

Notice of Meeting:

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

Date: Tuesday 6 October 2020
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
Deputy Mayor G Taylor
Cr M Bunting
Cr M Forsyth
Cr M Gallagher
Cr R Hamilton
Cr D Macpherson
Cr K Naidoo-Rauf
Cr A O'Leary
Cr S Thomson
Cr E Wilson
Maangai H Rau

Quorum: A majority of members (including vacancies)

Meeting Frequency: Six weekly

Becca Brooke
Governance Manager
Menetia Mana Whakahaere

29 September 2020
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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: 06 October 2020

Author: Narelle Waite

Authoriser: Amy Viggers

Position: Governance Advisor

Position: Governance Team Leader

Report Name: Confirmation of Finance Committee Open Minutes - 11 August 2020

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 11 August 2020 as a true and correct record.

Attachments - *Ngaa taapirihanga*

Attachment 1 - Finance Committee Open Unconfirmed Minutes - 11 August 2020

Finance Committee

OPEN MINUTES

Minutes of a meeting of the Finance Committee held in the Council Chamber, Municipal Building, Garden Place, Hamilton and via Audio-visual Link on Tuesday 11 August 2020 at 10.40am.

PRESENT

Chairperson	Cr R Pascoe
<i>Heamana</i>	
Deputy Chairperson	Cr M van Oosten
<i>Heamana Tuarua</i>	
Members	Mayor P Southgate Deputy Mayor G Taylor Cr M Bunting Cr M Gallagher Cr D Macpherson Cr K Naidoo-Rauf Cr A O'Leary Cr S Thomson Cr E Wilson (Audio-visual Link) Maangai H Rau

In Attendance:	David Bryant – General Manager Corporate Lance Vervoort- General Manager Community Eeva-Liisa Wright - General Manager Infrastructure Operations Chris Allen – General Manager Development Sean Hickey – General Manager Strategy and Communications Tracey Musty – Financial Controller Julie Sanderson – Group Business Manager Rebecca Whitehead – Business and Planning Manager Iain Anderson – Capital Financial Lead Andrew Parsons – Strategic Development Manager Matthew Bell – Rates and Revenue Manager Irene James - Finance and Commercial Director Cory Lang – Building Control Manager
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Governance Staff:	Becca Brooke – Governance Manager Amy Viggers – Governance Team Leader Tyler Gaukrodger – Governance Advisor
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Prior to the opening of the Finance Committee Meeting there was a Poowhiri held to welcome Maangai Hemi Rau, and to farewell and thank the former Maangai Bella Takiari-Brame for her contribution to Council.

1. **Apologies – *Tono aroha***

Resolved: (Cr van Oosten/Deputy Mayor Taylor)

That the apologies from Cr Hamilton for absence, from Mayor Southgate for early departure, from Deputy Mayor Taylor and Cr Bunting for partial attendance, and from Cr Forsyth for lateness are accepted.

2. **Confirmation of Agenda – *Whakatau raarangi take***

Resolved: (Cr Pascoe/Cr van Oosten)

That the agenda is confirmed.

3. **Declarations of Interest – *Tauaakii whaipaaanga***

No members of the Council declared a Conflict of Interest.

4. **Public Forum – *Aatea koorero***

No members of public wished to speak.

5. **Confirmation of the Open Finance Committee Minutes - 16 June 2020**

Resolved: (Cr Bunting/Cr van Oosten)

That the Committee confirm the Open Minutes of the Finance Committee meeting held on 16 June 2020 as a true and correct record.

6. **Capital Portfolio Monitoring Report**

The Capital Financial Lead spoke to the report noting the impact of Covid-19 on capital spending and the total net deferrals. Staff responded to questions from Members concerning the actual capital expenditure vs the capital expenditure budget and the breakdown of the work in progress (WIP).

Resolved: (Cr Pascoe/Cr van Oosten)

That the Finance Committee receives the report.

7. **Covid-19 Emergency Funds Review - 30 June 2020**

The Financial Controller and the Finance & Commercial Director outlined the report and noted the expenditure that was able to be reimbursed. Staff responded to questions from Members concerning the details of decreased operating revenue and increase expenditure, including expenditure that was incurred in the arts area, the effect of cancelled leave on personal costs and what was reimbursable from Central Government.

Staff Action: *Staff undertook to provide Members with a summary of areas of spend and claimable/reimbursed spending in relation to Covid-19.*

Resolved: (Cr Pascoe/Cr van Oosten)

That the Finance Committee receives the report.

8. **Annual Monitoring Report to 30 June 2020**

The Financial Controller outlined the staff report and highlighted the effect that Covid-19 had on the total surplus vs actual budget. She responded to questions from Members concerning interest rates opportunities, the wet industries development contributions agreement, quality of vested assets, and swaps.

Resolved: (Cr Pascoe/Cr van Oosten)

That the Finance Committee receives the report.

Deputy Mayor Taylor retired from the meeting (11.18am) during the discussion of the above item. He was not present when the matter was voted on.

9. Financial Strategy Monitoring Report (Recommendation to Council)

The Financial Controller took the report as read.

Resolved: (Cr Pascoe/Cr Wilson)

That the Finance Committee receives the report.

That the Finance Committee recommends that the Council:

- a) approves the capital movement from the 2019/20 Financial Year to future years as identified in the 11 August 2020 Capital Portfolio Monitoring Report;
- b) approves the significant forecast adjustments as set out in paragraphs 19 to 24 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 25 to 32 of this report.

Item 11 (Cost Saving report) was taken after item 9 (Financial Strategy Monitoring Report) to accommodate staff availability.

10. Cost Savings Report

The General Manager Strategy and Communication took the report as read. Staff responded to questions from Members concerning this year's savings targets, how targets would be achieved through projects, flexible working arrangements, innovation, the draft climate action plan, and a change to two due dates for rates payments.

Staff action: *Staff undertook to organise a session with Members to provide background on how savings are achieved, including personal savings and flexible working arrangements.*

Resolved: (Cr Pascoe/Cr Gallagher)

That the Finance Committee receives the report.

11. Weathertight Claims

The Building Control Manager introduced the report noting that the report was an annual report to the Committee. He responded to questions from Member concerning types of weathertight claims, criteria, and current outstanding claims.

Resolved: (Cr O'Leary/Cr Wilson)

That the Finance Committee receives the report.

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 Public Excluded Finance Committee Minutes - 16 June 2020) 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 31 July 2020 & Debt write-offs 2019/20		
C3. Covid-19 Contract Costs		

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)

The meeting went into a public excluded session at 12.09pm.

The meeting was declared closed at 12.54pm.

Council Report

Item 6

Committee: Finance Committee

Date: 06 October 2020

Author: Narelle Waite

Authoriser: Amy Viggers

Position: Governance Advisor

Position: Governance Team Leader

Report Name: Chair's Report

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

That the Finance Committee receives the report.

Attachments - *Ngaa taapirihanga*

Attachment 1 - Finance Committee Chair's Report - 6 October 2020



Chair's Report

It is timely, as we commence the journey towards the next LTP, that Elected Members be providing feedback to management on approving possible changes to the current Financial Strategy.

This is the first review of the 3-year-old formal strategy developed and then applied to the 2018-28 LTP.

As I see it in the current review there are 3 major challenges all intertwined and dependant on each other and the rest of the strategy:

- net debt to Revenue ratio,
- balancing the books, and
- growth paying for growth.

These need to be aligned to the 5 strategies and recognise the market that is and may continue to be affected by Covid-19.

Unlike central government, Council has limited income streams. Income from rates and development contributions will continue to challenge city finances both for growth and the Covid environment. The fallback position is to fund operating deficits from borrowing.

Borrowing for day to day costs provides an emergency option for Covid but this should be seen as short term and as a response to the pandemic only.

Increased debt from operating deficits is a negative legacy to both city residents and future councils. This debt needs to be repaid from future year surpluses. Such surpluses in recent annual plans have continued to be pushed further and further into the future.

Bold decisions in this LTP will allow elected members to focus on sensible outcomes that are economically driven. Adherence to a supported financial strategy will assist us all in driving the outcomes that support the agreed 5 strategies and are financially prudent.

On another matter, my thanks to Deputy Chair Maxine, Crs Ryan and Ewan for their continuing work in the procurement policy update. This is essential and timely work that is valuable for staff and also in providing comfort to governance on managing procurement risks as well as a focus, where possible, for awarding contracts to local business.

RW Pascoe

Chair – Finance Committee

Council Report

Committee: Finance Committee

Date: 06 October 2020

Author: Iain Anderson

Authoriser: Chris Allen

Position: Capital Financial Lead

Position: General Manager
Development

Report Name: Capital Portfolio Monitoring Report

Item 7

Report Status	Open
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Purpose - *Take*

1. To inform the Finance Committee on the capital portfolio for the two months ended 31 August 2020.

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:
 - 31 August 2020 (06 October 2020 meeting) Annual Monitoring Report; and
 - 31 August 2020 (06 October 2020 meeting) Financial Strategy Monitoring report.
4. This report reflects the capital portfolio results for the two months ended 31 August 2020.
5. This report includes a looking back summary document reflecting on the achievement from the previous financial year.
6. Staff consider the matter to be of low significance and that the recommendations comply with the Council's legal requirements.

Programme Summary and Significant Highlights

7. The following definitions are relevant:
 - Portfolio: refers to the total organisational capital work budget for 2020-21. As per the approved Annual Plan the portfolio is \$302.4m;
 - Programme: refers to the 8 programmes that are referred to in this report, which when added together equal the portfolio; and
 - Project: refers to the individual project under a particular programme. These projects may have funding from multiple activities and occur across multiple years.

8. **Attachment 1** contains an overview of the Capital Portfolio.
9. **Attachment 2** contains an overview of the 8 programmes. Each overview contains a summary of the key achievements and a graphical representation of the financial performance. The 8 programmes are:
 - i. City Wide Community,
 - ii. City Wide Waters,
 - iii. Peacocke,
 - iv. Rotokauri,
 - v. Rototuna,
 - vi. Ruakura,
 - vii. Transport Improvement, and
 - viii. Renewal and Compliance.
10. **Attachment 3** contains an overview of the 2019-20 Capital Portfolio. This document is called "Looking Back". There is a summary for each of the eight that include financial spend, what was achieved and what is coming up.

Capital Expenditure Forecast Groups

11. For the purposes of this Capital Portfolio Monitoring report, there are 6 main types of capital budget movement that will impact on the forecasted total spend for this financial year. They are:
 - I. **Re-phasing Deferrals**: this is where the project has started, or there is confidence that the project will start and finish on time, but the expenditure across the years of the project is forecast to be different than budgeted. In general, this refers to projects where staff have received construction programmes from the contractors, and with them the forecasts of expenditure have been rephrased.
 - II. **Delay Deferrals**: this is where a movement of capital expenditure is required due to delays and will result in a shift of the project end date. Some of these delays will be due to third party issues outside Council control, the more usual reason being that a developer is not ready to partner with Council as anticipated when the 2018-28 10-Year Plan was developed.
 - III. **Renewal and Compliance Deferrals**: this is for projects that are classified Renewals and Compliance. This programme is being managed as a 3-year programme. Any unspent funds within any year are carried forward. Ultimately, any budgets unspent at the end of the 3-year cycle will be returned to Council as a saving. Staff are authorised to use their discretion to manage projects within the 3-year programme to ensure that Council is looking after its assets.
 - IV. **Capital Savings**: this is for the recording of efficiencies and capital savings that can be attributed to the capital savings target. At times Capital cost increases will also occur that erode any savings.
 - V. **Capital Expenditure Brought Forward**: this is where a project has been brought forward to align with other projects or to enable work ahead of schedule to achieve the outcomes required in the timeframes set.
 - VI. **Other Changes**: these changes are likely to be either new projects or amendments to existing projects to ensure the budget reflects up to date data.

Capital Forecast

12. The following section summaries the changes to the capital portfolio since the adoption of the 2020-21 Annual Plan. The changes are presented in table form for both capital expenditure and capital revenue.

13. Expenditure Forecast changes

2020/21 Annual Plan Capital Expenditure Budget	\$302.8m
Plus Final deferrals from 2019-20	\$ 4.1m
Plus Increases for COVID contracts	\$ 1.6m
Plus other	\$ 2.9m
2020/21 Revised Annual Capital Expenditure Budget	\$311.3m

14. Revenue Forecast changes

2020/21 Annual Plan Capital Revenue Budget	\$58.6m
Plus Final deferrals from 2019-20	\$ 3.1m
Plus other	\$ 0.4m
2020/21 Revised Annual Capital Expenditure Budget	\$62.1m

Capital Actual

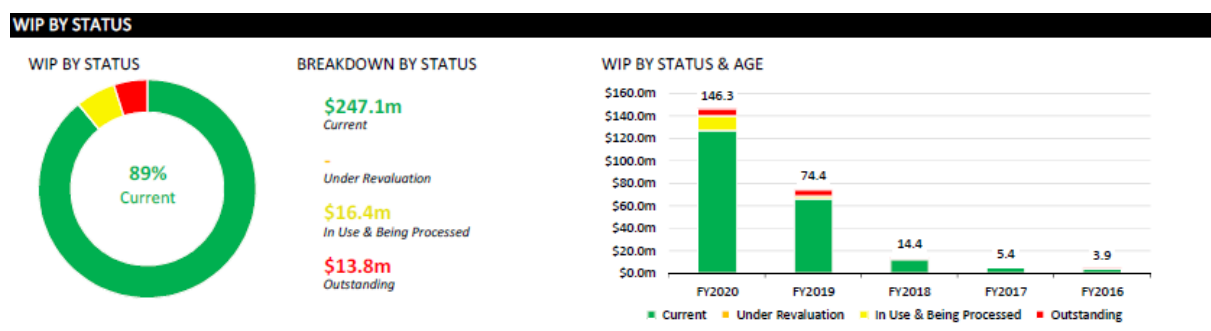
15. The actual capital expenditure spend for the two months ended 31 August 2020 is \$32.7m (\$19.9m) with associated capital revenue of \$7.8m (\$5.7m). The amounts in the brackets are comparatives from the previous financial year.
16. The capital programme is significantly greater this year than was delivered in the previous year. The total spend last year was \$190.8m while this year the target spend through the forecast budget is \$311.3m.
17. Within this budget is a saving target of \$14.2m. This target was established in the report Cost Saving for the 2018-28 10 Year Plan. The capital saving target needs to be met to ensure the consequential savings in depreciation and interest are achieved. Updates will be provided thought out the year.
18. Any deferrals from this year will be reported through the Finance Committee throughout the year, however these have been considered in developing the 2021-31 10 Year Plan.

Covid-19

19. The impact of COVID-19 on the capital programme was largely accounted for within the previous financial year.
20. It should be noted that since the COVID Contract Cost report was presented there has been a second lockdown. While this was Auckland based it had a flow on effect into Hamilton where contracts were reliant on labour and materials from the Auckland market. Staff are assessing the impact and will report back at the next committee meeting.

Work in Progress (WIP)

21. The balance of WIP as at 31 August 2020 is \$277.4m, this excludes the value of vested assets.
22. The breakdown by status is:
 - \$247.1M: Current, this is legitimate WIP and reflects the assets that cannot be capitalised until they are in use.
 - \$16.4M: In use and being processed
 - \$13.8M: Projects completed and in service but not yet capitalised.
23. The following table includes the status along with the WIP age.



24. In addition to balance above there is a further \$35.0m of vested asset that have not yet been capitalised.

Projects Listed as at Risk (Orange)

25. The following projects have been classified as orange within the Programme Summary.

Western Interceptor Duplication

26. The project is in progress but has encountered several unforeseen ground conditions that is making the project difficult to deliver within the initial programme dates and within the Approved Contract Sum.
27. The project has sufficient budget funding available to accommodate the expected increase in the Approved Contract Sum. There is a report on the agenda of the Infrastructure Operations Committee 8th October 2020.

Rotokauri Minor Arterial (Baverstock Rd to Te Wetini Drive)

28. Council are continuing to work with Rotokauri Developments Ltd who have the primary responsibility to extend Te Wetini Drive.

29. There is a report on the agenda (public excluded) for the Strategic Growth Committee, 1st of October 2020.

Rotokauri Transport Hub

30. This budget was increased to accommodate settlements for COVID related costs. Final payment is yet to made. The project remains on track for successful delivery.
31. The commencement of the service has been delayed to early 2021 to allow KiwiRail to complete track repair work.

Gordonton/Puketaha Intersection Upgrade

32. This intersection is on the Gordonton Rd corridor. A single stage business case has now been developed, the business case addresses the development of the corridor and safety improvements including the Gordonton/Puketaha intersection.
33. This is being reported to the Infrastructure Operations Committee 8th October 2020.

Hamilton Gardens Stage 1

34. Due to COVID the adoption of the Hamilton Garden Management plan has been delayed. This delay could impact on the overall timeframe for delivery of the stage 1 projects being extension of the visitor retail space and 4 new gardens. Having said that the contract for the Ancient Egyptian Garden has been awarded and construction began in early September 2020.

Ruakura Rd Upgrade

35. Recent estimates indicate that cost could exceed budget. Staff are also working with Waka Kotahi New Zealand Transport Agency on subsidy funding. This will be reported to the Strategic Growth Committee on 11 November 2020.

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

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

Wellbeing Considerations - *Whaiwhakaaro-aa-oranga tonutanga*

37. 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').
38. 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.
39. The recommendations set out in this report are consistent with that purpose.

Social

40. 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

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

Environmental

42. Across the capital portfolio, environmental consideration is integrated throughout the project life cycle, including through design, procurement and construction.
43. 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.
44. 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

45. Across the portfolio, engagement and partnership with Iwi are 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*

46. There are no known risks associated with the decisions required for this matter.

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

Significance

47. 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

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

Attachments

Attachment 1 - 2020-21 Capital Portfolio Report

Attachment 2 - 2020-21 8 Programmes

Attachment 3 - 2019-20 Looking Back

HAMILTON CITY COUNCIL CAPITAL PORTFOLIO REPORT

PORTFOLIO COMMENTARY/HIGHLIGHTS

Across the portfolio, our works programmes and projects are continuing to deliver organisational outcomes and realise the following investment benefits:

Looking after our existing assets

Delivery of our asset renewals programmes is continuing, with works largely contractually committed and on track. Delivery of these activity works programmes has involved agility and reprioritisation to best respond to asset needs.

Enabling and supporting residential growth and development

Our strategic infrastructure delivery programmes continue to support ongoing residential development in the greenfield growth areas of Rototuna and Ruakura, and delivery of the Peacocke programme is on track as our next primary greenfield residential growth area.

Infill and intensification development also continues to put increasing pressure on capacity of existing infrastructure. The financial implications to address this pressure on our existing networks could be significant in future AMPs and network Master Plans.

Enabling and supporting industrial and employment growth and development

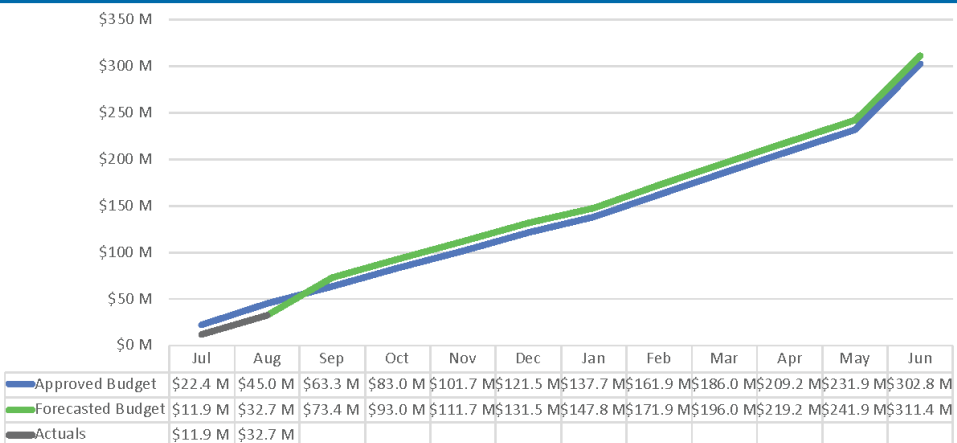
With limited existing industrial/commercial land available (Te Rapa industrial zone almost at capacity), Ruakura is the city's next planned major employment area. In collaboration with local developers, provision for strategic 3-waters infrastructure is well advanced, however there is pressure to advance delivery of the strategic transportation networks (Ruakura Road Upgrade and Eastern Transport Corridor) to support development.

Building a great river city that makes Hamilton a great place to live, work, play and visit.

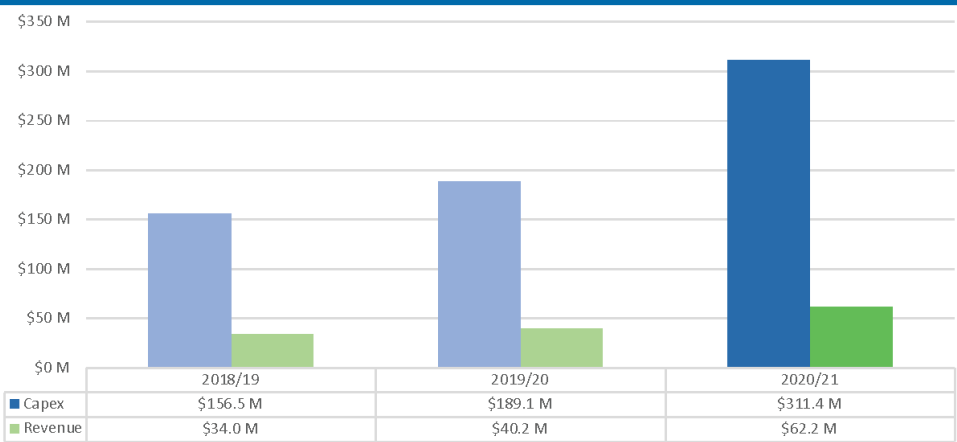
Development of new playgrounds, sports parks and Rototuna village are progressing well with positive community feedback.

FINANCIAL PERFORMANCE

Capital Expenditure 2020-21



3 Year Forecasted Budget



CITY WIDE WATERS PROGRAMME CAPITAL REPORT

PROGRAMME OUTCOME

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



TREATMENT PLANTS

Waioira Water Treatment Plant: Construction of the new chemical storage facility is now complete and we are working through final commissioning. Design and works planning for the subsequent sedimentation and filtration upgrade are progressing.

Pukete Wastewater Treatment Plant: This project is progressing towards completion of the new chemical storage facility, bioreactor and clarifier by the end of this calendar year, with the majority of civil and structural installation now substantively complete and the focus now on mechanical, electrical, tie-in and commissioning activities.



WATER

Newcastle Water Reservoir and Supply Network Upgrade: Investigation and design works are continuing, with construction procurement planned this calendar year.



STORMWATER

Erosion Control Works: Works planning is underway to deliver a programme of erosion control through streams and watercourses across the city's catchment areas in the upcoming summer construction season.



WASTEWATER

Western Wastewater Interceptor: Following some installation delays and challenges and despite recent wet weather, the project is making good progress with pipe installation alongside Mangaharakeke Drive. Detailed works planning is currently underway for upcoming road crossings of Forest Lake Road and Lincoln Street in early 2021.

Hillsborough Wastewater Pump Station Upgrade: Construction is complete and the pump station is currently going through final commissioning.

Hillsborough Pump Station

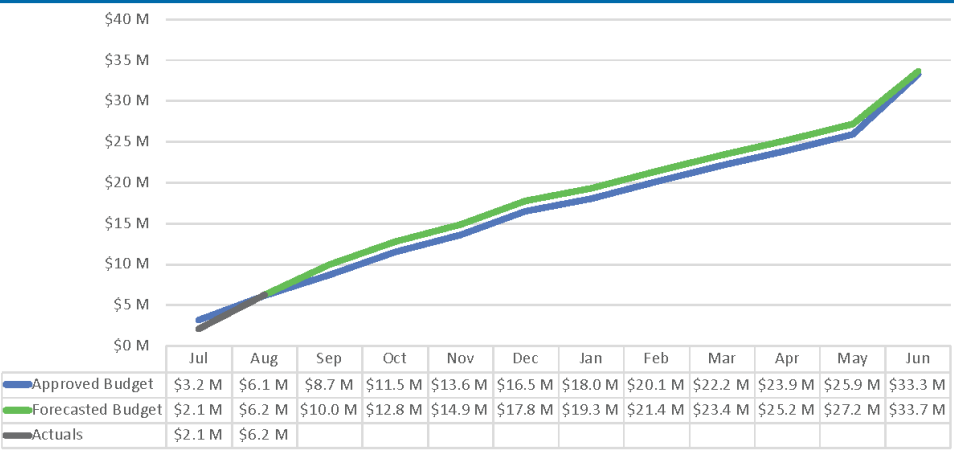


Hillsborough Pump Station

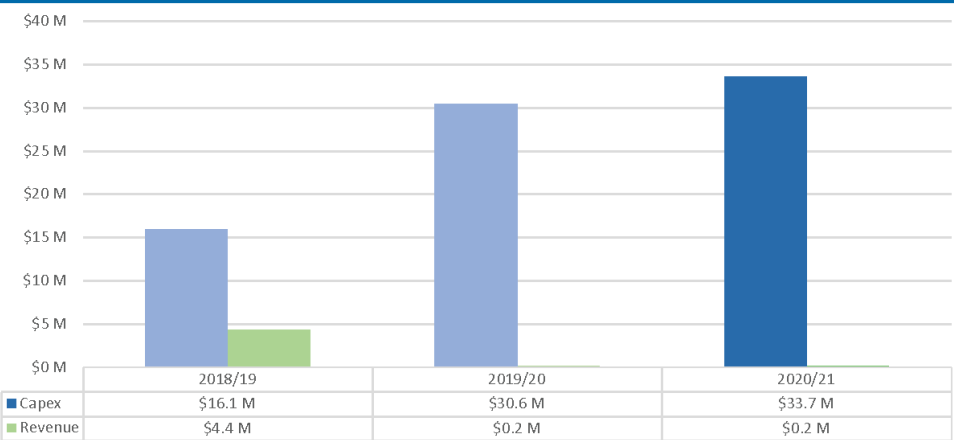


FINANCIAL PERFORMANCE



Capital Expenditure 2020-21

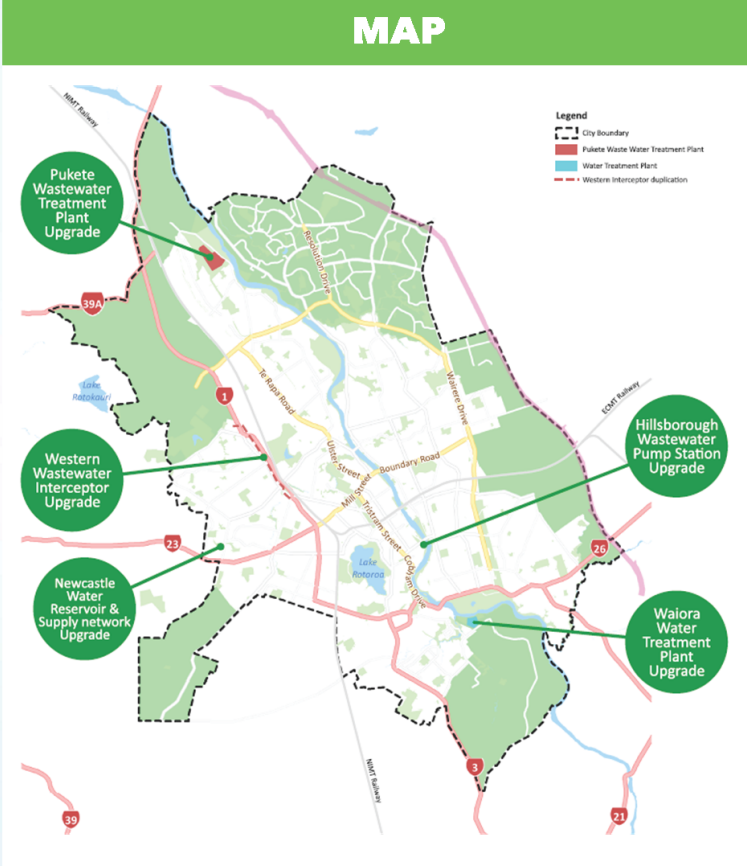


3 Year Forecasted Budget



CITY WIDE WATERS PROGRAMME CAPITAL REPORT

Key Projects														
Project Name		Project Description	Project Status	Total Project Budget	Actual Spend to Date	Forecast Total Cost	2019/20		2020/21			2021/22		
	Pukekete Wastewater Treatment Plant Capacity Upgrade	Major capacity upgrade on the wastewater treatment plant.		\$36.6 M	\$25.9 M	\$36.6 M								
	Western Wastewater Interceptor Capacity Upgrade	A large wastewater pipe being installed underground along Mangaharakeke Drive which will connect to our Pukekete Wastewater Treatment Plant. Savings of \$1.4m already realised in 2018/19.		\$22.5 M	\$10.6 M	\$21.0 M								
	Hillsborough Wastewater Pump Station Upgrade	A major renewal project which will increase the size and capacity of the wastewater pump station.		\$4.8 M	\$3.7 M	\$4.8 M								
	Waioara Water Treatment Plant Upgrade	Major capacity upgrade on the water treatment plant including upgrading the chemical facility and replacing the clarifiers, sand filters, balancing tank and pump station.		\$32.4 M	\$10.1 M	\$32.4 M								
	Newcastle Water Reservoir and Supply Network Upgrade	Installing new water pipes and upgrading the reservoir pump station to improve functionality, network operations and resilience.		\$11.1 M	\$0.9 M	\$11.1 M								



**Pukekete 3
Wastewater
Treatment Plant**

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

KEY

- Business Case / Investigation
- Design
- Procurement
- Construction

CITY WIDE COMMUNITY PROGRAMME CAPITAL REPORT

PROGRAMME OUTCOME

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



HAMILTON GARDENS

Submissions on the draft Hamilton Gardens Management Plan closed on 9th August 2020 with 875 submissions received in total of which 84% were in favour of the new layout. The Ancient Egyptian Garden contract has been awarded and construction has begun in early September. The Hamilton Club Summerhouse construction is nearing completion. In preparation for the new LTP, staff have been reviewing the full development programme regarding scope and timeframes taking into consideration recent cost estimates, the proposed changes to the draft Hamilton Gardens Management Plan and impacts on the funding environment due to covid-19.



TE AWA CYCLEWAY ENHANCEMENT

An additional 3 staff were recruited in July. There are now 48 staff working on the project. On the job training is continuing to bed in the new skills learned from the Road Ready Programme. The civil works contract is in place with Schick Civil Construction. Plants for the project are being purchased from the Hamilton City Council Nursery. Work programme planning continues and the team are completing their tasks ahead of schedule.



PLAYGROUNDS

Construction is in progress for Lake Domain with completion expected in October 2020. Norton skatepark is under construction with the playground construction starting in October 2020. \$120k of grant funding to go towards the Glenview Park playground has been secured from Trust Waikato. Glenview, Hayes and Hammond playgrounds are all in design phase.



CENTRAL CITY JETTY

The contractor is expected to mobilise to the construction site in September 2020. The contractor is planning to start at the jetty end.



ZOO/WAIWHAKAREKE SHARED ENTRY PRECINCT

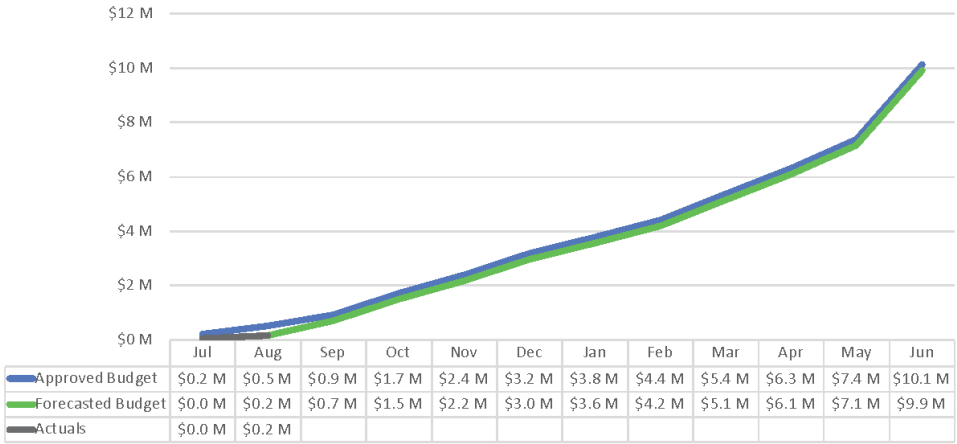
Detailed design has been completed and building consent application has been submitted for entry building.



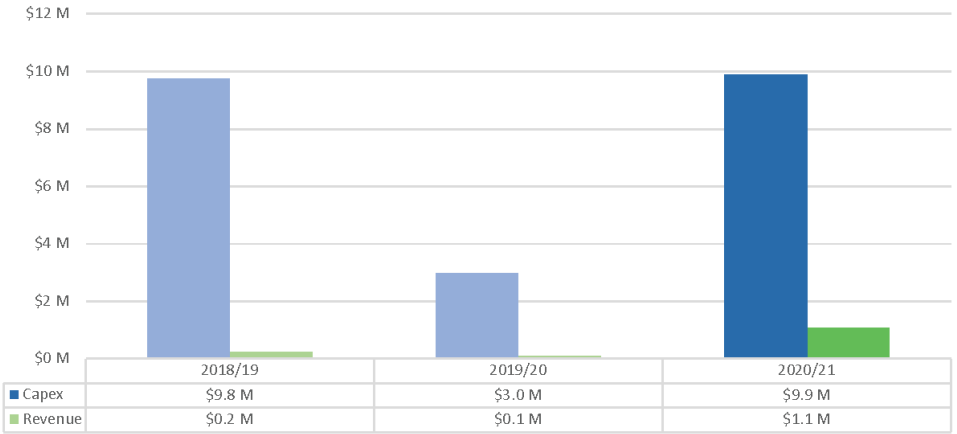
Hamilton Gardens Stage 1

FINANCIAL PERFORMANCE

Capital Expenditure 2020-21







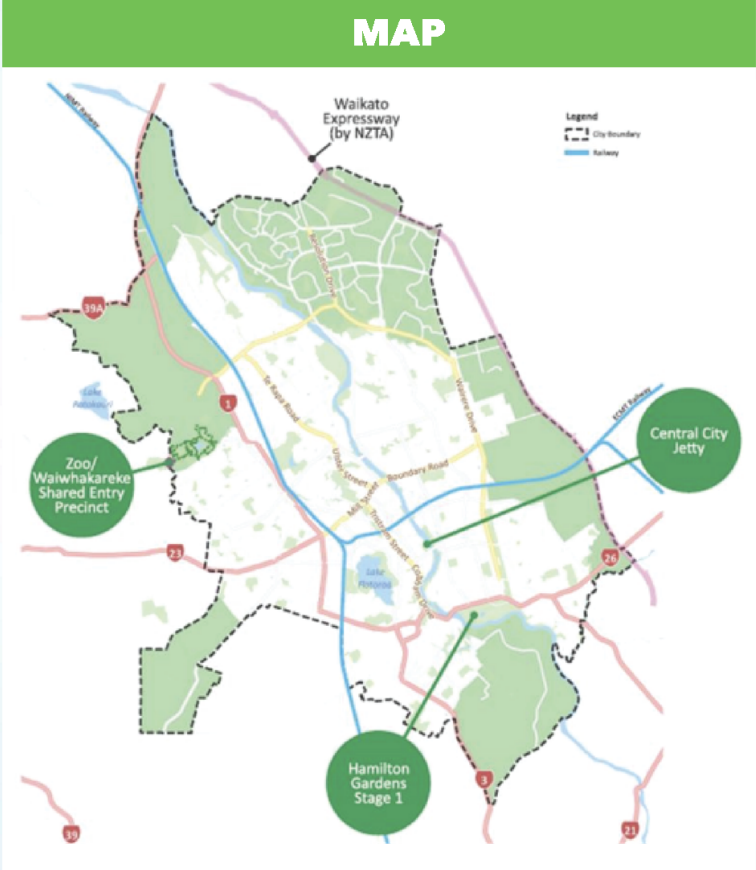
3 Year Forecasted Budget






CITY WIDE COMMUNITY PROGRAMME CAPITAL REPORT

KEY PROJECTS

Project Name		Project Description	Project Status	Total Project Budget	Actual Spend to Date	Forecast Total Cost	2019/20		2020/21			2021/22		
	Hamilton Gardens Stage One	Completion of the theme gardens at the western end of the site and the extension of the visitor retail space. The project also includes the following new gardens: - Baroque Garden - Medieval Garden - Pasifika Garden - Ancient Egyptian Garden and Courtyard Civil works have been completed for these four gardens.		\$9.9 M	\$3.5 M	\$9.9 M								
	Zoo/Waiwhakareke Shared Entry Precinct - Stage One	Creating a shared entry precinct with Hamilton Zoo and Waiwhakareke Natural Heritage Park. This major project will be done in stages and includes developing a new function and education space at the zoo in stages two and three.		\$7.6 M	\$0.5 M	\$7.6 M								
	Playground Development Programme	The upgrade of playgrounds across the City (budget shown for 2018/19 to 2020/21).		\$1.8 M	\$1.1 M	\$1.8 M								
	Central City Jetty	The upgrade the current central city jetty to provide a safe location for boats to dock close to the central business district		\$1.1 M	\$0.2 M	\$1.1 M								



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

KEY

-  Business Case / Investigation
-  Design
-  Procurement
-  Construction



Zoo/Waiwhakareke Entry Precinct

PEACOCKE PROGRAMME CAPITAL REPORT

PROGRAMME OUTCOME

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

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



INFRASTRUCTURE

Ohaupo Road (SH3) Intersection construction is well advanced, with completion on track for late 2020. Traffic changeover from the existing road to the new roundabout is planned for October/November 2020.

The Waikato bridge and associated roads contract and the wastewater northern pipelines (Cobham to Crosby) contract have been awarded, meaning that over 50% of the Peacocke HIF funding is now in construction phase on schedule, despite the pandemic. Each contract includes a value engineering phase, and risk management for Covid-19 impacts including contingencies and special conditions of contract.

Wastewater pipelines beneath the Cobham interchange site have been completed. Design is being completed for the wastewater pump station, investigating significant innovation to reduce chemical use and overall efficiency.

Land acquisition is also progressing well with 28 of 39 properties now owned by Council - 22 by agreement and 6 by proclamation. There were 9 proclamations of which agreement has been reached with 3 properties. Final compensation is still a work in progress for around half of the acquisitions. 2 outstanding objections are in Environment Court proceedings.

Overall, the network infrastructure programme is on track or ahead of the original business case and approved HIF agreement. Tenders to date have been consistent with contract estimates, meaning there is still pressure on contingencies. Staff have engaged with MBIE regarding options for programme contingency management and potential for additional funding should Covid-19 impacts exceed conditions allowed for in the contracts.



PARKS

A Notice of Requirement for the approximately 14.5ha northern sports park has been lodged. The submissions closed on 10 August 2020 with four submissions received. The hearing was to be held on 21-23

September but has now been postponed to allow for sufficient time for further discussions with the submitters. A new hearing date is still to be confirmed.

Construction of a new neighbourhood playground at Te Inuwai Park has been completed. A community event to celebrate the opening of the playground will take place later in the year as weather improves.

The acquisition of required neighbourhood parks and gully land will be undertaken as and when new developments commence.



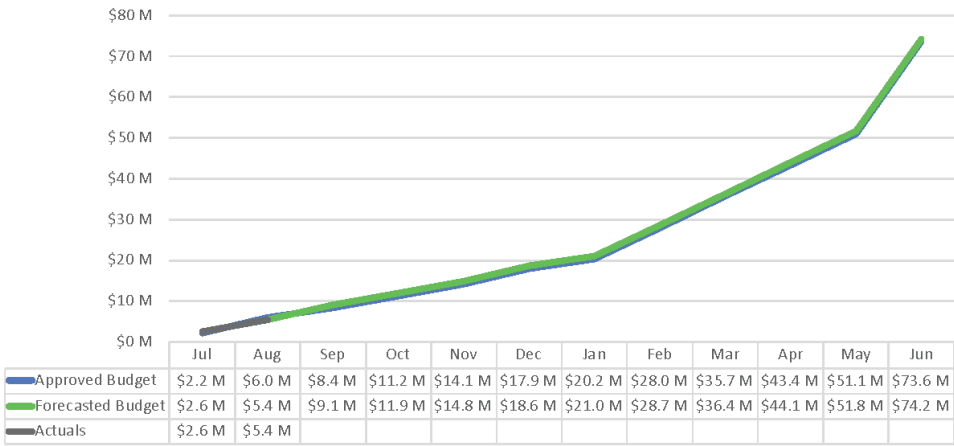
SH3/Ohaupo Rd Roundabout



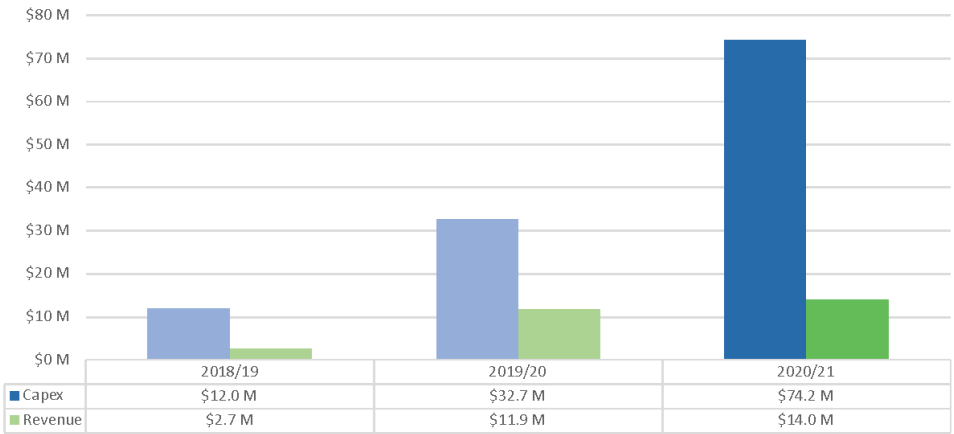
SH3/Ohaupo Rd Roundabout

FINANCIAL PERFORMANCE

Capital Expenditure 2020-21





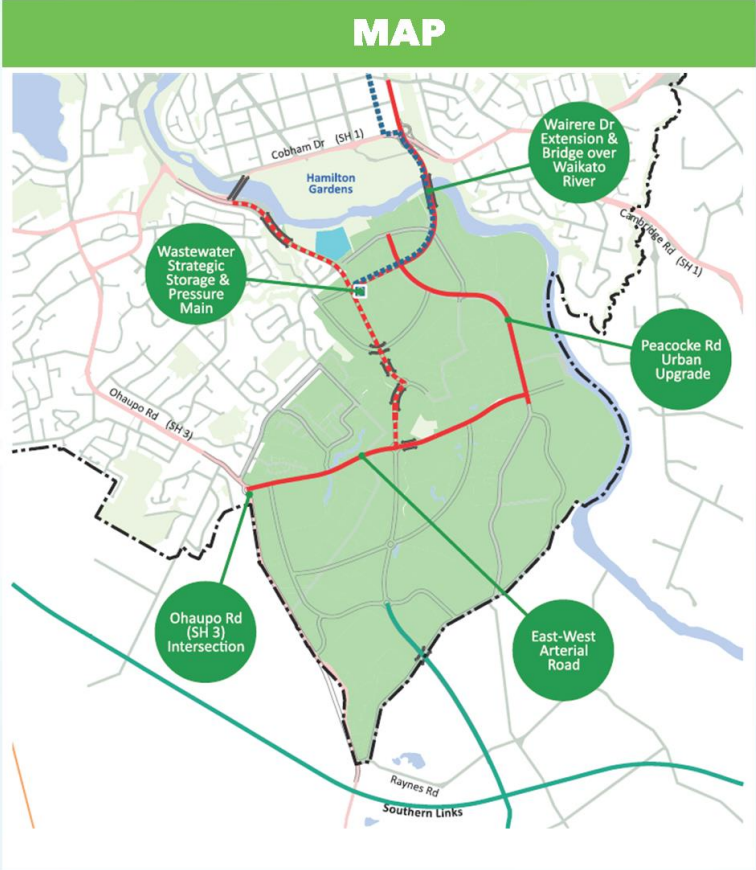
3 Year Forecasted Budget



PEACOCKE PROGRAMME CAPITAL REPORT



KEY PROJECTS

Project Name		Project Description	Project Status	Total Project Budget	Actual Spend to Date	Forecast Total Cost	2019/20		2020/21			2021/22				
	Ohaupo Road (SH3) Intersection	Construction of a new roundabout, including separated walking/cycling facilities, will serve as a gateway to Peacocke from the south.	On Track	\$18.3 M	\$11.2 M	\$18.3 M	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	White	White	White	White
	Wairere Drive Extension and Bridge over Waikato River to Peacocke North-South Arterial	Construction of a new major arterial roading connection into Peacocke, including a bridge across the Waikato River.	On Track	\$136.5 M	\$10.5 M	\$136.5 M	Dark Blue	Orange	Orange	Orange	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow
	Wastewater Strategic Pumpstation, Storage and Pressure Main	Construction of a new major pump station, associated storage and installation of 7.5km new wastewater pressure pipelines to connect to the city's existing wastewater network.	On Track	\$59.9 M	\$7.0 M	\$59.9 M	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow
	East/West Rooding Arterial	This major arterial roading connection will connect Peacockes Road in the east with Ohaupo Rd/State Highway 3 (SH3) in the west.	On Track	\$35.1 M	\$0.8 M	\$35.1 M	Dark Blue	Dark Blue	Red	White	White	White	White	White	White	White
	Land Acquisition	The purchase of land to allow for the construction of infrastructure.	On Track	\$66.5 M	\$14.2 M	\$66.5 M	Orange	Orange	Orange	Orange	Orange	Orange	Orange	Orange	White	White
	Sports Park Land Acquisition and Development	The land purchase and basic development of two sports parks in Peacocke. Currently the budget sits in 2020/21 for the purchase of the northern park and in 2027/28 for the southern park. The budget for this programme of work will be reviewed as part of the long term plan.	On Track	\$33.9 M	\$0.3 M	\$33.9 M	Blue	Blue	Orange	Orange	Orange	Orange	Yellow	Yellow	Yellow	Yellow







Te Inuwai Park

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

KEY

-  Business Case / Investigation
-  Design
-  Procurement
-  Construction

RENEWALS & COMPLIANCE PROGRAMME CAPITAL REPORT

PROGRAMME OUTCOME

Ko te tiaki aa taatou hua hei tika moo toona whaingā

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

As approved by Council, the Renewals and Compliance programme is now managed as a 3-year (36 month) programme with a total budget of \$211.5M. Over the last 26 months we have spent \$134.4M (64%). In July and August a total of \$7.7M was expended leaving a balance for the remainder of the financial year and 3 year programme of \$77.1M.

Some momentum with the programme was lost over March - June due to the Covid-19 lockdown and teams are working on recovering lost ground on programme delivery.

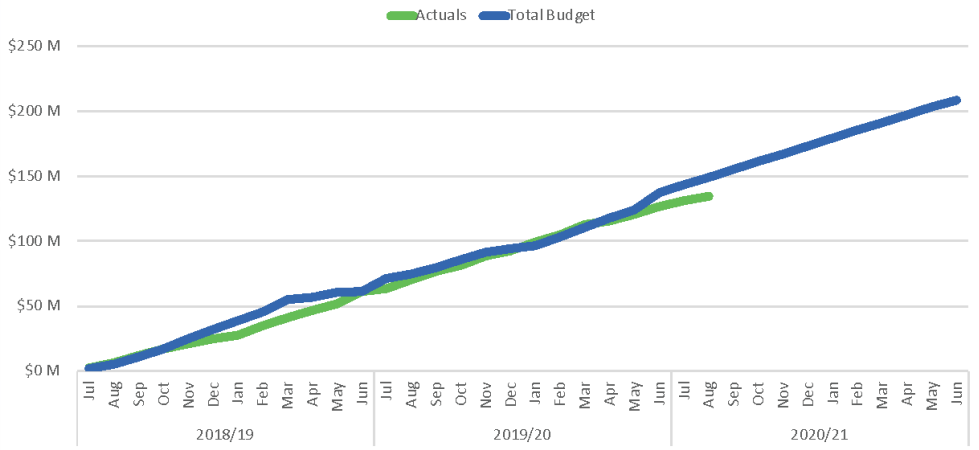
Over the last 26 months of the programme there have been some projects reprioritised due to updated information and unforeseen events. This is anticipated to continue for the remainder of the current programme. The majority of changes have been able to be accommodated within the programme by offsetting the costs of new projects and increased costs with savings that have been made through the delivery phase of other projects or by reviewing the need and timing of other projects. This has resulted in over \$10m of expenditure on reprioritised projects being able to be accommodated without increasing the overall Renewals and Compliance programme budget.

Many of the staff involved in the management and delivery of the programme have also recently been preparing baseline budgets as part of the asset management inputs into the 2021 LTP. Thinking is already beginning on how the next 3-year Renewals and Compliance programme may be delivered and what opportunities exist for more streamlined delivery.

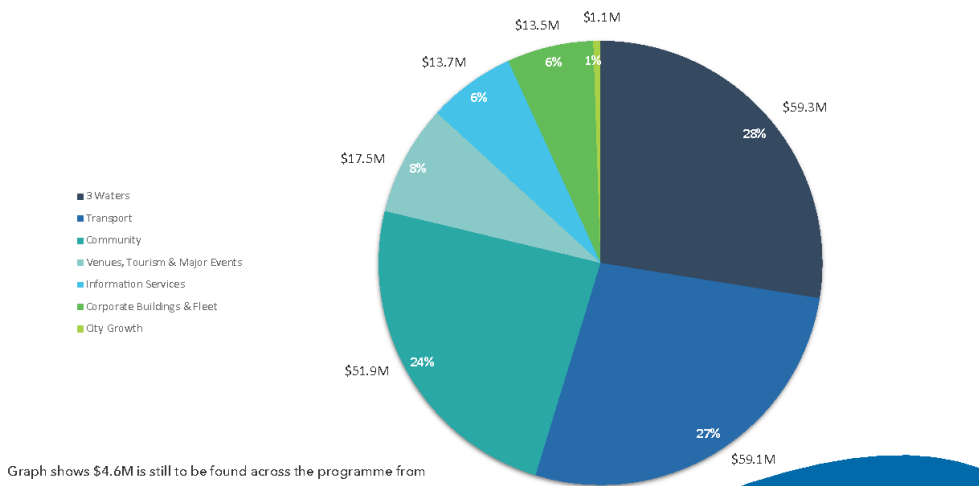


FINANCIAL PERFORMANCE

Capital Expenditure Y1-Y3



Total Budget Y1-Y3



Graph shows \$4.6M is still to be found across the programme from reprioritisation and savings. Total forecast budget over the 3 years is \$211.5M

ROTOKAURI PROGRAMME CAPITAL REPORT

PROGRAMME OUTCOME

Ko te aaheinga o te hanga he waahi ataahua, he waahi toiora ki Rotokauri
Enabling the development of an attractive and sustainable community in the Rotokauri growth area



BAVERSTOCK ROAD UPGRADE

Following recent procurement and contract award, construction is underway including establishment of site controls and enabling works. This project includes a pedestrian and cycle connection between the intersection of Baverstock/Brymer Rd and the Hamilton Zoo carpark on Brymer Road, which will further aid in the connectivity and safety of walking and cycling facilities in the area.



ARTERIAL ROADING DESIGNATION

The designation for the strategic transport corridors in the Rotokauri area is progressing with site investigation, concept development and stakeholder engagement workstreams underway. Discussions with existing landowners are underway, including sharing indicative corridor proposals and engagement/consultation opportunities.



ROTOKAURI ROAD UPGRADE

Construction is underway for the upgrade between Baverstock Road and the new development area being delivered in partnership with local land developers. Completion by the end of 2020.



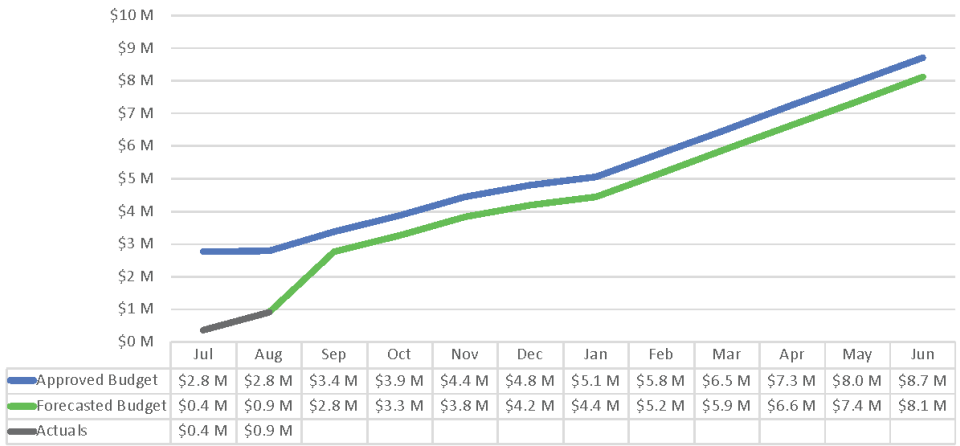
TE WETINI DRIVE EXTENSION

Delivery scope, costs and timing are dependent on adjacent development timing and cost share negotiation. Staff are continuing to work in partnership with RDL.

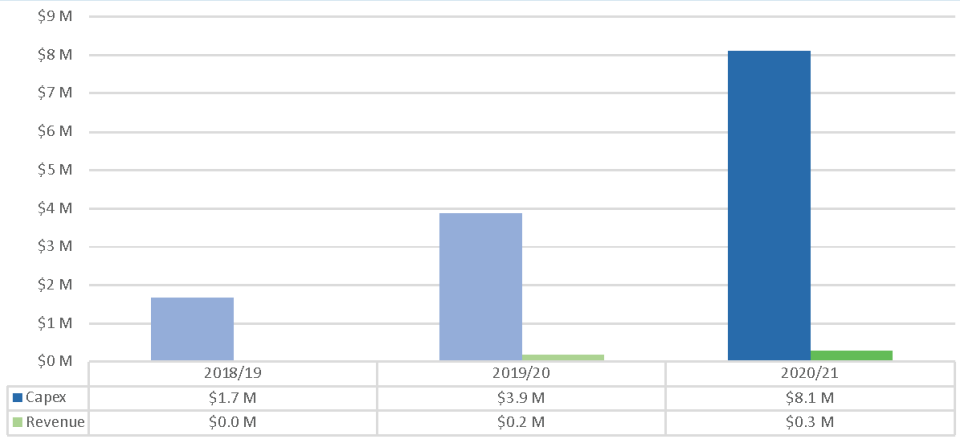


FINANCIAL PERFORMANCE






Capital Expenditure 2020-21

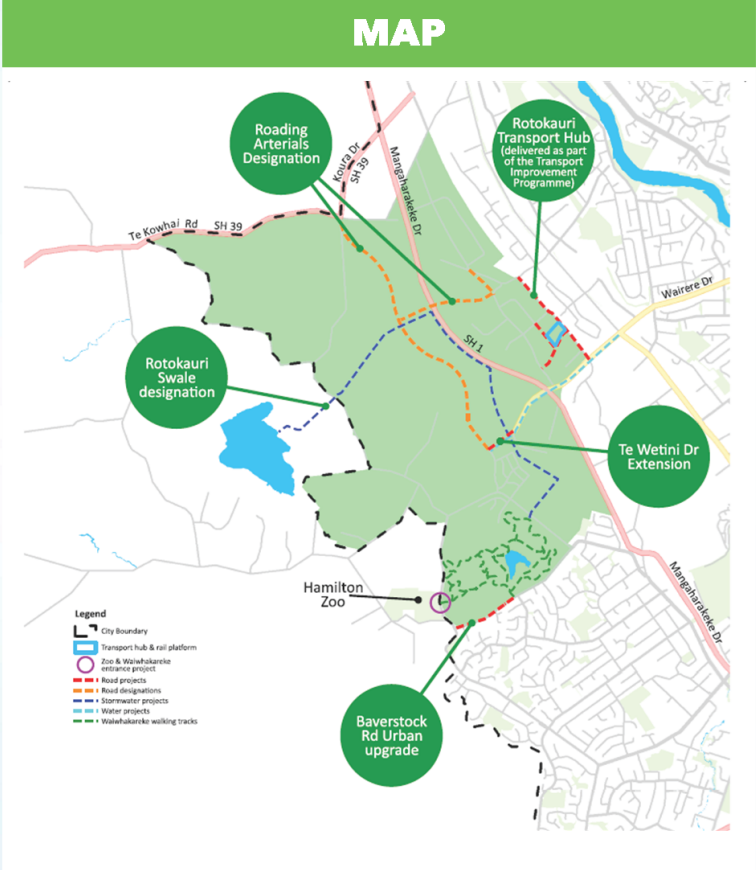


3 Year Forecasted Budget






ROTOKAURI PROGRAMME CAPITAL REPORT

Key Projects														
Project Name		Project Description	Project Status	Total Project Budget	Actual Spend to Date	Forecast Total Cost	2019/20		2020/21			2021/22		
	Baverstock Road Urban Upgrade	Urban upgrade (taking the road from rural to one which fits within an urban setting) of Baverstock Road.	On Track	\$2.8 M	\$0.5 M	\$2.8 M	Design	Design	Design	Design	Design	Design	Design	Design
	Rotokauri Swale Designation	Protecting land corridors required for stormwater mitigation for future development .	On Track	\$1.4 M	\$1.4 M	\$1.4 M	Design	Design	Design	Design	Design	Design	Design	Design
	Rotokauri Arterial Transport Designation	Protecting land corridors required for future roading development.	On Track	\$3.2 M	\$1.6 M	\$3.2 M	Design	Design	Design	Design	Design	Design	Design	Design
	Te Wetini Drive Extension	To extend Te Wetini Drive from Akoranga Road to the new Rotokauri north-south minor arterial. The developer is in control of the timing and is expecting a contribution from Council for upsizing.	At Risk	\$1.2 M	\$0.0 M	\$1.2 M	Design	Design	Design	Design	Design	Design	Design	Design
	Rotokauri Minor Arterial (Baverstock Rd to Te Wetini Drive)	Urban upgrade of existing Rotokauri Road from Baverstock Road to new development area, plus new minor arterial extension to Te Wetini Drive. \$1.5M to savings realised in 2018/19.	On Track	\$3.3 M	\$1.6 M	\$1.8 M	Design	Design	Design	Design	Design	Design	Design	Design



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

KEY

-  Business Case / Investigation
-  Design
-  Procurement
-  Construction



Rotokauri Road Urban Upgrade

ROTOTUNA PROGRAMME CAPITAL REPORT

PROGRAMME OUTCOME

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 VILLAGE

The Rototuna Village programme including the library, open space and roads is progressing well.

The construction of the first stage of North City Road between Borman Road and Fergy Place is complete, with development of adjacent retail/commercial premises underway via land developer.

Delivery of the next sections of the roading network (extensions of Turakina Rise and Bourn Brook Ave) are on track for construction in the upcoming 2020/21 summer construction season as planned.

Design development is progressing for the library, open spaces and remaining roading networks for planned construction commencing in the 2021/22 financial year.



SPORTS PARKS

Works planning is progressing well for the planned sports field development at Harepuku Park and Mangaiti Park this upcoming summer construction season, as well as construction of changing room and toilet facilities at Korikori Park.



RESOLUTION DRIVE EXTENSION

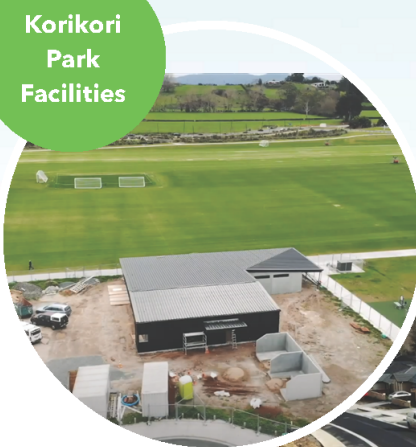
NZTA are contracted to HCC to construct the extension of Resolution Drive from Borman Road to the new expressway interchange as part of the Waikato Expressway construction contract. It is anticipated that Resolution Drive will be complete and opened at the same time as the expressway, which is currently scheduled for late 2021.



NORTH RIDGE DRIVE UPGRADE

The upgrade of North Ridge Drive to urban standard is nearing completion, with construction of the major stormwater wetland complete and on-road works progressing well amongst significant construction challenges on the busy and highly constrained site.

Korikori
Park
Facilities

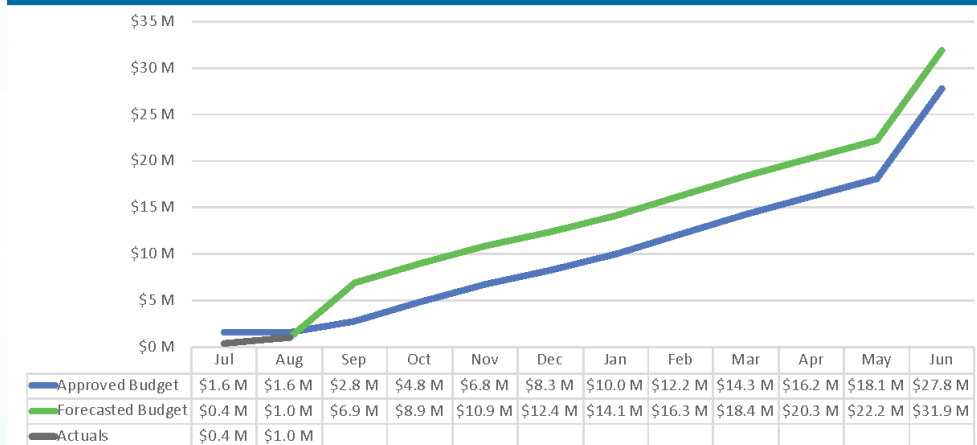


North Ridge
Drive

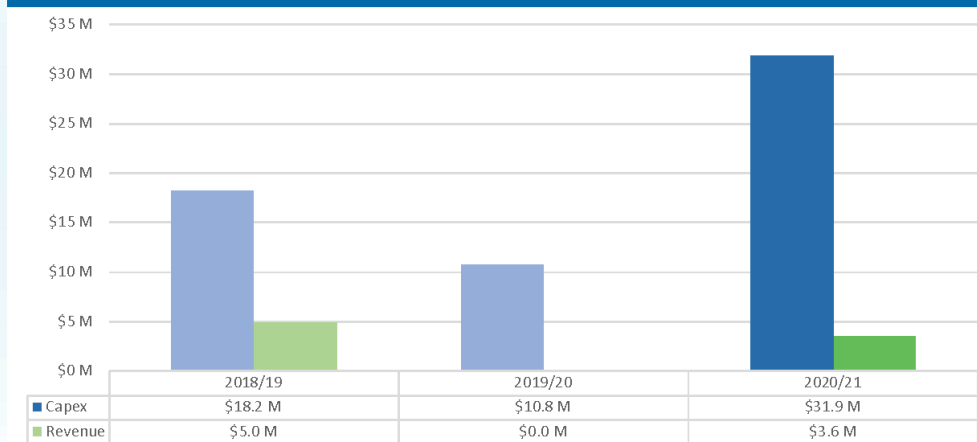


FINANCIAL PERFORMANCE

Capital Expenditure 2020-21























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	2019/20	2020/21	2021/22
	Borman Road Western Extension to Kay Road	Construction of the final piece of road which connects Borman Road to Kay Road.		\$2.1 M	\$1.3 M	\$2.1 M			
	Borman Road Extension - Kimbrae Drive to Horsham Downs Road	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. Currently planned for construction in 2025/26.		\$2.2 M	\$0.3 M	\$2.2 M			
	North Ridge Drive Upgrade	Urban upgrade (taking the road from rural to one which fits within an urban setting) of Northridge Road and construction of a new stormwater wetland to support land development in the area. \$2M of savings realised in 2019/20.		\$5.4 M	\$2.7 M	\$3.4 M			
	Rototuna Village - Community Facilities	Development of new library, community hub, play spaces, village square and carparks.		\$19.6 M	\$0.7 M	\$19.6 M			
	Rototuna Village Transport - Stage 1 North City (Borman to Ferry) and Park Lane	Roading upgrades to support the Rototuna Village development.		\$3.7 M	\$3.7 M	\$3.7 M			
	Rototuna Village Transport - Stage 2 North City (Ferry to Bourn Brook)	Transport network upgrade through the Rototuna Village area including Turokino / Bourn Brook extensions.		\$8.6 M	\$0.9 M	\$8.6 M			
	Expressway to Kimbrae Dr - Walking/Cycling Connection	A pedestrian and cycling connection under the Waikato Expressway adjacent to Rototuna High School.		\$0.6 M	\$0.31 M	\$0.6 M			
	North City Road Upgrade - Bourne Brook to Kay	Preliminary design and land acquisition for future urban upgrade		\$1.7 M	\$0.02 M	\$1.7 M			
	Resolution Drive Extension	The extension of Resolution Drive (north) to connect to the new Waikato Expressway		\$10.3 M	\$5.1 M	\$10.3 M			
	Rototuna Park & Reserve Upgrades	Development of Hare Puke Park and Managiti Park into sports parks. Improving walking/cycling networks, playground and recreational space at Te Manatu Park.		\$2.6 M	\$0.00 M	\$2.6 M			



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

KEY

-  Business Case / Investigation
-  Design
-  Procurement
-  Construction

RUAKURA PROGRAMME CAPITAL REPORT

PROGRAMME OUTCOME

Ko te aaheinga o te hanga he waahi ataahua, he waahi toiora ki Ruakura
Enabling the development of an attractive and sustainable community in the Ruakura growth area



RUAKURA WATER RESERVOIR

Construction is complete and final commissioning works are underway on our new 12ML water reservoir - which will supply fresh drinking water to the Ruakura and Peachgrove areas.



RUAKURA ROAD URBAN UPGRADE

The current programme is to complete design this year and progress to construction procurement in early 2021. We are also currently seeking confirmation of Waka Kotahi NZTA funding assistance.



RUAKURA SPINE ROAD - EXPRESSWAY TO RUAKURA/SILVERDALE

This is being developed as a partnership project between Hamilton City Council, Tainui Group Holdings and the MBIE Provincial Development Unit. Construction procurement has commenced to start construction in late 2020.

Ruakura Reservoir

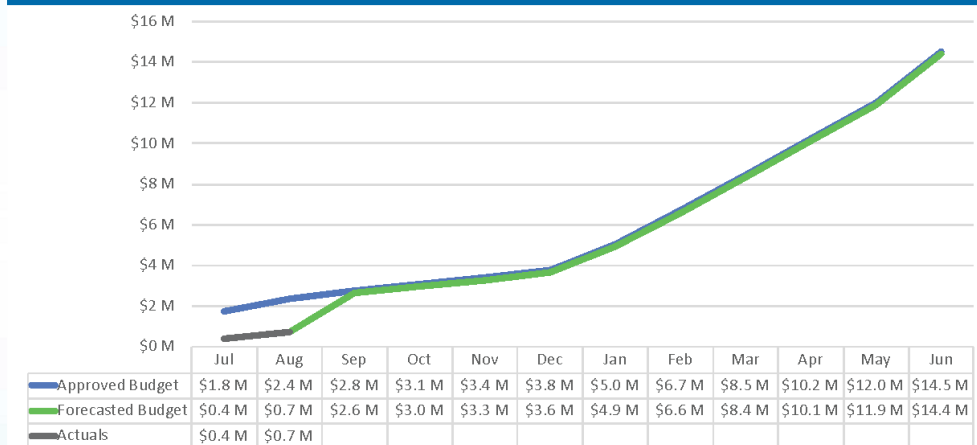


Ruakura Reservoir

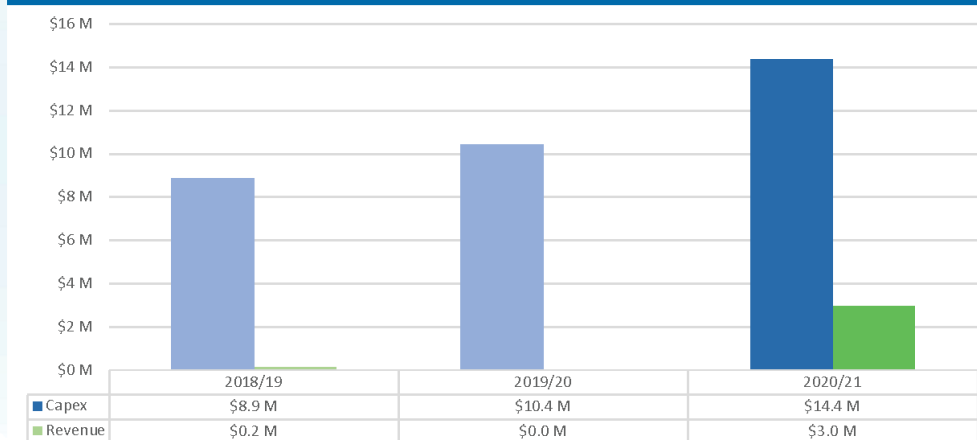


FINANCIAL PERFORMANCE





Capital Expenditure 2020-21



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	2019/20		2020/21
 Ruakura Water Reservoir and Water Supply		Construction of a new 12ML water reservoir, associated pumphouse, and bulk mains (large water pipes) to service development happening in Ruakura.	On Track	\$19.1 M	\$16.9 M	\$19.1 M	Business Case / Investigation		Design
 Ruakura Wastewater Interceptor		HCC contribution to new wastewater pipe to service development. Northern section complete, including realised savings of \$1.3M. Southern section subject to alignment with developer timing.	On Track	\$9.9 M	\$2.5 M	\$8.5 M	Business Case / Investigation		Design
 Ruakura Road Urban Upgrade		Urban upgrade (taking the road from rural to one which fits within an urban setting) of Ruakura Road from the Wairere Drive/Ruakura Road intersection and up to the Ruakura Road and Silverdale Road intersection.	At Risk	\$8.9 M	\$0.5 M	\$12.3 M	Business Case / Investigation		Design
 Ruakura Spine Road - 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.	On Track	\$38.6 M	\$0.1 M	\$38.6 M	Business Case / Investigation		Design




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

KEY

 Business Case / Investigation

 Design

 Procurement

 Construction



Ruakura Reservoir

TRANSPORT IMPROVEMENT PROGRAMME CAPITAL REPORT

PROGRAMME OUTCOME

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



TRANSPORT CENTRE DRIVER FACILITIES

New facilities to accommodate bus drivers during their breaks (part of the agreement between HCC and Waikato Regional Council) was completed in September 2020.



TRANSPORT HUB

Construction on the Rotorua Transport Hub is progressing including works on Tasman Road, the new rail platform, overbridge between Tasman Road and The Base, as well as the park and ride facility. The project is currently on track for completion later this year.



TE AWA CYCLE EXTENSION

We are currently evaluating tenders for the construction of the Hamilton City section of the Te Awa Cycle Path, with construction expected to start in late 2020. Working through funding agreements with MBIE Provincial Development Unit regarding "shovel ready" central government stimulus investment.



TE AWA PATH CBD REMEDIATION

Construction commenced in late July, with works programmed for completion in October.



WAIRERE DRIVE EXTENSION

Works are progressing well on-site with the construction of the on/off ramps, retaining walls and recently commenced Cobham Drive bridge.



MANGAITI PARK WALKING/CYCLING

Construction on site is scheduled to commence in November, including construction of pedestrian bridge and boardwalk over the gully to connect walking and cycling networks between the St James and Huntington areas.



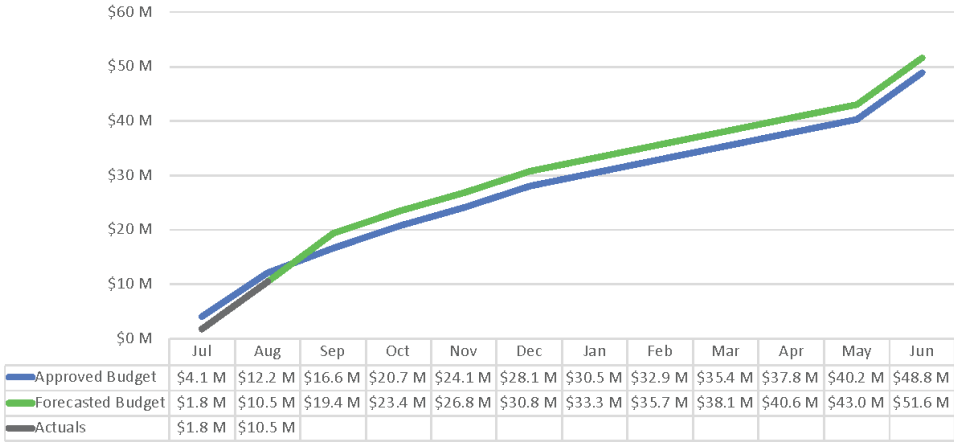
Transport Hub



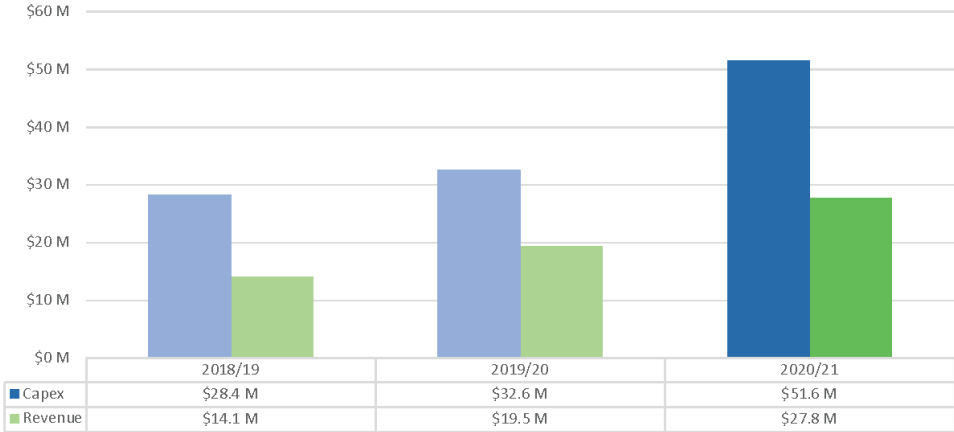
Transport Hub

FINANCIAL PERFORMANCE









Capital Expenditure 2020-21

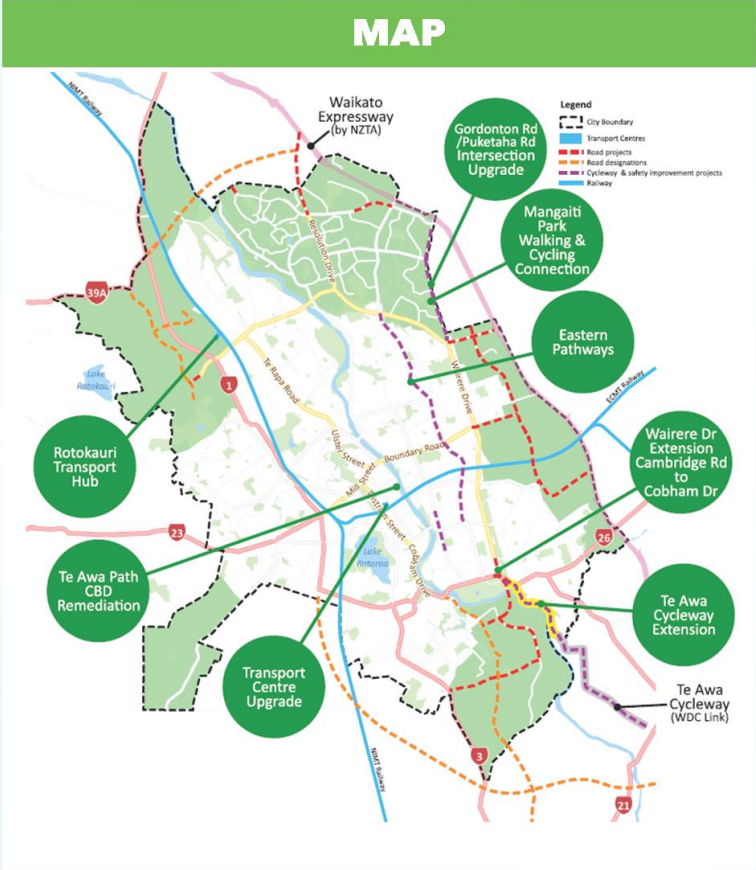


3 Year Forecasted Budget






TRANSPORT IMPROVEMENT PROGRAMME CAPITAL REPORT

KEY PROJECTS															
Project Name			Project Description	Project Status	Total Project Budget	Actual Spend to Date	Forecast Total Cost	2019/20		2020/21			2021/22		
	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.		\$58.5 M	\$29.9 M	\$58.5 M									
	Rotokauri Transport Hub	The Hub is a park and ride, rail station, bus interchange and includes a pedestrian connection to The Base. It includes improvements essential to the city's public transport network and will improve the intercity connections between Hamilton and Auckland.		\$28.4 M	\$22.4 M	\$28.4 M									
	Te Awa Path CBD - Remediation	Specialist slip repair between London Street and Bryce Street to make this section of river path safe again for users.		\$1.1 M	\$0.3 M	\$1.1 M									
	Mangaiti Park Walking/Cycling Network Connection	Will connect existing walking/cycling paths between St James and Huntington areas in Rototuna, including a new pedestrian bridge across Mangaiti gully.		\$1.0 M	\$0.07 M	\$1.0 M									
	Te Awa Cycle Extension - Hamilton Gardens to City Boundary	The Hamilton section of the Te Awa River Ride from Mangaonua Stream — in Riverlea — to Hamilton Gardens with a mix of gravel paths and gully/stream bridge crossings.		\$5.8 M	\$0.8 M	\$5.8 M									
	Eastern Pathways	Will make it easier and safer for people on the east of our city to get around their neighbourhoods by bike, on foot, or by bus. The budget and actuals shown is for 2018/19 to 2020/21.		\$5.1 M	\$0.7 M	\$5.1 M									
	Transport Centre Upgrade	Upgrading the existing transport centre in the central city and will include platform upgrades and the recently completed driver facilities upgrade.		\$6.4 M	\$0.2 M	\$6.4 M									
	Gordonton/Puketaha Intersection Upgrade	The 10 Year Plan budgeted for an upgrade of the Puketaha Rd/Gordonton Rd intersection, including connection of St James Dr to Gordonton Rd. Following business case development staff will report back to future Infrastructure Operations Committee seeking approval of project macro-scope and timing.		Will be confirmed after Infrastructure Operations Committee approval.											



Wairere Drive Extension

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

KEY

-  Business Case / Investigation
-  Design
-  Procurement
-  Construction



RENEWALS AND COMPLIANCE

PROGRAMME OUTCOME

Ko te tiaki aa taatou hua hei tika moo toona whaingā.

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

WHAT'S IT ALL ABOUT ?

We have lots of assets across the city and to get the most out of them we need to make sure we look after them correctly. This means having plans to replace or repair them as they age. The Renewals and Compliance programme is made up of projects from across all areas of Council.

This is a snapshot of some key achievements from the past 12 months (July 2019 - June 2020).

WHAT WE'VE SPENT



\$65.1M

WHAT WE'VE ACHIEVED

A playful city

PARKS AND OPEN SPACES

- We renewed the **Melville Playground and Skate Bowl** to create a multi-use recreation area.
- We did **playground renewals** at: Hamilton Lake Domain, Discovery Drive and Jansen Park.
- We replaced the **lights at Lake Domain**.
- **New Memorial Park** and **Matakanohi Park** got **footpaths renewed**.
- The **Minogue Park netball courts** got **resurfaced** and the **toilets and changing rooms upgraded!**
- **Porritt Stadium toilets and changing rooms** were **renewed and upgraded**.
- **Sports park drainage was renewed and upgraded** at: Ashurst Park, Gower Park, Mahoe Park and Galloway Park.
- We **replaced park seats, rubbish bins, signage and fencing at multiple parks** across the city.



AQUATICS

- The **splashpad was renewed** at Waterworld.



VENUES, TOURISM AND MAJOR EVENTS

- We replaced the turf at FMG Stadium Waikato.
- The **Seddon Park flood light replacement** was **completed!**
- FMG Stadium Waikato Brian Perry Stand lift was replaced.
- We have started construction on the staff facilities at Seddon Park.



RENEWALS AND COMPLIANCE

MUSEUM

- We renewed part of the roof and lighting and AV equipment for exhibition halls.
- The **Hamilton i-SITE Visitor Information Centre** was relocated to the ArtsPost building.



HAMILTON ZOO

- We replaced the water pipes across the site.
- The **Eel exhibit** and bird **aviary** were upgraded.
- Work got underway on upgrading the **chimpanzee fence** as well as **other animal enclosure** safety enhancements including renewing the cheetah exhibit.



LIBRARIES

- Across all our libraries we got **26,497 new collection items** and **6,397 eBook/eAudio**.
- We created a **Makerspace** area and renovated the entrance of the **Central City library**.
- Implemented new technology to streamline how we manage and process our library collection.
- **Glenview Library** was refurbished.



Keeping it flowing

THREE WATERS

(Water, Stormwater and Wastewater)

- We renewed approximately **2.5km of wastewater pipes** and **7.4km of water mains**!
- **11 wastewater pump stations** had parts replaced.
- We put in **extra storage** at the **Seddon Road Wastewater Pump Station** (in progress).
- We completed several **erosion control projects** across the city.



Caring for our community

CEMETERIES

- We did a **major rebuild** of our **crematorium**.
- We installed an **accessible toilet block** as well as renewed **fencing, paths** and the **pergola**.



Getting around

TRANSPORT

- Around **44km of resealing** done on our roads.
- **309 streetlights replaced**.
- 14.4km of footpath renewed.

For more information visit hamilton.govt.nz/majorprojects



CITY WIDE TRANSPORT IMPROVEMENT

PROGRAMME OUTCOME

Kia tika ano te hanga rori maa; Aahienga whakatupu, whakapai atu haumarū, me whakawhaanui atu ngaa koowhiringa waka.

Delivering a balanced transport system through enabling growth, improving safety, and improving transport choice.

WHAT'S IT ALL ABOUT ?

We are all about improving the wellbeing of Hamiltonians making our city a great place to live, work, play and visit. As we develop our roads we need to clearly understand and plan for the things that make the most difference to our city.

This is a snapshot of some key achievements from the past 12 months (July 2019 - June 2020).

WHAT WE'VE SPENT

\$32.6M

WHAT WE'VE ACHIEVED

Getting around



CLAUDELANDS BRIDGE CYCLEWAY
Completed.



GORDONTON LOCAL PATH

Design of a new cycleway running along St James Avenue from New Borman Road to Wairere Drive is underway.

BUS STOP INFRASTRUCTURE

Completed.

- 14 new shelters were installed
- 33 sites had accessible kerbing constructed



EASTERN PATHWAYS

We are progressing through the business case phase and confirming the concept design and funding.

TE AWA CYCLEWAY - CAMBRIDGE TO HAMILTON

The Hamilton section of the Te Awa Cycleway has been **designed** and is out for construction tender.

TE AWA CYCLEWAY REMEDIATION PROJECT - LONDON STREET

Construction work for the **repairs of the Te Awa River Ride** Cycleway near London Street is **underway**.



ANGLESEA STREET/BRYCE STREET INTERSECTION

This intersection upgrade project – at one of Hamilton's busiest intersections – was **completed**.



BADER STREET SAFETY IMPROVEMENTS

Raised safety platforms and pedestrian crossing were installed to create a safer environment for all road users.

RAISED SAFETY PLATFORMS (RSP), TRAFFIC LIGHTS AND PEDESTRIAN CROSSINGS INSTALLED AROUND THE CITY.

Several projects across the city to improve the safety of pedestrians, cyclist and school children were completed.

- One raised intersection
- Eight raised safety platforms
- One signalised raised safety platform
- Two pedestrian islands

RING ROAD - WAIRERE DRIVE EXTENSION

Construction continued on this transformational roading project.

ROKOKAURI TRANSPORT HUB

Construction on the transport hub kicked off in late 2019. This project will support the new Te Huia Hamilton to Auckland passenger rail service.

WHAT'S COMING?

- Completion of the Rotorua Transport Hub.
- More safety improvements and initiatives.
- Construction of the Te Awa Cycleway from Hamilton to Cambridge.

For more information visit hamilton.govt.nz/majorprojects

CITY WIDE COMMUNITY

PROGRAMME OUTCOME

Whakapai atu te mauri o ngaa waahi taangata me ngaa waahi wairua auaha

Improving the vibrancy of our social and creative spaces.

WHAT'S IT ALL ABOUT ?

We are committed to improving the vibrancy of our social and creative spaces. We want to provide the community with places where they can come together and enjoy. We are working with the community and our partners to develop parks, natural areas, sports and pool facilities, libraries and our visitor destinations.

This is a snapshot of some key achievements from the past 12 months (July 2019 - June 2020).

WHAT WE'VE SPENT

\$3.0M



WHAT WE'VE ACHIEVED

A playful city

HAMILTON GARDENS DEVELOPMENT

- The **Picturesque Garden** was **opened** in November 2019.
- The **Surrealist Garden** was **opened** in February 2020.
- The **Hamilton Club Summerhouse** and toilet block are **almost complete**.
- The **Egyptian Garden** and **Palm Court** were **designed**, and are **ready for construction**.

PLAYGROUNDS

- The **Innes Common playground** – including exercise equipment and parkour area – was **completed!**
- The **Melville Park playground** and **skate bowl** was constructed and opened to the public June 2020.
- **Planning for the Lake Domain playground** was **started** with construction expected to be completed in September 2020.



CENTRAL CITY JETTY

Consultation, design and tender process was completed.



WAIWHAKAREKE NATURAL HERITAGE PARK

The **Park** was **opened** to the public for the first time in November 2019.

HAMILTON ZOO WAIWHAKAREKE SHARED ENTRY PRECINCT

Investigation and concept **design** were **completed**.



WHAT'S COMING?

- Hamilton Zoo/Waiwhakareke shared entry precinct.
- River Plan - Central City Jetty.
- Hamilton Gardens development - Egyptian Garden.

For more information visit hamilton.govt.nz/majorprojects

CITY WIDE WATERS

PROGRAMME OUTCOME

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.

WHAT'S IT ALL ABOUT ?

We are all about improving the wellbeing of Hamiltonians making our city a great place to live, work, play and visit. We are making sure we can provide essential water, wastewater and stormwater services for Hamiltonians now and in the future.

This is a snapshot of some key achievements from the past 12 months (July 2019 - June 2020).

WHAT WE'VE SPENT

\$32.3M



WHAT WE'VE ACHIEVED

Keeping it flowing

PUKETE WASTEWATER TREATMENT UPGRADE

Construction nearing completion for upgrading various components of the Pukete Wastewater Treatment Plant.

WAIORA WATER TREATMENT PLANT UPGRADE

Upgrading the chemical facility at the Plant is nearing completion.

Design is underway for new plant components to increase our plant's treatment capacity.

WASTEWATER UPGRADES

The Hillsborough Pump Station upgrade is nearing completion.

WESTERN WASTEWATER INTERCEPTOR

Major construction work continued with this major wastewater pipe project, which included boring two tunnels under Mangaharakeke Drive (SH1).

WATER NETWORK UPGRADE - DEMAND MANAGEMENT AREA (DMA)

We have created a DMA around our Fairfield Water Reservoir. Design to create a DMA around Newcastle Water Reservoir is nearing completion.

STORMWATER NETWORK IMPROVEMENTS

Construction is underway on our erosion remediation and mitigation works at different sites across the city.



Planning for our future

INTEGRATED CATCHMENT MANAGEMENT PLANS (ICMPs)

ICMPs help us make informed decisions about land use, water resources and infrastructure.

ICMPs completed:

Rotokauri | Mangaheka | Otama-ngenge



ICMPs Underway:

Te Awa O Katapaki | Te Rapa | Mangakootukutuku

MASTER PLANS

Our three Master Plans (Water, Wastewater, Stormwater) have been completed and will inform future strategic network planning.

WHAT'S COMING?

- Wairoa Water Treatment Plant capacity upgrade.
- Snell Drive Pump Station upgrade.
- Newcastle Water Reservoir network upgrades.
- Wastewater network capacity upgrades to accommodate growth.

For more information visit hamilton.govt.nz/majorprojects

PEACOCKE

PROGRAMME OUTCOME

Ko te aaheinga o te hanga he waahi ataahua, he waahi toiora ki Peacocke.

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

WHAT'S IT ALL ABOUT ?

Unlocking new areas for housing to support Hamilton's growth is a key challenge for the Council. Our investment in Peacocke is supported by the Government's Housing Infrastructure Fund, which includes a 10-year interest-free loan and Waka Kotahi NZ Transport Agency funding. In the coming decades, when complete, Peacocke will be home for around 20,000 new Hamiltonians.

This is a snapshot of some key achievements from the past 12 months (July 2019 - June 2020).

WHAT WE'VE SPENT

\$32.7M



WHAT WE'VE ACHIEVED

A playful city

PARKS

A new neighbourhood playground at **Te Inuwai Park** was completed. Work continued to secure land for future sport parks in Peacocke.



Getting around

BRIDGE OVER WAIKATO RIVER

Design for the **bridge and surrounding roads** is now complete and procurement is in its final stages.



EAST / WEST ARTERIAL - STAGE 2

We got the **design underway** for this key road to connect **Peacockes Road** in the east with **Ohaupo Road/ State Highway 3 (SH3)** in the west. **Geo-technical testing** is almost complete.

OHAUPO ROAD (SH3) ROUNDABOUT

We **completed initial work** for the roundabout and **construction is underway**.

PEACOCKE ROAD URBAN UPGRADE

Concept design has been completed to upgrade the road to be safe and appropriate for a residential area. Further progress will be determined by development in the area.

Keeping it flowing

WASTEWATER PUMP STATION AND TRANSFER PIPELINE

We completed the **first phase of installing some major wastewater pipes** (under Cobham Drive SH1).

Design for the **northern pipelines** (Cobham Drive to Crosby Road) is **now complete** and procurement is in its final stages.

Design for the wastewater pump station is underway.

Planning for our future

LAND FOR PROJECTS

Land acquisition is progressing, and we have now purchased 28 pieces of land required for key infrastructure. **We are underway** with the acquisition process for the **11 pieces of land remaining**.

Looking after our environment

MANGAKOOTUKUTUKU INTEGRATED CATCHMENT MANAGEMENT PLAN

This strategy for managing watercourses, stormwater, wastewater and water supplies in Peacocke and surrounding suburbs **is in final draft**, we are working to get it ready for targeted consultation.

ENVIRONMENTAL MONITORING AND MANAGEMENT PLAN

This plan was certified. Work includes restoration plans for eight hectares of gully area and two lizard habit areas. The first 80 of 100 artificial bat roosts have been installed.

WHAT'S COMING?

- Bridge contract awarded and construction starts.
- Completion of Ohaupo Road (SH3) roundabout.
- Wastewater pipeline contract awarded and construction starts.

For more information visit hamilton.govt.nz/majorprojects

ROTOTUNA

PROGRAMME OUTCOME

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.

WHAT'S IT ALL ABOUT ?

We are all about improving the wellbeing of Hamiltonians and making our city a great place to live, work, play and visit.

The Rototuna growth area has been developed north of Flagstaff over the last 10-15 years, and is now nearing completion. There are many Hamilton residents who call the Rototuna area home.

This is a snapshot of some key achievements from the past 12 months (July 2019 - June 2020).

WHAT WE'VE SPENT

\$10.8M

WHAT WE'VE ACHIEVED

A playful city

ROTOTUNA VILLAGE

Design has advanced for the library, play space and surrounding roads.

KORIKORI SPORTS PARK

Completed! Korikori Park was opened in February 2020 with five full-sized football fields, two cricket ovals and walking paths.

KORIKORI SPORTS PARK FACILITIES

We have started construction of the **changing rooms and toilet facilities** and these are due to be completed September 2020.

HARE PUKE AND MANGAITI SPORTS PARKS

We continue to plan for the sports field development for these parks with construction due to start in the 2020/21 summer construction season.

Getting around

KORIKORI GREEN (commonly known as Park Lane)

We completed and **opened** this road!

NORTH CITY ROAD UPGRADE

The **first section of North City Road was completed.** Upgrading the second section of North City Road will be done as part of the Rototuna Village development.

NORTH RIDGE DRIVE

Work on **upgrading** this **road** kicked off.

BORMAN ROAD WEST

This key connection to Kay Road was **finished and opened in February 2020.**



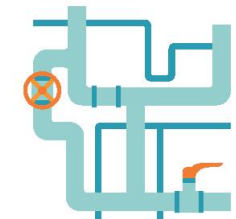
RESOLUTION DRIVE EXTENSION

Construction work got underway. Once completed this extension will connect to the Waikato Expressway.

Keeping it flowing

WATER PIPES

We have installed more than 3km of **water pipes** to safeguard and maintain a robust water supply for the people of Rototuna.



Planning for our future

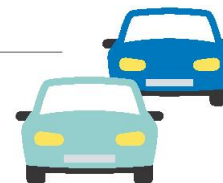
NORTH RIDGE DRIVE WETLAND

Construction on this **stormwater wetland** was **completed.**

WHAT'S COMING?

- Rototuna Village construction (2021/22).
- Resolution Drive extension (Late 2021).
- Te Manatu Park development (2020/21).

For more information visit hamilton.govt.nz/majorprojects



ROTOKAURI

PROGRAMME OUTCOME

Ko te aaheinga o te hanga he waahi ataahua, he waahi toiora ki Rotokauri.

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

WHAT'S IT ALL ABOUT ?

We are all about improving the wellbeing of Hamiltonians and making our city a great place to live, work, play and visit.

Rotokauri as a growth cell is a work in progress in terms of potential development waiting to happen. Significant planning work over the last eight years has laid the foundations for development to happen in this area.

This is a snapshot of some key achievements from the past 12 months (July 2019 - June 2020).

WHAT WE'VE SPENT

\$3.9M



WHAT WE'VE ACHIEVED

Getting around

BAVERSTOCK ROAD

Detailed design was started, and a contract awarded for this roading upgrade. This project will improve safety and connectivity on Baverstock Road.

ROTOKAURI ROAD UPGRADE

Work started on upgrading this road to make it more suitable for a residential setting.

Planning for our future

ROTOKAURI GREENWAY

The greenway designation is complete and will protect the strategic corridors which manage stormwater and support future development in the area. It will also improve the biodiversity of the area by creating a green passage for our flora and fauna.

ROTOKAURI ROADING DESIGNATION

Work is underway in mapping out where the proposed roads could go for the area. This includes a focus on walking, cycling, and public transport networks.

WHAT'S COMING?

- Rotokauri roading designation continues.
- Baverstock Road upgrade complete early 2021.
- Brymer Road upgrade (design only).
- Rotokauri Road upgrade.

For more information visit hamilton.govt.nz/majorprojects



RUAKURA

PROGRAMME OUTCOME

Ko te aaheinga o te hanga he waahi ataahua, he waahi toiora ki Ruakura.

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

WHAT'S IT ALL ABOUT ?

We are all about improving the wellbeing of Hamiltonians and making our city a great place to live, work, play and visit.

The Ruakura growth area, on the eastern side of the city, is zoned to deliver more than 100 hectares of residential development and more than 400 hectares of employment land including land for the Inland Port, regional freight and logistics hub and industrial park.

This is a snapshot of some key achievements from the past 12 months (July 2019 - June 2020).

WHAT WE'VE SPENT

\$10.4M



WHAT WE'VE ACHIEVED

Keeping it flowing

RUAKURA RESERVOIR

We **continued building** our new 12ML water reservoir. This project will support future growth in the Ruakura area.

FAR EASTERN WASTEWATER INTERCEPTOR (large wastewater pipe)

We **completed the first stage** of this **major wastewater pipe** in July 2019 in partnership with Chedworth Properties Ltd. The project involved installing 1.3km of new wastewater pipe underground.

Getting around

RUAKURA ROAD UPGRADE

We **got underway with the design and business case development** to seek funding assistance for this project.



WHAT'S COMING?

- Ruakura Road urban upgrade (design and construction).
- Ruakura expressway connection. We have entered into a partnership with Tainui Group Holdings and the Government's Provincial Development Unit to construct the critical transport links from the Ruakura Inland Port to the city.

For more information visit hamilton.govt.nz/majorprojects

Council Report

Item 8

Committee: Finance Committee

Date: 06 October 2020

Author: Tracey Musty

Authoriser: David Bryant

Position: Financial Controller

Position: General Manager Corporate

Report Name: Annual Monitoring Report to 31 August 2020

Report Status

Open

Purpose - *Take*

1. To inform the Finance Committee on Council's financial performance for the two months ended 31 August 2020.

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:
 - 31 August 2020 (6 October 2020 meeting) Capital Portfolio Monitoring report; and
 - 31 August 2020 (6 October 2020 meeting) Financial Strategy Monitoring report
4. The 31 August 2020 financial results show a negative variance against the YTD budget in the accounting result, but this has had no impact on the annual forecast for balancing the books.
5. Staff consider the matters in this report have low significance and that the recommendations comply with the Council's legal requirements.

Discussion - *Matapaki*

Operating results

The accounting results

6. The Statement of Comprehensive Revenue and Expense discloses the accounting result in accordance with accounting standards.
7. The accounting result for the two months ended 31 August 2020 is a surplus of \$11.4M. This is \$0.2M unfavourable against the YTD budget surplus of \$11.6M.

Accounting Result		
YTD Actual	YTD Budget	Variance
\$11.4M	\$11.6M	(\$0.2M)

8. The Annual Forecast has been adjusted to reflect the forecasting adjustments that are explained in the “understanding material variances” section of this report.

Annual Accounting Result		
Annual Forecast	Annual Budget	Variance
\$69.6M	\$66.1M	\$3.5M

Balancing the books result

9. The balancing the books result for the two months ended 31 August 2020 is (\$4.5M). This is \$2.6M favourable against a YTD budget of (\$7.1M).

Balancing the Books		
YTD Actual	YTD Budget	Variance
(\$4.5M)	(\$7.1M)	\$2.6M

10. The annual forecast remains in line with the approved annual budget.

Annual Balancing the Books		
Annual Forecast	Annual Budget	Variance
(\$4.4M)	(\$4.4M)	\$0M

Understanding material variances

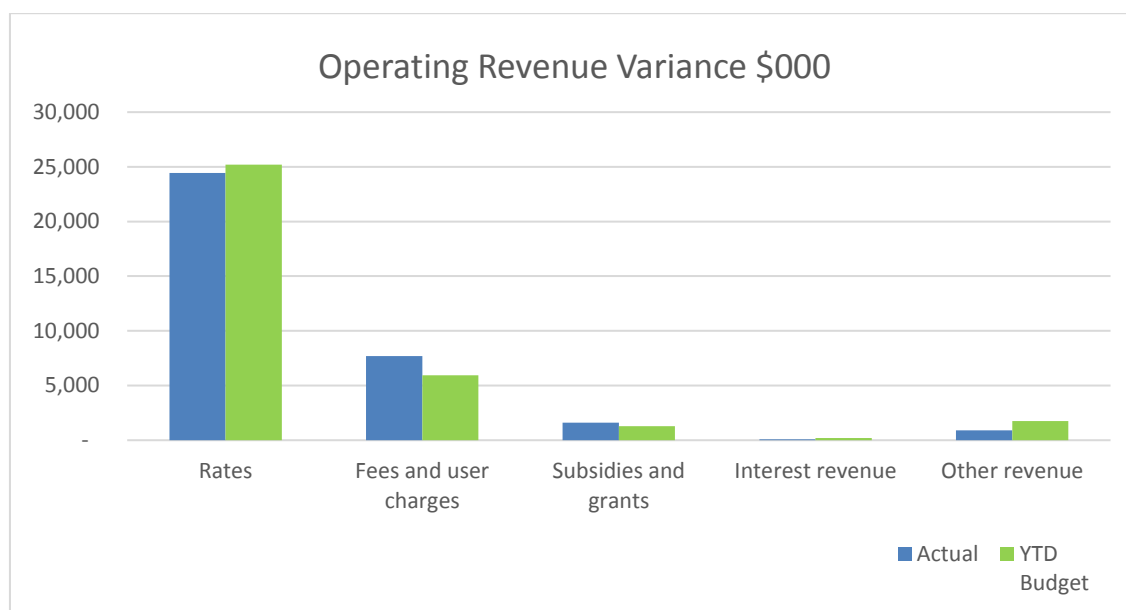
11. The Statement of Comprehensive Revenue and Expense, Statement of Financial Position, and accompanying notes are contained in **Attachment 1**.
12. Individual Everyday Revenue and Expense statements for each of the Council’s 12 activities, overheads and general expenses are contained in **Attachment 2**.
13. A reconciliation of the accounting result to the balancing the books result is provided after the Statement of Comprehensive Revenue and Expense.

Operating revenue

14. Total Operating revenue is \$0.4M higher than budgeted. This is attributable to Fees and Charges where budgets were more conservative owing to the anticipated impact of Covid-19:
 - Event activity is better than expected for the period in VTME.
 - Visitor numbers are up at the zoo and the museum.
 - Unbudgeted grant of \$1.5M received from the Ministry of Business, Innovation and Employment (MBIE) for our shovel ready project upgrade of the Te Awa Cycleway. This revenue offsets the cost of the project as the expenditure is incurred.
15. The positive variance in Fees and Charges helped to offset the negative variances in:
 - Rates revenue has an unfavourable variance as rates went out later than usual due to the delayed adoption of the Annual Plan 2020/21. This will be adjusted in the next Finance Committee Report.

- Other revenue has an unfavourable variance as a result of the fair value benefit on the Housing and Infrastructure Fund (HIF) loan not being realised as yet. This is due to the timing of loan drawdowns.

16. Please refer to the activity statements for material variance explanations.



Operating Revenue	Variance \$'000 – favourable/(unfavourable)
Rates	(758)
Fees and user charges	1,761
Subsidies and grants	324
Interest revenue	(119)
Other revenue	(828)
Total variance	380

Capital Revenue

17. Total Capital Revenue is \$0.3M lower than budgeted, as reflected:

- Development contributions (DC's) are ahead of budget by \$2.9M. Large developments (especially residential subdivisions and non-residential ones) do not pay required DC's in a smooth, linear fashion but in large amounts when development milestones are met. Therefore the quantum of DC's will vary significantly year on year and quarter by quarter. In this quarter two retirement home developments and a large residential subdivision paid significant DC's.
- Capital Contributions and Capital Subsidies were unfavourable to budget with a variance of \$4.1M. This is due to the timing and delays of capital spend.
- Council received more vested assets than predicted. The effect is a revenue of \$6.3M which is \$0.9M higher than budgeted. This budget is broken down by class of asset on page 99 of the 10-Year Plan. Vested Assets are outlined in the table that follows.

18. The addition of vested assets increases the operating and maintenance costs for Council, as well as depreciation. An estimate of operating and maintenance costs and depreciation expense has been made in the 10-Year Plan to support the annual vested assets budget.

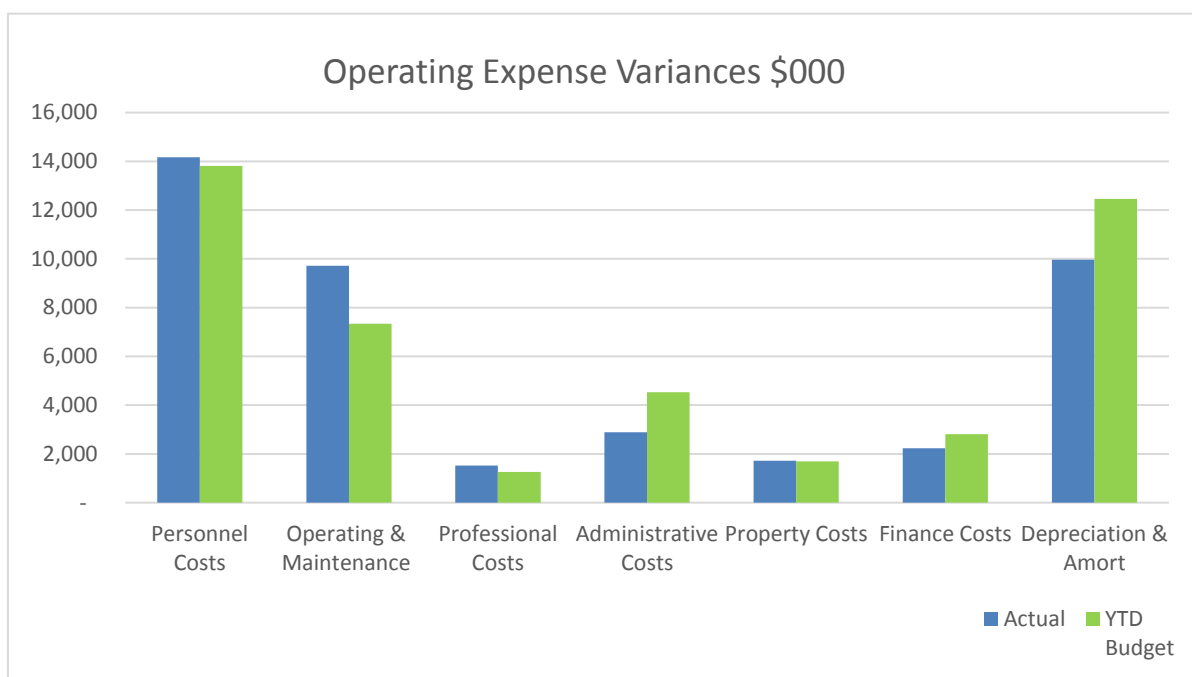
Asset class	YTD Actual \$000	Annual Budget \$000	Life Range (Years)	Estimated Annual Depreciation \$000
Wastewater	217	3,287	15-100	3
Stormwater	225	5,508	30-100	3
Water Supply	151	1,920	50-80	2
Roading	560	21,764	12-140	11
Parks and Recreation	141	-		-
Land				
Land – Under Roads	2,242	-		-
Land – Recreation Reserve	2,760	-		-
Total	6,296	32,479		19

* Local Purpose Reserves is a legal description defined by the Reserves Act 1977. This type of land is invariably land that is used for drainage purposes.

19. Through the 2018-28 10-Year Plan, increased funding was made available for maintenance on new vested assets for three waters and transportation activities. The nature of many of these vested infrastructure assets are that they have a long useful life and generally do not require significant direct maintenance in the first 10 years of operation.

Operating expenditure

20. Total Operating Expenditure is \$1.7M lower than budgeted. This is attributable to the effect that the timing on completion of capital projects has on Depreciation and as well as a decrease in Administration Expenses. This decrease is a result of the timing of expenditure.
21. The favourable variances in Depreciation and Administration Expenses help to offset the unfavourable variance in Operating and Maintenance Costs:
- Aquatics maintenance includes costs to remedy plant defects. Part of this will be recovered from Council's insurer.
 - Planned and reactive maintenance required in wastewater assets.
 - The Rotokauri Park & Ride project is managed by Council on behalf of Kiwirail with a 100% NZTA subsidy received on expenditure. This additional subsidy is unbudgeted.
 - Unbudgeted expenditure incurred on cleaning services and personal protective equipment in response to the Covid-19 requirements.



Expenditure	Variance \$000 – favourable/(unfavourable)
Personnel costs	(353)
Operating & maintenance	(2,384)
Professional costs	(261)
Administration expenses	1,638
Property costs	(33)
Finance costs	573
Depreciation & amort	2,493
Total variance	1,673

Gains and Losses

22. The 31 August 2020 adjustment on non-cash revaluation of Council's Financial borrowing instruments resulted in a \$1.9M loss.

Treasury Management

23. Council is fully compliant with all treasury policy measures as at 31 August 2020.

Counterparty credit risk	max	\$75m per bank	Achieved	✓
Liquidity ratio	min	110%	124%	✓
Funding maturity	0 - 3 years	15% - 60%	32%	✓
	3 - 5 years	15% - 60%	33%	✓
	5 years +	10% - 60%	35%	✓
Fixed rate debt maturity	All years	Within annual parameters	Achieved	✓

Debt and Cash Investments

24. External Debt decreased at 31 August 2020 by a loan repayment of \$10M to ANZ.

25. The Debt Forecast and the Debt to Revenue ratio form part of our Financial Strategy and is addressed within the Financial Strategy Monitoring Report.

Treasury Performance			
	YTD Actual	Annual Budget	Variance
Cash Investments	\$80.8M	\$86.1M	(\$5.3M)
Total External Debt	\$517.2M	\$716.8M	(\$199.6M)
Finance Cost on Borrowings	\$2.2M	\$14.6M	(\$12.4M)

Interest Rate Risk Management

26. 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.
27. As at 31 August 2020 our fixed rate hedging is 41%.
28. Our gross cost of funds over a 12-month rolling average is 3.43%.

Emerging Issues

29. The initiation of a national lockdown period, due to Covid-19, has impacted various areas within our organisation. Any material amounts will reflect within the attached activity statements.

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

30. Staff confirm that the matters in this report complies with the Council's legal and policy requirements.

Risks - *Tuuraru*

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

Wellbeing Considerations - *Whaiwhakaaro-aa-oranga tonutanga*

32. 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').
33. 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. The recommendations set out in this report are consistent with that purpose.

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

Significance

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

Engagement

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

Attachments - *Ngaa taapirihanga*

Attachments Attachment 1 - Statement of Comprehensive Revenue and Expense August 2020

Attachment 2 - Council Activities August 2020

Attachment 3 - Treasury Position August 2020

STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE
FOR THE MONTH ENDED 31 AUGUST 2020

Attachment 1

\$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)		
Operating Revenue											
25,131	Rates	24,446	25,204	(758)	200,066	12%		200,066			
6,789	Fees & Charges	7,698	5,937	1,761	32,260	24%		32,260			
1,755	Subsidies & Grants	1,597	1,273	323	7,227	22%		7,227			
180	Interest Revenue	88	207	(119)	1,250	7%		1,250			
1,687	Other Revenue	916	1,744	(828)	10,298	9%		10,298			
35,541	TOTAL OPERATING REVENUE	34,745	34,366	380	251,101	14%		251,101			
Capital Revenue											
5,224	Development Contributions	6,647	3,751	2,896	22,504	30%		22,504			
6,101	Capital Revenue	7,859	11,922	(4,063)	58,634	13%		62,207		3,573	
12,759	Vested Assets	6,296	5,414	882	32,479	19%		32,479			
24,084	TOTAL CAPITAL REVENUE	20,803	21,087	(285)	113,617	18%		117,190		3,573	
59,625	TOTAL REVENUE	55,548	55,453	95	364,717	15%		368,291		3,573	
Expenditure											
13,550	Personnel Costs	14,161	13,808	(353)	83,802	17%		83,802			
7,222	Operating & Maintenance Costs	9,716	8,196	(1,520)	52,927	18%		52,928			
1,454	Professional Costs	1,523	1,261	(261)	13,820	11%		13,820			
4,437	Administration Expenses	2,879	3,665	786	36,367	8%		36,367			
1,807	Property Costs	1,725	1,692	(33)	10,017	17%		10,017			
3,173	Finance Costs	2,231	2,806	574	17,124	13%		17,124			
12,820	Depreciation & Amortisation Expense	9,965	12,458	2,493	74,727	13%		74,727			
44,463	TOTAL EXPENDITURE	42,200	43,885	1,685	288,785	15%		288,785			
15,162	OPERATING SURPLUS/(DEFICIT)	13,348	11,568	1,780	75,933	18%		79,506		3,574	
Gains and Losses											
(6,882)	Net gain/(loss) on revaluation of interest rate swaps	(1,911)		(1,911)							
	Gain on fair value of investment properties		99	(99)	593	0%		593			
(1,632)	Property, plant and equipment net gain/(loss)	7		7	(10,457)	0%		(10,457)			
(8,514)	TOTAL GAINS AND LOSSES	(1,903)	99	(2,002)	(9,864)	19%		(9,864)			
6,648	TOTAL SURPLUS/(DEFICIT)	11,445	11,666	(222)	66,069	17%		69,642		3,574	

Refer to Activity Statements for variances against budget.

BALANCING THE BOOKS RESULT FOR THE MONTH ENDED 31 AUGUST 2020

\$000		\$000	\$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)
6,648	Surplus/(Deficit)	11,445	11,666	(222)	66,069	17%	69,642	3,573
	Remove capital revenue							
(12,759)	Vested assets	(6,296)	(5,414)	(882)	(32,479)	19%	(32,479)	
(3,775)	Part of Development and Financial contributions	(5,335)	(2,439)	(2,896)	(14,627)	36%	(14,627)	
(2,148)	Capital Subsidy (excluding subsidy on transport renewals)	(5,234)	(7,308)	2,074	(37,736)	14%	(40,917)	(3,181)
(1,719)	Other Capital Contributions	(1,042)	(3,186)	2,144	(12,496)	8%	(12,888)	(392)
(295)	Other items not considered everyday operating revenue		(703)	703	(4,217)	0%	(4,217)	
	Remove (gains)/losses							
8,514	All Gains/(Losses)	1,903	(99)	2,002	9,864	19%	9,864	
	Remove other expenses							
17	Other items not considered everyday operating expenses	34	365	(331)	21,189	0%	21,189	
(5,517)	EVERYDAY SURPLUS/(DEFICIT)	(4,524)	(7,117)	2,593	(4,433)	102%	(4,433)	

LOCAL GOVERNMENT BALANCING THE BOOKS MEASURE FOR THE MONTH ENDED 31 AUGUST 2020

\$000		\$000	\$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)
6,648	Surplus/(deficit)	11,445	11,666	(222)	66,069	17%	69,642	3,573
	Adjustments for the Local Government Regulations measure							
	Gains excluding gains on investment properties		(99)	99	(593)	0%	(593)	
6,882	Net (Gain)/Loss on derivative financial instruments	1,911		1,911	0			
(5,224)	Development and Financial contributions	(6,647)	(3,751)	(2,896)	(22,504)	30%	(22,504)	
(12,759)	Vested assets	(6,296)	(5,414)	(882)	(32,479)	19%	(32,479)	
(11,100)	Total adjustments	(11,033)	(9,264)	(1,768)	(55,576)		(55,576)	
(4,453)	LG Regulations balancing the books surplus/(deficit)	412	2,402	(1,990)	10,493	4%	14,066	3,573

FOR THE MONTH ENDED 31 AUGUST 2020

\$000		\$000	\$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)
Everyday Revenue								
25,131	Rates**	24,446	25,204	(758)	200,066	12%	200,066	
6,789	Fees & Charges	7,698	5,937	1,761	32,260	24%	32,260	
1,755	Subsidies & Grants	1,597	1,273	323	7,227	22%	7,227	
180	Interest Revenue	88	207	(119)	1,250	7%	1,250	
1,687	Other Revenue	916	1,744	(828)	10,298	9%	10,298	
35,541	Total Everyday Revenue	34,745	34,366	380	251,101	14%	251,101	
Everyday Expenditure								
13,550	Personnel Costs	14,161	13,808	(353)	83,802	17%	83,802	
7,222	Operating & Maintenance Costs	9,716	8,196	(1,520)	52,927	18%	52,928	
1,454	Professional Costs	1,523	1,261	(261)	13,820	11%	13,820	
4,437	Administration Expenses	2,879	3,665	786	36,367	8%	36,367	
1,807	Property Costs	1,725	1,692	(33)	10,017	17%	10,017	
3,173	Finance Costs**	2,231	2,806	574	17,124	13%	17,124	
12,820	Depreciation & Amortisation Expense**	9,965	12,458	2,493	74,727	13%	74,727	
8,514	Gains & Losses	1,903	(99)	(2,002)	9,864	19%	9,864	
52,978	Total Everyday Expenditure	44,103	43,786	(317)	298,649	15%	298,649	
(17,436)	Everyday Surplus/(Deficit)*	(9,358)	(9,421)	63	(47,548)	20%	(47,548)	
Capital Revenue								
5,224	Development Contributions**	6,647	3,751	2,896	22,504	30%	22,504	
6,101	Capital Revenue	7,859	11,922	(4,063)	58,634	13%	62,207	3,573
12,759	Vested Assets**	6,296	5,414	882	32,479	19%	32,479	
24,084	Total Capital Revenue	20,803	21,087	(285)	113,617	18%	117,190	3,573
6,648	Operating Surplus/(Deficit)	11,445	11,666	(222)	66,069	17%	69,642	3,574

Material variances as explained below:

Rates - \$758k unfavourable.**

Rates remissions have exceeded budget, however this is due to the way that the budget was phased across the financial year. This will be offset in the next Finance Committee report.

Finance Costs - \$574k favourable.**

Overall finance costs (interest expense) for Council are favourable. This is due to the overall debt being lower than budget.

Depreciation & Amortisation Expense - \$2,493k favourable.**

The favourable result relates to capital projects still to be fully capitalised.

Development Contributions - \$2,896k favourable.**

Large developments do not pay required DC's in a smooth, linear fashion, but in large amounts when development milestones are met. This is why the quantum of DC's will vary significantly quarter by quarter. During the first quarter of the year two retirement home developments and a large residential subdivision paid significant DC's.

Vested Assets - \$882k favourable.**

More vested assets have been received than budgeted.

FOR THE MONTH ENDED 31 AUGUST 2020

\$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									
373	Rates**	366	491	(125)	3,021	12%	3,021		
4	Fees & Charges	5		5	2	220%	2		
	Subsidies & Grants								
	Interest Revenue								
5	Other Revenue								
382 Total Everyday Revenue		371	491	(120)	3,023	12%	3,023		
Everyday Expenditure									
71	Personnel Costs	57	115	58	696	8%	696		
5	Operating & Maintenance Costs	3	7	4	41	7%	41		
43	Professional Costs	85	64	(21)	402	21%	402		
260	Administration Expenses	310	282	(28)	1,693	18%	1,693		
	Property Costs								
	Finance Costs**								
	Depreciation & Amortisation Expense**								
	Gains & Losses								
379 Total Everyday Expenditure		455	469	14	2,832	16%	2,832		
3 Everyday Surplus/(Deficit)*		(84)	22	(106)	191	(44%)	191		
Capital Revenue									
	Capital Revenue								
Total Capital Revenue									
3 Operating Surplus/(Deficit)		(84)	22	(106)	191	(44%)	191		

* 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 material variances have been identified.

VENUES, TOURISM AND MAJOR EVENTS

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

FOR THE MONTH ENDED 31 AUGUST 2020

\$000		\$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)
Everyday Revenue								
1,921	Rates**	1,884	2,588	(704)	15,664	12%	15,664	
1,031	Fees & Charges	733	445	288	2,803	26%	2,803	
	Subsidies & Grants							
17	Interest Revenue	9	12	(3)	79	11%	79	
132	Other Revenue	119	125	(7)	742	16%	742	
3,102 Total Everyday Revenue		2,744	3,170	(426)	19,288	14%	19,288	
Everyday Expenditure								
1,055	Personnel Costs	887	955	69	5,731	15%	5,731	
713	Operating & Maintenance Costs	548	511	(36)	3,067	18%	3,067	
13	Professional Costs	13	49	36	296	4%	296	
683	Administration Expenses	387	400	12	1,793	22%	1,793	
159	Property Costs	199	145	(54)	886	22%	886	
308	Finance Costs**	213	242	28	1,477	14%	1,477	
1,079	Depreciation & Amortisation Expense**	827	914	87	5,480	15%	5,480	
	Gains & Losses							
4,009 Total Everyday Expenditure		3,074	3,217	142	18,729	16%	18,729	
(907) Everyday Surplus/(Deficit)*		(330)	(47)	(284)	560	(59%)	560	
Capital Revenue								
	Capital Revenue		100	(100)	200	0%	200	
Total Capital Revenue			100	(100)	200	0%	200	
(907) Operating Surplus/(Deficit)		(330)	53	(384)	760	(43%)	760	

* 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 - \$288k favourable.

A favourable variance due to a conservative budget as a result of the COVID environment. Event activity is better than expected for the period.

VISITOR ATTRACTIONS

Hamilton Gardens | Waikato Museum | Hamilton Zoo

FOR THE MONTH ENDED 31 AUGUST 2020

\$000		\$000	\$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)
Everyday Revenue								
1,977	Rates**	1,957	1,908	49	15,787	12%	15,787	
427	Fees & Charges	622	259	363	1,563	40%	1,563	
11	Subsidies & Grants	14	14		85	17%	85	
2	Interest Revenue	1	2	(1)	12	6%	12	
28	Other Revenue	5	15	(10)	87	6%	87	
2,444	Total Everyday Revenue	2,599	2,197	402	17,534	15%	17,534	
Everyday Expenditure								
1,331	Personnel Costs	1,400	1,389	(11)	8,407	17%	8,407	
329	Operating & Maintenance Costs	404	344	(60)	3,068	13%	3,068	
59	Professional Costs	56	14	(43)	231	24%	231	
108	Administration Expenses	83	94	11	565	15%	565	
100	Property Costs	84	79	(5)	471	18%	471	
28	Finance Costs**	19	22	3	133	14%	133	
460	Depreciation & Amortisation Expense**	274	367	92	2,199	12%	2,199	
	Gains & Losses							
2,416	Total Everyday Expenditure	2,321	2,309	(13)	15,073	15%	15,073	
29	Everyday Surplus/(Deficit)*	277	(112)	389	2,461	11%	2,461	
Capital Revenue								
	Capital Revenue				1,000		1,120	120
	Total Capital Revenue				1,000	0%	1,120	120
29	Operating Surplus/(Deficit)	277	(112)	389	3,461	8%	3,581	120

* 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 - \$363k favourable.**

Zoo revenue tracks ahead of budget due to high visitation numbers, \$154k favourable. Museum recoveries also exceed budget by \$144k due to the high visitation numbers at exhibitions.

The comments below explain the material variance between annual approved budget and annual forecast.**Capital Revenue - \$120k favourable**

2020/21 Deferrals have resulted in a revised forecast. Refer to Capital Monitoring Report.

FOR THE MONTH ENDED 31 AUGUST 2020

\$000		\$000	\$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)
Everyday Revenue								
2,151	Rates**	2,113	2,329	(216)	17,424	12%	17,424	
39	Fees & Charges	44	50	(6)	501	9%	501	
1	Subsidies & Grants				2	0%	2	
	Interest Revenue		11	(11)	66	0%	66	
	Other Revenue							
2,191	Total Everyday Revenue	2,157	2,390	(233)	17,992	12%	17,992	
Everyday Expenditure								
989	Personnel Costs	1,044	964	(81)	5,828	18%	5,828	
139	Operating & Maintenance Costs	103	146	43	1,041	10%	1,041	
59	Professional Costs	11	4	(7)	191	6%	191	
1,048	Administration Expenses	1,120	1,159	39	23,932	5%	23,932	
66	Property Costs	51	48	(2)	279	18%	279	
1	Finance Costs**				3	14%	3	
506	Depreciation & Amortisation Expense**	445	484	40	2,906	15%	2,906	
3	Gains & Losses							
2,810	Total Everyday Expenditure	2,774	2,806	32	34,180	8%	34,180	
(619)	Everyday Surplus/(Deficit)*	(617)	(416)	(201)	(16,188)	4%	(16,188)	
(619)	Operating Surplus/(Deficit)	(617)	(416)	(201)	(16,188)	4%	(16,188)	

* 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 material variances have been identified.

PARKS AND RECREATION

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

FOR THE MONTH ENDED 31 AUGUST 2020

\$000		\$000	\$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)
Everyday Revenue								
3,629	Rates**	3,535	3,471	64	29,325	12%	29,325	
1,064	Fees & Charges	1,533	865	668	6,297	24%	6,297	
	Subsidies & Grants		1		7	2%	7	
20	Interest Revenue	10	24	(14)	142	7%	142	
34	Other Revenue	26	13	13	76	34%	76	
4,747	Total Everyday Revenue	5,104	4,374	731	35,848	14%	35,848	
Everyday Expenditure								
1,950	Personnel Costs	2,212	1,970	(242)	12,257	18%	12,257	
1,008	Operating & Maintenance Costs	1,526	916	(610)	7,579	20%	7,579	
201	Professional Costs	276	153	(123)	726	38%	726	
181	Administration Expenses	181	195	14	697	26%	697	
219	Property Costs	177	183	6	1,051	17%	1,051	
362	Finance Costs**	251	290	39	1,738	14%	1,738	
1,274	Depreciation & Amortisation Expense**	978	991	13	5,947	16%	5,947	
110	Gains & Losses	31		(31)				
5,304	Total Everyday Expenditure	5,633	4,700	(933)	29,994	19%	29,994	
(558)	Everyday Surplus/(Deficit)*	(528)	(326)	(202)	5,854	(9%)	5,854	
Capital Revenue								
	Development Contributions**	295	199	96	1,196	25%	1,196	
(6)	Capital Revenue	3	17	(14)	100	3%	372	272
	Vested Assets**	141		141				
(6)	Total Capital Revenue	439	216	223	1,296	34%	1,568	272
(563)	Operating Surplus/(Deficit)	(90)	(110)	20	7,150	(1%)	7,422	272

* 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 - \$668k favourable.

Third party contributions from the Ministry of Business, Innovation and Employment (MBIE) to upgrade the Te Awa Cycleway.

Personnel Costs - \$242k unfavourable.

Costs associated with the Te Awa Cycleway construction that Ministry of Business, Innovation and Employment (MBIE) funded.

Operating & Maintenance Costs - \$610k unfavourable.

Parks Maintenance tracks \$520k unfavourable and includes \$375k Te Awa Cycleway works that are funded by MBIE. Maintenance at Aquatics tracks \$100k ahead of target and includes costs to remedy plant defects. Part of which will be recovered from Council's insurer.

Professional Costs - \$123k unfavourable.

Parks professional expenditure tracks \$30k ahead of budget and includes costs associated with the Te Awa Cycleway works funded by Ministry of Business and Innovation MBIE. Professional expenditure at Waterworld tracks \$50k ahead of target and includes costs to remedy plant defects. Part of which will be recovered from Council's insurer.

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

Capital Revenue - \$272k favourable

2020/21 Deferrals have resulted in a revised forecast. Refer to Capital Monitoring Report.

FOR THE MONTH ENDED 31 AUGUST 2020

\$000		\$000	\$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)
Everyday Revenue								
499	Rates**	491	480	11	4,047	12%	4,047	
1,098	Fees & Charges	657	1,044	(387)	1,938	34%	1,938	
12	Subsidies & Grants	8	9		53	16%	53	
	Interest Revenue							
1	Other Revenue	12	5	7	31	39%	31	
1,611	Total Everyday Revenue	1,168	1,537	(370)	6,068	19%	6,068	
Everyday Expenditure								
690	Personnel Costs	666	661	(6)	4,004	17%	4,004	
172	Operating & Maintenance Costs	85	126	41	1,238	7%	1,238	
27	Professional Costs	23	33	10	97	24%	97	
25	Administration Expenses	44	37	(7)	293	15%	293	
3	Property Costs	4	2	(2)	33	13%	33	
	Finance Costs**							
11	Depreciation & Amortisation Expense**	14	12	(2)	70	20%	70	
	Gains & Losses							
927	Total Everyday Expenditure	837	871	34	5,735	15%	5,735	
683	Everyday Surplus/(Deficit)*	331	667	(336)	333	99%	333	
Capital Revenue								
	Capital Revenue							
	Total Capital Revenue							
683	Operating Surplus/(Deficit)	331	667	(336)	333	99%	333	

* 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 - \$387k unfavourable.

This is due to timing of revenue received. Due to Covid 19 the timing of registration revenue is slightly different than budgeted. This is expected to be cleared by September 2020.

FOR THE MONTH ENDED 31 AUGUST 2020

\$000		\$000	\$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)
Everyday Revenue								
754	Rates**	742	727	15	6,010	12%	6,010	
2,055	Fees & Charges	1,975	1,338	637	8,474	23%	8,474	
	Subsidies & Grants	48						
7	Interest Revenue	3	5	(2)	30	11%	30	
2	Other Revenue							
2,818	Total Everyday Revenue	2,769	2,071	698	14,513	19%	14,513	
Everyday Expenditure								
1,530	Personnel Costs	1,583	1,694	111	10,272	15%	10,272	
28	Operating & Maintenance Costs	77	67	(9)	408	19%	408	
286	Professional Costs	448	425	(23)	2,236	20%	2,236	
211	Administration Expenses	131	211	80	1,378	10%	1,378	
1	Property Costs	7	1	(6)	64	10%	64	
116	Finance Costs**	80	93	12	555	14%	555	
	Depreciation & Amortisation Expense**	1		(1)				
	Gains & Losses							
2,171	Total Everyday Expenditure	2,325	2,491	166	14,912	16%	14,912	
646	Everyday Surplus/(Deficit)*	443	(420)	864	(399)	(111%)	(399)	
Capital Revenue								
	Capital Revenue							
Total Capital Revenue								
646	Operating Surplus/(Deficit)	443	(420)	864	(399)	(111%)	(399)	

* 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 - \$637k favourable.

This is due to higher than budgeted levels of activity in the Planning Guidance and Building Control units.

Revenue from building and planning has been erratic since covid 19 lockdown. The budget was set to reflect a predicted downturn as with the previous month it showed a marked increase and its unclear as yet where revenue will land.

Personnel Costs - \$111k favourable.

Transferred part of the funds from Strategic Property and City Planning after restructures in both areas to the City Growth Admin cost centre while these roles are being repurposed in the City Growth area.

WATER SUPPLY

Water Treatment | Water Storage | Water Distribution

FOR THE MONTH ENDED 31 AUGUST 2020

\$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									
3,933	Rates**	3,632	3,674	(43)	28,695	13%	28,695		
(14)	Fees & Charges	(63)	(26)	(37)	(155)	41%	(155)		
	Subsidies & Grants	()		()					
35	Interest Revenue	29	36	(7)	218	13%	218		
	Other Revenue								
3,954	Total Everyday Revenue	3,598	3,685	(87)	28,758	13%	28,758		
Everyday Expenditure									
624	Personnel Costs	612	640	28	3,441	18%	3,441		
203	Operating & Maintenance Costs	390	328	(63)	2,686	15%	2,686		
29	Professional Costs	66	23	(43)	1,024	6%	1,024		
10	Administration Expenses	14	11	(3)	80	17%	80		
232	Property Costs	354	321	(33)	1,974	18%	1,974		
629	Finance Costs**	435	503	68	3,016	14%	3,016		
2,269	Depreciation & Amortisation Expense**	1,207	1,418	211	8,504	14%	8,504		
99	Gains & Losses	9		(9)					
4,095	Total Everyday Expenditure	3,088	3,243	155	20,724	15%	20,724		
(141)	Everyday Surplus/(Deficit)*	510	442	68	8,034	6%	8,034		
Capital Revenue									
	Development Contributions**	1,537	727	811	4,359	35%	4,359		
157	Capital Revenue	91	9	82	54	168%	54		
527	Vested Assets**	163	320	(157)	1,920	8%	1,920		
684	Total Capital Revenue	1,791	1,056	736	6,333	28%	6,333		
543	Operating Surplus/(Deficit)	2,301	1,498	803	14,366	16%	14,366		

* 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 material variances have been identified.

WASTEWATER

Wastewater Collection | Wastewater Treatment | Wastewater Disposal

FOR THE MONTH ENDED 31 AUGUST 2020

\$000		\$000	\$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)
Everyday Revenue								
3,832	Rates**	3,768	3,687	81	30,639	12%	30,639	
414	Fees & Charges	1,142	1,064	79	5,546	21%	5,546	
	Subsidies & Grants	()		()				
40	Interest Revenue	20	45	(26)	271	7%	271	
	Other Revenue							
4,286	Total Everyday Revenue	4,930	4,796	134	36,456	14%	36,456	
Everyday Expenditure								
794	Personnel Costs	882	889	7	5,244	17%	5,244	
962	Operating & Maintenance Costs	1,331	874	(458)	6,093	22%	6,093	
24	Professional Costs	94	17	(77)	2,318	4%	2,318	
8	Administration Expenses	27	20	(7)	184	15%	184	
412	Property Costs	309	352	43	2,087	15%	2,087	
708	Finance Costs**	490	566	76	3,396	14%	3,396	
1,401	Depreciation & Amortisation Expense**	1,310	2,121	810	12,720	10%	12,720	
86	Gains & Losses							
4,394	Total Everyday Expenditure	4,443	4,837	394	32,042	14%	32,042	
(109)	Everyday Surplus/(Deficit)*	487	(41)	528	4,414	11%	4,414	
Capital Revenue								
	Development Contributions**	2,188	1,230	958	7,378	30%	7,378	
258	Capital Revenue	232	9	223	54	428%	54	
1,709	Vested Assets**	205	548	(343)	3,287	6%	3,287	
1,967	Total Capital Revenue	2,625	1,787	838	10,719	24%	10,719	
1,858	Operating Surplus/(Deficit)	3,112	1,746	1,366	15,133	21%	15,133	

* 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 - \$458k unfavourable.**

The unfavourable variance is due to planned and reactive maintenance required in wastewater assets.

Capital Revenue - \$223k favourable.

Contributions towards new wastewater connections exceed budget due to higher than budgeted applications. This revenue will offset capital installation costs.

FOR THE MONTH ENDED 31 AUGUST 2020

\$000		\$000	\$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)
Everyday Revenue								
851	Rates**	836	817	19	6,897	12%	6,897	
13	Fees & Charges	19	18	1	289	7%	289	
	Subsidies & Grants	()		()				
11	Interest Revenue	5	19	(14)	116	5%	116	
	Other Revenue							
875 Total Everyday Revenue		860	855	6	7,301	12%	7,301	
Everyday Expenditure								
346	Personnel Costs	325	361	36	2,144	15%	2,144	
(45)	Operating & Maintenance Costs	101	(102)	(204)	97	105%	97	
11	Professional Costs	21	11	(10)	458	5%	458	
6	Administration Expenses	6	6		45	13%	45	
36	Property Costs	28	28	(1)	374	8%	374	
193	Finance Costs**	134	155	21	928	14%	928	
1,720	Depreciation & Amortisation Expense**	1,350	1,626	275	9,752	14%	9,752	
103	Gains & Losses							
2,370 Total Everyday Expenditure		1,966	2,084	118	13,797	14%	13,797	
(1,494) Everyday Surplus/(Deficit)*		(1,105)	(1,229)	124	(6,496)	17%	(6,496)	
Capital Revenue								
	Development Contributions**	667	476	191	2,854	23%	2,854	
33	Capital Revenue	91	17	74	104	88%	104	
2,683	Vested Assets**	(105)	918	(1,023)	5,508	(2%)	5,508	
2,717 Total Capital Revenue		653	1,411	(758)	8,466	8%	8,466	
1,222 Operating Surplus/(Deficit)		(452)	182	(635)	1,970	(23%)	1,970	

* 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 - \$204k unfavourable.

The unfavourable variance is due to planned and reactive maintenance required in general stormwater assets.

FOR THE MONTH ENDED 31 AUGUST 2020

\$000		\$000	\$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)
Everyday Revenue								
4,388	Rates**	4,307	4,224	83	35,634	12%	35,634	
545	Fees & Charges	818	671	148	4,016	20%	4,016	
1,516	Subsidies & Grants	1,390	1,103	287	6,498	21%	6,498	
46	Interest Revenue	23	52	(29)	312	7%	312	
469	Other Revenue	303	454	(151)	2,568	12%	2,568	
6,965	Total Everyday Revenue	6,842	6,504	337	49,027	14%	49,027	
Everyday Expenditure								
651	Personnel Costs	742	956	215	5,281	14%	5,281	
2,675	Operating & Maintenance Costs	2,889	2,198	(691)	12,910	22%	12,910	
109	Professional Costs	70	93	23	1,183	6%	1,183	
1,762	Administration Expenses	1,467	1,526	58	716	205%	716	
429	Property Costs	394	400	6	2,120	19%	2,120	
820	Finance Costs**	567	656	88	3,934	14%	3,934	
3,002	Depreciation & Amortisation Expense**	2,715	3,403	688	20,411	13%	20,411	
1,237	Gains & Losses				10,457	0%	10,457	
10,685	Total Everyday Expenditure	8,843	9,230	387	57,013	16%	57,013	
(3,721)	Everyday Surplus/(Deficit)*	(2,002)	(2,726)	724	(7,986)	25%	(7,986)	
Capital Revenue								
	Development Contributions**	1,960	1,120	841	6,717	29%	6,717	
5,658	Capital Revenue	7,442	11,770	(4,328)	57,122	13%	60,303	3,181
7,840	Vested Assets**	5,893	3,628	2,265	21,764	27%	21,764	
13,499	Total Capital Revenue	15,295	16,517	(1,222)	85,602	18%	88,784	3,181
9,778	Operating Surplus/(Deficit)	13,293	13,791	(498)	77,617	17%	80,798	3,181

* 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 - \$148k favourable.

The favourable result is due to the higher than expected offstreet parking income and the on-charging of costs to third parties.

Subsidies & Grants - \$287k favourable.

The Rotokauri Park & Ride project is managed by Council on behalf of Kiwirail with a 100% NZTA subsidy received on expenditure. This additional subsidy is unbudgeted.

Other Revenue - \$151k unfavourable.

The unfavourable variance is due to a lower than budgeted recovery of parking and traffic infringements and the withdrawal of tickets by the Court.

Personnel Costs - \$215k favourable.

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

Operating & Maintenance Costs - \$691k unfavourable.

The Rotokauri Park and Ride project is managed by Council on behalf of Kiwirail and is an unbudgeted item as mentioned above.

Capital Revenue - \$4,328k unfavourable.

Revenue from NZTA subsidies are tracking below budget due to projects progressing slower than anticipated.

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

Capital Revenue - \$3,181k favourable

2020/21 Deferrals of \$2,738 have resulted in a revised forecast. Increase in capital revenue related to the Park & Ride project of \$343k.

RUBBISH AND RECYCLING

Refuse Collection | Waste Minimisation | Landfill Site Management

FOR THE MONTH ENDED 31 AUGUST 2020

\$000		\$000	\$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)
Everyday Revenue								
889	Rates**	874	854	19	7,200	12%	7,200	
(20)	Fees & Charges	(21)	(11)	(9)	(69)	30%	(69)	
178	Subsidies & Grants	136	146	(10)	583	23%	583	
1	Interest Revenue		1	(1)	4	11%	4	
101	Other Revenue	30	74	(44)	444	7%	444	
1,150 Total Everyday Revenue		1,018	1,063	(45)	8,162	12%	8,162	
Everyday Expenditure								
192	Personnel Costs	209	239	30	1,371	15%	1,371	
706	Operating & Maintenance Costs	1,252	1,500	247	8,213	15%	8,213	(1)
37	Professional Costs	103	49	(54)	293	35%	293	
2	Administration Expenses	(1)	2	3	(1,152)	0%	(1,152)	
10	Property Costs	8	9		57	15%	57	
15	Finance Costs**	11	12	2	339	3%	339	
95	Depreciation & Amortisation Expense**	95	94	(1)	564	17%	564	
	Gains & Losses							
1,058 Total Everyday Expenditure		1,678	1,905	227	9,686	17%	9,686	(1)
91 Everyday Surplus/(Deficit)*		(659)	(842)	182	(1,524)	43%	(1,524)	(1)
Capital Revenue								
	Capital Revenue							
Total Capital Revenue								
91 Operating Surplus/(Deficit)		(659)	(842)	182	(1,524)	43%	(1,524)	(1)

* 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 - \$247k favourable.

The cost of collecting waste and recycling was below budget due to lower than anticipated waste tonnages collected.

OVERHEADS

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

FOR THE MONTH ENDED 31 AUGUST 2020

\$000		\$000	\$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)
Everyday Revenue								
(57)	Rates**	(58)	(46)	(12)	(277)	21%	(277)	
133	Fees & Charges	232	220	12	1,055	22%	1,055	
38	Subsidies & Grants							
	Interest Revenue							
449	Other Revenue	422	338	84	2,029	21%	2,029	
562	Total Everyday Revenue	596	512	84	2,808	21%	2,808	
Everyday Expenditure								
3,329	Personnel Costs	3,618	3,367	(251)	20,405	18%	20,405	
328	Operating & Maintenance Costs	1,006	1,295	289	7,539	13%	7,539	
556	Professional Costs	257	504	247	4,865	5%	4,865	
1,558	Administration Expenses	381	1,051	670	6,066	6%	6,066	
139	Property Costs	111	104	(7)	621	18%	621	
7	Finance Costs**	5	12	7	70	7%	70	
1,003	Depreciation & Amortisation Expense**	748	920	172	5,520	14%	5,520	
(6)	Gains & Losses	(47)	(99)	(51)	(593)	8%	(593)	
6,915	Total Everyday Expenditure	6,079	7,153	1,075	44,494	14%	44,494	
(6,352)	Everyday Surplus/(Deficit)*	(5,483)	(6,641)	1,159	(41,686)	13%	(41,686)	
Capital Revenue								
	Capital Revenue							
Total Capital Revenue								
(6,352)	Operating Surplus/(Deficit)	(5,483)	(6,641)	1,159	(41,686)	13%	(41,686)	

* 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 - \$251k unfavourable.

Personnel costs are unfavourable due to expenditure on externally contracted staff to cover vacancies and deliver organisation wide projects.

Operating & Maintenance Costs - \$289k favourable.

The favourable variance is due to the timing of expenditure.

Professional Costs - \$247k favourable.

Professional costs are favourable due to the timing of expenditure. The forecast has not been adjusted as it is expected that the annual budget amount will be spent in the remainder of the year.

Administration Expenses - \$670k favourable.

The favourable variance is due to the timing of expenditure. The forecast has not been adjusted as it is expected that the annual budget amount will be spent in the remainder of the year.

FOR THE MONTH ENDED 31 AUGUST 2020

\$000		\$000	\$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)
Everyday Revenue								
(9)	Rates**							
	Fees & Charges							
	Subsidies & Grants							
	Interest Revenue	(12)		(12)				
465	Other Revenue		720	(720)	4,321	0%	4,321	
455	Total Everyday Revenue	(12)	720	(732)	4,321	0%	4,321	
Everyday Expenditure								
	Personnel Costs		(165)	(165)	(1,000)	0%	(1,000)	
	Operating & Maintenance Costs		(175)	(175)	(1,052)	0%	(1,052)	
	Professional Costs		(83)	(83)	(500)	0%	(500)	
	Administration Expenses		(33)	(33)	(200)	0%	(200)	
	Property Costs							
(13)	Finance Costs**	26	256	230	1,535	2%	1,535	
	Depreciation & Amortisation Expense**		109	109	654	0%	654	
6,882	Gains & Losses	1,911		(1,911)				
6,869	Total Everyday Expenditure	1,936	(93)	(2,029)	(563)	(344%)	(563)	
(6,413)	Everyday Surplus/(Deficit)*	(1,948)	813	(2,761)	4,884	(40%)	4,884	
Capital Revenue								
5,224	Development Contributions**							
	Capital Revenue							
	Vested Assets**							
5,224	Total Capital Revenue							
(1,189)	Operating Surplus/(Deficit)	(1,948)	813	(2,761)	4,884	(40%)	4,884	

* 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 - \$1,911k unfavourable.

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

TREASURY REPORT

Year to date 31 August 2020

Attachment 3

Investment and Cash Position

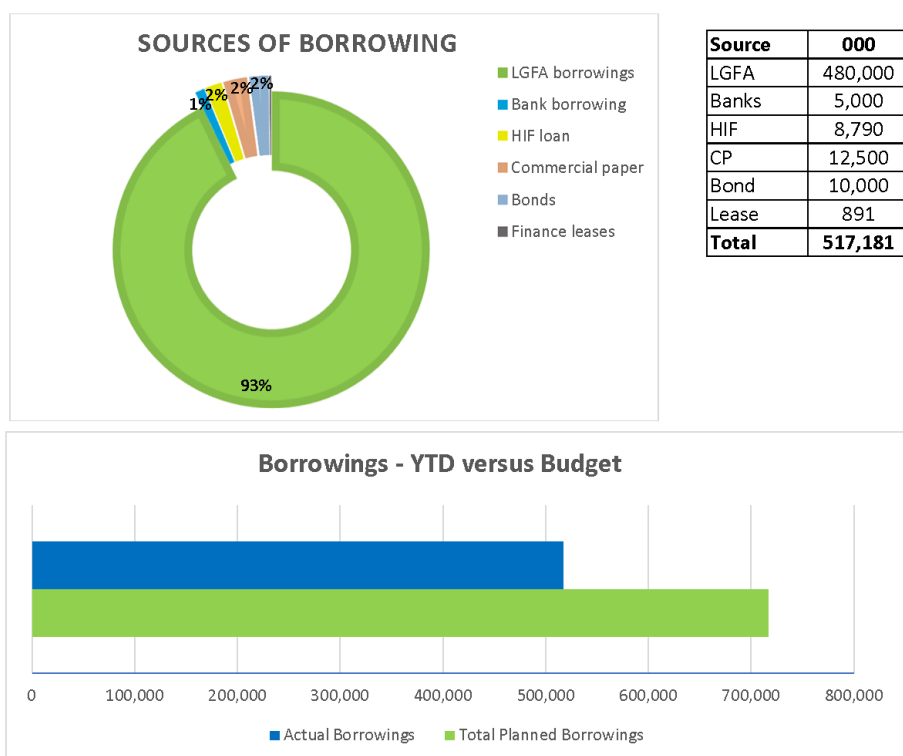
Treasury cash investments consist of:

Cash Investments	Actual \$000 Aug-20	Budget \$000 Jun-21	Variance \$000 Fav/ (Unfav)
Cash on call	37,855	not apportioned	not apportioned
Term deposit	35,000	not apportioned	not apportioned
Closing bank balances	229	not apportioned	not apportioned
LGFA borrower notes	7,680	not apportioned	not apportioned
Total cash investments	80,764	86,144	(5,380)

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.

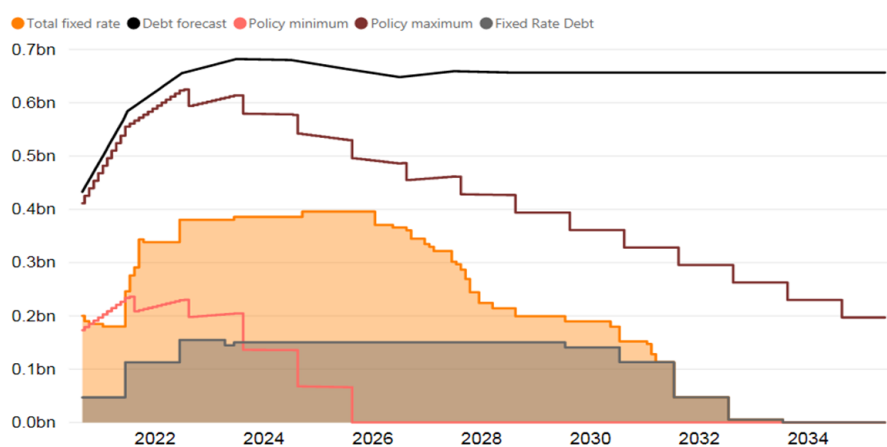


Borrowing debt remains unchanged at 31 August 2020. Two new HIF drawdowns occurred in September 2020. These have a combined value of \$8.6M and will reflect in our report to be presented to Finance Committee on 2 December 2020. We had a \$10M ANZ loan mature in August 2020. As indicated in the Source of Borrowing graph, the LGFA remains our most favoured and low cost source of funding. We currently only have one more bank loan reflecting on our books. \$5M repayable to Westpac in 2022.

Interest Rates

The Council ensures interest rate risk management to reduce uncertainty relating to interest rate fluctuations through fixing/ hedging 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.

Interest rate risk timeline



Our fixed rate debt is compared to the fixed rate policy over 15 years. This includes HIF as it is fixed at 0%. Our fixed debt is currently 41% and compliant with policy.

Council Report

Item 9

Committee: Finance Committee

Date: 06 October 2020

Author: Candice Swanepoel

Authoriser: David Bryant

Position: Business Performance Accountant

Position: General Manager Corporate

Report Name: Financial Strategy Monitoring Report

Report Status	Open
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Purpose - Take

1. To inform the Finance Committee of the status of the 2018-28 10-Year Plan Financial Strategy as at 31 August 2020.

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

2. That the Finance Committee receives the report.
3. That the Finance Committee recommends that the Council:
 - a) approves the capital movement as identified in the 6 October 2020 Capital Portfolio Monitoring Report;
 - b) approves the significant forecast adjustments as set out in paragraphs 17 to 21 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 26 of this report.

Executive Summary

4. This report is to be read in conjunction with the:
 - 31 August 2020 (6 October 2020 meeting) Annual Monitoring Report; and
 - 31 August 2020 (6 October 2020 meeting) Capital Portfolio Monitoring Report.
5. This report provides a forecast update of the key 10-Year Plan Financial Strategy metrics.
6. One key goal of the 10-Year Plan Financial Strategy is to maintain or better the balancing the books result, so the need to borrow to fund everyday expenses is eliminated.
7. Not borrowing to fund everyday expenses maintains Council's borrowing capacity to fund investment in community and infrastructure initiatives.
8. If there are negative variances from either the operating and/or capital budgets, Council may need to consider increasing revenue and/or reducing expenditure in other budgets.
9. Staff consider the matters in this report have low significance and that the recommendations comply with the Council's legal requirements.

Background - *Kooreo whaimaarama*

Financial Strategy

10. The Financial Strategy (pages 67-71, 2018-28 10-Year Plan) is designed to:
 - a) fund everyday expenses from everyday revenues;
 - b) maintain service levels and assets;
 - c) create surpluses to repay debt;
 - d) support investment in community, infrastructure and growth initiatives; and
 - e) fund investments from debt.
11. The key outcomes are:
 - a) balancing the books after four years (2023/24). This was updated in the 2020/21 Annual Plan;
 - b) maintaining a Debt to Revenue Ratio of less than 230%; and
 - c) setting rates increases for existing ratepayers at 9.7% (2018/19) and 3.8% per annum thereafter for existing ratepayers.
12. The approved 10-Year Plan budgeted Financial Strategy provided for \$3M unused debt capacity for the first three years. Changes to the actual and forecast operating and capital budgets affects this capacity. If there are negative variances from either the operating and/or capital budgets the Council will need to consider increasing revenue and/or reducing expenditure in other budgets.
13. Forecasting changes made since the adoption of the 10-Year Plan show an improvement in the Financial Strategy measures.

Significant Forecasting assumptions

14. Any changes in significant forecasting assumptions (pages 72-81, 2018-28 10-Year Plan) will result in changes to the Financial Strategy outcomes.
15. The following forecasting assumptions directly impact the Financial Strategy; an adverse change would have a material impact:
 - a) **Growth:** Revenue budgets for rates, development contributions, building and resource consents are linked to growth assumptions based on the National Institute of Demographic and Economic Analysis (NIDEA) Low projections;
 - b) **Interest on borrowing;** and
 - c) **Inflation:** was forecast by Business and Economic Research Ltd (BERL) under contract to SOLGM, with a modification for the Waikato. Waikato is experiencing higher inflation on capital projects than is being experienced across the rest of New Zealand.
16. These assumptions will be considered and if necessary adjusted in each Annual Plan.

Financial Strategy Significant Forecast Adjustments

17. This report forecasts the debt to revenue measure and balancing the books measure compared with the 10-Year Plan budget.
18. The forecast takes account of changes:
 - a) to capital budgets approved by the Capital Investment Board, under delegation;
 - b) to operating expenditure approved by staff under delegation;
 - c) by Council decision; and
 - d) recommendations by other Council Committees to the Council, that are not yet approved.

19. All significant changes made since the 10-Year Plan and up to the last Finance Committee Meeting on 11 August 2020 are listed in **Attachment 1**.

Significant forecasting adjustments

20. Significant forecasting adjustments since the 11 August 2020 Council meeting is Capital Adjustment

Capital adjustment

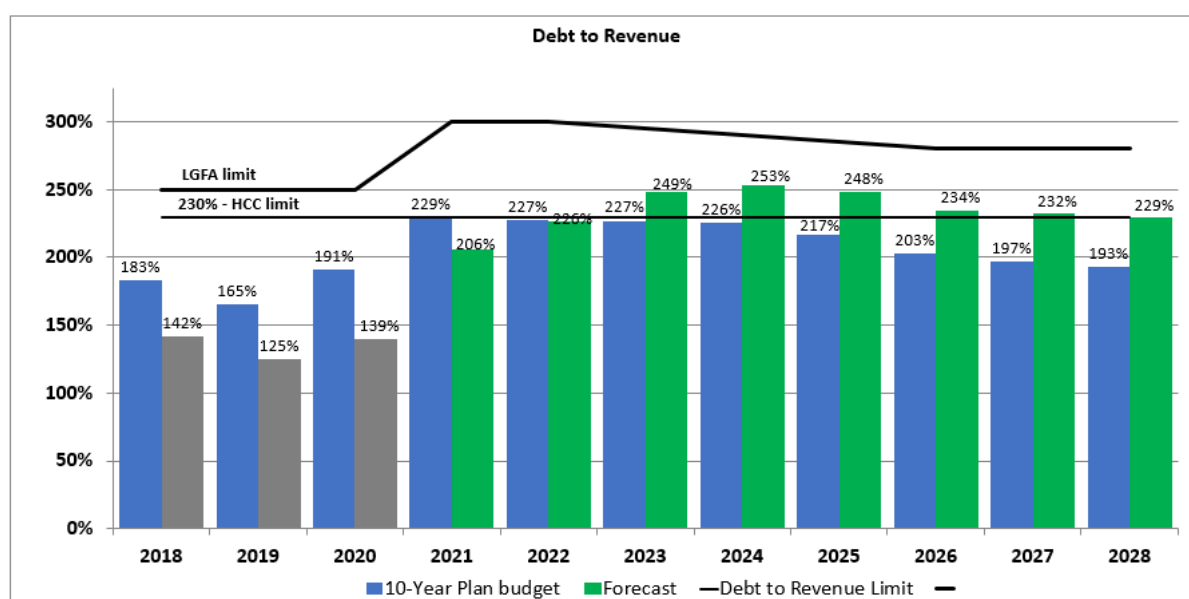
21. Numbers in brackets represent an adverse outcome.

Discussion										
Capital revenue, capital savings, re-phasing, and delay deferrals from 2020/21 to future years as detailed in the 6 October 2020 Capital Portfolio Monitoring Report.										
Financial Strategy Impact										
	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
Balancing the Books \$(000)	-	-	49	(71)	(75)	(78)	(81)	(84)	(88)	(93)
Net Debt \$(000)	-	-	(1,445)	(1,517)	(1,592)	(1,670)	(1,751)	(1,835)	(1,923)	(2,016)

Financial Strategy Graphs

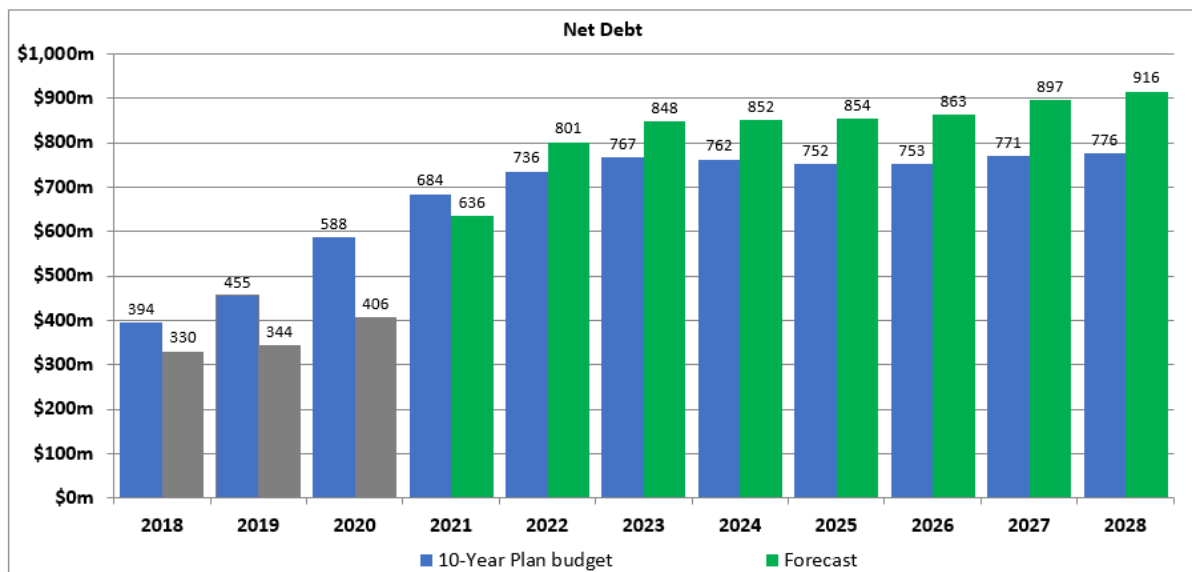
22. The following graphs show the 10-Year Plan budgets (in blue) and the total of all Council approved changes listed in Attachment 1 as well as the significant forecast adjustments as set out in paragraph 17 above (in green).
23. Forecast changes include matters contained in this agenda and subject to decision by the Finance Committee or Council.

Debt to Revenue



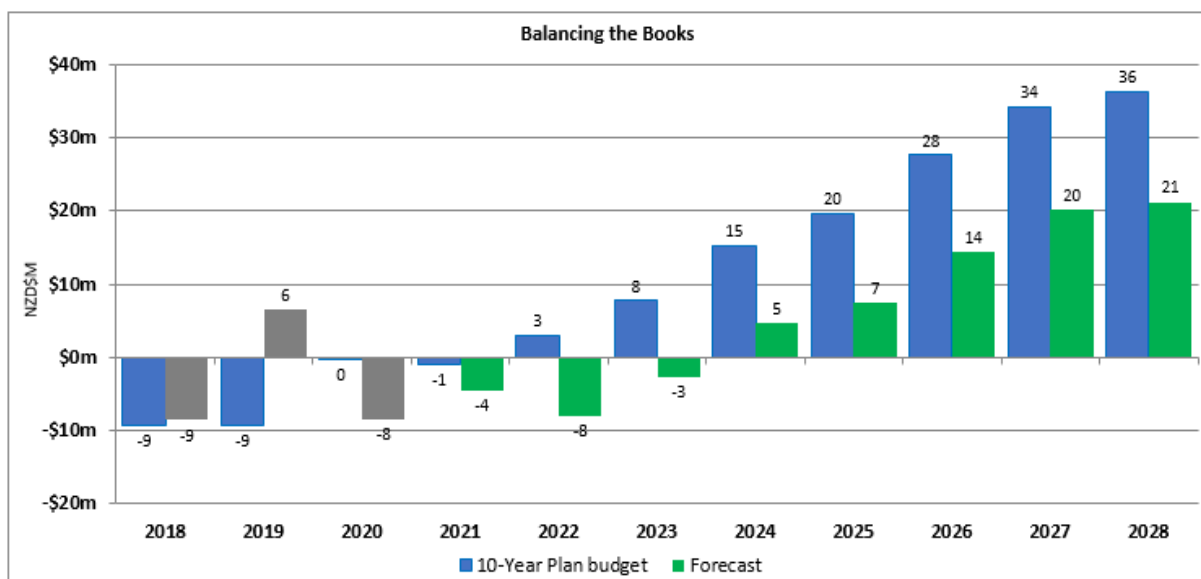
24. The Debt to Revenue graph includes all adjustments identified in this report and shows that the forecast debt to revenue is favourable against the 10-Year Plan budget.

Net Debt



25. The Net Debt graph shows a decrease in net debt against the 10-Year Plan. Net debt for 2020/21 is forecast at \$636M.

Balancing the Books



26. The 2019/20 budget did not balance the books as budgeted. The current 2020/21 forecast result is unfavourable at (\$4.4M). Forecast shows to balance the books in 2023/24.

Risks to the Financial Strategy

27. Emerging issues reported in the April 2020 (16 June 2020 meeting) Annual and Capital Portfolio Monitoring Reports indicated the impact that covid-19 could have on balancing the books result and consequently debt across the 10-Year Plan. A reduction in expected rates revenue, due to an annual rate increase of 2.8% in 2020/21, has had an unfavourable impact on balancing the books.

28. The debt to revenue margin on debt capacity in three years' time (2022/23) has lost the resilience built up before the national lockdown period. It should be considered in the context of the extent of change that has occurred already since the plan was adopted, the impact on expected revenue and the amount of spending budgeted to occur before the end of 2022/23.

Emerging Issues

29. The Annual 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 10-Year Plan.
30. There are no new emerging issues additional to and not included in the above reports.

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

31. Staff confirm that the staff recommendations in this report comply with the Council's legal and policy requirements.

Wellbeing Considerations - *Whaiwhakaaro-aa-oranga tonutanga*

32. 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').
33. The subject matter of this report has been evaluated in terms of the 4 well-beings during the process of developing this report.
34. The recommendations set out in this report are consistent with that purpose.
35. This report addresses matter of financial sustainability. No other considerations have been identified relevant to the matters in this report.

Risks - *Tuuraru*

36. This report is based on decisions that have been made in the context of assumptions that may change.

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

Significance

37. Staff have considered the key considerations under the Significance and Engagement Policy and have assessed that the matter(s) in this report has/have a low level of significance.

Engagement

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

Attachments - *Ngaa taapirihanga*

Attachment 1 - Register of Significant Forecast Changes August 2020

Register of Significant Forecast Changes

The following significant forecasting changes have previously been approved.

\$'000's

BB= Balancing the books impact

ND = Net Debt impact

Numbers in brackets have an adverse impact.

Date	Change		2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
16-Oct-18	Additional Rates revenue from Growth	BB	599	663	733	808	890	978	1,067	1,168	1,276	1,393
		ND	599	1,262	1,995	2,803	3,693	4,670	5,737	6,905	8,181	9,575
	Deferred Capital 2017/18 to 2018/19	BB	257	-	-	-	-	-	-	-	-	-
		ND	-	-	-	-	-	-	-	-	-	-
Date	Change		2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
4-Dec-18	Library revenue adjustment 2018/19	BB	(163)	(8)	(8)	(9)	(9)	(10)	(10)	(10)	(11)	(12)
		ND	(163)	(171)	(179)	(188)	(197)	(207)	(217)	(228)	(239)	(250)
	Footpath new revenue 2018 - 2028	BB	542	655	829	1,040	1,238	1,452	1,599	1,813	2,042	2,252
		ND	2,858	5,955	9,362	12,927	16,786	20,961	24,906	29,159	33,744	38,646
	Thomas - Gordonton Road Project additional revenue - enhanced subsidy	BB	40	41	43	45	47	49	50	53	55	58
		ND	822	863	906	950	997	1,046	1,097	1,150	1,205	1,263
	Capital rephasing and delay deferrals from 2018/19 to future years	BB	1,147	11	12	12	13	13	14	14	15	16
		ND	23,647	235	247	259	272	285	299	314	329	345
	Increase capacity WW West Network (Western Interceptor Duplication)	BB	41	357	375	465	485	505	516	538	560	584
		ND	841	7,598	7,973	8,366	8,778	9,211	9,655	10,121	10,609	11,121
	Te Awa Cydeway Remediation (new project)	BB	(19)	(43)	(80)	(88)	(85)	(87)	(89)	(91)	(94)	(97)
		ND	(399)	(920)	(965)	(1,013)	(1,063)	(1,116)	(1,169)	(1,226)	(1,285)	(1,347)
Date	Change		2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
21-Feb-19	Housekeeping adjustments	BB	-	-	-	-	-	-	-	-	-	-
		ND	-	-	-	-	-	-	-	-	-	-
	Capital rephasing and delay deferrals from 2018/19 to future years	BB	168	2	2	2	2	2	2	2	2	2
		ND	3,468	35	36	38	40	42	44	46	48	51
	Capital savings	BB	160	163	171	179	188	198	203	212	223	233
		ND	3,303	3,466	3,637	3,816	4,005	4,202	4,405	4,617	4,840	5,073
	Adjustment to WW West Network (Western Interceptor Duplication)	BB	10	(305)	(320)	(397)	(414)	(431)	(441)	(459)	(478)	(498)
		ND	210	(6,495)	(6,815)	(7,152)	(7,504)	(7,874)	(8,254)	(8,652)	(9,069)	(9,506)
Date	Change		2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
26-Feb-19	Capital and NZTA capital subsidy deferred from 2018/19 to 2019/20	BB	-	-	-	-	-	-	-	-	-	-
		ND	(36)	-	-	-	-	-	-	-	-	-
	Reduction in libraries revenue due to Waikato DC contract ceased	BB	-	(322)	(16)	(17)	(17)	(18)	(19)	(20)	(21)	(22)
		ND	-	(322)	(338)	(354)	(372)	(390)	(409)	(429)	(449)	(471)
	Cleaning contract increase to be advised at Finance Committee on 21 February 2019	BB	-	(578)	(29)	(30)	(31)	(33)	(34)	(35)	(37)	(39)
		ND	-	(578)	(607)	(636)	(668)	(701)	(735)	(770)	(807)	(846)
	Insurance premiums 30% increase from November 2018 plus another 20% unbudgeted increase	BB	-	(912)	(45)	(47)	(49)	(52)	(53)	(56)	(59)	(61)
		ND	-	(912)	(956)	(1,004)	(1,053)	(1,105)	(1,158)	(1,214)	(1,273)	(1,334)
	Increased Corporate personnel budget (Maangai Maori)	BB	-	(77)	(4)	(4)	(4)	(4)	(4)	(5)	(5)	(5)
		ND	-	(77)	(80)	(84)	(88)	(93)	(97)	(102)	(107)	(112)
	Demolition of Founders Theatre costs transferred from 2018/19 to 2019/20	BB	850	(826)	-	-	-	-	-	-	-	-
		ND	850	25	26	27	28	30	31	33	34	36
	Operating costs to maintain Founders Theatre until demolition	BB	-	(48)	-	-	-	-	-	-	-	-
		ND	-	(48)	(51)	(53)	(56)	(59)	(61)	(64)	(67)	(71)
	Reduced WRC revenue at Transport Centre (G&I Committee resolution 6 December 2018)	BB	-	(59)	-	-	-	-	-	-	-	-
		ND	-	(59)	(62)	(65)	(68)	(72)	(75)	(79)	(82)	(86)
	Chief Executive budget items - net zero impact, resolving within existing budgets	BB	-	-	-	-	-	-	-	-	-	-
		ND	-	-	-	-	-	-	-	-	-	-
	GM budget items - net 'zero' impact, resolving within existing budgets	BB	-	(24)	-	-	-	-	-	-	-	-
		ND	-	(252)	(264)	(277)	(291)	(305)	(320)	(335)	(351)	(368)
Date	Change		2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
9-Apr-19	Electricity savings 2020/21 and 2021/22	BB	-	-	344	662	50	52	53	56	59	62
		ND	-	-	344	1,006	1,056	1,108	1,161	1,217	1,276	1,338
	Elected Members Remuneration Increase	BB	-	(161)	(172)	(184)	(197)	(211)	(225)	(240)	(256)	(273)
		ND	-	(161)	(333)	(518)	(715)	(926)	(1,151)	(1,391)	(1,647)	(1,920)
	Insurance 20% increase from Y3-10	BB	-	-	(566)	(721)	(915)	(1,154)	(1,445)	(1,810)	(2,260)	(2,818)
		ND	-	-	(566)	(1,287)	(2,202)	(3,356)	(4,801)	(6,610)	(8,870)	(11,688)
	Capital Deferrals and NZTA capital subsidy deferred	BB	927	1,955	(57)	(59)	26	27	28	29	31	32
		ND	19,117	41,586	(1,205)	(1,264)	551	578	606	635	665	698
	Capital savings	BB	33	34	36	37	39	41	42	44	47	49
		ND	690	724	760	797	837	878	920	965	1,011	1,060
	Depreciation Y1 Update	BB	(2,206)	-	-	-	-	-	-	-	-	-
		ND	-	-	-	-	-	-	-	-	-	-
	Founders Theatre Demolition	BB	-	868	(844)	-	-	-	-	-	-	-
		ND	-	868	24	25	26	27	29	30	32	33
	Municipal Pools Demolition deferral from 2018/19 to 2019/20	BB	788	(765)	-	-	-	-	-	-	-	-
		ND	788	23	24	25	26	28	29	30	32	33
	Chief Executive budget items	BB	4,689	231	243	255	267	280	288	302	316	331
		ND	4,689	4,921	5,163	5,418	5,685	5,966	6,253	6,555	6,871	7,202

Date	Change		2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
23-May-19	Chief Executive budget items - Annual Plan net zero impact, resolving within existing budgets	BB	-	-	-	-	-	-	-	-	-	-
		ND	-	-	-	-	-	-	-	-	-	-
	GM budget items - Annual Plan net 'zero' impact, resolving within existing budgets	BB	19	(397)	-	-	-	-	-	-	-	-
		ND	395	-	-	-	-	-	-	-	-	-
	Chief Executive budget items - forecast changes from Annual Monitoring report 23/5/19	BB	858	60	62	66	69	72	74	78	81	85
		ND	1,208	1,267	1,330	1,395	1,464	1,536	1,610	1,688	1,769	1,855
	Capital Deferrals	BB	937	(148)	8	8	9	9	10	10	10	11
		ND	19,314	(3,153)	171	179	188	197	207	217	227	238
	Capital NZTA capital subsidy deferred	BB	1,265	1,063	279	292	307	322	330	346	363	380
		ND	26,079	22,618	5,928	6,220	6,527	6,849	7,179	7,526	7,888	8,269
	Capital savings	BB	(668)	(615)	186	195	204	214	220	231	242	253
		ND	(13,783)	(13,092)	3,947	4,142	4,346	4,561	4,781	5,011	5,253	5,506
	Capital Consequential Opex adjustment	BB	1,027	51	53	56	59	61	63	66	69	73
		ND	1,027	1,077	1,131	1,186	1,245	1,306	1,369	1,435	1,504	1,577
	Cemeteries Software System (new capex project, switched from existing opex 10YP budget)	BB	250	-	-	-	-	-	-	-	-	-
		ND	-	-	-	-	-	-	-	-	-	-
	Depreciation Y2-10	BB	-	(4,260)	(6,051)	(8,744)	(3,692)	(621)	363	807	(518)	(2,393)
		ND	-	-	-	-	-	-	-	-	-	-
	Alternate Infrastructure Financing Project (SPV) Support Costs	BB	-	(820)	(40)	(42)	(45)	(47)	(48)	(50)	(53)	(55)
		ND	-	(820)	(861)	(903)	(948)	(995)	(1,043)	(1,093)	(1,146)	(1,201)
	Corporate Resources: LG OIMA and Risk Security	BB	-	(273)	(13)	(14)	(15)	(16)	(16)	(17)	(18)	(18)
		ND	-	(273)	(287)	(301)	(316)	(332)	(348)	(364)	(382)	(400)
	Corporate Governance elections cost increase	BB	-	(107)	(5)	(6)	(6)	(6)	(6)	(7)	(7)	(7)
		ND	-	(107)	(113)	(118)	(124)	(130)	(136)	(143)	(150)	(157)
	Seismic strengthening work	BB	-	(51)	(54)	(57)	(59)	(62)	(64)	(67)	(70)	(74)
		ND	-	(1,092)	(1,146)	(1,203)	(1,262)	(1,324)	(1,388)	(1,455)	(1,525)	(1,599)
	Alternative platform for river swimmers near Hamilton Gardens Jetty	BB	-	(8)	(8)	(8)	(9)	(9)	(10)	(10)	(11)	(11)
		ND	-	(164)	(172)	(180)	(189)	(199)	(208)	(218)	(229)	(240)
	Citysafe extension to suburbs	BB	-	(252)	(12)	(13)	(14)	(14)	(15)	(15)	(16)	(17)
		ND	-	(252)	(264)	(277)	(291)	(305)	(320)	(335)	(351)	(368)
	Greenwood Street/Kahikatea Road roundabout option	BB	-	(161)	(8)	(8)	(9)	(9)	(9)	(10)	(10)	(11)
		ND	-	(161)	(169)	(177)	(186)	(195)	(204)	(214)	(225)	(235)
	Social Housing funding provision change	BB	-	(643)	(689)	382	411	442	(5)	(5)	(5)	(5)
		ND	-	(643)	(1,333)	(950)	(539)	(97)	(101)	(106)	(111)	(117)
	DC Revenue projection - Both Additional CAPEX & CBD Remission for 2020 Annual Plan	BB	-	1,165	1,637	1,655	1,762	1,809	2,086	2,292	2,274	2,943
		ND	-	3,062	7,118	10,896	14,652	18,229	22,286	26,565	30,459	35,809
	Central City Plan proposal	BB	-	(214)	(11)	(11)	(12)	(12)	(13)	(13)	(14)	(14)
		ND	-	(214)	(225)	(236)	(248)	(260)	(273)	(286)	(299)	(314)
	Cat desexing	BB	-	(107)	(115)	(123)	(132)	(141)	(150)	(160)	(171)	(182)
		ND	-	(107)	(222)	(345)	(477)	(617)	(767)	(927)	(1,098)	(1,280)
	Community Grant funds increase	BB	-	(107)	(115)	(123)	(132)	(141)	(150)	(160)	(171)	(182)
		ND	-	(107)	(222)	(345)	(477)	(617)	(767)	(927)	(1,098)	(1,280)
Date	Change		2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
1-Aug-19	Central City Jetty additional funding	BB	-	(26)	(27)	(28)	(30)	(31)	(32)	(33)	(35)	(37)
		ND	-	(546)	(573)	(601)	(631)	(662)	(694)	(728)	(763)	(799)
	Capital Deferrals and NZTA capital subsidy deferred	BB	-	(26)	(27)	(28)	(30)	(31)	(32)	(33)	(35)	(37)
		ND	-	(546)	(573)	(601)	(631)	(662)	(694)	(728)	(763)	(799)
Date	Change		2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
1-Sep-19	Capital Deferrals and NZTA capital subsidy deferred	BB	-	(123)	(420)	(578)	(766)	(804)	(825)	(864)	(906)	(950)
		ND	-	(2,612)	(8,927)	(12,302)	(16,299)	(17,103)	(17,928)	(18,792)	(19,699)	(20,648)
	Adjustment in Libraries revenue - reinstatement of rental agreement for Waikato DC ratepayers to use HCC Libraries	BB	-	214	(99)	(106)	(114)	(122)	(131)	(140)	(150)	(161)
		ND	-	214	115	9	(105)	(227)	(358)	(498)	(648)	(809)
	Forecast changes from Annual Monitoring report	BB	-	134	7	7	7	8	8	8	9	9
		ND	-	134	141	148	155	163	171	179	187	197
Date	Change		2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
11-Feb-20	Capital Deferrals and NZTA capital subsidy deferred	BB	-	4,894	1,781	565	(123)	(129)	(133)	(139)	(146)	(153)
		ND	-	104,122	37,894	12,027	(2,625)	(2,754)	(2,887)	(3,026)	(3,172)	(3,325)
* (Annual Plan budget proposals approved 21st May at Council Meeting)												
Date	Change		2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
28-Apr-20	Capital Deferrals and NZTA capital subsidy deferred	BB	-	1,212	1,019	(88)	171	(45)	(261)	(462)	(684)	(928)
		ND	-	25,796	21,687	(1,759)	3,633	(957)	(5,663)	(10,037)	(14,861)	(20,179)
	Forecast changes from Annual Monitoring report	BB	-	(4,121)	(566)	(594)	(623)	(654)	(671)	(703)	(737)	(773)
		ND	-	(11,477)	(12,043)	(12,637)	(13,260)	(13,914)	(14,585)	(15,288)	(16,025)	(16,798)
	Rates adjustment	BB	-	(633)	(702)	(776)	(856)	(942)	(1,030)	(1,129)	(1,236)	(1,351)
		ND	-	(633)	(1,335)	(2,111)	(2,966)	(3,908)	(4,938)	(6,068)	(7,304)	(8,655)
Date	Change		2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
16-Jun-20	Capital Deferrals and NZTA capital subsidy deferred	BB	-	(13)	2,135	980	707	753	807	848	800	864
		ND	-	(280)	45,421	20,854	15,032	16,015	17,551	18,426	17,389	18,789
	Forecast changes from Annual Monitoring report	BB	-	6,374	307	323	339	355	364	382	400	420
		ND	-	6,235	6,542	6,865	7,204	7,559	7,923	8,305	8,706	9,126
Date	Change		2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
11-Aug-20	Capital Deferrals and NZTA capital subsidy deferred	BB	-	153	(12)	(175)	(184)	(193)	(198)	(208)	(218)	(228)
		ND	-	3,262	(263)	(3,733)	(3,917)	(4,111)	(4,309)	(4,517)	(4,734)	(4,963)
	Forecast changes from Annual Monitoring report	BB	-	852	89	94	98	103	106	111	116	122
		ND	-	1,813	1,902	1,996	2,095	2,198	2,304	2,415	2,531	2,653

Council Report

Committee: Finance Committee

Date: 06 October 2020

Author: Candice Swanepoel

Authoriser: Tracey Musty

Position: Business Performance Accountant

Position: Financial Controller

Report Name: New Zealand Local Government Funding Agency - 2020 Annual Report

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

1. To inform the Finance Committee on the New Zealand Local Government Funding Agency (LGFA) 2020 Annual Report.
2. The LGFA's cover letter and 2020 Annual Report is attached to this report.

Staff Recommendation - *Tuutohu-aa-kaimahi*

3. 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*

4. The LGFA governance structure comprises the New Zealand Government (20%) and thirty Councils (80%), the LGFA Shareholders Council and the LGFA Board of Directors.
5. The LGFA has an estimated market share of 86% of total council borrowing for the rolling twelve-month period to 30 June 2020 (compared to a historical average of 74% since 2012).
6. Over the last year three new councils joined the LGFA, increasing the number of councils to sixty-seven.
7. At an SGM held on 30 June 2020, LGFA shareholders approved changes to the Foundation Policy. This allows the Net Debt / Total Revenue financial covenant limit applying to councils with a credit rating of "A" equivalent or higher to be increased from the current 250% limit to 300% for the 2020/21 and 2021/22 financial years. The limit will then reduce by 5% increments to a level of 280% in the 2025/26 financial year.
8. The Hamilton City Council remains compliant with all LGFA Financial Covenants.
9. On 6 July 2020 changes to the Multi Issuer Deed, Guarantee and Indemnity Deed and Notes Subscription Agreement were approved. This allowed the LGFA to lend to CCOs and CCTO's and permitted an increase in the Borrower Notes Percentage from 1.6% to 2.5% of a member council's borrowings.

10. The Annual Report as at 30 June 2020 reflects a Net Operating Surplus of \$10.6M. While this was lower than the previous year's result, they did exceed the Statement of Intent (SOI) forecasts due to the larger than expected growth in council loans.
11. The financial strength of the LGFA was affirmed by credit rating agencies S&P Global Ratings and Fitch Ratings who both maintained their credit rating at 'AA+'.
12. The impact from COVID-19 on the sector and LGFA has been highlighted in detail in the message from the Chair, Craig Stobo, and Chief Executive, Mark Butcher, on page 4 of the 2020 Annual Report. At a strategy day on 18 March 2020, the Board approved and successfully achieved the following actions to strengthen both the Company's capital and investor confidence:
 - to increase the percentage of borrower notes that a council subscribes for when undertaking long term borrowing from LGFA from 1.6% to 2.5% of their borrowing
 - to increase the on-lending margin to councils from 10 bps to 20bps
 - to accelerate discussions with the Crown to extend and increase LGFA's \$1 billion liquidity facility beyond its December 2021 expiry; and
 - to commence discussions with the RBNZ to add LGFA bonds to its Large-Scale Asset Purchase (LSAP) programme.

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

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

Wellbeing Considerations - *Whaiwhakaaro-aa-oranga tonutanga*

14. 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').
15. The subject matter of this report has been evaluated in terms of the 4 well-beings during the process of developing this report.
16. The recommendations set out in this report are consistent with that purpose.

Risks - *Tuuraru*

17. There are no known risks associated with the decisions required for this matter.

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

Significance

18. 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

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

Attachments - *Ngaa taapirihanga*

Attachment 1 - LGFA - Cover Letter to Shareholders

Attachment 2 - LGFA - 2020 Annual Report

28 August 2020

Dear Shareholder

LGFA 2020 Annual Report

I have attached our Annual Report for 2020 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 2020, LGFA had loans outstanding of \$10.90 billion. This is an increase over the past year of \$1.59 billion and we added three new council members to bring the number of member councils to sixty-seven.

2. Provide certainty of access to markets through a difficult financing environment

It was pleasing that LGFA was able to deliver on its objective of ensuring councils could access financing during the very difficult COVID-19 period where capital markets were essentially locked down.

3. Significant market share of sector borrowing for the year.

For the 12-month period to 30 June 2020, LGFA provided 85.7% of the sector borrowing and we are appreciative of the support from our borrowing councils.

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 Net Operating Profit of \$10.6 million for the 2019/20 year and Shareholder Equity of \$83.62 million as at 30 June 2020. The value of our total assets is \$13.174 billion. A \$878,500 dividend has been declared by the LGFA Board for the year ended 30 June 2020 and we will be sending out the dividend notice to you shortly. The dividend rate is \$0.03514 per paid up share and will be paid to you on Friday 6 September.

A copy of the Annual Report is attached, and it is also be 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 Thursday 19th November 2020 in Wellington and will send out a Notice of AGM by Friday 18th September 2020.

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

Kind regards



Mark Butcher
Chief Executive

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 | PH +64 4 974 6530 | www.lgfa.co.nz

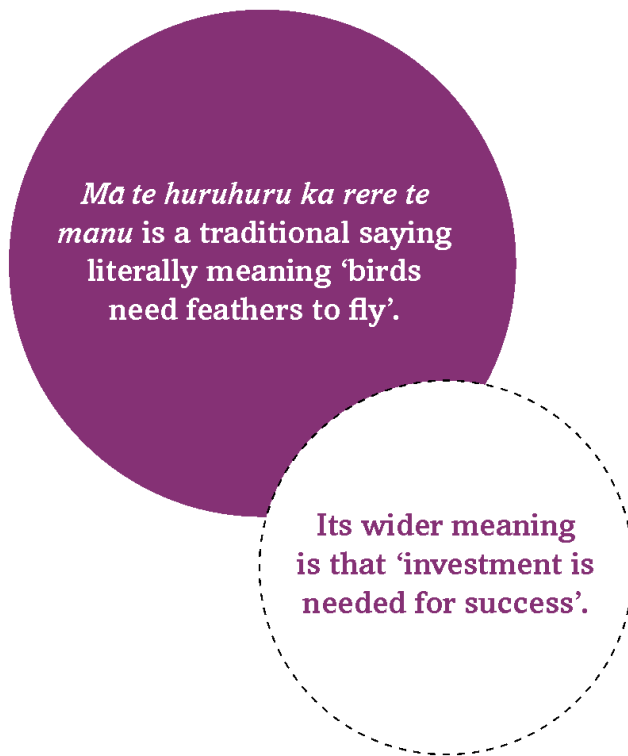
Financing New Zealand councils' infrastructure investment

**Te tuku pūtea
ki te haumitanga
hanganga kaunihera
o Aotearoa**

Annual report
30 June 2020



NEW ZEALAND LOCAL
GOVERNMENT FUNDING AGENCY
TE PŪTEA KĀWANATANGA Ā-ROHE



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Message from the Chair and Chief Executive

He karere mai i te Toihau me te Tumuaki

For the year ended 30 June 2020

“LGFA’s robust business model was built by stakeholders who had experienced the severe funding challenges of the Global Financial Crisis. That prescience was rewarded by the performance of LGFA during the funding challenges resulting from COVID-19”



Craig Stobo, Board Chair

We are pleased to record another period of strong financial and non-financial performance to 30 June 2020 and to highlight the following developments over the past year.

Strong Financial and Operational Performance

LGFA total interest income for the financial year of \$370.2 million was a 2.5% increase over the 2018-19 financial year result of \$361.1 million while net operating profit of \$10.6 million for the financial year was a 5.2% decrease on the 2018-19 financial year result of \$11.2 million.



Mark Butcher, Chief Executive

While net interest income and net operating profit were lower than the previous year's result, they did exceed the Statement of Intent (SOI) forecasts due to the larger than expected growth in council loans. Lower profitability compared to the prior year was due to the lower level of interest rates reducing income on the Liquid Assets Portfolio and the refinancing by councils of their previous higher margin loans as they matured with lower margin loans.

Expenses have been managed under the SOI budget over the financial year. Lower fees from a reduced utilisation of the standby facility and lower Approved Issuer Levy (AIL) payments due to lower offshore investor holdings relative to forecast were positive. These savings were partially offset by higher legal and NZX costs associated with the record amount of LGFA bond issuance.

The financial strength of LGFA was affirmed by credit rating agencies S&P Global Ratings and Fitch Ratings who both maintained our credit rating at 'AA+' which, very importantly, is the same as the New Zealand Government. In January 2020, Fitch Ratings placed our long-term foreign currency rating on positive outlook while S&P Global Ratings retained the positive outlook on both our local and foreign currency ratings.

Borrowing activity

LGFA issued a record \$3.31 billion of bonds over the financial year (including a net increase of \$400 million of treasury stock) and outstandings now total \$11.66 billion (including \$800 million of treasury stock) across nine maturities from 2021 to 2033. The amount issued during the year was significantly more than the average historical issuance amount of \$1.60 billion per financial 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 also pleasing with LGFA bond spreads to NZGB tighter on all LGFA bond maturities. While LGFA bond spreads to swap were narrower in the 2020 to 2025 maturities, spreads were wider on the longer-dated LGFA bonds. Outright yields declined between 109 bps (1.09%) on the 2033 maturity and 120 bps (1.20%) on the 2024 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 three new members with Taranaki Regional, Kaikoura District and Carterton District Councils joining. Total membership is now 67 councils, and this is expected to rise in the coming year.

Long-dated lending to councils over the 2019-20 year was \$2.33 billion as councils refinanced their April 2020 loans and increased their borrowing to fund infrastructure projects. This was slightly less than the record amount of \$2.45 billion in the prior year but our estimated market share of 85.7% remained high. The average tenor of long-dated borrowing by councils of 5.4 years over the 12-month period was shorter than the prior year's 6.0 years.

Short-dated lending for terms less than 12 months continues to be supported by councils and as at 30 June 2020, LGFA had \$316 million of short-term loans outstanding to twenty-seven councils.

The changing world and sector outlook

The success of LGFA over the past eight years has been in part due to its ability to evolve and adapt to meet the needs of the local government sector. This has been apparent with the introduction of new products and the introduction of long-dated bond maturities allowing councils to undertake long-dated borrowing.

The sector is now considering its part in the COVID-19 economic recovery as well as responding to the Central Government proposal for the restructure of the three waters (drinking, waste and storm waters). These may have a medium-term impact on the sector but LGFA remains comfortable in its ability to assist the sector in meeting any changes as a result of these initiatives.

The impact from COVID-19 on the sector and LGFA

The local government sector has felt the impact from COVID-19. The move to level 4 lockdown in March resulted in the closure of community facilities and a corresponding loss of revenue from fees and charges. In addition, some councils experienced reduced income from their investments. A further impact will be felt in the 2020/21 financial year as some councils reduce planned rate increases in recognition of a growing level of hardship in their communities. Councils have responded by reducing non-essential operational expenditure while still maintaining core council services. Most councils have looked to retain their planned capital

expenditure budgets over the 2020/21 financial year on the basis that this expenditure will play a part in their local economic recovery.

Additional support for the local authority sector has been provided by the Government through grant funding for both shovel-ready projects and the first stage of the three-waters reform. On-going grant funding from the Provincial Growth Fund will also assist a number of councils. This additional grant revenue from the government will be significant in helping councils in the delivery of their long term capital expenditure programmes as well as providing economic stimulus to local economies over the coming year.

The consequences of Covid-19 presented LGFA with challenges and opportunities. The overriding challenge was the announcements by the New Zealand Government on 17 March and 1 April that the bond programme for the 2019-20 financial year would rise from \$10 billion to \$13 billion and then to \$29 billion respectively. This enormous shift had the effect of potentially 'crowding out' borrowers in NZ dollar debt markets including LGFA. Crucial price making by our banking intermediaries became erratic and market liquidity evaporated.

This meant our investors could not manage their portfolios; and LGFA faced the real prospect of being unable to issue bonds around the time of its April 2020 bond maturity. At the same time our council clients' demand for funding increased substantially as they faced revenue shortfall uncertainties. These pincer pressures meant LGFA faced the prospect of drawing down its Liquid Assets Portfolio to provide funding to Councils.

At a strategy day on 18 March, the Board approved the following actions to strengthen both the Company's capital and investor confidence:

- to increase the percentage of borrower notes that a council subscribes for when undertaking long term borrowing from LGFA from 1.6% to 2.5% of their borrowing
- to increase the on-lending margin to councils from 10 bps to 20bps
- to accelerate discussions with the Crown to extend and increase LGFA's \$1 billion liquidity facility beyond its December 2021 expiry; and
- to commence discussions with the RBNZ to add LGFA bonds to its Large-Scale Asset Purchase (LSAP) programme.

LGFA successfully achieved all these objectives. Market liquidity returned, we syndicated a record \$1.10 billion of a 2026 bond in mid-April following on from numerous investor conference calls to explain the COVID-19 impact on the sector and the response by LGFA. Councils received their required

funding during this period and our Liquid Assets Portfolio increased to over \$1 billion in size.

In addition, and throughout the year, LGFA sought to enhance secondary market liquidity through doubling the amount of treasury stock held by LGFA (available for stock lending) and increasing the soft cap on each on individual LGFA bond maturity to \$1.75 billion.

We have also received stakeholder approval to undertake two significant changes in the past year. We have increased the Net Debt / Total Revenue covenant for councils with a long-term credit rating of 'A' equivalent or higher. This will assist councils with greater financial flexibility through the COVID-19 economic recovery phase as well as reflecting the strong financial position of the sector. We have also progressed work on LGFA being able to lend directly to a Council-Controlled Organisation (CCO) and we expect to undertake our first loan to a CCO by the end of the 2020 calendar year.

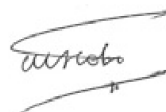
Global Reporting Initiative

Finally, this year's annual report is our first report prepared to meet the requirements of the Global Reporting Initiative (GRI) Standards (core option). The GRI Standards are the world's most widely used sustainability reporting standard.

Reporting on our material issues under the GRI framework expands environmental, social and governance (ESG) performance reporting with the aim of meeting the wider sustainability reporting expectations of stakeholders and will provide an opportunity for us to evolve our business strategy over time to create greater value for our stakeholders and society.

Acknowledgments

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



Craig Stobo
Chair, LGFA Board



Chief Executive



Performance highlights

Ko ngā tino hua

Bonds issued over the financial year
(excluding treasury stock)

\$2,905
million

Lending to councils over the financial year

\$2,328
million

Total interest income

\$370.2
million

▲ **2.5%**

increase over the 2018-19 financial year

Net operating profit

\$10.6
million

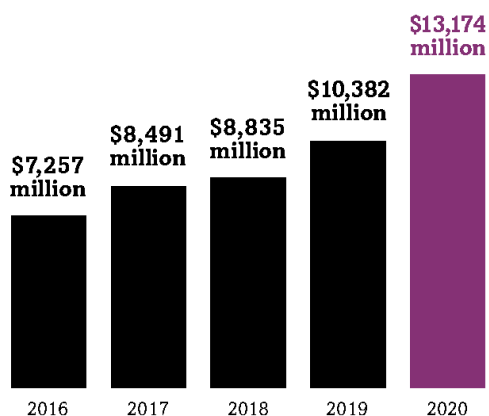
▼ **5.2%**

decrease over the 2018-19 financial year

Total assets

30 June 2020

\$13,174
million



Liquidity

30 June 2020

\$166
million Cash

\$589
million Marketable securities

\$500
million Bank and term deposits

\$800
million Treasury Stock for repo

\$700
million Government committed
liquidity facility
\$1 billion total limit
available

Shareholder funds

30 June 2020

\$83.6
million

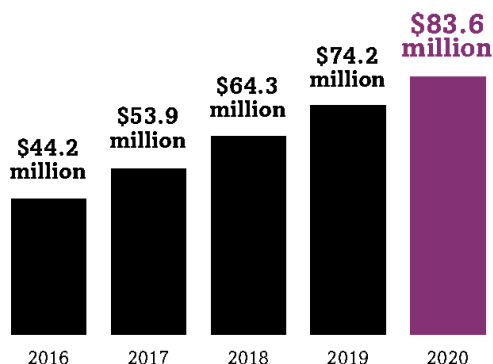
Fully paid
shares

\$25
million

Retained
earnings

\$58.6
million

Shareholder equity



Borrower
notes

\$182
million

Borrower notes are subordinated
convertible debt instruments subscribed
for by borrowing councils.

Performance against objectives Ko ngā whakatutukinga 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 2019-20 (SOI)

2019-20 performance objectives.

The SOI set out two primary performance objectives and eight additional objectives for LGFA for the year ended 30 June 2020:

Primary Objectives

LGFA will operate with the primary objective of optimising the debt funding terms and conditions for Participating Local Authorities. Among other things this includes:

- Providing savings in annual interest costs for all Participating Local Authorities on a relative basis to other sources of financing;
- Offering short and long-term borrowings with flexible lending terms;
- Enhancing the certainty of access to debt markets for Participating Local Authorities, subject always to operating in accordance with sound business practice; and
- Being the debt funder of choice for New Zealand local government.

LGFA will monitor the quality of the asset book so that it remains of a high standard by ensuring it understands each Participating Local Authority's financial position and the general issues confronting the Local Government sector. This includes:

- LGFA will review each Participating Local Authority's financial position, its financial headroom under LGFA policies and endeavour to visit each Participating Local Authority on an annual basis;
- Implement the changes to the Foundation Policies that were approved at the November 2018 AGM to allow for lending to CCOs. Changes to operational policies and practices need to ensure that no additional risk is borne by lenders, guarantors or the Crown; and
- LGFA will analyse finances at the Council group level where appropriate and report to shareholders as to which Participating Local Authorities are measured on a group basis.

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

Additional objectives

LGFA has several additional objectives which complement the primary objectives. These objectives will be measurable and achievable and the performance of the company in achieving its objectives will be reported annually. These additional objectives are to:

- Operate with a view to making a profit sufficient to pay a dividend in accordance with its stated Dividend Policy;
- Provide at least 75% of aggregate long-term debt funding to the Local Government sector;
- Achieve the financial forecasts (excluding the impact of AIL) set out in section 4 of the SOI;
- Ensure its products and services are delivered at a cost that does not exceed the forecast for issuance and operating expenses set out in section 4 of the SOI;
- Take appropriate steps to ensure compliance with the Health and Safety at Work Act 2015;
- Maintain LGFA's credit rating equal to the New Zealand Government sovereign rating where both entities are rated by the same Rating Agency;
- Introduce CCO lending by December 2019 and report quarterly, the volume of lending to CCOs; and
- Comply with its Treasury Policy, as approved by the Board.

Performance against primary objectives

This section sets out LGFA's performance for the year ended 30 June 2020 against the two primary objectives set out in the 2019-20 SOI.

LGFA will operate with the primary objective of optimizing the debt funding terms and conditions for Participating Local Authorities. Among other things this includes:

1. Providing savings in annual interest costs for all Participating Local Authorities on a relative basis to other sources of financing;

LGFA lending base margins are 20 basis points (bps) for all borrowing terms between May 2021 and April 2033 following an increase of 10 bps in March. We had previously reduced margins in June 2018 but in March the LGFA Board increased these following its biennial Capital Structure Review. The base margin charge covers our operating costs and provides for our capital to grow in line with the growth in

our balance sheet to maintain a satisfactory capital buffer. 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 not a guarantor.

Our estimated annual savings to councils are between -4 bps and 10 bps depending upon the term of borrowing. These estimates are based upon the secondary market levels at 30 June 2020 of LGFA bonds compared to bonds issued by Auckland and Dunedin councils. A cautious approach needs to be taken in drawing conclusions from the data as it is based upon an implied level in the secondary market and not on actual issuance costs. LGFA is a constant issuer of debt and the size of debt tranches are also an important factor eg. the Dunedin 2021 bond has \$70 million on issue compared to \$1.55 billion of the comparable LGFA bond. Borrowing margins of all issuers have narrowed over the past quarter but LGFA borrowing margins have moved less than other borrowers due to our large volume of issuance.

As at 30 June 2020	Savings to AA rated councils (bps)			
	Dunedin 2021	Auckland 2022	Auckland 2025	Dunedin 2026
AA rated councils margin to swap (bps)	36	33	56	75
Less LGFA margin to swap (bps)	(8)	(18)	(40)	(45)
LGFA gross funding margin advantage (bps)	28	15	16	30
Less LGFA base margin (bps)	(20)	(20)	(20)	(20)
Total savings (bps)	8	(5)	(4)	10

LGFA continues to borrow at very competitive spreads compared to the AAA rated sovereign/supranational/agency (SSA) issuers (who borrow in the New Zealand debt capital markets) and to the domestic banks.

As at 30 June 2020	Comparison to other borrowers – Secondary Market Spread to Swap (bps)									
	2021	2022	2023	2024	2025	2026	2027	2028	2029	2033
LGFA (AA+)	9	18	25	32	40	45	48	-	57	57
Asian Development Bank (AAA)	15	-	29	37	42	47	-	-	-	-
Inter American Development Bank (AAA)	20	-	30	39	42	-	-	65	-	-
International Finance Corp (AAA)	15	-	31	39	-	-	49	-	-	-
KBN (AAA)	19	-	35	39	51	-	-	-	-	69
Rentenbank (AAA)	17	25	29	39	47	-	-	-	-	-
World Bank (AAA)	11	24	29	38	42	-	-	-	-	-
Nordic Investment Bank (AAA)	11	-	30	-	43	-	-	-	-	-
ANZ (AA-)	-	-	55	63	-	-	-	-	-	-
BNZ (AA-)	-	-	51	-	73	-	-	-	-	-
Westpac Bank (AA-)	-	44	53	66	72	-	-	-	-	-

2. Offering short and long-term borrowings with flexible lending terms

Councils can access flexible lending conditions by using LGFA's short-term lending and term lending products. Short-term lending is for loans between 30 days and 364 days while term lending is where councils can borrow for any term between one year and the longest-dated LGFA bond maturity on any drawdown date. Therefore, council members can borrow for terms ranging from 30 days to almost 13 years at any time they wish to draw down.

Over the 12-months ended 30 June 2020:

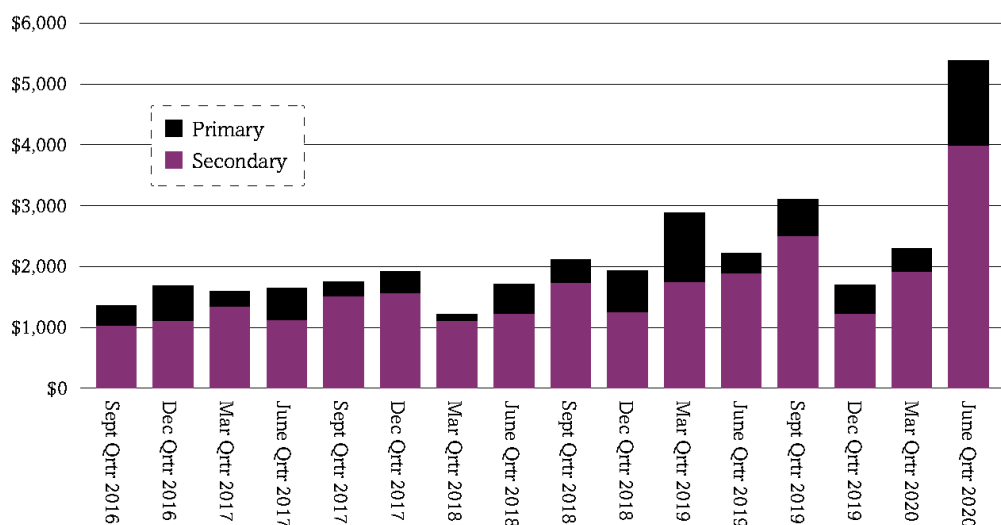
- 53 councils borrowed a total of \$2.33 billion over 205 individual loans (excluding short-dated borrowing).
- The average borrowing term for the year was 5.4 years, compared with 6.0 for the previous 2018-19 year.
- 78% of term loans were issued on a floating rate basis, with the remaining 22% issued on a fixed rate basis.
- Short-term borrowing by councils has been well received with loan terms of between one and 12-months. As at 30 June 2020, there were \$315.5 million of short-term loans outstanding to 27 councils.

3. Enhancing the certainty of access to debt markets for Participating Local Authorities, subject always to operating in accordance with sound business practice

LGFA issued a record \$2.90 billion bonds over the 12-months to June 2020, with eight tenders and two syndications.

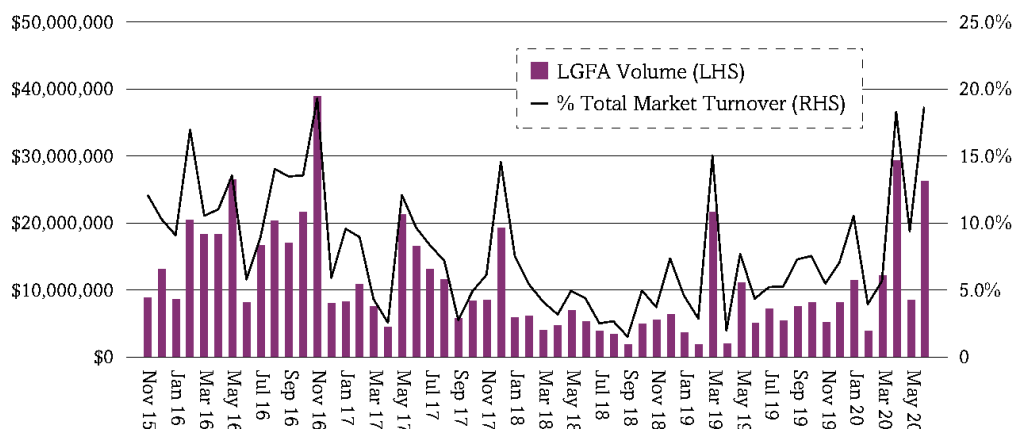
Activity in LGFA bonds in both the primary market (tender or syndicated issuance) and secondary market (between banks and investors) during the year totalled \$12.54 billion, compared with \$8.73 billion for the 2018-19 year. There was \$2.91 billion of primary issuance and an estimated \$9.63 billion of secondary market activity in LGFA bonds over the 12-months.

LGFA Primary and Secondary Market Activity (NZ\$million)



LGFA bonds were listed on the NZX Debt Market in November 2015 and have averaged turnover of \$11.1 million per month or 8.3% of the total turnover of the NZX Debt Market since listing. There was light turnover on the NZX over the year as retail investors were more attracted to high term deposit rates and higher-yielding bond issues by lower credit quality borrowers. There was an increase in volume over the second six-month period (averaging \$15.3 million per month) due to the lack of retail bond primary issuance by corporate borrowers in NZD during this time period.

LGFA Turnover on NZX (monthly)

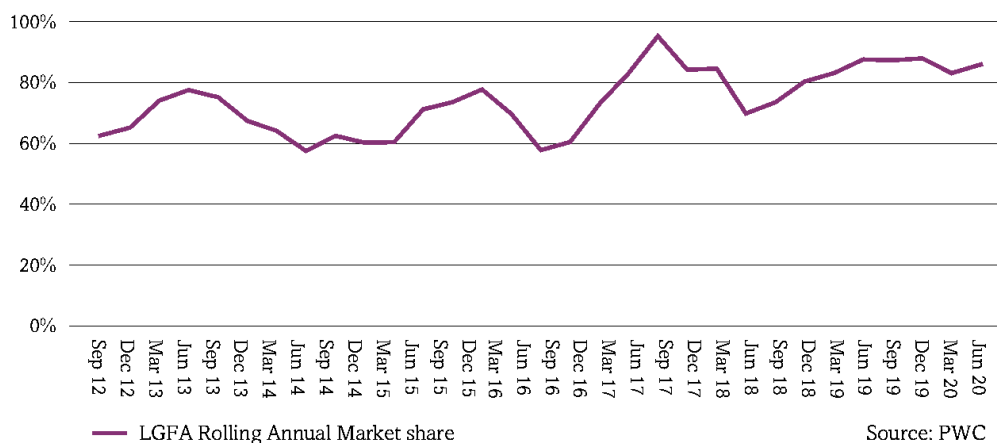


LGFA documented an Australian Medium-Term Notes Programme in November 2017 and refreshed the programme documents in March 2020. There is no immediate intention to use this programme, but it provides flexibility if there is a significant market disrupting event in the future.

4. Being the debt funder of choice for New Zealand local government

Our estimated market share of council borrowing for the rolling twelve-month period to 30 June 2020 was 86%, which compares favourably to the historical average since 2012 of 74%.

LGFA Market Share – rolling one year average



We survey our council members each year and the latest stakeholder survey result in July 2019 was a 100% positive response to the question “How would you rate LGFA in adding value to your borrowing requirements?” We also received a 99% positive response to the question “How satisfied are you with the pricing that LGFA has provided to your Council?”

5. LGFA will monitor the quality of the asset book so that it remains of a high standard by ensuring it understands each Participating Local Authority’s financial position and the general issues confronting the Local Government sector. This includes:

i. LGFA will review each Participating Local Authority’s financial position, its financial headroom under LGFA policies and endeavour to visit each Participating Local Authority on an annual basis

Although travel restrictions due to the COVID-19 lockdown restricted our ability to meet with councils during the final quarter of the year, LGFA conducted 38 visits to 31 different councils over the 12-month period to June 2020 to discuss their financial performance and any developments with the underlying council operations.

By 30 November each year, member councils are required to complete an annual compliance certificate in relation to their 30 June financial statements.

Annual compliance certificates were completed by council members in 2019 and all councils were compliant with the financial covenants as at June 2019.

ii. Implement the changes to the Foundation Policies that were approved at the November 2018 AGM to allow for lending to Council Controlled Organisations (CCOs). Changes to operational policies and practices need to ensure that no additional risk is borne by lenders, guarantors or the Crown

Shareholders approved the changes to the Shareholder Agreement, Notes Subscription Agreement (NSA), Multi Issuer Deed (MID) and Guarantee and Indemnity Deed (GID) and Foundation Policies to allow for lending to CCOs and to offer standby facilities. The Borrower Notes percentage will also rise from 1.6% to 2.5% of a council’s borrowings from July 2020 to assist with improving LGFA’s capital position. It is planned to commence lending to CCOs and offer standby facilities in the 2020-21 year.

iii. LGFA will analyse finances at the Council group level where appropriate and report to the Shareholder Council and shareholders as to which Participating Local Authorities are measured on a group basis.

LGFA reviews council agendas and management reports on an ongoing basis for councils on the LGFA borrower watch-list. No council has yet to request to LGFA that they be measured on a group basis.

LGFA completed work on credit default assessment analysis of its member councils in conjunction with adopting IFRS9 for accounting purposes.

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

Over the course of the year, LGFA management met with the Treasury, Reserve Bank of New Zealand, OECD and Department of Internal Affairs to discuss local government sector issues.

LGFA hosted its annual Shareholder Borrower Day in August 2019 and staff attended the LGNZ conference, Infrastructure NZ Building Nations Symposium and SOLGM Annual Summit.

LGFA continues to assist the sector and their advisers in finding ways for the Company to play a supporting role in providing solutions to off balance sheet financing for councils. We are currently providing technical input into the Cameron Partners Ratepayer Financing Scheme (RFS).

LGFA has been a member of the Department of Internal Affairs-led workstream on assessing the impact of COVID-19 on council finances.

A Special General Meeting (SGM) of shareholders on 30 June 2020 passed a resolution to relax the Net Debt / Total Revenue covenant within the Foundation Policies for those councils with a minimum credit rating of 'A'. Effective from 1 July 2020, the change was made to allow councils some additional financial flexibility in dealing with the COVID-19 crisis and to allow councils to co-invest alongside Central Government to pursue an infrastructure-led growth recovery response to the crisis. LGFA assessed the impact on guarantors to be negligible and consulted with stakeholders including investors, banks and credit rating agencies.

Performance against additional objectives

LGFA has eight performance objectives which complement the primary objectives. This section sets out LGFA's performance for the year ended 30 June 2020 against the additional objectives set out in the 2019-20 Statement of Intent.

7. Operate with a view to making a profit sufficient to pay a dividend in accordance with its stated Dividend Policy

LGFA's Net Operating Gain was \$10.62 million for the financial year. The average cost of funds for the twelve-month period was 1.51%, which is lower than the 2.78% for the prior 2018-19 financial year due to the lower outright level of interest rates. The LGFA Board has the sole discretion to set the dividend.

8. Provide at least 75% of aggregate long-term debt funding for Participating Local Authorities

As noted earlier, our estimated market share of council borrowing for the rolling twelve-month period to 30 June 2020 was 86%. Our market share remains strong compared to our global peers.

As at 30 June 2020, there were 67 participating local authority members of LGFA, an increase of three from a year ago. We estimate a further five councils will become members in the next twelve months.

9. Achieve the financial forecasts (excluding the impact of AIL) set out in Section 4

For the 12-month period to 30 June 2020, Net Interest Income (NII) was \$398k above budget while expenses were \$209k below budget. Net Operating Gain of \$10.62 million was \$606k 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. We have used these swaps to reduce exposure to fixed rate loans made outside of the normal tender process and to reduce mismatches between time periods in our balance sheet. The unrealised loss increases as interest rates fall and the year-to-date revaluation is a loss of \$1.3 million.

10. Ensure its products and services are delivered at a cost that does not exceed the forecast for issuance and operating expenses

Expenses for the 12-month period were \$7.67 million which is \$209k below budget. This variance is the consequence of:

- Issuance and on-lending costs (excluding AIL) at \$2.575 million were \$133k above SOI budget. A larger amount of bond issuance and short-term lending increased these costs relative to SOI budget, primarily in relation to higher NZX costs and legal costs. These were offset to some extent from lower fees than budgeted relating to the NZDMO facility.
- Operating costs at \$3.685 million were \$170k below budget due to lower IT, personnel, travel and general overhead costs, offset by slightly higher legal costs relative to SOI budget.
- Approved Issuer Levy (AIL) payments of \$1.396 million were \$172k below SOI budget. We pay AIL on behalf of offshore investors at the time of semi-annual coupon payment. During the twelve-month period, offshore investor holdings of LGFA bonds were less than forecast.

11. Take appropriate steps to ensure compliance with the Health and Safety at Work Act 2015

LGFA has a Health and Safety staff Committee which reports on a regular basis to the LGFA Board by the Risk and Compliance Manager. There were no Health and Safety incidents during the year. LGFA staff moved to work from home in late March as the country moved to Level 4 in the COVID-19 response and returned to offices under Level 1.

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

Standard and Poor's (S&P) and Fitch Ratings (Fitch) review LGFA's credit rating on an annual basis and formal review meetings were held in September 2019 with Fitch and in November 2019 with S&P.

On 18 November 2019, Fitch affirmed our long-term local currency credit rating as AA+ and classified LGFA as a corporate mission, government-related entity (GRE) under its GRE rating criteria. Fitch equalises our ratings with those of the New Zealand Government. On 28 January 2020 Fitch placed our foreign currency credit rating of AA on positive outlook. Fitch left the local currency credit rating unchanged at AA+ with a stable outlook.

On 28 February 2020, S&P affirmed LGFA's long-term local currency credit rating as AA+ and our long-term foreign currency credit rating of AA. Both ratings remained on positive outlook. Both credit ratings and outlook are the same as the New Zealand Government.

13. Introduce CCO lending by December 2019 and report quarterly, the volume of lending to CCOs to both the Shareholder Council and shareholders

Council members approved the amendments to the Shareholder Agreement, Notes Subscription Agreement (NSA), Multi Issuer Deed (MID), Guarantee and Indemnity Deed (GID) and Foundation Policies to allow for lending to CCOs on 6 July 2020. The approval process took longer than expected due to the need to have the changes to the documents approved by every council and by the response to COVID-19. We expect to undertake our first loan to a CCO in the 2020-21 fiscal year.

14. Comply with its Treasury Policy as approved by the Board

There were two compliance breaches of the Treasury Policy during the 12-month period ending 30 June 2020.

There was no financial loss to LGFA from either breach and reputational risk was assessed to be minimal.

There was full reporting on both breaches to the LGFA Board and Shareholders Council, and a formal review of both breaches was led by the Chair of the Audit and Risk Committee. LGFA management have reviewed controls that could be put in place to mitigate the risk of further breaches.

Performance targets

2019-20 performance targets	Target	Result for 12-month period to 30 June 2020	Outcome
Net interest income for the period to 30 June 2020	Greater than \$17.9 million	\$18.2 million	✓
Annual issuance and operating expenses (excluding AIL) for the period to 30 June 2020	Less than \$6.30 million	\$6.26 million	✓
Total lending to Participating Local Authorities at 30 June 2020	At least \$9,792 million	\$10,899 million	✓
Conduct an annual survey of councils who borrow from LGFA	Achieve at least an 80% satisfaction score for the value added by LGFA	100%	✓
Meet all lending requests from Participating Local Authorities, where those requests meet LGFA operational and covenant requirements			✓
Achieve 75% market share of all council borrowing in New Zealand		86%	✓
Review each Participating Local Authority's financial position, its headroom under LGFA policies and arrange to meet each Participating Local Authority at least annually			✗ Refer 5i, page 14
No breaches of Treasury Policy, any regulatory or legislative requirements including the Health and Safety at Work Act 2015			✗ Refer 14, page 16
Successfully refinance of existing loans to councils and LGFA bond maturities as they fall due			✓
Maintain a credit rating equal to the New Zealand Government rating where both entities are rated by the same credit rating agency			✓

About us Mō mātou

Establishment

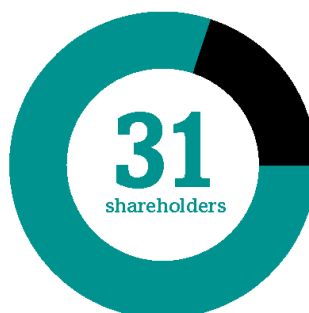
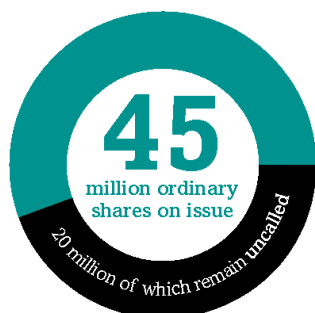
The New Zealand Local Government Funding Agency Ltd (LGFA) specialises in funding the New Zealand local government sector, the primary purpose being to provide more efficient funding costs and diversified funding sources for New Zealand local authorities. LGFA was established to raise debt on behalf 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

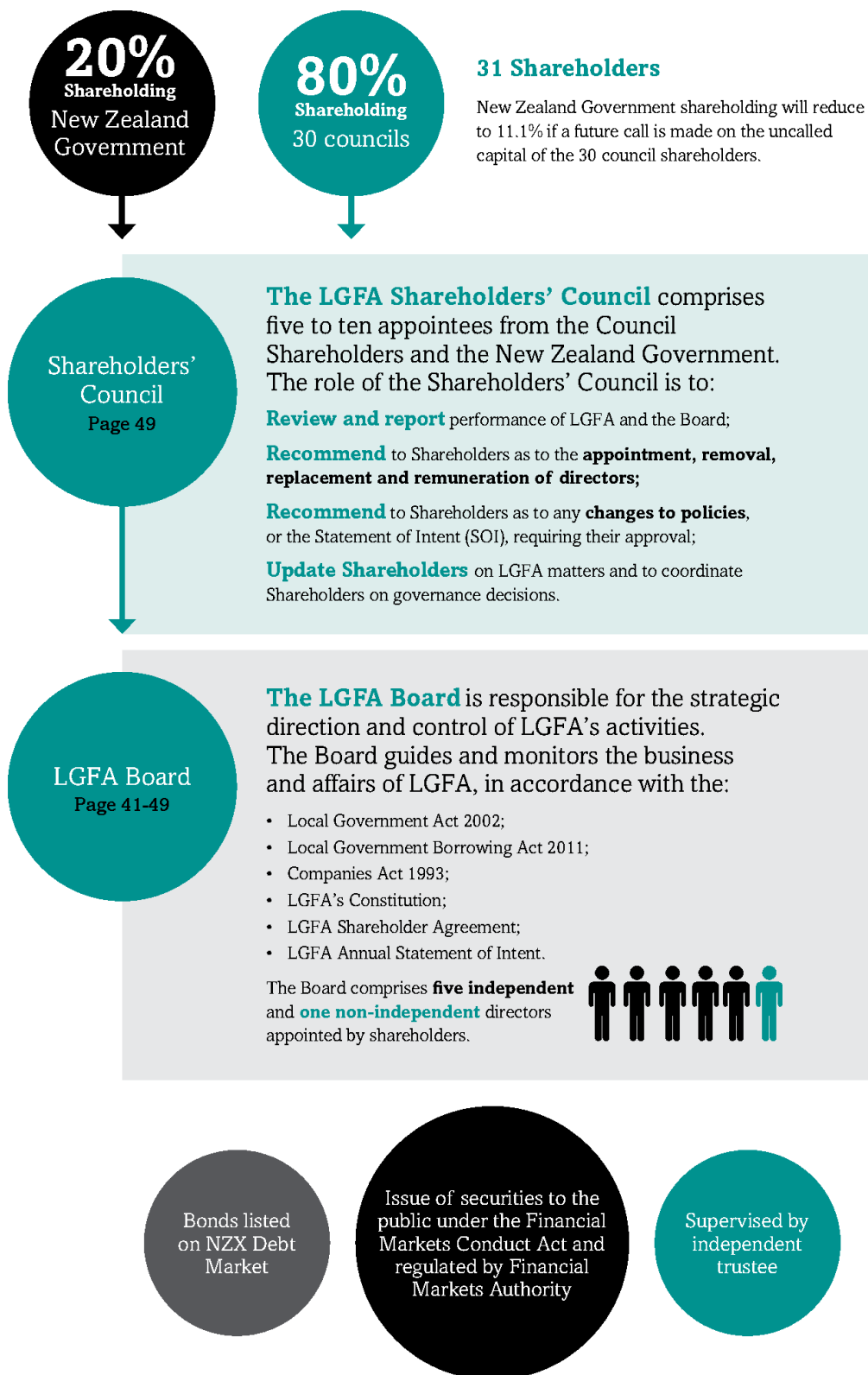


20%
New Zealand
Government

80%
30 councils

Share ownership is restricted
to New Zealand Government
or councils.

Governance overview



Guarantee structure



LGFA is not guaranteed by the New Zealand Government.

Credit rating as at 30 June 2020

Standard & Poor's Domestic Currency
AA+
(Positive Outlook)

Foreign Currency AA
(Positive Outlook)

Fitch Ratings Domestic Currency
AA+
(Stable Outlook)

Foreign Currency AA
(Positive Outlook)

These credit ratings are the same as the New Zealand Government ratings.



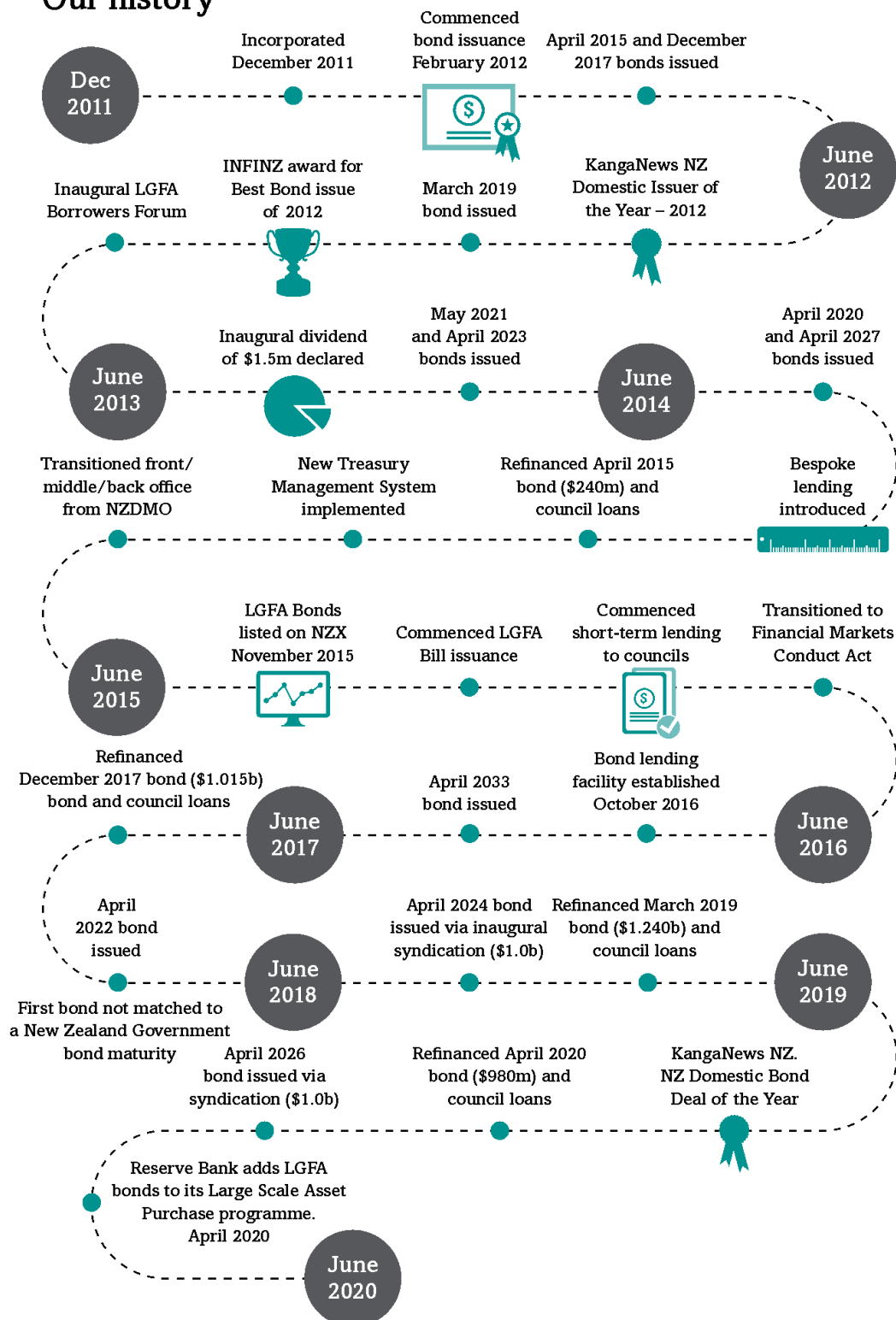
New Zealand Domestic Bond Deal of the Year

New Zealand Local Government Funding Agency

NZ\$1 billion 2.25% April 2024

Joint lead managers: Bank of New Zealand
Westpac Banking Corporation New Zealand Branch

Our history



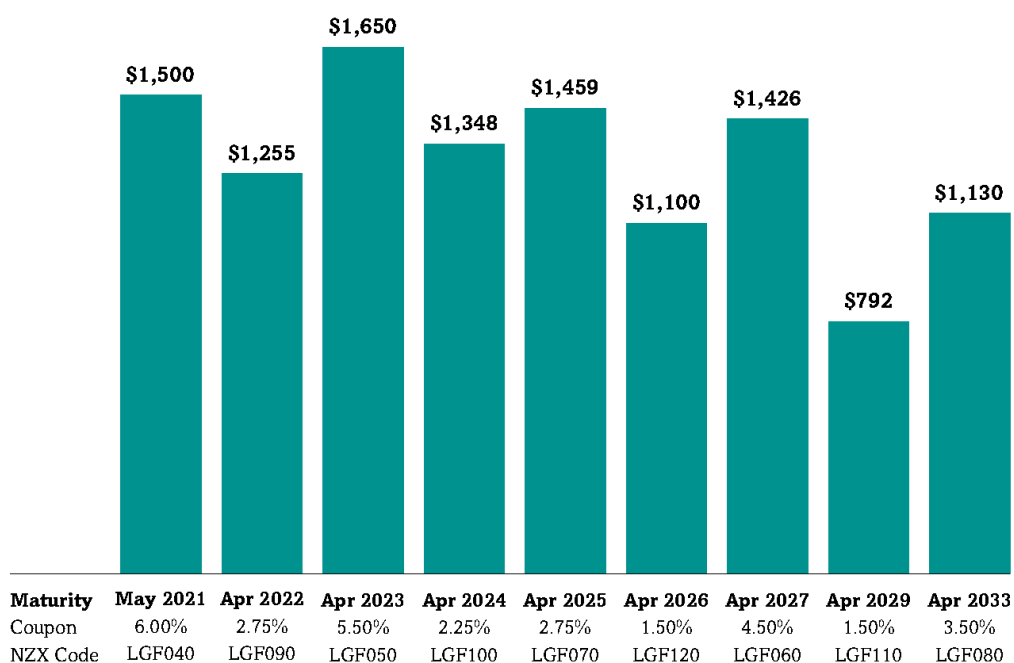
LGFA bonds on issue

Ko ngā pūtea taurewa pūmau kua tukuna e te LGFA

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

As 30 June 2020 : NZ\$11,660 million

Includes NZ\$800 million treasury stock



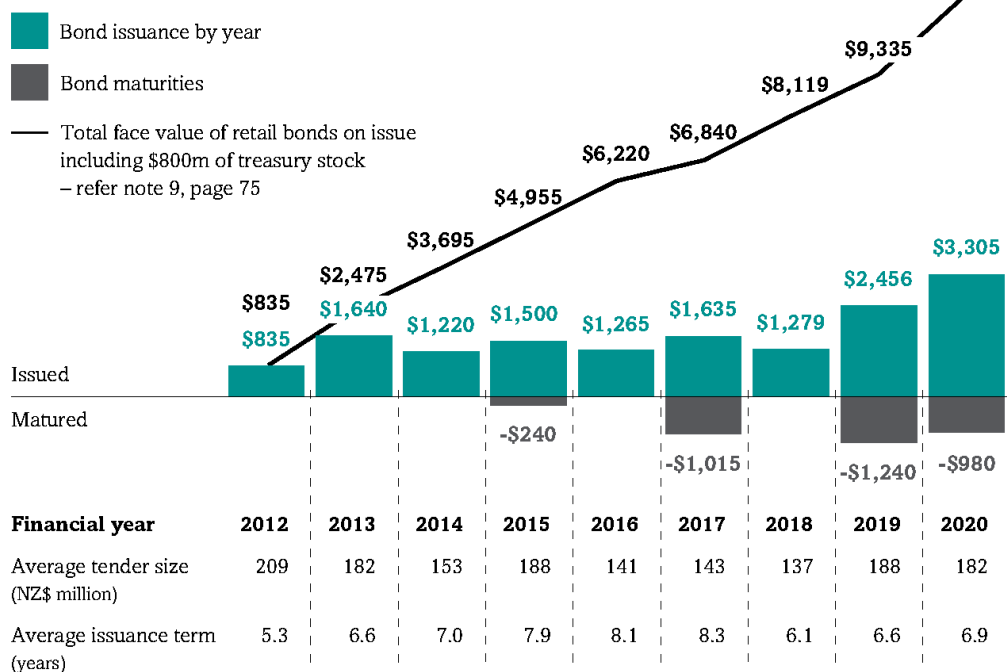
In addition to the retail bonds listed on the NZDX, LGFA have \$130 million of Wholesale Floating Rate Notes on issue.

LGFA bond issuance

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 Bond maturities where possible for maturity and coupon and 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 New Zealand dollar (NZD) to date, but have capability to issue non-NZD bonds if required.
- All LGFA bonds listed on NZX.

Issuance history (NZ\$ million, face value)



LGFA typically issues a new bond maturity each year

LGFA is the largest domestic issuer of NZD domestic bonds (excluding New Zealand Government)

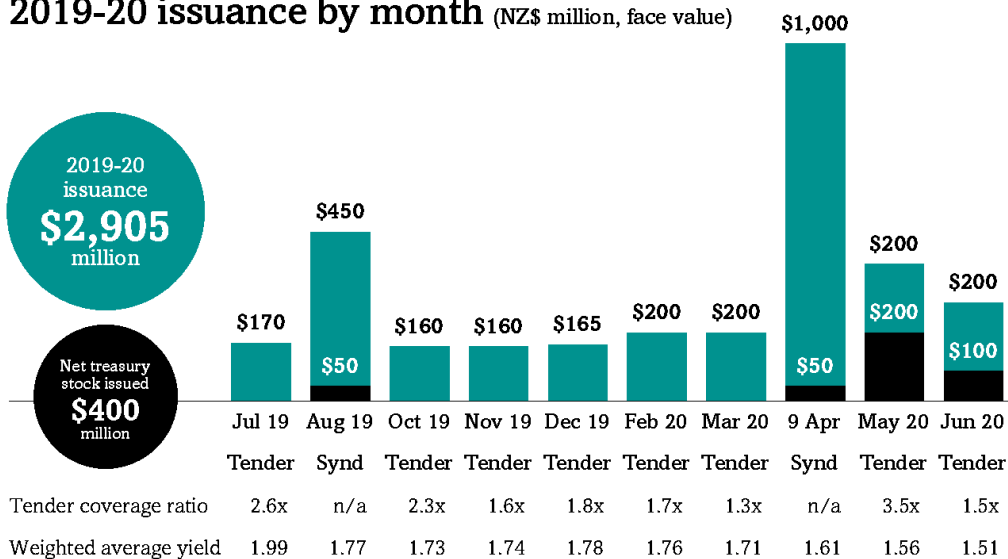
LGFA is the largest issuer of debt listed on the NZDX

2019-20 issuance by maturity (NZ\$ million, face value)

LGFA bond issuance by bond maturity over the 12-month period to 30 June 2020

	May 21	Apr 22	Apr 23	Apr 24	Apr 25	Apr 26	Apr 27	Apr 29	Apr 33	Total
Tenders										
17 Jul 2019	-	60	-	60	-	-	-	-	50	170
2 Oct 2019	-	50	-	35	-	-	-	-	75	160
6 Nov 2019	-	40	-	40	30	-	-	-	50	160
11 Dec 2019	-	40	-	30	-	-	-	60	35	165
5 Feb 2020	-	75	-	50	-	-	-	75	-	200
11 Mar 2020	-	80	50	23	-	-	-	47	-	200
6 May 2020	-	50	50	-	-	-	50	-	50	200
3 Jun 2020	-	50	-	60	-	-	-	60	30	200
Total tender issuance	-	445	100	298	30	-	50	242	290	1,455
Syndication	-	-	-	-	-	1,000	-	450	-	1,450
Total 2019-20 issuance	-	445	100	298	30	1,000	50	692	290	2,905
Prior issuance	1,450	710	1,450	950	1,379	-	1,276	-	740	7,955
	1,450	1,155	1,550	1,248	1,409	1,000	1,326	692	1,030	10,860
Treasury stock	50	100	100	100	50	100	100	100	100	800
Total bonds on issue	1,500	1,255	1,650	1,348	1,459	1,100	1,426	792	1,130	11,660

2019-20 issuance by month (NZ\$ million, face value)



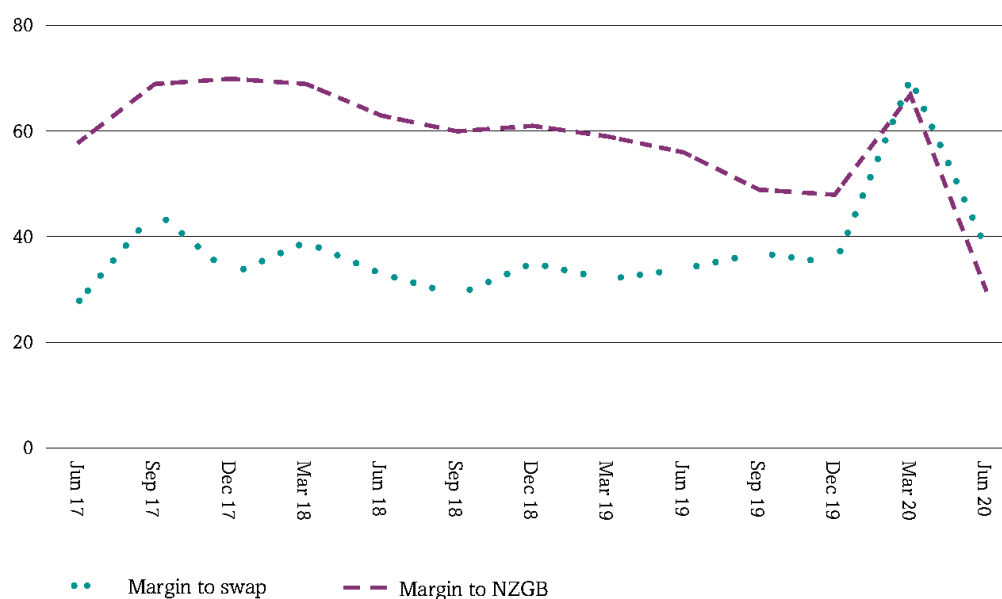
LGFA bond margins (basis points)

LGFA bond margins against swap and NZ government bonds (NZGB) as at 30 June 2020

Margin to swap	May 21	Apr 22	Apr 23	Apr 24	Apr 25	Apr 26	Apr 27	Apr 29	Apr 33
30 June 2019	15	22	30	37	41	n/a	46	n/a	67
30 June 2020	9	18	25	32	40	45	48	57	69
Annual change	6	4	5	5	1	n/a	(2)	n/a	(2)

Margin to NZGB	May 21	Apr 22	Apr 23	Apr 24	Apr 25	Apr 26	Apr 27	Apr 29	Apr 33
30 June 2019	35	36	42	59	65	n/a	70	n/a	92
30 June 2020	14	13	18	22	31	34	36	44	58
Annual change	21	23	24	37	34	n/a	34	n/a	34

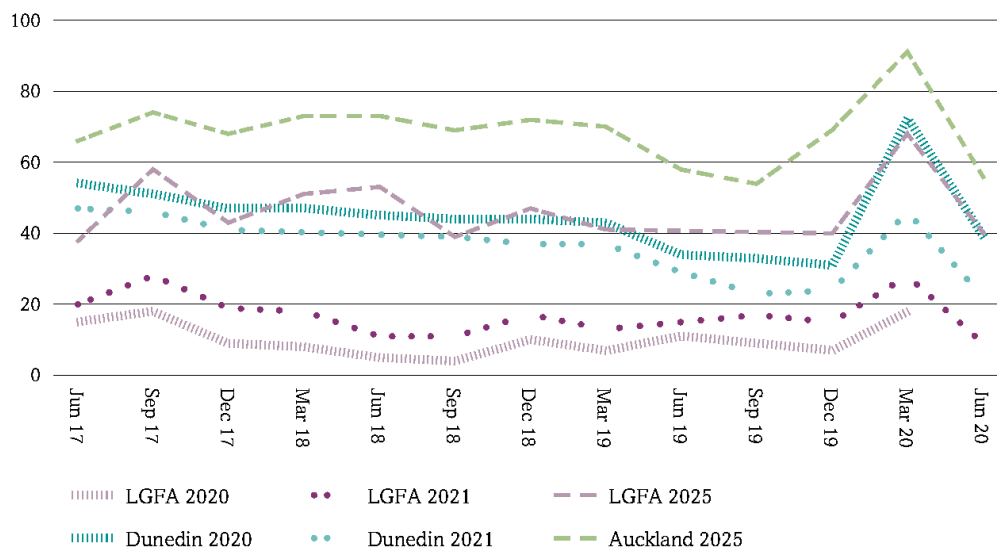
LGFA bond margins to swap over NZGB over the 36 months to 30 June 2020 (basis points)



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.

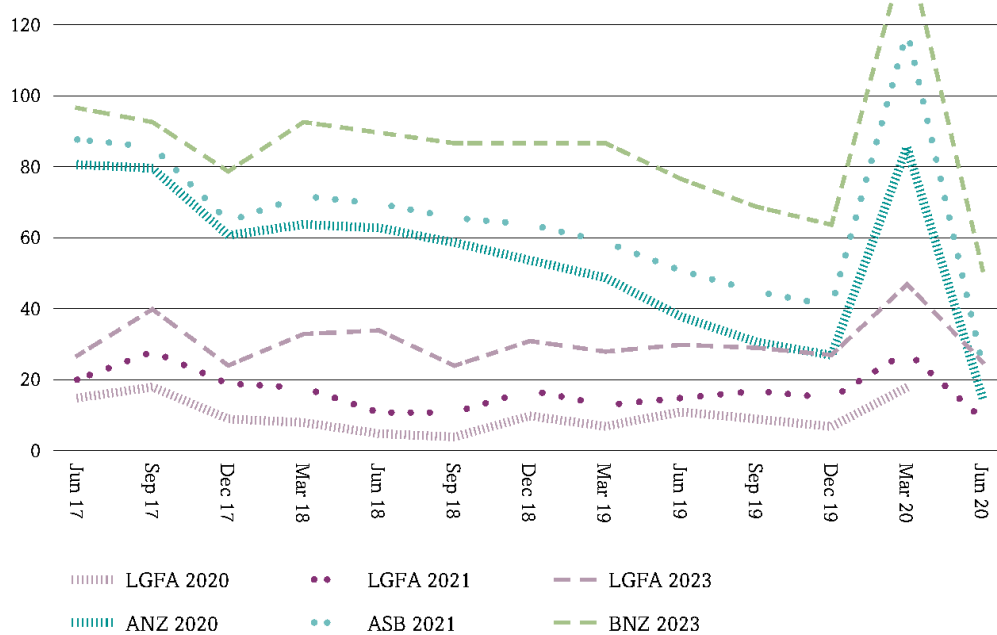
Secondary market credit spread to swap for LGFA and council bonds (basis points)

Secondary market credit spread for LGFA against Auckland Council and Dunedin City Council over the 36 months to 30 June 2020.

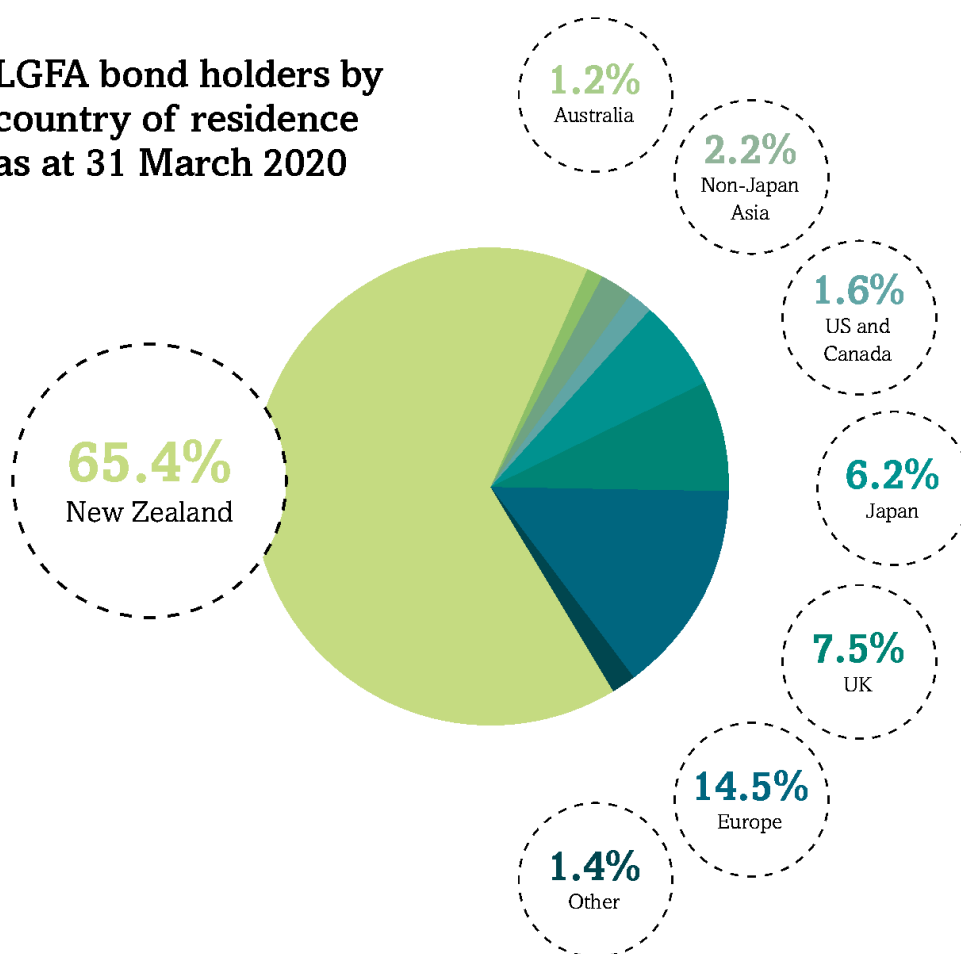


Secondary market credit spread to swap for LGFA and bank bonds (basis points)

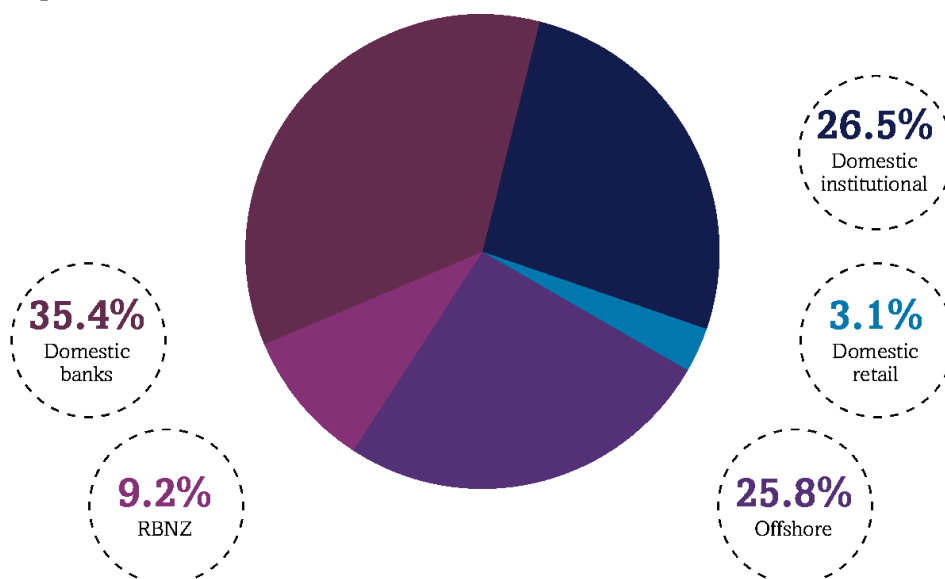
Secondary market credit spread for LGFA against New Zealand bank bonds over the 36 months to 30 June 2020.



**LGFA bond holders by
country of residence
as at 31 March 2020**



**LGFA bond holders by
investor group as at
30 June 2020**



Member councils

Ko ngā kaunihera e noho mema ana

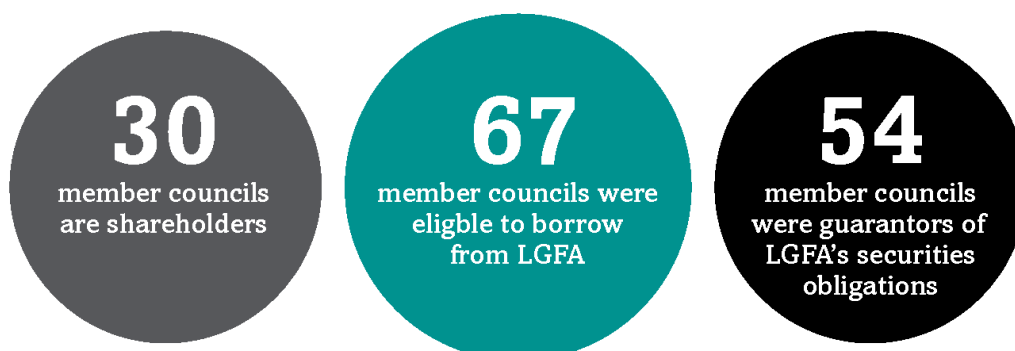
LGFA operates with the primary objective of optimising the debt funding terms and conditions for its member councils.

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 formal 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 2020



Total member council borrowings at 30 June 2020

(NZ\$ million)

Member type	Number of councils	Amount borrowed	% of total borrowings
Guarantors	54	10,736	98.8%
Non guarantors	13	133	1.2%
Total	67	10,869	100%

86%

LGFA's estimated market share of local government debt

Member	Amount borrowed	% of total borrowings
Auckland Council	2,757	25.4%
Christchurch City Council	1,924	17.7%
Wellington City Council	635	5.8%
Tauranga City Council	525	4.8%
Hamilton City Council	480	4.4%
Wellington Regional Council	425	3.9%
Rotorua District Council	217	2.0%
Hutt City Council	216	2.0%
Kapiti Coast District Council	210	1.9%
Tasman District Council	208	1.9%
57 other member councils	3,272	30.2%
Total face value	10,869	100%

Loans to Auckland Council are limited to a maximum of

40%

of total loans

Over the 12 months to 30 June 2020

53

member councils borrowed a total of

\$2,328 million

Comprising **205** individual term loans

With an average term of

5.4 borrowing years

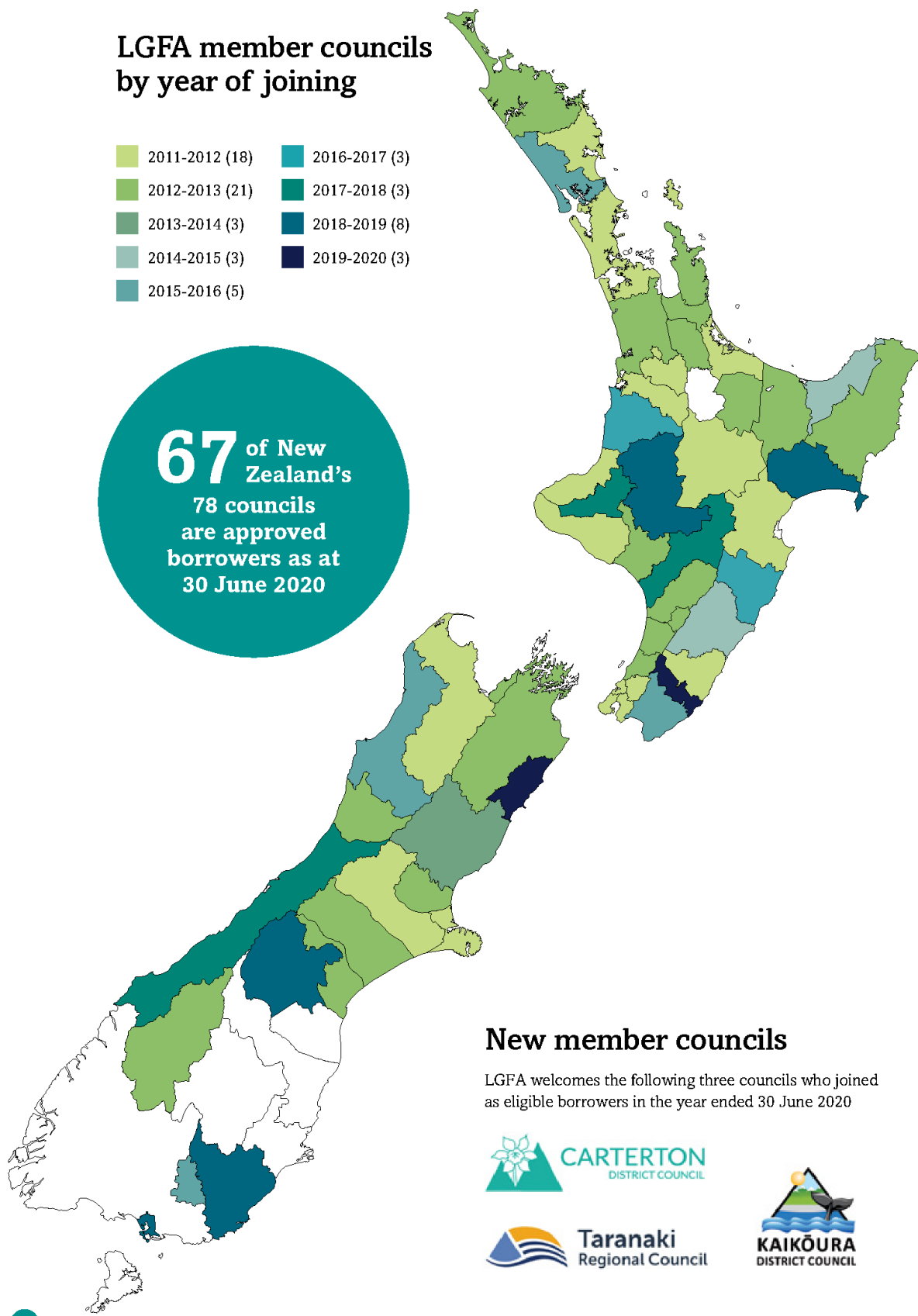
At 30 June 2020

\$316 million

of short term loans were outstanding to

27 member councils

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



Member councils by year of joining

North Island

2011-12	Auckland Council	Shareholder
2011-12	Bay of Plenty Regional Council	Shareholder
2011-12	Greater Wellington Regional Council	Shareholder
2011-12	Hamilton City Council	Shareholder
2011-12	Hastings District Council	Shareholder
2011-12	Masterton District Council	Shareholder
2011-12	New Plymouth District Council	Shareholder
2011-12	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	Tararua 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	Ruaapehu 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

South Island

2011-12	Christchurch City Council	Shareholder
2011-12	Otorohanga District 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

88%
of LGFA loans are to
councils with credit ratings of

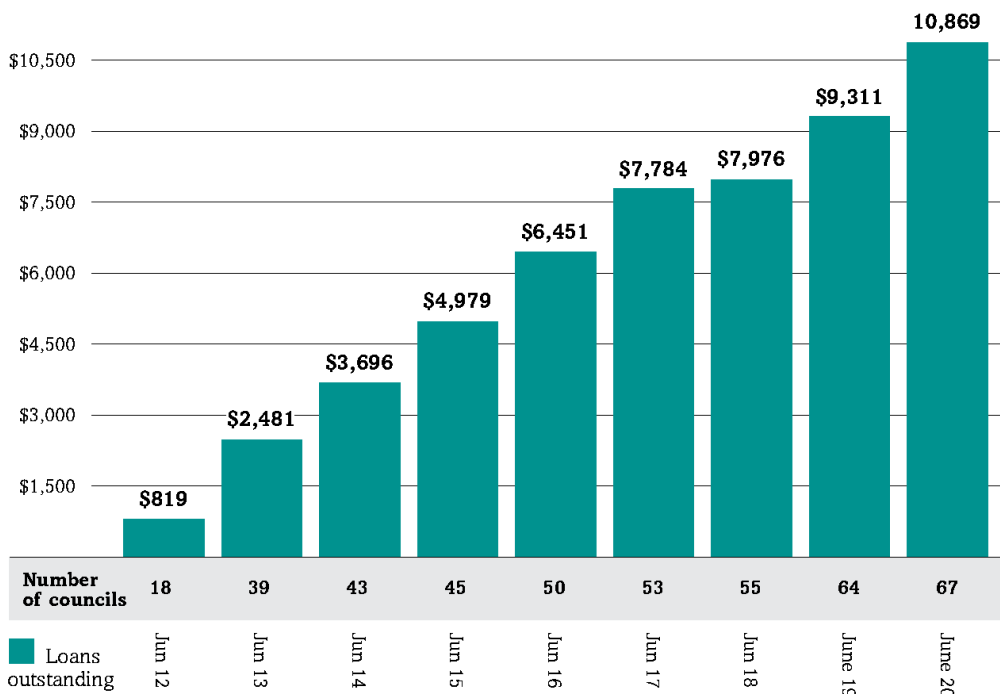
AA-
or better as at
30 June 2020

30
member councils
have credit ratings
(A+ to AA+
range)

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

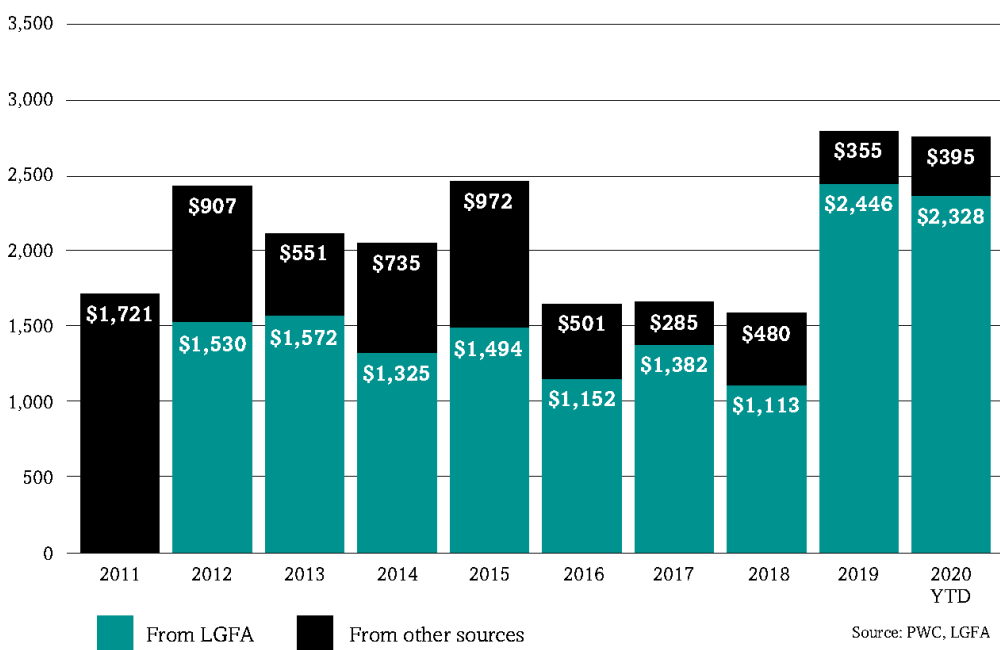
LGFA council members and nominal loans outstanding

(NZ\$ million)



Councils' borrowing

All councils (NZ\$ million) calendar year



Source: PWC, LGFA



Upgrading the Great
Lake Pathway, Taupo
Taupo District
Council

Sustainability at LGFA Toitūtanga ki te LGFA

LGFA was established with the primary objective of optimising the debt funding terms and conditions for our member councils. Key to achieving this objective is 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.

This year's annual report is our first to have been prepared to under the Global Reporting Initiative (GRI) sustainability reporting standards which are the most widely adopted global standards for sustainability reporting. This report has been prepared in accordance with the GRI Standards: Core option.

In 2019, LGFA engaged Proxima, an independent sustainability consultancy, to work with staff and directors to undertake an analysis of material sustainability issues relevant to our business and key stakeholders. Following a series of internal workshops, including discussions with key stakeholders, we determined our material topics. 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.

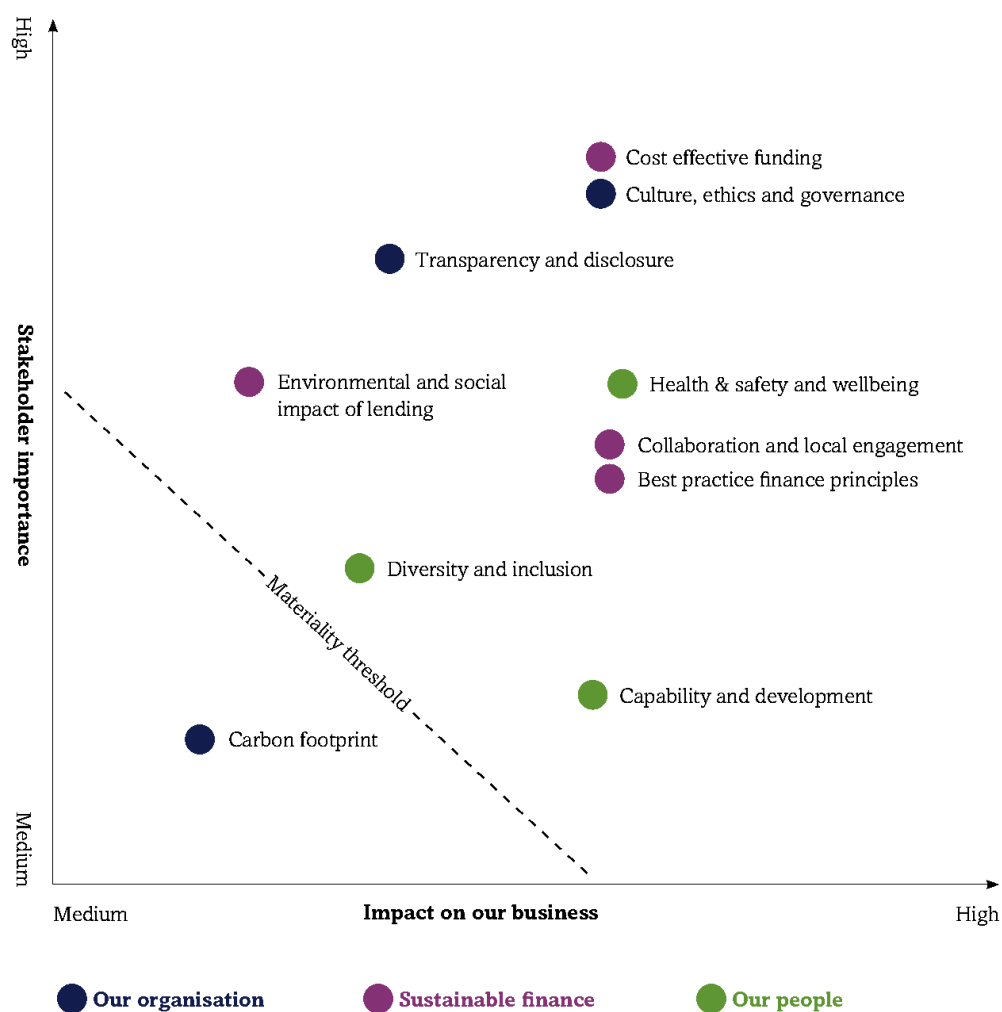
LGFA's ten material topics are grouped under three overarching principles.

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 85.



In 2020, LGFA made a donation to **Kauri 2000** to offset carbon for air travel kilometres by staff. **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.

LGFA's material topics

In order of priority

Our organisation

Cost effective funding

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

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

Health & safety and wellbeing

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

Best practice finance principles

- 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

Carbon footprint

- Air travel kilometres travelled offset by donation to Kauri 2000.
- Paperless office – use electronic where possible for transaction recording.
- Physical offices – minimal impact given small size
- Video links reduce need for physical travel
- Compliance with Climate Change Response (Zero Carbon) Amendment Act 2019

Sustainable finance

Our people

Culture, ethics and governance

High ethical standards required and codified through:

- NZX Corporate Governance Code
- Code of Ethics
- Code of Conduct
- Board Charter
- ARC Charter

Environmental and social impact of lending

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

Collaboration and local engagement

- Industry sponsor – Kanganews and SOLGM
- Infrastructure funding development liaison with Crown and industry
- Productivity Commission
- LGNZ
- Regular engagement with council employees and elected officials

Diversity and inclusion

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

Capability and development

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



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 at the national and regional level and wishes to support New Zealand's shift to a low-carbon economy. LGFA also recognises it has a role to play in New Zealand's contribution to meeting the United Nations Sustainable Development Goals (SDGs) and helping its council members to build a stronger and more resilient society.

One of the principal objectives of LGFA, being a Council Controlled Organisation, under the Local Government Act 2002, is to exhibit a sense of social and environmental responsibility and LGFA acknowledges the future importance of assisting its council members by financing projects that promote environmental and social wellbeing in New Zealand and progress the SDGs.

LGFA has commenced consulting with member councils on the feasibility of establishing a future loan program that will enable councils to undertake green, social and sustainability projects that will help drive forward ambitious climate, environmental and social projects in the New Zealand local government sector. The loans will be Green, Social or Sustainable (GSS Loans).

Green, social and sustainability loans

Any future GSS lending program would be underpinned by a framework that encompasses evaluation and eligibility criteria, transparency of disclosures and reporting and ongoing independent external review.

The criteria for GSS lending would include projects that are able to provide a proven reduction in energy consumption and/or greenhouse gas emissions, that strengthen the level of local adaptation to challenges posed by climate change, or that have an identified social objective. These projects would target requirements higher than the minimum requirements in the relevant legislation and have explicit climate, environmental, social or sustainable ambitions.



GSS lending would support councils with financing across a wide range of projects that promote achievement across the following green and social project categories:

Green Categories

Renewable Energy

Energy Efficiency

Pollution Prevention and Control

Environmentally Sustainable Management of Living Natural Resources and Land Use

Terrestrial and Aquatic Biodiversity Conservation

Clean Transport

Sustainable Water and Wastewater Management

Climate Change Adaptation

Eco-efficient and/or Circular Economy Adapted Products, Production Technologies and Processes

Green Buildings

Social Categories

Affordable Basic Infrastructure

Access to Essential Services

Affordable Housing

Employment Generation Including through the Potential Effect of SME Financing and Microfinance

Food Security

Socioeconomic Advancement and Empowerment

As at the date of this report, work is progressing on consulting councils on the development of a framework. This project is scheduled to be completed in the coming year, the outcome of which will form part of our 2021 Annual Report.

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 2020. 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.

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

The process for the nomination and remuneration of directors is documented in the Constitution of New Zealand Local Government Funding Agency Limited and outlined below.

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

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 Policy and Code of Conduct Policy, which sets out the standards that both directors and employees of LGFA are expected to follow to reflect the values of LGFA.

LGFA recognises impartiality and transparency in governance and administration are essential to maintaining the integrity of LGFA. Accordingly, the Conflicts of Interest Policy formally provides guidance to employees and directors of LGFA in relation to conflicts of interest and potential conflicts of interest, including specific guidance on the process for 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 carry out their roles while maintaining high standards of integrity and conduct by clearly

setting out standards for expected behaviour.

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

Protected Disclosures and Whistle Blowing

LGFA has adopted a Protected Disclosures and Whistle Blowing Policy which provides 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

LGFA has formally adopted a Financial Products Trading Policy, which applies to all directors, employees and contractors, and details LGFA's policy on, and rules for dealing in, listed debt securities issued by LGFA and any other quoted financial products of LGFA.

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

Principle 2 Board composition and performance

LGFA Board Charter

The LGFA Board has adopted a Board Charter which describes the Board's role and responsibilities and regulates the Board's procedures. The Board Charter states that the role of the Board is to ensure 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 (such strategies being

expected to originate, in the first instance, from management);

- 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.

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 2020:



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 an independent director of Strategic Pay Limited and 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 Rererangi I Puketapu (New Plymouth Airport). Philip is also a strategic adviser to clients in the energy and infrastructure sectors. He was a member of the Local Government Infrastructure Expert Advisory Group tasked with advising the Minister of Local Government on improvements in local government infrastructure efficiency.



Mike Timmer
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 is presently Treasurer at the Greater Wellington Regional Council. He is Chairman of the Finance Committee of Physiotherapy New Zealand Incorporated, 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 Robertson is a professional company director with over 20 years of governance experience and more than 30 years' experience in executive finance roles having worked in the banking and energy sector in New Zealand. Linda is currently chair of Central Lakes Trust and Crown Irrigation Investments, and a director of Dunedin City Holdings Limited, Dunedin City Treasury Limited and Dunedin Stadium Properties Limited. She is chair of the Audit and Risk Committee for the Central Otago District Council, a member of the Board of AWS Legal, a member of the Risk and Audit Committee for The Treasury and a member of the Capital Markets Advisory Committee for The Treasury.



Anthony Quirk
Independent Director

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

Anthony is an experienced financial services sector professional with over thirty years executive experience in the sector, including nine years as Managing Director of Milford Asset Management. 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.

Directors and staff interests as at 30 June 2020

Craig Stobo (Chair)

Director

Precinct Properties New Zealand Limited
(Chair and shareholder)
Elevation Capital Management Limited
(Chair and shareholder)
Saturn Portfolio Management Limited
(Chair and shareholder)
Stobo Group Limited (Managing Director
and shareholder)
AIG Insurance NZ Limited (Chair)
SouthWest Trustees Limited (Shareholder)
Appello Services Limited
Biomarine Group Limited (Chair and shareholder)
Legend Terrace Limited (Chair and shareholder)

John Avery

Director

Strategic Pay Limited

General disclosure

Royal New Zealand Ballet (Trustee)

Philip Cory-Wright

Director

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

Anthony Quirk

Director

Milford Asset Management Limited (and
associated subsidiaries) (Non-Executive Director
and shareholder)
Compass Housing NZ (Deputy Chair)
Humanitix, New Zealand (Chair)

Linda Robertson

Director

Dunedin City Holdings Limited
Dunedin City Treasury Limited
Dunedin Stadium Property Limited
Central Lakes Trust (Chair) and associated
subsidiaries.
Crown Irrigation Investments Limited (Chair)

General disclosure

Capital Markets Advisory Committee,
The Treasury (Member)
Risk & Audit Committee,
The Treasury (Member)
Audit & Risk Committee, Central Otago District
Council (Chair)
Board, AWS Legal (Member)

Mike Timmer

General disclosure

Greater Wellington Regional Council (Officer)
Finance Committee, Physiotherapy New Zealand
(Chairman)
Whanganui District Council Risk & Audit
Committee (Member)

Mark Butcher – Chief Executive

New Plymouth PIF Guardians Limited (Chair)
Waikato-Tainui Group Investment Committee
(Chair)
Nominating Committee for Guardians
of New Zealand Superannuation (Member)

Neil Bain – Chief Financial Officer

Audit & Risk Committee, Central Hawkes Bay
District Council (Chair)

Nomination of Directors

Director nominations can only be made by a shareholder by written notice to LGFA and 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.

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 and, if desired, seek 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

As at 30 June 2020

Director	Originally appointed	Last reappointed/ elected	Tenure	Next reappointment
Craig Stobo (Chair)	1 December 2011	21 November 2017	8 years, 7 months	November 2021
John Avery	1 December 2011	21 November 2018	8 years, 7 months	November 2022
Philip Cory-Wright	1 December 2011	24 November 2016	8 years, 7 months	November 2020
Anthony Quirk	21 November 2017	21 November 2017	2 years, 7 months	November 2021
Linda Robertson	24 November 2015	21 November 2019	4 years, 7 months	November 2023
Mike Timmer	24 November 2015	21 November 2019	4 years, 7 months	November 2020

Board performance review

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

Director and staff capability

As part of LGFA's commitment to ongoing education for directors and staff, LGFA 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

The 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



2020
Female 1, Male 5



2019
Female 1, Male 5

Gender diversity of employees



2020
Female 2, Male 5



2019
Female 2, Male 5

Indemnities and insurance

Under LGFA's constitution, LGFA has indemnified 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 LGFA. 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 an Audit and Risk Committee Charter, which states that the purpose of the Audit and Risk 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. It assists the Board to fulfil its duties by considering, reviewing and monitoring:

- Risk management framework and processes;
- Internal control environment and mechanisms;
- The operations and effectiveness of the internal audit function;
- Processes relating to the preparation and audit of financial statements of LGFA;

- The integrity of performance information, including financial reporting;
- The 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

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

Principle 4 Reporting and disclosure

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 of LGFA 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 is our first to have been prepared to meet the requirements of the Global Reporting Initiative (GRI) Standards (core option).

Principle 5 Remuneration

The remuneration of directors and the 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 may be used 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	2020	2019
Board Chair	\$102,000	\$97,000
Audit and Risk Committee Chair	\$63,000	\$60,000
Director / ARC Member	\$59,000	\$55,000
Director	\$57,000	\$55,000

Director remuneration

Director	2020
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 on an annual basis taking into consideration the scope and complexity of the position with reference to the remuneration of CEOs of similar

organisations. A specialist independent adviser may be used to ensure the remuneration is appropriate.

The CEO remuneration package comprises a fixed cash component of \$530,000 per annum as at 30 June 2020 (\$530,000, 2019) 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

Position. Fees per annum	2020	2019
Salary	530,000	530,000
Taxable benefits	-	-
Subtotal	530,000	530,000
Pay for Performance STI	79,500	71,500
Kiwisaver Employer Contribution	24,000	24,000
Total remuneration	609,500	601,550

Staff remuneration

Total remuneration	2020
\$140,000 to \$149,999	1
\$170,000 to \$179,999	1
\$180,000 to \$189,999	1
\$260,000 to \$269,999	1
\$300,000 to \$309,999	1
\$600,000 to \$609,999	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 LGFA's 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;
- Reviewing and 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 believes should be discussed privately.

Health and safety

LGFA is committed to a safe and healthy work environment and has formally 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.

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

Principle 7 Auditors

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 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 LGFA 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 2020

- 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
- Mat Taylor, Bay of Plenty Regional Council
- Martin Read, Wellington City Council
- Mike Drummond, Tasman District Council
- Carol Bellette, 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 as the company is exposed to business and treasury related risks as a result of its normal business activities in relation to 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 ensure that risks are managed 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, in a manner that is consistent with 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 that are approved by the LGFA Board and Audit and Risk Committee, as defined by the LGFA register of policies.
 - LGFA management ensures that policies and controls are implemented and maintained to ensure that all relevant risks are identified, monitored, measured and managed.
 - 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 that are in place.
- The LGFA adopts the three lines of defence model to ensure that essential risk management functions are completed using a systematic approach that reflects industry best practice. The three lines of defence model can be summarised as:
- The 1st line of defence establishes risk ownership within the business and is represented by the operational risk and control processes within the business. Business managers are responsible for identifying controls, maintaining effective controls and mitigating risks.
 - The 2nd line of defence establishes risk control within the organisation by ensuring that risks are actively and appropriately managed by processes such as the regular review of risk reports and compliance monitoring against the risk management framework.
 - The 3rd line of defence establishes independent assurance on the risk governance framework 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;
- Provides an assessment of the likelihood and potential impact of the inherent risks on the business;
- Describes the internal control framework and management processes that are in place to manage and mitigate the identified inherent risks;
- Provides commentary on internal audit coverage of the identified inherent risks; and
- Assesses the likelihood and impact of the residual risks.

The LGFA risk register is reviewed quarterly 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 participating New Zealand Local Authority borrowers. 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.

The LGFA risk management framework uses an approved risk identification and assessment framework to actively monitor and manage all treasury and financial risks using 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 the Treasury Policy are to:

- Effectively manage treasury risks within approved compliance limits to protect LGFA's capital position and Net Interest Margin over time.

- Fund participating local authorities in the most cost-effective manner and in accordance with the operating principles, values and objectives of the LGFA.
- 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 LGFA 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 refers to the potential inability of LGFA to meet its financial obligations when they become due, under normal or abnormal/stressed operating conditions.

Liquidity risk is managed using a forecasted 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 LGFA's 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.

LGFA measures VaR 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 to LGFA 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 are determined as a function of the term of investment, liquidity and credit quality of the counterparty (as measured by 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 New Zealand domestic currency.

Foreign exchange risk is managed through a requirement for LGFA to fully hedge back to floating rate NZD 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 because of human error, fraud, negligent behaviour, system failures and inadequate procedures and controls.

Operational risk is managed using internal controls and procedures across LGFA's 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.

Lending risk

As at 30 June 2020, LGFA provides debt funding solely to New Zealand Local Government councils. The Local Government borrowing counterparty will be the Council itself and will not be any Council-Controlled Organisation, Council-Controlled Trading Organisation, Council joint venture or partially owned entity.

The LGFA Board have ultimate discretion on approving term funding to councils.

All Local Authorities 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.
- If the principal amount of a Local Authority's borrowings is at any time equal to, or greater than, NZD 20 million, then it is required to become a party to a deed of guarantee and an equity commitment deed.
- 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 Local Authorities or Local Authorities 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.
- Local Authorities 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 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.
- 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 debt is defined as total consolidated debt less liquid financial assets and investments.
- Liquidity is defined as external debt plus committed loan facilities plus liquid investments divided by external debt.
- 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.

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.

To minimise concentration risk the LGFA will require that no more than the greater of NZD 100 million or 33% of a council's borrowings from the LGFA will mature in any 12-month period.

Auckland Council will be limited to a maximum of 40% of the LGFA's total Local Government assets.

Financial covenant	Lending policy covenants Unrated councils	Foundation policy covenants Rated councils
Net debt/ total revenue	<175%	<250%
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% applies. 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.

Financial statements

Nga taukī pūtea

In the opinion of the directors of the New Zealand Local Government Funding Agency Limited, the financial statements and notes on pages 55 to 77:

- Comply with New Zealand generally accepted accounting practice (GAAP), New Zealand equivalents to International Financial Reporting Standards (NZIFRS) as appropriate for profit-oriented entities and give a true and fair view of the financial position of the Company as at 30 June 2020, and
- Have been prepared using appropriate accounting policies, which have been consistently applied and supported by reasonable judgements and estimates.

- The directors believe that proper accounting records have been kept which enables, with reasonable accuracy, the determination of the financial position of the Company and facilitates the compliance of the financial statements with the Financial Markets Conduct Act 2013 and the Financial Reporting Act 2013.

The directors consider that they have taken adequate steps to safeguard the assets of the Company, and to prevent and detect fraud and other irregularities. Internal control procedures are also considered to be sufficient to provide a reasonable assurance as to the integrity and reliability of the financial statements.

For and on behalf of the Board of Directors



Craig Stobo
Chair, LGFA Board
28 August 2020



Linda Robertson
Chair, Audit and Risk Committee
28 August 2020

Statement of comprehensive income

For the year ended ended 30 June 2020 in \$000s

	Note	Year ended 2020	Year ended 2019
Interest income			
Cash and cash equivalents		394	490
Marketable securities		4,462	4,118
Deposits		6,341	3,887
Derivatives		152,621	104,568
Loans		206,402	248,015
Fair value hedge ineffectiveness	2c	-	-
Total interest income		370,220	361,078
Interest expense			
Bills		6,632	9,519
Bond repurchase transactions		590	358
Lease liability		22	-
Bonds		341,783	328,907
Borrower notes		2,914	3,535
Total interest expense		351,941	342,319
Net interest income		18,279	18,759
Operating expenses			
Issuance and on-lending expenses	3	3,971	4,287
Operating expenses	4	3,685	3,271
Total expenses		7,657	7,558
Net operating profit		10,623	11,201
Total comprehensive income		10,623	11,201

Statement of changes in equity

For the year ended 30 June 2020 in \$000s

	Note	Share capital	Retained earnings	Total equity
Equity as at 30 June 2018		25,000	39,290	64,290
Adjustment on adoption of NZ IFRS 9			(57)	(57)
Net operating profit			11,201	11,201
Total comprehensive income for the year			11,201	11,201
Transactions with owners			-	-
Dividend paid on 7 September 2018			(1,285)	(1,285)
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
Transactions with owners			-	-
Dividend paid on 6 September 2019			(1,155)	(1,155)
Equity as at 30 June 2020	11	25,000	58,616	83,616

Statement of financial position

As at 30 June 2020 in \$000s

	Note	2020	2019
Assets			
Financial assets			
Cash and bank balances		165,826	56,198
Marketable securities		589,124	255,715
Deposits		499,824	136,216
Derivatives in gain	2d	1,018,775	622,559
Loans	5	10,899,756	9,310,617
Non-financial assets			
Prepayments		642	570
Other assets	12	419	457
Total assets		13,174,365	10,382,332
Equity			
Share capital	11	25,000	25,000
Retained earnings		58,616	49,149
Total equity		83,616	74,149
Liabilities			
Financial liabilities			
Payables and provisions		705	563
Bills	6	647,021	503,225
Bond repurchases	9	202,755	24,625
Derivatives in loss	2d	19,075	12,926
Bonds	7	12,038,468	9,612,394
Borrower notes	8	182,272	154,168
Non-financial liabilities			
Other liabilities		453	282
Total liabilities		13,090,748	10,308,183
Total equity and liabilities		13,174,365	10,382,332

Statement of cash flows

For the year ended 30 June 2020 in \$000s

	Note	Year Ended 2020	Year Ended 2019
Cash Flow from Operating Activities			
Cash applied to loans		(1,556,491)	(1,330,360)
Interest paid on bonds issued		(381,666)	(385,850)
Interest paid on bills issued		(6,609)	(9,516)
Interest paid on borrower notes		(745)	(2,874)
Interest paid on bond repurchases		(333)	(341)
Interest received from loans		223,829	244,079
Interest received from cash & cash equivalents		372	490
Interest received from marketable securities		6,729	3,742
Interest received from deposits		5,713	4,786
Net interest on derivatives		171,367	160,664
Payments to suppliers and employees		(7,452)	(7,420)
Net cash flow from operating activities	10	(1,545,287)	(1,322,601)
Cashflow from Investing Activities			
Purchase of marketable securities		(335,676)	(24,513)
Purchase of deposits		(362,980)	64,000
Net Cashflow from Investing Activities		(698,656)	39,487
Cashflow from Financing Activities			
Cash proceeds from bonds issued		2,146,925	1,255,337
Cash proceeds from bills issued		143,773	29,802
Cash proceeds from bond repurchases		177,874	18,425
Cash proceeds from borrower notes		(24,066)	18,400
Dividends paid		(1,155)	(1,285)
Cash applied to derivatives		(89,782)	(31,647)
Net Cashflow from Financing Activities		2,353,570	1,289,032
Net (Decrease) / Increase in Cash		109,627	5,918
Cash, Cash Equivalents and Bank overdraft at beginning of year		56,198	50,281
Cash, Cash Equivalents and Bank overdraft at end of year		165,826	56,198

1 Statement of accounting policies

a. Reporting entity

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

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

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

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 2020.

These financial statements were authorised for issue by the Directors on 28 August 2020.

b. 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).

c. 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

NZ IFRS 16 Leases

NZ IFRS 16 became effective from 1 July 2019 and did not have a material impact on the financial statements.

On adoption of NZ IFRS 16, LGFA recognised right-of-use assets and lease liabilities in relation to its property leases which had previously been classified as operating leases under NZ IAS 17 Leases.

In adopting NZ IFRS 16, LGFA elected to use the simplified retrospective approach which does not require restatement of comparative information. 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.

The following items in the balance sheet were impacted by the change of accounting on 1 July 2019: Other assets and Other liabilities both increased by \$0.157 million.

Lease payments previously included in other operating expense are now classified to financing and depreciation costs under NZ IFRS 16.

There have been no other changes to accounting policies.

Early adoption standards and interpretations

LGFA has not early adopted any standards.

New standards adopted

NZ IFRS 16 Leases became effective from 1 July 2019.

Standards not yet adopted

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

d. 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.

e. Other assets

Property, plant and equipment (PPE)

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.

f. 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.

g. Revenue and expenses

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.

h. Segment reporting

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

i. 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. Refer note 2a.

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 at 30 June 2020 include estimates and judgements of the potential impact of COVID-19 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 on the local government sector.

2 Analysis of financial assets and financial liabilities

a. Categories of 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.

Financial instruments recognised in the statement of financial position at amortised cost

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

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

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

Marketable securities and bonds

The fair value of bonds and marketable securities are determined using the quoted price for the instrument (Fair value hierarchy level 1).

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 (Fair value hierarchy level 2).

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 (Fair value hierarchy level 2).

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 hierarchy level 2).

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 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	-	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

As at 30 June 2019 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	-	56,198	-	56,198
Trade and other receivables	-	-	-	-
Marketable securities	-	255,715	-	257,124
Deposits	-	136,216	-	137,355
Derivatives	-	-	622,559	622,559
Loans	-	9,310,617	-	9,640,053
	-	9,758,746	622,559	10,713,289
Financial liabilities				
Payables and provisions	563	-	-	563
Bills	503,225	-	-	503,451
Bond repurchases	24,625	-	-	24,625
Derivatives	-	-	12,926	12,926
Bonds	9,612,394	-	-	9,727,610
Borrower notes	154,168	-	-	155,935
	10,294,975	-	12,926	10,425,110

b. Financial risk management

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

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.

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 2020 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

As at 30 June 2019 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	56,198	56,198	-	-	-	-
Marketable securities	253,972	203,850	40,122	10,000	-	-
Deposits	135,000	55,000	80,000	-	-	-
Loans	9,262,858	8,030,980	16,520	452,700	284,700	477,958
Financial liabilities						
Bills	(505,000)	(480,000)	(25,000)	-	-	-
Bond repurchases	(24,604)	(24,604)	-	-	-	-
Derivatives	-	(7,715,000)	938,750	1,027,500	2,828,750	2,920,000
Bonds	(8,935,000)	-	(980,000)	(1,450,000)	(3,110,000)	(3,395,000)
Borrower notes	(142,027)	(122,333)	(248)	(7,243)	(4,555)	(7,647)
Total	101,398	4,091	70,144	32,957	(1,105)	(4,689)

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	2020		2019	
	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	484,492	(493,186)	(369,387)	376,054
Derivative financial instruments	(483,279)	491,932	369,387	(376,054)
	1,213	(1,254)	-	-
Cash flow sensitivity analysis				
Variable rate assets	89,636	(89,636)	76,708	(76,708)
Variable rate liabilities	(2,712)	2,712	(1,227)	1,227
Derivative financial instruments	(93,608)	93,608	(79,320)	79,320
	(6,684)	6,684	(3,839)	3,839

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 Agencies or counterparties that meet a minimum credit rating of A (Standard & Poor's 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 2020 in \$000s	NZ government agencies	NZ local authorities	NZ registered banks	Other counter- parties	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

As at 30 June 2019 in \$000s	NZ government agencies	NZ local authorities	NZ registered banks	Other counter- parties	Total carrying value
Financial assets					
Cash and bank balances	55,679	-	520	-	56,198
Trade and other receivables	-	-	-	-	-
Marketable securities	40,962	48,668	135,597	30,488	255,715
Deposits	-	-	136,216	-	136,216
Derivatives	609,632	-	-	-	609,632
Loans	-	9,310,617	-	-	9,310,617
	706,273	9,359,285	272,333	30,488	10,368,378

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.

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 2020, the undrawn committed liquidity facility was \$700 million (2019: \$700 million). The facility is due to expire in December 2021.

Contractual cash flows of financial instruments.

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

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)
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)	37,904	83,008

As at 30 June 2019 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	56,198	-	-	-	-	56,198	56,198
Trade and other receivables							
Marketable securities	-	127,363	52,615	80,815	-	260,793	255,715
Deposits	-	-	138,543	-	-	138,543	136,216
Loans	-	279,328	936,604	5,556,479	3,583,112	10,355,524	9,310,617
Financial liabilities							
Payables and provisions	(563)	-	-	-	-	(563)	(563)
Bills	-	(330,000)	(175,000)	-	-	(505,000)	(503,225)
Bond repurchases	-	(24,628)	-	-	-	(24,628)	(24,625)
Bonds	-	-	(1,338,293)	(5,495,770)	(3,838,283)	(10,672,345)	(9,612,394)
Borrower notes	-	(332)	(10,820)	(92,580)	(65,981)	(169,713)	(154,168)
Derivatives	-	(42,732)	183,130	358,542	154,427	653,366	609,632
	55,635	8,998	(213,220)	407,487	(166,724)	92,176	73,403

c. 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 and loans.

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.

For the year ended ended 30 June in \$000s	2020 Gain/(loss)	2019 Gain/(loss)
Hedging instruments – interest rate swaps	319,032	312,996
Hedged items attributable to the hedged risk – fixed rate bonds	(319,032)	(312,996)
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 or loans) 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.

d. 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 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	-

As at 30 June 2019 in \$000s	Derivative assets	Derivative liabilities
Gross amounts	622,559	12,926
Amounts offset	-	-
Carrying amounts	622,559	12,926
Amounts that don't qualify for offsetting	-	-
Financial assets & liabilities	(12,926)	(12,926)
Collateral	-	-
Net amount	609,633	-

3 Issuance and on-lending expenses

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

For the year ended 30 June in \$000s	2020	2019
NZDM facility fee	650	644
NZX	559	455
Rating agency fees	609	596
Legal fees for issuance	499	493
Regulatory, registry, other fees	157	147
Trustee fees	100	100
Approved issuer levy ¹	1,396	1,708
Information services ²	-	144
	3,971	4,287

1. The amount of Approved Issuer Levy is a function of the number of the offshore holders of certain LGFA bond maturities.
2. From 1 July 2019, information services costs are reported under Information Technology in Operating Expenses (Note 4)

4 Operating expenses

Operating expenses are all other expenses that are not classified as issuance and on-lending expenses.

For the year ended 30 June in \$000s	2020	2019
Information technology ¹	689	-
Consultants	127	205
Directors fees	399	377
Insurance	78	65
Legal fees	139	84
Other expenses	354	796
Auditors' remuneration		
Statutory audit	103	96
Advisory services	-	-
Personnel	1,798	1,648
	3,685	3,271

1. Information technology aggregates all LGFA information technology-related expenses under a single category. Previously, these expenses were recorded across information services, consultants and other expenses.

5 Loans

As at 30 June in \$000s	2020		2019	
	Short-term loans	Loans	Short-term loans	Loans
Ashburton District Council	10,001	32,279	10,025	27,465
Auckland Council	-	2,766,155	-	2,422,898
Bay of Plenty Regional Council	-	192,077	90,974	50,631
Buller District Council	-	20,005	-	20,013
Canterbury Regional Council	6,002	48,129	6,006	32,108
Central Hawkes Bay District Council	-	20,107	-	2,027
Christchurch City Council	25,094	1,904,271	27,110	1,721,759
Clutha District Council	2,003	7,030	-	5,020
Far North District Council	10,001	46,686	-	40,149
Gisborne District Council	-	58,754	5,982	42,819
Gore District Council	6,004	16,538	6,011	13,059
Greater Wellington Regional Council	-	425,877	-	401,676
Grey District Council	3,967	15,196	4,978	15,305
Hamilton City Council	-	481,064	-	356,737
Hastings District Council	-	150,335	-	105,985
Hauraki District Council	-	44,102	-	38,192
Hawkes Bay Regional Council	-	2,507	-	2,509
Horizons Regional Council	6,987	37,199	-	35,182
Horowhenua District Council	16,003	90,618	11,006	85,780
Hurunui District Council	8,005	30,065	-	32,140
Hutt City Council	-	216,523	-	179,746
Invercargill City Council	25,013	65,165	25,093	30,095
Kaikoura District Council	4,007	3,008	-	-
Kaipara District Council	-	44,089	999	44,189
Kapiti Coast District Council	-	210,353	-	210,804
Manawatu District Council	11,519	65,669	-	68,229
Marlborough District Council	27,224	73,157	26,545	73,252
Masterton District Council	-	51,215	-	50,248
Matamata-Piako District Council	-	26,561	2,546	21,597
Nelson City Council	-	75,118	-	65,264
New Plymouth District Council	-	139,939	-	99,535
Northland Regional Council	-	9,729	-	9,728
Opotiki District Council	-	8,620	-	5,125
Otorohanga District Council	-	3,035	-	3,048

5 Loans (cont)

As at 30 June in \$000s	2020		2019	
	Short-term loans	Loans	Short-term loans	Loans
Palmerston North City Council	-	137,267	10,024	104,439
Porirua City Council	-	131,787	-	86,894
Queenstown Lakes District Council	20,027	95,525	20,076	85,644
Rangitikei District Council	-	3,020	-	3,013
Rotorua District Council	22,855	195,105	2,817	180,186
Ruapehu District Council	8,005	17,061	3,027	13,070
Selwyn District Council	-	35,092	5,097	10,053
South Taranaki District Council	-	101,232	-	80,383
South Wairarapa District Council	-	22,018	-	20,023
Stratford District Council	-	15,571	1,003	13,570
Taranaki Regional Council	3,992	-	-	-
Tararua District Council	2,006	33,080	4,020	21,104
Tasman District Council	31,143	177,039	25,380	127,172
Taupo District Council	-	115,177	-	115,452
Tauranga City Council	-	526,768	9,963	432,609
Thames-Coromandel District Council	-	61,147	-	51,244
Timaru District Council	22,577	67,203	17,568	67,313
Upper Hutt City Council	2,993	46,108	4,975	38,174
Waikato District Council	-	95,222	-	80,400
Waikato Regional Council	-	32,085	-	22,120
Waimakariri District Council	-	160,550	10,010	135,872
Waipa District Council	13,503	40,053	-	15,013
Wairoa District Council	-	9,045	1,514	3,519
Waitomo District Council	7,022	30,044	10,055	30,093
Wellington City Council	-	635,684	-	533,151
West Coast Regional Council	2,001	6,610	1,985	5,608
Western Bay of Plenty District Council	-	90,212	-	90,478
Westland District Council	-	19,652	-	18,688
Whakatane District Council	-	67,178	5,008	57,298
Whanganui District Council	7,510	94,290	-	73,408
Whangarei District Council	9,992	142,301	9,976	122,543
	315,456	10,584,299	359,771	8,950,846

As at 30 June 2020, \$1,960 million of loans are due to mature within 12 months. This comprises all short-term loans and \$1,645 million of loans.

6 Bills on issue

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

As at 30 June 2019 in \$000's	Face value	Unamortised premium	Accrued interest	Total
4 July 2019	25,000	-	(4)	24,996
10 July 2019	85,000	-	(41)	84,959
17 July 2019	25,000	-	(23)	24,977
29 July 2019	25,000	-	(35)	24,965
5 August 2019	25,000	-	(48)	24,952
14 August 2019	50,000	-	(109)	49,891
23 August 2019	45,000	-	(117)	44,883
11 September 2019	50,000	-	(174)	49,826
4 October 2019	25,000	-	(124)	24,876
9 October 2019	25,000	-	(125)	24,875
7 November 2019	25,000	-	(168)	24,832
13 November 2019	25,000	-	(159)	24,841
4 December 2019	25,000	-	(203)	24,797
11 December 2019	25,000	-	(180)	24,820
22 January 2020	25,000	-	(266)	24,734
	505,000	-	(1,775)	503,225

7 Bonds on issue

Bonds on issue do not include \$800 million face value of issued LGFA bonds subscribed by LGFA and held as treasury stock. Refer Note 9: Treasury stock and bond repurchase transactions.

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

As at 30 June 2019 in \$000's	Face Value	Unamortised premium	Accrued interest	Fair value hedge adjustment	Total
15 April 2020	980,000	(2,674)	6,185		
15 May 2021	1,450,000	40,569	11,111		
14 April 2022	710,000	5,876	4,161		
15 April 2023	1,450,000	56,972	16,778		
15 April 2024	950,000	(3,895)	4,497		
15 April 2025	1,379,000	(38,648)	7,978		
15 April 2027	1,276,000	51,179	12,080		
14 April 2033	740,000	(35,533)	5,520		
Total	8,935,000	73,848	68,311	535,236	9,612,394

8 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 1.6% of the aggregate borrowings by that local authority.

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.

9 Treasury stock and bond repurchase transactions

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 2020, \$800 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 2020, bond repurchase transactions comprised:

in \$000s	30 June 2020	30 June 2019
15 May 2021	25,970	-
14 April 2022	25,196	15,535
15 April 2023	27,670	-
15 April 2024	25,139	-
15 April 2025	22,135	-
15 April 2026	-	-
15 April 2027	31,145	5,837
20 April 2029	22,899	-
14 April 2033	22,600	3,252
	202,755	24,624

10 Reconciliation of net profit to net cash flow from operating activities

For the year ended 30 June in \$000s	2020	2019
Net profit/(loss) for the period	10,603	11,201
Cash applied to loans	(1,556,491)	(1,330,360)
Non-cash adjustments		
Amortisation and depreciation	528	(3,428)
Working capital movements		
Net change in trade debtors and receivables	87	62
Net change in prepayments	(72)	(9)
Net change in accruals	58	(66)
Net Cash From Operating Activities	(1,545,287)	(1,322,601)

11 Share Capital

As at 30 June 2020, 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.

Shareholder information

Registered holders of equity securities as at 30 June 2020	2020		2019	
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%

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.

Dividend

LGFA paid a dividend of \$1,155,000 on 6 September 2019, being \$0.0462 per paid up share (2019: \$1,285,000 on 7 September 2018, being \$0.0514 per paid up share).

12 Other assets

As at 30 June in \$000s	2020	2019
Intangible assets ¹	306	457
Right-of-use lease asset	113	-
Total other assets	419	457

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

13 Capital commitments

As at 30 June 2020, there are no capital commitments.

14 Contingencies

There are no contingent liabilities at balance date.

15 Related parties

Identity of related parties

LGFA is related to the local authorities set out in the Shareholder Information in note 11.

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 local authorities.

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 councils. The lending to individual councils is disclosed in note 5, and interest income recognised on this lending is shown in the statement of comprehensive income.

The purchase of LGFA borrower notes by participating councils. Refer note 8.

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

Transactions with key management personnel:

Salaries \$951,900 (2019: \$904,300)

Fees paid to directors are disclosed in operating expenses in Note 4.

16 Subsequent events

On 6 July 2020 the group of Participating Local Authorities approved changes to the Multi Issuer Deed, Guarantee and Indemnity Deed and Notes Subscription Agreement. This allowed LGFA to lend to CCOs and CCTO's, and permitted an increase in the Borrower Notes Percentage from 1.6% to 2.5% of a member council's borrowings.

On 11 August 2020, the Minister of Finance and LGFA signed an amendment to the Crown Liquidity Facility that extends the term of the facility to 31 December 2031 (from 31 December 2021) and increases the size of the facility to \$1.5 billion (from \$1 billion).

On 28 August 2020, the Directors of LGFA declared a dividend of \$878,500 (\$0.03514 per paid up share).

Subsequent to balance date, LGFA has issued \$1.2 billion in bonds (including \$100 million of treasury stock).



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 2020

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 55 to 77, that comprise the statement of financial position as at 30 June 2020, 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 17.

In our opinion:

- the financial statements of the company on pages 55 to 77:
 - present fairly, in all material respects:
 - its financial position as at 30 June 2020; 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 Accepted Accounting Practice (NZ GAAP) and they comply 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 17 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 2020.

Our audit was completed on 28 August 2020. 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 \$85 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	
<p>Refer to Note 5 to the Financial Statements.</p> <p>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.</p> <p>In addition, the Covid-19 pandemic has created significant additional risks across a number of areas of the business, particularly the assessment of the provision for credit impairments. All forward looking assumptions are inherently more uncertain during these unprecedented times. While this key audit matter is unchanged from last year, the underlying audit risk has increased which impacted the extent and nature of audit evidence that we had to gather.</p>	<p>Our audit procedures included:</p> <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 2020 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	
<p>Refer to Note 2 of the Financial Statements.</p> <p>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.</p> <p>Due to the size of the derivative positions and the complexity of hedge accounting we consider this to be a key audit matter.</p>	<p>Our audit procedures included:</p> <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, 18 to 54 and 82 to 86, 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.

Brent Manning
KPMG
On behalf of the Auditor-General
Wellington, New Zealand



Other disclosures

He whākitanga anō

Donations

A donation of \$3000 was made to Kauri 2000 for the year ended 30 June 2020.

Net Tangible Assets

Net tangible assets per \$1,000 of listed bonds as at 30 June 2020 is \$7.09 (2019: \$7.95).

Earnings per security

Earnings per \$1,000 of bonds on issue as at 30 June 2020 is \$0.90 (2019: \$1.20).

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	355	39.1	\$9,098,000	0.08
50,000 to 99,999	194	21.4	\$13,712,000	0.12
100,000 to 499,999	238	26.2	\$47,730,000	0.41
500,000 to 999,999	38	4.2	\$25,566,000	0.22
1,000,000 to 9,999,999,999,999	83	9.1	\$11,563,894,000	99.17
Total	908	100.0	\$11,660,000,000	100.00



GRI Index

Tāpiritanga GRI

The GRI Standards are the world's most widely used sustainability reporting standard.

This is the first 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 18
102-2. Activities, brands, products and services	Pages 18-27
102-3. Location of headquarters	Page 87
102-4. Location of operations	Page 87
102-5. Ownership and legal form	Pages 18, 59
102-6. Markets served	Pages 4-6, 10-17, 18-27, New Zealand
102-7. Scale of the organisation	Pages 4-6, 18-32, 57
102-8. Information on employees and other workers	Pages 45, 47, 77
102-9. Supply chain	Pages 18-27
102-10. Significant changes to the organization and its supply chain	None.
102-11. Precautionary Principle or approach	Page 38
102-12. External initiatives	Page 40
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 40-49
102-18. Overview of Governance Structure	Page 19
102-40. List of stakeholder groups	Pages 4-7, 10-16, 28-33, 49
102-41. Collective bargaining agreements	None.
102-42. Identifying and selecting stakeholders	Page 34
102-43. Approach to stakeholder engagement	Pages 4-6, 15, 34
102-44. Key topics and concerns raised	Page 34
102-45. Entities included in the consolidated financial statements	Page 59
102-46. Defining report content and topic Boundaries	Page 34
102-47. List of material topics	Pages 34-36
102-48. Restatements of information	None
102-49. Changes in reporting	None

102-50. Reporting period	1 July 2019 to 30 June 2020
102-51. Date of most recent report	2019 Annual Report
102-52. Reporting cycle	Annual
102-53. Contact point for questions regarding the report	lgfa@lgfa.co.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 85
102-56. External assurance	None
Cost effective funding	Pages 4-6, 10-17, 28
Culture, ethics and governance	Pages 34-36, 40-49
Transparency and disclosure	Pages 4-6, 34-36, 40-49, 50-53
Environmental and social impact of lending	Pages 4-6, 34-36, 38-39
Health & safety and wellbeing	Pages 11, 16-17, 34-36, 48
Collaboration and local engagement	Pages 4-6, 15, 34-36
Financial markets best practice and influence	Pages 4-6, 10-17, 40-53
Diversity and inclusion	Pages 4-6, 45
Capability and development	Pages 4-6, 45
Carbon footprint	Pages 34-36
Health and Safety and Wellbeing	
403-1 Occupational health and safety management system	Page 48
403-9 Work-related injuries	Page 16
403-10 Work-related ill health	Page 16
Diversity and Inclusion	
405-1 Diversity of governance bodies and employees	Page 45
405-2 Ratio of basic salary and remuneration of women to men	Page 47
Capability and Development	
404-2 Programs for upgrading employee skills and transition assistance programs	Page 45

Directory

Rārangi tauwaea



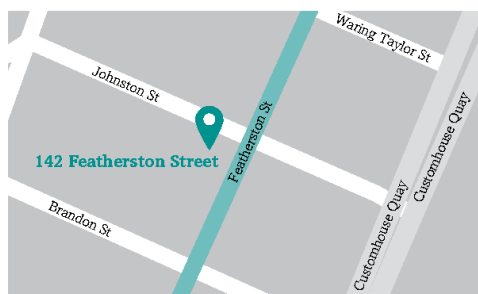
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Resolution to Exclude the Public

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 Finance Public Excluded Minutes - 11 August 2020) 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 31 August 2020 & Debt write-offs 2020/21		

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)