

AGENDA/KAUPAPA



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MEMBERSHIP: Her Worship the Mayor Rehette Stoltz (Chair), Josh Wharehinga (Deputy Chair), Colin Alder, Andy Cranston, Larry Foster, Debbie Gregory, Ani Pahuru-Huriwai, Rawinia Parata, Aubrey Ria, Tony Robinson, Rob Telfer, Teddy Thompson, Rhonda Tibble and Nick Tupara.

FINANCE & PERFORMANCE/WHAKAHAERE PŪTEA ME ŌNA HUA Committee

DATE: Wednesday 17 April 2024

TIME: 9:00AM

AT: Te Ruma Kaunihera (Council Meeting Room), Awarua, Fitzherbert Street, Gisborne

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Finance & Performance

Reports to:	Council
Chairperson:	Mayor Rehette Stoltz
Deputy Chairperson:	Deputy Mayor Josh Wharehinga
Membership:	Mayor and all Councillors
Quorum:	Half of the members when the number is even and a majority when the membership is uneven.
Meeting frequency:	Six weekly (or as required)

Purpose

To assist Council to oversee financial and non-financial performance, including the delivery of the Council's Capital Programme and oversight of the Council Controlled Trading Organisation (CCTO).

To monitor Council activities and services performance against budget, Annual Plans, the Long Term Plan, Annual Reports and corporate and financial policies.

The Finance and Performance Committee also receives enforcement and compliance performance activity reporting to ensure financial and non-financial performance oversight of its regulatory functions.

Terms of Reference

- Set, monitor and review plans, financial measures, practices and policies; the sources of funds, banking arrangements, insurance, investment and debt criteria, future financial arrangements.
- Monitor the performance of Council's treasury function – including strategic, investment and enterprise assets.
- Set fees and charges for Council services (including parking), where such fees are not set by laws (including bylaws).
- Approve preferred suppliers for capital projects and contracts where the value of the contract exceeds staff delegations.
- Approve expenditure (including substituted capital expenditure) items that are provided for in the Long Term Plan or Annual Plan where the value of that expenditure exceeds that authority delegated to officers.
- Approve debt write-offs where those debt write-offs are not delegated to staff.
- Consider all matters regarding the Local Government Funding Agency (LGFA).

- Monitor and review Council's strategic investment and enterprise assets – including consideration of the operational and financial effectiveness of Council Organisations, Council Controlled Organisations and Council's CCTO.
- In relation to the CCTO:
 - develop and approve the draft Statement of Intent for the CCTO
 - undertake any reviews of CCTO and make recommendations on any proposed changes to CCTO governance arrangements
 - consider and approve changes to service delivery arrangements arising from the service delivery reviews required under Local Government Act 2002 (LGA) that are referred to the Committee by the Chief Executive.
- Monitor the operational performance of Council's activities and services against approved levels of service.
- Monitor the operational performance of Council's regulatory activities and in particular enforcement and compliance, financial and non-financial performance reporting.
- Review and approve business plans including any related fees, charges and expenditure (including capital expenditure).
- Review the delivery of services under section 17A of the LGA.
- Monitor the delivery of the Council's Capital Programme, including inquiring into any material discrepancies from planned expenditure.

Power to Act

To make all decisions necessary to fulfil the role and scope of the Committee subject to the limitations imposed.

To establish subcommittees, working parties and forums as required.

To appoint non-voting advisory members (such as tangata whenua representatives) to assist the Committee.

Power to Recommend

To Council and/or any Council committee as it deems appropriate.

3.1. Confirmation of non-confidential Minutes 21 February 2024

MINUTES

Draft & Unconfirmed



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MEMBERSHIP: Her Worship the Mayor Rehette Stoltz (Chair), Josh Wharehinga (Deputy Chair), Colin Alder, Andy Cranston, Larry Foster, Debbie Gregory, Ani Pahuru-Huriwai, Rawinia Parata, Aubrey Ria, Tony Robinson, Rob Telfer, Teddy Thompson, Rhonda Tibble and Nick Tupara.

MINUTES of the FINANCE & PERFORMANCE/WHAKAHAERE PŪTEA ME ŌNA HUA Committee

Held in Te Ruma Kaunihera (Council Meeting Room), Awarua, Fitzherbert Street, Gisborne on Wednesday 21 February 2024 at 9:00AM.

PRESENT:

Her Worship the Mayor Rehette Stoltz, Colin Alder, Andy Cranston, Larry Foster, Debbie Gregory, Ani Pahuru-Huriwai, Rawinia Parata, Aubrey Ria, Tony Robinson, Rob Telfer, Daniel Thompson, Rhonda Tibble, Josh Wharehinga.

IN ATTENDANCE:

Chief Executive Nedine Thatcher Swann, Director Internal Partnerships & Protection James Baty, Director Engagement & Maori Partnerships Anita Reedy-Holthausen, Chief Financial Officer Pauline Foreman, Director Sustainable Futures Jo Noble, Director Community Lifelines Tim Barry, Revenue Team Leader Fiona Scragg, Democracy & Support Services Manager Heather Kohn and Committee Secretary Ariana Albert.

Secretarial note: Cr Parata, Chief Advisor- Maori Gene Takurua, De-Arne Sutherland, Michele Frey and attended the meeting via audio-visual link.

The meeting commenced with a karakia.

1. Apologies

MOVED by Cr Stoltz, seconded by Cr Wharehinga

That the apologies from Cr Tibble be sustained.

CARRIED

2. Declarations of Interest

There were no interests declared.

3. Confirmation of non-confidential Minutes

3.1. Confirmation of non-confidential Minutes 8 November 2023

MOVED by Cr Foster, seconded by Cr Thompson

That the minutes of 8 November 2023 be accepted.

CARRIED

3.1 Action Sheet

Action sheet noted.

3.2. Governance Work Plan

Governance Work Plan noted.

4. Leave of Absence

There were no leaves of absence.

5. Acknowledgements and Tributes

There were no acknowledgements or tributes.

6. Public Input and Petitions

There was no public Input or Petitions.

7. Extraordinary Business

There was no extraordinary business.

8. Notices of Motion

There were no notices of motion.

9. Adjourned Business

There was no adjourned business.

10.1. 24-17 Treasury Management for the Draft 2024-2027 Three Year Plan

Chief Financial Officer Pauline Foreman provided insight into the Liability Management and Investment Policy as part of the review of policies for the draft 2024-2027 three year plan and questions of clarification included:

- Notes that these are two umbrella policies that sit above our Treasury Policy. These umbrella policies are reflected in the statutory requirements of the Local Government Act (LGA). The Treasury policy goes more in-depth with how council is doing and is more operational. These will go out alongside the Long Term Plan (LTP) for consultation.
- Gisborne Holdings Limited (GHL) investment policy sits as a subset to Councils Investment Policy. The Investment policy provides expectations around GHL performance monitoring.
- The Financial strategy sits above both the Investment and Liability Management Policy. The Financial strategy breaks down Council borrowing forecasts for the next three years, projecting council debt. This projects that peak borrowing will be around 2028 - 2029 with the trend starting to decline around 2034.

- Between 80% and 90% of the Council's reserves are comprised of depreciation reserves. These reserves are not cash backed, where funds are raised, and applied when assets or principle payments are needed. The Revenue and Financing policy addresses the characteristics of these reserves and outlines the acceptable methods for their utilization.

MOVED by Cr Wharehinga, seconded by Cr Foster

That the Finance & Performance/Whakahaere Pūtea me Ōna Hua Committee:

1. Approves the Liability Management Policy for inclusion in the draft 2024 – 2027 Three Year Plan.
2. Approves the Investment Policy for inclusion in the draft 2024 – 2027 Three Year Plan.

CARRIED

Secretarial note: Cr Tibble joined the meeting at 9:35am.

10.2. 24-25 2024 Proposed Fees and Charges

Chief Financial Officer Pauline Foreman spoke to the report and answered questions of clarification including:

- The increase of fees and charges of 2.9% is attributed to the rate of inflation set by Business and Economic Research Limited (BERL), who establish the scale for local government.
- Water Meter Fees: a cost recovery review has not been conducted in the past three years. Costs of water production have increased and paired with the rise of inflation, increased depreciation and operational expenses.
- It should be noted, that while the Waipaoa Plant is being used, its operating costs are much higher than more cost-effective Waingake Plant. The Waipaoa Plant incurs greater expenses due to the extensive chemical treatment required for river water and the increased power demand, whereas the Waingake Plant benefits from the natural flow of gravity, making it more efficient in delivering water directly to customers.
- Notes to ensure that next year's Fees and charges, a comparison of costs from the previous year is included as a reference point to analyse cost increases.
- Commercial and industrial users are charged based by water meter. Residential (non-metered) users pay water usage fees through rates.

MOVED by Cr Wharehinga, seconded by Cr Gregory

That the Finance & Performance/Whakahaere Pūtea me Ōna Hua Committee:

1. Approves the draft 2024/25 Fees and Charges document for consultation.

CARRIED

10.3. 24-33 Revenue and Finance Policy and Rate Remission Policy

Chief Financial Officer Pauline Foreman spoke to the report and Revenue Team Leader Fiona Scragg answered questions of clarification including:

- Forestry weighted roading rates fall into the entire roading network pool and this network assesses the program of work to be conducted, the risks and damages associated with it, and from this, a calculated weighting is formed.
- As an integral component of this network, any damages resulting from industrial road usage are not directly charged to its respective sector. Instead, they are evaluated and accounted for within the broader network's risk assessment framework.
- Council conducted a review on the distribution of the roading funds three years ago, discovering that 60% of the funding was coming from city-based rate payers and the majority of the funding was being spent on the rural roading area.
- Review of forestry route damages are undertaken by Stantec, who provide Council with an impact assessment of the forestry sector to help Councils determine a weighting rate for the sector within the network. Through the Revenue and Finance Policy, Council will conduct a review of these rates annually.

MOVED by Cr Robinson, seconded by Cr Foster

That the Finance & Performance/Whakahaere Pūtea me Ōna Hua Committee:

1. Approves the Draft Revenue and Finance Policy for inclusion in the draft 2024 to 2027 Three Year Plan (3YP) for consultation.
2. Approves the Draft Rate Remission and Postponement Policy for inclusion in the draft 2024 to 2027 Three Year Plan for consultation.

CARRIED

Secretarial note: The meeting adjourned for morning tea at 10:25am and reconvened at 10:45am.

11.1. 24-21 Treasury Report - 31 December 2023

Chief Financial Officer Pauline Foreman spoke to the report and answered questions of clarification including:

- Council ideally wants how we fund projects to be Money-in, Money-out. For instance, what we spend on the roading network we try to make sure that any grants we receive are received around the same time and ensuring this doesn't go out of kilter. However, if we don't receive funds at the time where we need to pay our creditors, council is responsible for paying the interest costs that are incurred by holding the funds for this work.
- Extension of the Westpac monetary markets (short term cash flow) acts as a temporary facility to allow council to conduct business meeting our cash flow requirements.

MOVED by Cr Stoltz, seconded by Cr Ria

That the Finance & Performance/Whakahaere Pūtea me Ōna Hua Committee:

1. Notes the contents of this report.

CARRIED

11.2. 24-29 Financial Report 31 December 2023

Chief Financial Officer Pauline Foreman informed the committee on the financial report as at 31 December 2023 and answered questions of clarification including:

- During the first half of the year, Council has recorded a net surplus of \$2 million, slightly below the projections outlined in the Year-to-Date plan. This variance primarily stems from the GHL dividend, which has been signaled as unlikely to be paid.
- The work on the roading renewals program is ahead at 70% for BAU renewals to take advantage of the good weather. It is forecast to be within budget by year end.

MOVED by Cr Wharehinga, seconded by Cr Pahuru-Huriwai

That the Finance & Performance/Whakahaere Pūtea me Ōna Hua Committee:

1. Notes the contents of this report.

CARRIED

Secretarial Note: These Minutes include a public excluded section. They have been separated for receipt in Section 12 Public Excluded Business of Council.

13. Re-admittance of the public

MOVED by Cr Stoltz, seconded by Cr Wharehinga

That the Finance & Performance Committee:

1. Readmits the public

CARRIED

14. Close of Meeting

There being no further business, the meeting concluded at 12:35am.

Rehette Stoltz

MAYOR

3.2. Governance Work Plan

2024 Finance & Performance						Meeting Dates					
HUB	Activity	Name of agenda item	Purpose	Report type	Owner	21-Feb	17-Apr	5-Jun	31-Jul	11-Sep	6-Nov
Finance & Affordability	Risk & Performance	Quarterly Activity Reporting	The purpose of this report is to provide Council with a high-level progress update on Council activities	Information (I)	Tim						
Sustainable Futures	Strategic Planning	Four Waters: Stopbanks and licence policy	The purpose of this report is provide and update regarding information around the stop banks	Decision (D)	Elise Miller						
Sustainable Futures	Strategic Planning	FDS Action plan	Decision to adopt action plan	Decision (D)	Chris Gilmore						
Sustainable Futures	Strategic Planning	ERP	Decision to adopt ERP	Decision (D)	Jacqui Wallens						
Finance & Affordability	Financial Services	Treasury Report 31 December 2023	Provide an update on Treasury as of 31 December 2023	Information (I)	Chris Page						
Finance & Affordability	Financial Services	Treasury Management Update Report	Provide an update on Treasury	Information (I)	Mel/Lucy						
Finance & Affordability	Financial Services	financial report 31 December 2023	Provide an update on Councils financials for the period ending 31 May 2023	Information (I)	Mel/Lucy						
Finance & Affordability	Financial Services	Revenue and Financing Policy and Rate Remission Policy	Present Draft updated policies for approval	Decision (D)	Fiona Scragg						
Finance & Affordability	Financial Services	2024 Proposed Fees and Charges	Present draft 2024 proposed fees and charges for approval	Decision (D)	Anna Needham						
Finance & Affordability	Financial Services	Rates and Sundry Debt Report	Provide an update on Rates and Sundry Debt	Information (I)	Angelee Brown						

Finance & Affordability	Financial Services	Regional Software Holdings Limited Update Cover Report	Provide update report to shareholders for the period July to December 2023	Information (I)	Michaela						
Finance & Affordability	Financial Services	Local Government Funding Agency Report to 31 December 2023	Provide half-yearly financial report for the period ending 31 December 2023	Information (I)	Lucy Gibson						
Finance & Affordability	Financial Services	BOPLASS Half Yearly Financial Report to 31 December	Provide half-yearly financial report for the period ending 31 December 2023	Information (I)	Amanda O'Sullivan						
Finance & Affordability	Financial Services	Gisborne Holdings Ltd Draft Statement of Intent	Provide draft Sol for consideration and approval	Decision (D)	Ally Campbell						
Finance & Affordability	Risk & Performance	Biannual Report - Q1 and Q2 FY23/24	Provide Council with updates on progress and performance for the first and second quarters of the financial year 2023/24 regarding Council activities.	Information (I)	Tim Muir						
Finance & Affordability	Financial Services	Gisborne Holdings Ltd Half yearly report	Provide Council with GH's half yearly report to 31 December 2023	Information (I)	Ally / Pauline						
Community Lifelines	Journeys	Public Transport Service Delivery	The report will document the Service Delivery Review of the public transport activity for Gisborne District Council, incorporating a Section 17A (s17A) review under the requirements of the Local Government Act 2002 (the Act) and make a recommendation for the preferred way forward.	Decision (D)	Libby Young						
Finance & Affordability	Financial Services	Treasury Management Policy and Procedure Manual		Decision (D)	Lucy Gibson						

Finance & Affordability	Financial Services	Debt Collection Policy		Decision (D)	Angela Brown							
Sustainable Futures	Strategic Planning	Offensive Monuments Definition	Councillor workshop to define the aesthetic requirements of Council relating to monuments	Workshop	Summer Agnew							
Finance & Affordability	Financial Services	Council Group Update	Provide an update on Council Group activities	Decision (D)	Nick Webb							

10.1. DECISION Reports Finance



24-77

Title: 24-77 Treasury Management Policy and Procedure Manual

Section: Finance & Affordability

Prepared by: Lucy Gibson - Principal Financial Advisor

Meeting Date: Wednesday 17 April 2024

Legal: No

Financial: Yes

Significance: **Low**

Report to FINANCE & PERFORMANCE/WHAKAHAERE PŪTEA ME ŌNA HUA Committee for decision

PURPOSE - TE TAKE

The purpose of this report is for the Finance & Performance Committee to approve the updated Treasury Management Policy and Procedure Manual.

SUMMARY – HE WHAKARĀPOPOTOTANGA

Council is required by legislation to prudently manage Council's borrowings, investments, and other incidental arrangements.

The Treasury Management Policy and Procedure Manual (referred to as the Treasury Policy) is the detailed guide that flows off the Liability Management Policy, Investment Policy, and Financial Strategy.

Council reviews the Treasury Policy every three years as part of the Long Term Plan policy review.

The document has been updated to make sure it aligns with the Liability Management Policy, Investment Policy, and Financial Strategy. The main changes to the Treasury Policy have been reviewed by PricewaterhouseCoopers (PwC).

The main changes noted are:

- Simplified the definition of maximum loan term.
- Increased the maximum term from 30 years to 50 years, aligning to the life of the underlying asset and adhering better to intergenerational equity principles.
- The language around determining the gross external debt forecast has been reviewed to enable the Chief Financial Officer (CFO) or equivalent to consider alternative debt forecast scenarios when evaluating long-term debt and interest rate management decisions.

- Merged the counterparty credit limits, investment and interest rate risk limits to now be a single counterparty limit.
- Updated the Committed Funding Maturity Profile Limits to increase the maximum percentage for the seven years plus time band from 40% to 60%.
- Updated debt management practice of debt only applied on a “net debt basis **at all times**” to “**mostly** applying debt on a net debt basis”. This takes into account that in some cases cash may have been received for a particular purpose, and it is appropriate to ring fence the funds in term deposit (e.g. bequests – Library).
- Updated the number of days the fixed rate maturity profile can be outside of limits has increased from 90 days to 120 days, anything beyond 120 days requires specific approval by Council. This is to reflect the recovery stage Council is in over the next 3 years and the inherent uncertainty and risk around Councils capital forecasts.

Attached is the Treasury Management Policy and Procedure Manual in **Attachment 1**.

The decisions or matters in this report are considered to be of **Low** significance in accordance with the Council's Significance and Engagement Policy.

RECOMMENDATIONS - NGĀ TŪTOHUNGA

That the Finance & Performance/Whakahaere Pūtea me Ōna Hua Committee:

- 1. Approves the Treasury Management Policy and Procedure Manual.**

Authorised by:

Pauline Foreman - Chief Financial Officer

Keywords: Treasury Management Policy, Procedure Manual, Investments, Borrowing, LTP policy review

BACKGROUND - HE WHAKAMĀRAMA

1. The Treasury Management Policy and Procedure Manual (Treasury Policy) is the detailed guide that sits under the Financial Strategy, Liability Management Policy and Investment Policy.
2. As part of Council's Long Term Plan, the Treasury Policy is reviewed along with other overarching policies.
3. PwC, as Council's Treasury expert partner, has reviewed the draft policy.
4. Attached is the draft Treasury Policy in **Attachment 1**.

DISCUSSION and OPTIONS - WHAKAWHITINGA KŌRERO me ngā KŌWHIRINGA

5. The Treasury Policy has been reviewed, where most of the proposed changes relate to being aligned to the Investment Strategy, Liability Policy and Financial Strategy.
6. However, in some cases changes are a result of how Council business has changed. For instance:
 - Term Deposits for specific grant funding received by Council; and
 - Maximum Term of debt loan.
7. Council has operated its overall debt management on a net debt basis – where debt is only raised when it has exhausted all of its cash. While Council is operating on a Recovery Plan, after Cyclone Gabrielle, Council has received or will be receiving material grants for specific purposes. Where it is appropriate (i.e. either stipulated within terms of the grant, or the quantum of the grant is material), grants maybe ringfenced and held under term deposits.
8. The definition and length of a maximum loan term has changed. The term of the loan is the has been changed from maximum of 30 years to maximum of 50 years". This simplifies the definition to be either the economic life of the asset or a maximum of 50 years.
9. This means loan terms are aligned better with the longer life assets (e.g. Buildings, Wastewater Treatment Plant, flood protection), which have 50 plus useful life. The principle of intergenerational equity is that costs are spread over when the benefits are received (or the useful life) of the assets. By only having a maximum of 30 years means today's generation, is paying more of their share than what future generations would pay.
10. Other minor changes to the Treasury Policy include:
 - The language around determining the gross external debt forecast has been reviewed to enable the Chief Financial Officer (CFO) or equivalent to consider alternative debt forecast scenarios when evaluating long-term debt and interest rate management decisions. This provides management with greater insight around how the interest rate risk profile will change under different debt forecast scenarios to that of the base case debt forecast. Reviewing alternative debt forecast scenarios will reduce the risk of Council being in an over or under-hedged position in events such as changes to the capital expenditure programme.

- The Committed Funding Maturity Profile Limits have been updated to increase the maximum percentage in the seven plus time band from 40% to 60%. This change is not inconsistent with other peer councils and provides an opportunity to strategically lengthen the term of the debt maturity profile when long-term credit margins are at attractive margins.
- The counterparty credit limits have been updated to allow for greater flexibility. The investment and interest rate risk limits have been merged to become a single \$25 million counterparty limit. This is where our policy has historically been out of compliance with the high deposits Council has received as part of the 2024-2027 Three Year Plan and Cyclone Gabrielle recovery.
- The number of days a fixed rate maturity profile that is outside of limits, but not in breach of policy has been updated from 90 days to 120 days. If a maturity profile is maintained outside of limits for longer than 120 days it requires Council approval. This increase in days is to allow for the inherent uncertainty and risk with capital forecasts over the next three years as Council navigates through its recovery phase. It is expected this limit will reduce back to 90 days after three years.

ASSESSMENT of SIGNIFICANCE - AROTAKENGA o NGĀ HIRANGA

Consideration of consistency with and impact on the Regional Land Transport Plan and its implementation

Overall Process: Low Significance

This Report: Low Significance

Impacts on Council's delivery of its Financial Strategy and Long Term Plan

Overall Process: Low Significance

This Report: Low Significance

Inconsistency with Council's current strategy and policy

Overall Process: Low Significance

This Report: Low Significance

The effects on all or a large part of the Gisborne district

Overall Process: Low Significance

This Report: Low Significance

The effects on individuals or specific communities

Overall Process: Low Significance

This Report: Low Significance

The level or history of public interest in the matter or issue

Overall Process: Low Significance

This Report: Low Significance

11. The decisions or matters in this report are considered to be of Low significance in accordance with Council's Significance and Engagement Policy.

TANGATA WHENUA/MĀORI ENGAGEMENT - TŪTAKITANGA TANGATA WHENUA

12. There has been no Māori engagement in relation to this report.

COMMUNITY ENGAGEMENT - TŪTAKITANGA HAPORI

13. There has been no community engagement in relation to this report.

CLIMATE CHANGE – Impacts / Implications - NGĀ REREKĒTANGA ĀHUARANGI – ngā whakaaweawe / ngā ritenga

14. This report has no impact on climate change.

CONSIDERATIONS - HEI WHAKAARO

Financial/Budget

15. There are no additional costs arising from the changes in the Treasury Policy.

Legal

16. Under the Local Government Act 2002 (LGA) section 101, Council must manage its financial dealings prudently. LGA sections 101A (Financial Strategy), 102 (Funding and financial policies), 104 (Liability Management Policy) and 105 (Investment Policy) states what must be included in each of the Policies and Strategy.

17. The Treasury Policy falls under these umbrella suite of Financial Management suite of statutory regulations.

POLICY and PLANNING IMPLICATIONS - KAUPAPA HERE me ngā RITENGA WHAKAMAHERE

18. The 2024-2027 Three Year Plan complies with the revised draft Financial Strategy, the Liability Management Policy and the Investment Policy.

RISKS - NGĀ TŪRARU

19. Council acknowledges that there are financial risks arising from its treasury activities, such as liquidity, funding, interest rates, credit and operational risks. Council is a risk adverse organisation and does not wish to incur additional risks from its treasury activities.

20. Accordingly, Councils finance function in relation to its treasury activities is a risk management function focused on protecting Council's budgeted interest costs, interest income and stabilising Council's cash flows. Council seeks to prudently manage these risks and any activity that is unrelated to its underlying cash flows or may be construed as speculative in nature, is strictly forbidden.

21. The Treasury Policy enables Council to prudently manage treasury risks. It assesses Council's overall risk bearing ability and sets tolerance levels of underlying revenue and costs. The risk controls and the risk spreading mechanisms are designed to take into account foreseeable situations in both normal and abnormal financial market movements and conditions.

NEXT STEPS - NGĀ MAHI E WHAI AKE

Date	Action/Milestone	Comments
April 2027	Review Treasury Management Policy and Procedure Manual	As part of the next Long Term Plan policy reviews.

ATTACHMENTS - NGĀ TĀPIRITANGA

1. Attachment 1 - Draft Treasury Management Policy and Procedure Manual [**24-77.1** - 57 pages]

Treasury Management Policy and Procedure Manual

Reviewed: April 2024



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1. Introduction

1.1 Purpose of Policy

The purpose of the Treasury Management Policy and Procedure Manual is to outline approved policies and procedures in respect of all treasury activity, to be undertaken by the Gisborne District Council (Council). The formalisation of such policies and procedures enables treasury risks within the Council to be prudently managed.

As circumstances change, the policies and procedures outlined in this Policy will be modified to ensure that treasury risks within Council, continue to be well managed. In addition, regular reviews will be conducted to test the existing policy against the following criteria:

- Industry "best practices" for a council of similar size and type to the Gisborne District Council and adjusted for Council's Recovery phase; where during this phase, there are significantly more transactions and material amounts than just a comparison against a council of similar size
- The risk bearing ability and tolerance levels of the underlying revenue and cost drivers.
- The effectiveness and efficiency of the Treasury Management Policy and Treasury Management function to recognise, measure, control, manage and report on the Council's financial exposure to market interest rate risks, funding risk, liquidity risks and other associated risks.
- The operation of a pro-active treasury management function in an environment of control and compliance.
- The robustness of the policy's risk control limits and risk spreading mechanisms against normal and abnormal financial market movements and conditions.
- Assist the Council in achieving strategic objectives relating to ratepayers.

It is intended that the policy be distributed to all personnel involved in any aspect of Council's financial management. In this respect, all staff must be completely familiar with their responsibilities under the policy at all times.

1.2 Scope

- This document identifies the policy and procedures of Council in respect of treasury management activities.
- The policy has not been prepared to cover other aspects of Council's operations, particularly transactional banking management, systems of internal control and financial management. Other policies and procedures of Council cover these matters.
- Planning tools and mechanisms are also outside of the scope of this policy.

2. Objectives

The objective of this Treasury Policy is to control and manage treasury risks that can influence budgets, plans and intergenerational public equity.

2.1 Statutory Objectives

- a) In reference to Councils Governance Structure, Delegations to Chief Executive and Staff (Refer <https://www.gdc.govt.nz/council/our-management-team/delegations>), the following powers are not delegated to committees, subcommittees, officers or any other subordinate decision-making body, and any other powers that are not legally able to be delegated:
 - o The power to borrow money, or purchase or dispose of assets, other than in accordance with the Long Term Plan, Three Year Plan or Annual Plan.
- b) All borrowing, investments and incidental financial arrangements (for example the use of derivatives) other than outlined in 2.1(a) will be approved by resolution of Council in accordance with the Local Government Act 2002.
- c) All legal documentation in respect to borrowing and financial instruments will be reviewed by the Council's solicitors, prior to tabling of the relevant resolution.
- d) A resolution of Council is not required for hire purchase, credit or deferred purchase of goods if:
 - The period of debt is less than 91 days (including rollovers); or
 - The goods or services are obtained in the ordinary course of operations on normal terms

2.2 General Objectives

- Manage all of Council's investments within its strategic and commercial objectives and optimise returns within these objectives.
- Arrange and structure appropriate funding in terms of both maturity and interest rates.
- Manage Council's borrowing programme to ensure funds are readily available at margins and costs favourable to Council.
- Borrow funds and transact risk management instruments within an environment of control and compliance to protect the Council's financial assets and costs.
- Maintain liquidity levels and manage the overall cash position of Council's operations to meet known and reasonable unforeseen funding requirements.
- Invest surplus cash in liquid and credit worthy investments.
- Avoid adverse interest rate related increases on ratepayer charges and maintain overall interest costs within budgets.
- Develop and maintain professional relationships with Council's bankers, trustee and the financial markets.
- Monitor and report on financing/borrowing covenants and ratios under the obligations of the Council's lending/security arrangements.
- Ensure that the relevant Council staff are aware of the latest treasury products, methodologies and accounting treatments through training and in-house presentations.
- To provide timely and accurate reporting of treasury activity and performance.

- Ensure that all statutory requirements of a financial nature are adhered to.

In meeting the above objectives Council acknowledges that there are financial risks such as liquidity, funding, interest rate, credit and operational risks arising from its treasury activities. Council is a risk averse entity and does not wish to incur additional risk from its treasury activities.

Accordingly Council's finance function, in relation to its treasury activities is a risk management function focused on, protecting Council's budgeted interest costs, interest income and stabilising Council's cash flows. Council seeks to prudently manage these risks. Accordingly, activity that is unrelated to its underlying cash flows or may be construed as speculative in nature is expressly forbidden.

2.3 Borrowing

Council's borrowing activity is largely driven by its capital expenditure programme. Council's borrowing policy is discussed in Section 4 of this document.

2.4 Investments

Council manages a portfolio of investments comprising equity investments, forestry, property and treasury investments. Council's investment policy is discussed in Section 6 of this document.

3. Management Responsibilities

3.1 Overview of the Management structure

The organisation chart for treasury activity is as follows:



3.2 Treasury Responsibilities

The key responsibilities of the above positions are as follows:

Party	Responsibilities
<p>3.2.1 Council</p> <p>Council has the ultimate responsibility for ensuring that the Gisborne District Council has an effective policy for the recognition and management of its risks. In this respect Council decides the level and nature of the risks that are acceptable, given the underlying financial objectives of the Council.</p> <p>The Council has responsibility for approving all Policy as detailed in this <i>Treasury Management Policy and Procedures</i> document, along with the related <i>Liability Management and Investment policies</i>. Council is also responsible for reviewing and approving any changes as required from time to time.</p> <p>While Policy can be reviewed and changes recommended by other persons, Council's authority to make changes cannot be delegated.</p>	<ul style="list-style-type: none"> • Approving the Liability Management and Investment Policies. • Approving new debt/funding facilities for Council. • Approving the Treasury Management Policy and Procedures manual (this document) including delegated authorities for borrowing, investment and dealing. • Approving amendments to Policy. • Receiving the annual report on these Policies.

Party	Responsibilities
<p>3.2.2 Finance and Performance Committee (FA)</p> <p>The Finance and Performance Committee is responsible for monitoring compliance with Council's treasury policies. It receives regular information from management on risk exposure and financial instrument usage. It reviews this information and makes informed judgements on the level of risk being undertaken by management.</p>	<ul style="list-style-type: none"> • Reviewing the treasury management process through regular standard reporting. • Reviewing monthly treasury reports to monitor compliance to Policy and risk limits. • Reviewing performance of commercial, semi-commercial and strategic investments. • Reviewing and approving hedging strategies outside the Chief Financial Officer discretionary authority. • Receiving and reviewing recommendations from management on Policy and procedures requiring Council approval. • Receiving submissions from management requesting approval for one-off transactions falling outside Policy guidelines. Referred to Council for approval. Reference to 3.3 delegations table
<p>3.2.3 Treasury Forum</p> <p>The treasury management team will oversee the implementation of the Treasury Policy and monitor and review the effective management of treasury function. The Team consists of the Chief Financial Officer (chair), Finance Manager, Financial Services Team Leader and the Assistant Financial Services Accountant. The treasury team will meet on a monthly basis (and informally as required).</p>	<ul style="list-style-type: none"> • Reviewing the quarterly funding and risk management strategy as recommended by the Finance Manager or Financial Services Team Leader. • Recommending amendments to the Treasury Management Policy and procedures for Council approval.
<p>3.2.4 Chief Financial Officer</p> <p>While Council has final responsibility for the policy governing the management of Council's risks, it is the Chief Financial Officer who effectively has overall responsibility for the day to day management of such risks. The Chief Financial Officer will ensure that information presented to Council is accurate, identifies the relevant issues and is presented in a clear and succinct report.</p>	<ul style="list-style-type: none"> • Overall responsibility for all activities relating to implementation of approved Treasury Management Policy. • Delegating Authority to other officers. • Approving authorised signatories in respect of bank accounts and funding facilities. • Authorising the opening and closing of any bank accounts. • Approving the refinancing of existing debt. • Approving treasury transactions outside the Finance Manager and/or Financial Services Team Leader's delegated authority. • Reviewing Treasury Management Policy and treasury activities. • Reporting treasury activities to <i>Finance and Performance Committee</i>. • Assisting the Finance Manager and/or Financial Services Team Leader in negotiating bank facilities

Party	Responsibilities
	<p>as authorised through the borrowing levels, approved in the Long Term Plan and/or Annual Plan.</p> <ul style="list-style-type: none"> • Approving the quarterly funding and risk management strategy as recommended by the Financial Services Team Leader. • Ensuring Council policies comply with existing and new legislation.)
<p>3.2.5 Finance Manager</p> <p>The Finance Manager oversees the treasury process. The Finance Manager proposes detailed management directives in accordance with treasury policy and ensures that treasury policy is being complied with.</p>	<ul style="list-style-type: none"> • Authorising interest rate hedge transactions (swaps, FRAs and options) with bank counterparties. • Authorising loan drawdowns/repayments/rollover transactions within current facility arrangements. • Authorising the issuance of payments for money market, interest rate risk management or capital market transactions. • Ensuring management procedures and Policies are implemented in accordance with Council Treasury Management Policy. • Ensuring that all borrowing and financial covenants to lenders are adhered to. • Monitoring Credit ratings of approved counter parties. • Monitoring and reviewing the performance of the treasury function in terms of achieving the objectives of minimising and stabilising funding costs from year to year. • Receives advice of breach of Treasury Management Policy and significant treasury events from the Financial Services Team Leader. • Recommends to Chief Financial Officer authorised signatories and delegated authorities in respect of all treasury dealing and banking activities. • Reviewing and making recommendations on all aspects of Treasury Policy to the treasury team. This includes dealing limits, approved instruments, counterparties, working capital policies and general guidelines for the use of financial instruments. • Conducting the annual review of Treasury Management Policy, procedures and dealing/counter party limits. • Managing the long term balance sheet structure of Council in accordance with Council requirements. • Designing, analysing, evaluating and implementing risk management strategies to position the interest rate risk profile, so to be protected against adverse market movements within the approved Policy limits.

Party	Responsibilities
	<ul style="list-style-type: none"> • Investigating financing alternatives to minimise borrowing costs, margins and interest rates, making recommendations to the treasury team as appropriate. • Managing Council's relationship with bankers, the LGFA and brokers. • Negotiating of bank funding facilities, LGFA and management of bank and other financial institution arrangements. • Approving any amendments to treasury records following checks to counterparty confirmations. • Developing the quarterly funding and interest rate strategy and recommending it to the treasury team. • Approving bids and pricing for commercial paper, bond/stock issuance and bank borrowing. • Approving all deal tickets (bank confirmations). • Reviewing the reports and work papers on treasury activity. • Reviewing the credit standing of counterparties on a quarterly basis. • Reviewing the monthly reconciliations of treasury spreadsheets to the general ledger. • Review the weekly bank reconciliations. • Approving treasury journals. • Backup execution responsibilities in the absence of the Financial Services Team Leader.
<p>3.2.6 Financial Services Team Leader</p> <p>The Financial Services Team Leader runs the day to day activities of the Council's treasury operation.</p>	<ul style="list-style-type: none"> • Keeping the Chief Financial Officer and Finance Manager informed of significant treasury activity and market trends. • Ensuring all financial instruments are valued and accounted for correctly in accordance with PBE IPSAS and best practice. • Accounting for all treasury transactions in accordance with legislation, GAAP and Council accounting Policies. • Executing funding and risk management activities based on the approved strategy. • Complete internal deal tickets • Monitoring treasury exposure on a regular basis, including current and forecast cash position, interest rate exposures and borrowings. • Maintaining written evidence of the executed deals on the agreed forms.

Party	Responsibilities
	<ul style="list-style-type: none"> • Prepare monthly cash flow forecasts, debt projections and cash management recommendations for the Financial Services Team Leader. • Preparation of treasury reports. • Handling all the administrative aspects of bank counterparty agreements and documentation such as loan agreements and swap documents. • Liaise with bankers, LGFA and brokers for issue of debt. Coordinate private placements and tenders. • Execute daily cash management activities. • Arrange payment and receipt of approved treasury transactions. • Update credit ratings for issuers on a quarterly basis. • Management of the operation of all bank accounts including arranging offsets, sweeps and other account features. • Maintaining the treasury spreadsheet(s). • Receives deal confirmations and checks to internal deal ticket and treasury spreadsheet. • Completes the daily cash position report. • Reconcile bank statements on a weekly basis. • Complete the monthly reconciliation of the treasury spreadsheet to the general ledger. • Prepare treasury journals for review and approval by the Finance Manager.

3.3 Delegation of Authority and Authority Limits

Treasury transactions entered into by council staff without proper authority are difficult to cancel, given the legal doctrine of "apparent authority". Also, insufficient authorities for a given bank account or facility may prevent the execution of certain transactions (or at least cause unnecessary delays). The delegated authority limits are contained within the current version of the delegation manual.

To prevent difficulties with delegated authorities the following procedures must be complied with:

- All delegated authorities and signatories must be reviewed by the Finance Manager at least every six months, to ensure that they are still appropriate and current.
- A comprehensive letter must be sent to all bank counterparties at least every year which details all relevant current delegated authorities of Council and contracted personnel empowered to bind the Council.
- Whenever a person with delegated authority on any account or facility leaves Councils employment, all relevant banks and other counterparties must be advised in writing immediately to ensure that no unauthorised instructions are accepted from such persons.

The Council has the following responsibilities, either directly itself, or via the following stated delegated authorities.

Activity	Delegated Authority	Limit
Approving and changing treasury policy	Council	Unlimited
Borrowing new debt not provided for in the Annual Plan or LTP	Council	Unlimited (subject to legislative and other regulatory limitations)
Approve security arrangements	Council	Unlimited
Approve sale and purchase of equity investments not provided for in the Annual Plan or LTP	Council	Unlimited (subject to legislative and other regulatory limitations)
Approve sale and purchase of equity investments provided for in the Annual Plan or LTP	Chief Executive Chief Financial Officer	As provided for in the Annual plan or LTP
Borrowing new debt (or arranging facilities) planned for in the Annual Plan or LTP	Chief Financial Officer	Maximum provided in the Annual plan or LTP
Approving of Council guarantees or uncalled capital relating to CCO/CCTO indebtedness	Council	Unlimited (subject to legislative and other regulatory limitations)
Approve LGFA membership for CCO/CCTOs	Council	Unlimited
Approving new and refinanced lending activity with CCO/CCTOs	Council	Unlimited
Re-financing existing debt	Chief Financial Officer	Unlimited
Register new debt Issues	Seal Register signatories	Maximum provided in the Annual plan or LTP
Approving transactions outside policy	Council	Unlimited
Approving credit counterparty limits	Chief Financial Officer	Unlimited
Adjust interest rate risk profile	Chief Financial Officer	Fixed/floating ratio as per risk control limits
Managing funding maturities in accordance with Council approved facilities	Chief Financial Officer / Finance Manager	Maturity profile limit as per risk control limits

Activity	Delegated Authority	Limit
Maximum daily transaction amount (borrowing, investing, interest rate risk Management)	Council CEO Chief Financial Officer Finance Manager	As per Instrument of Financial Delegations, currently set at: Unlimited \$30 million \$30 million \$5 million Upon any review of the Instrument of Financial Delegation, limits will automatically update in accordance with the new set limits.
Authorising lists of signatories	Chief Financial Officer	Unlimited
Opening/closing bank accounts	Chief Financial Officer with written confirmation from CEO	Unlimited
Interest rate management	Chief Financial Officer	Per risk control limits
Debt Management	Chief Financial Officer	Per risk control limits
Foreign exchange management	Chief Financial Officer	Per risk control limits
Ensuring compliance with policy	Chief Financial Officer	N/A
Cash management	Chief Financial Officer	Per risk control limits
Negotiation and ongoing management of lending arrangements to CCO /CCTOs	Chief Financial Officer	Per Council approvals
Triennial review of policy	Finance Manager	N/A

4. Liability Management Policy

4.1 General Policy

Council borrows as it considers appropriate. Council exercises its flexible and diversified borrowing powers within the Local Government Act 2002. Council approves borrowing by resolution during the Annual Plan and/or LTP process. Projected debt levels are ascertained from cash flow forecasts prepared during the annual planning, Three Year Plan and Long Term Planning process. A resolution of Council is not required for hire purchase, credit or deferred purchase of goods if:

- the period of indebtedness is less than 91 days; or
- the goods or services are obtained in the ordinary course of operations on normal terms for amounts not exceeding in aggregate, an amount determined by resolution of Council as detailed in the delegated authority manual.

Council delegates its borrowing powers to the Chief Executive and management of Council in accordance with the Instrument of Delegation and as set out in the Treasury Management Policy and Procedure Manual.

Council's infrastructural and community assets generally have long economic lives and long term benefits. The use of debt is seen as an appropriate and efficient mechanism for promoting intergenerational equity between current and future ratepayers, in relation to Council's assets and investments.

Council raises borrowing for the following primary purposes:

- General debt to fund Council's balance sheet.
- Specific debt associated with "special one-off" projects and capital expenditure.
- To fund assets with intergenerational qualities.
- On-lending to CCO/CCTO's to better achieve its strategic and commercial objectives

Council is able to borrow through a variety of market mechanisms including internal borrowing, the issue of stock, commercial paper or direct bank borrowing. Stock may be issued through the wholesale investor market via banks and brokers or indirectly into the wholesale market, through conduit structures such as the Local Government Funding Agency Ltd.

Alternative funding mechanisms such as leasing will be evaluated with a financial analysis in conjunction with traditional on-balance sheet funding. The evaluation will take into consideration, ownership, redemption value and effective cost of funds. Council has a general preference to firstly use available internal reserves for its borrowing requirements and thereafter utilise external funding sources.

Approved sources for borrowing are:

- Short, medium and long-term borrowing from the NZ banking market.
- Leasing and hire purchase (including sale and lease back where appropriate)
- Issue of Local Authority stock and debentures to the wholesale/retail investor market.
- Issue of Commercial Paper, notes and bonds to the wholesale/retail investor market.
- Borrowing through the Local Government Funding Agency (LGFA).

Borrowing by way of hire purchase or long term equipment lease is permissible if approved by the Chief Executive.

4.2 Security

All Council loans and interest rate risk management instruments will be either unsecured or secured under the Council's Debenture Trust Deed. This security relates to any loan and to the performance of any obligation under any incidental agreement.

A charge will be granted over assets only where:

- There is a direct relationship between the debt and the asset purchase/construction, for example operating lease or project finance.
- The Council considers a charge over assets to be appropriate.
- Any charge must comply with the terms and conditions contained within the trust deed.

However, before securing borrowings over specified assets or rates revenue, Council will consider all options including the option with the lowest overall cost of borrowing. A register of charges is maintained by the Chief Financial Officer at the Council's offices.

4.3 Debt Repayment

The Council will mostly manage debt on a netting basis (i.e. it will fund the balance sheet as a whole netting off available reserves and borrowings to minimise external borrowings). In some cases, when cash has been received for a prescribed purpose, it may be appropriate to separate and transfer cash received to a term deposit investment until the funds are used.

The Council may repay borrowings from renewal loans or surplus funds.

Subject to any specific direction from Council or funding requirements underlying funds received, the funds from the disposition of fixed and investment assets will be applied in reduction of debt and/or borrowing requirements. Operating surpluses will also be applied to the reduction of debt.

While the Council will generally raise loans on a portfolio basis, interest expenses will be charged to the treasury cost centre. The treasury cost centre will recover interest costs by charging interest on internal loans to specific activities.

4.4 Debt Ratios and Borrowing Limits

In managing debt, Council will adhere to the following limits:

Ratio	GDC Limits	LGFA Lending Covenant
Net external debt as a percentage of income	=<175%	175%
Net external debt per capita (56,682 residents, based on 2027 projected population for 3YP modelling). This is based on a \$232m limit.	<\$4,500	N/A
Net external debt per rateable unit (Based 22,787 forecast 2027, projected from 2022/23 rateable units with 0.5% pa growth). This is based on a \$232m limit.	<\$10,250	
Liquidity (external debt + available committed debt facilities, + cash or cash equivalents) over existing external debt to be greater than	>110%	110%
Net interest/Total Revenue	10%	20%
Net interest/annual rates income	15%	25%

Income is defined in accordance with International Public Sector Accountings Standards (PBE IPSAS) and includes earnings from rates, government grants and subsidies, user charges, interest received, vested assets and other revenue. Developer contributions are not included as income for borrowing limit purposes.

Net external debt is defined as financial liabilities less financial assets (excluding trade, provisions and other receivables) and lease debt arising from CCTO arrangements.

The liquidity ratio excludes encumbered cash investments, such as cash held within trust funds.

External debt funding and associated investment activity relating to pre-funding is excluded from the liquidity ratio calculation.

For liquidity purposes, cash/cash equivalents are defined as being:

- Overnight bank cash deposits
- Bank term deposits no greater than 30 days
- Bank issued RCDs less than 181 days.

Net Interest is defined as external interest paid/received including bank line fees.

External debt is defined as total gross external debt less any pre-funded debt.

Council will adhere to the borrowing limit that is reached first and provides the lowest level of debt capacity. Council reports compliance to these limits on a quarterly basis.

It is noted that borrowing limits are calculated for external debt only. Current bank facility ratios are set out in Appendix II.

Debt will be repaid as it falls due in accordance with the applicable loan agreements. Subject to the above borrowing limits, a loan may be rolled over or re-negotiated as and when appropriate.

Borrowing limits are measured on a Council only basis and not the consolidated group.

Disaster recovery requirements are met through the liquidity ratio policy.

4.5 Internal Borrowing

Council uses its reserves and external borrowing to internally fund both capital expenditure and working capital. The Council approves overall borrowing by resolution during the annual planning and/or LTP process. The finance function is responsible for administering Council's internal loan portfolio.

The primary objective in funding internally is to use reserves and external borrowing effectively, by establishing a portfolio that provides funding to internal activity centres. This creates operational efficiencies, as savings are created by eliminating the margin that would be paid through Council separately investing and borrowing externally. In addition to external borrowing mechanisms all reserve accounts are used for internal borrowing purposes.

The following operational parameters apply in relation to the management of Council's internal loan portfolio:

- All internal borrowing activities are consistent with the principles and parameters, outlined throughout this policy.
- Council seeks to firstly utilise reserve funds and if insufficient reserves are available, utilises external borrowing mechanisms.
- In determining an activity centre's maximum internal loan amount, any existing depreciation reserve amount or other related amount is firstly allocated to that centre. The depreciation reserve is used to fund an activity's renewal type assets. If there is insufficient depreciation reserve to fund a renewal asset any additional funding is provided through internal loans.

Specific operating parameters are:

- Internal loans may be set up as:
 - Interest only
 - A Non-table (reducing balance) loan.
 - A Table loan - (Payments are kept the same over the loan period)
- An internal loan is set up for all new capital expenditure and any renewal capital expenditure not covered by accumulated depreciation. The loan is allocated to the activity centre incurring the expenditure.
- Internal Loans may be consolidated where that course of action is not inconsistent with the borrowing principles included within this document.
- Interest is set quarterly on all internal loans at the weighted average cost of external borrowing (including credit margin and other related costs).

- Interest on investment (reserve) balances is set quarterly at the 90 day Bank Bill rate. No adjustment is included for treasury related operational costs.
- Council may determine not to pay interest on specific reserve balances or to pay interest at a reduced rate.
- If required Council has the ability to reset interest rates monthly.
- Interest is charged on the month-end loan balance. Interest may be notionally received and allocated to the specific reserve account providing the funds or through the related cost centres income/expenditure accounts.
- The term of the loan is the lesser of either:
 - the economic life of the asset
 - A maximum of 50 years for long life assets. Principal repayment instalments are charged to the cost centre. Instalment amounts are agreed upon commencement of the loan. Instalments are paid monthly.
- Interest is charged/paid on Activity balances based on the balance at the start of the financial year. The interest rate charged on deficit balances is set at the weighted average cost of external borrowing (including credit margin and other related costs). The interest rate paid on surplus balances is the 90 day bank bill rate.

4.6 Commercial and Strategic Asset Borrowing

The primary objective of Commercial and Strategic Asset borrowing is to provide funding for investments that reduce the Councils reliance on rates funding, support strategic regional activities, stimulate economic activity and encourage regional investment and development.

Borrowings obtained for these purposes will generally be long term in nature and for equity investments may have an indefinite life.

- The term of the loan is the lesser of either:
 - the economic life of any tangible asset
 - A maximum of 50 years for long life tangible assets
 - investments in equity or other intangible assets shall have an indefinite loan term unless the investment has a planned maturity

Borrowings for Commercial and Strategic assets purposes should be separately identified, or where funded through internal borrowing, tracked through a separate reserve account. Where internal borrowing is used, all aspect of the internal borrowing policy will be complied with except for the loan term limits.

Capital returns on commercial and Strategic assets will be used to repay related borrowings in the first instance.

4.7 New Zealand Local Government Funding Agency Limited

The Council may borrow from the New Zealand Local Government Funding Agency Limited (LGFA) and, in connection with that borrowing, may enter into the following related transactions to the extent it considers necessary or desirable:- Contribute a portion of its borrowing back to the LGFA as an equity contribution to the LGFA. For example borrower notes.

- Provide guarantees of the indebtedness of other local authorities to the LGFA and of the indebtedness of the LGFA itself.
- Commit to contributing additional equity (or subordinated debt) to the LGFA if required.
- Secure its borrowing from the LGFA and the performance of other obligations to the LGFA or its creditors with a charge over the Council's rates and rates revenue.
- Subscribe for shares and uncalled capital in the LGFA.

5. Risk Recognition/Identification/Management

The definition and recognition of interest rate, liquidity, funding, counterparty, credit, market, operational and legal risk for the Council are as detailed below.

5.1 Interest Rate Risk

5.1.1 Risk Recognition

Interest rate risk is the risk that funding costs (due to adverse movements in market interest rates) will exceed the annual plan or the LTP (Long Term Plan) cost projections. This would adversely impact on borrowing cost controls, capital investment decisions and the feasibility of some projects.

The Council has significant debt and that is likely to rise markedly with planned major capital projects. It therefore has a large exposure to interest rate movements (note: A 1% upward movement on \$40M of borrowing costs \$400,000 per year in additional interest costs). For this reason the primary objective of interest rate risk management, is to reduce the uncertainty of interest costs by converting floating rate borrowing into fixed rate borrowing. The secondary objective is to minimise the funding costs in the medium term. Both objectives can be achieved through the active management of the councils underlying interest rate exposures.

5.1.2 Approved Financial Instruments

Management implements interest rate risk management strategy through the use of the following approved instruments (refer Appendix V for glossary of terms).

Category	Instrument
Cash Management (< 3 months) and Borrowing	Bank Overdraft Committed cash advance and debt funding facilities (term facilities) Committed standby facilities where offered by the LGFA Uncommitted money market facilities Commercial paper/promissory notes Bank term loans Fixed rate and floating rate notes/stock/bonds Short term bank deposits/bank bills/ Bank certificates of deposit (RCDs)
Treasury Investments	Internal Loans LGFA borrower notes
Interest Rate Risk Management	Forward Rate Agreements (FRAs) on : <ul style="list-style-type: none"> - Bank Bills - Government Bonds Interest Rate Swaps including : <ul style="list-style-type: none"> - Forward Start Swaps - Swap shortening, deferrals and extensions Interest rate options on : <ul style="list-style-type: none"> - Bank Bills (purchased caps and one for one collars) - Government Bonds - Interest Rate Swaptions (purchased swaptions and one for one swaption collars only)
Foreign Exchange Risk Management	Foreign currency deposits Purchased currency options Forward foreign exchange contracts

Category	Instrument
	One for one collars

Any other financial instrument must be specifically approved by Council on a case-by-case basis and only be applied to the one singular transaction being approved. Credit exposure on these financial instruments is restricted by specified counterparty credit limits.

Approved instruments are transacted within the credit limits set out in Appendix I.

5.1.3 Interest Rate Risk Control Limits

Debt/Borrowings

Council's forecast external core debt must be within the following fixed/floating interest rate risk control limits:

Debt Interest Rate Policy Parameters (calculated on rolling monthly basis)		
Debt Period Ending	Minimum Fixed Rate	Maximum Fixed Rate
Current	40%	90%
Year 1	40%	90%
Year 2	35%	85%
Year 3	30%	80%
Year 4	25%	75%
Year 5	20%	70%
Year 6	0%	65%
Year 7	0%	60%
Year 8	0%	50%
Year 9	0%	50%
Year 10	0%	50%
Year 11	0%	25%
Year 12	0%	25%
Year 13	0%	25%
Year 14	0%	25%
Year 15 plus	0%	25%

“Fixed Rate” is defined as all known interest rate obligations on forecast external core debt, including where hedging instruments have converted floating rate obligations into firm commitments. “Floating Rate” is defined as any interest rate obligation subject to movements in the applicable reset rate.

Fixed interest rate percentages are calculated based on the average amount of fixed interest rate obligations relative to the average forecast external core debt amount for the given period.

External Core debt is the amount of total external debt for a given period that is expected to remain outstanding for a period of greater than one year. This allows for pre-hedging in advance of projected physical drawdown of new debt. Debt forecasts are approved and signed off by the CFO or equivalent. Forecast external core debt excludes any pre-funded debt amounts.

The CFO can consider alternative debt forecast scenarios that make assumptions around such matters as, the delivery and timing of the capital expenditure programme when designing and approving the interest rate strategy. A fixed rate maturity profile that is outside the above limits, but self corrects within 120 days is not in breach of this Policy. However, maintaining a maturity profile that is outside the above limits beyond 120 days requires specific approval by Council.

- Interest rate options must not be sold outright. However, 1:1 collar option structures are allowable whereby the sold option is matched precisely by amount and maturity, to the simultaneously purchased option.
- During the term of the option, the sold option can be closed out by itself (i.e. repurchased). The sold option leg of the collar structure must not have a strike rate “in-the-money”.
- Purchased borrower swaptions mature within 12 months.
- The forward start period on swaps and collar strategies to be no more than 36 months unless linked to the expiry date of an existing instrument and has a notional amount which is no greater than that of the existing instrument.
- Interest rate options with a maturity date beyond 12 months that have a strike rate (exercise rate) higher than 2.00% above the appropriate swap rate, cannot be counted as part of the fixed rate cover percentage calculation (i.e. an ineffective hedge).
- Any interest rate swaps with a maturity date beyond the maximum LGFA bond maturity date must be approved by Council.

The implementation of the hedging framework assumes dealing lines are available from Council's dealing banks.

5.1.4 Interest Rate Strategy

The Chief Financial Officer formally approves the interest rate risk management strategy on a quarterly basis, with the Finance Manager developing the strategy after monitoring the interest rate market, evaluating the outlook for short term rates, the current and forecast yield curve, policy parameters and existing and planned borrowing amounts. External treasury strategy advice may also be sought.

5.2 Liquidity and Credit Risk Management

5.2.1 Risk recognition

Council cash flows will have deficits in various periods and years, as a result of working capital requirements, the nature of net cash flows, the capital expenditure program and the maturity profile of loans and other advances. *Liquidity risk management* focuses on the ability to borrow at these times to fund these deficits. *Funding risk management* concentrates on the ability to refinance or raise new debt at these times in a cost-effective manner (including fees, borrowing margins and the maturity profile).

Funding risk management is important as several factors can give rise to an adverse movement in borrowing margins, term availability and general flexibility these include:

- Local government risk is priced to a higher fee and margin level.
- International market conditions increase bank and financial institutions funding costs, which are then passed on to customers.
- Government monetary policy.
- The Council's own credit standing or financial strength as a borrower deteriorates due to financial, regulatory or other reasons.
- A large individual lender to Council experiences their own financial/exposure difficulties resulting in Council not being able to manage their debt portfolio, as optimally as desired.
- The New Zealand investment community experiences an "over supply" of local authority investment assets.

The key intention in funding risk management is to spread and control the risk to reduce the concentration of risk at any one point in time. This means that if any of the above events occur, the overall borrowing costs are not unnecessarily increased and the desired maturity profile compromised due to market conditions.

Council's ability to readily attract cost effective borrowing is largely driven by its ability to maintain a strong balance sheet and raise general rates, manage its image in the market and its relationships with investors and bankers/brokers.

Where practical, Council seeks a diversified pool of external borrowing and ensures that bank borrowings are only sought from strongly rated New Zealand registered banks.

5.2.2 Liquidity Funding / Risk Control Limits

Council minimises its liquidity risk by:

- Matching expenditure closely to its revenue streams and managing cash flow timing differences through its committed bank facilities.
- Maintaining its cash management investments in liquid and negotiable instruments and unutilised committed debt facility amounts.
- Avoiding a concentration of debt maturity dates (refer below).

The matching of longer term expenditure and revenue requirements are monitored through:

- The annual cash flow forecast prepared during the annual planning process
- The Long term Cash forecast developed through the LTP (Long Term Plan) process.

Short term mismatches are monitored through the monthly rolling cash flow forecast.

To ensure funds are available when required, Council ensures that:

- Treasury investments are held in liquid instruments (refer Section 4.5).
- Maintaining external debt and available committed debt facilities together with available liquid investments at an amount greater than 110% over existing external debt. The liquidity buffer is maintained from either available committed bank facilities and/or negotiable financial investments.
- Once debt has been refinanced with a contracted term deposit (pre-funded), it will be netted off from the funding maturity profile percentage calculation.
- The Chief Financial Officer has the discretionary authority to re-finance existing debt on more favourable terms.
- Council has the ability to pre-fund up to 18 months of forecast debt requirements including refinancing.
- To minimise concentration risk the LGFA require that no more than the greater of NZD 100 million or 33% of a Council's borrowings from the LGFA will mature in any 12-month period. To minimise the risk of large concentrations of debt maturing or being reissued in periods of illiquidity or where credit margins are high, Council spreads funding across a range of maturities. The maturity profile of the total committed funding in respect to all loans and committed facilities, is to be controlled by the following system:

Committed Funding Maturity Profile Limits		
Period	Minimum	Maximum
0 to 3 years	15%	60%
3 to 7 years	25%	85%
7 years plus	0%	60%

Due to the maturity profile required for debt management purposes, it is common for the Council to report a working capital deficit in its Annual Report due to the classification of some borrowing as current debt. profile

5.3 Funding Strategy

The Chief Financial Officer formally approves the funding strategy on a quarterly basis, with the Financial Services Team Leader developing the strategy after monitoring the following issues.

- The size and the economic life of the project.
- The impact of any new debt on borrowing limits.
- Relevant margins and total costs under each borrowing source.
- Council's overall debt maturity profile, to ensure concentration of debt is avoided at time of reissue/rollover.
- Available terms from bank, LGFA and stock issuance in the wholesale and retail investor markets.
- Ensuring that the implied finance terms within the specific debt, are at least as favourable as Council could achieve in its own right.

- Legal documentation, financial covenants and security requirements.
- Councils overall Financial Strategy in the Long Term Plan.

External treasury strategy advice may also be sought.

5.4 Contingent Liabilities

Council may from time to time, provide financial guarantees to community and service organisations. Management ensures that the business plan of the guaranteed party furthers the strategic objectives of Council and that financial statements are received on a regular basis. Should the guarantee be called up, Council takes immediate action to recover the money.

5.5 Other Grants and Advances

Council acts as a middleman for various community organisations. It receives grants from various sources and makes advances on these funds after relevant approvals.

5.6 On-lending and direct lending to Council Controlled Organisations and Council Controlled Trading Organisations

To better achieve its strategic and commercial objectives Council may provide financial support to a CCO/CCTO in the form of debt funding, by Council on-lending or directly from the LGFA.

Guarantees of financial indebtedness to CCTOs are prohibited, but financial support may be provided by subscribing for shares as called or uncalled capital.

Any on-lending or direct lending arrangement to a CCO/CCTO must be approved by Council. In recommending an arrangement for approval the CFO considers the following:-

- Credit risk profile of the borrowing entity, and the ability to repay interest and principal amounts outstanding on due date.
- Impact on Council's lending covenants with the LGFA and other lenders and Council's future borrowing capacity.
- The form and quality of security arrangements provided.
- The lending rate given factors such as; CCO/CCTO credit profile, external Council borrowing rates, borrower note and liquidity buffer requirements, term etc.
- Lending arrangements to CCO/CCTOs must be documented on a commercial arm's length basis. A term sheet, including matters such as; borrowing costs, interest payment dates, principal payment dates, security, expiry date is agreed between the parties.
- Accounting and taxation impact of on-lending arrangement

All on-lending arrangements must be executed under legal documentation (e.g. loan, agreement) reviewed and approved by Council's independent legal counsel.

5.7 Foreign Exchange Risk Recognition

From time to time Council may have foreign exchange exposure through the occasional purchase of foreign currency denominated plant, equipment and services. The defining principles for recognising the respective foreign exchange risk that Council may incur are as follows:

- Capital and operational expenditure: Imported Items/services. The council is exposed to foreign exchange risk on both imported capital expenditure and operational items or services:
 - *Contingent risk*: This applies from the time the capital expenditure or operational expenditure budget is approved to the time expenditure on specific items is approved during the course of the year. This also includes the time from specific approvals to the time contracts are finalised.
 - *Full risk*: At the time the expenditure is approved and legal commitments are made. The exact timing and amount of the exposure is known following the Chief Financial Officer Approval.

5.71 Foreign Exchange Risk Control limits

Capital and Operational Expenditure: Imported Items/services - all individual items/services greater than NZD \$1,000,000 must be hedged at all times in accordance with the following risk control limits:

Capital and Operational Expenditure – Foreign Exchange Risk Control Limits		
Time - point	Exposure covered by forward exchange contracts/collars	Exposure covered by purchased foreign exchange options
1. Budget approved by Council - (Contingent Risk)		Maximum 50%
2. Specific item approved – (Contingent Risk)		Maximum 100%
3. Contract confirmed – (Full Risk)	Minimum 100%	

Exposures due within 60 days may be transacted at the prevailing spot rate on the day or hedged at the discretion of the Chief Financial Officer.

5.7.2 Use of Foreign Exchange Instruments and Forecasting

- Financial instruments other than those stipulated in section 5.1.2 require one-off Council approval prior to transacting.
- Foreign exchange options cannot be sold outright.
- The purchase price paid for an option (premium) is to be amortised over the period of the cover and added to the actual average exchange rate achieved by Council.
- It is Council policy that all significant tenders allow bidders the opportunity to select desired currencies and where possible allow for suppliers to transparently link price escalations to clear financial market references.
- The hedging may be done directly by Council or the requirement may be included in the purchase contract. Inclusion in the purchase contract may be preferable where the adverse foreign currency effect of import timing, delays can be “successfully” transferred to the supplier.

5.7.3 Borrowing in Foreign Currencies

Council does not borrow or enter into incidental arrangements within or outside New Zealand, in currency other than New Zealand currency.

5.8 Counterparty Credit Risk

Counterparty credit risk is the risk of losses (realised or unrealised) arising from a counterparty defaulting on a financial instrument where Council is a party. The credit risk to Council in a default event will be weighted differently depending on the type of instrument entered into.

Credit risk will be regularly reviewed by the Chief Financial Officer. Treasury related transactions would only be entered into with organisations specifically approved by Council.

Counterparties and limits can only be approved on the basis of long-term credit ratings (Standard and Poor's, Fitch or Moody's) being A (or equivalent) and above.

Limits should be spread amongst a number of counterparties to avoid concentrations of credit exposure. Counterparty limits and credit exposure measurement criteria are set out in Appendix I.

Each transaction should be recorded and a monthly report prepared to show assessed counterparty actual exposure versus limits.

Ratings will be reviewed by the Chief Financial Officer on an ongoing basis and in the event of material credit down-grades; this should be immediately reported to the Treasury team and Council and assessed against exposure limits. Counterparties exceeding limits should be reported to Council.

5.8.1 Risk Management

To avoid an undue concentration of exposures, a range of financial instruments must be used with as wide a range of counterparties as possible. The approval process to allow the use of individual financial instruments, must take into account the liquidity of the market the instrument is traded in and repriced.

It is accepted that the size of Council's business may restrict its ability to spread its exposures.

5.9 Operational Risk

Operational risk is the risk of loss as a result of human error (or fraud), system failures and inadequate procedures and controls.

Operational risk is very relevant when dealing with financial instruments given that:

- Financial instruments may not be fully understood by many managers and Councillors.
- Too much reliance is often placed on the specialised skills of one or two people.
- Most treasury instruments are executed over the telephone.

5.9.1 Dealing Authorities and Limits

Transactions will only be executed by those persons and within limits approved by the Council. These limits are detailed in the schedule of delegated authorities table in **section 3.3** of this policy.

5.9.2 Segregation of Duties

Separation and division of responsibilities is a critical control over the transactional activities of the Finance Manager. The Finance Manager enters into all treasury transactions with the appropriate bank counterparties. All bank confirmations of these transactions are sent to the Financial Services Team Leader, who independently checks these against information supplied by the Finance Manager.

Any mis-match, discrepancy or non-receipt is immediately followed up with the relevant personnel to ensure appropriate action is taken, so that all transactions are matched and signed off by the Finance Manager.

5.9.3 Procedures

All treasury products must be recorded in the treasury spreadsheet with appropriate controls and checks over journal entries into the general ledger. The Financial Services Team Leader enters all treasury transactions into the spreadsheet on receipt of the written advice from the Finance Manager. Deal capture and reporting must be done immediately following execution /confirmation.

5.10 Legal Risk

Legal and regulatory risks relate to the non-enforceability of a transaction, due to an organisation not having the legal capacity or power to enter into the transaction, usually because of prohibitions contained in legislation. While legal risks are more relevant for banks, Council may be exposed to such risks.

5.10.1 Agreements

Financial instruments can only be entered into with banks that have in place an executed ISDA (International Swap Dealers Association) Master Agreement with Council. Council's legal counsel must sign off on all ISDA Master Agreements for financial instruments. Council's external legal counsel must also sign off on all documentation for new loan borrowings, re-financings and investment structures.

5.10.2 Financial Covenants and Other Obligations

Council must not enter into any transactions where it would cause a breach of financial covenants, under existing contractual arrangements.

Council must comply with all obligations and reporting requirements under existing funding facilities and legislative requirements.

6. Investment Policy

As Council is a net borrower of funds and applies surplus funds to debt repayment, investments are only maintained to meet specific business objectives. Investments are generally managed by the Council's finance function. The finance function monitors investments, assesses associated risks and reports to Council Committees.

Council's Investment Purpose Statement is:

"To provide and activate sustainable and economic returns in the Tairāwhiti region for our communities".

This is an umbrella statement, sitting above all of Council investments and the Council Group.

6.1 Objectives

Council will manage its investments in a prudent manner in accordance with legislation and this policy. Council will manage its investment portfolios to optimise the value of the investment and their returns in the medium to long term, while balancing risk and return considerations.

In managing and selecting investments Council will aim to:

- protect the investment value
- optimise the investment return
- ensure investments provide Council sustainable income flows from commercial investments
- diversifying the mix of investments to spread risk
- promote economic and business development within the district.

Council has a mix of investments for the purpose of fulfilling various strategic, economic development and financial objectives as outlined in the Long Term Plan (LTP). Council's investments include holdings in Council Controlled Trading Organisations (CCTO) and other entities (where there is a specific strategic objective for holding the investment or the investment is required to comply with legislation).

Council may maintain investments in:

- equity investments
- property investments
- forestry investments
- financial investments
- loan advances
- Council Controlled Trading Organisation (CCTO) and Council Controlled Organisations (CCO).
- Infrastructural asset investments
- Industrial land and property investments
- Treasury instruments

Council's objectives for its commercial and strategic investments/assets are set out in Council's Investment Policy.

7. Measuring Treasury Performance

Measuring the effectiveness of Council's treasury activities is achieved through a mixture of subjective and objective measures. The predominant subjective measure is the overall quality of treasury management information. The Finance and Audit Committee has prime responsibility for determining this overall quality.

Those performance measures that provide a direct measure of the performance of treasury staff (operational performance and management of debt and interest rate risk), are to be reported on a quarterly basis.

7.1 Operational Performance

All treasury limits must be complied with including (but not limited to) counterparty credit limits, dealing limits, and exposure limits.

All treasury deadlines are to be met including reporting limits.

7.2 Management of Debt and Interest Rate Risk

In order to determine the success of the Council's treasury management function, the following benchmarks and performance measures have been prescribed, and will be applied at a point where Council's core net debt exceeds \$30 million.

The actual funding cost for Council (taking into consideration costs of entering into interest rate risk management transactions) should be below the budgeted interest cost.

Since management is granted discretion by Council and/or adopted policy to manage debt and interest rate risk within specified limits, the actual funding rate achieved must be compared against an appropriate external benchmark interest rate that assumes a risk neutral position within existing policy (note: In this respect, a risk neutral position is one that is always precisely at the mid-point of the minimum and maximum percentage limits specified within the policy).

The market benchmark (composite) indicator rate will be calculated as follows:

The wholesale interest rate is the mid-policy benchmark rate. Council's policy mid-point represents an average term of 5-years. The market benchmark rate will be calculated every month and represent the rolling average, monthly, 5-year swap rate over the last 5-year period.

The benchmark rate used to measure performance is the aggregate of the benchmark indicator rate calculated above and the margin that applies to existing debt funding amounts.

Accordingly, the actual weighted average interest rate for the financial year to date (that incorporates all issuance margins and risk management settlements) is compared against the micro-benchmark rate on a quarterly basis, with historical comparisons reported graphically over the previous 12 months.

8. Cash Management

From time to time, Council has cash flow surpluses and borrowing requirements, due to the mismatch of daily receipts and payments. All cash inflows and expenses pass through bank accounts controlled by the finance function.

- The Finance Manager has the responsibility to carry out the day-to-day cash and short term debt management activities. These include:
 - Co-ordinating Councils operating units to determine daily cash inflows and outflows with the objective of managing the cash position within the approved parameters.
 - Undertaking short term borrowing functions as required, minimising overdraft costs.
 - Advising the Assistant Financial Services Accountant of transactions for inputting into the treasury spreadsheet.
 - Ensuring efficient cash management through accurate forecasting using spreadsheet modelling.
 - Minimising fees and bank/government charges on bank account/facility structures.
 - Match future cash flows to smooth overall timeline.
 - Provide reports detailing actual cash flows during the month compared with those budgeted.
 - Maximise the return from available funds by ensuring payments are made within the vendor's payment terms, but no earlier than required, unless there is a financial benefit from doing so.
- On a daily basis the Financial Services Team Leader will electronically download all Council bank account information and maintain a daily cash position sheet, along with a monthly rolling cash flow forecast for short term cash management purposes.
- An annual cash flow forecast, Three Year Plan and Long Term Plan is completed during the annual planning process. This determines Council's longer term borrowing requirements.

The Chief Financial Officer is responsible for developing the Three Year Plan and Long Term Plan and setting the budget borrowing rate. In setting the budget rate for the next financial period the Chief Financial Officer considers:

- The existing hedge rate for each financial year; and
- The forecast average 90 day bank bill bid rate as provided by the relationship bank(s), and the treasury adviser.

To these rates is added the average five year¹ credit margin based on loan stock funding.

Cash management activities must be undertaken within the following parameters:

- Cash management instruments are limited to investments with approved banks (see Appendix I) and include:
 - Call deposits with registered banks.

¹ This is the assumed weighted average debt maturity profile.

- Negotiable instruments with a maturity less than three months.
- Term deposits with registered banks (less than three months). Not recommended if early break penalties are enforced.
- Interest rate risk management on cash management balances is not permitted.
- Investing offshore is not permitted.

9. Reporting – Performance Measurement

9.1 Treasury Reporting

9.1.1 Monthly Reporting

The monthly Treasury reporting package must achieve coverage of the following four major information/reporting objectives:

- **Cash/Debt position:** The tracking of cash flow and debt levels compared to plan and the reasons for divergence and updated future cash/debt projections.
- **Risk Exposure position:** Clear and concise reporting of Councils current interest rate risk position. The report must include underlying physical exposures, hedges (cover) in place and the actual net risk position, compared to the risk control limits of the policy.
- **Risk Management performance:** Measurement of the results of management decisions made under discretionary authorities within the allowable policy limits, including actual interest cost compared to budget.
- **Policy Compliance:** Reports that confirm conformity to other policy limits and requirements in the areas of liquidity/funding risk, counterparty credit risk, operational risk and debt covenants/ratios.

The Chief Financial Officer may add a short commentary on the results, market conditions and future risk management strategy.

A regular (at least six monthly reports or quarterly unless otherwise stated) Treasury report package must be provided incorporating the following items:

- Interest rate exposure (actual position against risk control limits including all financial instruments).
- Cost of funds (actual cost compared to budget and benchmark).
- Funding facility report (individual bank loans against limits).
- Funding risk report (maturity profile against funding risk control limits).
- Liquidity and borrowing limits.
- Cash flow forecast report (indicating projected debt levels).
- Revaluation of financial instruments (quarterly).
- Counterparty credit risk (actual position against limits).
- Cash Management (Number of days in overdraft and costs of overdraft breaches).
- Policy exceptions.

9.1.2 Annual Reporting – Equity Investments

- Adherence to policy.
- For commercial investments - Comparison of financial ratios to budgeted benchmark levels. Accepted ratios include:
 - Return on Shareholders Funds.
 - Debt/Total Assets Ratio.
 - Earnings per Share.

- Dividend per Share.

9.1.3 Annual Reporting – Industrial Land and Property Investments

- Adherence to policy.
- Comparison of proceeds on sale to total cost of investment.

9.1.4 Annual Reporting – Forestry Investments

- Adherence to policy.
- Council's share of Juken New Zealand Limited joint venture proceeds equal to 16.75% of total harvest proceeds.

9.1.5 Schedule of Reports

The following reports are produced:

Report Name	Frequency	Prepared by	Recipient
Cash Position Sheet	Daily	Financial Services Team Leader	Finance Manager
Treasury Spreadsheet/Treasury Tool	As required	Finance Manager	Chief Financial Officer
12 Monthly Cash Flow Forecast Report	Daily	Finance Manager	Chief Financial Officer
Treasury Report, including; Limits Report, Liquidity Buffer, Funding Maturity Profile, Facility amount, Interest Rate Risk Limits, Counterparty Limits, Performance Report.	Monthly or reported on an exceptions basis	Finance Manager	Chief Financial Officer Finance & Audit Committee – quarterly
Funding and Interest Rate Strategy	Quarterly	Chief Financial Officer	Treasury Team
Revaluation of Financial Instruments	Annual	Finance Manager	Chief Financial Officer
Annual Plan and Long Term Plan, including; Cash flow Forecast	Annual	Chief Financial Officer	Finance and Audit Committee Council
Statement of Debt	Annual	Finance Manager	Finance and Performance Committee– monthly
LGFA Compliance Report	Annual	Finance Manager	Chief Financial Officer

9.1.6 Meetings

A monthly (or as required) meeting of the Treasury Team (Chief Financial Officer, Finance Manager and external treasury adviser) is held with the primary function of discussing the treasury management

process, reviewing activity for the previous period and the likely activity for the coming period. Quarterly, funding and interest rate strategies are also discussed and approved by the Chief Financial Officer at this meeting.

9.2 Accounting Treatment of Financial Instruments

Council uses financial market instruments for the primary purpose of reducing its exposure to fluctuations in interest rates.

The accounting treatment for such financial instruments is to follow the PBE IPSAS accounting standards.

9.3 Valuation of Treasury Instruments

All treasury financial instruments must be re-valued (marked-to-market) at least every three months for treasury management and accounting purposes.

Underlying rates to be used to value treasury instruments are as follows:

- Official daily settlement prices for established markets.
- Official daily market rates for short term treasury instruments (e.g. FRA settlement rates calculated by Reuters from price maker quotations as displayed on the BKBM page).
- Relevant market mid-rates provided by the Council's bankers at the end of the business day (5.00pm) for other over-the-counter treasury instruments.
- For markets that are illiquid, or where market prices are not readily available, rates calculated in accordance with procedures approved by the Chief Financial Officer.

9.4 Interest Rate Fair Value Accounting Compliance

Council's policy is to structure debt issues to minimise all-up pricing (fees and margins measured on a basis-point per annum equivalent basis above BKBM) and achieve desired tenors, in preference to whether the interest rate basis is fixed or floating.

Interest rate instruments are entered into to convert any resultant floating rate profile to a fixed rate profile, these will be fair valued each quarter and changes in fair value booked to the Statement of Financial Performance.

10. Policy Review

This treasury policy is to be formally reviewed on a tri-annual basis or earlier if required.

The Chief Financial Officer has the responsibility to prepare an annual review report (following the preparation of annual financial statements) which is presented to the Treasury Team. The report will include:

- Recommendation as to changes, deletions and additions to the policy.
- Overview of the treasury management function in achieving the stated treasury objectives, including performance trends in actual interest cost against budget (multi-year comparisons).
- Summary of breaches of policy and one-off approvals outside policy, to highlight areas of policy tension.
- Analysis of bank and lender service provision, share of financial instrument transactions etc.
- Comments and recommendations from the company's external auditors on the treasury function, particularly internal controls, accounting treatment and reporting.
- An annual audit of the treasury systems and procedures must be undertaken as part of the overall Council audit.
- Total net debt servicing costs and debt, should not exceed limits specified in the covenants of lenders to Council.

The Council receives the report, approves policy changes and/or reject recommendations for policy changes.

The policy review must be completed and presented to the Council within five months of the financial year-end.

It is recommended that the review prepared by management, be complemented by a formal review by an external/independent consultant every third year.

11. Key Internal Controls

11.1 Internal Controls

Sound treasury procedures with appropriate controls are required to minimise risks the Council may experience, through unauthorised treasury activity or unintentional error. The following key internal controls are adhered to:

11.1.1 Organisational Controls

- The key responsibilities of Council and staff are set out in section 3.2 *Treasury Responsibilities*.
- All borrowing, investment, cash management and risk management activity is undertaken in accordance with approved delegations, as set out in section 3.3 *Delegation of Authority and Authority Limits*.

Electronic Banking Signatories:

- Approved Chief Financial Officer as per register.
- Dual 'signatures' are required for all cheques and electronic transfers.

Authorised Personnel

- All counterparties are provided with a list of personnel approved to undertake transactions, standard settlement instructions and details of personnel able to receive confirmations.

Recording of Deals

- All deals (except cash management) are recorded on deal tickets by the Finance Manager. The Financial Services Team Leader completes cash management activity and deal ticket. Deal summary records are maintained by the deal originator on the treasury spreadsheet.
- Normally cash management investments are held on call or placed overnight. Normally other cash management investments are held to maturity date. Where investments are liquidated prior to maturity, approval is obtained from the Chief Financial Officer. The Finance Manager evaluates quotes based on these instructions and proceeds with sale activity.

Confirmations

- All inward confirmations are received and checked by the Financial Services Team Leader against deal tickets and deal summary records to ensure accuracy.
- Deals, once confirmed, are filed (deal ticket and attached confirmation) by the Financial Services Team Leader in deal maturity order.
- Monthly, the Chief Financial Officer peruses all dealing activity, deal tickets and confirmations to ensure documentation is in order.

Settlement

- Movements of cash management monies between the call and cheque accounts are completed electronically, through the electronic banking system and authorised by two approved signatories.
- For funding and interest rate management activities, dealing banks have direct debit/credit authorities across the cheque account.

Reconciliations

- Any discrepancies arising during bank statement reconciliation are dealt with by the Finance Manager and signed off by the Chief Financial Officer.
- Any discrepancies arising during deal confirmation checks are dealt with by the Finance Manager and approved by the Chief Financial Officer.
- The Finance Manager reviews the monthly reconciliation of the treasury spreadsheet to the general ledger, carried out by the Financial Services Team Leader.
- Interest income and expense as per the treasury spreadsheet are reconciled to bank statements by the Financial Services Team Leader to ensure accuracy and monies are paid and received.

11.2 Procedures – External Borrowing

Issuing Stock

Council normally uses broker/banks/LGFA to find prospective investors and place its commercial paper/bonds/stock in the market. Council usually issues stock through private placement.

For private placements, the Finance Manager informs the brokers/banks of its required funding amount and term, and invites expressions of interest. The bank informs the Finance Manager of the investor interest. If satisfied with the term, forward start date, amount and yield the offer is accepted by the Chief Financial Officer. On behalf of the investor the bank completes, signs and faxes/mails an "Application for Registered Stock to be Issued Form" to Council. A "Stock Registration Form" is completed by the Finance Manager and sent to Link Market Services for stock registration.

For public tender, bids for stock are solicited verbally to brokers and/or banks in addition to sending out a "Notice of Intention to Issue Stock". An Information Memorandum may also be issued. Incoming bids are recorded and collated by the Finance Manager and successful bids are approved by the Chief Financial Officer. Successful bidders are notified and forwarded an "Application for Registered Stock to be Issued Form" for their completion and return. A "Stock Registration Form" is completed by the Finance Manager and sent to Link Market Services for stock registration. The Finance Manager manages all internal deal records relating to issuing stock.

Bank/LGFA Borrowing

The Finance Manager manages the drawdown, rollover and repayment (in terms of amount, term and interest rate) of amounts from approved debt facilities. The Chief Financial Officer approves all debt draw downs, repayments and rollovers.

Appendices

- I Approved Bank, Cash Management Investments and Interest Rate Risk Management Limits
- II Bank Funding Facilities, Financial Ratios and Authorised Bank Signatories
- III Definition of Financial Instruments
- IV Glossary of Terms

APPENDIX I: Approved Bank, Cash Management, Investments and Interest Rate Risk Management Limits

Approved Institutions for Borrowing Purposes (Section 3)

Institution	Minimum S & P Short Term Credit Rating ²	Minimum S&P Long Term Credit Rating ³
NZ Registered Bank	A-1	A
LGFA	A-1	A

Approved Limits for Interest Rate Risk Management (Section 3.7) and Investments (Section 6)

Institution	Minimum S & P Short Term Credit Rating	Minimum S & P Long Term Credit Rating	Total Exposure Limit for each Counterparty
Government	N/A	N/A	Unlimited
LGFA	A-1	A	Unlimited
Internal Loans	N/A	N/A	Unlimited ⁴
Registered Bank - On balance sheet exposures	A-1	A	\$25 million

The limit for Council's transactional banker excludes any balance in the current/transactional account.

If any counterparty's credit rating falls below the minimum specified in the above table, then immediate steps are taken to reduce the credit exposure of that counterparty to zero. Exceptions are reported to the Chief Financial Officer and reported in the monthly Treasury Report.

Exposures to each counterparty are computed as follows:

On-balance sheet

Total amounts invested with that counterparty.

Off- balance sheet

In determining the usage of the above gross limits, the following product weightings will be used:

Investments (e.g. Bank Deposits) – Transaction Notional × Weighting 100%.

Interest Rate Risk Management (e.g. swaps, FRAs) – Transaction Notional × Maturity (years) × 3%.

Foreign Exchange (e.g. CCY swaps, CCY spot and forwards) – Transactional principal amount × (the square root of the maturity (years) × 15%).

² Short term refers to obligations with a remaining maturity of 12 months or less.

³ Short term refers to obligations with maturities of greater than 12 months.

⁴ Unlimited internal loan investment allowed unless Council's borrowing limits (as set out in Section 3.2) are exceeded.

APPENDIX II: Bank Funding Facilities, Financial Ratios and Authorised Bank Signatories

1. Bank Funding Facilities

Bank	Facility Type	Facility Amount	Term	Interest Rate	Line Fee
WBC	Term Loan	\$20 million (\$10m Temporary Facility as required)	3 year	BKBM Bid plus 130 bps	40 bps p.a.
ANZ	Term Loan	\$15 million	2 year (revolving) ⁵	Commercial Flexi Floating Rate (As quoted on ANZ Website) less 68 bps	20 bps p.a.

2. Bank Financial Covenants

To ensure compliance with bank funding covenants Council must provide copies of information provided to the trustee under clauses 7.1(a), 7.1(b), 7.1(c) and 7.1(e) of the debenture trust deed and must not exceed the borrowing limits as set out in councils Liability Management Policy.

3. Authorised Signatories

The below signatories are current at the time of adopting this policy. The Chief Financial Officer has discretion to add and remove signatories as required.

Position
Chief Executive
Chief Financial Officer
Finance Manager
Principal Financial Advisor
Senior Projects Accountant
Financial Services Team Leader
Tax Advisor / Financial Services Accountant
Management Accountant Team Leader
Internal Audit Partner
Revenue Team Leader
Revenue Accountant

⁵ On the anniversary of the facility, the facility is extended for another year upon credit approval of the bank.

APPENDIX III: Definition of Financial Instruments

1.0 Forward Rate Agreements (FRA's)

1.1 Definition

A forward rate agreement ("FRA") is a synthetic contract between two parties in which one party agrees to pay to the other an agreed interest rate on a notional principal amount, for a fixed period of time, commencing on a specific date in the future (settlement date).

A borrowers FRA provides protection against rising interest rates, whereas an investor FRA provides protection against falling rates.

FRA's are available from any specific date but contract periods are generally quoted for 90 day periods. FRA's are usually referred to by the number of calendar months from the current month to the settlement date, against the number of months from the current month to the maturity date. For example, a three month borrowing rate in 4 months time would be quoted as a 4 against 7 FRA (4 x7 FRA).

FRA's are valued (and settled) on the relevant FRA settlement rates shown on the Reuters BKBM page each morning at 10:45am. FRA settlement rates are calculated from the 7 Bank Bill price maker bid/offer quotations provided to Reuters at 10:30am. The settlement rate is the average midrate of the quotes after excluding the highest and lowest quotes.

1.2 Characteristics

- FRA's are generally used to hedge short term exposures.
- Because the transaction is synthetic, no movement of principal amounts is necessary.
- On settlement date, only the net settlement amount representing profit or loss changes hands, thereby requiring minimal utilisation of credit lines.
- A FRA can be closed out at any time by taking an opposite FRA with the same settlement date.
- FRA's attract no deposit requirements, margin calls or brokerage fees.
- FRA's are able to be customised according to individual requirements in terms of amount, maturity settlement date and counterparty.
- FRA's are off-balance sheet transactions with credit risk limited to the interest rate variation over the term of the FRA.

1.3 Recommended Usage

FRA's should be used where GDC has a view on interest rate trends which may adversely affect future borrowing rates.

They are ideally suited for the following applications:

- Where uncertainty exists coming up to a rollover date for term borrowings, buying a borrower FRA will effectively "lock in" a rate over a pre-determined period of time.
- Where additional funding is required and it is anticipated that interest rates will rise, buying a borrower FRA will "lock in" a rate today and neutralise the effect of interest rate increases.

1.4 Example

GDC wishes to borrow additional funds of \$2 million in a month's time for 90 days. It is concerned about the effect on interest rates of a Reserve Bank statement to be announced this week.

GDC decides to hedge the amount by purchasing a 1 x 4 borrower FRA for \$2 million (with a settlement date of one month hence and a maturity date of four months hence). The agreed FRA rate is 5.20%. Note: current 90 day rates are 5.00%.

In one month's time, 90 day rates have risen by 40 basis points with the rate now 5.40%. The three month FRA settlement rate per BKBM page is 5.40%.

GDC receives \$1,000 for the FRA settlement and borrows the \$2 million at a rate of 5.40%. The effective borrowing rate is 5.20% (i.e. GDC borrow at the rate they budgeted for).

2.0 Interest Rate Swaps

2.1 Definition

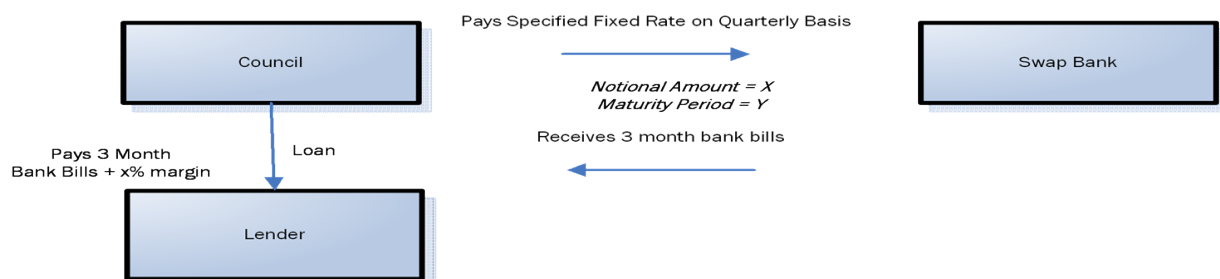
An interest rate swap is an agreement between two parties to exchange interest payments at regular intervals, over a period of time based on a notional principal amount. Generally, one party will pay interest at a fixed rate while the other will pay interest at a floating rate.

Like FRAs, the intervals between swap payments can be for any specified period (and the floating period need not be the same as the fixed period). However, the period between payments will generally be 90 days. The floating rate is set at the beginning of each swap period and will normally be a specified margin over the 3 month rate, shown on the Reuters BKBM page on the day (much the same as the settlement of GDC's 90 day Bank Bill rate from its bank lenders).

The swap agreement is a separate paper contract, the physical debt remains unchanged. A "payers" swap, as its name suggests, allows a corporate borrower to swap its underlying interest rate exposures from a floating to fixed basis to protect against rising interest rates. For the purposes of GDC, the counterparties to all swaps will be banks. GDC's credit risk will always be with the bank and vice-versa.

The following diagram illustrates payment flows for each swap period for an interest rate swap (from the point of view of a corporate borrower who has an underlying floating exposure and who wishes to fix it):

Illustration Swap



The operation of a swap is determined by the underlying swap confirmation. This will define the swap periods, the fixed interest rate and the floating rate as appropriate.

The variations of an interest rate swap include the following:

- **Forward start swaps:** A swap which has a future start date. Often used to hedge future debt drawdowns in anticipation of a rise in interest rates.
- **Amortising swaps:** A swap where the notional principal reduces on a straight line basis over the life of the swap. Such swaps are useful in hedging the funding of depreciating assets such as CT scanners, especially when the loans require regular principal repayments during their life.
- **Arrears reset swap:** A swap where the floating rate is set a couple of days prior to payment rather than at the beginning of the interest period.
- **Basis swap:** A floating/floating swap where both parties exchange interest payments based on different floating rate indexes (i.e. GDC could pay interest on a monthly basis against receiving interest on a quarterly basis).
- **Zero coupon swap:** A swap where the fixed payer only makes one lump sum payment on maturity rather than regular payments throughout the life of the swap (the floating payer continues to pay as normal).

2.2 Characteristics

- Swaps will typically cover a period in excess of one year. Maturities of less than one year generally use FRAs.
- Because the transaction is synthetic, no exchange of principal amounts is necessary.
- On each settlement date, only the net settlement amount representing the interest differential changes hands.
- Swap agreements may allow early termination. This would normally require settlement of the net present value of all future cashflows based on the current market settlement rates.
- A swap can be closed out at any time by taking an opposite swap position with the same settlement periods (referred to as a reverse swap) or by assigning the obligations under the swap to a different counterparty where the swap agreement permits (which would require a lump sum payment of the value of the swap to the appropriate counterparty).
- Swaps attract no deposit requirements, margin calls or brokerage fees.
- Swaps are able to be customised according to individual requirements (i.e. RDC can perfectly tailor interest payment dates to match those of underlying loan advances).
- Swaps are off-balance sheet transactions.
- Swaps are governed by comprehensive agreements called ISDA documents.

2.3 Recommended Usage

Payer swaps should be used where Council has a view on interest rate trends which may adversely affect future borrowing rates.

They are ideally suited for the following applications:

- Where uncertainty exists on medium to long term interest rates and the impact this will have on term loans, entering into a swap will effectively “lock in” a rate for the entire term of the swap.
- Where additional core funding is required and it is anticipated that interest rates will rise, entering into a payers swap will “lock in” a rate today and neutralise the effect of interest rate increases.
- When it is widely forecast that 90 day Bank Bill rates will rise and average above current 1 - 5 year fixed swap rates over the term.

2.4 Example

Council has a new borrowing of \$5 million under a revolving credit facility which is rolled every 90 days. There is widespread concern that rates will be considerably higher in the next six months and that this will most likely continue for the following 12 to 18 months.

Council decides to hedge by entering into a 3 year, \$5 million payers swap (with settlement dates coinciding with rollover dates for the underlying borrowings). The three year swap rate is 7.20%.

- Council pays fixed interest at 7.20%.
- Council receives floating interest at 5.50% (assuming current 90 day Bank Bill rate) for the first settlement date (in 90 days).
- Council receives floating interest at the 90 day Bank Bill rates for each subsequent interest period (this rate being set on the first day of each interest period).

In three months time (on the first rollover date), 90 day Bank Bill rates have risen by 100 basis points (assumption) with the 90 day Bank Bill rate now 6.50%. The swap floating rate cashflow is accordingly set at 6.50% for the second roll period.

Interest rate calculations for the first roll period

- Council pays \$5 million x 7.20% x 90/365 = \$88,767.12.
- Council receives \$5 million x 6.50% x 90/365 = \$80,136.99.
- Council pays net difference = \$8,630.13.

RDC is meanwhile paying its lenders 90 day Bank Bills plus 0.25% therefore, the full cost of funds

=	5,000,000 x Bank Bills (6.50%) x 90/365 =	\$ 80,136.99
	Plus 5,000,000 x 0.25% margin x 90/365 =	\$ 3,082.19
	Plus net difference of swap payments =	<u>\$ 8,630.13</u>
		\$ 91,849.31

Effective annualised cost of funds = 7.45% (7.20% fixed rate + 0.25% loan margin).

3.0 Interest Rate Options

3.1 Definition

An interest rate option provides protection against adverse future interest rate movements, while still allowing some benefit where rates move favourably.

The buyer (holder) has the right (but is not obligated) to exercise the option should rates be favourable, whereas the seller (grantor) has not rights but is obligated to pay cash to the buyer where the option is exercised. The buyer pays a premium to the seller on the execution of the option. As the buyer can let an option expire worthless where rates are unfavourable, the premium is the maximum loss which the buyer will incur and conversely the maximum profit the seller will receive. In other words, the buyer of an option has limited loss potential while unlimited profit potential. The seller on the other hand has limited profit potential while having unlimited loss potential.

Caps and Floors

A “floor” provides the buyer protection against falling interest rates whereas an interest rate “cap” provides protection against rising interest rates. A floor might be used by an investor to establish a minimum rate on floating rate deposits and a cap might be used by a corporate borrower who wanted to set a maximum funding rate for borrowings. The floor and cap levels will sometimes be referred to as the strike rate, strike price or exercise price (consistent with other option products).

Swaptions

Swaptions are an option to enter into a pre-determined swap contract. Options are said to be “in the money” at a given point in time where the strike rate is more advantageous to the buyer of the option than the corresponding Bank Bill rate. Conversely, options are said to be “out of the money” where the strike rate is less advantageous to the buyer of the option, than the corresponding Bank Bill rate. Where the strike rate and the corresponding Bank Bill rate are the same, options are said to be “at the money”.

Interest rate options which are exercised on maturity are cash-settled with the settlement amount payable to the buyer. As the underlying instrument is not physically delivered, it will still be necessary for the buyer to borrow or invest funds at current market rates. However, the settlement of the option (if exercised) will partially offset the rate obtained.

The cost of an option (premium) is generally calculated using technical mathematical models based on lognormal probability distributions. While many option pricing models exist, the most widely used is the Black and Scholes model.

This model uses the following variables in determining the option price:

- Time to maturity of the option.
- Underlying Bank Bill rate (current and forward Bank Bill rates).
- Strike rate.
- Volatility of the underlying Bank Bill market.

Clearly an option that has a long time to maturity will be more expensive than one that has a short term to maturity. This portion of the cost is often described as the time decay effect.

Also, an option which is “in the money” will be more expensive than one which is “out of the money” (as measured by the difference between the strike rate and the underlying Bank Bill rate). Finally, the more volatile the underlying market is, the more expensive the option. As will be evident, options are considerably more complicated to price and value than forward-based products. However, options are much more flexible with the strike rate able to be chosen to suit individual requirements.

One of the major benefits of options is that with so many variables affecting the pricing, combinations of floors and caps at different strike rates can allow very effective risk management strategies at tailored cost. The most common combination is referred to as an interest rate collar, which in the case of a corporate borrower involves simultaneously buying a cap and selling a floor.

The premium received from selling the floor partially offsets the cost of buying the cap. In return, profits are fixed at a level. The effect of this strategy is that the corporate borrower can minimise its funding rates at very low cost.

3.2 Characteristics

- Options are used to insure against adverse market movements while still providing the ability to benefit from favourable movements.
- The option premium is payable up-front by the buyer and represents the maximum loss payable. Sometimes this premium can be deferred until the option expiry date.
- Because the transaction is synthetic, no movement of principal amounts is necessary.
- On maturity, if the option is “in the money” it can be exercised with the buyer receiving the profit. If the option is either “out of the money” or “at the money” the option will expire worthless with no settlement required.
- Options can be closed-out at any time by taking an opposite option with the same settlement date and strike rate.
- Combinations of options can provide sophisticated risk management at minimal cost.
- Options attract no deposit requirements, margin calls or brokerage fees.
- Options are able to be customised according to individual requirements in terms of amount, strike rate, maturity settlement date and counterparty.
- It is considered dangerous and imprudent for corporate borrowers to sell options for long terms in isolation. Such a transaction produces unknown risk and unlimited potential loss. The premium received may only be a minor offset to the end loss if market rates shift significantly.

3.3 Recommended Usage

An interest rate cap will provide a worst case interest rate in the event of short term interest rates (90 day Bank Bills) rising in the future.

Options are at their most economic value when they are needed, and are therefore best used when financial budgeting requires certainty or “a worst case” insurance against a rise in interest rate, however, the view may be that rates will not rise. Usually swaps represent the most cost effective form of actual hedge in the event of rising interest rates due to the relatively high cost of interest rate options.

Options are best purchased when:

- i) they are not intended to be exercised
- ii) volatility in the market is low
- iii) the underlying debt being hedged is uncertain.

3.4 Example

Council has purchased a swaption (i.e. an option to enter into a swap with pre-determined pricing of 7.20% and a maturity of 3 years). The option expires in July of 2000. The notional is \$5 million.

Should the 3 year swap rate be higher than 7.20% next July, Council will exercise the swaption and enter into a swap with the seller of the swaption where Council will exchange the following cash flows each quarter for 3 years.

- Council pays $5,000,000 \times 7.20\% \times 90/365 = \$88,767.12$.
- Council receives $5,000,000 \times (90 \text{ day Bank Bills}) \times 90/365$.

The net difference is paid by Council if the 90 day Bank Bill rate is below 7.20% and paid by the swap counterparty if the 90 day Bank Bill rate is above 7.20%.

APPENDIX IV: Glossary of Terms Corporate Treasury Management

<u>Term</u>	<u>Definition</u>
Amortising Swap	An interest rate swap contract which has a reducing principal or notional amount over the term of the contract period. The appropriate market swap rate from which to price an amortising swap is the weighted average maturity, not the final maturity date.
Arbitrage	A method or action that allows the securing of a profit (with no market risk) by taking advantage of a miss pricing of one financial instrument between two markets/time-zones.
Asset/Liability Management	The management process a bank uses to ensure its assets (loans made to customers) matches its liabilities (deposits taken from customers).
Average Rate Forward	A series of forward exchange contracts to different dates for the same amount, but at different rates. The series of contracts is re-stated as one contract at the one average rate. Also called a "par forward".
Balloon Payment	The repayment terms of a loan being the full principal amount due for repayment in one amount on the final maturity date. Also called a "bullet" payment.
Bank Bill	A "bill of exchange" security document issued by a corporate borrower, but guaranteed by a bank, who then in turn sells the security into the bank/investor market to re-liquify itself with cash. Normally for terms of 30, 60, 90 or 180 days.
Barrier Option	An option that will come into existence or cease to exist if the underlying asset, currency, commodity price trades at a predetermined price prior to expiration.
Base Rate	Normally a lending bank's cost of funds/interest rate for a particular funding period. The base or "prime" rate will be changed by the bank from time to time, but not every day like market rates.
Basis Point(s)	In financial markets it is normal market practice to quote interest rates to two decimal places (e.g. 6.25% - one basis point is the change from 6.25% to 6.26%, one hundred basis points is the change from 6.25% to 7.25%).
Basis Risk	The risk that the interest rate difference between the current physical debt instrument (say, a bank bill) market interest rate and the interest rate quoted for that debt instrument's future price (say, a bank bill futures price) changes over the period to the date of the future price.
Basis Swap	A variation of an interest rate swap whereby interest payments are exchanged on a floating to floating basis to change the timing of interest payments on a bank loan (i.e. quarterly payments swapped to monthly basis).
Benchmark	An agreed market related yardstick that investor returns, funding costs or average exchange rate achieved are compared against for performance measurement purposes.
Bid-Offer Spread	The exchange points (FX) or basis points (interest rates) difference between the bid and offer rate, when quoted by a bank is known as the "bid-offer spread". Banks make their profits from dealing at their own bid and offer prices, thus earning the spread.

<u>Term</u>	<u>Definition</u>
Bid Rate	Exchange rates and interest rate securities/instruments that are traded between banks are always quoted as a two-way price. One rate is where the quoting bank will buy – the bid rate, the second rate or price where the bank will sell at – the offer rate.
Bond	The security instrument that is issued by a borrower whereby they promise to repay the principal and interest on the due dates. A bond's interest rate is always fixed.
Bond FRA	A tailored contract to buy or sell a bond (Government or Corporate) at a fixed interest rate at some specified future date. The Bond FRA contract rate will differ from the current physical market bond yield, depending on the slope of the interest rate yield curve.
Bond Option	The right, but not the obligation by the owner/holder of the option to buy or sell bonds (Government or Corporate) at a predetermined interest rate at a specified future date. The buyer pays a "premium" in cash up-front to reduce risk and have insurance-like protection, the seller of grantor of the bond option receiving the premium for assuming the risk.
Call Option	The owner or buyer of a call option has the right, but not the obligation, to buy the underlying debt security/currency/commodity at the price stated in the option contract.
Cap	A series or string of interest rate put options whereby a borrower can have protection against rising short term interest rates, but participate in the lower rates if market rates remain below the "capped rate". A cap is normally for more than one 90-day funding period. Also called a "ceiling".
Certificate of Deposit "CD"	A debt instrument (normally short-term) issued by a bank to borrow funds from other banks/investors.
Closing-Out	The cancellation/termination of a financial instrument or contract before its maturity date, resulting in a realised gain/loss as the current market rate differs from the contract rate.
Collar	Two option contracts linked together into the one transaction or contract. A borrower's collar is normally a "cap" above current market rates and a "floor" below current rates. Over the term of the collar contract, if rates go above the cap the borrower is protected and pays an interest cost no more than the cap rate. Likewise, if market rates fall below the floor, the borrower pays the floor rate and does not participate in the lower market rates. Also called a "cylinder".
Collateral	A legal term, means "security".
Commercial Paper	The debt security instrument issued by a prime (and normally credit-rated) borrower to raise short term funds (30, 60, 90 or 180 days). Also called "one-name paper" and "promissory notes" issued by competitive public tender to investors, or by private treaty to one investor.
Commoditised	When a financial market or instrument becomes so popular and "plain vanilla", that there is no longer any difference in the prices quoted by participants in the market.

Term	Definition
Compound Option	An option contract on the premium of an option (i.e. the right, but not the obligation, to enter an option contract at a predetermined premium amount).
Convexity	A measure of the degree of curve or slope in an interest rate yield curve.
Convertible Bonds	A debt instrument issued to investors by a borrower that has a fixed interest rate for a period and then converts (under a strict pricing formula) to shares in the issuing company.
Coupon	The interest rate and amount that will be paid on the interest due dates of a bond. The coupon will normally differ from the purchase or issue yield/interest rate on a bond instrument.
Counterparty	The contracting party to a financial transaction or financial instrument.
Covenants	Special conditions and financial ratios required to be met or maintained by a borrower for a lender, under the legal security documents.
Cover	A term used to describe any action of entering financial instruments that reduces risk or puts protection in place against adverse future price movements.
Credit Risk	The risk that the other party to a financial transaction (bank deposit, interest rate swap contract) will default on or before the maturity date and not be able to fulfil their contractual obligations.
Credit Spread	The interest rate difference (expressed as basis points) between two LTPes of debt securities. The credit spread being a reflection of the difference in credit quality, size, liquidity between the two securities (e.g. five year corporate bonds may be at a credit spread of 200 basis points above Government bonds).
Cross Currency Interest Rate Swap	A borrower exchanges (swaps) one set of interest payments from a loan in one currency for another set of interest payments in a second currency. Interest payments are swapped from fixed to floating and vice versa. See "Interest Rate Swaps".
Debenture	A debt instrument similar to a bond whereby a borrower (normally a finance company) borrows for a longer terms at a fixed rate. Also a legal instrument provided as security to a lender.
Delta	"Greek" letter that measures how the price of an option (premium) changes given a movement in the price of the underlying asset/instrument.
Derivative(s)	A "paper" contract whose value depends on the value of some "underlying" asset e.g. share market stocks, bank bills, bonds or foreign currency. Also called a "synthetic". The value of the assets will change as its market price changes; the derivative instrument will correspondingly change its value.
Digital Option	An option contract that provides a predetermined payout based on an agreed and contracted market price path.
Discount	A bond or bank bill is discounted when the interest rate is applied to the face value of the security and the net proceeds after deducting the interest is paid out to the borrower.

<u>Term</u>	<u>Definition</u>
	Investors pay for the discounted (NPV) value at the commencement of the investment and receive the interest coupon payments, along the way and the full face value at the maturity date.
Duration	Not the simple average maturity term of a debt or investment portfolio, but a measure of the interest rate risk in a portfolio at a particular point in time. The duration of a portfolio is the term (measured in years and months) if the total portfolio of bonds/fixed interest investments was revalued at market rates and expressed as one single bond. The profit/loss on revaluation of a one basis point movement being the same in both cases.
Embedded Option	An option arrangement that may be exercised by or on a borrower at a future date, but the determining conditions are buried or "embedded" in a separate debt or financial instrument.
Event Risk	The risk of a major/unforeseen catastrophe (e.g. earthquake, Y2K, political elections, adversely affecting a company's financial position or performance).
Exchange - Traded	A currency, debt or financial instrument that is quoted and traded on a formal exchange with standardised terms, amounts and dates.
Exercise Date/Price	The day and fixed price that an option contract is enforced/actioned or "exercised" because it is in the interests of one of the parties to the contract to do so.
Fair Value	The current market value of an off-balance sheet financial instrument should it be sold or closed-out on the market rates ruling at the balance date.
Federal Reserve	The US Government's central bank and/or monetary authority.
Fixed Rate	The interest rate on a debt or financial instrument is fixed and does not change from the commencement date to the maturity date.
Floating Rate	The interest rate on a loan or debt instrument is re-set at the ruling market interest rates, on the maturity date of the stipulated funding period (usually 90 days).
Floor	The opposite of a "cap". An investor will buy a floor, or a series/string of call options (the right to buy) to protect against falling interest rates, but be able to invest at higher interest rates if rates move upwards.
Forward Exchange	A contract to buy and sell one currency against another at a Contract fixed price for delivery at some specified future date.
Forward Forwards	A forward exchange contract on the forward points for foreign exchange forward contracts (i.e. a hedge on the forward points which are determined by the two separate interest rates of the currencies involved).
Forward Points	The difference in interest rates between two currencies expressed as the exchange rate points (i.e. 152 forward points is a 0.0152 adjustment to the 0.5500 NZ\$/US\$ exchange spot rate).
Forward Rate Agreement	A contract ("FRA") whereby a borrower or investor in Bank Bills agrees to borrow or invest for an agreed term (normally 90 days) at a fixed rate at some specified future date. A FRA is an "over-the-counter" contract as the amount and maturity date are tailored by the bank to the specific requirements of the borrower/investor.

<u>Term</u>	<u>Definition</u>
Forward Starting Swap	An interest rate swap contract that commences at a future specified date. The rate for the forward starting swap will differ from the current market rate for swaps by the shape and slope of the yield curve.
Funding Risk	The risk that a borrower cannot re-finance its debt at equal or better terms at some date in the future, in terms of lending margin, bank fees and funding time commitment. Funding risk may increase due the company's own credit worthiness, industry trends or banking market conditions.
Futures	Exchange-traded financial and commodity markets which provide forward prices for the underlying asset, instrument or commodity. Futures contracts are standardised in amount, term and specifications. Futures markets are cash-based, transacting parties do not take any counterparty credit risk on each other. Deposits and margin-calls are critical requirements of all futures markets.
Gamma	"Greek" letter used in option pricing that measures how rapidly the delta of an option changes, given a change in the price of the underlying asset/instrument.
Hedging	The action of reducing the likelihood of financial loss by entering forward and derivative contracts that neutralise the price risk on underlying financial exposures or risks. The gain or loss due to future price movements on the underlying exposure is offset by the equal and opposite loss and gain on the hedge instrument.
High-Yield Bonds	Corporate bonds issued by borrowing companies that are nonprime (i.e. have a low or no credit rating). The margin or credit spread above Government bond yields is high (>300 basis points) to compensate the investor into the bond for the higher credit and liquidity risk.
Implied Volatility	Used in option pricing. To estimate the future volatility of the underlying asset or instrument, the option pricing models use historical volatility (expressed as a percentage) as a key variable to calculate the option premium amount. The movement in option prices is therefore a good indicator of future market volatility, as volatility is "implied" in the option price.
Index Linked Bonds	Debt instruments that pay an interest coupon or return that is wholly or partially governed by the performance of another separate index (e.g. a share market index, or the gold price).
Indirect FX Risk	A company has indirect foreign exchange risk where their costs, revenues or profits can be adversely affected by exchange rates that they are not directly paying or receiving. The prices they pay or receive in the domestic currency are influenced by the exchange rate movements.
ISDA	International Security Dealers Association: A governing body that determines legal documentation/standards for over-the counter swaps/options/FRA's and other derivative instruments for interest rates, currencies, commodities etc. Corporate users of such instruments sign an ISDA Master Agreement with banking counterparties that covers all transactions.
Interest Rate Collar Strategy	The combined purchase (or sale) of a cap or floor with the sale (or purchase) of another floor or cap.

<u>Term</u>	<u>Definition</u>
Interest Rate Options	The purchase of an interest rate option gives the holder (in return for the payment of a premium) the right but not the obligation to borrow (described as a cap) or invest (described as a floor) at a future date. Council and the counterparty agree to a notional future principal amount, the future interest rate, the benchmark dates and the benchmark rate (usually BKBM).
Interest Rate Swaps	A binding, paper contract where one party exchanges, or swaps, its interest payment obligations from fixed to floating basis, or floating to fixed basis. The interest payments and receipts under the swap contract being offsetting, equal and opposite to the underlying physical debt.
Interest Rate Swaption	The purchase of a swaption gives Council the right but not the obligation, to enter into an interest rate swap, at a future date, at a specific interest rate.
"In-the-Money" Option	An option contract which has a strike price/rate that is more favourable or valuable than the current market spot or forward rate for the underlying currency/instrument.
Inverse Yield Curve	The slope of the interest rate yield curve (90-days to 10 years) is "inverse" when the short-term rates are higher than the long-term rates. The opposite, when short-term rates are lower than long term interest rates is a normal curve or "upward sloping". In theory, a normal curve reflects the fact that there is more time, therefore more time for risk to occur in long term rates, hence they are higher to build in this extra risk premium.
Junk Bonds	High yield bonds at the bottom-end of the credit quality spectrum.
Knock-in/Knock-out Options	Option contracts for currencies or interest rates that are either activated or de-activated on pre-determined market rates being achieved.
Liability Management	The policy, strategy and process of actively managing a portfolio of debt.
LIBOR	London Inter-bank Offered Rate, the average of five to six banks quote for Eurodollar deposits in London at 11:00 am each day. The accepted interest rate-fixing benchmark for most offshore loans.
Limit(s)	The maximum or minimum amount or percentage a price or exposure may move to before some action or limitation is instigated. Also called "risk control limits".
Liquidity Risk	The risk that a company cannot obtain cash/funds from liquid resources or bank facilities to meet foreseen and unforeseen cash requirements. The management of liquidity risk involves working capital management and external bank/credit facilities.
"Long" Position	Holding an asset or purchased financial instrument in anticipation that the price will increase to sell later at a profit.
Look-back Option	An option structure where the strike price is selected and the premium paid at the end of the option period.
Marked-to-Market	Financial instruments and forward contracts are revalued at current market rates, producing an unrealised gain or loss compared to the book or carrying value.
Margin	The lending bank or institution's interest margin added to the market base rate, normally expressed as a number of basis points.

<u>Term</u>	<u>Definition</u>
Medium Term Notes (MTN)	A continuous program whereby a prime corporate borrower has issuance documentation permanently in place and can issue fixed rate bonds at short notice under standard terms.
Multi-currency Facility	A committed banking facility that allows the borrowing of several alternative currencies to the NZ dollar.
Netting	Method of subtracting currency receivables from currency payables (and vice versa) over the same time period to arrive at a net exposure position.
Open Position	Where a company has purchased or sold an asset, currency, financial security or instrument unrelated to any physical exposure, and adverse/favourable future price movements will cause direct financial loss/gain.
Option Premium	The value of an option, normally paid in cash at the commencement of the option contract, similar to an insurance premium.
Order	The placement of an instruction to a bank to buy or sell a currency or financial instrument at a pre-set and pre-determined level and to transact the deal if and when the market rates reach this level. Orders are normally placed for a specific time period, or "good till cancelled". The bank must deal at the first price available to them once the market level is reached. Some banks will only take orders above a minimum dollar amount.
"Out-of-the-Money" Option	An option contract which has a strike price/rate that is unfavourable or has less value than the underlying current spot market rate for the instrument.
Over-the-Counter	Financial and derivative instruments that are tailored and packaged by the bank to meet the very specific needs of the corporate client in terms of amount, term, price and structure. Such financial products are non-standard and not traded on official exchanges.
Perpetual Issue	A loan or bond that has no final maturity date.
Pre-Hedging	Entering forward or option contracts in advance of an exposure being officially recognised or booked in the records of the company.
Primary Market	The market for new issues of bonds or MTN's.
Proxy Hedge	Where there is no forward or derivative market to hedge the price risk of a particular currency, instrument or commodity. A proxy instrument or currency is selected and used as the hedging method as a surrogate. There needs to be a high correlation or price movements between the two underlying prices to justify using a proxy hedge.
Put Option	The right, but not the obligation to sell a debt security/currency/commodity at the contract price in the option agreement.
Revaluation	The re-stating of financial instruments and option/forward contracts at current market values, different from historical book or carrying values. If the contracts were sold/bought back (closed-out) with the counterparty at current market rates, a realised gain or loss is made. A revaluation merely brings the contract/instrument to current market value.

<u>Term</u>	<u>Definition</u>
Roll-over	The maturity date for a funding period, where a new interest rate is re-set and the debt re-advanced for another funding period.
Secondary Market	The market for securities or financial instruments that develops after the period of the new issue.
"Short" Position	Selling of an asset or financial instrument in anticipation that the price will decrease or fall in value to buy later at a profit.
Spot Rate	The current market rate for currencies, interest rates for immediate delivery/settlement, normally two business days after the transaction is agreed.
Stop Loss	Bank traders use a "stop-loss order" placed in the market to automatically closeout an open position at a pre-determined maximum loss.
Strike Price	The rate or price that is selected and agreed as the rate at which an option is exercised at.
Strip	A series of short-term interest rate FRAs for a one or two year period, normally expressed as one average rate.
Swap Spread	The interest rate margin (in basis points) that interest rate swap rates trade above government bond yields.
Swaption	An option on an interest rate swap that if exercised the swap contract is written between the parties. The option is priced and premium paid similar to bank bill and bond interest rate options. Time Value Option contracts taken for longer-term periods may still have some time value left even though the market rate is a long way from the strike rate of the option and the option is unlikely to be exercised.
Tranches	A loan may be borrowed in a series of partial drawdowns from the facility, each part borrowing is called a tranche.
Treasury	Generic term to describe the activities of the financial function within a company that is responsible for managing the cash resources, debt, foreign exchange risk, and sometimes the commodity price and energy price risk.
Treasury Bill	A short-term (<12 months) financing instrument/security issued by a Government as part of its debt funding program.
Vega	Another "Greek" letter that is the name given to the measure of the sensitivity of the change in option prices to small changes, in the implied volatility of the underlying asset or instrument price.
Volatility	The degree of movement or fluctuation (expressed as a percentage) of an asset, currency, commodity or financial instrument price over time. The percentage is calculated using mean and standard deviation mathematical techniques.
Yankee Bond	A non-resident US borrower issuing a corporate bond in the domestic US bond market.
Yield	Read - interest rate, always expressed as a percentage.

<u>Term</u>	<u>Definition</u>
Yield Curve	The plotting of market interest rate levels from short-term (90 - days) to long term on a graph i.e. the difference in market interest rates from one term (maturity) to another.
Zero Coupon Bond	A bond that is issued with the coupon interest rate being zero (i.e. no cash payments of interest made during the term of the bond, all interest paid on the final maturity date. In effect the borrower accrues interest on interest during the term, increasing the total interest cost compared to a normal bond of paying interest quarterly, half-yearly or annually).

Title: 24-96 Debt "Debtors" Management Policy

Section: Finance & Affordability

Prepared by: Angelee Brown - Senior Revenue Officer

Meeting Date: Wednesday 17 April 2024

Legal: Yes

Financial: Yes

Significance: **Medium**

Report to FINANCE & PERFORMANCE/WHAKAHAERE PŪTEA ME ŌNA HUA Committee for decision

PURPOSE - TE TAKE

The purpose of this report is to approve the updated draft Debt "Debtors" Management Policy for approval.

SUMMARY - HE WHAKARĀPOPOTOTANGA

Draft Debt "Debtors" Management Policy

The draft Debt "Debtors" Management Policy is focused on the collection of Rates and any other debt (i.e. excludes rates, dog infringements and parking fines). It is an internal policy that focuses on debt that is owed to Council. It is distinguished from the Treasury Policy where the Treasury Policy is focused on debt that Council owes to external parties for its borrowing needs (i.e. Local Government Funding Agency).

The Debt "Debtors" Management Policy was first developed in 2021 coinciding with the 2021-2031 Revenue and Financial Policy review.

The Debt "Debtors" Management Policy gives transparency around what debt collection mechanisms Council uses and guidelines on how they are applied. It ensures that Council are managing the collection of revenue in a legally compliant manner

Attached is the Debt "Debtors" Management Policy in **Attachment 1**.

The decisions or matters in this report are considered to be of **Medium** significance in accordance with the Council's Significance and Engagement Policy.

RECOMMENDATIONS - NGĀ TŪTOHUNGA

That the Finance & Performance/Whakahaere Pūtea me Ōna Hua Committee:

1. Approves the Draft Debt “Debtors” Management Policy.

Authorised by:

Pauline Foreman - Chief Financial Officer

Keywords: draft debt "debtors" management policy, debt recovery, sundry invoicing, financial strategy

BACKGROUND - HE WHAKAMĀRAMA

1. The Local Government Act 2002(LGA) requires that Council manage its revenues, expenses and other financial responsibilities in a prudent manner and in a way that promotes the current and future interests of the community (refer to section 101(1)).
2. Council provides an extensive range of services to the community, and receives income from various parties including ratepayers, residents, business, and other customers in exchange for their services.
3. This income is received through different methods such as rates, water rates, user charges, consent fees, licence fees, statutory charges, grants, and subsidies. To assist in delivering services effectively and efficiently, Council should receive this income in a timely manner.
4. A Debt "Debtors" Management Policy for internal use was first created in July 2021, coinciding with the 2021-2031 Revenue and Financial Policy review.
5. Prior to this, Council staff managed debtors through a number of internal mechanisms and references to multiple policies (i.e. Revenue and Financing Policy, Rates Remissions and Postponement Policies, Liability Policy). Monitoring Council overall debtors is reported within quarterly reports to the Finance and Performance Committee.
6. The draft Debt "Debtors" Management Policy brings together the internal mechanisms and practices into one clear Policy.
7. Attached is the draft Debt "Debtors" Management Policy in **Attachment 1**.

DISCUSSION and OPTIONS - WHAKAWHITINGA KŌRERO me ngā KŌWHIRINGA

Draft Debt Recovery Policy

8. Council seeks a transparent and equitable approach to managing debt and the draft Debt "Debtors" Management Policy (Debt Policy) outlines the intended approach to the collection of debt and any associated arrears.
9. The draft Debt Policy focuses on debt that is owed to Council. This is distinct from Council's Liability Policy and Treasury Policy, where these policies focus on external debt that Council owes to other parties (e.g. Local Government Funding Agency and Commercial Banks lending).
10. The main features of the draft Debt "Debtors" Management Policy are:
 - How we will align Councils Vision, Values and Objectives with the management and collection of revenue.
 - A guide to the underlying legislation behind and afforded to Council for the collection of overdue debt.
 - A summary of Councils financial policies and their role within debt recovery.
 - The scope of this policy which outlines the areas of Council this policy applies to, with exception to those areas covered under the Summary Proceedings Act 1957.
 - Councils' objective and intended approach to the recovery of unpaid debt.
 - An outline of roles and their area of responsibility to ensure the successful management of this policy.

ASSESSMENT of SIGNIFICANCE - AROTAKENGA o NGĀ HIRANGA

Consideration of consistency with and impact on the Regional Land Transport Plan and its implementation

Overall Process: Low Significance

This Report: Low Significance

Impacts on Council's delivery of its Financial Strategy and Long Term Plan

Overall Process: Medium Significance

This Report: Medium Significance

Inconsistency with Council's current strategy and policy

Overall Process: Medium Significance

This Report: Medium Significance

The effects on all or a large part of the Gisborne district

Overall Process: High Significance

This Report: High Significance

The effects on individuals or specific communities

Overall Process: Low Significance

This Report: Low Significance

This Report: Medium Significance

The level or history of public interest in the matter or issue

Overall Process: Low Significance

This Report: Low Significance

11. The decisions or matters in this report are considered to be of **Medium** significance in accordance with Council's Significance and Engagement Policy.

CONSIDERATIONS - HEI WHAKAARO

Financial/Budget

12. Council has a budget for rate remission policies. Staff continually work with customers to reduce debt. We offer full online payment facilities, and actively encourage direct debts.

Legal

13. The Local Government Act 2002 and the Local Government (Rating) Act 2002 are the overarching legislation for Council's Rate Remission Policies, collection of rates and rate arrears.
14. The Rate Rebate Act 1973 sets out how rate rebates are calculated and applied. Central Government offers rate rebates to low-income homeowners where certain requirements are met, and these rebates are processed by Local Authorities.

POLICY and PLANNING IMPLICATIONS - KAUPAPA HERE me ngā RITENGA WHAKAMAHERE

15. The Financial Strategy and Council's Rate Remission Policies are contained in the 2024-2027 Three Year Plan.

RISKS - NGĀ TŪRARU

16. There are no major risks associated with the information provided in this report.

NEXT STEPS - NGĀ MAHI E WHAI AKE

Date	Action/Milestone	Comments
April 2024	Approval of draft debt "debtors" management policy.	Following approval, this policy will be rolled out to areas of Council for implementation.
September 2024	Rates and sundry invoicing debt report for June 2024.	Monitoring Report

ATTACHMENTS - NGĀ TĀPIRITANGA

1. Attachment 1 - Debt Debtors Management Policy [24-96.1 - 25 pages]



Debt "Debtors" Management Policy



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Our Vision

Piritahi Tairāwhiti – making our people proud. This is the focus of our mahi – and it's at the heart of everything we do.

Our Values

- People are at the heart of everything we do
- We are kind, honest and helpful
- We work together to achieve better outcomes
- We do what we say we're going to do
- We are the guardians of our community's future

These values are the guiding principles behind our strategic objectives.

Our Strategic Objectives

- People first
- A high performing culture
- Financially smart and strong
- Stewardship of the environment
- Responsive Treaty partner
- Health, safety and wellbeing

Aligning Council Objectives to Te Ture Whenua Māori Act Preamble

Te Ture Whenua Māori Act Preamble

Whereas the Treaty of Waitangi established the special relationship between the Māori people and the Crown: and whereas it is desirable that the spirit of the exchange of kāwanatanga for the protection of rangatiratanga embodied in the Treaty of Waitangi be reaffirmed: and whereas it is desirable to recognise that land is a taonga tuku iho of special significance to Māori people and, for that reason, to promote the retention of that land in the hands of its owners, their whanau, and their hapu, and to protect wahi tapu; and to facilitate the occupation, development, and utilisation of that land for the benefit of its owners, their whanau, and their hapu: and whereas it is desirable to maintain a court and to establish mechanisms to assist the Māori people to achieve the implementation of these principles.

Aligning Council Objectives

Fair and equitable collection of rates, which:

- A. aligns to community, cultural, environmental, and economic outcomes, including the outcomes of Tairāwhiti 2050
- B. recognises affordability and ratepayer circumstances and avoids further alienation of Māori freehold land
- C. enables the use/ development of land, including the traditional purposes, including wāhi tapu
- D. applies the relevant provisions of the Local Government Act and the Local Government (Rating) Act 2002
- E. supports Te Ture Whenua Māori Act 1991 Preamble principals by:
 - i. recognising of Māori freehold land as taonga tuku iho
 - ii. promoting the retention of, and facilitating the occupation, development, and utilisation of Māori freehold land in the hands of its owners, whanau, and hapū
 - iii. protecting wāhi tapu.

1. Purpose of the Policy

This policy will help ensure that Council is running effectively and efficiently and operating in a financially responsible manner. It will also ensure that Council are managing the collection of revenue in a legally compliant manner.

This policy was developed to outline Council's approach to debt recovery. Council is committed to providing an equitable and transparent approach and maintaining positive customer relationships. Council will work together to drive continuous improvement.

2. Legal

2.1 Rates

The Local Government Act 2002 and the Local Government (Rating) Act 2002 are the overarching legislation for Council's Rate Remission Policies, collection of rates and rate arrears.

- a. **Local Government Act 2002.**
- b. **Local Government (Rating) Act 2002.**

2.2 Statute Barred Rates

Debt that is older than six years, is statute barred and Council is unable to recover it through the legal court collection system. There are two Acts which prevent the recovery of aged rates debt of more than six years:

- c. **Local Government (Rating) Act 2002 – section 65.**
- d. **Limitation Act 2010.**

2.3 Revenue and Finance Policy

This policy determines the appropriate funding for operating and capital expenditure. It determines the mix of debt, rates, and user fees for what we do and how it should be funded. This includes general rates, uniform annual general charges and targeted rates.

- e. **Local Government Act 2002.**
- f. **Local Government Act 2002 – section 101(3)(a) and 101(3)(b).**

2.4 Rate Remission and Postponement Policy

Remission and postponement policies are primarily used to address any inequities as a result of setting of the rates and provide assistance to those who are affected more than others:

- g. **Local Government (Rating) Act 2002 – section 102(3).**
Provides that a Council may adopt a rates remission policy and a rates postponement policy.
- h. **Local Government (Rating) Act 2002 – section 102(1) and 102(2) and 108.**
Require Councils to adopt rates remission and postponement policies on Māori freehold land. Council has considered the matters listed in Schedule 11 clause 1 of the LGA and recognises that the nature of Māori land is different to general title land.

2.5 Conflict of Interest Policy

This policy is to ensure staff members recognise, disclose, and manage any Conflict of Interest they may have, and act in a manner consistent with their responsibilities with the Council.

A Conflict of Interest is a perceived, potential, or actual conflict between the private or personal interests and the official responsibilities of someone in a position of trust. A perceived or potential Conflict of Interest should be treated as a Conflict of Interest.

If it's unclear whether a particular situation is or could be seen to be a Conflict of Interest, consult with management prior to taking up the activity or interest in question.

2.6 Water Rates

The Gisborne District Council Water Supply Bylaw 2015 is made under the authority of the Local Government Act 2002 for the supply of water to its Customers by the Council.

3.11.9 Payment

The following shall apply:

- a) The Customer shall be liable to pay for the supply of water and related services in accordance with the Council's current Fees and Charges which shall be determined in accordance with section 150 of the Local Government Act 2002.
- b) The Council may recover all unpaid water charges as prescribed in the Local Government (Rating) Act 2002, Part 3, sections 57 and 58, and 59 to 82.

2.7 Penalties

Section 58 of the Local Government (Rating) Act 2002 sets out penalties on unpaid rates that maybe imposed. There are three layers that could be applied by law:

1. Local Government (Rating) Act 2002 – section 58(1)(a)

Where there is a 10% penalty applied to unpaid rates on instalment amount, applied at the end of the quarter (referred to as **P1**).

- Current and ongoing.

2. Local Government (Rating) Act 2002 – section 58(1)(b)

applied annually in July, at 10% on total rates outstanding on 30 June (referred to as **P2**).

- The application of this penalty discontinued in June 2020.

3. Local Government (Rating) Act 2002 – section 58(1)(c)

applied annually in January and at 5%, based on unpaid rates, penalties, and historic penalties (referred to as **P3**).

- The application of this penalty discontinued in January 2015.

Council currently apply P1's only. Council stopped applying P2's and P3's because it was a disincentive to ratepayers and unlikely to be recovered.

2.8 Privacy

The Privacy Act 2020 governs how organisations and businesses can collect, store, use and share your information.

There are also Privacy Codes of Practice that have privacy rules for personal information in specific areas.

The Privacy Act 2020 has 13 privacy principals that govern how you should collect, handle and use personal information.

3. Financial Policies and their role

3.1 Financial Strategy

The Strategy sets our overall financial goal posts for the 2024-2027 Three-Year Plan (3YP), including sources of revenue to fund capital and operational costs, and the impacts of our decisions on rates, debt, levels of service and investments.

3.2 Revenue and Financing Policy

This policy determines when debt and rates will be used as a funding source. This includes general rates based on the capital value of each rating unit in the district. The general rate is used to fund council activities that are deemed to generally benefit all ratepayers in the Gisborne district. This policy also includes a uniform annual general charge which is a fixed amount charged to each separately used or inhabited part of a rating unit, and targeted rates for the cost of an activity or service that should be paid for by particular groups or particular ratepayers who benefit from the activity of service.

3.3 Liability Management Policy

This policy covers debt repayment, credit exposure and provides policies for interest rate exposure and liquidity. It implements the judgements that our revenue and financing policy makes about intergenerational equity.

3.4 Rate Setting Report

The purpose of this report is to set the rates, rates due dates, and rating penalties regime for the following financial year, after adopting the Annual Plan (AP) or Three Year Plan (3YP). Council must set the rates by Council resolution in accordance with Council's Annual Plan (AP) of Three Year Plan (3YP) and the provisions of the Funding Impact Statement. Setting rates must be compliant with legislation, primarily the Local Government (Rating) Act 2002. If we do not set the rates, then there is a risk of Council not being able to meet its financial commitments.

4. Scope

This policy applies to all revenue streams including (but not limited to):

- Rates and Water Rates
- Corridor Access Fees
- Cemetery Interment & Burial/ Ashes Plot Purchase Fees
- Rent Payments from Community Housing
- Environmental & Regulatory Service Fees
- Resource Consent Fees
- Compliance Monitoring & Enforcement Fees
- Environmental Science Monitoring Fees
- Building Service Fees
- Building Consent Fees
- Environmental Health Service Fees
- Alcohol Licensing Fees
- Animal Impound Fees
- Gisborne Theatres Fees
- Library Fines
- Parks Reserves & Sports Ground Fees
- Stormwater, Wastewater & Water Supply Fees

4.1 Exceptions – Dogs & parking fines

Dog Control Act 1996: Sets out the law about legal obligations of dog ownership, including their care, control and owner responsibilities for damage caused by their dog. Local councils also have bylaws about the control of dogs, the areas where dogs are allowed (and when) and rules for keeping dogs.

Tairāwhiti Dog Control Bylaw 2023: The council may use its powers under the Dog Control Act 1996 and the Local Government Act 2002 to enforce this Bylaw. To breach this Bylaw is to commit an offence and is liable to a penalty under the Dog Control Act 1996 and the Local Government Act 2002.

Land Transport Act 1998 – Section 138-141: Parking offences or fines are collected and enforced by Collection Units, which are part of the Ministry of Justice. Where there is not a specific Collections Unit, fines are collected and enforced by the local District Court staff.

Land Transport (Infringement and Reminder Notices) Regulations 2012: An infringement notice (on-the-spot ticket) can be issued if there is reasonable cause to believe an infringement offence has been committed. The form and content of the notice has to comply with the requirements in the Land Transport Act and the relevant regulations.

Summary Proceedings Act 1957 – Section 21: Infringement offences must be paid in full within 28 days of receiving the infringement notice. If you deny the offence and want a Court hearing, or you have information that you want the enforcement authority to consider, or you want to make written submissions to the judge, you need to write a letter to the relevant enforcement authority.

Infringements such as parking and dog offences are covered under Section 21 of the Summary Proceedings Act 1957 and are excluded from this policy.

4.2 Other

In accordance with Section 221 of the Building Act 2004, Council may seek to recover costs from a property owner for remedial work Council carries out when there is a default, in relation to a dangerous/insanitary building. Where the costs remain unpaid after debt recovery processes have occurred, Council will place a charge on the land/ a lien or caveat may be added to the certificate of title.

It is also important to note the Building Act 2004 allows Council to transfer debt in relation to a code of compliance, to another party (i.e., the owner)

5. Objective

The objective of this policy is to ensure that debts are collected promptly, efficiently, consistently, and in a financially responsible manner.

We understand that everyone's circumstances are unique. Our priority is to work together with our ratepayers to find the best solution for them e.g., payment arrangement, rates remissions.

6. Background

Council provides an extensive range of services to the community, and it receives income from various parties including ratepayers, residents, business and any other customer in exchange for their services.

This income is received through different methods such as rates, water rates, user charges, consent fees, licence fees, statutory charges, grants and subsidies. To assist in delivering services effectively and efficiently, Council should receive this income in a timely manner.

Council seeks a transparent and equitable approach to managing debt and this policy outlines the intended approach to the collection of debt and any associated arrears.

7. Policy Details

7.1 Professionalism

Our internal vision for Council – Piritahi Tairāwhiti – working together to make our people proud. Our Customer Service Promise is an extension of this. It represents our external commitment to the customer.

We Promise That We Will:

- Respond quickly and keep you updated.
- Keep it real and work with you.
- Make dealing with us as easy as possible.
- Be honest if we stuff up – we'll make it right.

Council staff will at all times respect the privacy of the individuals and communicate in a courteous and professional manner. At the same time, staff have the right to terminate conversations with any ratepayer or customer who becomes abusive or threatening.

Conflict of Interest Policy applied.

7.2 Off-set

In circumstances where a person makes an overpayment to Council or is due a refund, and that same person also owes money to the Council, settlement of the outstanding debt may be offset where the debtor has agreed.

7.3 Application of Penalties

Rates/ Water Rates (including metered water)

In accordance with section 57 and 58 of the Act, Council can apply penalties to rates and water rates that are not paid by the due date. A Council resolution is set out in the Rate Setting Report which is made in June each year establishing the penalties.

7.4 Payment Arrangements

Council will use payment arrangements to help facilitate the payment of debt. A payment arrangement is an agreement with a customer to payoff overdue debt in instalments. Payment arrangements are considered on a case-by-case basis.

Rates and Water Rates (including metered water)

Payment arrangements for rates and water rates arrears include both current and outstanding rates or an agreed amount to clear the rates by 30 June of the current rating year.

Payment arrangements are at the discretion of Council however, if a ratepayer is experiencing financial hardship, Council may extend a payment arrangement that is more suitable while the ratepayer applies for rates remission under policy 4. Financial Hardship and Exceptional Circumstances.

An agreed payment arrangement includes penalty suppression, and if adhered to there will be no further debt recovery action.

Where there are significant rate arrears, Council may write-off penalties overtime to encourage continued compliance.

Sundry debts

Payment arrangements for sundry debts are at the discretion of the Council and should be fully repaid within 6 months of the invoice date. However, if a customer is experiencing financial hardship, Council may extend a payment arrangement that is suitable to both parties.

Currently, penalties are not applied to sundry debts however, Council may address an increase in processing costs through the annual review of fees and charges.

7.5 Restriction of Supply

Council may restrict provision of services to customers with outstanding arrears where it is not restricted by legislation e.g., applied for water supply.

Currently council doesn't use this provision due to health risks.

7.6 Write-offs

Small balance write-off

A small balance write-off is where the time and money spent to collect the amount due exceeds the benefit realized by collecting the full balance. The balance is uneconomical to pursue.

Rates – Automatic write-off threshold

Unresolved rates debt

- Balance under \$10
- Write-off over \$10 considered under the rate remission and postponement policy.

Sundry Invoices – Automatic write-off threshold

Unresolved invoice/s 90 days and over

- Balance under \$20.
- Write-off over \$20 but less than \$500 will be considered on a case-by-case basis.
- Write-off \$500 and above must have CFO approval. The balance is found to be uneconomical to pursue.

Write-off of Doubtful/ Bad Debts

Doubtful or bad debts are those debts which Council is unlikely to be able to collect. The reasons for potential non-payment can include customer disputes or the appearance of financial stress e.g., insolvency.

Council can take a bad debt deduction only if the debt was written off as bad in the same income year, and before the liquidation or bankruptcy took place.

7.7 Other Debt

Debts will only be written off when all reasonable attempts to recover outstanding amounts have been made (by both the Council and external recovery agencies), or the costs of recovery are likely to equal or exceed the amount to be recovered. The balance is uneconomical to pursue.

The thresholds contained in the debt section of the delegation's manual will be applied when approving the write-off of an existing debt.

The writing off of a debt and any associated debt recovery or legal costs will be changed to the activity where the invoice was originally raised.

7.8 Rates/ Water Rates (including metered water)

Where a property is sold via rating or abandoned land sale or lease, and the proceeds received are insufficient to cover the full rates arrears and the associated costs as prescribed in section 75 and 82 of the Act, any outstanding arrears will be written off.

Council staff will also consider write off of rates/ water rates in accordance with the Rate Remission and Postponement Policy.

7.9 Statute Barred

Legislation under the Limitation Act 2010 prohibits us from commencing Court action later than six years from the due date for payment. Unpaid debt from this period is barred from the right to bring civil proceedings for collection under the above Acts.

8. Rates Collection Process

Each new rating year begins on July 1st.

The rates collection process is as follows:

1. **Instalment 1 invoice due 20th of August:**
The instalment 1 invoice advises the ratepayer of the total balance due by 20th of August.
 - **Instalment 1 due date 20 August has passed:**
P1-10% penalty applied to unpaid rates on instalment 1 amount (only).
 2. **Penalty notice sent to ratepayer:**
The penalty notice advises the ratepayer of the total balance overdue, and that this includes a 10% penalty. A direct debit form is also enclosed.
 3. **Instalment 2 invoice due 20th of November:**
The instalment 2 invoice advises the ratepayer of the total balance due by 20th of November.
 - **Instalment 2 due date 20 November has passed:**
P1-10% penalty applied to unpaid rates on instalment 2 amount (only).
 4. **Penalty notice sent to ratepayer:**
The penalty notice advises the ratepayer of the total balance overdue, and that this includes a 10% penalty. A direct debit form is also enclosed.
 5. **Instalment 3 invoice due 20th of January:**
The instalment 3 invoice advises the ratepayer of the total balance due by 20th of January.
 - **Instalment 3 due date 20 January has passed:**
P1-10% penalty applied to unpaid rates on instalment 3 amount (only).
 6. **Penalty notice sent to ratepayer:**
The penalty notice advises the ratepayer of the total balance overdue, and that this includes a 10% penalty. A direct debit form is also enclosed.
- 1 April:** Begin large debt analysis (debt over \$5k) – see step 8.1.
7. **First reminder notice sent to ratepayer: April**
The first reminder notice advises the ratepayer of the total balance overdue as of date issued, and to contact the revenue team if they need help.
 8. **Second reminder notice sent to ratepayer: May**
The second reminder notice advises the ratepayer of the total balance overdue, and to contact the revenue team if they need help.
 9. **Instalment 4 invoice due 20th of May:**
The instalment 4 invoice advises the ratepayer of the total balance due by 20th of May.
 - **Instalment 4 due date 20 May has passed:**
P1-10% penalty applied to unpaid rates on instalment 4 amount (only).

10. Penalty notice sent to ratepayer:

The penalty notice advises the ratepayer of the total balance overdue, and that this includes a 10% penalty. A direct debit form is also enclosed.

11. Final reminder notice sent to ratepayer: June

The final notice advises the ratepayer of the total balance overdue, and to contact the revenue team to prevent further debt collection action. Proceed to step 8.2.

Note: Council will exhaust all available avenues to ensure the ratepayer is aware of their outstanding rates debt and the options available to them. Where there are significant overdue rates, a ratepayer will receive 11 reminder notices within a rating year.

8.1 Large debt analysis (debt over \$5k)

The revenue team will review rateable properties with rates debt \$5k and over.

The properties are divided into debt type:

- Payment Plan
- Mortgagee Bank
- Collection Agent.

The revenue team will review each property for:

- Contact with Council e.g., previous payment plans, financial hardship.
- Payment history e.g., regular payments, non-payment, failed direct debits.
- Clear use of Māori freehold land and written agreement to use the land.

Three attempts are then made to contact the owner/ratepayer by email and phone (where these contact details have been provided).

Properties are removed where the ratepayer has agreed to take clear steps to resolve the outstanding rates.

The large debt analysis will highlight the properties where normal collection action is insufficient and more coercive action will be required.

A flowchart outlining the rates recovery process is included as attachment A.

8.2 Large debt report and memo

A summary of the debt analysis and a complete report of the properties highlighted for coercive collection action are then submitted to the CFO and CE for consideration.

Coercive collection is only used after all collection avenues have been exhausted.

9. Coercive Collection Action

Council has coercive powers available to collect debts where the debtor continues to be non-compliant.

A non-compliant debtor is someone who refuses to address the debt by:

- Making contact with Council
- Making full payment
- Making regular payments to clear the debt.

Coercive collection is only used after all collection avenues have been exhausted.

Recommendations to proceed with coercive collection action must be taken to the CFO and approved by the CE. Where applicable the CE will take the recommendation to Council.

Resolution by way of full payment or an agreed payment arrangement is always an option to the ratepayer/ customer.

Conflict of Interest and the Privacy Act 2020 applies.

9.1 Collection via Debt Collection Agent

Rates/ Water Rates (including metered water)/ Sundry Invoice

A debt collection agent is a third party who endeavours to recover outstanding debts on behalf of Council for a collection fee.

The collection agent will work with Council to exhaust all available collection avenues, before recommending Council consider legal action.

Legal Action includes:

- Collection via Rating Sale or Lease
- Collection via Abandoned Land Sale or Lease
- Collection via Civil Enforcement

Recommendations to proceed with Legal Action must be taken to the CFO and approved by the CE. Where applicable the CE will take the recommendation to Council.

Resolution by way of full payment or an agreed payment arrangement is always an option to the ratepayer/ customer.

Conflict of Interest and the Privacy Act 2020 applies.

Excluding

To align Council objectives to Te Ture Whenua Māori Act Preamble, Māori freehold land, and where land status was changed from Māori freehold land to General land under the 1967 Māori Affairs Amendment Act is excluded from collection through Legal Action.

9.2 Collection via Demand on Mortgagee

Rates/ Water Rates (including metered water)

Councils have the legal power to demand that a bank pays a customer's overdue rates if the bank has a mortgage over the customers property:

- The Local Government (Rating) Act 2002 obliges property owners to pay their rates. It also enables the council to recover unpaid rates from the bank as mortgagee if the property owner is in default.
- The Property Law Act 2007 obliges the borrower in a mortgage to pay rates for the property.

Where an owner defaults in paying rates and/or water rates on a property with a mortgage, and all avenues of collection are exhausted, Council may recover the arrears from the first mortgagee in accordance with section 62(1) of the Act.

Recommendations to proceed with Mortgagee Demand must be taken to the CFO and approved by the CE.

Conflict of Interest and the Privacy Act 2020 applies.

Council staff notify both the owner and the mortgagee of Council's intention to issue a formal demand to the mortgagee for payment of rates and/or water rates arrears.

Formal demand for payment from the mortgagee would be issued no earlier than legislatively possible (currently 3 months from notification of intention to issue a formal demand).

Resolution by way of full payment or an agreed payment arrangement is always an option to the property owner.

A flowchart outlining the rates recovery process is included as attachment A.

9.3 Collection via Rating Sale or Lease

Rates/ Water Rates (including metered water)

If Council or a recovery agency have no success in recovering the rates and/or water rates arrears on properties without mortgage, then legal action can commence, and rating sale or lease is possible under section 67() of the Act.

Recommendations to proceed with Rating Sale or Lease must be taken to the CFO and approved by the CE. If approved by CE, the CE will take the recommendation to Council.

Conflict of Interest Policy and the Privacy Act 2020 applies.

Council staff are to proceed with legal action to collect rates and/or water rates arrears no later than 30 June of the year following when the rates became overdue.

The first steps in the legal process are to lodge a statement of claim, followed by seeking judgment from the Court for rates and/or water rates arrears.

Where judgement does not result in payment of rates and/or water rates arrears, staff will notify Council via a confidential report for their information, of the intention to progress to rating sale. Generally, this will occur approximately 24 months after first commencing legal action.

Where a property is sold via rating sale or lease, and the proceeds received are insufficient to cover the full arrears and the associated costs, as prescribed in section 75 of the Act, any outstanding arrears will be written off.

Resolution by way of full payment or an agreed payment arrangement is always an option to the ratepayer/ customer.

Excluding

To align Council objectives to Te Ture Whenua Māori Act Preamble, Māori freehold land, and where land status was changed from Māori freehold land to General land under the 1967 Māori Affairs Amendment Act is excluded from collection through Legal Action.

A flow chart outlining the rating sale process is included as attachment B.

9.4 Collection via Abandoned Land Sale or Lease

Rates/ Water Rates (including metered water)

Section 77(1) of the Act permits Council to progress an abandoned land claim where:

1. Council or its representative have had no success in locating a property owner.
2. No rates and/or water rates payments have been received for at least three years.

In these instances, Council will apply to the Court to have the land/ property declared as abandoned.

Alternatively, property owners may give written notice to Council that they intend to abandon the land/ property (voluntary abandonment).

Recommendations to proceed with Abandoned Land Sale or Lease must be taken to the CFO and approved by the CE. If approved by CE, the CE will take the recommendation to Council.

Conflict of Interest Policy and the Privacy Act 2020 applies.

Staff will notify Council via a confidential report, of the intention to pursue declaration as abandoned land.

Where a property is sold via abandoned land sale or lease, and the proceeds received are insufficient to cover the full rates arrears and the associated costs, as prescribed in section 82 of the Act, any outstanding arrears will be written off.

Resolution by way of full payment or an agreed payment arrangement is always an option to the ratepayer/ customer.

Excluding

To align Council objectives to Te Ture Whenua Māori Act Preamble, Māori freehold land, and where land status was changed from Māori freehold land to General land under the 1967 Māori Affairs Amendment Act is excluded from collection through Legal Action.

A flow chart outlining the abandoned land process is included as attachment C.

10. Sundry Invoice Collection Process

1. **Invoice generated:** Invoice sent to customer via email or post (email preferred). Invoice due on the 20th of the following month.
 - Invoice due date passed.

Debt report: Monthly debt report emailed to all departments.
2. **Invoice 1-30 days overdue:** Department sends reminder email with invoice attached.
3. **Invoice 31-60 days overdue:** Department sends reminder email with invoice attached.
4. **Invoice 61-70 days overdue:** Debt management emails the first reminder notice with invoice attached.
5. **Invoice 71-80 days overdue:** Debt management emails the second reminder notice with invoice attached.
6. **Invoice 81-90 days overdue:** Debt management emails the final notice. The final notice advises the customer to contact the revenue team to prevent further debt collection action.

Note: Where a customer objects to an invoice, the department will review the invoice and issue a decision letter to the customer. The customer has until the 20th of the month following date of decision letter to resolve the invoice.

10.1 Unresolved invoices

Unresolved invoices 90 days and over will be highlighted on the monthly debt report for management to review the financial feasibility of escalating the invoice/s to a debt collection agent.

Management has the option to:

- Compile overdue invoices to meet the financial threshold for collection via debt collection agent (\$300).
- Credit the invoice because all collection avenues have been exhausted and the balance is uneconomical to pursue.
- Proceed with collection via debt collection agent.

Conflict of Interest Policy and the Privacy Act 2020 applies.

A flowchart outlining the rates recovery process is included as attachment D.

10.2 Collection via debt collection agent

Proceed with debt collection agent following management approval.

Resolution by way of full payment or an agreed payment arrangement is always an option to the ratepayer/ customer.

11. Roles and Responsibilities

The table below details the specific Council staff that have responsibility for managing the debt recovery policy and their areas of responsibility.

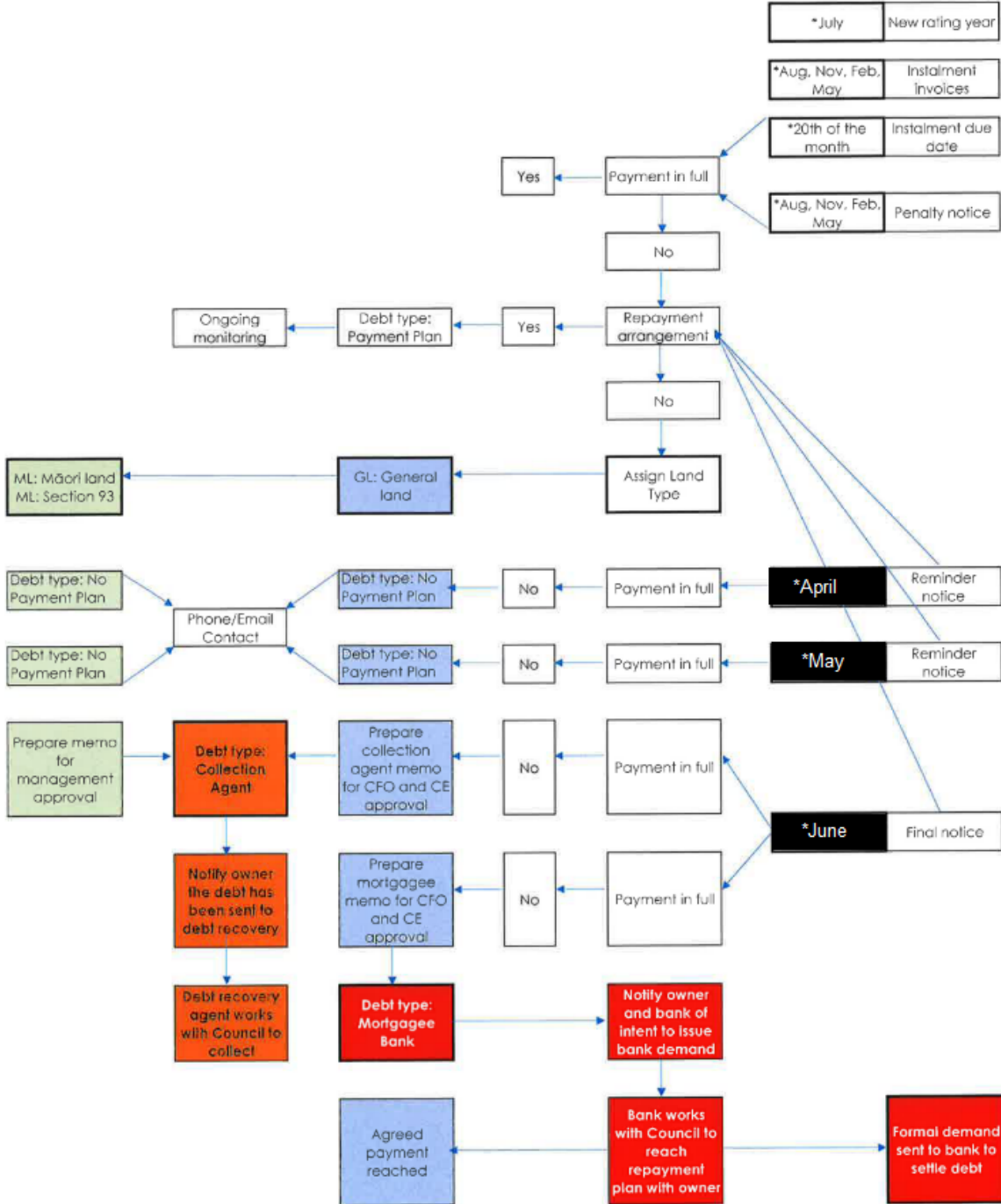
Chief Executive	Chief Financial Officer	Team Leaders/ Managers	Finance & Revenue Officers
<ul style="list-style-type: none"> - Approve recommendations to collect rates debt via coercive collection action - Take recommendations to Council. 	<ul style="list-style-type: none"> - Develop and maintain the governance and strategy aspects of this policy - Ensure that the policy is applied correctly and within the approved delegations - Overall ownership of this policy. - Approve recommendations to collect rates debt via coercive collection action - Take recommendations to the CE. 	<ul style="list-style-type: none"> - Develop, maintain and implement this policy - Overall administration of this policy - Review and Make Final Decision regarding collection of overdue sundry invoices, where all collection avenues have been exhausted - Approve rates remission applications. 	<ul style="list-style-type: none"> - Apply this policy - Establish, monitor and follow up payment arrangements in accordance with this policy - Liaise with Council's debt collection agent - Ensure all team leaders/ managers are aware of the debt that sits under their area. - Prepare Rates & Sundry Invoicing Debt Report for Council - Communicate established debt recovery policies and procedures to all areas - Prepare recommendations

12. Associated Documents

Local Government Act 2002	Rate Remission and Postponement Policy
Local Government (Rating) Act 2002	Remission of Rates: Māori Freehold Land
Gisborne District Council Fees and Charges	Contracts (Privity) Act 1982
Consumer Guarantees Act 1993	Gisborne District Council Water Supply Bylaw 2015
Summary Proceedings Act 1957	Council Manual of Delegations
Health Act 1956	Privacy Act 2020
Conflict of Interest Policy	Limitation Act 2010
2024-2027 Three Year Plan (3YP)	Revenue and Financing Policy
Liability Management Policy	Rate Setting Report
Dog Control Act 1996	Tairāwhiti Dog Control Bylaw 2023
Land Transport Act 1998	Land Transport (infringement and reminder notices) Regulations 2012
Building Act 2004	Te Ture Whenua Māori Act Preamble
1967 Māori Affairs Amendment Act	Property Law Act 2007

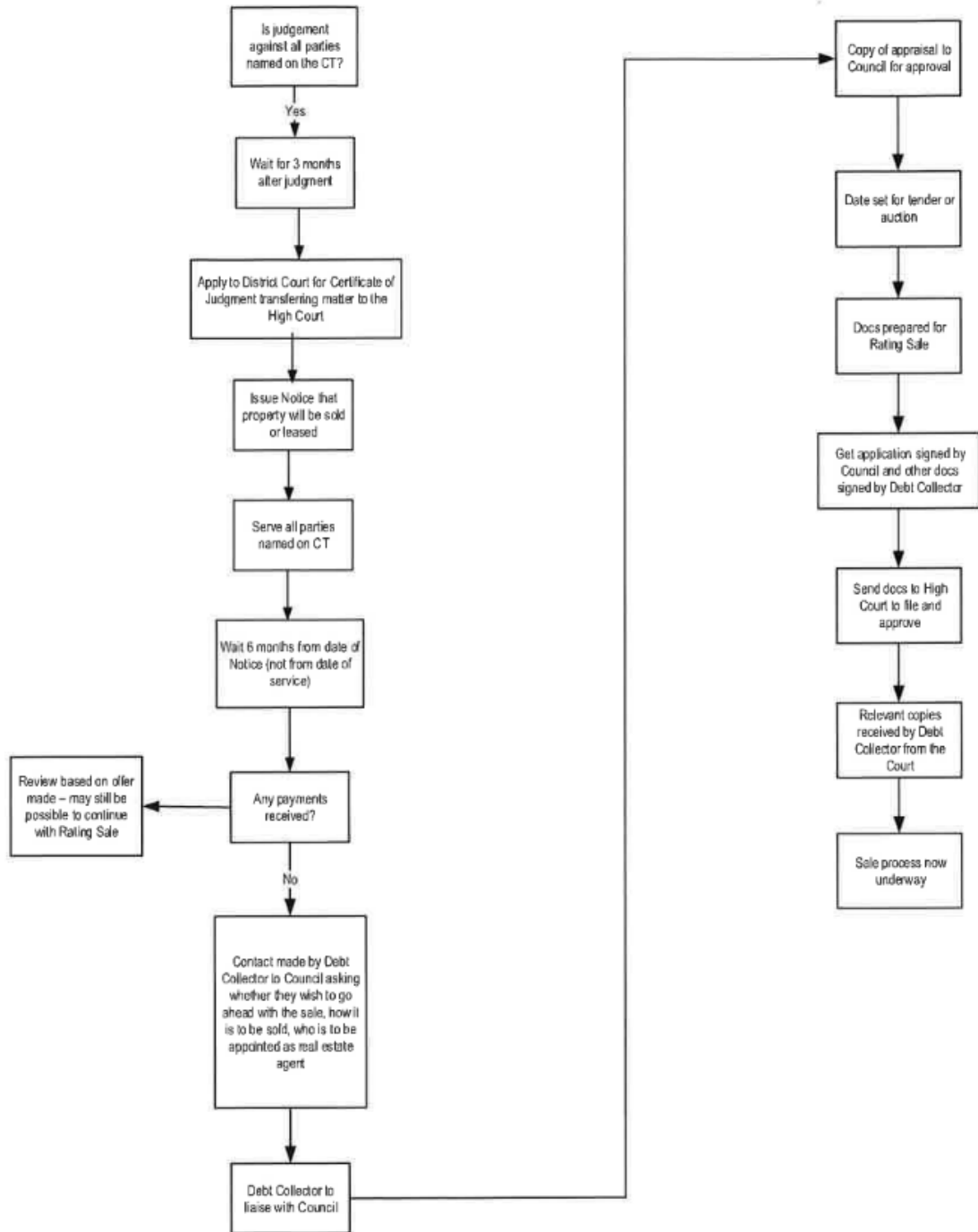
13. Rate arrears recovery process

Attachment A



14. Rating sale process

Attachment B

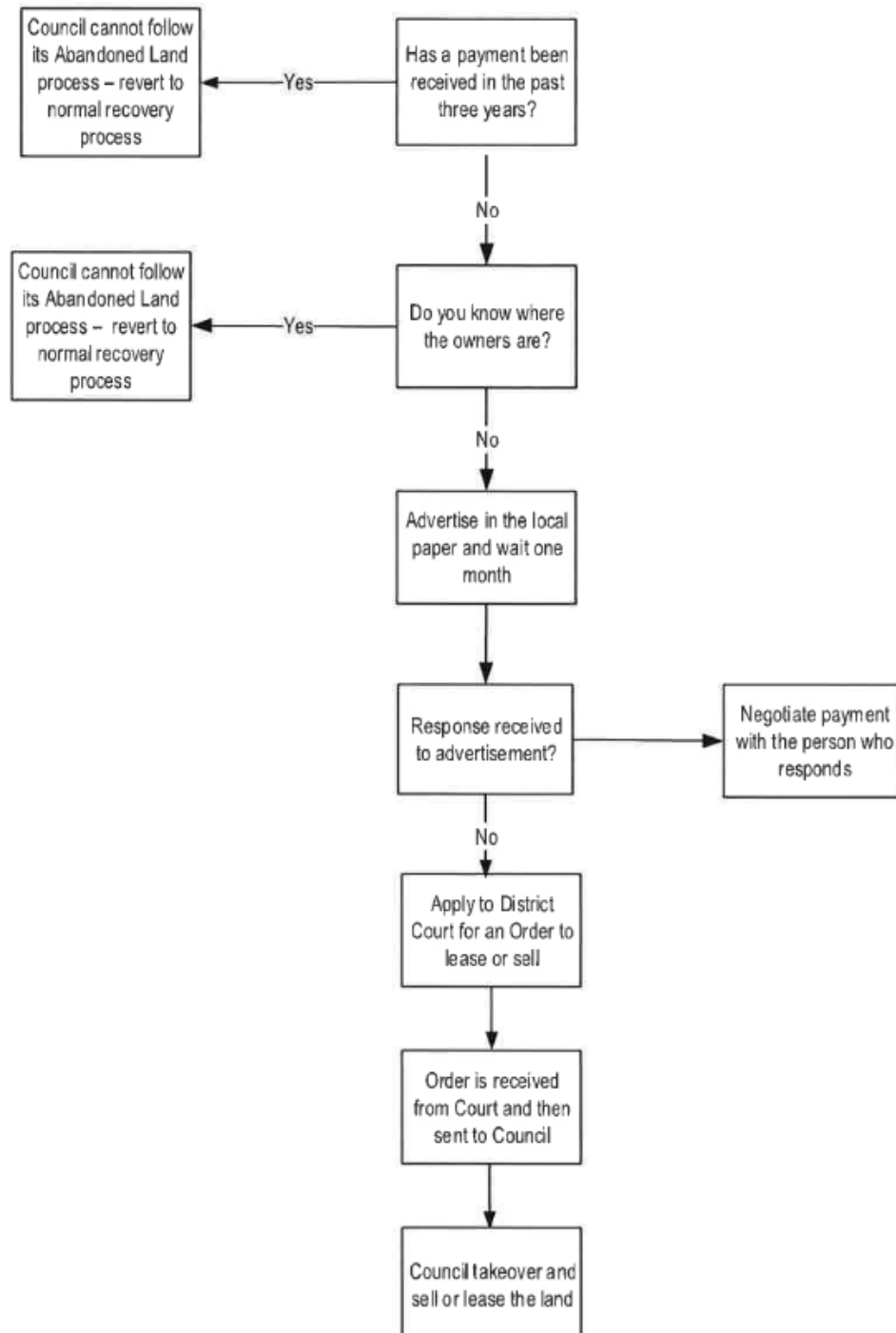


Excluding

To align Council objectives to Te Ture Whenua Māori Act Preamble, Māori freehold land, and where land status was changed from Māori freehold land to General land under the 1967 Māori Affairs Amendment Act is excluded from collection through Legal Action.

15. Abandoned land process

Attachment C

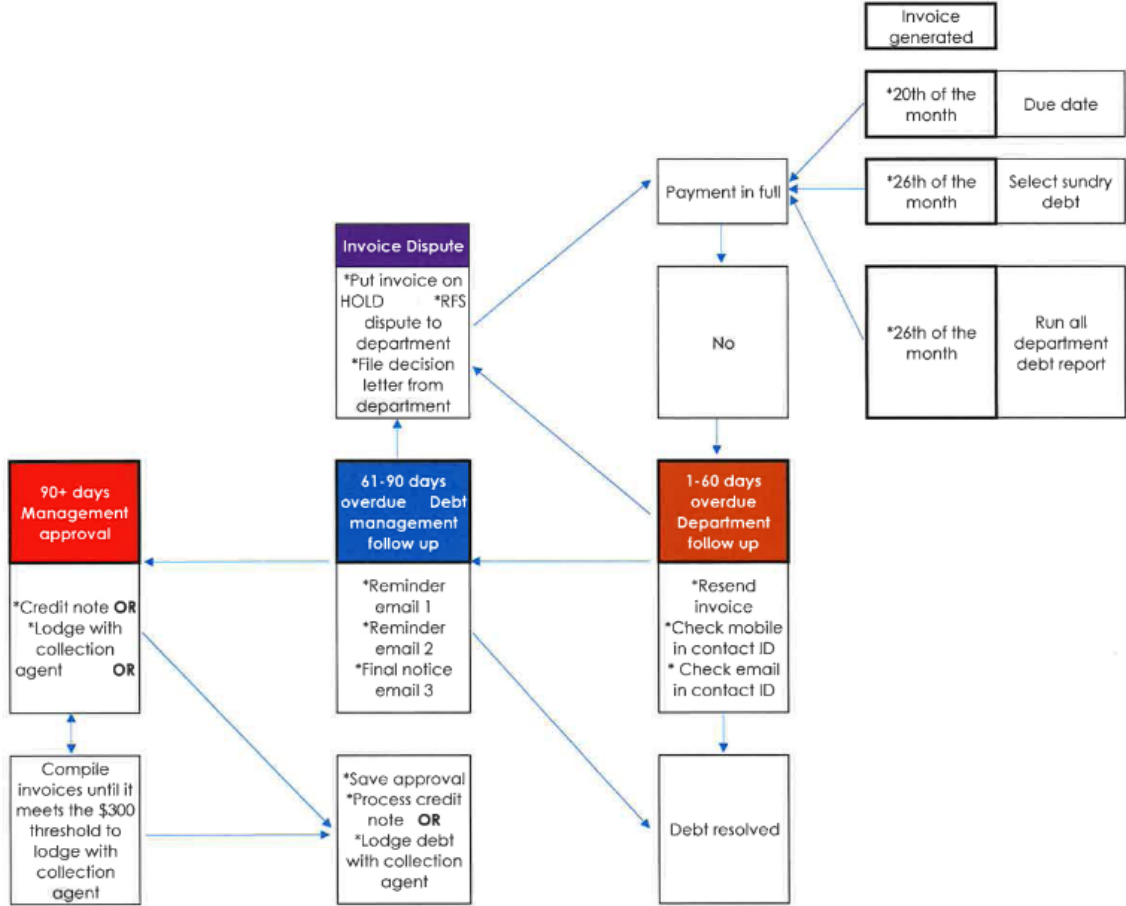


Excluding

To align Council objectives to Te Ture Whenua Māori Act Preamble, Māori freehold land, and where land status was changed from Māori freehold land to General land under the 1967 Māori Affairs Amendment Act is excluded from collection through Legal Action.

16. Sundry arrears recovery process

Attachment D





Te Kaunihera o Te Tairāwhiti
GISBORNE
DISTRICT COUNCIL

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Gisborne 4040 NZ
-  15 Fitzherbert Street Gisborne
Waiapu Road, Te Puia Springs
-  06 867 2049
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-  GDC Fix app



Title: 24-81 BOPLASS Statement of Intent and Half Yearly Financial Report to 31 December 2023

Section: Finance & Affordability

Prepared by: Amanda O'Sullivan - Management Accountant

Meeting Date: Wednesday 17 April 2024

Legal: No

Financial: Yes

Significance: **Low**

Report to FINANCE & PERFORMANCE/WHAKAHAERE PŪTEA ME ŌNA HUA Committee for decision

PURPOSE - TE TAKE

The purpose of this report is to provide the Finance & Performance Committee with BOPLASS Limited's Half Yearly Report ("Interim Report") for the period ending 31 December 2023 and their draft Statement of Intent 2024-2027 (for the period 1 July 2024 until 30 June 2027).

SUMMARY – HE WHAKARĀPOPOTOTANGA

BOPLASS Ltd is a Council Controlled Organisation (CCO) that was formed to investigate, develop, promote, and deliver shared services, including joint procurement for some or all the member councils. Gisborne District Council is one of the nine shareholding councils of BOPLASS. The financial report provides information against the objectives and performance requirements set out in the Statement of Intent.

The Statement of Intent (SOI) is the key accountability document between Council and the CCO. It sets out the company's strategic direction and it must be consulted on and approved by the Directors annually. Schedule 8(9) of the Local Government Act 2002 sets out the content of the document which must cover the next three financial years.

The Chief Executive, as a Director of BOPLASS, is requested to review and to approve the draft Statement of Intent for circulation to shareholders. This was approved by BOPLASS to present to councils by 1 March 2024.

The Finance & Performance Committee is invited to provide feedback to the Chief Executive at this meeting, so the views of Council can be provided to the BOPLASS Board, prior to 1 May 2024.

The BOPLASS directors will consider any comments made by the shareholders before approving the final Statement of Intent by 30 June 2024.

The Half Yearly Report for 31 December 2023 and the Draft Statement of Intent 2024-2027 (for the period starting 1 July 2024 until 30 June 2027) is attached in **Attachment 1** and **Attachment 2**.

The decisions or matters in this report are of **Low** significance in accordance with the Council's Significance and Engagement Policy.

RECOMMENDATIONS - NGĀ TŪTOHUNGA

That the Finance & Performance/Whakahaere Pūtea me Ōna Hua Committee:

- 1. Approves the Draft Statement of Intent 2024-2027 (for 1 July 2024 until 30 June 2027); subject to the Committee's feedback.**
- 2. Instructs the Chief Executive to provide feedback from the Committee (as their role as a Shareholder) to BOPLASS Ltd by 30 April 2024.**

Authorised by:

Pauline Foreman - Chief Financial Officer

Keywords: BOPLASS, Statement of Intent, SOI, Council Controlled Organisation, CCO

BACKGROUND - HE WHAKAMĀRAMA

1. BOPLASS exists to provide councils in the Bay of Plenty and Gisborne regions with initiatives to investigate, procure, develop, and deliver shared services that can be achieved more effectively for the benefit of all or some of the councils. BOPLASS is partnering with 26 businesses to provide such savings. There are 29 current joint procurement and collaborative projects underway, with BOPLASS identifying 35 potential projects for consideration with extensive saving potential.
2. The nine Directors that make up the Board are also the current Chief Executives of their respective shareholding councils. The Board includes an independent chair.
3. The main focal point of the Board is on supporting the strategic development of the organisation, to ensure constructive interaction between the company's activities and the activities of the Council.
4. Each activity or project is managed by an Advisory Group which is nominated by the shareholding councils to deliver. Council participation in each initiative is decided on an "opt in" basis.

DISCUSSION and OPTIONS - WHAKAWHITINGA KŌRERO me ngā KŌWHIRINGA

5. The discussion below outlines the main highlights from the interim set of accounts and the draft Statement of Intent.

Half yearly report to 31 December 2023

a. Interim set of accounts

- The organisation is currently operating on a surplus. This is due to receiving unbudgeted revenue from bank interest and inflationary adjustments on council contributions.

b. Insurance procurement continues to be a focus

- Insurance underwriters remain focussed on climate change risk and the impact it has on council's risk profiles.
- Inter-regional collaboration has allowed favourable benefits and savings to be achieved.
- Continuing to build strong relationships within the insurance markets has allowed competitive pricing on the renewal of the 2023/2024 insurance policies.
- The 2023 New Zealand weather events had less impact on renewals premiums due to diversification of risk across the BOPLASS portfolio.

c. Inter-Regional Collaboration

- BOPLASS are engaging regularly with other council groups to explore opportunities for further inter-regional alliances. With the development of the collaboration portal, it has been made available to the wider New Zealand government community to share information and visibility on common projects.

d. Waste Operator and Licensing Data System (WOLDS)

- A BOPLASS led shared service.
- Tender awarded for the provision of an information management system.
- BOPLASS are exploring options of a shared administration system to streamline services, manage waste contractor licensing and reduce council workloads.

e. LiDAR (light detection and ranging) projects

- Tenders have been awarded for urban and rural orthophotography covering Western BOP and Gisborne regions with aerial capture to be undertaken during the 2023-2024 summer.
- LIDAR data collected has assisted Te Puni Kokiri (Ministry of Māori Development) in understanding climate hazards and insights into Hapori Māori throughout New Zealand.

f. GIS (geographic Information Systems) mapping

- Key contracts for geospatial software have been renewed through BOPLASS agreements.
- Nominated staff from each BOPLASS council has established a GIS technical group for shared learning and information at a practical level. This has enabled councils to provide GIS support to each other in civil defence situations.
- This essential mapping feeds into our insurance data to retain a competitive advantage with the insurers.

Draft Statement of Intent 2024-2027 (for the period starting 1 July 2024 until 30 June 2027)

6. The SOI is developed under Schedule 8 of the local Government Act 2002. It provides a basis for the accountability of the Directors to the shareholders for the performance of BOPLASS Ltd.

a. Performance targets

- Ensure Supplier agreements are proactive managed.
- Investigate joint procurement initiatives.
- Identify opportunities to collaborate with other LASS.
- Continually developing and extend access to the collaboration levels.
- Ensure the current funding model is appropriate.

b. Future Developments

- BOPLASS remains adaptive in a complex and changing work environment.
- Joint procurement opportunities will be actively pursued to ensure savings and benefits are delivered.
- Developing ICT solutions using middleware and cloud technologies that allow future sharing.
- Identifying shared service projects that will provide positive value to all participating councils.

c. Identified Joint Procurement and Collaborative Projects

- The Board is constantly looking to expand on partnering with other local authorities as they recognise the benefits and the range of opportunities for inter-regional collaboration.

d. Projects for Consideration

- The full list of projects for future consideration is included below and within the SOI (**attachment 2**).

• Archive services	• Information Services
• Asset Management	• Infrastructure development codes
• Building consents	• Insurance valuations
• Business continuity planning	• Inter-council Secondments
• Capital Expenditure projects	• IT hosting
• Centralised insurance resource	• Joint software support
• Civil Defence Emergency Management	• Payroll
• Civil works projects marketing	• Project management office
• Consents Processing	• Rates Collection
• Contractor online inductions	• Regional Civil Defence
• Debt Management	• Risk and total assurance
• Digital transformation	• Shared datacentre
• Diversion of putrescible waste from landfill	• Solid waste regional facilities
• Document digitisation	• strategy
• Driver training	• Smart cities
• Electronic Document and Records Management System	• Staff engagement survey systems
• Geospatial services	• Web services
• HR Information Systems	• Windscreen replacement

ASSESSMENT of SIGNIFICANCE - AROTAKENGA o NGĀ HIRANGA

Consideration of consistency with and impact on the Regional Land Transport Plan and its implementation

Overall Process: Low Significance

This Report: Low Significance

Impacts on Council's delivery of its Financial Strategy and Long Term Plan

Overall Process: Low Significance

This Report: Low Significance

Inconsistency with Council's current strategy and policy

Overall Process: Low Significance

This Report: Low Significance

The effects on all or a large part of the Gisborne district

Overall Process: Low Significance

This Report: Low Significance

The effects on individuals or specific communities

Overall Process: Low Significance

This Report: Low Significance

The level or history of public interest in the matter or issue

Overall Process: Low Significance

This Report: Low Significance

7. The decisions or matters in this report are of **Low** significance in accordance with Council's Significance and Engagement Policy.

TANGATA WHENUA/MĀORI ENGAGEMENT - TŪTAKITANGA TANGATA WHENUA

8. Engagement with Tangata Whenua is not required for this report.

COMMUNITY ENGAGEMENT - TŪTAKITANGA HAPORI

9. The community will not be engaged in the alliance of the nine councils that make up BOPLASS.

CLIMATE CHANGE – Impacts / Implications - NGĀ REREKĒTANGA ĀHUARANGI – ngā whakaaweawe / ngā ritenga

10. BOPLASS considers the social, cultural, and environmental outcomes as part of its procurement process.
11. With the council's adoption of a 2030 carbon neutral target (report **22-30**), there is potential for BOPLASS share services that looks a new opportunities or alternative approaches to procurement, with emphasis carbon neutral outcomes.

CONSIDERATIONS - HEI WHAKAARO

Financial/Budget

12. BOPLASS is bound by the accountability provisions of the Local Government Act 2002, which requires the directors to deliver a report to the shareholders within two months of the end of the first six months of the financial year. The report is required to provide information against the objectives set out in the SOI.
13. An annual "council contribution" is provided to BOPLASS for being a member. In addition, we contribute to any project costs that we have a share in. For instance, aerial imagery programme, insurance, ESRI (Environmental Systems Research Institute) licensing, Mahitahi collaboration portal, FME (Feature Manipulation Engine) licence and software to name but a few.

Financial Year	2021/22	2022/23	2023/24 To 29 Feb 2024)
Gisborne District Council's Annual Contribution	\$27.8k	\$29.9k	\$31.7k
Other BOPLASS Contributions	\$113.3k	\$105.5k	\$102.8k
Total (GST Excl.)	\$141.1k	\$135.4k	\$134.5k

14. The net savings made by the Gisborne District Council between 2009 and 2023 has been \$2.98m, with \$230,534 in the 2022/23 financial year. Coupled with these financial benefits, we have gained many non-financial benefits from our involvement with the group. These include but are not exhaustive; best practice methodology, collaboration portal, networking and contract management efficiencies and health and safety training.

Legal

15. There is no legal implication in this report.

POLICY and PLANNING IMPLICATIONS - KAUPAPA HERE me ngā RITENGA WHAKAMAHERE

16. BOPLASS states that it will conduct itself in accordance with its Constitution, its Annual SOI, the provisions of the Companies Act 1993 and the Local Government Act 2002, Schedule 8(9) which sets out the SOI document which must cover the next three years. The vision of BOPLASS to partnering of councils for value and service are captured within our own community values of Tairāwhiti Piritahi "together making it smart, making it easy and making it happen."

RISKS - NGĀ TŪRARU

17. New Zealand is classed as the second riskiest country in the world (Lloyds of London 2018).
18. The insurance market is quite different from 12 months ago with the cost of emergency events increasing. As a risky country it is important to remain well-insured. That means that we must not only prioritise insuring our assets but must also make sure that coverage of those assets is sufficient to replace them.
19. To retain a competitive advantage with the hardening of global insurance markets BOPLASS ensure they have up to date asset schedules and hazard mapping to look at regions susceptible to flood and sea inundations. With a mix of New Zealand and London markets, underwriters' cost-effective coverage has proved challenging. However, minimal increases and favourable terms were negotiated with savings made of \$199,219 for Gisborne District Council in the 2023 financial year.

NEXT STEPS - NGĀ MAHI E WHAI AKE

Date	Action/Milestone	Comments
By the 30 April 2024	Feedback by shareholders' representative in writing.	Council members are the shareholders, and the shareholders representative is the Chief Executive.
30 June 2024	Shareholders to approve draft SOI Document.	The directors must consider any comments made by the shareholders.

ATTACHMENTS - NGĀ TĀPIRITANGA

- Attachment 1 - BOPLASS Half Yearly Report 2023-24 [24-81.1 - 10 pages]
- Attachment 2 - BOPLASS SOI 2024-2027 Approved Draft [24-81.2 - 16 pages]



HALF YEARLY REPORT TO SHAREHOLDERS



Period ended 31 December 2023

“COUNCILS PARTNERING FOR VALUE AND SERVICE”



BOPLASS Chair's Report

It is with pleasure the Directors present their 2023/2024 Half Yearly Report to Shareholders demonstrating the considerable contribution the company makes to collaboration between councils.

While BOPLASS typically reports on the substantial financial savings the company makes for its shareholding councils, it is important to also recognise some of the less-tangible benefits that may not always be measured financially, but still provide significant efficiencies or resource savings for all participating councils. Some examples for this year have been:

- The collective work undertaken by the BOPLASS Health and Safety Advisory Group has always been very effective and continues to deliver significant value through supporting productive collaboration between BOPLASS councils, CCO's, and often Waikato councils. While multiple projects have been undertaken by this group, the current project to address the continued increase in aggressive behaviour within public spaces is helping to address a much too common challenge faced by almost all councils. The sharing of information and development of a collective framework for the management of conflict and aggression has been very beneficial for councils and is a great example of best practice being shared for the benefit of all parties.
- The collective BOPLASS programme for aerial imagery and LiDAR data has meant that this information is readily available to councils and their communities. A recent request from Te Puni Kōiri (Ministry of Māori Development) for access to councils LiDAR data was able to be approved and delivered quickly and centrally via BOPLASS, negating time-consuming multiple requests.
- The WOLDS project has made very good progress with a vendor recently appointed for the 20 councils in the BOPLASS and Waikato regions. This involved a single RFP process managed by BOPLASS on behalf of the group; potentially saving tens of thousands of dollars (and resourcing) compared with if 20 councils were to run individual procurement processes.
- In a similar manner the CCTV project being developed across the region by BOPLASS provides significant efficiencies compared with councils undertaking this type of project individually. A single specialist contractor is developing a regional solution, completely removing the usual duplication of effort. Engagement with NZ Police within the project has also been centralised.
- Possibly one of the best examples of unreported savings to councils would be the MahiTahi Local Government Collaboration Portal. This shared resource developed by BOPLASS provides a growing conduit for the sharing of information across local government. The ability for councils to request information or documentation from their peers is exactly how local government should work as, after all, a lot of the time councils are undertaking very similar workstreams.

While BOPLASS will continue to report on the financial savings and benefits achieved, it is pleasing to also recognise some of the less obvious benefits achieved through collaboration. Additional information about current projects is available in the attached report.

We thank staff from the participating councils and acknowledge the support we have received from them.

Yours faithfully

Craig O'Connell
Chair



BOPLASS Ltd

“COUNCILS PARTNERING FOR VALUE AND SERVICE”

HALF YEARLY REPORT TO SHAREHOLDERS

16 FEBRUARY 2024

1 INTRODUCTION

The Local Government Act 2002 requires that the Directors deliver to the Shareholders a report within two months of the end of the first six months of the financial year. The report is required to provide information against the objectives set out in the Statement of Intent. The following report records the objectives of the company and reports on performance against a table of specific performance requirements set out in the Statement of Intent.

2 OBJECTIVES OF BOPLASS LTD

The company exists to provide councils in the Bay of Plenty and Gisborne regions with an umbrella vehicle to investigate, procure, develop and deliver shared services.

Working together with the full support and involvement of staff, we will provide benefit to councils and their stakeholders through improved levels of service, reduced costs, improved efficiency and/or increased value through innovation.

These will be achieved primarily through:

JOINT PROCUREMENT

Being 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.

SHARED SERVICES

Being the participation of two or more councils in the provision of a common service which may be jointly or severally hosted.

3 GOVERNANCE

The end of 2023 included changes of Chief Executives at Rotorua Lakes Council and Kawerau District Council. BOPLASS welcomes new directors Andrew Moraes (Rotorua Lakes Council), and Morgan Godfery (Kawerau District Council) to the BOPLASS Board.

4 NATURE AND SCOPE OF ACTIVITIES

The principal nature and scope of the activities of BOPLASS Ltd is to:

- Use joint procurement to add value to goods and services sourced for its constituent councils.
- Facilitate shared services that benefit councils and their stakeholders through improved levels of service, reduced costs, improved efficiency, innovation and/or increased value.
- Pursue best practice in the management of all activities to obtain best value and minimise risk.
- Demonstrate fiduciary responsibility by ensuring that its activities are adequately funded from savings achieved, levies, council contributions, or Government funding where available.
- Allow other councils or organisations to participate in its activities where this will benefit its constituent councils directly or indirectly.
- Represent the collective views of its shareholders in matters with which it is associated.

5 FUTURE DEVELOPMENTS

BOPLASS Ltd will continue to work on business cases for joint procurement and shared services that may be provided in the region or cross-regionally.

The Board has adjusted its strategy to ensure that BOPLASS is focused on continuing to deliver savings and value to councils through new and existing joint procurement initiatives while also identifying new shared services opportunities.

Current reviews for joint procurement and shared services cover but are not limited to:

- | | |
|----------------------------------|--|
| • Archive services | • Information systems |
| • Building consents | • Inter-council secondments |
| • Business continuity planning | • Infrastructure development codes |
| • CCTV monitoring | • Joint software support |
| • Centralised insurance resource | • Payroll |
| • Consents processing | • Project management office |
| • Contractor online inductions | • Rates collection |
| • Debt management | • Regional Civil Defence |
| • Driver training | • Solid waste regional facilities strategy |
| • Geospatial services | • Staff engagement survey systems |
| • High volume print | • Web services |

Other collaborative opportunities may be progressed after the Board has considered individual business cases and formally agreed to take on and deliver (or host/procure etc.) the project.

Joint procurement opportunities will continue to be identified and developed with individual councils engaging under the opt-in principle established by the Board. Joint procurement initiatives will be considered by the Board and/or its advisory groups where there is demonstrated support from two or more member councils.

The Board supports BOPLASS continuing to develop collaboration opportunities outside of the regional boundaries. BOPLASS will continue to proactively explore opportunities to partner with other Local Authorities and shared services organisations within New Zealand where they are developing, or considering developing, cost effective shared services and products that are of value to the Bay of Plenty and Gisborne councils.

BOPLASS development of the Collaboration Portal for the sharing of information on joint procurement or shared services opportunities within the constituent councils has identified a number of duplicate projects across councils that present an opportunity for further collaboration. The BOPLASS Collaboration Portal is becoming widely used by other LASS, councils, and local government organisations and provides an opportunity to assist with the identification and management of inter-regional collaboration opportunities. BOPLASS will continue to develop the Collaboration Portal and make it available to the wider local government community.

6 PERFORMANCE TARGETS

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

- Ensure supplier agreements are proactively managed to maximise benefits for BOPLASS councils.
- Investigate new joint procurement initiatives for goods and services for BOPLASS councils.
- Identify opportunities to collaborate with other LASS in Procurement or Shared Service projects where alliance provides benefits to all parties.
- 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.
- Communicate with each shareholding council at appropriate levels.
- Ensure current funding model is appropriate.

The Board believes that all targets are being achieved or are on-track to be achieved, as is demonstrated by the following list of current initiatives.

7 CURRENT INITIATIVES

The following initiatives have been under consideration or operating during the first part of the year:

HIGHLIGHTS

- Crime Prevention/CCTV Monitoring – BOPLASS was successful in securing co-funding from MSD for Crime Prevention initiatives in the Bay of Plenty region. Initial work has been undertaken by an independent CCTV consultancy engaged to conduct a CCTV capability maturity assessment survey of the councils involved in the BOPLASS Retail Crime Prevention project. The assessment will ensure councils' requirements are qualified, and the outcomes will be beneficial to local communities.
- Insurance renewals – Despite very challenging markets, insurance renewals have been completed for all councils under the BOPLASS collective programme. Strong underwriter interest in our programme continues to be demonstrated from new and existing syndicates – resulting in competitive pricing. While rate increases were able to be kept to a minimum, most councils premiums have been impacted by large increases in asset valuations over the last 12 months. Underwriters remain very focussed on climate change and the impact on councils' risk profiles. The 2023 significant NZ weather events had less impact on our renewal than anticipated, mainly due to diversification of risk across the BOPLASS portfolio.
- Waste Operator and Licensing Data System (WOLDS) – The development of this shared service is being led by BOPLASS on behalf of BOP, Gisborne, and Waikato councils. A recent tender was awarded for the provision of an Information Management System. Additionally, BOPLASS is exploring options of a shared Administration Service to streamline and centralise services, manage waste contractor licensing, and significantly reduce much of the workload for councils.
- Aerial Imagery – Tenders have been awarded for urban and rural orthophotography covering Taupō, Rotorua, Western BOP, Gisborne and Tauranga regions, with aerial capture to be undertaken during the summer of 2023-24.
- Managing Conflict & Aggression – The BOPLASS Health & Safety advisory group continue to collaborate and share resources to manage an increasing trend of aggressive behaviour within public spaces across BOPLASS councils. Comprehensive material and information have been made available to all BOPLASS councils allowing for a collective approach to developing best practice.
- Contractor and Employee H&S Inductions – A project continues to be investigated to develop a common platform and standard for the development and management of H&S inductions – for both staff and contractor purposes.
- GIS Technical Advisory Group – A GIS technical group has been established, with staff nominated from each BOPLASS council to develop opportunities for further sharing of information and learnings at practitioner level. While investigating further development of system commonality across councils, this also helps enable councils to provide GIS support to each other in civil defence situations.
- GIS Software and Services – A number of key contracts for councils' geospatial software have been reviewed and renewed through collective BOPLASS agreements.

- MahiTahi Collaboration Portal – Further growth has been achieved with the MahiTahi Collaboration Portal with additional councils joining and using it as a collaboration tool for sharing information across councils.
- Health insurance – A project is underway to explore benefits of establishing a group scheme across the BOPLASS group.
- Health & Safety training – BOPLASS has renewed a collective agreement for councils' H&S training services with a wider range of services now included. A project is also underway with Waikato councils for the provision of a collective Occupational Health Services provider.
- Print Media Copyright Agency (PMCA) – A collective contract providing savings for all BOPLASS councils has been renegotiated with PMCA.
- Institute of Public Works Engineering Australasia (IPWEA) – BOPLASS has renewed the single BOPLASS membership covering all councils and providing substantial savings. Discounted rates were also negotiated through IPWEA for a BOPLASS NAMS+ subscription, used by council asset managers.
- Media Monitoring Service – A BOPLASS tender has been recently awarded for a new media monitoring provider. The collective approach by councils has resulted in a more cost effective and broader service than previously received by councils. In addition to print, online and broadcast media, the services also cover all forms of social media and 'social listening' services that analyse social media feedback or sentiment.
- High volume print – Following the BOPLASS appointment of a print provider across the councils, options for high-volume print solutions are being investigated. Councils currently use a variety of solutions for their high-volume print runs, often utilising large print equipment, outsourcing to external suppliers, or a mixture of both.
- Te Puni Kōiri (Ministry of Māori Development) – LiDAR data collected by BOPLASS councils has assisted Te Puni Kōiri in understanding climate hazards by allowing them to generate rich analytics and insights of hapori Māori throughout New Zealand, demonstrating beneficial partnerships beyond local government. The collective nature of the BOPLASS LiDAR programme allowed for this data to be provided quickly and simply.
- Driver Training – BOPLASS continues to investigate options for appointing a preferred provider for driver training services.
- Lone worker field solutions – BOPLASS is investigating technologies and solutions to support council staff in lone worker situations.
- Inter-LASS collaboration – A number of procurement projects are underway covering multiple LASS and benefitting from the increased volumes. Collaboration across the regions is driving greater efficiencies within projects under consideration by more than one LASS and allows the projects to be better resourced.
- Communication – 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. A communications plan is being developed to widen the audience and better inform all levels within councils.

- Viability of Current Funding Model – The sources of BOPLASS funding and the viability of the funding model are regularly reviewed with financial reporting provided to the BOPLASS Board.

8 FINANCIAL REPORTS

8.1 Financial Support and Accounting Services

Accountancy services and support continue to be provided by Tauranga City Council.

8.2 Accounting Policies

The company is compliant with the accounting policies stated in the Statement of Intent.

8.3 Tier 2 PBE Accounting Standards Applied

The financial accounts are prepared with application of Tier 2 accounting standards.

8.4 Financial Reports

Financial Reports for the period to 31 December 2023 are attached.

8.5 Variations

Bank Interest received is up \$19,665 on budget as a result of BOPLASS holding Crime Prevention funding provided by MSD in an interest-bearing account. This project funding is to be committed or drawn down on during this financial year.

Council Contributions are \$13,291 higher than budget because of an inflationary adjustment to the 2023/24 contributions that was not reflected in the original budget.

Crime Prevention was a new project introduced during the current financial year and was therefore not included in the 2023/24 budget. Additional lines have been included in the reporting to report expenditure and revenue for this project.

BOPLASS is reporting a \$45,032 surplus at our six-month position. We believe the company is on track to achieve budget for the financial year.

9 STAFFING, ACCOMMODATION AND SUPPORT

Staff

Staffing levels are unchanged with a part-time administrator continuing to provide additional project support and management of existing activities.

Accommodation and Support

We continue to appreciate the office space provided to us by BOP Regional Council and the support that is offered for IT and Accounting services by Tauranga City Council.

BOP LASS LTD				
STATEMENT OF COMPREHENSIVE INCOME				
FOR THE MONTH ENDED 31 DECEMBER 2023				
	Actual YTD	Budget YTD	Total Budget	YTD Variance
REVENUE				
Revenue - Core	198,275	165,319	330,637	32,956
Bank Interest Received	24,165	4,500	9,000	19,665
Council Contribution	174,110	160,819	321,637	13,291
Revenue - Projects	870,585	861,586	1,210,200	8,999
Bank Interest Received	1,443	86	200	1,357
Aerial Photography Revenue	139,241	150,000	300,000	(10,759)
Collaboration Portal Revenue	26,000	22,500	45,000	3,500
Lease Revenue - ICN	74,172	65,000	130,000	9,172
Lease Revenue - Video Conference	18,380	24,000	24,000	(5,620)
Projects - Recoveries Revenue	597,820	600,000	710,000	(2,180)
Crime Prevention Revenue	13,530	0	0	13,530
Rebates	0	0	1,000	0
TOTAL OPERATING REVENUE	1,068,860	1,026,904	1,540,837	41,956
EXPENSES				
Expenditure - Core	201,641	201,902	390,103	-261
ACC	716	450	900	266
Accommodation & Travel	5,148	2,200	2,200	2,948
Accounting & Audit	6,006	11,000	22,000	(4,994)
Administration	9,109	9,000	18,000	109
Amortisation	845	1,000	2,000	(155)
Bank Fees	1	100	200	(99)
Conferences	0	1,100	2,100	(1,100)
Depreciation	2,147	2,500	5,000	(353)
Directors Costs	9,657	11,500	23,000	(1,843)
Fringe Benefit Tax	500	1,750	3,500	(1,250)
General & Catering	0	1,200	2,400	(1,200)
Health & Safety	0	500	1,000	(500)
Insurance	11,517	11,500	11,500	17
Interest Paid - TCC Loan	0	0	0	0
Legal	0	1,250	2,500	(1,250)
Salaries	148,574	143,202	286,403	5,372
Salaries - Projects OpEx	(6,970)	(9,500)	(19,000)	2,530
Staff Support Costs	9,723	9,000	18,000	723
Staff Training Costs	504	1,000	2,000	(496)
Subscriptions	4,163	500	1,000	3,663
Tax Advice	0	2,650	5,300	(2,650)
Expenditure - Projects	822,187	825,003	1,150,734	(29,876)
Aerial Photography Expense	139,241	150,000	300,000	(10,759)
Collaboration Portal OpEx	13,611	14,543	28,874	(932)
Lease Expense - ICN	78,711	62,400	124,800	16,311
Lease Expense - Video Conference	19,175	22,560	22,560	(3,386)
Projects - Recoveries Expenditure	557,919	575,500	674,500	(17,581)
Crime Prevention	13,530	0	0	(13,530)
TOTAL OPERATING EXPENDITURE	1,023,827	1,026,905	1,540,837	(3,077)
OPERATIONAL SURPLUS / (DEFICIT) BEFORE TAX	45,032	0	0	45,032

BOP LASS LTD STATEMENT OF FINANCIAL POSITION AS OF 31 DECEMBER 2023	
	Actual YTD
Bank	
Cheque Account	545,141
Trust A/c Aerial Photography	31,568
Crime Prevention	968,916
Term Deposit 182 days Maturing March 2024	250,000
Total Bank	1,795,625
Current Assets	
Trade Debtors	465,084
Accrued Revenue	17,318
Tax Payable (Tax Receivable)	18,933
Prepayments	22,726
Total Current Assets	524,060
Non-current assets	
Intangible - Computer Software	79,175
Intangible - Amortisation	(72,964)
Computer Equipment at cost	4,516
Less Accumulated Depreciation on Computer Equipment	(4,219)
Inter Council Network	25,097
Accumulated Depreciation Inter Council Network	(10,686)
Total Non-current assets	20,919
TOTAL ASSETS	2,340,604
Current Liabilities	
Business Credit Card	25
Trade Creditors	71,531
Accrued Expenses	4,537
Accrued Leave Entitlements	22,272
GST Collected, Paid, Payments (Refunds)	69,164
Retentions	36,020
Income in Advance	2,057,925
PAYE Accruals Payable	5,578
TCC Loan	0
Total Liabilities	2,267,053
NET ASSETS	73,552
Equity	
Current Year Earnings	45,032
Retained Earnings	(70,482)
Share capital	99,002
TOTAL EQUITY	73,552



STATEMENT OF INTENT FOR 2024-2027



June 2024

“COUNCILS PARTNERING FOR VALUE AND SERVICE”

1. Introduction

This Statement of Intent (SOI), developed under Schedule 8 of the Local Government Act 2002:

- Declares a public statement of the activities and intentions of BOPLASS Ltd and the objectives to which those activities will contribute.
- Provides an opportunity for the shareholders to influence the direction of BOPLASS Ltd, and
- Provides a basis for the accountability of the Directors to the Shareholders for the performance of BOPLASS Ltd.
- Covers BOPLASS Ltd and any subsidiary company established in pursuance of the objectives herein.

2. Background and Benefits

The councils that operate within the Bay of Plenty and Gisborne Regions have formed a Council Controlled Organisation (CCO) to investigate, develop and deliver Joint Procurement and Shared Services projects where delivery is more effective for any combination of some or all of the councils.

Since inception, estimated financial savings of over \$30 million have been achieved by the participating councils through undertaking joint initiatives. BOPLASS is forecast to return in excess of \$2.6 million in savings in the 2023-24 financial year.

Other benefits that have been achieved through collaboration are:

- improved levels and quality of service;
- a co-ordinated and consistent approach to the provision of services;
- reductions in the cost of support and administrative services;
- opportunities to develop new initiatives;
- economies of scale resulting from a single entity representing many councils in procurement.

These benefits and opportunities can apply to all councils irrespective of location or size.

Business processes, information architectures and functional tools differ in each council to varying degrees. The BOPLASS strategies facilitate a journey of progressive development using the approach identified in the BOPLASS Strategy and Action Plan to:

- enhance the capability to collaborate;
- encourage the elimination of barriers to collaborative action; and
- identify services that deliver viable business cases.

A generic sequence or stages of collaboration between multiple councils is followed to develop Shared Services, as shown in *Figure 1*.

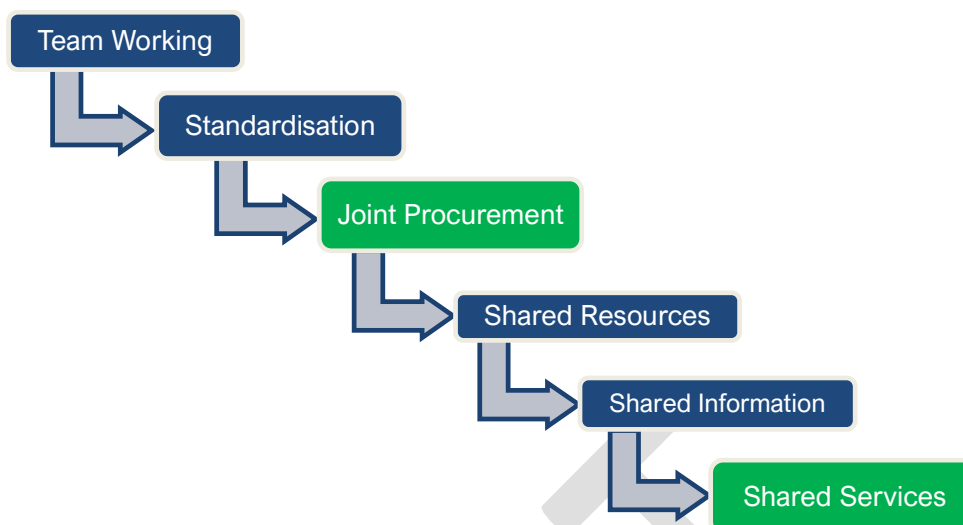


Figure 1

Many of the BOPLASS Joint Procurement projects have supported the development of standard products, services or solutions across the councils. These standards assist in creating a foundation for the delivery of collaboration within the councils.

Examples of Joint Procurement and Shared Service projects are:

- Infrastructure Insurance
- Collective Training
- Aerial Imagery and LiDAR
- Provincial Growth Fund Co-funding for LiDAR Capture
- Standardised Community Engagement App
- Lone Worker Field Solutions
- Robotic Process Automation
- Accounts Payable Automation Software
- Print Media Licencing
- Insurance Valuations
- Contractor Online Inductions
- Health and Safety Management Software
- Radio Telephony (RT) Strategy
- Solid Waste Management
- Health and Safety Inter-Council Audits
- Asbestos Protocols
- Sustainable Public Procurement
- Health and Safety Benchmarking
- Video Conferencing Services
- Council Library and Cloud Services
- Inter-Council Network (ICN) Review, Redesign and Renegotiation
- Debt Collections
- Collaboration Portal
- Capital Construction and Civil Works Projects
- Fortigate Firewall Services
- Wireless WAN
- Inter-LASS Collaboration
- Human Resources Information Systems
- CCTV and monitoring

A full list of projects is provided in Appendix B.

3. Our Vision

“COUNCILS PARTNERING FOR VALUE AND SERVICE”

4. Objectives of BOPLASS Ltd

Working together with the full support and involvement of staff, we will provide benefit to councils and their stakeholders through improved levels of service, reduced costs, improved efficiency and/or increased value through innovation.

These will be achieved primarily through:

Joint Procurement

Being 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.

Shared Services

Being the participation of two or more councils in the provision of a common service which may be jointly or severally hosted.

5. Nature and Scope of Activities

The principal nature and scope of the activities of BOPLASS Ltd is to:

- Use Joint Procurement to add value to goods and services sourced for its constituent councils.
- Establish the underlying technology, framework, platform and policies to enable and support collaboration.
- Facilitate initiatives that benefit councils and their stakeholders through improved levels of service, reduced costs, improved efficiency, innovation and/or increased value.
- Pursue best practice in the management of all activities to obtain best value and minimise risk.
- Demonstrate fiduciary responsibility by ensuring that its activities are adequately funded from savings achieved, levies, council contributions, or Government funding where available.
- Allow other councils or organisations to participate in its activities where this will benefit its constituent councils directly or indirectly.
- Actively monitor and engage with Shared Service developments across the public sector to identify opportunities for further development and establishing best practice.
- Represent the collective views of its Shareholders in matters with which it is associated.

6. Sustainable Future: Environmental, Social and Governance (ESG)

The board recognises the importance of ESG in BOPLASS' role and ensuring that integrated risk management, non-financial outcomes, and Te Tiriti are considered in all BOPLASS joint procurement and shared services initiatives.

The company is committed to operating all aspects of its business with a focus on protecting and enhancing our communities today and in the future through sustainable environmentally responsible business practices, social contribution, and good governance.

The company has always had a stakeholder-centric approach, ensuring the company's objectives, goals and the undertaking of business are aligned with our constituent councils, our wider communities and supporting ESG outcomes that have wide-ranging benefits.

While achieving financial savings for member councils through BOPLASS joint procurement is a key objective, the company recognises the importance and responsibility of social procurement and will continue to consider the broader environmental, social and cultural outcomes as part of all BOPLASS procurement processes.

As examples, BOPLASS is working towards satisfying ESG criteria within social procurement by:

- Increasing access to BOPLASS procurement contracts for NZ businesses and local businesses, with particular focus on those groups that may have limited access to opportunities (such as Māori and Pacific Peoples' businesses).
- Giving consideration to organisations that provide employment opportunities to targeted groups and promote inclusion and diversity within their workforce.
- Recognising vendors that will help future-proof the ability of New Zealand businesses to trade.

With a focus on *Social Sustainability*, BOPLASS ensures a balanced approach is taken with the company's activities to create positive social and cultural outcomes for the local communities it serves while also maximising positive outcomes for Māori and the broader community.

Environmental Sustainability is a priority in all BOPLASS business activities – internal and external. Through collaboration and partnership with its constituent councils, BOPLASS strives to protect and enhance our environment and biodiversity. The company is committed to operating in an environmentally responsible way and will embed sustainability considerations (including ethical considerations) within a culture of excellence across its wider business and all joint procurement and shared services initiatives.

Te Tiriti o Waitangi responsibilities and outcomes are a driver for governance and management decisions within BOPLASS, include acknowledging and involving mana whenua as Kaitiaki o Te Taiao in project decisions impacting on land or natural

resources. The company is committed to providing and improving opportunities for Māori to contribute to local government decision-making processes and establishing collaborative partnerships and processes that reflect mutual outcomes.

7. Governance Structure

BOPLASS Ltd will conduct itself in accordance with its Constitution, its annual Statement of Intent, and the provisions of the Companies Act 1993 and the Local Government Act 2002.

The Company is governed by its directors. To ensure total synergy between the Company's activities and its council shareholders' activities, nine Directors are also the current Chief Executives of their respective shareholding councils. The dual roles recognise the interdependence of BOPLASS and its councils in the undertaking of its activities.

The Board also includes an independent Chair, appointed with specific skills and knowledge to add incremental value. This appointment brings experience and specialist skills that are complementary to those held by the other Directors.

Shareholder	Appointed Director
Bay of Plenty Regional Council	Fiona McTavish
Gisborne District Council	Nedine Thatcher-Swann
Kawerau District Council	Morgan Godfery
Ōpōtiki District Council	Stace Lewer
Rotorua Lakes Council	Andrew Moraes
Taupō District Council	Julie Gardyne
Tauranga City Council	Marty Grenfell
Western Bay of Plenty District Council	John Holyoake
Whakatāne District Council	Stephanie O'Sullivan
Independent Director and Chair	Craig O'Connell

Sub-groups of council subject matter experts have responsibility for regular monitoring of operational aspects of BOPLASS projects, allowing the Board to primarily focus on supporting the strategic development of the organisation.

Each activity or project is managed by an Advisory Group, nominated by the shareholding councils in that particular service. The Board retains the right to approve nominations to the Advisory Groups and all of their material decisions – there is only one Board of Directors and that remains at the umbrella or holding company level.

The Board has established a principle that participation in each initiative is decided by individual councils on an 'opt in' basis.

Services delivered are subject to a formal service level agreement between BOPLASS Ltd and the participating councils, outlining the services and activities provided, where when and how; and reflecting the capital and operational costs being met by each service shareholder.

Joint Procurement initiatives consistent with their nominated role may be undertaken by any advisory group or as approved by the Operations Committee. In considering Joint Procurement initiatives, the Company will take into account the opportunities available through All of Government (AoG) purchasing arrangements and, where there is demonstrated benefit to the Company or its constituent councils, support such initiatives. In assessing the benefits of a Joint Procurement initiative, opportunities for integration shall be considered. The Board has recognised that the availability of All of Government Procurement options has the potential to impact on BOPLASS' ability to provide procurement options in some categories.

Subject to the approval of shareholders in accordance with the shareholder agreement the Directors may decide that a particular activity is best managed as a subsidiary company and proceed accordingly. Any subsidiary company whose objectives are in accordance with the objectives set out in this Statement of Intent shall not be required to have a separate Statement of Intent.

8. Future Developments

The company recognises the importance of remaining adaptive in what is a complex and changing working environment. BOPLASS continues to look at new opportunities or alternative approaches to progressing projects that benefit our shareholding councils.

The Board recognise that the drive for change and/or collaboration in some key areas of council business will often be led by other groups, e.g., waters reform, RMA changes. Although BOPLASS may not be leading these specific projects, the organisation may be considered as one of the vehicles available to assist with managing collective regional outputs from these projects.

BOPLASS Joint Procurement opportunities will continue to be actively pursued to ensure maximum savings and benefits are delivered to the participating councils through existing and new contracts.

Joint Procurement initiatives will be considered by the Board and/or its advisory groups where there is demonstrated support from two or more member councils, with councils participating on an opt-in basis.

BOPLASS will explore opportunities for councils to develop ICT solutions using middleware and cloud technologies that allow for future sharing and the development of Shared Services without the wholesale replacement of IT systems.

Shared Services projects are approved by the board based upon identifying initiatives that will provide genuine value to all participating councils. Shared Services may be delivered by BOPLASS, partnering with a LASS, or in conjunction with multiple LASS.

The Board will be looking for commitment from councils to participate in collaborative services and to provide a lead in the identification and management of opportunities and projects.

9. Inter-Regional Collaboration

The board recognise the benefits of BOPLASS proactively partnering with other local authorities and Shared Services organisations where they are either developing or considering developing cost effective services or Joint Procurement initiatives that are of value to the BOPLASS councils. The Board is constantly looking to expand on this activity and the range of opportunities for inter-regional partnering. BOPLASS will work towards providing improved visibility of projects being undertaken in other regions that may provide opportunities for multiple councils to participate in.

Where practicable, BOPLASS will work with other LASS or councils to leverage off, or participate in, services established by other collective local government groups.

The Collaboration Portal, established by BOPLASS for the sharing of information on Shared Services or Joint Procurement opportunities, has been made available to the wider local government community to provide better visibility of common projects and to encourage further cross-regional collaboration. BOPLASS will continue to market the benefits of inter-region collaboration and assist other councils through providing support and access to the Collaboration Portal.

BOPLASS has provided substantial savings to its shareholding councils through joint procurement undertaken with neighbouring regions. The Board has tasked BOPLASS with leading further inter-regional joint procurement initiatives that will provide benefit to all parties through an aggregated approach.

Significant benefits and savings have been achieved in the placement of councils' insurance through working in conjunction with other LASS. BOPLASS is considered a leader in the development of the interLASS insurance collective. Promoting the size of the aggregated LASSes to provide critical mass and maintain our favourable position within the insurance industry will continue to be leveraged.

10. Stakeholder Engagement

BOPLASS recognises the ambitious plans our constituent councils have for their communities and endeavours to support these aspirations through:

- Regular engagement at project, management, and governance level.
- Including councils' short, medium, and long-term goals within BOPLASS planning.
- Using quality information from councils to guide our decision-making.
- Identifying and developing services that directly benefit councils and/or their communities.
- Monitoring councils' future plans and remaining agile to change to include these aspirations in our own planning.
- Ensuring there are regular communications about individual council's LTP developments to assist BOPLASS with aligning with councils' strategic direction.
- Regularly communicating to ensure stakeholders are aware of what we are doing and why we are doing it.
- Involving councils in our decision-making and planning.

11. Performance Targets

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

Target	How	Measure
Ensure supplier agreements are proactively managed to maximise benefits for BOPLASS councils.	Manage and/or renegotiate existing contracts.	Contracts 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. (Current identified projects are listed in Appendix B.)	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 active users to increase by 5% per year.
Communicate with each shareholding council at appropriate levels.	Actively engage in obtaining political support for identified projects.	Information provided to elected members, and feedback sought, on BOPLASS projects, benefits to local communities, and value added to each council.
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.

12. Balance Sheet Ratios

The Local Government Act 2002 Schedule 8 (9) requires the SOI to include the projected ratio of shareholders' funds to total assets within the Forecast Statement of Financial Position. As at 30 June 2023 the consolidated Shareholder funds comprised \$28,520 and the total assets were \$2,704,410. The resulting ratio is 1.05%.

As asset owning Shared Services are approved, the Board will, if appropriate, provide a mechanism for the recognition of each council's contribution.

13. Accounting Policies

13.1 Statement of Accounting Principles

The Company will adopt accounting practices that comply with NZ IFRS, the requirements of the LGA and the Financial Reporting Act 1993.

13.2 IPSAS Accounting Standards

As a Public Sector Public Benefit Entity (PS PBE), the Company has elected to report using International Public Sector Accounting Standards for Public Benefit Entities under Tier 3 PBE standards.

13.3 Measurement Basis

The Company will follow generally accepted international accounting principles for reporting of earnings and financial position.

13.4 Specific Accounting Principles

The following are principles which will have a significant effect on the measurement of financial position:

- Accounts Receivable are stated at their expected realisable value after writing off any known bad debts and providing for doubtful debts.
- Investments are valued at the prevailing market value.
- Fixed assets are recorded at cost, less accumulated depreciation.
- Any liability for overseas funding of equipment, systems or services is based on the prevailing exchange rate as at balance date.
- Where intangible assets are purchased, such as intellectual property, these are capitalised and written off on a straight-line basis over their expected life, but no greater than four years.
- All assets are depreciated over their expected useful lives. 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.
- It is not envisaged that the Company will hold inventories, other than those that might relate to providing information services to a number of parties. They will be valued at net realisable value.
- Taxation will be provided as required in line with relevant legislation.

- In accordance with the Public Audit Act 2001 and the Local Government Act 2002, the office of the Auditor General will be responsible for the audit of the Company's financial statements.

14. Distributions to Shareholders

The Company is not expected to make profits that would ordinarily be distributed by way of dividends. Any surplus funds (after tax) remaining from an activity, or the annual operations of the Company shall be carried forward to the ensuing year and may be used to reduce service costs, invest in further developing other services, and/or as the Directors may decide.

15. Information to be Provided to Shareholders

The Company will deliver the following statements to shareholders:

- On a three-monthly basis the Financial Position and Cashflow.
- Within two months of the end of the first half of the financial year: Financial Performance and Financial Position.
- Within three months of the end of the financial year the following audited statements: Financial Position, Movements in Equity, Cashflows, Service Performance plus a summary of how the Company has tracked against its objectives and prospects for the next financial year, and a report on the Company's medium to long term plans.
- Six monthly summaries of project activities included in Half Yearly and Annual Reports.

16. Procedures for the Purchase and Acquisition of Shares

The Board will give approval before BOPLASS Ltd subscribes for, purchases, or otherwise acquires shares in any company or other organisation, which is external to the group.

17. Activities for Which the Board Seeks Compensation

The ongoing activities to identify, develop, procure Shared Services will be budgeted for in advance, subject to a business case and either funded by individual councils without BOPLASS Ltd involvement, or agreed by the Board to be funded by BOPLASS Ltd with consequent recovery from participating councils.

Shareholding councils will contribute to the operational costs of the Company on an annually agreed basis.

The Company will also seek contributions by way of a levy or administration charges on services provided or administered. In determining an appropriate charge, the Directors may take into account the cost of running the Company, its future operational requirements, the nature and cost of the service provided, benefits achieved and councils' ability to pay.

The Company may provide services (at a cost recovery or a cost-plus basis) to other non-shareholding councils within or beyond the region. Any surplus from such activity will be used to either reduce service costs and/or invest in further developing of that or other services, as agreed by the Advisory Group and by the Board.

18. Value of Shareholder's Investment

The Directors estimate that, at this stage, BOPLASS Ltd has limited commercial value. As each shareholder's investment in BOPLASS Ltd is less than \$20,000, the Board believe that fairly represents the value of their investment. The Directors will reassess the value of this shareholding on or about the 1st of March each year.

19. Financial Forecasts

The Forecast Financial Statements for the years 2024-2027 are included (Appendix A).

The Aerial Photography revenue/expenses reflects the flying programme determined by the participating councils which includes interim flying programmes and extensive region-wide flying programmes over the next five years.

A continued increase in Recoveries has been forecast to reflect the direct recovery of purchases made on behalf of councils through Joint Procurement projects.

It is the company's intention to always fully recover costs incurred on behalf of participating councils.

Appendix A

SOI Forecast 2024/27	Budget 2023/2024	Forecast 2024/2025	Forecast 2025/2026	Forecast 2026/2027
REVENUE				
Revenue - Core	327,637	362,115	371,130	380,871
Bank Interest Received	6,000	1,500	1,500	2,000
Council Contribution	321,637	360,615	369,630	378,871
Revenue - Projects	1,200,000	1,317,000	1,321,000	1,241,000
Aerial Photography Income	300,000	400,000	400,000	320,000
Bank Interest Received	9,000	7,000	6,000	6,000
Collaboration Portal	45,000	40,000	45,000	50,000
Lease Income - ICN	120,000	135,000	135,000	130,000
Lease Income - Video Confer.	15,000	15,000	15,000	15,000
Rebates	1,000	0	0	0
Recoveries	710,000	720,000	720,000	720,000
Total Operating Revenue	1,527,637	1,679,115	1,692,130	1,621,871
EXPENSES				
Expenditure - Core	395,953	423,436	436,451	450,992
ACC	900	950	950	950
Accommodation & Travel	2,200	5,500	6,000	5,000
Accounting & Audit	22,000	24,000	25,000	26,000
Administration	18,000	20,000	20,000	22,000
Amortisation	8,700	5,000	4,500	3,800
Bank Fees	200	200	200	200
Conferences	2,200	2,500	2,500	2,500
Depreciation	650	4,300	4,000	4,000
Directors' costs	23,000	23,000	23,000	25,000
Fringe Benefit Tax	4,000	4,500	4,500	4,500
General & Catering	2,400	1,500	1,500	1,500
Health and Safety	1,000	1,000	1,000	1,000
Insurance	12,000	14,000	16,000	17,000
Interest Paid - TCC Loan	0	0	0	0
Legal	2,000	2,500	2,500	2,500
Salaries	286,403	300,723	309,744	319,037
Salaries - C'Portal Opex	-17,000	-18,000	-18,000	-18,000
Staff Support Costs	18,500	19,500	21,000	22,000
Staff Training Costs	2,500	2,500	2,500	2,500
Subscriptions	1,000	4,263	4,057	4,005
Tax Advice	5,300	5,500	5,500	5,500
Expenditure - Projects	1,131,684	1,255,679	1,255,679	1,170,879
Aerial Photography Expense	300,000	400,000	400,000	320,000
Collaboration Portal Opex	27,884	27,979	27,979	27,979
Lease Expense - ICN	115,200	129,600	129,600	124,800
Lease Expense - Video Confer.	14,100	14,100	14,100	14,100
Projects - Recoveries	674,500	684,000	684,000	684,000
Total Operating Expenditure	1,527,637	1,679,115	1,692,130	1,621,871
Operational Surplus/ (Deficit) before Tax	0	0	0	0

Appendix B

Undertaken Joint Procurement Projects

Requiring ongoing management for performance, renewal or replacement:

- Accounts Payable automation software
- Advertising services
- Aerial imagery and LiDAR
- Air travel
- Antivirus software
- Archaeological services
- Asbestos protocols
- Banking
- Capital construction and civil works
- Cloud services
- Collective training services
- Community engagement app
- Courier services
- Cyber insurance
- Document management – EDRMS
- Document storage
- EFTPOS services
- Electricity
- Electronic purchasing
- EMA membership
- Firewall Services
- FME Server
- Fuel
- Geospatial training services
- GIS regional technical advisor
- GIS software
- GPS vehicle tracking
- Health & Safety benchmarking
- Health & Safety management software
- Health & Safety training services
- Health & Wellbeing online platform
- Historic imagery digitisation
- HR information systems
- Infrastructure as a Service
- Insurance brokerage services
- Insurance – General
- Insurance – Infrastructure
- Internet services
- IPWEA library
- Media monitoring
- N3/GSB membership
- Office supplies
- Postal services
- Print media copyright services
- Provincial Growth Fund co-funding
- Radio telephony
- Rapid antigen tests
- Reprographic – printers/copiers
- Risk management workshops
- Security services
- Telephony – voice, data, mobile
- Tender facilitation
- Transactional banking
- Travel and accommodation services
- Valuation services provider
- Video conferencing services
- Website analytics
- Wireless WAN

Appendix B

Identified Joint Procurement Projects

- Agenda management software
- Business continuity
- Chemicals
- Civil works contracts
- Civil works materials
- Community communication systems
- Contractor online inductions
- Digital signatures
- Document scanning
- Driver training
- Drug & Alcohol testing
- Engineering Codes of Practice
- Fleet purchasing and management
- Health insurance
- High volume print
- ICT security policies
- Infrastructure valuation services
- IT applications
- Lone worker field solutions
- Media distribution services
- PPE & Uniform
- Property valuation services
- Recruitment/Candidate management
- Risk profiling workshops
- Robotic Process Automation (RPA)
- Surveys and research

DRAFT

Appendix B

Shared Services

Managed by BOPLASS or by one or more constituent councils:

- After hours call management
- CCTV monitoring
- Contractor H&S prequalification
- Debt recovery services
- Employee benefit schemes
- FME licensing pool
- GIS imagery data storage
- GIS support (inter-council)
- GIS web services
- Health and safety auditing
- Historic aerial imagery digitisation
- Insurance COE
- Inter-council network
- Internal audit services
- MahiTahi LG Collaboration Portal
- Media monitoring
- Occupational health
- Radio telephony strategy
- Section 17a reviews
- Shared licence server
- Solid waste services
- Standards NZ
- Video conferencing hosting
- Waste Operator Licensing

Projects for Consideration

- Archive services
- Asset Management
- Building consents
- Business continuity planning
- Capital Expenditure projects
- Centralised insurance resource
- Civil Defence Emergency Management
- Civil works projects marketing
- Consents Processing
- Contractor online inductions
- Debt Management
- Digital transformation
- Diversion of putrescible waste from landfill
- Document digitisation
- Driver training
- Electronic Document and Records Management System
- Geospatial services
- HR Information Systems
- Information Services
- Infrastructure development codes
- Insurance valuations
- Inter-council Secondments
- IT hosting
- Joint software support
- Payroll
- Project management office
- Rates Collection
- Regional Civil Defence
- Risk and total assurance
- Shared datacentre
- Solid waste regional facilities strategy
- Smart cities
- Staff engagement survey systems
- Web services
- Windscreen replacement

Title: 24-78 Local Government Funding Agency - Half Year Report and Draft Statement of Intent

Section: Finance & Affordability

Prepared by: Lucy Gibson - Principal Financial Advisor

Meeting Date: Wednesday 17 April 2024

Legal: No

Financial: Yes

Significance: **Low**

Report to FINANCE & PERFORMANCE/WHAKAHAERE PŪTEA ME ŌNA HUA Committee for decision

PURPOSE - TE TAKE

The purpose of this report is to provide the committee with the Local Government Funding Agency's (LGFA) half yearly financial report for the period ending 31 December 2023 and their draft Statement of Intent (SOI) 2024–2027 (for the period starting 1 July 2024 until 30 June 2027).

SUMMARY – HE WHAKARĀPOPOTOTANGA

The LGFA is a Council Controlled Organisation (CCO) and was established to provide councils with long dated borrowing, certainty of access to markets and to reduce the borrowing costs for the local government sector. The LGFA is a financial institution regulated by the Reserve Bank.

The half yearly financial report provides information against the objectives and performance requirements set out in the Statement of Intent.

The LGFA's net operating profit was \$5.2 million, down by \$277k on the SOI's budget. This was due to higher expenses for the period with increased legal and NZX costs arising from record levels of member borrowing and associated bond issuance, as well as establishment costs for the Euro Commercial Paper programme, Australian Dollar bond issuance and higher Approved Issuer Levy (AIL) payments. Full SOI budget is expected to be met by 30 June 2024.

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

The Statement of Intent is the key accountability document between Council and the CCO. It sets out the company's strategic direction and must be consulted on and approved annually by the Directors. Schedule 8 Part 2 of the Local Government Act 2002 sets out the content of the document which must cover the next three financial years.

The draft SOI continues to focus on delivering strong results for both council borrowers and shareholders, while minimising risk for guarantors.

The SOI includes five strategic priorities which encompass the foundation objectives and guide the board and management in determining the strategy, objectives and associated performance targets. The following points regarding the draft SOI are worth noting:

- This draft SOI, including financial forecasts, assumes that there are no implications for LGFA from the Local Waters Done Well Programme.
- Profitability is forecast to remain strong.
- The forecast for council loans has increased.
- Net interest income is expected to gradually reduce over forecast.
- It is assumed a modest narrowing in lending margins as more councils and CCO's take up their Climate Action Loan (CAL) product and they undertake more Green, Social and Sustainability (GSS) lending to councils and CCO's.

As a shareholder, Council is requested to review and provide feedback which will be reviewed by the Board before a final version of the SOI is provided to shareholders by 30 June 2024.

The decisions or matters in this report are considered to be of **Low** significance in accordance with the Council's Significance and Engagement Policy.

RECOMMENDATIONS - NGĀ TŪTOHUNGA

That the Finance & Performance/Whakahaere Pūtea me Ōna Hua Committee:

- 1. Approves the Draft Statement of Intent 2024-2027 (for 1 July 2024 until 30 June 2027); subject to Committee's feedback.**
- 2. Instructs the Chief Executive to provide any feedback received from the Committee (as their role as a Shareholder) to the Local Government Funding Agency before 30 April 2024.**

Authorised by:

Pauline Foreman - Chief Financial Officer

Keywords: Local Government Funding Agency, LGFA Draft Statement of Intent, LGFA half year report,

BACKGROUND - HE WHAKAMĀRAMA

1. The Local Government Act 2022 (LGA) Schedule 8, Part 1 requires Council-Controlled Organisations (CCO) to deliver a draft Statement of Intent (SOI) to shareholders on or before 1 March in the year preceding the financial year to which the draft SOI relates.
2. The board must adopt and provide a final SOI to shareholders before the commencement of the financial year to which it relates.
3. The LGA Section 66 requires the board of a CCO to report on the half-yearly financials to its shareholders within 2 months after the end of the first half of each financial year.
4. The Local Government Funding Agency (LGFA) is a CCO. The LGFA is 11% owned by the New Zealand Government and 89% by 30 local authorities. Gisborne District Council holds 200,000 shares or 0.4% of the 45 million ordinary shares on issue and joined the scheme in November 2012.
5. On 28 February 2024, LGFA made available for shareholder review their draft Statement of Intent (SOI) and half-yearly financial statements for the period ending 31 December 2023.
6. Attached are:
 - **Attachment 1** – Half-yearly Financial Statements 31 December 2023.
 - **Attachment 2** – Draft Statement of Intent.

DISCUSSION and OPTIONS - WHAKAWHITINGA KŌRERO me ngā KŌWHIRINGA

7. The discussion below outlines the main points and highlights from the half-yearly report and draft SOI.

Half-yearly Report to 31 December 2023

8. Net Operating Profit for the six-month period was \$5.2 million, which is slightly below the SOI forecast. This is mostly due to higher costs from increased issuance and the establishment and issuance under foreign currency programmes. Full SOI forecast is expected to be met by 30 June 2024. At 31 December 2023, LGFA had assets of \$21.77 billion and Shareholder Equity of \$109.4 million.
9. At 31 December 2023, LGFA has a market value of loans outstanding of \$18.8 billion which followed record lending of \$2.63 billion over the six-month period.
10. The Climate Action Loan (CAL) product was launched in December 2022 to incentivise borrowers through a lower loan margin if they have an approved greenhouse gas (GHG) emission reduction plan in place and are meeting their reduction targets. At December, CALs total \$1.2 billion across four councils.
11. The financial strength of LGFA was affirmed by Fitch Ratings who maintained LGFA's domestic Currency credit rating at AA+ in October 2023. LGFA's AAA rating from S&P Global Ratings was affirmed in March 2023 and remains the same as the New Zealand Government.
12. LGFA has 31 shareholders including the Crown, 72 guarantors and membership has grown to 77 councils and 5 CCO's.

13. LGFA was voted by market participants for an unprecedented five awards at the KangaNews Awards including New Zealand Debt Issuer of the Year award for the second consecutive year.

Draft Statement of Intent

14. The SOI sets out the nature and scope of the activities, objectives and performance targets for the LGFA for the three-year period from 1 July 2024 to 30 June 2027.

15. The SOI continues to focus on delivering strong results for both council borrowers and shareholders, while minimising risk for guarantors.

16. There are five strategic priorities which encompass the foundation objectives and guide the board and management in determining the strategy, objectives and associated performance targets. These five strategic priorities are:

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

17. The following points are worth noting:

- The financial forecasts, assume that there are no implications for LGFA from the Local Waters Done Well Programme.
- Profitability is forecast to remain strong.
- The forecast for council loans has increased.
- Net interest income is expected to gradually reduce over the forecasted period.
- It is assumed a modest narrowing in lending margins as more councils and CCO's take up the Climate Action Loan (CAL) product and they undertake more Green, Social and Sustainability (GSS) lending to councils and CCO's.

ASSESSMENT of SIGNIFICANCE - AROTAKENGA o NGĀ HIRANGA

Consideration of consistency with and impact on the Regional Land Transport Plan and its implementation

Overall Process: Low Significance

This Report: Low Significance

Impacts on Council's delivery of its Financial Strategy and Long Term Plan

Overall Process: Low Significance

This Report: Low Significance

Inconsistency with Council's current strategy and policy

Overall Process: Low Significance

This Report: Low Significance

The effects on all or a large part of the Gisborne district

Overall Process: Low Significance

This Report: Low Significance

The effects on individuals or specific communities

Overall Process: Low Significance

This Report: Low Significance

The level or history of public interest in the matter or issue

Overall Process: Low Significance

This Report: Low Significance

18. The decisions or matters in this report are considered to be of **Low** significance in accordance with Council's Significance and Engagement Policy.

TANGATA WHENUA/MĀORI ENGAGEMENT - TŪTAKITANGA TANGATA WHENUA

19. There has been no Māori engagement relating to this report.

COMMUNITY ENGAGEMENT - TŪTAKITANGA HAPORI

20. There has been no community engagement relating to this report.

CLIMATE CHANGE – Impacts / Implications - NGĀ REREKĒTANGA ĀHUARANGI – ngā whakaaweawe / ngā ritenga

21. One of LGFAs strategic priorities is environmental and social responsibility. LGFA recognises the risks inherent in climate change for councils and supports New Zealand's shift to a low-carbon economy. The LGFA implemented a Climate Action Loan (CAL) in December 2022 to incentivise borrowers through a lower loan margin if they have an approved greenhouse gas (GHG) emission reduction plan in place and are meeting their reduction targets.
22. Council does not have any borrowings under this scheme.

CONSIDERATIONS - HEI WHAKAARO

Financial/Budget

23. Membership for the LGFA allows Council to access optimal funding terms which assists in the efficient provision of services by Council for a prosperous Tairāwhiti.

Legal

24. There are no legal implications.

POLICY and PLANNING IMPLICATIONS - KAUPAPA HERE me ngā RITENGA WHAKAMAHERE

25. There are no policy and planning implications.

RISKS - NGĀ TŪRARU

26. There are no risks identified within this report.

NEXT STEPS - NGĀ MAHI E WHAI AKE

Date	Action/Milestone	Comments
June 2023	Final SOI is adopted and provided to shareholders.	

ATTACHMENTS - NGĀ TĀPIRITANGA

1. Attachment 1 - Cover Letter for Half Year Report to December 2023 [**24-78.1** - 2 pages]
2. Attachment 2 - LGFA Half Year Report - Dec 23 [**24-78.2** - 18 pages]
3. Attachment 3 - Letter to Shareholders to accompany Draft SOI 2024-27 [**24-78.3** - 2 pages]
4. Attachment 4 - 2024-27 LGFA draft Statement of Intent.pdf [**24-78.4** - 11 pages]

28 February 2024

Dear LGFA Stakeholder

LGFA 2023-24 Half Year Report

The following is a link to our Half Year Report for the six-month period to December 2023.

[LGFA Half Year Report – 31 December 2023](#)

We are pleased to highlight a positive six-month period for LGFA including the following:

1. Increased lending to council and CCO borrowers

At 31 December 2023, LGFA had a market value of loans outstanding of \$18.8 billion which followed record lending of \$2.63 billion over the six-month period. We added two new CCOs as members over the six months, bringing the number of members to 72 councils and 5 CCOs.

2. A focus on sustainability.

We launched our Climate Action Loan (CAL) product for council and CCO members in December 2022 to incentivise borrowers through a lower loan margin if they have an approved greenhouse gas (GHG) emission reduction plan in place and are meeting their reduction targets. At December, CALs total \$1.2 billion across four councils.

Our Green, Social and Sustainable (GSS) loans provide a discounted borrowing margin to councils and CCOs for eligible projects. Over the six-month period we approved a further project as eligible for GSS lending, bringing the number of eligible projects to six across six councils.

We also published our first Annual Impact Review report for our NZX listed Sustainable Financing Bond. We are having ongoing dialogue with councils relating to GHG emission reporting and reduction and are currently preparing for our first report under Climate Related Disclosure requirements for the 2024 Annual Report.

3. A financial position tracking to forecast.

Net Operating Profit for the six-month period was \$5.2 million, which is slightly below our SOI forecast due to higher costs from increased issuance, and the establishment and issuance under foreign currency programmes. However, we expect to meet the full year SOI forecast by June 2024. LGFA has assets of \$21.77 billion and Shareholder Equity of \$109.4 million as at 31 December 2023.

4. Working with our stakeholders.

We have been assisting Central and Local Government with the implementation of the water reform programme and with councils and CCO members on promoting sustainability.

A further highlight was LGFA being voted by market participants for an unprecedented five awards at the KangaNews Awards including New Zealand Debt Issuer of the Year award for the second consecutive year.

Our focus remains on adding value to the local government sector through:

- Providing cheaper loans.
- Enabling easier access to markets.
- Providing reliable financing.
- Underpinning confidence.
- Encouraging sustainability.
- Enhancing capital markets.
- Being a centre of expertise.

To achieve the above, we require the support of all our stakeholders and thank you for your contribution and assistance over the past six months.

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

Kind regards

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

Mark Butcher
Chief Executive

31 December 2023
HALF YEAR REPORT

Benefiting communities through
delivering efficient financing
for local government.

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

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Rārangi tauwaea

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



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

Message from the Chair and Chief Executive

He karere mai i te Toihau me te Tumuaki

For the six-months ended 31 December 2023

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

Lending to the sector

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

Over the six months, Infrastructure Holdings Limited and Whanganui District Council Holdings Limited joined as CCO members. We currently have 72 guarantors with West Coast Regional Council moving from non-guarantor to guarantor status during the past six months.

Lending to members over the six month period was a record \$2.63 billion of long-term loans to 56 members, with an average tenor of 5.2 years which was shorter than prior periods. Short-dated lending for terms less than 12 months continues to be supported by councils, with \$617 million outstanding to 36 members at December 2023.

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

Financial and Operational Performance

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

profit of \$5.2 million was a 370% increase (\$1.1 million).

Although net operating profit was significantly higher than the comparable 2022 period, it was in line with historical outturns. The low comparable 2022 period outcome was negatively influenced by the rapid rise in interest rates, mismatches between the Bank Bill Reference Rate and the Official Cash Rate, combined with a planned increased holding of liquid assets.

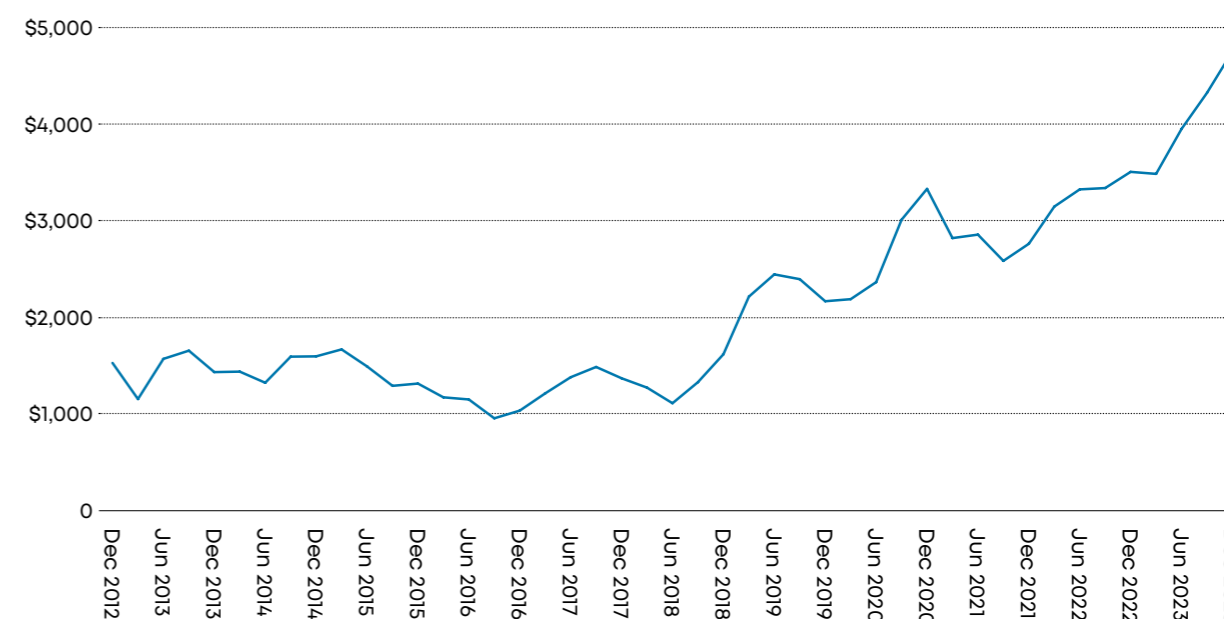
Total operating income was above budget by \$152k, however expenses were \$428k above the SOI budget, with net operating profit \$277k below budget. Our higher expenses were due to increased legal and NZX costs arising from the record levels of member borrowing and associated bond issuance, as well as establishment costs for our Euro Commercial Paper programme, \$A bond issuance and higher Approved Issuer Levy (AIL) payments.

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

Our borrowing activity

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

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



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

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

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

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

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

KangaNews award winner

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

Our role in assisting Local and Central Government

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

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

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

New products and initiatives

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

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

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

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

Increasing focus on sustainability

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

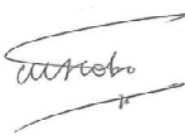
Acknowledgments

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

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

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

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



Craig Stobo
Chair



Mark Butcher
Chief Executive

How we add value to the local government sector

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

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

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

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

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

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

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

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

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

KANGANEWS
AWARDS
2023

**New Zealand
Issuer of the Year
for 2023**

Thank you to our investors,
intermediaries and market
participants for their support.

Performance against objectives

Ko ngā whakatutukinga ki ngā whāinga

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

2023-24 Objectives and performance targets

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

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

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

Governance, capability and business practice

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

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

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

Optimising financing services for local government

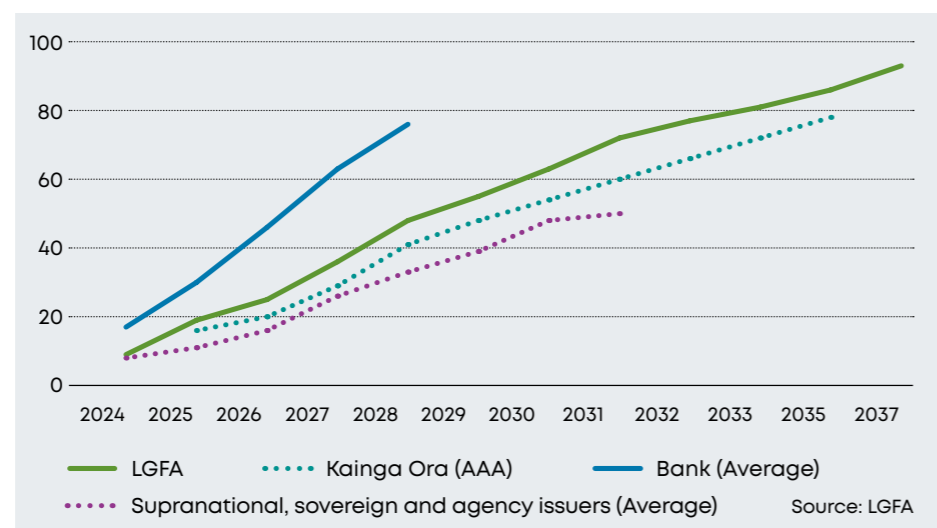
LGFA's primary objective is to optimise the terms and conditions of the debt funding it provides to participating borrowers. Amongst other things, LGFA will achieve this by delivering operational best practice and efficiency across our lending products and services.

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

Provide interest cost savings relative to alternative sources of financing.

Comparison to other high-grade issuers - secondary market spread to swap (bps)

LGFA's borrowing margins compare favourably to other high-grade issuers in the New Zealand capital markets.



Supranational, sovereign and agency issuers

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

Banks

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

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

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

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

Deliver operational best practice and efficiency for lending services.

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

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

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

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

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

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



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

Environmental and social responsibility

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

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

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

Effective management of loans

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

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

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

Industry leadership and engagement

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

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



Kopurererua River realignment project.
Tauranga City Council

Financial statements

Nga taukī pūtea

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Statement of comprehensive income

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

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

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

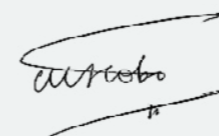
Due to rounding, numbers presented in the financial statements and associated notes may not add up precisely to the reported totals.

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

Statement of changes in equity

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

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



Craig Stobo, Director
Board Chair



Linda Robertson, Director
Chair, Audit and Risk Committee

Statement of financial position

As at 31 December 2023 in \$000s

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

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

Statement of cash flows

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

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

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

Notes to the financial statements

1. Reporting entity

The New Zealand Local Government Funding Agency Limited (LGFA) is a company registered under the Companies Act 1993 and is subject to the requirements of the Local Government Act 2002. LGFA is controlled by participating local authorities and is a council-controlled organisation as defined under section 6 of the Local Government Act 2002. LGFA is a limited liability company incorporated and domiciled in New Zealand.

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

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

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

2. Statement of compliance

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

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

3. Basis of preparation

Measurement base

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

The financial statements are prepared on an accrual basis.

Functional and presentation currency

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

Foreign currency conversions

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

Changes in accounting policies

There have no changes to accounting policies.

Early adoption standards and interpretations

LGFA has not early adopted any standards.

Standards not yet adopted

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

Financial instruments

Financial assets

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

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

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

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

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

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

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

Financial liabilities

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

Derivatives

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

Fair value hedge

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

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

Other assets

Property, plant and equipment

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

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

Intangible assets

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

Other liabilities

Employee entitlements

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

Revenue

Interest income

Interest income is accrued using the effective interest rate method.

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

Expenses

Expenses are recognised in the period to which they relate.

Interest expense

Interest expense is accrued using the effective interest rate method.

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

Income tax

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

Goods and services tax

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

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

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

Commitments and contingencies are disclosed exclusive of GST.

Segment reporting

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

Judgements and estimations

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

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

Revenue and expenditure

4. Net interest income

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

5. Other operating income

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

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

6. Operating expenses

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

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

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

7. Hedge accounting

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

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

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

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

8. Loans

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

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

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

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

9. Other assets

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

10. Payables and provisions

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

11. Bills

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

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

12. Treasury stock and bond repurchases

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

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

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

13. Bonds

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

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

Audited as at 30 June 2023 in \$000s	Face Value	Unamortised premium	Accrued interest	Fair value hedge adjustment	Total
NZD Fixed interest bonds					
15 April 2024	2,218,000	(2,151)	10,499		2,226,348
15 April 2025	2,409,000	(36,176)	13,937		2,386,761
15 April 2026	2,155,000	(54,361)	6,801		2,107,440
15 April 2027	2,011,000	68,977	19,039		2,099,016
15 May 2028	1,423,000	(60,216)	4,089		1,366,873
20 April 2029	1,722,000	(83,580)	5,081		1,643,501
15 May 2030	1,000,000	(17,002)	5,747		988,745
15 May 2031	1,120,000	(60,338)	3,218		1,062,880
14 April 2033	1,350,000	33,003	10,070		1,393,073
15 May 2035	450,000	(7,728)	1,724		443,997
15 April 2037	820,000	(41,281)	3,450		782,170
Fair value hedge adjustment				(1,340,372)	(1,340,372)
	16,678,000	(260,853)	83,656	(1,340,372)	15,160,432

14. Borrower notes

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

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

15. Other liabilities

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

16. Share capital

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

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

17. Shareholder information

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

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

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

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

19. Related parties

Identity of related parties

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

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

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

Related party transactions

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

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

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

Directory

Rārangi tauwaea

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Except Public Holidays

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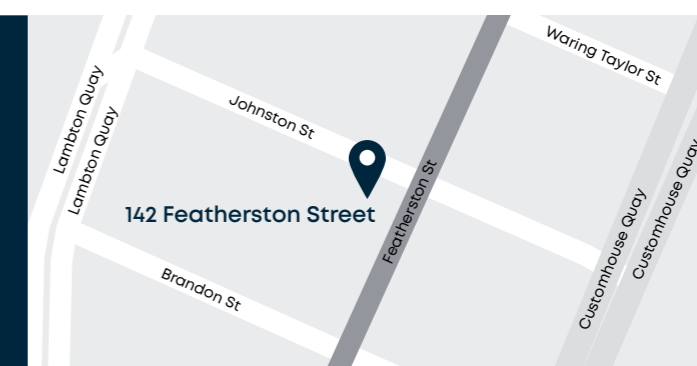
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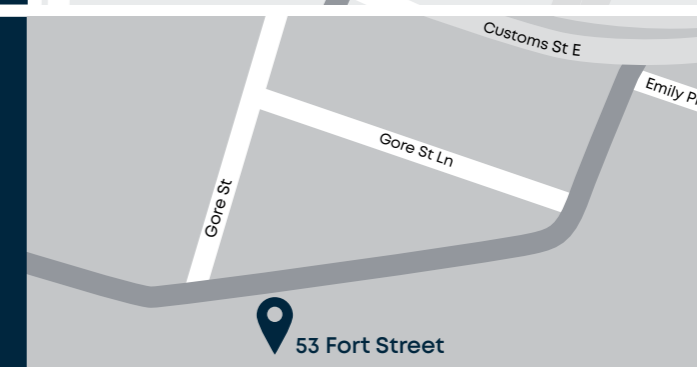
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Auckland

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53 Fort Street
Auckland 1010



28 February 2024

Dear Shareholder

Draft Statement of Intent 2024-2027

Please find attached a copy of our draft Statement of Intent (SOI) for 2024-2027.

LGFA continues to focus on delivering strong results for both our council borrowers and shareholders.

For our borrowing councils we seek to optimize funding terms and conditions by

- Achieving savings in borrowing costs
- Providing longer dated funding and
- Providing certainty of access to markets

For our shareholders we are focused on

- Delivering a strong financial performance
- Monitoring asset quality
- Enhancing our approach to treasury and risk management, and
- Ensuring we have the correct governance framework and capital structure in place.

For our guarantors we are focused on

- Minimising the risk of a call upon the guarantee through actively monitoring and managing the business risks faced by LGFA including operational, credit, liquidity, interest rate and funding risk.

The following points regarding the draft SOI 2024-27 are worth noting:

- This draft SOI, including financial forecasts, assumes that there are no implications for LGFA from the Local Waters Done Well Programme. We are awaiting further information as the enabling legislation is introduced in June and December 2024 but will assume in the meantime a business-as-usual approach to council and CCO borrowing. The final SOI in June 2024 will be updated from this draft to incorporate any future announcements and will include a statement if there have been any material changes to our forecast assumptions.
- Profitability is forecast to remain strong with projections for Net Operating Gain of \$15.1 million, \$13.1 million, and \$10.1 million for the next three years. However, we remain cautious in placing too much emphasis on the year two (2025-26) and three (2026-27) forecasts given we have \$7.1 billion of LGFA bonds and \$7.5 billion of council and CCO loans maturing over the three-year SOI forecast period. This is because assumptions regarding the amount and timing of refinancing and interest rates have a material impact on financial projections.

- We have increased our forecast for council loans (short and long term) outstanding as at June 2025 to \$22.08 billion and to \$24.45 billion as at June 2026 (from \$20.03 billion and \$21.50 billion in the previous SOI). This increase reflects a higher starting position as at 30 June 2024 and councils undertaking further capex and continued high utilisation of short-term borrowing from LGFA.
- We are assuming gross bond issuance of \$5.25 billion (2024-25), \$5.04 billion (2025-26) and \$4.72 billion (2026-27) based on council gross lending of \$4.60 billion (2024-25), \$4.86 billion (2025-26) and \$5.08 billion (2026-27).
- Net interest income is expected to gradually reduce over the forecast period as the balance sheet grows from increased council lending but is offset by a larger holding of liquid assets and slightly lower forecast interest rates.
- We have assumed a modest narrowing in lending margins as more councils and CCOs take up our Climate Action Loan (CAL) product and we undertake more Green, Social and Sustainability (GSS) lending to councils and CCOs. Given the recent announcement from S&P Global Ratings regarding the lowering of the trend within the local government sector institutional framework, we have assumed no further improvement in the credit quality of the sector.
- Compared to the previous SOI, issuance and operating expenses, excluding Approved Issuer Levy are forecast to be approximately \$700k higher in the 2024-25 and \$600k in 2025-26 financial years. This is due to forecast higher IT, HR and legal costs associated with increased foreign currency issuance, water reforms and increased staffing.
- The proposed SOI performance targets are similar to the previous SOI. The focus remains on sustainability, assisting councils with greenhouse gas (GHG) emission reporting, monitoring the credit quality of the sector, and assisting with the implementation of Local Water Done Well Programme.
- As noted above, there is some timing uncertainty within the SOI forecast relating to council loans and LGFA bonds outstanding as we need to project both the repayment amount and repayment timing of the council loans that are due to mature in April 2025, April 2026 and April 2027. Decisions made by our council members regarding early refinancing will have a phasing impact across all three years in the SOI forecast.

If you have any questions or wish to provide comments by 1 May 2024 then please feel free to contact myself or any member of the Shareholders Council. The LGFA board will consider any feedback received and provide a final version of the SOI to shareholders by 30 June 2024.

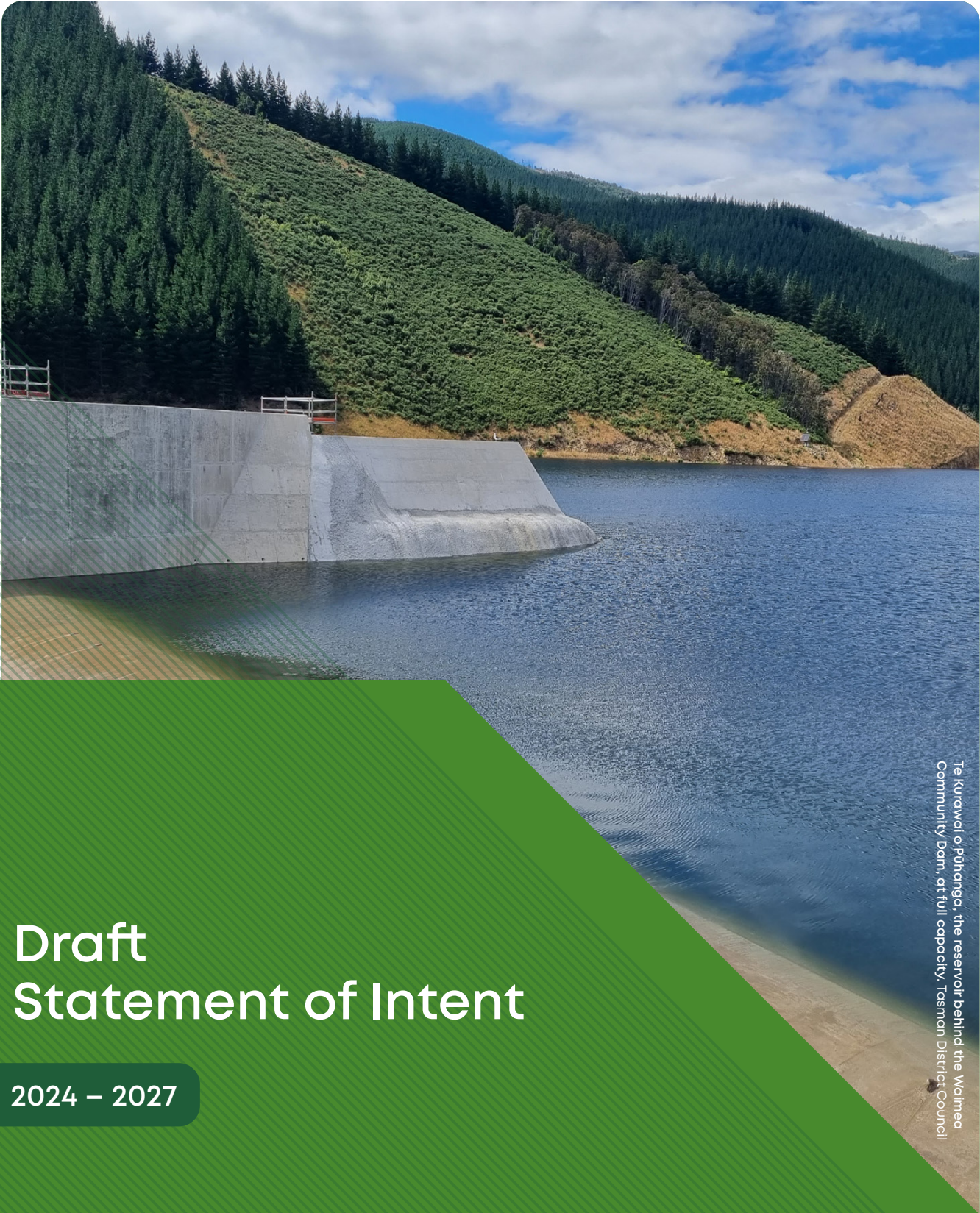
Yours sincerely



Mark Butcher
Chief Executive



New Zealand Local
Government Funding Agency
Te Pūtea Kāwanatanga ā-rohe



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

Draft Statement of Intent

2024 – 2027

1. Introduction

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

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

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

2. Nature and scope of activities

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

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

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

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

3. Our purpose Ta tatou kaupapa

Benefiting local communities through delivering efficient financing for local government.

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

4. Our values Ō mātau uara

We act with integrity

E pono ana mātau

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

We are customer focused

E arotahi ana mātau ki te kiritaki

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

We strive for excellence

E whakapau kaha mātau kia hiranga te mahi

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

We provide leadership

He kaiārahi mātau

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

We are innovative

He auaha mātau

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

5. Foundation objectives

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

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

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

6. Strategic priorities

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

Governance, capability and business practice

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

Optimising financing services for local government

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

Environmental and social responsibility

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

Effective management of loans

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

Industry leadership and engagement

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

7. Objectives and performance targets

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

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

Governance, capability and business practice

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

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

Optimising financing services for local government

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

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

Environmental and social responsibility

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

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

Effective management of loans

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

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

Industry leadership and engagement

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

8. Financial forecasts

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

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

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

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

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

9. Dividend policy

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

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

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

10. Governance

Board

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

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

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

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

All directors are required to comply with a formal Charter.

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

Shareholders' Council

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

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

11. Information to be provided to Shareholders

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

Annual Report

The LGFA's balance date is 30 June.

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

Half Yearly Report

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

Quarterly Report

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

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

Statement of Intent

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

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

Shareholder Meetings

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

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

12. Acquisition / divestment policy

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

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

13. Activities for which compensation is sought from Shareholders

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

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

14. Commercial value of Shareholder's investment

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

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

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

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

15. Accounting policies

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

Statement of Accounting Policies

1. Reporting entity

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

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

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

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

2. Statement of compliance

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

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

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

3. Basis of preparation

Measurement base

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

The financial statements are prepared on an accrual basis.

Functional and presentation currency

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

Foreign currency conversions

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

Changes in accounting policies

There have no changes to accounting policies.

Early adoption standards and interpretations

LGFA has not early adopted any standards.

Standards not yet adopted

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

Financial instruments

Financial assets

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

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

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

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

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

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

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

Financial liabilities

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

Derivatives

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

Fair value hedge

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

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

Other assets

Property, plant and equipment

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

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

Intangible assets

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

Other liabilities

Employee entitlements

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

Revenue

Interest income

Interest income is accrued using the effective interest rate method.

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

Expenses

Expenses are recognised in the period to which they relate.

Interest expense

Interest expense is accrued using the effective interest rate method.

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

Income tax

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

Goods and services tax

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

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

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

Commitments and contingencies are disclosed exclusive of GST.

Segment reporting

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

Judgements and estimations

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

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

Title: 24-84 Regional Software Holdings Limited Update Cover Report
Section: Finance & Affordability
Prepared by: Michaela Kocar – Team Leader Management Accounting
Meeting Date: Wednesday 17 April 2024

Legal: Yes

Financial: No

Significance: **Low**

Report to FINANCE & PERFORMANCE/WHAKAHAERE PŪTEA ME ŌNA HUA Committee for decision

PURPOSE - TE TAKE

The purpose of this report is to provide the Regional Software Holdings Limited's Six Month Report for the period ending 31 December 2023 and their draft Statement of Intent 2024-2027 (for the period 1 July 2024 until 30 June 2027).

SUMMARY – HE WHAKARĀPOPOTOTANGA

Regional Software Holdings Limited (RSHL) is a Council Controlled Organisation (CCO), of which Gisborne District Council is a shareholder alongside other regional Councils. RSHL delivers a wide range of digital, operational, and financial programmes, on behalf of Te Uru Kahika and participating councils. Its major technology programmes provide long-term efficiencies and cost savings to councils.

The Half Yearly Report for 31 December 2023 and the Draft Statement of Intent 2024-2027 (for the period starting 1 July 2024 until 30 June 2027) is attached in **Attachment 1** and **Attachment 2**.

The decisions or matters in this report are considered to be of **Low** significance in accordance with the Council's Significance and Engagement Policy.

RECOMMENDATIONS - NGĀ TŪTOHUNGA

That the Finance & Performance/Whakahaere Pūtea me Ōna Hua Committee:

1. Approves the Draft Statement of Intent 2024-2027 (for 1 July 2024 until 30 June 2027); subject to Committee's feedback.
2. Instructs the Chief Executive to provide feedback from the Committee (as their role as a Shareholder) to Regional Software Holdings Limited by 30 April 2024.

Authorised by:

Pauline Foreman - Chief Financial Officer

Keywords: Regional Software Holdings Limited, RSHL, Council Controlled Organisation, CCO

BACKGROUND - HE WHAKAMĀRAMA

1. In 2021, the regional sector (New Zealand's 16 Regional Councils and Unitary Authorities) who work together on areas of shared interest, expressed an interest in taking this arrangement a step further through the creation of a shared services company.
2. This came in response to increased demands from Central Government to deliver a broad range of reform packages; capacity and capability challenges and competition between councils to attract and retain talent; and expectations from our communities for councils to do more with less.
3. Council joined RSHL in November 2022.
4. The organisation is striving to deliver shared solutions and achieve:
 - Consistent, good-practice regional sector specific processes and functions.
 - Value through economies of scale.
 - Greater influence with central government through cohesion and collaboration.
 - Reduced risk through ensuring continuity of supply and control of the destiny of regional sector specific software.
5. The focus of RSHL for the next six months is assisting in delivery of Te Uru Kahika's business plan and continuing the development of one of their technology programmes, IRIS Nextgen.

Te Uru Kahika Work Programme

6. This work programme aims to achieve:
 - A sector that is better prepared to respond to future challenges.
 - Better return on investment with a focus on quality outcomes and realisation of the sector value proposition.
 - Increased credibility of the sector as a trusted deliverer with a unified and consistent sector profile.
 - Improved staff attraction and retention.
 - Consistent good business practice across the sector and within councils.

DISCUSSION and OPTIONS - WHAKAWHITINGA KŌRERO me ngā KŌWHIRINGA

7. The discussion below outlines the main highlights from the interim set of accounts as reported within the half yearly report and the draft 2024-2027 Statement of Intent.

HALF YEARLY REPORT TO 31 DECEMBER 2023

8. According to the Directors report, RSHL has made excellent progress in a challenging environment for the sector in the first half of this financial year despite the company running at loss of \$748k against a budgeted loss of \$583k.

9. The overall net loss, is largely due to accounting writing off, for the original IRIS product which is no longer being treated as a capital investment and is being replaced by investment in IRIS Next Gen.
10. Cash balances remain healthy and favourable to budget. The cash position is also favourable to budget, due to the Sector Financial Management Funds which are hold on behalf of the regional sector.

DRAFT STATEMENT OF INTENT 2024-2027(FOR THE PERIOD 1 JULY 2024 UNTIL 30 JUNE 2027)

11. The intention is to operate as a vehicle for collaboration and deliver solutions for Councils that would otherwise be unaffordable or unachievable.
12. The current activities are grouped as follows:
 - The IRIS Programme – a software platform for shareholders.
 - IRIS Next Generation - a new software platform which will replace the IRIS programme within the next 2-4 years.
 - The Regional Sector Office – supports the activities of Te Uru Kahika and the Regional Sector Special Interest Groups (SIG) network.
 - The Sector Financial Management System (SFMS) - manages the funding for regional sector collaborative programmes
13. The Statement of Intent budgets separated into three activities:
 - IRIS Next Generation
 - IRIS Classic
 - Sector Financial Management System
14. Fees charged to Councils, are based upon what activities Councils are participating in and the size of the Council. Gisborne District Council (Council) is not participating in IRIS Classic or IRIS Next Generation. Both programmes were established prior to Council joining in 2022.
15. Council under the RSHL criteria, is defined as a Tier 3, the lowest end of the pricing schedule.
16. Attached are
 - Draft 2024-2027 Statement of Intent Covering Letter – **Attachment 2**
 - Draft 2024-2027 Statement of Intent - **Attachment 3**
17. It should be noted that while Attachments 2 and 3, refer to 2025-2027 period, they have been referred to in this report as "2024-2027". The RSHL draft Statement of Intent is the period from 1 July 2024 until 30 June 2027, consistent with other Statement of Intent reports that are being received at the same time at Finance and Performance Committee 17 April.

ASSESSMENT of SIGNIFICANCE - AROTAKENGA o NGĀ HIRANGA

Consideration of consistency with and impact on the Regional Land Transport Plan and its implementation

Overall Process: Low Significance

This Report: Low Significance

Impacts on Council's delivery of its Financial Strategy and Long Term Plan

Overall Process: Low Significance

This Report: Low Significance

Inconsistency with Council's current strategy and policy

Overall Process: Low Significance

This Report: Low Significance

The effects on all or a large part of the Gisborne district

Overall Process: Low Significance

This Report: Low Significance

The effects on individuals or specific communities

Overall Process: Low Significance

This Report: Low Significance

The level or history of public interest in the matter or issue

Overall Process: Low Significance

This Report: Low Significance

18. The decisions or matters in this report are considered to be of **Low** significance in accordance with Council's Significance and Engagement Policy.

TANGATA WHENUA/MĀORI ENGAGEMENT - TŪTAKITANGA TANGATA WHENUA

19. For the purpose of this report, engagement with Tangata Whenua is not required.

COMMUNITY ENGAGEMENT - TŪTAKITANGA HAPORI

20. For the purpose of this report, engagement with the Community is not required.

CLIMATE CHANGE – Impacts / Implications - NGĀ REREKĒTANGA ĀHUARANGI – ngā whakaaweawe / ngā ritenga

21. RSHL considers climate change impacts in relation to the activities that they undertake and facilitate. Programmes within the Sector Financial Management System in particular include activities relating to climate change resilience. Environmental monitoring and reporting improves the collection, accessibility and presentation of environmental data in New Zealand.

CONSIDERATIONS - HEI WHAKAARO

Financial/Budget

22. According to the **attached** half yearly report (**Attachment 1**), funds for the operation of the Sector Office are received by way of levies from the councils participating in each programme. Each programme pays a share of the overhead costs of the company proportional to the size of the programme and are set annually in the Statement of Intent.
23. For some projects, additional funding is collected from the central government entities.
24. The financial statements of RSHL included in the half yearly report have been prepared in accordance with the requirements of the Local Government Act 2002, and the Companies Act 1993, which include the requirement to comply with New Zealand Generally Accepted Accounting Practice (NZ GAAP).

Legal

25. RSHL is a Public Limited Liability Company incorporated and registered under the Companies Act 1993 and is a Council Controlled Organisation (CCO), as defined in Section 6 of Local Government Act 2002.
26. The focus of the CCO is a Regional Shared Services Organisation, where the company RSHL is the vehicle that it operates under.
27. The half yearly report covers a 6 month period from 1 July 2023 to 31 December 2023 as is required under Section 66 of the Local Government Act 2002.
28. RSHL's Board of Directors are elected and retire by rotation. The Board is the overall final body responsible for all decision-making within the company and is accountable to its shareholders (which includes Gisborne District Council) for the financial and non-financial performance of the company.

POLICY and PLANNING IMPLICATIONS - KAUPAPA HERE me ngā RITENGA WHAKAMAHERE

29. Similarly, to BOPLASS Ltd, RSHL conducts itself in accordance with its constitution, its annual SOI, the provisions of the Companies Act 1993, and Schedule 8 of the Local Government Act 2002 which sets out the requirements for the SOI document.

RISKS - NGĀ TŪRARU

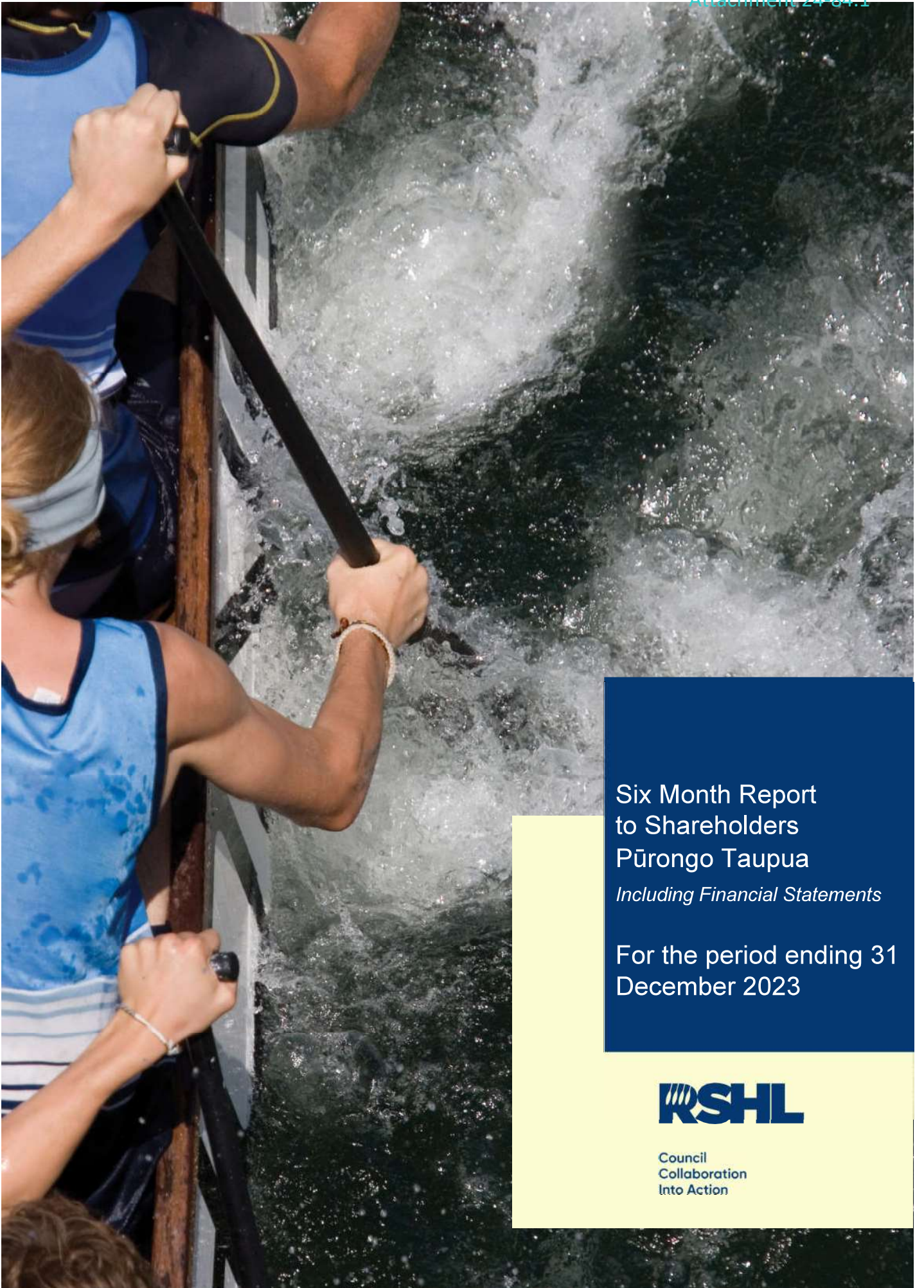
30. The CCO model spreads the risks for any shared activities across the participating councils, mitigating and minimising the risk to individual councils. RSHL (as a pre-existing CCO) already has the necessary controls and processes in place to manage risk.

NEXT STEPS - NGĀ MAHI E WHAI AKE

Date	Action/Milestone	Comments
1 May 2024	RSHL considers shareholders feedback	
30 June 2024	Adopts the Statement of Intent for the period 1 July 2024 until 30 June 2027	

ATTACHMENTS - NGĀ TĀPIRITANGA

1. Attachment 1 - RSHL Six Month Report to Shareholders July 1 2023 - December 31 2023 [**24-84.1** - 36 pages]
2. Attachment 2 - RSHL Covering Letter for Draft 2025-27 SOI [**24-84.2** - 4 pages]
3. Attachment 3 - RSHL Draft Statement of Intent 2025-27 [**24-84.3** - 34 pages]



Six Month Report
to Shareholders
Pūrongo Taupua
Including Financial Statements

For the period ending 31
December 2023



Council
Collaboration
Into Action

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Directors Report | Te Pūrongo a ngā Kaiwhakahaere Matua

Regional Software Holdings Limited For the 6 months ended 31 December 2023

On behalf of Regional Software Holdings Ltd (RSHL), and the ten regional sector shareholders, it is our pleasure to present our 2023/2024 Interim Report.

RSHL is the shared services organisation of Te Uru Kahika. All 16 regional and unitary councils in Aotearoa New Zealand are customers of RSHL.

RSHL delivers a wide range of digital, operational and financial programmes, on behalf of Te Uru Kahika and participating councils.

The structure of RSHL makes it simple, low risk and low cost for additional councils to join as shareholders and we look forward to more Te Uru Kahika councils completing this simple step.

In the 6 months to 31 December 2023, RSHL made excellent progress in a challenging environment for the sector.

In the current economic and political climate, shared services and new ways of working are more important and valuable than ever. Our major technology programmes such as IRIS NextGen, Environmental Data Management System (EDMS), and Integrated National Farm Data Platform (INFDP) will all provide long-term efficiencies and cost savings to councils as well as the wider Aotearoa New Zealand well-beings.

Financial Position

Revenue is tracking favourable to budget, a situation that we expect to continue to year end. Council contributions to programmes are as budgeted.

Expenditure before depreciation is less than budgeted. This is due to a contractual retention in the IRIS NextGen Programme. We expect by year-end this retention will be paid and expenditure will be largely as budgeted.

The company is running at a loss. This reflects the depreciating value of the investment in the original IRIS product.

As noted in previous reports, expenditure on the original IRIS solution is no longer being treated as a capital investment. As a result, the book value of the asset is depreciating rapidly. This is appropriate as the product nears the end of its life and we look to reinvest in IRIS NextGen.

Cash balances remain healthy as the losses are resulting from depreciation rather than trading activities.

The cash position is favourable to budget due to the Sector Financial Management Funds which are held on behalf of the regional sector.

Looking Forward

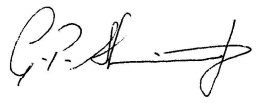
We are excited about continuing to provide excellence in shared services to the regional sector. The focus in the next six months is assisting in the delivery of Te Uru Kahika's 2023/2024 business plan and continuing the development of IRIS NextGen ahead of the first round of implementations in 2025.

Signed on behalf of the Board of Directors:



M Nield - Chairperson

Date: 22 February 2024



G Shirley - Director

Date: 22 February 2024

Statement of Responsibility | Tauākī o te Kawenga

Regional Software Holdings Limited

For the 6 months ended 31 December 2023

In terms of the Local Government Act 2002, the Board of Directors is responsible for the preparation of RSHL financial statements and to assist the company to meet its objectives and any other requirements in its Statement of Intent (SOI).

The Board of Directors of RSHL has the responsibility for establishing, and has established, a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial reporting.

In the Board of Director's opinion, these financial statements fairly reflect the financial position and operations of RSHL for the six months ended 31 December 2023 and confirm that all the statutory requirements in relation to the Performance Report were complied with, as outlined in the Local Government Act 2002 and the Companies Act 1993.

Signed on behalf of the Board of Directors:



M Nield - Chairperson

Date: 22 February 2024



G Shirley - Director

Date: 22 February 2024

Statement of Service Performance | Hei Ine i te Mahi

Regional Software Holdings Limited For the 6 months ended 31 December 2023

Who are we and why do we exist?

Vision

To provide high-quality shared services for Te Uru Kahika (and associated agencies) that delivers value to customers, shareholders and the sector.

Mission

Deliver shared solutions to Te Uru Kahika along with collaborative outcomes through sector special interest groups to achieve:

- Consistent, good-practice regional sector specific processes and functions
- Value through economies of scale
- Greater influence for Te Uru Kahika with central government through cohesion and collaboration
- Reduced risk through ensuring continuity of supply and control of the destiny of regional sector specific software.

Values

In all RSHL decisions and interactions the Board and staff, together with sector participants who may be working within the RSHL framework, will observe the following values and ethos:

- We are forward thinking and innovative
- We are responsive and deliver value
- We are professional and accountable
- We are flexible and open.

Guiding Principles

- The best decision is that which provides the best end result, primarily for regional sector councils and indirectly the communities they serve.
- Our solutions will be practical, appropriate to the scale of the problem and affordable.
- Where appropriate we will utilise codes of practice and standards produced by industry groups.
- All parties to any decision or interaction will be treated with respect, dignity, integrity, and honesty.

What did we do?

Activities

RSHL provides a framework for collaboration between shareholders and across the regional sector. It supports the procurement or development of shared solutions in a manner that provides greater consistency in how we operate. RSHL provides a more cost-effective alternative than individual councils can achieve on their own.

The company operates by facilitating collaborative initiatives between councils and through managed contractual arrangements. Some councils are both customers of RSHL and providers of service to RSHL.

In the 2023 and 2024 Financial years, RSHL activities were grouped as follows:

IRIS	<p>The IRIS Programme delivers the IRIS software platform to shareholder and customer councils. The IRIS software has been in use for 8 years and is currently in use at 7 councils.</p> <p>The 7 councils actively collaborate on the use of IRIS and the future development roadmap.</p> <p>RSHL and the member councils have determined that the IRIS software platform will need to be replaced within the next 2-4 years.</p>
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IRIS Next Generation	<p>RSHL and the member councils have determined that the IRIS software platform will need to be replaced within the next 2-4 years.</p> <p>IRIS Next Generation (IRIS NextGen) will be a cloud-based Software as a Service solution (SaaS) with better online and mobile features. IRIS NextGen will be more efficient for staff and customers.</p> <p>Along with the SaaS, we will implement consistent “good practice” processes for the sector.</p> <p>Over the next two years, RSHL will confirm:</p> <ul style="list-style-type: none"> • The IRIS NextGen solution • A transition plan for existing users • A growth plan to attract new councils to the programme.
Environmental Monitoring and Reporting (EMAR)	<p>The objective of EMAR is to improve the collection, accessibility and presentation of environmental data in New Zealand. The EMAR Programme has three projects.</p> <ul style="list-style-type: none"> • National Environmental Monitoring Standards (NEMS) – Aims to ensure consistency in the way environmental monitoring data is collected and handled throughout New Zealand. • Environmental Data Management System (EDMS) – Aims to provide a single access point to environmental data from multiple sources in a consistent format. • Land, Air Water Aotearoa (LAWA) – Shares data and information to tell the story of our environment. <p>EMAR is an all-of-sector programme, and includes partner agencies from central government (MfE, Stats NZ and DoC) and the Cawthron Institute (and others).</p> <p>The EMAR programme is managed by RSHL and governed by the EMAR Steering Group. Each project has its own Steering Group who oversee operational activities.</p> <p>The EMAR/LAWA Programme Manager is employed by RSHL and is part of the Regional Sector Programme office. EMAR/LAWA project administration (financial and contractual) is managed by RSHL on behalf of project partners.</p> <p>The NEMS project is managed by Horizons on behalf of the project partners.</p>
Regional Sector Office	<p>The Regional Sector Office supports the activities of Te Uru Kahika and the Regional Sector Special Interest Groups (SIG) network.</p> <p>The Regional Sector Office supports the activities of Te Uru Kahika including the Te Uru Kahika Network (formerly the SIG Network).</p> <ul style="list-style-type: none"> • The Sector Office is made up of four roles: • Executive Policy Advisers – Regional CEOs Group • Chief Science Advisor • Resource Management Reform Director • Regional Sector SIG Network Administrator <p>Sector Office staff are employed by RSHL.</p>
Sector Financial Management System	<p>Under the Sector Financial Management System (SFMS) RSHL is responsible for the management of the funding for regional sector collaborative programmes.</p> <ul style="list-style-type: none"> • Sector Business Plan • River Managers Business Plan • River Managers Climate Resilience

	<ul style="list-style-type: none"> • EMaR • Bio Managers • Bio Control • Science Programme • Sector Office Special Projects • Regional Sector Office <p>RSHL administers the programme:</p> <ul style="list-style-type: none"> • Collects this funding from councils and central government, • Engages staff and suppliers to deliver services to achieve the outcomes from each of the programmes. • Reports to Te Uru Kahika on income and expenditure.
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Ngā Mahi e Rapua Nei Te Utu Paremata | Activities for Which Compensation Is Sought

Funds for the operation of the Sector Office, The Sector Financial Management System, EMAR/LAWA, IRIS and IRIS NextGen are received by way of levies from the councils participating in each programme. Each programme pays a share of the overhead costs of the company proportional to the size of the programme.

These levies are set annually in the Statement of Intent.

For some projects additional funding is collected from central government entities.

Payment of annual fees will be sought for the following activities:

Activity	Description									
Sector Financial Management System	<p>Payment of annual contributions will be sought from all Te Uru Kahika councils for the operation of the Programmes in the Sector Financial Management System.</p> <p>For some programmes, additional contributions may be sought from other local government organisations and government ministries.</p> <p>Contributions will be according to the agreed models. This activity includes:</p> <ul style="list-style-type: none"> • Sector Business Plan • River Managers Business Plan • River Managers Climate Resilience • ReCoCo Technology Projects • EMaR • Bio Managers • Bio Control • Science Programme • Sector Office Special Projects • Regional Sector Office <p>The funding contributions for the Sector Office, EMAR and the most of the SFMS programmes is based on the size of the Council. The total amounts to be collected vary year to year based on the work programmes.</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;">Tier 1 – 9.4% each</th> <th style="text-align: left;">Tier 2 – 6.2% each</th> <th style="text-align: left;">Tier 3 – 3.2% each</th> </tr> </thead> <tbody> <tr> <td>Auckland Council</td> <td>Horizons RC</td> <td>Tasman DC</td> </tr> <tr> <td>Environment Canterbury</td> <td>Otago RC</td> <td>Nelson City Council</td> </tr> </tbody> </table>	Tier 1 – 9.4% each	Tier 2 – 6.2% each	Tier 3 – 3.2% each	Auckland Council	Horizons RC	Tasman DC	Environment Canterbury	Otago RC	Nelson City Council
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	Greater Wellington RC	Hawke's Bay RC	Gisborne DC																		
	Waikato RC	Northland RC	Marlborough DC																		
	Bay of Plenty RC	Taranaki RC	West Coast RC																		
		Environment Southland																			
	Total 47%	Total 37%	Total 16%																		
	<p>BioControl, Climate Change Resilience and the Science Programme have custom funding models based on the value of the programmes to the region.</p> <p>The budget and funding arrangements for the SFMS are documented in the SFMS Briefing Paper which is approved with the Te Uru Kahika Business Plan before the start of each financial year.</p>																				
IRIS	<p>Payment of an Annual Fee for IRIS will be sought from all councils that use the Software for annual support and development fees, as set out in the License Agreement.</p> <p>Proportion of Contributions to the IRIS Programme</p> <p>Contributions for IRIS will be collected in the following proportions.</p> <table border="1"> <thead> <tr> <th>Shareholder</th> <th>Percentage</th> </tr> </thead> <tbody> <tr> <td>Waikato Regional Council</td> <td>32.39%</td> </tr> <tr> <td>Northland Regional Council</td> <td>11.93%</td> </tr> <tr> <td>Horizons Regional Council</td> <td>16.00%</td> </tr> <tr> <td>Taranaki Regional Council</td> <td>11.93%</td> </tr> <tr> <td>Southland Regional Council</td> <td>11.93%</td> </tr> <tr> <td>West Coast Regional Council</td> <td>3.87%</td> </tr> <tr> <td>Hawke's Bay Regional Council</td> <td>11.93%</td> </tr> <tr> <td>Total</td> <td>100%</td> </tr> </tbody> </table>			Shareholder	Percentage	Waikato Regional Council	32.39%	Northland Regional Council	11.93%	Horizons Regional Council	16.00%	Taranaki Regional Council	11.93%	Southland Regional Council	11.93%	West Coast Regional Council	3.87%	Hawke's Bay Regional Council	11.93%	Total	100%
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IRIS Next Generation	<p>The IRIS NextGen Partnership agreement sets out the funding to be collected from each participating council and the activities that the funds will be used for. The 9 Participating Councils share the programme costs of the IRIS NextGen programme according to the following contribution model:</p> <table border="1"> <thead> <tr> <th>Large Councils</th> <th>Medium Councils</th> <th>Small Councils</th> </tr> </thead> <tbody> <tr> <td>17.93% per council (Total 35.87%)</td> <td>10.87% per council (Total 43.48%)</td> <td>4.35% per council (Total 4.35%)</td> </tr> <tr> <td>Waikato Regional Council Bay of Plenty Regional Council</td> <td>Horizons Regional Council Otago Regional Council Northland Regional Council Hawke's Bay Regional Council</td> <td>Nelson City Council</td> </tr> <tr> <td></td> <td>8.15% per council (Total 16.30%)</td> <td></td> </tr> </tbody> </table>			Large Councils	Medium Councils	Small Councils	17.93% per council (Total 35.87%)	10.87% per council (Total 43.48%)	4.35% per council (Total 4.35%)	Waikato Regional Council Bay of Plenty Regional Council	Horizons Regional Council Otago Regional Council Northland Regional Council Hawke's Bay Regional Council	Nelson City Council		8.15% per council (Total 16.30%)							
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	Taranaki Regional Council Environment Southland																
	<p>Over the 10-year term of the Partnership Agreement, the programme costs are expected to total ~\$26 million.</p> <p>Programme costs are budgeted and approved by the IRIS NextGen Steering Group annually.</p>																
RSHL Overhead Costs	<p>Overhead costs are costs that cannot be allocated to a specific work programme.</p> <p>All work programmes contribute to overhead costs of RSHL, with the proportion of the contribution based on actual revenue in that financial year.</p> <p>In the 6 months to 31 December 2023, the cost and proportion of overheads to each programme is as follows:</p> <table border="1"> <thead> <tr> <th></th> <th>FY24 YTD \$</th> <th>FY24 YTD %</th> </tr> </thead> <tbody> <tr> <td>IRIS</td> <td>16,674</td> <td>9%</td> </tr> <tr> <td>IRIS NextGen</td> <td>80,737</td> <td>43%</td> </tr> <tr> <td>SFMS</td> <td>89,870</td> <td>48%</td> </tr> <tr> <td>Total</td> <td>187,281</td> <td>100%</td> </tr> </tbody> </table>			FY24 YTD \$	FY24 YTD %	IRIS	16,674	9%	IRIS NextGen	80,737	43%	SFMS	89,870	48%	Total	187,281	100%
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Total	187,281	100%															

How did we perform?

IRIS	<p>We have previously reported that we have reduced the frequency of IRIS releases, to allow RSHL and councils to focus on IRIS NextGen as well as to minimise cost.</p> <p>The 4.06 release was provided to councils in November 2022 and the 4.07 release was provided in January 2024.</p> <p>Future development efforts will focus on data cleansing and data migration tools. Functional enhancements will only be developed if there is an approved business case or to support legislative changes.</p> <p>In this period we progressed the shared data migration platform that will councils will use to export data from IRIS when they migrate to IRIS NextGen. All seven IRIS councils will use the same platform, creating a significant cost and time saving. This work should be completed by March 2024. The 4.07 release included a change to comply with changes to the Dam Register Safety Scheme Regulations.</p>
IRIS Next Generation	<p>The IRIS NextGen Programme continues to progress at pace.</p> <p>The build of the IRIS NextGen solution increased. In October, an online solution demonstration to over 250 council staff showcased the features that had been developed to date. This was well received by staff.</p> <p>In December 2023, Datacom advised that they would not be able to meet the June 2024 timetable for completion of the solution. A delay of at least two months is expected. The delay will push back the start of testing and the first implementation. However, the cost of the build is fixed, so cost impacts to councils are minimal.</p> <p>Nine good practice workshops were held in Q3 and Q4, with a further 19 workshops scheduled for Q1 and Q2 2024. It is pleasing to note the strong alignment across councils on good practice, the programme also has a decision-making model to resolve issues when they do occur.</p> <p>Organisational change management activities in this period included sponsor management coaching, and organisational change vision workshop.</p> <p>The Product Acceptance Testing project will test 63 end to end business processes in Datascape to ensure the Regional Sector Solution is ready for implementation at councils. PAT will be delivered in three tranches. The first tranche starts in February 2024 with a team of 8 subject matter experts seconded from councils testing 13 business processes.</p> <p>Preparation for council implementations becomes a key focus on Q1 and Q2 2024 as we gear up for the pilot implementation later this year. Financially, the IRIS NextGen Programme is on-budget.</p>
Environmental Monitoring and Reporting (EMAR)	<p>Strategic directions update</p> <p>EMaR Vision: Kaitiaki of a trusted environmental data and information system that enables New Zealanders to make informed decisions.</p> <p>Discussions continue for the longer-term strategies for both the broader EMaR programme (NEMS, EDMS, LAWA) and the LAWA project. In the shorter-term, tactical considerations arising from the government's priorities in the environmental monitoring and reporting space are being used to inform the workplan for the next 1 – 3 years.</p> <p>LAWA project update</p> <p>Key Outcome: Trusted, accessible, high quality, up-to-date environmental data and information.</p>

	<p>1.) Maintaining and updating LAWA content:</p> <p>The annual refresh of the Water Quality, Water Quantity and Estuary Health was completed on time and within budget.</p> <p>The annual update of data and information for the River Quality, Lake Quality, Groundwater Quality, Can I swim here?, Water Quantity and Estuary Health topics was completed on World River’s Day (24 Sept 2023).</p> <p>To support the awareness of the latest data and information, we profiled the national picture for lakes and river water quality topics on release day, and followed up with a national picture summary spotlight on groundwater quality in November.</p> <p>Acknowledgements to the project teams and council staff across Te Uru Kahika (managers, scientists, data managers, GIS specialists and comms) who provide their time and expertise in keeping their regional data and information on LAWA updated.</p> <p>2.) Increasing the LAWA reach:</p> <p>Visitors to the LAWA website continue to grow, demonstrating the effectiveness of our collaboration. This uptick in users means we’re furthering the reach and value of the data and information from the regional sector/Te Uru Kahika (and others) and securing LAWA as a go to place for authoritative, up-to-date environmental data and information.</p> <p>Data and information from LAWA are being used by many (central and local government, research and education sector, industry, iwi and public) in a wide range of applications to inform decision making. Over the 6-month period (1 July 2023 – 31 Dec 2023) we have had around 141K users and 511K views (compared to 120K users and 484K views over the same period in the previous year).</p> <p>3. New Projects.</p> <p>The LAWA Operating System Upgrade has been brought forward and is tracking for completion around February within time and budget.</p> <p>The LAWA Actions for Healthy Waterways topic development now scheduled to start once the Operating System Upgrade is complete (completion scheduled for Q4 2023/24).</p>
<p>Regional Sector Office</p>	<p>The Sector Office is made up of several roles:</p> <ul style="list-style-type: none"> • Executive Policy Advisers to the Regional CEOs • Chief Science Advisor • Regional Sector SIG Network Administrator • Resource Management Reform Director <p>In the reporting period the sector office welcomed the appointment of the Executive Director – Te Uru Kahika. This role is intended to provide strategic leadership of Te Uru Kahika under the direction of the RCEOs Forum and Regional Sector Group.</p> <p>The focus of the regional sector office has been on supporting the regional sector to respond to the changes in policy driven by the incoming government.</p> <p>The sector office provided a Briefing to Incoming Ministers about Te Uru Kahika, including current priorities, capabilities, and ways in which Te Uru Kahika could help the new government deliver on it’s policies.</p> <p>The sector office also provided a liaison point between central government and the regional sector on Resource Management Reform, Freshwater Policies, Transport and Science amongst others.</p>

<p>Sector Financial Management System</p>	<p>Under the Sector Financial Management System (SFMS) RSHL is responsible for the management of the funding for regional sector collaborative programmes.</p> <ul style="list-style-type: none"> • Sector Business Plan • River Managers Business Plan • River Managers Climate Resilience • EMaR • Bio Managers • Bio Control • Science Programme • Sector Office Special Projects • Regional Sector Office <p>RSHL administers the programme:</p> <ul style="list-style-type: none"> • Collects this funding from councils and central government, • Engages staff and suppliers to deliver services to achieve the outcomes from each of the programmes. • Reports to Te Uru Kahika on income and expenditure. <p>In the first part of FY24 RSHL efficiently collected \$2.8M in funding from councils to support Te Uru Kahika programmes. \$3.8M has been expended in support of various sector programmes.</p> <p>At the time of writing RSHL has more than 40 service contracts of varying sizes under management on behalf of Te Uru Kahika.</p> <p>Of particular note are the contracts for LIDAR Imagery to in support Cyclone Gabrielle recovery work in sections of Northland, Waikato, Auckland, Bay of Plenty and Horizons Regions. This work was supported by funding from Ministry for the Environment — Manatū Mō Te Taiao, with specialist procurement and technical advice provided by Land Information New Zealand - Toitū Te Whenua.</p> <p>With the support of RSHL, via the SFMS Te Uru Kahika continues to expand the scope and benefits to member councils.</p>
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Key Judgements

IRIS	<p>When assessing the performance of the IRIS Programme we consider whether RSHL has appropriately managed the programme. This includes budget, vendor management, product roadmap and communications with councils.</p> <p>We place an emphasis on predictability, delivery and consistency.</p> <p>Performance against budget, delivery of releases, customer and user feedback are used.</p>
IRIS Next Generation	<p>When assessing the performance of the IRIS NextGen Programme we consider whether RSHL has appropriately managed the programme. This includes budget, vendor management, product roadmap and communications with councils.</p> <p>We place an emphasis on predictability, delivery and consistency.</p> <p>Performance against budget, delivery against milestones, and customer feedback are used.</p>
Regional Sector Office	<p>When assessing the performance of the Regional Sector Office we consider the extent to which the Sector Office has effectively supported the smooth operation of Te Uru Kahika and enabled the sector to respond to issued and opportunities as they arise.</p> <p>Feedback from stakeholders and achievement of targeted outcomes is used to form an assessment.</p> <p>We place an emphasis on enabling the work of council staff undertaking work within the Te Uru Kahika framework.</p>
EMAR	<p>When assessing the performance of the EMAR we consider whether RSHL has appropriately managed the programme. This includes budget, vendor management, product roadmap and communications with councils.</p> <p>An emphasis is placed on predictability, delivery and consistency.</p> <p>Performance against budget, delivery of releases, customer and user feedback are used to form an assessment.</p>
Sector Financial Management System	<p>When assessing the performance of the Sector Financial Management System we assess whether the SFMS is meeting its objectives:</p> <ul style="list-style-type: none"> • Removal and minimising duplication of effort across councils • Greater innovation through a collaborative partnership model • More efficient management of existing sector shared services • Better communication and stakeholder engagement • Better control/consistency of information being provided • Demonstrate new “ways of working” to drive better outputs • Demonstrate to central government that councils are collaborating on areas of national importance for which they have responsibility for and for which a national picture is required • More efficient management of sector shared funding: • Efficient collection of funds from councils • Timely payment of providers, following a clear and appropriate approval pathway. • Clear and transparent reporting on funds applied to programmes, linking to outcomes achieved <p>Feedback from stakeholders and achievement of targeted outcomes is used to form an assessment.</p>



Performance Measures

The following performance measures were incorporated into the Statement of Intent for the 2023-24 financial year.

		2023/24
Non Financial	Undertake an annual survey of IRIS NextGen users in Participating Councils in relation to product performance, Datacom support and RSHL Programme Management. Provide a summary of the survey results in the annual report, including performance against the baseline. Survey results to be the same or better than the previous year.	Not completed. Survey will be conducted in May.
	Budgets for IRIS support and development are approved by the IRIS Advisory Group and Board by 30 June each year. Delivery within these budgets is effectively managed by the Advisory Group and the Chief Executive	The DRAFT IRIS budget was approved as planned in February 2024.
	Be an effective service delivery vehicle for regional council sector shared programmes under the Sector Financial Management System. Revenue and Expenditure for SFMS Programmes are within budget, with any variations approved by the RCEOs. Annual Survey of Programme Leads in relation to SFMS Management presented to RCEOs in June. Survey results to be the same or better than the previous year.	Partially Completed. Survey will be conducted in May. SFMS revenue and expenditure are close to budget. Financial reporting was provided to each CEs meeting, with programme financials provided to Programme Leads each month.
	Effectively support the activities of the Te Uru Kahika through the Regional Sector Office. Annual survey of RCEOs in relation to performance of the sector office presented to RCEOs in June. Survey results to be the same or better than the previous year.	Not completed. Survey will be conducted in May.
	Budgets for EMAR are approved by the EMAR Steering Group by 30 June each year, and delivery within these budgets is effectively managed by the EMAR Project Manager	On Track. Additional topics and upgrades to LAWA have been completed on time and to budget.
	Be a service delivery vehicle for wider regional council sector and related bodies information management programmes and related shared services. Projects to be delivered on time and on budget as agreed in each of the Statements of Work between RSHL and the relevant regional sector group.	On Track. RSHL has effectively managed the SFMS through the first half of the year. Revenue and expenditure are consistent with the amounts documented in the SFMS Briefing Paper. RSHL has 40 contracts in place with service providers for support of Te Uru Kahika work programmes. Additionally, RSHL is effectively managing the Integrated National Farm Data Platform (INFDP) and Environmental Data Management System Programmes for Te Uru Kahika.



		2023/24
Financial	<p>RSHL will operate within approved budget, with any material variations approved by the relevant governance group.</p> <ul style="list-style-type: none"> • RSHL Overheads – RSHL Board. • IRIS NextGen Programme – IRIS NextGen Steering Group • IRIS Programme – IRIS Advisory Group • Sector Financial Management System – RCEOs Group 	<p>On Track.</p> <p>All activities are operating on or favorably to budget.</p> <p>All programmes are receiving up-to-date and accurate financial reporting.</p>
	<p>Annual charges for shareholders and customers to be at the level approved by the relevant governance group. Based upon the approved operating budget and budgets.</p> <ul style="list-style-type: none"> • RSHL Overheads – RSHL Board. • IRIS NextGen Programme – IRIS NextGen Steering Group • IRIS Programme – IRIS Advisory Group • Sector Financial Management System – RCEOs Group 	<p>On Track.</p> <p>Annual charges for shareholders and customers are as budgeted.</p>

Financial Statements | Ngā Tauākī Pūtea

Regional Software Holdings Limited

For the 6 months ended 31 December 2023

This report covers the 6 months from 1 July 2023 to 31 December 2023 as required by section 66 of the Local Government Act 2002. RSHL has no subsidiaries or joint ventures.

Registered Office

C/- O'Fee Next Level Accounting

12 Victoria Avenue, Palmerston North

Directors

The directors appointed for the period that this Performance Report covers were:

Mike Nield (Chairperson)	Taranaki Regional Council
Janine Becker	Waikato Regional Council
Bruce Howse	Northland Regional Council
Ged Shirley	Horizons Regional Council
Wilma Falconer	Southland Regional Council
Fiona McTavish	Bay of Plenty Regional Council
Asbjorn Aakjaer	Independent Director
Bruce Robertson	Independent Director

Interest Register

All directors listed their interests in the register on being appointed to the company and interest are reviewed at each board meeting. The following interests are registered:

Director	Organisation	Interest
Bruce Howse	Northland Regional Council	Group Manager, Corporate Services of Shareholding Council
Fiona McTavish	Bay of Plenty Regional Council BOPLASS Limited McTavish-Huriwai Investments Limited Quayside Holdings Limited Quayside Securities Limited Quayside Properties Limited	Chief Executive of Shareholding Council Director Director & Shareholder Director Director Director
Janine Becker	Waikato Regional Council	Director, Finance & Business Services of Shareholding Council
Mike Nield	Taranaki Regional Council Taranaki Stadium Trust	Director, Corporate Services of Shareholding Council Trustee
Ged Shirley	Horizons Regional Council	General Manager, Regional Services & Information of Shareholding Council

Wilma Falconer	Southland Regional Council Project Partners Limited	Chief Executive of Shareholding Council Director of Project Partners Limited (jointly owned company with husband)
Asbjorn Aakjaer	Negotiate Limited Aakjaer Trustee Company Ice Bear Holdings Limited One Sheep at a Time Limited <i>Note: Negotiate Consulting may from time to time provide advisory services to Northland Regional Council and Waikato Regional Council.</i>	Director & Shareholder Director & Shareholder Director & Shareholder Director & Shareholder
Bruce Robertson	R Bruce Robertson Limited	Director and Shareholder (consulting and advisory services). Through this business have a range of local authority and central government clients providing generally one off support and services, although sometimes over an extended time period.
	Auckland Council Hamilton City Council Thames-Coromandel District Council Waipa District Council Waitomo District Council Taupo District Council Bay of Plenty Regional Council Tauranga City Council Gisborne District Council Napier City Council South Wairarapa District Council Wellington City Council Timaru District Council Invercargill City Council Southland District Council Ministry of Primary Industries (MPI) Regional Software Holdings Ltd (RSHL)	Audit & Risk Committee Chair (retiring October 2023) Audit & Risk Committee Chair Audit & Risk Committee Chair Audit & Risk Committee Chair Audit & Risk Committee Chair Audit & Risk Committee Chair (commenced 2023) Audit & Risk Committee Deputy Chair Member of Strategy, Finance & Risk Committee Audit & Risk Committee Chair Audit & Risk Committee Chair Audit & Risk Committee Chair (commenced 2023) Audit & Risk Committee Chair Audit & Risk Committee Chair Audit & Risk Committee Chair Audit & Risk Committee Chair Independent Director (commenced 2023)

The following directors received the following payments throughout the 6 months period:

A Aakjaer - \$16,892 (Year ended 30 June 2023: \$33,000) for independent director services.

B Robertson - \$18,053 (Year ended 30 June 2023: \$18,053) for independent director services.

The other directors are paid through their respective Councils.

Statement of Comprehensive Revenue and Expense | Te Tauākī Matawhānui mō te Moniwhiwhi me ngā Whakapaunga

Regional Software Holdings Limited

For the 6 months ended 31 December 2023

	NOTES	31 DEC 2023 6 MONTHS (UNAUDITED)	31 DEC 2022 6 MONTHS (UNAUDITED)	31 DEC 2023 6 MONTHS SOI	30 JUNE 2024 12 MONTHS SOI	30 JUNE 2023 12 MONTHS (AUDITED)
Revenue						
Regional Sector Shared Services	2	2,783,213	2,293,046	2,857,890	5,715,783	8,904,518
Member Contributions	2	2,969,018	2,656,242	2,968,652	6,343,866	4,902,541
Other revenue	2	182,687	125,453	64,086	128,173	298,331
Interest	2	71,535	9,021	12,498	25,000	38,626
Total Revenue		6,006,453	5,083,761	5,903,126	12,212,822	14,144,016
Expenses						
Administration Costs	3	87,505	75,509	39,400	74,800	105,248
Audit and Legal Fees	1	21,311	52,240	52,500	105,000	93,683
Datacom Support Services		78,149	81,400	123,498	247,000	193,129
Environmental Charges		44,328	11,397	76,998	154,000	23,316
External Contractors		1,862,419	955,084	2,416,266	4,832,539	3,039,453
External Directors Fees		36,681	16,500	36,000	72,000	42,728
Other Direct Software Expenses		215,425	255,108	366,666	733,333	424,203
Personnel costs		663,108	421,250	872,502	1,745,000	843,340
Promotional costs		38,192	2,799	45,498	91,000	3,933
Regional Sector Shared Services		3,365,798	1,707,731	2,130,132	4,260,250	4,953,973
Travel and Meeting Costs		82,648	45,120	91,998	184,000	120,022
Depreciation Expense	6	3,005	-	-	-	1,132
Amortisation Expense	7	255,625	494,521	234,354	468,705	989,043
Total Expenses		6,754,194	4,118,659	6,485,812	12,967,627	10,833,202
Surplus/(Deficit) before Tax		(747,741)	965,102	(582,686)	(754,805)	3,310,814
Income Tax						
Tax Expense	10	-	-	-	-	725,888
Total Income Tax		-	-	-	-	725,888
Total Comprehensive Revenue and Expense		(747,741)	965,102	(582,686)	(754,805)	2,584,925

The accompanying notes form part of these financial statements; all figures are exclusive of GST unless otherwise stated

Explanations of major variances against budget are provided in the notes.



Statement of Financial Position | Te Tauākī mō te Āhua o te Pūtea

Regional Software Holdings Limited As at 31 December 2023

	NOTES	31 DEC 2023 6 MONTHS (UNAUDITED)	31 DEC 2022 6 MONTHS (UNAUDITED)	30 JUNE 2024 12 MONTHS SOI	30 JUNE 2023 12 MONTHS (AUDITED)
Assets					
Current Assets					
Cash and Cash Equivalents		5,963,061	2,651,938	613,699	5,851,788
Receivables and Prepayments	5	144,221	1,238,076	-	2,180,386
Goods and Services tax		226,586	-	-	-
Income Tax Receivable		31,488	3,682	-	11,971
Total Current Assets		6,365,357	3,893,696	613,699	8,044,146
Non-Current Assets					
Property, Plant & Equipment	6	9,169	-	-	7,826
Intangible Assets	7	1,345,834	2,095,981	1,642,725	1,601,459
Total Non-Current Assets		1,355,003	2,095,981	1,642,725	1,609,285
Total Assets		7,720,360	5,989,677	2,256,424	9,653,431
Liabilities					
Current Liabilities					
Payables and Deferred Revenue	8	899,932	729,751	-	1,838,018
Employee Entitlements	9	87,555	34,337	-	51,977
Goods and Services Tax		-	90,686	-	282,823
Total Current Liabilities		987,487	854,774	-	2,172,818
Non-Current Liabilities					
Loans		-	-	-	-
Deferred Tax Liability		725,888	-	-	725,888
Total Non-Current Liabilities		725,888	-	-	725,888
Total Liabilities		1,713,375	854,774	-	2,898,706
Net Assets		6,006,985	5,134,902	2,256,424	6,754,725
Equity					
Contributed Capital		5,149,150	5,149,150	5,149,150	5,149,150
Accumulated Funds		857,835	(14,248)	(2,892,727)	1,605,575
Total Equity		6,006,985	5,134,902	2,256,424	6,754,725

The accompanying notes form part of these financial statements; all figures are exclusive of GST unless otherwise stated



Statement of Changes in Equity/Net Assets | Te Tauākī mō ngā Panonitanga o te Whai Tūtanga/ngā Huarawa More

Regional Software Holdings Limited
For the 6 months ended 31 December 2023

	31 DEC 2023 6 MONTHS (UNAUDITED)	31 DEC 2022 6 MONTHS (UNAUDITED)	30 JUNE 2024 12 MONTHS SOI	30 JUNE 2023 12 MONTHS (AUDITED)
Equity				
Opening Balance	6,754,725	4,169,800	3,011,228	4,169,800
Total Comprehensive Revenue and Expense for the period	(747,741)	965,102	(754,805)	2,584,925
Balance at Period End	6,006,985	5,134,902	2,256,424	6,754,725
Total Comprehensive Revenue and Expense Attributable to				
Regional Software Holdings Ltd	(747,741)	965,102	(754,805)	2,584,925



Statement of Cash Flows | Te Tauākī mō ngā Kapewhiti

Regional Software Holdings Limited
For the 6 months ended 31 December 2023

	31 DEC 2023 12 MONTHS (UNAUDITED)	31 DEC 2022 6 MONTHS (UNAUDITED)	30 JUNE 2024 12 MONTHS SOI	30 JUNE 2023 12 MONTHS (AUDITED)
Cash Flows from Operating Activities				
Receipts from Members and Non-Members	3,050,010	1,963,513	12,187,822	5,015,316
Interest Received	71,535	9,021	25,000	38,626
ReCoCo Income	4,434,885	3,156,373	-	8,290,390
Other Income	137,918	59,784	-	173,962
Income tax received/(paid)	(19,517)	(2,526)	-	(10,815)
Payments to suppliers and employees	(7,200,784)	(4,176,543)	(12,498,922)	(9,508,806)
GST	(367,214)	90,863	-	309,251
Total Cash Flows from Operating Activities	106,834	1,100,485	(286,100)	4,307,923
Cash Flows from Investing and Financing Activities				
Payments to acquire property, plant and equipment	(5,717)	-	-	(7,589)
Payments to purchase intangibles	-	(8,905)	-	(8,905)
Cash Flows from Other Investing and Financing Activities	10,157	-	-	-
Total Cash Flows from Investing and Financing Activities	4,440	(8,905)	-	(16,494)
Net Increase/ (Decrease) in Cash	111,274	1,091,580	(286,100)	4,291,430
Cash Balances				
Cash and cash equivalents at beginning of period	5,851,788	1,560,358	899,799	1,560,358
Cash and cash equivalents at end of period	5,963,061	2,651,938	613,699	5,851,788
Net change in cash for period	111,274	1,091,580	(286,100)	4,291,430

The accompanying notes form part of these financial statements; all figures are exclusive of GST unless otherwise stated

Notes to the Financial Statements | Tuhinga Āpiti ki Te Ngā Tauākī Pūtea

Regional Software Holdings Limited For the 6 months ended 31 December 2023

1. Statement of Accounting Policies | Te Tauākī mō ngā Kaupapa Here Mahi Kaute

Reporting Entity

Regional Software Holdings Limited (RSHL) was incorporated 17 October 2012. RSHL was primarily incorporated for the purposes of managing the investment and development of IRIS software, and had incorporated, and has designated itself a Public Benefit Entity (PBE), in keeping with the designation of the shareholders.

RSHL is a Public Limited Liability Company incorporated and registered under the Companies Act 1993 and is a council-controlled organisation as defined in Section 6 of Local Government Act 2002.

RSHL has no subsidiaries or joint ventures.

Entity Structure

Following the restructure of RSHL into the Te Uru Kahika Shared Services organisation in November 2022, the company has a board of 8 directors, comprised of 6 council representatives and two independent directors. The Board oversees the governance of RSHL. The Board is accountable to its shareholders for the financial and non-financial performance of the company. RSHL directors are elected and retire by rotation. In addition, there is a Chief Executive who is responsible for the day-to-day operations of RSHL and reports to the Board.

The shareholding of the Company as at 31 December 2023 is as follows:

Organisation	Class A (Control) Shares	Class B (IRIS) Shares
Waikato Regional Council	1	3,275
Northland Regional Council	1	1,675
Horizons Regional Council	1	1,550
Taranaki Regional Council	1	1,550
Southland Regional Council	1	1,550
West Coast Regional Council	1	400
Bay of Plenty Regional Council	1	-
Gisborne District Council	1	-
Hawke's Bay Regional Council	1	-
Otago Regional Council	1	-

The shareholdings changed during the year ended 30 June 2023, in line with the Company Constitution November 2022 and the Shareholders Agreement November 2022. The opening 10,000 shares (fully paid up) were re-designated Class B Shares representing the original Shareholders' funding contribution towards the development of the IRIS Software. In the 6 months ended 31 December 2023, the Company issued a single Class A "Controlling" Share to Otago Regional Council for fair value of \$1 per share (In year ended 30 June 2023, 9 new Class A Shares were issued for \$1 per share). The total number of shares at 31 December 2023 is 10,010 (June 2023 and December 2022: 10,009).

The financial statements are those of RSHL, for the six months ended 31 December 2023, and were authorised for issue by the Board of Directors on 22 February 2024.

Basis of Preparation

The financial statements have been prepared on a going concern basis, and the accounting policies have been applied consistently throughout the period.

Statement of Compliance

The financial statements of RSHL have been prepared in accordance with the requirements of the Local Government Act 2002, and the Companies Act 1993, which include the requirement to comply with New Zealand Generally Accepted Accounting Practice (NZ GAAP).

These financial statements and service performance information have been prepared in accordance with and comply with PBE Standards RDR. RSHL is eligible and has elected to apply the PBE Standards RDR because its expenses are less than \$30 million and it does not have public accountability as defined by XRB A1 Application of the Accounting Standards Framework.

Presentation Currency and Rounding

The financial statements are presented in New Zealand dollars (NZ dollars) and all values are rounded to the nearest dollar.

Changes in Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

Summary of Significant Accounting Policies

Significant accounting policies are included in the notes to which they relate. Significant accounting policies that do not relate to a specific note are outlined below.

Foreign Currency Transactions

Foreign currency transactions (including those for which forward foreign exchange contracts are held) are translated into NZ\$ (the functional currency) using the spot exchange rate at the date of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in surplus or deficit.

Goods and Services Tax

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

The net amount of GST recoverable from, or payable to, the Inland Revenue Department (IRD) is included as part of receivables or payables in the Statement of Financial Position.

The net GST paid to or received from the IRD, including the GST relating to investing and financing activities, is classified as an operating cash flow in the Statement of Cash Flows. Commitments and contingencies are disclosed exclusive of GST.

Critical Accounting Estimates and Assumptions

In preparing these financial statements, estimates and assumption have been made concerning the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations or future events that are believed to be reasonable under the circumstances.

Additional Disclosure

The companies Act 1993 requires disclosure of the amount of the donations, audit fees, fees for other services from the auditor, and the number of employees of the company who received remuneration and other benefits above \$100,000 per annum, in brackets of \$10,000.

At 31 December 2023 ten staff members were employed by RSHL (30 June 2023: eight, 31 December 2022: six).

Remuneration Bracket	31 Dec 2023	30 June 2023	31 Dec 2022
Up to 100,000	4	5	3
100,000 - 110,000	0	0	0
110,000 - 120,000	0	0	1
120,000 - 130,000	0	1	0
130,000 - 140,000	1	0	0
140,000 - 150,000	0	1	1
150,000 - 160,000	2	0	0
160,000 - 170,000	0	0	0
170,000 - 180,000	0	0	0
180,000 - 190,000	1	1	1
190,000 - 200,000	0	0	0
200,000 - 210,000	2	0	0

	31 DEC 2023 6 MONTHS (UNAUDITED)	31 DEC 2022 6 MONTHS (UNAUDITED)	30 JUNE 2024 12 MONTHS SOI	30 JUNE 2023 12 MONTHS (AUDITED)
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Fees to Auditors

Fees to Audit NZ for audit of the financial statements and performance information	12,821	-	15,000	44,267
Fees to Audit NZ for other services	1,838	-	-	-
Total Fees to Auditors	14,658	-	15,000	44,267

Donations made in the period: none (last year: none).

2. Revenue**Accounting Policy**

The specific accounting policies for significant revenue items are explained below:

Revenue is recognised depending on whether the revenue is from exchange or non-exchange transactions.

Exchange Revenue

Exchange revenue from the rendering of services is recognised by reference to the stage of completion of the services.

Other Revenue

Other Revenue includes Consulting Services, and Council Specific Funding (for software and Subscriptions). RSHL recognises revenue from these services in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed based on the work performed or the stage of completion of the subscription period.

Investment Revenue

Interest revenue is recorded as it is earned.

Non-Exchange Revenue

Non-exchange revenue is recognised when it becomes receivable, unless there is a substantive use or return condition attached to the funding for non-performance. If there is a substantive use or return condition, revenue is deferred and recognised as revenue only upon satisfying the condition of the funding.

Non-exchange transactions are those where RSHL receives value from another entity (e.g. cash or other assets) without giving approximately equal value in exchange. Inflows of resources from non-exchange transactions, other than services in-kind, that meet the definition of an asset are recognised as an asset only when:

- It is probable that RSHL will receive an inflow of economic benefits or service potential; and
- The fair value of can be measured reliably.

Inflows of resources from non-exchange transactions that are recognised as assets are recognised as non-exchange revenue, to the extent that a liability is not recognised in respect to the same inflow.

Liabilities are recognised in relation to inflows of resources from non-exchange transactions when there is a resulting present obligation as a result of the non-exchange transactions, where both:

- It is probable that an outflow of resources embodying future economic benefit or service potential will be required to settle the obligation, and
- The amount of the obligation can be estimated reliably.

Members Contributions and Regional Sector Shared Services

The revenue from Members Contributions and Regional Sector Shared Services is all regarded as non-exchange revenue and recognised when it becomes receivable as there is no economic consequences of delivery outlined in the agreements.

Refer Statement of Service Performance (page 5) for further details of all revenue-generating Activities.

	31 DEC 2023 6 MONTHS (UNAUDITED)	31 DEC 2022 6 MONTHS (UNAUDITED)	30 JUNE 2024 12 MONTHS SOI	30 JUNE 2023 12 MONTHS (AUDITED)
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Members Contributions

Members Contributions as per SOI				
IRIS NextGen Programme	2,500,366	2,040,723	5,406,561	3,671,503
IRIS Programme	468,652	615,519	937,305	1,231,038
Total Members Contributions as per SOI	2,969,018	2,656,242	6,343,866	4,902,541
Total Members Contributions	2,969,018	2,656,242	6,343,866	4,902,541

Members contributions include \$2,860,092 income from the shareholder councils in 6 months to 31 December 2023 as described in note 13. Members contributions from non-shareholder councils total \$108,926.

	31 DEC 2023 6 MONTHS (UNAUDITED)	31 DEC 2022 6 MONTHS (UNAUDITED)	30 JUNE 2024 12 MONTHS SOI	30 JUNE 2023 12 MONTHS (AUDITED)
Other Income				
Consulting Services	134,943	64,210	-	188,293
Recovery of Other Direct Software Expenses	47,744	61,243	128,173	110,038
Total Other Income	182,687	125,453	128,173	298,331

3. Expenses

Accounting Policy

Expenditure is recognised on an accrual basis when the service was provided, or the goods received. Costs associated with maintaining the IRIS software suite are recognised as an expense when incurred.

	31 DEC 2023 6 MONTHS (UNAUDITED)	31 DEC 2022 6 MONTHS (UNAUDITED)	30 JUNE 2024 12 MONTHS SOI	30 JUNE 2023 12 MONTHS (AUDITED)
Administration Expenses				
Accounting & Technical Support	65,923	66,341	39,100	90,542
Administration Costs	6,939	6,142	31,700	11,455
Bank Fees	207	158	-	383
Insurance	3,270	2,868	4,000	2,868
Total Administration Expenses	76,339	75,509	74,800	105,248

4. Cash and Cash Equivalents

Accounting Policy

Cash and cash equivalents include cash on hand, on demand or call deposits, and other short-term investments with original maturities of three months or less, and bank overdrafts.

	31 DEC 2023 6 MONTHS (UNAUDITED)	31 DEC 2022 6 MONTHS (UNAUDITED)	30 JUNE 2024 12 MONTHS SOI	30 JUNE 2023 12 MONTHS (AUDITED)
Cash and cash equivalents				
Business Online Saver	286,600	281,617	-	283,807
Credit Card - Mark Donnelly	(1,547)	(756)	-	(1,191)
Current Account	5,678,009	2,371,077	-	5,569,171
Total Cash and cash equivalents	5,963,061	2,651,938	-	5,851,788

5. Receivables

Accounting Policy

Short-term receivables are recorded at the amount owed, less an allowance for credit losses. RSHL applies the simplified expected credit loss model of recognising lifetime expected credit losses for receivables.

In measuring expected credit losses, short-term receivables have been assessed on a collective basis as they possess shared credit risk characteristics. They have been grouped based on the days past due.

Short-term receivables are written off when there is no reasonable expectations of recovery. Indicators that there is no reasonable expectations of recovery include the debtor being in liquidation or the receivable being more than one year overdue.

	31 DEC 2023 6 MONTHS (UNAUDITED)	31 DEC 2022 6 MONTHS (UNAUDITED)	30 JUNE 2024 12 MONTHS SOI	30 JUNE 2023 12 MONTHS (AUDITED)
Receivables and Prepayments				
Accounts Receivable	110,738	1,206,696	-	2,103,265
Prepayments	33,482	31,380	-	77,121
Total Receivables and Prepayments	144,221	1,238,076	-	2,180,386

6. Property, Plant and Equipment

Accounting Policy

Property, plant, and equipment consists of the following asset classes: Computer Hardware.

All asset classes are measured at cost, less accumulated depreciation, and impairment losses.

Individual assets, or group of assets, are capitalised if their cost is greater than \$5,000.

Depreciation

Depreciation is provided on a straight-line basis on all property, plant, and equipment, other than land, at rates that will write off the cost (or valuation) of the assets to their estimated residual values over their useful lives. The useful lives and associated depreciation rates of major classes of property, plant, and equipment have been estimated as follows:

The useful life and associated depreciation rate for computer hardware is between 50% and 67%.

The residual value and useful life of an asset is reviewed, and adjusted if applicable, at each balance date.

Impairment and Impairment Reversals (Cash-Generating Assets)

Property, plant, and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount might not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable service amount. The recoverable service amount is the higher of an asset's fair value less costs to sell and value in use.

Value in use is determined using an approach based on either a depreciated replacement cost approach, a restoration cost approach, or a service units approach. The most appropriate approach used to measure value in use depends on the nature of the impairment and availability of information.

If an asset's carrying amount exceeds its recoverable service amount, the asset is regarded as impaired and the carrying amount is written down to its recoverable amount. For revalued assets, the impairment loss is recognised in other comprehensive revenue and expense and decreases the revaluation reserve for that class of asset. Where that results in a debit balance in the revaluation reserve, the balance is recognised in surplus or deficit.

For assets not carried at a revalued amount, the total impairment loss is recognised in depreciation and amortisation expense in the statement of comprehensive revenue and expense.

The reversal of an impairment loss on a revalued asset is recognised in other comprehensive revenue and expense and increases the asset revaluation reserve for that class of asset. However, to the extent that an impairment loss for that class of asset was previously recognised in surplus or deficit, a reversal of an impairment loss is also recognised in surplus or deficit.

For assets not carried at a revalued amount, the reversal of an impairment loss is recognised in depreciation and amortisation expense in the statement of comprehensive revenue and expense.

	Computer Hardware	Total
Balance as at 1 July 2023	7,826	7,826
Additions	4,347	4,347
Disposals (net accumulated depreciation)	-	-
Depreciation Expense	(3,005)	(3,005)
Balance as at 31 December 2023	9,169	9,169
Balance as at 1 July 2022	-	-
Additions	8,958	8,958
Disposals (net of accumulated depreciation)	-	-
Depreciation Expense	(1,132)	(1,132)
Balance as at 30 June 2023	7,826	7,826

7. Intangible Assets

Accounting Policy

Software acquisition and development

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

Costs that are directly associated with the development of software for internal use are recognised as an intangible asset. Direct costs include the costs of services, software development employee costs, and an appropriate portion of relevant overheads.

From the 2020-21 year all IRIS development is now treated as operating expenses (previously recognised as property, plant and equipment). All determined IRIS development that will not enhance the asset that was previously recognised as property, plant and equipment has now been expensed in the year.

Staff training costs are recognised as an expense when incurred.

Costs associated with maintaining computer software are recognised as an expense when incurred.

Costs of software updates or upgrades are capitalised only when they increase the usefulness or value of the software. Costs associated with development and maintenance of the RSHL website are recognised as an expense when incurred.

Amortisation

The carrying value of an intangible asset with a finite life is amortised on a straight-line basis over its useful life. Amortisation begins when the asset is available for use and ceases at the date that the asset is derecognised. The amortisation charge for each financial year is recognised in surplus or deficit.

The useful lives and associated amortisation rates of major classes of intangible assets have been estimated as follows:

Acquired computer software 10 years 10%

Internally developed computer software 10 years 10%

Where software in this category is replaced, upgraded or determined by RSHL to be of no further operational benefit, a change in value will be recognised through the Statement of Comprehensive Revenue and Expense. This change in value will be the difference between the carrying value of the original item and its fair value.

Cash-generating assets and non-cash generating assets are distinguished by whether or not the primary objective of holding the assets is to generate a commercial return. RSHL has assessed that it has no non-cash-generating assets.

Impairment and Impairment Reversals (Cash-Generating Assets)

Intangible assets subsequently measured at cost that have an indefinite useful life, or are not yet available for use, are tested annually for impairment, irrespective of whether there is any indicator of impairment.

For further details, refer to the policy for impairment of property, plant, and equipment in Note 6. The same approach applies to the impairment of intangible assets.

Under International Public Sector Accounting Standards (IPSAS) 31 and 26 the management of RSHL is required to consider whether there is an impairment to the suite of intangible assets.

RSHL has considered the external and internal sources of information under IPSAS 26 and considers it likely that on or about 30 June 2027 the current IRIS software platform and attendant e-learning software will be discontinued with no residual value. On this consideration the current IRIS asset and attendant e-learning software has been impaired in 2021 and then further impaired in 2022, but with no further impairment identified in 2023.

Therefore all impaired software assets will be amortised on a straight-line basis at variable rates so as to have a nil residual value on 30 June 2027 (no change since last year).

All assets that will not be impacted by impairment will continue to be amortised on a straight-line basis at 10% and have no residual value on 30 June 2027.

The impairment adjustment from the 2021 and the 2022 years will form part of the amortisation expense until 30 June 2027 in the statement of comprehensive revenue and expense.

	Brand Design & Development	E-Learning Software	IRIS Software Intellectual Property	Total
Balance as at 1 July 2023	8,905	17,951	1,574,603	1,601,459
Additions	-	-	-	-
Disposals (net accumulated amortisation)	-	-	-	-
Amortisation Expense	-	(2,245)	(253,380)	(255,625)
Balance as at 31 December 2023	8,905	15,706	1,321,223	1,345,834
Balance as at 1 July 2022	-	22,442	2,559,155	2,581,597
Additions	8,905	-	-	8,905
Disposals (net of accumulated amortisation)	-	-	-	-
Amortisation Expense	-	(4,491)	(984,552)	(989,043)
Balance as at 30 June 2023	8,905	17,951	1,574,603	1,601,459

At 31 December 2023 the work in progress value of the IRIS Asset is \$Nil. The work in progress written off has been included in other direct software expenses.(30 June 2023: Nil).

The impairment adjustment of E-Learning Software and IRIS Software Intellectual Property from the 2022 year will form part of the accelerated amortisation expense until 30 June 2027.

8. Payables and Deferred Revenue

Short term payables are measured at the amount payable.

	31 DEC 2023 6 MONTHS (UNAUDITED)	31 DEC 2022 6 MONTHS (UNAUDITED)	30 JUNE 2024 12 MONTHS SOI	30 JUNE 2023 12 MONTHS (AUDITED)
Payables and Deferred Revenue				
Accounts Payable	866,449	651,682	-	1,712,558
Accrued Expenses	-	46,690	-	40,410
Income Received in Advance	33,482	31,380	-	85,050
Total Payables and Deferred Revenue	899,932	729,751	-	1,838,018

9. Employee Entitlements

Accounting Policy

Employee entitlements that are expected to be settled wholly before 12 months after the end of the reporting period in which the employees provide the related service are measured based on accrued entitlements at current rates of pay. These include salaries and wages accrued up to balance date, and annual leave earned to but not yet taken at balance date.

Annual leave expected to be settled within 12 months of balance date are classified as a current liability.

	31 DEC 2023 6 MONTHS (UNAUDITED)	31 DEC 2022 6 MONTHS (UNAUDITED)	30 JUNE 2024 12 MONTHS SOI	30 JUNE 2023 12 MONTHS (AUDITED)
Employee Entitlements				
Wages Payable	23,783	12,223	-	19,319
Leave Liability	63,772	22,115	-	32,657
Total Employee Entitlements	87,555	34,337	-	51,977

10. Income Tax

Accounting Policy

Income tax expense includes components relating to current tax and deferred tax, and is calculated using tax rates and tax laws that have been enacted or substantively enacted at balance date.

Current tax is the income tax payable based on the taxable profit for the current year, plus any adjustments to income tax payable in respect of prior years.

Deferred tax is the amount of income tax payable or recoverable in future periods in respect of temporary differences and unused tax losses. Temporary differences are differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences or tax losses can be utilised.

Deferred tax is not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition of an asset or liability in a transaction that affects neither accounting profit nor taxable profit.

Current and deferred tax is recognised against the profit or loss for the period, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

Income tax for the 6 months to 31 December 2023 has not been accounted for in this report, and will be included in the annual report for the year ended 30 June 2024.

11. Equity

Accounting Policy

Equity is measured as the difference between total assets and total liabilities. Equity is disaggregated and classified as contributed capital and accumulated surplus.

	31 DEC 2023 6 MONTHS (UNAUDITED)	31 DEC 2022 6 MONTHS (UNAUDITED)	30 JUNE 2024 12 MONTHS SOI	30 JUNE 2023 12 MONTHS (AUDITED)
Equity				
Contributed Capital				
Balance at 1 July	5,149,150	5,149,150	5,149,150	5,149,150
Capital Contribution	-	-	-	-
Balance at end of period	5,149,150	5,149,150	5,149,150	5,149,150
Accumulated Surplus				
Balance at 1 July	1,605,575	(979,350)	(2,137,922)	(979,350)
Surplus/(deficit) for the year	(747,741)	965,102	(754,805)	2,584,925
Balance at end of period	857,834	(14,248)	(2,892,727)	1,605,575
Total Equity	6,006,984	5,134,902	2,256,423	6,754,725

12. Contingent Liabilities and Guarantees

There are no contingent liabilities or guarantees as at 31 December 2023 (Last year - nil).

13. 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 RSHL would have adopted in dealing with the party at arm's length in the same circumstances.

Related Party Transactions Significant to RSHL Requiring Disclosure (excluding GST):

Shareholder	31 December 2023	30 June 2023	31 December 2022	Description of Services
Waikato Regional Council	-	93,765	61,792	Management Services - IRIS PMO Manager
Waikato Regional Council	-	33,006	13,113	Reimbursement for travel booked by WRC on behalf of RSHL
Waikato Regional Council	-	1,464	-	Purchase of laptop for staff member
Horizons Regional Council	-	51,001	51,001	Reimbursement of Regional Sector Office Costs, funded from the SFMS.
Horizons Regional Council	-	4,177	-	Reimbursement for travel booked by HRC on behalf of RSHL
Taranaki Regional Council	-	290	-	Reimbursement for Te Uru Kahika Mayors/Chairs induction dinner cost, funded from the SFMS
Taranaki Regional Council	-	5,270	-	Admin costs for Biosecurity Working Group
Bay of Plenty Regional Council	-	507,892	-	Reimbursement for BioControl Programme

Bay of Plenty Regional Council	-	37,240	-	Reimbursement of costs Practices, Methodologies and Standards NZ River Managers SIG
Hawke's Bay Regional Council	-	78,254	-	River Managers SIG Professional Development Programme expenditure
Otago Regional Council	7,377	n/a	n/a	Secondment of staff member for IRIS NextGen

Revenue of \$2,860,092 was received from the shareholder councils as member contribution in the six months ended 31 December 2023 as outlined in note 2 (year ended 30 June 2023: \$4,902,541, 6 months ended 31 December 2022: \$2,339,744)

Member contributions were received as follows:

Shareholder	31 DEC 2023 6 MONTHS (UNAUDITED)	31 DEC 2022 6 MONTHS (UNAUDITED)	30 JUNE 2023 12 MONTHS (AUDITED)
Waikato Regional Council	600,491	568,014	1,054,691
Bay of Plenty Regional Council	448,250	321,923	655,945
Horizons Regional Council	346,743	296,879	594,653
Hawke's Bay Regional Council	346,743	241,028	544,566
Northland Regional Council	327,675	222,528	544,566
Taranaki Regional Council	259,675	23,851	445,059
Southland Regional Council	259,675	368,641	445,057
West Coast Regional Council	18,160	296,879	47,702
Otago Regional Council	271,750	-	-

As at 31 December 2023 \$6,431 was owed to RSHL by Member Councils (30 June 2023: \$368,074 and 31 December 2022: \$963,109) and \$1,978 was owed by RSHL to Member Councils (30 June 2023: \$425,474 and 31 December 2022: \$16,678)

14. Events After Balance Date

There are no significant events after balance date (Last year: Nil).

15. Financial Instruments

PBE IPSAS 41 replaces PBE IFRS 9 Financial Instruments and was effective for the year ending 30 June 2023. RSHL has assessed that there will be little change as a result of adopting the new standard as the requirements are similar to those contained in PBE IFRS 9. The carrying amounts of financial assets and liabilities in each of the PBE IPSAS 41 financial instrument categories are as follows:

	31 DEC 2023 6 MONTHS	31 DEC 2022 6 MONTHS	30 JUNE 2024 12 MONTHS SOI	30 JUNE 2023 12 MONTHS

	(UNAUDITED)	(UNAUDITED)		(AUDITED)
Financial assets measured at amortised cost				
Cash and cash equivalents	5,963,061	2,651,938	-	5,851,788
Receivables (excluding taxes receivable)	144,221	1,238,076	-	2,138,546
Total Financial assets measured at amortised cost	6,107,282	3,890,014	-	7,990,334
	31 DEC 2023 6 MONTHS (UNAUDITED)	31 DEC 2022 6 MONTHS (UNAUDITED)	30 JUNE 2024 12 MONTHS SOI	30 JUNE 2023 12 MONTHS (AUDITED)

Financial liabilities measured at amortised cost

Payables (excluding income in advance and taxes payable)	829,215	682,605	-	1,730,243
Total Financial liabilities measured at amortised cost	829,215	682,605	-	1,730,243

Financial Instrument Risks

RSHL's activities expose it to a variety of financial instrument risks, including market risk, credit risk, and liquidity risk. RSHL has policies to manage the risks associated with financial instruments and seeks to minimise exposure from financial instruments. These policies do not allow any transactions that are speculative in nature to be entered into.

Market risk**Currency risk**

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. Currency risk arises from recognised liabilities, which are denominated in a foreign currency. RSHL has low exposure to currency risk because it does not have significant overseas liabilities.

Fair value interest rate risk

Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate, or the cash flows from a financial instrument will fluctuate, due to changes in market interest rates. RSHL has exposure to interest rate risk because it has interest-bearing bank accounts, but is not reliant on interest income for maintaining liquidity.

Credit risk

Credit risk is the risk that a third party will default on its obligation to RSHL, causing RSHL to incur a loss. In the normal course of its business, credit risk arises from receivables, and deposits with banks.

These entities have high credit ratings. For its other financial instruments, RSHL does not have significant concentrations of credit risk.

RSHL's maximum credit exposure for each class of financial instrument is represented by the total carrying amount of cash and cash equivalents, receivables, and derivative financial instrument assets. There is no collateral held as security against these financial instruments.

Although cash and cash equivalents as at 30 June 2023 are subject to the expected credit loss requirements of PBE IPSAS 41, no loss allowance has been recognised because the estimated loss allowance for credit losses is trivial.

RSHL has deposited funds only with Westpac (Standard & Poor's credit rating of AA-), a registered bank.

Liquidity risk**Management of liquidity risk**

Liquidity risk is the risk that RSHL will encounter difficulty raising liquid funds to meet commitments as they fall due. As part of meeting its liquidity requirements, RSHL closely monitors its forecast cash requirements. RSHL maintains the level of available cash to meet liquidity requirements and to meet liabilities as they fall due.



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29 February 2024

Tēnā koutou,

RE: Draft 2025-27 Statement of Intent

The Board of Regional Software Holdings Limited (RSHL) is pleased to present its draft 2025-27 Statement of Intent.

RSHL enables the regional sector councils and Te Uru Kahika to act collaboratively and deliver solutions that, in the normal course of events, would be unaffordable or unachievable. Further, it assists the sector to act and speak as one.

Over the last few years, RSHL has successfully grown the range of collaborative services that it provides together with the range of regional and unitary councils benefiting from those services. After several years of transformation, this Statement of Intent reflects a stable base of operations.

The transition to the new company structure is complete, the IRIS NextGen Programme is fully established, and Te Uru Kahika work programmes are embedded within RSHL.

Our primary focus for the next year is completing the design and build of IRIS NextGen and commencing the first implementations.

Alongside this focus is our commitment to supporting the delivery of the Te Uru Kahika work programmes. Te Uru Kahika aims to achieve:

- A sector that is better prepared to respond to future challenges.
- Better return on investment with a focus on quality outcomes and realisation of the sector value proposition.
- Increased credibility of the sector as a trusted deliverer with a unified and consistent sector profile.
- Improved staff attraction and retention.
- Consistent good business practice across the sector and within councils.

RSHL continues to work with Te Uru Kahika to enable it to deliver upon these objectives.

The budget contained in the Statement of Intent is separated into four activities.

Activity	Description
IRIS Next Generation	The IRIS NextGeneration Programme is underpinned by the IRIS NextGen Partnership Agreement and funded by the nine participating Councils. The draft programme budget was approved by the IRIS NextGen Programme Steering Group. Non-participating councils make no contribution to this programme and bear no delivery or residual risk in the project.
IRIS Classic	IRIS Classic is our longest running programme, underpinned by the IRIS Advisory Group Terms of Reference. The programme is funded by the seven councils that use IRIS. The draft budget was approved by the IRIS Advisory Group. Non participating councils make no contribution to this programme and bear no delivery or residual risk in the project.

Activity	Description
Sector Financial Management System	The Sector Financial Management System is the arrangement under which RSHL supports the delivery of Te Uru Kahika work programmes. The activity is underpinned by a Memorandum of Understanding between RSHL and the Regional Chief Executive Officers (RCEOs) Group. The work programmes are funded by the sixteen participating councils, as well as government entities. The draft budget reflected in the Statement of Intent was developed by the Te Uru Kahika Virtual Office and endorsed by the RCEOs Group.
Overheads	Costs and income that cannot be directly attributed to a work programme are represented in the overheads activity. Costs in this activity are those generally associated with the governance, management, and operation of the company. A share of overhead costs is allocated to each of the other activities based on proportion of revenue.

Financially, we remain in a sound position. All programmes operate on a cost-recovery basis with small annual surplus or deficit.

The IRIS Programme shows a book loss of \$650,000. This is driven by depreciation of \$400,000 and use of \$250,000 of carry over funds from the 2023/2024 financial year. The budgeted 2023/2024 surplus is a result of tight control of the spend on the IRIS Programme. IRIS Programme costs are steadily reducing each year.

The IRIS NextGen Programme also shows a small book loss of \$180,000. Again, this results from the use of a budgeted surplus from the previous year. The retained funds are because of a contractual retention from a supplier.

Feedback on the Draft 2024-26 Statement of Intent noted the performance targets and measures were broad and not clearly linked to the achievement of the scope of activities to be undertaken. In this Draft Statement of Intent we have endeavoured to better align our performance measures with our strategic priorities.

In this period of uncertainty, while the local government sector navigates a change in direction from central government, RSHL stands ready to assist councils respond coherently and cohesively.

Thank you for your continued support of RSHL and our work. We look forward to receiving your feedback before 1 May 2024.

Nāku noa nā



Mike Nield

Chairperson

Tauākī Whakamaunga Atu | Statement of Intent 2025 (DRAFT)



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1. Kupu Takamua | Foreword

Regional Software Holdings Limited (RSHL) is pleased to present its draft 2025 Statement of Intent and we welcome feedback from shareholder councils.

RSHL enables the regional sector councils and Te Uru Kahika to act collaboratively and deliver solutions that, in the normal course of events, would be unaffordable or unachievable. Further, it assists the sector to act and speak as one.

Over the last few years, RSHL has successfully grown the range of collaborative services that it provides together with the range of regional and unitary councils benefiting from those services. After several years of transformation, this Statement of Intent reflects a stable base of operations.

The transition to the new company structure is complete, the IRIS NextGen Programme is fully established, and Te Uru Kahika work programmes are embedded within RSHL.

Our primary focus for the next year is completing the design and build of IRIS NextGen and commencing the first implementations.

Alongside this focus is our commitment to supporting the delivery of the Te Uru Kahika work programmes. Te Uru Kahika aims to achieve:

- A sector that is better prepared to respond to future challenges.
- Better return on investment with a focus on quality outcomes and realisation of the sector value proposition.
- Increased credibility of the sector as a trusted deliverer with a unified and consistent sector profile.
- Improved staff attraction and retention.
- Consistent good business practice across the sector and within councils.

RSHL continues to work with Te Uru Kahika to ensure it is fit for purpose to meet these objectives.

We are excited about continuing to provide excellence in shared services to the regional sector. We welcome and look forward to receiving your feedback.

Nāku noa nā

A handwritten signature in black ink, appearing to read 'Mike Nield', is written over a light blue horizontal line.

Mike Nield

Chairperson



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3. Kupu Whakataki | Introduction

This Statement of Intent is a declaration of the activities and intentions of Regional Software Holdings Limited (RSHL). The statement outlines the Directors' accountabilities to the shareholders for corporate performance, as is intended by Schedule 8 of the Local Government Act 2002.

Subsidiaries

RSHL has no subsidiaries or joint ventures.

Vision

To provide high-quality shared services for Te Uru Kahika (and associated agencies) that delivers value to customers, shareholders and the sector.

Principles¹

The Principles of the Company that should be considered when making any decisions relating to the Company are as follows:

- Work for the good of Te Uru Kahika.
- Act in accordance with the principles of Te Tiriti o Waitangi.
- Be transparent and accountable.
- Create value.
- Work smarter, not harder.
- Gain consistency.
- Reduce duplication.
- Be customer centric.
- Recognise and manage shareholder risk.
- Support our people.

Objectives

In addition to operating the Company with regard to the principles, the primary objectives of the Company are to:

- Ensure the local government sector is better prepared to respond to future challenges.
- Achieve a better return on investment with a focus on quality of outcome and realising the value proposition for the sector.
- Increase credibility of the sector as a trusted deliverer with a unified and consistent sector profile.
- Improve key staff attraction and retention.
- Achieve consistent good practise process across the sector and within councils.

The secondary objectives of RSHL are to:

- achieve the objectives of its Shareholders, both commercial and non-commercial as specified in this Statement of Intent.
- be a good employer.
- exhibit a sense of social and environmental responsibility by having regard to the interests of the community in which the Company operates and by endeavouring to accommodate or encourage these when able to do so.

Environmental and Sustainability Ethics

As part of the local government sector, we are fully cognisant of the realities of climate change. We are committed to reducing our environmental impact and promoting sustainability in all our operations. We will continue to look for ways to reduce our carbon footprint, conserve natural resources, and minimise our environmental impact.

¹ Principles are from section 2 of the RSHL constitution.



Environmental impacts and sustainability will be considered as a matter of course in the development of business cases. The environmental and sustainability impacts will be explicitly considered as part of the development of our strategy.

Values

In all RSHL decisions and interactions the Board and staff, together with sector participants who may be working within the RSHL framework, will observe the following values and ethos:

- We are forward thinking and innovative.
- We are responsive and deliver value.
- We are professional and accountable.
- We are flexible and open.

4. Te Āhua me te Hōkaitanga o ngā Mahi ka Whakahaeretia | Nature and Scope of Activities to be Undertaken

RSHL provides a framework for collaboration across Te Uru Kahika. It supports the procurement or development of shared solutions in a manner that provides greater consistency. RSHL provides a more cost-effective alternative than individual councils can achieve on their own.

The company operates by facilitating collaborative initiatives between councils and through managed contractual arrangements.

RSHL activities are grouped as follows:

Activity	Description
IRIS	<p>The IRIS Programme delivers the IRIS software platform to shareholder and customer councils. The IRIS software has been in use for 10 years and is currently in use at 7 councils.</p> <p>The 7 councils actively collaborate on the use of IRIS and the future development roadmap.</p> <p>The IRIS Programme is overseen by the IRIS Advisory Group. This group agrees the roadmap and sets the budgets for the programme.</p> <p>RSHL and the member councils will replace the IRIS software platform via IRIS NextGen within the next 3 years.</p> <p>The IRIS Programme is now in the sunset phase. Expenditure is kept to a minimum to allow councils and staff to focus on IRIS NextGen.</p> <p><i>Performance</i> When assessing the performance of the IRIS Programme we consider whether RSHL has appropriately managed the programme. This includes budget, vendor management, product roadmap and communications with councils.</p> <p>We place an emphasis on value, predictability, and delivery.</p> <p>Performance against budget and delivery of releases are used to assess performance.</p>



Activity	Description
<p>IRIS Next Generation</p>	<p>Nine councils are working with RSHL and Datacom on the delivery of the IRIS NextGen Programme, under a formal partnership agreement.</p> <p>The IRIS NextGen Programme is led by the IRIS NextGen Steering Group. The Group is made up of senior managers from the councils, RSHL and Datacom.</p> <p>The goal of the IRIS NextGen Programme is to delivery game-changing productivity improvements to the regional sector through sector alignment around good practice process, supported by fit for purpose software.</p> <p>IRIS Next Generation (IRIS NextGen) will be a cloud-based Software as a Service solution (SaaS) based on the Datacom Datascape platform.</p> <p>IRIS NextGen will deliver a modern software platform to councils, including an online customer portal and a mobile field application. Along with the software solution, the programme will implement consistent “good practice” processes for the sector, IRIS NextGen will:</p> <ul style="list-style-type: none"> • Make council staff work easier. • Promote operational excellence and efficiency. • Demonstrate collaboration at a sector level. • Ensure the development of the technical solution is fit for purpose. <p>Over the next two years the IRIS NextGen Programme will complete the build of the IRIS NextGen software solution and commence rollout to the councils, starting with implementation at the pilot council in 2024-25.</p> <p><i>Performance</i></p> <p>When assessing the performance of the IRIS NextGen Programme we consider whether RSHL has appropriately managed the programme. This includes budget, vendor management, product roadmap and communications with councils.</p> <p>We place an emphasis on predictability, delivery and consistency.</p> <p>Performance against budget, delivery against milestones, and customer feedback are used to assess performance.</p>



Activity	Description
Environmental Monitoring and Reporting (EMAR)	<p>The objective of EMAR is to improve the collection, accessibility, and presentation of environmental data in New Zealand.</p> <p>The EMAR Programme has three projects.</p> <ul style="list-style-type: none"> • National Environmental Monitoring Standards (NEMS) – Aims to ensure consistency in the way environmental monitoring data is collected and handled throughout New Zealand. • Environmental Data Management System (EDMS) – Aims to provide a single access point to environmental data from multiple sources in a consistent format. • Land, Air Water Aotearoa (LAWA) – Shares data and information to tell the story of our environment. <p>EMAR is an all-of-sector programme, and includes partner agencies from central government: MfE, StatsNZ and DOC (and others).</p> <p>The EMAR programme is managed by RSHL and governed by the EMAR Steering Group. Each project has its own Steering Group who oversee operational activities.</p> <p>The EMAR/LAWA Programme Manager is employed by RSHL. The LAWA project administration (financial and contractual) is managed by RSHL.</p> <p><i>Performance</i></p> <p>When assessing the performance of the EMAR we consider whether RSHL has appropriately managed the programme. This includes budget, vendor management, product roadmap and communications with councils.</p> <p>An emphasis is placed on predictability, delivery and consistency.</p> <p>Performance against budget, delivery of releases, customer and user feedback are used to form an assessment.</p>



<p>Te Uru Kahika Support Services</p>	<p>Te Uru Kahika is the collective name for the 16 Regional Councils and Unitary Authorities in New Zealand.</p> <p>Through Te Uru Kahika, the regional sector:</p> <ul style="list-style-type: none"> • Shares knowledge and resources between councils, • Coordinates input into national direction setting, • Works together to more effectively implement central government policy and respond to nationally significant events. <p>The Virtual Office of Te Uru Kahika is made up of a small team who coordinate the activity of cross-functional groups from different councils.</p> <p>RSHL provides services that underpin and accelerate Te Uru Kahika, including the Sector Financial Management System.</p> <p><i>The Virtual Office</i> The Virtual Office supports the activities of Te Uru Kahika.</p> <p>The Virtual Office is made up of several roles:</p> <ul style="list-style-type: none"> • Te Uru Kahika – Executive Director • Executive Policy Adviser • Chief Science Advisor • Te Uru Kahika Administrator • Resource Management Reform Director. • Kaimahi • Contract Communications Advisor <p>All of these roles are employed or engaged by RSHL.</p> <p><i>Sector Financial Management System (SFMS)</i> Te Uru Kahika organises its activities into Work Programmes:</p> <ul style="list-style-type: none"> • Te Uru Kahika Virtual Office • River Management • Bio Management • Ngā Kairapu • Resource Management • Climate Change Working Group • Communications • EDMS • INFDP • EMAR • Science Programme • National BioControl Programme <p>Under the SFMS, RSHL collects funding from councils for each of these programmes in a coordinated way, contracts service providers to assist with the delivery of the programmes, pays provider and reports on the use of the funding.</p> <p>The services that RSHL provides to Te Uru Kahika are defined in a Memorandum of Agreement.</p> <p>When assessing RSHLs performance for this activity, the focus is different for each service. The performance measures are defined in the MoA.</p> <p>These services are:</p> <table border="1" data-bbox="438 1899 1348 1977"> <tr> <td data-bbox="438 1899 895 1977">Financial/Operations Management</td> <td data-bbox="895 1899 1348 1977">These are foundational services, the focus is on compliance with policy, alignment with good practice.</td> </tr> </table>	Financial/Operations Management	These are foundational services, the focus is on compliance with policy, alignment with good practice.
Financial/Operations Management	These are foundational services, the focus is on compliance with policy, alignment with good practice.		



Activity	Description	
	Operation of shared services/solutions.	The focus is on achieving the intended outcome of the shared service, while effectively managing staff and finances.
	Employment of Staff	The focus is on providing a working environment where staff are supported, motivated and safe.
	Programme Management	The focus is on delivering high quality, skilled and trusted programme management, so that Te Uru Kahika maximises the benefits of investment into shared programmes.
	Management Services (As requested)	The focus is on being an enabler and problem solver, allowing Te Uru Kahika to maintain momentum towards its goals.



5. Ngā Kaimahi Matua | Key Personnel

Organisation	Chief Executive	Mark Donnelly mark.donnelly@rshl.co.nz 027 66 44 674
	Business Support Specialist	Jane Fletcher Jane.fletcher@rshl.co.nz
IRIS and IRIS NextGen Programme	Programme Manager	Coralie Gibbison coralie.gibbison@rshl.co.nz
	Product Manager	Tania Monk tania.monk@rshl.co.nz
Te Uru Kahika	Te Uru Kahika Executive Director	Liz Lambert liz.lambert@teurukahika.govt.nz
	Executive Policy Advisor	Vacant.
	Chief Science Advisor	Chris Daughney chris.daughney@teurukahika.govt.nz
	Director-Resource Management Reform	Al Cross al.cross@teurukahika.govt.nz
EMAR/Lawa	Project Manager	Abi Loughnan Abi.loughnan@teurukahia.govt.nz



6. Ngā Tūpono Āheinga hei Whanaketanga | Possible Opportunities for Growth

RSHL constantly seeks to increase the value delivered to Te Uru Kahika and councils.

New opportunities will be identified, and priorities set in the Business Plan. Other opportunities may arise and be investigated on a case-by-case basis. New activities will require explicit Board approval.

The potential market for RSHL to offer products and services is New Zealand Regional Councils and Unitary Authorities.

7. Te Huarahi Whāinga a te Poari ki te Mana Whakahaere | Board's Approach to Governance

Members of the RSHL Board of Directors are appointed by the shareholders according to the company constitution.

The board is made up of 6 non-independent and 2 independent directors. The non-independent directors are senior staff from shareholding councils.

Each year 2 Directors retire by rotation and the shareholders appoint replacements at the Annual General Meeting to be held before 30 December each year.

The Board is the overall body responsible for all decision-making within the company. The Board is accountable to its shareholders for the financial and non-financial performance of the company.

Directors' behaviour is to comply with Institute of Directors' standards for Code of Conduct. The purpose of the code is to clarify how the Board of Directors shall define and deal with:

- The role and fundamental obligations of the Board,
- Independence and conflict of interest, including conflict with management,
- Board procedures, including the role of the Chairman and interaction with the Chief Executive,
- Reliance on information and independent advice,
- Confidentiality of company information,
- Board and Director performance review and development.

RSHL will conduct itself in accordance with its Constitution, its annual Statement of Intent agreed with shareholders, the provisions of the Local Government Act 2002 and the Companies Act 1993.



8. Ngā Poutohutohu | Directors

The following directors are in office on 1 July 2024

Director	Council
Asbjorn Aakjaer	Independent
Bruce Howse	Northland Regional Council
Janine Becker	Waikato Regional Council
Wilma Falconer	Southland Regional Council
Fiona McTavish	Bay of Plenty Regional Council
Bruce Robertson	Independent
Michael Nield	Taranaki Regional Council
Ged Shirley	Horizons Regional Council

Interest Register

All directors listed their interests in the register on being appointed to the company and interest are reviewed at each board meeting. The following interests are registered:

Director	Organisation	Interest
Bruce Howse	Northland Regional Council	Group Manager, Corporate Services of RSHL Shareholding Council
Fiona McTavish	Bay of Plenty Regional Council BOPLASS Limited McTavish-Huriwai Investments Limited Quayside Holdings Limited Quayside Securities Limited Quayside Properties Limited	Chief Executive of RSHL Shareholding Council Director Director & Shareholder Director Director Director
Janine Becker	Waikato Regional Council	Director, Finance & Business Services of RSHL Shareholding Council
Mike Nield	Taranaki Regional Council Taranaki Stadium Trust	Director, Corporate Services of RSHL Shareholding Council Trustee
Ged Shirley	Horizons Regional Council	General Manager, Regional Services & Information of RSHL Shareholding Council
Wilma Falconer	Southland Regional Council Project Partners Limited	Chief Executive of RSHL Shareholding Council Director of Project Partners Limited (jointly owned company with husband)
Asbjorn Aakjaer	Negotiate Limited Aakjaer Trustee Company Ice Bear Holdings Limited One Sheep at a Time Limited <i>Note: Negotiate Consulting may from time to time provide advisory services to Northland Regional Council and Waikato Regional Council.</i>	Director & Shareholder Director & Shareholder Director & Shareholder Director & Shareholder
Bruce Robertson	R Bruce Robertson Limited Auckland Council Hamilton City Council Thames-Coromandel District Council Waipa District Council Waitomo District Council	Director and Shareholder. Through this business Mr. Robertson has a range of local authority and central government clients. Audit & Risk Committee Chair Audit & Risk Committee Chair Audit & Risk Committee Chair Audit & Risk Committee Chair Audit & Risk Committee Chair



Director	Organisation	Interest
	Taupo District Council Bay of Plenty Regional Council Tauranga City Council Gisborne District Council Napier City Council South Wairarapa District Council Wellington City Council Timaru District Council Invercargill City Council Southland District Council Ministry of Primary Industries (MPI)	Audit & Risk Committee Chair Audit & Risk Committee Deputy Chair Member of Strategy, Finance & Risk Committee Audit & Risk Committee Chair Audit & Risk Committee Chair Audit & Risk Committee Chair Audit & Risk Committee Chair Audit & Risk Committee Chair Audit & Risk Committee Chair Audit & Risk Committee Chair Audit & Risk Committee Chair



9. Ngā Ūnga Mahi me Ētahi Atu Ine | Performance Targets and Other Measures

Performance targets by which success may be judged in relation to our objectives are:

Theme: Programme Delivery

Performance Statement: We will manage our programmes to a high standard.

Target	Timing
All projects and programmes will follow an appropriate approval pathway for their size, scope and complexity.	Self-assessment in June each year.
All programmes will have an effective governance structure appropriate to the size and complexity of the programme.	Self-assessment in June each year.
All programmes will have an effective planning process. Draft plans and budgets will be set before 1 March, final plans and budgets will be set by 30 June.	Self-assessment in June each year.
All programmes will meet agreed delivery targets set by the programme governance group each year. Annual performance surveys will be completed with participating councils. Survey feedback will be considered and actioned where appropriate – including sharing feedback with the Board.	Self-assessment in November each year.

Theme : Support Te Uru Kahika

Performance Statement: We will deliver high-quality services to Te Uru Kahika.

Target	Timing
We will review and agree performance targets with Te Uru Kahika annually as part of the planning and budgeting process.	Self-assessment in June each year.
We will meet or exceed agreed performance targets. Results will be agreed with Te Uru Kahika Executive Advisor and shared with RCEOs Group and Board.	Assessed at year-end.

NB – RSHL support for Te Uru Kahika is underpinned by a Memorandum of Agreement which outlines the services to be provided.

Theme : Operational Excellence

Performance Statement: We will set a high standard for the governance and management of the company.

Target	Timing
We will operate within approved budget, with any material variations approved by the board.	Assessed at year-end.
We will meet all statutory governance and reporting deadlines.	Assessed in July for the previous year.



Target	Timing
The board will operate according to the Institute of Directors' Code of Practice.	Self-assessment to be completed in June for the previous financial year.

10. Ngā Mōhiohio Kaiwhaipānga | Shareholders Information

Shareholding

Regional Software Holdings Limited (RSHL) was formed on 17 October 2012. At the time of formation, the company issued 10,000 shares to its shareholders based on a previously agreed sizing formula.

In 2022 as part of the restructure of the Company a new shareholders' agreement and constitution were adopted. The company:

- Issued a single Class A "Controlling" Share to each existing shareholder of the Company.
- created a Class B shareholding which holds the ownership rights over IRIS classic. All Ordinary Shares in the Company were converted to Class B Shares. This enabled the founding shareholders to retain their rights and ownership of the IRIS asset and to reduce the impact of the transition the current shareholding.
- Issued a single Class A share to Bay of Plenty Regional Council, Gisborne District Council and Hawke's Bay Regional Council on completion of the necessary processes and documents.

In August 2023 Otago Regional Council completed the necessary process to become a shareholder and was issued a single Class A share.

The current shareholding of the Company is as follows.

Organisation	Class A (Control) Shares	Class B (IRIS) Shares
Waikato Regional Council	1	3,275
Northland Regional Council	1	1,675
Horizons Regional Council	1	1,550
Taranaki Regional Council	1	1,550
Southland Regional Council	1	1,550
West Coast Regional Council	1	400
Bay of Plenty Regional Council	1	
Gisborne District Council	1	
Hawke's Bay Regional Council	1	
Otago Regional Council	1	

Estimate of Commercial Value of The Shareholder's Investment

The Directors' estimate of the commercial value of the Shareholders' investment in RSHL and any subsidiary companies is equal to the Shareholders' equity in the Company. Reassessment of the value of this shareholding shall be undertaken on or about 30 June each year.

Distribution of Profits to Shareholders

RSHL does not have an objective to make a profit. It seeks to provide products and services at lower costs, and / or higher levels of service than councils can achieve on their own.



In order for RSHL to be subject to tax, generally it must meet the business test. Fundamental to this is a profit motive. Given the basis under which this CCO operates is to minimise the costs and generally operate on a cost recovery basis and that a pecuniary profit is not intended and highly unlikely, the lack of a profit motive is real.

As a CCO, RSHL is required to be subject to tax on its income. Under tax law, RSHL is considered to be a business which is carried on for the purpose of profit. However, RSHL operates on a cost recovery basis and seeks to minimise costs to customers. Because of this the company is unlikely to operate at a profit.

Information to Be Provided to the Shareholders

The company will deliver the following Statements to shareholders:

- Within two months of the end of the first half of the financial year the following unaudited statements: Statement of Financial Performance, Statement of Financial Position, Statement of Cashflows and Service Performance.
- Within two months of the end of the financial year the following audited² statements: Statement of Financial Performance, Statement of Financial Position, Statement of Cashflows, Service Performance plus a summary of how the company has fared against its objectives and prospects for the next financial year, and a report on the company's medium to long-term plans.
- The Directors shall approve by 1 March of each year a Draft Statement of Intent for the consideration of shareholders. The Directors must then consider any comments on the Draft Statement of Intent that are made by the shareholders and deliver the completed Statement of Intent to the shareholders by 30 June each year.
- Preparation of a draft Business Plan will begin each November, for the financial year that commences on the following June. This early preparation is to allow Shareholder Councils the ability to include any changes in Annual Fees, or any other form of financial impact, in their budget processes. The Board are to approve the business plan by the end of June prior to the commencement of the new financial year.
- Any new developments which have not been covered in the statement of corporate intent for the year. Including, but not limited to, an update on any outcomes arising from any changes in shareholding, including the effect on individual Council's shareholdings and apportionment of costs.
- Details of possible scenarios that might be foreseen that could result in annual fees increasing above approved budgets.
- Any other information which would normally be available to a shareholder, thereby enabling the shareholder to assess the value of its investment in the company.

Reference documents

RSHL maintains all records in a Microsoft 365 environment.

The following key documents are the accountability of the RSHL Chief Executive:

- RSHL Statement of Intent
- Internal policies
- Steering Committee/Advisory Group Terms of Reference
- Minutes and documents from Steering Committee/Advisory Group meetings
- Contract documents.
- Documents relating to project work.
- Board agendas, minutes and supporting papers.

The following key documents are the accountability of the financial and secretarial services provider:

² Delivery of audited statements is subject to availability of suitably qualified auditors from AuditNZ.



- Budgets
- Monthly and annual financial reports
- Financial records, invoices, payments, bank account information etc.

All RSHL documents will, on request, be available to all members of the RSHL Board and the Advisory Groups. Such documents will be provided to those members to help them in their roles with RSHL. They will be subject to commercial sensitivity and will not be available for general distribution without explicit written permission from one of the following: the Chair of the Board, the Chair of the Advisory Group or the Chief Executive.

Procedures for Major Transactions and Other Acquisitions and Disposals

The Company will not enter into major transactions as defined in Section 129(2) of the Companies Act 1993 without the consent of the shareholders by special resolution.

Procedures for Issue of Shares

The RSHL shareholder agreement requires the approval 75% of the Directors of the company for “the issuing or acquisition of any Shares or any change to the rights attaching to any Shares”.

11. Ngā Mahi e Rapua Nei Te Utu Paremata | Activities for Which Compensation Is Sought

Payment of annual fees will be sought for the following activities:

Activity	Description																								
Sector Financial Management System.	<p>Payment of annual contributions will be sought from all Te Uru Kahika councils for the operation of the Programmes in the Sector Financial Management System.</p> <p>For some programmes, addition contributions may be sought from other local government organisations and government ministries.</p> <p>Contributions will be according to the agreed models. This activity includes:</p> <ul style="list-style-type: none"> • Sector Business Plan • River Managers Business Plan • River Managers Climate Resilience • ReCoCo Technology Projects • EMaR • Bio Managers • Bio Control • Science Programme • Sector Office Special Projects • Regional Sector Office <p>The funding contributions for the Sector Office, EMAR and the most of the SFMS programmes is based on the size of the Council. The total amounts to be collected vary year to year based on the work programmes.</p> <table border="1" data-bbox="459 1122 1214 1440"> <thead> <tr> <th>Tier 1 – 9.4% each</th> <th>Tier 2 – 6.2% each</th> <th>Tier 3 – 3.2% each</th> </tr> </thead> <tbody> <tr> <td>Auckland Council*</td> <td>Horizons RC</td> <td>Tasman DC</td> </tr> <tr> <td>Environment Canterbury</td> <td>Otago RC</td> <td>Nelson City Council</td> </tr> <tr> <td>Greater Wellington RC</td> <td>Hawke’s Bay RC</td> <td>Gisborne DC</td> </tr> <tr> <td>Waikato RC</td> <td>Northland RC</td> <td>Marlborough DC</td> </tr> <tr> <td>Bay of Plenty RC</td> <td>Taranaki RC</td> <td>West Coast RC</td> </tr> <tr> <td></td> <td>Southland RC</td> <td></td> </tr> <tr> <td>Total 47%</td> <td>Total 37%</td> <td>Total 16%</td> </tr> </tbody> </table> <p>*Auckland Council does not fund all sector programmes. In cases where they do not fund a programme, their contribution will be collected from the remaining councils according to the model above.</p> <p>BioControl, Climate Change Resilience and the Science Programme have custom funding models based on the value of the programmes to the region.</p> <p>The budget and funding arrangements for the SFMS are documented in the SFMS Briefing Paper which is approved with the Te Uru Kahika Business Plan before the start of each financial year.</p> <p>In FY25 RSHL expects to collect \$3.87M in funding from councils in support of Te Uru Kahika.</p>	Tier 1 – 9.4% each	Tier 2 – 6.2% each	Tier 3 – 3.2% each	Auckland Council*	Horizons RC	Tasman DC	Environment Canterbury	Otago RC	Nelson City Council	Greater Wellington RC	Hawke’s Bay RC	Gisborne DC	Waikato RC	Northland RC	Marlborough DC	Bay of Plenty RC	Taranaki RC	West Coast RC		Southland RC		Total 47%	Total 37%	Total 16%
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Bay of Plenty RC	Taranaki RC	West Coast RC																							
	Southland RC																								
Total 47%	Total 37%	Total 16%																							



Activity	Description																
IRIS	<p>Payment of an Annual Fee for IRIS will be sought from all councils that use the Software for annual support and development fees, as set out in the License Agreement.</p> <p>Proportion of Contributions to the IRIS Programme Contributions for IRIS will be collected in the following proportions.</p> <table border="1"> <thead> <tr> <th>Shareholder</th> <th>Percentage</th> </tr> </thead> <tbody> <tr> <td>Waikato Regional Council</td> <td>36.78%</td> </tr> <tr> <td>Northland Regional Council</td> <td>13.55%</td> </tr> <tr> <td>Horizons Regional Council</td> <td>18.17%</td> </tr> <tr> <td>Taranaki Regional Council</td> <td>13.55%</td> </tr> <tr> <td>Southland Regional Council</td> <td>13.55%</td> </tr> <tr> <td>West Coast Regional Council</td> <td>4.4%</td> </tr> <tr> <td>Total</td> <td>100%</td> </tr> </tbody> </table> <p>In FY25 RSHL expects to collect \$0.78M of funding from participating councils.</p>	Shareholder	Percentage	Waikato Regional Council	36.78%	Northland Regional Council	13.55%	Horizons Regional Council	18.17%	Taranaki Regional Council	13.55%	Southland Regional Council	13.55%	West Coast Regional Council	4.4%	Total	100%
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Southland Regional Council	13.55%																
West Coast Regional Council	4.4%																
Total	100%																
IRIS Next Generation	<p>The IRIS NextGen Partnership agreement sets out the funding to be collected from each participating council and the activities that the funds will be used for. The 9 Participating Councils share the programme costs of the IRIS NextGen programme according to the following contribution model:</p> <table border="1"> <thead> <tr> <th>Large Councils</th> <th>Medium Councils</th> <th>Small Councils</th> </tr> </thead> <tbody> <tr> <td>17.93% per council (Total 35.87%)</td> <td>10.87% per council (Total 43.48%)</td> <td>4.35% per council (Total 4.35%)</td> </tr> <tr> <td>Waikato Regional Council Bay of Plenty Regional Council</td> <td>Horizons Regional Council Otago Regional Council Northland Regional Council Hawke's Bay Regional Council 8.15% per council (Total 16.30%) Taranaki Regional Council Environment Southland</td> <td>Nelson City Council</td> </tr> </tbody> </table> <p>Over the 10-year term of the Partnership Agreement, the programme costs are expected to total ~\$25.7 million.</p> <p>Programme costs are budgeted and approved by the IRIS NextGen Steering Group annually. Programme costs include:</p> <ul style="list-style-type: none"> • Datacom software solution delivery • Datacom programme management • Datacom support and maintenance • Datacom council implementation costs • Datacom Good Practice Process Operating Model development • RSHL programme management • Travel and meeting expenses. • RSHL Overheads <p>In FY25 RSHL expects to collect \$4.6M from participating councils for IRIS NextGen. In addition, there will be a budget provision to collect a contingency if required and approved by the IRIS NextGen Steering Group.</p>	Large Councils	Medium Councils	Small Councils	17.93% per council (Total 35.87%)	10.87% per council (Total 43.48%)	4.35% per council (Total 4.35%)	Waikato Regional Council Bay of Plenty Regional Council	Horizons Regional Council Otago Regional Council Northland Regional Council Hawke's Bay Regional Council 8.15% per council (Total 16.30%) Taranaki Regional Council Environment Southland	Nelson City Council							
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Activity	Description																				
	In addition to the shared programme costs stated above, each Participating Council will directly incur costs. These costs are the responsibility of each Participating Council and will not be shared according to the council contribution model.																				
RSHL Overhead Costs	<p>Overhead costs are costs that cannot be allocated to a specific work programme.</p> <p>All work programmes will contribute to overhead costs of RSHL, with the proportion of the contribution based on actual revenue in that financial year.</p> <p>In the 2024 Financial year the budgeted proportion of overheads to each programme is as follows:</p> <table border="1" data-bbox="403 611 1353 775"> <thead> <tr> <th data-bbox="403 611 584 678"></th> <th data-bbox="584 611 775 678">2023/24 (SOI)</th> <th data-bbox="775 611 967 678">2024/25</th> <th data-bbox="967 611 1158 678">2025/26</th> <th data-bbox="1158 611 1353 678">2026/27</th> </tr> </thead> <tbody> <tr> <td data-bbox="403 678 584 707">IRIS</td> <td data-bbox="584 678 775 707">8%</td> <td data-bbox="775 678 967 707">7.7%</td> <td data-bbox="967 678 1158 707">8%</td> <td data-bbox="1158 678 1353 707">5%</td> </tr> <tr> <td data-bbox="403 707 584 736">IRIS NextGen</td> <td data-bbox="584 707 775 736">44%</td> <td data-bbox="775 707 967 736">46.1%</td> <td data-bbox="967 707 1158 736">50%</td> <td data-bbox="1158 707 1353 736">58%</td> </tr> <tr> <td data-bbox="403 736 584 775">SFMS</td> <td data-bbox="584 736 775 775">48%</td> <td data-bbox="775 736 967 775">46.3%</td> <td data-bbox="967 736 1158 775">42%</td> <td data-bbox="1158 736 1353 775">37%</td> </tr> </tbody> </table> <p>In FY25 RSHL expects to have overheads of \$0.39M. This is 3.7% of total expenditure.</p>		2023/24 (SOI)	2024/25	2025/26	2026/27	IRIS	8%	7.7%	8%	5%	IRIS NextGen	44%	46.1%	50%	58%	SFMS	48%	46.3%	42%	37%
	2023/24 (SOI)	2024/25	2025/26	2026/27																	
IRIS	8%	7.7%	8%	5%																	
IRIS NextGen	44%	46.1%	50%	58%																	
SFMS	48%	46.3%	42%	37%																	

It is noted that other products or services may be delivered by RSHL. Any such services will only be delivered after the Directors have considered each individual business case including the proposed budget and agreed that the proposed service meets the objectives of RSHL.

Any ongoing activities to identify, develop or procure additional products or services will be budgeted for in advance, subject to a business case. The subsequent recovery of costs will be agreed on a case-by-case basis.



12. Ngā Tahua FY2025-27 | FY25-27 Budgets.

The budgets provided in this Statement of Intent are based on the latest budget information from each activity.

Budgeting process.

Budgets are structured into three activities. Each of these activities receives funding from a different group of organisations, with different funding models and governance.

Activity	Governance	Contractual Basis	Funded by
IRIS NextGen	IRIS NextGen Steering Group.	IRIS NextGen Partnership Agreement.	9 Participant councils.
IRIS	IRIS Advisory Group	IRIS Advisory Group Terms of Reference.	7 Participating Councils.
SFMS	Te Uru Kahika RCEOs Group.	ReCoCo MOU.	16 participating councils, and government entities.

- The IRIS NextGen Partnership agreement stipulates that they will prepare a draft budget in February and final budget in June. This aligns with the SOI Process.
- For IRIS, common practice is to prepare a budget when the SOI budget is developed which is then ratified with participating councils.
- Budget setting for the SFMS is driven from the Te Uru Kahika Business Plan. Planning is coordinated by the Te Uru Kahika Executive Director.



Consolidated Statement of Financial Performance

For the 12 Months to 30 June 2025

2023/24 Budget	Income	Notes	2024/25 SOI	2025/26 Indicative	2026/27 Indicative
937,305	IRIS Programme		757,384	776,435	494,247
5,406,561	IRIS NextGen Programme		4,364,029	4,603,406	5,985,436
5,576,963	Sector Work Programmes		3,303,450	3,865,169	3,864,749
138,820	Central Government Funding		1,258,820	138,820	138,820
<u>12,059,649</u>			<u>9,683,684</u>	<u>9,383,830</u>	<u>10,483,253</u>
	<u>Other Income</u>				
25,000	Interest Received		25,000	25,000	25,000
128,173	Council Specific Software Funding		135,274	139,332	143,512
<u>153,173</u>			<u>160,274</u>	<u>164,332</u>	<u>168,512</u>
12,212,822	Total Income		9,843,958	9,548,162	10,651,765
	Expenditure				
35,700	Administration costs		34,650	35,570	38,804
39,100	Accounting & Technical Support		69,140	71,214	74,437
105,000	Audit & Legal fees		133,380	137,381	142,208
247,000	Datacom Support Services (IRIS)		250,500	300,000	330,000
5,605,699	Technology Services		4,452,677	4,394,481	5,463,733
154,000	IT Hosting Charges		157,650	160,350	162,100
-	Finance Costs		-	-	-
-	Secondments		-	-	-
1,745,000	Personnel Costs		2,147,550	2,211,977	2,278,336
91,000	Promotional Costs		83,250	85,568	84,955
72,000	Independent Director's Fees		78,400	80,752	83,175
184,000	Travel & Meeting Costs		179,990	181,010	182,060
128,173	Council Specific Software Purchases		135,274	139,332	143,512
12,000	Other Direct Software		12,500	12,809	13,193
4,080,250	Consultants		2,531,650	1,931,879	1,889,317
<u>12,498,922</u>			<u>10,266,611</u>	<u>9,742,320</u>	<u>10,885,829</u>
	<u>Other Expenditure</u>				
468,705	Amortization		400,429	400,429	354,460
12,967,627	Total Expenditure		10,667,040	10,142,749	11,240,289
(754,805)	Surplus/ (Deficit) before tax		(823,082)	(594,587)	(588,524)
	Income Tax Expense				
(754,805)	Surplus/(Deficit) after Tax		(823,082)	(594,587)	(588,524)



Consolidated Statement of Cash Flows

For the 12 Months to 30 June 2024

2023/24 Budget	Notes	2024/25 SOI	2025/26 Indicative	2026/27 Indicative
Cashflows from Operating Activities				
Cash received from:				
12,187,822		9,818,958	9,523,162	10,626,765
-		-	-	-
25,000		25,000	25,000	25,000
-		-	-	-
12,212,822		9,843,958	9,548,162	10,651,765
Cash applied to:				
12,498,922		10,266,611	9,742,320	10,885,829
-		-	-	-
-		-	-	-
12,498,922		10,266,611	9,742,320	10,885,829
(286,100)		(422,653)	(194,158)	(234,064)
Cashflow from Investing Activities				
Cash received from:				
-		-	-	-
-		-	-	-
-		-	-	-
Cash applied to:				
-		-	-	-
-		-	-	-
-		-	-	-
-		-	-	-
Cashflow from Financing Activities				
Cash received from:				
-		-	-	-
-		-	-	-
Cash applied to:				
-		-	-	-
-		-	-	-
-		-	-	-
(286,100)		422,653	194,158	234,064
899,799		613,699	191,046	3,113
613,699		191,046	3,113	237,177
Made up of:				
25,000		25,000	25,000	25,000
588,699		166,046	28,113	262,177
613,699		191,046	3,113	237,177
Funds by Activity:				
899,799		649,799	649,799	649,799
- 286,100		180,153	382,036	624,058
-		-	-	-
613,699		469,646	267,763	25,741



IRIS Programme Activity - Statement of Financial Performance

For the 12 Months to 30 June 2024

2023/24 Budget	Income	Notes	2024/25 SOI	2025/26 Indicative	2026/27 Indicative
<u>937,305</u>	IRIS Programme		<u>757,384</u>	<u>776,435</u>	<u>494,247</u>
937,305			757,384	776,435	494,247
	<u>Other Income</u>				
-	Interest Received		-	-	-
<u>128,173</u>	Council Specific Software Funding		<u>135,274</u>	<u>139,332</u>	<u>143,512</u>
128,173			135,274	139,332	143,512
1,065,478	Total Income		892,658	915,767	637,759
	Expenditure				
-	Administration costs		-	-	-
-	Accounting & Technical Support		-	-	-
-	Audit & Legal fees		-	-	-
247,000	Datacom Support Services (IRIS)		250,500	300,000	330,000
578,160	Technology Services		585,168	300,000	-
27,000	IT Hosting Charges		101,000	102,000	102,000
-	Finance Costs		-	-	-
-	Secondments		-	-	-
55,000	Personnel Costs		37,490	38,615	39,773
-	Promotional Costs		-	-	-
-	Independent Director's Fees		-	-	-
1,000	Travel & Meeting Costs		1,000	1,000	1,000
128,173	Council Specific Software Purchases		135,274	139,332	143,512
2,000	Other Direct Software		2,200	2,200	2,266
-	Consultants		-	-	-
<u>27,145</u>	Overhead Recovery - Expense		<u>30,026</u>	<u>32,620</u>	<u>19,208</u>
1,065,478			1,142,658	915,767	637,759
	<u>Other Expenditure</u>				
<u>468,705</u>	Amortization		<u>400,429</u>	<u>400,429</u>	<u>354,460</u>
468,705			400,429	400,429	354,460
1,534,183	Total Expenditure		1,543,087	1,316,196	992,219
(468,705)	Surplus/ (Deficit) before tax		(650,429)	(400,429)	(354,460)
	Income Tax Expense				
<u>(468,705)</u>	Surplus/(Deficit) after Tax		<u>(650,429)</u>	<u>(400,429)</u>	<u>(354,460)</u>
(468,705)			(650,429)	(400,429)	(354,460)



IRIS NextGen Programme Activity - Statement of Financial Performance

For the 12 Months to 30 June 2024

2023/24		Notes	2024/25	2025/26	2026/27
Budget	Income		SOI	Indicative	Indicative
-	IRIS Programme		-	-	-
5,000,000	IRIS NextGen Programme		3,957,468	4,603,406	5,985,436
406,561	IRIS NextGen Contingency		406,561	-	-
-	Sector Work Programmes		-	-	-
-	Central Government Funding		-	-	-
<u>5,406,561</u>			<u>4,364,029</u>	<u>4,603,406</u>	<u>5,985,436</u>
	<u>Other Income</u>				
-	Interest Received		-	-	-
-	Council Specific Software Funding		-	-	-
			-	-	-
5,406,561	Total Income		4,364,029	4,603,406	5,985,436
	Expenditure				
-	Administration costs		-	-	-
-	Accounting & Technical Support		-	-	-
20,000	Audit & Legal fees		20,000	20,000	20,000
-	Datacom Support Services (IRIS)		-	-	-
4,996,539	Technology Services		3,852,059	4,078,567	5,447,342
72,000	IT Hosting Charges		-	-	-
-	Finance Costs		-	-	-
-	Secondments		-	-	-
385,000	Personnel Costs		426,910	439,717	452,909
-	Promotional Costs		-	-	-
-	Independent Director's Fees		-	-	-
68,000	Travel & Meeting Costs		63,000	63,000	63,000
-	Council Specific Software Purchases		-	-	-
2,000	Other Direct Software		2,060	2,122	2,185
-	Consultants		-	-	-
149,122	Overhead Recovery - Expense		180,153	201,883	242,021
<u>5,692,661</u>			<u>4,544,182</u>	<u>4,805,289</u>	<u>6,227,458</u>
	<u>Other Expenditure</u>				
-	Depreciation		-	-	-
5,692,661	Total Expenditure		4,544,182	4,805,289	6,227,458
<u>(286,100)</u>	Surplus/ (Deficit) before tax		(180,153)	(201,883)	(242,021)
	Income Tax Expense				
<u>(286,100)</u>	Surplus/(Deficit) after Tax		(180,153)	(201,883)	(242,021)



Sector Financial Management System Activity- Statement of Financial Performance

For the 12 Months to 30 June 2024

2023/24		Notes	2024/25	2025/26	2026/27
Budget	Income		SOI	Indicative	Indicative
5,576,963	Sector Work Programmes		3,303,450	3,865,169	3,864,749
138,820	Central Government Funding		1,258,820	138,820	138,820
<u>5,715,783</u>			<u>4,562,270</u>	<u>4,003,989</u>	<u>4,003,569</u>
	<u>Other Income</u>				
-	Interest Received		-	-	-
-	Council Specific Software Funding		-	-	-
-			-	-	-
5,715,783	Total Income		4,562,270	4,003,989	4,003,569
	Expenditure				
25,000	Administration costs		25,750	26,523	27,318
-	Accounting & Technical Support		-	-	-
15,000	Audit & Legal fees		16,350	17,741	19,173
-	Datacom Support Services (IRIS)		-	-	-
15,000	Technology Services		15,450	15,914	16,391
55,000	IT Hosting Charges		56,650	58,350	60,100
-	Finance Costs		-	-	-
-	Secondments		-	-	-
1,180,000	Personnel Costs		1,552,400	1,598,972	1,646,941
75,000	Promotional Costs		77,250	79,568	81,955
-	Independent Director's Fees		-	-	-
98,000	Travel & Meeting Costs		98,690	99,401	99,133
-	Council Specific Software Purchases		-	-	-
7,000	Other Direct Software		7,210	7,426	7,649
4,080,250	Consultants		2,531,650	1,931,879	1,889,317
165,533	Overhead Recovery - Expense		180,870	168,218	155,593
<u>5,715,783</u>			<u>4,562,270</u>	<u>4,003,989</u>	<u>4,003,569</u>
	<u>Other Expenditure</u>				
-	Depreciation		-	-	-
5,715,783	Total Expenditure		4,562,270	4,003,989	4,003,569
-	Surplus/ (Deficit) before tax		-	-	-
	Income Tax Expense				
-	Surplus/(Deficit) after Tax		-	-	-



RSHL Overheads Activity - Statement of Financial Performance

For the 12 Months to 30 June 2024

2023/24 Budget	Income	Notes	2024/25 SOI	2025/26 Indicative	2026/27 Indicative
	<u>Other Income</u>				
25,000	Interest Received		25,000	25,000	25,000
-	Council Specific Software Funding		-	-	-
-	Overhead Recovery - Income		-	-	-
			<u>25,000</u>	<u>25,000</u>	<u>25,000</u>
-	Total Income		25,000	25,000	25,000
	<u>Expenditure</u>				
10,700	Administration costs		8,900	9,047	11,486
39,100	Accounting & Technical Support		69,140	71,214	74,437
70,000	Audit & Legal fees		97,030	99,641	103,035
-	Datacom Support Services (IRIS)		-	-	-
16,000	Technology Services		-	-	-
-	IT Hosting Charges		-	-	-
-	Finance Costs		-	-	-
-	Training		7,500	7,725	7,957
125,000	Personnel Costs		130,750	134,673	138,713
16,000	Promotional Costs		6,000	6,000	3,000
72,000	Independent Director's Fees		78,400	80,752	83,175
17,000	Travel & Meeting Costs		17,300	17,609	18,927
-	Council Specific Software Purchases		-	-	-
1,000	Other Direct Software		1,030	1,061	1,093
-	Consultants		-	-	-
			<u>416,050</u>	<u>427,722</u>	<u>441,822</u>
366,800					
	<u>Other Expenditure</u>				
-	Depreciation		-	-	-
			<u>-</u>	<u>-</u>	<u>-</u>
366,800	Total Expenditure		416,050	427,722	441,822
(341,800)	Surplus/ (Deficit) before tax		(391,050)	(402,722)	(416,822)
	Income Tax Expense				
- 341,800	Surplus/(Deficit) after Tax		(391,050)	(402,722)	(416,822)



13. Ngā Kaupapahere Kaute | Accounting Policies

Statement of Compliance

The financial statements of RSHL have been prepared in accordance with the requirements of the Local Government Act 2002 and the Companies Act 1993, which include the requirement to comply with New Zealand Generally Accepted Accounting Practice (NZGAAP).

The financial statements have been prepared to comply with Tier 2 Public Benefit Entity (PBE) Standards. RSHL is not publicly accountable, and expenditure is not higher than \$30 million.

These financial statements comply with PBE Standards.

Reporting Entity

Regional Software Holdings Limited (RSHL) is a Council Controlled Organisation (CCO) owned as follows:

Organisation	Class A (Control) Shares	Class B (IRIS) Shares
Waikato Regional Council	1	3,275
Northland Regional Council	1	1,675
Horizons Regional Council	1	1,550
Taranaki Regional Council	1	1,550
Southland Regional Council	1	1,550
West Coast Regional Council	1	400
Bay of Plenty Regional Council	1	
Gisborne District Council	1	
Hawke's Bay Regional Council	1	
Otago Regional Council	1	

RSHL was incorporated on 17 October 2012.

RSHL was originally incorporated for the purposes of managing the investment and development of IRIS Software. RSHL now exists for the purpose of supporting collaborative and shared services projects for Te Uru Kahika. RSHL has designated itself a Public Benefit Entity (PBE), in keeping with the designation of the shareholders.

Public Benefit Entity Simple Format Reporting

The financial statements of RSHL have been prepared in accordance with the requirements of the Local Government Act 2002, which include the requirement to comply with New Zealand Generally Accepted Accounting Practice (NZGAAP).

The financial statements have been prepared to comply with Public Benefit Entity Standards (PBE Standards) for a Tier 2 entity. RSHL is not publicly accountable, and expenditure is not higher than \$30 million. These financial statements comply with PBE standard.

Basis of Preparation of the Financial Statements

The prospective financial statements have been prepared on the going concern basis, and the accounting policies have been applied consistently throughout the period. The financial statements will be prepared on a historical cost basis.



Presentation Currency and Rounding

The prospective financial statements have been prepared in New Zealand dollars and there will be rounding in the numbers in the financial statements, as the financial model used calculates to the cent but the annual report is rounded to the nearest dollar.

The functional currency of RSHL is New Zealand dollars.

The reporting period for these prospective financial statements is the year ending 30 June.

Summary of Significant Accounting Policies

Revenue

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

Members Contributions and Other forms of Revenue (excluding investment revenue), including fees, charges, and other revenues are recognised on an accrual basis.

Interest revenue is recorded as it is earned.

Expenditure

Expenditure is recognised on an accrual basis when the service was provided, or the goods received.

Costs associated with maintaining the IRIS software suite are recognised as an expense when incurred.

Bank Accounts and Cash

Cash and cash equivalents include cash on hand, on demand or call deposits, other short-term deposits with original maturities of three months or less, and bank overdrafts.

Bank overdrafts are presented as a current liability in the Statement of Financial Position.

Debtors

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.

Inventories

Inventory is initially recorded at cost. Goods held for sale are subsequently measured at the lower of cost and their selling process. Goods for use or distribution are subsequently measured at cost and written down if they become obsolete.

Goods and Services Tax (GST)

RSHL is registered for GST; these financial statements are presented net of GST, except for receivables and payables which are inclusive of GST. Where GST paid is not recoverable, due to it relating to exempt items, the GST inclusive amount is recognised as part of the related asset or expense including the GST relating to investing and financing activities.

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 recovered from, the Inland Revenue Department is recognised as an item in operating cash flow in the statement of cash flows.

Commitments and contingencies are disclosed exclusive of GST.

Income Tax

Income tax expenses 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.

Creditors and Accrued Expenses

Creditors and accrued expenses are measured at the amount owed.



Property, Plant and Equipment

Software acquisition and development

Costs that are directly associated with the development of software owned by RSHL or its subsidiaries are recognised as property, plant and equipment.

Depreciation

Depreciation begins when the asset is available for use and ceases at the date that the asset is derecognised. The depreciation charge for each period is recognised through the Statement of Financial Performance.

The carrying value is depreciated on a straight-line basis over its useful life. The default useful life and associated depreciation rate for the developed software is 10 years and 10%. If an alternative rate is used this will be noted in the financial statements.

Where software in this category is replaced, upgraded, or determined by RSHL to be of no further operational benefit, a change in value will be recognised through the Statement of Financial Performance. This change in value will be the difference between the carrying value of the original item and its fair value.

Critical Accounting Estimates and Assumptions

In preparing these financial statements, RSHL has made estimates and assumptions concerning the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations or future events that are believed to be reasonable under the circumstances.

Additional Disclosure

The Companies Act 1993 requires disclosure of the amount of donations, audit fees, fees for other services from the auditor, and the number of employees of the company who received remuneration and other benefits above \$100,000 per annum, in brackets of \$10,000.



14. Note For Information: Requirements for Statement of Intent

Source: Office of the Auditor General

<http://www.oag.govt.nz/2007/corporate-intent/appendix2.htm>

Item	Section
Statement of intent	This document
Coverage over three financial years and updated annually	3,9,11,12
Objectives of the group	3
A statement of the board's approach to governance	7
Nature and scope of the activities to be undertaken	4
Accounting policies	13
Performance targets and other measures by which the performance of the group may be judged in relation to its objectives	9
An estimate of the amount or proportion of accumulated profits and capital reserves that is intended to be distributed to the shareholders	10
The kind of information to be provided to the shareholders/ shareholding Ministers by the organisation during the course of the next three financial years	10
Procedures to be followed before any member or the group subscribes for, purchases, or otherwise acquires shares in any company or other organisation	10
Any activities for which the board seeks compensation from any local authority, Harbour Board, or the Crown (whether or not the relevant entity has agreed to provide the compensation)	11
The board's estimate of the commercial value of the Crown/shareholders' investment in the group and the manner in which, and the times at which, that value is to be reassessed	10
Other matters that are agreed by the shareholders/ shareholding Ministers and the board	N/A
Annual report should contain information that is necessary to enable an informed assessment of the operations of the parent entity and its subsidiaries, including a comparison of performance with the relevant statement of intent or statement of corporate intent	10



Council
Collaboration
Into Action

10.2. INFORMATION Reports Finance



24-72

Title: 24-72 Gisborne Holdings Limited Half Yearly Report
Section: Finance & Affordability
Prepared by: Ally Campbell - Executive Policy Advisor
Meeting Date: Wednesday 17 April 2024

Legal: Yes

Financial: Yes

Significance: **Low**

Report to FINANCE & PERFORMANCE/WHAKAHAERE PŪTEA ME ŌNA HUA Committee for information

PURPOSE - TE TAKE

The purpose of this report is to provide Gisborne Holdings Limited's Interim Report actual results for six months ended 31 December 2023.

SUMMARY – HE WHAKARĀPOPOTOTANGA

Gisborne Holdings Ltd (GHL) is a Council Controlled Trading Organisation (CCTO) and must provide a half yearly report detailing their performance to 31 December 2023 and include information required by its Statement of Intent (Section 66 LGA).

The net profit for the first six months of the 2023/2024 financial year is \$665k, on par with what was planned. For the same period in 2022/2023 the net profit was \$1.1 million. Chairman of GHL John Rae notes that they are "still grappling with the aftermath of Cyclone Gabrielle, and other adverse weather events".

Forecast to the end of 2023/24 financial year is expected to be a loss of \$503k due to a mixture of lower commodity prices, recovery expenditure and a contingent liability of \$1m for Archives storage.

The Interim half yearly report is attached (**Attachment 1**).

The decisions or matters in this report are considered to be of **Low** significance in accordance with the Council's Significance and Engagement Policy.

RECOMMENDATIONS - NGĀ TŪTOHUNGA

That the Finance & Performance/Whakahaere Pūtea me Ōna Hua Committee:

- 1. Notes the contents of this report.**

Authorised by:

Pauline Foreman - Chief Financial Officer

Keywords: Gisborne Holdings Limited, GHL, Interim Half Yearly Report 31 December 2023

BACKGROUND - HE WHAKAMĀRAMA

1. Gisborne Holdings Limited (GHL) is a Council Controlled Trading Organisation (CCTO). A CCTO:
 - Operates at arm's length from the Council.
 - Achieves the objectives of Council (its sole shareholder) as specified in the Statement of Intent.
 - Has an independent Board that is accountable to the Council for the CCTO's performance.
 - Is a separate legal entity with Directors being responsible for overseeing the management of the business.

DISCUSSION and OPTIONS - WHAKAWHITINGA KŌRERO me ngā KŌWHIRINGA

Interim Report for Six months Ended 31 December 2023

2. The result for the first six months of the 2023/24 financial year is net profit of \$665k, which is on par with budget. For the same period in 2022/23 there was a net profit of \$1.1m against a planned budget of net loss of \$707k.
3. The Chairman of GHL provided a summary of the first six months of the 2023/24 financial year.
4. Key messages were:
 - Tauwhareparae Farms revenue was \$2.74m, slightly below what was planned (\$2.9m) but was on par with the same period last year (\$2.77m).
 - The Waikanae Top 10 Holiday Park revenue was \$1.3m, slightly below what was planned (\$1.38m) and slightly less than the same period last year (\$1.38m).
 - Wash'N Go revenue was \$231k, which is both more than last year and more than what was planned.
 - There was a purchase of \$1m for fixed assets, and \$90k gain on disposal of assets.
 - There was a net decrease in cash held of \$1.9m, mostly due to \$596k loan repayment and \$1m towards fixed assets.
 - Total debt was \$9.8m, with a debt-to-equity ratio of 8%. Significantly lower than 2023-2025 Sol reported benchmarked ratio of no more than 25%.

ASSESSMENT of SIGNIFICANCE - AROTAKENGA o NGĀ HIRANGA

Consideration of consistency with and impact on the Regional Land Transport Plan and its implementation

Overall Process: Low Significance

This Report: Low Significance

Impacts on Council's delivery of its Financial Strategy and Long Term Plan

Overall Process: Low Significance

This Report: Low Significance

Inconsistency with Council's current strategy and policy

Overall Process: Low Significance

This Report: Low Significance

The effects on all or a large part of the Gisborne district

Overall Process: Low Significance

This Report: Low Significance

The effects on individuals or specific communities

Overall Process: Low Significance

This Report: Low Significance

The level or history of public interest in the matter or issue

Overall Process: Low Significance

This Report: Low Significance

5. The decisions or matters in this report are considered to be of **Low** significance in accordance with Council's Significance and Engagement Policy.

TANGATA WHENUA/MĀORI ENGAGEMENT - TŪTAKITANGA TANGATA WHENUA

6. No engagement with tangata whenua has been undertaken regarding the content of GHL's interim report.

COMMUNITY ENGAGEMENT - TŪTAKITANGA HAPORI

7. In this instance, as required by GHL's Constitution, Council is the consulted party.

CLIMATE CHANGE – Impacts / Implications - NGĀ REREKĒTANGA ĀHUARANGI – ngā whakaaweawe / ngā ritenga

8. Currently GHL has a performance measure to “reduce companywide GHG emissions”, with achievement would be to establish emissions starting point.
9. GHL has committed (in its Statement of Intent) to :
 - Starting the process of aligning to Gisborne District Council's (Council) Climate Change Strategy 2050.
 - Begin to measure its environmental impact in its operations.
 - Include the environmental impact in any future investments and look to operate in a way that reduces carbon emissions where possible.
 - Will assess any climate change risk and mitigate this risk where possible.
10. Performance Measures are usually reported annually and not within the Interim Report.

CONSIDERATIONS - HEI WHAKAARO

Financial/Budget

11. GHL forecast to year end – 30 June 2024, is a net loss of \$662k. This is more than what was originally budgeted in the Statement of Intent (i.e. net loss \$114k) but it is forecast to be an improved performance over 2022/23 (net loss of \$1.92m).
12. Last year's results were mostly impacted by valuation loss totalling \$4.7m. This loss was a combination of fall in investment property movement (\$2.3m) and livestock (\$2.2m).
13. GHL has forecast to pay \$300k to Council (subvention payment but nil dividend) before 30 June 2024.

Legal

14. The LGA requires local authorities to regularly undertake performance monitoring of CCTOs (s.65(1)). Half yearly and annual reporting (in accordance with the provisions of the LGA) are also legal requirements (s.66 and 67).

POLICY and PLANNING IMPLICATIONS - KAUPAPA HERE me ngā RITENGA WHAKAMAHERE

15. Currently, the draft 2025-2027 Sol, where there is no dividend until 2027, is inconsistent with our draft 2024-2027 Three Year Plan.

RISKS - NGĀ TŪRARU

16. There is a risk that GHL operations differs from Council's Group policies, and legislation.

NEXT STEPS - NGĀ MAHI E WHAI AKE

Date	Action/Milestone	Comments
May 2024	Workshop Councils recommendations for the draft 2024-2027 Sol and Councils proposed Group structure.	
By 30 June 2024	Final SOI to be approved.	

ATTACHMENTS - NGĀ TĀPIRITANGA

1. Attachment 1 - Interim Report - December 2023 [10.2.1.1 - 10 pages]



**GISBORNE
HOLDINGS LTD**

Investment for local return

Interim Report

For the Six Months Ended

31 December 2023

Gisborne Holdings Ltd – Interim Report 2024

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*Gisborne Holdings Ltd – Interim Report 2024***Chair's Six-Monthly Report**

Overview: Gisborne Holdings Ltd's interim report for the half-year ended 31 December 2023 reflects a mixed performance against budget expectations. While the company experienced a slight decrease in total revenue compared to budgeted figures, mainly due to timing differences at the farm, it managed to maintain a healthy gross profit margin and an expected net profit before tax with some cost savings in operating expenditures.

However, fluctuating commodity prices for sheep and beef, ongoing recovery expenditure, a contingent liability placeholder of \$1m for the Archives storage, and additional insurance costs, will impact the company's performance over the second half of the year with an estimated net operating loss of \$0.5m compared to a budgeted loss of \$0.1m.

Revenue Analysis: Total revenue of \$5.6m was slightly below the budget of \$5.7m; two main impacts have been export returns for lamb at Tauwhareparae Farms and seasonal fluctuations at the Waikanae Beach Top 10 Holiday Park's effecting occupancy. The second part of the year is estimated to land above expectations of \$11.3m vs \$10.4m budgeted, mainly driven by more livestock sold than budgeted, an increase in Property Holdings and Wash'n Go's income, and revenue catching up at the Waikanae Beach Top 10 Holiday Park.

Cost of Sales and Gross Profit: The cost of sales of \$1.8m was slightly over the budget of \$1.7m mainly due to cyclone recovery at Tauwhareparae Farms. Key areas of concern include infrastructure, such as fencing, laneways, and boundary fencing, which are prioritised alongside other factors, such as rebalancing the livestock policy. This is ongoing and will take a couple of years to get right. Property Holdings incurred extra costs (not fully covered by insurance) for the repairs of Te Puia's office, Waikanae Beach Top 10 and Wash'n Go were slightly over budget due to inflation. The second part of the year is expected to be \$0.1m over budget.

Operating Expenditure: The overall operating expenditure of \$3.1m was under the budget of \$3.4m, mainly from lower salaries and wages, lower administrative costs, lower depreciation, and lower financing costs.

Conclusion: Overall, Gisborne Holdings is still grappling with the aftermath of Cyclone Gabrielle and other weather events, particularly evident at Tauwhareparae Farms where the Tauwhareparae Road remains closed causing elevated operational challenges.

John Rae

Chairman

Gisborne Holdings Ltd – Interim Report 2024

Statement of comprehensive income
Half Year ended 31 December 2023

	Actual 6 months to 31 Dec 2023	SOI Budget 6 months to 31 Dec 2023	Actual 6 months to 31 Dec 2022	Estimated 6 months to 30 June 2024	Estimated Year End 30 June 2024	SOI Budget Year End 30 June 2024	Actual Year End 30 June 2023
Revenue from contracts with customers							
- Tauwhareparae Farms	2,744	2,849	2,777	2,889	5,633	4,800	6,571
- Property Holdings	154	103	106	103	257	207	208
- Wash'n Go	231	195	216	195	426	391	345
- Waikanae Beach Top 10 Holiday Park	1,306	1,383	1,377	1,288	2,594	2,620	2,706
Total Revenue from contracts with customers	4,435	4,531	4,476	4,476	8,911	8,018	9,830
Revenue other							
- Rental Income	1,164	1,189	1,140	1,169	2,333	2,388	2,336
- Grants		-					26
- Capital gain on disposal of assets	90	-	-	-	90	-	-
- Change in Valuation of Investment Property, Livestock, Forestry & Carbon Credits	-	-	-	-	-	-	(4,662)
Total Revenue other	1,254	1,189	1,140	1,169	2,423	2,388	(2,300)
Total Revenue	5,689	5,721	5,616	5,645	11,334	10,406	7,529
Cost of Sales							
- Tauwhareparae Farms	1,088	1,140	698	1,413	2,501	2,479	1,228
- Property Holdings	392	273	218	213	605	548	533
- Wash'n Go	70	56	67	56	126	111	111
- Waikanae Beach Top 10 Holiday Park	287	255	267	257	544	511	472
Total Cost of Sales	1,837	1,723	1,250	1,939	3,776	3,649	2,344
Gross Profit	3,852	3,997	4,366	3,706	7,558	6,757	5,186
Expenditure from continuing operations							
- Salaries and Wages	1,624	1,704	1,669	1,653	3,277	3,361	3,266
- Administrative Expenditure	799	845	885	2,330	3,129	1,923	1,531
- Depreciation	378	409	408	393	771	817	814
- Loss on sale of assets	1	-	1	(1)	0	-	40
- Financing Expenditure	385	416	340	499	884	813	768
Total Expenditure	3,187	3,374	3,303	4,874	8,061	6,915	6,419
Net Operating Profit/(Loss) before taxation	665	623	1,063	(1,168)	(503)	(158)	(1,233)
Subvention Payment – Gisborne District Council	-	-	-	(300)	(300)	-	(300)
Taxation (expense) / credit	-	-	-	141	141	44	(420)
Net Profit / (Loss) for the period	665	624	1,063	(1,327)	(662)	(114)	(1,952)

Gisborne Holdings Ltd – Interim Report 2024**Statement of comprehensive income (continued)****Half Year ended 31 December 2023**

	Actual 6 months to 31 Dec	SOI Budget 6 months to 31 Dec	Actual 6 months to 31	Estimated 6 months to 30 June	Estimated Year End 30 June	SOI Budget Year End 30 June	Actual Year End 30 June
	2023	2023	2022	2024	2024	2024	2023
Other comprehensive income							
Revaluation gain/loss on property, plant and equipment	-	-	-	-	-	-	(25,599)
Deferred tax on building revaluations	-	-	-	-	-	-	(831)
Revaluation gain/(loss) on carbon credits	-	-	-	-	-	-	(4,633)
Deferred tax on carbon credits revaluation	-	-	-	-	-	-	1,297
Other comprehensive income for the year attributable to owners of the company	-	-	-	-	-	-	(29,766)
Net Profit / (Loss) for the period	665	624	1,063	(1,327)	(662)	(114)	(1,952)
Total comprehensive income for the year attributable to the owners of the company	665	624	1,063	(1,327)	(662)	(114)	(31,718)

Gisborne Holdings Ltd – Interim Report 2024

Statement of changes in equity
Half Year ended 31 December 2023

	Ordinary Shares	Asset Revaluation Reserve	Carbon Credit Revaluation Reserve	Fair Value Reserve	Retained Earnings	Total
	\$000	\$000	\$000	\$000	\$000	\$000
At July 2023	33,478	50,047	724	(5)	38,488	122,732
Net Profit / (Loss) for the period	-	-	-	-	665	665
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	665	665
Transactions with owners in their capacity as owners						
Dividend	-	-	-	-	-	-
As at 31 December 2023	33,478	50,047	724	(5)	39,153	123,397

Statement of changes in equity
Half Year ended 31 December 2022

	Ordinary Shares	Asset Revaluation Reserve	Carbon Credit Revaluation Reserve	Fair Value Reserve	Retained Earnings	Total
	\$000	\$000	\$000	\$000	\$000	\$000
At July 2022	33,478	76,478	4,060	(5)	40,611	154,622
Net Profit / (Loss) for the period	-	-	-	-	1,063	1,063
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	1,063	1,063
Transactions with owners in their capacity as owners						
Dividend	-	-	-	-	-	-
At 31 December 2022	33,478	76,478	4,060	(5)	41,674	155,685

Statement of changes in equity
for the Year ended 30 June 2023

	Ordinary Shares	Asset Revaluation Reserve	Carbon Credit Revaluation Reserve	Fair Value Reserve	Retained Earnings	Total
	\$000	\$000	\$000	\$000	\$000	\$000
At July 2022	33,478	76,478	4,060	(5)	40,439	154,450
Net profit/(loss) for the year	-	-	-	-	(1,952)	(1,952)
Other comprehensive income	-	(26,430)	(3,336)	-	-	(29,766)
Total comprehensive income for the year	-	(26,430)	(3,336)	-	(1,952)	(31,718)
Transactions with owners in their capacity as owners						
Shares Issued	-	-	-	-	-	-
Dividend	-	-	-	-	-	-
At 30 June 2023	33,478	50,048	724	(5)	38,487	122,732

Gisborne Holdings Ltd – Interim Report 2024

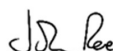
Statement of financial position

Half Year ended 31 December 2023

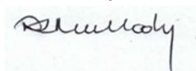
	Actual 6 months to 31 Dec	Estimated 30 June	Actual June	Actual 6 months to 31 Dec
	2023	2024	2023	2022
	\$000	\$000	\$000	\$000
Contributed Equity	33,478	33,478	33,478	33,478
Retained Earnings	39,152	37,826	38,487	41,674
Reserves	50,767	50,767	50,767	80,533
Total Equity	123,397	122,071	122,732	155,685
Represented by:				
Current Assets				
Cash and cash equivalents	613	1	2,482	1,054
Trade and other receivables	161	161	147	363
Inventories	210	210	236	232
Total Current Assets	984	372	2,865	1,649
Current Liabilities				
Bank	-	1,313	-	-
Payables and accruals	1,176	1,176	1,499	1,297
Gisborne District Council - Current Account	300	300	300	200
Taxation	(454)	(313)	567	(239)
Term loan facility	-	-	-	11,010
Lease liability	184	123	184	145
Total Current Liabilities	1,206	2,599	2,550	12,413
Net Working Capital	(222)	(2,227)	315	(10,764)
Non-current Assets				
Investment property	43,165	43,165	43,165	45,474
Property, plant & equipment	69,784	69,946	69,178	94,760
Right of use assets	1,292	1,213	1,292	1,327
Biological assets	20,142	20,142	20,142	22,499
Equity instruments at fair value through other comprehensive	499	499	499	497
Investments in shares	2	2	2	2
Intangible assets - NZ Emission	4,881	4,880	4,880	9,512
Total Non-current Assets	139,765	139,847	139,159	174,071
Non-current Liabilities				
Financial liabilities - term loan	9,817	9,221	10,414	-
Deferred tax	5,120	5,120	5,120	6,354
Lease liability	1,209	1,208	1,208	1,268
Total Non-current Liabilities	16,146	15,550	16,742	7,622
Net Assets	123,397	122,071	122,732	155,685

For and on behalf of the Board, who authorise the issue of these financial statements on 29 February 2024

J. Rae



D. Mullooly



Gisborne Holdings Ltd – Interim Report 2024

Statement of cash flows

Half Year ended 31 December 2023

	Actual 6 months to 31 Dec	Estimated Year End 30 June	Actual Year End 30 June	Actual 6 months to 31 Dec
	2023 \$000	2024 \$000	2023 \$000	2,022 \$000
Cash flows from operating activities				
Cash was provided from:				
Receipts from customers	5,585	11,244	12,265	5,616
	<u>5,585</u>	<u>11,244</u>	<u>12,265</u>	<u>5,616</u>
Cash was applied to:				
Payments to suppliers & employees	4,548	10,313	7,189	3,951
Income tax refunds payments / (refunds)	1,020	1,020	1,286	900
	<u>5,568</u>	<u>11,333</u>	<u>8,475</u>	<u>4,851</u>
Net cash inflow / (outflow) from operating activities	<u>17</u>	<u>(89)</u>	3,790	765
Cash flows from investing activities				
Cash was provided from:				
Proceeds from sale of fixed assets	103	103	2,184	2,182
	<u>103</u>	<u>103</u>	<u>2,184</u>	<u>2,182</u>
Cash was applied to:				
Purchase of fixed assets	1,007	1,562	558	73
Forest asset expenditure			-	
	<u>1,007</u>	<u>1,562</u>	<u>558</u>	<u>73</u>
Net cash inflow / (outflow) from investing activities	<u>(904)</u>	<u>(1,459)</u>	1,626	2,109
Cash flows from financing activities				
Cash was applied to:				
Dividends paid	-	-	-	-
Gisborne District Council - Current Account	-	300	200	-
Interest paid	385	754	593	275
Term Loan repayment	596	1,192	4,592	3,996
	<u>981</u>	<u>2,246</u>	<u>5,386</u>	<u>4,271</u>
Net cash inflow / (outflow) from financing activities	<u>(981)</u>	<u>(2,246)</u>	(5,385)	(4,271)
Net increase / (decrease) in cash held	(1,869)	(3,795)	31	(1,397)
Opening cash brought forward	2,482	2,482	2,451	2,451
Ending cash carried forward	<u>613</u>	<u>(1,313)</u>	2,482	1,054
Cash at year end:				
Cash and cash equivalents	613	-	2,482	1,054
Bank wholesale advances	-	(1,313)	-	-
Ending cash carried forward	<u>613</u>	<u>(1,313)</u>	2,482	1,054

Gisborne Holdings Ltd – Interim Report 2024**Notes to and forming part of the financial statements.****1. Corporate Information**

Gisborne Holdings Limited (the Company) is a company incorporated and domiciled in New Zealand and is a Council-Controlled Organisation as defined in section 6 of the Local Government Act 2002. The Company is wholly owned by Gisborne District Council and is registered under the Companies Act 1993.

The Financial Statements for Gisborne Holdings Limited are for the six months ended 31 December 2023. The Financial Statements were authorised for issue on 29 February 2024.

The principal activities during the year were:

- The production and supply of livestock
- The planting, growing, and tending of forestry
- The maintenance and reversion of native forestry areas
- The provision of accommodation for council employees and council services
- Project Management of Property Development
- Operation of Waikanae Beach Top 10 Holiday Park
- Operation of Wash'n Go
- Commercial Property leasing and management

There have been no significant changes in the nature of these activities during the year.

2. Summary of significant accounting policies**(a) Basis of Preparation**

This general purpose condensed financial report for the half-year ended 31 December 2023 has been prepared in accordance with generally accepted accounting practice and comply with the NZ IAS 34 *Interim Financial Reporting*. The company is a profit orientated entity.

The accounting policies and methods of computation are the same as those adopted in the most recent audited annual financial report for the year ended 30 June 2023.

The half-year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report.

As the company's primary business activity is the production and supply of livestock, revenue and expenses are of a seasonal nature. Other activities of the group include commercial property management and hospitality. The full-year financial reports will provide more consistent reporting for a full season.

The financial report is presented in New Zealand dollars and all values are rounded to the nearest thousand dollars (\$000) unless otherwise stated.

Gisborne Holdings Ltd – Interim Report 2024

Directory

Directors

John Rae (Chair)
David Mullooly (Deputy Chair)
Andrew Allan
Hayden Swann
Joshua Wharehinga

Registered office

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41 The Esplanade
GISBORNE

Postal address

PO Box 694
GISBORNE
Telephone 020-4183 4481

Senior Management

Chief Executive – John Rae

Auditor

Ernst & Young on behalf of the Office of the Auditor General

Bankers

ANZ
PO Box 1246
Gisborne

Solicitors

Grey Street Legal
PO Box 146
Gisborne

Tax agent

PwC
PO Box 645
Napier

Title: 24-104 Financial Report 29 February 2024
Section: Finance & Affordability
Prepared by: Melanie Hartung - Finance Manager
Meeting Date: Wednesday 17 April 2024

Legal: No

Financial: Yes

Significance: **Low**

Report to FINANCE & PERFORMANCE/WHAKAHAERE PŪTEA ME ŌNA HUA Committee for information

PURPOSE - TE TAKE

The purpose of this report is to provide a high-level overview of Council's financial results for the period ended 29 February 2024.

SUMMARY - HE WHAKARĀPOPOTOTANGA

The report covers the Council's financial performance for the first the eight months of the 2023/24 financial year, the period ended 29 February 2024. It includes commentary against a year to date (YTD) Annual Plan on the Statement of Comprehensive Revenue and Expenses and Capital Expenditure.

Council has a net surplus of \$3.5m, lower than what was expected in the YTD Annual Plan net surplus of \$6.6m. The main drivers for the lower-than-expected net surplus are due to Gisborne Holdings Limited (GHL) unrealised dividend and from financial accounting loss on interest rate swaps. The loss may or may not eventuate when the swaps are finally realised in the future.

A summary of the main financial indicators for February 2024 are:

- **YTD total revenue** is \$165.5m, a large portion of this (\$75.5m) related to subsidies for roading reinstatement works and commercial silt and woody debris removal. There is also, a \$1.2m unfavourable variance relating to the GHL dividend which is unlikely to be paid.
- **YTD total expenditure** is \$161.9m, of this \$83.8m relates to emergency reinstatement costs and commercial silt and woody debris removal costs. Finance costs include an unbudgeted \$1.7m accounting loss for the fair value movement of swaps.
- **YTD capital expenditure** is \$46m, (111%) against the YTD Annual Plan. The capital expenditure is ahead of the Plan, mostly due to Roading capital expenditure on reinstatement and bridge repairs after cyclone Gabrielle and water supply Sang Dam pipeline and water main pipeline. These works are externally funded.

The decisions or matters in this report are considered to be of **Low** significance in accordance with the Council's Significance and Engagement Policy.

RECOMMENDATIONS - NGĀ TŪTOHUNGA

That the Finance & Performance/Whakahaere Pūtea me Ōna Hua Committee:

1. Notes the contents of this report.

Authorised by:

Pauline Foreman - Chief Financial Officer

Keywords: Financial Report, 2023/24 financial year, Annual Plan

ASSESSMENT of SIGNIFICANCE - AROTAKENGA o NGĀ HIRANGA

Consideration of consistency with and impact on the Regional Land Transport Plan and its implementation

Overall Process: Low Significance

This Report: Low Significance

Impacts on Council's delivery of its Financial Strategy and Long Term Plan

Overall Process: Low Significance

This Report: Low Significance

Inconsistency with Council's current strategy and policy

Overall Process: Low Significance

This Report: Low Significance

The effects on all or a large part of the Gisborne district

Overall Process: Low Significance

This Report: Low Significance

The effects on individuals or specific communities

Overall Process: Low Significance

This Report: Low Significance

The level or history of public interest in the matter or issue

Overall Process: Low Significance

This Report: Low Significance

1. The decisions or matters in this report are considered to be of **Low** significance in accordance with Council's Significance and Engagement Policy.

ATTACHMENTS - NGĀ TĀPIRITANGA

1. Attachment 1 - 08 February 2024 DRAFT Cover summary financials F P Report A3288377 [10.2.2.1 - 11 pages]



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Statement of Comprehensive Revenue and Expenses
For the Period Ended 29 February 2024

	Note	Feb-24 Actual \$000s	Year to date Budget \$000s	Variance \$000s	Full Year Budget \$000s
REVENUE FROM NON-EXCHANGE TRANSACTIONS					
Grants and Subsidies - Operational	1	70,792	73,766	(2,974)	112,745
Grants, Donations, Subsidies and Contributions - Capital	2	24,767	18,511	6,256	34,496
Other Non Exchange Revenue	3	551	1,166	(615)	2,196
General Rates And Uniform Annual General Charge		19,850	19,642	207	24,276
Targeted Rates		36,876	36,876	(0)	51,081
REVENUE FROM EXCHANGE TRANSACTIONS					
Development and Financial Contributions		506	1,105	(599)	1,658
Other Revenue	4	7,510	8,274	(764)	12,795
Targeted Water Rates		1,731	1,730	0	3,771
Dividends	5	0	1,200	(1,200)	1,800
Interest Received		2,982	0	2,982	0
Other Gains/(Losses)		5	(153)	159	(230)
Total Revenue		165,570	162,117	3,453	244,588
EXPENSES					
Employee Benefit Expenses	6	21,844	22,414	570	33,428
Expenditure on Operating Activities	7	113,872	109,255	(4,617)	164,692
Depreciation and Amortisation	8	19,329	19,649	320	29,473
Financing Costs	9	6,936	4,105	(2,831)	6,158
Total Expenses		161,981	155,423	(6,558)	233,751
Net Surplus/(Deficit) Before Taxation		3,589	6,695	(3,105)	10,837
Subvention payment		0	0	0	400
Net Surplus/(Deficit)		3,589	6,695	(3,105)	11,237
Gains/(Losses) on Property Revaluation		0	0	0	48,223
TOTAL COMPREHENSIVE REVENUE AND EXPENSES		3,589	6,695	(3,105)	59,460
CAPITAL EXPENDITURE	10	46,124	41,645	(4,479)	70,229

Notes to the Statement of Comprehensive Revenue and Expense

01 Grants and Subsidies – Operational

Most of this revenue comes from roading subsidies through Waka Kotahi and other grants. \$51m relates to reinstatement of roading emergency works and central government grants for silt and woody debris removal.

02 Grants, Donations, Subsidies and Contributions – Capital

The capital grants revenue is mostly from Waka Kotahi for roading renewals \$12.2m, and central government grants and insurance for reinstatement of critical infrastructure \$12.5m for the water supply projects – Lamella Filtration and Waingake Reinstatement.

03 Other Non-Exchange Revenue (Includes penalties, infringement fees, court enforcement fees, and other fees)

This includes court enforced fees, penalties received and infringements.

04 Other Revenue (Rent income, lease income, and all other fees and charges)

Other revenue includes fees and charges such as dog registration fees, rents, parking fees and trade waste charges.

05 Dividends

Annual Plan dividends are mostly arising from Gisborne Holdings Limited (GHL). GHL have signalled that no dividend will be paid this year.

06 Employee Benefit Expenses

Employee Benefit expenses are under budget due to vacancies.

07 Expenditure on Operating Activities

Overall expenditure is \$4.6m over the YTD Annual Plan. This is mostly due to commercial silt grants that were approved by Central Government after the adoption of the Annual Plan. The costs are covered by external grants. Roading emergency reinstatement works makes up a significant part of the overall costs, at \$58.8m. In addition, there is also cyclone recovery costs of \$25m for woody debris and silt removal (commercial).

08 Depreciation and Amortisation

The depreciation for the year is based on estimates. Actual depreciation may move slightly after estimated growth movements are calculated for the year.

09 Financing Costs

Financing costs are \$2.8m over the Annual Plan. The main driver of this is the \$1.7m recognised for the fair value movement in our interest rate swaps. These values may or may not eventuate when the swaps are realised in the future. There is also \$2.9m of unbudgeted interest revenue that offsets against the interest expense costs.

10 Capital Expenditure

Capital expenditure for the period is \$46.1 (111%) against the year-to-date Annual Plan. More information regarding capital projects can be found under "Notes to Capital Expenditure" below.

Statement of Financial Position
For the Period Ended 29 February 2024

		YTD	Full Year
	Notes	Actual	Budget
		\$000s	\$000s
CURRENT ASSETS			
Cash & Bank	01	20,369	7,798
Non Exchange Trade and Other Receivables	02	5,486	11,475
Exchange Trade and Other Receivables	03	24,356	20,471
Inventories	04	45	120
Derivative Financial Instruments	11	5,737	37
Non Current Assets Held for Resale	05	80	80
Total Current Assets		56,073	39,981
CURRENT LIABILITIES			
Deposits Held	06	659	535
Trade and Other Payables	07	42,872	39,558
Employee Benefits and Suspense	08	3,082	3,180
Borrowings	09	15,000	5,000
Provisions for Other Liabilities	10	468	85
Total Current Liabilities		62,081	48,359
Total Net Working Capital		(6,008)	(8,378)
NON CURRENT ASSETS			
Derivative Financial Instruments	11	418	861
Property Plant and Equipment	12	2,705,015	3,030,144
Intangible Assets	13	6,068	7,447
Biological Assets	14	1,027	1,540
Investments	15	35,869	34,387
Total Non Current Assets		2,748,396	3,074,379
NON CURRENT LIABILITIES			
Borrowings	9	132,800	143,444
Employee Benefit Liabilities	8	111	122
Provisions for Other Liabilities	16	2,021	2,249
Emission Trading Scheme Liabilities	17	795	2,570
Total Non Current Liabilities		135,728	148,386
Total Net Funds Employed		2,606,661	2,917,615
EQUITY			
Accumulated Surplus		574,262	586,304
Special Funds	18	44,976	33,554
Revaluation Reserves	19	1,987,423	2,297,758
Total Equity		2,606,661	2,917,615

Notes to the Statement of Financial Position

- 01 Cash at Bank**
Westpac current account balance and overnight ANZ money market. There is also a \$5m term deposit which will be used to repay debt maturing in April 24.
- 02 Non-Exchange Trade and Other Receivables**
Includes rates receivable and other current receivables such as Waka Kotahi receivables.
- 03 Exchange Trade and Other Receivables**
Includes sundry debtors, prepayments, and GST where receivable.
- 04 Inventories**
Includes product and or stock on hand.
- 05 Non-Current Assets Held for Resale**
Includes any identifiable assets that have been held for disposals. Decisions relating to disposals must be approved by Council.
- 06 Deposits Held**
Includes footpath deposits, bond deposits and theatre ticket sale deposits.
- 07 Trade and Other Payables**
Includes accounts payable, sundry creditors, audit fee accruals, GST where payable and other IRD payables, Waerenga o Kuri Liability.
- 08 Employee Benefits Liabilities and Suspense**
Includes holiday pay and other current and non-current employee benefit liabilities.
- 09 Borrowings**
Includes long term and short-term borrowings from LGFA and Money market loan obtained from other banks.
- 10 Provisions for Other Liabilities - Current**
Includes provision for various legal matters and other liabilities.
- 11 Derivatives Financial Instruments**
Interest rate swaps.
- 12 Property Plant and Equipment**
Council's fixed assets.
- 13 Intangible Assets**
Includes computer software.
- 14 Biological Assets**
Includes the value of livestock and forestry.
- 15 Investments – Non-Current**
Includes investments in GHF and CCTO.
- 16 Provisions for Other Liabilities – Non-Current**
Includes non-current provisions such as Paokahu landfill and Waiapu landfill aftercare provisions.
- 17 Emissions Trading Scheme**
Provision for Emission Trading Scheme Liability.
- 18 Special Funds**
Includes various reserves such as depreciation reserve.
- 19 Revaluation Reserves**
Gain on asset revaluation.

Gisborne District Council
Statement of Capital Expenditure for the period ended 29 February 2024

Activity	Notes	% Spent			
		Feb 2024 Actuals YTD \$000s	Feb 2024 Budget YTD \$000s	YTD Actuals of YTD Budget %	2023 / 2024 Full Year Budget \$000s
Including Major Projects					
Community Lifelines		39,164	33,381	117%	52,898
Roading	1	21,363	18,717	114%	28,076
Wastewater	2	4,540	3,051	149%	3,943
Stormwater	3	659	1,289	51%	3,103
Water Supply	4	7,787	6,772	115%	9,556
Solid Waste	5	1	153	1%	3,948
Land, Rivers, Coastal	6	4,814	3,398	142%	4,272
Liveable Communities	7	4,422	5,647	78%	12,567
Land Soil and Resources		1,455	1,924	76%	2,890
Theatres		-	5	0%	11
Conveniences		308	325	95%	667
Reserves		472	728	65%	4,563
Cemeteries		20	69	29%	139
Community Property		1,630	1,472	111%	1,662
Art & Public Places		421	953	44%	2,359
Pool Operations		30	21	141%	21
District Library Ops		87	150	58%	257
Regional Leadership & Support	8	2,384	2,459	97%	4,480
Information Services		806	1,213	66%	2,131
Customer Services & Townships		120	211	57%	675
Recovery Centre		57	-	0%	-
Fosal		43	-	0%	-
Water and Coastal Resources		684	684	100%	1,134
Civil Defence		307	-	0%	-
Environmental Monitoring		68	53	128%	111
Facilities & Plant Management		298	298	100%	428
Environmental Services & Protection	9	20	-	0%	-
Monitoring and Enforcement		7	-	0%	-
Environmental Health		14	-	0%	-
Commercial Operations	10	134	158	85%	284
Community Housing		134	158	85%	284
		46,124	41,645	111%	70,229

Notes to the Draft Statement of Capital Expenditure 29 February 2024

Roading

Full Year Program

The roading full year budget is \$28.1m. This is made up of renewals (\$18.3m), PGF (\$6.1m) and other projects (\$3.7m) that include walking and cycling and subsidised Township projects.

Costs to date

Capital spend to date is at \$21.4m (114%) of the Year To Date (YTD) budget. Renewals through February account for 70% of spend. Reinstatement of bridges is \$4.0m and 100% of these costs are externally funded by CIP and Waka Kotahi.

The East Cape Provincial Growth Fund (PGF) works commenced in October, with spend to date of \$2.5m. They are underway to be finished within August 2024.

Wastewater

Full Year Program

The wastewater full year budget is \$3.9m. This full year budget consists of the final works on Wastewater Treatment Plant (\$0.8m) and mainly renewals (\$3.1m).

Costs to date

Actuals YTD are \$4.5m against YTD budget of \$3.1m. Renewals are tracking on par with budget. The additional expenditure was for reinstatement work after Cyclone Gabrielle (\$692k) and from for the Taruheru Pump Station. The additional work over budget, is covered by external funding, either Nema/Insurance funding or other grants.

The Wastewater Treatment Plant major project is in commissioning stage. Optimisation of principal supplied equipment is in progress to allow commencement of trial operations currently planned for May 2024.

Stormwater

Full Year Program

Stormwater projects are mainly renewals and Drainwise Program of capital works with full year budget of \$3.1m.

Costs to date

Total actual costs YTD are \$659k against year-to-date budget of \$1.3m, spent on renewals programme.

Investigations and design works are ongoing for the drainwise program with majority of construction expected to occur next financial year, carry over will be requested for these budgets.

Water Supply

Full Year Program

Water Supply total capital budget of \$9.6m includes \$3.1m of renewals and \$6.5m for upgrade. \$5.5m of the upgrade is for the commissioning of the Lamella Filtration at the Waingake water treatment plant.

Costs to date

Total actual costs are \$7.8m against a budget of \$6.8m. Water supply projects are up on the YTD budget due to 100% insurance funded works on Sang Dam pipeline and water main pipe coating.

Council spent \$1.7m on renewals of water supply assets to date. The focus was on post-cyclone restoration and upgrades in the first 8 months of the year. \$990k of the spend is related to reinstatement costs which are being claimed from NEMA and our insurance.

Lamella filtration works spend to date is \$5.6m, this is also NEMA and insurance funded.

Solid WasteFull Year Program

There are 7 projects in this budget of \$3.9m, the largest are the relocation of the Tokomaru Bay transfer station with a budget of \$750k and Wheelie bins project with \$2.8m for the year.

Costs to date

Capital expenditure is expected to start in March 2024. A location of the new transfer station has been selected, and works are anticipated to start in March. It is intended to put an order in for new wheelie bins in the last quarter of the financial year.

The remaining 5 projects are provisions for renewal of capex, as and when they are needed. It includes provisions for transfer stations, litter bins, heritage landfill remediation and Paokahu closed landfill.

Land, Rivers and CoastalFull Year Program

The total budget of \$4.3, out of which \$4.2m is allocated to the main project Waipaoa River Flood Control Scheme.

Costs to date

Total actuals are \$4.8m against the budget of \$3.4m. The Waipaoa River Flood Control Scheme is on track and contracts are in place, the works are progressing as planned. Total of \$3.4m was spend to date, out of which \$1.4m is 90% funded by Crown Infrastructure package. Additional expenditure is externally funded by Nema and insurance.

Liveable CommunitiesFull Year Program

The total budget of \$12.6m, with major projects Kiwa Pools (\$1.1m), Waingake Transformation (\$2.9m) and the 1000 year Walkway Bridge (\$1.5m).

Costs to date

Total actuals are \$4.4m, 78% of the year-to-date budget.

The Kiwa Pools project was finished in the first quarter, a demolition of the old building has been postponed until April 2024 when the outdoor pool closes for a winter period.

Waingake Transformation Project is \$1.5m to date. It is expected to come under budget at the year end, savings are made on weed control management due to cooler weather.

The 1000 Year Walkway Bridge spend is \$388k. All below ground works on foundations are complete, walkaway bridge is being fabricated offsite. Main installation is expected in June 2024 with completion scheduled for second half of July 2024.

Regional Leadership & Support Services

Full Year Program

Several activity budgets sit under this grouping, totalling \$4.5m for the year. Information Services has a \$2.1m full year budget with the main projects being Digitisation of Records \$849k and Existing core hardware and software renewals \$776k.

Costs to date

Actual costs for this group are \$2.4m, 97% against YTD plan. The Civil Defence costs relate to the final costs for the new Civil Defence Building. The build was expected to be complete by the 30 June 2023 where the projected had been fully budgeted for, but some of the costs were carried over into July/August 2023. The Civil Defence building was officially opened in September 2023.

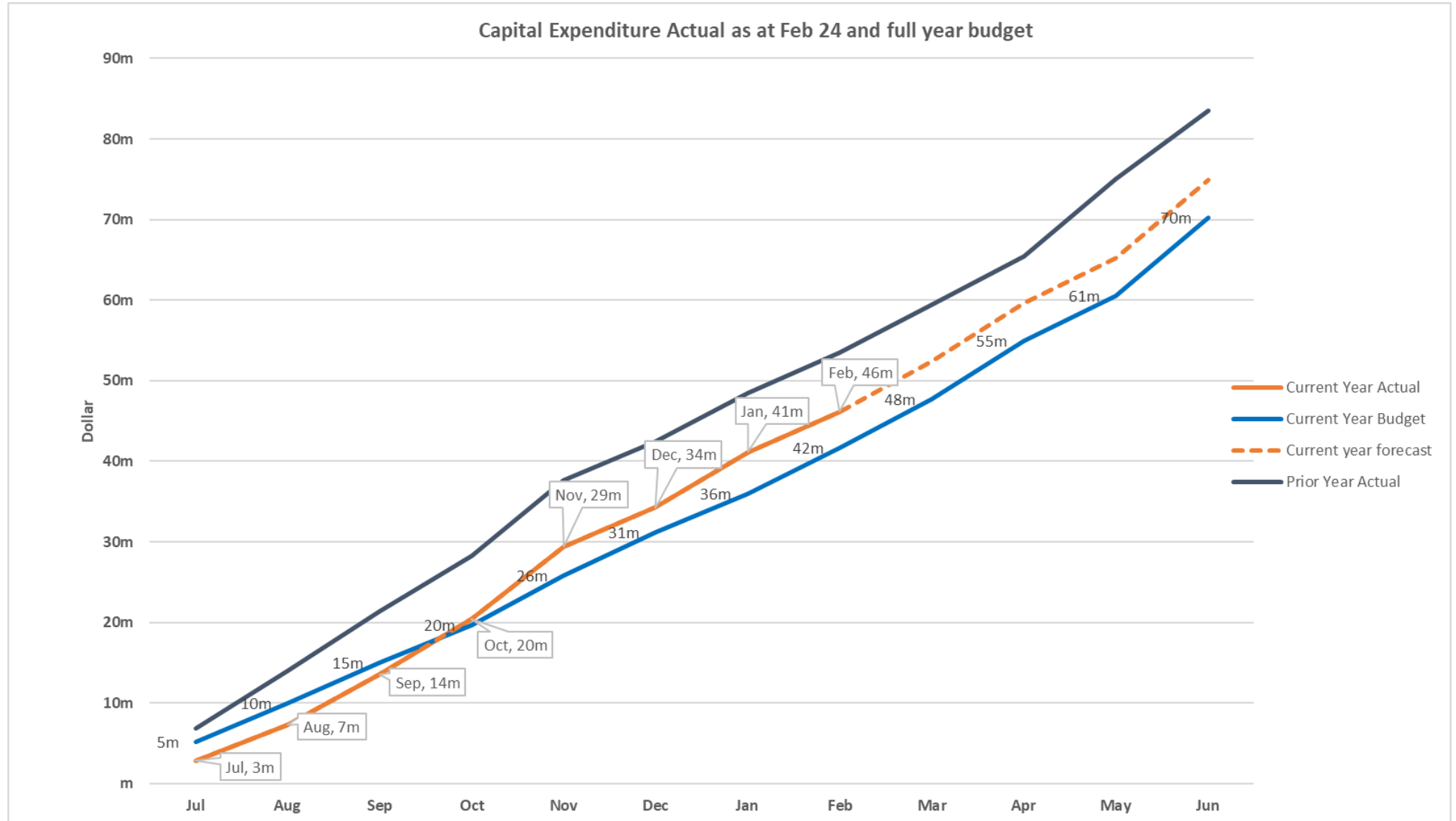
Recovery Centre costs relate to purchasing drones and telemetry equipment, required for the assessing of Woody debris, and FOSAL land categorisation. FOSAL capital costs, relates to the deposit paid for Category 3 Voluntary Property Buyouts. While not 100% externally funded (ie Category 3 buyouts), they do have externally grant funding.

Environmental Services & Protection

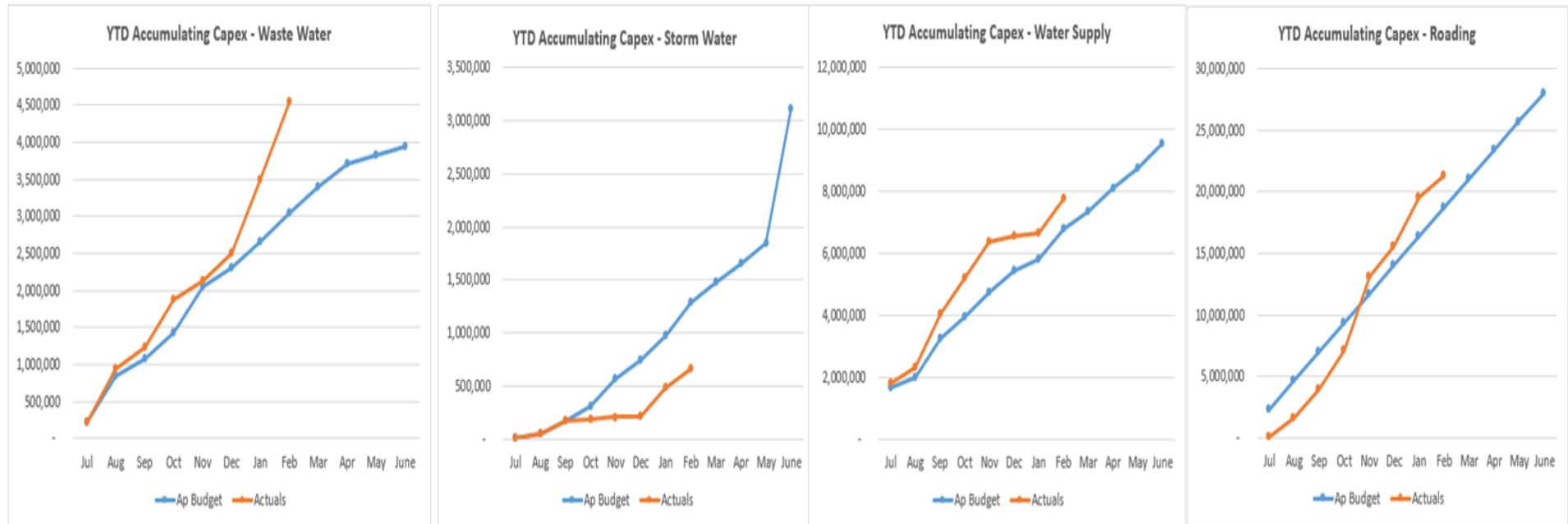
There are some minor costs YTD, relating to minor plant replacements costs and record storage containers.

Commercial Operations

This budget is for Staff and Community Housing upgrades, where GHL manages and oversees this work.



YTD Accumulating CAPEX Charts



10.3. INFORMATION Reports Performance



24-83

Title: 24-83 Six Month Report - Quarter 1 and Quarter 2 Financial Year 2023/2024

Section: Risk & Performance

Prepared by: Tim Muir - Senior Planning & Performance Advisor

Meeting Date: Wednesday 17 April 2024

Legal: No

Financial: No

Significance: **Low**

Report to FINANCE & PERFORMANCE/WHAKAHAERE PŪTEA ME ŌNA HUA Committee for information

PURPOSE - TE TAKE

The purpose of this report is to provide the Committee with updates on progress and performance for the first half (or six months) of the financial year 2023/2024 for Council activities.

SUMMARY – HE WHAKARĀPOPOTOTANGA

This report outlines the performance and progress of Council activities for the first six months of the financial year 2023–2024, from **1 July to 31 December 2023**. It evaluates these activities against the objectives set in the 2021–2031 Long-Term Plan.

The reporting on activities for the 2021–2031 Long-Term Plan has been structured at a "group" level. This approach aligns with the Long-Term Plan and mirrors the financial structure of the organisation.

Activity Reporting Structure

Mandatory Activities: In compliance with the Local Government Act 2002 (LGA), our Long Term Plan includes the following mandatory activities:

- Roads and Footpaths.
- Land, Rivers, and Coastal.
- Water Supply, Wastewater, and Stormwater Services.

Additional Council-Recognised Activity Groups: Council has also identified five additional groups of activities for inclusion in this Long Term Plan:

- Solid Waste.
- Environmental Services and Protection.
- Liveable Communities.

- Regional Leadership and Support Services.
- Commercial Operations.

Reports at a glance

This summary table presents the performance outcomes for Council activity groups based on second quarter outcomes of Financial Year 2023/2024.

Activities	Number	Fully achieved	Slightly under target	Not achieved	Not measured
Environmental Services and Protection	KPIs 11	10		1	
Roads and Footpaths	Projects 8	8			
	KPIs 3	1		1	1
Land, Rivers, and Coastal	Projects 1	1			
	KPIs 2	1		1	
Solid Waste	Projects 1		1		
	KPIs 5	2	2	1	
Wastewater	Projects 1			1	
	KPIs 6	5		1	
Water Supply	Projects 1	1			
	KPIs 15	15			
Urban Stormwater	Projects 1		1		
	KPIs 5	5			
Liveable Communities	KPIs 10	7	2	1	
Regional Leadership and Support Services	KPIs 13	8		2	3
Commercial Operations	N/A	Results reported annually			

The decisions or matters in this report are considered to be of **Low** significance in accordance with the Council's Significance and Engagement Policy.

RECOMMENDATIONS - NGĀ TŪTOHUNGA

That the Finance & Performance/Whakahaere Pūtea me Ōna Hua Committee:

1. Notes the contents of this report.

Authorised by:

Pauline Foreman - Chief Financial Officer

Keywords: biannual report, roads & footpaths, land rivers & coastal, water supply wastewater, stormwater, solid waste, environmental services & protection, liveable communities, regional leadership, support services, commercial operations

ATTACHMENTS - NGĀ TĀPIRITANGA

1. Attachment 01 - Environmental Services and Protection [**10.3.1.1** - 9 pages]
2. Attachment 02 - Roads and Footpaths [**10.3.1.2** - 10 pages]
3. Attachment 03 - Land Rivers and Coastal [**10.3.1.3** - 7 pages]
4. Attachment 04 - Solid Waste [**10.3.1.4** - 6 pages]
5. Attachment 05 - Wastewater [**10.3.1.5** - 8 pages]
6. Attachment 06 - Water Supply [**10.3.1.6** - 8 pages]
7. Attachment 07 - Urban Stormwater [**10.3.1.7** - 6 pages]
8. Attachment 08 - Liveable Communities [**10.3.1.8** - 8 pages]
9. Attachment 09 - Regional Leadership and Support Services [**10.3.1.9** - 14 pages]
10. Attachment 10 - Commercial Operations [**10.3.1.10** - 4 pages]

Te Rōpū Ratonga Taiao me te Haumarū

Environmental Services and Protection

Six Month Report - financial year 2023-24

What we do

The purpose of this activity group is to promote the sustainable management of the physical and natural resources of the district as well as contribute to the wellbeing of its people and the built environment. The activities in this group include:




- Building Consents
- Resource Consents
- Enforcement and Compliance
- Harbour Master

About this report

This report provides a summary of the **Environmental Services and Protection** Group's key performance outcomes for the first and second quarters of the 2023-24 financial year, in comparison with the objectives set out in the 2021-2031 Long Term Plan (LTP).

The report contains the following sections:



1. Activity Assessments.
2. Group finances.
3. Progress on plan (LTP years 1 to 3).
4. Levels of service and performance measures.



Key		
		
On track	Monitoring	Off track



Te Rōpū Ratonga Taiao me te Haumarū



Environmental Services and Protection

1. Activity Assessments - 1 July 2023 to 31 December 2023

Building Consents	
 Progressing our LTP commitments and focus projects.	 Performance in terms of delivering our Levels of Service.
On track <i>We are progressing as planned.</i>	Off-track <i>Performance declined over quarters one and two.</i>

Resource Consents	
 Progressing our LTP commitments and focus projects.	 Performance in terms of delivering our Levels of Service.
On track <i>We are progressing as planned.</i>	On track <i>We are progressing as planned.</i>

Enforcement & Compliance	
 Progressing our LTP commitments and focus projects.	 Performance in terms of delivering our Levels of Service.
On track <i>We are progressing as planned.</i>	On track <i>We are progressing as planned.</i>

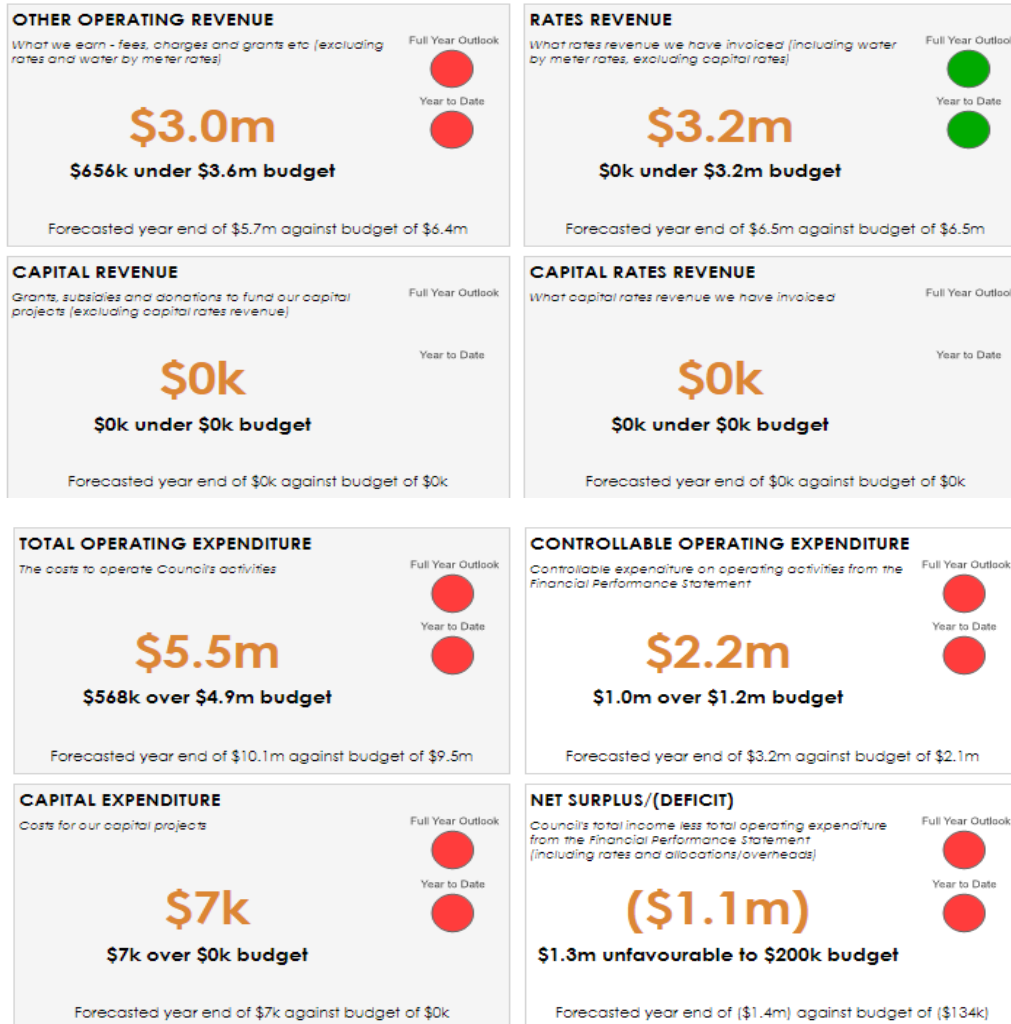
Harbour Master	
 Progressing our LTP commitments and focus projects.	 Performance in terms of delivering our Levels of Service.
On track <i>We are progressing as planned.</i>	On track <i>We are progressing as planned.</i>

Te Rōpū Ratonga Taiao me te Haumarū

Environmental Services and Protection

2. Group Finances

Year to date results as at end of December 31 2023



Traffic light colour illustrates the % deviation from budget.
("0%" is "no deviation from planned budget")



Te Rōpū Ratonga Taiao me te Haumarū

Environmental Services and Protection

Total Operating Income: YTD income is \$656k under budget. 340 Building consents and 185 resource consents were issued for the first two quarters and are on budget coming into the third quarter. Parking income is coming under budget by \$464k. We are receiving 31% less parking meter income than expected, together with reduced infringement income of \$350k and monitoring income of \$150k in Monitoring & Enforcement bringing the activity under budget.

Total Operating Expenses: YTD expenses are \$568k over budget. This is due to an increase spend in consultancy fees in building and resource consents (which is 100% on-charged) and an increase of legal costs due to Cyclone Gabrielle forestry investigations.

Total Capital Expenditure: YTD we are \$7k over budget. This is due unbudgeted spends on a shipping container to hold evidence that will form part of council's prosecutions under the resource management act.

3. Progress on plan (LTP years 1 to 3)

Building Consents	
What we said we would do	How we are going
Review the Request for Service (RfS) system for stormwater on private properties and link this review into the DrainWise process.	This is an ongoing process.
Obtain a drone to remove the risk of at height building inspections.	Completed
Review the internal process for LIMs to improve efficiency.	Completed

Resource Consents	
What we said we would do	How we are going
Continue to process resource consents and to meet and deliver statutory requirements for Council.	This is the core business of the Resource Consents team.
Put in place simple and easy-to-use tools and processes to ensure a collaborative approach with our community can be supported.	Tools such as our customer touchpoint model, and improvements to our website content, assist in managing expectations. Flexible working arrangements enable us to meet customer demands. The recruitment of a Māori engagement advisor has resulted in significant improvements in our relationships with our Iwi/Hapu partners.
Deliver Council's legislative requirements consistently and to a high standard, both in terms of the quality of processing applications received, as well as decisions released under the statutory and regulatory framework.	Review of our processes and templates is ongoing. Team updates and interactive sessions on legislative changes are implemented.
Implement real-time charging in order to recoup our operational costs to ensure alignment of outputs (time) and inputs (income).	Real-time charging continues since implementation in 22/23.

Te Rōpū Ratonga Taiao me te Haumarū

Environmental Services and Protection

Resource Consents	
What we said we would do	How we are going
Document and promote the pre-lodgement process to ensure the best understanding of the proposal prior to its submission – a no-surprises approach.	The service is initiated through the Duty Planner role who actively promote the service in their day-to-day dealings with the public.
Implement a process for the management of water take renewals for the years when these numbers are particularly high.	The water replacement reminder process is initiated 12 months in advance of the expiry date and a second reminder issued at the 6-month mark. External consultants with specific expertise are used when numbers are high.
Develop and disseminate communication and information material around resource consent requirements.	We have reviewed and made improvements to our website content with ongoing plans to keep information current and up to date as becomes necessary. The development of information material is ongoing.
Provide input into the review of the TRMP process.	This is undertaken on an as needed and ongoing basis in collaboration with the Strategic Planning Team.

Enforcement and Compliance	
What we said we would do	How we are going
Continued monitoring of high-risk activity areas. Forestry, Water Takes and Industrial activities.	We are on track with monitoring high-risk activities. Our emphasis on forestry continues following last year's cyclones. Continue to experience resourcing issues. This is a challenge throughout the compliance sector at a national level.
Ensure Council maintains the guiding principles and obligations of Te Mana o te Wai.	Council continues to adhere to the guiding principles and obligations of Te Mana o te Wai.
Capture requirements and identify a supplier for a water data business support tool (and recruiting capability) that accurately supports real time compliance monitoring and analysis of data as recommended in the Freshwater Reform package.	Initiative not yet started.
Expand the capacity of the compliance monitoring and enforcement team to allow greater compliance monitoring and enforcement within the Gisborne District.	We are continuing to recruit across the compliance teams. Actively recruiting for the forestry team.
Ensure Council keeps up to date with any changes to legislation in relation to environmental compliance.	We stay informed about shifts in our legislative framework and promptly communicate these changes to the relevant communities and groups.
Reviews ways the compliance monitoring and enforcement team can improve and strengthen relationships with local Iwi and hapū.	These involve joint management and co-governance arrangements. Internally, Council's resource "Te Matapihi" empowers staff in engaging with Māori.
Update the parking meters in the central business district.	All parking meters have been replaced in the CBD. New up-to-date technology allows people to pay using either card, coins, or an app-based service.
Review of the Dog Control Bylaw.	Dog Control Bylaw 2023 come into force in September 2023.

Te Rōpū Ratonga Taiao me te Haumarū





Environmental Services and Protection

Enforcement and Compliance	
What we said we would do	How we are going
Review and update the Parking Policy and Freedom Camping Bylaw.	<p>Following recent changes in legislation it was established that the Freedom camping bylaw was not required to be amended as the changes allowed for bylaw inconsistencies to be removed by resolution publicly notified. It is still the intention to review the bylaw at some stage, however no date for yet for when this will take place.</p> <p>Parking Policy review has not taken place. It's anticipated this could happen in 2025.</p>
Implement education programmes to relevant and any interested stakeholders.	<p>We continue to work with forestry companies to implement best practice guidelines aimed at reducing harvest residues, minimising the mobilisation of harvest materials, and promoting training in erosion and sediment control.</p> <p>Annual education emails to communicate water take consent expectations and provide updated guidelines to firms responsible for managing contaminated land.</p> <p>Council contributes to the "Pānui Taiao" publication which focuses on environment, land, nature and country issues.</p>
Review the Health and Safety Plan every three years and ensure all health and safety requirements are in place.	Ongoing.
Hazardous Activities and Industries List (HAIL) project around identifying former sheep dips and helping landowners access Ministry for the Environment funding.	This initiative has not yet started.
Support owners in Awapuni Road who have contaminated land.	This initiative has not yet started.
Create and undertake a survey on background noise.	This initiative has not yet started.

Te Rōpū Ratonga Taiao me te Haumarū



Environmental Services and Protection

4. Levels of service and performance measures

KPI (Key Performance Indicator) Key					
				Note to Activity Managers: Ensure full rationale is given as to how you arrived at your result assessment.	
Fully achieved	Slightly under target (≤5%)	Not achieved	Not measured Must include appropriate commentary.		
Reporting Period Key					
Q1	Q2	Q3	Q4*	EOY*	*Q4/EOY results are captured within the Annual Report.
July – Sep	Oct – Dec	Jan – March	April – June	End of year	
Type Key					
A	1/2	Q	M		
Annual	Half yearly	Quarterly	Monthly		
Notes:					
1. The 2021-2031 Long Term Plan includes 22 performance measures based on the Resident Satisfaction Survey that were previously reported every quarter. These measures will now be reported annually after all four survey waves are complete.					
2. For annual or half annual measures, actual results are provided for interim quarters if available, but KPI indicators are blank.					
3. For monthly measures, results will be averaged for the three months in the relevant quarter.					
4. Annual measures with progressive/cumulative results will be used to derive an end of year (EOY) result.					

Building Consents

Level of Service: We will deliver a customer-focused building consents and compliance monitoring service that meets statutory requirements.







Measure	Type	Target	Results			Commentary
Percentage of building consents processed within 20 working days.	Q	95%	Q1		88.6%	Building services are working hard to improve timeframes. Additional contractor support has now been secured.
			Q2		88.8%	

Te Rōpū Ratonga Taiao me te Haumarū

Environmental Services and Protection

Resource Consents





Level of Service: We meet regulatory timeframes and apply best practice when processing applications.

Measure	Type	Target	Results			Commentary
The percentage of resource consents processed within 20 business days.						
Territorial Consents	Q	70%	Q1		83%	Target achieved.
			Q2		80%	
Regional Consents	Q	70%	Q1		77%	Target achieved.
			Q2		77%	
Overall Consents	Q	70%	Q1		81%	Target achieved.
			Q2		79%	

Enforcement & Compliance

Animal Control

Level of Service: We provide animal control services that protect our community from threats to their safety by monitoring and enforcing compliance with legislation and through dog registration.

Measure	Type	Target	Results			Commentary
The percentage of routine requests for dog or stock control issues responded to within two days.	Q	85%	Q1		93%	Target met.
			Q2		95%	
The percentage of urgent requests for dog or stock control responded to within 30 minutes.	Q	92%	Q1		92%	Target met.
			Q2		93%	





Te Rōpū Ratonga Taiao me te Haumarū

Environmental Services and Protection

Environmental Health



Food & Liquor

Level of Service: We regulate commercial operations and respond to environmental health issues in the interest of protecting public and environmental health.

Measure	Type	Target	Results		Commentary	
The percentage of applications for liquor licences processed within target timeframes.	Q	65%	Q1		77%	Target achieved.
			Q2		76%	
The percentage of registered and licensed premises that undergo an environmental health compliance inspection annually.	Q	65%	Q1		29%	Q2's 250% figure is attributed to R&V and TW camping-ground inspections in late December 2023, comprising 46% alcohol and 204% health inspections, with the R&V event significantly influencing the total due to its scale and duration.
			Q2		250%	

Noise Response

Level of Service: We monitor, respond, and enforce reports of noncompliance with respect to legislation intended to protect the environment.

Measure	Type	Target	Result		Commentary	
Noise control response within 1 hour.	Q	70%	Q1		86%	Target met.
			Q2		89%	

Port and Harbour Safety

Level of Service: We maintain the Port and Harbour Safety, Code Safety, Management System (SMS) and respond to maritime emergencies.

Measure	Type	Target	Results		Commentary	
Our Port and Harbour Safety Code (SMS) has been self-assessed with the port within the last 12 months.	Q	Compliant	Q1		Compliant	Target met.
			Q2		Compliant	
We initiated our response to all maritime emergencies within 30 minutes of notification.	Q	<30 mins	Q1		Compliant	Target met.
			Q2		Compliant	

Ngā Rori me ngā Ara Hīkoi

Roads and Footpaths

Six Month Report - financial year 2023-24

What we do

This activity is responsible for the extensive land transport network in our region, all operational elements of road maintenance and renewals, capital projects, walkways, and cycleways. Council also manages the two public bus services, nine school bus services, and road safety education initiatives, including campaigns for wearing seat belts, and against drink driving and speeding.




The local road network forms 85% (1899km) of Tairāwhiti roads and equals the same distance as driving from Kaitaia to Invercargill; 87% of the roads are rural and 54% are unsealed. Other assets include 413 bridges, culverts, and drains, 263km of footpaths, footbridges, 3703 streetlights 20 roundabouts, 10.9km of cycleway shared paths, street signs, railings, retaining walls, one set of traffic lights, and bus shelters. Waka Kotahi provides 2/3rds funding for these assets from the National Land Transport Plan (NLTP) with the exception of some non-assisted assets such as carparks and wharves.

The Land Transport Management Act 2003 requires Council as a regional authority to have a Regional Land Transport Plan and a Regional Public Transport Plan. These plans are reviewed every three years and is our bid to the NLTP funding.

About this report

This report summarises key **roading and footpath** performance outcomes for the first and second quarters of the 2023-24 financial year, in comparison with the objectives set out in the 2021-2031 Long Term Plan (LTP).


1. Activity Assessment.
2. Finances.
3. Progress on plan (LTP years 1 to 3).
4. Levels of service and performance measures.

Key		
		
On track	Monitoring	Off track

Ngā Rori me ngā Ara Hiko

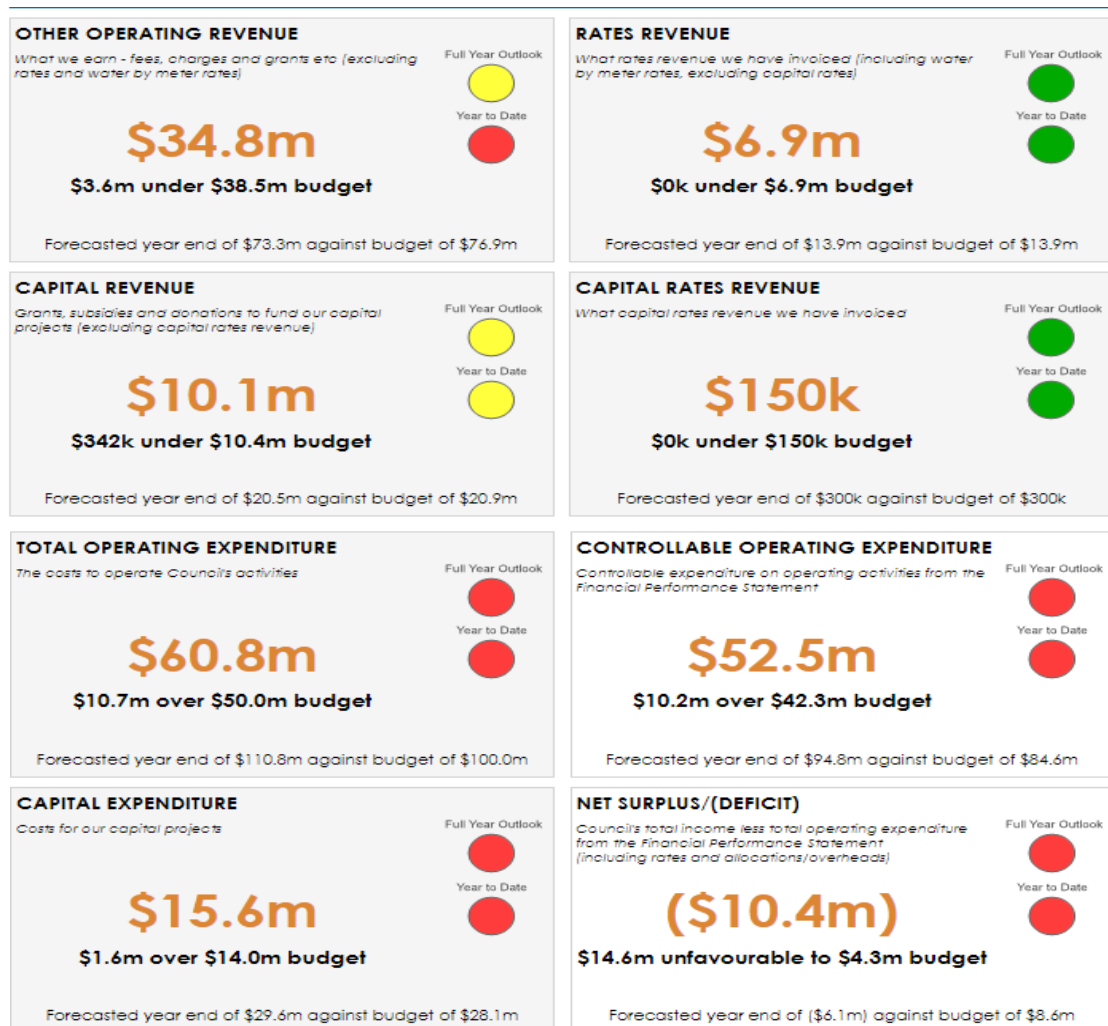
Roads and Footpaths

1. Activity Assessment - 1 July 2023 to 31 December 2023

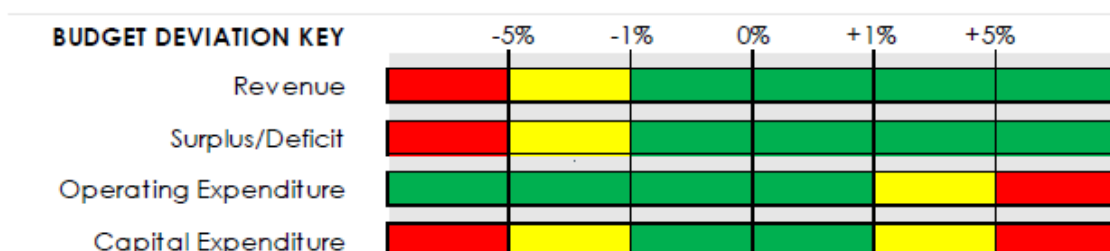
	Progressing our LTP commitments and focus projects.		Performance in terms of delivering our Levels of Service .
On track <i>We are progressing as planned.</i>		Monitoring <i>There have been some acceptable deviations from plan.</i>	

2. Finances

Year to date results as at end of December 31 2023



Traffic light colour illustrates the % deviation from budget.
("0%" is "no deviation from planned budget")



Ngā Rori me ngā Ara Hīkoi

Roads and Footpaths

Operational Income – Operational income is currently \$4.5m under YTD budget. This is a timing difference which will be resolved and be on budget by year-end. To date, we have been awarded \$31.3m @ 100% for Cyclone Gabrielle, and \$3.4m for other multiple weather events @ 86% from Waka Kotahi.




Operational Expenditure – Operational expenditure is \$10.2m over YTD budget. This is due to an increase in emergency work. Any emergency work over budget will be expected to be covered by additional funds committed by Waka Kotahi and Crown Infrastructure Partners (CIP).

Capital Revenue – Capital income is \$342k under YTD budget. Although we have received unbudgeted revenue for PGF work of \$1.2m we have yet to receive funds from CIP for the bridge reinstatement costs which has not been accounted for.

Capital Expenditure – Capital expenditure is \$1.6m over YTD budget. \$15.6m was spent in the first half of the year, accounting for 111% of capital spend of the phased budget. Renewals through to December account for 70% of spend. Costs to reinstate bridges after Cyclone Gabrielle accounted for \$3.5m of costs. This is to be externally funded by CIP.

The East Coast Provincial Growth Fund (PGF) works commenced in October 2023 and accounts for 8% of spend, with an expected finishing time of August 2024.


3. Progress on plan (LTP years 1 to 3)

Projects Key		
		
On track	Monitoring	Off track

Ngā Rori me ngā Ara Hīkoi


Roads and Footpaths


Recovery	
Status	
Project start date	14 Feb 2023
Project completion date	30 June 2030
Revised completion date	N/A
Current progress	5%
Current project phase	<p>Recovery from cyclones severely effects the ability to carry out the LTP program. Although not part of the LTP plan the following work is described here for context.</p> <p>Cyclones in Q3 in Year 2 have heavily impacted the condition of our network causing significant damage to the rural network with 8 bridges destroyed and 54 with significant damage.</p> <p>Route security via Tiniroto Road is severely compromised and not currently a viable alternative to SH2 with work arounds likely to continue into the foreseeable future.</p> <p>Recovery funding from the government (via FOSAL) was offered at \$125M which is \$250M less than required but after public consultation this was accepted. This funding includes \$45M set aside for Tiniroto Road, \$40M for some of the critical bridges, \$27M for drainage resilience and \$8.5M for slip repairs, all of which is about 6 years' worth of work.</p> <p>Work continued this quarter on restoring the network with emergency works funding while on the lead up to the festive period.</p>

East Cape Road (PGF)	
Status	
Project start date	Pre 1 July 2021
Project completion date	30 June 2024
Revised completion date	21 September 2024
Current progress	65%
Current project phase	<p>Last remaining Provincial Growth Fund (PGF) project, focused on improving the resilience along the East Cape Road by placing rock along the coastal foreshore.</p> <p>The repaired Awatere bridge at Te Araroa Contract 21-78 has recommenced following delays.</p>

Ngā Rori me ngā Ara Hīkoi


Roads and Footpaths


Minor improvements (Low cost/low risk)	
Status	
Project start date	1 July 2021
Project completion date	30 June 2022
Revised completion date	30 June 2024
Current progress	85%
Current project phase	<p>Interim Speed Management Plan (ISMP) implementation</p> <p>Council's 2022 speed limit bylaw amendment which was consulted on and approved by 11th August council meeting 2022 was submitted for certification to Waka Kotahi through interim speed management plan process and approved 3rd August 2023 for implementation.</p> <p>In December and January new speed signs were installed around 13 schools, 17 Marae and 9 townships and around some areas of the city. Meanwhile work is continuing to implement the remainder of the ISMP.</p> <p>Intersection Safety Improvements</p> <ul style="list-style-type: none"> • Gladstone / Stanley roundabout with raised safety platforms. • Palmerston / Derby roundabout with raised safety platforms. <p>Designs completed and procured with a plan to start this work Q3-4 2024.</p> <p>School Safety Improvements</p> <ul style="list-style-type: none"> • Te Kura Kaupapa Māori O Nga Uri A Maui, this will involve the construction of a raised table crossing to help slow traffic past the school. Designs completed and procured with a plan to start this work Q3-4 2024. • St Marys - in the planning stages for next year's school safety with St Mary's and the neighbouring new childcare centre.


Public transport	
Status	
Project start date	1 July 2021
Project completion date	30 June 2022
Revised completion date	30 June 2024
Current progress	85%
Current project phase	<p>PT Review part 2 – in progress to recommend solutions for service improvements such as more efficient and attractive routes, with better linkages to key destinations, improved marketing/Total Mobility and integrated ticketing services and contract reviews.</p>

Ngā Rori me ngā Ara Hīkoi

Roads and Footpaths


Walking and cycling – Uawa cycleway	
Status	
Project start date	1 July 2021
Project completion date	30 June 2023
Revised completion date	30 June 2024
Current progress	63%
Current project phase	5km trails around Uawa township are complete (Stage 2) although some sections are affected by the slash removal work. Further Stage 1 funding for 3km from SH35 bridge at Uawa to the Tolaga bay Wharf is required to complete the trails.

Walking and cycling – Taruheru river cycleway business plan	
Status	
Project start date	1 July 2021
Project completion date	30 June 2022
Revised completion date	30 June 2024
Current progress	30%
Current project phase	Single stage business case being developed to make the case for investment along the Taruheru River.

Walking, Cycling and Mode Shift Strategies	
Status	
Project start date	1 July 2021
Project completion date	30 June 2022
Revised completion date	30 June 2024
Current progress	70%
Current project phase	Draft Mode shift and Active Transport strategies 'Tairawhiti Moves' have been approved for consultation and are being consulted on in quarter 3 with 'Let's talk Transport' setting out policies with a 30 year plan.

Ngā Rori me ngā Ara Hīkoi

Roads and Footpaths





Streets for People	
Status	
Project start date	1 July 2021
Project completion date	30 June 2024
Revised completion date	N/A
Current progress	60%
Current project phase	<p>Community-driven council supported tactical urbanism initiatives on Grey Street and in Uawa 90% Waka Kotahi funded by 'Streets for People' continues to progress.</p> <p>Tairāwhiti Adventure Trust carried out community consultation throughout December on their designs for Grey Street with drop-in sessions at various locations and on the Gisborne District Council website. The temporary installation is planned for February.</p> <p>Designs for Uawa on State Highway 35 are in progress with Waka Kotahi.</p>

What we said we would do	How we are going
Reduce the number of fatal and serious crashes occurring in the district.	Tairāwhiti shows 6 serious crashes on local roads so far compared to 17 last financial year. On State Highways there have been 2 fatal and 7 serious crashes so far compared to 3 fatal and 6 serious last financial year. Road safety projects and programmes aim to improve road safety. Slowing traffic down using raised pedestrian crossings, setting lower speeds around schools and using Road Safety Promotion (RSP) and education is our current focus. RSP is a regional program and covers both local roads and state highways.
Maintain the reliability and resilience of the roading network.	<p>The network is still severely compromised by the damage incurred from the cyclones in Q3 year 2.</p> <p>Emergency works are well over and above LTP levels and are impacting the delivery of BAU programme of works which normally maintains and renews the network.</p> <p>There is a funding gap of \$250M to restore the network to previous levels of service. It is likely to take at least 6 years to recover.</p> <p>East Cape Road resilience is still in progress although compromised.</p>
Improved access for communities with a choice of transport mode.	<p>The business case for the Taruheru River path, Ūawa Trails.</p> <p>Streets for People projects on Grey Street and in Uawa, Active Transport and Mode Shift strategies and Public Transport review are all in progress to achieve this goal.</p>

Ngā Rori me ngā Ara Hīkoi

Roads and Footpaths

4. Levels of service and performance measures

KPI (Key Performance Indicator) Key					
				<p>Note to Activity Managers: Ensure full rationale is given as to how you arrived at your result assessment.</p>	
Fully achieved	Slightly under target (≤5%)	Not achieved	Not measured Must include appropriate commentary.		
Reporting Period Key					
Q1	Q2	Q3	Q4*	EOY*	*Q4/EOY results are captured within the Annual Report.
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Type Key					
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Annual	Half yearly	Quarterly	Monthly		
Notes:					
1. For annual or half annual measures, actual results are provided for interim quarters if available, but KPI indicators are blank.					
2. For monthly measures, results will be averaged for the three months in the relevant quarter.					
3. Annual measures with progressive/cumulative results will be used to derive an end of year (EOY) result.					

Ngā Rori me ngā Ara Hīkoi



Roads and Footpaths

GDC JOURNEYS

Level of Service: We ensure the roading network is designed and managed for safe use with low crash and injury rates.

Measure	Type	Target	Results	Commentary
<p>Road Safety:</p> <p>The change from the previous financial year in the number of fatalities and serious injury crashes on the local road network, expressed as a number.</p> <p>(Mandatory measure)</p>	A	Decrease	Q4	End of year target.





Level of Service: We operate and maintain a reliable roading network that is in good condition and fit for purpose.

Measure	Type	Target	Results		Commentary
<p>Response to service requests:</p> <p>The percentage of customer service requests relating to roads and footpaths to which Council responds within the time frame specified.</p> <p>(Mandatory measure)</p>	Q	80%	Q1	 64.6 %	The reduced response rate is largely due to the prioritisation of cyclone recovery efforts. These efforts have focused on reconnecting communities, stretching resources, and at times necessitating the delay of routine maintenance tasks such as pothole repairs.
			Q2	 74.2 %	
<p>Road condition</p> <p>The average quality of ride on a sealed local road network, measured by smooth travel exposure.</p> <p>(Mandatory measure)</p>	A	80% of sealed network to have NAASRA count of 150 or better	Q4		End of year target.
<p>Road maintenance</p> <p>The percentage of the sealed local road network that is resurfaced.</p> <p>(Mandatory measure)</p>	A	5%	Q4		End of year target.
<p>Footpaths</p> <p>The percentage of footpaths that fall within the service standard for the condition of footpaths that is set out in the Engineering Code of Practice.</p>	A	90%	Q4		End of year target.

Ngā Rori me ngā Ara Hīkoi

Roads and Footpaths

Level of Service: We provide and maintain affordable and accessible transportation services that balance the needs of all users.

Measure	Type	Target	Results			Commentary
Percentage of customers who rate the passenger transport system as excellent / good.	A	80%	Q1		Not measured	Customer satisfaction for passenger transport was not measured in due to operational challenges. A comprehensive review of the passenger transport system is currently underway, with plans to consult on the RTPP this year for the 2024 NLTP.
			Q2		Not measured	
The number of bus passengers per annum.	A	a) Gizzybus >41,000 b) Waka Kura >80,000 Total 121,000 passengers per year.	Q1		a) 10,704 b) 24,640	The number of passengers is on track.
			Q2		a) 9,637 b) 14,356	

Te Whenua, ngā Awa, me te Takutai

Land, Rivers and Coastal

Six Month Report - financial year 2023-24

What we do




Land, rivers and coastal minimise and prevent damage to Tairāwhiti from floods and erosion. We do this by providing advice on preventative works, maintenance to open drains across the Poverty Bay Flats, monitoring changes to river/stream channels and the coast, providing essential river and stream maintenance, and maintaining foredunes and coastal protection structures in alignment with the Wainui Beach Erosion Management Strategy.



About this report

This report summarises key **Land, Rivers, and Coastal** performance for the first and second quarters of the 2023-24 financial year, in comparison with the objectives set out in the 2021-2031 Long Term Plan (LTP).

1. Activity assessment.
2. Group finances.
3. Progress on plan (LTP years 1-3).
4. Levels of service and performance measures.
5. Construction progress update.

1. Activity Assessment - 1 July 2023 to 31 December 2023

Key		
		
On track	Monitoring	Off track

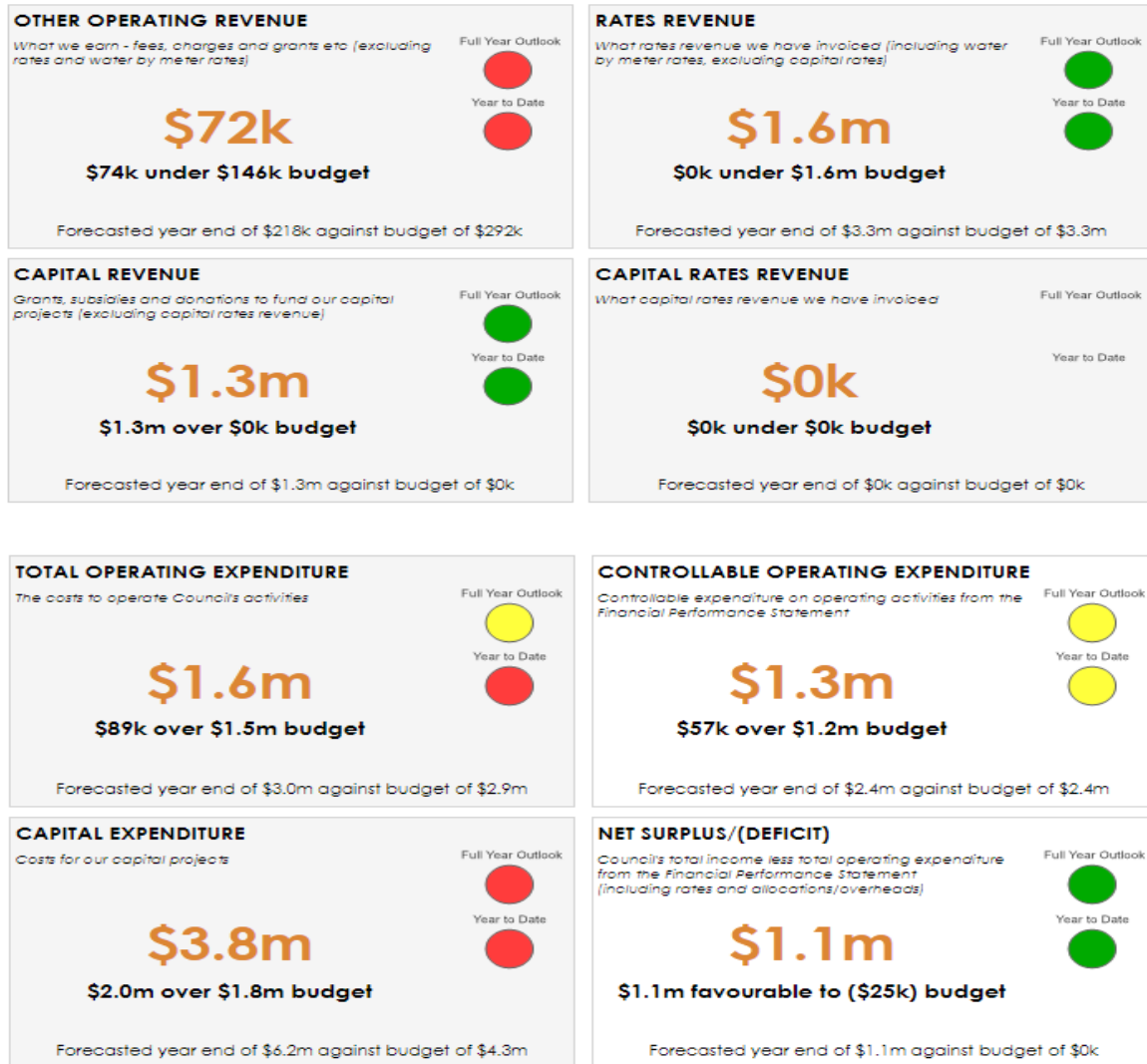
	Progressing our LTP commitments and focus projects		Performance in terms of delivering our Levels of Service
On track Some projects have been delayed due to re-prioritisation post Cyclone Gabrielle, and flood recovery events affecting capacity and capability resulting in a change of focus in some areas.	Monitoring There have been delays in achieving service requests due to high volumes post Cyclone Gabrielle and related recovery work and ongoing unfavourable weather conditions. Silt and accessibility issues have resulted in more significant requests – e.g., tree removal and scour that take longer to resolve, as well as elevated groundwater tables that increase flooding and ponding issues as well as reducing soakage and attenuation during weather events.		

Te Whenua, ngā Awa, me te Takutai

Land, Rivers and Coastal

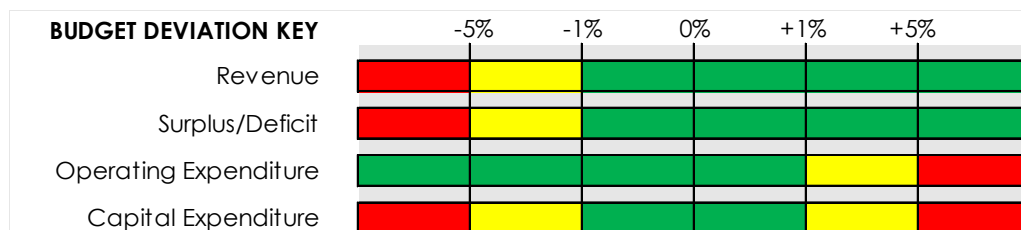
2. Group Finances

Year to date results as at end of December 31 2023



Traffic light colour illustrates the % deviation from budget.

("0%" is "no deviation from planned budget")



Te Whenua, ngā Awa, me te Takutai




Land, Rivers and Coastal


Operating Revenue – Revenue is coming in \$74k under budget. This is due to reduced income from river licensing, related to disruptions from the Waipaoa Stopbank Project using licensed land for construction fill material.

Operating Expense – Tracking \$89k over YTD budget of \$1.5m. This is driven by ongoing recovery works.

Capital Expenditure – Tracking \$2m over YTD budget. The Waipaoa River flood control scheme work continues at accelerated pace as planned. \$1.4m of the overspend is due to recovery work efforts on Waipaoa and Mangahauini groynes and stopbanks, both of which are expected to be funded through insurance claims. Works on Waipaoa stopbank upgrades continues at an accelerated pace as planned.

3. Progress on plan (LTP years 1 to 3)

Projects Key		
		
On track	Monitoring	Off track

Waipaoa flood control scheme upgrade \$32 – 35 million	
Status	
Project start date	2015/16 (Stopbank construction work started in February 2019)
Project completion date	2030/31
Revised completion date	2028/29 (subject to favorable weather)
Current progress	<ul style="list-style-type: none"> Contract 21-21: Earthwork Solutions Ltd are the lead contractor. <ul style="list-style-type: none"> Stopbank construction work is now largely complete on the eastern (City) side of the Waipaoa River (25km completed here), apart from re-grassing, fencing work and some minor works. This is a significant project milestone. Construction work has been well underway on the western side with 15.5km of stopbanks fully upgraded to date. Construction works are work in the area just downstream of the Patutahi Township. Contract 21-17: Mahunga Floodgate Construction. 8m high concrete structure in Ormond Township. Awarded to Currie Construction Ltd. Works now largely completed, apart from rock armoring work to stabilize the toe of the stopbank approximately 80m downstream of the new floodgate. Contract 23-43: Kirkpatrick Road Realignment. Work involves raising the road approximately 1.5m at two locations to match the upgraded height of the Waipaoa stopbanks. Contract was awarded to Fulton Hogan. Physical work is set to commence in early February 2024.
Current project phase	Currently in delivery phase.

Te Whenua, ngā Awa, me te Takutai

Land, Rivers and Coastal

What we said we would do	How we are going
Waipaoa Flood Control Scheme	
2021/22 Year 1 \$4.7M	\$4.37M Spent
2022/23 Year 2 \$4.5M	\$4.04M Spent (Cyclone Hale & Gabrielle disruption in Jan – June 2023)
2023/24 Year 3 \$3.2M	\$2.40M spent to date. All eastern (City) side stopbanks upgraded to new standard (25.0km), and about 15.5km upgraded on the western side as of Feb 2024.
Mahunga Stream Improvements \$120,000 (Yr1)	Construction is planned to begin in March 2024.





What we said we would do	How we are going
Continue to provide a flood protection warning service for some river schemes.	An on-call Flood Warning service is provided 24/7 by a team of flood warning officers. Four priority catchments: Te Arai River, Waipaoa River, Waimata River, Hikuwai River. E-texting and Facebook updates introduced for community flood warnings.
Continue with bulk earthworks construction to upgrade the Waipaoa River Flood Control Climate Change Resilience project.	Since Feb 2019, 40.6km of stopbanks have been successfully upgraded. 25km have been completed on the eastern side (city side) of the Waipaoa River, and 15.6km on the western side approximately between the ocean and Eade Road near Patutahi Township.
Undertake flood mapping for more informed decisions.	Region wide LiDAR was flown in late 2023. This data will feed into flood mapping and hydraulic modelling for some areas.
Review Te Karaka Level of Service considering climate change effects.	A new hydraulic model is being built by DHI to understand the effects of Cyclone Gabrielle and to investigate potential flood resilience options for the Township. A 'calibrated model' is expected to be ready by March/April 2024. Optioneering work to occur in the second half of 2024.
Review of Waipaoa River rock/groyne protection.	Two new 2,000ton rock groynes were constructed downstream of KiwiRail Bridge on western side of the Waipaoa River as part of emergency/recovery work from Gabrielle damage. Physical works were all completed in September 2023.
Integrate with cycle trails project(s), following the stopbanks.	An 8km cycle trail along the crest of upgraded Waipaoa Stopbanks completed and operational.
Review and amend operational manuals for the Waipaoa River Flood Control project.	Operational and maintenance manual developed for Mahunga Floodgates. The Floodgate construction was completed in early 2024.
Reconstruct and replace aging river wooden revetments.	Deeper embedment depth for timber revetments is now being used to extend the useful life of these assets and to avoid scouring due to climate change / bed level changes. Steel sheet piles have also been used post Gabrielle, however these come at a higher cost to construct.

Te Whenua, ngā Awa, me te Takutai

Land, Rivers and Coastal

What we said we would do	How we are going
Remove Council coastal infrastructure/assets as needed for health and safety.	H&S issues on the coastline attended on a reactive basis when sand is low enough to access assets. River outlets and sandbars occasionally opened to protect coastal assets.
Review practices compared with other teams across New Zealand.	Regular updates from River Managers Special Interest Group on river management by other Unitary & Regional Councils.
Complete the review of the Wainui Beach Erosion Management Strategy.	Review started by WSP, completion expected in early 2024.
Continue to improve the management of assets.	Ongoing.
Beach erosion monitoring.	Ongoing. Beach cross-section surveys conducted in Feb & Aug for Wainui Beach every year to monitor coastal changes and sand.
Improve fish passage.	Fish passage improvements at Whatatuna Floodgates for extended gate opening during tides.



4. Levels of service and performance measures

KPI (Key Performance Indicator) Key					
				<p>Note to Activity Managers: Ensure full rationale is given as to how you arrived at your result assessment.</p>	
Fully achieved	Slightly under target (≤5%)	Not achieved	Not measured Must include appropriate commentary.		
Reporting Period Key					
Q1	Q2	Q3	Q4*	EOY*	*Q4/EOY results are captured within the Annual Report.
July – Sep	Oct – Dec	Jan – March	April – June	End of year	
Type Key					
A	1/2	Q	M		
Annual	Half yearly	Quarterly	Monthly		
Notes					
<ol style="list-style-type: none"> The 2021-2031 Long Term Plan includes 22 performance measures based on the Resident Satisfaction Survey that were previously reported every quarter. These measures will now be reported annually after all four survey waves are complete. For annual or half annual measures, actual results are provided for interim quarters if available, but KPI indicators are blank. For monthly measures, results will be averaged for the three months in the relevant quarter. Annual measures with progressive/cumulative results will be used to derive an end of year (EOY) result. 					

Te Whenua, ngā Awa, me te Takutai

Land, Rivers and Coastal

Level of Service: Ensuring the community is safe and prepared, we'll actively monitor and manage the drainage of rivers and streams to minimise flood risk and coastal erosion.

Measure	Type	Target	Results	Commentary
Percentage of Requests for Service resolved within target timeframes.	Q	80%	Q1-Q2 	72.1% Cyclone recovery work was given priority. Bad weather conditions were the main reason for delay in completing RFSs
System adequacy and maintenance: Flood control stopbank length is inspected annually and maintained to a 1 in 100-year protection standard. (Total stopbank length 77km, mandatory measure).	A	25%	Q1-Q2 	25% Target met.

Te Whenua, ngā Awa, me te Takutai

Land, Rivers and Coastal

5. Construction progress update

				2023/24											
	Land, River & Coastal	Budget	Comment	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
640013	Waipaoa River Flood Control Scheme Resilience Improvements	\$4,186,000	\$18M funding application submitted			Construction									
640013	Kirpatrick Road Raising (Contract 23-43)	\$608,000				Tender					Construction				
640020	Mahanga Stream Improvements	\$86,000									Construction				
640203	Te Karaka Flood Control Scheme Resilience Improvements	\$0	\$13M funding application submitted	hydraulic modelling, consultation, optioneering											
640203	Flood Resilience Recovery	\$0	Funding applications being drafted in 2024	Investigations & design											
640024	Restore Flood Protection	\$0				Construction									
640024	Anzac Park Revetment Repairs	\$900,000							Tender			Construction			
660028	Mangahauini River Erosion Protection	\$0									Construction				
660033	Restore Rivers & Drains	\$0		Construction							Construction				

Para Mārō

Solid Waste

Six Month Report - financial year 2023-24

What we do

Council ensures sustainable management of our district's waste by minimising waste generation and maximising opportunities to use waste as a resource. Key activities include:

- rural and urban kerbside collection
- rural transfer operations
- waste minimisation and education
- recycling initiatives
- cleaning public places
- landfill operations and aftercare.




Council is legally obliged to manage our district's waste under the Local Government Activity and Public Health Act 1956. The Waste Minimisation Act 2008 also requires all local authorities to adopt a Waste Management and Minimisation Plan (WMMP). We have a duty to ensure that this activity is managed effectively and efficiently.



About this report

This report summarises key **Solid Waste** performance outcomes for the first and second quarters of the 2023-24 financial year, in comparison with the objectives set out in the 2021-2031 Long Term Plan (LTP).

1. Activity assessment.
2. Finances.
3. Progress on plan (LTP years 1-3).
4. Levels of service and performance measures

1. Activity Assessment - 1 July 2023 to 31 December 2023

Key		
		
On track	Monitoring	Off track

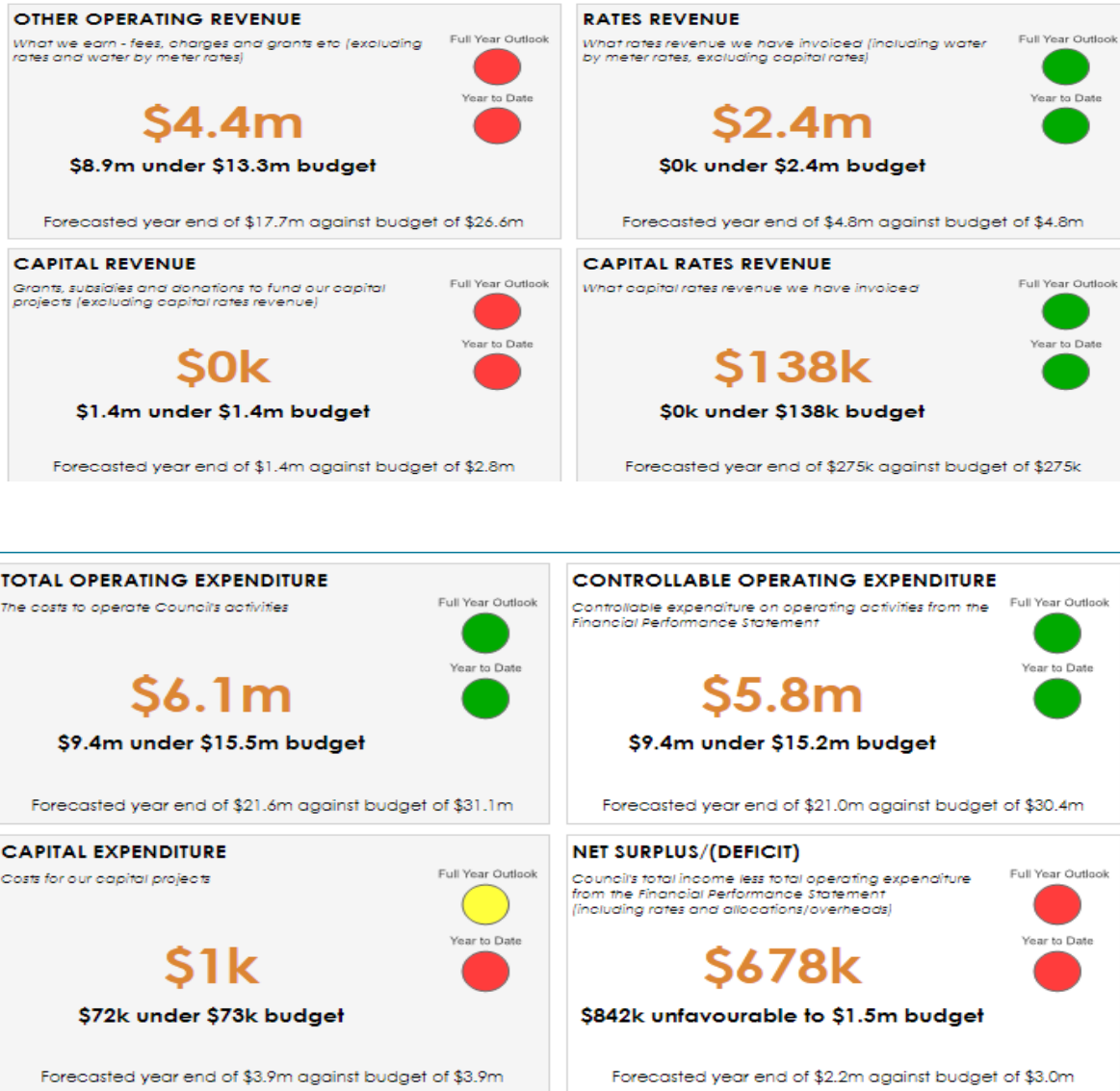
	Progressing our LTP commitments and focus projects		Performance in terms of delivering our Levels of Service
On Track		Monitoring	

Para Mārō

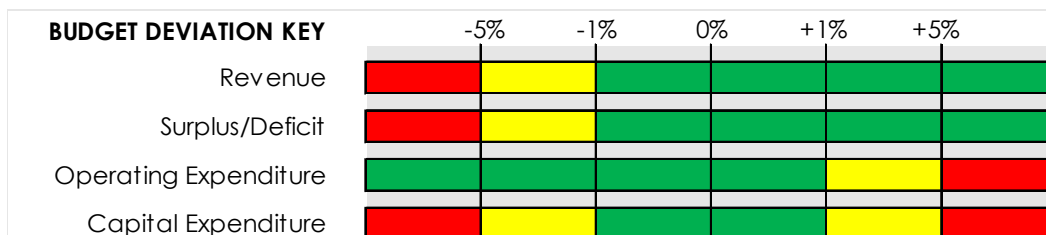
Solid Waste

2. Solid Waste Finances

Year to date results as at end of December 2023



Traffic light colour illustrates the % deviation from budget.
 ("0%" is "no deviation from planned budget")



Para Mārō




Solid Waste


Operating Revenue: This is under budget due to its phasing; the Woody Debris project is underway, and the income is recognized as the spending happens. There will be income carried over to the next financial year/s.

Operating Expenditure: This is under budget; the Woody Debris project is underway and will be run over the next two years.

Capital Expenditure: The spending is 72k behind budget due to its phasing. No significant expenditure was expected in the first half of the year. Works on reallocation of Tokomaru transfer station are expected to commence in March 2023.

3. Progress on plan (LTP years 1 to 3)

Key		
		
On track	Monitoring	Off track

Paokahu Landfill remediation works	
Status	 Working to align work streams to have completed end of FY 2023/2024
Project start date	Ongoing
Project completion date	2021
Revised completion date	2024
Current progress	30% No change from previous quarter. There has been no significant work on remediation in the last financial year. Awaiting peer review report of the Paokahu site
Current project phase	Planning phase

Para Mārō

Solid Waste





What we said we would do	How we are going
Review of our kerbside rubbish and recycling collection contract.	Negotiation of pricing on the current contract extension through to 30 June 2025.
Review the implemented Council bylaws to comply with statutory requirement.	An internal review was conducted, and the existing waste bylaws and practices have been assessed as suitable and appropriate. Waste Audit is currently underway, this will inform if there needs formal bylaw creation and implementation.
Continued support of Enviroschools.	We're continuing to provide resources to Enviroschools and collaborating on environmental enhancement projects.
To actively engage the community and provide information, education and resources to support community actions and initiatives for waste minimisation.	Contestable waste funding applications are open. Continued support of Tairāwhiti Environment Centre looking into community initiatives.
Continue implementing the 2018-2024 Waste Management and Minimisation Plan.	The plan is being implemented, with a focused review on building resilience planned. Waste Audit underway which will inform our process to review the WMMP.
Increase funding to businesses and community groups to empower and educate environmental awareness and waste minimisation.	Council's Waste Minimisation Fund is aiding local businesses, with ongoing partnerships to further environmental awareness.
Continue to roll out new litterbins for the city and regional townships as part of asset management practices. Explore options of big belly smart bins and recycling bins.	Litter bin upgrades align with broader township and playground enhancements.
Continue to work with Ministry for the Environment (MfE) on projects such as the 'Resource Recovery Transfer Station' and work towards implementation as per the results of the feasibility study.	Continued conversations with MfE on Resource Recovery projects, including funding applications for purpose-built resource recovery centre. Pilot scheme facilitated by MfE focused on creating a Resource Recovery and waste management infrastructure road map across Tairāwhiti, Wairoa and Hawkes Bay.
Engage professional services to undertake a region-wide public engagement process to gauge the appetite for change to the day-to-day operation of solid waste (e.g., a change to wheelie bins or kitchen waste bins).	A community survey supported the transition to wheelie bins and funding has been secured for their purchase. This will be incorporated into the Tender for a kerbside collection contract.
Risk assessment of current and historic landfill sites to determine the urgency of remediation and subsequent remediation.	Existing risk assessments are due for an update utilising a new nationally developed risk assessment tool.
Continue remediation of the Pāōkahu closed landfill and Awapuni lagoon waterways.	There has been no significant work on remediation in the last financial year. Peer review has been completed, report pending, and will help inform future works on this site
Continue management and development of the community caretakers' system.	Collaboration with Council teams is in place to ensure alignment of community caretaker systems and processes.

Para Mārō

Solid Waste

What we said we would do	How we are going
Increase cooperation alongside other Council teams to maximise community opportunities.	We hold regular hui with other councils to discuss current and emerging issues. Working together to look at different opportunities for waste minimisation and reduction.
Undertake works at our closed landfills to improve consent compliance.	Works completed to maintain compliance.
Continue to work with the Ruatōria community in regard to the future of the Waiapu landfill to determine the preferred solution and apply for any consents needed (consent expires 2025).	Waiapu working group to be reestablished working toward outcomes for the community.
Apply to renew consent for Te Araroa transfer station (consent expires 2023).	Consent progressing.



4. Levels of service and performance measures

KPI (Key Performance Indicator) Key					
				Note to Activity Managers: Ensure full rationale is given as to how you arrived at your result assessment.	
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Para Mārō

Solid Waste





Level of Service: Solid waste facilities are adequate and available to the community, including regular kerbside collection services and transfer stations.

Measure	Type	Target	Result			Commentary
Total waste received as illegal dumping.	Q	Decrease on prior year result (22/23 = 392.84t)	Q1		142 t	Illegal dumping is trending high for the year to date. The volume of illegally dumped waste has increased post Cyclone Gabrielle. Working on solutions to reduce illegal dumping and behaviours leading to this practice.
			Q2		202 t	



Level of Service: Public information and programmes promote waste minimisation.

Measure	Type	Target	Results			Commentary
Support information and education programmes or workshops that raise awareness and promote waste minimisation.	Q	5 per year	Q1		2	Continue to run workshops through TEC and increasing the reach for workshops with opportunity to take these up the coast. Support of Parakore to continue promotion of the Parakore kaupapa.
			Q2		0	

Level of Service: Waste is diverted from the landfill via waste minimisation methods.

Measure	Type	Target	Results			Commentary
Reduction in waste to landfill. Total kg of solid waste to landfill per head of population (kg).	Q	285kg	Q1		84.75kg	This can be attributed to the summer period with increased visitors, high levels of contamination of recyclable product. Also attributed to challenges with our kerbside collection service, local processing and sorting of products.
			Q2		91.71kg	
Ratio of recycling to landfill waste (tonne).	Q	30:70	Q1		21:78	We are on par at a national level. Recent standardised kerbside recycling will look to improve the consistency, reduce confusion, reduce contamination, with the intent to promote additional outlets for waste streams.
			Q2		23:76	

Level of Service: No adverse effects on the environment or human health from the Paokahu and Waiapu landfills.

Measure	Type	Target	Results			Commentary
Number of resource consent breaches for Waiapu and Paokahu landfills.	Q	<5 per year	Q1		1	Breach from previous quarter is ongoing into the current. Monitoring of the site continuing.
			Q2		0	

Waikino

Wastewater

Six Month Report - financial year 2023-24

What we do




We're providing Tairāwhiti with reliable and sustainable wastewater services to protect both the health of our people and our waterways. We want to continue to provide a service to collect, treat and dispose of wastewater in a safe, healthy, and sustainable way.



About this report

This report summarises key **wastewater** performance outcomes for the first and second quarters of the 2023-24 financial year, in comparison with the objectives set out in the 2021-2031 Long Term Plan (LTP).

1. Activity assessment.
2. Finances.
3. Progress on plan (LTP years 1-3).
4. Levels of service and performance measures.
5. Construction progress update.

1. Activity Assessment - 1 July 2023 to 31 December 2023

Key		
		
On track	Monitoring	Off track

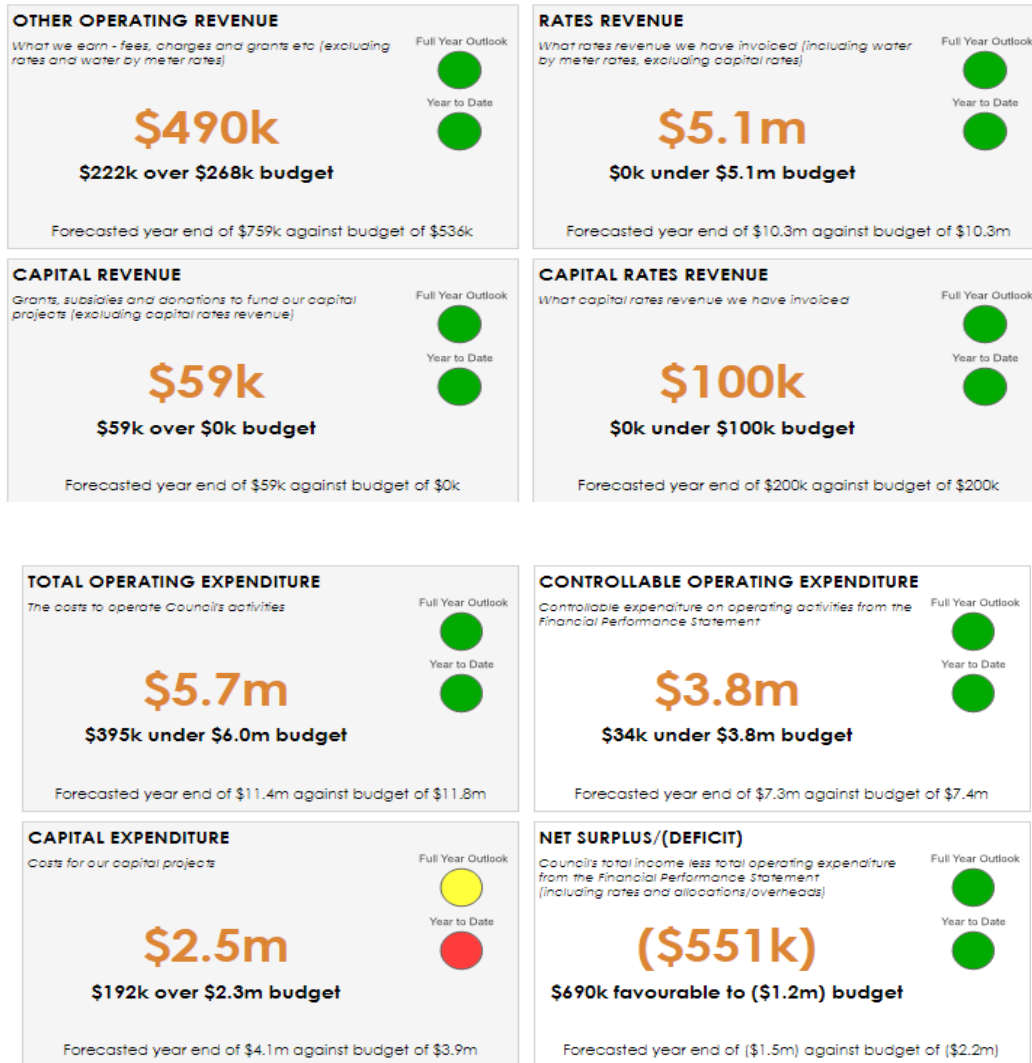
	Progressing our LTP commitments and focus projects.		Performance in terms of delivering our Levels of Service .
<p><u>How did we perform?</u> Progress is in line with the plan.</p>		<p><u>How did we perform?</u> Expenditure is tracking down on forecast due to the impact of operational delays in the Wastewater Treatment Plant stage 2 project, which is offsetting increased costs on other activities across Wastewater which in general relate to Gabrielle.</p>	

Waikino

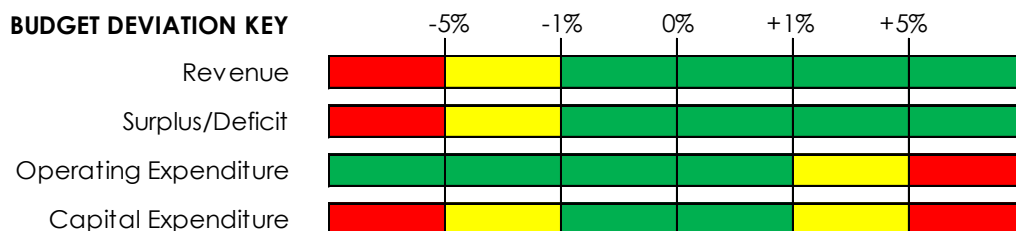
Wastewater

2. Wastewater Finances

Year to date results as at end of December 2023



Traffic light colour illustrates the % deviation from budget.
("0%" is "no deviation from planned budget")



Waikino

Wastewater




Operating Revenue: Operating revenue is ahead due to trade waste charges. Revenue will exceed forecast due to reconciliation of charges showing shortfalls in invoicing in the previous budget year.


Operating Expenditure: Tracking \$395k behind budget due to lower depreciation charges as related to Wastewater Treatment Plant Stage upgrade and lower operating costs due to the delays in the Wastewater Treatment Plant Stage 2 project.

Capital Expenditure: Overall expenditure is tracking \$192k over the budget year-to-date (YTD).

- The WWTP upgrade project is \$122k over to date and remains in the hot commissioning phase while issues with the clarifier and tertiary filters' performance are worked through.
- Restore Wastewater and Wastewater Treatment Plant Phase 2 equipment account for \$70k of unbudgeted expenditure.
- The Taruheru Back Ormond Road pump station project will be completed in early 2024, and costs are tracking in line with the forecast. This will be covered by an additional grant and carried over budget.
- Wastewater renewals and wastewater treatment plant upgrades are tracking in line with the forecast.
- The mortuary waste project is pending confirmation of the site by the KIWA group.

Progress on plan (LTP years 1 to 3)

Projects Key		
		
On track	Monitoring	Off track





Wastewater treatment plant upgrade	
Status	 Currently over budget due to design performance factors.
Project start date	2018/19 (Design & Early procurement of equipment).
Project completion date	Original 21/22
Revised completion date	March 2024
Current progress	<ul style="list-style-type: none"> • Hot commissioning in process – targeted completion March 2024. • Trial operations and plant optimisation period, 25 days, to start Mar/Apr 2024. • 100 days compliance testing to start with trial operations.
Current project phase	Year 2 from awarding the contract.

Waikino

Wastewater

What we said we would do	How we are going
Stage 2 Phase 1 Clarifier Pump Station	Completed.
Stage 2 Phase 1 Ground Improvement	Completed.
Stage 2 Phase 2 Mechanical, electrical, civil	Completed.

3. Levels of service and performance measures

KPI (Key Performance Indicator) Key					
				<p>Note to Activity Managers: Ensure full rationale is given as to how you arrived at your result assessment.</p>	
Fully achieved	Slightly under target ($\leq 5\%$)	Not achieved	Not measured Must include appropriate commentary.		
Reporting Period Key					
Q1	Q2	Q3	Q4*	EOY*	*Q4/EOY results are captured within the Annual Report.
July – Sep	Oct – Dec	Jan – March	April – June	End of year	
Type Key					
A	1/2	Q	M		
Annual	Half yearly	Quarterly	Monthly		
Notes					
<ol style="list-style-type: none"> For annual or half annual measures, actual results are provided for interim quarters if available, but KPI indicators are blank. For monthly measures, results will be averaged for the three months in the relevant quarter. Annual measures with progressive/cumulative results will be used to derive an end of year (EOY) result. 					

Waikino

Wastewater



WASTEWATER

Level of Service: We provide a well-managed wastewater reticulation and treatment system which protects public health and the physical environment.

Measure	Type	Target	Results		Commentary	
System and Adequacy: The number of dry weather sewage overflows per 1000 sewage connections. (Mandatory measure).	A	1	Q1		0	Target met.
			Q2		0.08	
Management of environmental impacts: Compliance with resource consents for discharge from the wastewater system: Measured by the number of: a) abatement notices b) infringement notices c) enforcement orders d) convictions (Mandatory measure)	A	0	Q1		0	None relating to Wastewater activity.
			Q2		0	
Response to wastewater system faults: a) Median attendance time: from the notification of the fault to the time that service personnel reach the site (hours). (Mandatory measure)	A	<1 hr	Q1		1.79	Ongoing rainfall and weather events of 2023 combined with stormwater infiltration from private properties into the wastewater system, led to a significant surge in volume and scope of problems.
			Q2		1.43	
b) Median resolution measured from the notification of the fault to the time that service personnel confirm resolution (hours). (Mandatory measure)	A	<15 hr	Q1		17.01	
			Q2		3.62	
Customer Satisfaction: The total number of complaints per 1000 connections received. (Mandatory measure)	A	<10	Q1		8.09	Under target
			Q2		6.68	

Waikino

Wastewater

Measure	Type	Target	Results		Commentary	
Discharge to rivers: The annual number of events where sewage is discharged from Council's reticulation into rivers or streams. (in a less than a 1-in-10 year rain event)	A	≤4	Q1		2	Q1: Both July and September were due to issues with the Outfall Pipeline capacity. This has now been rectified. Q2: The effects of this rain event were exacerbated by the very wet ground conditions experienced in 2023.
			Q2		1	

Waikino

Wastewater

4. Construction progress update

		2023/24											2024/25		
		July	August	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	June	July	August
Wastewater															
Status															
510003-001	Localised Urban Upgrades							Driven by external subdivisions							
510004	Wastewater Pump Station Renewals					Procurement					Construction				
510006	Permanent Flow loggers														
510008	Wastewater Pipeline Renewals														
510008-033	WW Pipe renewals 22/23 CIP	Construction													
510008-033	WW Pipe renewals 23/24 CIP	Design		Tender	Award	Construction									
510008-033	WW Pipe renewals 24/25 CIP							Design			Tender	Award	Construction		
510012-001	Oakview - Ormond Rd Pump Stn (Taruheru)	Construct													
510078	Wastewater T/Plant Further Treatment														
510078-001	Wastewater T/Plant Further Treatment	Construction - MCD			Commisioning					Trial Ops	Compliance Testing				
510108	Restore Wastewater	Construction - MCD			Commisioning			Trial Ops							
510078-001	WWTP Phase 2 Equipment	Construction - MCD			Commisioning			Trial Ops							
510083-001	Tolaga Bay Septage Site	Land Negotiations (on-going)										Concept Design C		Final Design	
510096	WWTP/Plant Upgrades & Renewals								Procure/install			Procure/install			
510105-001	Mortuary Wastewater Diversion	Consultation										Design	Construct		

Waikino

Wastewater



New Back Ormond Road Pump Station - early Dec 2023



Stage 2 WWTP – Wastewater Management Committee Tour – Dec 2023

Whakaranea Wai

Water Supply

Six Month Report - financial year 2023-24

What we do

We provide Gisborne City, Te Karaka, Whatatūtū and Muriwai with safe treated water supply. We want to continue to meet our legislative requirements to deliver water supply services that are safe, healthy and sustainable.

Water Safety Assurance




The safety of the Council's drinking water supplies is assured by ongoing treatment process control and monitoring of water quality to demonstrate compliance with our Water Safety Plans, the Water Quality Assurance Rules and the Drinking Water Standards.

In addition, comprehensive risk assessment of water sources and ongoing monitoring for both the source waters and treated water is done to identify and correct emerging risks and potential changes in the water supply systems.



About this report

This report summarises key **Water Supply** performance outcomes for the first and second quarters of the 2023-24 financial year, in comparison with the objectives set out in the 2021-2031 Long Term Plan (LTP).

1. Activity assessment.
2. Finances.
3. Progress on plan (LTP years 1 to 3).
4. Levels of service and performance measures
5. Construction progress update.

Key		
		
On track	Monitoring	Off track

1. Activity Assessment - 1 July 2023 to 31 December 2023

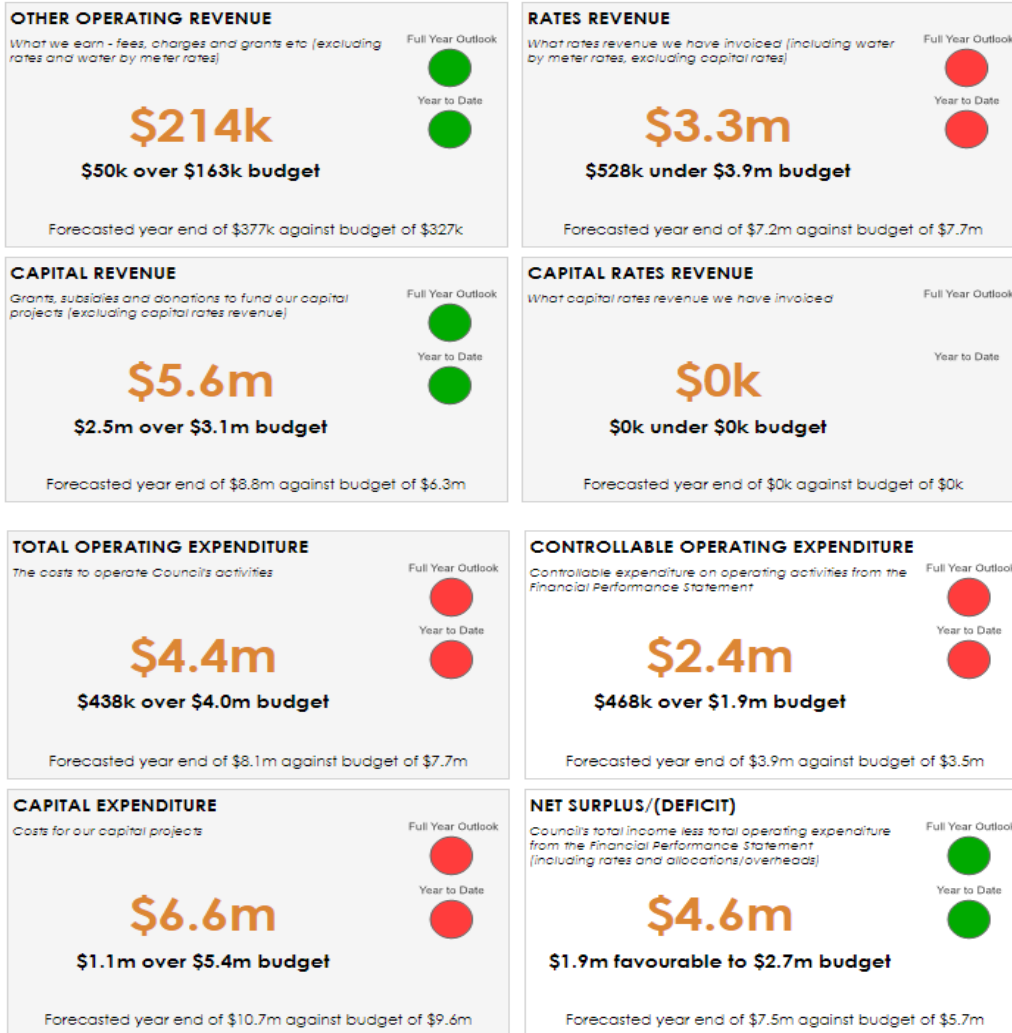
	Progressing our LTP commitments and focus projects.		Performance in terms of delivering our Levels of Service .
On track Progressing as planned, including with recovery projects which are nearing completion.		Monitoring We are progressing as planned for monitoring treated and source water quality.	

Whakaranea Wai

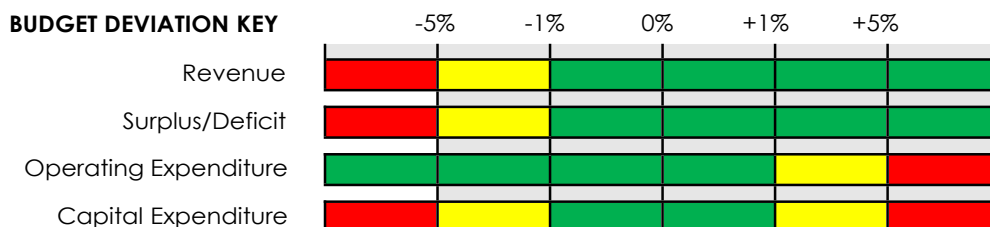
Water Supply

2. Water Supply Finances

Year to date results as at end of December 31



Traffic light colour illustrates the % deviation from budget.
 ("0%" is "no deviation from planned budget")



Whakaranea Wai

Water Supply

Operating Revenue: Actuals are \$50k over YTD budget, this additional income offsets some overspent in operating expenditure on recovery works.




Operating Expenditure: Actuals are \$438k over the YTD budget. This increase in costs is attributed to ongoing operation of the Waipaoa treatment plant as well as the Waingake treatment plant through Q1 and Q2, to produce sufficient water to meet city demand. Insurance claims are being prepared to recover Waipaoa operational costs July to November when this plant would not normally be used.


Capital Expenditure: Costs are over the year-to-date (YTD) budget by \$1.1m.

- Waipaoa plant renewals are \$35k over budget due to unanticipated component upgrades.
- Other expenditure includes unbudgeted Waingake reinstatement and emergency works, with spend to date of \$805k, including water supply pipeline restoration works, bush intake walkway replacement, and Sang dam pump station and pipeline. NEMA and insurance claims are expected to recover most of the costs.
- Muriwai pipeline and Waingake UV treatment facility expenditure carried into the 2024 budget contribute to the Capital Expenditure.
- The Lamella Filtration retrofit at Waingake is one of the focus projects. This is going according to plan and will be completed in time for summer water demands.

Capital Revenue: Revenue is \$2.5m favorable to YTD budget. This is due to additional funding to recover costs incurred on pipeline restoration. Most of the budgeted revenue is related to Lamella filtration and other emergency works.

3. Progress on plan (LTP years 1 to 3)

Projects Key		
		
On track	Monitoring	Off track

Residential backflow prevention	
Status	
Project start date	2018/19
Project completion date	2026/27
Revised completion date	On Target
Current progress	On Target
Current project phase	Year 4 of 10 (ongoing)

Whakaranea Wai





Water Supply

What we said we would do	How we are going
Continue renewal of critical components at the water treatment and distribution facilities such as pumps, motors, automation systems, power supplies and instrumentation. Year Three 2023/24 \$229k.	Renewal of a sludge pump and electrical systems is completed at Waipaoa. Renewal of compliance meters at treatment plants are installed.
Replacement of asbestos cement watermains Year Three 2023/24 \$1M.	Design is complete for the selected pipes for renewal. Construction in February to May 2024.
Additional to LTP – Recovery Reinstate Waingake - Pipeline restoration and reinstate production from Waingake treatment plant.	Contract is awarded for restoring pipe coatings and works have started. Pipeline protections from river erosion and land slippage are being scoped for construction for March - June 2024. Construction of pre-filtration Lamella system will be completed in January.
Continue replacing high criticality water pipes which have reached their useful life and/or in poor condition.	Preparation of a water loss strategy has identified renewals of older bulk supply water mains conveying water to city reservoirs as priority. Progressing renewals relies on future LTP funding.
Continue refurbishment of the raw and treated water pipeline and bridges.	This programme was delayed due to Cyclone Gabrielle and substantive rework is now planned for January – May 2024.
Continue the installation of backflow manifolds at residential connections to reduce the backflow contamination risk. Year Three 2023/24 \$398k.	On track for the period replacing backflow manifolds at residential connections within Gisborne City reticulated services boundary.
Replace compromised road culverts in the water supply catchment to maintain access to the water supply dams and pipeline.	Culverts and track reinstatements have progressed re-opening most catchment access routes. Larger constructions are planned for mid-summer 2024.
Review our Water Safety Plans (WSP), Water Demand Management Strategy, and operational procedures to meet new regulatory requirements, mitigate risks and facilitate budget planning.	Plans are complete and being implemented and auditing has been done for Q1 and Q2.
Progress cross-council adaptation and resilience planning for drinking water assets/service provision.	A water loss strategy and a growth strategy have been prepared which include resilience planning over the short to long term. A new water pipeline to support future growth in the Taruheru Block is due for completion in 2024.
Renew the Te Karaka reticulation network and backflow protection at Whatatutu.	The design for Te Karaka is completed but is under review to fit into budget. Construction in summer 2024 is proposed but is subject to the community led recovery plan. Whatatutu backflow is being scoped for April-May installations.
Provide safe water and meet statutory requirements of the Water Services Act.	Water treatment and distribution continues under operational programmes covering monitoring, maintenance, and on-demand response to service requests and asset issues. Adherence to and demonstrating compliance within the statutory framework is progressing well.

Whakaranea Wai





Water Supply

4. Levels of service and performance measures

KPI (Key Performance Indicator) Key					
				<p>Note to Activity Managers: Ensure full rationale is given as to how you arrived at your result assessment.</p>	
Fully achieved	Slightly under target (≤5%)	Not achieved	Not measured. Must include appropriate commentary.		
Reporting Period Key					
Q1	Q2	Q3	Q4*	EOY*	*Q4/EOY results are captured within the Annual Report.
July – Sep	Oct – Dec	Jan – March	April – June	End of year	
Type Key					
A	1/2	Q	M		
Annual	Half yearly	Quarterly	Monthly		
Notes:					
1. For annual or half annual measures, actual results are provided for interim quarters if available, but KPI indicators are blank.					
2. For monthly measures, results will be averaged for the three months in the relevant quarter.					
3. Annual measures with progressive/cumulative results will be used to derive an end of year (EOY) result.					

WATER SUPPLY

Level of Service: We provide water supply infrastructure for delivering safe, clean water that meets the needs of our community.

Measure	Type	Target	Results			Commentary
Demand Management The average consumption of drinking water per day per resident within the district. (Mandatory measure)	A	≤308 liters	Q1		190	Target met. Spring and early summer demand – increases in residential water use are attributed to the increase.
			Q2		213	
Customer Satisfaction The total number of complaints received expressed per 1000 connections to the networked reticulation system. (Mandatory measure)	A	<10	Q1		2.37	Target met
			Q2		1.59	

Whakaranea Wai

Water Supply

Measure	Type	Target	Results			Commentary
Fault Response Times In response to a fault or unplanned interruption to the networked reticulation system, the following median response times measured:						
a) Attendance for urgent callouts	Q	4 hrs	Q1		1.38 hrs	Target met
			Q2		0.36 hrs	
b) Resolution of urgent callouts	Q	6 hrs	Q1		2.71 hrs	Target met
			Q2		1.14 hrs	
c) Attendance for non-urgent callouts	Q	4 hrs	Q1		3.15 hrs	Target met
			Q2		1.76 hrs	
d) Resolution of non-urgent callouts. (Mandatory measure)	Q	48 hrs	Q1		17.41 hrs	Target met
			Q2		4.5 hrs	
Maintenance of the reticulation network The percentage of real water loss from Council's networked reticulationsystem. (Mandatory measure)	A	<15%	Q1		14.7%	Target met Modelled water loss
			Q2		14.7%	

Whakaranea Wai

Water Supply

Measure	Type	Target	Results		Commentary	
Safety of Drinking Water: The extent to which the drinking water supply complies with:						
a) part 4 of the drinking-water standards (bacteria compliance criteria) (Mandatory measure)						
• Gisborne city	A	100%	Q1		100%	Result is on target
			Q2		100%	
• Gisborne Rural	A	100%	Q1		100%	Result is on target.
			Q2		100%	
• Te Karaka	A	100%	Q1		100%	Result is on target
			Q2		100%	
• Whatatutu	A	100%	Q1		100%	Result is on target
			Q2		100%	
Safety of Drinking Water: The extent to which the drinking water supply complies with:						
b) part 5 of the drinking-water standards (protozoal compliance criteria) (Mandatory measure)						
• Gisborne city	A	100%	Q1		100%	Result is on target.
			Q2		100%	
• Gisborne Rural	A	100%	Q1		100%	Result is on target.
			Q2		100%	
• Te Karaka	A	100%	Q1		100%	Result is on target.
			Q2		100%	
• Whatatutu	A	100%	Q1		100%	Result is on target.
			Q2		100%	

5. Construction progress update

		July	August	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	June
Water Supply													
530018	Water Main renew als 2023/24			Design				Construction					
530020	Water meter Renew als								Procurement/install				
530024	Local Urban Upgrades	Driven by external subdivisions											
530088	Water Trunk Main Refurb - Pipe Bridges					Scoping and Design		Construction					
530089	Telemetry Site Upgrade								Procurement	Install (ADR)			
530113	Waingake T/Plant UV Installations	Construction											
530115	Te Karaka Reticulation Renew al						Design				Construction - Fulton Hogan		
530116	Whatatutu Reticulation Renew al									Design	Backflow		
530119	Residential Backflow Prevention Year 6	Construction - Fulton Hogan											
530123	Misc Plant & Equipment				Procurement			Install	Install				
530126	Waingake WTP Renew als									Procurement		Install	
530127	Waipaoa WTP Renew als		Design		Procurement	Construction					Procurement	Construction	
530129	Waingake Pump Strn Renew als		Design						Construction				
530130	IAF Water Supply Upgrades			Design				Tender	Tender	Construction			
530215	Waingake - Lamella Filtration	Design			Construction								

Waiāwhā Taone

Urban Stormwater

Six Month Report - financial year 2023-24

What we do




Urban stormwater is about providing our city with services that protect people and properties from flooding and manage the quality of our stormwater. We want to continue to maintain and develop stormwater services that improve, promote and protect public health and the mauri of the waters.



About this report

This report summarises key **urban stormwater** performance outcomes for the first and second quarters of the 2023-24 financial year, in comparison with the objectives set out in the 2021-2031 Long Term Plan (LTP).

1. Activity assessment.
2. Group finances.
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1. Activity Assessment - 1 July 2023 to 31 December 2023

Key		
		
On track	Monitoring	Off track

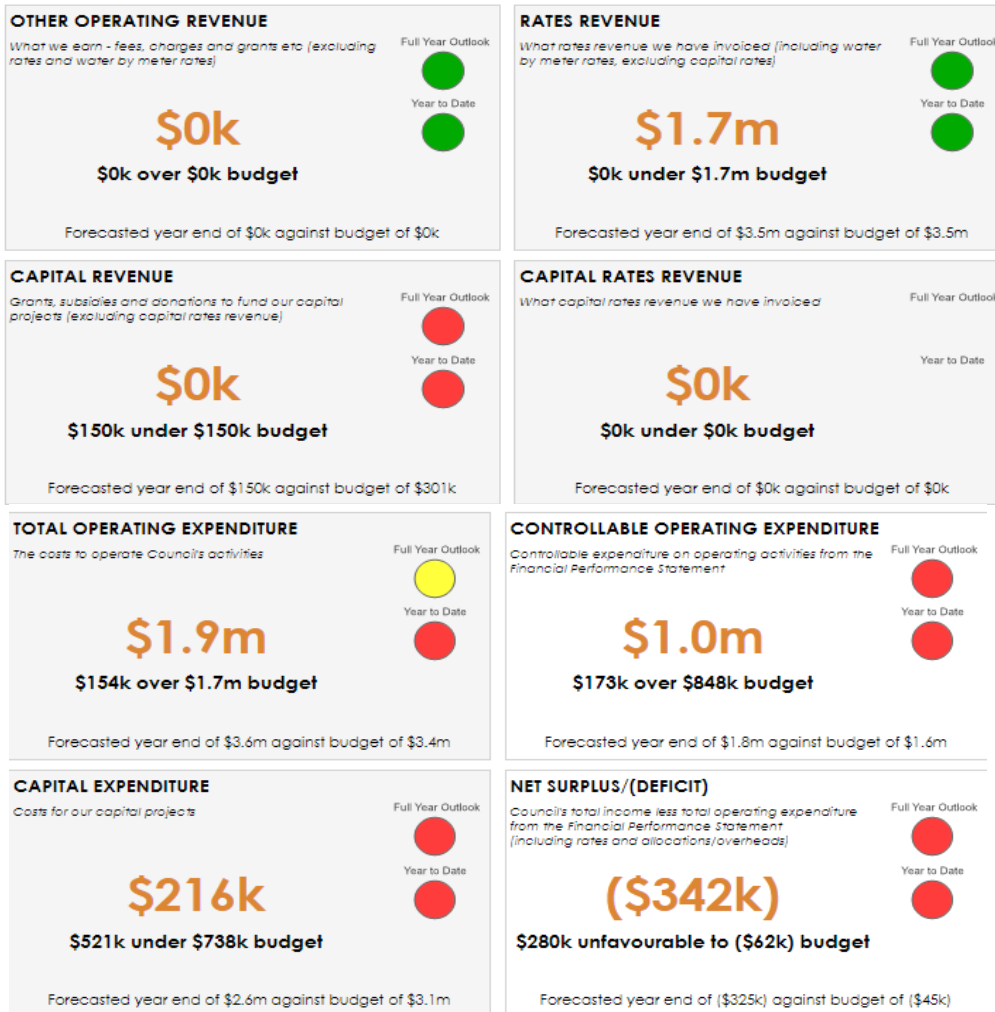
	Progressing our LTP commitments and focus projects.		Performance in terms of delivering our Levels of Service.
Monitoring: The focus remains on delivering the forecasted commitment with only one project deferment to 2024/25 as conditions are unsuitable.		On track	

Waiāwhā Taone

Urban Stormwater

2. Urban Stormwater Finances

Year to date results as at end of December 31



Traffic light colour illustrates the % deviation from budget.
 ("0%" is "no deviation from planned budget")



Waiāwhā Taone

Urban Stormwater

Operations Expenditure: Expenditure is tracking over budget due to unbudgeted expenditure related to stormwater Tomo's resulting from the impact of Cyclone Gabrielle, \$238k to date. Efforts are being made to recover these costs through insurance.




Capital Revenue: Forecast revenue is reliant on external developers advancing projects.


Capital Projects Expenditure: The Public Drains on Private Property (PDPP) project to move extensive private property flooding to the Council stormwater network is on track to utilize the budget by financial year end. PDPP works on Ida/Coldstream Road will be completed by February 24, a Wainui Road project is in the final stages of the design phase with Iwi consultation to start in early 2024, and a PDPP project in Gladstone Road is in the final stages of investigation.

Stormwater renewals programme remains on track. Disraeli street brick arch stormwater lining project and the Stout Street stormwater pipe renewal project have been completed. Work on the scoping the 2024 financial year program will commence in early 2024.

The Graham Road stormwater project has been impacted by high groundwater levels creating dangerous working conditions, this project will be carried over to the 24/25 programme.

3. Progress on plan (LTP years 1 to 3)

Projects Key		
		
On track	Monitoring	Off track





Public drains on private property	
Status	
Project start date	2018/19
Project completion date	30 June 2027/28
Revised completion date	No change.
Current progress	Budget is forecast to be spent within the financial year.
Current project phase	Year 6 of 10

What we said we would do	How we are going
2021/22 Year 4 - \$705K	Stormwater model update has delayed investigation and design on private property.
2022/23 Year 5 - \$559k	Ongoing.
2023/24 Year 6 - \$576k	On track to spend the forecast budget within the financial year.

Waiāwhā Taone



Urban Stormwater

4. Levels of service and performance measures

KPI (Key Performance Indicator) Key					
				<p>Note to Activity Managers: Ensure full rationale is given as to how you arrived at your result assessment.</p>	
Fully achieved	Slightly under target (≤5%)	Not achieved	Not measured		
Reporting Period Key					
Q1	Q2	Q3	Q4*	EOY*	*Q4/EOY results are captured within the Annual Report.
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Urban stormwater

Level of Service: We protect people, dwellings, private property and public areas from flooding by managing the collection and disposal of stormwater in a way that protects the environment and public health.

Measure	Type	Target	Results			Commentary
Customer Satisfaction: The number of complaints received by a territorial authority about the performance of its stormwater system (Expressed per 1,000 properties connected to the territorial authority's stormwater system).	A	<12	Q1		4.69	Target met.
			Q2		3.94	

Waiāwhā Taone

Urban Stormwater

Measure	Type	Target	Results			Commentary
Discharge Compliance: Compliant with the Tairāwhiti Plan for discharge from its stormwater system, measured by the number of: a) abatement notices b) infringement notices c) enforcement orders and d) Convictions. (Mandatory measure)	A	Zero	Q1		0	Targets met.
			Q2		0	
Response Times: The median response time to attend a flooding event, from the time notification is received to the time service personnel reach the site. (Mandatory measure)	A	30 min	Q1		2.73 min	Result is on target. Q2 no events.
			Q2		0	
System and Adequacy: a) The number of flooding events that occur in the district. (Mandatory measure)	A	2 or less	Q1		0	Result is on target.
			Q2		0	
System and Adequacy: b) For each flooding event, the number of habitable floors affected. (Mandatory measure)	A	<0.2	Q1		0	Result is on target.
			Q2		0	

5. Construction progress update

		2023/24												2024/25			
		July	August	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	June	July	August		
Stormwater																	
520001	Stormwater Pipeline Renewals																
	Stormwater Renewals 2023/24					Investigate	Design										
	Stormwater Renewals 2024/25								Investigate	Design	Award	Construct					
520001-015	Disraeli / Childers Rd		Investigate	Design	Construct												
520001-014	158A Stout St SW 2023/24	Construct															
520005	Stormwater Localised Urban Upgrades	Driven by External developers															
520023	Taruheru / Waru / Haisman (Stormwater Catchment)	Driven by External developers															
520024	Integrated Catchment Plan	Investigations															
520061	Graham/De Lautour SW Upgrade	Design			Budget to defer to 24/25 due to high water table impacting Health and Safety												
520063	Whataupoko								Investigations	Design							
520064	Public Drains On Private Property																
520064-001	Public Drains on Private Pty																
520064-026	Investigations																
520064-027	Ida/Coldstream Road				Construct												
520064-031	608/610 Wainui Rd	Design							Tender	Award	Construct						
520064-03X	810 Gladstone Road							Investigate	Design					Construct			
520071	Douglas St. Improvemnt Stage2	Investigate	Design				Construct										

Te Rōpū Nohoanga Hapori

Liveable Communities

Six Month Report - financial year 2023-24

What we do




We contribute to the ongoing transformation of Council into a customer-focused organisation. We provide the strategic direction for our essential Liveable Community assets to meet the future needs of our community. We are responsible for a wide portfolio which incorporates several important community and environmental functions – including biodiversity, reserves, catchments and sustainable open spaces and the effective management and provision of all associated services. By providing professional and integrated activity planning, we ensure the effective delivery of our community facilities, while meeting the community's needs through managing safe, fun, and engaging places and spaces.



About this report

This report summarises key Liveable Communities performance outcomes for the first and second quarters of the 2023-24 financial year, in comparison with the objectives set out in the 2021-2031 Long Term Plan (LTP).

1. Activity assessment.
2. Group Finances.
3. Progress on plan years 1-3.
4. Levels of service and performance measures.



1. Activity Assessment - 1 July 2023 to 31 December 2023



Key		
		
On track	Monitoring	Off track

Catchments and Biodiversity			
	Progressing our LTP commitments and focus projects.		Performance in terms of delivering our Levels of Service.
On Track Progressing although weather and access have been barriers.		Monitoring	

Te Rōpū Nohoanga Hapori

















Liveable Communities

Cultural Activities	
	Progressing our LTP commitments and focus projects.
	Performance in terms of delivering our Levels of Service .
On track We are progressing as planned, with most commitments embedded.	On track We are likely to exceed some targets are more people are using council facilities.

Recreation and Amenity	
	Progressing our LTP commitments and focus projects.
	Performance in terms of delivering our Levels of Service .
On Track We are progressing as planned.	Monitoring Targets are end of year targets and will be published in the Annual Report.

2. Group Finances

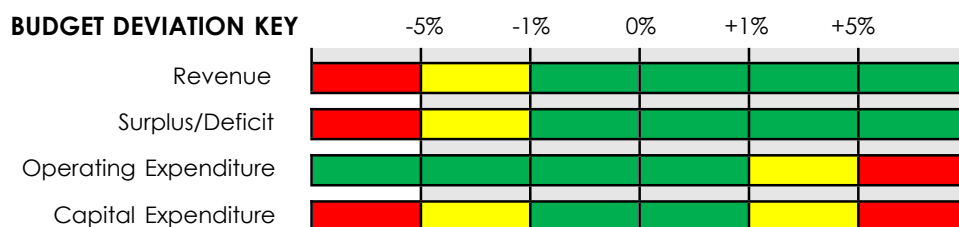
Year to date results as at end of December 31

<p>OTHER OPERATING REVENUE <i>What we earn - fees, charges and grants etc (excluding rates and water by meter rates)</i></p> <p>Full Year Outlook  Year to Date </p> <p>\$1.9m</p> <p>\$353k under \$2.2m budget</p> <p>Forecasted year end of \$4.1m against budget of \$4.5m</p>	<p>RATES REVENUE <i>What rates revenue we have invoiced (including water by meter rates, excluding capital rates)</i></p> <p>Full Year Outlook  Year to Date </p> <p>\$8.8m</p> <p>\$0k under \$8.8m budget</p> <p>Forecasted year end of \$17.6m against budget of \$17.6m</p>
<p>CAPITAL REVENUE <i>Grants, subsidies and donations to fund our capital projects (excluding capital rates revenue)</i></p> <p>Full Year Outlook  Year to Date </p> <p>\$1.0m</p> <p>\$607k under \$1.7m budget</p> <p>Forecasted year end of \$3.3m against budget of \$3.9m</p>	<p>CAPITAL RATES REVENUE <i>What capital rates revenue we have invoiced</i></p> <p>Full Year Outlook  Year to Date </p> <p>\$0k</p> <p>\$0k under \$0k budget</p> <p>Forecasted year end of \$0k against budget of \$0k</p>
<p>TOTAL OPERATING EXPENDITURE <i>The costs to operate Council's activities</i></p> <p>Full Year Outlook  Year to Date </p> <p>\$9.8m</p> <p>\$220k over \$9.5m budget</p> <p>Forecasted year end of \$19.8m against budget of \$19.6m</p>	<p>CONTROLLABLE OPERATING EXPENDITURE <i>Controllable expenditure on operating activities from the Financial Performance Statement</i></p> <p>Full Year Outlook  Year to Date </p> <p>\$4.9m</p> <p>\$32k under \$5.0m budget</p> <p>Forecasted year end of \$10.3m against budget of \$10.3m</p>
<p>CAPITAL EXPENDITURE <i>Costs for our capital projects</i></p> <p>Full Year Outlook  Year to Date </p> <p>\$3.9m</p> <p>\$846k under \$4.8m budget</p> <p>Forecasted year end of \$11.7m against budget of \$12.6m</p>	<p>NET SURPLUS/(DEFICIT) <i>Council's total income less total operating expenditure from the Financial Performance Statement (including rates and allocations/overheads)</i></p> <p>Full Year Outlook  Year to Date </p> <p>(\$38k)</p> <p>\$1.2m unfavourable to \$1.1m budget</p> <p>Forecasted year end of \$1.2m against budget of \$2.4m</p>

Te Rōpū Nohoanga Hapori

Liveable Communities

Traffic light colour illustrates the % deviation from budget.
("0%" is "no deviation from planned budget")



Operating Revenue: Revenue is under budget \$353k. Main reason is the pool income, \$430k under budget. Kiwa pool opened in September 2023, 2 months later than originally anticipated and in addition, at the time of the adoption of the annual plan it was planned to provide Learn to Swim in house. This is partially offset by additional income received for Seasonal Camping carried over from previous year \$149k.

Operating Expenditure: Operating expenditure is over budget \$220k. This is the contractor costs for Conveniences and Reserves relating to aging infrastructure and increased reactive maintenance.

Capital Expenditure: Capital expenditure is under budget by \$846k.

- There is an underspend in the Waingake Restoration project of \$536k as there is a reduced need for weeding and pine pulling due to cooler weather in previous years, and there is a delay in the purchase of plants for the next round of planting.
- The Redevelopment of the Pool complex is over budget; however, this is covered by the underspend in the previous financial year and will be carried over.
- Budgeted amounts for Star of Canada and Lysnar House Renewals, year to date \$260k, have not been spent. It is unlikely these will commence this financial year.
- The 1000 Year Walkway work has commenced, with the project running behind budget by \$216k. The job is expected to be completed by July 2024 (subject to weather delays); the delay is due to the availability of contractors and reprioritisation of their work.

Progress on plan (LTP years 1 to 3)

Catchments and Biodiversity	
What we said we would do	How we are going
Partnership projects with Ngāti Porou and MPI to restore the Waiapu River (100-year project).	Ongoing work in Waiapu River to progress during the 2024 winter and spring along with progressing outstanding ECFP grants.
Administer Phase 1 of the Waiapu River restoration - planting poplar and willow poles.	Looking at further planting during the 2024 winter and spring.
Support funding applications to ECFP and One Billion Trees for indigenous plant establishment.	Progressing existing funding opportunities with ECFP. No further involvement with One Billion Trees.
Support Iwi in funding applications (e.g., Freshwater Improvement Fund).	Willing to provide support where possible however few funding opportunities are available.
Form relationships for projects like Whakaoratia te Mana o te Waiapu and Waingake Restoration.	Ongoing relationships with both entities.

Te Rōpū Nohoanga Hapori

Liveable Communities

Catchments and Biodiversity	
What we said we would do	How we are going
Ongoing participation with Iwi in environmental projects, such as Whakaoratia te Mana o te Waiapu.	This has been ongoing, some disruption due to weather and access. Significant repairs required post cyclones.
Work with Iwi to enhance mahinga kai opportunities.	The effort in this area has continued to be slow due to the focus on impacts of the cyclones and reduced access to sites.
Develop a plan for Protection Management Areas (PMAs).	Ongoing work towards PMA opportunities, intensive monitoring of PMAs continues.
Integrated approach to FEPs focusing on soil health, freshwater health, biodiversity, etc.	Significant work on progressing to a Freshwater Farm Plan focus.
Provide support to the Waimatā Catchment Group on community-led restoration.	Assistance being provided with an initial focus on effects on the river from the cyclones.
Support Māhōra Wetland and Kōpūaroa Catchment collaboration.	No progress due to other commitments.

Cultural Activities	
What we said we would do	How we are going
Consult with community and/or Iwi before accepting gifted public art.	Undertaken as part of standard practice.
Review leases and service contract with Gisborne Museum of Art and History Trust.	Review complete.
Support the governance review of the Patūtahi Reserve Board.	Initiated in 2021, still ongoing.
Review consultation, project management, and handover protocols for public artworks.	Procedure in development, completion expected in 2023/24.
Grow relationships with mana whenua where facilities are located.	Business as usual, supported by Māori Responsiveness team.
Embed bicultural capacity in all areas of library services.	Business as usual.
Grow visitors to use digital library resources.	Ongoing. Targets exceeded.
Strengthen and develop new partnerships for library outreach services.	Ongoing. Recently delivered Kiwiana Christmas ex Trust Tairāwhiti
Expand and strengthen library e-tools (RFID, website, e-library).	Embedded.
Develop and deliver operation plans for library and theatre services.	Complete.
Encourage audience development in theatres including non-users.	Ongoing.
Support delivery of Navigate Tairāwhiti projects with Ngāti OneOne (Tītirangi to Tuamotu conservation).	Embedded and ongoing.
Complete design and consent for Tītirangi maunga summit project, Te Panuku Tū, with Ngāti Oneone.	Design complete.
Design and delivery of viewing platform to Te Mārō in partnership with Ngāti Oneone.	Paused. Funding secured.
Support installation of Endeavour model in Ūawa alongside community.	Paused due to cyclone, review of planned location.

Te Rōpū Nohoanga Hapori

Liveable Communities





Recreation and Amenity	
What we said we would do	How we are going
Complete the redevelopment of the Pool complex to meet the recreational, health and fitness needs of our community.	Kiwa Pool opened to the community on Saturday 2 September 2023.
Complete the redevelopment of Titirangi Summit in partnership with Iwi, recognising our co-management relationship with Ngāti Oneone.	In progress.
Deliver support and provide access to Council's open spaces/reserves for coast care/dune care and riparian restoration in partnership with others including Iwi, community and Central Government agencies.	In progress. Our dune planting programme continues to expand.
Deliver renewal programme for park furniture and playgrounds, including new park furniture for Titirangi Maunga and a new playground in the Nelson Park area.	A large programme of replacement sofffall achieve this quarter to meet safety standards.
Investigate partnership opportunities to deliver mobile pop-up play modules across Te Tairāwhiti.	This initiative is currently in progress and is being led by the community with support from Sport Gisborne Tairāwhiti. A pop-up play piece was located at Waikanāe Playground in December.
Support delivery of the Community Facilities Strategy Implementation Plan through providing reserves land, where possible, to align with business case and funder expectations.	Currently underway.
Improvements to the Botanical Gardens.	Native Garden bush walkway improvement including installation of mesh over boardwalk to improve safety installed, and improvements to quality of the pond water underway.
Deliver the Street Tree Planting Programme, including new tree planting and replacement planting.	The programme continues.
Deliver improvements at Waihīre Domain in partnership with marae/hapū, and consistent with expectations of a regional visitor area.	In progress. Concept phase in partnership with hapu is underway.
Support the Whāia Titirangi programme and the restoration of Titirangi maunga in partnership with Ngāti Oneone.	Ongoing, with monthly operational hui continuing.
Reduce reserve turf management at key locations as part of a riparian and coastal margin reversion programme to support restoration of natural buffers and to enable stronger responses to the impact of climate change.	Planting has been undertaken through the Freshwater Improvement Fund planting at Nelson Park reserve, Lytton Road Reserve, Waiteata Park and Heath Johnstone Reserve reducing amenity turf. Further opportunities are being considered.
Prepare a master plan for Taruheru Cemetery providing for future use and community expectations.	Procurement for master planning is now in progress, and the project is set to commence soon.
Complete a review of public conveniences considering rationalisation of facilities to support service and cost efficiencies.	Draft completed with final recommendations under review. To be presented to Council.
Provide replacement public convenience facility at Tokomaru Bay wharf and consider new facility for Tolaga Bay Wharf to meet user needs and likely visitor number increases.	Complete. Tolaga Wharf provision requirements considered through the public convenience rationalisation process.

Te Rōpū Nohoanga Hapori

Liveable Communities

Recreation and Amenity	
What we said we would do	How we are going
Continue to support implementation of Regional Plan Pest Management Plan.	Ongoing, in partnership with others.

3. Levels of service and performance measures

KPI (Key Performance Indicator) Key					
				<p>Note to Activity Managers: Ensure full rationale is given as to how you arrived at your result assessment.</p>	
Fully achieved	Slightly under target (≤5%)	Not achieved	Not measured Must include appropriate commentary.		
Reporting Period Key					
Q1	Q2	Q3	Q4*	EOY*	*Q4/EOY results are captured within the Annual Report.
July – Sep	Oct – Dec	Jan – March	April – June	End of year	
Type Key					
A	1/2	Q	M		
Annual	Half yearly	Quarterly	Monthly		
Notes:					
1. For annual or half annual measures, actual results are provided for interim quarters if available, but KPI indicators are blank.					
2. For monthly measures, results will be averaged for the three months in the relevant quarter.					
3. Annual measures with progressive/cumulative results will be used to derive an end of year (EOY) result.					



Te Rōpū Nohoanga Hapori

Liveable Communities

CATCHMENTS and BIODIVERSITY









BIOSECURITY

Level of Service: - Pest animals and pest plants are controlled to minimise their adverse effects on biodiversity, production, amenity and cultural values.

Measure	Type	Target	Results			Commentary
Percentage of exclusion programme pests found established in the district for the first time visited and all pests controlled as defined in the RPMP.	A	100%	Q1		100%	No change 100% achieved for Q1 and Q2.
			Q2		100%	

LAND and SOIL

Level of Service: We will work with Iwi, landowners and the community to reduce soil erosion risk and remediate severe erosion within the district.





Measure	Type	Target	Results			Commentary
Total overlay 3A severely erodible land covered by a draft or final overlay 3A work plan or an overlay 3A resource consent.	A	45,500 ha	Q1		No change	No change, focus towards incorporating requirements into Freshwater Farm Plans.
			Q2		No change	Focus on assisting with existing grants.
Number of Land Use Capability Property Maps produced per year.	A	5	Q1		Zero	Several underway with significant training programme of newly recruited staff ongoing.
			Q2		1	
Number of Erosion Control Plans produced per year.	A	5	Q1		Zero	Several underway and methodology being developed going forward on target for MPI Milestones.
			Q2		2	
Number of reports on Condition and Recommendations for PMAs per year.	A	25	Q1		2	Q2 access was slightly restricted as some landowners/ managers were too busy at the end of the calendar year.
			Q2		9	

Te Rōpū Nohoanga Hapori







Liveable Communities

CULTURAL ACTIVITIES

Level of Service: Cultural facilities are accessible to Tairāwhiti residents and visitors.

Measure	Type	Target	Results		Commentary	
Number of onsite visitors to the HB Williams Memorial library per annum.	A	150,000	Q1		27,412	Ambitious target for visitor numbers. In-person visits are increasing across facilities.
			Q2		29,840	
Number of online visitors to the HB Williams Memorial Library per annum.	A	100,000	Q1		157,298	4 months loss of data collection due to database error during an update
			Q2		51,221	

Level of Service: Regular and varied programmes, events and exhibitions to support community wellbeing are provided at cultural facilities.

Measure	Type	Target	Results		Commentary	
Number of booking days per annum: a) Lawson Field Theatre.	A	100	Q1		56	Target exceeded. Exceptionally high use of theatres
			Q2		56	
b) War Memorial Theatre.	A	100	Q1		54	Target exceeded.
			Q2		50	
Number of visitors to Tairāwhiti Museum per annum.	A	45,000	Q1		9,926	No data supplied for Quarter 2 due to technical issues. Will be resolved for Q3 reporting.
			Q2		-	

RECREATION and AMENITY

Level of Service: Our aquatic facilities are well maintained, safe and meet community demand.

Measure	Type	Target	Results	Commentary
Council aquatic facilities are safe and operate in accordance with PoolSafe NZS guidelines.	A	100%		End of year target.
Percentage of time Council aquatic facilities pool water quality meets NZS 5826:2010.	A	95%		End of year target.

Te Arataki me ngā Ratonga Tauawhi ā-rohe

Regional Leadership & Support Services

Six Month Report - financial year 2023-24

What we do




This group activity drives the positive culture of Council and contributes to the ongoing emphasis of a customer-focused organisation that supports its unique community. These teams focus on building individual and organisational capability and knowledge to meet current and strategic requirements and promoting a learning culture to embed high performance across the organisation.



About this report



This report summarises key performance outcomes of the **Regional Leadership and Support Services Group** for the first and second quarters of the 2023-24 financial year, in comparison with the objectives set out in the 2021-2031 Long Term Plan (LTP).

1. Activity Assessment.
2. Group finances.
3. Progress on plan (LTP years 1 to 3).
4. Levels of service and performance measures.

1. Activity Assessments - 1 July 2023 to 31 December 2023



Key		
		
On track	Monitoring	Off track



Emergency Management			
	Progressing our LTP commitments and focus projects.		Performance in terms of delivering our Levels of Service .
On track <i>We are progressing as planned.</i>		On track <i>We are progressing as planned.</i>	



Engagement and Māori Responsiveness			
	Progressing our LTP commitments and focus projects.		Performance in terms of delivering our Levels of Service .
On track <i>We are progressing as planned.</i>		On track <i>We are progressing as planned.</i>	


Te Arataki me ngā Ratonga Tauawhi ā-rohe

Regional Leadership & Support Services

Governance & Democracy	
 Progressing our LTP commitments and focus projects.	 Performance in terms of delivering our Levels of Service.
On track <i>We are progressing as planned.</i>	On track <i>We are progressing as planned.</i>

Science	
 Progressing our LTP commitments and focus projects.	 Performance in terms of delivering our Levels of Service.
On track <i>We are progressing as planned.</i>	On track <i>We are progressing as planned.</i>

Strategic Policy and Planning	
 Progressing our LTP commitments and focus projects.	 Performance in terms of delivering our Levels of Service.
On track <i>We are progressing as planned.</i>	On track <i>We are progressing as planned.</i>

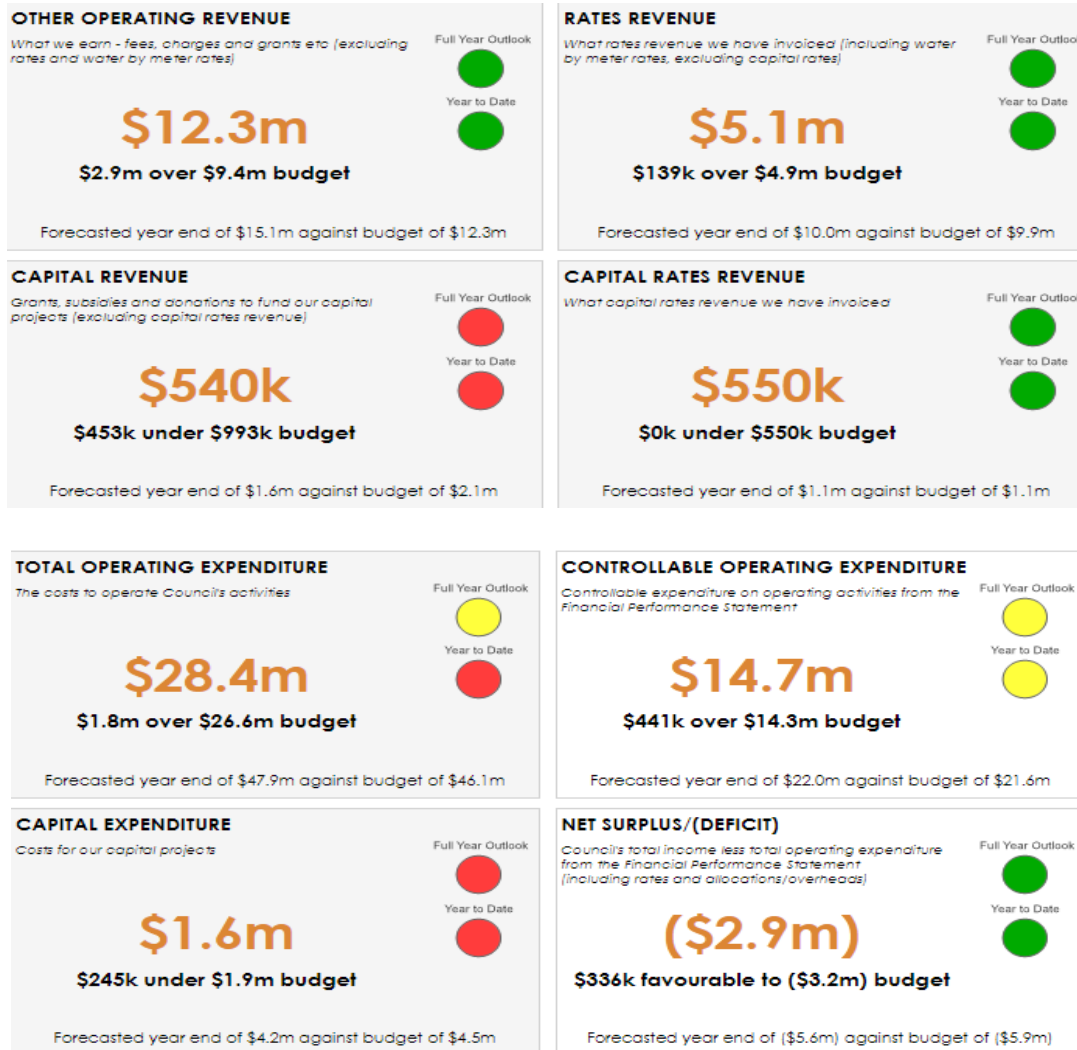
Support Services	
 Progressing our LTP commitments and focus projects	Performance in terms of delivering our Levels of Service
On track <i>We are progressing as planned.</i>	<i>Not applicable for this activity.</i>

Te Arataki me ngā Ratonga Tauawhi ā-rohe

Regional Leadership & Support Services

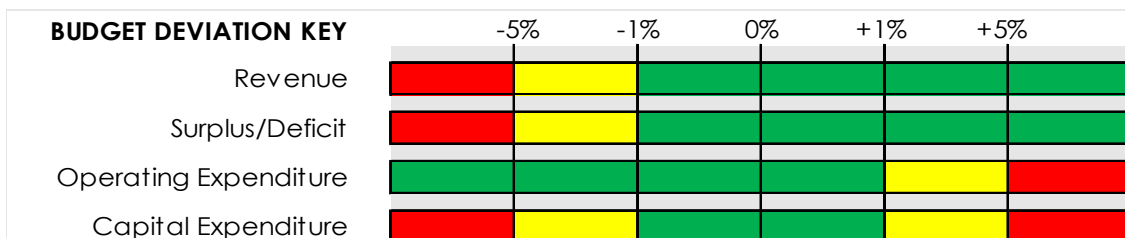
2. Group Finances

Year to date results as at end of December 2023



Traffic light colour illustrates the % deviation from budget.

("0%" is "no deviation from planned budget")



Te Arataki me ngā Ratonga Tauawhi ā-rohe

Regional Leadership & Support Services

Operating Income: YTD income is \$2.9m favorably over YTD budget. This is due to receiving unbudgeted income from Better Off funding (BOF) \$410k, Mayors Taskforce for Jobs \$512k, FOSAL (Future of Severely Affected Land) & Silt Removal \$518k. There has been interest received of \$1.5m, from term deposits (arising from timing of when grants are received and when expenditure is incurred).

Operating Expenditure: YTD operating expenditure is \$1.8m over budget. Commercial grants being paid for Recovery & Silt Removal costs are over budget. However, these costs are offset by the unbudgeted income.

Capital Expenditure: YTD capital costs are \$245k under budget due mostly to timing issue for Information services capital projects, the Digitisation of Records project will be underspent this financial year by \$200k, the budgeted figure of \$850k is overstated by \$200k, this will be carried over.

3. Progress on plan (LTP years 1 to 3)

Emergency Management	
What We Said We Would Do	How We Are Going
Review and refocus the CDEM Group Plan for 2021–2026.	CDEM Group Plan review will be initiated in 2024 with Yvette Kinsella leading the consultation and engagement process. Whilst the CDEM legislative reforms are still progressing through parliament, the development of the Group Plan will seek to commence regardless.
Review by the NEMA Technical Advisory Group.	Yet to commence. NEMA is redefining its assurance role and developing a sector-wide approach with a focus on assurance. No change
Build a fit-for-purpose Emergency Coordination Centre (ECC).	The Emergency Coordination Centre is now 100% operational.
Undertake controller and key staff training as part of national training programmes and local training exercises.	Local Alternate Controller cohort training commenced in Q4 2023 and will continue over the course of 2024. Training for key function leads with the ECC will be conducted as part of regular programmed training over 2024.
Establish partnerships that enable iwi/hapū to actively participate in decision-making and execution of CDEM Group Plan.	Integrated operational activities with iwi and hapu are a critical requirement for the Tairāwhiti response model and active participation underpins this.
Invite our iwi partners to our training exercises in the physical ECC.	Collective training activities are inclusive of iwi partners both at the ECC level as well as training in region for individual community Emergency Operations Centers (EOC)
Build capacity to send qualified and experienced support to other regions for emergency responses.	Staff training with regional CDEM Groups and NEMA is now in place and part of the ongoing professional exchanges and development.
Continue to maintain and build new partnerships with iwi and communities.	Given the onset of climate change impact and adverse weather events, TEMO provides training and support to the new community groups that have a desire to be a connected entity.
Further develop a CDEM Communications Plan, including greater use of social media.	Given the importance of communications across the four R's, a permanent part-time Public Information Manager (PIM) has been added to the team which now embeds a dedicated communications professional into the team.

Te Arataki me ngā Ratonga Tauawhi ā-rohe

Regional Leadership & Support Services

Emergency Management	
What We Said We Would Do	How We Are Going
Concentrate on building ECC capacity.	Training across the CIMS functions during readiness phases forms a key part of developing and maintain the skills across roles and functions to ensure the ECC can activate and perform.
Rebuild the Welfare Group and establish a full-time Welfare Manager.	The Welfare Group has benefited from having a dedicated Welfare FTE who has developed systems, processes and relationships which have been activated for the many weather events that have beset the region. The capability and performance of the welfare collective is recognized at a national level to be functional and connected entity that has experiential knowledge gained from operation responses.

Engagement and Māori Responsiveness	
What we said we would do	How we are going
Engagement	
Embed the Customer Services Promise (SCP) through the organisation.	This initiative was being embedded by Council's Quality Improvement Circle (QIC) forum, which has been inactive due to resource constraints following Cyclone Gabrielle. The QIC forum will be reinitiated as soon as practicable.
Māori Responsiveness	
Develop and implement our Māori Responsiveness Programme.	The program for this team will require a reset with the appointment of Principal Advisor Māori and the recruitment of a new manager for the team. Operational deliverables will continue while the strategic and operational priorities are reset.
Develop and monitor an appropriate Level of Service and associated performance measure in collaboration with Iwi/hapū partners to ensure we are effectively engaging with Māori.	The state of relationships and agreements stocktake, coupled with the new strategic Treaty risk bowtie will provide a new foundation for Council to monitor and measure levels of service in a meaningful way. This will be worked on the first half of 2024.

Te Arataki me ngā Ratonga Tauawhi ā-rohe

Regional Leadership & Support Services

Governance & Democracy	
What we said we would do	How we are going
Governance	
Continue with the implementation of the Local Leadership Body.	LLB negotiations are on hold while governance and operational partnership discussions take place. These have had to pivot from the RMA tranche 1 focus due to direction of new government.
Build on the existing Joint Management Agreement work between Council and Te Rūnanganui o Ngāti Porou.	Council continues to work with Ngāti Porou representatives on the Waiapu catchment plan. Additional technical assessment has been identified as a need for the Waiapu River, given that the Waiapu River is the major source for gravel in our region. Once the technical evidence has been procured and completed, we work to finalise the draft plan in late 2024 – early 2025.
Continue delivering and identifying opportunities for improving governance across the organisation.	Currently preparing for a mid-term review with Meetings and Governance Solutions. This will entail a confidential survey of elected members and a four hour workshop.
Democracy	
The Local Government election will be held in October 2022. We will manage and deliver a fair election process and increase voter participation including actively encouraging the young Māori demographic to vote.	The next elections will be held in 2025.
Support our elected members to become effective community leaders for the people of Tairāwhiti by introducing professional development opportunities, including training relating to te ao Māori.	Council has subscribed to LGNZ Akona. A needs analysis for professional development will be developed for elected members following a mid-term review. The professional development budget has increased to accommodate this.
Work with other teams to ensure effective Māori participation in Council decision-making.	Work is underway to develop guidance for report writers on Te Tiriti Compass Writing.
Improve Council technology to allow offsite Council and committee meetings to be live streamed especially on marae.	An external provider has been contracted to provide this service.
Continue to create a welcoming and accessible environment for the public so that it is easy for them to understand local government decision making.	Agendas are easily accessed by the public through the meetings page on Council's website. We had 9,298 views of our meetings calendar page 1 July 2023 to 31 December 2023. Our YouTube channel features the livestreaming of Council and Committee meetings and other videos.
Monitor and improve the quality of reports and their effect on good decision making.	The NZIER report benchmarking Council's Policy advice with other Councils will be submitted in March 2024 for the 2023 financial year.
Improve and strengthen the LGOIMA request process.	Training of our Official Information and Privacy Advisor is ongoing.

Te Arataki me ngā Ratonga Tauawhi ā-rohe

Regional Leadership & Support Services

Governance & Democracy	
What we said we would do	How we are going
Conduct a Representation Review for the 2022 and 2025 Local Government elections including Māori Wards following Council's decision in 2020. There is also the opportunity to explore rural township representation through communities of interest.	The next Representation Review will take place in 2026/27 for the 2028 and 2011 elections. The Local Government Commission have advised in their determination that the need for Community Boards should be included.

Science	
What we said we would do	How we are going
Implement the projects described in detail (and updated six-monthly) within the Science Programme, to ensure delivery of Council's statutory environmental objectives.	Progressed as planned. Soil monitoring programme completed 30 additional sites. The bore drilling programme completed 4 bores on the Poverty Bay Flats.
Undertake a comprehensive, strategic and cost-effective environmental monitoring programme and ensure these results are communicated to Council and the community.	We are progressively implementing recommendations from the review of our surface water environmental monitoring programme in relation to the National Policy Statement for Freshwater Management (NPSFM). The lake monitoring programme has been developed.
Partner with Iwi, the community, industry and other organizations to monitor and improve Tairāwhiti's environment.	Examples of collaboration include development of an estuary monitoring programme and the regional exploratory bore drilling programme.
Work with Iwi and hapū to monitor and evaluate the mātauranga Māori of our environment.	This is ongoing. We have partnered with whanau to improve the mauri of the Maungarongo o Te Kooti Wetland. Marine reef surveys were developed with Ngāti Oneone.
Deliver the scientific evidence for the freshwater plans required by December 2024 as part of the National Policy Statement for Freshwater Management (NPS-FM).	We have completed the Poverty Bay Flats groundwater model and low flow options for Te Arai and Waipaoa Rivers. The regional state and trends for freshwater have been drafted.
Work with Iwi and hapū to ensure we understand and protect the value of Temana o te Wai (under the NPS-FM).	The bore drilling has been developed in partnership with Iwi. We have been working with the whanau at Te Maungarongo o Te Kooti wetland to better understand the drivers behind the wetland water levels.
Partner with Council's Resource Consents team to provide robust technical advice for the assessment of resource consents and provide training to carry out assessment of 'low-risk' environmental resource consent applications.	A new process is being developed between consents and science teams. This could reduce the workload on the science team. The Science Team has been providing quality technical advice in collaboration with the technical panel of consultants within statutory timeframes.
Provide strategic scientific advice to internal and external stakeholders, ie. during pre-application stage of resource consents.	The Science Team provides advice to both compliance, resource consent teams and external stakeholders.
Provide annual performance updates to Council on health of region's land, air and fresh and coastal water quality.	Evidence has been collected to support the annual update.

Te Arataki me ngā Ratonga Tauawhi ā-rohe

Regional Leadership & Support Services

Science	
What we said we would do	How we are going
Implement communications plan to help communicate science to our community and enable improved engagement and collaboration.	No progress.
Provide a robust evidence base for the Tairāwhiti Resource Management Plan (TRMP) review.	The Science Team has provided technical reports in relation to the TRMP review and will be closely involved with the project team as this work progresses.
Ensure sufficient information on Tairāwhiti's groundwater is available for our statutory requirements, inclusive of the development of groundwater models and the renewal and potential drilling of groundwater monitoring bores.	The Poverty Bay flats groundwater model has been completed. 4 replacement monitoring bores drilled Nov 2023 on Poverty Bay Flats. 8 newly drilled and 2 pending long term groundwater monitoring bores on the East Coast. Groundwater monitoring network program review has started and will take 2 years to complete (100 bores). This will inform monitoring bore drilling location strategy for the LTP ahead.

Strategic Policy and Planning	
What we said we would do	How we are going
<p>Resource management planning.</p> <p>Commence and progress the review of the TRMP including our freshwater planning obligations. This includes reviewing and updating the Regional Policy Statement, regional plans, and the District Plan, including policies and provisions for growth management.</p>	The TRMP continues to make progress against the 2023 work programme's milestones.
<p>Transport planning.</p> <p>Prepare the 2024–2034 Regional Land Transport Plan as well as the 2024–2034 Regional Public Transport Plan, in consultation with Council's Roads and Footpaths team. Undertake supporting policy work, research and monitoring.</p>	Ongoing. The final drafts of the 2024–2034 Regional Public Transport Plan, Regional Public Transport Plan, Active Travel Strategy and Mode Shift Plan were completed for consideration by Council/Committee at the end of January.
Long term planning. Support the review of policy content for the 2024–2034 LTP cycle, including Infrastructure Strategy, Finance Strategy and Development Contributions Policy.	The wholesale review of the Development Contributions Policy was deferred to 2027 due to resourcing impacts of the events of 2023. An updated project list to calculate the contribution is being progressed. Development of the Infrastructure Strategy has progressed under a condensed timeframe. The team has been supporting with Three Year Plan input requirements.
Climate change planning. Continue to develop Council's response to climate change through adaptation and mitigation planning for the organisation and the region. This includes completion of a Council Climate Change Plan and support for the development of a regional climate change risk assessment.	Work on the organisational emissions reduction plan restarted. The Future of Severely Affected Land project required resourcing. This Government framework will inform the final content of the Climate Adaptation Act. Phase 2 scope of the Tairāwhiti Climate Change Risk Assessment is still to be finalised.

Te Arataki me ngā Ratonga Tauawhi ā-rohe

Regional Leadership & Support Services

Strategic Policy and Planning	
What we said we would do	How we are going
Review existing strategies, policies and bylaws, when required, to ensure compliance with statutory requirements.	Work continues on the Navigational Safety Bylaw and Local Alcohol Policy, and work has started on the Cemeteries Bylaw. We remain on track with statutory dates associated with planned reviews.
Strategic leadership. Support the organisation with leadership in strategic thinking on critical issues and opportunities for our region.	Staff have been focused on the Ministerial Inquiry into Land Use, Special Legislation processes since Cyclone Gabrielle, RMA reform, Future of Local Government, and Three Waters Reform. We are turning our attention to new Government priorities as and when they are announced / confirmed.

Support Services	
What we said we would do	How we are going
Ensure all support services continue to perform business as-usual activities, and where possible, streamline business processes to improve practices, advice and services	<p>FINANCE: BAU activities within the Finance department are progressing. We continue to maintain our standard operations effectively.</p> <p>INFORMATION SERVICES: We continue to support the efficient functioning of Council services with fit-for-purpose technology. Where possible, we are implementing new technology to help Council streamline their business processes.</p> <p>PEOPLE & CAPABILITY: People & Capability are continuing to support day-to-day operations alongside the introduction of a new human resources system that will improve services to both our internal and external customers.</p>
Continue to develop a health and safety culture while ensuring compliance under health and safety legislation	Maintain focus on Staff wellbeing post 2023 weather events, ramped up recovery works and increased contractor management. Formulation of wellbeing group, responding to results from 'ask my team' survey. Critical risk controls reviewed and revised lone remote working resources to be deployed.
Take further advantage of technological advancements to enable us to deliver effective and efficient support services to our internal and external customers	We work to get the most value out of our ICT assets and licensed tools by analysing customer requirements regularly to determine if existing systems can meet service needs. When advancements are available that can significantly improve levels of service, we plan how to take advantage of those advancements in a cost-effective and fit-for-purpose way.
Complete the replacement of the core Enterprise Resource Planning system.	We are currently in the process of replacing our core operational software, employing a phased approach. This replacement strategy capitalises on the latest technological advancements, which will enable Council to operate with greater efficiencies.

Te Arataki me ngā Ratonga Tauawhi ā-rohe





Regional Leadership & Support Services

Support Services	
What we said we would do	How we are going
Review, assess and decide to obtain a credit rating assessment based on Council's external debt.	This is under review, to take into account Council's new debt forecasts arising from the 2024-2027 Three Year Plan. Prior to Central Governments more recent announcement, the review had been on hold pending the outcome of the Three Water Reforms.

Te Arataki me ngā Ratonga Tauawhi ā-rohe







Regional Leadership & Support Services

4. Levels of service and performance measures

KPI (Key Performance Indicator) Key					
				Note to Activity Managers: Ensure full rationale is given as to how you arrived at your result assessment.	
Fully achieved	Slightly under target (≤5%)	Not achieved	Not measured		
Reporting Period Key					
Q1	Q2	Q3	Q4*	EOY*	*Q4/EOY results are captured within the Annual Report.
July – Sep	Oct – Dec	Jan – March	April – June	End of year	
Type Key					
A	1/2	Q	M		
Annual	Half yearly	Quarterly	Monthly		
Notes:					
1. For annual or half annual measures, actual results are provided for interim quarters if available, but KPI indicators are blank.					
2. For monthly measures, results will be averaged for the three months in the relevant quarter.					
3. Annual measures with progressive/cumulative results will be used to derive an end of year (EOY) result.					

Emergency Management

Level of Service: We help to build a more resilient district where communities understand and manage their hazards and risks.



Measure	Type	Target	Results			Commentary
National Emergency Management Agency (NEMA) assessment rating (five-yearly assessment).	A	70%	Q1		N/A	NEMA is yet to reinstate the assessment program across CDEM groups. This will not be in place for 2023/4 and if NEMA do not reinstate the Assurance function, the CDEM Group will start an external review in 2025.
			Q2		N/A	
At least six public education activities occur annually.	A	7 or more	Q1		9	Includes community training and hazard awareness.
			Q2		7	
The community is made aware of Civil Defence Emergencies within 60 minutes of declaration.	A	60	Q1		20 mins	The operational process and systems are tested and reviewed to exceed 60-minute measure. Loss of critical infrastructure and communications nodes may affect the ability to utilise electronic media
			Q2		20 mins	

Te Arataki me ngā Ratonga Tauawhi ā-rohe

Regional Leadership & Support Services

Māori Responsiveness

Level of Service: We support the organisation to provide good quality information to the public to enable communities to participate in the decision-making process.

Measure	Type	Target	Results			Commentary
The percentage of priority Iwi projects and relationships including Deeds of Settlement and all MOU assessed for quality of engagement by mana whenua.	A	90%	Q1		N/A	We are re-evaluating this measure to ensure that the responsibility of gauging success is not solely placed on tangata whenua.
			Q2		N/A	

Engagement

Level of Service: We support the organisation to deliver quality, cost effective services to our community and encourage the community to provide feedback on our performance and direction.

Note: Engagement performance measures are sourced from the **Residents Satisfaction Survey**. The results will be published in the 2023/24 Annual Report.





Governance

Level of Service: We provide for the representation of the community in an open and democratic way.

Note: Democracy performance measures are sourced from the **Residents Satisfaction Survey**. The results will be published in the 2023/24 Annual Report.

Democracy Support

Level of Service: We manage the LGOIMA requirements for meetings, agendas and official information requests and complaints to the Ombudsman.





Measure	Type	Target	Results			Commentary
Number of complaints upheld by the Ombudsman.	A	Zero	Q1		Zero	One complaint was partially upheld in Q2.
			Q2		One	
Agendas for meetings (other than extraordinary meetings) of Council and committees are publicly available at least two working days before advertised meetings.	A	100%	Q1		100%	On target.
			Q2		100%	

Te Arataki me ngā Ratonga Tauawhi ā-rohe






Regional Leadership & Support Services

Science

Level of Service: We will collect and manage environmental data to support good resource management decisions and enable a clear understanding of the state of our environment.

Measure	Type	Target	Results			Commentary
The number of hits received on environmental data pages on the Council and Tairāwhiti section of LAWA websites.	A	30,000	Q1		26,736	On track.
			Q2		33,161	
Undertake and report weekly monitoring of freshwater and coastal bathing water sites throughout the bathing water season.	A	95%	Q1		N/A	The bathing water season runs from November to March. Achievement against the target will be calculated when the bathing water season ends. Weekly sampling started in November as planned.
			Q2		N/A	

Level of Service: We will collect, analyse and report environmental information under the requirements of the RMA (1991).



Measure	Type	Target	Results			Commentary
For highly productive land, undertake soil surveys for the five land use types in Tairāwhiti. To ensure the scientific evidence is robust, 30 surveys per land use type will be required (150 in total).	A	Yr1 25 Yr2 50 Yr3 75	Q1		30	Sample collection was completed successfully for a further 30 surveys.
			Q2		30	
The percentage of freshwater attributes monitored as required by the National Policy Statement for Freshwater Management (2020) in locations determined by Council and the community.	A	80%	Q1		73%	The target is an annual statistic. We are increasing monitoring efforts this summer. Forecast to meet this target when lake monitoring begins.
			Q2		73%	
The percentage of attributes monitored as required by the New Zealand Coastal Policy Statement (2010).	A	10%	Q1		17%	Target met. Received Kaitawa, Turanganui and Te Wherowhero estuary vulnerability reports. Long term monitoring of these estuaries programmed to begin February 2024.
			Q2		17%	

Te Arataki me ngā Ratonga Tauawhi ā-rohe



Regional Leadership & Support Services

Strategic Policy and Planning

Level of Service: Council has a clear, rigorous and current suite of strategies, plans and policies across the range of Council activities including resource management, infrastructure and social and economic development.

Measure	Type	Target	Results			Commentary
All plans under development and review meet national directions and statutory timeframes for notification (where applicable).	A	Achieved	Q1		Achieved	Target met.
			Q2		Achieved	

Level of Service: We support communities to engage in Council decision-making through appropriately planned, designed and delivered engagement processes.

Measure	Type	Target	Results			Commentary
Percentage of externally facing projects that have a communications and engagement plan in place (Commensurate to the significance of the project).	A	100%	Q1		100%	Target met.
			Q2		100%	

Level of Service: Our decision-makers are provided with credible and robust advice on which to make decisions.

Measure	Type	Target	Results			Commentary
Percentage of Strategic Planning sample reports meet a threshold of good to high quality (e.g. marked between 7-10 out of 10) when independently assessed annually.	A	80%	N/A	N/A	N/A	This is an independent annual review process.

Support Services

Levels of service and performance measures not applicable for this group of activities

Ngā Mahinga Arumoni

Commercial Operations

Six Month Report - financial year 2023-24

What we do

Council's commercial operations are made up of commercial and semi-commercial investments. Some are run on a commercial basis for the benefit of Council's operations, while others supplement Council's income.

Council's semi-commercial operations include:

- Community housing – 120 rental units within the Gisborne City and Te Karaka for tenants who are 55 years and over.
- Gisborne Airport.
- Small holdings of property.

Council also maintains a number of investments, the largest being GHL, made up of a number of business units, including:




- Property Holdings, which manages a large and diverse portfolio of property including commercial, tenant occupied rentals, and farm land. It also takes project management responsibility for GHL developments.
- Waikanae Beach TOP 10 Holiday Park, which is the region's largest accommodation provider, covering the spectrum from tent sites to 4 1/2 star Qualmark apartments.
- Tauwharepārae Farms Ltd, which runs the Puketawa, Tamatea, and Tauwharepārae stations as a single unit, covering 11,500 hectares of land inland from Tolaga Bay.


About this report

This report summarises key **commercial Operations** performance outcomes for the first and second quarters of the 2023-24 financial year, in comparison with the objectives set out in the 2021-2031 Long Term Plan (LTP).

1. Activity Assessments.
2. Group finances.
3. Progress on plan (LTP years 1 to 3).
4. Levels of service and performance measures.

1. Activity Assessment - 1 July 2023 to 31 December 2023

Key		
		
On track	Monitoring	Off track

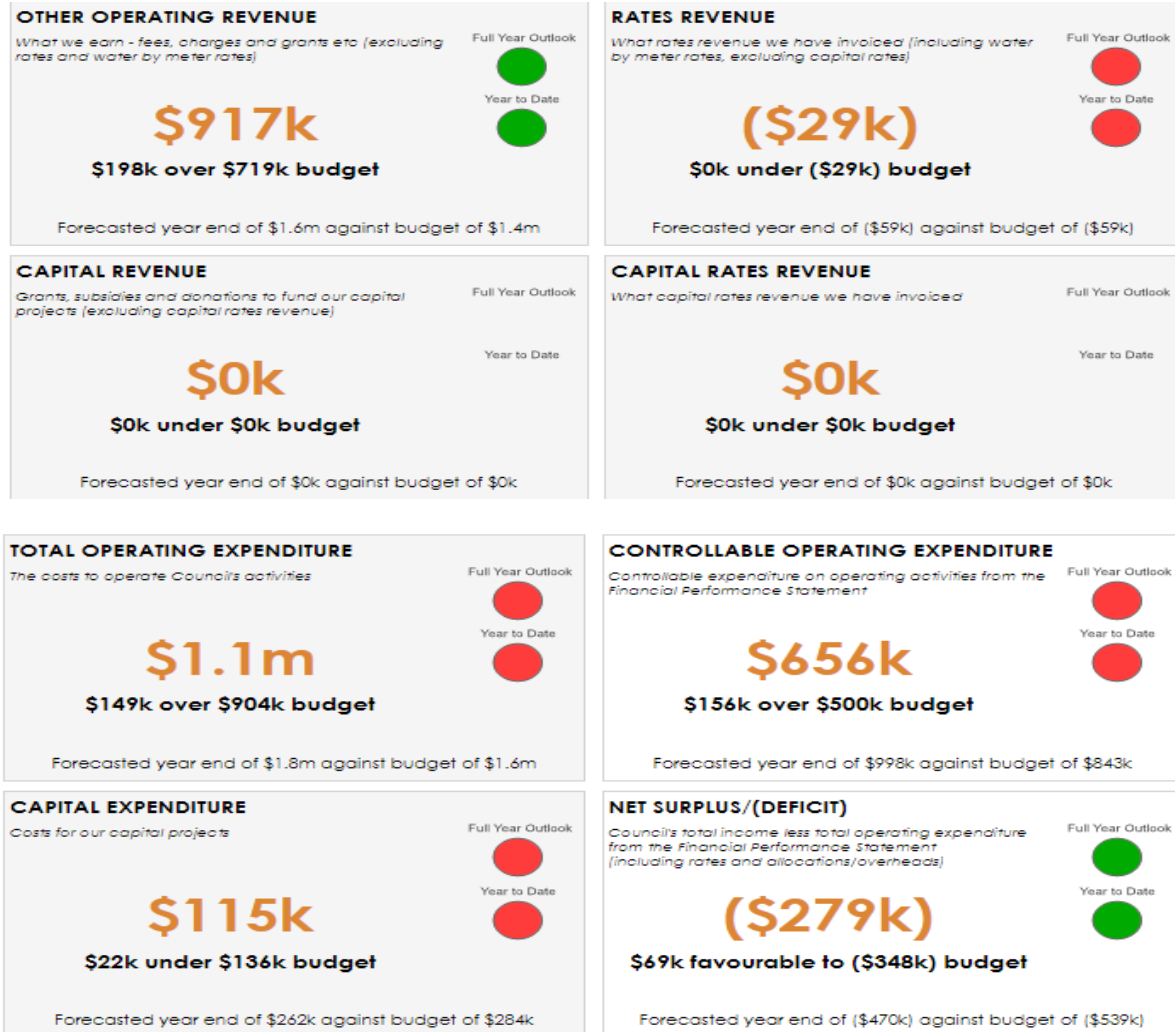
	Progressing our LTP commitments and focus projects.	Performance in terms of delivering our Levels of Service
On track We are progressing as planned.		End year targets will be reported in the 2023/24 Annual Report.

Ngā Mahinga Arumoni

Commercial Operations

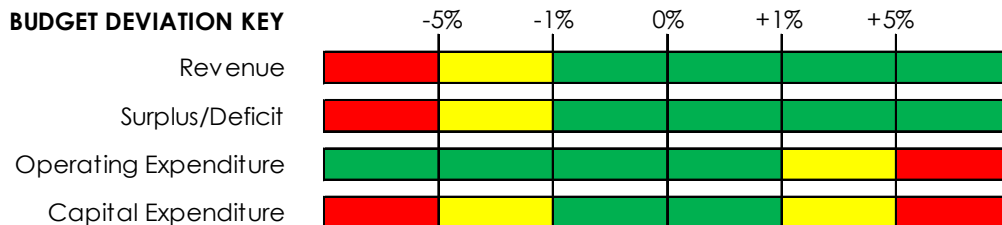
2. Finances

Year to date results as at end of December 31



Traffic light colour illustrates the % deviation from budget.

("0%" is "no deviation from planned budget")



Ngā Mahinga Arumoni

Commercial Operations

Total Operating Revenue: Revenue is favorably over budget. This is mostly due to more Community Housing rent and water meter recoveries than what was planned.





Total Operating Expenditure: Operational expenses are over budget (\$155k). This is mostly due to higher than expected operating costs, including insurance and rates. Most of the higher-than-expected rates are offset from operating revenue recoveries.

Total Capital Expenditure: This is on track year to date.

3. Progress on plan (LTP years 1 to 3)

Commitment	Progress
Review Council's group investments and alignment for a best-for-region approach.	Under review. A draft GHIL Investment Strategy has been received. However, the Strategy is still being revised. Council is reviewing the overall Group, including opportunities and the overall benefits to the Council Group. Recommendations to Council will be submitted shortly. Arising from this will be a workshop with GHIL over any proposed changes.
Formulate climate change adaptation Plan for Council.	When the completion of Council's climate change and adaptation plan has been being finalised, changes will be integrated by activities at the Council Group level (including Council and its CCTO).
Review harvesting of forestry.	To date 946 ha (86%) of the 1,100 ha pine forest at Waingake have been harvested, with \$5.19m received in funds.

4. Levels of service and performance measures

KPI (Key Performance Indicator) Key					
				Note to Activity Managers: Ensure full rationale is given as to how you arrived at your result assessment.	
Fully achieved	Slightly under target ($\leq 5\%$)	Not achieved	Not measured Must include appropriate commentary.		
Reporting Period Key					
Q1	Q2	Q3	Q4*	EOY*	*Q4/EOY results are captured within the Annual Report.
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3. Annual measures with progressive/cumulative results will be used to derive an end of year (EOY) result.					

Ngā Mahinga Arumoni

Commercial Operations

COMMERCIAL OPERATIONS

Level of Service: Operate commercial operations profitably, maintaining returns to Council and provide suitable and affordable housing to enable independent living for people aged 55 years and over who have difficulty providing it for themselves.

Measure	Type	Target	Commentary
Improve the investment return level in order to grow the return from 2% of Council revenue to 4%.	A	2% to 4%	End of year target.
Percentage of customers satisfied with the standard of accommodation and services as found in our annual inspection survey.	A	95%	End of year target.
Rent as a percentage of market- rate (lower quartile) not to exceed 90%.	A	Achieved	End of year target.

11. Public Excluded Business

RESOLUTION TO EXCLUDE THE PUBLIC

Section 48, LOCAL GOVERNMENT OFFICIAL INFORMATION and MEETINGS ACT 1987

That:

1. The public be excluded from the following part of the proceedings of this meeting, namely:

Item 4.1 Confirmation of confidential minutes 21 February 2024

Public Excluded Business

Item 11.1 24-101 Gisborne Holdings Limited Statement of Intent

Item 11.2 24-108 Council Group Update

2. This resolution is made in reliance on section 48(1)(a) of the Local Government Official Information & Meetings Act 1987 and the particular interest or interests protected by section 6 or section 7 of that Act which would be prejudiced by the holding of the whole of the relevant part of the proceedings of the meeting in public are as follows:

Item 4.1	7(2)(b)(ii)	Protect information where the making available of the information would be likely unreasonably to prejudice the commercial position of the person who supplied or who is the subject of the information.
	7(2)(j)	Prevent the disclosure or use of official information for improper gain or improper advantage.
Item 11.1 & Item 11.2	7(2)(h)	Enable any Council holding the information to carry out, without prejudice or disadvantage, commercial activities.