

Agenda for a meeting of the Performance & Strategy Committee to be held in the Council Chambers, District Office, 15 Galileo Street, Ngaruawahia on **MONDAY, 27 MARCH 2023** commencing at **9.30am**.

**1. APOLOGIES AND LEAVE OF ABSENCE**

**2. CONFIRMATION OF STATUS OF AGENDA**

**3. DISCLOSURES OF INTEREST**

The register of interests is no longer included on agendas; however members still have a duty to disclose any interests under this item.

**4. CONFIRMATION OF MINUTES**

Meeting held on Monday, 13<sup>th</sup> February 2023 6

**5. PERFORMANCE REPORTS**

5.1 Long-Term Plan Introduction and Planned Work Programme Update 13

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5.5 Chief Executive Business Plan 133

**6. EXCLUSION OF THE PUBLIC**

GJ Ion  
**CHIEF EXECUTIVE**

## TERMS OF REFERENCE AND DELEGATION

<b>Reports to:</b>	The Council
<b>Chairperson:</b>	Cr Janet Gibb
<b>Deputy Chairperson:</b>	Cr Marlene Raumati
<b>Membership:</b>	The Mayor, all Councillors
<b>Meeting frequency:</b>	Six-weekly
<b>Quorum:</b>	Majority of members (including vacancies)

### **Purpose:**

The Performance & Strategy Committee is responsible for:

1. Setting the broad vision and direction for the District's Long Term Plan, determine specific outcomes that need to be met to deliver on Council's vision, develop and monitor strategies to achieve those goals.
2. Monitoring of Council's strategy, and performance (both financial and non-financial) against the Long Term Plan and Annual Plan.
3. Determining financial matters within its delegations and Terms of Reference and making recommendations to Council on financial matters outside its authority.
4. Guiding and monitoring Council's interests in Council Controlled Organisations (CCOs), Council Organisations (COs) and subsidiaries.

***In addition to the common delegations, the Performance & Strategy Committee is delegated the following Terms of Reference and powers:***

### **Terms of Reference - Strategy:**

1. Develop and agree strategy and plans for the purposes of consultation (including those required under schedule 10 of the Local Government Act 2002).
2. Recommend to Council strategy and plans for adoption, that underpin Council's Long Term Plan.
3. Monitor and review adopted strategies and plans.
4. To monitor and provide advice on the development and implementation of growth and development strategies, land use, and spatial plans in line with national policy requirements.

### **Terms of Reference – Performance:**

1. To monitor Council's financial strategy, and performance against that strategy.
2. To monitor Council's non-financial performance framework as set out in the Long Term Plan.
3. To receive quarterly reports on the Chief Executive's Business Plan.
4. To provide clear direction to Council's CCOs and COs on Council's expectations, including feedback on draft statements of intent.

5. To receive six-monthly reports of Council's CCOs and COs, including on board performance.
6. To undertake any reviews of CCOs and agree CCO-proposed changes to their governance arrangements, except where reserved for full Council's approval.
7. To monitor Council's investments and Local Government Funding requirements in accordance with Council policy and applicable legislation.

**The Committee is delegated the following powers to act:**

- Approval of:
  - a. the increase or decrease of the number of members on CCO and CO boards;
  - b. appointments to, and removals from, CCO and CO boards; and
  - c. a mandate on Council's position in respect of remuneration proposals for CCO and CO board members to be presented at Annual General Meetings.
- Approval of letters of expectation for each CCO and CO.
- Approval of statements of intent for each CCO and CO.
- Exercise the Council's powers as a shareholder, or as given under a trust deed, in relation to a CCO or CO, including (but not limited to) modification of constitutions and/or trust deeds, granting shareholder approval of major transactions where required, or exempting CCOs in accordance with the Local Government Act 2002. For clarity, this delegation includes the approval or otherwise of any proposal to establish, wind-up or dispose of any holding in, a CCO or CO.
- Monitor work programme of Future Proof, Waikato Plan, Growth Strategy and cross-boundary issues.
- Approval of any process for making decisions where additional operating expenditure or capital expenditure funding, or deferred capital expenditure, is required.
- Approval of all insurance matters which exceed the delegation of the Chief Executive or other staff, including considering legal advice from the Council's legal and other advisers, approving further actions relating to insurance issues, and authorising the taking of formal actions
- Review and make recommendations to Council in relation to Fees & Charges (after consultation with relevant community boards or committees).
- Review and recommend to Council the adoption of the Annual Report.
- Approval of transactions in relation to investments in accordance with Council policy.
- Approval of contractual and other arrangements for supply and services, and revenue generating contracts, which exceed the Chief Executive's delegations, but exclude contracts or arrangements that are reserved for the Council or another committee's approval.
- Approval of rating issues where these exceed the delegated authority of officers or are an appeal against officer decisions. For clarity, this excludes decisions that are required, by law, to be made by the Council.
- Approval to write-off outstanding accounts that exceed officer delegations.



**To** | **Performance & Strategy Committee**

**Report title** | **Confirmation of Minutes**

Date: | Friday, 17 March 2023

Report Author: | Elizabeth Saunders, Democracy Advisor

Authorised by: | Gaylene Kanawa, Democracy Manager

## **1. Purpose of the report**

### **Te Take moo te puurongo**

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To confirm the minutes for the meeting of the Performance & Strategy Committee (P&S) held on Monday, 13 February 2023.

## **2. Staff recommendations**

### **Tuutohu-aa-kaimahi**

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**THAT the minutes for the meeting of the Performance & Strategy Committee held on Monday, 13 February 2023 be confirmed as a true and correct record.**

## **3. Attachments**

### **Ngaa taapirihanga**

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Attachment 1 – P&S Minutes – 13 February 2023.

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Minutes of a meeting of the Performance & Strategy Committee of the Waikato District Council held in the Council Chambers, District Office, 15 Galileo Street, Ngaruawahia on **MONDAY, 13 FEBRUARY 2023** commencing at **9.30AM**.

**Present:**

Cr JM Gibb (Chairperson)  
Her Worship the Mayor, Mrs JA Church  
Cr C Beavis  
Cr CA Eyre (Deputy Mayor)  
Cr M Keir  
Cr P Matatahi-Poutapu (*via Audio-Visual Conference*) (*from 9.52am Item 4.2*)  
Cr K Ngataki (*via Audio-Visual Conference*)  
Cr EM Patterson  
Cr M Raumati  
Cr V Reeve (*from Item 4.2 9.50am*)  
Cr LR Thomson  
Cr P Thomson  
Cr T Turner  
Cr D Whyte

**Attending:**

Mr G Ion (Chief Executive)  
Mr T Whittaker (Chief Operating Officer) (*via Audio-Visual Conference*)  
Ms A Diaz (Chief Financial Officer) (*via Audio-Visual Conference*)  
Mr R MacCulloch (General Manager Service Delivery)  
Mrs S O’Gorman (General Manager Customer Support) (*via Audio-Visual Conference*)  
Mr C Morgan (General Manager Community Growth) (*via Audio-Visual Conference*)  
Mr V Ramduny (Strategic Projects Manager)  
Mrs G Kanawa (Democracy Manager)  
Mr J Ebenhoh (Planning & Policy Manager) (*via Audio-Visual Conference*)  
Mr C Bailey (Finance Manager)  
Ms N Hubbard (Corporate Planning Team Leader)  
Ms A Sayer (Corporate Planner)  
Ms G Shaw (Democracy Advisor)

## **APOLOGIES AND LEAVE OF ABSENCE**

There were no apologies. The Chairperson noted that those Councillors attending via Audio-Visual Conference could participate and ask questions in the meeting but could not vote nor be counted as part of the quorum.

## **CONFIRMATION OF STATUS OF AGENDA ITEMS**

**Resolved: (Cr P Thomson/Beavis)**

**THAT:**

- a. the agenda for a meeting of the Performance & Strategy Committee held on Wednesday, 16 February 2022 be confirmed;
- b. all items therein be considered in open meeting; and
- c. all reports be received.

**CARRIED**

**P&S2302/01**

## **DISCLOSURES OF INTEREST**

There were no disclosures of interest.

## **STRATEGY REPORTS**

Submission on Hamilton City Urban Growth Strategy  
Agenda Item 4.1

The report was received [*P&S2302/01 refers*] and the following discussion was held:

- Planning & Policy Manager noted this submission had already been considered by the Submissions Panel and submitted, therefore was here for information of other Councillors.
- Councillors noted support for a good submission.

Submission to the Select Committee of Parliament on the Natural and Built Environment Bill and the Spatial Planning Bill  
Agenda Item 4.2

The report was received [P&S2302/01 refers] and the following discussion was held:

- The General Manager, Community Growth; Policy & Planning Manager; and Principal Policy Planner spoke to the draft submissions on the agenda, noting an extension had been provided to 19 February.
- Councillors workshop held in late January with staff updating the submissions based on feedback at the workshop.
- It was noted that we needed to be clear that Council have not been involved in drafting the legislation and are also submitters, therefore cannot control the outcome as this will be up to the Select Committee – however, staff to advise that Council representatives would like opportunity to present a verbal submission.
- Concern was raised with the wording edits on page 3 of the submission (page 19 of the agenda), which was explained the purpose around this wording as the legislation is currently too loose.
- Suggest joining with Hamilton City Council to oppose this legislation.
- Add paragraph at opening part of submission advising that the bill should be put on hold and in line with other reforms and legislation reviews as the current bill would not achieve the goals of the Minister.
- Mention the work that needs to be done in respect of the Climate Change Adaptation Act.
- Request for legal overview prior to submission being lodged.
- Notice the reference to Future Proof 2022 in some places – need to refer to Future Proof strategy and any amendments.

**Resolved: (Cr Beavis/Cr L Thomson)**

**THAT the Performance and Strategy Committee resolves to:**

- a. **delegate to the Chief Executive and/or his nominee(s) the ability to make changes to clarify issues raised by the Committee, without changing the intent;**
- b. **requests the legal team urgently review the submission prior to lodgement; and**
- c. **approves the lodgement of the updated submissions on the Natural and Built Environment Bill (NBE Bill) and the Spatial Planning Bill (SP Bill) with the Select Committee (Environment Committee).**

**CARRIED**

**P&S2302/02**



## **PERFORMANCE REPORTS**

### **2022/23 First and Second Quarter Non-Financial Performance Results**

#### **Agenda Item 5.1**

The report was received [*P&S2302/02 refers*] and the following discussion was held:

- Councillors noted “the why” behind questions needs to be considered for future surveys, i.e. whilst the KPIs could not be changed until the next LTP review the questions could be expanded to get the real reason behind the response.

**ACTION:** Workshop to be held to discuss the list of questions asked during the survey and whether some of these questions can have subsequent questions to ascertain the reason behind responses.

- A number of the measures are mandatory for KPIs; i.e. water, wastewater and consents etc. We don't have a grading system as we treat all KPIs equally regardless of whether they are mandatory.
- Suggestion to separate out Maaori wards/constituents to enable the two Maaori ward councillors to identify specific issues to their constituents.
- Is there an ability to know the spread between rural; urban; ages; wards; ethnicity?
- Highlight which are legislative versus Council set.
- Concern that land use consents older than two years are down to 50%, recognise that COVID and resourcing an issue but if not monitoring as high as we should then could developers/applicants take advantage of this.

**ACTION:** Issues raised to be answered via a memorandum to all councillors once responses known and prior to next scheduled meeting.

### **Treasury Risk Management Policy Compliance Report to 31 December 2023**

#### **Agenda Item 5.2**

The report was received [*P&S2302/02 refers*] and the following discussion was held:

- The Finance Manager provided an overview of the key issues raised in the report and answered questions.
- Graphs confusing for Councillors to read, the Chief Financial Officer noted training will be provided on the Risk Management Policy
- The three community loans and their funding were explained to Councillors, noting that the process for community loans would be addressed in LTP workshops. It was further noted that community loans were usually repaid via a targeted rate on the specific community.

**ACTION:** Process for how community loans can be applied for to be provided to Councillors under separate cover.

- Depreciation – exceeds budget due to higher valuation of assets – what does that mean in terms of our LTP. Are we doing better at valuing our assets? Staff noted we were getting better at valuation of our assets but also that the compounding effect is not reflected in rates until they are reviewed as part of the annual plan.
- Could the graph show “previous periods as well as forecast periods?” It was noted that the pre-election report contains this information, however this report is purely on the current financial year/quarterly period.

Financial Performance Summary for the six months to 31 December 2022

Agenda Item 5.3

The report was received [P&S2302/02 refers] and the following discussion was held:

- How much EPMO is going to be responsible for? EPMO delivers most Council projects, excluding the three waters programme which is delivered by Watercare.
- What happens to our subsidies if we haven't completed the forecast work and is the reason resourcing or supply chain? It was noted that we would not lose roading subsidy and this was mainly due to weather not resourcing.
- Roading is our main “subsidy” as most other projects have been via grants through the Better-off funding from DIA, i.e. Raglan Wharf and we would not lose these grants due to timing issues caused by weather events or supply chain issues.
- Why have our tangible assets dropped? Software costs are no longer capitalised we are charged annual licence fees.
- Concern was raised that there had been growth in our rates, both general and targeted, but lack of expenditure and it is not detailed enough in this report – weather impacts – what have we built what have we spent – Pg 83 actuals vs budget with huge variances. That will come via Infrastructure committee.
- Taking rates but not delivering on projects which is of concern, it was noted that this was balanced with lower debt ratios.
- It was noted that Council had Emergency Management Funds available for the cyclone recovery but would be applying for further subsidy from the government.

**ACTION:** Staff to review the layout of charts in report as many unreadable due to size of font etc.

Approved Counterparty Review February 2023

## Agenda Item 5.4

The report was received [P&S2302/02 refers] and no further discussion was held.

Resident Satisfaction Survey Report Q1 - 2022-2023

## Agenda Item 5.5

The report was received [P&S2302/02 refers] and the following discussion was held:

- Internal working group set to try and improve the results, but still work in progress with room for improvement.
- Litter in mainstreets are reported in survey as a concern for residents yet we still do not pick it up. It was noted the Alliance contract covers some fly dumping but not covered by budgets, therefore any change to litter control would need to be factored into the LTP.

Chief Executive Business Plan - Report

## Agenda Item 5.6

The report was received [P&S2302/02 refers] and the following discussion was held.

- Review of these KPIs have commenced with the CEPR Committee who have the delegation for this matter.
- Cultural conversations should include conversations with mana whenua, it was noted that both the tribe and mana whenua were a part of the engagement by Council/CE.
- CEPR not looking at altering as June not far away but looking forward to 2023/24 KPIs.
- Given the recent experiences over Anniversary weekend and Cyclone Gabrielle – key stakeholders in Auckland etc helped out Pukekohe during their time of need. Thanks to staff that help out the various communities.
- Telephone Road discussions still continuing and Council do not want them to drift for too long. It was noted that the organisation were progressing but waiting on a response from Waka Kotahi presently.
- Councillors noted the effort of staff for our communities, not just those in the EOC but those from other areas of Council who are helping out on top of their usual mahi.
- Discussion on the progress with the replacement of the Iwi & Community Partnerships Manager. It was noted discussions held been held with Waikato-Tainui and the recruitment process was progressing.
- SH23 – moments silence for respect of that family.
- Replacing Sam – work underway

Cr Gibb requested a minutes silence to recognise the tragic loss of a contractor whilst carrying out work on SH23.

Cr Raumati closed the meeting with a karakia.

There being no further business the meeting was declared closed at 11.53am.

Minutes approved and confirmed this                      day of                      2023.

Cr J Gibb  
**CHAIRPERSON**

Unconfirmed

<b>To</b>	<b>Performance and Strategy Committee</b>
<b>Report title</b>	<b>2024-2034 Long Term Plan Introduction and Work Programme</b>
Date:	27 March 2023
Report Author:	Mary Rinaldi, Long Term Plan Project Manager
Authorised by:	Tony Whittaker, Chief Operating Officer

## **1. Purpose of the report**

### **Te Take moo te puurongo**

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The purpose of this report is to provide the Performance and Strategy Committee with an overview of the Local Government Act 2002 (LGA) planning and reporting process, with a particular focus on the requirements related to the development of a long-term plan.

This report also provides an outline of the intended work programme for elected members for the 2024-2034 Long Term Plan (LTP) and what to expect over the next 18 months.

## **2. Executive summary**

### **Whakaraapopototanga matua**

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This report briefly describes the overall LGA planning and reporting process and provides further detail on the specific process, objectives, and requirements of the development of Council's long-term plan.

The overall work programme for the 2024-2034 LTP is set out, with high-level descriptions of 11 key building blocks that make up the LTP, and some timeframes (where these are known), as well as how elected members can expect to be involved.

A project status report, including updates to the work programme table provided in this report, will be brought to each Performance and Strategy Committee meeting throughout the LTP project.

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### 3. Staff recommendations Tuutohu-aa-kaimahi

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**THAT the Performance and Strategy Committee receives the 2024-2034 Long Term Plan Introduction and Work Programme report.**

### 4. Background Koorero whaimaarama

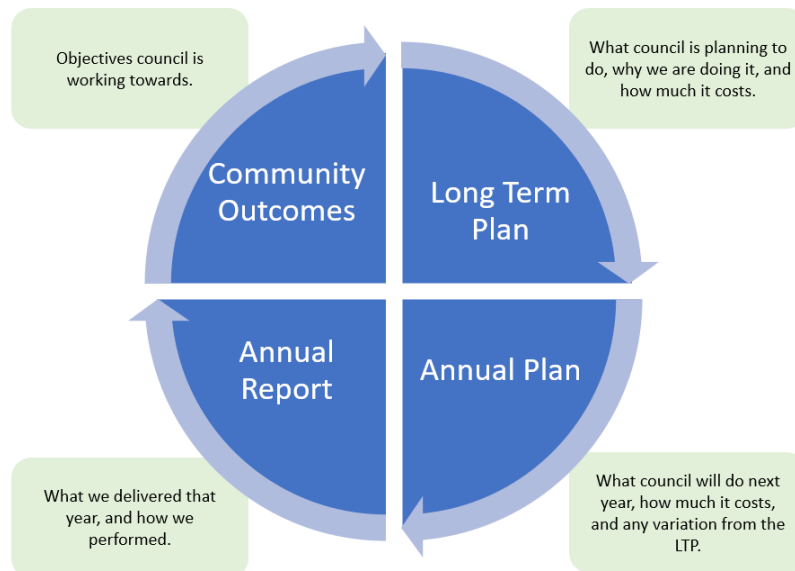
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Elected members were provided with a brief overview of the LGA planning and reporting process at an Annual Plan workshop on 21 February 2023. A summary of this information is provided again here.

Every three years Council is required to develop and approve an LTP in consultation with our community. This sets our community outcomes, strategic direction, levels of service, the associated activities/work programmes, and budgets for each of the 10 years covered by the plan.

In each of the two intervening years between LTPs, Council is required to adopt an Annual Plan. The purpose of the Annual Plan is to confirm the assumptions and work programme contained in the LTP for the financial year. It is also the process by which budgets and rates are set.

Finally, at the end of each financial year an Annual Report is produced to show the community whether Council has done what it said it would and what money was spent.



## Long Term Plan

Every three years, all Councils are required to develop an LTP in consultation with their communities, with a 10-year horizon.

The LTP is a key strategic planning document, setting out the vision, financial and infrastructure strategies, key financial policies, community outcomes, levels of service, work plans and budgets for the next 10 years.

Through the LTP we can take a planned approach to our activities, balancing the need to provide good quality services and the needs and aspirations of our communities, with the community's willingness and ability to pay.

The LTP is the opportunity for the public to influence funding priorities and work programmes through the engagement and consultation that is undertaken. Pre-engagement can take various forms throughout the development of the LTP, and some of the wider project deliverables, such as the Significance and Engagement Policy, will require their own consultation process.

Formal consultation on the proposed content of the LTP is done using a consultation document (not a full draft of the LTP); the requirements for this are outlined in the LGA Section 93C.

The LTP is subject to an audit process over both the consultation document and wider project deliverables including the final plan.

A key aspect of the audit work focuses on engagement practices, including how we intend to foster development of Maaori capacity to contribute to the Council's decision-making process, whether options on the key issues are clearly outlined in the consultation document and how we ensure that those interested in the Council's proposal are supported to provide their views.

The LTP is required to describe:

- what we do - the activities/services we undertake and fund, detailing the level of service for each and the key measures we will use to show we are delivering on that service.
- why we do it - what outcomes we intend to achieve, the legislative and community mandate that exists.
- what each activity costs and how it is funded.
- how we manage our finances, our infrastructure, and coordinate our resources.
- the impact on all rates.

The key project management objectives for the 2024-2034 LTP project are:

- to create, and effectively consult on, an LTP Consultation Document;
  - to deliver a final 2024-2034 Long Term Plan by 30 June 2024 that meets statutory requirements and receives an unmodified audit opinion; and
  - to ensure that the final LTP is a document that has buy-in from, and can be relied on, by staff, elected members and the community.
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## Work programme

The LTP project involves many process and content pieces, many of which overlap or are dependent on each other, before getting to the final LTP document that is adopted at the very end.

The key building blocks for the LTP are described in the table below. Status updates on these building blocks will be provided to the Performance and Strategy Committee at regular intervals as the project progresses, with information about where each of the pieces of work are at, when elected members can expect to feed into the process, and what's coming up.

<b>Key Building Blocks</b>		<b>Where it's at/what's the plan</b>
<b>1</b>	<b>Community Outcomes and Strategic Direction setting</b>	<p>Community outcomes specific to WDC and its communities are required to be described in the LTP. Strategic direction setting is an important aspect of LTP development, which informs planning and budgeting for all Council's activities.</p> <p>Planning is underway for a review of our community outcomes and the development of Council's strategic direction/strategic priorities for the next three years. This work will be undertaken from now until end of May, led by Polis Consulting Group at the request of the Mayor, and will include public engagement on the development of new community outcomes.</p> <p>The timing and outcomes of the work on this first building block will determine the flow of future workshops for other building blocks.</p>
<b>2</b>	<b>Groups of Activities structure</b>	<p>The LTP must identify Council's activities within groups of activities (GOAs). Grouping activities in an appropriate manner is important for ensuring the right level of transparency, explaining the rationale for service delivery (needs to fit in with strategic direction), and determining levels of service and performance measures.</p> <p>Review of the GOA structure is underway. Specifically, we are assuming that the three waters groups of activities will no longer be part of Council's activities moving forward. The intention is to bring any proposed changes to the GOA structure to Council in May.</p>
<b>3</b>	<b>Significant forecasting assumptions</b>	<p>Certain significant assumptions will underpin activity and asset planning and forecast budgeting. There are some key non-financial assumptions about growth and climate change,</p>



<b>Key Building Blocks</b>		<b>Where it's at/what's the plan</b>
		<p>and some financial assumptions such as inflation and interest rates. Various other assumptions that may also impact forecasting are included as well. Descriptions of the assumptions include info about risk and uncertainty and the potential impact of the uncertainty.</p> <p>The intention is to workshop these with Council in May to enable staff to use them in their planning and budgeting, with further light reviews later in 2023 and in early 2024 to retest them.</p>
<b>4</b>	<b>Significance and engagement policy</b>	<p>This policy determines how to assess the level of significance of decisions that Council makes, and also sets out how and when communities can expect to be engaged with. This will be workshopped with Council and publicly consulted on in mid-2023.</p>
<b>5</b>	<b>Budgeting process</b>	<p>The budgeting process will set CAPEX and OPEX for each of the 10 years of the LTP. Budget managers start the process from a baseline of what is currently planned for years 4, 5 and 6 of the current LTP, then update using various lenses put across their activities including the significant forecasting assumptions, contribution to strategic priorities, community needs and aspirations (e.g. as expressed through Blueprints), carryovers, and realistic ability to deliver. Trade-offs and prioritisation will need to be considered within activities and across activities, then key issues and consultation topics will be identified, along with options for the community to provide feedback on.</p> <p>There will be many opportunities for elected members to feed into the budgeting process, including setting the strategic direction, workshops on asset and activity management plans and levels of service, and ultimately workshopping and approving the draft budget for the consultation document.</p>
<b>6</b>	<b>Financial and funding policies</b>	<p>There are various financial and funding policies that will be reviewed through the LTP project. These include a review of Council's fees and charges, the Revenue and Financing Policy and several rates remission policies. Workshops on these will be held later in 2023.</p>

<b>Key Building Blocks</b>		<b>Where it's at/what's the plan</b>
<b>7</b>	<b>Financial Strategy</b>	<p>The financial strategy describes the significant factors impacting the council that have influenced the strategy (e.g. changes in population and land use, expected capital expenditure needed to maintain levels of service). It also sets out limits on rates increases and borrowing.</p> <p>Elected members will have several opportunities to workshop the financial strategy, alongside the infrastructure strategy.</p>
<b>8</b>	<b>Infrastructure Strategy</b>	<p>The infrastructure strategy is a synthesis of the significant infrastructural issues that are likely to arise over the next 30 years, including their financial and non-financial consequences, and the principal options for managing them.</p> <p>Elected members will have several opportunities to workshop the infrastructure strategy, alongside the financial strategy.</p>
<b>9</b>	<b>Development contributions policy</b>	<p>The development contributions policy (DCP) enables the council to set charges for new developments to contribute to the growth-related costs of building infrastructure to support the increased demand.</p> <p>The DCP is not a policy required to be reviewed as part of the LTP process, however it is included here as the review will occur alongside the LTP development. The LTP will set in place the CAPEX for the upcoming 10 years, so the DCP levies have strong interdependencies with the LTP.</p> <p>Elected members will have opportunities to input into the review of this policy later in 2023, and it will need to be consulted on with the public.</p>
<b>10</b>	<b>Activity and asset planning</b>	<p>Activity management plans describe the activities, services and outcomes Council is delivering, and summarise the strategic and long-term approach to the provision of activities at an agreed level of service.</p> <p>Asset management plans focus on the physical assets of groups of assets, covering condition, lifespan of components, resources needed to manage the assets, cost of replacing the assets, and levels of service.</p>

Key Building Blocks		Where it's at/what's the plan
		Elected members will contribute to activity and asset planning through workshops over July to September 2023, which will include levels of service and performance measurement discussions.
11	<b>Consultation and engagement</b>	<p>Consultation and engagement with the community and our stakeholders is an important element of the LTP process. Staff will look at ways to get community and stakeholder input early in the LTP process, including involving mana whenua in the outcomes and priority setting process. Other pre-engagement activities can be done on any element of the LTP that needs feedback from those affected (which may or may not be the entire district) prior to making decisions about what may be in or out of the consultation document or LTP proper.</p> <p>Formal consultation via the special consultative procedure (SCP) must be done for certain policies (e.g. significance and engagement, development contributions) and other elements of the LTP if significant changes are being made (e.g. fees and charges, levels of service).</p> <p>Elected members will be kept updated on any pre-engagement activities as they are planned. Formal consultation on the LTP's consultation document will be undertaken in March-April 2024, with subsequent hearings and deliberations to be during May 2024.</p>

## 5. Next steps

### Ahu whakamua

Staff will report on the progress of the 2024-2034 LTP at each Performance and Strategy meeting through the key building blocks.

## 6. Attachments

### Ngaa taapirihanga

There are no attachments for this report.

<b>To</b>	<b>Performance &amp; Strategy Committee</b>
<b>Report title</b>	<b>Council Controlled Organisations Half-yearly Reports</b>
Date:	27 March 2023
Report Author:	Alison Diaz - Chief Financial Officer
Authorised by:	Gavin Ion - Chief Executive

## **1. Purpose of the report**

### **Te Take moo te puurongo**

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To inform the Performance & Strategy Committee of Council Controlled Organisations interim results for the 2022/23 financial year.

## **2. Executive summary**

### **Whakaraapopototanga matua**

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The attached interim accounts from Waikato Local Authority Shared Services Limited trading as Co-lab (Co-lab), and the Waikato Regional Airport Limited (WRAL) are presented in accordance with the requirements of section 66 of the Local Government Act 2002.

#### **Co-lab**

It should be noted that the financial statements contained within the half yearly report need to be read in conjunction with the draft Statement of Intent (SOI) for 2023/24 which contains the forecast position for the current financial year.

The SOI shows a projected surplus of \$2,466 as at 30 June 2023, when compared to the budgeted deficit position of \$86,830. This is largely due to the relative timing of projects which have progressed more slowly than anticipated which will therefore not be expended in full during the year. Some non-financial measures may not be met due to the aforementioned timing issues.

The report details the opportunity development projects underway and gives an update on service delivery items.

#### **WRAL**

The attached group report indicates that the performance measures stipulated within WRAL's Statement of Intent (SOI) for 2022/23 are likely to be met, and for most measures, exceeded for the year.

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When compared against prior period results (six months ended 31 December 2021), performance has recovered well from the covid-19 conditions, with a 45% increase in passenger volume (had declined in the prior year by 24%) and a net surplus after tax \$16.3 million higher than the same period in 2021.

The overview from the Chair provides a summary of highlights, including milestones achieved against the investment and improvement programme.

The individual companies that make up the WRAL group (Jet Park, Titanium Park, and Hamilton & Waikato Tourism), prepare interim reports which have been attached for information.

### **3. Staff recommendations** **Tuutohu-aa-kaimahi**

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**THAT the Performance & Strategy Committee receives the Council Controlled Organisations Half-yearly Reports.**

### **4. Attachments** **Ngaa taapirihanga**

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Attachment 1 – Co-lab interim accounts

Attachment 2 – WRAL interim Report (group level)

Attachment 3 – Jet Park Interim Report

Attachment 4 – Titanium Park Limited Interim Report

Attachment 5 – Hamilton & Waikato Tourism Interim Report

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## Half-yearly report (un-audited)

1 July 2022 to 31 December 2022

**Supporting councils to maximise the value  
they provide to their communities by  
helping them identify and realise shared  
opportunities**

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**Collaboration & Partnership**  
 We are better together | *He hunga toa takitini*  
 We collaborate and partner by:

- Building kotahitanga and respect
- Delivering together
- Focussing on community benefits
- Valuing diversity

**Integrity**  
 We do the right thing | *He hunga whai i te tika*  
 We act with integrity by:

- Being accountable and honest
- Trusting and listening
- Having courage
- Behaving in good faith

**Innovation**  
 We transform ideas into results  
*He hunga whai i te tika*  
 We innovate by:

- Thinking boldly
- Being solution focused
- Challenging perceptions
- Embracing change

# Statement of service performance

Co-Lab<sup>1</sup> works with its partner councils to:

- Make the councils more effective and efficient; and
- Improve the experience communities have when engaging with councils.

It achieves these outcomes by:

- 1) Acting as An ideas laboratory for developing opportunities that create value to councils;
- 2) Providing shared services to councils; and
- 3) Entering joint procurement arrangements for the benefit of councils.

## Six-month highlights

During the first half of the 2022/23 financial year, the management team focused on increasing engagement with council executive leadership teams and other key council staff to prioritise opportunities for development. Feedback was obtained through a survey, and the priorities subsequently canvassed in meetings with council executive leadership teams. Following discussion at the Board's strategy day, this work culminated in the company's Letter of Intent sent to councils in November.

With the start of a new triennium, in December Co-Lab supported councils by hosting a shared induction for elected members across the region. Work also commenced on a new triennium agreement that will guide regional priority workstreams, following "Shifting Landscapes" workshops with council chief executives and other senior staff in September and October.

The period also saw Co-Lab progress the implementation of Co-Lab Learning, our latest service offering, with the key appointment of the Regional Manager for the shared service.

The team progressed several projects, with Board approval to review of the Waikato Regional Transport Model's governance & management structure, and to investigate the Asset Management Centre of Expertise. Further, the Customer Digital Enablement project received an incredible 18 responses to the request for registrations of interest.

The period closed out with the Co-Lab awards, celebrating Co-Lab people that have gone above and beyond to exemplify the company's values of integrity, innovation, and collaboration and partnership.

Finally, we also welcomed our newest shareholder, Western Bay of Plenty District Council. It is great to have them on board.



<sup>1</sup> Co-Lab is the trading name of Waikato Local Authority Shared Services Ltd



## Opportunity development projects

### Shifting Landscapes



Waikato councils are faced with significant central government reform: 3-waters, resource management and the Future for Local Government review (FfLG). Councils continue to grapple with what these changes will mean for their organisation, and what the organisation will look like when the changes are complete. “Shifting Landscapes” began with a Community Needs Analysis report (March 2022), providing evidence-based qualitative data to inform councils’ early submissions on the FfLG review.

Workshops took place in September and October with council chief executives and other senior staff, and a presentation at the

Mayoral Forum in early December. The next few months will focus on facilitating a new triennial agreement that guides regional collaboration, with supporting programmes of work, and supporting councils’ response to the interim report from the FfLG panel.

Discussions have also identified that 3-waters reform presents an opportunity to capture efficiencies and ensure skilled workers are maintained in local government. This will be explored in our new project People Post 3-Waters (PP3W) which will be outlined in our 2023 Statement of Intent.

### Customer Digital Enablement (CDE)

The CDE programme underpins a progressive digital transformation of council services. CDE is a collective vision of how councils can meet the expectations of their customers and communities. It isn’t about *replacing* existing channels to the community. Rather, it is about adding a digital means of engagement for those in the community who want to do so.

The primary objective of the first stage of CDE is to establish a digital platform and collaborative model for councils to progressively build up digital services. This first stage is called “SR4” and will, beyond being a foundational platform, deliver a customer-centric solution focused on rubbish, recycling and sustainability. SR4 was one of four digital minimal viable product ideas developed during a series of council workshops. SR4 was chosen, in part, because councils field a lot of enquiries from their communities on these topics. The other three options, as well as many other ideas that didn’t make the immediate short-list, remain possible development opportunities.

During the period, Co-Lab led a Registration of Interest (ROI) process seeking feedback from the market. 18 entities responded to the ROI which was a great result and testament to the significance of the opportunity. The procurement team selected the top four respondents and have delivered a proposal to councils seeking their support to continue to the Request for Proposal stage.

## Asset Management Centre of Expertise (AMCE)

Councils have told us that they are facing significant asset management challenges. Water reform is expected to lead to changes in many councils' organisational structures and have an impact on the services that councils provide. The Co-Lab RATA team is already a proven centre of expertise in asset management and is well positioned to assist councils through its shared service model. AMCE is a project to investigate how else RATA can support councils in strong asset management.

During the period Co-Lab worked with councils to complete the Discovery Phase of the AMCE investigation and the Board agreed the initiative warranted further investigation. Subsequently, six councils (to date) have indicated a desire to be involved and now jointly fund the project. These councils are assisting Co-Lab directly in investigating how RATA can best assist in the following areas of asset management:

- Community Asset Management (parks, reserves, building and 'other' facilities).
- Management and advisory services (assisting with analysis, valuations, renewal programmes, reporting and recommendations for improved practice).
- Joint procurement (to reduce duplication in contract administration and take advantage of regional buying power).

## Co-Lab Learning (CLL)

CLL is Co-Lab's latest shared service offering. CLL will create efficiencies in delivering council staff with improved opportunities for personal growth. The councils will agree on common learning outcomes in a particular area, and then Co-Lab will develop learning material that delivers on those outcomes, and increase regional learning opportunities.

Ten councils have chosen to participate in CLL. They will benefit from:

- a) A mechanism to collaborate with other councils on learning & development;
- b) Learning event opportunities (physical and virtual) for their staff;
- c) e-Learning modules informed by council requirements;
- d) Access to content other councils have already developed; and
- e) Dedicated staff supporting them.



During the period, our focus in preparing for the launch of this new service has included partnering with Hamilton City Council, who will support Co-Lab to deliver the service, recruiting and on-boarding new staff, and preparing the first learning opportunities for delivery in early 2023. The Implementation Phase of the project is nearing a successful completion.

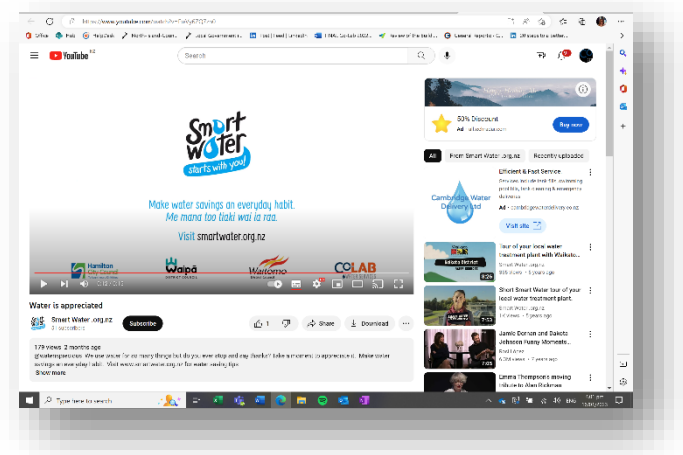
## Building Consent Cadetship

Building on work from the Building Consent Shared Service investigation, this project aims to establish a regional approach to recruiting and developing new cadets that are employed as a Building Control Officer to grow the skilled workforce available to Building Control Authorities. The project has delivered the initial investigation into the problem and is now looking to establish options for solutions to be shared in early February.

## Service Delivery

### Co-Lab Water Services

In addition to continuing a high level of service over the period, highlights for the team included raising the region's profile and sharing knowledge at industry events – the Trade and Industrial Waters Forum conference and Water NZ conference. At the former event, the team gave an informative presentation about how Co-Lab Water Services operates across the Waikato. Ross Wightman, Senior Trade Waste Officer, won an Environment Champion award for some of his work with Rotorua Lakes Council. Ross also contributed to the Rats in your Sewer paper, which won Paper of the Water NZ Conference in October 2022.



Michelle Templeton, Smart Water Coordinator, presented at the Water NZ conference speaking about the Smart Water campaign. An article was published in the Water NZ magazine on “The value of water”, generating a national narrative about how we can build water literacy and a water conservation ethic amongst Kiwis.

In August, Geraldine McHaffie, Sampling & Analysis Team Leader went to Watercare acting as a Technical Assessor for IANZ to help them audit Watercare's accredited sampling processes.

The team also created a new [“Water is appreciated” video](#) which asks people to stop and take a moment to appreciate water and make water savings an everyday habit.

Smart Water attended the Your Neighbourhood event in Civic Square, Hamilton in October. This was a busy event where the team interacted with approximately 180 people and over 50 people took our public pledge to do one thing to save water over the summer.

New Drinking Water Rules came into effect in November 2022 and the Sampling & Analysis team have reviewed all intended schedules as a result of the changes.

### Waikato Building Consent Group

Co-Lab has worked with the eight councils of the Waikato Building Consent Group (WBCG) to initiate and progress two significant projects over the period. Firstly, the redesign of the group's Quality System Manual and auditing regime focuses on simplifying the quality manual, making it more fit for purpose for use across the group and easier to adopt, implement and maintain for BCAs. The manual is currently in draft form waiting for the approval of the WBCG Technical Committee before implementation. The adoption of the new quality manual and auditing regime has been supported by establishing a Quality Hub with participating councils. The group of BCA Quality representatives has continued to meet monthly to discuss consistencies and process with a view to using the outcomes from internal audits to direct future continuous improvement opportunities.

Secondly, the WBCG has been central to the Building Consent Cadetship investigation noted earlier.

## RATA

RATA has continued work with the ten Waikato councils in the roading partnership and nine in the water collaboration partnership.

For the roading councils, highlights included the appointment of a professional service provider for the long-term modelling of road pavements which will inform maintenance and rehabilitation strategies for the next Long Term Plan and beyond. An emerging initiative is the use of JunoViewer as a shorter-term pavement management tool, and to-date Waipa, Otorohanga, Hauraki and Waitomo have joined the RATA initiative where discounted licencing fees have been negotiated for RATA councils.

RATA has two contracts for inspections of bridges and other structures. The contracts support councils to manage their structural assets and provide the required level of service. The contracts help councils plan for the maintenance and replacement of those structures. These contracts have been retendered and for more information see the procurement section below.

The team continues to support council roading teams as the temporary traffic management guidelines across the country transition to a new regime.

The current professional service contracts for data collection (traffic counting, visual pavement inspections, etc) are due to expire at the end of this financial year. Procurement activities are underway with partner councils confirming the scope of the replacement contracts, and there has been good engagement with councils through multiple workshops.

Water Collaboration has been difficult in the first half of the year. This has been triggered by the Department of Internal Affairs (DIA) becoming more prescriptive around work programmes and intended outcomes. The greatest impact has been on the innovative water data quality dashboard, as the DIA will be replacing this with their preferred alternative. Funds set aside for this initiative have been redirected to more pressing and immediate priorities including the upskilling of water compliance officers and development of reporting systems and templates because of new Taumata Arowai requirements around water quality.

RATA's knowledge sharing initiatives continue to be well received, especially the forum events for roading and water asset managers.

Improving how we report RATA activities to partner councils, and the use of interactive quarterly reports has been positively received.



## Waikato Regional Transport Model (WRTM)

The WRTM programme has concentrated on ongoing updates to the WRTM strategic model and planning for the procurement of the new Hamilton Transport Model (HTM).

The success of the base models (based on 2018 census) last financial year led to the development of future scenario models for 2025, 2035, 2045, 2055, 2065. However, the WRTM strategic model updates are progressing very slowly due to the lack of information from partner organisations regarding their future network plans - a critical input into the future scenario models. Another setback has been the availability of public transport data to enable this component of the strategic model.

Other strategic model improvements include the development of a visualisation tool to assist partner organisations with easy access to model inputs and outputs, and testing of the ability to model transport emissions successfully.

The HTM preparations are ongoing including engagement with subject matter experts and potential service suppliers to confirm the scope of the HTM. Critical to this has been the support of the WRTM professional service suppliers to project manage, peer review, and provide specialist technical advice. Our procurement approach has been staged. This year to-date has included a request for information (RFI) to establish the level of interest and capability in the industry, followed by an advertised registration of interest (ROI), from which we received submissions from four service providers. The ROI was evaluated resulting in a short list of two preferred suppliers. A request for proposals (RFP) will be tendered early in 2023.

Throughout the period, the team also focused on addressing the out-of-date partner funding agreement. We have received limited feedback on the draft agreement from partner organisations which poses a risk. Further work on this and an interim agreement covering HTM will be prioritised, as it is critical for the establishment of the HTM.

In parallel, an investigation into the WRTM governance and management structures required to realise the programme's full potential is underway.

### Co-Lab Geospatial Services

In July 2022, Co-Lab Geospatial Services (CoGS) was established as an umbrella for the Waikato Data Portal and Waikato OneView. Launched in 2019, the Waikato Data Portal is endorsed by all twelve Waikato councils and provides a mechanism through which council data is made available to the community. In 2021 seven councils in the region collaborated to launch a single web map viewer, Waikato OneView, which presents merged spatial data. Datasets currently available display three waters services, property related data and community and recreation information.

During the period, the team focused on preparation and approval of a workstream budget, appointment of required resourcing and the establishment of an Advisory Group. There was also a strategic planning session with council stakeholders. The vision and strategic objectives of the service will be confirmed by the Advisory Group in early 2023, along with an operational plan to implement the strategy. It has already been recognised that there are opportunities to maximise the value of these tools by increasing their data sets and growing the public's awareness of their benefits.

### Procurement

There have been two key outcomes for Co-Lab Procurement during the period: SAMS and CPS.

Structure Asset Management Services (SAMS) is the new name for the retender of two RATA bridge inspection contracts. The contracts were renamed to reflect that they cover more than bridges and inspections. The service aims to provide participating councils with technical information and advice to ensure:

- Structures are maintained in a safe and serviceable condition
- Risks are fully understood, documented, and managed
- Capital works and major maintenance items are identified and programmed so that funding can be made available at the right time.

The number of participating councils has increased from six to nine. The procurement strategy of allocating councils to contract packages as part of the evaluation process was successful in that it was more flexible and maintained competitive tension compared to creating contract packages in advance of

the procurement. This strategy also achieved its objective of introducing a third supplier into this market and the result was of significant value to the participating councils.

Council Procurement Support (CPS) is a new service offered by Co-Lab. Some councils are not large enough to warrant a dedicated procurement resource so Co-Lab has recruited a procurement advisor who, amongst other things, spends one day a week working for Ōtorohanga, Thames-Coromandel, and Waitomo councils. The procurement advisor helps by providing procurement and tendering advice, coaching and mentoring council staff, checking compliance, undertaking reviews, and otherwise monitoring procurement performance.

During the period, Co-Lab conducted a health check of the current state of procurement in the three councils, identified various recommendations, and agreed a prioritised list of actions for the coming year.

## Performance framework

### Our vision

Our councils maximising the value they provide to their communities

### Our purpose

Support our councils to achieve this vision by helping them identify and realise shared opportunities

### Outcomes

Council costs are reduced  
Performance is improved without increased cost

- Achieve effectiveness & efficiency gains
- Reduce duplication of effort and eliminate waste through repetition
- Help councils achieve an appropriate balance in risk & return

The experience of council's communities is improved

- Promote and Contribute to the development of best practice
- Make it easier for communities to engage with councils in our region on a consistent basis
- Promote business transformation to improve communities' experiences

### How we will be successful

Investigate the right opportunities

Develop opportunities on time and in budget

Ensure opportunity benefits are realised

Provide services that meet the needs of councils

Foster cross-council collaboration

### What we must manage well

Our relationships

Our services

Our projects

People & values

Resources

Reputation

## Assessment of performance against targets

An update on performance against the targets set in our Statement of Intent, as at 31 December 2022, is shown in the table below.

Priority	Performance measure	Target	Outcome (progress toward target)
Prioritise and develop business cases for opportunities that, if implemented, add value to councils by achieving one or more of our objectives	➤ Business cases will include measurable benefits linked to one or more of the outcomes sought	Projected savings/increased revenue to councils of at least \$300k	<p>Various opportunities advanced during the first six months of the financial year. Those opportunities included:</p> <ul style="list-style-type: none"> <li>➤ The first initiative under the Customer Digital Enablement programme</li> <li>➤ The Asset Management Centre of Expertise</li> <li>➤ Learning &amp; Development Shared Services (LDSS) implementation</li> <li>➤ Shifting Landscapes</li> <li>➤ WBCG Regional Building Consent Cadets</li> </ul> <p>By their nature, some of these opportunities do not lend to readily quantifiable benefits – for example, Shifting Landscapes. The other projects are under development and yet to reach a point of determining quantifiable benefits (LDSS benefits were reported in the 2021 Annual Report)</p>
	➤ Businesses cases are supported by councils (evidenced by take up of the opportunity)	75% of councils	Unable to measure: No final proposals have been put to councils during the period. One project did reach a key council decision point. The Asset Management Centre of Expertise 'signature' investigation project successfully attracted financial commitment from six councils.
Develop opportunities and deliver projects within agreed budgets and timelines	➤ Opportunities / projects are developed / delivered within agreed timelines	80%	<p>0% Two projects had timelines predicting completion in the 6 months to 31/12/22.</p> <p>The LiDAR project was scheduled to finish in 2022. Although this was not achieved, the data quality is now close to meeting LINZ specifications. The project is now expected to finish by Q2 2023.</p> <p>The Registrations of Interest (ROI) phase of the Customer Digital Enablement (CDE) project was scheduled to finish in 2022. The ROI has been completed, however the key milestone for the phase will not be complete until councils</p>



Priority	Performance measure	Target	Outcome (progress toward target)
			have decided to progress. This did not happen in 2022 as hoped.
	➤ Opportunities / projects are developed / delivered, within approved budget	90%	No projects were concluded during the six-month period.
	➤ Overall, Company Management / Support functions will be undertaken within budget, unless additional expenditure has board pre-approval		Actual expenditure for Company Management and Support functions is slightly unfavourable to that budgeted for the period but is forecast to be within budget across the entire year.
Ensure projects realise their expected benefits	➤ Measurable benefits are actively monitored and reported against	Six-monthly	Management presented one "Project Benefit Assessment" to the Audit & Risk Committee (ARC) during the period. The assessment covered the SAMS contracts. The ARC also agreed the next three assessments to be undertaken.
	➤ Audit & Risk Committee undertake an assessment of projects following implementation (which will include an assessment of whether projected benefits have been realised)	For \$200k+ Projects (based on cost of opportunity development and ongoing investment) Assessment within 15 months 90% of projected quantifiable benefits are realised	The SAMS Benefit Assessment estimates quantifiable benefits of ~\$500k will accrue to councils from the new contracts. Anticipated quantifiable benefits were not quantified ahead of the procurement.  In addition, several other non-quantifiable benefits are expected to flow from the arrangements in place.

Priority	Performance measure	Target	Outcome (progress toward target)
Ensure existing services are meeting the needs of councils	<ul style="list-style-type: none"> <li>➤ The services we provide (below) are considered by councils who use that service to meet or exceed their expectations (evidenced by an annual survey):               <ul style="list-style-type: none"> <li>○ RATA – roading &amp; waters</li> <li>○ Waikato Building Cluster</li> <li>○ Regional Infrastructure Technical Specifications</li> <li>○ Energy &amp; Carbon Management</li> <li>○ Professional Services Panel</li> <li>○ Health &amp; Safety pre-qualification</li> </ul> </li> </ul>	80% of councils	Not currently measurable: As in the prior year we will be undertaking a survey of council staff in the first half of 2023 to ensure each service offering is continuing to meet the needs of councils.
Foster and promote cross-council collaboration and networking to share ideas on improving efficiencies and best practice	<ul style="list-style-type: none"> <li>➤ Across these groups, ideas for future consideration and/or initiatives are identified each year</li> </ul>	Four per annum	<p>Health &amp; Safety Managers had a planning day from which four new collaborative initiatives were identified and are being progressed.</p> <p>Procurement Managers continue to be involved in several joint procurements (DX Mail, RATs kits, SAMs).</p> <p>Three councils expressed interest in access to a central procurement resource. This initiative has been implemented and the Co-Lab Procurement Advisor has developed health checks for each of the councils involved to direct focus in 2023.</p> <p>Co-Lab has facilitated the establishment of a new Communications &amp; Engagement working party.</p>

# Co-Lab's financial position

## Summary

The financial results for the six months to 31 December 2022 are favourable to budget. This has occurred because some projects have progressed more slowly than planned meaning less expenditure arose during the period, and because of the sequencing of invoicing. For the full year we are currently forecast to be slightly ahead of budget.

The cash position is:

	Cash balance @ 1/07/2022	Cash surplus / (deficit)	Cash balance @ 31/12/2022
Company Management & Support	(250,852)	44,056	(206,795)
RITS	69,189	12,800	81,989
Working Parties   Projects	248,895	211,999	460,895
Information Technology	20,052	6,560	26,612
Energy Management	86,325	14,530	100,855
Shared Valuation Data Service (SVDS)	439,129	28,928	468,057
Road Asset Technical Accord (RATA) & Waters Collaboration	324,538	(228,429)	96,109
Waikato Regional Transport Model (WRTM)	276,362	449,875	726,236
Waikato Building Consent Group (WBCG)	266,242	172,650	438,892
Mayoral Forum	(16,124)	3,934	(12,190)
Co-Lab Water Services	437,476	430,305	867,781
Co-Lab Learning	(4,637)	(66,580)	(71,217)
Procurement	0	(65,406)	(65,406)
Geospatial Services	0	101,353	101,353
Accounts Receivables	(1,119,406)	(1,494,540)	(2,613,946)
Accounts Payables	1,794,807	(255,886)	1,538,922
<b>Total</b>	<b>2,571,996</b>	<b>(633,851)</b>	<b>1,938,145</b>

Note: Cash balances for each workstream vary from the actual cash position as a result of accounts receivable / payable which are not tracked on an activity by activity basis.

We will be reforecasting in March and will reassess the likely year-end cash position for each workstream at that time and take this into account in the company's finalised Statement of Intent issued in June 2023.

## Statement of financial performance

<b>Co-Lab</b>			
<b>Statement of Financial Performance</b>			
<b>For the six months ending 31 December 2022</b>			
	Financial year 2023 YTD Actuals	Financial year 2023 YTD Budget	Financial year 2022 YTD Actuals
<b>Revenue</b>			
SVDS Data & Software Sales	166,810	204,338	179,809
Interest	121	1,000	7
<b>Other Revenue</b>			
User Charges	4,757,252	5,602,322	5,228,851
<b>Total Other Revenue</b>	<b>4,757,252</b>	<b>5,602,322</b>	<b>5,228,851</b>
<b>Total Revenue</b>	<b>4,924,183</b>	<b>5,807,660</b>	<b>5,408,667</b>
<b>Expenditure</b>			
Depreciation and amortisation expense	21,183	23,069	13,761
Personnel costs	717,025	890,225	404,373
Other expenses	3,054,470	4,981,197	2,611,574
<b>Total Expenditure</b>	<b>3,792,678</b>	<b>5,894,491</b>	<b>3,029,708</b>
<b>Net Profit</b>	<b>1,131,505</b>	<b>(86,830)</b>	<b>2,378,959</b>

## Statement of financial position

<b>Co-Lab</b>		
<b>Statement of Financial Position</b>		
<b>As at 31 December 2022</b>		
	<b>Financial year 2023</b>	<b>Financial year 2022</b>
	<b>Actual at</b>	<b>Actual at</b>
	<b>31/12/2022</b>	<b>31/12/2021</b>
<b>Assets</b>		
<b>Current Assets</b>		
<b>Bank</b>		
Call Account	29,123	28,989
Transaction Account	1,909,021	2,101,214
<b>Total Bank</b>	<b>1,938,145</b>	<b>2,130,203</b>
<b>Accounts Receivable</b>		
Accounts Receivable	659,483	765,740
Accounts Receivable Accruals	1,952,105	2,208,020
<b>Total Accounts Receivable</b>	<b>2,611,588</b>	<b>2,973,760</b>
Prepayments	0	0
Deferred Tax Asset	2,358	3,091
<b>Total Current Assets</b>	<b>4,552,091</b>	<b>5,107,054</b>
<b>Non-current Assets</b>		
SVDS - Original Cost	0	0
WRTM - Original Cost	2,296,855	2,296,855
MoneyWorks Software	1,195	1,195
IT equipment	79,240	40,455
Accumulated Depreciation	(2,333,889)	(2,294,613)
Office Furniture	66,169	11,821
<b>Total Non-current Assets</b>	<b>109,570</b>	<b>55,713</b>
<b>Total Assets</b>	<b>4,661,661</b>	<b>5,162,768</b>
<b>Liabilities</b>		
<b>Current Liabilities</b>		
<b>Accounts Payable</b>		
Accounts Payable	451,819	561,345
Accounts Payable Accrual	25,409	709
<b>Total Accounts Payable</b>	<b>477,228</b>	<b>562,054</b>
RWT on Payments	11,413	1,513
Credit Card Balance	3,633	2,962
Revenue in Advance	880,462	722,563
Employee Entitlements	75,298	21,967
GST	90,887	33,184
<b>Total Current Liabilities</b>	<b>1,538,922</b>	<b>1,344,242</b>
<b>Total Liabilities</b>	<b>1,538,922</b>	<b>1,344,242</b>
<b>Net Assets</b>	<b>3,122,739</b>	<b>3,818,526</b>
<b>Equity</b>		
Contributed Capital	2,957,001	2,957,001
Retained Earnings	165,738	861,525
<b>Total Equity</b>	<b>3,122,739</b>	<b>3,818,526</b>

## Statement of cashflows

### Co-Lab

As at 31 December 2022

For the six months ending 31 December 2022

	Financial year 2023 YTD Actuals	Financial year 2022 YTD Actuals
<b>Cashflows from Operating Activities</b>		
Interest Received	121	(16)
Receipts from Other Revenue	3,482,790	4,199,560
Payments to Suppliers and Employees	(4,184,530)	(3,786,763)
Taxes Paid	9,900	0
Goods & Services tax (net)	96,339	(69,783)
<b>Net cash from operating activities</b>	<b>(595,380)</b>	<b>342,999</b>
<b>Cashflows from Investing Activities</b>		
Capital enhancements	0	0
Purchase of PPE	(36,112)	(15,060)
Purchase of investments	0	0
<b>Net cash from investing activities</b>	<b>(36,112)</b>	<b>(15,060)</b>
<b>Net increase in cash, cash equivalents and bank accounts</b>	<b>(631,493)</b>	<b>327,939</b>
Opening cash and cash equivalents and bank overdrafts	2,569,637	1,802,263
<b>Closing cash, cash equivalents and bank accounts</b>	<b>1,938,145</b>	<b>2,130,202</b>
<b>Summary of Bank Accounts</b>		
BNZ - Call a/c	29,123	28,989
BNZ - Transaction Account	1,909,021	2,101,214
<b>Closing Balance of Bank</b>	<b>1,938,145</b>	<b>2,130,203</b>

## Policies

The accounting policies on which the preceding financial statements have been prepared are consistent with those used in preparing the Financial Statements for the year ended 30 June 2022, included in the company's Annual Report.

## Financial forecasts

Latest financial forecasts are contained in the company's 2023 Statement of Intent issued for shareholder comment in February 2023.

## Governance

Co-Lab is owned in equal portion by 12 Local Authorities:

- Hamilton City
- Hauraki District
- Matamata-Piako District
- Ōtorohanga District
- Rotorua Lakes
- South Waikato District
- Thames-Coromandel District
- Waikato District
- Waikato Regional
- Waipā District
- Waitomo District
- Western Bay of Plenty District

During the period, the Directors of Co-Lab were:

Director	Representing
Peter Stubbs	Independent Chair
Chris McLay	Waikato Regional Council
Lance Vervoort	Hamilton City Council
Ben Smit	Ōtorohanga, Rotorua, South Waikato and Waitomo District Councils
Gavin Ion	Waikato and Waipa District Councils
Don McLeod	Hauraki, Matamata-Piako, Thames-Coromandel District and Western Bay of Plenty District Council

Peter Stubbs' appointment as Independent Chair was renewed for a further three years from 1 July 2022.

The independent Chair of Co-Lab receives director fees and reimbursed expenses. Directors representing the councils will not receive any fees or reimbursed expenses for work undertaken on behalf of the company.

## Nature & scope of activities

The principal initiatives operating under the Co-Lab umbrella are:

- Co-Lab Water Services (CWS)
- Co-Lab RATA
- Co-Lab Learning
- Energy & Carbon management
- Health & safety pre-qualification
- Council Procurement Support and joint procurement initiatives
- LiDAR (Light Detection and Ranging) technology
- Regional Infrastructure Technical Specifications (RITS)
- Shared Valuation Data Services (SVDS)
- Waikato Building Consent Group (WBCG)
- Co-Lab Geospatial Services: Waikato Data Portal and Waikato One View
- Waikato Regional Aerial Photography Service (WRAPS)
- Waikato Regional Infrastructure Procurement (WRIP)
- Waikato Regional Transportation Model (WRTM)

Information on these activities is included in the company's Statement of Intent.

# INTERIM REPORT

WAIKATO REGIONAL AIRPORT LIMITED

For the six months ended 31 December 2022



**Hamilton  
Airport**

# CHIEF EXECUTIVE'S REPORT



## Key results at a glance

<b>+45%</b>	Total passengers: 201,000 Increase of 73,000
<b>+4%</b>	Aircraft Movements: 15,600 Increase of 600
<b>+6%</b>	Operating Revenue: \$9.0m Growth of \$0.5m
<b>+1%</b>	EBITDA before land sales: \$3.2m Growth of \$41,000
<b>+30%</b>	Shareholder funds: \$227.9m Growth of \$53.3m

Changes are measured against results for the six months ended 31 December 2021.

## COMMENTARY

Much of the narrative around the WRAL Group's successes during the last three years has been due to the diversification strategy that has sustained the Group through the most challenging times in the Airport's history.

Growth in asset classes underpinned strong land sale prices and property returns, coupled with the benefit of a 24-month MIQ contract that largely offset the financial impacts of the disruption to air travel, including a combined total of three months of complete regional travel restrictions halting all flights to and from the airport in the previous two years.

Without disruption of travel restrictions, the aeronautical business has returned to a sustained period of similar passenger volumes comparable to 2019 levels, and the Group's operating revenue has exceeded 2019 levels by almost \$2.5 million. This growth has pleasingly come from all areas of the Group's activities. Operating cost increases have been well managed and are consistent with general inflation and changes in activity levels.

The Group has continued an extensive \$10.5 million investment and improvement programme in the six month reporting period.

- The cornerstone of our investment over the last 18 months has been the terminal resilience project. After operating from temporary and repurposed parts of the terminal, customers transitioned back to a seismically strengthened and completely renewed interior, with the terminal architecture and new airport brand identity embracing the tapestry of the region's rich cultural heritage. The terminal design was informed by Mana Whenua and key artworks created using local Maaori artists.
- The Jet Park Hotel property returned to the market and traded for 4½ months of the six-month period in the public market, having concluded its MIQ contract in June, then completing the remaining renovations that had been deferred whilst an MIQ facility.
- The Group has also completed the strategic acquisition of two significant properties on the airport and a focus for the second half of the year will be attracting tenants that can rejuvenate aeronautical activity on our airfield, including utilisation of the former flight training academy facilities. Revaluation gains on these properties represent a significant portion of other gains revenue reported of \$9.6 million.

Land sales in this reporting period have yielded a gross margin of almost \$10 million, which provides a significant injection of capital to the Group to maintain a conservative debt position. Ultimately the Group's borrowings sit below the level when compared to December 2019 despite nearly \$30 million of investment undertaken since that time and the disruption to aeronautical activity.

Work has continued to advance the Northern Precinct Private Plan Change with the hearing in March 2023. Engagement with local stakeholders and regulators to date has been positive, although there remain a number of challenges to ensure we can reach agreement on several matters; the most significant centred around ecology and transport. If successful, the re-zoned land will ensure the Airport will continue to be a significant regional industrial/commercial hub, with a supply of land expected to serve market demand south of the Hamilton City over the next two decades.

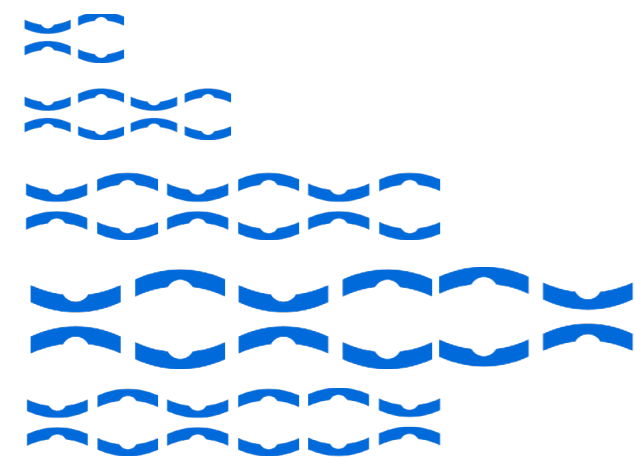
Hamilton & Waikato Tourism continue to support the recovery of the local tourism industry via multi-year central government funded initiatives to attract tourists to the Waikato, initially focused on domestic tourism, the team has quickly broadened its activity as the country has begun to welcome large numbers of visitors from international markets. In addition, an updated Destination Management Plan is now being given effect to, building local capabilities that embed a more coordinated and united approach for the sector to attract and host visitors in our region moving forward.

The latter half of the financial year will also see some tangible progress in our sustainability vision with installation of a 0.5ha solar farm to meet 50% of energy requirements for the airport terminal and completion of certification requirements for Level 3 Accreditation under the global Airport Carbon Accreditation program making us the first New Zealand regional airport (and second New Zealand airport) to achieve this level.

The management team has been very focused on wellbeing initiatives that genuinely provide support to our people and continue to ensure that WRAL is an employer of choice, retaining our people in a tight labour market who continue to deliver on an ambitious program of work that underpins our 10-year strategy.

Whilst having successfully weathered the challenges of the last three years in the face of the pandemic, the group remains cognisant of new emerging challenges with some economic headwinds looming over our economy creating an uncertain outlook for air travel and tourism which are largely discretionary costs for many.

**Mark Morgan**  
Group Chief Executive





# FINANCIAL STATEMENTS

## Consolidated Statement of Comprehensive Income & Expense

For the six month period ended 31 December 2022  
(unaudited)

	2022 \$ '000	2021 \$ '000
<b>Revenue</b>		
Operating revenue	9,047	8,574
Land sales	14,723	770
Other gains/(losses)	9,591	305
	<b>33,361</b>	<b>9,649</b>
<b>Expenses</b>		
Operating expenses	(3,184)	(2,911)
Cost of land sales	(4,228)	(574)
Employee benefits expense	(2,537)	(2,379)
Depreciation & amortisation	(2,033)	(1,708)
Finance costs	(295)	(206)
Other losses	(147)	-
	<b>(12,483)</b>	<b>(7,778)</b>
<b>Net surplus/(deficit) before tax</b>	<b>20,878</b>	<b>1,871</b>
Tax expense	(3,169)	(439)
<b>Net surplus/(deficit) after tax</b>	<b>17,709</b>	<b>1,432</b>
<b>Other comprehensive revenue &amp; expense</b>		
Revaluation of property, plant & equipment	-	-
Deferred tax	-	-
<b>Total other comprehensive revenue &amp; expense</b>	<b>-</b>	<b>-</b>
<b>Total comprehensive revenue &amp; expense</b>	<b>17,709</b>	<b>1,432</b>

These interim financial statements have been prepared in accordance with Tier 2 PBE Accounting Standards. Amounts reported for the six months ended 31 December 2021 have been restated to comply with balances reported in the final 30 June 2021 audited annual report.

# FINANCIAL STATEMENTS

## Consolidated Statement of Changes in Equity

For the six month period ended 31 December 2022  
(unaudited)

	Share Capital \$ '000	Retained Earnings \$ '000	Revaluation Reserves \$ '000	Total \$ '000
Opening Balance - 1 July 2021 (restated)	14,860	72,189	86,143	173,192
Net profit/(loss) after tax	-	1,432	-	1,432
Other comprehensive income	-	-	-	-
Total comprehensive income	-	1,432	-	1,432
Dividends paid to shareholder	-	-	-	-
<b>Closing Balance - 31 December 2021</b>	<b>14,860</b>	<b>73,621</b>	<b>86,143</b>	<b>174,624</b>
Opening Balance - 1 July 2022	14,860	96,637	99,228	210,725
Net profit/(loss) after tax	-	-	-	-
Other comprehensive income	-	-	-	-
Total comprehensive income	-	17,709	-	17,709
Dividends paid to shareholder	-	(500)	-	(500)
<b>Closing Balance - 31 December 2022</b>	<b>14,860</b>	<b>113,846</b>	<b>99,228</b>	<b>227,934</b>

# FINANCIAL STATEMENTS

## Consolidated Statement of Financial Position

As at 31 December 2022  
(unaudited)

	2022 \$ '000	2021 \$ '000 (restated)
<b>Current Assets</b>		
Cash and cash equivalents	798	1,094
Trade and other receivables	2,463	1,242
Inventories	500	578
Development property	9,012	8,169
	<b>12,773</b>	<b>11,083</b>
<b>Non Current Assets</b>		
Property, plant, and equipment	159,848	124,207
Investment property	84,470	63,584
Intangible & other non-current assets	788	834
	<b>245,136</b>	<b>188,625</b>
<b>Total Assets</b>	<b>257,909</b>	<b>199,708</b>
<b>Current Liabilities</b>		
Trade and other payables	5,925	2,226
Income received in advance	1,738	1,777
Employee entitlements	549	606
	<b>8,212</b>	<b>4,609</b>
<b>Non Current Liabilities</b>		
Provisions for Infrastructure Development	1,700	1,431
Deferred tax liability	7,063	5,149
Borrowings	13,000	13,895
	<b>21,763</b>	<b>20,475</b>
<b>Total Liabilities</b>	<b>29,975</b>	<b>25,084</b>
<b>Net Assets</b>	<b>227,934</b>	<b>174,624</b>
<b>Equity</b>		
Share capital	14,860	14,860
Retained earnings	113,846	73,621
Revaluation reserves	99,228	86,143
<b>Total Equity</b>	<b>227,934</b>	<b>174,624</b>

# FINANCIAL STATEMENTS

## Consolidated Statement of Cash Flows

For the six month period ended 31 December 2022  
(unaudited)

	2022 \$ '000	2021 \$ '000
<b>Operating activities</b>		
Receipts from operations	10,457	8,663
Receipts from land sales	14,723	770
Payments to suppliers and employees	(6,571)	(6,417)
Payments for construction of development property	(2,318)	(1,315)
Payment of interest	(321)	(206)
Payment of income taxes	(444)	(1,409)
<b>Net cash from/(used in) operations</b>	<b>15,526</b>	<b>86</b>
<b>Investing activities</b>		
Receipts from sale of property, plant and equipment	4	500
Purchases of property, plant & equipment	(10,456)	(2,708)
Purchases of investment properties	-	-
Purchases of intangible assets	(193)	(44)
<b>Net cash from/(used in) investment activities</b>	<b>(10,645)</b>	<b>(2,252)</b>
<b>Financing activities</b>		
Receipts from/(repayments of) borrowings	(3,995)	1,900
Payments of dividends	(500)	-
<b>Net cash from/(used in) financing activities</b>	<b>(4,495)</b>	<b>1,908</b>
<b>Net change in cash for the period</b>	<b>386</b>	<b>(266)</b>
Add opening cash and cash equivalents balance	412	1,360
<b>Closing cash and cash equivalents</b>	<b>798</b>	<b>1,094</b>

# PERFORMANCE REPORTING

## Performance against Statement of Intent

For the six month period ended 31 December 2022  
(unaudited)

	SOI Full Year 30/6/23	Actual 6 months 31/12/22	Forecast Full Year 30/6/23
<b>Financial Targets</b>			
EBITDA excluding Land Sales	\$4,300	\$3,325	\$6,310
EBITDA including Land Sales	\$11,100	\$13,820	\$16,146
Net Profit before Tax	\$6,000	\$11,287*	\$19,831
Net Operating Cash Flow excl Land Sales	\$3,500	\$3,121	\$4,040
Total Debt (not exceeding)	\$30,000	\$13,000	\$18,430
Percentage of non-landing charges revenue	60%	73%	69%
Land Sales	\$14,000	\$14,723	\$14,723
Interest coverage	4.0x	11.2x	8.0x

Net Profit before Tax for the six months ended 31 December 2022 of \$11,287,000 is reported before Other Gains of \$9,591,000.

The group has a number of non-financial performance targets covering the range of activities the group undertakes. At 31 December 2022, the Group was on track to meet substantially all of its targets except for certain targets in relation to an aeronautical development that has been deferred with agreement from the future tenants.



[www.hamiltonairport.co.nz](http://www.hamiltonairport.co.nz)



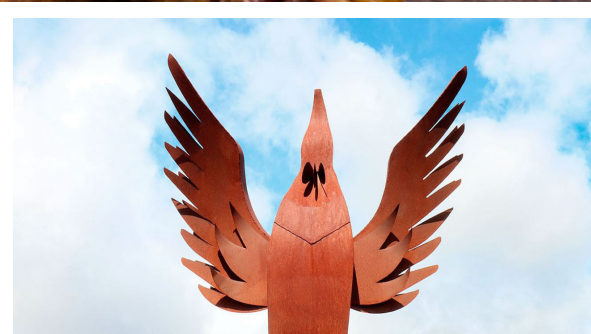
# INTERIM REPORT

For the six months ended 31 December 2022



## JETPARK

HAMILTON AIRPORT HOTEL  
& CONFERENCE CENTRE



(Trading as Jet Park Hamilton Airport Hotel & Conference Centre)

# CHIEF EXECUTIVE'S REPORT

The last six months transitioned the hotel business from its managed isolation and quarantine contract back to trading in the retail market.

The contract with the Crown for the property to run as a managed isolation facility was first secured in April 2020, and with several extensions, remained in place until 30 June 2022. At the EBIDTA level, this made a valuable contribution of over \$6 million to the Group during those two years, at a time where tourism ventures had otherwise largely bleak prospects.

Since completing the MIQ contract, the remaining rooms were upgraded and renovated to a modern, international four-star standard, with all rooms featuring new soft furnishings. The relaunch to the public market was approached with some trepidation as the true underlying trading prospects of the business were largely unknown. The three years of operation under the WRAL and Jet Park banner had seen the hotel suffer disrupted trading due to renovations in the first year, and the remaining two years saw it operating as an MIQ facility.

Pleasingly the hotel performed much more strongly than expected, regularly achieving maximum occupancy, and having largely resolved the challenges around staffing required to operate a hotel (compared to the MIQ model). The small

operating deficit was expected, with several one-off relaunch costs incurred and the hotel only open for bookings for 4½ months of the reporting period.

Jet Park Hotels has completed a rebranding exercise of the three hotel properties. The rebrand has retained the name but provided a significant enhancement and modern feel to the look of the brand. The rollout of new signage, digital identity and inhouse collateral is already largely complete.

The outlook for the remainder of the year is also positive with a number of large events coming to the region and the hotel having secured “whole of site” bookings for a number of these, including the FIFA Women's World Cup – the largest sporting event to be held in New Zealand.

We also expect to see ongoing benefits to both the corporate and leisure markets due to the marketing initiatives led by Jet Park. We do however, remain mindful of the economic environment and the potential impacts this might have on hotel occupancy for the full year performance.

## Mark Morgan - Chief Executive



# FINANCIAL STATEMENTS

## Statement of Comprehensive Income

For the six month period ended 31 December 2022

	2022 \$ '000	2021 \$ '000
<b>Revenue</b>		
Operating revenue	1,505	3,326
	<b>1,505</b>	<b>3,326</b>
<b>Expenses</b>		
Employee benefit expense	(661)	(662)
Other operating expenses	(737)	(839)
Depreciation & Amortisation	(331)	(358)
Finance costs	(4)	(95)
	<b>(1,734)</b>	<b>(1,954)</b>
<b>Net profit/(deficit) before tax</b>	<b>(228)</b>	<b>1,372</b>
Tax (expense)/credit	68	(385)
<b>Net profit/(deficit) after tax</b>	<b>(160)</b>	<b>987</b>
Other comprehensive income	-	-
<b>Total comprehensive income</b>	<b>(160)</b>	<b>987</b>

These unaudited interim financial statements have been prepared in accordance with NZ IFRS (RDR).

# FINANCIAL STATEMENTS

## Statement of Movements in Equity

For the six month period ended 31 December 2022

	Note	Share Capital \$ '000	Retained Earnings \$ '000	Total Equity \$ '000
<b>Opening Balance - 1 July 2021</b>		<b>2,000</b>	<b>544</b>	<b>2,544</b>
Net profit/(deficit) after tax		-	987	987
Other comprehensive income		-	-	-
Total comprehensive income		-	987	987
Dividends paid to shareholder		-	-	-
<b>Closing Balance – 31 December 2021</b>		<b>2,000</b>	<b>1,531</b>	<b>3,531</b>
<b>Opening Balance - 1 July 2022</b>		<b>2,000</b>	<b>2,833</b>	<b>4,833</b>
Net profit/(deficit) after tax		-	(160)	(160)
Other comprehensive income		-	-	-
Total comprehensive income		-	(160)	(160)
Dividends paid to shareholder		-	(500)	(500)
<b>Closing Balance – 31 December 2022</b>		<b>2,000</b>	<b>2,173</b>	<b>4,173</b>

# FINANCIAL STATEMENTS

## Statement of Financial Position

As at 31 December 2022

	2022 \$ '000	2021 \$ '000
<b>Current Assets</b>		
Cash and cash equivalents	62	80
Trade and other receivables	321	708
Inventories	13	18
Related party advance receivable	3,663	2,787
	<b>4,059</b>	<b>3,593</b>
<b>Non Current Assets</b>		
Property, plant and equipment	738	698
Intangible assets	26	76
Lease assets	2,942	3,024
Deferred tax asset	72	42
	<b>3,778</b>	<b>3,840</b>
<b>Total Assets</b>	<b>7,837</b>	<b>7,433</b>
<b>Current Liabilities</b>		
Trade and other payables	509	539
Employee entitlements	174	210
Lease liabilities	270	252
	<b>953</b>	<b>1,001</b>
<b>Non Current Liabilities</b>		
Lease liabilities	2,711	2,901
	<b>2,711</b>	<b>2,901</b>
<b>Total Liabilities</b>	<b>3,664</b>	<b>3,902</b>
<b>Net Assets</b>	<b>4,173</b>	<b>3,531</b>
<b>Equity</b>		
Share capital	2,000	2,000
Retained earnings	2,173	1,531
<b>Total Equity</b>	<b>4,173</b>	<b>3,531</b>



# FINANCIAL STATEMENTS

## Statement of Cash Flows

For the six months ended 31 December 2022

	2022 \$ '000	2021 \$ '000
<b>Operating activities</b>		
Receipts from operations	2,524	2,929
Payments to suppliers and employees	(1,580)	(1,451)
Payment of income taxes	(230)	(491)
Net cash from/(used in) operations	<b>715</b>	<b>987</b>
<b>Investing activities</b>		
Purchase of property, plant & equipment	(154)	(18)
Net cash from/(used in) financing activities	<b>(154)</b>	<b>(18)</b>
<b>Financing activities</b>		
Receipt/(Repayment) of related party loan	(510)	(917)
Net cash from/(used in) financing activities	<b>(510)</b>	<b>(917)</b>
<b>Net change in cash for the period</b>	<b>51</b>	<b>52</b>
Add opening cash and cash equivalents balance	11	28
<b>Closing cash and cash equivalents</b>	<b>62</b>	<b>80</b>

# PERFORMANCE REPORTING

## Performance against Statement of Intent For the six months ended 31 December 2022

	SOI 30/06/2023	Actual 31/12/2022	Forecast 30/06/2023
<b>Financial Targets</b>			
Total operating revenue	\$1,900	\$1,505	\$3,244
Net profit before tax	(\$800)	(\$228)	(\$334)
Net profit after tax to average shareholder funds	-	-	-
Net profit after tax to average total assets	-	-	-
Operating and investing cash flows	\$100	\$715	\$936
Total liabilities/shareholders funds	80:20	46:54	48:52
<b>Non-financial performance targets</b>			
Adhere to Group Health & Safety Procedures		Meeting	Meet
Zero Worksafe notifiable accidents & injuries		Meeting	Meet
Maintain Qualmark 4 Star & Silver Enviro accreditation		Met	Meet
Implement a plan to relaunch, and if necessary, rebrand the Hotel upon completion of its Managed Isolation Facility contract		Met	Meet



# JETPARK

HAMILTON AIRPORT HOTEL  
& CONFERENCE CENTRE



[JETPARKHAMILTON.CO.NZ](https://jetparkhamilton.co.nz)

# INTERIM REPORT

for the six months ended 31 December 2022



# CHIEF EXECUTIVE'S REPORT

## For the six months ended December 2022.

Titanium Park continues to play a significant role in the overall Group strategy, even though Hamilton Airport's aeronautical business has now fully recovered to sustained pre-COVID passenger volumes.

The six-month period saw settlement of over 4ha of land sales from the fifth stage of the Central Precinct. This represents around two thirds of this final stage, with a little over 2ha either contracted to sales with future settlements or retained for own investment purposes such as design-build opportunities.

The sales to date in this reporting period have yielded a gross margin of almost \$10 million, which provides a significant injection of capital to the parent company at a time where its debt level would have otherwise peaked at almost \$25 million. These settlements came as the Group neared completion of a \$20 million capital investment programme, including the terminal resilience project and three recent strategic aeronautical property investments. Ultimately the Group's borrowings sit lower than they did three years ago in December 2019 prior to the pandemic, despite the completion of nearly \$30 million of investment, and the disruption to aeronautical activity during this time.

Looking ahead, Titanium Park has a modest pipeline of land sales contracted out over the next two years as the

existing Central and Southern Precincts sell out. The next six months will see investment from Titanium Park to improve roading and water infrastructure around the airport precinct, discharging a number of historic obligations to ensure local utilities are positioned to respond to growth in the region.

Beyond this, the future lies in the 100ha Northern Precinct development. This dwarfs the current developments, which when combined, have yielded only a little over 20ha of land. Work has continued to advance the Northern Precinct Private Plan Change, with a hearing in March 2023 and notification of the outcome due mid-2023. Engagement with local stakeholders, infrastructure providers and regulators has been positive to date, although there remains a number of challenges to ensure we can reach agreement on several matters; the most significant being centred around ecology and transport. If successful, the re-zoned land will ensure the Airport continues to be a significant regional industrial/commercial hub, with a supply of land expected to serve market demand south of the Hamilton City over the next two decades. Construction is expected to commence within the next 24 months.

**Mark Morgan - Chief Executive**



# FINANCIAL STATEMENTS

## Statement of Comprehensive Income For the six months ended 31 December 2022

	2022 \$ '000	2021 \$ '000
Land sales	14,723	770
Cost of land sales	(4,773)	(574)
<b>Gross Profit</b>	<b>9,950</b>	<b>196</b>
Other income	30	33
Employee benefit expense	(104)	(138)
Other expenses	(114)	(130)
	<b>(188)</b>	<b>(234)</b>
<b>Net profit/(loss) before tax</b>	<b>9,762</b>	<b>(38)</b>
Tax (expense)/credit	2,733	8
<b>Net profit/(loss) after tax</b>	<b>7,029</b>	<b>(30)</b>
Other comprehensive income	-	-
<b>Total comprehensive income</b>	<b>7,029</b>	<b>(30)</b>

These interim financial statements have been prepared in accordance with NZ IFRS (RDR).  
They have not been subject to any review or audit.



# FINANCIAL STATEMENTS

## Statement of Changes in Equity For the six months ended 31 December 2022

	Share Capital \$ '000	Retained Earnings \$ '000	Total Equity \$ '000
<b>Opening Balance - 1 July 2021</b>	<b>4,750</b>	<b>4,087</b>	<b>8,837</b>
Net profit/(deficit) after tax	-	(30)	(30)
Other comprehensive income	-	-	-
Total comprehensive income	-	(30)	(30)
Dividends paid to shareholder	-	-	-
<b>Closing Balance - 31 December 2021</b>	<b>4,750</b>	<b>4,057</b>	<b>8,807</b>
<b>Opening Balance - 1 July 2022</b>	<b>4,750</b>	<b>3,805</b>	<b>8,555</b>
Net profit/(deficit) after tax	-	7,029	7,029
Other comprehensive income	-	-	-
Total comprehensive income	-	7,029	7,029
Dividends paid to shareholder	-	(1,000)	(1,000)
<b>Closing Balance - 31 December 2022</b>	<b>4,750</b>	<b>9,834</b>	<b>14,584</b>

# FINANCIAL STATEMENTS

## Statement of Financial Position

As at 31 December 2022

	2022 \$ '000	2021 \$ '000
<b>Current Assets</b>		
Cash and cash equivalents	2	290
Trade and other receivables	837	59
Development property	9,659	9,866
Related party advance	9,771	980
	<b>20,269</b>	<b>11,195</b>
<b>Non Current Assets</b>		
Deferred tax asset	44	-
	<b>44</b>	-
<b>Total Assets</b>	<b>20,313</b>	<b>11,195</b>
<b>Current Liabilities</b>		
Trade and other payables	466	545
Income received in advance	743	278
Income tax payable	2,806	-
Employee entitlements	14	27
Provisions for Infrastructure Development	755	-
	<b>4,784</b>	<b>850</b>
<b>Non Current Liabilities</b>		
Deferred tax liability	-	125
Provisions for Infrastructure Development	945	1,413
	<b>945</b>	<b>1,538</b>
<b>Total Liabilities</b>	<b>5,729</b>	<b>2,388</b>
<b>Net Assets</b>	<b>14,584</b>	<b>8,807</b>
<b>Equity</b>		
Share capital	4,750	4,750
Retained earnings	9,834	4,057
<b>Total Equity</b>	<b>14,584</b>	<b>8,807</b>



# FINANCIAL STATEMENTS

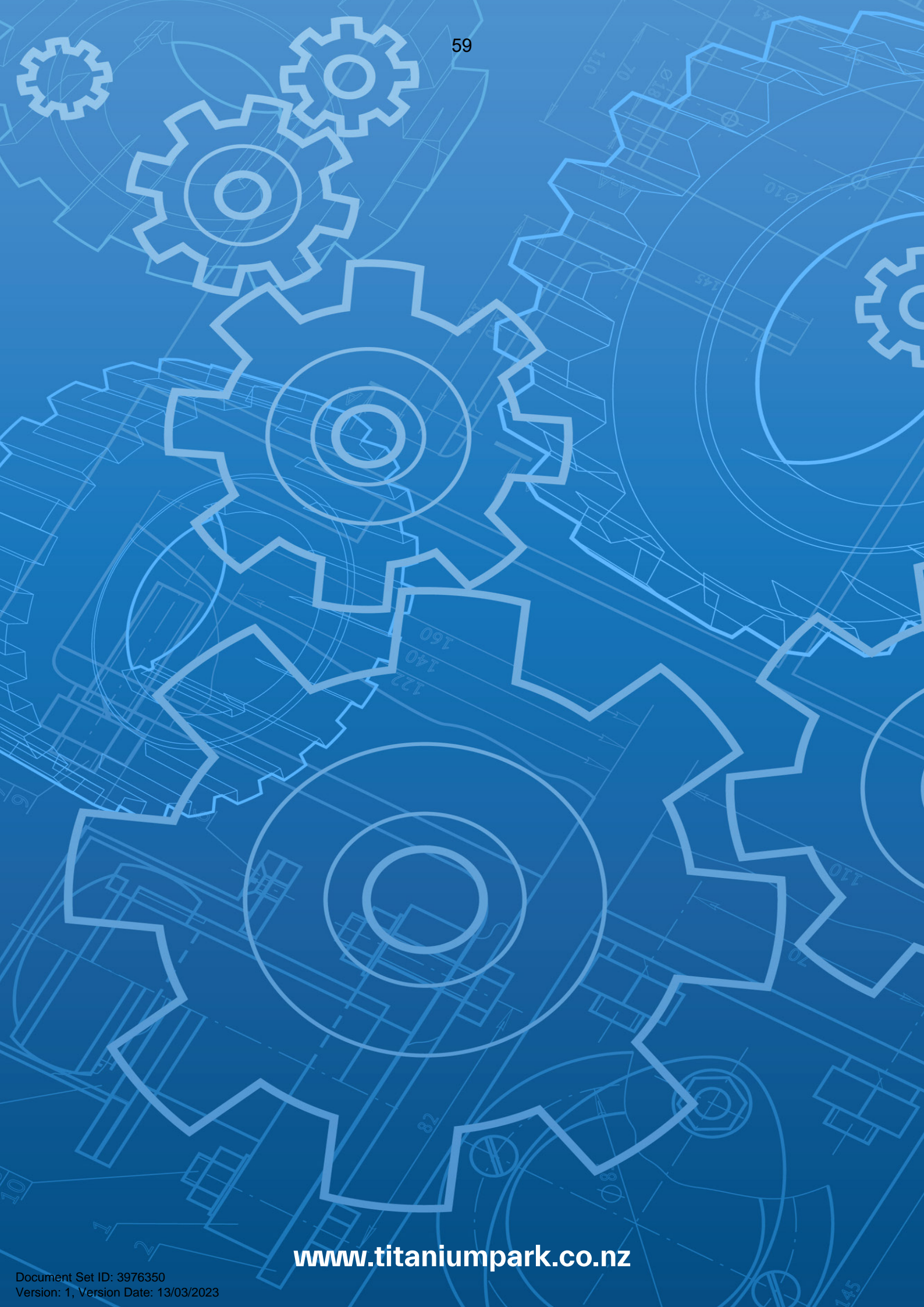
## Statement of Cash Flows For the six months ended 31 December 2022

	2022 \$ '000	2021 \$ '000
<b>Operating activities</b>		
Receipts from operations	14,754	667
Payments to other suppliers and employees	(432)	(271)
Payments for construction of development property	(2,318)	(1,834)
Payment of income taxes	-	-
Net cash from/(used in) operations	<b>12,004</b>	<b>(1,438)</b>
<b>Financing activities</b>		
Receipts from/(repayments of) related party advance	(12,007)	1,341
Net cash from/(used in) financing activities	<b>(12,007)</b>	<b>1,341</b>
<b>Net change in cash for the period</b>	<b>(3)</b>	<b>(97)</b>
Add opening cash and cash equivalents balance	5	387
<b>Closing cash and cash equivalents</b>	<b>2</b>	<b>290</b>

# PERFORMANCE REPORTING

## Performance against Statement of Intent For the six months ended 31 December 2022

	SOI 30/06/2023	Actual 31/12/2022	Forecast 30/06/2023
<b>Financial Targets</b>			
Land Sales	\$12,000	\$14,723	\$14,723
Net Profit before Tax	\$3,000	\$9,762	\$9,278
Net Profit after tax to shareholder's funds	20%	60%	58%
Operating & investing cash flow	\$6,000	\$12,004	\$10,764
Total liabilities to shareholders funds (maximum)	80:20	28:72	29:71
<b>Non Financial Targets</b>			
Adhere to Group Health & Safety Procedures		Meeting	Meet
Zero Work Safe notifiable accidents		Meeting	Meet





## **INTERIM REPORT**

**For the six months ended 31 December 2022**

## CHIEF EXECUTIVE'S REPORT

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During the first six months of the financial year we have seen strong return of visitation across the country, and our own region. When the national borders opened in August and our COVID restrictions were lifted in September, a sigh of relief was heard and felt across the tourism, events and hospitality sector. We have been looking ahead to the 2023 calendar year with positivity, albeit cautiously.

Labour shortages across the sector continue to impact deliverability and availability of some experiences and services, as have the devastating impacts of severe weather events in the region with flooding and severe rainfalls causing damage to property, disrupting travel and damaging key regional roading networks. This weather certainly dampened spirits and the hope of a strong summer season for some of our operators.

Looking ahead, we (the Hamilton & Waikato region) have some incredible events that bring opportunities for our visitor sector. The FIFA Women's World Cup 2023™ event, with five games being hosted in Kirikiriroa Hamilton, will bring visitation right across region. An estimated \$18 million will be pumped into the Waikato region during the FIFA Women's World Cup 2023™. This will be the largest women's sporting event ever held globally. TV viewership alone is forecast to be two billion compared to 1.2 billion in France in 2019.

The Central Government funding received by all Regional Tourism Organisations was originally required to be utilised by December 2022. Due to many projects being delayed with COVID restrictions, we have an extension for some projects to be delivered by June 2023. Once this funding has been fully utilised, our activity will return to 'business as usual', based on our council funding and industry contributions.

As HWT continues to lead the sector in managing the ongoing impacts of COVID-19 and recovery, key focus areas for the upcoming period include embedding the Destination Management Plan into our regular activities, as well as assisting and encouraging operators to embed Regenerative Tourism and sustainability measures into their own activity.

















HWT recognises its role to support event organisers, venues and suppliers with the ongoing challenges with hosting events, including those already experienced in the current year. We will also be continuing to work more broadly with our industry to develop enhanced capability for hosting additional events, both business and major events, in region through the Business Events Strategy for Waikato and the Thermal Explorer Regional Event Fund. With much change in the political and regulatory environment, continue to lobby and advocate for the tourism sector with Government.

Nicola Greenwell  
Chief Executive

## KEY PERFORMANCE METRICS

### Performance against our Statement of Intent

For the six months ended 31 December 2022

Measure	Result						
 <b>Visitor nights</b> Hold total visitor nights compared to previous year as measured by MBIEs Accommodation Data Programme (ADP)*	 1,025,000 visitor nights YTD Increase of 101,000 on LY 59.8% occupancy rate (NZ: 56.7%)						
 <b>Visitor spend</b> 5% increase in total visitor spend across region compared to previous year as measured by MBIEs Tourism Electronic Card Transactions	 17% increase in domestic spend (15% decrease on 2019); and 93% increase in international (39% decrease on 2019)						
 <b>Conventions &amp; business events</b> Rebuild and restore market share of total business events to 5% as measured by the Business Events Data Programme	 9% market share of business events 10% market share of delegate days						
 <b>Industry investment</b> \$100,000 of industry contributions towards marketing activities	 \$153,000 annual funding secured to date						
 <b>Media &amp; travel trade</b> 10 media outlets hosted + 150 travel trade trained or hosted	 <table border="1"> <tr> <td>23</td> <td>34</td> <td>174</td> </tr> <tr> <td>media outlets hosted</td> <td>agents hosted</td> <td>agents trained</td> </tr> </table>	23	34	174	media outlets hosted	agents hosted	agents trained
23	34	174					
media outlets hosted	agents hosted	agents trained					
 <b>Govt funded projects</b> Successfully deliver STAPP and RESET funded projects by 30 June 2023	 99% of funding allocated						
 <b>Regional Events Fund (REF)</b> Successfully deliver year one of the REF for Waikato, Rotorua, Ruapehu & Taupo	 Workshops held in Ruapehu and Waikato  Small Contestable funding round opened January 2023 – utilising returned/unutilised allocated funding						
 <b>Cashflow</b> To ensure the company has sufficient cash to fund activity for the year without recourse to the shareholder	 Cashflow maintained without shareholder funding						

## FINANCIAL STATEMENTS

### Statement of Comprehensive Revenue & Expense

For the six months ended 31 December 2022

	<b>2022</b>	<b>2021</b>
	<b>\$ '000</b>	<b>\$ '000</b>
Council funding	639	608
Grant funding	334	340
Industry & partnership funding	146	79
Interest and other income	26	6
<b>Total revenue</b>	<b>1,145</b>	<b>1,033</b>
Operating expenses	(540)	(426)
Employee benefit expense	(369)	(381)
Administration and other expenses	(160)	(188)
Depreciation & amortisation	(29)	(30)
<b>Total expenses</b>	<b>1,099</b>	<b>(1,027)</b>
<b>Net surplus/(deficit) before tax</b>	<b>46</b>	<b>6</b>
Tax (expense)/credit	(12)	(2)
<b>Net surplus/(deficit) after tax</b>	<b>34</b>	<b>4</b>

## FINANCIAL STATEMENTS

### Statement of Financial Position

As at 31 December 2022

	2022 \$ '000	2021 \$ '000
<b>Current Assets</b>		
Cash and bank accounts	1,658	1,656
Trade and other receivables	160	106
	<b>1,818</b>	<b>1,762</b>
<b>Non Current Assets</b>		
Property, plant and equipment	115	99
Deferred tax asset	10	22
	<b>125</b>	<b>121</b>
<b>Total Assets</b>	<b>1,943</b>	<b>1,883</b>
<b>Current Liabilities</b>		
Trade and other payables	188	149
Income received in advance	864	1,056
Thermal Explorer Regional Event Fund	670	468
Employee entitlements	57	80
	<b>1,779</b>	<b>1,753</b>
<b>Total Liabilities</b>	<b>1,779</b>	<b>1,753</b>
<b>Net Assets</b>	<b>164</b>	<b>130</b>
<b>Equity</b>		
Share capital	1	1
Retained earnings	163	129
<b>Total Equity</b>	<b>164</b>	<b>130</b>



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<b>To</b>	<b>Performance &amp; Strategy Committee</b>
<b>Report title</b>	<b>Council Controlled Organisations Draft Statements of Intent</b>
Date:	27 March 2023
Report Author:	Alison Diaz - Chief Financial Officer
Authorised by:	Gavin Ion - Chief Executive

## **1. Purpose of the report**

### **Te Take moo te puurongo**

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To present the draft Statements of Intent (SOIs) for 2023/24 from Waikato Local Authority Shared Services Limited trading as Co-lab (Co-lab), and Waikato Regional Airport Limited (WRAL)

#### **AND**

To seek support of the draft SOIs.

## **2. Executive summary**

### **Whakaraapopotanga matua**

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Draft SOIs for 2023/24 from Co-lab, and WRAL are attached for the Performance & Strategy Committee's consideration. The Council has two months to approve, request changes or reject the Council Controlled Organisations (CCOs) SOIs as a shareholder, with the final SOIs due on or before the 30 June 2023.

The Performance & Strategy Committee is responsible for monitoring CCO operations and making recommendations for any proposed amendments to their activities. The draft SOI's were received ahead of 1 March as per legislative requirements and will be considered at the Audit & Risk Committee, on the 15 March, through a risk lens.

The proposed direction for both Co-lab and WRAL is in line with the previous SOIs approved for the current financial year. The significance of the decision sought is low and it is not anticipated that Council-led engagement will take place with Waikato district communities, ratepayers, residents or customers/users of services.

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### 3. Staff recommendations Tuutohu-aa-kaimahi

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**THAT the Performance & Strategy Committee:**

- a. has considered and is supportive of the draft statement of Intent for Waikato Local Authority Shared Services Limited trading as Colab;**
- b. has considered and is supportive of the draft Statement of Intent for Waikato Regional Airport Limited; and**
- c. notes that the Chief Financial Officer will document the response to the respective boards.**

### 4. Background Koorero whaimaarama

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Co-lab was initially established to provide councils with a vehicle to cost-effectively procure shared services. It is an investment which aims to reduce the cost of providing generic local authority services.

In recent years the entity has also become a service delivery agent and has a number of direct employees with a broader team employed across the Roading Asset Technical Accord and Waters Services.

It should be noted that Council does not participate in the Co-lab Waters Service offering due to our contract with Watercare and although the loss of Co-lab water services is anticipated to require an increase in member charges, it is unclear how this would impact Waikato District Council as a non-participant.

The company does not provide a financial return by way of dividend.

WRAL operates Hamilton International Airport, has diversification through its land development arm, owns the onsite hotel operation and promotes the region to tourists. Councils' shareholding is 15.625% and is considered a strategic asset. While Council's ownership is largely for economic development reasons and not for financial return, the company will provide dividends when the wider economic situation allows.

### 5. Discussion and analysis Taataritanga me ngaa tohutohu

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CCOs are required to prepare a Statement of Intent in accordance with Schedule 8 of the Local Government Act, the purpose of which is to:

- (a) State publicly the activities and intentions of a council-controlled organisation for the year and the objectives to which those activities will contribute; and
  - (b) Provide an opportunity for shareholders to influence the direction of the organisation; and
  - (c) Provide a basis for the accountability of the directors to their shareholders for the performance of the organisation.
-

The strategic intent for both Co-lab and WRAL remain largely unchanged from the 2022/23 SOI's, noting that Co-lab has identified four focus areas beyond business-as-usual for investigation, and that WRAL has added in four new non-financial measures; three related to climate change and one related to collaboration with Iwi regarding WRAL's future developments. Collaboration with partners and managing climate change are consistent with Councils position.

Requests for changes to the direction of a CCO would require adjustments to their underlying strategies and assessment of risk.

## **5.1 Options**

### **Ngaa koowhiringa**

Staff have assessed that there are only two reasonable and viable options for the Committee to consider. This assessment reflects the level of significance (see paragraph 6.1) and the ability of a CCO to make significant adjustments outside of their own strategic planning cycles.

The options are to:

- a) Support the current draft SOI's; or
- b) Request amendments for consideration by the relevant Board.

Council has an opportunity to provide feedback on the SOI's before the end of April. Once all shareholders have provided feedback, final SOI's will be issued (or the draft confirmed as final).

Staff recommend supporting the current SOIs acknowledging they remain in line with the strategic intent of the entities, provide a more recent forecast of key financial and non-financial targets from which the Committee will monitor progress against in 2023/24 and have been prepared by subject matter experts and considered by the Boards ahead of release to shareholders.

## **5.2 Financial considerations**

### **Whaiwhakaaro puutea**

The draft SOI's are not anticipated to impact on Councils current Long-term Plan (LTP) commitments, with Councils consideration of future investment levels to be reviewed through the 2024-2034 LTP.

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

## **5.3 Legal considerations**

### **Whaiwhakaaro-aa-ture**

Schedule 8 of the Local Government Act 2002 sets out the information that must be contained within an SOI and requires CCO boards to make their SOI publicly available within one month of Council adoption.

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## **5.4 Strategy and policy considerations**

### **Whaiwhakaaro whakamaaherehere kaupapa here**

The report and recommendations are consistent with the Council's policies, plans and prior decisions.

## **5.5 Maaori and cultural considerations**

### **Whaiwhakaaro Maaori me oona tikanga**

While there are no specific Maaori and cultural considerations contained within Co-labs draft SOI, their activities are aimed at providing cost-effective solutions that will positively impact all communities by virtue of lower costs or better outcomes.

WRALs development arm, is involved in matters relating to land and a new measure regarding collaboration with Iwi/Hapuu on future development has been introduced in the 2023/24 SOI.

## **5.6 Climate response and resilience considerations**

### **Whaiwhakaaro-aa-taiao**

Co-lab as part of their business-as-usual offering provides support for shared-service climate response activities and monitoring of the reduction of emissions. WRALs new measures for climate change are in general terms consistent with the Council's position on improving climate change or resilience outcomes.

## **5.7 Risks**

### **Tuuraru**

The risk of supporting the draft SOIs is deemed to be low. If conditions alter, there are mechanisms under the Local Government Act 2002 that allow for modifications to an SOI by resolution of shareholders. If the shareholding councils are not in agreement regarding the draft SOI, the timeframes for the consideration of shareholder comments and the presentation of the final SOI can be extended by up to 1 month.

# **6. Significance and engagement assessment**

## **Aromatawai paahekoheko**

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## **6.1 Significance**

### **Te Hiranga**

The decisions and matters of this report are assessed as of low significance, in accordance with the Council's [Significance and Engagement Policy](#).

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## 6.2 Engagement Te Whakatuutakitaki

Engagement for this report is between the shareholder's and the CCO. The preparation of the draft SOI is the key engagement document for setting CCO direction for the upcoming financial year.

## 7. Next steps Ahu whakamua

The Chief Financial Officer will document key points, issues or concerns arising through the Audit & Risk and Performance & Strategy Committee meeting discussions and will write a response on the draft SOIs before 30 April 2023.

The boards will present a final SOI to Council on or before 1 June 2023, which will be distributed to Councillors via email in the first instance and received formally at the August 2023 Performance & Strategy meeting.

## 8. Confirmation of statutory compliance Te Whakatuuturutanga aa-ture

As required by the Local Government Act 2002, staff confirm the following:

The report fits with Council's role and Committee's Terms of Reference and Delegations.	Confirmed
The report contains sufficient information about all reasonably practicable options identified and assessed in terms of their advantages and disadvantages ( <i>Section 5.1</i> ).	Confirmed
Staff assessment of the level of significance of the issues in the report after consideration of the Council's Significance and Engagement Policy ( <i>Section 6.1</i> ).	Low
The report contains adequate consideration of the views and preferences of affected and interested persons taking account of any proposed or previous community engagement and assessed level of significance ( <i>Section 6.2</i> ).	Not applicable
The report considers impact on Maaori ( <i>Section 5.5</i> )	Confirmed

The report and recommendations are consistent with Council's plans and policies ( <i>Section 5.4</i> ).	Confirmed
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The report and recommendations comply with Council's legal duties and responsibilities ( <i>Section 5.3</i> ).	Confirmed
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## 9. Attachments

### Ngaa taapirihanga

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Attachment 1 – Draft Statement of Intent Colab

Attachment 2 – Draft Statement of Intent WRAL

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## **2023 Statement of intent**

**For the year ended 30 June 2024**

**Supporting councils to maximise the value they provide to their communities by helping them identify and realise shared opportunities.**

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This SOI is a public declaration of the activities and intentions of the Council Controlled Organisation, Waikato Local Authority Shared Services Ltd trading as Co-Lab (Co-Lab). It outlines the nature and scope of the work it will undertake, the Directors' accountabilities to the shareholders for corporate performance and financial forecasts, as required by Schedule 8 of the Local Government Act 2002. This information is provided in relation to the financial years ended 30 June 2024 to 30 June 2026.



## Message from the Chair



We recognise our shareholding councils are facing many challenges right now. Communities are dealing with rising living costs, goods shortages, and deciphering what it means to live in a post-pandemic world. We are going through unprecedented change to the local government sector. In parallel, you continue to seek to provide better services to your communities against record inflation and a tight labour market, trying to navigate these conditions without exacerbating the cost-of-living challenges for communities.

Against this backdrop, we are pleased to have a suite of initiatives to support you in this environment. This includes work to improve participative democracy so that councils' better understand their community's needs. It also includes working with you to transform how you use technology to better meet the expectations of your communities. In the face of 3-waters specifically, and a constrained labour market generally, we will work with you to help improve the attraction and retention of critical skills.

Co-Lab will also change because of the 3-waters reform. The introduction of Entity B will impact on Co-Lab Water Services and RATA. The loss of Co-Lab Water Services from 1 July 2024 in particular leaves us facing a need to increase member charges during the forecast period. We have worked hard over recent years to hold member charges at a constant level. We will now look at ways we can keep anticipated increases to a minimum.

We believe Co-Lab has a bright future. The company is unique in New Zealand and places you in a great position to be an exemplar for local governance. The Future for Local Government report stated that to *ensure better value spend, minimise duplication, and get the best use of people and resources, more effective collaboration, innovation, and shared services are required.*

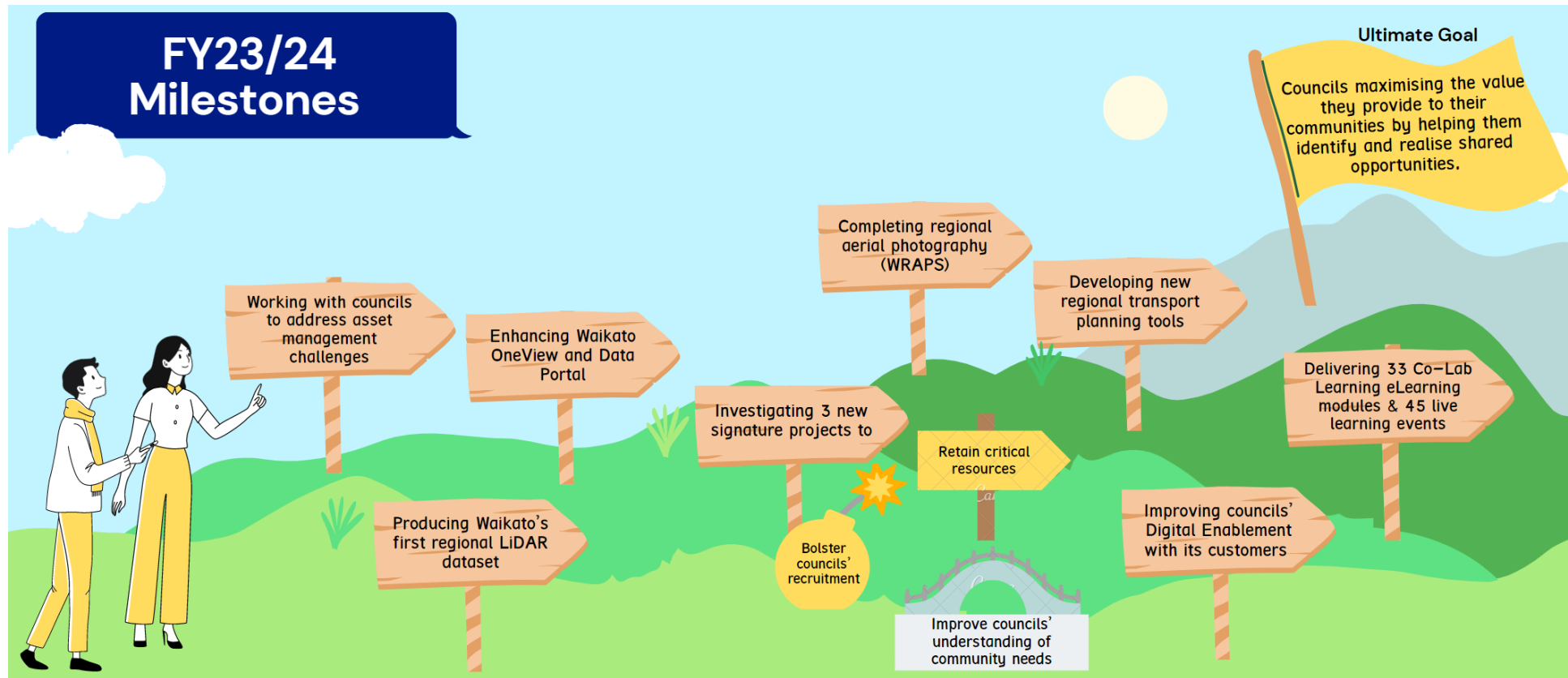
*“No matter what the future system design looks like, there needs to be greater collaboration across local government and increased use of shared services. The Panel considers that there are significant opportunities to deliver better value and ensure resources are applied to best effect, especially having shared information systems and support services in place. The Panel also believes there is great potential for central and local government to work more closely together to create a more joined-up public sector,” – Jim Palmer, Chair, Future for Local Government Panel.*

Jim's words summarise not only what we *can* achieve together, but what we *must* achieve together.

As you prepare your Long-Term Plans, we ask you to make a conscious decision to create space for collaboration. We are faced with incredibly complex times ahead, but encourage you as a business owner of Co-Lab, to utilise its unique strengths to provide a return on your investment at a very low risk.

Yours Sincerely,  
Peter Stubbs  
Chair

## Sol milestones at a glance



*Co-Lab's vision, purpose, and the outcomes we are seeking are set out in the company's performance framework in Appendix II.*

## Intentions for FY2023/2024

### Focus areas beyond business as usual

Beyond the continuation of our priority projects and ensuring we deliver great services, there are four new areas of focus for the company in the coming year 1 July 2023- 30 June 2024. Work on some of these has commenced.

#### 1) Co-Lab Councils: Right People, Right Place (formerly Employee Value Proposition)

Councils are faced with challenges to attract and retain talent in an increasingly tight labour market and are all looking to appoint from the same talent pool.

This idea was a clear leader in our survey results and in discussions with councils' executive leadership teams. Discovery work is already underway which has included discussions with councils' People & Capability Managers. From that, we know that the opportunity to collaborate in this area is about how to attract people with the skills councils will need in the future to work in local government generally, and in our region more particularly. The project will include engagement with LGNZ and Taituarā as we don't want to duplicate what already exists.



Source: unsplash

#### 2) People Post 3 Waters (PP3W)



For some councils, the water reform creates a compelling moment to optimise capability and capacity across the region - the risk is that people are lost from the local government sector when they needn't be.

The Board have discussed an opportunity for councils to determine to what extent, and how, capable staff can be kept within the sector and region, notwithstanding the significant internal changes that will arise for many councils because of the 3-waters reform. The opportunity will consider the benefits of a new delivery model that creates efficient resource centres of expertise for specialist skills that are required by councils and in high demand, but which may be in (increasingly) short supply.

Given the timeline for 3-waters reform, we are already working with councils on the opportunity.

#### 3) Democracy Centre of Expertise



Source: unsplash

Some councils have poor levels of engagement from their communities and varying levels of resource to analyse their communities' needs. The Board discussed developing capacity across the region to allow councils to undertake deliberative and participative democracy. Doing so should support building the public's trust in local government.

Other ideas which councils saw as being of significant value were a regional project management office and framework, and a business intelligence programme (which bears some relationship to the 'Democracy Centre of Expertise'). Co-Lab will progress these ideas as soon as capacity allows following consideration of the top three opportunities noted earlier.

#### 4) Low-Hanging Fruit

More recent discussions with councils have indicated a desire for Co-Lab to strike a balance by spending some time delivering projects that are not necessarily transformational, but still have scope to add value to councils through more immediate cost savings. We see these projects being characterised as delivering councils value but requiring little change within the councils. It could be as simple as councils leveraging what others are already doing.

Part of this stream of work will be developing a matrix of council activities to identify:

- Where councils (likely, particularly, the smaller councils), have skill gaps; and
- What councils are spending externally on these activities to see if there is opportunity to create efficiencies with that spend – either through the appointment of cross-council resource (i.e. bringing it “in-house”), or a joint procurement arrangement;

Our workplan will also look to build in some resource capacity to enable us to be more responsive in supporting unforeseen collaboration opportunities as and when they arise.

### Continuation of business as usual

We will be continuing to develop several opportunities signalled in the 2022 SOI. These are detailed in Appendix I. Similarly, we will continue to provide our schedule of shared services to partner councils. These are outlined in Appendix II.

# Financials

## Overview

This Statement of Intent, for the first time, reflects the impact of 3-Waters reform. That impact is felt from 1 July 2004.

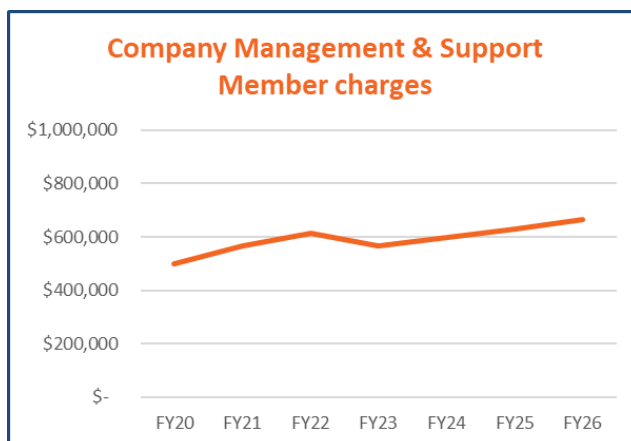
## Services

Revenue from services increases in the 2023/24 financial year (FY), with this being the first full year of activity for Co-Lab Learning and Co-Lab Procurement support services.

From FY2024/25, services drop with Co-Lab Water Services and RATA (Waters) no longer being delivered.

## Member charges

In the past few years we have held member charges for core operating costs (company management and support) relatively constant. However, the loss of Co-Lab Water Services necessitates an increase in these charges. That said, we have held the increase to ~5% per annum reflecting the assumed inflation rate on expenditure. We will be considering where there are opportunities to reduce costs without undermining our ability to deliver value to you, and how we might otherwise increase revenue streams. Our goal remains to minimise the increase in member charges.



## Cashflow

We intend to draw on cash reserves to fund the operating losses that are forecast in the out-years. While doing so our financial position remains robust.

## Statement of Financial Performance

<b>Co-Lab</b>				
<b>Company Summary</b>				
<b>for the forecast financial years ended 30 June 2024-2026</b>				
	<b>Budget</b>	<b>Budget</b>	<b>Budget</b>	<b>Budget</b>
	<b>2022/23</b>	<b>2023/24</b>	<b>2024/25</b>	<b>2025/26</b>
<b>Income</b>				
Company Management / Support	870,000	1,004,125	1,050,300	1,083,534
Working parties   projects	753,352	652,491	697,066	742,228
RITS	27,000	27,000	27,810	28,644
Information Technology	398,201	-	-	-
Energy Management	123,690	137,838	141,973	146,232
Shared Valuation Data Service (SVDS)	414,292	434,803	452,330	467,056
Road Asset Technical Accord (RATA)	2,015,899	1,527,614	1,477,733	1,815,027
Waikato Regional Transport Model (WRTM)	1,757,951	1,055,610	1,923,682	959,136
Waikato Building Consent Group	373,663	376,350	379,194	394,157
Waikato Mayoral Forum	5,000	5,000	5,000	5,000
Water Collaboration	685,092	494,988	-	-
Co-Lab Water Services	3,373,353	3,474,554	-	-
Co-Lab Learning	489,236	423,368	486,069	504,151
Procurement	268,600	311,600	320,948	330,576
Geospatial	64,623	70,523	72,117	73,758
<b>Total Income</b>	<b>11,619,952</b>	<b>9,995,865</b>	<b>7,034,222</b>	<b>6,549,501</b>
<b>Operating Expenditure</b>				
Company Management / Support	1,203,186	1,192,754	1,302,835	1,376,028
Working parties   projects	753,352	652,491	672,066	692,228
RITS	27,000	15,600	16,068	16,550
Information Technology	395,455	-	-	-
Energy Management	123,690	137,838	141,973	146,232
Shared Valuation Data Service (SVDS)	325,893	309,151	318,426	327,979
Road Asset Technical Accord (RATA)	2,011,040	1,523,183	1,473,169	1,810,326
Waikato Regional Transport Model (WRTM)	1,757,951	1,055,610	1,923,682	959,136
Waikato Building Consent Group	373,663	376,350	379,194	394,157
Waikato Mayoral Forum	5,000	5,000	5,000	5,000
Water Collaboration	682,150	492,474	-	-
Co-Lab Water Services	3,134,485	3,238,070	-	-
Co-Lab Learning	444,760	468,159	485,535	504,554
Procurement	268,600	332,316	342,285	352,554
Geospatial	65,123	69,170	71,245	73,382
<b>Total operating expenditure</b>	<b>11,571,349</b>	<b>9,868,167</b>	<b>7,131,479</b>	<b>6,658,128</b>
<b>Earnings before interest, tax and depreciation/ amortisation (EBITDA)</b>	<b>48,603</b>	<b>127,698</b>	<b>(97,257)</b>	<b>(108,627)</b>
<b>Depreciation / amortisation</b>				
Company Management / Support	31,554	41,665	43,748	45,936
WBCG	0	-	-	-
WRTM	14,583	-	-	-
<b>Total Depreciation / amortisation</b>	<b>46,137</b>	<b>41,665</b>	<b>43,748</b>	<b>45,936</b>
<b>Net Surplus (Deficit) before tax</b>	<b>2,466</b>	<b>86,033</b>	<b>(141,005)</b>	<b>(154,562)</b>

We are budgeting a small profit in FY23 and then operating losses for the remainder of the forecast period. As noted above, our expectation is to identify revenue streams to bridge that gap.

## Statement of Financial Position

<b>Co-Lab</b>				
<b>Financial Position</b>				
<b>for the forecast financial years ended 30 June 2024-2026</b>				
	<b>Budget 2022/23</b>	<b>Budget 2023/24</b>	<b>Budget 2024/25</b>	<b>Budget 2025/26</b>
<b>CAPITAL</b>				
Shares - SVDS	1,607,001	1,607,001	1,607,001	1,607,001
Shares - WRTM	1,350,000	1,350,000	1,350,000	1,350,000
Retained Earnings	(1,467,033)	(1,464,567)	(1,378,535)	(1,519,540)
Plus Current Year Operating Surplus/(Deficit)	2,466	86,033	(141,005)	(154,562)
<b>TOTAL CAPITAL FUNDS</b>	<b>1,492,434</b>	<b>1,578,466</b>	<b>1,437,461</b>	<b>1,282,899</b>
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
Prepayments	134,000	3,208	3,368	3,537
Accounts Receivable	580,998	499,793	351,711	327,475
Bank	2,164,346	2,129,815	1,634,009	1,559,232
GST Receivable / (Payable)	5,097	(19,155)	16,662	17,422
<b>TOTAL CURRENT ASSETS</b>	<b>2,884,442</b>	<b>2,613,661</b>	<b>2,005,750</b>	<b>1,907,666</b>
<b>NON-CURRENT ASSETS</b>				
WRTM - Intangible Asset	2,296,855	2,296,855	2,296,855	2,296,855
MoneyWorks Software	1,195	1,195	1,195	1,195
Accumulated Depreciation	(2,298,050)	(2,298,050)	(2,298,050)	(2,298,050)
IT Equipment & Office Furniture	150,132	180,466	180,466	180,466
Accumulated Depreciation - IT equipment & Office Furniture	(41,546)	(83,211)	(124,876)	(168,625)
<b>TOTAL NON-CURRENT ASSETS</b>	<b>108,587</b>	<b>97,255</b>	<b>55,590</b>	<b>11,842</b>
<b>TOTAL ASSETS</b>	<b>2,993,028</b>	<b>2,710,916</b>	<b>2,061,340</b>	<b>1,919,507</b>
<b>LESS CURRENT LIABILITIES</b>				
Accounts Payable	1,415,383	1,015,947	531,063	516,643
Accounts Payable Accrual	32,173	33,782	35,471	37,244
Employee Benefits	53,038	82,721	57,345	82,721
<b>TOTAL CURRENT LIABILITIES</b>	<b>1,500,594</b>	<b>1,132,450</b>	<b>623,879</b>	<b>636,608</b>
<b>NET ASSETS</b>	<b>1,492,434</b>	<b>1,578,466</b>	<b>1,437,461</b>	<b>1,282,899</b>

## Statement of Cashflows

<b>Co-Lab</b>				
<b>Statement of Cashflows</b>				
<b>for the forecast financial years ended 30 June 2024-2026</b>				
	<b>Budget 2022/23</b>	<b>Budget 2023/24</b>	<b>Budget 2024/25</b>	<b>Budget 2025/26</b>
<b>Cashflows from Operating Activities</b>				
Interest Received	2,000	80,625	80,625	61,875
Receipts from Other Revenue	11,583,503	9,996,444	7,101,680	6,511,862
Payments to Suppliers	(11,999,086)	(10,105,519)	(7,640,211)	(6,645,567)
Taxes Paid	0	0	0	0
Goods & Services tax (net)	(200,365)	24,252	(35,816)	(760)
<b>Net cash from operating activities</b>	<b>(613,947)</b>	<b>(4,198)</b>	<b>(493,723)</b>	<b>(72,590)</b>
<b>Cashflows from Investing Activities</b>				
Capital enhancements	0	0	0	0
Purchase of PPE	(81,714)	(30,334)	(2,083)	(2,187)
Purchase of investments	0	0	0	0
<b>Net cash from investing activities</b>	<b>(81,714)</b>	<b>(30,334)</b>	<b>(2,083)</b>	<b>(2,187)</b>
<b>Net increase in cash, cash equivalents and bank accounts</b>	<b>(695,661)</b>	<b>(34,532)</b>	<b>(495,806)</b>	<b>(74,777)</b>
Opening cash and cash equivalents and bank overdrafts	2,860,007	2,164,346	2,129,815	1,634,009
<b>Closing cash, cash equivalents and bank accounts</b>	<b>2,164,346</b>	<b>2,129,815</b>	<b>1,634,009</b>	<b>1,559,232</b>
<b>Summary of Bank Accounts</b>				
BNZ - Call a/c	2,164,346	2,129,815	1,634,009	1,559,232
<b>Closing Balance of Bank</b>	<b>2,164,346</b>	<b>2,129,815</b>	<b>1,634,009</b>	<b>1,559,232</b>

## Appendix I: Opportunity development projects

### Customer Digital Enablement (CDE)

The CDE programme underpins a progressive digital transformation of council services. It is about adding a digital means of engaging with council for those in the community who want to do so. The Customer Digital Enablement project identified its first initiative, “SR4” – an opportunity for councils to better engage with their communities digitally on sustainability, rubbish, and recycling. On the journey to selecting SR4 as the first initiative, council staff identified many other opportunities to add value through digital engagement with your communities. From that, a roadmap has been created and Customer Digital Enablement will become an ongoing programme of work.

### Shifting Landscapes

Waikato councils are faced with significant central government reform: 3-waters, resource management and the Future for Local Government review (FfLG). Councils continue to grapple with what these changes will mean for their organisation, and what the organisation will look like when the changes are complete. This project began with a commissioned report, Community Needs Analysis, providing evidence-based qualitative data to inform councils’ submissions on the review. Following a series of workshops with council chief executives, FY2023/24 work will focus on facilitating a new triennium agreement that will focus on regional collaboration, cogent long-term thinking, in the spirit of the FfLG report and with supporting programmes of work.

### Asset Management Centre of Expertise (AMCE)

Councils have told us that they are facing significant asset management challenges. Water reform is expected to lead to changes in many councils’ organisational structures and have an impact on the services that councils provide. The Co-Lab RATA team is already a proven centre of expertise in asset management and is well positioned to assist councils through its shared service model. In FY2022/23, the board commissioned an project to investigate how existing Co-Lab RATA capability could be increased and extended to other asset types and other asset management stages. Subsequently six councils have indicated a desire to be involved and now jointly fund the project. These six councils are now assisting Co-Lab directly in investigating how RATA can best assist in the following areas of asset management:

- Community Asset Management (Parks, reserves, building and ‘other’ facilities).
- Management and advisory services (assisting with analysis, valuations, renewal programmes, reporting and recommendations for improved practice).
- Joint procurement to reduce duplication in contract administration and take advantage of regional buying power.

### Building Consent Cadetship

The Waikato Building Consent Group (WBCG) commissioned an investigation into the establishment of a building consent cadetship scheme, building on the Building Consent Shared Service investigation. The opportunity is to establish a cadetship programme coordinated by Co-Lab that recruits and trains Building Control Officers in partnership with the WBCG councils.

The intent is that the cadets would be available to work in all WBCG councils, would help provide a stable pipeline of building consent staff to meet current and future needs, and reduce council expenditure. Planned work in FY2022/23 is currently focused around implementation.

### WRTM Governance & Management

In June 2022, the Board supported a recommendation to investigate management and governance required to realise the full potential of WRTM. This investigation has commenced and will continue into FY23/24.



### **RATA Asset Valuations**

It was identified that there are inconsistencies in Asset Valuations stemming from poor assumptions of replacement costs and asset lives, leading to potential overcharging or underfunding.

Objectives for the project are:

- Develop the tools that enable repeatable, efficient, robust and consistent asset valuations, which support informed decision making.
- Greater level of confidence in the process – connecting of the asset management system and collaboration between engineers and finance teams.
- Ability to help other councils (resourcing) therefore creating resilience in the region.
- Assess the possibility of collaborative procurement for asset valuation services using the Co-Lab Asset Valuation Process.
- The Co-Lab Asset Valuation process is the process of choice for Co-Lab councils.

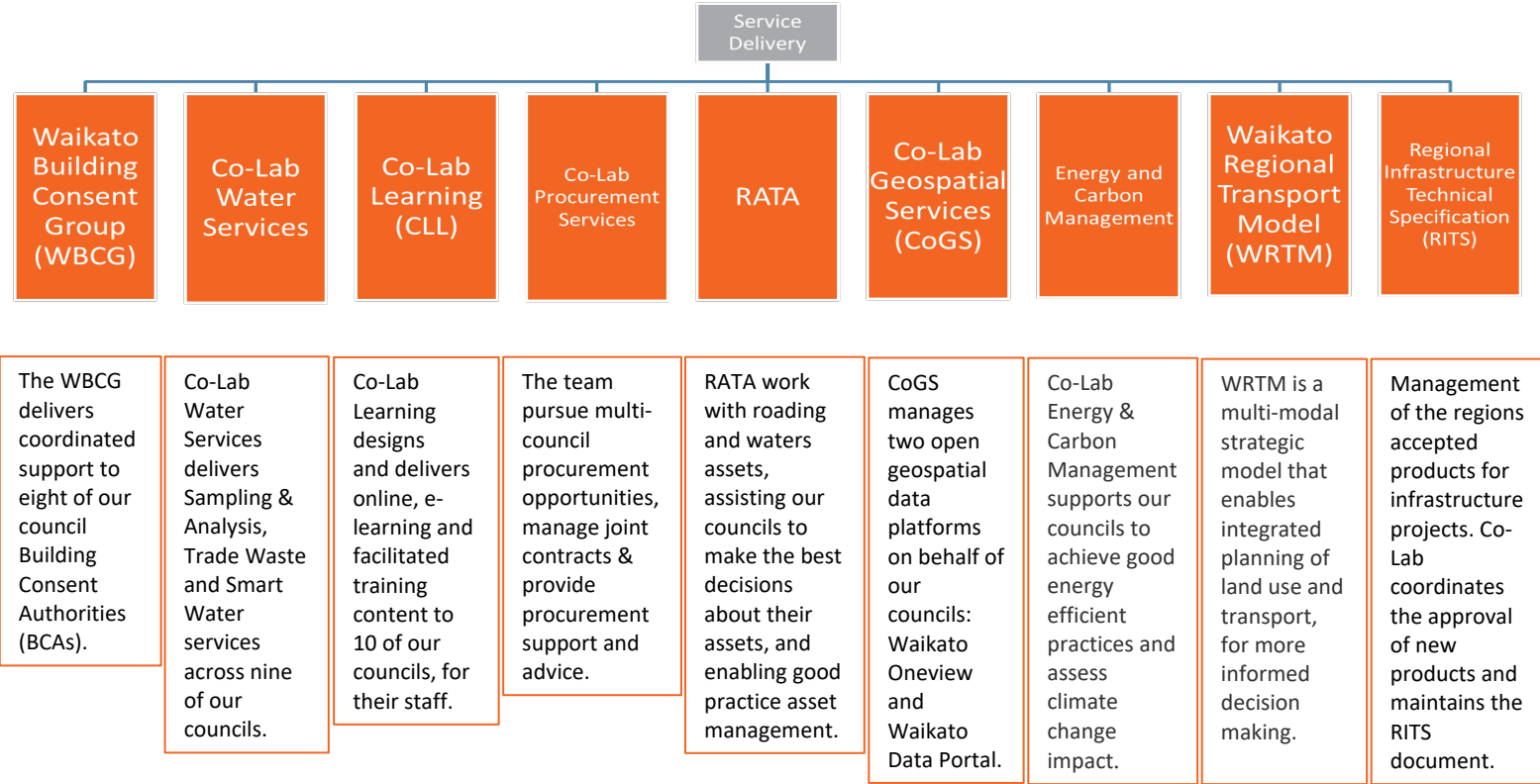
This is a three-year project and FY2023/24 will focus on the implementation phase of the project. With the uncertainty of Three Waters the governance group decided to pilot Transport first, with other asset classes to follow.

### **Benefits realisation**

We will be undertaking an internal investigation to establish robust methodologies for measuring benefits, recognising there will always be qualitative benefits as well, and use this as the basis for improved reporting on the value you receive from Co-Lab. And if we don't think an area is providing value, and doesn't have a reasonable prospect of doing so, we will stop it. This work was originally planned for last financial year, however was deferred due to other priorities.

## Appendix II: Nature & Scope of services

The principal initiatives operating under the Co-Lab umbrella are:



For more information on our services, please visit our website [www.colabsolutions.govt.nz](http://www.colabsolutions.govt.nz)

## Appendix III: Performance framework & measures



How we intend to measure our performance remains the same.

Priority	Performance measure	Target
Prioritise and develop business cases for opportunities that, if implemented, add value to councils by achieving one or more of our objectives	<ul style="list-style-type: none"> <li>➤ Business cases will include measurable benefits linked to one or more of the outcomes sought</li> <li>➤ Businesses cases are supported by councils (evidenced by take up of the opportunity)</li> </ul>	<p>Projected savings/increased revenue to councils of at least \$300k</p> <p>75% of councils</p>
Develop opportunities and deliver projects within agreed budgets and timelines	<ul style="list-style-type: none"> <li>➤ Opportunities / projects are developed / delivered within agreed timelines</li> <li>➤ Opportunities / projects are developed / delivered, within approved budget</li> <li>➤ Overall, Company Management / Support functions will be undertaken within budget, unless additional expenditure has board pre-approval</li> </ul>	<p>80%</p> <p>90%</p>
Ensure projects realise their expected benefits	<ul style="list-style-type: none"> <li>➤ Measurable benefits are actively monitored and reported against</li> <li>➤ Audit &amp; Risk Committee undertake an assessment of projects following implementation (which will include an assessment of whether projected benefits have been realised)</li> </ul>	<p>Six-monthly</p> <p>For \$200k+ Projects (based on cost of opportunity development and ongoing investment) Assessment within 15 months 90% of projected quantifiable benefits are realised</p>
Ensure existing services are meeting the needs of councils	<ul style="list-style-type: none"> <li>➤ The services we provide are considered by councils who use that service to meet or exceed their expectations (evidenced by an annual survey):</li> </ul>	80% of councils
Foster and promote cross-council collaboration and networking to share ideas on improving efficiencies and best practice	<ul style="list-style-type: none"> <li>➤ Across these groups, ideas for future consideration and/or initiatives are identified each year</li> </ul>	Four per annum

- 1 Budgets and timelines for opportunity development will be those established following discovery and/or opportunity assessment. A business case will refine these parameters with respect to project delivery.
- 2 Time and cost targets for the development of opportunities and delivery of projects have been initially set based on what, in practical terms, are consider stretch goals, but achievable. However, we aspire to *always* better, or at least meet, timetables and budgets.

## Appendix IV: Governance

Co-Lab<sup>1</sup> is owned in equal portion by the 12 Waikato Local Authorities<sup>2</sup>:

- Hamilton City
- Hauraki District
- Matamata-Piako District
- Otorohanga District
- Rotorua Lakes
- South Waikato District
- Western Bay of Plenty District Council
- Thames-Coromandel District
- Waikato District
- Waikato Regional
- Waipa District
- Waitomo District

The company has two fundamental roles:

- 1) It is a laboratory for developing opportunities that create value to councils, either by improving the experience of their communities or by making the councils themselves, collectively, more efficient and effective; and
- 2) It provides shared services to councils.

Co-Lab conducts itself in accordance with its constitution, its annual Statement of Intent, the provisions of the LGA and Co-Lab policies.

The Board is made up five council representative directors and an independent Chair. There is also a standing Audit & Risk Committee.

The current Directors of Co-Lab are:

Director	Representing
Peter Stubbs	Independent Chair
Chris McLay	Waikato Regional Council
Lance Vervoort	Hamilton City Council
Ben Smit	Ōtorohanga, Rotorua, South Waikato and Waitomo District Councils
Gavin Ion	Waikato and Waipa District Councils
Don McLeod	Hauraki, Matamata-Piako, Thames-Coromandel District and Western Bay of Plenty District Council

Peter Stubbs' appointment as Independent Chair has been renewed for a further three years from 1 July 2022.

The independent Chair of Co-Lab receives director fees and reimbursed expenses. Directors representing the councils will not receive any fees or reimbursed expenses for work undertaken on behalf of the company.

<sup>1</sup> Co-Lab is the newly established trading name of Waikato Local Authority Shared Services Ltd

## Appendix V: Policy Statements

### Statement of accounting policies

#### Reporting entity

Waikato Local Authority Shared Services Limited (“the Company”) is a Company incorporated in New Zealand under the Companies Act 1993 and is domiciled in New Zealand. The company is a Council Controlled Organisation as defined under section 6 of the Local Government Act 2002 (LGA), by virtue of the shareholding councils’ right to appoint the Board of Directors.

The primary objectives of the Company are to:

- Develop opportunities that benefit the Waikato region's local authorities; and
- Act as a vehicle to deliver value-added services to those local authorities.

The Company has designated itself as a public benefit entity (PBE) for financial reporting purposes.

### Summary of significant accounting policies

#### Basis of preparation

Financial statements are prepared on the going concern basis, and the accounting policies are applied consistently throughout the period.

#### Statement of Compliance

Financial statements are prepared in accordance with the requirements of the LGA, which include the requirement to comply with generally accepted accounting practice in New Zealand (NZ GAAP).

Financial statements are prepared in accordance with and comply with Tier 2 PBE Standards reduced disclosure regime (RDR). WLASS is eligible to report under the RDR as it:

- is not publicly accountable; and
- has expenses more than \$2 million, but less than \$30 million.

The accounting policies set out below are consistent with the prior year, other than the inclusion of policy:

- on operating leases, related to the lease of commercial premises;
- employees; and
- property, plant and equipment.

#### Measurement base

The financial statements are prepared on a historical cost basis.

#### Presentation currency and rounding

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest dollar unless otherwise stated. The functional currency of the Company is New Zealand dollars.

#### Goods and services tax

All items in the financial statements are stated exclusive of goods and services tax (GST), except for receivables and payables, which are presented on a GST-inclusive basis. Where GST is not recoverable as input tax, it is recognised as part of the related asset or expense.

The net amount of GST recoverable from, or payable to, the Inland Revenue (IR) 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 an operating cash flow in the cash flow statement.

Commitments and contingencies are disclosed exclusive of GST.

### **Critical accounting estimates and assumptions**

In preparing the financial statements the Company makes estimates and assumptions concerning the future. These estimates and assumptions may differ from the subsequent 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 are no areas requiring estimate or assumptions made that are considered to carry a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year.

#### **Intangible assets**

##### **Useful lives and residual values**

At each balance date the Company reviews the useful lives and residual values of its intangible assets. Assessing the appropriateness of useful life and residual value estimates of intangible assets requires the Company to consider a number of factors such as the expected period of use of the asset by the Company and expected disposal proceeds from the future sale of the future sale of the asset.

An incorrect estimate of the useful life of residual value will impact the amortisation expense recognised in the income statement and carrying amount of the asset in the balance sheet. The Company minimises the risk of this estimation uncertainty by reviewing that the asset technology is still relevant and there is no alternative options to recreate the asset at a lower price.

##### **Impairment of intangible assets**

Intangible assets measure at cost that have a finite useful life are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the assets carrying amount exceeds its recoverable amount. The recoverable amount is higher of an assets fair value less costs to sell and value in use.

If an asset's carrying amount exceeds its recoverable amount, the asset is regarded as impaired and the carrying amount is written-down to the recoverable amount. The total impairment loss is recognised in the surplus or deficit. The reversal of an impairment loss is recognised in the surplus deficit.

### **Revenue**

#### **Revenue**

Revenue comprises the fair value of the considerations received or receivable for the sale of goods and services, excluding GST, rebates and discounts and after eliminating sales within the Company. No provisions have been recorded as all revenue and trade receivables are expected to be received.

#### **Other Revenue**

Member charges for all activities are recognised when invoiced to the user (i.e. councils). The recorded revenue is the net amount of the member charges payable for the transaction.

Contributions received for projects that were not completed in a financial year are recognised when the Company provides, or is able to provide, the service for which the contribution was charged. Until such time, contributions are recognised as liabilities.

## Operating expenses

An operating lease is a lease that does not transfer substantially all the risks and rewards incidental to ownership of an asset to the lessee. Lease payments under an operating lease are recognised as an expense on a straight-line basis over the lease term.

## Personnel costs

Defined contribution schemes

Employer contributions to KiwiSaver, the Government Superannuation Fund, and other defined contribution superannuation schemes are accounted for as defined contribution schemes and are recognised as an expense in the surplus or deficit when incurred.

## Receivables

Short-term receivables are recorded at the amount due, less any provision for amounts not considered collectable.

Receivables are initially measured at nominal or face value. Receivables are subsequently adjusted for penalties and interest as they are charged and impairment losses. Non-current receivables are measured at the present value of the expected future cash inflows.

Debtors are amounts due from customers. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

## Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, with original maturities of three months or less, and bank overdrafts.

## Income tax

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 surplus 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 balance 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 balance 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 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.

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 income or directly in equity.

### **Intangible assets Other financial assets**

Investments in bank deposits are measured at fair value plus transaction costs.

At each balance date the Company assesses whether there is any objective evidence that an investment is impaired. Any impairment losses are recognised in the income statement.

### **Payables and deferred revenue**

Short-term creditors and other payables are recorded at their face value

Trade and other payables are non-interest bearing and are normally settled on 30-day terms, therefore the carrying value of trade and other payable approximates their fair value.

Contributions received for projects that were not completed in a financial year are recognised as deferred revenue until the Company provides, or is able to provide, the service for which the contribution was charged.

### **Employee benefits liabilities**

#### **Short-term employee entitlements**

Employee benefits expected to be settled within 12 months after the end of the period in which the employee renders the related service are measured based on accrued entitlements at current rates of pay.

These includes salaries and wages accrued up to balance date, annual leave earned to, but not yet taken at balance date, and sick leave.

A liability for sick leave is recognised to the extent that absences in the coming year are expected to be greater than the sick leave entitlements earned in the coming year. The amount is calculated based on the unused sick leave entitlement that can be carried forward at balance date, to the extent it will be used by staff to cover those future absences.

A liability and an expense are recognised for bonuses where there is a contractual obligation or where there is a past practice that has created a constructive obligation.

A liability and an expense are recognised for bonuses where there is a contractual obligation or where there is a past practice that has created a constructive obligation.

#### **Presentation of employee entitlements**

Sick leave, annual leave, vested long service leave, and non-vested long service leave and retirement gratuities expected to be settled within 12 months of balance date, are classified as a current liability. All other employee entitlements are classified as a non-current liability.

### **Reconciliation of equity**

Equity is the shareholders interest in WLASS and is measured as the difference between total assets and total liabilities. Equity is disaggregated and classified into the following components:

### Contributed equity

Contributed equity is the net asset and liability position at the time the company was formed. The allocation of capital amongst shareholders is explained in this note.

### Retained earnings

Retained earnings is the company's accumulated surplus or deficit since formation.



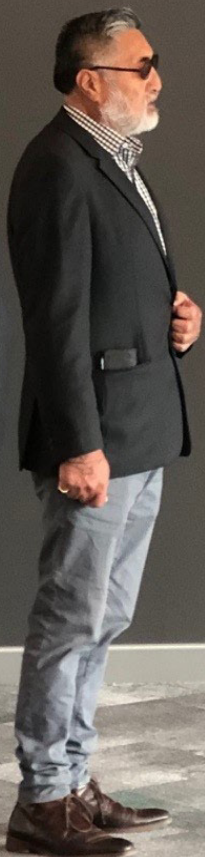
# Hamilton Airport



# GROUP STATEMENT OF INTENT

For the year ended 30 June 2024

WAIKATO REGIONAL AIRPORT LIMITED



(Draft - FEBRUARY 2023)

# INTRODUCTION

This statement is presented by the Directors in accordance with s.64 (1) of the Local Government Act 2002 and sets out the Board's intentions for the Company and Group for the year ending 30 June 2024 and succeeding two financial years.

# STRATEGIC INTENT

*The Group has identified its core purposes under its current ten-year strategic plan to be:*

## CORE PURPOSES

1. An enabler of air services to the region.
2. A supporter and developer of aviation through investment in, and provision of, airport infrastructure and support services for both general aviation and airline activities.
3. The operator of a first class, safe, sustainable and compliant airport that connects the Mighty Waikato to New Zealand.
4. To strategically position the Group to enhance capital value and be financially self-sustaining through an income diversification strategy.



Hamilton Kirikiriroa

## ABOUT THE WRAL GROUP

The group comprises the following entities:



**Hamilton & Waikato**  
TOURISM



- **Waikato Regional Airport Limited (trading as Hamilton Airport)** - is the Group's parent company, and the owner and operator of Hamilton Airport.
- **Titanium Park Limited** - has a goal to develop and optimise land holdings to generate long-term income streams from a diversified property portfolio.
- **Waikato Regional Airport Hotel Limited** - has an intent to provide non-aeronautical earnings to the Group through the operation of a Qualmark 4 Star hotel and conference centre facility at Hamilton Airport.
- **Hamilton & Waikato Tourism Limited** - the Regional Tourism Organisation markets the Hamilton & Waikato region as a visitor and business events destination, and to assist in growing the visitor economy through tourism development and destination management.

## KEY OBJECTIVES OF THE WRAL GROUP

The Group's key objectives and activities that will be undertaken to deliver on these include the following:

### Operate an efficient and compliant airport.

Operate a first class, safe and compliant regional airport by providing for essential projects, together with any compliance expenditure warranted.

### Enhance the traveller experience.

Maximise traveller satisfaction and airport experience through continued investment in passenger facilities and technologies that also assist to drive sustainable outcomes.

### Maintain a viable aeronautical business.

- Assist airlines to identify opportunities to increase flight schedules and passenger numbers.
- Identify and activate new development opportunities within the general aviation sector.
- Position and protect the airport as an efficient, cost effective international port.
- Remain collaborative with local authorities and central government agencies for joint infrastructure and transport initiatives.

### Maximise revenue diversification through non-aeronautical business opportunities.

- Promote and secure tenants for the airline engineering base and flight training academy facilities to secure new aeronautical operators and enhance a vibrant general aviation community.
- Support Pyper Vision to deliver trials of the fog dispersal technology to improve airline efficiency and customer experience, whilst also enhancing value of WRAL's investment in this venture

- Complete construction of airport infrastructure to support private aeronautical property development.

### Develop and optimise the land holdings of the Group to generate a long-term income from a diversified property portfolio.

- Titanium Park Limited will continue marketing for sale, development and optimised investment, all available non-aeronautically strategic land in a planned and co-ordinated approach.
- Support the development of land within the bounds of a sound, strategic approach to long-term planning as defined in the 2022 updated aeronautical master plan.
- Upon notification of the private plan change outcome, complete a detailed master plan for the first stage of Northern Precinct for at least 10ha of land and its enabling infrastructure.

### Operate the airport hotel to return to (or exceed) its investment business case growth targets and customer satisfaction targets following the disruptions to its growth strategy from the pandemic.

- Improvement of hotel brand awareness through increased marketing activity.
- Establishment of Propeller Restaurant as a local destination restaurant.
- Complete renovations of guest recreation facilities to improve customer satisfaction.



Assist in the development and marketing of the Hamilton and Waikato region as a visitor destination to domestic and international visitors.

- Implement activities within the Destination Management Plan to assist with the restart and reimagining of the tourism sector in a regenerative/sustainable manner.
- Assist with major event bids and then work with major event promoters to ensure the event is leveraged to activate visitors to the region.
- Maintain and strengthen support for regional tourism through partnerships with local government, the tourism industry and the wider regional community.

### People

- Implement an organisation-wide strategy that takes a holistic view of employee wellbeing, recognising wellbeing as a measure of our organisation's success.
- Provide training & development to personnel to ensure individually and collectively, our personnel remain leaders of best practice in their respective fields.
- Retain a high performing team to build resilience, capability and responsiveness to growth and change opportunities.

### Sustainability

- Achieve Level Three certification under the global Airport Carbon Accreditation Program.
- Maintain the Jet Park Hotel's Qualmark Silver Enviro rating.
- Continue to develop and implement a long-term sustainability plan aligned to advancing levels under the global Airport Carbon Accreditation Program.



## KEY PERFORMANCE TARGETS

The following annual performance targets are proposed for the Waikato Regional Airport Limited Group in relation to its core purpose and key objectives.

	Financial year ending		
	30 June 2024	30 June 2025	30 June 2026
EBITDA (excluding Land Sales)	\$6.0m	\$6.5m	\$7.0m
EBITDA (including Land Sales)	\$8.0m	\$9.5m	\$18.0m
Net profit before tax (no less than)	\$1.0m	\$3.0m	\$12.5m
Net operating cash flow (excl land sales)	\$6.0m	\$7.0m	\$15.0m
Total debt excl. design-build acquisitions (max)	\$30.0m	\$30.0m	\$55.0m
Percentage of non-landing charge revenue	60%	60%	60%
Land sales	\$3.0m	\$4.5m	\$40.0m
Interest coverage (at least)	4.0x	4.0x	4.0x

The following non-financial key performance targets are proposed for the Waikato Regional Airport Limited Group in relation to its core purpose and key objectives for the year ending 30 June 2024.

### Health, safety and wellbeing.

- Zero Work Safe notifiable accidents/injuries
- Operate a workplace that fosters employee wellbeing and improving organisational culture, as measured by the Employee Engagement Survey.

### Aeronautical compliance.

- To maintain the Airport Certification Standards as required by the Civil Aviation Authority
- Ensure airport is operationally available for all scheduled passenger services (except for uncontrollable events).

### Maintain a viable aeronautical business.

- Assist airlines to identify opportunities to increase flight schedules and passenger numbers.
- Identify and activate new development opportunities within the general aviation sector.
- Position and protect the airport as an efficient, cost effective international port.
- Remain collaborative with local authorities and central government agencies for joint infrastructure and transport initiatives.

### Property.

- Complete construction of airport infrastructure to support private aeronautical property development.
- Develop a MOU with local iwi organisations that provides for a collaborative relationship to future developments that will embrace Te Ao Maori principles and celebrating the rich cultural history of our rohe.

### Climate Change Response.

- Reduce Group electricity purchases by at least 20% on 2023 levels (measured in kWh used) upon commissioning of the first stage of the solar farm development.
- Achieve Level 3 (Optimisation) accreditation to the Airports Council International's Airport Carbon Accreditation programme.
- Reduce landfill waste through reduced usage of non-recyclable single use materials and improved sustainable material usage in construction.



## GOVERNANCE & SHAREHOLDER RELATIONS

### Governance and management of the Group.

At all times the Group will behave in a professional and ethical manner in all its business dealings with its customers and stakeholders and strive to be an employer of choice in fostering a high performing organisation. The Group is committed to its obligations under the Local Government Act 2002 to its employees, shareholders, the community including climate change response and Te Tiriti o Waitangi.

The Board and Management will ensure that all requirements to the Health & Safety at Work Act 2015 are maintained including through the engagement of an independent consultant and audit processes to ensure the organisation and its subsidiary companies are maintaining compliant and best practice processes.

### Shareholder value.

While no commercial valuation of shares has been completed, the consolidated balance sheet of WRAL as at 30 June 2022 shows shareholder equity of \$211 million based on current independent valuations of the Group's property, plant and equipment and investment properties.

The Directors will review the performance and outlook for the group annually before declaring any dividends.

### Future investment proposals.

If the Group wishes to subscribe for, purchase, or otherwise acquire shares in any other company or any other organisation, it can do so only after first obtaining approval from the majority of shareholders at either a General Meeting or at a Special Meeting convened for that purpose.

There are no additional major transactions presently contemplated for which shareholders have not already been consulted over. Major transactions in the WRAL Group are those that would result in 10% of the company's assets (by book value) being acquired or disposed by the group annually before declaring any dividends.



Taapui peeke **Bag claim**



**Check-in** Takiuru

...wehe **Departure**



Ngai tae mai **Arrivals**



<b>To</b>	<b>Performance &amp; Strategy Committee</b>
<b>Report title</b>	<b>Local Government Funding Agency Half Yearly Report and Draft Statement of Intent</b>
Date:	27 March 2023
Report Author:	Alison Diaz - Chief Financial Officer
Authorised by:	Gavin Ion - Chief Executive

## **1. Purpose of the report**

### **Te Take moo te puurongo**

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To share the Local Government Funding Agency's interim Report for the 2022/23 financial year and draft Statement of Intent for 2023/24 with the Performance & Strategy Committee.

## **2. Executive summary**

### **Whakaraapopototanga matua**

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The Local Government Funding Agency (LGFA) was established in 2011 to enable local authorities to borrow at lower interest margins than would otherwise be available. All local authorities are able to borrow from the LGFA, but different benefits apply depending on the level of participation.

Most councils who borrow from LGFA and all shareholding councils are required to enter into a guarantee of LGFA's obligations. A council that has this obligation but is not a shareholder is known as a Guaranteeing Local Authority. Councils who borrow but are not Guaranteeing Local Authorities have limits on the amount they can borrow and pay higher funding costs.

Councils who borrow from the LGFA are issued borrower notes (to the value of 2.5% of the total amount borrowed). These are held by the LGFA while the borrowing is outstanding and may in certain situations convert to shares in the LGFA.

If the LGFA was to default on its obligations Council may be required to make a payment under the guarantee. The default would need to be significant and result in LGFA's working capital being insufficient to meet its interest and principal commitments to lenders.

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Prior to any call on the guarantee the shareholder's will be required to pay up any uncalled capital and possibly subscribe for new shares to meet the LGFA's obligations.

Attached is the LGFA's Report to shareholders for half year ending 31 December 2022. Although Council is not a shareholder of the LGFA, as a guaranteeing Local Authority we receive this reporting.

The LGFA 2023/24 Draft Statement of Intent is also attached for information.

### **3. Staff recommendations** **Tuutohu-aa-kaimahi**

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**THAT the Performance & Strategy Committee receives the Local Government Funding Agency Half Yearly Report and Draft Statement of Intent.**

### **4. Attachments** **Nгаа тааpирihanga**

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Attachment 1 – Letter from the Chairman on half yearly results

Attachment 2 – Half yearly report

Attachment 3 – Letter from the Chairman on the draft Statement of Intent

Attachment 4 – draft Statement of Intent

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24 February 2023

Dear LGFA Stakeholder

### LGFA 2022-23 Half Year Report

Please find attached a copy of the Half Year Report for the six-month period to December 2022. A copy is also available for download on our website [www.lgfa.co.nz](http://www.lgfa.co.nz).

We are pleased to highlight another positive six-month period for LGFA including the following

**1. Increased lending to council and CCO borrowers**

By 31 December 2022, LGFA had a market value of loans outstanding of \$15.75 billion. We lent \$1.82 billion over the six-month period which was the second highest amount on record. We added two new councils and two new CCOs to bring the number of member councils to seventy-seven and the number of member CCOs to three.

**2. A focus on sustainability.**

We launched our Climate Action Loan (CAL) product for council and CCO members in December 2022 that will incentivise borrowers through a lower loan margin if they have a GHG emission reduction plan in place and are meeting the reduction targets.

We have approved a further three projects as eligible for Green, Social and Sustainable (GSS) loans over the six-month period, bringing the number of eligible projects to five across five councils. Councils receive a discounted borrowing margin for eligible projects.

Sustainability remains important at LGFA as noted with the CAL product launch and ongoing dialogue with councils relating to GHG emission reporting and reduction.

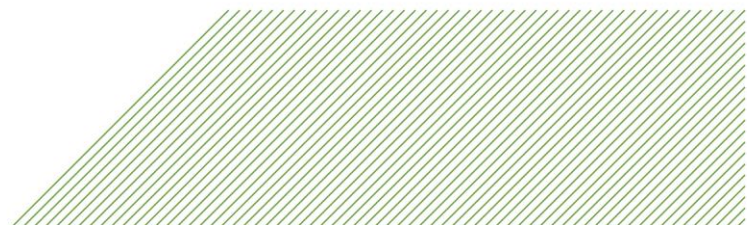
**3. A financial position tracking to forecast.**

Net Operating Profit for the six-month period was \$1.1 million, which is lower than the comparable prior period but in line with our SOI forecast. We expect a lift in profitability during the next six-month period. LGFA has \$18.14 billion of assets and Shareholder Equity of \$104.45 million as at 31 December 2022.

**4. Working with our stakeholders.**

We have been assisting Central and Local Government with the Three Waters Reform programme to ensure a smooth transition of debt from councils to the proposed new Water Services Entities in July 2024.

We continue to receive the support of our growing investor base. It is pleasing to see the amount of LGFA bonds held by offshore investors grow to a record \$5.09 billion as at 31 December 2022 as well as domestic banks, institutional and retail investors increase their holdings. Having a diverse investor base for LGFA bonds helps provide certainty of access to markets for our council and CCO borrowers.



A further highlight was LGFA being voted by market participants as the KangaNews New Zealand Debt Issuer of the Year award for 2022.

Finally, we appreciate the support of all our stakeholders and thank you for your contribution and assistance over the past six months.

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

Kind regards

A handwritten signature in black ink, appearing to read 'Mark Butcher', with a stylized flourish extending to the right.

Mark Butcher  
Chief Executive

HALF YEAR REPORT  
31 December 2022

Benefiting communities through  
delivering efficient financing  
for local government.

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

**LGFA**



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

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

Cover photo: The Green Corridors programme enhances areas of native bush along streams, provides a place for wildlife to thrive, improves water quality, and creates open green spaces from the Tararua Ranges to the Manawatū River.  
Palmerston North City Council

Contents photo: Tauroa Road Boardwalk.  
Hastings District Council



# Message from the Chair and Chief Executive

## He karere mai i te Toihau me te Tumuaki

### Financial and Operational Performance

LGFA's total interest income for the six-month period to December 2022 of \$312.9 million was a 68.4% increase over the 2021 comparable period (\$185.9 million), while net operating profit of \$1.1 million for the six-month period decreased 81.3% on the 2021 comparable period (\$5.9 million).

Net operating profit was significantly lower than the comparable period a year ago due to the sharp rise in interest rates combined with increased holdings of liquid assets. This outcome was expected and forecast in our Statement of Intent (SOI) last year. Both net interest income and operating profit were slightly ahead of the SOI forecast and we are forecasting an improvement in financial performance in the second half of the financial year.

Expenses have been managed under the SOI budget over the past six months. Lower fees relative to budget for the NZ Debt Management standby facility and lower NZX and legal fees relating to issuance were positive. These savings were offset by higher legal costs relating to considering the implications from the proposed Three Waters Reform, the development of new sustainability initiatives, including related consultancy costs.

The financial strength of LGFA was affirmed by Fitch Ratings who maintained our domestic currency credit rating at AA+ in October 2022. Our AAA rating from S&P Global Ratings was affirmed in March 2022 and remains the same as the New Zealand Government.

### Borrowing activity

LGFA issued \$1.76 billion of bonds over the past six months and outstandings now total \$17.84 billion (including \$1.10 billion of treasury stock) across 11 maturities ranging between 2023 to 2037. The average term of our bond issuance during the six months at 4.37 years was significantly shorter than the prior year period.

LGFA has the largest amount of New Zealand dollar (NZD) bonds on issue after the New Zealand Government and our individual bond tranches are amongst the largest and most liquid NZD debt instruments available for investors. Secondary market activity in our bonds continues to rise, assisting investors' access to our bonds throughout the year.

The performance of LGFA bonds over the past six months has been soft with LGFA bond spreads to New Zealand Government Bonds (NZGBs) and spreads to swap in general moving wider in line with global high grade markets. Spreads widened between 3 basis points (bps) and 25 bps to NZGB and between 7 bps to 12 bps to swap over the six-month period. The inclusion of the NZGBs into the World Government Bond Index was also positive for the performance of NZGBs relative to LGFA bonds. Outright yields on LGFA bonds rose between 157 bps (2024 maturity) and 75 bps (2033 maturity) over the six-month period.

LGFA was voted by market participants as the KangaNews New Zealand Debt Issuer of the Year award for 2022 and we want to acknowledge their support.

It is also pleasing to observe the increased participation by offshore investors over the past six months as NZD-denominated investments have become relatively

### For the six-months ended 31 December 2022

The six-months to December presented a challenging period for financial markets, with LGFA's operating performance over this period subdued due to the volatile markets. Despite the difficult conditions, LGFA continued to deliver value to members and our investor base while meeting our financial targets. Highlights over the period included launching our new Climate Action Loan product for members and being awarded the KangaNews New Zealand Debt Issuer of the year.

more attractive for investors. We estimate that offshore investors have increased their holdings of LGFA bonds over the past six months by \$638 million to a record \$5.09 billion (or 30.1% of LGFA bonds on issue), while domestic institutional and retail investors hold 33.2%, domestic banks 28.2% and the Reserve Bank 8.5%.

### Lending to the sector

LGFA was established in 2011 to provide long-dated borrowing, certainty of access to markets and to reduce the borrowing costs for the local government sector. The original 31 shareholders including the Crown remain as shareholders. Over the past six months, we added two councils and two Council-controlled organisations (CCOs) as members, with Dunedin City Council and Environment Southland joining as guarantors and Westland Holdings and Dunedin City Treasury joining as CCOs. Total membership is now 77 out of the 78 councils in New Zealand and three CCOs.

Long-dated lending to council and CCO members over the six-month period was \$1.82 billion provided to 51 members. This was the second highest amount lent over a rolling six-month period and was just below the amount of loans made during the six-month period to September 2020. Our estimated market share of total council borrowing of 89% was above forecast and the third highest annual average on record. The average tenor of long-dated borrowing by councils of 5.6 years over the six-month period was in line with prior periods. Short-dated lending for terms less than 12 months continues to be supported by councils. As at 31 December 2022, LGFA had \$493 million of short-term loans outstanding to 30 council and CCO members.

### Our role in assisting Local and Central Government

The local government sector continues to face a period of change and uncertainty having to deal with climate-related events, rising cost pressures and the Central Government-led initiatives relating to the proposed Three Waters Reform Programme and the Future for Local Government Review.

LGFA is assisting on an as-required basis, both Central Government and our council members, as they work through the proposed Three Waters Reform Programme. The Government's proposed Three Water Reform Programme will be the largest change to the local authority sector in recent years.

LGFA continues to assist the local government sector-led initiative in developing a Ratepayer Financing Scheme that may provide some financial relief to ratepayers.

**New Zealand  
Issuer of the Year  
for 2022**

KANGANEWS  
AWARDS  
2022

Thank you to our investors,  
intermediaries and market  
participants for their support.

**New products and initiatives**

We launched Green, Social and Sustainable (GSS) lending in October 2021 and over the past six months have approved three further projects as being eligible for GSS loans, bringing the number to five loans across five councils. As at 31 December 2022 we have undertaken \$101 million of GSS Loans to three councils. We launched Climate Action Loans (CALs) for councils and CCOs in December 2022. A CAL provides a discounted loan margin to those councils with a Greenhouse Gas Emission Reduction Plan in place and who are meeting their targets.

**Increasing focus on sustainability**

Sustainability plays an important part within the local government sector and at LGFA. We have undertaken several initiatives over the past year, including maintenance of CarbonZero certification from Toitu Envirocare, actively marketing our GSS loan product and establishing CALs. We reviewed the Climate Change Emergency Declarations and responses by Councils and a copy of the report is available on our website: [Review of Climate Emergency Declarations and Responses by Councils](#)

**Acknowledgments**

The Agency’s work cannot be implemented without the support of our staff, fellow directors, Shareholders Council, New Zealand Debt Management (NZDM) and Central Government, all of whose efforts should be acknowledged. John Avery, one of LGFA’s foundation directors, retired in November 2022, and we would like to take this opportunity to sincerely thank John for his invaluable contribution to LGFA since 2011.

We believe LGFA’s future remains positive and look forward to working with all stakeholders.



**Craig Stobo**  
Chair



**Mark Butcher**  
Chief Executive



Pedestrian bridge, Waikanae River, Otaihangā Domain. Kapiti Coast District Council. Photo by Mark Coote

# Performance against objectives

## Ko ngā whakatutukinga ki ngā whāinga

The statement of service performance provides a summary of LGFA's performance for the first half of the financial year against the objectives and performance targets set out in the LGFA Statement of Intent 2022-23 (SOI)

### 2022-23 Objectives and performance targets

LGFA objectives and performance targets for 2022-23 fall within the following five strategic priorities which encompass our shareholders' foundation objectives and guide the LGFA Board and management in determining our strategy:

- Governance, capability and business practice
- Optimising financing services for local government
- Environmental and social responsibility
- Effective management of loans
- Industry leadership and engagement

Our quarterly reports to shareholders provide more detail on our performance against objectives and performance targets. The reports for the quarters ended September and December 2022 are available on the LGFA website.

### Governance, capability and business practice

LGFA is committed to best practice corporate governance to ensure its long-term sustainability and success.

Objectives	Our performance to 31 December 2022
Demonstrate best practice corporate governance.	<p>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.</p> <p>Our 2022 Annual Report, released on 30 August 2022, is the most recent report with commentary on our compliance with the NZX Code.</p>
Set and model high standards of ethical behaviour.	<p>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.</p>
Ensure products and services offered to participating borrowers are delivered in a cost-effective manner.	<p>LGFA prepares annual operating budgets and monitors progress against these monthly. Our performance against our financial performance targets for the six months to 31 December is summarised below under our performance targets.</p>
Be a good employer by providing safe working conditions, training and development and equal opportunities for staff.	<p>LGFA is committed to being a good employer and we report our employment practices annually in our Annual Report.</p> <p>Our 2022 Annual Report is our most recent report outlining our health and safety and wellbeing practices and policies, including compliance with the Health and Safety at Work Act, diversity and inclusion and capability and development.</p>

Performance targets	2022-2023 target	Our performance to 31 December 2022
Comply with the Shareholder Foundation Polices and the Board-approved Treasury Policy at all times.	No breaches.	✓ No breaches.
Maintain LGFA's credit rating equal to the New Zealand Government sovereign rating where both entities are rated by the same Rating Agency.	LGFA credit ratings equivalent to NZ Sovereign.	✓ Our ratings remain equivalent to the New Zealand Government for both S&P Global Ratings and Fitch Ratings. Fitch Ratings upgraded our long-term foreign currency credit rating to AA+ on 16 September 2022. S&P Global Ratings affirmed our domestic currency credit rating at AAA in February 2022.
LGFA's total operating income for the period to 30 June 2023.	> \$12.2 million.	✓ On target to meet by 30 June 2023. \$5.651 million as at 31 December 2022.
LGFA's total operating expenses for the period to 30 June 2023.	< \$9.4 million.	✓ On target to meet by 30 June 2023. \$4.542 million as at 31 December 2022.



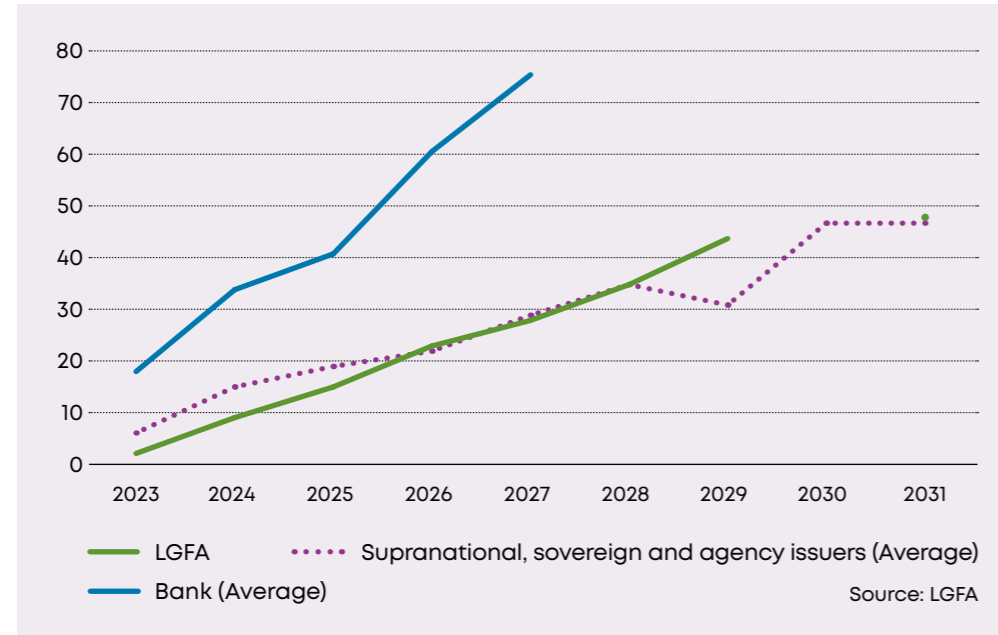
## Optimising financing services for local government

LGFA's primary objective is to optimise the terms and conditions of the debt funding it provides to participating borrowers. Amongst other things, LGFA will achieve this by delivering operational best practice and efficiency across our lending products and services.

Objectives	How we measure our performance
------------	--------------------------------

Provide interest cost savings relative to alternative sources of financing.

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



**Supranational, sovereign and agency issuers**

- |                                  |                              |
|----------------------------------|------------------------------|
| Kainga Ora (AAA)                 | KBN (AAA)                    |
| Asian Development Bank (AAA)     | Rentenbank (AAA)             |
| IADB (AAA)                       | World Bank (AAA)             |
| International Finance Corp (AAA) | Nordic Investment Bank (AAA) |

**Banks**

- |           |                    |
|-----------|--------------------|
| BNZ (AA-) | Westpac Bank (AA-) |
|-----------|--------------------|

Offer flexible short and long-term lending products that meet the borrowing requirements for borrowers.

LGFA provides members with short term loans (less than one year), long term loans on either a floating or fixed rate basis (between one year and April 2037), Green Social and Sustainable Loans and standby facilities.

- Over the six months to 31 December 2022, our members borrowed \$1.82 billion in 163 long term loans across maturity dates ranging between 2023 and 2033, with December quarter lending being the second highest on record.
- As at 31 December 2022 there were 45 short term loans totaling \$497 million.
- As at 31 December 2022, standby facilities totalled \$682 million across 13 members.

Deliver operational best practice and efficiency for lending services.

Over the six months to 31 December 2022, LGFA operations staff successfully:

- settled 842 new trades with a gross value of \$9.97 billion,
- processed 6,067 cash flows with a gross value of \$15.0 billion, and
- rate set 4,305 existing trades.

There were no LGFA settlement errors over the six months.

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

There was strong activity in LGFA bonds in both the primary market (tender or syndicated issuance) and secondary market (between banks and investors). Over the six months to 31 December 2022, we issued \$1.76 billion of primary bonds and secondary market turnover totalled \$5.14 billion. Secondary market turnover of \$3.1 billion over the December quarter was at the second highest on record.

Performance targets	2022-2023 target	Our performance to 31 December 2022
---------------------	------------------	-------------------------------------

Share of aggregate long-term debt funding to the Local Government sector.	> 80%	✓ 89% as at 31 December 2022 (compared to a historical average of 75% since 2012).
Total lending to Participating Borrowers.	> \$15,004 million	✓ On target to meet by 30 June 2023. \$15,751 million as at 31 December 2022.
Conduct an annual survey of Participating Borrowers who borrow from LGFA as to the value added by LGFA to the borrowing activities.	> 85% satisfaction score	✓ 100% satisfaction score in August 2022 Stakeholder Survey.
Successfully refinance existing loans to councils and LGFA bond maturities as they fall due.	100%	✓ 100%
Meet all lending requests from Participating Borrowers, where those requests meet LGFA operational and covenant requirements.	100%	✓ 100%



Waikato riverpath.  
Hamilton City Council

## Environmental and social responsibility

LGFA recognises the risks inherent in climate change for councils and supports New Zealand's shift to a low-carbon economy. LGFA will exhibit a sense of social and environmental responsibility by having regard to the interests of the community in which it operates and by endeavouring to accommodate or encourage these when able to do so.

Objectives	How we measure our performance
Assist the local government sector in achieving their sustainability and climate change objectives.	<p>Over the six months, we approved GSS loans to Hutt City Council for the Naenae swimming pool, Whangarei District Council for the Civic Centre, and approved our first eligible project for social lending for Christchurch City Council's Ōtautahi Community Housing Trust.</p> <p>In total, to date we have approved five GSS loans with a combined approved value of \$543 million, with \$101 million of loans drawn down to date.</p> <p>On 1 December 2022, we launched Climate Action Loans (CALs) which provides councils with a discounted loan margin if they have implemented a Greenhouse Gas Emission Reduction Plan and meet their emission reduction targets.</p> <p>LGFA completed research on which New Zealand councils declared a climate emergency over 2019-2020 (16 out of 78), their subsequent responses and any opportunities for LGFA. A copy of our report is available from our website: <a href="#">Review of Climate Emergency Declarations and Responses by Councils</a></p>

Improve sustainability outcomes within LGFA.	In 2021, LGFA directors committed to reducing our carbon emissions over time, with our target of cutting per employee emissions by 30% by 2030, compared with a 2018/19 base year. We are currently working on translating this target into annual carbon reduction plan targets.
--	---

Performance targets	2022-2023 target	Our performance to 31 December 2022
Comply with the Health and Safety at Work Act 2015.	No breaches	✓ No breaches.
Maintain Toitū Carbon Zero certification.	Carbon-zero certification maintained.	✓ Toitū Net Carbon-zero recertification approved 11 October 2022.
Meet reduction targets outlined in our carbon reduction management plan.	Reduction targets met.	✗ We are currently working on translating this target into annual carbon reduction plan targets.
Increase our GSS lending book.	Two new participating borrowers enter into GSS loans.	✓ Three new participating borrowers approved for GSS lending.
Ensure Annual Report is prepared in compliance with applicable GRI Standards.	100%	✓ 2022 Annual Report prepared to meet the requirements of the Global Reporting Initiative (GRI) Standards (core option).
Meet all mandatory climate reporting standards.	100%	✓ Voluntarily comply with GRI standards (core option). Undertaking development work on meeting Climate Related Disclosure requirements.

## Effective management of loans

LGFA will ensure its loan book remains at a high standard by ensuring it understands each participating borrower's financial position. LGFA manages its assets within an appropriate risk management framework to ensure shareholder value is not compromised.

Objectives	How we measure our performance
Proactively monitor and review each Participating Borrower's financial position, including its financial headroom under LGFA policies.	Over the six months, we reviewed council agendas and management reports on an ongoing basis for all members on the LGFA borrower watch-list. We have received compliance certificates for LGFA covenants from all of our members with debt outstanding at June 2022 and no council has requested that they be measured on a group basis. Some certificates have been provided based upon unaudited financial statements given the delays in providing final audit signoff due to audit shortages.
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.	We met with 30 borrowers over the six months and are on target to meet with all members by 30 June 2023.

Performance targets	2022-2023 target	Our performance to 31 December 2022
Review each participating borrower's financial position under LGFA policies.	100%	✓ On target to meet by 30 June 2023.
Arrange to meet each Participating Borrower at least annually, including meeting with elected officials as required, or if requested.	100%	✓ On target to meet by 30 June 2023.

## Industry leadership and engagement

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

Objectives	How we measure our performance
<p>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.</p>	<p>This year we have introduced two new webinars for members:</p> <ul style="list-style-type: none"> <li>• LGFA Quarterly Update</li> <li>• An Economic and Financial Market Update by BNZ</li> </ul> <p>These inaugural webinars were well attended by participants and will be formalised as ongoing quarterly events.</p>
<p>Assist the local government sector with significant matters such as COVID-19 response and the proposed Three Waters Reform Programme.</p>	<p>Over the six months we met with Treasury, the National Transition Unit and Policy teams at DIA (and their advisers) regarding proposed Three Waters Reform, working actively on issues relating how to the transition of council debt on 1 July 2024, as well as the borrowing options for the Water Services Entities (WSEs) following transition. The Water Services Legislation Bill was introduced to Parliament in December and, in consultation with key stakeholders, we are considering the contents of the Bill and what potential role LGFA could play under the proposed Three Waters Reform Programme.</p>
<p>Support councils and CCOs in the development of reporting disclosures of the impacts of sector activity on climate change.</p>	<p>LGFA has provided input into the Ratepayer Financing Scheme (RFS) project managed by a group of councils with advice from Cameron Partners. If successful, the RFS could offer temporary financial relief to ratepayers via rates postponement. LGFA is not contributing financially to this project but providing intellectual capital and assistance.</p> <p>We are continuing work on initiatives to reduce compliance and documentation requirements for members when they borrow.</p> <p>Met with Chair of the Review into the Future for Local Government.</p>



Bay of Plenty Regional Oil Spill Response Team training exercise in Tauranga Harbour.  
Bay of Plenty Regional Council

# Financial statements

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### Statement of comprehensive income

For the six months ended 31 December 2022 in \$000s

	Note	Unaudited six months ended 31 December 2022	Unaudited six months ended 31 December 2021
Interest income		312,883	185,886
Interest expense		307,904	176,709
<b>Net interest income</b>	<b>4</b>	<b>4,979</b>	<b>9,178</b>
Other operating income	5	671	526
<b>Total operating income</b>		<b>5,651</b>	<b>9,704</b>
Operating expenses	6	4,542	3,769
<b>Net operating profit</b>		<b>1,108</b>	<b>5,935</b>
<b>Total comprehensive income</b>		<b>1,108</b>	<b>5,935</b>

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

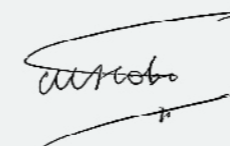
Due to rounding, numbers presented in the financial statements and associated notes may not add up precisely to the reported totals.

The Board of Directors of the New Zealand Local Government Funding Agency Limited authorised these statements or issue on 24 February 2023.

### Statement of changes in equity

For the six months ended 31 December 2022 in \$000s

	Note	Share capital	Retained earnings	Total equity
<b>Equity as at 1 July 2021</b>		<b>25,000</b>	<b>69,744</b>	<b>94,744</b>
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)
<b>Equity as at 1 July 2022</b>		<b>25,000</b>	<b>79,559</b>	<b>104,560</b>
Net operating profit			1,108	1,108
Total comprehensive income for the year			1,108	1,108
Transactions with owners			-	-
Dividend paid on 2 September 2022			(1,218)	(1,218)
<b>Unaudited closing balance as at 31 December 2022</b>	<b>17</b>	<b>25,000</b>	<b>79,450</b>	<b>104,450</b>



Craig Stobo, Director  
Board Chair



Linda Robertson, Director  
Chair, Audit and Risk Committee

## Statement of financial position

As at 31 December 2022 in \$000s

	Note	Unaudited as at 31 December 2022	Audited as at 30 June 2022
<b>Assets</b>			
<b>Financial assets</b>			
Receivables		1,895	360
Cash and bank balances		64,921	158,033
Cash pledged as collateral		337,009	76
Marketable securities		1,312,958	1,491,148
Deposits		594,359	462,866
Derivatives in gain		77,470	94,767
Loans	8	15,751,420	14,041,908
<b>Non-financial assets</b>			
Prepayments		1,150	852
Other assets	9	112	156
<b>Total assets</b>		<b>18,141,294</b>	<b>16,250,167</b>
<b>Equity</b>			
Share capital	16	25,000	25,000
Retained earnings		79,450	79,560
<b>Total equity</b>		<b>104,450</b>	<b>104,560</b>
<b>Liabilities</b>			
<b>Financial liabilities</b>			
Payables and provisions	10	95,576	45,066
Bills	11	636,949	562,803
Bond repurchases	12	108,077	31,671
Derivatives in loss		1,717,879	1,206,175
Bonds	13	15,146,187	14,015,862
Borrower notes	14	331,468	283,180
<b>Non-financial liabilities</b>			
Other liabilities	15	708	850
<b>Total liabilities</b>		<b>18,036,844</b>	<b>16,145,607</b>
<b>Total equity and liabilities</b>		<b>18,141,294</b>	<b>16,250,167</b>

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

## Statement of cash flows

For the six months ended 31 December 2022 in \$000s

	Note	Unaudited six months ended 31 December 2022	Unaudited six months ended 31 December 2021
<b>Cash Flow from Operating Activities</b>			
Cash applied to loans	8	(1,639,024)	(1,427,636)
Interest paid on bonds issued		(228,725)	(215,363)
Interest paid on bills issued		(10,088)	(1,591)
Interest paid on borrower notes		(131)	(212)
Interest paid on bond repurchases		(1,738)	(254)
Interest received from loans		224,165	76,952
Interest received from cash & cash equivalents		2,396	1,031
Interest received from marketable securities		13,570	5,624
Interest received from deposits		5,897	2,206
Net interest on derivatives		2,276	136,753
Cash proceeds from provision of standby facilities		671	526
Payments to suppliers and employees		(5,317)	(3,927)
<b>Net cash flow from operating activities</b>	<b>18</b>	<b>(1,636,047)</b>	<b>(1,425,888)</b>
<b>Cashflow from Investing Activities</b>			
Purchase of marketable securities		206,657	(594,958)
(Purchase)/maturity of deposits		(462,937)	(185,743)
Purchase of plant and equipment		-	-
<b>Net Cashflow from Investing Activities</b>		<b>(256,280)</b>	<b>(780,701)</b>
<b>Cash flows from financing activities</b>			
Cash proceeds from bonds issued	13	1,477,890	2,096,802
Cash proceeds (outflows) from bills issued		74,146	(75,367)
Cash proceeds (outflows) from bond repurchases		76,195	158,143
Cash proceeds from borrower notes		41,598	35,509
Dividends paid		(1,218)	(857)
Cash applied to derivatives		130,604	(25,240)
<b>Net cash flows from financing activities</b>		<b>1,799,215</b>	<b>2,188,991</b>
Net (Decrease) / Increase in Cash		(93,112)	(17,599)
Cash, cash equivalents at beginning of year		158,033	391,835
<b>Cash, cash equivalents at end of year</b>		<b>64,921</b>	<b>374,236</b>

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

## Notes to the financial statements

### 1. Reporting entity

The New Zealand Local Government Funding Agency Limited (LGFA) is a company registered under the Companies Act 1993 and is subject to the requirements of the Local Government Act 2002.

LGFA is controlled by participating local authorities and is a council-controlled organisation as defined under section 6 of the Local Government Act 2002. LGFA is a limited liability company incorporated and domiciled in New Zealand.

The primary objective of LGFA is to optimise the debt funding terms and conditions for participating borrowers.

The registered address of LGFA is Level 8, City Chambers, 142 Featherston Street, Wellington Central, Wellington 6011.

These financial statements were authorised for issue by the Directors on 24 February 2023.

### 2. Statement of compliance

The interim financial statements are for the six months ended 31 December 2022 and are to be read in conjunction with the annual report for the year ended 30 June 2021.

The financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice (NZ GAAP) and in compliance with NZ IAS 34 Interim Financial Reporting.

### 3. Basis of preparation

#### Measurement base

The financial statements have been prepared on a historical cost basis modified by the revaluation of certain assets and liabilities.

The financial statements are prepared on an accrual basis.

#### Functional and presentation currency

The financial statements are presented in New Zealand dollars rounded to the nearest thousand, unless separately identified. The functional currency of LGFA is New Zealand dollars.

#### Foreign currency conversions

Transactions denominated in foreign currency are translated into New Zealand dollars using exchange rates applied on the trade date of the transaction.

#### Changes in accounting policies

There have no changes to accounting policies.

#### Early adoption standards and interpretations

LGFA has not early adopted any standards.

#### Standards not yet adopted

LGFA does not consider any standards or interpretations in issue but not yet effective to have a significant impact on its financial statements.

#### Financial instruments

##### Financial assets

Financial assets, other than derivatives, are recognised initially at fair value plus transaction costs and subsequently measured at amortised cost using the effective interest rate method.

Cash and cash equivalents include cash on hand, bank accounts and deposits with an original maturity of no more than three months.

Cash provided by LGFA as security for financial arrangements remains a financial asset of LGFA and is recognised as cash pledged as collateral in the Statement of Financial Position, separate from cash and cash equivalents

Purchases and sales of all financial assets are accounted for at trade date.

At each balance date, an expected credit loss assessment is performed for all financial assets and is calculated as either:

- Credit losses that may arise from default events that are possible within the next 12 months, where no significant increase in credit risk has arisen since acquisition of the asset, or
- Credit losses that may arise from default events that are possible over the expected life of the financial asset, where a significant increase in credit risk has arisen since acquisition of the asset.

Impairment losses on financial assets will ordinarily be recognised on initial recognition as a 12-month expected loss allowance and move to a lifetime expected loss allowance if there is a significant deterioration in credit risk since acquisition.

##### Financial liabilities

Financial liabilities, other than derivatives, are recognised initially at fair value less transaction costs and subsequently measured at amortised cost using the effective interest rate method.

##### Derivatives

Derivative financial instruments are recognised both initially and subsequently at fair value. They are reported as either assets or liabilities depending on whether the derivative is in a net gain or net loss position respectively.

##### Fair value hedge

Where a derivative qualifies as a hedge of the exposure to changes in fair value of an asset or liability (fair value hedge) any gain or loss on the derivative is recognised in profit and loss together with any changes in the fair value of the hedged asset or liability.

The carrying amount of the hedged item is adjusted by the fair value gain or loss on the hedged item in respect of the risk being hedged. Effective parts of the hedge are recognised in the same area of profit and loss as the hedged item.

##### Other assets

##### Property, plant and equipment

Items of property, plant and equipment are initially recorded at cost.

Depreciation is charged on a straight-line basis at rates calculated to allocate the cost or valuation of an item of property, plant and equipment, less any estimated residual value, over its remaining useful life.

##### Intangible assets

Intangible assets comprise software and project costs incurred for the implementation of the treasury management system. Capitalised computer software costs are amortised on a straight-line basis over the estimated useful life of the software (three to seven years). Costs associated with maintaining computer software are recognised as expenses.

##### Other liabilities

##### Employee entitlements

Employee entitlements to salaries and wages, annual leave and other similar benefits are recognised in the profit and loss when they accrue to employees.

##### Revenue

##### Interest income

Interest income is accrued using the effective interest rate method.

The effective interest rate exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. The method applies this rate to the principal outstanding to determine interest income each period.

##### Expenses

Expenses are recognised in the period to which they relate.

##### Interest expense

Interest expense is accrued using the effective interest rate method.

The effective interest rate exactly discounts estimated future cash payments through the expected life of the financial liability to that liability's net carrying amount. The method applies this rate to the principal outstanding to determine interest expense each period.

##### Income tax

LGFA is exempt from income tax under Section 14 of the Local Government Borrowing Act 2011.

##### Goods and services tax

All items in the financial statements are presented exclusive of goods and service tax (GST), except for receivables and payables, which are presented on a GST-inclusive basis. Where GST is not recoverable as input tax, then it is recognised as part of the related asset or expense.

The net amount of GST recoverable from, or payable to, the IRD is included as part of receivables or payables in the statement of financial position.

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

Commitments and contingencies are disclosed exclusive of GST.

##### Segment reporting

LGFA operates in one segment being funding of participating borrowers in New Zealand.

##### Judgements and estimations

The preparation of these financial statements requires judgements, estimates and assumptions that affect the application of policies and reported amounts. For example, the fair value of financial instruments depends critically on judgements regarding future cash flows, including inflation assumptions and the risk-free discount rate.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates and these estimates and underlying assumptions are reviewed on an ongoing basis. Where these judgements significantly affect the amounts recognised in the financial statements they are described in the following notes.

The financial statements as at 31 December 2022 include estimates and judgements of the proposed Three Waters Reform Programme on LGFA's financial position and performance. Whilst there has been no material impact on the estimates and judgements at the date these financial statements are authorised, it is

noted that there is significant uncertainty with regards to the medium and long-term effects of COVID-19, as

well as the outcome of proposed Three Waters Reform Programme on the local government sector.

#### 4. Net interest income

in \$000s	Unaudited six months ended 31 December 2022	Unaudited six months ended 31 December 2021
Interest income		
Cash and cash equivalents	4,098	1,036
Marketable securities	18,342	4,259
Lease liability	16	-
Deposits	9,668	3,129
Derivatives	-	90,015
Loans	280,759	87,447
Fair value hedge ineffectiveness	-	-
<b>Total interest income</b>	<b>312,883</b>	<b>185,886</b>
Interest expense		
Bills	10,088	1,591
Bond repurchase transactions	1,949	319
Lease liability	-	5
Derivatives	66,245	-
Bonds	224,425	173,439
Borrower notes	5,196	1,355
<b>Total interest expense</b>	<b>307,904</b>	<b>176,709</b>
<b>Net interest income</b>	<b>4,979</b>	<b>9,178</b>

#### 5. Other operating income

As at 30 June 2022, LGFA had provided credit standby facilities totalling \$662 million to selected councils. As at balance date, there were no drawdowns outstanding under the facilities.

in \$000s	Unaudited six months ended 31 December 2022	Unaudited six months ended 31 December 2021
Standby facilities fee income	671	526
<b>Total other operating income</b>	<b>671</b>	<b>526</b>

#### 6. Operating expenses

Issuance and on-lending expenses are those costs that are incurred as a necessary expense to facilitate the ongoing issuance of LGFA debt securities.

in \$000s	Unaudited six months ended 31 December 2022	Unaudited six months ended 31 December 2021
<b>Issuance and on-lending expenses</b>		
Approved issuer levy <sup>1</sup>	343	325
Rating agency fees	333	324
NZDM facility fee	652	250
Legal fees - issuance	205	225
NZX	367	390
Trustee fees	55	51
Regulatory, registry, other fees	106	68
	<b>2,062</b>	<b>1,633</b>
<b>Other operating expenses</b>		
Information technology	341	399
Consultants	127	95
Directors fees	213	212
Insurance	47	43
Legal fees	156	51
Other expenses	230	136
Auditors' remuneration		
Statutory audit	55	55
Advisory services	-	-
Personnel	1,312	1,145
	<b>2,481</b>	<b>2,135</b>
<b>Total operating expenses</b>	<b>4,542</b>	<b>3,769</b>

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

## 7. Hedge accounting

LGFA is exposed to interest rate risk from its borrowing, lending and investment activities and uses interest rate swaps to manage this risk. For hedge accounting purposes, LGFA has designated these swaps in fair value relationships to its fixed rate borrowings, loans and investments.

The following table shows the gain or loss on the hedging instrument and the hedged item attributable to the hedged risk for fair value hedge relationships.

in \$000s	Unaudited six months ended 31 December 2022	Unaudited six months ended 31 December 2021
Hedging instruments - interest rate swaps	329,876	520,010
Hedged items attributable to the hedged risk	(329,876)	(520,010)
<b>Ineffectiveness recognised in profit or loss from fair value hedges</b>	<b>-</b>	<b>-</b>

The gains or losses on the hedging instrument (interest rate swaps) and the hedged item (bonds, loans and investments) are mapped to the same fair value account. For this reason, the statement of comprehensive income will only report any ineffectiveness arising from the fair value hedge.

## 8. Loans

in \$000s	Unaudited as at 31 December 2022		Audited as at 30 June 2022	
	Short-term loans <sup>1</sup>	Loans	Short-term loans	Loans
Ashburton District Council	7,064	79,152	12,048	78,898
Auckland Council	-	3,629,211	-	3,413,415
Bay of Plenty Regional Council	25,465	167,970	25,651	167,941
Buller District Council	-	20,027	-	20,015
Canterbury Regional Council	-	75,366	4,018	75,214
Carterton District Council	-	14,772	-	14,762
Central Hawkes Bay District Council	1,011	28,168	2,024	20,107
Central Otago District Council	10,083	5,050	5,024	-
Christchurch City Council	-	2,285,660	2,017	2,036,724
Clutha District Council	7,547	37,590	5,532	32,394
Far North District Council	-	71,895	-	71,822
Gisborne District Council	-	111,572	-	86,095
Gore District Council	8,573	35,263	6,035	29,631
Greater Wellington Regional Council	-	636,734	-	576,343
Grey District Council	3,944	26,781	3,980	26,717
Hamilton City Council	-	726,508	-	633,049
Hastings District Council	-	275,067	-	237,990
Hauraki District Council	-	52,432	-	43,212
Hawkes Bay Regional Council	-	46,141	-	37,992
Horizons Regional Council	11,942	49,831	11,984	49,771
Horowhenua District Council	21,187	131,653	11,001	127,395
Hurunui District Council	8,073	34,307	8,033	30,147
Hutt City Council	-	303,302	-	256,607
Invercargill City Council	36,004	68,763	12,845	68,725
Invercargill City Holdings Ltd	18,469	68,438	22,076	68,354
Kaikoura District Council	-	5,341	-	5,331
Kaipara District Council	-	44,425	-	44,229
Kapiti Coast District Council	-	257,151	-	256,128
Kawerau District Council	-	2,005	-	-
Mackenzie District Council	2,018	8,080	10,002	-
Manawatu District Council	11,570	77,919	11,559	77,725
Marlborough District Council	47,553	107,324	37,325	100,289
Masterton District Council	-	56,244	-	50,260
Matamata-Piako District Council	-	45,907	-	38,191
Nelson City Council	-	171,371	-	140,581
New Plymouth District Council	10,084	216,117	-	170,350
Northland Regional Council	-	14,148	-	14,147
Opotiki District Council	-	9,067	-	7,073

1. As at 31 December 2022, \$2,415 million of loans are due to mature within 12 months. This comprises all short-term loans and \$1,922 million of loans.



in \$000s	Unaudited as at 31 December 2022		Audited as at 30 June 2022	
	Short-term loans <sup>1</sup>	Loans	Short-term loans	Loans
Otago Regional Council	26,793	73,682	66,715	48,443
Otorohanga District Council	-	4,028	-	4,028
Palmerston North City Council	-	213,980	-	187,872
Porirua City Council	-	178,148	-	172,335
Queenstown Lakes District Council	55,703	401,978	50,275	241,015
Rangitikei District Council	-	19,158	-	19,157
Rotorua District Council	53,600	275,679	43,112	245,298
Ruapehu District Council	8,037	29,588	8,020	29,557
Selwyn District Council	-	85,725	-	75,343
South Taranaki District Council	-	113,060	-	112,566
South Waikato District Council	4,954	34,294	4,874	34,171
Southland District Council	-	16,900	-	16,899
South Wairarapa District Council	-	26,631	-	26,537
Stratford District Council	-	32,359	6,027	26,299
Taranaki Regional Council	3,963	19,632	-	14,587
Tararua District Council	2,013	55,670	-	51,244
Tasman District Council	24,295	235,580	24,193	198,190
Taupo District Council	-	171,208	-	125,522
Tauranga City Council	-	761,621	-	648,528
Thames-Coromandel District Council	-	73,665	-	73,365
Timaru District Council	29,108	152,022	28,724	136,516
Upper Hutt City Council	-	95,766	-	91,421
Waikato District Council	-	110,947	-	95,454
Waikato Regional Council	-	25,202	-	25,120
Waimakariri District Council	-	171,473	-	170,903
Waimate District Council	-	3,534	-	-
Waipa District Council	26,030	154,231	25,530	124,377
Wairoa District Council	-	11,102	-	10,062
Waitaki District Council (WD)	6,903	31,201	4,491	20,583
Waitomo District Council	4,027	24,160	4,017	24,092
Wellington City Council	-	1,195,968	-	967,101
West Coast Regional Council	-	11,396	3,761	6,616
Western Bay Of Plenty District Council	-	70,687	-	70,366
Westland District Council	-	30,050	-	29,933
Westland Holdings Ltd	-	2,405	-	-
Whakatane District Council	-	108,433	-	86,396
Whanganui District Council	7,544	99,907	7,523	99,522
Whangarei District Council	9,947	183,505	9,972	182,813
Fair value hedge adjustment	-	(43,416)	-	(36,332)
<b>Total loans</b>	<b>493,505</b>	<b>15,257,915</b>	<b>478,385</b>	<b>13,563,522</b>

## 9. Other assets

in \$000s	Unaudited as at 31 December 2022	Audited as at 30 June 2022
Right-of-use lease asset	112	156
<b>Total other assets</b>	<b>112</b>	<b>156</b>

## 10. Payables and provisions

in \$000s	Unaudited as at 31 December 2022	Audited as at 30 June 2022
Loans/purchases to be advanced	95,000	44,000
Trade creditors	185	800
Credit provision	139	161
Other provisions	252	105
<b>Total payables and provisions</b>	<b>95,576</b>	<b>45,066</b>

## 11. Bills

Unaudited as at 31 December 2022 in \$000s	Face value	Unamortised premium	Accrued interest	Total
13 January 2023	145,000	(139)	-	144,861
2 February 2023	25,000	(78)	-	24,922
10 February 2023	80,000	(337)	-	79,663
17 February 2023	20,000	(107)	-	19,893
28 February 2023	50,000	(348)	-	49,652
10 March 2023	70,000	(538)	-	69,462
15 March 2023	50,000	(436)	-	49,564
20 March 2023	52,000	(504)	-	51,496
5 April 2023	25,000	(265)	-	24,735
12 April 2023	20,000	(234)	-	19,766
18 April 2023	15,000	(191)	-	14,809
10 May 2023	15,000	(245)	-	14,755
7 June 2023	25,000	(522)	-	24,478
14 June 2023	50,000	(1,106)	-	48,894
<b>Total bills</b>	<b>642,000</b>	<b>(5,051)</b>	<b>-</b>	<b>636,949</b>

Audited as at 30 June 2022 in \$000s	Face value	Unamortised premium	Accrued interest	Total
7 July 2022	15,000	-	(4)	14,996
13 July 2022	70,000	-	(30)	69,970
19 July 2022	35,000	-	(33)	34,967
4 August 2022	25,000	-	(33)	24,967
10 August 2022	80,000	-	(167)	79,833
19 August 2022	20,000	-	(60)	19,940
30 August 2022	50,000	-	(201)	49,799
9 September 2022	68,000	-	(296)	67,704
14 September 2022	100,000	-	(538)	99,462
19 September 2022	27,000	-	(120)	26,880
6 October 2022	25,000	-	(148)	24,852
9 November 2022	25,000	-	(238)	24,762
7 December 2022	25,000	-	(329)	24,671
<b>Total bills</b>	<b>565,000</b>	<b>-</b>	<b>(2,197)</b>	<b>562,803</b>

## 12. Treasury stock and bond repurchases

Periodically, LGFA subscribes for LGFA bonds as part of its tender process and holds these bonds as treasury stock. LGFA bonds held by LGFA as treasury stock are derecognised at the time of issue and no liability is recognised in the statement of financial position. As at 31 December 2022, \$1,100 million of LGFA bonds had been subscribed as treasury stock.

LGFA makes these treasury stock bonds available to banks authorised as its tender counterparties to borrow under short-term repurchase transactions. The objective of the bond lending facility is to assist with improving secondary market liquidity in LGFA bonds. Bonds lent to counterparties are disclosed as a separate stock lending liability on the face of the statement of financial position.

in \$000s	Unaudited as at 31 December 2022	Audited as at 30 June 2022
15 April 2023	4,054	
15 April 2024	-	1,456
15 April 2025	9,512	6,773
15 April 2026	893	5,395
15 April 2027	35,962	-
15 May 2028	-	-
20 April 2029	15,416	7,390
15 May 2031	8,223	-
14 April 2033	-	4,566
15 May 2035	-	818
15 April 2037	34,017	5,272
<b>Total bond repurchases</b>	<b>108,077</b>	<b>31,671</b>

## 13. Bonds

Bonds on issue do not include \$1,100 million face value of issued LGFA bonds subscribed by LGFA and held as treasury stock. Refer Note 12: Treasury stock and bond repurchase transactions.

Unaudited as at 31 December 2022 in \$000s	Face Value	Unamortised premium	Accrued interest	Fair value hedge adjustment	Total
<b>Fixed interest bonds</b>					
15 April 2023	1,830,000	9,127	21,568		
15 April 2024	2,108,000	862	10,164		
15 April 2025	2,409,000	(45,646)	14,196		
15 April 2026	2,055,000	(52,395)	6,605		
15 April 2027	1,881,000	78,421	18,138		
15 May 2028	1,373,000	(59,559)	4,011		
20 April 2029	1,562,000	(60,236)	4,699		
15 May 2031	1,000,000	(42,471)	2,921		
14 April 2033	1,350,000	34,731	10,255		
15 May 2035	400,000	2,096	1,558		
15 April 2037	770,000	(25,117)	3,300		
<b>Total bonds</b>	<b>16,738,000</b>	<b>(160,188)</b>	<b>97,415</b>	<b>(1,529,039)</b>	<b>15,146,187</b>

Audited as at 30 June 2022 in \$000s	Face Value	Unamortised premium	Accrued interest	Fair value hedge adjustment	Total
<b>Fixed interest bonds</b>					
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		
<b>Total fixed interest</b>	<b>14,975,000</b>	<b>8,962</b>	<b>86,989</b>	<b>(1,185,774)</b>	<b>13,885,177</b>
<b>Floating rate notes</b>					
14 October 2022	130,000	(7)	692	-	130,684
<b>Total bonds</b>	<b>15,105,000</b>	<b>8,955</b>	<b>87,681</b>	<b>(1,185,774)</b>	<b>14,015,862</b>

## 14. Borrower notes

Borrower notes are subordinated debt instruments which are required to be held by each local authority that borrows from LGFA in an amount equal to a fixed percentage of the aggregate borrowings by that local authority. The fixed percentage is 2.5% for loans issued from 1 July 2020. Prior to this date, the fixed percentage was 1.6%.

LGFA may convert borrower notes into redeemable shares if it has made calls for all unpaid capital to be paid in full and the LGFA Board determines it is still at risk of imminent default.

## 15. Other liabilities

in \$000s	Unaudited as at 31 December 2022	Audited as at 30 June 2022
Lease liability	112	156
Accruals	596	694
<b>Total other liabilities</b>	<b>708</b>	<b>850</b>

## 16. Share capital

As at 31 December 2022, LGFA had 45 million ordinary shares on issue, 20 million of which remain uncalled.

All ordinary shares rank equally with one vote attached to each ordinary share. Ordinary shares have a face value of \$1 per share.

## 17. Shareholder information

Registered holders of equity securities	As at 31 December 2022		As at 30 June 2022	
Minister of Finance and Minister for Local Government	5,000,000	11.1%	5,000,000	11.1%
Auckland Council	3,731,960	8.3%	3,731,960	8.3%
Christchurch City Council	3,731,960	8.3%	3,731,960	8.3%
Hamilton City Council	3,731,960	8.3%	3,731,960	8.3%
Bay of Plenty Regional Council	3,731,958	8.3%	3,731,958	8.3%
Greater Wellington Regional Council	3,731,958	8.3%	3,731,958	8.3%
Tasman District Council	3,731,958	8.3%	3,731,958	8.3%
Tauranga City Council	3,731,958	8.3%	3,731,958	8.3%
Wellington City Council	3,731,958	8.3%	3,731,958	8.3%
Western Bay of Plenty District Council	3,731,958	8.3%	3,731,958	8.3%
Whangarei District Council	1,492,784	3.3%	1,492,784	3.3%
Hastings District Council	746,392	1.7%	746,392	1.7%
Marlborough District Council	400,000	0.9%	400,000	0.9%
Selwyn District Council	373,196	0.8%	373,196	0.8%
Gisborne District Council	200,000	0.4%	200,000	0.4%
Hauraki District Council	200,000	0.4%	200,000	0.4%
Horowhenua District Council	200,000	0.4%	200,000	0.4%
Hutt City Council	200,000	0.4%	200,000	0.4%
Kapiti Coast District Council	200,000	0.4%	200,000	0.4%
Manawatu District Council	200,000	0.4%	200,000	0.4%
Masterton District Council	200,000	0.4%	200,000	0.4%
New Plymouth District Council	200,000	0.4%	200,000	0.4%
Otorohanga District Council	200,000	0.4%	200,000	0.4%
Palmerston North District Council	200,000	0.4%	200,000	0.4%
South Taranaki District Council	200,000	0.4%	200,000	0.4%
Taupo District Council	200,000	0.4%	200,000	0.4%
Thames-Coromandel District Council	200,000	0.4%	200,000	0.4%
Waimakariri District Council	200,000	0.4%	200,000	0.4%
Waipa District Council	200,000	0.4%	200,000	0.4%
Whakatane District Council	200,000	0.4%	200,000	0.4%
Whanganui District Council	200,000	0.4%	200,000	0.4%
<b>Total</b>	<b>45,000,000</b>	<b>100%</b>	<b>45,000,000</b>	<b>100%</b>

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

in \$000s	Unaudited six months ended 31 December 2022	Unaudited six months ended 31 December 2021
Net profit/(loss) for the period	1,108	5,935
Cash applied to loans	(1,639,024)	(1,427,636)
<b>Non-cash adjustments</b>		
Amortisation and depreciation	2,643	(3,955)
<b>Working capital movements</b>		
Net change in trade debtors and receivables	(378)	13
Net change in prepayments	(298)	(319)
Net change in accruals	(98)	73
<b>Net Cash From Operating Activities</b>	<b>(1,636,047)</b>	<b>(1,425,888)</b>

## 19. Related parties

### Identity of related parties

LGFA is related to the local authorities set out in the Shareholder Information in note 17.

LGFA operates under an annual Statement of Intent that sets out the intentions and expectations for LGFA's operations and lending to participating borrowers.

Shareholding local authorities, and non-shareholder local authorities who borrow more than \$20 million, are required to enter into a guarantee when they join or participate in LGFA. The guarantee is in respect of the payment obligations of other guaranteeing local authorities to the LGFA (cross guarantee) and of the LGFA itself.

### Related party transactions

LGFA was established for the purpose of raising funds from the market to lend to participating borrowers. The lending to individual councils is disclosed in note 8, and interest income recognised on this lending is shown in the statement of comprehensive income.

The purchase of LGFA borrower notes by participating borrowers. Refer note 14.

The Treasury (New Zealand Debt Management) provides LGFA with a committed credit facility and is LGFA's derivatives counterparty.

# Directory

## Rārangi tauwaea

### Postal address

P.O. Box 5704, Lambton Quay  
Wellington 6145

### Office hours

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

### General enquiries

lgfa@lgfa.co.nz

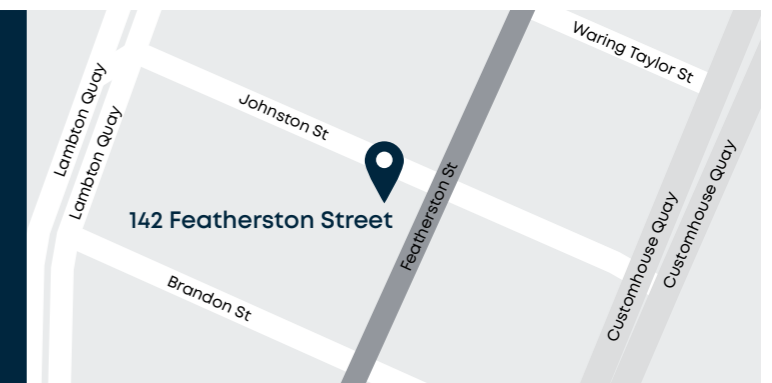
### Staff e-mail addresses

firstname.lastname@lgfa.co.nz

Phone +64 4 974 6530

### Wellington

Registered office  
Level 8  
City Chambers  
142 Featherston Street  
Wellington 6011  
(entrance on Johnston Street)



### Auckland

Level 5  
Walker Wayland Centre  
53 Fort Street  
Auckland 1010





24 February 2023

Dear Shareholder

### **Draft Statement of Intent 2023-26**

Please find attached a copy of the draft Statement of Intent (SOI) for the 2023-26 period.

LGFA continues to focus on delivering strong results for both our council borrowers and shareholders.

For our borrowing councils we seek to optimize funding terms and conditions by

- Achieving savings in borrowing costs
- Provide longer dated funding and
- Provide certainty of access to markets

For our shareholders we are focused on

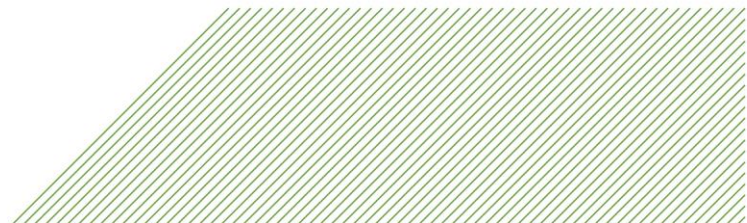
- Delivering a strong financial performance
- Monitoring asset quality
- Enhancing our approach to treasury and risk management and
- Ensuring we have the correct governance framework and capital structure in place.

For our guarantors we are focused on

- Minimising the risk of a call upon the guarantee through actively monitoring and managing the business risks faced by LGFA including operational, credit, liquidity, interest rate and funding risk.

The following points regarding the draft SOI 2023-26 are worth noting:

- This draft SOI, including financial forecasts, assumes that there are no implications for LGFA from the Three Waters Reform Programme. We are awaiting further information relating to the establishment of the Water Services Entities (WSEs); how WSEs are intending to structure their borrowing; how the transition of revenue and debt will occur between our council members and WSEs, and the impact on future council borrowing intentions from the Three Waters Reform Programme. The final SOI in June 2023 will be updated from this draft to incorporate any future announcements/legislation relating to the Three Waters Reform Programme and will include a statement if there have been any material changes to our forecast assumptions.
- Profitability is forecast to rebound from the 2022-23 period with projections for Net Operating Gain of \$9.5 million, \$8.3 million and \$7.6 million for the next three years.



However, we remain cautious in placing too much emphasis on the Year Two (2024-25) and Three (2025-26) forecasts given we have \$6.6 billion of LGFA bonds and \$5.8 billion of council and CCO loans maturing over the three-year SOI forecast period. Assumptions regarding the amount and timing of refinancing and interest rates have a meaningful impact on financial projections.

- We have increased our forecast for council loans (short and long term) outstanding as at June 2024 to \$16.410 billion and to \$17.137 billion as at June 2025 (from \$15.995 billion and \$16.650 billion in the previous SOI). This reflects a higher starting position as at 30 June 2023 and councils undertaking further capex and a continued high utilisation of short-term borrowing from LGFA by councils.
- We are assuming a gross bond issuance of \$3.2 billion (2023-24), \$3.2 billion (2024-25) and \$3.15 billion (2025-26) based on council gross lending of \$2.8 billion (2023-24), \$2.9 billion (2024-25) and \$3.0 billion (2025-26)
- Net interest income is expected to gradually reduce over the forecast period as the balance sheet grows from increased council lending and positive impact from higher interest rates on the Liquid Asset Portfolio offset is offset by narrower lending margins.
- We have assumed a modest narrowing in lending margins as more councils and CCOs take up the Climate Action Loan (CAL) product and we undertake more Green, Social and Sustainability (GSS) lending to councils and CCOs. Given the high starting point with an average credit rating of “AA” on the council lending book, we have assumed no further improvement in the credit quality of the sector improves.
- Compared to the previous SOI, issuance and operating expenses, excluding Approved Issuer Levy (“AIL”) are forecast to be approximately \$500k higher in the 2023-24 and 2024-25 financial years. This is due to forecast higher IT, staffing and legal costs.
- The SOI performance targets are similar to the previous SOI. There is a greater focus on sustainability with a target for new CALs, a greater focus on assisting councils with GHG emission reporting and assistance with the transition of Three Waters related debt from councils to the WSEs.
- As noted above, there is some timing uncertainty within the SOI forecast relating to council loans and LGFA bonds outstanding as we need to project both the repayment amount and repayment timing of the council loans that are due to mature in April 2024, April 2025 and April 2026. Decisions made by our council members regarding early refinancing will have a phasing impact across all three years in the SOI forecast.

If you have any questions or wish to provide comments by 1 May 2023 then please feel free to contact myself or any member of the Shareholders Council. The LGFA board will consider any feedback received and provide a final version of the SOI to shareholders by 30 June 2023.

Yours sincerely

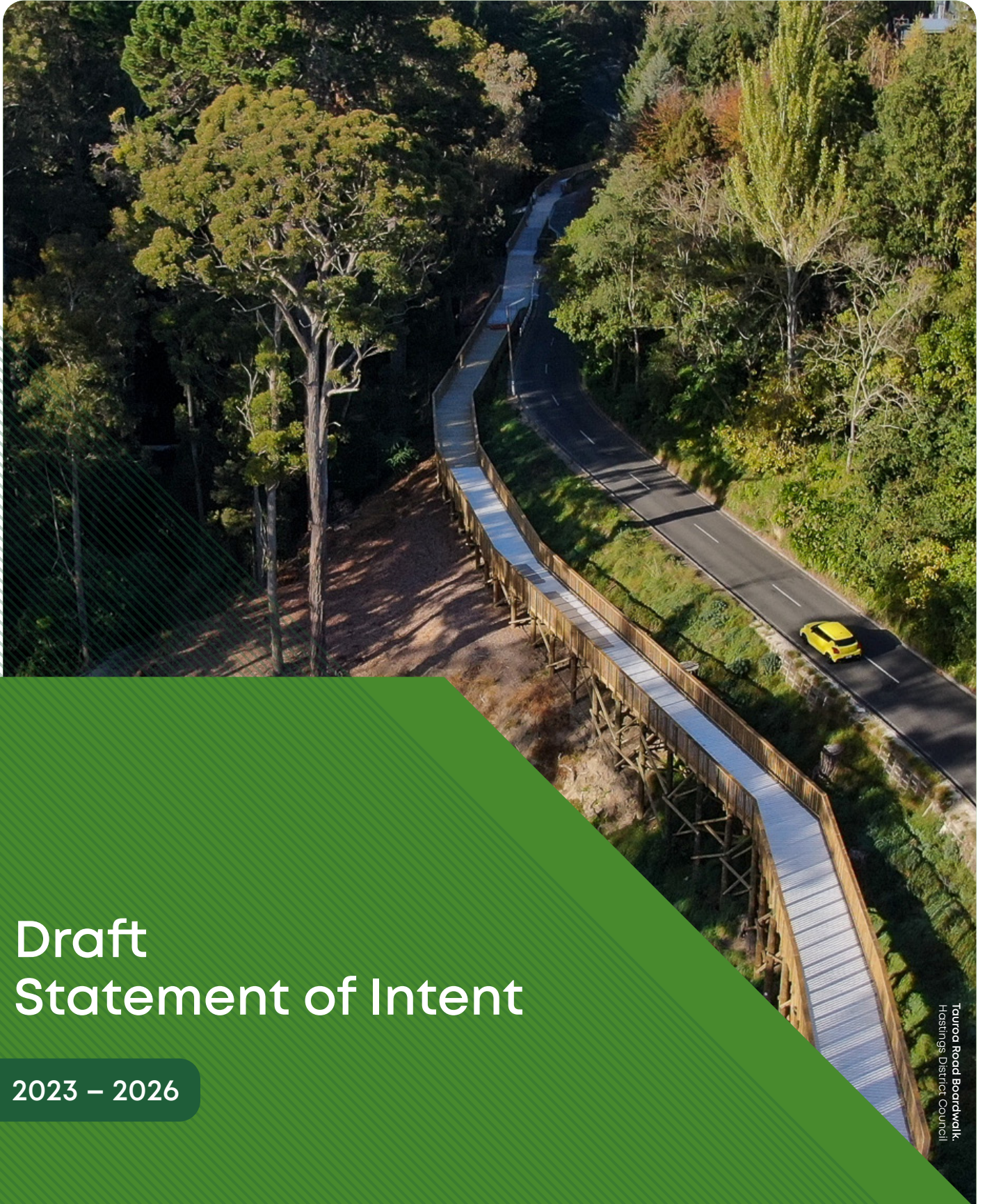
A handwritten signature in black ink, appearing to read 'Mark Butcher', with a stylized flourish at the end.

Mark Butcher  
Chief Executive





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



Taurua Road Boardwalk  
Hastings District Council

# Draft Statement of Intent

2023 – 2026

## 1. Introduction

This Statement of Intent (SOI) sets out the nature and scope of the activities, objectives and performance targets for the New Zealand Local Government Funding Agency Limited (LGFA) for the three-year period 1 July 2023 to 30 June 2026. LGFA is enabled under the Local Government Borrowing Act 2011 and is a council-controlled organisation (CCO) for the purposes of the Local Government Act 2002.

The SOI is prepared in accordance with section 64(1) of the Local Government Act 2002.

**Note:** This draft SOI, including financial forecasts, assumes that there are no implications for LGFA from the proposed Three Waters Reform Programme. We are awaiting further information relating to the establishment of the Water Services Entities (WSEs); how WSEs are intending to structure their borrowing; how the transition of revenue and debt will occur between our council members and WSEs, and the impact on future council borrowing intentions from the proposed Three Waters Reform Programme. The final SOI in June 2023 will be updated from this draft to incorporate any future announcements/legislation relating to the proposed Three Waters Reform Programme and will include a statement if there have been any material changes to our forecast assumptions as a consequence.

## 2. Nature and scope of activities

LGFA raises debt funding for the purpose of providing debt financing to New Zealand local authorities and CCOs (participating borrowers).

LGFA may raise debt funding either domestically and/or offshore in either NZ dollars or foreign currency.

LGFA only lends to participating borrowers that have entered into required relevant legal and operational arrangements and comply with the LGFA's lending policies.

In addition, LGFA may undertake any other activities considered by the LGFA Board to be reasonably related, incidentally to, or in connection with, that business.

## 3. Our purpose Ta tatou kaupapa

**Benefiting local communities through delivering efficient financing for local government.**

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

## 4. Our values Ō mātau uara

**We act with integrity**

**E pono ana mātau**

We are 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 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.

**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.

## 5. Foundation objectives

The Shareholders' Agreement is a foundation document and states that, in accordance with the Local Government Act, in carrying on its business the objectives of the Company will be to:

- (a) achieve the objectives of the Shareholders (both commercial and non-commercial) as specified in the Statement of Intent. The Shareholders agree that the Company shall carry on its business with a view to making a profit sufficient to pay a dividend in accordance with the Dividend Policy, but that the primary objective of the Shareholders with respect to the Company is that it optimises the terms and conditions of the debt funding it provides to Participating Local Authorities;
- (b) be a good employer;
- (c) exhibit a sense of social and environmental responsibility by having regard to the interests of the community in which it operates and by endeavouring to accommodate or encourage these when able to do so; and
- (d) conduct its affairs in accordance with sound business practice.

This Statement of Intent sets out the company's strategic priorities, together with associated objectives and performance targets, which align with the foundation objectives and have been agreed with shareholders.

## 6. Strategic priorities

The following five strategic priorities encompass the foundation objectives and guide the LGFA Board and management in determining our strategy, objectives and associated performance targets.

### Governance, capability and business practice

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

### Optimising financing services for local government

LGFA's primary objective is to optimise the terms and conditions of the debt funding it provides to participating borrowers. Amongst other things, LGFA will achieve this by delivering operational best practice and efficiency across our lending products and services.

### Environmental and social responsibility

LGFA recognises the risks inherent in climate change for councils and supports New Zealand's shift to a low-carbon economy. LGFA will exhibit a sense of social and environmental responsibility by having regard to the interests of the community in which it operates and by endeavouring to accommodate or encourage these when able to do so.

### Effective management of loans

LGFA will ensure its loan book remains at a high standard by ensuring it understands each participating borrower's financial position and managing assets within an appropriate risk management framework to ensure shareholder value is not compromised.

### Industry leadership and engagement

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

## 7. Objectives and performance targets

This section sets out LGFA's objectives and performance targets for SOI 2023-2026.

The financial performance targets are focused on the 2023-2024 year and, as applicable, are based on the financial forecasts outlined in section 8.

### Governance, capability and business practice

Objectives	How we measure our performance
LGFA will:	
Demonstrate best practice corporate governance.	The Annual Report outlines our compliance with the eight core principles underpinning the NZX Corporate Governance Best Practice Code.
Set and model high standards of ethical behaviour.	LGFA has adopted a formal Code of Ethics, incorporating its Conflicts of Interest and Code of Conduct policies, which sets out the standards and values that directors and employees are expected to follow.
Achieve the shareholder-agreed objectives and performance targets specified in this Statement of Intent.	LGFA reports performance against objectives quarterly to shareholders and in our Annual and Half Year Reports.
Ensure products and services offered to participating borrowers are delivered in a cost-effective manner.	LGFA prepares annual operating budgets and monitors progress against these monthly. Financial performance is reported quarterly to shareholders and in our Annual and Half Year Reports.
Be a good employer by providing safe working conditions, training and development and equal opportunities for staff	The Annual Report reports on our health and safety and wellbeing practices and policies, compliance with the Health and Safety at Work Act, diversity and inclusion and capability and development.

Performance targets	2023-2024 target
Comply with the Shareholder Foundation Polices and the Board-approved Treasury Policy at all times	No breaches
Maintain LGFA's credit rating equal to the New Zealand Government sovereign rating where both entities are rated by the same Rating Agency	LGFA credit ratings equivalent to NZ Sovereign
LGFA's total operating income for the period to 30 June 2024	> \$19.3 million
LGFA's total operating expenses for the period to 30 June 2024	< \$9.5 million

### Optimising financing services for local government

Objectives	How we measure our performance
LGFA will:	
Provide interest cost savings relative to alternative sources of financing.	Measure LGFA issuance spreads against other high-grade issuers in the New Zealand domestic capital markets.
Offer flexible short and long-term lending products that meet the borrowing requirements for borrowers.	Measure LGFA's share of overall council borrowing. Survey participating borrowers on an annual basis.
Deliver operational best practice and efficiency for lending services.	Monitor settlements errors for new trades and cashflows. Survey participating borrowers on an annual basis.
Ensure certainty of access to debt markets, subject always to operating in accordance with sound business practice.	Maintain a vibrant primary and secondary market in LGFA bonds. Monitor participation by investors at our tenders through bid-coverage ratios and successful issuance yield ranges.

Performance targets	2023-2024 target
Share of aggregate long-term debt funding to the Local Government sector	> 80%
Total lending to Participating Borrowers	> \$16,410 million
Conduct an annual survey of Participating Borrowers who borrow from LGFA as to the value added by LGFA to the borrowing activities	> 85% satisfaction score
Successfully refinance existing loans to councils and LGFA bond maturities as they fall due	100%
Meet all lending requests from Participating Borrowers, where those requests meet LGFA operational and covenant requirements	100%

## Environmental and social responsibility

Objectives	How we measure our performance
LGFA will:	
Assist the local government sector in achieving their sustainability and climate change objectives.	LGFA is committed to assist borrowers financing of projects that promote environmental and social wellbeing in New Zealand. Green, Social & Sustainability (GSS) loan applications from councils are appraised by the LGFA Sustainability Committee, with approved loans monitored for ongoing compliance.
Improve sustainability outcomes within LGFA.	LGFA is committed to reducing our carbon emissions and formalised processes to measure our greenhouse gas (GHG) emissions, as well as management plans to reduce our company's emissions.

Performance targets	2023-2024 target
Comply with the Health and Safety at Work Act 2015	No breaches
Maintain Toitū Carbon Zero certification	Carbon-zero certification maintained
Meet reduction targets outlined in our carbon reduction management plan	Reduction targets met.
Increase our GSS lending book and Climate Action Loans	Two new borrowers enter into GSS loans Three new borrowers enter into CALs
Issuance of LGFA Bonds under Sustainable Funding Framework	Issue Sustainable Funding Bonds
Ensure Annual Report is prepared in compliance with applicable GRI Standards	100%
Meet all mandatory climate reporting standards	100%

## Effective management of loans

Objectives	How we measure our performance
LGFA will:	
Proactively monitor and review each Participating Borrower's financial position, including its financial headroom under LGFA policies.	LGFA reviews all participating councils and CCOs financial statements on an annual basis and the agendas and management reports on an ongoing basis for all councils on the LGFA borrower watch-list.
Analyse finances at the Council group level where appropriate and report to shareholders.	Participating borrowers are required to complete annual compliance certificates by the end of November each year.

Endeavour to meet each participating borrower annually, including meeting with elected officials as required, or if requested	Number of participating borrowers visited in a year
Assist a smooth transition of Three Water Related loans if the Three Waters Reform Programme progresses during the financial year for a 1 July 2024 implementation date	By 30th June 2024, LGFA will endeavour to facilitate a successful transition of existing council Three Water related loans to the Water Services Entities

Performance targets	2023-2024 target
Review each Participating Borrower's financial position	100%
Arrange to meet each Participating Borrower at least annually, including meeting with elected officials as required, or if requested	100%
Three Waters debt transition plan in place by 30 June 2024	100%

## Industry leadership and engagement

Objectives	How we measure our performance
LGFA will:	
Take a proactive role to enhance the financial strength and depth of the local government debt market and work with key central government and local government stakeholders on sector and individual council issues.	Report on actions undertaken and progress made on sector issues. Identifying any legislative or Central Government policy changes that may impact LGFA and undertake formal or informal submissions.
Assist the local government sector with significant matters such as the proposed Three Waters Reform Programme.	Assist the local government sector with understanding any legislative or Central Government policy changes that may impact LGFA.
Maintain productive relationships with central government representatives.	Report back on the alignment of LGFA and council's climate and emissions reporting requirements
Support councils and CCOs in the development of reporting disclosures of the impacts of sector activity on climate change.	Report back in how we are helping smaller council's understand future reporting requirements.

## 8. Financial forecasts

LGFA's financial forecasts for the three years to 30 June 2026 are:

Comprehensive income \$m	Jun 24	Jun 25	Jun 26
Net Interest income	17.9	17.1	16.7
Other operating income	1.3	1.3	1.3
<b>Total operating income</b>	<b>19.3</b>	<b>18.5</b>	<b>18.1</b>
Approved Issuer Levy	0.3	0.3	0.3
Issuance & onlending costs	3.8	3.9	4.0
Operating overhead	5.4	5.6	5.9
<b>Issuance and operating expenses</b>	<b>9.5</b>	<b>9.8</b>	<b>10.2</b>
<b>P&amp;L</b>	<b>9.8</b>	<b>8.6</b>	<b>7.9</b>

<b>Financial position (nominals) \$m</b>	<b>Jun 24</b>	<b>Jun 25</b>	<b>Jun 26</b>
Liquid assets portfolio	2,008	2,125	1,934
Loans to local government	16,410	17,137	17,980
Other assets	-	-	-
<b>Total Assets</b>	<b>18,419</b>	<b>19,262</b>	<b>19,914</b>
Bonds on issue (ex Treasury stock)	17,305	18,021	18,676
Bills on issue	600	600	600
Borrower notes	357	388	415
Other liabilities	-	-	-
<b>Total Liabilities</b>	<b>18,262</b>	<b>19,009</b>	<b>19,691</b>
Capital	25	25	25
Retained earnings	96	103	109
Dividend	(2)	(2)	(2)
<b>Shareholder equity</b>	<b>119</b>	<b>126</b>	<b>132</b>
<b>Ratios</b>	<b>Jun 24</b>	<b>Jun 25</b>	<b>Jun 26</b>
Liquid assets/funding liabilities	11.4%	11.5%	10.1%
Liquid assets/total assets	10.9%	11.0%	9.7%
Net interest margin	0.11%	0.10%	0.09%
Cost to income ratio	49.3%	53.3%	56.5%
Return on average assets	0.05%	0.04%	0.04%
Shareholder equity/total assets	0.6%	0.7%	0.7%
Shareholder equity + BN/total assets	2.6%	2.7%	2.7%
Asset growth	5.6%	4.6%	3.4%
Loan growth	5.7%	4.4%	4.9%
Return on equity	8.8%	7.2%	6.2%
Capital ratio	12.9%	13.4%	13.7%

Due to rounding, summary numbers presented in these financial forecasts may not add up precisely to the reported totals. The above forecasts assume a gross bond issuance programme of \$3.20 billion (FY24), \$3.20 billion (FY25) and \$3.15 billion (FY26) based upon term lending to councils of \$2.78 billion (FY24), \$2.90 billion (FY25) and \$3.0 billion (FY26).

Note there is a high level of uncertainty regarding the financial forecasts for both council borrowing and LGFA bond issuance due to the uncertainty relating to the proposed Three Waters Reform and the impact on councils.

Councils prepared their 2021-31 Long Term Plans (and borrowing forecasts) on the assumption that proposed Three Water Reform was not progressing and we have made the same assumption with our forecasts. LGFA projects it could have between \$5 billion to \$6 billion of loans to councils in June 2024 that are related to Three Waters. There have been no final decisions regarding the transfer mechanism for assets, liabilities and revenue from councils to the proposed Three Water entities. We intend to provide an update to stakeholders on implications for LGFA as further information becomes available.

## 9. Dividend policy

LGFA primary objective is to maximise benefits to participating borrowers rather than shareholders. Consequently, it is intended to pay a limited dividend to shareholders.

The Board's policy is to pay a dividend that provides an annual rate of return to shareholders equal to LGFA fixed rate bond cost of funds plus 2.00% over the medium term.

At all times payment of any dividend will be discretionary and subject to the Board's legal obligations and views on appropriate capital structure.

## 10. Governance

### Board

The Board is responsible for the strategic direction and control of LGFA's activities. The Board guides and monitors the business and affairs of LGFA, in accordance with the Companies Act 1993, the Local Government Act 2002, the Local Government Borrowing Act 2011, the Company's Constitution, the Shareholders' Agreement for LGFA and this SOI.

The Board comprises six directors with five being independent directors and one being a non-independent director.

The Board's approach to governance is to adopt best practice with respect to:

- The operation of the Board.
- The performance of the Board.
- Managing the relationship with the Company's Chief Executive.
- Being accountable to all Shareholders.

All directors are required to comply with a formal Charter.

The Board will meet on a regular basis and no fewer than six times each year.

### Shareholders' Council

The Shareholders' Council is made up of between five and ten appointees of the Shareholders (including an appointee from the Crown). The role of the Shareholders' Council is to:

- Review the performance of LGFA and the Board, and report to Shareholders on that performance on a periodic basis.
- Make recommendations to Shareholders as to the appointment, removal, replacement and remuneration of directors.
- Make recommendations to Shareholders as to any changes to policies, or the SOI, requiring their approval.
- Ensure all Shareholders are fully informed on LGFA matters and to coordinate Shareholders on governance decisions.

## 11. Information to be provided to Shareholders

The Board aims to ensure that Shareholders are informed of all major developments affecting LGFA's state of affairs, while at the same time recognising both LGFA's obligations under NZX Listing Rules and that commercial sensitivity may preclude certain information from being made public.

### Annual Report

The LGFA's balance date is 30 June.

By 30 September each year, the Company will produce an Annual Report complying with Sections 67, 68 and 69 of the Local Government Act 2002, the Companies Act 1993 and Financial Reporting Act 2013. The Annual Report will contain the information necessary to enable an informed assessment of the operations of the company, and will include the following information:

- Directors' Report.
- Financial Statements incorporating a Statement of Financial Performance, Statement of Movements in Equity, Statement of Financial Position, Statement of Cashflows, Statement of Accounting Policies and Notes to the Accounts.
- Comparison of the LGFA's performance regarding the objectives and performance targets set out in the SOI, with an explanation of any material variances.
- Auditor's Report on the financial statements and the performance targets.
- Any other information that the directors consider appropriate.

### Half Yearly Report

By 28 February each year, the Company will produce a Half Yearly Report complying with Section 66 of the Local Government Act 2002. The Half Yearly Report will include the following information:

- Directors' commentary on operations for the relevant six-month period.
- Un-audited half-yearly Financial Statements incorporating a Statement of Financial Performance, Statement of Movements in Equity, Statement of Financial Position and Statement of Cashflows.

### Quarterly Report

By 31 January, 30 April, 31 July, and 31 October each year, the Company will produce a Quarterly Report. The Quarterly Report will include the following information:



- Commentary on operations for the relevant quarter, including a summary of borrowing margins charged to Participating Borrower's (in credit rating bands).
- Comparison of LGFA's performance regarding the objectives and performance targets set out in the SOI, with an explanation of any material variances.
- Analysis of the weighted average maturity of LGFA bonds outstanding.
- In the December Quarterly Report only, commentary on the Net Debt/Total Revenue percentage for each Participating Local Authority that has borrowed from LGFA (as at the end of the preceding financial year).
- To the extent known by LGFA, details of all events of review in respect of any Participating Borrower that occurred during the relevant quarter (including steps taken, or proposed to be taken, by LGFA in relation thereto).
- Details of any lending to CCOs during the quarter and the amount of CCO loans outstanding.
- Commentary on sustainability initiatives.

### Statement of Intent

By 1 March in each year the Company will deliver to the Shareholders its draft SOI for the following year in the form required by Clause 9(1) of Schedule 8 and Section 64(1) of the Local Government Act 2002.

Having considered any comments from the Shareholders received by 30 April, the Board will deliver the completed SOI to the Shareholders on or before 30 June each year.

### Shareholder Meetings

The Board will hold an Annual General Meeting between 30 September and 30 November each year to present the Annual Report to all Shareholders.

The Company will hold a meeting with the Shareholders' Council approximately every six months – prior to the Annual General Meeting and after the Half Yearly Report has been submitted. Other meetings may be held by agreement between the Board and the Shareholders' Council.

## 12. Acquisition / divestment policy

LGFA will invest in securities in the ordinary course of business. It is expected that these securities will be debt securities. These investments will be governed by LGFA's lending and/or investment policies as approved by the Board and/or Shareholders.

Any subscription, purchase or acquisition by LGFA of shares in a company or organisation will, if not within those investment policies, require Shareholder approval other than as concerns the formation of wholly owned subsidiaries and the subscription of shares in such wholly owned subsidiaries.

## 13. Activities for which compensation is sought from Shareholders

At the request of Shareholders, LGFA may (at its discretion) undertake activities that are not consistent with its normal commercial objectives. Specific financial arrangements will be entered into to meet the full cost of providing such activities.

Currently there are no activities for which compensation will be sought from Shareholders.

## 14. Commercial value of Shareholder's investment

LGFA will seek to maximise benefits to Participating Local Authorities as Borrowers rather than Shareholders.

Subject to the Board's views on the appropriate capital structure for LGFA, the Board's intention will be to pay a dividend that provides an annual rate of return to Principal Shareholders equal to LGFA fixed rate bond cost of funds plus 2.00% over the medium term.

As the Shareholders will have invested in the LGFA on the basis of this limited dividend, the Board considered that at establishment the commercial value of LGFA was equal to the face value of the Shareholders' paid up Principal Shares – \$25 million.

In the absence of any subsequent share transfers to the observed share transfers on 30 November 2012, the Board considers the current commercial value of LGFA is at least equal to the face value of the Shareholders' paid up Principal Shares of \$25 million. This equates to a value per share of \$1.00.

## 15. Accounting policies

LGFA has adopted accounting policies that are in accordance with the New Zealand International Financial Reporting Standards and generally accepted accounting practice.

### Statement of Accounting Policies

#### 1. Reporting entity

The New Zealand Local Government Funding Agency Limited (LGFA) is a company registered under the Companies Act 1993 and is subject to the requirements of the Local Government Act 2002.

LGFA is controlled by participating local authorities and is a council-controlled organisation as defined under section 6 of the Local Government Act 2002. LGFA is a limited liability company incorporated and domiciled in New Zealand.

The primary objective of LGFA is to optimise the debt funding terms and conditions for participating borrowers.

The registered address of LGFA is Level 8, City Chambers, 142 Featherston Street, Wellington Central, Wellington 6011.

#### 2. Statement of compliance

LGFA is an FMC reporting entity under the Financial Markets Conduct Act 2013 (FMCA). These financial statements have been prepared in accordance with that Act and the Financial Reporting Act 2013. LGFA's bonds are quoted on the NZX Debt Market.

LGFA is a profit orientated entity as defined under the New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS).

The financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice (NZ GAAP) and they comply with NZ IFRS and other applicable Financial Reporting Standard, as appropriate for Tier 1 for-profit entities. The financial statements also comply with International Financial Reporting Standards (IFRS).

#### 3. Basis of preparation

##### Measurement base

The financial statements have been prepared on a historical cost basis modified by the revaluation of certain assets and liabilities.

The financial statements are prepared on an accrual basis.

##### Functional and presentation currency

The financial statements are presented in New Zealand dollars rounded to the nearest thousand, unless separately identified. The functional currency of LGFA is New Zealand dollars.

##### Foreign currency conversions

Transactions denominated in foreign currency are translated into New Zealand dollars using exchange rates applied on the trade date of the transaction.

##### Changes in accounting policies

There have no changes to accounting policies.

##### Early adoption standards and interpretations

LGFA has not early adopted any standards.

##### Standards not yet adopted

LGFA does not consider any standards or interpretations in issue but not yet effective to have a significant impact on its financial statements.

##### Financial instruments

###### Financial assets

Financial assets, other than derivatives, are recognised initially at fair value plus transaction costs and subsequently measured at amortised cost using the effective interest rate method.

Cash and cash equivalents include cash on hand, bank accounts and deposits with an original maturity of no more than three months.

Cash provided by LGFA as security for financial arrangements remains a financial asset of LGFA and is recognised as cash pledged as collateral in the Statement of Financial Position, separate from cash and cash equivalents

Purchases and sales of all financial assets are accounted for at trade date.

At each balance date, an expected credit loss assessment is performed for all financial assets and is calculated as either:

- Credit losses that may arise from default events that are possible within the next 12 months, where no significant increase in credit risk has arisen since acquisition of the asset, or
- Credit losses that may arise from default events that are possible over the expected life of the financial asset, where a significant increase in credit risk has arisen since acquisition of the asset.

Impairment losses on financial assets will ordinarily be recognised on initial recognition as a 12-month expected loss allowance and move to a lifetime expected loss allowance if there is a significant deterioration in credit risk since acquisition.

### Financial liabilities

Financial liabilities, other than derivatives, are recognised initially at fair value less transaction costs and subsequently measured at amortised cost using the effective interest rate method.

### Derivatives

Derivative financial instruments are recognised both initially and subsequently at fair value. They are reported as either assets or liabilities depending on whether the derivative is in a net gain or net loss position respectively.

### Fair value hedge

Where a derivative qualifies as a hedge of the exposure to changes in fair value of an asset or liability (fair value hedge) any gain or loss on the derivative is recognised in profit and loss together with any changes in the fair value of the hedged asset or liability.

The carrying amount of the hedged item is adjusted by the fair value gain or loss on the hedged item in respect of the risk being hedged. Effective parts of the hedge are recognised in the same area of profit and loss as the hedged item.

### Other assets

#### Property, plant and equipment

Items of property, plant and equipment are initially recorded at cost.

Depreciation is charged on a straight-line basis at rates calculated to allocate the cost or valuation of an item of property, plant and equipment, less any estimated residual value, over its remaining useful life.

#### Intangible assets

Intangible assets comprise software and project costs incurred for the implementation of the treasury management system. Capitalised computer software costs are amortised on a straight-line basis over the estimated useful life of the software (three to seven years). Costs associated with maintaining computer software are recognised as expenses.

### Other liabilities

#### Employee entitlements

Employee entitlements to salaries and wages, annual leave and other similar benefits are recognised in the profit and loss when they accrue to employees.

### Revenue

#### Interest income

Interest income is accrued using the effective interest rate method.

The effective interest rate exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. The method applies this rate to the principal outstanding to determine interest income each period.

### Expenses

Expenses are recognised in the period to which they relate.

#### Interest expense

Interest expense is accrued using the effective interest rate method.

The effective interest rate exactly discounts estimated future cash payments through the expected life of the financial liability to that liability's net carrying amount. The method applies this rate to the principal outstanding to determine interest expense each period.

#### Income tax

LGFA is exempt from income tax under Section 14 of the Local Government Borrowing Act 2011.

#### Goods and services tax

All items in the financial statements are presented exclusive of goods and service tax (GST), except for receivables and payables, which are presented on a GST-inclusive basis. Where GST is not recoverable as input tax, then it is recognised as part of the related asset or expense.

The net amount of GST recoverable from, or payable to, the IRD is included as part of receivables or payables in the statement of financial position.

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

Commitments and contingencies are disclosed exclusive of GST.

#### Segment reporting

LGFA operates in one segment being funding of participating borrowers in New Zealand.

#### Judgements and estimations

The preparation of these financial statements requires judgements, estimates and assumptions that affect the application of policies and reported amounts. For example, the fair value of financial instruments depends critically on judgements regarding future cash flows, including inflation assumptions and the risk-free discount rate.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates and these estimates and underlying assumptions are reviewed on an ongoing basis. Where these judgements significantly affect the amounts recognised in the financial statements they are described in the following notes.

The financial statements as at 30 June 2022 include estimates and judgements of the potential impact of COVID-19 and the proposed Three Waters Reform Programme on LGFA's financial position and performance. Whilst there has been no material impact on the estimates and judgements at the date these financial statements are authorised, it is noted that there is significant uncertainty with regards to the medium and long-term effects of COVID-19, as well as the outcome of proposed Three Waters Reform Programme on the local government sector.

<b>To</b>	<b>Performance &amp; Strategy Committee</b>
<b>Report title</b>	<b>Chief Executive’s Business Plan</b>
Date:	14 March 2023
Report Author:	Tony Whittaker – Chief Operating Officer
Report Authoriser:	Gavin Ion – Chief Executive Officer

## **1. Purpose of the report**

### **Te Take moo te puurongo**

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To update and inform the Committee on progress covering 2022/2023 business plan items.

## **2. Executive summary**

### **Whakaraapopototanga matua**

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The Chief Executive’s Business Plan is a summary of progress on priority issues agreed by Councillors.

## **3. Staff recommendations**

### **Tuutohu-aa-kaimahi**

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**THAT the Performance & Strategy Committee receives the update on the Chief Executive’s Business Plan.**

## **4. Background**

### **Koorero whaimaarama**

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The Plan is a summary of progress on specific issues. It enables staff and Councillors to focus on the big issues and ensures that attention is given to those things of strategic importance.

The Plan is in line with the Chief Executive’s Performance Agreement which was updated in June 2022 in preparation for the new financial year.

Work on the plan is underway in a difficult environment given resource and supply change issues.

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## 5. Discussion and analysis

### Taataritanga me ngaa tohutohu

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The report contains the strategic issues that Council is focussed on. The Chief Executive's Business Plan is aligned to the Chief Executive's Performance Agreement. The underpinning criteria is the council vision of 'liveable, thriving and connected communities.'

The list of KPIs was updated in line with the Chief Executive's Performance Agreement Reports in June 2022.

A review of the KPIs has been scheduled with the Chief Executive's Performance Review Committee.

#### 5.1 Options

##### Ngaa koowhiringa

This report is for information only and as an update on progress. No decision is being sought from the Committee other than to receive the report.

#### 5.2 Financial considerations

##### Whaiwhakaaro puutea

This report covers the strategic goals set for the Chief Executive for the year. There will be financial implications as the various projects and initiatives are worked through. There are no immediate concerns at the time of this report.

#### 5.3 Legal considerations

##### Whaiwhakaaro-aa-ture

There are potential legal issues that arise through the implementation of this work plan and these will be discussed with council if and when these come to light.

#### 5.4 Strategy and policy considerations

##### Whaiwhakaaro whakamaaherehere kaupapa here

- The report and recommendations are consistent with and give effect to Council's vision of *'Liveable, thriving and connected communities – He noohanga aahuru, he iwi whai ora, he hapori tuuhono tahi.'*

#### 5.5 Maaori and cultural considerations

##### Whaiwhakaaro Maaori me oona tikanga

Iwi and Tangata Whenua have been or will be consulted on at least some of the key projects or initiatives referred to in the report. Iwi are involved as a strategic partner of Council through our Joint Management Agreements and projects such as Raglan, Huntly and Te Kauwhata Wastewater Treatment plant upgrades and consent processes.

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Iwi have been engaging in the waters management project, the Better Off funding assessments and with Council and central government through the Future Proof. This will be enhanced as the Mana Whenua Fora find their cadence.

## 5.6 Climate response and resilience considerations Whaiwhakaaro-aa-taiao

The matters in this report will impact on climate action but it is unclear what this will be until further progress on individual projects is made. A specific measure however is included in the Chief Executive performance measures in regard to emission reduction.

## 5.7 Risks Tuuraru

As this report seeks to provide a general update only, it is anticipated that the risk level is low.

## 6. Significance and engagement assessment Aromatawai paahekoheko

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### 6.1 Significance Te Hiranga

The matters covered in this report may be assessed as of high significance, in accordance with the Council's Significant and Engagement Policy.

### 6.2 Engagement Te Whakatuutakitaki

Engagement on the contents of this report ha been low and internal.

The following areas are priorities in the communications and engagement approach:

- Keeping councillors informed of progress;
- Ensuring the development of strategic partnerships and relationships.

Highest level of engagement	Inform <input type="checkbox"/>	Consult <input type="checkbox"/>	Involve <input type="checkbox"/>	Collaborate <input checked="" type="checkbox"/>	Empower <input type="checkbox"/>
<i>Tick the appropriate box/boxes and specify what it involves by providing a brief</i>	Staff have worked collaboratively with our iwi/hapuu to maximise engagement on a range of activities and actions. Similarly, there has been consistent communication with a range of strategic partners and organisations.				

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<i>explanation of the tools which will be used to engage (refer to the project engagement plan if applicable).</i>	
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State below which external stakeholders have been or will be engaged with:

Planned	In Progress	Complete	
✓	✓	<input type="checkbox"/>	Internal
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Community Boards/Community Committees
<input type="checkbox"/>	✓	<input type="checkbox"/>	Waikato-Tainui/Local iwi and hapuu
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Affected Communities
<input type="checkbox"/>	✓	<input type="checkbox"/>	Affected Businesses
<input type="checkbox"/>	✓	<input type="checkbox"/>	Other (Please Specify)

## 7. Next steps Ahu whakamua

Regular updates will be provided on progress with delivery of the business plan.

## 8. Confirmation of statutory compliance Te Whakatuuturutanga aa-ture

As required by the Local Government Act 2002, staff confirm the following:

The report fits with Council's role and Terms of Reference and Delegations. Confirmed

The report contains sufficient information about all reasonably practicable options identified and assessed in terms of their advantages and disadvantages (*Section 5.1*). Confirmed

Staff assessment of the level of significance of the issues in the report after consideration of the Council's Significance and Engagement Policy (*Section 6.1*). Low



The report contains adequate consideration of the views and preferences of affected and interested persons taking account of any proposed or previous community engagement and assessed level of significance ( <i>Section 6.2</i> ).	Confirmed
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The report considers impact on Maaori ( <i>Section 5.5</i> )	Confirmed
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The report and recommendations are consistent with Council's plans and policies ( <i>Section 5.4</i> ).	Confirmed
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The report and recommendations comply with Council's legal duties and responsibilities ( <i>Section 5.3</i> ).	Confirmed
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## 9. Attachments

### Nga taapirihanga

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Attachment 1 – Chief Executive's KPI worksheet

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## Chief Executive's KPIs – 2022/2023

**Overarching Council Vision: “Liveable, Thriving and Connected Communities”**

**Staff & Wellbeing Vision: “Work Safe, Home Safe”**

Key project/priority	Key deliverables/KPIs	Update & Delivery Comments
1. Delivery and achievement of Annual Plan 2022/2023 (covers normal business activities, financial and non-financial performance measures and the delivery of the annual work programme)	1.1 The 2022/2023 Annual Plan is delivered within the agreed budget, and in accordance with variations approved by Council. Provide regular updates to the Strategy & Finance Committee on progress.	<ul style="list-style-type: none"> <li>The organisation remains under pressure in many areas due to workload and resourcing issues. We address these pressures with additional resource as we can with some support being considered in the Annual Plan. A financial review of the year indicates we are managing within budget.</li> </ul>
	1.2 Capital Works are delivered within the agreed budget and in accordance with variations approved by Council. Provide regular updates on progress and any barriers to the delivery of the projects under the following key categories:	<ul style="list-style-type: none"> <li>An organisation wide Project Management Office is now operating which provides a consistent project delivery methodology across the entire business (excluding 3 waters). This is delivering on the recommendations of an independent internal audit undertaken in 2022.</li> <li>We have reviewed the capex programme for 22/23 and 23/24 to confirm scope, approach and budget. This pre planning places us ahead of where we have been in prior years. We have run 2 workshops of all project delivery stakeholders and business owners to confirm alignment and the way forward. Additional resources are currently being secured to deliver this plan.</li> </ul>
	a) 3 Waters (projects managed and delivered via Watercare)	<ul style="list-style-type: none"> <li>Watercare have indicated they expect to deliver \$155 million of the LTP capital programme in years 1-3. This is a shortfall of approximately \$21 million over the 3-year period.</li> </ul>
	b) Roading (project predominantly delivered through the Waikato District Alliance)	<ul style="list-style-type: none"> <li>Additional funding has been allocated to the Waikato District Alliance contract to facilitate additional capital work to be undertaken by under this contract.</li> </ul>
	c) Sustainable communities (largely blueprints, social & community related projects).	<ul style="list-style-type: none"> <li>Projects such as the Raglan Wharf are progressing to plan</li> </ul>
	1.3 Advance social procurement through:	<ul style="list-style-type: none"> <li>The Sustainable Procurement Framework was shared with Council late in 2022. Now working on the Sustainable Procurement framework with other business units such Economic Growth and Comms. The intent is to engage directly with Community Boards and Hapuu groups such as Te Riu o Waikato as an example.</li> </ul>
	a) Implementing the Sustainable Procurement Framework by 31 December	

Key project/priority	Key deliverables/KPIs		Update & Delivery Comments
		b) Develop a Small Business Panel to enable businesses to work with us in an easier way by 31 March 2023.	<ul style="list-style-type: none"> <li>Work has commenced on the development of a Small Business Panel. However, the current focus of the procurement team is to assist service delivery for the 2023 and 2024 capex work programme. Three days of workshops were held on capex delivery and procurement planning/approach to market etc. Is the priority. The small business panel work will progress again later this calendar year.</li> </ul>
2. To deliver the 2023-2024 Draft Annual Plan	2.1	The 2023-2024 Draft Annual Plan is complete by 30 June 2023.	<ul style="list-style-type: none"> <li>A Council Workshop was held late February and we have another planned on 27<sup>th</sup> March to confirm Council direction. The process from here regarding engagement with the community, etc will depending on whether the Council decisions regarding rates trigger the Significance and Engagement policy.</li> </ul>
3. Government Reform	3.1	<p>Demonstrate the work being done by the Chief Executive and staff to inform, advise and advocate on behalf of the Council (evidenced through reports, workshops, briefings or emails) towards a better outcome for the District in relation to Local Government reform to:</p> <p>Future of Local Government, RMA and 3 Waters.</p>	<ul style="list-style-type: none"> <li>Submission made to the Future for Local Government Panel to inform the draft report. A further submission lodged with the panel in response to the draft report. We await the final report and recommendations on 19 June 2023.</li> <li>RMA – A submission was prepared and lodged on The Natural and Built Environment Bill and The Spatial Planning Bill in February. Councillors were fully involved in the process.</li> <li>3 Waters Reform – opportunities to engage and to submit have been taken. The appropriate Select Committee is working through the submissions. The Chief Executive and the Mayor have been engaging with the National Transition Unit Board.</li> <li>The Council CFO is a member of the LG reference group on the finance and commercial workstream of 3 Waters.</li> <li>Staff nominations to the 3 Waters National Transition Unit Growth Workstreams have been put forward. Confirmation of membership to these workstreams is expected by the end of March.</li> </ul>
4. Strategic Management & Delivery (key projects and priorities includes regional and national matters)	4.1	Futureproof and related initiatives - At each performance review, demonstrate the role that the Chief Executive and staff have played to inform, advise, and advocate on behalf of Council in relation to Futureproof and associated initiatives e.g., reports, workshops, submissions and briefings.	<ul style="list-style-type: none"> <li>The review of Future Proof has been completed. The Chief Executive has played his part through the Chief Executive Advisory Group. Council adopted the Strategy in August 2022.</li> <li>The Future Proof partnership has now commenced work on the development of the Future Development Strategy (FDS), to give effect to the NPS Urban Development. The FDS must be adopted by the partnership by 30 June 2024.</li> <li>WDC work underway includes how to operationalise the decisions made in Future Proof e.g., changes to the Regional Policy Statement and the impacts on our District Plan.</li> </ul>

Key project/priority	Key deliverables/KPIs	Update & Delivery Comments
	<p>4.2 Solid Waste:</p> <p>a) Bollard Road (Tuakau) development:</p> <ul style="list-style-type: none"> <li>• Procurement Plan &amp; RFP by 31st July 2022 - Consultant appointed by 30 September 2022</li> <li>• Stage 1 detailed design with cost estimate ready for Council workshop by 28 February 2023.</li> </ul> <p>b) Huntly recycling sorting facility &amp; Community resource centre (McVie Road)</p> <ul style="list-style-type: none"> <li>▪ Rotowaro Road sorting facility operational by end July 2022 (Waiting on a new trommel &amp; conveyor belt)</li> <li>▪ McVie Road site reconfigured and cleaned up for public drop-off by 30 September 2022</li> <li>• Community resource recovery centre facility in place by March 2023.</li> </ul>	<ul style="list-style-type: none"> <li>• The procurement process and RFP were completed and WSP appointed as the consultant.</li> <li>• Preliminary work is underway on the detailed design and cost estimate with weekly meetings underway. A workshop will be held with Council in mid-April to work on the design and a final concept plan is due to be completed by the end of May 2023.</li> </ul> <ul style="list-style-type: none"> <li>• The Rotowaro Road sorting facility is operational.</li> <li>• The McVie Road site now needs to be rehabilitated to an acceptable state. A variation to the Alliance contract has been developed to do these works and are currently being programmed. The aim is to have these works completed this construction season / financial year</li> <li>• Consultation on a community resource recovery centre on this site is due to commence shortly. Having community buy in and being community run will take some time to achieve. A draft agreement has been developed with the Waikato Enterprise Trust for them to engage with mana whenua and the wider community to clarify community aspirations and determine what type of facility is required. Before on-site arrangements can be made, the site needs to be brought up to an acceptable standard. These 'make good' works, as required by the Metro contract have been delayed by the Kalista novation process.</li> </ul>
5. Partnerships and Relationships (includes relationships with central government, Waka Kotahi, Iwi and the	5.1 a) Provide evidence of outcomes achieved through initiatives, collaboration, and engagement with Iwi.	<ul style="list-style-type: none"> <li>• Discussions underway with mana whenua and Waikato-Tainui about upgrades to Te Kauwhata and Huntly Wastewater Treatment Plants.</li> <li>• Council has resolved to look to advance the return of the Raglan Airfield to the rightful owners. Discussions have started with the appropriate crown agencies.</li> <li>• The Future of Local Government submission was informed through</li> </ul>

Key project/priority	Key deliverables/KPIs		Update & Delivery Comments
Waikato District Alliance)			<p>engagement with our iwi partners, mana whenua, community boards and community committees.</p> <ul style="list-style-type: none"> <li>Election process and better off funding completed. Work on Mana Whenua forums to be workshopped with councillors and social procurement also progressing.</li> </ul>
		<p>b) Demonstrate significant progress on delivering at least 3 of the initiatives of the Waikato-Tainui JMA workplan.</p>	<ul style="list-style-type: none"> <li>The following components of the Waikato-Tainui   Waikato District Council JMAC Strategic Work Programme for 2022-2023 have been completed:               <ol style="list-style-type: none"> <li>Local Body Elections 2022</li> <li>Local Government Reform (submissions)</li> <li>RMA reform (submissions)</li> <li>Better Off Funding Application and the development (On 5 December 2022 Council was notified that all the shortlisted projects were accepted DIA for funding. Crown Infrastructure Partners is due to provide the reporting template by the end of March 2023) which will be risk-assessed before the co-funding agreements with each successful applicant is framed and the project handed to the EMPO for delivery.</li> </ol> </li> </ul>
		<p>c) Prepare a report for each Ngaati Maniapoto JMA meeting which reflects matters of interest for our treaty partner.</p>	<ul style="list-style-type: none"> <li>A strategic report was prepared for the Ngaati Maniapoto JMA meeting. The report shared insights on Future Proof, the Proposed District Plan and other issues.               <ol style="list-style-type: none"> <li>The Future Proof Chief Executives Advisory Group is providing executive oversight and direction on the way we plan and deliver collaboratively with the other partner councils, iwi and central government.</li> <li>The Chief Executive is the sponsor of the Future Proof Transport Working Group.</li> <li>Chief Executive guidance provided to staff on Regional Transport Committee matters and Northern Waikato Railway Station Indicative Business Case.</li> </ol> </li> </ul>
	5.2	<p>Central Government – Provide evidence at each performance review of the outcomes achieved by the Chief Executive through building relationships with central government that are related to Council's future strategies and delivery aspirations. Particular focus should be on:</p>	

Key project/priority	Key deliverables/KPIs		Update & Delivery Comments
		a) Waka Kotahi	<ul style="list-style-type: none"> <li>Council is pushing back on the closure of Telephone Road. Constructive discussions are being held. The Huntly relocation agreement has been approved from the Council perspective. This is capitalising on the solid working relationship with the Regional Director of Waka Kotahi who also sits on the Future Proof Chief Executives Advisory Group.</li> </ul>
		b) Kainga Ora	<ul style="list-style-type: none"> <li>Engaging with representatives from Kainga Ora regarding houses to be built in the district as well as Infrastructure Acceleration Fund applications. Engagement is taking place at both a governance and managerial level. It is too early to determine the outcomes of these discussions.</li> <li>Advocacy through the Waikato Housing Initiative for better alignment with its work and that of Kainga Ora. Good working relationship with the Regional Director of Kaainga Ora and the Deputy Chairperson.</li> </ul>
		c) Ministry for Social Development	<ul style="list-style-type: none"> <li>Our Economic and Social Development team work closely with Ministry for Social Development. The Chief Executive also engages with the Regional Commissioner in relation to the Regional Leadership Group.</li> </ul>
		d) MBIE	<ul style="list-style-type: none"> <li>MBIE – Engagement with MBIE has been around reform to the Building Consent processes. We continue to work with MBIE on this initiative.</li> <li>Raglan Town 2 Surf Shared Path funding application for \$965,000 was successful and reported to Council on 13 March 2023.</li> </ul>
6. Staff and Culture (including leadership, engagement and retention)	6.1	a) Outline what initiatives have been undertaken to strengthen the internal culture and leadership of the organisation and provide staff survey results to indicate whether these have been successful or not.	<ul style="list-style-type: none"> <li>The staff survey run in 2022 provided strong evidence of a positive culture with a 4% upward movement in the engagement score. Whilst we are dealing with a tough employment market, word of mouth is proving a way of attracting good people. This can only happen if there is a positive culture in place.</li> </ul>
		b) Provide evidence on recruitment strategies being used to attract new talent and retention strategies in place including an assessment of effectiveness.	<ul style="list-style-type: none"> <li>As noted, word of mouth is proving effective (confirmed by the high number of referral payments being made as per our policy), being flexible and interviewing good candidates as early as possible has identified some good recruits. Staff retention particularly for staff recruited within the past year (93%) is high.</li> <li>Our Takitaki bespoke leadership programme is building the capability and confidence of our people. This year we had more than twice the number of applications for a place on the programme than the number of spots</li> </ul>

Key project/priority	Key deliverables/KPIs		Update & Delivery Comments
			available. The 2023 cohort commenced their programme in February.
		c) Provide an update on flexible and hybrid working arrangements and the effect (positive or negative) on culture as evidenced through staff survey results.	<ul style="list-style-type: none"> <li>The flexible working arrangements have been embraced by staff. Flexible working is trending as the second most important employee benefit in 2022. One of the highest comments in the staff survey on why WDC is a great place to work is the flexible working offered. We do however also have a good number of staff back in the office as that works for them.</li> </ul>
	6.2	Demonstrate progress in relation to how diversity and inclusion is being embraced by the organisation. This includes how the opportunity is developing, is being kept alive by behaviours and practices and broadening the perspective of staff.	<ul style="list-style-type: none"> <li>We have commenced our third Te Reo and Te Tiriti courses. Our teams are opening and closing meetings with Karakia. Our Team Planning session with People Leaders required each Team to identify how they were embracing Te Tiriti o Waitangi principles in their plans.</li> <li>Diversity, Equity &amp; Inclusion are a key course topic for our Takitaki programme. These principles have already been embedded with 60 staff through the programme and another 30 commenced in March.</li> </ul>
7. Zero Harm (Work Safe, Home Safe)	7.1	Lead initiatives that clearly demonstrate progress towards safety leadership in the way the organisation operates.	<ul style="list-style-type: none"> <li>Regular reporting to Council and the Audit and Risk Committee demonstrate progress in developing the Safety Management System. An independent audit is being commissioned to confirm progress and clarify opportunities for improvement.</li> </ul>
	7.2	Complete the Strategic Plan work for 2022/2023 by 30 June 2023.	<ul style="list-style-type: none"> <li>Work on the plan is progressing. Several standards have been written and critical risk control reviews are happening on a regular basis.</li> <li>The Organisation health, safety and wellbeing survey has been delayed to next year given resourcing priorities.</li> </ul>
8. Climate Action	8.1	Give effect to Climate Action Plan goals this financial year and provide updates on progress.	
		a) Agree a Climate Action work plan with the Strategy & Finance Committee by September.	<ul style="list-style-type: none"> <li>A draft Climate Response and Resilience Strategy is being developed. The Strategy is a high-level district roadmap that includes key projects that deliver on Co2 emission reduction targets. The proposed timeline for the</li> </ul>

Key project/priority	Key deliverables/KPIs		Update & Delivery Comments
			Strategy is 30 June 2023. This will require a review of the Climate Action Plan in the second half of 2023.
		b) Complete the work plan as agreed with the Strategy & Finance Committee by 30 June.	<ul style="list-style-type: none"> <li>Key projects will deliver on annual emission reduction targets include replacement of the Huntly Pool boiler, review of the Council Vehicles Policy (transition from ICE to EV), and ten cattle reduced on Wainui Reserve.</li> </ul>
		c) Achieve an emission reduction target of 8% for the year ended 30 June 2023.	<ul style="list-style-type: none"> <li>In 2020/21 we achieved a reduction of 23% driven largely by changes in the three waters area. In 2022/23 we have to date achieved reductions, but we need to collect better data in order to confirm the magnitude. In 2023/24 we expect the reduction to be in the order of 16-18% based on initiatives underway now.</li> </ul>
9. 2022 Elections	9.1	Meet legislative compliance by completing the workplan undertaken to facilitate and foster representative and substantial elector participation in elections.	<ul style="list-style-type: none"> <li>Election completed successfully (no legal challenges). Despite trying several initiatives, the overall return rate did not increase.</li> <li>A by-election was also run for the Tuakau Community board.</li> </ul>

**Footnote:**

1. The Chief Executive has agreed to deliver KPIs, subject to any changes due to Council's change of direction on any of the KPIs, in which case such changes would be taken into account. Delivery will also be subject to factors within the control of the Chief Executive e.g. a delay in receiving materials for capital works due to Covid-19 would be outside the control of the Chief Executive.
2. Each deliverable including subcategories (e.g. (a), (b) etc.) will be assessed in their own right.