

Mā tō tātou takiwā  
**For our District**

## **Audit, Risk and Finance Committee**

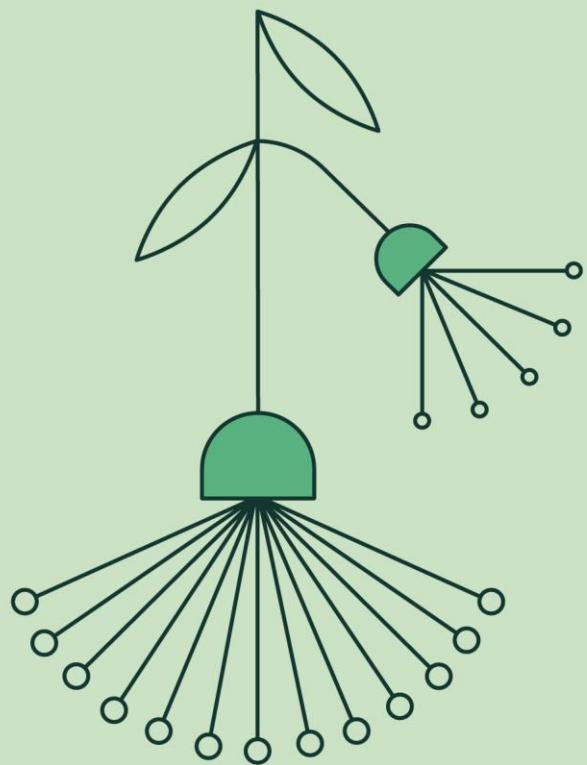
Kōmiti Arotake Tūraru me Ahumoni

ARF23-1

Monday, 27 February 2023, 12.30pm

Council Chambers, Barkes Corner,

1484 Cameron Road, Tauranga



# Audit, Risk and Finance Committee

## Membership:

<b>Chairperson</b>	Cr Murray Grainger
<b>Deputy Chairperson</b>	Cr Tracey Coxhead
<b>Members</b>	Cr Richard Crawford Cr Grant Dally Mayor James Denyer Cr Anne Henry Cr Rodney Joyce Cr Margaret Murray-Benge Deputy Mayor John Scrimgeour Cr Allan Sole Cr Don Thwaites Cr Andy Wichers Stuart Henderson – Independent Member
<b>Quorum</b>	Seven (7)
<b>Frequency</b>	Quarterly

## Role:

The main purpose of the Committee is to assist Council in providing oversight of matters relating to the quality and integrity of financial reporting, independence and performance of the external auditors, effectiveness and objectivity of the internal audit programme, and oversight of business risks and compliance activities.

## Scope:

### Responsibilities:

- Assist Council in fulfilling its responsibilities for financial statements and external financial reporting.
- Monitor the Council's external and internal audit process and the resolution of any issues that are raised.
- Review key formal external accountability documents such as the Annual Report in order to provide advice and recommendation in respect to the integrity and appropriateness of the documents and the disclosures made.
- Provide a forum for communication between management, internal and external auditors and the governance level of Council.
- Ensure the independence and effectiveness of Council's internal audit processes, with oversight of the internal audit programme and findings.



- Oversee the development of the Council's Annual Report.
- Oversee the development and management of financial policies and delegations.
- Monitor existing corporate policies and recommend new corporate policies to prohibit unethical, questionable or illegal activities.
- Support measures to improve management performance and internal controls.

### Responsibilities:

#### **Audit (internal and external):**

- Ensure appropriate accounting policies and internal controls are established and maintained and
- assist Council in ensuring the effective and efficient management of all business risks.
- Ensure an appropriate framework is maintained for the management of strategic and operational risk (including risk appetite). Review risk including technical insurance matters
- and participation in national risk management practices, health and safety risk management and implementation of risk management processes.
- Review the effectiveness of the Long Term Plan audit or any audit relating to an amendment to the Long Term Plan
- Review the effectiveness of the annual audit.
- Monitor management response to audit reports and the extent to which the external audit recommendations concerning internal accounting controls and other matters are implemented.
- Monitor the delivery of any internal audit work programme and implementation of any significant recommendations including control risk, accounting and disclosure practices.
- Engage with Council's external auditors regarding the external work programme and agree the terms and arrangements of the external audit in relation to the Annual Report.
- Engage with internal and external auditors on any specific one-off audit assignments.
- Review the effectiveness of the control environment established by management including the computer information management systems controls and security. This also includes a review/monitoring role for relevant policies, processes, and procedures.

#### **Risk management:**

- Review the Risk Management Framework, and associated procedures to ensure they are current, comprehensive and appropriate for the effective identification and management of Council's financial and business risks including fraud and cyber security.
- Review the effectiveness of the system for monitoring Council's financial compliance with relevant laws, regulations and associated government policies.
- Review whether a sound and effective approach has been followed in establishing Council's business continuity planning arrangements.

- Review Council's Fraud Policy to determine that Council has appropriate processes and systems in place to capture and effectively investigate fraud related information.

**Financial:**

- To monitor the operational performance of Council's activities and services against approved levels of service.
- Monitor financial performance against any Council approved joint contracts with other local authorities.
- Report financial outcomes and recommend any changes or variations to allocated budgets including both operational and capital expenditure.
- Provide oversight of legal risks, claims or proceedings (excluding the approval of any legal settlements).
- Recommend the adoption of the Annual Report and the approval of the Summary Annual Report to Council.

**Power to Act:**

The Committee is delegated the authority to:

- Receive and consider external and internal audit reports.
- Receive and consider staff reports on audit, internal control and risk management policy and procedure matters as appropriate.
- To approve the Auditors engagement and arrangement letters in relationship to the Annual Report.

**Power to Recommend:**

- To make recommendations to Council and/or any Committee as it deems appropriate.

**Power to sub-delegate:**

The Committee may delegate any of its functions, duties or powers to a subcommittee, working group or any other subordinate decision-making body, subject to the restrictions on its delegations and provided any sub-delegation includes a statement of purpose and a specification of task.

Notice is hereby given that a Audit, Risk and Finance Committee Meeting will be held in the Council Chambers, Barks Corner, 1484 Cameron Road, Tauranga on:  
Monday, 27 February 2023 at 12.30pm

## Order Of Business

<b>1</b>	<b>Present .....</b>	<b>7</b>
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**1 PRESENT****2 IN ATTENDANCE****3 APOLOGIES****4 CONSIDERATION OF LATE ITEMS****5 DECLARATIONS OF INTEREST**

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

**6 PUBLIC EXCLUDED ITEMS****7 PUBLIC FORUM**

A period of up to 30 minutes is set aside for a public forum. Members of the public may attend to address the Board for up to five minutes on items that fall within the delegations of the Board provided the matters are not subject to legal proceedings, or to a process providing for the hearing of submissions. Speakers may be questioned through the Chairperson by members, but questions must be confined to obtaining information or clarification on matters raised by the speaker. The Chairperson has discretion in regard to time extensions.

Such presentations do not form part of the formal business of the meeting, a brief record will be kept of matters raised during any public forum section of the meeting with matters for action to be referred through the customer contact centre request system, while those requiring further investigation will be referred to the Chief Executive.

## 8 PRESENTATIONS

### 8.1 BANCORP TREASURY UPDATE AND PRESENTATION

**File Number:** A5017923

**Author:** Azoora Ali, Chief Financial Officer

**Authoriser:** John Holyoake, Chief Executive Officer

#### EXECUTIVE SUMMARY

Bancorp Treasury will present an overview of market trends and forecasts, along with their implications for Council. Specifically, their presentation will focus on:

- Trends and forecasts for domestic inflation;
- Forecasts for market interest rates; and
- How Council has positioned itself within its treasury strategy to mitigate interest rate risks.

#### RECOMMENDATION

1. That the Chief Financial Officers report dated 27 February 2023 titled 'Bancorp Treasury Update and Presentation' be received.
2. That the presentation from Bancorp Treasury dated 27 February 2023 be received.

## **8.2 AON INSURANCE UPDATE PRESENTATION – CURRENT MARKET AND EMERGING RISKS**

**File Number:** A5017927

**Author:** Ernest Bernard, Risk and Assurance Manager

**Authoriser:** Azoor Ali, Chief Financial Officer

### **EXECUTIVE SUMMARY**

AON Insurance will be in attendance to give a presentation on:

- The Insurance Market;
- Global Impact and Oceania Impact;
- Reinsurance;
- 27 January Weather Event ; and
- Aftermath and Market Expectations
- Renewal Premium Summary

### **RECOMMENDATION**

1. That the Risk and Assurance Manager report dated 27 February 2023 titled 'Aon Insurance Update Presentation – Current Market And Emerging Risks' be received.
2. That the presentation from AON Insurance dated 27 February 2023 be received.

### **BACKGROUND**

1. The insurance programme is regarded as a risk management tool to mitigate financial losses for WBOP Council with associated unforeseen and significant adverse events occurring.
2. Being uninsured or underinsured is risky, as it exposes Council to potential losses if something goes wrong in our business. Equally, having the wrong kind of insurance can be a waste of money.
3. Officers have been reviewing our insurance strategy, especially when our business or circumstances change. This strategy is designed to provide an understanding of our business insurance needs and define a direction forward.

### **WHERE ARE WE NOW?**

4. The insurance world's view of New Zealand's risk profile has changed. One effect on Council is that its insurance costs overall have increased.

5. Obvious questions arise about the financial sustainability of these premium prices and the alternatives such as not fully insuring or self-insuring need to be considered. Any change in approach to partial or full self-insurance is a significant one.
6. Premiums increased due to market conditions, and an increase in cover for some assets and protection.

### CONCLUSION

7. AON will be providing a presentation that will cover the renewal.

### ATTACHMENTS

1. **WBOPDC February 2023 AON Insurance Renewal Presentation**  



**AON**

## **Western BOP DC**

**Audit and Risk Committee**

**February 2023**

**Matthew Wilson and Deanna Macdonald**

**Aon**

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**AON**

# Agenda

Markets

Renewal

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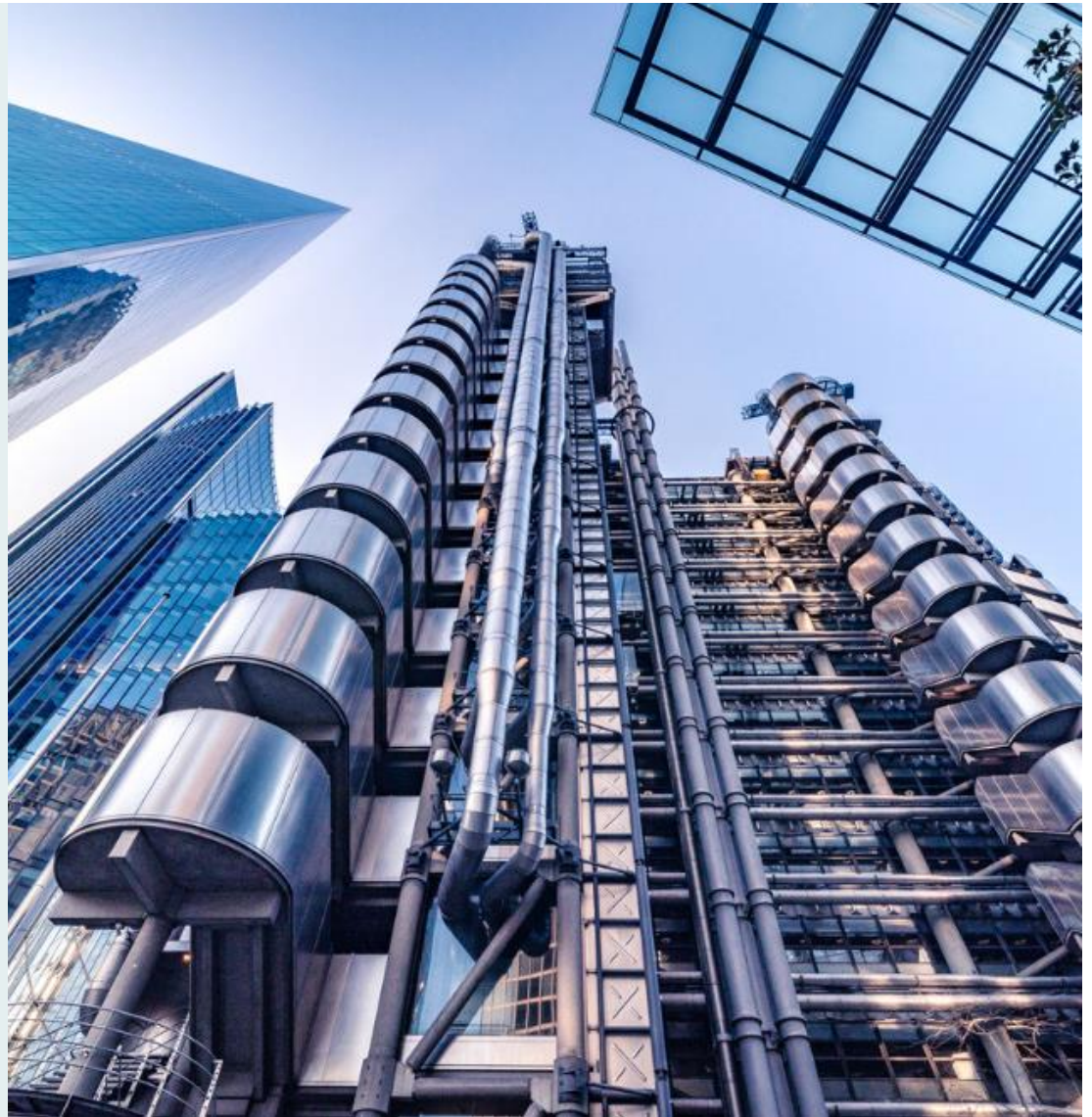




# 1

## Markets

AON

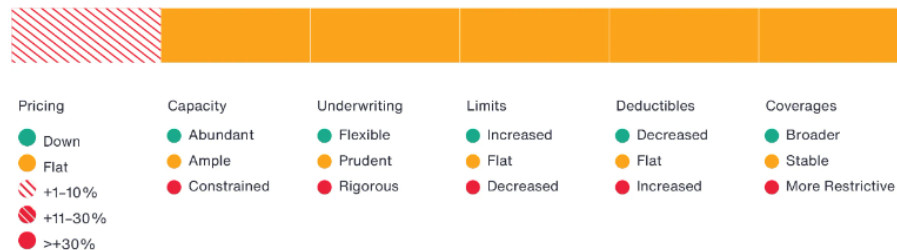


# AON Insurance Market – APAC (pre 27 January 2023)

## Q4 Product Summary



## Q4 Market Dynamics



Aon Q4 2022 Global Market Insights Report

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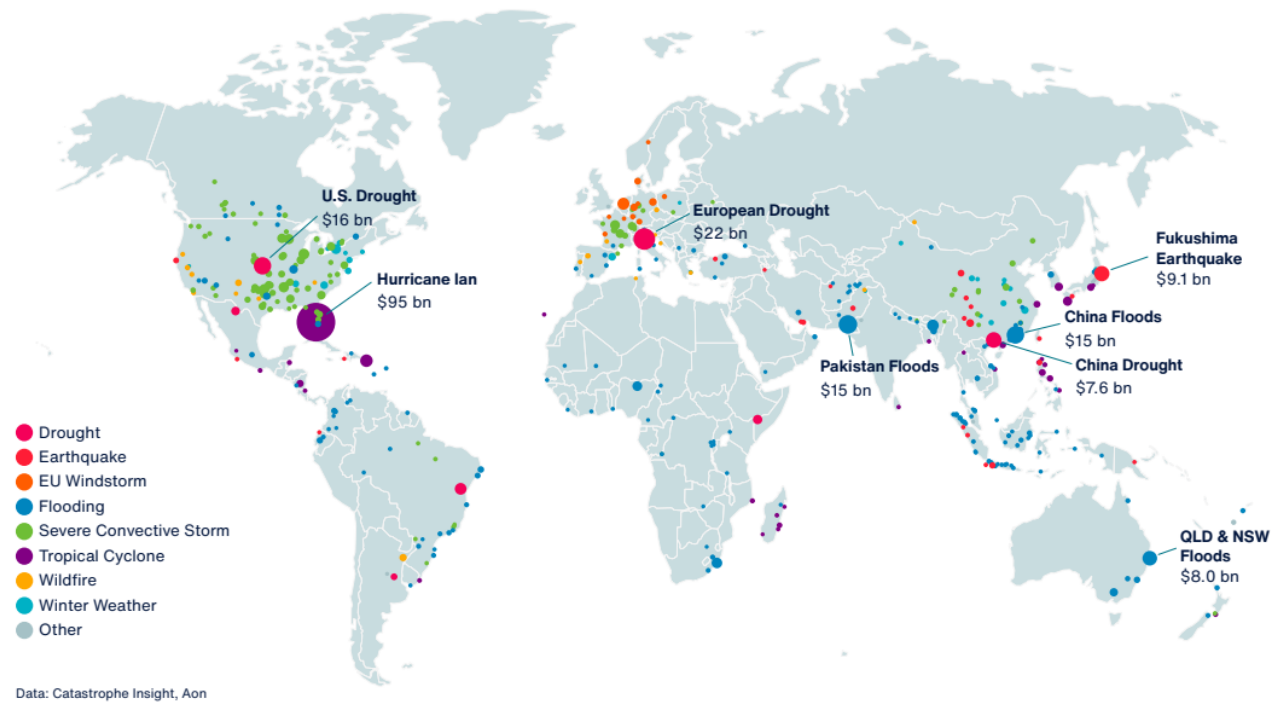
- Insurer focus on profitable growth and retention
- Underwriting remained selective and valuations continued to be under scrutiny.
- Rising interest rates continued to create offsetting impacts,. While increasing claims costs pressured pricing, increasing investment income served to dampen pressure on underwriting profit
- Risks in parts of the region that are susceptible to natural Catastrophe events such as heavy rainfall, typhoon and drought, which continue to increase in frequency and severity, experienced challenging market conditions which were exacerbated by lagging loss modelling
- Insurers with cumbersome referral process and centralized underwriting authority were in some cases challenged to compete with agile insurers able to provide timely, responsive capacity and quotes
- Demand for international insurance programmes grew as businesses in the region continued to expand beyond local geographic borders.
- Natural Catastrophe events continued to drive large losses and pressure market conditions. The more expensive reinsurance market drove rate increases for both local and international insurers. Underwriters sought to impose sub-limits and increase deductibles.



# Global Property Market Drivers

## Secondary Nat Cat Events

Exhibit 1: Significant 2022 Economic Loss Events



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# Global Impact

## Exhibit 2: Top 10 2022 Global Economic Loss Events

Date	Event	Location	Deaths	Economic Loss (\$ billion)	Insured Loss (\$ billion)
09/27 – 10/01	Hurricane Ian	United States, Cuba	157	95.5	52.5
Annual	European Drought	Southern, Western and Central Europe	N/A	22.0	3.0
Annual	U.S. Drought	United States	N/A	16.0	8.0
06/14 – 10/30	Pakistan Seasonal Floods	Pakistan	1,739	15.0	0.1
06/01 – 09/30	China Seasonal Floods	China	195	15.0	0.4
03/16	Fukushima Earthquake	Japan	4	9.1	2.9
02/23 – 03/31	QLD & NSW Floods	Australia	22	8.0	4.0
Annual	China Drought	China	N/A	7.6	0.2
02/18 – 02/19	Windstorm Eunice	Western and Central Europe	17	4.5	3.4
05/17 – 10/31	India Seasonal Floods	India	2,135	4.2	0.1
All other events			~27,100	115.6	57.4
<b>Totals</b>			<b>~31,300</b>	<b>313 billion</b>	<b>132 billion</b>

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# Oceania Impact

## Oceania

Date(s)	Event	Location	Deaths	Economic Loss (USD)
01/08-01/13	Flooding	Australia	2	80+ million
01/15-10/16	Volcano	Tonga, Pacific Rim	4	118+ million
02/01-02/08	Flooding	Fiji	0	105+ million
02/09-02/13	Cyclone Dovi	New Zealand, Vanuatu, New Caledonia	0	84+ million
02/23-03/31	Flooding	Australia	22	8.0+ billion
03/20-03/21	Severe Convective Storm	New Zealand	0	118+ million
06/09-09/14	Severe Convective Storm	Australia, New Zealand	1	19+ million
07/01-07/08	Flooding	Australia	0	466+ million
08/18-08/21	Severe Convective Storm	New Zealand	1	68+ million
09/10	Earthquake	Papua New Guinea	10	Millions
10/12-10/28	Flooding	Australia	2	1.3+ billion
11/12-11/16	Flooding	Australia	0	300+ million

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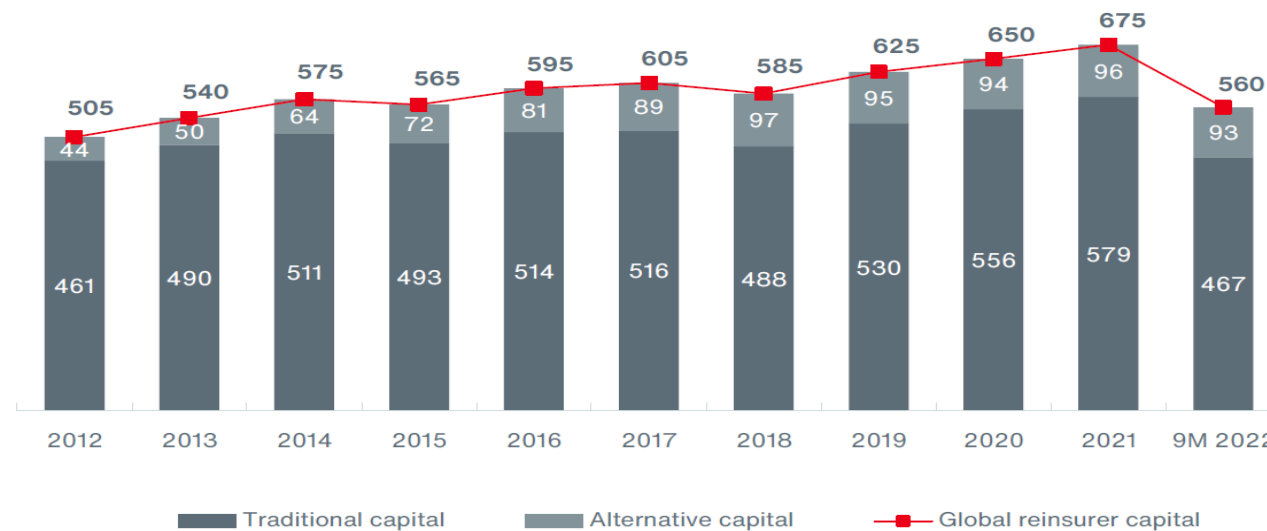


## Reinsurance

...."The January 2023 renewal marks a turning point for the reinsurance market, signalling a new reality for buyers. It was the most challenging January 1 renewal in a generation as the reinsurance market underwent a fundamental shift in pricing and risk appetite, especially for property catastrophe risk"....

Aon Reinsurance Market Dynamics report Jan 2023

Exhibit 1: Global Reinsurer Capital (\$ billions)



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## 27 January Weather Event

- Yet another Secondary Nat Cat loss
- Initial estimates in excess of NZ\$1bn
- Market Shock event
- 1000's of Motor claims
- Major Impact to Domestic Insurers
- Major Impact to Commercial Property Insurers
- Flow on effects to be calculated, such as
  - Business Interruption Losses
  - Alternative Accommodation expenses
- Damaging to New Zealand reputation in Global Property Markets and Re-insurance Markets

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# Aftermath and Market Expectations

## Property

- Further stress on available capital
- Rating increases initial estimates still at 10% to 15%, however.....
- Insurers will be more selective where they deploy capital
- Leading capacity issues
- Increased focus on underwriting information (COPE)
- Increased rigour around quality of information
- Increased focus on accurate valuations
- Possible Increase in Deductible levels for secondary nat cat perils – storm /flood
- In extreme cases sublimit for storm or flood
- Programme re-design may be required
- Loss Limit policies recommended/imposed
- Loss Modelling may be required to determine appropriate limits

## Motor

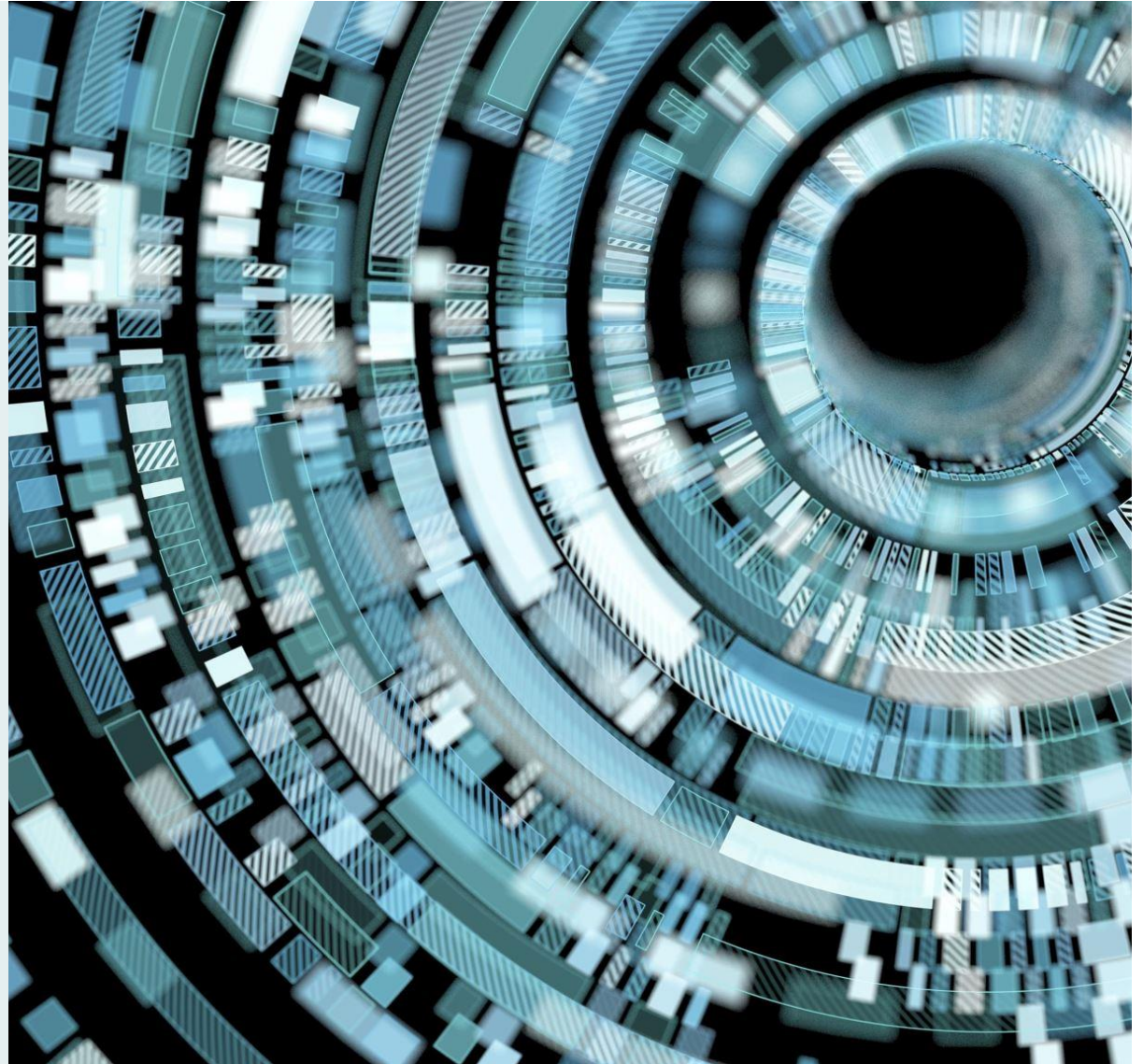
- Expect rating increases plus 10% – 15% before rate adjustment on individual loss ratios

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# 2

## Renewal Premium Summary

**AON**





## Renewal Premium Summary

Policy	Premium 2021	Premium 2022	% Change	2021 TDV	2022 TDV	% Change	Effective Rate change
Vertex Combined MDBI Policy	\$ 392,168.75	\$ 470,856.00	20.06%	\$ 258,642,640	\$ 290,070,479	12.15%	7.91%
Excess Layer Business Interruption	\$ 2,565.00	\$ -					
Infrastructure Cover	\$ 164,957.04	\$ 204,483.00	23.96%	\$ 503,159,935	\$ 567,312,837	12.75%	11.21%
Commercial Motor	\$ 20,612.77	\$ 25,200.81	22.26%	\$ 1,982,000	\$ 2,312,000	16.65%	5.61%
Employers Liability	\$ 2,434.00	\$ 2,556.04	5.01%				
Statutory Liability	\$ 4,396.00	\$ 4,616.03	5.01%				
Fidelity/Crime	\$ 9,670.00	\$ 10,016.00	3.58%				
General Liability	\$ 39,130.00	\$ 36,440.14	-6.87%				
Professional Indemnity	\$ 207,417.00	\$ 217,788.12	5.00%				
PI & PL - Liability Excess Layer	\$ 33,116.23	\$ 33,581.00	1.40%				
Cyber Liability	\$ 14,619.00	\$ 16,636.00	13.80%				
Business Travel	\$ 45.50	\$ 50.00	9.89%				
Standing Timber	\$ 23,288.59	\$ 21,851.08	-6.17%				
Aviation Hull	\$ 425.00	\$ 425.00	0.00%				
Aviation Non Owners	\$ 1,680.00	\$ 1,680.00	0.00%				
<b>Total Premium (excl GST, FSL &amp; EQC levies)</b>	<b>\$ 916,524.88</b>	<b>\$ 1,046,179.22</b>	<b>14.15%</b>				

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**Questions?**



**AON**

**Thank You**

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## 9 REPORTS

### 9.1 AUDIT, RISK AND FINANCE COMMITTEE WORK PROGRAMME

**File Number:** A5019808

**Author:** Ernest Bernard, Risk and Assurance Manager

**Authoriser:** Azoora Ali, Chief Financial Officer

#### EXECUTIVE SUMMARY

1. An Audit, Risk and Finance Committee (ARFC) work programme for 2023/24 has been drafted to assist the Committee to go through all areas in its term of reference to be reported by management for review and approve in matters that require the Committee's approval.
2. ARFC can add into the work programme any matters or areas that the Committee wish to review.

#### RECOMMENDATION

That the Risk and Assurance Manager's report dated 27 February 2023 titled 'Audit, Risk and Finance Committee Work Programme' be received.

#### BACKGROUND

3. At the commencement of each calendar year, it is recommended that the Audit, Risk and Finance Committee (ARFC) sets a work programme.
4. ARFC will also need to consider whether its draft work programme is consistent with its Terms of Reference.
5. The purpose of the draft programme of work is to provide Committee Members with oversight of the planned and upcoming activities/schedule of work for 2023/24 for Council and all its committees.
6. This report is to outline the programme of work (below) for the Committee.

Work Programme 2023/24				
	February	May	August	November
<i>Public items</i>				
Risk and Assurance Report (quarterly)	✓	✓	✓	✓
Health and safety update (quarterly)	✓	✓	✓	✓
Probity update (Report will be provided only if probity matters arise)	✓	✓	✓	✓
Financial Performance Update (quarterly)	✓	✓	✓	✓
Audit NZ Audit plan and engagement letters (annually)		✓ LTP 3 yearly		
Annual Report – Management Report from Audit NZ	✓			
Debenture Trust Deed Audit Report	✓			
Key Accounting Judgement (annually)		✓		
Tax Risk Management Framework		✓ 2 yearly Framework	✓ Yearly Update	
New Zealand Local Government Funding Agency Limited Annual Report 2021-2022	✓			
Bay Of Plenty Local Authority Shared Services Limited (Boplass) Annual Report	✓			
Annual Report – Interim Management Report (Audit NZ)			✓ (Depending on timing)	



Work Programme 2023/24				
	February	May	August	November
Insurance renewal (annually)		✓ (strategy)		✓ (endorse)
Insurance – Broker Presentation	✓			
<i>Public excluded items</i>				
Health and safety update (quarterly) – if there are any public excluded items to be provided to the Committee	✓	✓	✓	✓
Litigation Update and Issues Watch Register (quarterly)	✓	✓	✓	✓
Probity update (Report will be provided only if probity matters arise)	✓	✓	✓	✓
Cyber Security Report		✓	✓	✓
Outstanding items raised by audits	✓	✓	✓	✓
2023 Statute Barred Rates Report (Annually)	✓			
Draft annual report review (annually)			✓	
Review audit representation letters (annually)		✓ (depending on timing)		
<i>Public excluded items (continued)</i>				
Audit NZ interim audit report		✓		
Credit rating review			✓	
Employee matters (as required)	✓	✓	✓	✓
Auditor only time	✓	✓	✓	✓
CE only time	✓	✓	✓	✓

## 9.2 NEW ZEALAND LOCAL GOVERNMENT FUNDING AGENCY LIMITED ANNUAL REPORT 2021-2022

**File Number:** A5096675

**Author:** Allan Carey, Financial Business Advisor

**Authoriser:** Azoor Ali, Chief Financial Officer

### EXECUTIVE SUMMARY

The purpose of this report is to provide Elected Members with the New Zealand Local Government Funding Agency Limited's (LGFA) Annual Report for the year ended 30 June 2022, as required under Section 8 of LGFA's Statement of Intent.

LGFA's Annual Report was approved by the LGFA's Board of Directors and received by Council on 29 August 2022.

### RECOMMENDATION

That the Financial Business Advisor's report dated 27 February 2023 titled 'New Zealand Local Government Funding Agency Limited Annual Report 2021-2022' be received.

### BACKGROUND

LGFA is a designated Council-Controlled Organisation (CCO) under the Local Government Act 2022 (LGA). The company was incorporated on 1 December 2011.

As a CCO, LGFA is a separate legal entity from Council and is responsible for delivery of services in accordance with an agreed Statement of Intent.

Under section 67 of the LGA, within three months after the end of each financial year, the board of a CCO must deliver to the shareholders, and make available to the public, a report on the organisation's operations during that year, including financial statements and auditor's report.

The Annual Report is included as **Attachment 1** to this report and can be viewed via Council's website.

### SUMMARY OF ACHIEVEMENTS

1. By 30 June 2022, LGFA had loans outstanding of \$14.01 billion to participating councils, an increase over the past year of \$2.01 billion. LGFA also added three new council members to bring the number of member councils to seventy-five.
2. For the 12 month period to 30 June 2022, LGFA provided 80% of the sector borrowing and are appreciative of the support from their borrowing councils.

3. A strong financial position has ensured a dividend payment of 3.426% for shareholders.
4. The financial strength of LGFA has been enhanced with a record Net Operating Profit of \$10.7 million for the 2021-2022 year and Shareholder Equity of \$104.56 million as at 30 June 2022. An \$856,500 dividend has been declared by the LGFA Board for the year ended 30 June 2022. The dividend rate is \$0.03426 per paid up share and was paid to councils on Friday, 3 September 2021.

### ANNUAL GENERAL MEETING

LGFA's Annual General Meeting was held in Wellington on 28 July 2022.

### ATTACHMENTS

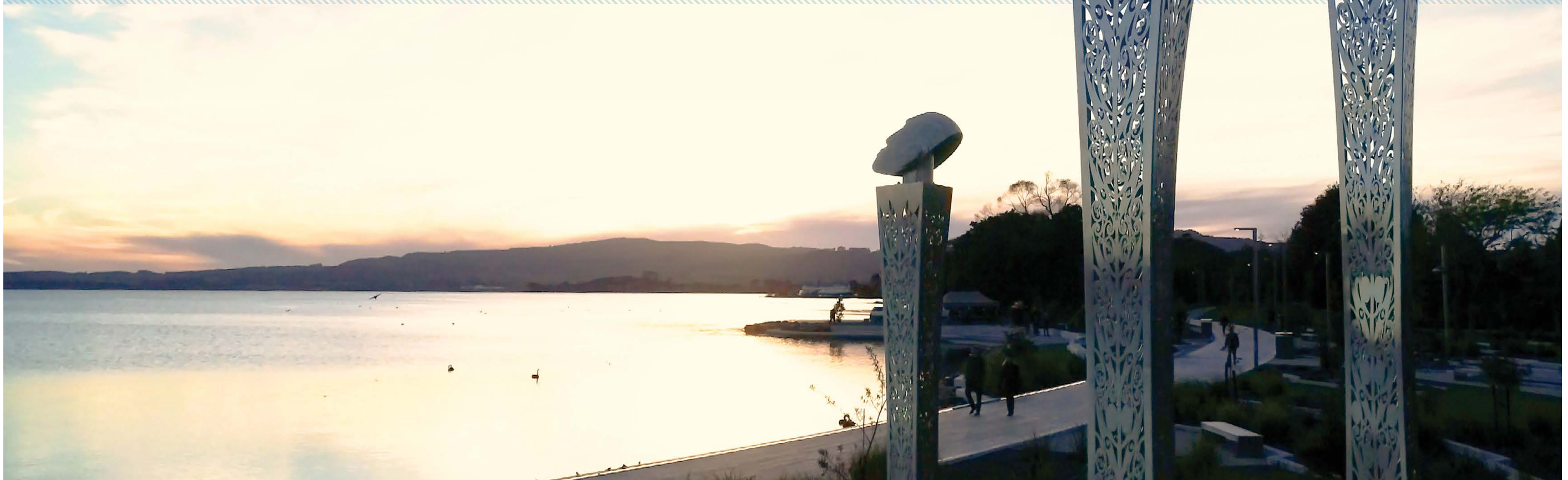
1. **2022 LGFA Annual Report** 



ANNUAL REPORT  
30 June 2022

Benefiting communities through  
delivering efficient financing  
for local government.

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





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

Cover photo: Ngā tumu 'anamata' and the boardwalk  
Contents photo: Lakefront upgrade  
Rotorua Lakes Council



# Message from the Chair and Chief Executive

## He karere mai i te Toihau me te Tumuaki

### Ten years of LGFA

LGFA was established in December 2011, and we commenced our borrowing and lending activities in February 2012. Over the past decade we have grown our membership from the 18 foundation councils to now providing lending services to 75 councils and one Council-controlled organisation (CCO) having secured an estimated 80% market share of all council borrowing.

We have broadened our product mix from initially providing only term lending to councils to now encompassing short-dated lending, bespoke lending, Green, Social and Sustainable lending, CCO lending and providing standby facilities.

Today, LGFA is the largest issuer of NZD bonds after the New Zealand Government, the largest bond issuer listed on the NZX, and our bonds are amongst the largest and most liquid New Zealand-dollar debt instruments available for investors. In 2021 our credit rating from S&P Global Ratings was raised from AA+ to AAA, which is the highest credit rating available and the same as the New Zealand Government.

We would not have achieved this success over the past decade without the support of many individuals and organisations, so we want to express our thanks to our many stakeholders.

### 2021-22 Financial and operational performance

Total interest income for the financial year of \$393.5 million increased 4.3% over the 2020-21 result of \$377.2 million. Net operating profit of \$10.7 million decreased 10.8% on the 2020-21 result of \$12.0 million but was in line with the 2019-20 result of \$10.6 million..

Both net interest income and operating profit were below the Statement of Intent (SOI) forecasts due to:

- a larger than expected liquid asset portfolio (LAP) which, over the year, yielded lower returns than our cost of borrowing (which finances our LAP investments),
- the impact from market pricing in aggressive tightening in monetary policy, as the increase in yields on cash deposits held at the RBNZ did not keep pace with the longer end of the yield curve which sets the base rate for our cost of borrowing, and
- our conservative approach to borrowing longer than our term of lending to members, due to a higher cost of borrowing in these longer terms.

Operating expenses at \$793 million were \$169k over the SOI budget. Higher Approved Issuer Levy (AIL) payments due to a increased levels of offshore investor holdings relative to forecast, higher NZX and legal fees associated with record levels of bond issuance and lending and higher personnel costs were partially offset by lower travel costs.

### Borrowing activity

LGFA issued a record \$3.9 billion of bonds over the financial year and outstandings now total \$16.1 billion (including \$1.1 billion of treasury stock) across 11 bond maturities ranging between 2023 to 2037. Bond issuance was significantly higher than the historical average annual issuance of \$1.6 billion. The average term of our bond issuance during the year at 6.2 years was shorter than the prior year of 8.7 years; reflecting the more challenging market conditions for issuance and closer matching of council borrowing.

Over the past year, the spreads on LGFA bonds widened against both New Zealand Government Bonds (NZGB) and swap. LGFA bond spreads to NZGB widened between 12 bps (2023 bond) and 38 bps (2037 maturity) while LGFA bond spreads to swap ranged between a 6 bps narrowing (2023 maturity) and a 21 bps widening (2037 maturity). This change was similar to the spread movements on other high grade issuers and also reflected the record amount of bond issuance undertaken by LGFA during the year.

There was also a significant lift in yields over the year, with outright yields rising between 217 bps (2037 maturity) and 305 bps (2024 maturity).

### Lending to the sector

Over the past year, we added three new members with Southland District, Waimate District and Otago Regional Council joining. Total council membership is now 75 out of the 78 councils in New Zealand. In addition, Invercargill City Holdings, our first Council Controlled Organisation (CCO), became a member during the year.

Long-dated lending to councils over the year was a record \$3.3 billion as councils refinanced their April 2022 loans and increased their borrowing to finance infrastructure projects. Our estimated market share of total council borrowing of 80% was in line with last year's result and remained high on an historical basis. The average tenor of long-dated borrowing by councils of 6.2 years over the 12-month period was shorter than last year's 6.9 years.

Short-dated lending for terms less than 12 months continues to be well supported by councils. At June 2022, there were \$478 million of short-term loans outstanding to 31 councils, a 68% increase over last year's \$287 million outstanding to 25 councils.

### COVID-19 and the proposed Three Waters Reform Programme

Over the year, the local government sector has managed under the impact from COVID-19 and two Central Government led initiatives relating to the proposed Three Waters Reform Programme and Future for Local Government Review.

The sector continues to display great resilience to the impact from COVID-19 with very little financial impact. Financial support from Central Government has assisted the sector with the delivery of infrastructure projects and enabled councils to increase their capital expenditure programmes.

LGFA has been working with Central Government and our members as they work through the proposed Three Waters Reform Programme and its funding and financing implications. Central Government has introduced legislation to create four new Water Service Entities (WSE) that will assume the ownership and management of the three waters assets from 1 July 2024, including the debt and associated revenue from the current 67 council providers.

We are awaiting further details of the proposed WSEs before we consult with our stakeholders on any potential involvement by LGFA going forward.

LGFA is also assisting the local government sector-led initiative in developing a Ratepayer Financing Scheme which is being developed with the objective of providing some financial relief options to ratepayers.



New products and initiatives

We continue to look to innovate with our products for members and launched our Green, Social and Sustainable (GSS) lending product in October 2021, with the first GSS loans to Wellington City and Greater Wellington Regional councils in December 2021.

We undertook our first loan to a CCO in July 2021, with a second CCO member expected in the next six months.

We have increased the level of council standby facilities by \$137 million to \$662 million at year end, with the number of participating councils increasing by four to 11.

The LGFA board and Shareholders Council have established a Future Director programme to assist the sector with developing governance capability. Anita Furniss has been appointed to the position and commences with LGFA on 1 July 2022.

Increasing focus on sustainability and stakeholder engagement

Sustainability plays an important part within the local government sector and at LGFA. We have undertaken several initiatives over the past year, including:

- The establishment of a Sustainability Committee to advise the LGFA Board and management team on sustainability issues. The Committee comprises four external appointees and assists the LGFA Head of Sustainability.
- Ongoing commitment to reducing our carbon emissions and maintaining our CarbonNetZero certification from Toitu Envirocare.
- Launch of our GSS lending product that offers a lower borrowing margin for councils with eligible projects. We have pre-approved borrowing for two eligible projects totalling \$407 million and have made loans to date of \$63 million.
- Paul Matthews, a student at Massey University, reviewed how Councils are responding to climate change and the implications for LGFA as part of an internship he undertook with us.

This annual report is prepared to meet the requirements of the Global Reporting Initiative (GRI) Standards (core option).

We headlined sponsorship of the 2020 LGFA Taituara Local Government Excellence Awards for the second consecutive year, and the eighth year that we have supported the awards. We were pleased that the winner of the Supreme Award was the **Te Hiku o te Ika Revitalisation Project**, a highly successful collaboration between Far North District Council, the Kaitiaki Business Association, the five iwi of Far North's Te Hiku region and the wider community. The project created employment in, and enhanced the vibrancy of, three of New Zealand's most deprived areas. Some 81 urban development, restoration and revitalisation projects were identified and folded into the project.

Acknowledgments


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



Craig Stobo  
Chair



Mark Butcher  
Chief Executive



**Celebrating 10 years of cost efficient financing for councils**

Since incorporation in 2011, we have:

- issued a total of **\$21.7 billion** bonds to market
- lent a total of **\$20.1 billion** to councils and CCOs



# Performance highlights

Ko ngā tino hua

Bonds issued over the financial year

**\$3,900**  
million

Total interest income

**\$393.5**  **4.3%**  
million  
Increase over 2021-22 year

Lending to members over the financial year

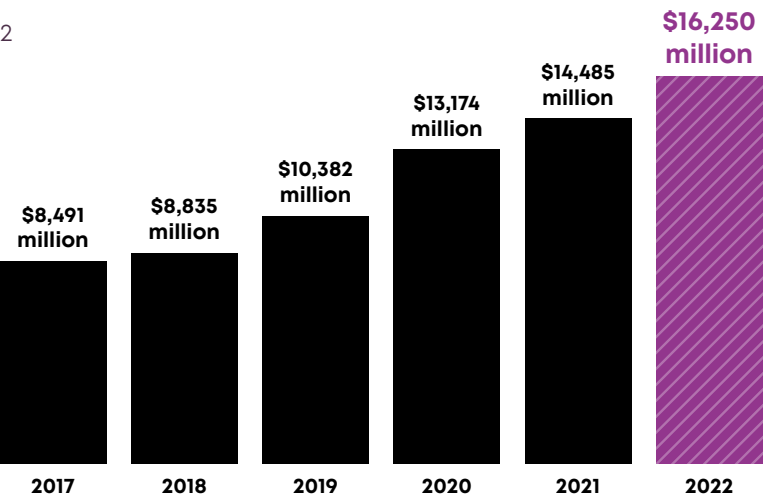
**\$3,228**  
million

Net operating profit

**\$10.7**  **11.1%**  
million  
Decrease over 2021-22 year

Total assets at 30 June 2022

**\$16,250**  
million



Liquidity at 30 June 2022

**\$158 million**  
Cash

**\$1,491 million**  
Marketable securities

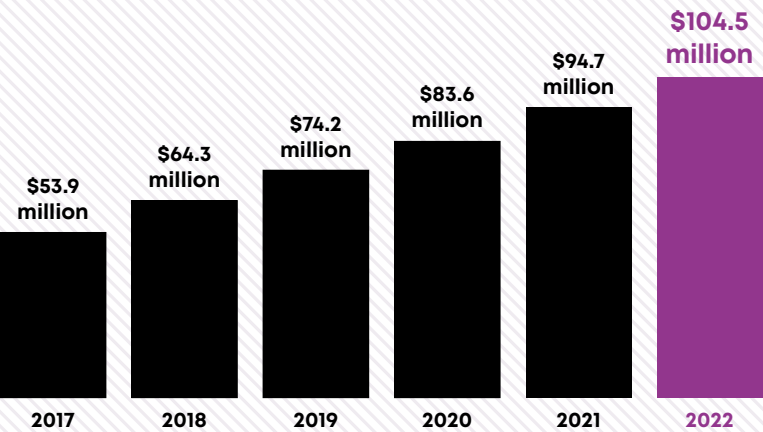
**\$462 million**  
Deposits

**\$1,100 million**  
Treasury stock for repurchase

**\$1,300 million**  
Government committed liquidity facility

Shareholder funds at 30 June 2022

**\$104.5**  
million



Fully paid shares

**\$25.0**  
million

Retained earnings

**\$79.5**  
million

## Borrower notes

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

**\$283**  
million



# Performance against objectives

## Ko ngā whakatutukinga ki ngā whāinga

The statement of service performance details LGFA's performance against the objectives and targets set out in the LGFA Statement of Intent 2021-22 (SOI)

### 2021-22 performance objectives

The SOI sets out two primary performance objectives and eight additional objectives for the year ended 30 June 2022.

### Primary objectives

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

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

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

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

### Additional objectives

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

LGFA will:

- Maintain LGFA's credit rating equal to the New Zealand Government sovereign rating where both entities are rated by the same Rating Agency.
- Provide at least 80% of aggregate long-term debt funding to the Local Government sector.
- Achieve the financial forecasts for net interest income and operating expenses, including provision for a shareholder dividend payment in accordance with approved dividend policy.
- Meet or exceed the Performance Targets.
- Comply with the Health and Safety at Work Act 2015.
- Comply with the Shareholder Foundation Policies and the Board-approved Treasury Policy at all times.
- Assist the local government sector with significant matters such as COVID -19 response and the proposed Three Waters Reform Programme.
- Improve sustainability outcomes within LGFA and assist the local government sector in achieving their sustainability and climate change objectives.

Performance against primary objectives

This section sets out LGFA's performance for the year ended 30 June 2022 against the two primary objectives set out in the 2021-22 SOI.

**Primary objective 1: LGFA will optimise the debt funding terms and conditions for Participating Borrowers. Among other things, this includes:**

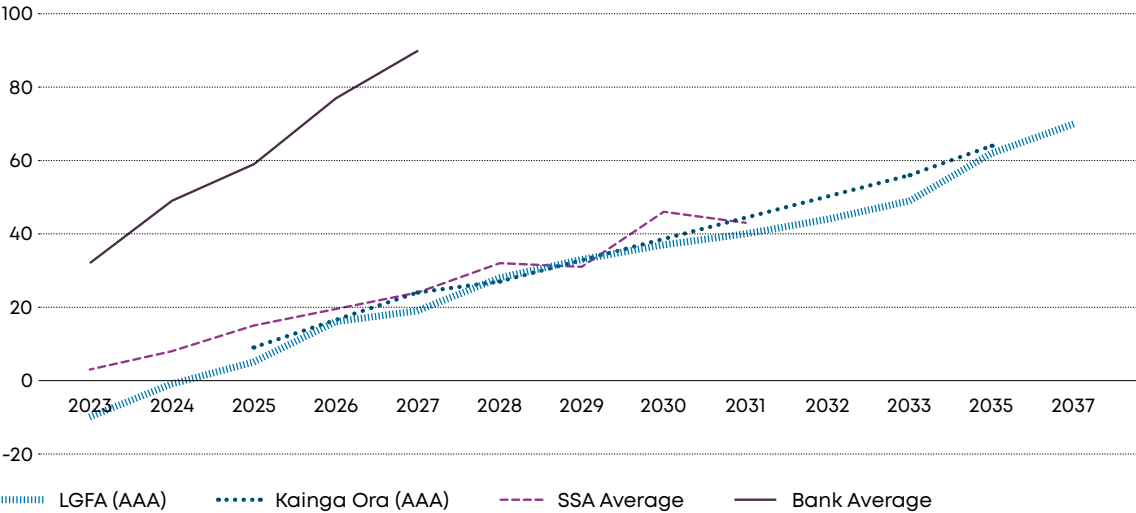
*Providing interest cost savings relative to alternative sources of financing.*

LGFA lending base margin was 15 bps for all borrowing terms for the 2021-22 year, which covers our

operating costs and also provides for capital to grow in line with increases in our balance sheet. There is an additional credit margin added to the base margin depending upon whether a council has a credit rating or is a guarantor or non-guarantor of LGFA.

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

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



We survey our members each year on their satisfaction with LGFA and our August 2021 stakeholder survey returned a 99% positive response to the question “How would you rate LGFA in adding value to your borrowing requirements?”. We also received a 98% positive response to the question “How satisfied are you with the pricing that LGFA has provided to your Council?”.

*Offering flexible short and long-term lending products that meet Participating Borrowers’ borrowing requirements.*

Both short and long-term borrowing has been well supported by our members:

- At June 2022, \$478 million short-term loans were outstanding to 31 councils and CCOs, with loan terms ranging between one month and 12 months.
- Over the year, 66 members borrowed \$3,228 million in 292 new long-term loans, across 77 maturity dates ranging between 2021 and 2037.

- Our Green Social and Sustainability (GSS) loan product was formally launched in late 2021 with Wellington City Council and Greater Wellington Regional Council our inaugural borrowers under the GSS programme.
- Our first CCO member, Invercargill City Holdings, undertook borrowing in July 2021.

Standby facilities provided to councils increased by \$147 million over the year to total \$662 million across 12 councils.

*Delivering operational best practice and efficiency for its lending services.*

Over the year, the LGFA operations team successfully settled 1,783 new trades and 11,474 cash flows in excess of \$36 billion.

In the August 2021 stakeholder survey, respondents recorded a 96% positive response to the question “How satisfied are you with the LGFA settlement process?”

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

For LGFA to provide certainty of access to markets for our council borrowers we need to have a vibrant primary and secondary market in LGFA bonds. The primary market is the new issuance market, and we measure strength with participation by investors at our tenders through bid-coverage ratios and successful issuance yield ranges. The secondary market is the trading of LGFA bonds following issuance and a healthy market implies high turnover. LGFA issued a record \$3,900 million in bonds over the year through nine tenders and two syndications. There were 12 bill tenders over the year with \$565 million of bills on issue at June 2022. Proceeds from bill and bond issuances fund our lending to members, with the balance invested in our liquid asset portfolio.

In October 2021, LGFA issued two new bonds, a May 2028 and May 2035, providing members with the opportunity to extend their long-term borrowing. The weighted average borrowing term by members over the year was 6.2 years (excluding short-dated borrowing).

LGFA maintains an Australian Medium-Term Notes Programme which, to date, has not been used but which provides additional flexibility if required under future market conditions.

**Primary objective 2: LGFA will ensure its asset book remains at a high standard by ensuring it understands each Participating Borrower's financial position, as well as general issues confronting the Local Government sector. Amongst other things, LGFA will:**

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

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

Borrowers are required to complete annual compliance certificates by 30 November each year. We have received compliance certificates from all borrowers, and all remained compliant as at 30 June 2021.

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

All LGFA members are measured on a parent level basis.

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

LGFA met with all council and CCO members over the course of year. Where practical, we met in person with members and held meetings virtually if required.

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

Over the year, LGFA management met with representatives from Reserve Bank of New Zealand, Department of Internal Affairs, Office of the Auditor General, Taituara, the New Zealand Debt Management section of the Treasury (NZDM).

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

Additional objectives

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

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

LGFA has an annual review process for our credit ratings from Standard and Poor's and Fitch Ratings and meets with both agencies at least annually.

- **Standard and Poor's (S&P).** On 2 March 2022, S&P affirmed our long-term local currency credit rating of AAA and our long-term foreign currency credit rating of AA+.
- **Fitch Ratings (Fitch).** On 1 November 2021 Fitch affirmed both our local currency credit rating of AA+ (stable) and foreign currency credit rating of AA (positive outlook).

Both S&P and Fitch ratings are the same as the New Zealand Government.

*Provide at least 80% of aggregate long-term debt funding to the Local Government sector.*

LGFA use the PwC Local Government Debt Report to determine our market share. Our estimated market share for the rolling twelve-month period to June 2022 was 80%. If we exclude Auckland Council borrowing of \$500 million in its own name over the past year in the domestic market, then market share increases to 89%. This compares to a historical average of 75% and our market share remains high compared to our global peers.

Over the year, three new councils became members of LGFA, lifting total participating council members to 75. Otago Regional Council, Southland District Council and Waimate District Council joined as guarantors. In addition, Invercargill City Holdings Ltd became our first CCO member bringing total council and CCO membership to 76.

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

Net interest income (NII) for the year was \$17.516 million, which was \$0.569 million under budget, while expenses of \$7.933 million were \$0.169 million over budget. Net operating profit of \$10.673 million was \$0.648 million under budget.

Included in the NII is the unrealised mark-to-market movement in fixed rate swaps that are not designated effective for hedge accounting purposes. These swaps reduce exposure to fixed rate loans made outside of the normal tender process and to

reduce mismatches between borrowing and lending terms in our balance sheet. Over the year, there was an unrealised gain on these swaps of \$2.33 million.

Operating expenses for the year:

- **Issuance and on-lending costs** at \$2.829 million were \$0.092 million over budget. Higher issuance and lending volumes than forecast resulted in higher costs for NZX, legal and registry.
- **Other operating costs** at \$4.403 million were \$0.014 million over budget.
- **Approved Issuer Levy (AIL)** payments of \$0.701 million were \$0.063 million over budget. We pay AIL on behalf of offshore investors at the time of semi-annual coupon payment and offshore investor holdings were just over our SOI forecast.

*Comply with the Health and Safety at Work Act 2015.*

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

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

There were no compliance breaches during the year.

*Assist the local government sector with significant matters such as COVID -19 response and the proposed Three Waters Reform Programme.*

LGFA continue to have ongoing dialogue with Central Government on the proposed Three Waters reforms and provided feedback regarding financing of the proposed entities during and beyond the transition period. We are waiting for clarification from Central Government as to the role that LGFA could play, if any, in providing financing.

*Improve sustainability outcomes within LGFA and assist the local government sector in achieving their sustainability and climate change objectives.*

LGFA continues to develop our processes with regards to demonstrating commitment to social and environmental responsibility and aims to be a key contributor to the local government sector's investment in green projects and to support the transition to a low-carbon society.

- In September 2021 we established our Sustainability Committee, which followed our appointment of Nick Howell as Head of Sustainability in May 2021;
- In October 2021 we launched our Green, Social and Sustainability Lending Programme which offers funding to enable members to undertake GSS projects that will help drive forward climate,

environmental and social projects in the New Zealand local government sector; and

- Over the course of the year, we progressed work on improving our sustainability outcomes, which include reducing our carbon footprint and implementing our Responsible Investment Policy.

Throughout the year, LGFA has been looking to widen its sustainable finance options for members by offering them the future opportunity to apply for Climate Initiative Loans (CILs). The product is currently under development but offering CIL's will align to LGFA's aim of displaying leadership to the sector on sustainable lending.

Performance Targets

*Meet or exceed the Performance Targets*

Performance measure	Result for the 12 month period to 30 June 2022	Outcome
LGFA total operating income for the period to June 2022 will be greater than \$19.1 million	\$18.6 million.	✗
Annual issuance and operating expenses (excluding AIL) will be less than \$7.2 million	\$7.2 million.	✗
Total nominal lending (short and long term) to participating councils to be at least \$13.294 billion	\$14.019 billion.	✓
Conduct an annual survey of councils and achieve 85% satisfaction score as to the value added by LGFA to council borrowing activities	August 2021 survey outcome of 99.2 %	✓
Meet all lending requests from PLAs	100%	✓
Achieve 80% market share of all council borrowing in New Zealand	80%	✓
Review each PLA financial position, its headroom under LGFA policies and arrange to meet each PLA at least annually	All councils visited	✓
No breaches of Treasury Policy, any regulatory or legislative requirements including H&S	No breaches	✓
Successfully refinance of existing loans to councils and LGFA bond maturities as they fall due	100%	✓
Maintain a credit rating equal to the New Zealand Government rating where both entities are rated by the same credit rating entity	AA+/AAA	✓

# About us

## Mō mātou

### Establishment

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

**Incorporated** on 1 December 2011 under the Companies Act 1993

**Enabled** by Local Government Borrowing Act 2011

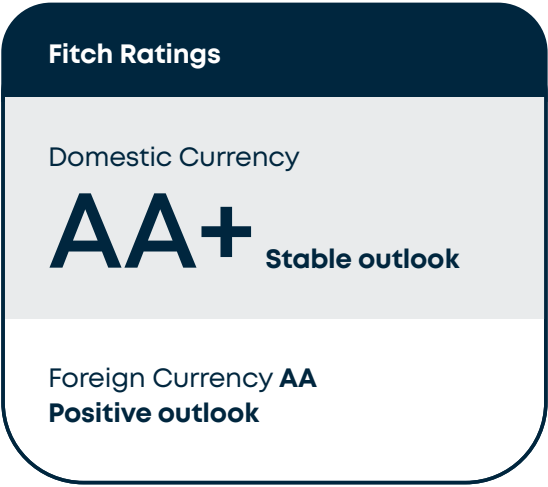
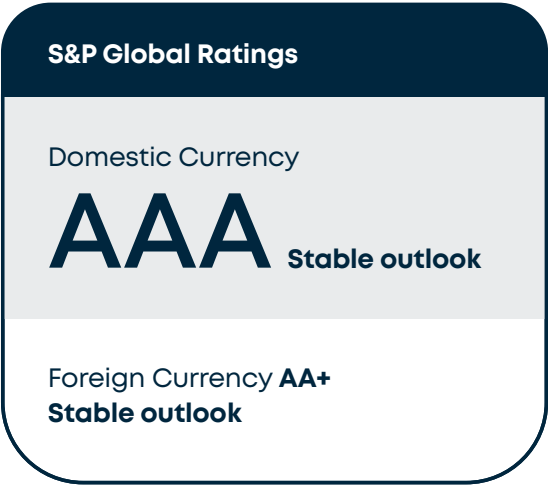
**Council-controlled organisation** under the Local Government Act 2002

### Ownership



Share ownership is restricted to New Zealand Government or councils.

### Credit rating at 30 June 2022



### Guarantee structure

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

LGFA's securities obligations are guaranteed by council guarantors.

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



### Governance overview

31 Shareholders

30 Councils

80%

New Zealand Government

20%

Shareholders' Council

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

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

LGFA Board

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

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

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

Bonds listed on NZX Debt Market

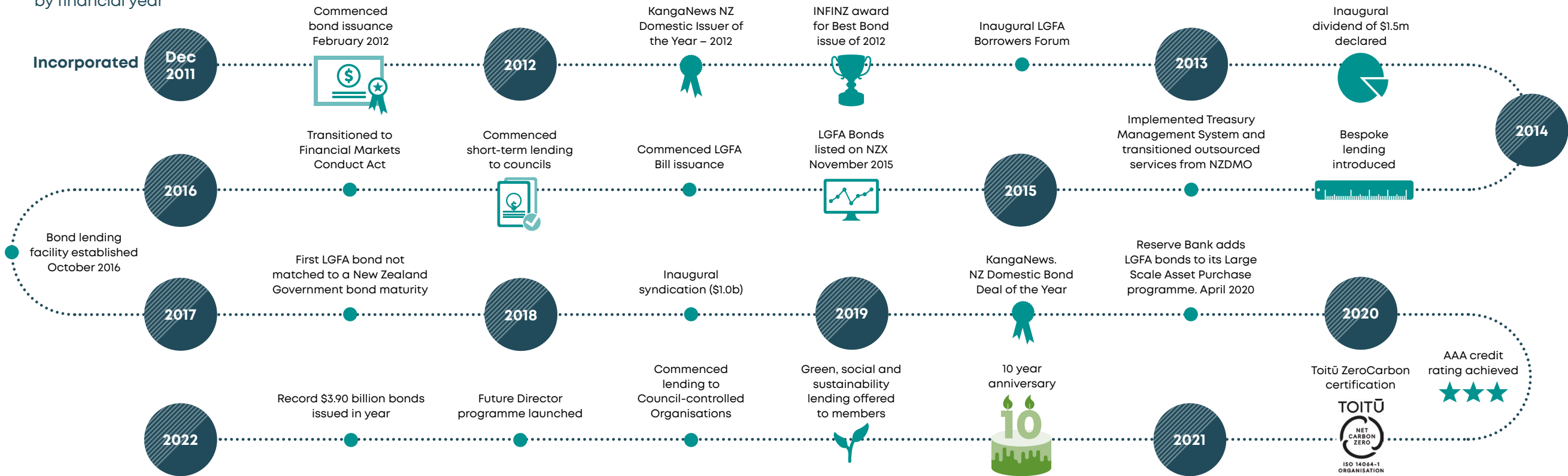
.....

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

.....

Supervised by independent trustee

Our history by financial year



# LGFA bonds on issue

Ko ngā pūtea taurewa  
pūmau kua tukuna e te LGFA

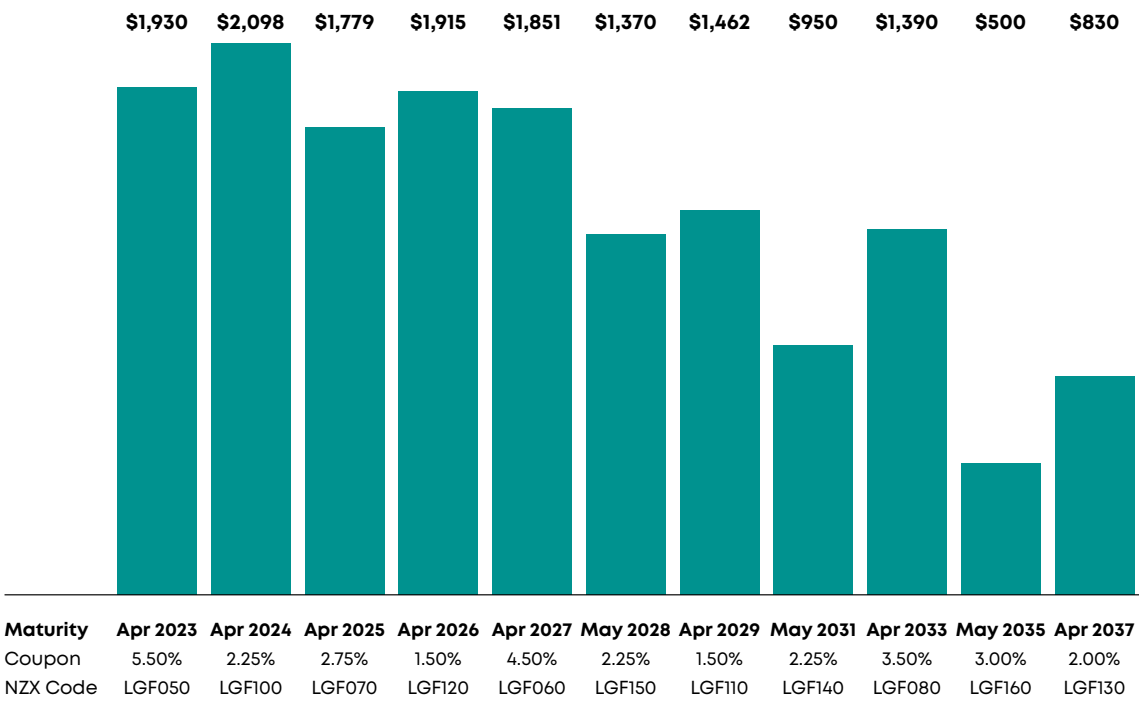
## How we issue bonds

- LGFA typically issues a new bond maturity via an initial syndication and then through ongoing regular scheduled tenders.
- Preferred bond tender sizes are between NZ\$150 million to NZ\$200 million with at least three maturities offered at each tender.
  - LGFA bonds match NZ Government Bonds where possible for maturity and coupon.
  - Approved Issuer Levy is paid on behalf of offshore holders.
  - Target issuance of NZ\$1 billion plus per series over time with a cap of \$2.5 billion per series to support market liquidity.
  - All bonds have been issued in New Zealand dollar (NZD) to date, but have capability to issue non-NZD bonds if required.
  - All LGFA retail bonds are listed on the NZX.

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

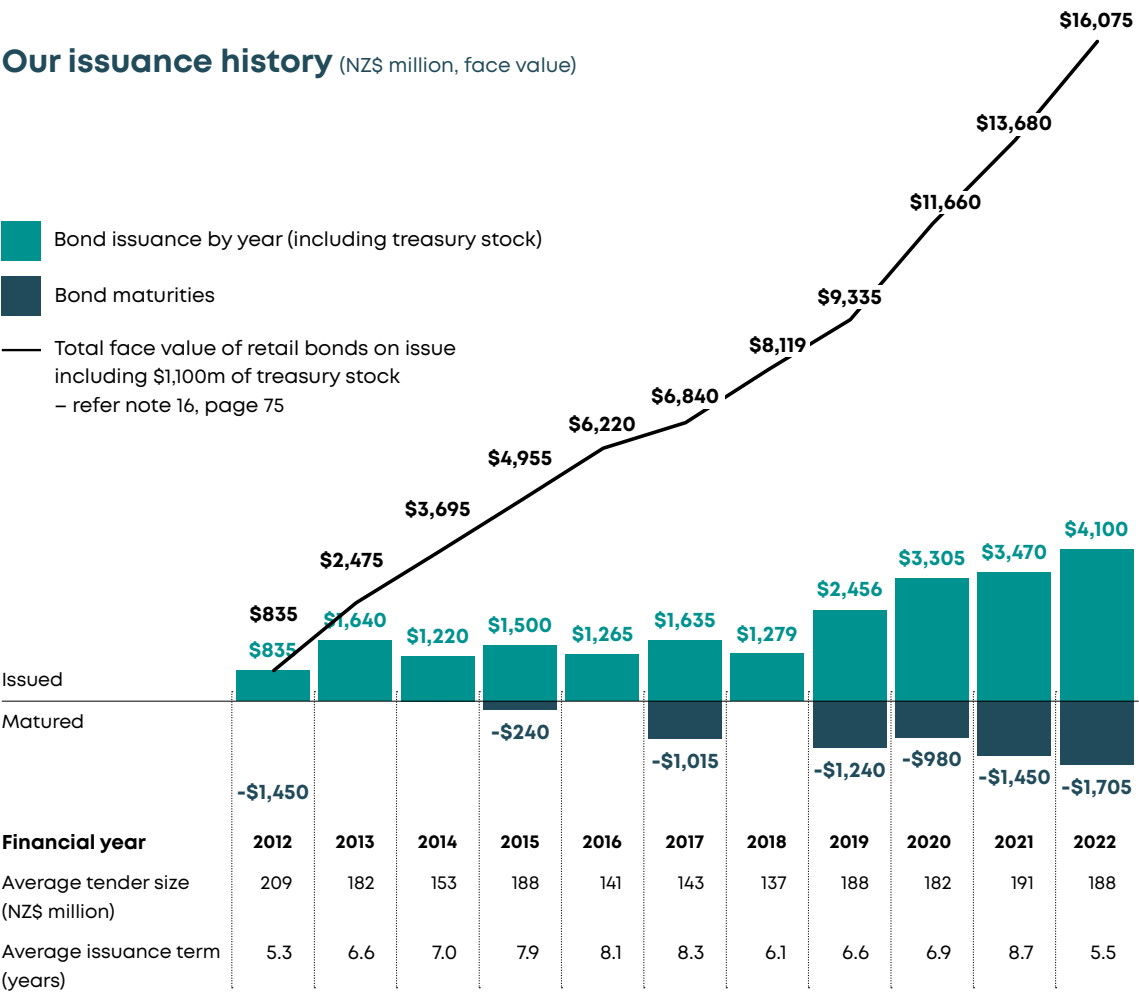
As 30 June 2022 : NZ\$16,075 million

Includes NZ\$1,100 million treasury stock (refer note 16, page 75)



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

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

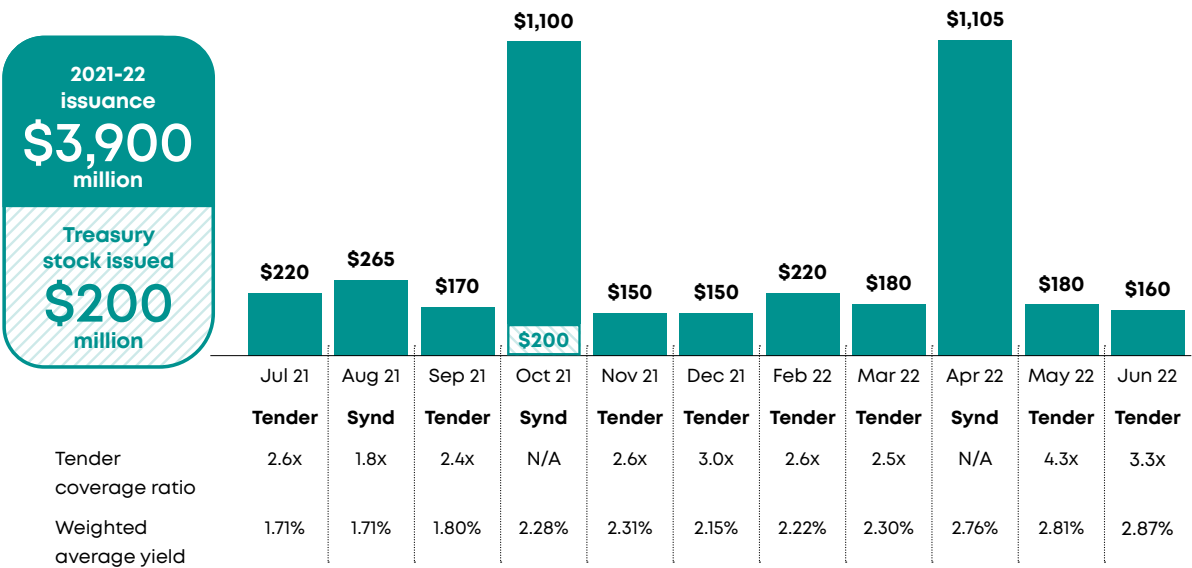


2021-22 issuance by maturity (NZ\$ million, face value)

LGFA bond issuance by bond maturity over the 12-month period to 30 June 2022

Tenders	Apr 23	Apr 24	Apr 25	Apr 26	Apr 27	May 28	Apr 29	May 31	Apr 33	May 35	Apr 37	Total
7 Jul 21	-	-	50	60	-	-	60	-	50	-	-	220
12 Aug 21	90	-	50	-	45	-	-	80	-	-	-	265
8 Sep 21	-	50	-	40	-	-	40	-	40	-	-	170
10 Nov 21	-	70	-	-	50	-	-	-	-	-	30	150
12 Dec 21	-	-	50	50	50	-	-	-	-	-	-	150
2 Feb 22	-	60	-	-	-	60	60	40	-	-	-	220
9 Mar 22	-	60	-	-	60	-	30	-	30	-	-	180
11 May 22	80	-	-	-	60	-	-	40	-	-	-	180
8 Jun 22	-	-	60	-	-	60	-	40	-	-	-	160
2021/22 tender issuance	170	240	210	150	265	120	190	200	120	-	30	1,695
2021/22 syndication	-	230	-	425	-	1,150	-	-	-	400	-	2,205
Total 2021/22 issuance	170	470	210	575	265	1,270	190	200	120	400	30	3,900
Prior issuance	1,660	1,528	1,469	1,240	1,486	-	1,172	650	1,170	-	700	11,075
Total bonds excluding Treasury Stock	1,830	1,998	1,679	1,815	1,751	1,270	1,362	850	1,290	400	730	14,975
Treasury stock	100	100	100	100	100	100	100	100	100	100	100	1,100
Total bonds on issue	1,930	2,098	1,779	1,915	1,851	1,370	1,462	950	1,390	500	830	16,075

2021-22 issuance by month (NZ\$ million, face value)



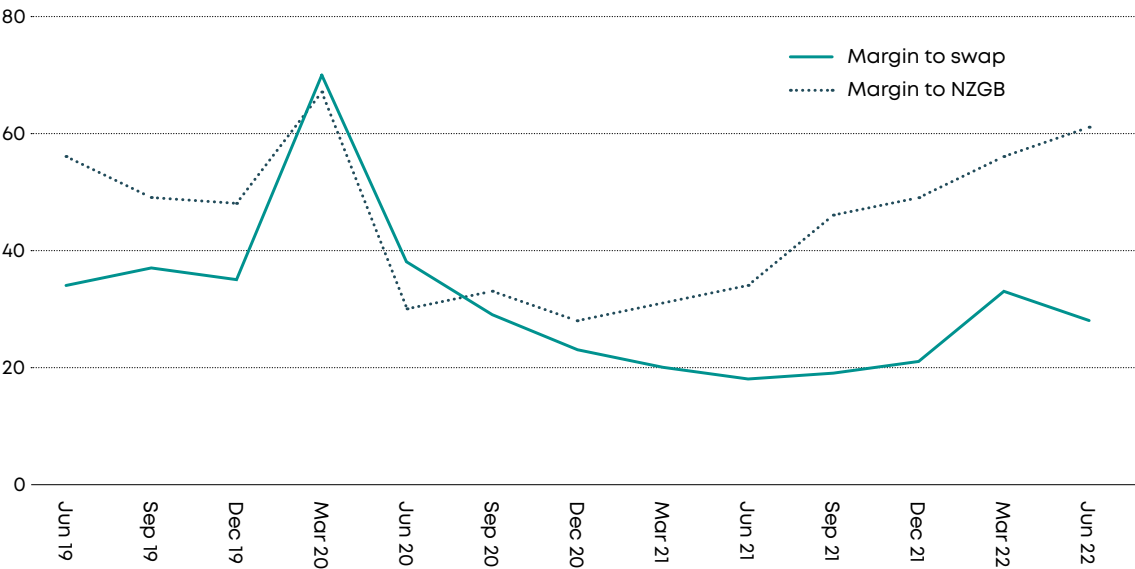
LGFA bond margins (basis points)

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

Margin to swap	Apr 23	Apr 24	Apr 25	Apr 26	Apr 27	May 28	Apr 29	May 31	Apr 33	May 35	Apr 37
30 June 2021	(1)	2	7	13	15	N/A	25	33	39	N/A	51
30 June 2022	(10)	(1)	5	16	19	28	33	40	49	62	70
Annual change	9	3	2	(3)	(4)	N/A	(8)	(7)	(10)	N/A	(19)

Margin to NZGB	Apr 23	Apr 24	Apr 25	Apr 26	Apr 27	May 28	Apr 29	May 31	Apr 33	May 35	Apr 37
30 June 2021	22	26	31	36	40	N/A	43	44	43	N/A	44
30 June 2022	34	53	55	61	60	61	62	66	65	78	79
Annual change	(12)	(27)	(24)	(25)	(20)	N/A	(19)	(22)	(22)	N/A	(35)

LGFA bond margins to swap over NZGB over the 36 months to 30 June 2022 (basis points)



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

LGFA is New Zealand's largest:

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

New bond maturities issued in the year to June 2022

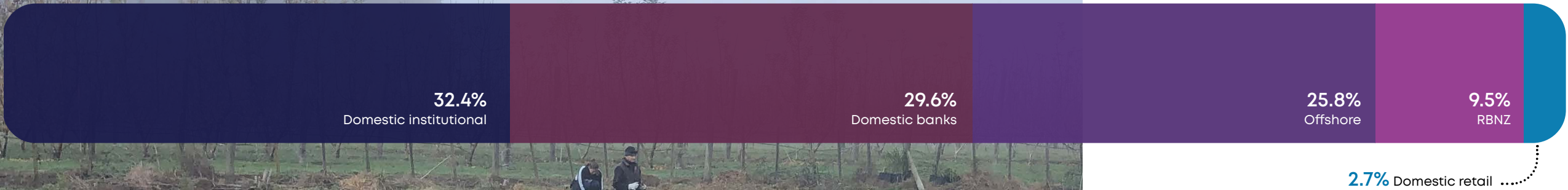
May 2028 : May 2035  
2.25% : 3.00%



LGFA bond holders by country of residence as at 31 March 2022

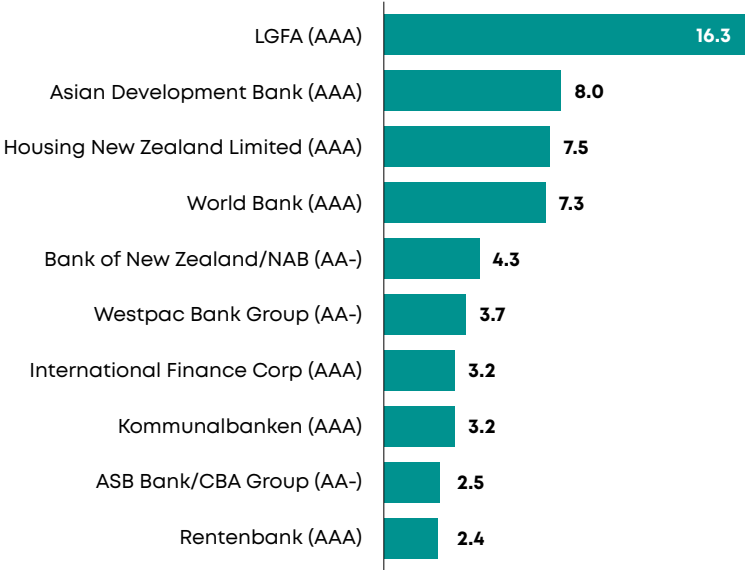


LGFA bond holders by investor group as at 30 June 2022



Largest issuers of NZD bonds by outstandings

excluding NZGB, as at 30 June 2022 (NZ\$ billion)



LGFA estimate, based on aggregation of Bloomberg sourced data.



# LGFA members

## Ko ngā LGFA e noho mema ana

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

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

Among other things this includes:

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

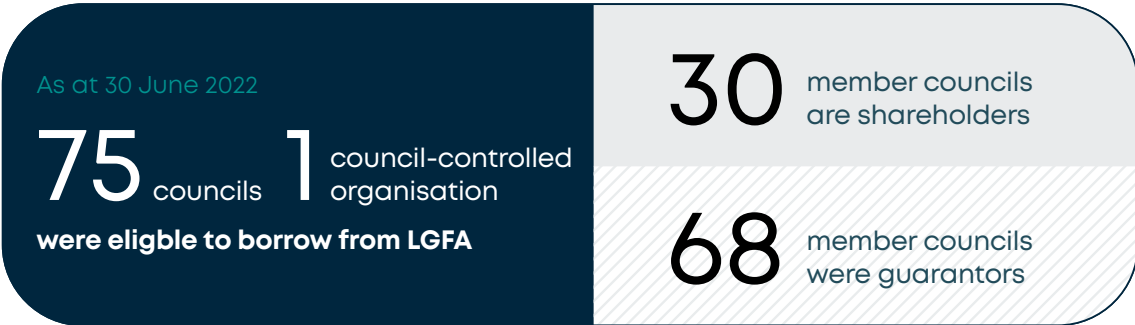
To become a member of LGFA, a council or CCO is required to complete a formal application. Following an application for membership, LGFA management completes a review of the prospective member's financial position and its ability to comply with LGFA's financial covenants, which is considered by the LGFA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

Total member borrowings at 30 June 2022  
(NZ\$ million)

Member type	Number of councils	Amount borrowed	% of total borrowings
Guarantors	68	14,015	99.6%
Non guarantors	7	63	0.4%
Total	75	14,078	100%

Member	Amount borrowed	% of total borrowings
Auckland Council	3,413	24.2%
Christchurch City Council	2,039	14.5%
Wellington City Council	967	6.9%
Tauranga City Council	649	4.6%
Hamilton City Council	633	4.5%
Greater Wellington Regional Council	576	4.1%
Rotorua District Council	288	2.0%
Hutt City Council	257	1.8%
Kapiti Coast District Council	256	1.8%
Hastings District Council	238	1.7%
63 members	4,762	33.8%
	14,078	100%

Loans to Auckland Council are limited to a maximum of  
**40%**  
of total loans



Over the 12 months to 30 June 2022

**\$3,228**  
million of long term loans

At 30 June 2022

**\$478**  
million of short term loans

were issued to **66** members

across **292** individual term loans

with an average term of **6.22** average borrowing years

were outstanding to **31** members

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

**80%**  
LGFA's estimated market share of local government debt



LGFA members by year of joining

North Island

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

2011-2012 (18)	2015-2016 (5)	2019-2020 (3)
2012-2013 (21)	2016-2017 (3)	2020-2021 (5)
2013-2014 (3)	2017-2018 (3)	2021-2022 (3)
2014-2015 (3)	2018-2019 (8)	

South Island

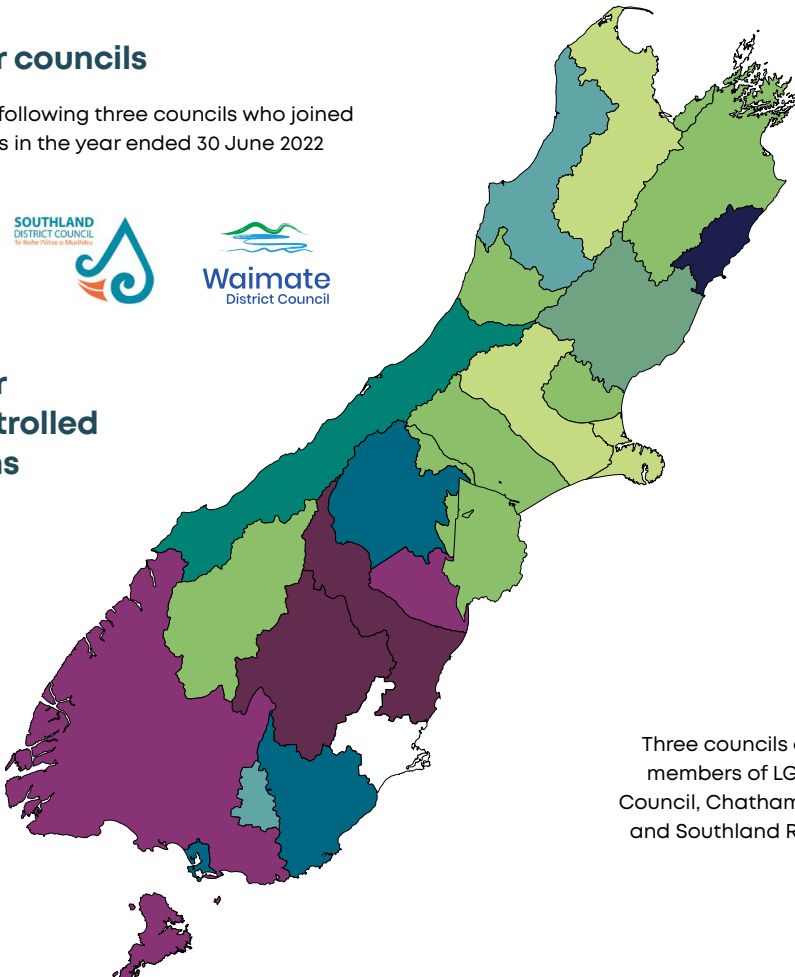
2011-12	Christchurch City Council	Shareholder
2011-12	Selwyn District Council	Shareholder
2011-12	Tasman District Council	Shareholder
2012-13	Ashburton District Council	Borrower and Guarantor
2012-13	Grey District Council	Borrower and Guarantor
2012-13	Marlborough District Council	Shareholder
2012-13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

New member councils

LGFA welcomes the following three councils who joined as eligible borrowers in the year ended 30 June 2022

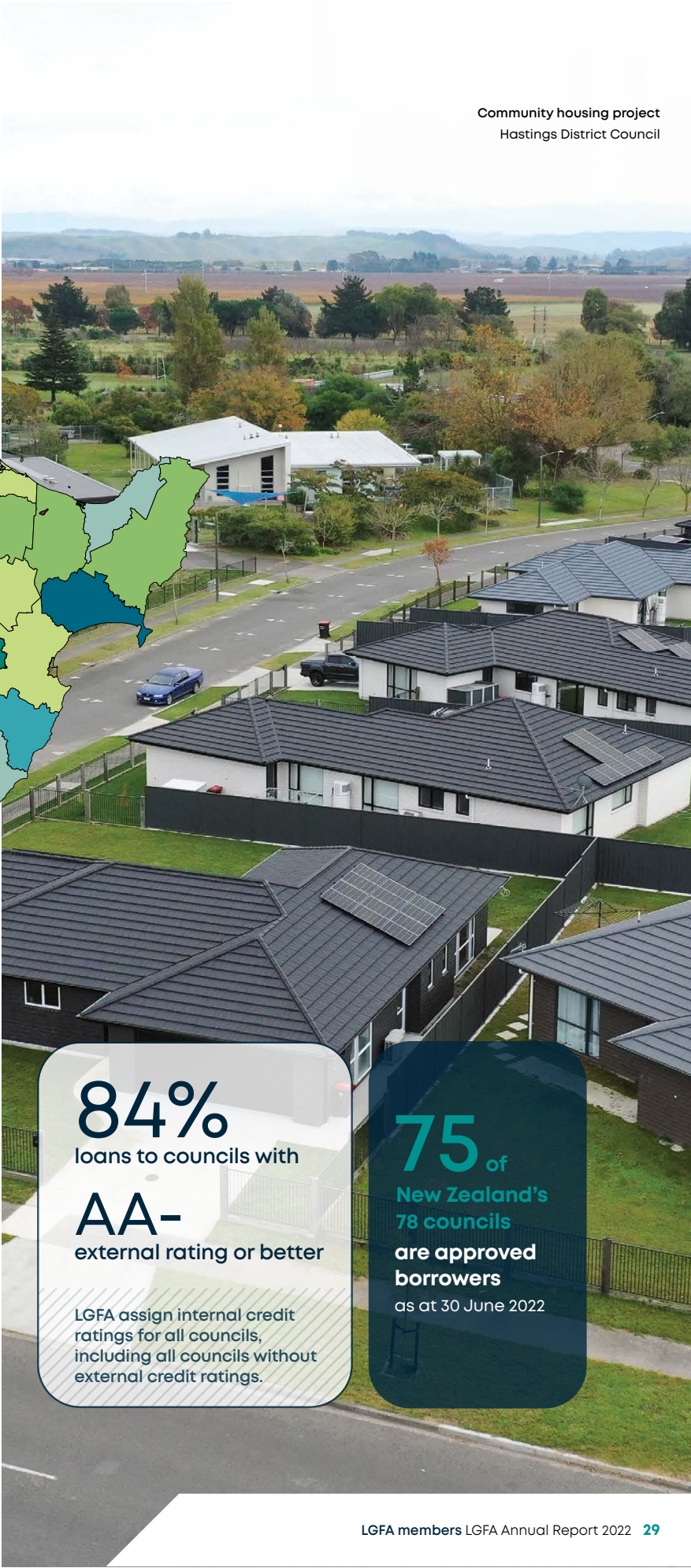


New member Council-controlled organisations



Three councils are not currently members of LGFA. Dunedin City Council, Chatham Islands Council and Southland Regional Council.

Community housing project  
Hastings District Council



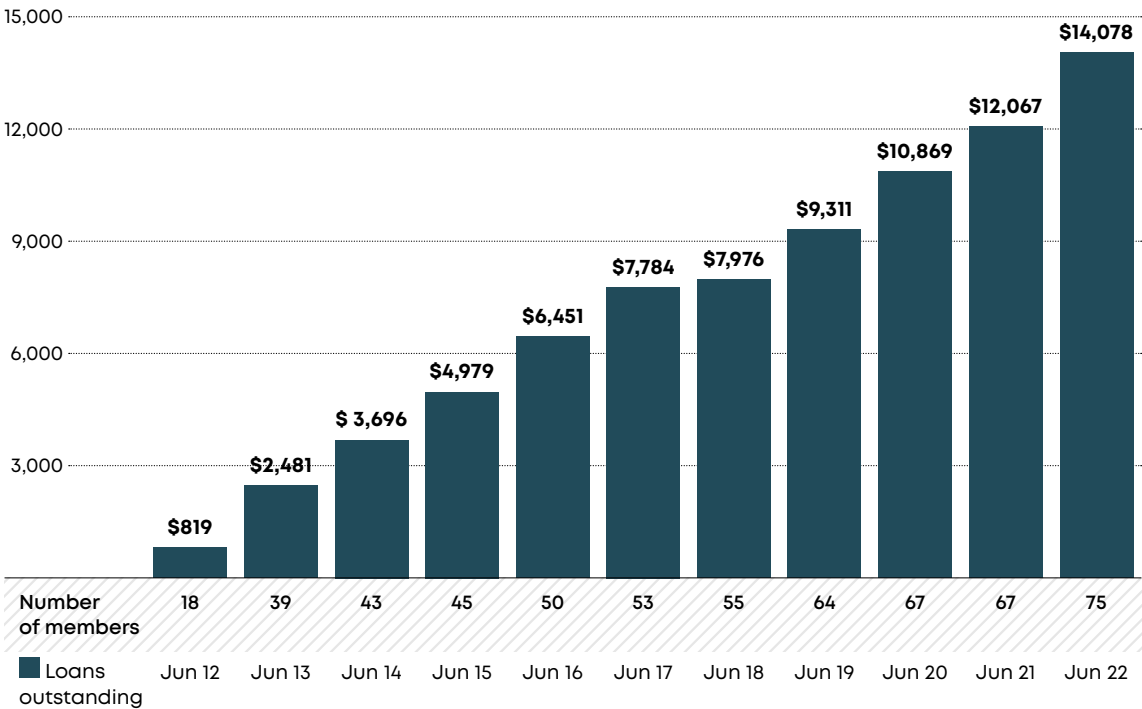
84%  
loans to councils with  
AA-  
external rating or better

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

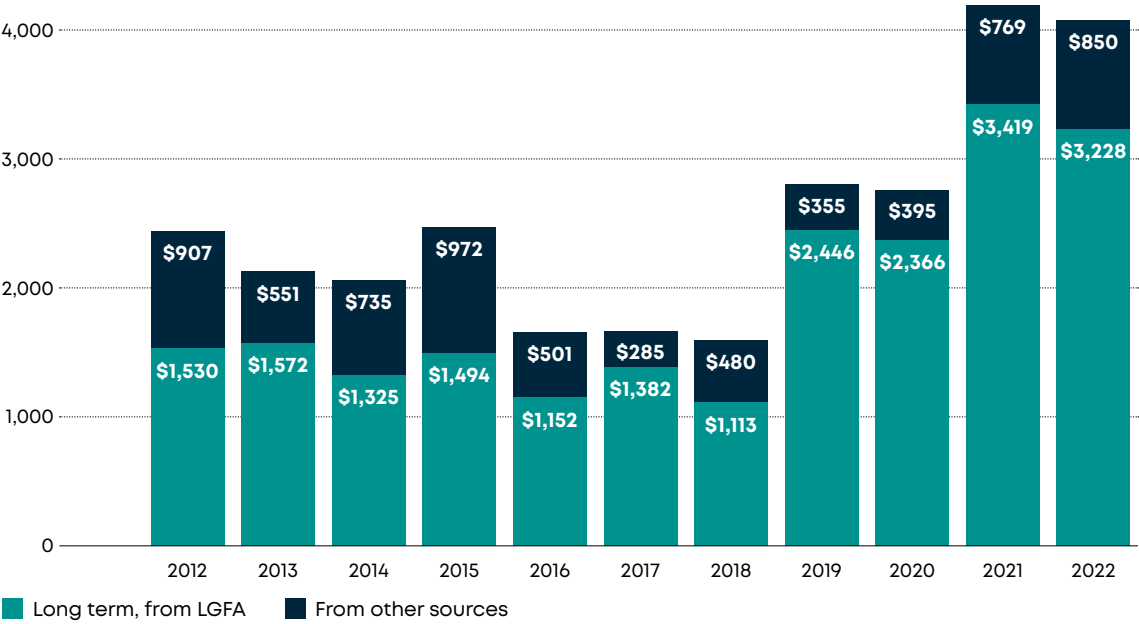
75 of  
New Zealand's  
78 councils  
are approved  
borrowers  
as at 30 June 2022



Loans to members outstanding (NZ\$ million, nominal)



Borrowing by members (NZ\$ million, nominal)





# Sustainability at LGFA

## Te toitūtanga kei te LGFA

LGFA seeks to continuously improve sustainability outcomes within the company as well as assisting the local government sector in achieving their sustainability and climate change objectives.

LGFA are committed to assist councils and council-controlled organisations finance projects that promote environmental and social wellbeing in New Zealand.

**The LGFA Statement of Intent (SOI)** requires us to improve sustainability outcomes within LGFA and assist the local government sector in achieving their sustainability and climate change objectives.

This section sets out our management approach for LGFA's environmental, social and governance (ESG) risks and opportunities. LGFA is committed to improving sustainability outcomes within the company, as well as assisting the local government sector achieve their sustainability and climate change objectives within their communities.

This Annual Report has been prepared in accordance with the Global Reporting Initiative (GRI) Standards (core option).

### Sustainability Committee

In 2021, LGFA established our Sustainability Committee to assist us to achieve our sustainability objectives. The Committee is chaired by LGFA's Head of Sustainability and comprises three employees and four independent members.

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

Independent members of the LGFA Sustainability Committee at 30 June 2022

- Alison Howard
- Erica Miles
- Chris Thurston
- David Woods

### Our material issues

Material issues are those issues that reflect our significant economic, environmental, and social impacts, or that substantively influence the assessments and decisions of our stakeholders.

LGFA's materiality issues were determined with the assistance of Proxima, an independent sustainability consultancy. Over the past year, Proxima has worked with the executive, directors and shareholders to update the material issues relevant to our business and key stakeholders.

This year, LGFA's material issues have been updated to reflect our increasing focus on sustainability, with other material topics relatively unchanged from 2021.

#### Our organisation

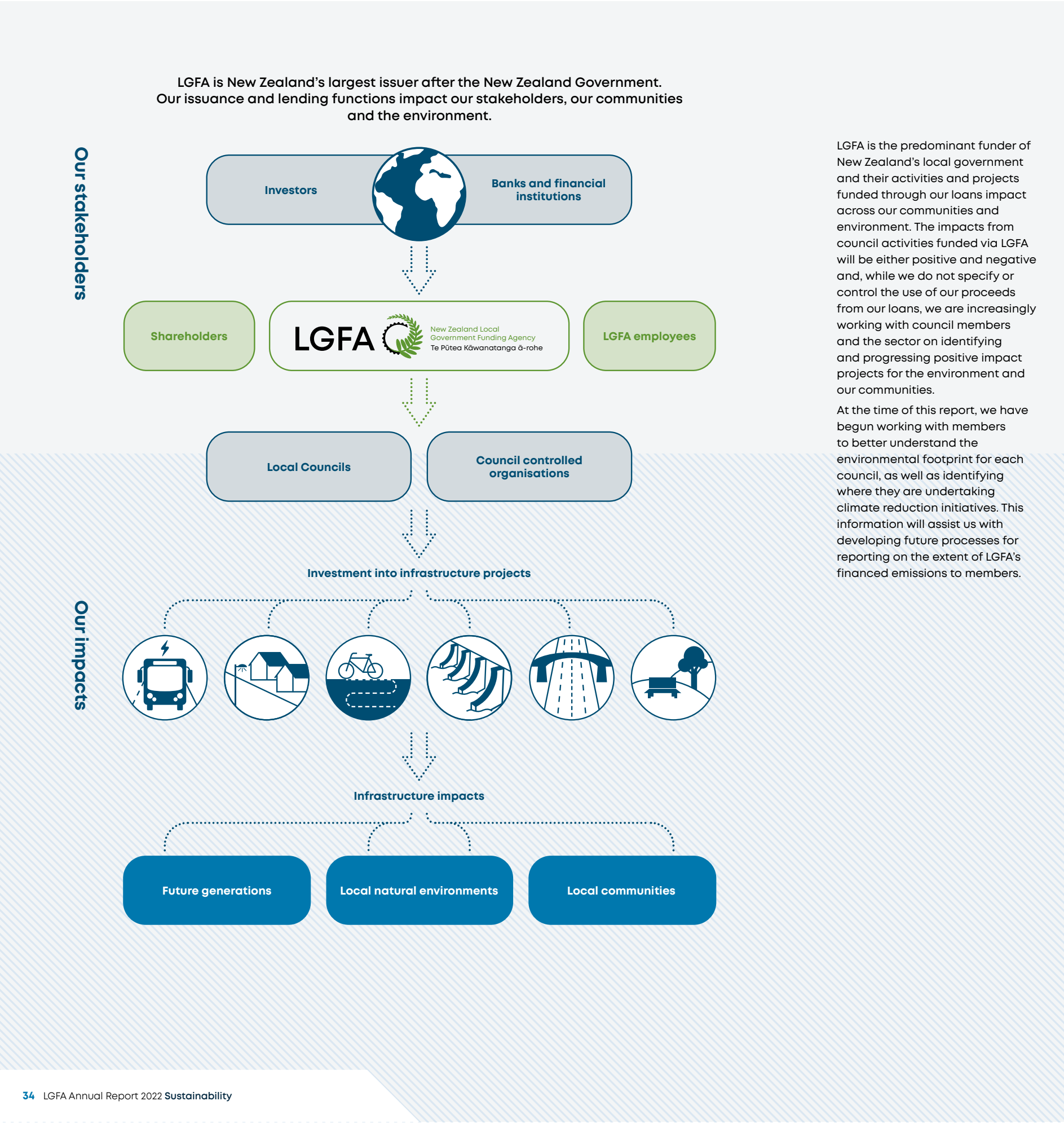
- Culture, ethics and governance
- Transparency and disclosure
- Health, safety and wellbeing
- Diversity and inclusion
- Capability and development

#### Responsible finance

- Deliver efficient and cost-effective funding
- Financial performance
- Industry collaboration and engagement
- Best practice and influence

#### Our environment

- Green, social and sustainability lending
- Responsible investment
- Sustainable business practices



Promoting environmental and social stewardship

LGFA recognises the emerging risks for councils from climate change and supports their commitment towards improving sustainable outcomes for local communities. LGFA supports New Zealand's contribution to meeting the United Nations' Sustainable Development Goals (UN SDGs) and will work with member councils and council-controlled organisations (CCOs) on financing projects to build towards a more sustainable and resilient society

As the primary lender to the local government sector, LGFA finances members' core investment into improving New Zealand's infrastructure and services to residents and visitors. By extension, these members' investments form an important element of LGFA's sustainability context.

Green, social and sustainability lending

A commitment to assist councils and council-controlled organisations finance projects that promote environmental and social wellbeing in New Zealand

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

To assist our members finance sustainability projects, in 2022 we launched our green, social and/or sustainability (GSS) lending programme across the following ten green project categories and six social project categories:

- Green Bond Categories**

  - Energy Efficiency
  - Green Buildings
  - Clean Transportation
  - Sustainable Water and Wastewater Management
  - Renewable Energy
  - Pollution Prevention and Control
  - Sustainable Management of Living Natural Resources and Land Use
  - Climate Change Adaptation
  - Terrestrial and Aquatic Biodiversity Conservation
  - Circular Economy and Eco-efficient Products
- Social Project Categories**

  - Affordable Basic Infrastructure- Clean Water, Sewer, Transport
  - Access to Essential Services- Education, Healthcare
  - Affordable Housing
  - Employment Generation
  - Food Security
  - Socioeconomic Advancement and Empowerment

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



Following the launch of our GSS loan product, LGFA are pleased to welcome Wellington City Council (WCC) and Greater Wellington Regional Council (GWRC) as inaugural lenders under the GSS programme.



**Tākina Wellington Convention and Exhibition Centre**  
Wellington City Council

There was significant work required to investigate the correct market for GSS lending; other options investigated by Wellington City Council (WCC) were not going to align well to its needs. Working with, and issuing through, the LGFA provides benefit to the local government sector in building up to scale; and to WCC in getting this project funded in a way that works with WCC's balance sheet requirements.

Tākina Wellington Convention and Exhibition Centre, the Capital's largest infrastructure investment since the Wellington Regional Stadium two decades ago, will offer a powerful combination of facilities across three floors and 18,000 sqm that will draw visitors to Wellington to learn, meet and be inspired.

Being built to a 5 Green Star standard and rated at more than 100% of NBS, Tākina will act as a post event gathering point for the city. WCC are building resilience to climate change and natural disaster with various features including base isolation, elevated floor level, standalone plug in power supply and rain harvesting ability to ensure back up water

supply is available. By doing so, WCC are ensuring the building can provide crucial post event support to the local community. All this in addition to putting Wellington on the map as a convention destination.

WCC declared a climate emergency June 2019 and have adopted Te Atakura (first to zero) carbon strategy to ensure it is demonstrating commitment to its climate response promise in everything they do. Building up a green loan portfolio and aligning GSS funding with a significant project, both in construction and over the term of the loan/life of the asset, demonstrates this commitment to its climate response for current and future generations of ratepayers.

GSS lending also provided WCC with marginally cheaper funding to offset additional compliance costs. Monitoring and complying with GSS loan requirements does involve some additional overhead and the 5 basis point reduction in funding costs goes some way to covering these.



**RiverLink Project**  
Greater Wellington Regional Council

RiverLink brings together a range of different flood protection strategies to help protect the Hutt Valley from a natural disaster by managing flood risk and mitigating for climate change for the next 100 years. Borrowing under the LGFA's 'Climate Change Adaptation' category, the reduced cost of borrowing on the GSS loan will provide important savings each year over the asset's life.

The RiverLink Project is a partnership between Greater Wellington Regional Council (GWRC), Hutt City Council and Waka Kotahi NZ Transport Agency, working together with Mana Whenua partners – Ngāti Toa Rangatira and Taranaki Whānui ki te Upoko o te Ika.

Working collaboratively, the project encompasses flood protection works within and around Te Awa Kairangi Hutt River, the Making Places Urban Development Plan, and Melling transport improvements.

The flood protection works will upgrade the stopbanks on either side of Te Awa Kairangi Hutt River

and deepen and widen the river channel to protect Lower Hutt city centre from a one in 440-year flood. As well as shielding the city, the flood protection will enhance the ecological health of the waterway. By making more space for the river it can create more fish habitats, including pools and undercut banks – places where trout, native eels and whitebait will thrive.

In August 2019, GWRC declared a climate emergency and has since developed a programme of climate action relating to corporate operations and regional outcomes. The climate emergency declaration encompasses everything GWRC are doing to combat climate change, including emissions from the Wellington region as a whole, and adapting to the effects of climate change. For GWRC to reduce its corporate carbon emissions, it has set the goal to become carbon neutral by 2030. GWRC aim to reduce net emissions by 40% by 30 June 2025, 100% net reduction by 2030 and become carbon negative by 2035.





Deliver efficient and cost-effective funding

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

By providing our members with access to cost-effective and efficient financing, LGFA supports local government by financing development and investment into New Zealand’s local and regional sectors for a resilient and sustainable society.

A key indicator of satisfaction with service and pricing to members is LGFA’s estimated overall market share for council lending. Since our incorporation in 2011, LGFA has firmly established itself as the prime lender to the

local government sector, with a current estimated market share of 80% of local government debt. Over the 10 years we have been in operation, LGFA has lent over \$19 billion to the local government sector, with \$14 billion in current loans as at 30 June 2022. With sector debt forecast to increase to \$37 billion by 2031, LGFA’s lending services will continue to assist New Zealand’s local government sector to invest in community infrastructure and wellbeing.

Under the Local Government Act 2002, councils’ are required to manage finances prudently. To assist councils, LGFA works closely with our members to encourage ongoing best practice local government financial management. LGFA’s financial covenants for lenders ensure prudent levels of debt

are maintained and our tiered credit margins provide financial incentives for members to seek independent external credit ratings.

Over the last seven years, there has been an improving trend in the underlying credit quality of New Zealand’s council sector. As at June 2022, 33 members had current external credit ratings, with 84% of all LGFA loans being held by AA- rated councils and CCOs or better.

LGFA reports on its cost of borrowing relative to other issuers on a quarterly basis to shareholders and in our annual and half year reports. LGFA surveys members on its performance annually in relation to business delivery and satisfaction with pricing.

Industry collaboration and engagement

One of LGFA’s core objectives is to take a proactive role in enhancing the financial strength and depth of local government debt market by working with key central government and local government stakeholders on sector and individual council issues. Contributing to capital markets development to enhance local government sector debt is a key role for LGFA and we regularly meet with key industry stakeholders, including the Reserve Bank of New Zealand, Department of Internal Affairs, Office of the

Auditor General, Taituarā, Infrastructure New Zealand and New Zealand Green Investment Finance. The importance of capital investment in infrastructure has been a focus over the past year, with LGFA actively engaging with councils, CCOs, central Government and investors in relation to the work being progressed on the proposed three waters reform project.

This year, LGFA were again proud to be principal sponsor for the 2022 Taituarā LGFA Local Government Excellence Awards.

Best practice and influence

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

Over recent years, LGFA has invested significant resource in developing our risk management framework to reflect financial markets best practice, the objective being to ensure effective management of our risks and compliance with LGFA’s governance and legislative requirements.

Managing treasury risks is a critical component of LGFA’s market operations and in 2021 we engaged external consultants to assist in providing an independent assessment of our treasury policies. The Managing risk section of this report provides more information on our risk management processes.

Over the course of the reporting year, LGFA operations staff processed over 11,000 transactions with total gross cash flows in excess of \$36 billion without error. Where possible, LGFA employ straight-through processing to minimise operational risk across our treasury operations.

Improving our information technology control environment to mitigate emerging risks from cyber threats was another key focus over the past year, with independent consultants engaged to review our cyber control environment for compliance against best practice cyber risk controls.

Responsible investment

LGFA utilises a liquid assets portfolio (LAP) to manage its liquidity, refinancing and asset-liability mismatch risks.

In 2021, we approved our Responsible Investment Policy which commits to investing responsibly by incorporating environmental, social and governance (ESG) factors into its investment analysis and decision-making processes relating to the management of the LAP.



Far North District Council takes top spot in the 2022 LGFA Taituarā Local Government Excellence Awards

We are delighted to announce that Far North District Council has won the 2022 LGFA Supreme Award for its Te Hiku o te Ika Revitalisation Project.

Te Hiku o te Ika Revitalisation Project is highly successful collaboration between Far North District Council, the Kaitia Business Association, the five iwi of Far North’s Te Hiku region and the wider community. Its purpose is to create employment in, and enhance the vibrancy of, three of New Zealand’s most deprived areas. Some 81 urban development, restoration and revitalisation projects were identified and folded into the project

Our team

Health, safety and wellbeing

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

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

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

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

Capability and development

LGFA is committed to ongoing education and professional development for staff and directors by funding professional development courses, membership of professional bodies and attendances at industry conferences. Over the last year, sustainability and climate-related training was a key focus with training completed in Climate Competency for Boards, Task Force on Climate-related Financial Disclosures Masterclass and New Zealand Green Building Green Star training.

The Future Director programme was launched in 2021 by the LGFA board and Shareholder Council. The programme aims to give young talented people from within the Local Government sector with an interest in corporate governance the opportunity to observe and participate in Boardroom discussions for an 18-month period. The Future Director attends all Board meetings, but they have no voting rights and are not involved in decision making. Anita Furniss was appointed as the inaugural Future Director starting on 1 July 2022.

Diversity and inclusion





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





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

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

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

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

		2022	
	Female		Male
Board			
Staff			
		2022	
	Under 30 years	30-50 years	Over 50 years
Board	-	-	100%
Staff	12%	22%	66%

		2021	
	Female		Male
Board			
Staff			
		2021	
	Under 30 years	30-50 years	Over 50 years
Board	-	-	100%
Staff	12%	22%	66%

Sustainable business practices

LGFA is committed to reviewing internal processes to reduce our carbon emissions. In 2021, LGFA directors committed to reducing our carbon emissions over time, with our target of cutting per employee emissions by 30% by 2030, compared with a 2018/19 base year.

Air travel represents the majority of our carbon emissions. While air travel is essential for our business, we constantly review practical options to reduce, including virtual meetings. In 2022, we introduced one virtual Board meeting as well as a virtual attendance option for our Shareholder day. In 2022, we were able to resume travel following lifting of Covid restrictions, the reason our Scope 3 emissions increased over FY 21.

Total carbon emissions	Emissions (tC)2e		Variance (change %)	
	FY 22	FY 21	To FY 21	To Base year
Verified				
Scope 1	0.5	1.1	-55%	+10%
Scope 2	2.5	2.9	-14%	+45%
Scope 3	39.8	26.9	+48%	-69%
Total	42.8	30.9	+39%	-69%

Toitū Carbonzero certification

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



Kauri 2000

Kauri 2000 was established in 1999 as a project to celebrate the start of the new millennium by planting 2000 kauri on the Coromandel Peninsula. To date the Trust has planted over 55,000 trees and continues to plant kauri throughout the Coromandel.

LGFA donates to Kauri 2000 on an annual basis to assist the Trust with their planting programme. In 2022, LGFA donated \$4,000.



Climate-related disclosure framework

The Financial Sector (Climate-related Disclosures and Other Matters) Amendment Act 2021 makes it mandatory for climate reporting entities to produce climate statements according to disclosure standards currently being developed by the External Reporting Board (XRB).

The XRB states reporting on climate change under the Climate-related disclosures (CRD) will:

- allow investors to make more informed decisions about the climate-related risks and opportunities facing entities and sectors into which they invest, and

- encourage entities to think about their strategic choices in light of the risks and opportunities of climate change, including the transition to a low-emissions future.

LGFA are currently developing our risk and reporting frameworks to meet the forthcoming climate-related disclosures being developed by the XRB. LGFA will be required to report in compliance with the standards for the financial year commencing 1 July 2023 and we will provide an update on our development progress in our 2023 Annual Report.



# Governance and culture

## Te whakaruruhau me te ahurea

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

### LGFA governance policies and documents

- LGFA Constitution

Shareholders Agreement

Code of Ethics

Board Charter

Audit and Risk Committee Charter

Treasury Policy
- Responsible Investment Policy

Risk Management Policy

Internal Audit Charter

Diversity Policy

Remuneration Policy

Responsible Investment

LGFA Foundation Policies

### NZX Corporate Governance Best Practice Code

LGFA is a listed issuer on the NZX Debt Market and complies with the eight core principles underpinning the NZX Corporate Governance Best Practice Code 2020.

LGFA considers that its governance practices have not materially differed from the NZX Code for the year ended 30 June 2022. Areas where LGFA has implemented alternative measures to the Code are as follows:

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

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

The process for the nomination and remuneration of directors is documented in the Constitution of New Zealand Local Government Funding Agency Limited and outlined on page 51.

### Our purpose

Benefiting local communities through delivering efficient financing for local government.

### 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 are innovative**  
**He auaha mātau**

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



**We provide leadership**  
**He kaiārahi mātau**

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

Culture, ethics and governance

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

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

Code of Ethics

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

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

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

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

Protected Disclosures and Whistle Blowing

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

Financial Products Trading Policy

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

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

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

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

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

Audit and Risk Committee

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

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

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

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

Internal audit

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

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

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

External audit

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

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

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

Our Board

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

- ensuring that LGFA's goals are clearly established, and that strategies are in place for achieving them;
- establishing policies for strengthening LGFA's performance;
- ensuring strategies are in place for meeting expectations set out in the current Statement of Intent and monitoring performance against those expectations, in particular LGFA's primary objective of optimising the debt funding terms and conditions for participating local authorities;
- monitoring the performance of management;
- appointing the CEO, setting the terms of the CEO's employment contract and, where necessary, terminating the CEO's employment;
- deciding on whatever steps are necessary to protect LGFA's financial position and the ability to meet its debts and other obligations when they fall due, and ensuring that such steps are taken;
- ensuring that LGFA's financial statements are true and fair and otherwise conform with law;
- ensuring that LGFA adheres to high standards of ethics and corporate behaviour; and
- ensuring that LGFA has appropriate risk management/regulatory compliance policies in place. In the normal course of events, day-to-day management of LGFA will be in the hands of management. The Board will satisfy itself that LGFA is achieving its goals, and engaging and communicating with Shareholders Council; and
- engaging and communicating with shareholders.

Board composition

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

The directors of LGFA as at 30 June 2022



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

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

- Director**  
AIG Insurance NZ Limited  
Appello Services Limited  
Precinct Properties New Zealand Limited  
NZ Windfarms
- Director/Shareholder**  
Biomarine Group Limited  
Elevation Capital Management Limited  
Legend Terrace Limited  
Saturn Portfolio Management Limited  
SouthWest Trustees Limited
- Managing Director/Shareholder**  
Stobo Group Limited



Alan Adcock  
Non-Independent Director  
Member Audit and Risk Committee  
B.Com, MBA (with Distinction)

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

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

- Chief Financial Officer**  
Whangarei District Council
- Director**  
Whangarei Waste Limited



John Avery  
Independent Director  
LLB, C.F.Inst.D

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

- Trustee**  
Royal New Zealand Ballet





**Philip Cory-Wright**  
**Independent Director**  
Member Audit and Risk Committee  
LLB (Hons), BCA Business Management,  
INFINZ (Cert), C.F.Inst.D

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

**Director**  
Matariki Forest Group Limited  
Papa Rererangi i Puketapu (New Plymouth Airport) (Chair)  
NZ Wind Farms  
Powerco Limited  
South Port New Zealand Limited



**Anthony Quirk**  
**Independent Director**  
Member Audit and Risk Committee  
BCA Hons (First Class), INFINZ (Fellow), M.Inst.D

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

**Non-Executive Director/Shareholder**  
Milford Asset Management Limited (and associated subsidiaries)  
**Chair**  
Humanitix, New Zealand  
Milford Foundation

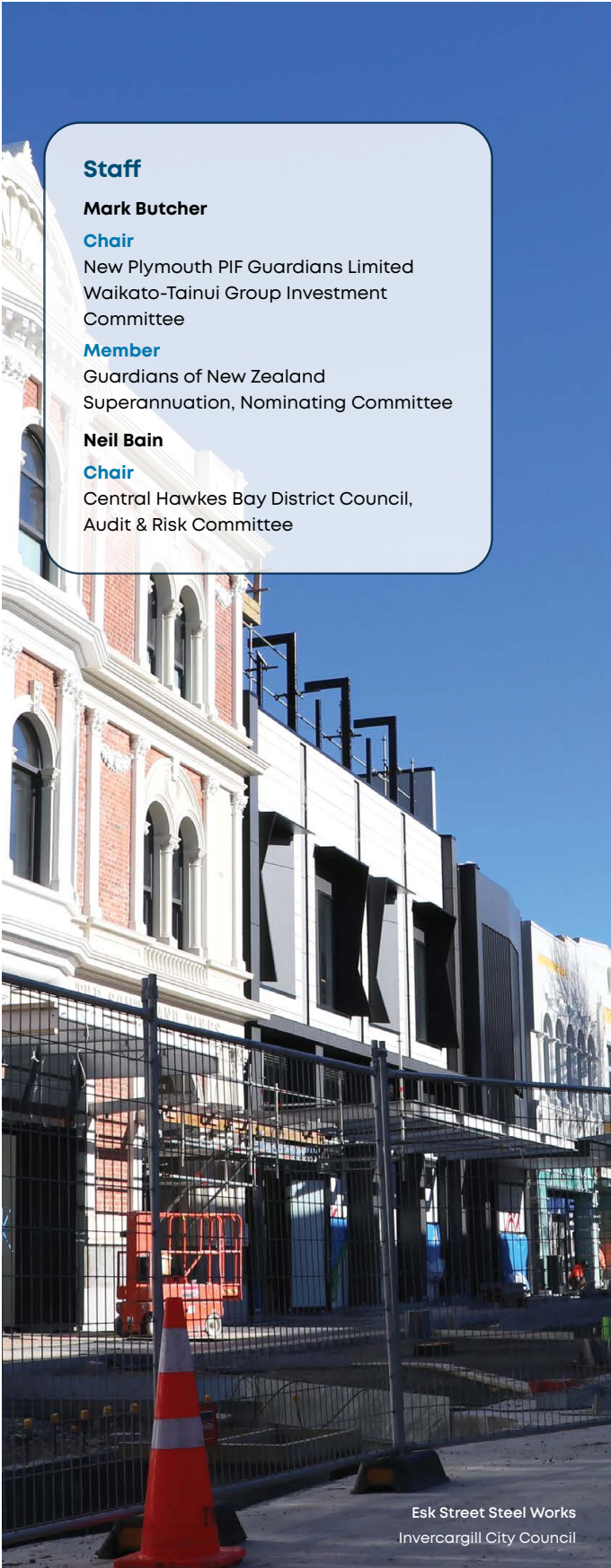


**Linda Robertson**  
**Independent Director**  
Chair Audit and Risk Committee  
B.Com, Dip Banking, INFINZ (Distinguished Fellow),C.F.Inst.D, GAICD

Linda is professional company director with over 20 years governance experience, combined with 30 years senior financial management experience having worked in both the banking and energy sectors in New Zealand.  
Linda holds a Bachelor of Commerce Degree and a Diploma in Banking. Linda is a Certified Treasury Professional, a Distinguished Fellow of the Institute of Finance Professionals New Zealand (INFINZ), a Graduate Member of the Australian Institute of Company Directors, a Certified Fellow of the Institute of Directors in New Zealand and a Fellow of Governance NZ.  
Linda is currently chair of Crown Irrigation Investments, Central Lakes Trust and Central Otago District Council's Audit and Risk Committee. She is a director of Kiwi Wealth, Dunedin City Holdings and Alpine Energy. Linda is also a member of the Capital Markets Advisory Committee and the Risk and Audit Committee of The Treasury.

**Chair**  
Central Lakes Trust and associated subsidiary  
Central Otago District Council, Audit & Risk Committee  
Crown Irrigation Investments Limited  
**Director**  
Alpine Energy Limited  
Dunedin City Holdings Limited  
Dunedin City Treasury Limited  
Dunedin Railways Limited  
Dunedin Stadium Property Limited  
Kiwi Wealth Limited (and related entities).  
**Member**  
Office of the Auditor-General and Audit New Zealand, Audit and Risk Committee  
The Treasury, Capital Markets Advisory Committee  
The Treasury, Risk and Audit Committee

Directors did not hold any interests in debt securities (including listed bonds) in the company as at 30 June 2022.



**Staff**  
**Mark Butcher**  
**Chair**  
New Plymouth PIF Guardians Limited  
Waikato-Tainui Group Investment Committee  
**Member**  
Guardians of New Zealand  
Superannuation, Nominating Committee  
**Neil Bain**  
**Chair**  
Central Hawkes Bay District Council,  
Audit & Risk Committee

Esk Street Steel Works  
Invercargill City Council



Director tenure and meetings of the Board

Mike Timmer, non-independent Director, retired from the Board on 23 November 2021. Mike was appointed to the LGFA Board on 24 November 2015 and served as a Director for 6 years.

Board meetings comprised 7 scheduled and 2 additional.

Director	Date commenced in office	Board meetings held/attended	Audit and Risk Committee held/attended
Craig Stobo (Chair)	1 December 2011	9/9	-
Alan Adcock	23 November 2021	6/6	3/3
John Avery	1 December 2011	9/9	5/5
Philip Cory-Wright	1 December 2011	9/9	5/5
Anthony Quirk	21 November 2017	9/9	5/5
Linda Robertson	24 November 2015	9/9	5/5
Mike Timmer	24 November 2015	3/3	2/2

Board performance review

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

Nomination of Directors

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

Retirement and re-election of Directors

Directors are appointed to the Board by an Ordinary Resolution of shareholders. A Director must not hold office (without re-election) past the third annual meeting of the Company following the Director's appointment or three years, whichever is longer. A retiring Director shall be eligible for re-election.

Indemnities and insurance

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

Remuneration

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

Board remuneration is determined by an Ordinary Resolution of shareholders. The current board remuneration was approved by shareholder resolution at the Annual General Meeting on 23 November 2021.

Director annual fee breakdown

Position. Fees per annum	2022	2021
Board Chair	\$108,000	\$102,000
Audit and Risk Committee Chair	\$67,000	\$63,000
Director / ARC Member	\$63,000	\$59,000
Director	\$60,000	\$57,000

Director	2022
Craig Stobo	\$108,000
Alan Adcock <sup>1</sup>	\$36,750
John Avery	\$60,000
Philip Cory-Wright	\$63,000
Anthony Quirk	\$63,000
Linda Robertson	\$67,000
Mike Timmer <sup>2</sup>	\$26,250
Total	\$424,000

1. Alan Adcock was appointed as director on 23 November 2021.
2. Mike Timmer retired as director on 23 November 2021.

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

The CEO remuneration package comprises a fixed cash component of \$572,900 per annum as at 30 June 2022 (\$556,200, 2021) and an at-risk short-term incentive of the fixed cash component. The short-term incentive payment is made annually at the Board's discretion subject to the CEO and LGFA meeting a range of specific performance objectives for the respective financial year.

Chief Executive remuneration

Per annum	2022	2021
Salary	\$572,900	\$556,200
Taxable benefits	-	-
Subtotal	\$572,400	\$556,200
Pay for Performance STI	\$85,935	\$83,430
Kiwisaver Employer Contribution	\$26,245	\$25,400
Total remuneration	\$685,080	\$665,030

Staff remuneration

Total remuneration	2022
\$150,000 to \$159,999	2
\$200,000 to \$209,999	1
\$250,000 to \$259,999	1
\$330,000 to \$339,999	1
\$340,000 to \$349,999	1
\$680,000 to \$689,999	1
Total staff receiving \$100,000 or more	7



Shareholders

Foundation documents

The LGFA Constitution and the Shareholders Agreement are foundation documents.

The Constitution defines the rights and the exercise of powers of shareholders, the acquisition and redemption of company shares, proceedings of shareholder meetings, voting at meetings and the right to demand polls, shareholder proposals and review of management.

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

LGFA Shareholders Council

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

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

Members of the Shareholders Council as at 30 June 2022

- Kumaren Perumal (Chair)  
Bay of Plenty Regional Council
- Shahlaa Al-Tiay  
The Treasury
- Steve Ballard  
Christchurch City Council
- John Bishop  
Auckland Council
- David Bryant  
Hamilton City Council
- Joy Buckingham  
New Plymouth District Council
- Mike Drummond (Deputy Chair)  
Tasman District Council
- James Graham  
Western Bay of Plenty District Council
- Sarah Houston-Eastergaard  
Wellington City Council
- Kathryn Sharplin  
Tauranga City Council
- James Stratford  
Department of Internal Affairs



Stead Street stopbank  
Invercargill City Council



# Managing risk

## Ko te whakahaere tūraru

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

### LGFA risk register

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

The risk register:

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

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

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

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

### Treasury risk management

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

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

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

- Effectively manage treasury risks, within approved compliance limits, to protect LGFA's capital position and Net Interest Margin over time.
- Fund members in the most cost effective manner and in accordance with LGFA's operating principles, values and objectives.
- Protect LGFA's assets and prevent unauthorised transactions.
- Promote professional expertise of financial and management control to all external parties.

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

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

- The LGFA Board oversees the risk appetite of the organisation and ensures that it is consistent with the constitution and shareholders agreement.
- The risk appetite is reflected in policies approved by the Board and Audit and Risk Committee.
- LGFA management implements policies and controls to ensure that all relevant risks are identified, monitored, measured and managed effectively.
- The Internal Audit (IA) and risk and compliance functions provide assurance to both the Board and the Audit and Risk Committee on the performance of internal controls and risk management systems.

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

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



Liquidity risk

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

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

Interest rate risk / market risk

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

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

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

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

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

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

Counterparty credit risk

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

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

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

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

Foreign currency risk

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

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

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

Operational risk

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

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

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



Lending risk

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

LGFA provides debt funding to New Zealand local government councils and council-controlled organisations, subject to board approval. The LGFA Board have ultimate discretion on approving members.

All member organisations that borrow from LGFA:

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

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

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

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

\* From June 2026, refer description above.

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



# Financial statements

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### Statement of comprehensive income

For the year ended ended 30 June 2022 in \$000s

	Note	2022	2021
Interest income		393,507	377,222
Interest expense		375,991	357,685
Net interest income	4	17,516	19,537
Other operating income	5	1,090	184
Total operating income		18,606	19,721
Operating expenses	6	7,933	7,714
Net operating profit		10,673	12,007
Total comprehensive income		10,673	12,007

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

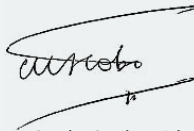
Due to rounding, numbers presented in the financial statements and associated notes may not add up precisely to the reported totals.

The Board of Directors of the New Zealand Local Government Funding Agency Limited authorised these statements for issue on 29 August 2022.

### Statement of changes in equity

For the year ended 30 June 2022 in \$000s

	Note	Share capital	Retained earnings	Total equity
Equity as at 30 June 2020		25,000	58,616	83,616
Net operating profit			12,007	12,007
Total comprehensive income for the year			12,007	12,007
Transactions with owners			-	-
Dividend paid on 6 September 2019			(879)	(879)
Equity as at 30 June 2021		25,000	69,743	94,743
Net operating profit			10,673	10,673
Total comprehensive income for the year			10,673	10,673
Transactions with owners			-	-
Dividend paid on 4 September 2020			(857)	(857)
Equity as at 30 June 2022	28	25,000	79,560	104,560



Craig Stobo, Director  
Board Chair



Linda Robertson, Director  
Chair, Audit and Risk Committee

## Statement of financial position

As at 30 June 2022 in \$000s

	Note	2022	2021
<b>Assets</b>			
<b>Financial assets</b>			
Receivables	11	360	43,587
Cash and bank balances		158,033	391,835
Cash pledged as collateral		76	-
Marketable securities		1,491,148	768,453
Deposits		462,866	654,961
Derivatives in gain	10	94,767	559,635
Loans	12	14,041,908	12,065,668
<b>Non-financial assets</b>			
Prepayments		852	683
Other assets	13	156	345
<b>Total assets</b>		<b>16,250,167</b>	<b>14,485,167</b>
<b>Equity</b>			
Share capital	27	25,000	25,000
Retained earnings		79,560	69,744
<b>Total equity</b>		<b>104,560</b>	<b>94,744</b>
<b>Liabilities</b>			
<b>Financial liabilities</b>			
Payables and provisions	14	45,066	40,900
Bills	15	562,803	609,624
Bond repurchases	16	31,671	110,220
Derivatives in loss	10	1,206,175	187,098
Bonds	17	14,015,862	13,217,759
Borrower notes	18	283,180	224,281
<b>Non-financial liabilities</b>			
Other liabilities	19	850	539
<b>Total liabilities</b>		<b>16,145,607</b>	<b>14,390,422</b>
<b>Total equity and liabilities</b>		<b>16,250,167</b>	<b>14,485,167</b>

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

## Statement of cash flows

For the year ended 30 June 2022 in \$000s

	Note	2022	2021
Cash Flow from Operating Activities			
Cash applied to loans	12	(1,972,398)	(1,127,002)
Interest paid on bonds issued		(445,533)	(437,257)
Interest paid on bills issued		(5,141)	(2,100)
Interest paid on borrower notes		(1,063)	(3,918)
Interest paid on bond repurchases		(1,067)	(674)
Interest received from loans		191,228	153,340
Interest received from cash & cash equivalents		3,234	909
Interest received from marketable securities		14,108	12,059
Interest received from deposits		7,360	6,555
Net interest on derivatives		251,708	288,127
Cash proceeds from provision of standby facilities		1,090	184
Payments to suppliers and employees		(7,752)	(7,470)
<b>Net cash flow from operating activities</b>	<b>31</b>	<b>(1,964,224)</b>	<b>(1,117,249)</b>
Cashflow from Investing Activities			
Purchase of marketable securities		(734,412)	(194,125)
(Purchase)/maturity of deposits		192,800	(155,612)
<b>Net Cashflow from Investing Activities</b>		<b>(541,613)</b>	<b>(349,737)</b>
Cashflow from Financing Activities			
Cash proceeds from bonds issued	17	2,229,503	1,951,673
Cash proceeds (outflows) from bills issued		(46,822)	(37,397)
Cash proceeds (outflows) from bond repurchases		(35,987)	(134,838)
Cash proceeds from borrower notes		57,246	42,760
Dividends paid		(857)	(878)
Cash applied to derivatives		68,952	(128,326)
<b>Net Cashflow from Financing Activities</b>		<b>2,272,036</b>	<b>1,692,994</b>
Net (Decrease) / Increase in Cash		(233,801)	226,009
Cash, Cash Equivalents and Bank overdraft at beginning of year		391,835	165,826
<b>Cash, Cash Equivalents and Bank overdraft at end of year</b>		<b>158,033</b>	<b>391,835</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.

The financial statements are as at and for the year ended 30 June 2022.

These financial statements were authorised for issue by the Directors on 29 August 2022.

2. Statement of compliance

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

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

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

3. Basis of preparation

**Measurement base**

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

The financial statements are prepared on an accrual basis.

**Functional and presentation currency**

The financial statements are presented in New Zealand dollars rounded to the nearest thousand,

unless separately identified. The functional currency of LGFA is New Zealand dollars.

**Foreign currency conversions**

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

**Changes in accounting policies**

LGFA does not consider any standards or interpretations 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.

The financial statements as at 30 June 2022 include estimates and judgements of the potential impact of COVID-19 and the proposed Three Waters Reform Programme on LGFA's financial position and performance. Whilst there has been no material impact on the estimates and judgements at the date

these financial statements are authorised, it is noted that there is significant uncertainty with regards to the medium and long-term effects of COVID-19, as well as the outcome of Three Waters Reform Programme on the local government sector.

## Revenue and expenditure

### 4. Net interest income

For the year ended ended 30 June in \$000s	2022	2021
Interest income		
Cash and cash equivalents	3,527	922
Marketable securities	14,827	4,181
Deposits	7,854	6,080
Derivatives	140,956	212,759
Loans	226,342	153,280
Fair value hedge ineffectiveness	-	-
<b>Total interest income</b>	<b>393,507</b>	<b>377,222</b>
Interest expense		
Bills	5,141	2,100
Bond repurchase transactions	1,084	398
Lease liability	7	13
Bonds	366,044	353,005
Borrower notes	3,715	2,168
<b>Total interest expense</b>	<b>375,991</b>	<b>357,685</b>
<b>Net interest income</b>	<b>17,516</b>	<b>19,537</b>

### 5. Other operating income

As at 30 June 2022, LGFA had provided credit standby facilities totalling \$662 million to selected councils. As at balance date, there were no drawdowns outstanding under the facilities.

For the year ended 30 June in \$000s	2022	2021
Standby facilities fee income	1,090	184
<b>Total other operating income</b>	<b>1,090</b>	<b>184</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.

For the year ended 30 June in \$000s	2022	2021
<b>Issuance and on-lending expenses</b>		
Approved issuer levy <sup>1</sup>	701	1,055
Rating agency fees	654	633
NZDM facility fee	672	567
Legal fees - issuance	508	477
NZX	715	637
Trustee fees	108	100
Regulatory, registry, other fees	174	207
	<b>3,531</b>	<b>3,676</b>
<b>Other operating expenses</b>		
Information technology	807	725
Consultants	208	152
Directors fees	424	399
Insurance	90	85
Legal fees	137	185
Other expenses	309	355
Auditors' remuneration		
Statutory audit	110	108
Advisory services	-	-
Personnel	2,317	2,030
	<b>4,403</b>	<b>4,038</b>
<b>Total operating expenses</b>	<b>7,933</b>	<b>7,714</b>

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

Financial instruments

7. Financial instruments accounting policy

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

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

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

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

**Cash pledged as collateral**

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

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

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

**Marketable securities and bonds**

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

**Deposits**

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

**Loans**

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

**Leases**

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

**Borrower notes**

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

**Fair value of financial assets and financial liabilities**

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

As at 30 June 2022 in \$000s	Financial liabilities at amortised cost	Financial assets at amortised cost	Financial assets measured at fair value in accordance with NZ IFRS 9	Fair value
Financial assets				
Receivables	-	360	-	360
Cash and bank balances	-	158,033	-	158,033
Cash pledged as collateral	-	76	-	76
Marketable securities	-	1,491,148	-	1,597,633
Deposits	-	462,866	-	462,859
Derivatives	-	-	94,767	94,767
Loans to local government	-	14,041,908	-	14,188,283
	-	16,154,392	94,767	16,502,012
Financial liabilities				
Payables and provisions	45,066	-	-	45,066
Bills	562,803	-	-	562,498
Bond repurchases	31,671	-	-	31,671
Derivatives	-	-	1,206,175	1,206,175
Bonds	14,015,862	-	-	14,028,971
Borrower notes	283,180	-	-	276,085
	14,938,582	-	1,206,175	16,150,466



As at 30 June 2021 in \$000s	Financial liabilities at amortised cost	Financial assets at amortised cost	Financial assets measured at fair value in accordance with NZ IFRS 9	Fair value
<b>Financial assets</b>				
Receivables	-	360	-	360
Cash and bank balances	-	158,033	-	158,033
Cash pledged as collateral	-	76	-	76
Marketable securities	-	1,491,148	-	1,597,633
Deposits	-	462,866	-	462,859
Derivatives	-	-	94,767	94,767
Loans	-	14,041,908	-	14,188,283
	-	<b>16,154,392</b>	<b>94,767</b>	<b>16,502,012</b>
<b>Financial liabilities</b>				
Payables and provisions	45,066	-	-	45,066
Bills	562,803	-	-	562,498
Bond repurchases	31,671	-	-	31,671
Derivatives	-	-	1,206,175	1,206,175
Bonds	14,015,862	-	-	14,028,971
Borrower notes	283,180	-	-	276,085
	<b>14,938,582</b>	-	<b>1,206,175</b>	<b>16,150,466</b>

## 8. Derivative financial instruments

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

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

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

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

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

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

## 9. Hedge accounting

LGFA is exposed to interest rate risk from its borrowing, lending and investment activities and uses interest rate 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.

As at 30 June in \$000s	2022 Gain/(loss)	2021 Gain/(loss)
Hedged items attributable to the hedged risk	(1,304,237)	(680,122)
Hedging instruments – interest rate swaps	1,304,237	680,122
<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) 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.

## 10. Offsetting

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

LGFA does not offset any amounts.

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

As at 30 June 2022 in \$000s	Derivative assets	Derivative liabilities
Gross amounts	94,767	1,206,175
Amounts offset	-	-
Carrying amounts	94,767	(94,767)
Amounts that don't qualify for offsetting	-	-
Financial assets & liabilities	(94,767)	(94,767)
Collateral	-	(76)
<b>Net amount</b>	<b>-</b>	<b>1,111,332</b>

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

11. Receivables

As at 30 June in \$000s	2022	2021
Bond repurchases to be received	-	42,578
Borrower notes to be received	-	1,000
Trade debtors	360	9
<b>Total receivables</b>	<b>360</b>	<b>43,587</b>

12. Loans

As at 30 June in \$000s	2022		2021	
	Short-term loans	Loans	Short-term loans	Loans
Ashburton District Council	12,048	78,898	10,011	60,723
Auckland Council	-	3,413,415	-	3,303,915
Bay of Plenty Regional Council	25,651	167,941	25,428	155,995
Buller District Council	-	20,015	-	20,005
Canterbury Regional Council	4,018	75,214	4,003	59,133
Carterton District Council	-	14,762	-	-
Central Hawkes Bay District Council	2,024	20,107	-	20,107
Central Otago District Council	5,024	-	-	-
Christchurch City Council	2,017	2,036,724	14,533	1,951,017
Clutha District Council	5,532	32,394	2,004	16,042
Far North District Council	-	71,822	-	51,702
Gisborne District Council	-	86,095	-	68,774
Gore District Council	6,035	29,631	6,011	26,563
Greater Wellington Regional Council	-	576,343	-	450,945
Grey District Council	3,980	26,717	3,995	21,642
Hamilton City Council	-	633,049	-	481,019
Hastings District Council	-	237,990	-	205,357
Hauraki District Council	-	43,212	-	44,101
Hawkes Bay Regional Council	-	37,992	-	18,868
Horizons Regional Council	11,984	49,771	11,991	37,194
Horowhenua District Council	11,001	127,395	16,000	92,178
Hurunui District Council	8,033	30,147	8,002	30,062
Hutt City Council	-	256,607	-	201,225
Invercargill City Council	12,845	68,725	-	68,666
Invercargill City Holdings Ltd	22,076	68,354	-	-
Kaikoura District Council	-	5,331	-	5,014
Kaipara District Council	-	44,229	-	44,088
Kapiti Coast District Council	-	256,128	-	230,366
Mackenzie District Council	10,002	-	-	-
Manawatu District Council	11,559	77,725	11,522	72,681
Marlborough District Council	37,325	100,289	30,226	73,136
Masterton District Council	-	50,260	-	48,609
Matamata-Piako District Council	-	38,191	-	26,567

As at 30 June in \$000s	2022		2021	
	Short-term loans	Loans	Short-term loans	Loans
Nelson City Council	-	140,581	-	90,146
New Plymouth District Council	-	170,350	-	169,999
Northland Regional Council	-	14,147	-	14,147
Opotiki District Council	-	7,073	-	8,600
Otago Regional Council	66,715	48,443	-	-
Otorohanga District Council	-	4,028	-	-
Palmerston North City Council	-	187,872	-	152,314
Porirua City Council	-	172,335	-	141,794
Queenstown Lakes District Council	50,275	241,015	25,030	130,333
Rangitikei District Council	-	19,157	-	3,020
Rotorua District Council	43,112	245,298	12,823	215,034
Ruapehu District Council	8,020	29,557	8,005	21,474
Selwyn District Council	-	75,343	-	60,129
South Taranaki District Council	-	112,566	-	95,210
South Waikato District Council	4,874	34,171	8,987	15,030
Southland District Council	-	16,899	-	-
South Wairarapa District Council	-	26,537	-	24,520
Stratford District Council	6,027	26,299	-	22,271
Taranaki Regional Council	-	14,587	4,999	-
Tararua District Council	-	51,244	-	44,100
Tasman District Council	24,193	198,190	27,037	152,035
Taupo District Council	-	125,522	-	125,177
Tauranga City Council	-	648,528	-	516,688
Thames-Coromandel District Council	-	73,365	-	61,145
Timaru District Council	28,724	136,516	22,529	117,181
Upper Hutt City Council	-	91,421	-	65,153
Waikato District Council	-	95,454	-	80,189
Waikato Regional Council	-	25,120	-	32,082
Waimakariri District Council	-	170,903	-	170,506
Waipa District Council	25,530	124,377	8,000	90,123
Wairoa District Council	-	10,062	-	8,041
Waitaki District Council	4,491	20,583	2,498	12,523
Waitomo District Council	4,017	24,092	4,003	30,045
Wellington City Council	-	967,101	-	792,505
West Coast Regional Council	3,761	6,616	2,001	6,610
Western Bay Of Plenty District Council	-	70,366	-	70,154
Westland District Council	-	29,933	-	21,858
Whakatane District Council	-	86,396	-	77,203
Whanganui District Council	7,523	99,522	7,507	94,289
Whangarei District Council	9,972	182,813	9,993	162,296
Fair value hedge adjustment	-	(36,332)	-	(1,091)
	<b>478,385</b>	<b>13,563,522</b>	<b>287,140</b>	<b>11,778,528</b>

As at 30 June 2022, \$2,286 million of loans are due to mature within 12 months. This comprises all short-term loans and \$1,807 million of loans.

**13. Other assets**

As at 30 June in \$000s	2022	2021
Intangible assets <sup>1</sup>	-	154
Right-of-use lease asset	156	190
<b>Total other assets</b>	<b>156</b>	<b>345</b>

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

**14. Payables and provisions**

As at 30 June in \$000s	2022	2021
Loans to be advanced	44,000	40,000
Trade creditors	800	658
Credit provision	161	193
Other provisions	105	49
<b>Total receivables</b>	<b>45,066</b>	<b>40,900</b>

**15. Bills**

As at 30 June 2022 in \$000's	Face value	Unamortised premium	Accrued interest	Total
7 July 2022	15,000	(4)	-	14,996
13 July 2022	70,000	(30)	-	69,970
19 July 2022	35,000	(33)	-	34,967
4 August 2022	25,000	(33)	-	24,967
10 August 2022	80,000	(167)	-	79,833
19 August 2022	20,000	(60)	-	19,940
30 August 2022	50,000	(201)	-	49,799
9 September 2022	68,000	(296)	-	67,704
14 September 2022	100,000	(538)	-	99,462
19 September 2022	27,000	(120)	-	26,880
6 October 2022	25,000	(148)	-	24,852
9 November 2022	25,000	(238)	-	24,762
7 December 2022	25,000	(329)	-	24,671
	<b>565,000</b>	<b>(2,197)</b>	<b>-</b>	<b>562,803</b>

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

**16. Treasury stock and bond repurchases**

Periodically, LGFA subscribes for LGFA bonds as part of its tender process and holds these bonds as treasury stock. LGFA bonds held by LGFA as treasury stock are derecognised at the time of issue and no liability is recognised in the statement of financial position. As at 30 June 2022, 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.

As at 30 June in \$000s	2022	2021
15 April 2023	-	32,887
15 April 2024	1,456	-
15 April 2025	6,773	-
15 April 2026	5,395	-
20 April 2029	7,390	33,810
14 April 2033	4,566	38,957
15 May 2035	818	-
15 April 2037	5,272	4,566
	<b>31,671</b>	<b>110,220</b>



**17. Bonds**

Bonds on issue do not include \$1,100 million (2021: \$1,000) face value of issued LGFA bonds subscribed by LGFA and held as treasury stock. Refer Note 16: Treasury stock and bond repurchase transactions.

As at 30 June 2022 in \$000's	Face Value	Unamortised premium	Accrued interest	Fair value hedge adjustment	Total
<b>Fixed interest bonds</b>					
15 April 2023	1,830,000	25,117	21,175		
15 April 2024	1,998,000	5,625	9,458		
15 April 2025	1,679,000	(13,379)	9,714		
15 April 2026	1,815,000	(31,599)	5,728		
15 April 2027	1,751,000	85,460	16,577		
15 May 2028	1,270,000	(53,384)	3,650		
20 April 2029	1,362,000	(21,893)	4,019		
15 May 2031	850,000	(19,801)	2,443		
14 April 2033	1,290,000	43,486	9,622		
15 May 2035	400,000	2,166	1,533		
15 April 2037	730,000	(12,837)	3,072		
<b>Total fixed interest</b>	<b>14,975,000</b>	<b>8,962</b>	<b>86,989</b>	<b>(1,185,774)</b>	<b>13,885,177</b>
<b>Floating rate notes</b>					
14 October 2022	130,000	(7)	692	-	130,684
<b>Total</b>	<b>15,105,000</b>	<b>8,955</b>	<b>87,681</b>	<b>(1,185,774)</b>	<b>14,015,862</b>

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

**18. Borrower notes**

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

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

**19. Other liabilities**

As at 30 June in \$000s	Year ended 2022	Year ended 2021
Lease liability	156	190
Accruals	694	349
<b>Total receivables</b>	<b>850</b>	<b>539</b>

**20. Operating leases**

As at 30 June in \$000s	2022	2021
Less than one year	66	111
Between one and five years	90	79
<b>Total non-cancellable operating leases</b>	<b>156</b>	<b>190</b>

**Risk management****21. Financial risk management**

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

**22. Market risk**

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

### 23. Interest rate risk

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

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

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

As at 30 June 2022 in \$000s	Face value	Less than 6 months	6 months - 1 year	1-2 years	2-5 years	Over 5 years
<b>Financial assets</b>						
Cash and bank Balances	158,033	158,033	-	-	-	-
Marketable securities	1,503,175	533,296	401,624	174,200	394,055	-
Deposits	461,649	441,649	20,000	-	-	-
Loans	13,975,845	11,652,617	327,675	266,900	976,700	751,953
<b>Financial liabilities</b>						
Bills	(565,000)	(565,000)	-	-	-	-
Bond repurchases	(31,653)	(31,653)	-	-	-	-
Derivatives	-	(12,419,250)	1,583,750	1,645,500	3,895,200	5,294,800
Bonds	(15,105,000)	(130,000)	(1,830,000)	(1,998,000)	(5,245,000)	(5,902,000)
Borrower notes	(270,059)	(223,289)	(4,574)	(5,557)	(19,932)	(16,707)
<b>Total</b>	<b>126,991</b>	<b>(583,597)</b>	<b>498,476</b>	<b>83,044</b>	<b>1,023</b>	<b>128,046</b>

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

### Interest rate sensitivity

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

For the period ending 30 June in \$000s	2022 100 bps increase \$000s	100 bps decrease \$000s	2021 100 bps increase \$000s	100 bps decrease \$000s
<b>Fair value sensitivity analysis</b>				
Fixed rate assets	-	-	-	-
Fixed rate liabilities	518,112	(529,330)	558,172	(571,857)
Derivative financial instruments	(517,469)	528,667	(557,130)	570,782
	<b>643</b>	<b>(664)</b>	<b>1,042</b>	<b>(1,075)</b>
<b>Cash flow sensitivity analysis</b>				
Variable rate assets	115,784	(115,784)	100,661	(100,661)
Variable rate liabilities	(3,541)	3,541	(3,093)	3,093
Derivative financial instruments	(124,063)	124,063	(105,568)	105,568
	<b>(11,820)</b>	<b>11,820</b>	<b>(7,999)</b>	<b>7,999</b>

### 24. Credit risk

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

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

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

Exposure to credit risk

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

As at 30 June 2022 in \$000s	NZ government agencies	NZ local authorities	NZ registered banks	Other counter-parties	Fair Value hedge adjustment	Total carrying value
Financial assets						
Receivables	-		-	360		360
Cash and bank balances	156,331	-	1,702	-		158,033
Cash pledged as collateral	76					76
Marketable securities	239,937	29,235	331,290	890,687		1,491,148
Deposits	-	-	377,463	85,403		462,866
Derivatives	(1,111,408)	-	-	-		(1,111,408)
Loans	-	14,041,908	-	-		14,041,908
	<b>(715,064)</b>	<b>14,071,143</b>	<b>710,455</b>	<b>976,450</b>	<b>-</b>	<b>15,042,984</b>

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

Collateral and credit enhancements

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

Credit quality of financial assets

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

25. Liquidity risk

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

The Treasury (New Zealand Debt Management) provides a committed liquidity facility that LGFA can draw upon to meet any exceptional and temporary liquidity shortfall. As at 30 June 2022, the undrawn committed liquidity facility was \$1,300 million (2021: \$500 million). The facility is due to expire in December 2031.

26. Contractual cash flows of financial instruments.

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

As at 30 June 2022 in \$000s	On demand	Up to 3 months	3 months to 1 year	1 year to 5 years	More than 5 years	Total contractual cash flows	Total carrying value
Financial assets							
Receivables	360	-	-	-	-	360	360
Cash and bank balances	158,033	-	-	-	-	158,033	158,033
Cash pledged as collateral	76	-	-	-	-	76	76
Marketable securities	-	199,206	473,654	834,261	-	1,507,122	1,491,148
Deposits	-	322,580	142,572	-	-	465,151	462,866
Loans	-	405,638	2,296,504	7,921,322	5,316,424	15,939,887	14,041,908
Financial liabilities							
Payables and provisions	(45,066)	-	-	-	-	(45,066)	(45,066)
Bills	-	(490,000)	(75,000)	-	-	(565,000)	(562,803)
Bond repurchases	-	(31,681)	-	-	-	(31,681)	(31,671)
Bonds	-	(807)	(2,398,906)	(8,336,675)	(6,560,835)	(17,297,223)	(14,015,862)
Borrower notes	-	(2,194)	(32,788)	(149,518)	(135,615)	(320,116)	(283,180)
Derivatives	-	(74,548)	58,917	(198,031)	(180,497)	(394,159)	(1,111,408)
	<b>113,403</b>	<b>328,192</b>	<b>464,952</b>	<b>71,359</b>	<b>(1,560,523)</b>	<b>(582,617)</b>	<b>104,403</b>

As at 30 June 2021 in \$000s	On demand	Up to 3 months	3 months to 1 year	1 year to 5 years	More than 5 years	Total contractual cash flows	Total carrying value
Financial assets							
Receivables	43,587	-	-	-	-	43,587	43,587
Cash and bank balances	391,835	-	-	-	-	391,835	391,835
Marketable securities	-	157,779	119,844	515,213	-	792,836	768,453
Deposits	-	249,627	407,175	-	-	656,802	654,961
Loans	-	194,635	1,675,752	6,285,605	4,573,829	12,729,822	12,065,668
Financial liabilities							
Payables and provisions	(40,900)	-	-	-	-	(40,900)	(40,900)
Bills	-	(460,000)	(150,000)	-	-	(610,000)	(609,624)
Bond repurchases	-	(110,222)	-	-	-	(110,222)	(110,220)
Bonds	-	(331)	(1,988,835)	(6,999,417)	(5,811,385)	(14,799,968)	(13,217,759)
Borrower notes	-	(782)	(23,588)	(112,839)	(97,506)	(234,715)	(224,281)
Derivatives	-	(23,311)	266,446	574,114	351,867	1,169,116	372,536
	<b>394,522</b>	<b>7,395</b>	<b>306,794</b>	<b>262,676</b>	<b>(983,195)</b>	<b>(11,808)</b>	<b>94,256</b>



Capital and dividends

27. Share capital

As at 30 June 2022, LGFA had 45 million ordinary shares on issue, 20 million of which remain uncalled.

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

28. Shareholder information

Registered holders of equity securities as at 30 June	2022		2021	
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 City Council	200,000	0.4%	200,000	0.4%
South Taranaki District Council	200,000	0.4%	200,000	0.4%
Taupo District Council	200,000	0.4%	200,000	0.4%
Thames-Coromandel District Council	200,000	0.4%	200,000	0.4%
Waimakariri District Council	200,000	0.4%	200,000	0.4%
Waipa District Council	200,000	0.4%	200,000	0.4%
Whakatane District Council	200,000	0.4%	200,000	0.4%
Whanganui District Council	200,000	0.4%	200,000	0.4%
	45,000,000	100%	45,000,000	100%

29. Capital management

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

30. Dividend

LGFA paid a dividend of \$856,500 on 3 September 2021, being \$0.03426 per paid up share (2021: \$878,500 on 4 September 2020, being \$0.03514 per paid up share).

31. Capital commitments

As at 30 June 2022, there are no capital commitments.

Other Notes

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

For the year ended 30 June in \$000s	2022	2021
Net profit/(loss) for the period	10,673	12,007
Cash applied to loans	(1,972,398)	(1,127,002)
Non-cash adjustments		
Amortisation and depreciation	(2,527)	(2,347)
Working capital movements		
Net change in trade debtors and receivables	(148)	105
Net change in prepayments	(169)	(41)
Net change in accruals	345	29
Net Cash From Operating Activities	(1,964,224)	(1,117,249)

33. Contingencies

There are no contingent liabilities at balance date.

34. Related parties

Identity of related parties

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

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

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

Related party transactions

LGFA was established for the purpose of raising funds from the market to lend to participating borrowers. The lending to individual members is disclosed in note

12, and interest income recognised on this lending is shown in the statement of comprehensive income.

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

As at 30 June 2022, Alan Adcock was a non-independent director of LGFA and was also employed by Whangarei District Council (WDC) as Chief Financial Officer. WDC borrowed from LGFA during the financial year on the same terms and conditions as any other council borrower.

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

Transactions with key management personnel:  
Salaries \$1,016,801 (2021: \$989,100)  
Fees paid to directors are disclosed in operating expenses in Note 6.

35. Subsequent events

On 29 August 2022, the Directors of LGFA declared a dividend of \$1,217,500 (\$0.0487 per paid up share). Subsequent to balance date, LGFA has issued \$400 million in bonds.



INDEPENDENT AUDITOR'S REPORT

TO THE READERS OF NEW ZEALAND LOCAL GOVERNMENT FUNDING AGENCY LIMITED'S FINANCIAL STATEMENTS  
AND PERFORMANCE INFORMATION FOR THE YEAR ENDED 30 JUNE 2022

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

Opinion

We have audited:

- the financial statements of the company on pages 60 to 83, that comprise the statement of financial position as at 30 June 2022, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information; and
- the performance information of the company on pages 10 to 15.

In our opinion:

- the financial statements of the company on pages 60 to 83:
  - present fairly, in all material respects:
    - its financial position as at 30 June 2022 and
    - its financial performance and cash flows for the year then ended; and

comply with generally accepted accounting practice in New Zealand in accordance with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and International Financial Reporting Standards (IFRS); and

the performance information of the company on pages 10 to 15 presents fairly, in all material respects, the company's actual performance compared against the performance targets and other measures by which performance was judged in relation to the company's objectives for the year ended 30 June 2022.

Our audit was completed on 29 August 2022. This is the date at which our opinion is expressed.

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

Basis for our opinion

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

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

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

Materiality

The scope of our audit was influenced by our application of materiality. Materiality helped us to determine the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and on the financial statements as a whole. The materiality for the financial statements as a whole was set at \$120 million determined with reference to a benchmark of company Total Assets. We chose the benchmark because, in our view, this is a key measure of the company's performance. In addition, we also assess whether other matters that come to our attention during the audit would in our judgement change or influence the decisions of a reasonably knowledgeable person ('qualitative' materiality).

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements in the current period. We summarise below those matters and our key audit



procedures to address those matters in order that the readers as a body may better understand the process by which we arrived at our audit opinion. Our procedures were undertaken in the context of and solely for the purpose of our statutory audit opinion on the financial statements as a whole and we do not express discrete opinions on separate elements of the financial statements.

The key audit matter	How the matter was addressed in our audit
<b>Existence and impairment of loans</b>	
Refer to Note 12 to the Financial Statements. The loans LGFA has provided to local government make up over 86% of total assets. The loans are recognised at amortised cost and the nature of the counterparties is such that we do not consider these loans to be at high risk of significant misstatement. However, based on their materiality, and the judgement involved in assessing the credit worthiness of counterparties they are considered to be the area which had the greatest effect on our overall audit strategy and allocation of resources in planning and completing our audit.	Our audit procedures included: <ul style="list-style-type: none"><li>- understanding the processes in place to assess borrowers and to record loan transactions. This included evaluating the control environment in place at LGFA.</li><li>- agreeing the 30 June 2022 loan balances to external confirmations received from NZ Clear.</li><li>- assessing the borrowers' compliance with financial covenants.</li></ul> We did not identify any material differences in relation to the existence or impairment of loans.
<b>Application of hedge accounting</b>	
Refer to Note 9 of the Financial Statements. LGFA enters into derivatives (interest rate swaps) to manage interest rate risk related to issuing fixed rate borrowings, loans and investments. Fair value hedge accounting is applied where specific requirements are met around documentation of the hedge relationship and the relationship is demonstrated as being an effective hedge. Hedge accounting is complex, particularly in the area of whether the requirements (both initial and ongoing) for its application are met. Should the requirements for hedge accounting not be met, LGFA could experience significant volatility in the Statement of Comprehensive Income from changes in the fair value of the derivatives. Due to the size of the derivative positions and the complexity of hedge accounting we consider this to be a key audit matter.	Our audit procedures included: <ul style="list-style-type: none"><li>- reviewing LGFA's accounting policies related to financial instruments.</li><li>- agreeing the terms of the derivatives to the confirmation provided by the derivative counterparty.</li><li>- using our treasury valuation specialists we independently recalculated the fair value of all of the derivatives recorded by LGFA.</li><li>- ensuring the hedge documentation supporting the application of hedge accounting was in accordance with NZ IFRS 9 and the disclosures made in the financial statements were appropriate.</li><li>- determining that management's hedge effectiveness calculations were correctly performed using appropriate source information.</li></ul> We did not identify any material differences in relation to the application of hedge accounting.

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

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

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



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

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

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

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

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

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

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

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

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

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

Our responsibilities arise from the Public Audit Act 2001.



**Other Information**

The Board of Directors is responsible for the other information. The other information comprises the information included on pages 4 to 9, 16 to 59 and 88 to 93 but does not include the financial statements and the performance information, and our auditor's report thereon.

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

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

**Independence**

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

For the year ended 30 June 2022 and subsequently, the Chair of the company's Audit and Risk Committee is a member of the Auditor-General's Audit and Risk Committee. The Auditor-General's Audit and Risk Committee is regulated by a Charter that specifies that it should not assume any management functions. There are appropriate safeguards to reduce any threat to auditor independence, as the member of the Auditor-General's Audit and Risk Committee does not assume any management functions as part of their oversight role of the audit of the company.

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

David Gates  
KPMG  
On behalf of the Auditor-General  
Wellington, New Zealand



# Other disclosures

## He whākitanga anō

### Donations

A donation of \$4,000 was made to Kauri 2000 for the year ended 30 June 2022.

### Net Tangible Assets

Net tangible assets per \$1,000 of listed bonds as at 30 June 2022 is \$6.92 (2021: \$6.86).

### Earnings per security

Earnings per \$1,000 of bonds on issue as at 30 June 2022 is \$0.71 (2021: \$0.87).

### Amount per security of final dividends

Not applicable

### Spread of Quoted Security holders

Holding Range	Holder Count	Holder Count %	Holding Quantity	Holding Quantity %
10,000 to 49,999	425	46.0	\$10,266,000	0.06
50,000 to 99,999	187	20.2	\$13,047,000	0.08
100,000 to 499,999	193	20.9	\$37,135,000	0.23
500,000 to 999,999	36	3.9	\$24,218,000	0.15
1,000,000 to 9,999,999,999,999	84	9.1	\$15,990,334,000	99.47
Total	925	100.0	\$16,075,000,000	100.00

# Directory

## Rārangi tauwaea

### Postal address

P.O. Box 5704, Lambton Quay  
Wellington 6145

### Office hours

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

### General enquiries

lgfa@lgfa.co.nz

### Staff e-mail addresses

firstname.lastname@lgfa.co.nz

Phone +64 4 974 6530

### Wellington

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



### Auckland

Level 5  
Walker Wayland Centre  
53 Fort Street  
Auckland 1010



Whakarewarewa Forest Loop (Great Ride)  
Rotorua Lakes Council  
Photo by Graeme Murray



# GRI Index

## Kuputohu GRI

Disclosure title	Reference/Disclosure
102-1. Name of the organisation	Page 17
102-2. Activities, brands, products and services	Pages 17-26
102-3. Location of headquarters	Page 89
102-4. Location of operations	Page 89
102-5. Ownership and legal form	Pages 16, 64
102-6. Markets served	Pages 4-7, 10-15, 16-25
102-7. Scale of the organisation	Pages 4-7, 16-31, 62
102-8. Information on employees and other workers	Pages 40, 50-51
102-9. Supply chain	Pages 16-25, 34
102-10. Significant changes to the organization and its supply chain	None
102-11. Precautionary Principle or approach	Page 32
102-12. External initiatives	Pages 42-43
102-13. Membership of Associations	Financial Service Providers Register
102-14. Statement from senior decision-maker	Pages 4-7
102-16. Values, principles, standards, and norms of behaviour	Pages 42-52
102-18. Overview of Governance Structure	Pages 18-19, 32
102-40. List of stakeholder groups	Pages 4-7, 10-15, 26-31, 52
102-41. Collective bargaining agreements	None
102-42. Identifying and selecting stakeholders	Pages 33
102-43. Approach to stakeholder engagement	Pages 33-41
102-44. Key topics and concerns raised	Page 33
102-45. Entities included in the consolidated financial statements	Page 64
102-46. Defining report content and topic Boundaries	Page 33
102-47. List of material topics	Pages 32-45
102-48. Restatements of information	None
102-49. Changes in reporting	None

The GRI Standards are the world’s most widely used sustainability reporting standard. This is the second year LGFA has prepared its annual report in compliance with the GRI Standards. The following index is based on the GRI core option.

Disclosure title	Reference/Disclosure
102-50. Reporting period	1 July 2021 to 30 June 2022
102-51. Date of most recent report	2022 Annual Report
102-52. Reporting cycle	Annual
102-53. Contact point for questions regarding the report	lgfa@lgfa.org.nz
102-54. Claims of reporting in accordance with the GRI Standards	The report has been prepared in accordance with the GRI standards: core option
102-55. GRI content index	Pages 90-91
102-56. External assurance	None
Cost effective funding	Pages 4-7, 10-15, 27
Culture, ethics and governance	Pages 32-41, 42-52.
Transparency and disclosure	Pages 4-7, 32-41, 42-52, 54-59
Environmental and social impact of lending	Pages 4-7, 32-41
Health & safety and wellbeing	Pages 11, 14-15, 32-41.
Collaboration and local engagement	Pages 4-7, 13, 32-41
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Capability and development	Pages 4-7, 40
Carbon footprint	Pages 32-41
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305-1 Direct (Scope 1) GHG emissions	Page 41
305-2 Energy indirect (Scope 2) GHG emissions.	Page 41
305-3 Other indirect (Scope 3) GHG emissions.	Page 41
Health and Safety and Wellbeing	
403-1 Occupational health and safety management system	Page 40
403-9 Work-related injuries	Pages 14-15
403-10 Work-related ill health	Pages 14-15
Diversity and Inclusion	
405-1 Diversity of governance bodies and employees	Page 40
Capability and Development	
404-2 Programs for upgrading employee skills and transition assistance programs	Page 40

# Glossary

## Kuputaka

AIL	Approved Issuer Levy
Annual Plans	Annual budgets issued by councils ahead of their June financial year end
Bespoke Lending	Any lending to a council with a maturity date that does not match an LGFA bond maturity dated
bps	basis points (100 basis points equals one percentage).
CCO	Council Controlled Organisation
CCTO	Council Controlled Trading Organisation
CIL	Climate Initiative Loans
Coverage Ratio	In a tender the amount of bids received divided by the amount of bonds on offer. The higher the Bod Coverage ratio the more demand there is
ESG	Environmental, social and governance
Financial Covenants	Four financial covenants that council must adhere to Debt/Revenue, Interest Expense to Rates Revenue, Interest Expense to Total Revenue, Liquidity. Annual attestation and if in breach then can be an event of repayment of loans.
Fitch	Credit rating agency who rates LGFA and a small number of councils
Foundation Policy Covenants	Within Shareholder Agreement - any changes require shareholder approval. Now mainly the financial covenants.
GHG	Greenhouse gas
GRI	Global Reporting Initiative
GSS	Green, Social and Sustainability New Zealand
GSA	General security arrangement
Guarantee and Indemnity Deed	Joint and Several Guarantee with a side agreement that pro ratas the council guarantors obligations to that of proportionate share of rates revenue
Guarantor	Any council shareholder or any council who borrows more than \$20m is required to sign the Guarantee and Indemnity Deed.
IA	Internal audit
INFINZ	Institute of Finance Professionals
LAP	Liquid Assets Portfolio
LGFA Bills	Short dated securities (less than 1 year) issued by LGFA
LGFA Bonds	Fixed rate coupon bonds issued by LGFA with maturities between 2022 and 2037. Issued via tenders or syndication
Local Government Act 2002	Overarching legislation for Councils, CCOs and CCTOs

Local Government Borrowing Act 2011	Act that established LGFA
Multi Issuer Deed (MID)	Over arching borrowing document - accession of councils and CCOs, reps and warranties, financial covenants, BN conversion
NII	Net interest income
Non Guarantor	Any member council that is not a guarantor. Non-Guarantor member councils cannot borrow more than \$20m
NZD (also NZ\$)	New Zealand Dollar
NZDM	New Zealand Debt Management of the Treasury - our contact point for our Crown Liquidity Facility and derivative swap counterparty
NZDM Facility	Crown Liquidity Facility where we can drawdown up to \$1.5 billion of emergency funding (subject to certain conditions)
NZGB	New Zealand Government Bonds
PDH	Partial Differential Hedge
S&P	Standard and Poor's
Shareholders Agreement	Board, Shareholder Council appointments, sale of shares, voting rights and Foundation policies
SOI	Statement of Intent
Spread to NZGB	The basis point difference between LGFA Bonds and NZ Government Bonds. Investors will often use the spread the gauge when LGFA bonds are trading at a premium or discount
Spread to Swap	The basis point difference between LGFA Bonds and the swaps curve. The spread is often used as a proxy to gauge if LGFA bonds are being issued at a discount or premium
SSA	Supra and Sub Sovereign Agency issuers- same as Supras - they issue Kauri bonds in NZD. Examples are World Bank, Asian Development Bank, Kommunalbanken (LGFA Norway equivalent)
Swap	Interest rate derivative instruments transacted with the NZDM to hedge the balance sheet and convert fixed rate borrowing into floating rate exposures.
Syndication	The LGFA issues LGFA Bonds by Syndication normally twice a year, if market conditions are favourable. Syndications provide diversity to the LGFA funding program, by offering an alternative funding tool to the scheduled bond tenders.
Taituara	Formerly Society of Local Government Managers (SOLGM)
TCFD	Task Force on Climate Related Financial Disclosures
Tender	The LGFA issues LGFA Bonds and Bills to the market in scheduled tenders, typically every six weeks of the financial year.
UN SDG	United Nations' Sustainable Development Goals
VaR	Value at risk
WSE	Water service entities





### 9.3 BAY OF PLENTY LOCAL AUTHORITY SHARED SERVICES LIMITED (BOPLASS) ANNUAL REPORT

**File Number:** A5097527

**Author:** Allan Carey, Financial Business Advisor

**Authoriser:** Azoor Ali, Chief Financial Officer

#### EXECUTIVE SUMMARY

The purpose of this report is to provide Elected Members with BOPLASS' Annual Report for the year ended 30 June 2022.

BOPLASS' Annual Report was approved by their Board of Directors and received by Council on 22 December 2022.

#### RECOMMENDATION

That the Financial Business Advisor's report dated 27 February 2023 titled 'Bay of Plenty Local Authority Shared Services Limited (BOPLASS) Annual Report' be received.

#### BACKGROUND

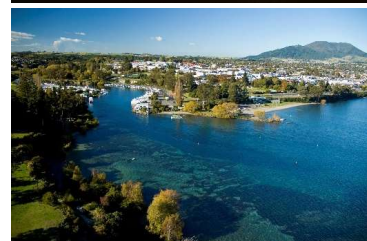
1. BOPLASS is a designated Council Controlled Organisation (CCO) under the Local Government Act 2002 (LGA). The company was formally established in January 2008 by the nine local authorities in the Bay of Plenty and Gisborne regions to foster collaboration between councils in the delivery of services, particularly back office or support services.
2. As a CCO, BOPLASS is a separate legal entity from Council and is responsible for delivery of services in accordance with an agreed Statement of Intent.
3. Under Section 67 of the LGA, within three months after the end of each financial year, the board of a CCO must deliver to the shareholders, and make available to the public, a report on the organisation's operations during that year, including financial statements and auditor's report.
4. The BOPLASS Annual report is included as **Attachment 1** to this report.

#### ATTACHMENTS

1. **BOPLASS Annual Report 2021-2022**  

# ANNUAL REPORT 2021-2022

For the year ended  
30 June 2022



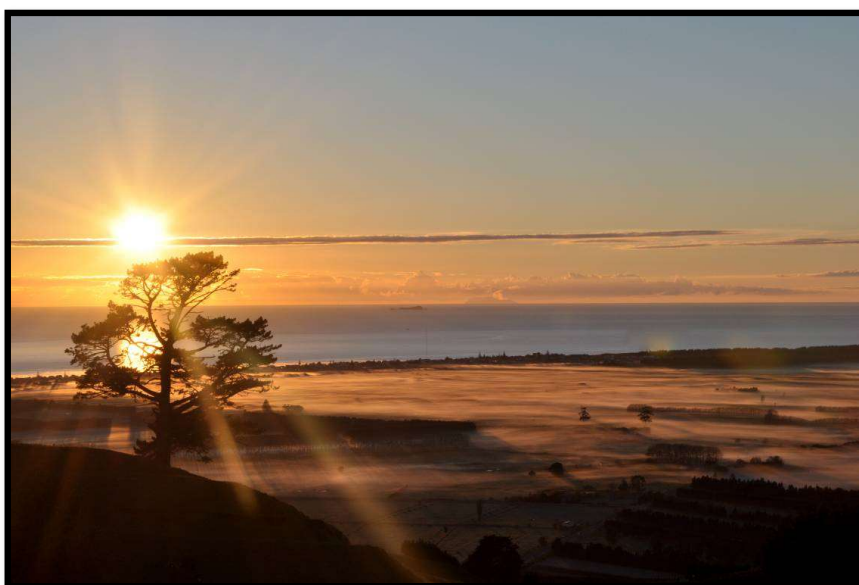


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PART ONE – OUR YEAR



**BOPLASS Chair's Report**

In 2021/22, BOPLASS has continued to focus on joint procurement opportunities with specific attention given to benefits that can be derived through inter-regional collaboration. Several new opportunities were identified by collaborative groups working across BOPLASS, Waikato and Manawātū-Whanganui regions in order to help deliver services as efficiently and cost-effectively as possible.

Inter-regional opportunities have increased as a result of the shared coordination between the LASSes. The board recognises the different strategic strengths and directions of each LASS and, at this stage, BOPLASS is able to assist other LASS with joint procurement. This ultimately provides benefits to all participating councils, including BOPLASS, through better outcomes being achieved by aggregating volumes.

BOPLASS has also worked closely with the other LASS to determine opportunities for BOPLASS councils to utilise services developed, or being developed by other LASS, with both Co-Lab (Waikato LASS) and MW LASS having services that can be offered to the other LASS councils on a commercial basis.

BOPLASS has continued to ensure that appointed vendors remain competitive and return best value to our shareholders. Through managing tenders for several of the larger contracts and negotiating supplier terms and conditions, substantial cost savings have been achieved, along with improved service delivery. Some of the procurement highlights this year have been:

- Mail services
- Courier services
- RATs purchasing
- Staff wellbeing platform
- Infrastructure insurance
- Cyber insurance
- Aerial imagery

The newly appointed supplier for postal services will result in substantial savings and improved service delivery across BOPLASS, Co-Lab, MW LASS, and Hawke's Bay councils. The contract also provides significant sustainability and efficiency benefits. This has been a great example of good outcomes and efficiencies achieved through collaboration across multiple regions, as opposed to individual councils endeavouring to manage separate processes.

In conjunction with the postal services tender a separate procurement process was managed for courier services across the three regions. Following extensive analysis, the BOPLASS recommendation for councils to participate in the ACC syndicated courier agreement will result in all councils achieving heavily discounted rates that could never be achieved by councils on an individual basis. Once again, councils across multiple regions will achieve savings through the interLASS collaborative approach.

There has been a high level of collaborative activity across councils within health and wellbeing over the last year, with BOPLASS supporting a number of collective projects. An almost unexpected highlight was a joint procurement project run by BOPLASS to secure collective purchasing of Rapid Antigen Tests (RATs) on behalf of BOPLASS, Co-Lab and MW LASS councils. The volume of the collective order resulted in heavily reduced pricing, discounted shipping, and priority service.

The BOPLASS Health & Safety group also successfully established a preferred supplier agreement for a collective staff wellbeing portal, which has a strong focus on helping to support staff and their families during and after the tumultuous covid disruptions faced by many people. This project also covered the Co-Lab and MW LASS councils with all participating councils across the three regions eligible for the discounted pricing.



Although international insurance markets have had restricted capacity, the strength of BOPLASS' relationships with London underwriters and Lloyds syndicates, and the ongoing work in obtaining accurate and quality information from councils, again resulted in the collective insurance programme achieving very competitive rates and continuing to maintain good cover for all councils.

BOPLASS added particular value to the renewal of councils' cyber insurance policies this year with local government being classed as a high-risk client and insurers initially declining cover for some of our councils. BOPLASS was able to engage with councils to provide further information to the underwriters and, through leveraging the strength of the greater group, coverage was reinstated for all BOPLASS councils.

Good work has continued with the collective aerial imagery programme this year with aerial imagery captured across the eastern BOP, Tauranga and Gisborne regions. Three tenders were undertaken over this period with two separate providers appointed.

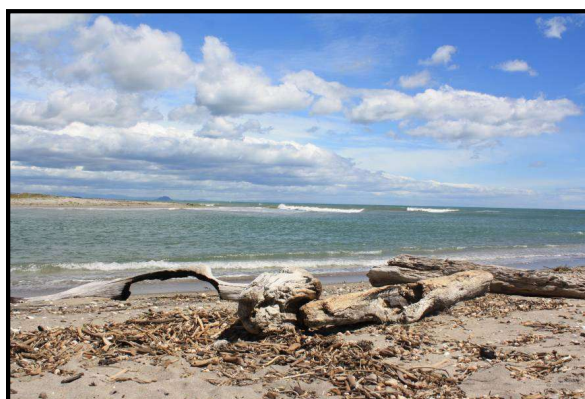
We note the increasing reporting of organisations environmental, social, and governance performance and impacts. This can be seen in the reports of some of our member Councils. We support this reporting and will, in future reports, provide examples and a more extensive narrative. We will explore what metrics are most relevant for BOPLASS from the core sustainability issues of environment, leadership and governance, business model and innovation, human capital, and social capital. Current initiatives in waste management and minimisation contribute to the environment category, InterLASS collaboration supports leadership and governance, and the collaboration and new activities in the Wellness, Health, and Safety forum are part of the human capital area.

There has been a change around the governance table in 2021/22, with John Holyoake from Western BOP District Council being welcomed to the Board and Miriam Taris retiring as Western BOP District Council Chief Executive and BOPLASS director. On behalf of the Board, we wish to acknowledge the significant contribution Miriam Taris made to the company during her tenure and thank her for the assistance and support she provided to BOPLASS.

BOPLASS has continued to deliver considerable value to the shareholding councils for a modest investment. We would like to thank the various individuals within all of the councils who have supported and assisted with the progress of the company to date.



Craig O'Connell  
Chair



### Company Directory

<b>Nature of Business</b>	Shared Service Provider
<b>Registered Office</b>	91 Willow Street, Tauranga 3110
<b>Telephone:</b>	+64 7 577 7342
<b>Email:</b>	<a href="mailto:contact@boplass.govt.nz">contact@boplass.govt.nz</a>
<b>Website:</b>	<a href="https://www.boplass.govt.nz">https://www.boplass.govt.nz</a>
<b>Incorporation Number</b>	2074873
<b>Incorporation Date</b>	14 January 2008
<b>IRD Number</b>	98-965-361
<b>Directors</b>	Miles McConway Craig O'Connell Fiona McTavish Gareth Green Geoff Williams Martin Grenfell John Holyoake Nedine Thatcher-Swann Russell George Stephanie O'Sullivan
<b>Shareholders</b>	Bay of Plenty Regional Council Gisborne District Council Kawerau District Council Opotiki District Council Rotorua Lakes Council Taupo District Council Tauranga City Council Western Bay of Plenty District Council Whakatane District Council
<b>Auditor</b>	BDO New Zealand
<b>Bankers</b>	ANZ Bank
<b>Solicitors</b>	Cooney Lees and Morgan

### Statement of Intent and Performance

The company has complied with section 64 of the Local Government Act 2002 (LGA) and has had the Statement of Intent for 2022-2025 and associated budget formally adopted by the directors by resolution on 29 June 2022.

#### Performance Targets 2022-2025

To ensure the company continues to operate effectively in both governance and management terms over the next three years the targets are to:

Targets <u>2022-2025</u>	How	Measure
Ensure supplier agreements are proactively managed to maximise benefits for BOPLASS councils.	Manage and/or renegotiate existing contracts.	Contracts are reviewed annually to test for market competitiveness. New suppliers are awarded contracts through a competitive procurement process involving two or more vendors where applicable.
Investigate new Joint Procurement initiatives for goods and services for BOPLASS councils.	Procure from sources offering best value, service, continuity of supply and/or continued opportunities for integration.	A minimum of four new procurement initiatives investigated. Initiatives provide financial savings of greater than 5% and/or improved service levels to the participating councils.
Identify opportunities to collaborate with other LASS in Procurement or Shared Service projects where alliance provides benefits to all parties.	BOPLASS to regularly engage with other LASS to identify and explore opportunities for further inter-regional collaboration.	Quarterly reporting on engagement and a minimum of one new collaborative initiative undertaken annually.
Further develop and extend the Collaboration Portal for access to, and sharing of, project information and opportunities from other councils and the greater Local Government community to increase breadth of BOPLASS collaboration.	Increase usage of the Collaboration Portal by providing support and training material for new and existing users. Proactively market the benefits to councils.	Number of listed projects to increase by 5% per year. Number of active users to increase by 5% per year.
Communicate with each shareholding council at appropriate levels.	Meeting with members of Executive Leadership Team.	At least one meeting per year.
Ensure current funding model is appropriate.	Review BOPLASS expenditure and income and review council contributions and other sources of funding.	Performance against budgets reviewed quarterly. Company remains financially viable.



### Statement of Intent and Performance continued

The following is a report of performance against targets set in the Statement of Intent for 2021/24.

Target 2021/22	Result	Narration
<p>Ensure supplier agreements are proactively managed to maximise benefits for BOPLASS councils.</p> <p>Manage and/or renegotiate existing contracts.</p> <p>Contracts are reviewed annually to test for market competitiveness.</p> <p>New suppliers are awarded contracts through a competitive procurement process involving two or more vendors where applicable.</p>	Achieved	<p>Contracts negotiated and/or renewed for:</p> <p><u>Zoom Video Conferencing Services</u> – Renewed group enterprise agreement. Zoom video conference services continue to provide BOPLASS councils with centralised account management and shared infrastructure.</p> <p><i>Enterprise contract renegotiated and renewed. No alternative providers.</i></p> <p><u>GIS software and services</u> –</p> <p>FME</p> <p>Geocortex Essentials &amp; Geocortex Analytics</p> <p>X-Tools</p> <p>NZ Archaeological Association</p> <p>RetroLens</p> <p><i>Contracts renegotiated and renewed – no alternative suppliers</i></p> <p><u>Print Media Copyright Agency (PMCA)</u> – a collective contract providing savings for all BOPLASS councils has been renewed with PMCA for councils' print and media copyright services.</p> <p><i>Sole NZ provider of print and media copyright services.</i></p> <p><u>Health &amp; Safety Management Software</u> – BOPLASS manages a collective agreement for H&amp;SMS across BOPLASS and Waikato councils. A change of ownership with the incumbent supplier saw a decline in service levels and BOPLASS engaged with the supplier to address the service shortfalls or seek an alternative supplier. Given the number of councils under the collective agreement, improvements were quickly undertaken by the vendor and improved service levels established. <i>Project still ongoing.</i></p> <p><u>Media Monitoring Services</u> – BOPLASS continues to manage a collective media monitoring service with Isentia that provides automatic monitoring and reporting of broadcast, print and social media based upon council requirements. The single BOPLASS portal provides substantial savings to councils while also providing a significant reduction in internal resource requirements.</p> <p><i>Service to be put to tender in 2022-23.</i></p>

		<p><u>ESRI Enterprise Licensing Agreement</u> – Core GIS software used in all BOPLASS councils. BOPLASS Enterprise Agreement renewed at no increase in cost to councils.</p> <p><i>No alternative provider in NZ.</i></p> <p><u>n3 (previously known as GSB)</u> – Purchasing group membership negotiated by BOPLASS. Councils achieving significant savings on membership costs and trade pricing through the group scheme. Agreement renewed for another year at same rates.</p> <p><i>Sole NZ provider.</i></p> <p><u>Health and Safety Training provider</u> – BOPLASS renewed the collective agreement with Vertical Horizonz for H&amp;S training across the BOPLASS councils. The agreement provides tailored training and discounted rates. (WCLASS have aligned their contract dates with BOPLASS, providing for opportunities to procure collectively at the end of the new contract term.)</p> <p><u>Standards NZ</u> – BOPLASS has renewed the agreement with Standards NZ for discounted access to the full Standards catalogue at significantly reduced pricing for all BOPLASS councils.</p> <p><i>No alternative provider in NZ.</i></p> <p><u>Inter-Council Network (ICN)</u> – Review, redesign and renegotiation of suppliers and services – the ICN is a shared service high-capacity fibre network connecting the majority of BOPLASS councils. A review of ICN contracts was undertaken to deliver further cost reductions, along with the addition of new links for councils. Kordia were appointed to replace Vocus. The resultant contract will provide an improvement in service levels and financial savings for all participating councils. Migration of services to Kordia has been initiated.</p> <p><u>MFDs (Photocopier/printers)</u> – Due to the variable print volumes through Covid lockdowns and the subsequent high level of working from home, BOPLASS negotiated with our incumbent provider to extend the current agreement for a further 16 months. The Variation Agreement included benefits such as retaining existing equipment, providing flexibility through the pandemic disruption, and further discounts to print rates.</p> <p><i>A full tender will be undertaken in 2022 when councils should have an improved understanding of volumes and requirements.</i></p>
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		<p><u>IPWEA Membership</u> - The Institute of Public Works Engineering Australasia (IPWEA) agreement was renewed in 2021 to provide a single BOPLASS portal to allow all constituent councils to access the full IPWEA online catalogue at heavily reduced pricing. The standards are used by all councils for a variety of engineering purposes. The collective agreement provides for unrestricted access for all councils at a significantly lower cost than under individual arrangements.</p> <p><i>No alternative provider in NZ.</i></p>
<p>Investigate new Joint Procurement initiatives for goods and services for BOPLASS councils.</p> <p>Procure from sources offering best value, service, continuity of supply and/or continued opportunities for integration.</p> <p>A minimum of four new procurement initiatives investigated. Initiatives provide financial savings of greater than 5% and/or improved service levels to the participating councils.</p>	Achieved	<p>The new procurement initiatives which have been investigated during the year are as follows:</p> <p><u>Postal Services</u> – Joint procurement for councils' mail services resulted in DX Mail being appointed as preferred supplier. The BOPLASS-led process covered BOPLASS, Co-Lab, MW LASS and Hawke's Bay councils. Savings for all councils will be substantial, particularly for councils with high volumes of urban mail. The contract also provides sustainability and efficiency benefits for councils.</p> <p><u>Courier Services</u> – In conjunction with the Postal services tender a process was managed to identify opportunities for savings with courier services across the BOPLASS, Co-Lab and MW LASS councils. BOPLASS engaged with DIA and ACC to facilitate access to the ACC syndicated contract for courier services. This provides a substantial saving for all councils over their incumbent providers and the alignment with the mail provider offers efficiencies within council mailrooms.</p> <p><u>Infrastructure Insurance</u> – Given the current restricted capacity in the international insurance markets, councils' insurance is only provided on a 12-month term and all placements need to be procured annually. This involves identifying and negotiating with alternative markets every year and often undertaking placements through different insurers. Negotiations for councils' infrastructure insurance were undertaken in late 2021 through direct engagement with London underwriters and Lloyds syndicates. Very good outcomes were achieved for all councils – both in insurance rates and the cover achieved. Insurance markets remain cautious about the risk they are prepared to write but have confidence in the BOPLASS programme due to the quality of information provided and our historical relationship.</p>



		<p><u>My Everyday Wellbeing</u> – Staff online wellbeing platform used extensively across local government. Negotiated for BOPLASS councils to be treated as a single entity. Added Co-Lab and MW LASS councils into same enterprise membership. Negotiated 12-month subscription providing savings to the collective group.</p> <p><u>Rapid Antigen Tests (RATs)</u> – BOPLASS engaged with other LASS and CCOs to aggregate volumes to leverage improved pricing. Several RATs orders were placed on behalf of BOPLASS, Co-Lab, MW LASS and council CCOs. The volume of the collective order resulted in heavily discounted pricing and priority service.</p> <p><u>GIS Training</u> – BOPLASS coordinated specialised GIS ArcPro training across the BOPLASS councils, providing substantial savings through the collective training and also helping to bring all councils up to similar skill levels.</p> <p><u>High-Volume Print</u> – The benefits of councils collaborating in high-volume print services are being investigated. Councils currently use a variety of solutions ranging from in-house commercial print equipment/print rooms to outsourced models.</p> <p><i>Investigation still under action.</i></p> <p><u>Cyber Insurance</u> – The renewal of councils' cyber insurance policies was facilitated by BOPLASS through a collective programme. Insurers have become much more selective in their placements and local government are viewed as a high-risk client. BOPLASS were able to bring Berkshire Hathaway Specialty Insurance onto the programme who thoroughly analysed councils' IT systems and security. Despite an initial rejection of cover for some councils, BOPLASS was able to provide further information to the insurers, resulting in the collective approach being reinstated and all councils able to secure cover at a reduced cost.</p> <p><i>Cyber cover is an annual agreement that requires going to market every year.</i></p> <p><u>Aerial Imagery</u> – As part of the BOPLASS regional imagery programme, three tenders were run for orthophotography services this year. Separate contracts were awarded to AAM NZ for the eastern BOP region and TCC interim flying programmes. The flying and imagery for TCC included specific requirements for the capture of high growth areas. A separate procurement process was undertaken for Gisborne District Council with the contract awarded to Aerial Surveys.</p>
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<p>Identify opportunities to collaborate with other LASS in Procurement or Shared Service projects where alliance provides benefits to all parties.</p> <p>BOPLASS to regularly engage with other LASS to identify and explore opportunities for further inter-regional collaboration.</p> <p>Quarterly reporting on engagement and a minimum of one new collaborative initiative undertaken annually.</p>	Achieved	<p>BOPLASS has led several interLASS projects this year or worked together with other LASS to develop inter-regional benefits:</p> <ul style="list-style-type: none"> <li>• Waste Operator Licencing Data System</li> <li>• Courier Services</li> <li>• Mail Services</li> <li>• H&amp;S Management System</li> <li>• H&amp;S training providers</li> <li>• Occupational Health Services</li> <li>• Rapid Antigen Tests purchasing</li> <li>• Staff Wellbeing Portal</li> <li>• Regional Contractor Database</li> <li>• Risk Management Practices</li> <li>• Collaborative Policy Development</li> <li>• Insurance Renewals Standardisation</li> <li>• Debt Recovery Services</li> </ul> <p>BOPLASS continues to work closely with MW LASS and Co-Lab with the LASS leads aiming to meet on a quarterly basis. Several joint procurement projects have been completed and further opportunities identified.</p> <p>Projects being undertaken by other LASS are offered to BOPLASS councils on a commercial basis.</p>
<p>Further develop and extend the Collaboration Portal for access to, and sharing of, project information and opportunities from other councils and the greater Local Government community to increase breadth of BOPLASS collaboration.</p> <p>Increase usage of the Collaboration Portal by providing support and training material for new and existing users.</p> <p>Proactively market the benefits to councils.</p> <p>Number of listed projects to increase by 5% per year.</p> <p>Number of active users to increase by 10% per year.</p>	Achieved	<p>Projects continue to be added to the MahiTahi Collaboration Portal, increasing from 53 to 88 this year.</p> <p>Continued promotion of the MahiTahi Collaboration Portal has seen a 10.5% increase in registered users with numbers increasing from 388 to 429.</p> <p>On-boarding and training material has been helpful in creating a smooth transition for any new members.</p> <p>Working with the DIA, the MahiTahi Collaboration Portal now includes secure areas to support Local Transition Groups working collectively on the Three Waters project.</p> <p>Regional Software Holdings Limited are migrating the regional sector Special Interest Groups to be hosted in a similar collaborative environment as the MahiTahi Collaboration Portal. Technical aspects of the migration are being supported by BOPLASS.</p>
<p>Communicate with each shareholding council at appropriate levels.</p> <p>Meeting with each Executive Leadership Team.</p> <p>At least one meeting per year.</p>	Not achieved	<p>BOPLASS continues to regularly engage with our constituent councils, senior management and shareholders to ensure opportunities continue to be developed to the benefit of all stakeholders.</p> <p>Formal meetings with all council executive teams were unable to be completed this year. Staff absences, travel</p>

		<p>restrictions and increased workloads meant not all councils could be covered.</p> <p>See Covid Disclosure p. 47.</p>
<p>Ensure current funding model is appropriate.</p> <p>Review BOPLASS expenditure and income and review council contributions and other sources of funding.</p> <p>Performance against budgets reviewed quarterly. Company remains financially viable.</p>	Achieved	<p>The sources of BOPLASS funding and the viability of the funding model are regularly reviewed with financial reporting provided to the BOPLASS Board.</p> <p>Council contributions levied.</p> <p>Contributions received from activities producing savings.</p> <p>Vendor rebates collected.</p> <p>Monthly and quarterly performance reviewed.</p> <p>Financial statements reported and reviewed at Board meetings.</p> <p>Financial position year end 30 June 2022: \$6,244 surplus.</p>

### MahiTahi Local Government Collaboration Portal



A portal for registration of council projects, collaboration opportunities and identification of potential project partners. Also includes collaboration areas for staff to engage with their peers within other councils.



### Statement of Intent and Performance continued

The following is a report of performance against targets set in the Statement of Intent for 2020/21 and is provided for comparative purposes.

Target 2020/21	Result	Narration
<p>Ensure supplier agreements are proactively managed to maximise benefits for BOPLASS councils.</p> <p>Manage and/or renegotiate existing contracts.</p> <p>Contracts are reviewed annually to test for market competitiveness.</p> <p>New suppliers are awarded contracts through a competitive procurement process involving two or more vendors where applicable.</p>	Achieved	<p>Contracts negotiated and/or renewed for:</p> <p><u>Video Conferencing Services</u> – Canon video conferencing infrastructure was moved from a Canon managed service to a BOPLASS hosted service. This provided further cost savings to councils and acknowledged the global move from vendor hosted video conferencing solutions to cloud-based technologies, e.g. Zoom, Teams.</p> <p><u>ESRI Enterprise Licensing Agreement</u> – Core GIS software used in all BOPLASS councils. BOPLASS Enterprise Agreement renewed. No increases in cost to councils.</p> <p><i>No alternative provider in NZ.</i></p> <p><u>GIS software and services</u> –</p> <p>FME</p> <p>Geocortex Essentials &amp; Geocortex Analytics</p> <p>X-Tools</p> <p>NZ Archaeological Association</p> <p>RetroLens</p> <p><i>Contracts renegotiated and renewed – no alternative suppliers</i></p> <p><u>Health and Safety Training provider</u> – BOPLASS has renewed the collective agreement with Vertical Horizonz for H&amp;S training across the BOPLASS councils. The agreement provides tailored training and discounted rates. (WLASS have aligned their contract dates with BOPLASS, providing for opportunities to procure collectively at the end of the new contract term.)</p> <p><u>Print Media Copyright Agency (PMCA)</u> – a collective contract providing savings for all BOPLASS councils has been renewed with PMCA for councils' print and media copyright services.</p> <p><i>Sole NZ provider of print and media copyright services.</i></p> <p><u>Treasury Staff Briefings</u> – BOPLASS coordinated presentations and workshops with senior NZ economists to better inform councils on the financial outlooks for local communities and the national economy. The workshops are provided at no cost to BOPLASS councils and have proven to be particularly</p>

		<p>valuable given the current international and local economic challenges.</p> <p><u>Aerial Imagery</u> – As part of the BOPLASS regional imagery programme a contract for orthophotography was awarded to AAM NZ Ltd on behalf of TCC and WBOPDC. The flying and imagery included specific requirements to capture high growth areas.</p> <p><u>N3</u> (previously known as GSB) – Purchasing group membership negotiated by BOPLASS. Councils achieving significant savings on membership costs and trade pricing through the group scheme. Agreement renewed for another year at same rates. <i>Sole NZ provider.</i></p> <p><u>Media Monitoring Services</u> – BOPLASS continues to manage a collective media monitoring service with Isentia that automatically monitors and reports on broadcast, print and social media based upon council requirements. The single BOPLASS portal provides substantial savings to councils while also providing a significant reduction in internal resource requirements. Council agreement to renew for another year. Same rates negotiated. <i>Service to be put to open tender in 2022.</i></p> <p><u>Zoom Services</u> – Renewed group enterprise agreement. Zoom video conference services continue to provide BOPLASS councils with centralised account management and shared infrastructure. <i>Enterprise contract renegotiated and renewed. No alternative providers.</i></p> <p><u>Standards NZ</u> – BOPLASS has renewed the agreement with Standards NZ for discounted access to the full Standards catalogue at significantly reduced pricing for all BOPLASS councils. <i>No alternative provider in NZ.</i></p>
<p>Investigate new Joint Procurement initiatives for goods and services for BOPLASS councils.</p> <p>Procure from sources offering best value, service, continuity of supply and/or continued opportunities for integration.</p> <p>A minimum of four new procurement initiatives investigated. Initiatives provide financial savings of greater than 5% and/or improved service levels to the participating councils.</p>	Achieved	<p>The new procurement initiatives which have been investigated during the year are as follows:</p> <p><u>Waste Operator Licencing and Data System</u> – An ROI was undertaken by BOPLASS on behalf of all the BOPLASS and Waikato councils for a data management system and administration services to support the development of a region-wide waste operator licencing and data service. The collective approach to the ROI provided savings to all councils and garnered significant attention from suitable vendors due to the size of the aggregated opportunity. <i>The ROI process will be followed by a closed RFP.</i></p> <p><u>Skin Scans / Mole Mapping</u> – BOPLASS explored opportunities for a collective contract to enable councils to offer a subsidised rate to their staff for</p>

		<p>mole mapping. A provider has not yet been appointed as the project has expanded to investigate health insurance options across the BOPLASS group of councils.</p> <p><u>Infrastructure Insurance</u> – Councils infrastructure insurance was placed into the London markets in late 2020 through direct engagement with the London underwriters and Lloyds syndicates. Exceptional outcomes were achieved for all councils – both in insurance rates and the cover achieved. Due to a continued unprecedented level of international natural disaster claims, insurance markets have become extremely cautious about the risk they are prepared to write. The high standard of the information being provided by BOPLASS councils and our historical relationships with the international markets have proven to be a strength for us at renewal time.</p> <p><i>Securing councils' insurance cover requires a new procurement process to be undertaken every 12-months and includes investigating, or engaging with, alternative markets.</i></p> <p><u>GIS Technical Support</u> – The majority of core GIS software used within councils is now procured through collective BOPLASS agreements. On behalf of the councils BOPLASS undertook procurement to appoint a Regional Technical Advisor to be used as a shared resource and provide technical support across all BOPLASS councils. Eagle Technology were appointed under a discounted enterprise agreement. In addition to the cost savings, the service helps facilitate further sharing of information and expertise across the GIS teams.</p> <p><u>Website Quality Assurance</u> – BOPLASS has established a collective agreement for website quality assurance. Monsido is the incumbent provider to several BOPLASS councils and discounted pricing has been negotiated, dependent on the number of councils participating.</p> <p><i>This project is still under action.</i></p> <p><u>IPWEA Membership</u> – BOPLASS engaged with the Institute of Public Works Engineering Australasia on behalf of our constituent councils to establish a single BOPLASS portal to allow all councils to access the full IPWEA online catalogue at heavily reduced pricing. The standards are used by all councils for a variety of engineering purposes. The collective agreement provides for unrestricted access for all councils at a significantly lower cost than under individual arrangements.</p>
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		<p><u>Courier Services</u> – BOPLASS has led a procurement process across the three North Island LASS and Hawke's Bay councils for the appointment of a courier services provider.</p>
Identify opportunities to collaborate with other LASS in Procurement or Shared Service projects where alliance provides benefits to all parties.	Achieved	<p><u>Debt Recovery Services</u> – Additional BOPLASS councils have moved to the shared service established by MW LASS. As an inter-LASS service this negates duplication across the regions and provides cost-effective specialised local government debt recovery services.</p> <p><u>Insurance Renewals Standardisation</u> – BOPLASS led a project across the three North Island LASS to develop scorecards to assist councils with the preparation of accurate and timely renewal data for their annual insurance renewals. The scorecards help councils identify the required standards and any potential gaps in their processes. They will be used across all LASS participating in our collective insurance programme – BOPLASS, MW LASS and WLASS – ensuring a consistent and best-practice approach to renewal processes, ultimately assisting in achieving the best outcomes.</p> <p><u>Inter-LASS meetings</u> – A number of procurement projects are underway covering multiple LASS and leveraging benefits of aggregated volumes. Collaboration across the regions drives greater efficiencies and often allows projects to be better resourced. BOPLASS has been working particularly closely with MW LASS and Waikato LASS and this group meet on a quarterly basis. BOPLASS has recently provided information to South Island councils that are investigating collective opportunities.</p> <p><u>Waste Operator Licensing and Data Collection</u> – BOPLASS is leading a joint BOPLASS/WLASS project to establish a cross-regional entity to administer licensing conditions on behalf of territorial authorities. The entity will also manage and collect waste data to assist councils in preparing detailed waste assessments and identification of priority waste management and minimisation actions. BOPLASS is leading the associated procurement exercises and is also engaging with other councils interested in participating in the project. The project includes continued engagement with MfE and WasteMINZ to ensure that the proposed approach is aligned with national strategies.</p> <p><u>Waste Minimisation Fund Application</u> – On behalf of the BOPLASS and WLASS councils, BOPLASS has submitted an application to the MfE Waste Minimisation Fund to support the development of collective projects across the two regions.</p>

		<p><u>Occupational Health Services</u> – BOPLASS has renewed the agreement with Waikato Occupational Safety Services for discounted occupational health services across the BOPLASS councils. This agreement is now undertaken in conjunction with WLASS.</p> <p><u>Cross Council H&amp;S audits and Safety Performance Indicators</u> – Waikato LASS and BOPLASS have collectively developed H&amp;S projects to support best practice and shared learnings across councils in the greater region. The projects assist in identifying skills, processes or procedures that can be shared across the regions.</p> <p><u>Courier Services</u> – BOPLASS coordinated activity across the central North Island councils to establish confirmed participation in joint procurement for the appointment of a courier services provider.</p> <p><u>Insurance Forum</u> – BOPLASS hosted and coordinated an insurance forum to cover key insurance topics in local government. The forum was well attended by councils from throughout the upper and central North Island.</p>
<p>Further develop and extend the Collaboration Portal for access to, and sharing of, project information and opportunities from other councils and the greater Local Government community to increase breadth of BOPLASS collaboration.</p> <p>Increase usage of the Collaboration Portal by providing support and training material for new and existing users.</p> <p>Proactively market the benefits to councils.</p> <p>Number of listed projects to increase by 10% per year.</p> <p>Number of active users to increase by 20% per year.</p>	Achieved	<p>Active promotion of the MahiTahi Collaboration Portal over the last 12 months has resulted in a 71% increase in the number of local government users with 161 new members joining.</p> <p>The increased membership is primarily a result of ongoing development of on-boarding and training material. Additionally, non-member councils have been proactively contacted to highlight the benefits and encourage participation.</p> <p>Five additional projects added to the MahiTahi Collaboration Portal, increasing from 48 to 53 lodged projects.</p> <p><u>RSIP Redevelopment</u> – The Regional Sector Information Portal is a collaboration tool used by regional and unitary councils. The RSIP Portal has been migrated to be hosted by BOPLASS on the same platform as the MahiTahi Collaboration Portal.</p>
<p>Communicate with each shareholding council at appropriate levels.</p> <p>Meeting with each Executive Leadership Team.</p> <p>At least one meeting per year.</p>	Achieved	<p>BOPLASS continues to regularly engage with our constituent councils, senior management and shareholders to ensure opportunities continue to be developed to the benefit of all stakeholders.</p> <p>In addition to these regular meetings, the BOPLASS chair and CE undertook a roadshow to directly engage with executive staff across all shareholding councils. These meetings were used to provide an update on BOPLASS initiatives and to gain further insights into additional collaboration opportunities. New opportunities in both shared services and procurement were identified through these workshops.</p>

<p>Ensure current funding model is appropriate.</p> <p>Review BOPLASS expenditure and income and review council contributions and other sources of funding.</p> <p>Performance against budgets reviewed quarterly. Company remains financially viable.</p>	<p>Achieved</p>	<p>The sources of BOPLASS funding and the viability of the funding model are regularly reviewed with financial reporting provided to the BOPLASS Board.</p> <p>Council contributions levied.</p> <p>Contributions received from activities producing savings.</p> <p>Vendor rebates collected.</p> <p>Monthly and quarterly performance reviewed.</p> <p>Financial statements reported and reviewed at Board meetings.</p> <p>Funding model reviews were undertaken by the board during the 2020-2021 financial year with two changes undertaken to ensure the continued financial viability of the organisation:</p> <ul style="list-style-type: none"> <li>• A one-off \$50,000 contribution to the BOPLASS aerial imagery programme received from LINZ was retained as income in advance to assist with funding the BOPLASS aerial imagery programme over the next five years.</li> <li>• The BOPLASS Board approved for a CPI adjustment to be included with council annual contributions.</li> </ul> <p>Financial position year end 30 June 2021: \$15,970 surplus.</p>
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## PART TWO – ACCOUNTABILITY STATEMENTS



### Building Blocks

BOPLASS Ltd has been built on a number of principles and activities and these are the building blocks of our success.



You will find examples in text boxes scattered through the document.

**Statement of Responsibility**



The following pages 25-47 outline the financial statements and notes for year ended 30 June 2022 for BOPLASS Limited.

The directors believe that proper accounting records have been kept that enable, with reasonable accuracy, the determination of the financial position of the company and facilitate compliance of the financial statements with the Financial Reporting Act 1993.

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

The directors are pleased to present the financial statements of BOPLASS Ltd for the twelve months ended 30 June 2022.

For and on behalf of the Board of Directors:

Signed:		Craig O'Connell – Chair	Date:	22.12.2022
Signed:		Gareth Green – Director	Date:	22.12.2022



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New Zealand

## INDEPENDENT AUDITOR'S REPORT

### TO THE SHAREHOLDERS OF BOP LASS LIMITED'S FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION FOR THE YEAR ENDED 30 JUNE 2022

The Auditor-General is the auditor of BOP LASS Limited (the company). The Auditor-General has appointed me, Donna Taylor, using the staff and resources of BDO Tauranga, to carry out the audit of the financial statements and performance information of the company on his behalf.

#### Opinion

We have audited:

- the financial statements of the company on pages 25 to 44 and 46 to 47, that comprise the statement of financial position as at 30 June 2022, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information and
- the performance information of the company on pages 7 to 19.

In our opinion:

- the financial statements of the company on pages 25 to 44 and 46 to 47:
  - present fairly, in all material respects:
    - its financial position as at 30 June 2022; and
    - its financial performance and cash flows for the year then ended; and
  - comply with generally accepted accounting practice in New Zealand in accordance with Public Benefit Entity Simple Format Reporting- Accrual (Public Sector); and
- the performance information of the company on pages 7 to 19 presents fairly, in all material respects, the company's actual performance compared against the performance targets and other measures by which performance was judged in relation to the company's objectives for the year ended 30 June 2022.

#### Our audit was completed late

Our audit was completed on 22 December 2022. This is the date at which our opinion is expressed. We acknowledge that our audit was completed later than required by section 67 (5) of the Local Government Act 2002. This is due to an auditor shortage in New Zealand.

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

#### Basis for our opinion

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

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

**PARTNERS:** Fraser Lellman CA                      Jenny Lee CA                      Janine Hellyer CA  
Donna Taylor CA                      Paul Manning CA

**ASSOCIATE:** Michael Lim CA

BDO New Zealand Ltd, a New Zealand limited company, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms. BDO New Zealand is a national association of independent member firms which operate as separate legal entities.



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

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

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

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

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

The Board of Directors' responsibilities arise from the Local Government Act 2002.

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

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

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

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

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

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

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

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

Our responsibilities arise from the Public Audit Act 2001.

#### **Other Information**

The Board of Directors is responsible for the other information. The other information comprises the information included on pages 1 to 6, 20 to 21 and 45, but does not include the financial statements and the performance information, and our auditor's report thereon.

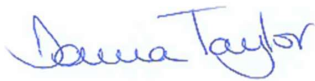
Our opinion on the financial statements and the performance information does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

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

#### **Independence**

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

Other than the audit, we have no relationship with, or interests in, the company.



Donna Taylor  
BDO Tauranga  
On behalf of the Auditor-General  
Tauranga, New Zealand


**Financial Statements – Statement of Financial Position**

STATEMENT OF FINANCIAL POSITION - AS AT 30 JUNE 2022			
BOP LASS LTD	Notes	BOP LASS Ltd	
		2021/22 Actual	2020/21 Actual
<b>ASSETS - CURRENT</b>			
Bank accounts and cash	10	370,585	368,717
Short Term Investments	10	550,000	800,000
Debtors and Other Receivables	11	153,287	229,189
Prepayments	12	116,891	80,129
<b>Total Current Assets</b>		<b>1,190,763</b>	<b>1,478,035</b>
<b>ASSETS - NON-CURRENT</b>			
Intangible Assets	13	9,340	12,478
Plant and Equipment	14	22,762	1,882
<b>Total Non-Current Assets</b>		<b>32,101</b>	<b>14,360</b>
<b>TOTAL ASSETS</b>		<b>1,222,864</b>	<b>1,492,395</b>
<b>LIABILITIES - CURRENT</b>			
Creditors and Accrued Expenses	15	281,151	277,852
Employee Costs Payable	16	31,070	17,572
Income in Advance	17	858,574	1,151,145
Borrowings	18	0	0
<b>Total Current Liabilities</b>		<b>1,170,795</b>	<b>1,446,569</b>
<b>TOTAL LIABILITIES</b>		<b>1,170,795</b>	<b>1,446,569</b>
<b>TOTAL ASSETS less TOTAL LIABILITIES</b>		<b>52,070</b>	<b>45,826</b>
<b>EQUITY</b>			
Accumulated Deficits	19	(46,932)	(53,176)
Share Capital	19	99,002	99,002
<b>TOTAL EQUITY</b>		<b>52,070</b>	<b>45,826</b>

The notes and Statement of Accounting Policies form part of these financial statements.

For and on behalf of the Board of Directors:

Signed:  Craig O'Connell – Chair Date: 22.12.2022

Signed:  Gareth Green – Director Date: 22.12.2022





**Financial Statements – Statement of Financial Performance**

STATEMENT OF FINANCIAL PERFORMANCE - FOR THE YEAR ENDED 30 JUNE 2022				
BOP LASS LTD	Notes	BOP LASS Ltd		
		2021/22 Actual	2021/22 Budget	2020/21 Actual
<b>REVENUE</b>				
Council Contribution	2	306,140	306,139	298,672
Project Revenue	2	1,632,054	1,193,000	1,254,599
Interest Revenue	3	9,425	6,200	9,281
Other Income	2.5	50,000	0	173
<b>Total Revenue</b>		<b>1,997,619</b>	<b>1,505,339</b>	<b>1,562,725</b>
<b>EXPENSES</b>				
Depreciation and Amortisation	4	7,355	5,650	5,065
Employee Related Costs	5	312,989	284,800	256,642
Directors Costs	6	18,000	21,000	16,871
Finance Cost	7	0	500	0
Other Expenses	8	1,647,109	1,193,389	1,260,024
<b>Total Expenses</b>		<b>1,985,454</b>	<b>1,505,339</b>	<b>1,538,602</b>
<b>Surplus/(Deficit) before tax</b>		<b>12,165</b>	<b>0</b>	<b>24,123</b>
Income Tax Expense/(Benefit)	9	5,921	0	8,153
<b>Surplus/(Deficit) after tax</b>		<b>6,244</b>	<b>0</b>	<b>15,970</b>

The notes and Statement of Accounting Policies form part of these financial statements.  
 Explanations of major variances against budget are provided in note 25.

**Media Monitoring**

A shared media monitoring portal provides councils with improved visibility of community feedback through monitoring of press and social media.



**Financial Statements – Statement of Cashflows**

STATEMENT OF CASHFLOWS - FOR THE YEAR ENDED 30 JUNE 2022			
BOP LASS LTD	Notes	BOP LASS Ltd	
		2021/22 Actual	2020/21 Actual
<b>CASHFLOWS FROM OPERATING ACTIVITIES</b>			
Council Contribution		306,140	298,672
Other Revenue		50,000	173
Project Revenue		1,439,315	1,212,330
Interest Revenue		9,425	9,281
Tax Paid - RWT (net)		0	8,424
Goods and Services Tax (net)		(8,669)	0
<b>Total Cash Provided</b>		<b>1,796,211</b>	<b>1,528,880</b>
Employee Related Costs		(299,491)	(275,171)
Payments to Suppliers		(1,722,774)	(1,187,494)
Interest Paid		0	0
Tax Paid - RWT (net)		3,019	0
Goods and Services Tax (net)		0	(28,740)
<b>Total Cash Applied</b>		<b>(2,019,246)</b>	<b>(1,498,446)</b>
<b>NET CASHFLOWS FROM OPERATING ACTIVITIES</b>		<b>(223,035)</b>	<b>37,475</b>
<b>CASHFLOWS FROM INVESTING ACTIVITIES</b>			
Acquisition of Investments		250,000	3,090
Purchase of Plant and Equipment		(25,096)	(521)
Purchase of Intangibles		0	0
<b>Total Investing Cash Applied</b>		<b>224,904</b>	<b>2,569</b>
<b>NET CASHFLOWS FROM INVESTING ACTIVITIES</b>		<b>224,904</b>	<b>2,569</b>
<b>CASHFLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from Loans		0	0
Repayment of Loans		0	0
<b>NET CASHFLOWS FROM FINANCING ACTIVITIES</b>		<b>0</b>	<b>0</b>
<b>NET INCREASE/(DECREASE) IN CASH</b>		<b>1,869</b>	<b>40,045</b>
<b>CASH AT BEGINNING OF THE YEAR</b>		<b>368,716</b>	<b>328,671</b>
<b>CASH AT END OF THE YEAR</b>	10	<b>370,586</b>	<b>368,716</b>

The GST component of operating activities reflects the net GST paid and received to and from the Inland Revenue Department. The GST component has been prepared on a net basis, as the gross amounts do not provide meaningful information for financial purposes.

The notes and Statement of Accounting Policies form part of these financial statements.



**Entity Information for the Year Ended 30 June 2022****LEGAL NAME**

BOPLASS Limited stands for Bay of Plenty Local Authority Shared Services.

**TYPE OF ENTITY AND LEGAL BASIS**

BOPLASS Limited is incorporated in New Zealand under the Companies Act 1993.

**COMPANY'S PURPOSE**

BOPLASS Ltd is based in Tauranga and is a joint venture between nine councils formed to provide shared services.

**STRUCTURE OF COMPANY'S OPERATIONS INCLUDING GOVERNANCE ARRANGEMENTS**

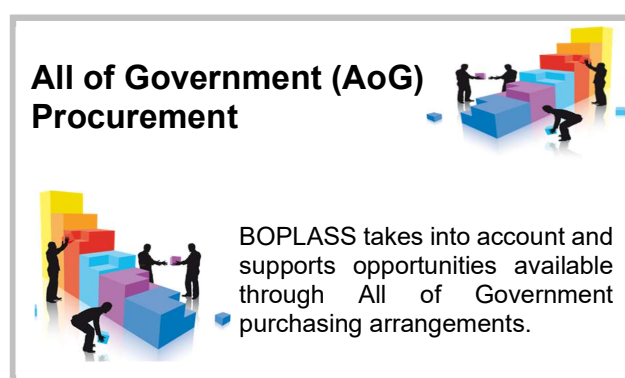
The company is owned and controlled by the nine councils and comprises a Board of ten directors who oversee the governance of the company. A Chief Executive is responsible for the day-to-day operations of the company and reports to the Board, with two other staff supporting the Chief Executive in delivering against the company's objectives. The Board is made up of nine Chief Executives from participating councils and one independent director. Refer Statutory Disclosure note page 46 for list of councils.

**MAIN SOURCE OF THE COMPANY'S CASH AND RESOURCES**

Annual operating contribution received from each of the nine councils and project commissions are the main source of funding.

**OUTPUTS**

As per the Statement of Intent and Performance.





**Statement of Accounting Policies****Statement of Accounting Policies for the Year Ended 30 June 2022****ACCOUNTING POLICIES APPLIED:*****BASIS OF PREPARATION***

The Board has elected to apply PBE SFR-A (PS) *Public Benefit Entity Simple Format Reporting – Accrual (Public Sector)* on the basis that the company does not have public accountability (as defined) and has total annual expenses less than \$2 million.

All transactions in the financial statements are reported using the accrual basis of accounting. The financial statements are presented in New Zealand dollars (\$) and all values are rounded to the nearest dollar. The functional currency of BOPLASS Ltd is New Zealand dollars.

The financial statements are prepared on the assumption that the company will continue to operate in the foreseeable future.

***SIGNIFICANT ACCOUNTING POLICIES***

There have been no changes to accounting policies during the reporting period.

***GOODS AND SERVICES TAX***

The company is registered for GST. All amounts in the financial Statements are recorded exclusive of GST, except for debtors and creditors which are stated inclusive of GST.

***REVENUE RECOGNITION***

Revenue is measured at the fair value of the consideration received or receivable.

Contributions received from the nine shareholder councils are BOPLASS Limited's primary source of funding for the 12 months ended 30 June 2022.

Council contributions are recognised as revenue when they become receivable unless there is an obligation to return the funds if conditions of the contributions are not met. No such obligation is attached to the council contributions received for the twelve months ended 30 June 2022.

Project revenue is recognised when the sale of goods or services is sold to the customer.

Interest revenue is recorded as it is earned during the year.



# **EMPLOYEE RELATED COSTS**

Wages, salaries, and annual leave are recorded as an expense as staff provide services and become entitled to wages, salaries and leave entitlements.

Performance payments are recorded when the employee is notified that the payment has been granted.

Superannuation contributions are recorded as an expense as staff provide services.

# **ADMINISTRATION, OVERHEADS AND PROJECT EXPENDITURE COSTS**

These are expensed when the related service has been received.

# **LEASE EXPENSES**

Lease payments are recognised as an expense on a straight-line basis over the lease term.

# **BANK ACCOUNTS AND CASH**

Bank accounts and cash comprise cash on hand, cheque or savings accounts, and deposits held at call with banks.

# **DEBTORS AND OTHER RECEIVABLES**

Debtors are initially recorded at the amount owed. When it is likely the amount owed (or some portion) will not be collected, a provision for impairment is recognised and the loss is recorded as a bad debt expense.

# **PLANT AND EQUIPMENT**

Plant and equipment is recorded at cost, less accumulated depreciation and impairment losses.

For an asset to be sold, the asset is impaired if the market price for an equivalent asset falls below its carrying amount. For an asset to be used by the company, the asset is impaired if the value to the company in using the asset falls below the carrying amount of the asset.

Depreciation is provided on a diminishing value basis over the estimated useful life, at the same rate as is allowed by the Income Tax Act 1994.



The useful lives for associated depreciation rates of other assets have been estimated using the diminishing value basis as follows:

Office equipment	5 years	20%
Computer equipment/ICN	4 years	25%
Mobile Phone	3 years	67%

#### **INTANGIBLE ASSETS**

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Costs associated with maintaining computer software are recognised as an expense when incurred.

The carrying value of an intangible asset with a finite life is amortised on a diminishing value basis over its estimated useful life, at the same rate as is allowed by the Income Tax Act 1994. This charge is recognised as an expense.

The useful lives for associated amortisation rates of major classes of intangible assets have been estimated using the diminishing basis as follows:

2021 Computer Software	2 years	50%
2020 Computer Software	2 years	50%

#### **CREDITORS AND ACCRUED EXPENSES**

Creditors and accrued expenses are measured at the amount owed.

#### **EMPLOYEE COSTS PAYABLE**

A liability for employee costs payable is recognised when an employee has earned the entitlement.

These include salaries and wages accrued up to balance date and annual leave earned but not yet taken at balance date. A liability and expense for long service leave and retirement gratuities is recognised when the entitlement becomes available to the employee.

#### **INTEREST BEARING LOANS AND BORROWINGS**

Loans & Borrowings are recognised at the amount borrowed from the lender.

Interest costs and interest accrued are recognised as an expense when incurred.





**INCOME TAX**

Tax expense is calculated using the taxes payable method. As a result, no allowance is made for deferred tax. Tax expense includes the current tax liability and adjustments to prior year tax liabilities.

**BUDGET FIGURES**

The budget figures are derived from the Statement of Intent as approved by the Board at the beginning of the financial year. The budget figures have been prepared in accordance with Tier 3 standards, using accounting policies that are consistent with those adopted by the Board in preparing these financial statements.

**COMMITMENT AND CONTINGENT LIABILITIES**

Commitments and contingencies are disclosed exclusive of GST.

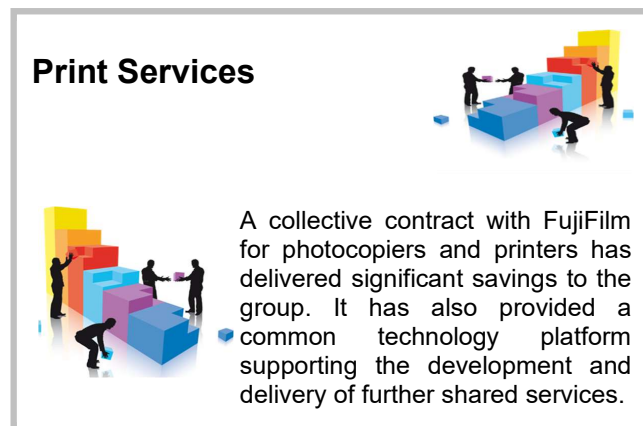
**EQUITY**

Equity is measured by the value of total assets less total liabilities.

**TIER 3 PBE ACCOUNTING STANDARDS APPLIED**

BOPLASS Ltd has applied Tier 3 Accounting Standards in preparing its Financial Statements to:

- Property, plant and equipment to show intangible assets separate from property, plant & equipment.
- Debtors and prepayments reported separately.



## Notes to Financial Statements

### NOTE 2: COUNCIL CONTRIBUTION / PROJECT REVENUE

	Notes	BOP LASS Ltd		
		2021/22 Actual	2021/22 Budget	2020/21 Actual
<b>Core Revenue</b>				
Council Contribution		306,140	306,139	298,672
		<b>306,140</b>	<b>306,139</b>	<b>298,672</b>
<b>Project Revenue</b>				
Rebates	*	3,188	2,500	7,878
Aerial Photography Revenue	**	688,275	300,000	468,937
Video Conferencing Revenue	***	26,145	30,500	40,562
Revenue - ICN	****	142,596	135,000	125,237
Recoveries	*****	735,151	680,000	576,285
Collaboration Portal Revenue	*****	36,700	45,000	35,700
		<b>1,632,054</b>	<b>1,193,000</b>	<b>1,254,599</b>
<b>TOTAL CORE AND PROJECT REVENUE</b>		<b>1,938,194</b>	<b>1,499,139</b>	<b>1,553,271</b>

- \* Rebates for Services contracted by BOP LASS Ltd are received from NZ Post Ltd and a final from CSG.
- \*\* Aerial Photography revenue is offset by Aerial Photography expenditure paid by BOP LASS Ltd on behalf of the councils. Refer to note 8.
- \*\*\* Video Conferencing Revenue is offset by Video Conferencing expenditure.
- \*\*\*\* ICN Revenue is offset by ICN expenditure.
- \*\*\*\*\* Recovery Revenue is offset by recovery expenditure refer to note 8. This is the recovery of BOP LASS project or procurement costs incurred on behalf of the participating councils.
- \*\*\*\*\* Collaboration Portal Revenue is offset by Collaboration Portal expenditure.

### NOTE 2.5: OTHER INCOME

	Notes	BOP LASS Ltd		
		2021/22 Actual	2021/22 Budget	2020/21 Actual
<b>Other Income</b>				
LINZ Grant	*	50,000	0	0
Reimbursement		0	0	173
<b>TOTAL OTHER INCOME</b>		<b>50,000</b>	<b>0</b>	<b>173</b>

- \* A one-off \$50,000 contribution to the BOP LASS aerial imagery programme received from LINZ.

### NOTE 3: INTEREST REVENUE

	Notes	BOP LASS Ltd		
		2021/22 Actual	2021/22 Budget	2020/21 Actual
<b>Core Revenue</b>				
Interest Revenue - Current account		640	200	73
<b>Project Revenue</b>				
Interest Revenue - Aerial Trust account		8,784	6,000	9,208
<b>TOTAL INTEREST REVENUE</b>		<b>9,425</b>	<b>6,200</b>	<b>9,281</b>



**NOTE 4: DEPRECIATION AND AMORTISATION EXPENSE**

	Notes	BOP LASS Ltd		
		2021/22 Actual	2021/22 Budget	2020/21 Actual
<b>Core Expenditure</b>				
Intangibles	*	3,138	5,000	4,415
Plant and Equipment	**	4,217	650	650
<b>TOTAL DEPRECIATION AND AMORTISATION EXPENSE</b>		<b>7,355.2</b>	<b>5,650</b>	<b>5,065</b>

\* Intangibles refer to note 13.

\*\* Plant and Equipment refer to note 14.

**NOTE 5: EMPLOYEE RELATED COSTS**

	Notes	BOP LASS Ltd		
		2021/22 Actual	2021/22 Budget	2020/21 Actual
<b>Core Expenditure</b>				
Salary and Wages		271,338	261,500	211,649
Superannuation	*	18,813	0	16,863
Direct Personnel Overheads	**	22,837	23,300	28,130
<b>TOTAL EMPLOYEE RELATED COSTS</b>		<b>312,989</b>	<b>284,800</b>	<b>256,642</b>

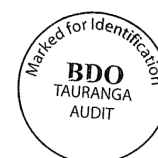
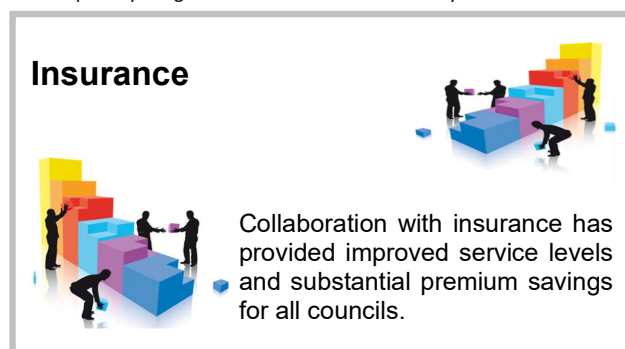
\* Superannuation includes employer contributions to Kiwisaver.

\*\* Direct Personnel Overheads include ACC, Fringe Benefit Tax, staff training costs and other staff support costs.

**NOTE 6: DIRECTORS COSTS**

	Notes	BOP LASS Ltd		
		2021/22 Actual	2021/22 Budget	2020/21 Actual
<b>Core Expenditure</b>				
Directors Costs (Fees & Travel)	*	18,000	21,000	16,871
<b>TOTAL DIRECTORS COSTS</b>		<b>18,000</b>	<b>21,000</b>	<b>16,871</b>

\* Craig O'Connell is the only independent paid Director, commenced February 2015. The other nine Directors are the Chief Executives of participating Councils and do not receive any remuneration from BOP LASS.



**NOTE 7: FINANCE COST**

	Notes	BOP LASS Ltd		
		2021/22 Actual	2021/22 Budget	2020/21 Actual
<b>Core Expenditure</b>				
Interest on Borrowings	*	0	500	0
<b>TOTAL FINANCE COST</b>		<b>0</b>	<b>500</b>	<b>0</b>

\* Interest on Tauranga City Council loan refer to note 18.

**NOTE 8: OTHER EXPENSES**

	Notes	BOP LASS Ltd		
		2021/22 Actual	2021/22 Budget	2020/21 Actual
<b>Core Expenditure</b>				
Audit Fees	*	21,277	20,700	26,831
Administration Expenses	**	14,814	17,300	14,204
Consultancy	***	8,250	5,300	7,600
General Costs	****	5,320	10,200	7,464
Insurance		9,860	9,500	9,453
Loss on Disposal of Asset		0	0	0
		<b>59,521</b>	<b>63,000</b>	<b>65,552</b>
<b>Project Expenditure</b>				
Aerial Photography	*	688,275	300,000	468,937
Video Conferencing	**	26,145	28,670	45,238
Inter Council Network (ICN)	**	108,582	129,600	115,574
Recoveries	***	742,601	646,000	545,221
Collaboration Portal Opex	****	21,985	26,119	19,499
		<b>1,587,588</b>	<b>1,130,389</b>	<b>1,194,469</b>
<b>TOTAL OTHER EXPENSES</b>		<b>1,647,109</b>	<b>1,193,389</b>	<b>1,260,021</b>

Core

\* Audit Fees for 2022 are \$21,277

\*\* Administration Expenses

\*\*\* Consultancy includes tax advice for both 2021 and 2022

\*\*\*\* Accommodation & Travel, Bank Fees, Conferences, General Expenses, Health & Safety, Legal, Subscriptions

Project

\* BOPLASS Ltd has a contract for aerial photography on behalf of the councils. This expenditure is offset from the revenue received from the councils. BOPLASS Ltd is acting on behalf of the councils.

\*\* ICN Expenses. This expenditure is offset from the revenue received from the councils. BOPLASS Ltd is acting on behalf of the councils.

\*\*\* Recoveries - This expenditure is offset from the revenue received from the councils for project work.

\*\*\*\* Collaboration Portal Opex - to assist in accelerating growth of shared service strategies and projects throughout local government in New Zealand by increasing visibility of councils' opportunities to collaborate.





**NOTE 9: INCOME TAX EXPENSE**

	Notes	BOP LASS Ltd	
		2021/2022 Actual	2020/21 Actual
<b>Components of tax expense</b>			
Current Tax Expense		0	0
Adjustments to current tax in prior years		5,921	0
Tax Expense		0	0
<b>INCOME TAX EXPENSE</b>		<b>5,921</b>	<b>0</b>
<b>Relationship between tax expense and accounting profit</b>			
Net surplus (deficit) before Taxation*		12,165	3,602
Tax calculation @ 28%		3,406	1,009
Plus/(Less) Taxation effect of:		0	0
Non-deductible Expenditure		278,706	215,060
Imputation credit adjustment		0	0
Non-taxable (income)/expenditure		(278,436)	(214,931)
Prior Period Adjustment		5,921	0
Group loss offset		0	0
Tax Losses not recognised		0	0
Deferred tax adjustment		(3,676)	(4,605)
<b>TOTAL INCOME TAX EXPENSE</b>		<b>5,921</b>	<b>(3,467)</b>

Tax losses of \$1,540 are available to carry forward and offset against any future taxable income

## Joint Procurement



The procurement of services or products by two or more councils, from an external provider regardless of whether the service is paid for through BOPLASS or individually by participating councils.



**NOTE 10: BANK ACCOUNTS, CASH AND OTHER FINANCIAL ASSETS**

	Notes	BOP LASS Ltd	
		2021/22 Actual	2020/21 Actual
Cash at Bank - Current account		361,609	16,759
Cash at Bank - Aerial Trust account		8,976	351,958
Term Deposit 182 days @ 2.00% Maturing 10 October 2022		300,000	300,000
Term Deposit 180 days @ 0.90% Maturing 09 August 2021		0	250,000
Term Deposit 182 days @ 1.60% Maturing 05 September 2022		250,000	250,000
<b>TOTAL BANK ACCOUNTS AND CASH</b>		<b>920,585</b>	<b>1,168,717</b>

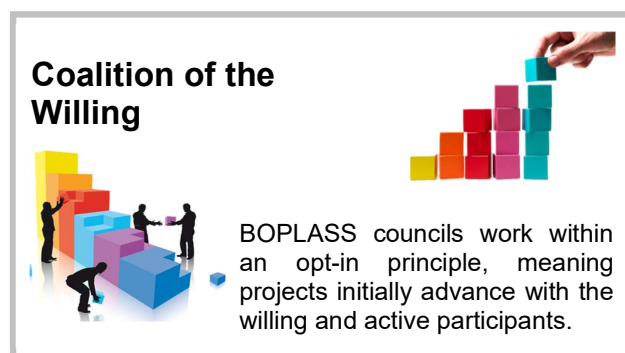
**NOTE 11: DEBTORS AND OTHER RECEIVABLES**

	Notes	BOP LASS Ltd	
		2021/22 Actual	2020/21 Actual
Debtors – Other		3,457	78,993
Goods and Services		22,999	14,330
Accrued Revenue		118,890	124,906
Tax (Payable) / Receivable		7,941	10,960
<b>TOTAL DEBTORS AND OTHER RECEIVABLES</b>		<b>153,287</b>	<b>229,189</b>

Debtors are non-interest bearing and receipt is normally 30-day terms. Therefore, the carrying figure of debtors approximates their fair value.

**NOTE 12: PREPAYMENTS**

	Notes	BOP LASS Ltd	
		2021/22 Actual	2020/21 Actual
Under 1 Year		116,891	80,129
<b>TOTAL PREPAYMENTS</b>		<b>116,891</b>	<b>80,129</b>



**NOTE 13: INTANGIBLE ASSETS**

	Notes	BOP LASS Ltd	
		2021/22 Actual	2020/21 Actual
<b>Computer Software</b>			
<b>Cost</b>			
Cost at beginning of Year		79,174	79,174
Current Year Additions		0	0
Current Year Disposals		0	0
<b>Cost Balance at Year End</b>		<b>79,174</b>	<b>79,174</b>
<b>Accumulated Amortisation and Impairment</b>			
Cost at beginning of Year		(66,696)	(62,281)
Amortisation Expense		(3,139)	(4,415)
Impairment Losses			
<b>Accumulated Amortisation and Impairment Balance at Year End</b>		<b>(69,835)</b>	<b>(66,696)</b>
<b>Carrying Amounts</b>			
Cost at beginning of Year		12,478	16,893
<b>Carrying Amount at Year End</b>		<b>9,340</b>	<b>12,478</b>

Amortisation Expense was at varying rates between 15% to 60%.

No impairment losses have been recognised for intangible assets.

**NOTE 14: PLANT AND EQUIPMENT**

	Notes	BOP LASS Ltd	
		2021/22 Actual	2020/21 Actual
<b>Office and Computer Equipment</b>			
<b>Cost</b>			
Cost at beginning of Year		4,516	3,995
Current Year Additions	*	25,097	1,737
Current Year Disposals		0	(1,216)
<b>Cost Balance at Year End</b>		<b>29,613</b>	<b>4,516</b>
<b>Accumulated Depreciation and Impairment</b>			
Cost at beginning of Year		(2,635)	(1,919)
Depreciation Expense		(4,217)	(650)
Impairment Losses		0	0
Loss on Disposal of Asset		0	(65)
<b>Accumulated Depreciation and Impairment Balance at Year End</b>		<b>(6,852)</b>	<b>(2,634)</b>
<b>Carrying Amounts</b>			
Cost at beginning of Year		1,882	859
<b>Carrying Amount at Year End</b>		<b>22,762</b>	<b>1,882</b>

Office equipment has been depreciated over its life (5 years).

Computer equipment has been depreciated over its life (4 years). Mobile Phone (3 years).

Asset Additions

- \* Inter Council Network – BOPLASS manages a high-speed fibre-based wide-area network which used to be managed and maintained by multiple service providers. The move towards maintaining this inhouse has resulted in various bits of equipment and consultancy expenses being recognised as an asset that will be depreciated over 4 years.



**NOTE 15: CREDITORS AND ACCRUED EXPENSES**

	Notes	BOP LASS Ltd	
		2021/22 Actual	2020/21 Actual
ANZ Business Credit Card		3,887	2,909
Creditors		194,596	235,997
Accrued Expenses	*	25,497	17,941
Goods and Services Tax Payable		0	0
Retentions		57,172	21,005
<b>TOTAL CREDITORS AND ACCRUED EXPENSES</b>		<b>281,151</b>	<b>277,852</b>

ANZ Business Credit Card facilities were arranged primarily to pay international accounts for software to reduce the fees charged and to improve expense processes and reporting.

Creditors are non-interest bearing and are normally settled on 30-day terms. Therefore, the carrying value of creditors and other payables approximates their fair value.

\* Accrued Expenses relates to Audit Fees of \$24,537 and FBT \$960 that have been accrued for the 2022/23 financial year.

**NOTE 16: EMPLOYEE COSTS PAYABLE**

	Notes	BOP LASS Ltd	
		2021/22 Actual	2020/21 Actual
Accrued Salaries and Wages		7,295	7,979
Annual Leave		11,222	1,002
PAYE		12,553	8,591
<b>TOTAL EMPLOYEE COSTS PAYABLE</b>		<b>31,070</b>	<b>17,572</b>

**NOTE 17: INCOME IN ADVANCE**

	Notes	BOP LASS Ltd	
		2021/22 Actual	2020/21 Actual
Income in Advance	*	858,574	1,151,145
<b>TOTAL INCOME IN ADVANCE</b>		<b>858,574</b>	<b>1,151,145</b>

\* Income in advance that relates to 2022/23 financial year:  
 \$759,348 is for aerial photography;  
 \$49,999 is for Proof of Concept budget for OpsCom Projects  
 \$33,257 Solid Waste;  
 \$10,266 is for the Geospatial Web project;  
 \$3,109 is for NZ Archaeological Association membership fee  
 \$2,595 is for standards NZ license





**NOTE 18: BORROWINGS**

	Notes	BOP LASS Ltd	
		2021/22 Actual	2020/21 Actual
Maturing in Under 1 Year		0	0
<b>TOTAL BORROWINGS</b>		<b>0</b>	<b>0</b>

BOPLASS Ltd has a reciprocal borrowing arrangement with Tauranga City Council which allows for the borrowing of funds and placement of excess funds. The current loan balance as at 30 June 2022 is \$NIL. Interest is accrued during each interest period.

This loan facility is still available to BOPLASS Ltd.

Interest is calculated at current market rates. The loan from Tauranga City Council is unsecured.

**NOTE 19: EQUITY**

	Notes	BOP LASS Ltd	
		2021/22 Actual	2020/21 Actual
<b>Share Capital</b>			
Balance at beginning of Year		99,002	99,002
Fully Paid up Shares		0	0
<b>Balance at Year End</b>		<b>99,002</b>	<b>99,002</b>
<b>Accumulated Surpluses/(Deficit)</b>			
Balance at beginning of Year		(53,176)	(69,146)
Surplus/(Deficit) after Taxation		6,244	15,970
<b>Balance at Year End</b>		<b>(46,932)</b>	<b>(53,176)</b>

**Share Capital** - As at 30 June 2022, share capital comprised of thirty-one Ordinary Shares and twenty-two Non-Voting Shares.

The holders of the ordinary shares are entitled to receive dividends as declared from time to time, are entitled to one vote per share at meetings of the Company and rank equally regarding the Company's residual assets.

**Dividends** - No dividends have been paid or are proposed by the Company.

**NOTE 20: CONTINGENCIES**

BOPLASS Ltd have no contingencies at year end and that there were no contingencies for prior year.

**NOTE 21: EVENTS OCCURRING AFTER BALANCE DAY**

No events have occurred since balance date for BOPLASS Ltd.



**NOTE 22: STATEMENT OF COMMITMENTS**

	Notes	BOP LASS Ltd	
		2021/22 Actual	2020/21 Actual
Capital Commitments		0	0
<b>TOTAL CAPITAL COMMITMENTS</b>		<b>0</b>	<b>0</b>

This statement represents extraordinary or exceptionally large commitments for that type of expenditure within the normal course of business, which have been contractually entered. As at balance date, BOPLASS Ltd has no large commitments of this nature.

BOPLASS Ltd has a contractual agreement with AAM Limited and Aerial Surveys Ltd to provide aerial photos for the councils. This is treated as an operational expense in the BOPLASS Ltd accounts.

OPERATING LEASES AS LESSEE	Notes	BOP LASS Ltd	
		2021/22 Actual	2020/21 Actual
Not later than one year		0	0
Later than one year and not later than five years		0	0
Later than five years		0	0
<b>TOTAL OPERATING LEASES AS LESSEE</b>		<b>0</b>	<b>0</b>

The expense of \$108,582 for the Inter Council Network is recognised in the Statement of Financial Performance refer to note 8. Participating councils are invoiced by BOPLASS Ltd on a quarterly basis to recover the costs of the Inter Council Network. The pricing is reviewable not less than annually and adjustments are to be made for market trends and for the number of councils participating.

RECOVERY OF OPERATING LEASES PAYMENTS FROM PARTICIPATING COUNCILS	Notes	BOP LASS Ltd	
		2021/22 Actual	2020/21 Actual
Not later than one year		0	0
Later than one year and not later than five years		0	0
Later than five years		0	0
<b>TOTAL OPERATING LEASES AS LESSOR</b>		<b>0</b>	<b>0</b>

## Video Conferencing



Distance and travel time are a significant cost. BOPLASS has assisted councils to implement video conferencing to make activities more efficient.



**NOTE 23: RELATED-PARTY TRANSACTIONS**

Related-party disclosures have not been made for transactions with related parties that are within a normal supplier or client / recipient relationship on terms and conditions no more or less favourable than those that it is reasonable to expect the company would have adopted in dealing with the party at arm's length in the same circumstances.

**Related party required to be disclosed**

Tauranga City Council provided accounting services to BOPLASS Ltd during the financial year to 30 June 2022 free of charge. An estimated value of the accounting services provided for the year is \$15,000.

**NOTE 24: STATEMENT OF PERFORMANCE AGAINST STATEMENT OF INTENT**

The Equity Ratio is a good indicator of the level of leverage used by a company. The Equity Ratio measures the proportion of the total assets that are financed by stockholders and not creditors.

The calculation of equity ratio is:

2022: 4.32% (2021: 3.07%)

**NOTE 25: EXPLANATIONS OF MAJOR VARIANCES AGAINST BUDGET**

BOP LASS Ltd	
Statement of Financial Performance	Variance against Budget
Other Income (Note 2.5)	Land Information New Zealand provided funding which was unexpected at the time of budget
Aerial Photography Revenue and Expenditure (Note 2)	Suppliers have been able to complete more work then expected as a result revenue and expenses have increase proportionally
Collaboration Portal (Note 2)	Collaboration Portal revenue and expenses have decreased proportionally through various cost saving activities
ICN Expenditure (Note 8)	ICN expenditure has decreased due to the capital recognition of \$25,097 which will be depreciated over 4 years. (Note 14)
Video Conference Revenue and Expenditure (Note 2)	Fewer video conference services purchased, decreasing expenditure and revenue against budget.
Recoveries and Projects – Recoveries (Note 2)	Project timing is often impacted by reprioritisation of workstreams and effects the Project Recoveries and Expenditure. Both the expense and revenue remained proportional.
Interest Revenue (Note 3)	Increasing interest rates have has resulted in the increase we see in bank interest.



**NOTE 26: BOPLASS CONTRACTUAL OFFSETTING REVENUE & EXPENDITURE TRANSACTIONS**

	BOP LASS Ltd 2021/22			
	Revenue	Expenditure	Net Operating Surplus/(Deficit)	Explanation
<b>Core</b>				
Council Contribution	306,140	0	306,140	BOPLASS Ltd receives funds from nine councils to fund administrative costs not related to projects. Includes CPI Adjustment.
Interest Revenue	640	0	640	Refer Note 3.
Other Income – Reimbursement	50,000	0	50,000	Refer Note 2.5.
Depreciation & Amortisation	0	7,355	(7,355)	Refer to note 4.
Salary and Wages	0	271,338	(271,338)	Refer to note 5.
Superannuation	0	18,813	(18,813)	Refer to note 5.
Direct Personnel				
Overheads	0	22,837	(22,837)	Refer to note 5.
Directors Fees & Costs	0	18,000	(18,000)	Refer to note 6.
Administration Expenses	0	14,814	(14,814)	Refer to note 8.
Audit Fees	0	21,277	(21,277)	Refer to note 8.
Consultancy	0	8,250	(8,250)	Refer to note 8.
Insurance	0	9,860	(9,860)	Refer to note 8.
General	0	5,320	(5,320)	Refer to Note 8.
Tax Expense	0	5,921	(5,921)	Refer to Note 9.
<b>Total</b>	<b>356,780</b>	<b>403,785</b>	<b>(47,005)</b>	
<b>Projects</b>				
Aerial Photography	688,275	688,275	0	Participating councils are invoiced by BOPLASS Ltd and AAM Ltd is paid as percentages of the work on the project are completed.
Interest Revenue related to Aerial Photography	8,784	0	8,784	Bank interest received on the BOPLASS Ltd Aerial Photography Trust account. Refer to Note 3.
Canon Video Conferencing	26,145	26,145	0	Councils pay BOPLASS Ltd an amount charged by Canon plus an administrative fee for BOPLASS Ltd maintaining a service and maintenance contract on behalf of the councils.
Inter Council Network	142,596	108,582	34,014	Participating councils are invoiced by BOPLASS Ltd on a quarterly basis to recover the cost for the Inter Council Regional Network Platform. ICN revenue includes recovery of other operating expenditure - ICN, interest on borrowings - ICN loan and BOPLASS Ltd administration fees.
ESRI Enterprise Licence (Recoveries)	374,500	370,800	3,700	BOPLASS charges an administration fee for management of the software purchase and recoveries.
Other Recoveries	360,651	371,801	(11,151)	Includes recovery and administration fees for ad-hoc projects.
.../ continued				





Rebates	3,188	0	3,188	Rebates earned by BOPLASS from CSG Technology and NZ Post Ltd.
Collaboration Portal	36,700	21,985	14,715	The Portal is to assist in accelerating growth of shared service strategies and projects throughout local government in New Zealand by increasing visibility of councils' opportunities to collaborate. Membership Revenue lower than expected.
<b>Total</b>	<b>1,640,838</b>	<b>1,587,589</b>	<b>53,249</b>	

<b>Overall Total</b>	<b>1,997,619</b>	<b>1,991,375</b>	<b>6,244</b>	
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**BOP LASS Ltd 2020/21**

	BOP LASS Ltd 2020/21		
	Revenue	Expenditure	Net Operating Surplus/(Deficit)
<b>Core</b>			
Council Contribution	298,672	0	298,672
Interest Revenue	73	0	73
Other Income – Reimbursement	173	0	173
Depreciation & Amortisation	0	5,065	(5,065)
Salary and Wages	0	211,649	(211,649)
Superannuation	0	16,863	(16,863)
Direct Personnel Overheads	0	28,130	(28,130)
Directors Fees & Costs	0	16,871	(16,871)
Administration Expenses	0	14,204	(14,204)
Audit Fees	0	26,831	(26,831)
Consultancy	0	7,600	(7,600)
Insurance	0	9,453	(9,453)
General	0	7,464	(7,464)
Tax Expense	0	8,155	(8,155)
<b>Total</b>	<b>298,918</b>	<b>352,285</b>	<b>(53,367)</b>
<b>Projects</b>			
Aerial Photography	468,937	468,937	0
Interest Revenue related to Aerial Photography	9,208	0	9,208
Canon Video Conferencing	40,562	45,238	(4,676)
Inter Council Network	125,237	115,574	9,663
ESRI Enterprise Licence (Recoveries)	374,500	370,800	3,700
Other Recoveries	201,784	174,421	27,363
Rebates	7,878	0	7,878
Collaboration Portal	35,700	19,499	16,201
<b>Total</b>	<b>1,263,806</b>	<b>1,194,469</b>	<b>69,337</b>
<b>Overall Total</b>	<b>1,562,724</b>	<b>1,546,754</b>	<b>15,970</b>



## Statutory Disclosures

### as per section 211 (1) of the Companies Act (1993)

#### NATURE OF BUSINESS

There has been no change in the nature of the business of the company during the year.

#### DIRECTORS APPOINTED

Under the Shareholder Agreement directors are appointed by the constituent councils. Directors and their dates of appointment are as follows:

Independent director	Craig O'Connell	26 February 2015 Chair from 16 March 2016
Kawerau District Council	Russell George	14 January 2008
Bay of Plenty Regional Council	Fiona McTavish	30 June 2018
Western Bay of Plenty District Council	Miriam Taris	1 July 2014 until 18 July 2021
	John Holyoake	19 July 2021
Rotorua Lakes Council	Geoff Williams	1 July 2013
Whakatane District Council	Stephanie O'Sullivan	19 November 2018
Tauranga City Council	Martin Grenfell	3 September 2018
Taupo District Council	Gareth Green	26 July 2016
Gisborne District Council	Nedine Thatcher-Swann	13 March 2017
Opotiki District Council	Aileen Lawrie	10 August 2010 until 26 July 2022
	Miles McConway	16 August 2022

#### INTEREST REGISTER

There have been no disclosures of self-interest during the period.

#### DIRECTORS REMUNERATION

In February 2015 the Board appointed an independent director. The independent director receives remuneration and is reimbursed for related expenses. No remuneration had been paid to other directors.

#### DONATIONS

There were no donations made by the company during the period.



**Additional Disclosures****Impact of COVID-19****BACKGROUND**

Given the current environment caused by the impact of COVID-19, many local government organisations face an unprecedented level of uncertainty about the economy, future revenue and asset and liability values. We have remained cognisant of this potential impact on both BOPLASS and our shareholding councils in the preparation of the BOPLASS financial statements.

We have taken a number of measures to monitor and mitigate the effects of COVID-19, such as health and safety measures for our people (e.g. social distancing and working from home) and continuing to engage with our suppliers and our constituent councils through video conferencing.

The impact on our business and results has not been significant and, based upon our experience to date, we expect this to remain the case. As we operate predominately in the delivery of back of office services, during COVID-19 we have found increased demand for some of our collaborative solutions, and we expect this to continue.

**ASSUMPTIONS**

While there is always a possibility of some form of commercial implication for BOPLASS, the risk is considered to be very low as the company remains focused on delivering cost-savings and collective benefits to the councils – services of key importance to our shareholders.

Despite the impact of COVID-19 on much of the New Zealand economy, there has been no change in the nature or capacity of the company's business during the 2021-22 financial year and we don't expect this to change in the future. The company has remained on target with the delivery of all projects, with BOPLASS staff able to continue to operate effectively while working remotely during the various government imposed alert levels.

Travel restrictions, lockdowns, and working from home meant that less face-to-face meetings were undertaken in the 2021-22 year, and this resulted in the performance target of meeting with each executive team not being achieved. We accept this under the circumstances and plan to complete engagements early in the new financial year.



Despite the lockdown periods BOPLASS was able to continue with all financial reporting and reporting against performance indicators. Governance meetings were held, and regular engagement continued with shareholding councils.

The BOPLASS financial statements have been prepared with the judgement and assumption that COVID-19 has not, and will not, have an adverse impact on the organisation's workstreams or the level of engagement from our shareholding councils. Therefore, when preparing the financial statements there has been no material adjustments made to the carrying amounts of assets and liabilities within the current or future financial years.

- BOPLASS has minimal assets, and the value of those assets will not be impacted by COVID-19.
- There has been no impact from COVID-19 on the company's liquidity and we don't expect there to be future change.
- Project revenue is generated directly by councils' participation in collective contracts or projects. The core BOPLASS principle remains in place that the company will not enter into supplier contracts or commitments without first gaining agreement and financial commitment from participating councils.
- Letters of Support have been provided to BOPLASS by our shareholding councils, providing financial surety for the current and future financial year.
- The level of business for BOPLASS will continue as forecast and may, in some circumstances, create further opportunities.
- BOPLASS current and future performance targets will not be adjusted as a result of COVID-19.

Based on the circumstances described above, the financial statements have been prepared on the assumption that any impacts on BOPLASS from COVID-19 are minimal and the company will continue to operate as a going concern.

We will continue to follow the various government policies and advice, while at the same time doing our utmost to continue our operations in the best and safest way possible without jeopardising the health or wellbeing of our staff.





**9.4 RISK AND ASSURANCE REPORT FEBRUARY 2023****File Number:** A5014203**Author:** Ernest Bernard, Risk and Assurance Manager**Authoriser:** Azoora Ali, Chief Financial Officer**EXECUTIVE SUMMARY**

The Risk and Assurance report is to provide the committee information on the risk management and internal audit activities since the last Audit and Risk Committee (now known as the Audit, Risk and Finance Committee) in August 2022.

**RECOMMENDATION**

That the Risk and Assurance Manager's report dated 27 February 2023 titled 'Risk and Assurance Report February 2023' received.

**BACKGROUND**

1. The Risk and Assurance Report February 2023 provides and update on :-
  - KPMG Post Risk Workshop recommendations from the roadmap and the work programme put together for the recommendations (covered in the Risk Management Work Programme)
  - WBOPDC Strategic Risk Register
  - Infrastructure Operational Risk Register
  - The Risk Management Work Programme.
  - Internal Audit Plan 2022/23 to 2025/26
2. The Risk and Assurance team are currently working with KPMG to review its draft risk management framework and risk management policy. Following the outcome of the review, any recommendations/improvements made to the draft will be carried out and then presented to SLT. The proposed risk management framework will be presented to the Committee for approval to adopt on the 23<sup>rd</sup> of May ARFC meeting.
3. The proposed Internal Audit Plan is a 3-year rolling plan. The plan covers key risks areas through a process of risk identification, treatment and ongoing exposure at Chief Executive, General Manager and Unit Manager's meetings to identify and evaluate updates and changes to risks and associated mitigations. The Internal Audit Plan was reviewed by KPMG and the plan reflects some of the key areas of risks that they have identified for WBOPDC.

4. The details of the proposed Internal Audit plan for FY23/24 review objective and scope for the selected key risks areas for FY23/24 will be presented verbally at the Committee meeting.
5. This is a draft of the internal audit plan. After discussion of the plan with ARFC and senior leadership team workshop, the final plan will then be presented on the 23<sup>rd</sup> of May 23 to ARFC for its approval for adoption on the 1<sup>st</sup> of July 23, noting that this will be reviewed regularly to accommodate for emerging risks.

### ATTACHMENTS

1. **Risk and Assurance Report February 2023**  



Mā tō tātou takiwā  
**For our District**

Audit, Risk and Finance  
Committee

Risk and Assurance Report  
February 2023



**Western  
Bay of Plenty**  
District Council

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2.2 Assurance Plan Summary	14



## 1. Risk Management

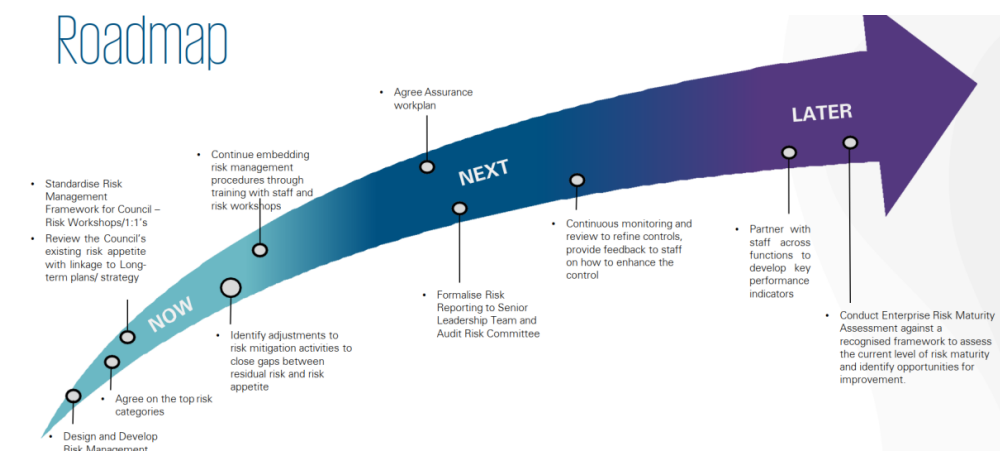
### 1.1 Purpose of Report

This report is to provide an update on: -

- KPMG Post Risk Workshop recommendations and progress to maturity of the roadmap (covered in the Risk Management Work Programme)
- WBOPDC Strategic Risk Register
- Infrastructure Operational Risk Register
- The Risk Management Work Programme

### 1.2 Background

WBOPDC has a Strategic Risk Register identifying its top 8 risks. The Strategic Risk Register is what SLT believes to be their top 8 risks as of May 2022. The Strategic Risk Register will be revisited in March 2023 with SLT to update the register and identify any new strategic risks.



## 1.3 Strategic Risk Register

### Purpose

The Council's Strategic Risk Register has been implemented to ensure that:

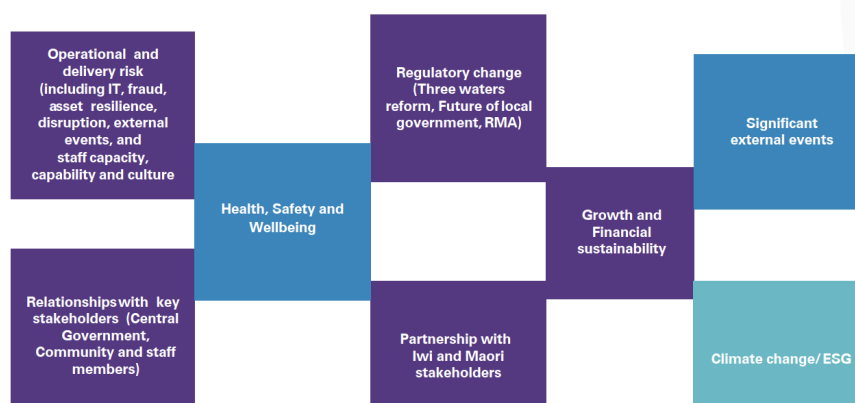
- Strategic risks are identified.
- Strategic risks are assessed – Inherent Rating (in the absence of controls).
- Effectiveness of existing controls is evaluated.
- Residual risk is assessed.
- Risk treatment options are considered.
- Target Risk is assessed.
- Actions are determined and prioritised.
- Action plans are implemented within a certain timeframe.

Improving Council's capability and maturity in risk management supports the direction of Future Ready Together, Council's strategic plan for its internal services activities. The Strategic Risk Register covers risks relating to the growth and performance of the Western Bay of Plenty District Council.

The Strategic Risk Register will be reviewed every quarter by the Senior Leadership Team for their respective areas, to:

- Identify new risks if any.
- Reassess if ratings need to change for existing risks, assess whether the residual risks are exceeding Council's risk appetite and intervene accordingly.
- Add/update controls, prioritize and assign actions.
- Monitor performance of controls and action plans for effectiveness.

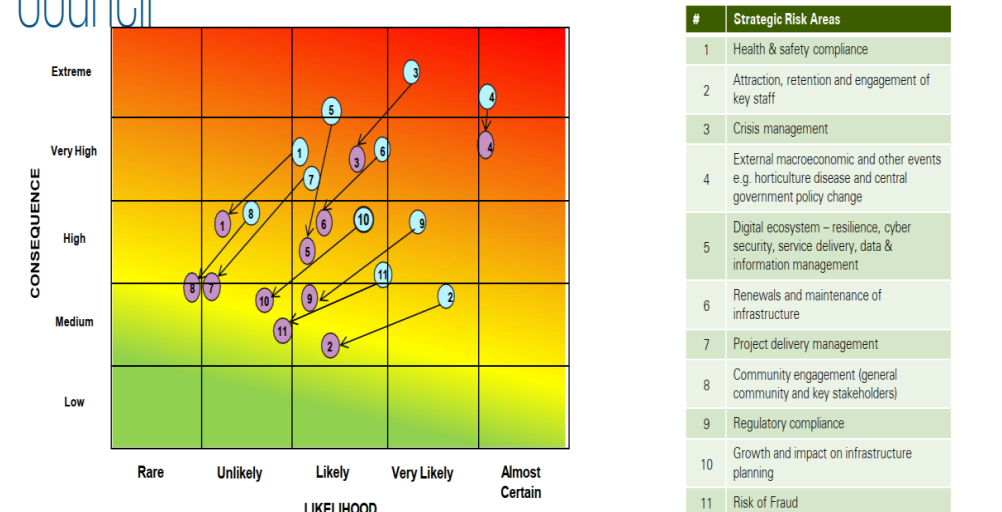
### Risk categories agreed by Councillors



Risk name and description	Risk owner	Risk settings	Risk appetite rationale
<b>Operational risk</b> The risk of delay or inability to deliver and execute on projects or services provided by the Council or regular Council operations as a result of the failure of internal processes or controls, systems, or inadequate staff members available. This may result in financial losses and loss of reputation from IT/cyber risk events, fraud events, internal process/control failure, and inadequate or inappropriate people capacity, capability, and culture.	Group Manager - Finance and Technology Services  Group Manager - Infrastructure Services for project delivery risks and asset resilience		Delivery of key projects and the long-term plan is critical to the achievement of planned community outcomes and is central to the key strategic vision of the Council. The Council has a 'Low' risk appetite for the management of operational risk which could cause potential delays in project delivery, impact the Council's operations, quality of service delivery, and result in failure to meet community expectations.
<b>Health, Safety and Wellbeing</b> The risk of harm, injury or illness of employees, contractors, volunteers or community members accessing the Council's premises, sites, or events, and not meeting legal HSW requirements, as a result of an unsafe work environment and failure to meet workplace obligations. This could potentially lead to death or serious harm or injury, adverse impacts on staff/contractor mental health and well-being, financial losses, and (costs for) fines and reputational damage.	Group Manager - Finance and Technology Services		The Council understands the importance of providing a safe working environment to its employees, contractors, volunteers, and members of the community and ensuring that everyone is adequately supported during stressful times (like the current pandemic). The Council recognises this as its key priority and has a 'Low' risk appetite for the risk, considering some risks will be outside of its ability to control. Health, Safety and Wellbeing risks will not be traded-off while delivering on its strategic objectives.
<b>Relationships with key stakeholders (Central Government and Community)</b> WBOPDC's inability to maintain a strong strategic relationship with the Central Government, its agencies, and the wider Community. This may potentially lead to a loss of opportunities, the ability to adequately influence, respond and adapt to the changing and complex government reforms and community expectations, and deliver on the Council's long-term plan outcomes.	TBA		The Council aims to have an increased engagement with the community to be able to understand, identify, manage and deliver on their expectations and develop a strong relationship. This reflects in the Council's 'Low' risk appetite. Further, the Council targets to improve and establish a strategic relationship with Central Government and key government agencies to gain additional insights and guidance to anticipate and support potential opportunities for development in the region, and has a 'Medium' risk appetite for managing the risk.
<b>Partnership with Iwi and Mana Whenua</b> There is a risk that WBOPDC doesn't deliver on the commitments to Iwi/Tangata Whenua (supporting Maori and Iwi businesses through social procurement), treaty principles and obligations, and fails to maintain a trusted relationship with Iwi and Maori communities and meet their expectations resulting in loss of reputation and failure to deliver on key projects.	Group Manager - Policy Planning and Regulatory Services		The Council has the ambition to prioritise and build upon the key relationships with Iwi and Maori stakeholders. This is important to deliver on the Council's strategy and long-term plan but will need to be balanced with the wider community plans and expectations. The Council has a 'Medium-High' risk appetite for managing the risk.
<b>Climate change</b> The failure to adequately identify, understand, address and respond to climate change regulations, reforms, and requirements including reducing greenhouse gas emissions, and considering the wider impacts prior to providing the consent under Resource Management Act, Building Act, and similar legislations.	Group Manager - Policy Planning and Regulatory Services  Group Manager - Infrastructure Services		Currently, there is still uncertainty about the government response and expectations relating to climate change to enable the Council to appropriately plan its response. The Council recognises the importance of increasing focus on climate change risks and is determined to support the identification of climate change risk, monitoring and assessing the impact. This drives the Council's 'Medium' risk appetite.
<b>Growth and financial sustainability</b> The risk that WBOPDC is unable to manage financial risks resulting from growth opportunities and therefore has a significant impact on Council's ability to deliver and execute its district growth objectives.	Group Manager - Finance and Technology Services		Effective management of funds and ensuring financial sustainability is fundamental to successfully delivering on the Council's growth objectives and long-term plan for the region and meeting the desired community outcomes. The Council has a conservative approach to its financial strategy considering the limited opportunity for obtaining additional funding support from the government. The Council has a 'Low-Medium' risk appetite for the risk and will need to be balanced with the delivery and achievement of the planned growth outcomes.
<b>Regulatory change (Three waters reform, Future of local government, RMA)</b> There is a risk that Council does not identify, understand the impact, advocate and respond to the changing regulatory reforms being considered by the Government. This also extends in the impact these new requirements has on delivery of current priorities. The risk could potentially impact the Council's operations and its ability to re-prioritise and allocate adequate resources to meet the changing expectations resulting in delay in projects, delivery of services, reputational loss, failure to meet the government expectations and non-compliance with regulatory requirements.	Group Manager - Policy Planning and Regulatory Services for developing the strategy and making informed decisions for the project.  Group Manager - Infrastructure Services for implementation of the regulatory reforms including Three Waters.		The Council acknowledges and anticipates an increase in the legislative changes being introduced by the Central Government and these can have a significant impact on the Council's strategy. The Council has a 'High' risk appetite which reflects a limited ability to control the changes being introduced and its aim to engage early on to support sector advocacy on key topics and work closely with the government agencies to understand the planned changes and their impacts.
<b>Significant external events</b> WBOPDC's failure to appropriate design, prepare and execute on its Business Continuity Plan and/or Crisis Management Plan while responding to significant external events (including natural calamities, pandemic, and other macro-economic events) which may have a potential impact on the Council's ability to provide its services and continued impact on its operations.	Group Manager - Finance and Technology Services for business continuity.  Group Manager - Infrastructure Services for crisis management to develop and respond to significant events.		The Council recognises that continued operation of critical Council activities, movement of resources, successful implementation of business continuity or crisis management plan to effectively support the community and ensure community well-being during significant external events. The 'Medium' risk appetite highlights the limited ability to control the occurrence, and predict the nature and extent of the potential impact of significant external events.

We would like to advise the Committee that below were previously key strategic risks that was presented to Council. The purpose of presenting this is to advise the Committee that what was previously highlighted as our strategic risks has changed and the updated strategic risks has been updated as advise earlier in the document.

## Summary of key risks previously presented to the Council



## Operational Risk Register

### Background

Risk and Assurance (R&A) carried out an assessment as to how the business groups were managing their operational risk. The discussion with the four business groups highlighted that for most part of the business there were no operational risk registers maintained. We noted however, that the businesses do have active discussions about risk on most matters, but these are not recorded and tracked to ensure that these risks are managed with appropriate action plans and tracked. With this information Risk and Assurance has developed a Risk Management Work Programme that will provide the assurance that operational risks across the organisation are identified, analysed, evaluated, treated, recorded and reported.

The Infrastructure Business Group has provided their risk registers to R&A. Reported below is only the Extreme and High risks identified.



Infrastructure  
Transport Business Unit

Risk	Cause/Drivers	Consequence	Risk Rating
Incorrect growth Assumptions WBOPDC – Corporate	<ul style="list-style-type: none"> <li>New Zealand economy changes between growth and/or recession</li> <li>Global financial issues impact immigration to region</li> <li>Population demographics change</li> </ul>	<ul style="list-style-type: none"> <li>Growth rate declines</li> <li>Settlement patterns not achieved in growth nodes</li> <li>Developers fail</li> <li>Infrastructure finding issues</li> <li>Ratepayer burden increases</li> </ul>	High Risk
Systems Failure (IT/IS/major systems) WBOPDC – Corporate	<ul style="list-style-type: none"> <li>Failure of key systems</li> <li>Technology unavailable to perform Council Services</li> </ul>	<ul style="list-style-type: none"> <li>Council Services not fully operational</li> <li>Significant downtime</li> <li>Inappropriate service delivery methods</li> <li>Costs of systems recovery</li> <li>Staff diverted from project work to remediation activity</li> </ul>	High risk
Slips on roadside slopes affecting network availability	<ul style="list-style-type: none"> <li>Age of earthworks</li> <li>Ineffective drawing</li> <li>Climatic changes</li> </ul>	<ul style="list-style-type: none"> <li>Blockages to the network</li> <li>Damage to County structures</li> </ul>	High Risk
Floods–Large	<ul style="list-style-type: none"> <li>Climate change leading to greater incidence of extreme rainfall event</li> <li>Widespread storm event over sustained period</li> </ul>	<ul style="list-style-type: none"> <li>Disruption traffic over significant area</li> <li>Significant damage to Council's roading network</li> <li>Damage to public property</li> <li>Significant public displacement over a considerable period</li> <li>Support third party flood alleviation work</li> </ul>	High Risk
Katikati Bypass	<ul style="list-style-type: none"> <li>Transit funding reduced/reduced (removed)</li> <li>B/C falls below cut-off</li> </ul>		High Risk

## Utilities Unit

Risk	Cause/Drivers	Preventative Measure	Risk Rating
Introduction of contaminating material into the distribution system Possible hazards: Germs; chemical determinants (dependent on the nature of the material)	Cross connections (unknown)	Chlorination of water	High Risk
Re-suspension of contaminants in sediments in the distribution system Possible hazards: Germs; chemical determinants, turbidity.	Water flows too low resulting in: decay of chlorine microbiological colonisation of surfaces.	<ul style="list-style-type: none"> <li>Chlorination of water</li> <li>Cleaning/flushing programme in place, especially through low-flow and dead-end areas</li> </ul>	High risk
Re-suspension of contaminants in sediments in the distribution system Possible hazards: Germs; chemical determinants, turbidity.	Inadequate cleaning programme.	<ul style="list-style-type: none"> <li>Chlorination of water</li> <li>Cleaning/flushing programme in place, especially through low-flow and dead-end areas</li> </ul>	High Risk
Contaminated water supply	Caused by operator that has worked at wastewater treatment plants	Chlorination of water Installation of one of the following backflow prevention devices depending on the level of risk to the supply: <ul style="list-style-type: none"> <li>reduced pressure backflow prevention device.</li> <li>non-testable double check valve</li> <li>testable double check valve</li> </ul>	High Risk

No, inadequate, faulty, or incorrectly installed backflow prevention device Possible hazards: Germs; chemical determinants	The backflow prevention device has been removed to maintain the water flow and not been replaced.	Chlorination of water  Annual inspection, testing and replacement, where necessary, of backflow prevention devices.	High Risk
Not enough free available chlorine Possible hazards: Germs not killed.	High chlorine demand coupled with poor dose control.	<ul style="list-style-type: none"> <li>• Daily operator checks.</li> <li>• Weekly calibration against standards</li> <li>• Six monthly independent checks of calibration</li> <li>• Real time monitoring via SCADA in place</li> </ul>	High Risk
Too much free available chlorine Possible hazards: Chlorine; possibly high levels of trihalomethanes, haloacetic acids, chloral hydrate and chlorate (hypochlorite chlorination); possible heavy metals (from corroded fittings).	Low chlorine demand coupled with poor chlorine dose control.	<ul style="list-style-type: none"> <li>• Daily operator checks.</li> <li>• Weekly calibration against standards</li> <li>• Six monthly independent checks of calibration</li> </ul> Real time monitoring via SCADA in place	High Risk

Extreme
High
Medium
Low
Very Low

## Risk Management Work Programme

The proposed Risk Management Work Programme is designed to capture all strategic, operational and project risks. These risks will be collated to provide Management with a periodic update on the status of the risks being managed at WBOPDC. The programme involves collation of all risks by business units and the subsequent risk assessment process being undertaken to rate each risk.

#	Review	Mar 23	Apr 23	May 23	Jun 23	Jul 23	Aug 23	Sept 23	Oct 23	Nov 23	Dec 23	Jan 24	Feb 24	Mar 24
<p><i>The risk workshops will be carried out by introducing the risk management framework prior to running the workshops (the risk management framework will be reviewed by KPMG and sent to SLT for approval)</i></p> <p><i>For each business unit there will be two workshop sessions.</i></p> <p><i>Session 1 – Identification of risk, Inherent risk rating</i></p> <p><i>Session 2 – Risk analysis (mitigating controls in place) and residual risk</i></p>														
1.	<b>Strategic Risks</b>													
	SLT Risk Workshop	✓			✓			✓			✓			
2.	<b>Operational Risks</b>													
	<b>Infrastructure</b>													
	Transportation		✓	✓		✓	✓		✓	✓				
	Utilities		✓	✓		✓	✓		✓	✓				
	Resource Recovery and Waste Treatment & Solid Waste		✓	✓		✓	✓		✓	✓				
	Reserves and Facilities		✓	✓		✓	✓		✓	✓				



#	Review	Mar 23	Apr 23	May 23	Jun 23	Jul 23	Aug 23	Sept 23	Oct 23	Nov 23	Dec 23	Jan 24	Feb 24	Mar 24
	<b>Corporate Services</b>													
	Finance			✓	✓		✓	✓		✓	✓			
	IT management			✓	✓		✓	✓		✓	✓			
	People and capability			✓	✓		✓	✓		✓	✓			
	<b>Regulatory Service Group</b>													
	Compliance and monitoring	✓	✓		✓	✓		✓	✓					
	Building Service	✓	✓		✓	✓		✓	✓					
	Development Engineering	✓	✓		✓	✓		✓	✓					
	Environment	✓	✓		✓	✓		✓	✓					
	<b>Strategy and Community Group</b>													
	Strategic Management			✓	✓		✓	✓		✓	✓			
	Kaupapa Māori			✓	✓		✓	✓		✓	✓			
	Community and Strategy			✓	✓		✓	✓		✓	✓			
	Customer Service			✓	✓		✓	✓		✓	✓			
	Governance			✓	✓		✓	✓		✓	✓			

## **2. Internal Audit (IA)**

### **2.1 Internal Audit Plan 2022/23 to 2025/26**

#### **Executive Summary**

##### **Purpose of the Internal Audit Plan**

The purpose of this Internal Audit Plan is to provide the Council and the Audit and Risk Committee with a balanced risk-based approach to gaining assurance over its risk management and internal control environment.

The plan has needed to recognise and account for the continuous significant Council and economic impact from Covid-19 and other natural disasters. The planned coverage for 2023/24 are as follows.

- Financial Contributions inputs, setting and billing.
- Capital spend/project management: Sample test and review key project controls.
- Probity/sensitive expenditure controls, analysis and sample-test.
- Food licence, Resource Consent, Building Consent, Animal Control - billing, issuing, & compliance/enforcement.
- Management of forestry.
- GST, PAYE and FBT tax compliance evaluation.
- Infrastructure renewals planning and prioritisation – Water.
- Infrastructure renewals planning and prioritisation – Property & Reserves.
- Property Lease Management.
- Environmental, Social and Governance -Sustainability Framework
- IT software license management
- Asset purchase and disposal (non-construction)

As the Council control environment matures and the organisation manages disruption, our aim continues to not solely focus on stewardship, but also leadership and influencing. The Internal Audit Plan will be updated to ensure scheduled reviews and focus remains relevant by considering Council's risks.

##### **Development of the Internal Audit Plan**

There is an intention to focus on extending the plan to continue to a three-year horizon, maintaining alignment with Council's risk management efforts, and keeping a realistic delivery that provides core and targeted coverage over key risks and controls.

We have utilised available risk registers, senior management engagement, external consultant's knowledge base, methodology and insights from wider NZ Councils, and our

experience within WBOPDC to identify and prioritise assurance coverage. This allows internal audit to take a risk and control approach for each engagement at the planning, execution, and reporting stages.

An outline of the process followed to produce the Internal Audit Plan is included below:

- Consideration of resourcing and the Council's pandemic response/recovery challenges, with a preference toward application over heightened risks and controls.
- Utilised risk identification, treatment and ongoing exposure at Chief Executive, General Manager and Unit Manager's meetings to identify and evaluate updates and changes to risks and associated mitigations.
- Discussed Internal Audit Plan and Scope with KPMG.

### **Council context**

Some key contexts in considering internal audit coverage and approach:

- The Council is an organisation with approximately 300 staff disbursed across multiple sites, \$86m operating spend (excluding depreciation) and with approximately \$1.7B asset base.
- Risk management maturity is ongoing with areas to be brought to a level of better understanding and discipline for capturing, escalating and managing risks (this is covered under the risk management section).

### **Internal Audit objective and scope**

Internal Audit has a core objective, scope and coverage outlined in its Charter. The Internal Audit Plan maintains alignment with these and will deliver a mix of evaluation, assurance and improvement advice.

Alongside the independent assurance role, a key principle of Internal Audit is to add value by assisting Council achieve its objectives. There are a number of ways in which internal audit seeks to support Council in achieving its objectives/goals and outcomes whilst fulfilling its assurance role.

#### **These include:**

- Engaging with the business and stakeholders to provide leadership, advice and foster improvements in controls and control-environment.
- Building capability and platform to develop and deliver nimble focused reviews along with a continuous assurance programme with different forms of key-control assurance;
- Providing capacity to deliver prompt reactive assurance engagements (for example concerning crises response, matters of probity, fraud or potential conflicts of interest);

- Evaluation and practical relevant advice for risk management improvement, efficiency and economy of resources, and business processes (rather than merely assessment); and
- Continued engagement with the business, post review completion, ensuring visibility, accountability and remediation of issues raised in reports.

## 2.2 Assurance Plan Summary

The proposed Internal Audit Plan is presented in summary below, with an indication of period scheduled and reference to risk coverage. The plan will continue to be monitored for potential change to ensure it remains dynamic and assurance coverage is appropriately prioritised. The full objective and scope of these engagements along with resourcing, will be confirmed during the review planning stage and agreed with the relevant Review Sponsor.

The details of the review objective and scope for the selected key risks areas for FY23/24 will be presented verbally at the Committee meeting.

#	Review	FY 23/24	FY 24/25	FY 25/26
Core / cyclic coverage				
<b>Key Risks Areas</b>				
1.	Rates setting, billing, remissions & collection.		✓	
2.	Financial Contributions inputs, setting and billing.	✓		
3.	Procurement Accounts payable, banking and transaction controls. Operational spend monitoring/management. Probity/sensitive expenditure controls, analysis and sample-test.	✓		
4.	Payroll processing.			✓
5.	Capital spend/project management: Sample test and review key project controls.	✓	✓	
6.	Financial controls: reconciliations, reporting, ledger administration and overhead/internal allocations.		✓	
7.	Contract management.		✓	
8.	Third party governance or contractor's management	✓		
9.	Health & Safety – Contractor		✓	
10.	Employee recruitment – Flexible working		✓	
11.	LIMs preparation, billing and issuing.			✓
12.	Fraud Governance Framework	✓		



#	Review	FY 23/24	FY 24/25	FY 25/26
13.	Alcohol, Food licence - billing, issuing, & compliance Resource consent – billing & issuing. Building consent – billing & issuing. Animal control - billing, issuing, & enforcement.		✓	
14.	Resource consent and Building Consent – enforcement. Resource consent compliance.	✓		
15.	Site operational controls, cyclic visit: (Pools, community facilities, service desks, libraries, nurseries, park-sites).		✓	
16.	Asset Management Review <ul style="list-style-type: none"> <li>Fleet Management</li> <li>Asset purchase and disposal (non-construction)</li> </ul>		✓	
17.	Management of Forestry	✓		
18.	Environmental, Social and Governance: - Sustainability Framework	✓		
19.	Lockdown key controls assurance (if applicable)	✓	✓	✓
20.	Cash Control Review			✓
21.	Facilities maintenance and security		✓	
22.	Treasury & cash flow management.			✓
23.	GST, PAYE and FBT tax compliance evaluation	✓		
24.	IT software licence management	✓		
25.	Credit management		✓	
26.	Asset purchase and disposal (non-construction)	✓		
27.	Infrastructure renewals planning and prioritisation	Prope rty & Reser ves ✓	Roadi ng  ✓	
28.	Parks management/operations		✓	
29.	Property Lease Management	✓		

#	Review	FY 23/24	FY 24/25	FY 25/26
30.	Grant award: application evaluation, payment & performance		✓	
31.	Events: booking, billing, management		✓	
32.	Cyber Security & Privacy / Public Records Act compliance		✓	

**9.5 FINANCIAL PERFORMANCE UPDATE AS AT 31 DECEMBER 2022****File Number:** A5021939**Author:** Sarah Bedford, Financial Controller**Authoriser:** Azooora Ali, Chief Financial Officer**EXECUTIVE SUMMARY**

The purpose of this report is to inform Elected Members on progress on the financial results for the 6 months period ended 31 December 2022.

**RECOMMENDATION**

That the Financial Controller's report dated 27 February 2023 titled 'Quarterly Audit, Risk and Finance Committee Financial Update as 31 December 2022' be received.

**SUMMARY FINANCIALS**

1. The following is a summary of the financial performance for the period ended 31 December 2022 along with associated financial statements. Overall Council has tracked well for the period against its key metrics (refer to Attachment 1).
2. The current budgets from a capital delivery perspective have been reflected as 1/12<sup>th</sup> of the budget and staff are currently undertaking a reforecast exercise as part of the Annual Planning process to account for any phasing difference. This process will take into account key timing differences that have resulted since the adoption of the Annual Plan in June.
3. The below table sets out shows a summary of our progress to date:

<b>Statement of comprehensive revenue and expense</b>	<b>Actual YTD</b> <b>\$000's</b>	<b>Budget YTD</b> <b>\$000's</b>	<b>Variance YTD</b> <b>\$000's</b>
Revenue	62,776	64,199	(1,424)
Expense	56,031	56,656	625
Surplus/(deficit)	6,745	7,544	(798)
Total Revenue – Actual vs Budget	98%		
Total Expenses – Actual YTD vs Budget YTD	99%		
<b>Statement of financial position</b>	<b>Actual YTD</b> <b>\$000's</b>	<b>Budget Full Year</b> <b>\$000's</b>	
Assets	1,726,583	1,675,746	
Liabilities	105,976	162,288	
Equity	1,620,607	1,513,458	

4. Financial Performance – The overall financial results show a favourable surplus to date of \$6.7M. This is a \$787K un-favourable variance to budget.
5. Balance Sheet – As at December council's Assets are 103% (higher PP&E) and Liabilities are 94% (lower Provisions) of the target full year budget.
6. Treasury – There were no new loans taken out in the last quarter.
7. Council remains within its debt, interest, and liquidity ratio policy limits.
8. Capital Expenditure – Total capital expenditure of \$25.24m was \$46.13m lower than the full year budget of \$71.37m. This represents capital expenditure of 35% of the full year budget.
9. Council has marginally breached two timeline policies in relation to its interest rate hedging. This is because of adopting a new treasury policy in December 2020.



10. Bancorp has suggested potential hedging instruments to bring council back within policy.

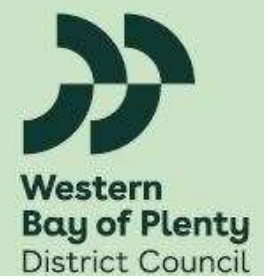
## ATTACHMENTS

1. **Quarterly Financial Report**  



**Pūrongo pūtea ia toru marama**  
**Quarterly Financial Report**

**Quarter 2, 2023**  
Six months ended 31 December 2022



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# Financial Summary

## Financial snapshot





Quarterly Financial Report – Quarter 2, 2023

## Financial Statements

### Statement of Comprehensive Revenue and Expense

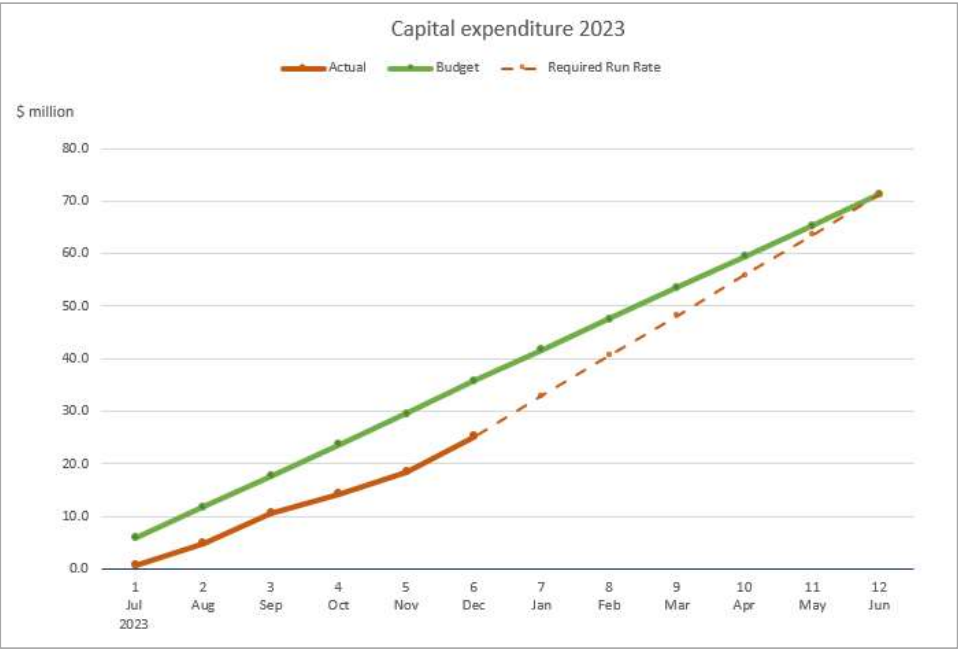
STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE FOR THE QUARTER ENDED 31 DECEMBER 2022 \$000	2023 Actual Year to date	2023 Budget Year to date	2023 Variance Year to date	2022 Actual Year to date	2023 Actual YTD as % of Budget Full yr	2023 Budget Full year
<b>Revenue</b>						
Rates	44,316	43,659	657	40,608	50%	88,337
Subsidies and grants	5,889	7,616	( 1,727)	7,512	37%	15,706
Development and financial contributions	5,940	7,018	( 1,077)	5,097	41%	14,345
Fees and charges	4,878	4,229	650	5,529	57%	8,594
Interest revenue	22	129	( 107)	37	8%	265
Other revenue	1,730	1,550	180	2,088	55%	3,165
<b>Total revenue</b>	<b>62,776</b>	<b>64,199</b>	<b>( 1,424)</b>	<b>60,871</b>	<b>48%</b>	<b>130,411</b>
<b>Expenses</b>						
Personnel costs	13,735	14,324	589	12,305	48%	28,642
Depreciation and amortisation expense	11,936	12,564	628	10,844	47%	25,172
Finance costs	1,732	2,003	271	436	42%	4,144
Other expenses	28,627	27,764	( 863)	24,685	51%	55,920
<b>Total expenses</b>	<b>56,031</b>	<b>56,656</b>	<b>625</b>	<b>48,270</b>	<b>49%</b>	<b>113,877</b>
Share of associate's surplus/(deficit)						
Income tax expense						
<b>Surplus/(deficit) after tax</b>	<b>6,745</b>	<b>7,544</b>	<b>( 798)</b>	<b>12,601</b>	<b>41%</b>	<b>16,534</b>

Quarterly Financial Report – Quarter 2, 2023

Council Capital Expenditure

	2023 Actual Year to date	2023 Budget Year to date	2023 Variance Year to date	2022 Actual Year to date	2023 Actual YTD as % of Budget Full yr	2023 Budget Full year
Total Capital Expenditure	25,225	35,790	( 10,565)	15,967	36%	70,861

Capital expenditure trend chart



Quarterly Financial Report – Quarter 2, 2023

## Financial performance variances commentary

### Revenue

- Rates Income of \$44.32m is higher than year to date budget by \$0.65m predominantly due to higher than expected Water Meter Charges.
- Subsidies and Grants of \$5.89m being \$1.73m below year-to-date budget. This is due to timing of the Waka Kotahi subsidy claims and budget phasing.
- Financial Contributions of \$5.94m being \$1.08m below year-to-date budget. This is due to lower than expected Reserves activities and also timing differences with budget phasing.
- Fees and Charges are \$0.65m ahead of year to date budget which reflects the increased activity in the building and consent areas.
- Other Revenue of \$1.73m are higher than year to date budget by \$0.18m due to unbudgeted Insurance Recoveries of \$0.2m.

### Expenses

- Personnel Costs of \$13.74m are lower than year to date budget by \$0.59m due to unfilled vacancies.
- Depreciation expense of \$11.94m is lower than year to date budget due to timing issues and budget phasing.
- Finance Costs of \$1.73m are lower than year to date budget due to lower than planned borrowings.
- Other Expenses of \$28.63m are higher than year to date budget by \$0.86m, largely driven by higher than planned use of external consultants (\$1.94m Actual YTD vs \$1.16m Budget YTD).

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**Statement of Financial Position**

<b>STATEMENT OF FINANCIAL POSITION</b>			
<b>AS AT 31 DECEMBER 2022</b>			
<b>\$'000</b>	<b>2023 Actual Year to date</b>	<b>2023 Budget Full year</b>	<b>2022 Actual Year to date</b>
<b>Current assets</b>			
Cash and cash equivalents	22,063	29,978	40,617
Receivables	1,016	11,548	( 1,310)
Prepayments	182	724	1,215
Non-current assets held for resale		3,495	
<b>Total current assets</b>	<b>23,262</b>	<b>45,745</b>	<b>40,523</b>
<b>Non-current assets</b>			
Other financial assets	12,542	11,519	12,380
Investment in associates	3,316	4,008	3,253
Property, plant and equipment	1,673,774	1,596,767	1,526,130
Intangible assets	4,751	6,442	4,163
Forestry assets	8,938	11,244	10,490
<b>Total non-current assets</b>	<b>1,703,322</b>	<b>1,630,001</b>	<b>1,556,423</b>
<b>Total assets</b>	<b>1,726,583</b>	<b>1,675,746</b>	<b>1,596,946</b>
<b>Current liabilities</b>			
Payables and deferred revenue	15,487	17,811	16,452
Derivative financial instruments	795	363	422
Borrowings and other financial liabilities	15,000	15,000	20,000
Employee entitlements	2,619	2,837	2,803
Provisions	313	313	313
<b>Total current liabilities</b>	<b>34,213</b>	<b>36,344</b>	<b>39,996</b>
<b>Non-current liabilities</b>			
Borrowings and other financial liabilities	65,000	65,000	70,000
Employee entitlements	19	13	20
Provisions	6,743	12,927	7,424
<b>Total non-current liabilities</b>	<b>71,763</b>	<b>77,945</b>	<b>77,444</b>
<b>Total liabilities</b>	<b>105,976</b>	<b>114,288</b>	<b>117,440</b>
<b>Net assets</b>	<b>1,620,607</b>	<b>1,561,458</b>	<b>1,479,506</b>
<b>Equity</b>			
Accumulated Funds	931,122	962,245	942,334
Reserves	659,485	599,213	536,972
<b>Total equity</b>	<b>1,620,607</b>	<b>1,561,458</b>	<b>1,479,506</b>



Quarterly Financial Report – Quarter 2, 2023

**Financial position commentary****Assets**

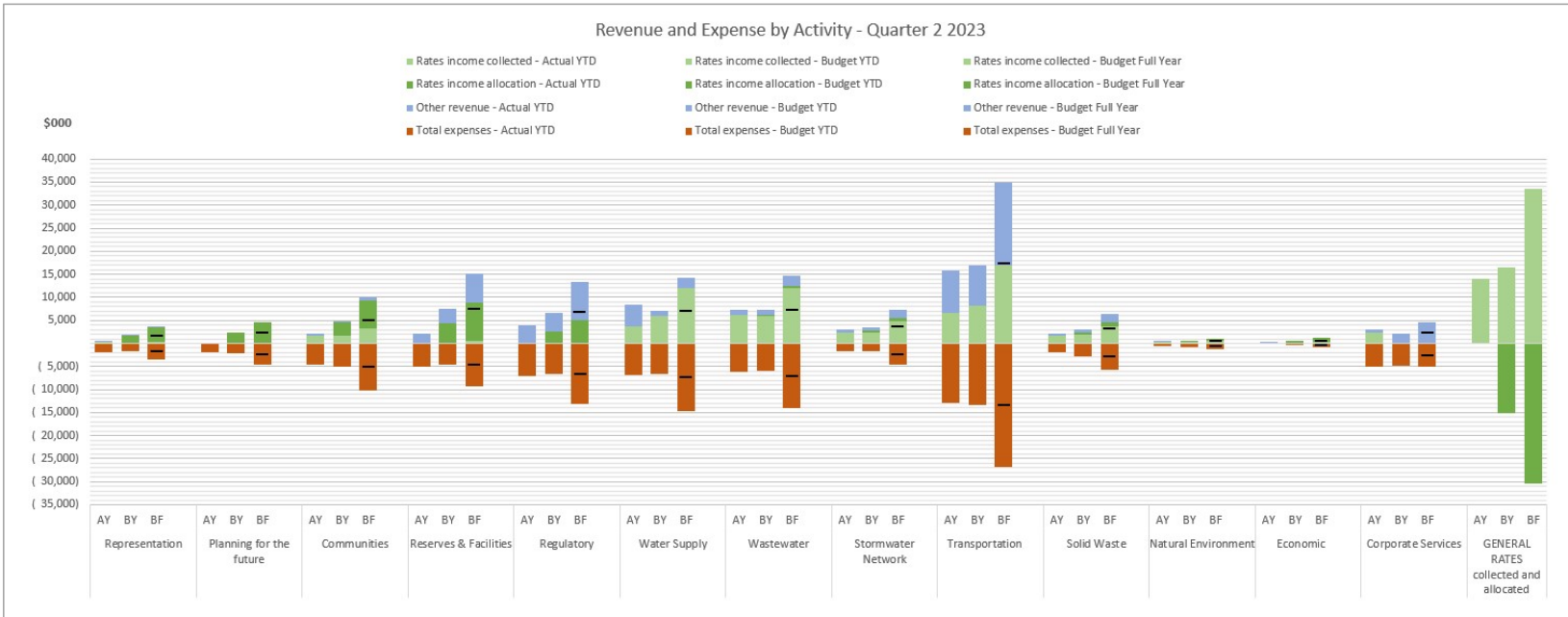
- Total Assets of \$1,727m is currently 103% of the planned Full Year Budget largely driven Equipment.

**Liabilities**

- Total Liabilities of \$105m is currently 94% of the planned Full Year Budget largely driven by payables being lower than budget as well as the timing of provisions which are tracking to meet budget at year end.

# Financial Performance by Activity

Revenue and expense by Activity chart



Quarterly Financial Report – Quarter 2, 2023

## Council Performance – Revenue and Expense by Activity

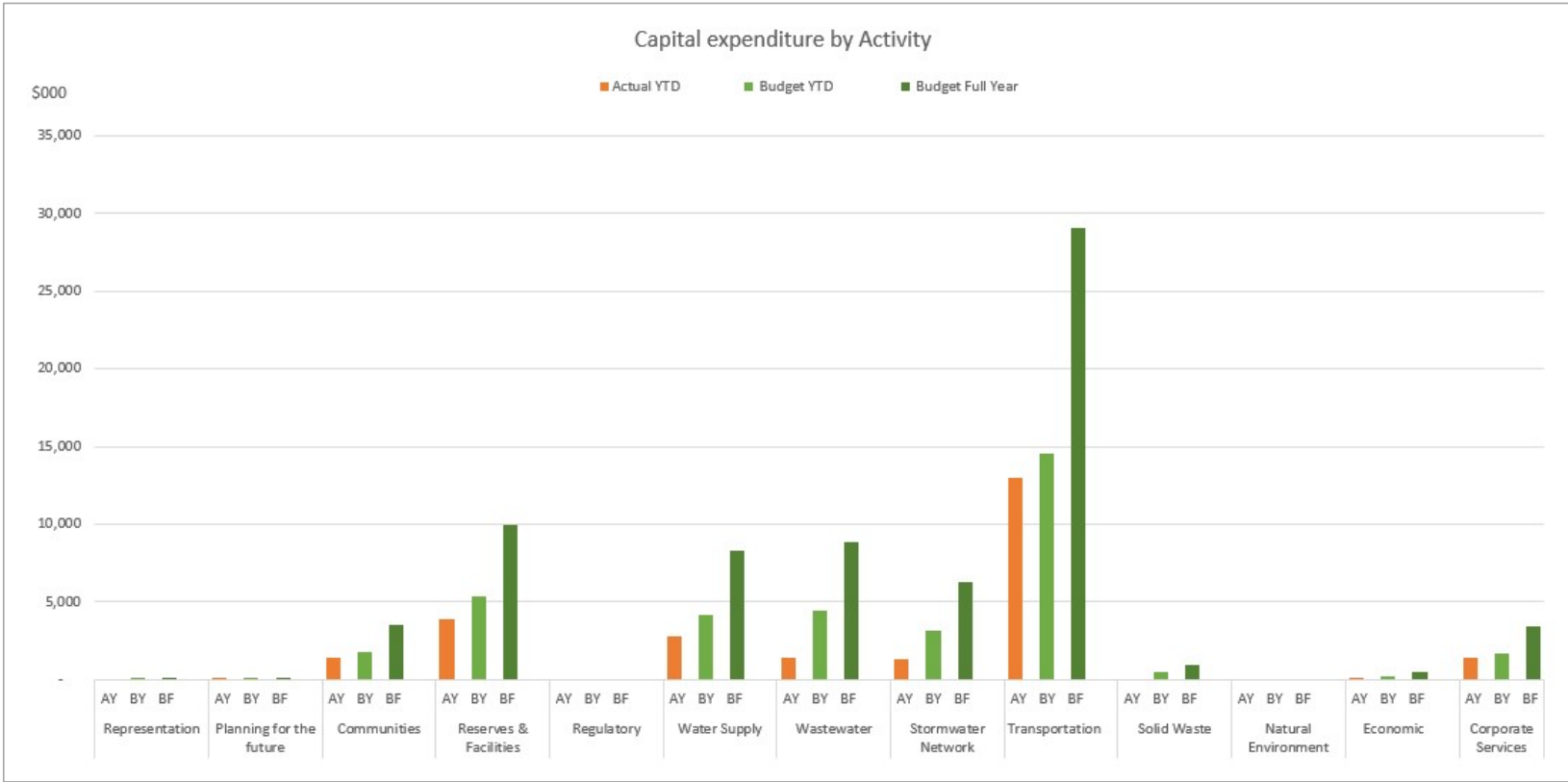
STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE FOR THE QUARTER ENDED 31 DECEMBER 2022 \$000's	2023	2023	2023	2022	2023	2023
	Actual Year to date	Budget Year to date	Variance Year to date	Actual Year to date	Actual YTD as % of Budget FY	Budget Full year
<b>Revenue</b>						
Communities	2,160	4,918	( 2,758)	4,978	22%	9,937
Reserves & Facilities	2,156	7,458	( 5,302)	6,413	14%	15,032
Regulatory	3,893	6,606	( 2,713)	6,889	29%	13,279
Water Supply	8,468	7,081	1,387	6,344	59%	14,233
Wastewater	7,334	7,277	57	7,409	50%	14,621
Stormwater	2,948	3,580	( 632)	2,486	41%	7,215
Transport	15,864	16,973	( 1,108)	16,721	45%	34,957
Solid Waste	2,105	3,085	( 980)	2,643	33%	6,328
Natural Environment	407	484	( 77)	558	41%	997
Representation	236	1,769	( 1,534)	1,545	7%	3,570
Planning for the future		2,239	( 2,239)	1,950	0%	4,544
Economic	163	580	( 417)	530	14%	1,190
Corporate Services	17,043	2,149	14,894	2,404	378%	4,511
<b>Total revenue</b>	<b>62,776</b>	<b>64,199</b>	<b>( 1,424)</b>	<b>60,871</b>	<b>48%</b>	<b>130,411</b>

## Quarterly Financial Report – Quarter 2, 2023

	2023	2023	2023	2022	2023	2023
	Actual	Budget	Variance	Actual	Actual YTD as	Budget
	Year to date	Year to date	Year to date	Year to date	% of Budget FY	Full year
<b>Expenses</b>						
Communities	4,608	5,068	( 460)	3,946	45%	10,281
Reserves & Facilities	5,136	4,688	447	4,051	55%	9,410
Regulatory	7,144	6,551	593	5,753	54%	13,166
Water Supply	6,949	6,730	219	6,600	47%	14,698
Wastewater	6,232	6,004	228	6,062	44%	14,115
Stormwater	1,781	1,603	178	1,923	40%	4,505
Transport	12,950	13,246	( 297)	10,266	48%	26,911
Solid Waste	1,838	2,744	( 905)	2,031	33%	5,626
Natural Environment	527	793	( 266)	517	41%	1,301
Representation	1,814	1,755	59	1,534	51%	3,533
Planning for the future	1,905	2,233	( 328)	1,400	42%	4,513
Economic	195	423	( 228)	294	23%	829
Corporate Services	4,952	4,816	135	3,895	99%	4,987
<b>Total expenses</b>	<b>56,031</b>	<b>56,656</b>	<b>( 625)</b>	<b>48,269</b>	<b>49%</b>	<b>113,877</b>
<b>Surplus/(deficit) after tax</b>	<b>6,745</b>	<b>7,544</b>	<b>( 798)</b>	<b>12,602</b>	<b>41%</b>	<b>16,534</b>

# Capital expenditure by Activity

Capital expenditure by Activity chart





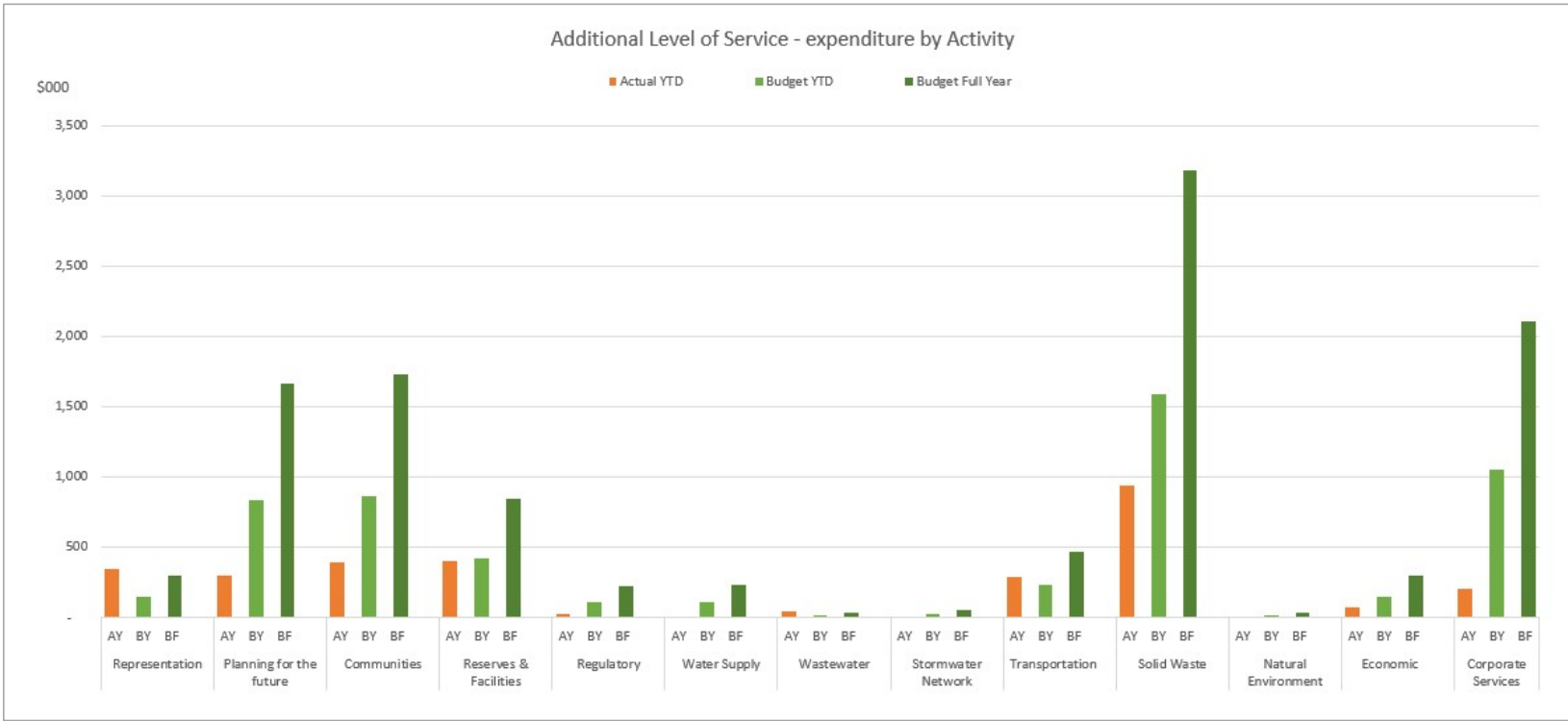
## Quarterly Financial Report – Quarter 2, 2023

## Capital expenditure by Activity table

\$000	2023 Actual Year to date	2023 Budget Year to date	2023 Variance Year to date	2022 Actual Year to date	2023 Actual YTD as % of Budget Full yr	2023 Budget Full year
Representation	-	18	( 18)	-	0%	36
Planning for the future	37	7	30	-	0%	15
Communities	1,440	1,757	( 317)	140	2%	3,515
Reserves & Facilities	3,903	5,343	( 1,439)	2,977	6%	9,966
Regulatory	-	-	-	-	0%	-
Water Supply	2,745	4,161	( 1,416)	1,709	4%	8,321
Wastewater	1,369	4,426	( 3,057)	1,936	2%	8,852
Stormwater Network	1,268	3,131	( 1,863)	701	2%	6,262
Transportation	13,000	14,517	( 1,517)	8,864	18%	29,035
Solid Waste	-	491	( 491)	-	0%	981
Natural Environment	-	-	-	-	0%	-
Economic	47	239	( 192)	2	0%	479
Corporate Services	1,416	1,700	( 284)	( 362)	2%	3,400
<b>TOTAL</b>	<b>25,225</b>	<b>35,790</b>	<b>( 10,565)</b>	<b>15,967</b>	<b>36%</b>	<b>70,861</b>

# Additional Level Of Service expenditure

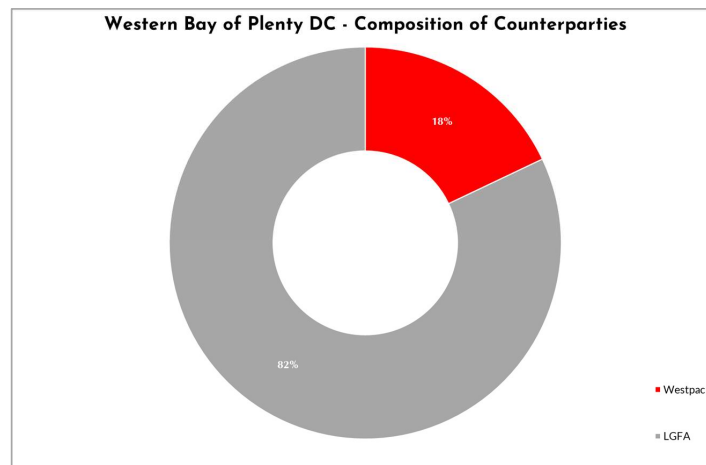
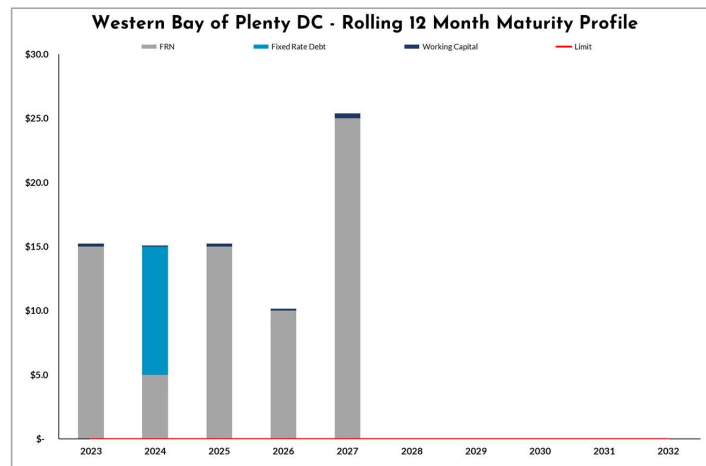
Additional levels of service by Activity chart



Quarterly Financial Report – Quarter 2, 2023

## Treasury

### Treasury Dashboard – Funding



Debt  
**\$80.0m**  
 Total Drawn Debt

Weighted Average Margin  
**0.71%**  
 Margin on Facilities

Headroom  
**\$30m**  
 Undrawn Bank Facilities

Liquidity  
**\$22m**  
 Cash + Deposits

#### Key Metrics

Current % of Debt Fixed	88.1%
Current % of Debt Floating	11.9%
Value of Fixed Rate (m)	\$70.5
Weighted Average Cost of Fixed Rate Instruments	4.35%
Weighted Average Cost of Fixed Rate Instruments (incl margin)	4.95%
Value of Forward Starting Cover	\$21.0
Weighted Average Cost of Forward Starting Cover	3.87%
Value of Floating Rate (m)	\$9.5
Current Floating Rate	5.04%
Current Floating Rate (incl margin)	5.75%
All Up Weighted Average Cost of Funds Including Margin	5.05%
Total Facilities In Place	\$81.1

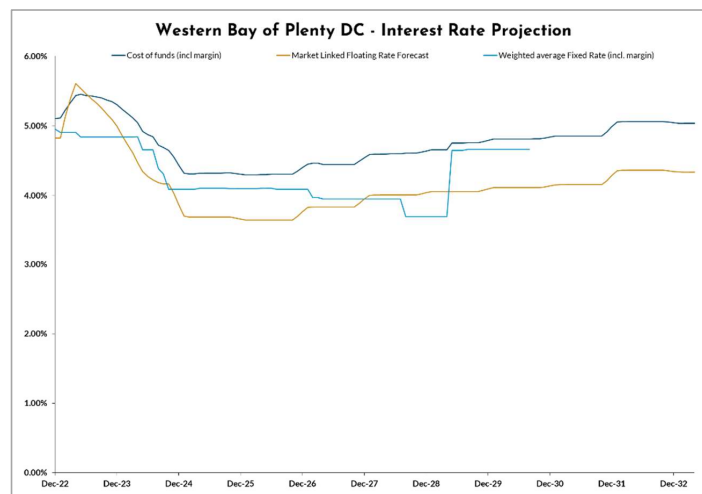
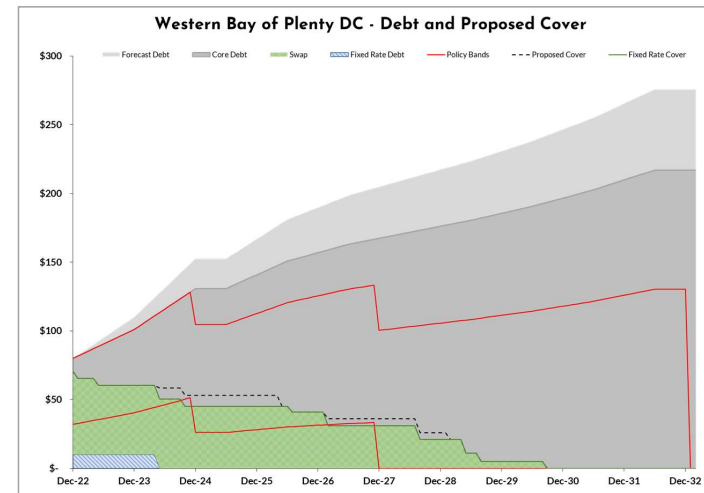
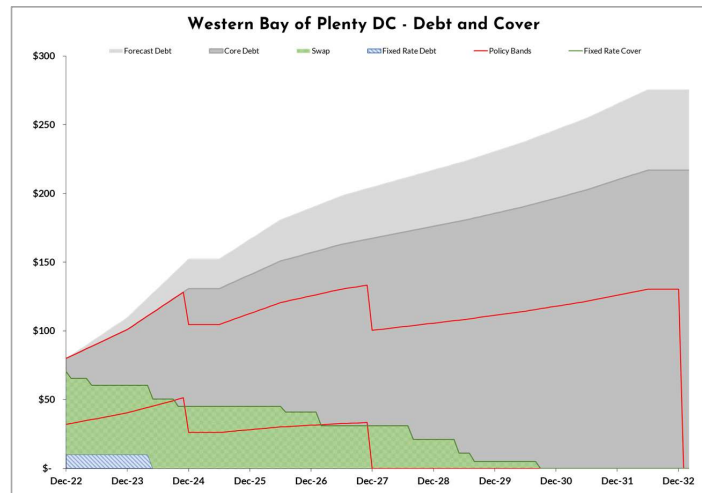
#### POLICY BANDS

Period	Minimum Cover	Maximum Cover	Weighted Average Cover %	Within Policy?
0 to 2 years	40%	100%	71.0%	BREACH
2 to 5 years	20%	80%	34.4%	BREACH
5 - 10 years	0%	60%	18.4%	OK

11

Quarterly Financial Report – Quarter 2, 2023

# Treasury Dashboard – Interest Rate Hedging



## Strategy

- › Western Bay is below the minimum of interest rate hedging policy at the end of the 0-2, and 2-5 year buckets due to debt being higher than expected over 2022, and swaps naturally decaying. No cover was added during the quarter as swap rates reached multi decade highs, making them highly unattractive for hedging. As a result, there is requirement to add to portion of fixed rate hedging to bring cover levels back above minimums.
- › Our recommendation is to enter into the following interest rate swaps:
  - › \$8m starting May 2024 and maturing May 2026 (indicative rate: 4.50%)
  - › \$5m starting Feb 2027 and maturing Feb 2029 (indicative rate: 4.00%)
- › With short-term swap rates supported by the elevated OCR outlook, swaps for immediate start remain expensive, however, with the curve inverted, forward starting swaps provide value further out along the curve. With this in mind, we recommend targeting cover by placing orders for these swaps at rates closer to 3.50% to take advantage of any further inversion in the yield curve. In the past month swaps starting in 2 years for 1 to 5 years have been trading in the 3.60% to 3.80% range. This highlights how swap curve inversion can add value to forward start swaps once the hiking cycle ends.
- › We will continue to monitor the market and Western Bay's forecast exposures for opportunities to increase fixed rate hedging levels further if we see a material pull back in forward starting interest rate swaps.

## Treasury interest and liquidity risk

### 1. Interest Rate Risk

- (a) 'Interest Rate Risk' is the risk that either investment returns will fall materially short of forecast, or, that financing costs will exceed projections due to adverse movements in interest rates.
- (b) New Zealand's headline CPI prints for December marginally exceeded expectations at 1.4% on the quarter and 7.2% for the year. Financial markets are now pricing in a slightly lower peak from the RBNZ with a 0.50% OCR hike expected on 22 February peaking at 5.25% in mid-2023. This implies another 1.00% of hikes over the first half of 2023.
- (c) Western Bay is below the minimum of interest rate hedging policy at the end of the 0-2, and 2-5 year buckets. It is recommended by Bancorp that we enter into new forward dating swaps in order to bring interest rate risk back within policy.

### 2. Liquidity Risk

- (a) 'Liquidity Risk' is the risk that Council may not have enough liquid cash or committed facilities on hand to fund operations. This is because Council's cash flow is dependent on the maturity of cash investments and loans.
- (b) Western Bay remains within its debt, interest, and liquidity ratio policy limits.

	As at 31 Dec 22	Council Max Policy Limits	Policy
<b>Net Debt as a % of Total Revenue</b>	91%	<200%	OK
<b>Net Interest as a % of Total Revenue</b>	3%	<20%	OK
<b>Net Interest as a % of Annual Rates Income</b>	5%	<25%	OK
<b>Liquidity (external term debt + committed loan facilities + available liquid short-term financial investments to existing external debt)</b>	165%	>110%	OK



## 9.6 HEALTH AND SAFETY REPORT

**File Number:** A5041802

**Author:** Clint Boyle, Health, Safety and Wellbeing Lead

**Authoriser:** Adele Henderson, General Manager Corporate Services

### EXECUTIVE SUMMARY

This report provides a summary of:

- The health and safety performance across the organisation;
- Significant health and safety risks and safety events for the reporting period; and
- The progress against the health and safety strategy and work programme.

### RECOMMENDATION

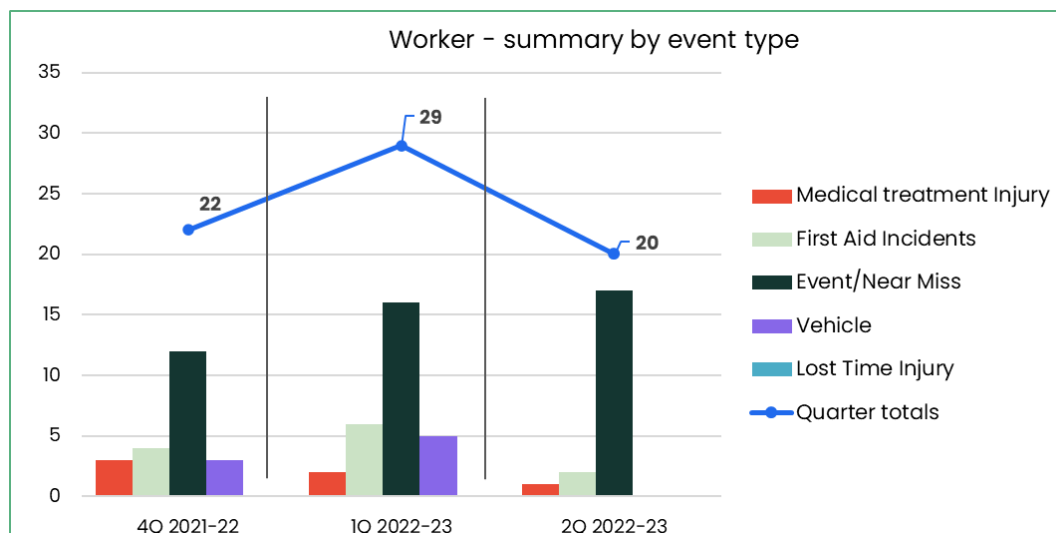
That the Health, Safety and Wellbeing Lead's report dated 31 January 2023 titled 'Health and Safety Report' be received.

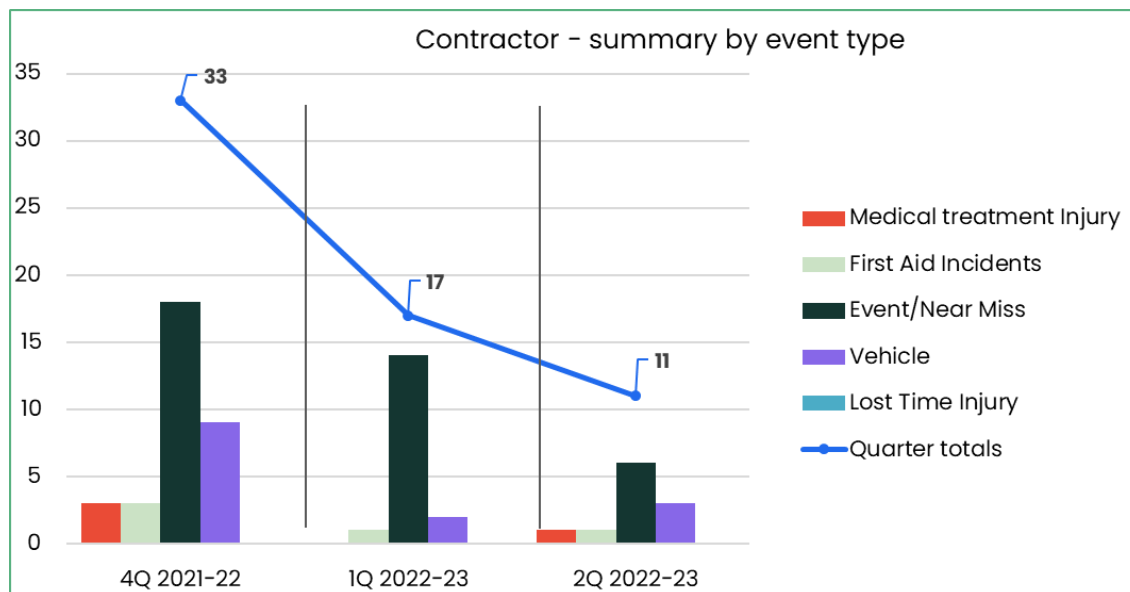
### SUMMARY OF PERFORMANCE

The graphs and data below provide an overview of Council's Health and Safety performance, with comparison statistics from quarter four 2021-2022 and quarters one & two 2022-23.

#### Events by Event Type

*Excludes non work related, third party, minor-no injury (no treatment), complaints and contractor yard events. The graphs have been split between 'worker' and 'contractor' events by type. **Note:** The reporting for quarter four 2021-22 have been reported as per the last Health and Safety Report. The August 2022 report did not reflect true quarter reporting. Going forward the quarters will be reported as per the financial year.*



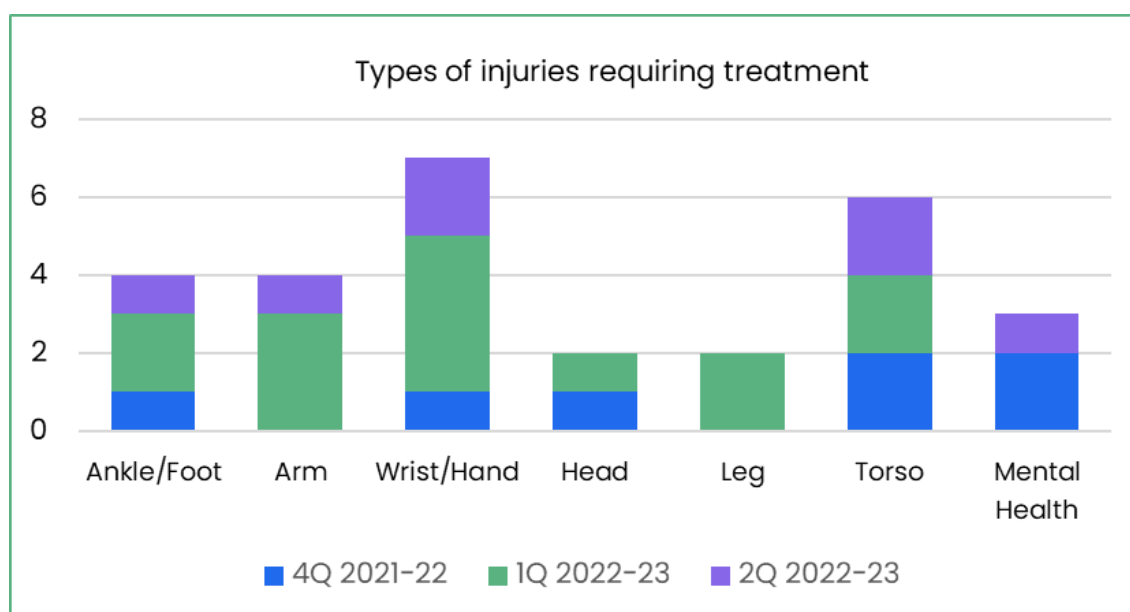


**Worker events** have remained relatively consistent over the last three quarters. Although notably, event/near misses have increased slightly since the last report. The increase in vehicle incidents reported in quarter one relates to vehicles becoming stuck in wet and sodden road/track conditions.

**Contractor events** have trended downwards through Q1 and Q2. While this is a pleasing trend to observe, it could be impacted by events not reported to Council. Ongoing discussions are being held with all of our contractors to ensure Council receive notification of events, to enable a more holistic view and accurate reporting.

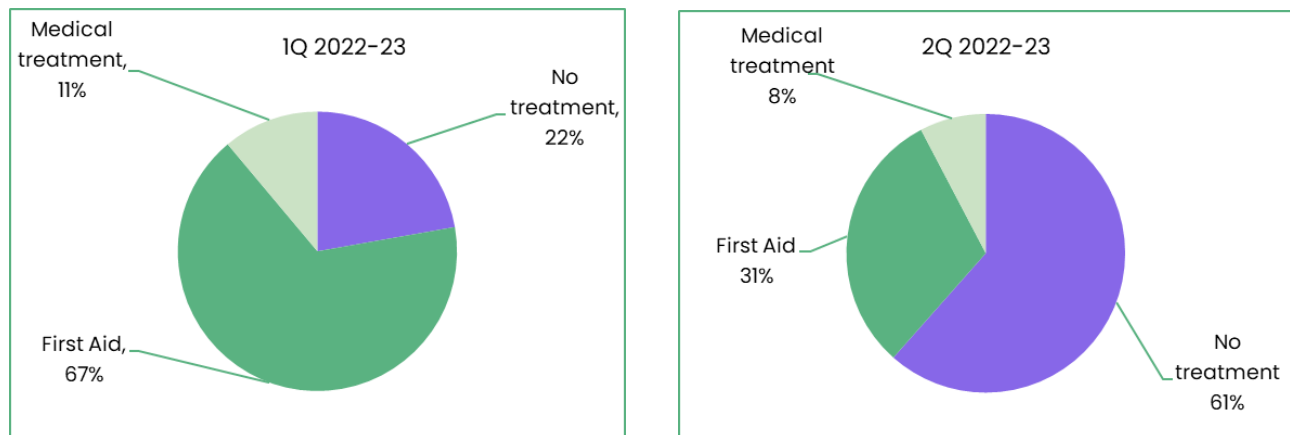
Medical treatment injuries for both workers and contractors have occurred due to slips, falls, trips and work conditions.

### Injury by Body Part (including mental health) July – December 2022



### Event by Injury Severity Q1 and Q2

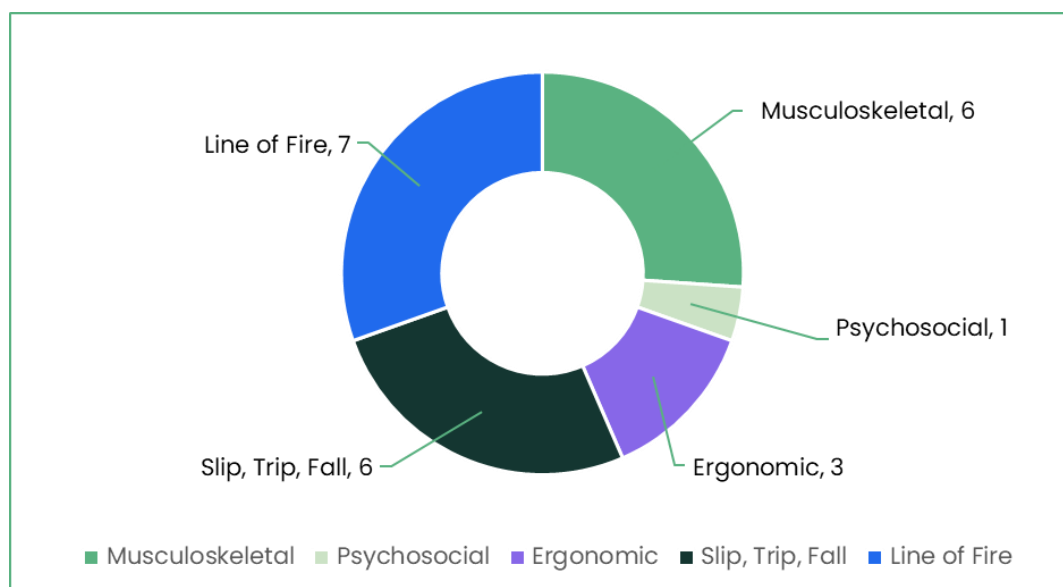
The data below incorporates injury and illness related events that occurred in quarter one (July – September 2022) and quarter two (October – December 2022).



**9** injury events occurred in quarter one, this number includes minor injuries (no treatment).

**12** injury and illness events occurred in quarter two, including minor injuries (no treatment). While there has been an increase in injury numbers from Q1 to Q2, it is positive to note that the majority of events in Q2 did not require any treatment, indicating that injuries sustained were minor in nature.

### Mechanism of Injury – Q1 and Q2 Combined



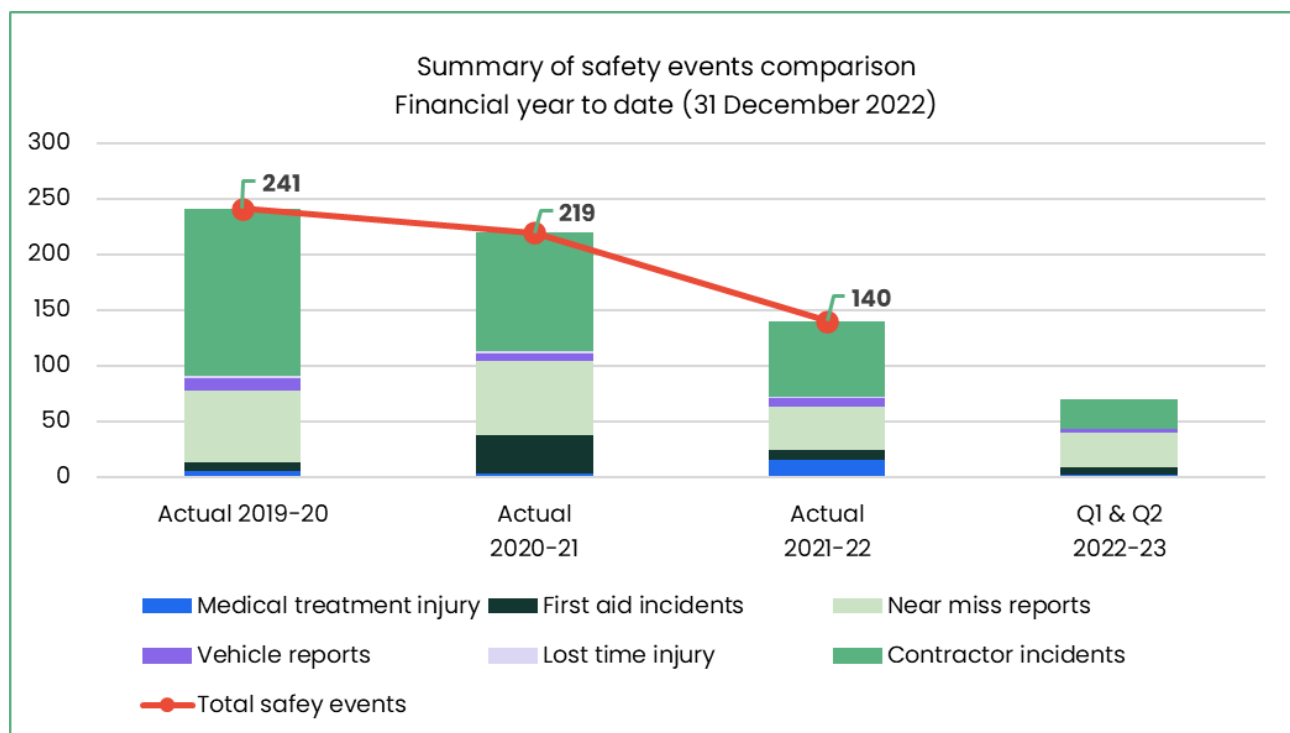
**Lag Indicators** (Accident/Incident Frequency Rates)\*

The metrics reported are provided in a rolling 12-month form. This enables a more general picture of safety (injury) performance, rather than taking a monthly picture, which can show inaccurate spikes in overall performance:

- Lost Time Injury Frequency Rate (LTIFR). This is the number of lost time injuries per 1,000,000 hours worked.
- Total Recordable Injury Frequency Rate (TRIFR). This is the number of recordable injuries per 100,000 hours worked.
- Lost Time Injuries (LTI's).

Metric	Western Bay of Plenty District Council
LTIFR (rolling 12 months)	0.00
TRIFR (rolling 12 months)	8.76
Number Lost Time Injuries (LTI). (rolling 12 months)	0

\* Recordable injuries (Fatality, LTI, MTI, RWI) require detailed definitions and guidelines for classifying injuries. Incident Classification definitions currently under review. Statistics above do not include contractor incidents, as currently contractor hours are not provided to Council.

**Summary of Safety Events – Financial Year to Date (31 December 2022)**

This trend indicates we are on track towards safety events being reported comparable to the end of the financial year 2021-22.

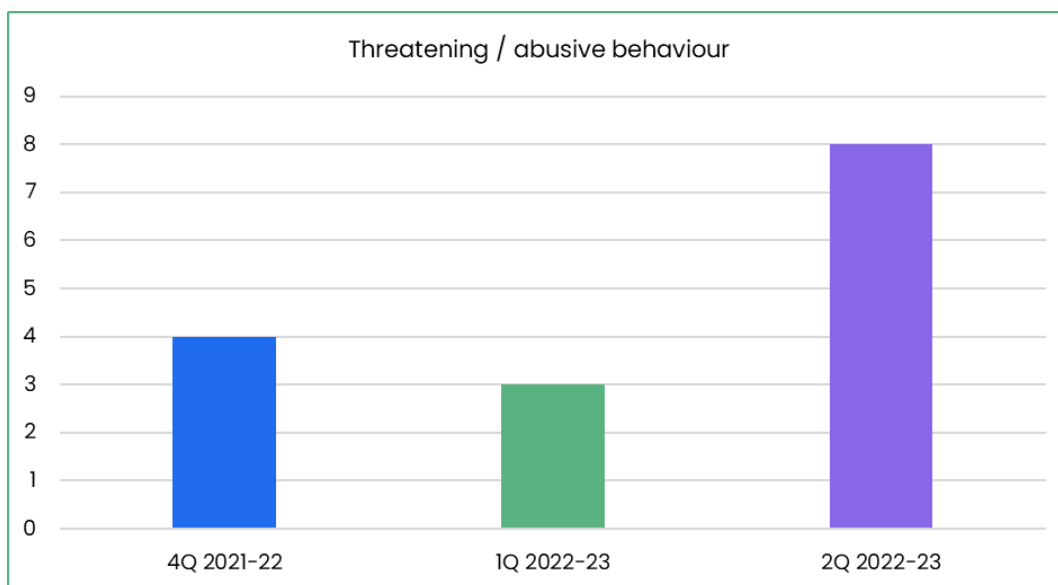
## HIGH POTENTIAL SAFETY EVENTS

### Aggressive Customers

There has been an increase in events of Council staff being involved in threatening or aggressive behaviour with members of the public. During the two quarters reported there were 11 verbally aggressive encounters which includes five threatening behaviour interactions. Many of the aggressive encounters were from inappropriate language that have taken place at the libraries.

In all accounts Council staff have acted appropriately and have been able to calm the situation while exercising caution.

The graph below provides the trend per quarter.



Since October 2022, employees who have a high likelihood of interacting with difficult or aggressive customers have been encouraged and expected to complete WARN International's online training modules as part of their induction. One of these modules provides training on how to deal with threatening behaviour. The CERT – Situational and Tactical Communication course is also offered to staff who may encounter aggressive people in their work environment.

As of 26 January 2023 61% of eligible staff have completed the online modules.

### Learnings from High Potential Safety Events

During the Q1 and Q2 periods, there were two incidents that had a high potential outcome. Neither resulted in this high potential outcome, however there were some good learnings for the business in both instances.



### Faulty Equipment – Recycling Tipping Bin

While performing a routine task of tipping recyclable material from a bin to the truck, an attachment in place to secure the pallet was unable to be positioned to securely attach the rubbish bin. The worker and contractor adjusted a component of the system, believing that to be the issue. When raising the next bin, the securing mechanism did not work as planned, with the bin then falling onto the deck of the truck. Another member of the contracting firm corrected the overturned pallet, however in doing so the pallet has fallen from the truck and struck a Council workers leg. As a result, the standard operating procedure (SOP) for this task has been reviewed and updated. Re-induction and training to the site and tasks has also been undertaken. Attachment inspection has been included to the daily forklift checklist, with reiteration to staff around reporting faulty equipment so that it can be repaired.

### Water Sampling Incident

A worker at a Water Treatment plant was obtaining a water sample, as is required by the resource consent in place. Due to recent wet weather, the stream banks were softer and wetter than would normally be expected. The worker is required to obtain the sample from a flowing area of the stream. To reach this section of the stream, the worker is required to move close to the stream edge. On this occasion, the wet ground gave way, and the worker slipped into the stream, entering the mud to waist level. This highlighted the dangers of water sample collection, with workers having to move closer to moving water. The investigation looked at constructing a fixed secure platform protruding over the stream edge, as well as using drone technology to remove the need for staff to access the waters edge. Implementing drone technology was deemed the safest method to complete the task and was adopted by the Council. Training and process documentation is underway.

## **WELLBEING**

There has been one reported incident of stress due to workplace pressures. These have been taken very seriously with immediate intervention, meeting with staff involved and planning solutions. Council staff have also reported some ergonomic discomfort from workstation set up. Managers and staff have been proactive with their responses in these instances, supporting their employees to obtain improved ergonomics within their workstations.

## HEALTH AND SAFETY STRATEGIC WORK PROGRAMME

### Contractor Online Inductions

A continuation of site based online inductions have been developed by Work Safety Investigations, and this suite now also includes Te Puke Animal Services and Te Puke Recycling Centre. Work is continuing on Waihi Beach Water treatment plant and Katikati Water treatment plant (presently under review).

### Implementation of Drone Technology

Investigations into the stream fall incident noted earlier in the report resulted in drone technology being evaluated and implemented for water sample collection processes. Training on safe drone use was undertaken. Full engagement of the drone technology has not been achieved; however this is the preferred method for this task, reducing the risk to Council workers of falling into the stream.

### Summary of the Health and Safety Strategic Work programme

As referenced by the Annual Safety Plan 2021-2022, the following works were undertaken during the period.

- Site Based Hazard and Risk Registers (Sept 2022 – ongoing).
- Continuation of e-learning module promotion and completion.
- Policy Template Review (ongoing).
- Continued Covid-19 response, as required.
- Online induction modules for contractors to sites.
- Implementation of drone technology for water sampling processes.
- Continuation of Staff Wellbeing initiatives such yoga and pilates, aligning with the WorkWell accreditation achieved by Council.

The Health and Safety team experienced staff turnover during Q2. As a result, Council welcomed a new Health, Safety and Wellbeing Lead at the end of Q2.

### Health and Safety Training

Throughout the reporting period staff attended the following training:

- Working at Height Course – Advance (Refresher)
- Workplace – First Aid
- Psychological – First Aid
- Workplace Chemical Handling
- CERT – Situational and Tactical Communications
- E-learning – Mental Health
- Asbestos Awareness use
- Workstation Assessment
- Health and Safety Representative Stage 2
- Level 3 NZQA Certificate in Health and Safety Representatives

### **HEALTH AND SAFETY COMMITTEE**

The Health and Safety Committee met twice during the reporting period, again impacted by staff turnover in the Health and Safety team. This committee reviews safety events, policies, and new legislation. The committee includes representation from across the organisation, service centres and senior management. To ensure we are meeting our due diligence a member of the general manager group is expected to attend every Committee meeting.

A present focus of the committee is workshopping how the health and safety representatives can work proactively with teams and not just report on incidents that have occurred.

The meetings held very much focussed on previous events, and outside of what has already been covered in this report, the only significant point raised was the presence of boy racers at the entrance to TECT Park after hours. Council has an employee stationed at the park full time, and discussions centred around expectations of the worker in response to the presence of boy racers, as this also has a flow on effect to the safety and comfort of park users. Waka Kotahi have previously been engaged to review preventative measures at the main park entrance.

**FOCUS FOR NEXT QUARTER****Strategy**

Preliminary work has started on obtaining information and insight from the business with a view to establishing a detailed, targeted Health Safety and Wellbeing strategy. There will be some correlation between previous works and future work with respect to some of the activity that will be undertaken, and the Annual Safety Plan previously used forms a good platform to work from.

Primary focus points for the strategy will be determined by an all of staff survey and internal audit which will highlight areas of strength and opportunities for improvement in Health Safety and Wellbeing space.

**Risk and Hazard Management**

A thorough review of Council Risk Management processes is under way. The intent is to align Health Safety and Wellbeing risk control and management with the broader risk management guidelines. This includes a full review of policies and procedures, risk rating processes, contractor management and staff engagement, among other things. The review is in its infancy at present given the Health Safety and Wellbeing Lead joined Council in December.

**Lead Indicators**

A proposed new inclusion to the Audit and Risk Report is an overview of Lead Indicators, to demonstrate proactive safety activity from our operations teams. While these have not been formally required from the teams to date, this is a measure that can have a marked impact on the lag indicators already included. These indicators will form a key part of the aforementioned Health and Safety strategy throughout 2023.

**Examples of Lead Indicators**

<b>Indicator / Measure</b>	<b>Number Completed</b>
Vehicle Inspections	5
General Workplace Inspections	2
Activity Based Inspection (for example Cage Cleaning, Confined Space)	4
Site Inductions (via Vault Check)	2
Contractor Works Inspections	9
<b>TOTAL</b>	<b>22</b>

**9.7 FINAL AUDIT MANAGEMENT REPORT 2022****File Number:** A5099181**Author:** Sarah Bedford, Financial Controller**Authoriser:** Azoora Ali, Chief Financial Officer**EXECUTIVE SUMMARY**

1. The purpose of this report is to provide Elected Members an opportunity to review the Audit Management Report on the audit of Western Bay of Plenty District Council for the year ended 30 June 2022.

**RECOMMENDATION**

That the Financial Controller's report dated 27 February 2023 titled 'Final Audit Management Report 2022' be received.

**BACKGROUND**

2. The final audit Management Report (the report) was issued on 14 February 2023 and has been reviewed by the reviewed by the Management Team. Management comments have been provided setting out proposed actions and areas for improvement in response to audit findings provided in the report.
3. Audit New Zealand issued a non-standard audit report on 22 December 2022. Without modifying their opinion, they included an emphasis of matter paragraph drawing attention to the disclosures in the financial statements about the possible impact of the Government's three waters reform on the District Council.

This means that Audit New Zealand was satisfied with the financial statements and statement of service performance fairly reflected Council's activity for the year and financial position at the end of the year.

4. Matters raised in Audit New Zealand's audit plan, together with other findings and areas of focus, are noted in sections 3 (page 8) and section 4 (page 13) of the report.

**ATTACHMENTS**

1. **Audit Report to Council – 30 June 2022**  



AUDIT NEW ZEALAND  
Mana Arotake Aotearoa

# Report to the Council on the audit of

Western Bay of Plenty  
District Council

For the year ended 30 June 2022

## Contents

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## Key messages

We have completed the audit of Western Bay of Plenty District Council (the District Council) for the year ended 30 June 2022. This report sets out our findings from the audit and draws attention to areas where the District Council is doing well and where we have made recommendations for improvement.

### Audit report

We issued a non-standard audit report on 22 December 2022. Without modifying our opinion, we included an emphasis of matter paragraph drawing attention to the disclosures in the financial statements about the possible impact of the Government's three waters reform on the District Council. This means that we were satisfied that the financial statements and statement of service performance present fairly the District Council's activity for the year and its financial position at the end of the year.

### Matters identified during the audit

#### Three waters reform

The three waters reform (reform) programme is expected to result in structural changes to how water supply, wastewater and stormwater assets are owned and managed in the local government sector. This could have a significant impact on the District Council.

The District Council included disclosures about the reform in the annual report. Given the significant impact the reform is likely to have on the District Council, we have included an emphasis of matter paragraph in our audit report to draw a readers' attention to this disclosure.

#### Asset valuations

We reviewed the revaluations and fair value assessment to confirm that they were soundly based and had been correctly accounted for in the District Council's financial statements.

We also followed up on the status of issues outstanding from previous audits. These matters are now closed.

**Thank you**

We would like to thank the Council, management and staff for the assistance received during the audit.

A handwritten signature in blue ink, appearing to read 'L. Pieterse', with a stylized flourish at the end.

Leon Pieterse  
Appointed Auditor  
14 February 2023

## 1 Recommendations



Our recommendations for improvement and their priority are based on our assessment of how far short current practice is from a standard that is appropriate for the size, nature, and complexity of your business. We use the following priority ratings for our recommended improvements.

Priority	Explanation
Urgent	<b>Needs to be addressed <i>urgently</i></b> These recommendations relate to a significant deficiency that exposes the District Council to significant risk or for any other reason need to be addressed without delay.
Necessary	<b>Address at the earliest reasonable opportunity, <i>generally within six months</i></b> These recommendations relate to deficiencies that need to be addressed to meet expected standards of best practice. These include any control weakness that could undermine the system of internal control.
Beneficial	<b>Address, <i>generally within six to 12 months</i></b> These recommendations relate to areas where the District Council is falling short of best practice. In our view it is beneficial for management to address these, provided the benefits outweigh the costs.

### 1.1 New recommendations

The following table summarises our recommendations and their priority.

Recommendation	Reference	Priority
<b>Staff who departed still included in authorised bank signatories</b> Authorised bank signatories to be updated frequently and every time staff who has authority leaves.	4.1	Urgent
<b>Procurement delegations not formally reviewed</b> Procurement delegations in Ozone to be reviewed. The procurement team who has delegations should not be able to change their own delegation.	4.2	Necessary
<b>AS-Built check sheet</b> All supporting documentation maintained for As-Built check sheet.	4.3	Necessary



Recommendation	Reference	Priority
<b>Bonds and fees payable not reviewed regularly</b> Outstanding bonds and fees to be refunded reviewed and assessed annually.	4.4	Necessary
<b>Asset write-off</b> Formal document is drawn up and approval sought from CFO for the write off assets.	4.5	Necessary
<b>Lack of evidence of approval of insurance expenditure</b> Documentation and approval of insurance expenditure maintained.	4.6	Necessary
<b>Fraud policy</b> Fraud policy reviewed on planned periodic basis.	4.7	Necessary
<b>Creditor Masterfile Change Report not available</b> Creditor Masterfile Change report maintained.	4.8	Necessary

## 1.2 Status of previous recommendations

Set out below is a summary of the action taken against previous recommendations. Appendix 1 sets out the status of previous recommendations in detail.

Priority	Priority			
	Urgent	Necessary	Beneficial	Total
Open	-	23	1	24
Implemented or closed	-	4	1	5
<b>Total</b>	-	<b>27</b>	<b>2</b>	<b>29</b>

## 2 Our audit report

### 2.1 We issued a non-standard audit report



We issued a non-standard audit report on 22 December 2022. Without modifying our opinion, we included an emphasis of matter paragraph drawing attention to the disclosures in the financial statements about the possible impact of the Government's three waters reform on the District Council.

This means we were satisfied that the financial statements and statement of service performance present fairly the District Council's activity for the year and its financial position at the end of the year.

In forming our audit opinion, we considered the following matters. Refer to sections 3 and 4 for further detail on these matters.

### 2.2 Uncorrected misstatements and disclosure deficiencies

The financial statements are free from material misstatements, including omissions. During the audit, we have discussed with management any misstatements that we found, other than those which were clearly trivial. The disclosure deficiency that has not been corrected is listed in Appendix 2.

### 2.3 Corrected misstatements

We also identified misstatements that were corrected by management. A list of these misstatements has been supplied separately to management.

### 2.4 Quality and timeliness of information provided for audit



Management needs to provide information for audit relating to the annual report of the District Council. This includes the draft annual report with supporting working papers.

We provided a listing of information we required to management via Audit Dashboard in May 2022. This included the dates we required the information to be provided to us.

### 3 Matters raised in the Audit Plan



In our Audit Plan of 4 May 2022, we identified the following matters as the main audit risks and issues:

Audit risk/issue	Outcome
<b>Fair value assessment and valuation of property, plant and equipment</b>	
<p>The District Council periodically revalue certain of its asset classes, including land, buildings and infrastructure. PBE IPSAS 17 <i>Property, Plant and Equipment</i>, requires that revaluations are conducted with sufficient regularity to ensure that the carrying value of the asset class does not differ materially from its fair value.</p> <p>No revaluations are scheduled for this year as noted in the table provided below this issue.</p> <p>The District Council will need to prepare a fair value assessment for all asset classes, measured under the revaluation model where no revaluations have taken place in the financial year, to confirm that there is no material difference between their carrying amount and their fair value.</p> <p>If a material movement between the carrying amount and the fair value of these classes of assets is identified they must be revalued for the District Council to comply with PBE IPSAS 17 <i>Property, Plant and Equipment</i>.</p> <p>The District Council should agree on a significant variance threshold, above which the District Council would complete a revaluation.</p> <p>We encourage the District Council to perform the fair value assessments early to ensure there is sufficient time to complete a revaluation should this be required, without impacting on the annual report process.</p>	<p>Our review of the valuations (Roading and Land and Buildings) included a review of the key assumptions and methodology applied. We also obtained confirmations from the valuer that the valuations were in accordance with the appropriate accounting and valuation standards.</p> <p>We are satisfied the valuations are correctly accounted for in the District Council's annual report.</p> <p>We also reviewed the fair value assessment performed by the District Council for three waters assets. Our review confirmed the assumptions used and the resulting calculation did not indicate a material difference between the District Council's current carrying value and their approximate fair value.</p>

Audit risk/issue	Outcome
<b>The risk of management override of internal controls</b>	
<p>There is an inherent risk in every organisation of fraud resulting from management override of internal controls. Management are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Auditing standards require us to treat this as a risk on every audit.</p>	<p>We did not identify any instances of override of controls or fraudulent financial reporting.</p> <p>We tested the appropriateness of journal entries, reviewed significant accounting estimates for indications of bias and, where applicable, considered the rationale for significant transactions outside the normal course of business</p> <p>We also assessed whether relevant controls are designed effectively in a way that reduces the risk of override. Overall, we found that relevant controls existed and were designed effectively.</p>
<b>Major capital projects</b>	
<p>Accounting for capital projects, whether completed during the year or in progress at balance date, requires assumptions and judgements to be made that can have a significant impact on the financial statements. Management and the District Council are responsible for managing the financial statement risks associated with capital projects. This includes ensuring:</p> <ul style="list-style-type: none"> <li>• Project costs are reviewed to ensure these are appropriately classified as capital or operational in nature.</li> <li>• Work in progress (WIP) balances for projects already completed or available for use are transferred to the appropriate class of asset in a timely manner and depreciated accordingly from the date of capitalisation.</li> <li>• WIP balances on projects that span an extended period of time are assessed regularly for impairment over the period of the project. Costs no longer meeting criteria for recognition as an asset should be expensed in a timely manner.</li> </ul>	<p>We reviewed the overall control environment in place in relation to procurement, contract management, project management and asset management.</p> <p>We considered the progress against budget for the capital works programme, in terms of both the number of projects completed as well as the proportion of actual spend to budget.</p> <p>We reviewed the work in progress at year-end to ensure those projects reported as work in progress were not yet completed at year-end, and we also completed a review of costs that have been capitalised during the year to ensure they meet the definition of capital expenditure rather than operational costs.</p> <p>Our review did not identify any significant issues.</p>

Audit risk/issue	Outcome
<ul style="list-style-type: none"> <li>Asset components are identified at an appropriate level, and appropriate useful lives are assigned to these components on completion.</li> <li>The value and remaining useful life of existing assets remains appropriate given replacement projects underway.</li> <li>Capital commitments related to contracts entered into before balance date are disclosed in the notes to the financial statements.</li> </ul>	
<b>Configuration and customisations costs for Software-as-a-service (SaaS)</b>	
<p>Entities can sometimes incur significant costs when implementing cloud computing arrangements. Until recently, there has been no specific guidance on this subject in IFRS accounting standards.</p> <p>The IFRS Interpretations Committee recently published decisions clarifying how arrangements in respect of a specific part of cloud technology, (SaaS), should be accounted for. The agenda decisions must be applied by for-profit entities. For PBEs, the agenda decisions can be referred to in determining the accounting treatment because the underlying intangible asset standards are consistent between IFRS and PBE IPSAS.</p> <p>The District Council should consider whether or not their accounting policy is consistent with the Committees decision and should consider whether costs relating to SaaS are correctly accounted for and appropriate disclosures are included in the financial statements of the District Council.</p> <p>The key issues are whether such costs:</p> <ul style="list-style-type: none"> <li>shall be capitalised as an intangible asset and amortised; or</li> <li>expensed when incurred; or</li> </ul>	<p>The District Council revised its accounting policy in relation to configuration and customisation costs incurred in implementing SaaS arrangements in response to the IFRIC guidance. The policy was applied retrospectively and disclosed as a change in accounting policy in Note 1.</p> <p>We reviewed the District Council's process for determining the accounting treatment for associated costs and found this to be aligned with IFRIC guidance.</p> <p>The impact of this was not considered material to the District Council, therefore we concluded that the disclosures and treatment are appropriate.</p>



Audit risk/issue	Outcome
<ul style="list-style-type: none"> <li>expensed over the term of the software as a service (SAAS) arrangement (including capitalising as a prepaid service if paid upfront).</li> </ul> <p>Changes to the classification of asset balances as a result of the IFRIC's decision should be treated as a change in accounting policy and accounted for retrospectively. This would require a restatement of prior period amounts in accordance with PBE IPSAS 3 <i>Accounting Policies, Changes in Accounting Estimates and Errors</i>.</p>	
<b>Impact of three waters reform</b>	
<p>The Government is currently carrying out the <a href="#">Three Waters Reform Programme</a>.</p> <p>The first phase of the reform was <a href="#">establishing Taumata Arowai</a>. The <a href="#">Taumata Arowai–the Water Services Regulator Act 2020</a> formally established Taumata Arowai to oversee, administer, and enforce (but not deliver) the new drinking water regulatory system as its primary focus, while improving the environmental performance of wastewater and stormwater networks.</p> <p>The next phase of the reform is for water service delivery. The Government has announced that it will establish four <a href="#">Water Service Entities</a> as a part of its three waters reform programme. The four new entities will replace the services currently managed by 67 territorial local authorities.</p> <p>There is still a lot of detail to be worked through (including how the District Council ownership will work in practice). The Minister announced the establishment of a working group on representation, governance and accountability of the new Water Services Entities. This group is comprised of 20 members, including an independent chairperson, nine elected members of local authorities, nine iwi/Māori representatives, and the chairperson of the joint Central-Local Government Three Waters Steering Committee.</p>	<p>We reviewed the District Council's disclosure included in the annual report regarding the Three Waters Reform programme (included in the statement of accounting policies) and are satisfied that the disclosure is reasonable.</p> <p>Our audit report includes an emphasis of matter paragraph which draws the reader's attention to this disclosure.</p>

Audit risk/issue	Outcome
<p>Three bills will be introduced to Parliament establishing how the entities will operate.</p> <p>We expect that the first bill - the Water Services Entities Bill - will be introduced and passed into law during 2022. We also expect that an implementation bill will be introduced during 2022 and an economic regulation bill will be introduced in early 2023. The Government expects the four new entities to be operational from 1 July 2024.</p>	

## 4 Significant matters identified during the audit



We have identified, in broadly this order of importance, these significant matters, issues, or risks in this audit.

### 4.1 Staff who departed still included in authorised bank signatories

#### Background

A senior staff member is still a signatory as of 3 November 2022. They departed the District Council in September 2022 but is still included as an authorised signatory.

#### Recommendation

We recommend the authorised bank signatories to be reviewed, updated frequently and when there are changes to staff who has authority.

#### Management comment

*A full review of bank signatories has been undertaken and outstanding matters resolved January 2023.*

*Treasury Management now sits with a newly created Financial Analyst role from 9 January 2023 which will assume these responsibilities moving forward.*

### 4.2 Formalisation of the Procurement delegations

#### Background

We noted that delegation changes in Ozone accounting systems are not reviewed by an authorised personnel. The procurement team also has access to change their own delegation, which shows lack of segregation of duty.

#### Recommendation

We recommend procurement delegations in Ozone to be reviewed and formalised. We also recommend that all access changes to the procurement delegation are reviewed by an independent authorised staff member.

#### Management comment

*Noted - Council is currently implementing new delegations software. Non-financial delegations are being reviewed and allocated by Council's lawyers. Financial delegations will also be role based. All changes moving forward will require suitable delegation as required by the software. Procurement delegation changes will be approved by the CFO or GM Corporate Services moving forward.*

**4.3 AS-Built check sheet****Background**

We were unable to complete our walkthrough test of the controls over vested assets due to non-availability of the AS-Built check sheet. The AS-Built check sheet is usually used to confirm adequate approval of vested assets was obtained and that the details and values of the vested assets were correct.

**Recommendation**

We recommend that all supporting documents are maintained and readily available for checks as and when required.

**Management comment**

*Noted - Council will work cross-functionally to map and check the AS-Built check sheet process. Whilst this is being carried out there are still some gaps which we will work through in time for the next Audit.*

**4.4 Bonds and fees payable not reviewed regularly****Background**

On review of the listing pertaining to the bonds and fees recognised by the District Council, it was noted that there were transactions dating back to 2005.

It would be expected that these transactions are reviewed much more regularly and refunded/written off as appropriate.

**Recommendation**

We recommend that management review the outstanding bonds and fees to be refunded/written off.

**Management comment**

*Noted - this will be included as part of the Financial Controllers annual reviews.*

**4.5 Asset write-off****Background**

We noted that write off assets do not go through formal approval process.

**Recommendation**

We recommend that a formal document is drawn up and appropriate approval sought from the authorised personnel for the write off assets with proper documentation on how the assets will be disposed of to ensure transparency of the write off process.

**Management comment**

*Noted - Assets solutions Lead will document process improvements for sign off process as well as introduce an authorisation form with the Systems and Assets Accountant.*

**4.6 Lack of evidence of approval of insurance expenditure****Background**

We were unable to obtain evidence of the approver of the insurance invoice as part of our expenditure testing.

**Recommendation**

We recommend the District Council have a clear documentation and storage of the approval for these insurance invoices.

**Management comment**

*Noted.*

**4.7 Fraud policy****Background**

We noted that the fraud policy has not been updated in February 2021 as planned.

**Recommendation**

Policies act as a guidance and processes for the entity, we therefore, emphasise on the importance of reviewing the fraud policy on a planned periodic basis.

**Management comment**

*The Internal Audit Plan 23/24 (financial year) has in its audit plan, identified Fraud Governance Framework as an area of risks and have included it in the plan.*

*As part of the scope, we will be reviewing the Fraud Prevention Policy and recommendations for improvement to the policy.*

**4.8 Creditor Masterfile Change Report not available****Background**

The District Council are unable to find the Masterfile Change Reports for the financial year. There is no evidence of Masterfile change reviews. Therefore, we were unable to perform a creditors masterfile walkthrough.



**Recommendation**

We recommend the District Council should safely maintain a record of their creditors masterfile changes. There should be evidence that it has been prepared and reviewed.

**Management comment**

*Procurement staff will load onto objective the Masterfile change report weekly. Systems and Asset Accountant will go into Objective to validate the changes made and signoff. Any anomalies will be checked and followed through.*

## 5 Public sector audit



The District Council is accountable to their local community and to the public for its use of public resources. Everyone who pays taxes or rates has a right to know that the money is being spent wisely and, in the way, the District Council said it would be spent.

As such, public sector audits have a broader scope than private sector audits. As part of our audit, we have considered if the District Council has fairly reflected the results of its activities in its financial statements and non-financial information.

We also consider if there is any indication of issues relevant to the audit with:

- compliance with its statutory obligations that are relevant to the annual report;
- the District Council carrying out its activities effectively and efficiently;
- waste being incurred as a result of any act or failure to act by the District Council;
- any sign or appearance of a lack of probity as a result of any act or omission, either by the District Council or by one or more of its members, office holders, or employees; and
- any sign or appearance of a lack of financial prudence as a result of any act or omission by the District Council or by one or more of its members, office holders, or employees.

## 6 Useful publications



Based on our knowledge of the District Council, we have included some publications that the District Council and management may find useful.

Description	Where to find it
<b>Performance reporting</b>	
Public organisations are responsible for reporting their performance to Parliament and the public in a way that meaningfully reflects their organisation's aspirations and achievements. The Auditor-General published a discussion paper that explores five areas for improvement in performance reporting.	On the Office of the Auditor-General's website under publications.  Link: <a href="#">The problems, progress, and potential of performance reporting</a>
The Office of the Auditor-General, the Treasury and Audit New Zealand have jointly prepared good practice guidance on reporting about performance. The guidance provides good practice examples from public organisations in central government. Those working in other sectors may also find this useful.	On Audit New Zealand's website under good practice.  Link: <a href="#">Good practice in reporting about performance — Office of the Auditor-General New Zealand (oag.parliament.nz)</a>
<b>Local government risk management practices</b>	
The Covid-19 pandemic is a stark reminder for all organisations about the need for appropriate risk management practices. In our audit work, we often see instances where councils do not have effective risk management. This report discusses the current state of local government risk management practices and what councils should be doing to improve their risk management.	On the Office of the Auditor-General's website under publications.  Link: <a href="#">Observations on local government risk management practices</a>
<b>Public accountability</b>	
Public accountability is about public organisations demonstrating to Parliament and the public their competence, reliability, and honesty in their use of public money and other public resources. This discussion paper explores how well New Zealand's public accountability system is working in practice.	On the Office of the Auditor-General's website under publications.  Link: <a href="#">Building a stronger public accountability system for New Zealanders</a>

Description	Where to find it
<b>Managing conflicts of interest involving the District Council employees</b>	
This article discusses findings across four Councils on how conflicts of interest of the District Council employees, including the Chief Executive and staff, are managed.	On the Office of the Auditor-General's website under publications. Link: <a href="#">Getting it right: Managing conflicts of interest involving council employees</a>
<b>Model financial statements</b>	
Our model financial statements reflect best practice we have seen. They are a resource to assist in improving financial reporting. This includes: <ul style="list-style-type: none"> <li>significant accounting policies are alongside the notes to which they relate;</li> <li>simplifying accounting policy language;</li> <li>enhancing estimates and judgement disclosures; and</li> <li>colour, contents pages and subheadings to assist the reader in navigating the financial statements.</li> </ul>	Link: <a href="#">Model Financial Statements</a>
<b>Tax matters</b>	
As the leading provider of audit services to the public sector, we have an extensive knowledge of sector tax issues. These documents provide guidance and information on selected tax matters.	On our website under good practice Link: <a href="#">Tax Matters</a>
<b>Client substantiation file</b>	
When you are fully prepared for an audit, it helps to minimise the disruption for your staff and make sure that we can complete the audit efficiently and effectively.  We have put together a collection of resources called the Client Substantiation File to help you prepare the information you will need to provide to us so we can complete the audit work that needs to be done. This is essentially a toolbox to help you collate documentation that the auditor will ask for.	On our website under good practice. Link: <a href="#">Client Substantiation File</a>

Description	Where to find it
<b>Sensitive expenditure</b>	
The Auditor-General's good practice guide on sensitive expenditure provides practical guidance on specific types of sensitive expenditure, outlines the principles for making decisions about sensitive expenditure, and emphasises the importance of senior leaders "setting the tone from the top". It also describes how organisations can take a good-practice approach to policies and procedures for managing sensitive expenditure.	On the Office of the Auditor-General's website under good practice. Link: <a href="#">Sensitive expenditure</a>
<b>Conflicts of interest</b>	
<p>The Auditor-General has published guidance on conflicts of interest. A conflict of interest is when your duties or responsibilities to a public organisation could be affected by some other interest or duty that you have.</p> <p>The material includes a printable A3 poster, an animated video on predetermination and bias, gifts and hospitality, and personal dealings with a tenderer. There is also an interactive quiz.</p> <p>These can all be used as training resources for your own employees.</p>	On the Office of the Auditor-General's website under 2019 publications. Link: <a href="#">Conflicts of interest</a>
<b>Severance payments</b>	
Because severance payments are discretionary and sometimes large, they are likely to come under scrutiny. The Auditor-General has released updated good practice guidance on severance payments. The guide is intended to help public sector employers when considering making a severance payment to a departing employee. It encourages public organisations to take a principled and practical approach to these situations. The update to the 2012 good practice guidance reflects recent case law and changes in accounting standards.	On the OAG's website under 2019 publications. Link: <a href="#">Severance payments</a>



Description	Where to find it
<b>Good practice</b>	
<p>The OAG's website contains a range of good practice guidance. This includes resources on:</p> <ul style="list-style-type: none"> <li>• audit committees;</li> <li>• conflicts of interest;</li> <li>• discouraging fraud;</li> <li>• good governance;</li> <li>• service performance reporting;</li> <li>• procurement;</li> <li>• sensitive expenditure; and</li> <li>• severance payments.</li> </ul>	<p>On the OAG's website under good practice.</p> <p>Link: <a href="#">Good practice</a></p>
<b>Procurement</b>	
<p>The OAG are continuing their multi-year work programme on procurement.</p> <p>They have published an article encouraging reflection on a series of questions about procurement practices and how processes and procedures can be strengthened.</p> <p>Whilst this is focused on local government, many of the questions are relevant to all types of public sector entities.</p>	<p>On the OAG's website under publications.</p> <p>Links: <a href="#">Strategic suppliers: Understanding and managing the risks of service disruption</a></p> <p><a href="#">Getting the best from panels of suppliers</a></p> <p><a href="#">Local government procurement</a></p>

## Appendix 1: Status of previous recommendations

### Open recommendations

Recommendation	First raised	Status
<b>Necessary</b>		
<b>Asset management planning</b>		
Review and, where appropriate, implement the recommendations in KPMG's report on asset management.	2018/19	<b>In progress</b> The District Council is working through the issues raised in the report, which had not all been resolved at the time of our final audit.
<b>General Ledger reconciliations</b>		
Ensure all reconciliations are prepared and reviewed in a timely manner to ensure that any problems or inaccuracies can be detected early, and rectified.	2017/18	<b>In progress</b> We continue to note instances where reconciliations have not been prepared or reviewed in a timely manner. We recommend that the reviewer signs-off and dates them to ensure that there is timely review of the reconciliations.
<b>Ozone asset module not updated</b>		
Review the options available when a significant system fault occurs and ensure systems can be reinstated as soon as possible. This would include processes to ensure all information and transactions that occurred in the intervening period are captured in a timely manner.	2018/19	<b>Outstanding</b> The quarterly reconciliation is still not occurring, nor is the module (AMS) being updated monthly.
<b>Improvements to the procurement process</b>		
An independent one-up review of key procurement and contract management documentation to be undertaken throughout the process to ensure all documentation is in-line with the Procurement Manual requirements. The Procurement Manual and Variation Order form to be updated to provide clear criteria or thresholds for when a variation requires to go to open tender.	2018/19	<b>Outstanding</b> No review is being undertaken based on our recent review.

Recommendation	First raised	Status
<b>Self-approved journals</b>		
Monthly review of all self-authorised journals is reinstated and evidenced as occurring.	2018/19	<b>Outstanding</b>  Review has not been implemented.  We recommend a sign off on the self-approved journals to confirm they are of an appropriate nature with commentary when a journal is deemed to be inappropriate.
<b>Sensitive expenditure policies improvements</b>		
Policies covering sensitive expenditure that are overdue for review to be updated and that the elements of good practice which are currently not documented in the policies to be considered for inclusion.  We recommend that the District Council update the sensitive expenditure policy approvals to ensure one-up approval.	2018/19	<b>Outstanding</b>  The applicable policies have not been updated.
<b>Asset improvement programme</b>		
Create a formal asset improvement programme in response to the valuer's recommendations, and puts an action plan in place to address the issues in a timely manner.	2017/18	<b>Outstanding</b>  As part of our review of the valuations performed for the current financial year, we have noted that the valuers have made recommendations for improvements before the next valuation is undertaken.  We have noted this in the Opteon and AECOM valuations.
<b>High number of superusers in Ozone and network, including Datacom staff</b>		
Superuser access to Ozone to be limited to as few users as possible to reduce the chance of unapproved changes to systems and data.	2016/17	<b>In progress</b>  Ozone superuser access has been reduced and Datacom access locked out except as required.  Generic administrator accounts have now been disabled. Audit NZ is of the view that the number of domain administrator at the network level is still too high for the size of the District Council.

Recommendation	First raised	Status
<b>Improvements to IT change management procedures</b>		
All changes made to production environments should follow an approved change process. Procedures for small, medium, large and emergency changes should be established.	2017/18	<b>In progress</b>  Formal change management process and procedures are being finalised as at the time of our audit.
<b>Over claimed funding from New Zealand Transport Agency (NZTA) as special conditions of network contract not satisfied</b>		
We recommended the District Council ensures all emergency work claims to NZTA comply with contract conditions.	2019/20	<b>Outstanding</b>  We will follow this issue up when the next NZTA Investment Audit Report is received.
<b>Project management</b>		
We recommended the District Council considers the recommendations from KPMG on Project Management and implements improvements considered appropriate and financially viable.	2019/20	<b>Outstanding</b>  The applicable improvements have not been implemented as yet.
<b>Review of network and applications user accounts</b>		
We recommended cyclical reviews of network and application users to ensure access remains appropriate.	2019/20	<b>In progress</b>  We noted that review of accounts at the network level is occurring. At the application level, a regular formal review is being recommended.
<b>Reconciliation of Assetfinda</b>		
We recommended the District Council ensures all reconciliations are prepared in a timely manner to ensure that any problems or inaccuracies can be detected early, and rectified. We also recommend that all GL reconciliations are up to date before year-end.	2019/20	<b>In progress</b>  Although reconciliations between Assetfinda and the GL are occurring more frequently. We continue to recommend these are reconciled in a timelier manner.
<b>Revaluation reports</b>		
We recommend the District Council ensures a formal revaluation report is prepared for all revaluations.	2020/21	<b>In progress</b>  Formal revaluation reports were prepared for Land and Buildings and Roadings.

Recommendation	First raised	Status
<b>Coastal assets in use held at nil book value</b>		
We recommend that the useful lives for all assets that remain in use after exceeding their useful lives be reviewed annually.	2020/21	<b>In progress</b>  We noted the useful life policy had been updated at the final audit to reflect the actual useful lives of assets.  We continue to recommend a review of assets held at nil book value.
<b>Approval of asset capitalisation</b>		
We recommend that asset capitalisations for transportation assets be recorded and adequately evidenced.	2020/21	<b>Outstanding</b>  Formal documentation of asset capitalisation has not been implemented as at the final.
<b>Capitalisation date of assets</b>		
We recommend that the District Council review the capitalisation process, particularly over capital works, to ensure asset managers are prompted to communicate the completion of work in progress in a timely manner.	2020/21	<b>Outstanding</b>  Formal documentation of asset capitalisation has not been implemented as at the final.
<b>Depreciation accounting policy</b>		
We recommend that the District Council review the depreciation rates applied in the Fixed Asset Register to ensure alignment with the depreciation policy.  We recommend that the District Council review the schedule of depreciation rates to ensure these are in line with the class of asset to which the asset is classified and align with other local government sector entities.	2020/21	<b>In progress</b>  We noted the useful life policy had been updated at the final audit to reflect the actual useful lives of assets.  We continue to recommend that these useful lives are applied to capitalised assets.
<b>Disposal of assets</b>		
We recommend that the District Council review all infrastructure asset disposals, ensuring the correct treatment of accumulated depreciation.	2020/21	<b>In progress</b>  No significant infrastructure disposal in current financial year. To be followed up at next audit.



Recommendation	First raised	Status
<b>Disposal of revalued assets</b>		
We recommend that the District Council review processes relating to the disposal of revalued assets to ensure the accounting treatment for the transfers in and out of equity are appropriate.	2020/21	<b>In progress</b>  No significant disposal of depreciated assets in current financial year. To be followed up at next audit.
<b>Vested assets</b>		
<p>We recommend that the District Council review projects resulting in vested assets be performed regularly to ensure the 224 certificate is obtained timely.</p> <p>We recommend that the District Council ensure the relevant accounting treatment is applied in recognising vested assets in the fixed asset register.</p>	2020/21	<b>Outstanding</b>  We continue to recommend that vested assets are accounted for on a timely basis.
<b>Performance Measure - dry weather overflows</b>		
We recommend that the District Council implement a robust review process of the underlying data supporting the reported results for the “dry weather sewerage overflow” measure to ensure accurate reporting of events meeting the DIA definition.	2020/21	<b>In progress</b>  We noted the performance measure outcome prepared included water leaks and wet weather leaks. A misstatement was raised. We continue to recommend that the data is reviewed to ensure the DIA definition is met.
<b>Undeclared interests</b>		
<p>We recommend that current interest registers are updated to reflect all interests with councillors and senior management.</p> <p>We recommend that management performs their own search of the Companies Office Register and the Charities Register to ensure all interests are identified.</p>	2020/21	<b>Outstanding</b>  The applicable improvements have not been implemented yet.

Recommendation	First raised	Status
<b>Beneficial</b>		
<b>Contract management system</b>		
Consider improving the functionality of the District Council's contract management system.	2017/18	<b>Outstanding</b> Based on our discussions with the procurement team, no further progress has been made with regards to the Contract Management functionality.

**Implemented or closed recommendations**

Recommendation	First raised	Status
<b>Notifying IT of all leavers</b>		
Ensure that timely requests are placed with IT to remove staff access to systems upon termination of their employment.	2017/18	We have confirmed the process to advise IT of staff departures. We consider this matter now closed.
<b>There is no central database of contractors working for Council</b>		
We recommended that a central register be developed, of contractors and consultants working for the District Council, and formalised processes put in place for establishing and removing access to the District Council's IT systems.	2019/20	We have confirmed ICT distinguishes contractors through Active Directory where they are assigned a Council login, these accounts are set to expire at the end of their consultancy or contract. We consider this matter now closed.
<b>IT event logging and monitoring improvements</b>		
We recommended that a review of IT event logging and monitoring be carried out to ensure that tickets are created for events that have an impact on the District Council's IT systems.  Resolution actions should be recorded, or where the issue cannot be resolved, a problem ticket should be created for further action.	2019/20	We considered management response. We consider this matter now closed.
<b>Accounting standard changes - IPSAS 34-38 - interests in other entities</b>		
We recommend management reviews the disclosures against IPSAS 34-38 interests in other entities and updates the notes in the financial statements as necessary.	2019/20	The disclosure in Note 1 has been updated. We consider this matter now closed.

Recommendation	First raised	Status
<b>Rates resolution</b>		
We recommended the District Council ensures the rates resolution is fully compliant with the Local Government (Rating) Act.	2019/20	The Setting of Rates for 2022-2023 Financial Year includes billing dates and due dates for each instalment of water meter rates.  We consider this matter now closed.

## Appendix 2: Uncorrected disclosure deficiency

Detail of disclosure deficiency	Management's explanation for not correcting
<p>The disclosure of the derivative asset was incorrectly disclosed on the derivative liability (non-current and current portion) line of the financial statements.</p> <p>The derivative assets were also disclosed on the financial statement on a gross basis instead of a net basis.</p>	<p>Due to time constraints to complete the Annual Report, the District Council officers were unable to complete this. We note and agree that the derivative amount is correct.</p>

## Appendix 3: Disclosures

Area	Key messages
Our responsibilities in conducting the audit	<p>We carried out this audit on behalf of the Controller and Auditor-General. We are responsible for expressing an independent opinion on the financial statements and performance information and reporting that opinion to you. This responsibility arises from section 15 of the Public Audit Act 2001.</p> <p>The audit of the financial statements does not relieve management or the District Council of their responsibilities.</p> <p>Our Audit Engagement Letter contains a detailed explanation of the respective responsibilities of the auditor and the Council.</p>
Auditing standards	<p>We carried out our audit in accordance with the Auditor-General's Auditing Standards. The audit cannot and should not be relied upon to detect all instances of misstatement, fraud, irregularity or inefficiency that are immaterial to your financial statements. The District Council and management are responsible for implementing and maintaining your systems of controls for detecting these matters.</p>
Auditor independence	<p>We are independent of the District Council in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1: <i>International Code of Ethics for Assurance Practitioners</i>, issued by New Zealand Auditing and Assurance Standards Board.</p> <p>In addition to the audit, we have carried out engagements in the areas of the debenture trust deed assurance engagement, which are compatible with those independence requirements. Other than the audit and these engagements, we have no relationship with or interests in the District Council. List any safeguards applied to reduce or eliminate threats to an acceptable level.</p>
Fees	<p>The audit fee for the year is \$159,309, as detailed in our Audit Proposal Letter.</p> <p>Other fees charged in the period are \$9,000 for the review of the Debenture Trust Deed reporting certificate.</p>
Other relationships	<p>We are not aware of any situations where a spouse or close relative of a staff member involved in the audit occupies a position with the District Council that is significant to the audit.</p> <p>We are not aware of any situations where a staff member of Audit New Zealand has accepted a position of employment with the District Council during or since the end of the financial year.</p>





AUDIT NEW ZEALAND

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## 9.8 INDEPENDENT ASSURANCE REPORT OF THE DEBENTURE TRUST DEED FOR THE YEAR ENDED 30 JUNE 2022

File Number: A5097970

Author: Sarah Bedford, Financial Controller

Authoriser: Azoorah Ali, Chief Financial Officer

### EXECUTIVE SUMMARY

1. The purpose of this report is to provide Elected Members an opportunity to review Independent Assurance Report on the audit of Western Bay of Plenty District Council for the year ended 30 June 2022 (**Attachment 1**).

### RECOMMENDATION

That the Financial Controller's report dated 27 February 2023 titled 'Independent Assurance Report of the Debenture Trust Deed for the Year Ended 30 June 2022' be received.

### BACKGROUND

2. The debenture trust deed covers the lending agreement with LGFA, and Audit NZ undertakes a limited independent assurance review of the records of held at ComputerShare for Council's borrowing.
3. ComputerShare engages its own auditors to give assurance over its operations and record keeping. Audit NZ relies upon this work to give Council its limited assurance.
4. Following the adoption of the 2021-22 Annual Report on 22 December 2022, Audit New Zealand carried out an assurance review on Council's Debenture Trust Deed (the Deed) in accordance with clause 12.2.6. 4. Audit New Zealand issued a non-standard audit to Council and Trustee Executors Limited (Council's Debenture Trust administrator). These reports have been provided to the Elected Members for information.

### ATTACHMENTS

1. Independent Assurance Report 30 June 2022  



## **Independent Assurance Report**

### **To Western Bay of Plenty District Council and to Trustees Executors Limited in respect of The Council's Debenture Trust Deed for the year ended 30 June 2022**

The Auditor-General is the auditor of the Council pursuant to the Public Audit Act 2001. The Auditor-General has appointed me, Leon Pieterse, using the staff and resources of Audit New Zealand to undertake a limited assurance engagement, on his behalf, as required by clause 12.2.6 of the Debenture Trust Deed dated 8 October 1999 (amended 30 November 2011) (the Trust Deed), for the year ended 30 June 2022.

#### **Councillors Responsibilities**

The Council is required to provide a copy of the annual report, which includes the audited financial statements and performance information of the Council and our audit opinion, to the Trustees Executors Limited (Trustee) under clause 12.2.1 of the Trust Deed.

The Council is responsible for preparing Reporting Certificates to the Trustee in accordance with clause 12.2.4 of the Trust Deed. The Council is responsible for such internal control as is determined necessary to ensure compliance with the requirements of the Trust Deed and also to enable the preparation of Reporting Certificates that are free from material misstatement, whether due to fraud or error.

The Council is responsible for keeping the Register and ensuring that it is separately audited in accordance with clause 4.1 and 4.2.9 of the Trust Deed.

The Council is required to comply with the full requirements of the Trust Deed, including the continuing covenants and reporting requirements.

The Council is responsible for interpreting the clauses and definitions in the Trust Deed. We make no representations as to whether these interpretations of the Trust Deed are appropriate.

#### **Trustee's Responsibilities**

The Trustee monitors the Council's compliance under the terms of the Trust Deed. The terms of the Trust Deed were agreed by the Trustee and the Council. We are not a signatory to the Trust Deed and we were not consulted about the terms of the Trust Deed. We therefore take no responsibility for the adequacy of the terms of the Trust Deed for monitoring the Council.

The receipt of this limited assurance report (Report) and the audited financial statements and performance information of the Council, and any reliance on the audit opinion contained in our auditor's report attached to those audited financial statements and performance information, does not relieve the Trustee of its responsibilities under the Trust Deed and relevant legislation.

The Financial Markets Authority (FMA) issued a guidance note titled “Monitoring by Securities Trustees and Statutory Supervisors”<sup>1</sup>. This guidance note sets out the FMA’s expectations about how Trustees will carry out their monitoring functions effectively. Where applicable, it is the Trustee’s responsibility to meet the FMA’s expectations as set out in the guidance note.

### **Auditor’s Responsibilities**

Our responsibility is to express a limited assurance conclusion based on the procedures we have performed and the evidence we have obtained. We conducted our limited assurance engagement in accordance with the International Standard on Assurance Engagements (New Zealand) 3000 (Revised): *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* issued by the New Zealand Auditing and Assurance Standards Board. A copy of this standard is available on the External Reporting Board’s website.

A limited assurance engagement is not an audit and the procedures that have been performed are substantially less than for an audit where reasonable assurance is provided. As a result, the level of assurance that has been obtained is substantially lower than the assurance that would have been obtained had an audit been performed.

The procedures performed when carrying out the audit of the annual financial statements and performance information of the Council are not designed to assess whether the Council has complied with the Trust Deed or to make an evaluation of the Reporting Certificate(s) the Council issued to the Trustee.

The scope of this limited assurance engagement is to report on certain matters stated in clause 12.2.6 of the Trust Deed based on information obtained as a byproduct of our engagement to perform the audit of the annual financial statements and performance information of the Council for the year ended 30 June 2022.

For the purpose of providing our Report, unless expressly stated, we have not performed any further procedures beyond those required to complete our engagement to perform the audit of the annual financial statements and performance information of the Council.

In the performance of our duties as auditors, unless expressly stated, we do not perform any work at the time the Reporting Certificate for the year ended 30 June 2022 is prepared by the Council. Accordingly, our statements contained in the Report in relation to the matters addressed in clause 12.2.6 of the Trust Deed must be viewed in that context.

Our responsibility under clause 12.2.6 of the Trust Deed is to:

- From our perusal of the Reporting Certificate dated 24 August 2022 given on behalf of the Council pursuant to clause 12.2.4 and, as far as matters that we will observe in the performance of our duties as auditors are concerned, report whether anything is brought

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<sup>1</sup> Please refer to the FMA website for a copy of the guidance note titled “Monitoring by Securities Trustees and Statutory Supervisors” (2013).

to our attention to indicate that the statements made in such Reporting Certificate are not materially correct.

In meeting this responsibility we agreed the total amount of all categories of Stock in the Reporting Certificate dated 24 August 2022 with Computershare Investor Services and the Local Government Funding Agency.

With reference to the other assertions made by the Chief Executive in the Reporting Certificate our procedures have been limited to talking to management and considering any issues which might have come to our attention as a byproduct of our engagement to perform the audit of the annual financial statements and performance information of the Council.

- Report whether, in performing our duties as auditors, we have:
  - become aware of any matters which, in our opinion, are relevant to the exercise or performance of the powers or duties conferred or imposed on the Trustee; and
  - disclosed any matter that, in our opinion, calls for further investigation by the Trustee in the interests of the Stockholders.

In meeting this responsibility, our procedures have been limited to talking to management and considering any issues which might have come to our attention as a byproduct of our engagement to perform the audit of the annual financial statements and performance information of the Council.

- Report, as at the end of the financial year, from the audit procedures performed as part of our engagement to perform the audit of the annual financial statements and performance information of the Council, whether anything came to our attention to indicate that, in all material respects, principal money due and payable on the Stock and interest due and payable on the Stock, had not been paid.

We have not tested that each individual Stockholder has received all monies due and payable to them.

- Report whether the Council's agents have maintained the Register in accordance with the requirements of the Trust Deed.

The Council is responsible for maintaining the Register and ensuring it is separately audited in accordance with clause 4.1 and 4.2.9.

The audit of the Register is a separate engagement in the same way the engagement to perform the audit of the annual financial statements and performance information is a separate engagement. Our procedures were limited to asking the Council for a copy of the audit report about the Register.



- Report as at 30 June 2022:
  - the amount of Stock and how much is Security Stock and Bearer Stock; and
  - the Principal Money owing or secured under the Stock distinguishing between Security Stock and other categories of Stock.

In meeting this responsibility, we have agreed the total of all categories of Stock with Computershare Investor Services and the Local Government Funding Agency. We have not tested that each individual Stockholder has received all monies due and payable to them.

### **Inherent limitations**

We report to you as accountants, not lawyers. Accordingly we are not aware of all the powers and duties of trustees which may exist in statute, regulation, case law, legal precedent or otherwise.

Because of the inherent limitations in evidence gathering procedures, it is possible that fraud, error or non-compliance may occur and not be detected. As the procedures performed for this engagement are not performed continuously throughout the period and the procedures performed in respect of the Council's compliance with the Trust Deed are undertaken on a test basis (that is, we do not check every transaction), our Report cannot be relied on to detect all instances where the Council may not have complied with the requirements of the Trust Deed. Our Conclusion has been formed on the above basis.

### **Restricted use**

This Report has been prepared solely for the Council in accordance with the requirements of 12.2.6 of the Trust Deed. We disclaim any assumption of responsibility for any reliance on this report to any persons other than the Council or for any purpose other than that for which it was prepared.

### **Limited Assurance Conclusion**

Based on our work described in this report, nothing has come to our attention that causes us to believe that:

- The statements made by the Council in the Reporting Certificate dated 24 August 2022 pursuant to clause 12.2.4 are materially incorrect.
- There are any matters which, in our opinion, are relevant to the exercise or performance of the powers or duties conferred or imposed on the Trustee;
- There are any matters that, in our opinion, calls for further investigation by the Trustee in the interests of the Stockholders;
- In all material respects, that the Council has not paid all principal money due and payable on the Stock and all interest due and payable on the Stock.

Our limited assurance engagement was completed on 24 January 2023 and our conclusion is expressed as at that date.

### The Register and Stock

The Council has provided us with a copy of the audit report about the Register(s).

Based on the work described in this Report, as at 30 June 2022 the following balances are given:

Total stock of	\$213,200,000
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This is comprised of:

○ Security stock of	\$133,200,000
○ Bearer stock of	\$NIL
○ Other stock of	\$10,000,000
○ Security stock (Local Government Funding Agency stock) of	\$70,000,000

Based on the work described in this Report, as at 30 June 2022 the following balances are given:

Total Principal Money owing and secured under the stock of	\$80,000,000
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This is comprised of:

○ Security stock of	\$NIL
○ Bearer Stock of	\$NIL
○ Other stock of	\$10,000,000
○ Security stock (Local Government Funding Agency stock) of	\$70,000,000

The Total Principal Money owing does not include derivative contracts held by the Council that are secured by Security Stock.

The Council is one of a group of guarantors of the Local Government Funding Agency. As at 30 June 2022 the Council had 16,770,000,000 units of Security Stock on issue associated with the guarantee.

The difference between Security Stock on issue associated with the guarantee and total borrowings of the Local Government Funding Agency at 30 June 2022 is as follows:

000s	
16,770,000	units of Security Stock on issue associated with the guarantee
87,681	accrued interest
(1,100,000)	Treasury Stock <sup>2</sup> held by the Local Government Funding Agency
31,671	Treasury Stock lent to the market via repurchase agreements by the Local Government Funding Agency
15,789,352	Total borrowings of the Local Government Funding Agency at 30 June 2022

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<sup>2</sup> Treasury Stock is stock which is bought back by the issuing entity reducing the amount of outstanding stock on the open market. When an entity repurchases its stock, it reduces its liabilities.

**Independence and quality control**

We complied with the Auditor-General's:

- independence and other ethical requirements, which incorporate the independence and ethical requirements of Professional and Ethical Standard 1 issued by the New Zealand Auditing and Assurance Standards Board; and
- quality control requirements, which incorporate the quality control requirements of Professional and Ethical Standard 3 (Amended) issued by the New Zealand Auditing and Assurance Standards Board.

In addition to this engagement we performed the annual audit of the Council's annual financial statements and performance information, and asset management planning for the Long-term plan. Other than these engagements, we have no relationship with or interests in the Council or any of its subsidiaries or the Trustee.



Leon Pieterse  
Audit New Zealand  
On behalf of the Auditor-General  
Tauranga, New Zealand

## Appendix one

Copy of the reporting certificate dated 24 August 2022

## Appendix 1: Copy of the reporting certificate dated 24 August 2022

### FORM OF REPORTING CERTIFICATE

I, **John Holyoake** the Chief Executive of Western Bay of Plenty District Council (the **Council**) hereby certify to the best of my knowledge and belief for the purposes of the Debenture Trust Deed dated on or about 8 October 1999 (as amended from time to time) (the **Trust Deed**):

1. Since the date on which the last Reporting Certificate containing this certification was given:
  - (a) all interest due on the Stock has been paid;
  - (b) all Stock which has fallen due for repayment has been repaid;
  - (c) no Enforcement Event has occurred and remains unremedied:
  
2. As at 30 June 2022 the total amount of Stock issued and outstanding under the Trust Deed (showing separately the respective nominal amounts) is as follows:
 

(i) Debenture Stock of:	\$10,000,000
comprising:	
First Ranking Debenture Stock of:	\$10,000,000
Second Ranking Debenture Stock of:	\$Nil
(ii) Security Stock (issued with a fixed nominal amount) of:	\$133,200,000
comprising:	
First Ranking Security Stock of:	\$133,200,000
Second Ranking Security Stock of:	\$Nil
(iii) Global Stock of:	\$Nil
comprising:	
First Ranking Bearer Stock of:	\$Nil
Second Ranking Bearer Stock of:	\$Nil
together with:	
(iv) First Ranking Security Stock (issued with a floating nominal amount) of: <sup>12</sup>	\$16,840,000,000
(v) Second Ranking Security Stock (issued with a floating nominal amount) of:	\$Nil

<sup>1</sup> This figure is the total amount of debt issued with LGFA (\$16,770m) plus WBOPDC's actual portion of the debt issued with LGFA (\$70M)

<sup>2</sup> This figure excludes any accrued interest as at 30 June 2022. Note that the total nominal amount disclosed excludes the nominal amount of the Security Stock with a floating nominal amount issued by Council in relation to the Equity Commitment Deed dated on or about 7 December 2011 between various councils and New Zealand Local Government Funding Agency Limited and subsequently acceded to by the Council and evidenced by Security Stock Certificate number 17.

3. The Council has complied with the Act in connection with the Trust Deed, the Registrar and Paying Agreement, and any borrowing documentation which the Council has entered into under, in accordance with or secured by the Trust Deed.
4. On the basis of such information as to the financial position and prospects of the Council as is generally received by me in my capacity as Chief Executive (including reports from the Council's financial managers), I am not aware of any reason why the Council will not be able to meet its liabilities in relation to Stock and interest thereon which are anticipated to fall due or to become payable during the twelve months from the date of this Certificate.
5. For the purposes of paragraph [4] of this Certificate, I have considered in particular:
  - (a) the liability of the Council under the Security Stock Certificate(s) issued with a floating nominal amount;
  - (b) the likelihood of the liabilities secured by those Security Stock Certificates being called on; and
  - (c) the ability of the Council to recover or recoup from other parties in relation to any payments that the Council would be required to make in respect of those Security Stock Certificates.
6. Since the date on which the last Reporting Certificate containing this certification was given the Council has complied in all material respects with all the material provisions, covenants and obligations under the Trust Deed, and I am not aware of any reason why in the period of twelve months from the date of this Certificate the Council will not so comply with such provisions, covenants and obligations.

This Certificate is given by me as Chief Executive of the Council in good faith on behalf of the Council and I shall have no personal liability in connection with the issuing of this Certificate.

Dated: 24 August 2022



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John Holyoake  
Chief Executive  
Western Bay of Plenty District Council



## Appendix two

Copy of the audit report about the Register



### Independent Assurance report

To the Directors of Computershare Investor Services Limited (the "Company")

#### **Assurance Report Pursuant to section 218 of the Financial Markets Conduct Act 2013 and Regulations 108 and 110 of the Financial Markets Conduct Regulations 2014**

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##### **Opinion**

We have undertaken a reasonable assurance engagement in respect of the compliance, in all material respects, of the registers of security holders (the "Register") maintained by the Company with section 217 of the Financial Markets Conduct Act 2013 for the year ended 30 June 2022.

In our opinion, with respect to the Registers maintained by the Company, the Company has complied, in all material respects, with section 217 of the Financial Markets Conduct Act 2013 for the year ended 30 June 2022.

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##### **Basis for Opinion**

We have conducted our engagement in accordance with Standard on Assurance Engagements SAE 3100 (Revised) *Assurance Engagements on Compliance*, issued by the New Zealand Auditing and Assurance Standards Board.

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

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##### **Directors' Responsibilities**

The Directors are responsible on behalf of the Company for:

- maintaining the registers of security holders that complies with section 217 of the Financial Markets Conduct Act 2013 for the year ended 30 June 2022.
- identification of risks that threaten compliance with the requirements of section 217 of the Financial Markets Conduct Act 2013 being met, and controls which will mitigate those risks and monitor ongoing compliance.

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##### **Our Independence and Quality Control**

We have complied with the Professional and Ethical Standard 1 *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* or other professional requirements, or requirements in law or regulation, that are at least as demanding, which include independence and other requirements founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

In accordance with the Professional and Ethical Standard 3 (Amended) *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance Engagements* or other professional requirements, or requirements in law or regulation, that are at least as demanding, our firm maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards, and applicable legal and regulatory requirements.

We are independent of the Company. Other than in our capacity as auditor and independent assurance practitioner of the Company, we have no relationship with, or interests in, the Company.



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**Assurance Practitioner's Responsibilities**

Our responsibility is to express an opinion on whether, with respect to the registers of security holders maintained, the Company has complied, in all material respects, with section 217 of the Financial Markets Conduct Act 2013 and report our opinion to you. SAE 3100 (Revised) requires that we plan and perform our procedures to obtain reasonable assurance about whether the Company has complied, in all material respects, with Section 217 of the Financial Markets Conduct Act 2013.

An assurance engagement to report on the Company's compliance with section 217 of the Financial Markets Conduct Act 2013 involves performing procedures to obtain evidence about the compliance activity and controls implemented. The procedures selected depend on our judgement, including the identification and assessment of risks of material non-compliance.

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**Inherent Limitations**

Because of the inherent limitations of an assurance engagement, together with the internal control structure, it is possible that fraud, error or non-compliance may occur and not be detected. A reasonable assurance engagement throughout the specified period does not provide assurance on whether compliance with section 217 of the Financial Markets Conduct Act 2013 will continue in the future.

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**Restriction on Distribution and Use of our Report**

This report has been prepared for the Directors, as a body, in accordance with Section 218 of the Financial Markets Conduct Act 2013 and Regulation 110 of the Financial Markets Conduct Regulations 2014 and is provided solely to assist you in establishing that compliance requirements have been met.

Under the terms of our engagement our report may be provided on a confidential basis to the users of the Company's Registry Management services, whether or not they are required to comply with Section 218 of the Act, on the basis that we do not accept or assume any duty of care or other legal responsibility to those users. Notwithstanding the Act or Regulations, we do not accept or assume a duty of care or other legal responsibility.

Our report should not be used for any other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility for any reliance on this report to anyone other than the Directors of the Company, or for any purpose other than that for which it was prepared. In addition, we disclaim any responsibility for reliance on this report other than for the purpose for which it was prepared.

A handwritten signature in black ink, appearing to read 'Pratiksha Gopin'.

Chartered Accountants  
15 August 2022

Auckland

**10      INFORMATION FOR RECEIPT**

**11 RESOLUTION TO EXCLUDE THE PUBLIC****RESOLUTION TO EXCLUDE THE PUBLIC****RECOMMENDATION**

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

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

<b>General subject of each matter to be considered</b>	<b>Reason for passing this resolution in relation to each matter</b>	<b>Ground(s) under section 48 for the passing of this resolution</b>
<b>11.1 – 2023 Statute Barred Rates Report</b>	s7(2)(a) – the withholding of the information is necessary to protect the privacy of natural persons, including that of deceased natural persons	s48(1)(a)(i) – the public conduct of the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding would exist under section 6 or section 7
<b>11.2 – Confidential Risk and Assurance Report February 2023</b>	s7(2)(a) – the withholding of the information is necessary to protect the privacy of natural persons, including that of deceased natural persons	s48(1)(a)(i) – the public conduct of the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding would exist under section 6 or section 7
<b>11.3 – Litigation Update and Issues Watch Register</b>	s7(2)(g) – the withholding of the information is necessary to maintain legal professional privilege  s7(2)(h) – the withholding of the information is necessary to enable Council to carry out, without prejudice or disadvantage, commercial activities	s48(1)(a)(i) – the public conduct of the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding would exist under section 6 or section 7

<b>11.4 - Outstanding Recommendations Register February 2023</b>	<p>s7(2)(g) - the withholding of the information is necessary to maintain legal professional privilege</p> <p>s7(2)(h) - the withholding of the information is necessary to enable Council to carry out, without prejudice or disadvantage, commercial activities</p>	<p>s48(1)(a)(i) - the public conduct of the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding would exist under section 6 or section 7</p>
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