

Notice of Meeting:

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

Date: Tuesday 5 October 2021
Time: 9.30am
Meeting Room: Council Chamber and Audio Visual Link
Venue: Municipal Building, Garden Place, Hamilton

Richard Briggs
Chief Executive

Finance Committee *Komiti Tahua* OPEN AGENDA

Membership

Chairperson Cr R Pascoe
Heamana

Deputy Chairperson Cr Maxine van Oosten
Heamana Tuarua

Members	Mayor P Southgate	Cr K Naidoo-Rauf
	Deputy Mayor G Taylor	Cr A O'Leary
	Cr M Bunting	Cr S Thomson
	Cr M Gallagher	Cr E Wilson
	Cr R Hamilton	Cr D Macpherson
	Cr M Donovan	Maangai Vacancy

Quorum: A majority of members (including vacancies)

Meeting Frequency: Six weekly

Becca Brooke
Governance Manager
Menetia Mana Whakahaere

27 September 2021

Telephone: 07 838 6727
Becca.Brooke@hcc.govt.nz
www.hamilton.govt.nz

Purpose:

The Finance Committee is responsible for:

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

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

Terms of Reference:

1. To provide direction on Council's financial strategy and monitor performance against that strategy.
2. To monitor Council's financial performance against the Council's 10 Year Plan and the impact of the financial performance on services levels and rate payers' value.
3. To monitor deferred capital expenditure.
4. To develop and monitor policy related to the following matters:
 - a) financial management;
 - b) revenue generation; and
 - c) procurement and tendering.
5. To monitor the probity of processes relating to policies developed by the Finance Committee.

The Committee is delegated the following powers to act:

- Approval of operating expenditure within the Long Term Plan or Annual Plan that exceeds the Chief Executive's delegation, excluding expenditure which:
 - contravenes the Council's Financial Strategy; or
 - significantly alters any level of service outlined in the applicable Long Term Plan or Annual Plan; or
 - impacts Council policy or practice, in which case the delegation is recommendatory only and the Committee may make a recommendation to the Council for approval.
- Approval of contractual and other arrangements for supply and services, and revenue generating contracts, which:
 - exceed the Chief Executive's delegations, but
 - exclude contracts or arrangements that are reserved for the Council or another Committee's approval.
- Approval to write-off outstanding accounts greater than \$10,000 (in accordance with the Debtor Management Policy).

The Committee is delegated the following recommendatory powers:

- To set the direction of Council's Financial Strategy.

- The Committee may make recommendations to Council.
- The Committee may make recommendations to other Committees.

Recommendatory Oversight of Policies and Bylaws:

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

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1 Apologies – *Tono aroha*

2 Confirmation of Agenda – *Whakatau raarangi take*

The Committee to confirm the agenda.

3 Declaration of Interest – *Tauaakii whaipanga*

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

4 Public Forum – *Aatea koorero*

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

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

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

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

Council Report

Committee: Finance Committee

Date: 05 October 2021

Author: Narelle Waite

Authoriser: Becca Brooke

Position: Governance Advisor

Position: Governance Manager

Report Name: Confirmation of the Finance Committee Open Minutes of 24 August 2021

Report Status	<i>Open</i>
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Staff Recommendation - *Tuutohu-aa-kaimahi*

That the Finance Committee confirm the Open Minutes of the Finance Committee Meeting held on 24 August 2021 as a true and correct record.

Attachments - *Ngaa taapirihanga*

Attachment 1 - Finance Committee Open Unconfirmed Minutes 24 August 2021

Finance Committee

Komiti Tahua

OPEN MINUTES

Minutes of a meeting of the Finance Committee held via audio-visual link on Tuesday 24 August 2021 at 10.31am.

PRESENT

Chairperson	Cr R Pascoe
<i>Heamana</i>	
Deputy Chairperson	Cr M van Oosten
<i>Heamana Tuarua</i>	
Members	Deputy Mayor G Taylor
	Cr M Bunting
	Cr M Gallagher
	Cr R Hamilton
	Cr K Naidoo-Rauf
	Cr A O'Leary
	Cr S Thomson
	Cr E Wilson
	Cr D Macpherson

In Attendance:	David Bryant – General Manager People and Organisational Performance
	Lance Vervoort – General Manager Community
	Eeva-Liisa Wright – General Manager Infrastructure Operations
	Chris Allan – General Manager Development
	Sean Murray – General Manager Tourism, Venues and Major Events
	Tracey Musty – Financial Controller
	Iain Anderson – Capital Projects
	Chris Barton – Capital Projects Manager
	Maire Porter – Director Strategic Water Operations
	Cory Lang – Building Control Manager

Governance Staff:	Becca Brooke – Governance Manager
	Carmen Fortin and Narelle Waite – Governance Advisors

1. Apologies - *Tono aroha*

Resolved: (Cr Pascoe/Cr Wilson)
That the apologies for partial attendance from Cr Naidoo-Rauf are accepted.

2. Confirmation of Agenda – *Whakatau raarangi take*

Resolved: (Cr Pascoe/Cr Wilson)
That the agenda is confirmed.

3. **Declarations of Interest - *Tauaakii whaipanga***

No members of the Council declared a Conflict of Interest.

4. **Public Forum - *Aatea koorero***

Bruce Clarkson spoke to Item 11 (Zoo Waiwhakareke Entry Precinct Stage 1B - Project Funding Options) noting his role as Chair of the Waiwhakareke Advisory Group, his support of the project, the efforts made by staff to secure external funding, community expectations, and the Zoo's capital revenue targets.

5. **Confirmation of the Finance Committee Open Minutes of 15 June 2021**

Resolved: (Cr Bunting/Cr van Oosten)

That the Finance Committee confirm the Open Minutes of the Finance Committee Meeting held on 15 June 2021 as a true and correct record.

6. **Chair's Report**

The Chair introduced his report noting his focus on the financial aspects of the Three Waters reform. He responded to questions from Members concerning public engagement opportunities, governance structure and ownership of assets.

Resolved: (Cr Pascoe/Cr Wilson)

That the Finance Committee receives the report.

7. **Capital Portfolio Monitoring Report**

The Capital Projects Manager introduced the report noting key capital works project achievements in the past three years and presented a video highlighting this work. The Capital Financial Lead outlined the report noting the report covers the draft annual results, asset investment increase, project deferrals, savings, Work in Progress, capitalisation delays and depreciation impact, outstanding project risks, Waka Kotahi funding expectations, expected variation claims concerning the Covid-19 level 4 lockdown. They responded to questions from Members concerning the Ruakura Road project and traffic management, external funding sources, financial risks of project deferrals and cost escalation, development contributions, and revenue loss off-set.

Staff Action: *Staff undertook to provide Members with a breakdown of project funding from external sources.*

Staff Action: *Staff undertook to provide Members with financial information concerning a land purchase for green space in Rototuna.*

Staff Action: *Staff undertook to report back to Members on opportunities to request additional Waka Kotahi funding in recognition of cost escalation.*

Resolved: (Cr Hamilton/Deputy Mayor Taylor)

That the Finance Committee receives the report.

The meeting was adjourned from 11.51am to 11.12pm

1. **Apologies - *Tono aroha* (Continued)**

Resolved: (Cr Pascoe/Cr van Oosten)

That the apologies for absence from Mayor Southgate are accepted.

8. Annual Monitoring Report to 30 June 2021

The Financial Controller introduced the report noting that the draft year-end results are subject to change prior to release in the Annual Report, favourable variants in the accounting result concerning revaluations, fees and charges, capital revenue, the variants contribution to a favourable result in balancing the books, and personnel costs unfavourable to budget. She responded to questions from Members concerning personnel costs and capacity to deliver the work programme.

Resolved: (Cr Pascoe/Cr Wilson)

That the Finance Committee receives the report.

9. Financial Strategy Monitoring Report - Recommendation to the Council

The Financial Controller spoke to the report noting the balancing of the books, conservative budget and delivery of final audited results.

Resolved: (Cr Pascoe/Cr van Oosten)

That the Finance Committee receives the report.

That the Finance Committee recommends that the Council:

- a) approves the capital movement as identified in paragraph 30 of the 24 August 2021 Capital Portfolio Monitoring Report;
- b) approves the significant forecast adjustments as set out in paragraphs 19 and 20 of this report; and
- c) approves the revised Financial Strategy position for Debt to Revenue, Net Debt and Balancing the Books as set out in paragraphs 22 to 24 of this report.

10. Weathertight Annual Update

The Building Control Manager spoke to the changes to the reporting format and differences between weathertight and defect claims, and Hamilton City Council's comparison to other metro Councils. He responded to questions from Members concerning budgeting and risk of industry cost increases.

Resolved: (Cr Pascoe/Cr Hamilton)

That the Finance Committee receives the report.

11. Zoo Waiwhakareke Entry Precinct Stage 1B - Project Funding Options

The General Manager Community outlined the report and provided a presentation detailing the project stages and the efforts to secure funding for the project. He responded to questions from Members concerning reasons given for funding rejections, project types that succeed at securing funding, and Council mitigation plans for funding shortfalls.

Resolved: (Cr Pascoe/Cr Bunting)

That the Finance Committee:

- a) receives the report;
- b) approves the completion of the full scope of Zoo Waiwhakareke Entry Precinct stage 1B as set out in the staff report;

- c) approves a reduction in expected external revenue for stage 1B of \$1,170,000 in 2021/2022; and
- d) notes that the corresponding external revenue expectation of \$1,170,000 will be planned for the zoo animal enclosure in 2026/2027.

12. Resolution to Exclude the Public

Resolved: (Cr Pascoe/Cr van Oosten)

Section 48, Local Government Official Information and Meetings Act 1987

The following motion is submitted for consideration:

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

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

General subject of each matter to be considered	Reasons for passing this resolution in relation to each matter	Ground(s) under section 48(1) for the passing of this resolution
C1. Confirmation of the Finance Committee Public Excluded Minutes of 15 June 2021) Good reason to withhold) information exists under) Section 7 Local Government) Official Information and) Meetings Act 1987	Section 48(1)(a)
C2. Report on overdue debtors as at 30 June 2021 and Debt write-offs 2020/21)	
C3. Rototuna Village - Construction Contract Award Delegations		
C4. Renewal of Natural Gas Contract		
C5. Information Services - Adobe and Datacom Contract Renewals		
C6. Information Services - Microsoft and Cisco Security Contract Renewals		
C7. Information Service Contract - Houston Productivity Solutions Ltd		

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

the proceedings of the meeting in public, as follows:

Item C1.	to prevent the disclosure or use of official information for improper gain or improper advantage	Section 7 (2) (j)
Item C2.	to protect the privacy of natural persons to maintain the effective conduct of public affairs through protecting persons from improper pressure or harassment	Section 7 (2) (a) Section 7 (2) (f) (ii)
Item C3.	to enable Council to carry out commercial activities without disadvantage	Section 7 (2) (h) Section 7 (2) (i)
Item C4.	to enable Council to carry out negotiations to enable Council to carry out commercial activities without disadvantage to prevent the disclosure or use of official information for improper gain or improper advantage	Section 7 (2) (h) Section 7 (2) (j)
Item C5.	to enable Council to carry out negotiations	Section 7 (2) (i)
Item C6.	to enable Council to carry out negotiations	Section 7 (2) (i)
Item C7.	to enable Council to carry out negotiations	Section 7 (2) (i)

The meeting went into Public Excluded session at 1.09pm.

The meeting was declared closed at 3.07pm.

Council Report

Committee: Finance Committee

Date: 05 October 2021

Author: Narelle Waite

Authoriser: Becca Brooke

Position: Governance Advisor

Position: Governance Manager

Report Name: Chair's Report

Report Status	<i>Open</i>
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Recommendation - *Tuutohu*

That the Finance Committee receives the report.

Attachments - *Ngaa taapirihanga*

Attachment 1 - Chair's Report - Finance Committee Meeting - 5 October 2021



Chair's Report

The Chair of the Finance Committee will present a verbal update at the Finance Committee meeting on matters including:

- i. the Annual Plan;
- ii. Three Waters Reform; and
- iii. other timely updates concerning the Finance Committee.

Recommendation:

That the Finance Committee receives the verbal report.

Cr Rob Pascoe

Chair Finance Committee

Item 6

Attachment 1

Council Report

Committee: Finance Committee

Date: 05 October 2021

Author: Iain Anderson

Authoriser: Chris Allen

Position: Capital Financial Lead

Position: General Manager
Development

Report Name: Capital Portfolio Monitoring Report

Report Status	<i>Open</i>
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Purpose - *Take*

1. To inform the Finance Committee on the financial performance of the capital portfolio for the two months ended 31 August 2021.

Staff Recommendation - *Tuutohu-aa-kaimahi*

2. That the Finance Committee receives the report.

Executive Summary - *Whakaraapopototanga matua*

3. This report is to be read in conjunction with the Financial Performance and Strategy Report to 30 August 2021.
4. This is the first year of the 2021-31 Long Term Plan (LTP). For 2021-22 the total approved capital expenditure budget is \$380.1m, inclusive of deferrals approved from prior years. The approved capital revenue is \$96.5m inclusive of prior year deferrals and recommended forecast changes.
5. The total capital expenditure for the two months ended 31 August 2021 is \$32.2m, while the associated capital revenue for the same period is \$9.5m.
6. No deferrals have been identified as at 31 August 2021. As the year progresses and deferrals and brought forward are identified these will be reported to the Committee.
7. There is one change being reported in capital revenue.
8. Capital work in progress (WIP) is \$474.2m, within this amount is \$49.2m of assets that are in service but have not yet been capitalised. To negate the impact on the operating result an estimate of the depreciation amount and been made and is reflected in the Annual Monitoring Report 31 August 2021.
9. Four projects across the portfolio have been flagged as having a risk(s) that is being brought to the attention of the Finance Committee. Two are classified as significant and will require a Council decision (Red), and the two are significant and are being monitored (Orange).
10. There are three portfolio risks, two were identified in the previous report and one is new, these are:
 - i. shortage and cost escalation of construction materials;

- ii. Waka Kotahi NZTA funding in the 2021-24 National Land Transport Programme; and
 - iii. increase in costs due to COVID lockdown.
- 11. Staff consider the matters to be of low significance and that the recommendations comply with Council's legal requirements.

Discussion - *Matapaki*

Programme Summary and Significant Highlights

- 12. The following definitions are relevant:
 - i. Portfolio: refers to the total organisational capital work budget for 2020-21. As per the approved 2021-31 LTP the portfolio is \$328.7m. This is subsequently modified through the Forecast, including deferrals from prior years;
 - ii. Programme: refers to the nine programmes that are referred to in this report, which when added together equal the portfolio; and
 - iii. Project: refers to the individual project under a particular programme. These projects may have funding from multiple activities and occur across multiple years.
- 13. **Attachment 1** is a summary table of the full 2021-31 LTP Capital programme, including both expenditure and revenue. It is presented using the nine programmes to ensure consistency in reporting. Note for external reporting we use the 12 Activities
- 14. **Attachment 2** contains an overview of the nine programmes. Since the previous LTP a new programme summary has been included for the Central City. Each overview contains a summary of the key achievements and a graphical representation of the financial performance. The nine programmes are:
 - 1) Central City
 - 2) City Wide Community,
 - 3) City Wide Waters,
 - 4) Peacocke,
 - 5) Rotokauri,
 - 6) Rototuna,
 - 7) Ruakura,
 - 8) Transport Improvement, and
 - 9) Renewal and Compliance.

Capital Expenditure Forecast Groups

- 15. For the purposes of this Capital Portfolio Monitoring report, there are three main types of capital budget movement that will impact on the forecasted total spend for this financial year. They are:
 - i. **Deferrals and Brought Forwards**: These are approved budgets where a timing change has been identified. The timing change is either, a deferral, where the budget is moved out to a future year or a brought forward where the future budget is brought forward to the current year.

- ii. **Capital Savings:** these are permanent reductions in the budget. The savings are tied back to the Organisation savings targets established through the 2021-31 LTP; and
 - iii. **Other Changes:** these are new budgets that either did not previously exist or is an amendment to an existing approved budget.
16. These three types apply to all programmes except the Renewals and Compliance Programme. This programme is managed as whole over the first 3 years (see paragraph 17).

Looking Forward - The next Three Years

20. The 2021-31 LTP first 3 years has a total capital expenditure programme of \$922.9m. In the previous LTP the first 3 years had a budget of \$740.2m. This continues to reflect both the significant growth the city is responding to and the need to renew/replace our existing assets.

Renewals and Compliance

17. This programme has been managed as a 3-year programme. This has proven to be successful in managing the renewals programme across a large and diverse range of assets. It has also allowed new projects to be accommodated within the financial envelope.
18. The approved budget from the 2021-31 LTP is \$235.3m, there is \$25.4m in associated capital revenue. Once deferrals for the prior years are included the total budget increases to \$247.7m

Capital Expenditure and Revenue Actual

19. The actual capital expenditure for the two months ended 31 August 2021 is \$32.2m [\$32.7m]. The amount in the brackets is the comparative from the previous financial year.
20. The actual capital revenue for the two months ended 31 August 2021 is \$9.5m [\$7.9m]. The amount in the brackets is the comparative from the previous financial year.

Capital Forecast

21. This section includes changes that are being recommended to the Approved 2021-31 LTP. Changes in this section are classified in the three groups described in para 16.
22. A full 2021-31 LTP budget table has been included in **Attachment 1**. This includes both the expenditure and capital revenue. It is presented at the nine programme level.
23. The changes that included here are reflected in the Financial Strategy results published in the Financial Performance and Strategy Report.
24. The following table starts with the budget as per 2021-31 LTP and then shows the additional movements through each change class.

Expenditure in 000's	As at 1 July	As at 31 August
Approved Budget as at 1 July 2021	328,668	380,132
Deferrals & b/fwds	51,463	0
Savings	0	0
Changes	0	0
Closing Expenditure Budget (Forecast)	380,132	380,132

Revenue in 000's	Jul-21	Aug-21
Approved Budget as at 1 July 2021	101,588	97,698
Deferrals & b/fwds	(3,890)	0
Savings	0	0
Changes	0	(1,170)
Closing Revenue Budget (Forecast)	97,698	96,528

Capital Deferrals

25. As at 31 August no deferrals or brought forwards have been identified.
26. The deferrals approved from prior years have been brought in and are reflected in the 1 July 2021 opening forecast.
27. For future Monitoring reports as deferrals and brought forwards are identified these will be reported through a detailed attachment. This will track not only the current financial year but also be show the impact on the future financial years. This will give better visibility of the impact on deliverability and the financial strategy.

Capital Savings

28. As at 31 August 2021 no capital savings have been identified.

Work in Progress (WIP)

29. The total value of WIP as at 30 June 2021 is \$474.2m, inclusive of vested assets.
30. The breakdown by status is:
 - i. Current - \$425.0 (89.6%): this is legitimate WIP and reflects the assets that cannot be capitalised until they are complete and in use; and
 - ii. Outstanding \$49.2m (10.4%): these are assets are in service, but the capitalisation process has not yet been completed. This group is treated with priority. Depreciation is applicable but not yet charged.
31. As reported previously, WIP is simply an accounting disclosure of capital expenditure. It reflects fixed assets that are not yet fully operational. Until they are complete and operational the expenditure remains classified as WIP. However, once the asset is fully operational it is required to be capitalised, it is at this point the depreciation begins.
32. Therefore, the focus is the WIP amount that is classified as outstanding. It is this balance that continues to get priority to resolve. However, to ensure that we do not understate the amount of depreciation an assessment has been made and recorded as an expense on the Statement of Comprehensive Revenue and Expense.
33. A cross organisational team is reviewing the current processes and implementing changes required to get a sustainable solution.

Project Risks - update

34. Overall, four projects have been identified as having a significant risk profile. Two are classified as Red and therefore will require a Council decision, while two are classified Orange meaning they are being closely monitored and managed.

Walking and Cycling Bridge

35. Financial risk. This project was budgeted with NZTA Waka Kotahi subsidy. This funding was not approved through the National Land Transport Programme announcement. This a four-year project starting in 2021/22, total value is \$27.9m. Staff will now report back to Council as to options.

Biking and Micro-mobility

36. Financial risk. This project was budgeted with NZTA Waka Kotahi subsidy. This funding was not approved through the National Land Transport Programme announcement. While a 10-year programme the total cost in the first 3 Years is \$13.5m. Staff will now report back to Council as to options.

Te Awa Cycleway Extension

37. Timing risk. The project has an estimated completion date of December 2021 in accordance with other sections of the overall Te Awa route. Construction is underway however delivery timeframes are tight. Staff are working closely with the contractor to monitor progress and regularly review forecast timeframes to completion.

Eastern Pathways – University Link

38. Financial risk. This project was budgeted with NZTA Waka Kotahi subsidy. Funding has been approved for the pre-implementation phase but not the implementation phase.

Portfolio RisksShortage and cost escalation of construction materials

39. This risk was first reported to Finance Committee on the 24 August 2021. The risk described continues to exist, to recap:
- i. potentially significant portfolio risk is emerging relating to construction material and supply chain pressures. The risk is caused by both the national and international demand for certain materials as well as significant delays and increased costs of international freight. The risk consequences are project delays and escalating cost; and
 - ii. discussions with our contractors indicate recent shortages and/or significant cost escalations for certain products such as steel, concrete, pipes, fittings, bitumen, and glass to name a few.
40. It is very likely this risk will put pressure on budget adequacy to deliver projects over the next few years.
41. Staff are continuing to monitor this risk carefully in conjunction with construction industry skills and labour shortages. As the risk will potentially extend beyond the Capital programme the work is being done in conjunction with the Finance Unit to ensure the full impacts are considered.
42. While this risk is further dimensioned, risk analysis on each project around supply issues prior to committing to physical works procurement and contracts will be undertaken.
43. We will report this to the December 2021 Finance Committee meeting.

Confirmation of Waka Kotahi NZTA funding in the 2021-24 National Land Transport Programme

44. Waka Kotahi NZTA published the approved National Land Transport Programme on 7th of September 2021. This programme confirmed the amount of subsidy that HCC is likely to receive in the next 3 years.
45. As has been reported the outcome was much better than previously messaged by Waka Kothi but still below the budgeted expenditure.
46. A high-level summary shows, the amount of subsidy we will not receive in the 3 years is approximately \$24.5m and over the 3-year period is spread \$3.3m, \$5.5m and \$15.7m.
47. The key capital projects affected are:
- i. Rotokauri Arterial further Designation;
 - ii. Boundary Heaphy Intersection Upgrade;
 - iii. Biking and Micro mobility – implementation;
 - iv. CDB River Cycling Bridge – business case, pre implementation and implementation;
 - v. Eastern Pathways - University Link – implementation; and

- vi. Norton/Seddon roundabout – business case, pre implementation and implementation.
- 48. Now that we have certainty the immediate focus was on the impact on the 2021-31 LTP financial strategy. Using the confirmed NLTP data and comparing to the amount allowed within the 2021-31 LTP staff modelled a simple worst-case scenario where this revenue was deleted but the programme of work was retained. In other the projects are still undertaken but fully funded by Council. This modelling demonstrated that this could be achieved without a breach in the financial strategy across the 10-year period.
- 49. The next step is for staff to report back to the Infrastructure Operation Committee to seek direction on the precise response to those projects where the subsidy has not been approved. Once this is known then this will be formally modelled and reported back to the Finance Committee as part of the Financial Performance and Strategy Report.

COVID Contract Claims

- 50. The country was subject to a nationwide lockdown during August 2021 this lockdown continued through into September 2021. For some projects Council is subject to cost claims under the terms of the contracts. Due to commercial sensitivities this will be covered in the Public Excluded section of this Finance Committee meeting.

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

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

Wellbeing Considerations - *Whaiwhakaaro-aa-oranga tonutanga*

- 52. The purpose of Local Government changed on the 14 May 2019 to include promotion of the social, economic, environmental and cultural wellbeing of communities in the present and for the future ('the 4 well-beings').
- 53. The subject matter of this report has been evaluated in terms of the 4 well-beings during the process of developing this report as outlined below.
- 54. The recommendations set out in this report are consistent with that purpose.

Social

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

Economic

- 56. Delivery of our capital works portfolio is required for the city to continue to grow and generate employment and wealth.

Environmental

- 57. Across the capital portfolio, environmental consideration is integrated throughout the project life cycle, including through design, procurement and construction.
- 58. In the procurement phase all physical works contracts include a component to incorporate environmental and sustainability considerations into tender evaluation, where contractor initiatives such as materials reuse, energy requirements, electric vehicle utilisation, carbon offsets etc. can be valued.

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

Cultural

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

Risks - *Tuuraru*

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

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

Significance

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

Engagement

63. Community views and preferences are already known to the Council through the 2018-28 10-Year Plan and 2019-20 Annual Plan.
64. Given the low level of significance determined, the engagement level is low, and no further engagement is required.

Attachments - *Ngaa taapirihanga*

Attachment 1 - 2021-31 LTP Capital Budget

Attachment 2 - Nine Programme Summaries

2021-31 Long Term Plan

Capital Expenditure and associated Revenue

(000's)

Row Labels	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31
Capex										
City Wide Community Programme	\$ 12,408	\$ 28,710	\$ 14,260	\$ 6,056	\$ 4,944	\$ 10,167	\$ 16,016	\$ 5,609	\$ 5,947	\$ 4,824
City Wide Transport Programme	\$ 50,276	\$ 46,228	\$ 54,775	\$ 43,097	\$ 18,254	\$ 24,897	\$ 24,810	\$ 22,302	\$ 22,922	\$ 24,815
City Wide Waters Programme	\$ 37,946	\$ 36,058	\$ 40,163	\$ 23,231	\$ 38,720	\$ 22,394	\$ 38,468	\$ 41,482	\$ 65,014	\$ 53,371
Peacocke Programme	\$ 78,387	\$ 98,442	\$ 67,885	\$ 29,942	\$ 10,824	\$ 6,300	\$ 4,574	\$ 12,938	\$ 24,216	\$ 26,207
Renewals & Compliance Programme	\$ 76,608	\$ 79,470	\$ 79,264	\$ 87,190	\$ 89,662	\$ 92,882	\$ 101,876	\$ 104,582	\$ 106,843	\$ 111,166
Rotokauri Programme	\$ 9,072	\$ 4,737	\$ 8,562	\$ 74	\$ -	\$ -	\$ 4,046	\$ 22,696	\$ 29,064	\$ 27,564
Rototuna Programme	\$ 19,879	\$ 13,082	\$ 11,203	\$ 5,196	\$ 5,931	\$ 719	\$ 77	\$ 6,558	\$ 11,413	\$ 15,052
Ruakura Programme	\$ 43,092	\$ 2,889	\$ 265	\$ -	\$ 225	\$ 752	\$ 1,069	\$ 27,036	\$ 28,006	\$ 25,651
Subregional Programme	\$ 1,000	\$ 6,695	\$ 1,591	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Te Rapa North Programme	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 432	\$ 5,858	\$ 13,380	\$ 211
	\$ 328,668	\$ 316,310	\$ 277,969	\$ 194,787	\$ 168,560	\$ 158,111	\$ 191,368	\$ 249,061	\$ 306,805	\$ 288,862
Revenue										
City Wide Community Programme	\$ 1,835	\$ 3,752	\$ 482	\$ 628	\$ 647	\$ 260	\$ 149	\$ 522	\$ 917	\$ 1,332
City Wide Transport Programme	\$ 24,258	\$ 20,545	\$ 29,498	\$ 24,108	\$ 9,184	\$ 12,568	\$ 12,520	\$ 11,237	\$ 11,549	\$ 12,511
City Wide Waters Programme	\$ 150	\$ 155	\$ 159	\$ 164	\$ 169	\$ 174	\$ 179	\$ 184	\$ 190	\$ 195
Peacocke Programme	\$ 29,012	\$ 34,316	\$ 8,390	\$ 5,519	\$ 519	\$ 433	\$ 83	\$ 572	\$ 35	\$ -
Renewals & Compliance Programme	\$ 8,246	\$ 7,715	\$ 9,475	\$ 7,637	\$ 7,999	\$ 8,097	\$ 8,231	\$ 8,435	\$ 9,663	\$ 9,970
Rotokauri Programme	\$ -	\$ -	\$ 297	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Rototuna Programme	\$ 4,000	\$ 4,119	\$ 1,379	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Ruakura Programme	\$ 34,087	\$ 1,059	\$ -	\$ -	\$ -	\$ 384	\$ 423	\$ 13,788	\$ 14,154	\$ 13,082
Subregional Programme	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Te Rapa North Programme	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	\$ 101,588	\$ 71,661	\$ 49,679	\$ 38,057	\$ 18,518	\$ 21,916	\$ 21,585	\$ 34,738	\$ 36,508	\$ 37,090

Attachment 2

Item 7

CITY WIDE COMMUNITY PROGRAMME CAPITAL REPORT

PROGRAMME UPDATE

Whakapai atu te mauri o ngaa waahi taangata me ngaa waahi wairua auaha Improving the vibrancy of our social and creative spaces

Through delivering the Community programme, we are investing in places and spaces across our city, that can be enjoyed by all Hamiltonians and the people who visit us here. The outcome will be a city that's easy to live in and a fun city with lots to do.

The key goals for the 3 year capital programme are:

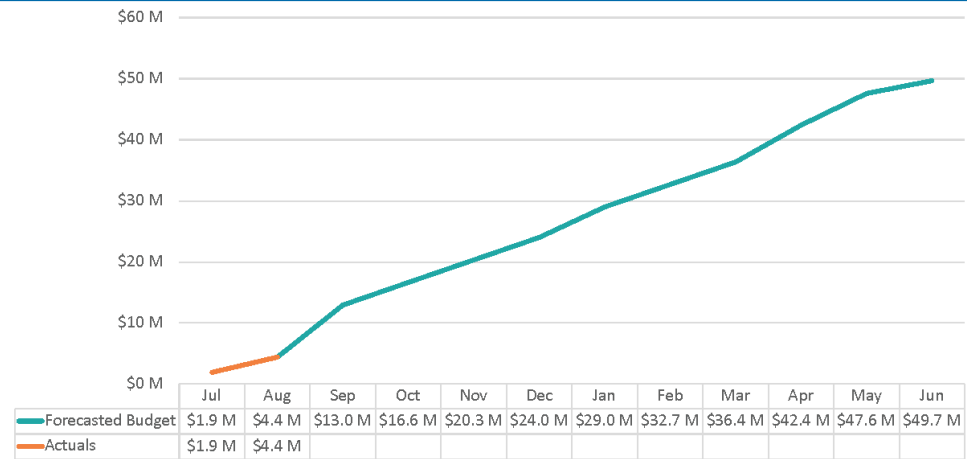
- Completion of the Zoo Waiwhakareke Entry Precinct including:
- Stage 1A (Zoo entry building and Waiwhakareke connections)
 - Stage 1B (Viewing Tower, Rongoa Walkway and Walkway Canopy)
 - Stage 2 includes carparks for the Zoo and Waiwhakareke (bringing both sides of the precinct together with stormwater management and landscaping) and also includes the urbanisation of Brymer Road.
- Completion of the Savannah Accommodation project at the Zoo.
 - The ongoing development of the Hamilton Gardens including the Egyptian Garden, Palm Court, upgraded Visitor Arrival Centre and design of the Medieval Garden.
 - Covering of the Lido Pool.
 - Completion of the following:
 - 9 new or upgraded playgrounds
 - Sports park drainage and irrigation improvements at 3 parks
 - Sports park floodlighting and safety lighting improvements at 3 parks
 - Sports park toilet and changing room improvements at 3 parks
 - Delivery of a purpose-built facility for Pukete Neighbourhood House to operate community outreach services.
 - Commence the construction of gully connections to enable deliver of the Nature in the City Strategy and Implementation Plan.

The key capital programme milestones for 2021/22 include:

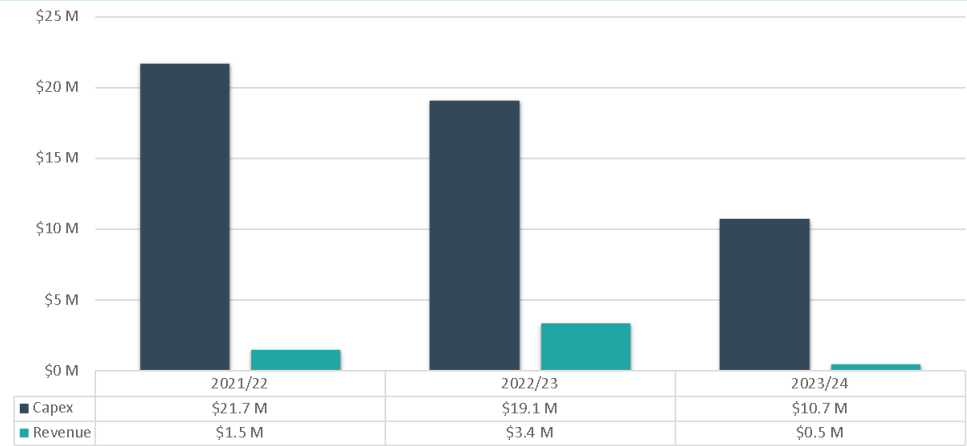
2021/22 Milestone	Performance
Stage 1A and 1B Complete of Zoo Waikwhakareke Entry Precinct. Stage 2 construction started.	On Track
Zoo Savannah Accommodation feasibility study carried out.	On Track
Egyptian Garden and Palm Court open.	On Track
Hamilton Gardens Visitor Arrival Centre design complete.	On Track
Feasibility and options study for the Lido Pool Cover.	On Track
Mahoe Park, Zoo and Melville Park playgrounds upgraded.	On Track
Drainage and Irrigation at Flagstaff and Swarbrick Parks.	On Track
Flood lighting and safety lighting at Korikori Park and Porritt Stadium.	On Track
Toilet and changing room improvements at Deanwell Park.	On Track
Programme set up with scoping of works complete for Nature in the City.	On Track
Pukete Neighbourhood House design complete	On Track

FINANCIAL PERFORMANCE

2021/22 Performance



3 Year Forecasted Budget



Zoo /
Waiwhakareke
Entry Precinct

 **Hamilton
City Council**
Te kaunihera o Kirikiriroa

CITY WIDE COMMUNITY PROGRAMME CAPITAL REPORT

Key Projects																			
Project Name	Project Description	Project Status	Total Project Budget	Actual Spend to Date	Forecast Total Cost	2021/22				2022/23				2023/24					
						Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4		
Lido Pool Cover	Construction of a building or semi-permanent cover over the existing Lido pool at Waterworld to enable pool usage in winter while also enabling summer open space swimming.		\$5.8 M	\$0.0 M	\$5.8 M	<div><div></div><div>Investigation</div><div>Design</div><div>Construction</div></div>													
Pukete Neighbourhood House	Building of a purpose built facility (attached to Te Rapa Sportsdrome) for Pukete Neighbourhood House (PNH) to operate community outreach services. This enables Te Rapa Sportsdrome to be fully utilised as a indoor sporting facility.		\$2.0 M	\$0.0 M	\$2.0 M	<div><div>Investigation</div><div>Design</div><div>Construction</div></div>													
Play Spaces	The renewal and upgrade of playgrounds across the City. Budget shown includes both playground upgrades and renewals. The budget shown is for 2021/22 to 2023/24.		\$2.2 M	\$0.1 M	\$2.2 M	<div><div></div><div></div><div></div><div>Construction</div></div>													
Sports Park Improvements	These projects will deliver improvements to drainage, sports field surfaces and flood lights to improve levels of service and increase capacity of Sports Parks. The budget shown is for 2021/22 to 2023/24.		\$6.1 M	\$0.0 M	\$6.1 M	<div><div></div><div></div><div></div><div>Construction</div></div>													
Nature in the City	Undertake ecological restoration and development in the city's main gully systems and enrichment planting, improved access paths and land aquisition in selected Reserve. The restoration works include site preparation, native vegetation planting and ongoing maintenance. Timeline to be developed through the investigation phase.		\$19.3 M	\$0.0 M	\$19.3 M	<div><div>Investigation</div></div>													
Hamilton Gardens Development - Egyptian Garden and Palm Court	The completion of the Egyptian Garden and Palm Court.		\$2.0 M	\$1.1 M	\$2.0 M	<div><div>Construction</div></div>													
Hamilton Gardens Development - Visitor Arrival Centre	The extension of the visitor arrival and retail space as well as planning and enabling works for future developments		\$3.2 M	\$0.0 M	\$3.2 M	<div><div>Design</div><div>Construction</div></div>													
Zoo Waiwhakareke Entry Precinct	Creating a shared entry precinct with Hamilton Zoo and Waiwhakareke Natural Heritage Park. The project includes stage 1 (New Zoo Entry building and connection to Waiwhakareke) and stage 2 (New visitor car parks and Brymer Road urbanisation).		\$17.8 M	\$4.4 M	\$17.8 M	<div><div></div><div></div><div>Construction</div></div>													
Zoo Savannah - Accommodation	This project will deliver an accommodation option based on a safari-style experience overlooking the Savannah exhibit where the giraffes and zebras gather. The project continues the redevelopment and revitalisation programme identified in the Zoo's Master Plan. Year 1 funding is allocated for a feasibility study to be undertaken.		\$4.7 M	\$0.0 M	\$4.7 M	<div><div>Investigation</div><div>Design</div><div>Construction</div></div>													
Project status																			

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

MAP

To be added for December Finance Committee.



CENTRAL CITY PROGRAMME CAPITAL REPORT

PROGRAMME UPDATE

To shape a central city where our people love to be

We recognise Hamilton's role as the civic, cultural and commercial heart of the Future Proof sub-region and the importance a well-connected, vibrant Central City plays in this. Council is working to encourage more people to live, work and play in the central city. Through delivering the Central City programme in alignment with the Central City Transformation Plan and the National Policy Statement on Urban Development (NPS-UD), we are investing in our central city, opening it up to the Waikato River, encouraging people to live and work here, and making it easy to access and move around in.

The key goals for the 3 year capital programme are:

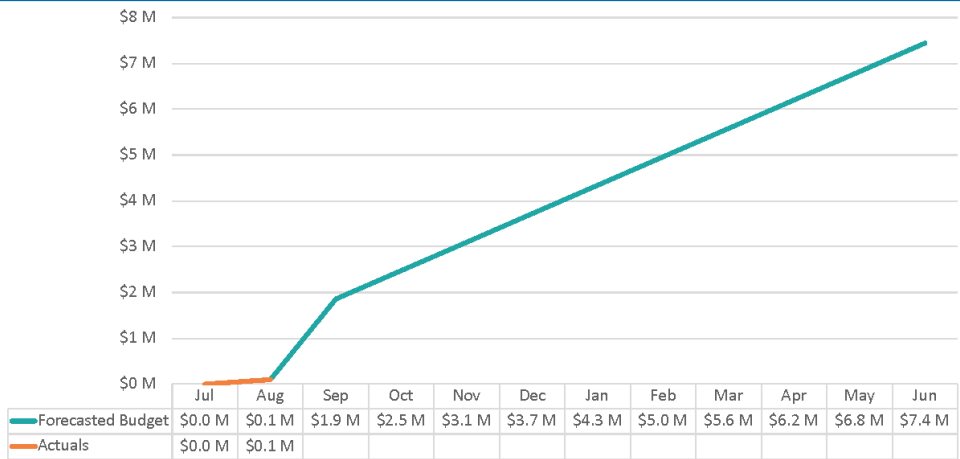
- Aligning with the development of Regional Theatre to ensure connection between Victoria Street, the Theatre and the Waikato River through the development of Embassy Park and the Sapper Moore-Jones and Victoria Street theatre access.
- The enhancement of the Ferrybank Park through the demolition of the municipal pool in readiness for site restoration and interpretation
- The upgrade of the Founders Theatre site.
- Commence upgrades to Alexandra Street to align with the new design guidelines for the central city.
- Construction underway for the Walking and Cycling bridge across the Waikato River.
- Complete upgrade of the Tristram/Collingwood intersection.
- Updating of the front entrance of the Museum, including upgrading of the foyer.
- Deliver upgrades at Wellington Street Beach.

The key capital programme milestones for 2021/22 include:

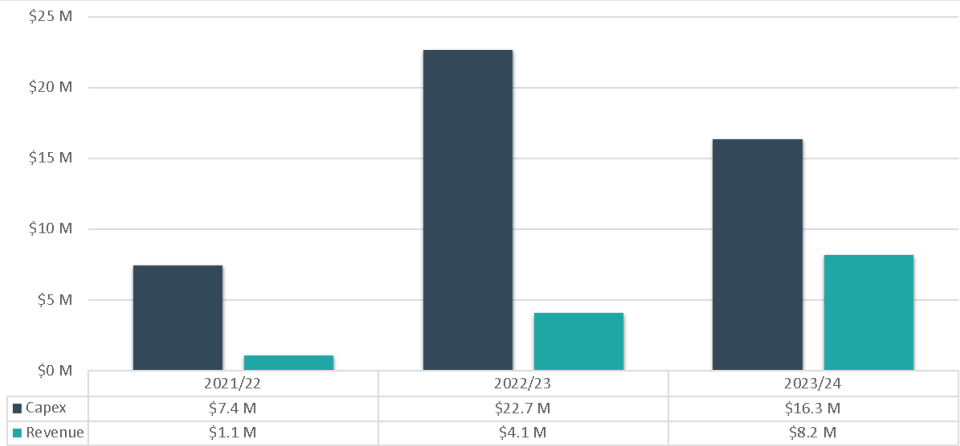
2021/22 Milestone	Performance
Tristram/Collingwood Intersection Upgrade complete.	● On Track - This project is going to the Infrastructure Operations Committee on 28 September to gain any additional feedback and approval to proceed
Investigation, scope and design underway for: <ul style="list-style-type: none">• Embassy Park• Sapper Moore-Jones and Victoria Street• Alexandra Street• Museum Road Entrance• Wellington Street Beach	● On Track
Municipal Pool demolition completed and site restoration design underway.	● On Track
Walking and Cycling Bridge Business Case and Funding Strategy complete.	▲ Delivery programme and timing subject to further Council decisions following Wata Kotahi not confirming funding.

FINANCIAL PERFORMANCE

2021-22 Performance



3 Year Forecasted Budget



CENTRAL CITY PROGRAMME CAPITAL REPORT

KEY PROJECTS																	
Project Name	Project Description	Project Status	Total Project Budget	Actual Spend to Date	Forecast Total Cost	2021/22				2022/23				2023/24			
						Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Walking and Cycling Bridge	Hamilton Central City Growth will be supported by increased walking and biking connectivity, enhanced by new walking and cycling infrastructure. The bridge will support this as well as acting as a destination and centrepiece for wider riverside developments and supporting the long-held desire to face the central city towards the river. Red as the delivery programme and timing is subject to further Council decisions following Waka Kotahi not confirming funding.		\$27.9 M	\$0.0 M	tbc												
Embassy Park (River Plan South End Predinct)	To support the Waikato Regional Theatre development, we're making some improvements to the public spaces in the area. This will create a better connection between Victoria Street, the Theatre and the Waikato River.		\$5.1 M	\$0.0 M	\$5.1 M	<div><div>Investigation</div><div>Design</div><div>Procurement</div><div>Construction</div></div>											
Sapper Moore-Jones and Victoria St - Theatre Access & Pedestrian Environment	To support the Waikato Regional Theatre Development, we're making some improvements to vehicle and pedestrian access to the area. These improvements will make sure the spaces are safe and accessible to a wide range of users and make it a more enjoyable space to spend time in.		\$1.0 M	\$0.0 M	\$1.0 M	<div><div>Investigation</div><div>Design</div><div>Procurement</div><div>Construction</div></div>											
Ward Street - Tristram to Angleses	Develop Ward Street to be safe for people to move around. This is necessary to cater for the increasing number of pedestrian and cyclists moving along Ward Street and surrounding areas. Timing of the construction will be confirmed through the investigation phase.		\$4.6 M	\$0.0 M	\$4.6 M	<div><div>Investigation</div></div>											
Ferrybank Park Enhancement - Municipal Pool Site	Demolition of the pools in readiness for site restoration and interpretation. The conversion of the site into a park space will reconnect the community to the river, enhance our green space, and provide more space for play and recreation within the central city.		\$1.4 M	\$0.0 M	\$1.4 M	<div><div>Design</div><div>Procurement</div><div>Construction</div></div>											
West Town Belt Implementation - Founders Theatre Site Upgrade	The Founders Theatre site is a significant public green space in the central city. Enhancing central city green spaces is key to attracting residents to housing in the central city. The upgrade will create a better place for events, community activities and recreation for Hamiltonians.		\$4.0 M	\$0.0 M	\$4.0 M	<div><div>Investigation</div><div>Design</div><div>Procurement</div><div>Procurement</div></div>											
Alexandra Street Upgrade	To commence in the next 10 years, Alexandra Street will be transformed to align with the new design guidelines for the central city. Upgrades will result in a street that celebrates place and safe movement of people. Alexandra Street upgrades will improve the central city walking and cycling experience, integrating movement and a place to better reflect character and identity. Timing of the construction will be confirmed through the investigation phase.		\$5.1 M	\$0.0 M	\$5.1 M	<div><div>Investigation</div><div>Design</div></div>											
Tristram/Collingwood Intersection Upgrade	Upgrade the existing Tristram/Collingwood roundabout in alignment with development of the new ACC building to deliver a safer, more efficient transport network for all users.		\$3.2 M	\$0.1 M	\$3.2 M	<div><div>Investigation</div><div>Procurement</div><div>Construction</div></div>											
Museum Road Entrance Upgrade	Upgrading Waikato Museum so it is fit for the future; through updating the front entrance with airtlock doors and upgrading the foyer to better maintain and protect art works and taonga we need to upgrade the road entrance.		\$3.8 M	\$0.0 M	\$3.8 M	<div><div>Investigation</div><div>Design</div><div>Construction</div></div>											
River Plan - Wellington Street Beach	The upgrades at Wellington Street Beach will add to the liveliness and attractiveness of the beach as well as promoting the Maori heritage and identity. Protecting the water and soil quality also protects native vegetation and strengthens the natural environment along the Waikato River.		\$1.2 M	\$0.0 M	\$1.2 M	<div><div>Investigation</div><div>Design</div></div>											

Project status

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



CITY WIDE WATERS PROGRAMME CAPITAL REPORT

PROGRAMME UPDATE

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

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

The Citywide Waters programme ensures we can continue to keep up with new specifications, policy and standards implemented by government (compliance) and makes sure our infrastructure can adapt to the pressures of growth (resilience) in our water supply, wastewater, and stormwater. The programme has a long-term vision to deliver strategic upgrades to our city's three waters network as well as key upgrades to our treatment plants.

The key goals for the 3 year capital programme are to:

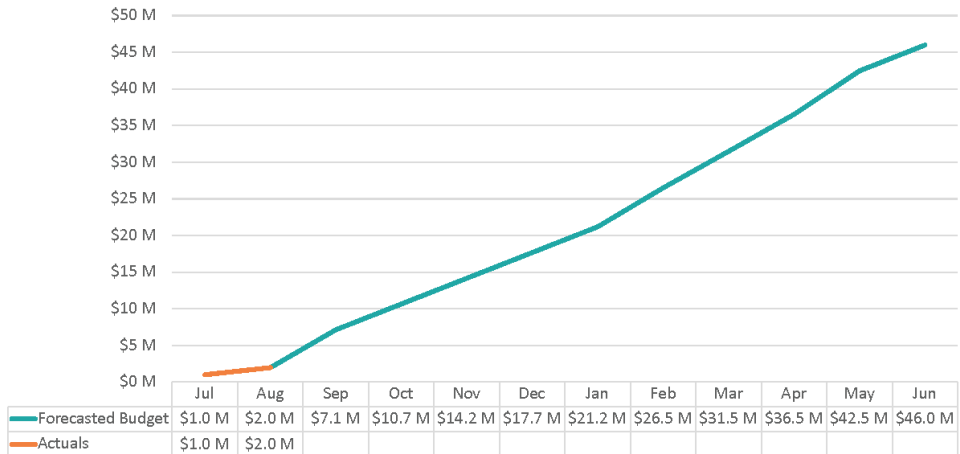
- Complete the Pukete Wastewater Treatment Plant 3b and 3c upgrades and to have commenced the design of the Pukete 4 upgrade.
- Complete the mid-section of the Western Interceptor duplication and to have commenced the design of the Upper Network reticulation.
- Designate Strategic Wastewater Bulk Storage sites and to have commenced construction of one.
- Upgrade of the Fitzroy Pump Station and to complete Snell Drive Sewer Pump station diversion.
- Waiora 2 Water Treatment Plant upgrade including the wash water upgrade complete.
- Complete the Newcastle Demand Management Zone water project.
- Complete the Eastern Bulkmain resilience project.
- Progress the ICMP and Erosion Control programme.
- Work with active developers to upsize infrastructure if necessary.

The key capital programme milestones for 2021/22 include:

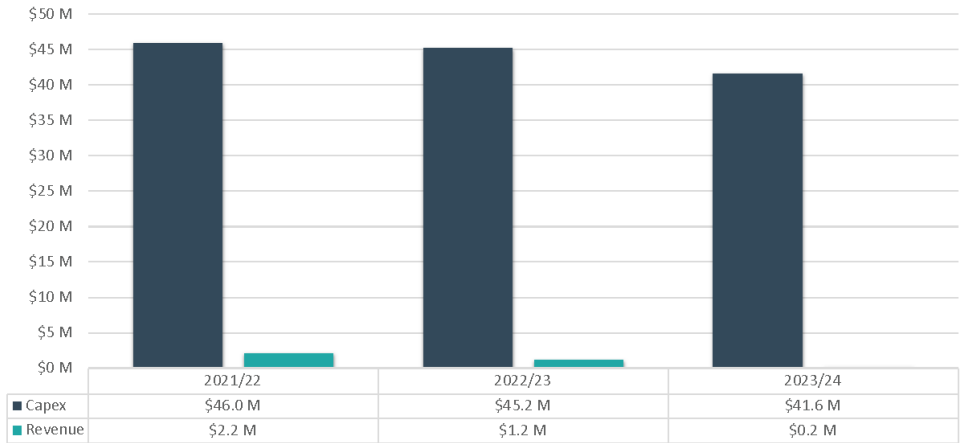
2021/22 Milestone	Performance
Pukete WWTP inlet work and bioreactor retrofit design completed.	● On Track
Newcastle Demand Management Zone contract awarded and construction underway.	● On Track
Waiora 2 capacity upgrade design complete, and construction underway.	● On Track
Mangaonua stormwater erosion control and gully restoration works underway.	● On Track
Snell Drive Wastewater Pump station upgrade complete.	● On Track
Preferred options confirmed for Wastewater Bulk Storage sites.	● On Track

FINANCIAL PERFORMANCE

2021-22 Performance



3 Year Forecasted Budget



CITY WIDE WATERS

PROGRAMME CAPITAL REPORT

KEY PROJECTS

Project Name	Project Description	Project Status	Total Project Budget	Actual Spend to Date	Forecast Total Cost	2021/22				2022/23				2023/24			
						Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Pukete 3 Wastewater Treatment Plant Capacity Upgrade - Bioreactor Retrofits	Modification of the existing Bioreactors to promote a higher treatment performance and operational efficiency		\$4.6 M	\$0.0 M	\$4.6 M	<div><div>Design</div><div>Procurement</div><div>Construction</div></div>											
Pukete 3 Wastewater Treatment Plant Capacity Upgrade - New Inlet works	A new dedicated inlet screenings facility to replace the original inlet works		\$19.4 M	\$0.0 M	\$19.4 M	<div><div>Design</div><div>Procurement</div><div>Construction</div></div>											
Waioira 2 Water Treatment Plant Capacity Upgrade	Major capacity upgrade on the water treatment plant including an upgraded chemical facility and additional treatment process to increase the overall plant capacity by 30%.		\$39.6 M	\$12.0 M	\$39.6 M	<div><div>Design</div><div>Procurement</div><div>Construction</div></div>											
Newcastle Water Reservoir and Supply Network Upgrade	Installing new water pipes and upgrading the reservoir pump station to improve functionality, network operations and resilience.		\$16.8 M	\$1.6 M	\$16.8 M	<div><div>Construction</div></div>											
Mangaonua Stormwater Erosion Control and Gully Restoration	Part of the Ruakura Superhub development, including planting of over 100,000 native plants and creation of DOC style access tracks. Design, consenting and land access/procurement agreements are well advanced to enable construction commencement in early 2022.		\$4.3 M	\$0.4 M	\$4.3 M	<div><div>Design</div><div>Procurement</div><div>Construction</div></div>											
Wastewater Bulk Storage	Wastewater master plans have identified storage volumes and conceptual locations for a number of bulk storage facilities over the entire city. Work is underway for the first phase of the storage facility feasibility assessment being the confirmation of location, form and designation.		\$41.0 M	\$0.1 M	\$41.0 M	<div><div>Investigation</div><div>Design</div><div>Construction</div></div>											
Snell Diversion to Far Eastern Interceptor	A strategic wastewater network capacity upgrade project to construct one Sewer Pump Station (SPS) at the Snell Drive reserve and also the installation of a new Pipeline (Rising Main and Gravity main).		\$5.1 M	\$0.5 M	\$5.1 M	<div><div>Design</div><div>Construction</div></div>											

Project status

Project is on track

Project has significant risks that are being monitored and managed

Project has significant risks that will require Council decision

MAP

To be added for December Finance Committee.



Newcastle Water Reservoir

PEACOCKE PROGRAMME CAPITAL REPORT

PROGRAMME UPDATE

Ko te whakakitenga moo te whenua Peacocke - Ko te aaheinga o te hanga he waahi ataahua, he waahi toiora ki Peacocke.
The vision for the Peacocke Programme is to enable the development of an attractive and sustainable community in the Peacocke Growth Cell.

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

The key goals for the 3 year capital programme are:

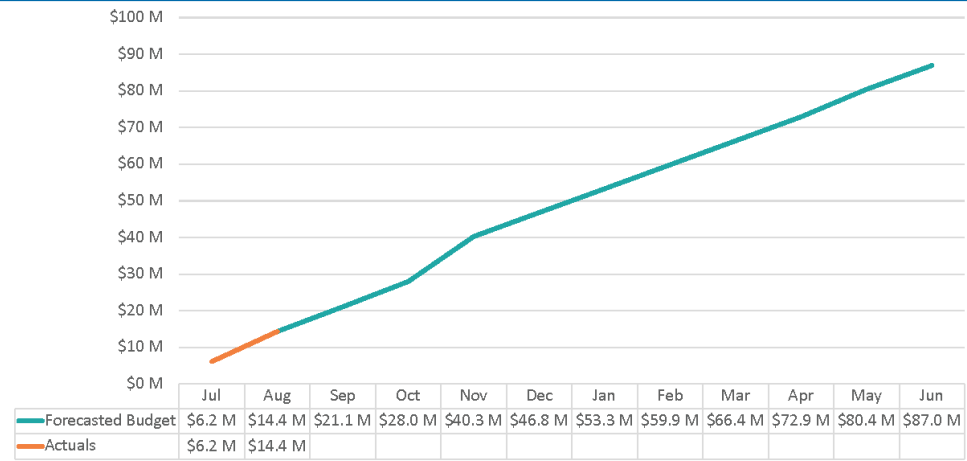
- Land acquisition for key wastewater and Southern Links transport projects.
- Completing Notice of Requirement and Land acquisition for the northern sports park.
- Implementation of key transport and wastewater for network infrastructure projects including:
 - Wairere Drive Extension and the northern part of the Peacocke Road Urban Upgrade (Completion 2023)
 - Peacocke Northern Transfer Main (Completion 2022)
 - Peacocke Main Transfer Pump Station (Completion 2023)
 - East-West Minor Arterial Road (Design under way - Construction 2022 - 2024)
 - Peacocke Road Urban Upgrade Southern Section (Design under way - Construction 2022 - 2024)
 - North-South Wastewater (Design under way - Construction 2022 - 2024)
- Approval of the Integrated Catchment Management Plan (ICMP) for Mangakootukutuku.
- Implementation of environmental mitigation and enhancement associated with projects.

The key capital programme milestones for 2021/22 include:

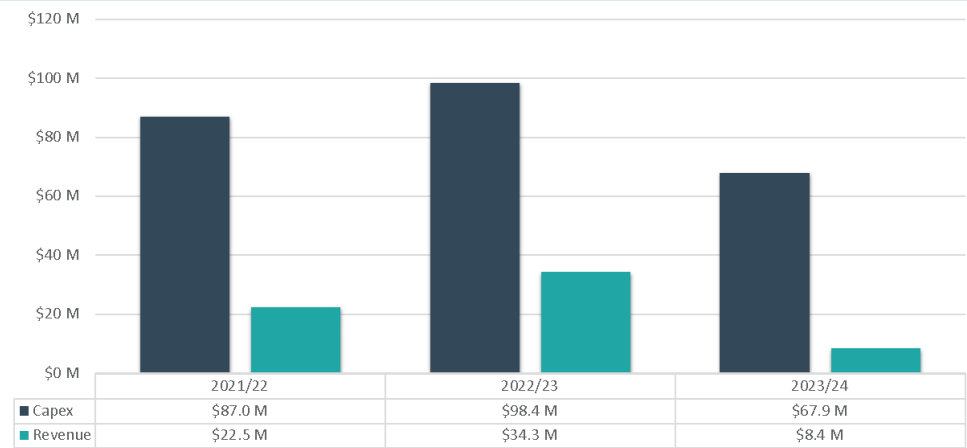
2021/22 Milestone	Performance
Completion of the Northern Transfer Main project.	● On Track
Commence erection of the Waikato River Bridge superstructure.	● On Track
Commence construction of the Peacocke main transfer pump station.	● On Track
Complete design and commence procurement for Peacocke Road, the East-West minor arterial, and north-south strategic wastewater.	● On Track
Resolve the remaining property objection and commence Land Valuation Tribunal process.	● On Track

FINANCIAL PERFORMANCE

2021-22 Performance



3 Year Forecasted Budget



Waikato
River
Bridge

PEACOCKE PROGRAMME CAPITAL REPORT

KEY PROJECTS																	
Project Name	Project Description	Project Status	Total Project Budget	Actual Spend to Date	Forecast Total Cost	2021/22				2022/23				2023/24			
						Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Wairere Drive Extension and Bridge over Waikato River to Peacocke North-South Arterial including Peacocke Road Urban Upgrade (north)	Construction of a new major arterial roading connection into Peacocke, including a bridge across the Waikato River and strategic utility connections. Budgets are HCC Peacocke Programme only and do not include third party works (e.g. private developer agreement).		\$145.1 M	\$50.2 M	\$145.1 M	<div></div>											
Wastewater Northern Transfer Main (Peacocke to Far Eastern Interceptor at Crosby Road)	Construction of approximately 7.5km of dual wastewater pressure pipelines to connect the Peacocke Strategic Wastewater pump station to the Far Eastern Interceptor (parts at and south of river being delivered as part of Wairere Drive Extension).					<div></div>											
Peacocke Strategic WastewaterPumpstation (N4)	Construction of a new major wastewater transfer pump station and associated storage, including connections to the existing wastewater network in Fitzroy to optimise early performance and relieve demand on the city's western network.		\$72.9 M	\$23.6 M	\$72.9 M	<div></div>											
Peacocke North/South strategic wastewater	Construction of approximately 2km of wastewater pressure pipelines to connect future development around the planned Peacocke East-West Arterial to the Peacocke Strategic Wastewater pump station including two bridges across gullies.					<div></div>											
Peacocke Road Urban Upgrade (south)	This will upgrade the existing rural Peacockes Road between the Wairere Drive Extension works and the East West Minor Arterial to appropriate urban road standards to support development in east and south Peacocke .		\$7.3 M	\$0.3 M	\$7.3 M	<div></div>											
Peacocke East/West Minor Arterial Road (Stage 2)	This minor arterial road connection will link Peacockes Road in the east with Chaupo Rd/State Highway 3 (SH3) in the west.		\$43.9 M	\$1.8 M	\$43.9 M	<div></div>											
Land Acquisition	The purchase of land to allow for the construction of infrastructure. Peacocke Land		\$38.2 M	\$18.5 M	\$38.2 M	<div></div>											
Sports Park Land Acquisition	The land purchase and basic development of two sports parks in Peacocke.		\$38.7 M	\$9.3 M	\$38.7 M	<div></div>											
Project status																	

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

MAP

To be added for December Finance Committee.



Peacocke Bridge Site

ROKOKAURI-NORTHWEST PROGRAMME CAPITAL REPORT

PROGRAMME UPDATE

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

The Rotokauri-Northwest growth cell refers to Rotokauri Stage 1, Rotokauri Stage 2 and Te Rapa North (including Te Awa Lakes). Rotokauri-Northwest neighbourhood will one day be home for up to 20,000 people.

The key goals for the 3-year capital programme are:

- To complete the designation and preliminary design of the the Rotokauri Transport arterial.
- To complete the design of the Rotokauri Green Swale.
- To work with active developers to upsize infrastructure if necessary.

The key project milestones for 2021/22 include:

2021/22 Milestone	Performance
To have an approved business case for the transport arterials and to have lodged a designation.	● On Track
To have lodged consent for the Rotokauri Green Swale.	● On Track
Completion of the Te Wetini Drive extension which is developer lead.	● On Track

Rotokauri Road Upgrade

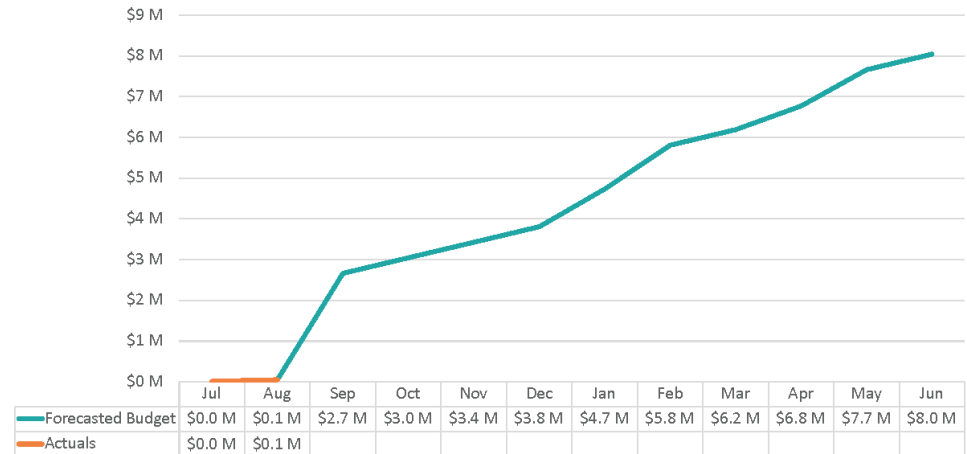


Waiwhakareke Natural Heritage Park

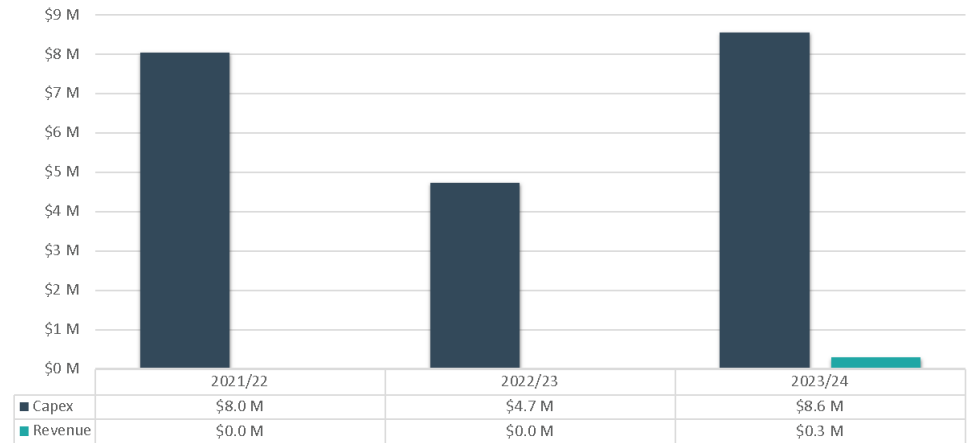


FINANCIAL PERFORMANCE

2021-22 Performance



3 Year Forecasted Budget



ROKOKAURI-NORTHWEST PROGRAMME CAPITAL REPORT

KEY PROJECTS																	
Project Name	Project Description	Project Status	Total Project Budget	Actual Spend to Date	Forecast Total Cost	2021/22				2022/23				2023/24			
						Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Baverstock Rd Stormwater	An aggregated wetland to treat and attenuate stormwater from existing and future development.		\$1.2 M	\$0.0 M	\$1.2 M	<div><div>Procurement</div><div>Construction</div></div>											
Rotokauri Swale Consent & Design	Securing consents and Specimen Design for the Rotokauri Greenway Corridor		\$9.1 M	\$0.0 M	\$9.1 M	<div><div>Procurement</div><div>Design</div></div>											
Rotokauri Rooding Arterial	Protecting land corridors required for future rooding development and progressing design.		\$7.9 M	\$2.5 M	\$7.9 M	<div><div>Investigation</div></div>											
Te Wetini Dr Extension	To extend Te Wetini Drive from Akoranga Road to the new Rotokauri north-south minor arterial.		\$1.2 M	\$0.0 M	\$1.2 M	<div><div>Construction</div></div>											
Project status																	
<div><div></div>Project is on track</div>						<div><div></div>Project has significant risks that are being monitored and managed</div>						<div><div></div>Project has significant risks that will require Council decision</div>					

MAP

To be added for December Finance Committee.

ROTOTUNA PROGRAMME CAPITAL REPORT

PROGRAMME UPDATE

Ko te aaheinga o te hanga he waahi ataahua, he waahi toiora ki Rototuna

Enabling the development of an attractive and sustainable community in the Rototuna growth area

Rototuna in the city's north-east is currently Hamilton's primary residential greenfield development area. With development of the area already well advanced and thousands of Hamiltonians calling this area home, the focus of our programme is to provide strategic infrastructure to support the final stages of development and to provide and enable development of facilities to support thriving and liveable communities.

The key goals for the 3 year capital programme are to:

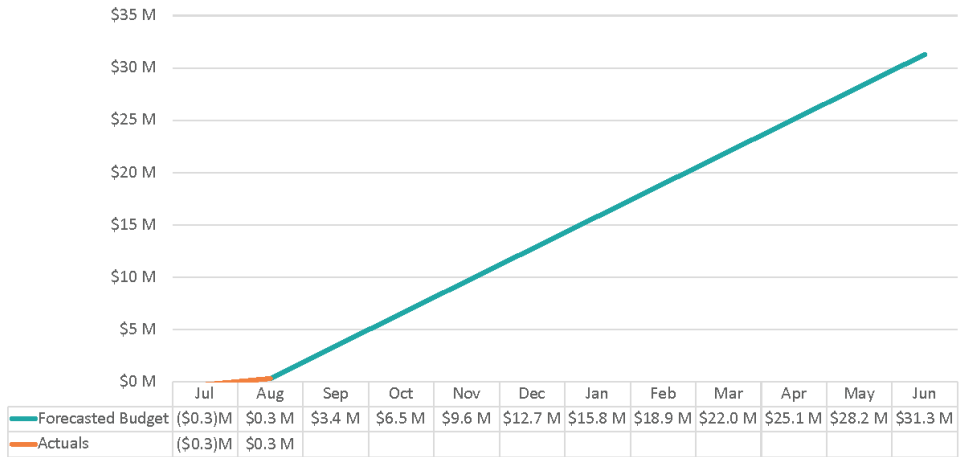
- Complete the Borman/Horsham Extension and urban upgrade project.
- Complete the Rototuna Village Community facility project including provision of the supporting infrastructure.
- Purchase of an additional neighbourhood reserve.
- To work with active developers to upsize infrastructure if necessary.

The key project milestones for 2021/22 include:

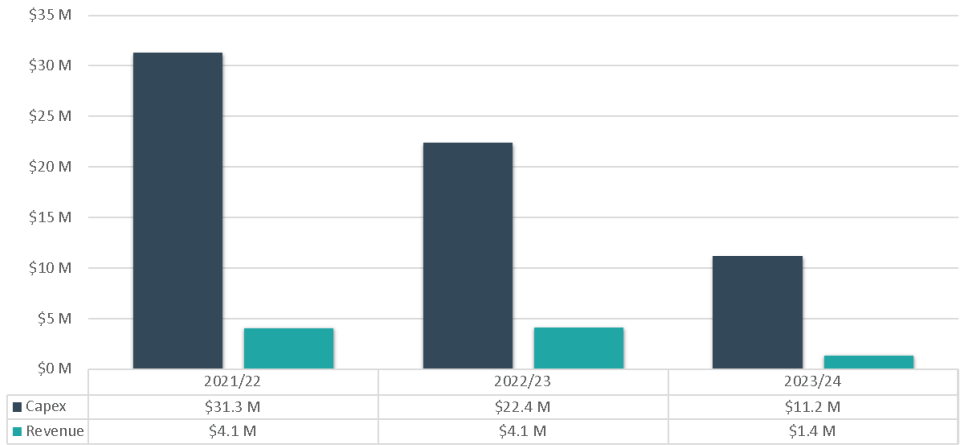
2021/22 Milestone	Performance
Contract is awarded for the Borman/Horsham Extension and urban upgrade project.	● On Track
The library building is under construction.	● On Track
The North City Road upgrade and the Fergy to Bourn Brook Road upgrade project is under construction.	● On Track
The neighbourhood reserve land acquisition is under contract.	● On Track
Pragma North East Rototuna development has agreement for service provisions and development is in progress.	● On Track

FINANCIAL PERFORMANCE

2021-22 Performance



3 Year Forecasted Budget



ROTOTUNA PROGRAMME CAPITAL REPORT

KEY PROJECTS

Project Name	Project Description	Project Status	Total Project Budget	Actual Spend to Date	Forecast Total Cost	2021/22				2022/23				2023/24			
						Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Borman Horsham Urban Upgrade and Extension	Design development for the extension of this key piece of road which will include associated urban upgrades and a new intersection at Horsham Downs Road.		\$23.7 M	\$0.8 M	\$23.7 M	Design	Procurement										Construction
Rototuna Village - Community Facilities (Library)	Development of new library, community hub, play spaces, village square and carparks.		\$19.5 M	\$1.6 M	\$19.5 M		Procurement						Construction				
Rototuna Village Transport and Open Spaces	Transport network upgrades through the Rototuna Village area including Turakina/Bourn Brook extensions. The extension of Turakina Rise is delayed as staff work with Waikato Regional Council on the resource consent approval.		\$12.6 M	\$0.6 M	\$12.6 M	Design	Procurement						Construction				
Resolution Drive Extension	The extension of Resolution Drive (north) to connect to the new Waikato Expressway. Waka Kotahi is constructing this as part of the Waikato Expressway. Waka Kotahi NZTA continue to signal scope changes and additional Council contributions.		\$10.4 M	\$9.3 M	\$10.4 M				Construction								
Rototuna Parks and Reserves Upgrades	Development of Hare Puke Park and Mangaiti Park into sports parks. Improving walking/cycling networks, playground and recreational space at Te Manatu Park.		\$2.6 M	\$1.6 M	\$2.6 M				Construction								

Project status



Project is on track



Project has significant risks that are being monitored and managed



Project has significant risks that will require Council decision

MAP

To be added for December Finance Committee.



Mangaiti Park



Hamilton
City Council
Te kaunihera o Kirikiriroa

RUAKURA PROGRAMME CAPITAL REPORT

PROGRAMME UPDATE

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

Ruakura will become New Zealand's largest integrated development, which will be anchored by a 30ha inland port operation. Once developed, Ruakura will become home for up to 8000 Hamiltonians, and will deliver major economic, social, environmental, and cultural benefits to the Waikato and New Zealand. Staff continue to work in partnership with Tainui Group Holdings (TGH) and Central Government to enable the development of Ruakura and the Ruakura Superhub.

The key goals for the 3 year capital programme are:

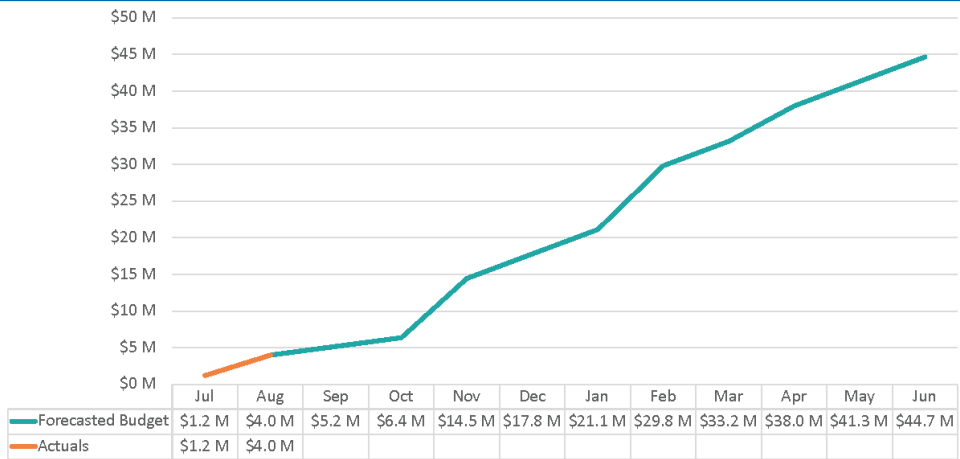
- To provide strategic transport, wastewater infrastructure and water infrastructure that allows the Ruakura Superhub to develop.
- To complete a business case and specimen design for the Ruakura Eastern Transport Corridor connecting the superhub to central and north Hamilton.
- To work with active developers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

The key project milestones for 2021/22 include:

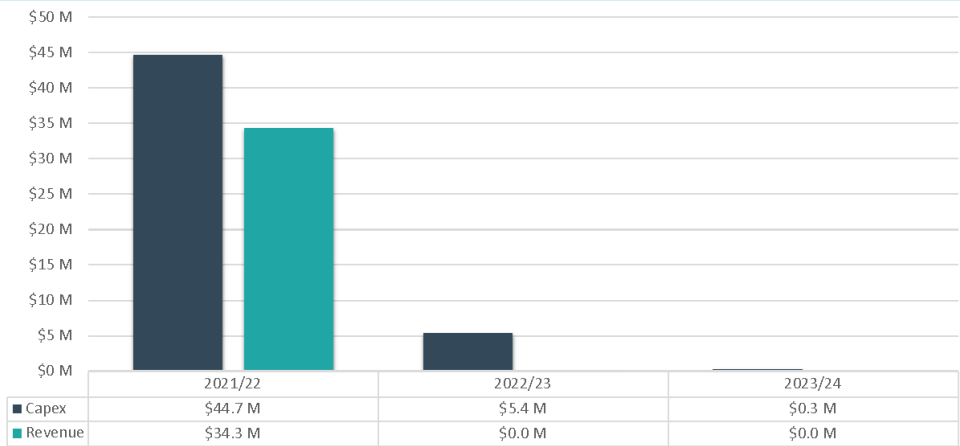
2021/22 Milestone	Performance
Completion of the Ruakura Road urban upgrade and the Ruakura Road West connection.	● On Track
Completion of strategic wastewater and water infrastructure (see City Wide Waters Programme).	● On Track
Works underway to protect the Mangaonua stream.	● On Track
An agreement on the preferred concept for the Eastern Transport Corridor.	● On Track

FINANCIAL PERFORMANCE

2021-22 Performance



3 Year Forecasted Budget




RUAKURA PROGRAMME CAPITAL REPORT


KEY PROJECTS																	
Project Name	Project Description	Project Status	Total Project Budget	Actual Spend to Date	Forecast Total Cost	2021/22				2022/23				2023/24			
						Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Ruakura Road Urbanisation	Urban upgrade (taking the road from rural to one which fits within an urban setting) of Ruakura Road from the Waiere Drive/Ruakura Road intersection and up to the Ruakura Road and Silverdale Road intersection. Additional funding secured from Crown Infrastructure Partners to complete project.		\$12.6 M	\$3.1 M	\$12.6 M	<div><div></div></div>											
Ruakura Eastern Transport Corridor (Stage 1) - Expressway to Ruakura/Silverdale	Jointly funded by HCC, TGL and PDU the construction of a new road from Silverdale Road/Ruakura Road intersection to the Waikato Expressway Ruakura Interchange to allow the development of the Ruakura Inland Port.		\$41.0 M	\$8.0 M	\$41.0 M	<div><div></div></div>											
Ruakura Eastern Transport Corridor (Stage 2)	Planning, investigation and design for the future extension of the eastern transport corridor through the Ruakura development area.		\$3.5 M	\$0.0 M	\$3.5 M	<div><div></div><div></div></div>								Design			
Far Eastern Interceptor Stage 2 (delivered by TGH)	HCC contribution to new wastewater pipe to service development. Northern section has been completed. Deferral required for Southern Interceptor funding which will be delivered by Tainui Group Holdings. \$1.3M of savings have been realised in previous financial years.		\$8.8 M	\$2.5 M	\$8.8 M	<div><div></div><div></div></div>								Construction			
Ruakura Trunk Watermains	Remaining strategic networks to service development areas - planned to be delivered by Tainui Group Holdings.		\$2.0 M	\$0.0 M	\$2.0 M	<div><div></div><div></div></div>								Construction			


MAP

To be added for December Finance Committee.

Project status

 Project is on track

 Project has significant risks that are being monitored and managed

 Project has significant risks that will require Council decision



TRANSPORT IMPROVEMENT PROGRAMME CAPITAL REPORT

PROGRAMME UPDATE

Kia tika ano te hanga rori maa; Aahienga whakatupu, whakapai atu haumaru, me whakawhaanui atu ngaa koowhiringa waka
Delivering a balanced transport system through; Enabling growth, improving safety, and improving transport choice

A great transport system is vital to the success of a thriving urban city like Hamilton. This programme delivers on improving the wellbeing of Hamiltonians though a city that’s easy to live in and where our people love to be. The focus of this programme is:

- Safety - Everyone experiences a safe and enjoyable journey
- Choice - Everyone has travel options for moving around the city

The key goals for the 3 year capital programme are to:

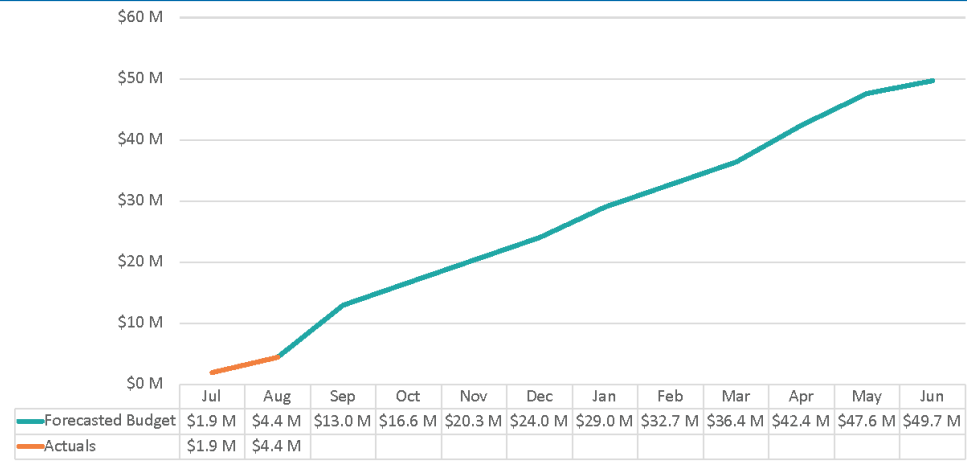
- Complete the Ring Road/Cobham Drive interchange.
- Complete the Te Awa River Ride.
- Complete the Transport Centre Rejuvenation project.
- Be well progressed on construction of the School Link project which is part of Eastern Pathways.
- Complete pre-implementation work on university link and be in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

The key project milestones for 2021/22 include:

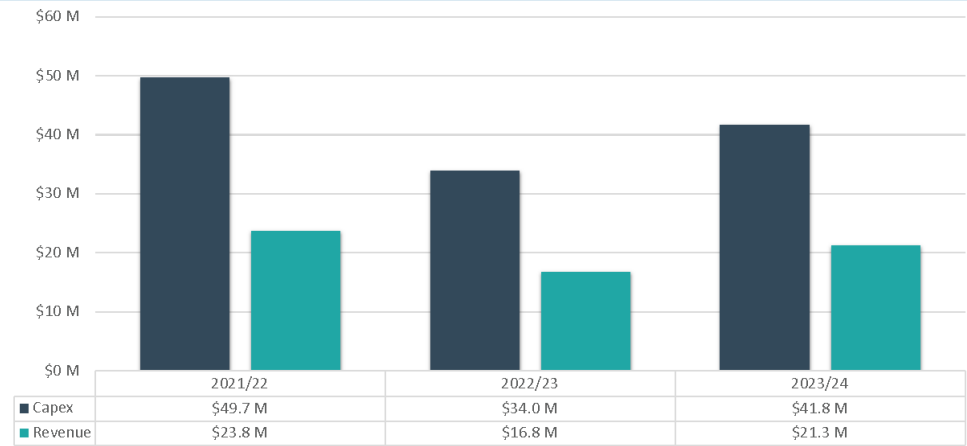
2021/22 Milestone	Performance
Completion of the Ring Road/Cobham drive interchange.	● On Track
Construction underway for Transport Centre Rejuvenation.	● On Track
Design complete for School Link northern section and implementation funding approved.	● On Track
Improvements complete at Gordonton/Puketaha and Gordonton/Darjon intersections.	● On Track
Effective delivery of low-cost low-risk programmes in alignment with council priorities.	● On Track
Completion of the Te Awa River Path.	● On Track

FINANCIAL PERFORMANCE

2021/22 Performance



3 Year Forecasted Budget



Wairere Drive Extension

TRANSPORT IMPROVEMENT PROGRAMME CAPITAL REPORT

KEY PROJECTS

Project Name	Project Description	Project Status	Total Project Budget	Actual Spend to Date	Forecast Total Cost	2021/22				2022/23				2023/24			
						Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Te Awa Cycleway Extension	The completion of the Hamilton section of the Te Awa River Ride from Mangaonua Stream to Hamilton Gardens. This is amber due to risk of potential construction delays.		\$5.8 M	\$2.4 M	\$5.8 M	<div><div></div></div>											
Transport Centre Rejuvenation	Ongoing improvements to, and upgrades of, the Transport Centre will encourage public transport use and support the transition to Anglesea Street as a public transport priority corridor. This project should receive a 51% Waka Kotahi subsidy.		\$8.8 M	\$0.0 M	\$8.8 M	<div><div>Investigation</div><div>Design</div><div>Procurement</div><div></div><div>Construction</div></div>											
Biking & Micro-Mobility Citywide Programme	Safer routes will offer biking and micro-mobility as alternate modes of transport as identified by the Biking and Micro-mobility Business Case. Delivery programme and timing subject to further Council decisions following Waka Kotahi not confirming funding. The budget shown is for 2021/22 to 2023/24.		\$13.5 M	\$0.0 M	tbc												
Pembroke/Ohaupo Intersection Upgrade	Upgrade of Pembroke/Ohaupo Intersection for Public Transport priority.		\$4.2 M	\$0.0 M	\$4.2 M	<div><div></div><div>Investigation</div><div>Design</div><div>Procurement</div><div>Construction</div></div>											
Eastern Pathways	The School link, University Link and connections to these routes. This project offers transport choice along these busy corridors by prioritising and creating good infrastructure for public transport, walking/cycling and micro-mobility. Delivery programme and timing of University Link require further Council direction following Waka Kotahi not confirming funding for implementation.		\$34.6 M	\$2.6 M	\$34.6 M	<div><div>Investigation</div><div>Design</div><div>Procurement</div><div></div><div>Construction</div></div>											
Gordonton Road corridor (Wairere to Borman)	Intersection improvements at Gordonton/Puketaha. Please note the Darjon/Gordonton intersection upgrade budget is currently included in the Low Cost Low Risk – Road to Zero programme and this will be combined with this project.		\$4.5 M	\$0.3 M	\$4.5 M	<div><div>Design</div><div>Procurement</div><div>Construction</div></div>											
Wairere Drive Extension - Cambridge Road to Cobham Drive	The final connection of the Hamilton Ring Road will see Cobham Drive raised to allow the four-laned Wairere Drive to pass underneath it. It will also include extensions of shared walking and biking paths. This is a large complex contract with a number of significant risks that need monitoring and managing.		\$60.8 M	\$48.9 M	\$60.8 M	<div><div></div><div>Construction</div></div>											

Project status



Project is on track



Project has significant risks that are being monitored and managed



Project has significant risks that will require Council decision

MAP

To be added for December Finance Committee.



Wairere Drive Extension



Hamilton City Council
Te kaunihera o Kirikiriroa

RENEWALS & COMPLIANCE PROGRAMME CAPITAL REPORT

PROGRAMME UPDATE

Ko te tiaki aa taatou hua hei tika moo toona whainga

Looking after the assets we have and making sure they are fit for purpose

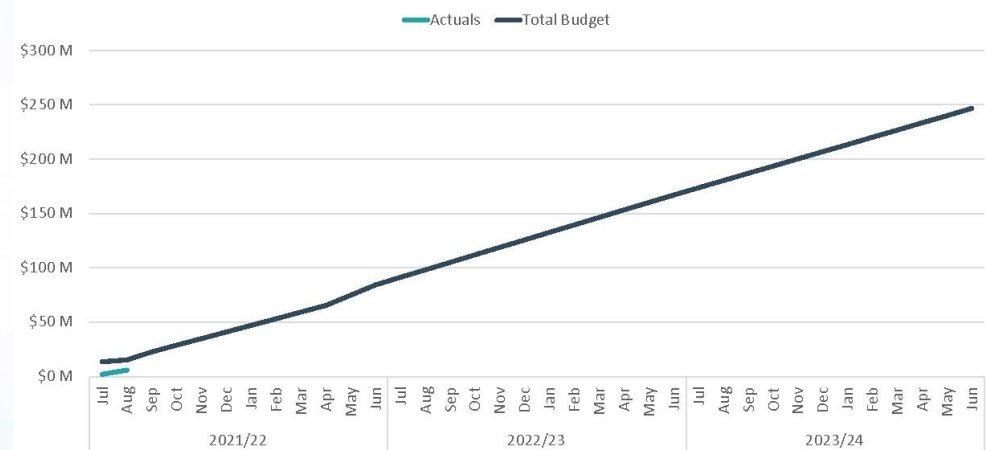
The Renewals and Compliance programme for the next 3 year period has begun. Significant staff effort is being put into organising the programme for the next three years and building on the successful delivery and processes that have already been established. Staff in each of the subprogramme areas are confirming scopes and delivery plans for the future renewals of the assets. Some multiyear contracts to help deliver ongoing renewal programmes are being tendered and procurement planning is progressing. These will be presented to Council for approval over the coming months.

There were some renewals and compliance projects that had funding carried over from last financial year. Work on these projects is continuing and these projects will be completed over coming months.

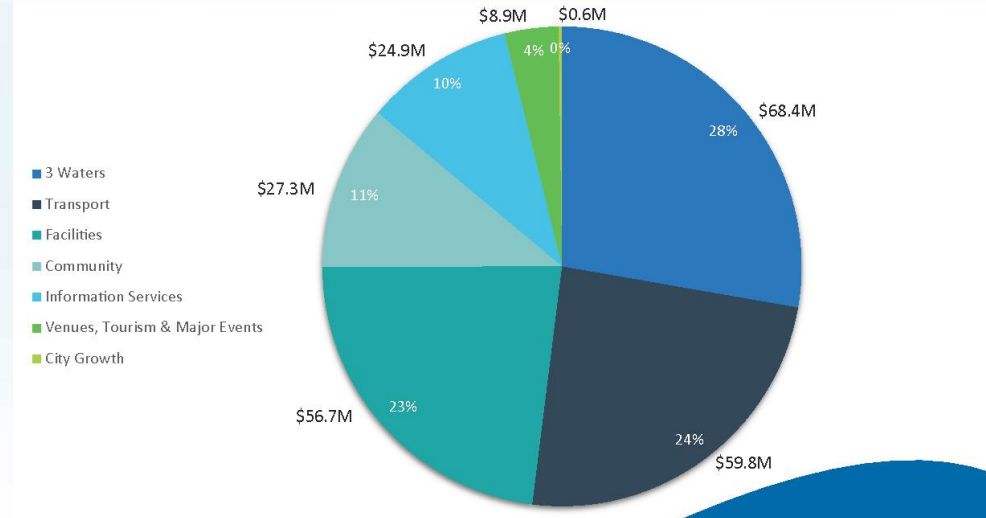


FINANCIAL PERFORMANCE

Capital Expenditure Y1-Y3



Total Budget Y1-Y3



Council Report

Item 8

Committee: Finance Committee

Date: 05 October 2021

Author: Tracey Musty

Authoriser: David Bryant

Position: Financial Controller

Position: General Manager People and Organisational Performance

Report Name: Financial Performance & Strategy Report to 31 August 2021

Report Status	Open
---------------	------

Purpose - *Take*

1. To inform the Finance Committee on Council's financial performance and strategy for the two months ended 31 August 2021.
2. To seek a recommendation from the Finance Committee that the Council approves the significant forecast adjustments as set out in this Report and the capital movement as set out in the Capital Portfolio Monitoring Report.

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

3. That the Finance Committee receives the report.
4. That the Finance Committee recommends that the Council:
 - a) approves the capital movement as identified in paragraph 24 of the 5 October 2021 Capital Portfolio Monitoring Report;
 - b) approves the significant forecast adjustments as set out in paragraphs 44 to 47 of this report; and
 - c) approves the revised Financial Strategy position for Debt to Revenue, Net Debt and Balancing the Books as set out in paragraphs 50 to 52 of this report.

Executive Summary - *Whakaraapopototanga matua*

5. This report is to be read in conjunction with the 5 October 2021 Capital Portfolio Monitoring Report.
6. The 31 August 2021 financial results show an unfavourable variance of \$0.4m against the year-to-date (YTD) budget, and a favourable variance in the balancing the books result of \$1.1m against the YTD budget.
7. There is a positive result in fees and charges, due to increased consenting and increased H3 event activity. Unbudgeted revenue from the Department of Internal Affairs (DIA) for Water Reform Stimulus projects are part of the favourable variance and offsets additional operating expenditure.
8. Capital revenue is unfavourable to budget due to capital projects not progressing as fast as anticipated in the first few months of the financial year.

9. Expenditure is tracking favourable to YTD budget. Personnel costs have a favourable variance to YTD budget due to vacancies. Recruitment for new positions identified in the 2021-31 Long Term Plan are progressing.
10. Depreciation is unfavourable to YTD budget due to revaluation of building and transportation assets, however this continues to be monitored.
11. Finance costs are favourable to YTD budget as closing debt for the 2020/21 financial year was lower than budgeted.
12. Forecast changes include:
 - i. a reduction in revenue in Planning and Development;
 - ii. an adjustment to income for the Zoo Waiwhakareke Entry Precinct as discussed at previous Council meeting; and
 - iii. a reduction in finance costs as a result of lower closing debt for the 2020/21 financial year.
13. Council's treasury position is favourable, and Council remains compliant with all treasury policy measures. Additional borrowings of \$50m from the Local Government Funding Agency (LGFA) increased total debt at 31 August 2021 (**Attachment 3**).
14. Council's fixed rate hedging at 31 August 2021 is 48%. Council is well hedged after executing its deferral strategy in 2020. PwC Treasury Advisors recommend that Council remains patient and allows hedging to reduce by attrition.
15. Council saw a gain of \$3.7m on the revaluation of swaps at 31 August 2021. This is not a cash gain, but rather an accounting/book entry and reflects the market swap rate movement as reflected in **Attachment 3**.
16. Forecasting changes made since the adoption of the 2021-31 Long Term Plan show an improvement in the Financial Strategy measures:
 - i. debt to revenue is 191% and favourable against a budget of 193%;
 - ii. net debt is \$714m and favourable against a budget of \$731m; and
 - iii. balancing the books is (\$2m) and favourable against a budget of (\$3m).
17. Staff consider the matters in this report have low significance and that the recommendations comply with Council's legal requirements.

Discussion - *Matapaki*

Operating Results

The accounting and balancing the books result

18. The Statement of Comprehensive Revenue and Expense discloses the accounting result in accordance with accounting standards.
19. The YTD accounting and balancing the books result for the two months ended 31 August 2021 is as follows:

Surplus/(Deficit) Result	YTD Actual	YTD Budget	YTD Variance
Accounting Surplus/(Deficit)	\$12.1m	\$12.5m	(\$0.4m) ✖
Balancing the books	(\$7.6m)	(\$8.7m)	\$1.1m ✔

20. The annual accounting and balancing the books result has been adjusted to reflect the forecasting adjustments as follows:

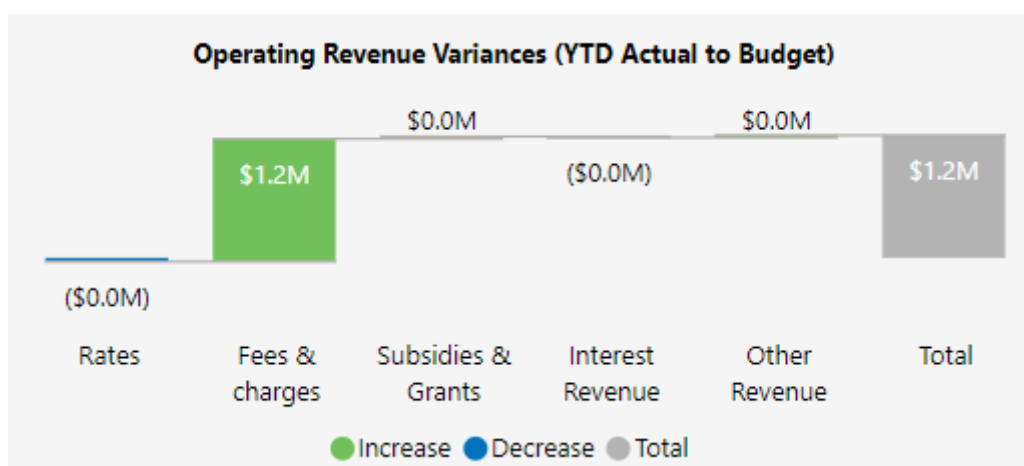
Surplus/(Deficit) Result	Annual Forecast	Annual Budget	YTD Variance
Accounting Surplus/(Deficit)	\$85.1m	\$83.6m	\$1.5m ✓
Balancing the books	(\$1.2m)	(\$2.9m)	\$1.7m ✓

Understanding material variances

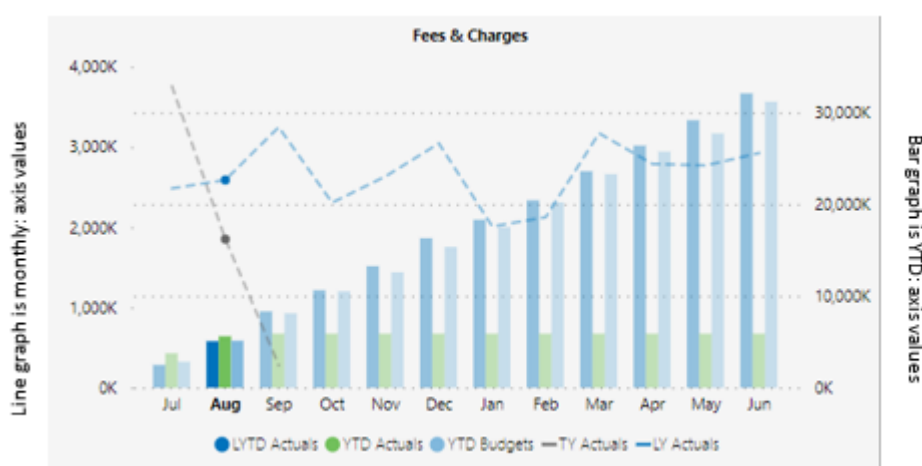
21. The Statement of Comprehensive Revenue and Expense is contained in **Attachment 1**.
22. Individual Everyday Revenue and Expense statements for each of the Council's activities are contained in **Attachment 2**.

Operating Revenue

23. Total Operating Revenue is \$1.2m favourable to the YTD budget.



24. Fees & Charges contributed the largest share of the favourable variance in Operating Revenue and exceeds YTD budget by \$1.2m.



The bar chart compares Last Year to Date Actuals (LYTD Actuals), Year to Date Actuals (YTD Actuals) and Year To Date Budgets (YTD Budgets). These values are reflected on the vertical axis to the right-hand side. The line chart above compares This Year Actuals (TY Actuals) and Last Year Actuals (LY Actuals) at each month. These values are reflected on the vertical axis to the left-hand side.

25. Fees & user charges provided \$0.5m towards the favourable variance in Fees & Charges (above last year actuals by \$0.6m). This favourable result is due to increased event activity in Venues, Tourism and Major Events and better than budgeted revenue from building consents.

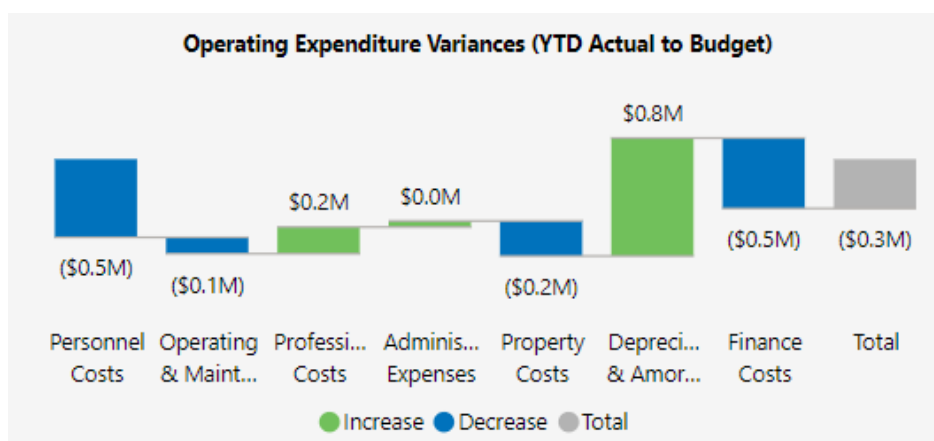
26. Operating contributions provided \$0.6m towards the favourable variance in Fees & Charges. This is due to unbudgeted funds received from the DIA and offset expenditure on the Water Reform Stimulus projects.
27. Material variance explanations can be found in the activity statements (**Attachment 2**).

Capital Revenue

28. Total Capital Revenue is \$5.3m unfavourable to YTD budget.
29. Capital subsidies and contributions is below budget by \$3.3m. Projects attracting Waka Kotahi subsidies have progressed slower than anticipated and resulted in an unfavourable variance to budget of \$1.9m. The unfavourable variance in capital contributions of \$1.3m is mainly due to contributions towards the Ruakura Road West Realignment project not invoiced yet.
30. Vested assets are below YTD budget by \$1.9m. The addition of vested assets increases the operating and maintenance costs for Council, as well as depreciation. Through the 2021-31 Long-Term Plan increased funding was made available for maintenance on new vested assets for three waters and transportation activities. The nature of vested infrastructure assets are that they have a long useful life and generally do not require significant direct maintenance in the first ten years of operation.

Operating Expenditure

31. Total Operating Expenditure is favourable to YTD budget by \$0.3m. Favourable variances offset unfavourable variances.



32. Personnel Costs are favourable to YTD budget by \$0.5m. This is due to delays in the recruitment for new positions identified in the 2021-31 Long Term Plan.
33. Depreciation is unfavourable to YTD budget by \$0.8m due to revaluations for building and transportation, however this will continue to be monitored.
34. Please refer to the activity statements (**Attachment 2**) for material variance explanations.

Gains and Losses

35. The YTD adjustment on non-cash revaluation of Council's Financial borrowing instruments resulted in a \$3.7m gain. See **Attachment 3** for swap interest rate movement.

Treasury Management

36. Council's compliance with its treasury policy measures at 31 August 2021 is as follows:

Counterparty credit risk	max	\$75m per bank	Achieved	✓
Liquidity ratio	min	110%	126%	✓
Funding maturity	0 - 3 years	15% - 60%	42%	✓
	3 - 7 years	25% - 85%	26%	✓
	7 years +	0% - 60%	31%	✓
Fixed rate debt maturity	All years	Within annual parameters	Achieved	✓

Interest Rate Risk Management

37. The movement on interest rate swaps relates to valuations completed at a point in time. These are based on Council's total external debt and the difference between current market interest rates and the fixed rates that Council has locked in. They are unrealised because on maturity of each interest rate swap contract no interest gain or loss eventuates.
38. At 31 August 2021 Council's fixed rate hedging is 48%. This falls within our debt interest rate policy parameters which requires a minimum fixed rate of 40% and a maximum fixed rate of 95%.
39. Council's gross cost of funds over a 12-month rolling average is 2.3%.

Financial Strategy

40. The impact of the favourable opening debt position on the financial strategy is outlined in **Attachment 4**.
41. Any changes in significant forecasting assumptions will result in changes to the Financial Strategy outcomes. These assumptions will be considered and, if necessary, adjusted in each Annual Plan.

Significant Forecasting Adjustments

42. Significant forecasting adjustments since the 24 August 2021 Council meeting, outlined below, as compared to the 2021-31 Long-Term Plan budget.
43. Numbers in brackets represent an adverse outcome.
44. Capital revenue, capital savings, re-phasing, and delay deferrals from 2021/22 to future years as detailed in the Capital Portfolio Monitoring Report, paragraph 24.

Capital Adjustments – Financial Strategy Impact										
\$000	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Balancing the Books	0	0	0	0	0	0	0	0	0	0
Net Debt	(5,060)	(5,060)	(5,060)	(5,060)	(5,060)	(5,060)	(5,060)	(5,060)	(5,060)	(5,060)

45. Favourable adjustments to operating revenue and expenditure as detailed in **Attachment 2**.

Operating Adjustments – Financial Strategy Impact										
\$000	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Balancing the Books	1,762	874	800	841	868	827	755	764	794	749
Net Debt	1,762	2,636	3,436	4,278	5,146	5,972	6,727	7,491	8,285	9,034

46. Revised budget adjustments.

Revised Budget Adjustments – Financial Strategy Impact										
\$000	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Balancing the Books	(647)	0	0	65	0	0	0	0	0	0
Net Debt	(647)	(647)	(647)	(582)	(582)	(582)	(582)	(582)	(582)	(582)

47. The revised budget adjustments are as follows:

- i. \$660k was allocated to the Waikato Metro Spatial Plan Transportation budget from 3 waters in 2020/21, however only \$78k was spent. It has been requested that the remaining \$582k be deferred to the 2021/22 financial year.
- ii. The Waiwhakareke Predator Proof Fence - Feasibility Study has been budgeted for in year 4 of the 2021-31 Long-Term Plan. An opportunity exists to expedite this feasibility study to gain greater understanding of the potential future options for the development of the park as well as sequencing and timing. This would require the net budget of \$65k to be brought forward from year 4 into the current year. (**Attachment 5**).

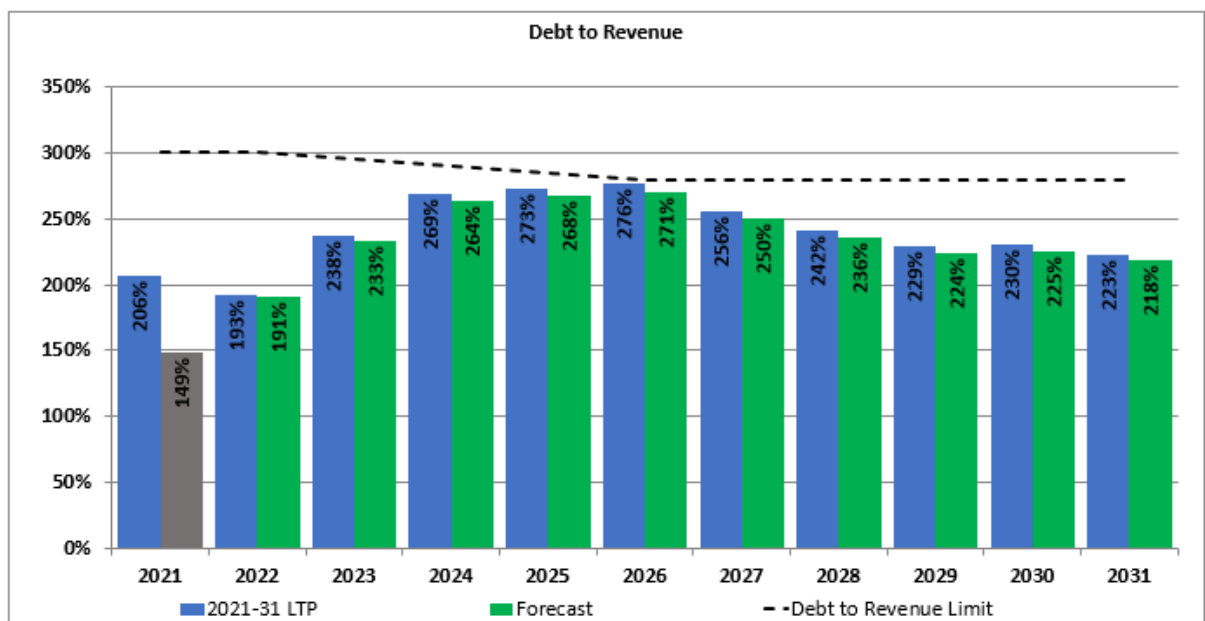
48. The impact of both of these recommended budget revisions on the financial strategy is not significant in nature. Council will remain in a favourable debt to revenue and balancing the books position.

Financial Strategy Graphs

49. The following graphs show the 2021-31 Long Term Plan budgets and the total of all the significant forecast adjustments as set out in paragraph 44, 45, 46 and 47. These significant forecast adjustments are subject to decision by the Finance Committee or Council.

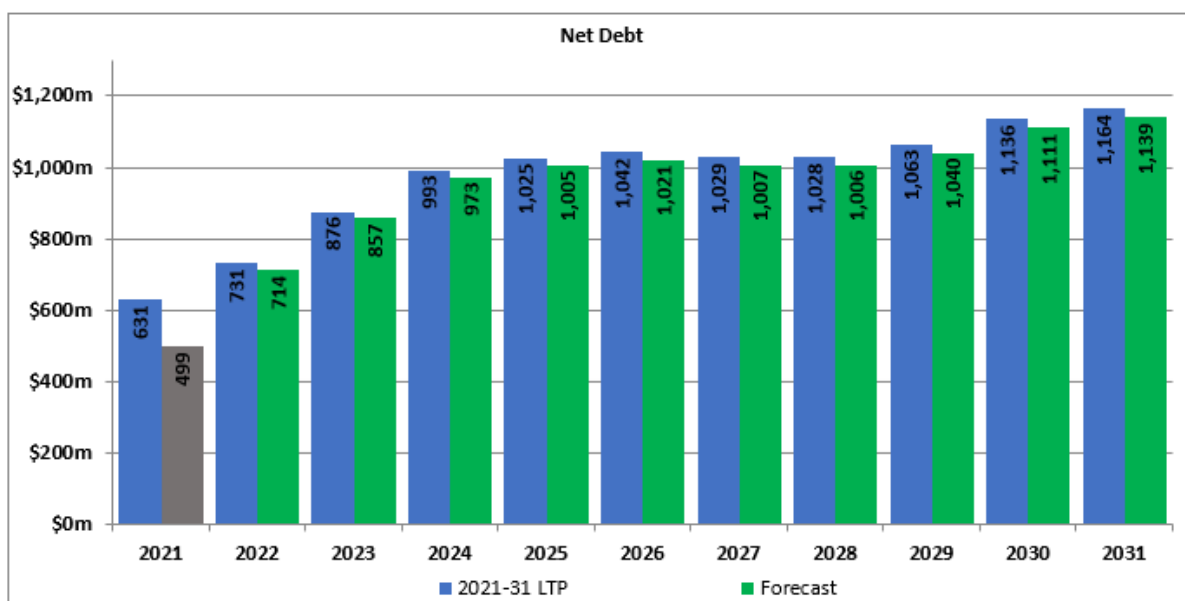
Debt to Revenue

50. The Debt to Revenue graph includes all adjustments identified in this report and shows that debt to revenue of 191% is favourable against the 2021-31 Long-Term Plan budget of 193%.



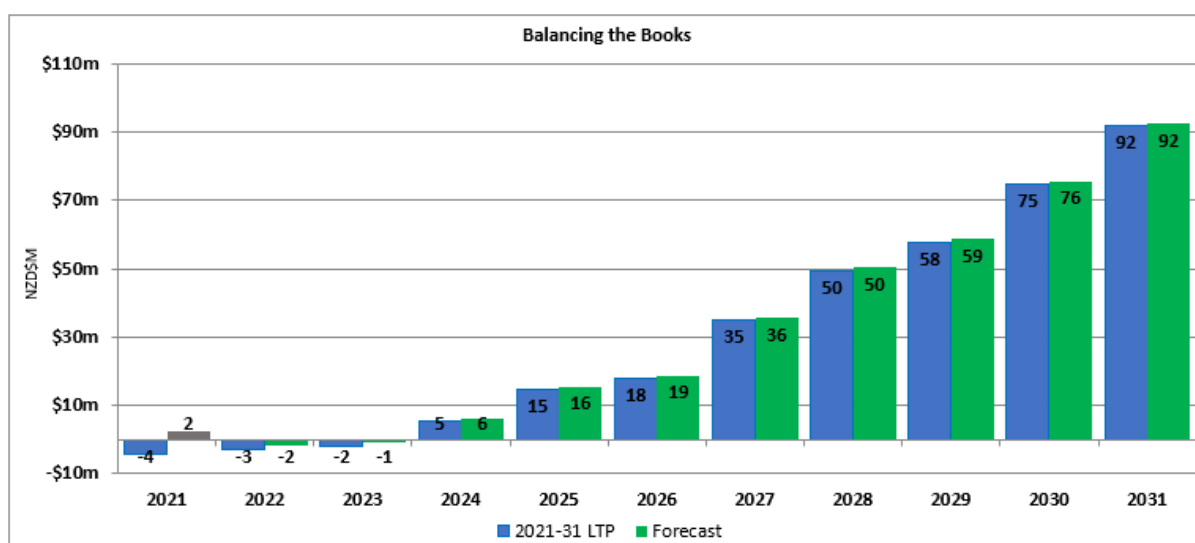
Net Debt

51. The Net Debt graph shows a decrease in net debt against the 2021-31 Long-Term Plan. Net debt for 2021/22 is forecast at \$714m.



Balancing the Books

52. The forecast 2021/22 balancing the books result is (\$2m) and is favourable against a budget of (\$3m).



Emerging Issues

53. The Financial Performance & Strategy Report and Capital Portfolio Monitoring Report lists emerging issues that could impact the capital portfolio and consequently debt and the balancing the books result across the remainder of the Long-Term Plan.
54. A separate report on the impacts of Covid-19 on the capital programme, specifically claims on capital contracts, will be presented at this meeting (5 October 2021).

Legal and Policy Considerations - Whaiwhakaaro-aa-ture

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

Wellbeing Considerations - *Whaiwhakaaro-aa-oranga tonutanga*

56. The purpose of Local Government changed on the 14 May 2019 to include promotion of the social, economic, environmental and cultural wellbeing of communities in the present and for the future ('the 4 wellbeings').
57. The subject matter of this report has been evaluated in terms of the 4 wellbeings during the process of developing this report.
58. The recommendations set out in this report are consistent with that purpose.
59. Economic wellbeing is managed through the efficient monitoring of Council's financial results. Diligent management of Council's budget and regular review of forecasts is required to ensure Council is operating effectively and policy compliance is met.
60. The environmental, social and cultural wellbeings are not directly impacted by the annual monitoring report. However, the efficient review and management of Council's financial position supports the wider business in their delivery of key objectives that enhance these wellbeings.

Risks - *Tuuraru*

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

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

Significance

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

Engagement

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

Attachments - *Ngaa taapirihanga*

Attachment 1 - Statement of Comprehensive Revenue and Expense - 31 August 2021

Attachment 2 - Council Activities - 31 August 2021

Attachment 3 - Treasury Position - 31 August 2021

Attachment 4 - Adjusted Debt Position 2021-31 Long-Term Plan

Attachment 5 - Waiwhakareke Predator Proof Fence Feasibility Study

Attachment 6 - Register of Significant Forecast Adjustments

STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE
FOR THE MONTH ENDED 31 AUGUST 2021

Attachment 1

\$000		\$000		\$000		\$000		\$000		\$000	
Last Year		YTD Actual	YTD Budget (Approved)	YTD Variance Fav/(Unfav)	Annual Approved Budget	% Annual Budget Spent		Annual Forecast	Annual Variance Fav/(Unfav)		
YTD											
Operating Revenue											
24,446	Rates	27,498	27,536	(37)	221,714	12%		221,714			
7,698	Fees & Charges	8,027	6,818	1,209	40,723	20%		40,058	(665)		
1,597	Subsidies & Grants	1,473	1,450	23	8,664	17%		8,664			
88	Interest Revenue	40	50	(10)	302	13%		302			
916	Other Revenue	1,771	1,749	22	14,780	12%		14,780			
34,745	TOTAL OPERATING REVENUE	38,809	37,603	1,206	286,184	14%		285,519	(665)		
Capital Revenue											
6,647	Development Contributions	5,200	5,260	(60)	31,622	16%		31,622			
7,859	Capital Revenue	9,518	12,823	(3,306)	101,588	9%		101,308	(280)		
6,296	Vested Assets	3,838	5,750	(1,911)	34,491	11%		34,491			
20,803	TOTAL CAPITAL REVENUE	18,556	23,833	(5,277)	167,701	11%		167,421	(280)		
55,548	TOTAL REVENUE	57,365	61,436	(4,071)	453,885	13%		452,940	(945)		
Expenditure											
14,161	Personnel Costs	15,843	16,390	548	96,908	16%		96,908			
9,716	Operating & Maintenance Costs	9,365	9,480	115	68,620	14%		68,620			
1,523	Professional Costs	2,347	2,161	(187)	16,510	14%		16,510			
2,879	Administration Expenses	3,668	3,625	(43)	24,253	15%		24,253			
1,725	Property Costs	1,691	1,936	246	11,824	14%		11,824			
2,231	Finance Costs	2,271	2,764	493	16,270	14%		13,870	2,400		
9,965	Depreciation & Amortisation Expense	13,417	12,592	(826)	75,534	18%		75,534			
42,200	TOTAL EXPENDITURE	48,602	48,947	345	309,919	16%		307,519	2,400		
13,348	OPERATING SURPLUS/(DEFICIT)	8,763	12,489	(3,726)	143,966	6%		145,422	1,455		
Gains and Losses											
(1,911)	Net gain/(loss) on revaluation of interest rate swaps	3,702		3,702							
	Gain on fair value of investment properties				756	0%		756			
7	Property, plant and equipment net gain/(loss)	(406)		(406)	(61,103)	1%		(61,103)			
(1,903)	TOTAL GAINS AND LOSSES	3,296		3,296	(60,347)	(5%)		(60,347)			
11,445	TOTAL SURPLUS/(DEFICIT)	12,058	12,489	(430)	83,620	14%		85,075	1,455		

Refer to Activity Statements for variances against budget.

Item 8

Attachment 1

BALANCING THE BOOKS RESULT **FOR THE MONTH ENDED 31 AUGUST 2021**

\$'000		\$'000		\$'000		\$'000		\$'000		\$'000	
YTD 2019/20		YTD Actual	YTD Budget (Approved)	YTD Variance Fav/(Unfav)	Annual Approved Budget	% Annual Budget Spent		Annual Forecast	Annual Variance Fav/(Unfav)		
11,445	Surplus/(Deficit)	12,058	12,489	(430)	83,620	14%		85,075	1,455		
	Remove capital revenue										
(6,296)	Vested assets	(3,838)	(5,750)	1,911	(34,491)	11%		(34,491)			
(5,335)	Part of Development and Financial contributions	(3,355)	(3,419)	64	(20,554)	16%		(20,554)			
(5,234)	Capital Subsidy (excluding subsidy on transport renewals)	(6,726)	(8,122)	1,395	(60,479)	11%		(60,199)	280		
(1,042)	Other Capital Contributions	(1,886)	(3,327)	1,441	(32,863)	6%		(32,863)			
	Other items not considered everyday operating revenue	(630)	(630)		(8,084)	8%		(8,084)			
	Remove (gains)/losses										
1,903	All Gains/(Losses)	(3,296)		(3,296)	60,347	(5%)		60,347			
	Remove other expenses										
34	Other items not considered everyday operating expenses	70	70	()	9,585	1%		9,585			
(4,524)	EVERYDAY SURPLUS/(DEFICIT)	(7,603)	(8,689)	1,086	(2,921)	260%		(1,185)	1,735		

FOR THE MONTH ENDED 31 AUGUST 2021

\$000		\$000	\$000	\$000	\$000	\$000	\$000	\$000
Last Year YTD		YTD Actual	YTD Budget (Approved)	YTD Variance Fav/(Unfav)	Annual Approved Budget	% Annual Budget Spent	Annual Forecast	Annual Variance Fav/(Unfav)
Everyday Revenue								
24,446	Rates**	27,498	27,536	(37)	221,714	12%	221,714	
7,698	Fees & Charges	8,027	6,818	1,209	40,723	20%	40,058	(665)
1,597	Subsidies & Grants	1,473	1,450	23	8,664	17%	8,664	
88	Interest Revenue	40	50	(10)	302	13%	302	
916	Other Revenue	1,771	1,749	22	14,780	12%	14,780	
34,745	Total Everyday Revenue	38,809	37,603	1,206	286,184	14%	285,519	(665)
Everyday Expenditure								
14,161	Personnel Costs	15,843	16,390	548	96,908	16%	96,908	
9,716	Operating & Maintenance Costs	9,365	9,480	115	68,620	14%	68,620	
1,523	Professional Costs	2,347	2,161	(187)	16,510	14%	16,510	
2,879	Administration Expenses	3,668	3,625	(43)	24,253	15%	24,253	
1,725	Property Costs	1,691	1,936	246	11,824	14%	11,824	
2,231	Finance Costs**	2,271	2,764	493	16,270	14%	13,870	2,400
9,965	Depreciation & Amortisation Expense**	13,417	12,592	(826)	75,534	18%	75,534	
1,903	Gains & Losses	(3,296)		3,296	60,347	(5%)	60,347	
44,103	Total Everyday Expenditure	45,307	48,947	3,641	370,266	12%	367,865	2,400
(9,358)	Everyday Surplus/(Deficit)*	(6,498)	(11,344)	4,847	(84,081)	8%	(82,346)	1,735
Capital Revenue								
6,647	Development Contributions**	5,200	5,260	(60)	31,622	16%	31,622	
7,859	Capital Revenue	9,518	12,823	(3,306)	101,588	9%	101,308	(280)
6,296	Vested Assets**	3,838	5,750	(1,911)	34,491	11%	34,491	
20,803	Total Capital Revenue	18,556	23,833	(5,277)	167,701	11%	167,421	(280)
11,445	Operating Surplus/(Deficit)	12,058	12,489	(430)	83,620	14%	85,075	1,455

Material variances as explained below:

Finance Costs:** \$493k favourable.

Overall finance cost (interest expense) for Council is favourable. This is due to an improved starting position for the year as a result of lower closing debt for the 2020/21 financial year.

Depreciation & Amortisation Expense:** (\$826k) unfavourable.

The unfavourable result is due to the revaluation of building and transportation assets, which will continue to be monitored.

Vested Assets:** (\$1,911k) unfavourable.

Vested assets are tracking below to budget. Forecast to meet budget at financial year end.

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

Finance Costs:** \$2,400k favourable.

Council's finance cost (interest expense) has been reforecast due to an improved debt starting position for the year.

Attachment 2

DEMOCRACY

Governance and Public Affairs | Partnership with Māori

FOR THE MONTH ENDED 31 AUGUST 2021

\$000		\$000	\$000	\$000	\$000	\$000	\$000	\$000
Last Year YTD		YTD Actual	YTD Budget (Approved)	YTD Variance Fav/(Unfav)	Annual Approved Budget	% Annual Budget Spent	Annual Forecast	Annual Variance Fav/(Unfav)
Everyday Revenue								
366	Rates**	371	490	(120)	3,068	12%	3,068	
5	Fees & Charges							
	Subsidies & Grants							
	Interest Revenue							
	Other Revenue							
371	Total Everyday Revenue	371	490	(120)	3,068	12%	3,068	
Everyday Expenditure								
57	Personnel Costs	87	112	25	679	13%	679	
3	Operating & Maintenance Costs		5	5	28	0%	28	
85	Professional Costs	94	136	42	724	13%	724	
310	Administration Expenses	338	283	(55)	1,709	20%	1,709	
	Property Costs							
	Finance Costs**							
	Depreciation & Amortisation Expense**							
	Gains & Losses							
455	Total Everyday Expenditure	518	535	17	3,140	17%	3,140	
(84)	Everyday Surplus/(Deficit)*	(147)	(45)	(103)	(72)	206%	(72)	
(84)	Operating Surplus/(Deficit)	(147)	(45)	(103)	(72)	206%	(72)	

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

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

Material variances as explained below:

No significant variances to report.

VISITOR ATTRACTIONS

Hamilton Gardens | Waikato Museum | Hamilton Zoo

FOR THE MONTH ENDED 31 AUGUST 2021

\$000		\$000	\$000	\$000	\$000	\$000	\$000	\$000
Last Year YTD		YTD Actual	YTD Budget (Approved)	YTD Variance Fav/(Unfav)	Annual Approved Budget	% Annual Budget Spent	Annual Forecast	Annual Variance Fav/(Unfav)
Everyday Revenue								
1,957	Rates**	1,795	1,760	36	14,768	12%	14,768	
603	Fees & Charges	386	416	(30)	2,627	15%	2,627	
14	Subsidies & Grants	()	14	(14)	87	(0%)	87	
1	Interest Revenue			()	3	13%	3	
5	Other Revenue	14	15	(1)	99	15%	99	
2,580	Total Everyday Revenue	2,196	2,206	(10)	17,583	12%	17,583	
Everyday Expenditure								
1,372	Personnel Costs	1,296	1,381	85	8,714	15%	8,714	
397	Operating & Maintenance Costs	401	485	85	3,473	12%	3,473	
56	Professional Costs	28	39	11	269	10%	269	
83	Administration Expenses	66	87	21	604	11%	604	
84	Property Costs	81	97	17	569	14%	569	
19	Finance Costs**	19	44	25	265	7%	265	
274	Depreciation & Amortisation Expense**	425	444	20	2,664	16%	2,664	
	Gains & Losses							
2,286	Total Everyday Expenditure	2,315	2,577	263	16,559	14%	16,559	
294	Everyday Surplus/(Deficit)*	(119)	(371)	253	1,024	(12%)	1,024	
Capital Revenue								
	Capital Revenue	(1)	79	(80)	1,372		1,092	(280)
	Total Capital Revenue	(1)	79	(80)	1,372	0%	1,092	(280)
294	Operating Surplus/(Deficit)	(119)	(293)	173	2,396	(5%)	2,116	(280)

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

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

Material variances as explained below:

No significant variances to report.

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

Capital Revenue: (\$280K) unfavourable.

The challenges securing funding for the Zoo Waiwhakareke Entry Precinct stage 1B has resulted in reduced external revenue expectations. The corresponding external revenue expectation will be planned for the zoo animal enclosure in 2026/2027.

Attachment 2

VENUES, TOURISM AND MAJOR EVENTS

Claudelands | FMG Stadium Waikato | Seddon Park | i-SITE | Tourism and Events Funding

FOR THE MONTH ENDED 31 AUGUST 2021

\$000		\$000	\$000	\$000	\$000	\$000	\$000	\$000
Last Year YTD		YTD Actual	YTD Budget (Approved)	YTD Variance Fav/(Unfav)	Annual Approved Budget	% Annual Budget Spent	Annual Forecast	Annual Variance Fav/(Unfav)
Everyday Revenue								
1,884	Rates**	2,304	2,449	(145)	19,149	12%	19,149	
733	Fees & Charges	1,180	894	286	5,183	23%	5,183	
	Subsidies & Grants							
9	Interest Revenue	4	5	(1)	29	13%	29	
119	Other Revenue	125	122	3	734	17%	734	
2,744	Total Everyday Revenue	3,614	3,470	143	25,095	14%	25,095	
Everyday Expenditure								
887	Personnel Costs	1,023	1,121	97	6,747	15%	6,747	
548	Operating & Maintenance Costs	775	762	(13)	5,243	15%	5,243	
13	Professional Costs	4	34	30	240	2%	240	
387	Administration Expenses	416	480	64	1,975	21%	1,975	
199	Property Costs	228	209	(20)	1,287	18%	1,287	
213	Finance Costs**	215	277	62	1,663	13%	1,663	
827	Depreciation & Amortisation Expense**	1,178	971	(208)	5,822	20%	5,822	
	Gains & Losses							
3,074	Total Everyday Expenditure	3,840	3,854	14	22,978	17%	22,978	
(330)	Everyday Surplus/(Deficit)*	(226)	(383)	157	2,118	(11%)	2,118	
Capital Revenue								
	Capital Revenue							
	Total Capital Revenue							
(330)	Operating Surplus/(Deficit)	(226)	(383)	157	2,118	(11%)	2,118	

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

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

Material variances as explained below:

Fees & Charges: \$286k favourable.

Fees & Charges are favourable due to an unbudgeted event activity in the international sport space.

ARTS AND COMMUNITY

Libraries | Community Development | Arts Promotion | Theatres

FOR THE MONTH ENDED 31 AUGUST 2021

\$000		\$000	\$000	\$000	\$000	\$000	\$000	\$000
Last Year YTD		YTD Actual	YTD Budget (Approved)	YTD Variance Fav/(Unfav)	Annual Approved Budget	% Annual Budget Spent	Annual Forecast	Annual Variance Fav/(Unfav)
Everyday Revenue								
2,113	Rates**	1,735	1,711	24	14,332	12%	14,332	
44	Fees & Charges	77	83	(7)	501	15%	501	
	Subsidies & Grants	20		20	2	1019%	2	
	Interest Revenue							
	Other Revenue							
2,157	Total Everyday Revenue	1,832	1,795	37	14,834	12%	14,834	
Everyday Expenditure								
1,054	Personnel Costs	1,091	1,017	(74)	6,136	18%	6,136	
103	Operating & Maintenance Costs	88	103	14	976	9%	976	
12	Professional Costs	111	113	2	198	56%	198	
1,120	Administration Expenses	1,136	1,164	28	11,303	10%	11,303	
51	Property Costs	42	61	20	355	12%	355	
	Finance Costs**		25	24	148	0%	148	
445	Depreciation & Amortisation Expense**	449	471	22	2,823	16%	2,823	
	Gains & Losses			()				
2,784	Total Everyday Expenditure	2,917	2,953	37	21,940	13%	21,940	
(627)	Everyday Surplus/(Deficit)*	(1,085)	(1,159)	74	(7,105)	15%	(7,105)	
Capital Revenue								
	Capital Revenue		44	(44)	265	0%	265	
	Total Capital Revenue		44	(44)	265	0%	265	
(627)	Operating Surplus/(Deficit)	(1,085)	(1,114)	30	(6,840)	16%	(6,840)	

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

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

Material variances as explained below:

No significant variances to report.

Attachment 2

PARKS AND RECREATION

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

FOR THE MONTH ENDED 31 AUGUST 2021

\$000		\$000	\$000	\$000	\$000	\$000	\$000	\$000
Last Year YTD		YTD Actual	YTD Budget (Approved)	YTD Variance Fav/(Unfav)	Annual Approved Budget	% Annual Budget Spent	Annual Forecast	Annual Variance Fav/(Unfav)
Everyday Revenue								
3,535	Rates**	3,690	3,609	81	30,355	12%	30,355	
1,552	Fees & Charges	1,152	1,153	(1)	7,693	15%	7,693	
	Subsidies & Grants		1	(1)	7	2%	7	
10	Interest Revenue	5	6	(1)	34	13%	34	
26	Other Revenue	46	26	20	195	23%	195	
5,123	Total Everyday Revenue	4,893	4,795	98	38,284	13%	38,284	
Everyday Expenditure								
2,172	Personnel Costs	2,347	2,315	(32)	14,215	17%	14,215	
1,532	Operating & Maintenance Costs	861	799	(62)	8,133	11%	8,133	
272	Professional Costs	65	74	9	1,895	3%	1,895	
180	Administration Expenses	208	200	(8)	681	31%	681	
176	Property Costs	174	200	25	1,149	15%	1,149	
251	Finance Costs**	253	342	90	2,054	12%	2,054	
978	Depreciation & Amortisation Expense**	1,313	1,132	(181)	6,792	19%	6,792	
31	Gains & Losses	34		(34)				
5,593	Total Everyday Expenditure	5,254	5,062	(192)	34,919	15%	34,919	
(470)	Everyday Surplus/(Deficit)*	(361)	(268)	(94)	3,365	(11%)	3,365	
Capital Revenue								
295	Development Contributions**	427	125	302	821	52%	821	
3	Capital Revenue	3	33	(30)	198	2%	198	
141	Vested Assets**	2		2				
439	Total Capital Revenue	432	158	273	1,019	42%	1,019	
(31)	Operating Surplus/(Deficit)	71	(109)	180	4,384	2%	4,384	

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

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

Material variances as explained below:

No significant variances to report.

FOR THE MONTH ENDED 31 AUGUST 2021

\$000		\$000		\$000		\$000		\$000	
YTD 2019/20		YTD Actual	YTD Budget (Approved)	YTD Variance Fav/(Unfav)	Annual Approved Budget	% Annual Budget Spent		Annual Forecast	Annual Variance Fav/(Unfav)
Everyday Revenue									
491	Rates**	565	651	(85)	4,680	12%		4,680	
657	Fees & Charges	1,030	944	86	2,090	49%		2,090	
8	Subsidies & Grants	8	9	()	53	16%		53	
	Interest Revenue								
12	Other Revenue	9	5	4	31	31%		31	
1,168 Total Everyday Revenue		1,613	1,609	4	6,853	24%		6,853	
Everyday Expenditure									
702	Personnel Costs	742	790	47	4,751	16%		4,751	
67	Operating & Maintenance Costs	85	141	57	1,335	6%		1,335	
6	Professional Costs	11	24	13	146	8%		146	
44	Administration Expenses	35	37	2	341	10%		341	
3	Property Costs	3	4	1	26	13%		26	
	Finance Costs**				2	0%		2	
14	Depreciation & Amortisation Expense**	17	15	(2)	89	19%		89	
	Gains & Losses								
837 Total Everyday Expenditure		893	1,012	119	6,691	13%		6,691	
331 Everyday Surplus/(Deficit)*		720	597	124	162	444%		162	
Capital Revenue									
Capital Revenue									
Total Capital Revenue									
331 Operating Surplus/(Deficit)		720	597	124	162	444%		162	

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

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

Material variances as explained below:

No significant variances to report.

Attachment 2

PLANNING AND DEVELOPMENT

City Planning | Planning Guidance | Building Control

FOR THE MONTH ENDED 31 AUGUST 2021

\$000		\$000	\$000	\$000	\$000	\$000	\$000	\$000
Last Year YTD		YTD Actual	YTD Budget (Approved)	YTD Variance Fav/(Unfav)	Annual Approved Budget	% Annual Budget Spent	Annual Forecast	Annual Variance Fav/(Unfav)
Everyday Revenue								
742	Rates**	1,492	1,476	16	11,396	13%	11,396	
1,975	Fees & Charges	2,090	1,624	465	10,410	20%	9,745	(665)
48	Subsidies & Grants							
3	Interest Revenue	1	2	(1)	11	13%	11	
	Other Revenue							
	2,769 Total Everyday Revenue	3,583	3,102	481	21,817	16%	21,152	(665)
Everyday Expenditure								
1,606	Personnel Costs	1,821	1,876	55	11,327	16%	11,327	
95	Operating & Maintenance Costs	48	67	19	400	12%	400	
468	Professional Costs	561	655	94	4,807	12%	4,807	
132	Administration Expenses	187	87	(100)	1,353	14%	1,353	
9	Property Costs	12	14	2	86	14%	86	
80	Finance Costs**	81	98	17	585	14%	585	
1	Depreciation & Amortisation Expense**		1	1	5	0%	5	
	Gains & Losses							
	2,391 Total Everyday Expenditure	2,708	2,797	89	18,563	15%	18,563	
	378 Everyday Surplus/(Deficit)*	875	305	570	3,255	27%	2,590	(665)
Capital Revenue								
	Capital Revenue							
	Total Capital Revenue							
	378 Operating Surplus/(Deficit)	875	305	570	3,255	27%	2,590	(665)

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

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

Material variances as explained below:**Fees & Charges: \$465k favourable.**

This is due to higher than budgeted levels of activity in the Building Control unit. In July 2021 there was a mix of a larger number of consents than usual, along with some high value consents.

The comments below explain the material variance between annual approved budget and annual forecast.**Fees & Charges: \$665k unfavourable.**

Correcting revenue which will not be received. Budget error in LTP. The spend associated with this has been repurposed to the Hamilton Urban Growth Strategy review work.

Attachment 2

WATER SUPPLY

Water Treatment | Water Storage | Water Distribution

FOR THE MONTH ENDED 31 AUGUST 2021

\$000		\$000	\$000	\$000	\$000	\$000	\$000	\$000
Last Year YTD		YTD Actual	YTD Budget (Approved)	YTD Variance Fav/(Unfav)	Annual Approved Budget	% Annual Budget Spent	Annual Forecast	Annual Variance Fav/(Unfav)
Everyday Revenue								
3,632	Rates**	2,802	3,015	(212)	21,616	13%	21,616	
(64)	Fees & Charges	204	(27)	231	(160)	(127%)	(160)	
	Subsidies & Grants		1	(1)	4	0%	4	
29	Interest Revenue	18	10	9	60	31%	60	
	Other Revenue							
3,597	Total Everyday Revenue	3,025	2,999	26	21,520	14%	21,520	
Everyday Expenditure								
483	Personnel Costs	713	808	95	4,388	16%	4,388	
458	Operating & Maintenance Costs	692	689	(3)	4,502	15%	4,502	
66	Professional Costs	132	167	34	1,099	12%	1,099	
14	Administration Expenses	9	10	2	66	13%	66	
354	Property Costs	302	347	45	2,268	13%	2,268	
435	Finance Costs**	438	629	190	3,581	12%	2,581	1,000
1,207	Depreciation & Amortisation Expense**	1,350	1,392	42	8,349	16%	8,349	
9	Gains & Losses	42		(42)				
3,025	Total Everyday Expenditure	3,677	4,041	364	24,253	15%	23,253	1,000
572	Everyday Surplus/(Deficit)*	(653)	(1,043)	390	(2,733)	24%	(1,733)	1,000
Capital Revenue								
1,537	Development Contributions**	1,154	852	302	5,111	23%	5,111	
91	Capital Revenue	448	8	440	50	897%	50	
163	Vested Assets**	255	298	(44)	1,790	14%	1,790	
1,791	Total Capital Revenue	1,857	1,159	698	6,951	27%	6,951	
2,363	Operating Surplus/(Deficit)	1,204	116	1,088	4,217	29%	5,217	1,000

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

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

Material variances as explained below:**Fees & Charges: \$231k favourable.**

The favourable variance is due to funds received from the Department of Internal Affairs for the Water Reform Stimulus project. This offsets operational expenditure for approved projects and costs including professional services costs and operating & maintenance costs.

Capital Revenue: \$440k favourable.

Contributions toward new connections exceed budget due to increased applications. This revenue will offset capital installation costs. Funds received from the DIA to offset Water Reform Stimulus capital expenditure is also part of the favourable variance.

Attachment 2

WASTEWATER

Wastewater Collection | Wastewater Treatment | Wastewater Disposal
FOR THE MONTH ENDED 31 AUGUST 2021

\$000		\$000	\$000	\$000	\$000	\$000	\$000	\$000
Last Year YTD		YTD Actual	YTD Budget (Approved)	YTD Variance Fav/(Unfav)	Annual Approved Budget	% Annual Budget Spent	Annual Forecast	Annual Variance Fav/(Unfav)
Everyday Revenue								
3,768	Rates**	3,849	3,593	256	29,183	13%	29,183	
1,143	Fees & Charges	630	728	(98)	6,836	9%	6,836	
	Subsidies & Grants		1	(1)	8	0%	8	
20	Interest Revenue	9	11	(2)	67	13%	67	
	Other Revenue							
4,931	Total Everyday Revenue	4,487	4,333	154	36,094	12%	36,094	
Everyday Expenditure								
905	Personnel Costs	1,088	1,369	282	7,752	14%	7,752	
1,242	Operating & Maintenance Costs	1,416	1,323	(93)	7,621	19%	7,621	
94	Professional Costs	246	177	(69)	1,055	23%	1,055	
29	Administration Expenses	23	24	1	197	12%	197	
309	Property Costs	336	371	35	2,389	14%	2,389	
490	Finance Costs**	494	688	194	3,917	13%	2,517	1,400
1,311	Depreciation & Amortisation Expense**	2,109	2,153	44	12,917	16%	12,917	
	Gains & Losses	333		(333)				
4,379	Total Everyday Expenditure	6,045	6,106	61	35,848	17%	34,448	1,400
552	Everyday Surplus/(Deficit)*	(1,557)	(1,772)	215	246	(633%)	1,646	1,400
Capital Revenue								
2,188	Development Contributions**	1,803	1,521	282	9,123	20%	9,123	
232	Capital Revenue	266	136	131	813	33%	813	
205	Vested Assets**	455	552	(97)	3,312	14%	3,312	
2,625	Total Capital Revenue	2,524	2,209	315	13,249	19%	13,249	
3,177	Operating Surplus/(Deficit)	967	436	531	13,495	7%	14,895	1,400

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

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

Material variances as explained below:

Personnel Costs: \$282k favourable.

The favourable variance is mainly due to short term staff vacancies.

Gains & Losses: (\$333k) unfavourable.

Unfavourable variance is due to the disposal of various assets including a wastewater pipe in Temple View.

Capital Revenue: \$131k favourable.

Contributions toward new connections exceed budget due to increased applications. This revenue will offset capital installation costs. Funds received from the DIA to offset Water Reform Stimulus capital expenditure is also part of the favourable variance.

FOR THE MONTH ENDED 31 AUGUST 2021

\$000		\$000	\$000	\$000	\$000	\$000	\$000	\$000
Last Year YTD		YTD Actual	YTD Budget (Approved)	YTD Variance Fav/(Unfav)	Annual Approved Budget	% Annual Budget Spent	Annual Forecast	Annual Variance Fav/(Unfav)
Everyday Revenue								
836	Rates**	2,247	2,222	26	17,722	13%	17,722	
19	Fees & Charges	251	43	208	258	97%	258	
	Subsidies & Grants		1	(1)	4	0%	4	
5	Interest Revenue	2	3	(1)	18	13%	18	
	Other Revenue							
860	Total Everyday Revenue	2,501	2,268	232	18,003	14%	18,003	
Everyday Expenditure								
301	Personnel Costs	471	405	(65)	2,215	21%	2,215	
124	Operating & Maintenance Costs	124	33	(91)	390	32%	390	
21	Professional Costs	181	94	(88)	583	31%	583	
6	Administration Expenses	5	6	1	40	13%	40	
28	Property Costs	29	47	18	466	6%	466	
134	Finance Costs**	135	198	63	1,129	12%	1,129	
1,350	Depreciation & Amortisation Expense**	1,785	1,641	(145)	9,842	18%	9,842	
	Gains & Losses							
1,964	Total Everyday Expenditure	2,731	2,424	(307)	14,665	19%	14,665	
(1,103)	Everyday Surplus/(Deficit)*	(230)	(155)	(74)	3,339	(7%)	3,339	
Capital Revenue								
667	Development Contributions**	268	822	(553)	4,929	5%	4,929	
91	Capital Revenue	277	338	(61)	2,025	14%	2,025	
(105)	Vested Assets**	353	800	(447)	4,800	7%	4,800	
653	Total Capital Revenue	898	1,959	(1,061)	11,754	8%	11,754	
(450)	Operating Surplus/(Deficit)	668	1,804	(1,136)	15,093	4%	15,093	

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

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

Material variances as explained below:

Fees & Charges: \$208k favourable.

The favourable variance is due to funds received from the Department of Internal Affairs for the Water Reform Stimulus project. This offsets operational expenditure for approved projects and costs including professional services costs and operating & maintenance costs.

Attachment 2

TRANSPORT

Transport Network | Transport Centre | Parking Management

FOR THE MONTH ENDED 31 AUGUST 2021

\$000		\$000	\$000	\$000	\$000	\$000	\$000	\$000
Last Year YTD		YTD Actual	YTD Budget (Approved)	YTD Variance Fav/(Unfav)	Annual Approved Budget	% Annual Budget Spent	Annual Forecast	Annual Variance Fav/(Unfav)
Everyday Revenue								
4,307	Rates**	5,710	5,607	103	47,166	12%	47,166	
818	Fees & Charges	821	775	46	4,179	20%	4,179	
1,390	Subsidies & Grants	1,296	1,262	34	7,858	16%	7,858	
23	Interest Revenue	10	13	(3)	78	13%	78	
303	Other Revenue	487	516	(29)	2,929	17%	2,929	
6,842	Total Everyday Revenue	8,325	8,173	151	62,210	13%	62,210	
Everyday Expenditure								
742	Personnel Costs	1,141	1,218	77	6,361	18%	6,361	
2,889	Operating & Maintenance Costs	2,418	2,391	(27)	19,423	12%	19,423	
70	Professional Costs	503	214	(289)	1,809	28%	1,809	
218	Administration Expenses	310	211	(99)	724	43%	724	
394	Property Costs	366	437	71	2,327	16%	2,327	
567	Finance Costs**	572	499	(73)	2,844	20%	2,844	
2,715	Depreciation & Amortisation Expense**	3,638	3,426	(212)	20,550	18%	20,550	
	Gains & Losses				61,103	0%	61,103	
7,594	Total Everyday Expenditure	8,948	8,395	(553)	115,142	8%	115,142	
(752)	Everyday Surplus/(Deficit)*	(623)	(222)	(402)	(52,931)	1%	(52,931)	
Capital Revenue								
1,960	Development Contributions**	1,548	1,940	(392)	11,638	13%	11,638	
7,442	Capital Revenue	8,524	12,186	(3,662)	96,865	9%	96,865	
5,893	Vested Assets**	2,774	4,099	(1,325)	24,589	11%	24,589	
15,295	Total Capital Revenue	12,846	18,225	(5,379)	133,092	10%	133,092	
14,543	Operating Surplus/(Deficit)	12,223	18,004	(5,781)	80,161	15%	80,161	

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

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

Material variances as explained below:**Professional Costs: (\$289k) unfavourable.**

The unfavourable result is due to works progressing on the Waikato Metro Spatial plan. This budget was available in the previous financial year and is now requested to be included in this financial year. (See Financial Strategy section)

Capital Revenue: (\$3,662k) unfavourable.

Revenue from subsidies are tracking below budget as we have been waiting on confirmation for capital programme funding from Waka Kotahi NZ Transport Agency.

RUBBISH AND RECYCLING
 Refuse Collection | Waste Minimisation | Landfill Site Management
FOR THE MONTH ENDED 31 AUGUST 2021

\$000		\$000	\$000	\$000	\$000	\$000	\$000	\$000
Last Year YTD		YTD Actual	YTD Budget (Approved)	YTD Variance Fav/(Unfav)	Annual Approved Budget	% Annual Budget Spent	Annual Forecast	Annual Variance Fav/(Unfav)
Everyday Revenue								
874	Rates**	1,016	1,004	12	8,581	12%	8,581	
(21)	Fees & Charges	(11)	(13)	2	(71)	16%	(71)	
136	Subsidies & Grants	148	161	(12)	642	23%	642	
	Interest Revenue			(1)	1	13%	1	
30	Other Revenue	72	74	(2)	444	16%	444	
	1,018 Total Everyday Revenue	1,225	1,226	(1)	9,597	13%	9,597	
Everyday Expenditure								
262	Personnel Costs	172	149	(23)	918	19%	918	
1,252	Operating & Maintenance Costs	1,041	1,301	261	7,811	13%	7,811	
103	Professional Costs	5	4	(1)	391	1%	391	
(2)	Administration Expenses	1	2	1	(1,100)	(0%)	(1,100)	
8	Property Costs	4	13	9	72	6%	72	
11	Finance Costs**	11	14	3	216	5%	216	
95	Depreciation & Amortisation Expense**	81	93	12	560	15%	560	
	Gains & Losses							
	1,729 Total Everyday Expenditure	1,314	1,576	262	8,867	15%	8,867	
	(711) Everyday Surplus/(Deficit)*	(89)	(350)	261	731	(12%)	731	
Capital Revenue								
	Capital Revenue							
	Total Capital Revenue							
	(711) Operating Surplus/(Deficit)	(89)	(350)	261	731	(12%)	731	

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

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

Material variances as explained below:

Operating & Maintenance Costs: \$261k favourable.

The favourable result is due to kerbside refuse tonnage being lower than anticipated and lower bin maintenance costs.

Attachment 2

OVERHEADS

CE's Office | Corporate | Strategy and Communications | Strategic Property

FOR THE MONTH ENDED 31 AUGUST 2021

\$000		\$000	\$000	\$000	\$000	\$000	\$000	\$000
Last Year YTD		YTD Actual	YTD Budget (Approved)	YTD Variance Fav/(Unfav)	Annual Approved Budget	% Annual Budget Spent	Annual Forecast	Annual Variance Fav/(Unfav)
Everyday Revenue								
(58)	Rates**	(79)	(50)	(29)	(302)	26%	(302)	
232	Fees & Charges	218	196	21	1,178	18%	1,178	
	Subsidies & Grants							
	Interest Revenue							
422	Other Revenue	388	360	28	2,160	18%	2,160	
	596 Total Everyday Revenue	526	506	20	3,036	17%	3,036	
Everyday Expenditure								
3,618	Personnel Costs	3,852	3,829	(23)	22,704	17%	22,704	
1,006	Operating & Maintenance Costs	1,417	1,497	80	9,977	14%	9,977	
257	Professional Costs	407	447	40	3,394	12%	3,394	
381	Administration Expenses	929	1,020	91	7,051	13%	7,051	
111	Property Costs	113	135	22	829	14%	829	
5	Finance Costs**	(4)	34	39	207	(2%)	207	
748	Depreciation & Amortisation Expense**	1,071	958	(113)	5,746	19%	5,746	
(47)	Gains & Losses				(756)	0%	(756)	
	6,079 Total Everyday Expenditure	7,785	7,921	136	49,151	16%	49,151	
	(5,483) Everyday Surplus/(Deficit)*	(7,259)	(7,415)	156	(46,115)	16%	(46,115)	
	(5,483) Operating Surplus/(Deficit)	(7,259)	(7,415)	156	(46,115)	16%	(46,115)	

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

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

Material variances as explained below:

No significant variances to report.

FOR THE MONTH ENDED 31 AUGUST 2021

\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Last Year YTD	YTD Actual	YTD Budget (Approved)	YTD Variance Fav/(Unfav)	Annual Approved Budget	% Annual Budget Spent	Annual Forecast	Annual Variance Fav/(Unfav)
Everyday Revenue							
(12)	(11)		(11)				
	630	630	(1)	8,188	8%	8,188	
(12)	619	630	(11)	8,188	8%	8,188	
Everyday Expenditure							
26	59	(84)	(143)	(341)	(17%)	(341)	
1,911	(3,702)	(104)	(104)	(625)	0%	(625)	
1,936	(3,643)	(436)	3,208	(2,448)	149%	(2,448)	
(1,948)	4,262	1,066	3,197	10,636	40%	10,636	
(1,948)	4,262	1,066	3,197	10,636	40%	10,636	

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

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

Material variances as explained below:

Gains & Losses: \$3,702k favourable.

Movement in market interest rates have resulted in a gain in the fair value of interest rate swaps.

Note: negative budgets

The negative budgets are due to CE savings target which is set to the whole organisation. This nets out across the Council.

TREASURY REPORT

Year to date 31 August 2021

Attachment 3

Investment and Cash Position

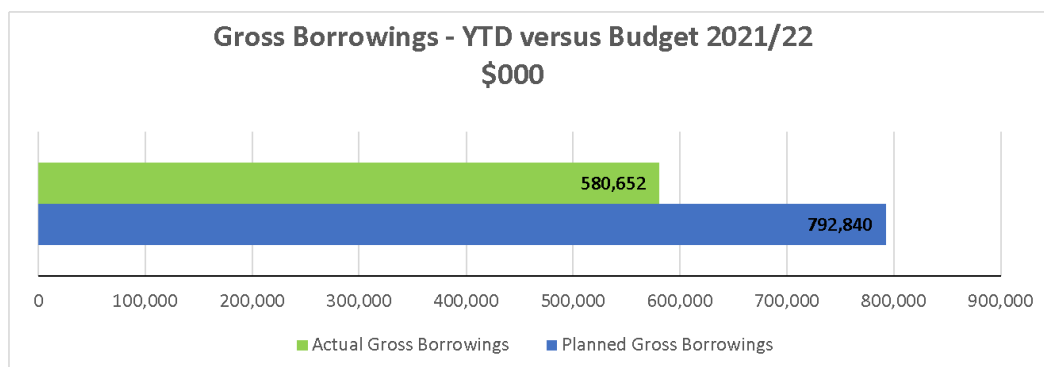
Treasury cash investments consist of:

Cash Investments	Actual \$000 Aug-21	Budget \$000 Jun-22	Variance \$000 Fav/ (Unfav)
Cash on call	40,700	not apportioned	not apportioned
Term deposit	55,000	not apportioned	not apportioned
Closing bank balances	166	not apportioned	not apportioned
LGFA borrower notes	9,380	not apportioned	not apportioned
Total cash investments	105,246	61,526	43,720

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

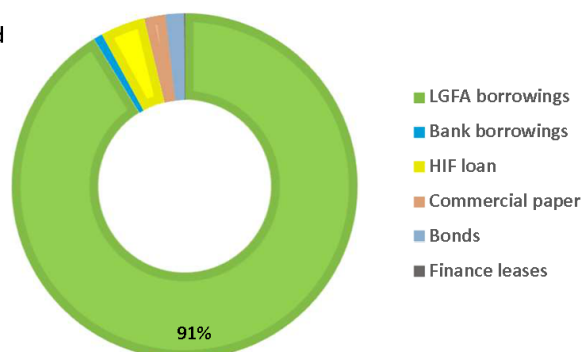
Borrowing Position

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



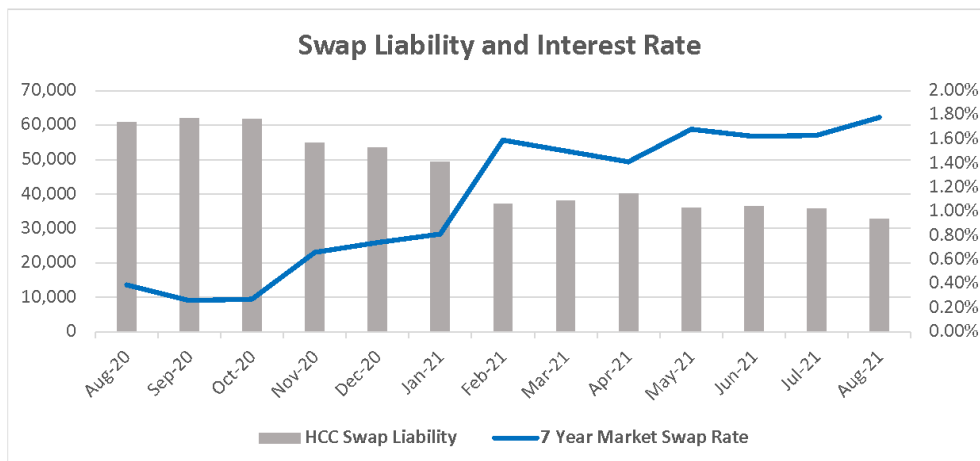
Borrowing debt has increased at 31 August 2021. A borrowing of \$50m from the Local Government Funding Agency was made on 16 August 2021. Council's funding and liquidity risk is assessed by PwC Treasury Advisors prior to all borrowing activity.

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



Interest Rates

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



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

The effect of the change in the 7 year market swap rate on the monthly movement of Council's swap liability is indicated below:

Month	7 Year Market Swap Rate	Movement in Swaps \$000 Fav/ (Unfav)
Aug-20	0.39%	(432)
Sep-20	0.26%	(1,152)
Oct-20	0.27%	204
Nov-20	0.66%	6,968
Dec-20	0.74%	1,378
Jan-21	0.81%	4,069
Feb-21	1.59%	12,251
Mar-21	1.50%	(948)
Apr-21	1.41%	(1,948)
May-21	1.68%	4,032
Jun-21	1.62%	(327)
Jul-21	1.63%	595
Aug-21	1.78%	3,107

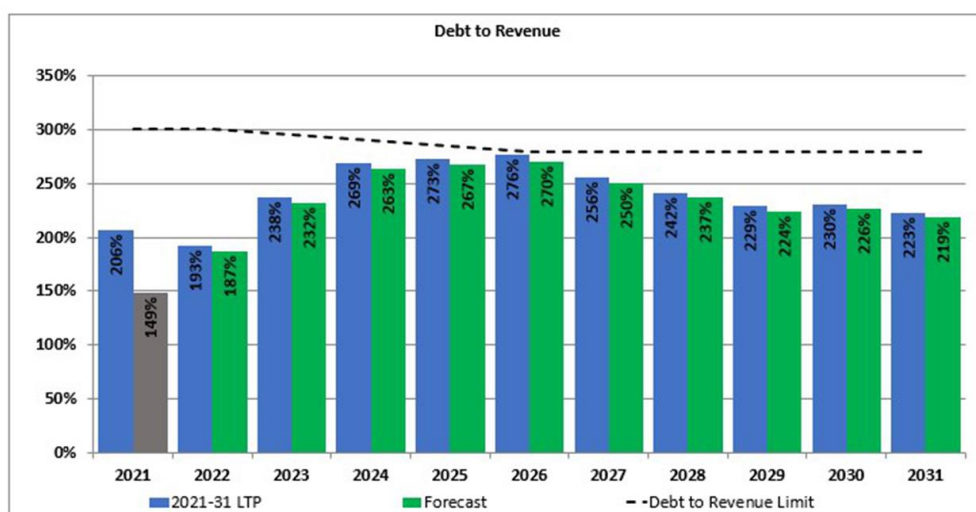
Adjustment to the 2021/22 opening position

Through the 2020/21 Annual Plan, a net debt of \$631m was forecast. This was used as the baseline for the debt calculation for year 1 of the 2021-31 Long-Term Plan. Assumptions were then applied to this baseline, and included capital deferrals, the deferral of the Waikato Theatre Grant and an assumption of lower borrowings. Overall, these assumptions lowered the expected net debt for 2020/21. The actual net debt for 2020/21 tracked slightly lower than the assumptions had allowed for. This was as a result of:

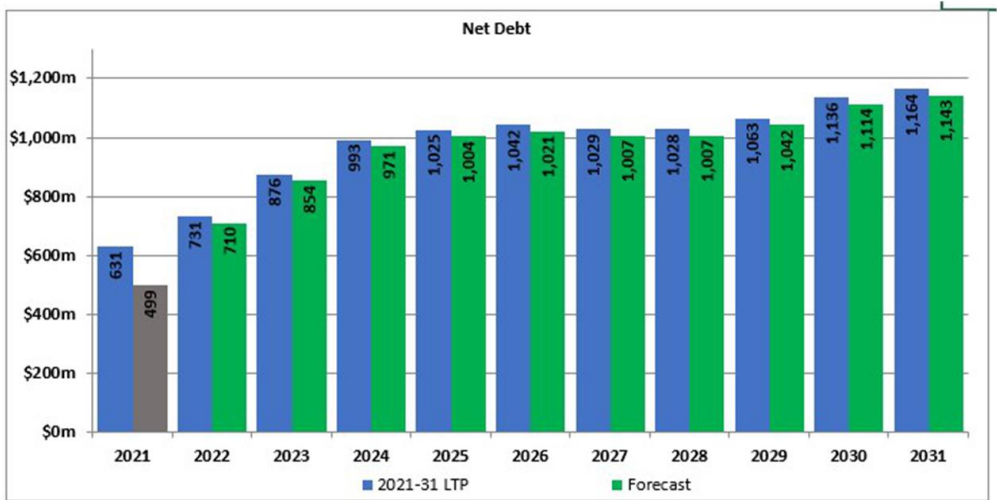
1. Revenue tracked favourably to budget. Both Capital Revenue and Fees & Charges exceeded budget, as outlined in the 30 June 2021 Annual Monitoring Report.
2. A capital deferral assumption of \$65m was made for the 2020/21 Annual Plan year and was lower than expected at \$51.5m at 20 June 2021.

Debt to Revenue:

Net debt is an average of 5% lower across the 10 years. This is especially felt in 2026 where the debt to revenue ratio was close to the limit, at 276%. While it does provide more breathing room it is prudent to consider the impact of future significant forecast adjustments, as captured in the Financial Performance & Strategy Report.

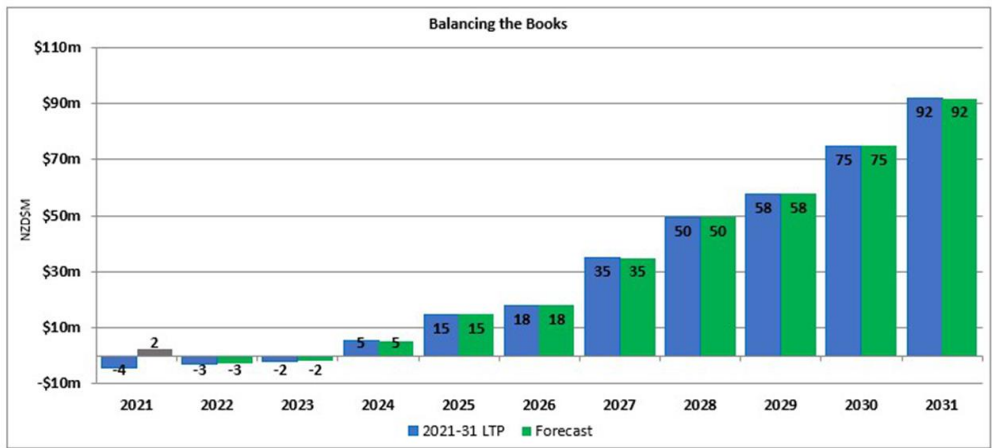


Net Debt:



Balancing the Books:

Balancing the books remains unchanged. The impact of lower finance costs as a result of lower debt has been captured as part of the significant forecast adjustments in the Financial Performance & Strategy Report.



Waiwhakareke Predator Proof Fence - Feasibility Study - Revised Budget

The vision for Waiwhakareke is “Te Kahu Ao Tuuroa o Rangitara - To create a world-class ecological island in an urban environment”. Waiwhakareke was established in 2004 and opened to the public in 2019 with the long-term aim of reconstructing the natural forest, wetland and lake ecosystems present in pre-European times. It is anticipated that the 65.5ha park will serve as a focus for Hamilton’s wider biodiversity restoration, including lakes and lakeshores, the Waikato River, its banks and unique gullies, and other parks with current or potential natural values (estimated to be 750 hectares).

Waiwhakareke Predator Proof Fence was submitted as project for consideration as part of the 2021-31 Long-Term Plan but did not make the list of approved LTP-funded capital projects. At that time, it was envisioned that along with revegetation, a predator proof fence should enable the development of a translocation programme with the Hamilton Zoo, reintroducing fauna into this unique predator proof sanctuary. A predator free sanctuary would allow species to flourish in an urban environment and spill over to the other parts of the city, providing residents and visitors with enhanced recreation and tourism opportunities.

The 2021-31 LTP, did however include funding of \$130k for a feasibility investigation and was included in Year 4, subject to 50% external funding being secured.

An opportunity exists to expedite this feasibility study to gain greater understanding of the potential future options for the development of the park as well as sequencing and timing. Completing the study now would enable this information to be considered through the 22/23 Annual Plan and upcoming asset management planning processes. In order to complete the work now, the reallocation of operational funding for this feasibility of \$130k forward from year 4 to the current financial year is required. External funding options have been explored, it been determined there are no suitable options available for funding that align with the proposed project timeline. Staff have confirmed that an offset or the external funding component of \$65k can be found within current parks operational budgets.

Council has been approached by a major media outlet which has expressed interest in partnering with Council in the predator proof fence project by helping fund raising for the construction of the fence should this be the future course of action.

The recommendation aligns with several of Council’s existing Plans, policies and strategies, including:

- Waiwhakareke Natural Heritage Park Reserve Management Plan- the Reserve Management Plan was approved by Council in 2011, and sets out short, medium and long term projects to develop Waiwhakareke NHP. Predator Proof fencing is identified as one of the long term outcomes in the Plan.
- Zoo Master Plan - A key driver of the Zoo Master plan is to leverage off the close proximity to Waiwhakareke NHP to improve and promote local conservation. The predator proof fence has been highlighted as a long term way to enable breeding programmes of native fauna to thrive.
- Nature in the City Strategy- predator Proof fencing will contribute towards the vision, purpose and outcomes of the strategy through an increased investment in nature. Fencing is

particularly well linked to Outcome Area 1: We invest in the continued growth of nature in Kirikiriroa/Hamilton.

If the recommendation is not approved, the feasibility study will be undertaken in Year 4 of the Long Term Plan, as originally signalled.

Register of Significant Forecast Changes

\$000's

BB = Balancing the books impact

ND = Net Debt impact

Numbers in brackets have an adverse impact.

Date	Change		2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
5-Oct-21	Capital Deferrals	BB	-	-	-	-	-	-	-	-	-	-
		ND	(5,060)	(5,060)	(5,060)	(5,060)	(5,060)	(5,060)	(5,060)	(5,060)	(5,060)	(5,060)
	Operational Adjustments	BB	1,762	874	800	841	868	827	755	764	794	749
		ND	1,762	2,636	3,436	4,278	5,146	5,972	6,727	7,491	8,285	9,034
	Revised Budget Adjustments	BB	(647)	-	-	65	-	-	0	0	0	0
		ND	(647)	(647)	(647)	(582)	(582)	(582)	(582)	(582)	(582)	(582)
Total Cumulative Impact on Balancing the Books			1,115	874	800	906	868	827	755	764	794	749
Total Cumulative Impact on Net Debt			(3,944)	(3,070)	(2,270)	(1,364)	(496)	331	1,086	1,850	2,643	3,392

Council Report

Item 9

Committee: Finance Committee

Date: 05 October 2021

Author: Candice Swanepoel

Authoriser: David Bryant

Position: Business Performance
Accountant

Position: General Manager People and
Organisational Performance

Report Name: New Zealand Local Government Funding Agency - Annual Report 30 June 2021

Report Status

Open

Purpose - *Take*

1. To inform the Finance Committee on the New Zealand Local Government Funding Agency (LGFA) Annual Report 30 June 2021 and letter to shareholders.

Staff Recommendation - *Tuutohu-aa-kaimahi*

2. That the Finance Committee:
 - a) receives the report; and
 - b) notes the achievements highlighted in the cover letter to shareholders **Attachment 1** of the staff report.

Executive Summary - *Whakaraapopototanga matua*

3. The LGFA governance structure is comprised of the New Zealand Government (20%) and thirty Councils (80%), the LGFA Shareholders Council and the LGFA Board of Directors.
4. As a condition of Hamilton City Council's shareholding, we are required to receive relevant reporting.
5. The LGFA has an estimated market share of 79% of total council borrowing for the rolling twelve-month period to 30 June 2021. This is slightly lower than the previous year at 86%, however it remains high on a historical basis.
6. The Hamilton City Council remains compliant with all LGFA Financial Covenants.
7. The Annual Report 30 June 2021 reflects a Net Operating Surplus of \$12M, which is a 13% increase over the previous year's result. This exceeded the Statement of Intent (SOI) forecast.
8. The financial strength of the LGFA was affirmed by credit rating agency S&P Global Ratings, who upgraded the LGFA domestic credit rating to AAA (the highest possible rating). The LGFA's foreign currency rating is AA+.
9. The LGFA's Annual Report 30 June 2021 has been audited by KPMG, as appointed by the Auditor-General.

10. The audit was completed on 30 August 2021 and KPMG expressed an unqualified audit opinion.
11. Staff consider the matters in this report have a low level of significance and that the recommendations comply with Council's legal requirements.

Background - *Koorero whaimaarama*

12. The LGFA was established in December 2011 to provide long-dated borrowing, certainty of access to markets and to reduce the borrowing costs for the local government sector.
13. Total membership is now 72 out of the 78 councils in New Zealand due to the addition of Napier City, Central Otago, Kawerau, South Waikato and Waitaki District Councils over the past year.
14. Under section 8 of the LGFA's Statement of Intent (SOI), 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.

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

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

Wellbeing Considerations - *Whaiwhakaaro-aa-oranga tonutanga*

16. The purpose of Local Government changed on the 14 May 2019 to include promotion of the social, economic, environmental and cultural wellbeing of communities in the present and for the future ('the 4 wellbeings').
17. The subject matter of this report has been evaluated in terms of the 4 wellbeings during the process of developing this report as outlined below.
18. The recommendations set out in this report are consistent with that purpose.

Risks - *Tuuraru*

19. There are no known risks associated with this matter.

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

Significance

20. Having considered the Significance and Engagement Policy, staff have assessed that the matters in this report have a low level of significance.

Engagement

21. Community views and preferences are already known to the Council through the 2018-28 10-Year Plan and the 2020/21 Annual Plan.
22. Given the low level of significance determined, the engagement level is low, and no further engagement is required.

Attachments - *Ngaa taapirihanga*

Attachment 1 - Cover Letter to Shareholders

Attachment 2 - Annual Report 30 June 2021

30 August 2021

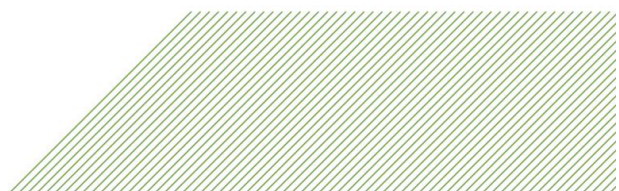
Dear Shareholder

LGFA 2021 Annual Report

I have attached our Annual Report for the 12-month period to 30 June 2021 as required under section 8 of our Statement of Intent (SOI). We are pleased to highlight another strong year for LGFA that included several achievements.

1. **We have made longer dated borrowing options available to an increased number of council borrowers**
 By 30 June 2021, LGFA had loans outstanding of \$12.10 billion. This is an increase over the past year of \$1.20 billion and we added five new council members to bring the number of member councils to seventy-two. Councils and CCOs can now borrow for terms out to sixteen years (2037). For the 12-month period to 30 June 2021, LGFA provided 79% of the sector borrowing and we are appreciative of the support from our borrowing councils.
2. **S&P Global Ratings upgraded our credit ratings following an upgrade to the Sovereign credit rating**
 Our domestic credit rating was upgraded to the highest possible rating of AAA by S&P Global Ratings while our foreign currency rating was also upgraded by one notch to AA+.
3. **New products and increasing focus on sustainability**
 LGFA launched standby facilities for councils as a new product during the year and by 30 June 2021 we had \$522 million of facilities in place with seven councils. CCO lending is now in place with our first CCO loan transacted after balance date. A substantial amount of work was undertaken on sustainability, and we have received ZeroCarbon certification from Toitū Envirocare. We are in the process of forming a sustainability committee and launching sustainable loans as a new product for councils in the coming year.
4. **A strong financial position has ensured a dividend payment of 3.512% for shareholders**
 The financial strength of LGFA has been enhanced with a record Net Operating Profit of \$12.0 million for the 2020/21 year and Shareholder Equity of \$94.7 million as at 30 June 2021. The value of our total assets is \$14.485 billion. A \$856,500 dividend has been declared by the LGFA Board for the year ended 30 June 2021 and we will be sending out the dividend notice to you shortly. The dividend rate is \$0.03426 per paid up share and will be paid to you on Friday 3 September.

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



A copy of the Annual Report is attached and is also available on our website www.lgfa.co.nz. If you would like a hard copy version, please contact jane.phelan@lgfa.co.nz.

We intend holding our Annual General Meeting (AGM) on Tuesday 23 November 2021 in Wellington and will send out a Notice of AGM by Thursday 30 September 2021.

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

Kind regards

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

Mark Butcher
Chief Executive

ANNUAL REPORT
30 June 2021

Benefiting
communities through
delivering efficient
financing for local
government.

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



Whakaora Te Ahuriri project
Environment Canterbury

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

Message from the Chair and Chief Executive

He karere mai i te Toihau me te Tumuaki

For the year ended 30 June 2021

2020-21 was a year of achievements with record profitability, record lending and issuance volumes, a credit rating upgrade to 'AAA' and CarbonZero certification. We welcomed new members and launched new products while successfully navigating the financing challenges arising from COVID-19.

On behalf of the directors and management of LGFA, we are pleased to record another period of strong financial and non-financial performance to 30 June 2021 and to highlight the following developments over the past year.

Strong Financial and Operational Performance

LGFA total interest income for the financial year of \$377.2 million was a 1.9% increase over the 2019-20 financial year result of \$370.2 million while net operating profit of \$12.0 million for the financial year was a 13.0% increase over the 2019-20 financial year result of \$10.6 million.

Both net interest income and operating profit were at record levels and exceeded the Statement of Intent (SOI) forecasts due to the larger than expected growth in council loans and the liquid asset portfolio (LAP). Higher interest rates increased income on the LAP and the introduction of standby facilities as a new product for councils generated additional revenue.

Expenses have been managed under the SOI budget over the financial year, primarily due to reduced utilisation of the NZDM standby facility and fewer Approved Issuer Levy (AIL) payments due to lower offshore investor holdings relative to forecast were positive. These savings were offset by higher legal and NZX costs associated with increases in both council lending and LGFA bond issuance.

Credit rating upgraded to AAA

A highlight over the past year was S&P Global Ratings upgrading our long-term credit ratings to 'AAA' (local currency) and 'AA+' (foreign currency) on 22 February 2021. This followed the upgrading of the New Zealand Government long term local currency credit rating to 'AAA'. Fitch Ratings have maintained our local currency credit rating at 'AA+' and our foreign currency credit rating at 'AA' with a positive outlook. Importantly, both rating agencies have LGFA at the same credit rating as the New Zealand Government.

Borrowing activity

LGFA issued a record \$3.27 billion of bonds over the financial year and bonds on issue now total \$13.68 billion (including \$1 billion of treasury stock) across ten maturities from 2022 to 2037. The amount issued during the year was significantly more than the average historical issuance amount of \$1.6 billion per financial year. The average term of our bond issuance during the year at 8.7 years was also longer than the prior year.

LGFA is the largest issuer of New Zealand dollar securities after the New Zealand Government and our bonds are amongst the largest and most liquid New Zealand dollar debt instruments available for investors. It is pleasing to note increased activity in the secondary market in our bonds.

The performance of LGFA bonds over the past year was positive with LGFA bond spreads to NZGB little changed across the yield curve except for a 15 basis points (bps) tightening in the 2033 maturity. LGFA bond spreads to swap did however tighten, reflecting the underlying positive credit market sentiment with spreads narrowing between 19 bps (2022 maturity) to 39 bps (2033 maturity). Outright yields rose between 30 bps (2022 maturity) and 67 bps (2027 maturity) over the year.

Lending to the sector

LGFA was established in December 2011 to provide long-dated borrowing, certainty of access to markets and to reduce the borrowing costs for the local government sector. The original 31 shareholders including the Crown, remain as shareholders. Over the past year, we added five new members with Napier City, Central Otago, Kawerau, South Waikato and Waitaki District Councils joining. Total membership is now 72 out of the 78 councils in New Zealand.

Long-dated lending to councils over the 2020-21 year was a record \$2.86 billion as councils refinanced their May 2021 loans and increased their borrowing to finance infrastructure projects. Our estimated market share of total council borrowing of 79% was slightly lower than the previous year but remained high on an historical basis. The average tenor of long-dated borrowing by councils of 6.9 years over the 12-month period was significantly longer than the prior year's 5.4 years.

Short-dated lending for terms less than 12 months continues to be supported by councils and as at 30 June 2021, LGFA had \$287 million of short-term loans outstanding to 25 councils.

Congratulations Western Bay of Plenty District Council – winner of the coveted LGFA Supreme Award, 2021 LGFA Taituarā Local Government Excellence Awards



LGFA Chair Craig Stobo with Miriam Taris, Chief Executive at Western Bay of Plenty District Council and Gary Allis, Deputy Chief Executive.

The impact from COVID-19 and Three Waters Reform Programme on the sector and LGFA

The local government sector has faced a year of change and uncertainty having to deal with several climate related events, COVID-19 and two Central Government led initiatives relating to the Three Waters Reform Programme and Future for Local Government Review.

The sector has displayed great resilience to the impact from COVID-19. Most councils did not experience a significant reduction in revenue which meant their operational performance was not impacted as much as initially feared. Additional support for the local authority sector has been signalled by the Government through the \$761 million first tranche of the water reform funding and the \$2.6 billion package for 'shovel-ready' infrastructure projects. This enabled councils to plan for an increase in their capital expenditure programmes which in turn acted to boost economic activity within their local economies.

While LGFA has experienced a large increase in borrowing demand from councils over the past year, the debt capital markets have been favourable for borrowers. The lowering of the Official Cash Rate (OCR) by the Reserve Bank of New Zealand (RBNZ) to 0.25% incentivised investors to seek higher yielding fixed income investments such as LGFA bonds. The RBNZ also adopted several quantitative easing tools to provide additional monetary policy stimulus to the economy such as the inclusion of LGFA Bonds into the Large Scale Asset Programme (LSAP). This assisted LGFA in issuing a larger amount of bonds with a longer duration than normal.

LGFA is assisting on an as required basis, both Central Government and our council members as they work through the Three Waters Reform Programme. The Government's proposed Three Water Reform Programme will be the largest change to the local authority sector in 30 years. The Government have proposed that local authorities will be assisted through the transition process and that a support package will be provided to councils to ensure that no council will be left financially worse off following the transfer of their water assets.

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

New products and initiatives

We continue to look to innovate with our products for councils. During the year we launched standby facility agreements for councils and by 30 June 2021 we have \$515 million of agreements in place with seven councils. This has in part led to an increase in the size of the LAP by \$568 million over the past year to a record \$1.82 billion as we support our written standbys with liquid assets.

We sought approval from shareholders to lend to council-controlled organisations (CCOs) last year and this has been more complex than expected due to the unique and more complex nature of CCOs compared to councils. However, we have made good progress and are confident that we will undertake our first loan to a CCO early in the new financial year.

Increasing focus on sustainability

Sustainability plays an important part within the local government sector and at LGFA.

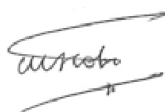
Last year's annual report was our first report prepared to meet the requirements of the Global Reporting Initiative (GRI) Standards (core option) and we have carried this over into this annual report.

We have over the past year continued to increase our focus on sustainability with the appointment of a Head of Sustainability to the LGFA management team. This key position will assist the development of our sustainable lending programme for councils in the coming year and introduce several other sustainability initiatives across the wider organisation.

We are also delighted to have received CarbonZero certification from Toitu Envirocare during the year and as an organisation we are committed to reducing our carbon emissions.

Acknowledgments

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



Craig Stobo
Chair



Mark Butcher
Chief Executive



Performance highlights

Ko ngā tino hua

Bonds issued over the financial year

\$3,270
million

Lending to councils over the financial year

\$2,858
million

Net operating profit

\$12.0
million

Total interest income

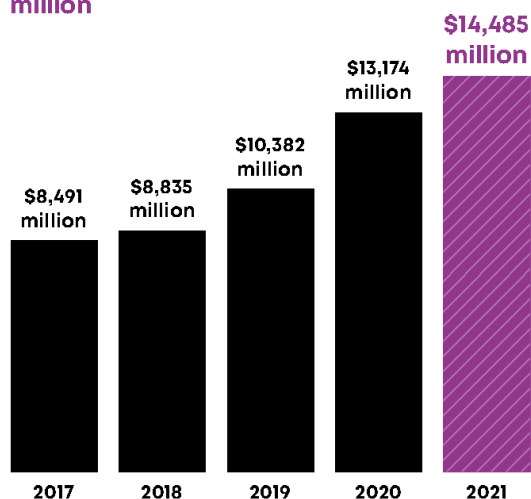
\$377.2
million

 **13.0%**
Increase over 2019-20 year

 **1.9%**
Increase over 2019-20 year

Total assets at 30 June 2021

\$14,485
million

**Liquidity** at 30 June 2021

\$392 million
Cash

\$768 million
Marketable securities

\$655 million
Deposits

\$1,000 million
Treasury stock for repurchase

\$500 million
Government committed
liquidity facility

Shareholder funds
at 30 June 2021

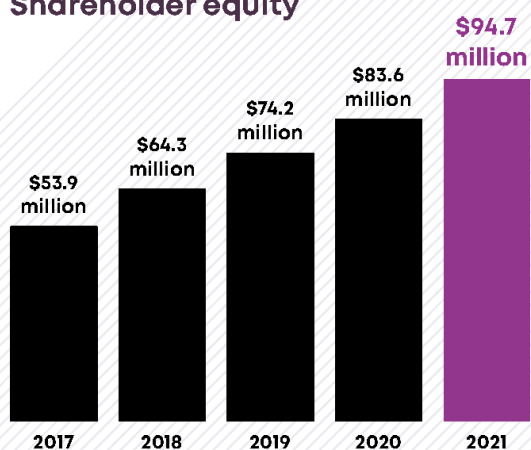
\$94.7
million

**Fully paid
shares**

\$25.0
million

**Retained
earnings**

\$69.7
million

Shareholder equity**Borrower notes**

\$224
million

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

Performance against objectives

Ko ngāwhakatutukinga ki ngā whāinga

The statement of service performance details LGFA's performance against the objectives and targets set out in the LGFA Statement of Intent 2020-21 (SOI)

2020-21 performance objectives

The SOI sets out two primary performance objectives and seven additional objectives for the year ended 30 June 2021.

Primary objectives

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

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

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

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

Additional objectives

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

LGFA will:

- Maintain LGFA's credit rating equal to the New Zealand Government sovereign rating where both entities are rated by the same Rating Agency.
- Provide at least 85% of aggregate long-term debt funding to the Local Government sector.
- Achieve the financial forecasts for net interest income and operating expenses, including provision for a shareholder dividend payment in accordance with approved dividend policy.
- Meet or exceed the Performance Targets.
- Comply with the Health and Safety at Work Act 2015.
- Comply with the Shareholder Foundation Policies and the Board-approved Treasury Policy at all times.
- Assist the local government sector with their COVID-19 response.

Performance against primary objectives

This section sets out LGFA's performance for the year ended 30 June 2021 against the two primary objectives set out in the 2020-21 SOI.

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

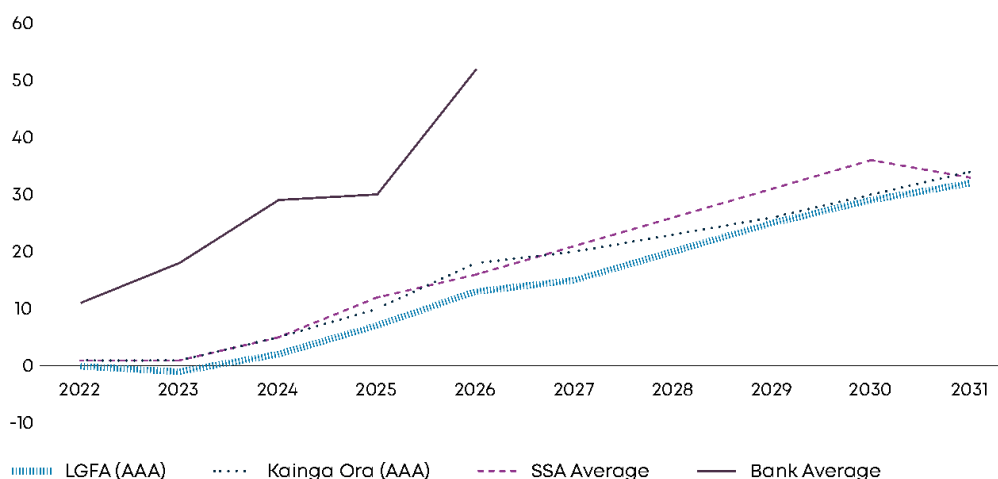
Providing interest cost savings relative to alternative sources of financing;

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

LGFA lending base margin was 20 bps for all borrowing terms for the 2020-21 year, which covers our operating costs and also provides for capital to grow in line with increases in our balance sheet. There is an additional credit margin added to the base margin depending upon whether a council has a credit rating or is a guarantor or non-guarantor of LGFA.

The following chart shows a comparison of LGFA borrowing spreads to swap compared with bank, Kainga Ora and SSA issuers in the New Zealand domestic market.

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



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

Both short and long-term borrowing have been well supported by member councils:

- As at 30 June 2021 there were \$287 million of short-term loans outstanding to 25 councils, with loan terms ranging between one month and 12 months.
- Over the year ended 30 June 2021, 57 councils borrowed \$2,858 million in 421 new long-term loans, across 62 maturity dates ranging between 2021 and 2037.

In July 2020, LGFA issued a new April 2037 bond providing councils with the opportunity to extend their long-term borrowing. The weighted average borrowing term by councils over the year ended 30 June 2021 (excluding short-dated borrowing) was 6.9 years.

In December 2020, LGFA launched Standby Facility Agreements as a new product that will help reduce overall financing costs for councils. As at 30 June 2021, seven councils had entered into standby agreements with LGFA totalling \$515 million.

Delivering operational best practice and efficiency for its lending services;

Over the 12 months, LGFA operations successfully settled, without error, 1,407 new trades and 11,368 cash flows in excess of \$24 billion.

In the latest stakeholder survey result in August 2020, respondents recorded a 94% satisfaction result to the question "How satisfied are you with the LGFA settlement process?"

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

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

Over the twelve months, LGFA issued a record \$3,270 million in bonds, through nine tenders and two syndications. There were twelve bill tenders over the year, with \$610 million of bills on issue at 30 June 2021. LGFA uses proceeds from LGFA bills and LGFA bond issuances to fund lending to councils and invests the balance in our liquid asset portfolio.

LGFA maintains an Australian Medium-Term Notes Programme which, to date, has not been used but which provides LGFA with additional flexibility if there is a market disrupting event in the future.

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

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

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

Participating Borrowers are required to complete annual compliance certificates by the end of November each year. We have received compliance certificates from all Participating Borrowers and all remained compliant as at 30 June 2020.

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

No council has yet to request to LGFA that they be measured on a group basis.

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

Following the lifting of COVID-19 travel restrictions, LGFA commenced council visits in the later months of 2020. Notwithstanding the later start to visits, LGFA met with all council members over the 12 months.

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

Over the year, LGFA management met with representatives from Reserve Bank of New Zealand, Department of Internal Affairs, Office of the Auditor General, Taituarā, the New Zealand Debt Management section of the Treasury (NZDM) and members of the Three Waters Reform Group. We held investor conference calls for investors and banks relating to bond issuance and provided updates on the impact on the local government sector from COVID-19 and the proposed water industry reforms.

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



West Melton stopbank.
Environment Canterbury

Additional objectives

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

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

LGFA has an annual review process for our credit ratings from S&P Global Ratings and Fitch Ratings and meets with both agencies at least annually. Formal review meetings were last held in November 2020 with S&P Global Ratings and in October 2020 with Fitch.

- **S&P Global Ratings.** On 22 February 2021, S&P Global Ratings raised their long-term ratings on LGFA to 'AA+' foreign-currency and 'AAA' local-currency and affirmed the short-term ratings at 'A-1+'. Both ratings are on stable outlook and the same as the New Zealand Government.
- **Fitch Ratings (Fitch).** On 4 November 2020, Fitch reaffirmed our long-term local currency credit rating as 'AA+' and classified LGFA as a government related entity (GRE) under its GRE rating criteria. Fitch equalises our ratings with those of the New Zealand Government. Our foreign currency credit rating of 'AA' remains on positive outlook.

Provide at least 85% of aggregate long-term debt funding to the Local Government sector.

LGFA's estimated market share of 79% for the rolling twelve-month period to 30 June 2021 and our market share is strong compared to our global peers.

Over the 12 months, five new councils became members of LGFA, lifting total participating members to 72. Napier City Council, South Waikato, Waitaki and Central Otago District Councils joined as guarantors and Kawerau District Council joined as a non-guarantor.

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

Net interest income (NII) for the year was \$19.537 million, which was \$0.708 million over budget, while expenses of \$7.714 million were \$0.255 million below budget. Net operating profit of \$12.007 million was \$1.146 million above budget.

Included in the NII is the unrealised mark-to-market movement in fixed rate swaps that are not designated effective for hedge accounting

purposes. These swaps reduce exposure to fixed rate loans made outside of the normal tender process and to reduce mismatches between borrowing and on-lending terms in our balance sheet. Over the year, there was an unrealised gain on these swaps of \$1.12 million.

Operating expenses for the year were \$7.714 million which is \$0.255 million below budget.

- **Issuance and on-lending costs** at \$2.621 million were \$0.090 million below budget. Higher issuance and lending volumes than forecast resulted in higher costs for NZX, legal and registry, offset by lower costs for the NZDM facility fee.
- **Other operating costs** at \$4.038 million were \$0.013 million below budget. Lower travel / accommodation and information technology costs were key drivers for the overall positive variance, offset by higher legal costs than forecast and personnel costs, primarily due the recruitment of new positions which were not included in budget.
- **Approved Issuer Levy (AIL)** payments of \$1.055 million were \$0.152 million below budget. We pay AIL on behalf of offshore investors at the time of semi-annual coupon payment and offshore investor holdings are just below our SOI forecasts.

Comply with the Health and Safety at Work Act 2015.

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

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

There were no compliance breaches during the year.

Assist the local government sector with their COVID-19 response.

On 30 June 2020, in response to COVID-19, shareholders approved a change to LGFA's Foundation Policy covenants to provide short term relief to councils from any temporary reduction in revenue and to allow councils to coinvest alongside central Government in infrastructure projects. For the financial year ending 30 June 2021, the net debt/total revenue covenant for borrowers with an external credit rating of at least 'A+' has been increased from 250% to 300%.

In addition to this direct response:

- LGFA continues to provide input into the Ratepayer Financing Scheme project that, if successful, could offer temporary financial relief to ratepayers via rates postponement.
- The new Standby Facility Agreement product will provide greater certainty of access to emergency funding for councils at a lower cost than going to the traditional bank provider.
- LGFA has extended the longest dated borrowing maturity for councils from 2033 to 2037 to enable councils to better match assets with liabilities and to benefit from record lows in interest rates and borrowings spreads.

Performance Targets

Performance measure	Result for the 12 month period to 30 June 2021	Outcome
LGFA net interest income for the period to June 2021 will be greater than \$18.8 million	\$19.537 million	✓
Annual issuance and operating expenses (excluding AIL) will be less than \$6.8 million	\$6.659 million	✓
Total nominal lending (short and long term) to participating councils to be at least \$9.79 billion	\$12.039 billion	✓
Conduct an annual survey of councils and achieve 85% satisfaction score as to the value added by LGFA to council borrowing activities	August 2020 survey outcome of 98.8%	✓
Meet all lending requests from PLAs	100%	✓
Achieve 85% market share of all council borrowing in New Zealand	79%	✗
Review each PLA financial position, its headroom under LGFA policies and arrange to meet each PLA at least annually	All councils visited	✓
No breaches of Treasury Policy, any regulatory or legislative requirements including H&S	No breaches	✓
Successfully refinance existing loans to councils and LGFA bond maturities as they fall due	100%	✓
Maintain a credit rating equal to the New Zealand Government rating where both entities are rated by the same credit rating entity	'AA+/AAA'	✓

About us

Mō mātou

Establishment

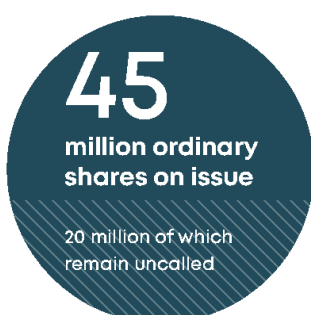
The New Zealand Local Government Funding Agency Ltd (LGFA) specialises in financing the New Zealand local government sector, the primary purpose being to provide more efficient financing costs and diversified financing sources for New Zealand local authorities. LGFA was established to raise debt on behalf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

Incorporated on 1 December 2011
under the Companies Act 1993

Enabled by Local Government
Borrowing Act 2011

Council-controlled organisation
under the Local Government Act 2002

Ownership



20%
New Zealand
Government

80%
30 Councils

Share ownership is restricted
to New Zealand Government
or councils.

Governance overview

New Zealand
Government

20%

shareholding

30 Councils

80%

shareholding

31 Shareholders

New Zealand Government shareholding will reduce to 11.1% if a future call is made on the uncalled capital of the 30 council shareholders.

**Shareholders'
Council**

Page 53

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

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

LGFA Board

Page 46

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

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

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



Bonds listed
on NZX Debt
Market

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

**Supervised by
independent
trustee**

Guarantee structure

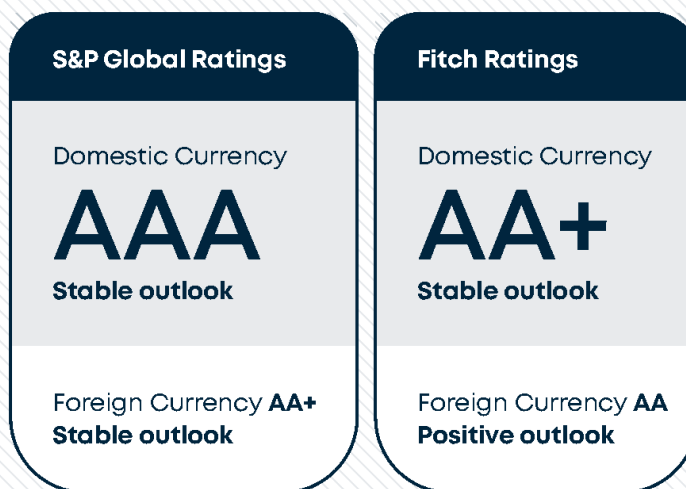
All shareholder councils are guarantors as well as councils with total borrowings over \$20 million.

.....

LGFA's securities obligations are guaranteed by council guarantors.

.....

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

Credit rating at 30 June 2021**Our brand**

The 2021 LGFA Annual Report, our milestone 10th annual report since incorporation in 2011, celebrates 10 years of operations and outlines our forward commitment to providing councils with sustainable lending opportunities, having established ourselves as New Zealand's largest financier of council infrastructure. So, as we enter our second decade of operations, LGFA has updated our brand to reflect this commitment.

The fern leaf

The fern leaf, an iconic symbol for New Zealand, has been integral to the LGFA logo since we incorporated in 2011.

Amongst other things, the fern leaf symbolises New Zealand's clean green image as recognised globally and, by such, retaining the fern leaf in our logo not only links to our company's history, but reinforces our strategic commitment to offer future sustainable borrowing and investment opportunities.

The infrastructure cog

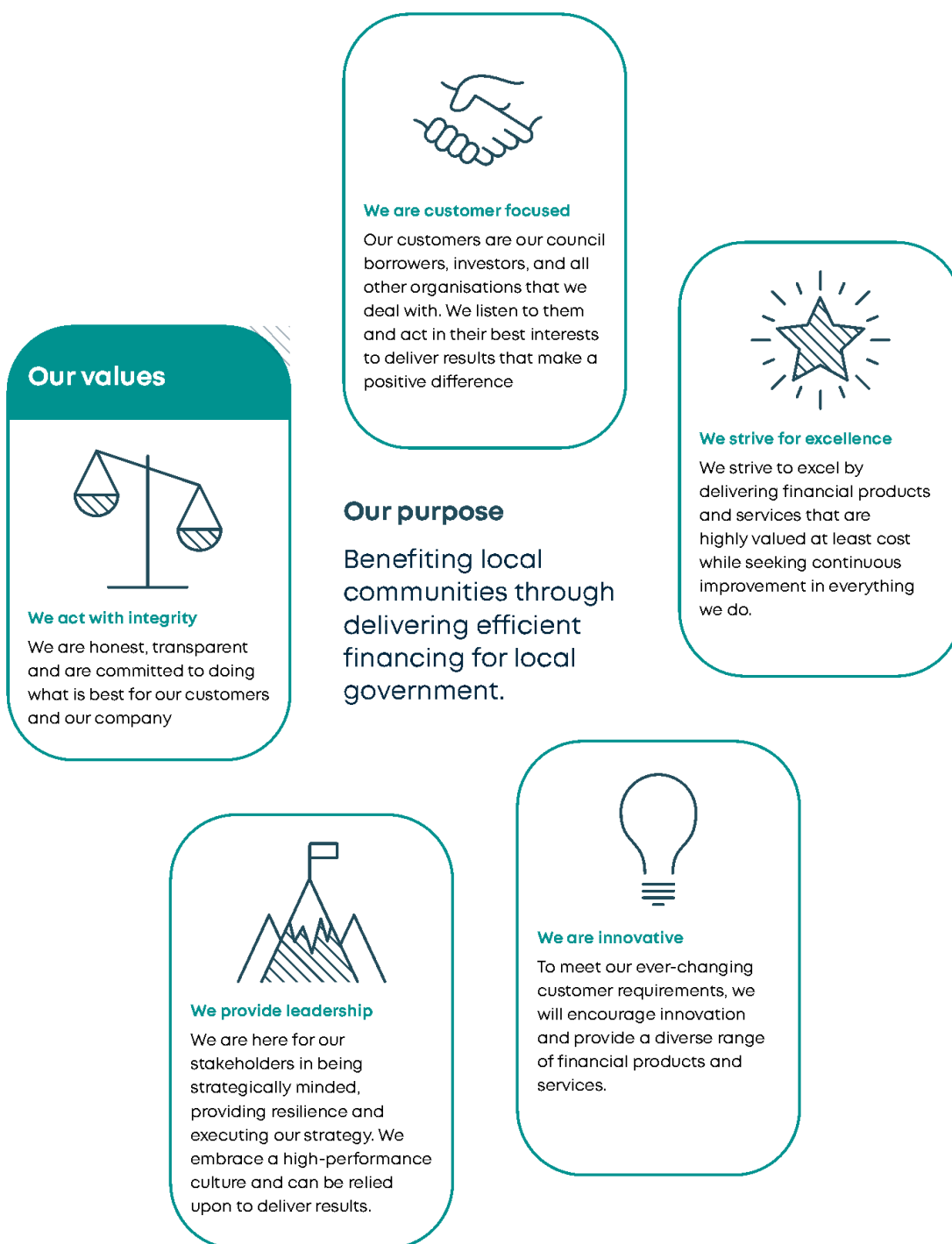
LGFA is New Zealand's major financier for local government investment in infrastructure renewal.

The symbol of a cog is widely used to represent infrastructure and incorporating this into our logo reflects the significant role LGFA plays in financing New Zealand's infrastructure.

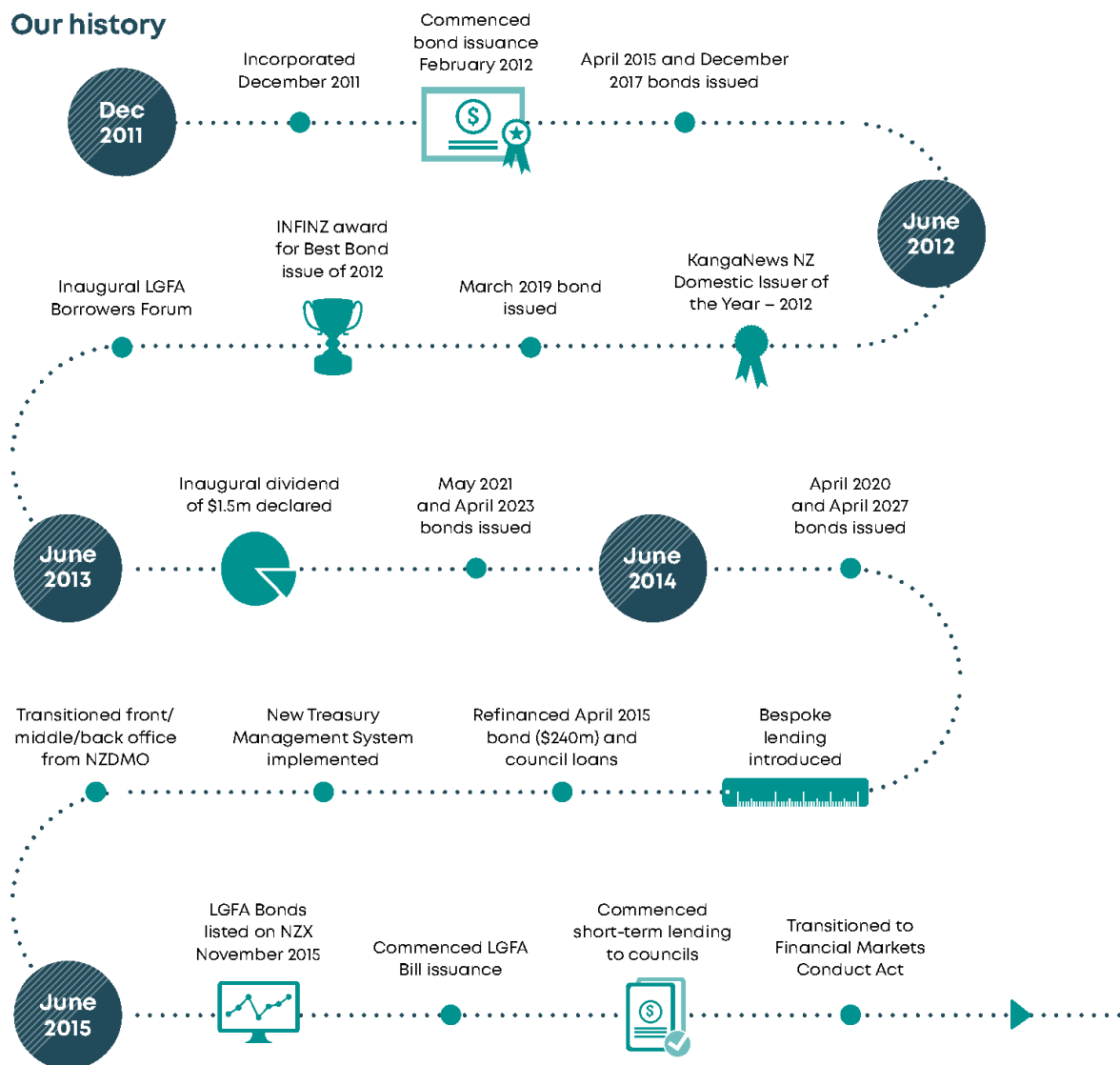
Sustainable borrowing for infrastructure development

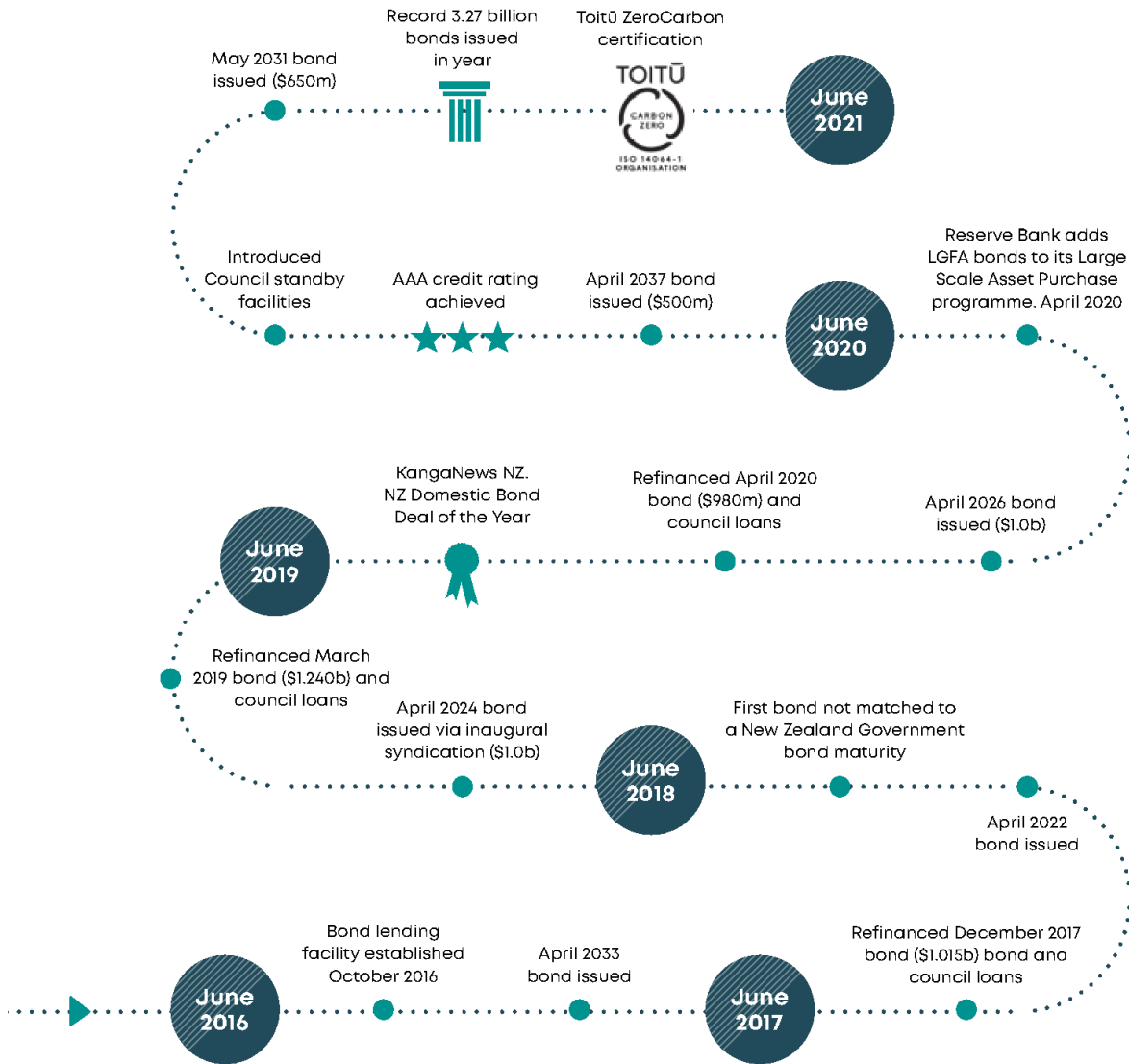
Our new logo brings together the fern and cog, symbolising LGFA's commitment to financing sustainable infrastructure development and for providing investors access to sustainable investment.

2011**2014****2021**



Our history





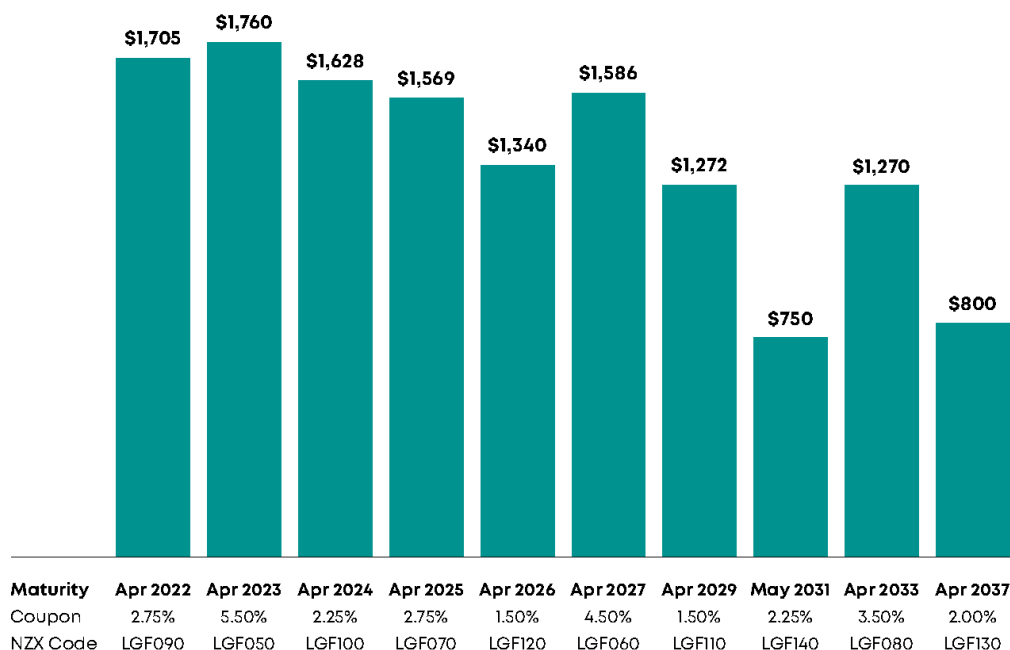
LGFA bonds on issue

Ko ngā pūtea taurewa
pūmau kua tukuna e te LGFA

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

As 30 June 2021 : NZ\$13,680 million

Includes NZ\$1,000 million treasury stock (refer note 16, page 73)



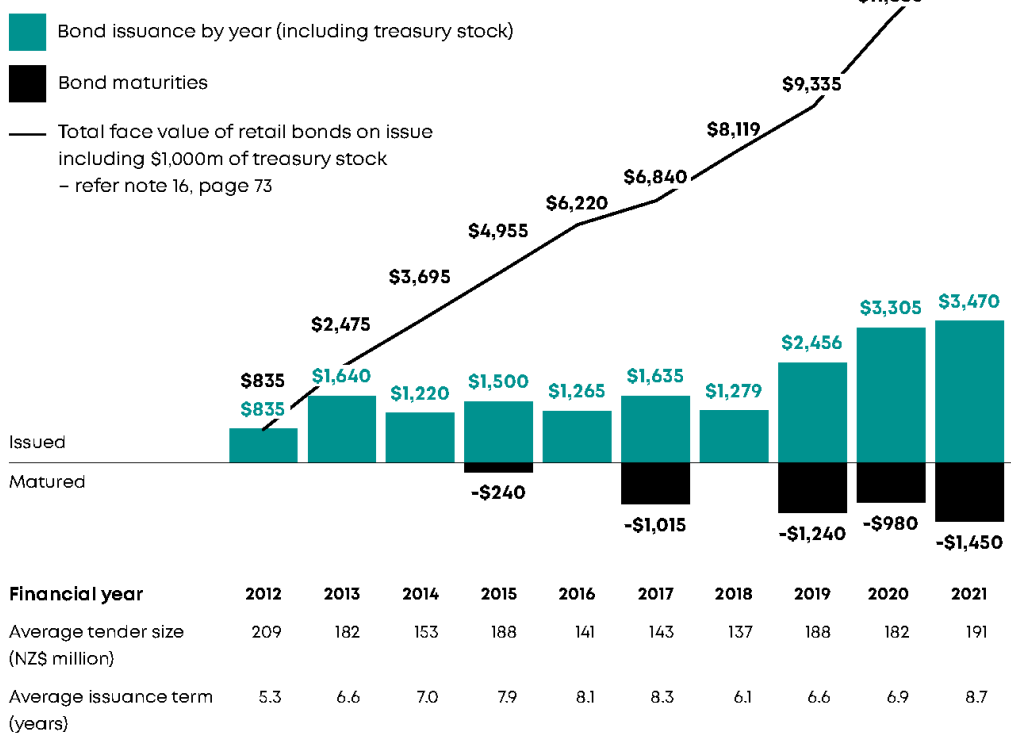
In addition to the retail bonds listed on the NZX, LGFA have \$130 million of wholesale floating rate notes on issue.

How we issue bonds

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

- Preferred bond tender sizes are between NZ\$150 million to NZ\$200 million with at least three maturities offered at each tender.
- LGFA bonds match NZ Government Bonds where possible for maturity and coupon.
- Approved Issuer Levy is paid on behalf of offshore holders.
- Target issuance of NZ\$1 billion plus per series over time with a soft cap of \$1.75 billion per series to support market liquidity.
- All bonds have been issued in New Zealand dollar (NZD) to date, but have capability to issue non-NZD bonds if required.
- All LGFA retail bonds are listed on the NZX.

Our issuance history (NZ\$ million, face value)



New bond maturities issued in the year to June 2021

May 2031 : May 2037
2.25% : 2.00%

LGFA is New Zealand's largest...

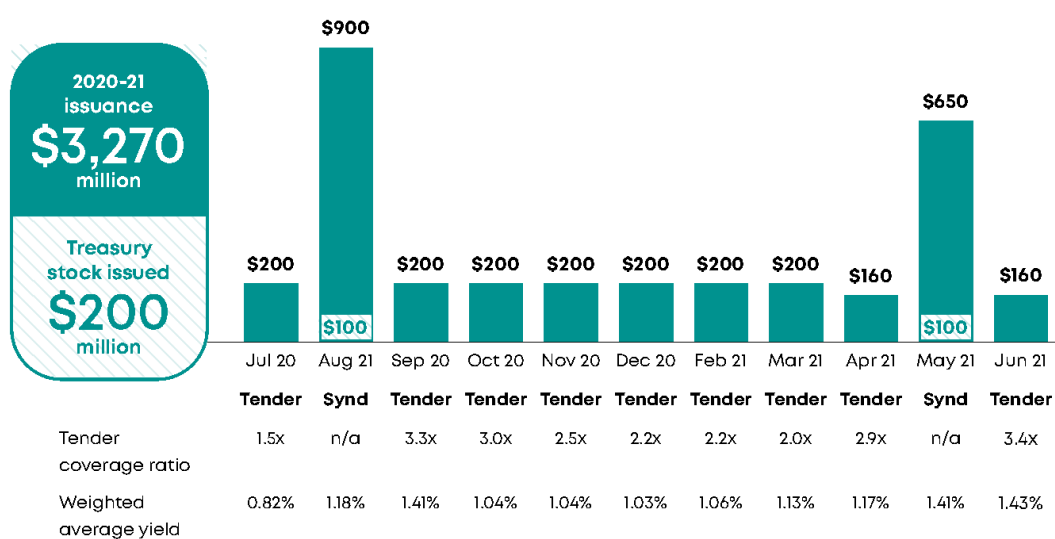
domestic issuer of NZD domestic bonds (excluding New Zealand Government) : issuer of debt listed on the NZDX

2020-21 issuance by maturity (NZ\$ million, face value)

LGFA bond issuance by bond maturity over the 12-month period to 30 June 2021

Tenders	Apr 22	Apr 23	Apr 24	Apr 25	Apr 26	Apr 27	Apr 29	May 31	Apr 33	Apr 37	Total
8 Jul 20	50	-	50	-	50	-	50	-	-	-	200
9 Sep 20	-	-	50	-	-	50	50	-	50	-	200
7 Oct 20	-	50	-	-	50	-	50	-	50	-	200
12 Nov 20	-	-	-	60	-	50	60	-	-	40	210
16 Dec 20	-	60	-	-	50	-	50	-	-	30	190
3 Feb 21	-	-	60	-	-	60	40	-	-	40	200
10 Mar 21	-	-	40	-	50	-	60	-	-	50	200
15 Apr 21	-	-	40	-	40	-	40	-	-	40	160
9 Jun 21	-	-	40	-	-	-	80	-	40	-	160
2020/21 tender issuance	50	110	280	60	240	160	480	-	140	200	1,720
2020/21 syndication	400	-	-	-	-	-	-	650	-	500	1,550
Total 2020/21 issuance	450	110	280	60	240	160	480	650	140	700	3,270
Prior issuance	1,155	1,550	1,248	1,409	1,000	1,326	692	-	1,030	-	9,410
Total bonds excluding Treasury Stock	1,605	1,660	1,528	1,469	1,240	1,486	1,172	650	1,170	700	12,680
Treasury stock	100	100	100	100	100	100	100	100	100	100	1,000
Total bonds on issue	1,705	1,760	1,628	1,569	1,340	1,586	1,272	750	1,270	800	13,680

2020-21 issuance by month (NZ\$ million, face value)



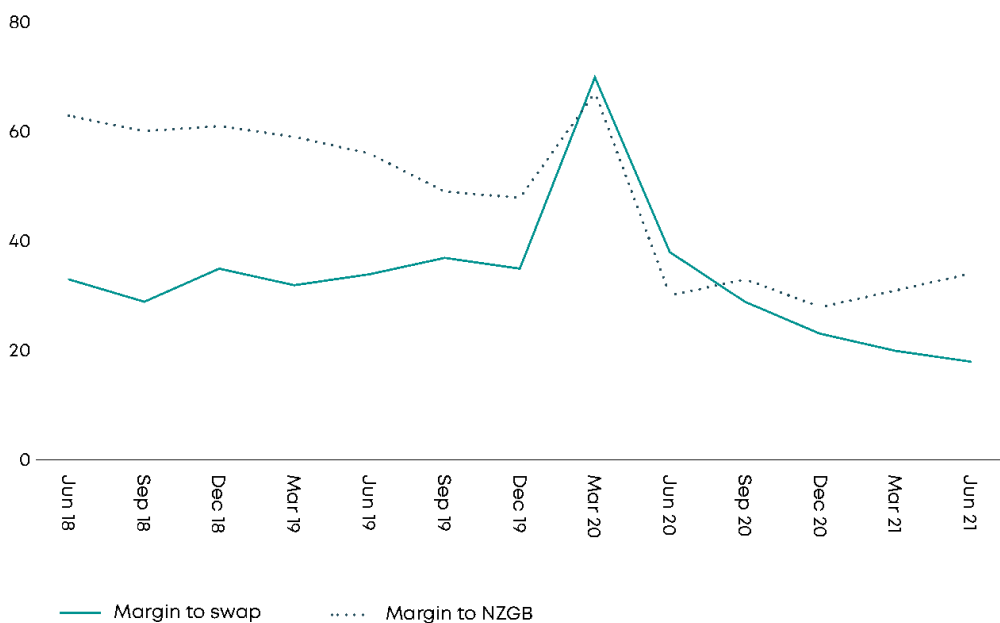
LGFA bond margins (basis points)

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

Margin to swap	Apr 22	Apr 23	Apr 24	Apr 25	Apr 26	Apr 27	Apr 29	May 31	Apr 33	Apr 37
30 June 2020	18	25	32	40	45	48	57	n/a	69	n/a
30 June 2021	0	(1)	2	7	13	15	25	33	39	51
Annual change	(18)	(26)	(30)	(33)	(32)	(33)	(32)	n/a	(30)	n/a

Margin to NZGB	Apr 22	Apr 23	Apr 24	Apr 25	Apr 26	Apr 27	Apr 29	May 31	Apr 33	Apr 37
30 June 2020	13	18	22	31	34	36	44	n/a	58	n/a
30 June 2021	9	22	26	31	36	40	43	44	43	44
Annual change	(4)	4	4	0	2	4	(1)	n/a	(15)	n/a

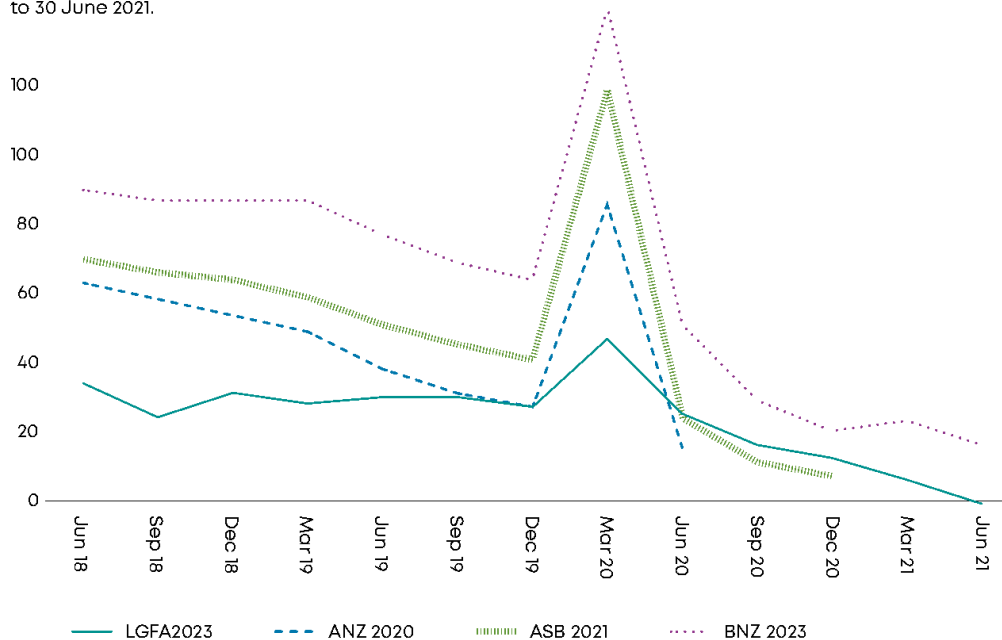
LGFA bond margins to swap over NZGB over the 36 months to 30 June 2021 (basis points)



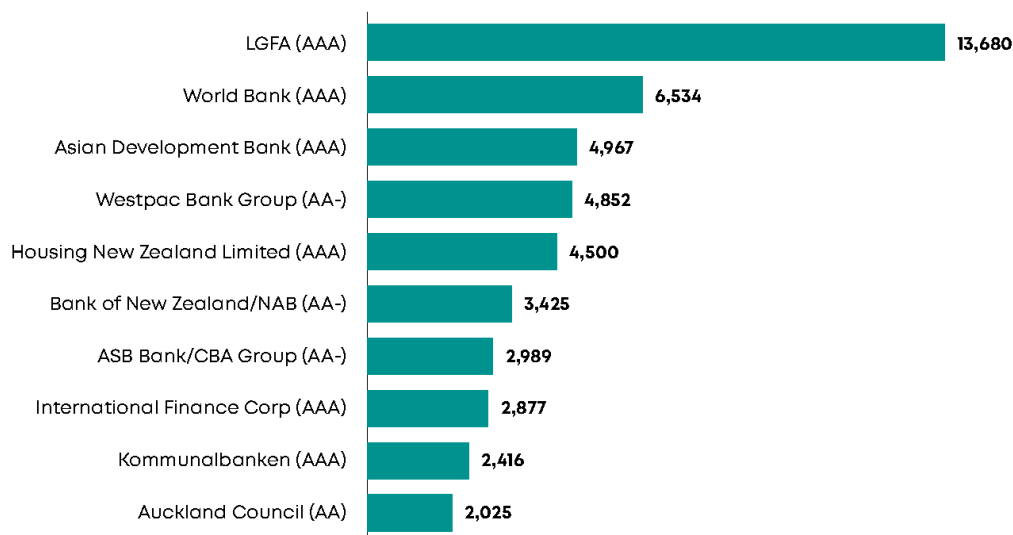
Average of all LGFA bonds outstanding; Secondary market levels as at end of each month taken from end of month closing rate sheets published by NZ banks.

Secondary market credit spread to swap for LGFA and bank bonds (basis points)

Secondary market credit spread for LGFA against New Zealand bank bonds over the 36 months to 30 June 2021.

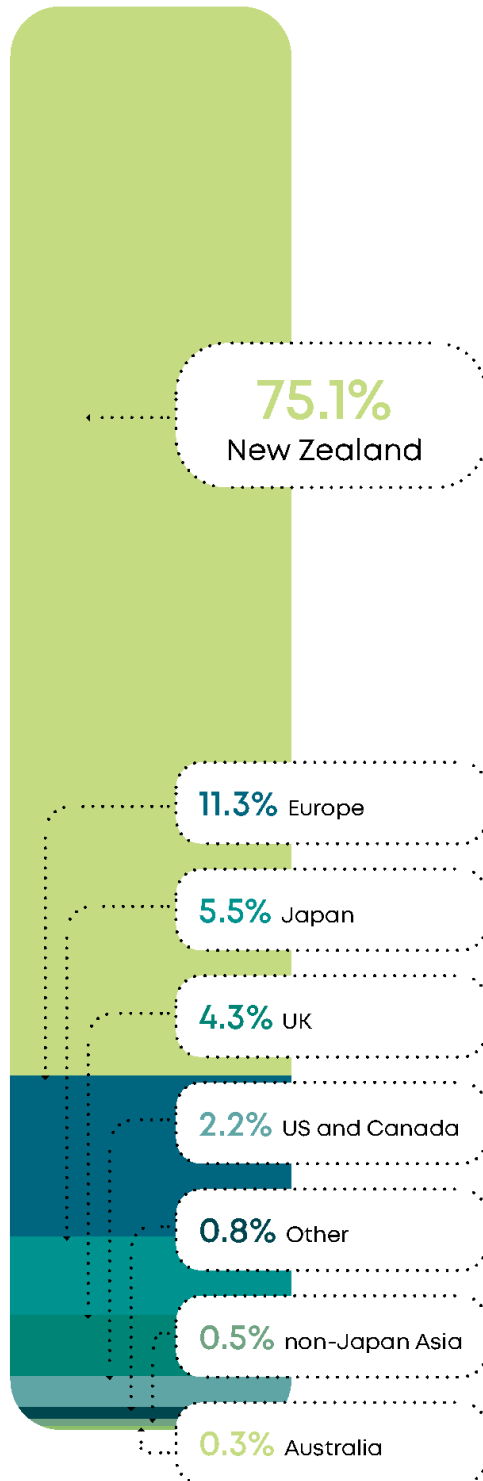


Top 10 issuers of NZD bonds on issue NZD \$billion as at 30 June 2021

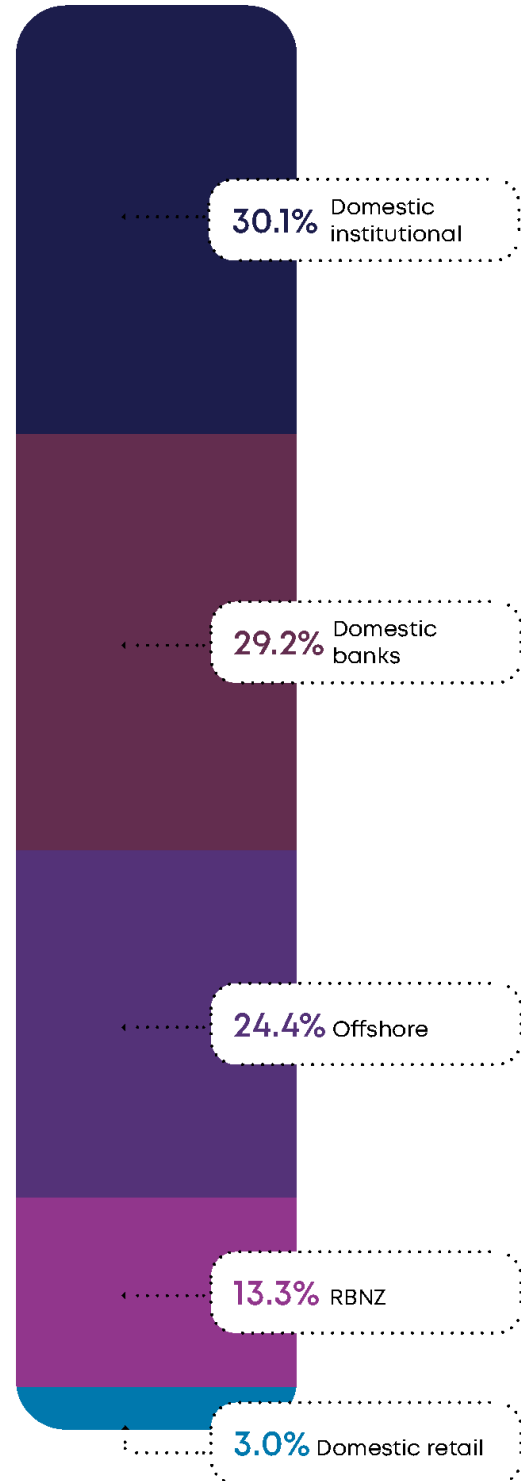


LGFA estimation based on aggregation of Bloomberg data

LGFA bond holders by country of residence as at 31 March 2021



LGFA bond holders by investor group as at 30 June 2021



Member councils

Ko ngā kaunihera e noho mema ana

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

Among other things this includes:

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

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

As at 30 June 2021

30

member councils
are shareholders

72

member councils
were eligible to
borrow from LGFA

63

member councils
were guarantors
of LGFA

Total member council borrowings at 30 June 2021

(NZ\$ million)

Member type	Number of councils	Amount borrowed	% of total borrowings
Guarantors	61	12,014	99.6%
Non guarantors	6	53	0.4%
Total	67	12,067	100%

Member	Amount borrowed	% of total borrowings
Auckland Council	3,304	27.4%
Christchurch City Council	1,966	16.3%
Wellington City Council	793	6.6%
Tauranga City Council	517	4.3%
Hamilton City Council	481	4.0%
Greater Wellington Regional Council	451	3.7%
Kapiti Coast District Council	230	1.9%
Rotorua District Council	228	1.9%
Hastings District Council	205	1.7%
Hutt City Council	201	1.7%
Other councils	3,691	30.6%
	12,067	100%

79%

LGFA's estimated market share of local government debt

Loans to Auckland Council are limited to a maximum of

40%

of total loans

THE NUMBERS

Over the 12 months to 30 June 2021

57

member councils

\$2,858

million total borrowed

241

individual term loans

6.9

average borrowing years

At 30 June 2021

\$287

million of short term loans

25

member councils with outstanding loans

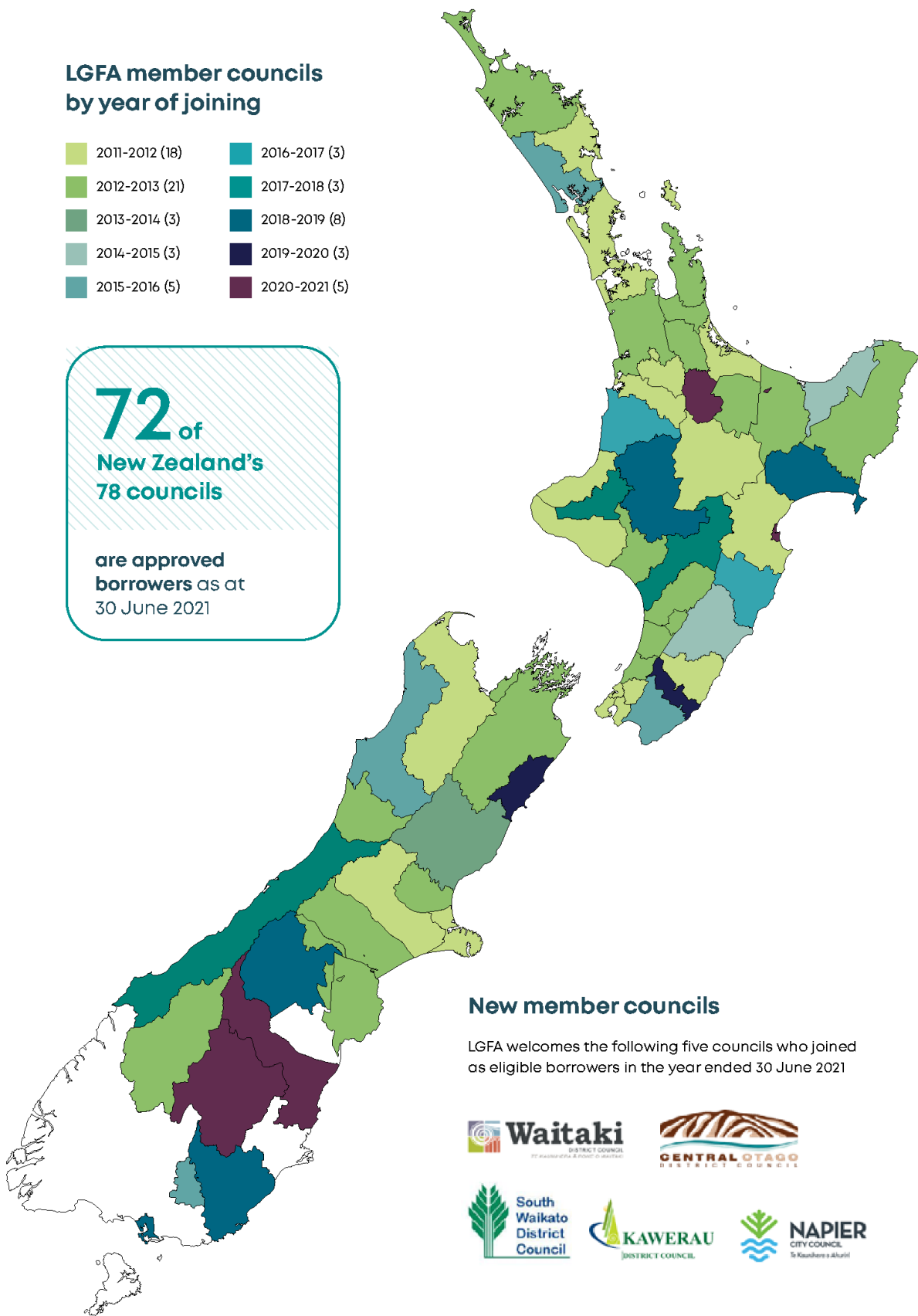
Member councils are required to comply with LGFA financial covenants at all times

**LGFA member councils
by year of joining**

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

72 of
New Zealand's
78 councils

are approved
borrowers as at
30 June 2021



New member councils

LGFA welcomes the following five councils who joined
as eligible borrowers in the year ended 30 June 2021



Member councils by year of joining

North Island

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

South Island

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

86%

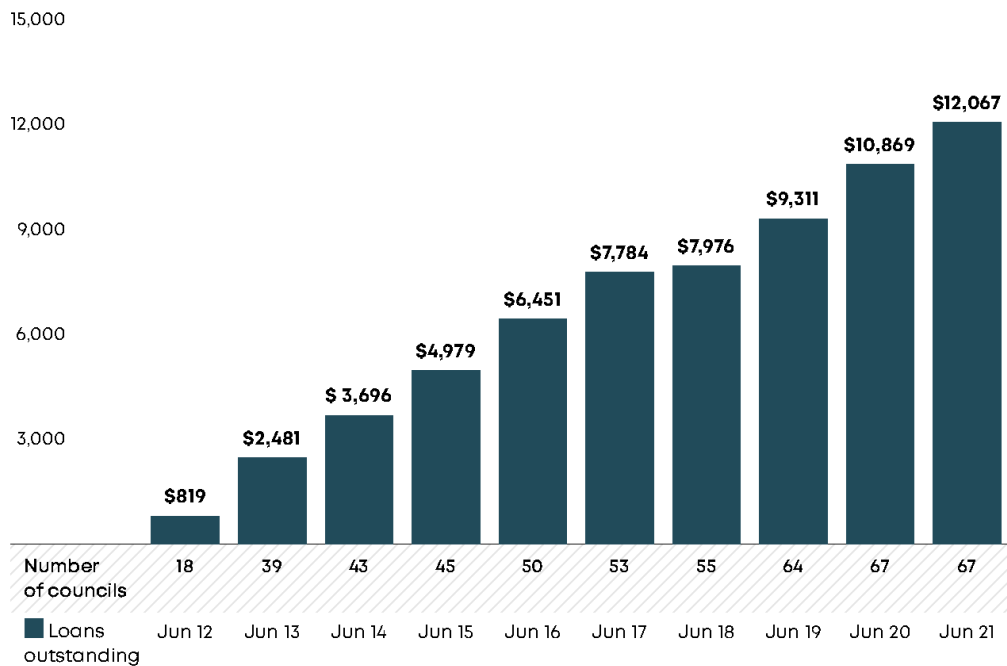
loans to councils with

AA-

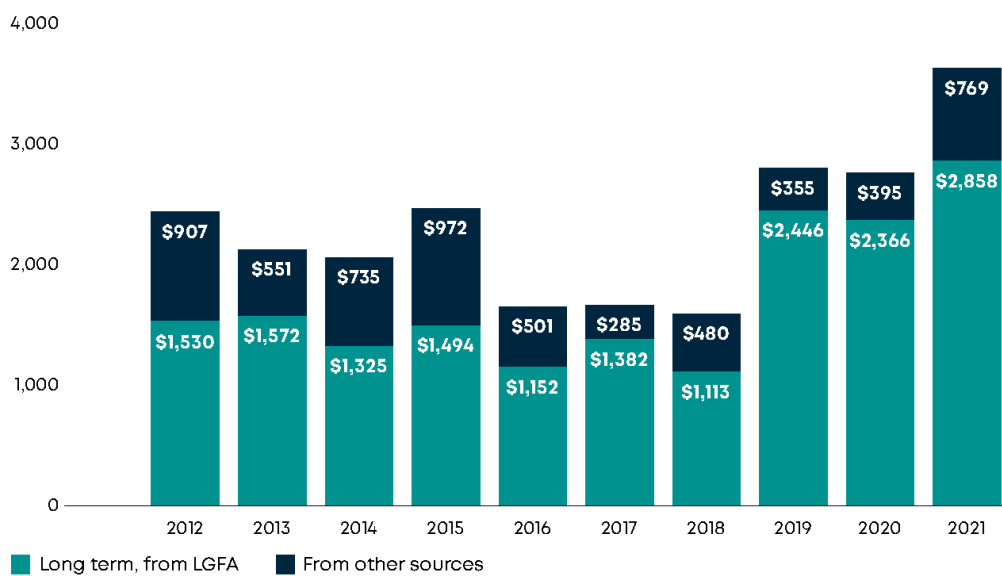
external rating or better

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

Nominal loans to councils outstanding (NZ\$ million)



Councils' borrowing (NZ\$ million) financial year





Sustainability at LGFA

Te toitūtanga kei te LGFA

LGFA was established with the primary objective of optimising the debt funding terms and conditions for our member councils. To achieve this objective, it is important that we conduct our affairs in accordance with sound business practice, while having regard to the interests of the community and by exhibiting a sense of social and environmental responsibility, as well as being a good employer.

The Global Reporting Initiative (GRI) sustainability reporting standards are the most widely adopted global standards for sustainability reporting and this year's annual report has been prepared to meet the requirements of the Global Reporting Initiative (GRI) Standards (core option).

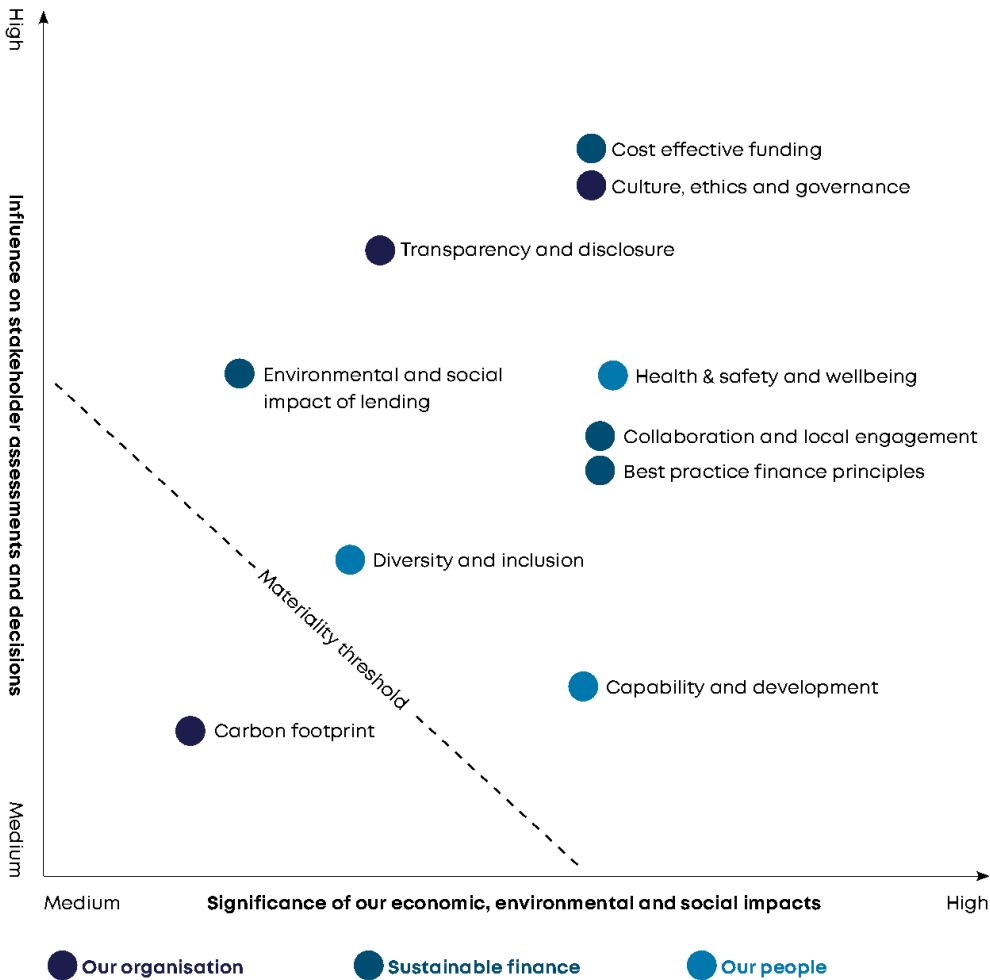
LGFA's materiality sustainability topics remain unchanged from 2020. These materiality topics were determined with the assistance of Proxima, an independent sustainability consultancy, who worked with staff and directors in 2019 to undertake an analysis of material sustainability issues relevant to our business and key stakeholders. Material topics are those issues that reflect our significant economic, environmental, and social impacts or that substantively influence the assessments and decisions of our stakeholders.

LGFA's ten material topics are grouped under three overarching principles.

Our organisation	Sustainable finance	Our people
Culture, ethics and governance	Cost effective funding	Health & safety and wellbeing
Transparency and disclosure	Environmental and social impact of lending	Diversity and inclusion
Carbon footprint	Collaboration and local engagement	Capability and development
	Best practice finance principles	

LGFA's materiality matrix

LGFA's materiality matrix depicts the outcome of our materiality analysis and is prioritised by stakeholder importance and the estimated impact on our business or on society. The prioritisation of these material topics will assist us to review our management approach and assess where we can improve over time. Our approach and performance on each material topic can be found in this Annual Report and are referenced in the GRI Index on page 88.



LGFA's material topics

Cost effective funding

- Delivery of lower cost funding
- Access to longer term funding
- Ongoing contribution to NZ Capital Markets
- NZX listing

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

LGFA reports on its cost of borrowing relative to other issuers on a quarterly basis to shareholders and in its annual and half year reports. LGFA surveys member councils on its performance annually in relation to business delivery and satisfaction with pricing. A key indicator of satisfaction with service and pricing to councils is LGFA's estimated overall market share for council lending which was estimated to be 79% for the rolling twelve-month period to June 2021.

Culture, ethics and governance

High ethical standards required and codified through:

- NZX Corporate Governance Code
- Code of Ethics
- Code of Conduct
- Board Charter
- Audit and Risk Committee Charter

The LGFA Board is committed to ensuring that the conduct of both directors and staff at all times meets the high standards required to reflect the company's values and to protect its reputation. The required standards are defined in LGFA's Code of Ethics and is reflected throughout the following key governance documents: The LGFA Constitution; Shareholders' Agreement; Board Charter; Audit and Risk Committee Charter; Internal Audit Charter; and the Diversity Policy.

The LGFA Board is committed to ensuring LGFA demonstrates ongoing commitment to strong and sound corporate governance. The Corporate Governance section in this report provides detailed information on LGFA's governance structure and principles, including setting out LGFA's compliance with the eight core principles underpinning the NZX Corporate Governance Code.

Transparency and disclosure

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

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

Transparency in how we operate is core to achieving our shareholders' objectives as well as for our wider stakeholders including investors, banks and other financial intermediaries and the credit rating agencies. As such, transparency in how we operate is reflected in operating requirements outlined in our foundation documents, including the LGFA Constitution, Shareholders' Agreement and Board Charter, as well as Company policies on Continuous Disclosure, Financial Products Trading, and Protected Disclosures and Whistle Blowing.

LGFA demonstrates transparency through its annual Statement of Intent (SOI) and quarterly reporting to shareholders on its performance against the objectives set out in the SOI. In addition to financial performance, our annual report details LGFA's non-financial performance against the principles outlined in NZX Corporate Governance Code, as well as compliance in meeting the requirements of the Global Reporting Initiatives (core standards).

Environmental and social impact of lending

Development of green, social and sustainable financing option for councils

- Lower cost financing promotes greater ability for councils to fund green/social/sustainable impact projects

LGFA recognises and supports the shift to an economy that supports sustainable, social, environmental and economic wellbeing and is actively progressing facilities to provide member councils with green, social and sustainability financing for projects that promote environmental and social wellbeing in New Zealand, as well as progress the United Nations Sustainable Development Goals.

The Green, Social and Sustainability lending section in this report provides more information on LGFA's sustainable lending developments.

Health & safety and wellbeing

- Compliance with Health and Safety at Work Act 2015
- Health and safety committee and regular reporting to Board
- Flexible workplace

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

LGFA has established a Health and Safety Committee which regularly meets to review LGFA health and safety issues and reports to each Board meeting. LGFA maintains policies on health and safety, flexible working, diversity and employment which encapsulate the company's commitment to health, safety and wellbeing.

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

Collaboration and local engagement

- Industry sponsor – Kanganews and Taituarā
- Infrastructure funding development liaison with Crown and industry
- Regular engagement with council employees and elected officials

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

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

This year, LGFA were proud to be principal sponsor for the 2021 Taituarā LGFA Local Government Excellence Awards.

Financial markets best practice and influence

- Knowledge sharing
- Audit and risk independence
- Best practice risk management framework
- Credit metrics
- External rating / lower margin borrowing
- Operational excellence
- Product and process improvement
 - CCO lending
 - Bills
 - Flexible maturities
 - Standby facilities

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

Over recent years, LGFA has invested significant resource in ongoing development of our risk management framework to reflect financial markets best practice, the objective being to ensure that our risks are managed effectively and comply with LGFA's governance and legislative requirements. Managing treasury risks is a critical component of LGFA's market operations and this year we engaged external consultants to assist in providing an independent assessment of our treasury risk management policies. The 'Managing risk' section of this report provides more information on our risk management processes.

Over the course of the reporting year, LGFA operations staff processed over 18,000 transactions with total gross cash flows in excess of \$24 billion without error. Where possible, LGFA employ straight-through processing to minimise operational risk across our treasury operations. Improving our information technology control environment to mitigate emerging risks from cyber threats was another key focus over the past year, with independent consultants assisting us with external penetration testing and advice on enhancing our cyber control environment

Diversity and inclusion

- Diversity policy and reporting
- Equal opportunity
- Māori language plan

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

These diversity objectives are formalised in the LGFA Diversity Policy. Each year, management complete a diversity review which is reported through to the Board and, when undertaking recruitment, selection panels for interview are split by gender. The Corporate Governance section of this provides more information on diversity, including reporting diversity across staff and directors.

Capability and development

- Regular attendance for staff and directors at industry training and conference events

LGFA actively encourages professional development for directors and staff. LGFA provides funding for opportunities for professional development and membership of professional bodies and directors and staff are regular attendees at industry conferences.

Carbon footprint

- Toitū Carbonzero certification achieved in 2021.
- Increased use of meetings by video reduce need for physical travel
- Paperless office – use electronic where possible for transaction recording/record keeping.
- Physical offices – minimal impact given small size

This year, LGFA directors have committed to reducing our carbon emissions over time. Our first target is cutting per employee emissions by 30% by 2030, compared with a 2018/19 base year.

To further our commitment to sustainability, LGFA have created a new position, Head of Sustainability. A key component of this new position is to promote carbon reduction awareness across all staff, including internal discussions across the organisation on LGFA's annual carbon reduction targets. LGFA has made progress with moving to a paperless environment, achieving a 60% reduction in paper use in the three years to June 2021.

Paper use

We have achieved a

60% Reduction

over the three years to June 2021

Toitū Carbonzero Certification

Toitū Envirocare offer carbon management and carbon neutral certifications for organisations, including tools to measure, reduce and offset greenhouse gas emissions.

Toitū certifications meet and exceed the requirements of ISO standards and ensure consistent and comprehensive reporting, benchmarking and management under international best practice. Toitū carbonzero certification is accredited by the Joint Accreditation System of Australia and New Zealand (JAS-ANZ).

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



Kauri 2000

In 2021, LGFA donated \$3,000 to Kauri 2000 to support their efforts in regenerating native trees in the Coromandel region.

Kauri 2000 was established in 1999 as a project to celebrate the start of the new millennium by planting 2000 kauri on the Coromandel Peninsula. To date the Trust has planted over 50,000 trees and continues to plant kauri throughout the Coromandel.





An Archimedes screw pump, installed in the Lower Waikato catchment. The first of its kind in NZ and allows for safe passage of native fish and eels through our flood infrastructure.
Waikato Regional Council

Green, social and sustainability lending

Ko te tuku pūtea taurewa
mā te taiao, mā te hāpori,
mā te toitūtanga

A commitment to assist councils finance projects that promote environmental and social wellbeing in New Zealand.

LGFA recognises the risks inherent in climate change for councils and supports New Zealand's shift to a low-carbon economy.

As a council-controlled organisation under the Local Government Act 2002, LGFA is required to demonstrate social and environmental responsibility. Through its lending to its councils, LGFA acknowledges the importance of providing green, social or sustainability finance to its councils by financing projects that promote environmental and social wellbeing in New Zealand and progress the United Nations Sustainable Development Goals (UN SDGs) and which fund eligible 'green' and/or 'social' projects under the principles, guidelines and standards noted below.

In our 2020 Annual Report, LGFA outlined that the development of its green, social and sustainability (GSS) lending programme to councils was underway. We are currently finalising the processes councils will follow in order to apply for Green, Social and Sustainable Loans (GSS Loans) from LGFA. We anticipate that LGFA will launch its GSS lending programme in the 2021/22 year following consultations with councils.

LGFA is also progressing work on the Sustainability Bond Framework (Framework) under which LGFA intends to issue and manage sustainable debt products. The Framework, built in compliance with market guidelines, adopts the following four key pillars:

- Use of Proceeds;
- Process for Project Evaluation and Selection;
- Management of Proceeds; and
- Transparency and Reporting.

LGFA will not initially look to issue GSS bonds from the Framework, preferring to build a portfolio of GSS loans to councils, then retrospectively consider issuing bonds under a GSS banner into the debt capital markets.

The Sustainable Development Goals

The United Nations' Sustainable Development Goals (SDG), which were adopted in 2015 by 193 countries including New Zealand, comprise 17 goals and 169 targets.

As part of our commitment to sustainability, LGFA will look to finance or refinance, indirectly via councils, projects and assets that deliver positive environmental and social outcomes and align with, and contribute towards meeting, the UN SDGs.

LGFA intends to offer GSS Loans across ten green project categories and six social project

categories based on the International Capital Markets Association (ICMA) Green Bond Principles (GBP), Social Bond Principles (SBP) and Sustainability Bond Guidelines (SBG) as well as other evolving international principles, taxonomies, standards and market practice. ICMA has mapped its GBP and SBP to the UN SDGs to provide a broad frame of reference by which parties can evaluate the financing objectives of a green bond or social bond against the UN SDGs.

LGFA GSS Loan Categories

Green Project Categories (addressing environmental challenges)	Social Project Categories (addressing social issues for target populations)
<p>The International Capital Markets Association (ICMA) June 2021 Green Bond Principles explicitly recognised several broad categories of eligibility for Green Projects, which contribute to environmental objectives such as: climate change mitigation, climate change adaptation, natural resource conservation, biodiversity conservation, and pollution prevention and control.</p>	<p>The ICMA June 2021 Social Bond Principles explicitly recognise several broad categories of eligibility for Social Projects. Social Projects directly aim to address or mitigate a specific social issue and/or seek to achieve positive social outcomes especially but not exclusively for a target population(s). A social issue threatens, hinders, or damages the well-being of society or a specific target population. For the avoidance of doubt, it is acknowledged that the definition of target population can vary depending on local contexts and that, in some cases, such target population(s) may also be served by addressing the general public.</p>

The chart on the following page, while indicative, captures the most commonly used types of green projects supported, or expected to be supported by the Green Bond market. Green Projects include assets, investments and other related and supporting expenditures such as research and development that may relate to more than one category and/or environmental objective. Three environmental objectives (pollution prevention and control, biodiversity conservation and climate change adaptation) also serve as project categories in the list. As such, they refer to the projects that are more specifically designed to meet these environmental objectives.

Likewise, the chart outlines the list of social project categories and, while also indicative, captures the most commonly used types of projects supported, or expected to be supported, by the Social Bond market. Social Projects include assets, investment and other related and supporting expenditures, such as research and development that may relate to more than one category.

For each project category in the chart, the associated UN SDGs are labelled.

Green Project Categories and Mapping to UN SDGs

Energy Efficiency

SDGs   

Green buildings

SDGs   

Clean Transportation

SDGs  

Sustainable Water and Wastewater Management

SDGs  

Renewable Energy

SDGs  

Pollution Prevention and Control

SDGs  

Sustainable Management of Living Natural Resources and Land Use

SDGs   

Climate Change Adaptation

SDGs   

Terrestrial and Aquatic Biodiversity Conservation

SDGs  

Circular Economy and Eco-efficient Products

SDGs   

Social Project Categories and Mapping to UN SDGs

Basic Infrastructure – Clean Water, Sewer, Transport

SDGs       

Access to Essential Services – Education, Healthcare

SDGs        

Affordable Housing

SDGs  

Employment Generation

SDGs  

Food Security

SDGs  

Socioeconomic Advancement and Empowerment

SDGs         

United Nations' Sustainable Development Goals





The Ōtakaro Avon River was named one of the most improved waterways in New Zealand recently.
Environment Canterbury

Corporate governance

Ārahitanga ā-rangatōpū

NZX Corporate Governance Best Practice Code

The LGFA Board is committed to ensuring LGFA demonstrates ongoing commitment to strong and sound corporate governance.

LGFA is a listed issuer on the NZX Debt Market and this section sets out LGFA's compliance with the eight core principles underpinning the NZX Corporate Governance Best Practice Code 2020.

LGFA considers that its governance practices have not materially differed from the NZX Code for the year ended 30 June 2021. Areas where LGFA has implemented alternative measures to the Code are as follows:

An issuer should establish a nomination committee to recommend director appointments to the board.

LGFA's process for director appointments to the board is governed by its Constitution, the process for which is outlined on page 48

An issuer should have a remuneration committee which operates under a written charter.

Director remuneration is determined by an Ordinary Resolution of shareholders and executive remuneration is determined by the board, the process for which is outlined on page 51

The following governance documents referred to in this section are available on the LGFA website: lgfa.co.nz/about-lgfa/governance:

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

Principle 1 Code of ethical behaviour

Directors should set high standards of ethical behaviour, model this behaviour and hold management accountable for these standards being followed throughout the organisation

Code of Ethics

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

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

The Code of Conduct Policy requires employees and directors to maintain high standards of integrity and conduct by clearly setting out

standards for expected behaviour. In addition, the policy sets out LGFA's commitment to employees to act in a fair and reasonable manner, while providing a fair and safe working environment.

Protected Disclosures and Whistle Blowing

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

Financial Products Trading Policy

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

Principle 2 Board composition and performance

To ensure an effective Board, there should be a balance of independence, skills, knowledge, experience and perspectives.

LGFA Board Charter

The LGFA Board Charter sets out the roles and responsibilities of the LGFA Board. The Charter states that role of the Board is to ensure that LGFA achieves its goals. Having regard to its role, the Board will direct, and supervise the management of the business and affairs of LGFA, including:

- ensuring that LGFA's goals are clearly established, and that strategies are in place for achieving them;
- establishing policies for strengthening LGFA's performance;
- ensuring strategies are in place for meeting expectations set out in the current Statement of Intent and monitoring performance against those expectations, in particular LGFA's primary objective of optimising the debt funding terms and conditions for participating local authorities;
- monitoring the performance of management;
- appointing the CEO, setting the terms of the CEO's employment contract and, where necessary, terminating the CEO's employment;

- deciding on whatever steps are necessary to protect LGFA's financial position and the ability to meet its debts and other obligations when they fall due, and ensuring that such steps are taken;
- ensuring that LGFA's financial statements are true and fair and otherwise conform with law;
- ensuring that LGFA adheres to high standards of ethics and corporate behaviour; and
- ensuring that LGFA has appropriate risk management/regulatory compliance policies in place. In the normal course of events, day-to-day management of LGFA will be in the hands of management. The Board will satisfy itself that LGFA is achieving its goals, and engaging and communicating with Shareholders Council; and
- engaging and communicating with shareholders.

Board composition

The LGFA Board comprises five independent directors and one non-independent director. An independent director is a director who, within five years prior to appointment, was not an employee of any shareholder, employee of a council-controlled organisation owned by a shareholder, or a councillor of any local authority which is a shareholder.

The directors of LGFA as at 30 June 2021



Craig Stobo
Independent Chair

BA (Hons) Economics First Class, Otago; C.F.Inst.D
Associate Member CFA Society New Zealand

Craig has worked as a diplomat, economist, investment banker and Chief Executive Officer of BT Funds Management (NZ) Limited. He has completed the Advanced Management Programme at Wharton Business School in Philadelphia, authored reports to the New Zealand Government on the Taxation of Investment Income (which led to the PIE regime), and the creation of New Zealand as a funds domicile. He currently chairs the listed companies Precinct Properties New Zealand Limited and AIG Insurance (NZ Board). He has directorship and private equity interests in financial services and other businesses.



John Avery
Independent Director

LLB, C.F.Inst.D

John was Managing Partner, then Chairman of Hesketh Henry. He was a director of The Warehouse Group Limited, several start-up businesses, a number of CCOs, an industry cooperative 'ITM', Regional Facilities Auckland Limited and Spider Tracks Limited. He is currently a Trustee of the Royal New Zealand Ballet.



Philip Cory-Wright
Independent Director

LLB (Hons), BCA Business Management,
INFINZ (Cert), C.F.Inst.D

Philip is a solicitor of the High Court of New Zealand and Victoria. He has worked as a corporate finance adviser in New Zealand to the corporate sector on debt and equity matters for more than 30 years. He is currently a director of Powerco, Matariki Forests, South Port New Zealand and Papa Rerangi I Puketapu (New Plymouth Airport). Philip is also a strategic adviser to clients in the energy and infrastructure sectors. He was a member of the Local Government Infrastructure Expert Advisory Group tasked with advising the Minister of Local Government on improvements in local government infrastructure efficiency.



Mike Timmer
Non-Independent Director

CA, BBS, BAgSci, INFINZ (Cert), M.Inst.D

Non-Independent Director

CA, BBS, BAgSci, INFINZ (Cert), M.Inst.D

Mike has worked for Citibank in its financial market section and held accountancy and treasury roles in the health sector and at 30 June 2021 was Treasurer at the Greater Wellington Regional Council. He is an independent member Whanganui District Council Audit and Risk Committee and past Deputy Chair of the LGFA Shareholders Council.



Linda Robertson
Independent Director

B.Com, Dip Banking, INFINZ (Distinguished Fellow),
C.F.Inst.D, GAICD

Linda is professional company director with over 20 years governance experience, combined with 30 years senior financial management experience having worked in both the banking and energy sectors in New Zealand.

Linda holds a Bachelor of Commerce Degree and a Diploma in Banking. Linda is a Certified Treasury Professional, a Distinguished Fellow of the Institute of Finance Professionals New Zealand (INFINZ), a Graduate Member of the Australian Institute of Company Directors, a Certified Fellow of the Institute of Directors in New Zealand and a Fellow of Governance NZ.

Linda is currently chair of Crown Irrigation Investments, Central Lakes Trust and Central Otago District Council's Audit and Risk Committee. She is a director of Kiwi Wealth, Dunedin City Holdings and Alpine Energy. Linda is also a member of the Capital Markets Advisory Committee and the Risk and Audit Committee of The Treasury.



Anthony Quirk
Independent Director

BCA Hons (First Class), INFINZ (Fellow), M.Inst.D

Anthony is an experienced financial services sector professional with over thirty years executive experience in the sector. He has a varied portfolio of governance interests with an emphasis on areas that improve or contribute to communities. He is a Fellow of the Institute of Finance Professionals New Zealand (INFINZ) and is a former Chairman of that organisation. He was previously Chair of the Asset Management Advisory Board of the New Zealand Exchange, Deputy Chair and Board member of the New Zealand Society of Investment Analysts and a previous member of the Financial Reporting Standards Board of the New Zealand Society of Accountants.

Director**Craig Stobo (Chair)****Director**

ALG Insurance NZ Limited
 Appello Services Limited
 Precinct Properties New Zealand Limited

Director/Shareholder

Biomarine Group Limited
 Elevation Capital Management Limited
 Legend Terrace Limited
 Saturn Portfolio Management Limited
 SouthWest Trustees Limited

Managing Director/Shareholder

Stobo Group Limited

John Avery**Trustee**

Royal New Zealand Ballet

Philip Cory-Wright**Director**

Matariki Forest Group Limited
 Papa Rererangi i Puketapu (New Plymouth Airport)
 (Chair)
 Powerco Limited
 South Port New Zealand Limited

Anthony Quirk**Non-Executive Director/Shareholder**

Milford Asset Management Limited (and
 associated subsidiaries)

Chair

Humanitix, New Zealand
 Milford Foundation

Directors did not hold any interests in debt securities (including listed bonds) in the company as at 30 June 2021.

Nomination of Directors

Director nominations can only be made by a shareholder by written notice to LGFA and the Shareholders' Council, with not more than three months, nor less than two months before a meeting of shareholders. All valid nominations are required to be sent by LGFA to all persons entitled to attend the meeting.

Linda Robertson**Chair**

Central Lakes Trust and associated subsidiary
 Central Otago District Council, Audit & Risk
 Committee
 Crown Irrigation Investments Limited

Director

Alpine Energy Limited
 Central Lakes Direct Limited
 Dunedin City Holdings Limited
 Dunedin City Treasury Limited
 Dunedin Railways Limited
 Dunedin Stadium Property Limited

Member

Office of the Auditor-General and Audit New
 Zealand, Audit and Risk Committee
 The Treasury, Capital Markets Advisory Committee
 The Treasury, Risk and Audit Committee

Mike Timmer**Member**

Whanganui District Council Risk & Audit
 Committee

Staff**Mark Butcher****Chair**

New Plymouth PIF Guardians Limited
 Waikato-Tainui Group Investment Committee

Member

Guardians of New Zealand Superannuation,
 Nominating Committee

Neil Bain**Chair**

Central Hawkes Bay District Council, Audit & Risk
 Committee

Retirement and re-election of Directors

Directors are appointed to the Board by an Ordinary Resolution of shareholders. At each Annual General Meeting, two directors must retire, but can offer themselves for re-election. The directors who retire each year are one each of the independent and non-independent, who have been longest in office since their last appointment or, if there are more than one of equal term, those determined by lot, unless the Board resolves otherwise.

Director tenure and meetings of the Board

Director	Date commenced in office	Board meetings held/attended	Audit and Risk Committee held/attended
Craig Stobo (Chair)	1 December 2011	7/7	N/A
John Avery	1 December 2011	7/7	N/A
Philip Cory-Wright	1 December 2011	7/7	4/4
Anthony Quirk	21 November 2017	7/7	4/4
Linda Robertson	24 November 2015	7/7	4/4
Mike Timmer	24 November 2015	7/7	4/4

Board performance review

The Board has an annual formal self-assessment to assess director, board and committee performance. In addition, Board performance is reviewed by external consultants on a periodic basis.

Director and staff capability

LGFA is committed to ongoing education and regularly invites directors and staff to attend relevant industry conferences and training events, as well as organising for industry experts to attend and present to directors at Board meetings.

Diversity

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

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

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

Gender diversity of directors



2021
Female 1, Male 5



2020
Female 1, Male 5

Gender diversity of employees



2021
Female 3, Male 6



2020
Female 2, Male 5

Indemnities and insurance

Under LGFA's constitution, LGFA indemnifies directors for potential liabilities and costs they may incur for acts of omission in their capacity as directors. LGFA has arranged directors' and officers' liability insurance covering directors and management acting on behalf of the company. Cover is for damages, judgements, fines, penalties, legal costs awarded and defence costs arising from wrongful acts committed while acting for LGFA. The types of acts that are not covered are dishonest, fraudulent, malicious acts, or omissions, wilful breach of statute or regulation, or duty to LGFA, improper use of information to the detriment of LGFA, or breach of professional duty.

Principle 3 Board committees

The Board should use committees where this will enhance its effectiveness in key areas, while still retaining board responsibility.

Audit and Risk Committee

The LGFA Audit and Risk Committee is a committee of the Board.

The Audit and Risk Committee is governed by its own Charter which states that the purpose of the Committee is to provide advice, assurance and observations to the Board relating to the effectiveness and adequacy of internal control and risk management systems, processes and activities across LGFA. The Committee assists the Board to fulfil its duties by considering, reviewing and monitoring:

- Risk management framework and processes;
- Internal control environment and mechanisms;
- Operations and effectiveness of the internal audit function;
- Preparation and audit of financial statements;
- Integrity of performance information, including financial reporting;

- Governance framework and process;
- Policies, processes and activities to ensure compliance with legislation, policies and procedures; and
- Statutory/regulatory disclosure and reporting and performance against Statement of Intent targets.

Audit and Risk Committee members are appointed by the Board. Membership comprises at least three directors, the majority of whom must be independent. The members of the Audit and Risk Committee as at the date of this Annual Report are:

- Linda Robertson (Chair)
- Philip Cory-Wright
- Anthony Quirk
- Mike Timmer

Principle 4 Reporting and disclosure

The Board should demand integrity in financial and non-financial reporting, and in the timeliness and balance of corporate disclosures.

The Board is committed to ensuring the highest standards are maintained in financial reporting and disclosure of all relevant information.

The Audit and Risk Committee has responsibility to provide assurance to the Board that due process has been followed in the preparation and audit of the financial statements and to ensure there are appropriate processes and activities to ensure compliance with relevant regulatory and statutory requirements.

LGFA has adopted a formal Continuous Disclosure Policy, the requirements of which ensure that LGFA

meets the continuous disclosure requirements of the NZX Listing Rules including the disclosure for material environmental, social and governance (ESG) factors.

The GRI sustainability reporting standards are the most widely adopted global standards for sustainability reporting and this year's annual report has been prepared to meet the requirements of the Global Reporting Initiative (GRI) Standards (core option).

Principle 5 Remuneration

The remuneration of directors and executives should be transparent, fair and reasonable.

The remuneration of the Board reflects LGFA's size and complexity and the responsibilities, skills, performance and experience of the directors. A specialist independent adviser is used periodically to ensure the remuneration is appropriate.

Board remuneration is determined by an Ordinary Resolution of shareholders. The current board remuneration was approved by shareholder resolution at the Annual General Meeting on 21 November 2019.

Director annual fee breakdown

Position. Fees per annum	2021	2020
Board Chair	\$102,000	\$102,000
Audit and Risk Committee Chair	\$63,000	\$63,000
Director / ARC Member	\$59,000	\$59,000
Director	\$57,000	\$57,000

Director	2021
Craig Stobo	\$102,000
John Avery	\$57,000
Philip Cory-Wright	\$59,000
Anthony Quirk	\$59,000
Linda Robertson	\$63,000
Mike Timmer	\$59,000
Total	399,000

The remuneration of the CEO is determined by the Board and is reviewed annually taking into consideration the scope and complexity of the position with reference to the remuneration of CEOs of similar organisations. A specialist independent adviser is used periodically to ensure the remuneration is appropriate.

The CEO remuneration package comprises a fixed cash component of \$556,200 per annum as at 30 June 2021 (\$530,000, 2020) and an at-risk short-term incentive of the fixed cash component. The short-term incentive payment is made annually at the Board's discretion subject to the CEO and LGFA meeting a range of specific performance objectives for the respective financial year.

Chief Executive remuneration

Per annum	2021	2020
Salary	\$556,200	\$530,000
Taxable benefits	-	-
Subtotal	\$556,200	\$530,000
Pay for Performance STI	\$83,430	\$79,500
Kiwisaver Employer Contribution	\$25,400	\$24,000
Total remuneration	\$665,030	\$609,500

Staff remuneration

Total remuneration	2021
\$150,000 to \$159,999	1
\$190,000 to \$199,999	1
\$210,000 to \$219,999	1
\$320,000 to \$329,999	1
\$330,000 to \$339,999	1
\$660,000 to \$669,999	1
Total staff receiving \$100,000 or more	6

Principle 6 Risk management

Directors should have a sound understanding of the material risks faced by the issuer and how to manage them. The Board should regularly verify that the issuer has appropriate processes that identify and manage potential and material risks.

LGFA continually reviews its core business risks. This review process includes the identification and assessment of core business risks which are ranked using predetermined criteria for both the likelihood and potential impact of each risk. LGFA maintains a company-wide risk register which records all identified risks, potential impacts and the controls and mitigation strategies used to manage the risks.

The Audit and Risk Committee assists the Board by considering, reviewing and monitoring LGFA's risk management framework and processes, and the internal control environment and mechanisms.

A detailed description of LGFA's risk management processes, including managing treasury exposures, is detailed in the Managing Risk section of this report.

Internal audit

LGFA has an internal audit function to provide assurance that its risk management, governance and internal controls are operating effectively.

The Audit and Risk Committee has responsibility for oversight of the internal audit function, including:

- Reviewing the Internal Audit Charter, the operations of the internal audit and organisational structure of the internal audit function;
- Approving the annual audit plan;
- Reviewing the effectiveness of the internal audit function; and
- Meeting separately with the internal auditor to discuss any matters that the Audit and Risk Committee or Internal Audit considers should be discussed privately.

Health and safety

LGFA is committed to a safe and healthy work environment and has adopted a Health and Safety Policy that clearly sets out the duty of directors and staff under the Health and Safety at Work Act 2015. A staff health and safety committee has been established with responsibility to continuously review health and safety issues and ongoing compliance with the Act, with reporting to the Board on health and safety issues at each Board meeting.

Principle 7 Auditors

The Board should ensure the quality and independence of the external audit process.

External audit

The external audit of LGFA is conducted in accordance with Section 14 of the Public Audit Act 2001, including the appointment of the external auditors of LGFA by the Auditor-General.

The Audit and Risk Committee has responsibility for all processes relating to the audit of financial

statements, including the setting of audit fees and ensuring the independence and objectivity of the auditors.

The external audit of LGFA is conducted in accordance with a formal external audit plan which is reviewed and approved by the Audit and Risk Committee on an annual basis. The external auditor attends LGFA's Annual General Meeting.

Principle 8 Shareholder rights and relations

The Board should respect the rights of shareholders and foster constructive relationships with shareholders that encourage them to engage with the issuer.

LGFA has 31 shareholders, comprising the New Zealand Government (20%) and the following 30 councils:

Auckland Council
Bay of Plenty Regional Council
Christchurch City Council
Gisborne District Council
Greater Wellington Regional Council
Hamilton City Council
Hastings District Council
Hauraki District Council
Horowhenua District Council
Hutt City Council
Kapiti Coast District Council
Manawatu District Council
Marlborough District Council
Masterton District Council
New Plymouth District Council
Otorohanga District Council
Palmerston North City Council
Selwyn District Council
South Taranaki District Council
Tasman District Council
Taupo District Council
Tauranga City Council
Thames-Coromandel District Council
Waimakariri District Council
Waipa District Council
Wellington City Council
Western Bay of Plenty District Council
Whakatane District Council
Whanganui District Council
Whangarei District Council.

Foundation documents

The LGFA Constitution and the Shareholders Agreement are foundation documents.

The Constitution defines the rights and the exercise of powers of shareholders, the acquisition and redemption of company shares, proceedings

of shareholder meetings, voting at meetings and the right to demand polls, shareholder proposals and review of management.

The Shareholders Agreement is an agreement between LGFA and its shareholders which clearly defines LGFA's business, its objectives, the role of the Board, the establishment of the Shareholders Council and the approval rights of the shareholders.

LGFA Shareholders Council

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

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

Members of the Shareholders Council as at 30 June 2021

- Alan Adcock, Whangarei District Council, Chair
- John Bishop, Auckland Council, Deputy Chair
- Mohan de Mel, Tauranga City Council
- David Bryant, Hamilton City Council
- Kumaren Perumal, Western Bay of Plenty District Council
- Debbie Hyland, Bay of Plenty Regional Council
- Martin Read, Wellington City Council
- Mike Drummond, Tasman District Council
- Miles McConway, Christchurch City Council
- Richard Hardie/Oliver Martin, New Zealand Government

Managing risk

Ko te whakahaere tūraru

An effective risk management framework is a critical component of LGFA's business structure for managing the company's exposure to business and treasury risks arising from its business operations of raising and on-lending funds to local councils.

The objective of LGFA's risk management

function is to ensure that effective controls and frameworks are implemented to manage risks effectively and in compliance with LGFA's governance and legislative requirements. The risk management function ensures that LGFA can achieve its objectives, as set out in the Statement of Intent, within the risk appetite of the company's shareholders and Board.

The objective of LGFA's risk management

framework is to ensure that the organisation operates within shareholder and Board-approved risk limits. LGFA's approach to risk management is based on the following core elements:

- The LGFA Board oversees the risk appetite of the organisation and ensures that it is consistent with the constitution and shareholders agreement.
- The risk appetite is reflected in policies approved by the Board and Audit and Risk Committee.

- LGFA management implements policies and controls to ensure that all relevant risks are identified, monitored, measured and managed effectively.
- The Internal Audit (IA) and risk and compliance function provide assurance to both the Board and the Audit and Risk Committee on the performance of internal controls and risk management systems.

LGFA adopts the three lines of defence model to ensure that essential risk management functions adopt a systematic approach that reflects industry best practice:

- The first line of defence establishes risk ownership within the company and is represented by its operational risk and control processes. LGFA managers are responsible for identifying controls, maintaining effective controls and mitigating risks.
- The second line of defence ensures that the operational risk and control processes are actively and appropriately managed by processes such as the regular review of risk reports and compliance monitoring against the risk management framework.
- The third line of defence is the independent assurance provided by both the internal and external audit functions which review and highlight control weaknesses and inefficiencies to management and the Board.

LGFA risk register

The LGFA risk register is a key component of the company's risk management framework.

The key objective of the LGFA risk register is to ensure that the company assesses the inherent risks faced by the business on an ongoing basis.

The risk register

- Identifies the inherent risks that LGFA is exposed to when conducting its core business activities;
- Assesses the likelihood and potential impact of the inherent risks on the business;
- Describes the internal control framework and management processes for managing and mitigating the identified inherent risks;
- Provides commentary on internal audit coverage of the identified inherent risks; and
- Provides an overall inherent and residual risk assessment and compares these to approved risk appetite settings.

The risk register is reviewed monthly by management and at each meeting of the Audit and Risk Committee.

Treasury risk management

LGFA funds itself through domestic and international wholesale and retail debt capital markets, with the funds raised on-lent to member councils. LGFA activities are governed by the Local Government Borrowing Act 2011, the Local Government Act 2002, and the Companies Act 1993. In addition, the company is required to comply with Foundation Policies outlined in the Shareholders Agreement. Any change to the Foundation Policies require shareholders consent.

LGFA's risk management uses an approved risk identification and assessment framework to actively monitor and manage all treasury and financial risks by applying best practice risk management principles, processes and practices.

LGFA has treasury exposures arising from its normal business activities that principally relate to the raising and on-lending of funds. LGFA manages treasury exposures under a Board-approved Treasury Policy, the objectives for which are to:

- Effectively manage treasury risks, within approved compliance limits, to protect LGFA's capital position and Net Interest Margin over time.
- Fund member councils in the most cost-effective manner and in accordance with LGFA's operating principles, values and objectives.
- Protect LGFA's assets and prevent unauthorised transactions.

- Promote professional expertise of financial and management control to all external parties.
- Minimise operational risk by maintaining adequate internal controls, systems and staffing competencies.
- Provide timely reporting to the Board with meaningful and accurate reporting of interest rate exposures, liquidity, asset and liability maturity, funding, counterparty credit, performance and policy compliance.

Specific treasury exposures relate to liquidity, interest rate/market risk, foreign exchange, counterparty credit, operational and lending risks.

Liquidity risk

Liquidity risk is the potential inability to meet financial obligations when they become due, under normal or abnormal/stressed operating conditions.

Liquidity risk is managed using a forecast cashflow approach measured over 30-day, 90-day and one-year periods. LGFA is required to maintain sufficient liquidity (comprising a government standby facility, and holdings of cash and liquid investments) to support 12 months operating and funding commitments.

Interest rate risk / market risk

Interest rate risk is the risk that financial assets may re-price/mature at a different time and/or by a different amount than financial liabilities.

Interest rate / market risk is managed using Value at Risk (VaR) and Partial Differential Hedge (PDH) limits to mitigate the potential change in value of the balance sheet due to changes in interest rates.

- **Value at Risk** calculates the potential amount a portfolio could be expected to lose, 5% of the time, over a given time period. It is calculated using historical changes in underlying risk variables and applying those changes to the current portfolio.

VaR is measured over a daily time horizon with a 95% confidence interval. A daily 95% VaR exposure of \$1 million means that there is a 5% chance that the portfolio could potentially lose more than \$1 million over the next business day.

- **Partial Differential Hedge** measures the sensitivity of a portfolio to a one basis point change in underlying interest rates. For example, a PDH of NZD\$100,000 means that the portfolio value will increase by NZD\$100,000 for a one basis point fall in interest rates.

In addition, LGFA also undertakes scenario analysis to model the potential effect of changing market environments on the balance sheet.

Counterparty credit risk

Counterparty credit risk is the risk of financial loss arising from a counterparty defaulting on an investment, security and/or financial instrument where LGFA is a holder or party.

Counterparty credit risk is managed through counterparty limits for investments. These limits are determined as a function of the term of investment, liquidity and credit quality of the counterparty (as measured by a recognised credit rating).

Counterparty risk on derivative contracts is mitigated by transacting all derivative trades through the Treasury (New Zealand Debt Management) as the counterparty.

Investment is restricted to approved financial instruments listed in the Treasury Policy.

Foreign currency risk

Foreign currency risk is the risk of an adverse change in the fair value of a financial instrument due to a change in foreign exchange rates.

Exposure to foreign currency risk could exist if LGFA accesses foreign capital markets for funding purposes. To date, all funding has been sourced through the New Zealand domestic currency.

Foreign exchange risk would be managed through a requirement to fully hedge back to floating rate New Zealand dollar the full amount and term of all foreign currency funding and cash flows.

Operational risk

Operational risk, with respect to treasury management, is the risk of financial and/or reputation loss arising from human error, fraud, negligent behaviour, system failures and inadequate procedures and controls.

Operational risk is managed using internal controls and procedures across operational functions. Segregation of duties between staff members who have the authority to enter transactions with external counterparties and the staff who control, check and confirm such transactions is a cornerstone internal control principle.

Financial instruments are not entered into if the systems, operations and internal controls do not satisfactorily support the measurement, management and reporting of the risks associated with the instrument.

Lending risk

Lending risk is the risk of financial loss that could occur from lending funds to councils or council-controlled organisations.

LGFA provides debt funding to New Zealand local government councils and council-controlled organisations, subject to board approval.

The LGFA Board have ultimate discretion on approving member councils or Council controlled organisations which LGFA can then lend to.

All member councils and council controlled organisations that borrow from LGFA:

- Provide debenture security in relation to their borrowing from LGFA and related obligations, and (if relevant), equity commitment liabilities to LGFA and (if relevant) guarantee liabilities to a security trustee approved for LGFA's creditors.

Where LGFA is the only lender to a council-controlled organisation, a general security arrangement (GSA) might be used in place of a debenture security.

- Are required to become a party to a deed of guarantee and an equity commitment deed if the principal amount of their borrowings is at any time equal to, or greater than, NZD 20 million.
- Issue securities (bonds/floating rate notes/commercial paper) to LGFA (ie. not enter into facility arrangements).
- Comply with their own internal borrowing policies.
- Comply with the financial covenants outlined in the table below, provided that:
 - Unrated borrowers or borrowers with a long-term credit rating lower than 'A' equivalent can have bespoke financial covenants that exceed the:
 - Lending policy covenants outlined in the following table only with the approval of the Board;
 - Foundation policy covenants outlined in the following table only with the approval of an Ordinary Resolution of shareholders.
- Borrowers with a long-term credit rating of 'A' equivalent or higher can have bespoke financial covenants that exceed the foundation policy covenants only with the approval of an Ordinary Resolution of shareholders.
- Any Board or Ordinary Resolution approval of bespoke financial covenants will only be provided after a robust credit analysis and any approval must also include bespoke reporting and monitoring arrangements.
- Non-compliance with the financial covenants will either preclude a member council from borrowing from the LGFA or, in the case of existing council borrowers, trigger an event of review. An event of default will occur when (among other things) a council fails to meet an interest or principal payment (subject to grace periods). An event of default will enable the LGFA to accelerate a council's repayment of loans.
- Financial covenants are measured on a parent council only basis, not consolidated group, unless requested by a parent council and approved by the LGFA Board.

Financial covenant	Lending policy covenants Unrated councils	Foundation policy covenants Rated councils
Net debt/ total revenue	<175%	<280%
Net interest / total revenue	<20%	<20%
Net interest/ annual rates income	<25%	<30%
Liquidity	>110%	>110%

On 30 June 2020, a Special General Meeting of Shareholders approved a change to the Net Debt/ Total Revenue covenant contained within the Foundation Policy Covenants. For the financial year ending June 2020 a covenant limit of 250% applied. This increases to 300% for the June 2021 and June 2022 years and then reduces by 5% for each of the subsequent years until 280% applies from the June 2026 year.

- *Net debt* is defined as total consolidated debt less liquid financial assets and investments.
- *Total revenue* is defined as cash earnings from rates, government grants and subsidies, user charges, interest, dividends, financial and other revenue and excludes non-government capital contributions, eg. developer contributions and vested assets.

- *Net interest* is defined as the amount equal to all interest and financing costs less interest income for the relevant period.
- *Annual rates income* is defined as the amount equal to the total revenue from any funding mechanism authorised by the Local Government (Rating) Act 2002 together with any revenue received from other local governments for services provided and for which the other local governments rate.
- *Liquidity* is defined as external debt plus committed loan facilities plus liquid investments divided by external debt.

Financial statements

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Statement of comprehensive income

For the year ended ended 30 June 2021 in \$000s

	Note	2021	2020
Interest income		377,222	370,220
Interest expense		357,685	351,941
Net interest income	4	19,537	18,279
Other operating income	5	184	-
Total operating income		19,721	18,279
Operating expenses	6	7,714	7,657
Net operating profit		12,007	10,623
Total comprehensive income		12,007	10,623


Statement of changes in equity

For the year ended 30 June 2021 in \$000s

	Note	Share capital	Retained earnings	Total equity
Equity as at 30 June 2019		25,000	49,149	74,149
Net operating profit			10,623	10,623
Total comprehensive income for the year			10,623	10,623
Dividend paid on 6 September 2019			(1,155)	(1,155)
Equity as at 30 June 2020		25,000	58,616	83,616
Net operating profit			12,007	12,007
Total comprehensive income for the year			12,007	12,007
Dividend paid on 4 September 2020			(879)	(879)
Equity as at 30 June 2021	28	25,000	69,744	94,744

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

The Board of Directors of the New Zealand Local Government Funding Agency Limited authorised these statements for issue on 30 August 2021.



Craig Stobo, Director
Board Chair



Linda Robertson, Director
Chair, Audit and Risk Committee

Statement of financial position

As at 30 June 2021 in \$000s

	Note	2021	2020
Assets			
Financial assets			
Receivables	11	43,587	-
Cash and bank balances		391,835	165,826
Marketable securities		768,453	589,124
Deposits		654,961	499,824
Derivatives in gain	10	559,635	1,018,775
Loans	12	12,065,668	10,899,756
Non-financial assets			
Prepayments		683	642
Other assets	13	345	419
Total assets		14,485,167	13,174,365
Equity			
Share capital	27	25,000	25,000
Retained earnings		69,744	58,616
Total equity		94,744	83,616
Liabilities			
Financial liabilities			
Payables and provisions	14	40,900	705
Bills	15	609,624	647,021
Bond repurchases	16	110,220	202,755
Derivatives in loss	10	187,098	19,075
Bonds	17	13,217,759	12,038,468
Borrower notes	18	224,281	182,272
Non-financial liabilities			
Other liabilities	19	539	453
Total liabilities		14,390,422	13,090,748
Total equity and liabilities		14,485,167	13,174,365

Statement of cash flows

For the year ended 30 June 2021 in \$000s

	Note	2021	2020
Cash Flow from Operating Activities			
Cash applied to loans	12	(1,127,002)	(1,556,491)
Interest paid on bonds issued		(437,257)	(381,666)
Interest paid on bills issued		(2,100)	(6,609)
Interest paid on borrower notes		(3,918)	(745)
Interest paid on bond repurchases		(674)	(333)
Interest received from loans		153,340	223,829
Interest received from cash & cash equivalents		909	372
Interest received from marketable securities		12,059	6,729
Interest received from deposits		6,555	5,713
Net interest on derivatives		288,127	171,367
Cash proceeds from provision of standby facilities		184	
Payments to suppliers and employees		(7,470)	(7,452)
Net cash flow from operating activities	31	(1,117,249)	(1,545,287)
Cashflow from Investing Activities			
Purchase of marketable securities		(194,125)	(335,676)
Purchase of deposits		(155,612)	(362,980)
Net Cashflow from Investing Activities		(349,737)	(698,656)
Cashflow from Financing Activities			
Cash proceeds from bonds issued	17	1,951,673	2,146,925
Cash proceeds from bills issued		(37,397)	143,773
Cash proceeds from bond repurchases		(134,838)	177,874
Cash proceeds from borrower notes		42,760	(24,066)
Dividends paid		(878)	(1,155)
Cash applied to derivatives		(128,326)	(89,782)
Net Cashflow from Financing Activities		1,692,994	2,353,570
Net (Decrease) / Increase in Cash		226,009	109,627
Cash, Cash Equivalents and Bank overdraft at beginning of year		165,826	56,198
Cash, Cash Equivalents and Bank overdraft at end of year		391,835	165,826

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

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

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

The financial statements are as at and for the year ended 30 June 2021.

These financial statements were authorised for issue by the Directors on 30 August 2021.

2. Statement of compliance

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

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

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

3. Basis of preparation

Measurement base

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

The financial statements are prepared on an accrual basis.

Functional and presentation currency

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

Foreign currency conversions

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

Changes in accounting policies

LGFA does not consider any standards or interpretations on 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; cash in transit and bank accounts and deposits with an original maturity of no more than three months.

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

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

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

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

Financial liabilities

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

Derivatives

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

Fair value hedge

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

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

Other assets

Property, plant and equipment

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

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

Intangible assets

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

Other liabilities

Employee entitlements

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

Revenue

Interest income

Interest income is accrued using the effective interest rate method.

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

to the principal outstanding to determine interest income each period.

Expenses

Expenses are recognised in the period to which they relate.

Interest expense

Interest expense is accrued using the effective interest rate method.

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

Income tax

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

Goods and services tax

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

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

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

Commitments and contingencies are disclosed exclusive of GST.

Segment reporting

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

Judgements and estimations

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

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable

under the circumstances. Actual results may differ from these estimates and these estimates and underlying assumptions are reviewed on an ongoing basis. Where these judgements significantly affect the amounts recognised in the financial statements they are described in the following notes.

The financial statements as at 30 June 2021 include estimates and judgements of the potential impact of COVID-19 and the Three

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

Revenue and expenditure

4. Net interest income

For the year ended ended 30 June in \$000s	2021	2020
Interest income		
Cash and cash equivalents	922	394
Marketable securities	4,181	4,462
Deposits	6,080	6,341
Derivatives	212,759	152,621
Loans	153,280	206,402
Fair value hedge ineffectiveness	-	-
Total interest income	377,222	370,220
Interest expense		
Bills	2,100	6,632
Bond repurchase transactions	398	590
Lease liability	13	22
Bonds	353,005	341,783
Borrower notes	2,168	2,914
Total interest expense	357,685	351,941
Net interest income	19,537	18,279

5. Other operating income

As at 30 June 2021, LGFA had committed to provide credit standby facilities totalling \$515 million to selected councils. As at balance date, there were no drawdowns outstanding under the facilities.

For the year ended 30 June in \$000s	2021	2020
Standby facilities fee income	184	-
Total other operating income	184	-

6. Operating expenses

For the year ended 30 June in \$000s	2021	2020
Issuance and on-lending expenses		
Approved issuer levy ¹	1,055	1,396
Rating agency fees	633	609
NZDM facility fee	567	650
Legal fees - issuance	477	499
NZX	637	559
Trustee fees	100	100
Regulatory, registry, other fees	207	157
	3,676	3,971
Other operating expenses		
Information technology	725	689
Consultants	152	127
Directors fees	399	399
Insurance	85	78
Legal fees	185	139
Other expenses	355	354
Auditors' remuneration		
Statutory audit	108	103
Advisory services	-	-
Personnel	2,030	1,798
	4,038	3,685
Total operating expenses	7,714	7,656

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

Financial instruments

7. Financial instruments accounting policy

Financial instruments are recognised in the statement of financial position at amortised cost. Fair values of financial instruments not recognised in the statement of financial position at fair value are determined for note disclosure as follows:

Cash and bank, trade and other receivables, trade and other payables

The carrying value of cash and bank, trade and other receivables, trade and other payables approximate their fair value as they are short-term instruments.

Marketable securities and bonds

The fair value of bonds and marketable securities are determined using the quoted price for the instrument.

Deposits

The fair value for deposits is determined using a discounted cash flow analysis. The interest rates used to discount the estimated cash flows are based on current market interest rates.

Loans

The fair value of loans is determined using a discounted cash flow analysis. The interest rates used to discount the estimated cash flows are based on LGFA bond yields at the reporting date plus an appropriate credit spread to reflect the counterparty's credit risk.

Leases

The lease liability is recognised at the present value of the remaining lease payments, discounted using LGFA's incremental borrowing rate, with the corresponding right-of-use asset recognised as an equal amount.

Borrower notes

The fair value of borrower notes is determined using a discounted cash flow analysis. The interest rates used to discount the estimated cash flows are based on LGFA bond yields at the reporting date.

Fair value of financial assets and financial liabilities

The following table shows the fair value of financial assets and financial liabilities, together with the carrying amounts shown in the statement of financial position.

As at 30 June 2021 in \$000s	Financial liabilities at amortised cost	Financial assets at amortised cost	Financial assets measured at fair value in accordance with NZ IFRS 9	Fair value
Financial assets				
Cash and bank balances	-	391,835	-	391,835
Trade and other receivables	-	43,587	-	43,587
Marketable securities	-	768,453	-	777,789
Deposits	-	654,961	-	655,891
Derivatives	-	-	559,635	559,635
Loans	-	12,065,668	-	12,427,742
	-	13,924,504	559,635	14,856,478
Financial liabilities				
Payables and provisions	40,900	-	-	40,900
Bills	609,624	-	-	609,632
Bond repurchases	110,220	-	-	110,220
Derivatives	-	-	187,098	187,098
Bonds	13,217,759	-	-	13,469,218
Borrower notes	224,281	-	-	227,336
	14,202,785	-	187,098	14,644,404

As at 30 June 2020 in \$000s	Financial liabilities at amortised cost	Financial assets at amortised cost	Financial assets measured at fair value in accordance with NZ IFRS 9	Fair value
Financial assets				
Cash and bank balances	-	165,826	-	165,826
Trade and other receivables	-	-	-	-
Marketable securities	-	589,124	-	591,617
Deposits	-	499,824	-	501,625
Derivatives	-	-	1,018,775	1,018,775
Loans to local government	-	10,899,756	-	12,713,917
	-	12,154,529	1,018,775	14,991,758
Financial liabilities				
Payables and provisions	705	-	-	705
Bills	647,021	-	-	647,235
Bond repurchases	202,755	-	-	202,879
Derivatives	-	-	19,075	19,075
Bonds	12,038,468	-	-	12,196,826
Borrower notes	182,272	-	-	186,725
	13,071,221	-	19,075	13,253,445

8. Derivative financial instruments

Derivative financial instruments are the only instruments recognised in the statement of financial position at fair value.

Derivative financial instruments are valued under level 2 of the following hierarchy.

Level 1 – Quoted market prices: Fair value based on quoted prices in active markets for identical assets or liabilities.

Level 2 – Valuation techniques using observable market inputs: Fair value based on a valuation technique using other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).

Level 3 – Valuation techniques using significant non-observable market inputs: Fair value based on a valuation technique using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value of derivative financial instruments is determined using a discounted cash flow analysis. Interest rates represent the most significant assumption used in valuing derivative financial instruments. The interest rates used to discount estimated cash flows are based on the New Zealand dollar swap curves at the reporting date.

9. Hedge accounting

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

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

As at 30 June in \$000s	2021 Gain/(loss)	2020 Gain/(loss)
Hedging instruments – interest rate swaps	(680,122)	319,032
Hedged items attributable to the hedged risk	680,122	(319,032)
Ineffectiveness recognised in profit or loss from fair value hedges	-	-

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

10. Offsetting

NZ IAS 32: Financial Instruments Presentation allows financial assets and liabilities to be offset only when there is a current legally enforceable right to set off the amounts and there is an intention either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

LGFA does not offset any amounts.

The following table shows the amounts subject to an enforceable master netting arrangement or similar agreement that are not offset in the statement of financial position.

As at 30 June 2021 in \$000s	Derivative assets	Derivative liabilities
Gross amounts	559,635	187,098
Amounts offset	-	-
Carrying amounts	559,635	187,098
Amounts that don't qualify for offsetting	-	-
Financial assets & liabilities	(187,098)	(187,098)
Collateral	-	-
Net amount	372,536	-

As at 30 June 2020 in \$000s	Derivative assets	Derivative liabilities
Gross amounts	1,018,775	19,075
Amounts offset	-	-
Carrying amounts	1,018,775	19,075
Amounts that don't qualify for offsetting	-	-
Financial assets & liabilities	(19,075)	(19,075)
Collateral	-	-
Net amount	999,700	-

11. Receivables

As at 30 June in \$000s	2021	2020
Unsettled bond repurchases	42,578	-
Unsettled borrower notes	1,000	-
Trade debtors	9	-
Total receivables	43,587	-

12 Loans

As at 30 June in \$000s	2021		2020	
	Short-term loans	Loans	Short-term loans	Loans
Ashburton District Council	10,011	60,723	10,001	32,279
Auckland Council	-	3,303,915	-	2,766,155
Bay of Plenty Regional Council	25,428	155,995	-	192,077
Buller District Council	-	20,005	-	20,005
Canterbury Regional Council	4,003	59,133	6,002	48,129
Central Hawkes Bay District Council	-	20,107	-	20,107
Christchurch City Council	14,533	1,951,017	25,094	1,904,271
Clutha District Council	2,004	16,042	2,003	7,030
Far North District Council	-	51,702	10,001	46,686
Gisborne District Council	-	68,774	-	58,754
Gore District Council	6,011	26,563	6,004	16,538
Greater Wellington Regional Council	-	450,945	-	425,877
Grey District Council	3,995	21,642	3,967	15,196
Hamilton City Council	-	481,019	-	481,064
Hastings District Council	-	205,357	-	150,335
Hauraki District Council	-	44,101	-	44,102
Hawkes Bay Regional Council	-	18,868	-	2,507
Horizons Regional Council	11,991	37,194	6,987	37,199
Horowhenua District Council	16,000	92,178	16,003	90,618
Hurunui District Council	8,002	30,062	8,005	30,065
Hutt City Council	-	201,225	-	216,523
Invercargill City Council	-	68,666	25,013	65,165
Kaikoura District Council	-	5,014	4,007	3,008
Kaipara District Council	-	44,088	-	44,089
Kapiti Coast District Council	-	230,366	-	210,353
Manawatu District Council	11,522	72,681	11,519	65,669
Marlborough District Council	30,226	73,136	27,224	73,157
Masterton District Council	-	48,609	-	51,215
Matamata-Piako District Council	-	26,567	-	26,561
Nelson City Council	-	90,146	-	75,118
New Plymouth District Council	-	169,999	-	139,939
Northland Regional Council	-	14,147	-	9,729
Opotiki District Council	-	8,600	-	8,620
Otorohanga District Council	-	-	-	3,035

12 Loans (cont)

As at 30 June in \$000s	2021		2020	
	Short-term loans	Loans	Short-term loans	Loans
Palmerston North City Council	-	152,314	-	137,267
Porirua City Council	-	141,794	-	131,787
Queenstown Lakes District Council	25,030	130,333	20,027	95,525
Rangitikei District Council	-	3,020	-	3,020
Rotorua District Council	12,823	215,034	22,855	195,105
Ruapehu District Council	8,005	21,474	8,005	17,061
Selwyn District Council	-	60,129	-	35,092
South Taranaki District Council	-	95,210	-	101,232
South Waikato District Council	8,987	15,030	-	-
South Wairarapa District Council	-	24,520	-	22,018
Stratford District Council	-	22,271	-	15,571
Taranaki Regional Council	4,999	-	3,992	-
Tararua District Council	-	44,100	2,006	33,080
Tasman District Council	27,037	152,035	31,143	177,039
Taupo District Council	-	125,177	-	115,177
Tauranga City Council	-	516,688	-	526,768
Thames-Coromandel District Council	-	61,145	-	61,147
Timaru District Council	22,529	117,181	22,577	67,203
Upper Hutt City Council	-	65,153	2,993	46,108
Waikato District Council	-	80,189	-	95,222
Waikato Regional Council	-	32,082	-	32,085
Waimakariri District Council	-	170,506	-	160,550
Waipa District Council	8,000	90,123	13,503	40,053
Wairoa District Council	-	8,041	-	9,045
Waitaki District Council	2,498	12,523	-	-
Waitomo District Council	4,003	30,045	7,022	30,044
Wellington City Council	-	792,505	-	635,684
West Coast Regional Council	2,001	6,610	2,001	6,610
Western Bay Of Plenty District Council	-	70,154	-	90,212
Westland District Council	-	21,858	-	19,652
Whakatane District Council	-	77,203	-	67,178
Whanganui District Council	7,507	94,289	7,510	94,290
Whangarei District Council	9,993	162,296	9,992	142,301
Fair value hedge adjustment	-	(1,091)	-	-
	287,140	11,778,528	315,456	10,584,299

13. Other assets

As at 30 June in \$000s	2021	2020
Intangible assets ¹	154	306
Right-of-use lease asset	190	113
Total other assets	345	419

1. Intangible assets comprise acquired and internally developed software costs incurred on the implementation of LGFA's treasury management system.

14 Payables and provisions

As at 30 June in \$000s	2021	2020
Unsettled loans	40,000	-
Trade creditors	658	561
Credit provision	193	132
Other provisions	49	13
Total payables and provisions	40,900	705

15. Bills

As at 30 June 2021 in \$000's	Face value	Unamortised premium	Accrued interest	Total
7 July 2021	20,000	(1)	-	19,999
15 July 2021	110,000	(13)	-	109,987
5 August 2021	25,000	(8)	-	24,992
11 August 2021	80,000	(29)	-	79,971
10 September 2021	75,000	(46)	-	74,954
17 September 2021	150,000	(95)	-	149,905
6 October 2021	20,000	(20)	-	19,980
14 October 2021	55,000	(57)	-	54,943
10 November 2021	50,000	(73)	-	49,927
8 December 2021	25,000	(34)	-	24,966
	610,000	(376)	-	609,624

As at 30 June 2020 in \$000's	Face value	Unamortised premium	Accrued interest	Total
8 July 2020	110,000	(21)	-	109,979
17 July 2020	58,500	(31)	-	58,469
22 July 2020	12,000	(9)	-	11,991
6 August 2020	225,000	(102)	-	224,898
12 August 2020	75,000	(79)	-	74,921
9 September 2020	50,000	(59)	-	49,941
7 October 2020	17,000	(36)	-	16,964
11 November 2020	50,000	(63)	-	49,937
9 December 2020	25,000	(37)	-	24,963
15 December 2020	25,000	(43)	-	24,957
	647,500	(479)	-	647,021

16. Treasury stock and bond repurchases

Periodically, LGFA subscribes for LGFA bonds as part of its tender process and holds these bonds as treasury stock. LGFA bonds held by LGFA as treasury stock are derecognised at the time of issue and no liability is recognised in the statement of financial position. As at 30 June 2021, \$1,000 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.

As at 30 June 2021, bond repurchase transactions comprised:

As at 30 June in \$000s	2021	2020
15 May 2021	-	25,970
14 April 2022	-	25,196
15 April 2023	32,887	27,670
15 April 2024	-	25,139
15 April 2025	-	22,135
15 April 2026	-	-
15 April 2027	-	31,145
20 April 2029	33,810	22,899
14 April 2033	38,957	22,600
15 April 2037	4,566	-
	110,220	202,755

17. Bonds

Bonds on issue do not include \$1,000 million face value of issued LGFA bonds subscribed by LGFA and held as treasury stock. Refer Note 16: Treasury stock and bond repurchase transactions.

As at 30 June 2021 in \$000's	Face Value	Unamortised premium	Accrued interest	Fair value hedge adjustment	Total
Fixed interest bonds					
14 April 2022	1,605,000	15,527	9,406		
15 April 2023	1,660,000	46,296	19,208		
15 April 2024	1,528,000	17,466	7,233		
15 April 2025	1,469,000	(20,190)	8,499		
15 April 2026	1,240,000	6,911	3,913		
15 April 2027	1,486,000	82,140	14,068		
20 April 2029	1,172,000	(10,512)	3,458		
15 May 2031	650,000	(4,966)	1,868		
14 April 2033	1,170,000	37,817	8,727		
15 April 2037	700,000	(8,443)	2,945		
Total fixed interest	12,680,000	162,045	79,326	166,138	13,087,509
Floating rate notes					
14 October 2022	130,000	(33)	283	-	130,250
Total	12,810,000	162,012	79,610	166,138	13,217,759

As at 30 June 2020 in \$000's	Face Value	Unamortised premium	Accrued interest	Fair value hedge adjustment	Total
Fixed interest bonds					
15 May 2021	1,450,000	19,259	11,111		
14 April 2022	1,155,000	16,630	6,769		
15 April 2023	1,550,000	55,449	17,935		
15 April 2024	1,248,000	6,717	5,908		
15 April 2025	1,409,000	(31,014)	8,152		
15 April 2026	1,000,000	763	3,156		
15 April 2027	1,326,000	56,918	12,554		
20 April 2029	692,000	(14,904)	2,042		
14 April 2033	1,030,000	8,706	7,683		
Total fixed interest	10,860,000	118,524	75,309	854,268	11,908,100
Floating rate notes					
14 October 2022	130,000	(58)	426	-	130,368
Total	10,990,000	118,465	75,735	854,268	12,038,468

18. Borrower notes

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

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

19. Other liabilities

As at 30 June in \$000s	Year ended 2021	Year ended 2020
Lease liability	190	113
Accruals	349	340
Total receivables	539	453

20. Operating leases

As at 30 June in \$000s	2021	2020
Less than one year	111	70
Between one and five years	79	43
Total non-cancellable operating leases	190	113

Risk management

21. Financial risk management

The Board of Directors has overall responsibility for carrying out the business of LGFA in accordance with risk management policies, including those relating to investing, lending, borrowing and treasury activities. The use of financial instruments exposes LGFA to financial risks, the most significant being market risk, credit risk, and liquidity risk.

22. Market risk

Market risk is the risk that changes in market prices will affect LGFA's income or value of financial instruments. The most significant market risk which LGFA is exposed to is interest rate risk. LGFA has no significant exposure to foreign exchange risk.

23. Interest rate risk

Interest rate risk is the risk that future cash flows or the fair value of financial instruments will decrease because of a change in market interest rates. LGFA is exposed to interest rate risk through its interest-bearing financial assets and liabilities. Interest rate risk is managed using Value at Risk (VaR) and Partial Differential Hedge (PDH) limits

to mitigate the potential change in value of the balance sheet due to changes in interest rates. PDH risk measures the sensitivity of a portfolio to a one basis point change in underlying interest rates, whereas VaR measures the expected loss for a given period with a given confidence.

The table below indicates the earliest period in which the interest-bearing financial instruments reprice.

As at 30 June 2021 in \$000s	Face value	Less than 6 months	6 months - 1 year	1-2 years	2-5 years	Over 5 years
Financial assets						
Cash and bank Balances	391,835	391,835	-	-	-	-
Marketable securities	765,762	317,070	50,272	182,261	216,159	-
Deposits	654,331	509,331	145,000	-	-	-
Loans	11,999,282	10,252,377	138,782	252,500	606,100	749,523
Financial liabilities						
Bills	(610,000)	(610,000)	-	-	-	-
Bond repurchases	(67,640)	(67,640)	-	-	-	-
Derivatives	-	(10,924,750)	1,448,000	1,463,750	3,486,000	4,527,000
Bonds	(12,810,000)	(130,000)	(1,605,000)	(1,660,000)	(4,237,000)	(5,178,000)
Borrower notes	(212,750)	(180,164)	(1,982)	(4,406)	(11,382)	(14,815)
Total	110,820	(441,941)	175,071	234,105	59,877	83,708

As at 30 June 2021 in \$000s	Face value	Less than 6 months	6 months - 1 year	1-2 years	2-5 years	Over 5 years
Financial assets						
Cash and bank Balances	165,826	165,826	-	-	-	-
Marketable securities	576,298	335,758	112,903	18,214	109,423	-
Deposits	497,980	397,980	100,000	-	-	-
Loans	10,868,876	9,118,964	529,990	153,300	532,200	534,423
Financial liabilities						
Bills	(647,500)	(647,500)	-	-	-	-
Bond repurchases	(202,478)	(202,478)	-	-	-	-
Derivatives	-	(9,347,750)	1,014,500	1,065,000	3,735,250	3,533,000
Bonds	(10,990,000)	(130,000)	(1,450,000)	(1,155,000)	(4,207,000)	(4,048,000)
Borrower notes	(168,845)	(141,197)	(8,130)	(2,453)	(8,515)	(8,551)
Total	100,157	(450,397)	299,263	79,061	161,358	10,872

Interest rate sensitivity

Changes in interest rates impact the fair value of fixed rate assets and liabilities, cash flows on floating rate assets and liabilities, and the fair value and cash flows of interest rate swaps. A change of 100 basis points in interest rates at the reporting date would have increased/(decreased) profit or loss and equity by the amounts shown in the following table. This analysis assumes that all other variables remain constant.

For the period ending 30 June in \$000s	2021		2020	
	100 bps increase \$000s	100 bps decrease \$000s	100 bps increase \$000s	100 bps decrease \$000s
Fair value sensitivity analysis				
Fixed rate assets	-	-	-	-
Fixed rate liabilities	558,172	(571,857)	484,492	(493,186)
Derivative financial instruments	(557,130)	570,782	(483,279)	491,932
	1,042	(1,075)	1,213	(1,254)
Cash flow sensitivity analysis				
Variable rate assets	100,661	(100,661)	89,636	(89,636)
Variable rate liabilities	(3,093)	3,093	(2,712)	2,712
Derivative financial instruments	(105,568)	105,568	(93,608)	93,608
	(7,999)	7,999	(6,684)	6,684

24. Credit risk

Credit risk is the risk of financial loss if a counterparty to a financial instrument fails to meet its contractual obligations. LGFA is exposed to credit risk through its lending and investing activities.

Credit risk associated with lending activities is managed by requiring local authorities that borrow from LGFA to meet specific credit lending criteria and to provide security against the borrowing. The LGFA's credit risk framework restricts credit exposures to specific counterparties.

Credit risk associated with investing activities, excluding on-lending, is managed by only investing with New Zealand Government or counterparties that meet a minimum credit rating of A (S&P Global Ratings equivalent). The LGFA's credit risk framework limits concentrations of credit risk for any single counterparty.

Exposure to credit risk

LGFA monitors the concentration of credit risk by the type of counterparty. The following table shows the carrying value and maximum exposure to credit risk at the reporting date, before taking account of collateral or other credit enhancements, for significant counterparty types.

As at 30 June 2021 in \$000s	NZ government agencies	NZ local authorities	NZ registered banks	Other counter-parties	Fair Value hedge adjustment	Total carrying value
Financial assets						
Cash and bank balances	388,960	-	2,875	-	-	391,836
Trade and other receivables	-	1,000	42,578	9	-	43,587
Marketable securities	-	14,006	159,250	602,115	(6,917)	768,453
Deposits	-	-	524,839	130,122	-	654,961
Derivatives	372,536	-	-	-	-	372,536
Loans	-	12,066,760	-	-	(1,091)	12,065,668
	761,497	12,081,765	729,542	732,246	(8,008)	14,297,042

As at 30 June 2020 in \$000s	NZ government agencies	NZ local authorities	NZ registered banks	Other counter-parties	Fair Value hedge adjustment	Total carrying value
Financial assets						
Cash and bank balances	165,070	-	756	-	-	165,825
Trade and other receivables	-	-	-	-	-	-
Marketable securities	123,615	52,181	89,868	323,460	-	589,124
Deposits	-	-	459,783	40,041	-	499,824
Derivatives	999,700	-	-	-	-	999,700
Loans	-	10,899,756	-	-	-	10,899,756
	1,288,385	10,951,937	550,406	363,501	-	13,154,229

Collateral and credit enhancements

LGFA holds collateral against borrowings from local authorities in the form of debenture securities and guarantees.

Credit quality of financial assets

All financial assets are neither past due nor impaired. The carrying value of the financial assets is expected to be recoverable.

25. Liquidity risk

Liquidity risk is the risk that LGFA will encounter difficulty in meeting the obligations of its financial liabilities. LGFA manages liquidity risk by holding cash and a portfolio of liquid assets to meet

obligations when they fall due. LGFA is required by policy to maintain sufficient liquidity (comprising a committed liquidity facility and holdings of cash and liquid investments) to meet all operating and funding commitments over a rolling 12-month period.

The Treasury (New Zealand Debt Management) provides a committed liquidity facility that LGFA can draw upon to meet any exceptional and temporary liquidity shortfall. As at 30 June 2021, the undrawn committed liquidity facility was \$500 million (2020: \$700 million). The facility is due to expire in December 2031.

26. Contractual cash flows of financial instruments.

The following table shows the contractual cash flows associated with financial assets and liabilities.

As at 30 June 2021 in \$000s	On demand	Up to 3 months	3 months to 1 year	1 year to 5 years	More than 5 years	Total contractual cash flows	Total carrying value
Financial assets							
Cash and bank balances	391,835	-	-	-	-	391,835	391,835
Trade and other receivables	43,587	-	-	-	-	43,587	43,587
Marketable securities	-	157,779	119,844	515,213	-	792,836	768,453
Deposits	-	249,627	407,175	-	-	656,802	654,961
Loans	-	194,635	1,675,752	6,285,605	4,573,829	12,729,822	12,065,668
Financial liabilities							
Payables and provisions	40,900	-	-	-	-	40,900	40,900
Bills	-	(460,000)	(150,000)	-	-	(610,000)	(609,624)
Bond repurchases	-	(110,222)	-	-	-	(110,222)	(110,220)
Bonds	-	(331)	(1,988,835)	(6,999,417)	(5,811,385)	(14,799,968)	(13,217,759)
Borrower notes	-	(782)	(23,588)	(112,839)	(97,506)	(234,715)	(224,281)
Derivatives	-	(23,311)	266,446	574,114	351,867	1,169,116	372,536
	476,322	7,395	306,794	262,676	(983,195)	69,992	176,056

As at 30 June 2020 in \$000s	On demand	Up to 3 months	3 months to 1 year	1 year to 5 years	More than 5 years	Total contractual cash flows	Total carrying value
Financial assets							
Cash and bank balances	165,826	-	-	-	-	165,826	165,826
Trade and other receivables	-	-	-	-	-	-	-
Marketable securities	-	194,160	222,916	175,954	-	593,029	589,124
Deposits	-	289,288	212,759	-	-	502,048	499,824
Loans	-	224,293	1,902,829	6,047,790	3,355,153	11,530,065	10,899,756
Financial liabilities							
Payables and provisions	(705)	-	-	-	-	(705)	(705)
Bills	-	(530,500)	(117,000)	-	-	(647,500)	(647,021)
Bond repurchases	-	(102,752)	(100,276)	-	-	(203,028)	(202,755)
Bonds	-	(483)	(1,843,131)	(6,420,275)	(4,512,260)	(12,776,150)	(12,038,468)
Borrower notes	-	(438)	(31,198)	(99,957)	(59,551)	(191,144)	(182,272)
Derivatives	-	(21,309)	266,054	554,255	265,760	1,064,760	999,700
	165,121	52,258	512,953	257,766	(950,898)	37,199	83,008

Capital and dividends

27. Share capital

As at 30 June 2021, LGFA had 45 million ordinary shares on issue, 20 million of which remain uncalled.

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

28. Shareholder information

Registered holders of equity securities as at 30 June	2021		2020	
New Zealand 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%

29. Capital management

LGFA's capital is equity, which comprises share capital and retained earnings. The objective of managing LGFA's equity is to ensure LGFA achieves its goals and objectives for which it has been established, whilst remaining a going concern.

30. Dividend

LGFA paid a dividend of \$878,500 on 4 September 2020, being \$0.03514 per paid up share (2019: \$1,285,000 on 6 September 2019, being \$0.0462 per paid up share).

Other Notes

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

For the year ended 30 June in \$000s	2021	2020
Net profit/(loss) for the period	12,007	10,623
Cash applied to loans	(1,127,002)	(1,556,511)
Non-cash adjustments		
Amortisation and depreciation	(2,347)	528
Working capital movements		
Net change in trade debtors and receivables	105	87
Net change in prepayments	(41)	(72)
Net change in accruals	29	58
Net Cash From Operating Activities	(1,117,249)	(1,545,287)

32. Capital commitments

As at 30 June 2021, there are no capital commitments.

33. Contingencies

There are no contingent liabilities at balance date.

34. Related parties

Identity of related parties

LGFA is related to the local authorities set out in the Shareholder Information in note 28.

LGFA operates under an annual Statement of Intent with the respective local authorities 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 12, and interest income recognised on this lending is shown in the statement of comprehensive income.

The purchase of LGFA borrower notes by participating borrowers Refer note 18.

As at 30 June 2021, Mike Timmer was a non-independent director of LGFA and was also employed by Greater Wellington Regional Council (GWRC) as Treasurer. GWRC borrowed from LGFA during the financial year on the same terms and conditions as any other council borrower.

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

Key management personnel:

Salaries \$989,100 (2020: \$951,900)

Fees paid to directors are disclosed in operating expenses in Note 6.

35. Subsequent events

On 24 August 2021, the Directors of LGFA declared a dividend of \$856,500 (\$0.03426 per paid up share).

COVID-19 pandemic update. On 17 August 2021, New Zealand moved to Alert Level 4. LGFA has processes in place to manage the day-to-day impacts and the changing risk levels within each lockdown Alert Level. Management have considered the implications of COVID-19 on all aspects of our business and note there no events which require adjustment to or disclosure in these financial statements.

Subsequent to balance date, LGFA has issued \$485 million in bonds.



INDEPENDENT AUDITOR'S REPORT

TO THE READERS OF NEW ZEALAND LOCAL GOVERNMENT FUNDING AGENCY LIMITED'S FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION FOR THE YEAR ENDED 30 JUNE 2021

The Auditor-General is the auditor of New Zealand Local Government Funding Agency Limited (the company). The Auditor-General has appointed me, Brent Manning, using the staff and resources of KPMG, to carry out the audit of the financial statements and performance information of the company on his behalf.

Opinion

We have audited:

- the financial statements of the company on pages 59 to 82, that comprise the statement of financial position as at 30 June 2021, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information; and
- the performance information of the company on pages 10 to 15.

In our opinion:

- the financial statements of the company on pages 59 to 82:
 - present fairly, in all material respects:
 - its financial position as at 30 June 2021; and
 - its financial performance and cash flows for the year then ended; and
- comply with generally accepted accounting practice in New Zealand in accordance with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and International Financial Reporting Standards (IFRS); and
- the performance information of the company on pages 10 to 15 presents fairly, in all material respects, the company's actual performance compared against the performance targets and other measures by which performance was judged in relation to the company's objectives for the year ended 30 June 2021.

Our audit was completed on 30 August 2021. This is the date at which our opinion is expressed.

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

Basis for our opinion

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

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

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

Materiality

The scope of our audit was influenced by our application of materiality. Materiality helped us to determine the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and on the financial statements as a whole. The materiality for the financial statements as a whole was set at \$110 million determined with reference to a benchmark of company Total Assets. We chose the benchmark because, in our view, this is a key measure of the company's performance. In addition, we also assess whether other matters that come to our attention during the audit would in our judgement change or influence the decisions of a reasonably knowledgeable person ('qualitative' materiality).



Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements in the current period. We summarise below those matters and our key audit procedures to address those matters in order that the readers as a body may better understand the process by which we arrived at our audit opinion. Our procedures were undertaken in the context of and solely for the purpose of our statutory audit opinion on the financial statements as a whole and we do not express discrete opinions on separate elements of the financial statements.

The key audit matter	How the matter was addressed in our audit
Existence and impairment of loans	
Refer to Note 12 to the Financial Statements. The loans LGFA has provided to local government make up over 83% of total assets. The loans are recognised at amortised cost and the nature of the counterparties is such that we do not consider these loans to be at high risk of significant misstatement. However, based on their materiality, and the judgement involved in assessing the credit worthiness of counterparties they are considered to be the area which had the greatest effect on our overall audit strategy and allocation of resources in planning and completing our audit.	Our audit procedures included: <ul style="list-style-type: none"> - understanding the processes in place to assess borrowers and to record loan transactions. This included evaluating the control environment in place at LGFA. - agreeing the 30 June 2021 loan balances to external confirmations received from NZ Clear. - assessing the borrowers' compliance with financial covenants. <p>We did not identify any material differences in relation to the existence or impairment of loans.</p>
Application of hedge accounting	
Refer to Note 9 of the Financial Statements. LGFA enters into derivatives (interest rate swaps) to manage interest rate risk related to issuing fixed rate bonds. Fair value hedge accounting is applied where specific requirements are met around documentation of the hedge relationship and the relationship is demonstrated as being an effective hedge. Hedge accounting is complex, particularly in the area of whether the requirements (both initial and ongoing) for its application are met. Should the requirements for hedge accounting not be met, LGFA could experience significant volatility in the Statement of Comprehensive Income from changes in the fair value of the derivatives. Due to the size of the derivative positions and the complexity of hedge accounting we consider this to be a key audit matter.	Our audit procedures included: <ul style="list-style-type: none"> - reviewing LGFA's accounting policies related to financial instruments. - agreeing the terms of the derivatives to the confirmation provided by the derivative counterparty. - using our treasury valuation specialists we independently recalculated the fair value of all of the derivatives recorded by LGFA. - ensuring the hedge documentation supporting the application of hedge accounting was in accordance with NZ IFRS 9 and the disclosures made in the financial statements were appropriate. - determining that management's hedge effectiveness calculations were correctly performed using appropriate source information. <p>We did not identify any material differences in relation to the application of hedge accounting.</p>

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

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



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

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

The Board of Directors' responsibilities arise from the Local Government Act 2002 and the Financial Markets Conduct Act 2013.

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

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

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

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

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

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

- We identify and assess the risks of material misstatement of the financial statements and the performance information, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- We evaluate the appropriateness of the reported performance information within the company's framework for reporting its performance.
- We conclude on the appropriateness of the use of the going concern basis of accounting by the Board of Directors and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists we are required to draw attention in our auditor's report to the related disclosures in the financial statements and the performance information or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- We evaluate the overall presentation, structure and content of the financial statements and the performance information, including the disclosures, and whether the financial statements and the performance information represent the underlying transactions and events in a manner that achieves fair presentation.



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

Our responsibilities arise from the Public Audit Act 2001.

Other Information

The Board of Directors is responsible for the other information. The other information comprises the information included on pages 4 to 9, 16 to 58 and 87 to 91, but does not include the financial statements and the performance information, and our auditor's report thereon.

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

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

Independence

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

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

A handwritten signature in black ink, appearing to read 'Brent Manning', with a horizontal line extending to the right.

Brent Manning

KPMG

On behalf of the Auditor-General

Wellington, New Zealand

Other disclosures

He whākitanga anō

Donations

A donation of \$3,000 was made to Kauri 2000 for the year ended 30 June 2021.

Earnings per security

Earnings per \$1,000 of bonds on issue as at 30 June 2021 is \$0.87 (2020: \$0.90).

Net Tangible Assets

Net tangible assets per \$1,000 of listed bonds as at 30 June 2021 is \$6.86 (2020: \$7.09).

Amount per security of final dividends

Not applicable

Spread of Quoted Security holders

Holding Range	Holder Count	Holder Count %	Holding Quantity	Holding Quantity %
10,000 to 49,999	426	45.61	\$ 10,381,000	0.08
50,000 to 99,999	187	20.02	\$13,111,000	0.1
100,000 to 499,999	212	22.7	\$42,439,000	0.31
500,000 to 999,999	25	2.68	\$17,352,000	0.13
1,000,000 to 9,999,999,999,999	84	8.99	\$13,596,717,000	99.39
Total	934	100.0	\$13,680,000,000	100.01

GRI Index

Tāpiritanga GRI

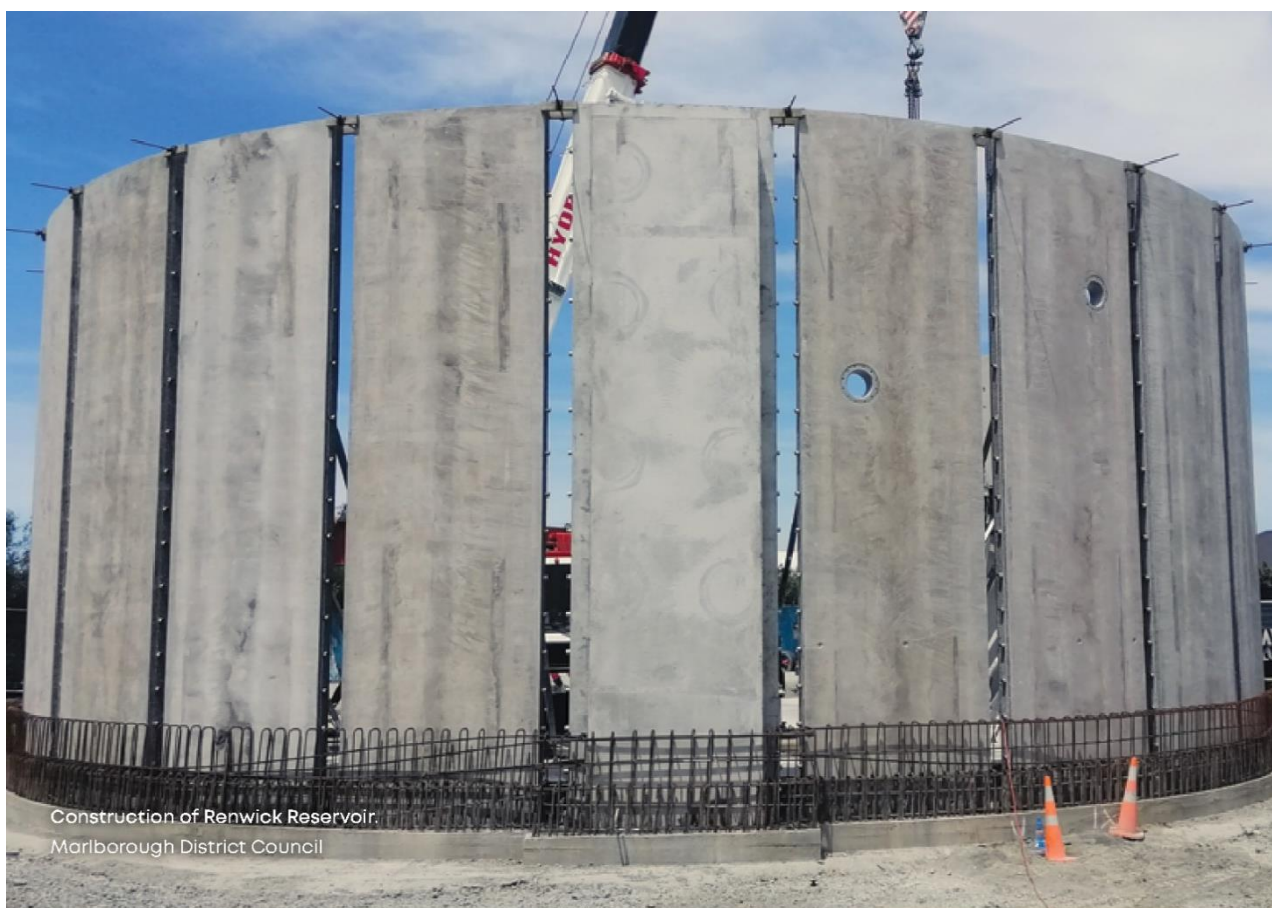
The GRI Standards are the world's most widely used sustainability reporting standard.

This is the second year LGFA has prepared its annual report in compliance with the GRI Standards.

The following index is based on the GRI core option.

Disclosure title	Reference/Disclosure
102-1. Name of the organisation	Page 16
102-2. Activities, brands, products and services	Pages 16-27
102-3. Location of headquarters	Page 91
102-4. Location of operations	Page 91
102-5. Ownership and legal form	Pages 16,62
102-6. Markets served	Pages 4-6, 10-15, 16-27, New Zealand
102-7. Scale of the organisation	Pages 4-6, 16-32, 60
102-8. Information on employees and other workers	Pages 49, 51, 81
102-9. Supply chain	Pages 16-27
102-10. Significant changes to the organization and its supply chain	None
102-11. Precautionary Principle or approach	Page 40
102-12. External initiatives	Page 44
102-13. Membership of Associations	Financial Service Providers Register
102-14. Statement from senior decision-maker	Pages 4-6
102-16. Values, principles, standards, and norms of behaviour	Pages 44-53
102-18. Overview of Governance Structure	Page 17
102-40. List of stakeholder groups	Pages 4-7, 10-15, 28-32, 53
102-41. Collective bargaining agreements	None
102-42. Identifying and selecting stakeholders	Page 34
102-43. Approach to stakeholder engagement	Pages 34-38

102-44. Key topics and concerns raised	Page 34
102-45. Entities included in the consolidated financial statements	Page 62
102-46. Defining report content and topic Boundaries	Page 34
102-47. List of material topics	Pages 34-38
102-48. Restatements of information	None
102-49. Changes in reporting	None
102-50. Reporting period	1 July 2020 to 30 June 2021
102-51. Date of most recent report	2020 Annual Report
102-52. Reporting cycle	Annual
102-53. Contact point for questions regarding the report	lgfa@lgfa.org.nz
102-54. Claims of reporting in accordance with the GRI Standards	The report has been prepared in accordance with the GRI standards : core option
102-55. GRI content index	Page 88
102-56. External assurance	None
Cost effective funding	Pages 4-6, 10-15, 28
Culture, ethics and governance	Pages 34-38, 44-53
Transparency and disclosure	Pages 4-6, 34-38, 44-53, 54-57
Environmental and social impact of lending	Pages 4-6, 34-38, 40-42
Health & safety and wellbeing	Pages 11, 14-15, 34-38, 52
Collaboration and local engagement	Pages 4-6, 12, 34-36
Financial markets best practice and influence	Pages 4-6, 10-15, 44-57
Diversity and inclusion	Pages 4-6, 49
Capability and development	Pages 4-6, 49
Carbon footprint	Pages 34-38
Health and Safety and Wellbeing	
403-1 Occupational health and safety management system	Page 52
403-9 Work-related injuries	Page 14
403-10 Work-related ill health	Page 14
Diversity and Inclusion	
405-1 Diversity of governance bodies and employees	Page 49
405-2 Ratio of basic salary and remuneration of women to men	Page 51
Capability and Development	
404-2 Programs for upgrading employee skills and transition assistance programs	Page 49



Directory

Rārangi tauwaea

Postal address

P.O. Box 5704
Lambton Quay
Wellington 6145

Office Hours

Monday through Friday,
09.00-17.00 hrs
Except Public Holidays

Main Phone

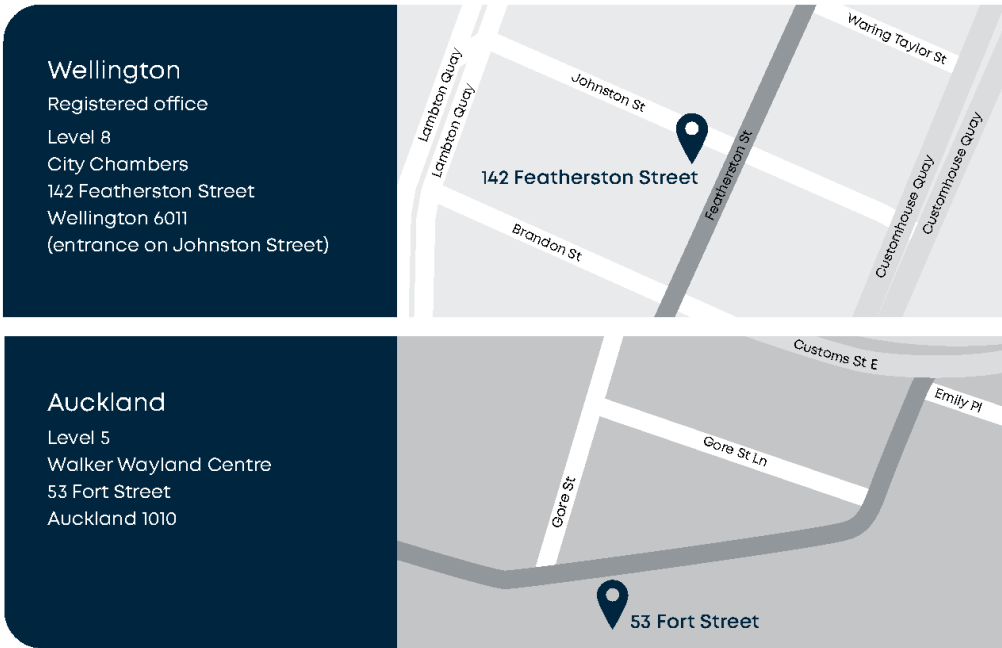
+64 4 974 6530

General Enquiries

lgfa@lgfa.co.nz

Staff E-Mail Addresses

firstname.lastname@lgfa.co.nz



lgfa.co.nz

Council Report

Item 10

Committee: Finance Committee

Date: 05 October 2021

Author: Nicolas Wells

Authoriser: Blair Bowcott

Position: Strategic Property Manager

Position: General Manager Growth

Report Name: COVID-19 Council Rent Relief Eligibility and Gardens Arts Additional Grant

Report Status	Open
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Purpose - Take

1. To seek a recommendation from the Finance Committee that the Council approves rent relief to Council tenants during the current Covid-19 lockdown period, subject to eligibility and assessment criteria.
2. To seek a recommendation from the Finance Committee that the Council approves an additional funding grant request for the Hamilton Gardens Arts Festival in February 2022.

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

3. That the Finance Committee:
 - a) receives the report; and
 - b) recommends that Council:
 - i. approves up to \$122,000 of immediate funding for 100% rent relief for eligible Council tenants in the Covid-19 Level 4 and Level 3 lockdown from 18 August to 7 September 2021;
 - ii. approves up to \$61,000 of operating funding for 50% rent relief for eligible Council tenants in the Covid-19 Level 2 lockdown from 7 to 29 September 2021 to be calculated and applied retrospectively when Level 1 is confirmed by the Government;
 - iii. approves the following criteria for assessing eligibility for rent relief:
 - a. tenants need to occupy Council-owned premises and operate in the hospitality, retail or community sectors;
 - b. provide proof of financial hardship and a reduction of more than 50% normal revenue for the period;
 - c. provide proof of any Government subsidies applied for and received; and
 - d. provide proof of any relief funding received from other sources.
 - iv. approves a special funding grant of \$40,000 to the Hamilton Gardens Arts Festival for their February 2022 event.

Executive Summary – *Whakaraapopototanga matua*

Item 10

4. Council has received seven applications for rent relief from hospitality and retail tenants. Three enquiries have been received from community occupancy tenants and one from a large commercial entity.
5. Staff recommend that, on application, rent relief be granted to all eligible tenants as follows:
 - i. 100% rent relief for tenants in hospitality, retail, and community sectors for the Levels 4 and 3 period (three weeks) with immediate effect; and
 - ii. up to a maximum of 50% rent relief for tenants in hospitality, retail, and community sectors for the Level 2 period to be assessed and applied retrospectively.
6. To be eligible for rent relief tenants will have to provide proof of hardship, and what subsidies or relief they are receiving from the Government or other parties. Tenants must also not be more than 90 days overdue on any payments due under their lease.
7. Council can provide rent relief in exceptional circumstances, in this case to help mitigate the potential social and economic impacts of Covid-19 in Hamilton. The recommended rent relief is intended to complement the Government's response, and the efforts of other stakeholders.
8. In addition to the rent relief identified in this report, Council will continue to work with all tenants, the community, and partners to identify if further support is required.
9. During the 2020 Covid-19 lockdown, Council provided 100% relief to all Council tenants for a minimum three-month period.
10. This time, the proposed response is more tailored, reflecting experience gained from the 2020 lockdown.
11. The estimated cost of the rent relief proposed is \$183K which will be funded from the current 2021/22 FY operating surplus.
12. The Council has the authority to approve granting of rent relief to its tenants – there is no delegation of this authority to staff.
13. In addition, the 2022 Hamilton Gardens Arts Festival is facing severe financial shortfall of \$85K because of sponsor adjustments due to the current COVID-19 outbreak.
14. The event organisers, the Hamilton Gardens Summer Festival Foundation, is seeking additional funding from Council for an additional \$40K in funding.
15. The Council has the authority to approve this additional funding grant to Hamilton Gardens Arts Festival for their 2022 event.
16. Staff consider the matters to be of medium significance and that the recommendations comply with Council's legal requirements.

Background – *Koorero whaimaarama*

Rent Relief

17. The Government imposed a national Level 4 lockdown in response to the Delta variant of Covid-19 for two weeks from 18-31 August 2021. A level 3 lockdown followed (excluding Auckland and Northland) for one week from 1-7 September 2021. Hamilton is currently in Delta Level 2+ lockdown (Level 2) until further notice.
18. All businesses were fully closed under Level 4. Level 3 allowed businesses to provide partial contactless "click and collect" services; however, those in Council facilities (such as the Hamilton Gardens) remained fully closed. Level 2 permits businesses to operate under strict criteria and with limits on customer numbers.

19. The Level 2 restrictions impact differently across business sectors. Hospitality sector businesses are more greatly impacted than other sectors – for example in a Level 2 environment hospitality trading is constrained because of the maximum customer number requirements and cannot recover lost business, whereas under the same Level 2 restrictions retail can experience a surge of deferred business, and commercial and industrial sectors may be completely unaffected.
20. It is unclear how long Level 2 restrictions will last. This report assumes a minimum period of three weeks from 8 September to 29 September 2021 and consequently it is proposed any relief granted in Level 2 is applied retrospectively once the extent of the period, and its effects, are known.
21. Council has tenants operating their businesses from Council-owned premises across the hospitality, retail, community, commercial and industrial sectors. The Council has received ten applications for rent relief from tenants in the hospitality, retail and community sectors.
22. Council's leasing portfolio is described by sector in paragraphs 19 – 22 below. The financial impact of the proposed rent relief package is detailed in the table in paragraph 39 of the financial section of this report.
23. **Hospitality** – 12 tenants in this sector (5 applications for relief).
 - i. The combined monthly rental is \$47,220.
 - ii. 100% rent relief for Levels 4 and 3 (three weeks) is \$32,690.
 - iii. 50% rent relief for Level 2 (three weeks) is \$16,345.
 - iv. The stricter level 2 conditions limit revenue due to social distancing limits on patronage and reduced numbers for events and functions.
24. **Retail** – 14 tenants in this sector (2 applications for relief).
 - i. The combined monthly rental is \$32,031.
 - ii. 100% rent relief for Levels 4 and 3 (three weeks) is \$22,175.
 - iii. 50% rent relief for Level 2 (three weeks) is \$11,087.
 - iv. In Level 2 many of these tenants will be able to operate as normal.
25. **Community Occupancy** – 102 lessees in this sector (3 applications for relief).
 - i. The total monthly rental revenue is \$12,051.
 - ii. 100% rent relief for Levels 4 and 3 (three weeks) is \$9,038.
 - iii. 50% rent relief for Level 2 (three weeks) is \$4,519.
 - iv. In 2020 approximately one third of community lessees applied for the original three-month rent relief period totalling approximately \$20,407.
 - v. An estimated amount of \$13,557 has been included in this recommendation to provide rent relief to community occupancy groups.
26. **Commercial (includes Industrial)** - 3 tenants in this sector.
 - i. The combined monthly rental is \$118,916.
 - ii. One tenant has enquired but is not considered eligible for relief (they operated under all levels and recouped lost revenue quickly from Level 3 – additionally the Council provided approximately \$20,000 in operational funding).
 - iii. Financial hardship would need to be proved before any relief would be considered.

Hamilton Gardens Arts Festival – additional funding grant

27. Council is a long-standing major sponsor and supporter of the Hamilton Gardens Arts Festival and currently has in place a three-year major event sponsorship fund agreement of \$120K per

year for the events in 2021, 2022 and 2023. This was approved by the Community Committee in 2020.

28. The 2021 event included 103 performances over a seven day period, with over 7,000 people attending ticketed events and 31,000 enjoying access to free events.
29. Their 2021 festival was severely impacted by earlier COVID-19 lockdowns. In addition to the above funding, they were also successful in receiving an additional \$40K from Council's COVID-19 Community Response Fund Grant in July 2020.

Discussion - *Matapaki*

Hamilton City Council rent relief – 2020 response

30. During the 2020 Covid-19 lockdown, the Council approved a broad package of response measures, including \$525,000 of operating funding for rent relief:
 - i. Council did not charge rent to community group, sports club, businesses operating from council facilities (such as cafes) and other businesses if unable to pay rent, and able to demonstrate hardship.
 - ii. Council granted immediate rent relief lasting for a three-month period, reviewed thereafter.
 - iii. Assumed monthly revenue of \$350k with a 50% uptake.
31. The cost of providing rent relief to Council tenants during the 2020 Covid period was \$291k.

Government assistance

32. The Government is providing payments to eligible businesses and entities on application.
 - i. **Covid-19 Wage Subsidy Scheme** - available to all businesses under Level 4 and 3. \$600 per week for each full-time employee, and \$359 per week for each part-time employee.
 - ii. **Covid-19 Resurgence Support Payment** – available to cover wages and fixed costs for businesses directly affected when there is an increase to Level 2 or higher for a week or more. To qualify the business must have experienced at least a 30% drop in revenue or a 30% decline in capital raising ability over a 7-day period, resulting from the increase in alert levels. Businesses can receive \$1,500 per business plus \$400 per full time employee, up to 50 full time employees. The maximum payment is \$21,500. A sole trader can receive a payment up to \$1,900.
 - iii. **Small Business Cashflow Loan Scheme** – available to businesses who employ 50 or fewer staff. They can borrow a maximum of \$10,000 plus \$1,800 per full time employee. This is a one off 5-year loan. The business must have experienced a minimum 30% decline in actual or predicted revenue for the period of a month, compared to the same month last year. Applications are open until 23 December 2023.

Private and public sector response

33. Council staff have contacted large private sector landlords, subject matter experts and neighbouring Local Authorities to gauge their approach in the current lockdown period.
34. Larger landlords accept that tenants with business requiring face-to-face contact, specifically hospitality and retail, have experienced 100% loss of revenue and are providing rent relief packages or rent deferrals. Tenants in other sectors are required to prove financial hardship, but this is unlikely to apply to “big box” retail companies. Generally, relief packages only apply to rent – operating costs still need to be paid by the tenants (who can obtain Government assistance for these costs).

35. Local Authorities are taking a “wait and see” approach and intend to provide relief case-by-case. There is an understanding that retail and hospitality tenants are particularly vulnerable to hardship under lockdown, and that rent is a significant operating expense.

Eligibility and assessment criteria

36. To be eligible for the proposed rent relief, tenants will need to occupy Council-owned premises or land and operate in the hospitality, retail or community sectors.
37. Eligible tenants will have to provide proof of hardship, and what subsidies or relief they are receiving from the Government or other parties.
38. Eligible tenants must not be more than 90 days overdue on any payments due under their lease. Staff have reviewed all the debtor accounts for the tenants; none has exceeded the 90- day threshold (at 17 September 2021).
39. Rent relief is for the period of the current Covid-19 Levels 4, 3 and 2 lockdown.
40. Eligible tenants will be granted rent relief on application as follows:
- i. 100% rent relief for tenants in hospitality, retail and community sectors for the Levels 4 and 3 period (three weeks) with immediate effect.
 - ii. Up to a maximum of 50% rent relief for tenants in hospitality, retail and community sectors for the Level 2 period to be assessed and applied retrospectively.
41. Council tenants operating in other sectors are not eligible for rent relief as part of this package. Applications for relief from those tenants will be considered on their merits.
42. Tenants operating in the Council’s H3 Venues, Tourism and Major Events business are excluded from this rent relief package. Those tenants typically have complex commercial arrangements with the Council that already provide for fluctuations in revenue. The General Manager Venues, Tourism, and Major Events has the authority to regulate commercial arrangements with affected tenants.

Options

Rent Relief

43. Staff have assessed that there are three reasonable and viable options for Member to consider. This assessment reflects the level of significance (described below). The options are:
- Option 1:** Provide rent relief at the level and subject to the eligibility and assessment criteria described in the staff recommendation 2 b) i -iii.
- Option 2:** Provide rent relief at a modified level or subject to different eligibility and assessment criteria.
- Option 3:** Do not provide rent relief.
44. Staff recommend **Option 1** for the reasons set out in this report.

Hamilton Gardens Arts Funding

45. The options for Members to consider are:
- Option 1:** That the request is recommended for approval by the Council.
- Option 2:** That the request is declined.
46. The 2021 COVID-19 lockdown periods have imposed additional stress and uncertainty for the planning and viability of the Festival which has faced a reduction in core sponsorship. This includes a loss of \$70K from Creative NZ because of a change to financially support artists

directly and not performance events themselves. In addition, the timing for corporate sponsorship has led to some reductions in sponsorship income normally achieved.

47. The event organisers, The Hamilton Summer Festival Foundation, have identified a potential shortfall in total of between \$120K - \$150K to hold their 2022 event. They remain confident this can be reduced to around \$85K and are in discussions with other parties in the hopes of securing further funding. However, if they are unable to secure the further funding needed, they will consider cancelling the 2022 event despite substantial costs to plan and stage the event having already been incurred.
48. For the 2021 event, a similar funding shortfall prevailed, and Council awarded an additional \$40K from its Council's COVID-19 Community Response Fund Grant. This proposal to Council recommends a repeat of that additional support at the same level for the 2022 event.
49. Staff recommend **Option 1** for the following reasons.

Financial Considerations – *Whaiwhakaaro Puutea*

Rent Relief

50. The total cost for the proposed rent relief is \$183,000 in the current 2020/21 financial year. The cost to Council of rent relief is unfunded in the Long-Term Plan and will be funded from the current operating surplus.
51. A summary of the cost of the proposed rent relief package is shown in the table below:

Sector	Level	Weeks	2021 FY Period	Rate	Relief
Hospitality	4 and 3	3	18 August – 7 September 2021	100%	\$ 32,690
Retail	4 and 3	3	18 August – 7 September 2021	100%	\$ 22,175
Community	4 and 3	3	18 August – 7 September 2021	100%	\$ 9,038
Commercial	4 and 3	3	18 August – 7 September 2021	100	\$ 57,519
Sub Total (across all sectors in Levels 4 and 3)					\$ 122,000
Hospitality	2	3	7 September – 29 September 2021	50%	\$ 1 6,345
Retail	2	3	7 September – 29 September 2021	50	\$ 11,087
Community	2	3	7 September – 29 September 2021	50	\$ 4,519
Commercial	2	3	7 September – 29 September 2021	50	\$ 28,759
Sub Total (across all sectors in Level 2)					\$ 61,000
TOTAL					\$ 183,000

Hamilton Gardens Arts Funding

52. The additional \$40K grant funding for the Hamilton Gardens Arts Festival cannot be covered from within existing major Event Sponsorship fund budget as this is fully expended. Therefore the cost to Council of this relief is unfunded in the Long-Term Plan and will be funded from the current operating surplus.

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

53. Staff confirm that the recommendations in this report comply with Council's legal and policy requirements.

Wellbeing Considerations – *Whaiwhakaaro-aa-oranga tonutanga*

54. The purpose of Local Government changed on the 14 May 2019 to include promotion of the social, economic, environmental and cultural wellbeing of communities in the present and for the future ('the 4 wellbeings').
55. The subject matter of this report has been evaluated in terms of the 4 wellbeings during the process of developing this report.
56. The recommendations set out in this report are consistent with that purpose.

Social

57. The continued survival of business in the hospitality, retail and community sectors promotes better outcomes for the community at large, helping to sustain a more vibrant Hamilton with greater social interaction.

Economic

58. Businesses in the hospitality, retail and community sectors help attract business growth, grow the city's economy, and contribute to the overall economic prosperity of Hamilton.

Environmental

59. There are no environmental wellbeings for consideration.

Cultural

60. Businesses in the hospitality, retail and community sectors endorse and enhance the cultural identity of the city.

Risks - *Tuuraru*

61. While the extent of the current Covid-19 outbreak is unknown, and the Government's response measures remain in place, the financial cost of this rent relief package is an estimate, based on the assumptions stated. The financial cost will be higher if the Level 2 lockdown is protracted, and there is greater uptake of rent relief than assumed.
62. To mitigate this, staff will monitor costs closely and report back to Council as soon as possible with any significant variations to the budget estimates.

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

Significance

63. Staff have considered the key considerations under the Significance and Engagement Policy and have assessed that the recommendations in this report have a medium level of significance.

Engagement

64. Given the level of significance determined, and the urgent nature of the matters being considered, no engagement is required.

Attachments

There are no attachments for this report.

Resolution to Exclude the Public

Section 48, Local Government Official Information and Meetings Act 1987

The following motion is submitted for consideration:

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

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

General subject of each matter to be considered	Reasons for passing this resolution in relation to each matter	Ground(s) under section 48(1) for the passing of this resolution
C1. Confirmation of the Finance Committee Public Excluded Minutes of 24 August 2021) Good reason to withhold information exists under Section 7 Local Government	Section 48(1)(a)
C2. Report on overdue debtors as at 31 August 2021 and Debt write-offs 2021/22) Official Information and Meetings Act 1987	
C3. Microsoft 365 Digital Workplaces Project New Contract)	
C4. Information Services - Psoda Contract Renewal		
C5. COVID Contract Claims		

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

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