

Agenda for a meeting of the Performance & Strategy Committee to be held in the Council Chambers, District Office, 15 Galileo Street, Ngaaruawaahia on **TUESDAY, 2 APRIL 2024** 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. MINUTES FOR CONFIRMATION**
 Meeting held on Monday, 19 February 2024 5
- 5. ACTIONS REGISTER** 14
- 6. STRATEGY REPORTS**
- 7. PERFORMANCE REPORTS**
 - 7.1 Operational Budget Reviews 16
 - 7.2 Council Controlled Organisations half-yearly report 23
 - 7.3 Chief Executive Business Plan 51
 - 7.4 Council Controlled Organisations Draft Statement of Intent 70
 - 7.5 Local Government Funding Agency Half Yearly Report 97
- 8. EXCLUSION OF THE PUBLIC** 132

GJ Ion
CHIEF EXECUTIVE

TERMS OF REFERENCE

PERFORMANCE AND STRATEGY COMMITTEE

Reports to:	The Council
Chairperson:	Cr Janet Gibb
Deputy Chairperson:	Cr Marlene Raumati
Membership:	The Mayor, all Councillors
Meeting frequency:	Six-weekly
Quorum:	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:	Tuesday, 2 April 2024
Report Author:	Thomas Rowland, Democracy Advisor
Authorised by:	Gaylene Kanawa, Democracy Manager

1. Purpose of the report

Te Take moo te puurongo

To confirm the minutes for a meeting of the Performance & Strategy Committee held on Monday, 2 April 2024

2. Staff recommendations

Tuutohu-aa-kaimahi

THAT the Performance & Strategy Committee confirms the minutes as a true and correct record for meeting held on Monday, 19 February 2024

3. Attachments

Ngaa taapirihanga

Attachment 1 – P&S Minutes – 19 February 2024.

Minutes for a meeting of the Performance and Strategy Committee held in the Council Chambers, 15 Gallileo Street, Ngaaruawaahia on **MONDAY, 19 FEBRUARY 2024** commencing at **9:30am**.

Present:

Cr J Gibb (Chairperson)
Cr M Raumati (Deputy Chairperson)
Cr C Beavis
Cr C Eyre (Deputy Mayor)
Cr M Keir
Cr P Matatahi-Poutapu
Cr K Ngataki
Cr E Patterson
Cr V Reeve
Cr L Thomson
Cr P Thomson
Cr T Turner
Cr D Whyte

Attending:

Mr GJ Ion (Chief Executive)
Mr TG Whittaker (Chief Operating Officer)
Ms A Diaz (Chief Financial Officer)
Ms M May (General Manager, Service Delivery)
Mr W Gauntlett (General Manager, Community Growth)
Mrs G Kanawa (Democracy Manager)
Ms E Saunders (Senior Democracy Advisor)
Mr T Rowland (Democracy Advisor)
Mr W Durning (Strategic Mayoral Advisor)
Mr C Bailey (Finance Manager)
Ms N Hubbard (Corporate Planning Manager)
Mr R Maculloch (General Manager Customer Support)
Mr R Herman (Community Safety Manager)
Mr M Morgan (Waikato Regional Airport Limited)
Mr S Kendall (Waikato Regional Airport Limited)

APOLOGIES AND LEAVE OF ABSENCE

Resolved: (Crs L Thomson/Reeve)

THAT the Performance and Strategy Committee accepts the apology from Her Worship the Mayor, Mrs JA Church for non-attendance.

CARRIED

P&S2402/01

CONFIRMATION OF STATUS OF AGENDA ITEMS

Agenda Item 2

Resolved: (Crs L Thomson/Ngataki)

THAT the agenda and supplementary agenda for a meeting of the Performance and Strategy Committee held on Monday, 19 February 2024 be confirmed:

- a. **with all items therein being considered in open meeting with the exception of those items detailed at agenda items 8, which shall be considered with the public excluded; and**
- b. **notes that item 5.1 from the supplementary agenda will be considered straight after item 5; and**
- c. **all reports be received.**

CARRIED

P&S2402/02

DISCLOSURES OF INTEREST

Agenda Item 3

No further conflicts were discussed/disclosed.

CONFIRMATION OF MINUTES

Agenda Item 4

Resolved: (Crs Eyre/P Thomson)**THAT the Performance and Strategy Committee confirms the minutes as a true and correct record for meetings held on Monday, 4 December 2023.****CARRIED****P&S2402/03**

ACTION: A briefing to be arranged between the Performance and Strategy Committee and the Strategic Mayoral Manager.

ACTIONS REGISTER

Agenda Item 5

The report was received [*P&S2402/02 refers*] and no further discussion was held.

ACTION: No action required.

Presentation from Waikato Regional Airport Limited

Agenda 5.1

The presentation was received [*P&S2402/02 refers*] and the following discussion was held:

- Mr Morgan and Mr Kendall from Waikato Regional Airport Limited (WRAL) provided an update on the operations of the airport and future plans for the site.
- It was noted that COVID-19 had provided a positive stress test for the airport's resilience.
- A masterplan was completed in 2023 for the Airport's development.
- Mr Morgan informed the Committee that most flights are at capacity out of Waikato Airport.
- It was noted that Waikato Airport is the first airport in New Zealand to have their own solar farm which exports power back to the national grid during the day.
- It was noted that there would be a demand for the airport's hotel in the long term with the shortage of hotel capacity in Hamilton and the surrounding areas.

- WRAL noted that Origin Air are also operating out of Hamilton. It was noted that the biggest challenge for the airport was its geographical location and how close it is to Auckland Airport.

ACTION: No action required.

REPORTS

Long Term Plan Work Programme Update

Agenda Item 6.1

The report was received [*P&S2402/02 refers*] and the following discussion was held:

- It was highlighted that Audit NZ has advised Waikato District Council that there is an opportunity to do a 2024/25 enhanced annual plan.
- It was noted that the enhanced annual plan would allow more certainty around Water Reforms and Waka Kotahi Funding.
- Council would need to elect whether they are going to do an enhanced annual plan by April 2024.

ACTION: Report to be provided for the next Council meeting to determine whether they wished to consider an enhanced annual plan for 2024/25.

Building relationships with mana whenua

Agenda Item 6.2

The report was received [*P&S2402/02 refers*] and the follow discussion was held:

- The Chief Operating Officer spoke to the report advising that the Committee would be updated further on this report by the Chief Executive and the Executive Manager - Maaori Partnerships later in the week.

CARRIED

Resident Perception Survey – Quarter 2 Results

Agenda Item 7.1

The report was received [*P&S2402/02 refers*] and a verbal update was provided by the Customer Experience Manager. The following discussion was held:

- It was noted by staff that whilst satisfaction levels do have a slight decline, there is opportunity through the Long-term Plan to use this information to push the satisfaction results back up.
- It was noted that Council needed to have a strong focus on getting back to basics well.
- The Chief Operating Officer noted that the Council is well respected as an organisation.
- It was noted that the sentiment of the community is a good representation of how Council is performing.
- It was noted the efforts that Council was making towards minimising waste and the equality between the other districts.

The meeting adjourned at 10:55am and resumed at 11:10am.

Cr Raumati returned to the meeting at 11:11am.

Cr Keir returned to the meeting at 11:12am.

Financial Performance Summary (December Quarter)

Agenda Item 7.2

The report was received [*P&S2402/02 refers*] and the following discussions was held.

- It was noted by the Chief Financial Officer that come July 2024, Council would have a different suite of reports that are performance managed that would give Council more information around if they were on track with delivering against the budget.

Treasury Risk Management Policy Compliance (December Quarter)
Agenda Item 7.3

The report was received [P&S2402/02 refers] and the following discussion was held:

- It was queried what the interest costs would be to Council as the debt level increases and a request for further forecasting going into the next three years.

ACTION: No action required.

Approved Counterparty Review
Agenda Item 7.4

The report was received [P&S2402/02 refers] and no further discussion was held.

Non-Financial Performance Results (December Quarter)
Agenda Item 7.5

The report was received [P&S2402/02 refers] and the following discussion was held:

- Cr Whyte publicly thanked the Council's warrant of fitness inspection team.
- It was noted that currently there is an information technology and communication issue between Council and noise control contractors.
- It was queried if all crashes were being reported in the region and whether the report included just local roads or state highways. It was noted that State Highways were reported separately.

Chief Executive Business Plan Update
Agenda Item 7.6

The report was received [P&S2402/02 refers] and no further discussion was held.

EXCLUSION OF THE PUBLIC

Agenda Item 8

Resolved: (Crs Patterson/Ngataki)

- a. THAT the public be excluded from the following parts of the proceedings of this meeting:

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

General subject of each matter to be considered	Reason for passing this resolution in relation to each matter	Ground(s) under section 48(1) for the passing of this resolution
Item PEX 2 Minutes for confirmation	Good reason to withhold exists under Section 6 or Section 7 Local Government Official Information and Meetings Act 1987	Section 48(1)(a)
Item PEX 3.1 Unregistered Dog Fees Write Off 2023		
Item PEX 3.2 Growth Funding Approach		

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

Item No.	Section	Interest
Item PEX 2 Confirmation of minutes	Refer previous minutes for reasons for exclusion.	
Item PEX 3.1 Unregistered Dog Fees Write Off 2023	7(2)(g)	To protect legally privileged information.
Item PEX 3.2 Growth Funding Approach	7(2)(b)(ii)	To protect information that would otherwise unreasonably prejudice a person's commercial position.

CARRIED**P&S2402/05**

Resolutions P&S2402/06 - P&S2402/09 are contained in the public excluded section of these minutes.

There being no further business the meeting was declared closed at 12:19pm.

Minutes approved and confirmed this day 2024.

Janet Gibb
CHAIRPERSON

Unconfirmed

To	Performance & Strategy Committee
Report title	Actions Register
Date:	2 April 2024
Report Author:	Ashleigh Fairhead, EA Chief Operating Officer
Authorised by:	Alison Diaz, Chief Financial Officer

1. Purpose of the report

Te Take moo te puurongo

To update the Performance and Strategy Committee on the actions arising from the previous meeting.

2. Staff recommendations

Tuutohu-aa-kaimahi

THAT the Actions Register be received.

3. Attachments

Ngaa taapirihanga

Attachment 1 – Performance and Strategy Committee Actions Register

	Action	Responsible to Action	Status/Update/Response
1.	<p><u>Confirmation of Minutes</u></p> <p>A briefing to be arranged between the Performance and Strategy Committee and the Strategic Mayoral Manager regarding the Rural Economic Advisory Panel (REAP).</p>	William Durning, Strategic Mayoral Manager	A verbal briefing will be provided to councillors after the Committee meeting on 2 April.
2.	<p><u>Long Term Plan Work Programme Update</u></p> <p>Report to be provided for the next Council meeting to determine whether they wished to consider an enhanced annual plan for 2024/2025.</p>	Nicole Hubbard, Corporate Planning Manager	Complete. Council resolved to defer the LTP for 12 months and opt to prepare an Enhanced Annual Plan for 2023/24.
3.	<p><u>Treasury Risk Management Policy Compliance (December Quarter)</u></p> <p>It was queried what the interest costs would be to Council as the debt level increases and a request for further forecasting going into the next three years.</p>	Colin Bailey, Finance Manager	<p>Work to date on the 2024-2034 LTP has interest expense included as follows:</p> <p>2024/2025 – expense \$10.3 million, interest rate 4.25%</p> <p>2025/2026 – expense \$12.3 million, interest rate 4.22%</p> <p>2026/2027 – expense \$13.8 million, interest rate 4.21%</p> <p>Note years two and three will be subject to change from a budgeting perspective due to the deferment of the LTP.</p>

To	Performance and Strategy Committee
Report title	Operational Budget Reviews
Date:	2 April 2024
Report Author:	Colin Bailey, Finance Manager
Authorised by:	Alison Diaz, Chief Financial Officer

1. Purpose of the report

Te Take moo te puurongo

The purpose of this report is to inform the Performance and Strategy Committee of budget adjustments to date for the 2023/2024 financial year.

2. Executive summary

Whakaraapopototanga matua

Council follows a tiered budget review process to support:

- Financial accountability – finding funding solutions at the time of planned expenditure.
- Identification of savings as they arise.
- Improved variance commentary.
- Removal of duplication of effort.

There are four different levels of budget review, three of which utilise an operational budget review process; movement between budgets within the same cost centre, movement between budgets at the group level, and employment related budget changes.

The fourth type of budget review relates to capital works and non-neutral funding changes (which alter the Annual Plan / Long Term Plan that was adopted and communicated to ratepayers, residents and other stakeholders). These changes are advised to the relevant committee with specific financial resolutions that identify funding solutions/savings.

Where contracts are let under delegated authority and budget changes are required, the tender report includes a resolution to allow funding to be adjusted as identified in that report (i.e. a separate committee report is not required).

The approved process is in place to improve flexibility during the year and aligns with transparency requirements under the Local Government Act 2002.

3. Staff recommendations Tuutohu-aa-kaimahi

THAT the Performance and Strategy Committee receives the Operational Budget Reviews report.

4. Discussion Matapaki

4.1 Process Review

An organisation-wide budget review process will be conducted in May 2024 to capture operational variances to mitigate surplus/deficit positions ahead of the financial year end. Invariably budgets differ from actual costs charged, and the purpose of the tiered budget review and operational budget review process is to manage the impact of these changes without adversely affecting the overall funding position.

The General Accounting Reserve Fund (GARF) which is comprised of general rate surpluses from prior financial years is used to manage one-off adverse general rate variances. In the current Long Term Plan, a commitment was made to:

- Capture upfront those savings typically generated during the year against salary budgets (mainly from vacancies and timing of replacement).
- Capture the anticipated efficiency savings associated with the digital roadmap work.

Therefore, the expectation in the 2023/24 year is that any general rate surpluses will be at a lower level than those experienced previously.

4.2 Budget Reviews Processed

A number of budget review memos have gone through either:

- Council Committees where there is a cost or non-neutral funding impact; or
- The internal review process.

These are summarised on the attached Summary of Processed Budget Review Memos. There are twenty eight budget review memos that have not been fully reviewed, one of which may impact funding by \$64,625. The remainder are waiting for budget manager sign off. Targeted rate funding issues are out of scope in these reviews as any decision to increase targeted rates must be consulted on.

5. Attachments Ngaa taapirihanga

Attachment 1: Summary of Processed Budget Review Memos

Summary of Processed Budget Review Memos 2023/2024

Ref No.	Category	Status	Team	Description	Financial Impact
BR24001	Variation	Pending	Roading	Trf budget from WDC managed budget to WDA managed budget for Emergency Works Phase 1 Feb Cyclone event	0
BR24002	Memo	Pending	Roading	Trf budget between subsidised budgets	0
BR24003	Action Sh	Approved	Roading	Establish new budget for 2023-2024 SH1 Huntly Revocation Renewal Programme - 100% funded by NZTA	2,124,822
BR24004	Memo	Approved	Open Spaces	Trf budget from District Wide Parks and Reserves project 103951-1400-0000-00-25514 to Ruawaro Tennis Court for remedial works project 100848-1400-0000-00-25514 for \$200,000 This project will be 8% funded by Internal Loans and 92% funded by Parks & Reserves Replacement Fund reserve.	0
BR24005	Action Sh	Approved	Community Facilities	Council Resolution WDC2304/17 approved the budget transfer from 1D010095-0122 Tuakau Dog Pound to 107874 (old account code 1D010010-0123) Centralised Dog Pound - New Build project	0
BR24006	Memo	Approved	Open Spaces	Trf budget from District Wide Parks and Reserves project 103951-1400-0000-00-25514 to Puriri Seawall Boat Ramp project 107884-1400-0000-00-25514. This project will be 8% funded by Internal Loans and 92% funded by Parks & Reserves Replacement Fund reserve.	0
BR24007	Memo	Pending	Roading	Establish new budget for SH23 repairs to detour route. To be fully on-charged to the NZTA.	64,625
BR24008	Action Sh	Approved	Roading	Approval of budget revision for 2023/2024 Emergency Works budgets for phases 2 & 3.	3,548,565
BR24009	Action Sh	Approved	Roading	Budget revisions for Local Road Improvements and Road to Zero projects - Horotiu Raised Platform \$153,061 & School Speed Signs \$1,670,672.	(1,785,186)
BR24010	Memo	Pending	Roading	Transfer WDC managed budget to the WDA for Pavement Rehab variation	0
BR24011	Action Sh	Approved	Community Facilities	Council Resolution WDC2310/20 approved the budget transfer from Raglan Hall 102271-9110-0000-00-25514 to Raglan Beacon 100942-1590-0000-00-25514 for \$120,000 and to Huntly Aquatic centre Boiler Replacement project 100628-1410-0000-00-25514 for \$200,000	0
BR24012	Action Sh	Approved	Community Facilities	In March 2023, council resolution WDC2303/04 approval the brought forward of \$100,394 and \$88,092 budgets from 2023/24 to 2022/23. These were successfully brought forward in 2022/23 via a budget transfer memo (BR23020). However, during the approval process for Annual Plan 2023/24, these budgets were not removed and hence these are now appearing as duplicated budgets in 2023/24. It is proposed that these budgets are removed from 2023/24 via budget transfer journals.	(188,486)
BR24013	Memo	Approved	Information Management	Transfer of budget from Contracts & Partnering to P2P Project (PR-22008)	0
BR24014	Memo	Pending	Roading	Trf WDC budget to WDA for variation for Whitiakahu Road Safety Improvements	0
BR24015	Memo	Pending	Roading	Trf WDC budget to WDA for variation for Tahuna Road Safety Improvements	0
BR24016	Memo	Pending	Information Management	Additional Building Consent project budget funded by GARF	0
BR24017	Memo	Pending	Roading	Trf WDC budget to WDA for variation for cutting/trimming trees on Tauwhare Rd	0
BR24018	Memo	Pending	Roading	Trf WDC budget to WDA for variation for structure renewal works.	0
BR24019	Memo	Pending	Roading	Trf WDC budget to WDA for variation for Fullerton Road Culvert Replacement	0
BR24020	Memo	Pending	Roading	Trf WDC budget to WDA for variation for large stab patches	0
BR24021	Memo	Pending	Roading	Trf WDC budget to WDA for variation for Whitiakahu Road Culvert	0
BR24022	Memo	Pending	Roading	Trf WDC budget to WDA for variation for Ridge Road Safety Improvements	0
BR24023	Memo	Pending	Roading	Trf WDC budget to WDA for variation for River/Lake Road upgrade to roundabout - Horotiu	0
BR24024	Memo	Pending	Roading	Trf WDC budget to WDA for variation for the installation of new bus shelters	0
BR24025	Memo	Approved	Information Management	Transfer of budget to HRIS Implementation (PR-21340)	0
BR24026	Memo	Pending	Roading	Trf WDC budget to the WDA for variation for Driving Behaviour Treatments	0
BR24027	Memo	Pending	Roading	Trf WDC budget to the WDA for variation for Resilience investigation for data capturing	0
BR24028	Memo	Pending	Roading	Trf \$100K budget from WDC managed Environmental Maintenance into The WDA Procurement Project	0
BR24029	Memo	Pending	Roading	Trf WDC budget to the WDA for variation for District Wide trees	0
BR24030	Memo	Approved	Information Management	Consolidate various IM projects as per 2022/23 carry forwards	0
BR24031	Memo	Approved	Open Spaces	Trf budget from District Wide walkways project 104091-1400-0000-00-25514 to Te Kauwhata walkways project 104119-1400-0000-00-25514 in order to complete the stages 1 and 2 of Te Kauwhata Domain walkway project. This project will be 100% funded by internal loans.	0
BR24032	Memo	Pending	Customer Support	Community Safety - Robbie	0
BR24033	Memo	Pending	Customer Support	Customer Support - Roger	0
BR24034	Memo	Approved	3Waters	Reallocate budget from Pokeno Water Supply Reservoir Extension to Pokeno Water Supply Reticulation Extension	
BR24035	Memo	Approved	3Waters	Reallocate budget from DW Stormwater Network Renewals to be used towards the Port Waikato Resilience Fund	

Summary of Processed Budget Review Memos 2023/2024

Ref No.	Category	Status	Team	Description	Financial Impact
BR24036	Action Sh	Approved	Strategic Property	Purchase of 18 Herschel Street property in Ngaruawahia be partially funded by Nga Facilities Targeted Rate	174,000
BR24037	Memo	Pending	Roading	Trf budgt from Kelly Newells code for Resilience planning. This is funding from the DIA.	0
BR24031	Memo	Pending	Roading	Trf WDC managed budget from Drainage Maintenance (7130) & Environmental Maintenance (7150) to Network & Asset Management (7180) to cover additional consultancy costs.	0
BR24038	Memo	Approved	Open Spaces	Evaluation Report for Raglan Art Centre was written and approved in October 2023 for the completion of 3 Contracts namely Raglan Art Centre Car Park Repairs (C00000309) should be set at \$97,938.01 (ex. GST), Raglan Art Centre Retaining Wall Repairs (C00000335) should be set at \$28,830.33 (ex. GST) and Raglan Art Centre Drainage Works (C00000334) should be set at \$13,321.80 (ex. GST). These contracts totals plus 10% contingency equals \$150,090.14. Glyn from Open Spaces team has confirmed & committed \$150,090.14 to be transferred via Budget Review Memo from project account code 103951-1400-0000-00-25514 District Wide Parks & Reserves to this project's code 107886-9110-0000-00-25514.	0
BR24039	Memo	Approved	Open Spaces	Increase to Approved Contract Sum report C00000270 was written by Mark J and Tracey and approved by Anthony for the Raglan Rugby Club refurbishments in January 2024. As part of it, it was proposed that the budget of \$16,650.98 be transferred from account code 102465-1400-0000-00-25514 to 102573-1400-0000-00-25514 to fund the deficit. This budget code is 100% funded by P&R Replacement Fund.	0
BR24040	Action Sh	Approved	3Waters	Reallocate budgets to align with the tendered construction costs for the Horotiu Link Road Intersection stormwater infrastructure - no additional funding required	0
BR24041	Action Sh	Approved	3Waters	Reallocate carry forward budget from Meremere Mid Waikato Watermain Renewal to Rangiriri Mid Waikato Watermain Renewal as approved by WGB Feb 2023 - no additional funding required	0
BR24042	Action Sh	Approved	3Waters	Approves an additional \$2.25m of unbudgeted expenditure for Ngaruawahia Wastewater Network Extensions by way of loan funding	0
BR24043	Action Sh	Pending	Community Facilities	Report to Infrastructure Committee requests the budget transfer of upto \$220,000 for the completion of Huntly Rail Building relocation project. On receipt of Insurance proceeds and completion of project, budget shortfall to be transferred from Tuakau Hall Seismic Upgrade Project 103637-9220-0000-00-25514 to 100736-1520-0000-00-25514. This budget transfer will be 100% funded by Internal Loans.	0
BR24044	Memo	Approved	Information Management	Transfer various budget into Waisite project	0
BR24045	Memo	Approved	Information Management	Transfer various budget into GEMS Resolve SaaS product	0
BR24046	Memo	Pending	Open Spaces	Budget transfer to tidy-up District Wide Car Park renewal budget codes - amalgamate budgets from multiple account codes having funds for the same project	0
BR24047	Memo	Approved	Information Management	Transfer budget into Community Venue & Events Booking project	0
BR24048	Memo	Pending	Communications	Transfer budget into Digital Communications project	0
BR24049	Memo	Pending	Roading	Transfer WDC managed budget to the WDA for MI TUA Harrisville Road minor improvements for additional guard rail costs.	0
BR24050	Memo	Pending	Information Management	Transfer budget into Zero Trust project	0
BR24051	Memo	Pending	Roading	Trf WDC managed budget to the WDA for a variation for Minor Events	0
BR24052	Action Sh	Approved	Roading	Addressing budget shortfalls and prioritizing roading projects	2,788,901
BR24053	Memo	Approved	Information Management	Transfer budget into LTP Portal / DXP - Customer Digital Serv Provision project	0
BR24054	Memo	Pending	Information Management	Transfer budget to Cyber Security (BRM work in progress)	0

6,727,241

WDA Variations

BR Number if applicable	Management Accountant	Variation Name	WDC OLD Charge Code
WDAVAR240001	Harsh Garcha	LTP Car Parks – Henderson Hall Upgrade	1RG-10000-C0-0000-0124
WDAVAR240002	Harsh Garcha	LTP Car Parks – Ngaruawahia League Ground (Panthers) upgrade	
WDAVAR240003	Harsh Garcha	WDA yard resealing at Brownlee Avenue	
WDAVAR240004	Harsh Garcha	LTP Car Parks – Mangatawhiri Hall – Car Park Upgrade	
WDAVAR240005	Harsh Garcha	LTP Car Parks – Onewhero Domain – Car Park Upgrade	
WDAVAR240006	Harsh Garcha	LTP Car Parks – Onewhero Domain – Car Park Upgrade (Increase in cost due to issue with how the pavement was laid)	
WDAVAR240007	Harsh Garcha	LTP Car Parks – Lake Puketirini Car Park Upgrade	
WDAVAR240008	Harsh Garcha	LTP Car Parks – Papahua Recreation Reserve – Marine Parade Upgrade	
		Total Variations	

WDC NEW Charge Code	Variation Amount (not actual cost)	Date	Signed variation received	Estimated Start Date	Estimated Completion Date
	46,761.27	13/07/2023		01/08/2023	31/08/2023
103951-1400-0000-00-25514	290,781.26	25/09/2023	06/11/2023	25/09/2023	18/10/2023
103685-1500-0000-00-25514	121,175.21	29/09/2023			
103951-1400-0000-00-25514	7,260.96	08/11/2023		16/11/2023	16/11/2023
103951-1400-0000-00-25514	699,142.55	08/11/2023		06/11/2023	22/02/2024
103951-1400-0000-00-25514	120,303.93	23/11/2023		06/11/2023	22/02/2024
103951-1400-0000-00-25514	175,992.27	22/01/2024		12/02/2024	01/03/2024
103951-1400-0000-00-25514	280,345.10	12/02/2024		04/03/2024	28/03/2024
	1,741,762.55				

WDC Staff
Niall
Niall
Tracey M
Niall
Niall
Niall
Niall
Niall

To	Performance & Strategy Committee
Report title	Council Controlled Organisations Half-yearly Reports
Date:	2 April 2024
Report Author:	Alison Diaz, Chief Financial Officer
Authorised by:	Gavin Ion Chief Executive

1. Purpose of the report

Te Take moo te puurongo

To inform the Performance & Strategy Committee of Council Controlled Organisations interim results for the 2023/24 financial year.

2. Executive summary

Whakaraapopotanga matua

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

The Chief Executive of Co-lab has outlined the following key highlights for the July-December 2023 period:

1. Senior Leadership team finalised Co-Lab's first 3-year strategic plan which was signed off by the Board.
 2. Created a Benefits of Collaboration framework to better articulate and measure the value of collaboration.
 3. Completed the business case and delivered the inaugural RATA Spaces & Places Community Asset forum and are pleased to be moving this forward with 5 interested councils.
 4. Pilot projects being planned include a project management shared service and a car parking management shared service.
 5. Co-Lab Learning and development service is gaining momentum with 7 out of 10 councils launching it with their council staff.
-

Net profit year-to-date shows a deficit position of (\$319,650) against a budgeted position of (\$431,241). Contributing to this favourable position is lower expenditure on the LiDAR project due to delays. Revenue is also below budgeted levels particularly on user-charges which shows as \$4.3 million against a year-to-date budget of \$5.9 million.

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 2023/24 are likely to be met, and for most measures, exceeded for the year. When compared against prior period results (six months ended 31 December 2022), passenger volumes have declined by 3%, despite aircraft movements being 7% higher and earnings before interest, tax, depreciation/amortisation (EBITDA) is 8% down.

The overview from the Chief Executive (also covered by an in-person presentation at the February 2024 meeting) provides a summary of highlights, including engagement with international airlines on possible trans-Tasman flights and an update on the challenges from property market slowdown and lower passenger volumes.

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

THAT the Performance & Strategy Committee receives the Council Controlled Organisations Half-Yearly report.

4. Attachments **Ngaa taapirihanga**

Attachment 1 – Co-lab interim accounts

Attachment 2 – WRAL interim Report (group level)

INTERIM REPORT

WAIKATO REGIONAL AIRPORT LIMITED

For the six months ended 31 December 2023



CHIEF EXECUTIVE'S REPORT



Key results at a glance

- 3%

Passenger volume: 195,000
Decrease of 6,000

+ 7%

Aircraft movements: 16,800
Increase of 1,200

+ 10%

Operating revenue: \$10.0m
Growth of \$0.9m

- 8%

EBITDA excluding land sales: \$3.1m
Decrease of \$0.2m

Net surplus after tax: \$2.6m

Total shareholder funds: \$236.0m

* Changes are measured compared to the six months ended 31 December 2022

exacerbated by a global maintenance issue with Airbus engines creating conflicting demands on turboprop fleet between main centres and regions.

- The JetPark Hotel property has also not seen the recovery in customers it had expected citing the same overall economic challenges, however has still achieved growth on the same period last year.

Despite these challenges, the Group finds itself still tracking to budget for the year-to-date and full year. While behind its earnings (EBITDA) compared to the same period last year, full year year-on-year growth will still be achieved.

7% growth in aeronautical movements tells one part of a very positive story for the re-emergence of our general aviation sector. The other lies within our property investment strategy. As has been previously reported, the Group had acquired the improvements of some significant aeronautical properties in the previous year and we have been able to support the growth aspirations of our existing tenants by enabling them to move on airport to larger facilities, whilst also welcoming regular new operators to the airport.

The last six months has also seen the first credible engagement with international airlines in a decade. The Airport has been responding to genuine inquiries regarding the possibility of scheduled Trans-Tasman services. Key drivers behind these inquiries have been two-fold; firstly our strategic location in close proximity to Auckland as an alternate; and secondly as a destination in our own right with growth in the regional catchment, paired with the introduction of smaller Embraer E190 and Airbus A220 aircraft to Australian fleets, making us once again a potentially viable Trans-Tasman port.

While the property market has not been conducive to land activity, the apparent slow-down evident from our financials was not unexpected and in keeping with the staging strategy of our Titanium Park development. The 2024 financial year was always expected to live in the shadow of 2023, which saw settlement of pre-sold sections from the Central Precinct 5th Stage. Titanium Park is now substantially sold out with just three hectares of the total 30 hectares developed on the eastern side of the airport available for sale or lease.

Work has continued by Titanium Park Limited (TPL) to advance the Northern Precinct Private Plan Change. While the plan change was granted by Waipa District Council in June 2023, TPL is now working to resolve appellants' concerns over the ecological impacts of the

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.

While this is the first financial year since 2019 to have benefited from no restrictions to COVID-related travel, across the Group we are experiencing the challenges of the economic headwinds.

- The airport has experienced largely steady passenger numbers year-on-year, despite an expectation for growth, with discretionary travel reductions for both business and leisure purposes evident. A second factor has been the challenges national airline, Air New Zealand, has faced with crewing constraints on its domestic fleet further

proposed development and parties have amicably agreed a preferred solution with the intention to have fully resolved over the remainder of the financial year. The 100ha of rezoned land will ensure the Airport precinct cements its presence 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.

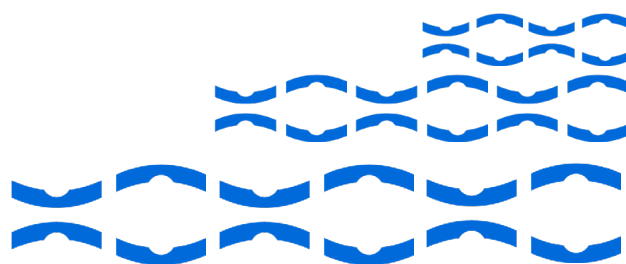
Hamilton & Waikato Tourism (HWT) continue to support the local tourism industry with activities returning to their more normal flow as the region is now welcoming large numbers of visitors from international markets after a challenging three year period of varying border and travel restrictions. The final workstreams funded by the \$1.7 million of central government grants received over the last three years were also completed in the six month period. Looking ahead, the organisation faces some significant challenges as its funding councils complete their next round of 10-year long term planning processes which will impact the future delivery model of HWT.

Shortly before completion of the six-month period, the Group was able to switch on its 0.5Mega Watt solar farm. WRAL is the first airport in New Zealand to have commissioned its

own facility. Gifted the name Tama-nui-te-ra (Son of the Sun) by local iwi partners Ngaati Haua, early indications are the generation facility is delivering as expected with over half of the power requirements of the airport terminal generated on site from 100% renewable energy through the summer months to date, adding to the financial benefits. The solar farm commissioning coincided with the Airport being awarded the prestigious Level 4 certification under the global airport body ACI's Airport Carbon Accreditation scheme, one of only four airports in New Zealand and 81 worldwide 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 who continue to deliver in excess of the ambitious program of work that underpins our 10-year strategy.

Mark Morgan
Group Chief Executive



FINANCIAL STATEMENTS

Consolidated Statement of Comprehensive Income & Expense

For the six month period ended 31 December 2023
(unaudited)

	2023 \$ '000	2022 \$ '000
Revenue		
Operating revenue	10,007	9,047
Land sales	3,623	14,723
Other gains/(losses)	-	9,591
	13,630	33,361
Expenses		
Operating expenses	(4,224)	(3,184)
Cost of land sales	(761)	(4,228)
Employee benefits expense	(2,684)	(2,537)
Depreciation & amortisation	(2,009)	(2,033)
Finance costs	(613)	(295)
Other losses	(173)	(147)
	(10,466)	(12,483)
Net surplus/(deficit) before tax	3,164	20,878
Tax expense	(587)	(3,169)
Net surplus/(deficit) after tax	2,577	17,709
Other comprehensive revenue & expense		
Revaluation of property, plant & equipment	-	-
Deferred tax	-	-
Total other comprehensive revenue & expense	-	-
Total comprehensive revenue & expense	2,577	17,709

These interim financial statements have been prepared in accordance with Tier 2 PBE Accounting Standards.

FINANCIAL STATEMENTS

Consolidated Statement of Changes in Equity

For the six month period ended 31 December 2023
(unaudited)

	Share Capital \$ '000	Retained Earnings \$ '000	Revaluation Reserves \$ '000	Total \$ '000
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)
Closing Balance - 31 December 2022	14,860	113,846	99,228	227,934
Opening Balance - 1 July 2023	14,860	114,596	104,476	233,932
Net profit/(loss) after tax	-	2,577	-	2,577
Other comprehensive income	-	-	-	-
Total comprehensive income	-	2,577	-	2,577
Dividends paid to shareholder	-	(500)	-	(500)
Closing Balance - 31 December 2023	14,860	116,673	104,476	236,009

FINANCIAL STATEMENTS

Consolidated Statement of Financial Position

As at 31 December 2023
(unaudited)

	2023	2022
	\$ '000	\$ '000
Current Assets		
Cash and cash equivalents	626	798
Trade and other receivables	1,194	2,463
Inventories	575	500
Development property	13,690	9,012
	16,085	12,773
Non Current Assets		
Property, plant, and equipment	162,227	159,848
Investment property	92,620	84,470
Intangible & other non-current assets	906	788
	255,753	245,136
Total Assets	271,838	257,909
Current Liabilities		
Trade and other payables	1,490	5,925
Income received in advance	900	1,738
Employee entitlements	578	549
	2,968	8,212
Non Current Liabilities		
Provisions for Infrastructure Development	4,932	1,700
Deferred tax liability	5,719	7,063
Borrowings	22,030	13,000
	32,861	21,763
Total Liabilities	35,829	29,975
Net Assets	236,009	227,934
Equity		
Share capital	14,860	14,860
Retained earnings	116,673	113,846
Revaluation reserves	104,476	99,228
Total Equity	236,009	227,934

FINANCIAL STATEMENTS

Consolidated Statement of Cash Flows

For the six month period ended 31 December 2023
(unaudited)

	2023 \$ '000	2022 \$ '000
Operating activities		
Receipts from operations	9,121	10,457
Receipts from land sales	3,831	14,723
Payments to suppliers and employees	(6,283)	(6,571)
Payments for construction of development property	(1,811)	(2,318)
Payment of interest	(636)	(321)
Payment of income taxes	(2,380)	(444)
Net cash from/(used in) operations	1,842	15,526
Investing activities		
Receipts from sale of property, plant and equipment	-	4
Purchases of property, plant & equipment	(2,880)	(10,456)
Purchases of investment properties	(302)	-
Purchases of intangible assets	(16)	(193)
Net cash from/(used in) investment activities	(3,198)	(10,645)
Financing activities		
Receipts from/(repayments of) borrowings	1,810	(3,995)
Payments of dividends	(500)	(500)
Net cash from/(used in) financing activities	1,310	(4,495)
Net change in cash for the period	(46)	386
Add opening cash and cash equivalents balance	672	412
Closing cash and cash equivalents	626	798

PERFORMANCE REPORTING

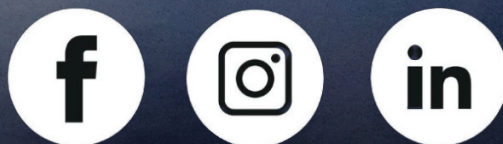
Performance against Statement of Intent

For the six month period ended 31 December 2023

(unaudited)

	SOI	Actual	Forecast
	Full Year 30/6/24	6 months 31/12/23	Full Year 30/6/24
Financial Targets			
EBITDA excluding Land Sales	\$6,000	\$3,099	\$5,972
EBITDA including Land Sales	\$7,500	\$5,961	\$8,758
Net Profit before Tax	\$1,000	\$3,164	\$2,600
Net Operating Cash Flow excl Land Sales	\$6,000		
Total Debt (not exceeding)	\$35,000	\$22,030	\$24,200
Percentage of non-landing charges revenue	60%	67%	64%
Land Sales	\$3,000	\$3,623	\$3,623
Interest coverage	3.0x	4.9x	3.9x

The group has several non-financial performance targets covering the range of activities the group undertakes across its aeronautical activities, property, climate change response and caring for its people and community. At 31 December 2023, 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



Half-yearly report (un-audited)

1 July 2023 to 31 December 2023

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

Contents

Statement of service performance	3
Performance framework	9
Assessment of performance against targets	10
Co-Lab's financial position	13
Financial forecasts	16
Governance.....	16
Nature & scope of activities.....	17

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-Lab¹ works with councils to:

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

It achieves these outcomes by:

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

This report includes projects and shared services that have substantial activity to report on over the first half of the financial year.

Opportunity development highlights

As directed by The Board, Opportunity Development projects were anchored in industry and field research which meant less reliance on council peoples' time. In some cases, the projects will become a pilot so lessons from building and testing a solution can be realised faster. Pilot projects being planned include a project management shared service and a car parking management shared service.

We completed the business case and delivered the inaugural RATA Spaces & Places Community Asset Forum and are pleased to be moving RATA Spaces and Places forward with five interested councils.

Right People, Right Place (RPRP)

The RPRP project considers what councils can do (collectively and individually) to address their pressing need to meet current and future workforce requirements.

We undertook an extensive research project which included an international literature review, qualitative interviews, and workshops with councils' subject matter experts. This work helped to diagnose the problem and the primary causes of this problem. A key finding was that the close geographical proximity of councils will be an advantage for many collaborative initiatives that will help redress the current situation.



The research assisted us in identifying a range of initiatives that will help bolster the local government workforce. Some of these initiatives will result in incremental change while others are more strategic or transformational. The initiatives were categorised and prioritised and will be presented to chief executives for consideration early in 2024 as to what Co-Lab can progress.

¹ Co-Lab is the trading name of Waikato Local Authority Shared Services Ltd

Waikato Regional Transport Model (WRTM) restructure & governance

To ensure the ongoing success of the WRTM programme, we worked with council stakeholders and Waka Kotahi to implement a new governance and management arrangement. There were three foundational activities progressed during the period;

- updated partnership agreements;
- establishment of a new WRTM Governance Committee; and
- recruitment of a full time WRTM Programme Manager.



During the period, the new management and governance structure has been implemented and we commenced the build phase of the Hamilton Transport Model (HTM). The WRTM Strategic Model (WRTM-S) will be the parent model to the HTM.

We also focused on the delivery of the WRTM-S. The new model scenarios for future years were released, including medium and high growth scenarios for 2025, 2035, 2045 and 2055, providing quality information and data to assist councils in making informed decisions.

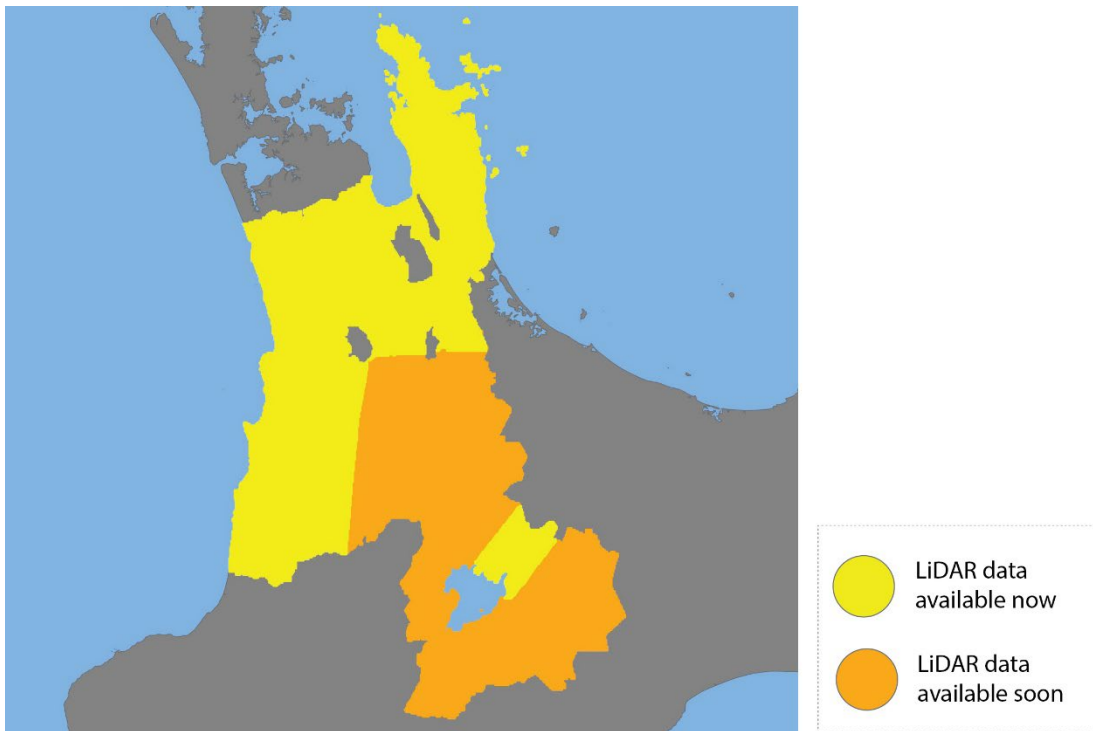
LiDAR

A LiDAR (Light detection and Ranging) survey collects precise laser measurement of the earth surface in our region to enable more accurate modelling of natural hazards and climate change, design better infrastructure, support better land use planning, and improve environmental outcomes for the regional community.

Co-Lab, on behalf of 10 councils and 5 other (non-council) funders, entered into an agreement with Ocean Infinity in 2020 to supply the first ever region-wide LiDAR data set. The project was supported by \$1.4 million from the Provincial Growth fund and is nearing completion.

Although there have been challenges for the supplier to meet the data specifications, the quality control team at LINZ and Waikato Regional Council have worked hard to ensure that these standards were met. During the period, over 60% of the data met our specifications and therefore was accepted. This data is publicly available and has rapidly provided tangible benefits including being used in the planning of the new State Highway 25A bridge built under urgency following cyclone Lola in early 2023.

The remainder of the data is going through quality control and will be publicly available in the first six months of 2024.



Service Delivery highlights

Co-Lab Water Services

During the period, we raised the region's profile and knowledge sharing at industry events. The Trade Waste team presented at the Trade and Industrial Waters Conference in August where they gave an update on the service provided across the Waikato region, the benefits of collaboration and Anna Coman, Trade Waste Team Leader, shared key technical knowledge about how to set up the Trade Waste function under water reforms.



Michelle Templeton, Smart Water Coordinator, was the Hamilton host for the "Insights from the Smart Water Metering Journey" held in Auckland, Wellington, Christchurch, and online as part of the Water Efficiency and Conservation Network. Michelle is a committee member.

During the period, the Smart Water team focused on schools and community engagement. School visits in terms three and four occurred across Hamilton, Waipā and Waitomo. For the first time since the pandemic, the team attended six community events in November and December also across Hamilton, Waipā and Waitomo, interacting with approximately 700 people and approximately 50 people taking a public pledge to do one thing to save water over the summer.

A successful showerhead exchange programme was completed in Hamilton and Waipā, which saw 31 and 20 (respectively) old showerheads exchanged for new ones. Based on a household of four people, this sees annual water savings in Hamilton and Waipā of 64,240 litres and 68,620 litres respectively.

RATA

During the period we progressed 56 Asset Management related projects and services on behalf of 10 councils. With uncertainty around water reform and resource shortages, the focus for the first half of this financial year was on the delivery of core roading related services.

We completed the re-negotiation and 12-month extension of the three data collection contracts (for traffic counting, road condition assessment, and high-speed data collection across 9820km of Waikato council roads). We also completed improved delivery and performance tracking of the traffic counting suppliers' contracts (delivering approximately 1200 counts per year).



We finished the first year of the nine Structures Asset Management Services (SAMS) contracts, delivering specialist structural inspections of over 3500 structures (1500 bridges), and asset management advice to Waikato councils. Each council provided positive performance assessments of the suppliers, with each achieving an "exceeding requirement" rating as part of the Annual performance review process.

We saw excellent results for the Waikato Councils' National Road Asset Data Quality Scores, which in part was due to Cameron Senior and Debbie Flynn's technical skill, diligence, and drive for continuous improvement. Waikato councils filled the top 3 spots across all 67 Councils in NZ, and all Waikato councils ranked in the top 17 across NZ.

"the GM ... found it valuable to inform him of the options and background to some of their important roading network investment decisions. He was delighted about the "added bonus" of the cost savings they shared in as part of taking a Waikato councils-wide approach to delivery of this project" – dTiMS report

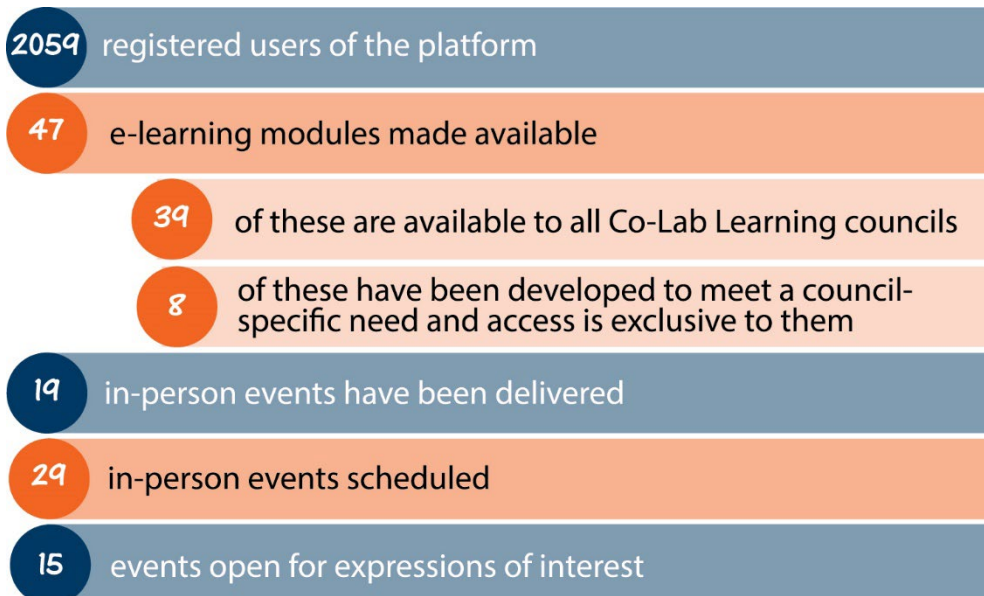
The work of Cameron Senior and his team over the years has really lifted Council's capability, and they are now comfortable they have credible, accurate roading asset data they can use to make better asset investment decisions. They really do appreciate having Cameron's presence in their office. We think that the (roading) RATA asset management partnership is a great example of the benefits to the Waikato councils, and other asset classes should adopt.

Recruitment is in progress for the RATA team to get the team back to full capacity. The current level of resourcing has limited the pace at which the team has progressed some new initiatives. This has meant we've been asked to identify and prioritise the "must do", "should do" and "could wait" projects, until we're able to deliver the full programme.

Co-Lab Learning

The new learning & development service is gaining momentum as seven out of ten councils launched it to their council people.

In numbers



However, overall uptake of the service remains low with just 16% of registered users having completed one or more eLearning modules. Only five councils have utilised the service to arrange and administer the 19 in-person courses. Of these courses, seven were instigated by other Co-Lab services (WBCG, RATA, Procurement) who worked with Co-Lab Learning to arrange them.

There was some interest expressed in jointly procuring a Learning Management System. A paper to assess the level of support has been presented to councils.

Work is nearing completion on the development of a shared competency framework for line managers/team leaders, alongside the development of a Management Essentials programme of learning. Waikato Regional Council is working closely with us on this.

A report was released to councils about Co-Lab Learning's progress against its strategic plan. Feedback about the report was positive.

Relationships with MBIE, Taituarā and LGNZ have progressed well. MBIE will return to the Waikato region in March and September 2024 to deliver two-weeks (in total) of procurement training.

Regional Infrastructure Technical Specification (RITS)

The Regional Infrastructure Technical Specification v2 has taken some time to review and compile input from councils, however it will be ready for consultation early in 2024. It delivers better quality drawings, editable forms, and improved search functionality.



Company support highlights

During the period, the Senior Leadership Team (SLT) focused on finalising the organisation's first three-year strategy. The wider team was involved in creating a Benefits of Collaboration framework to better articulate and measure the value of collaboration. These were socialised with the Co-Lab Board and Council Executive Leadership Teams and will be included in the FY2024/25 Statement of Intent.

During the period, several new people were appointed. The existing full-time procurement support role was split into two part-time roles; one to support councils who don't have in-house procurement expertise and the other to support us with the joint procurement arrangements we enter for the benefit of councils and to administer the Professional Services Panel (PSP). We welcomed Jayne Signal and Zoe Perkins, respectively. We welcomed Mary Hobby to maintain and improve the quality of RAMM databases, and finally we established a new part-time communications role which is a shared resource with Waitomo District Council and welcomed Jessica Judge.

Our visits to council ELTs were very useful to inform our strategic direction and engagement with councils. We also continued engagement to on-board our newest shareholder, Western Bay of Plenty District Council.

We've taken on administrative support for the Waikato Mayoral Forum and the Joint Mayors and Chairs Forum and continued administrative support for our working parties.

Internal highlights included a focus on professional development with some colleagues completing a Te Ao Māori course, and 40% of Co-Lab people completing one or more Co-Lab Learning modules.

Performance framework



Assessment of performance against targets

An update on performance against the targets set in our Statement of Intent, as at 31 December 2023, 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>During the first six months of the financial year, Co-Lab advanced various opportunities that will ultimately add value.</p> <p>These are:</p> <ul style="list-style-type: none"> • Right People Right Place • RATA Spaces & Places • Project Management shared service • Restructure of the WRTM service • Parking enforcement shared service <p>Co-Lab's new benefits framework highlights that some of our opportunities will deliver value that is not specifically aligned with 'projected savings/increased revenue'.</p> <p>The Right People, Right Place project has the potential to deliver significant savings to councils by improving staff retention. However, because the report is at a strategic level, and because no decisions have been made on how the initiative will continue, the benefits have not been quantified in any detail.</p> <p>Project Management Shared Service and the Parking enforcement Shared Service both have the potential to deliver savings. These will be estimated as each opportunity is developed.</p>
	Businesses cases are supported by councils (evidenced by take up of the opportunity)	75% of councils	<p>Average (across 2 initiatives) is 60%</p> <p>The RATA Spaces & Places opportunity was supported by 5 (45%) councils (out of a possible 11)</p> <p>Building Consent Cadetship opportunity was supported by 6 (75%) councils (out of a possible 8). The Cadetship was not established because it was decided that it needed 100% participation.</p>

Develop opportunities and deliver projects within agreed budgets and timelines	Opportunities / projects are developed / delivered within agreed timelines	80%	60% (3/5) for the 6 months to 31/12/2023 Within timeline: 1. Future Proof Data Analytics 2. Right People, Right Place 3. Project Ohu Round 1 Not completed as per plan were: 1. AMCE (Now RATA Spaces & Places) Opportunity Assessment (slow council response) 2. Project Wakanda Round 1 (delayed to allocate effort to another project)
	Opportunities / projects are developed / delivered, within approved budget	90%	83% (6/7) for the 6 months to 31/12/2023 Within Budget: 1. AMCE (Now RATA Spaces & Places) 2. WRTM restructure 3. Right People, Right Place 4. Project Wakanda Round 1 5. Project Ohu Round 1 The Future Proof Data Analysis project was the exception. This was completed 8% over budget.
	Overall, Company Management / Support functions will be undertaken within budget, unless additional expenditure has board pre-approval		Our latest forecast shows that Company Management & Support will be undertaken under budget by \$38k for the full 2024 financial 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). The assessment covered Waikato OneView.
	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	No "Project Benefit Assessments" for \$200k Projects were undertaken in the 6 months to 31/12/23.

<p>Ensure existing services are meeting the needs of councils</p>	<p>The services we provide (below) are considered by councils who use that service to meet or exceed their expectations (evidenced by an annual survey):</p> <ul style="list-style-type: none"> • RATA – roading & waters • Waikato Building Cluster • Regional Infrastructure Technical Specifications • Energy & Carbon Management • Professional Services Panel • Health & Safety pre-qualification 	<p>80% of councils</p>	<p>Not currently measurable: As in the prior year we will be undertaking a survey of council staff in the first half of 2024 to ensure each service offering is continuing to meet the needs of councils.</p>
<p>Foster and promote cross-council collaboration and networking to share ideas on improving efficiencies and best practice</p>	<p>Across these groups, ideas for future consideration and/or initiatives are identified each year</p>	<p>Four per annum</p>	<p>No ideas were received through our website in the 6 months to 31/12/23.</p> <p>Ideas continue to arrive from other sources. Notably, 'Parking Enforcement Shared Service' and the 'EV charging' opportunity came to us from council staff and are already being escalated.</p> <p>Project Wakanda is a board directive to search for ideas by looking for shared-service success stories (internationally and in other sectors).</p>

Co-Lab's financial position

Summary

The financial results for the six months to 31 December 2023 are favourable to budget. This is largely due to the LiDAR project progressing slower than anticipated meaning less expenditure arose during the period, and because of a change to the sequencing of invoicing. For the full year we are currently forecast to be behind budget due to utilising RATA's surplus cash reserves (that is, we are actively managing down our cash reserves as signalled to councils in December).

The cash position as at 31 December 2023 is made up as follows:

	Cash balance @ 1/07/2023	Cash surplus / (deficit)	Cash balance @ 31/12/2023
Company Management & Support	444,498	87,108	531,606
RITS	69,543	15,031	84,574
Working Parties Projects	275,332	(92,572)	182,760
Information Technology	23,822	0	23,822
Energy Management	50,503	41,749	92,251
Shared Valuation Data Service (SVDS)	439,128	24,767	463,896
Road Asset Technical Accord (RATA) & Waters Collaboration	466,021	(258,370)	207,651
Waikato Regional Transport Model (WRTM)	290,945	(203,670)	87,274
Waikato Building Consent Group (WBCG)	261,825	(2,550)	259,275
Mayoral Forum	(13,155)	(5,206)	(18,361)
Co-Lab Water Services	0	162,806	162,806
Co-Lab Learning	72,675	8,578	81,253
Procurement	(56,914)	(71,101)	(128,016)
Geospatial Services	71,829	10,347	82,175
Communications Shared Resource	(150)	(38,269)	(38,419)
Accounts Receivables	(3,186,195)	809,560	(2,376,635)
Accounts Payables	3,103,408	(637,899)	2,465,509
Total	2,313,115	(149,693)	2,163,422

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 2024.

Statement of financial performance

Co-Lab

Statement of Financial Performance

For the six months ending 31 December 2023

	Financial year 2024 YTD Actuals	Financial year 2024 YTD Budget	Financial year 2023 YTD Actuals
Revenue			
SVDS Data & Software Sales	167,272	213,880	166,810
Interest	1,191	1,002	121
Other Revenue			
User Charges	4,299,678	5,863,064	4,757,252
Total Other Revenue	4,299,678	5,863,064	4,757,252
Total Revenue	4,468,141	6,077,946	4,924,183
Expenditure			
Depreciation and amortisation expense	16,443	35,412	21,183
Personnel costs	754,360	856,770	717,025
Other expenses	4,016,988	5,617,005	3,054,470
Total Expenditure	4,787,791	6,509,187	3,792,678
Net Profit	(319,650)	(431,241)	1,131,505

Statement of financial position

Co-Lab		
Statement of Financial Position		
As at 31 December 2023		
	Financial year 2024	Financial year 2023
	Actual at	Actual at
	31/12/2023	31/12/2022
Assets		
Current Assets		
Bank		
Transaction Account	482,800	1,909,021
Call Account	29,837	29,123
Rapid Save Account	700,785	0
Term Deposit	950,000	0
Total Bank	2,163,422	1,938,145
Accounts Receivable		
Accounts Receivable	1,098,465	659,483
Accounts Receivable Accruals	1,159,051	1,952,105
GST Receivable	116,761	0
Total Accounts Receivable	2,374,277	2,611,588
Prepayments	0	0
Deferred Tax Asset	2,358	2,358
Total Current Assets	4,540,057	4,552,091
Non-current Assets		
SVDS - Original Cost	0	0
WRTM - Original Cost	2,296,855	2,296,855
MoneyWorks Software	1,195	1,195
IT equipment	110,101	79,240
Accumulated Depreciation	(2,372,700)	(2,333,889)
Office Furniture	66,751	66,169
Total Non-current Assets	102,202	109,570
Total Assets	4,642,259	4,661,661
Liabilities		
Current Liabilities		
Accounts Payable		
Accounts Payable	1,077,418	451,819
Accounts Payable Accrual	533,030	25,409
Total Accounts Payable	1,610,448	477,228
RWT on Payments	0	11,413
Credit Card Balance	2,296	3,633
Revenue in Advance	828,695	880,462
Employee Entitlements	24,070	75,298
GST Payable	0	90,887
Total Current Liabilities	2,465,509	1,538,922
Total Liabilities	2,465,509	1,538,922
Net Assets	2,176,750	3,122,739
Equity		
Contributed Capital	2,957,001	2,957,001
Retained Earnings	(780,251)	165,738
Total Equity	2,176,750	3,122,739

Statement of cashflows

Co-Lab

As at 31 December 2023

For the six months ending 31 December 2023

	Financial year 2024 YTD Actuals	Financial year 2023 YTD Actuals
Cashflows from Operating Activities		
Interest Received	1,071	121
Receipts from Other Revenue	4,748,701	3,482,790
Payments to Suppliers and Employees	(4,464,435)	(4,184,530)
Taxes Paid	0	9,900
Goods & Services tax (net)	(416,883)	96,339
Net cash from operating activities	(131,546)	(595,380)
Cashflows from Investing Activities		
Capital enhancements	0	0
Purchase of PPE	(18,147)	(36,112)
Purchase of investments	0	0
Net cash from investing activities	(18,147)	(36,112)
Net increase in cash, cash equivalents and bank accounts	(149,693)	(631,493)
Opening cash and cash equivalents and bank overdrafts	2,313,115	2,569,637
Closing cash, cash equivalents and bank accounts	2,163,422	1,938,145
Summary of Bank Accounts		
BNZ - Transaction Account	482,800	1,909,021
BNZ - Call Account	29,837	29,123
BNZ - Rapid Save Account	700,785	0
BNZ - Term Deposit	950,000	0
Closing Balance of Bank	2,163,422	1,938,145

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 2023, included in the company's Annual Report.

Financial forecasts

Latest financial forecasts are contained in the company's 2024 Statement of Intent issued for shareholder comment in February 2024.

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 Lakes, South Waikato and Waitomo District Councils
Gavin Ion	Waikato and Waipa District Councils
Don McLeod	Hauraki, Matamata-Piako, Thames-Coromandel and Western Bay of Plenty District Councils

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:

Services

- Co-Lab Water Services
- Co-Lab RATA
- Co-Lab Learning
- Energy & Carbon management
- Co-Lab Procurement Services
- Co-Lab Geospatial Services: Waikato Data Portal and Waikato One View
- Waikato Building Consent Group (WBCG)
- Waikato Regional Transportation Model (WRTM)
- Regional Infrastructure Technical Specification (RITS)

Other

- Waikato Regional Infrastructure Procurement (WRIP)
- Health & safety pre-qualification
- LiDAR (Light Detection and Ranging) technology
- Shared Valuation Data Services (SVDS)
- Waikato Regional Aerial Photography Service (WRAPS)

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

To	Performance & Strategy Committee
Report title	Chief Executive’s Business Plan
Date:	2 April 2024
Report Authoriser:	Gavin Ion, Chief Executive
Report Author:	Tony Whittaker, Chief Operating Officer

1. Purpose of the report

Te Take moo te puurongo

To update/inform the Committee for on progress covering 2023/2024 business plan items.

2. Executive summary

Whakaraapopotanga matua

The Chief Executive’s Business Plan is a summary of progress on priority issues agreed by Councillors. Some of the items are still to be scoped and hence no progress made at this time.

3. Staff recommendations

Tuutohu-aa-kaimahi

THAT the Performance & Strategy Committee receives the Chief Executives Business Plan update.

4. Background

Koorero whaimaarama

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 and confirmed by Council in advance of this financial year.

5. Discussion and analysis

Taataritanga me ngaa tohutohu

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.'

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.

The Mana Whenua Forum will be a key engagement mechanism once formally established.

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 regarding 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

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 has been low and internal. However specific items encompass engagement with key external stakeholders.

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 explanation of the tools which will be used to engage (refer to the project engagement plan if applicable).</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.				

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 (*Section 6.2*). Confirmed

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
---	-----------

The report and recommendations comply with Council's legal duties and responsibilities (<i>Section 5.3</i>).	Confirmed
--	-----------

9. Attachments

Nгаа тааpиrиhаngа

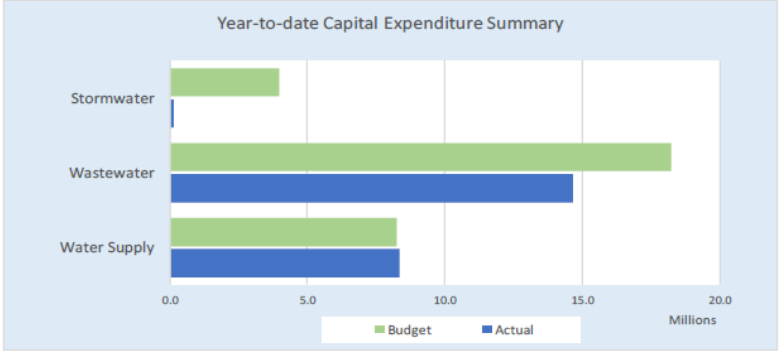
Attachment 1 – Chief Executive's KPI worksheet

Chief Executive's KPIs – 2023/2024

Overarching Council Vision: "Liveable, Thriving and Connected Communities"

Staff & Wellbeing Vision: "Work Safe, Home Safe"

Key project/priority	Key deliverables/KPIs	Update & Delivery Comments	RAG Status																													
1. Consistent delivery of Core Services. (Council will focus on reliable and essential services that keep our community safe and resilient)	1.1 The 2023/2024 Annual Plan is delivered within the agreed budget, financial strategy, legislative compliance, and in accordance with variations approved by Council. Provide regular updates to the Performance & Strategy Committee on progress, with recommended remedial actions for any actual/potential impacts on agreed delivery.	Performance information is provided quarterly. No remedial actions identified for the December 2023 quarter.																														
	1.2 Capital Works are delivered within the agreed budget and in accordance with variations approved by Council. Provide regular updates on progress, with recommendations for remedial actions to be undertaken where there are any barriers to the delivery of the projects, with a focus on the following key areas of work:	<p>The Capital Works portfolio continues to go from strength to strength with several projects moving or moved into the physical delivery phase. The financial position as of February is substantially ahead of previous years - (approx 100% of YTD spend against previous two years). The detailed status of all projects risks and issues are reported through to the Infrastructure committee. The current forecast is to complete 90% against budget as demonstrated in the below table.</p> <table border="1"> <thead> <tr> <th></th> <th>Total Budget 23/24</th> <th>Actual Spend to 29 Feb 2024</th> <th>Forecast Spend 23/24</th> <th>Actuals plus forecast</th> </tr> </thead> <tbody> <tr> <td>COMCONN (Community Connections)</td> <td>\$39,613,630</td> <td>\$11,800,412</td> <td>\$22,066,895</td> <td>\$33,867,307</td> </tr> <tr> <td>CONPART (Roading)</td> <td>\$63,339,138</td> <td>\$19,996,546</td> <td>\$38,573,966</td> <td>\$58,570,512</td> </tr> <tr> <td>STRATPROP (Strategic Property)</td> <td>\$8,660,440</td> <td>\$5,595,307</td> <td>\$1,137,510</td> <td>\$6,732,817</td> </tr> <tr> <td>SWASTE (Solid Waste)</td> <td>\$3,496,056</td> <td>\$323,785</td> <td>\$554,427</td> <td>\$878,212</td> </tr> <tr> <td>Total (Excl Waters)</td> <td>\$115,109,264</td> <td>\$37,716,050</td> <td>\$62,332,798</td> <td>\$100,048,848</td> </tr> </tbody> </table> <p>The EPMO, Budget Owners and the Finance Team have recently undertaken a workshop to quality check financial forecasting at</p>		Total Budget 23/24	Actual Spend to 29 Feb 2024	Forecast Spend 23/24	Actuals plus forecast	COMCONN (Community Connections)	\$39,613,630	\$11,800,412	\$22,066,895	\$33,867,307	CONPART (Roading)	\$63,339,138	\$19,996,546	\$38,573,966	\$58,570,512	STRATPROP (Strategic Property)	\$8,660,440	\$5,595,307	\$1,137,510	\$6,732,817	SWASTE (Solid Waste)	\$3,496,056	\$323,785	\$554,427	\$878,212	Total (Excl Waters)	\$115,109,264	\$37,716,050	\$62,332,798	\$100,048,848
	Total Budget 23/24	Actual Spend to 29 Feb 2024	Forecast Spend 23/24	Actuals plus forecast																												
COMCONN (Community Connections)	\$39,613,630	\$11,800,412	\$22,066,895	\$33,867,307																												
CONPART (Roading)	\$63,339,138	\$19,996,546	\$38,573,966	\$58,570,512																												
STRATPROP (Strategic Property)	\$8,660,440	\$5,595,307	\$1,137,510	\$6,732,817																												
SWASTE (Solid Waste)	\$3,496,056	\$323,785	\$554,427	\$878,212																												
Total (Excl Waters)	\$115,109,264	\$37,716,050	\$62,332,798	\$100,048,848																												

		<p>the six month mark.</p> <p>Several significant projects have been completed over this period including toilets, carparks, sport park lighting upgrades and tennis courts.</p> <p>Communication to stakeholders using multiple channels including site signage and timely project updates from within the project management system (one source of truth) to inform our website and stakeholders, continues to be the current improvement focus for project managers.</p>													
	<p>a) Three Waters (projects managed and delivered via Watercare).</p>	<p>Year-to-date expenditure is \$26.8 million against a forecast of \$33 million (budget \$48 million).</p>  <table border="1"> <caption>Year-to-date Capital Expenditure Summary</caption> <thead> <tr> <th>Category</th> <th>Budget (Millions)</th> <th>Actual (Millions)</th> </tr> </thead> <tbody> <tr> <td>Stormwater</td> <td>~4.5</td> <td>~0.5</td> </tr> <tr> <td>Wastewater</td> <td>~18.5</td> <td>~15.0</td> </tr> <tr> <td>Water Supply</td> <td>~8.5</td> <td>~8.5</td> </tr> </tbody> </table> <p>Stormwater is the area that has lacked resource and capability. Cambrae Road has just been signed off and will significantly improve stormwater results. Hakanoa Stream scope and project planning has been deferred and will be delivered in the next financial year. Residents have been informed and consulted with to ensure the erosion mitigations are understood. Watercare have recently added resource with a position of Stormwater Planner to give storm water delivery a higher level of focus.</p> <p>Water and Wastewater capital spend is generally on track, with timing being the main contributor when determining performance against budget. Watercare have recently completed one large project, Te Kauwhata WWTP and started another, the Raglan WWTP.</p>	Category	Budget (Millions)	Actual (Millions)	Stormwater	~4.5	~0.5	Wastewater	~18.5	~15.0	Water Supply	~8.5	~8.5	
Category	Budget (Millions)	Actual (Millions)													
Stormwater	~4.5	~0.5													
Wastewater	~18.5	~15.0													
Water Supply	~8.5	~8.5													
	<p>b) Roading (projects predominantly delivered through the Waikato District Alliance)</p>	<p>YTD Capital Spend is \$20M from a total annual budget of \$60M</p>													

			<p>Progress on all Road to Zero Projects remains steadfast within the Alliance, meeting budgets and achieving cost savings. Culvert projects have all been completed. Site preparation for the River Road and Lake Road Roundabout projects is finished, awaiting consent to begin construction. Physical work on Horotiu is well underway. Stormwater work for Festival Way began in December, with roadworks scheduled to commence in March/April. The tender for the Munro Road Project has closed, with physical work now in progress. Progress on both Pokeno Main Street and the Pokeno/Great South Road Roundabout is promising, with completion expected by the end of July or August, depending on weather conditions. Delivery rates are increasing as we move through the construction season.</p> <p>There are two projects at risk of non delivery – Helenslee Road improvements and Harrisville Bridge replacement. Both of these projects have been impacted due to unexpected complexity and insufficient budget. Additional budget has been requested next financial year to complete these projects. Forecasted spend for year end is \$58.5M</p>	
		<p>c) Sustainable communities (including community aspirational projects, blueprints, economic development incorporating social & community related projects).</p>	<p>Delivery of capital projects in Open Spaces and Community Facilities (formerly Community Connections) are well in flight with current YTD expenditure at \$11,056,271 from a total annual budget of \$39.8M. Year-end forecasted spend is \$33.8M.</p> <p><u>Open Spaces</u></p> <p>Delivery of Open Spaces capital projects is progressing with \$6,873,435 YTD.</p>	

		<p>With several major projects in flight such as Raglan wharf, Pookeno Sports Park, Avon road lighting, and Buckland road neighbourhood park, expenditure is increasing.</p> <p>Major projects completed since last period include Onewhero carpark, Doctor John Lightbody carpark and netball court renewals.</p> <p>It is anticipated that forecast annual expenditure will reach \$15m before the end of the year.</p> <p><u>Community Facilities</u></p> <p>Delivery of capital projects in the Community Facilities area is progressing well with \$4,182,836 spent year to date.</p> <p>Major projects completed so far this year include Tamahere Toilet block, Sunset Toilet block refurbishment completed. Construction of Pookeno completed, Te Kowhai toilet block install completed. Huntly boiler is underway and will be completed by financial year end. Pokeno Hub project at the scoping phase with Community engagement. Ngaruawahia Council Office projects are in flight and due to be completed before financial year end. Various smaller renewal projects are still to be prioritised.</p> <p><u>Community & Economic Growth</u></p>	
--	--	---	--

		<p>The “community aspirational projects, blueprints, economic development incorporating social & community related projects” are progressing in accordance with Community Plans and Blueprints. Under a community-led development methodology, which is Council’s adopted model for delivery of Blueprints and Community aspiration projects, the projects from inception to completion do not always align with the Council financial reporting timelines. The project delivery and timeframes are driven by the capacity and capability of the community. The total community aspirations and blueprints budget is \$711,897, with YTD actual spending \$92,525. The entire year allocation won’t be spent given the team are still building capacity in the community for these community led projects.</p> <p>The Community Board and Committee plan work commenced in January 2024, This work is supporting community Boards and Committees to develop their leadership around community wellbeings. The first milestone for delivery will be June 2024, where Community Boards and Committees will be presenting their plans to Council,</p> <p>The Waste Assessment draft was sent to the Officer of Health before Christmas. We are still tracking in good time to get this to Council before the MfE (Ministry for the Environment) deadline for compliance with the timeline to review the Waste Minimisation and Management Plan (31st of May 2024 is the date MfE need us to present this Waste Assessment to Council and decide to review/or not the WMMP).</p> <p><u>Tuakau resource recovery centre:</u></p> <p>Project underway. Consultants are currently working on the operational model; we are also undertaking a review of the current concept to identify savings in the capital cost and develop a staging plan. A meeting has been held with MfE to discuss funding.</p>	
--	--	--	--

		d) Solid waste – complete agreed implementation plan by 30 June 2024.	<p><u>Capital works:</u></p> <p>There is further work to be done at the Raglan site around barrier protection around the rubbish skips to stop any cars accidentally backing right off, this will be a more complex and costly fix, so we are working with them on this and has been included in the LTP discussions.</p>	
	1.3	The 2024-2034 LTP document is complete by 30 June 2024.	<p>Council has decided to progress with an Enhanced Annual Plan for the 2024/25 year. This project is on track but tight. Community engagement currently being programmed. Will use the additional year for preparation of the LTP to engage with communities to reconsider assumptions and potentially levels of service.</p>	
2. Council Responsiveness (Council will improve its responsiveness and communication to communities and customers).	2.1	a) Complete the review of the Service Request system by 31 December 2023 (all service requests logged in property and rating).	The review of the Service Request System has been completed and improvements to technology, staff ways of working, supplier management, & performance monitoring have been identified. These changes are in the process of being implemented.	
		b) Complete priority improvements (partner two way and automated email or text to customer) by 31 March 2024.	Antenno, Automated Email to customers on receipt of request, & Alert Notifications to staff have been implemented. Semi-automated Status update emails implemented. Integration in place with Watercare. Staff process conformance & data quality improvements ongoing. Automated email notification to Amourguard for new jobs is in place. Notification emails to customers when work is completed are due to be implemented in March-24. Amourguard & Citycare two-way integration deferred to Aug-24 at the request of the vendors.	
		c) System fully operational (including training) by 30 June 2024.	On schedule to have system fully operational by 30-June-24, with exception of Amourguard & Citycare integration which will be August.	
	2.2	a) Review and update the strategic communications plan. The revised plan to be approved by council by 31 March 2024.	<p>The review of the Communication Strategy is complete. This has been informed by stakeholder engagement and an action plan and resourcing plan is in progress. Workshop held with Council late November. Staff change process underway.</p> <p>A survey of key stakeholders (including Council) has been completed to provide a benchmark of current performance.</p>	

		b) Implement the agreed plan and report on progress quarterly.	An action plan has been prepared as part of the Strategy, including resourcing, processes, and systems. This includes a change management plan given the need for different ways of working.	
3. Building Community Resilience & Connectivity We will prioritise the wellbeing of our district by building and supporting strong and resilient communities. Our district is easy to explore, and communities are connected and well informed).	3.1	a) Amend and update priority existing community response plans by 30 June 2024.	<p>Work is continuing to support the Community Response Planning. We are still experiencing a high level of participation in the process with 17 plans active at various levels of completion. Te Kauwhata & Onewhero are completed and have moved into sustainability activity. Raglan, Tuakau and Port Waikato completed by April. Gordonton has now officially begun the mapping and planning process and we have a further 12 communities in various stages of development.</p> <p>We are supporting these groups with recovery funding from DIA which is providing initial resources to support plan development.</p>	
		b) Develop priority marae, community and business continuity plans following relevant community engagement by 30 June 2024.	<p>We continue to work toward a pilot MOU with Mangatangi Marae. The MOU will be workshopped with council shortly with a view to signing off prior to 30 June.</p> <p>The MOU will be an acknowledgement of the need for a relationship that is established <u>prior</u> to an emergency. This is important for emergency management because we need marae to have an existing relationship with us, so that if we need to ask them to support their community in a crisis, they are well prepared, they understand the system and how it works, and we are already working together.</p> <p>In the process of developing the document, our team have worked to demonstrate Mangatangi Marae the opportunities that are available to support their development, what resilience is and the opportunities that exist to support resilience building. A few examples of the work that the team are doing:</p> <ul style="list-style-type: none"> Supporting funding applications – Mangatangi Marae have had funding approved for a new Wharenuui, and the team have supported their application with a letter of 	

			<p>support, however in the future the MOU can be provided as proof that they are working with CDEM to build resilience.</p> <ul style="list-style-type: none"> • Assisting with some consenting administration. • Working with Fire and Emergency New Zealand (FENZ) to potentially install more water tanks that can be utilised in response by FENZ and by the marae to increase their potable water storage. • Assisting the marae to work with FENZ and TPK on the installation and funding of fire systems for their new buildings. • Facilitating between the marae and WRC about response to climate adaptation and improve river stabilisation restoration works along Mangatangi stream. • Planning to implement capacity building workshop to 11 Marae (including Mangatangi) in collaboration with the Agency Roopu (16 agencies including DIA, NGOs and Iwi) and our emergency management team. • Waikato-Tainui, TPK, DIA, FENZ and St John have provided a high level of support and engagement to benefit the marae through the teams' engagements. The agencies have been very responsive and are working collaboratively to support resilience with Marae and working with our team. • CDEM AKL have been engaging with Ngaati Tamaoho (including Mangatangi Marae) to provide spatial information for all their Marae from AKL CDEM. The team facilitated the collaboration. 	
	3.2	Achieve an emission reduction target of 16% relative to 2023 emissions for the year ended 30 June 2024.	<p>Council's operational Greenhouse Gas Inventory for the 2022/2023 year has recently been released and showed a 5% emission reduction.</p> <p>With respect to the 2023/24 target, Council has a number of initiatives underway. These include the replacement of the Huntly aquatic centre gas boiler (albeit delayed), further transition to hybrids and electric vehicles in fleet, and LED office light replacements.</p>	

			<p>The result for 2023/24 will not be known until the operational Greenhouse Gas Inventory is completed and reported on which will be late 2024/early 2025.</p> <p>It is likely that the 2024 target of 16% will not be achieved due to the delay in the replacement of the Huntly aquatic centre gas boiler (which, when complete, will provide a significant reduction in remissions - circa 14% reduction in Co2e).</p>	
	3.3	Develop a community connectivity plan by 31 March 2024, and commence implementing agreed actions.	This is part of the Communications Strategy (now called trust and Confidence Strategy) and was presented to Council as part of the workshop on that strategy in March. This included examples of the many connection points Council has with its communities.	
<p>4. Building relationships (We are focused on building our cultural competence and responsiveness by improving our relationships. We will uphold Te Tiriti o Waitangi and weave Te Reo Maaori into our work).</p>	4.1	<p>a) Provide evidence of outcomes achieved through initiatives, collaboration, and engagement with mana whenua (including mana whenua forums) on a half yearly basis to the Performance & Strategy Committee</p>	Our efforts have been restricted due to delays in the recruitment of our Executive Manager Maaori Partnerships position.	
		<p>b) Demonstrate progress on delivering at least three of the strategic initiatives of the Waikato-Tainui JMA workplan.</p>	<p>The workplan was confirmed and adopted at the September JMA meeting. Components of the Work Programme have been superseded by the change of government. For example, 3 waters reform and RMA reform. Waikato District Council and Waikato-Tainui are active members of the Mayor & Iwi Chairs Forum which is focusing on the ability for local government and Iwi to work together for the best community outcome for 3 waters.</p> <p>Specific areas that have progressed during the year are:</p> <ul style="list-style-type: none"> • Toituu resiliency • Better off funding projects • Social Procurement strategy implementation • Internship opportunity for a tribal member • Structure Planning 	

			<ul style="list-style-type: none"> • Waikato Proposed District Plan appeals 	
	4.2	a) Central Government – Provide quarterly evidence of the key outcomes achieved by the Chief Executive through building relationships with central government that are related to Council’s future strategies and delivery aspirations.,	<p>The government has repealed 3 waters, The Natural and Built Environment Act and the Spatial Planning Act.</p> <p>Early engagement has been held with Minister Potaka in line with government work programmes.</p> <p>We continue to work with Department of Internal Affairs, MBIE, Kainga Ora, Ministry of Housing & Urban Development and Waka Kotahi.</p>	
		b) Focus should be on the crown agencies and associated Ministers identified by a Central Government Advocacy Action Plan to be adopted by Council by 31 December.	<p>An advocacy approach with central government was provided in a council briefing in late 2023. This largely involves utilising staff and supplementing this when needed by external advisers.</p> <p>Briefings for Incoming Ministers (BIMs) were sent to the following ministers and their respective chief executives on 19 January 2024:</p> <ul style="list-style-type: none"> • Hon Simeon Brown, Minister of Transportation and Local Government • Hon Chris Bishop, Minister of Housing, RMA and Infrastructure • Hon Mark Mitchell, Minister for Emergency Management • Mayor Jacqui and staff met online with Minister Mitchell in relation to the cyclone debrief and review during March. 	

	4.3	a) Design and implement a Developers Forum focused on building relationships and improvements in customer service by 30 June 2024.	A briefing memo on the approach to exploring a developers' forum, initially in Horotiu, has been prepared and provided to the Mayor. The developer's forum is proposed to be run by the Infrastructure Development Managers (IDMs), who currently engage with the active developers in the area. Following support from the Mayor, the IDM for Horotiu will reach out to the developers and arrange the first forum meeting. This KPI is on track.	
	4.4	a) Develop and implement a Rural Economic Advisory Panel (REAP) incorporating key representatives from the rural sector.	The Economic Development Advisor, appointed to manage REAP commenced their role on January 15, 2024. This KPI is met regarding the development of the panel and is on track regarding the implementation of the panel. The overarching objectives of the forum have been identified. A work programme is being compiled and will be completed within the next quarter.	
		b) Establish the forum and commence meetings by 31 December 2023.	This KPI has been achieved.	
5. Sustainable Growth (We plan for growth in a sustainable and responsible way, ensuring we embrace our local heritage and sense of community)	5.1	a) Develop a sustainable growth funding strategy by 31 March 2024.	Complete. The Sustainable Growth Approach was approved at the previous meeting.	
		b) Implement the approved plan and demonstrate agreed targeted benefits by 30 June 2024.	Specific work, based on the sustainable growth approach, to be scoped and dates assigned.	
		a) Demonstrate progress in making the Proposed District Plan operable: (i) Make the uncontested parts of the Proposed District Plan operative by 31 December 2023.	(i) The intention is to make the first tranche of provisions operative in April 2024.	

		(ii) Prepare an action plan to advance the appeals by 31 December 2023.	(ii) A suite of operational action plans has been in place since 2023 which includes priorities, issues, positions, resources, potential timing and status of all appeals. It has been developed and is revised regularly to achieve consistency with guidance from the PDP Subcommittee. As the focus of appeals is narrowing, a consolidated action plan will be brought to an appropriate PDP Subcommittee meeting in the near future.	
		(iii) Report regularly on progress with outstanding appeals.	(iii) Reports on the progress of appeal resolution occurs at approximately six-weekly intervals through the PDP Subcommittee. Updates to the Full Council are provided every quarter as a minimum. This KPI is on track .	
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.	<p>Our internal leadership program Takitaki is in full flight and have just completed their second connection for the year. The 30 participants have their next connection over three days at a Marae in the district.</p> <p>Staff and ELT Executive Leadership Team connection activity has increased across the organisation as a response to a key metric in the last staff survey. This includes regular chamber chats and groups team talks. Work safe home safe week, an annual zero harm led safety refresh was well supported and a highlight was a mental wellbeing panel discussion. Multiple cultural initiatives lead by staff themselves have taken place along with new connection initiatives lead by ELT such as opening and closing Karakia each week and personal one on one staff coffee dates with ELT members.</p> <p>The coming quarter will see implementation of further connection tactics that will strengthen workplace culture, cement our values and give clarity of focus and expectations including a 'Team Up' all staff event, relaunch of new starters day and poowhiri (lead by the new Executive Manager Maaori Partnerships), relaunch of our flexible working policy and the launch of Our Plan for the coming year. The staff engagement survey will also be undertaken in June which will enable assessment of the effectiveness of workplace satisfaction initiatives we have implemented.</p>	

		<p>b) Provide evidence on recruitment strategies being used to attract new talent, and retention strategies in place, including an assessment of effectiveness (retention rate, staff turnover, open jobs).</p>	<p>Our Talent Acquisition Business Partner has focused on a consistent and quality induction for new starters and has upskilled people leaders through online learning videos. We are still attracting strong applicants and filling vacancies</p> <p>We have developed and launched a new headcount management process to ensure every opportunity is taken to test role efficiencies options (e.g. can the role be delivered differently allowing savings) across the business and manage contractor and temporary resource spend.</p> <p>Current open roles: 21 (various stages of the process) 9 new hires started last month, and 8 employee exits. Labour turnover (LTO) 18.82%</p>	
	6.2	<p>Develop and implement a diversity strategy, starting with a Te Tiriti strategy which will uphold the principles of Te Tiriti o Waitangi.</p>	<p>Te Tiriti training and Te Reo learning will continue with the goal of all staff completing the training.</p> <p>Key support partner “Diversity Works” in place and supporting learning through Takitaki and strategy development support.</p> <p>The Staff engagement group (The Pulse) is working on several initiatives raised by staff including a quiet room and good techniques for working alongside neuro diverse colleagues.</p>	
7. Zero Harm (Work Safe, Home Safe)	7.1	<p>Complete the Strategic Plan work for 2023/2024 by 30 June 2024.</p>	<p>Over the last three months the focus for the Zero Harm team has been the delivery of our annual Work Safe Home Safe event. This includes the completion of an annual refresher induction. The critical risks of workplace violence and mental wellbeing were key areas of focus during WSHS (Work Safe, Home Safe). Work continues on the management of our critical risks. A review meeting has been held with the CE, GM Customer Support and Customer Delivery Manager to discuss the high-level findings from the security risk review. Meetings are now being planned to share the reports with each workgroup/site to address any improvement opportunities We continue to progress the implementation of our ZHSMS and</p>	

			<p>the improvement opportunities identified in the ISO45001 external audit. Migration to the latest version of BWare Safety Manager has been completed to enable us to meet our Cyber Security Safety Requirements. We have successfully recruited a new Zero Harm Advisor for the team who will join us in early April. The delayed launch of the new Waisite is slowing progressing with updating and making available to the organisation our ZHSMS.</p>	
--	--	--	---	--

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 considered. Delivery will also be subject to factors within the control of the Chief Executive.
2. Each deliverable including subcategories (e.g. (a), (b) etc.) will be assessed and scored.

To	Performance & Strategy Committee
Report title	Council Controlled Organisations draft Statements of Intent
Date:	2 April 2024
Report Author:	Alison Diaz, Chief Financial Officer
Authorised by:	Gavin Ion, Chief Executive

1. Purpose of the report

Te Take moo te puurongo

To present the draft Statements of Intent (SOIs) for 2024/25 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

Whakaraapopototanga matua

Draft SOIs for 2024/25 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 2024.

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 on or before 1 March as per legislative requirements and will be considered at the Risk & Assurance Committee, on the 26 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.

3. Staff recommendations Tuutohu-aa-kaimahi

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;**
- c. notes that the Chief Financial Officer will document the response to the respective boards.**

4. Background Koorero whaimaarama

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 Roding 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.

The company does not provide a financial return by way of dividend, instead aiming to reduce costs via collaboration.

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 for economic development reasons and not for financial return, the company provides dividends when the wider economic situation allows.

5. Discussion and analysis Taataritanga me ngaa tohutohu

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 unchanged noting that Co-lab have made significant changes refining their non-financial key performance indicators (KPIs) to three areas linked with the strategic outcomes being sought, and that WRAL has changed the two non-financial measures related to property to line up with the progress of the northern precinct plan change process.

It should be noted that due to Co-lab's intent to use cash surpluses to fund and future surplus from the Shared Valuation Data Service and Co-lab waters to fund initiatives, it will show as a deficit position in terms of net profit.

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 2024/25 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 nine year 2025-2034 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.

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.

Last year, the WRAL SOI incorporated a specific KPI regarding the development of a Memorandum of Understanding with Iwi/Hapuu on future developments. This has been delivered and in this year's draft SOI they have set a new key objective for the Group (incorporating all four entities) for Te Tiriti and Te Ao Maaori.

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 solar arrays have a measure requiring a 20% year-on-year reduction in purchase of electricity for business activities and having gained a level 3 rating are progressing towards an Airport Carbon Accreditation application at level 4. They also intend to reduce landfill waste, although this measure does not specific a target.

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

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](#).

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 Risk & Assurance Committee and Performance & Strategy Committee meeting discussions and will write a response on the draft SOIs before 30 April 2024.

The boards will present a final SOI to Council on or before 30 June 2024, which will be distributed to Councillors via email in the first instance and received formally at the August 2024 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
---	-----------

The report and recommendations comply with Council's legal duties and responsibilities (<i>Section 5.3</i>).	Confirmed
--	-----------

9. Attachments Ngaa taapirihanga

Attachment 1 – Draft Statement of Intent Colab

Attachment 2 – Draft Statement of Intent WRAL



2024 DRAFT Statement of intent

For the year ended 30 June 2025

**Council collaboration through Co-Lab
maximises community wellbeing.**

Table of Contents

MESSAGE FROM THE CHAIR	3
STATEMENT OF INTENT AT A GLANCE - OUR 3-YEAR STRATEGY	4
Commentary	4
PERFORMANCE MEASURES	5
NATURE & SCOPE OF SERVICES	6
Opportunity Development	6
Shared Services	6
FINANCIALS	8
Overview	8
Statement of Financial Performance.....	9
Statement of Financial Position.....	10
Statement of Cashflows.....	10
APPENDIX I: GOVERNANCE	11
APPENDIX II: POLICY STATEMENTS	12

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 2025 to 30 June 2027.

Message from the Chair



“If you make your business about helping others, you’ll always have plenty of work” – Blogger Chris Guillebeau.

When I read this quote, I felt it summed up the role Co-Lab plays for councils, and equally summed up councils’ role in helping communities. Co-Lab is a non-profit owned by councils. Co-Lab exists to help its shareholding councils maximise community wellbeing. It does this by identifying and realising shared opportunities through collaboration.

It’s clear that there is plenty of work ahead for councils and Co-Lab. The next year will likely be made more complex by legislative reform and rates increases, and other change that will undoubtedly come from a new government.

To ensure we are focused on the right tasks, allowing our council shareholders to assist their communities, for the first time Co-Lab Management has created a 3-year strategy. The strategy will see the company:

- Improve the way that it communicates the value it provides to shareholders, and increase that value;
- Focus on growing shared services, which may include providing services to councils who are not shareholders, but never at the expense of value to shareholders; and
- Employ great people with diversity of thought so shareholders receive high-quality services.

This strategy builds on our Benefits of Collaboration Framework, which clarifies the value and measures of regional collaboration through Co-Lab into three main outcomes: reducing costs, creating value and enabling innovation and collaboration.

In this Statement of Intent, we are signalling our intention to adopt the three-year strategy and new related performance measures, although work towards these goals began as soon as The Board and council ELTs validated it during 2023.

We are committed to playing our part in helping councils reduce costs. We will be reducing council member charges for FY2024/25, from what they otherwise would have been, by ~\$900k across our various workstreams, using cash-on-hand. This manifests itself as a significant operating loss in that year but reflects a one-off adjustment, so the company remains in a sustainable financial position longer term.

On the back of the Government’s repeal of the water reform legislation and the proposed “Local Water Done Well” approach, our financial forecasts now assume that Co-Lab Waters will remain with Co-Lab throughout the forecast period¹.

Yours Sincerely,
Peter Stubbs
Chair

¹ Financial forecasting is based on the information we have at the time of writing this draft. This will be updated if new information comes to light after the draft is published and before the final Sol is published.

Statement of Intent at a glance - our 3-year strategy



Commentary

While Co-Lab has had a performance framework in place for some time, it did not include long-term goals and did not provide a clear line of sight for Co-Lab people to understand how their individual KPIs related to it. And while the previous vision and purpose were adequate, the vision needed to more strongly indicate what Co-Lab is about – collaboration.

In creating the three-year strategy, we considered the operating environment for the next three to five years and what is important to shareholders in the success of their council-controlled organisation (CCO). With this in mind, we still have work to do for our shareholders to perceive value from Co-Lab, and improve that value, for our existing services to be better utilised, and to grow the suite of services on offer. To achieve strategic goals one and two, we need to invest in our people.

The evolution of the company's strategic goals has necessitated a corresponding evolution in the company's performance measures. At the same time, we have reviewed the previous measures. In most cases, while these previous measures may continue to be monitored internally at an operational level, they have been superseded by the new objectives.

Performance measures

To ensure we deliver against our 3-year strategy, we will be using the following annual Key Performance Indicators (KPI).

Strategic goal	3-year Objective	Annual KPI
Shareholding councils understand we provide them value	<ul style="list-style-type: none"> We know the value we provide shareholders has improved by 15%, by 30 June 2027* <i>(baseline y/e 30 June 23)</i>. By 30 June 2027, 80% of shareholders agree they get value from Co-Lab. All shareholders take up at least one additional shared service. <p><i>*Based on the regional benefits of collaboration (not an individual councils' benefits from collaboration).</i></p>	<ul style="list-style-type: none"> Year-on-year increase in the value we provide to councils. 80%+ of council survey respondents believe those Co-Lab services they received meet or exceed their expectations (evidenced by an annual survey). Year-on-year increase in the utilisation of services we provide to councils.
Deliver value by growing the scale of our shared service function	<ul style="list-style-type: none"> Expand the utilisation of Co-Lab's shared services by a minimum of 24 customers, by June 2027 <i>(baseline y/e 30 June 23)</i> 	<ul style="list-style-type: none"> Year-on-year increase in the utilisation of services we provide to councils. Year on Year increase in the number of services available to councils.
Diverse, talented and motivated people work for us	<ul style="list-style-type: none"> Staff engagement increases by 5% by 30 June 2027. Staff turnover is less than 15%. Our vacancies are filled by suitable candidates within 3 months. <p><i>All baselined y/e 30 June 23)</i></p>	<ul style="list-style-type: none"> Year-on-year increase in staff engagement. Staff turnover is less than 15%. Vacancies are filled by suitable candidates within 3 months.

Nature & Scope of services

Opportunity Development

Co-Lab also acts as an ideas laboratory by developing opportunities that will reduce costs, create value for councils, or enable innovation and change.

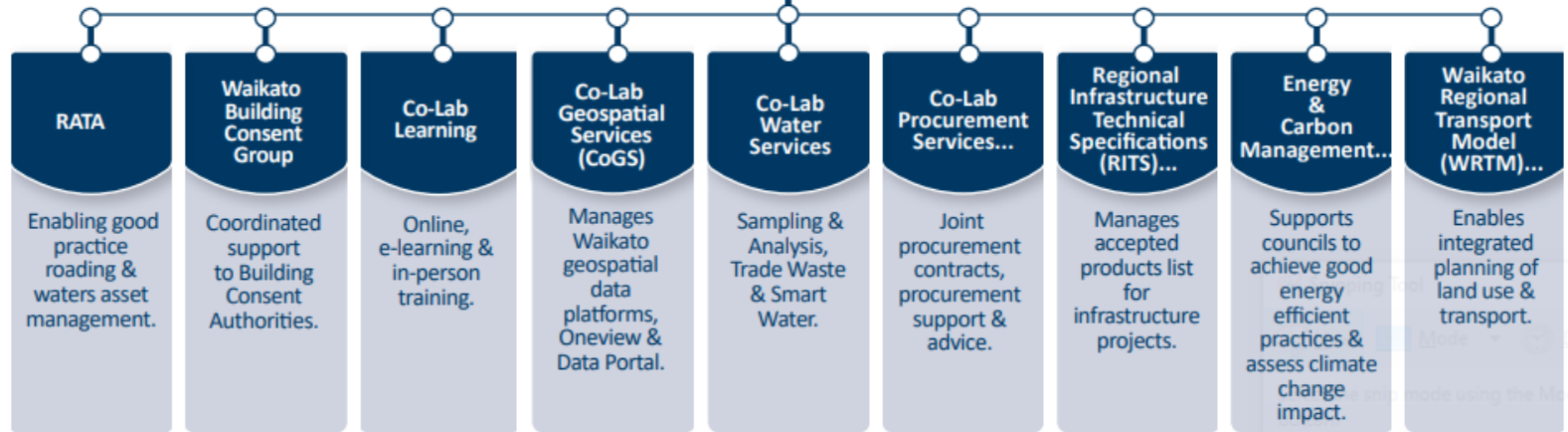
If you'd like more information on the Opportunity Development Projects we are currently investigating, please get in touch.

Shared Services

A list of our shared services follows on page 7. For more information on our services, please visit our website www.colabsolutions.govt.nz

PARTICIPATING COUNCILS 2024

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



Shareholding Councils

Hamilton City Council								
Hauraki DC								
Matamata-Piako DC								
Ōtorohanga DC								
Rotorua Lakes Council								
South Waikato DC								
Thames-Coromandel DC								
Waikato DC								
Waikato Regional Council								
Waipā DC								
Waitomo DC								
Western Bay DC								

Other Councils

Taupō DC								
Service grown since 2019								
Service new since 2019								

Councils participate in the service in some way

Financials

Overview

Services

Revenue from services decreases in the 2024/25 financial year (FY), as we intend to utilise cash surpluses across the workstreams wherever possible to minimise the cost to councils.

Member charges

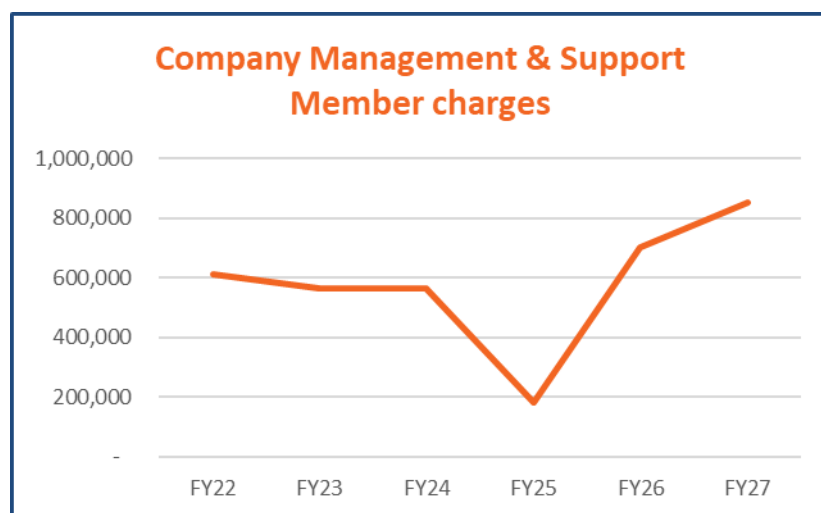
In the past few years, we have held member charges for core operating costs (company management and support) relatively constant. We intend to use current cash surpluses to reduce member charges in FY25 which results in markedly lower member charges to help our shareholding councils.

In this SOI we are also signalling our intention to change the way we ask councils to fund cross-council infrastructure procurement resource. The financial forecasts reflect the resource being included under Company Management & Support, and accordingly funded through member charges, as opposed to what has to date been a user pays model. By doing so this removes what we believe has been a key barrier to councils using the resource.

The change will take effect with an 18-month trial to assess its success or otherwise.

Considering the above, there is a 'one-off' reduction in member charges for FY25, with member charges returning to 'normal levels' from FY26 (taking into account the change in approach for funding cross-council infrastructure).

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

Co-Lab Company Summary for the forecast financial years ended 30 June 2025-2027					
	Budget 2023/24	Forecast 2023/24	Budget 2024/25	Budget 2025/26	Budget 2026/27
Income					
Company Management / Support	1,209,916	970,286	589,962	1,121,340	1,285,407
Working parties projects	724,929	713,349	628,741	576,178	604,987
RITS	27,000	27,000	-	-	11,977
Information Technology	766,177	772,835	-	-	-
Energy Management	137,838	144,824	94,421	151,642	159,224
Shared Valuation Data Service (SVDS)	447,506	368,825	392,892	409,638	425,251
Road Asset Technical Accord (RATA)	1,504,614	2,280,627	2,082,874	2,573,383	2,362,527
Waikato Regional Transport Model (WRTM)	1,751,775	643,615	823,990	1,644,615	512,904
Waikato Building Consent Group	381,350	357,924	157,194	338,600	399,299
Waikato Mayoral Forum	5,000	5,005	10,130	10,637	11,168
Water Collaboration	493,988	-	-	-	-
Co-Lab Water Services	3,474,554	3,684,498	4,260,948	4,473,995	4,697,695
Co-Lab Learning	423,368	440,615	445,907	556,831	564,214
Procurement	325,000	250,286	193,442	203,114	213,270
Geospatial	69,170	70,770	18,000	57,006	91,356
Communications Resource	224,400	65,773	62,484	65,608	68,889
Total Income	11,966,585	10,796,232	9,760,984	12,182,587	11,408,168
Operating Expenditure					
Company Management / Support	1,507,208	1,243,455	1,473,305	1,561,094	1,632,202
Working parties projects	724,929	740,637	628,741	576,178	604,987
RITS	15,600	24,157	24,469	25,693	26,977
Information Technology	666,474	749,815	-	-	-
Energy Management	137,838	140,731	144,421	151,642	159,224
Shared Valuation Data Service (SVDS)	309,151	282,920	302,063	311,574	321,394
Road Asset Technical Accord (RATA)	1,500,183	2,577,990	2,078,443	2,568,819	2,357,735
Waikato Regional Transport Model (WRTM)	1,722,615	643,615	823,990	1,644,615	512,904
Waikato Building Consent Group	381,350	370,161	357,194	378,600	399,299
Waikato Mayoral Forum	5,000	5,000	10,130	10,637	11,168
Water Collaboration	491,474	-	-	-	-
Co-Lab Water Services	3,236,070	3,331,138	4,021,258	4,222,320	4,433,437
Co-Lab Learning	473,159	491,176	519,666	556,831	564,214
Procurement	329,696	324,629	193,442	203,089	213,218
Geospatial	69,170	70,783	82,863	87,006	91,356
Communications Resource	224,400	64,817	64,001	67,189	70,536
Total operating expenditure	11,794,318	11,061,025	10,723,985	12,365,287	11,398,651
Earnings before interest, tax and depreciation/ amortisation (EBITDA)	172,267	(264,793)	(963,002)	(182,701)	9,516
Depreciation / amortisation					
Company Management / Support	41,665	27,419	44,087	46,292	48,606
WBCG	0	3,076	3,072	3,072	3,072
Co-Lab Learning	0	867	864	864	864
Procurement	0	1,791	1,872	1,872	1,872
Communications	0	770	840	840	840
WRTM	29,160	-	-	-	-
Total Depreciation / amortisation	70,825	33,923	50,735	52,940	55,254
Earnings before interest and tax (EBIT)	101,442	- 298,715	(1,013,737)	- 235,640	- 45,738
Net Surplus (Deficit) before tax	101,442	(298,715)	(1,013,737)	(235,640)	(45,738)

We are budgeting losses in all the forecasted years to utilise cash surplus on hand and future surplus from SVDS and Co-Lab Waters.

Statement of Financial Position

Co-Lab					
Financial Position					
for the forecast financial years ended 30 June 2025-2027					
	Budget 2023/24	Forecasted 2023/24	Budget 2024/25	Budget 2025/26	Budget 2026/27
CAPITAL					
Shares - SVDS	1,607,001	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	1,350,000
Retained Earnings	(1,467,033)	(460,604)	(759,319)	(1,773,057)	(2,008,697)
Plus Current Year Operating Surplus/(Deficit)	2,466	(298,715)	(1,013,737)	(235,640)	(45,738)
TOTAL CAPITAL FUNDS	1,492,434	2,197,682	1,183,944	948,304	902,566
ASSETS					
CURRENT ASSETS					
Prepayments	134,000	4,128	3,300	3,465	3,638
Accounts Receivable	580,998	598,329	488,049	609,129	570,408
Bank	2,164,346	2,397,159	1,843,139	1,594,807	1,576,145
GST Receivable / (Payable)	5,097	(28,145)	(30,643)	65,030	67,989
TOTAL CURRENT ASSETS	2,884,442	2,971,471	2,303,845	2,272,432	2,218,180
NON-CURRENT ASSETS					
WRTM - Intangible Asset	2,296,855	2,296,855	2,296,855	2,296,855	2,296,855
MoneyWorks Software	1,195	1,195	1,195	1,195	1,195
Accumulated Depreciation	(2,298,050)	(2,298,050)	(2,298,050)	(2,298,050)	(2,298,050)
IT Equipment & Office Furniture	150,132	185,000	197,500	197,500	197,500
Accumulated Depreciation - IT equipment & Office Furniture	(41,546)	(33,923)	(92,281)	(139,440)	(188,804)
TOTAL NON-CURRENT ASSETS	108,587	151,077	105,219	58,060	8,696
TOTAL ASSETS	2,993,028	3,122,549	2,409,063	2,330,491	2,226,876
LESS CURRENT LIABILITIES					
Accounts Payable	1,415,383	785,965	1,073,624	1,218,874	1,148,200
Accounts Payable Accrual	32,173	33,782	37,244	39,106	41,062
Employee Benefits	53,038	105,120	114,251	124,207	135,049
TOTAL CURRENT LIABILITIES	1,500,594	924,866	1,225,119	1,382,187	1,324,310
NET ASSETS	1,492,434	2,197,682	1,183,944	948,304	902,566

Statement of Cashflows

Co-Lab					
Statement of Cashflows					
for the forecast financial years ended 30 June 2025-2027					
	Budget 2023/24	Forecasted 2023/24	Budget 2024/25	Budget 2025/26	Budget 2026/27
Cashflows from Operating Activities					
Interest Received / (Paid)	80,625	60,594	70,282	70,272	70,261
Receipts from Other Revenue	11,868,628	11,850,047	9,798,424	11,991,025	11,376,407
Payments to Suppliers	(11,879,652)	(11,470,117)	(10,422,705)	(12,208,174)	(11,456,481)
Taxes Paid	0	0	0	0	0
Goods & Services tax (net)	30,937	(271,978)	2,498	(95,674)	(2,959)
Net cash from operating activities	100,538	168,546	(551,501)	(242,551)	(12,772)
Cashflows from Investing Activities					
Capital enhancements	0	0	0	0	0
Purchase of PPE	(30,334)	(84,502)	(4,877)	(5,780)	(5,891)
Purchase of investments	0	0	2,358	0	0
Net cash from investing activities	(30,334)	(84,502)	(2,519)	(5,780)	(5,891)
Net increase in cash, cash equivalents and bank accounts	70,205	84,044	(554,020)	(248,332)	(18,662)
Opening cash and cash equivalents and bank overdrafts	2,164,346	2,313,115	2,397,159	1,843,139	1,594,807
Closing cash, cash equivalents and bank accounts	2,234,551	2,397,159	1,843,139	1,594,807	1,576,145
Summary of Bank Accounts					
BNZ - Call a/c	2,234,551	2,397,159	1,843,139	1,594,807	1,576,145
Closing Balance of Bank	2,234,551	2,397,159	1,843,139	1,594,807	1,576,145

Appendix I: Governance

Co-Lab² is owned in equal portion by the 12 Waikato Local Authorities³:

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

Co-Lab's⁴ vision is that council collaboration through Co-Lab maximises community wellbeing. The company's purpose is to achieve this vision by helping councils identify and realise shared opportunities.

It achieves these outcomes by:

- Acting as an ideas laboratory for developing opportunities that create value to councils;
- Providing shared services to councils; and
- Entering joint procurement arrangements for the benefit of 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
Vacant	Hauraki, Matamata-Piako, Thames-Coromandel District and Western Bay of Plenty District Council

⁴ Co-Lab is the trading name of Waikato Local Authority Shared Services Ltd

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.

Appendix II: 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.



GROUP STATEMENT OF INTENT

For the year ended 30 June 2025



WAIKATO REGIONAL AIRPORT LIMITED
(February 2024)

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 2025 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 commercial 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.



ABOUT THE WRAL GROUP

The Group comprises the following entities:



- **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 and 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 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.

People

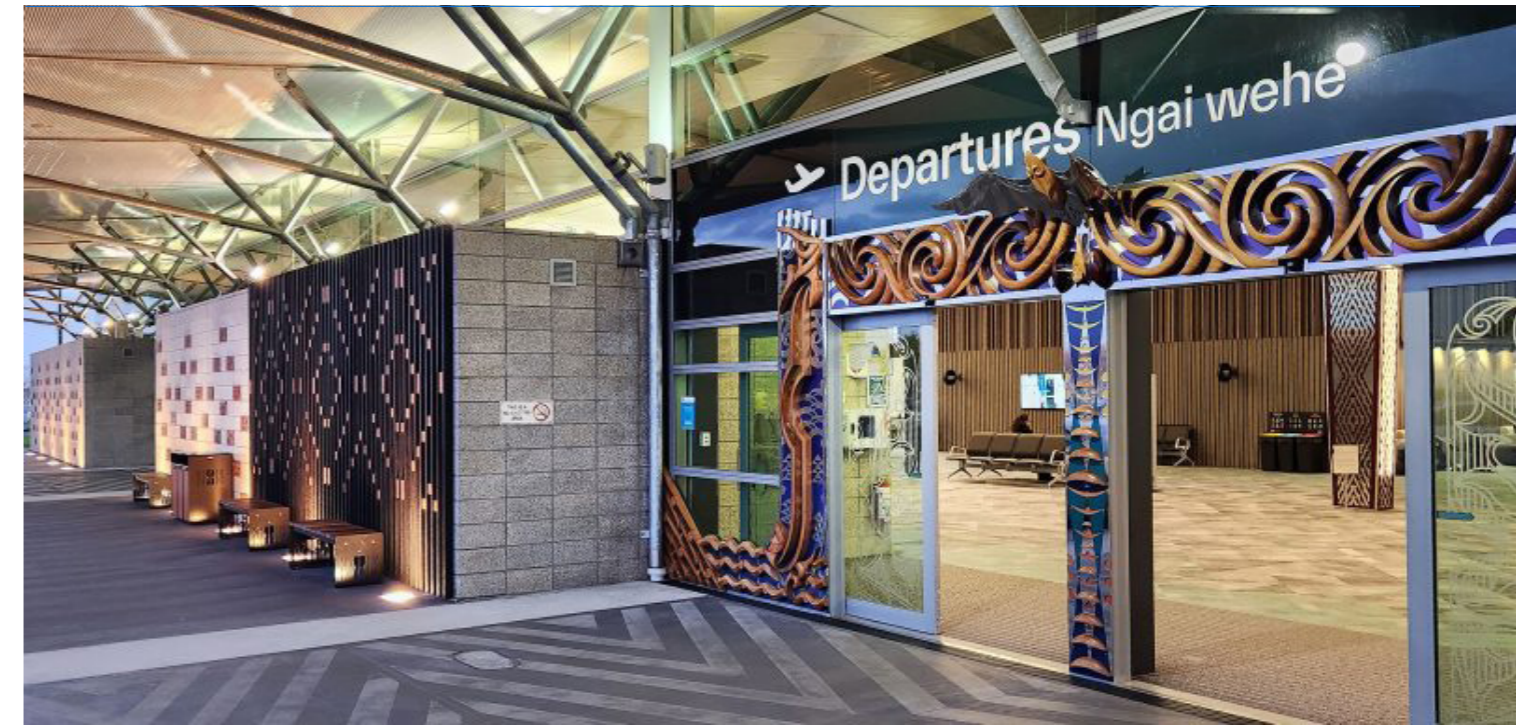
- Invest in an organisation-wide strategy that takes a holistic view of employee wellbeing, recognising wellbeing as a measure of our organisation's success.
- Provide training and development to personnel to ensure individually and collectively, our personnel remain leaders of best practice in their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

Sustainability

- Maintain the Jet Park Hotel's Qualmark Silver Enviro rating.
- Continue to align initiatives in the HLZERO sustainability framework, WRAL's commitment to net zero carbon emissions by 2050, to the global Airport Carbon Accreditation program and advance Level 4+ application.

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 a successful mediated outcome of the Plan Change via the Environment Court, complete detailed design for Stage One of the Northern Precinct Development
- Complete ecological management plan and commence development of ecological habitat compensation site.

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 continued marketing activity.

Subject to the finalisation of funding under the Council LTP process, 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.
- Maintain and strengthen support for regional tourism through partnerships with local government, the tourism industry and the wider regional community.

Te Tiriti and Te Ao Maaori

- Create a cultural legacy that authentically embraces and values Maaori tikanga (customs) and te reo (the language) meaningfully in our organisation, and that respects the kaitiakitanga (guardianship) of mana whenua and principles of te tiriti o Waitangi.



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.

	2025	2026	2027
EBITDA excl Land Sales	\$6.0m	\$7.0m	\$8.0m
EBITDA incl Land Sales	\$9.0m	\$20.0m	\$20.0m
NPBT no less than	\$2.6m	\$13.0m	\$14.0m
Net Operating Cash Flow	\$4.0m	\$5.0m	\$6.0m
Total Debt excl Design Buildings (max)	\$39m	\$50m	\$50m
Percentage of non-landing charge revenue	60%	60%	60%
Land Sales	\$4m	\$20m	\$20m
Interest Coverage	3.0x	3.0x	3.0x

NON-FINANCIAL PERFORMANCE TARGETS

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 2025.

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 detailed design for Stage One of the Northern Precinct Development.
- Complete ecological management plan and commence development of ecological habitat compensation site

Climate Change Response.

- Reduce Group electricity purchases by at least 20% on 2024 levels (measured in kWh used) due to the solar farm development.
- Advance application for Level 4+ accreditation to the Airport 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.



NON-FINANCIAL PERFORMANCE TARGETS

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 of 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 2023 shows shareholder equity of \$234 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 in accordance with the Group's dividend policy 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.





To	Performance & Strategy Committee
Report title	Local Government Funding Agency half yearly report and draft Statement of Intent
Date:	2 April 2024
Report Author:	Alison Diaz, Chief Financial Officer
Authorised by:	Gavin Ion, Chief Executive

1. Purpose of the report

Te Take moo te puurongo

To share the Local Government Funding Agency's interim Report for the 2023/24 financial year and draft Statement of Intent for 2024/25 with the Performance & Strategy Committee.

2. Executive summary

Whakaraapopototanga matua

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. 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 2023. Although Council is not a shareholder of the LGFA, as a guaranteeing Local Authority we receive this reporting.

The LGFA 2024/25 Draft Statement of Intent is also attached for information.

3. Staff recommendations

Tuutohu-aa-kaimahi

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

4. Attachments

Ngaa taapirihanga

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

28 February 2024

Dear LGFA Stakeholder

LGFA 2023-24 Half Year Report

The following is a link to our Half Year Report for the six-month period to December 2023.

[LGFA Half Year Report – 31 December 2023](#)

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

1. Increased lending to council and CCO borrowers

At 31 December 2023, LGFA had a market value of loans outstanding of \$18.8 billion which followed record lending of \$2.63 billion over the six-month period. We added two new CCOs as members over the six months, bringing the number of members to 72 councils and 5 CCOs.

2. A focus on sustainability.

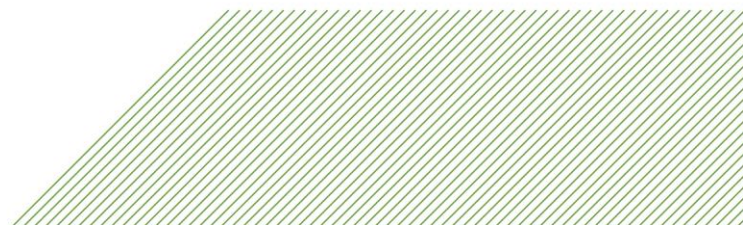
We launched our Climate Action Loan (CAL) product for council and CCO members in December 2022 to incentivise borrowers through a lower loan margin if they have an approved greenhouse gas (GHG) emission reduction plan in place and are meeting their reduction targets. At December, CALs total \$1.2 billion across four councils.

Our Green, Social and Sustainable (GSS) loans provide a discounted borrowing margin to councils and CCOs for eligible projects. Over the six-month period we approved a further project as eligible for GSS lending, bringing the number of eligible projects to six across six councils.

We also published our first Annual Impact Review report for our NZX listed Sustainable Financing Bond. We are having ongoing dialogue with councils relating to GHG emission reporting and reduction and are currently preparing for our first report under Climate Related Disclosure requirements for the 2024 Annual Report.

3. A financial position tracking to forecast.

Net Operating Profit for the six-month period was \$5.2 million, which is slightly below our SOI forecast due to higher costs from increased issuance, and the establishment and issuance under foreign currency programmes. However, we expect to meet the full year SOI forecast by June 2024. LGFA has assets of \$21.77 billion and Shareholder Equity of \$109.4 million as at 31 December 2023.



4. Working with our stakeholders.

We have been assisting Central and Local Government with the implementation of the water reform programme and with councils and CCO members on promoting sustainability.

A further highlight was LGFA being voted by market participants for an unprecedented five awards at the KangaNews Awards including New Zealand Debt Issuer of the Year award for the second consecutive year.

Our focus remains on adding value to the local government sector through:

- Providing cheaper loans.
- Enabling easier access to markets.
- Providing reliable financing.
- Underpinning confidence.
- Encouraging sustainability.
- Enhancing capital markets.
- Being a centre of expertise.

To achieve the above, we require the support of all our stakeholders and thank you for your contribution and assistance over the past six months.

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

Kind regards



Mark Butcher
Chief Executive

31 December 2023
HALF YEAR REPORT

Benefiting communities through
delivering efficient financing
for local government.

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

Contents

Ngā Ihirangi

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

08 Performance against objectives
Ko ngā whakatutukinga ki ngā whāinga

16 Financial statements
Nga tauki pūtea

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

33 Directory
Rārangi tauwaea

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



Cover photo: Kopurererua River realignment project. Tauranga City Council

Contents photo: Water flows down the spillway and beneath the Nick Patterson bridge. Waimea Dam. Tasman District Council

Message from the Chair and Chief Executive

He karere mai i te Toihau me te Tumuaki

Lending to the sector

LGFA was established in 2011 to provide long-dated borrowing, certainty of access to markets and to reduce the borrowing costs for the local government sector. The original 31 shareholders including the Crown remain as shareholders and our membership has grown to 77 council and 5 CCO's.

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

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

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

Financial and Operational Performance

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

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

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

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

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

Our borrowing activity

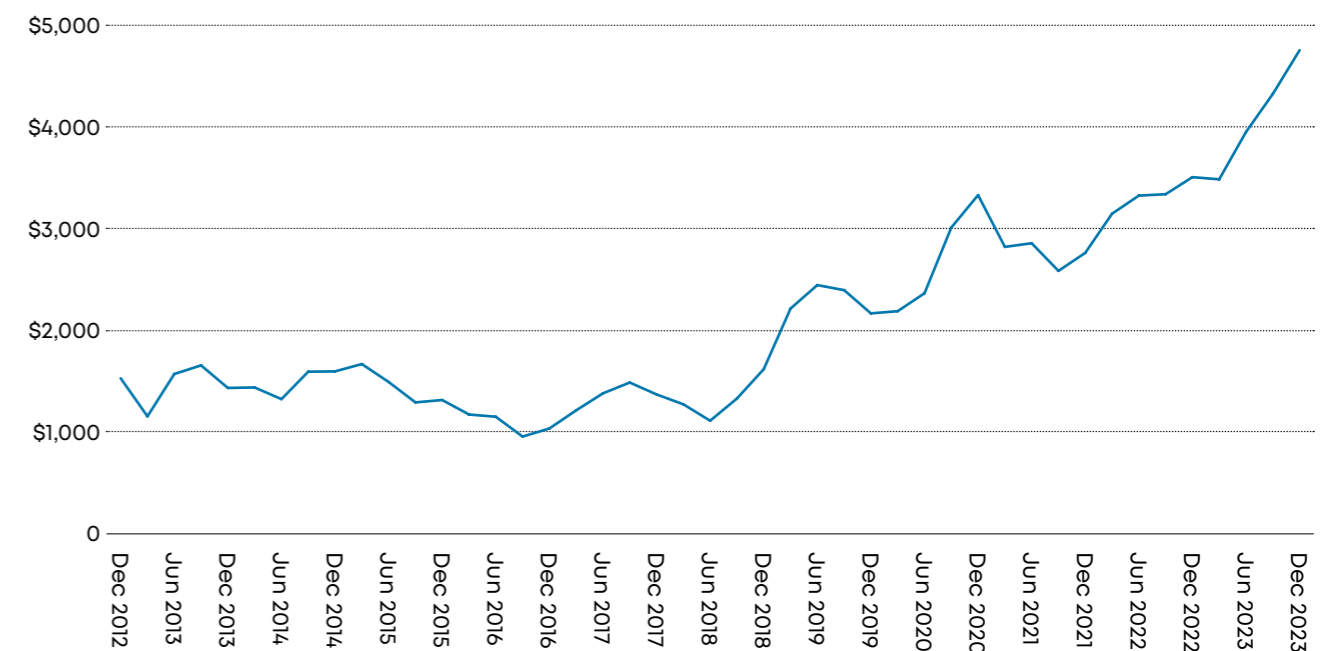
LGFA issued \$1.63 billion of NZD bonds over the past six months, with outstanding bonds totalling \$18.92 billion (including \$1.10 billion of treasury stock) across 11 maturities ranging between 2024 to 2037. The average term of our NZD bond issuance during the six months at 5.7 years was significantly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

For the six-months ended 31 December 2023

The six months to December 2023 presented a challenging period for bond issuance as markets remained volatile and an increased supply of high-grade bonds impacted sentiment. Over this period, council and council-controlled organisations (CCO) borrowing and LGFA bond issuance increased to record levels and, despite the difficult conditions, LGFA continued to deliver value to members and our investor base.

Highlights over the period included our successful debut issuance in the Australian Dollar (A\$) bond market and LGFA receiving an unprecedented five awards in the annual KangaNews Awards, including New Zealand Issuer of the year for the second consecutive year.

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



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

LGFA has the largest amount of New Zealand dollar (NZD) bonds on issue after the New Zealand

Government and our individual bond tranches are amongst the largest and most liquid NZD debt instruments available for investors. Secondary market activity in our bonds continues to rise, assisting investors' access to our bonds throughout the year.

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

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

KangaNews award winner

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

Our role in assisting Local and Central Government

The local government sector continues to face a period of change and uncertainty having to deal with climate-related events, rising cost pressures and managing their three waters assets during the reform process.

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

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

New products and initiatives

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

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

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

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

Increasing focus on sustainability

Sustainability plays an important part within the local government sector and at LGFA. We have undertaken several initiatives over the past year, including maintenance of CarbonZero certification from Toitū Envirocare, actively marketing our GSS loan product and establishing CALs and the launch of the SFB. We published our first Annual Impact Review Report and have been preparing for our first report under Climate Related Disclosure requirements for the 2024 Annual Report.

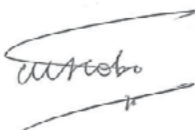
Acknowledgments

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

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

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

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



Craig Stobo
Chair



Mark Butcher
Chief Executive

How we add value to the local government sector

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

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

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

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

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

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

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

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

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

KANGANEWS
AWARDS
2023

New Zealand Issuer of the Year for 2023

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

Performance against objectives

Ko ngā whakatutukinga ki ngā whāinga

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

2023-24 Objectives and performance targets

LGFA objectives and performance targets for 2023-24 fall within the following five strategic priorities which encompass our shareholders' foundation objectives and guide the LGFA Board and management in determining our strategy:

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

Our quarterly reports to shareholders provide more detail on our performance against objectives and performance targets. The reports for the two quarters' ended December 2023 are available on the LGFA website.

Governance, capability and business practice

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

Objectives	Our performance to 31 December 2023
Demonstrate best practice corporate governance.	LGFA report annually on our compliance with the eight core principles underpinning the NZX Corporate Governance Best Practice Code. The 2023 Annual Report is the most recent report with commentary on our compliance with the NZX Code.
Set and model high standards of ethical behaviour.	LGFA has adopted a formal Code of Ethics, incorporating its Conflicts of Interest and Code of Conduct policies, which sets out the standards and values that directors and employees are expected to follow.
Ensure products and services offered to participating borrowers are delivered in a cost-effective manner.	LGFA prepares annual operating budgets and monitors progress against these monthly. Our performance against our financial performance targets for the six months ended 31 December 2023 is summarised below under our performance targets.
Be a good employer by providing safe working conditions, training and development and equal opportunities for staff.	LGFA is committed to being a good employer and we report our employment practices annually in our Annual Report. The 2023 Annual Report is our most recent report outlining our health and safety and wellbeing practices and policies, including compliance with the Health and Safety at Work Act, diversity and inclusion and capability and development.

Performance targets	2023-2024 target	Our performance to 31 December 2023
Comply with the Shareholder Foundation Polices and the Board-approved Treasury Policy at all times.	No breaches.	✓ No breaches.
Maintain LGFA's credit rating equal to the New Zealand Government sovereign rating where both entities are rated by the same Rating Agency.	LGFA credit ratings equivalent to NZ Sovereign.	✓ Our ratings remain equivalent to the New Zealand Government for both S&P Global Ratings and Fitch Ratings. Fitch Ratings affirmed our foreign and domestic currency ratings at AA+ with a Stable Outlook on 19 October 2023. S&P Global Ratings affirmed our domestic currency credit rating at AAA and our foreign currency rating at AA+ in March 2023.
LGFA's total operating income for the period to 31 December 2023.	> \$20.6 million.	✓ \$10.6 million for six months to 31 December 2023. Expect to exceed SOI by year end.
LGFA's total operating expenses for the period to 31 December 2023.	< \$10.0 million.	✗ \$5.4 million for six months to 31 December 2023. Year-end operating expenses will exceed SOI due to higher Approved Issuer Levy than budgeted, as well as additional costs from (1) higher levels of issuance and onlending than budgeted; (2) legal and associated costs for inaugural foreign currency issuance, and (3) preparation for potential role in 'Local Water Done Well' and the proposed Ratepayer assistance programme.

Optimising financing services for local government

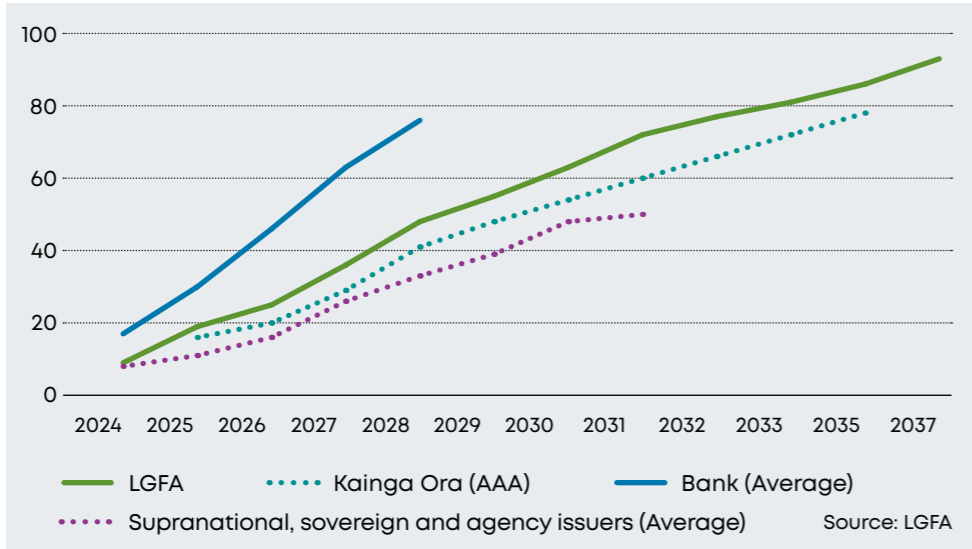
LGFA's primary objective is to optimise the terms and conditions of the debt funding it provides to participating borrowers. Amongst other things, LGFA will achieve this by delivering operational best practice and efficiency across our lending products and services.

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

Provide interest cost savings relative to alternative sources of financing.

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

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



Supranational, sovereign and agency issuers

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

Banks

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

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

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

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

Deliver operational best practice and efficiency for lending services.

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

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

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

There was strong activity in LGFA bonds in both the primary market (tender or syndicated issuance) and secondary market (between banks and investors). Over the six months ended December 2023, we issued NZ\$1.63 billion and A\$1.65 billion of primary bonds and secondary market turnover totalled \$6.25 billion.

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

Share of aggregate long-term debt funding to the Local Government sector.	> 80%	✓ Met – 89% as at 31 December 2023
Total lending to Participating Borrowers.	> \$17,870 million	✓ Met – \$18,789 million as at 31 December 2023
Conduct an annual survey of Participating Borrowers who borrow from LGFA as to the value added by LGFA to the borrowing activities.	> 85% satisfaction score	✓ 100% satisfaction score in August 2023 Stakeholder Survey.
Successfully refinance existing loans to councils and LGFA bond maturities as they fall due.	100%	✓ Met
Meet all lending requests from Participating Borrowers, where those requests meet LGFA operational and covenant requirements.	100%	✓ Met



Te Kurawai o Pūhanga, the reservoir behind the Waimea Community Dam, at full capacity. Tasman District 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 prioritise social and environmental responsibility by having regard to the interests of the community in which it operates and by endeavouring to accommodate or encourage these when able to do so.

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

Performance targets	2023-2024 target	Our performance to 31 December 2023
Comply with the Health and Safety at Work Act 2015.	No breaches	✓ No breaches.
Maintain Toitū Carbon Zero certification.	Carbon-zero certification maintained.	✓ Toitū Net Carbon-zero recertification approved August 2023.
Meet reduction targets outlined in our carbon reduction management plan.	Reduction targets met.	✓ On track to meet target
Increase our GSS lending book.	Two new GSS loans undertaken. Three new borrowers enter into CALs	✓ On track to meet target
Ensure Annual Report is prepared in compliance with applicable GRI Standards.	100%	✓ 2023 Annual Report prepared to meet the requirements of the Global Reporting Initiative (GRI) Standards (core option).
Meet all mandatory climate reporting standards.	100%	✓ On track to meet target

Effective management of loans

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

Objectives	Our performance to 31 December 2023
Proactively monitor and review each Participating Borrower's financial position, including its financial headroom under LGFA policies.	<p>Over the six months, we reviewed council agendas and management reports on an ongoing basis for all members on the LGFA borrower watch-list.</p> <p>We have received compliance certificates for LGFA covenants from 78 (75 councils and 3 Council-controlled organisations) of our members with debt outstanding at June 2023 and no council has requested that they be measured on a group basis.</p>
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 33 borrowers over the six months and are on target to meet with all members by 30 June 2024.

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

Industry leadership and engagement

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

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



Kopurererua River realignment project
Tauranga City Council

Financial statements

Nga tauki pūtea

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

Statement of comprehensive income

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

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

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

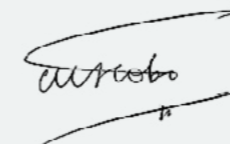
Due to rounding, numbers presented in the financial statements and associated notes may not add up precisely to the reported totals.

The Board of Directors of the New Zealand Local Government Funding Agency Limited authorised these statements for issue on 28 February 2024.

Statement of changes in equity

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

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



Craig Stobo, Director
Board Chair



Linda Robertson, Director
Chair, Audit and Risk Committee

Statement of financial position

As at 31 December 2023 in \$000s

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

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

Statement of cash flows

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

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

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 28 February 2024.

2. Statement of compliance

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

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

3. Basis of preparation

Measurement base

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

The financial statements are prepared on an accrual basis.

Functional and presentation currency

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

Foreign currency conversions

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

Changes in accounting policies

There have no changes to accounting policies.

Early adoption standards and interpretations

LGFA has not early adopted any standards.

Standards not yet adopted

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

Financial instruments

Financial assets

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

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

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

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

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

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

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

Financial liabilities

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

Derivatives

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

Fair value hedge

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

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

Other assets

Property, plant and equipment

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

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

Intangible assets

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

Other liabilities

Employee entitlements

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

Revenue

Interest income

Interest income is accrued using the effective interest rate method.

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

Expenses

Expenses are recognised in the period to which they relate.

Interest expense

Interest expense is accrued using the effective interest rate method.

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

Income tax

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

Goods and services tax

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

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

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

Commitments and contingencies are disclosed exclusive of GST.

Segment reporting

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

Judgements and estimations

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

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

Revenue and expenditure

4. Net interest income

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

5. Other operating income

As at 31 December 2023, LGFA had provided credit standby facilities totalling \$747 million (2022: \$662 million) to selected councils. As at balance date, there were no drawdowns outstanding under the facilities.

in \$000s	Unaudited six months ended 31 December 2023	Unaudited six months ended 31 December 2022
Standby facilities fee income	753	671
Total other operating income	753	671

6. Operating expenses

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

in \$000s	Unaudited six months ended 31 December 2023	Unaudited six months ended 31 December 2022
Issuance and on-lending expenses		
Approved issuer levy ¹	541	343
Rating agency fees	343	333
NZDMO facility fee	750	652
Legal fees – issuance	502	205
NZX	402	367
Trustee fees	56	55
Regulatory, registry, other fees	184	106
	2,779	2,062
Other operating expenses		
Information technology	360	341
Consultants	131	127
Directors fees	249	213
Insurance	49	47
Legal fees	23	156
Other expenses	204	230
Auditors' remuneration		
Statutory audit	60	55
Advisory services	-	-
Personnel	1,500	1,312
	2,577	2,481
Total operating expenses	5,355	4,542

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 and cross currency swaps to manage this risk. For hedge accounting purposes, LGFA has designated these swaps in fair value relationships to its fixed rate borrowings, loans and investments.

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

in \$000s	Unaudited	
	gain/(loss) for the six months ended 31 December 2023	gain/(loss) for the six months ended 31 December 2022
Hedged items attributable to the hedged risk	(357,392)	329,876
Hedging instruments – interest rate swaps	357,392	(329,876)
Ineffectiveness recognised in profit or loss from fair value hedges	-	-

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

8. Loans

in \$000s	Unaudited as at 31 December 2023		Audited as at 30 June 2023	
	Short-term loans ¹	Loans	Short-term loans	Loans
Ashburton District Council	12,089	104,554	12,110	74,243
Auckland Council	-	3,631,775	-	3,225,659
Bay of Plenty Regional Council	57,991	176,577	57,428	161,353
Buller District Council	-	20,036	-	20,030
Canterbury Regional Council	5,013	77,336	10,116	65,272
Carterton District Council	-	20,552	-	17,523
Central Hawkes Bay District Council	-	38,324	4,072	38,314
Central Otago District Council	5,020	20,288	20,117	5,072
Christchurch City Council	-	2,331,650	-	2,200,409
Clutha District Council	11,583	88,191	7,554	62,905
Dunedin City Treasury	-	252,736	-	126,119
Far North District Council	10,079	92,000	-	91,984
Gisborne District Council	-	149,330	-	126,028
Gore District Council	8,554	44,478	8,556	41,915
Greater Wellington Regional Council	-	804,623	-	678,358
Grey District Council	3,971	26,801	3,990	26,799
Hamilton City Council	-	804,733	-	803,843
Hastings District Council	-	385,854	-	294,992

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

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

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

9. Other assets

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

10. Payables and provisions

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

11. Bills

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

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

12. Treasury stock and bond repurchases

Periodically, LGFA subscribes for LGFA bonds as part of its tender process and holds these bonds as treasury stock. LGFA bonds held by LGFA as treasury stock are derecognised at the time of issue and no liability is recognised in the statement of financial position. As at 31 December 2023, \$1,100 million of LGFA bonds had been subscribed as treasury stock.

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

in \$000s	Unaudited as at 31 December 2023	Audited as at 30 June 2023
15 April 2024	37,803	
15 April 2025	-	16,619
15 April 2026	-	1,920
15 April 2027	-	52,513
20 April 2029	3,412	19,437
15 May 2030	17,736	-
15 May 2031	37,957	3,287
14 April 2033	4,487	1,750
15 May 2035	-	34,518
15 April 2037	28,593	-
	129,987	130,043

13. Bonds

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

Unaudited as at 31 December 2023 in \$000s	Face Value	Unamortised premium	Accrued interest	Fair value hedge adjustment	Total
NZD Fixed interest bonds					
15 April 2024	2,218,000	(801)	10,635		2,227,834
15 April 2025	2,719,000	(37,783)	15,935		2,697,152
15 April 2026	2,155,000	(45,072)	6,889		2,116,817
15 April 2027	2,211,000	54,970	21,204		2,287,174
15 May 2028	1,553,000	(70,223)	4,512		1,487,289
20 April 2029	1,882,000	(105,057)	5,631		1,782,574
15 May 2030	1,500,000	(44,075)	8,716		1,464,640
15 May 2031	1,245,000	(81,469)	3,617		1,167,148
14 April 2033	1,515,000	5,936	11,445		1,532,381
15 May 2035	450,000	(7,496)	1,743		444,248
15 April 2037	860,000	(53,559)	3,666		810,107
AUD Fixed interest bonds					
1 August 2028	1,077,426	(2,784)	21,054		1,095,696
28 November 2030	700,327	(2,598)	3,336		701,065
Fair value hedge adjustment				(889,414)	(889,414)
	20,085,754	(390,010)	118,382	(889,414)	18,924,712

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

14. Borrower notes

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

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

15. Other liabilities

in \$000s	Unaudited as at 31 December 2023	Audited as at 30 June 2023
Lease liability		58
Accruals	995	838
Total receivables	995	896

16. Share capital

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

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

17. Shareholder information

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

Registered holders of equity securities	As at 31 December 2023		As at 30 June 2023	
Minister of Finance and Minister for Local Government	5,000,000	11.1%	5,000,000	11.1%
Auckland Council	3,731,960	8.3%	3,731,960	8.3%
Christchurch City Council	3,731,960	8.3%	3,731,960	8.3%
Hamilton City Council	3,731,960	8.3%	3,731,960	8.3%
Bay of Plenty Regional Council	3,731,958	8.3%	3,731,958	8.3%
Greater Wellington Regional Council	3,731,958	8.3%	3,731,958	8.3%
Tasman District Council	3,731,958	8.3%	3,731,958	8.3%
Tauranga City Council	3,731,958	8.3%	3,731,958	8.3%
Wellington City Council	3,731,958	8.3%	3,731,958	8.3%
Western Bay of Plenty District Council	3,731,958	8.3%	3,731,958	8.3%
Whangarei District Council	1,492,784	3.3%	1,492,784	3.3%
Hastings District Council	746,392	1.7%	746,392	1.7%
Marlborough District Council	400,000	0.9%	400,000	0.9%
Selwyn District Council	373,196	0.8%	373,196	0.8%
Gisborne District Council	200,000	0.4%	200,000	0.4%
Hauraki District Council	200,000	0.4%	200,000	0.4%
Horowhenua District Council	200,000	0.4%	200,000	0.4%
Hutt City Council	200,000	0.4%	200,000	0.4%
Kapiti Coast District Council	200,000	0.4%	200,000	0.4%
Manawatu District Council	200,000	0.4%	200,000	0.4%
Masterton District Council	200,000	0.4%	200,000	0.4%
New Plymouth District Council	200,000	0.4%	200,000	0.4%
Otorohanga District Council	200,000	0.4%	200,000	0.4%
Palmerston North District Council	200,000	0.4%	200,000	0.4%
South Taranaki District Council	200,000	0.4%	200,000	0.4%
Taupo District Council	200,000	0.4%	200,000	0.4%
Thames-Coromandel District Council	200,000	0.4%	200,000	0.4%
Waimakariri District Council	200,000	0.4%	200,000	0.4%
Waipa District Council	200,000	0.4%	200,000	0.4%
Whakatane District Council	200,000	0.4%	200,000	0.4%
Whanganui District Council	200,000	0.4%	200,000	0.4%
	45,000,000	100%	45,000,000	100%

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

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

19. Related parties

Identity of related parties

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

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

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

Related party transactions

LGFA was established for the purpose of raising funds from the market to lend to participating borrowers. The lending to individual councils is disclosed in note 5, and interest income recognised on this lending is shown in the statement of comprehensive income.

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

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

Directory

Rārangi tauwaea

Postal address

P.O. Box 5704, Lambton Quay
Wellington 6145

Office hours

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

General enquiries

lgfa@lgfa.co.nz

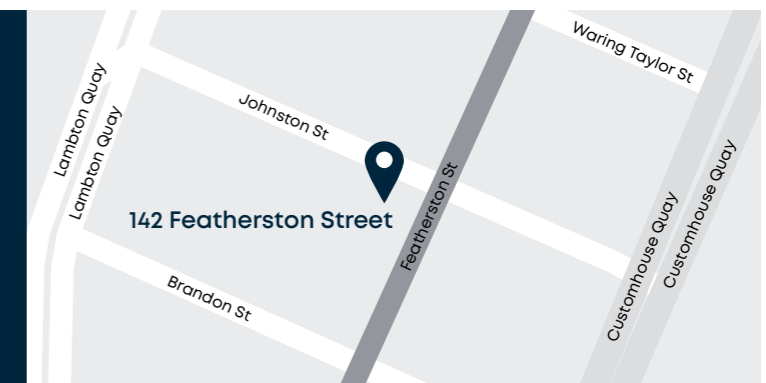
Staff e-mail addresses

firstname.lastname@lgfa.co.nz

Phone +64 4 974 6530

Wellington

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



Auckland

Level 5
Walker Wayland Centre
53 Fort Street
Auckland 1010



28 February 2024

Dear Shareholder

Draft Statement of Intent 2024-2027

Please find attached a copy of our draft Statement of Intent (SOI) for 2024-2027.

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
- Providing longer dated funding and
- Providing certainty of access to markets

For our shareholders we are focused on

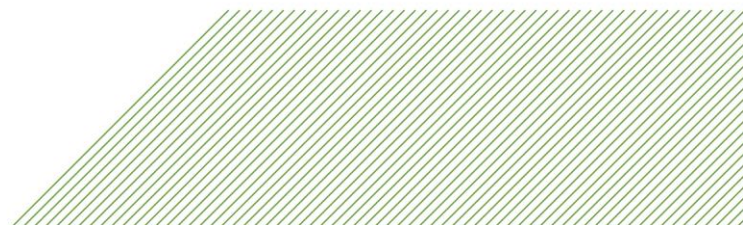
- Delivering a strong financial performance
- Monitoring asset quality
- Enhancing our approach to treasury and risk management, and
- Ensuring we have the correct governance framework and capital structure in place.

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 2024-27 are worth noting:

- This draft SOI, including financial forecasts, assumes that there are no implications for LGFA from the Local Waters Done Well Programme. We are awaiting further information as the enabling legislation is introduced in June and December 2024 but will assume in the meantime a business-as-usual approach to council and CCO borrowing. The final SOI in June 2024 will be updated from this draft to incorporate any future announcements and will include a statement if there have been any material changes to our forecast assumptions.
- Profitability is forecast to remain strong with projections for Net Operating Gain of \$15.1 million, \$13.1 million, and \$10.1 million for the next three years. However, we remain cautious in placing too much emphasis on the year two (2025-26) and three (2026-27) forecasts given we have \$7.1 billion of LGFA bonds and \$7.5 billion of council and CCO loans maturing over the three-year SOI forecast period. This is because assumptions regarding the amount and timing of refinancing and interest rates have a material impact on financial projections.



- We have increased our forecast for council loans (short and long term) outstanding as at June 2025 to \$22.08 billion and to \$24.45 billion as at June 2026 (from \$20.03 billion and \$21.50 billion in the previous SOI). This increase reflects a higher starting position as at 30 June 2024 and councils undertaking further capex and continued high utilisation of short-term borrowing from LGFA.
- We are assuming gross bond issuance of \$5.25 billion (2024-25), \$5.04 billion (2025-26) and \$4.72 billion (2026-27) based on council gross lending of \$4.60 billion (2024-25), \$4.86 billion (2025-26) and \$5.08 billion (2026-27).
- Net interest income is expected to gradually reduce over the forecast period as the balance sheet grows from increased council lending but is offset by a larger holding of liquid assets and slightly lower forecast interest rates.
- We have assumed a modest narrowing in lending margins as more councils and CCOs take up our Climate Action Loan (CAL) product and we undertake more Green, Social and Sustainability (GSS) lending to councils and CCOs. Given the recent announcement from S&P Global Ratings regarding the lowering of the trend within the local government sector institutional framework, we have assumed no further improvement in the credit quality of the sector.
- Compared to the previous SOI, issuance and operating expenses, excluding Approved Issuer Levy are forecast to be approximately \$700k higher in the 2024-25 and \$600k in 2025-26 financial years. This is due to forecast higher IT, HR and legal costs associated with increased foreign currency issuance, water reforms and increased staffing.
- The proposed SOI performance targets are similar to the previous SOI. The focus remains on sustainability, assisting councils with greenhouse gas (GHG) emission reporting, monitoring the credit quality of the sector, and assisting with the implementation of Local Water Done Well Programme.
- 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 2025, April 2026 and April 2027. 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 2024 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 2024.

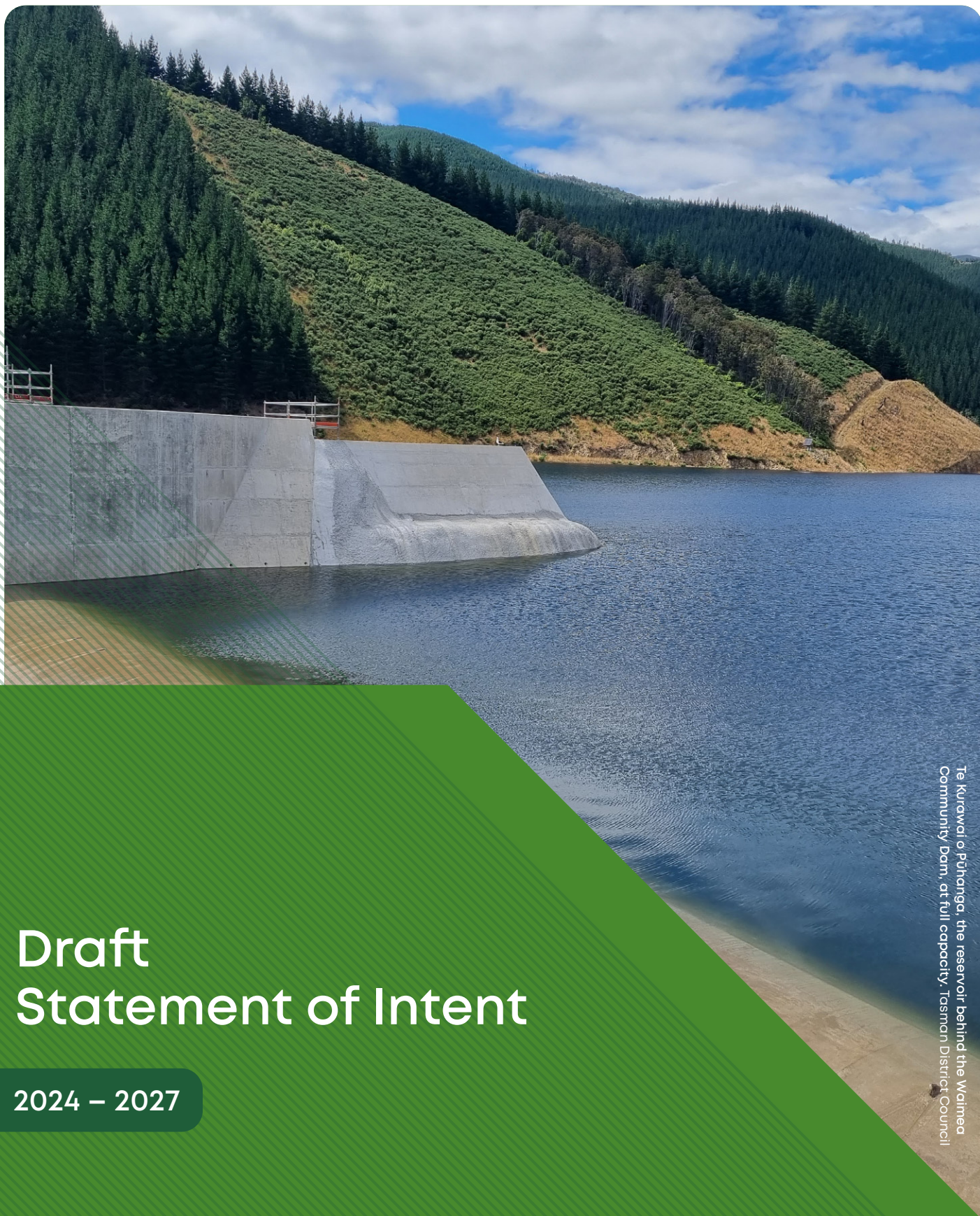
Yours sincerely



Mark Butcher
Chief Executive



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



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

Draft Statement of Intent

2024 – 2027

1. Introduction

This Statement of Intent (SOI) sets out the nature and scope of the activities, objectives and performance targets for the New Zealand Local Government Funding Agency Limited (LGFA) for the three-year period 1 July 2024 to 30 June 2027. LGFA is enabled under the Local Government Borrowing Act 2011 and is a council-controlled organisation (CCO) for the purposes of the Local Government Act 2002.

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

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

2. Nature and scope of activities

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

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

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

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

3. Our purpose Ta tatou kaupapa

Benefiting local communities through delivering efficient financing for local government.

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

4. Our values Ō mātau uara

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 2024-2027.

The financial performance targets are focused on the 2024-2025 year and, as applicable, are based on the financial forecasts outlined in section 8.

Governance, capability and business practice

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

Performance targets	2024-2025 target
Comply with the Shareholder Foundation Polices and the Board-approved Treasury Policy at all times.	No breaches.
Maintain LGFA's credit rating equal to the New Zealand Government sovereign rating where both entities are rated by the same Rating Agency.	LGFA credit ratings equivalent to NZ Sovereign.
Succession plans be put in place for the Board and staff and be reviewed annually.	Plan established and shared.
LGFA's total operating income for the year to 30 June 2025.	>\$29.8 million.
LGFA's total operating expenses for the year to 30 June 2025.	<\$15.6 million.

Optimising financing services for local government

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

Performance targets	2024-2025 target
Share of aggregate long-term debt funding to the Local Government sector.	> 80%
Total lending to Participating Borrowers.	> \$22,000 million.
Conduct an annual survey of Participating Borrowers who borrow from LGFA as to the value added by LGFA to the borrowing activities.	> 85% satisfaction score.
Successfully refinance existing loans to councils and LGFA bond maturities as they fall due.	100%
Meet all lending requests from Participating Borrowers, where those requests meet LGFA operational and covenant requirements.	100%

Environmental and social responsibility

Objectives	How we measure our performance
Develop our sustainability strategy to include the estimated financial impacts of climate change.	LGFA sustainability strategy incorporates an assessment of the estimated financial impacts of climate change.
Improve sustainability outcomes within LGFA.	LGFA is committed to reducing our carbon emissions and maintaining formalised processes to measure our greenhouse gas (GHG) emissions.

Performance targets	2024-2025 target
Comply with the Health and Safety at Work Act 2015	No breaches.
Maintain Toitū Carbon Zero certification	Carbon-zero certification maintained.
Meet reduction targets outlined in our carbon reduction management plan.	Reduction targets met.
Increase our GSS lending book and Climate Action Loans	Two new GSS loans undertaken. Three new borrowers enter into CALs.
Ensure Annual Report is prepared in compliance with applicable GRI Standards	100%
Meet all mandatory climate reporting standards	100%

Effective management of loans

Objectives	How we measure our performance
Proactively monitor and review each Participating Borrower's financial position, including its financial headroom under LGFA policies.	LGFA reviews all participating councils and CCOs financial statements on an annual basis and the agendas and management reports on an ongoing basis for all councils on the LGFA borrower watch-list.
Analyse finances at the Council group level where appropriate and report to shareholders.	Participating borrowers are required to complete annual compliance certificates by the end of November each year.
Endeavour to meet each participating borrower annually, including meeting with elected officials as required, or if requested.	Number of participating borrowers visited in a year.
Work with central government and local government to facilitate a sector-wide successful transition of debt under the Local Water Done Well Programme.	LGFA is an active participant in the Local Water Done Well Programme.

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

Industry leadership and engagement

Objectives	How we measure our performance
Take a proactive role to enhance the financial strength and depth of the local government debt market and work with key central government and local government stakeholders on sector and individual council issues.	Report on actions undertaken and progress made on sector issues. 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 Local Water Done Well Reforms and Future for Local Government	Assist the local government sector to understand any legislative or Central Government policy changes that may impact LGFA.
Maintain productive relationships with central government representatives.	Report on the alignment of LGFA and councils 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 councils' understand future reporting requirements.

8. Financial forecasts

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

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

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

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

Note there is a high level of uncertainty regarding the financial forecasts for both council borrowing and LGFA bond issuance due to the uncertainty relating to the impact on councils from the Local Water Done Well Reforms.

9. Dividend policy

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

The Board's policy is to pay a dividend that provides an annual rate of return to shareholders equal to LGFA fixed rate bond cost of funds plus 2% over the medium term.

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

10. Governance

Board

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

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

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

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

All directors are required to comply with a formal Charter.

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

Shareholders' Council

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

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

11. Information to be provided to Shareholders

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

Annual Report

The LGFA's balance date is 30 June.

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

Half Yearly Report

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

Quarterly Report

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

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

Statement of Intent

By 1 March in each year the Company will deliver to the Shareholders its draft SOI for the following year.

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

Shareholder Meetings

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

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

12. Acquisition / divestment policy

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

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

13. Activities for which compensation is sought from Shareholders

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

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

14. Commercial value of Shareholder's investment

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

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

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

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

15. Accounting policies

LGFA has adopted accounting policies that are in accordance with the New Zealand International Financial Reporting Standards and generally accepted accounting practice. A Statement of accounting policies is attached to this SOI.

Statement of Accounting Policies

1. Reporting entity

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

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

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

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

2. Statement of compliance

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

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

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

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.

To	Performance & Strategy Committee
Report title	Exclusion of the Public
Date:	Tuesday, 2 April 2024
Report Author:	Thomas Rowland, Democracy Advisor
Authorised by:	Gaylene Kanawa, Democracy Manager

1. Staff recommendations

Tuutohu-aa-kaimahi

THAT the public be excluded from the following parts of the proceedings of this meeting.

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

General subject of each matter to be considered	Reason for passing this resolution in relation to each matter	Ground(s) under section 48(1) for the passing of this resolution
Item PEX 2 Minutes from meeting held on Monday, 4 December 2023	Good reason to withhold exists under Section 6 or Section 7 Local Government Official Information and Meetings Act 1987	Section 48(1)(a)
Item PEX 3.1 Abandoned Land Sale		

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

Item No.	Section	Interest
Item PEX 2 Minutes from meeting held on Monday, 4 December 2023	Refer to the previous Public Excluded reason in the agenda for this meeting.	
Item PEX 3.1 Abandoned Land Sale	7(2)(a)	To protect a person's privacy

2. Attachments

Ngaa taapirihanga

There are no attachments for this report.
