

## Information Agenda

**Date:** Friday, 20 September, 2024

**Elected Members:** His Worship the Mayor Vince Cocurullo  
Cr Gavin Benney  
Cr Nicholas Connop  
Cr Ken Couper  
Cr Jayne Golightly  
Cr Phil Halse  
Cr Deborah Harding  
Cr Patrick Holmes  
Cr Scott McKenzie  
Cr Marie Olsen  
Cr Carol Peters  
Cr Simon Reid  
Cr Phoenix Ruka  
Cr Paul Yovich

For any queries regarding this meeting please contact the Whangarei District Council on (09) 430-4200.

**1. Information Reports**

1.1 Local Government Funding Agency - Annual Report 2023-24 3

## 1.1 Local Government Funding Agency – Annual Report 2023-24

<b>Agenda:</b>	Information Agenda
<b>Publish date:</b>	20 September 2024
<b>Reporting officer:</b>	Delyse Henwood (Manager – Finance)

### 1 Purpose / Te Kaupapa

To provide the Local Government Funding Agency (LGFA) Annual Report for 2023-24.

### 2 Background / Horopaki

Section 67 of the Local Government Act 2002 requires Council Controlled Organisations to deliver to shareholders, and make available to the public, a report on the organisation's operations for the year.

Council is a shareholder in the LGFA. The LGFA was incorporated in December 2011 with the purpose of providing debt funding to local authorities. As at 30 June 2024, Council borrowings (gross debt) from LGFA totalled \$265m.

Council's General Manager Corporate / CFO, Alan Adcock is a Non-Independent Director of the LGFA.

### 3 Discussion / Whakawhiti kōrero

The 2023-24 Annual Report is attached, along with the covering letter sent to LGFA shareholders.

The shareholder letter includes LGFA's most significant achievements for the year:

#### 1. Financial and Operational performance

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

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

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

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

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

**3. New products and increasing focus on sustainability**

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

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

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

**4. A dividend payment of 6.85% for shareholders**

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

The LGFA Annual General Meeting is to be held on 19 November 2024 in Wellington (with a virtual attendance option).

**4 Attachments / Ngā Tāpiritanga**

1. Local Government Funding Agency – Letter to Shareholders dated 29 August 2024
2. Local Government Funding Agency – Annual Report 2023-24



29 August 2024

Dear Shareholder,

## **LGFA 2024 Annual Report**

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

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

### **1. Financial and operational performance.**

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

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

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

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

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



### 3. **New products and increasing focus on sustainability.**

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

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

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

### 4. **A dividend payment of 6.85% for shareholders.**

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

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

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

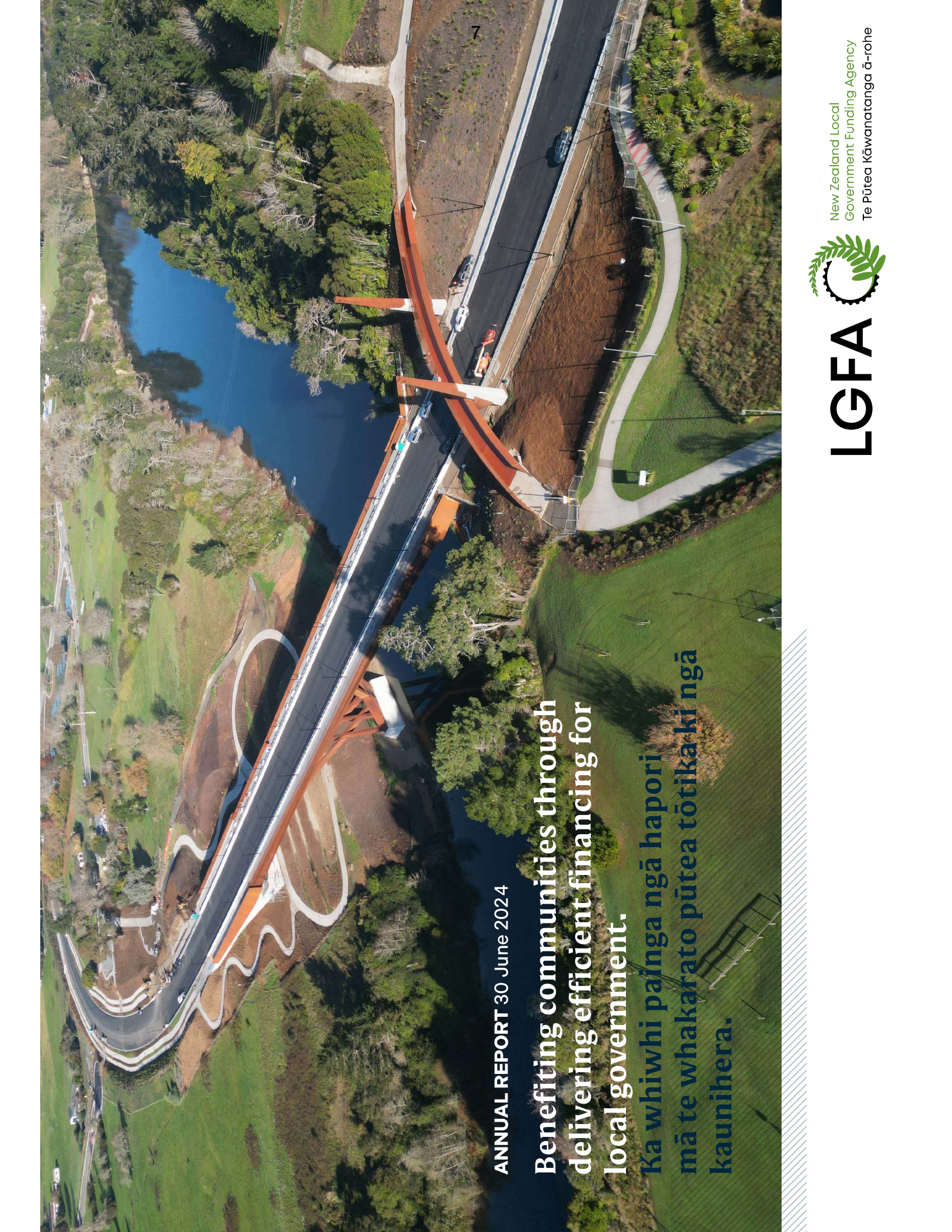
Kind regards



Mark Butcher  
Chief Executive







ANNUAL REPORT 30 June 2024

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

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



New Zealand Local  
Government Funding Agency  
Te Pūtea Kāwanatanga ā-rohe

**LGFA**



# Contents

## Ngā Ihirangi

**Message from the Chair and Chief Executive**  
He karere mai i te Toihau me te Tumuaki

**3**

**About us**  
Mō mātou

**6**

**Sustainability at LGFA**  
Te toitūtanga kei te LGFA

**14**

**Financial statements**  
Nga tauki pūtea

**36**

**Performance highlights**  
Ko ngā tino hua

**5**

**LGFA bonds on issue**  
Ko ngā pūtea taurewa pūmau kua tukuna e te LGFA

**8**

**Governance and culture**  
Te whakaruruhau me te ahurea

**22**

Statement of comprehensive income

36

**LGFA members**  
Ko ngā LGFA e noho mema ana

**11**

**Managing risk**  
Ko te whakahaere tūraru

**29**

Statement of changes in equity

37

**Performance against objectives**  
Ko ngā whakatutukinga ki ngā whāinga

**32**

Statement of financial position

37

Statement of cash flows

38

Notes to the financial statements

38

Auditors' Report

54

**Other disclosures**  
He whākittanga anō

**57**

**Directory**  
Rārangi tauwaea

**57**

88

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

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

# Message from the Chair and Chief Executive

## He karere mai i te Toihau me te Tumuaki

### For the year ended 30 June 2024

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

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

- financing requirements of the sector as we have outgrown the domestic bond market. Our NZ\$6.5 billion of issuance was a record amount with an equivalent NZ\$2.9 billion sourced from offshore markets.
- LGFA worked closely with Central Government on a package for delivery of an expanded range of financing options for council water entities culminating in the post balance date announcement regarding Water CCO lending and lending to high growth councils.
- Our efforts and achievements were acknowledged through receiving multiple domestic and global awards.

### 2023–24 Financial and operational performance

Total interest income for the financial year of NZ\$1,213 million increased 59% over the 2022–23 result of NZ\$763.6 million. Net operating profit of NZ\$10.05 million increased 30% on the 2022–23 result of NZ\$2.5 million. The prior year result was negatively impacted by the sharp rise in interest rates.

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

Operating expenses at NZ\$11.8 million were NZ\$1.7 million above the SOI budget. Operating expenses were higher than forecast due to Approved Issuer Levy payments to central government for our offshore issuance, as well as higher NZX and legal fees related to increased levels of bond issuance and lending to members. Over the year, LGFA operations processed over 16,000 transactions with total gross cash flows of NZ\$83 billion. Where possible, LGFA employ straight-through-processing to minimise

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

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

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

### Borrowing activity

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

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

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

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

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

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

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



## Lending to members

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

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

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

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

## Local Water Done Well Programme and Ratepayer Assistance Scheme

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

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

## New products and initiatives

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

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

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

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

## Acknowledgements

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

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

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



**Craig Stobo**  
Chair



**Mark Butcher**  
Chief Executive

## Taituarā LGFA Local Government Excellence Awards

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

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

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

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

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

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



# Performance highlights

## Ko ngā tino hua

Bonds issued over the financial year

NZD **\$3,630** million  
AUD **\$2,650** million

Interest income

**\$1,213** million

**▲ 59%**

Increase over 2022-23 year

Lending to members over the financial year

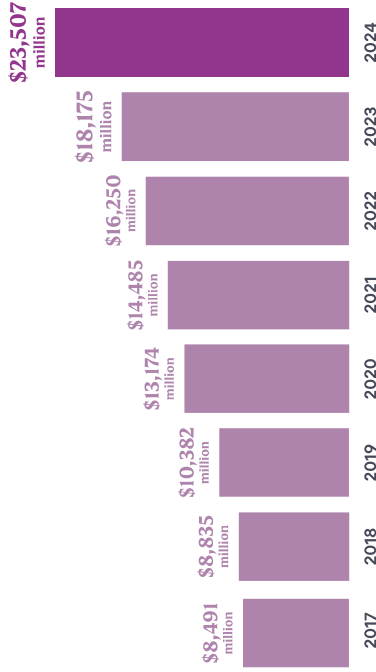
**\$6,095** gross lending, million

Net operating profit

**\$10.05** million

**▲ 301%**

Increase over 2022-23 year



Total assets at 30 June 2024

**\$23,507** million

### Liquidity

As 30 June 2024

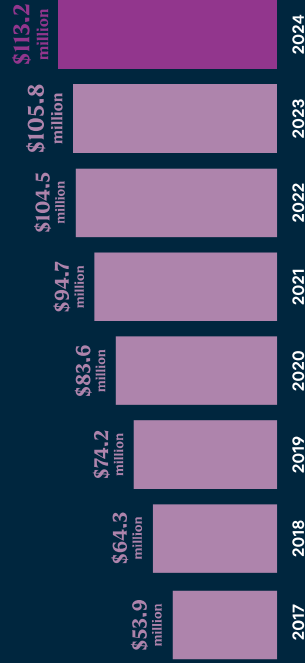
- \$473** million Cash
- \$1,397** million Marketable securities
- \$718** million Deposits
- \$1,000** million Treasury stock for repurchase
- \$1,500** million Government committed liquidity facility

### Borrower notes

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

Shareholder funds at 30 June 2024

**\$113** million



Fully paid shares

**\$25** million

Retained earnings

**\$89** million

**\$492** million



# About us

## Mō mātou

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

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

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

Please refer to our website [lgfa.co.nz](http://lgfa.co.nz) for more information on LGFA, including our Statement of Intent and Quarterly Reports.

### Incorporated

on 1 December 2011 under the Companies Act 1993

### Enabled

by Local Government Borrowing Act 2011

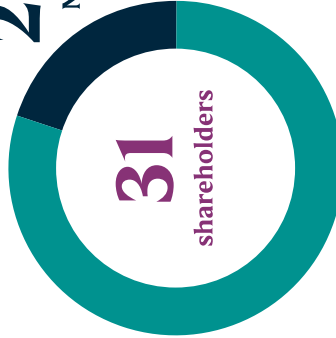
### Council-controlled organisation

under the Local Government Act 2002

### Ownership



20 million of which remain uncalled



20% New Zealand Government  
Share ownership is restricted to New Zealand Government and councils.

80% 30 Councils

### Credit rating

at 30 June 2024

#### S&P Global Ratings

Domestic Currency  
**AAA** Stable outlook  
Foreign Currency **AA+**  
Stable outlook

#### Fitch Ratings

Domestic Currency  
**AA+** Stable outlook  
Foreign Currency **AA+**  
Positive outlook

### Guarantee structure

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

LGFA's securities obligations are guaranteed by council guarantors.

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

The New Zealand Government is not a guarantor.



## Governance overview

### The Shareholders' Council

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

**Review and report** performance of LGFA and the Board;  
**Recommend** to Shareholders as to the **appointment, removal, replacement and remuneration of directors**;

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

**Update Shareholders** on LGFA matters and to coordinate Shareholders on governance decisions.  
 Please refer to page 28.

### The Board

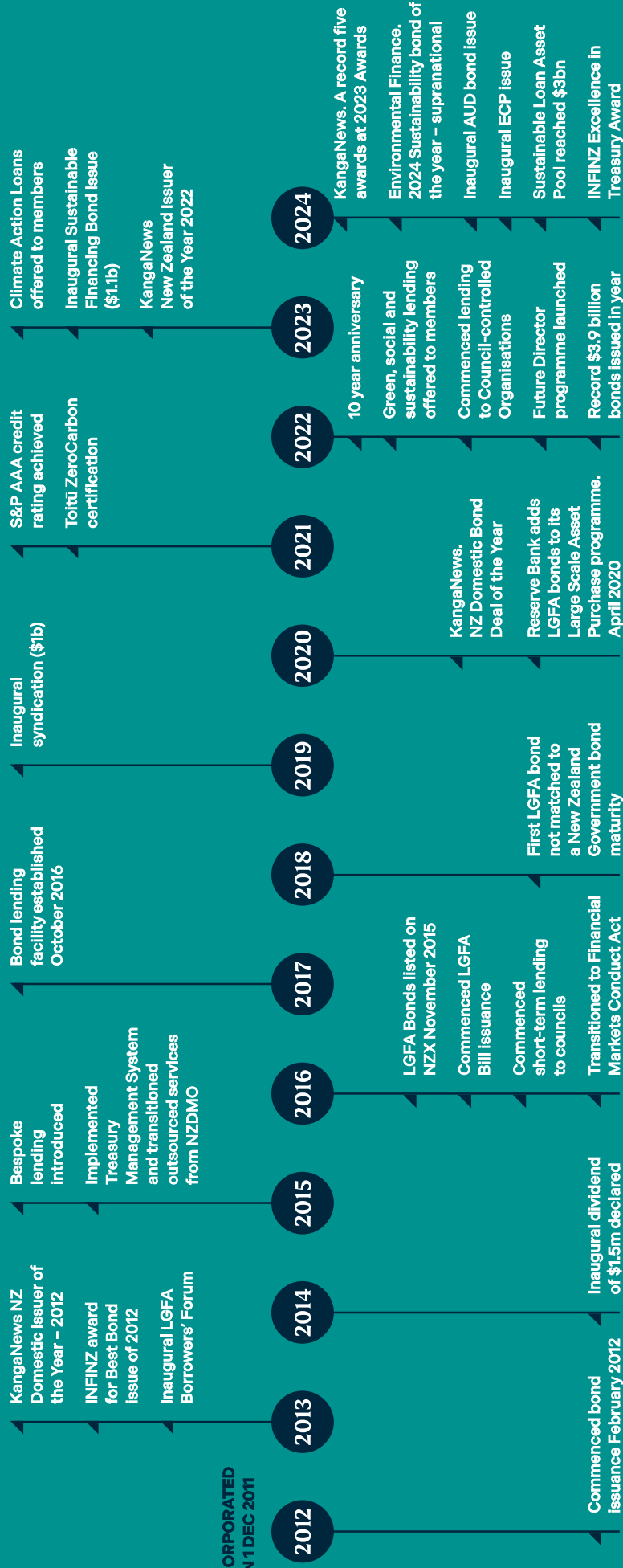
The Board comprises five independent directors and one non-independent director. The Board is responsible for the strategic direction and control of LGFA's activities. The Board guides and monitors the business and affairs of LGFA, in accordance with the:

- Local Government Act 2002;
  - Local Government Borrowing Act 2011;
  - Companies Act 1993;
  - LGFA Constitution;
  - LGFA Shareholder Agreement;
  - LGFA Annual Statement of Intent.
- Please refer to page 25.

### Our history

by financial year ended

INCORPORATED  
ON 1 DEC 2011



Bonds listed on NZX Debt Market

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

Supervised by independent trustee: Trustees Executors

# LGFA bonds on issue

## Ko ngā pūtea taurewa pūmau kua tukuna e te LGFA

### LGFA issues NZD and AUD denominated bonds

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

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

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

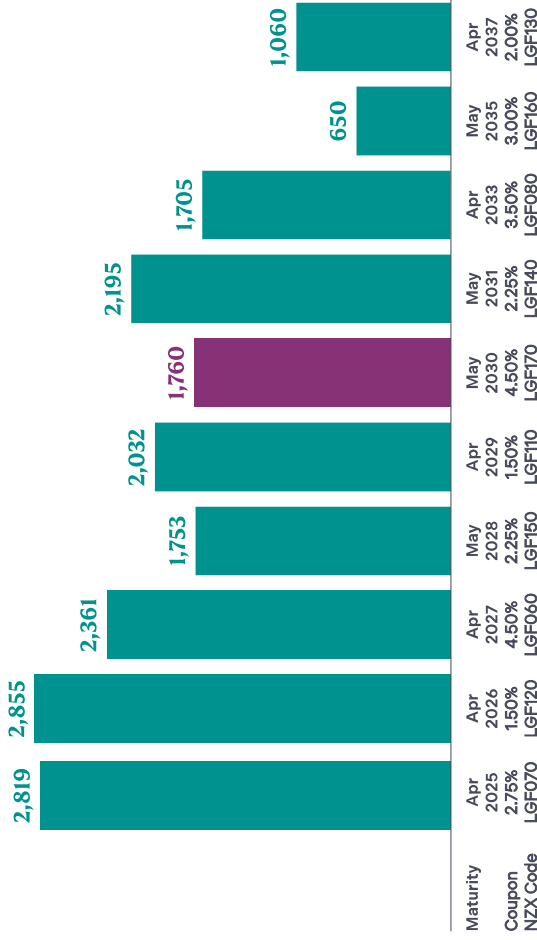
- For AUD issuance, LGFA typically issues a new bond maturity via an initial syndication and then increases the amount on issue via a further syndication.
- Target issuance of AUD 1 billion per bond maturity.
- AUD proceeds are swapped back into NZD to remove foreign currency and interest rate risk.

### NZD bonds on issue

At 30 June 2024 : NZD 19,190 million

NZD million, face value

Includes NZD 1,000 million treasury stock (refer note 17, page 47)



### AUD bonds on issue

At 30 June 2024 : AUD 2,650 million

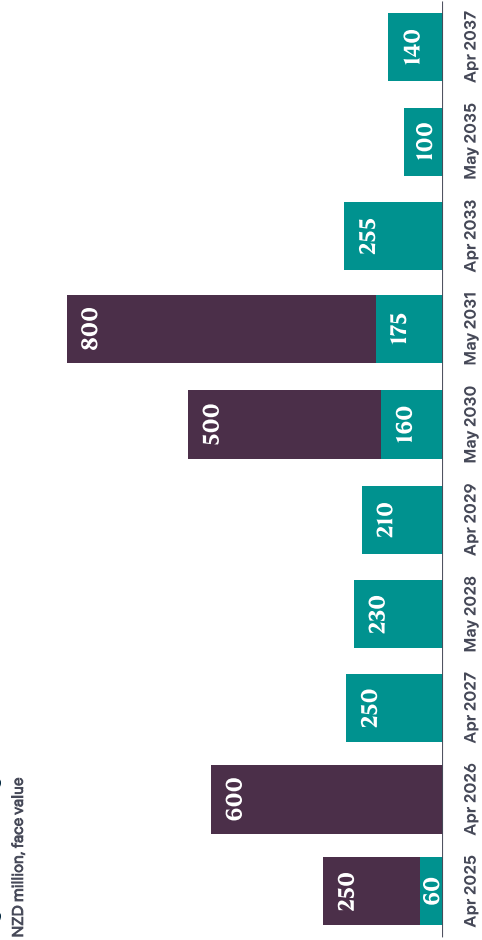
AUD million, face value



■ Vanilla bond ■ Sustainable financing bond

### 2023-24 NZD bond issuance by maturity

NZD million, face value



### 2023-24 AUD bond issuance by maturity

AUD million, face value



2023-24 issuance

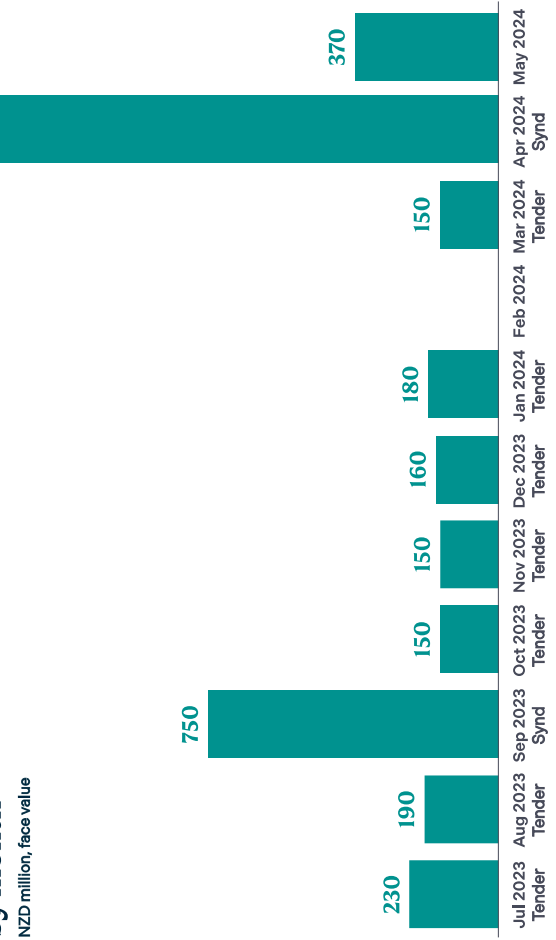
**NZD 3,730 million**  
**AUD 2,650 million**

### LGFA is New Zealand's:

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

### 2023-24 NZD bond issuance by month

NZD million, face value



### 2023-24 AUD bond issuance by month

AUD million, face value

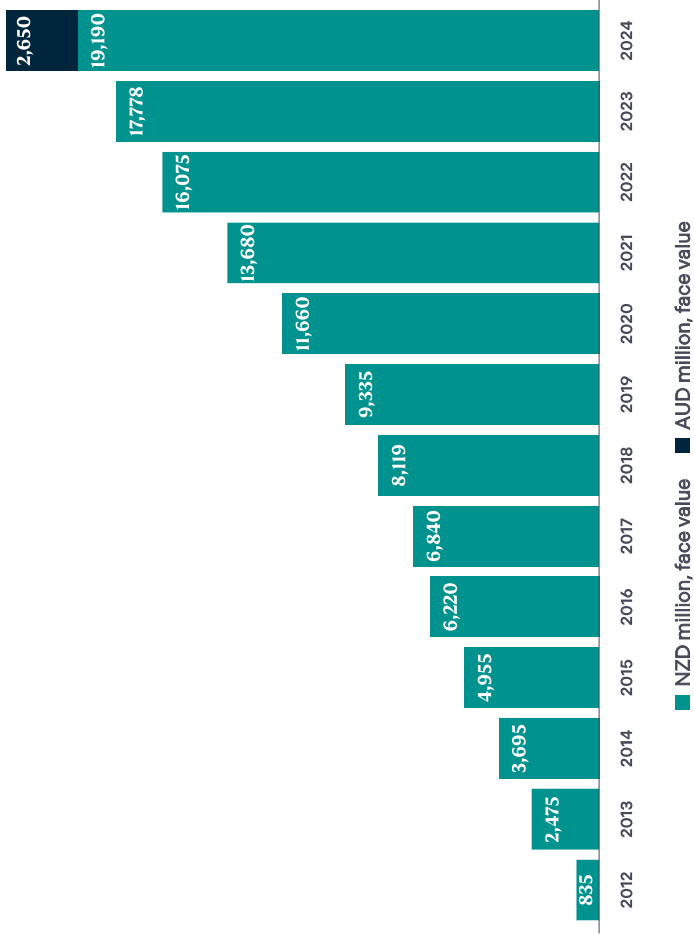


### New bond maturities issued in the year to June 2024 :

- AUD Sep 2027 4.40%
- AUD Aug 2028 4.70%
- AUD Nov 2030 5.10%
- AUD Mar 2034 5.00%

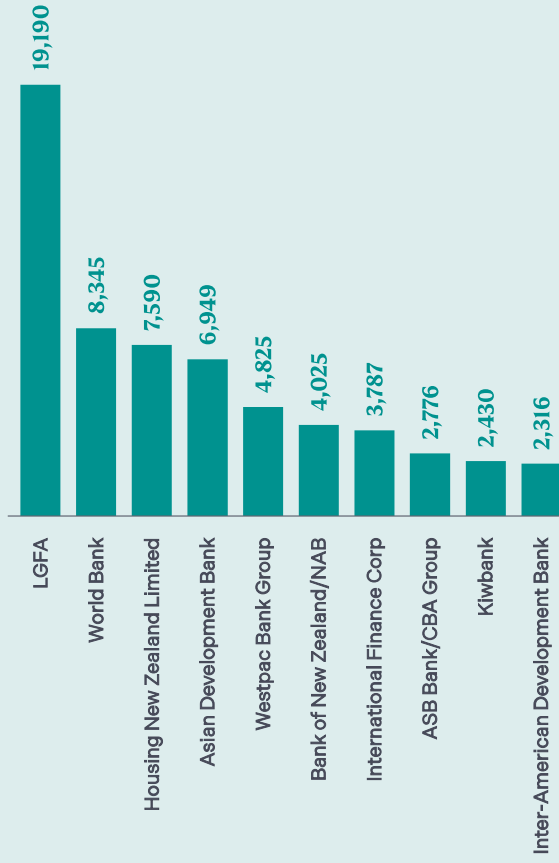


## LGFA bonds outstanding at 30 June by year



## Largest issuers of NZD bonds by outstandings

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



LGFA estimate, based on aggregation of Bloomberg sourced data.

## LGFA bond holders by investor group as at 30 June 2024



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



# LGFA members

## Ko ngā LGFA e noho mema ana

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

Among other things this includes:

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

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

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

**99%** of total loans are to guarantor councils

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

As at 30 June 2024

**77**

members were eligible to borrow from LGFA

**30**

member councils are shareholders

**72**

member councils were guarantors

**5**

member CCOs

17

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

Over the 12 months to 30 June 2024

**\$6,095**

million of long term loans

were issued to

**74**

members

across

**486**

individual term loans

with an average term of

**4.87**

years

At 30 June 2024

**\$597**

million of short term loans

were outstanding to

**36**

members

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

**90%**

LGFA's estimated market share of local government debt



## LGFA members by year of joining

### North Island councils

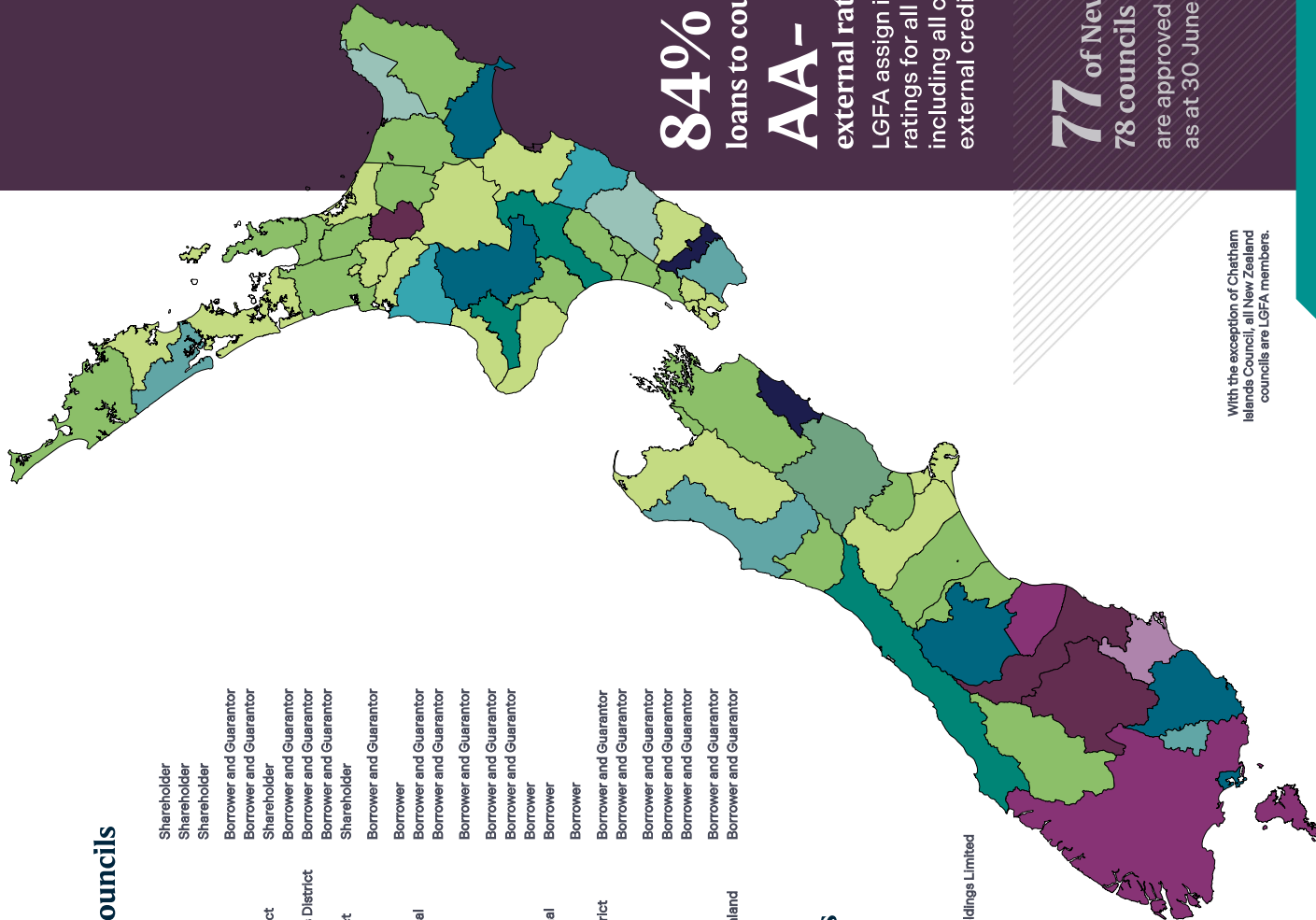
Auckland	Shareholder
Bay of Plenty Regional	Shareholder
Greater Wellington Regional	Shareholder
Hamilton City	Shareholder
Hastings District	Shareholder
Manawatu District	Shareholder
New Plymouth District	Shareholder
Orohanga District	Shareholder
South Taranaki District	Shareholder
Taupo District	Shareholder
Tauranga City	Shareholder
Waipa District	Shareholder
Wellington City	Shareholder
Western Bay of Plenty District	Shareholder
Whangarei District	Shareholder
Far North District	Borrower and Guarantor
Gisborne District	Shareholder
Hauraki District	Shareholder
Horowhenua District	Shareholder
Hutt City	Shareholder
Kapiti Coast District	Shareholder
Manawatu District	Shareholder
Manawatu-Plako District	Borrower and Guarantor
Palmarston North City	Shareholder
Rotorua District	Borrower and Guarantor
Thames-Coromandel District	Shareholder
Waikato District	Borrower and Guarantor
Whakatane District	Shareholder
Whanganui District	Shareholder
Horizons District	Borrower and Guarantor
Upper Hutt City	Borrower and Guarantor
Opotiki District	Borrower
Porirua City	Borrower and Guarantor
Taranaki District	Borrower and Guarantor
Kaipara District	Borrower and Guarantor
South Wairarapa District	Borrower and Guarantor
Central-Hawkes Bay District	Borrower and Guarantor
Northland Regional	Borrower and Guarantor
Waikato Regional	Borrower and Guarantor
Waikato District	Borrower
Rangitikei District	Borrower and Guarantor
Stratford District	Borrower and Guarantor
Hawkes Bay Regional	Borrower and Guarantor
Ruapehu District	Borrower and Guarantor
Waikato Regional	Borrower and Guarantor
Wairoa District	Borrower
Taranaki Regional	Borrower and Guarantor
Carterton District	Borrower
Kawereu District	Borrower
Napier City	Borrower and Guarantor
South Waikato District	Borrower and Guarantor

### South Island councils

Christchurch City	Shareholder
Selwyn District	Shareholder
Tasman District	Shareholder
Ashburton District	Borrower and Guarantor
Grey District	Borrower and Guarantor
Marlborough District	Shareholder
Nelson City	Borrower and Guarantor
Queenstown Lakes District	Borrower and Guarantor
Timaru District	Borrower and Guarantor
Waimakariri District	Shareholder
Hurunui District	Borrower and Guarantor
Buller District	Borrower
Canterbury Regional	Borrower and Guarantor
Gore District	Borrower and Guarantor
Westland District	Borrower and Guarantor
Clutha District	Borrower and Guarantor
Invercargill City	Borrower and Guarantor
Mackenzie District	Borrower
West Coast Regional	Borrower
Kaikoura District	Borrower
Central Otago District	Borrower and Guarantor
Wairarapa District	Borrower and Guarantor
Otago Regional	Borrower and Guarantor
Southland District	Borrower and Guarantor
Waimate District	Borrower and Guarantor
Dunedin City	Borrower and Guarantor
Environment Southland Regional	Borrower and Guarantor

### CCO members

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



84%

loans to councils with

AA-

external rating or better

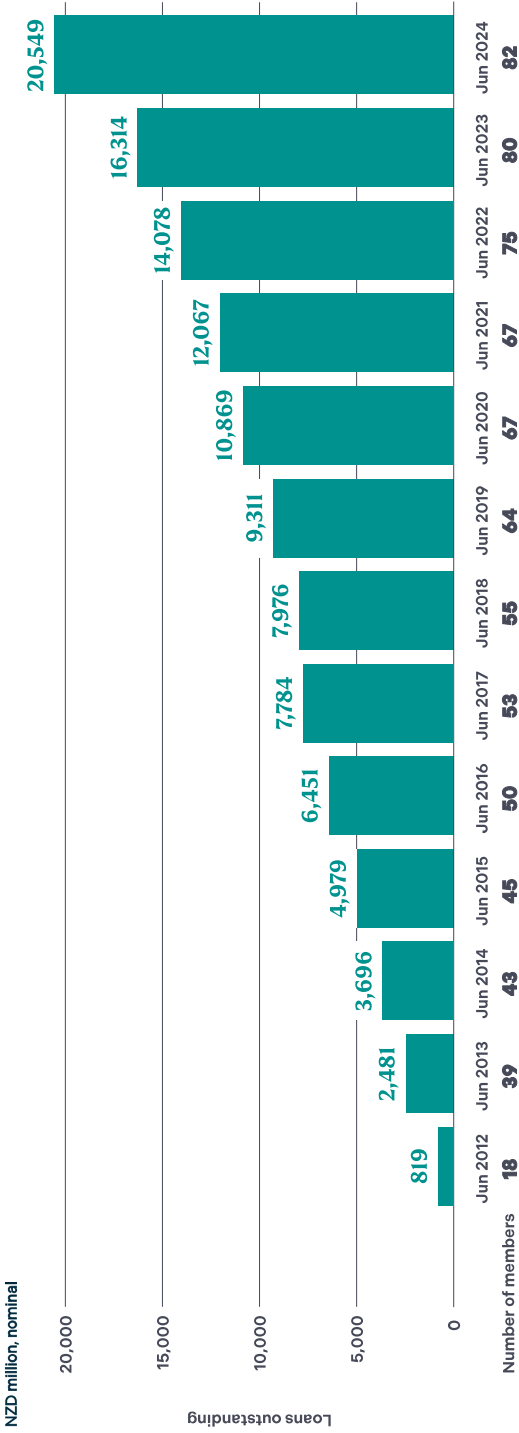
LGFA assign internal credit ratings for all councils, including all councils without external credit ratings.

77 of New Zealand's 78 councils

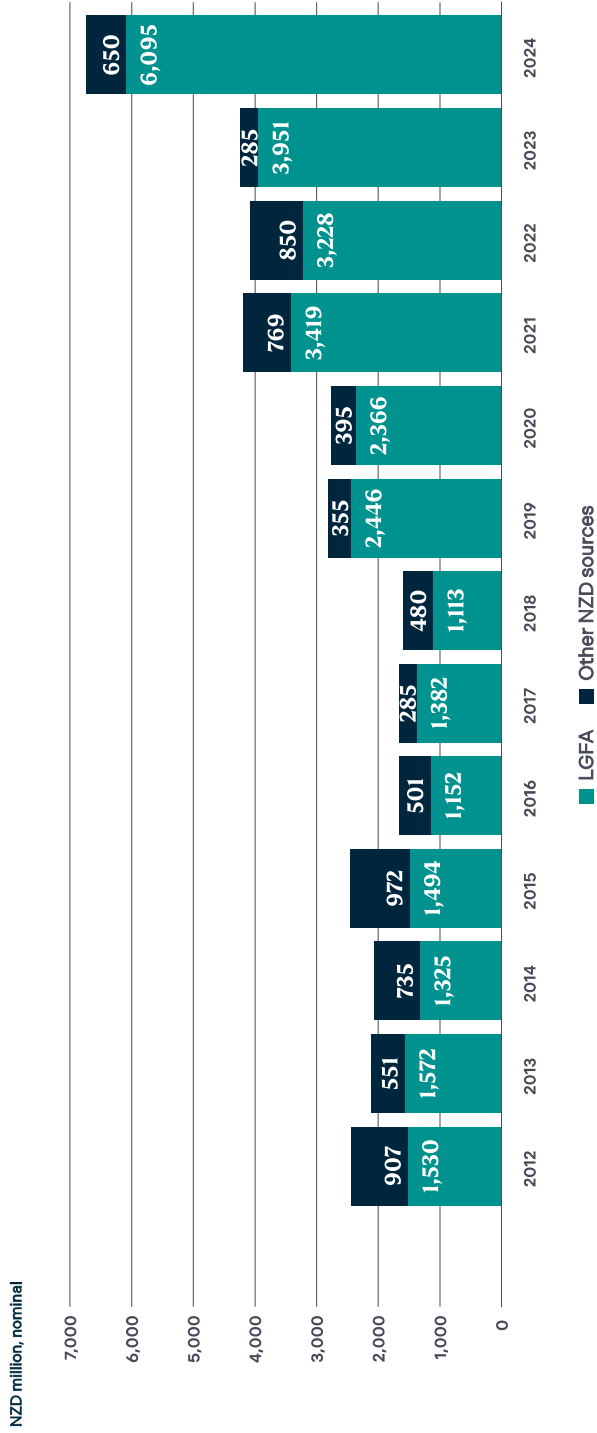
are approved borrowers as at 30 June 2024

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

## LGFA members and nominal loans outstanding



## Members' annual borrowing



# Sustainability at LGFA

## Te toitūtanga kei te LGFA

As at June 2024

Sustainable  
Financing Bond

**\$1.76**  
billion

Green, social &  
sustainable loans

**\$377**  
million

Climate action  
loans

**\$2.77**  
billion

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

### Promoting environmental and social stewardship

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

### Climate-related disclosure framework

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

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

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

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

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

### Sustainability Committee

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

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

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

### Independent members of the LGFA Sustainability Committee

As at 30 June 2024

Allison Howard

Erica Miles

Chris Thurston

David Woods







## Global recognition of LGFA sustainable financing bond framework and issuance

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

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

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

One Sustainable Debt Awards judge described the structure as having “a significant positive impact for the underlying assets” and called it a “significant development for the APAC region”. Another praised “the combination of ambitious targets, alignment with the Green Bond Principles, the Social Bond Principles, and the Sustainability Bond Guidelines, high performance in terms of market turnover, and innovative setup.”

## LGFA Sustainable financing bond framework

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

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

Launching the Framework enables LGFA to:

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

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

Sustainable loans are made by LGFA to member councils and CCOs under the Green, Social and Sustainability (GSS) Lending Programme and the Climate Action Loans (CALL) Programme. The Framework is supported by a Second Party Opinion (SPO) provided by Sustainalytics.

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

KANGANEWS AWARDS 2023  
NEW ZEALAND SUSTAINABILITY DEAL OF THE YEAR  
**New Zealand Local Government Funding Agency**  
NZ\$1.1 BILLION 4.50% MAY 2030 SUSTAINABLE FINANCING BOND  
ARRANGER: Westpac Banking Corporation New Zealand Branch  
LEAD MANAGERS: ANZ, BNZ, Commonwealth Bank of Australia, Westpac Banking Corporation New Zealand Branch

KANGANEWS AWARDS 2023  
NEW ZEALAND DOLLAR RATES BOND DEAL OF THE YEAR  
**New Zealand Local Government Funding Agency**  
NZ\$1.1 BILLION 4.50% MAY 2030 SUSTAINABLE FINANCING BOND  
ARRANGER: Westpac Banking Corporation New Zealand Branch  
LEAD MANAGERS: ANZ, BNZ, Commonwealth Bank of Australia, Westpac Banking Corporation New Zealand Branch

KANGANEWS AWARDS 2023  
NEW ZEALAND INNOVATIVE DEBT DEAL OF THE YEAR  
**New Zealand Local Government Funding Agency**  
NZ\$1.1 BILLION 4.50% MAY 2030 SUSTAINABLE FINANCING BOND  
ARRANGER: Westpac Banking Corporation New Zealand Branch  
LEAD MANAGERS: ANZ, BNZ, Commonwealth Bank of Australia, Westpac Banking Corporation New Zealand Branch

**Environmental Finance Sustainable Debt Awards 2024 Winner**  
Sustainability bond of the year – supranational

## Sustainable lending products

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

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

## Green, social and sustainability lending

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

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

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

### Green Project Categories

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

### Social Project Categories

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

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

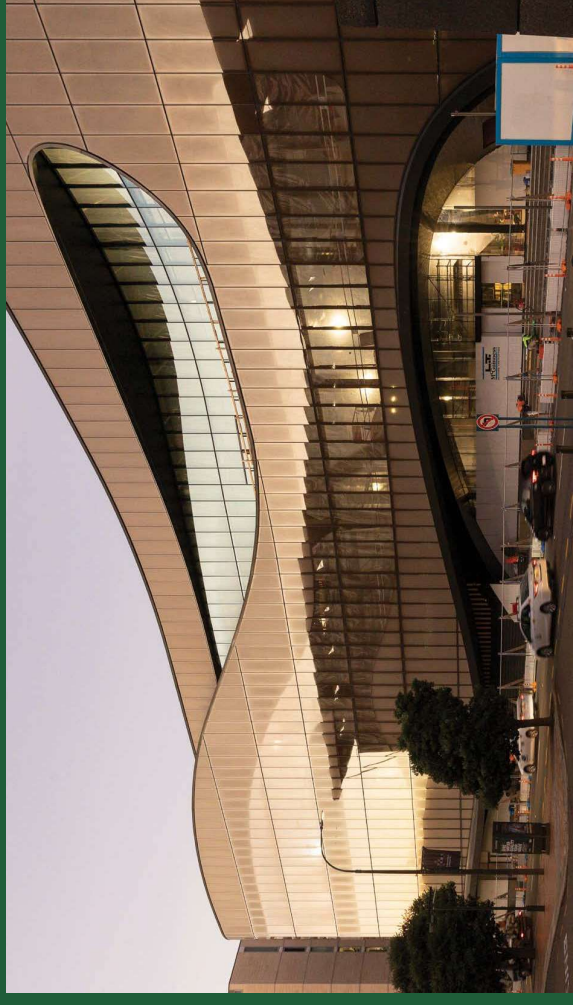
As at 30 June 2024, LGFA had approved six GSS loans, across three different green project categories and one social project category, totalling NZ\$572.3 million approved of which NZ\$377.2 million had been advanced.

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

## Tākina Wellington Convention and Exhibition Centre Wellington City Council

Under Green Project Category: Green Buildings, Wellington City Council borrowed \$180 million for the construction of Tākina, the Wellington Convention and Exhibition Centre, the Capital's largest infrastructure investment since the Wellington Regional Stadium two decades ago. Tākina offers a powerful combination of facilities across three floors and 18,000 m<sup>2</sup> that is drawing visitors to Wellington to learn, meet and be inspired.

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

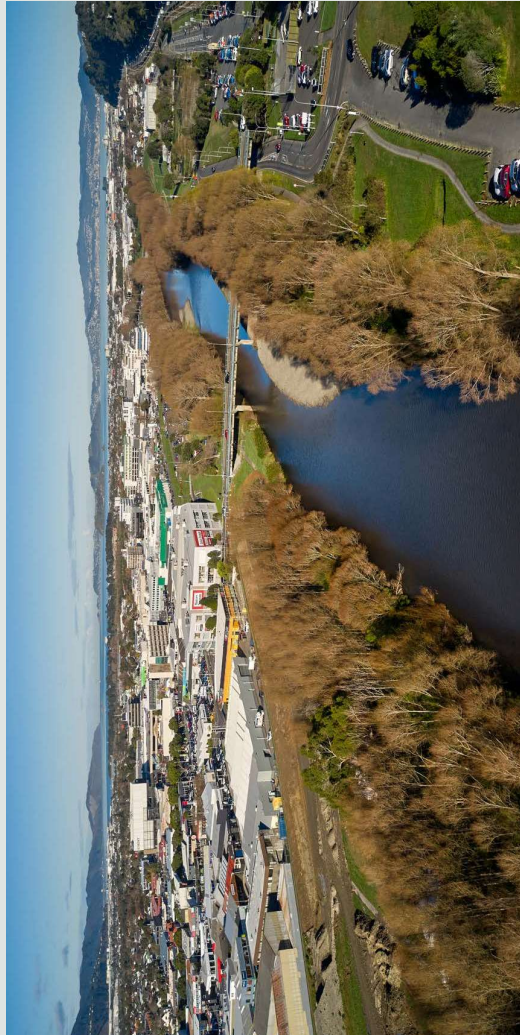
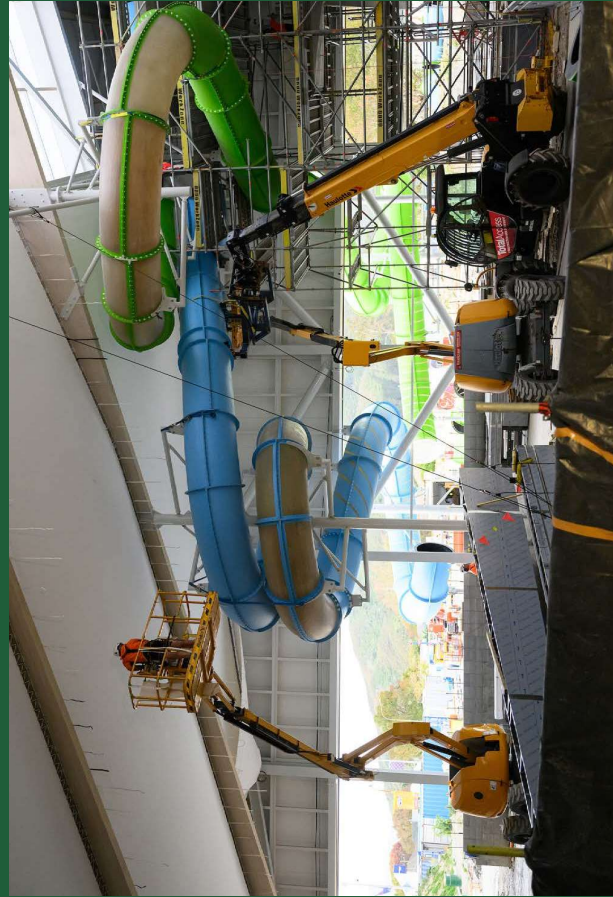




## Naena Pool and Fitness Centre Hutt City Council

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

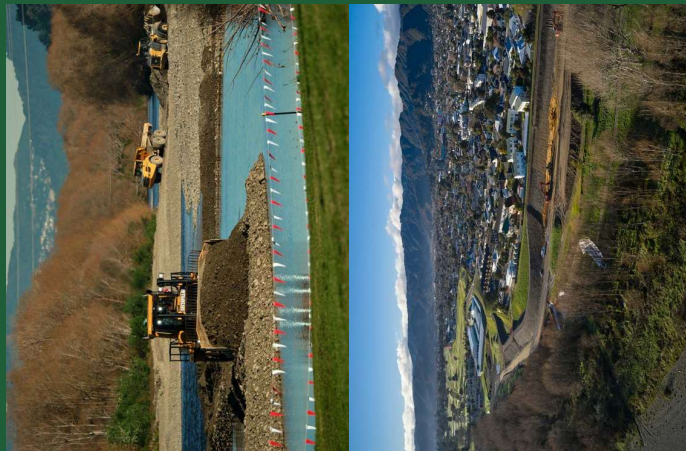
Due to open in July 2024, the Naena Pool and Fitness Centre will have a 50m Olympic pool with 10 lanes and two moveable bulkheads so it can be used for different activities at the same time. A second leisure pool will have a shallow section for family fun, and a deep section with ramp access, seating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



## Te Wai Takamori o Te Awa Kairangi Greater Wellington Regional Council

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

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





## Te Iwitahi – Whangarei Civic Centre Whangarei District Council

Under Green Project Category: Green Buildings, Whangarei District Council (WDC) borrowed \$59 million for Whangarei District's new civic building which has been designed to provide a welcoming, inclusive and easily accessible customer experience. The 8,000m<sup>2</sup> building opened in June 2023 and has been designed to be sustainable and to strongly reflect Whangarei's cultural identity and heritage.

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



## Ōtautahi Community Housing Trust Christchurch City Council

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

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

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

## Kopurererua Valley Stream Realignment Tauranga City Council

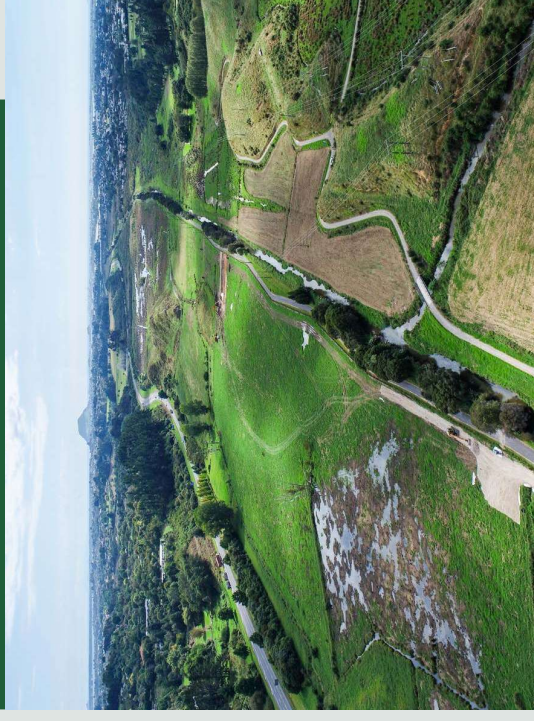
Under the Green Project Category: Terrestrial and Aquatic Biodiversity Conservation, Tauranga City Council (TCC) will borrow up to \$10.3 million to provide finance for the work to realign and restore the Kopurererua River, along with the creation of a new cycle path and a new wetland at the Kopurererua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

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

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

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

Community access and connection to the reserve will significantly increase.





## Climate Action Loans

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

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

A CAL rewards a borrower through a lending margin discount if they have adopted an Emissions Reduction Plan setting out specific Emissions Reduction Targets for their operational greenhouse gas emissions at member council or CCO level. CALs are available for all members, including those who may not have eligible projects to access GSS loans. As at 30th June 2024, LGFA had advanced CAL loans totalling \$2,746.7 million across seven member councils.

## Auckland Council. Approved for CALs in March 2023

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

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



## Hutt City Council. Approved for CALs in March 2023

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

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

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

## Dunedin City Treasury Limited. Approved for CALs in April 2023

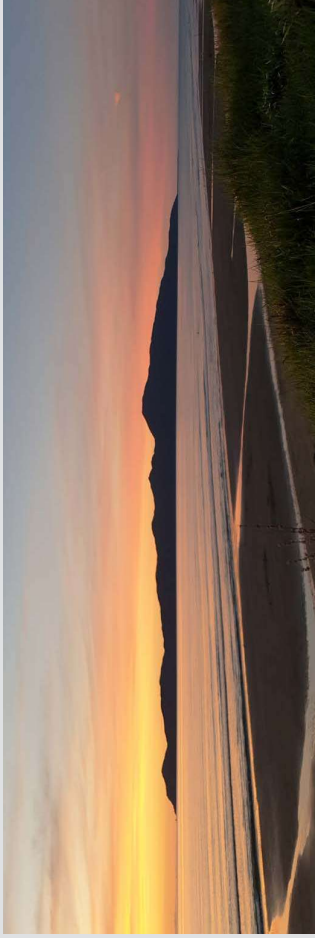
In June 2019, Dunedin City Council (DCC) declared a climate and ecological emergency and set the ambitious goal for Dunedin city to be net carbon neutral by 2030, adopting a two-part 'Zero Carbon 2030' target, as follows:

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

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







## Kapiti Coast District Council. Approved for CALs in August 2023

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

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

## Wellington City Council. Approved for CALs in February 2024

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

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

## Tauranga City Council. Approved for CALs in March 2024

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

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

## Greater Wellington Regional Council. Approved for CALs in June 2024

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

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



## Our Sustainability timeline



### Toitū net carbonzero certification

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

### Kauri 2000

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



# Governance and culture

## Te whakaruruhau me te ahurea

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

### Our purpose

Benefiting local communities through delivering efficient financing for local government.



**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.

28



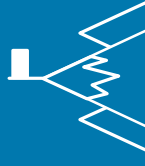
**We strive for excellence**  
E whakapau kaha mātau  
kia hiranga te mahi

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



**We are innovative**  
He auaha mātau

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



**We provide leadership**  
He kaiārahi mātau

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

### LGFA governance policies and documents

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

### NZX Corporate Governance Code

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

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

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



## Culture, ethics and governance

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

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

### Code of Ethics

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

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

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

### Protected Disclosures and Whistle Blowing

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

### Financial Products Trading Policy

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

## Transparency and disclosure

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

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

LGFA is committed to ensuring the highest standards are maintained in financial reporting and disclosure of all relevant information.

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

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

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

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

## Audit and Risk Committee

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

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

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

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

## Internal audit

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

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

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

## External audit

The external audit of LGFA is conducted in accordance with Section 14 of the Public Audit Act 2007, including the appointment of the external auditors of LGFA by the Auditor-General.

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

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



## Our team

### Health, safety and wellbeing

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

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

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

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

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

### Capability and development

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

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

## Diversity and inclusion

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

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

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

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

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

	2024		2023	
	Female	Male	Female	Male
<b>Board</b>	2	4	2	4
<b>Staff</b>	3	7	3	6
	2024		2023	
<b>Board</b>	Under 30 years	Over 50 years	Under 30 years	Over 50 years
	-	100%	-	100%
<b>Staff</b>	30%	70%	12%	60%
			22%	60%



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

## Our Board

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

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

### Board composition

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



**Craig Stobo**  
Independent Chair

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

Associate Member CFA Society New Zealand

Craig has worked as a diplomat, economist, investment banker, Chief Investment Officer, and CEO. He has authored reports to the New Zealand Government on the Taxation of Investment Income (which led to the PIE regime), and the creation of New Zealand as a funds domicile. Craig is a Taumata of the University of Otago Business School.

#### Chair

Financial Markets Authority  
NZ Windfarms Ltd

Saturn Portfolio Management Ltd Investment Committee (Shareholder)

Desert Holdings Ltd  
Sahara Ltd

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

**Managing Director and shareholder**  
Stobo Group

**Director and shareholder**  
Blomarine Group Ltd  
Legend Terrace Ltd

**Director**  
Appello Services Ltd

#### Advisor

AMP Financial Services Investment Committee



**Alan Adcock**  
Non-independent Director  
Member Audit and Risk Committee

B.Com, MBA (with Distinction)

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

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

#### Chief Financial Officer

Whangarei District Council

#### Director

Whangarei Waste Ltd



**Philip Cory-Wright**  
Independent Director  
Member Audit and Risk Committee

LLB (Hons), BCA Business Management  
INFNZ (Cert), C.F.Inst.D

Phillip is a solicitor of the High Court of New Zealand and Victoria. He has worked as a corporate finance adviser in New Zealand to the corporate sector on debt and equity matters for more than 30 years. Phillip is also a strategic adviser to clients in the energy and infrastructure sectors. He was a member of the Local Government Infrastructure Expert Advisory Group tasked with advising the Minister of Local Government on improvements in local government infrastructure efficiency.

#### Chair

Papa Rerangi | Puketapu (New Plymouth Airport)

South Port New Zealand Ltd

#### Director

Matariki Forest Group  
NZ Windfarms Ltd

Powerco Ltd

Te Rere Hau Holdings Ltd  
Te Rere Hau Ltd





**David Rae**  
Independent Director  
Member Audit and Risk Committee

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

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

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

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

**Chair**  
New Zealand International Commercial Pilot Academy

**Director and shareholder**  
MyFiduciary Ltd

**Director**  
Galileo Green Energy GmbH  
New Zealand Refining Nominees Ltd



**Linda Robertson**  
Independent Director  
Chair Audit and Risk Committee

B.Com; Dip.Bank; C.F.Inst.D; CFP; D.F.INFINZ; GCB.D; GAICD  
Linda is a professional company director with over 25 years governance experience, combined with 30 years senior financial management experience having worked in both the banking and energy sectors in New Zealand.

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

**Chair**  
Central Lakes Trust and associated subsidiary  
Crown Irrigation Investments Ltd

**Director**  
Kordia Group Ltd  
Invercargill City Holdings Ltd and associated subsidiary

Horizon Energy Distribution Ltd and associated subsidiaries  
Southland Building Society (SBS Bank) and associated subsidiary

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



**Helen Robinson ONZM**  
Independent Director  
Member Audit and Risk Committee

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

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

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

**Chair**  
Kara Technologies Ltd  
Astrix Astronautics Ltd  
NZTE NZ Beachhead Advisors

**Director and Shareholder**  
Organic Initiative Ltd  
Penguin Consulting Ltd

**Director**  
NZTech  
Generate Kiwisaver

**Staff**

**Mark Butcher**

**Chair**

Waikato-Tainui Group Investment Committee

**Member**

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

## Director tenure and meetings of the Board

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

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

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

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

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

## Board performance review

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

## Nomination of Directors

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

## Retirement and re-election of Directors

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

## Remuneration

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

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

## Director annual fee breakdown

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

## Director

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

## Chief Executive remuneration

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

independent adviser is used periodically to ensure the remuneration is appropriate. The CEO remuneration package comprises a fixed cash component of \$804,518 per annum as at 30 June 2024 (\$754,000, 2023) and an at-risk short-term incentive of the fixed cash component. The short-term incentive payment is made annually at the Board's discretion subject to the CEO and LGFA meeting a range of specific performance objectives for the financial year.

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

## Staff remuneration

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

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





Sir Howard Morrison Centre, Rotorua District Council

## Shareholders

### Foundation documents

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

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

### Members of the Shareholders Council as at 30 June 2024

**Kathryn Sharpin (Chair)**  
Tauranga City Council

**Sarah Houston-Eastergaard (Deputy Chair)**  
Wellington City Council

**Kumaren Perumal**  
Bay of Plenty Regional Council

**Mike Drummond**  
Tasman District Council

**Andrew John**  
Auckland Council

**David Bryant**  
Hamilton City Council

**Steve Ballard**  
Christchurch City Council

**Adele Henderson**  
Western Bay of Plenty District Council

**James Stratford**  
New Zealand Government – DIA

**Nyika Gwanoya/Phoebe Slee**  
New Zealand Government – The Treasury



# Managing risk

## Ko te whakahaere tūraru

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

### LGFA risk register

The LGFA risk register is a key component of the company's risk management framework.

The key objective of the LGFA risk register is to ensure that the company assesses the risks faced by the business on an ongoing basis.

The risk register:

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

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

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

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

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

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

- The Internal Audit (IA) and Risk and Compliance functions provide assurance to both the Board and the Audit and Risk Committee on the performance of internal controls and risk management systems. LGFA adopts the three lines of defence model to ensure that essential risk management functions adopt a systematic approach that reflects industry best practice:

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

### Treasury risk management

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

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

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

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

## Liquidity risk

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

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

## Interest rate risk

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

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

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

VaR is measured over a daily time horizon with a 95% confidence interval. A daily 95% VaR exposure of \$1

million means that there is a 5% chance that the portfolio could potentially lose more than \$1 million over the next business day.

- Partial Differential Hedge measures the sensitivity of a portfolio to a one basis point change in underlying interest rates. For example, a PDH of NZD\$100,000 means that the portfolio value will increase by NZD\$100,000 for a one basis point fall in interest rates. In addition, LGFA also undertakes scenario analysis to model the potential effect of changing market environments on the balance sheet.

## Counterparty credit risk

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

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

All derivative contracts are subject to formal collateral arrangements to mitigate counterparty risk. Investment is restricted to approved financial instruments listed in the Treasury Policy.

## Foreign currency risk

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

Exposure to **foreign currency risk** arises when LGFA accesses foreign capital markets for funding purposes. Foreign exchange risk is managed by fully hedging back to floating rate New Zealand dollar and term of all foreign

currency funding and cash flows. Any residual foreign currency risk arising from a timing mismatch of foreign currency cash flows is not material and is managed within a Board approved risk limit.

## Operational risk

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

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

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



## Lending risk

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

The LGFA Board has ultimate discretion on approving members.

All member organisations that borrow from LGFA:

- Provide debenture security in relation to their borrowing from LGFA and related obligations, and (if relevant), equity commitment liabilities to LGFA and (if relevant) guarantee liabilities to a security trustee approved for LGFAs creditors.

Where LGFA is the only lender to a council controlled organisation, a general security arrangement (GSA) might be used in place of a debenture security.

- Are required to become a party to a deed of guarantee and an equity commitment deed if the principal amount of their borrowings is at any time equal to, or greater than, NZD 20 million.
- Issue securities (bonds/floating rate notes/commercial paper) to LGFA (ie. not enter into facility arrangements).
- Comply with their own internal borrowing policies.
- Comply with the financial covenants outlined in the table below, provided that:
  - Unrated borrowers or borrowers with a long-term credit rating lower than 'A' equivalent can have bespoke financial covenants that exceed the:
    - Lending policy covenants outlined in the following table only with the approval of the Board;
    - Foundation policy covenants outlined in the following table only with the approval of an Ordinary Resolution of shareholders.

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

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

## FINANCIAL COVENANT

Net debt / total revenue

<175%

<285%

Net interest / total revenue

<20%

<20%

Net interest / annual rates income

<25%

<30%

Liquidity

>110%

>110%

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

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

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

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



# Performance against objectives Ko ngā whakatutukinga ki ngā whāinga

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

## 2023-24 Objectives and performance targets

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

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

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

## Governance, capability and business practice

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

OBJECTIVES	OUR PERFORMANCE TO 30 JUNE 2024
Demonstrate best practice corporate governance.	LGFA is committed to demonstrating best practice corporate governance and we report annually on our compliance with the eight core principles underpinning the NZX Corporate Governance Code. This 2024 Annual Report is the most recent report with commentary on our compliance with the NZX Code.
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.
Achieve the shareholder-agreed objectives and performance targets specified in the Statement of Intent.	Our performance against shareholder-agreed objectives and performance targets, as specified in the Statement of Intent, is reported quarterly to shareholders and annually in this section of our Annual Report.
Ensure products and services offered to participating borrowers are delivered in a cost-effective manner.	LGFA prepares annual operating budgets and monitors progress against these monthly. Our performance against our financial performance targets for the year-ended 30 June 2024 is summarised in this section against our performance targets.
Be a good employer by providing safe working conditions, training and development and equal opportunities for staff.	We report on our employment practices in the Governance and Culture section of this Annual Report, including compliance with the Health and Safety Act, diversity and inclusion, and capability and development.

PERFORMANCE TARGETS	2023-2024 TARGET	OUR PERFORMANCE TO 30 JUNE 2024
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 long-term domestic and foreign currency credit rating as AA+ in October 2023. S&P Global Ratings (S&P) affirmed our domestic currency credit rating at AAA and foreign currency rating at AA+ in February 2024.
LGFA's total operating income for the period to 30 June 2024.	>\$20.6 million.	✓ \$20.9 million at June 2024, excluding unrealised gains/losses on hedged foreign currency issuance.
LGFA's total operating expenses for the period to 30 June 2024.	<\$10.0 million.	✗ Operating expenses \$11.8 million at June 2024. The significant contributor was Approved Issuer Levy (AIL) payments totalling \$1.98 million (2023: \$0.56 million). The significant increase in AIL is due to our issuance of AUD bonds and USD Euro Commercial Paper (ECP).



## Optimising financing services for local government

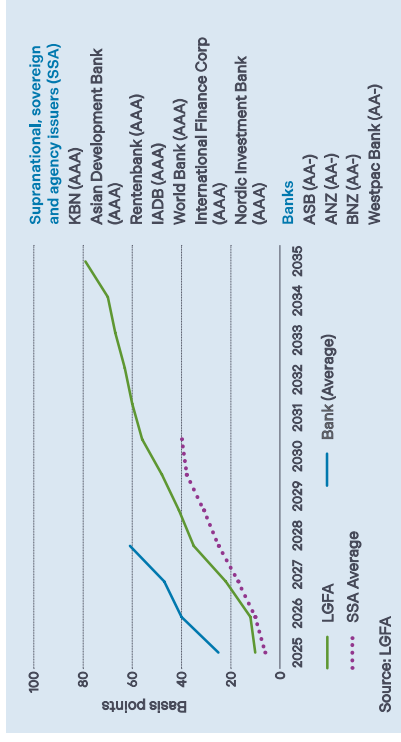
LGFA's primary objective is to optimise the terms and conditions of the debt funding it provides to participating borrowers. Amongst other things, LGFA will achieve this by delivering operational best practice and efficiency across our lending products and services.

### OBJECTIVES

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.



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 Sustainability Loans, Climate Access Loans and standby facilities.

- Over the year-ended June 2024, our members borrowed \$6.095 billion in 486 long term loans with an average term of 4.9 years.
- As at June 2024 there was \$597 million short-term loans outstanding to 36 members.
- As at June 2024, standby facilities totalled \$747 million across 15 members.

Deliver operational best practice and efficiency for lending services.

Over the year-ended 30 June 2024, LGFA operations staff successfully:

- settled 2,388 new trades with a gross value of \$32 billion,
- processed 16,040 cash flows with a gross value of \$83 billion, and
- rate set 11,783 existing trades.

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

There was strong activity in LGFA bonds in both the primary market (tender or syndicated issuance) and secondary market (between banks and investors). Over the year-ended 30 June 2024, we issued NZD 3.630 billion of NZD retail bonds and AUD 2.650 billion of Medium-Term Notes and secondary market turnover in our NZD retail bonds totalled \$12.4 billion.

### HOW WE MEASURE OUR PERFORMANCE

### PERFORMANCE TARGETS 2023-2024 TARGET OUR PERFORMANCE TO JUNE 2024

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

Waimea Dam, Tasman District Council



## Environmental and social responsibility

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

### OBJECTIVES OUR PERFORMANCE TO JUNE 2024

Assist the local government sector in achieving their sustainability and climate change objectives.

Over the year to June 2024, we approved one new GSS loan to Tauranga City Council for the Kopurerua Valley Stream project. As at June 2024, we have approved six Green, Social and Sustainability Loans (GSS) with a combined approved value of \$572.3 million of which \$377.2 million has been advanced.

Over the year to June 2024, we approved Climate Action Loans (CAL) status to the following four councils: Kapiti Coast District Council, Wellington City Council, Tauranga City Council, and Greater Wellington Regional Council.

At June 2024, we have approved CAL loans to seven councils, with combined CAL-qualifying loans totalling \$2.747 billion.

On 30 September 2023, LGFA published our first 'Annual Impact Report - Green, Social and Sustainability Loans and Climate Action Loans financed with Sustainable Financing Bonds'. This report provides information about the allocation of proceeds from LGFAs Sustainable Financing Bond issuance as at June 2023. The second Annual Impact Report will be published on 30 September 2024, covering the allocation of proceeds as at June 2024.

Improve sustainability outcomes within LGFA.

In 2021, LGFA directors committed to reducing our carbon emissions over time, with our target of cutting per employee emissions by 30% by 2030, compared with a 2018/19 base year. We continue to monitor our organisational emissions and remain within target, as well as developing processes to comply with the XRB Climate-reporting disclosures, including a methodology for calculating and reporting our financed emissions.

### PERFORMANCE TARGETS 2023-2024 TARGET OUR PERFORMANCE TO JUNE 2024

Comply with the Health and Safety at Work Act 2015.	No breaches.	✓	No breaches.
Maintain Toitū Carbon Zero certification.	Carbon-zero certification maintained.	✓	Toitū Net Carbon-zero recertification approved in August 2024.
Meet reduction targets outlined in our carbon reduction management plan.	Reduction targets met.	✓	GHG quantification is subject to inherent uncertainty because of incomplete scientific knowledge used to determine emission factors and the values needed to combine emissions from different gases. GHG emissions against targets are reported in the 2024 LGFA Climate-Related Disclosures, which are available on the LGFA website.
Increase our GSS lending book and Climate Action Loans.	Two new GSS loans undertaken.	✗	One new GSS loan undertaken.
	Three new borrowers approved for CAL.	✓	Four new borrowers approved for CAL.
Ensure Annual Report is prepared in compliance with applicable GRI Standards.	100%	—	Target superseded. Commencing with the 2024 Annual Report, LGFA is required to meet the requirements of the XRB Climate-Related Disclosure (CRD) standards. Given the significance of the CRD standards, we have replaced reporting under the GRI standards with compliance with the CRD standards.
Meet all mandatory climate reporting standards.	100%	✓	



## Effective management of loans

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

### OBJECTIVES

#### OUR PERFORMANCE TO JUNE 2024

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

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

Over the 12 months, we reviewed council annual plans, agendas and management reports on an ongoing basis for all members on the LGFA borrower watch-list.

We received compliance certificates in respect of the LGFA financial covenants from all of our members with debt outstanding at June 2023. No council has requested that they be measured on a group basis. A small number of certificates were provided based upon unaudited financial statements given a delay in providing final audit signoff. These have subsequently been verified following the eventual publication of the council's annual report.

Endeavour to meet each participating borrower annually, including meeting with elected officials as required, or if requested

Met. LGFA held meetings with 83 council and CCO members in the 12 months ended June 2024.

Ensure a smooth transition of water-related loans if the Affordable Water Reforms progresses over forecast period.

The transition of water loans to new water entities has not occurred following the change in government and the repeal of the previous legislation relating to Affordable Water Reforms.

### PERFORMANCE TARGETS

#### 2023-2024 TARGET

Review each Participating Borrower's financial position.

100%



Arrange to meet each Participating Borrower over a 15-month period, including meeting with elected officials as required, or if requested.

100%



## Industry leadership and engagement

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

### OBJECTIVES

#### OUR PERFORMANCE TO JUNE 2024

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

Over the year, LGFA held quarterly update webinars, as well as hosting Economic and Financial Market Updates webinars by BNZ, both of which were well attended by members.

LGFA has provided input into the Ratepayer Assistance Scheme (RAS) project managed by a group of councils with advice from Cameron Partners. If successful, the RAS could offer temporary financial relief to ratepayers via rates postponement. LGFA is not contributing financially to this project but providing intellectual capital and assistance.

We are continuing work on initiatives to reduce compliance and documentation requirements for members when they borrow. These initiatives relate to a universal stock security certificate to cover borrowings and delegation of a CEO certificate for borrowing.

Maintain productive relationships with central government representatives and assist the local government sector with significant matters such as the Local Water Done Well Water Reforms.

Over the 12 months we met with the Minister of Local Government, Treasury, and the Department of Internal Affairs (and their advisers) regarding Water Reforms, working actively on issues relating how water debt can be most effectively financed. In February 2024, the Government introduced and passed legislation to repeal all legislation relating to water services entities. This restored continued council ownership and control of water services. In May 2024 the Government introduced the first part of the legislation for the Local Water Done Well framework.

Support councils and CCOs in the development of reporting disclosures of the impacts of sector activity on climate change.

At present, there are no disclosure requirements on the local government sector for reporting impacts of sector activity on climate change. Climate Action Loans (CAL) provide opportunity for LGFA to work with members on developing appropriate Emission Reduction Plans which set out specific emissions reduction targets for operational greenhouse gas emissions, including regular reporting on progress against targets.

# Financial statements

## Nga taukī pūtea

Income statement	36
Statement of comprehensive income	36
Statement of changes in equity	37
Statement of financial position	37
Statement of cash flows	38
Notes to the financial statements	38
Revenue and expenditure	40
Financial instruments	41
Risk management	48
Capital and dividends	52
Other Notes	53
Independent auditors report	54

### Income statement

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

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

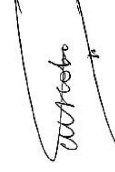
### Statement of comprehensive income

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

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

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

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



**Craig Stobo, Director**  
Board Chair



**Linda Robertson, Director**  
Chair, Audit and Risk Committee

## Statement of changes in equity

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

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

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

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

## Statement of financial position

As at 30 June 2024 in \$'000s

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

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



## Statement of cash flows

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

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

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

## Notes to the financial statements

### 1. Reporting entity

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

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

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

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

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

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

### 2. Statement of compliance

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

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

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

### 3. Basis of preparation

#### MEASUREMENT BASE

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

The financial statements are prepared on an accrual basis.

#### FUNCTIONAL AND PRESENTATION CURRENCY

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

#### FOREIGN CURRENCY CONVERSIONS

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

#### CHANGES IN ACCOUNTING POLICIES

There have no changes to accounting policies.

#### EARLY ADOPTION STANDARDS AND INTERPRETATIONS

LGFA has not early adopted any standards.

## STANDARDS NOT YET ADOPTED

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

## FINANCIAL INSTRUMENTS

### Financial assets

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

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

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

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

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

- Credit losses that may arise from default events that are possible within the next 12 months, where no significant increase in credit risk has arisen since acquisition of the asset; or
  - Credit losses that may arise from default events that are possible over the expected life of the financial asset, where a significant increase in credit risk has arisen since acquisition of the asset.
- Impairment losses on financial assets will ordinarily be recognised on initial recognition as a 12-month expected loss allowance and move to a lifetime expected loss allowance if there is a significant deterioration in credit risk since acquisition.

### Financial liabilities

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

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

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

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

## OTHER ASSETS

### Property, plant and equipment

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

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

### Intangible assets

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

## OTHER LIABILITIES

### Employee entitlements

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

### Approved issuer levy

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

## REVENUE

### Interest income

Interest income is accrued using the effective interest rate method.

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

## EXPENSES

Expenses are recognised in the period to which they relate.

### Interest expense

Interest expense is accrued using the effective interest rate method.

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

### Income tax

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

### Goods and services tax

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

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

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

Commitments and contingencies are disclosed exclusive of GST.

## SEGMENT REPORTING

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

## JUDGEMENTS AND ESTIMATIONS

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

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



## Revenue and expenditure

### 4. Net interest income

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

### 5. Other operating income

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

	2024	2023
Standby facilities fee income	1,494	1,349
<b>Total other operating income</b>	<b>1,494</b>	<b>1,349</b>

### 6. Operating expenses

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

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

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

## Financial instruments

### 7. Financial instruments accounting policy

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

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

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

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

#### **CASH PLEDGED AS COLLATERAL**

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

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

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

#### **MARKETABLE SECURITIES AND BONDS**

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

#### **DEPOSITS**

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

#### **LOANS**

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

#### **LEASES**

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

#### **BORROWER NOTES**

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

#### **FAIR VALUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES**

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

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



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

## 8. Derivative financial instruments

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

Derivatives are categorised as following:

- Derivatives designated into hedge accounting relationships to minimise profit or loss volatility by matching movements in underlying positions relating to hedges of the LGFA's exposures to interest rate risk and currency risk.
  - Derivatives designated to manage risks that are not in a designated hedge accounting relationship. LGFA use three different types of derivatives financial instruments: interest rate swaps, cross currency interest rate swaps and foreign exchange transactions (spot and forward).
- Derivative financial instruments are valued under level 2 of the following hierarchy.

- Level 1 Quoted market prices: Fair value based on quoted prices in active markets for identical assets or liabilities.
- Level 2 Valuation techniques using observable market inputs: Fair value based on a valuation technique using other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).
- Level 3 Valuation techniques using significant non-observable market inputs: Fair value based on a valuation technique using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

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

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

## 9. Hedge accounting

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

Hedge accounting is implemented to manage the following risks:

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

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

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

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

## FAIR VALUE HEDGE

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

## CASH FLOW HEDGE

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

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

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

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

## COST OF HEDGING

The cost of hedging reserve captures changes in the fair value of the cost to convert foreign currency to NZD of LGFAs cross currency interest rate swaps on the AUD bonds. A reconciliation of movements in the cost of hedging reserve is shown in the table below:

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

## HEDGING INSTRUMENTS

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

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



## 10. Offsetting

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

LGFA does not offset any amounts.

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

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

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

## 11. Receivables

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

## 12. Loans

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

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

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

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



## 13. Other assets

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

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

## 14. Payables and provisions

## 15. Debt securities issued at amortised cost

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

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

## 16. Debt securities issued at fair value through income statement

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

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

## USD Euro Commercial Paper

### 17. Treasury stock and bond repurchases

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

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

As at 30 June 2024 in \$000s	2024	2023
15 April 2024	-	16,619
15 April 2025	-	1,920
15 April 2027	-	52,513
20 April 2029	-	19,437
15 May 2030	58,302	-
15 May 2031	-	3,287
14 April 2033	-	1,750
15 May 2035	-	34,518
	<b>58,302</b>	<b>130,043</b>

### 18. Borrower notes

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

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



## 19. Other liabilities

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

## 20. Operating leases

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

## Risk management

### 21. Financial risk management

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

### 22. Market risk

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

### 23. Interest rate risk

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

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

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

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

As at 30 June 2023 in \$000s	Face value	Less than 6 months	6 months-1 year	1-2 years	2-5 years	Over 5 years
<b>Financial assets</b>						
Cash and bank Balances	226,222	226,222	-	-	-	-
Marketable securities	1,150,805	540,532	154,418	104,273	351,582	-
Deposits	348,492	348,492	-	-	-	-
Loans	16,201,725	13,382,721	363,171	370,400	1,418,820	666,614
<b>Financial liabilities</b>						
Bills	(792,000)	(792,000)	-	-	-	-
Bond repurchases	(129,833)	(129,833)	-	-	-	-
Derivatives	-	(13,758,700)	1,843,500	2,031,200	4,114,500	5,739,000
Bonds	(16,678,000)	-	(2,218,000)	(2,409,000)	(5,589,000)	(6,462,000)
Borrower notes	(338,809)	(277,881)	(6,110)	(7,492)	(32,191)	(15,135)
<b>Total</b>	<b>(11,398)</b>	<b>(460,447)</b>	<b>136,979</b>	<b>89,381</b>	<b>294,211</b>	<b>(71,521)</b>

## INTEREST RATE SENSITIVITY

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

	2024		2023	
	P&L	Equity	P&L	Equity
<b>Fair value sensitivity analysis</b>				
100bps increase	376	(1,351)	(132)	(132)
100bps decrease	(372)	1,355	140	140
<b>Cash flow sensitivity analysis</b>				
100bps increase	(14,291)	(14,291)	(8,219)	(8,219)
100bps decrease	14,291	14,291	8,219	8,219

## 24. Credit risk

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

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

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

## EXPOSURE TO CREDIT RISK

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

As at 30 June 2024 in \$000s	NZ government agencies	NZ local authorities	NZ registered banks	Other counter- parties	FV hedge adjustment	Total carrying value
<b>Financial assets</b>						
Receivables	-	-	-	378	-	378
Cash and bank balances	470,054	-	3,556	-	-	473,609
Cash pledged as collateral	-	-	251,605	-	-	251,605
Marketable securities	90,557	4,973	310,218	997,212	(5,917)	1,397,043
Deposits	-	-	701,894	16,599	-	718,493
Derivatives	(1,151,829)	-	(258,607)	-	-	(1,410,436)
Loans	-	20,574,861	-	-	(25,510)	20,549,350
	<b>(591,218)</b>	<b>20,579,834</b>	<b>1,008,666</b>	<b>1,014,189</b>	<b>(31,427)</b>	<b>21,980,043</b>

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



## COLLATERAL AND CREDIT ENHANCEMENTS

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

## CREDIT QUALITY OF FINANCIAL ASSETS

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

### 25. Liquidity risk

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

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

### 26. Contractual cash flows of financial instruments.

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

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

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

## Capital and dividends

### 27. Share capital

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

### 28. Shareholder information

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

### 29. Capital management

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

### 30. Dividend

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

### 31. Capital commitments

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



## Other Notes

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

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

### 33. Contingencies

There are no contingent liabilities at balance date.

### 34. Related parties

#### IDENTITY OF RELATED PARTIES

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

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

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

#### RELATED PARTY TRANSACTIONS

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

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

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

#### TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL:

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

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

### 35. Subsequent events

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

# Independent Auditors Report

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



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

### Opinion

We have audited:

- the financial statements of the company on pages 36 to 53, that comprise the statement of financial position as at 30 June 2024, the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information; and
- the performance information of the company on pages 32 to 35.

In our opinion:

- the financial statements of the company on pages 36 to 53:
  - present fairly, in all material respects:
    - its financial position as at 30 June 2024 and
    - its financial performance and cash flows for the year then ended; and
  - comply with generally accepted accounting practice in New Zealand in accordance with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and International Financial Reporting Standards (IFRS); and
- the performance information of the company on pages 32 to 35 presents fairly, in all material respects, the company's actual performance compared against the performance targets and other measures by which performance was judged in relation to the company's objectives for the year ended 30 June 2024.

Our audit was completed on 29 August 2024. This is the date at which our opinion is expressed. The basis for our opinion is explained below, and we draw attention to the inherent uncertainties in the measurement of greenhouse gas emissions. In addition, we outline the responsibilities of the Board of Directors and our responsibilities relating to the financial statements and the performance information, we comment on other information, and we explain our independence.

### Basis for our opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the Responsibilities of the auditor section of our report. We have fulfilled our responsibilities in accordance with the Auditor-General's Auditing Standards. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

### Materiality

The scope of our audit was influenced by our application of materiality. Materiality helped us to determine the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and on the financial statements as a whole. The materiality for the financial statements as a whole was set at \$160 million determined with reference to a benchmark of company Total Assets. We chose the benchmark because, in our view, this is a key measure of the company's performance. In addition, we also assess whether other matters that come to our attention during the audit would in our judgement change or influence the decisions of a reasonably knowledgeable person ('qualitative' materiality).

### Key Audit Matters

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

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

**Application of hedge accounting**

Refer to Notes 8 and 9 of the Financial Statements.

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

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

Our audit procedures included:

- reviewing LGFA's accounting policies related to financial instruments.
  - agreeing the terms of the derivatives to the confirmation provided by the derivative counterparty.
  - ensuring the hedge documentation supporting the application of hedge accounting was in accordance with NZ IFRS 9.
  - using our treasury valuation specialists we:
    - independently recalculated the fair value of all of the derivatives recorded by LGFA; and
    - evaluated the hedge effectiveness of the derivatives including independently modelling the future changes in value of these instruments to assess whether the underlying derivatives were effective.
    - ensuring the disclosures made in the financial statements were appropriate.
- We did not identify material differences in relation to the application of hedge accounting.

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

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

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

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

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

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

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

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

For the budget information reported in the financial statements and the performance information, our procedures were limited to checking that the information agreed to the company's statement of intent. We did not evaluate the security and controls over the electronic publication of the financial statements and the performance information.

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

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



- We evaluate the overall presentation, structure and content of the financial statements and the performance information, including the disclosures, and whether the financial statements and the performance information represent the underlying transactions and events in a manner that achieves fair presentation.
- We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Our responsibilities arise from the Public Audit Act 2001.

**Other Information**

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

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

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

**Independence**

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

For the year ended 30 June 2024 and subsequently, the Chair of the company's Audit and Risk Committee is a member of the Office of the Auditor-General's Audit and Risk Committee. The Office of the Auditor-General's Audit and Risk Committee is regulated by a Charter that specifies that it should not assume any management functions. There are appropriate safeguards to reduce any threat to auditor independence, as the member of the Office of the Auditor-General's Audit and Risk Committee does not assume any management functions as part of their oversight role of the audit of the company. Other than the audit, and the relationship with the Office of the Auditor-General's Audit and Risk Committee, we have no relationship with, or interests in, the company.



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

# Other disclosures

## He whākitanga anō

### Donations

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

### Earnings per security

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

### Net Tangible Assets

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

### Amount per security of final dividends

Not applicable

### Spread of Quoted Security holders

HOLDING RANGE	HOLDER COUNT	HOLDER COUNT %	HOLDING QUANTITY	HOLDING QUANTITY %
10,000 to 49,999	481	45	\$11,500,000	0.06
50,000 to 99,999	201	19	\$13,639,000	0.07
100,000 to 499,999	250	23	\$47,061,000	0.25
500,000 to 999,999	30	3	\$20,626,000	0.11
1,000,000 and above	113	10	\$19,097,174,000	99.52
Total	1,075	100	\$19,190,000,000	100.00

# Directory

## Rārangi tauwaea

### Postal address

P.O. Box 5704, Lambton Quay  
Wellington 6145

### Office hours

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

### Staff e-mail addresses

firstname.lastname@lgfa.co.nz

### Phone

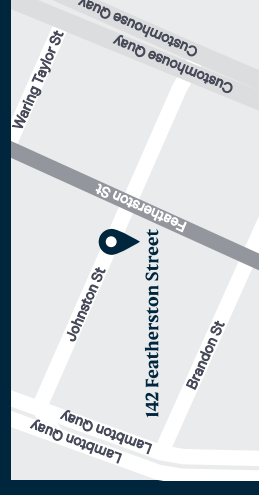
+64 4 974 6530

### General enquiries

lgfa@lgfa.co.nz

## Wellington

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



## Auckland

Level 7  
The Shortland Centre  
55 Shortland Street  
Auckland 1010

