



KOMITI RATONGA RANGATŌPŪ ME TE RAUTAKI | POLICY, FINANCE AND STRATEGY COMMITTEE

7 October 2024

Order Paper for the meeting to be held in the
Council Chambers, 2nd Floor, 30 Laings Road, Lower Hutt,
on:

Monday 14 October 2024 commencing at 2:00 pm

The meeting will be livestreamed on Council's YouTube page.

Membership

	Cr A Mitchell (Chair)
	Deputy Mayor T Lewis (Deputy Chair)
Mayor C Barry	Cr K Brown
Cr B Dyer	Cr S Edwards
Cr K Morgan	Cr C Parkin
Cr T Stallinger	

For the dates and times of Council Meetings, please visit www.huttcity.govt.nz

Have your say

You can speak under public comment to items on the agenda to the Mayor and Councillors at this meeting. Please let us know by noon the working day before the meeting. You can do this by emailing DemocraticServicesTeam@huttcity.govt.nz or calling the Democratic Services Team on 04 570 6666 | 0800 HUTT CITY

KOMITI RATONGA RANGATŌPŪ ME TE RAUTAKI | POLICY FINANCE AND STRATEGY COMMITTEE

Chair:	Cr Andy Mitchell
Deputy Chair:	Deputy Mayor Tui Lewis
Membership:	<p>Mayor Campbell Barry Cr Keri Brown Cr Brady Dyer Cr Simon Edwards Cr Karen Morgan Cr Chris Parkin Cr Tony Stallinger</p> <p>Refer to Council's Standing Orders (SO 31 Provisions for Mana Whenua)</p>
Quorum:	Half of the membership
Meeting Cycle:	Meets on an eight-weekly basis or at the requisition of the Chair
Reports to:	Council
Membership RMA Hearings	An independent Commissioner plus a minimum of either three or four elected members (including the Chair) and alternates who have current certification under the Making Good Decisions Training Assessment and Certification programme for RMA Decision Makers

OVERVIEW:

This committee assists Council in setting the broad direction of the city, discharging statutory functions and overseeing organisational performance. The committee is aligned with the Office of the Chief Executive and Strategy and Engagement Directorate.

Its areas of focus are:

- Long term/high-level strategic focus
- Long Term Plan/ Annual Plan oversight
- Treaty partnerships
- Economic development
- Financial and non-financial performance reporting
- Oversight of the Property Working Group
- Oversight and general co-ordination (including community engagement) of strategies and policies
- Bylaw development
- Oversight of Council Controlled Organisations/Statements of Expectation/Statements of Intent
- Strategic oversight of current community engagement

PURPOSE:

To assist the Council in setting the broad vision and direction of the city to promote the social, economic, environmental and cultural well-being of the city's communities in the present and for the future.

This involves determining specific outcomes that need to be met to deliver on the vision for the city, and overseeing the development of strategies, policies, bylaws and work programmes to achieve those goals. This committee is also responsible for monitoring the overall financial management and performance of the Council Group.

DELEGATIONS FOR THE COMMITTEE'S AREAS OF FOCUS:

- All powers necessary to perform the committee's responsibilities including the activities outlined below.
- Develop required strategies and policies. **Recommend draft and final versions to Council** for adoption where they have a city-wide or strategic focus.
- Implement, monitor and review strategies and policies to ensure policies and strategies are consistent, effective and current.
- Identify the need for any new strategies and policies.
- Oversee the implementation of major projects provided for in the Long Term Plan or Annual Plan.
- Oversee budgetary decisions provided for in the Long Term Plan or Annual Plan.
- **Recommend to Council** the approval of any financial decisions required outside of the annual budgeting process.
- Advocate for strong relationships with Council's Mana Whenua partners as outlined in the Tākai Here agreements ensuring the outcomes of the committee are in line with the aspirations of the partners.
- Advocate for the best interests of Māori communities in Lower Hutt having regard to the committee's goals.
- Ensure the committee is operating in a way that is consistent with various pieces of legislation that provide for Te Tiriti o Waitangi.
- Maintain an overview of work programmes carried out by Council's Office of the Chief Executive and Strategy and Engagement, Directorate.
- Oversee any consultation/engagement processes required on issues before the committee.
- Approve and forward submissions (other than those delegated to the District Plan Review Committee).
- Any other matters delegated to the committee by Council in accordance with approved policies and bylaws.
- The committee has the powers to perform the responsibilities of another committee where it is necessary to make a decision before the next meeting of that other committee. When exercised, the report/minutes of the meeting require a resolution noting that the committee has performed the responsibilities of another committee and the reason/s.
- If a policy or project relates primarily to the responsibilities of the Komiti Ratonga Rangatōpū me te Rautaki | Policy, Finance and Strategy Committee, but aspects require additional decisions by the Komiti Hapori Ahurea me ngā Rangapū | Communities, Culture and Partnerships Committee, Komiti Hanganga | Infrastructure and Regulatory Committee and/or Komiti Kaupapa Taiao | Climate Change and Sustainability Committee, then the Komiti Ratonga

Rangatōpū me te Rautaki | Policy, Finance and Strategy Committee has the powers to make associated decisions on behalf of those other committees. For the avoidance of doubt, this means that matters do not need to be taken to more than one of those committees for decisions.

Bylaw Delegations:

- Develop and agree the Statement of Proposal for new or amended bylaws for consultation/engagement.
- **Recommend to Council** the approval of draft bylaws before consultation.
- The Chair of the Komiti Ratonga Rangatōpū me te Rautaki | Policy, Finance and Strategy Committee, in conjunction with the Chief Executive, is authorised to appoint a subcommittee of suitably qualified persons to conduct hearings on draft bylaws on behalf of the committee.
- **Recommend to Council** new or amended bylaws for adoption.

Financial, Project and Performance Reporting Delegations:

- **Recommend to Council** the budgetary parameters for the preparation of Council's Long Term Plans and Annual Plans.
- Monitor progress towards achievement of budgets and objectives for the Council Group as set out in the Long Term Plan and Annual Plans, including associated matters around the scope, funding, prioritising and timing of projects.
- Monitoring and oversight of significant city-wide or strategic projects including operational contracts, agreements, grants and funding, except where these are the responsibility of another standing committee.
- Monitor progress towards achievement of the Council's outcomes as set out in its overarching strategies for the city and their associated plans.
- Oversee the activities of the Property Working Group in its implementation of the Purchase and Sale of Property for Advancing Strategic Projects Policy.
- Oversee the acquisition and disposal of property in accordance with the Long Term Plan.
- Monitor the integrity of reported performance information at the completion of Council's Annual Report process.
- **Review and recommend to Council** the adoption of the Annual Report.
- **Recommend to Council** the approval of annual Statements of Intent and annual Statements of Expectation for Council Controlled Organisations and Council Controlled Trading Organisations and granting shareholder approval of major transactions.
- Monitor progress against the Council Controlled Organisations and Council Controlled Trading Organisations Statements of Intent and **make recommendations to Council** in the exercising of Council powers, as the shareholder, about Council Controlled Organisations/Council Controlled Trading Organisations under sections 65 to 72 of the Local Government Act.
- Oversee compliance with Council's Treasury Risk Management Policy.
- Consider and determine requests for rate remissions.
- Consider and determine requests for loan guarantees from qualifying community organisations where the applications are within the approved guidelines and policy limits.

HUTT CITY COUNCIL

**KOMITI RATONGA RANGATŌPŪ ME TE RAUTAKI | POLICY, FINANCE AND
STRATEGY COMMITTEE**

Meeting to be held in the Council Chambers, 2nd Floor, 30 Laings Road, Lower Hutt

on

Monday 14 October 2024 commencing at 2:00 pm

ORDER PAPER

PUBLIC BUSINESS

1. OPENING FORMALITIES - KARAKIA TIMATANGA

Whakataka te hau ki te uru
Whakataka te hau ki te tonga
Kia mākinakina ki uta
Kia mātaratara ki tai
E hī ake ana te atakura
He tio, he huka, he hau hū
Tihei mauri ora.

*Cease the winds from the west
Cease the winds from the south
Let the breeze blow over the land
Let the breeze blow over the ocean
Let the red-tipped dawn come with a
sharpened air.
A touch of frost, a promise of a glorious day.*

2. APOLOGIES

No apologies have been received.

3. PUBLIC COMMENT

Generally, up to 30 minutes is set aside for public comment (three minutes per speaker on items appearing on the agenda). Speakers may be asked questions on the matters they raise.

4. CONFLICT OF INTEREST DECLARATIONS

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

**5. RECOMMENDATIONS TO TE KAUNIHERA O TE AWA KAIRANGI
COUNCIL - 29 October 2024**

New Zealand Local Government Funding Agency Annual General Meeting

Report No. PFSC2024/5/286 by the Group Chief Financial Officer

8

CHAIR'S RECOMMENDATION:

"That the recommendations contained in the report be endorsed"

6. **NEW ZEALAND LOCAL GOVERNMENT FUNDING AGENCY 2024 ANNUAL REPORT**
 Report No. PFSC2024/5/287 by the Treasury Officer 39
CHAIR'S RECOMMENDATION:
 "That the recommendation contained in the report be endorsed"
7. **HUTT CITY COUNCIL GROUP ANNUAL REPORT 2023-24**
 Report No. PFSC2024/5/285 by the Corporate Planning Lead 101
CHAIR'S RECOMMENDATION:
 "That the recommendations contained in the report be endorsed"

Please note: The Hutt City Council Group Annual Report will be separately circulated as part of a supplementary agenda.
8. **JACKSON STREET PROGRAMME - 12 MONTH REPORT TO 30 JUNE 2024**
 Report No. PFSC2024/5/293 by the Head of Business and Economy 105
CHAIR'S RECOMMENDATION:
 "That the recommendations contained in the report be endorsed"
9. **LOVE WAINUIOMATA 12 MONTH REPORT TO 30 JUNE 2024**
 Report No. PFSC2024/5/290 by the Senior Advisor, Business and Economy 112
CHAIR'S RECOMMENDATION:
 "That the recommendation contained in the report be endorsed"
10. **HUTT VALLEY CHAMBER OF COMMERCE - 12 MONTH REPORT TO 30 JUNE 2024**
 Report No. PFSC2024/5/288 by the Head of Business and Economy 126
CHAIR'S RECOMMENDATION:
 "That the recommendation contained in the report be endorsed"
11. **URBAN PLUS LIMITED GROUP ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2024**
 Report No. PFSC2024/5/289 by the Senior Financial Accountant 157
CHAIR'S RECOMMENDATION:
 "That the recommendation contained in the report be endorsed"

12. **SEAVIEW MARINA LIMITED ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2024**

Report No. PFSC2024/5/283 by the Financial Accountant 193

CHAIR'S RECOMMENDATION:

"That the recommendation contained in the report be endorsed"

13. **INFORMATION ITEM**

Komiti Ratonga Rangatōpū me te Rautaki | Policy, Finance and Strategy Committee Forward Programme

Memorandum dated 2 October 2024 by the Democracy Advisor 233

CHAIR'S RECOMMENDATION:

"That the recommendation contained in the memorandum be endorsed"

14. **QUESTIONS**

With reference to section 32 of Standing Orders, before putting a question a member shall endeavour to obtain the information. Questions shall be concise and in writing and handed to the Chair prior to the commencement of the meeting.

15. **CLOSING FORMALITIES - KARAKIA WHAKAMUTUNGA**

Unuhia!	<i>Release us from the supreme sacredness</i>
Unuhia!	<i>of our tasks</i>
Unuhia i te uru-tapu-nui	<i>To be clear and free</i>
Kia wātea, kia māmā	<i>in heart, body and soul in our continuing</i>
Te ngākau, te tinana, te	<i>journey</i>
wairua i te ara takatū	<i>Oh Rongo, raise these words up high</i>
Koia rā e Rongo	<i>so that we be cleansed and be free,</i>
whakairihia ake ki runga	<i>Yes indeed, we are free!</i>
Kia wātea, kia wātea!	<i>Good and peaceful</i>
Ae rā, kua wātea!	
Hau, pai mārire.	

Jack Kilty
Democracy Advisor

Policy, Finance and Strategy Committee

20 September 2024

Report no: PFSC2024/5/286

New Zealand Local Government Funding Agency Annual General Meeting

Purpose of Report

1. To confirm an agreed approach regarding the Local Government Funding Agency (LGFA) Annual General Meeting (AGM) regarding the appointment of directors, Nominating Local Authority Councils, remuneration of directors and changes to the LGFA Foundation Policies.

Recommendations

That the Committee recommends Council:

- (1) notes that the next Local Government Funding Agency (LGFA) Annual General Meeting (AGM) is scheduled for 19 November 2024;
- (2) agrees that the Group Chief Financial Officer attend the AGM and vote on behalf of Hutt City Council, in line with the decisions that follow;
- (3) agrees to vote in support of the appointment of the following as directors of the LGFA Board:
 - Craig Stobo
 - Elena Trout
 - Alan Adcock;as detailed in Section B of the officer's report;
- (4) agrees to vote in support of Auckland and Wellington City Councils being reappointed as Nominating Local Authority members, as detailed in Section C of the officer's report;
- (5) agrees to vote in support of the proposed remuneration increases for Directors, as detailed in Section D of the officer's report; and
- (6) agrees to vote in support of the proposed changes to the LGFA Foundation Policies, as detailed in Section E of the officer's report.

Section A - Background

2. Hutt City Council (Council) is a minor shareholder in LGFA with a 0.4% shareholding.
3. LGFA's 2024 AGM is scheduled for 19 November 2024. Apart from the usual matters related to Director appointment and remuneration, proposed changes to the Foundation Policies will enable financing arrangements to progress for high-growth councils. The agenda and Notice for the AGM are available in Appendix 1 and 2 of this report.

4. Officers are seeking Council direction on the matters to be voted on at the AGM. The Group Chief Financial Officer plans to attend the AGM on behalf of Council.

Section B - Election of Directors

5. The LGFA Shareholders' Agreement (the Agreement) requires that the number of Directors serving on the Board is not at any time to be more than seven nor less than five, and that no less than five of those Directors are to be Independent Directors. There are currently six Directors (five of whom are Independent Directors). With two Directors retiring and seeking re-election (one being an Independent Director and one being a non-Independent Director), there are up to three vacant Board positions available. Of those positions, at least one must be filled by an Independent Director. There is a proposed vote to elect up to three Directors as detailed in the AGM notice.

The following resolutions will be put to the meeting. To:

- (a) Re-elect Alan Adcock as a non-Independent Director, by way of Ordinary Resolution;*
- (b) Re-elect Craig Stobo as an Independent Director, by way of Ordinary Resolution;*
- c) Elect Kumaren Perumal as a non-Independent Director, by way of Ordinary Resolution; and*
- (d) Elect Elena Trout as an Independent Director, by way of Ordinary Resolution.*

6. Biographies of the candidates are included in Appendix 2.
7. The Shareholders' Council has considered the candidates. Recommendations on the proposed voting and the rationale behind these are detailed in Appendix 3. In summary they recommend:
 - *Craig Stobo is re-elected as an independent director for an additional three-year term.*
 - *Elena Trout is elected as an independent director for a three-year term.*
 - *Alan Adcock is re-elected as a non-independent director for an additional three-year term.*
8. Council officer advice is that Council vote in line with these recommendations from the Shareholder's Council.

Section C - Election of Nominating Local Authorities to Shareholders' Council

9. The Shareholders' Council comprises between five and 10 members with the current members being the Crown (DIA and the Treasury) and nine Council members (Wellington City Council, Auckland Council, Bay of Plenty Regional Council, Christchurch City Council, Hamilton City Council, Tasman District Council, Tauranga City Council, Western Bay of Plenty District Council and New Plymouth District Council).

10. The Agreement requires the two Nominating Local Authority members who have been in office the longest since the election to retire by rotation. Auckland and Wellington City Councils will retire at the AGM and are seeking re-election.
11. Auckland and Wellington City Councils have each offered themselves for re-election as Nominating Local Authority members. There is a proposed vote to re-elect Auckland and Wellington City Councils, as detailed in the AGM notice.
12. The Shareholders' Council advice is in support of these nominations. Council officer advice is to vote in line with the recommendations from the Shareholder's Council.

Section D - Remuneration of Directors

13. There are proposed increases to Directors' remuneration of 3% just below CPI to June 2024 of 3.3%. The Shareholders' Council support the annual CPI movement to maintain parity with market rates and avoid the requirement for more significant adjustments to director remuneration through periodic full market review. The next full market review for the LGFA board is proposed for November 2025.
14. Council officer advice is to vote in line with these recommendations from the Shareholder's Council.

Section E - Changes to the LGFA Foundation Policies

15. Amendments are sought by the LGFA Board on the Foundation Policies. These relate to the recent government announcements related to "Local Water Done Well", with a focus on high growth Councils and enabling higher levels of borrowing to fund growth related infrastructure. An extract from Appendix 2 to explain these changes is detailed below. Appendices 4 and 5 also provide further details of the proposed changes to the documents.
16. It is important to note that LGFA can already lend to CCOs, and any new water services CCOs would follow the current arrangements. This includes bespoke covenant arrangements to enable higher levels of borrowing for water services CCOs (the equivalent of up to 500% debt to revenue ratio).

Extract of Appendix 2:

- a) *The Board recommends that Shareholders approve the proposed changes to the Foundation Policies. The changes will provide the Board with the authority to grant a bespoke Net Debt/Total Revenue covenant above 285% (or 280% from 1 July 2025), but no more than 350%. The changes will assist both high growth councils and any councils who might require short term emergency assistance with financing.*
- b) *LGFA covenants are the same for councils, regardless of their future growth trajectories. A small number of high growth councils are facing constraints on their current or future borrowing because of the current level of the Net Debt/Total Revenue Foundation Policy covenant. Increasing covenants for growth councils allows for councils that can support more debt to do so.*

- c) *Councils can currently use the Infrastructure Funding and Financing Act 2020 ("IFF") to establish a special purpose vehicle to borrow to fund new infrastructure, with the debt being serviced by a levy on property owners who benefit from the new infrastructure. Using an IFF structure is more costly and time consuming for councils than borrowing from LGFA.*
- d) *Furthermore, a council might need to urgently undertake unplanned borrowing (e.g. following a natural disaster). This additional borrowing could potentially exceed the current Net Debt / Total Revenue Foundation Policy covenant of 285% (or 280% from 1 July 2025). The Agreement would require an Ordinary Resolution of Shareholders to approve a council to borrow above that limit. The Shareholder approval process could take some time to pass, so providing a delegation to the Board seems appropriate.*
- e) *To support the Government's National Policy Statement on Urban Development 2020 (updated in May 2022) published by the Ministry for the Environment ("NPS"), LGFA will consider applications from Tier 1 and Tier 2 local authorities where the increase in borrowing capacity will be used to invest in growth infrastructure.*
- f) *There were eighteen councils considered as Tier 1 local authorities under the NPS. These include four regional councils who are unlikely to be approved if they apply, as they cover a wide geographic area with some overlap with territorial councils. The remaining fourteen councils are Auckland, Hamilton City, Waikato District, Waipa District, Tauranga City, Western Bay of Plenty District, Wellington City, Porirua City, Hutt City, Upper Hutt City, Kapiti Coast District, Christchurch City, Selwyn District and Waimakariri District Councils.*
- g) *There were sixteen councils considered as Tier 2 local authorities under the NPS. These include six regional councils who are unlikely to be approved if they apply, as they cover a wide geographic area with some overlap with territorial councils. The remaining ten councils are Whangarei District, Rotorua District, New Plymouth District, Napier City, Hastings District, Palmerston North City, Nelson City, Tasman District, Queenstown Lakes District and Dunedin City Councils.*
- h) *Based on councils 2024-2034 LTPs, LGFA would expect only five Tier 1 and 2 councils to make an application for a bespoke net debt to revenue ratio. However, it is possible that additional applications could be received in the future depending on changes in growth infrastructure requirements.*
- i) *The five councils expected to apply are approximately 15% of the LGFA lending book. While their borrowing is expected to increase, the total loan book will also increase and be more diversified if water CCOs are established and borrow from LGFA.*
- j) *As a council's borrowing grows, it is expected that their credit rating could be lowered. LGFA is comfortable with additional borrowing by a high growth council given the security that LGFA has over a council borrowing. Investment in growth infrastructure will generate additional development contributions, financial contributions and an increase in rating units which will support the increase in debt.*
- k) *It is also proposed to remove the words "of A equivalent or higher". This will mean councils are required only to have a long-term credit rating to benefit from the Foundation policy covenant. An external credit rating is important, but a credit rating agency's methodology can change over time, and there can be differences in the rating outcomes for a rated entity depending upon which credit rating agency*

is used. The current term “of A equivalent or higher” is also open to ambiguity as to whether this means A+, A or A-. LGFA limits risk through both the financial covenants and its own due diligence on councils.

17. The Shareholders’ Council is supportive of these changes proposed. Regarding the bespoke covenants of up to 350%, Council advises, “The expectation of the LGFA Board is that the bespoke higher covenants would not apply to more than 15-20% of total LGFA lending to councils. This ratio will be monitored by the shareholders’ council with a view to such covenants not exceeding 20% of total Council lending by LGFA. “
18. Council officer advice is to vote in line with these recommendations from the Shareholder’s Council, being in support of these proposed changes.
19. LGFA have also advised Council officers that the five high growth councils referenced in the commentary above by the LGFA do not include this Council.

Consultation

20. There are no consultation requirements arising from this report.

Legal Considerations

21. There are no legal considerations arising from this report.

Financial Considerations

22. The financial considerations are detailed in the report in the relevant areas.

Appendices

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Author: Jenny Livschitz
Group Chief Financial Officer

Approved By: Jo Miller
Chief Executive



Agenda

Annual Meeting

19 November 2024

The Bolton Hotel, Wellington

2:00pm – 3:00pm

Microsoft Teams details upon request from jane.phelan@lgfa.co.nz

	Agenda Item	Leading Discussion
	Afternoon Tea on arrival	All
	Introduction from Chair	Craig Stobo
	Quorum	Craig Stobo
1	Financial Statements and Reports	Mark Butcher
2	Election of Company Directors	Kathryn Sharplin
3	Election of Nominating Local Authorities to Shareholders' Council	Craig Stobo
4	Remuneration of Directors	Craig Stobo
5	Changes to Foundation Policies	Mark Butcher
6	Questions and Comments from Shareholders	Craig Stobo
7	General Business	Craig Stobo



NEW ZEALAND LOCAL GOVERNMENT FUNDING AGENCY LIMITED NOTICE OF ANNUAL MEETING

Notice is given that the 2024 annual meeting of Shareholders of New Zealand Local Government Funding Agency Limited ("**Company**" or "**LGFA**") will be held at the **Bolton Hotel, 11 Bolton Street, Wellington** on **19 November 2024** commencing at **2:00pm**.

For those Shareholders unable to attend in person, you can attend via Teams. **Jane Phelan will provide the Teams details upon request at jane.phelan@lgfa.co.nz.**

BUSINESS

1. **FINANCIAL STATEMENTS AND REPORTS:** To receive and consider the financial statements of the Company for the year ended 30 June 2024, together with the Directors' and auditor's reports to Shareholders.

2. **ELECTION OF COMPANY DIRECTORS**

In accordance with clause 3.3 of the Shareholders' Agreement ("**SHA**"):

- (a) **Alan Adcock** retires by rotation and being eligible, offers himself for re-election as a non-Independent Director; and
- (b) **Craig Stobo** retires by rotation and being eligible, offers himself for re-election as an Independent Director.

In addition, and in accordance with clause 3.5 of the SHA:

- (a) **Kumaren Perumal** has been nominated by Bay of Plenty Regional Council as a non-Independent Director; and
- (b) **Elena Trout** has been nominated by Hamilton City Council as an Independent Director.

Clause 3.1 of the SHA states that the number of Directors serving on the Board shall not at any time be more than seven nor less than five, and no less than five of those Directors shall be Independent Directors. There are currently six Directors (five of whom are Independent Directors). With two Directors retiring and seeking re-election (one being an Independent Director and one being a non-Independent Director), there are up to three vacant Board positions available. Of those positions, at least one must be filled by an Independent Director.

Accordingly, there will be a poll whereby up to three of the candidates may be elected as a Director. The following resolutions will be put to the meeting. To:

- (a) Re-elect **Alan Adcock** as a non-Independent Director, by way of Ordinary Resolution;
- (b) Re-elect **Craig Stobo** as an Independent Director, by way of Ordinary Resolution;

- (c) Elect **Kumaren Perumal** as a non-Independent Director, by way of Ordinary Resolution; and
- (d) Elect **Elena Trout** as an Independent Director, by way of Ordinary Resolution

The election procedure is specified in the Explanatory Notes. In addition, brief biographies for each of the persons standing for the position of Director are included at Appendix One to this notice of meeting.

(See Explanatory Note 2)

3. ELECTION OF NOMINATING LOCAL AUTHORITIES TO THE SHAREHOLDERS' COUNCIL

In accordance with clause 4.6 of the SHA, **Auckland Council** and **Wellington City Council** retire as Nominating Local Authorities by rotation. **Auckland Council** and **Wellington City Council** being eligible, each offer themselves for re-election as a Nominating Local Authority.

Accordingly, to:

- (a) re-elect **Auckland Council** as a Nominating Local Authority, by way of Ordinary Resolution; and
- (b) re-elect **Wellington City Council** as a Nominating Local Authority, by way of Ordinary Resolution.

(See Explanatory Note 3)

4. DIRECTORS' REMUNERATION

In accordance with clause 3.6 of the SHA, to approve, by way of Ordinary Resolution, each of the following increases in Directors' fees payable, in each case with effect from 1 July 2024:

- (a) in respect of the Director acting as chair of the Board, an increase of \$3,720 per annum, from \$124,000 per annum to \$127,720 per annum;
- (b) in respect of the Director acting as chair of the audit and risk committee, an increase of \$2,340 per annum, from \$78,000 per annum to \$80,340 per annum;
- (c) in respect of each of the other Directors acting as members of the audit and risk committee, an increase of \$2,190 per annum, from \$73,000 per annum to \$75,190 per annum; and
- (d) in respect of each of the other Directors, an increase of \$2,100 per annum, from \$70,000 per annum to \$72,100 per annum.

(See Explanatory Note 4)

5. **CHANGES TO FOUNDATION POLICIES**

In accordance with clause 5.1(c) of the SHA, to approve, by way of Ordinary Resolution, the amendments to the foundation policies of the Company ("**Foundation Policies**") as explained in Explanatory Note 5.

6. **QUESTIONS AND COMMENTS FROM SHAREHOLDERS**

Opportunity for Shareholders to comment or question Directors, Shareholder Council or management.

7. **GENERAL BUSINESS**

To consider such other business as may properly be raised at the meeting.

Please refer to the Explanatory Notes that accompany this notice of meeting.

By order of the Board:



Craig Stobo, LGFA Board Chair

20 September 2024

ORDINARY RESOLUTIONS: Ordinary resolutions are resolutions approved by a simple majority of more than 50% of the votes of the Shareholders entitled to vote and voting on the question at the annual meeting.

SHAREHOLDERS ENTITLED TO ATTEND AND VOTE: Pursuant to section 125 of the Companies Act 1993, for the purposes of voting at the annual meeting, those registered shareholders of the Company as at 9.00am on Wednesday 19 November 2024 shall be entitled to exercise the right to vote at the meeting.

CAPITALISED TERMS: Unless otherwise defined in this notice, capitalised terms have the meanings given to them in the Shareholders' Agreement dated 7 December 2011 (as amended and restated on 23 November 2021).

EXPLANATORY NOTES

EXPLANATORY NOTE 1 - PROXY VOTE

A Shareholder entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of the Shareholder. The proxy need not be a Shareholder. To be effective, a copy of the proxy form must be received by the Company at **Level 11, City Chambers, 142 Featherston Street, Wellington 6145** or via email to jane.phelan@lgfa.co.nz not later than 48 hours before the start of the meeting.

A body corporate may appoint a person to attend the meeting as its representative in the same manner as that in which it could appoint a proxy.

EXPLANATORY NOTE 2 - ELECTION OF DIRECTORS

Clause 3.3 of the SHA was amended by Ordinary Resolution at the 2021 annual meeting of Shareholders to state that a Director must not hold office (without re-election) past the third annual meeting of the Company following the Director's appointment or three years, whichever is longer. A retiring Director shall be eligible for re-election.

In this case, **Craig Stobo**, who was re-elected on 23 November 2021, and **Alan Adcock**, who was elected on 23 November 2021, shall retire at this year's annual meeting.

Alan Adcock being eligible, offers himself for re-election as a non-Independent Director.

Craig Stobo being eligible, offers himself for re-election as an Independent Director.

Kumaren Perumal offers himself for election as a non-Independent Director.

Elena Trout offers herself for election as an Independent Director.

In accordance with the Ordinary Resolution passed by Shareholders at the 2021 annual meeting of Shareholders, and clause 3.1 of the SHA, the size of the Board shall be between five and seven Directors, including no less than five Independent Directors. The Board currently consists of six Directors (being Alan Adcock (non-Independent Director), Philip Cory-Wright (Independent Director), David Rae (Independent Director), Linda Robertson (Independent Director), Helen Robinson (Independent Director) and Craig Stobo (Independent Director)). As Craig Stobo and Alan Adcock are retiring at this meeting, the Shareholders will need to appoint at least one Independent Director and up to three Directors in total to the Board.

The vacant positions on the Board will be filled by those candidates whose appointment is approved by an Ordinary Resolution. However, given there are more candidates than the three available Director positions, if each of the four candidate's appointments is approved by an Ordinary Resolution, the three candidates who receive the highest number of votes in favour of their appointment will be appointed as Directors. If none of the candidates' appointments are approved by an Ordinary Resolution, or neither of the Independent Director candidates is approved by an Ordinary Resolution, the Board will be inquorate (as it will have too few Directors and/or too few Independent Directors). In that case, a further meeting of Shareholders will need to be called to either amend the Board composition provisions in the SHA or to fill the relevant vacancy or vacancies.

The following biographies have been provided by the candidates and are attached at Appendix One to this notice of meeting:

- **Alan Adcock**
- **Craig Stobo**
- **Kumaren Perumal**
- **Elena Trout**

Director election process

The election process for Directors will be undertaken by way of a poll, with voting able to be undertaken by way of in person voting (including by way of proxy).

Shareholders may vote for each candidate, however, as noted above, where the appointment of all four candidates is approved by an Ordinary Resolution, the three candidates who receive the highest number of votes in favour of their appointment will be appointed as Directors.

EXPLANATORY NOTE 3 - ELECTION OF NOMINATING LOCAL AUTHORITIES TO THE SHAREHOLDERS' COUNCIL

Clause 4.3 of the SHA provides that a Principal Shareholder may be appointed or removed as a nominator to the Shareholders' Council ("**Nominating Local Authority**") at any time by an Ordinary Resolution, provided that no more than nine Nominating Local Authorities may be so appointed. Each Nominating Local Authority, and the New Zealand Government (for so long as it is a Shareholder), may appoint one member of the Shareholders' Council, and remove and replace any member so appointed, in accordance with clause 4.4 of the SHA.

Clause 4.6 of the SHA provides that, beginning at, and including, the annual meeting for 2013, the Shareholders shall ensure that two Nominating Local Authorities retire from office at the annual meeting of the Company in each year. The Nominating Local Authorities to retire shall be those who have been longest in office since their last election, and if two or more of those Nominating Local Authorities were last elected on the same day, the Nominating Local Authority to retire shall (unless they otherwise agree among themselves) be determined by lot. A retiring Nominating Local Authority is eligible for re-election.

In this case, Auckland Council, having been re-elected as a Nominating Local Authority on 21 November 2019, and Wellington City Council, having been re-elected as a Nominating Local Authority on 19 November 2020, are the Nominating Local Authorities who have been longest in office since their last election (Tasman District Council having been re-elected on 19 November 2020, Christchurch City Council having been re-elected on 23 November 2021, New Plymouth District Council having been elected on 23 November 2021, Bay of Plenty Regional Council having been re-elected on 23 November 2022, Hamilton City Council having been re-elected on 23 November 2022, Western Bay of Plenty District Council having been re-elected on 23 November 2023 and Tauranga City Council having been re-elected on 23 November 2023). Accordingly, being the longest in office since their last election, **Auckland Council** and **Wellington City Council** shall retire by rotation at this annual meeting.

The Shareholders' Council is comprised of between five and ten members. The New Zealand Government can appoint a member and the remaining members are nominated by up to nine Nominating Local Authorities. Following the retirement of **Auckland Council** and **Wellington City Council** there are currently two positions available.

Auckland Council offers themselves for re-election as a Nominating Local Authority.

Wellington City Council offers themselves for re-election as a Nominating Local Authority.

EXPLANATORY NOTE 4 – DIRECTORS' REMUNERATION

This resolution seeks Shareholders' approval for an increase in Directors' remuneration with effect from 1 July 2024. The proposed fee increases for Directors (as set out in the notice of meeting) have been calculated based on an increase of 3.3% which is the annual increase in the headline Consumer Price Index (CPI) for the year ending June 2024.

The proposed fee increases recognise the change in the CPI over the past 12 months, the increased Director duties relating to Water Reform and greater size and complexity of the LGFA business. A CPI adjustment will also reduce the size of any potential Director fee adjustment following the next external independent review that is likely to take place in 2025.

The Director remuneration was last adjusted in November 2023 with effect from 1 July 2023.

EXPLANATORY NOTE 5 – CHANGES TO FOUNDATION POLICIES

The Foundation Policies of the Company are set out in Schedule 1 to the SHA. Clause 5.1(c) of the SHA provides that neither the Board nor any Shareholder shall take or permit any action to cause any alteration to any of the Foundation Policies unless it is approved by Ordinary Resolution of the Company's shareholders (or, if required by law or clause 5.1(k), a Special Resolution). The Company has confirmed that none of the changes to the Foundation Policies are required to be approved by Special Resolution.

The Board recommends that Shareholders approve the proposed changes to the Foundation Policies. The changes will provide the Board with the authority to grant a bespoke Net Debt/Total Revenue covenant above 285% (or 280% from 1 July 2025), but no more than 350%. The changes will assist both high growth councils and any councils who might require short term emergency assistance with financing.

LGFA covenants are the same for councils, regardless of their future growth trajectories. A small number of high growth councils are facing constraints on their current or future borrowing because of the current level of the Net Debt/Total Revenue Foundation Policy covenant.

Increasing covenants for growth councils allows for councils that can support more debt to do so. Councils can currently use the Infrastructure Funding and Financing Act 2020 ("IFF") to establish a special purpose vehicle to borrow to fund new infrastructure, with the debt being serviced by a levy on property owners who benefit from the new infrastructure. Using an IFF structure is more costly and time consuming for councils than borrowing from LGFA.

Furthermore, a council might need to urgently undertake unplanned borrowing (e.g. following a natural disaster). This additional borrowing could potentially exceed the current Net Debt / Total Revenue Foundation Policy covenant of 285% (or 280% from 1 July 2025). The SHA would require an Ordinary Resolution of Shareholders to approve a council to borrow above that limit. The Shareholder approval process could take some time to pass, so providing a delegation to the Board seems appropriate.

To support the Government's National Policy Statement on Urban Development 2020 (updated in May 2022) published by the Ministry for the Environment ("NPS"), LGFA will consider applications from Tier 1 and Tier 2 local authorities where the increase in borrowing capacity will be used to invest in growth infrastructure.

There were eighteen councils considered as Tier 1 local authorities under the NPS. These include four regional councils who are unlikely to be approved if they apply, as they cover a wide geographic area with some overlap with territorial councils. The remaining fourteen councils are Auckland, Hamilton City, Waikato District, Waipa District, Tauranga City, Western Bay of Plenty District, Wellington City, Porirua City, Hutt City, Upper Hutt City, Kapiti Coast District, Christchurch City, Selwyn District and Waimakariri District Councils.

There were sixteen councils considered as Tier 2 local authorities under the NPS. These include six regional councils who are unlikely to be approved if they apply, as they cover a wide geographic area with some overlap with territorial councils. The remaining ten councils are Whangarei District, Rotorua District, New Plymouth District, Napier City, Hastings District, Palmerston North City, Nelson City, Tasman District, Queenstown Lakes District and Dunedin City Councils.

Based on councils 2024-2034 LTPs, LGFA would expect only five Tier 1 and 2 councils to make an application for a bespoke net debt to revenue ratio. However, it is possible that additional applications could be received in the future depending on changes in growth infrastructure requirements.

The five councils expected to apply are approximately 15% of the LGFA lending book. While their borrowing is expected to increase, the total loan book will also increase and be more diversified if water CCOs are established and borrow from LGFA.

As a council's borrowing grows, it is expected that their credit rating could be lowered. LGFA is comfortable with additional borrowing by a high growth council given the security that LGFA has over a council borrowing. Investment in growth infrastructure will generate additional development contributions, financial contributions and an increase in rating units which will support the increase in debt.

It is also proposed to remove the words "of A equivalent or higher". This will mean councils are required only to have a long-term credit rating to benefit from the Foundation policy covenant. An external credit rating is important, but a credit rating agency's methodology can change over time, and there can be differences in the rating outcomes for a rated entity depending upon which credit rating agency is used. The current term "of A equivalent or higher" is also open to ambiguity as to whether this means A+, A or A-. LGFA limits risk through both the financial covenants and its own due diligence on councils.

A tracked change version of the proposed amendments to the Foundation Policies is attached at Appendix Two to this notice of meeting. Following the meeting and assuming the amendments to the Foundation Policies are approved by Ordinary Resolution, LGFA intends to record the approved amendments in an amendment and restatement of the SHA.

APPENDIX ONE: DIRECTOR BIOGRAPHIES

ALAN ADCOCK – BIOGRAPHY

My working career has revolved around four broad areas (accounting, financial services, IT and local government) in both private and public sectors.

After a post-graduate spell in a Big 5 accounting firm, I joined the fledgling IT sector as personal computers gained a footing in the market. Following this I moved to the financial services sector at National Mutual, with my last role being Chief Manager Auckland before their merger with AXA. At that point I moved to the UK, providing strategic consulting services before joining Credit Suisse First Boston to provide accounting advice to their global IT divisions.

Returning to NZ in 2000, I joined BNZ, with my last role there heading the Corporate Management function, where my primary responsibilities were liaison with the BNZ Board, management of the MD's office and corporate affairs.

My last move was back to my hometown in 2006, when I joined Whangarei District Council. Virtually all of my time there has seen me leading the corporate functions; with core responsibilities including the roles of CFO and CIO.

My tertiary education provided a solid base for my career; with my first degree, a BCom from Auckland University having an emphasis on accounting, management studies and commercial law. While in the UK I completed an MBA (with Distinction) from the City University of London Business School focusing on corporate finance and strategy.

I offer a broad range of skills and experience that are relevant to a governance role with LGFA:

- My involvement with LGFA began in its initial planning stage, as a representative of the 'tight nine' councils that worked together to turn the concept into reality.
- I was an inaugural member of the Shareholders' Council.
- In 2014 I was elected to the Chair's role; being re-elected unopposed each year until my appointment to the Board in 2021.
- Specific governance experience including:
 - Board liaison at BNZ
 - Trustee for two Northland Cricket Trusts – Facilities and Player Development
 - Director of Northland Waste – a profitable CCTO run as a Public/Private partnership operating the largest landfill in Northland and a major transfer station/recycling facility
 - Seven years working closely with the LGFA Board as Chair of the Shareholder's Council
 - Three years as a Non-Independent Director of LGFA
- Recognised expertise in managing complex IT issues, being ranked #30 in the NZ CIO Awards in 2018 for my work leading the first NZ local government transition to a full cloud environment in 2017.
- Managing IT risks, particularly cyber-security, is an important part of my current role.
- Implementing a financial strategy that saw WDC move from an initial AA- credit rating to AA+ over 3 LTP cycles.
- Strong networks across the local government sector.
- Executive roles in large financial institutions, including membership of committees managing risk, credit and pricing.

I have demonstrated strong commitment and support for LGFA since its inception, attending every scheduled meeting of the Shareholders' Council or Board since the company was formed in 2011. Over this time, I have taken a proactive role to ensure LGFA has met its primary objective, to benefit local communities through delivering efficient financing for local government, while also safeguarding the interests of our wider stakeholders.

I would welcome your support to continue to serve our Shareholders through my re-election to the Board as we navigate the next stage of our evolution.

CRAIG STOBO – BIOGRAPHY

Education

Craig Stobo was educated in New Zealand at Waitaki Boys High School (Milner Prize); Otago University (BA Hons First Class in Economics); and at Wharton Business School, University of Pennsylvania (Advanced Management Programme).

Corporate Career

He has worked as a diplomat for the NZ and Australian Governments; as an economist for DFC/Zealcorp; as economist and an interest rates products manager for Bankers Trust NZ; and also as CEO and Executive Vice President for BT Funds Management NZ Ltd until 2004 after leading its establishment in 1992.

Independent Directorships

Craig is the Chair of the Financial Markets Authority, NZX-listed NZ Windfarms Ltd, and the Local Government Funding Agency. His prior company Chair roles include NZX-listed companies Precinct Properties Ltd and Fliway Group Ltd; and AIG Insurance New Zealand.

Private Company Equity Interests and Directorships

These currently include global equity investor Elevation Capital Management; national investment advisory firm Saturn Portfolio Management; fund administrator Appello Services Ltd; oyster farmer and exporter Biomarine Ltd; and specialist Bannockburn grape grower Legend Terrace.

Pro Bono Work

He is an Otago University Business School Taumata, leading the inception of its inaugural Tourism Policy School annual conference in Queenstown in March 2019 and its inaugural Assembly of Investment Chairs in Auckland in November 2019; chairs the Waitaki Boys High School Foundation which manages an endowment fund for the school; and is a committee member of the St Marys Bay Association.

Current Memberships

He is an Associate Member of CFA Society New Zealand; is an active member of the NZ Initiative; and is a Chartered Fellow of the NZ Institute of Directors.

KUMAREN PERUMAL – BIOGRAPHY

I am a senior finance professional with 24 years of experience in both the private and public sectors across New Zealand and South Africa.

Like many finance professionals my early career began in the audit profession in the private sector enabling me to gain exposure to a wide range of industries and sectors for small and large businesses. I then transitioned to public sector auditing and worked for the Office of the Auditor-General South Africa managing attest and information systems audits. On emigrating to New Zealand in 2006 I joined Audit New Zealand's team as an Audit Manager responsible for audit engagements across a variety of public sectors including Local Government.

I joined Local Government in 2010 and held key management roles across two district councils and a regional council advising Executive Management Teams and Councillors.

Currently the Chief Financial Officer at Bay of Plenty Regional Council, I have a proven track record in strategic financial management, governance, and treasury operations. I have successfully led the transition to digital financial reporting platforms and managed critical planning processes, including annual and long-term financial planning.

My previous roles required me to oversee a broad range of functions, including financial management, IT, risk management, procurement and business improvement. I led transformational projects in Local Government that have contributed to enhanced organisational efficiency and effectiveness. Throughout these roles I have developed robust client and stakeholder relationships which I believe are key to success in both operational and governance settings.

I hold qualifications as a Chartered Accountant (CA ANZ), a Certified Information Systems Auditor (CISA), member of the New Zealand Institute of Directors and am committed to professional development and mentoring.

I am known for my strategic acumen, diverse thinking, innovative mindset, and strong interpersonal skills. I am dedicated to fostering a culture of accountability and excellence. These qualities, in addition to my ability to navigate complex financial landscapes, make me a strong candidate for the Non-Independent Director role at the LGFA.

I seek the support of shareholders for appointment to this role.

ELENA TROUT - BIOGRAPHY

Elena Trout is a management consultant and experienced company director, board Chair, company executive and professional civil engineer, who has held a number of leadership positions in the transport, infrastructure and energy sectors.

She has more than 30 years of experience in the planning, development and implementation of large engineering and technical projects and has been involved in a number of high-profile and nationally significant socio-economic infrastructure projects.

Elena has a very good understanding of the governmental context and ethos, having acquired significant experience as an independent Chair and advisor to central and local government, reporting to Ministers and Councils, including reviewing the resilience of national, large-scale public infrastructure. This includes appointments relating to being an Independent Assessor of the Crown - Council financial agreements, Chair of an Independent Government Inquiry, member of External Governance Groups overseeing public investments, and Chair of Section 17A reviews, in accordance with the Local Government Act.

She is experienced in the governance of utilities and is a current director of Contact Energy, one of the largest, publicly listed, generating and electricity companies in New Zealand, with a mix of geothermal, hydro and thermal assets and also a gas supply business.

Her former directorships also include the Electricity Authority and Transpower New Zealand Ltd.

Elena would bring a diversity of background to the LGFA board, being a Distinguished Fellow and past President of Engineering New Zealand.

APPENDIX TWO: FORM OF AMENDED FOUNDATION POLICIES

Attached in separate document

20 September 2024

The Shareholders
NZ Local Government Funding Agency (LGFA)

Dear Shareholder.

The LGFA will hold its Annual Meeting (AM) on 19 November 2024. The Shareholders' Council has considered the AM material and wishes to make recommendations to help with your decision making prior to the meeting.

Our role (as per the Shareholders' Agreement) includes requirements to:

- Make recommendations to Shareholders about the appointment, removal, re-election, replacement and remuneration of Directors.
- Make recommendations to Shareholders about any matters which require the approval of Shareholders.

Our recommendations on the AM **Resolutions 1 to 5** are as follows:

Resolution 1 - Adoption of Financials

The financial statements and Auditor's report for the company for the year ended 30 June 2024 will be presented for consideration and discussion. The Shareholders Council notes the strong financial performance of Local Government Funding Agency which achieved:

- A Net Operating Profit of \$10.05m was achieved, with both operating revenue and operating expenditure above SOI targets. Total operating income at \$20.9m (excl. unrealised hedging gains and losses) was \$0.3m above SOI budget, due to larger than forecast lending and interest rates. Operating expenditure at \$11.8m was \$1.8m above SOI budget, driven by Approved Issuer levies on off-shore borrowing.
- Record lending of \$6.1b was provided to the sector for the year, which is 90% of council's borrowing (excluding Auckland Council's offshore borrowings).
- LGFA has diversified its borrowing into offshore markets to meet the growing financing requirements of the sector.

The Shareholders' Council recommends the resolution 1 is approved to adopt the financial statements and auditors report.

Resolution 2 - Election of Company Directors

There are four nominees two independent and two non-independent directors (Council staff). Biographies of the nominees are attached to the "Notice of LGFA Annual Meeting November 2024" to which this letter of Shareholders' Council Recommendations is attached.

Shareholders' Council¹ has considered the nominations for election of company directors in the light of the skills required for the LGFA Board and recommends appointment of both independent Board nominees and one non-independent based on skills required for the

¹ the central govt representatives on Shareholders' Council abstained from voting for the non-independent Director role.

Board. Attachment 1 to this letter identifies the skills requirement for the Board of Directors of LGFA.

Craig Stobo

In accordance with clause 3.3 of the Shareholders Agreement ("SHA"), Craig Stobo retires by rotation and being eligible, offers himself for re-election as an Independent Director.

The Shareholders' Council **supports the re-appointment of Craig Stobo for a further term** as an Independent Director of LGFA. Craig has been Chair of LGFA since its inception and has played a critical role in leading LGFA from its inception to its current lending of \$20.5b to 77 councils and 5 CCOs. Craig has played a key role in advising central government ministers on the potential role and benefits of LGFA into the future, particularly to support councils and waters CCOs under Local Water Done Well reforms.

Re-election of Craig for a further term will provide continuity of the core roles of LGFA while preparing the organisation for the changing environment. Craig has been a long-standing director and Shareholders' Council has asked the Board to prioritise succession planning. The SOI for LGFA includes goals for succession planning of the long-standing board to new leadership over the next few years and Craig would play a lead role in the success of this transition in his final term.

Elena Trout

The Shareholders' council **supports the election of Elena Trout as an independent director.**

In accordance with clause 3.1 of the SHA, the number of directors is proposed to be increased to the maximum number of 7, with Shareholders' Council and LGFA Board agreeing to the nomination of a sixth independent Board member to meet the changing and increasing demands of the Board, particularly to meet the increased complexity and breadth of operation in lending to waters CCOs under the Local Water Done Well reforms.

A recruitment process was undertaken by a Nomination Panel made up of representatives from the LGFA Board and the LGFA Shareholders' Council. Elena Trout was identified as the preferred candidate for nomination. The Panel identified Elena Trout as bringing the necessary additional and complementary skills to the LGFA Board.

Elena is an experienced company director, board chair, management executive and professional civil engineer who has held leadership positions in the transport, energy and infrastructure sectors. In terms of Governance of utilities, Elena is a current director of Contact Energy. Elena's skills and experience bring diversity of background to the Board and complement existing skills with her engineering background and her management and governance experience in infrastructure management and new investment, particularly around the risks and challenges of large infrastructure projects.

Non-independent directors

Allan Adcock from Whangarei District Council was appointed as a **non-independent director** at the November 2021 AGM for a three-year term that expires at the November 2024 AGM. In accordance with clause 3.3 of the SHA, Alan Adcock retires by rotation and offers himself for re-election as a **non-independent** director.

In accordance with clause 3.5 of the SHA, **Kumaren Perumal** has been nominated by Bay of Plenty Regional Council as a non-independent Director.

Recognising the mix of skills being sought for the board, and consistent with historic practice, the Shareholders' Council recommends that only one non-independent director be selected. We have reviewed both nominees' skills and experience against the skills matrix for the Board and note that both Alan and Kumaren have skills and experiences relevant to the non-independent director position and have worked positively over the years to support LGFA.

The Shareholders' Council considered the relevance of both nominees' skills and experience in the context of the relatively turbulent environment of the next three years of LGFA operation. Both Local Waters Done Well reforms and the increasing pressure of higher debt levels for growth councils will impact on LGFA lending. Taking into account these matters, and after a formal process to consider where to place our recommendation, the Shareholders' Council recommends Alan Adcock for a second term on the Board.

Alan, who is current CFO at Whangarei District Council, has strong governance experience combining many years of local government executive leadership and CCO governance experience with an extensive commercial and banking background. His diversity of skills and experience mean he is well-placed to contribute effectively to the LGFA Board through the significant changes expected over the next few years.

The Shareholders' Council notes the importance of regular changes to the Board which need to be balanced against the benefits of board continuity, and considers a maximum two terms on the Board is the recommended maximum duration of membership for a high performing non-independent director unless there are extenuating circumstances.

In summary with respect to resolution 2 The Shareholders' Council recommends:

- ***Craig Stobo is re-elected as an independent director for an additional three-year term.***
- ***Elena Trout is elected as an independent director for a three-year term.***
- ***Alan Adcock is re-elected as a non-independent director for an additional three-year term.***

Resolution 3 - Election of Nominating Local Authorities to the Shareholders Council

In accordance with clause 4.6 of the SHA, Auckland Council and Wellington City Council retire by rotation. Auckland Council and Wellington City Council being eligible, offer themselves for re-election. The primary representative for Auckland Council is their Head of Group Treasury, Andrew John. The primary representative to the shareholders council for Wellington City Council is their Treasurer Sarah Houston-Eastergaard. There have been no other nominations to the shareholders council.

In summary for Resolution 3 The Shareholders Council recommends:

- ***the re-election of Auckland Council and***
- ***the re-election of Wellington City Council.***

Resolution 4 - Directors' Remuneration

Approval is sought in accordance with clause 3.6 of the SHA, to approve, by way of Ordinary Resolution, an increase in the Directors' fees payable to:

- a) With effect from 1 July 2024, the Director acting as chair of the Board, an increase of \$3,720 per annum, from \$124,000 per annum to \$127,720 per annum.
- b) With effect from 1 July 2024, each of the other Directors acting as members of the audit and risk committee, an increase of \$2,190 per annum, from \$73,000 per annum to \$75,190 per annum.
- c) With effect from 1 July 2024, the Director acting as chair of the audit and risk committee, an increase of \$2,340 per annum, from \$78,000 per annum to \$80,340 per annum.
- d) With effect from 1 July 2024, each of the other Directors, an increase of \$2,100 per annum, from \$70,000 per annum to \$72,100 per annum

The director increases sought are an adjustment of 3% which is just below the CPI to June of 3.3% of the Board fees that were set at the November 2023 AGM for 2023/24. The Shareholders' Council supports the annual CPI movement to maintain parity with market rates and avoid the requirement for more significant adjustments to director remuneration through periodic full market review. The next full market review for the LGFA board is proposed for the November 2025 AGM.

In summary for Resolution 4 Shareholders' Council recommends adoption of the directors' remuneration increases proposed.

Resolution 5 Changes to LGFA Foundation Policies

Amendments are sought to Schedule 1 of the SHA Foundation policies. These amendments are to:

- a) **remove the "A" credit rating requirement noting instead that the higher borrowing limits are available to rated councils.**
To assess credit quality of borrowing councils LGFA relies upon the financial covenants and its own credit monitoring rather than the "A" rating required in the foundation policies. LGFA notes the "A" rating is subjective amongst rating agencies. This change would avoid doubt as to whether the covenants would apply to "A-" ratings, with some councils' ratings potentially moving lower as council debt increases over time in response to infrastructure investment requirements.
- b) **Allow bespoke covenants up to 350% Net Debt:Total Revenue ratio for rated councils on a bespoke basis at the discretion of the Board.**
This proposal is to support high growth councils that may exceed covenants to provide growth infrastructure. The expectation of LGFA Board is that the bespoke higher covenants would not apply to more than 15-20% of total LGFA lending to councils. This ratio will be monitored by the shareholders' council with a view to such covenants not exceeding 20% of total Council lending by LGFA. A fuller

discussion of the Board's recommendation regarding delegation to provide bespoke covenants is provided in explanatory note 5 to the Notice of Annual Meeting.

In summary with respect to Resolution 5 Shareholders' Council supports the proposed amendments to the foundation policies.

I trust you find this information helpful. Please contact me or your Shareholders' Council contact should you wish to discuss any matter relating to this letter or any other aspects of LGFA operations.

The emails of Shareholders' Council representatives are as follows:

Chair: Kathryn Sharplin – Tauranga City Council - kathryn.sharplin@tauranga.govt.nz

Deputy Chair: Sarah Houston-Eastergaard – Wellington City Council - sarah.houston-eastergaard@wcc.govt.nz

Other Local Authority Members:

- Kumaren Perumal – Bay of Plenty Regional Council - kumaren.perumal@boprc.govt.nz
- Mike Drummond – Tasman District Council - mike.drummond@tasman.govt.nz
- David Bryant – Hamilton City Council - david.bryant@hcc.govt.nz
- Andrew John – Auckland City Council - andrew.john@aucklandcouncil.govt.nz
- Steven Ballard – Christchurch City Council - steve.ballard@ccc.govt.nz
- Adele Henderson – Western Bay of Plenty District Council - adele.henderson@westernbay.govt.nz
- Jacqueline Baker – New Plymouth District Council - jacqueline.baker@NPDC.govt.nz

Yours sincerely



Kathryn Sharplin

Chair, LGFA Shareholders' Council

cc. Mark Butcher, Chief Executive LGFA

Attachment 1: LGFA Shareholders Council Recommendations for AM 19 November 2024**Skills requirement for Board of Directors of LGFA**

Regarding Director appointments, we believe there are core competencies that every Director should have, and aspects that the Board as a whole should cover. We do not expect every Director to cover all areas because diversity in thinking and experience can be achieved by having a Board with a wide range of backgrounds. Across the Board we look for complementary skills to cover the areas listed below.

We believe the areas listed below are critical. We have recently added the last two items to reflect the current and future pressures facing local authorities and LGFA:

- Proven financial & commercial experience
- Governance experience
- Strategic Thinking capability
- Risk and Compliance Understanding
- Networks within Central and Local Government
- Understanding of infrastructure and capital projects and risks
- Understanding of the infrastructure financing challenges facing local and central government

For the areas listed below, we expect to see the overall composition of the Board covering all of them. The Shareholders' Council will keep this list under review to make sure it meets both current and foreseeable needs:

- Risk management
- Treasury, Legal and Financial Strategy experience
- IT Technology, Cyber-security
- ESG or Green Funding
- Local Government experience including large Scale infrastructure project understanding
- State Owned Enterprise and Crown Company experience.

To meet the increased complexity and breadth of operation of LGFA, particularly in lending to waters CCOs under the Local Water Done Well reforms, the nomination of a sixth independent Board member to meet the changing and increasing demands of the Board is supported by Shareholders Council. Looking to enhance skills in large infrastructure investments including project cost benefit assessment, delivery, and risk.

SCHEDULE 1 Foundation Policies

(Clause 5.1 of the Shareholders' Agreement)

These foundation policies may only be changed by a resolution of shareholders in accordance with clause 5.1 of the Shareholders' Agreement

Credit Risk

Lending Policy

All Local Authorities that borrow from the Company will:

- Provide debenture security in relation to their borrowing from the Company and related obligations, and (if relevant), equity commitment liabilities to the Company and (if relevant) guarantee liabilities to a security trustee approved for the Company's creditors.
- Issue securities (bonds / FRNs / CP) to the Company and/or enter into facility arrangements with the Company.
- Comply with their own internal borrowing policies.
- Comply with the financial covenants outlined in the following table, provided that:
 - ~~Unrated~~ Local Authorities ~~without a long-term credit rating 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 with the approval of the Board;
 - Foundation policy covenants outlined in the following table with the approval of an Ordinary Resolution.
 - Local Authorities with a long-term credit rating ~~of 'A' equivalent or higher:~~
 - will not be required to comply with the lending policy covenants in the following table; and
 - ~~can have bespoke financial covenants that exceed the foundation policy covenants outlined in the following table:~~
 - ~~with the approval of an Ordinary Resolution; and or~~
 - ~~in respect of the Net Debt / Total Revenue covenant:~~
 - ~~with the approval of the Board, can have a bespoke Net Debt / Total Revenue covenant of up to 350%; or~~
 - ~~until the financial year ending 30 June 2026, in any event,~~ will not be required to comply with the Net Debt / Total Revenue foundation policy covenant outlined in the following table ~~until the financial year ending 30 June 2026~~. Until that date, such Local Authority must comply with the Net Debt / Total Revenue

covenant set out in the table entitled "Alternative Net Debt / Total Revenue Covenant" below.

- 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.
- If the principal amount of a Local Authority's borrowings, or the Company's commitment under a facility agreement with a Local Authority, is at any time greater than NZD 20 million, be a party to a deed of guarantee and an equity commitment deed (in each case in a form set by the Company).

Financial covenant	Lending policy covenants	Foundation policy covenants
Net Debt / Total Revenue	<175%	<280%
Net Interest / Total Revenue	<20%	<20%
Net Interest / Annual Rates Income	<25%	<30%
Liquidity	>110%	>110%

Alternative Net Debt / Total Revenue Covenant	
Financial Year ending	Net Debt / Total Revenue
30 June 2020	<250%
30 June 2021	<300%
30 June 2022	<300%
30 June 2023	<295%
30 June 2024	<290%
30 June 2025	<285%

Total Revenue is defined as cash earnings from rates, grants and subsidies, user charges, interest, dividends, financial and other revenue and excludes non government capital contributions (e.g. developer contributions and vested assets).

Net debt is defined as total 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 authorities for services provided (and for which the other local authorities rate).

Financial covenants are measured on Council only basis and not consolidated group basis, unless requested by a Local Authority and approved by the Board.

Auckland Council will be limited to a maximum of 40% of the Company's total Local Authority (including CCO) assets.

Subject to implementation of any amendments or other actions considered necessary, advisable or expedient by the Board and the approval of the Board in relation to the relevant CCO (as defined below) (which may be a council-controlled trading organisation, as defined in the Local Government Act), an approved CCO may borrow from the Company provided that:

- The CCO is a "council-controlled organisation" as defined in section 6 of the Local Government Act, where the CCO is a company in which equity securities carrying at least 51% or more of the voting rights at a meeting of the shareholders of the CCO are held or

controlled, directly or indirectly, by one or more Local Authorities (respectively, a "CCO" and each such Local Authority being a "CCO Shareholder");

- Each CCO Shareholder provides a guarantee in respect of the CCO in favour of the Company and/or there is sufficient uncalled capital in respect of the CCO to meet the financial obligations of the CCO;
- Each CCO Shareholder provides equity commitment liabilities to the Company, guarantees liabilities to a security trustee approved for the Company's creditors, and provides debenture security for its equity commitments to the Company and guarantee liabilities to the security trustee;
- Each CCO Shareholder complies with Lending policy financial covenants, Foundation policy financial covenants or other financial covenants required by the Board (if any) ~~and, in the case of a CCO Shareholder with a long-term credit rating of 'A' equivalent or higher, until the financial year ending 30 June 2026, the Net Debt / Total Revenue covenant in the table entitled "Alternative Net Debt / Total Revenue Covenant" above.~~
- The CCO complies with any covenants required by the Board; and
- If required by the Board, the CCO will grant security in favour of the Company (which may be subject to any intercreditor arrangements acceptable to the Board).

Where the Company agrees to provide funding to the CCO, it must within 90 days of receiving annual financial covenant reporting from a CCO Shareholder (in its capacity as a borrower) report to the Shareholders' Council, holders of ordinary shares in the Company and any Local Authority guarantors of the Company's liabilities as to whether that CCO Shareholder has complied with its financial covenants on an individual and consolidated group basis.

Notwithstanding the definition of "CCO" set out above, the Board may not approve a CCO to borrow from the Company unless 100% of the equity securities carrying voting rights at a meeting of shareholders of the CCO are held or controlled, directly or indirectly, by one or more Local Authorities and the Crown (if applicable).

SCHEDULE 1
Foundation Policies
(Clause 5.1 of the Shareholders' Agreement)

These foundation policies may only be changed by a resolution of shareholders in accordance with clause 5.1 of the Shareholders' Agreement

Credit Risk

Lending Policy

All Local Authorities that borrow from the Company will:

- Provide debenture security in relation to their borrowing from the Company and related obligations, and (if relevant), equity commitment liabilities to the Company and (if relevant) guarantee liabilities to a security trustee approved for the Company's creditors.
- Issue securities (bonds / FRNs / CP) to the Company and/or enter into facility arrangements with the Company.
- Comply with their own internal borrowing policies.
- Comply with the financial covenants outlined in the following table, provided that:
 - Local Authorities without a long-term credit rating can have bespoke financial covenants that exceed the:
 - Lending policy covenants outlined in the following table with the approval of the Board;
 - Foundation policy covenants outlined in the following table with the approval of an Ordinary Resolution.
 - Local Authorities with a long-term credit rating:
 - will not be required to comply with the lending policy covenants in the following table; and
 - can have bespoke financial covenants that exceed the foundation policy covenants outlined in the following table:
 - with the approval of an Ordinary Resolution; or
 - in respect of the Net Debt / Total Revenue covenant:
 - with the approval of the Board, can have a bespoke Net Debt / Total Revenue covenant of up to 350%; or
 - until the financial year ending 30 June 2026, will not be required to comply with the Net Debt / Total Revenue foundation policy covenant outlined in the following table. Until that date, such Local Authority must comply with the Net Debt / Total Revenue covenant set out in the table entitled "Alternative Net Debt / Total Revenue Covenant" below.

- 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.
- If the principal amount of a Local Authority's borrowings, or the Company's commitment under a facility agreement with a Local Authority, is at any time greater than NZD 20 million, be a party to a deed of guarantee and an equity commitment deed (in each case in a form set by the Company).

Financial covenant	Lending policy covenants	Foundation policy covenants
Net Debt / Total Revenue	<175%	<280%
Net Interest / Total Revenue	<20%	<20%
Net Interest / Annual Rates Income	<25%	<30%
Liquidity	>110%	>110%

Alternative Net Debt / Total Revenue Covenant	
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30 June 2025	<285%

Total Revenue is defined as cash earnings from rates, grants and subsidies, user charges, interest, dividends, financial and other revenue and excludes non government capital contributions (e.g. developer contributions and vested assets).

Net debt is defined as total 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 authorities for services provided (and for which the other local authorities rate).

Financial covenants are measured on Council only basis and not consolidated group basis, unless requested by a Local Authority and approved by the Board.

Auckland Council will be limited to a maximum of 40% of the Company's total Local Authority (including CCO) assets.

Subject to implementation of any amendments or other actions considered necessary, advisable or expedient by the Board and the approval of the Board in relation to the relevant CCO (as defined below) (which may be a council-controlled trading organisation, as defined in the Local Government Act), an approved CCO may borrow from the Company provided that:

- The CCO is a "council-controlled organisation" as defined in section 6 of the Local Government Act, where the CCO is a company in which equity securities carrying at least 51% or more of the voting rights at a meeting of the shareholders of the CCO are held or controlled, directly or indirectly, by one or more Local Authorities (respectively, a "CCO" and each such Local Authority being a "CCO Shareholder");

- Each CCO Shareholder provides a guarantee in respect of the CCO in favour of the Company and/or there is sufficient uncalled capital in respect of the CCO to meet the financial obligations of the CCO;
- Each CCO Shareholder provides equity commitment liabilities to the Company, guarantees liabilities to a security trustee approved for the Company's creditors, and provides debenture security for its equity commitments to the Company and guarantee liabilities to the security trustee;
- Each CCO Shareholder complies with Lending policy financial covenants, Foundation policy financial covenants or other financial covenants required by the Board (if any).
- The CCO complies with any covenants required by the Board; and
- If required by the Board, the CCO will grant security in favour of the Company (which may be subject to any intercreditor arrangements acceptable to the Board).

Where the Company agrees to provide funding to the CCO, it must within 90 days of receiving annual financial covenant reporting from a CCO Shareholder (in its capacity as a borrower) report to the Shareholders' Council, holders of ordinary shares in the Company and any Local Authority guarantors of the Company's liabilities as to whether that CCO Shareholder has complied with its financial covenants on an individual and consolidated group basis.

Notwithstanding the definition of "CCO" set out above, the Board may not approve a CCO to borrow from the Company unless 100% of the equity securities carrying voting rights at a meeting of shareholders of the CCO are held or controlled, directly or indirectly, by one or more Local Authorities and the Crown (if applicable).

NEW ZEALAND LOCAL GOVERNMENT FUNDING AGENCY LIMITED

PROXY FORM



I/We _____

of _____

being a Shareholder of New Zealand Local Government Funding Agency Limited ("**Company**") appoint

of _____ or failing him/her _____

of _____ as my/our proxy to vote for me/us at the annual meeting of the Company to be held on 19 November 2024 and at any adjournment thereof.

Except as noted below, if you wish to direct the proxy how to vote, please indicate with a ☒ in the appropriate box below. Unless otherwise instructed, the proxy will vote as he or she thinks fit.

In relation to the resolutions for the election of Directors at 1(a) – 1(d) below, if you do not wish direct the proxy to vote "for" the appointment of a candidate, you should either vote "against" or "abstain" in respect of that candidate. ***If you do not direct your proxy how to vote on any of resolutions 1(a) – 1(d) below, you will be deemed to have abstained from voting on that resolution (and your proxy will not be entitled to exercise his or her discretion).***

		For	Against	Abstain
1 (a)	To re-elect Alan Adcock as a non-Independent Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
1 (b)	To re-elect Craig Stobo as an Independent Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
1 (c)	To elect Kumaren Perumal as a non-Independent Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
1 (d)	To elect Elena Trout as an Independent Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
		For	Against	Abstain
2 (a)	To re-elect Auckland Council as a Nominating Local Authority to the Shareholders' Council	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

2

		For	Against	Abstain
2 (b)	To re-elect Wellington City Council as a Nominating Local Authority to the Shareholders' Council	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3	To approve the following increases in Director fees payable, in each case with effect from 1 July 2024:	For	Against	Abstain
(a)	In respect of the Director acting as chair of the Board of Directors, an increase of \$3,720 per annum, from \$124,000 per annum to \$127,720 per annum	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
(b)	In respect of the Director acting as chair of the audit and risk committee, an increase of \$2,340 per annum, from \$78,000 per annum to \$80,340 per annum	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
(c)	In respect of each of the other Directors acting as members of the audit and risk committee, an increase of \$2,190 per annum, from \$73,000 per annum to \$75,190 per annum	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
(d)	In respect of each of the other Directors, an increase of \$2,100 per annum, from \$70,000 per annum to \$72,100 per annum	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4	To approve the changes to the Foundation Policies of the Company	For	Against	Abstain
		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

(Please refer to the notice of meeting for details of the resolutions)

Signature of Shareholder

Dated: 2024

Notes:

1. Voting on resolutions 1(a) to (d) will be undertaken by way of a poll.
2. If you wish you may appoint as your proxy the chairperson of the meeting.
3. If you are a body corporate, this proxy form must be signed on behalf of the body corporate by a person acting under the body corporate's express or implied authority.

3

4. For this proxy form to be valid, you must complete it and provide it to the Company at least 48 hours before the time for holding the meeting. You can provide it to the Company by delivering it to **Level 11, City Chambers, 142 Featherston Street, Wellington 6145** or via email to jane.phelan@lgfa.co.nz. **It must be received at least 48 hours before the time for holding the meeting.**
5. If this proxy form has been signed under a power of attorney, a copy of the power of attorney (unless already deposited with the Company) and a signed certificate of non-revocation of the power of attorney must be provided to the Company with this proxy form.
6. If you return this form without directing the proxy how to vote on any particular resolution, you will be deemed to have given your proxy discretion and your proxy may vote how he or she thinks fit (except in relation to resolutions 1(a) to (d), where you will be deemed to have abstained from voting).
7. Capitalised terms in this proxy form have the meanings given to them in the Shareholders' Agreement in respect of New Zealand Local Government Funding Agency Limited dated 7 December 2011, as amended and restated on 23 November 2021, between the Company and its Shareholders.

29 August 2024

Report no: PFSC2024/5/287

New Zealand Local Government Funding Agency 2024 Annual Report

Purpose of Report

1. The purpose of this report is to provide the Committee with the Local Government Funding Agency (LGFA) Annual Report for the year ended 30 June 2024.

Recommendation

That the Committee notes and receives the Local Government Funding Agency Annual Report for the year ended 30 June 2024 attached as Appendix 1 to the report.

Background

2. The LGFA was incorporated on 1 December 2011 with the primary objective of optimising the debt funding terms and conditions for participating local authorities. This includes providing savings in annual interest costs, making longer-term borrowings available and enhancing the certainty of access to debt markets. Council became a principal shareholding local authority in the LGFA in May 2012.
3. The LGFA issues bonds to wholesale and retail investors and on-lends the funds raised to participating local authorities with borrowing needs. The quality of the LGFA's credit rating, and the liquidity created by issuing homogenous local authority papers ensures that participating Councils can raise funds from the LGFA on better terms than if they were issuing in their own name.
4. Borrowing Councils are required to subscribe to LGFA Borrower Notes (subordinated convertible non-voting bonds), at 5.0% of the face value of each borrowing from LGFA. LGFA requires the Borrower Notes as equity as their balance sheet grows and this avoids the need to continually go back to shareholders for additional capital. Borrower Notes pay interest on the maturity of the notes at LGFA's cost of funds.
5. The LGFA meets the Local Government Act 2002 (the Act) definition of a Council Controlled Organisation (CCO) as one or more local authorities have the right, directly or indirectly, to appoint 50% or more of the directors.

6. As a shareholder in the LGFA, Council must regularly undertake performance monitoring to evaluate its contribution to achieving its Council's desired outcomes.

Discussion

7. The LGFA recorded a strong financial performance result for the year ended 30 June 2024, realising a net operating profit of \$10.05M (2023: \$2.5M), with Shareholder Equity of \$113.2M (2023: \$105.8M) as of 30 June 2024. The increase in net operating profit from 2023 can be attributed to increased net interest income in a high interest rate environment.
8. By 30 June 2024, LGFA had loans outstanding of \$20.55B, an increase of \$4.24B on the prior year. LGFA provided an estimated 90% of the local government sectors' borrowing requirements in 2023/24.
9. Additionally, lending to the local government sector increased by 56% to \$6.1B for the financial year, primarily due to increased council infrastructure spending.
10. The financial strength of LGFA was affirmed by credit rating agencies S&P Global Ratings at AAA (Stable Outlook) and Fitch Ratings at AA+ (with a Positive Outlook). The New Zealand Government is rated AAA with a Stable Outlook by S&P and AA+ with a Stable Outlook by Fitch.
11. Council had borrowed \$510.7M from the LGFA as of 30 June 2024 (2023: \$370.7M). These figures exclude any accrued interest at the balance date.
12. LGFA borrowings include those on behalf of Council's CCOs, and all borrowings are in accordance with approved limits contained in Council's Treasury Risk Management Policy.
13. Council had \$11.78M of LGFA Borrower Notes as of 30 June 2024 (2023: \$8.0M).
14. The full LGFA 2023/24 Annual Report is attached to this report as Appendix 1 together with the cover letter advising of the dividend distribution as Appendix 2.

Climate Change Impact and Considerations

15. The matters addressed in this report have been considered in accordance with the process set out in Council's Climate Change Considerations Guide.

Consultation

16. There are no consultation requirements arising from this report.

Legal Considerations

17. The Board of LGFA must deliver to Council (as shareholder), and make available to the public, its 2023/24 Annual Report by no later than 30 September 2024.
18. The final Annual Report was provided to Council officers on 29 August 2024 and was made publicly available via the LGFA website within the statutory deadline.

Financial Considerations

19. The Board of LGFA declared a dividend payment of \$1.843M (2023: \$1.71M) for the year ended 30 June 2024. The dividend rate was \$0.0737 per paid up share. Council will receive a dividend of \$7,370 (2023: \$6,850) on 2 September 2024 from its \$100,000 investment.
20. The Board of LGFA approved the Annual Report on 29 August 2024 and KPMG issued an unmodified audit opinion on the same date.

Appendices

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2	LGFA Letter to Shareholders	99

Author: Glenn Usoalii-Phillips
Treasury Officer

Reviewed By: Darrin Newth
Financial Accounting Manager

Approved By: Jenny Livschitz
Group Chief Financial Officer



ANNUAL REPORT 30 June 2024

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

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

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Cover photo: Peacocke Bridge, opened in August 2024. A girder bridge, it is part of the southern Links which will complete a ring road around Hamilton. Hamilton City Council, Photo Credit – Bloxam Burnett & Olliver

Contents photo: Sir Howard Morrison Centre is a performing arts hub in the heart of Rotorua. Closed in 2017 for earthquake strengthening and refurbishing it was officially re-opened in February 2023. Rotorua District Council, Photo Credit – Steven Parker & Media Masters

Message from the Chair and Chief Executive

He karere mai i te Toihau me te Tumuaki

2023-24 Financial and operational performance

Total interest income for the financial year of NZ\$1,213 million increased 59% over the 2022-23 result of NZ\$763.6 million. Net operating profit of NZ\$10.05 million increased 301% on the 2022-23 result of NZ\$2.5 million. The prior year result was negatively impacted by the sharp rise in interest rates.

Total operating income of NZ\$21.8 million was above the Statement of Intent (SOI) forecast of NZ\$19.2 million due to larger than expected council and CCO lending and higher interest rates than forecast.

Operating expenses at NZ\$11.8 million were NZ\$1.7 million above the SOI budget. Operating expenses were higher than forecast due to Approved Issuer Levy payments to central government for our offshore issuance, as well as higher NZX and legal fees related to increased levels of bond issuance and lending to members.

Over the year, LGFA operations processed over 16,000 transactions with total gross cash flows of NZ\$83 billion. Where possible, LGFA employ straight-through processing to minimise

operational risk across our treasury operations. Improving our information technology control environment to mitigate emerging risks from cyber threats was another key focus over the past year. Independent consultants were engaged to review our cyber control environment for compliance against best practice cyber risk controls and were comfortable with our controls. There were no cyber issues.

We achieved fifteen out of our eighteen performance objectives, with the only objectives missed being operating expenses, driven by higher levels of issuance and onlending than forecast, and a lower number of new Green, Social and Sustainability (GSS) loans than forecast. Our objective for meeting Global Reporting Initiative reporting requirements was superseded by our inaugural climate-related disclosures under the Aotearoa New Zealand Climate Standards.

We continue to support the sector and promote best practice via sponsoring the LGFA Taituarā Local Government Excellence Awards and other Taituarā events. We also held quarterly business updates, the annual shareholder borrower day and economic updates for council and CCO members.

For the year ended 30 June 2024

The 2023-24 year was a standout year for LGFA.

- Annual lending to the sector increased by 56% to a record NZ\$6.1 billion and we provided 90% of council borrowing during the year.
- An increased number of councils utilised our sustainable lending products. Our sustainable loans comprised 27% of new lending during the year and were 15.3% of total outstanding loans as at 30 June 2024.
- Two new Council-Controlled Organisations (CCOs) were added as members which now provides a blueprint for future lending to Water CCOs.
- We diversified our sources of borrowing into offshore markets to meet the growing

financing requirements of the sector as we have outgrown the domestic bond market. Our NZ\$6.5 billion of issuance was a record amount with an equivalent NZ\$2.9 billion sourced from offshore markets.

- LGFA worked closely with Central Government on a package for delivery of an expanded range of financing options for council water entities culminating in the post balance date announcement regarding Water CCO lending and lending to high growth councils.
- Our efforts and achievements were acknowledged through receiving multiple domestic and global awards.

Borrowing activity

LGFA issued an equivalent of NZ\$6.5 billion of bonds over the financial year (an increase of NZ\$3 billion over 2022-23). As at June 2024, our bonds on issue totalled NZ\$21.08 billion, comprising:

- NZ\$18.2 billion of NZD bonds across ten maturities between 2024 to 2037, and
- NZ\$2.9 billion of AUD bonds (A\$2.65 billion) across four maturities between 2027 and 2034.

The highlight for the year was the inaugural foreign currency issuance under our AUD Medium Term Note (MTN) and Euro Commercial Paper (ECP) Programmes. Issuing foreign currency securities assists our issuance strategy by diversifying our funding sources beyond the NZD market. As at 30 June, we had established a yield curve of four AUD bond maturities and issued US\$506 million under our ECP programme.

We would prefer to extend our yield curve beyond the existing 13 years (2037), but this remains difficult to implement until our council and CCO members borrow for longer tenors. The average term of our bond issuance during the year at 5.9 years was longer than the prior year of 5.5 years. This remains shorter than where we would like to be as a longer term of debt reduces our refinancing risk.

We continue to foster strong relationships with international investors. Offshore investors who have increased their holdings of our NZD bonds by \$500 million over the year, totalling \$6.7 billion at year end – an equivalent of 37% of NZD bonds on issue. Combined with the A\$2.65 billion of AUD bonds, our offshore investor base now holds 45% of total LGFA bonds on issue.

While there was significant volatility in yields, over the year the change was muted with 2027 LGFA bond yields falling 39 basis points (bps) over the year (after trading a 124 bps range) and 2037 LGFA bond yields falling a mere 4 bps over the year (after trading a 146 bps range).

Over the year, the interest rate spread at which LGFA bonds trade narrowed against New Zealand Government Bonds (NZGB) but widened over interest rate swaps. Our spreads to NZGB narrowed between 9 bps (2037 bond) and 23 bps (2029 bond) while spreads to swap moved between 'no change' (2026 bond) and 14 bps (2035 bond). This change was similar to the spread movements on other high-grade issuers where the additional supply of NZGBs has been the dominating influence on the domestic bond market.

Lending to members

Over the past year, we added two new CCO members, Whanganui District Council Holdings, and Infrastructure Holdings, bringing total CCO membership to five. Our seventy-seven council members represent all councils, except for Chatham Islands District Council.

Long-dated lending over the year totalled a record NZ\$6.15 billion as members refinanced their 2024 loans and increased borrowing to finance infrastructure projects. Our lending over the year represented an estimated 90% of all council borrowing, a pleasing increase compared to the long-term average of 77%.

The average tenor of long-dated borrowing by members of 4.9 years over the year was shorter than last year's 5.2 years.

Short-dated lending for terms less than 12 months continues to be well supported by members. As at 30 June 2024, there was NZ\$597 million of short-term loans outstanding to thirty-seven members, a 9% increase over the prior year of NZ\$548 million to thirty-seven members.

Local Water Done Well Programme and Ratepayer Assistance Scheme

Central Government's Local Water Done Well Programme will have a significant impact on the local government sector. Over the year, LGFA worked with Central Government and our shareholders to help drive reforms and develop options for financing council and Water CCOs. Since the 30 June 2024 balance date, the Minister of Local Government and LGFA announced that LGFA will lend to Water CCOs and will contemplate providing more financing headroom to high growth councils.

In addition, LGFA continues to assist the local government sector-led initiative for developing a Ratepayer Assistance Scheme with the objective of providing financial relief options to ratepayers.

New products and initiatives

We have seen pleasing growth in the amount of sustainable lending over the past year.

We introduced the Climate Action Loan (CAL) lending product to members in December 2022. A CAL provides a discounted loan margin if a borrower has a greenhouse gas emission reduction plan in place and is meeting its reduction targets. Over the year we approved four new members for CALs and undertook NZ\$2.22 billion of CAL loans, taking the CAL loan total to NZ\$2.74 billion across seven eligible members at year end.

The GSS lending product, launched in October 2021, totalled NZ\$572 million of loans to six members as at 30 June 2024, a growth of NZ\$83 million, with one new borrower over the year.

Over the year, the level of member standby facilities increased by NZ\$20 million to NZ\$747 million at year end, which is just below our cap of NZ\$750 million.

Acknowledgements

Over the past year, LGFA has received numerous awards and accolades from KangaNews, INFINZ, Treasury Management International, FinanceAsia and Environmental Finance. LGFA's work and success cannot be achieved without the support of the Minister of Local Government and Minister of Finance, The Treasury, Department of Internal Affairs, our Shareholders Council, fellow directors and our staff, all whose efforts and support we acknowledge.

We want to acknowledge Anthony Quirk who retired as an Independent Director at the November 2023 AGM. Anthony served on the LGFA Board for six years and made a valued contribution to the success of LGFA during his tenure.

We believe LGFA's future remains positive and look forward to working with all stakeholders in the year ahead.



Craig Stobo
Chair



Mark Butcher
Chief Executive

Taituarā LGFA Local Government Excellence Awards

This year we are delighted to announce that Hastings District Council won the 2024 LGFA Supreme Award for its Waiaroha – Loving Water, Heretaunga Water Discovery Centre, after winning the GHD Award for Environmental Leadership.

Heretaunga Water Discovery Centre (entered as Waiaroha) is a state-of-the-art water treatment plant and discovery centre built in the centre of Hastings. Waiaroha provides a hands-on learning experience that builds understanding that water is critical to survival and that the three waters are an integrated whole.

It is the final major element in Hastings District Council's Drinking Water Strategy, developed in the wake of the 2016 Havelock North drinking water crisis to fulfil Council's commitment to residents that it would make safe drinking water its number one priority.

Hastings District Council major projects director Graeme Hansen said it was very rewarding to have what was a large and challenging project recognised. "This was first and foremost a project focused on ensuring our community had access to clean, safe, resilient drinking water. What was achieved, with the support of Ngāti Kahungunu and

Government funding, is so much more. "It's also an educational facility that brings the treatment process out into the open to give people a real insight into what goes into providing safe drinking water, at the same time sharing the knowledge and creativity of Ngāti Kahungunu through on-site art and storytelling. Our thanks go to our project partner Ngāti Kahungunu, as well as our staff team, consultants and contractors who brought the project to life."

The judges commented "Waiaroha is a world first meld of education, community engagement, place-making, and state-of-the-art water management in a single project. The promotion of a mix of wellbeing outcomes, innovative thinking, and recognising an opportunity from what might have otherwise been seen as a challenge all go to the very purpose of local government and the values that Taituarā champions through these awards".



Performance highlights

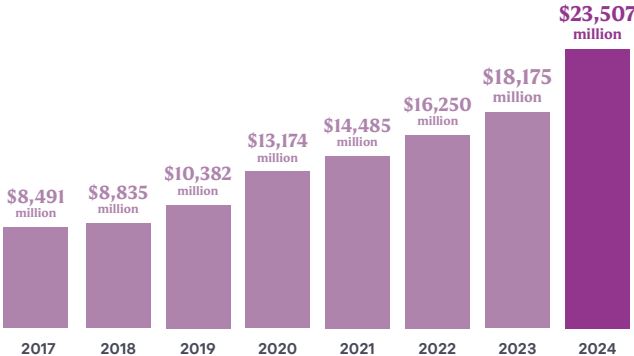
Ko ngā tino hua

Bonds issued over the financial year	Interest income	▲ 59%
NZD \$3,630 million	\$1,213 million	Increase over 2022-23 year
AUD \$2,650 million		
Lending to members over the financial year	Net operating profit	▲ 301%
\$6,095 gross lending, million	\$10.05 million	Increase over 2022-23 year

Total assets

at 30 June 2024

\$23,507 million



Liquidity

As 30 June 2024

\$473 million Cash	\$1,000 million Treasury stock for repurchase
\$1,397 million Marketable securities	\$1,500 million Government committed liquidity facility
\$718 million Deposits	

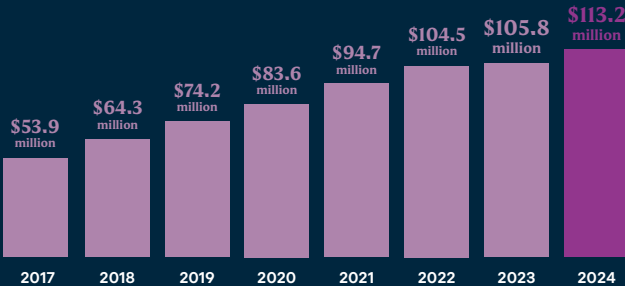
Borrower notes

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

Shareholder funds

at 30 June 2024

\$113 million



Fully paid shares

\$25 million

Retained earnings

\$89 million

\$492 million

About us Mō mātou

New Zealand Local Government Funding Agency Ltd (LGFA) specialises in financing the New Zealand local government sector, the primary objective being to optimise the terms and conditions of the debt funding it provides to participating borrowers.

LGFA was established to raise debt on behalf of councils on terms that are more favourable to them than if they raised the debt themselves. Since establishment, LGFA has expanded its

product suite to include short-dated lending, bespoke lending, standby facilities, sustainable financing alternatives and lending to CCOs. LGFA membership has grown to include 77 out of the 78 councils in New Zealand and has provided 90% of NZD council borrowing in the year to 30 June 2024.

Please refer to our website lgfa.co.nz for more information on LGFA, including our Statement of Intent and Quarterly Reports.

Incorporated

on 1 December 2011 under the Companies Act 1993

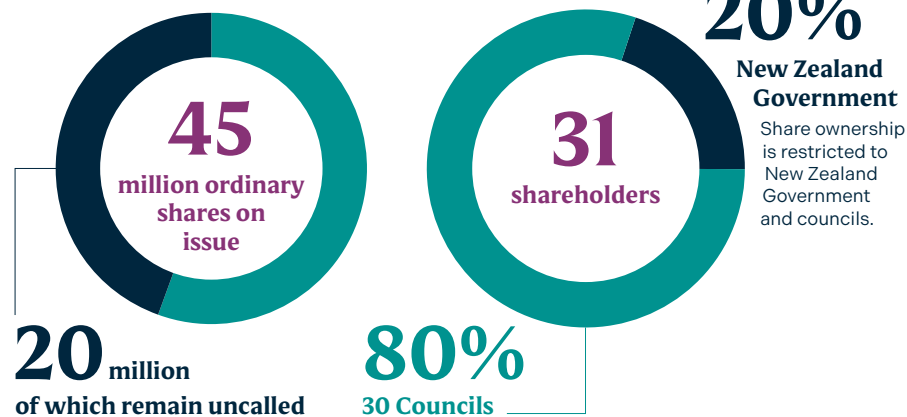
Enabled

by Local Government Borrowing Act 2011

Council-controlled organisation

under the Local Government Act 2002

Ownership



Credit rating

at 30 June 2024

S&P Global Ratings

Domestic Currency

AAA Stable outlook

Foreign Currency **AA+**
Stable outlook

Fitch Ratings

Domestic Currency

AA+ Stable outlook

Foreign Currency **AA+**
Positive outlook

Guarantee structure

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

LGFA's securities obligations are guaranteed by council guarantors.

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

The New Zealand Government is not a guarantor.

Governance overview

The Shareholders' Council

The Shareholders' Council comprises ten appointees from shareholders. The role of the Shareholders' Council is to:

Review and report performance of LGFA and the Board;

Recommend to Shareholders as to the **appointment, removal, replacement and remuneration of directors**;

Recommend to Shareholders as to any **changes to policies**, or the Statement of Intent (SOI), requiring their approval;

Update Shareholders on LGFA matters and to coordinate Shareholders on governance decisions. Please refer to [page 28](#).

The Board

The Board comprises five independent directors and one non-independent director. The Board is responsible for the strategic direction and control of LGFA's activities. The Board guides and monitors the business and affairs of LGFA, in accordance with the:

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

Please refer to [page 25](#).

Bonds listed on NZX Debt Market

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

Supervised by independent trustee: Trustees Executors

Our history

by financial year ended



LGFA bonds on issue

Ko ngā pūtea taurewa pūmau kua tukuna e te LGFA

LGFA issues NZD and AUD denominated bonds

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

- Preferred bond tender sizes are between NZD 150 million to NZD 200 million with at least three bond maturities offered at each tender.
- Approved Issuer Levy is paid on behalf of offshore holders.
- Target issuance of NZD 1 billion minimum per bond maturity over time with a cap of NZD 3 billion per NZD bond maturity.
- All LGFA NZD retail bonds are listed on the NZX.

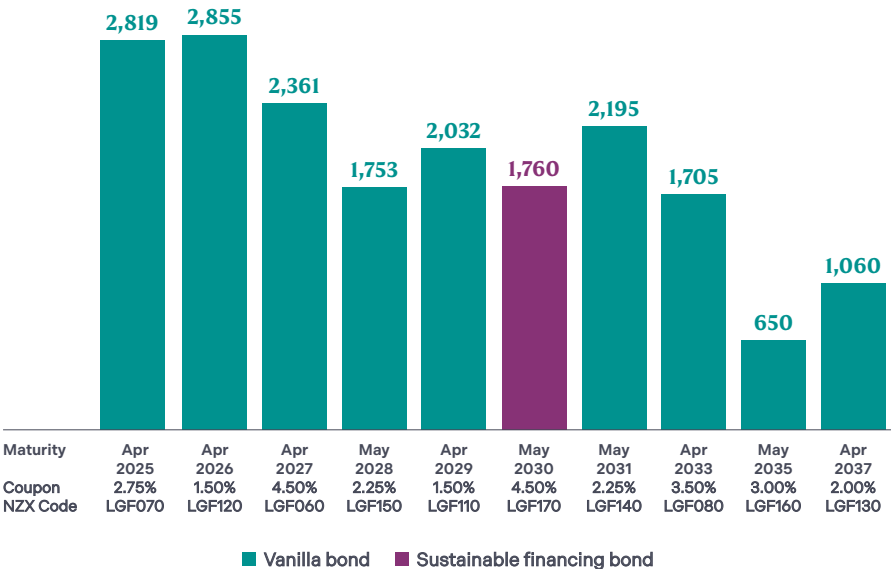
LGFA undertakes AUD bond issuance to diversify its sources of financing and broaden our investor base.

For AUD issuance, LGFA typically issues a new bond maturity via an initial syndication and then increases the amount on issue via a further syndication.

- Target issuance of AUD 1 billion per bond maturity.
- AUD proceeds are swapped back into NZD to remove foreign currency and interest rate risk.

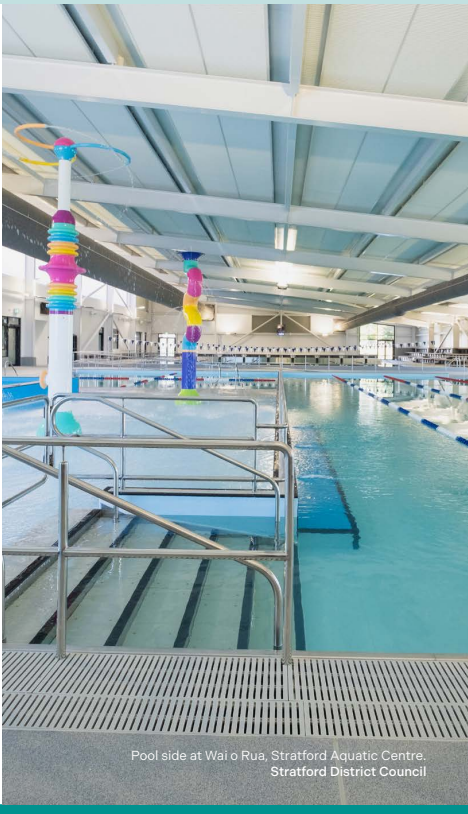
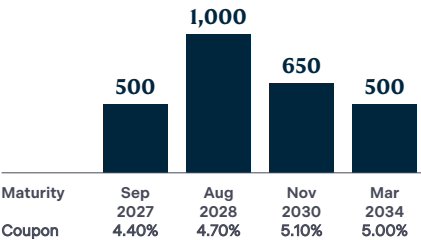
NZD bonds on issue

At 30 June 2024 : NZD 19,190 million
NZD million, face value
Includes NZD 1,000 million treasury stock (refer [note 17, page 47](#))



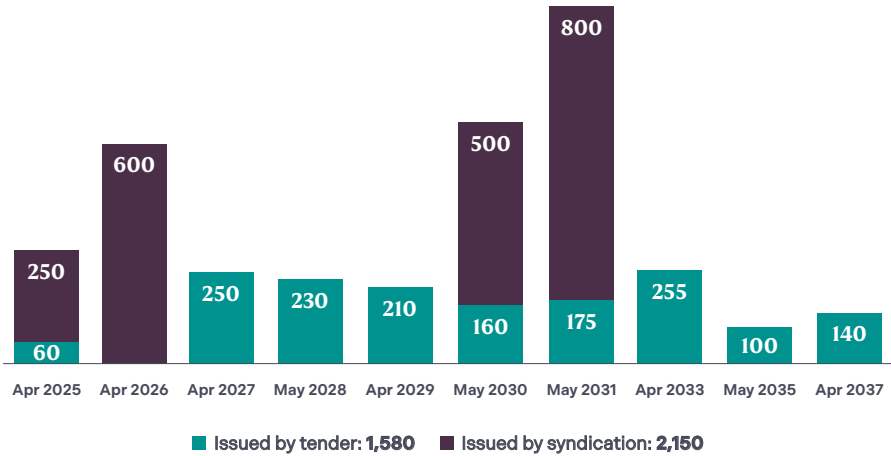
AUD bonds on issue

At 30 June 2024 : AUD 2,650 million
AUD million, face value



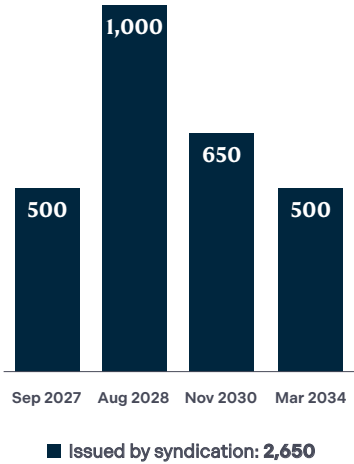
2023-24 NZD bond issuance
by maturity

NZD million, face value



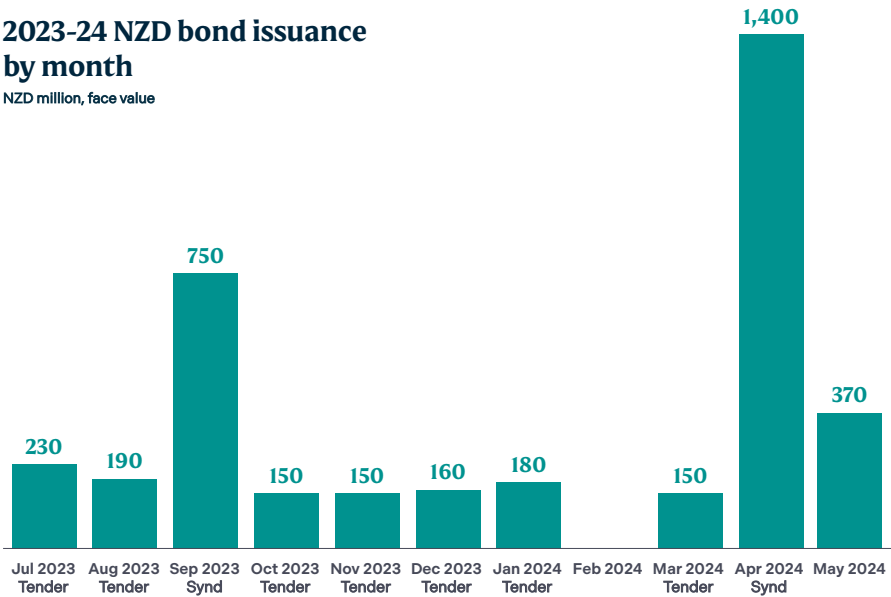
2023-24 AUD bond issuance
by maturity

AUD million, face value



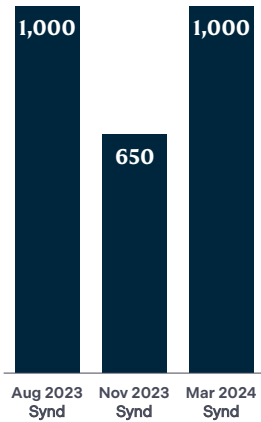
2023-24 NZD bond issuance
by month

NZD million, face value



2023-24 AUD bond issuance
by month

AUD million, face value



2023-24 issuance
NZD **3,730** million
AUD **2,650** million

LGFA is New Zealand's:

- largest issuer of NZD bonds (excluding New Zealand Government)
- largest issuer of debt listed on the NZX

New bond maturities issued
in the year to June 2024 :

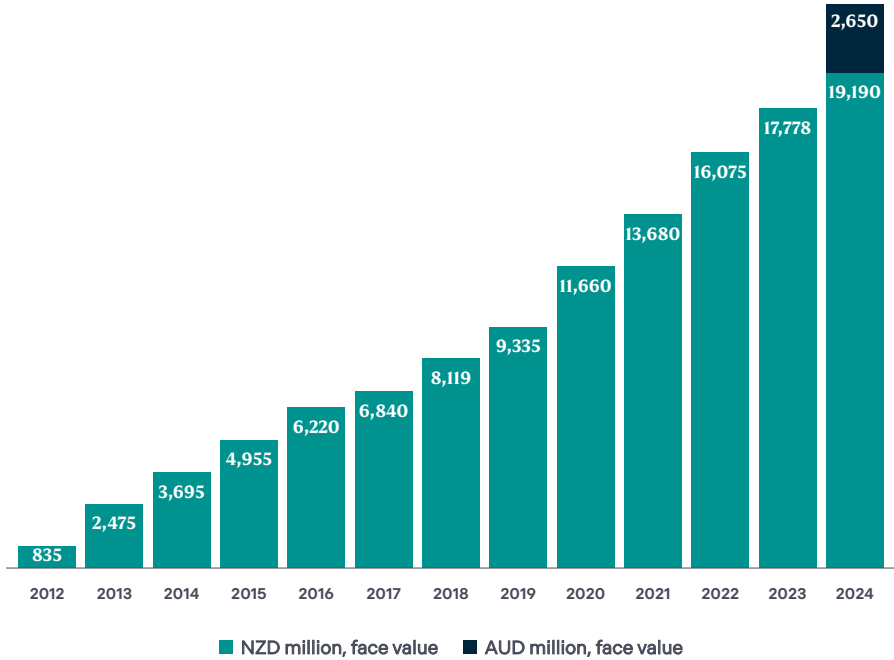
AUD Sep 2027
4.40%

AUD Aug 2028
4.70%

AUD Nov 2030
5.10%

AUD Mar 2034
5.00%

LGFA bonds outstanding at 30 June by year



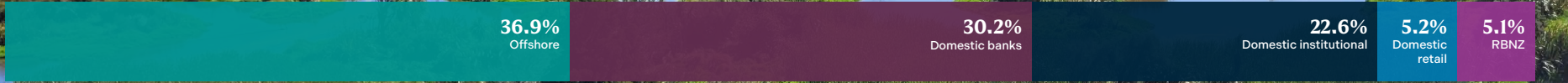
Largest issuers of NZD bonds by outstandings

excluding the New Zealand Government, as at 30 June 2024 (NZD million)



LGFA estimate, based on aggregation of Bloomberg sourced data.

LGFA bond holders by investor group as at 30 June 2024



LGFA bond holders by country of residence as at 31 March 2024



Wairio Wetlands, Lake Wairarapa. Greater Wellington Regional Council

LGFA members

Ko ngā LGFA e noho mema ana

LGFA operates with the primary objective to optimise the terms and conditions of the debt funding it provides to participating borrowers.

Among other things this includes:

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

To become a LGFA member, a council or CCO is required to complete a formal application. Following an application for membership, LGFA management completes a review of the prospective member's financial position

and its ability to comply with LGFA's financial covenants, which is considered by the Board who approve all council memberships. All member councils are required to complete a compliance certificate each year which certifies that the council has complied with LGFA's financial covenants. In addition, LGFA monitors all members' annual reports, annual plans and long term plans on an ongoing basis to ensure that the financial forecasts are consistent with the LGFA financial covenants.

Participating councils and Council-controlled organisations are collectively referred to as LGFA members.

99%
of total loans
are to guarantor
councils

Loans to Auckland
Council are limited
to a maximum of

40%
of total loans

As at 30 June 2024

77
members were
eligible to borrow
from LGFA

30
member councils
are shareholders

72
member councils
were guarantors

5
member
CCOs

TOP 10 MEMBER BORROWERS	AMOUNT BORROWED	% OF TOTAL BORROWINGS
NZD MILLION		
Auckland Council	3,655	17.8%
Christchurch City Council	2,512	12.2%
Wellington City Council	1,596	7.8%
Tauranga City Council	1,051	5.1%
Hamilton City Council	951	4.6%
Greater Wellington Regional Council	941	4.6%
Queenstown Lakes District Council	651	3.2%
Hutt City Council	516	2.5%
Rotorua District Council	451	2.2%
Hastings District Council	397	1.9%
	12,721	61.9%

Over the 12 months to 30 June 2024

\$6,095
million of long term loans

were issued to
74
members

across
486
individual term loans

with an average term of
4.87
years

At 30 June 2024

\$597
million of short term loans

were outstanding to
36
members

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

90%
LGFA's estimated market share
of local government debt

LGFA members by year of joining North Island councils

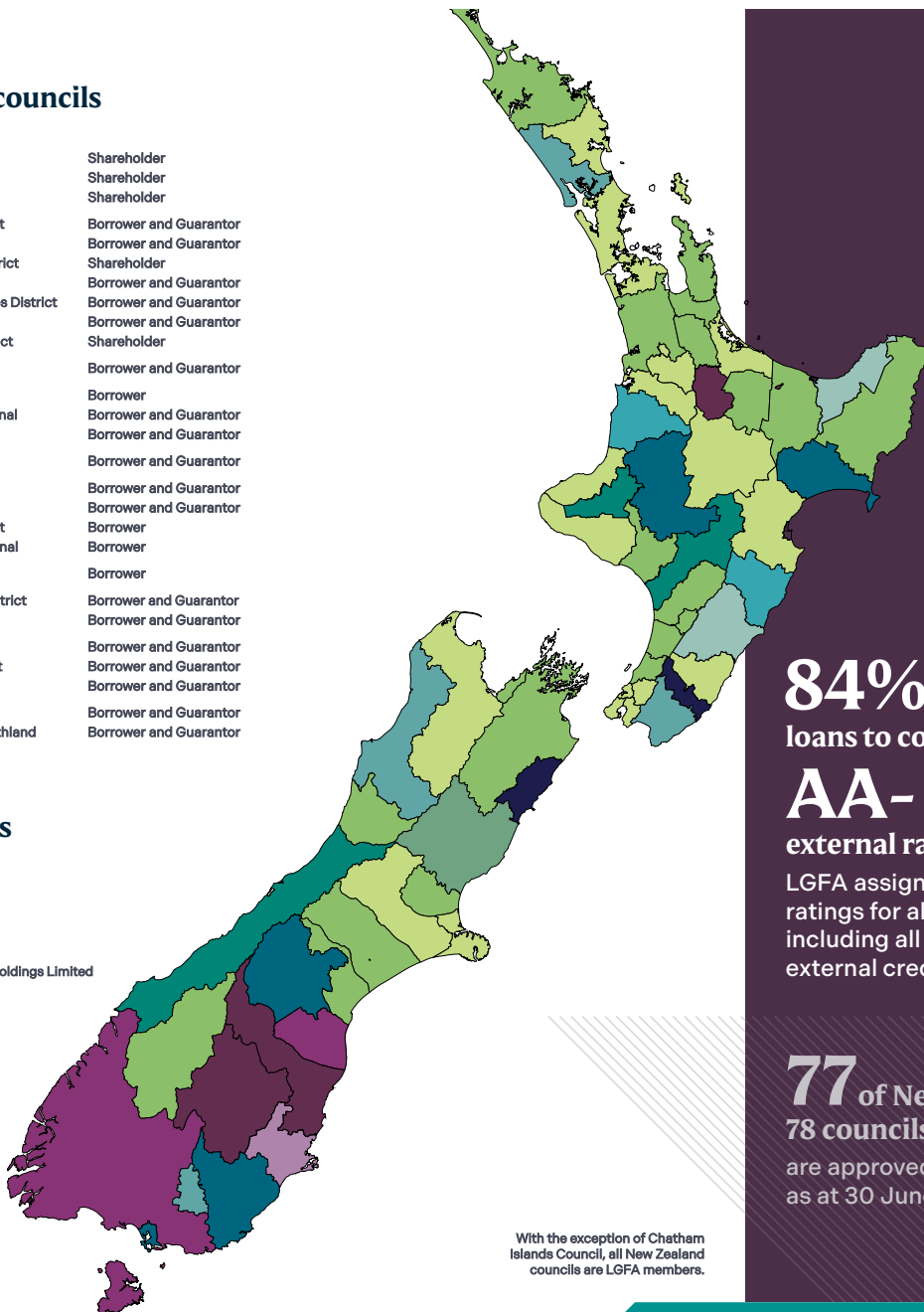
2011-12	Auckland	Shareholder
	Bay of Plenty Regional	Shareholder
	Greater Wellington Regional	Shareholder
	Hamilton City	Shareholder
	Hastings District	Shareholder
	Masterton District	Shareholder
	New Plymouth District	Shareholder
	Otorohanga District	Shareholder
	South Taranaki District	Shareholder
	Taupo District	Shareholder
	Tauranga City	Shareholder
	Waipa District	Shareholder
	Wellington City	Shareholder
2012-13	Far North District	Borrower and Guarantor
	Gisborne District	Shareholder
	Hauraki District	Shareholder
	Horowhenua District	Shareholder
	Hutt City	Shareholder
	Kapiti Coast District	Shareholder
	Manawatu District	Shareholder
	Matamata-Piako District	Borrower and Guarantor
	Palmerston North City	Shareholder
	Rotorua District	Borrower and Guarantor
	Thames-Coromandel District	Shareholder
	Waikato District	Borrower and Guarantor
	Whakatane District	Shareholder
2013-14	Whanganui District	Shareholder
	Horizons District	Borrower and Guarantor
2014-15	Upper Hutt City	Borrower and Guarantor
	Opotiki District	Borrower
2015-16	Porirua City	Borrower and Guarantor
	Taranaki District	Borrower and Guarantor
2016-17	Kaipara District	Borrower and Guarantor
	South Wairarapa District	Borrower and Guarantor
2017-18	Central Hawkes Bay District	Borrower and Guarantor
	Northland Regional	Borrower and Guarantor
2018-19	Waikato Regional	Borrower and Guarantor
	Waitemata District	Borrower and Guarantor
2019-20	Rangitikei District	Borrower
	Stratford District	Borrower and Guarantor
2020-21	Hawkes Bay Regional	Borrower and Guarantor
	Ruaapehu District	Borrower and Guarantor
2021-22	Waikato Regional	Borrower and Guarantor
	Wairoa District	Borrower
2022-23	Taranaki Regional	Borrower and Guarantor
	Carterton District	Borrower
2023-24	Kawerau District	Borrower
	Napier City	Borrower and Guarantor
2024-25	South Waikato District	Borrower and Guarantor

South Island councils

2011-12	Christchurch City	Shareholder
	Selwyn District	Shareholder
	Tasman District	Shareholder
2012-13	Ashburton District	Borrower and Guarantor
	Grey District	Borrower and Guarantor
	Marlborough District	Shareholder
	Nelson City	Borrower and Guarantor
	Queenstown Lakes District	Borrower and Guarantor
	Timaru District	Borrower and Guarantor
2013-14	Waimakariri District	Shareholder
	Hurunui District	Borrower and Guarantor
2015-16	Buller District	Borrower
	Canterbury Regional	Borrower and Guarantor
2017-18	Gore District	Borrower and Guarantor
	Westland District	Borrower and Guarantor
2018-19	Clutha District	Borrower and Guarantor
	Invercargill City	Borrower and Guarantor
	Mackenzie District	Borrower
	West Coast Regional	Borrower
2019-20	Kaitiaki District	Borrower
	Central Otago District	Borrower and Guarantor
2020-21	Waitaki District	Borrower and Guarantor
	Otago Regional	Borrower and Guarantor
2021-22	Southland District	Borrower and Guarantor
	Waimate District	Borrower and Guarantor
2022-23	Dunedin City	Borrower and Guarantor
	Environment Southland Regional	Borrower and Guarantor

CCO members

Destination Westland
Dunedin City Treasury
Infrastructure Holdings Ltd
Invercargill City Holdings Ltd
Whanganui District Council Holdings Limited



With the exception of Chatham Islands Council, all New Zealand councils are LGFA members.

84%

loans to councils with

AA-

external rating or better

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

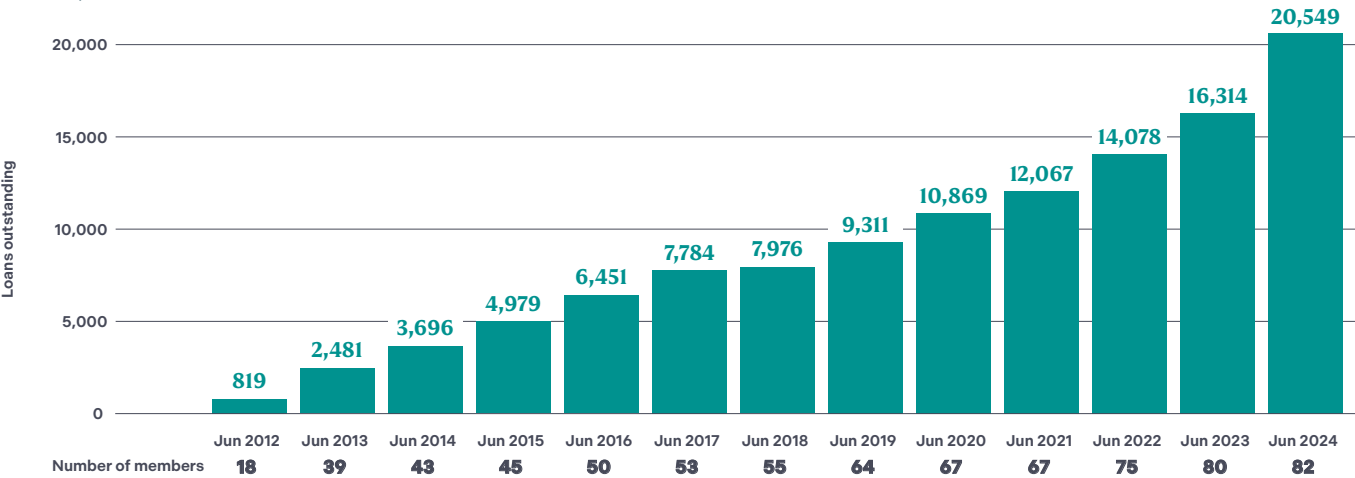
77 of New Zealand's
78 councils

are approved borrowers
as at 30 June 2024



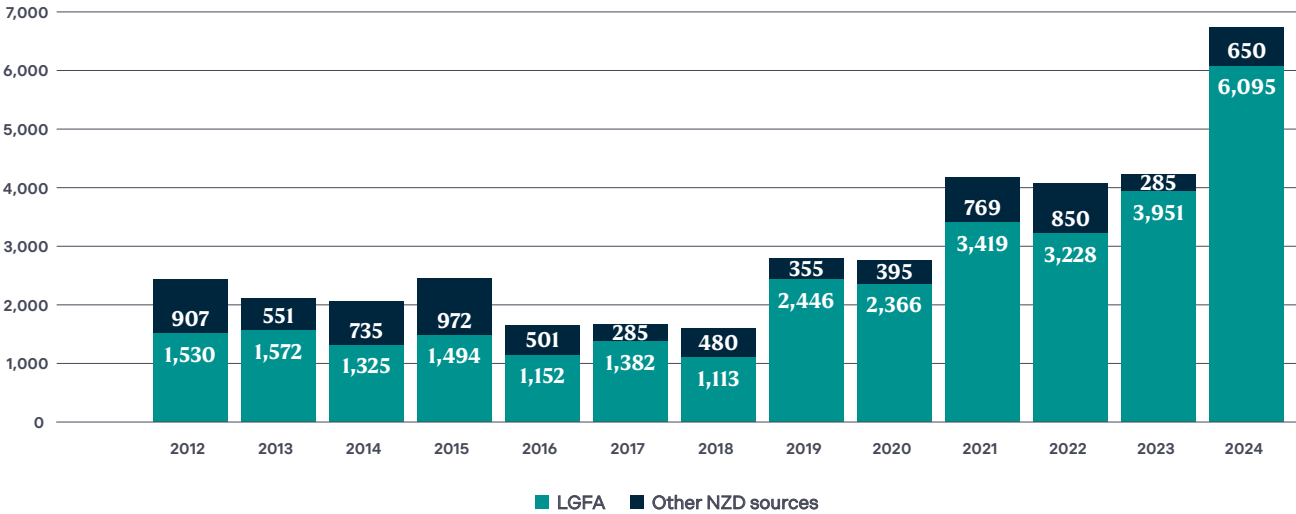
LGFA members and nominal loans outstanding

NZD million, nominal



Members' annual borrowing

NZD million, nominal



Sustainability at LGFA

Te toitūtanga kei te LGFA

As at June 2024

Sustainable
Financing Bond

\$1.76
billion

Green, social &
sustainable loans

\$377
million

Climate action
loans

\$2.77
billion

LGFA is committed to improving sustainability outcomes within the company, as well as assisting the local government sector achieve their sustainability and climate change objectives within their communities.

Promoting environmental and social stewardship

LGFA recognises the emerging risks for councils from climate change and supports their commitment towards improving sustainable outcomes for local communities. LGFA supports member councils and CCOs on financing projects to build towards a more sustainable and resilient society. As the primary lender to the local government sector, LGFA finances members' core investment into improving New Zealand's infrastructure and services to residents and visitors. By extension, these members' investments form an important element of LGFA's sustainability context.

Climate-related disclosure framework

The Financial Sector (Climate-related Disclosures and Other Matters) Amendment Act 2021 makes it mandatory for climate reporting entities to produce climate statements according to disclosure standards in the Aotearoa New Zealand Climate Standards issued by the External Reporting Board in December 2022.

LGFA is a designated Climate Reporting Entity as it is a listed issuer of quoted debt securities with a combined face value of quoted debt exceeding \$60 million.

Climate Reporting Entities are required to make annual disclosures covering governance arrangements, risk management, strategies and metrics and targets for mitigating and adapting to climate change impacts.

The mandatory reporting regime took effect for accounting periods that start on or after the 1 January 2023 and LGFA has completed our inaugural disclosures for the year ended 30 June 2024.

LGFA Climate-related disclosures for the year ended 30 June 2024

Sustainability Committee

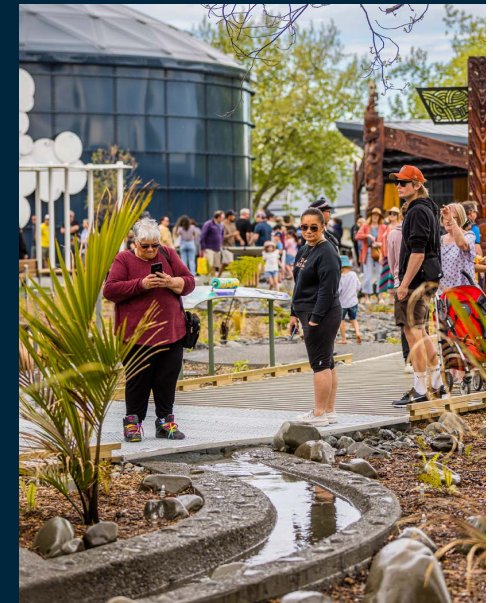
The LGFA Sustainability Committee assists us to achieve our sustainability objectives.

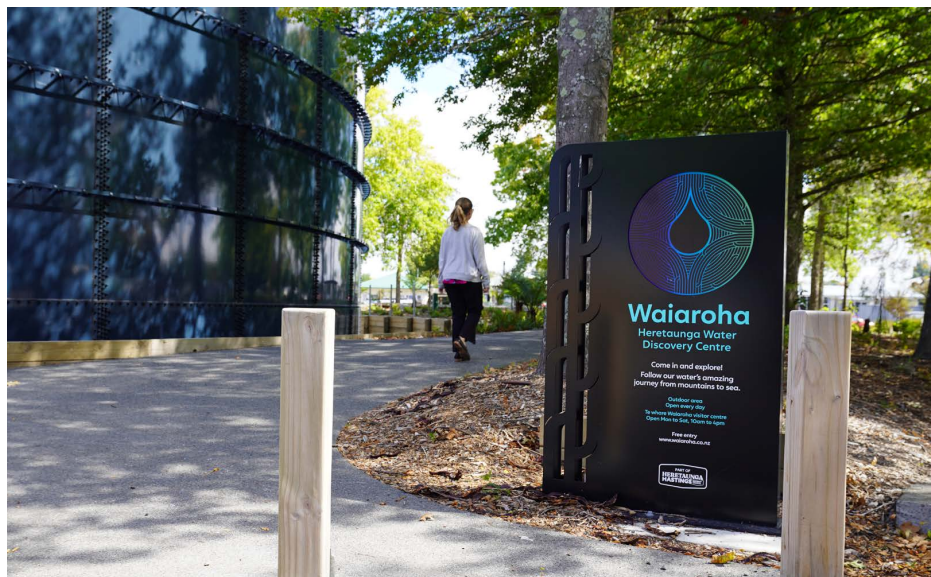
The Committee is chaired by LGFA's Head of Sustainability and comprises three employees and four independent members.

The Committee's purpose is to advise the Chief Executive and Board on sustainability issues within LGFA, across its operating, borrowing and lending activities and includes providing input in our GSS lending programme. GSS loan applications are reviewed by LGFA's Sustainability Committee prior to approval, with approved loans monitored for ongoing compliance.

Independent members of the LGFA Sustainability Committee As at 30 June 2024

Alison Howard
Erica Miles
Chris Thurston
David Woods





LGFA Sustainable financing bond framework

In March 2023, LGFA announced our Sustainable Financing Bond Framework.

The Framework outlines the process by which LGFA will issue and manage sustainable financing bonds that will be notionally allocated to a pool of Sustainable Loans that meet the eligibility criteria set out in the Framework.

Launching the Framework enables LGFA to:

- demonstrate its commitment to support council and CCO borrowers to fund sustainable assets and activities, and incentivise GHG emissions reductions;
- issue bonds that are notionally allocated to the Sustainable Loans on LGFA's balance sheet; and
- advance the market for sustainable finance by providing an innovative opportunity for investors to support council and CCO borrowers to achieve their sustainability aspirations.

The Framework follows the proceeds-based pillars of the general market standards for sustainable finance, namely the International Capital Markets Association's Green Bond Principles (GBP), Social Bond Principles (SBP), and Sustainability Bond Guidelines (SBG). However, LGFA does not claim direct alignment of the Framework with these principles as the pool of Sustainable Loans comprises both GSS Loans and CALs together in the same asset pool.

Sustainable loans are made by LGFA to member councils and CCOs under the Green, Social and Sustainability (GSS) Lending Programme and the Climate Action Loans (CALs) Programme.

The Framework is supported by a Second Party Opinion (SPO) provided by Sustainalytics.

In April 2023, LGFA completed the inaugural issue of \$1.1 billion of Sustainable Financing Bonds maturing 15th May 2030. This was increased by \$500 million in September 2023, and as at 30 June 2024, the amount outstanding in this issuance line was \$1.76 billion.

Global recognition of LGFA sustainable financing bond framework and issuance

LGFA has been recognised with the following three KangaNews Awards for 2023:

- New Zealand dollar rates bond deal of the year,
- New Zealand sustainability deal of the year, and
- New Zealand innovative debt deal of the year.

In April 2024, the LGFA \$1.1bn Sustainable Financing Bond was named **"Sustainability Bond of the Year – Supranational"** at Environmental Finance's Sustainable Debt Awards 2024. These awards celebrate the leading green, social, sustainable and sustainability-linked bond and loan deals and recognise market innovations. LGFA takes great pride in having been recognised by the market for their thought-leadership, best practice and innovation, amongst its illustrious global peer group.

One Sustainable Debt Awards judge described the structure as having "a significant positive impact for the underlying assets" and called it a "significant development for the APAC region".

Another praised "the combination of ambitious targets, alignment with the Green Bond Principles, the Social Bond Principles, and the Sustainability Bond Guidelines, high performance in terms of market turnover, and innovative setup."

KANGANEWS AWARDS 2023

NEW ZEALAND DOLLAR RATES BOND
DEAL OF THE YEAR

**New Zealand Local Government
Funding Agency**

**NZ\$1.1 BILLION 4.50% MAY 2030
SUSTAINABLE FINANCING BOND**

ARRANGER: Westpac Banking Corporation New Zealand Branch

LEAD MANAGERS:
ANZ, BNZ, Commonwealth Bank of Australia,
Westpac Banking Corporation New Zealand Branch

KANGANEWS AWARDS 2023

NEW ZEALAND SUSTAINABILITY
DEAL OF THE YEAR

**New Zealand Local Government
Funding Agency**

**NZ\$1.1 BILLION 4.50% MAY 2030
SUSTAINABLE FINANCING BOND**

ARRANGER: Westpac Banking Corporation New Zealand Branch

LEAD MANAGERS:
ANZ, BNZ, Commonwealth Bank of Australia,
Westpac Banking Corporation New Zealand Branch

KANGANEWS AWARDS 2023

NEW ZEALAND INNOVATIVE DEBT
DEAL OF THE YEAR

**New Zealand Local Government
Funding Agency**

**NZ\$1.1 BILLION 4.50% MAY 2030
SUSTAINABLE FINANCING BOND**

ARRANGER: Westpac Banking Corporation New Zealand Branch

LEAD MANAGERS:
ANZ, BNZ, Commonwealth Bank of Australia,
Westpac Banking Corporation New Zealand Branch

**Environmental
Finance**

**Sustainable Debt
Awards 2024
Winner**

**Sustainability bond of the year
– supranational**

Sustainable lending products

Offering members innovative sustainable lending products aligns to LGFA's commitment to display sector leadership on sustainable lending and incentivising member councils and CCOs to progress sustainability opportunities.

Our sustainable lending products comprise Green, Social and Sustainable lending and Climate Incentive Loans.

Green, social and sustainability lending

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

LGFA acknowledges the importance of financing projects that promote environmental and social wellbeing in New Zealand, and which fund eligible green and/or social projects.

Our green, social and/or sustainability (GSS) lending programme, launched in 2021, provides funding for our members across the following nine green project categories and three social project categories:

Green Project Categories

- Energy Efficiency
- Green Buildings
- Clean Transportation
- Sustainable Water and Wastewater Management
- Renewable Energy
- Pollution Prevention and Control
- Sustainable Management of Living Natural Resources and land use and Use
- Climate Change Adaptation
- Terrestrial and Aquatic Biodiversity Conservation

Social Project Categories

- Affordable Basic Infrastructure-Clean Water, Sewer, Transport
- Access to Essential Services-Education, Healthcare
- Affordable Housing

Under the GSS programme, LGFA lends to councils and CCOs at a discounted margin to incentivise them to undertake projects that help drive forward climate, environmental and social projects across the New Zealand local government sector.

As at 30 June 2024, LGFA had approved six GSS loans, across three different green project categories and one social project category, totalling NZ\$572.3 million approved of which NZ\$377.2 million had been advanced.

In December 2021 the Wellington City Council and the Greater Wellington Regional Council became the first local authorities in New Zealand to draw down under the programme. They have been followed by Hutt City Council in June 2022, Whangarei District Council in August 2022, Christchurch City Council in November 2022 and, most recently, Tauranga City Council in October 2023.

Tākina Wellington Convention and Exhibition Centre Wellington City Council

Under Green Project Category: Green Buildings, Wellington City Council borrowed \$180 million for the construction of Tākina, the Wellington Convention and Exhibition Centre, the Capital's largest infrastructure investment since the Wellington Regional Stadium two decades ago. Tākina offers a powerful combination of facilities across three floors and 18,000 m² that is drawing visitors to Wellington to learn, meet and be inspired.

Opened in June 2023, Tākina has been awarded a 5-star certification by the New Zealand Green Building Council for a design that reduces energy use by 60% and carbon emissions by 66% when benchmarked against comparable new builds. The building's features include a rainwater harvesting system, smart air conditioning and enhanced thermal insulation.





Te Wai Takamori o Te Awa Kairangi
Greater Wellington Regional Council

Under Green Project Category: Climate Adaptation, Greater Wellington Regional Council (GWRC) will borrow up to \$227 million to fund the Council's flood protection work on Te Wai Takamori o Te Awa Kairangi. This project involves upgrading the stopbanks on either side of Te Awa Kairangi / Hutt River as well as deepening and widening the river channel to protect Te Awa Kairangi ki Tai – Lower Hutt city centre from a one in 440 year flood event (which has a 0.2% chance of occurring in any year), at the same time enhancing the ecological health of the river.

Te Wai Takamori o Te Awa Kairangi programme of works is being delivered through a partnership between Greater Wellington, Hutt City Council and Waka Kotahi NZ Transport Agency, working together with Mana Whenua partners – Ngāti Toa Rangatira and Taranaki Whānui ki te Upoko o te Ika.



Naenae Pool and Fitness Centre
Hutt City Council

Under Green Project Category: Green Buildings, Hutt City Council (HCC) will borrow up to \$41 million for the rebuild of the Naenae Pool and Fitness Centre. The new swimming pool will be 65% bigger than the old pool and will be much more energy efficient with up to 53% reduction in energy use.

Due to open in July 2024, the Naenae Pool and Fitness Centre will have a 50m Olympic pool with 10 lanes and two moveable bulkheads so it can be used for different activities at the same time. A second leisure pool will have a shallow section for family fun, and a deep section with ramp access, seating and hydro jets for maximum accessibility.



Te Iwitahi – Whangarei Civic Centre Whangarei District Council

Under Green Project Category: Green Buildings, Whangarei District Council (WDC) borrowed \$59 million for Whangarei District's new civic building which has been designed to provide a welcoming, inclusive and easily accessible customer experience. The 8,000m² building opened in June 2023 and has been designed to be sustainable and to strongly reflect Whangarei's cultural identity and heritage.

Te Iwitahi is an extremely efficient, sustainability-focused, fully accessible building, designed for high functionality now and into the future, and earned the Supreme Award for projects costing over \$10 million at the New Zealand Commercial Project Awards 2024.



Ōtautahi Community Housing Trust Christchurch City Council

Under Social Project Category: Affordable Housing, Christchurch City Council (CCC) will borrow up to \$55 million to provide finance to Ōtautahi Community Housing Trust (ŌCHT). ŌCHT was formed in 2016 out of CCC's objective for a financially sustainable model for its social housing portfolio.

ŌCHT provides low-cost community housing, supported by a government subsidy where possible. ŌCHT is the second largest Community Housing Provider in New Zealand and it manages approximately 2,300 units passed to it from CCC.

Part of ŌCHT's programme is to build at least 400 units to replace those lost due to the Canterbury earthquakes, and the GSS Loan is to finance the build of these properties. The Ministry of Housing and Urban Development supports the development and ŌCHT is contracted to provide homes for people on the Public Housing Register.

Kopurererua Valley Stream Realignment Tauranga City Council

Under the Green Project Category: Terrestrial and Aquatic Biodiversity Conservation, Tauranga City Council (TCC) will borrow up to \$10.3 million to provide finance for the work to realign and restore the Kopurererua River, along with the creation of a new cycle path and a new wetland at the Kopurererua Valley Reserve, a 364 hectare inner city reserve in Tauranga.

In partnership with Ngāi Tamarāwaho and Bay of Plenty Regional Council, TCC will deliver the following benefits through this project:

The realignment of the river channel, and the subsequent creation of a wetland will slow the flow of the water, improving water quality, assisting in flood control, and ultimately providing climate change resilience. Approximately 200,000 plants will be planted to restore the valley and assist with this resilience.

The realignment of the river will recreate fish and bird habitats and help to restore the mauri that has been lost over time. It will restore the path followed by Taurikura as she swam out to Tauranga Moana, and finally landed at Karewa Island.

Community access and connection to the reserve will significantly increase.



Climate Action Loans

A commitment to incentivise our members to act on climate change and reduce greenhouse gas emissions.

LGFA launched its Climate Action Loans (CALs) lending programme in December 2022. CALs are target-based lending structures designed to incentivise councils and CCOs to act on climate change and reduce greenhouse gas (GHG) emissions.

A CAL rewards a borrower through a lending margin discount if they have adopted an Emission Reduction Plan setting out specific Emissions Reduction Targets for their operational greenhouse gas emissions at member council or CCO level. CALs are available for all members, including those who may not have eligible projects to access GSS loans.

As at 30th June 2024, LGFA had advanced CAL loans totalling \$2,746.7 million across seven member councils.



Auckland Council. Approved for CALs in March 2023

In June 2019, Auckland Council declared a climate emergency, committing the Council to take the necessary action to manage and mitigate climate-related risks while taking advantage of the opportunities created by climate change.

Te Tāruke-ā-Tāwhiri: Auckland's Climate Plan, adopted by Auckland Council in 2020, sets out a pathway to achieve a 50% reduction in regional greenhouse gas (GHG) emissions by 2030 and net zero by 2050 from a 2016/17 base year. Auckland Council's Long-Term Plan (LTP) sets similar targets for Auckland Council, halving direct GHG emissions (scope 1 & 2) from Auckland Council operations by 2030 and achieving net zero emissions by 2050.



Hutt City Council. Approved for CALs in March 2023

In 2018, Hutt City Council (HCC) commenced work on its first organisational carbon footprint, and later that year, set a carbon target of net zero by no later than 2050. This was followed by Council declaring a climate emergency in June 2019.

In July 2021 the HCC Interim Carbon and Climate Resilience Plan 2021-2031 (ICCRP) was approved as companion document to the LTP 2021-31. This plan built on earlier work in the energy space, ie the Energy and Carbon Reduction Plan 2020-2024, which set targets for improving energy efficiency and reducing carbon emissions with the use of energy at Council facilities. The ICCRP sets out 21 concrete and measurable actions which include:

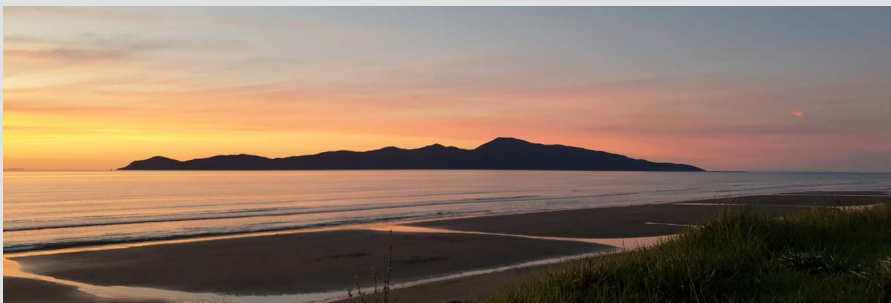
- Outline the journey to reduce HCC's corporate emissions to net-zero by 2050.
- Help reduce Lower Hutt's greenhouse gas emissions to net-zero by 2050 and halve emissions by 2030.

Dunedin City Treasury Limited. Approved for CALs in April 2023

In June 2019, Dunedin City Council (DCC) declared a climate and ecological emergency and set the ambitious goal for Dunedin city to be net carbon neutral by 2030, adopting a two-part 'Zero Carbon 2030' target, as follows:

- net zero emissions of all greenhouse gases other than biogenic methane by 2030; and
- 24% to 47% reduction below 2017 biogenic methane emissions by 2050, including 10% reduction below 2017 biogenic methane emissions by 2030.

In February 2022 DCC adopted an Emissions Management and Reduction Plan setting out the goal for DCC and Dunedin City to be net carbon zero by 2030 and to increase its resilience to the effects of climate change. With regards to climate change adaptation, DCC's focus to date has been its South Dunedin Future programme, as South Dunedin is the most climate-exposed part of the city.



Kapiti Coast District Council. Approved for CALs in August 2023

Kapiti Coast District Council (KCDC) has been measuring its emissions since the 2009/10 year under the Toitū CarbonReduce Programme and has won multiple awards for leadership in environmental sustainability. In May 2019, the council declared a climate emergency.

Recently KCDC set a new aspirational long-term target for its organisational emissions of net zero emissions by 2040. KCDC also set a mid-term reduction target for its category 1 and 2 emissions of 15.5% by 2032. This is on top of the 70% emissions reductions already achieved in categories 1 and 2 emissions since 2010.

Wellington City Council. Approved for CALs in February 2024

In June 2019, Wellington City Council (WCC) declared a climate and ecological emergency and Te Atakura – First to Zero (emissions) blueprint was adopted, setting Wellington's ambition to become a net zero carbon capital by 2050. WCC has been measuring its emissions since 2014 and, over the years, it has continued to improve the way it captures information. From mid-2021, WCC started measuring supply chain emissions.

In November 2023, WCC set a science-based target to reduce their Scope 1 & 2 emissions by 57% between 2021 and 2030, and a separate target that two-thirds of their supplier emissions will have adopted science-based targets by 2030. In November 2023, WCC adopted an Organisational Emissions Reduction Plan setting out the projects they need to deliver in order to meet those targets.

Tauranga City Council. Approved for CALs in March 2024

Tauranga City Council (TCC) has accelerated its efforts over the last few years to reduce its operational emissions. TCC started measuring its emissions in 2018 and has since then achieved a 27% reduction of Scope 1 and 2 emissions (including CCOs and wastewater treatment). In 2023, TCC committed to a goal to reach net zero by 2050 in its operational emissions and developed an Emissions Reduction Plan.

The Emissions Reduction Plan dated February 2024 includes targets aligned with a science-based pathway, supported by 15 projects to reduce Scope 1 and 2 emissions across council operations. A science-based target means that TCC will need to reduce its emissions by 46.2% by 2030 and 90% by 2040 from 2019 baseline. This covers emissions from electricity consumption and combustion of fossil fuels within council operations (Scope 1 and 2).

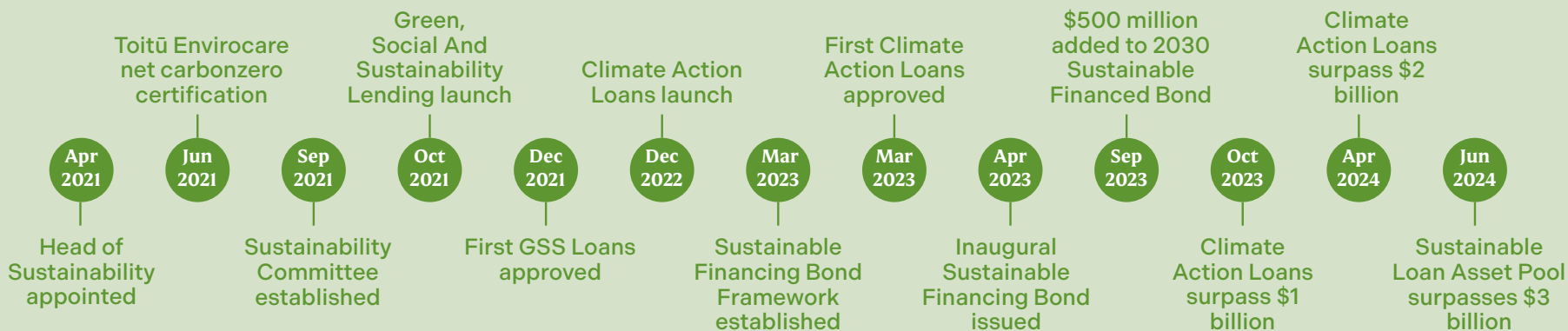
Greater Wellington Regional Council. Approved for CALs in June 2024

In August 2019, Greater Wellington Regional Council (GWRC) declared a climate emergency and has since developed a programme of climate action relating to corporate operations and regional outcomes. GWRC's Executive Leadership Team signed off its Organisational Emissions Management and Reduction Plan in May 2024, which includes targets for its organisational GHG emissions, previously approved by Councillors. Each target is relative to the Council's base year period of FY18/19. These include:

- GWRC has committed to achieve a net reduction in its total emissions (all Scopes/Categories) of 40% in FY2024/25;
- To be 'carbon neutral' (net-zero total emissions) from FY2029/30;
- To be 'climate positive' (net emissions reduced by more than 100% from FY2034/35);
- Achieve a 25% reduction in gross Scope 1 & 2 (Category 1 & 2) GHG emissions in FY2024/25;
- Achieve a 50% reduction in gross Scope 1 & 2 (Category 1 & 2) GHG emissions in FY2029/30;
- Achieve a 65% reduction in gross Scope 1 & 2 (Category 1 & 2) GHG emissions in FY34/35.



Our Sustainability timeline



Toitū net carbonzero certification

As part of our carbon reduction process, LGFA has maintained a Toitū net carbonzero certification since 2021. The Toitū certification recognises the processes LGFA has put in place to measure our greenhouse gas (GHG) emissions, as well as management plans to reduce our company's emissions. Where LGFA are unable to eliminate emissions, these are offset through the purchase of high-impact carbon credits from a Gold Standard-certified international project.



Kauri 2000

Kauri 2000 was established in 1999 as a project to celebrate the start of the new millennium by planting 2000 kauri on the Coromandel Peninsula. To date the Trust has planted over 55,000 trees and continues to plant kauri throughout the Coromandel. LGFA donates to Kauri 2000 on an annual basis to assist the Trust with their planting programme. In 2024, LGFA donated \$4,000.

Governance and culture

Te whakaruruhau me te ahurea

LGFA governance policies and documents

- | | |
|----------------------------------|-------------------------------|
| Audit and Risk Committee Charter | Remuneration Policy |
| Board Charter | Responsible Investment Policy |
| Code of Ethics | Risk Management Policy |
| Diversity Policy | Shareholders Agreement |
| Internal Audit Charter | Sustainability Policy |
| LGFA Constitution | Treasury Policy |
| LGFA Foundation Policies | |

NZX Corporate Governance Code

LGFA is a listed issuer on the NZX Debt Market and complies with the eight core principles underpinning the NZX Corporate Governance Code (1 April 2023).

LGFA considers that its governance practices have not materially differed from the NZX Code for the year ended 30 June 2024. Areas where LGFA has implemented alternative measures to the Code are as follows:

- | | | |
|--|---|---|
| An issuer should establish a nomination committee to recommend director appointments to the board. | → | The process for the nomination and remuneration of directors is documented in the Constitution of New Zealand Local Government Funding Agency Limited and outlined on page 27. |
| An issuer should have a remuneration committee which operates under a written charter. | → | |

The LGFA Board is responsible for the strategic direction and control of LGFA's activities and is committed to ensuring LGFA demonstrates ongoing commitment to strong and sound corporate governance.

Our values

Ō mātau uara



We act with integrity

E pono ana mātau

We are honest, transparent and are committed to doing what is best for our customers and our company.



We strive for excellence

E whakapau kaha mātau kia hiranga te mahi

We strive to excel by delivering financial products and services that are highly valued at least cost while seeking continuous improvement in everything we do.

Our purpose

Benefiting local communities through delivering efficient financing for local government.



We are customer focused

E arotahi ana mātau ki te kiritaki

Our customers are our council borrowers, investors, and all other organisations that we deal with. We listen to them and act in their best interests to deliver results that make a positive difference.



We are innovative

He auaha mātau

To meet our ever-changing customer requirements, we will encourage innovation and provide a diverse range of financial products and services.



We provide leadership

He kaiārahi mātau

We are here for our stakeholders in being strategically minded, providing resilience and executing our strategy. We embrace a high-performance culture and can be relied upon to deliver results.

Culture, ethics and governance

The Board is committed to ensuring LGFA demonstrates ongoing commitment to strong and sound corporate governance, and that the conduct of both directors and staff always meets the high standards required to reflect the company's values and to protect its reputation.

LGFA's required standards for conduct are defined in our Code of Ethics and is reflected throughout the following key governance documents: The Constitution; Shareholders' Agreement; Board Charter; Audit and Risk Committee Charter; Internal Audit Charter; and the Diversity Policy.

Code of Ethics

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

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

Our Code of Conduct Policy requires employees and directors to maintain high standards of integrity and conduct by clearly setting out expected standards for behaviour. In addition, the policy sets out our commitment to employees to act in a fair and reasonable manner, while providing a fair and safe working environment.

Protected Disclosures and Whistle Blowing

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

Financial Products Trading Policy

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

Transparency and disclosure

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

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

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

LGFA demonstrates transparency through its annual Statement of Intent (SOI) and quarterly reporting to shareholders on its performance against the objectives set out in the SOI.

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

LGFA has adopted a formal Continuous Disclosure Policy, the requirements of which ensure that we meet the continuous disclosure requirements of the NZX Listing Rules, including the disclosure for material environmental, social and governance (ESG) factors.

Audit and Risk Committee

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

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

- Risk management framework and processes;
- Internal control environment and mechanisms;
- Operations and effectiveness of the internal audit function;
- Preparation and audit of financial statements;
- Integrity of performance information, including financial reporting;
- Governance framework and process;
- Policies, processes and activities to ensure compliance with legislation, policies and procedures; and
- Statutory/regulatory disclosure and reporting and performance against Statement of Intent targets.

Audit and Risk Committee members are appointed by the Board. Membership comprises at least three directors, the majority of whom must be independent.

Internal audit

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

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

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

External audit

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

The Audit and Risk Committee has responsibility for all processes relating to the audit of financial statements, including the setting of audit fees and ensuring the independence and objectivity of the auditors.

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

Our team

Health, safety and wellbeing

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

LGFA maintains policies on health and safety, flexible working, diversity and employment which outlines the company's commitment to health, safety and wellbeing.

Our Health and Safety Policy sets out the duty of directors and staff under the Health and Safety at Work Act 2015. A staff health and safety committee has been established with responsibility to continuously review health and safety issues and ongoing compliance with the Act, with reporting on health and safety issues at each Board meeting.

LGFA provides staff with access to professional support for general counselling services, individual

case management and on-going monitoring of an employee's progress to ensure they have access to assistance and treatment to meet their needs.

Capability and development

LGFA is committed to ongoing education and professional development for staff and directors by funding professional development courses, membership of professional bodies and attendances at industry conferences.

The Future Director programme, launched in 2021 by the Board and Shareholder Council, aims to give talented people within the Local Government sector with an interest in corporate governance the opportunity to observe and participate in Boardroom discussions for an 18-month period. The Future Director actively participates at Board meetings, but they have no voting rights. Sarah Matthews was appointed as our second Future Director in January 2024 for an 18 month term.

Diversity and inclusion

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

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

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

Each year, we complete a diversity review which is reported through to the Board and, when undertaking recruitment, selection panels for interview are split by gender.

Appointments to the Board are made in accordance with our Constitution and the Shareholders Agreement.

	2024		2023	
	Female	Male	Female	Male
Board	2	4	2	4
Staff	3	7	3	6

	2024			2023		
	Under 30 years	30-50 years	Over 50 years	Under 30 years	30-50 years	Over 50 years
Board	-	-	100%	-	-	100%
Staff	-	30%	70%	12%	22%	60%



Ara hiko i tai. Marine Parade coastal pathway.
Opened in December 2023. Tauranga City Council

Our Board

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

- ensuring that LGFA's goals are clearly established, and that strategies are in place for achieving them;
- establishing policies for strengthening LGFA's performance;
- ensuring strategies are in place for meeting expectations set out in the Statement of Intent and monitoring performance against those expectations, in particular LGFA's primary objective to optimise the debt funding terms and conditions for participating borrowers;
- monitoring the performance of management;
- appointing the CEO, setting the terms of the CEO's employment contract and, where necessary, terminating the CEO's employment;
- deciding on whatever steps are necessary to protect LGFA's financial position and the ability to meet its debts and other obligations when they fall due, and ensuring that such steps are taken;
- ensuring that LGFA's financial statements are true and fair and otherwise conform with law;
- ensuring that LGFA adheres to high standards of ethics and corporate behaviour;
- 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 goal and engaging and communicating with Shareholders Council; and
- engaging and communicating with shareholders.

Board composition

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



Craig Stobo
Independent Chair

BA (Hons) Economics First Class, Otago; C.F.Inst.D
Advanced Management Programme, The Wharton School,
Philadelphia

Associate Member CFA Society New Zealand

Craig has worked as a diplomat, economist, investment banker, Chief Investment Officer, and CEO. He has 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. Craig is a Taumata of the University of Otago Business School.

Chair

Financial Markets Authority
NZ Windfarms Ltd

Saturn Portfolio Management Ltd Investment
Committee (Shareholder)

Desert Holdings Ltd
Sahara Ltd

Cancer Society Finance Risk and Audit
Committee (Auckland and Northern)
Waitaki Boys High School Foundation

Managing Director and shareholder
Stobo Group

Director and shareholder
Biomarine Group Ltd
Legend Terrace Ltd

Director
Appello Services Ltd

Advisor
AMP Financial Services Investment Committee



Alan Adcock
Non-Independent Director
Member Audit and Risk Committee

B.Com, MBA (with Distinction)

Alan has over 35 years' experience in the financial services and local government sectors at executive level, with over twenty years in banking, insurance and funds management followed by his current role as General Manager Corporate / CFO at Whangārei District Council.

His involvement with LGFA began in its initial planning stage, as a representative of the 'tight nine' councils that worked together to turn the concept into reality in 2011. He was an inaugural member of the Shareholders' Council, which he chaired from 2014 before joining the Board in 2021.

Chief Financial Officer
Whangarei District Council

Director
Whangarei Waste Ltd



Philip Cory-Wright
Independent Director
Member Audit and Risk Committee

LLB (Hons), BCA Business Management
INFNZ (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. 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.

Chair

Papa Rererangi | Puketapu (New Plymouth
Airport)

South Port New Zealand Ltd

Director

Matariki Forest Group
NZ Windfarms Ltd

Powerco Ltd

Te Rere Hau Holdings Ltd
Te Rere Hau Ltd



Staff

Mark Butcher

Chair

Waikato-Tainui Group Investment Committee

Member

New Zealand Superannuation Fund,
Nominating Committee
NZ Financial Markets Association Board



David Rae Independent Director Member Audit and Risk Committee

M.Sc (distinction) in Economics, London School of Economics, C.M.Inst.D

David is a co-owner of an investment consulting firm, MyFiduciary Ltd, which provides portfolio advice and implementation for institutional investors including charitable trusts and iwi. His background is in economic policy and investing, having worked for the NZ Superannuation Fund and the OECD.

He has held current and past roles as an investment trustee and as a director of regulated utilities in the gas and transport sectors both in New Zealand and overseas.

David has an M.Sc in Economics from the London School of Economics, and a B.Soc. Sci (Hons) in Economics and Physics from the University of Waikato.

Chair

New Zealand International Commercial Pilot Academy

Director and shareholder
MyFiduciary Ltd

Director
Galileo Green Energy GmbH
New Zealand Refining Nominees Ltd



Linda Robertson Independent Director Chair Audit and Risk Committee

B.Com; Dip.Bank; C.F.InstD; CGP; D.F.INFINZ; GCB.D; GAICD

Linda is a professional company director with over 25 years governance experience, combined with 30 years senior financial management experience having worked in both the banking and energy sectors in New Zealand.

Linda has been a full-time company director since 2015. Linda's governance experience spans many industries such as banking, funds management, electricity generation, retail and distribution; broadcasting services, co-operatives, local authority owned and state-owned entities and charities. Linda has a Bachelor of Commerce Degree and a Diploma in Banking. She also holds a Sustainability and ESG Designation; a Climate and Biodiversity Certificate and is a member of Chapter Zero New Zealand. Linda is a Distinguished Fellow of the Institute of Finance Professionals New Zealand (INFINZ), a Graduate Member of the Australian Institute of Company Directors, a Chartered Governance Professional and a Chartered Fellow of the Institute of Directors in New Zealand.

Chair

Central Lakes Trust and associated subsidiary
Crown Irrigation Investments Ltd

Director
Kordia Group Ltd
Invercargill City Holdings Ltd and associated subsidiary
Horizon Energy Distribution Ltd and associated subsidiaries

Southland Building Society (SBS Bank) and associated subsidiary

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



Helen Robinson ONZM Independent Director Member Audit and Risk Committee

Helen is an experienced business leader locally and internationally mostly in the technology and sustainability sectors. Helen was Managing Director of Microsoft New Zealand, VP of Pivotal Corporation Asia Pacific and Managing Director, Markit Group (co-founding its Environmental Registry; now part of S&P Global).

Helen has decades of governance experience acting as Director or Chair for numerous public, private and public sector organisations.

She is a member of Global Women, a Chartered Member of the NZ Institute of Directors, and has been recognised in numerous awards for business and innovation including the NZ Women of Influence Supreme Award and as an Officer of Merit in the Queens Honours.

Chair

Kara Technologies Ltd
Astrix Astronautics Ltd
NZTE NZ Beachhead Advisors

Director and Shareholder
Organic Initiative Ltd
Penguin Consulting Ltd

Director
NZTech
Generate Kiwisaver

Director tenure and meetings of the Board

Anthony Quirk, Independent Director, retired from the Board on 23 November 2023. Anthony was appointed to the Board on 21 November 2017 and served as a Director for 6 years.

David Rae, Independent Director, joined the Board on 23 November 2023.

There were 8 Board meetings and 5 Audit and Risk Committee meetings over the year.

All directors are considered by the LGFA Board to be independent pursuant to the New Zealand Stock Exchange (NZX) Listing Rule 2.6. except for Alan Adcock who is the General Manager Corporate at Whangarei District Council.

Director	Date commenced in office	Board meetings attended/held	Audit and Risk Committee attended/held
Craig Stobo (Chair)	1 December 2011	8/8	-
Alan Adcock	23 November 2021	8/8	5/5
Phillip Cory-Wright	1 December 2011	8/8	4/5
Anthony Quirk	21 November 2017	4/4	2/2
David Rae	23 November 2023	4/4	3/3
Linda Robertson	24 November 2015	8/8	4/5
Helen Robinson	23 November 2022	8/8	5/5

Board performance review

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

Nomination of Directors

Director nominations can only be made by a shareholder by written notice to LGFA and the Shareholders' Council, no more than three months, nor less than two months, before a meeting of shareholders. All valid nominations are required to be sent by LGFA to all persons entitled to attend the meeting.

Retirement and re-election of Directors

Directors are appointed to the Board by an Ordinary Resolution of shareholders. A Director must not hold office (without re-election) past the third annual meeting of the Company

following the Director's appointment or three years, whichever is longer.

A retiring Director shall be eligible for re-election.

Indemnities and insurance

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

Remuneration

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

Board remuneration is determined by an Ordinary Resolution of shareholders. The current board remuneration was approved by shareholder resolution at the Annual General Meeting on 23 November 2023.

Director annual fee breakdown

Position. Fees per annum	2024	2023
Board Chair	\$124,000	\$108,000
Audit and Risk Committee Chair	\$78,000	\$67,000
Director / ARC Member	\$73,000	\$63,000
Director	\$70,000	\$60,000

Director	2024
Craig Stobo (Chair)	\$124,000
Alan Adcock	\$73,000
Phillip Cory-Wright	\$73,000
Anthony Quirk	\$30,420
David Rae	\$43,140
Linda Robertson	\$78,000
Helen Robinson	\$73,000

Chief Executive remuneration

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

independent adviser is used periodically to ensure the remuneration is appropriate. The CEO remuneration package comprises a fixed cash component of \$804,518 per annum as at 30 June 2024 (\$754,000, 2023) 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 financial year.

Per annum	2024	2023
Salary	\$804,518	\$754,000
Taxable benefits	-	-
Subtotal	\$804,518	\$754,000
Pay for Performance STI	\$120,678	\$113,100
Kiwisaver Employer Contribution	\$37,008	\$34,684
Total remuneration	\$962,204	\$901,784

Staff remuneration

The following table shows the number of staff who received more than \$100,000 in total remuneration, in \$10,000 bands.

Total remuneration	2024
\$100,000 to \$110,000	1
\$170,000 to \$180,000	1
\$200,000 to \$210,000	1
\$230,000 to \$240,000	1
\$290,000 to \$300,000	1
\$370,000 to \$380,000	1
\$390,000 to \$400,000	1
\$960,000 to \$970,000	1

Shareholders

Foundation documents

The Constitution and the Shareholders Agreement are foundation documents.

The Constitution defines the rights and 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.

Members of the Shareholders Council as at 30 June 2024

Kathryn Sharpin (Chair)
Tauranga City Council

Sarah Houston-Eastergaard (Deputy Chair)
Wellington City Council

Kumaren Perumal
Bay of Plenty Regional Council

Mike Drummond
Tasman District Council

Andrew John
Auckland Council

David Bryant
Hamilton City Council

Steve Ballard
Christchurch City Council

Adele Henderson
Western Bay of Plenty District Council

James Stratford
New Zealand Government – DIA

Nyika Gwanoya/Phoebe Slee
New Zealand Government – The Treasury



Sir Howard Morrison Centre, Rotorua District Council

Managing risk

Ko te whakahaere tūraru

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

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 risks faced by the business on an ongoing basis.

The risk register:

- Identifies the inherent risks that LGFA is exposed to when conducting its core business activities;
- Assesses the likelihood and potential impact of the inherent risks on the business;

- Describes the internal control framework and management processes for managing and mitigating the identified inherent risks;
- Provides commentary on internal audit coverage of the identified inherent risks; and
- Provides an overall residual risk assessment and compares these to approved risk appetite settings and risk tolerance ranges.

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

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

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

- The LGFA Board oversees the risk appetite of the organisation and ensures that it is consistent with the constitution and shareholders agreement.
- The risk appetite is reflected in policies approved by the Board and Audit and Risk Committee.
- LGFA management implements policies and controls to ensure that all relevant risks are identified, monitored, measured and managed effectively.

- The Internal Audit (IA) and Risk and Compliance functions provide assurance to both the Board and the Audit and Risk Committee on the performance of internal controls and risk management systems.

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

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

Treasury risk management

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

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

LGFA has treasury exposures arising from its normal business activities that principally relate to the raising and on-lending of funds. Specific treasury exposures relate to liquidity, interest rate, foreign exchange, counterparty credit, operational and lending risks. LGFA manages treasury exposures under a Board-approved Treasury Policy, the objectives for which are to:

- Effectively manage treasury risks, within approved compliance limits, to protect LGFA's capital position and net interest margin over time.
- Fund members in the most cost-effective manner and in accordance with LGFA's operating principles, values and objectives.
- Protect LGFA's assets and prevent unauthorised transactions.
- Promote professional expertise of financial and management control to all external parties.
- Minimise operational risk by maintaining adequate internal controls, systems and staffing competencies.
- Provide timely reporting to the Board with meaningful and accurate reporting of interest rate exposures, liquidity, asset and liability maturity, funding, counterparty credit, performance and policy compliance.

Liquidity risk	Liquidity risk is the potential inability to meet financial obligations when they become due, under normal or abnormal/ stressed operating conditions.	Liquidity risk is managed using a forecast cashflow approach measured over a 90-day period. LGFA is required to maintain sufficient liquidity (comprising holdings of cash and liquid investments, and a Crown liquidity facility) to support six months of funding commitments.	
Interest rate 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.	<p>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.</p> <ul style="list-style-type: none"> Value at Risk calculates the potential amount a portfolio could be expected to lose, 5% of the time, over a given time period. It is calculated using historical changes in underlying risk variables and applying those changes to the current portfolio. <p>VaR is measured over a daily time horizon with a 95% confidence interval. A daily 95% VaR exposure of \$1</p>	<p>million means that there is a 5% chance that the portfolio could potentially lose more than \$1 million over the next business day.</p> <ul style="list-style-type: none"> 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. <p>In addition, LGFA also undertakes scenario analysis to model the potential effect of changing market environments on the balance sheet.</p>
Counterparty credit risk	Counterparty credit risk is the risk of financial loss arising from a counterparty defaulting on an investment, security and/or financial instrument where LGFA is a holder or party.	Counterparty credit risk is managed through counterparty limits for investments. These limits are determined as a function of the term of investment, liquidity and credit quality of the counterparty (as measured by a recognised credit rating).	<p>All derivative contracts are subject to formal collateral arrangements to mitigate counterparty risk.</p> <p>Investment is restricted to approved financial instruments listed in the Treasury Policy.</p>
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.	<p>Exposure to foreign currency risk arises when LGFA accesses foreign capital markets for funding purposes.</p> <p>Foreign exchange risk is managed by fully hedging back to floating rate New Zealand dollar and term of all foreign</p>	<p>currency funding and cash flows.</p> <p>Any residual foreign currency risk arising from a timing mismatch of foreign currency cash flows is not material and is managed within a Board approved risk limit.</p>
Operational risk	Operational risk, with respect to treasury management, is the risk of financial and/or reputation loss arising from human error, fraud, negligent behaviour, system failures or inadequate procedures and controls.	Operational risk is managed using internal controls and procedures across operational functions. Segregation of duties between staff members who have the authority to enter transactions with external counterparties and the staff who control, check and confirm such transactions is a	<p>cornerstone internal control principle.</p> <p>Financial instruments are not entered into if the systems, operations and internal controls do not satisfactorily support the measurement, management and reporting of the risks associated with the instrument.</p>

Lending risk

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

The LGFA Board has ultimate discretion on approving members.

All member organisations that borrow from LGFA:

- Provide debenture security in relation to their borrowing from LGFA and related obligations, and (if relevant), equity commitment liabilities to LGFA and (if relevant) guarantee liabilities to a security trustee approved for LGFA's creditors.
- Where LGFA is the only lender to a council controlled organisation, a general security arrangement (GSA) might be used in place of a debenture security.
- Are required to become a party to a deed of guarantee and an equity commitment deed if the principal amount of their borrowings is at any time equal to, or greater than, NZD 20 million.
- Issue securities (bonds/floating rate notes/ commercial paper) to LGFA (ie. not enter into facility arrangements).
- Comply with their own internal borrowing policies.
- Comply with the financial covenants outlined in the table below, provided that:
 - Unrated borrowers or borrowers with a long-term credit rating lower than 'A' equivalent can have bespoke financial covenants that exceed the:
 - Lending policy covenants outlined in the following table only with the approval of the Board;
 - Foundation policy covenants outlined in the following table only with the approval of an Ordinary Resolution of shareholders.

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

- Net debt is defined as total consolidated debt less liquid financial assets and investments.
- Total revenue is defined as cash earnings from rates, government grants and subsidies, user charges, interest, dividends, financial and other revenue and excludes non-government capital contributions, eg. developer contributions and vested assets.
- Borrowers with a long-term credit rating of 'A' equivalent or higher can have bespoke financial covenants that exceed the foundation policy covenants only with the approval of an Ordinary Resolution of shareholders.
- Any Board or Ordinary Resolution approval of bespoke financial covenants will only be provided after a robust credit analysis and any approval must also include bespoke reporting and monitoring arrangements.
- Non-compliance with the financial covenants will either preclude a member council from borrowing from the LGFA or, in the case of existing council borrowers, trigger an event of review. An event of default will occur when (among other things) a council fails to meet an interest or principal payment (subject to grace periods). An event of default will enable the LGFA to accelerate a council's repayment of loans.
- Financial covenants are measured on a parent council only basis, not consolidated group, unless requested by a parent council and approved by the LGFA Board.

FINANCIAL COVENANT	LENDING POLICY COVENANTS UNRATED COUNCILS	FOUNDATION POLICY COVENANTS RATED COUNCILS
Net debt / total revenue	<175%	<285%
Net interest / total revenue	<20%	<20%
Net interest / annual rates income	<25%	<30%
Liquidity	>110%	>110%

Net interest is defined as the amount equal to all interest and financing costs less interest income for the relevant period.

Annual rates income is defined as the amount equal to the total revenue from any funding mechanism authorised by the Local Government (Rating) Act 2002 together with any revenue

received from other local governments for services provided and for which the other local governments rate.

Liquidity is defined as external debt plus committed loan facilities plus liquid investments divided by external debt.



Te Kete Aronui Rotorua Library is the newest hub library in the northern suburbs of Kirikiriroa. Hamilton City Council

Performance against objectives Ko ngā whakatutukinga ki ngā whāinga

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

2023-24 Objectives and performance targets

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

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

Our quarterly reports to shareholders provide more detail on our performance against objectives and performance targets. The reports for the four quarters ended June 2024 are available on the LGFA website.

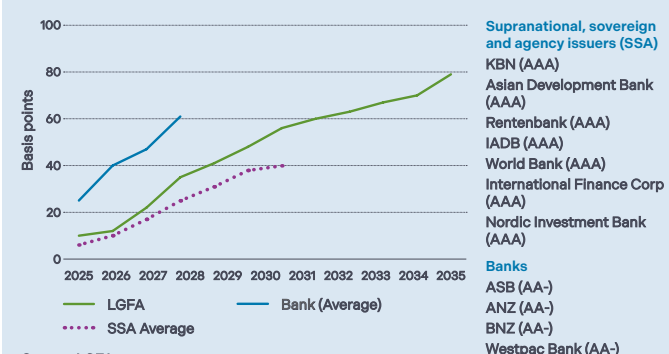
Governance, capability and business practice

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

OBJECTIVES	OUR PERFORMANCE TO 30 JUNE 2024	PERFORMANCE TARGETS	2023-2024 TARGET	OUR PERFORMANCE TO 30 JUNE 2024
Demonstrate best practice corporate governance.	LGFA is committed to demonstrating best practice corporate governance and we report annually on our compliance with the eight core principles underpinning the NZX Corporate Governance Code. This 2024 Annual Report is the most recent report with commentary on our compliance with the NZX Code.	Comply with the Shareholder Foundation Policies and the Board-approved Treasury Policy at all times.	No breaches.	✓ No breaches.
Set and model high standards of ethical behaviour.	LGFA has adopted a formal Code of Ethics, incorporating its Conflicts of Interest and Code of Conduct policies, which sets out the standards and values that directors and employees are expected to follow.	Maintain LGFA's credit rating equal to the New Zealand Government sovereign rating where both entities are rated by the same Rating Agency.	LGFA credit ratings equivalent to NZ Sovereign.	✓ Our ratings remain equivalent to the New Zealand Government for both S&P Global Ratings and Fitch Ratings. Fitch Ratings affirmed our long-term domestic and foreign currency credit rating as AA+ in October 2023. S&P Global Ratings (S&P) affirmed our domestic currency credit rating at AAA and foreign currency rating at AA+ in February 2024.
Achieve the shareholder-agreed objectives and performance targets specified in the Statement of Intent.	Our performance against shareholder-agreed objectives and performance targets, as specified in the Statement of Intent, is reported quarterly to shareholders and annually in this section of our Annual Report.	LGFA's total operating income for the period to 30 June 2024.	>\$20.6 million.	✓ \$20.9 million at June 2024, excluding unrealised gains/losses on hedged foreign currency issuance.
Ensure products and services offered to participating borrowers are delivered in a cost-effective manner.	LGFA prepares annual operating budgets and monitors progress against these monthly. Our performance against our financial performance targets for the year-ended 30 June 2024 is summarised in this section against our performance targets.	LGFA's total operating expenses for the period to 30 June 2024.	<\$10.0 million.	✗ Operating expenses \$11.8 million at June 2024. The significant contributor was Approved Issuer Levy (AIL) payments totalling \$1.98 million (2023: \$0.56 million). The significant increase in AIL is due to our issuance of AUD bonds and USD Euro Commercial Paper (ECP).
Be a good employer by providing safe working conditions, training and development and equal opportunities for staff.	We report on our employment practices in the Governance and Culture section of this Annual Report, including compliance with the Health and Safety Act, diversity and inclusion, and capability and development.			

Optimising financing services for local government

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

OBJECTIVES	HOW WE MEASURE OUR PERFORMANCE
Provide interest cost savings relative to alternative sources of financing.	<p>Comparison to other high-grade issuers – secondary market spread to swap (bps)</p> <p>LGFA's borrowing margins compare favourably to other high-grade issuers in the New Zealand capital markets.</p>  <p>Source: LGFA</p>
Offer flexible short and long-term lending products that meet the borrowing requirements for borrowers.	<p>LGFA provides members with short term loans (less than one year), long term loans on either a floating or fixed rate basis (between one year and April 2037), Green Social and Sustainability Loans, Climate Access Loans and standby facilities.</p> <ul style="list-style-type: none"> Over the year-ended June 2024, our members borrowed \$6.095 billion in 486 long term loans with an average term of 4.9 years. As at June 2024 there was \$597 million short-term loans outstanding to 36 members. As at June 2024, standby facilities totalled \$747 million across 15 members.
Deliver operational best practice and efficiency for lending services.	<p>Over the year-ended 30 June 2024, LGFA operations staff successfully:</p> <ul style="list-style-type: none"> settled 2,388 new trades with a gross value of \$32 billion, processed 16,040 cash flows with a gross value of \$83 billion, and rate set 11,783 existing trades.
Ensure certainty of access to debt markets, subject always to operating in accordance with sound business practice.	<p>There was strong activity in LGFA bonds in both the primary market (tender or syndicated issuance) and secondary market (between banks and investors). Over the year-ended 30 June 2024, we issued NZD 3.630 billion of NZD retail bonds and AUD 2.650 billion of Medium-Term Notes and secondary market turnover in our NZD retail bonds totalled \$12.4 billion.</p>

PERFORMANCE TARGETS	2023-2024 TARGET	OUR PERFORMANCE TO JUNE 2024
Share of aggregate long-term debt funding to the Local Government sector.	> 80%	✓ 90% as at June 2024.
Total lending to Participating Borrowers.	> \$17,870 million.	✓ \$20,549 million as at June 2024.
Conduct an annual survey of Participating Borrowers who borrow from LGFA as to the value added by LGFA to the borrowing activities.	> 85% satisfaction score.	✓ 93% satisfaction score in August 2023 Stakeholder Survey.
Successfully refinance existing loans to councils and LGFA bond maturities as they fall due.	100%	✓
Meet all lending requests from Participating Borrowers, where those requests meet LGFA operational and covenant requirements.	100%	✓



Waimea Dam. Tasman District Council

Environmental and social responsibility

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

OBJECTIVES	OUR PERFORMANCE TO JUNE 2024	PERFORMANCE TARGETS	2023-2024 TARGET	OUR PERFORMANCE TO JUNE 2024
Assist the local government sector in achieving their sustainability and climate change objectives.	<p>Over the year to June 2024, we approved one new GSS loan to Tauranga City Council for the Kopurererua Valley Stream project. As at June 2024, we have approved six Green, Social and Sustainability Loans (GSS) with a combined approved value of \$572.3 million of which \$377.2 million has been advanced.</p> <p>Over the year to June 2024, we approved Climate Action Loans (CAL) status to the following four councils: Kapiti Coast District Council, Wellington City Council, Tauranga City Council, and Greater Wellington Regional Council.</p> <p>At June 2024, we have approved CAL loans to seven councils, with combined CAL-qualifying loans totalling \$2.747 billion.</p> <p>On 30 September 2023, LGFA published our first <u>Annual Impact Report – Green, Social and Sustainability Loans and Climate Action Loans financed with Sustainable Financing Bonds</u>. This report provides information about the allocation of proceeds from LGFA's Sustainable Financing Bond Issuance as at June 2023. The second Annual Impact Report will be published on 30 September 2024, covering the allocation of proceeds as at June 2024.</p>	<p>Comply with the Health and Safety at Work Act 2015.</p> <p>Maintain Toitū Carbon Zero certification.</p> <p>Meet reduction targets outlined in our carbon reduction management plan.</p>	<p>No breaches.</p> <p>Carbon-zero certification maintained.</p> <p>Reduction targets met.</p>	<p>✓ No breaches.</p> <p>✓ Toitū Net Carbon-zero recertification approved in August 2024.</p> <p>✓ GHG quantification is subject to inherent uncertainty because of incomplete scientific knowledge used to determine emission factors and the values needed to combine emissions from different gases. GHG emissions against targets are reported in the 2024 LGFA Climate-Related Disclosures, which are available on the LGFA website.</p>
Improve sustainability outcomes within LGFA.	In 2021, LGFA directors committed to reducing our carbon emissions over time, with our target of cutting per employee emissions by 30% by 2030, compared with a 2018/19 base year. We continue to monitor our organisational emissions and remain within target, as well as developing processes to comply with the XRB Climate-reporting disclosures, including a methodology for calculating and reporting our financed emissions.	<p>Increase our GSS lending book and Climate Action Loans.</p> <p>Ensure Annual Report is prepared in compliance with applicable GRI Standards.</p> <p>Meet all mandatory climate reporting standards.</p>	<p>Two new GSS loans undertaken.</p> <p>Three new borrowers approved for CAL.</p> <p>100%</p>	<p>✗ One new GSS loan undertaken.</p> <p>✓ Four new borrowers approved for CAL.</p> <p>— Target superseded. Commencing with the 2024 Annual Report, LGFA is required to meet the requirements of the XRB Climate-Related Disclosure (CRD) standards. Given the significance of the CRD standards, we have replaced reporting under the GRI standards with compliance with the CRD standards.</p> <p>✓</p>

Effective management of loans

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

OBJECTIVES		OUR PERFORMANCE TO JUNE 2024	
Proactively monitor and review each Participating Borrower's financial position, including its financial headroom under LGFA policies.		Over the 12 months, we reviewed council annual plans, agendas and management reports on an ongoing basis for all members on the LGFA borrower watch-list.	
Analyse finances at the Council group level where appropriate and report to shareholders.		We received compliance certificates in respect of the LGFA financial covenants from all of our members with debt outstanding at June 2023. No council has requested that they be measured on a group basis. A small number of certificates were provided based upon unaudited financial statements given a delay in providing final audit signoff. These have subsequently been verified following the eventual publication of the council's annual report.	
Endeavour to meet each participating borrower annually, including meeting with elected officials as required, or if requested		Met. LGFA held meetings with 83 council and CCO members in the 12 months ended June 2024.	
Ensure a smooth transition of water-related loans if the Affordable Water Reforms progresses over forecast period.		The transition of water loans to new water entities has not occurred following the change in government and the repeal of the previous legislation relating to Affordable Water Reforms.	
PERFORMANCE TARGETS		2023-2024 TARGET	OUR PERFORMANCE TO JUNE 2024
Review each Participating Borrower's financial position.		100%	✓
Arrange to meet each Participating Borrower over a 15-month period, including meeting with elected officials as required, or if requested.		100%	✓

Industry leadership and engagement

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

OUR PERFORMANCE TO JUNE 2024	
OBJECTIVES	
Take a proactive role to enhance the financial strength and depth of the local government debt market and work with key central government and local government stakeholders on sector and individual council issues.	Over the year, LGFA held quarterly update webinars, as well as hosting Economic and Financial Market Updates webinars by BNZ, both of which were well attended by members. LGFA has provided input into the Ratepayer Assistance Scheme (RAS) project managed by a group of councils with advice from Cameron Partners. If successful, the RAS could offer temporary financial relief to ratepayers via rates postponement. LGFA is not contributing financially to this project but providing intellectual capital and assistance. We are continuing work on initiatives to reduce compliance and documentation requirements for members when they borrow. These initiatives relate to a universal stock security certificate to cover borrowings and delegation of a CEO certificate for borrowing.
Maintain productive relationships with central government representatives and assist the local government sector with significant matters such as the Local Water Done Well Water Reforms.	Over the 12 months we met with the Minister of Local Government, Treasury, and the Department of Internal Affairs (and their advisers) regarding Water Reforms, working actively on issues relating how water debt can be most effectively financed. In February 2024, the Government introduced and passed legislation to repeal all legislation relating to water services entities. This restored continued council ownership and control of water services. In May 2024 the Government introduced the first part of the legislation for the Local Water Done Well framework.
Support councils and CCOs in the development of reporting disclosures of the impacts of sector activity on climate change.	At present, there are no disclosure requirements on the local government sector for reporting impacts of sector activity on climate change. Climate Action Loans (CAL) provide opportunity for LGFA to work with members on developing appropriate Emission Reduction Plans which set out specific emissions reduction targets for operational greenhouse gas emissions, including regular reporting on progress against targets.

Financial statements

Nga tauki pūtea

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Income statement

For the year ended 30 June 2024 in \$000s

	Note	2024	2023
Interest income		1,213,259	763,600
Interest expense		1,193,809	753,308
Net interest income	4	19,450	10,293
Other operating income	5	1,494	1,349
Gains / (losses) on financial instruments		859	-
Total operating income		21,803	11,642
Operating expenses	6	11,753	9,138
Net operating profit		10,050	2,505

Statement of comprehensive income

For the year ended 30 June 2024 in \$000s

	Note	2024	2023
Net operating profit		10,050	2,505
Items that may be re-classified subsequently to the Income Statement			
Net change in cash flow hedge reserve	9	5,536	-
Cost of hedging	9	(6,531)	-
Total comprehensive income		9,056	2,505

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

The Board of Directors of the New Zealand Local Government Funding Agency Limited authorised these statements for issue on 29 August 2024.



Craig Stobo, Director
Board Chair



Linda Robertson, Director
Chair, Audit and Risk Committee

Statement of changes in equity

For the year ended 30 June 2024 in \$'000s

	Note	Share capital	Cash flow hedge reserve	Cost of hedging reserve	Retained earnings	Total equity
Balance at beginning of year		25,000	-	-	80,847	105,847
Net operating profit					10,050	10,050
Other comprehensive income / (expense)			5,536	(6,531)		(995)
Total comprehensive income for the year			5,536	(6,531)	10,050	9,056
Transactions with owners					-	-
Dividend paid on 1 September 2023					(1,713)	(1,713)
Equity as at 30 June 2024	28	25,000	5,536	(6,531)	89,185	113,190

For the year ended 30 June 2023 in \$'000s

Balance at beginning of year		25,000	-	-	79,560	104,560
Net operating profit					2,505	2,505
Other comprehensive income / (expense)			-	-		-
Total comprehensive income for the year			-	-	2,505	2,505
Transactions with owners					-	-
Dividend paid on 2 September 2022					(1,218)	(1,218)
Equity as at 30 June 2023		25,000			80,847	105,847

Statement of financial position

As at 30 June 2024 in \$'000s

	Note	2024	2023
Assets			
Financial assets			
Receivables	11	378	492
Cash and cash equivalents		473,609	226,222
Cash pledged as collateral		251,605	93,175
Marketable securities		1,397,045	1,127,879
Deposits		718,493	348,492
Derivatives in gain	10	116,090	63,845
Loans to members	12	20,549,350	16,313,562
Other financial assets		-	
Non-financial assets			
Other assets	13	1,245	978
Total assets		23,507,816	18,174,645
Equity			
Share capital	27	25,000	25,000
Reserves		(995)	
Retained earnings		89,185	80,847
Total equity		113,190	105,847
Liabilities			
Financial liabilities			
Payables and provisions	14	9,609	6,132
Bond repurchases	17	58,302	130,043
Derivatives in loss	10	1,526,526	1,628,316
Debt securities issued:			
At amortised cost	15	20,490,507	15,943,062
At fair value through income statement	16	815,175	-
Borrower notes	18	492,614	360,348
Non financial liabilities			
Other liabilities	19	1,891	896
Total liabilities		23,394,625	18,068,797
Total equity and liabilities		23,507,816	18,174,645

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

Statement of cash flows

For the year ended 30 June 2024 in \$'000s

	Note	2024	2023
Cash flows from operating activities			
Cash applied to loans	12	(4,174,912)	(2,222,368)
Interest paid on bonds issued		(596,886)	(496,597)
Interest paid on bills issued		(52,087)	(25,942)
Interest paid on borrower notes		(4,220)	(4,886)
Interest paid on bond repurchases		(10,436)	(5,140)
Interest received from loans		1,031,054	600,415
Interest received from cash & cash equivalents		24,285	7,102
Interest received from marketable securities		43,866	31,190
Interest received from deposits		47,860	23,192
Net interest on derivatives		(474,182)	(134,734)
Cash proceeds from provision of standby facilities		1,496	1,349
Payments to suppliers and employees		(10,877)	(8,965)
Net cash flows from operating activities	32	(4,175,038)	(2,235,383)
Cash flows from investing activities			
(Purchase)/maturity marketable securities		(233,720)	370,217
(Purchase)/maturity of deposits		(525,977)	22,664
Purchase of plant and equipment		-	-
Net cash flows from investing activities		(759,698)	392,881
Cash flows from financing activities			
Cash proceeds from bonds issued	15,16	3,958,755	1,327,354
Cash proceeds (outflows) from bills issued	15,16	623,761	219,827
Cash proceeds (outflows) from bond repurchases		(71,584)	98,180
Cash proceeds from borrower notes		114,288	68,750
Dividends paid		(1,713)	(1,218)
Cash applied to derivatives		558,616	197,795
Net cash flows from financing activities		5,182,124	1,910,690
Net increase / (decrease) in cash		247,388	68,188
Cash, cash equivalents at beginning of year		226,222	158,033
Cash, cash equivalents at end of year		473,609	226,222

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

Notes to the financial statements

1. Reporting entity

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

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

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

The registered address of LGFA is Level 11, City Chambers, 142 Featherston Street, Wellington Central, Wellington 6011.

The financial statements are as at and for the year ended 30 June 2024.

These financial statements were authorised for issue by the Directors on 29 August 2024.

2. Statement of compliance

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

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

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

3. Basis of preparation

MEASUREMENT BASE

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

The financial statements are prepared on an accrual basis.

FUNCTIONAL AND PRESENTATION CURRENCY

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

FOREIGN CURRENCY CONVERSIONS

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

CHANGES IN ACCOUNTING POLICIES

There have no changes to accounting policies.

EARLY ADOPTION STANDARDS AND INTERPRETATIONS

LGFA has not early adopted any standards.

STANDARDS NOT YET ADOPTED

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

FINANCIAL INSTRUMENTS

Financial assets

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

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

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

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

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

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

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

Financial liabilities

Financial liabilities, other than derivatives, are recognised initially at fair value less transaction costs and subsequently measured at either:

- Amortised cost and subsequently measured at amortised cost using the effective interest rate method; or
- Fair value through income statement (FVTIS).

Financial liabilities are classified as FVTIS if they are derivative financial liabilities or if LGFA chooses to classify financial liabilities as FVTIS if the use of the classification removes or significantly reduces an accounting mismatch. This classification includes debt issues that are designated at FVTIS where LGFA has economically hedged the foreign exchange and interest rate risk using derivatives, but hedge account is not applied. Any such classification is made on the date of initial recognition and is irrevocable.

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

OTHER ASSETS

Property, plant and equipment

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

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

Intangible assets

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

OTHER LIABILITIES

Employee entitlements

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

Approved issuer levy

Approved Issuer Levy is a function of securities held by offshore holders of certain LGFA bond maturities.

REVENUE

Interest income

Interest income is accrued using the effective interest rate method.

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

EXPENSES

Expenses are recognised in the period to which they relate.

Interest expense

Interest expense is accrued using the effective interest rate method.

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

Income tax

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

Goods and services tax

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

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

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

Commitments and contingencies are disclosed exclusive of GST.

SEGMENT REPORTING

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

JUDGEMENTS AND ESTIMATIONS

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

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

Revenue and expenditure

4. Net interest income

For the year ended 30 June 2024 in \$000s	2024	2023
Interest income		
Cash and cash equivalents	24,314	10,280
Cash pledged as collateral	9,189	-
Marketable securities	62,356	41,661
Lease liability	-	13
Deposits	41,124	21,392
Derivatives	-	-
Loans	1,076,276	690,256
Total interest income	1,213,259	763,600
Interest expense		
Bills	55,627	25,942
Bond repurchase transactions	10,279	5,331
Lease liability	17	-
Derivatives	445,499	240,445
Bonds	660,065	468,411
Borrower notes	22,323	13,179
Total interest expense	1,193,809	753,308
Net interest income	19,450	10,293

5. Other operating income

As at 30 June 2024, LGFA had provided standby facilities totalling \$747 million (2023: \$727 million) to selected councils. As at balance date, there were no drawdowns outstanding under the facilities.

For the year ended 30 June 2024 in \$000s	2024	2023
Standby facilities fee income	1,494	1,349
Total other operating income	1,494	1,349

6. Operating expenses

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

For the year ended 30 June 2024 in \$000s	2024	2023
Issuance & onlending expenses		
Approved issuer levy ¹	1,982	561
Rating agency fees	697	672
NZDM facility fee	1,500	1,385
Legal fees - issuance	824	397
NZX	800	782
Trustee fees	116	110
Regulatory, registry, other fees	365	246
	6,284	4,154
Other operating expenses		
Information technology	739	656
Consultants	322	303
Directors fees	496	427
Insurance	103	96
Legal fees	108	287
Other expenses	496	448
Auditors' remuneration		
Statutory audit	131	110
Advisory services	-	-
Personnel	3,074	2,658
	5,469	4,984
Total operating expenses	11,753	9,138

1. The amount of Approved Issuer Levy is a function of securities held by offshore holders of certain LGFA bond maturities.

Financial instruments

7. Financial instruments accounting policy

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

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

CASH AND BANK, TRADE AND OTHER RECEIVABLES, TRADE AND OTHER PAYABLES

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

CASH PLEDGED AS COLLATERAL

LGFA enters into derivative financial instruments for hedging purpose which may require LGFA to post collateral as security with counterparties.

In line with standard industry practice, collateral is provided for derivative transactions in accordance with Credit Support Annexes (CSAs). LGFA's practice is to annex each CSA to the International Swaps and Derivatives Association (ISDA) Master Agreement it has with derivative counterparties.

LGFA is required to pledge cash deposits at call to meet its obligations under the CSAs for derivative positions. The pledged assets will be returned to LGFA when the underlying transaction is terminated, but in the event of default the counterparty is entitled to apply the collateral to settle the outstanding liability.

MARKETABLE SECURITIES AND BONDS

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

DEPOSITS

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

LOANS

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

LEASES

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

BORROWER NOTES

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

FAIR VALUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

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

As at 30 June 2024 in \$'000s	Financial liabilities at amortised cost	Financial liabilities at fair value through income statement	Financial assets at amortised cost	Financial assets measured at fair value in accordance with NZ IFRS 9	Fair value
Financial assets					
Receivables	-	-	378	-	378
Cash and bank balances	-	-	473,609	-	473,609
Cash pledged as collateral	-	-	251,605	-	251,605
Marketable securities	-	-	1,397,045	-	1,407,237
Deposits	-	-	718,493	-	719,223
Derivatives	-	-	-	116,090	116,090
Loans	-	-	20,549,350	-	20,915,910
	-	-	23,390,480	116,090	23,884,052
Financial liabilities					
Payables and provisions	9,609	-	-	-	9,609
Bills	911,386	-	-	-	911,396
ECP	-	815,175	-	-	815,175
Bond repurchases	58,302	-	-	-	58,302
Derivatives	-	-	-	1,526,526	1,526,526
Bonds	19,579,121	-	-	-	19,909,342
Borrower notes	492,614	-	-	-	480,434
	21,051,032	815,175	-	1,526,526	23,710,784

As at 30 June 2023 in \$000s	Financial liabilities at amortised cost	Financial liabilities at fair value through income statement	Financial assets at amortised cost	Financial assets measured at fair value in accordance with NZ IFRS 9	Fair value
Financial assets					
Receivables	-	-	492	-	492
Cash and bank balances	-	-	226,222	-	226,222
Cash pledged as collateral	-	-	93,175	-	93,175
Marketable securities	-	-	1,127,879	-	1,140,099
Deposits	-	-	348,492	-	348,551
Derivatives	-	-	-	63,845	63,845
Loans	-	-	16,313,562	-	16,512,334
	-	-	18,109,822	63,845	18,384,718
Financial liabilities					
Payables and provisions	6,132	-	-	-	6,132
Bills	782,630	-	-	-	782,566
Bond repurchases	130,043	-	-	-	130,044
Derivatives	-	-	-	1,628,316	1,628,316
Bonds	15,160,432	-	-	-	15,022,449
Borrower notes	360,348	-	-	-	347,825
	16,439,585	-	-	1,628,316	17,917,332

8. Derivative financial instruments

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

Derivatives are categorised as following:

- Derivatives designated into hedge accounting relationships to minimise profit or loss volatility by matching movements in underlying positions relating to hedges of the LGFA's exposures to interest rate risk and currency risk.
- Derivatives designated to manage risks that are not in a designated hedge accounting relationship.

LGFA use three different types of derivatives financial instruments: interest rate swaps, cross currency interest rate swaps and foreign exchange transactions (spot and forward).

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.

Treatment of any fair value gains or losses depends on whether the derivative is designated as a hedging instrument. If the derivative is not designated as a hedging instrument, the remeasurement gain or loss is recognised immediately in the Consolidated income statement.

Credit risk associated with derivative financial instruments is managed by ensuring that transactions are executed with counterparties with high quality credit ratings along with credit exposure limits for different credit classes. The counterparty credit risk is monitored and reviewed by the Board on a regular basis.

9. Hedge accounting

LGFA uses derivatives to establish economic hedges to manage its interest rate and foreign exchange risk. LGFA's risk management strategy with respect to hedge accounting is to minimise income statement volatility.

Hedge accounting is implemented to manage the following risks:

- Interest rate risk due to a mismatch between fixed and floating interest rates on assets and liabilities; and
- Combined risk on assets or liabilities with interest rate risk that are denominated in currencies other than New Zealand dollars.

LGFA enters into cross-currency interest rate swaps to hedge the foreign currency and foreign interest rate risks on the AUD bonds. Using the cross-currency interest rate swaps, LGFA will pay New Zealand Dollar floating interest rates and receive AUD fixed interest with coupon payments matching the underlying notes.

LGFA designated the AUD bonds and cross-currency interest rate swaps into three-part hedging relationships for each issue:

- a fair value hedge of AUD benchmark interest rates,
- a cash flow hedge of margin, and
- a cash flow hedge of the principal exchange.

FAIR VALUE HEDGE

Under a fair value hedge, the hedged item is revalued at fair value in respect of the hedged risk. This revaluation is recognised in the Consolidated income statement to offset the mark-to-market revaluation of the hedging derivative, except for any adjustment on the hedging derivative relating to credit risk.

CASH FLOW HEDGE

Under a cash flow hedge, the effective portion of gains or losses from remeasuring the fair value of the hedging instrument is recognised in Other comprehensive income and accumulated in the cash flow hedge reserve. Accumulated gains or losses are subsequently transferred to the Consolidated income statement when the hedged item affects the Income statement, or when the hedged item is a forecast transaction that is no longer expected to occur.

Any future gains or losses will be processed through the hedge equity reserves as long as the existing cash flow hedge relationships remain effective.

A reconciliation of the cash flow reserve is shown in the following table:

	2024	2023
Opening balance at 1 July	-	-
Changes in cash flow hedges	(6,531)	-
Closing balance at 30 June	(6,531)	-

COST OF HEDGING

The cost of hedging reserve captures changes in the fair value of the cost to convert foreign currency to NZD of LGFA's cross currency interest rate swaps on the AUD bonds.

A reconciliation of movements in the cost of hedging reserve is shown in the table below:

	2024	2023
Opening balance at 1 July	-	-
Change in currency basis spreads	5,536	-
Closing balance at 30 June	5,536	-

HEDGING INSTRUMENTS

\$000s	Life to date values as at 30 June 2024				Year to date values recognised during the year ended 30 June 2024			
	Carrying amount of the hedging instrument				Hedge effectiveness in reserves		Hedge effectiveness	Hedge ineffectiveness
	Nominal amount of hedging instrument	Asset / (liability)	Change in value for hedge ineffectiveness	Cost of hedging reserve	Cash flow hedge (OCI)	Cash flow hedge reclassified to income statement	Fair value hedge recognised in income statement	Recognised in income statement
Fair value hedges								
Interest rate swaps – domestic bonds hedge	15,228,000	(1,007,019)	(1,007,019)	-	-	-	333,352	-
Interest rate swaps – loans hedge	700,200	25,510	25,510	-	-	-	(12,340)	-
Interest rate swaps – marketable securities hedge	611,480	5,917	5,917	-	-	-	(16,956)	-
Fair value and cash flow hedges								
Fair value hedges – foreign currency	AUD 2,650,000	(6,381)	(6,381)	-	-	-	6,381	-
Cash flow hedges – foreign currency	NZD 2,861,000	35,271	35,271	6,531	(5,536)	(34,497)	-	(859)

\$000s	Life to date values as at 30 June 2023				Year to date values recognised during the year ended 30 June 2023			
	Carrying amount of the hedging instrument				Hedge effectiveness in reserves		Hedge effectiveness	Hedge ineffectiveness
	Nominal amount of hedging instrument	Asset / (liability)	Change in value for hedge ineffectiveness	Cost of hedging reserve	Cash flow hedge (OCI)	Cash flow hedge reclassified to income statement	Fair value hedge recognised in income statement	Recognised in income statement
Fair value hedges								
Interest rate swaps – domestic bonds hedge	14,326,000	(1,329,489)	(1,329,489)	-	-	-	(154,598)	-
Interest rate swaps – loans hedge	457,700	25,510	25,510	-	-	-	1,519	-
Interest rate swaps – marketable securities hedge	334,600	22,872	22,872	-	-	-	3,521	-
Fair value and cash flow hedges								
Fair value hedges – foreign currency	-	-	-	-	-	-	-	-
Cash flow hedges – foreign currency	-	-	-	-	-	-	-	-

10. Offsetting

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

LGFA does not offset any amounts.

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

As at 30 June 2024 in \$000s	Derivative assets	Derivative liabilities
Gross amounts	116,090	1,526,526
Amounts offset	-	-
Carrying amounts	116,090	(116,090)
Amounts that don't qualify for offsetting	-	-
Financial assets & liabilities	(116,090)	(116,090)
Collateral	-	(251,605)
Net amount	-	1,158,831

As at 30 June 2023 in \$000s	Derivative assets	Derivative liabilities
Gross amounts	63,845	1,628,316
Amounts offset	-	-
Carrying amounts	63,845	(63,845)
Amounts that don't qualify for offsetting	-	-
Financial assets & liabilities	(63,845)	(63,845)
Collateral	-	(93,175)
Net amount	-	1,471,295

11. Receivables

As at 30 June 2024 in \$000s	2024	2023
Trade debtors	378	492
Total receivables	378	492

12. Loans

As at 30 June 2024 in \$000s	2024		2023	
	Short-term loans	Loans	Short-term loans	Loans
Ashburton District Council	12,062	119,743	12,110	74,243
Auckland Council	-	3,655,028	-	3,225,659
Bay of Plenty Regional Council	50,506	219,044	57,428	161,353
Buller District Council	-	20,037	-	20,030
Canterbury Regional Council	5,085	92,416	10,116	65,272
Carterton District Council	-	24,839	-	17,523
Central Hawkes Bay District Council	5,132	39,401	4,072	38,314
Central Otago District Council	5,019	30,450	20,117	5,072
Christchurch City Council	-	2,511,678	-	2,200,409
Clutha District Council	11,585	108,398	7,554	62,905
Dunedin City Treasury	-	293,104	-	126,119
Far North District Council	32,703	90,518	-	91,984
Gisborne District Council	-	174,991	-	126,028
Gore District Council	8,554	46,998	8,556	41,915
Greater Wellington Regional Council	-	941,217	-	678,358
Grey District Council	3,972	28,807	3,990	26,799
Hamilton City Council	-	950,852	-	803,843
Hastings District Council	-	397,160	-	294,992
Hauraki District Council	-	101,092	-	62,620
Hawkes Bay Regional Council	-	110,708	25,313	55,262
Horizons Regional Council	9,906	62,026	9,936	51,871
Horowhenua District Council	21,199	182,674	15,175	151,192
Hurunui District Council	10,067	57,666	8,092	38,435
Hutt City Council	-	515,520	-	373,239
Infrastructure Holdings Ltd	9,989	104,463	-	-
Invercargill City Council	47,502	104,262	55,448	68,788
Invercargill City Holdings Ltd	48,252	48,403	12,323	78,514
Kaikoura District Council	-	7,374	-	5,346
Kaipara District Council	-	54,639	-	44,545
Kapiti Coast District Council	-	323,722	-	277,935
Kawerau District Council	-	4,051	-	2,024

As at 30 June 2024 in \$000s	2024		2023	
	Short-term loans	Loans	Short-term loans	Loans
Mackenzie District Council	4,040	16,257	3,001	8,086
Manawatu District Council	13,014	83,139	15,136	79,502
Marlborough District Council	14,694	190,067	21,241	131,594
Masterton District Council	-	63,357	-	52,336
Matamata-Piako District Council	-	66,201	-	45,520
Napier City Council	-	20,191	-	10,014
Nelson City Council	-	262,320	-	186,666
New Plymouth District Council	10,117	293,577	10,114	221,668
Northland Regional Council	-	24,741	-	18,565
Opotiki District Council	-	12,595	-	9,557
Otago Regional Council	35,739	104,122	46,665	104,177
Otorohanga District Council	9,110	-	6,052	-
Palmerston North City Council	-	273,466	-	214,483
Porirua City Council	-	269,807	-	198,906
Queenstown Lakes District Council	76,334	575,080	56,007	454,003
Rangitikei District Council	-	44,358	-	31,207
Rotorua District Council	1,889	448,948	1,889	351,358
Ruapehu District Council	8,050	50,214	8,050	42,130
Selwyn District Council	20,035	166,778	-	116,198
South Taranaki District Council	-	140,634	-	117,428
South Waikato District Council	-	44,469	-	44,457
Southland District Council	-	36,153	-	21,960
South Wairarapa District Council	8,190	27,166	-	29,148
Stratford District Council	-	36,908	2,030	31,858
Taranaki Regional Council	-	31,780	-	19,652
Tararua District Council	-	69,986	4,047	53,778
Tasman District Council	25,379	325,787	25,515	246,751
Taupo District Council	-	165,543	-	146,271
Tauranga City Council	-	1,050,800	-	823,933
Thames-Coromandel District Council	-	84,003	-	67,813
Timaru District Council	19,340	202,822	19,456	187,561

As at 30 June 2024 in \$000s	2024		2023	
	Short-term loans	Loans	Short-term loans	Loans
Upper Hutt City Council	-	180,900	-	113,212
Waikato District Council	-	207,254	9,975	111,225
Waikato Regional Council	-	32,384	5,120	25,276
Waimakariri District Council	-	202,169	-	181,960
Waimate District Council	-	3,541	-	3,540
Waipa District Council	15,009	313,011	20,010	207,374
Wairoa District Council	-	11,100	8,015	11,109
Waitaki District Council	7,483	64,158	8,978	33,280
Waitomo District Council	6,103	27,246	4,071	24,204
Wellington City Council	-	1,595,914	-	1,178,503
West Coast Regional Council	2,986	14,715	3,243	9,991
Western Bay Of Plenty District Council	10,009	106,249	-	80,992
Westland District Council	4,713	32,666	-	27,078
Westland Holdings Ltd	-	-	1,618	5,456
Whakatane District Council	6,011	149,114	-	114,768
Whanganui District Council	7,560	176,878	7,557	110,179
Whangarei District Council	9,922	257,756	9,927	228,151
Fair value hedge adjustment	-	(25,510)	-	(37,850)
	597,257	19,952,093	547,944	15,765,618

As at 30 June 2024, \$3,043 million of loans are due to mature within 12 months. This comprises all short-term loans and \$2,446 million of loans.

13. Other assets

As at 30 June 2024 in \$000s	2024	2023
Prepayments	987	919
Right-of-use lease asset	258	58
Total other assets	1,245	977

14. Payables and provisions

As at 30 June 2024 in \$000s	2024	2023
Loans/purchases to be advanced	8,190	5,000
Trade creditors	1,038	804
Credit provision	249	123
Other provisions	132	205
Total payables	9,609	6,132

15. Debt securities issued at amortised cost

As at 30 June 2024 in \$000s	Face Value	Unamortised premium	Accrued interest	Fair value hedge adjustment	Total
NZD Fixed interest bonds					
15 April 2025	2,719,000	(23,467)	15,731		2,711,264
15 April 2026	2,755,000	(73,596)	8,694		2,690,098
15 April 2027	2,261,000	46,176	21,405		2,328,581
15 May 2028	1,653,000	(72,604)	4,750		1,585,146
20 April 2029	1,932,000	(103,640)	5,701		1,834,061
15 May 2030	1,660,000	(45,881)	9,321		1,623,439
15 May 2031	2,095,000	(222,442)	6,020		1,878,578
14 April 2033	1,605,000	(6,347)	11,972		1,610,625
15 May 2035	550,000	(27,458)	2,107		524,649
15 April 2037	960,000	(84,540)	4,039		879,499
Fair value hedge adjustment				(1,007,019)	(1,007,019)
	18,190,000	(613,800)	89,741	(1,007,019)	16,658,921
AUD Fixed interest bonds					
8 September 2027	546,456	(1,140)	7,514		552,830
1 August 2028	1,092,912	(3,193)	21,309		1,111,028
28 November 2030	710,393	(1,560)	3,347		712,180
8 March 2034	546,456	(4,451)	8,538		550,543
Fair value hedge adjustment				(6,381)	(6,381)
	2,896,217	(10,344)	40,708	(6,381)	2,920,200
Total Fixed interest bonds	21,086,217	(624,144)	130,449	(1,013,400)	19,579,121
NZD Bills					
5 July 2024	25,000	(15)	-		24,985
12 July 2024	130,000	(171)	-		129,829
19 July 2024	190,000	(489)	-		189,511
1 August 2024	55,000	(252)	-		54,748
7 August 2024	40,000	(225)	-		39,775
16 August 2024	50,000	(338)	-		49,662
29 August 2024	20,000	(181)	-		19,819
6 September 2024	75,000	(749)	-		74,251
18 September 2024	55,000	(659)	-		54,341
26 September 2024	50,000	(666)	-		49,334
2 October 2024	25,000	(348)	-		24,652
7 October 2024	40,000	(587)	-		39,413
6 November 2024	25,000	(481)	-		24,519
4 December 2024	55,000	(1,292)	-		53,708
19 December 2024	85,000	(2,158)	-		82,842
Total NZD Bills	920,000	(8,614)	-		911,386
Total debt securities issued at amortised cost	22,006,217	(632,758)	130,449	(1,013,400)	20,490,508

As at 30 June 2023 in \$000s	Face Value	Unamortised premium	Accrued interest	Fair value hedge adjustment	Total
NZD Fixed Interest bonds					
15 April 2024	2,218,000	(2,151)	10,499		2,226,348
15 April 2025	2,409,000	(36,176)	13,937		2,386,761
15 April 2026	2,155,000	(54,361)	6,801		2,107,440
15 April 2027	2,011,000	68,977	19,039		2,099,016
15 May 2028	1,423,000	(60,216)	4,089		1,366,873
20 April 2029	1,722,000	(83,580)	5,081		1,643,501
15 May 2030	1,000,000	(17,002)	5,747		988,745
15 May 2031	1,120,000	(60,338)	3,218		1,062,880
14 April 2033	1,350,000	33,003	10,070		1,393,073
15 May 2035	450,000	(7,728)	1,724		443,997
15 April 2037	820,000	(41,281)	3,450		782,170
Fair value hedge adjustment				(1,340,372)	(1,340,372)
Total Fixed Interest bonds	16,678,000	(260,853)	83,656	(1,340,372)	15,160,432
NZD Bills					
7 July 2023	45,000	(32)	-		44,968
12 July 2023	100,000	(142)	-		99,858
19 July 2023	35,000	(87)	-		34,913
2 August 2023	25,000	(112)	-		24,888
11 August 2023	75,000	(442)	-		74,558
17 August 2023	20,000	(144)	-		19,856
8 September 2023	70,000	(713)	-		69,287
15 September 2023	55,000	(630)	-		54,370
22 September 2023	102,000	(1,277)	-		100,723
28 September 2023	40,000	(549)	-		39,451
11 October 2023	25,000	(381)	-		24,619
17 October 2023	5,000	(81)	-		4,919
8 November 2023	20,000	(397)	-		19,603
28 November 2023	50,000	(1,166)	-		48,834
6 December 2023	25,000	(609)	-		24,391
14 December 2023	50,000	(1,282)	-		48,718
20 December 2023	50,000	(1,325)	-		48,675
Total NZD Bills	792,000	(9,370)	-	-	782,630
Total debt securities issued at amortised cost	17,470,000	(270,223)	83,656	(1,340,372)	15,943,062

16. Debt securities issued at fair value through income statement

As at 30 June 2024 in \$000s	Face Value	Unamortised premium	Accrued interest	Fair value adjustment	Total
USD Euro Commercial Paper	835,052	-	(14,303)	(5,574)	815,175

As at 30 June 2023 in \$000s	Face Value	Unamortised premium	Accrued interest	Fair value adjustment	Total
USD Euro Commercial Paper	-	-	-	-	-

17. Treasury stock and bond repurchases

Periodically, LGFA subscribes for LGFA bonds as part of its tender process and holds these bonds as treasury stock. LGFA bonds held by LGFA as treasury stock are derecognised at the time of issue and no liability is recognised in the statement of financial position. As at 30 June 2024, \$1,000 million of LGFA bonds had been subscribed as treasury stock (2023: \$1,100 million).

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 2024 in \$000s	2024	2023
15 April 2024	-	16,619
15 April 2025	-	1,920
15 April 2027	-	52,513
20 April 2029	-	19,437
15 May 2030	58,302	-
15 May 2031	-	3,287
14 April 2033	-	1,750
15 May 2035	-	34,518
	58,302	130,043

18. Borrower notes

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

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

19. Other liabilities

As at 30 June 2024 in \$000s	2024	2023
Lease liability	258	58
Accruals	1,633	838
Total other liabilities	1,891	896

20. Operating leases

As at 30 June 2024 in \$000s	2024	2023
Less than one year	127	58
Between one and five years	131	-
Total non-cancellable operating leases	258	58

Risk management

21. Financial risk management

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

22. Market risk

Market risk is the risk that changes in market prices will affect LGFA's income or value of financial instruments. The most significant market risk which LGFA is exposed to is interest rate risk. LGFA has no significant unhedged exposure to foreign exchange risk and a 10% increase or decrease in the exchange rate, with all other variables held constant, would have minimal impact on profit and equity reserves of LGFA.

23. Interest rate risk

Interest rate risk is the risk that future cash flows or the fair value of financial instruments will decrease because of a change in market interest rates. LGFA is exposed to interest rate risk through its interest-bearing financial assets and liabilities.

Interest rate risk is managed using Value at Risk (VaR) and Partial Differential Hedge (PDH) limits to mitigate the potential change in value of the balance sheet due to changes in interest rates. PDH risk measures the sensitivity of a portfolio to a one basis point change in underlying interest rates, whereas VaR measures the expected loss for a given period with a given confidence.

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

As at 30 June 2024 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	473,609	473,609	-	-	-	-
Marketable securities	1,426,042	708,426	38,930	195,742	422,944	60,000
Deposits	718,493	618,493	100,000	-	-	-
Loans	20,380,577	16,130,830	395,029	512,967	2,318,894	1,022,858
Financial liabilities						
Bills	(920,000)	(920,000)	-	-	-	-
ECP	(835,052)	(835,052)	-	-	-	-
Bond repurchases	(58,249)	(58,249)	-	-	-	-
Derivatives	-	(16,842,390)	2,361,000	2,103,500	5,454,770	6,923,120
Bonds	(20,840,000)	-	(2,719,000)	(2,755,000)	(7,346,000)	(8,020,000)
Borrower notes	(453,103)	(353,829)	(7,716)	(11,938)	(55,175)	(24,446)
Total	(107,863)	(1,078,162)	168,243	45,271	795,433	(38,468)

As at 30 June 2023 in \$000s	Face value	Less than 6 months	6 months- 1 year	1-2 years	2-5 years	Over 5 years
Financial assets						
Cash and bank Balances	226,222	226,222	-	-	-	-
Marketable securities	1,150,805	540,532	154,418	104,273	351,582	-
Deposits	348,492	348,492	-	-	-	-
Loans	16,201,725	13,382,721	363,171	370,400	1,418,820	666,614
Financial liabilities						
Bills	(792,000)	(792,000)	-	-	-	-
Bond repurchases	(129,833)	(129,833)	-	-	-	-
Derivatives	-	(13,758,700)	1,843,500	2,031,200	4,145,000	5,739,000
Bonds	(16,678,000)	-	(2,218,000)	(2,409,000)	(5,589,000)	(6,462,000)
Borrower notes	(338,809)	(277,881)	(6,110)	(7,492)	(32,191)	(15,135)
Total	(11,398)	(460,447)	136,979	89,381	294,211	(71,521)

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 year ended 30 June 2024 in \$000s	2024		2023	
	P&L	Equity	P&L	Equity
Fair value sensitivity analysis				
100bps increase	376	(1,351)	(132)	(132)
100bps decrease	(372)	1,355	140	140
Cash flow sensitivity analysis				
100bps increase	(14,291)	(14,291)	(8,219)	(8,219)
100bps decrease	14,291	14,291	8,219	8,219

24. Credit risk

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

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

Credit risk associated with investing activities, excluding on-lending, is managed by only investing with New Zealand Government 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 2024 in \$000s	NZ government agencies	NZ local authorities	NZ registered banks	Other counter- parties	FV hedge adjustment	Total carrying value
Financial assets						
Receivables	-	-	-	378	-	378
Cash and bank balances	470,054	-	3,556	-	-	473,609
Cash pledged as collateral	-	-	251,605	-	-	251,605
Marketable securities	90,557	4,973	310,218	997,212	(5,917)	1,397,043
Deposits	-	-	701,894	16,599	-	718,493
Derivatives	(1,151,829)	-	(258,607)	-	-	(1,410,436)
Loans	-	20,574,861	-	-	(25,510)	20,549,350
	(591,218)	20,579,834	1,008,666	1,014,189	(31,427)	21,980,043

As at 30 June 2023 in \$000s	NZ government agencies	NZ local authorities	NZ registered banks	Other counter- parties	FV hedge adjustment	Total carrying value
Financial assets						
Receivables	-	-	-	492	-	492
Cash and bank balances	223,783	-	2,439	-	-	226,222
Cash pledged as collateral	-	-	93,175	-	-	93,175
Marketable securities	79,082	16,950	347,933	706,787	(22,873)	1,127,879
Deposits	-	-	343,564	4,929	-	348,492
Derivatives	(1,468,363)	-	(96,108)	-	-	(1,564,470)
Loans	-	16,351,411	-	-	(37,850)	16,313,562
	(1,165,498)	16,368,361	691,002	712,208	(60,722)	16,545,351

COLLATERAL AND CREDIT ENHANCEMENTS

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

CREDIT QUALITY OF FINANCIAL ASSETS

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

25. Liquidity risk

Liquidity risk is the risk that LGFA will encounter difficulty in meeting the obligations of its financial liabilities. LGFA manages liquidity risk by holding cash and a portfolio of liquid assets to meet obligations when they fall due. LGFA is required by policy to maintain sufficient liquidity (comprising a committed liquidity facility and holdings of cash and liquid investments) to meet all operating and funding commitments over a rolling 12-month period.

The Treasury (New Zealand Debt Management) provides a committed liquidity facility that LGFA can draw upon to meet any exceptional and temporary liquidity shortfall. As at 30 June 2024, the undrawn committed liquidity facility was \$1,500 million (2023: \$1,500 million). The facility is due to expire in December 2031.

26. Contractual cash flows of financial instruments.

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

As at 30 June 2024 in \$000s	On demand	Up to 3 months	3 months to 1 year	1 year to 5 years	More than 5 years	Total contractual cash flows	Total carrying value
Financial assets							
Receivables	378	-	-	-	-	378	378
Cash and bank balances	473,609	-	-	-	-	473,609	473,609
Cash pledged as collateral	251,605	-	-	-	-	251,605	251,605
Marketable securities	-	240,165	291,490	955,751	61,800	1,549,207	1,397,045
Deposits	-	208,790	526,414	-	-	735,204	718,493
Loans	-	900,617	3,289,336	14,976,059	5,956,294	25,122,306	20,549,350
Financial liabilities							
Payables and provisions	(9,609)	-	-	-	-	(9,609)	(9,609)
Bills	-	(690,000)	(230,000)	-	-	(920,000)	(911,386)
ECP	-	(331,870)	(483,306)	-	-	(815,175)	(815,175)
Bond repurchases	-	(58,362)	-	-	-	(58,362)	(58,302)
Bonds	-	(36,694)	(3,361,528)	(11,966,381)	(8,848,775)	(24,213,377)	(19,579,121)
Borrower notes	-	(4,741)	(52,232)	(350,211)	(188,464)	(595,648)	(492,614)
Derivatives	-	(214,117)	(290,108)	(1,317,951)	(745,798)	(2,567,974)	(1,410,436)
	715,983	13,788	(309,933)	2,297,267	(3,764,943)	(1,047,838)	113,836

As at 30 June 2023 in \$000s	On demand	Up to 3 months	3 months to 1 year	1 year to 5 years	More than 5 years	Total contractual cash flows	Total carrying value
Financial assets							
Receivables	492	-	-	-	-	492	492
Cash and bank balances	226,222	-	-	-	-	226,222	226,222
Cash pledged as collateral	93,175	-	-	-	-	93,175	93,175
Marketable securities	-	168,607	350,627	709,893	-	1,229,127	1,127,879
Deposits	-	209,258	145,558	-	-	354,816	348,492
Loans	-	676,189	2,722,811	10,726,760	6,001,820	20,127,580	16,313,562
Financial liabilities							
Payables and provisions	(6,132)	-	-	-	-	(6,132)	(6,132)
Bills	-	(567,000)	(225,000)	-	-	(792,000)	(782,630)
Bond repurchases	-	(130,215)	-	-	-	(130,215)	(130,043)
Bonds	-	-	(2,662,170)	(9,221,173)	(7,131,780)	(19,015,123)	(15,160,432)
Borrower notes	-	(1,549)	(40,931)	(220,864)	(178,502)	(441,846)	(360,348)
Derivatives	-	(210,678)	(254,986)	(1,243,521)	(807,012)	(2,516,197)	(1,564,470)
	313,757	144,611	35,909	751,096	(2,115,474)	(870,101)	105,766

Capital and dividends

27. Share capital

As at 30 June 2024, LGFA had 45 million ordinary shares on issue, 20 million of which remain uncalled. All ordinary shares rank equally with one vote attached to each ordinary share. Ordinary shares have a face value of \$1 per share.

28. Shareholder information

Registered holders of equity securities	As at 30 June 2024		As at 30 June 2023	
Minister of Finance and Minister for Local Government	5,000,000	11.1%	5,000,000	11.1%
Auckland Council	3,731,960	8.3%	3,731,960	8.3%
Christchurch City Council	3,731,960	8.3%	3,731,960	8.3%
Hamilton City Council	3,731,960	8.3%	3,731,960	8.3%
Bay of Plenty Regional Council	3,731,958	8.3%	3,731,958	8.3%
Greater Wellington Regional Council	3,731,958	8.3%	3,731,958	8.3%
Tasman District Council	3,731,958	8.3%	3,731,958	8.3%
Tauranga City Council	3,731,958	8.3%	3,731,958	8.3%
Wellington City Council	3,731,958	8.3%	3,731,958	8.3%
Western Bay of Plenty District Council	3,731,958	8.3%	3,731,958	8.3%
Whangarei District Council	1,492,784	3.3%	1,492,784	3.3%
Hastings District Council	746,392	1.7%	746,392	1.7%
Marlborough District Council	400,000	0.9%	400,000	0.9%
Selwyn District Council	373,196	0.8%	373,196	0.8%
Gisborne District Council	200,000	0.4%	200,000	0.4%
Hauraki District Council	200,000	0.4%	200,000	0.4%
Horowhenua District Council	200,000	0.4%	200,000	0.4%
Hutt City Council	200,000	0.4%	200,000	0.4%
Kapiti Coast District Council	200,000	0.4%	200,000	0.4%
Manawatu District Council	200,000	0.4%	200,000	0.4%
Masterton District Council	200,000	0.4%	200,000	0.4%
New Plymouth District Council	200,000	0.4%	200,000	0.4%
Otorohanga District Council	200,000	0.4%	200,000	0.4%
Palmerston North District Council	200,000	0.4%	200,000	0.4%
South Taranaki District Council	200,000	0.4%	200,000	0.4%
Taupo District Council	200,000	0.4%	200,000	0.4%
Thames - Coromandel District Council	200,000	0.4%	200,000	0.4%
Waimakariri District Council	200,000	0.4%	200,000	0.4%
Waipa District Council	200,000	0.4%	200,000	0.4%
Whakatane District Council	200,000	0.4%	200,000	0.4%
Whanganui District Council	200,000	0.4%	200,000	0.4%
	45,000,000	100%	45,000,000	100%

29. Capital management

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

30. Dividend

LGFA paid a dividend of \$1,712,500 on 1 September 2023, being \$0.0685 per paid up share (2023: \$1,217,500 on 2 September 2022, being \$0.0487 per paid up share).

31. Capital commitments

As at 30 June 2024, there are no capital commitments.

Other Notes

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

For the year ended 30 June 2024 in \$000s	2024	2023
Net profit/(loss) for the period	10,050	2,505
Cash applied to loans	(4,174,912)	(2,222,368)
Non-cash adjustments		
Financial instrument amortisation and depreciation	(11,053)	(15,692)
Working capital movements	876	172
Net Cash from operating activities	(4,175,038)	(2,235,383)

33. Contingencies

There are no contingent liabilities at balance date.

34. Related parties

IDENTITY OF RELATED PARTIES

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

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

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

RELATED PARTY TRANSACTIONS

LGFA was established for the purpose of raising funds from the market to lend to participating borrowers. The lending to individual councils is disclosed in note 12, and interest income recognised on this lending is shown in the statement of comprehensive income.

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

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

TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL:

Salaries \$1,151,293 (2023: \$1,016,801)

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

35. Subsequent events

On 28 August 2024, the Directors of LGFA declared a dividend of \$1,842,500 (\$0.0737 per paid up share). Subsequent to balance date, LGFA has issued bonds of NZD 350 million and AUD 800 million.

Independent Auditors Report
To the readers of New Zealand Local Government Funding Agency
Limited's financial statements and performance information for
the year ended 30 June 2024

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

Opinion

We have audited:

- the financial statements of the company on pages 36 to 53, that comprise the statement of financial position as at 30 June 2024, the income statement, 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 32 to 35.

In our opinion:

- the financial statements of the company on pages 36 to 53:
 - present fairly, in all material respects:
 - its financial position as at 30 June 2024 and
 - its financial performance and cash flows for the year then ended; and
 - comply with generally accepted accounting practice in New Zealand in accordance with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and International Financial Reporting Standards (IFRS); and
- the performance information of the company on pages 32 to 35 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 2024.

Our audit was completed on 29 August 2024. This is the date at which our opinion is expressed.

The basis for our opinion is explained below, and we draw attention to the inherent uncertainties in the measurement of greenhouse gas emissions. In addition, we outline the responsibilities of the Board of Directors and our responsibilities relating to the financial statements and the performance information, we comment on other information, and we explain our independence.

Basis for our opinion

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

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

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



Emphasis of Matter – Inherent uncertainties in the measurement of greenhouse gas emissions

The company has chosen to include a measure of its greenhouse gas (GHG) emissions in its performance information. Without modifying our opinion and considering the public interest in climate change related information, we draw attention to page 34 of the annual report, which outlines the uncertainty in the reported GHG emissions. Quantifying GHG emissions is subject to inherent uncertainty because the scientific knowledge and methodologies to determine the emissions factors and processes to calculate or estimate quantities of GHG sources are still evolving, as are GHG reporting and assurance standards.

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 \$160 million determined with reference to a benchmark of company Total Assets. We chose the benchmark because, in our view, this is a key measure of the company's performance. In addition, we also assess whether other matters that come to our attention during the audit would in our judgement change or influence the decisions of a reasonably knowledgeable person ('qualitative' materiality).

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements in the current period. We summarise below those matters and our key audit procedures to address those matters in order that the readers as a body may better understand the process by which we arrived at our audit opinion. Our procedures were undertaken in the context of and solely for the purpose of our statutory audit opinion on the financial statements as a whole and we do not express discrete opinions on separate elements of the financial statements.

The key audit matter	How the matter was addressed in our audit
Existence and impairment of loans	
Refer to Note 12 to the Financial Statements. The loans LGFA has provided to local government make up over 87% of total assets. The loans are recognised at amortised cost and the nature of the counterparties is such that we do not consider these loans to be at high risk of significant misstatement. However, based on their materiality, and the judgement involved in assessing the credit worthiness of counterparties they are considered to be the area which had the greatest effect on our overall audit strategy and allocation of resources in planning and completing our audit.	Our audit procedures included: <ul style="list-style-type: none">performing a walkthrough to understand the processes and controls LGFA has in place to assess borrowers and to record loan transactions.agreeing the 30 June 2024 loan balances to external confirmations received from NZ Clear.assessing the borrowers' compliance with financial covenants. We did not identify material differences in relation to the existence or impairment of loans.



Application of hedge accounting

Refer to Notes 8 and 9 of the Financial Statements.

LGFA enters into derivatives (interest rate swaps and, beginning in FY24, cross currency interest rate swaps) to manage interest rate risk and foreign exchange risk related to issuing fixed rate borrowings (NZD and AUD), fixed rate loans and investing in fixed rate securities.

Hedge accounting is applied where specific requirements are met around documentation of the hedge relationship and the relationship is demonstrated as being an effective hedge. Hedge accounting is complex, particularly in the area of whether the requirements (both initial and ongoing) for its application are met. Should the requirements for hedge accounting not be met, LGFA could experience significant volatility in the Statement of Comprehensive Income from changes in the fair value of the derivatives.

Due to the size of the derivative positions and the complexity of hedge accounting we consider this to be a key audit matter.

Our audit procedures included:

- reviewing LGFA's accounting policies related to financial instruments.
- agreeing the terms of the derivatives to the confirmation provided by the derivative counterparty.
- ensuring the hedge documentation supporting the application of hedge accounting was in accordance with NZ IFRS 9.
- using our treasury valuation specialists we:
 - independently recalculated the fair value of all of the derivatives recorded by LGFA; and
 - evaluated the hedge effectiveness of the derivatives including independently modelling the future changes in value of these instruments to assess whether the underlying derivatives were effective.
- ensuring the disclosures made in the financial statements were appropriate.

We did not identify material differences in relation to the application of hedge accounting.

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

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

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

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

The Board of Directors' responsibilities arise from the Local Government Act 2002 and the Financial Markets Conduct Act 2013.

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

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

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

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

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

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

- We identify and assess the risks of material misstatement of the financial statements and the performance information, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- We evaluate the appropriateness of the reported performance information within the company's framework for reporting its performance.
- We conclude on the appropriateness of the use of the going concern basis of accounting by the Board of Directors and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists we are required to draw attention in our auditor's report to the related disclosures in the financial statements and the performance information or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.



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

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

Our responsibilities arise from the Public Audit Act 2001.

Other Information

The Board of Directors is responsible for the other information. The other information comprises the information included on pages 1 to 31 and page 57 but does not include the financial statements and the performance information, and our auditor's report thereon.

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

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

Independence

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

For the year ended 30 June 2024 and subsequently, the Chair of the company's Audit and Risk Committee is a member of the Office of the Auditor-General's Audit and Risk Committee. The Office of the Auditor-General's Audit and Risk Committee is regulated by a Charter that specifies that it should not assume any management functions. There are appropriate safeguards to reduce any threat to auditor independence, as the member of the Office of the Auditor-General's Audit and Risk Committee does not assume any management functions as part of their oversight role of the audit of the company.

Other than the audit, and the relationship with the Office of the Auditor-General's Audit and Risk Committee, we have no relationship with, or interests in, the company.

David Gates

KPMG

On behalf of the Auditor-General
Wellington, New Zealand

Other disclosures

He whākitanga anō

Donations

A donation of \$4,000 was made to Kauri 2000 for the year ended 30 June 2024.

Net Tangible Assets

Net tangible assets per \$1,000 of listed bonds as at 30 June 2024 is \$5.12 (2023: \$6.35).

Earnings per security

Earnings per \$1,000 of bonds on issue as at 30 June 2024 is \$0.46 (2023: \$0.15).

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	481	45	\$11,500,000	0.06
50,000 to 99,999	201	19	\$13,639,000	0.07
100,000 to 499,999	250	23	\$47,061,000	0.25
500,000 to 999,999	30	3	\$20,626,000	0.11
1,000,000 and above	113	10	\$19,097,174,000	99.52
Total	1,075	100	\$19,190,000,000	100.00

Directory

Rārangi tauwaea

Postal address

P.O. Box 5704, Lambton Quay
Wellington 6145

Phone

+64 4 974 6530

Office hours

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Wellington

Registered office
Level 11
City Chambers
142 Featherston Street
Wellington 6011
(entrance on Johnston Street)



Auckland

Level 7
The Shortland Centre
55 Shortland Street
Auckland 1010





29 August 2024

Dear Shareholder,

LGFA 2024 Annual Report

The LGFA Annual Report for the 12-month period to 30 June 2024 is now available from the LGFA website: [LGFA 2024 Annual Report](#)

We are pleased to highlight another positive year for LGFA that included several achievements.

1. Financial and operational performance.

Financial performance was strong with Net Operating Profit of \$10.05 million compared to \$2.5 million for the prior year. The prior year profit was abnormally low (due to the sharp rise in interest rates) and it is pleasing that we are back to where we have been on a historical basis.

Both our total operating income and operating expenses were higher than the Statement of Intent (SOI) forecast due to the larger than expected council and Council Controlled Organisation (CCO) borrowing and LGFA bond issuance activity. Both lending and bond issuance were record amounts.

We met 15 out of 18 performance objectives and our achievements were recognised through numerous awards from KangaNews, INFENZ, Treasury Management International, and Environmental Finance.

2. We made longer dated borrowing options available to an increased number of council and CCO borrowers.

As at 30 June 2024, LGFA had loans outstanding of \$20.55 billion, an increase of \$4.24 billion over the financial year, with the longest dated loans available out to 13 years (2037). Over the financial year, we approved two new CCO members, lifting total members to 77 councils and 5 CCOs. Over the financial year, LGFA lent a record \$6.1 billion to the sector (up 56% on the prior year) and provided 90% of the sector borrowing. We are appreciative of the ongoing support from our borrowing members.

New Zealand Local Government Funding Agency Limited
Auckland Level 7, The Shortland Centre, 55 Shortland Street
Wellington Level 11, City Chambers, 142 Featherston Street
PO Box 5704, Lambton Quay, Wellington 6145 | Phone +64 4 974 6530
lafa.co.nz



3. New products and increasing focus on sustainability.

We issued a record NZ\$6.5 billion equivalent of bonds over the financial year. A highlight was our inaugural foreign currency issuance under our AUD Medium Term Note (MTN) and Euro Commercial Paper (ECP) Programmes. Issuing foreign currency securities assists our issuance strategy by diversifying our funding sources beyond the NZD market. All foreign currency borrowing is hedged back into NZD to remove any foreign exchange rate risk.

An increased number of councils and CCOs utilised our sustainable lending products. We grew our sustainable loans to councils and CCOs by \$2.3 billion and were 15.3% of total outstanding loans as at 30 June 2024.

We have also published our inaugural Climate Related Disclosures (CRD) Report that sets out our progress to date with incorporating climate related risks and opportunities across our governance, strategy, and risk management functions. The report is available on our website: [LGFA Climate Related Disclosures 2024](#)

4. A dividend payment of 6.85% for shareholders.

The financial strength of LGFA has been affirmed with total assets of \$23.5 billion and shareholder equity of \$113.2 million as at 30 June 2024. A \$1,842,500 dividend has been declared by the LGFA Board for the year ended 30 June 2024 and a dividend notice will be sent to you shortly. The dividend rate is \$0.0737 per paid up share and will be paid to you on Monday 2nd September 2024.

Our Annual General Meeting (AGM) will be held on Tuesday 19 November 2024 in Wellington (with a virtual attendance option). We will send out a Notice of AGM by Friday 20 September 2024.

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 7, The Shortland Centre, 55 Shortland Street
Wellington Level 11, City Chambers, 142 Featherston Street
PO Box 5704, Lambton Quay, Wellington 6145 | Phone +64 4 974 6530
lafa.co.nz



19 September 2024

Report no: PFSC2024/5/285

Hutt City Council Group Annual Report 2023-24

Purpose of Report

1. The purpose of this report is for the Policy, Finance and Strategy Committee (the Committee) to review the draft Group Annual Report 2023-2024 (the Annual Report) to be separately circulated under a supplementary agenda and to provide officers with feedback to incorporate into the final version.

Recommendations

That the Committee:

- (1) reviews the draft Group Annual Report to be separately circulated and provides officers with feedback to incorporate into the final version;
- (2) notes that the draft Group Annual Report is currently with the auditors for final review; and
- (3) notes that the final version of the 2023-2024 Annual Report will be reported back to the Policy, Finance and Strategy Committee for final endorsement on 29 October 2024 before being considered by Council.

For the reason of meeting legislative requirements.

Background

Legislative framework

2. The Local Government Act 2002 (the Act) requires local authorities to prepare, complete and adopt (by resolution) an Annual Report within four months of the end of the financial year to which it relates. The Annual Report and a summary of the information it contains must be made publicly available within one month of its adoption.
3. There is a requirement to prepare both a Full Annual Report (FAR) and a Summary Annual Report (SAR). Both these documents are required to have parts audited. The auditor's opinion will state exactly which pages of the FAR and SAR have been audited. The SAR includes the front section of the FAR, which includes the summary sections of non-financial and financial performance results.

4. The FAR must contain the Auditor-General's (audit) report and the SAR must contain the Auditor-General's report on whether the summary represents, fairly and consistently, information regarding the major matters dealt with in the Annual Report.

Outline of the high-level process

5. The role of the Committee is to monitor the integrity of reported performance information at the completion of Council's Annual Report process. The Committee reviews and recommends the adoption of the Annual Report to Council. The meeting to adopt the Annual Report is scheduled for 29 October 2024.
6. Prior to the Committee's review, the Audit and Risk Subcommittee (ARSC) has a role to review and monitor the integrity of the Annual Report, including statutory financial statements and any other formal announcements relating to Council's financial performance. This focusses particularly on:
 - a. compliance with accounting and legal requirements;
 - b. consistency of application of accounting policies and changes to these; and
 - c. disclosures and significant adjustments resulting from the audit.
7. At its meeting on 24 September 2024, the ARSC considered and endorsed the content of the draft Annual Report, subject to the satisfactory resolution of some outstanding items, including;
 - a. completion of the final design and minor editorial changes;
 - b. completion of the external audit and any adjustments required; and
 - c. receipt of final audit clearance from Audit NZ.
8. Since the ARSC reviewed the Group Annual Report, there have been some updates and amendments. These include the inclusion of the Mayor and Chief Executive's statement, updated performance results from Wellington Water Limited, updates on financial aspects (mainly related to the asset revaluation of the Three Waters assets), and other minor editorial changes.
9. **Table 1** below details the high-level process and progress for adopting the Annual Report.

Table 1 - High level plan for adoption of the Group Annual Report

Date 2024	Activity	Status
Jun-Jul	Interim audit by Audit NZ	Complete
Jul-Aug	Preparation of content of Annual Report by officers	Complete
Aug - Sept	Audit clearance obtained on Annual Reports for Seaview Marina Ltd and Urban Plus Ltd	Complete
16 Sept	Final Audit New Zealand audit commences.	In progress
24 Sept	Draft unaudited FAR presented to ARSC. Seeking endorsement ahead of final audit adjustments (if required) and minor editorial changes.	Complete
14 Oct	Draft unaudited FAR presented to PFS. The audited Annual Reports for Seaview Marina Ltd and the Urban Plus Ltd Group will also be presented.	Today
29 Oct	Audited FAR and SAR considered by PFS, before being recommended to Council to adopt the FAR and SAR.	

Risk and mitigations***Risk of error, omission and non-compliance in preparation***

10. There is a risk that errors or non-compliance with legislation and accounting standards could occur in the preparation of the Annual Report. To mitigate this risk, quality assurance reviews were performed on the results and commentary. The reviews focused on accuracy, completeness and reasonableness of disclosures and legislative compliance.

Reviews for accuracy, completeness and fairness

11. To ensure the accuracy, completeness and fairness of the Annual Report, the following officers have reviewed the document:
- members of the project team collating the content, including leads from Finance, Strategy and Policy, and Communications;
 - key team leads and business unit managers;
 - the Project Oversight Group; and
 - the Corporate Leadership Team.

12. All the technical quality assurance reviewers who perform reviews from a financial perspective are Chartered Accountant qualified or equivalent and have the appropriate technical accounting skills and knowledge.

Communications

13. Following Council's adoption of the Annual Report on 29 October 2024, officers have developed a communication plan to distribute the publication to the community and key stakeholders, along with key messages.

Accessibility

14. Officers note the initial brief provided to designers included a requirement to ensure print and online versions of the Annual Report meet New Zealand accessibility standards, by adhering to the Accessibility Charter and Accessibility Guide.

Climate Change Impact and Considerations

15. The Annual Report provides an opportunity to highlight 2023-2024 climate change responses.

Legal Considerations

16. The Act sets out the information and timing requirements for the Annual Report. This year's Annual Report has been prepared in accordance with the requirements of the Act.
17. The 2023-2024 Annual Report and Summary must be prepared, completed and adopted (by resolution) within four months of the end of the financial year to which it relates (ie by 30 October 2024) and made publicly available within one month of that date.

Financial Considerations

18. There are no further financial considerations.

Next Steps

19. The final version of the Annual Report will be reported back to the Committee for final endorsement on 29 October 2024.
20. The audited full Annual Report and Summary Annual Report will be considered by Council for adoption at the conclusion of the Policy, Finance and Strategy Committee.

Appendices

There are no appendices for this report.

Author: Wendy Botha
Corporate Planning Lead

Reviewed By: Jenny Livschitz
Group Chief Financial Officer

Reviewed By: Richard Hardie
Head of Strategy and Policy

Reviewed By: Jarred Griffiths
Director Strategy and Engagement

Approved By: Jo Miller
Chief Executive

23 September 2024**Report no: PFSC2024/5/293**

Jackson Street Programme - 12 month report to 30 June 2024

Purpose of Report

1. The report summarises the activities of Jackson Street Programme (JSP) for the 12 months to 30 June 2024.
2. The report has been prepared based on information provided by JSP and officer input.

Recommendation

That the Committee receives and notes the Jackson Street Programme report for the year to June 2024 attached as Appendix 1 to the report

For the reason that JSP receives annual funding through a targeted rate levy collected by Council.

Background

3. JSP is an incorporated society funded by a targeted rate to promote and enhance Jackson Street and Petone as a successful heritage, retail and business area.
4. JSP receives funding through a levy collected by Council via rate payments assessed on commercial suburban properties with frontage on Jackson Street between Hutt Road and Cuba Street. The funding for FY2023/24 was \$164,407+GST and this increases with CPI each year.
5. There are approximately 220 members in the programme – including 10 businesses from outside the targeted rate area.
6. Providing financial support to JSP has beneficial outcomes for the economic wellbeing of Petone and furthers the economic development of the city. It does this in a way that is cost-effective because it makes use of and leverages existing resources within the business community.

Discussion

7. JSP operations are overseen by a representative board – current membership is published on jacksonstreet.co.nz.
8. JSP staff engage with a broad range of Council officers to collaborate on issues and opportunities within and around Jackson Street. Cooperation includes eg security, traffic, infrastructure works, promotion and events.

9. JSP engages with their members regularly through a range of communications and events including face to face site visits, Business After Five meet ups, newsletters and an online group for immediate and wide-reaching communication.
10. JSP advocate for their members and neighbouring areas across a wide range of needs including heritage preservation, on-street amenities, capital works, licencing, retail and community safety, business promotion, parking provision and water infrastructure construction mitigation.
11. JSP provides an update on their activities and business engagement at every Petone Community Board meeting.
12. Reporting for the year to 30 June 2024 is attached as Appendix 1 to the report.
13. Highlights during FY2023/24 include:
 - collaborative work with Council and project partners to optimise the planning for future water renewals on Jackson Street.
 - activating Jackson Street and businesses through participation in regular promotions and activities – including a recent refresh to their digital marketing approach through employing a new marketing resource.
 - advocacy for local business and resident communities and collaboration with Council staff on mutually beneficial approaches to projects in and around Jackson Street.
 - regular and comprehensive engagement across their membership to upskill and seek input on local projects and opportunities including virtual and in-person events, face to face visits to businesses, and maintaining relationships with local and central government agencies.
 - advocacy for a coordinated approach to the Jackson Street streetscape and installation of street furniture.

Climate Change Impact and Considerations

14. The matters addressed in this report have been considered in accordance with the process set out in Council's Climate Change Considerations Guide.
15. There are no climate change considerations.

Consultation

16. JSP has submitted the report to 30 June 2024.

Legal Considerations

17. There are no legal considerations.

Financial Considerations

18. JSP received \$164,407.00+GST for FY2023/24 collected as a targeted rate on the commercial properties fronting Jackson Street between Hutt Road and Cuba Street.

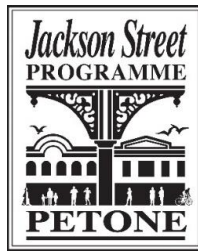
19. During FY2023/24, JSP also received \$20,000+GST from a contract for service to provide additional community engagement for the FY2024/34 Long Term Plan.

Appendices

No.	Title	Page
1 ↓	Jackson Street Programme - 12 month report to 30 June 2024	108

Author: James Lamb
Head of Business and Economy

Approved By: Jon Kingsbury
Director Economy & Development



12 Month Report for the period 1 July 2023 to 30 June 2024

Hutt City Council – Policy, Finance and Strategy Meeting

Presented by: Hellen Swales, JSP Coordinator

Nik Zangouropoulos, Chair JSP

Executive summary

As we enter the fourth decade of the Jackson Street Programme, our activities and focus are evolving, but our mission remains as strong and relevant as ever.

Our Board is chaired by Nik Zangouropoulos and includes members Robbie Schneider (Treasurer), John Donnelly, Leo O’Sullivan, Shayne Thurston, Megan Toms, and Faye Drysdale.

Our office staff includes Hellen Swales, the Jackson Street Programme Coordinator, who works 30-35 hours per week, Radhika Dhakal, Marketing Manager, working 12 hours, and Karen Arraj-Fisher, part-time Administrator/Heritage, working 16 hours weekly.

The Jackson Street Programme is committed to meeting all legal requirements as an incorporated society, with quarterly monitoring and feedback provided to the board.

Our work is centred on the four purposes and goals that define the Jackson Street Programme's mission statement:

***“Our mission is to promote, preserve and enhance Jackson Street
as a successful heritage, retail and commercial area”***

Goal 1: Preserving the heritage character of Jackson Street and promoting it.

Goal 2: Making Jackson Street a desirable place to visit.

Goal 3: Advocacy and advice that is relevant with the evolving times.

Goal 4: Coordination, community work and partnership



Work delivered 1 July 2023 to 30 June 2024**Goal 1: Preserving the heritage character of Jackson Street and promoting it.**

We continue to add to the exhibition at the Old Jail Museum in collaboration with NZ Police Museum staff. Recently, we installed a lockable cabinet displaying artefacts on permanent loan to the Jackson Street Programme.

During the Wellington Heritage Festival in October, we host walking tours, give talks, and open the Old Jail Museum on weekends. We also produce educational materials for primary and secondary students at St. Bernard's, Sacred Heart Petone, and Korokoro Schools.

Our Chair has authored three books related to Jackson Street and is preparing to launch a fourth.

Additionally, we host various events at the Old Jail Museum, including book launches, baby showers, art exhibitions, and high teas.

To honour our sporting heroes, we continue to lay Walk of Champion plaques along the street, inspired by Sir Thomas Wilford's phrase "Petone is the Cradle of Champions." We have installed 148 plaques honouring 190 sportspeople, with plans to add more in the future.

Goal 2: Making Jackson Street a desirable place to visit.

The Jackson Street Programme aims to support existing businesses and attract new ones by identifying effective strategies and monitoring vacant properties. Currently, there are six vacancies on the street, and we are collaborating with landlords, estate agents, and Hutt City Council to secure quality tenants.

We have received inquiries from Wellington businesses interested in relocating to Petone, including Cranfield's Wellington, a butchery, and a bakery.

As a designated Heritage Precinct and specialty shopping destination, we promote our diverse dining options and vintage shops, appealing to a wide audience. Over the past year, we've focused on digital marketing, employing a part-time marketing manager to enhance Petone's visibility. Our targeted campaigns on platforms like Facebook and Instagram have garnered positive feedback and increased engagement, reaching 120,000 people. Our audience comprises 23% male and 77% female, with 87% from the greater Wellington region.

We have highlighted various events, including Mother's Day, Father's Day, Matariki, and local festivals like Visa Wellington on a Plate, which have boosted our community connections. Our social media collaborations have increased by 400% compared to last year, diversifying perspectives on Jackson Street.

We also promote job vacancies for local businesses through our Job Board, positioning ourselves as the default i-SITE for Lower Hutt. We provide information on local attractions, public transport, and regional history, serving both locals and visitors.

Additionally, we host walking tours for local schools and groups, offering maps created in collaboration with Hutt City Council officers. Our visitor numbers have risen, with 15,462 recorded from July 1, 2023, to June 30, 2024.



Goal 3: Advocacy and advice that is relevant with the evolving times.

The Jackson Street Programme participates in virtual workshops on new legislation to ensure businesses, service providers, and professionals understand and confidently implement required changes. Recent examples include guidance on the ban of single-use plastics in July 2023, as well as updates on Alcohol Liquor Licensing, the Holiday Pay Act, minimum wage, and earthquake-prone building legislation. We also attend workshops related to Hutt City Council initiatives, such as the District Plan review.

We communicate legislative changes through our Business After 5 (BA5) events, where we foster business interactions and introduce new businesses. Notable guests, including Hon. Ginny Andersen (former Minister of Small Business and Manufacturing) and Hon. Chris Bishop, have discussed compliance impacts on small to medium businesses.

Recently, we hosted a BA5 to discuss the proposed stormwater renewal on Jackson Street, attended by 69 participants. For those unable to attend, we distributed materials and provided a questionnaire to gather feedback for GHD and council officers. We continue to offer monthly updates to businesses and residents in the affected areas.

Participation in accessibility workshops hosted by Greater Wellington Regional Council focused on improving pedestrian access and bus infrastructure. Meetings were held with Erin Da Silva from Egis Group to discuss bus stop options, and invitations were extended by Greater Wellington to attend walkabouts for the Riverlink Project.

In collaboration with the Eastbourne Lions, we co-hosted a general election “Meet the Candidates” event at Petone Baptist Church, attracting 78 attendees. We regularly meet with Paul Swain and the Representation Panel regarding Hutt City Council’s elected representation review.

We provided input at the Traffic Committee on proposed changes to three bus stops on Jackson Street, expressing safety concerns. We met with the roading team to finalize speed management around schools and attend Petone Community Board meetings to provide updates.

Monthly engagement occurs with Sophie Smith from Hutt City Council’s Business and Economy team to discuss the proposed expansion of the Jackson Street Programme’s footprint with the CFO and other officers.

Verbal presentations were submitted on the Hutt City Council District Plan, Long-Term Plan, and Greater Wellington Long Term Plan. In April, four Long Term Plan workshops were hosted, attracting 200 attendees, and feedback was reported back to Hutt City Council Officers.

Goal 4: Coordination, community work and partnership

Collaborating with the Council’s business and economy team, we introduce new and innovative businesses in Petone, such as ReyhaNZ, a hydroponics company, and Roll NZ. We facilitate connections between developers and the Council’s planning team for pre-application meetings, particularly regarding the preservation of heritage facades during renovations on Jackson Street.

Close coordination with the Hutt City Council communication and engagement team ensures effective messaging across various departments, including the roading team. We also liaise with contractors executing Council work programs in Petone, providing a point of contact for any issues requiring communication.



Meetings with Rong Qian focus on the installation of new ergonomic chairs and bins along Jackson Street, designed for the main demographic using the area. Additionally, we share information from MSD employment services and maintain a monthly updated database of business and building owners, distributing it to our members.

Collaboration with the New Zealand Police, especially community constables at the Petone Police Station, involves sharing incident reports through our closed Facebook page, facilitating quick responses. We also promote information from the Police to local businesses.

Partnerships with the Petone Library, Petone Settlers Museum, and Petone Community House help promote events and develop content for walking tours and school visits. We work with HuttValleyNZ destination marketing to promote Petone as the gateway to the Hutt Valley.

Successful sponsorship deals with local retailers, like Mitre 10 Mega for the Christmas Grotto event, support our promotional efforts. We partner with community groups to promote their events on our digital platforms and assist with grant applications, primarily by providing letters of support.

Foxtail Events has approached us to explore shared opportunities for events in Petone, such as Cuba Dupa, market days, and busking events.

In collaboration with Hutt City Council and Wellington Water, we have helped design water renewal projects to minimize disruption on Jackson Street. In June, we hosted an update meeting on options for three water renewals, gathering stakeholders to discuss ongoing communication regarding the proposed work. Afterward, a PowerPoint presentation was shared with affected Jackson Street stakeholders.

This collaboration continues with monthly virtual meetings involving Wellington Water communications and Hutt City Council officers.



26 September 2024**Report no: PFSC2024/5/290**

Love Wainuiomata 12 month report to 30 June 2024

Purpose of Report

1. This report summarises the Love Wainuiomata performance against their agreed work plan for the 12 months to 30 June 2024.
2. This report has been prepared based on information provided by Love Wainuiomata and officer input.
3. Representatives of Love Wainuiomata will be in attendance to speak to the report.

Recommendation

That the Committee receives and notes the Love Wainuiomata report for the year to June 2024 attached as Appendix 1 to the report.

For the reason that Love Wainuiomata receives annual funding from Council to support economic development in Wainuiomata.

Background

4. Love Wainuiomata started as a group of Wainuiomata community members who championed a vision for their community in response to initiatives detailed for Wainuiomata in Council's Urban Growth Strategy 2032. The group partnered with Council to carry out extensive engagement with the Wainuiomata community, which formed the basis of the 2015 Wainuiomata Development Plan (WDP), a long-term community vision for Wainuiomata.
5. Love Wainuiomata was incorporated in 2016 with the purpose of supporting development, growth and vibrancy within Wainuiomata by connecting people and encouraging leadership.
6. In FY2023/24, funding of \$105,000+GST was provided by Council to Love Wainuiomata to lead and drive partnership activities toward the community vision of the WDP.
7. A strong constructive relationship between Council and Love Wainuiomata has beneficial outcomes for the economic and community wellbeing of Wainuiomata.

Discussion

8. Love Wainuiomata reporting for the year to 30 June 2024 is attached as Appendix 1 to the report.
9. Highlights during FY2023/24 include:
 - completing the Wainuiomata Welcome Sign in October 2023 - a project the Wainuiomata community had first identified as crucial to establishing their identity in 2015.
 - Wainuiomata Town Centre Matariki 2023 four-day celebration with over 4000 attendees, was delivered as a collaborative effort alongside Kokiri Marae, Wainuiomata Marae, TiHei Rangatahi, and Council.
 - enhanced digital communications and local business and event promotion with significant growth in their social media reach – growing their total followers by 203% between July 2023 to June 2024.
 - Maintaining passionate operational leadership after a change of Kaiwhakahaere earlier this year with recruitment for the position from January, being filled in March 2024.

Climate Change Impact and Considerations

10. The matters addressed in this report have been considered in accordance with the process set out in Council's Climate Change Considerations Guide.
11. There are no climate change considerations.

Consultation

12. Love Wainuiomata have provided the report for their activities to June 2024.

Legal Considerations

13. There are no legal considerations.

Financial Considerations

14. In FY2023/24 funding provided by Council for services and projects were \$105,000+GST.

Appendices

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Author: Sophie Smith
Senior Advisor, Business and Economy

Author: James Lamb
Head of Business and Economy

Approved By: Jon Kingsbury
Director Economy & Development



**Love Wainuiomata 12 Month Report to the
Hutt City Council Finance, Policy and Strategy Committee
for the Period of 1 July 2023 to 30 June 2024**

Issued

Presented by:

Chastity Card, Kaiwhakahaere, Love Wainuiomata
September 2024

Our values

He Tangata: We design for people first

Whanaungatanga: Working together as family, feeling of being at home

Manaakitanga: Hosting, friendliness, care and looking out for each other

Kotahitanga / Ngātahi: Together, as one, in unison, collective action

Auaha: Innovation / creation

Taiohanga: Value for everyone, circular economy, buying local, skills, products

Ahurea: Celebrating our cultural diversity

Executive summary



Over the last 12 months, Love Wainuiomata has continued to ignite and support development, growth, and vibrancy within Wainuiomata, despite a significant transition in leadership. We have made strides in community engagement, local business promotion, arts and culture initiatives, and activating the town centre, aligning with our purpose and objectives.

- **Promoting Local Businesses and Experiences:** Through active promotion via social media platforms like Facebook, Instagram, and TikTok, Love Wainuiomata has featured local businesses and highlighted attractions, significantly contributing to local economic growth. Participation in the WellingtonNZ Tourism Operator Day further helped connect Wainuiomata with regional tourism providers.
- **Major Projects:** The completion of the Wainuiomata Welcome Sign project in collaboration with manawhenua was a highlight, serving as a symbol of pride for the community while showcasing local craftsmanship.
- **Community Events:** Love Wainuiomata led several successful events, such as Matariki 2023, Christmas in the Nui, and the inaugural Wainuiomata Easter Market. These events promoted arts and culture, activated the town centre, and fostered community pride and engagement.
- **Building Community and Collaboration:** Collaboration with the Wainuiomata Community Hub and local council helped build participation in key projects, including the basketball court mural design and Maru streets project. This enhanced community ownership and involvement in local development.
- **Leadership Transition:** Love Wainuiomata experienced leadership changes with Anaru Ryall's departure in January 2024 and Chastity Card's appointment in March 2024. This period of transition caused disruptions in planning and forward momentum. Additionally, a change in the Chair role from Lisa Black to Daniel Burgess required navigation during the handover.
- **Social Media Engagement:** Social media engagement has been a significant success, with a growth in Facebook followers from 5,000+ to nearly 7,000, reaching around one-third of Wainuiomata's population. However, Instagram and TikTok growth have been slower due to limited resources, with further attention needed for improvement.
- **Forward Planning:** Love Wainuiomata is currently conducting a community survey to guide its work plan for the next three years. The survey addresses critical areas from the Wainuiomata Development Plan 2015, including community services, challenges, and suggestions to improve the local economy. The collected data will inform an action plan for 2025-2027, ensuring that Love Wainuiomata's work mirrors the community's needs and priorities.

Highlights for year to June 2024



Wainuiomata Welcome Sign Unveiling

October 7, 2023

After eight years of collaborative effort, Wainuiomata proudly unveiled its long-awaited welcome sign on October 7, 2023. This project, deeply rooted in the community's vision and identity, marks a significant milestone for the town.

The design and creation of the welcome sign brought together local talent and craftsmanship. Tamariki Ferguson, whose artistic vision won the design competition, worked alongside master carver Tiaki Puketapu-Dahm, who crafted the beautiful *pouwhenua* (carved post) that stands as a key feature of the sign. Installation was carried out by Wainuiomata-based builders from SGB Construction, and the steel fabrication was completed by local company Aztec Engineering, further showcasing the strength and skill of the community's businesses.

A special acknowledgment goes to Wainuiomata Marae and local *kaumātua* for leading the *karakia* (blessing) at the unveiling ceremony. Their guidance and cultural leadership set a respectful and meaningful tone for the event.

This project, which began in 2015, has been a collaborative effort of many, with particular thanks to Esther, a previous leader of this initiative, and to Lisa Black, Chair of Love Wainuiomata, for her unwavering support throughout the journey.

The *pouwhenua* features four carved figureheads, representing the significant landmarks that define the *takiwā* (region) of Wainuiomata:

- Pukeatua
- Remutaka
- Orongorongo
- Turakirae

The carvings at the base of the *pou* honour the diverse cultures that make up the Wainuiomata community. The green river designs symbolize the many streams and rivers that flow through the town, while the top of the steel structure reflects the hills surrounding the area. The use of green represents Wainuiomata's traditional colours, while the steel embodies the community's modern progress and future aspirations.

This project exemplifies the power of community collaboration, artistic expression, and cultural pride in Wainuiomata's journey forward.

Matariki Celebrations 2023-2024:

A Showcase of Community Collaboration, Artistic Expression, and Cultural Pride

Matariki has become a cornerstone event in Wainuiomata, embodying the values that Love Wainuiomata holds dear: community collaboration, artistic expression, and cultural pride. Over the years, these celebrations have grown in scale and significance, culminating in the 2023 and 2024 events, which demonstrated Love Wainuiomata's ongoing commitment to these values and the community's journey forward.



In 2023, the Matariki celebrations spanned four days, bringing together over 4,000 attendees in Wainuiomata Town Centre. The event was a vibrant mix of entertainment, kai stalls, market stalls, free *hāngi*, guest speakers, and more, drawing families from across the Lower Hutt region. Local bands, small businesses, and fundraisers added to the lively atmosphere, celebrating the essence of Matariki—connection, reflection, and togetherness.

Love Wainuiomata played a pivotal role in organising the event in collaboration with Kokiri Marae, Wainuiomata Marae, TiHei Rangatahi, and Hutt City Council. The collaboration exemplified the organization's dedication to fostering partnerships that benefit the entire community. The event also provided a platform for artistic expression through live performances and locally crafted arts, showcasing the creativity and talent within Wainuiomata.

Matariki 2023 was more than just a celebration—it was a demonstration of cultural pride and a reaffirmation of Wainuiomata's strength in unity. It marked eight years of consistent effort to make Matariki a pillar event, not just for the town but for the wider region.

Building on the success of previous years, Matariki 2024 saw two major events unfold in Wainuiomata, with Love Wainuiomata having the privilege of being involved in both. The first event, driven by community leader Louana Fruen, and the second, hosted by Kokiri Marae, Their Rangatahi, and Wainuiomata Marae, were key highlights of the year's celebrations.

Both events embraced the spirit of Matariki, offering a shared celebratory schedule that included *whānau* day, *tamarikiday*, and *kaumātua* day. These gatherings fostered intergenerational connection, underscoring the importance of family, heritage, and community ties. With more than 300 members of the community receiving free *hāngi*, the events symbolized nourishment not just for the body, but for the soul—a reflection of Wainuiomata's commitment to caring for one another.

The involvement of key community groups, local businesses, and generous volunteers once again highlighted the collaborative spirit that defines Matariki in Wainuiomata. Hutt City Council's decision to host the city-wide Matariki event in Wainuiomata underscored the town's growing reputation as a centre for cultural celebration and community strength. Through its involvement in Matariki, Love Wainuiomata has continued to put into practice its core values of community collaboration, artistic expression, and cultural pride. These events reflect Wainuiomata's journey forward—rooted in tradition while embracing modernity, and always centred on the wellbeing of its people.

Matariki not only honours the past but also provides an opportunity to reflect on the future. In 2023 and 2024, Love Wainuiomata successfully fostered a sense of unity, pride, and creativity, leaving a lasting impact on the community and setting the stage for future celebrations.



Wainuiomata Easter Market 2024: Pilot of a successful Community-Led Night Market Pilot

The Wainuiomata Easter Market 2024 marked a significant milestone for the community, as it hosted its first-ever night market on Saturday, 30th March, from 3 PM to 7 PM at Wainuiomata Town Centre, Queen Street. Despite the variable weather conditions of rain, wind, and sun, the market saw an impressive turnout of over 1,000 attendees over the course of four hours.

The market was a community-led initiative in partnership with Love Wainuiomata. The concept originated from local community member Henry Lavao of Baileys, who first proposed the idea on local community pages to gauge interest. The overwhelmingly positive response led him to approach Love Wainuiomata to bring the vision to life. By leveraging existing relationships with local organizations such as the Wainuiomata Rugby League Club, Kokiri Hauora Social Services, Pataka Kai, and local businesses like Baileys, the market was organized as a collaborative effort, with generous donations and support from the community.

The market featured a wide variety of kai stalls, which sold out entirely, along with craft stalls offering locally made goods. The event not only brought local vendors to the forefront but also attracted stallholders from across the Wellington region, further enhancing the market's offerings. Despite a slight decline in foot traffic during the last hour, the event was a resounding success, demonstrating the community's appetite for such gatherings.

This event also served as a pilot to test the viability of night markets in Wainuiomata. While the initial feedback was overwhelmingly positive, further assessments will be needed to optimize the event's timing and structure to better meet the community's needs in the future.

Special recognition goes to Henry Lavao for his instrumental role in not only conceptualizing the night market but also contributing to other successful community events, such as the pool party held earlier in the year. Love Wainuiomata, as a community-based organization, remains committed to supporting local initiatives, especially those that emerge from the community itself. By working collaboratively and aligning with community drivers, we strive to bring meaningful and engaging events to Wainuiomata.

The success of the Easter Market 2024 highlights the power of community collaboration and serves as a promising foundation for future night markets and other local events in Wainuiomata.



FY2023/2024 focus

OUTCOME

FOCUS

Advocacy / champion vision / identity

A shared aspiration across the community, business, service providers and residents that is uniquely Wainuiomata to lift.

- own the “Hā Breath of Life” narrative and inspire others with the collective vision and the “Wainuiomata way”
- advocate to council and agencies on behalf of community vision to help define future development (infrastructure, codes of practice, services, etc) to meet with village identity, through inclusive town planning

Welcoming Destination

Locals fully utilise their destination assets around them.
“Visitors come as strangers and leave as whanau”, and Wainuiomata exudes an authentic manaakitanga more powerful than any campaign could convey.
The hill is seen as fun.

- curate and champion a Wainuiomata place brand to build a cohesive identity for our place
- maximise business potential of Wainuiomata Connector Ride
- contribute and encourage development of authentic ‘people’ experiences
- activate use and wider business by packaging up activities
- link businesses to regional destination marketing activity
- liaise with HCC and trail landowners to keep higher level “fun gateway” vision and aspirations alive

Community connectedness Business development + support

Connected, inclusive and resilient community who know each other and can leverage each other’s talents and businesses have deep local roots while banking inspiration and partnerships regionally and globally.

- Collaborate with HCC on developing a neighbourhood database and asset map of suburb
- Leverage community profile for the greater good
- Harness local talent to realise the potential of projects.
- broaden business and operator relationships across Wainuiomata
- cement role as trusted advisor on the ground to connect business to opportunities, support and advice
- harness value of local bodies, regional partner programmes and support – e.g. employment pathways, STEMM, destination marketing,
- actively work to increase the retail mix in Wainuiomata
- advocate for economic needs of community

Vibrant town centre

A vibrant heart where the community shops, meets, eats, plays and connects.

- advocate to council and agencies re: vision and for enhanced use and access to a vibrant heart to the suburb.
- activate the town centre as a social space through partnerships
- collaborate with HFHV, Waka Kotahi and related agencies to further develop better connections to the town centre incl. active transport
- Liaise with HCC Transport, Sport & Rec, Waka Kotahi and Healthy Families to champion micro mobility planning within higher level town centre plan

What we've delivered

Promoting local businesses, experiences and activities

- **Social Media Promotions:** Business profiles and local attractions were promoted via Facebook, Instagram, and TikTok, showcasing the unique offerings of Wainuiomata to both residents and visitors. This effort contributed to local economic growth by driving foot traffic and engagement with local services.
- **WellingtonNZ Tourism Operator Day:** Participation in this event connected Wainuiomata with regional tourism leaders, positioning the town as a destination for visitors, thus supporting local businesses and contributing to the community's vibrancy.

Major projects

- **Wainuiomata Welcome Sign:** The successful completion of the welcome sign, supported by local manawhenua and crafted by a local carver, became a symbol of pride for Wainuiomata. It reinforced the town's unique identity and contributed to community pride by beautifying the entrance to Wainuiomata.

Activating the town centre and building connected communities

Event leadership:

Matariki 2023: Hosted four days of cultural celebration, enhancing the community's connection to its heritage while bringing people together.

Christmas in the Nui: Fostered a festive, inclusive atmosphere, encouraging community togetherness and supporting local talent.

Free Pool Party: Promoted family-friendly, recreational activities, contributing to making Wainuiomata an attractive place to live and play.

Wainuiomata Easter Market: Engaged local vendors and artisans, providing a platform for business exposure and boosting the local economy.

Supported and promoted events:

Kokiri Mara Kai: Supported community gardening projects that foster food sovereignty and community collaboration.

Wainuiomata Community Market: Promoted local commerce and created opportunities for community engagement.

Seniors/Kaumātua Events: Focused on community inclusion and supporting the elderly, fostering intergenerational connections.

So much more: give it a go workshop, TRM enrolment, Squash Friday youth night, community fundraisers, open club sports nights, fruit and vege co-op, Hutt kindergartens, social services and many more events/organisations that we've supported and promoted in community over the year.

Building participation in Council's mahi and collaboration with community

- **Community Hub Support:** The hub served as a focal point for community engagement, enabling collaboration between local government and residents to shape development initiatives.
- **Basketball Court Mural Design:** Local youth participated in the creation of a mural, contributing to the beautification of the town and fostering a sense of ownership in public spaces.

Operational leadership

- **Staff Changes:** The departure of former leader Anaru Ryall in January 2024 and the appointment of Chastity Card in March 2024 created temporary disruptions in planning. Similarly, the transition in the Chair role from Lisa Black to Daniel Burgess required careful navigation.

Social media engagement

- **Growth and Reach:** The social media follower base grew from 5,000+ to nearly 7,000 on Facebook, reaching roughly one-third of Wainuiomata's population. While Facebook engagement has thrived, Instagram and TikTok have lagged, partly due to limited resources, underscoring the need for increased focus on these platforms to maintain momentum.

Forward planning

- **Community Survey for 2025-2027:** A community survey is currently underway to gather insights on key priorities and challenges, such as health services, education, recreational spaces, housing, and economic development. This data will shape Love Wainuiomata's work plan for the next three years, ensuring that community feedback guides future initiatives.

Survey Questions

- **Community Facilities:** Asking residents which services are most vital (e.g., health services, education, recreation, housing) to identify priority areas.
- **Challenges:** Gathering input on major challenges like unemployment, housing affordability, and healthcare access to inform potential solutions.
- **Business Attraction:** Seeking feedback on ways to attract new businesses and support existing ones, including tax incentives, infrastructure improvements, and training programs.
- **Town Centre Vibrancy:** Soliciting ideas for events or activities (e.g., markets, festivals, workshops) that could enhance the vibrancy of the town centre.
- **Welcoming Destination:** Requesting suggestions to make Wainuiomata a more welcoming destination through improved signage, community events, and green spaces.

This comprehensive survey will help ensure that Love Wainuiomata remains aligned with community needs and continues to foster growth, engagement, and a sense of pride across the town.



Pool Party February 2024



Anzac Day April 2024



Matariki 2024, Whanau Day

Social media

Key Metrics:

- **Total Follows:** 2.4K (190% increase) and **net new follows:** 2.1K (203% increase)
- **Lifetime Followers:** 6.9K
- **Age Distribution:** **18-24:** 4.2% **25-34:** 25.2% **35-44:** 31.6% **45-54:** 19.6% **55-64:** 11.6% **65+:** 7.8%

Areas of Strength:

- **Follower Growth:**
 - The account experienced a significant **190% growth in followers** during the reporting period, resulting in 2.4K new follows. This indicates an increasing interest in the content shared and a growing online presence.
 - Net follows are impressive at 2.1K, showing a 203% increase despite a slight rise in unfollows, demonstrating the content's strong appeal to new audiences.
- **Consistent Engagement:** The steady growth over the entire period indicates consistent efforts in creating engaging content.

- A **100% increase in new messaging contacts** suggests that engagement via direct communication has doubled, which is a strong sign of interaction beyond passive consumption of content.
- The total of **177 messaging contacts**, including 148 new contacts, signals a deeper level of connection being made with the audience, leading to meaningful engagement.
- **Demographic Reach:**
 - **Women** make up a large portion of the audience, at **68.2%**, providing valuable insight into the content's appeal and areas to focus future campaigns.
 - A large portion of followers are between the ages of **25-44** (56.8%), meaning the content resonates well with working-age adults who may be key decision-makers or influencers in their communities.

Opportunities for Optimisation

- **Engagement Metrics:** While the data provides insights into reach, analysing other engagement metrics like likes, shares, comments, and click-through rates can offer a more comprehensive understanding of audience interaction.
- **Content Diversity:** Exploring different content formats (e.g., videos, infographics, polls) can help diversify the content offering and attract a wider audience.
- **Platform-Specific Strategies:** Tailoring content and strategies to specific social media platforms can enhance engagement and reach.
- **Paid Advertising:** Consider exploring paid advertising options to boost visibility and reach a larger audience.



Analytics: Reach

Analytics: Followers

Analytics: Demographics

Looking ahead for Love Wainuiomata

Love Wainuiomata continues to operate under the principles of the 2015 Wainuiomata Development Plan. While the plan remains relevant, especially in terms of its core objectives, such as creating a vibrant town centre and making Wainuiomata a welcoming destination, all of the actions in the plan for Love Wainuiomata to lead outlined have been completed. The final action was the successful design and construction of a welcoming sign that reflects the spirit of the Wainuiomata community.

To shape our direction for the next three years, we have turned to the community for input. A survey was conducted, asking key questions aligned with the 2015 Development Plan's principles, including:

- What community facilities or services do you believe are most vital for Wainuiomata?
- What are the biggest challenges facing Wainuiomata today, and what solutions do you propose?
- How can we attract new businesses and support existing ones in Wainuiomata?

- What activities or events would you like to see in the town centre to enhance vibrancy?
- What suggestions do you have to make Wainuiomata a more welcoming destination?

This survey has generated significant engagement, with over 1000 submissions collected in just four weeks. We are currently in the surveying period. The results of the survey will be compiled into a report, scheduled for release early in the new year. These insights will play a pivotal role in guiding Love Wainuiomata's strategic work plan for the next three years, ensuring that our actions are in alignment with the community's current needs and aspirations.

Opportunities

Increased resource and coordination

Challenge: Love Wainuiomata operates with one contractor working 40 hours per week. The scope of the role has significantly expanded over the past six years, but staffing has remained the same, limiting the organisation's capacity to meet growing community needs.

Opportunity: There is a strong opportunity to increase manpower and coordination on the ground. This would ensure that the organization continues to deliver impactful outcomes and avoids operational bottlenecks due to workload overflow. Seeking additional funding to hire more staff or volunteers could help scale operations and expand Love Wainuiomata's reach, allowing for more comprehensive action on its vision.

Expansion of funding to support growth

Challenge: As the scope of Love Wainuiomata's work has grown, the need for additional resources has become evident.

Opportunity: This presents an exciting opportunity to secure increased funding from key stakeholders, local government, or private sponsorships. By increasing financial support, Love Wainuiomata can invest in more human resources, allowing the organisation to scale its initiatives and expand its reach without being constrained by current manpower limitations.

Strengthening business relationships

Challenge: While Love Wainuiomata has worked to promote local businesses, there is a need for deeper business relationship building and retention efforts.

Opportunity: Allocating more resources to business development and rapport building could lead to stronger partnerships with local enterprises. By nurturing these relationships, Love Wainuiomata can create more opportunities for local businesses to thrive, attract new investment into the community, and develop more collaborative projects that support Wainuiomata's growth.

Enhancing social media strategy

Challenge: While Facebook engagement has been strong, other platforms like Instagram and TikTok have not received as much attention, potentially limiting outreach and engagement, especially with younger audiences.

Opportunity: By dedicating more time and resources to growing these platforms, Love Wainuiomata can further increase its online visibility and engage a broader demographic. A stronger social media strategy could not only enhance community connection but also attract more visitors and stakeholders to the area, contributing to economic growth.

Leveraging community survey data for future planning

Opportunity: The ongoing community survey is a significant opportunity to align Love Wainuiomata's future work plan with the evolving needs and desires of the community. Once the data is collected and analysed, Love Wainuiomata can use the insights to create a strategic three-year plan. This plan can prioritize areas of interest that are most important to residents, ensuring the organization's actions continue to have a meaningful impact on Wainuiomata's development and sustainability.

Increased community involvement in events

Current Challenge: While Love Wainuiomata has successfully led and supported numerous events, there is always room for greater community involvement.

Opportunity: By actively encouraging more community-led initiatives and collaborations for events like Matariki, Christmas in the Nui, and the Wainuiomata Easter Market, Love Wainuiomata can create even more ownership and participation in community development. This could also help diversify the types of events and cultural activities hosted in the town, making Wainuiomata a more vibrant and appealing place for residents and visitors alike.

Advocacy and assisting community efforts:

Opportunity: There is a growing need for Love Wainuiomata to take on a more active advocacy role. This includes helping the community amplify their voices and ensuring their needs and concerns are heard by local authorities and decision-makers. By acting as a bridge between the community and external stakeholders, Love Wainuiomata can support meaningful changes that reflect the aspirations of residents.

Place-making opportunities:

Opportunity: The development and activation of public spaces can foster a stronger sense of community and pride in Wainuiomata. Through place-making efforts—such as creating vibrant spaces, public art installations, and enhancing the town's physical environment—Love Wainuiomata can turn Wainuiomata into a more attractive destination for both residents and visitors.

By focusing on these opportunities, Love Wainuiomata can continue to evolve and grow, ensuring that it remains a driving force for positive development in the community.



23 September 2024

Report no: PFSC2024/5/288

Hutt Valley Chamber of Commerce - 12 month report to 30 June 2024

Purpose of Report

1. The report summarises the Hutt Valley Chamber of Commerce (HVCoC) performance against the agreed contract services delivery schedule for the 12 months to 30 June 2024.
2. The report has been prepared based on information provided by HVCoC and officer input.

Recommendation

That the Committee receives and notes the Hutt Valley Chamber of Commerce report for the year to June 2024 attached as Appendix 1 to the report.

For the reason that the HVCoC is required to regularly report to the Committee on performance against the agreed service delivery agreement.

Background

3. Council contracts HVCoC and allocates funding for specific direct services to complement and support Council's work programmes and strategies. Council agreed to contract HVCoC for specific direct services in FY2021/22 for a three-year term.
4. FY2023/24 is the third year of the contract term and \$125,000 has been allocated within the 2021/31 Long Term Plan for economic development activities.
5. Each year a Contract Services Delivery Schedule is agreed upon and forms the basis of the contracted services.
6. A further \$25,000 was added to the contract for FY23/24 to support manufacturing and technology industry activities and the Wellington Regional Business Excellence Awards, which are managed by HVCoC.
7. A strong and constructive partnership with HVCoC benefits businesses and encourages business activity in Lower Hutt.

Discussion

8. HVCoC reporting for the year to 30 June 2024 is attached as Appendix 1 to the report.
9. Achievements highlights during FY2023/24 include:
 - ongoing collaboration with schools and local businesses to strengthen the pipeline of skills into our workforce including the Hutt Valley Infrastructure Academy, Hutt Valley Engineering Academy, TechStep and Skills of Mahi programmes.
 - the sold-out Wellington Regional Business Excellence Awards held in November 2023 at the Lower Hutt Events Centre, celebrating business success.
 - development of a 'Future of Hutt Valley business' project building towards an action plan for the growth and development of the Hutt Valley business community.
 - continually championing the Hutt Valley's manufacturing capabilities, including the Prime Minister's visit to Metco Engineering to launch new machinery and showcase many of their customer businesses from across the region; fostering collective learning in the food and beverage manufacturing group and the events to promote our science and technology businesses.
 - ongoing and proactive engagement with local and sector MPs and advocacy for local business across central government agencies and regional business sector projects.
 - constructive advice and a wide range of engagement across Council teams and projects, including participation in the Low Carbon Acceleration Fund and new relationships with our Connected Communities team.

Climate Change Impact and Considerations

10. The matters addressed in this report have been considered in accordance with the process set out in Council's Climate Change Considerations Guide.
11. There are no climate change considerations.

Consultation

12. HVCoC has submitted its report for the six months to 30 June 2024 for the Committee's consideration. It is attached as Appendix 1 to this report.

Legal Considerations

13. There are no legal considerations.

Financial Considerations

14. HVCoC is contracted to provide services to Council until 30 June 2024 with the Contract Services Delivery Schedule to determine an annual work programme reviewed and agreed upon every 12 months.

Appendices

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Author: James Lamb
Head of Business and Economy

Approved By: Jon Kingsbury
Director Economy & Development



12 MONTH REPORT

Contract Services Delivery

Hutt City Council - Policy, Finance and Strategy Committee
For the Period 1 July 2023 to 30 June 2024

9 September 2024

Presented by:

Patrick McKibbin
Chief Executive

The Hutt Valley Chamber of Commerce is pleased to provide this report detailing our progress against the Council Objectives and Key performance Indicators between 1 July 2023 and 30 June 2024 (12 months).

Executive Summary

The July 2023 to June 2024 contract period has been extremely positive for the work of the Hutt Valley Chamber of Commerce, recognising that this is a very challenging period for businesses with many facing increased costs (Interest rates, insurance, raw materials, rates and many other across all aspects of their businesses), resulting in lower margins. Many businesses have a shorter pipeline of work which adds further pressure to their work.

The highlights include:

- The successful Wellington Regional Business Excellence Awards 2023. This event was the largest ever for entries and attendees at the Awards. The awards night is a real highlight for the business community of our region and a celebration of their work. It was great to have the support of the Hutt City Council again. We are excited about the 2024 Awards coming up.
- The ongoing work with schools including the Hutt Valley Infrastructure Academy, Hutt Valley Engineering Academy, TechStep and Skills of Mahi.
- Having the Minister of Finance come to the Hutt Valley for the Pre-Budget speech making this the first time this has happened outside of Wellington in 14 years.
- The Prime Ministers visit to Metco Engineering to commission their new machine and interact with many businesses from across the region.
- The ongoing success of the Hutt Valley Food and Beverage Manufacturing Group. This important sector for the Hutt Valley has welcomed the opportunity to learn and grow together.
- The Chambers increasingly active events calendar and communications with the business community is growing in our reach and engagement.
- Continued support and engagement from the Business and Economy team. A huge thanks to James Lamb, and his teams for their support.

The Hutt Valley Chamber of Commerce would like to thank the Hutt City Council, Mayor, Councillors, CEO, Business and Economy team, and wider Council officers for their support and engagement during these 12 months. We continue to see our relationship evolve in support of the Hutt Valley business community and we will continue to advocate on their behalf. We look forward to continuing to support the Hutt Valley business community with you over the next 12 months.


We will continue to work hard for our business community over the next 12 months, supporting them in different ways to be the best businesses they can be. This will be done in the context of the current economic challenges which are expected to be ongoing for some time.

Some of our activity will include:


- Completion of the 'Future of the Hutt Valley' Report – this report will be completed in the next few months. We are excited by the opportunity to bring this strategic vision for the Hutt Valley business community.
- Planning for a manufacturing event to bring together our manufacturing community to collaborate, learn about each other and create networks for further collaboration.
- The 2degrees Wellington Regional Business Excellence Awards 2024.

- Our continued work with schools and rangatahi across the region includes:
 - Skills for Mahi for Māori and Pacific rangatahi
 - TechStep – inspiring and informing people to see the opportunities in tech careers
 - Our Education to Employment work.

Business connectedness

Service	Content	Full year performance
<p>Events, both online and offline, which bring businesses and the broader business community together to support recovery.</p> <p>Introductions and support to set up local relationships.</p> <p>Leverage community passion, the willingness to help each other and commitment within the local business community.</p>	<p>Business visits and meetups to connect businesses across the Hutt Valley. (Target: 30 events per annum)</p> <p>Specific industry sector events e.g., construction, retail, manufacturing.</p> <p>Monitor economic forecasts and business sentiment. 2023 Wellington Region</p> <p>Business Excellence Awards. (Target 450+attendees)</p> <p>Promoting and profiling local businesses.</p> <p>Collaboration on Hutt Valley Maker Story project as part of the Wellington Regional Economic Development Plan</p>	 <p>Ahead of target.</p>
<ul style="list-style-type: none"> Completed 78 events in the Hutt Valley between 1 July and 30 June. They included: <ul style="list-style-type: none"> 3,349 participants from the business community A range of different purposes, including Business Awards, Technology, and Innovation, Business After Five events, General Election activity, Training, and other business support activities. Hutt Valley CEO met with 141 new contacts from across the business community to understand their work and understand how the Chamber of Commerce could help their business and involve them in the business community. With the support of Hutt City Council, we have almost completed the 'Future of Hutt Valley Business' report. This report will provide the Hutt City Council and business community with a plan for the future and actions that become a focus for the growth in the region in the next 10 years. This has included around 20 interviews with business leaders from across the Hutt Valley to gain their insight and views in to the current and future state of business and business sentiment in the Hutt Valley and New Zealand. Specific Industry sector activity included: Maintained the momentum on the Hutt Valley Food and Beverage Manufacturers with three successful meetings during period including. <ul style="list-style-type: none"> 20th July – presenters included, CentrePort and GS1 NZ, on international trade and CentrePort, and supply chain optimisation using smart barcoding. 11th October – two speakers as well as networking time. The speakers included James Ardern, CEO Of J H Whittaker's (talking about their work and their growth journey), and experts from the Pollination Group who talked to climate related risks and opportunities to the food and beverage sector, what businesses could do to tackle this topic head on, and what does best-in-class look like. 		

- 6th June – two speakers as well as networking time. The speakers included Pierre van Heerden, Grocery Commissioners and Raewyn Bleakley who is the CEO of the Food and Grocery Council.
- Construction and Infrastructure Sector events including:
 - Support Greater Wellington to run their Te Wai Takamoro o Te Awa Kairangi – Walk around.
 - Construction & Infrastructure Sector Workforce Group
 - Te Wai Takamori o Te Awa Kairangi (Riverlink) | Update x 3
- Manufacturing sector
 - Connecting Hutt Valley Manufacturers to their Future Talent
 - 23rd May – working with the team at METCO Engineering for Prime Minister Christopher Luxon to officially open the Laser Machine worth \$3 million dollars.
- The Hutt Valley Chamber of Commerce ran a successful Wellington Regional Business Excellence Awards. The results included:
 - 492 attendees from across the regions business community
 - Great Feedback – Feedback from one organisation was worth sharing – “Your team and organisation are truly amazing. They are an inspiring and incredible group of people. We are deeply grateful for the opportunity to participate in this prestigious award. It was a dream come true for our staff at AROTEC. They were thrilled to be recognised for their skills, hard work, and dedication on such a grand scale. This win has given them a sense of purpose and achievement that they have not experienced before. It has elevated AROTEC’s profile, and we now find ourselves in an empowered position, able to select from the best talent in New Zealand, many of whom choose Lower Hutt as their residence. This has further ignited the local economy. New Zealand is a better place as a result of the efforts of the Hutt Valley Chamber of Commerce. Thank you.” – Sean Westbrook – Arotec Diagnostics
 - 100% of attendees rated their experience as Really Awesome or Awesome
 - 100% of attendees rated the venue and set up as very high and high quality.
 - 100% of attendees rated the food and beverage as very high and high quality.
- The Hutt Valley Chamber of Commerce has been active in promoting local business and initiatives through the following channels:
 - Hutt Valley Business Weekly
 - Hutt Valley Chamber of Commerce social media – LinkedIn, Facebook, and Instagram
 - Social media updates via relevant third-party channels
 - Some examples are:



Patrick McKibbin • You
 Chief Executive
 1mo •

Health and Safety is important.


 With over \$3b of construction and infrastructure work to do in the Hutt Valley over the next 10 years the health and safety of people in the industry is vitally important. BUT over the last 3 years construction is the #1 contributor to active claim costs paid per year for accepted work-related claims in the Hutt Valley and New Zealand. Whilst the data shows NZ has increased by 13% in the Hutt Valley it has increased by a whopping 30%.

 So it was great to be at [Vanguard Group NZ](#) last night with [Brendan McLean](#), [Craig McLean](#) and [Gareth McLean](#) and our partner [ACC New Zealand](#) to talk health and safety and understand the solutions and products that can help keep people safe. Lots of engagement, talking and sharing going on.

 Thanks [Jonathan Mellish](#) and [Jon Boyer](#) for supporting this great work.

 Thanks [Tharusha Pillay](#), [Megan Kibblewhite](#) and [Vanessa Hirschmann](#) for all of your hard work.



[#HuttValley](#) [#HealthandSafety](#) [#construction](#) [#infrastructure](#)




Vanguard Group NZ
 2,084 followers
 1mo • Edited •

Exciting update! 🌟

 Last night, we partnered with the Hutt Valley Chamber of ...more



Chief Executive
 2mo •

Ambition is alive and well in the Hutt Valley.

 I try to get out and about as much as I can in my role at the [Hutt Valley Chamber of Commerce](#). It's your job I hear you say. It is indeed. It's also my happy place. Visiting the many many businesses in the Hutt Valley that are at the top of their manufacturing game, working hard every day to create jobs, support families and our community is very special.


 Last week I visited two young people (yes most are younger than me for sure) who had AMBITION in everything they said and do. More on one of them at another time.

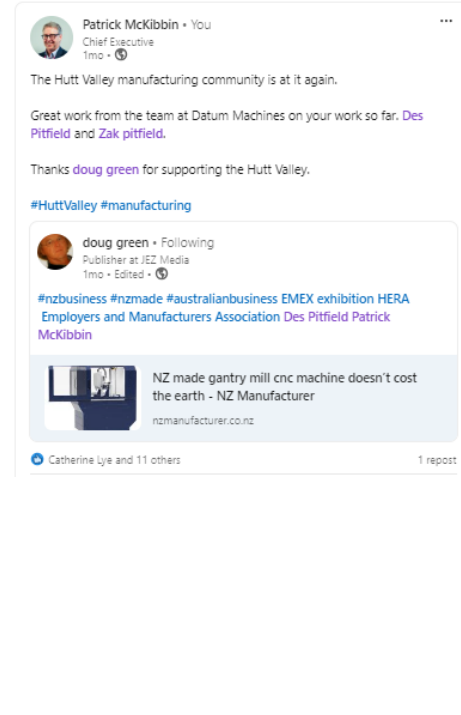
 It made me smile a lot to sit down and talk to [Jayden Jessup](#) who has recently taken over the amazing [Myriad Engineering Ltd](#). Myriad Engineering is already a great business that [Mark Wilson](#) and [Fiona Wilson](#) ran for many years.

 So how do you make that better? I say ambition is a great starting point. And when you combine it with 15 years of experience I think you have a pretty good recipe for the future. After [Jayden Jessup](#) talked about his plans for the future, I left with an even greater smile on my face.

 The Hutt Valley manufacturing community will be in good hands with our mix of many experienced people and our youthful ambition.

[#HuttValley](#) [#Manufacturing](#)





Patrick McKibbin • You
Chief Executive
1mo • 6

The Hutt Valley manufacturing community is at it again.

Great work from the team at Datum Machines on your work so far. Des Pitfield and Zak pitfield.

Thanks doug green for supporting the Hutt Valley.

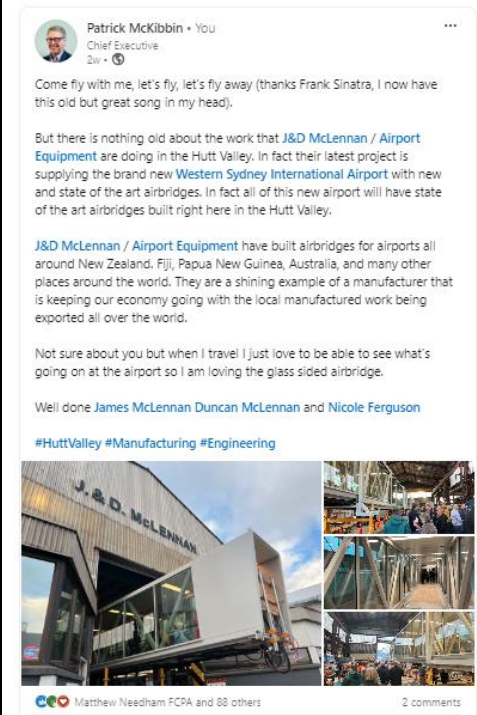
#HuttValley #manufacturing

doug green • Following
Publisher at JEZ Media
1mo • Edited • 1

#nzbusiness #nzmade #australianbusiness EMEX exhibition HERA Employers and Manufacturers Association Des Pitfield Patrick McKibbin

NZ made gantry mill cnc machine doesn't cost the earth - NZ Manufacturer
nzmanufacturer.co.nz

Catherine Lye and 11 others 1 repost



Patrick McKibbin • You
Chief Executive
2w • 6

Come fly with me, let's fly, let's fly away (thanks Frank Sinatra, I now have this old but great song in my head).

But there is nothing old about the work that J&D McLennan / Airport Equipment are doing in the Hutt Valley. In fact their latest project is supplying the brand new Western Sydney International Airport with new and state of the art airbridges. In fact all of this new airport will have state of the art airbridges built right here in the Hutt Valley.

J&D McLennan / Airport Equipment have built airbridges for airports all around New Zealand, Fiji, Papua New Guinea, Australia, and many other places around the world. They are a shining example of a manufacturer that is keeping our economy going with the local manufactured work being exported all over the world.

Not sure about you but when I travel I just love to be able to see what's going on at the airport so I am loving the glass sided airbridge.

Well done James McLennan Duncan McLennan and Nicole Ferguson

#HuttValley #Manufacturing #Engineering


Matthew Needham FCPA and 88 others 2 comments

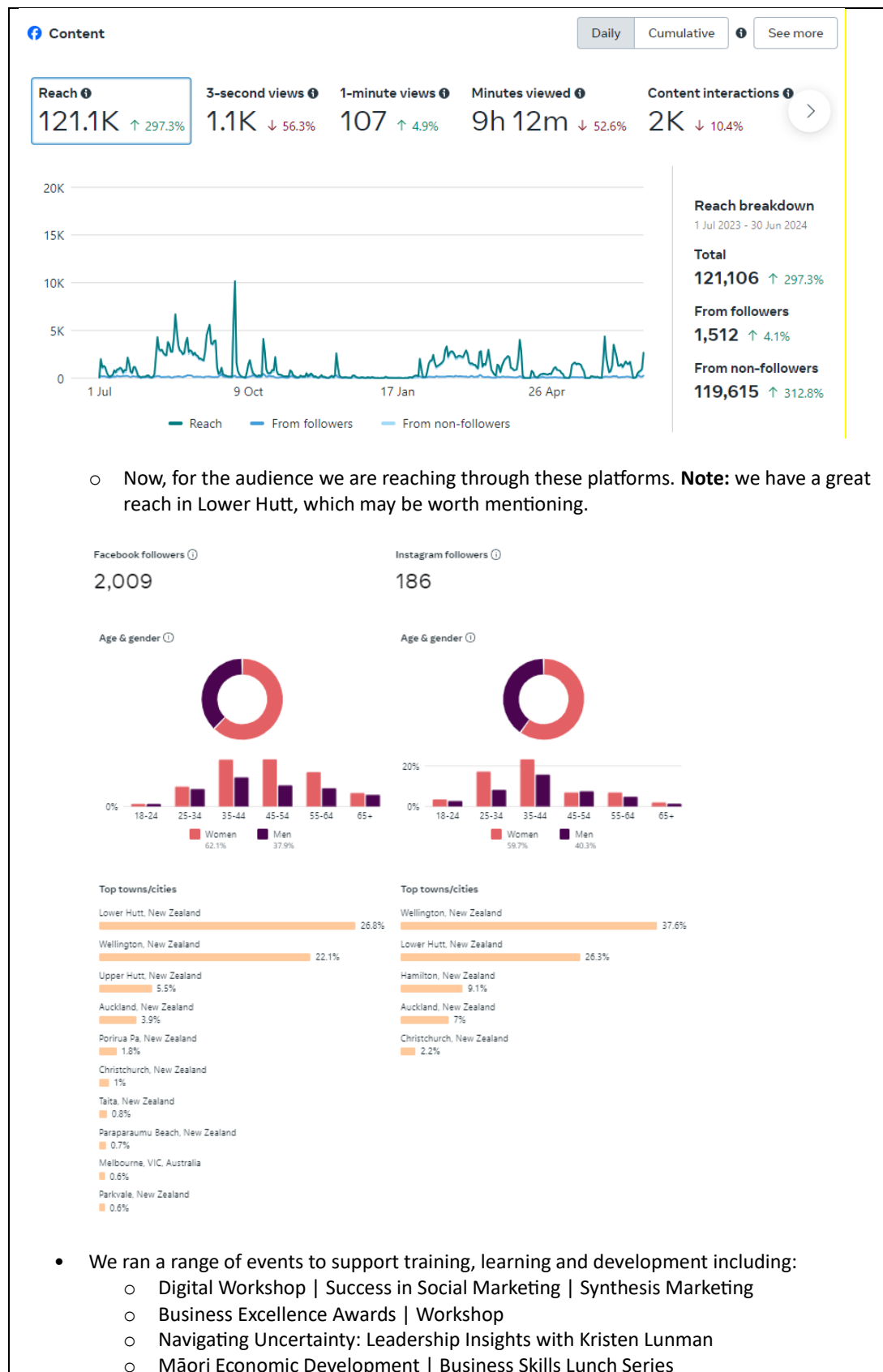
- We have continued to be active in support the work on the Hutt Valley Makerspace project as part of the Wellington Regional Economic Development Plan.

HCC officer comment:

On top of the CEO's new business meetings, regular engagement continues with both members and non-member businesses across Lower Hutt and beyond. The Chamber continues to be an active and positive cheerleader for the Hutt Valley and its local businesses – evidenced through the CEO's significant LinkedIn following and network and regular shared stories / profiles and participation at regional, national industry and sector events.

Business capability training, support, and liaison

Service	Content	Full year performance
<p>Connecting local businesses to all the support programmes available for local businesses – including connection with government and agency support programme and resources.</p> <p>Lead business response with HCC & UHCC (and as required under any Covid-19 Protection Framework or similar future scenario)</p> <p>Helping existing businesses with resilience.</p> <p>Providing support to migrant business owners and employees.</p>	<p>Maintain a state of preparedness to roll out a collective business response programme if required. Share relevant / latest information to the wider business community. Monitor announcements for new assistance programmes and initiatives.</p> <p>General and sector specific programmes and initiatives on topics that may include, though not limited to: sales + customers, wellbeing, business continuity planning and resilience, employment matters, productivity, logistics, supply chains, immigration.</p>	 <p>Ahead of target.</p>
<ul style="list-style-type: none"> The Hutt Valley Chamber of Commerce maintains regular communications to businesses to update them on local and national news, Hutt City Council news and engagement opportunities, Te Wai Takamori o Te Awa Kairangi updates and news, events, and offers to help them save money. These are shared through: <ul style="list-style-type: none"> Hutt Valley Business Weekly Hutt Valley Events (bi-weekly) Hutt Valley Chamber of Commerce social media – LinkedIn, Facebook, Instagram and TikTok Social media updates via relevant third-party channels From 1st July 2023 to 30th June 2024, we have run 90 email campaigns, equating to 219,787 individual emails sent out during this period. The delivery rate of these emails was 99.1%, with an open rate of 27.5%, an increase of 1.9% compared to previous periods (Industry standard for open rates ranges between 22%-25%). The click-through rate was 3.3 % (a 1.5% increase from the previous period), and a low unsubscribe rate of 0.2% (same as last period). <ul style="list-style-type: none"> Some LinkedIn Metrics: From 1st July 2023 to 30th June 2024, we had an overall organic reach on LinkedIn of 58,100. We had 6,956 clicks through this period. Our engagement rate is 16.4 (generally anything higher than 2% is good, with LinkedIn having their average at 3.71.) Meta/Instagram Metrics: From 1st July 2023 to 30th June 2024 period: 		




- Business numbers - Looking for issues, challenges, and opportunities in your Data.
- Synthesis Marketing | Connecting Dots: Driving Growth - How well do you know your customers?
- Planning life with Purpose
- Embracing change to drive your business forward.
- Tax update under the new Government.
- Building Effective Teams | Business Skills Lunch Series
- Adapting to the reality of business changes - building resilience for you and your business
- Sales made simple.
- Financial Planning and Budgeting for your Business
- Women in Business | Building Resilience - Unlocking your Inner Strength
- Digital Accessibility
- Practical: AI | AI is a Skill Set Workshop
- Win Your Next Tender or Project with a Standout Proposal – completing a winning RFP.
- Business System that work so you don't have to
- Sustainable Solutions: Uncover, Plan, Act
- Emotional Culture Unveiled: Explore, Connect, and Thrive
- We have continued to provide ongoing support for the Te Wai Takamori o Te Awa Kairangi project including:
 - Monthly design related meetings hosted at our offices.
 - Regular business meetings to update the business community on the project.
 - Business Advisory meetings to provide unique feedback from a group of local (city centre based) businesses.
 - Weekly updates on the Te Wai Takamori o Te Awa Kairangi project in the Hutt Valley Business Weekly (HVBW) - the HVBW has been the most useful communication medium for the project with 35% of businesses getting their information from this channel (Hutt valley Chamber of Commerce business survey June 2024)
 - Continued support for Māori businesses alongside the project and in upskilling them for the future of the project. A recent training session was held to support the RFP responses from businesses (Win Your Next Tender or Project with a Standout Proposal – completing a winning RFP)
 - Supporting the future talent requirements of the project through the Hutt Valley Infrastructure work with rangatahi.
- Established specific Groups to support sectors – This has included the establishment of the Hutt Valley Food and Beverage Manufacturers Group which meets quarterly to advance the collaboration and knowledge of these businesses. We have engaged speakers for these events including
 - Manufacturers displaying excellence, i.e. James Arden CEO Whittaker's
 - Industry experts – Raewyn Blakley CEO Food and Grocery Council
 - Government experts – Pierre van Heerden, Grocery Commissioner

HCC officer comment:

The Chamber runs a large variety of learning opportunities, workshops, and training initiatives. They've been proactive in finding opportunities to engage and upskill businesses ahead of tender processes and have increased the reach and effectiveness of it's marketing to draw in high participation rates.

Business retention and new business attraction - encouragement of new business establishment and retention.

Service	Content	Full year performance
Promote and support initiatives to enable business start-up; attraction and retention in Lower Hutt.	<p>Engagement with (but not limited to) start-up programmes and organisations like: Callaghan Innovation, UniVentures and WellingtonNZ</p> <p>Retention of existing business through support services.</p> <p>Collaboration on development of Makerspace project in Wellington Regional Economic Development Plan</p>	 <p>Ahead of target.</p>
<ul style="list-style-type: none"> We have worked with McDiarmid Institute to support their engagement from the start ups across the university network Including working with Hutt City Council on Liquium who were looking for space for the next stage of their business as they exit the university system. Participating fully in the Greater Wellington Regional Leadership committee work on Industrial Land availability. This included multiple meetings and supporting engagement with the business community. We continue to support some businesses to engage with the Hutt City Council over the last month. These include: <ul style="list-style-type: none"> Fantail Services – engage them in further conversations with the team in Hutt City Council Assets & Facilities Management Te Papatipu Matihiko – they approached me was to try and unblock the establishment of a Hub in Lower Hutt. In the other centres around NZ the hubs have been established at libraries and this is the preference in Lower Hutt. They had been talking to the Hutt City Council team but unfortunately the conversation stopped some time ago and they have struggled to re-engage or get any traction. Pandion – we met with the team in Pandion in mid-January who wanted to discuss RiverLink and the engagement with Council on the land in Daly Street. They are keen on this site and have some ideas. Link Wellington – connected Dave Morgan to James Lamb about a client who was leasing land from the council. Wellington Regional Ice-Skating Trust - The CEO is meeting with Tony Rijnaarts, President Trustee Wrist who are looking for advice and support that the Chamber of Commerce and its member could provide to the WRIST is the Wellington Regional Ice-Skating Trust and is a registered charitable educational trust. Its purpose is to build, operate and maintain an Olympic sized Ice-skating rink in the Hutt Valley region. We have supported Hutt City Manufacturing businesses showcasing their products at EMEX (Manufacturing Industry Exhibition in Auckland) to connect. The Lower Hutt businesses exhibiting are: <ul style="list-style-type: none"> PaySauce - makes payroll calculations simple for businesses by automating employee payments, tracking time, managing payroll processing for annual and public holidays and PAYE deductions – https://www.paysauce.com/ 		


- **SMT, a new division of Sanpro Industries** - bringing their exclusive technology to the NZ market. With our new line of automation and work holding products we offer the same kiwi ingenuity, simplicity, quality and reliability that our brand Sanderson Machines has built its international reputation on.
- **RF TEST SOLUTIONS** - New Zealand's premier provider of Test and Measurement Tools and services. Official partner for the leading international brands and manufacturers.
- **Datum Machines** - The DGM-S1 Designed & Manufactured in Aotearoa New Zealand. When it comes to machine size, cost and precision, nothing comes close to the Datum Series One CNC.

HCC officer comment:

The Chamber has been responsive to enquiries about locations for businesses, opportunities for businesses expansion and will connect businesses to insight, landlords or relevant services alongside our Council business and economy team.

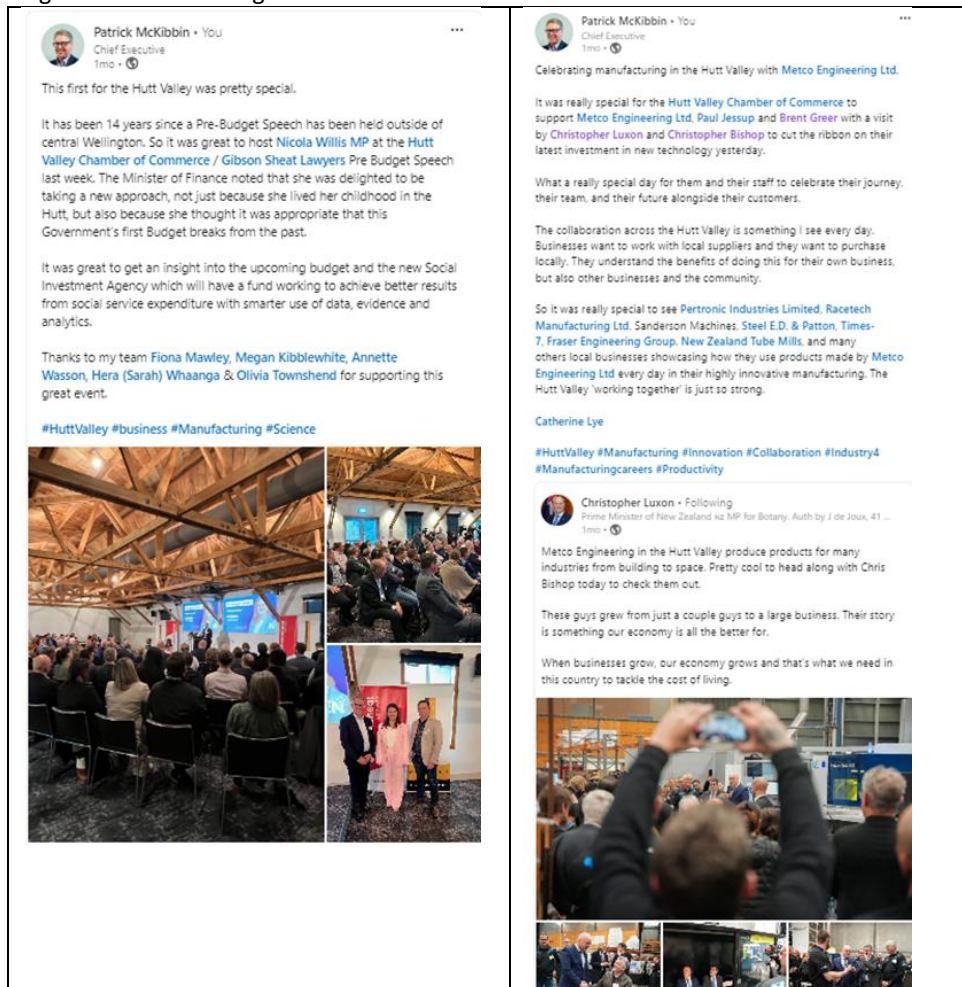
They have supported the business case development of the Makerspace / product development and innovation headquarters (PDIHQ) proposal by Sam Kumar of Pro Dev that is part of the Wellington Regional Economic Development Plan – including introductions to potential funding partners.

Advocacy, connection, and engagement with central government agencies


Service	Content	Full year performance
Engaging with central Govt and WellingtonNZ on case-by-case basis to advocate for specific businesses, industries etc and for support for local businesses	<p>With stakeholders such as MBIE, MSD, MoE, Ministry of Small Business, Callaghan Innovation; NZTE, Waka Kotahi NZTA, WellingtonNZ, and other agencies as required.</p> <p>Topics may include transport, education, employment, STEMM, and infrastructure.</p>	 <p>Ahead of target.</p>
<ul style="list-style-type: none"> We have entered into discussion with the Wellington NZ team who support the WellingtonNZ Food Innovation Network to co-design the first 2024 session of the Hutt Valley Food and Beverage Manufacturers. They will bring some interesting speakers to the meeting which I consider to be useful to our regions businesses in this sector. Electrify Aotearoa 2024 – we have been contacted by Ministry of Awesome (Christchurch) who are working with Creative HQ regarding this event in June 2024. They are considering how they provide an insight into the innovation work happening in the Hutt Valley and are considering making site visits part of the programme of activities for delegates. We will support them in any way we can to provide an insight into the amazing businesses we have here. The event was well supported, and 50 local young women attended the event sponsored by TechStep. Hutt Valley Chamber of Commerce CEO spoke at the Waihangā Ara Rau / Construction Sector Accord - Thriving People Thriving Industry Conference – 6th September – The CEO will be speaking as part of a panel at this event. The main thrust of the panel is to look at the future skilled workforce so our work around RiverLink and the Infrastructure Academy in our active Education to Employment (E2E) work are the reasons for being invited. Jeremy Mikoz from MJH Engineering who we have been working with is also speaking at the event. Engagement with Andrew Bayly – Minister for Small Business and Manufacturing - As a result of meetings through this year with Andrew Bayly with our manufacturing community (and Whittaker's) we have submitted a proposal to establish the Hutt Valley / Porirua Manufacturing Academy to help raise the profile and strengthen the pipeline of talent into manufacturing. The proposal will connect and support manufacturing employers and their future talent from selected secondary schools across Hutt Valley and Porirua. The proposal will be led by the Hutt Valley Chamber of Commerce. The proposal will include and involve manufacturing (and engineering) employers, schools, teachers, rangatahi, whanau, Te Pūkenga, Hanga Ara Rau Workforce Development Council, and Victoria University of Wellington. This inclusive approach is designed due to their interest and their role in supporting the future talent pipeline for the important manufacturing community in Porirua and the Hutt Valley. MBIE Domestic Tech Story – we have been working with the Auckland Chamber on TechStep. There have been a range of occasions to include local Hutt Valley businesses in this work, including running an event in the Hutt Valley for 441 Year 10 Hutt Valley rangatahi and 80 people from 24 regional technology businesses. Supporting WellingtonNZ / CreativeHQ to communicate their Careers in Tech Series for Hutt Valley Careers Teachers and Tech teachers. We supported WellingtonNZ on their work with Summer of Tech and Summer of Engineering. ACC – we have developed conversations with ACC on a partnership with the Hutt Valley Chamber of Commerce. The work with them would revolve around injuries and health and 		

safety in the Hutt Valley. They have provided some data on the current injury statistics in our region which show some interesting statistics and opportunities for our region.

- We have continued regular meetings with to discuss the Te Wai Takamori o Te Awa Kairangi (RiverLink) project with the project Director and main contact at Waka Kotahi NZTA in 2023. These are occurring monthly. Multiple engagements with **Waka Kotahi NZTA**.
- We continue to work to invite speakers to the Gibson Sheat Political series 2024 which brings politicians to the Hutt Valley to keep our business community engaged in the political conversations.
- We hosted the first Government Budget Announcement outside Wellington for 14 years when Nicola Willis, Finance Minister, gave the 2024 budget speech in the Hutt Valley on 9th May 2024 – the event was attended by the media and over 100 business leaders from across the region. See below image.



- We also hosted Barbara Edmonds, Finance Spokesperson from the Labour Party for her pre-budget speech on 21 May 2024.
- Alongside Metco Engineering, we hosted the Prime Minister on 24th May 2024. This event was celebrated by Prime Minister Luxon on LinkedIn (see above image – right).
- The Hutt Valley Chamber of Commerce hosted the Leader of the Opposition for a small meeting with business leaders on 7th June 2024.
- We have worked to invite local MPs to invite them to events. Chris Bishop, MP for Hutt South and Ginny Anderson List MP, have attended a number of events during the year. Example of Chris Bishop at one of our events for the Skills for Mahi programme.



Patrick McKibbin • You
Chief Executive
2mo • 3

Celebrating the start of something important.

It is important to celebrate the start of something as much as it is to celebrate the success. It is a chance to share the work we are doing, but also hear the aspirations and passion of the people who are involved.

So it was great to come together and celebrate the 'Skills for Mahi' programme that the [Hutt Valley Chamber of Commerce](#) has started with the amazing support of [J.P. Morgan](#).


'Skills for Mahi' will help rangatahi develop skills that will support their future career pathways and enable them to explore jobs in their own region. The aim of 'Skills for Mahi' is that the rangatahi are more aware of, and prepared for, the jobs and opportunities in their local community, particularly the engineering and manufacturing sectors, which are two major industries in the Hutt Valley.

It was really cool to hear from three of the rangatahi on the course, discussing their aspirations for 'Skills for Mahi' and offering their thanks to all involved.

It was great to hear from [Mani Malaesulu](#) from Empower Pacific who is delivering the course, as well as the Principal from [Naenae College](#) on how the programme aligns with their values and work at the school.

Thanks to [Christopher Bishop](#), our local MP for taking time to come and participate. Also huge thanks to [Melanie Taite-Pitama](#) from the [Ministry of Education New Zealand](#) and [Gagau Annandale-Stone](#) from [Ministry of Social Development \(MSD\)](#) for attending.

[#HuttValley](#) [#FutureofWork](#) [#ManufacturingCareers](#) [#manufacturing](#) [#Engineering](#)




- The Hutt Valley Chamber of Commerce continues to connect to the following government agencies to support the regions business community.
 - NZTE – recent engagement with Summit Group to support their possible expansion / sales of their product in Europe, America and Middle East.
 - MBIE – regular engagement with them on the TechStep work
 - MSD – invites to events and activities related to rangatahi.
 - MOE – invites to events and activities related to our work with rangatahi.
- The Hutt Valley Chamber of Commerce has been an active participant with the MSD Jobs and Skills Hub work and team. The CEO has been a member of the Steering Group which has met a number of times.

HCC officer comment:

This has been an area of focus and strength for the Chamber these past 12 months through a range of direct ministerial visits, meetings and events. The Chamber actively seek out government connections with both agencies and ministers exploring collaboration potential and synergies for projects, Early engagement with Andrew Bayly and local business to create a proposal for a Manufacturing Academy has energised and strengthened connections between local manufacturers.

Facilitate engagement between the business community and Council.

Service	Content	Full year performance
Events, programmes, communications, speaking, showcasing of council facilities and initiatives to the business community	Topics may include: <ul style="list-style-type: none"> • commercial rating and property • urban development planning • climate change & sustainability • transport & infrastructure • workforce development 	 <p>Ahead of target.</p>
<ul style="list-style-type: none"> • The CEO and Hutt City Council Head of Business and Economy visited some businesses in Stokes Valley to see how they were feeling about the traffic issues because of the work to fix the land slips in the area. • We have been supporting ongoing business engagement between business and the Hutt City Council. Examples include: <ul style="list-style-type: none"> ○ Fantail Services – we met with the Hutt City Council Assets & Facilities Management to discuss the contract for the Hutt City Library ○ EmbroidMe Hutt Valley – we have made an introduction to the Hutt City Council to see if there is an opportunity to do some work for them. ○ Love Wainuiomata – we introduced them to a number of café owners across the region to discuss the possibility of them supporting a new café in the Wainuiomata centre. Unfortunately, at this stage none were able to offer an option to do this due to their existing commitments. ○ The Hutt City Council Head of Transport visited Vanguard Group during the period. The visit was a success and an opportunity for the Vanguard Group to present their work on designing and creating a sustainable option for cycle way dividers for roads. • The Hutt Valley Chamber presented on the proposed rates increase at the Hutt City Council meeting on 27th November. • The Hutt Valley Chamber of Commerce CEO attended the Hutt City Regional Public Transport Plan Workshop on 9th November organised between Hutt City Council and Greater Wellington. • Te Ara Whakamua Meeting – the CEO has continued to support this work and has been to a number of meetings with them in through the year on this important environment and sustainability activity into 2024. • We have supported the Council to share the work on the Wellington Region Waste Management and Minimisation Plan (WMMP). This is a piece of work being undertaken jointly by the councils in the region. This included a meeting between the Council and employers from the region. • We supported the Hutt City Council to have a meeting with Dudley Street businesses to discuss the demolition of buildings on Daly Street commencing in early July. • The Chamber CEO introduced the Hutt City Council to a Mountain Biking event for around 500 people that Craig Murray from Intrinsic Events is holding in Wainuiomata in February 2024. • The Hutt Valley Chamber of Commerce has continued to support the 'Business Advisory' Group meeting with the Te Awa Kairangi team so they can be updated on the latest aspects of the project and advise their thoughts into the project. • The Chamber hosted a successful event with The Dowse Foundation on October 10th. The event was an opportunity for business leaders to network and see the Dowse. The event was attended by Deputy Mayor. 		

- At the request of the Hutt City Council the Chamber CEO met with Paul Swain who is undertaking a Hutt City Council independent panel review the city's current representation arrangements.
- We included the Hutt City Council in the Food and Beverage Manufacturers meetings during the year.
- The Hutt Valley Chamber of Commerce supported the Hutt City Council on their Low Carbon Acceleration fund. This is a new fund (with the first funding round open between 15 February and 14 March) - Legal entities can apply for 50% co-funding (with a maximum of \$40,000) to support projects that will result in emissions reduction in Te Awa Kairangi ki Tai / Lower Hutt. We have helped with communication and the CEO was on the panel to make decisions.
- The Hutt Valley Chamber of Commerce met with the Mayor and CEO of Wellington Water to propose a new Hutt Valley Water Infrastructure Academy. This a Hutt Valley Water Infrastructure Academy would establish a pathway for rangatahi whilst in secondary education to a role in the water infrastructure industry to support the water infrastructure needs of the Hutt Valley (and wider Wellington region). They were supportive of the proposal. We were essentially asking them for:
 - A collective buy in to this work - this would include your organisations and the infrastructure suppliers in the mix. Fulton Hogan are our partners on the current work so we would expect them to be enthusiastic, but we have not discussed the detail of this with them at this stage.
 - Support from Te Pūkenga Weltec – the funding for this course would come through Trades Academy funding – we will write to Mark Oldershaw asking him to consider / provide Trades Academy places for this course. It is not uncommon for unused Trades Academy Places to come up towards mid-year. We would welcome your support to encourage Mark to support such a request.
 - Work experience opportunities – the rangatahi taking such a course benefit from work experience. This supports their learning and allows the employers to see the rangatahi as well as help them build their skills. Fulton Hogan have been supporting some of our students on this journey.
 - A site / location in the Hutt Valley that we could use for the practical training. We have provided information to the Council on this.
- The Hutt Valley Chamber of Commerce and the Dowse hosted a successful networking event attended by the Mayor of Hutt City. There were 88 business leaders in attendance. Tony McKone spoke on behalf of the Chamber.



- The Chamber of Commerce host a Hutt City Council Long Term Plan Consultation meeting on 10th April. This was attended by a number of businesses and some councillors. The Mayor presented the key information for the Council.

- The Chamber of Commerce provided comprehensive feedback to the Hutt City Council on their Long-Term Plan proposal and also presented at their LTP feedback sessions. The general themes of our feedback were:
 - We understand the challenges.
 - We continue to be excited about our business community's future.
 - Businesses are doing it tough.
 - There are many other factors affecting the cost of doing business.
 - The contribution of business continues to be significantly more than other ratepayers.
 - Businesses use less services but are expected to pay more!
 - Development contribution increases may further stifle growth and new development.
 - Parking fees increases are likely to penalise business and accessibility to business.
 - The 10-year outlook is unsustainable.
 - Business being recognised for their contribution.
 - Business is interested in being involved in decision making.
- The Hutt Valley Chamber of Commerce CEO and Education to Employment Coordinator met with the CEO of Urban Plus to discuss their apprenticeship programme.


HCC officer comment:

As a result of gaining fresh insight, practical feedback, and positive engagement a wide range of Council officers are increasingly seeking support from the Chamber to connect with business leaders.

We value the Chamber's ability to give frank advice and work constructively with us to improve business outcomes for Lower Hutt.

Teams interacting with the Chamber include Parks and Gardens, Climate and Solid Waste, Transport, Strategy and Planning, Finance and Business and Economy, Urban Development as well as the City Delivery and Te Wai Takamori of Te Awa Kairangi Riverlink project teams.




Connecting with Māori business

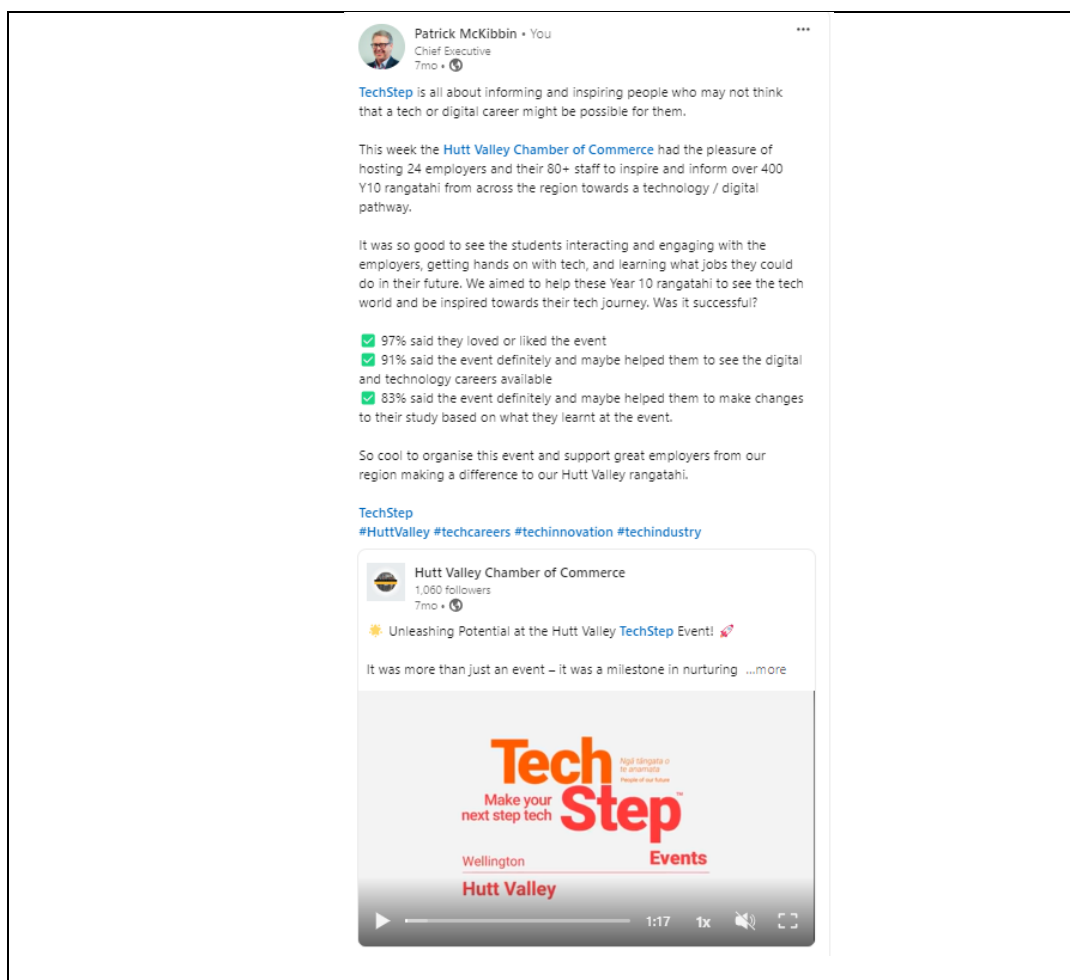
Service	Content	Half year performance
Connecting with Māori businesses and Mana Whenua	Grow engagement alongside local Mana Whenua with Māori business networks, business	 <p>Ahead of target.</p>
<ul style="list-style-type: none"> We presented a proposal to the head of Business and Economy to provide support for small Māori and Pacific businesses to engage and thrive alongside the RiverLink project. The Hutt Valley Chamber of Commerce hosted an event on Māori Economic Development on 4 October. This event was focused on 'Explore the dynamics of the Māori economy and gain valuable insights into effective engagement practices. The event was well attended and valuable. We supported the Hutt City Council to share the opportunity for people to have their say on the draft Indigenous Biodiversity Strategy The CEO of the Hutt Valley Chamber of Commerce met with Anania Randall from the Wai-Worx Māori business network to discuss the opportunity to work together. One suggestion put forward was to offer the business network membership of the Hutt Valley Chamber of Commerce so we could provide support and engagement for them, particularly around the Te Wai Takamori o Te Awa Kairangi project and the infrastructure employees. The Hutt Valley Chamber of Commerce supported a meeting between the Jobs and Skills Hub and Employment Broker Equip Recruitment to discuss how they could work together. The Chamber CEO has been an active participant in the Te Matarau a Māui Māori business network attending functions and engaging with Māori business and government agencies. The Hutt Valley Chamber of Commerce participated in a range of meetings with Māori (and Pacific) businesses as part of the work on Te Wai Takamori o Te Awa Kairangi (RiverLink). We have continued support for Māori businesses alongside the Te Wai Takamori o Te Awa Kairangi project and in upskilling them for the future of the project. A recent training session was held to support the RFP responses from businesses (Win Your Next Tender or Project with a Standout Proposal – completing a winning RFP) We have continued to share work opportunities, particularly from GETS, to local businesses, particularly Māori and Pacific businesses where possible. 		

HCC officer comment:

The Chamber has sought out opportunities to support local Māori business and agencies and has grown it's engagement in this kaupapa.

Inclusion and diversity

Service	Content	Full year performance
Showcase and advocate for a diverse workforce and opportunities for employers	Showcase employers and businesses who are demonstrating best practice in their diversity and inclusion.	 <p>Ahead of target.</p>
<ul style="list-style-type: none"> We have been introduced to Batool Arif, Welcoming Communities Coordinator at Hutt City Council and will endeavour to support this work in any way we can. The Diversity and Inclusion category at the 2degrees Wellington regional Business Excellence Awards was a success. The finalists and winner were as follows: <ul style="list-style-type: none"> Capital Training Ltd New Zealand Campus of Innovation and Sport (Winner) Rāranga Tū Ora Compass Health Wellington City Mission All Finalists and winners were present at the Gala Dinner The Hutt Valley Chamber of Commerce included multiple cultural elements at the 2degrees Wellington regional Business Excellence Awards 2023 included: <ul style="list-style-type: none"> Sacred Heart Kapa Kaka Group Māori cultural welcome Sacred Heart Pacific Group 		
<p>Through 2024 we have been working with Pacific business, Empower Pacific, to support the Skills for mahi programme. This work, to support 100 Māori and Pacific rangatahi over 2024 and 2025, is supporting equitable access, skills and knowledge of the important manufacturing and engineering sectors in the Hutt Valley. The work has included taking the students to local manufacturing places of work to showcase the jobs and skills the rangatahi will need for their future of work.</p>  		
<ul style="list-style-type: none"> The Hutt Valley Chamber of Commerce continues to work with MBIE on their TechStep programme, which is designed to inspire and inform Māori, Pacific, Women, Disabled people, Neuro Diverse and others that it is possible for them to have a career in tech. This has included running a TechStep and tech related careers day in November 2023 and attending the careers day at Hutt Valley High School in 2024. 		




HCC officer comment:

This is a new area of focus added to the FY23/24 contract.

A new diversity and inclusion category was added to the business excellence awards for 2023 and local initiatives of the business nominees were shared in the business award profiles.

Engagement with our neighbourhood and communities' teams to support their workstreams have been positive.

Manufacturing & Technology (STEMM) Sector Development (added focus for 2023/24)

Service	Content	Full year performance
Support the manufacturing and technology sector with networking, activities, and events to drive collaboration, showcase and enhance the capability of businesses in Lower Hutt.	Content to include: <ul style="list-style-type: none"> improving awareness of STEMM sector and businesses increase investment in industry 4.0. develop skilled workforce. circular economy and emissions reductions 	 <p>Ahead of target.</p>
<ul style="list-style-type: none"> We have been active in sharing information about the Manufacturing and STEMM businesses through its channels including: <ul style="list-style-type: none"> Hutt Valley Business Weekly – weekly email communication. Further details on this can be found in the Business capability training, support, and liaison section. Hutt Valley Chamber of Commerce social media, including Facebook, Instagram, and LinkedIn. The Hutt Valley Chamber of Commerce CEO LinkedIn We included two relevant categories in the 2Degrees Wellington Regional Business Excellence Awards. These showcased the dynamic manufacturing, technology and innovation sector and were well represented by businesses across the Hutt Valley as follows: <p>Excellence in Manufacturing</p> <ol style="list-style-type: none"> AROTEC Diagnostics Limited (Winner) Contemporary Korowai Designs Ltd Dulux NZ iPamp Times-7 <p>Excellence in Technology and Innovation</p> <ol style="list-style-type: none"> Arlo Software ASPEQ Dulux NZ JNCTN PaySauce Times-7 (Winner) The Hutt Valley Chamber of Commerce has run four successful events focused on Technology and Innovation. They were attended by close to 200 business leaders. The businesses we showcased were: <ul style="list-style-type: none"> T&R Interiors Arotec Diagnostics Ltd Pik Pok ZX Security Paihau Robinson Research Institute Mexted Sports Turf PaySauce JNCTN Dulux Arlo Ferrier Institute 		


- GlycoSyn
- Two manufacturing businesses, METCO Engineering and NME were inducted into the Hall of Fame at the 2degrees Wellington Regional Business Excellence Awards. The Hall of Fame reflects the contribution and commitment of these businesses to the Hutt Valley business community.
- The CEO of the Hutt Valley Chamber has been on the Board of Advanced Manufacturing Aotearoa since the end of 2023. This has result in a range of opportunities to promote the Hutt Valley manufacturing, technology and innovation sectors.
- The CEO has been supporting the Advanced Manufacturing Aotearoa and the EMA (Auckland) to share their information about the industry 4.0 in the Hutt Valley. This has included organisation like Myriad Engineering and Petone Engineering who have commenced this process. The CEO attended the showcase for the Myriad Engineering work to other businesses.
- The Hutt Valley Chamber of Commerce has been active in supporting the manufacturing community to work on the significant issue of talent. This has included multiple meetings with Andrew Bayly who is now the Minister of Small Business and Manufacturing. As a result of meetings through this year with Andrew Bayly with our manufacturing community (and Whittaker's) we submitted our proposal to establish the Hutt Valley / Porirua Manufacturing Academy to help raise the profile and strengthen the pipeline of talent into manufacturing. The proposal was submitted to Andrew following his win in the Port Waikato By-Election, and his appointment as Minister for Small Business and Manufacturing. The proposal will connect and support manufacturing employers and their future talent from selected secondary schools across Hutt Valley and Porirua.
- The Hutt Valley Chamber has been working with the Auckland Chamber on the **TechStep** programme. This programme is supporting the STEMM sector by inspiring and informing people who might not otherwise consider that a Tech career is possible for them. The programme has been part of the MBIE Digital Industry Transformation Plan.
- We have supported Hutt City Manufacturing businesses showcasing their products at EMEX (Manufacturing Industry Exhibition in Auckland) to connect. The Lower Hutt businesses exhibiting are:
 - PaySauce - makes payroll calculations simple for businesses by automating employee payments, tracking time, managing payroll processing for annual and public holidays and PAYE deductions – <https://www.paysauce.com/>
 - SMT, a new division of Sanpro Industries - bringing their exclusive technology to the NZ market. With our new line of automation and work holding products we offer the same kiwi ingenuity, simplicity, quality and reliability that our brand Sanderson Machines has built its international reputation on.
 - RF TEST SOLUTIONS - New Zealand's premier provider of Test and Measurement Tools and services. Official partner for the leading international brands and manufacturers.
 - Datum Machines - The DGM-S1 Designed & Manufactured in Aotearoa New Zealand. When it comes to machine size, cost and precision, nothing comes close to the Datum Series One CNC.
- The Hutt Valley Chamber of Commerce hosted businesses at NUENZ on 16th May.
- 2024 saw the continuation of the Hutt Valley Engineering Academy which promotes the engineering discipline to rangatahi at Naenae College with the support of UCOL. Hutt Valley High School continue to support engineering and STEM activity with local employers.

HCC officer comment:

The Chamber continues to hold a range of activities to engage business leaders and teams in the STEMM sector and is an active storyteller locally and through social networks, sharing the Hutt Valley's competitive advantage.

By being an advocate for the sector on a national level, now at the AMA and helping to deliver the national TechStep programme alongside the Auckland Chamber, the Hutt Chamber has increased its connections and reach, Lower Hutt's profile and has gained learnings and insight from other organisation's STEMM sector initiatives.

Support for rangatahi with Education to Employment pathways and services.

Service	Content	Full year performance
Develop and deliver and support Education to Employment Programmes. Support the Regional Jobs and Skills Hub	Delivery of services under contracts to MSD supporting education to employment, with particular focus on trades. Advocacy for the MSD's Regional Jobs and Skills Hub in Lower Hutt.	 Ahead of target.
<ul style="list-style-type: none"> The Hutt Valley Chamber of Commerce CEO has been part of the Jobs and Skills Hub Governance Group. This group has met 3 times during the last 12 months. The Hutt Valley Chamber of Commerce has participated in some meetings with MSD and key partners in the Te Wai Takamori o Te Awa Kairangi project to work on the Workforce Planning activity. We have invited additional key stakeholders to this meeting including the Waihangā Ara Rau Workforce Development Council. The Hutt Valley Chamber of Commerce was instrumental in the establishment of the Hutt Valley Infrastructure Academy. The L2 Infrastructure Trades Academy 41 Credit course has now started with 24 learners from 6 schools across the Hutt Valley. Over 50% of the Learners are Māori and Pacific, and one young woman. <ul style="list-style-type: none"> This course taught learners how to work safely on sites and within a team environment. It forms a great starting point for a career in road construction. The course ran from 17th July to the end of November 2023. It was held each week, on Monday and Tuesday. The course was based at Fulton Hogan's purpose-built training facility in Featherston, with students transported from both Lower Hutt and Upper Hutt, via minivan. Rangatahi will participate in the New Zealand Certificate in Infrastructure Works (Level 2). There are a range of ākonga from Wainuiomata High School, St Patrick's College Silverstream, Kuranui College, Heretaunga College, Upper Hutt College and Taita College, with the majority of them being Year 11. The course completed in November with a graduation ceremony for 17 of the 24 learners graduating. A new round of the course commenced in March 2024 and the first cohort of 8 students is just about to graduate. Through 2024 we have been working with Pacific business, Empower Pacific, to support the Skills for mahi programme. This work, to support 100 Māori and Pacific rangatahi over 2024 and 2025, is supporting equitable access, skills and knowledge of the important manufacturing and engineering sectors in the Hutt Valley. The work has included taking the students to local manufacturing places of work to highlight the jobs and skills the rangatahi will need for their future of work. J P Morgan have funded this work. The Hutt Valley Chamber of Commerce continues to work with MBIE on their TechStep programme, which is designed to inspire and inform Māori, Pacific, Women, Disabled people, Neuro Diverse and others that it is possible for them to have a career in tech. This has included running a TechStep and tech related careers day in November 2023 and attending the careers day at Hutt Valley High School in 2024. 2024 saw the continuation of the Hutt Valley Engineering Academy which promotes the engineering discipline to rangatahi at Naenae College with the support of UCOL. Hutt Valley High School continue to support engineering and STEM activity with local employers. 		


- Teachers representing 8 colleges and the Lyric Activity Centre from across the Hutt Valley, met with the Jobs and Skills Hub Youth coordinators, at a hui organised by the Hutt Valley Chamber. The purpose of this event, was to introduce the Jobs and Skills Hub to the teaching staff, explaining the purpose of their work, the Hub itself and how they can provide assistance and support with training and employment opportunities. It was a successful and productive meeting, with Teachers and the Jobs and Skills Hub staff, engaging in a discussion regarding concerns the Teachers have with their students not being “work ready” and what the Hub can deliver within a college setting, to help prepare our rangatahi with the knowledge, skills, and training to be employable, at the conclusion of their studies. This included the opportunity for work experience, licence training and CV development. Further dates for collaboration with schools are to be arranged in term 3.
- The Chamber participated in both the Opening Blessing and the office Ministerial opening of the Te Awa Kairangi Jobs and Skills Hub on 9th October. Minister Sepuloni officiated at the opening.
- The Education to Employment work has actively engaged with the following students and employers to support rangatahi over the 12 months:
Students – 2,625 Employers – 317

HCC officer comment:

The Chamber continues to be a leader in the Hutt Valley and the region for this activity and are actively driving collaboration to answer industry need.

The new level 2 Infrastructure Trades Academy 41 Credit course is a great example of collaboration built by the Chamber – engineering a solution for an industry need, by partnering with local employers, schools, and government agencies.

Meetings with Mayors and council officers on matters affecting the Hutt Valley Business community.

Service	Content	Full year performance
Providing business perspectives on issues relevant to council	Bi-monthly meeting with Mayor and CE Other as required meetings with Council officers.	 Ahead of target.
<ul style="list-style-type: none"> On 12th September the Hutt Valley Chamber of Commerce presented our 2022/23 Annual Report to the Hutt City Council Policy, Finance and Strategy Committee. The report was well received by the councillors and the feedback was positive. The CEO meets fortnightly with the Head of Business & Economy The President and CEO continued to have regular meetings with the Mayor. These meetings are an opportunity to discuss upcoming projects and collaboration opportunities for the business community and the latest survey results. The CEO met with Cr Gabriel Tupou, Citywide Councillor. During the period the Hutt Valley Chamber presented to the HCC on the Long-Term Plan highlighting: <ul style="list-style-type: none"> We understand the challenges. We continue to be excited about our business community's future. Businesses are doing it tough. There are many other factors affecting the cost of doing business. The contribution of business continues to be significantly more than other ratepayers. Businesses use less services but are expected to pay more! Development contribution increases may further stifle growth and new development. Parking fees increases are likely to penalise business and accessibility to business. The 10-year outlook is unsustainable. Business being recognised for their contribution. Business is interested in being involved in decision making. The Hutt Valley Chamber of Commerce continue to advocate for the business community across the Hutt valley with the Mayor and the HCC Councillors. 		


HCC officer comment:

Fortnightly catch ups with Council's business and economy team keeps each other's finger on the pulse with opportunities for Lower Hutt, wider engagement across Council and maintains momentum for shared projects.

Quarterly mayoral meetings are regular opportunities to look forward at and opportunities.

The Chamber's CEO and President have engaged in policy discussions in developing Council's draft 24/34 Long Term Plan.

Business confidence survey research

Service	Content	Full year performance
Quarterly survey of businesses to assess their business confidence contacts.	Undertake and report quarterly business survey for council reports	 On target.
<ul style="list-style-type: none">• Reports supplied in July 23, October 23, March 24, and June 24		

HCC officer comment:

Business confidence survey data is supplied quarterly, and snapshots are included in Council's quarterly performance reports and annual reports.

23 September 2024**Report no: PFSC2024/5/289**

Urban Plus Limited Group Annual Report for the year ended 30 June 2024

Purpose of Report

1. To provide the Committee with the Annual Report for Urban Plus Limited and Group (UPL) for the year ended 30 June 2024.

Recommendation

That the Committee receives and notes the Annual Report for Urban Plus Limited and Group for the year ended 30 June 2024 attached as Appendix 1 to the report.

Background

2. It is a requirement of the Local Government Act 2002 that a Council Controlled Organisation (CCO) delivers to its shareholders an annual report on the organisation's operations. This report is presented to the Committee for information.
3. Pamela Bell (Board Chair) and Daniel Moriarty (Chief Executive) will be at the meeting to present the Annual Report 2023-24 and answer any questions.

Discussion

4. The audited Annual Report is attached as Appendix 1 to this report. The Annual Report details the results and achievements for the year.
5. The Annual Report received an unmodified audit opinion from Audit New Zealand.

Climate Change Impact and Considerations

6. The implementation of the HomeStar 6 Rating and new environmental standards for new housing developments will support Council in its objective to address the impacts of climate changes.

Consultation

7. There are no consultation requirements arising from this report.

Legal Considerations

8. The statutory deadline for completion of the Annual Report 2023-24 was on 30 September 2024 for all Council Controlled Trading Organisations with 30 June balance dates.

Financial Considerations

9. The audit was concluded on 25 September 2024, and an unmodified audit opinion was issued.

Appendices

No.	Title	Page
1 ↓	UPL Parent and Group Annual Report 30 June 2024	159

Author: Yaolang Chung
Senior Financial Accountant

Reviewed By: Darrin Newth
Financial Accounting Manager

Reviewed By: Jenny Livschitz
Group Chief Financial Officer

Approved By: Daniel Moriarty
Chief Executive, Urban Plus



PROPERTY THAT BUILDS COMMUNITIES

URBAN PLUS LIMITED & GROUP

ANNUAL REPORT

FOR THE YEAR ENDED 30 JUNE 2024



Completed Project – 17 Britannia Street, Petone

Urban Plus Limited | 2023-24 Annual Report

1

CHAIR'S REPORT

The Urban Plus Group Board is pleased to serve the Group and the Hutt City community in turn. The focus of the past year has been on delivering at site across multiple projects, where the preceding year was about planning and preparation.

The delivery team has been well coordinated by our Chief Executive to achieve a finely detailed sequential programme across a range of active construction sites. This precision execution is within the context of an increasingly tightening construction industry and real estate market, with high interest rates and an economic slowdown providing increasing pressures on both delivery and sales.

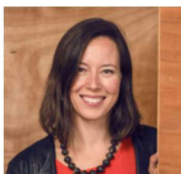
The Urban Plus Group Board members bring a range of knowledgeable perspectives across local community, social housing, construction innovation, legal, financial, health and safety, and experienced governance. The Board continues to focus on delivering a strategic response to the changing economic context, while delivering into the shareholder's vision for a better housed Hutt City.

The Board has continued to work closely with the shareholder to update, collaborate and extend stakeholder engagement opportunities through regular board meetings with officer involvement, quarterly meetings with the Mayor and Hutt City Chief Executive, and wider workshops with Councilors.

The Board is keeping connected to the broader national political context and the effects on community housing financing. Urban Plus Group is well positioned to deliver social housing to a wide range of stakeholders, so partnerships with mana whenua and housing provision entities are increasingly important.

At an operational level, the Board is fully committed to supporting our Chief Executive and the Group team. Enabling our tenants with increased community-based amenities and heating upgrades is a core focus. Achieving sustainable design through the Homestar 6-star certification remains a priority, as is the achievement of Lifemark 5-star accessible units for ground-floor conditions.

The Urban Plus Group Board looks forward to working alongside the shareholder for the year ahead.



A handwritten signature in blue ink, reading "Pamela Bell".

Pamela Bell
Chair
25 September 2024

CHIEF EXECUTIVE'S REPORT

I am pleased to report on the year's activities and results – it has been a year of focussing on commencing several residential development projects within all areas of our operational tranches (portfolio growth, Community Housing Provider partnerships and 'for-market' release) in a volatile housing market that has followed a bullish eighteen month period of excessive property values.

This year saw significant focus on the continuation and commencement of on-site construction works on several development projects. The prior financial year (FY) saw our team position several projects with design and consenting works. The 23/24 FY saw tangible results on-sites across Lower Hutt via our UPL Developments Limited (UPLDL) and the Limited Partnership (UPLLP) structures. This 'in-house' construction capability is going from strength to strength, taking learnings from previous projects and becoming more efficient in delivery – both cost effectiveness and programme delivery. Our high-quality standards are still being maintained which is critical to our success and reputation in delivering warm dry, safe homes to the three Operational tranches of our business – Community Housing Providers, the general market (First Home Buyers and Owner Occupiers) and our own residential portfolio.

Our approach has been to address all three tranches and have at least one project per tranche in action concurrently. We have succeeded in this endeavour, and in doing so, it is pleasing to confirm the completion of the organisation's first accessible project in Petone. This not only grows the portfolio but provides some diversification in our unit typology offering to tenants – and does address a gap in housing supply regarding accessible units.

Current Development Projects within the Three Operational Tranches

UPL Residential Portfolio

The completion of five accessible units in Petone is a key highlight of the year. Project outcomes included portfolio growth (this is UPL's first in-house construction build of units for over nine years), provision of a diversified product (accessible design) within the portfolio and Homestar 6 Design and Lifemark 5-Star accreditation. The project was delivered well below approved budget – which indicates how effective our in-house construction capability (UPL Developments Ltd, UPLDL) has become. We look forward to seeing five new tenants move in and enjoy these fantastic homes



Our development team also received Resource Consent for eighteen units in Hollard Grove, Avalon. This multi-level dwelling is now in the final phases of detailed design / applying for Building Consent – with the aim of commencing construction in Q2 of the 24/25 FY. As this will be UPL’s first approach to developing three level walk-up dwellings, UPL has engaged a main contractor via our established ECI process to assist in both design development as well as the overall construction processes.

Community Housing Provider (CHP) Projects

Construction continued at 55 Britannia Street of twelve three-bedroom townhouses intended to be sold to a CHP upon completion. Progress remained strong albeit on a very tight site, with all dwellings fully enclosed and exteriors painted by year end. The project is currently being marketed to several local and nationwide CHP entities and other areas of the social housing sector. The project will be in a position to divest in late Q1 24/25FY.



The civils, infrastructure and roading aspects of a CHP project in Wainuiomata has also seen completion. The construction of nineteen (two-, three- and four-bedroom) homes in Stanley Street is also well underway, with all slabs poured and framing on half of the blocks already in place. We are pleased to be partnering with He Herenga Kura (HHK) - formerly Kahungunu Whanau Services (KWS) on this exciting project, who UPL successfully partnered with two years ago in Taita to produce another nineteen homes for whanau. There is a conditional agreement in place with HHK for this project.



Another CHP project, in Stokes Valley, started its on-site works at the very end of the FY. Tawhai Street offers a variety of housing typologies and a communal area for everyone to socialise and promote community outcomes. Officers have been working with Te Atiawa in hope to secure a sale to the Runanga. Should this not eventuate in the upcoming months, UPL will seek an alternative CHP to partner with, and deliver for.



'For Market' Projects

Substantial progress has been made at our Brook Street development in Waterloo where a (two- and three-bedroom) mix of twenty townhouses are almost completed. Marketing to First Home Buyers (FHBs) and Owner Occupiers (OO) has commenced, with strong interest in a sluggish market. Our UPLDL construction entity again has demonstrated its ability to build efficiently and to programme in what is a very pressured construction market currently. All indications are that FHBs and OOs are waiting until the townhouses are fully completed until looking to purchase rather than prior years when purchasers bought off the plans earlier in the construction process.



Our second 'For Market' project (in Alicetown) also saw significant progress. Upon receipt of both Resource and Building Consents, UPLDL completed its procurement of the construction trades and commenced on-site in Q3. Since this time all slabs are poured, all six (three-bedroom) townhouses are fully enclosed. This project is programmed to be completed in early Q3 of the 24/25FY.

In late 2023 UPL were approached by Wainuiomata Marae Charitable Trust to assist with an upcoming papakāinga development. The development is focused on whānau and environmental wellbeing, utilising the maraes whenua to provide affordable rentals to whanau in the local community. This project is a testament to the vision and dedication of the Wainuiomata Marae, and its commitment to enabling and empowering their whānau with sustainable and community-oriented housing. It is with great enthusiasm that UPL has been approached to help facilitate the development of the twelve papakāinga, with resource consent scheduled for lodgement in Q2 of the 24/25 FY.



Residential Portfolio

With the completion of 17 Britannia Street accessible units, our own housing portfolio number increased to 201 units (does not include the 18 bedsit rooms at 38 Britannia Street which UPL renewed its lease with Wellington City Mission for another year). Additionally, UPL continues to manage fourteen units (over two properties) on behalf of the Shareholder.

Our regular maintenance work across the portfolio continues – as well as this, planned capital upgrade works are actioned, especially where vacancies occur, and contractors can provide significant refresh of units before a new tenancy commences.

Our annual survey for tenants was recently completed. We received a tenant satisfaction rating of 90%. Generally, our contractor performance and quality of work also improved from the previous year also, which too, is very pleasing.

We continue to monitor large or problematic trees at a variety of properties. Our learnings are that their removal provides greater solar gain in tenants' units and provide outdoor areas for tenants to socialise. Previously, tenants would not use these outdoor spaces due to them being shaded and damp.

Our Housing Manager continues to programme in the planting of a variety of fruit trees at several properties within our portfolio for tenants to enjoy and share now and in future.

Healthy Homes Upgrade to Portfolio

The first phase of heat pumps, extractor fans and kitchen rangehoods is now fully complete. The second phase of draught stopping is also now fully complete on the portfolio where the windows/doors are single glazed. The third phase of installation of thermal drapes into the living rooms and bedrooms of the units where windows/doors are single glazed is almost completed. There

are only two properties that remain for these works to be actioned. The drapes are currently being made for these units. The Healthy Homes upgrade programme has been an extensive piece of work to manage, and my thanks goes to our Housing Manager for her continued focus, contractor management and delivery of these works.

Mana Whenua

UPL has ringfenced an opportunity to partner with local iwi (Te Runanganui O Te Ati Awa o Te Ika a Maui) in a development project in Stokes Valley. The Runanga has submitted its Community Housing Provider (CHP) application to the Ministry of Housing & Urban Development (MHUD) and awaits approval to then be in a position to proceed further with this opportunity.

Our successful delivery of a project in Taita for Kahungunu Whanau Services, now He Herenga Kura (HHK), has led to partnering with HHK on another project in Wainuiomata. UPL has now entered a conditional contract to develop and sell seventeen homes to HHK upon completion.

Officers continue to look at ways to provide pathways for Maori and Pasifika students / cadets into UPL project workstreams directly, and indirectly via our main / sub-contractors by way of apprenticeships and work experience.

Property Divestments & Leasing Arrangements

The UPL Group did not divest any property held within its rental housing portfolio. No other property divestments were planned or occurred throughout the FY. UPL renewed its lease with Wellington City Mission for another year regarding the 38 Britannia Street premises (x19 rooms) in Petone.

Health, Safety & Wellbeing

We continued to upskill our knowledge and thinking in this important area. Our thanks and gratitude to the Health & Safety officers at HCC who have provided regular updates, training, and insights to our team throughout the year. A new reporting framework to Directors was implemented. Officers refreshed their respective SiteSafe memberships through a variety of training modules.

Health and Safety regulations and requirements continue as a key focus on the construction sites ensuring protocols and standards are adhered to by the various contractors and their teams. An incident at one of our construction sites saw an uplift in contractor (material, delivery, supplier) performance and introduced a new policy regarding lifting materials on site.

Early Contractor Involvement (ECI)

Our ECI panel remains available for scale projects. UPL added two more entities to the panel, and one established panellist removed itself in the year (as it moved out of the Wellington region entirely). Miles Construction has been engaged to design a planned project in Avalon – to commence in the 24/25 FY.

Homestar 6 – Design & Construction

All current and future UPL Group development projects are designed and constructed to attain a minimum rating of no less than Homestar 6. We continue to evolve and upskill in the way we think and deliver projects, embracing sustainable ideas and products where possible and aligning with the Shareholder's target of becoming carbon neutral by 2030.

At Year end, UPL had received its Homestar 6 Design accreditation for its Tama Street, Brook Street, 17 Britannia and 55 Britannia projects. Officers had submitted its Build rating application for 17 Britannia Street to the NZ Green Building Council (NZGBC).

LifeMark Design

Throughout the design phase of our 17 Britannia Street (Petone) infill project, Officers liaised with LifeMark representatives to include accessible and universal design principles and products. We initially had anticipated and targeted a Four star accreditation but managed to be awarded Five star by Lifemark upon its final review. We greatly appreciate the inputs from the LifeMark team who have been incredibly giving with their knowledge and expertise in this area. It is very satisfying to have added our first accessible units to the residential housing portfolio. As an indicator of demand levels, all five units are already allocated to disabled tenants. We look forward to seeing how the units perform and taking these learnings into new projects in future.

Future Outlook

Our strategy and focus remain as the prior year – growing our own portfolio, partnering with, and delivering to Community Housing Providers. Delivering a variety of housing typologies along the continuum and to continue releasing affordable homes to first home buyers. We have a number of planned developments in the development pipeline of varying scale and we remain committed to developing partnerships with mana whenua and our Community Housing Provider cohort.

We also continue to utilise Homestar 6 methodology in all our design and construction aspects of residential development. One of our aims is to act as a local leader and promote this sustainable and environmentally responsible way of construction in the hope that it is embraced by others working within the industry – locally and nationwide. Our hope is that it acts as a starting point for others and raises the overall standards of housing development within Lower Hutt.

Final thoughts

Yet again, the efforts of our team have been excellent over the year – of which has seen significant movement in property values, construction pricing, contractor resourcing levels and material supply. The team's dedication and efforts has positioned the Group for an exciting growth period ahead. Property development does not happen overnight. It takes time to design, develop and deliver. The significant work the team has put in this FY will be realised next FY once many of these projects are completed.

Our key focus areas for this coming FY is about growing new, and strengthening existing relationships (i.e. delivering for our partners and the Shareholder) and ensuring our quality standards are kept high and providing warm, safe and dry homes to our partners and the wider community.

My sincere thanks to the UPL team – we may not be large on staff numbers, but our outlay and delivery is significant. You should all be proud of what you do, and why you do it.

My final thanks go to our Board of Directors – UPL Chair Pamela Bell, Keri Brown, Peter Glensor, Cameron Madgwick, Peter Fa'afiu and Phillip Jacques. Thank you all for your valued contributions and support to me and our fantastic team.

The 2024/25 Financial Year will see the completion on many of the current projects under construction and the fruition of the team's diligent hard work. It will be an increasingly busy time, but I am excited for the year ahead!



A handwritten signature in dark ink, appearing to read 'D Moriarty', with a stylized flourish at the end.

Daniel Moriarty
Chief Executive
25 September 2024

INTEREST REGISTER

Urban Plus Limited	Interests
Directors	
Pamela June Bell (Chair)	ConCOVE, Board Member Project Bellbird Limited, Director & Shareholder UPL Developments Limited, Director UPL Limited Partnership, Director Urban Plus Limited, Director Victoria University of Wellington – Adjunct Professor at School of Architecture Seaview Marina - Director Councillor to National Association Women in Construction (NAWIC) Council. (ceased May 2024) Abodo Wood Ltd – Independent board advisor Chief Executive of NZ Institute of Building (Commencement Date: 25 July 2022)
Cr Keri-Anne Pania Brown	Arakura School Board Hutt City Councillor – Wainuiomata Hutt Valley DHB Board Logistics Manager, Fulton Hogan / John Holland (Partner) Shea Pita Associates Limited, Associate Urban Plus (Mother is a tenant in Bell Road) UPL Developments Limited, Director UPL Limited Partnership, Director Urban Plus Limited, Director Wainuiomata Community Board Energy Hardship Independent Panel – Chair Tuanui Housing Project – Steering Group Member Wainuiomata Marae Housing Steering Group
Peter Edwin Glensor	Common Life Limited, Director & Shareholder Hutt City District Licencing Committee, Member Problem Gambling Foundation, Board Member Shetland Society of Wellington, Secretary Te Reo o Nga Tangata/The People Speak, Member UPL Developments Limited, Director UPL Limited Partnership, Director Urban Plus Limited, Director Wesley Community Action, Chairman Neighbours Day Aotearoa - Trustee
Petelo (Peter) Fa'afiu	Global Vice Chair, Amnesty International Charity Limited Independent Director, Finance Advice NZ Independent Director, CORE Education Limited Independent Director, Counties\Manukau Rugby Football Union Chair, Monte Cecilia Housing Trust Trustee, Sacred Heart College (Auckland) BOT Trustee, Innovation Franklin Shareholder / Partner, Navigator Limited Expert Panelist for Environmental Protection Authority UPL Developments Ltd, Director UPL Limited Partnership, Director Urban Plus Limited, Director
Cameron Madgwick	Laura Fergusson Trust – Chair (Wellington) Laura Fergusson Trust – Trustee (NZ) Deputy Chair Laura Fergusson NZ Limited – Director and Deputy Chair Morley Nominees Limited – Director Gibson Sheat Lawyers – Chief Executive UPL Developments Limited, Director UPL Limited Partnership, Director Urban Plus Limited, Director
Phillip Jacques	UPL Developments Limited, Director

	<p>UPL Limited Partnership, Director</p> <p>Urban Plus Limited, Director</p> <p>Te Ātiawa Asset Holding Company Ltd, Non-executive Director</p> <p>Medical Council of New Zealand, Independent Member – Audit and Risk Committee</p> <p>Te Ātiawa o Te Waka-a-Māui Trust – Member Audit and Risk Committee</p> <p>Human Rights Commission, Independent Member - Audit and Finance Committee</p> <p>Jacques Consulting Limited, Director</p> <p>New Zealand Law Society, Chair – Finance, Audit and Risk Committee</p> <p>Primary Client – The New Zealand Treasury</p> <p>Tū Ora Compass Health (Trustee and Chair Finance and Risk Committee) (from 7 December 2023)</p> <p>Totaranui Te Ātiawa General Partner Limited</p> <p>Acting Chief Financial Officer – NZ Qualifications Authority (ceased June 2024)</p>
Chief Executive	
Daniel Christopher Moriarty	<p>DNA Family Trustee Limited, Shareholder</p> <p>DNA Holdings (2018) Limited, Director</p> <p>Forza Limited, Director</p>

STATEMENT OF SERVICE PERFORMANCE

Measure	Target 2024	Achievement 2024	Target 2023	Achievement 2023
Rental Housing				
1.1. Capital expenditure within budget.	Capital \$3,722,282	Achieved \$2,131,428	Capital \$1,846,592	Achieved \$628,898
1.2. Operational expenditure within budget ⁽¹⁾	Operating \$1,703,405	Not Achieved \$1,884,077	Operating \$1,462,680	Achieved \$1,430,085
1.3. Net surplus before depreciation and tax and after finance expenses as a proportion of the net book value of residential land and buildings at the start of the year greater than 2.25% ⁽²⁾	2.25%	Not Achieved 0.47%	2.25%	Achieved 2.43%
1.4. Tenant satisfaction with the provision of the company's rental housing greater than or equal to 90% ⁽³⁾	90%	Achieved 90%	90%	Achieved 96%
1.5. Percentage of total housing units occupied by low-income elderly greater than or equal to 90%	90%	Not Achieved 80.77% identified NZ National Superannuation as their primary source of income. The existing tenants at recently acquired Properties have lowered this percentage. ⁽⁴⁾	85%	Not Achieved 75.27% identified NZ National Superannuation as their primary source of income. The existing tenants at recently acquired Properties have lowered this percentage. ⁽⁴⁾
1.6. Annual rental increases to be no greater than \$50 per week per unit	No greater than \$50 per week per unit	Achieved Rent increase no less than \$4 and no greater than \$20 per week per unit	No greater than \$50 per week per unit	Achieved There was no rent increase in FY22/23
1.7. Increase the portfolio size to 220 units by December 2024	220 units by December 2024	Not Achieved UPL has 188 units (includes 5 units at 17 Britannia St, which were completed in June 2024)	220 units by December 2023	Not Achieved Number of units decreased to 183, the 220 target is expected to be achieved by December 2023
1.8. All rental housing units in the portfolio to have a HomeFit® certificate by 30 June 2024	All housing units to have received a HomeFit® certificate by 30 June 2024	Achieved All housing units received a HomeFit® certificated	All housing units to have received a HomeFit® certificate by 30 June 2024	Not Achieved All housing units are expected to have received a HomeFit® certificated by 30 June 2024
1.9. Any rental housing units purchased and not already utilising electricity or renewable sources of energy for space heating, water heating, and cooking facilities, shall be converted to utilise only electricity or renewable sources of energy within five years of acquisition	Convert all purchased units that do not already do so, to utilise only electricity or renewable sources of energy for space heating, water heating, and cooking facilities within five years of acquisition	N/A No units in the existing portfolio utilise non-renewable energy sources. No units acquired during 2023/24 utilise non-renewable energy sources	Convert all purchased units that do not already do so, to utilise only electricity or renewable sources of energy for space heating, water heating, and cooking facilities within five years of acquisition	N/A No units in the existing portfolio utilise non-renewable energy sources. No units acquired during 2022/23 utilise non-renewable energy sources
1.10. New rental housing units constructed by UPL to utilise only electricity or renewable sources of energy for space heating, water heating and cooking facilities	All units constructed by UPL to utilise only electricity or renewable sources of energy for space heating, water heating and cooking facilities	Achieved 5 units were constructed during 2023/24	All units constructed by UPL to utilise only electricity or renewable sources of energy for space heating, water heating and cooking facilities	N/A No units were constructed during 2022/23

Measure	Target 2024	Achievement 2024	Target 2023	Achievement 2023
Property Development				
1.11. Capital expenditure within budget	Capital \$11,858,328	Not Achieved \$12,643,390	Capital \$73,233	Not Achieved \$192,409
1.12. Operational expenditure within budget ⁽¹⁾	Operating \$1,745,709	Achieved \$1,496,144	Operating \$9,570,072	Achieved \$8,922,465
1.13. All new developments shall only utilise electricity or renewable sources of energy for space heating, water heating and cooking facilities	All new developments shall only utilise electricity or renewable source of energy for space heating, water heating and cooking facilities	Achieved	All new developments shall only utilise electricity or renewable source of energy for space heating, water heating and cooking facilities	Achieved
1.14. All new housing units (standalone house or townhouse) shall achieve a certified HomeStar design rating of at least six stars ⁽⁵⁾	All new housing units to achieve a HomeStar™ rating of at least six stars	Achieved All housing units received a HomeStar™ design rating of at least six stars	All new housing units (standalone house or townhouse) shall achieve a certified HomeStar design rating of at least six stars ⁽⁵⁾	Achieved All housing units received a HomeStar™ design rating of at least six stars
1.15. A pre-tax return of not less than 20% on Development Costs including Contingency on each commercial development project (except where the Board and Shareholder agree otherwise to achieve specified objectives)	20%	N/A No 'Market' housing development projects were completed during 2023/24	20%	N/A No 'Market' housing development projects were completed during 2022/23.
1.16. A pre-tax return of not less than 15% on Development Costs including Contingency on housing released to market as 'Affordable' (except where the Board and Shareholder agree otherwise to achieve specified objectives)	15%	N/A No 'Affordable' housing development projects were completed during 2023/24	15%	N/A No 'Affordable' housing development projects were completed during 2022/23
1.17. Value of divestment to Community Housing Provider (or socially likeminded organisations) set at each project's Development Cost (includes contingency and GST) plus a margin of no less than 12.5% (except where the Board and Shareholder agree otherwise to achieve specified objectives)	12.5%	N/A No divestments to Community Housing Providers were made during 2023/24	12.5%	Achieved The sale of the Molesworth Street project property returned 20.3%
1.18. Long-term public rental accommodation pre-tax returns at no less than (or equal to) 3.5% after depreciation.	3.5%	N/A We completed 5 long-term public rental accommodations in June 2024, but they were untenanted.	3.5%	N/A No long-term public rental accommodation was completed during 2022/23

Measure	Target 2024	Achievement 2024	Target 2023	Achievement 2023
Professional Property Advice				
1.19. Achieve a market return on additional services provided to the shareholder	Achieve a market return on additional services provided to the shareholder	N/A Additional services were not charged to the shareholder during 2023/24	Achieve a market return on additional services provided to the shareholder	N/A Additional services were not charged to the shareholder during 2022/23

- (1) Operating expenditure before depreciation and tax expense
- (2) Calculated as net surplus plus depreciation, over the opening value of residential land and buildings.
- (3) This measure is from a survey of tenants who on a 5-point rating scale, with 3 being 'neutral', rated their satisfaction as satisfied or better. There was a response rate of 34.1% from the 182 surveys sent.
- (4) Information on the existing tenants at 38 Britannia St are not included in the calculation as this property has leased out to Wellington City Mission.
- (5) Homestar™ is an independent rating tool for assessing the health, efficiency, and sustainability of homes. Homestar™ built ratings are achieved after assessments completed once projects obtain practical completion.



Independent Auditor's Report

To the readers of Urban Plus Limited's group financial statements and performance information for the year ended 30 June 2024

The Auditor-General is the auditor of Urban Plus Limited and its controlled entities (collectively referred to as 'the Group'). The Auditor-General has appointed me, John Whittall, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements and the performance information of the Group, on his behalf.

Opinion

We have audited:

- the financial statements of the Group on pages 20 to 34, that comprise the statement of financial position as at 30 June 2024, 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 Group on pages 12 to 14.

In our opinion:

- the financial statements of the Group:
 - present fairly, in all material respects:
 - its financial position as at 30 June 2024; and
 - its financial performance and cash flows for the year then ended; and
 - comply with generally accepted accounting practice in New Zealand in accordance with Public Benefit Entity Reporting Standards Reduced Disclosure Regime; and
- the performance information of the Group presents fairly, in all material respects, the Group's actual performance compared against the performance targets and other measures by which performance was judged in relation to the Group's objectives for the year ended 30 June 2024.

Our audit was completed on 25 September 2024. This is the date at which our opinion is expressed.

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

Basis for our opinion

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

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

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

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

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

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 Group for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

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

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

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

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

For the budget information reported in the financial statements and the performance information, our procedures were limited to checking that the information agreed to the Group'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 Group'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 Group'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 Group'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 Group 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 obtain sufficient appropriate audit evidence regarding the financial statements and the performance information of the entities or business activities within the Group to express an opinion on the consolidated financial statements and the consolidated performance information. We are responsible solely for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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 in our audit.

Our responsibilities arise from the Public Audit Act 2001.

Other information

The Board of Directors is responsible for the other information. The other information comprises the information included on pages 1 to 19, 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 the fact. We have nothing to report in this regard.

Independence

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

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



John Whittal
Audit New Zealand
On behalf of the Auditor-General
Wellington, New Zealand

FINANCIAL STATEMENTS

Statement of Compliance and Responsibility

The Board and management of Urban Plus Limited (UPL) and Group (the Group) confirm in relation to the Annual Report that all statutory requirements as outlined in the Local Government Act 2002 have been complied with.

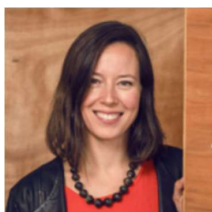
Responsibility

The Board and management of the Group accept responsibility for the preparation of the annual Financial Statements and the Statement of Service Performance and the judgements used in them.

The Board have authority to sign these financial statements.

The Board and management of the Group accept responsibility for establishing and maintaining a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial reporting.

In the opinion of the Board and management of the Group, the annual Financial Statements and the Statement of Service Performance for the year ended 30 June 2024 fairly reflect the financial position and operations of the Company.



Pamela Bell

Chair

25 September 2024



Phillip Jacques

Director

25 September 2024

Statement of Comprehensive Revenue and Expenses for the Year Ended 30 June 2024

	Notes	PARENT			GROUP		
		Actual 2024	Budget 2024	Actual 2023	Actual 2024	Budget 2024	Actual 2023
Revenue							
Property rents/leases		2,661,268	2,656,044	2,587,126	2,661,268	2,656,046	2,587,126
Interest revenue	2	1,877,557	2,172,501	842,351	1,054,346	1,095,126	488,979
Property management fees		329,160	242,880	266,976	8,160	-	-
Commercial development sales		-	-	9,304,348	-	-	9,304,348
Total revenue		4,867,985	5,071,425	13,000,800	3,723,774	3,751,173	12,380,453
Expenses							
Personnel expenses	3	1,107,599	1,285,325	956,296	1,107,599	1,285,325	956,296
Operating expenses	4	2,175,330	2,059,745	1,811,995	2,217,519	2,096,239	1,849,287
Finance expenses	2	2,087,283	2,707,174	769,979	2,087,283	3,045,636	769,979
Cost of commercial development sales		-	-	7,584,260	-	-	7,561,305
Asset write-offs		55,104	67,554	-	55,104	67,554	-
Depreciation and amortisation	10	724,466	876,021	868,840	724,466	876,017	868,840
Total expenses		6,149,782	6,995,820	11,991,370	6,191,971	7,370,771	12,005,708
Surplus/(Deficit) before tax		(1,281,797)	(1,924,394)	1,009,431	(2,468,197)	(3,619,599)	374,745
Income tax expense / (benefit)	5	(173,993)	-	289,033	(180,158)	43,267	289,033
Surplus/(Deficit) after tax		(1,107,805)	(1,924,394)	720,398	(2,288,039)	(3,662,865)	85,712
<i>Surplus/(Deficit) attributable to:</i>							
Urban Plus Limited		(1,107,805)	(1,924,394)	720,398	(2,288,039)	(3,662,865)	85,712
Other comprehensive revenue and expenses							
<i>Items that will not be reclassified to surplus / (Deficit)</i>							
Gain/(loss) on property revaluation		(91,689)	-	(3,728,267)	(91,689)	-	(3,728,267)
Add/(Less) tax on revaluation		(1,734,687)	-	982,315	(1,734,687)	-	982,315
Total other comprehensive revenue and expenses		(1,826,376)	-	(2,745,952)	(1,826,376)	-	(2,745,952)
Total comprehensive revenue and expenses		(2,934,181)	(1,924,394)	(2,025,555)	(4,114,415)	(3,662,865)	(2,660,240)

Explanations of major variances against budget are detailed in note 22. The accompanying notes form part of these financial statements.

Statement of Changes in Equity for the Year Ended 30 June 2024

	Notes	PARENT			GROUP		
		Actual 2024	Budget 2024	Actual 2023	Actual 2024	Budget 2024	Actual 2023
Balance at 1 July		49,030,103	51,971,523	51,055,658	53,275,469	56,250,018	55,935,709
Total comprehensive revenue and expenses for the year		(2,934,181)	(1,924,394)	(2,025,555)	(4,114,415)	(3,662,865)	(2,660,240)
Balance at 30 June	15	46,095,922	50,047,129	49,030,103	49,161,054	52,587,152	53,275,469

Explanations of major variances against budget are detailed in note 21. The accompanying notes form part of these financial statements.

Statement of Financial Position as at 30 June 2024

	Notes	PARENT			GROUP		
		Actual 2024	Budget 2024	Restated* Actual 2023	Actual 2024	Budget 2024	Actual 2023
Current assets							
Cash and cash equivalents	6	9,429,277	14,899,773	25,850,282	9,589,615	15,807,011	25,850,387
Debtors and other receivables	7	30,793	235,505	9,247	39,236	285,825	9,247
Inventories	8	-	-	-	24,927,325	33,539,508	12,283,935
Loans to subsidiaries	9	10,370,784	11,000,000	-	-	-	-
Related party receivables	7	176,652	-	58,387	-	-	737,851
Tax receivable		19,212	-	-	19,212	-	-
Total current assets		20,026,718	26,135,278	25,917,916	34,575,388	49,632,344	38,881,420
Non current assets							
Property, plant and equipment	10	45,607,794	51,099,561	44,206,766	45,607,794	51,099,561	44,206,766
Intangible assets	10	-	-	-	-	8	-
Assets under construction	10	1,752,569	4,512,746	1,907,042	1,752,569	4,512,748	1,907,042
Investment property	10	3,734,117	3,734,117	3,720,504	3,734,117	3,734,117	3,720,504
Loans to subsidiaries	9	10,847,022	20,100,000	7,880,906	-	-	-
Total non current assets		61,941,502	79,446,424	57,715,218	51,094,480	59,346,434	49,834,312
Total assets		81,968,220	105,581,702	83,633,134	85,669,868	108,978,778	88,715,732
Current liabilities							
Creditors and other payables	11	222,120	327,590	237,932	421,946	1,134,957	304,857
Employee entitlements	14	55,765	24,101	4,557	55,765	24,101	4,557
Liabilities to related parties		-	1,412,012	-	442,856	1,412,012	770,308
Tax payable		-	-	276,082	-	-	276,082
Total current liabilities		277,885	1,763,703	518,572	920,567	2,571,070	1,355,804
Non current liabilities							
Employee entitlements	14	50,670	86,164	102,455	50,670	86,172	102,455
Borrowings	12	33,000,000	53,000,000	33,000,000	33,000,000	53,000,000	33,000,000
Deferred tax liability		2,543,743	684,705	982,004	2,537,578	734,384	982,004
Total non current liabilities		35,594,413	53,770,869	34,084,459	35,588,248	53,820,556	34,084,459
Total liabilities		35,872,298	55,534,572	34,603,031	36,508,815	56,391,625	35,440,263
Net Assets		46,095,922	50,047,129	49,030,103	49,161,053	52,587,152	53,275,468
Equity							
Accumulated funds	15	2,381,695	1,760,573	3,489,500	5,446,826	4,300,596	7,734,865
Share capital	15	15,300,000	15,300,000	15,300,000	15,300,000	15,300,000	15,300,000
Revaluation reserve	15	28,414,227	32,986,556	30,240,603	28,414,227	32,986,556	30,240,603
Total equity		46,095,922	50,047,129	49,030,103	49,161,053	52,587,152	53,275,468

Explanations of major variances against budget are detailed in note 21. The accompanying notes form part of these financial statements.

*Refer to Note 9 for details on 2023 restatement.

Statement of Cash Flows for the Year Ended 30 June 2024

	PARENT			GROUP		
	Actual 2024	Budget 2024	Actual 2023	Actual 2024	Budget 2024	Actual 2023
CASH FLOWS FROM OPERATING ACTIVITIES						
<i>Cash was provided from:</i>						
Receipts from rent and leases	2,639,722	2,898,927	2,581,389	2,631,280	2,898,927	2,586,934
Receipt for management fee	329,160	-	266,976	8,160	-	-
Receipts from other revenue	-	-	-	-	259,616	-
Interest received	1,877,355	2,172,503	842,351	1,054,144	1,095,126	488,979
Receipts from sales of commercial developments	-	-	9,304,348	-	-	9,304,348
	4,846,237	5,071,430	12,995,064	3,693,584	4,253,670	12,380,260
<i>Cash was applied to:</i>						
Payments to employees	(1,108,176)	(1,285,322)	(952,848)	(1,108,177)	(1,285,322)	(952,848)
Payments to suppliers	(2,191,142)	(2,176,251)	(1,897,293)	(2,100,431)	(14,249,861)	(1,909,763)
Interest paid	(2,084,596)	(2,707,174)	(769,979)	(2,084,596)	(2,707,174)	(769,979)
Purchase of assets held for commercial developments	-	(3,010,000)	(192,409)	(12,643,390)	(11,858,328)	(2,592,708)
Tax paid	(304,710)	(113,729)	(1,480,791)	(304,710)	(122,231)	(1,487,200)
	(5,688,624)	(9,292,476)	(5,293,319)	(18,241,304)	(30,222,916)	(7,712,498)
Net cash flows from operating activities	(842,387)	(4,221,046)	7,701,745	(14,547,720)	(25,969,246)	4,667,762
CASH FLOWS FROM INVESTING ACTIVITIES						
<i>Cash was provided from:</i>						
Proceeds from loans to related parties	719,000	-	-	-	-	-
	719,000	-	-	-	-	-
<i>Cash was applied to:</i>						
Purchase and construction of property, plant and equipment	(2,131,427)	(3,722,282)	(628,898)	(2,131,426)	(3,722,282)	(628,898)
Loans to related parties	(14,166,191)	-	(3,053,109)	-	-	-
	(16,297,618)	(3,722,282)	(3,682,007)	(2,131,426)	(3,722,282)	(628,898)
Net cash flows from investing activities	(15,578,618)	(3,722,282)	(3,682,007)	(2,131,426)	(3,722,282)	(628,898)
CASH FLOWS FROM FINANCING ACTIVITIES						
<i>Cash was provided from:</i>						
Capital contribution from Hutt City Council	-	20,000,000	20,000,000	418,374	20,000,000	20,000,000
Proceeds from borrowings	-	20,000,000	20,000,000	418,374	20,000,000	20,000,000
	-	20,000,000	20,000,000	418,374	20,000,000	20,000,000
<i>Cash was applied to:</i>						
Repayment of advances from related parties	-	(22,200,000)	-	-	-	(53,704)
	-	(22,200,000)	-	-	-	(53,704)
Net cash flows from financing activities	-	(2,200,000)	20,000,000	418,374	20,000,000	19,946,296
Net increase/(decrease) in cash and cash equivalents	(16,421,005)	(10,143,328)	24,019,737	(16,260,772)	(9,691,527)	23,985,159
Cash and cash equivalents at the beginning of the year	25,850,282	25,043,101	1,830,545	25,850,387	25,498,538	1,865,228
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	9,429,277	14,899,773	25,850,282	9,589,615	15,807,011	25,850,387

Explanations of major variances against budget are detailed in note 21. The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. Statement of Accounting Policies

REPORTING ENTITY

Urban Plus Limited (UPL) is a Council Controlled Organisation (CCO), 100% owned by the Hutt City Council (HCC).

The Group consists of the ultimate parent, UPL, and its subsidiaries – UPL Developments Limited and UPL Limited Partnership - all Council Controlled Organisations and 100% owned by UPL.

UPL provides a portfolio of rental housing for the elderly and socially disadvantaged. UPL also provides professional property management services to HCC and will deal with any development property sold to it by HCC.

UPL is designated as a public benefit entity for financial reporting purposes. UPL has chosen to present the parent's financial results within the financial statements notwithstanding that this is not required by legislation.

The financial statements of UPL and the Group are for the year ended 30 June 2024. The financial statements were authorised for issue by the Board of Directors on 25 September 2024.

BASIS OF PREPARATION

Statement of compliance

These financial statements have been prepared in accordance with the requirements of the Local Government Act 2002, which includes the requirement to comply with generally accepted accounting practice in New Zealand (NZ GAAP). They comply with International Public Sector Accounting Standards (IPSAS) and other applicable Financial Reporting Standards, as appropriate for public benefit entities (PBE) that apply the Public Benefit Entity Standards Reduced Disclosure Regime. As the Group's total expenses are under \$30,000,000 and the Group does not have public accountability as defined by the External Reporting Board (XRB) it can elect to report under this framework.

The financial statements have been prepared on a going concern basis, and the accounting policies have been consistently applied throughout the period.

Measurement base

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

The financial statements have been prepared on a historical cost basis, modified by the revaluation of land and buildings.

The financial statements are presented in New Zealand dollars and are rounded to the nearest dollar. The functional currency of the Group is New Zealand dollars. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in the Statement of Comprehensive Revenue and Expenses.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

The consolidated Financial Statements are prepared by adding together like items of assets, liabilities, equity, revenue and expenses of entities in the Group on a line-by-line basis. All intragroup balances, transactions, revenue and expenses are eliminated on consolidation.

Subsidiaries/Council Controlled Entities (CCO's)

UPL consolidates in the Group Financial Statements all entities where UPL has the capacity to control their financial and operating policies so as to obtain benefits from the activities of the subsidiary/CCO. The power exists where UPL controls the majority voting power on the governing body or where such policies have been irreversibly predetermined by UPL or where the determination of such policies is unable to materially affect the level of potential ownership benefits that arise from the activities of the subsidiary/CCO.

The Financial Statements of the controlled entities are prepared for the same reporting period as UPL, using consistent accounting policies. Controlled entities are fully consolidated from the date on which control is obtained by the Group and cease to be consolidated from the date on which control is lost. Assets, liabilities, revenue and expenses of a controlled entity acquired or disposed of during the year are included in the Financial Statements from the date the Group gains control until the date the Group ceases to control the controlled entity.

Comparative data

Comparatives have been reclassified as appropriate to ensure consistency of presentation with the current year.

Revenue

Revenue is measured at the fair value of consideration received.

Revenue from the rendering of services is recognised by reference to the stage of completion of the transaction at balance date, based on the actual service provided as a percentage of the total services to be provided.

Sale of goods are recognised when a product is sold to the customer. The recorded revenue is the gross amount of the sale, including credit card fees payable for the transaction. Such fees are included in other expenses.

Property sales are recognised on settlement date, along with other expenses.

Goods and services tax

All items in the financial statements are stated exclusive of GST, except for receivables and payables. Where GST is not recoverable as input tax then it is recognised as part of the related asset or expense.

The net amount of GST recoverable from, or payable to, the Inland Revenue Department (IRD) is included as part of receivables or payables in the Statement of Financial Position.

Commitments and contingencies are disclosed exclusive of GST.

Budget figures

The budget figures are those approved by the Board at the beginning of the year. The same budget figures are used in UPL and Groups Statement of Intent, which was approved by HCC. The budget figures have been prepared in accordance with Tier 2 standards, using accounting policies that are consistent with those adopted by the Board for the preparation of the financial statements.

Critical accounting estimates and assumptions

In preparing these financial statements, UPL has made estimates and assumptions concerning the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Classification of property

UPL owns a number of properties held to provide housing to low-income elderly. The receipt of market-based rental from these properties is incidental to holding them. The properties are held for service delivery objectives as part of UPL's social housing policy. The properties are therefore accounted for as property, plant and equipment rather than as investment property.

Estimation of the useful life and residual value of property, plant and equipment

At each balance date, UPL reviews the useful lives and residual values of its property, plant and equipment. Assessing the appropriateness of useful life and residual value estimates requires UPL to consider a number of factors such as the physical condition of the asset, expected period of use of the asset by the UPL, and expected disposal proceeds from the future sale of the asset.

An incorrect estimate of the useful life or residual value will affect the depreciable amount of an asset, therefore affecting the depreciation expense recognised in the surplus or deficit and the asset's carrying amount. UPL minimises the risk of this estimation uncertainty by:

- Physical inspection of assets;
- Asset replacement programs;
- Review of second hand market prices for similar assets; and
- Analysis of prior asset sales.

UPL has not made significant changes to past assumptions concerning useful lives and residual values.

2. Interest revenue and finance expenses

	Parent		Group	
	2024	2023	2024	2023
Interest revenue				
Call and term deposits	1,053,078	488,934	1,054,346	488,979
Related party deposits	824,479	353,417	-	-
Total interest revenue	1,877,557	842,351	1,054,346	488,980
Finance expenses				
Interest paid to related parties	2,084,596	769,972	2,084,596	769,973
Interest paid to bank	2,687	6	2,687	6
Total finance expenses	2,087,283	769,979	2,087,283	769,979
Net finance expenses	209,726	(72,372)	1,032,936	280,999

Interest income is recognised using the effective interest method.

3. Personnel expenses

	Parent		Group	
	2024	2023	2024	2023
Salaries and wages	1,003,686	873,796	1,003,686	873,796
Recruitment expenses	36,956	19,780	36,956	19,780
Training	10,652	10,800	10,652	10,800
Other employee expenses	28,156	21,429	28,156	21,429
Retiring and long service leave	1,141	1,141	1,141	1,141
Defined contribution plan employer contributions	25,942	26,242	25,942	26,242
Increase/(decrease) in employee entitlements/liabilities	1,066	3,109	1,066	3,109
Total personnel expenses	1,107,599	956,296	1,107,599	956,296

4. Operating expenses

	Parent		Group	
	2024	2023	2024	2023
Fees for the audit of the financial statements	61,712	57,314	81,817	80,343
Impairment of receivables	-	1,834	-	1,834
Rent and lease costs	34,180	33,034	34,180	33,034
Professional services charges - Hutt City Council	97,169	89,856	97,169	89,856
Rates and waste water charges - Hutt City Council	283,638	268,070	-	268,070
Bank charges	10	9	187	109
Directors' fees	108,455	103,363	108,455	103,363
Insurance	233,162	230,682	233,162	230,682
Specialist services	92,535	265,710	112,499	279,874
Operational contracts	167,537	139,832	167,537	139,832
Repairs and maintenance	867,963	438,700	869,906	438,700
Other expenses	228,970	183,590	512,608	183,589
Total operating expenses	2,175,330	1,811,995	2,217,519	1,849,287

5. Taxation

Accounting policy

Income tax expense includes components relating to both current tax and deferred tax.

Current tax is the amount of income tax payable based on the taxable profit for the current year, and any adjustments to income tax payable in respect of prior years. Current tax is calculated using tax rates (and tax laws) that have been enacted or substantively enacted at balance date.

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

Deferred tax is measured at tax rates that are expected to apply when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at balance date. The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the entity expects to recover or settle the carrying amount of its assets and liabilities.

Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences or tax losses can be utilised. Deferred tax is not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition of an asset or liability in a transaction that is not a business combination, and at the time of the transaction, affects neither accounting profit nor taxable profit.

Current and deferred tax is recognised against the profit or loss for the period, except to the extent that it relates to a business combination, or to transactions recognised in other comprehensive revenue and expenses or directly in equity.

	Parent		Group	
	2024	2023	2024	2023
Net surplus/(deficit) before tax	(1,281,796)	1,009,431	(2,468,197)	374,745
Tax at 28%	(358,903)	282,641	(691,095)	104,928
Non deductible expenditure	487	743	487	743
Prior year adjustment	(1,044)	(5,613)	(1,044)	(5,613)
Deferred tax adjustment	166,536	15,265	166,536	15,265
Non-taxable income	-	-	320,733	173,710
Tax on partnership share	(5,293)	(30)	-	-
Group loss offset	24,225	(3,972)	24,225	-
Tax expense	(173,993)	289,033	(180,158)	289,033
Current tax	-	495,824	-	495,824
Adjustments to current tax in prior years	(1,044)	(5,613)	(1,044)	(5,613)
Deferred tax	(172,949)	(201,178)	(179,114)	(201,178)

	Parent				
	Property, Plant & Equipment	Employee Entitlements	Other Provisions	Tax Losses	Total
Balance at 30 June 2022	(2,198,366)	32,319	552	-	(2,165,495)
Charged to surplus or deficit	202,645	(724)	(743)	-	201,178
Charged to other comprehensive income	982,315	-	-	-	982,315
Balance at 30 June 2023	(1,013,406)	31,594	(191)	-	(982,003)
Charged to surplus or deficit	29,374	(3,597)	853	146,316	172,947
Charged to other comprehensive income	(1,734,687)	-	-	-	(1,734,687)
Balance at 30 June 2024	(2,718,719)	27,997	662	146,316	(2,543,743)

	Group				
	Property, Plant & Equipment	Employee Entitlements	Other Provisions	Tax Losses	Total
Balance at 30 June 2022	(2,198,366)	32,319	552	-	(2,165,495)
Charged to surplus or deficit	202,645	(724)	(743)	-	201,178
Charged to other comprehensive income	982,315	-	-	-	982,315
Balance at 30 June 2023	(1,013,406)	31,594	(191)	-	(982,003)
Charged to surplus or deficit	29,374	(3,597)	853	152,481	179,112
Charged to other comprehensive income	(1,734,687)	-	-	-	(1,734,687)
Balance at 30 June 2024	(2,718,719)	27,997	662	152,481	(2,537,578)

6. Cash and cash equivalents

Accounting policy

Cash and cash equivalents includes cash on hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less, and bank overdrafts.

The carrying value of cash at bank and term deposits with maturities less than three months approximate their fair value. UPL does not hold funds (included in cash or cash equivalents) with restrictions specifying how the funds are to be spent.

	2024	2023	2024	2023
Cash at bank and on hand	9,429,277	25,850,282	9,589,615	25,850,387
Total cash and cash equivalents	9,429,277	25,850,282	9,589,615	25,850,387

7. Debtors and other receivables

Accounting policy

Debtors and other receivables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment.

	Parent		Group	
	2024	2023	2024	2023
Debtors and rent receivable	30,793	9,247	39,236	9,247
Other receivables:				
Related party receivables	176,652	58,387	-	737,851
Gross debtors and other receivables	207,445	67,634	39,236	747,098
Total debtors and other receivables	207,445	67,634	39,236	747,098
Total receivables comprises:				
Receivables from the sale of goods and services (exchange transactions)	207,445	67,634	39,236	747,098
Receivables from grants (non exchange transactions)	-	-	-	-

Fair value

Debtors and other receivables are non-interest bearing and receipts are normally on 30-day terms; therefore the carrying value of debtors and other receivables approximates their fair value.

Impairment

The carrying amount of receivables that would otherwise be past due or impaired, whose terms have been renegotiated, is \$nil (2023: \$nil).

Movements in the provisions for impairment of receivables are as follows:

	Parent		Group	
	2024	2023	2024	2023
At 1 July	-	-	-	-
Additional provisions made during the year	-	1,834	-	1,834
Provisions reversed during the year	-	-	-	-
Receivables written off during the period	-	(1,834)	-	(1,834)
At 30 June	-	-	-	-

8. Inventories

Accounting policy

Where development property is held for sale or for development for sale, in the ordinary course of business, it is classified as inventory. Such property is recorded at the lower of cost and net realisable value (selling price less costs to complete and sale costs). Any write-downs to net realisable value are expensed in the net surplus/(deficit) for the year.

	Parent		Group	
	2024	2023	2024	2023
Commercial property development at 1 July	-	7,391,851	12,283,935	17,252,532
Cost of Sales of Commercial Development Property	-	(7,584,260)	-	(7,561,305)
Additional Developments during the year	-	192,409	12,643,390	2,592,708
Commercial property development at 30 June	-	-	24,927,325	12,283,935

Inventories are made up of commercial property developments that will be sold on completion.

No inventory is pledged as security for liabilities (2023: \$nil).

9. Loans to Subsidiaries

	Parent			Group	
	2024	Restated * Actual 2023	Actual 2023	2024	2023
Current portion					
Loans to subsidiaries	10,370,784	-	7,880,906	-	-
Total Current portion	10,370,784		7,880,906		
Non Current portion					
Loans to subsidiaries	10,847,022	7,880,906	-	-	-
Total Non Current portion	10,847,022	7,880,906	-	-	-
Total loans to subsidiaries	21,217,806	7,880,906	7,880,906	-	-

After initial recognition, loans to subsidiaries are measured at amortised cost using the effective interest method.

Prior year restatement: the 2023 comparative for loans to subsidiaries in the parent financial statements have been restated from current assets to non-current assets because these loans were not expected to be realised within 12 months after the reporting period.

This has led to total current assets as at 30 June 2023 decreasing by \$7,880,906 compared to the previously reported figure, with a corresponding increase to total non-current assets.

This error did not impact the group financial statements as the loans are eliminated on consolidation.

10. Property, plant and equipment

Parent/Group	Opening			Movements during the year										Closing		
2024	Accumulated depreciation and Carrying amount			Elimination of accumulated depreciation on Revaluation surplus										Accumulated depreciation and Carrying amount		
	Cost	impairment	amount	Additions	Disposals	on disposals	Reclass opening cost	Reclass accumulated depreciation	Impairment	Depreciation	revaluation	Revaluation surplus		Cost	impairment	amount
Property, plant & equipment																
Land	31,227,000	-	31,227,000	-	-	-	-	-	-	-	-	(6,287,000)		24,940,000	-	24,940,000
Buildings	12,911,000	0	12,911,000	2,220,981	(57,000)	-	-	-	-	(705,134)	623,729	5,571,582		20,646,563	(81,405)	20,565,158
Vehicles	86,295	(17,529)	68,766	49,595	-	-	-	-	-	(17,335)	-	-		135,891	(34,864)	101,026
Plant and equipment	945	(945)	-	1,711	-	-	-	-	-	(101)	-	-		2,656	(1,046)	1,610
Total property plant & equipment	44,225,240	(18,474)	44,206,766	2,272,287	(57,000)	-	-	-	-	(722,570)	623,729	(715,418)		45,725,110	(117,315)	45,607,794
Intangible assets																
Intangible assets	577	(577)	(0)	-	-	-	-	-	-	-	-	-		577	-	577
Total intangible assets	577	(577)	(0)	-	-	-	-	-	-	-	-	-		577	-	(0)
Total operational assets	44,225,817	(19,051)	44,206,766	2,272,287	(57,000)	-	-	-	-	(722,570)	623,729	(715,418)		45,725,686	(117,892)	45,607,794

Parent/Group	Opening			Movements during the year										Closing		
2023	Accumulated depreciation and Carrying amount			Elimination of accumulated depreciation on Revaluation surplus										Accumulated depreciation and Carrying amount		
	Cost	impairment	amount	Additions	Disposals	on disposals	Reclass opening cost	Reclass accumulated depreciation	Impairment	Depreciation	revaluation	Revaluation surplus		Cost	impairment	amount
Property, plant & equipment																
Land	31,447,000	-	31,447,000	-	-	-	-	-	-	-	-	(220,000)		31,227,000	-	31,227,000
Buildings	16,793,838	(68,059)	16,725,779	553,301	-	-	-	-	-	(859,813)	927,872	(4,436,139)		12,911,000	0	12,911,000
Vehicles	40,474	(8,578)	31,896	45,821	-	-	-	-	-	(8,951)	-	-		86,295	(17,529)	68,766
Plant and equipment	945	(945)	-	-	-	-	-	-	-	-	-	-		945	(945)	-
Total property plant & equipment	48,282,257	(77,582)	48,204,676	599,122	-	-	-	-	-	(868,764)	927,872	(4,656,139)		44,225,240	(18,474)	44,206,766
Intangible assets																
Intangible assets	577	(501)	76	-	-	-	-	-	-	(76)	-	-		577	(577)	(0)
Total intangible assets	577	(501)	76	-	-	-	-	-	-	(76)	-	-		577	(577)	(0)
Total operational assets	48,282,834	(78,082)	48,204,751	599,122	-	-	-	-	-	(868,840)	927,872	(4,656,139)		44,225,817	(19,051)	44,206,766

No class of Property, plant and equipment is pledged as security for liabilities, nor are any tiles restricted.

Land is valued as vacant and incorporates the influences of size, contour, quality, location, zoning, designation and current potential usage. Buildings comprise of residential dwellings that have been valued in relation to market based evidence. Market evidence has been assessed in the context of the assets current level of improvements and condition and applied to the summation approach and the direct comparison and capitalised income approach to assess their current fair values. The most recent independent valuation was performed by Peter Erceg and Chris McCashin (MPINZ) of Aon Valuation Services effective as at 31 May 2024. The total valuation was for \$43,920,000.

Accounting Policy

Property, plant and equipment consist of the following asset classes: land, buildings, and plant and equipment.

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

Revaluation

Land and buildings are revalued with sufficient regularity to ensure that their carrying amount does not differ materially from fair value and at least every three years. All other asset classes are carried at depreciated historical cost. The carrying values of revalued assets are assessed annually to ensure that they do not differ materially from the assets' fair values. If there is a material difference, then the off-cycle asset classes are revalued.

Revaluations of property, plant, and equipment are accounted for on a class-of-asset basis.

The net revaluation results are credited or debited to other comprehensive revenue and expenses and are accumulated to an asset revaluation reserve in equity for that class of asset. Where this would result in a debit balance in the asset revaluation reserve, this balance is not recognised in other comprehensive revenue and expenses but is recognised in the surplus or deficit. Any subsequent increase on revaluation that reverses a previous decrease in value recognised in the surplus or deficit will be recognised first in the surplus or deficit up to the amount previously expensed, and then recognised in other comprehensive revenue and expenses.

Additions

Expenditure of a capital nature of \$1,000 or more has been capitalised. Expenditure of less than \$1,000 has been charged to operating expenditure. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to UPL and the cost of the item can be measured reliably.

Disposals

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the asset. Gains and losses on disposals are recognised in the Statement of Comprehensive revenue and expenses.

Subsequent costs

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

Depreciation

Depreciation is provided on a straight line basis on all property, plant and equipment at rates that will write off the cost (or valuation) of the assets to their estimated residual values over their useful lives. The straight line depreciation rates are as follows:

Estimated economic lives	Years	Rate
Buildings	2 - 63	1.59% - 50.00%
Vehicles	7	12.76%

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

Intangible assets

Software acquisition and development

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Costs associated with maintaining computer software are recognised as an expense when incurred. Costs that are directly associated with the development of software for internal use by UPL, are recognised as an intangible asset.

Amortisation

The carrying value of an intangible asset with a finite life is amortised on a straight-line basis over its useful life. Amortisation begins when the asset is available for use and ceases at the date that the asset is derecognised. The amortisation charge for each period is recognised in the surplus or deficit.

The useful lives and associated amortisation rates of major classes of intangible assets have been estimated as follows:

Estimated economic lives	Years	Rate
Computer software	7	14.29%

Assets under construction

Assets under construction are recognised at cost less impairment and are not depreciated.

	Parent		Group	
	2024	2023	2024	2023
Land and site improvements	-	-	-	-
Buildings	1,752,569	1,907,042	1,752,569	1,907,042
Total assets under construction	1,752,569	1,907,042	1,752,569	1,907,042

Investment Property

Properties purchased for development that have uncertainty over their future use, are classified as investment properties and recognised at cost.

Impairment of non-financial assets

Assets with a finite useful life are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If an asset's carrying amount exceeds its recoverable amount, the asset is impaired and the carrying amount is written down to the recoverable amount. The total impairment loss is recognised in the Statement of Comprehensive Revenue and Expenses.

11. Trade and other payables

Creditors and other payables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method.

	Parent		Group	
	2024	2023	2024	2023
Creditors and other payables	174,411	191,927	374,237	258,852
Receipts in advance	47,709	46,005	47,709	46,005
Total trade and other payables under exchange transactions	222,120	237,932	421,946	304,857

Creditors and other payables are non-interest bearing and are normally settled on 30-day terms, therefore the carrying value and other payable approximate their fair value.

12. Borrowings

Accounting Policy

Borrowings are initially recognised at their fair value. After initial recognition, all borrowings are measured at amortised cost using the effective interest method. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after balance date.

Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred.

	Parent		Group	
	2024	2023	2024	2023
Non-current				
Unsecured loans - non current	33,000,000	33,000,000	33,000,000	33,000,000
Total non-current portion	33,000,000	33,000,000	33,000,000	33,000,000
Total borrowings	33,000,000	33,000,000	33,000,000	33,000,000

Security

All borrowings are secured by a fixed charge over the issued but uncalled share capital of UPL.

13. Categories of financial instruments

Accounting Policy

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets and financial liabilities are measured at fair value plus transaction costs. Subsequent measurement is dependent on the classification of the financial instrument.

UPL Group is party to financial instrument arrangements as part of its normal operations. The financial assets and financial liabilities are classified as financial assets and financial liabilities at amortised cost using the effective interest method. Financial assets, such as receivables and loans are assessed for impairment using the "expected credit loss"

model based on whether a significant increase in the general level of credit risk has occurred. After the initial recognition, these are carried at amortised cost less provision for impairment. Gains and losses when the asset/liability are impaired or derecognised are recognised in the surplus or deficit in the Statement of Comprehensive Revenue and Expense on the basis of the UPL's accounting policies set out below.

	Parent		Group	
	2024	2023	2024	2023
Financial Assets				
<i>Financial assets at amortised cost</i>				
Cash and cash equivalents	9,429,277	25,850,282	9,589,615	25,850,387
Debtors and other receivables	30,793	9,247	39,236	9,247
Loans to subsidiaries	21,217,806	7,880,906	-	-
Related party receivables	176,652	58,387	-	737,851
Total financial assets at amortised cost	30,854,528	33,798,822	9,628,851	26,597,485
Financial Liabilities				
<i>Financial liabilities at amortised cost:</i>				
Liabilities to related parties	-	-	442,856	770,308
Borrowings	33,000,000	33,000,000	33,000,000	33,000,000
Trade and other payables	222,120	237,932	421,946	304,857
Total financial liabilities at amortised cost	33,222,120	33,237,932	33,864,802	34,075,164

14. Employee entitlements

Accounting Policy

Short-term employee entitlements

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

The Group recognises a liability and an expense for bonuses where contractually obliged or where there is a past practice that has created a constructive obligation.

Long-term employee entitlements

Employee benefits that are due to be settled beyond 12 months after the end of the period in which the employee renders the related service, such as long service leave and retirement gratuities, have been calculated on an actuarial basis. Calculations are based on:

- likely future entitlements accruing to staff, based on years of service, years to entitlement, the likelihood that staff will reach the point of entitlement, and contractual entitlement information; and,
- the present value of the estimated future cash flows.

Presentation of employee entitlements

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

	Parent		Group	
	2024	2023	2024	2023
Current portion				
Annual leave	55,765	4,557	55,765	4,557
Total Current portion	55,765	4,557	55,765	4,557
Non-current portion				
Retirement and long service leave	50,670	102,455	50,670	102,455
Total Non-current portion	50,670	102,455	50,670	102,455
Total employee entitlements	106,435	107,012	106,435	107,012

15. Equity

	Parent		Group	
	2024	2023	2024	2023
Accumulated funds				
Balance at beginning of year	3,489,500	2,769,102	7,734,865	7,649,153
Net surplus/(deficit)	(1,107,805)	720,398	(2,288,039)	85,712
Share of Subsidiary surplus	-	-	-	-
Balance at year end	2,381,695	3,489,500	5,446,826	7,734,865
Share capital				
Balance at beginning of year	15,300,000	15,300,000	15,300,000	15,300,000
Movements during the year	-	-	-	-
Balance at year end	15,300,000	15,300,000	15,300,000	15,300,000
Asset revaluation reserve				
Balance at beginning of year	30,240,603	32,986,556	30,240,603	32,986,555
Movements during the year taken to equity	-	-	-	-
Movements during the year from revaluation	(1,826,376)	(2,745,952)	(1,826,376)	(2,745,952)
Movements during the year from asset disposal	-	-	-	-
Balance at year end	28,414,227	30,240,603	28,414,227	30,240,603
Asset revaluation reserve consist of:				
Buildings	8,574,407	4,113,783	8,574,407	4,113,783
Land	19,839,820	26,346,820	19,839,820	26,346,820
Total	28,414,227	30,240,603	28,414,227	30,240,603
Total equity				
Balance at beginning of year	49,030,103	51,055,658	53,275,468	55,935,708
Movements during the year	(2,934,181)	(2,025,555)	(4,114,415)	(2,660,240)
Balance at year end	46,095,922	49,030,103	49,161,053	53,275,468

Equity is Hutt City Council's interest in UPL, being a 100% council controlled organisation, as measured by total assets less liabilities. Equity has been classified into various components to identify those portions of equity held for specific purposes.

These components of equity are:

- Accumulated funds;
- Share capital; and,
- Buildings and land revaluation reserves (these reserves relate to the revaluation of buildings and land to fair value).

As at 30 June 2024, UPL had 27,000,001 ordinary shares, all of which have a face value of \$1 per share and are held by the controlling entity Hutt City Council. 12,000,001 are fully paid and 15,000,000 are issued but uncalled. No rights, preferences or restrictions attach to the shares. No shares are reserved for issuance under options and sales contracts.

	Parent		Group	
	2024	2023	2024	2023
Registered holders of equity shares as at 30 June				
Hutt City Council	27,000,001	100%	27,000,001	100%

16. Remuneration

Key management personnel consist of the Chief Executive and Board members.

	Parent		Group	
	2024	2023	2024	2023
Senior management				
Total remuneration	238,149	237,303	238,149	237,303
Full-time equivalents	1.00	1.00	1.00	1.00

Due to the difficulty in determining the full-time equivalent for Board members, the full time figure is taken as the number of Board members. Total remuneration includes any non-financial benefits provided to employees. A full time employee (FTE) is determined on the basis of a 40 hour working week.

Remuneration of Board members	Parent		Group	
	2024	2023	2024	2023
H MacKenzie	-	12,348	-	12,348
K Brown	14,960	11,278	14,960	11,278
P Bell (from 1 October 2020)	28,219	27,863	28,219	27,863
P Glensor (from 1 October 2020)	14,754	17,906	14,754	17,906
P Fa'afiu (from 1 April 2021)	16,159	16,538	16,159	16,538
C Madgwick (from 1 April 2021)	16,052	16,052	16,052	16,052
P Jacques (from on 30 May 2023)	18,310	1,378	18,310	1,378
Total Board remuneration	108,455	103,363	108,455	103,363
Number of Board members	6.00	7.00	6.00	7.00

Severance payments

For the year ended 30 June 2024, UPL made no severance payments, (2023: \$Nil).

17. Related party disclosures

Related party disclosures have not been made for transactions with related parties that are within a normal supplier or client/recipient relationship on terms and condition no more or less favourable than those that it is reasonable to expect Urban Plus Limited and its parent (Hutt City Council) or its subsidiaries (UPL Developments Limited and UPL Limited Partnership) would have adopted in dealing with those entities at arm's length in the same circumstances.

18. Capital commitments and operating leases

Capital commitments

Capital commitments as at 30 June 2024 nil (2023: \$632,167) for UPL and the Group.

Leased assets

Accounting policy

Operating leases as lessee

The Group leases property, plant and equipment in the normal course of its business. The majority of these leases have a non-cancellable term of 36 months. The future aggregate minimum lease payments payable under non-cancellable leases are as follows:

	Parent		Group	
	2024	2023	2024	2023
Not later than one year	39,307	39,307	39,307	39,307
Later than one year and not later than two years	9,827	39,307	9,827	39,307
Later than two years and not later than five years	-	9,827	-	9,827
Later than five years	-	-	-	-
Total non-cancellable operating leases	49,134	88,440	49,134	88,440

The total minimum future sublease payments expected to be received under non-cancellable subleases at balance date is \$nil (2023: \$nil).

Leases can be renewed at The Group's option, with rents set by reference to current market rates for items of equivalent age and condition. The Group does not have the option to purchase the asset at the end of the lease term.

There are no restrictions placed on the Group by any of the leasing arrangements.

Operating leases as lessor

Leases where the lessor effectively retains substantially all the risks and rewards of ownership of the leased items are classified as operating leases. Payments made under these leases are expensed in the Statement of Comprehensive Revenue and Expenses on a straight-line basis over the term of the lease. Lease incentives received are recognised in the Statement of Comprehensive Revenue and Expenses as an integral part of the total lease payment.

The Group leases housing properties under operating leases that have a non-cancellable term of 3 weeks. No contingent rents have been recognised in the statement of comprehensive revenue and expenses during the period.

Finance Leases

The Group has not entered into any material finance leases.

19. Contingencies

Contingent liabilities

As at 30 June 2024 there were nil contingent liabilities for UPL and the Group (2023: \$nil).

Contingent assets

As at 30 June 2024 contingent assets were \$nil for UPL and the Group (2023: \$nil).

20. Events after balance date

There have been no significant events since balance date (2023: No significant event after balance date).

21. Variance explanations

Statement of Comprehensive Revenue and Expenses

Revenue

Revenue is in line with the budget.

Expenses

Finance expenses are below the budget of \$3,045,636 by \$958,353. This was due to the two lots of \$10M of loan drawdowns did not happen in the financial year.

Statement of Financial Position

Current Assets

Delays in the progression of the Stanley Street, Tawhai Street, and Tama Street developments have resulted in inventories being below budget.

Current Liabilities

The creditors and other payables balance was lower than budget due to a higher volume of payments being made prior to 30 June than what was budgeted.

Non-current Assets

Assets under construction are much lower than budgeted due to the early completion of 17 Britannia St, which has been capitalized in the fixed asset register. Property, plant and equipment is \$45,607,794 which is under the budget of \$51,099,561 due unbudgeted losses on revaluation and planned acquisition for residential development did not happen.

Non-current Liabilities

Borrowings are below the budget by \$20,000,000 due to the delay in development progress as explained above and additional funding for the new acquisition, which did not eventuate.

24 September 2024

Report no: PFSC2024/5/283

Seaview Marina Limited Annual Report for the year ended 30 June 2024

Purpose of Report

1. To provide Council with the Annual Report for Seaview Marina Limited (SML) for the year ended 30 June 2024.

Recommendation

That the Committee receives and notes the Annual Report for Seaview Marina Limited for the year ended 30 June 2024 attached as Appendix 1 to the report.

Background

2. The Local Government Act 2002 requires a Council Controlled Organisation (CCO) to deliver to its shareholders an annual report on the organisation's operations. This report is presented to the Committee for information.
3. Mr Peter Steel (Chairman) and Mr Tim Lidgard (Chief Executive) will be at the meeting to present the Annual Report and answer any questions.

Discussion

4. The audited Annual Report 2023/24 is attached as Appendix 1 to this report. The Annual Report details the results and achievements for the year.
5. The Annual Report received an unmodified audit opinion from Audit New Zealand.

Climate Change Impact and Considerations

6. There are no climate change impact and consideration requirements arising because of this report.

Consultation

7. There are no consultation requirements arising because of this report.

Legal Considerations

8. The statutory deadline for completion of the Annual Report 2023/24 is on 30 September 2024 for all Council Controlled Trading Organisations with 30 June balance dates.

Financial Considerations

9. The audit was concluded on 24 September 2024 and an unmodified audit opinion was issued.

Appendices

No.	Title	Page
1 <u>↓</u>	Seaview Marina Limit Annual Report 30 June 2024	195

Author: Darren Cowan
Financial Accountant

Reviewed By: Darrin Newth
Financial Accounting Manager

Reviewed By: Jenny Livschitz
Group Chief Financial Officer

Approved By: Tim Lidgard
Chief Executive, Seaview Marina



CHAIRMAN'S REPORT

FOR THE YEAR ENDED 30 JUNE 2024

This has been another busy and successful year for the marina, with a strong level of activity on land and in water. It is good to see the activity in the marina's businesses and boat owners as well as visitors and members of public enjoying the marina's facilities.

The marina has seen sound financial performance with the end of year result meeting the budget. This outcome has arisen from control of costs through a period of uncertainty in the income from the business and I would like to congratulate Tim Lidgard for this achievement.

This year has also seen the payment of a dividend by Seaview Marina Ltd to the Hutt City Council, the first time that the Council has received a dividend in the 35-year history of the marina. With this dividend, SML has contributed a total of \$577K to the Council during the year, reflecting payments for dividends, breakwater lease payments, service purchases, and HCC rates payments of \$132K.

As part of the Hutt City Council's Long Term Planning process, the Council have proposed that SML purchase the Marina breakwaters from the Council. At the time of formation of SML as a Council controlled company in 2003, it was considered that the partially developed marina could not support the financial burden of purchasing the breakwaters, so these were retained by the Council. The breakwater sale transaction requires Reserves Act approval as the breakwaters are currently vested as Council reserves and this transaction should be able to proceed in the 2024 – 25 year. There will be no difference in what our community sees or experiences following this transaction, but SML will own and be able to fund any future maintenance of the breakwaters, or topping up of these which can be expected from the settling of the breakwaters into the seabed, which was anticipated at the time of construction as well as any response to sea level change. We expect that this transaction should be able to proceed next year.

I would also like to note the progress that the Marina has made from the contribution of Justin Ferszigan, our in Health, Safety and Wellbeing Advisor. Over the past 15 months since Justin started work with us, he has comprehensively upgraded the marina's Health and Safety systems and procedures. We consider the marina's safety culture to be substantially improved as a result of this work, which provides a foundation for us to develop from in the future. We wish Justin success in Nelson, where he has moved with his family.

Noteworthy activities undertaken by the Marina over the past year have been:

- Re-accreditation to New Zealand's Clean Marina programme.
- Working with our marina community including the information evening May 16th.
- Development of specifications and maintenance contract documents for marina berth refurbishment.
- Continued support for Sailability.

The input required from the Board on dividend issues, breakwater purchase and the other activities during the year has required increased input from the Board this year in comparison with previous years, and I would like to thank my fellow directors Pamela Bell, Rick Wells and Tui Lewis for their unstinting commitment to supporting the business. The Board have been well supported by Tim Lidgard and the

Marina team – Tony Kelly, Mike Croft, Jade Te Kira, Louise Thomson, Peter Fromow, and Evan Reille. Appreciation must also go to our shareholder the Hutt City Council for its ongoing support and encouragement.



Peter Steel | CHAIRMAN

CHIEF EXECUTIVE'S REPORT

FOR THE YEAR ENDED 30 JUNE 2024

Overview

Overview

This report wraps up my third year leading Seaview Marina Ltd. (SML). Each year has been more challenging than the previous. Despite this, I currently have the greatest level of optimism for what the organisation can achieve in future.

SML encountered a series of unexpected, large scale repair costs through the first half of the year; none were suitable for insured claims. The economic pressure of technical recession manifested itself through some vacancies in commercial tenancies and a slightly reduced occupancy for vessel storage.

Late in the 2023/2024-year SML bid farewell to Mike Croft, SML's long serving Hardstand Manager. Mike brought forward his retirement and was last seen embarking on his new chapter in his beloved campervan. This year also brought unexpected resignations of other key staff. SML was critically short-staffed for a period. At the time of writing this report I am thrilled to announce these positions have been filled and our new team members are excited to meet all SML's clients.

Work focuses in the CE's office this year have been directed at pivotal items to secure the future potential of SML. These included:

- How SML will fare in the Hutt City Council (HCC) district plan review.
- SML's funding requirements under the HCC long-term plan (LTP).
- Financial modelling for the agreed transfer of ownership of the SML breakwater structures from HCC to SML.
- Further planning the half-life refurbishment of SML's floating structures.

Financial results

Overall, total revenue of \$3.4M was achieved, which was \$58k ahead of last year, and coming in on budget.

Regarding SML's main revenue sources, boat storage and the marine centre underperformed against budget due to occupancy levels lower than foreseen. These results were bolstered by higher use of SML's launching ramp and the always strongly performing hardstand. Hardstand revenue was 6% above budget, \$18k higher than the previous year. SML's commercial tenants and the network of local marine contractors prefer SML's paved facility and inside workspaces. The preference to have their clients utilising SML's facility creates strong revenue performance.

Total expenses for the year were \$39k (or 1.21%) above budget. As in the prior year increases in expenses were largely attributable to rapidly escalating costs of operating insurance and the general inflationary climate.

Overall, SML achieved a surplus before tax of \$177k against a budget of \$174k before tax.

Equity

SML's total equity (net assets employed) at 30 June 2024 was \$21.8M compared with the previous year's position of \$20.45M.

Health, Safety, and the Environment

There were no notifiable safety incidents for the 2023/24 financial year. Health, safety, and wellbeing is paramount at SML.

SML was thrilled to be re-accredited again as a 'Clean Marina' under Aotearoa New Zealand's Clean Marina Programme. SML remains part of a small group of elite marinas that display continual improvement in environmental practices.

Public Good

It gives SML great joy to continue support of charities in the wider community. SML are honoured to provide opportunity to those in need. In 2023/2024, SML contributed to at least the following causes:

1. Regional News – contribution to Men's Health/Prostate Cancer
2. Petone Charity Fishing Competition
3. NZME Special Children's Christmas Party
4. Sailability Charitable Trust

And clubs –

5. Wellington Water Ski Club = 23 discounted ramp passes for 3 years (\$1,400 discount value)
6. Lowry Bay Yacht Club – 24hr race vouchers (approx. \$600)

Conclusion

Meeting our financial objectives this year took a full team effort. And what a great crew we have at SML! Rain and shine this group front up daily to keep SML running. I am extremely appreciative of your efforts. I would also like to thank the SML directors for their support, trust, and belief in our best efforts.

Despite the challenges, SML maintains growth in revenue and equity. SML continues to achieve the key objectives set by our shareholder. I will sign off by saying that the larger team of staff, directors, and shareholder, understand that we owe everything to our loyal SML customers, and so on behalf of all at SML I wish to thank our customers for their ongoing support.



Tim Lidgard | CHIEF EXECUTIVE

INTEREST REGISTER

Peter Bryant Steel Chair (Appointed 1 July 2021)	Seaview Marina Ltd. Chair of Directors Thorndon Residents Association
Pamela June Bell (Appointed 26 March 2021)	Abodo Wood Ltd, Board advisor Bell Family Trust, Trustee Tuhura ConCOVE, Board member East Family Trust, Trustee NZ Building Institute, CEO Project Bellbird Ltd, Innovation Consultant Seaview Marina Ltd., Director Urban Plus Group, Chair NZ Construction Industry Council (NZCIC), Chair
Richard Frank Wells (Appointed 26 March 2021)	Bay of Many Coves Ratepayers & Residents Association, Chair Formway Furniture Ltd, Shareholder and Director Seaview Marina Ltd., Director Maritime NZ – spouse is appointed board director
Tui Lewis (Appointed November 2022)	E Tu Awakairangi Public Arts Trust, Trustee Hutt City Council, Councillor Torere Paerata Trust, Trustee

STATEMENT OF SERVICE PERFORMANCE

Mission

To provide industry leading facilities and services that delight customers and stimulate related economic activity whilst meeting shareholder expectations.

Nature and Scope of Activities

Seaview Marina Limited (the Company) is responsible for the operation of the boating facilities and services, the maintenance of infrastructural assets and the development of additional facilities and services as demand dictates.

Specific Objectives for the Year Ended 30 June 2024

In pursuit of its corporate goals, SML has the following objectives:

General

- To review the Statement of Intent and Strategic Plans for consistency with the objectives of Hutt City Council.
- To review the operating activities of the Company for compliance with the goals and objectives stated in the Statement of Intent and Strategic Plan.
- To report all matters of substance to the Shareholder.

Economic

- To achieve all financial projections.
- To achieve or exceed a Return on Equity (ROE) as defined by the Shareholder of 0.8%.
- To ensure that the reporting requirements of the Company and the Shareholder are met.

Social and Environmental

- To maintain good employer status by:
 - complying with all employment legislation;
 - operating open and non-discriminatory employment practices.
- To ensure no transgression of environmental and resource laws.
- To review the activities undertaken by SML for the purposes of being a good socially and environmentally responsible corporate citizen.

Financial

Key Performance Indicators	2024 Target	2024 Actual	2023 Target	2023 Actual
FINANCIAL				
Deliver the total annual budgeted revenue comprising each of the four business entities: <ul style="list-style-type: none"> Boat storage Hardstand Marine centre Launching ramp 	Achieve 100% of budgeted income.	Achieved	Achieve 100% of budgeted revenue for four entities	Not achieved – 96.5% due to lower than planned marina berth occupancy rates.
Control operational expenses (1) within budget	Operational expenses within budget \$1,376,513	Not achieved \$1,565,581	Achieve less than or equal to 100% of \$2,869,985	\$2,925,185 Not achieved, due to higher than planned diesel expenses, which also resulted in higher than planned diesel sales.
Achieve prescribed return on equity (2)	Achieve greater than or equal to 0.8%	Achieved 0.87%.	Achieve greater than or equal to 3.8%	Not achieved – 1.41%.
Manage capital expenditure (3)	Complete within budget and on time	Achieved	Complete within budget and on time	Achieved

(1) Operational expenses are defined as all expenses controllable by Seaview management. Excludes losses arising from the revaluation of similar assets within an asset class.

(2) ROE is calculated as the net Surplus/ (Deficit) excluding losses or gains arising from the revaluation of similar assets within an asset class divided by the opening balance of equity at the start of the year.

(3) Capital expenditure excludes carry forward of expenses on projects from previous years.

Relationship and Communication

Key Performance Indicators	2024 Target	2024 Actual	2023 Target	2023 Actual
RELATIONSHIP AND COMMUNICATION				
Special interest messages	Complete 4 messages in 2023/24	Achieved - 45 messages sent to SML's customer base in 23/24 on various subjects.	Complete 4 newsletters in 2022/23	Not Achieved: due to staff shortages Newsletter 1 – 23.11.22 Newsletter 2 – 21.4.23 Newsletter 3 – 30.6.23

				Note: 51 other communications were sent to SML's client database during this period.
Meet all shareholder reporting deadlines	Reporting Deadlines for 2023/24	Achieved	Reporting Deadlines for 2022/23	Achieved

Risk Management and Human Resources

Key Performance Indicators	2024 Target	2024 Actual	2023 Target	2023 Actual
RISK MANAGEMENT				
Notifiable health and safety incidents	Nil incidents	Achieved	Nil incidents	Achieved
Business Continuity Plan	Not included in the 2023/24 Sol	N/A	Run test scenario and review	Achieved – (Refer to Note 4)
Staff satisfaction	Achieve 85% staff satisfaction	Not applicable. Survey will be undertaken 2024/25.	Achieve 85% staff satisfaction	Not Achieved 78% for 2022/2023

Note 4: Cyclone Gabrielle was active across New Zealand from 12th through 16th of Feb 2023. SML made the decision to keep staff at home on 14.2.23, due to this severe weather event. Business was continuous while most staff worked remotely.

Marketing

Key Performance Indicators	2024 Target	2024 Actual	2023 Target	2023 Actual
Marketing				
Implement marketing strategy to improve occupancy rates	Berth occupancy equal or greater than 80%	Achieved. Average occupancy 84%	Berth occupancy equal or greater than 91%	Not achieved, berth occupancy 85% Refer note 6

Note 6: In 2021/2022 SML encountered a problem with large numbers of seabirds roosting on the new in-water development. This needed to be solved before actively marketing the vacant berths. In 2022/2023, promotion of the marina was enhanced through social media, however wider economic contraction has suppressed occupancy rates.

Key Performance Indicators	2024 Target	2024 Actual	2023 Target	2023 Actual
Non-Financial				
To provide financial or non-financial support to at least three charitable (non-profit) ventures with a marine focus during any given year.	Support to at least three organisations	Achieved Refer note 7	Support was provided to three charitable ventures in 2022/23	Achieved Refer note 7
Public benefit	N/A in current year as survey is bi-annually	N/A	Perform survey of public opinion on marina facilities (during third quarter)	Achieved

Note 7: Support was provided to the following charitable ventures/trusts – Sailability, Coastguard NZ, Lowry Bay Yacht Club, the Heart Day Out and NZME Special Childrens Christmas Party.

Environmental

Key Performance Indicators	2024 Target	2024 Actual	2023 Target	2023 Actual
Environmental				
Reduce direct emissions	Reduce direct emissions by 50% by 2030, and achieve net zero emissions by 2050 refer to note 8	This is a future 2030 target. 2024/2025 will see a beginning analysis to identify individual emission level from individual machinery items.	Reduce direct emissions by 50% by 2030, and achieve net zero emissions by 2050	In progress – ongoing obligation in process; see below.
Fleet and equipment	Equipment or vehicles utilising fossil fuels be replaced by equipment or vehicles that are electric or utilise other low carbon alternative.	Seaview Marina purchased an electric sweeper late 23/24. Analysis of SML's highest emitting machinery & equipment will occur 24/25. Based on findings and economic feasibility, the following items are scheduled to be replaced within 5 years. 1. Electric work vehicle (replaces diesel powered vehicle) 2. Electric water blaster	Equipment or vehicles utilising fossil fuels be replaced by equipment or vehicles that are electric or utilise other low carbon alternative.	Achieved – new electric powered industrial sweeper purchased in 2023.

		(replace gasoline powered equipment) 3. Electric conversion for all hot water heating in ablution areas (replaces LPG heating) 4. Electric forklift (replaces LPG powered vehicle) Note: After replacement of this machinery, there would be only 2 machinery items that remain fossil fuel powered – 50 MT Travelift and 8MT Tractor.		
Plan use of incentives	Explore pricing incentives to transition to electric or other low carbon propulsion, and consider actions to reduce indirect emissions from marina users	Incentives to reduce indirect emissions (i.e. encourage customers to switch to electric propulsion) are paused to documented fire risk around D.I.Y conversions. Legislation is currently being consulted on with a panel of industry professionals. D.I.Y conversions restrict vessels'	Explore pricing incentives to transition to electric or other low carbon propulsion, and consider actions to reduce indirect emissions from marina users	N/A – incentive will be implemented in 2023/2024

		ability to be insured, which is a condition of berthage at Seaview Marina.		
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Note 8: While we still have net zero emission target to achieve by 2050, we are still defining what this means to the organisation, including what emissions this will cover and if it is feasible for us to get there.

Independent Auditor's Report**To the readers of Seaview Marina Limited's financial statements and performance information for the year ended 30 June 2024**

The Auditor-General is the auditor of Seaview Marina Limited (the company). The Auditor-General has appointed me, John Whittal, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements and performance information of the company on his behalf.

Opinion

We have audited:

the financial statements of the company on pages 19 to 38, that comprise the statement of financial position as at 30 June 2024, the statement of comprehensive revenue and expense, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information; and

the performance information of the company on pages 7 to 13.

In our opinion:

the financial statements of the company:

present fairly, in all material respects:

its financial position as at 30 June 2024; and

its financial performance and cash flows for the year then ended; and

comply with generally accepted accounting practice in New Zealand in accordance with Public Benefit Entity Standards Reduced Disclosure Regime; and

the performance information of the company 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 2024.

Our audit was completed on 24 September 2024. 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, and we explain our independence.

Basis for our opinion

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

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

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

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

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

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

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

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

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

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

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

For the budget information reported in the financial statements and 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 2 to 15 but does not include the financial statements and the performance information, and our auditor's report thereon.

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

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

Independence

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

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



John Whittal

Audit New Zealand

On behalf of the Auditor-General

Wellington, New Zealand

FINANCIAL STATEMENTS

Statement of Compliance and Responsibility

The Board and management of SML confirm that all statutory requirements in relation to the annual report, as outlined in the Local Government Act 2002, have been complied with.

The Directors and management of SML accept responsibility for the preparation of the annual Financial Statements and the Statement of Service Performance, and the judgements used in them.

The Directors have authority to sign the Financial Statements and the Statement of Service Performance.

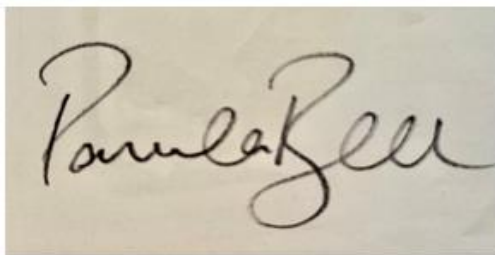
The Directors and management of SML accept responsibility for establishing and maintaining a system of internal control designed to provide reasonable assurance as to the integrity and reliability of the financial, including performance reporting.

In the opinion of the Directors and management of SML, the annual Financial Statements and the Statement of Service Performance for the year ended 30 June 2024 fairly reflect the financial position and operations of SML.



Peter Steel
Chairman

24 September 2024



Pamela Bell
Director

24 September 2024

STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE FOR THE YEAR ENDED 30 JUNE 2024

	Note	Actual 2024	Budget 2024	Actual 2023
Rental revenue	2	2,965,868	2,907,644	2,911,707
Other user charges		58,871	139,000	80,131
Interest revenue	3	30,583	2,000	4,927
Product sales		323,769	287,000	295,941
Other revenue		23,981	25,000	52,765
Total revenue		3,403,072	3,360,644	3,345,471
Expenses				
Personnel expenses	4	687,316	820,580	681,143
Operating expenses	5	1,565,581	1,376,513	1,396,117
Loss on sale of asset		4	-	6,661
Product cost of sales		287,848	277,980	276,338
Finance expenses	3	171,378	180,932	71,461
Depreciation	12	513,513	531,057	493,465
Total expenses		3,225,641	3,187,063	2,925,185
Surplus / (Deficit) before tax		177,431	173,582	420,286
Tax expense	6	630,814	146,466	136,067
Surplus / (Deficit) after tax		(453,383)	27,115	284,219
Other comprehensive revenue and expenses <i>Items that will not be reclassified to surplus / (deficit)</i>				
Gain on property revaluation		2,021,786	-	-
Less tax on revaluation		17,860	-	-
Total other comprehensive revenue and expenses		2,003,926	-	-
Total comprehensive revenue and expenses		1,550,543	27,115	284,219

Explanations of the major variances against budget are provided in note 20. The accompanying notes form part of these statements.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2024

	Actual 2024	Budget 2024	Actual 2023
Balance at 1 July	20,454,228	20,693,102	20,170,009
Total comprehensive revenue and expense for the year	1,550,543	27,115	284,219
Dividend paid	(200,000)	(200,000)	-
Balance at 30 June	21,804,771	20,520,217	20,454,228

Explanations of the major variances against budget are provided in note 20. The accompanying notes form part of these statements.

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2024

	Note	Actual 2024	Budget 2024	Actual 2023
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	7	620,049	912,349	854,798
Debtors and other receivables	8	456,802	293,905	193,026
Inventory	9	11,410	31,892	12,733
Prepayments		269,377	-	-
Total current assets		1,357,638	1,238,146	1,060,557
NON CURRENT ASSETS				
Property, plant and equipment	12	24,636,267	23,396,920	22,627,484
Intangible assets	12	955	828	3,707
Assets under construction	12	97,420	321,744	326,772
Total non current assets		24,734,642	23,719,492	22,957,963
Total assets		26,092,280	24,957,638	24,018,520
LIABILITIES				
CURRENT LIABILITIES				
Payables and deferred revenue	10	388,116	187,698	179,208
Current tax liability		-	-	104,444
Employee entitlements	15	70,560	99,474	85,946
Advances to related parties	13	2,945	-	19,031
Total current liabilities		461,621	287,172	388,629
NON CURRENT LIABILITIES				
Deferred Tax Liability	6	1,125,887	450,248	475,662
Borrowings	11	2,700,000	3,700,000	2,700,000
Total non current liabilities		3,825,887	4,150,248	3,175,662
Total liabilities		4,287,508	4,437,420	3,564,292
Net assets (assets minus liabilities)	14	21,804,772	20,520,218	20,454,228
EQUITY				
Accumulated funds		(14,291,468)	(13,572,096)	(13,638,086)
Revaluation reserve		14,814,337	12,810,411	12,810,411
Share capital		21,281,903	21,281,903	21,281,903
Total equity	14	21,804,772	20,520,218	20,454,228

Explanations of the major variances against budget are provided in note 20. The accompanying notes form part of these statements.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2024

	Actual 2024	Budget 2024	Actual 2023
CASH FLOWS FROM OPERATING ACTIVITIES			
<i>Cash was provided from:</i>			
Receipts from rentals	2,702,092	2,919,644	2,807,741
Interest received	30,583	2,000	4,927
Receipts from user charges and other income	561,618	418,939	502,550
	3,294,293	3,340,583	3,315,218
<i>Cash was applied to:</i>			
Payments to employees	(708,233)	(810,581)	(650,424)
Payments to suppliers	(2,062,042)	(1,687,215)	(1,697,621)
Dividend payment	(200,000)	(200,000)	-
Interest paid	(171,378)	(138,947)	(71,461)
Provisional tax	(102,894)	(146,466)	(104,082)
	(3,244,547)	(2,983,209)	(2,523,588)
Net cash flows from operating activities	49,745	357,374	791,630
CASH FLOWS FROM INVESTING ACTIVITIES			
<i>Cash was provided from:</i>			
Sale of assets held for sale	-	-	-
	-	-	-
<i>Cash was applied to:</i>			
Purchase of property, plant and equipment	(268,408)	(1,241,600)	(319,598)
	(268,408)	(1,241,600)	(319,598)
Net cash flows from investing activities	(268,408)	(1,241,600)	(319,598)
CASH FLOWS FROM FINANCING ACTIVITIES			
<i>Cash was provided from:</i>			
Proceeds from borrowings - Hutt City Council	-	500,000	-
	-	500,000	-
<i>Cash was applied to:</i>			
Repayment of borrowings - Hutt City Council	(16,086)	-	(7,289)
	(16,086)	-	(7,289)
Net cash flows from financing activities	(16,086)	500,000	(7,289)
Net increase / (decrease) in cash, and cash equivalents	(234,750)	(384,226)	464,742
Cash, cash equivalents and bank overdrafts at beginning of the year	854,798	1,296,575	390,056
Cash, and cash equivalents at the end of the year	620,049	912,349	854,798

Explanations of the major variances against budget are provided in note 20. The accompanying notes form part of these statements.

NOTES TO THE FINANCIAL STATEMENTS

1. Statement of Accounting Policies

REPORTING ENTITY

SML is a Council Controlled Trading Organisation (CCTO), 100 per cent owned by Hutt City Council.

The primary objective of SML is the operation of a marina, which benefits the Hutt region. SML is designated a public benefit entity for financial reporting purposes.

The financial statements of SML are for the year ended 30 June 2024. The financial statements were authorised for issue by the Board of Directors on 24 September 2024.

BASIS OF PREPARATION

The financial statements have been prepared on the going concern basis, and the accounting policies have been applied consistently throughout the period.

Statement of compliance

These financial statements have been prepared in accordance with the requirements of the Local Government Act 2002, which includes the requirement to comply with generally accepted accounting practice in New Zealand (NZ GAAP). They comply with IPSAS and other applicable Financial Reporting Standards, as appropriate for public benefit entities (PBE) that apply Tier 2 PBE accounting standards. As SML's total expenses are under \$30,000,000, it has elected to apply Tier 2 PBE accounting standards with Reduced Disclosure Regime.

Measurement base

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

The financial statements have been prepared on a historical cost basis, modified by the revaluation of land and buildings.

The financial statements have been prepared on a going concern basis, and the accounting policies have been consistently applied throughout the period.

Functional and presentation currency

The financial statements are presented in New Zealand dollars and all values have been rounded to the nearest dollar. The functional currency of SML is New Zealand dollars.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICES

Goods and services Tax

All items in the financial statements are stated exclusive of 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 Inland Revenue Department (IRD) is included as part of receivables or payables in the Statement of Financial Position.

Commitments and contingencies are disclosed exclusive of GST.

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

Critical accounting estimates and assumptions

In preparing these financial statements, SML has made estimates and assumptions concerning the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

2. Rental revenue

Accounting policy

Revenue is measured at the fair value of the consideration received. Sales of goods are recognised when a product is sold to the customer. The recorded revenue is the gross amount of the sale, including credit card fees payable for the transaction. Such fees are included in other expenses.

	2024	2023
Berth and trailer park rentals	2,259,896	2,159,721
Boat lifts and hardstand rentals	364,130	346,375
Wellington Marine Centre rentals	341,842	405,611
Total rental revenue	2,965,868	2,911,707

3. Interest revenue and finance expenses

Accounting policy

Interest revenue is recognised using the effective interest method.

	2024	2023
Interest revenue		
Call and term deposits	30,583	4,927
Total interest revenue	30,583	4,927
Finance expenses		
Related party loans	171,378	71,461
Total finance expenses	171,378	71,461
Net finance expenses	(140,795)	(66,534)

4. Personnel expenses

	2024	2023
Salaries and wages	657,918	636,509
Employer contributions to defined contribution plans	15,121	14,018
Training	10,254	3,810
Other employee expenses	13,343	9,013
Increase/(decrease) in employee entitlements/liabilities	(9,321)	17,793
Total personnel expenses	687,316	681,143

Senior Management Remuneration	2024	2023
<i>Senior Management</i>		
Total remuneration	187,756	174,539
Full-time equivalent members	1.0	1.0

Total remuneration includes any non-financial benefits provided to employees. At balance date, SML employed 6.0 full time employees (2023: 6.0). A full-time employee is determined on the basis of a 40-hour working week.

Severance Payments

No severance payments were made by SML during the year (2023: Nil).

5. Operating expenses

	2024	2023
Directors' fees	64,327	59,716
Electricity	52,685	54,518
Insurance	300,663	236,435
Operational contracts	23,508	23,186
Equipment purchases	19,166	19,815
Legal expenses	8,858	12,045
Fees for the audit of the financial statements	28,599	23,257
Specialist services	22,957	42,328
Shared services cost	121,081	116,459
Promotion expenses	11,032	5,612
Bad debts written off	47,085	16,394
Printing and stationery	4,706	4,628
Maintenance	100,366	61,648
Rates and water charges	176,125	148,402
Breakwater rental	123,600	163,801
Waste management	137,577	122,485
Security and monitoring	186,969	154,113
Other expenses	136,278	131,276
Total operating expenses	1,565,581	1,396,117

Remuneration of Board Members	2024	2023
P Steel (New Chair, from 1 July 2021)	20,066	20,066
D Hislop (resigned November 2022)	-	2,685
P Bell (appointed 26 March 2021)	15,925	15,533
R Wells (appointed 26 March 2021)	13,376	13,376
T Lewis (appointed November 2022)	14,960	8,056
Total remuneration	64,327	59,716
Number of Board members, including Chair	4.0	4.0

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

6. Taxation

Accounting policy

Income tax expense includes components relating to both current tax and deferred tax.

Current tax is the amount of income tax payable based on the taxable profit for the current year, and any adjustments to income tax payable in respect of prior years. Current tax is calculated using tax rates (and tax laws) that have been enacted or substantively enacted at balance date.

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

Deferred tax is measured at tax rates that are expected to apply when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at balance date. The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the entity expects to recover or settle the carrying amount of its assets and liabilities.

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

Deferred tax is not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition of an asset or liability in a transaction that is not a business combination, and at the time of the transaction, affects neither accounting profit nor taxable profit.

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

Components of tax expense

	2024	2023
Current tax	-	104,444
Current tax expense (prior period)	(1,435)	6,632
Deferred expense prior period	-	-
Deferred tax expense (current year)	632,249	24,991
Tax expense / (benefit)	630,814	136,067

Relationship between tax expenses and accounting

	2024	2023
Net Surplus / (Deficit) before tax	177,432	420,286
Tax at 28%	49,681	117,680
Plus (less) tax effect of:		
Non-deductible expenditure	4,421	773
Prior period adjustment	(1,435)	6,631
Imputation credit adjustment	-	-
Removal of tax depreciation on buildings	510,482	-
Tax losses not recognised	-	-
Group loss offset	(24,226)	-
Deferred tax adjustment and other permanent adjustments	91,891	10,983
Tax expense / (benefit)	630,814	136,067

It is expected that the taxable income of Seaview for the current year will be eliminated by tax losses of \$86,522 transferred from UPL by loss offset.

	Property, Plant & Equipment	Employee Entitlements	Other Provisions	Tax Losses	Total
Balance at 30 June 2022	(469,199)	17,648	1,303	-	(450,248)
Charged to surplus or deficit	(32,410)	3,347	4,072	-	(24,991)
Charged to other comprehensive income	-	-	-	-	-
Balance at 30 June 2023	(501,609)	20,995	5,375	-	(475,239)
Charged to surplus or deficit	(642,532)	(3,872)	13,732	-	(632,672)
Charged to other comprehensive income	(17,860)	-	-	-	(17,860)
Balance at 30 June 2024	(1,162,001)	17,123	19,107	-	(1,125,771)

7. Cash and cash equivalents**Accounting policy**

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less, and bank overdrafts. The carrying value of cash at bank and term deposits with maturities less than three months approximate their fair value. SML does not hold funds (included in cash or cash equivalents) with restrictions specifying how the funds are to be spent.

	2024	2023
Cash at bank and on hand	620,049	854,798
Cash and cash equivalents	620,049	854,798

Cash, cash equivalents and bank overdrafts include the following for the purposes of the statement of cash flows:

	2024	2023
Cash at bank and on hand	27,049	8,798
Cash on call	593,000	846,000
Cash and cash equivalents	620,049	854,798

8. Debtors and other receivables

Accounting policy

Debtors and other receivables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment.

	2024	2023
Rent receivable	447,436	172,785
Other receivables	76,912	40,702
Gross debtors and other receivables	524,348	213,487
Less provision for impairment	(67,546)	(20,461)
Total debtors and other receivables	456,802	193,026

Fair value

Debtors and other receivables are non-interest bearing and receipts is normally on 30-day terms, therefore the carrying value of debtors and other receivables approximates their fair value.

Impairment

The carrying amount of receivables that would otherwise be past due or impaired, whose terms have been renegotiated is \$nil (2023: \$nil).

The impairment provision has been calculated based on expected losses for the SML's pool of debtors. Expected losses have been determined based on an analysis of the SML's losses in previous periods, and review of specific debtors as detailed below:

	2024	2023
Individual impairment	67,546	20,461
Total provision for impairment	67,546	20,461

	2024	2023
At 1 July	(20,461)	(4,203)
Additional provisions made during the year	67,546	(20,461)
Provisions reversed during the year	19,959	4,067
Receivables written-off during the period	502	136
At 30 June	67,546	(20,461)

At 30 June 2024 no boats were held as collateral for unpaid debts. (2023: \$nil). No other collateral, as security or other credit enhancements over receivables that are either past due or impaired, are held.

9. Inventory

Accounting policy

Inventory is recorded at cost on a first in – first out basis.

	2024	2023
<i>Commercial inventories held for sale:</i>		
Diesel	11,410	12,733
Total inventory	11,410	12,733

No inventory is pledged as security for liabilities (2023: \$nil).

10. Payables and deferred revenue

Accounting policy

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

	2024	2023
Deposits and bonds	1,770	1,770
Trade payables and accrued expenses	144,672	90,761
Rentals in advance	241,675	86,677
Total payables and deferred revenue	388,116	179,208

11. Borrowings

Accounting policy

Borrowings are initially recognised at their fair value plus transaction costs. After initial recognition, all borrowings are measured at amortised cost using the effective interest method. Borrowings are classified as current liabilities unless SML has an unconditional right to defer settlement of the liability for at least 12 months after balance date.

Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred.

	2024	2023
Current portion		
Loans from related parties	-	-
Total current portion	-	-
Non-current portion		
Loans from related parties	2,700,000	2,700,000
Total non-current portion	2,700,000	2,700,000
Total borrowings	2,700,000	2,700,000

No securities are held over the borrowings.

12. Property, plant and equipment

Accounting policy

Property, plant and equipment

Land is measured at fair value, and buildings include site improvements which are measured at fair value less accumulated depreciation. All other asset classes are measured at cost less accumulated depreciation and impairment losses.

Additions

Expenditure of a capital nature of \$1,000 or more has been capitalised. Expenditure of less than \$1,000 has been charged to operating expenditure. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to SML and the cost of the item can be measured reliably.

Assets under construction are recognised at cost less impairment and are not depreciated.

Disposals

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the asset. Gains and losses on disposals are recognised in the Statement of comprehensive revenue and expenses.

Subsequent costs

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

Revaluation

Land and buildings are reviewed each year to ensure that their carrying amount does not differ materially from fair value and are revalued when there has been a material change. All other asset classes are carried at depreciated historical cost. Revaluation movements are accounted for on a class of asset basis.

The net revaluation results are credited or debited to other comprehensive revenue and expenses and are accumulated to an asset revaluation reserve in equity for that class of asset. Where this would result in a debit balance in the asset revaluation reserve, this balance is not recognised in other comprehensive revenue and expenses but is recognised in the surplus or deficit. Any subsequent increase on revaluation that reverses a previous decrease in value recognised in the surplus or deficit will be recognised first in the surplus or deficit up to the amount previously expensed, and then recognised in other comprehensive revenue and expenses.

Depreciation

Depreciation is provided on a straight-line basis on all property, plant and equipment at rates that will write off the cost of the assets to their estimated residual values over their useful lives. The straight-line depreciation rates are as follows:

Estimated economic lives

Asset Class	Years	Rate
Buildings	5 - 53 years	1.8% - 20%
Service Centre	5 - 60 years	1.7% - 20%
Site improvements	3 - 80 years	1.25% - 33.3%
Piers and marina berths	4 - 80 years	1.25% - 25%
Plant and equipment	1.5 – 80 years	1.25% - 67%
Vehicles	5 years	20%

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

Intangible assets**Software acquisition and development**

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Costs associated with maintaining computer software are recognised as an expense when incurred. Costs that are directly associated with the development of software for internal use by SML, are recognised as an intangible asset.

Amortisation

The carrying value of an intangible asset with a finite life is amortised on a straight-line basis over its useful life. Amortisation begins when the asset is available for use and ceases at the date that the asset is derecognised. The amortisation charge for each period is recognised in the Statement of Comprehensive revenue and expense.

The useful lives and associated amortisation rates of major classes of intangible assets have been estimated as follows:

Asset Class	Years	Rate
Computer software	3 years	33%

Impairment of non-financial assets

Assets with a finite useful life are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If an asset's carrying amount exceeds its recoverable amount, the asset is impaired and the carrying amount is written down to the recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use. The total impairment loss is recognised in the Statement of Comprehensive revenue and expense.

Estimation of the useful life and residual value of property, plant and equipment

At each balance date, SML reviews the useful lives and residual values of its property, plant and equipment. Assessing the appropriateness of useful life and residual value estimates requires SML to consider several factors such as the physical condition of the asset, expected period of use of the asset by SML, and expected disposal proceeds from the future sale of the asset.

An incorrect estimate of the useful life or residual value will affect the depreciable amount of an asset, therefore affecting the depreciation expense recognised in the surplus or deficit and the asset's carrying amount. SML minimises the risk of this estimation uncertainty by:

- Physical inspection of assets;
- Asset replacement programs;
- Review of second-hand market prices for similar assets; and
- Analysis of prior asset sales.

Movements for each class of property, plant and equipment and Intangibles are as follows:

	Opening		Movements during the year							Closing						
	Cost / valuation	Accumulated depreciation & impairment	Carrying amount	Additions	Category adjustments to cost	Disposals	Accumulated depreciation and impairment on disposals	Impairment	Depreciation	Depreciation on Disposals	Category adjustments to depreciation	Elimination of accumulated depreciation on revaluation	Revaluation surplus	Cost / valuation	Accumulated depreciation & impairment	Carrying amount
2024	1/07/2023	1/07/2023	1/07/2023											30/06/2024	30/06/2024	30/06/2024
Land	12,462,000	-	12,462,000	5,965	(690,021)	-	-	-	(68,649)	-	690,449	132,880	1,958,000	14,420,000	-	14,420,000
Site improvements	2,228,021	(761,864)	1,466,158	22,510	2,969	-	-	-	(107,290)	-	(175)	211,895	(197,117)	1,460,800	(7,484)	1,453,316
Buildings	3,651,683	(112,826)	3,538,857	143,543	(18,575)	(404,035)	-	-	(136,258)	414,121	10,393	-	(197,117)	3,480,046	(8,399)	3,471,647
Plant and equipment	2,494,473	(1,234,314)	1,260,159	-	-	-	-	-	(14,213)	-	-	-	-	2,215,406	(946,058)	1,269,348
Vehicle	101,037	(59,528)	41,509	-	-	-	-	-	(195,148)	-	-	-	-	101,037	(73,741)	27,296
Piers and Marina Berths	6,254,942	(2,396,138)	3,858,804	325,744	15,606	(127,513)	-	-	(17,513)	127,513	(10,346)	-	-	6,468,779	(2,474,119)	3,994,660
Total property, plant & equipment	27,192,156	(4,564,673)	22,627,483	497,762	(690,021)	(531,548)	-	-	(521,558)	541,634	690,021	344,775	1,677,718	28,146,068	(3,509,801)	24,636,267
Intangible assets																
Software	62,088	(58,381)	3,707	-	-	(56,327)	-	-	(2,747)	56,322	-	-	-	5,761	(4,806)	955
Total property, plant & equipment and Intangibles	27,254,244	(4,623,054)	22,631,190	497,762	(690,021)	(587,875)	-	-	(524,305)	597,956	690,021	344,775	1,677,718	28,151,829	(3,514,607)	24,637,221
2023	1/07/2022	1/07/2022	1/07/2022											30/06/2023	30/06/2023	30/06/2023
Land	12,462,000	-	12,462,000	-	-	-	-	-	-	-	-	-	-	12,462,000	-	12,462,000
Site improvements	2,228,021	(695,517)	1,532,504	-	-	-	-	-	(66,346)	-	-	-	-	2,228,021	(761,864)	1,466,158
Buildings	3,597,032	(18,678)	3,588,353	54,652	-	-	-	-	(104,151)	-	-	-	-	3,651,683	(112,829)	3,538,854
Plant and equipment	2,444,451	(1,124,848)	1,319,603	50,022	-	-	-	-	(109,466)	-	-	-	-	2,494,473	(1,234,314)	1,260,159
Vehicle	101,037	(99,321)	61,716	-	-	-	-	-	(20,207)	-	-	-	-	101,037	(59,528)	41,509
Piers and Marina Berths	6,277,424	(2,221,544)	4,055,880	-	-	(22,482)	-	-	(190,416)	15,821	-	-	-	6,254,942	(2,396,138)	3,858,804
Total property, plant & equipment	27,109,965	(4,089,908)	23,020,056	104,674	-	(22,482)	-	-	(490,586)	15,821	-	-	-	27,192,156	(4,564,673)	22,627,483
Intangible assets																
Software	62,088	(55,502)	6,586	-	-	-	-	-	(2,879)	-	-	-	-	62,088	(58,381)	3,707
Total property, plant & equipment and Intangibles	27,172,053	(4,145,411)	23,026,642	104,674	-	(22,482)	-	-	(493,465)	15,821	-	-	-	27,254,244	(4,623,054)	22,631,190

No class of Property, plant and equipment is pledged as security for liabilities, nor are any titles restricted.

The last valuation of Land and Buildings was undertaken by Aon Valuation Services on 31 May 2024.

Assets under construction

Property, plant and equipment yet to be commissioned or under construction by class of asset is detailed below:

	2024	2023
Plant and equipment	53,608	13,645
Piers and marina berths	43,812	313,127
Total assets under construction	97,420	326,772

13. Advances due to related parties

	2024	2023
Current portion		
Due to related parties	2,945	19,031
Total other liabilities - current portion	2,945	19,031
Total other liabilities	2,945	19,031

14. Equity**Accounting policy**

Equity is Hutt City Council's interest in SML and is measured as the difference between total assets and total liabilities. Equity is disaggregated and classified into the following components.

- Accumulated funds;
- Property revaluation reserve; and
- Fair value through other comprehensive revenue and expense reserve.

Property revaluation reserve

The asset revaluation reserve relates to the revaluation of SML's land, buildings and site improvements to fair value. This reserve comprises the cumulative net change in the fair value of assets classified as fair value through other comprehensive revenue and expense.

Fair value through other comprehensive revenue and expense reserve

This reserve comprises the cumulative net change in the fair value of assets classified as fair value through other comprehensive revenue and expense.

	2024	2023
Accumulated funds		
Balance at beginning of the year	(13,638,086)	(13,922,305)
Net surplus/(deficit) after tax	(453,382)	284,219
Less dividends paid	(200,000)	-
Balance at end of the year	(14,291,468)	(13,638,086)

	2024	2023
Share capital		
Balance at beginning of the year	21,281,903	21,281,903
Movements during the year	-	-
Balance at end of the year	21,281,903	21,281,903

	2024	2023
Asset revaluation reserve		
Balance at beginning of the year	12,810,411	12,810,411
Movements during the year from revaluation	2,003,926	-
Balance at end of the year	14,814,337	12,810,411

	2024	2023
Asset revaluation reserve consists of:		
Buildings	464,053	467,842
Site improvements	377,443	327,728
Land	13,972,842	12,014,842
Balance at end of the year	14,814,337	12,810,411

	2024	2023
Total equity		
Balance at beginning of the year	20,454,228	20,170,009
Movements during the year	1,350,544	284,219
Balance at end of the year	21,804,772	20,454,228

As at 30 June 2024, SML had 6,000,000 ordinary shares on issue, all of which are fully paid. Ordinary shares have a face value of \$3.55 per share. No shares were outstanding at the beginning or the end of the year. No rights, preferences or restrictions attach to the shares. The shares in SML are held by the controlling entity Hutt City Council. No shares are reserved for issuance under options and sales contracts.

Registered holders of equity shares as at 30 June:	2024		2023	
Hutt City Council	6,000,000	100%	6,000,000	100%

15. Employee entitlements

Accounting policy

Short-term entitlements

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

SML recognises a liability and an expense for bonuses where contractually obliged or where there is a past practice that has created a constructive obligation.

	2024	2023
Current portion		
Accrued pay	9,819	7,312
Annual leave	60,741	78,634
Total employee entitlements - current portion	70,560	85,946
Total employee entitlements	70,560	85,946

16. Financial instruments

Accounting policy

SML is party to financial instrument arrangements as part of its normal operations. Revenue and expenses in relation to all financial instruments are recognised in the Statement of Comprehensive Revenue and Expenses.

Financial instruments are recognised in the Statement of Financial Position on the basis of the SML's accounting policies. The carrying amounts of financial assets and liabilities in each of the financial instrument's categories are as follows:

Financial assets disclosed on the Statement of Financial Position are recorded at amortised cost.

Financial assets, such as receivables and loans are assessed for impairment using the "expected credit loss" model based on whether a significant increase in the general level of credit risk has occurred.

Financial liabilities are recorded at amortised cost.

	2024	2023
Financial Assets		
<i>Loans and receivables at amortised cost</i>		
Cash and cash equivalents	620,049	854,798
Debtors and other receivables	456,802	193,026
<i>Other financial assets:</i>		
Loans to related parties	-	-
Total financial assets at amortised cost	1,076,851	1,047,824
Financial Liabilities		
<i>Financial liabilities at amortised cost</i>		
Borrowings	2,700,000	2,700,000
Advances to related parties	2,945	19,031
Trade and other payables	144,671	90,761
Total financial liabilities at amortised cost	2,847,616	2,809,792

17. Related party disclosures

Related party disclosures have not been made for transactions with related parties that are within a normal supplier, client or recipient relationship on terms and conditions no more or less favourable than those that it is reasonable to expect SML would have adopted in dealing with the party at arm's length in the same circumstances.

Related party disclosures have also not been made for transactions with entities within the Council group (such as funding and financing flows), where the transactions are consistent with the normal operating relationships between the entities and are on normal terms and conditions for such group transactions.

For detailed information on related party transactions with key management personnel, please refer to note 5.

18. Capital commitments and operating leases

Capital commitments

As at 30 June 2024 SML had no capital commitments. (2023: \$Nil).

Operating leases as lessor

Accounting policy

Operating leases

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

Finance leases

SML has not entered any finance leases.

The units within the Wellington Marine Centre are leased under operating leases. Most leases have a non-cancellable term of 36 months, some with rights of renewal. The future aggregate minimum lease payments to be collected under non-cancellable leases are as follows:

Operating leases

	2024	2023
Not later than one year	271,083	326,900
Later than one year and not later than five years	794,663	600,524
Later than five years	764,023	14,899
Total non-cancellable operating leases	1,829,769	942,323

19. Contingent liabilities and assets**Contingent assets**

As at 30 June 2024 SML had no contingent assets (2023: \$Nil).

Contingent liabilities

As at 30 June 2024 SML had no contingent liabilities (2023: \$Nil).

20. Explanation of major variances against budget

SML achieved a surplus before tax of \$177k for the year ended 30 June 2024 (2023: \$420k), \$4k ahead of budget.

Operating revenue

Total revenue of \$3.4M was above budget by \$42k, and \$58k ahead of last financial year. The increase in revenue in 2023/24, was mainly due to higher than planned rental revenue, gross diesel sales and interest revenue offset by lower than planned other user charges.

Operating expenses

Total expenses of \$3.2M were above budget by \$39k, and \$300k ahead of last financial year. Operating expenses were \$189k higher than expected however were offset by savings in other expenditure areas.

Statement of Financial Position

Cash and cash equivalents were lower than planned due to a planned upgrade of older piers being deferred until 2024/25 financial year and therefore additional borrowings were not drawn down.

Debtors and other receivables were higher than expected due mainly to a higher level of outstanding debtors at 30 June 2024.

Prepayments are higher than expected due to the change in renewal dates being brought forward for the company's insurance policies from 1 July to 1 April annually.

Property, Plant and Equipment is higher than expected mainly due to \$2M increase in the latest revaluation of land, buildings and site improvements.

Payables and deferred revenue are higher than expected due to timing difference in revenue billing (20 June 2024) and payments falling due on 1 July 2024.

Deferred Tax Liability has increased from budget and prior year due to a change in tax legislation around the deductibility of depreciation on buildings.

Borrowings are lower than expected due to the delay in the pier upgrades into the 2024/25 year therefore the additional funding was not drawn down.

Statement of Cash Flows

SML has continued to maintain a positive cash flow. Operating activities are positive and comparable with prior years. Investing activities was lower than planned due to the delay in the pier upgrades. As the pier upgrade was deferred to the 2024/25 financial year, the budgeted borrowing was not required.

21. Events after balance date

There have been no significant events after balance date (2023: No significant event after balance date).

TO: Chair and Members



Policy, Finance and Strategy Committee

FROM: Jack Kilty

DATE: 02 October 2024

SUBJECT: KOMITI RATONGA RANGATŌPŪ ME TE RAUTAKI |
POLICY, FINANCE AND STRATEGY COMMITTEE
FORWARD PROGRAMME

Purpose of Memorandum

1. The memorandum aims to provide the Committee with a draft forward programme of work planned for the Committee for 2024.

Recommendation

That the Committee receives and notes the draft forward programme for 2024 attached as Appendix 1 to the memorandum.

Background

2. The Committee assists Council in setting the broad vision and direction of the city to promote the social, economic, environmental, and cultural well-being of the city's communities in the present and for the future.
3. This involves determining specific outcomes that need to be met to deliver on the vision for the city, and overseeing the development of strategies, policies, bylaws, and work programmes to achieve those goals. This committee is also responsible for monitoring the overall financial management and performance of the Council Group.
4. The forward programme for 2024 provides a planning tool for both members and officers to coordinate programmes of work for the year. The programme is attached as Appendix 1 to the memorandum.

Executive Summary

5. The forward programme is a working document and is subject to change.

Appendices

No.	Title	Page
1	2024 Forward programme	234

Author: Jack Kilty
Democracy Advisor

Approved By: Kathryn Stannard
Head of Democratic Services

Policy, Finance and Strategy Committee – Forward Programme 2024								
Description	Business Unit	Cycle 5 29 Oct Annual Report	Cycle 5 19 Nov	Pending				
Forward Programme	Democratic Services		✓					
SML six-month report (July-Dec)	Finance		✓					
UPL six month report (July-Dec)	Finance		✓					
Hutt Valley Chamber of Commerce half year report	Business & Economy			✓	2025 (March)			
SML draft SOI	Finance			✓	2025			
UPL draft SOI	Finance			✓	2025			
Council performance overview quarterly report	EPMO			✓	2025			
NZLGFA Half Year Report	Finance			✓	2025			
Strategy and Policy work programme	Strategy & Policy			✓	2025			
Parking Strategy	Transport		✓		Approve draft in July, adopt in November			
Heritage Policy Options	Strategy & Policy		✓					
Hutt Valley Chamber of Commerce 12 month report	Business & Economy			✓				
Seaview Business Assoc.12-month report	Business & Economy			✓				
Jackson Street programme 12 month report	Business & Economy			✓				
Love Wainuiomata 12 month report	Business & Economy			✓				
UPL Annual Report (year end June 2025)	Finance			✓				
SML Annual Report (year end June 2025)	Finance			✓				
Wellington Water Ltd Annual Report	Environment & Sustainability			✓				
NZLGFA Annual Report	Finance			✓				
Hutt City Group Annual Report	Strategy & Policy, Finance	✓						
Tō Tātou Tāone 2055 – Our City 2055	Strategy & Policy		✓					
UPL Letter of Expectation			✓					
SML Letter of Expectation			✓					
Dog control Bylaw Full Review	Strategy & Policy			✓	2025			