



# **RĀRANGI TAKE AGENDA**

## **Rautaki, Whakahaere, me te Ahumoni | Strategy, Operations and Finance Committee Meeting**

**I hereby give notice that a Meeting of the Rautaki, Whakahaere, me te Ahumoni | Strategy, Operations and Finance Committee will be held on:**

**Te Rā | Date: Thursday, 11 April 2024**

**Te Wā | Time: 9.30am**

**Te Wāhi | Location: Council Chamber  
Ground Floor, 175 Rimu Road  
Paraparaumu**

**Kris Pervan  
Group Manager Strategy & Growth**

**Kāpiti Coast District Council**

**Notice is hereby given that a meeting of the Rautaki, Whakahaere, me te Ahumoni | Strategy, Operations and Finance Committee will be held in the Council Chamber, Ground Floor, 175 Rimu Road, Paraparaumu, on Thursday 11 April 2024, 9.30am.**

**Rautaki, Whakahaere, me te Ahumoni | Strategy, Operations and Finance Committee Members**

Cr Sophie Handford	Chair
Cr Liz Koh	Deputy
Mayor Janet Holborow	Member
Deputy Mayor Lawrence Kirby	Member
Cr Glen Cooper	Member
Cr Martin Halliday	Member
Cr Rob Kofoed	Member
Cr Jocelyn Prvanov	Member
Cr Shelly Warwick	Member
Cr Nigel Wilson	Member
Cr Kathy Spiers	Member
Ms Kim Tahiwī	Member
Mr Huriwai Paki	Member
Ātiawa ki Whakarongotai (André Baker or Janine Huxford)	Member

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**1 NAU MAI | WELCOME**

**2 KARAKIA A TE KAUNIHERA | COUNCIL BLESSING**

I a mātou e whiriwhiri ana i ngā take kei mua i ō mātou aroaro *As we deliberate on the issues before us,*

E pono ana mātou ka kaha tonu ki te whakapau mahara huapai mō ngā hapori e mahi nei mātou. *We trust that we will reflect positively on the communities we serve.*

Me kaha hoki mātou katoa kia whaihua, kia tōtika tā mātou mahi, *Let us all seek to be effective and just,*

Ā, mā te māia, te tiro whakamua me te hihiri *So that with courage, vision and energy,*

Ka taea te arahi i roto i te kotahitanga me te aroha. *We provide positive leadership in a spirit of harmony and compassion.*

**3 WHAKAPĀHA | APOLOGIES**

**4 TE TAUĀKĪ O TE WHAITAKE KI NGĀ MEA O TE RĀRANGI TAKE | DECLARATIONS OF INTEREST RELATING TO ITEMS ON THE AGENDA**

Notification from Elected Members of:

4.1 – any interests that may create a conflict with their role as an elected member relating to the items of business for this meeting, and

4.2 – any interests in items in which they have a direct or indirect pecuniary interest as provided for in the Local Authorities (Members' Interests) Act 1968

**5 HE WĀ KŌRERO KI TE MAREA MŌ NGĀ MEA E HĀNGAI ANA KI TE RĀRANGI TAKE | PUBLIC SPEAKING TIME FOR ITEMS RELATING TO THE AGENDA**

**6 NGĀ TEPUTEIHANA | DEPUTATIONS**

Nil

**7 NGĀ TAKE A NGĀ MEMA | MEMBERS' BUSINESS**

(a) Leave of Absence

(b) Matters of an Urgent Nature (advice to be provided to the Chair prior to the commencement of the meeting)

## 8 HE KŌRERO HOU | UPDATES

### 8.1 UPDATE ON COUNCIL'S REVISED COMPLIANCE AND ENFORCEMENT POLICY

Kaituhi | Author: **Laura Willoughby, Principal Advisor Regulatory Services**

Kaiwhakamana | Authoriser: **James Jefferson, Group Manager Regulatory and Environment**

### TE PŪTAKE | PURPOSE

- 1 The purpose of this short report is to update the Committee about the Council's revised Compliance and Enforcement Policy 2024.

### TAUNAKITANGA | RECOMMENDATIONS

- A. That the Strategy, Operations and Finance Committee **note** that the Council's operational Compliance and Enforcement Policy has been updated.

### TŪĀPAPA | BACKGROUND

- 2 The compliance and enforcement policy outlines the operational approach that Council will take on compliance and enforcement matters within the district. The policy is available to the public on our website to ensure transparency and clarity for everyone involved.
- 3 This policy informs our operational compliance work and sets expectations around how our delegated officers will use powers granted to them via legislation and specific regulations.
- 4 The Council's compliance and enforcement policy was first drafted in 2018 and has now been reviewed and updated – see Attachment 1.
- 5 The policy complies with legislative imperatives, the Solicitor General's Guidelines as well as the best practice guidelines for compliance, monitoring and enforcement, published by the Ministry for the Environment.

### HE TAKE | ISSUES

- 6 The key areas that have been updated in the policy are:
  - 6.1 Introduction of a new model that considers additional factors in our response
  - 6.2 Use of a more graduated response that acknowledges positive behaviour – from 'recognise & reward' through to 'full use of powers'.
  - 6.3 Identification of increased opportunity to improve iwi partnerships in Council's compliance, monitoring and enforcement work.
  - 6.4 Legal and iwi representation must sit on the internal decision-making group that may commence formal prosecution on compliance and enforcement matters.
  - 6.5 Introduce recording of compliance level categories on our investigations to enable improved reporting on compliance levels in the district.

### NGĀ KŌWHIRINGA | OPTIONS

- 7 There are no other options to consider.

### NGĀ MAHI PANUKU | NEXT STEPS

- 8 As this is an operational policy, it will be 'owned' by the Council's Senior Leadership Team, which includes the Chief Executive and all Group Managers.
- 9 The final approval of the revised policy will be sought from the Senior Leadership Team in April 2024.

**NGĀ ĀPITI HANGA | ATTACHMENTS**

1. Attachment 1 - Compliance and enforcement policy draft 2024 [↓](#)

# Compliance Enforcement Policy

## Draft



## Compliance Enforcement Policy

### Draft 2024

<b>Version</b>	1.0
<b>Approved by Senior Leadership Team</b>	
<b>Review due</b>	
<b>Owner</b>	Regulatory & Environment Group

## Foreword

Welcome to our Compliance and Enforcement Policy. This policy will articulate what and how we act as regulators within the Kāpiti District.

Why regulate? Quite simply, regulation seeks to influence the behaviour of individuals and collectives in order to make community interactions safe and predictable, reducing uncertainty by setting expectations and standards via rules and articulating consequences for not meeting those standards and rules. In short, regulation is part of our social glue, whether it is keeping our communities safe or protecting the taonga that is our environment, while providing the foundation for a vibrant and more resilient Kāpiti.

We start from a position of guardianship and stewardship when describing what and how we regulate. We are committed to protecting all that is special about Kāpiti by judiciously implementing and administering the various policy positions that central government and Council has adopted as our operating framework. Moreover, our stewardship approach to regulating seeks to include the oversight, monitoring, and care of our various regulatory systems, taking an end-to-end view and ensuring that all the different parts of the regulatory system work well together to achieve its goals and are fit for purpose over time. This requires us to be proactive, collaborative, analytical and open for change as we imbed good regulatory practice.

Our activities are varied and often challenging, yet critically important in delivering on our legislative responsibilities and on the community aspirations of Kāpiti, ensuring it remains a safe and healthy place with a thriving environment and vibrant economy.

Our operating environment is also full of complexities and challenges as communities experience more stress and tension. This is magnified by a central government change agenda that could have profound impacts on what and how we regulate.

I trust you find value in this document, that it clearly articulates my expectations of us as regulators and is a place that you can see and be proud of your positive contribution to our bigger picture of a safe, healthy, and vibrant Kāpiti.

**James Jefferson**

Group Manager - Regulatory & Environment, Kāpiti Coast District Council



## Compliance and Enforcement Policy 2024

There are three types of environmental monitoring that councils are actively involved in:

1. State of the environment
2. Efficiency and effectiveness of regulation
3. Compliance, monitoring and enforcement of activities and development and the management of its impact.

This compliance and enforcement policy focuses on the third area, ensuring that the regulation of development and public spaces achieves the desired outcomes.

The policy provides direction at a high level and outlines our approach to regulating new development to manage its impact on the receiving environment and our community.

With more growth comes more built development, but also associated social impacts, such as more food and alcohol facilities, more noise, an increase in domesticated animals and a greater demand for the use of public spaces (including our beaches, freedom camping sites and availability of public car parking).

The responsibility for regulating and monitoring compliance of new development and associated activities sits with the Regulatory Services Group within our Council.

## Purpose

We want to prevent harm and influence people's behaviour to equitably comply with rules designed to keep us all healthy and safe. This supports our Council to deliver on the outcomes that have been set by the community and government.

Our regulatory compliance monitoring work includes:

- checking that consent holders/licensees are meeting the conditions of their consent/license
- checking that registered users, premises and animals meet the conditions of their registration (administrative/process monitoring)
- checking that members of the public are complying with relevant legislation and bylaws relating to the use of public spaces and animal management
- reporting to the public about levels of compliance and reporting back to policy makers on the effectiveness of regulation.

We want to make it easy to comply and difficult not to.



## Outcomes

The wider Council outcomes that we contribute to are:

- Ensuring warm, dry and safe development occurs on the Kāpiti Coast by enforcing required minimum standards.
- Maintaining a healthy and natural environment, where the impact of intensification and development is actively managed and monitored to reduce harm to our Kāpiti Coast environment.
- Ensuring our communities are safe and healthy.
- Allowing peoples economic choices to be made with more certainty as they know what to expect when investing in the Kāpiti Coast.

If we aim for these outcomes then we can enable the Kāpiti Coast to grow well and remain a quality place to live, work and play.

We already have strong foundations in place to help us achieve this:



## Our principles

To achieve the outcomes that we seek, we will adopt the following principles:

**Transparency** - we will provide clear information and explanations to our community about the standards and requirements for compliance and ensure that information about district issues and non-compliance is accessible. We will measure and report on our regulatory performance.

**Consistency of process** - our actions will be consistent with legislation and within our powers. Compliance and enforcement outcomes will be consistent and predictable for similar circumstances.

**Fairness and proportionality** - we will apply regulatory interventions and actions appropriate for the situation. We will use our discretion justifiably and actions will be proportionate to the risks posed to people and the environment and the seriousness of non-compliance.

**Based in evidence, led by intelligence** - we will use an evidence-based and intelligence-led approach to our decision-making.

**Collaborative approach** - we will work with and, where possible, share information with, other regulators and stakeholders to ensure the best compliance outcomes. We will consider the public interest and engage with the community, those we regulate, and central government, to explain and promote environmental requirements and achieve better community and environmental outcomes.

**Legal, accountable, and ethical** - we will conduct ourselves lawfully, ethically and in accordance with these principles, as well as relevant policies and guidance. We will document and take responsibility for our regulatory decisions and actions.

**Outcomes-focussed** - we will focus on the most important issues and problems to achieve the best outcomes. We will target our strongest regulatory interventions at behaviours that pose the greatest risk to the environment. We will apply the right tool for the right problem at the right time.

**Responsive and effective** - we will consider all alleged non-compliance to determine the necessary interventions (considering all relevant factors) and actions to minimise impacts on the district, the community and to maximise deterrence. We will respond in an effective and timely manner in accordance with legislative and organisational obligations.

These principles will ensure that our actions are transparent, and our decision making remains without influence or bias.

## Our authorising regulatory environment

We operate under a suite of legislation. Collectively this enables us to provide appropriate stewardship, leadership and oversight of our regulatory system.

### Authorising legislation

Building Act 2004	Gambling Act 2003	Reserves Act 1977
Dog Control Act 1996	Burial and Cremation Act 1964	Resource Management Act 1991
Fire and Emergency New Zealand Act 2017	Self-Contained Motor Vehicles Act 2023	Summary Proceedings Act 1957
Food Act 2014	Freedom Camping Act 2011	Transport Act 1962
Health Act 1956	Criminal Procedure Act 2011	The Sale and Supply of Alcohol Act 2012
Impounding Act 1955	Local Government Act 1974	Trespass Act 1980
Land Transport Act 1998	Local Government Act 2002	
Litter Act 1979	Public Works Act 1981	

### Kāpiti Coast District Council – policies, bylaws and plans

Policies	Bylaws	Plans
Development Contribution Policy 2021	Solid Waste Management and Minimisation Bylaw 2021	Kāpiti Coast District Plan 2021
Class 4 Gambling Policy 2019	Control of Alcohol in Public Places Bylaw 2018	Airport Noise Management Plan
Dangerous and Insanitary Buildings Policy 2018	Keeping of Animals, Bees and Poultry Bylaw 2021	
Dog Control Policy 2019	Dog Control Bylaw 2019	
Freedom Camping Policy 2012	Public Places Bylaw 2017	
	Beach Bylaw 2021	
	Trade Waste Bylaw 2019	
	Transport Bylaw 2022	

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## Our current operating environment

### Economic pressures

We see the increase in financial pressure on our communities and the continued need for additional housing in the district. Building requires a big investment and supply costs are increasing rapidly. The land in Kāpiti can be challenging to develop with many natural hazards existing on our low-lying land and slopes that require additional work and monitoring. We want to grow well in Kāpiti with quality and safe buildings without contributing to increasing costs through excessive monitoring and compliance costs. We also need to consider whole-of-life costs, who pays and who is responsible long term - this is a form of economic fairness. If we let something slide today because it will cost too much but it will cost more in the future, then it is not a fair decision for future residents.

### Changing behaviour

We are experiencing an increase in challenging and aggressive behaviour towards Council members from people within our communities. In recent times, stress and pressure in all areas of life has also increased and this has taken a toll on our communities. This is reflected in rates of poor mental wellbeing rising significantly across many age groups.<sup>1</sup> A significant component considered in our response to any breaches of regulation is the willingness of the person to correct and comply. A negative attitude towards compliance may require a quicker and stronger response from Council.

We also anticipate that increased urban intensification in Kāpiti will be a significant change for our community as people adjust to living closer to each other. Increasingly, our compliance function is also being used by conflicting neighbours to make repetitive complaints and counter-complaints against each other. This use of our compliance service in this manner can be time consuming and resource-intensive for Council. There is little benefit to the outcomes that we seek to achieve, and it can have a negative impact on the wellbeing of our staff.

### Ability to comply

We perceive that there is an increased level of non-compliance with the regulations that we work under in the district, including undertaking work without obtaining any consents. This is partly due to the increased complexity of regulation and residents not fully understanding what is required of them to comply with a variety of legislation.

Kāpiti Coast has also been experiencing growth at a time where the cost of building has risen. As a result, our teams are witnessing an increase in actions that appear to be driven by a desire for efficiency but are leading to non-compliance with regulation, and in some cases increased costs. Examples are undertaking earthworks in winter months, low-quality information contained within consent applications and an increase in non-payment of licensing/registration fees.

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<sup>1</sup> General Social Survey (GSS) 2021, Stats NZ Tatauranga Aotearoa

### Central government involvement

There are significant changes from central governments reform agendas. These include the Water Services Reform, the Local Government Review, Resource Management Reform (including climate change and reducing carbon emission expectations), Building Systems Review and change in housing density and supply to address access to affordable housing. These changes are combined with central government's desire to introduce new regulations and requirements at pace. The development sector is already stretched and a lack of clear guidance on implementing these policy changes is having a negative impact on the people who need to deliver on the changes.

### Impacts of climate change

More frequent and intense extreme weather events like flooding, storm surges, drought, forest fires, tornadoes and ex-tropical cyclones are also likely to impact people's health and property. More coastal erosion and flooding will damage homes and infrastructure like pipes and roads. We are beginning to experience more frequent and intense weather events that are leading to increased damage and flooding to properties and the natural environment.



## Our response

### Customers

- Regularly engage with and seek feedback from our community to understand the impact of our work.
- Aim to innovate for our customers, with the resources that we have, with the aim to reduce burden.
- Develop material to guide complainants on the process, which includes:
  - what is in a council's jurisdiction and what is not
  - the kind of information to include when notifying the council of an incident
  - other sources of advice and assistance.
- Explore more opportunities to recognise and reward our champion customers (including self-monitoring options, if appropriate).

### Continuous Improvement

- Undertake regular reviews of our end-to end compliance systems (including our risk settings) and level of resourcing.
- Regularly review case study examples of when our work has gone well, and not so well, to learn and improve.
- Improve the level of compliance activity and resource for permitted activity monitoring to meet the challenges of increased intensification in our district.
- Develop an internal pathway and process for handling of repetitive complainants with a view to reducing time and resources spent where there is little impact.

### Collaboration

- Continue to build relationships with our key partners – this includes mana whenua, agencies who we need to work with on high risk/complex work and those that we work with frequently.
- Work across Council teams to use our channels to educate and enable our customers to understand what is required of them and to make it easy to comply.
- Explore initiatives to establish a community network of interested groups that could assist with compliance education and monitoring.
- Seek more administration support to allow our delegated teams a stronger focus on the work that they are delegated to do.

### Conversations

- Commit to improving our communication and stakeholder engagement skills and reducing the use of technical jargon.
- Maintain a clear separation between the enforcement and political arms of the Council. We will continue to advise and educate councillors on regulations and seek their feedback on future changes.
- Engage with mana whenua to integrate mātauranga Māori into our assessments, including seeking statements of values and harm as part of our compliance and enforcement investigations.

### Colleagues

- Ensure that our teams have the tools and support they need to do their work efficiently, effectively and safely.
- Provide opportunities and time for our people to remain highly skilled in a constantly evolving regulatory environment.
- Equip our staff with skills to deal with confronting customers and complex situations.
- Regularly talk about our wellbeing and take positive action to look after ourselves and each other.
- Improve the ability to share our information across the Council to keep our colleagues and community safe.

## Our partners

We recognise that we cannot do this work alone. We need to work alongside our partners to achieve the outcomes that we seek. Our partners include:

### Mana whenua

Te Whakaminenga o Kāpiti is one of the longest lasting partnerships between tāngata whenua and local government in Aotearoa New Zealand. The partners are the Kāpiti Coast District Council and the mana whenua (people with 'authority over the land') on the Kāpiti Coast being Ātiawa ki Whakarongotai Charitable Trust, Ngā Hapū o Ōtaki and Te Rūnanga o Ngāti Toa Rangatira.

While Te Whakaminenga o Kāpiti has primarily been involved with issues to do with resource management, it has also worked, particularly in more recent years, to ensure that the Māori world view is better represented and understood in the broader community. From the beginning Te Whakaminenga o Kāpiti has focused on harmonising different cultural attitudes to resources and solve local issues according to national legislation.

Te Whakaminenga o Kāpiti stems from two core principles of the Treaty of Waitangi as identified and defined by the Court of Appeal and the Waitangi Tribunal. The first principle, 'partnership', obliges both parties 'to act reasonably, honourably and in good faith'. For that, consultation is vital. The second principle, 'active protection', requires the Crown to protect Māori in the use of their lands and waters to the fullest extent practicable.

A Memorandum of Partnership exists to recognise the special status of tāngata whenua to the Council - being separate and distinct from other interest groups. The Council recognises the need for active protection of tāngata whenua interests to be considered in its dealings with other parties. The goal is to develop an effective and meaningful partnership.

In doing so, the Council will uphold the following principles:

1. To actively promote the sustainable management of the district's natural and physical resources and those taonga of significance to the tāngata whenua, in a way that recognises the cultural and spiritual relationship of the tāngata whenua with the natural world.
2. To develop an effective partnership with the tāngata whenua in the management of the district's natural and physical resources by the exercise of the utmost good faith, co-operation, flexibility and responsiveness in their dealings with each other.
3. To promote active partnership of the tāngata whenua in the preparation, implementation and review of resource management policies and plans.
4. To have particular regard to the rights of the tāngata whenua in the management and development of resources by recognising and providing for kaitiakitanga.
5. To recognise the Rangatiratanga right of the tāngata whenua as guaranteed in Article II of the Treaty of Waitangi, to retain responsibility and control of the management and allocation of their resources.



In applying these principles to regulation, it is acknowledged within the Memorandum of Partnership that:

- the Council is bound by legislation which prescribes the powers and functions, and by common law principles relating to the exercise of its statutory powers and functions.
- the Council must act in accordance with its statutory powers and the common law principles affecting these powers.
- Te Whakaminenga o Kāpiti recognises the additional responsibilities of Council under the Local Government Act 2002 and the Resource Management Act 1991 as further opportunities to engage effectively.

Mātauranga Māori enhances our approach, particularly around environmental stewardship and kaitiakitanga. Mana whenua hold unique knowledge around active protection measures and the identification of values that may be at risk of harm due to poor regulatory behaviour.

Council staff will continue to work with mana whenua to ensure a strong and effective partnership is achieved on compliance and enforcement matters.

We recognise that there are opportunities to strengthen our partnerships, such as:

- Developing a greater shared understanding of mātauranga Māori
- Partnering on decision-making on enforcement issues
- Working together on active protection
- Increasing the sharing of information to better enable compliance
- Sharing our networks to broaden our reach and influence
- Broadening our understanding of 'harm' to include the cultural and spiritual relationship of the tāngata whenua with the natural world
- Seeking advice from tāngata whenua on possible reparation options where significant harm has occurred.

### Local authorities

Our council neighbours, Wellington Region and other local authorities across Aotearoa New Zealand are all dealing with similar compliance and monitoring issues. We will commit to work with, learn from and take opportunities with local authorities to share our experiences and our resources where possible.

### Central government – ministries and agencies

From time to time, council staff may require assistance from the police to execute a search warrant or in relation to the health and safety of enforcement officers. WorkSafe New Zealand also plays a part in our health and safety.

Relevant ministries and agencies are often responsible for ensuring legislation is effectively administered under its regulatory stewardship role.

Council staff may partner with these agencies on the following issues:

- managing water quality.
- working with public health units on pollution incidents.

- consent monitoring of nationally significant projects (for example, Kāpiti expressway projects).
- regulating forestry, agriculture and biosecurity.
- regulating building and construction and infrastructure.
- civil defence and emergency management.
- collecting fines and fees.
- roading and parking transport rules.
- freedom camping education.

## Mahi tahi – one council

At an organisational level, our structure and leaders will ensure that there is adequate separation between the Council's regulatory function and the Council's construction/building function, i.e. where Council projects are subject to Council consenting requirements. We will also work with other teams in our Council to deliver our compliance and enforcement functions.

### Communications team

We rely on good communication to be effective. An example may be that we use a public campaign to educate on a compliance issue in our district, or that we may require a media release to outline the reasons for our actions. For these approaches to be successful, we need to work with our Communication and Engagement team to seek advice and assistance to improve understanding of the behaviours that we seek and actions that we take.

### Legal team

Our regulatory response requires the input of our legal experts into decision-making to ensure that the right approach is taken for the right outcome. Our legal team will become more involved when prosecutions and complex investigations occur but will also assist in ensuring that we use our principles and operate within our powers. The legal team will provide independent legal advice and, where necessary, instruct external legal specialists.

### Information management team

Our record keeping systems are essential to enable us to record, monitor and analyse activities. Technology can assist us by identifying emerging trends and turn our information into useful intelligence. Our systems and processes will ensure that the information is collected and used appropriately, and people's privacy is maintained.

### Policy team

As regulators of legislation, strategies, policies and bylaws, our compliance and monitoring regulatory function is well placed to provide feedback and evidence on the effectiveness of these regulatory instruments. We will work with our policy teams to provide feedback with a view to improving legislation and supporting regulation and its implementation.

### Elected members

Our councillors play an important governance role in setting the desired local outcomes that can assist us in prioritising our resources to deliver on these outcomes. Councillors also indicate the risk settings for our compliance and monitoring function and provide corresponding resources through the organisation's financial allocation processes. Reporting back to councillors on our compliance and monitoring function is also a requirement.

## Our people and their role

### Monitoring officers

People across our teams engage in consenting, licensing, inspecting, monitoring, and auditing to ensure compliance with legislation. Generally, the regulatory system is mandatory. Our monitoring officers ensure that customers participating within the regulatory system comply with the necessary rules/laws.

### Investigating officers

Where information about a compliance issue or incident comes to our attention, the relevant Council investigating officer will conduct the initial investigation. The powers that may be exercised by investigating officers are prescribed in their position descriptions or in formal delegations (for statutory powers) and vary according to the area for enforcement and the nature of the enforcement option.

### Compliance team leaders and compliance managers

The compliance team leaders and compliance managers will provide day-to-day advice on compliance and enforcement options to investigating officers. They will ensure that the right tool is used at the right time. They are also responsible for the ongoing reporting on compliance and enforcement activity within the Kāpiti Coast District.

### Council's legal team

The Council's legal team will provide independent legal advice to Council staff and may instruct external legal specialists.

### Quarterly enforcement meetings

A quarterly meeting is held with the regulatory services leadership team to offer guidance and advice on day-to day compliance and enforcement decision-making.

### Council's enforcement decision group

The enforcement decision group will make all decisions on whether to commence a prosecution or make an application to the Court, on our behalf. This group will comprise a panel of at least two of Council's group manager positions, a member of Council's legal team and a member of the Council's iwi partnerships group.

An additional person, with relevant experience, may be appointed as required. External appointments are made by the Chief Executive and all group members will hold the relevant delegations to perform the role outlined in this policy. The Enforcement Decision Group operates by consensus.



### Our risk model

As the Kāpiti Coast continues to experience growth, we may need to reprioritise the best use of our resources and allow for increasing development effects and public nuisance activity across our district.

To do this we will:

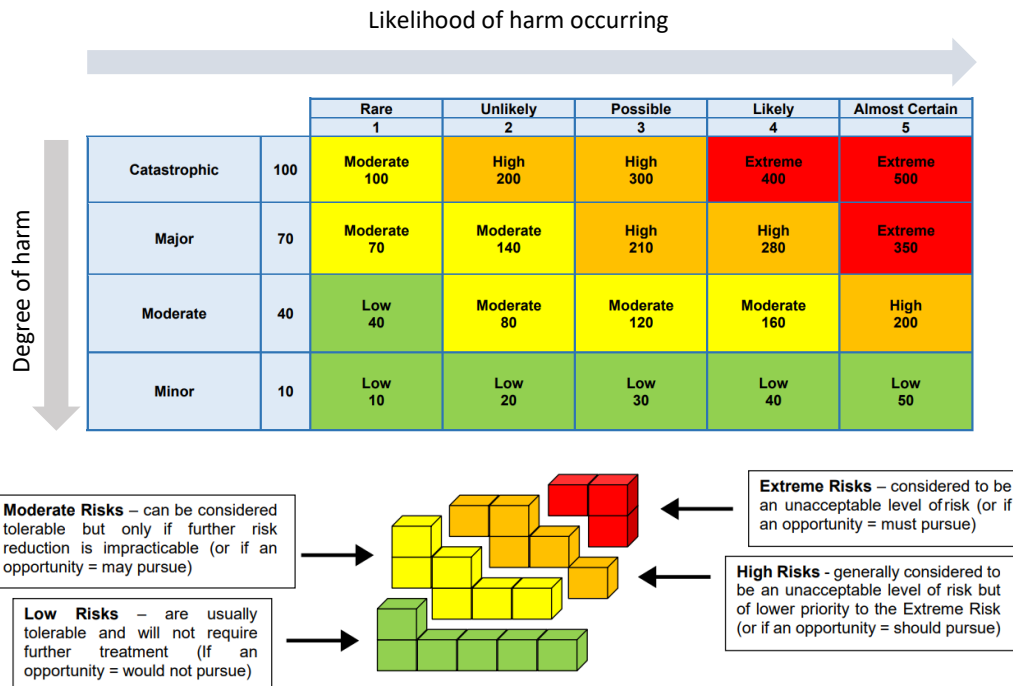
- assess the risk of harm from an activity, and then
- focus resources to where the risk is greatest and that may require active management.

When determining the extent of risk, we consider the:

- likelihood of harm occurring and
- the degree of that harm if it did occur.
- the outcome of this risk assessment then informs the extent/frequency of our monitoring efforts or action.

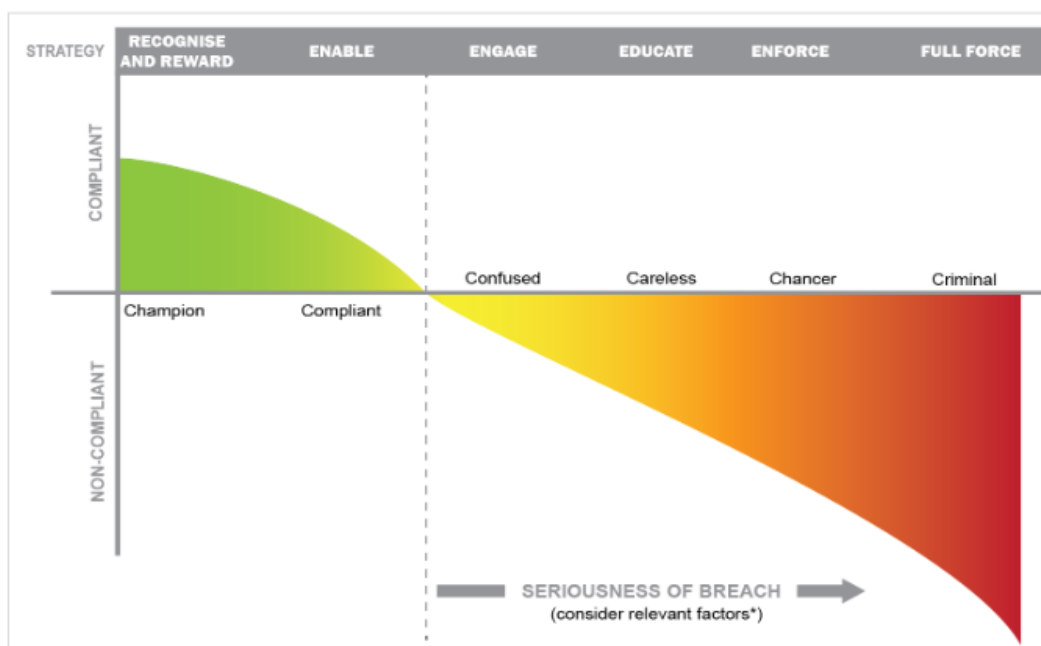
If we find that a breach of regulation is causing a consequence that is negligible and the likelihood of harm occurring is low, then we will provide that feedback to the rule or regulation makers.

For low risks, a breach may be recorded and noted on property file, however further formal action may not be taken.



## Our compliance model

Our aim is to influence people’s behaviour to comply.



Relevant factors:

- The extent of any breach
- Enforceability of the regulation
- Statutory defence
- Case law
- Behaviour/attitude
- Harm caused
- Public Interest
- Purpose of legislation
- Previous compliance history
- Statutory limitation period
- Repetitiveness of breach
- Cultural practice
- Standard of proof
- Solicitor-General Prosecution Guidelines
- Speed of action required.





## Our approach – compliant behaviour

We seek to influence behaviours by using our suite of strategic tools. We prefer compliance promotion (such as education, on-site directions, and awareness-raising) as the preferred method for encouraging compliance.

### Recognise and reward

For our champions in Kāpiti, we will recognise and reward their willingness to comply and 'do the right thing'.

An example of this is our approved owner status for dogs. If your dog is micro-chipped, your property is securely fenced, you have paid a previous registration fee and have no reported dog incidents then we can assign you an approved owner status on our records and offer a discounted dog registration fee.

### Enable

We understand the importance of people having access to good quality information and guidance on how to comply with regulatory requirements. The regulations can be confusing, and we will make it clear to people what action they need to take to comply. Advice and guidance material can take many forms including verbal or written advice, or reference to other sources of compliance information such as the Council website, FAQs, alerts, leaflets, newsletters, and posters. We want to make it easy to comply and difficult not to.

We undertake permitted activity monitoring to see the level of voluntary compliance that is occurring. This involves monitoring of activities that do not require specific Council authorisations. These are often monitored from afar using other information sources and/or desktop assessments based on geo-spatial data. An example of this type of monitoring can include the checking of building consents for compliance with the district plan requirements.

We also license and consent activities and development using conditions to manage potential harm and to enable people to demonstrate compliance. These consent conditions are actively monitored by us, and inspections are undertaken to ensure compliance. Larger and more complex developments will generally require frequent and a greater number of monitoring visits.

The legislation that we operate under requires us to monitor the following:

- Inspections to ensure compliance with a building consent – These inspections are authorised under the Building Act 2004 to obtain a Code of Compliance Certificate for a building or structure. Inspections are booked and inspectors are often met on-site to view and discuss the building work undertaken in accordance with their building consent conditions.
- Inspections to ensure compliance with swimming pool fencing requirements, Building Warrant of Fitness - these inspections are mandatory under the Building Act 2004 and are charged to relevant owners in the interests of maintaining safe buildings and structures.
- Resource consents - we monitor subdivisions and land use activities for which resource consents have been issued. We also investigate breaches of District Plan rules that may not have the necessary consents.
- Animal management – registration and inspections may occur to ensure compliance with the Dog Control Act 1996 and other legislation and bylaws. The purpose is to ensure that the responsibilities of owners are being met.

- Health registered premises – under the Health Act, hairdressing facilities and funeral director premises are required to be registered and licensed by the Council (including an annual inspection).
- Food businesses – businesses operate under the requirements of the Food Act 2014 to ensure that all food sold is safe. Registration is mandatory and occurs with the Council or Ministry of Primary Industries. Registered parties need to operate under a set of food safety rules. These will be either a national programme (for low and medium risk businesses) or a food control plan (for higher risk businesses). These are audited and verified via a visit to the business to ensure compliance and to renew registration.
- Alcohol licensing – the Council administers the Sale and Supply of Alcohol Act 2012 and has appointed the Kāpiti Coast District Licensing Committee (DLC) to consider and determine applications for licences and managers' certificates, renewal of licences and managers' certificates, temporary authority orders and special licences. The purpose of licensing and monitoring is to ensure that hosts serve alcohol responsibly and to minimise potential harm from alcohol.
- Trading in public places – the rules for trading in public places are set out in the Council's Trading in Public Places Policy 2017. A license from the Council is required to trade on public land.
- Gambling consents - operating gaming machines outside of casinos falls under the Gambling Act 2003. To operate gaming machines in the Kāpiti Coast District, you must obtain a Class 4 consent from the Council. Council is not involved in deciding how community funds are distributed by gaming societies.
- Campgrounds – premises need to be registered with the Council to ensure that the site is fit for purpose.
- Discharging trade waste - trade waste is controlled by laws to help protect wastewater system treatment plants. Businesses producing more liquid waste than a large household need a trade waste consent from the Council.
- Recreational water quality - we support Greater Wellington Regional Council to regularly monitor our swimming sites. We help by collecting samples at our recreational river sites and fourteen coast sites and provide information to the public if there is an unacceptable health risk.
- Excessive noise - noise is an inevitable part of living in a community, but with a little consideration and communication, noise can be managed so we can all live together peacefully. We step in when noise being generated by some members of the community is excessive and causing a disturbance to others.
- Patrolling of public spaces – these monitoring inspections and patrols are part of our everyday business and are not directly charged for as they serve a greater public good. We monitor public spaces, from our beaches and freedom camping sites to our public car parking spaces, to ensure that the relevant rules and bylaws are being followed and that any public nuisance is being avoided.



## Our approach to non-compliant behaviour

This can be picked up through our monitoring work or may involve responding to an incident or complaint that comes to the Council and requires assessment, investigation, and an action/response by our people. Council officers are warranted to access properties for the purposes of this type of inspection.

A significant proportion of these incidents and complaints either result in no action or education around regulation or consent conditions. Most can be settled by a phone call or meeting.

### Engage

Most incidents are dealt with by means of informal action and would involve the Council Investigating Officer drawing the matter to the attention of the person responsible for the compliance issue or incident, and giving appropriate guidance.

A minor incident may result in an infringement being issued to deter behaviour, such as a parking ticket. Rarely will a minor or technical infringement result in more formal action being taken, particularly if it is capable of immediate rectification.

We can conduct more in-depth audits to determine compliance and record our findings.

### Educate

If previous advice has been ignored, or of there is another factor that warrants a formal response, the Investigating Officer may choose to act in a formal way.

A formal warning is documented by way of a letter to a person informing them that an offence has been committed, and that they are liable, but that no further action will be taken in respect of that offence. The person will also be informed that the formal warning will be documented and recorded by the Council and taken into consideration should there be further offending.

The types of situations where a formal warning may be given are when:

- an administrative, minor, or technical breach has occurred.
- the harm, or potential harm, is minor or trivial in nature.
- the person does not have a history of offending.
- the matter is one which can be quickly and simply put right.

### Enforce

At the other end of the scale, the Council may discover or be advised of a serious breach of regulation that could result in significant harm. There is a need to respond swiftly in these circumstances to ensure issues can be addressed as soon as possible to reduce the potential for harm arising from the non-compliance. Warning of a Council inspection may not always be appropriate or possible.

We have a range of statutory powers available to us under the authorising legislation outlined in the earlier section of this document. Some of the key statutory powers include the following:

#### Compliance/directive notice (such as an abatement notice or notice to fix)

These notices are formal, written directives. They are written and served by Council staff instructing an individual or company to cease an activity, prohibit them from commencing an activity or requiring

them to do something. The form, content and scope of these notices is prescribed in statute. It is an offence to fail to comply with these notices.

### Cancel, amend, suspend or refuse to renew a licence, consent or permit

In some cases, we can cancel, amend or suspend (or apply for cancellation or suspension) of licences or consents where we believe:

- the grounds for being licensed are no longer met.
- the licence holder is failing (or has failed) to comply with the Act or the conditions of the licence or consent.
- false or misleading information has been provided.

### Infringement notice

An infringement notice is a written notice alleging that a person has committed an offence which requires the payment of a fine or the election to have the matter heard in court. The actual fine for each type of offending is set within a statutory schedule or bylaw. Payment of the fine does not lead to the recording of a criminal conviction.

The types of situations where an infringement notice may be issued are when:

- there is evidence of a regulatory breach.
- a one-off or isolated regulatory breach has occurred which is of minor impact and can be remedied.
- it is likely to be a sufficient deterrent.

### Full force

#### Court order or injunction

Like an abatement notice, an enforcement order can direct a person to cease an activity, or to take particular action. However, an application for an enforcement order must be made to the Environment Court. It is an offence to fail to comply with an enforcement order. In some of our regulatory roles, we can seek a court injunction to require a person to undertake something they have refused or previously failed to do. For example, an injunction may be granted to halt demolition of buildings to allow time for a hearing on the cultural and heritage values of the buildings.

#### Prosecution

A prosecution is initiated by laying criminal or summary charges in the District Court. The matter is then heard by a District Court Judge. All evidential rules and standards must be met in a prosecution. A successful prosecution will generally result in a conviction, and/or a penalty imposed.

A proposal for Council to pursue enforcement action that involves a prosecution or application to court must be referred to the Council's Enforcement Decision Group by the Compliance Team Leader or Compliance Manager. A report from the relevant Investigating Officer must be provided to the Group to assist with decision-making.

When making a decision, the Enforcement Decision Group must consider:

- whether the test for prosecution as set out in the Solicitor-General's Prosecution Guidelines (2013) is satisfied.
- whether there is sufficient evidence to lay charges (the evidential test)
- whether the charges are in the public interest (the public interest test)
- whether to undertake a prosecution in a specific case in accordance with relevant policies and strategies.
- what the impact or consequences of failing to prosecute may be.
- the alternatives to criminal prosecution.
- the outcomes sought by the relevant legislation.
- the expected cost of a prosecution (including the Council's resources and funding).
- whether another prosecuting agency has or may bring criminal proceedings in relation to the same incident.
- whether the decision is independent of any undue or improper pressures such as political pressures or pressures from elected members of the Council.

A decision not to prosecute does not preclude Council from further considering the case if new and additional evidence becomes available, or if a review of the original decision is required (provided always that we are within the applicable limitation period for bringing a prosecution).

#### Negotiated settlements/restorative justice

Restorative justice is becoming increasingly popular in the wider criminal justice system and in Resource Management Act (RMA) offending in particular. Its main purpose in criminal justice is to:

- Provide an opportunity for the offender to understand the impacts of their offending, and for the offender to display remorse for the wrongdoing
- Produce practical outcomes that restore harm done, educate the offender, and achieve a change in their attitude, and provide a basis for the community to begin to trust the offender again.

This is an alternative to traditional sentencing. It is intended to bring victims and the community together with the offenders to address the wrongdoing.

The Sentencing Act 2002 allows for restorative justice processes to occur when certain conditions are met. The Council is generally open to resolving non-compliance by agreement where a remedy is possible, and where those requirements are fulfilled.

A negotiated settlement typically requires all or some of the following - the person to admit that they are likely to have breached the law, to cease the non-compliant conduct, undertake suitable reparation measures, pay compensation, pay our costs, and may involve some publicity. Any restorative justice measures agreed to by the parties may be considered by the Court in sentencing<sup>2</sup>.

A negotiated settlement will only be agreed to if it is in the public interest. For example, we are unlikely to agree to a negotiated settlement where the non-compliance has caused serious harm or the person is a repeat offender, lacks contrition or actively resists compliance.

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<sup>2</sup> Best Practice Guidelines for Compliance, Monitoring and Enforcement under the Resource Management Act 1991

## Communication

### Elected Members

If a prosecution is initiated, the Mayor, Councillors, iwi representatives, and any relevant community board members should be advised of the identity of the parties being prosecuted and the nature of the charges. This will ensure that they are aware of the prosecution and be able to avoid being drawn into any media comment or improper contact with the individuals that could jeopardise the right to a fair trial.

It is important to note that names of defendants and other parties must not be released to the public or to media.

### Media

Public scrutiny is beneficial to the administration of justice and the community has a right to accurate information, subject to lawful restrictions and the individual's right to a fair trial.

However, it is of primary importance that any public statements do not prejudice an individual's right to a fair trial. An individual's right to a fair trial under the New Zealand Bill of Rights Act 1990 is fundamental.

### Release of information to the media

Only the Chief Executive or the relevant Group Manager can release information to the media about enforcement incidents. Before providing any information to the media the relevant Group Manager must first discuss with Council's legal team the information that is proposed to be released.

In prosecutions before the Courts the rule of sub judice applies, which means that while a matter is under judicial consideration public comment on the case is prohibited, as the matter has yet to be decided by the Court.

As the media often report about matters prior to the Court making a decision, any press releases about enforcement matters should be restricted to the simple fact that Council is undertaking enforcement action in respect of an alleged breach.

### Regulatory complaint/incident grading

Each regulatory complaint or incident that the Council discovers or is advised of will be assessed by a Compliance and Monitoring Officer. An assessment will include the relevant factors shown in our compliance model:

- The extent of any breach
- Enforceability of the regulation
- Any relevant statutory defence
- Case law
- Behaviour/attitude
- The level of harm caused (including victims and the environment)
- Public interest
- Purpose of legislation/regulation breached
- Previous compliance history
- Statutory limitation period
- Repetitiveness of breach
- Standard of proof required
- Solicitor-General prosecution guidelines
- Speed of action required
- Cultural practice.

Once an assessment/investigation has been made the Compliance Officer must allocate a colour-coded compliance grade) as shown in the table below.

	<b>Regulatory compliance grade</b>
	FULL COMPLIANCE: with all relevant conditions of consent, licence or registration, all rules, regulations, and bylaws.
	LOW RISK NON-COMPLIANCE: compliance with most consent conditions, licence, or registration and/or rules, regulations and bylaws. Non-compliance carries a low risk of harm or is technical in nature (for example, failure to submit a monitoring report).
	MODERATE NON-COMPLIANCE: Non-compliance with some consent conditions, licence, or registration, and/or rules, regulations and bylaws – where there is some consequential harm and/or there are some risks of negative effects.
	SIGNIFICANT NON-COMPLIANCE: Non-compliance with many consent conditions, licence, or registration, and/or rules, regulations and bylaws – where there is a high level of consequential harm and/or a high risk of negative effects.

The appropriate compliance grade will be recorded and reported.



Consistent grading of the incidents/complaints that we receive will inform our risk assessments and enable us to improve reporting on our compliance, monitoring and enforcement function and progress towards achievement of our desired outcomes.

Our reporting may include:

- numbers of sites with significant non-compliance, moderate non-compliance, low-risk non-compliance, and compliance.
- types of incident notifications received and council responses to these incidents, including time taken to respond.
- number of consents, and percentage of total consents that are monitored per financial year.
- number of enforcement actions taken, by action type (such as, prosecution, abatement notice, infringements issued), and percentage of total non-compliance.

This information will also contribute to assessment and monitoring of the effectiveness of Council's policies (such as the Freedom Camping Policy, Dog Control Policy and Trading in Public Places Policy).

## Reporting

We will commit to reporting on our compliance, monitoring and enforcement activities through the following channels:

### Council reporting

- Long-term Plan – annual and quarterly reporting
- Committee and Sub-Committee – issues and risk reporting, as required
- Senior Leadership Team – reporting on prosecutions and serious breaches
- Regulatory Services Group – monthly reporting
- Regulatory Services Leadership Team – ongoing monitoring and issues escalation

### National reporting

- Ministry for the Environment's National Monitoring System reporting
- Ministry for the Environment's Resource Management Act Surveys of Local Authorities
- Animal Management annual report, as required by section 10A of the Dog Control Act 1996
- Annual report of alcohol licensing income and costs – Ministry of Justice.





## 8.2 UPDATE ON THE STRATEGY, OPERATIONS AND FINANCE COMMITTEE WORK PROGRAMME

Kaituhi | Author: **Kris Pervan, Group Manager Strategy & Growth**

Kaiwhakamana | Authoriser: **Kris Pervan, Group Manager Strategy & Growth**

### TE PŪTAKE | PURPOSE

1 This paper summarises the update provided on the Committee's 2024 work programme.

### TAUNAKITANGA | RECOMMENDATIONS

A. That the Strategy, Operations and Finance Committee **note** the approach for developing the Committee's 2024 work programme.

### TŪĀPAPA | BACKGROUND

2 In March we advised the Strategy, Operations and Finance Committee (the Committee) that:

- Work was under way by Council officers to identify quarterly items and topics for the Committee's consideration.
- We would test proposed items and topics with the Committee during March, and seek endorsement of the work programme following this.

### HE TAKE | ISSUES

3 The draft work programme, attached, outlines the focus for each quarter over the next year for the Committee's consideration. It provides a general overview of the key work that will progress to this Committee for decision over this period. Of note, the:

- Green areas of the document reflect the delegations for the Committee, as per Standing Orders.
- Items noted are those currently in-track and where known; and work set out aligns to the Long-term Plan and its priorities.
- It is possible that additional items will be incorporated into the Committee's agendas over the year, particularly in areas where a reactive response or additional priorities occur. For example, it is not possible to determine where and when submissions on central government changes will occur or to schedule this in advance.

4 Separate work programmes are in development for the Climate and Environment Committee, and Social Sustainability Committee. Further refinement of the Strategy, Operations and Finance Committee's work programme will occur in late April and early May, to enable reallocation of work between these Committee's and Council, as appropriate, and to ensure that the workloads of the Committees are appropriately shared.

### NGĀ KŌWHIRINGA | OPTIONS

5 There are no options proposed for consideration.

### NGĀ MAHI PANUKU | NEXT STEPS

6 The Committee will receive the final version of the work programme for approval at the 16 May meeting.

### NGĀ ĀPITIHINGA | ATTACHMENTS

Appendix 1: draft Strategy, Operations and Finance Committee 2024/25 work programme

Mandated role			Proposed items - 2024			Proposed items - 2025	
Scope	Areas of focus		Quarter 4 (April to June)	Quarter 1 (July to Sept)	Quarter 2 (Oct to Dec)	Quarter 3 (Jan to March)	Quarter 4 (April to June)
Strategic	Setting and approving the policy and strategy work programme	<i>Strategic direction</i>	<ul style="list-style-type: none"> <li>Analysis of feedback on Vision Kapiti, and local visions</li> <li>Approach for Vision Kapiti – Phase 2, Kapiti Blueprint</li> <li>Approach for masterplanning and proposed work programme</li> </ul>	<ul style="list-style-type: none"> <li>Approval of Vision Kapiti, and local Vision statements</li> <li>Update on development of Vision Kapiti: Phase 2, Kapiti Blueprint</li> <li>Social needs assessment</li> <li>Refreshing our Recovery plan (post emergencies)</li> </ul>	<ul style="list-style-type: none"> <li>Update on KCDC strategic architecture and update of web presence</li> <li>Update on masterplanning</li> <li>Update on Kapiti’s outcomes framework</li> <li>Funding opportunities</li> </ul>	<ul style="list-style-type: none"> <li>Approval to engage on Vision Kapiti: Phase 2, Kapiti Blueprint</li> <li>Approval to consult on our Recovery plan (post emergencies)</li> <li>Accessibility Approach</li> </ul>	<ul style="list-style-type: none"> <li>Stakeholder feedback on Vision Kapiti: Phase 2, Kapiti Blueprint</li> <li>Approval of new KCDC outcomes report</li> <li>Approval of KCDC Recovery Plan and work programme</li> </ul>
		<i>Policies</i>	<ul style="list-style-type: none"> <li>6-monthly update on Policy Work Programme</li> </ul>	<ul style="list-style-type: none"> <li>Drafting of Local Alcohol Policy</li> </ul>	<ul style="list-style-type: none"> <li>Approval and adoption of updated Policy Work Programme</li> <li>Approval to consult – Road naming and reserve naming policies</li> </ul>	<ul style="list-style-type: none"> <li>Approval to consult – Local Alcohol Policy</li> </ul>	
	Development and/or review of strategies, plans, policies and bylaws	<i>Strategies</i>	<ul style="list-style-type: none"> <li>Update operating strategies - climate and resilience; and environment</li> </ul>	<ul style="list-style-type: none"> <li>Approval of operating strategies: economic development and health</li> <li>Approval to consult on operating strategies - climate and resilience; and environment</li> <li>Approve approach for supporting strategy: Community safety</li> <li>Draft supporting strategy: creativity and culture</li> <li>Youth Approach</li> </ul>	<ul style="list-style-type: none"> <li>Approval of operating strategies - climate and resilience; and environment</li> <li>Approve approach for Supporting strategy: property strategy</li> <li>Draft supporting strategy: CWB</li> </ul>	<ul style="list-style-type: none"> <li>Maori economic development strategy and wellbeing plan</li> <li>Refresh supporting strategy: stormwater management</li> </ul>	
		<i>Bylaws</i>		<ul style="list-style-type: none"> <li>Approval to consult – Freedom Camping Policy and Bylaw</li> </ul>	<ul style="list-style-type: none"> <li>Analysis of submissions – Freedom Camping Policy and Bylaw</li> </ul>		
	Overviewing strategic programmes	<i>Climate related</i>	<ul style="list-style-type: none"> <li>Update on Takutai Kapiti progress</li> </ul>	<ul style="list-style-type: none"> <li>Approval of the Climate Change Think Tank, Phase 2 - Terms of Reference and work programme</li> </ul>	<ul style="list-style-type: none"> <li>Coastal adaptation next steps – post Takutai Kapiti recommendations</li> </ul>		
		<i>Place based growth</i>	<ul style="list-style-type: none"> <li>Update on Complex Development Opportunity - Otaki</li> </ul>		<ul style="list-style-type: none"> <li>Update on Wainuiwhenua</li> <li>Update on Complex Development Opportunity - Otaki</li> </ul>		<ul style="list-style-type: none"> <li>Update on Complex Development Opportunity - Otaki</li> </ul>
		<i>Housing</i>	<ul style="list-style-type: none"> <li>Update on Rangiorua Road project</li> </ul>	<ul style="list-style-type: none"> <li>Update on Housing strategy progress</li> <li>Older persons housing next steps, post LTP consultation</li> </ul>	<ul style="list-style-type: none"> <li>Older persons housing update</li> </ul>		<ul style="list-style-type: none"> <li>Refresh of Housing and needs assessment, and Housing strategy</li> </ul>
	Economic development strategy	<i>Economic development</i>	<ul style="list-style-type: none"> <li>Options for new economic development entity</li> <li>Review of Major Events Funding Policy</li> </ul>	<ul style="list-style-type: none"> <li>EDKB 6-monthly update</li> <li>Approval of new EDKB entity, and next steps</li> </ul>	<ul style="list-style-type: none"> <li>Update on Major Events</li> <li>Standing up new EDKB entity</li> </ul>	<ul style="list-style-type: none"> <li>EDKB 6-monthly update</li> </ul>	<ul style="list-style-type: none"> <li>Update on Major Events</li> </ul>
		<i>Workforce</i>	<ul style="list-style-type: none"> <li>Update on Mayors taskforce</li> </ul>	<ul style="list-style-type: none"> <li>Update on education hub</li> </ul>		<ul style="list-style-type: none"> <li>Update on Mayors taskforce</li> </ul>	
		<i>Destination marketing, and Tourism</i>		<ul style="list-style-type: none"> <li>Approval of Kapiti destination story</li> </ul>	<ul style="list-style-type: none"> <li>Update from WellingtonNZ</li> </ul>		
		<i>Sectorss</i>	<ul style="list-style-type: none"> <li>Update on food and beverage cluster</li> </ul>	<ul style="list-style-type: none"> <li>Update on creative cluster</li> </ul>	<ul style="list-style-type: none"> <li>Food and beverage hub</li> </ul>		<ul style="list-style-type: none"> <li>Update on Food and Beverage hub</li> </ul>

Mandated role			Proposed items - 2024			Proposed items - 2025	
Scope	Areas of focus		Quarter 4 (April to June)	Quarter 1 (July to Sept)	Quarter 2 (Oct to Dec)	Quarter 3 (Jan to March)	Quarter 4 (April to June)
		<i>Business support</i>	•	• Update on Factory Report, and start-up and ecosystem	• Update on Tech cluster	• Update on kick-start and ecosystem – leadership and structure	•
	Liaison and planning with other territorial authorities (and bodies)		• Update on Wellington Leadership Committee activity – inclusionary zoning, future development strategy, climate adaptation and emissions, kai strategy, economic development	• Update on Wellington Leadership Committee activity – inclusionary zoning, future development strategy, climate adaptation and emissions, kai strategy, economic development	• Update on Wellington Leadership Committee activity – inclusionary zoning, future development strategy, climate adaptation and emissions, kai strategy, economic development	• Update on Wellington Leadership Committee activity – inclusionary zoning, future development strategy, climate adaptation and emissions, kai strategy, economic development	• Update on Wellington Leadership Committee activity – inclusionary zoning, future development strategy, climate adaptation and emissions, kai strategy, economic development
Financial	Approval of contracts and contract variations outside the Chief Executive’s delegations						
	Financial management, including risk mitigation	<i>Asset management plans</i>	•	•	• Cultural facilities • Asset management programme – water, waste water, coastal, roading, transport, property	•	•
		<i>Reporting</i>	• KCDC nine-monthly performance report • LGFA Draft SOI 2024-27 and half year report	• Final LGFA SOI 2024-27 and Annual Report 2023/24	•	• KCDC Half-yearly performance report • LGFA Draft SOI 2025-28 and half year report	• KCDC performance report to 31 March 2025
	Approval of non - budgeted expenditure						
	Write - offs and remissions (over \$10K)						
	Property purchases or sales, public excluded						
	Financial policies		•	•	•	•	•
Operational	Preparation of the District Plan and Plan Changes		• Update on district plan work programme	• Omnibus plan change	• Update on Plan Change 1E (rural indigenous biodiversity) • Draft coastal plan change provisions	• Approval to consult on draft manawhenua plan change	• Approval to notify on coastal plan change • Approval to notify on Greenfield plan change • Report back on inclusionary zoning study
	Oversight of any shared services initiatives						
	Reviewing and approving community contracts		• Zeal contract			• Social investment programme	
	Receive annual reports from any community or advisory group		• Hockey turf annual report	•	• Zeal 6-monthly report and update		• CWB Trust update
	All regulatory and planning matters from an operational perspective		•	•	• Regulatory update	•	• Regulatory update
	Operational aspects of bylaws		•	• Solid waste bylaw			
	Signing off any submission to an external agency or body		• Submissions related to 100-day plan: fast-track consenting, and Transport GPS	• Submissions update, as released	• Submissions update, as released	• Submissions update, as released	• Submissions update, as released

Mandated role			Proposed items - 2024			Proposed items - 2025	
Scope	Areas of focus		Quarter 4 (April to June)	Quarter 1 (July to Sept)	Quarter 2 (Oct to Dec)	Quarter 3 (Jan to March)	Quarter 4 (April to June)
	Considering and confirming recommendations made by subcommittees						
	Making recommendations to Council on matters of interest to the committee						

## 9 PŪRONGO | REPORTS

### 9.1 LGFA DRAFT STATEMENT OF INTENT 2024-2027 AND 2023-24 HALF-YEAR REPORT

Kaituhi | Author: **Jing Zhou, Chief Financial Officer**

Kaiwhakamana | Authoriser: **Mark de Haast, Group Manager Corporate Services**

#### TE PŪTAKE | PURPOSE

- 1 The purpose of this report is to provide the Strategy, Operations and Finance Committee with the Local Government Funding Agency (LGFA) Draft Statement of Intent 2024-27 (draft SOI) and their half year report to 31 December 2023.

#### HE WHAKARĀPOPOTO | EXECUTIVE SUMMARY

- 2 Not required.

#### TE TUKU HAEPAPA | DELEGATION

- 3 The Council's Strategy, Operations and Finance Committee has the authority to consider this report.

#### TAUNAKITANGA | RECOMMENDATIONS

- A. That the Strategy, Operations and Finance Committee **receives and notes** the Local Government Funding Agency's draft Statement of Intent 2024-27 attached as Appendix 1 to this report.
- B. That the Strategy, Operations and Finance Committee **receives and notes** the Local Government Funding Agency's half year report to 31 December 2023 attached as Appendix 2 to this report.

#### TŪĀPAPA | BACKGROUND

- 4 The LGFA was incorporated in 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.
- 5 The LGFA issues bonds to wholesale and retail investors and on-lends the funds raised to participating local authorities (PLAs) with borrowing needs. The quality of the LGFA's credit rating and the liquidity created by issuing homogenous local authority paper, ensures that participating councils can raise funds on better terms than if they were issuing in their own name.
- 6 In 2012, Kāpiti Coast District Council (the Council) became a principal shareholding local authority<sup>1</sup> in the LGFA. As at 30 June 2023, the Council holds 0.4% or 200,000 ordinary shares. Ordinary shares rank equally with one vote attached to each ordinary share and have a face value of \$1 per share.
- 7 The LGFA meets the Local Government Act (LGA) 2002 definition of a Council Controlled Organisation (CCO) and as a shareholder in a CCO, the Council must regularly undertake

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<sup>1</sup> principal shareholding local authorities are those which invest capital in the LGFA and are expected to receive a return on that capital.

performance monitoring of that organisation to evaluate its contribution to the achievement of the Council’s desired outcomes.

- 8 As a CCO, the LGFA must deliver to its shareholders a draft SOI on or before 1 March each year. The LGFA board must consider any comments from its shareholders in relation to the draft SOI and deliver a final SOI on or before 30 June.
- 9 The Council’s monitoring obligations are assisted by the Shareholders’ Council whose role is to represent all the shareholders and ensure that all individual shareholder views are heard. The Shareholders’ Council comprises five to ten appointees from the council shareholders, and one from the Crown.

## HE KÖRERORERO | DISCUSSION

### He take | Issues

#### LGFA draft SOI 2024-2027

- 10 Strategic priority areas, and the objectives and performance targets that sit within each area, are summarised on the following table:

Strategic priorities	Objectives	Performance targets
Governance, capability, and business practice	<ul style="list-style-type: none"> <li>• Demonstrate best practice corporate governance.</li> <li>• Set and model high standards of ethical behaviour.</li> <li>• Achieve the shareholder-agreed objectives and performance targets specified in the SOI.</li> <li>• Ensure products and services offered to participating borrowers are delivered in a cost-effective manner.</li> <li>• Be a good employer by providing safe working conditions, training and development and equal opportunities for staff.</li> </ul>	<ul style="list-style-type: none"> <li>• Always comply with the shareholder foundation policies and the Board-approved Treasury Policy.</li> <li>• Maintain LGFA’s credit rating equal to the NZ government sovereign rating where both entities are rated by the same Rating Agency.</li> <li>• Succession plans be in place for the Board and staff and be reviewed annually.</li> <li>• Total operating income for the year to 30 June 2025 &gt;\$29.8m.</li> <li>• Total operating expenses for the year to 30 June 2025 &lt;\$15.6m.</li> </ul>
Optimising financial services for local government	<ul style="list-style-type: none"> <li>• Provide interest savings relative to alternative sources of financing.</li> <li>• Offer flexible short and long-term lending products that meet the borrowing requirements for borrowers.</li> <li>• Deliver operational best practice and efficiency for lending services.</li> <li>• Ensure certainty of access to debt markets, subject always to operating in accordance with sound business practice.</li> </ul>	<ul style="list-style-type: none"> <li>• Share of aggregate long-term debt funding to the Local Government sector &gt;80%.</li> <li>• Total lending to participating borrowers &gt;\$22 billion.</li> <li>• Annual survey of participating borrowers who borrow as to the value added to the borrowing activities &gt;85% satisfaction score.</li> <li>• Successfully refinance 100% existing loans to councils and LGFA bond maturities as they fall due.</li> <li>• Meet 100% borrower lending requests from participating borrowers, where those requests meet LGFA operational and covenant requirements.</li> </ul>

Strategic priorities	Objectives	Performance targets
Environmental and social responsibility	<ul style="list-style-type: none"> <li>• Develop sustainability strategy to include the estimated financial impacts of climate change.</li> <li>• Improve sustainability outcomes within LGFA.</li> </ul>	<ul style="list-style-type: none"> <li>• Comply with the Health and Safety at Work Act 2015.</li> <li>• Maintain Toitu carbon zero certification.</li> <li>• Meet reduction targets outlined in carbon reduction management plan.</li> <li>• Increase two new GSS loans and three new borrowers into CALs.</li> <li>• Issuance of LGFA bonds under SFF.</li> <li>• Ensure annual report is prepared in compliance with applicable GRI standards.</li> <li>• Meet all mandatory climate reporting standards.</li> </ul>
Effective management of loans	<ul style="list-style-type: none"> <li>• Proactively monitor and review each participating Borrower's financial position including its financial headroom under LGFA policies.</li> <li>• Analyse finances at the Council group level where appropriate and report to shareholders.</li> <li>• Endeavour to meet each participating borrower annually, including meeting with elected officials as required, or if requested.</li> <li>• Work with central government and local government to facilitate a sector-wide successful transition of debt under the Local Water Done Well Programme.</li> </ul>	<ul style="list-style-type: none"> <li>• Review 100% of participating Borrowers' financial position.</li> <li>• Arrange to meet each participating Borrower over a 15-month period, including meeting with elected officials as required, or if requested.</li> </ul>
Industry leadership and engagement	<ul style="list-style-type: none"> <li>• Take 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.</li> <li>• Assist the local government sector with significant matters such as the Local Water Done Well Reforms and Future for Local Government.</li> <li>• Maintain productive relationships with central government representatives.</li> <li>• Support councils and CCOs in development of reporting disclosures of the impacts of sector activity on climate change</li> </ul>	<ul style="list-style-type: none"> <li>• Report on actions undertaken and progress made on sector issues.</li> <li>• Identifying any legislative or central government policy changes that may impact LGFA and undertake formal or informal submissions.</li> <li>• Assis the local government sector to understand any legislative or central government policy changes that may impact LGFA.</li> <li>• Report on the alignment of LGFA and councils' climate and emissions reporting requirements.</li> <li>• Report back in how we are helping smaller councils understand future reporting requirements.</li> </ul>

- 11 The following points regarding the draft SOI are worth noting:
- 11.1 The draft SOI, including financial forecasts, assumes that there are no implications for LGFA from the Local Water Done Well Programme. The LGFA are awaiting further information as the enabling legislations is introduced in June and December 2024 but will assume in the meantime a business-as-usual approach to council and CCO borrowing. The final SOI in June 2024 will be updated from this draft to incorporate any future announcements and will include a statement if there have been any material changes to the LGFA forecast assumptions.
  - 11.2 LGFA profitability is forecast to remain strong with projections for Net Operating Gain of \$15.1 million, \$13.1 million, and \$10.1 million for the next three years. However, they remain cautious in placing too much emphasis on the year two (2025-26) and three (2026-27) forecasts given they have \$7.1 billion of LGFA bonds and \$7.5 billion of council and CCO loans maturing over the three-year SOI forecast period. This is because assumptions regarding the amount and timing of refinancing and interest rates have material impact on financial projects.
  - 11.3 The forecast for outstanding council short and long-term loans as at June 2025 is \$22.08 billion and to be \$24.45 billion as at June 2026 (from \$20.3 billion and \$21.5 billion in the previous SOI. This increase reflects a higher starting position as at 30 June 2024 and councils undertaking further capex and continued high utilisation of short-term borrowing from LGFA.
  - 11.4 Net interest income is expected to gradually reduce over the forecast period as the balance sheet grows from increased council lending but is offset by a larger holding of liquid assets and slightly lower forecast interest rates.
  - 11.5 A modest narrowing in lending margins is assumed as more councils and CCOs take up the Climate Action Loan (CAL) product and undertake more Green, Social and Sustainability (GSS) lending. Given the recent announcement from S&P Global Ratings regarding the lowering of the trend within the local government sector institutional framework, LGFA has assumed no further improvement in the credit quality of the sector.
  - 11.6 Compared to the previous SOI, issuance and operating expenses, excluding Approved Issuer Levy are forecast to be approximately \$700k higher in the 2024-25 and \$600k higher in 2025-26 financial years. This is due to forecast higher IT, HR and legal costs associated with increased foreign currency issuance, water reforms and increased staffing.
  - 11.7 The proposed SOI performance targets are similar to the previous SOI. The focus remains on sustainability, assisting councils with greenhouse gas (GHG) emission reporting, monitoring the credit quality of the sector, and assisting with the implementation of Local Water Done Well Programme.
- 12 The draft Statement of Intent 2024-27 is attached as Appendix 1 to this report.

### **LGFA Half Year Report**

- 13 LGFA half year report for the six-month period to 31 December 2023 has highlighted the following:
- 13.1 As at 31 December 2023, LGFA had a market value of loans outstanding of \$18.8 billion which followed record lending of \$2.63 billion over the six-month period. LGFA added two new CCOs as members over the six months, bringing the number of members to 72 councils and five CCOs.



- 13.2 LGFA focuses on sustainability. They launched the Climate Action Loan (CAL) product for council and CCO members in December 2022 to incentivise borrowers through a lower loan margin if they have an approved greenhouse gas (GHG) emission reduction plan in place and are meeting their reduction targets. On 31 December 2023, CALs have a total of \$1.2 billion across four councils. The Green, Social and Sustainable (GSS) loans provide a discounted borrowing margin to councils and CCOs for eligible projects. Over the six-month period LGFA approved a further project as eligible for GSS lending, bringing the number of eligible projects to six across six councils. LGFA also published their first Annual Impact Review report for the NZX listed Sustainable Financing Bond. They are having ongoing dialogue with councils relating to GHG emission reporting and reduction and are currently preparing for their first report under Climate Related Disclosure requirements for the 2024 Annual Report.
- 13.3 LGFA's Net Operating Profit for the six-month period was \$5.2 million, which is slightly below the SOI forecast due to higher costs from increased issuance, and the establishment and issuance under foreign currency programmes. However, they expect to meet the full year SOI forecast by June 2024. Their assets are \$21.77 billion and Shareholder Equity is \$109.4 million as at 31 December 2023.
- 13.4 LGFA has been assisting Central and Local Government with the implementation of the water reform programme and with councils and CCO members on promoting sustainability. A further highlight was LGFA being voted by market participants for an unprecedented five awards at the KangaNews Awards including New Zealand Debt Issuer of the Year award for the second consecutive year. Their focus remains on adding value to the local government sector through:
- Providing cheaper loans.
  - Enabling easier access to markets.
  - Providing reliable financing.
  - Underpinning confidence.
  - Encouraging sustainability.
  - Enhancing capital markets.
  - Being a centre of expertise.
- 14 The Local Government Funding Agency's half year report to 31 December 2023 is attached as Appendix 2 to this report.

### Ngā kōwhiringa | Options

- 15 There are no options to consider with this report.

### Mana whenua

- 16 There are no mana whenua considerations arising from this report.

### Panonitanga āhuarangi | Climate change and Environment

- 17 There are no climate change and environment considerations within this report.

### Ahumoni me ngā rawa | Financial and resourcing

- 18 There are no financial considerations within this report.

### Ture me ngā Tūraru | Legal and risk

- 19 There are no legal considerations arising from the matters in this report.

**Ngā pānga ki ngā kaupapa here | Policy impact**

- 20 In accordance with the LGA 2002, the Council has provided information on all of its CCOs in its 2021/41 Long Term Plan.

**TE WHAKAWHITI KŌRERO ME TE TŪHONO | COMMUNICATIONS & ENGAGEMENT**

**Te mahere tūhono | Engagement planning**

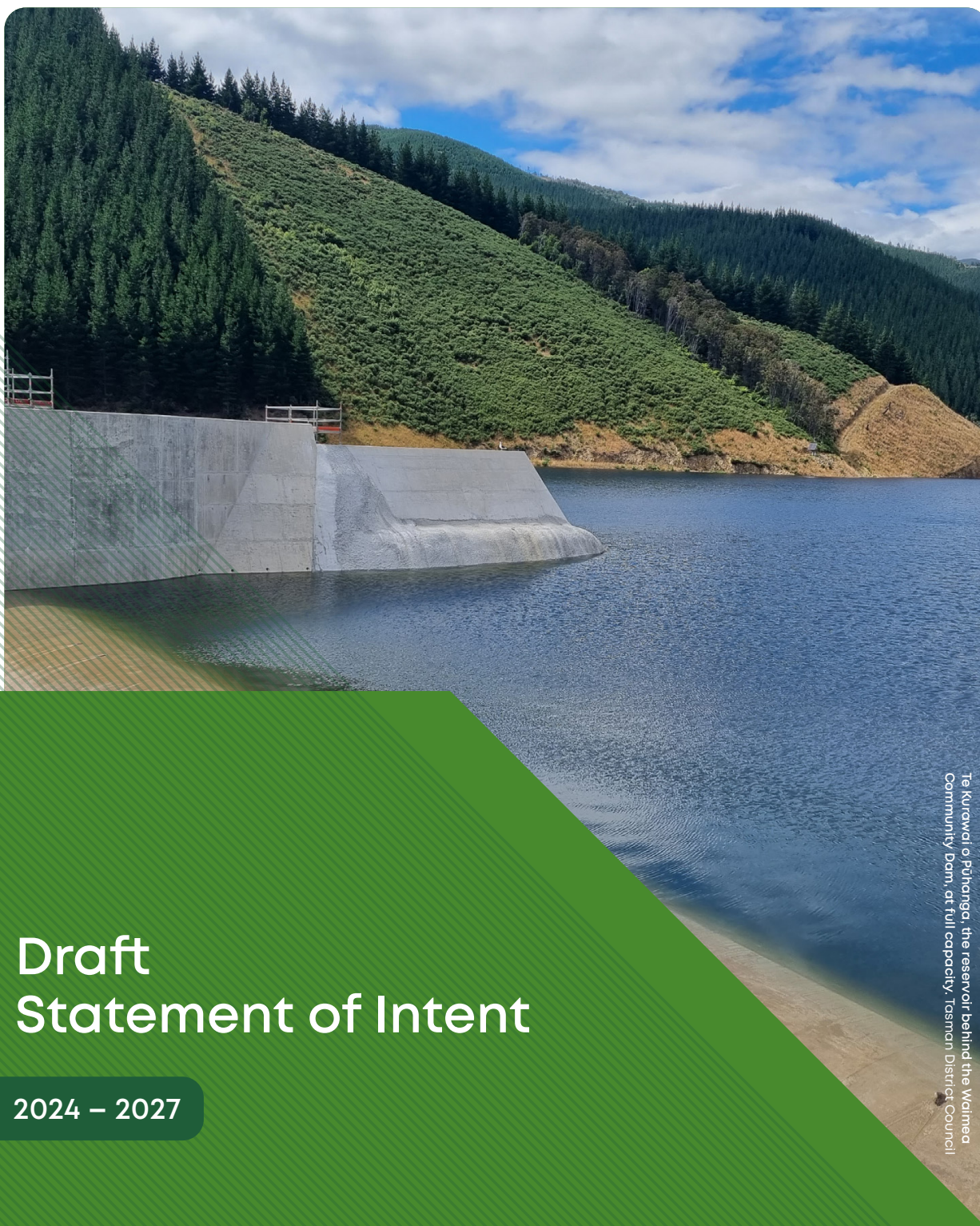
- 21 An engagement plan is not needed for this report to be considered.

**Whakatairanga | Publicity**

- 22 There are no publicity considerations.

**NGĀ ĀPITI HANGA | ATTACHMENTS**

1. Draft Statement of Intent 2024-2027 [↓](#)
2. 2023-24 Half Year report [↓](#)



# Draft Statement of Intent

2024 – 2027

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

## 1. Introduction

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

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

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

## 2. Nature and scope of activities

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

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

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

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

## 3. Our purpose Ta tatou kaupapa

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

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

## 4. Our values Ō mātau uara

**We act with integrity**

**E pono ana mātau**

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

**We are customer focused**

**E arotahi ana mātau ki te kiritaki**

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

**We strive for excellence**

**E whakapau kaha mātau kia hiranga te mahi**

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

**We provide leadership**

**He kaiārahi mātau**

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

**We are innovative**

**He auaha mātau**

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

## 5. Foundation objectives

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

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

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

## 6. Strategic priorities

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

### Governance, capability and business practice

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

### Optimising financing services for local government

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

### Environmental and social responsibility

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

### Effective management of loans

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

### Industry leadership and engagement

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

## 7. Objectives and performance targets

This section sets out LGFA's objectives and performance targets for SOI 2024-2027.

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

### Governance, capability and business practice

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

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

### Optimising financing services for local government

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

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

### Environmental and social responsibility

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

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

### Effective management of loans

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

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

### Industry leadership and engagement

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

## 8. Financial forecasts

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

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



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

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

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

## 9. Dividend policy

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

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

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

## 10. Governance

### Board

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

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

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

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

All directors are required to comply with a formal Charter.

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

### Shareholders' Council

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

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

## 11. Information to be provided to Shareholders

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

### Annual Report

The LGFA's balance date is 30 June.

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

### Half Yearly Report

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

### Quarterly Report

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

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

### Statement of Intent

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

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

### Shareholder Meetings

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

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

## 12. Acquisition / divestment policy

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

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

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

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

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

## 14. Commercial value of Shareholder's investment

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

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

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

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

## 15. Accounting policies

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

### Statement of Accounting Policies

#### 1. Reporting entity

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

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

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

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

#### 2. Statement of compliance

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

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

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

### 3. Basis of preparation

#### Measurement base

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

The financial statements are prepared on an accrual basis.

#### Functional and presentation currency

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

#### Foreign currency conversions

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

#### Changes in accounting policies

There have no changes to accounting policies.

#### Early adoption standards and interpretations

LGFA has not early adopted any standards.

#### Standards not yet adopted

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

#### Financial instruments

##### Financial assets

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

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

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

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

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

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

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

##### Financial liabilities

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

##### Derivatives

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

##### Fair value hedge

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

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

### Other assets

#### Property, plant and equipment

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

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

#### Intangible assets

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

### Other liabilities

#### Employee entitlements

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

### Revenue

#### Interest income

Interest income is accrued using the effective interest rate method.

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

### Expenses

Expenses are recognised in the period to which they relate.

#### Interest expense

Interest expense is accrued using the effective interest rate method.

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

#### Income tax

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

#### Goods and services tax

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

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

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

Commitments and contingencies are disclosed exclusive of GST.

### Segment reporting

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

### Judgements and estimations

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

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



31 December 2023  
**HALF YEAR REPORT**

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



Cover photo: Kopurererua River realignment project. Tauranga City Council  
Contents photo: Water flows down the spillway and beneath the Nick Patterson bridge. Waimea Dam. Tasman District Council

# Message from the Chair and Chief Executive

## He karere mai i te Toihau me te Tumuaki

### For the six-months ended 31 December 2023

The six months to December 2023 presented a challenging period for bond issuance as markets remained volatile and an increased supply of high-grade bonds impacted sentiment. Over this period, council and council-controlled organisations (CCO) borrowing and LGFA bond issuance increased to record levels and, despite the difficult conditions, LGFA continued to deliver value to members and our investor base. Highlights over the period included our successful debut issuance in the Australian Dollar (A\$) bond market and LGFA receiving an unprecedented five awards in the annual KangaNews Awards, including New Zealand Issuer of the year for the second consecutive year.

#### Lending to the sector

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

Over the six months, Infrastructure Holdings Limited and Whanganui District Council Holdings Limited joined as CCO members. We currently have 72 guarantors with West Coast Regional Council moving from non-guarantor to guarantor status during the past six months. Lending to members over the six month period was a record \$2.63 billion of long-term loans to 56 members, with an average tenor of 5.2 years which was shorter than prior periods. Short-dated lending for terms less than 12 months continues to be supported by councils, with \$617 million outstanding to 36 members at December 2023.

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

#### Financial and Operational Performance

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

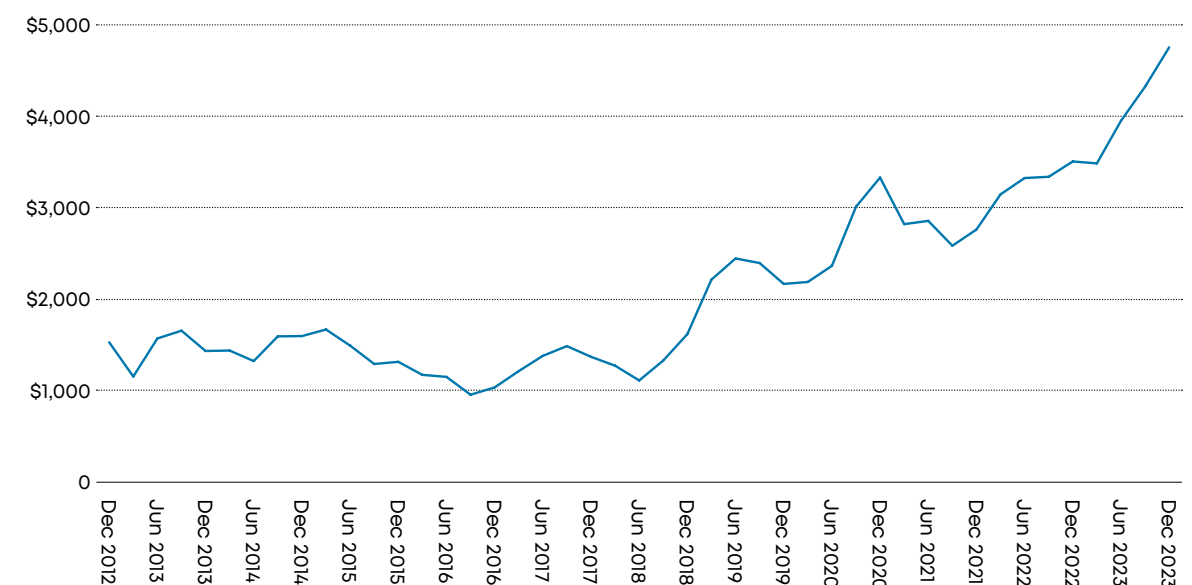
profit of \$5.2 million was a 370% increase (\$1.1 million). Although net operating profit was significantly higher than the comparable 2022 period, it was in line with historical outturns. The low comparable 2022 period outcome was negatively influenced by the rapid rise in interest rates, mismatches between the Bank Bill Reference Rate and the Official Cash Rate, combined with a planned increased holding of liquid assets. Total operating income was above budget by \$152k, however expenses were \$428k above the SOI budget, with net operating profit \$277k below budget. Our higher expenses were due to increased legal and NZX costs arising from the record levels of member borrowing and associated bond issuance, as well as establishment costs for our Euro Commercial Paper programme, \$A bond issuance and higher Approved Issuer Levy (AIL) payments.

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

#### Our borrowing activity

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

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



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

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

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

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



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

### KangaNews award winner

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

### Our role in assisting Local and Central Government

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

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

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

### New products and initiatives

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

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

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

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

### Increasing focus on sustainability

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

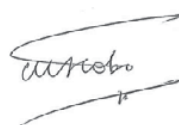
### Acknowledgments

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

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

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

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



**Craig Stobo**  
Chair



**Mark Butcher**  
Chief Executive

## How we add value to the local government sector

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

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

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

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

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

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

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

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

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



# Performance against objectives

## Ko ngā whakatutukinga ki ngā whāinga

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

### 2023-24 Objectives and performance targets

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

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

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

### Governance, capability and business practice

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

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

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

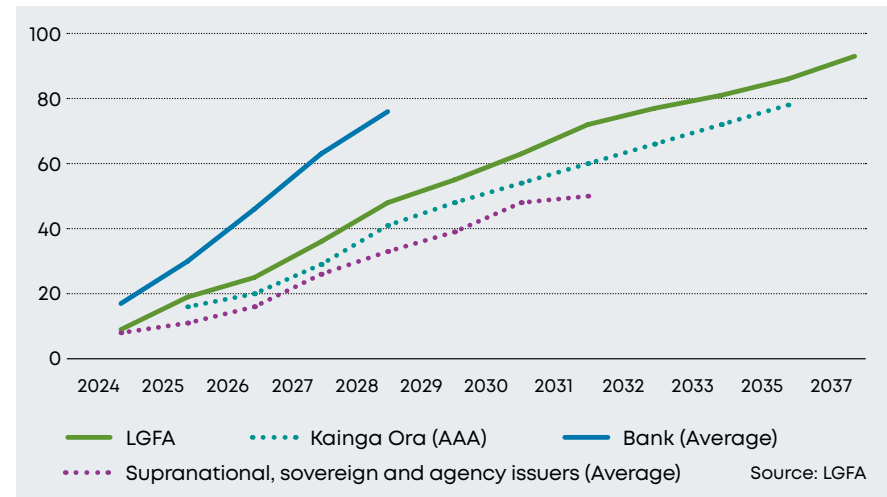
### Optimising financing services for local government

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

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

Provide interest cost savings relative to alternative sources of financing.

**Comparison to other high-grade issuers - secondary market spread to swap (bps)**  
 LGFA's borrowing margins compare favourably to other high-grade issuers in the New Zealand capital markets.



**Supranational, sovereign and agency issuers**

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

**Banks**

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

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

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

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

Deliver operational best practice and efficiency for lending services.

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

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

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

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

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

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



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

### Environmental and social responsibility

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

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

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

### Effective management of loans

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

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

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

### Industry leadership and engagement

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

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



# Financial statements

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### Statement of comprehensive income

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

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

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

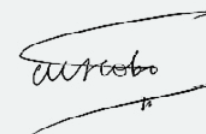
Due to rounding, numbers presented in the financial statements and associated notes may not add up precisely to the reported totals.

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

### Statement of changes in equity

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

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



Craig Stobo, Director  
Board Chair



Linda Robertson, Director  
Chair, Audit and Risk Committee

## Statement of financial position

As at 31 December 2023 in \$000s

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

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

## Statement of cash flows

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

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

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

## Notes to the financial statements

### 1. Reporting entity

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

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

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

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

These financial statements were authorised for issue by the Directors on 28 February 2024.

### 2. Statement of compliance

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

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

### 3. Basis of preparation

#### Measurement base

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

The financial statements are prepared on an accrual basis.

#### Functional and presentation currency

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

#### Foreign currency conversions

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

#### Changes in accounting policies

There have no changes to accounting policies.

#### Early adoption standards and interpretations

LGFA has not early adopted any standards.

#### Standards not yet adopted

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

#### Financial instruments

##### Financial assets

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

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

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

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

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

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

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

##### Financial liabilities

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

##### Derivatives

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

#### Fair value hedge

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

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

#### Other assets

##### Property, plant and equipment

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

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

##### Intangible assets

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

#### Other liabilities

##### Employee entitlements

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

#### Revenue

##### Interest income

Interest income is accrued using the effective interest rate method.

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

##### Expenses

Expenses are recognised in the period to which they relate.

#### Interest expense

Interest expense is accrued using the effective interest rate method.

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

#### Income tax

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

#### Goods and services tax

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

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

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

Commitments and contingencies are disclosed exclusive of GST.

#### Segment reporting

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

#### Judgements and estimations

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

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



## Revenue and expenditure

### 4. Net interest income

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

### 5. Other operating income

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

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

### 6. Operating expenses

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

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

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

## 7. Hedge accounting

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

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

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

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

## 8. Loans

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

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

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

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

## 9. Other assets

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

## 10. Payables and provisions

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

## 11. Bills

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

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

## 12. Treasury stock and bond repurchases

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

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

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

## 13. Bonds

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

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

Audited as at 30 June 2023 in \$000s	Face Value	Unamortised premium	Accrued interest	Fair value hedge adjustment	Total
<b>NZD Fixed interest bonds</b>					
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
<b>Fair value hedge adjustment</b>				(1,340,372)	(1,340,372)
	<b>16,678,000</b>	<b>(260,853)</b>	<b>83,656</b>	<b>(1,340,372)</b>	<b>15,160,432</b>

#### 14. Borrower notes

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

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

#### 15. Other liabilities

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

#### 16. Share capital

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

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

#### 17. Shareholder information

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

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

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

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

19. Related parties

Identity of related parties

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

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

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

Related party transactions

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

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

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

# Directory

## Rārangi tauwaea

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## 9.2 CONTRACTS UNDER DELEGATED AUTHORITY

Kaituhi | Author: **Jayne Nock, Executive Assistant Group Manager Corporate Services**

Kaiwhakamana | Authoriser: **Sean Mallon, Group Manager Infrastructure and Asset Management**

### TE PŪTAKE | PURPOSE

1 This report provides an update on any contracts over \$250,000 accepted under delegated authority for the period 1 October 2023 to 31 March 2024.

### HE WHAKARĀPOPOTO | EXECUTIVE SUMMARY

2 Not required.

### TE TUKU HAEPAPA | DELEGATION

3 The Strategy, Operations and Finance Committee has delegated authority to consider this report under the following delegation in the 2022-2025 Governance Structure, Section B.1 - *This Committee will deal with all decision-making that is of a strategic, operational and financial nature and not the responsibility of the Council.*

### TAUNAKITANGA | RECOMMENDATIONS

A. That the Strategy, Operations and Finance Committee **notes** there was one contract accepted under delegated authority over \$250,000 for the period 1 October 2023 to 31 March 2024.

### TŪĀPAPA | BACKGROUND

4 Contracts for the 2023/2024 year are listed at Appendix 1.

### HE KŌRERORERO | DISCUSSION

5 There was one contract accepted under delegated authority during the period 1 October to 31 March 2024. This contract relates to the completion of final detailed design for the Paekākāriki seawall. The design of the proposed Paekākāriki seawall is based on a similar concept to the proposed Raumati seawall (timer structure) and Beca Limited have successfully completed the majority of the Raumati works.

#### He take | Issues

##### 6 2023-C109 Paekākāriki Seawall Upgrade

- Exemption from tender; engaged consultants were unable to deliver in suitable timeframe. There were synergies with this project and Raumati Seawall (Beca currently engage for this project).
- Beca Limited have been engaged for this project for the sum of \$353,500 in January 2024.
- Budget for 2024/2025. First year \$2,338,202.

#### Ngā kōwhiringa | Options

7 There are no further options to be considered within this report.



### Mana whenua

8 There are no tangata whenua considerations within this report.

### Panonitanga Āhuarangi me te Taiao | Climate change and Environment

9 There are no climate change considerations within this report.

### Ahumoni me ngā rawa | Financial and resourcing

10 There are no financial and resourcing issues in addition to those already noted in this report.

### Tūraru ā-Ture me te Whakahaere | Legal and Organisational Risk

11 There are no legal and risk considerations arising from this report.

### Ngā pānga ki ngā kaupapa here | Policy impact

12 There are no current or future impacts to Council policies within this report.

## TE WHAKAWHITI KŌRERO ME TE TŪHONO | COMMUNICATIONS & ENGAGEMENT

### Te mahere tūhono | Engagement planning

13 There are no engagement planning considerations arising from this report.

### Whakatairanga | Publicity

14 There are no publicity considerations arising from this report.

## NGĀ ĀPITI HANGA | ATTACHMENTS

1. Contracts for the 2023/2024 year [↓](#)

Contracts for the 2023/24 year

Strategy, Operations and Finance Committee meeting	Contract
<p>19 October 2023 (covering the period 1 April 23 to 30 September 2023)</p>	<p>2022-C508 Post Notification Stage and Summary of Submissions for Plan Change 2</p> <p>The Contract was awarded to Boffa Miskell for the sum of \$489,200.</p>
	<p>2023-C025 Phase 2: Coastal Science and Engineering Services – Takutai Kapiti</p> <p>The Contract was awarded to Jacobs NZ Limited for the sum of \$352,636.</p>
	<p>2023-C540 Paraparaumu Wastewater Treatment Plant pH Correction System</p> <p>The Contract was awarded to Max Tarr Infrastructure Engineers Limited for the sum of \$377,522.</p>
	<p>2022-C495 Paraparaumu Wastewater Treatment Plant Pond Upgrade and Lining</p> <p>The Contract was awarded to Pritchard Civil Limited for the sum of \$1,730,231 excluding contingency.</p>
	<p>2023-C009 Ōtaki Wastewater Treatment Plant Inlet Work and Aeration System Upgrade</p> <p>The Contract was awarded to Max Tarr Infrastructure Engineers Limited for the sum of \$485,695, for Portion 1.</p>
	<p>2022-C532 Supply Building Consent Authority Building Services: Consenting and Inspections</p> <p>The Contract was awarded to:</p> <ul style="list-style-type: none"> <li>• Comply NZ Limited;</li> <li>• Solutions Team; and</li> <li>• National Processing.</li> </ul> <p>Total value of contract across the 3 firms is \$900,000 spread over 3 years with a 12 month right of renewal. Total value of contract is \$1.2M. (4 years).</p>
	<p>2022-C502 Resource Consent Processing Supplier Panel</p> <p>The Contract was awarded to four Suppliers:</p> <ul style="list-style-type: none"> <li>• 4Sight Consulting</li> <li>• Incite Wellington 2012 Limited</li> <li>• LB Urban Planning and Development</li> <li>• Infill</li> </ul> <p>The Contract sum is \$1,500,000 total across the above four Suppliers for five years.</p>

**10 KARAKIA WHAKAMUTUNGA | CLOSING KARAKIA**

Kia tau ngā manaakitanga ki runga i a tātou katoa,	<i>May blessings be upon us all,</i>
Kia hua ai te mākihikihi, e kī ana	<i>And our business be successful.</i>
Kia toi te kupu	<i>So that our words endure,</i>
Kia toi te reo	<i>And our language endures,</i>
Kia toi te wairua	<i>May the spirit be strong,</i>
Kia tau te mauri	<i>May mauri be settled and in balance,</i>
Ki roto i a mātou mahi katoa i tēnei rā	<i>Among the activities we will do today</i>
Haumi e! Hui e! Taiki e!	<i>Join, gather, and unite! Forward together!</i>