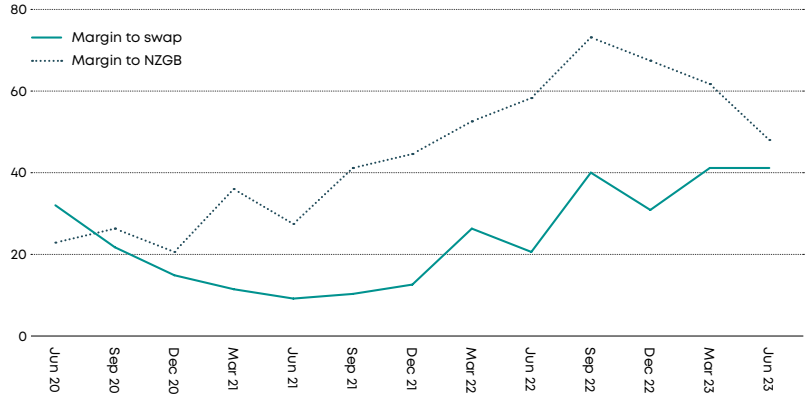
LGFA bond margins (basis points)

LGFA bond margins against swap and NZGB

Margin to swap	Apr 24	Apr 25	Apr 26	Apr 27	May 28	Apr 29	May 30	May 31	Apr 33	May 35	Apr 37
30 June 2022	(10)	(1)	5	16	19	28	N/A	40	49	62	70
30 June 2023	2	5	11	29	43	53	58	65	72	84	88
Annual change	(12)	(6)	(6)	(13)	(24)	(25)	N/A	(25)	(23)	(22)	(18)

Margin to NZGB	Apr 24	Apr 25	Apr 26	Apr 27	May 28	Apr 29	May 30	May 31	Apr 33	May 35	Apr 37
30 June 2022	34	53	55	61	60	61	N/A	66	65	78	79
30 June 2023	41	31	43	47	54	57	56	60	60	64	63
Annual change	(7)	22	12	14	6	4	N/A	6	5	N/A	16

LGFA bond margins to swap over NZGB over the 36 months to 30 June 2023 (basis points)



Average of all LGFA bonds outstanding.

Secondary market levels as at end of each month taken from end of month closing rate sheets published by NZ banks.

LGFA is New Zealand's largest:

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

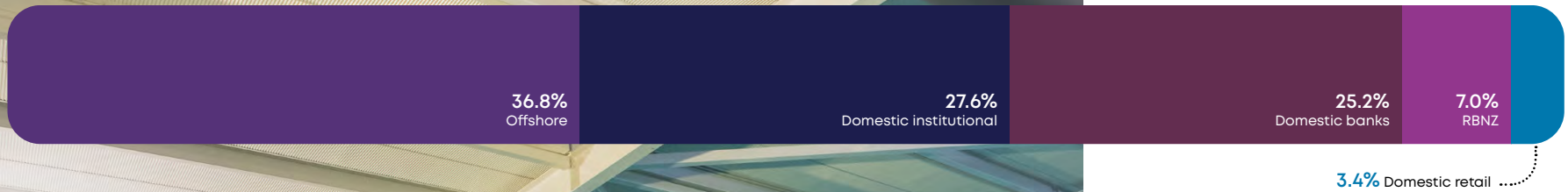
New bond maturities issued in the year to June 2023:

May 2030
4.5% coupon



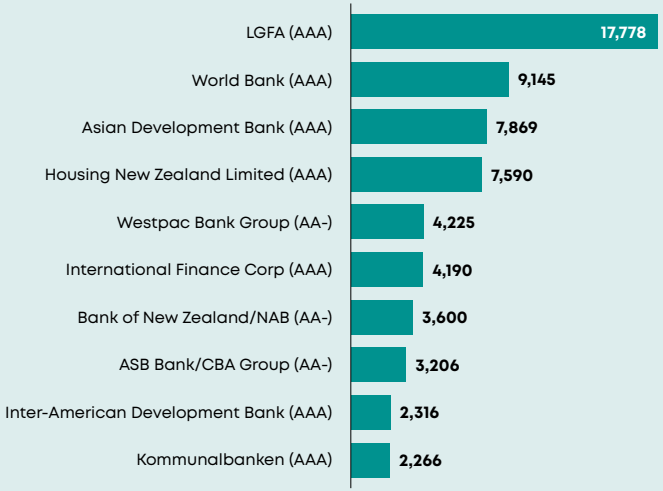
Pool side at Wai o Rua – Stratford Aquatic Centre which opened in October 2022. Stratford District Council

LGFA bond holders by investor group as at 30 June 2023



Largest issuers of NZD bonds by outstandings

excluding NZGB, as at 30 June 2023 ($ million)



LGFA estimate, based on aggregation of Bloomberg sourced data.

LGFA members

Ko ngā LGFA e noho mema ana

LGFA operates with the primary objective to optimise the terms and conditions of the debt funding it provides to participating borrowers.

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

Among other things this includes:

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

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

Total member borrowings at 30 June 2023
($ million)

Member type	Number of councils	Amount borrowed	% of total borrowings
Guarantors	70	16,184	99.0%
Non guarantors	8	167	1.0%
Total	**78**	**16,351**	**100%**

Member	Amount borrowed	% of total borrowings
Auckland Council	3,226	19.7%
Christchurch City Council	2,200	13.5%
Wellington City Council	1,179	7.2%
Tauranga City Council	824	5.0%
Hamilton City Council	804	4.9%
Greater Wellington Regional Council	678	4.1%
Queenstown Lakes District Council	510	3.1%
Hutt City Council	373	2.3%
Rotorua District Council	353	2.2%
Hastings District Council	295	1.8%
57 councils	5,909	36.2%
	16,351	**100%**

Loans to Auckland Council are limited to a maximum of

40%

of total loans

As at 30 June 2023

77 councils **3** council-controlled organisation

were eligible to borrow from LGFA

30 member councils are shareholders

70 member councils were guarantors

THE NUMBERS

Over the 12 months to 30 June 2023

$3,921

million of long term loans

were issued to

66

members

across

380

individual term loans

with an average term of

5.21

borrowing years

At 30 June 2023

$548

million of short term loans

were outstanding to

37

members

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

93%

LGFA's estimated market share of local government debt

LGFA member councils by year of joining

North Island

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

South Island

2011-12	Christchurch City Council	Shareholder
2011-12	Selwyn District Council	Shareholder
2011-12	Tasman District Council	Shareholder
2012-13	Ashburton District Council	Borrower and Guarantor
2012-13	Grey District Council	Borrower and Guarantor
2012-13	Marlborough District Council	Shareholder
2012-13	Nelson City Council	Borrower and Guarantor
2012-13	Queenstown Lakes District Council	Borrower and Guarantor
2012-13	Timaru District Council	Borrower and Guarantor
2012-13	Waimakariri District Council	Shareholder
2013-14	Hurunui District Council	Borrower and Guarantor
2015-16	Buller District Council	Borrower
2015-16	Canterbury Regional Council	Borrower and Guarantor
2015-16	Gore District Council	Borrower and Guarantor
2017-18	Westland District Council	Borrower and Guarantor
2018-19	Clutha District Council	Borrower and Guarantor
2018-19	Invercargill City Council	Borrower and Guarantor
2018-19	Mackenzie District Council	Borrower
2018-19	West Coast Regional Council	Borrower
2019-20	Kaikoura District Council	Borrower
2020-21	Central Otago District Council	Borrower and Guarantor
2020-21	Waitaki District Council	Borrower and Guarantor
2021-22	Otago Regional Council	Borrower and Guarantor
2021-22	Southland District Council	Borrower and Guarantor
2021-22	Waimate District Council	Borrower and Guarantor
2022-23	Dunedin City Council	Borrower and Guarantor
2022-23	Environment Southland Regional Council	Borrower and Guarantor

New member councils

LGFA welcomes the following two councils who joined as eligible borrowers in the year ended 30 June 2023.

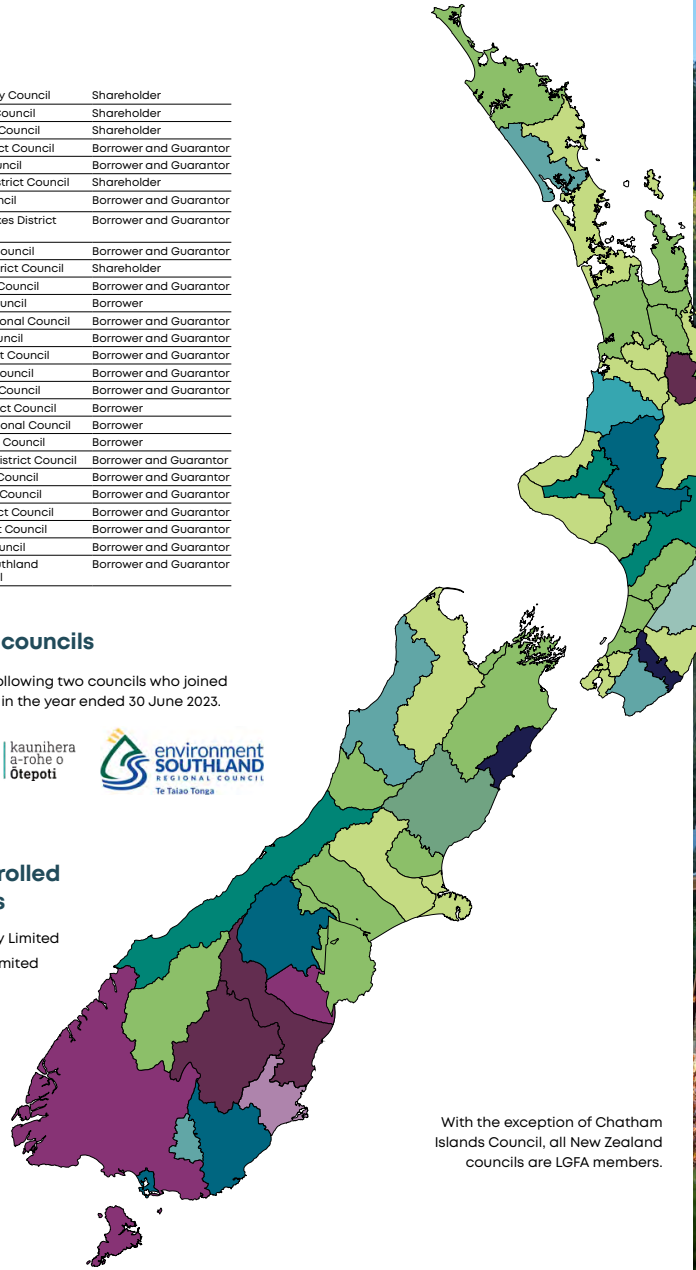
DUNEDIN CITY COUNCIL | kaunihera a-rohe o Ōtepoti

environment SOUTHLAND REGIONAL COUNCIL Te Taiao Tonga

New member Council-controlled organisations

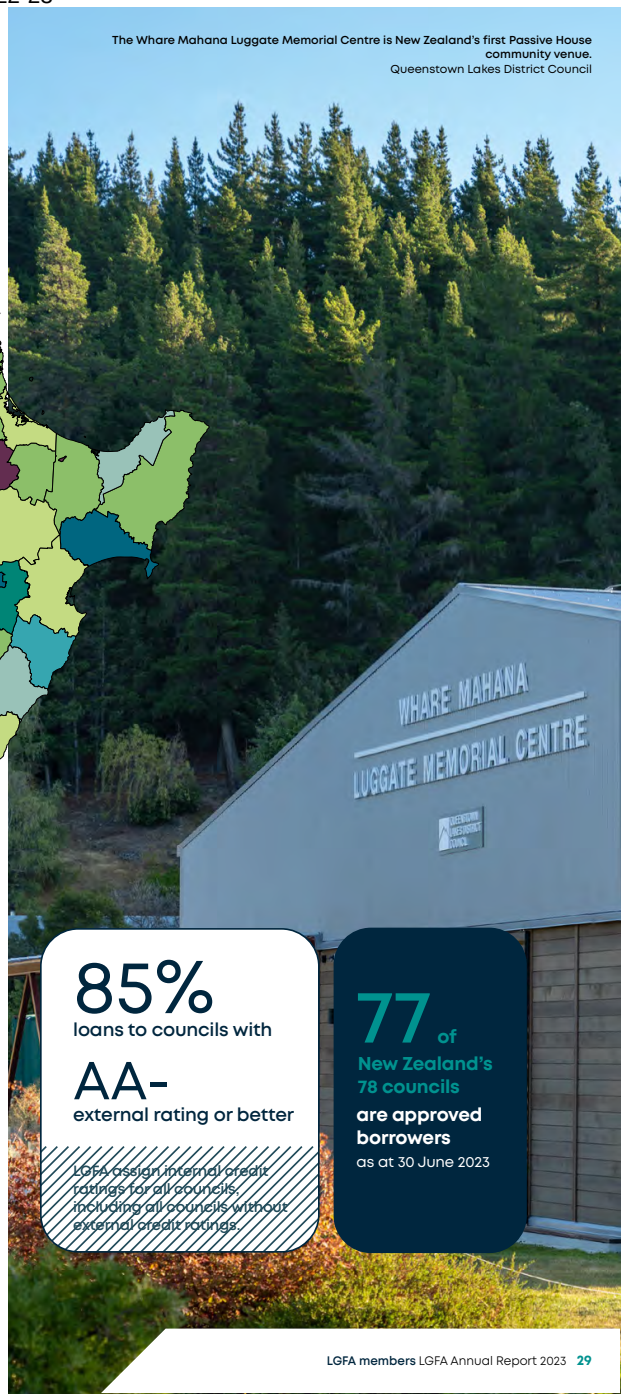
Dunedin City Treasury Limited

Westland Holdings Limited



2011-2012 (18) | 2012-2013 (21) | 2013-2014 (3) | 2014-2015 (3) | 2015-2016 (5) | 2016-2017 (3) | 2017-2018 (3) | 2018-2019 (8) | 2019-2020 (3) | 2020-2021 (5) | 2021-2022 (3) | 2022-2023 (2)

With the exception of Chatham Islands Council, all New Zealand councils are LGFA members.



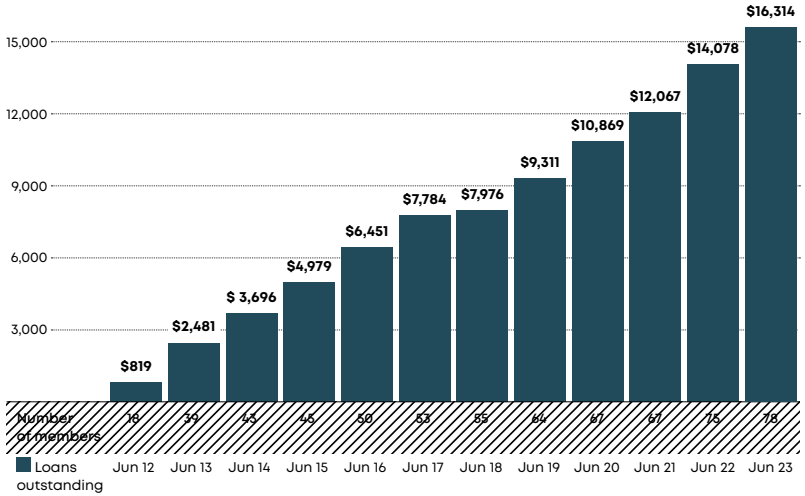
The Whare Mahana Luggate Memorial Centre is New Zealand's first Passive House community venue.
Queenstown Lakes District Council

85%
loans to councils with
AA-
external rating or better

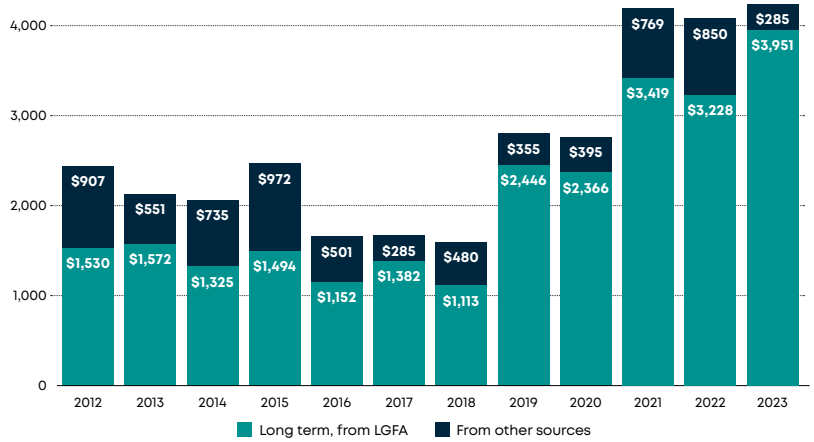
LGFA assign internal credit ratings for all councils, including all councils without external credit ratings.

77 of New Zealand's 78 councils
are approved borrowers
as at 30 June 2023

Loans to members outstanding ($ million, nominal)



Borrowing by members ($ million, nominal)





He Puna Taimoana. The New Brighton hot saltwater pools are a key development in the New Brighton Regeneration Project.
Christchurch City Council

Community housing project
Hastings District Council

Sustainability at LGFA

Te toitūtanga kei te LGFA

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

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

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

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

Sustainability Committee

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

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

Independent members of the LGFA Sustainability Committee at 30 June 2023

Alison Howard
Erica Miles
Chris Thurston
David Woods

Our material issues

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

LGFA's materiality issues were determined with the assistance of Proxima, an independent sustainability consultancy. LGFA's material issues, unchanged from last year, reflect our increasing focus on sustainability.

Our organisation

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

Responsible finance

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

Our environment

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

Climate-related disclosure framework

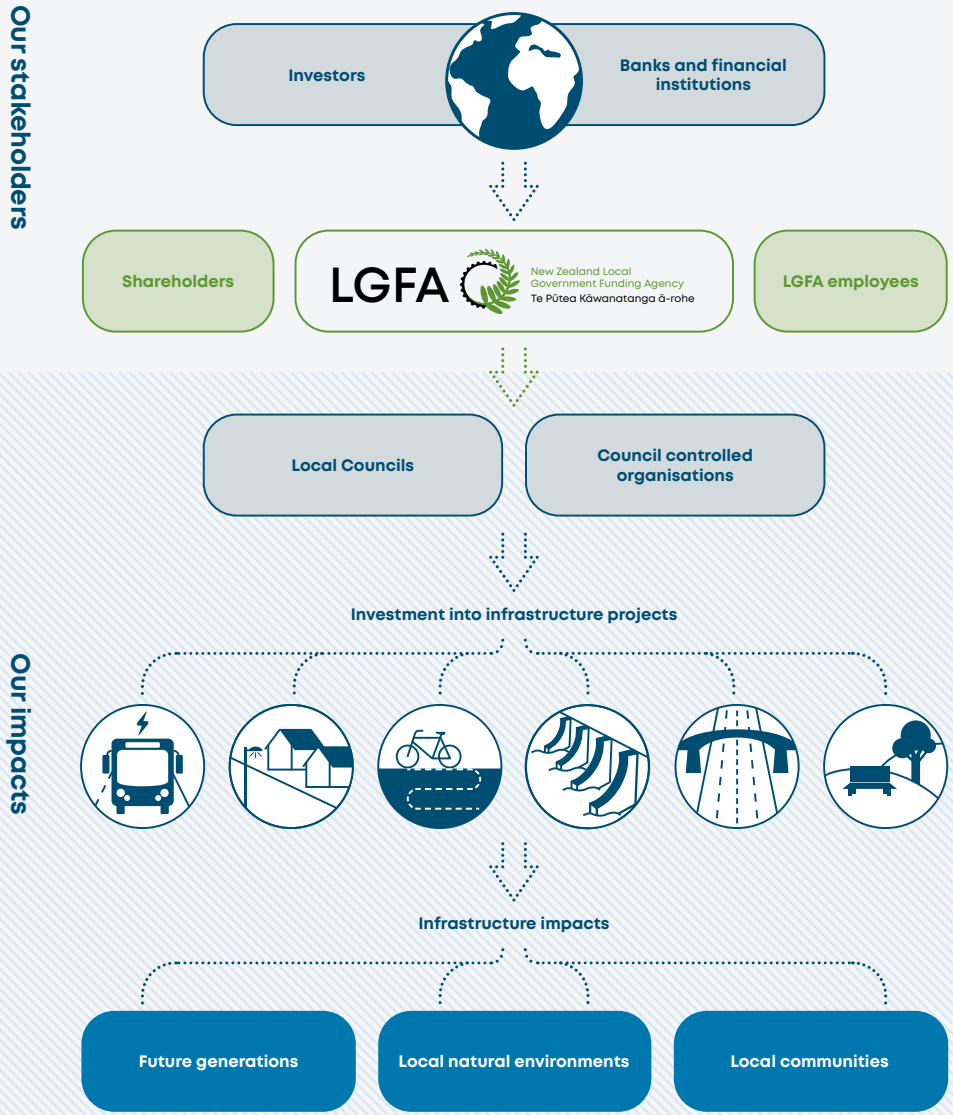
The Financial Sector (Climate-related Disclosures and Other Matters) Amendment Act 2021 makes it mandatory for climate reporting entities to produce climate statements according to disclosure standards in the Aotearoa New Zealand Climate Standards issued by the External Reporting Board in December 2022.

LGFA is a designated Climate Reporting Entity as it is a listed issuer of quoted debt securities with a combined face value of quoted debt exceeding $60 million.

Climate Reporting Entities are required to make annual disclosures covering governance arrangements, risk management, strategies and metrics and targets for mitigating and adapting to climate change impacts.

The mandatory reporting regime takes effect for accounting periods that start on or after the 1 January 2023. This means that LGFA will be required to disclose according to the standard for the accounting period commencing on 1 July 2023, with our first climate statement as part of our 2024 Annual Report.

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



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

Through our sustainable lending products, LGFA continues to work with members to better understand the environmental footprint for each council, as well as identifying where they are undertaking climate reduction initiatives.

Promoting environmental and social stewardship

LGFA recognises the emerging risks for councils from climate change and supports their commitment towards improving sustainable outcomes for local communities. LGFA supports member councils and council-controlled organisations (CCOs) on financing projects to build towards a more sustainable and resilient society. As the primary lender to the local government sector, LGFA finances members' core investment into improving New Zealand's infrastructure and services to residents and visitors. By extension, these members' investments form an important element of LGFA's sustainability context.

Industry collaboration and engagement

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

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

As at June 2023

Sustainable Financing Bond	Green, social & sustainable loans	Climate action loans
$1.1 billion	$295 million	$521 million

Our Sustainability timeline

- **Apr 2021** — Head of Sustainability appointed
- **Jun 2021** — Toitū Envirocare net carbonzero certification
- **Sep 2021** — Sustainability Committee established
- **Oct 2021** — Green, Social And Sustainability Lending launch
- **Dec 2021** — First GSS Loans approved
- **Dec 2022** — Climate Action Loans launch
- **Mar 2023** — Sustainable Financing Bond Framework established
- **May 2023** — First Climate Action Loans approved
- **Apr 2023** — Inaugural Sustainable Financing Bond issued

LGFA Sustainable Financing Bond Framework

In March 2023, LGFA announced our Sustainable Financing Bond Framework.

The Framework outlines the process by which LGFA will issue and manage sustainable financing bonds that will be notionally allocated to a pool of Sustainable Loans that meet the eligibility criteria set out in the Framework.

Launching the Framework enables LGFA to:

- demonstrate its commitment to support council and CCO borrowers to fund sustainable assets and activities, and incentivise GHG emissions reductions;
- issue bonds that are notionally allocated to the Sustainable Loans on LGFA's balance sheet; and
- advance the market for sustainable finance by providing an innovative opportunity for investors to support council and CCO borrowers to achieve their sustainability aspirations.

The Framework follows the proceeds-based pillars of the general market standards for sustainable finance, namely the International Capital Markets Association's Green Bond Principles (GBP), Social Bond Principles (SBP), and Sustainability Bond Guidelines (SBG). However, LGFA does not claim direct alignment of the Framework with these principles as the pool of Sustainable Loans comprises both GSS Loans and CALs together in the same asset pool.

Sustainable loans are made by LGFA to member councils and CCOs under the Green, Social and Sustainability (GSS) Lending Programme and the Climate Action Loans (CALs) Programme.

The Framework is supported by a Second Party Opinion (SPO) provided by Sustainalytics.

In April 2023, LGFA completed the inaugural issue of $1.1 billion of Sustainable Financing Bonds maturing 15th May 2030.

Sustainable lending products

Offering members with innovative sustainable lending products aligns to LGFA's commitment to display sector leadership on sustainable lending and incentivising member councils and CCOs to progress sustainability issues.

Our sustainable lending products comprise Green, Social and Sustainable lending and Climate Incentive Loans.

Green, social and sustainability lending

A commitment to assist our members to finance projects that promote environmental and social wellbeing in New Zealand.

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

Our green, social and/or sustainability (GSS) lending programme, launched in 2021, provides funding for our members across the following nine green project categories and three social project categories:

Green Project Categories

- Energy Efficiency
- Green Buildings
- Clean Transportation
- Sustainable Water and Wastewater Management
- Renewable Energy
- Pollution Prevention and Control
- Sustainable Management of Living Natural Resources and land use and Use
- Climate Change Adaptation
- Terrestrial and Aquatic Biodiversity Conservation

Social Project Categories

- Affordable Basic Infrastructure-Clean Water, Sewer, Transport
- Access to Essential Services-Education, Healthcare
- Affordable Housing

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

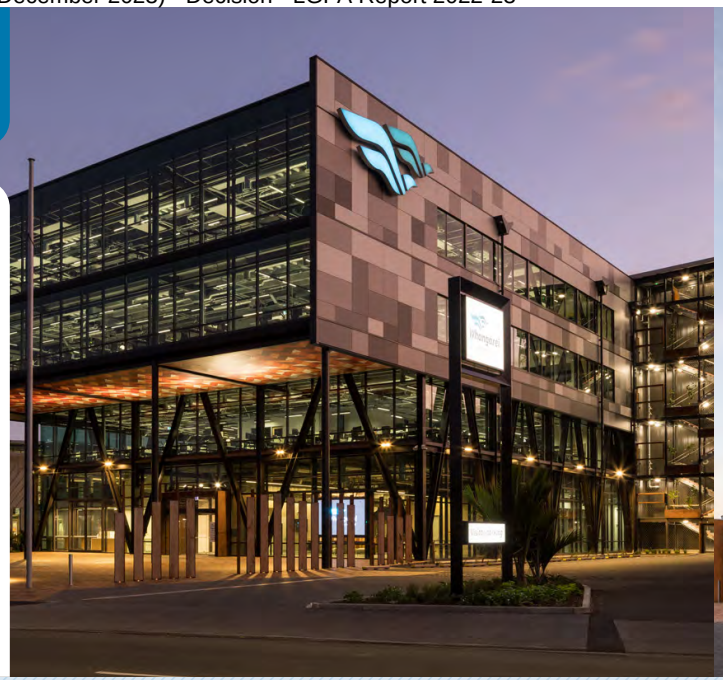
Climate Action Loans

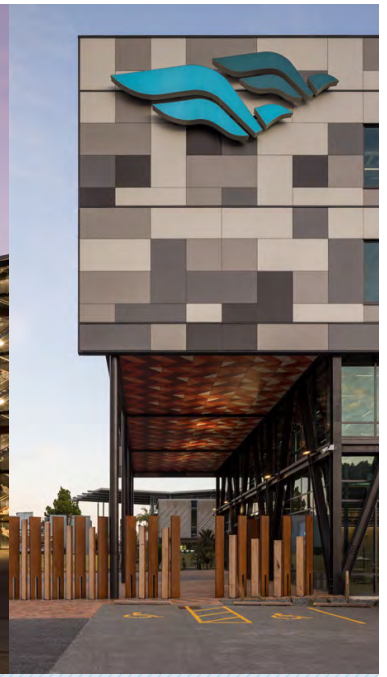
A commitment to incentivise our members to act on climate change and reduce greenhouse gas emissions.

LGFA launched its Climate Action Loans (CALs) lending programme in December 2022. CALs are target-based lending structures designed to incentivise councils and council-controlled organisations (CCOs) to act on climate change and reduce greenhouse gas (GHG) emissions.

A CAL rewards a borrower through a lending margin discount if they have adopted an Emission Reduction Plan setting out specific Emissions Reduction Targets for their operational greenhouse gas emissions at member council or CCO level. CALs are available for all members, including those who may not have eligible projects to access Green, Social and Sustainability (GSS) loans.

LGFA are pleased to welcome Hutt City Council, Whangārei City Council and Christchurch City Council as new lenders under the GSS programme.





Whangārei Civic Centre
Whangārei District Council

Whangārei District's new civic building has been designed to provide a welcoming, inclusive and easily accessible customer experience. The building has also been designed to be sustainable and to strongly reflect Whangārei's cultural identity and heritage. The building will be a central hub for local government-related activities, including:

- democratic processes;
- customer services;
- administrative functions;
- council staff; and
- Northland Transport Alliance staff.

In addition to the sustainable aspect of the building, a solar array system was designed to specifically meet Whangārei District Council's requirements and according to the roof space available for the Civic Centre.

The building also has a number of innovative aspects including a Green wall / Fire Stairs. The fire escape stairs on each side of the building have a 4-storey green wall utilising an endangered species from the Three Kings Islands, with the plants irrigated via rainwater harvesting from the roof.

Cultural connections – The building and surrounding landscape incorporates a very strong cultural narrative, with a Roopu Kaumatua group representing local hapū involved throughout the design process. As well as influencing design themes, this input has led to specific construction features that support tikanga Maori, such as the siting of ablution, cooking and eating spaces throughout the building; as well as the choice of materials used.



Naenae Pool and Fitness Centre
Hutt City Council

The rebuild of the existing Naenae Pool and Fitness Centre with a new swimming pool that will be 65% bigger than the old pool and will be much more energy efficient with up to 53% reduction on energy use. Due to open in July 2024, the Naenae Pool and Fitness Centre will have the following sustainability design features:

- A building that is resilient to the impacts of a changing climate and natural disasters;
- High quality indoor air quality and high standards of acoustic, lighting, visual and thermal comfort;
- EV parks with charging points and secure bicycle stands;
- Ground-water source heat pumps;
- High efficiency heat recovery air-handling units providing dehumidification and air conditioning;
- High efficiency window and glazing suites.

Hutt City Council Chief Executive Jo Miller said "caring for and protecting the environment was one of the six key priorities in the Council's 10-year-plan. A key driver across the Naenae Pool and Fitness Centre planning was sustainability, not just during the life of the project build but also for the future operation of the facility.

Being part of the LGFA GSS funding programme recognises all the work the team has put in to deliver a greener facility with the additional benefit of cost savings across the life of the loan. This is a win-win situation for our ratepayers who get a state-of-the-art pool and fitness centre with savings because of our determination to build greener. We continue to improve the infrastructure across the city which was a main element of feedback on our 10-year-plan while being financial prudent and finding savings where we can – this all supports building a better place to live for Hutt residents."



Ōtautahi Community Housing Trust – Affordable Housing Project
Christchurch City Council

The Ōtautahi Community Housing Trust (ŌCHT) is the second largest Community Housing Provider in New Zealand. ŌCHT is a charitable trust offering affordable homes and building sustainable communities across greater Ōtautahi. ŌCHT's objective is to deliver a tenant-centric service and a financially sustainable portfolio. In doing so, it wants to improve and grow community housing in Christchurch. It is a Charitable Trust, so surpluses are reinvested into community housing.

ŌCHT was formed in 2016 out of Christchurch City Council's (CCC's) wish for a financially sustainable model for its social housing portfolio. CCC passed the management of about 2,300 units across to the ŌCHT.

Part of ŌCHT's programme is to build at least 400 units to replace those lost due to the Canterbury earthquakes and the GSS Loan provided by LGFA financed the build of these properties. The Ministry of Housing and Urban Development supports the development and ŌCHT is contracted to provide homes for people on the Public Housing Register.

Taituarā LGFA Local Government Excellence Awards

This year we are delighted to announce that Hutt City Council won the 2023 LGFA Supreme Award for its Takai Here Tāngata initiative.

The Takai Here Tāngata initiative led by the Hutt City Council (HCC), Kahungunu Whānau Services, Te Rānanganui o Te Āti Awa, and Urban Plus Limited (UPL) had the goal of putting more people into permanent housing.

Takai Here Tāngata (the binding of people together) signifies how through collaboration and partnership new pathways and practices can be created to enable healthy, thriving, secure, and affordable homes to be built across Lower Hutt.

"HCC is incredibly proud of our partnership and are delighted to see nineteen whānau now living in purpose-built environmentally friendly homes.

The housing of mana whenua and all our people has been identified by the partners as a key priority. Housing has a major impact on people, providing for improved quality of life, stability, and better health outcomes, and ultimately it enables our whānau to have a greater say in determining their own well-being and futures."







Deliver efficient and cost-effective funding

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

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

A key indicator of satisfaction with service and pricing to members is LGFA's estimated overall market share for council lending. Since our incorporation in 2011, LGFA has firmly established itself as the prime lender to the local government sector, with a current estimated market share in excess of 90% of local government debt.

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

Over the last seven years, there has been an improving trend in the underlying credit quality of New Zealand's council sector. As at June 2023, 34 members had current external credit ratings, with 85% of all LGFA loans being held by AA- rated councils and CCOs or better.

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

Best practice and influence

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

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

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

Over the reporting year, LGFA operations processed over 13,500 transactions with total gross cash flows in excess of $34 billion without error. Where possible, LGFA employ straight-through processing to minimise operational risk across our treasury operations.

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

Responsible investment

Our Responsible Investment Policy commits to investing responsibly by incorporating environmental, social and governance (ESG) factors into its investment analysis and decision-making processes relating to the management of the liquid assets portfolio.

Sustainable business practices

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

Total carbon emission intensity for year ended June 2023

Total carbon emissions	Emissions (tC)2e)		Variance (change %)	
	FY 23	FY 22	To FY 22	To Base year
Verified				
Scope 1	0.00	0.00	--	--
Scope 2	3.04	2.48	+23%	+24%
Scope 3	50.52	39.75	+27%	-63%
Total	**53.56**	**42.23**	**+27%**	**-61%**

In aggregate, our scope 1 and 2 emissions are minimal, with scope 3 air travel, at 90% of total, representing the significant majority of our 2022/23 emissions. The increase in our travel-related emissions over 2021/22 followed the full lifting of Covid travel restrictions which facilitated the first opportunity since Covid to visit key offshore investors. While a certain level of air travel is essential for our business, we have achieved a substantial reduction over our base year. We constantly review options to reduce air travel where practical, including the recent introduction of one virtual Board meeting, increased use of hybrid meetings (in-person and virtual attendance) as well as offering a virtual option for members attending our annual Shareholder and Borrowers' day.

The scope of the emissions disclosure includes all activities within the operational boundaries of LGFA including its offices in Wellington and Auckland. LGFA has measured the emissions resulting from its operational activities, purchased energy, and selected impacts from its value chain activities, including business travel, freight, and waste sent to landfill. It is noted that there are a range of activities that have previously been shown to be de minimis and these are excluded from the scope of the inventory. GHG quantification is subject to inherent uncertainty because of incomplete scientific knowledge used to determine emissions factors and the values needed to combine emissions of different gases.

Toitū net carbonzero certification

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

TOITŪ NET CARBON ZERO ISO 14064-1 ORGANISATION

Kauri 2000

Kauri 2000 was established in 1999 as a project to celebrate the start of the new millennium by planting 2000 kauri on the Coromandel Peninsula. To date the Trust has planted over 55,500 trees and continues to plant kauri throughout the Coromandel. LGFA donates to Kauri 2000 on an annual basis to assist the Trust with their planting programme. In 2023, LGFA donated $4,000.

KAURI 2000

Governance and culture

Te whakaruruhau me te ahurea

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

LGFA governance policies and documents

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

NZX Corporate Governance Best Practice Code

LGFA is a listed issuer on the NZX Debt Market and complies with the eight core principles underpinning the NZX Corporate Governance Best Practice Code (1 April 2023).

LGFA considers that its governance practices have not materially differed from the NZX Code for the year ended 30 June 2023. Areas where LGFA has implemented alternative measures to the Code are as follows:

An issuer should establish a nomination committee to recommend director appointments to the board.	The process for the nomination and remuneration of directors is documented in the Constitution of New Zealand Local Government Funding Agency Limited and outlined on page 54.
An issuer should have a remuneration committee which operates under a written charter.	

Our purpose

Benefiting local communities through delivering efficient financing for local government.

Our values
Ō mātau uara



We act with integrity
E pono ana mātau

We are honest, transparent and are committed to doing what is best for our customers and our company



We are customer focused
E arotahi ana mātau ki te kiritaki

Our customers are our council borrowers, investors, and all other organisations that we deal with. We listen to them and act in their best interests to deliver results that make a positive difference



We strive for excellence
E whakapau kaha mātau kia hiranga te mahi

We strive to excel by delivering financial products and services that are highly valued at least cost while seeking continuous improvement in everything we do.



We are innovative
He auaha mātau

To meet our ever-changing customer requirements, we will encourage innovation and provide a diverse range of financial products and services.



We provide leadership
He kaiārahi mātau

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

Culture, ethics and governance

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

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

Code of Ethics

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

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

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

Protected Disclosures and Whistle Blowing

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

Financial Products Trading Policy

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

Transparency and disclosure

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

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

LGFA is committed to ensuring the highest standards are maintained in financial reporting and disclosure of all relevant information. Transparency in how we operate is core to achieving our shareholders' objectives as well as for our wider stakeholders including investors, banks and other financial intermediaries and the credit rating agencies. As such, transparency in how we operate is reflected in operating requirements outlined in our foundation documents, including the Constitution, Shareholders' Agreement and Board Charter, as well as Company policies on Continuous Disclosure, Financial Products Trading, and Protected Disclosures and Whistle Blowing.

LGFA demonstrates transparency through its annual Statement of Intent (SOI) and quarterly reporting to shareholders on its performance against the objectives set out in the SOI.

The Audit and Risk Committee has responsibility to provide assurance to the Board that due process has been followed in the preparation and audit of the financial statements and to ensure there are appropriate processes and activities to ensure compliance with relevant regulatory and statutory requirements.

LGFA has adopted a formal Continuous Disclosure Policy, the requirements of which ensure that we meet the continuous disclosure requirements of the NZX Listing Rules, including the disclosure for material environmental, social and governance (ESG) factors.

The GRI sustainability reporting standards are the most widely adopted global standards for sustainability reporting and this year's annual report has been prepared to meet the requirements of the Global Reporting Initiative (GRI) Standards (core option).

Audit and Risk Committee

The Audit and Risk Committee is a committee of the Board.

The Audit and Risk Committee is governed by its own Charter which states that the purpose of the Committee is to provide advice, assurance and observations to the Board relating to the effectiveness and adequacy of internal control and risk management systems, processes and activities across LGFA. The Committee assists the Board to fulfil its duties by considering, reviewing and monitoring:

- Risk management framework and processes;
- Internal control environment and mechanisms;
- Operations and effectiveness of the internal audit function;
- Preparation and audit of financial statements;
- Integrity of performance information, including financial reporting;
- Governance framework and process;
- Policies, processes and activities to ensure compliance with legislation, policies and procedures; and
- Statutory/regulatory disclosure and reporting and performance against Statement of Intent targets.

Audit and Risk Committee members are appointed by the Board. Membership comprises at least three directors, the majority of whom must be independent.

Internal audit

LGFA has an internal audit function to provide assurance that its risk management, governance and internal controls are operating effectively.

The Audit and Risk Committee has responsibility for oversight of the internal audit function, including:

- Reviewing the Internal Audit Charter, the operations of the internal audit and organisational structure of the internal audit function;
- Approving the annual audit plan;
- Reviewing the effectiveness of the internal audit function; and
- Meeting separately with the internal auditor to discuss any matters that the Audit and Risk Committee or Internal Audit considers should be discussed privately.

External audit

The external audit of LGFA is conducted in accordance with Section 14 of the Public Audit Act 2001, including the appointment of the external auditors of LGFA by the Auditor-General.

The Audit and Risk Committee has responsibility for all processes relating to the audit of financial statements, including the setting of audit fees and ensuring the independence and objectivity of the auditors.

The external audit of LGFA is conducted in accordance with a formal external audit plan which is reviewed and approved by the Audit and Risk Committee on an annual basis. The external auditor attends LGFA's Annual General Meeting.

Our team

Health, safety and wellbeing

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

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

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

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

Capability and development

LGFA is committed to ongoing education and professional development for staff and directors by funding professional development courses, membership of professional bodies and attendances at industry conferences.

The Future Director programme, launched in 2021 by the Board and Shareholder Council, aims to give talented people within the Local Government sector with an interest in corporate governance the opportunity to observe and participate in Boardroom discussions for an 18-month period. The Future Director actively participates at Board meetings, but they have no voting rights. Anita Furniss commenced on 1 July 2022 as the inaugural Future Director.

Diversity and inclusion

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

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

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

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

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

2023	Female	Male
Board	2	4
Staff	3	6

2022	Female	Male
Board	1	5
Staff	3	6

2023	Under 30 years	30-50 years	Over 50 years
Board	-	-	100%
Staff	12%	22%	60%

2022	Under 30 years	30-50 years	Over 50 years
Board	-	-	100%
Staff	12%	22%	60%



LGFA Board of Directors

From left: Anthony Quirk, Alan Adcock, Linda Robertson, Craig Stobo, Helen Robinson, Philip Cory-Wright. Absent Anita Furnis (Future Director).



LGFA Staff

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

Our Board

The LGFA Board Charter sets out the roles and responsibilities of the Board. The Charter states that role of the Board is to ensure that LGFA achieves its goals. Having regard to its role, the Board will direct, and supervise the management of the business and affairs of LGFA, including:

- ensuring that LGFA's goals are clearly established, and that strategies are in place for achieving them;
- establishing policies for strengthening LGFA's performance;
- ensuring strategies are in place for meeting expectations set out in the current Statement of Intent and monitoring performance against those expectations, in particular LGFA's primary objective to optimise the debt funding terms and conditions for participating borrowers;
- monitoring the performance of management;
- appointing the CEO, setting the terms of the CEO's employment contract and, where necessary, terminating the CEO's employment;
- deciding on whatever steps are necessary to protect LGFA's financial position and the ability to meet its debts and other obligations when they fall due, and ensuring that such steps are taken;
- ensuring that LGFA's financial statements are true and fair and otherwise conform with law;
- ensuring that LGFA adheres to high standards of ethics and corporate behaviour; and
- ensuring that LGFA has appropriate risk management/regulatory compliance policies in place. In the normal course of events, day-to-day management of LGFA will be in the hands of management. The Board will satisfy itself that LGFA is achieving its goals, and engaging and communicating with Shareholders Council; and
- engaging and communicating with shareholders.

Board composition

The Board comprises five independent directors and one non-independent director. An independent director is a director who, within five years prior to appointment, was not an employee of any shareholder, employee of a council-controlled organisation owned by a shareholder, or a councillor of any local authority which is a shareholder.

The directors of LGFA as at 30 June 2023



Craig Stobo
Independent Chair
BA (Hons) Economics First Class, Otago; C.F.Inst.D
Associate Member CFA Society New Zealand

Craig has worked as a diplomat, economist, investment banker and Chief Executive Officer of BT Funds Management (NZ) Limited. He has completed the Advanced Management Programme at Wharton Business School in Philadelphia, authored reports to the New Zealand Government on the Taxation of Investment Income (which led to the PIE regime), and the creation of New Zealand as a funds domicile. He currently chairs the listed companies Precinct Properties New Zealand Limited and NZ Windfarms. He has directorship and private equity interests in financial services and other businesses.

Director
Precinct Properties New Zealand
NZ Windfarms
Appello Services
Director/Shareholder
Biomarine Group
Elevation Capital Management
Legend Terrace
Saturn Portfolio Management
SouthWest Trustees
Managing Director/Shareholder
Stobo Group



Alan Adcock
Non-Independent Director
Member Audit and Risk Committee
B.Com, MBA (with Distinction)

Alan has over 35 years' experience in the financial services and local government sectors at executive level, with over twenty years in banking, insurance and funds management followed by his current role as General Manager Corporate / CFO at Whangārei District Council.

His involvement with LGFA began in its initial planning stage, as a representative of the 'tight nine' councils that worked together to turn the concept into reality in 2011. He was an inaugural member of the Shareholders' Council, which he chaired from 2014 before joining the Board in 2021.

Chief Financial Officer
Whangārei District Council
Director
Whangārei Waste Limited



Philip Cory-Wright
Independent Director
Member Audit and Risk Committee
LLB (Hons), BCA Business Management, INFINZ (Cert), C.F.Inst.D

Philip is a solicitor of the High Court of New Zealand and Victoria. He has worked as a corporate finance adviser in New Zealand to the corporate sector on debt and equity matters for more than 30 years. He is currently a director of NZ Windfarms, Powerco, Matariki Forests, South Port New Zealand and Papa Rererangi I Puketapu (New Plymouth Airport). Philip is also a strategic adviser to clients in the energy and infrastructure sectors. He was a member of the Local Government Infrastructure Expert Advisory Group tasked with advising the Minister of Local Government on improvements in local government infrastructure efficiency.

Director
Matariki Forest Group
Papa Rererangi i Puketapu (New Plymouth Airport) (Chair)
NZ Wind Farms
Para Bidco
Powerco
South Port New Zealand



Anthony Quirk
Independent Director
Member Audit and Risk Committee
BCA Hons (First Class), INFINZ (Fellow), M.Inst.D

Anthony is an experienced financial services sector professional with extensive executive experience in the sector. He has a varied portfolio of governance interests with an emphasis on areas that improve or contribute to communities. He is a Fellow of the Institute of Finance Professionals New Zealand (INFINZ) and is a former Chairman of that organisation. He was previously Chair of the Asset Management Advisory Board of the New Zealand Exchange, Deputy Chair and Board member of the New Zealand Society of Investment Analysts and a previous member of the Financial Reporting Standards Board of the New Zealand Society of Accountants.

Chair
Milford Asset Management Limited (and some associated subsidiaries)
Humanitix, New Zealand

Trustee
Milford Foundation



Linda Robertson
Independent Director
Chair Audit and Risk Committee
B.Com, Dip Bank, INFINZ (Distinguished Fellow), C.F.Inst.D, GAICD, FGNZ

Linda is professional company director with over 20 years governance experience, combined with 30 years senior financial management experience having worked in both the banking and energy sectors in New Zealand.

Linda holds a Bachelor of Commerce Degree and a Diploma in Banking. Linda is a Distinguished Fellow of the Institute of Finance Professionals New Zealand (INFINZ), a Graduate Member of the Australian Institute of Company Directors, a Certified Fellow of the Institute of Directors in New Zealand and a Fellow of Governance NZ.

Linda is currently chair of Crown Irrigation Investments, Central Lakes Trust and Central Otago District Council's Audit and Risk Committee. She is a director of Horizon Energy, Invercargill City Holdings, Kordia, SBS Bank and Alpine Energy. Linda is also a member of the Capital Markets Advisory Committee and the Risk and Audit Committee of The Treasury; and the Audit and Risk Committee of the Office of the Auditor General.

Chair
Central Lakes Trust and associated subsidiary
Central Otago District Council, Audit & Risk Committee
Crown Irrigation Investments Limited

Director
Alpine Energy Limited and associated subsidiary
Kordia Group Limited
Invercargill City Holdings Limited and associated subsidiary
Horizon Energy Distribution Limited and associated subsidiaries
Southland Building Society (SBS Bank) and associated subsidiary

Member
Office of the Auditor-General and Audit New Zealand, Audit and Risk Committee
The Treasury, Capital Markets Advisory Committee
The Treasury, Risk and Audit Committee



Helen Robinson
Independent Director
Member Audit and Risk Committee
ONZM

Helen is an experienced business leader locally and internationally mostly in the technology and sustainability sectors. Helen was Managing Director of Microsoft New Zealand, VP of Pivotal Corporation Asia Pacific and Managing Director, Markit Group (now S&P Global). Helen founded and was CEO for Organic Initiative Ltd (Oi).

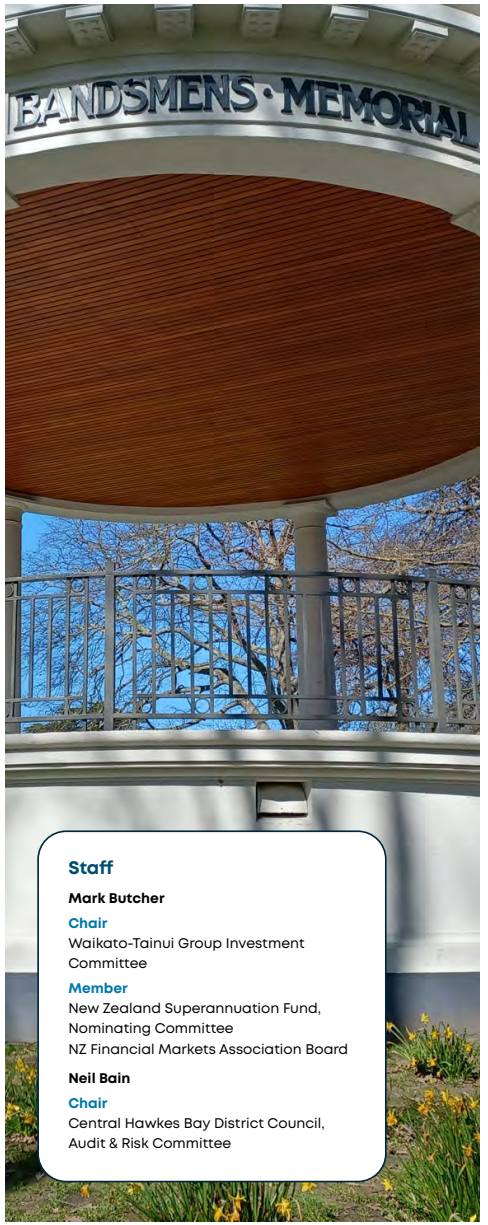
Helen has decades of governance experience acting as Director or Chair for numerous public, private and public sector organisations.

She is a member of Global Women, a Chartered Member of the NZ Institute of Directors, and holds an international honorary membership to Beta Gamma Sigma. Helen was awarded the NZ Women of Influence Supreme Award 2016, the Most Inspiring Individual at NZ Innovation Awards 2017, Next Magazine's Woman of the Year in Business & Innovation, and Most Inspiring Women Leader at the NZ International Business Awards in 2019.

Director and Shareholder
Organic Initiative Limited
Penguin Consulting Limited

Chair
Kara Technologies Limited
Astrix Astronautics Limited

Directors did not hold any interests in debt securities (including listed bonds) in the company as at 30 June 2023.



Staff

Mark Butcher

Chair
Waikato-Tainui Group Investment Committee

Member
New Zealand Superannuation Fund, Nominating Committee
NZ Financial Markets Association Board

Neil Bain

Chair
Central Hawkes Bay District Council, Audit & Risk Committee

The Bandsmen's Memorial Rotunda is a well-known landmark in the Christchurch Botanic Gardens.
Christchurch City Council

Director tenure and meetings of the Board

John Avery, Independent Director, retired from the Board on 23 November 2022. John was appointed to the Board on 1 December 2011 and served as a Director for 11 years.

There were seven Board meetings and five Audit and Risk Committee meetings over the year.

Director	Date commenced in office	Board meetings held/attended	Audit and Risk Committee held/ attended
Craig Stobo (Chair)	1 December 2011	7/7	-
Alan Adcock	23 November 2021	7/7	5/5
John Avery	1 December 2011	3/3	-
Philip Cory-Wright	1 December 2011	6/7	5/5
Anthony Quirk	21 November 2017	7/7	5/5
Linda Robertson	24 November 2015	7/7	5/5
Helen Robinson	23 November 2022	4/4	2/3

Board performance review

The Board has an annual formal self-assessment to assess director, Board and committee performance. In addition, Board performance is reviewed by external consultants on a periodic basis.

Nomination of Directors

Director nominations can only be made by a shareholder by written notice to LGFA and the Shareholders' Council, no more than three months, nor less than two months, before a meeting of shareholders. All valid nominations are required to be sent by LGFA to all persons entitled to attend the meeting.

Retirement and re-election of Directors

Directors are appointed to the Board by an Ordinary Resolution of shareholders. A Director must not hold office (without re-election) past the third annual meeting of the Company following the Director's appointment or three years, whichever is longer.

A retiring Director shall be eligible for re-election.

Indemnities and insurance

Under LGFA's constitution, LGFA indemnifies directors for potential liabilities and costs they may incur for acts of omission in their capacity as directors. LGFA has arranged directors' and officers' liability insurance covering directors and management acting on behalf of the company. Cover is for damages, judgements, fines, penalties, legal costs awarded and defence costs arising from wrongful acts committed while acting for LGFA. The types of acts that are not covered are dishonest, fraudulent, malicious acts, or omissions, wilful breach of statute or regulation, or duty to LGFA, improper use of information to the detriment of LGFA, or breach of professional duty.

Remuneration

The remuneration of the Board reflects LGFA's size and complexity and the responsibilities, skills, performance and experience of the directors. A specialist independent adviser is used periodically to ensure the remuneration is appropriate.

Board remuneration is determined by an Ordinary Resolution of shareholders. The current board remuneration was approved by shareholder resolution at the Annual General Meeting on 23 November 2021.

Director annual fee breakdown

Position. Fees per annum	2023	2022
Board Chair	$108,000	$108,000
Audit and Risk Committee Chair	$67,000	$67,000
Director / ARC Member	$63,000	$63,000
Director	$60,000	$60,000

Director	2023
Craig Stobo (Chair)	$108,000
Alan Adcock	$63,000
John Avery[1]	$25,000
Philip Cory-Wright	$63,000
Anthony Quirk	$63,000
Linda Robertson	$67,000
Helen Robinson[2]	$36,750

1. John Avery retired as director on 23 November 2022.
2. Helen Robinson was appointed as director on 23 November 2022.

The remuneration of the CEO is determined by the Board and is reviewed annually taking into consideration the scope and complexity of the position with reference to the remuneration of CEOs of similar organisations. A specialist independent adviser is used periodically to ensure the remuneration is appropriate. The CEO remuneration package comprises a fixed cash component of $754,000 per annum as at 30 June 2023 ($572,900, 2022) and an at-risk short-term incentive of the fixed cash component. The short-term incentive payment is made annually at the Board's discretion subject to the CEO and LGFA meeting a range of specific performance objectives for the respective financial year.

Chief Executive remuneration

Per annum	2023	2022
Salary	$754,000	$572,900
Taxable benefits	-	-
Subtotal	$754,000	$572,400
Pay for Performance STI	$113,100	$85,935
Kiwisaver Employer Contribution	$34,684	$26,245
Total remuneration	$901,784	$685,080

Staff remuneration

The following table shows the number of staff who received more than $100,000 in total remuneration, in $10,000 bands.

Total remuneration	2023
$160,000 to $169,999	1
$180,000 to $189,999	1
$210,000 to $219,999	1
$270,000 to $279,999	1
$350,000 to $359,999	1
$360,000 to $369,999	1
$900,000 to $909,999	1

LGFA Future Director

In 2022, LGFA appointed Anita Furniss as its inaugural Future Director under the LGFA Future Directors programme, effective 1 July 2022 for a period of 18 months.

The purpose of the Future Director programme is to give talented people working in the Local Government sector the opportunity to observe and participate in Board room discussions over an 18-month period. During this time, the Future Director actively participates in all Board meetings, although they do not possess voting rights and are not involved in decision-making.



Anita Furniss
LGFA Future Director

Anita has a legal background and during her 16 years of legal practice experience she worked in a litigation team in private practice, and in local government in both London and New Zealand on a broad range of legal issues.

Anita started her local government career at Franklin District Council in 2007 and following her time at the London Borough of Camden and London Borough of Hackney, returned to New Zealand and to the Auckland Council.

In her time at Auckland Council, Anita has provided legal and strategic advice on a wide range of issues for executive and governance level decisions in a range of roles. She began in the Public Law team, was the Executive Officer to the Finance Division, Executive Officer to the Deputy Chief Executive, Acting General Manager People & Culture Implementation Lead for Strategic Programmes, and is currently Executive Officer for the Group Services Division.

Anita reflects on her experience as LGFA's inaugural Future Director:

"The LGFA Future Director role has been an extraordinary opportunity to expand my governance experience by seeing and being part of a professional, high performing and innovative Board of Directors in action.

I went into the role with an interest in how robust governance decision making grapples with complex challenges, and it has been inspiring to see the Board's purpose led approach. There is no doubt that the wider local government sector, future generations, and local communities throughout New Zealand benefit from the efficient financing that LGFA provides.

The LGFA participating in the Future Director programme is an example of the leadership it provides the local government sector. As one of many local government employees throughout New Zealand, and the inaugural Future Director, I am proud to have played a small part in the LGFA journey and in its achievements."

Shareholders

Foundation documents

The Constitution and the Shareholders Agreement are foundation documents.

The Constitution defines the rights and the exercise of powers of shareholders, the acquisition and redemption of company shares, proceedings of shareholder meetings, voting at meetings and the right to demand polls, shareholder proposals and review of management.

The Shareholders Agreement is an agreement between LGFA and its shareholders which clearly defines LGFA's business, its objectives, the role of the Board, the establishment of the Shareholders Council and the approval rights of the shareholders.

Shareholders Council

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

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

Members of the Shareholders Council as at 30 June 2023

Kumaren Perumal (Chair)
Bay of Plenty Regional Council

Mike Drummond (Deputy Chair)
Tasman District Council

John Bishop / Andrew John
Auckland Council

Steve Ballard
Christchurch City Council

David Bryant
Hamilton City Council

Joy Buckingham
New Plymouth District Council

Kathryn Sharplin
Tauranga City Council

Sarah Houston-Eastergaard
Wellington City Council

Adele Henderson
Western Bay of Plenty District Council

Nyika Gwanoya / Phoebe Slee
The Treasury

James Stratford
Department of Internal Affairs



Front Entrance at Wai o Rua – Stratford Aquatic Centre which opened in October 2022.
Stratford District Council

Managing risk

Ko te whakahaere tūraru

An effective risk management framework is a critical component of LGFA's business structure for managing the company's exposure to business and treasury risks arising from its business operations of raising and on-lending funds to approved members.

The objective of LGFA's risk management function is to ensure that effective controls and frameworks are implemented to manage risks effectively and in compliance with LGFA's governance and legislative requirements. The risk management function ensures that LGFA can achieve its objectives, as set out in the Statement of Intent, within the risk appetite of the company's shareholders and Board.

The objective of LGFA's risk management framework is to ensure that the organisation operates within shareholder and Board-approved risk limits. LGFA's approach to risk management is based on the following core elements:

- The Board oversees the risk appetite of the organisation and ensures that it is consistent with the Constitution and Shareholders Agreement.
- The risk appetite is reflected in policies approved by the Board and Audit and Risk Committee.
- LGFA management implements policies and controls to ensure that all relevant risks are identified, monitored, measured and managed effectively.
- The Internal Audit and risk and compliance functions provide assurance to both the Board and the Audit and Risk Committee on the performance of internal controls and risk management systems.

LGFA adopts the three lines of defence model to ensure that essential risk management functions adopt a systematic approach that reflects industry best practice:

- The first line of defence establishes risk ownership within the company and is represented by its operational risk and control processes. LGFA managers are responsible for identifying controls, maintaining effective controls and mitigating risks.
- The second line of defence ensures that the operational risk and control processes are actively and appropriately managed by processes such as the regular review of risk reports and compliance monitoring against the risk management framework.
- The third line of defence is the independent assurance provided by both the internal and external audit functions which review and highlight control weaknesses and inefficiencies to management and the Board.

LGFA risk register

The LGFA risk register is a key component of the company's risk management framework. The key objective of the risk register is to ensure that the company assesses the inherent risks faced by the business on an ongoing basis.

The risk register:

- Identifies the inherent risks that LGFA is exposed to when conducting its core business activities;
- Assesses the likelihood and potential impact of the inherent risks on the business;
- Describes the internal control framework and management processes for managing and mitigating the identified inherent risks;
- Provides commentary on internal audit coverage of the identified inherent risks; and
- Provides an overall inherent and residual risk assessment and compares these to approved risk appetite settings and risk tolerance ranges

The risk register is reviewed quarterly by management and the Audit and Risk Committee.

Treasury risk management

LGFA finances itself through domestic and international wholesale and retail debt capital markets, with the funds raised on-lent to members. LGFA activities are governed by the Local Government Borrowing Act 2011, the Local Government Act 2002, and the Companies Act 1993. In addition, the company is required to comply with Foundation Policies outlined in the Shareholders Agreement. Any change to the Foundation Policies require shareholders consent.

LGFA's risk management uses an approved risk identification and assessment framework to actively monitor and manage all treasury and financial risks by applying best practice risk management principles, processes and practices.

LGFA has treasury exposures arising from its normal business activities that principally relate to the raising and on-lending of funds. LGFA manages treasury exposures under a Board-approved Treasury Policy, the objectives for which are to:

- Effectively manage treasury risks, within approved compliance limits, to protect LGFA's capital position and net interest margin over time.
- Fund members in the most cost effective manner and in accordance with LGFA's operating principles, values and objectives.
- Protect LGFA's assets and prevent unauthorised transactions.
- Promote professional expertise of financial and management control to all external parties.
- Minimise operational risk by maintaining adequate internal controls, systems and staffing competencies.
- Provide timely reporting to the Board with meaningful and accurate reporting of interest rate exposures, liquidity, asset and liability maturity, funding, counterparty credit, performance and policy compliance.

Specific treasury exposures relate to liquidity, interest rate/market risk, foreign exchange, counterparty credit, operational and lending risks.



Liquidity risk

Liquidity risk is the potential inability to meet financial obligations when they become due, under normal or abnormal/ stressed operating conditions.

Liquidity risk is managed using a forecast cashflow approach measured over a 90-day period. LGFA is required to maintain sufficient liquidity (comprising a government standby facility, and holdings of cash and liquid investments) to support six months of funding commitments.

Interest rate risk / market risk

Interest rate risk is the risk that financial assets may re-price/ mature at a different time and/ or by a different amount than financial liabilities.

Interest rate / market risk is managed using Value at Risk (VaR) and Partial Differential Hedge (PDH) limits to mitigate the potential change in value of the balance sheet due to changes in interest rates.

- **Value at Risk** calculates the potential amount a portfolio could be expected to lose, 5% of the time, over a given time period. It is calculated using historical changes in underlying risk variables and applying those changes to the current portfolio.

VaR is measured over a daily time horizon with a 95% confidence interval. A daily 95% VaR exposure of $1 million means that there is a 5% chance that the portfolio could potentially lose more than $1 million over the next business day.

- **Partial Differential Hedge** measures the sensitivity of a portfolio to a one basis point change in underlying interest rates. For example, a PDH of NZD$100,000 means that the portfolio value will increase by NZD$100,000 for a one basis point fall in interest rates.

In addition, LGFA also undertakes scenario analysis to model the potential effect of changing market environments on the balance sheet.

Counterparty credit risk

Counterparty credit risk is the risk of financial loss arising from a counterparty defaulting on an investment, security and/or financial instrument where LGFA is a holder or party.

Counterparty credit risk is managed through counterparty limits for investments. These limits are determined as a function of the term of investment, liquidity and credit quality of the counterparty (as measured by a recognised credit rating).

All derivative contracts are subject to formal collateral arrangements to mitigate counterparty risk.

Investment is restricted to approved financial instruments listed in the Treasury Policy.

Foreign currency risk

Foreign currency risk is the risk of an adverse change in the fair value of a financial instrument due to a change in foreign exchange rates.

Foreign currency risk could exist if LGFA accesses foreign capital markets for funding purposes. To date, all funding has been sourced through the New Zealand domestic currency.

Foreign exchange risk would be managed through a requirement to fully hedge back to floating rate New Zealand dollar the full amount and term of all foreign currency funding and cash flows.

Operational risk

Operational risk, with respect to treasury management, is the risk of financial and/or reputation loss arising from human error, fraud, negligent behaviour, system failures and inadequate procedures and controls.

Operational risk is managed using internal controls and procedures across operational functions. Segregation of duties between staff members who have the authority to enter transactions with external counterparties and the staff who control, check and confirm such transactions is a cornerstone internal control principle.

Financial instruments are not entered into if the systems, operations and internal controls do not satisfactorily support the measurement, management and reporting of the risks associated with the instrument.

Tākina Wellington Convention and Exhibition Centre.
Wellington City Council

Lending risk

Lending risk is the risk of financial loss that could occur from lending funds to councils or council-controlled organisations.

LGFA provides debt funding to New Zealand councils and council-controlled organisations, subject to Board approval.

The Board have ultimate discretion on approving members.

All member organisations that borrow from LGFA:

- Provide debenture security in relation to their borrowing from LGFA and related obligations, and (if relevant), equity commitment liabilities to LGFA and (if relevant) guarantee liabilities to a security trustee approved for LGFA's creditors.

  Where LGFA is the only lender to a council controlled organisation, a general security arrangement (GSA) might be used in place of a debenture security.
- Are required to become a party to a deed of guarantee and an equity commitment deed if the principal amount of their borrowings is at any time equal to, or greater than, NZD 20 million.
- Issue securities (bonds/floating rate notes/ commercial paper) to LGFA (ie. not enter into facility arrangements).
- Comply with their own internal borrowing policies.
- Comply with the financial covenants outlined in the table below, provided that:
  - Unrated borrowers or borrowers with a long-term credit rating lower than 'A' equivalent can have bespoke financial covenants that exceed the:
    - Lending policy covenants outlined in the following table only with the approval of the Board;
    - Foundation policy covenants outlined in the following table only with the approval of an Ordinary Resolution of shareholders.

On 30 June 2020, a Special General Meeting of Shareholders approved a change to the Net Debt/ Total Revenue covenant contained within the Foundation Policy Covenants. For the financial year ended June 2020 a covenant limit of 250% applied. This increased to 300% for the June 2021 and June 2022 years and then reduces by 5% for each of the subsequent years until 280% applies from the June 2026 year.

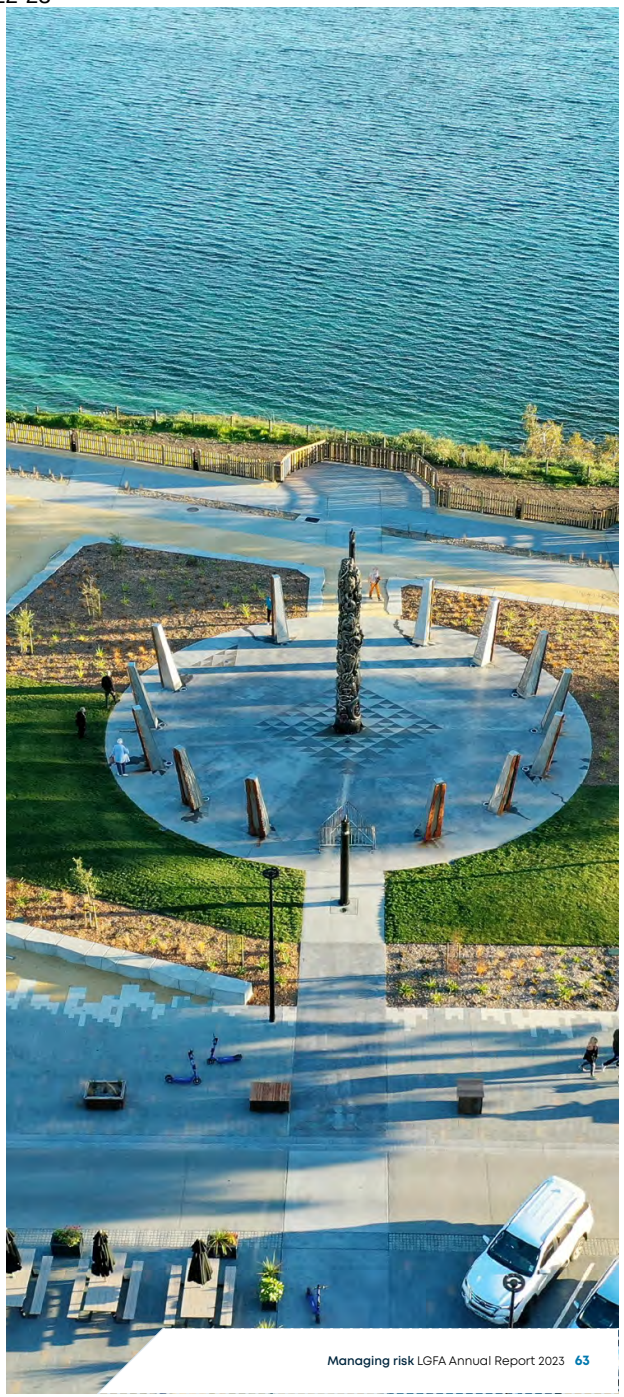
- Net debt is defined as total consolidated debt less liquid financial assets and investments.
- Total revenue is defined as cash earnings from rates, government grants and subsidies, user charges, interest, dividends, financial and other revenue and excludes non-government capital contributions, eg. developer contributions and vested assets.
- Borrowers with a long-term credit rating of 'A' equivalent or higher can have bespoke financial covenants that exceed the foundation policy covenants only with the approval of an Ordinary Resolution of shareholders.
- Any Board or Ordinary Resolution approval of bespoke financial covenants will only be provided after a robust credit analysis and any approval must also include bespoke reporting and monitoring arrangements.
- Non-compliance with the financial covenants will either preclude a member council from borrowing from LGFA or, in the case of existing council borrowers', trigger an event of review. An event of default will occur when (among other things) a council fails to meet an interest or principal payment (subject to grace periods). An event of default will enable LGFA to accelerate a council's repayment of loans.
- Financial covenants are measured on a parent council only basis, not consolidated group, unless requested by a parent council and approved by the Board.

Financial covenant	Lending policy covenants Unrated councils	Foundation policy covenants Rated councils
Net debt/ total revenue	<175%	<280%*
Net interest / total revenue	<20%	<20%
Net interest/ annual rates income	<25%	<30%
Liquidity	>110%	>110%

* From June 2026, refer description above.

- **Net interest** is defined as the amount equal to all interest and financing costs less interest income for the relevant period.
- **Annual rates income** is defined as the amount equal to the total revenue from any funding mechanism authorised by the Local Government (Rating) Act 2002 together with any revenue received from other local governments for services provided and for which the other local governments rate.
- **Liquidity** is defined as external debt plus committed loan facilities plus liquid investments divided by external debt.

Taupō Town Centre Transformation project.
Taupo District Council



Financial statements

Nga taukī pūtea

Statement of comprehensive income....64
Statement of changes in equity....65
Statement of financial position....66
Statement of cash flows....67
Notes to the financial satements....68
Revenue and expenditure....70
Financial insruments....72
Risk management....81
Capital and dividends....86
Other Notes....87
Independent auditors repor....88

Statement of comprehensive income

For the year ended ended 30 June 2023 in $000s

	Note	2023	2022
Interest income		763,600	393,507
Interest expense		753,308	375,991
Net interest income	4	**10,293**	**17,516**
Other operating income	5	1,349	1,090
Total operating income		**11,642**	**18,607**
Operating expenses	6	9,138	7,933
Net operating profit		**2,505**	**10,673**
Total comprehensive income		**2,505**	**10,673**

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

Due to rounding, numbers presented in the financial statements and associated notes may not add up precisely to the reported totals.

The Board of Directors of the New Zealand Local Government Funding Agency Limited authorised these statements or issue on 28 August 2023.

Statement of changes in equity

For the year ended 30 June 2023 in $000s

	Note	Share capital	Retained earnings	Total equity
Equity as at 30 June 2021		**25,000**	**69,743**	**94,743**
Net operating profit			10,673	10,673
Total comprehensive income for the year			10,673	10,673
Transactions with owners			-	-
Dividend paid on 3 September 2021			(857)	(857)
Equity as at 30 June 2022		**25,000**	**79,560**	**104,560**
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)
Equity as at 30 June 2023	28	**25,000**	**80,847**	**105,847**

Craig Stobo, Director
Board Chair

Linda Robertson, Director
Chair, Audit and Risk Committee

Statement of financial position

As at 30 June 2023 in $000s

	Note	2023	2022
Assets			
Financial assets			
Receivables	11	492	360
Cash and bank balances		226,222	158,033
Cash pledged as collateral		93,175	76
Marketable securities		1,127,879	1,491,148
Deposits		348,492	462,866
Derivatives in gain	10	63,845	94,767
Loans	12	16,313,562	14,041,908
Non-financial assets			
Prepayments		919	852
Other assets	13	58	156
Total assets		**18,174,644**	**16,250,167**
Equity			
Share capital	27	25,000	25,000
Retained earnings		80,847	79,560
Total equity		**105,847**	**104,560**
Liabilities			
Financial liabilities			
Payables and provisions	14	6,132	45,066
Bills	15	782,630	562,803
Bond repurchases	16	130,043	31,671
Derivatives in loss	10	1,628,316	1,206,175
Bonds	17	15,160,432	14,015,862
Borrower notes	18	360,348	283,180
Non-financial liabilities			
Other liabilities	19	896	850
Total liabilities		**18,068,797**	**16,145,607**
Total equity and liabilities		**18,174,644**	**16,250,167**

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

Statement of cash flows

For the year ended 30 June 2023 in $000s

	Note	2023	2022
Cash flows from operating activities			
Cash applied to loans	12	(2,222,368)	(1,972,398)
Interest paid on bonds issued		(496,597)	(445,533)
Interest paid on bills issued		(25,942)	(5,141)
Interest paid on borrower notes		(4,886)	(1,063)
Interest paid on bond repurchases		(5,140)	(1,067)
Interest received from loans		600,415	191,228
Interest received from cash & cash equivalents		7,102	3,234
Interest received from marketable securities		38,465	14,108
Interest received from deposits		23,192	7,360
Net interest on derivatives		(134,734)	251,708
Cash proceeds from provision of standby facilities		1,349	1,090
Payments to suppliers and employees		(8,965)	(7,752)
Net cash flows from operating activities	32	**(2,228,108)**	**(1,964,224)**
Cash flows from investing activities			
Purchase of marketable securities		362,942	(734,412)
(Purchase)/maturity of deposits		22,664	192,800
Purchase of plant and equipment		-	-
Net cash flows from investing activities		**385,606**	**(541,613)**
Cash flows from financing activities			
Cash proceeds from bonds issued	17	1,327,354	2,229,503
Cash proceeds (outflows) from bills issued		219,827	(46,822)
Cash proceeds (outflows) from bond repurchases		98,180	(35,987)
Cash proceeds from borrower notes		68,750	57,246
Dividends paid		(1,218)	(857)
Cash applied to derivatives		197,795	68,952
Net cash flows from financing activities		**1,910,690**	**2,272,036**
Net (decrease) / increase in cash		68,188	(233,801)
Cash, cash equivalents at beginning of year		158,033	391,835
Cash, cash equivalents at end of year		**226,222**	**158,033**

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

Notes to the financial statements

1. Reporting entity

The New Zealand Local Government Funding Agency Limited (LGFA) is a company registered under the Companies Act 1993 and is subject to the requirements of the Local Government Act 2002.

LGFA is controlled by participating councils and the Government as shareholders and is a council-controlled organisation as defined under section 6 of the Local Government Act 2002. LGFA is a limited liability company incorporated and domiciled in New Zealand.

The primary objective of LGFA is to optimise the debt funding terms and conditions for participating borrowers.

The registered address of LGFA is Level 8, City Chambers, 142 Featherston Street, Wellington Central, Wellington 6011.

The financial statements are as at and for the year ended 30 June 2023.

These financial statements were authorised for issue by the Directors on 28 August 2023.

2. Statement of compliance

LGFA is an FMC reporting entity under the Financial Markets Conduct Act 2013 (FMCA). These financial statements have been prepared in accordance with that Act and the Financial Reporting Act 2013. LGFA's bonds are quoted on the NZX Debt Market.

LGFA is a profit orientated entity as defined under the New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS).

The financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice (NZ GAAP) and they comply with NZ IFRS and other applicable Financial Reporting Standard, as appropriate for Tier 1 for-profit entities. The financial statements also comply with International Financial Reporting Standards (IFRS).

3. Basis of preparation

Measurement base

The financial statements have been prepared on a historical cost basis modified by the revaluation of certain assets and liabilities.

The financial statements are prepared on an accrual basis.

Functional and presentation currency

The financial statements are presented in New Zealand dollars rounded to the nearest thousand, unless separately identified. The functional currency of LGFA is New Zealand dollars.

Foreign currency conversions

Transactions denominated in foreign currency are translated into New Zealand dollars using exchange rates applied on the trade date of the transaction.

Changes in accounting policies

There have no changes to accounting policies.

Early adoption standards and interpretations

LGFA has not early adopted any standards.

Standards not yet adopted

LGFA does not consider any standards or interpretations in issue but not yet effective to have a significant impact on its financial statements.

Financial instruments

Financial assets

Financial assets, other than derivatives, are recognised initially at fair value plus transaction costs and subsequently measured at amortised cost using the effective interest rate method.

Cash and cash equivalents include cash on hand, bank accounts and deposits with an original maturity of no more than three months.

Cash provided by LGFA as security for financial arrangements remains a financial asset of LGFA and is recognised as cash pledged as collateral in the Statement of Financial Position, separate from cash and cash equivalents

Purchases and sales of all financial assets are accounted for at trade date.

At each balance date, an expected credit loss assessment is performed for all financial assets and is calculated as either:

- Credit losses that may arise from default events that are possible within the next 12 months, where no significant increase in credit risk has arisen since acquisition of the asset, or
- Credit losses that may arise from default events that are possible over the expected life of the financial asset, where a significant increase in credit risk has arisen since acquisition of the asset.

Impairment losses on financial assets will ordinarily be recognised on initial recognition as a 12-month expected loss allowance and move to a lifetime expected loss allowance if there is a significant deterioration in credit risk since acquisition.

Financial liabilities

Financial liabilities, other than derivatives, are recognised initially at fair value less transaction costs and subsequently measured at amortised cost using the effective interest rate method.

Derivatives

Derivative financial instruments are recognised both initially and subsequently at fair value. They are reported as either assets or liabilities depending on whether the derivative is in a net gain or net loss position respectively.

Fair value hedge

Where a derivative qualifies as a hedge of the exposure to changes in fair value of an asset or liability (fair value hedge) any gain or loss on the derivative is recognised in profit and loss together with any changes in the fair value of the hedged asset or liability.

The carrying amount of the hedged item is adjusted by the fair value gain or loss on the hedged item in respect of the risk being hedged. Effective parts of the hedge are recognised in the same area of profit and loss as the hedged item.

Other assets

Property, plant and equipment

Items of property, plant and equipment are initially recorded at cost.

Depreciation is charged on a straight-line basis at rates calculated to allocate the cost or valuation of an item of property, plant and equipment, less any estimated residual value, over its remaining useful life.

Intangible assets

Intangible assets comprise software and project costs incurred for the implementation of the treasury management system. Capitalised computer software costs are amortised on a straight-line basis over the estimated useful life of the software (three to seven years). Costs associated with maintaining computer software are recognised as expenses.

Other liabilities

Employee entitlements

Employee entitlements to salaries and wages, annual leave and other similar benefits are recognised in the profit and loss when they accrue to employees.

Revenue

Interest income

Interest income is accrued using the effective interest rate method.

The effective interest rate exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. The method applies this rate to the principal outstanding to determine interest income each period.

Expenses

Expenses are recognised in the period to which they relate.

Interest expense

Interest expense is accrued using the effective interest rate method.

The effective interest rate exactly discounts estimated future cash payments through the expected life of the financial liability to that liability's net carrying amount. The method applies this rate to the principal outstanding to determine interest expense each period.

Income tax

LGFA is exempt from income tax under Section 14 of the Local Government Borrowing Act 2011.

Goods and services tax

All items in the financial statements are presented exclusive of goods and service tax (GST), except for receivables and payables, which are presented on a GST-inclusive basis. Where GST is not recoverable as input tax, then it is recognised as part of the related asset or expense.

The net amount of GST recoverable from, or payable to, the IRD is included as part of receivables or payables in the statement of financial position.

The net GST paid to, or received from the IRD, including the GST relating to investing and financing activities, is classified as a net operating cash flow in the statement of cash flows.

Commitments and contingencies are disclosed exclusive of GST.

Segment reporting

LGFA operates in one segment being funding of participating borrowers in New Zealand.

Judgements and estimations

The preparation of these financial statements requires judgements, estimates and assumptions that affect the application of policies and reported amounts. For example, the fair value of financial instruments depends critically on judgements regarding future cash flows, including inflation assumptions and the risk-free discount rate.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under

the circumstances. Actual results may differ from these estimates and these estimates and underlying assumptions are reviewed on an ongoing basis. Where these judgements significantly affect the amounts recognised in the financial statements they are described in the following notes.

The financial statements as at 30 June 2023 include estimates and judgements of the potential impact of the proposed Affordable Waters Reform Programme on LGFA's financial position and performance. Whilst there has been no material impact on the estimates and judgements at the date these financial statements are authorised, it is noted that there is significant uncertainty with regards to the outcome of the proposed Affordable Waters Reform Programme on the local government sector.

Revenue and expenditure

4. Net interest income

For the year ended 30 June in $000s	2023	2022
Interest income		
Cash and cash equivalents	10,280	3,527
Marketable securities	41,661	14,827
Lease liability	13	-
Deposits	21,392	7,854
Derivatives	-	140,956
Loans	690,256	226,342
Fair value hedge ineffectiveness	-	-
Total interest income	**763,600**	**393,507**
Interest expense		
Bills	25,942	5,141
Bond repurchase transactions	5,331	1,084
Lease liability	-	7
Derivatives	240,445	-
Bonds	468,411	366,044
Borrower notes	13,179	3,715
Total interest expense	**753,308**	**375,991**
Net interest income	**10,293**	**17,516**

5. Other operating income

As at 30 June 2023, LGFA had provided credit standby facilities totalling $727 million (2022: $662 million) to selected councils. As at balance date, there were no drawdowns outstanding under the facilities.

For the year ended 30 June in $000s	2023	2022
Standby facilities fee income	1,349	1,090
Total other operating income	**1,349**	**1,090**

6. Operating expenses

Issuance and on-lending expenses are those costs that are incurred as a necessary expense to facilitate the ongoing issuance of LGFA debt securities.

For the year ended 30 June in $000s	2023	2022
Issuance and on-lending expenses		
Approved issuer levy [1]	561	701
Rating agency fees	672	654
NZDMO facility fee	1,385	672
Legal fees – issuance	397	508
NZX	782	715
Trustee fees	110	108
Regulatory, registry, other fees	246	174
	4,154	**3,531**
Other operating expenses		
Information technology	656	807
Consultants	303	208
Directors fees	427	424
Insurance	96	90
Legal fees	287	137
Other expenses	437	309
Auditors' remuneration		
Statutory audit	121	110
Advisory services	-	-
Personnel	2,658	2,317
	4,984	**4,403**
Total operating expenses	**9,138**	**7,933**

1. The amount of Approved Issuer Levy is a function of the number of the offshore holders of the 2027 bond maturity.

Financial instruments

7. Financial instruments accounting policy

Financial instruments recognised in the statement of financial position at amortised cost.

Fair values of financial instruments not recognised in the statement of financial position at fair value are determined for note disclosure as follows:

Cash and bank, trade and other receivables, trade and other payables

The carrying value of cash and bank, trade and other receivables, trade and other payables approximate their fair value as they are short-term instruments.

Cash pledged as collateral

LGFA enters into derivative financial instruments for hedging purpose which may require LGFA to post collateral as security with counterparties.

In line with standard industry practice, collateral is provided for derivative transactions in accordance with Credit Support Annexes (CSAs). LGFA's practice is to annex each CSA to the International Swaps and Derivatives Association (ISDA) Master Agreement it has with derivative counterparties.

LGFA is required to pledge cash deposits at call in order to meet its obligations under the CSAs for derivative positions. The pledged assets will be returned to LGFA when the underlying transaction is terminated, but in the event of default the counterparty is entitled to apply the collateral in order to settle the outstanding liability.

Marketable securities and bonds

The fair value of bonds and marketable securities are determined using the quoted price for the instrument.

Deposits

The fair value for deposits is determined using a discounted cash flow analysis. The interest rates used to discount the estimated cash flows are based on current market interest rates.

Loans

The fair value of loans is determined using a discounted cash flow analysis. The interest rates used to discount the estimated cash flows are based on LGFA bond yields at the reporting date plus an appropriate credit spread to reflect the counterparty's credit risk.

Leases

The lease liability is recognised at the present value of the remaining lease payments, discounted using LGFA's incremental borrowing rate, with the corresponding right-of-use asset recognised as an equal amount.

Borrower notes

The fair value of borrower notes is determined using a discounted cash flow analysis. The interest rates used to discount the estimated cash flows are based on LGFA bond yields at the reporting date.

Fair value of financial assets and financial liabilities

The following table shows the fair value of financial assets and financial liabilities, together with the carrying amounts shown in the statement of financial position.

As at 30 June 2023 in $000s	Financial liabilities at amortised cost	Financial assets at amortised cost	Financial assets measured at fair value in accordance with NZ IFRS 9	Fair value
Financial assets				
Receivables	-	492	-	492
Cash and bank balances	-	226,222	-	226,222
Cash pledged as collateral	-	93,175	-	93,175
Marketable securities	-	1,127,879	-	1,140,099
Deposits	-	348,492	-	441,713
Derivatives	-	-	63,845	63,845
Loans	-	16,313,562	-	16,512,334
	-	**18,109,822**	**63,845**	**18,477,881**
Financial liabilities				
Payables and provisions	6,132	-	-	6,132
Bills	782,630	-	-	782,566
Bond repurchases	130,043	-	-	130,044
Derivatives	-	-	1,628,316	1,628,316
Bonds	15,160,432	-	-	15,022,449
Borrower notes	360,348	-	-	347,825
	16,439,585	**-**	**1,628,316**	**17,917,332**

As at 30 June 2022 in $000s	Financial liabilities at amortised cost	Financial assets at amortised cost	Financial assets measured at fair value in accordance with NZ IFRS 9	Fair value
Financial assets				
Receivables	-	360	-	360
Cash and bank balances	-	158,033	-	158,033
Cash pledged as collateral	-	76	-	76
Marketable securities	-	1,491,148	-	1,597,633
Deposits	-	462,866	-	462,859
Derivatives	-	-	94,767	94,767
Loans	-	14,041,908	-	14,188,283
	-	**16,154,392**	**94,767**	**16,502,012**
Financial liabilities				
Payables and provisions	45,066	-	-	45,066
Bills	562,803	-	-	562,498
Bond repurchases	31,671	-	-	31,671
Derivatives	-	-	1,206,175	1,206,175
Bonds	14,015,862	-	-	14,028,971
Borrower notes	283,180	-	-	276,085
	14,938,582	**-**	**1,206,175**	**16,150,466**

8. Derivative financial instruments

Derivative financial instruments are the only instruments recognised in the statement of financial position at fair value.

Derivative financial instruments are valued under level 2 of the following hierarchy.

Level 1 – Quoted market prices: Fair value based on quoted prices in active markets for identical assets or liabilities.

Level 2 – Valuation techniques using observable market inputs: Fair value based on a valuation technique using other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).

Level 3 – Valuation techniques using significant non-observable market inputs: Fair value based on a valuation technique using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value of derivative financial instruments is determined using a discounted cash flow analysis. Interest rates represent the most significant assumption used in valuing derivative financial instruments. The interest rates used to discount estimated cash flows are based on the New Zealand dollar swap curves at the reporting date.

9. Hedge accounting

LGFA is exposed to interest rate risk from its borrowing, lending and investment activities and uses interest rate swaps to manage this risk. For hedge accounting purposes, LGFA has designated these swaps in fair value relationships to its fixed rate borrowings, loans and investments.

The following table shows the gain or loss on the hedging instrument and the hedged item attributable to the hedged risk for fair value hedge relationships.

As at 30 June in $000s	2023 Gain/(loss)	2022 Gain/(loss)
Hedged items attributable to the hedged risk	(149,558)	(1,304,237)
Hedging instruments – interest rate swaps	149,558	1,304,237
Ineffectiveness recognised in profit or loss from fair value hedges	**-**	**-**

The gains or losses on the hedging instrument (interest rate swaps) and the hedged item (bonds, loans and investments) are mapped to the same fair value account. For this reason, the statement of comprehensive income will only report any ineffectiveness arising from the fair value hedge.

10. Offsetting

NZ IAS 32: Financial Instruments Presentation allows financial assets and liabilities to be offset only when there is a current legally enforceable right to set off the amounts and there is an intention either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

LGFA does not offset any amounts.

The following table shows the amounts subject to an enforceable master netting arrangement or similar agreement that are not offset in the statement of financial position.

As at 30 June 2023 in $000s	Derivative assets	Derivative liabilities
Gross amounts	63,845	1,628,316
Amounts offset	-	-
Carrying amounts	63,845	(63,845)
Amounts that don't qualify for offsetting	-	-
Financial assets & liabilities	(63,845)	(63,845)
Collateral	-	(93,175)
Net amount	**-**	**1,471,295**

As at 30 June 2022 in $000s	Derivative assets	Derivative liabilities
Gross amounts	94,767	1,206,175
Amounts offset	-	-
Carrying amounts	94,767	(94,767)
Amounts that don't qualify for offsetting	-	-
Financial assets & liabilities	(94,767)	(94,767)
Collateral	-	(76)
Net amount	**-**	**1,111,332**

11. Receivables

As at 30 June in $000s	2023	2022
Trade debtors	492	360
Total receivables	**492**	**360**

12. Loans

As at 30 June in $000s	2023 Short-term loans	2023 Loans	2022 Short-term loans	2022 Loans
Ashburton District Council	12,110	74,243	12,048	78,898
Auckland Council	-	3,225,659	-	3,413,415
Bay of Plenty Regional Council	57,428	161,353	25,651	167,941
Buller District Council	-	20,030	-	20,015
Canterbury Regional Council	10,116	65,272	4,018	75,214
Carterton District Council	-	17,523	-	14,762
Central Hawkes Bay District Council	4,072	38,314	2,024	20,107
Central Otago District Council	20,117	5,072	5,024	-
Christchurch City Council	-	2,200,409	2,017	2,036,724
Clutha District Council	7,554	62,905	5,532	32,394
Dunedin City Treasury	-	126,119	-	-
Far North District Council	-	91,984	-	71,822
Gisborne District Council	-	126,028	-	86,095
Gore District Council	8,556	41,915	6,035	29,631
Greater Wellington Regional Council	-	678,358	-	576,343
Grey District Council	3,990	26,799	3,980	26,717
Hamilton City Council	-	803,843	-	633,049
Hastings District Council	-	294,992	-	237,990
Hauraki District Council	-	62,620	-	43,212
Hawkes Bay Regional Council	25,313	55,262	-	37,992
Horizons Regional Council	9,936	51,871	11,984	49,771
Horowhenua District Council	15,175	151,192	11,001	127,395
Hurunui District Council	8,092	38,435	8,033	30,147
Hutt City Council	-	373,239	-	256,607
Invercargill City Council	55,448	68,788	12,845	68,725
Invercargill City Holdings Ltd	12,323	78,514	22,076	68,354
Kaikoura District Council	-	5,346	-	5,331
Kaipara District Council	-	44,545	-	44,229
Kapiti Coast District Council	-	277,935	-	256,128
Kawerau District Council	-	2,024	-	-
Mackenzie District Council	3,001	8,086	10,002	-
Manawatu District Council	15,136	79,502	11,559	77,725
Marlborough District Council	21,241	131,594	37,325	100,289
Masterton District Council	-	52,336	-	50,260
Matamata-Piako District Council	-	45,520	-	38,191
Napier City Council	-	10,014	-	-
Nelson City Council	-	186,666	-	140,581
New Plymouth District Council	10,114	221,668	-	170,350
Northland Regional Council	-	18,565	-	14,147
Opotiki District Council	-	9,557	-	7,073
Otago Regional Council	46,665	104,177	66,715	48,443
Otorohanga District Council	6,052	-	-	4,028
Palmerston North City Council	-	214,483	-	187,872
Porirua City Council	-	198,906	-	172,335
Queenstown Lakes District Council	56,007	454,003	50,275	241,015
Rangitikei District Council	-	31,207	-	19,157
Rotorua District Council	1,889	351,358	43,112	245,298
Ruapehu District Council	8,050	42,130	8,020	29,557
Selwyn District Council	-	116,198	-	75,343
South Taranaki District Council	-	117,428	-	112,566
South Waikato District Council	-	44,457	4,874	34,171
Southland District Council	-	21,960	-	16,899
South Wairarapa District Council	-	29,148	-	26,537
Stratford District Council	2,030	31,858	6,027	26,299
Taranaki Regional Council	-	19,652	-	14,587
Tararua District Council	4,047	53,778	-	51,244
Tasman District Council	25,515	246,751	24,193	198,190
Taupo District Council	-	146,271	-	125,522
Tauranga City Council	-	823,933	-	648,528
Thames-Coromandel District Council	-	67,813	-	73,365
Timaru District Council	19,456	187,561	28,724	136,516
Upper Hutt City Council	-	113,212	-	91,421
Waikato District Council	9,975	111,225	-	95,454
Waikato Regional Council	5,120	25,276	-	25,120
Waimakariri District Council	-	181,960	-	170,903
Waimate District Council	-	3,540	-	-
Waipa District Council	20,010	207,374	25,530	124,377
Wairoa District Council	8,015	11,109	-	10,062
Waitaki District Council	8,978	33,280	4,491	20,583
Waitomo District Council	4,071	24,204	4,017	24,092
Wellington City Council	-	1,178,503	-	967,101
West Coast Regional Council	3,243	9,991	3,761	6,616
Western Bay Of Plenty District Council	-	80,992	-	70,366
Westland District Council	-	27,078	-	29,933
Westland Holdings Ltd	1,618	5,456	-	-
Whakatane District Council	-	114,768	-	86,396
Whanganui District Council	7,557	110,179	7,523	99,522
Whangārei District Council	9,927	228,151	9,972	182,813
Fair value hedge adjustment	-	(37,850)		(36,332)
	547,944	**15,765,618**	**478,385**	**13,563,522**

As at 30 June 2023, $2,512 million of loans are due to mature within 12 months. This comprises all short-term loans and $1,964 million of loans.

13. Other assets

As at 30 June in $000s	2023	2022
Right-of-use lease asset	58	156
Total other assets	**58**	**156**

14. Payables and provisions

As at 30 June in $000s	2023	2022
Loans/purchases to be advanced	5,000	44,000
Trade creditors	804	800
Credit provision	123	161
Other provisions	205	105
Total payables	**6,132**	**45,066**

15. Bills

As at 30 June 2023 in $000's	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
	792,000	**(9,370)**	**-**	**782,630**

As at 30 June 2022 in $000's	Face value	Unamortised premium	Accrued interest	Total
7 July 2022	15,000	(4)	-	14,996
13 July 2022	70,000	(30)	-	69,970
19 July 2022	35,000	(33)	-	34,967
4 August 2022	25,000	(33)	-	24,967
10 August 2022	80,000	(167)	-	79,833
19 August 2022	20,000	(60)	-	19,940
30 August 2022	50,000	(201)	-	49,799
9 September 2022	68,000	(296)	-	67,704
14 September 2022	100,000	(538)	-	99,462
19 September 2022	27,000	(120)	-	26,880
6 October 2022	25,000	(148)	-	24,852
9 November 2022	25,000	(238)	-	24,762
7 December 2022	25,000	(329)	-	24,671
	565,000	**(2,197)**	**-**	**562,803**

16. Treasury stock and bond repurchases

Periodically, LGFA subscribes for LGFA bonds as part of its issuance process and holds these bonds as treasury stock. LGFA bonds held by LGFA as treasury stock are derecognised at the time of issue and no liability is recognised in the statement of financial position. As at 30 June 2023, $1,100 million of LFGA bonds had been subscribed as treasury stock.

LGFA makes these treasury stock bonds available to banks authorised as its tender counterparties to borrow under short-term repurchase transactions. The objective of the bond lending facility is to assist with improving secondary market liquidity in LGFA bonds. Bonds lent to counterparties are disclosed as a separate stock lending liability on the face of the statement of financial position.

As at 30 June in $000s	2023	2022
15 April 2024	16,619	1,456
15 April 2025	1,920	6,773
15 April 2026	-	5,395
15 April 2027	52,513	-
20 April 2029	19,437	7,390
15 May 2031	3,287	-
14 April 2033	1,750	4,566
15 May 2035	34,518	818
15 April 2037	-	5,272
	130,043	**31,671**

17. 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 16: Treasury stock and bond repurchase transactions.

As at 30 June 2023 in $000's	Face Value	Unamortised premium	Accrued interest	Fair value hedge adjustment	Total
Fixed interest bonds					
15 April 2024	2,218,000	(2,151)	10,499		
15 April 2025	2,409,000	(36,176)	13,937		
15 April 2026	2,155,000	(54,361)	6,801		
15 April 2027	2,011,000	68,977	19,039		
15 May 2028	1,423,000	(60,216)	4,089		
20 April 2029	1,722,000	(83,580)	5,081		
15 May 2030	1,000,000	(17,002)	5,747		
15 May 2031	1,120,000	(60,338)	3,218		
14 April 2033	1,350,000	33,003	10,070		
15 May 2035	450,000	(7,728)	1,724		
15 April 2037	820,000	(41,281)	3,450		
Total	**16,678,000**	**(260,853)**	**83,656**	**(1,340,372)**	**15,160,432**

As at 30 June 2022 in $000's	Face Value	Unamortised premium	Accrued interest	Fair value hedge adjustment	Total
Fixed interest bonds					
15 April 2023	1,830,000	25,117	21,175		
15 April 2024	1,998,000	5,625	9,458		
15 April 2025	1,679,000	(13,379)	9,714		
15 April 2026	1,815,000	(31,599)	5,728		
15 April 2027	1,751,000	85,460	16,577		
15 May 2028	1,270,000	(53,384)	3,650		
20 April 2029	1,362,000	(21,893)	4,019		
15 May 2031	850,000	(19,801)	2,443		
14 April 2033	1,290,000	43,486	9,622		
15 May 2035	400,000	2,166	1,533		
15 April 2037	730,000	(12,837)	3,072		
Total fixed interest	**14,975,000**	**8,962**	**86,989**	**(1,185,774)**	**13,885,177**
Floating rate notes					
14 October 2022	130,000	(7)	692	-	130,684
Total	**15,105,000**	**8,955**	**87,681**	**(1,185,774)**	**14,015,862**

18. Borrower notes

Borrower notes are subordinated debt instruments which are required to be held by each local authority that borrows from LGFA in an amount equal to a fixed percentage of the aggregate borrowings by that local authority. The fixed percentage is 2.5% for loans issued from 1 July 2020. Prior to this date, the fixed percentage was 1.6%.

LGFA may convert borrower notes into redeemable shares if it has made calls for all unpaid capital to be paid in full and the Board determines it is still at risk of imminent default.

19. Other liabilities

As at 30 June in $000s	2023	2022
Lease liability	58	156
Accruals	838	694
Total receivables	**896**	**850**

20. Operating leases

As at 30 June in $000s	2023	2022
Less than one year	58	66
Between one and five years	-	90
Total non-cancellable operating leases	**58**	**156**

Risk management

21. Financial risk management

The Board of Directors has overall responsibility for carrying out the business of LGFA in accordance with risk management policies, including those relating to investing, lending, borrowing and treasury activities. The use of financial instruments exposes LGFA to financial risks, the most significant being market risk, credit risk, and liquidity risk. The exposure and management of these risks is outlined below.

22. Market risk

Market risk is the risk that changes in market prices will affect LGFA's income or value of financial instruments. The most significant market risk which LGFA is exposed to is interest rate risk. LGFA has no significant exposure to foreign exchange risk.

23. Interest rate risk

Interest rate risk is the risk that future cash flows or the fair value of financial instruments will decrease because of a change in market interest rates. LGFA is exposed to interest rate risk through its interest-bearing financial assets and liabilities.

Interest rate risk is managed using Value at Risk (VaR) and Partial Differential Hedge (PDH) limits to mitigate the potential change in value of the balance sheet due to changes in interest rates. PDH risk measures the sensitivity of a portfolio to a one basis point change in underlying interest rates, whereas VaR measures the expected loss for a given period with a given confidence.

The table below indicates the earliest period in which the interest-bearing financial instruments reprice.

As at 30 June 2023 in $000s	Face value	Less than 6 months	6 months - 1 year	1-2 years	2-5 years	Over 5 years
Financial assets						
Cash and bank Balances	226,222	226,222	-	-	-	-
Marketable securities	1,150,805	540,532	154,418	104,273	351,582	-
Deposits	447,115	447,115	-	-	-	-
Loans	16,201,725	13,382,721	363,171	370,400	1,418,820	666,614
Financial liabilities						
Bills	(792,000)	(792,000)	-	-	-	-
Bond repurchases	(129,833)	(129,833)	-	-	-	-
Derivatives	-	(13,758,700)	1,843,500	2,031,200	4,145,000	5,739,000
Bonds	(16,678,000)	-	(2,218,000)	(2,409,000)	(5,589,000)	(6,462,000)
Borrower notes	(338,809)	(277,881)	(6,110)	(7,492)	(32,191)	(15,135)
Total	**87,225**	**(361,825)**	**136,979**	**89,381**	**294,211**	**(71,521)**

As at 30 June 2022 in $000s	Face value	Less than 6 months	6 months - 1 year	1-2 years	2-5 years	Over 5 years
Financial assets						
Cash and bank Balances	158,033	158,033	-	-	-	-
Marketable securities	1,503,175	533,296	401,624	174,200	394,055	-
Deposits	461,649	441,649	20,000	-	-	-
Loans	13,975,845	11,652,617	327,675	266,900	976,700	751,953
Financial liabilities						
Bills	(565,000)	(565,000)	-	-	-	-
Bond repurchases	(31,653)	(31,653)	-	-	-	-
Derivatives	-	(12,419,250)	1,583,750	1,645,500	3,895,200	5,294,800
Bonds	(15,105,000)	(130,000)	(1,830,000)	(1,998,000)	(5,245,000)	(5,902,000)
Borrower notes	(270,059)	(223,289)	(4,574)	(5,557)	(19,932)	(16,707)
Total	**126,991**	**(583,597)**	**498,476**	**83,044**	**1,023**	**128,046**

Interest rate sensitivity

Changes in interest rates impact the fair value of fixed rate assets and liabilities, cash flows on floating rate assets and liabilities, and the fair value and cash flows of interest rate swaps. A change of 100 basis points in interest rates at the reporting date would have increased/(decreased) profit or loss and equity by the amounts shown in the following table. This analysis assumes that all other variables remain constant.

For the period ending 30 June in $000s	2023		2022	
	100 bps increase $000s	100 bps decrease $000s	100 bps increase $000s	100 bps decrease $000s
Fair value sensitivity analysis				
Fixed rate assets	-	-	-	-
Fixed rate liabilities	547,192	(557,506)	518,112	(529,330)
Derivative financial instruments	(547,324)	557,646	(517,469)	528,667
	(132)	**140**	**643**	**(664)**
Cash flow sensitivity analysis				
Variable rate assets	132,093	(132,093)	115,784	(115,784)
Variable rate liabilities	(2,775)	2,775	(3,541)	3,541
Derivative financial instruments	(137,537)	137,537	(124,063)	124,063
	(8,219)	**8,219**	**(11,820)**	**11,820**

24. Credit risk

Credit risk is the risk of financial loss if a counterparty to a financial instrument fails to meet its contractual obligations. LGFA is exposed to credit risk through its lending and investing activities.

Credit risk associated with lending activities is managed by requiring members that borrow from LGFA to meet specific credit lending criteria and to provide security against the borrowing. LGFA's credit risk framework restricts credit exposures to specific counterparties.

Credit risk associated with investing activities, excluding on-lending, is managed by only investing with New Zealand Government Agencies or counterparties that meet a minimum credit rating of A (Standard & Poor's equivalent). LGFA's credit risk framework limits concentrations of credit risk for any single counterparty.

Exposure to credit risk

LGFA monitors the concentration of credit risk by the type of counterparty. The following table shows the carrying value and maximum exposure to credit risk at the reporting date, before taking account of collateral or other credit enhancements, for significant counterparty types.

As at 30 June 2023 in $000s	NZ government agencies	NZ councils	NZ registered banks	Other counter-parties	Fair Value hedge adjustment	Total carrying value
Financial assets						
Receivables	-		-	492		492
Cash and bank balances	223,783	-	2,439	-		226,222
Cash pledged as collateral	93,175					93,175
Marketable securities	79,082	16,950	347,933	706,787	(22,873)	1,127,879
Deposits	(93,175)	-	436,739	4,929		348,492
Derivatives	(1,468,363)	-	(96,108)	-		(1,564,470)
Loans	-	16,351,411	-	-	(37,850)	16,313,562
	(1,165,498)	**16,368,361**	**691,002**	**712,208**	**(60,722)**	**16,545,351**

As at 30 June 2022 in $000s	NZ government agencies	NZ councils	NZ registered banks	Other counter-parties	Fair Value hedge adjustment	Total carrying value
Financial assets						
Receivables	-		-	360		360
Cash and bank balances	156,331	-	1,702	-		158,033
Cash pledged as collateral	76					76
Marketable securities	239,937	29,235	331,290	910,038	(19,351)	1,491,148
Deposits	-	-	377,463	85,403		462,866
Derivatives	(1,111,408)	-	-	-		(1,111,408)
Loans	-	14,078,239	-	-	(36,331)	14,041,908
	(715,064)	**14,107,474**	**710,455**	**995,801**	**(55,682)**	**15,042,984**

Collateral and credit enhancements

LGFA holds collateral against borrowings from councils in the form of debenture securities and guarantees.

Credit quality of financial assets

All financial assets are neither past due nor impaired. The carrying value of the financial assets is expected to be recoverable.

25. Liquidity risk

Liquidity risk is the risk that LGFA will encounter difficulty in meeting the obligations of its financial liabilities. LGFA manages liquidity risk by holding cash and a portfolio of liquid assets to meet obligations when they fall due. LGFA is required by policy to maintain sufficient liquidity (comprising a committed liquidity facility and holdings of cash and liquid investments) to meet all operating and funding commitments over a rolling 12-month period.

The Treasury (New Zealand Debt Management) provides a committed liquidity facility that LGFA can draw upon to meet any exceptional and temporary liquidity shortfall. As at 30 June 2023, the undrawn committed liquidity facility was $1,500 million (2022: $1,300 million). The facility is due to expire in December 2031.

26. Contractual cash flows of financial instruments.

The following table shows the contractual cash flows associated with financial assets and liabilities.

As at 30 June 2023 in $000s	On demand	Up to 3 months	3 months to 1 year	1 year to 5 years	More than 5 years	Total contractual cash flows	Total carrying value
Financial assets							
Receivables	492	-	-	-	-	492	492
Cash and bank balances	226,222	-	-	-	-	226,222	226,222
Cash pledged as collateral	93,175	-	-	-	-	93,175	93,175
Marketable securities	-	168,607	350,627	709,893	-	1,229,127	1,127,879
Deposits	-	209,258	145,558	-	-	354,816	348,492
Loans	-	676,189	2,722,811	10,726,760	6,001,820	20,127,580	16,313,562
Financial liabilities							
Payables and provisions	(6,132)	-	-	-	-	(6,132)	(6,132)
Bills	-	(567,000)	(225,000)	-	-	(792,000)	(782,630)
Bond repurchases	-	(130,215)	-	-	-	(130,215)	(130,043)
Bonds	-	-	(2,662,170)	(9,221,173)	(7,131,780)	(19,015,123)	(15,160,432)
Borrower notes	-	(1,549)	(40,931)	(220,864)	(178,502)	(441,846)	(360,348)
Derivatives	-	(210,678)	(254,986)	(1,243,521)	(807,012)	(2,516,197)	(1,564,470)
	313,757	**144,611**	**35,909**	**751,096**	**(2,115,474)**	**(870,101)**	**105,766**

As at 30 June 2022 in $000s	On demand	Up to 3 months	3 months to 1 year	1 year to 5 years	More than 5 years	Total contractual cash flows	Total carrying value
Financial assets							
Receivables	360	-	-	-	-	360	360
Cash and bank balances	158,033	-	-	-	-	158,033	158,033
Cash pledged as collateral	76	-	-	-	-	76	76
Marketable securities	-	199,206	473,654	834,261	-	1,507,122	1,491,148
Deposits	-	322,580	142,572	-	-	465,151	462,866
Loans	-	405,638	2,296,504	7,921,322	5,316,424	15,939,887	14,041,908
Financial liabilities							
Payables and provisions	(45,066)	-	-	-	-	(45,066)	(45,066)
Bills	-	(490,000)	(75,000)	-	-	(565,000)	(562,803)
Bond repurchases	-	(31,681)	-	-	-	(31,681)	(31,671)
Bonds	-	(807)	(2,398,906)	(8,336,675)	(6,560,835)	(17,297,223)	(14,015,862)
Borrower notes	-	(2,194)	(32,788)	(149,518)	(135,615)	(320,116)	(283,180)
Derivatives	-	(74,548)	58,917	(198,031)	(180,497)	(394,159)	(1,111,408)
	113,403	**328,192**	**464,952**	**71,359**	**(1,560,523)**	**(582,617)**	**104,403**

Capital and dividends

27. Share capital

As at 30 June 2023, LGFA had 45 million ordinary shares on issue, 20 million of which remain uncalled.

All ordinary shares rank equally with one vote attached to each ordinary share. Ordinary shares have a face value of $1 per share.

28. Shareholder information

Registered holders of equity securities as at 30 June	2023		2022	
Minister of Finance and Minister for Local Government	5,000,000	11.1%	5,000,000	11.1%
Auckland Council	3,731,960	8.3%	3,731,960	8.3%
Christchurch City Council	3,731,960	8.3%	3,731,960	8.3%
Hamilton City Council	3,731,960	8.3%	3,731,960	8.3%
Bay of Plenty Regional Council	3,731,958	8.3%	3,731,958	8.3%
Greater Wellington Regional Council	3,731,958	8.3%	3,731,958	8.3%
Tasman District Council	3,731,958	8.3%	3,731,958	8.3%
Tauranga City Council	3,731,958	8.3%	3,731,958	8.3%
Wellington City Council	3,731,958	8.3%	3,731,958	8.3%
Western Bay of Plenty District Council	3,731,958	8.3%	3,731,958	8.3%
Whangārei 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%
	45,000,000	**100%**	**45,000,000**	**100%**

29. Capital management

LGFA's capital is equity, which comprises share capital and retained earnings. The objective of managing LGFA's equity is to ensure LGFA achieves its goals and objectives for which it has been established, whilst remaining a going concern.

30. Dividend

LGFA paid a dividend of $1,217,500 on 2 September 2022, being $0.0487 per paid up share (2022: $856,500 on 3 September 2021, being $0. 03426 per paid up share).

31. Capital commitments

As at 30 June 2023, there are no capital commitments.

Other Notes

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

For the year ended 30 June in $000s	2023	2022
Net profit/(loss) for the period	2,505	10,673
Cash applied to loans	(2,222,368)	(1,972,398)
Non-cash adjustments		
Amortisation and depreciation	(8,417)	(2,527)
Working capital movements		
Net change in trade debtors and receivables	96	(148)
Net change in prepayments	(67)	(169)
Net change in accruals	144	345
Net Cash From Operating Activities	**(2,228,108)**	**(1,964,224)**

33. Contingencies

There are no contingent liabilities at balance date.

34. Related parties

Identity of related parties

LGFA is related to the councils set out in the Shareholder Information in note 12.

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 councils, and non-shareholder councils 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 councils to LGFA (cross guarantee) and of LGFA itself.

Related party transactions

LGFA was established for the purpose of raising funds from the market to lend to member borrowers. The lending to individual councils is disclosed in note 12, and interest income recognised on this lending is shown in the statement of comprehensive income.

The purchase of LGFA borrower notes by participating borrowers. Refer note 18.

The Treasury (New Zealand Debt Management) provides LGFA with a committed credit facility and is LGFA's derivatives counterparty.

Transactions with key management personnel:

Salaries $1,239,462 (2022: $1,016,801)

Fees paid to directors are disclosed in operating expenses in Note 6.

35. Subsequent events

On 28 August 2023, the Directors of LGFA declared a dividend of $1,712,500 ($0.0685 per paid up share).

Subsequent to balance date, LGFA has issued $420 million in NZD bonds and AUD 1 billion in AUD bonds.

KPMG

INDEPENDENT AUDITOR'S REPORT

TO THE READERS OF NEW ZEALAND LOCAL GOVERNMENT FUNDING AGENCY LIMITED'S FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION FOR THE YEAR ENDED 30 JUNE 2023

The Auditor-General is the auditor of New Zealand Local Government Funding Agency Limited (the company). The Auditor-General has appointed me, David Gates, using the staff and resources of KPMG, to carry out the audit of the financial statements and performance information of the company on his behalf.

Opinion

We have audited:

- the financial statements of the company on pages 64 to 87, that comprise the statement of financial position as at 30 June 2023, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information; and
- the performance information of the company on pages 10 to 15.

In our opinion:

- the financial statements of the company on pages 64 to 87:
  - present fairly, in all material respects:
    - its financial position as at 30 June 2023 and
    - its financial performance and cash flows for the year then ended; and
  - comply with generally accepted accounting practice in New Zealand in accordance with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and International Financial Reporting Standards (IFRS); and
- the performance information of the company on pages 10 to 15 presents fairly, in all material respects, the company's actual performance compared against the performance targets and other measures by which performance was judged in relation to the company's objectives for the year ended 30 June 2023.

Our audit was completed on 28 August 2023. This is the date at which our opinion is expressed.

The basis for our opinion is explained below, and we draw attention to the inherent uncertainties in the measurement of greenhouse gas emissions. In addition, we outline the responsibilities of the Board of Directors and our responsibilities relating to the financial statements and the performance information, we comment on other information, and we explain our independence.

Basis for our opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the Responsibilities of the auditor section of our report.

We have fulfilled our responsibilities in accordance with the Auditor-General's Auditing Standards.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter – Inherent uncertainties in the measurement of greenhouse gas emissions

The company has chosen to include a measure of its greenhouse gas (GHG) emissions in its performance information. Without modifying our opinion and considering the public interest in climate change related information, we draw attention to page 14 of the annual report, which outlines the uncertainty in the reported GHG emissions. Quantifying GHG emissions is subject to inherent uncertainty because the scientific knowledge and methodologies to determine the emissions factors and processes to calculate or estimate quantities of GHG sources are still evolving, as are GHG reporting and assurance standards.

KPMG

Materiality

The scope of our audit was influenced by our application of materiality. Materiality helped us to determine the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and on the financial statements as a whole. The materiality for the financial statements as a whole was set at $135 million determined with reference to a benchmark of company Total Assets. We chose the benchmark because, in our view, this is a key measure of the company's performance. In addition, we also assess whether other matters that come to our attention during the audit would in our judgement change or influence the decisions of a reasonably knowledgeable person ('qualitative' materiality).

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements in the current period. We summarise below those matters and our key audit procedures to address those matters in order that the readers as a body may better understand the process by which we arrived at our audit opinion. Our procedures were undertaken in the context of and solely for the purpose of our statutory audit opinion on the financial statements as a whole and we do not express discrete opinions on separate elements of the financial statements.

The key audit matter	How the matter was addressed in our audit
Existence and impairment of loans	
Refer to Note 12 to the Financial Statements. The loans LGFA has provided to local government make up over 89% of total assets. The loans are recognised at amortised cost and the nature of the counterparties is such that we do not consider these loans to be at high risk of significant misstatement. However, based on their materiality, and the judgement involved in assessing the credit worthiness of counterparties they are considered to be the area which had the greatest effect on our overall audit strategy and allocation of resources in planning and completing our audit.	Our audit procedures included: - understanding the processes in place to assess borrowers and to record loan transactions. This included evaluating the control environment in place at LGFA. - agreeing the 30 June 2023 loan balances to external confirmations received from NZ Clear. - assessing the borrowers' compliance with financial covenants. We did not identify material differences in relation to the existence or impairment of loans.
Application of hedge accounting	
Refer to Note 9 of the Financial Statements. LGFA enters into derivatives (interest rate swaps) to manage interest rate risk related to issuing fixed rate borrowings, loans and investments. Fair value hedge accounting is applied where specific requirements are met around documentation of the hedge relationship and the relationship is demonstrated as being an effective hedge. Hedge accounting is complex, particularly in the area of whether the requirements (both initial and ongoing) for its application are met. Should the requirements for hedge accounting not be met, LGFA could experience significant volatility in the Statement of Comprehensive Income from changes in the fair value of the derivatives. Due to the size of the derivative positions and the complexity of hedge accounting we consider this to be a key audit matter.	Our audit procedures included: - reviewing LGFA's accounting policies related to financial instruments. - agreeing the terms of the derivatives to the confirmation provided by the derivative counterparty. - using our treasury valuation specialists we independently recalculated the fair value of all of the derivatives recorded by LGFA. - ensuring the hedge documentation supporting the application of hedge accounting was in accordance with NZ IFRS 9 and the disclosures made in the financial statements were appropriate. - determining that management's hedge effectiveness calculations were correctly performed using appropriate source information. We did not identify material differences in relation to the application of hedge accounting.

Responsibilities of the Board of Directors for the financial statements and the performance information

The Board of Directors is responsible on behalf of the company for preparing financial statements that are fairly presented and that comply with generally accepted accounting practice in New Zealand in accordance with NZ IFRS and IFRS. The Board of Directors is also responsible for preparing the performance information for the company.

The Board of Directors is responsible for such internal control as it determines is necessary to enable it to prepare financial statements and performance information that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements and the performance information, the Board of Directors is responsible on behalf of the company for assessing the company's ability to continue as a going concern. The Board of Directors is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless the Board of Directors intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors' responsibilities arise from the Local Government Act 2002 and the Financial Markets Conduct Act 2013.

Responsibilities of the auditor for the audit of the financial statements and the performance information

Our objectives are to obtain reasonable assurance about whether the financial statements and the performance information, as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit carried out in accordance with the Auditor-General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures, and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers, taken on the basis of these financial statements and the performance information.

For the budget information reported in the financial statements and the performance information, our procedures were limited to checking that the information agreed to the company's statement of intent.

We did not evaluate the security and controls over the electronic publication of the financial statements and the performance information.

As part of an audit in accordance with the Auditor-General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. Also:

- We identify and assess the risks of material misstatement of the financial statements and the performance information, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- We evaluate the appropriateness of the reported performance information within the company's framework for reporting its performance.
- We conclude on the appropriateness of the use of the going concern basis of accounting by the Board of Directors and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists we are required to draw attention in our auditor's report to the related disclosures in the financial statements and the performance information or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- We evaluate the overall presentation, structure and content of the financial statements and the performance information, including the disclosures, and whether the financial statements and the performance information represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Our responsibilities arise from the Public Audit Act 2001.

Other Information

The Board of Directors is responsible for the other information. The other information comprises the information included on pages 1 to 9, 16 to 63 and 92 to 97 but does not include the financial statements and the performance information, and our auditor's report thereon.

Our opinion on the financial statements and the performance information does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the financial statements and the performance information, our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the financial statements and the performance information or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on our work, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Independence

We are independent of the company in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1: International Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board.

For the year ended 30 June 2023 and subsequently, the Chair of the company's Audit and Risk Committee is a member of the Auditor-General's Audit and Risk Committee. The Auditor-General's Audit and Risk Committee is regulated by a Charter that specifies that it should not assume any management functions. There are appropriate safeguards to reduce any threat to auditor independence, as the member of the Auditor-General's Audit and Risk Committee does not assume any management functions as part of their oversight role of the audit of the company.

Other than the audit, and the relationship with the Auditor-General's Audit and Risk Committee, we have no relationship with, or interests in, the company.



David Gates
KPMG
On behalf of the Auditor-General
Wellington, New Zealand

Other disclosures

He whākitanga anō

Donations

A donation of $4,000 was made to Kauri 2000 for the year ended 30 June 2023.

Earnings per security

Earnings per $1,000 of bonds on issue as at 30 June 2023 is $0.15 (2022: $0.71).

Net Tangible Assets

Net tangible assets per $1,000 of listed bonds as at 30 June 2023 is $6.35 (2022: $6.92).

Amount per security of final dividends

Not applicable

Spread of Quoted Security holders

Holding Range	Holder Count	Holder Count %	Holding Quantity	Holding Quantity %
10,000 to 49,999	457	46	$10,998,000	0.06
50,000 to 99,999	193	19	$13,417,000	0.08
100,000 to 499,999	217	22	$41,531,000	0.23
500,000 to 999,999	31	3	$21,074,000	0.12
1,000,000 to 9,999,999,999,999	103	10	$17,690,980,000	99.51
Total	**1,001**	**1,001**	**$17,778,000,000**	**100.00**



Taranaki's Yarrow Stadium is being redeveloped; the stadium has one of the best backdrops in Aotearoa New Zealand – Mt Taranaki.
Taranaki Regional Council
Photo by Charles Woollin

Directory

Rārangi tauwaea

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GRI Index

Kuputohu GRI

The GRI Standards are the world's most widely used sustainability reporting standard.
This is the second year LGFA has prepared its annual report in compliance with the GRI Standards.
The following index is based on the GRI core option.

Disclosure title	Reference/Disclosure
102-1. Name of the organisation	Page 17
102-2. Activities, brands, products and services	Pages 17-26
102-3. Location of headquarters	Page 93
102-4. Location of operations	Page 93
102-5. Ownership and legal form	Pages 16, 69
102-6. Markets served	Pages 4-7, 10-25
102-7. Scale of the organisation	Pages 4-7, 16-31, 66
102-8. Information on employees and other workers	Pages 48-49, 54-55
102-9. Supply chain	Pages 16-25, 34
102-10. Significant changes to the organization and its supply chain	None
102-11. Precautionary Principle or approach	Page 32
102-12. External initiatives	Pages 44-45
102-13. Membership of Associations	Financial Service Providers Register
102-14. Statement from senior decision-maker	Pages 4-7
102-16. Values, principles, standards, and norms of behaviour	Pages 44-47
102-18. Overview of Governance Structure	Pages 18-19
102-40. List of stakeholder groups	Pages 4-7, 10-15, 26-31, 57
102-41. Collective bargaining agreements	None
102-42. Identifying and selecting stakeholders	Pages 33
102-43. Approach to stakeholder engagement	Pages 33-43
102-44. Key topics and concerns raised	Page 33
102-45. Entities included in the consolidated financial statements	Page 68
102-46. Defining report content and topic Boundaries	Page 33
102-47. List of material topics	Pages 32-57
102-48. Restatements of information	None
102-49. Changes in reporting	None
102-50. Reporting period	1 July 2022 to 30 June 2023
102-51. Date of most recent report	2023 Annual Report
102-52. Reporting cycle	Annual
102-53. Contact point for questions regarding the report	lgfa@lgfa.org.nz
102-54. Claims of reporting in accordance with the GRI Standards	The report has been prepared in accordance with the GRI standards: core option
102-55. GRI content index	Pages 94-95
102-56. External assurance	None
Cost effective funding	Pages 4-7, 10-15, 27
Culture, ethics and governance	Pages 32-57
Transparency and disclosure	Pages 4-7, 32-57
Environmental and social impact of lending	Pages 4-7, 32-43
Health & safety and wellbeing	Pages 11, 14-15, 32-43
Collaboration and local engagement	Pages 4-7, 13, 32-43
Financial markets best practice and influence	Pages 4-7, 10-15, 44-57
Diversity and inclusion	Pages 4-7, 48
Capability and development	Pages 4-7, 48
Carbon footprint	Pages 32-43
Emissions	
305-1 Direct (Scope 1) GHG emissions	Page 43
305-2 Energy indirect (Scope 2) GHG emissions.	Page 43
305-3 Other indirect (Scope 3) GHG emissions.	Page 43
Health and Safety and Wellbeing	
403-1 Occupational health and safety management system	Page 48
403-9 Work-related injuries	Pages 14
403-10 Work-related ill health	Pages 14
Diversity and Inclusion	
405-1 Diversity of governance bodies and employees	Page 48
Capability and Development	
404-2 Programs for upgrading employee skills and transition assistance programs	Page 48

Glossary

Kuputaka

AIL	Approved Issuer Levy
Annual Plans	Annual budgets issued by councils ahead of their June financial year end
Bespoke Lending	Any lending to a council with a maturity date that does not match an LGFA bond maturity dated
bps	Basis points (100 basis points equals one percentage).
CCO	Council Controlled Organisation
CCTO	Council Controlled Trading Organisation
CAL	Climate Action Loans
Coverage Ratio	In a tender the amount of bids received divided by the amount of bonds on offer. The higher the Bod Coverage ratio the more demand there is
ESG	Environmental, social and governance
Financial Covenants	Four financial covenants that council must adhere to Debt/Revenue, Interest Expense to Rates Revenue, Interest Expense to Total Revenue, Liquidity. Annual attestation and if in breach then can be an event of repayment of loans.
Fitch	Credit rating agency who rates LGFA and a small number of councils
Foundation Policy Covenants	Within Shareholder Agreement – any changes require shareholder approval. Now mainly the financial covenants.
GHG	Greenhouse gas
GRI	Global Reporting Initiative
GSS	Green, Social and Sustainability
GSA	General security arrangement
Guarantee and Indemnity Deed	Joint and Several Guarantee with a side agreement that pro ratas the council guarantors obligations to that of proportionate share of rates revenue
Guarantor	Any council shareholder or any council who borrows more than $20m is required to sign the Guarantee and Indemnity Deed.
IA	Internal audit
INFINZ	Institute of Finance Professionals
LAP	Liquid Assets Portfolio
LGFA Bills	Short dated securities (less than 1 year) issued by LGFA
LGFA Bonds	Fixed rate coupon bonds issued by LGFA with maturities between 2024 and 2037. Issued via tenders or syndication
Local Government Act 2002	Overarching legislation for Councils, CCOs and CCTOs
Local Government Borrowing Act 2011	Act that established LGFA
Multi Issuer Deed (MID)	Over arching borrowing document – accession of councils and CCOs, reps and warranties, financial covenants, BN conversion
NII	Net interest income
Non Guarantor	Any member council that is not a guarantor. Non-Guarantor member councils cannot borrow more than $20m
NZD	New Zealand Dollar
NZDM	New Zealand Debt Management of the Treasury – our contact point for our Crown Liquidity Facility and derivative swap counterparty
NZDM Facility	Crown Liquidity Facility where we can drawdown up to $1.5 billion of emergency funding (subject to certain conditions)
NZGB	New Zealand Government Bonds
PDH	Partial Differential Hedge
S&P	Standard and Poor's
Shareholders Agreement	Board, Shareholder Council appointments, sale of shares, voting rights and Foundation policies
SOI	Statement of Intent
Spread to NZGB	The basis point difference between LGFA Bonds and NZ Government Bonds. Investors will often use the spread the gauge when LGFA bonds are trading at a premium or discount
Spread to Swap	The basis point difference between LGFA Bonds and the swaps curve. The spread is often used as a proxy to gauge if LGFA bonds are being issued at a discount or premium
SSA	Supra and Sub Sovereign Agency issuers- same as Supras – they issue Kauri bonds in NZD. Examples are World Bank, Asian Development Bank, Kommunalbanken (LGFA Norway equivalent)
Swap	Interest rate derivative instruments transacted with the NZDM to hedge the balance sheet and convert fixed rate borrowing into floating rate exposures.
Syndication	LGFA issues Bonds by Syndication normally twice a year, if market conditions are favourable. Syndications provide diversity to LGFA's funding program, by offering an alternative funding tool to the scheduled bond tenders.
Taituarā	Formerly Society of Local Government Managers (SOLGM)
TCFD	Task Force on Climate Related Financial Disclosures
Tender	LGFA issues Bonds and Bills to the market in scheduled tenders, typically every six weeks of the financial year.
UN SDG	United Nations' Sustainable Development Goals
VaR	Value at risk
WSE	Water service entities



CLOSING KARAKIA

Unuhia, unuhia,	Draw on, draw on
Unuhia i te uru tapu-nui	Draw on the supreme sacredness
Kia wātea, kia māmā te ngākau, te tinana	To clear, to free the heart, the body
Te Wairua i te ara takatū	and the spirit of mankind
Koia rā e Rongo whakairihia ake ki runga	Rongo suspended high above us (in heaven)
Kia wātea, kia wātea	To be cleared of obstruction
Ae rā kua wātea	It is cleared
Hau Paimarire	

This karakia is recited to close a hui or event. It takes us from a place of focus and releases us to be clear of all the issues or tensions that may have arisen during the hui. We are now free to get on with other things.