



ATTACHMENTS

**Ordinary Council meeting
Separate Attachments 1**

Monday, 25 September 2023

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ANNUAL REPORT

Financial Statements for the
Year ended 30 June 2023



Facilities

- 1 Mercury Baypark (Arena, Stadium & BayStation)
- 1 Adams Centre for High Performance
- 3 Community Centres
- 4 Sports Centres
- 5 Aquatics Facilities
- 8 Community Halls

BayAudioVisual

COMMUNITY
CENTRES & HALLSTAURANGA
POOLS

BayActive

BaySwim

BayStation
AT BAYPARK

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Who we are and what we do

We are the kaitiaki of 24 community facilities across Tauranga – aquatic centres, indoor sport and fitness facilities, event venues, and community halls and centres – and we manage these facilities on behalf of Tauranga City Council. Connecting the community through exceptional experiences is the driving force behind Bay Venues. We have the community at heart, while being commercial in mind. We also have several commercial businesses, which help keep entry to our public facilities affordable and accessible for the whole community.

**Tauranga City**

These facilities are operated by Bay Venues, a Tauranga City Council organisation.



OUR YEAR IN NUMBERS

REVENUE

\$33.5m*

(↑ 1% ahead of budget)

(↑ 47% ahead of FY22)

TCC Community Operating Grant:

\$4.35m

TCC Renewal Funding:

\$8.74m

Aquatics & Learn to Swim:

\$5.52m

Sports Facilities:

\$1.68m

Clubfit & Other Memberships:

\$2.08m

Events & Catering:

\$9.98m

Other User Fees**:

\$1.09m



Full Time Staff:

140

Part Time Staff:

145

Casual Staff:

58



88%

Overall Customer Satisfaction

90%

Overall satisfaction with the facility

92%

Overall satisfaction with the service

84%

Overall satisfaction with our staff



77

Number of Sporting & Aquatic Tournaments

241

Conferences, Trade Shows, Exhibitions, Concerts and other events at Mercury Baypark.

* Excludes TCC Debt Servicing and TCC Rehabilitation expense funding.

** Includes BayStation and Merchandise.



OUR YEAR IN SERVICE DELIVERABLES

VISITORS

2.11m

to our **facilities**

(↑32% ahead of budget)

(↑37% ahead of FY22)

766,384

Visitors to our **Aquatic Facilities**

336,649

Visitors to our **Community Centres & Halls**

313,600

Visitors to our **Indoor Sports Facilities**

507,125

Visitors to **Mercury Baypark (Arena & Stadium)**

189,005

Visitors to **Other Facilities***



SCHOOLS IN POOLS
(Water Safety)

15

Schools Joined

2,754

Children
Participated
In Lessons



**Participants in Bay Venues Led
Activity Programmes**

69,144

Adults & Senior

98,259

Child/Youth

16,638

Pre-School

184,041

Total



**HEALTHY SCHOOL
LUNCHES**

267,821

Total Lunches
Supplied

12

Schools Supplied

* Including BayStation, Clubfit and University of Waikato Adams Centre for High Performance.



A YEAR IN REVIEW

A Year in Review

*Kohikohi ngā kākano, whakaritea te pārekereke,
kia puāwai ngā hua.*

*Gather the seeds, prepare the seedbed carefully,
and you will be gifted with an abundance of food.*

The year ending 30 June 2023 was a year of significant bounce back for Bay Venues. The number of events and activities held in our facilities not only rebounded after Covid but quickly returned to pre-pandemic levels in FY23. Tauranga residents and visitors to the city were eager to get out and about again after Covid-related restrictions and as a result, our venue utilisation targets for the year were exceeded by April. By the end of the year, we had hosted 2.11m visits (+41% on FY22), with 77 sports and aquatic tournaments (+79%), 80 significant events with more than 500 people (+208%), and 36 cultural events*.

FINANCIAL POSITION & REVIEW

Despite good visitation volumes, full year adjusted EBITDA[^] for FY23 was -\$1.62m. This was 44% favourable compared with FY22 and was more than \$100k ahead of the budget we had set. The business continued to face significant ongoing increases in operating costs over the course of the year, which led to the Board undertaking a financial review in the first half of 2023 to ensure ongoing sustainability.

A proposal to increase user fees to offset rising operational costs and align with national benchmark, was approved this year by Tauranga City Council after a period of public consultation. The benchmarking was done as part of an independent review to assess what increase would be fair and reasonable; creating a balance between what is paid by users and how much is subsidised by ratepayers. The review concluded that the current user fees at Bay Venues are, on average, significantly below national market benchmarks in almost all cases. A review back in 2020 also highlighted

// By the end of the year, we had hosted 2.11m visits (+41% on FY22), with 77 sports and aquatic tournaments (+79%), 80 significant events with more than 500 people (+208%), and 36 cultural events* //

*Not previously recorded. ^For more information see page 36.



Silver Ferns vs Australian Diamonds at Baypark Arena

this gap but no changes were made at the time because of the Covid-19 pandemic (apart from normal consumer price index increases).

We also reviewed Bay Venues' shareholder funding model this year for the first time since the organisation was created 10 years ago and worked with Tauranga City Council to update that model in the Long Term Plan to address current and future growth, while also balancing the contribution of ratepayers and venue users.

NEW STRATEGY & STRUCTURE

We spent time this year setting a strong foundation for the future. With a fresh strategy and set of values now in place, we introduced a new leadership and organisational structure in FY23 that was designed to ensure we have the right roles for our strategic focus areas, with a newly formed executive team and many positions recruited internally.

The newest member of our executive team is Paul Dunphy, General Manager: Facilities, who brings strong experience in local government, both overseas and locally at Tauranga City Council. Paul will help build our new facilities team in FY24.



The Bay Venues executive team



A YEAR IN REVIEW

Our Bay Venues Board also welcomed Wayne Beilby (Ngāti Pango, Ngāti Ranginui) as a director and mana whenua representative this year, as well as Saima Hussain Anis as our first director intern. Both Nick Lowe and Gareth Wallis (TCC GM) were also re-appointed as directors on the board which has provided ongoing sustainability.

DELIVERING ON STRATEGY

Our strategy is made up of four key focus areas. The first two – maximise activities and events, and look after and enhance our assets – relate directly to our daily mission and purpose across our 24 facilities in Tauranga. The final two – leverage our capability, and build our capability – enable and support that day-to-day work while also serving our overall vision to be The Best Venues for the Bay.

a) Maximise activities and events

One of our main objectives throughout the year was to enhance engagement in recreational activities, play, and water skills across a range of diverse and inclusive communities. This effort aims to promote fairness, it builds connections, and contributes to a more vibrant community facility network. Our activation team is now delivering community play sessions three times a week for low-socio economic communities in Tauranga, with an average of about 30 children and youth attending each drop-in session and there is no charge for them to participate. We also now run classes for teenagers who have been excluded from mainstream

// One of our main objectives throughout the year was to enhance engagement in recreational activities, play, and water skills across a range of diverse and inclusive communities. //



Students enjoying Funky Fun Day at Baypark Arena



NYE electronic dance music event, Famous Last Words

schools, as well as programmes for young people with intellectual disabilities. This year we also engaged several kōhanga reo across the city to organise Tumble Time play sessions delivered in te reo Māori.

Our Funky Fun Day programme, which gives thousands of primary school-aged children access to sport and recreation activities each year, was recognised with a national award from Recreation Aotearoa. The team has been working closely with Sport Bay of Plenty and schools to adapt the programme to include more active play and increase inclusion, while also extending it to more schools across the Bay of Plenty region, including those previously unable to attend due to various barriers such as transport and the cost of the entry fee.

We also now have a Community Development Ambassador who is meeting and working with a diverse range of cultural groups in the city, including Pacific, Chinese, Indian, Pakistani, Filipino, Latin-American and Muslim communities, to encourage, create and attract new and diverse activities to the Bay Venues network of facilities. New programmes, such as learn to swim lessons tailored to Indian and Muslim women, have been created as a result.

A continued increase in anti-social behaviour and security concerns at some venues was a significant issue this year. As was ongoing labour shortages, which made it difficult to maintain staffing levels across our venues at times.

To ensure our venues are safe for the activities and events taking place within them, we conducted a comprehensive health and safety review this year, followed by the creation of a new health and safety work plan.

It was also a successful year in the high performance space. The University of Waikato Adams Centre for High Performance is now home to both New Zealand rugby sevens teams, the Bay of Plenty Steamers and Bay of Plenty Volcanix, as well as North Island-based Black Caps, the



A YEAR IN REVIEW



All Black Caleb Clarke training at the Adams Centre

Waikato Bay of Plenty Magic, and the Adams Academy – a development programme with around 100 aspiring and established athletes across 27 sporting codes and counting. This includes Olympic triathlete Hayden Wilde and Olympic middle distance runner Samuel Tanner.

The Adams Centre also hosted an impressive lineup of visiting professional

athletes and teams including the All Blacks, Wallabies, New Zealand Warriors, Western Force, Chiefs Manawa, Irish and French rugby sevens teams, the Black Sticks, and the English cricket team.

b) Look after and enhance our assets

This year we completed important upgrades, seismic strengthening and maintenance work at Greerton Aquatic & Leisure Centre, Baywave Aquatic & Leisure Centre, and Otumoetai Pool. These planned maintenance closures did create disruption, however, for regulars and our wider community of users.



Kids at a birthday pool party at Greerton Aquatic & Leisure Centre

Major construction work and detours on the roading network around Mercury Baypark, including during the busy summer event season, was another major challenge and led to significant congestion on Truman Lane, which created access issues and frustration from day-to-day venue users as well as event clients and customers. We also saw several

// This year we completed important upgrades, seismic strengthening and maintenance work at Greerton Aquatic & Leisure Centre, Baywave Aquatic & Leisure Centre, and Otumoetai Pool //

events cancelled or disrupted due to severe weather events. In addition, Cyclone Gabrielle caused a skylight to blow off the roof at Clubfit Baywave, with torrential rain flooding the gym and damaging some equipment.

An increasingly important part of our asset enhancing work is sustainability. With Toitū Envirocare certification, Bay Venues is now measuring its overall carbon emissions and working to reduce those over time through sustainability initiatives such as rainwater harvesting and the installation of energy efficient lights, with the aim of reaching carbon zero by 2050.

Accommodating the increasing demand for space to play sports and hold events and activities in Tauranga, while maintaining ageing facilities that are busier than they have ever been, continues to be a key challenge for Bay Venues and Tauranga City Council. The two organisations are closely aligned in our vision for the future, and we worked closely with the Council and other partners this year to plan for future growth across the city, collaborating on the Key Active Reserves Master Plans project, which includes Baypark, as well as the proposed redevelopment project involving community facilities at Memorial Park.

c) Leverage our capability

Our commercial business operations – Bay Catering, Bay Audio Visual, Clubfit, BaySwim, and BayStation – contributed \$1.8m EDITDA (+24% on FY22) towards offsetting the cost of our facilities this year. The profit generated from these commercial businesses offset the need for further TCC/ ratepayer subsidy and are an important part of what Bay Venues does.

Clubfit and BaySwim were impacted by the planned maintenance closures at our aquatic facilities but have since seen business return quickly.

Together, these business units help to keep entry to our public facilities affordable and accessible for the whole community.

d) Build our capability

As well as reshaping our organisational and leadership structure to support the delivery of our strategy, we launched a new staff learning and development programme this year called 'Strive to Thrive'.



Amanda Lowry enjoying the accessible changeroom facilities at Otumoetai Pool

// As well as reshaping our organisational and leadership structure to support the delivery of our strategy, we launched a new staff learning and development programme this year called 'Strive to Thrive' //

We also rolled out a series of projects to improve our business processes, productivity, infrastructure, and technology systems, including cybersecurity improvement work, improvements to our wireless networks, and an updated phone system to make it easier for the community to communicate with us, while also introducing efficiencies for our staff.

We updated our reporting framework this year in order to clearly communicate and outline our work and performance for Tauranga City Council and the community. We continued to report quarterly to the Council and these reports are publicly available on our website. Go and have a look.

LOOKING AHEAD

We have several big projects coming up in FY24, including a new organisation-wide Customer Experience Programme that is being developed and will start to be implemented next year. It will put the customer at the heart of everything and ensure a consistent level of exceptional service is provided across all 24 facilities.

We are continuing to work closely with Iwi, Tauranga City Council and our other partners on the redevelopment projects involving Baypark and Memorial Park. Project teams are being formed and engagement with user groups, stakeholders and the wider community will continue and increase as further design work gets underway and it becomes clearer what potential changes, improvements and impacts these projects will create. We will also work with the Council next year to make sure there is sufficient investment in the Long Term Plan for our facilities moving forward.

We have also launched Your Space, Your Place – a project aimed at creating shared staff spaces across the Bay Venues network of facilities that are welcoming and collaborative and actively promote a fun, relaxed and supportive working environment. We aim to complete this project by the second quarter of FY24.

After a bounce back year in FY23 and with a solid foundation now set, Bay Venues is firmly focused on the future and the community it serves. Next year, we will again look to attract and host as many activities and events as possible and work hard at each and every one of them to create exceptional experiences that connect the people of Tauranga.

We will also continue to invest in the maintenance and enhancement of our ageing facilities, while working alongside Tauranga City Council to maximise and adapt our public spaces to meet the current and future needs of our growing city.

To support the accessibility and affordability of our community facilities, we will focus on our commercial business operations and ensure they remain as profitable as possible. Investment in systems and processes to further improve and build our capabilities, including a new HR system and enhanced finance system, will also be a priority next year.

We would like to say a big thank you to our board and executive team for their ongoing commitment, passion, and leadership this year, as well as to Tauranga City Council for all its support. We would also like to say a special thanks to all our staff – our Bay Venues whānau – for their continued service and dedication and for always ensuring our venues are welcoming and safe spaces for the community to meet and connect.

Finally, to all the people who visit and use our facilities, Tauranga residents and visitors alike, you bring so much life and colour into our venues every single day and we thank you for that. We look forward to welcoming you back over the coming year.

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Chad Hooker, CEO




Simon Clarke, Chair



BAY VENUES BOARD



Saima Hussain Anis
Director Intern

Wayne Beilby
Director

Jeremy Curragh
Director

Simon Clarke
Chair

Julie Hardaker
Deputy Chair

Gareth Wallis
Director

Nick Lowe
Director

Adam Lynch
Director

Bay Venues welcomed Saima Hussain Anis as our first director intern this year. Saima has spent the majority of her career in finance, working for large companies such as Sony and Exxon in the UK and Trustpower in New Zealand. She has recently moved into organisational and people development, while also working on various diversity and inclusion initiatives in Tauranga. Saima joined the Bay Venues Board in FY23 as part of Tauranga City Council's inaugural Board Intern Programme. The programme aims to bring diversity of thought and fresh perspectives to conversations around the board table at council-controlled organisations, while also providing a pathway for professional development and building governance capability for future businesses, trusts and councils in the Bay of Plenty. Saima said her time on the Bay Venues Board had been a steep learning curve. "It has been a great experience learning from a group of skilled people in both a personal and professional capacity," she said. "I am very lucky to be part of an organisation that has encouraged learning and has valued and welcomed diversity of thought in the boardroom. My main learning was to move my focus from an operational to a strategic lens, while also understanding the many threads that have to be held together in decision making. It is a great organisation, with many different wheels and a great set of people."





HIGHLIGHTS



Zespri AIMS Games

One of the largest sporting competitions in the Southern Hemisphere, the Zespri AIMS Games, returned to Tauranga in the first week of September 2022, after a two-year hiatus due to Covid-19. More than 10,000 athletes from 320 schools around the country took part in 23 sports – many of them held at Bay Venues facilities. There was swimming and water polo at Baywave, badminton at Queen Elizabeth Youth Centre, table tennis at Memorial Hall, and basketball, futsal, indoor bowls, and hip hop at Baypark. There were also two opening ceremony shows at Baypark, with thousands of excited students singing and dancing in their seats. Zespri AIMS Games Tournament Director Kelly Schischka said the feedback from the sports coordinators was “phenomenal”. “They’ve had kids, parents and officials coming up to them all week, telling them how amazing the tournament has been and how much they’ve enjoyed it.” Bay Venues staff played a huge role throughout the week, working hard day and night to make sure all the facilities were set up correctly for the different sports.

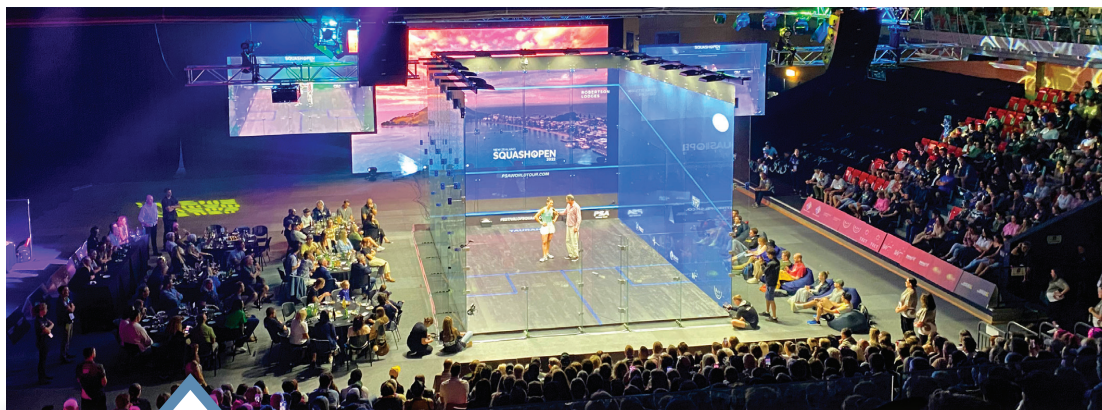


10 Days of Celebrations at Greerton Aquatic & Leisure Centre

Greerton Aquatic & Leisure Centre hosted 10 days of events and activities in November 2022 to celebrate a series of major upgrades and improvements to the much-loved community facility. Mana whenua representatives attended the ceremony and the Tauranga Intermediate School kapa haka group performed. This was followed by Iris Stockwell, a 90-year-old regular customer, cutting the ribbon to open the brand-new front entrance. Iris has been swimming at the venue for more than 50 years, since the Greerton pool first opened in 1971. The reception area at Greerton Aquatic & Leisure Centre has also been upgraded, the pools have been repainted, there is new grandstand seating, new non-slip flooring poolside to improve safety and cleanliness, and new changing room facilities – including three new accessible changing rooms next to the hydrotherapy pool, and family rooms close to the learn to swim pool.



HIGHLIGHTS



Events Bounce Back

Baypark was buzzing as the events industry bounced back in FY23 after Covid and thousands of people flocked to Mount Maunganui to watch international sport, music, and more. The New Zealand Festival of Squash in November 2022 featured two international tournaments back-to-back and was the biggest squash event ever held in Aotearoa. Baypark also hosted the Volleyball NZ Club Championships, the HoopNation Classic national basketball tournament, a sold-out Constellation Cup netball match between the Silver Ferns and Australian Diamonds, the New Zealand Weightlifting Championships, and Waikato Bay of Plenty Magic netball home games. There were also several large expos held at Baypark over the course of the year, including the always popular Tauranga Home Show and Armageddon Expo. There was also a live comedy show, and two rock concerts. Baypark Stadium, meanwhile, had another busy speedway season, despite a few race events having to be cancelled due to bad weather, and also hosted other family-friendly entertainment such as the D1NZ. A busy summer series included a brand-new electronic dance music event, Famous Last Words, on New Year's Eve. Unfortunately, due to bad weather conditions, two of the scheduled live music events had to be cancelled. The poor weather continued playing havoc with the One Love camping arrangements at Baypark also affected. To ensure the safety and wellbeing of festival goers, 700 campers were relocated indoors to Baypark Arena at short notice. Shelter, entertainment, refreshments and ablutions were all provided, ensuring everyone was in positive spirits throughout their stay.

Baywave Upgrade

Baywave Aquatic & Leisure Centre had some major upgrades and improvements in early 2023. The popular aquatic facility in Mount Maunganui reopened ahead of the Easter holiday rush with refurbished changing rooms (including upgraded showers with better water pressure and temperature), new non-slip flooring poolside for improved safety and cleanliness, and new starting blocks for the city's high-performance swimmers. The learners' pool at Baywave has also been fenced off from the rest of the venue for swim teachers and parents' peace of mind, there is a new dedicated accessible changing room beside the lap pool, and the cafe area has been renovated and refitted. The main entrance was also repainted, with an illuminated sign installed (pictured) to help highlight the entry.

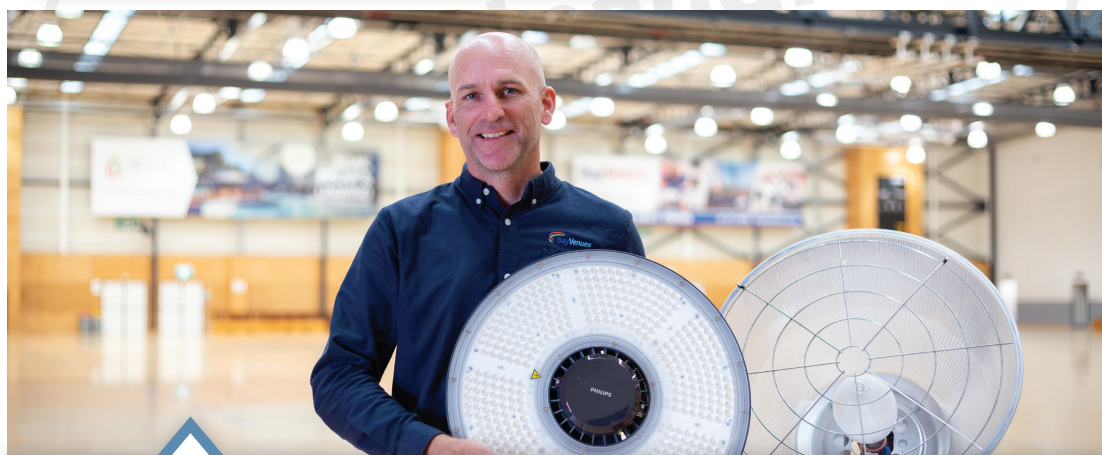




HIGHLIGHTS

Baypark Welcomes New Venue Partner Mercury

Tauranga's premier venue for live music and entertainment, sports and recreation, conferences, meetings, shows, and exhibitions has a new partner – Mercury. A new name – Mercury Baypark. And a new favourite colour – yellow. Everything else, however, is exactly the same. Mercury Baypark is where you will find social sports leagues, community programmes like Tumble Time, large indoor events like Tauranga Home Show and Armageddon Expo, speedway action, and big outdoor festivals and events, like Juicy Fest. Mercury bought Trustpower's retail business in May last year and has been bringing the best of both brands together for customers under the Mercury brand. "Mercury works with a wide range of New Zealand communities to make great things happen. This is a perfect fit for us," Bay Venues Chief Executive Chad Hooker said. "Here at Baypark, we also strive to make great things happen for our communities by connecting people through exceptional experiences."



A Sustainability Commitment

Harvesting rainwater, installing energy efficient lights, pest control, and introducing fully electric and hybrid vehicles – Bay Venues has embarked on a journey to carbon neutrality and has made a sustainability commitment to use more renewable resources, create less waste, promote biodiversity, and reduce greenhouse gas emissions. The organisation is committed to repairing, reusing and recycling. The ultimate goal: to reach carbon zero by 2050. "If we can improve what we do as individuals and as an organisation, and educate people on being better around their carbon footprint, then we are making progress," Asset & Project Manager Steve Edgecombe (pictured) said. Edgecombe leads a sustainability team made up of representatives from across Bay Venues. Bay Venues is certified with Toitū Envirocare, which means the organisation can measure its overall carbon emissions and work to reduce those over time.



FINANCIAL STATEMENTS 2022-2023

STATEMENT OF COMPREHENSIVE REVENUE & EXPENSES for the Year ended 30 June 2023

	Note	Actual 2023 (\$000's)	Budget 2023 (\$000's)	Actual 2022 (\$000's)
Revenue				
User Revenue	2	20,280	18,600	16,605
Other Revenue	3	75	122	60
TCC Operational Grant	2	4,350	4,173	3,256
TCC Debt Servicing Grant	2	1,619	1,619	452
TCC Renewal Funding	2	8,739	10,278	3,142
Rehabilitation Expense Funding	2	538	-	324
COVID-19 Leave Subsidy	2	39	-	38
Total Operational Revenue		35,640	34,792	23,877
Expenditure				
Employee Expense	4	15,828	14,598	13,430
Administrative Expense	8	1,385	1,374	1,132
Consulting & Governance Expenses	5	887	603	985
Operating Expenses (incl. COGS)	6	7,689	7,072	6,458
Repairs & Maintenance Expense		1,029	977	845
Rehabilitation Expense		538	-	324
Profit/Loss on Disposal		55	-	3
Finance Costs		954	801	615
Depreciation & Amortisation Expense	7	6,945	7,364	5,756
Total Operating Expenditure		35,310	32,789	29,548
Surplus/(Deficit) Before Tax		330	2,003	(5,671)
Income Tax Expense	9	(52)	-	1,595
Surplus/(Deficit) After Tax		278	2,003	(4,076)
Other Comprehensive Revenue & Expenses				
Gain on Property, Plant & Equipment Revaluation		-	-	7,956
Tax on Revaluation		-	-	(1,806)
Impairment on Revalued Property, Plant & Equipment		(3,575)	-	-
Tax on Impairment		456	-	-
		(3,119)	-	6,150
Total Comprehensive Income		(2,841)	2,003	2,074

Summary of significant accounting policies and the accompanying notes form part of these financial statements.



FINANCIAL STATEMENTS 2022-2023

STATEMENT OF CHANGES IN EQUITY for the Year ended 30 June 2023

	Share Capital (\$000's)	Retained earnings (\$000's)	Revaluation Surplus (\$000's)	Other Reserves (\$000's)	Total Equity (\$000's)
Balance as at 1 July 2021	84,232	(23,262)	38,134	533	99,637
Comprehensive Income					
Surplus or Deficit for the Year	-	(4,076)	-	-	(4,076)
Other Comprehensive Income					
Surplus or Deficit for the Year	-	-	7,956	-	7,956
Revaluation Adjustment on Disposal	-	-	-	-	-
Tax on Revaluation Gain	-	-	(1,806)	-	(1,806)
Transfer to Trustpower Reserve	-	(200)	-	200	-
Total Other Comprehensive Income, Net of Tax	-	(200)	6,150	200	6,150
Balance as at 30 June 2022	84,232	(27,538)	44,284	733	101,711
Balance as at 1 July 2022	84,232	(27,538)	44,284	733	101,711
Comprehensive Income					
Surplus or Deficit for the Year	-	278	(3,575)	-	(3,297)
Other Comprehensive Income					
Surplus or Deficit for the Year	-	-	-	-	-
Revaluation Adjustment on Disposal	-	12	-	-	12
Tax on Impairment	-	-	456	-	456
Transfer to Mercury Reserve	-	(200)	-	200	-
Balance as at 30 June 2023	84,232	(27,448)	41,165	933	98,882

Summary of significant accounting policies and the accompanying notes form part of these financial statements.



FINANCIAL STATEMENTS 2022-2023

STATEMENT OF FINANCIAL POSITION as at 30 June 2023

	Note	Actual 2023 (\$000's)	Actual 2022 (\$000's)
ASSETS			
Current Assets			
Cash & Cash Equivalents	10	629	733
Inventories	11	461	368
Debtors & Other Receivables	12	2,494	835
Total Current Assets		3,584	1,936
Non-Current Assets			
Other Non-Current Assets	15	4,355	3,425
Intangible Assets	13	572	531
Property, Plant & Equipment	14	133,471	133,283
Total Non-Current Assets		138,398	137,239
Total Assets		141,982	139,175
LIABILITIES			
Current Liabilities			
Employee Entitlements	16	1,753	1,057
Creditors & Other Payables	17	4,091	5,983
Borrowings - UoW Adams Centre Loan	18	1,000	1,000
Total Current Liabilities		6,844	8,040
Non-Current Liabilities			
Borrowings	18	27,773	20,537
Deferred Tax	9	8,483	8,886
Total Non-Current Liabilities		36,256	29,423
Total Liabilities		43,100	37,463
Net Assets		98,883	101,712
EQUITY			
Share Capital	19	84,232	84,232
Retained Earnings	20	(27,449)	(27,539)
Other Reserves	22	933	733
Revaluation Reserves	21	41,167	44,286
Total Equity		98,883	101,712

Summary of significant accounting policies and the accompanying notes form part of these financial statements.

Simon Clarke – Director
Date

26 September 2023

Jeremy Curragh – Director
Date

26 September 2023



FINANCIAL STATEMENTS 2022-2023

STATEMENT OF CASHFLOWS for the Year ended 30 June 2023

	Note	2023 (\$000's) Actual	2022 (\$000's) Actual
OPERATING ACTIVITIES			
Cash Received From Customers		17,348	19,453
Grants Received		14,708	6,812
Dividend Received		11	11
Cash Received from Other Sources		127	155
Goods & Services Tax (Net)		183	-
		32,378	26,431
Payments to Employees		(15,131)	(13,534)
Payments to Suppliers		(11,908)	(8,762)
Interest Paid		(954)	(615)
Goods & Services Tax (net)		-	(97)
		(27,993)	(23,008)
Net Cash Flow From Operating Activities	24	4,385	3,423
Cash Flows From Investing Activities			
Proceeds From Sale of Property, Plant And Equipment		88	7
Purchase of Property, Plant & Equipment		(10,883)	(4,547)
Transfer to Depreciation Investment		(930)	(812)
Net Cash Flow from Investing Activities		(11,725)	(5,352)
Cash Flows from Financing Activities			
Proceeds from Borrowings		10,236	7,764
Repayment of TCC Borrowings		(3,000)	(5,500)
Net Cash Flow From Financing Activities		7,236	2,264
 Net Increase / Decrease in Cash Held		 (104)	 335
Cash & Cash Equivalents at Beginning of Year		733	398
Cash, Cash Equivalents, and Bank Overdrafts at the End of the Year	10	629	733

Summary of significant accounting policies and the accompanying notes form part of these financial statements.



STATEMENT OF ACCOUNTING POLICIES AND NOTES for the Year Ended 30 June 2023

1.1 ENTITY STATEMENT

Bay Venues Limited is a Council Controlled Organisation (CCO) as defined in Section 6 of the Local Government Act 2002. The company is wholly owned by Tauranga City Council. The company is registered under the Companies Act 1993 and is a reporting entity for the purposes of the Financial Reporting Act 1993.

The primary objective of Bay Venues Limited is to provide goods and services for the community or social benefit, rather than making a financial return. Accordingly, Bay Venues Limited, as part of the Tauranga City Council group, has designated itself as a Public Benefit Entity (PBE) for financial reporting purposes.

The financial statements of Bay Venues Limited are for the year ended 30 June 2023. The financial statements were authorised for issue by Bay Venues Limited Directors on 26th September 2023.

1.2 BASIS OF PREPARATION

The financial statements have been prepared on the going concern basis and the accounting policies have been applied consistently throughout the period.

The financial statements of Bay Venues Limited have been prepared in accordance with the requirements of the Companies Act 1993, the Financial Reporting Act 1993 and the Local Government Act 2002, which includes the requirements to comply with New Zealand generally accepted accounting practice (GAAP).

These financial statements have been prepared in accordance with Tier 2 PBE accounting standards on the basis that Bay Venues Limited is not publicly accountable and expenses are between \$2 million and \$30 million. However, Bay Venues Limited will not be taking advantage of all Tier 2 exemptions. These financial statements comply with PBE standards.

The accounting notes set out below have been applied consistently to all periods presented in these financial statements.

Measurement Base

The financial statements have been prepared on historical cost basis, modified by the revaluation of land, plant and buildings.

Functional and Presentation Currency

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars (\$ 000). The functional currency of Bay Venues Limited is New Zealand dollars.

New Standards Issued and Adopted in Current Annual Reporting

Amendment applicable for the year ending 30 June 2023.

An amendment to PBE IPSAS 2 Cash Flow Statements requires entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The new information required by this amendment has been disclosed in Note 24(A).

Standards, Amendments, and Interpretations Issued that Are Not Yet Effective

Standards, amendments, and interpretation issued that are not yet effective will have a minimal impact on the entity.

1.3 REVENUE RECOGNITION

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

Sale of Goods

Revenue from the sale of goods is recognised when the product is sold to the customer.

User Fees & Charges

User fees and charges are recognised on the basis of actual services provided. Any fees and charges received in advance are recognised as unearned income.

Grant Income

Grant income is recognised upon entitlement, as conditions pertaining to eligible expenditure have been fulfilled.

Revenue is classified as exchange and non-exchange. Subsidised income received is recognised as non-exchange revenue.

1.4 BORROWING COSTS

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.5 INCOME TAXATION

Income tax expense includes components relating to current tax and deferred tax, and is calculated using tax rates and tax laws that have been enacted or substantively enacted at balance date.

Current tax is the income tax payable based on the taxable profit for the current year, plus any adjustments to income tax payable in respect of prior years.

Deferred tax is the amount of income tax payable or recoverable in future periods in respect of temporary differences and unused tax losses. Temporary differences are differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised



STATEMENT OF ACCOUNTING POLICIES AND NOTES for the Year Ended 30 June 2023

to the extent that it is probable that taxable profits will be available against which the deductible temporary differences or tax losses can be utilised.

Deferred tax is not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition of an asset or liability in a transaction that affects neither accounting profit nor taxable profit.

Current and deferred tax is recognised against the profit or loss for the period, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

1.6 LEASES

Operating Lease

An operating lease is a lease that does not transfer substantially all the risks and benefits of ownership of the leased item to the lessee.

Lease payments under an operating lease are recognised as expenses in the surplus or deficit on a straight line basis over the lease term.

1.7 CASH AND CASH EQUIVALENTS

Cash and cash equivalents includes cash on hand, deposits held on call with banks and other short-term highly liquid investments with original maturities of three months or less.

1.8 DEBTORS AND OTHER RECEIVABLES

Debtors and other receivables are included at their net realisable value after deduction of a provision for doubtful debts.

1.9 IMPAIRMENT OF FINANCIAL ASSETS

Financial assets are assessed for objective evidence of impairment at each balance date. Impairment losses are recognised in the surplus or deficit.

Receivables

Impairment is established when there is objective evidence that Bay Venues Limited will not be able to collect amounts due according to the original terms of the debt. Significant financial difficulties of the debtor, probability that the debtor will enter into bankruptcy and default on the payments are considered indicators that the asset is impaired. The amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted using the original effective interest rate. For debtors and other receivables, the carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the surplus or deficit. When the receivable is uncollectable, it is written off against the allowance account. Overdue

receivables that have been renegotiated are reclassified as current (that is not past due). Impairment in term deposits is recognised directly against the instrument's carrying value.

1.10 INVENTORIES

Inventories (such as spare parts and other items) held for distribution or consumption in the provision of services that are not supplied on a commercial basis is measured at cost, adjusted when applicable, for any loss of service potential. The loss of service potential of inventory held for distribution is determined on the basis of obsolescence. Where inventories are acquired at no cost or for nominal consideration, the cost is the current replacement cost at the date of acquisition.

Inventory held for use in the production of goods and services on a commercial basis is valued at the lower of cost and net realisable value. The cost of purchased inventory is determined using the first in first out (FIFO) method.

Inventories held for distribution or consumption in the provision of services that are not supplied on a commercial basis are measured at cost adjusted for any loss of service potential.

The amount of any write-down for the loss of service potential or from cost to net realisable value is recognised in the surplus or deficit in the period of the write-down.

1.11 PROPERTY, PLANT AND EQUIPMENT

Property, plant, and equipment is shown at cost or valuation, less accumulated depreciation and impairment losses.

Revaluation

Land, buildings and Plant are revalued with sufficient regularity to ensure that their carrying amount does not differ materially from fair value and at least every three years. All other asset classes are carried at depreciated historical cost. Revaluations of property, plant, and equipment are accounted for on a class of asset basis.

The net revaluation results are credited or debited to other comprehensive income and are accumulated to an asset revaluation reserve in equity for that class of asset. Where this would result in a debit balance in the asset revaluation reserve, this balance is not recognised in other comprehensive income but is recognised in the surplus or deficit. Any subsequent increase on revaluation that reverses a previous decrease in value recognised in the surplus or deficit will be recognised first in the surplus or deficit up to the amount previously expensed, and then recognised in other comprehensive revenue and expenses.

The most recent valuation was performed by Quotable Values on Buildings & Land only, with the valuation being effective as at 30 June 2022.



STATEMENT OF ACCOUNTING POLICIES AND NOTES for the Year Ended 30 June 2023

Additions

The cost of an item of property plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to Bay Venues Limited and the cost of the item can be measured reliably.

Costs incurred subsequent to initial recognition are capitalised only when it is probable that future economic benefits or service potential associated with the item will flow to Bay Venues Limited and the cost of the item can be measured reliably.

In most cases an item of property plant and equipment is initially recognised at its cost. Where an asset is acquired at no cost, or for a nominal cost, it is recognised at fair value as at the date of acquisition.

Work in progress is recognised at cost less impairment and is not depreciated.

Disposals

Gains and losses on disposal are determined by comparing the proceeds with the carrying amount of the asset. Gains and losses on disposal are included in the surplus or deficit. When revalued assets are sold, the amounts included in the asset revaluation reserves in respect of those assets are transferred to retained earnings.

Depreciation

All assets are depreciated over their expected useful lives. Depreciation is provided on a straight line (SL) basis, at rates calculated to allocate the asset cost less estimated residual value over the estimated useful life. When assets are revalued, depreciation rates are overridden by the new annual depreciation rates to accurately reflect the useful life of the asset.

CLASS OF ASSET DEPRECIATED	Estimated Useful Life (Years)	Depreciation Method
Operational Assets		
Buildings & Improvements	1-100	SL
Plant & Equipment	1-100	SL
Computer Equipment	3-10	SL
Office Furniture & Equipment	1-20	SL
Motor Vehicles	4.5-10	SL

1.12 INTANGIBLE ASSETS

Software Acquisition and Development

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

Costs associated with maintaining computer software are recognised as an expense when incurred. Staff training costs are recognised as an expense when incurred.

Intellectual Property Development

CLASS OF INTANGIBLE ASSET	Estimated Useful Life	Amortisation Rates
Acquired Computer Software	3-10 years	10% - 33.3%

1.13 IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment value in use is depreciated replacement cost for an asset where the future economic benefits or service potential of the asset are not primarily dependant on the asset's ability to generate net cash inflows and where the entity would, if deprived of the asset, replace its remaining future economic benefits or service potential.

The value in use for cash generating assets and cash generating units is the present value of expected future cash flows.

For revalued assets the impairment loss is recognised against the revaluation reserve for that class of asset. Where that results in a debit balance in the revaluation reserve, the balance is recognised in the surplus or deficit.

For assets not carried at a revalued amount, the total impairment loss is recognised in surplus or deficit.

The reversal of an impairment loss on a revalued asset is credited to other comprehensive income and increases the asset revaluation reserve for that class of asset. However, to the extent that an impairment loss for that class of asset was previously recognised in the surplus or deficit, a reversal of the impairment loss is also recognised in the surplus or deficit.

For assets not carried at a revalued amount the reversal of an impairment loss is recognised in the surplus or deficit.

1.14 CREDITORS AND OTHER PAYABLES

Creditors and other payables are recognised at fair value and subsequently measured at amortised cost.

1.15 BORROWINGS

Borrowings are initially recognised at their fair value. After initial recognition, all borrowings are measured at amortised cost using the effective interest rate method.

Borrowings are classified as current liabilities unless Bay Venues Limited has an unconditional right to defer settlement of the liability for at least 12 months after balance date, or if the borrowings are expected to be settled within 12 months of balance date.



STATEMENT OF ACCOUNTING POLICIES AND NOTES for the Year Ended 30 June 2023

1.16 EMPLOYEE ENTITLEMENTS

Short-Term Employee Entitlements

Salaries, wages and annual leave, that are due to be settled within 12 months after the end of the period in which the employee renders the related service, are measured at nominal values based on accrued entitlements at current rates of pay.

A liability and an expense are recognised for bonuses where Bay Venues Limited has a contractual obligation or where there is a past practice that has created a constructive obligation.

Long-Term Employee Entitlements

Employee entitlements are those entitlements that are due to be settled beyond 12 months after the end of the period in which the employee renders the related service, such as long service leave and retirement gratuities. The calculations are based on:

- likely future entitlements accruing to staff, based on years of service, years to entitlement, the likelihood that staff will reach the point of entitlement, and contractual entitlement information; and
- the present value of the estimated future cash flows.

Superannuation Schemes

Obligations for contributions to KiwiSaver are accounted for as defined contribution superannuation schemes and are recognised as an expense in the surplus or deficit when incurred.

Annual leave and long service leave, expected to be settled within 12 months or balance date, are classified as a current liability. All other employee entitlements are classified as a non-current liability.

1.17 PROVISIONS

Bay Venues Limited recognises a provision for future expenditure of an uncertain amount or timing when there is a present obligation, (either legal or constructive) as a result of a past event, it is probable that expenditures will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation. Provisions are not recognised for future operating losses.

1.18 EQUITY

Equity is measured as the difference between total assets and total liabilities. Equity is disaggregated and classified into the following components.

- Share Capital

- Retained Earnings
- Property, Plant and Equipment Revaluation Reserve
- Other Reserves

Property Revaluation Reserves

This reserve relates to the revaluation of property, plant, and equipment to fair value.

The revaluation reserve will be realised when the assets within the class of property, plant and equipment to which the surplus relates to, are retired or disposed of.

Other Reserves

This reserve relates to the Mercury naming rights reserve.

1.19 GOODS & SERVICES TAX

All items in the financial statements are exclusive of goods and services tax (GST) with the exception of receivables and payables, which are stated with GST included. When GST is not recoverable as input tax, it is recognised as part of the related asset or expense.

Commitments and contingencies are disclosed exclusive of GST.

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

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

1.20 BUDGET FIGURES

The budget figures are those adopted by Bay Venues Limited and approved by Tauranga City Council in its 2022/23 Annual Plan. The budget figures have been prepared in accordance with NZ GAAP and are consistent with the accounting policies adopted by Bay Venues Limited for the preparation of the financial statements.

1.21 CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING ESTIMATES

In preparing these financial statements, Bay Venues Limited has made estimates and assumptions concerning the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations or future events that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are disclosed below:



STATEMENT OF ACCOUNTING POLICIES AND NOTES for the Year Ended 30 June 2023

Property Revaluations

Note 14 provides information about the estimates and assumptions exercised in the measurement of revalued land and buildings, and equipment.

1.22 EXPLANATION OF MAJOR VARIANCES AGAINST BUDGET

Note 27 provides explanations of major variances against budget.

NOTE 2: REVENUE FROM EXCHANGE AND NON-EXCHANGE TRANSACTIONS

	2023 (\$000's) Actual	2023 (\$000's) Budget	2022 (\$000's) Actual
Non-Exchange			
TCC Operational Grant	4,350	4,173	3,256
TCC Debt Serving Grant	1,619	1,619	452
TCC Renewal Funding	8,739	10,278	3,142
Aquatics	4,473	3,740	3,238
Indoor Facilities	1,680	1,487	1,344
Memberships	209	209	201
Rehabilitation Expense Funding	538	-	324
COVID-19 Leave Subsidy	39	-	38
Total Non-Exchange	21,647	21,506	11,995
Exchange			
Memberships	1,873	1,891	1,860
Events & Catering	9,984	9,194	8,383
Other User Fees & Charges	1,089	1,040	868
Learn to Swim*	1,047	1,160	770
Total Exchange	13,993	13,285	11,881
Total Exchange and Non-Exchange	35,640	34,791	23,876

*Learn to Swim prior year has been split for comparatives.

NOTE 3: OTHER REVENUE

	2023 (\$000's) Actual	2023 (\$000's) Budget	2022 (\$000's) Actual
Rental	38	43	39
Dividends	11	11	11
Interest Received	-	-	-
Sponsorship	26	68	10
Total Other Revenue	75	122	60

NOTE 4: EMPLOYEE EXPENSES

	2023 (\$000's) Actual	2023 (\$000's) Budget	2022 (\$000's) Actual
Salaries and Wages*	15,122	13,800	12,800
Defined Contribution Plan Employer Contributions (KiwiSaver)	296	284	261
Other Personnel Expense	410	514	369
Total Employee Expenses	15,828	14,598	13,430

* Salaries & Wages includes a \$450k provision for Holiday Act Remediation which is an estimate only.



STATEMENT OF ACCOUNTING POLICIES AND NOTES for the Year Ended 30 June 2023

NOTE 5: CONSULTING & GOVERNANCE EXPENSES

	2023 (\$000's) Actual	2023 (\$000's) Budget	2022 (\$000's) Actual
Audit Fees	133	101	96
Consulting*	467	206	639
Director Fees	239	246	206
TCC Shared Services	26	24	21
Tax Advisory	22	26	23
Total Consulting Governance Expenses	887	604	985

*See Note 27 for Consulting expense variance to budget.

NOTE 6: OPERATING EXPENSES

	2023 (\$000's) Actual	2023 (\$000's) Budget	2022 (\$000's) Actual
Cost of Goods Sold	2,646	2,655	2,385
Electricity	1,098	1,076	991
Insurance	525	526	490
Other*	2,717	2,254	2,216
Events Expenses	309	162	5
Marketing	394	399	371
Total Operating Expenses	7,689	7,072	6,458

*Other Operating Expenditure includes such items as: (i) Cleaning (ii) Rates (iii) Recoverable Expenses.

NOTE 7: DEPRECIATION & AMORTISATION EXPENSE

	2023 (\$000's) Actual	2022 (\$000's) Actual
Buildings & Improvements	3,615	2,926
Intangibles	189	216
Office Furniture & Equipment	828	678
Plant & Equipment	2,222	1,865
Motor Vehicles	91	71
Total Depreciation & Amortisation	6,945	5,756

NOTE 8: ADMINISTRATIVE EXPENSES

	2023 (\$000's) Actual	2022 (\$000's) Actual
Operating Lease Costs	106	95
Other Administrative Expenses	1,279	1,038
Total Administrative Expenses	1,385	1,133



STATEMENT OF ACCOUNTING POLICIES AND NOTES

for the Year Ended 30 June 2023

NOTE 9: INCOME TAX EXPENSE / (BENEFIT)

	Actual 2023 (\$000's)	Actual 2022 (\$000's)
A) Operational Surplus /(Deficit) before Taxation	330	(5,671)
Prima Facie Taxation at 28% (2021: 28%)	93	(1,588)
Nondeductible Expenditure	1,841	1,159
Non Taxable Income	(1,843)	(2,042)
Deferred Tax Adjustment	(38)	875
Recognition of Buildings Tax Base	-	-
Tax expense	52	(1,595)
Components of Tax Expense		
Current Taxation	-	-
Deferred Taxation Expense/(Benefit)	52	(1,595)

B) Deferred Tax Asset (Liability)

	Property, Plant and Equipment (\$000's)	Employee Entitlements (\$000's)	Other Provisions (\$000's)	Tax Losses (\$000's)	Total (\$000's)
Entity					
Balance at 30 June 2021	(19,465)	172	25	10,592	(8,675)
Charged to Surplus Or Deficit	(179)	28	(6)	1,752	1,595
Charged to Other Comprehensive Income	(1,806)	-	-	-	(1,806)
Balance at 30 June 2022	(21,450)	199	20	12,345	(8,886)
Charged to Surplus Or Deficit	(1,455)	176	(2)	1,228	(52)
Charged to Other Comprehensive Revenue and Expense	456	-	-	-	456
Balance at 30 June 2023	(22,448)	375	18	13,572	(8,483)

NOTE 10: CASH AND CASH EQUIVALENTS

	Actual 2023 (\$000's)	Actual 2022 (\$000's)
Cash at Bank	617	713
Cash in Hand	12	20
Total Cash & Cash Equivalents	629	733

The carrying value of cash at bank or till floats approximates their fair value. There is no restriction on their use.



STATEMENT OF ACCOUNTING POLICIES AND NOTES for the Year Ended 30 June 2023

NOTE 11: INVENTORIES

	Actual 2023 (\$000's)	Actual 2022 (\$000's)
Held for Distribution Inventories		
Chemicals at Cost	11	13
Held for Commercial Inventories		
Merchandise at Cost	158	130
Food & Beverages	292	225
Total inventory	461	368

There is no write down of inventory during the year. No inventory is pledged as security for liabilities (2022 \$nil).

NOTE 12: DEBTORS AND OTHER RECEIVABLES

	Actual 2023 (\$000's)	Actual 2022 (\$000's)
Trade Debtors	2,152	552
Accruals	114	31
Provision for Doubtful Receivables	(17)	(17)
Prepayments	245	269
Total Debtors & Other Receivables	2,494	835
Receivables from Non-Exchange Transactions	101	67
Receivables from Exchange Transactions	2,392	768
Total Debtors & Other Receivables	2,494	835

	2023 Gross (\$000's)	Impairment (\$000's)	2023 Net (\$000's)	2022 Gross (\$000's)	Impairment (\$000's)	2022 Net (\$000's)
Trade & Related Parties Debtors						
Not Past Due	2,076	-	2,076	475	-	475
Aged Receivables: 31-60 days	18	(4)	15	67	(13)	54
Aged Receivables: 61-90 days	42	-	42	2	-	2
Aged Receivables: Greater than 90 days	14	(13)	1	-	-	-
Past due > 90 days	-	-	-	7	(3)	4
Total	2,151	(17)	2,135	552	(17)	535

FAIR VALUE

Debtors and other receivables are non interest bearing and receipt is normally 30 day term. Therefore, the carrying amount of debtors and other receivables approximates to their fair value.

IMPAIRMENT

An impairment of \$16,786 was provided for doubtful debt at 30 June 2023 (2022: \$16,805).

No debtor is pledged as security for liabilities (2022: \$nil)



STATEMENT OF ACCOUNTING POLICIES AND NOTES

for the Year Ended 30 June 2023

NOTE 13: INTANGIBLE ASSETS

	Computer Software (\$,000's)	Total (\$,000's)
Cost		
Balance as at 1 July 2021	2,122	2,122
Additions	215	215
Disposals	(255)	(255)
Work in Progress	60	60
Balance as at 30 June 2022	2,142	2,142
Balance as at 1 July 2022	2,142	2,142
Additions	32	32
Disposals	-	-
Work in Progress	194	194
Balance as at 30 June 2023	2,369	2,368
Accumulated Amortisation and Impairment		
Balance as at 1 July 2021	(1,396)	(1,396)
Amortisation Charge	(216)	(216)
Balance as at 30 June 2022	(1,612)	(1,612)
Balance as at 1 July 2022	(1,612)	(1,612)
Amortisation Charge	(185)	(189)
Balance as at 30 June 2023	(1,797)	(1,801)
Carrying Amounts		
As at 1 July 2021	726	726
As at 30 June 2022	531	531
As at 30 June 2023	572	572

There are no restrictions over the title of intangible assets. No intangible assets are pledged as security for liabilities.



STATEMENT OF ACCOUNTING POLICIES AND NOTES

for the Year Ended 30 June 2023

NOTE 14: PROPERTY PLANT AND EQUIPMENT

	2022 Cost / Valuation (\$,000's)	2022 Accum Depn (\$,000's)	Opening Book Value (\$,000's)	2023 Asset Additions (\$,000's)	2023 Asset Disposals (\$,000's)	2023 Current Depn (\$,000's)	2023 Impairment on Revalued Asset (\$,000's)	Cost Reval (\$,000's)	2023 Accum Depn & Impairment (\$,000's)	2023 Closing Book Value (\$,000's)
At Cost & Valuation										
Land	2,500	-	2,500	-	-	-	-	2,500	-	2,500
Buildings & Improvements	108,091	-	108,091	5,779	-	(3,615)	(3,575)	113,870	(7,190)	106,680
Plant & Equipment	19,169	(2,534)	16,635	3,861	(88)	(2,222)	-	22,942	(4,756)	18,186
Office Furniture & Equipment	5,420	(2,742)	2,679	1,704	-	(828)	-	7,124	(3,570)	3,554
Motor Vehicles	785	(289)	495	195	-	(91)	-	980	(381)	599
Subtotal	135,965	(5,565)	130,400	11,538	(88)	(6,756)	(3,575)	147,415	(15,896)	131,519
Work in Progress	2,882	-	2,882	10,609	(11,538)	-	-	1,953	-	1,953
Total	138,847	(5,565)	133,282	22,147	(11,626)	(6,756)	(3,575)	149,368	(15,896)	133,472

Work in Progress : additional work is shown within the New Assets column and any capitalised assets are shown in Assets Disposed column.

	2021 Cost / Valuation \$'000	2021 Accum Depn \$'000	Opening Book Value \$'000	2022 Asset Additions \$'000	2022 Asset Disposals \$'000	2022 Current Depn \$'000	2022 Revaluation \$'000	Cost Reval \$'000	2022 Accum Depn \$'000	2022 Closing Book Value \$'000
At Cost & Valuation										
Land	975	-	975	-	-	-	1,525	2,500	-	2,500
Buildings & Improvement	107,299	(2,912)	104,388	177	-	(2,926)	6,453	108,091	-	108,091
Plant & Equipment	17,777	(669)	17,108	1,396	(4)	(1,865)	-	19,169	(2,534)	16,635
Office Furniture & Equipment	4,379	(2,064)	2,315	1,044	(2)	(678)	-	5,420	(2,742)	2,679
Motor Vehicles	719	(218)	500	66	-	(71)	-	785	(289)	495
Sub Total	131,149	(5,863)	125,286	2,684	(6)	(5,541)	7,978	135,965	(5,565)	130,400
Work in Progress	1,061	-	1,061	4,505	(2,684)	-	-	2,882	-	2,882
Total	132,210	(5,863)	126,347	7,189	(2,690)	(5,541)	7,978	138,847	(5,565)	133,282



STATEMENT OF ACCOUNTING POLICIES AND NOTES for the Year Ended 30 June 2023

VALUATION

Land & Buildings

Land is valued at fair value using market-based evidence based on its highest and best use with reference to comparable land values. Adjustments have been made to the "unencumbered" land value where there is a designation against the land or use of the land or the use of the land is restricted because of reserve or endowment status. These adjustments are intended to reflect the negative effect on the value of the land where an owner is unable to use the land more intensively.

Specialised buildings are valued at fair value using Depreciated Replacement Cost (DRC) because no reliable market data is available for such buildings.

Depreciated replacement cost is determined using a number of significant assumptions. Significant assumptions include:

- The replacement asset is based on the replacement with modern equivalent assets with adjustments where appropriate for obsolescence due to over-design or surplus capacity.
- The replacement cost is derived from recent construction contracts of similar assets and Property Institute of New Zealand cost information.
- The remaining useful life of assets is estimated.
- Straight-line depreciation has been applied in determining the depreciated replacement cost value of the asset.

Non specialised buildings (for example, residential buildings) are valued at fair value using market based evidence. Market rents and capitalisation rates were applied to reflect market value.

The building valuation was performed by a registered independent valuer, Mairi Macdonald of the firm Quotable Value Limited, and the valuation is effective 30 June 2022.

Restrictions

Bay Venues Limited does not own any of the land that Building and Improvements are located on, except for a house at Miro Street. All land is owned by Tauranga City Council, with some of this land being reserve land. As such there are restrictions on both use and disposal of these Buildings and Improvements.

There is no restriction on the other classes of asset in the account and no amount of any property, plant and equipment was pledged as security for liabilities.

Plant

The approach utilised is a "fair" or "equitable" value which is reflected as market value for the existing use. Market value being defined as the estimated amount for which an asset should exchange on the date of valuation between a willing buyer and a willing seller in an arms length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

Generally values have been calculated utilising either a comparable sales approach or on a depreciated replacement cost basis, whichever was more appropriate. Depreciated replacement cost is defined as the gross current replacement cost reduced by factors providing for age, physical depreciation and technical and functional obsolescence taking into account the assets total estimated useful life and anticipated residual value.

The age of each asset has been established utilising:

- Data provided;
- Research;
- On-site assessment;
- Assessment based on the assets being combined with other fixtures.

The most recent plant valuation was undertaken by Forbes Valuation, on behalf of Quotable Value Limited during May 2021, and the valuation is effective 30 June 2021.

WORK IN PROGRESS

The total amount of property, plant, and equipment in the course of construction is \$2,207,003 (2022 \$2,882,211).



STATEMENT OF ACCOUNTING POLICIES AND NOTES for the Year Ended 30 June 2023

NOTE 15: OTHER INVESTMENTS – NON CURRENT PORTION

	Actual 2023 (\$000's)	Actual 2022 (\$000's)
Related Party Investments		
Depreciation Investment	4,355	3,425
Total Other Investments – Non-Current Portion	4,355	3,425

Bay Venues Limited transfer funds to Tauranga City Council to be held in a depreciation reserve to fund future renewals capital for Bay Venues Limited.

NOTE 16: EMPLOYEE ENTITLEMENT LIABILITIES

	Actual 2023 (\$000's)	Actual 2022 (\$000's)
Accrued Pay	241	169
Annual Leave *	1,340	711
ACC Employer Contribution	48	70
Payroll Taxes	124	107
Total Employee Entitlements	1,753	1,057

*Annual Leave includes estimate of \$450k for Holiday Act Remediation.

NOTE 17: CREDITORS AND OTHER PAYABLES

	Actual 2023 (\$000's)	Actual 2022 (\$000's)
Income in Advance	857	2,652
Trade & Other Payables	928	493
Accrued Expenditure	2,104	2,823
Deposits & Bonds	22	17
Other Payables	-	1
Gst Payable	180	(3)
Total Creditors & Other Payables	4,091	5,983
Payables from Non Exchange Transactions	1,540	3,802
Payables from Exchange Transactions	2,550	2,181
Total Creditors & Other Payables	4,090	5,983

Trade and other payables are non-interest bearing and are normally settled on 30 day terms, therefore the carrying value of trade and other payables approximates their value.

There is a liability calculated by ASB Bank for our Credit Card Clearing account \$15,445 (2022 : \$14,255)



STATEMENT OF ACCOUNTING POLICIES AND NOTES

for the Year Ended 30 June 2023

NOTE 18: BORROWINGS

	Actual 2023 (\$000's)	Actual 2022 (\$000's)
Current Borrowings		
University of Waikato Adams Centre for High Performance	1,000	1,000
Total Current Portion	1,000	1,000
Non-Current Borrowings		
Loan from Tauranga City Council	27,773	20,537
Total Non-Current Portion	27,773	20,537

SECURITY

Tauranga City Council loan is unsecured.

Council has agreed to guarantee the University of Waikato Adams Centre for High Performance loan on the terms contained in the agreement.

FINANCE COSTS

Tauranga City Council charge interest at 3.75%. (2022 : 3%)

University of Waikato charge interest to the value of 55% of the total rental fee for the Adams Centre for High Performance.

NOTE 19: SHARE CAPITAL

Fully Paid Ordinary Shares

	Actual 2023 (\$000's)	Actual 2022 (\$000's)
Balance at Beginning of Financial Year	84,232	84,232
Reclassification of Capital	-	-
Closing Balance of Ordinary Shares Issued	84,232	84,232

- Fully paid ordinary shares carry one vote per share and carry the right to dividends.
- No ready market for these shares so recognised at cost.
- Shares have no par value.
- Bay Venues Limited also holds \$18,000,000 uncalled shares of \$1 per share.
- 84,232,000 ordinary shares at \$1 per share are fully paid out and carry the right to dividends per share.

NOTE 20: RETAINED EARNINGS

	Actual 2023 (\$000's)	Actual 2022 (\$000's)
Accumulated Funds		
Balance at 1 July	(27,539)	(23,263)
Surplus/(Deficit) for the Year	278	(4,076)
Transfer to Trustpower Reserve	(200)	(200)
Disposal of Property, Plant and Equipment	12	-
Balance 30 June 2023	(27,449)	(27,539)



STATEMENT OF ACCOUNTING POLICIES AND NOTES for the Year Ended 30 June 2023

NOTE 21: REVALUATION RESERVE

	Actual 2023 (\$000's)	Actual 2022 (\$000's)
Balance at 1 July	44,285	38,134
Net Revaluation Gains	-	6,151
Net Impairment on Property Plant & Equipment	(3,119)	-
Balance at 30 June	41,166	44,285

NOTE 22: OTHER RESERVES

	Actual 2023 (\$000's)	Actual 2022 (\$000's)
Naming Rights	933	733
Total Reserves	933	733

The Naming Rights reflect the Mercury naming rights arrangement for Mercury Baypark.

NOTE 23: CONTINGENCIES

Compliance with Holidays Act 2003: Many public & private sector entities, including Bay Venues Limited, have considered and continue to investigate historic underpayment of holiday entitlements. In the current financial year, Bay Venues Limited has recognised a provision of \$450k at balance date based on a reasonable estimate of the potential liability.

(Contingent Liabilities in 2022: nil).

Bay Venues Limited has no contingent assets at 30 June 2023 (2022: nil).

Bay Venues Limited has no contingent rent recognised during the year. (2022: nil).

NOTE 24: RECONCILIATION OF NET SURPLUS / (DEFICIT) AFTER TAX TO NET CASHFLOW FROM OPERATING ACTIVITIES

	Actual 2023 (\$000's)	Actual 2022 (\$000's)
Net Surplus / (Deficit) from Statement of Comprehensive Income	278	(4,076)
Add/(Deduct) Non Cash Items		
Depreciation/Amortisation + Loss on Disposal + Reval Gain	7,456	3,953
Add/(Deduct) Movements in Working Capital		
Movement in Trade & Other Receivables	(1,654)	511
Movement in Inventories	(94)	34
Movement in Employee Entitlements	696	(105)
Movement in Trade & Other Payables	(2,077)	2,993
Movement in GST Payable	183	(97)
Movement in Deferred Tax Asset	(403)	210
Net Cash Inflow/(Outflow) from Operating Activities	4,385	3,423



STATEMENT OF ACCOUNTING POLICIES AND NOTES

for the Year Ended 30 June 2023

NOTE 24 (A): RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below provides a reconciliation between the opening and closing balance of liabilities with cash flows that were, or future cash flows that will be, classified as a financing activity in the statement of cash flows.

	Loan from Tauranga City Council 2023 (\$000's)	Loan from Tauranga City Council 2022 (\$000's)
Balance as at 1 July 2022	20,537	18,273
Cash Inflows	10,236	7,764
Cash Outflows	(3,000)	(5,500)
Non-Cash Changes	-	-
Balance as at 30 June 2023	27,773	20,537

NOTE 25: CAPITAL COMMITMENTS AND OPERATING LEASES CAPITAL COMMITMENTS

Capital commitments represent capital expenditure contracted for at balance date but not yet incurred.

	Actual 2023 (\$000's)	Actual 2022 (\$000's)
Elevated Work Platform	-	58
Total Capital Commitments	-	58

OPERATING LEASES AS LESSEE

The Company leases equipment in the normal course of its business for a range of terms from 1 – 60 months. The future aggregate minimum lease payments payable under non cancellable operating leases are as follows:

	Actual 2023 (\$000's)	Actual 2022 (\$000's)
Not Later than One Year	83	62
Later than One Year and Not Later than Five Years	71	127
Later than Five Years	-	-
Total Non Cancellable Operating Leases	154	189

OPERATING LEASES AS LESSOR

The Company provides leased office spaces in the normal course of its business. Signed lease agreements are in place for periods from 12 to 180 months.

	Actual 2023 (\$000's)	Actual 2022 (\$000's)
Not Later Than One Year	446	497
Later Than One Year and Not Later Than Five Years	780	1,239
Later Than Five Years	1,669	460
Total Non Cancellable Operating Leases	2,894	2,196

No contingent rents have been recognised during the year (2022: nil).



STATEMENT OF ACCOUNTING POLICIES AND NOTES for the Year Ended 30 June 2023

NOTE 26: RELATED PARTY TRANSACTIONS

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

Related party disclosures have also not been made for transactions with Council (such as funding), where the transactions are consistent with the normal operating relationships between the entities and are on normal terms and conditions for such transactions.

	Actual 2023 (\$000's)	Actual 2022 (\$000's)
Transactions with Key Management Personnel		
Salaries and other Short Term Employee Benefits	1,263	934
Directors Fees and Travel	239	206
Total Key Management Personnel Remuneration	1,502	1,140
Total Full-Time Equivalent Personnel	7	7

Key management personnel include the Board of Directors, Chief Executive, General Manager Operations, General Manager Finance & Commercial, General Manager Customer Experience, General Manager Facilities and General Manager People & Capability. Directors fees and travel excludes meeting costs such as catering. Due to the difficulty in determining the full-time equivalent for all Directors, the full-time equivalent is taken as one.

NOTE 27: EXPLANATIONS OF MAJOR VARIANCES AGAINST BUDGET

Explanations for major variations from the Company's budget figures in the 2022-23 Financial Statements are as follows:

Statement of Comprehensive Revenue and Expense

User Revenue was \$1.7m ahead of budget due to strong visitor numbers across Aquatics, Community & Sports Facilities.

TCC Renewal Funding was \$1.5m below budget due to a small number of significant projects that were either not required or delayed to the following year.

Operational Expenditure was \$2.5m higher than budget largely due to:

- Employee expenses with increases in the Living Wage rate & a Holiday Act Remediation provision.
- Operating expenses were higher than budget as a result of increased user revenue.
- Consulting fees include prior year feasibility studies on Memorial Park development and feasibility studies related to Baypark masterplan.

NOTE 28: FINANCIAL INSTRUMENTS

Financial Instrument Categories

	Actual 2023 (\$000's)	Actual 2022 (\$000's)
FINANCIAL ASSETS		
Loans & Receivables		
Cash & Cash Equivalents	629	733
Debtors & Other Receivables	2,135	539
Total Financial Assets	2,764	1,272
FINANCIAL LIABILITIES		
Financial Liabilities at Amortised Cost		
Creditors & Other Payables	950	510
Borrowings - UoW Adams Centre for High Performance Loan	1,000	1,000
Borrowings - TCC Loan	27,773	20,537
Total Financial Liabilities	29,723	22,047



STATEMENT OF ACCOUNTING POLICIES AND NOTES for the Year Ended 30 June 2023

Financial Instrument Risks

Bay Venues Limited complies with Tauranga City Councils policies to manage the risks associated with financial instruments. Bay Venues Limited is risk averse and seeks to minimize exposure from its financial instruments. Bay Venues Limited complies with Tauranga City Council's established Council approved Liability Management and Investment policies. These policies do not allow any transactions that are speculative in nature to be entered into.

(a) Market Risk

Fair value interest rate risk

Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. All current borrowings are from Tauranga City Council. The interest rates are fixed annually on 1 July each year.

Cash flow interest rate risk

Cash flow interest rate risk is the risk that the cash flows from a financial instrument will fluctuate because of changes in market interest rates. Bay Venues Limited only borrows, or invests, with Tauranga City Council.

Currency risk

Currency risk is the risk that the fair value or future cash flows from a financial instrument will fluctuate due to changes in foreign exchange rates.

Bay Venues Limited purchases events from overseas event promoters, which require it to enter into transactions dominated in foreign currencies. As a result of these activities, exposure to currency risk arises.

It is Bay Venues Limited's policy to manage foreign currency risks arising from contractual commitments and liabilities that are above \$20,000 by entering into forward foreign exchange contracts to manage the foreign currency risk. This means that Bay Venues Limited is able to fix the New Zealand dollar amount payable for the delivery of these events.

(b) Credit Risk

Credit risk is the risk that a third party will default on its obligations to Bay Venues Limited, causing the company to incur a loss. In the normal course of business, Bay Venues Limited incurs credit risk from accounts receivables only.

The carrying value of financial instruments in the Statement of Financial Position reflects their credit risk exposure. The exposures are net of any recognised provisions for losses on these financial instruments. No collateral is held.

Bay Venues Limited complies with Councils Treasury Policy which permits a minimum credit rating of A for registered banks and other organisations. At 30 June 2023 all financial instruments were held with the New Zealand registered trading banks which are rated AA-

(c) Liquidity Risk

Liquidity risk is the risk that Bay Venues Limited will encounter difficulty raising liquid funds to meet commitments as they fall due. Prudent liquidity management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities, in Bay Venues Limited case, via funding through Tauranga City Council. Bay Venues Limited mostly manages liquidity risk by continuously monitoring forecast and actual cashflow requirements.



STATEMENT OF ACCOUNTING POLICIES AND NOTES

for the Year Ended 30 June 2023

NOTE 29. EMPLOYEES REMUNERATION EXCEEDING \$100,000

	Actual Number of Employees	
	2023	2022
\$100,001 - \$110,000	5	3
\$110,001 - \$120,000	2	2
\$120,001 - \$130,000	-	2
\$130,001 - \$140,000	3	1
\$140,001 - \$150,000	1	1
\$150,001 - \$160,000	2	-
\$160,001 - \$170,000	-	1
\$170,001 - \$180,000	1	-
\$180,001 - \$190,000	1	1
\$200,001 - \$210,000	1	1
\$210,001 - \$220,000	-	1
\$220,001 - \$230,000	-	-
\$270,001 - \$280,000	1	-
Total employees	17	13

Remuneration includes paid and payable at 30 June 2023.

NOTE 30: EVENTS OCCURRING AFTER BALANCE DATE

As a result of recent seismic assessments, the Queen Elizabeth Youth Centre will be demolished & rebuilt as part of the new Memorial Park Indoor Aquatic & Sports Facility.



STATEMENT OF ACCOUNTING POLICIES AND NOTES for the Year Ended 30 June 2023

STATUTORY DISCLOSURES

NATURE OF BUSINESS

There have been no changes to the nature of the business of the company.

CHIEF EXECUTIVE REMUNERATION

Total Remuneration Paid or Payable	2023	2022
\$260,001 – \$270,000	-	1
\$270,001 – \$280,000	1	-

Directors during the year and directors fees paid and accrued were as follows:

Director	Appointed Date	Resigned Date	Director Fees 2023	Travel & Accommodation 2023	Director Fees 2022	Travel & Accommodation 2022
Nick Lowe	1/07/17	N/A	33,000	-	33,000	-
Simon Clarke (Chair)	1/07/21	N/A	66,000	-	66,000	-
Julie Hardaker (Deputy Chair)	1/07/21	N/A	41,250	-	41,250	-
Adam Lynch	1/07/21	N/A	33,000	-	33,000	-
Jeremy Curragh	1/07/21	N/A	33,000	-	33,000	-
Wayne Beilby	25/07/22	N/A	33,000	-	-	-
Gareth Wallis	10/05/21	N/A	Nil Fees	-	-	-

Saima Hussain Anis was a director intern in 2023.

There were no Director Remuneration benefits paid in excess of \$100,000.

DONATIONS

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

INTEREST REGISTER

There have been no disclosures of self interest during the year.



REMUNERATION

SUMMARY OF OUR 2022 REMUNERATION PROCESS.

"In 2021, Bay Venues became a Living Wage employer. This was a significant move for the business, and one that was received well given that 42% of the workforce are in Living Wage roles. While the introduction of the Living Wage was a very positive move, it did create relativity and retention issues (particularly in Supervisor and Team Leader roles). To mitigate these issues Tauranga City Council (TCC) offered Bay Venues an additional \$320,000 of grant funding.

Our approach to lifting remuneration for our people has seen some very positive early signs including;

a 10.4% reduction in permanent staff turnover over the financial year,

a significant positive change in sentiment towards remuneration and the feelings of 'fairness' surrounding it. This can be seen in that in 2021 one of the bottom 10 ranked questions in our employee engagement survey was "Our remuneration structure is appropriate relative to the market." In 2022 the same question increased 8% in score which is a significant uplift,

healthy levels of tenure in the levels of the business where we targeted the remuneration investment, suggesting that we are at least meeting this hygiene factor for these employees.

The below quote summarises the above impacts for our business:

"In my 1:1 with <team leader level employee> yesterday he talked about how significant the increase had been for him and his family, especially as it relates to some personal goals he has outside of work. He had been weighing up his future and the improvements to both his fixed term role and his supervisor position has left him feeling like he can continue to work in an industry/role he's passionate about and meet some of his financial goals as well. I know there was some real consideration given to that critical tier or people being our future leaders, team leader, supervisors etc so nice to know when this lands and has an impact."

FY23 PAY GAP ANALYSIS

Remunerating our people in a fair and transparent way are two of the core principals within our Reward & Recognition strategy. In order to ensure we are taking all steps to achieve these two principals we are proactively joining the conversation about 'pay gaps.'

The concept of pay gap helps to provide clarity on how a business remunerates employees based on a particular demographic e.g. gender or ethnicity. In 2022, research showed that men earn on average 10% more than woman in New Zealand.

Bay Venues is particularly keen to explore whether any such gap exists within our business as 60% of our employees are female, and 42% identify as non-European. We have therefore committed to understanding what gaps may be present for our employees based on gender and ethnicity (specifically Māori or Pasifika).

FINDINGS

Against the three demographics we now commit to reporting on, our gap ranges from 5.45% in relation to gender pay gap (females paid less than males), to 8.02% Māori (paid less than European). Limited benchmarking data is available due to reporting pay gaps remaining optional for employers. One organisation tackling this issue head on is called "Mind the Gap" where organisations sign up to their registry to proactively communicate their data. Bay Venues intends to apply to be part of the Mind the Gap registry following the publishing of this annual report.

	Bay Venues Gap	NZ Average Gap
Gender	5.45%	8.6%
Māori	8.02%	
Pasifika	5.28%	

As an organisation, we intend to track, monitor and reduce our pay gaps by carrying out comprehensive gender and ethnicity pay analysis annually as well as proactively discovering where any remediation is needed to reduce the gaps.

** Which suggests that this is a country wide issues that organisations should take the opportunity to be curious about.*



STATEMENT OF INTENT PERFORMANCE

Activity	Target	Status	Commentary
Community Benefit	Host >1.6 million visits to our facilities	✓	2.11 million visits to facilities in FY23. 80 significant events hosted.
	Host >55 significant events (>500 people)	✓	16 diversity and inclusion initiatives underway and 36 cultural events.
	Support >10 inclusivity & diversity initiatives	✓	2,427 survey responses received. 2,147 rated their overall experience as Satisfied or Very Satisfied, equating to 88% of respondents.
High Quality Facilities	Achieve a customer feedback rating >85%	✓	
	No preventable serious harm incidents*	—	There was one incident of preventable serious harm during the year. This incident was notified to Worksafe and they opted not to intervene. An investigation was conducted internally, opportunities for improvement were found and corrective actions have been implemented to reduce risk in future.
	No preventable unplanned facility closures**	✓	There were no preventable unplanned facility closures greater than 4 hours in FY23.
A High Performing Organisation	Capital and renewals programme on time and on budget	✓	Capital programme 15% under budget for the year, key projects delivered as planned.
	Achieve Budgeted EBITDA	✓	Unadjusted EDITDA was -\$2.13m, however this includes abnormal expenses of \$0.51m for historic Holiday Act Remediation (\$0.45m) and loss on capital disposals (\$0.06m). Adjusted EBITDA is therefore -\$1.62m, which was \$0.11m ahead of budget and a fair representation of performance.
Strategic Objectives	FY23 Strategic Objectives are completed	—	8 of 11 of strategic objectives completed, the remaining three are in progress.

Traffic Light Status Key

✓ On track and remaining so

— Off track and needing further monitoring

Refer to the Statement of Intent for Individual Weightings of Balanced Scorecards Measures

* Preventable means that Bay Venues was reasonably able to identify a hazard before it occurred and stop harm from occurring by eliminating a hazard or minimising the hazard so far as reasonably practicable.

** Bay Venues defines preventable unplanned facility closures to be more than 4 hours.



STATEMENT OF INTENT PERFORMANCE

FINANCIAL

	22/23 Actual (\$,000's)	22/23 Budget (\$,000's)	21/22 Actual (\$,000's)
Revenue	25,282	22,895	20,282
Less Cost of Goods Sold	2,646	3,472	2,385
Gross Profit	22,636	19,423	17,898
Less Operating Expenditure	24,765	21,154	20,789
EBITDA	(2,129)	(1,731)	(2,891)
Add Back Adjustments for Prior Year and Capital Transactions:			
Holiday Act Remediation provision	450	-	-
Loss on Disposal of Assets	55	-	-
Adjusted EBITDA	(1,624)	(1,731)	(2,891)

Notes:

- Includes TCC Operational Grant, excludes TCC funding for depreciation, debt servicing and renewals.
- Excludes expenditure related to depreciation and debt servicing.
- Revenue includes user fees and charges, other sundry revenue earned and COVID-19 leave subsidy.
- Operating expenditure includes costs relating to employees, administration, marketing, governance, normal business operations and repairs and maintenance.
- Details on the results and variances to budget are reported within the Annual Financial Statements and notes.



INDEPENDENT AUDITOR'S REPORT

TO THE READERS OF BAY VENUES LIMITED'S FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION FOR THE YEAR ENDED 30 JUNE 2022

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

The Auditor-General is the auditor of Bay Venues Limited (the company). The Auditor-General has appointed me, Clarence Susan, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements and performance information of the company on his behalf.

OPINION

We have audited:

- the financial statements of the company on pages 10 to 31, that comprise the statement of financial position as at 30 June 2022, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information; and
- the performance information of the company on pages 33 to 34. In our opinion:
- the financial statements of the company on pages 10 to 31:
 - present fairly, in all material respects:
 - its financial position as at 30 June 2022; and
 - its financial performance and cash flows for the year then ended; and
 - comply with generally accepted accounting practice in New Zealand in accordance with Public Benefit Entity Reporting Standards Reduced Disclosure Regime; and
 - the performance information of the company on pages 33 to 34 presents fairly, in all material respects, the company's actual performance compared against the performance targets and other measures by which performance was judged in relation to the company's objectives for the year ended 30 June 2022.

Our audit was completed on 22 November 2022. This is the date at which our opinion is expressed.

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

BASIS FOR OUR OPINION

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

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

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

RESPONSIBILITIES OF THE BOARD OF DIRECTORS FOR THE FINANCIAL STATEMENTS AND THE PERFORMANCE INFORMATION

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

New Zealand. The Board of Directors is also responsible for preparing the performance information for the company.

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

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

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



INDEPENDENT AUDITOR'S REPORT

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.



INDEPENDENT AUDITOR'S REPORT

OTHER INFORMATION

The Board of Directors is responsible for the other information. The other information comprises the information included on pages 2 to 9 and 32, but does not include the financial statements and the performance information, and our auditor's report thereon.

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

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

INDEPENDENCE

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

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

Clarence Susan

Audit New Zealand

On behalf of the Auditor-General

Tauranga, New Zealand

Draft/Unaudited



bayvenues.co.nz

Tauranga Art Gallery Trust Annual Report 2022–2023



toi
Tauranga
art gallery



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Tauranga Art Gallery Trust (TAGT) is incorporated under the Charitable Trusts Act 1957 as a not-for-profit entity, established to deliver and operate a public art gallery to serve residents of Tauranga, the Western Bay of Plenty, and visitors to the region. TAGT has charitable status with the Inland Revenue Department.

This report has been completed in accordance with our Tauranga City Council Statement of Intent and the Local Government Act 2002, which requires that TAGT report to Council on a six-monthly and annual basis.



Reports

toi
Tauranga
art gallery



CHAIRS REPORT

2022 –23 has been a year of two halves, it was only a year ago that COVID was at its height in the community, limiting engagement . However as the year progressed we have finished on a high, full swing back into exhibition openings and packed events.

COVID especially impacted schools. I am proud of how the gallery team pivoted and stepped up to the challenge. Initially developing out-reach programmes for classes. Then when students were back at school we doubled the number of daily onsite programmes on offer, and Learning and Education for the second half of the year became oversubscribed.

Our gallery programming continues to be a significant springboard for local and national artists at all stages of their career. Anitarewa Robertson's exhibition was the recent Toi Ohomai graduate's first in a public gallery, as it was for Otorohanga-based Hiria Anderson, video maker Simon Ward, Christina Read and esteemed street artists Dream Girls Art Collective, who also brought their mahi into a gallery context for the first time, following which they are about to undertake a new mural at the Aronui Indigenous Arts Festival in Rotorua and were also recently signed to B & A in New York City.

The dynamic Work Out series resulted in visitors travelling especially from Auckland, Wellington and Rotorua, and secondary schools from a far afield as Tokoroa. Rydal Art Prize recipient Ayesha Green's exhibition Folk Nationalism has just toured from Tauranga Art Gallery to City Gallery, Wellington, receiving in the first month (July 2023) over 13,000 visitors.

The gallery finishes Q4 at 30,094 on-site visitors, 88% of our year-end target and an increase of 2,280 visitors on last year. Importantly however, once education, public programmes and touring exhibitions are added, the Gallery has nonetheless achieved a much higher level of engagement both within Tauranga and nationally than through-the-door attendance records capture:

30,094 gallery visits

6,024 students attended education programmes

746 adult workshops and talk attendees

14,152 national visitors to touring exhibitions

Total attendees to Tauranga Art Gallery programmes 51,056



Staff

In March TAGT appointed Tauranga-based Sonya Korohina (Ngāti Porou) as Director. She brings over 20 years of experience in leading NZ institutions and a strong local reputation. In return she has appointed a new business team with the addition of Iain Griffin in the role of Business Development and Experience Manager, and Ashlee Hastings and Janeen Gleeson in Marketing and Accounts and Admin roles respectively. Together the team brings renewed focus to the visitor experience and fundraising.

Governance and Financials

In May the Trust farewelled after four years trustee Steven Farrant along with Board intern Anthony Campbell. We welcomed new trustee's, Rachel Scott and returning mana whenua representative Sylvia Willison (Ngāi Tamarāwaho, Ngāti Ranganui, Ngāi te Rangi).

Tauranga Art Gallery Trust owns our Gallery building and land and a collection of art works in addition to other Gallery assets.

For the period under review the total revenue was \$1,761,804. Expenses were \$1,962,208 resulting in a deficit for the year of \$48,270 (after depreciation). This primarily came through costs associated with loss of income due to COVID.

Other key numbers:

- Assets: \$1,668,167
- Non-Current Assets (property, plant and equipment) \$13,609,493
- Total Assets \$15,277,661
- Liabilities \$599,351
- Total assets less total liabilities (net assets) \$14,678,310

The Gallery has performed exceptionally well across the majority of its non-financial measures. However preparing for the closure of the gallery and the development of Masonic Park comes at a cost over the coming financial year with additional costs to be incurred in the relocation and operation of an off-site gallery. This is to be balanced with the longer view and benefit of the civic precinct Te Manawataki o Te Papa. TAGT continues to investigate and determine its best strategic options to future proof the Gallery so that long term fiscal and operational capability is assured. Financial sustainability remains a key focus over the coming years.



Thanks

The Friends of the Art Gallery continue to be enthusiastic and committed supporters of the Gallery and their contributions and involvement in Gallery activities is most appreciated.

The Trust also greatly appreciates the continued support of the Tauranga Art Gallery Foundation and all its various funders, exhibition sponsors, supporters and of course, our artists. Without this continued support we would not be able to provide the exciting exhibitions and programmes that have become the hallmark of the Tauranga Art Gallery. Thank you to you all.

Rosemary Protheroe

Chair – Tauranga Art Gallery Trust





Tauranga Art Gallery Trust (TAGT) was established in 2005 to manage and operate Tauranga Art Gallery Toi Tauranga (TAG), ensuring sound governance and financial management.

TAG creates exceptional art experiences that engage, inspire, challenge, and educate, through exhibitions, public programmes, and events.

DIRECTORS REPORT

I wish to acknowledge the excellent work undertaken by previous director Stephen Cleland steering the ship through challenging times of COVID whilst maintaining strong strategic partnerships and presenting art programmes that continued to keep our visitors and community engaged with Tauranga Art Gallery.

As a new director my vision for Toi Tauranga over the coming years is to be much loved by our community, and the calibre of our exhibitions and engagement programmes recognised, attracting domestic and international visitors.

With this in mind I have focussed my attention on four key pieces of work:

1. Positioning Tauranga Art Gallery as a leading regional contemporary art space; and programming partner in Te Manawataki o Te Papa, Tauranga City's civic precinct;
2. The 'visitor experience' and what this entails as a gallery of today with an eye on the next generation of students, artists and arts enthusiasts;
3. Strengthening relationships and developing a sustainable business model to grow TAG programmes and activity into the future;
4. Being an exemplary Te Tiriti o Waitangi partner.

October 2023 sees the closure of the gallery for up to a year as Masonic Park, the first stage of Te Manawataki o Te Papa is developed. Over this time Tauranga Art Gallery with support from Tauranga City Council, will operate from a pop-up on Devonport Road enabling the continued delivery of our popular schools and exhibition programmes.

This is the first time in 16 years that the main gallery building will be closed. It presents a unique opportunity for TAG departments and staff to review and refocus our programmes and experiences to ensure we remain relevant, inspiring and challenging for our audiences.

These are all key steps as we work with all our many partners towards the revitalisation of the city centre.

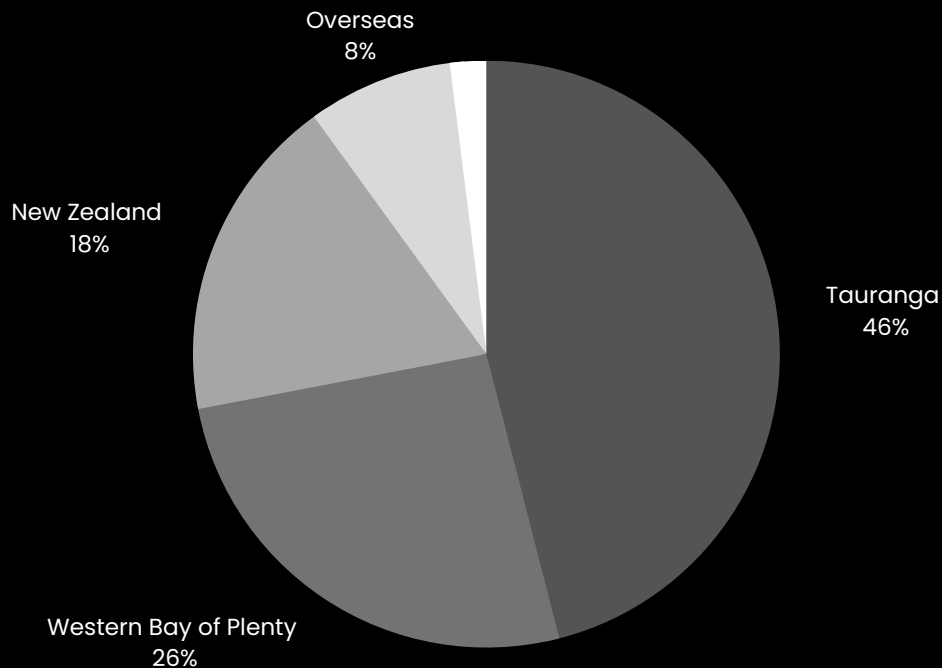
Nāku te rourou, nāu te rourou, ka ora ai te iwi
With your contribution and my contribution together,
we will all flourish.

Sonya Korohina
Director – Tauranga Art Gallery

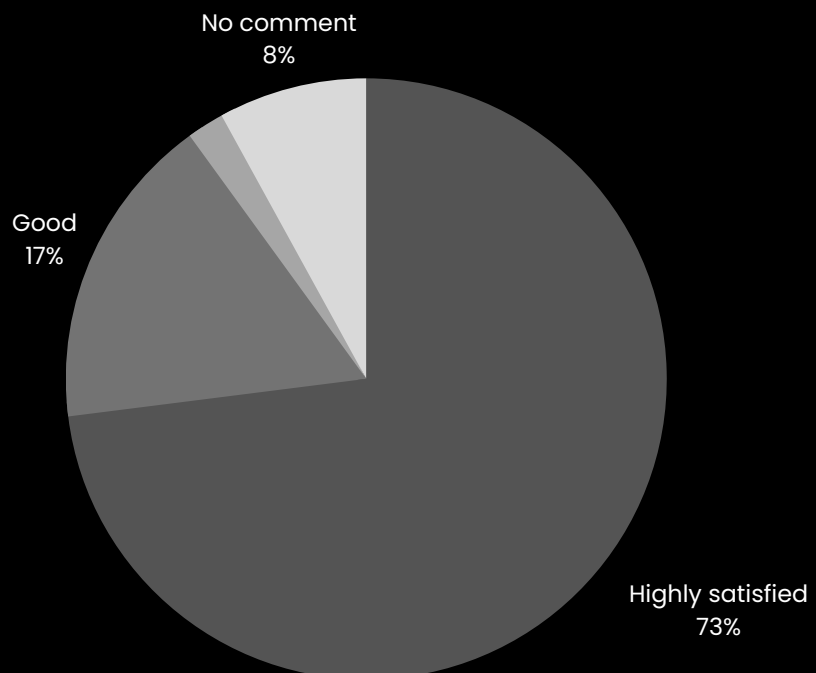


Visitor Surveys

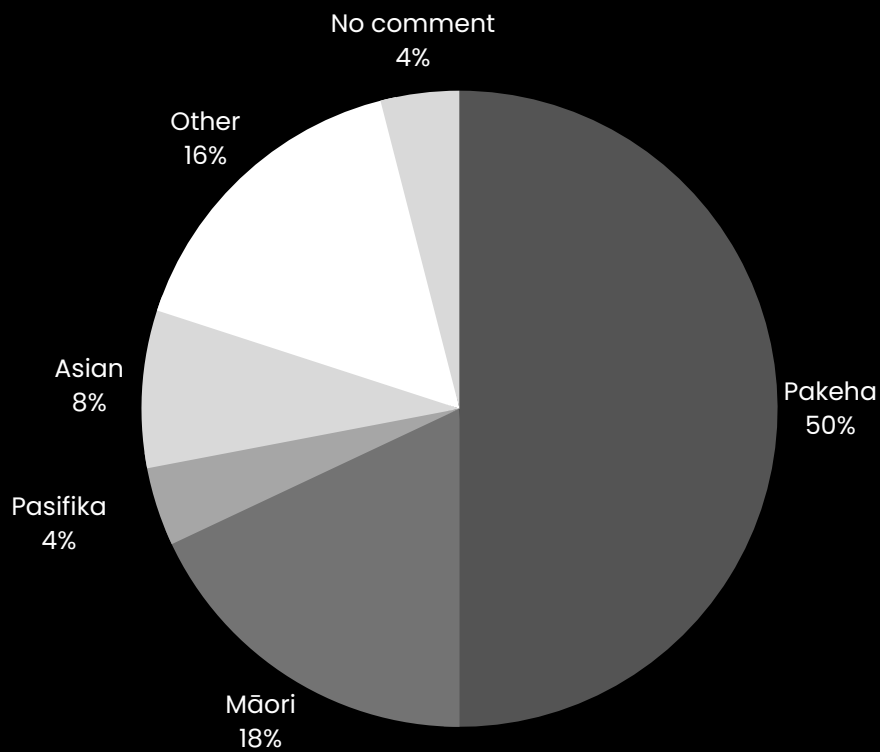
Residence



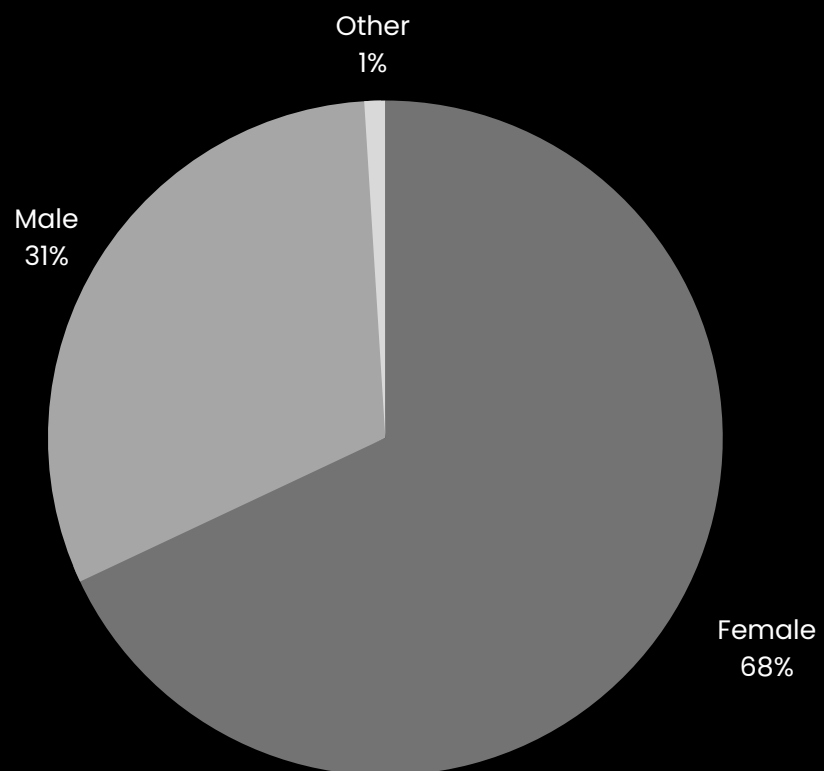
How was your visit?



Ethnicity



Gender



2022–2023 Highlights

5,000+

Students caught the Art Bus provided for free funded by TAG and partners

51,056

People attended TAG programmes

30,094 gallery visits

6,024 students attended education programmes

746 adult workshops and talk attendees

14,152 national visitors to touring exhibitions

92%

In the last quarter of the year 92% were highly satisfied with their visit and signature show Work Out

33,988

People in Hastings, Whangarei and Lower Hutt have experienced TAG touring virtual reality exhibition Terminus



Exhibitions & Events



With the appointment of a public programmes manager, the gallery has engaged our community with a wide range of public programmes. From yoga to morning meditation. From electronic to wind music. Life drawing to Beer Paint and Skate classes and film screenings. There was something for everyone.

As always Squiggla Family drawing days and Matariki star hunt were a hit with families. And the Tauranga zinefest with rangatahi.

One particular standout was the Night At The Museum, a kōrero that focussed on different collections and stories behind the objects. Our friends from Tauranga City Libraries: Archives
Tauranga City Civic Art Collection,
Tauranga Heritage Collection, Western Bay Museum
and The Elms Te Papa all presented.



“Took our TPU school. Our group of 20, mostly teenage girls, 19 of us loved it, went into the class room to create our own version, awesome facilities, we will make a point of attending at every change of Artist/season.” – Sian Connal



NATALIE GUY & GAVIN HIPKINS: CITY OF TOMORROW
4 June – 23 October 2022

City of Tomorrow brought together two practitioners, Auckland-based photography and moving image-artist Gavin Hipkins and Tauranga-born sculptor Natalie Guy, who each contend with the early aspirations of modern architecture. Borrowing the title Le Corbusier's early writings on repetition and order, together they unpacked the famed architect's zealous ideals for the makeup of the future city by contending with traces of his legacy.

Project Partner: City Gallery Wellington



(Image captured during Tauranga ZineFest event)

ANDREW BECK: SOFT FILTER
4 June – 30 October 2022

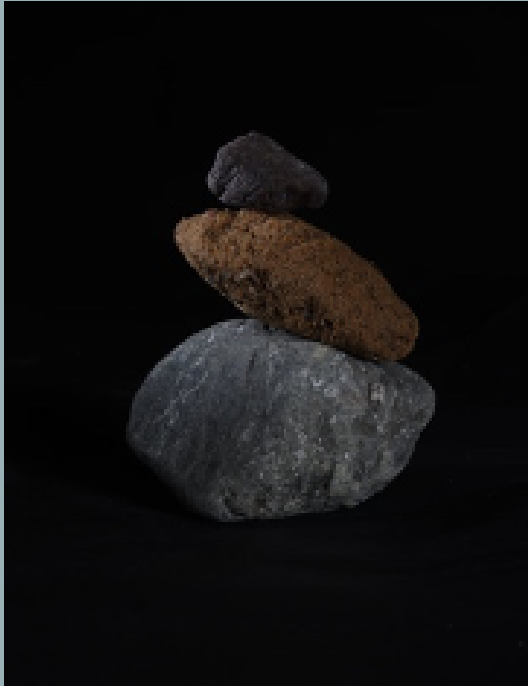
Soft Filter was a new large-scale commission for Tauranga Art Gallery's atrium by Wellington-based artist Andrew Beck. Raised in Tauranga, Beck has exhibited globally and is well known for his unique contributions to camera-less photography. Returning photography to its analogue roots, Beck's highly experimental photographs are produced by exposing large sheets of light sensitive paper in the darkroom. By exposing these sheets through a range of objects he captures shadows, light effects, and movement at a 1:1 scale. In the resulting images, the familiar becomes oddly alien and concepts of realism and abstraction merge, allowing us to see everyday phenomena with new eyes.



GOODBYE BAY OF PLENTY: ROBIN WHITE PRINTS FROM THE TAURANGA ART GALLERY COLLECTION
9 April – 14 August 2022

Dame Robin White (Ngāti Awa/ Pākehā, born 1946 in Te Puke) is recognised as one of New Zealand's key painters and printmakers.

In 2004, as plans to launch the new Tauranga Art Gallery were gaining momentum, White gifted her etching Goodbye Bay of Plenty to the Collection. This gift marked the beginning of a key focus on White's work in the TAG collection. This collection-focused exhibition provided an overview of our holdings of Robin White's work. It was also timed to coincide with Te Papa's major touring retrospective Robin White: Something is Happening Here, co-developed with Auckland Art Gallery Toi o Tāmaki.



MARAEA TIMUTIMU: HE KĀWAI WHENUA HE KĀWAI WHAKAPAPA

29 October 2022 – 12 February 2023

He kāwai whenua He kāwai whakapapa addressed the centrality of whenua within mātauranga Māori and the ways it can connect us to our stories, histories, identities and whakapapa. Timutimu presented a suite of large-scale colour photographs that are a play on portraiture; stones and rocks are collected from the waterways of her maternal and paternal kāinga at Matapihi, Tauranga Moana, and Rūātoki, Eastern Bay of Plenty. They are composed into totemic forms that poetically stand in for people and places that are important to the artist.



ANITAREWA ROBERTSON

18 June – 25 September 2022

The second in a series of emerging artists' projects, Tauranga Art Gallery presented the first public solo exhibition by Tauranga artist, Anitarewa Robertson. Robertson uses found and discarded materials to create sensitive and tactile works that bridge drawing, painting, collage, craft, and sculptural installation. In this exhibition, these materials embody a 'lived' experience beyond the physical, and the innate histories of the ephemera she collects provide a rich starting point for her work.

“😊 I took a group of students from Rotorua and we were so well looked after. Best field trip for ages!” – Carolyn Compton

SHANNON TE AO: TŌKU ORA TŌKU ARA
Saturday 12 November 2022 – Sunday 12 February 2023

Spanning moving image, photography and performance, Te Ao creates work that responds to Māori paradigms, testing the implications of alternative creative, social and linguistic models in relation to the moving image and other performative practices. Te Ao created a major new photographic commission for Tauranga Art Gallery's atrium which departed from his predominantly black and white palette, translating these concerns into monumental full colour.

(Image from NZ Youth Symphonic Wind performance)



AYESHA GREEN: FOLK NATIONALISM
27 August 2022 – January 2023

What are the stories we tell from our collective past and how do they come to inform the lives we live in Aotearoa today? Are our histories accurate? These were some of the questions posed by Tāmaki Makaurau-based artist Ayesha Green (Ngāti Kahungunu, Kai Tahu) in a significant new body of paintings, Folk Nationalism.

Folk Nationalism continued the artist's interrogation into histories of Māori and Pākehā representation and the role that images and language play in perpetuating systems of power. Green often reclaims and recontextualises existing historical images (by the likes of Marcus King and Isaac Coates) to question where power lies and where Māori can gain agency against those historical images. While Green's paintings are often characterised by her simplified rendition of figures and forms, they represent a bold approach to issues concerning her Māori whakapapa – passed down through women over four generations.



Ayesha Green was the 2021 recipient of the Rydal Art Prize – a major contemporary painting prize administered by Tauranga Art Gallery Toi Tauranga in collaboration with Seeds Trust. Folk Nationalism was a key outcome of the Prize.

Project Partner: Seeds Trust

(Top) Ayesha Green, School holiday colouring competition selected entries.

For young children aged 0-12 we had over 200 entries.

(Bottom) Ayesha Green's, step by step painting workshop



TURUMEKE HARRINGTON: MASSIVE PROPS

11 February – 23 April 2023

With a background in industrial design, Turumeke Harrington's (Ngāi Tahu) interests in whakapapa, space, colour and material see her creating installations at the intersection of art and design. Commissioned by Tauranga ArtGallery, the exhibition Massive Props contained two core elements. The first was (Pink mist Māmā/Papa), a suite of three metre long rugs that reference the Earth Mother Papatūānuku, architectural columns and bones. Harrington describes Pink mist as a 'big, strong, māmā skeleton' whose jarring pink and green colouration exploits distinctions between the 'natural' and 'unnatural'. Traditionally characterised as a 'soft' and feminine colour, for Harrington pink is also visceral; associated with birth and 'pink mist', a euphemism for dramatic sprays of blood in film.



Project Partner: Viva Magazine

SIMON WARD: MUSIC TELEVISION

11 February – 23 April 2023

Simon Ward is a largely self-taught animator and video director from Te Whanganui-a-Tara with over sixty music videos under his belt. Music Television, his showreel for Tauranga Art Gallery celebrated the best of his practice from 2007 until today and features collaborations with musicians including Princess Chelsea, Disasteradio and Kalifa a.k.a LeIf.

In a recent interview for Rat World magazine he observed;

'If you want to be a cartoon director, just start making cartoons and putting them on YouTube, then you are a cartoon director. You'll, and you'll gather an audience. And eventually, people will know you as a cartoon director. Just start.'



YVONNE TODD: PERSONAL MYTHOLOGY

25 February – 14 May 2023

Yvonne Todd is renowned for adopting commercial photography techniques to create images of predominantly female models that fuse glamour and the mundane to intense psychological effect. Her starting point is often a garment or object around which an ambiguous narrative can be built.

Todd's 2022 series Personal Mythology reveals a different working process and outcome – originally commissioned as a fashion editorial for Viva magazine, Todd collaborated with Viva's Fashion Director Dan Ahwa.

"The curation was just as brilliant as the artwork itself. Each room seemed to play a part in a grand theatrical performance, and the transitions between them were as unpredictable as my own plans for Gotham City." – Anon/'Joker'

**PAUL DARRAGH: SHAPE UP OR SHIP OUT****25 February – 14 May 2023**

Paul Darragh left an illustrious career in New York City as an art director and graphic designer for big name brands including Nike, IBM and The New York Times to return home to Aotearoa and commit to becoming an artist full-time. Landing first in his hometown of Matamata before moving to Mount Maunganui where he continues to live and work, Darragh has carved out a painting practice that traverses both gallery and street art contexts. His project Shape Up or Ship Out created a space in which these two elements of his practice dramatically coalesce.

Shape Up or Ship Out took the iconic shipping containers that dominate Tauranga's local port as a point of departure, with the long and narrow nature of the gallery itself enhancing this reference. Visual symbols of bar codes, logos and QR Codes were combined and remixed with national and maritime flags to encompass the wider language of the global shipping network. While the exhibition's title made a direct reference to this initial inspiration for the show, Darragh also used it to address the reality of being an artist and the associated 'hustle'; it is his continued work in commercial design that funds his career as a practicing artist.

(Image below from a Paul Darragh skateboard painting workshop)





(Image from education workshop)

DREAM GIRLS ART COLLECTIVE: POP-POCALYPSE
4 March – 28 May 2023

Tauranga Art Gallery's atrium was transformed into a vibrant, psychedelic world dominated by an epic, fire-breathing taniwha by Te Whanganui-a-Tara-based Dream Girls Art Collective. All renowned street artists in their own right, this recently-founded collective includes artists Miriama Grace-Smith, Xoë Hall and GinaKiel.

The Dream Girls' kaupapa centres around making space to shine and be yourself completely. Appearing in car parks, lifts, shop windows and on construction hoardings, their mahi in public space is strategic; giving marginalised narratives a public face and asserting the work of female artists in the traditionally male-dominated street art scene. They make merchandise too – posters, shirts, hoodies – ensuring their work is accessible to a broad audience while also financially supplementing their practice.

POP-POCALYPSE brings their work into a public gallery for the first time. Together, they the language and strategies of street art to traverse contexts within and outside of the art world, all the while celebrating the strength of mana wahine and Te Ao Maori.



**RITA ANGUS: NEW ZEALAND MODERNIST
| HE RINGATOI HOU O AOTEAROA
8 May – 2 July 2023**

Selected works from Te Papa's summer exhibition – Rita Angus: New Zealand Modernist | He Ringatoi Hou o Aotearoa – brings together 20 works by one of New Zealand's most iconic 20th-century artists, Rita Angus (1908–1970). The paintings span Angus's life and career as an artist, drawing out the themes of pacifism, feminism and nature that shaped so much of her work.

This exhibition included many of Angus's most important works, including *Rutu*, 1951, *Cleopatra*, 1938, and *Central Otago*, 1953–56/1969. It also featured two significant recent acquisitions. *Marjorie Marshall* (1938–39/1943) is a remarkable portrait of Angus's friend and fellow artist Marshall, set against the backdrop of Central Otago mountains. *The Aviatrix* (1933) is one of Angus's most important early works – a striking portrait of her sister Edna, the first woman pilot in the East Coast Aero Club, wearing her flying costume.

Te Papa Head of Art Charlotte Davy says Rita Angus: New Zealand Modernist is an exhibition for the whole family to enjoy. *"This exhibition will introduce a new generation of New Zealanders to Rita Angus' work," she says. "It is remarkable how much power and relevance her paintings still have today."*

Project Partner: Te Papa

***"Beautiful experience in gallery space right in the heart of downtown with interesting exhibitions of four New Zealanders artists: Rita Angus, Hiria Anderson- Mita, Ron Te Kawa and Dream Girls Art Collective that have transformed the Gallery's atrium in a psychedelic world dominated by three very big murals. Friendly staff and great presentation of artwork."* – Claudia Pasquini**



**HIRIA ANDERSON-MITA: ĀMIO
8 May – 2 July 2023**

Born and raised in Ōtorohanga where she still lives and works, Hiria Anderson-Mita's (Rereahu, Ngāti Maniapoto, Ngāti Apakura) practice focusses on the lives of the people in her community. Her richly layered paintings subtly draw attention to intertribal relationships and relationships between family members, as well as to the politics and environments that show the nuances and connections between Māori culture and twenty-first-century life.



RON TE KAWA: HEAVENLY BODIES

20 May – 6 August

Maungarongo 'Ron' Te Kawa (Ngāti Porou) has made unique, exuberantly styled quilts since the early 1990s. Using bold colour and a tactile application of materials, his practice explores mātauranga Māori, his whakapapa and atua wāhine (goddesses) with a vigour and energy that is palpably infectious. He says;

"My quilts are an invitation to celebrate the fun, colour and magic of te ao Māori and all those things that fill my heart and heal my mind and spirit. Dance, connection to wairua and nature, whānau, whenua, stories, survival, resilience."

Te Kawa's Heavenly Bodies series consists of nine quilts. Each represents one of the nine stars of the Matariki star cluster, which are often personified as a mother, Matariki, and her eight children: Pōhutukawa, Tupuānuku, Tupuārangi, Waitī, Waitā, Waipunarangi, Ururangi, and Hiwa-i-te-rangi. First presented in 2022 at Season gallery in Tāmaki Makaurau, they have been reunited by Tauranga Art Gallery especially for Matariki. A time to reflect on the past year, celebrate the present, and plan for the year ahead, Te Kawa's work encourages us to do so with warmth, playfulness and generosity.

SARAH HILLARY: DOLPHIN AFTERNOONS

27 May – 6 August 2023

Dolphin Afternoons is a series of intimate, sometimes private scenes rendered small scale. Composed of interior and exterior tableaux, this assembly of new and pre-existing dioramas by Tāmaki Makaurau based artist Sarah Hillary offer glimpses of iconic Aotearoa baches and beaches including Anawhata, Pārāwai and Waihi.



NICK AUSTIN: LIFE PUZZLE

27 May – 6 August 2023

Life Puzzle is the first substantial exhibition to survey the work of Ōtepoti-based artist Nick Austin. Life Puzzle consists of drawings, paintings, and sculptures that nod knowingly to the histories of surrealist, modernist, conceptual, and minimalist art and offer wry observations on life, using visual puns and wordplays to amusing and serious effect.

Project partner: Whangārei Art Museum



**CHRISTINA READ: BEING A PERSON****10 June – 6 August 2023**

Christina Read's work is bright, playful, and deeply vulnerable. The UK-born Tāmaki-based artist's practice spans drawing, painting, collage, textiles, and sculpture, all created with a distinctly 'handmade' sensibility that reveals the vulnerabilities of being an artist – and a person. Oscillating between fiction and autobiography, Read's work explores the construction of selfhood, giving language and form to the complexities of living.

Read acknowledges that being a person is hard. Her new commission for Tauranga Art Gallery's atrium provided a space of goodwill and solace. Sink into the artist's Cosy Corner beneath the stairs to stop and smell the flowers. Reflect (literally) on what it means to be a person in a new suite of Mirrors and consider the nature of Support Structures in a series of zimmer frame-like hanging mechanisms that physically uplift Read's work.

Touring Exhibition

**TERMINUS: JESS JOHNSON & SIMON WARD****30 April to 24 October 2022****Toured to Hastings Art Gallery**

With their pioneering use of virtual reality, artists Jess Johnson and Simon Ward have created a mysterious universe of alien architecture populated by humanoid clones and cryptic symbols. Johnson's drawings are transformed from analogue into digital, animated by Ward and enriched with input from developer Kenny Smith and sound composer Andrew Clarke to create a virtual reality quest; a choose-your-own adventure into the technological.

Education Highlights

6,024

students attended education programmes

5,000+

**primary and secondary school students
caught the Art Bus funded by TAG and
partners**

**New matauranga Māori secondary
schools programming was launched**










**Weekly storytime for pre-school
children introduced**







**Programming presented for tertiary
students showcasing creative
pathways**













**Secondary schools art teachers
networking events and folio workshop
hosted**



Non-Financial Performance

Category	Objective	Performance Target	Status	2022-23 Results
Tauranga Auaha Be an anchor of innovation and activity is a destination for city visitors and residents, providing the opportunity for all to learn about and experience art	Deliver a diverse exhibition and events programme.	A high-quality programme with a minimum of 12 exhibitions and events is delivered that reflects the unique character and needs of Tauranga, inspires the Tauranga community, includes international representation, and integrates key objectives in the areas of innovation, diversity, community, environment.		Showcasing 21 artists the Gallery presented 18 exhibitions across a wide range of media practice. A quarter of the programme showed the practice of local artists.
		At least 35,000 visitors to the Gallery (2022-23); 35,000 for 2023-24 and 38,000 (2024-25)		The Gallery achieved 30,953 visitors during the financial year, 88% of our target , and an increase of 3,139 visitors on previous year. Factors include a period of COVID in the community mid-2020, resulting in reduced community travel, engagement in inner-city events and cancellations.
	Achieve a high level of customer satisfaction.	85% "highly satisfied/ positive" rating via our visitor survey and feedback received from schools and other participants of programmes and events.		73% of visitors surveyed had a highly satisfied. / positive experience. Focussing on the last third of the year when our new curator produced a series of audience focussed shows, the rating jumped to 92% highly satisfied .
Tauranga Auaha Be an anchor of innovation and activity is a destination for city visitors and residents, providing the opportunity for all to learn about and experience art	Deliver a range of education programmes and learning opportunities that meets the needs of our clients.	Education programmes are linked to the exhibition programme and align with the Te Whāriki(ECE) and the NZ Curriculum (primary secondary) curriculum focus areas and identified tertiary outcomes. Programmes are developed to meet the needs of our participants, with te reo and te ao māori principles integrated within our programmes.		The Education Department delivered progress programming, weaving the new curriculum and holistic learning experiences steeped in Te Reo Māori. This innovative ECE programming meets all threads of the ECE curriculum – Te Whāriki. The team are under the guidance of our Pou Arahi.
		A range of in-gallery, outreach and holiday programmes are delivered to a minimum of 7,500 students across Tauranga and the larger WBOP region. Continue to identify opportunities to expand our reach of programmes to schools/ kura.		This year Gallery achieved 86% of its target with 6024 students attending programmes. They came mainly from Tauranga and the Western Bay of Plenty and as far as Rotorua and Tokoroa. Covid related classroom cancellations and July/August 2022 impacted the final number.
		Deliver a range of other learning opportunities for targeted groups and families / whānau – a minimum of 4 in 2023-24, and a minimum of 8 in 2024-25.		Squiggla, storytime and in-gallery activity stations designed especially for whānau meant this target was well surpassed.
KEY	TARGET MET 	TARGET NOT MET 	TARGET ON TRACK TO BE MET 	

Category	Objective	Performance Target	Status	2022-23 Results
Tauranga Mataraua is an anchor for community	Enhance our marketing and communication	A marketing and communications strategy is developed that effectively promotes the Gallery's full range of activities. It will include brand alignment and options to develop technology and digital platforms to provide alternative art experiences to grow audiences and enabling greater access to the visual arts.		With the development of a strategy and the appointment of a Marketing and Communications Co-ordinator and a Business Development and Experience Manager, the Gallery's promotional and engagement activity has increased in presentation and engagement. Highlights include over 8,000 newsletter subscribers with a 41-52% open rate and Instagram videos are reaching on average 100 people.
	Partner with mana whenua, and ensure strong engagement with Māori	Implement an engagement strategy that reflects Tikanga Māori, enabling us to build stronger relationships with mana whenua and enabling wider engagement with Māori.		Pou Arahi, Māori Cultural Advisor (contracted) has been appointed and Māori Engagement Framework in development. Mana whenua appointment to TAGT.
	Partner with government agencies, councils, and other organisations.	Staff, and where appropriate trustees, work in collaboration with relevant government agencies, groups, and councils to share best practice and to align with other events held across the city, i.e., Tauranga Arts Festival, Jazz Festival.		The Gallery is developing a programme to align with the Tauranga Arts Festival. The Director has established a Te Manawataki Cultural Papa leadership and programming group with other facility Directors / Managers, and a member of the Aotearoa Gallery Directors network.
Tauranga Whaihua is an anchor of financial success	Develop a greater awareness of our Social Return on Investment (SROI)	Our Social Return on Investment (SROI) impact is integrated into messages with stakeholders and Gallery supporters, leading to a better understanding of our social and economic impact. Report findings to TCC as part of 2022-23 Annual Report.		Research by MCH and CNZ provides evidence and tools for 'changing the conversation'. TAGT has been implementing key phrases into messaging and reporting to stakeholders and supporters. Sharing stories around key activities (i.e. through the newsletter) has been a key method of building understanding and support.
		New measures and statistics are identified, in addition to ongoing visitor attendance and feedback surveys, to be reported back through the 2022-23 Annual Report		New online and incentivised data capture implemented. New Business Development and Experience Manager appointed with a focus on developing Visitor Experience strategy that will improve reporting and in return overall experience
	Implement prudent financial management processes	Appropriate systems and controls are in place for the efficient financial management planning across all areas of the organisation.		TCC accountant performs monthly checks on financial processes.
		Our annual budget is monitored regularly, with current financial projections maintained to ensure gross revenue targets and forecasted expenditure is within budget.		Compliance with TAGT Audit Committee Policy, Audit NZ requirements and approved general accounting practices.
		Generate 20% revenue from sources other than TCC (2022-23), building towards increasing our alternative revenue by a minimum of 20% (24% of overall operating budget) by 2024-25.		TAGT Finance Audit and Risk committee oversaw monitoring of budget
Legend:  TARGET MET  TARGET NOT MET  TARGET ON TRACK TO BE MET				

Strategy	Objective	Performance Target	Status	2022-23 Results
Tauranga Haukaha is an anchor of the shelter	Involvement in City Centre redevelopment project (Civic Precinct) discussions.	Evidence of collaboration with TCC management team on the development of the Civic Precinct.		Working closely with City Centre teams across partnerships, development and Te Manawataki o Te Papa. Director has established a Te Manawataki o Te Papa leadership and programming group with other facilities partners.
	Tauranga Taiao is an anchor in environmental sustainability	An Asset Management Plan is developed that includes a well-planned repairs and maintenance programme, renewals, and future CAPEX priorities		HVAC review completed. Full plan now a focus for Q2 2023
		Gallery operates in an environmentally sustainable way.		Initial findings indicate a 75%/337,320 kWh/year reduction is required to achieve an energy 4.5 star energy rating. 5,000+ students caught the Art Bus TAGT to work with TCC to continue to scope options for achieving an accreditation by 2024-25.
		TAGT identifies targets in period, in work towards achieving a sustainability accreditation by 2024-25		On track
Tauranga Maru is an anchor for development.	Health, safety, and well-being is a priority	All health, safety and well-being policies and procedures reviewed, and an internal review programme developed to ensure they are regularly monitored to meet statutory requirements.		H&S policies updated to ensure we meet statutory requirements. Health and safety meetings are held monthly.
	We will take all practical steps to ensure our people are engaged, supported, feel connected, and healthy.	Implement best practice human resource management policies and processes		Health and Safety Policy and operational procedures meet statutory requirements and best practice standards of reporting. Monthly H&S staff meetings held to identify risks or concerns, with required actions promptly conveyed to all staff.
		Annual staff survey to be undertaken, potentially in collaboration with Council with a staff rating of 80% staff satisfaction achieved.		TeamPulse survey scheduled for September 2023
	The board is providing best practice governance.	The board provides governance for the TAG strategic direction. All Trustees have a clear understanding of their roles and actively seek professional development opportunities. Board will also exercise openness and transparency, publishing our SOI on our website and key strategic documents, policies and staff and board charters.		Monthly TAGT meetings are held with clear strategic direction given to TAG Director. SOI and Annual reports published on website.
		TAGT board values align with Tauranga City Council's values.		TAGT works closely with TCC to ensure values align. This is reflected in the SOI.
Legend	TARGET MET	TARGET NOT MET	TARGET ON TRACK TO BE MET	
				

Social return on investment research

A. Trans–Tasman research aimed to create knowledge and evidence to inform strategic decisions and enhance discussions about the value of the arts was released December 2022 by NZ Ministry for Culture and Heritage and the Australia Council for the Arts.

Finding #1

Assessing the value of the arts requires a holistic view that considers both economic and social outcomes to fully understand the diverse impacts of the arts and new approaches for revitalising arts, culture and creativity. This includes considering how arts and cultural activities provide value in relation to identity and representation, belonging and social inclusion, and wellbeing

B. This year Creative New Zealand released changing the story on arts, culture, and creativity in Aotearoa – a quick guide committed to empowering the arts, culture, and creative sector with tools to strengthen our collective voice.

It provides a framework and an approach to advocacy to build toward long-term change. It offers evidence-based insights into the most effective ways to talk about the changes we want to see and traps to avoid. It's designed to be used collectively—to strengthen, complement, and support the important work many in the sector are already doing.

Both reports/tools provide an excellent means for TAG to build evidence and communicate the value and social return of the arts. TAG has been implementing key phrases into messaging and reporting to stakeholders. Sharing stories around creative activity and benefits (i.e. through the newsletter) has been a key method to building understanding and support.



Statement of Financial Performance

Tauranga Art Gallery

For the year ended 30 June 2023

'How was it funded?' and 'What did it cost?'

Account	Notes	2023 Actual \$	2023 Budget \$ (unaudited)	2022 Actual \$
Revenue				
Funding from Local and Central Government	1	1,399,987	1,243,912	1,244,284
Non-government grants, sponsorship and donations	1	32,485	135,865	125,495
Interest, dividends and other investment revenue	1	37,360	12,000	8,914
Other revenue	1	291,972	296,403	147,142
Total Revenue		1,761,804	1,688,180	1,525,834
Expenses				
Volunteer and employee related costs	2	1,050,310	841,608	725,758
Advertising and marketing	2	49,255	50,500	35,611
Lease expense	2	6,292	6,300	6,292
Depreciation and amortisation		152,134	145,032	152,422
Costs related to providing goods or service	2	685,075	637,830	569,706
Special Projects		19,143	4,000	2,628
Total Expenses		1,962,208	1,685,270	1,492,417
Surplus/(Deficit) for the Year		(200,404)	2,910	33,417
Other Comprehensive Revenue & Expense				
Property, plant and equipment revaluations		0	0	1,889,392
Total Other Comprehensive Revenue & Expense		0	0	1,889,392
Total Comprehensive Revenue and Expense		(200,404)	2,910	1,922,809

Explanation of major variances against budget are provided on Note "13.Explanations of Major Variances to budget"

For and on behalf of the Trustees:

Deputy Chair

Chair

Date:

Date:

This statement has been prepared without conducting an audit or review engagement, and should be read in conjunction with the attached Compilation Report.

Statement of Financial Position

Tauranga Art Gallery

As at 30 June 2023

Account	Notes	30-Jun-23	30-Jun-22
Assets			
Current Assets			
Bank accounts and cash	3	526,452	594,638
Debtors and prepayments	3	259,827	14,224
Inventory	3	9,000	7,063
Term Deposits	3	872,889	853,726
Other Current Assets	3	0	0
Total Current Assets		1,668,167	1,469,651
Non-Current Assets			
Property, Plant and Equipment		13,609,493	13,728,507
Total Non-Current Assets		13,609,493	13,728,507
Total Assets		15,277,661	15,198,157
Liabilities			
Current Liabilities			
Creditors and accrued expenses	4	523,481	225,325
Employee costs payable	4	75,869	72,404
Total Current Liabilities		599,351	297,729
Total Liabilities		599,351	297,729
Total Assets less Total Liabilities (Net Assets)		14,678,310	14,900,428
Accumulated Funds			
Capital contributed by owners or members	5	1,000,000	1,000,000
Accumulated surpluses or (deficits)	5	5,811,003	6,033,121
Reserves	5	7,867,307	7,867,307
Total Accumulated Funds		14,678,310	14,900,428

Statement of Accounting Policies

Tauranga Art Gallery

For the year ended 30 June 2023

Basis of Preparation

The entity has elected to apply PBE SFR-A (PS) Public Benefit Entity Simple Format Reporting - Accrual (Public Sector) on the basis that it does not have public accountability and has total annual expenses equal to or less than \$2,000,000. All transactions in the Performance Report are reported using the accrual basis of accounting. The Performance Report is prepared under the assumption that the entity will continue to operate in the foreseeable future.

Goods and Services Tax (GST)

The entity is registered for GST. All amounts are stated exclusive of goods and services tax (GST) except for accounts payable and accounts receivable which are stated inclusive of GST.

Grants

Council, government and non-government grants are recognised as revenue when the funding is received or receivable unless there is an obligation to return the funds if conditions of the grant are not met ("use or return condition"). If there is such an obligation, the grant is initially recorded as a liability and recognised as revenue when conditions of the grant are satisfied.

Sale of goods

Revenue from the sale of goods is recognised when the goods are sold to the customer.

Sale of services

Revenue from the sale of services is recognised when the services are provided to the customer.

Donated assets

Revenue from donated assets is recognised upon receipt of the asset, if the asset has a useful life of 12 months or more and the value of the asset is readily obtainable and significant.

Entrance fees

Entrance fees are not charged, any revenue in the form of admission donations is recognised upon receipt of the donation.

Venue hire

Fees charged for events or venue hire are recognised upon attendance at the event or at the time of venue hire. Refundable fees, paid in advance of an event or venue hire are recognised as liabilities until the time of the event or venue hire, at which time they are recognised as revenue. Non-refundable deposits are recognised as revenue at the time of receipt.

Interest and dividend revenue

Interest revenue is recorded as it is earned during the year. Dividend revenue is recognised when the dividend is declared.

Employee related costs

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

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

Superannuation contributions are recorded as an expense as staff provide the services and become entitled to the contributions.

Advertising, marketing, administration, overhead and fundraising costs

These costs are expensed when the related service has been received.

Lease expense

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

Bank Accounts and Cash

Bank accounts and cash in the Statement of Cash Flows comprise cash balances and bank balances (including short term deposits) with original maturities of 90 days or less.

Debtors

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

Inventories

Inventories are initially recorded at cost. Goods held for sale are subsequently measured at the lower of cost and their selling price. Goods for use or distribution are subsequently measured at cost and written down if they become obsolete.

When inventories are sold, exchanged or distributed, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expense is recognised when the goods are distributed or the related service is rendered.

The amount of any write-down of inventories and all losses of inventories is recognised as an expense in the period the write-down loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

Investments

Investments comprise term deposits with banks. Bank deposits are initially measured at the amount paid. The carrying value of bank deposits maturing within 12 months approximates their fair value. If it appears that the carrying amount of the investment will not be recovered, it is written down to expected recoverable amount.

Property, Plant and Equipment

Land is measured at fair value and buildings are measured at fair value less accumulated depreciation. All other asset classes are measured at cost less accumulated depreciation and impairment losses.

Land, buildings and artwork are revalued with sufficient regularity to ensure that their carrying amount does not differ materially from fair value. A revaluation is undertaken at least every three years with the most recent being 30 June 2021.

Revaluation movements are accounted for on a class-of-asset basis.

The net revaluation results are credited or debited to other comprehensive revenue and expense and are accumulated to an asset revaluation reserve in equity for that class of asset. Where this would result in a debit balance in the asset revaluation reserve, this balance is not recognised in other comprehensive revenue and expense but is recognised in the surplus or deficit. Any subsequent increase on revaluation that reverses a previous decrease in value recognised in the surplus or deficit will be recognised first in the surplus or deficit up to the amount previously expensed and then recognised in other comprehensive revenue and expense.

Donated assets are recognised upon receipt of the asset if the asset has a useful life of 12 months or more and the current value of the asset can be readily obtainable and significant. For an asset to be used by the Trust, the asset is impaired if the value to the Trust in using the asset falls below the carrying amount of the asset.

Depreciation is provided on a straight line (SL) or diminishing value (DV) basis, at rates that will write the asset off over their useful lives. The useful lives and associated depreciation rates of major classes of assets is unchanged from prior year and estimated as follows:

	Rate	SL and/or DV
Artworks	N/A	N/A
Land	N/A	N/A
Building	1.0% - 2.0%	SL
Building Improvements	1.0% - 33.3% / 20%	SL/DV
Office equipment	4.0% - 30.0%	DV
Exhibition Equipment	6.6% - 40.0%	DV
Computer Equipment:	20.0%	DV
Tools and Workshop Equipment	10.0%	DV
Intangibles	20.0% - 50.0%	DV

Creditors and accrued expenses

Creditors and accrued expenses are measured at the amount owed.

Employee costs payable

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

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

Loans

Loans are recognised at the amount borrowed from the lender. Loan balances include interest accrued at year end that has not yet been paid.

Provisions

The Trust recognises a provision for future expenditure of uncertain amount or timing when there is a present obligation as a result of a past event, if it is probable that expenditure will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Income Tax

Tauranga Art Gallery is wholly exempt from New Zealand income tax having fully complied with all statutory conditions for these exemptions.

Budget figures

The budget is approved by the Board at the beginning of each financial year.

The budget figures have been approved in accordance with Tier 3 standards, using accounting policies that are consistent with those adopted by the Board in preparing these financial statements.

Tier 2 PBE Accounting Standards applied

The trust has not applied any Tier 2 PBE accounting standards in preparing these financial statements.

Changes in Accounting Policies

There have been no changes in accounting policies. Policies have been applied on a consistent basis with those of the previous reporting period.

Notes to the Performance Report

Tauranga Art Gallery

For the year ended 30 June 2023

Account	2023	2023 Budget \$ (unaudited)	2022
1. Analysis of Revenue			
Funding from Central and Local Government			
Tauranga City Council			
Operating Grant	1,325,243	1,203,912	1,203,925
Collections	0	0	0
Total Tauranga City Council	1,325,243	1,203,912	1,203,925
Western Bay of Plenty District Council	40,000	40,000	40,000
MSD COVID-19 Wage Subsidy	0	0	359
LEOTC Funding Education Programme	34,744		0
Total Funding from Central and Local Government	1,399,987	1,243,912	1,244,284
Non-government grants, sponsorship and donations			
Exhibition Sponsorship	2,609	62,500	75,304
Artbus Sponsorship	3,478	20,000	25,000
Admission Donations	22,241	28,000	11,735
Other donations			
Donation of art works (non- cash)	2,500	0	0
500 Club / Contemporary Corporate Donations	1,000	5,000	5,000
FoTAG Donations	50	12,000	4,569
Other Sponsorship In Kind	607	1,200	1,759
TECT Cheque	0	1,200	916
Grants Other (Non Ed/Exh related)	0	5,000	0
Donations Other	0	965	1,212
Total Other donations	4,157	25,365	13,455
Total Non-government grants, sponsorship and donations	32,485	135,865	125,495
Interest, dividends and other investment revenue	37,360	12,000	8,914
Other revenue			
Education programme revenue	54,863	82,500	34,296
Events and exhibitions	170,564	130,603	69,632
Exhibition Touring Income	19,490	19,500	10,000
Retail Sales	40,261	42,000	22,464
Venue hire	4,121	18,800	5,504
Sundry Income	2,672	3,000	5,245
Total Other revenue	291,972	296,403	147,142

Account	2023	2023 Budget \$ (unaudited)	2022
2. Analysis of Expenses			
Volunteer and employee related costs			
Salaries and wages	950,066	797,526	709,015
Employee Superannuation contributions	0	23,682	0
Recruitment and HR costs	22,580	3,000	6,905
Staff travel	913	4,200	1,530
Staff training	7,515	7,000	4,175
Other Employee related costs	5,951	3,900	4,133

Contractor expenses	63,285	2,300	0
Total Volunteer and employee related costs	1,050,310	841,608	725,758
Advertising and marketing			
Advertising Print Media	24,214	9,000	4,320
Advertising Radio, TV	3,332	0	4,998
Digital Media	1,838	6,000	2,658
Marketing and advertising Other	17,825	11,000	2,016
Graphic Design	243	17,000	13,852
Large Format M&M	1,803	7,500	7,768
Total Advertising and marketing	49,255	50,500	35,611
Lease expense			
TCC Car Park Lease	3,200	3,204	3,200
TCC Transformer Site Rental	3,092	3,096	3,092
Total Lease expense	6,292	6,300	6,292
Costs related to providing goods or services			
Accounting and payroll administration	7,875	6,000	7,725
Administration expenses	125,893	98,003	89,834
Audit fees	25,200	25,020	27,600
Building and maintenance	160,367	151,839	134,091
Consultants and legal	0	12,000	8,133
Cost of goods sold	11,316	27,038	20,805
Education expenses - Art bus	41,504	40,000	23,458
Education program expenses	16,004	26,750	12,192
Interest Expense	11	0	1
Insurance	28,304	24,000	24,111
Venue Hire	914	7,000	90
Collection expenses	1,400	2,400	1,200
Offsite Storage	11,930	0	0
Event and exhibition expenses			
Exhibition Catalogue	0	18,375	0
Exhibition Contractors	20,421	1,750	31,514
Exhibition Misc Expenses	31,532	300	1,434
Artist Exhibition Fee	36,109	19,160	25,255
Fundraising Expenses	0	3,000	86
Graphics Production Exhibitions	23,423	11,025	4,625
Licencing Fees	267	1,700	550
Materials Exhibition	18,196	64,950	79,158
Miles Art Awards Expenses	0	13,155	34,368
Opening Exhibition/TAG Event expenses	10,823	7,770	4,440
Artist related expenses	21,494	7,820	8,040
Paint	9,936	7,475	2,368
Rydal Art Prize Expenses	52,596	9,600	0
TAG Events Supplies and Facilities	6,677	7,000	4,276
Touring Costs Exhibitions	13,580	13,000	14,607
Freight	4,551	31,600	8,840
Staff Travel Costs	4,751	100	908
Total Event and exhibition expenses	254,356	217,780	220,467
Total Costs related to providing goods or servi	685,075	637,830	569,706

Account	2023	2023	2022
		Budget \$ (unaudited)	

3. Analysis of Assets

Bank accounts and cash			
BNZ Oncall account	500,744	0	556,484

BNZ Operational Account	25,708	0	38,154
Total Bank accounts and cash	526,452	0	594,638
Debtors and prepayments			
Debtors	244,343	0	8,117
Prepayments	0	0	1,014
Interest Accrued	15,484	0	5,094
Total Debtors and prepayments	259,827	0	14,224
Inventory			
Inventory	9,000	0	7,063
Other current assets			
Assets Available for Sale ex Quikbooks	0	0	0
Investments			
Term deposits	872,889	0	853,726

All investments are fixed interest investments deposited with a maturity date of 12 month or less.

Account	2023	2023 Budget \$ (unaudited)	2022
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4. Analysis of Liabilities

Creditors and accrued expenses

Accounts Payable	65,395	0	64,052
Accruals	100,340	0	70,254
Business Credit Card	8,922	0	(646)
GST	42,557	0	13,354
Income in Advance	306,266	0	78,312
Total Creditors and accrued expenses	523,481	0	225,325
Employee costs payable			
Holiday Pay Accrual	37,852	0	47,584
Salary Accruals	38,018	0	24,820
Total Employee costs payable	75,869	0	72,404

Account	2023	2023 Budget \$ (unaudited)	2022
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5. Accumulated Funds

Accumulated Funds

Opening Balance	12,977,619	0	12,977,619
Opening Balance Adjustment	(1,889,392)	0	(1,889,392)
Reserves	1,889,392	0	1,889,392
Accumulated surpluses or (deficits)	1,700,691	0	1,922,809
Total Accumulated Funds	14,678,310	0	14,900,428
Total Accumulated Funds	14,678,310	0	14,900,428

Account	2023	2023 Budget \$ (unaudited)	2022
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6. Breakdown of Reserves

Reserves			
Land Revaluation Reserve	3,630,060	0	3,630,060
Building Revaluation Reserve	3,727,998	0	3,727,998
Collection Revaluation Reserve	509,249	0	509,249
Total Reserves	7,867,307	0	7,867,307

Account	2023	2023	2022
		Budget \$ (unaudited)	

7. Operating Lease Commitments

Non-cancellable operating lease rentals payable:			
Less than one year	3,060	0	3,060
Between one and five years	10,200	0	10,200
More than five years	0	0	0
Total Non-cancellable operating lease rentals p	13,260	0	13,260

8. Significant Grants and Donations with Conditions not Recorded as a Liability

No such revenue noted in 2023 Financial year (2022: Nil)

9. Related Parties

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

There are no related party transactions to disclose in 2023 and no related party transactions disclosed in 2022.

10. Events After the Balance Date

There were no events that have occurred after the balance date that would have a material impact on the Performance Report (Last year - nil).

11. Ability to Continue Operating

The entity will continue to operate for the foreseeable future.

12. Contingencies

There are no contingencies or guarantees as at balance date 30 June 2023 (2022 nil)

Tauranga Art Gallery Trust

Chair: Rosemary Protheroe
Deputy Chair: Wayne Werder,
Trustee: Zara Stanhope
Trustee: Ciska Vogelzang
Trustee: Sylvia Willison
Trustee: Alan Withrington

**Tauranga Art Gallery**

Director: Sonya Korohina

Business Development and Experience Manager: Ian Griffin
Marketing and Communications Coordinator: Ashlee Hastings
Office and Accounts Manager: Janeen Gleeson
Front of House Manager: Samantha Rangal

Senior Curator/ Exhibition Manager: Serena Bentley
Exhibition Technician: Jamie Coxon
Registrar: Amaria Kee-Huaki
Public Programmes Manager: Monique Barnett

Education Manager: Sammy-Rose Scapens
Educator: Angie Ogilvy-Clark
School Liaison: Julie McGowan

Pou Arahi, Māori Advisor: Shirley-Marie Coffin (fixed term)
Redevelopment Project Manager: Duane Moyle (fixed term)

Front of House Team/Casuals: Asher McMahon, Bree Straker, Callum Harnor,
Karen Keaney





ANNUAL REPORT

TO 30 JUNE 2023

TĀPOI TE MOANANUI Ā TOI | TOURISM BAY OF PLENTY
(WESTERN BAY OF PLENTY TOURISM AND VISITORS TRUST)

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Appendix: Progress against KPIs

KIA ORA

FROM THE BOARD CHAIR

It's been an exciting time since New Zealand's international border fully reopened last August, following two-and-a-half years of COVID-19 restrictions. With the country once again welcoming international visitors, by sea and air, it's been refreshing to see an uplift in overall visitor arrivals and spend in our region despite the ongoing struggles the hospitality and transport sectors have been having with staffing and resource limitations.

Notwithstanding the economic impact of recent weather events and continuing global and domestic inflationary pressures, discretionary spending on travel and tourism in the Coastal Bay of Plenty has been positive. Accordingly, the Board has been pleased with the various programmes and promotions that Tourism Bay of Plenty (TBOP) has been busy implementing over the past 12 months. A few key highlights are:

- In October 2022, Tauranga welcomed the country's first cruise ship visit of the 2022/23 season. The city went on to host 91 cruise ships, carrying a total of approximately 133,000 passengers and 68,000 crew. TBOP supported a number of new tourism operators, notably Te Whānau Tāpoi Māori o Tauranga Moana (a collective of indigenous tourism businesses), to improve their capability to cater for these visitors.
- The start of 2023 was buoyed by the return of the business events sector, with former COVID restrictions no longer inhibiting such gatherings. TBOP worked hard to optimise this pent-up demand by marketing our region's business event venues and associated operators at various sector trade shows and through Tourism NZ Business Events.

This year has also seen a series of changes to our Board, with Chair Laurissa Cooney and trustee Gwendoline Keel departing after their six-year tenures, Board intern Suki Xiao completing her one-year tenure, and mana whenua representative Charlie Rahiri stepping down due to other work commitments. We've been pleased to welcome the appointment of new trustees Janine Tulloch and Peter Blakeway.

Central to our success is the collaboration we enjoy with our key stakeholders. I'd like to acknowledge and thank our essential funding partners: Tauranga City Council, Western Bay of Plenty District Council, Whakatāne District Council, the Ministry of Business, Innovation and Employment (MBIE), and Bay of Plenty Regional Council Toi Moana.

It's a privilege to present this annual report in my new role as the Chair. It has been, and promises to be an extremely exciting time for our coastal region's tourism sector.



Russ Browne
Board of Trustees Chair
Tāpoi te Moananui ā Toi | Tourism Bay of Plenty

KIA ORA

FROM THE GENERAL MANAGER

This report provides an overview of the key projects and activities delivered by Tourism Bay of Plenty, in accordance with our Statement of Intent 2022-2023, during what has been a progressive transition into a post-COVID tourism environment.

The key projects Tourism Bay of Plenty has undertaken during the past year include:

- Supporting local tourism operators as our region welcomed the return of international visitors, following the reopening of our international border, and enabling the reinstatement of travel trade relationships.
- Delivery of timely marketing campaigns and media familiarisation programmes with relevant partners such as key wholesale travel trade, Tourism New Zealand, NZ Māori Tourism, and visiting media.
- Hosting the second annual Flavours of Plenty Festival, which was successfully delivered over a 10-day period in March and April 2023. This year's festival featured 34 events which were held across the Coastal Bay of Plenty region and, with more than 5,000 attendees, it was exponentially larger than the inaugural festival in 2022.
- The continued delivery of The Green Room | Te Rūma Kākāriki sustainability programme and subsequent ongoing engagement with visitor sector businesses and organisations across the rohe.
- Supporting local tourism businesses through the delivery of other programmes and campaigns that reduce cost and/or increase efficiency, marketing effectiveness, and profitability.

In addition, Tourism Bay of Plenty has contributed significant resource and specialist skills to support a range of wider council community projects and Action and Investment Plans relating to events, cycleways, wayfinding, climate change, city branding, and spatial planning (including the iconic Te Manawataki o Te Papa project).

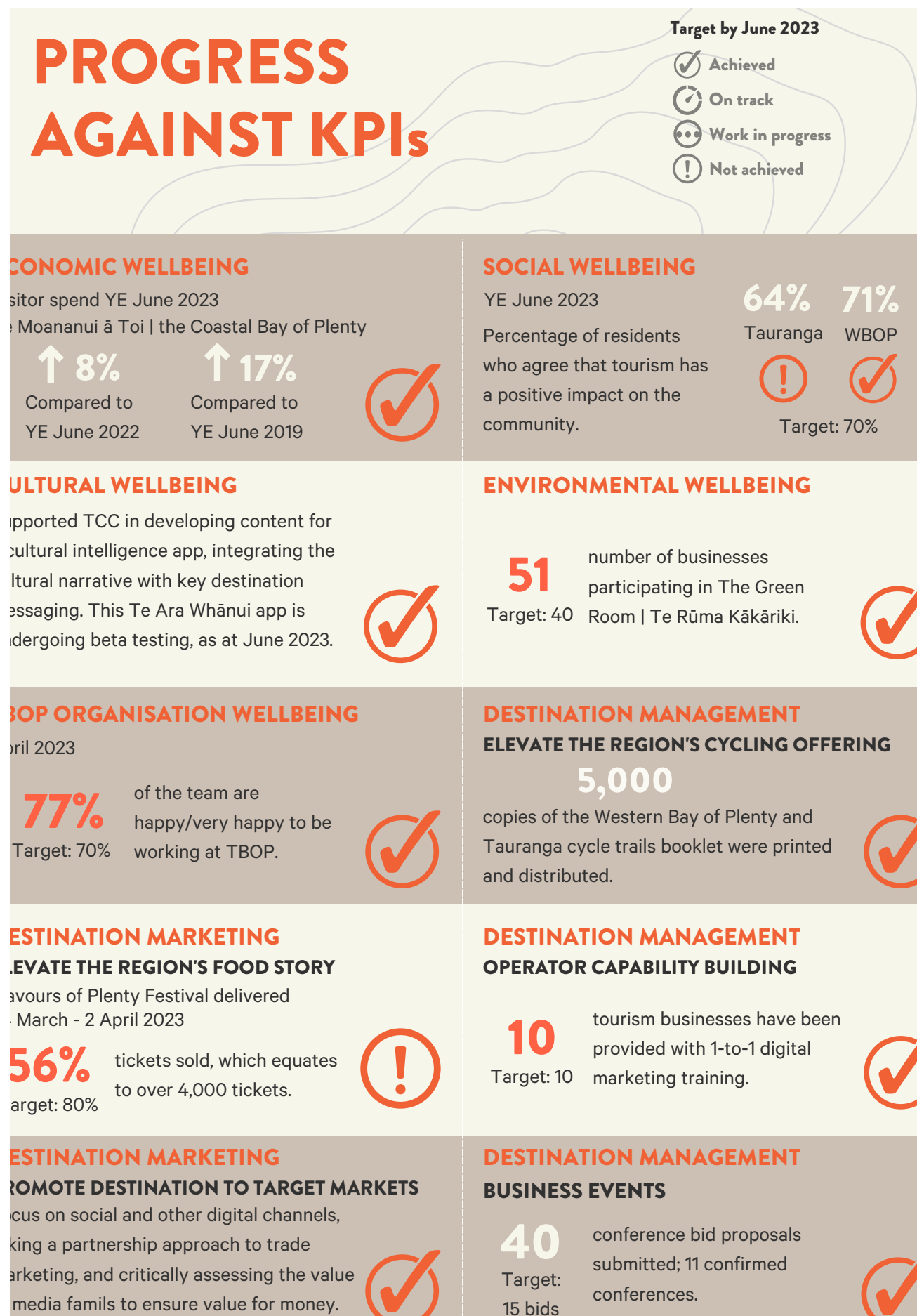
The remainder of this report offers a more informative insight into our team's recent mahi, as we look forward to continuing to lead the prosperity of our people and place through tourism.



Oscar Nathan

Manahautū | General Manager

Tāpoi te Moananui ā Toi | Tourism Bay of Plenty



FLAVOURS OF PLENTY FESTIVAL

34

EVENTS

10

DAYS

51

CONTRIBUTING
ORGANISATIONS

5,000+

ATTENDEES

\$450K

TICKET REVENUE FOR
LOCAL BUSINESSES

\$1.3M

DIGITAL EAV

19%

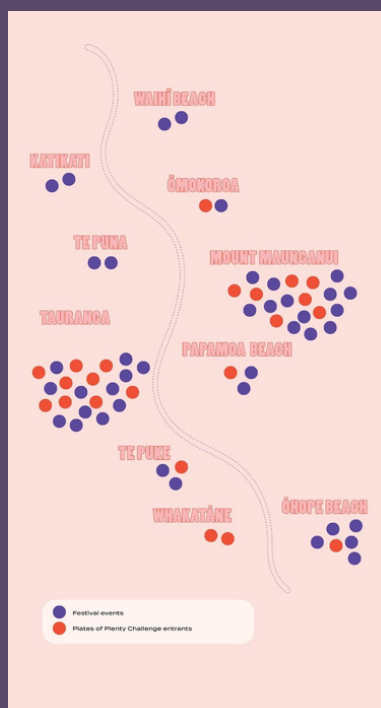
TICKETHOLDERS FROM
OUT-OF-REGION

4,000+

TICKETHOLDERS

12

Coastal BOP eateries featured in the Cuisine Good Food Awards Guide 2023-24 as a direct result of TBOP's media familiarisation programme associated with the festival.



FLAVOURS OF PLENTY



Cuisine Magazine

PROFILING THE FOOD STORY

Details: Media coverage and content creation to position the region as a food destination.

Areas covered: Tauranga, Western Bay of Plenty

Results: Feature articles in:



Fife Lane

MATARIKI DISH CHALLENGE

Details: Seven local eateries participated in the Bay of Plenty challenge, alongside Rotorua eateries.

Result: Increased awareness and understanding of Matariki among eatery staff and diners, and exposure for local eateries.

Areas covered: Tauranga, Mount Maunganui, Papamoa, and Paengaroa.



LOCAL PRODUCT IN LOCAL EATERIES

Details: Hosted networking events, festival, and Plates of Plenty Challenge to encourage collaboration.

Result examples: Pearl Kitchen uses Kaimai Eggs; Pepper & Me uses Fat Guy Fungi mushrooms; Alma Eatery uses Te Puke Truffles, Kaimai Eggs and Marama's mushrooms.

Areas covered: Tauranga, Western Bay of Plenty

DOMESTIC & EVENT MARKETING



DOMESTIC CAMPAIGNS

Details: Ran campaigns in winter 2022, spring 2022, and winter 2023 targeting drive and fly markets.

Results: These campaigns generated a combined 8.9m impressions, 554k video views, and 11.5k link clicks.

Areas covered: Tauranga, Western Bay of Plenty



MATARIKI GUIDE

Details: Highlighting and celebrating the significance of Matariki in the Coastal BOP, incorporating our food story.

Results: 6,500 views of online guide; 3,800 new eDM subscribers; 16,000 views of Instagram reels.

Areas covered: Tauranga, Western Bay of Plenty



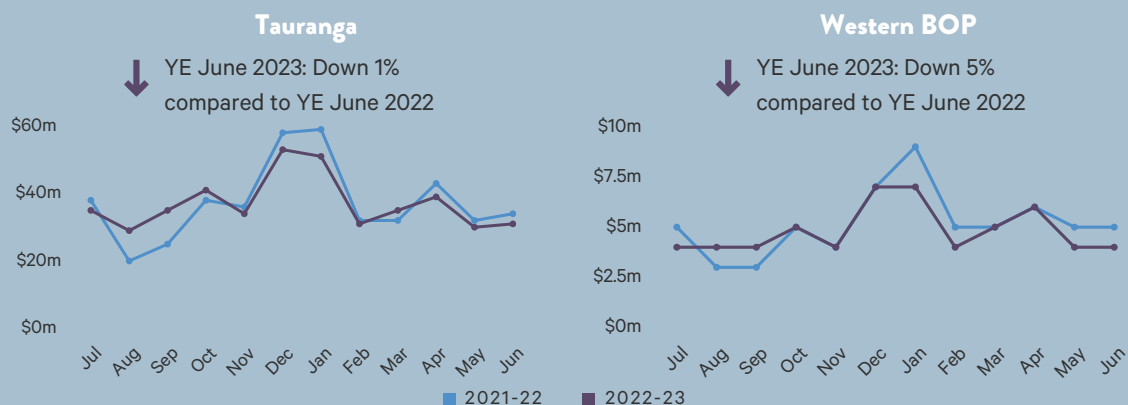
EVENT PROMOTION

Details: Supported events via social, digital, and print promotions, including event guides and FIFA collateral.

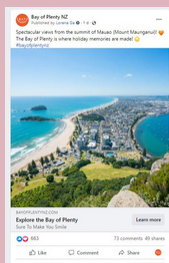
Results: Over 50 events supported; marketing video and flags showcased at nine events; two prize packages.

Areas covered: Tauranga, Western Bay of Plenty

DOMESTIC VISITOR SPEND VIA ELECTRONIC CARD TRANSACTIONS ONLY*



INTERNATIONAL TRADE & MARKETING



Reach:
2.8m
people

SOCIAL CAMPAIGN IN AUSTRALIA

Details: Partnered with Tourism New Zealand to run a social media campaign on the eastern seaboard of Australia.

Results: Reached 2.8 million; 21,000 website clicks; 16,000 video views.

Areas covered: Mount Maunganui



SALES ACTIVITY

Details: Attended trade shows, such as TRENZ and eXplore, with tourism operators. Focused on key markets.

Results: Increased reach and profile in international markets, meaning more likelihood of bookings.

Areas covered: Tauranga



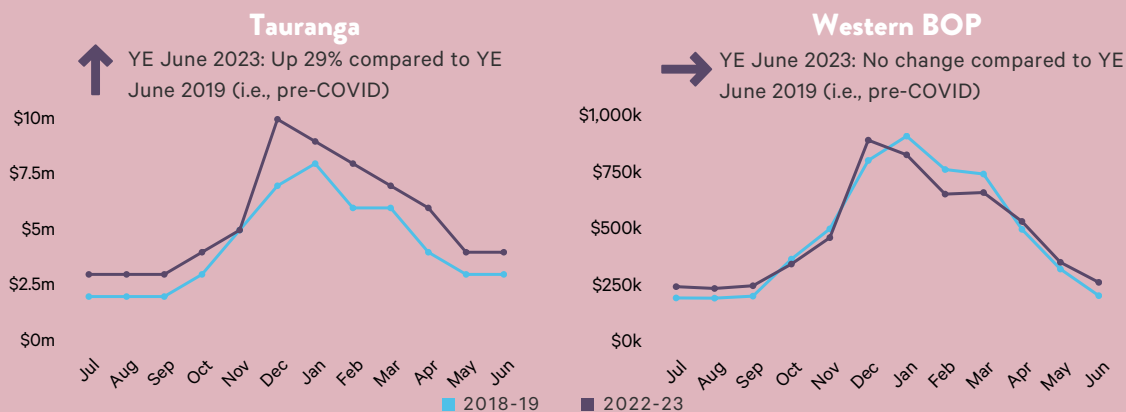
HOSTED INTERNATIONAL JOURNALISTS

Details: Hosted six international journalists from Frommers, 9Honey, Forbes Magazine, Australian's Women's Weekly etc.

Results: Increased reach into international markets; this gave rise to higher quality tourism operations, given the more stringent international requirements.

Areas covered: Tauranga, Western Bay of Plenty

INTERNATIONAL VISITOR SPEND VIA ELECTRONIC CARD TRANSACTIONS ONLY*



ELEVATION OF CULTURAL TOURISM PROPOSITION



NEW CULTURAL ITINERARY

Details: Developed cultural itinerary covering Coastal Bay of Plenty from Te Puna to Whirinaki Forest.

Results:

- Itinerary is being picked up in trade market, creating exposure for the region and these operators.
- Increase in cultural products added to international wholesale brochures will build interest and drive sales.

Areas covered: Tauranga, Western Bay of Plenty



GLOBAL TOURISM NZ FAMIL

Details: Introduced global Tourism NZ staff to Māori cultural tourism product, partnering with NZ Māori Tourism.

Results:

- NZMT and TNZ can knowledgeably share local offering with wider networks, including Inbound Tour Operators.
- Operators built connections with TNZ and now better understand the trade space and how to refine product to fit.

Areas covered: Tauranga, Western Bay of Plenty



DEVELOPED STORYTELLING APP

Details: Storytelling and cultural intelligence app developed in collaboration with TCC Takawaenga team.

Results: App content covers regional history, stories, key information, experiences, and significant sites. App in beta testing phase, planned release date is September 2023.

Areas covered: Tauranga

CRUISE



SUCCESSFUL CRUISE SEASON

Details: A pop-up isite centre was established at the port, with six desks manned by tour operators and isite staff.

Result: Direct promotion and selling of experiences to cruise passengers.

Areas covered: Tauranga, Western Bay of Plenty



**91 total
ships**



**77 ship
days**



**133,000
passengers
(estimated)**



**68,000
crew
(estimated)**

SALES



**isite sales
\$34,000**



**HOHO pax
3,989**



**Ferry pax
558**



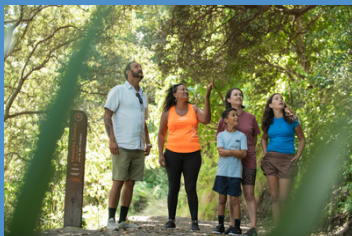
76% OF RESIDENTS SUPPORT CRUISE

Details: Pre-season survey of residents to understand perceived concerns and advantages of cruise.

Result: Positive media coverage to celebrate the return of cruise after a two-and-a-half year absence, including primetime lead TV news item.

Areas covered: Tauranga

SUPPORTING OPERATORS



BUILDING DIGITAL CAPABILITY

Details: Digital capability sessions held with ten local tourism operators.

Results: Improved the digital footprint, website listings, and online marketing knowledge of these operators.

Areas covered: Tauranga, Western Bay of Plenty



SUPPORTING BUSINESS EVENTS

Details: Attended business events trade shows to profile the region and the conferencing and incentives offerings here. BE workshops attended by 50+ businesses.

Results:

- 40 bids submitted and 11 conferences secured.
- Partnered with Bay Venues at MEETINGS Expo 2023.

Areas covered: Tauranga, Western Bay of Plenty



OPERATORS ACHIEVE QUALMARK

Details: Supported operators to get Qualmark, allowing them to operate in the cruise market and to be marketed off-shore.

Result: Eight new Qualmark operators across the Coastal BOP region; several others improved their rating.

Areas covered: Tauranga, Western Bay of Plenty

VALUING OUR ENVIRONMENT



SUPPORTING HARBOUR FERRY

Details: Supported the Tauranga Harbour Ferry with ticketing, promotion, and connection to cruise passengers.

Results: Over 1,700 tickets sold. Provides a more sustainable transport option to city centre when larger (1,000+ pax) ships are in port.

Areas covered: Tauranga



CYCLE TRAILS BOOKLET

Details: Cycle trails booklet developed and 5,000 copies distributed via information centres, accommodation providers, bike shops, cycle groups, Tauranga Airport etc.

Results: Provides information about cycle trails and increases awareness of them to encourage use for leisure and travel.

Areas covered: Tauranga, Western Bay of Plenty

Funders



THE GREEN ROOM | TE RŪMA KĀKĀRIKI

Details: A 12-week programme which enables visitor sector organisations to become more sustainable.

Results: Carbon and waste measurement and reduction, review of business plans to build resilience, donating and participating in community and environmental initiatives etc.

Areas covered: 31 Tauranga and 21 Western Bay of Plenty organisations have completed or started the course.



Vicki Woodcraft

31 July at 20:18 · 🌐

We were thrilled to win the Sustainable Innovation Award at last weeks holiday parks conference. Our submission included all the initiatives we had undertaken for The Green Room, so a huge thanks to everyone for the opportunity to be involved, we wouldn't have got this award without you!

MAJOR NEXT STEPS



01 ONGOING PROMOTION

TBOP will continue to promote the region, both domestically and internationally. We are looking to build our activity in the trade marketing space post-COVID, concentrating on our key international markets of Australia, the UK, and the USA. Tauranga has long been a popular destination among New Zealanders, so we are also exploring new and innovative ways of connecting with our domestic target markets.

We will also continue to build on the business events proposition, building capability, and promoting the region for business events, conferences, and incentives.



02 DEVELOPING A SMART CITY NETWORK

TBOP is implementing a digital storytelling and wayfinding solution for Tauranga City. We have acquired two digital kiosks which are user-friendly, interactive, and have accessibility features. These kiosks provide tailored visitor information and specific area-related storytelling. The kiosks allow for updates on weather, emergencies, events and more, to be shared to increase our in-region touchpoints with visitors. We are aiming to establish an integrated network of these kiosks, managed by TBOP, with Tauranga City Council, Bay Venues Limited, and other stakeholders coming on board as partners. This system will also be linked with a destination app, sharing the same kind of location information, storytelling and promotion of experiences.



03 WELLNESS AS A VISITOR PROPOSITION

A key element of our destination is the ocean and beaches for which the region is already well-known. We have recognised an opportunity to elevate perceptions of the destination's surf and beach culture to include 'wellness'. This will involve linking in products and opportunities to the visitor experience that support mental, emotional, physical, and cultural wellbeing. The initial focus will be on connecting these products to the tourism sector, with a particular interest in how this could tie to the business events sector.

MAJOR NEXT STEPS



04 BRAND

TBOP is working with TCC, WBOPDC, and other stakeholders on the Brand Tauranga Moana project. A formal stakeholder group is being pulled together to collaborate on next steps. TBOP will lead this project.



05 DEVELOPING THE CRUISE SECTOR

There are currently 111 ships booked to visit Tauranga during the next cruise season. We are working with TCC, Port of Tauranga, tourism operators, cruise lines, NZ Cruise Association, and other entities to plan for the season ahead.

TBOP is also undertaking a project to better understand the impacts and values of the cruise sector in Tauranga and the wider Coastal Bay of Plenty. It will take a four wellbeings approach, assessing the economic, social, cultural, and environmental impacts.



06 REGIONAL DEVELOPMENT

TBOP is actively involved in a number of exciting projects and initiatives across the region, which include Te Manawataki o Te Papa, and the Mount Spatial Plan, and a potential new community/tourism/cruise hub for Coronation Park. These important projects are expected to make a significant impact on the future visitor experience in Tauranga.

TBOP is also supporting development opportunities in Te Puke, Waihi Beach and Maketū. We have scoped the tourism opportunities in the latter two locations and will be following these up with council and other stakeholders in the coming months.

We will continue to play a key role as a connector, promoter and experience developer (where possible) on cycleways, waterfalls, and walking trails and reserves, and other projects that support our region's tourism offerings.

ACCOUNTS

WESTERN BAY OF PLENTY TOURISM AND VISITORS TRUST

TRUST DIRECTORY AS AT 30 JUNE 2023

PURPOSE OF BUSINESS

The principle objective of Tourism Bay of Plenty is to promote the economic welfare and development of the region and its community through marketing and management that positively supports the region as a visitor destination.

LEGAL BASIS

Charitable Trust

STRUCTURE

The Trust comprises a Board of eight Trustees who oversee the governance of the Trust, a General Manager who is responsible for the day-to-day operations of the Trust and reporting to the Trustees, and 14 other full-time staff who support the General Manager in delivering the Trust's objectives. The Trustees are appointed by the Tauranga City Council and the Western Bay of Plenty District Council.

MAIN SOURCES OF CASH AND RESOURCES

Operating grants received from the Tauranga City Council, Western Bay of Plenty District Council and Whakatāne District Council are the primary sources of funding to the Trust. The Trust also earns revenue from sales of local and domestic products.

TRUSTEES

R. Browne - Chair
C. Swallow
J. Hill
P. Blakeway
J. Tulloch

REGISTERED OFFICE

8 Wharf Street
Tauranga

SOLICITORS

Holland Beckett, Tauranga

BANKERS

ASB, Tauranga

AUDITORS

Silks Audit Chartered Accountants

ACCOUNTS

WESTERN BAY OF PLENTY TOURISM AND VISITORS TRUST

STATEMENT OF COMPREHENSIVE REVENUE & EXPENDITURE FOR THE YEAR ENDED 30 JUNE 2023

	Notes	2023 Actual	2023 Budget	2022 Actual
REVENUE				
Funding - Tauranga City Council		2,460,663	2,410,660	2,354,721
Funding - Western Bay of Plenty District Council		252,000	232,000	232,000
Funding - Whakatāne District Council		84,705	84,000	84,000
Retail sales		21,048	17,000	10,386
Finance revenue		24,185	1,700	4,424
Other revenue	1	1,587,843	1,642,140	879,900
Total revenue		4,430,444	4,387,500	3,565,431
EXPENDITURE				
Cost of sales	2	12,733	10,300	6,709
Operating & marketing	3	1,938,003	2,096,867	1,469,910
Administration & overhead	4	418,775	495,333	462,266
Finance costs		0	0	0
Employee benefit expenses	5	1,514,566	1,636,200	1,328,354
Trustee fees		81,500	87,000	75,000
Depreciation and loss on sale of assets	11&12	54,276	61,800	70,276
Total expenditure		4,019,853	4,387,500	3,412,515
SURPLUS/(DEFICIT) before Tax	6	410,590	0	152,915
Taxation	7	0	0	0
SURPLUS/(DEFICIT) after tax		410,590	0	152,915
Other Comprehensive Revenue & Expense				
Other comprehensive revenue		0	0	0
Total Other Comprehensive Revenue & Expense		0	0	0
Total Comprehensive Revenue & Expense		410,590	0	152,915

STATEMENT OF CHANGES IN NET ASSETS/EQUITY FOR THE YEAR ENDED 30 JUNE 2023

	2023 Actual	2022 Actual
Net Assets/Equity at start of the year	614,203	461,288
Total comprehensive revenue and expenses	410,590	152,915
BALANCE AT 30 JUNE	1,024,793	614,203

The accompanying notes form part of these financial statements.

ACCOUNTS

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2023

	Notes	2023	2022
ASSETS			
Current assets			
Cash and cash equivalents	8	947,899	1,700,714
Investments	9	500,000	200,000
Debtors & prepayments from exchange transactions	10	44,317	77,831
Debtors & prepayments from non-exchange transactions		36,614	63,500
Inventories		8,516	9,410
Total current assets		<u>1,537,346</u>	<u>2,051,455</u>
Non-current assets			
Property, plant and equipment	11	176,267	181,992
Intangible assets	12	17,630	35,260
Total non-current assets		<u>193,897</u>	<u>217,252</u>
TOTAL ASSETS		<u>1,731,242</u>	<u>2,268,707</u>
LIABILITIES			
Current liabilities			
Creditors and accrued expenses	13	166,815	335,727
Revenue received in advance	13	361,797	1,141,229
Employee benefit liabilities	14	177,837	177,548
Finance leases	15	0	0
Total current liabilities		<u>706,450</u>	<u>1,654,504</u>
Non-current liabilities			
Loans		0	0
Finance leases		0	0
Total non-current liabilities		<u>0</u>	<u>0</u>
TOTAL LIABILITIES		<u>706,450</u>	<u>1,654,504</u>
TOTAL ASSETS LESS TOTAL LIABILITIES		<u>1,024,793</u>	<u>614,203</u>
EQUITY			
Accumulated funds		<u>1,024,793</u>	<u>614,203</u>
TOTAL EQUITY		<u>1,024,793</u>	<u>614,203</u>

The accompanying notes form part of these financial statements.

ACCOUNTS

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2023

	2023 Actual	2022 Actual
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash flow from exchange transactions:		
Receipts from retail sales	21,048	10,386
Receipts from other revenue	819,983	1,313,521
Interest receipts	23,185	3,424
Dividend receipts	1,000	1,000
Interest payments	0	0
Payments to suppliers and employees	-4,087,561	-3,278,952
Total cash flows from exchange transactions	-3,222,345	-1,950,621
Net cash flow from non-exchange transactions		
Receipts of Funding - Tauranga City Council	2,460,663	2,354,721
Receipts of Funding - Western Bay of Plenty District Council	252,000	232,000
Receipts of Funding - Whakatāne District Council	84,000	84,000
GST (net)	3,787	-6,789
Total cash flows from non-exchange transactions	2,800,450	2,663,932
Net cash flow from operating activities	-421,895	713,311
CASH FLOWS FROM INVESTING AND FINANCING ACTIVITIES		
Repayment of loans	0	0
Receipts from sale of fixed assets	0	141
Payments to acquire fixed assets	-30,921	-24,769
Net cash flow from investing & financing activities	-30,921	-24,628
ADD OPENING BANK ACCOUNTS AND CASH	1,900,714	1,212,031
CLOSING BANK ACCOUNTS AND CASH	1,447,899	1,900,714

The accompanying notes form part of these financial statements.

ACCOUNTS

STATEMENT OF ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2023

ENTITY STATEMENT

Western Bay of Plenty Tourism and Visitors Trust is a Council Controlled Organisation (CCO), by virtue of the Council's right to appoint the Board of Trustees. Governance is provided by the Trust Board as per the Trust Deed. The relevant legislation governing the Trust's operations includes the Local Government Act 2002. The financial statements of the Trust have been prepared in accordance with the provisions of section 68 and 69 of the Local Government Act 2002. The Trust is a public benefit entity for financial reporting purposes.

The principle objective of the Trust is to promote the economic welfare and development of the region and its community through marketing and management that positively supports the region as a visitor destination.

The financial statements of the Trust are for the year ended 30 June 2023. The unaudited financial statements were approved by the Board of Trustees on 16th August 2023. The audited financial statements approval date is to be confirmed.

BASIS OF PREPARATION

The financial statements have been prepared on a going concern basis, and the accounting policies have been applied consistently throughout the period.

The financial statements of the Trust have been prepared in accordance with the requirements of the Local Government Act 2002, which includes the requirement to comply with New Zealand generally accepted accounting practice (NZGAAP).

These financial statements have been prepared in accordance with Tier 2 PBE accounting standards on the basis that the Trust is not publicly accountable and expenses are between \$2 and \$30 million. These financial statements comply with Public Benefit Entity standards Reduced Disclosure Regime.

Measurement base

The financial statements have been prepared on a historical cost basis.

Changes in accounting policies

There have been no changes in accounting policies.

Functional and presentation currency

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest dollar. The functional currency of the Trust is New Zealand dollars.

ACCOUNTS

STATEMENT OF ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2023

Goods & Services Tax

The Trust is registered for GST. All amounts in the financial statements are recorded exclusive of GST, except for debtors and creditors, which are stated inclusive of GST. GST is shown as a net amount in the cashflow.

SIGNIFICANT ACCOUNTING POLICIES

Revenue

Grants

Council, government, and non-government grants are recognised as revenue when the funding is received unless there is an obligation to return the funds if conditions of the grant are not met ('use or return condition'). If there is such an obligation, the grant is initially recorded as a liability and recognised as revenue when conditions of the grant are satisfied.

Sale of goods

Revenue from the sale of goods is recognised when the goods are sold to the customer.

Sale of services

Revenue from the sale of services is recognised when the service is provided.

Interest and dividend revenue

Interest revenue is recorded as it is earned during the year. Dividend revenue is recognised when the dividend is declared.

Employee related costs

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

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

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

Advertising, marketing, administration, and overhead costs

These are expensed when the related service has been received.

ACCOUNTS

STATEMENT OF ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2023

Lease expense

Operating leases

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

Finance leases

At the commencement of the lease term, finance leases are recognised as assets and liabilities in the statement of financial position at the lower of the fair value of the leased item or the present value of the minimum payments. The finance charge is charged to the surplus or deficit over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability. The amount recognised as an asset is depreciated over its useful life. The lease is fully depreciated over the lease term.

Cash and cash equivalents

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

Investments

Investments are shares, term deposits, bonds, units in unit trusts, or similar instruments held by the entity.

Debtors

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

Inventory

Inventory held for sale on a commercial basis is valued at the lower of cost or net realisable value. The cost of the inventory is determined using the weighted average method.

ACCOUNTS

STATEMENT OF ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2023

Property, plant, equipment

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

For an asset to be sold, the asset is impaired if the market price for an equivalent asset falls below its carrying amount.

For an asset to be used by the Trust, the asset is impaired if the value to the Trust in using the asset falls below the carrying amount of the asset.

Depreciation is provided on a diminishing value basis on all property, plant and equipment, at rates that will write off the cost of the assets to their estimated residual values over their estimated useful lives.

The useful lives and associated depreciation rates of major classes of assets have been estimated as follows:

- Furniture and fittings (10% - 40%)
- Computers and software (50% - 60%)
- Buildings and leasehold improvements (10% - 25%)
- Office equipment (8% - 67%)

Intangible Assets

Website Development

Website development costs are capitalised when it is probable that the expected economic benefits that are attributable to the asset will flow to the entity and the cost of the asset can be measured reliably. Furthermore, the website must be shown to be capable of generating revenues, including direct revenues from enabling orders to be placed.

Amortisation

Website costs are amortised on a diminishing value basis over the asset's useful life. Amortisation begins when the asset is available for use and ceases at the date when the asset is disposed of. The amortisation charge for each year is included with depreciation and recognised in the Statement of Comprehensive Income.

The useful life and associated amortisation rate has been estimated as follows:

- Website (50%)

ACCOUNTS

STATEMENT OF ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2023

Creditors and accrued expenses

Creditors and accrued expenses are recorded at their face value.

Employee Entitlements

A liability for employee costs payable is recognised when an employee has earned the entitlement. These include salaries and wages accrued up to balance date and annual leave earned but not yet taken at balance date, using current rates of pay.

Loans

Loans are recognised at the amount borrowed from the lender. Loan balances include any interest accrued at year end that has not yet been paid.

Income Taxation

The Trust holds a tax exemption from the Inland Revenue Department in terms of section CW40 of the Income Tax Act 2007, as a local or regional promotional body.

Budget figures

The budget figures are derived from the Statement of Intent as approved by the Board at the beginning of the financial year. The budget figures have been prepared in accordance with Tier 2 standards, using accounting policies that are consistent with those adopted by the Board in preparing these financial statements. Note that the classification of the expenses is different from the Statement of Intent as the employee costs are shown separately in the accounts.

Cashflow

Operating activities have been presented in accordance with the direct method.

Equity

Equity is the councils' interest in the Trust and is measured as the difference between total assets and total liabilities.

ACCOUNTS

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

	2023	2022	
1 Other Revenue			
Industry Contributions	87,681	24,006	
Regional Events Funding	578,782	327,694	
STAPP Funding	680,149	398,704	
BOPRC Funding	60,000	60,000	
Other Income	181,231	69,496	
	<u>1,587,843</u>	<u>879,900</u>	
2 Cost of Sales			
The write-down of inventory during the year was Nil (2022: Nil). The reversal of write-downs for the year was Nil (2022: Nil).			
Opening Inventory	9,410	12,620	
Purchases	11,839	3,499	
Closing Inventory	<u>(8,516)</u>	<u>(9,410)</u>	
Total Cost of Sales	<u>12,733</u>	<u>6,709</u>	
3 Operating and Marketing			
Credit Card Charges	2,219	329	
Events Marketing	716,107	512,385	
Cruise Marketing and Operating	189,883	10,730	
Consumer Marketing	430,327	283,130	
Development & Research	414,622	365,956	
General and Other Marketing	184,845	297,380	
	<u>1,938,003</u>	<u>1,469,910</u>	
4 Administration and Overhead			
Audit Fees	27,072	24,783	
Cleaning & Security	16,068	15,385	
Rent	151,759	133,775	
Recruitment, Training & HR	7,115	60,844	
Repairs & Maintenance	5,743	808	
Vehicle	35,153	39,287	
Subscriptions	11,913	9,255	
IT expenses	33,271	42,481	
Telephone	8,421	7,674	
Electricity	8,425	8,496	
Other Administration & Overhead	113,835	119,478	
	<u>418,775</u>	<u>462,266</u>	
5 Employee Benefit Expenses			
Salaries and Wages	1,477,770	1,292,879	
Employer Superannuation Contributions	34,264	32,240	
Other Employee Related Costs	2,532	3,235	
	<u>1,514,566</u>	<u>1,328,354</u>	
6 Variance Budget to Actual			
INCOME	Actual	Budget	Variance
Other Revenue (MBIE funding not yet spent carried forward to next financial year)	1,587,843	1,642,140	- 54,297
EXPENDITURE			
Operating & Marketing (MBIE funding due to be spent this year will now be spent in 2023)	1,938,003	2,096,867	- 158,864
Administration & Overhead (Contingency & HR costs down on budget)	418,775	495,333	- 76,558
Employee Benefit Expenses (Staff vacancies for part of year)	1,514,566	1,636,200	- 121,634

ACCOUNTS

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

7 Taxation

The Trust holds confirmation of a tax exemption under section CW 40 of the Income Tax Act 2007

8 Cash and Cash Equivalents

	2023	2022
Cheque Accounts	84,620	65,901
Savings Accounts	862,379	1,633,913
Cash on Hand	900	900
	<u>947,899</u>	<u>1,700,714</u>

9 Investments

Term Deposit ASB Bank \$300,000 2.5% for 1 month, \$200,000 5.2% for 6 months	500,000	200,000
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10 Debtors and Prepayments

Debtors	40,141	36,395
Accrued Income	-	-
GST	36,614	63,500
Prepayments	3,984	41,436
	<u>80,739</u>	<u>141,331</u>
Debtors and prepayments from exchange transactions	44,125	77,831
Debtors and prepayments from non-exchange transactions	<u>36,614</u>	<u>63,500</u>
	<u>80,739</u>	<u>141,331</u>

11 Property, Plant and Equipment

Name	Cost	Accum Dep	1-Jul-22	Purchases	Depreciation	Disposals	30-Jun-23
Total Computers & Software	104,085	93,287	10,799	16,412	7,103	0	20,107
Total Furniture & Fittings	99,885	60,082	39,803	4,703	5,750	0	38,757
Total Leasehold Improvements	288,399	173,873	114,527	7,509	15,770	0	106,266
Total Office Equipment	113,785	96,921	16,864	2,297	8,023	0	11,138
Total	606,154	424,162	181,992	30,921	36,646	0	176,267

Name	Cost	Accum Dep	1-Jul-21	Purchases	Depreciation	Disposals	30-Jun-22
Total Computers & Software	87,674	70,261	7,937	9,476	6,614	0	10,799
Total Furniture & Fittings	95,182	49,184	44,957	1,041	6,195	0	39,803
Total Leasehold Improvements	280,890	149,903	130,987	0	16,460	0	114,527
Total Office Equipment	112,574	89,823	8,499	14,252	5,746	141	16,864
Total	576,320	359,171	192,380	24,769	35,016	141	181,992

12 Intangible Assets

Name	Cost	Accum Dep	1-Jul-22	Purchases	Depreciation	Disposals	30-Jun-23
Website & CRM	117,482	82,222	35,260	0	17,630	0	17,630
Total	117,482	82,222	35,260	0	17,630	0	17,630

Name	Cost	Accum Dep	1-Jul-21	Purchases	Amortisation	Disposals	30-Jun-22
Website & CRM	117,482	46,962	70,520	0	35,260	0	35,260
Total	117,482	46,962	70,520	0	35,260	0	35,260

ACCOUNTS

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

	2023	2022
13 Creditors and Accruals		
Creditors	85,482	257,360
Accrued Expenses	31,790	39,184
Funds Received on Behalf of Tourism Operators	49,543	39,183
	<u>166,815</u>	<u>335,727</u>
Creditors and Accruals from Exchange Transactions	166,815	335,727
Creditors and Accruals from Non-exchange Transactions	-	-
	<u>166,815</u>	<u>335,727</u>
The Trust holds credit cards with ASB Bank, with a credit limit of \$50,000.		
14 Revenue Received in Advance		
Revenue Received in Advance	361,797	1,141,229
Revenue Received in Advance from Exchange Transactions	361,797	1,141,229
Revenue Received in Advance from Non-exchange Transactions	-	-
	<u>361,797</u>	<u>1,141,229</u>
15 Employee Benefit Liabilities		
Accrued Salaries and Wages	87,451	84,440
Annual Leave	90,386	93,108
	<u>177,837</u>	<u>177,548</u>
16 Finance Lease		
There are currently no finance leases.		
17 Capital and Operational Commitments and Operating Leases		
Non-cancellable operating leases as lessee:		
The Trust leases property, equipment and two vehicles in the normal course of its business, total expenditure for the year was \$143,786. The lease of 8 Wharf Street has two rights of renewal of four years and the lease of 103 The Strand has one right of renewal of four years. The following amounts relate to lease 8 Wharf Street, lease 103 The Strand, Haval vehicle lease, Nissan vehicle lease, and lease of Eftpos machines and photocopier. The future aggregate minimum lease payments to be paid under non-cancellable operating leases are as follows:		
Payable no later than one year	28,860	164,871
Later than one year, not later than five years	22,658	18,830
Later than five years	-	-
	<u>51,518</u>	<u>183,701</u>
18 Contingent Liabilities		
The Trust has no contingent liabilities		

ACCOUNTS

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

19 Related Party Transactions

The Trust received a significant amount of operating grants from the Councils' to deliver its objectives as specified in the Trust Deed.

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

	2023	2022
Key Management Personnel compensation		
Trustees		
Full-time Equivalent Members	6	5
Remuneration	81,500	75,000
Senior Management Team including CEO		
Full-time equivalent members	5	6
Remuneration	612,213	560,310
Total Full-time equivalent members	11	11
Total Remuneration	693,713	635,310

Due to the difficulty in determining the full-time equivalent for Trustees, the full-time equivalent figure is taken as the number of Trustees.

20 Donations

There were no donations paid.

21 Financial Instruments

Financial Instrument Categories

FINANCIAL ASSETS

Cash & Cash Equivalents	1,447,899	1,900,714
Debtors & Other Receivables	76,755	99,895
Total Financial Assets	1,524,654	2,000,609

FINANCIAL LIABILITIES

Creditors & Other Payables	166,815	335,727
Revenue Received in Advance	361,797	1,141,229
Finance Leases	0	0
Total Financial Liabilities at Cost	528,612	1,476,956

22 Events After Balance Date

There are no significant events post balance date.

23 Covid Impact Disclosures

The Senior Management Team and the Trustees have considered the current and future potential effects on the business caused either directly or indirectly by Covid. The effect on the overall results for the year ended 30 June 2023 has been positive, with extra funding received from TSRR and the Regional Events Fund.

Although the borders have now opened to visitors, including cruise passengers, future potential effects are speculative and unknown however the Bay of Plenty is in the privileged position of already attracting mostly domestic visitors. Around 80% is domestic tourism visitor spend and 20% international visitor spend (with cruise less than 5% visitor spend), so we may see a lesser impact in the Bay of Plenty than in other regions. Note that post balance date all Covid restrictions have been lifted in NZ.

CRUISE

Cruise ships were banned in New Zealand on 14 March 2020, resulting in the loss of cruise income last financial year.

Cruise ships have returned in this financial year.

TAURANGA iSITE

The Tauranga iSite has increased the income from the last financial year due to the increase in international tourists to our region since the border reopened.

MARKETING

TSRR Funding of \$1,000,000 was received in September 2021. \$905,353 has been spent as per the criteria and the remaining \$94,647 has been spent in the 2024 financial year. Regional Events Funding of \$1,518,194 has been received. \$1,251,044 has been spent as per the criteria and the remaining \$267,150 will be spent over the next two financial years.

ACKNOWLEDGEMENTS

Main funders



Other funding partners



Thank you for your continued support

CONTACT

TOURISM BAY OF PLENTY

8 Wharf Street

Tauranga

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APPENDIX: PROGRESS AGAINST KPIs

WELLBEING KPIs

FOCUS AREA	PROJECT DELIVERABLE	MEASURE	TBOP	SOURCE	BASELINE (JUNE 2022)	TARGET BY JUNE 2023	UPDATE	STATUS
ECONOMIC Wellbeing	Growing the economic value of the tourism industry.	Trends in visitor spending via electronic card transactions.	Direct Partnered Indirect	Marketview Tourism Dashboard. This may change to MBIE visitor spend data, depending on the best sources available at the time.	In the year ending May 2022, total visitor spending in Te Moananui ā Toi the Coastal Bay of Plenty was down 2% compared to the year ending May 2021.	Monitored and reported on changes in visitor spend to YE June 2023 and use the information to set new goals for future years.	In the YE June 2023, visitor spend in Te Moananui ā Toi the Coastal Bay of Plenty was up 8% compared to YE June 2022, and up 17% compared to the YE June 2019 (pre-COVID). Goals to continue to grow domestic and international visitor spend have been set for the next financial year.	Achieved
SOCIAL Wellbeing	Enhancing the value tourism brings to the community (according to the community).	Residents' sentiment towards tourism. This is measured by the percentage of residents who agree that tourism has a positive impact on the community. Residents provide a rating of 1 to 10, where 1 is strongly disagrees and 10 is strongly agrees.	Direct Partnered Indirect	Residents' satisfaction surveys conducted by the respective council.	Tauranga City Council: 68% agree. Jul-Dec 2021 Representing scores of 7 to 10 Western Bay of Plenty District Council: 62% agree. Jul-Dec 2021 Representing scores of 6 to 10 Whakatāne District Council: 69% agree. YE Dec 2021 Representing scores of 6 to 10	Implemented actions identified from TBOP's community perceptions survey to help enhance the perceived value of tourism to the community. Measured by 68% or more residents agreeing that tourism has a positive impact on the community.	Tauranga City Council: 64% agree . Down 4% compared to Jul-Dec 2021 and compared to the goal of 68%. YE June 2023 Representing scores of 7 to 10 Western Bay of Plenty District Council: 71% agree . Up 9% compared to Jul-Dec 2021 and exceeded goal of 68%. YE June 2023 Representing scores of 6 to 10 Whakatāne District Council: 72% agree . Up 3% compared to YE Dec 2021 result. Jul-Dec 2022 Representing scores of 6 to 10 TBOP's community perceptions survey, undertaken in 2021, concentrated on residents' perceptions of cruise visitors. The results of this survey identified concerns around the potential spread of COVID, overcrowding, and traffic congestion. These concerns were addressed through pre-emptive communication around the strict COVID protocols on cruise ships, a traffic management plan, and working with local tourism operators to provide tours and experiences across Te Moananui ā Toi the Coastal Bay of Plenty.	Not achieved

FOCUS AREA	PROJECT DELIVERABLE	MEASURE	TBOP	SOURCE	BASELINE (JUNE 2022)	TARGET BY JUNE 2023	UPDATE	STATUS
CULTURAL Wellbeing	Improving the cultural wellbeing of the community through tourism.	Participation in developing cultural storytelling and wayfinding platforms.	Direct Partnered	TBOP Six-Month and Annual Reports.	Agreed to collaborate with councils and iwi on the development of an online resource of cultural stories and images appropriate to destination storytelling.	Managed online gallery and associated ambassador app content, integrating cultural narrative with key destination messaging.	TBOP worked in partnership with Tauranga City Council to develop a cultural intelligence app. This digital platform includes regional history, stories, key information, experiences, significant sites and more. The app has been developed and is undergoing beta testing as of June 2023. The plan is to launch the app during Te Wiki o te Reo Māori in September 2023. Photo shoots and video shoots undertaken included cultural content and will be used for campaigns and image library. B-roll content has been uploaded into a hub shared with our key funders and partners.	Achieved
ENVIRONMENTAL Wellbeing	Improving the environmental wellbeing of the region through environmental sustainability and regeneration projects.	Number of industry-focused environmental sustainability and regeneration initiatives facilitated or enabled by TBOP.	Direct Partnered	Programme reports.	Developed The Green Room programme (aimed at helping operators to reduce their carbon and waste footprints) and ran the first course.	A total of 40 tourism or hospitality businesses to complete The Green Room programme during the year.	A total of 51 tourism and hospitality businesses participated in The Green Room Te Rūma Kākāriki programme during the YE June 2023.	Achieved
TBOP ORGANISATION Wellbeing	Enhance TBOP's ability to achieve its goals through high staff engagement.	TBOP staff engagement.	Direct	Employee engagement survey.	Employee Engagement score: 63% of employees are 'happy' or 'very happy' working at TBOP. May 2022 (Note change of method compared to previous years, so results are not directly comparable.)	Employee Engagement score: at least 70% of employees are 'happy' or 'very happy' working at TBOP.	Employee Engagement score: 77% of the team are 'happy' or 'very happy' working at TBOP. Target exceeded by 7%. April 2023	Achieved

ACTIVITY KPIs

FOCUS AREA	PROJECT DELIVERABLE	MEASURE	TBOP	SOURCE	BASELINE (FEB 2022)	TARGET BY JUNE 2023	UPDATE	STATUS
DESTINATION MANAGEMENT	Elevate the region's cycling offering	Develop and share promotional and informative material on cycle trails and help to facilitate the development of a cycle trail network.	Direct Partnered	Council's feedback.	First iteration of Western Bay of Plenty cycle trails booklet produced.	Combined Western Bay of Plenty and Tauranga cycle trails booklet and storytelling produced and shared via TBOP channels.	Tauranga and Western Bay of Plenty cycle trails booklet was released in September. A total of 5,000 copies were printed and distributed to visitor information centres, accommodation providers, bike shops and other retail outlets, local cycle groups, Tauranga Airport, libraries and more.	Achieved
	Build operator capability to enhance the quality of the region's tourism offering	Provide opportunities for operators to train or upskill in key areas and gain Qualmark certification.	Direct Partnered Indirect	Capability programme report.	Scoped key areas of training need and developed digital marketing health check and training modules.	Provided 1-to-1 digital marketing training to 10 tourism businesses.	Provided 1-to-1 digital marketing training to 10 tourism operators during the year.	Achieved
	Coordinate opportunities to bring business events to the region	Facilitate leads and bids for business events in the region.	Direct Partnered	TBOP Six-Month and Annual Reports.	Identified key partner agency which delivered one lead within a week of engaging with them.	Facilitated 15 leads or bids for business events in the region.	Bid proposals were submitted in response to 17 conference/event enquiries, with two conferences confirmed for 2022 and two conferences (so far) confirmed for 2023.	Achieved
DESTINATION MARKETING	Elevate the region's food story and proposition	Promote and facilitate the delivery of the Coastal Bay of Plenty region Flavours of Plenty Festival to draw visitors to the region.	Direct Partnered	Festival delivery.	Promoted and facilitated the delivery of the Flavours of Plenty Festival in April 2022.	Promoted the Flavours of Plenty Festival to help sell 80% of festival event tickets.	Over 4,000 Flavours of Plenty Festival event tickets were sold. This equates to 56% of overall tickets available, shy of the targeted 80%. This was primarily due to large events that are difficult to sell out, such as First We Eat, choosing to come under the Flavours of Plenty Festival banner. More than 5,000 people attended Festival events (both ticketed and un-ticketed).	Not achieved
	Promote the destination to our target markets (outdoor adventurers, surf & beach lovers, cultural explorers, and eco-travellers)	Develop and deliver marketing campaigns that incorporate all four DNA™ elements and reach the destination's target markets.	Direct Partnered	Campaign collateral.	Delivered the refreshed domestic 'Sure to Make You Smile' campaign.	Identified effective channels for marketing to international and domestic audiences to ensure value for money.	TBOP has consistently reviewed reach, engagement (quantity and quality), and EAV (where possible) of various marketing channels, both domestically and internationally. This has resulted in a more targeted approach for international marketing and trade, a stronger focus on digital channels, and the ability to selectively pursue media opportunities that have a worthwhile potential return on the investment.	Achieved



ANNUAL REPORT 2022-2023

For the year ended
30 June 2023



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PART ONE – OUR YEAR



BOPLASS Chair's Report

On behalf of our Directors, I am pleased to present the BOPLASS 2023 Annual Report to our Shareholders.

Every year the number of projects managed by BOPLASS continues to grow, requiring a significant commitment to contract renewals, reviews, and supplier management on behalf of our shareholding councils. 2022/23 was a particularly challenging period for renewals, given the high-inflationary environment and many vendors pushing for increases. However, through the continued aggregation of councils' volumes and maintaining competitive procurement processes, BOPLASS has performed extremely well, with the majority of collective contracts being renewed with little or no price increases. Shareholding councils have directly benefited from this approach, allowing them to achieve continued savings, significantly reduced costs, efficient use of centralised resources, and improved levels of service.

Several new joint procurement initiatives were initiated this year, with the appointment of a new printer and photocopier supplier being of particular note. Significant financial savings and technology benefits were achieved across all councils through this new tender, with benefits to community groups also negotiated into the agreement. Community benefits and broader outcomes are an important consideration within BOPLASS procurement, and the board encourage the continued development of environmental and cultural measures within BOPLASS processes.

Communities are the heart of local government, so I'm pleased to report on multiple projects undertaken by BOPLASS that assist councils with community engagement and safety. Some of these projects included:

- Media monitoring services
- Social listening services
- CCTV monitoring
- Crime Prevention Through Environmental Design (CPTED)
- Managing conflict & aggressive behaviour – workshops
- Business continuity – 24/7 emergency communication

In 2022/23 a key BOPLASS project played an integral part in helping our constituent councils create safer environments for their communities. In recognition of the continuing rise in retail crime rates, and particularly youth offending, BOPLASS councils initiated a project to coordinate their activities in developing initiatives to help address these problems. Through successful engagement with the Ministry of Social Development, the region has received \$1,000,000 co-funding to help support these important projects. A collaborative project is now underway to collectively develop and improve CCTV, CCTV monitoring, and Crime Prevention Through Environmental Design across the Bay of Plenty. Improvement to this infrastructure provides the opportunity to help stop or reduce crime, identify perpetrators, and ultimately make our communities safer.

Council infrastructure insurance placements remain challenging in what is currently referred to as a 'hard market' with limited capacity from insurers. Given the recent NZ weather events (and global natural catastrophes), it is likely this will only continue to become more challenging. Despite the restricted market capacity, and risk adverse underwriters, very good outcomes were achieved for all councils through the BOPLASS renewal. The BOPLASS collective insurance programme continues to deliver substantial benefits to all councils, in both the insurance rates and the level of cover provided.

International underwriters were particularly impressed with the use of Light Detection and Ranging (LiDAR) data by BOPLASS councils to better understand their risks. Our work was described by them as 'world leading'. Earlier this year, the final LiDAR data for the Bay of Plenty region was captured and delivered ahead of schedule. This essential data assists councils in better understanding the ground terrain in their regions, preparing for severe weather events, and planning for climate change.

New technology has also been a focus for BOPLASS, with scoping of Oblique Aerial Imagery undertaken as an additional option to standard aerial imagery. This data helps provide more detailed information than traditional imagery, allowing a better understanding of the regions' vegetation, landscape and topography.

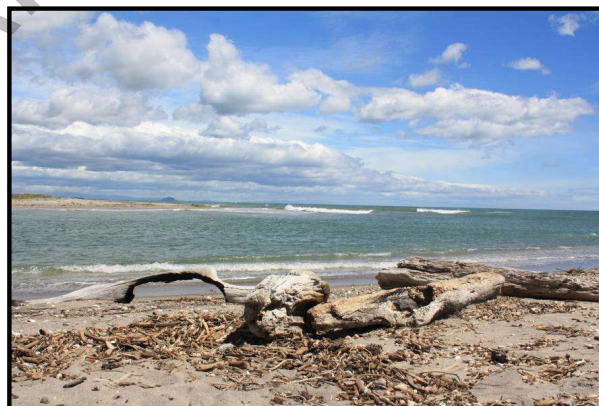
We welcomed two directors to the governance table in 2022/23. Firstly, the Board welcomed Stace Lewer from Ōpōtiki District Council, replacing our long-serving director, Aileen Lawrie, now Chief Executive Officer at Thames-Coromandel District Council. Stace has worked in local government for 22 years including Whakatāne District Council and as the Engineering & Services Group Manager at Ōpōtiki District Council.

More recently, the Board welcomed Julie Gardyne from Taupō District Council, replacing Gareth Green, now the Chief Executive Officer at New Plymouth District Council. Julie has a particular interest in economic development and has worked across a variety of private sector and local government roles.

On behalf of the Board, I wish to acknowledge both Aileen's and Gareth's significant contribution to the company and thank them for their assistance and support during their tenure as BOPLASS directors.

During 2022/23 BOPLASS has continued to deliver significant value to the shareholding councils for a modest investment. We would like to thank the various individuals within all of the councils who have supported and assisted with the achievements of the company.

Craig O'Connell
Chair



Company Directory

Nature of Business: Shared Service Provider

Registered Office: 91 Willow Street, Tauranga 3110

Telephone: +64 7 577 7342

Email: contact@boplass.govt.nz

Website: <https://www.boplass.govt.nz>

Incorporation Number: 2074873

Incorporation Date: 14 January 2008

IRD Number: 98-965-361

Directors: Craig O'Connell
Fiona McTavish
Julie Gardyne
Geoff Williams
Martin Grenfell
John Holyoake
Nedine Thatcher-Swann
Russell George
Stephanie O'Sullivan
Stace Lewer

Shareholders: Bay of Plenty Regional Council
Gisborne District Council
Kawerau District Council
Opotiki District Council
Rotorua Lakes Council
Taupo District Council
Tauranga City Council
Western Bay of Plenty District Council
Whakatane District Council

Auditor: BDO New Zealand

Bankers: ANZ Bank

Solicitors: Cooney Lees and Morgan

Statement of Intent and Performance

The company has complied with section 64 of the Local Government Act 2002 (LGA) and has had the Statement of Intent for 2023-2026 and associated budget formally adopted by the directors by resolution on 23 June 2023.

Performance Targets 2023-2026

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

Targets <u>2023-2026</u>	How	Measure
Ensure supplier agreements are proactively managed to maximise benefits for BOPLASS councils.	Manage and/or renegotiate existing contracts.	Contracts are reviewed annually to test for market competitiveness. New suppliers are awarded contracts through a competitive procurement process involving two or more vendors where applicable.
Investigate new Joint Procurement initiatives for goods and services for BOPLASS councils.	Procure from sources offering best value, service, continuity of supply and/or continued opportunities for integration.	A minimum of four new procurement initiatives investigated. Initiatives provide financial savings of greater than 5% and/or improved service levels to the participating councils.
Identify opportunities to collaborate with other LASS in Procurement or Shared Service projects where alliance provides benefits to all parties.	BOPLASS to regularly engage with other LASS to identify and explore opportunities for further inter-regional collaboration.	Quarterly reporting on engagement and a minimum of one new collaborative initiative undertaken annually.
Further develop and extend the Collaboration Portal for access to, and sharing of, project information and opportunities from other councils and the greater Local Government community to increase breadth of BOPLASS collaboration.	Increase usage of the Collaboration Portal by providing support and training material for new and existing users. Proactively market the benefits to councils.	Number of active users to increase by 5% per year.
Communicate with each shareholding council at appropriate levels.	Actively engage in obtaining political support for identified projects.	Information provided to elected members, and feedback sought, on BOPLASS projects, benefits to local communities, and value added to each council.
Ensure current funding model is appropriate.	Review BOPLASS expenditure and income and review council contributions and other sources of funding.	Performance against budgets reviewed quarterly. Company remains financially viable.

Statement of Intent and Performance continued

The following is a report of performance against targets set in the Statement of Intent for 2022/25.

Target <u>2022/23</u>	Result	Narration
<p>Ensure supplier agreements are proactively managed to maximise benefits for BOPLASS councils.</p> <p>Manage and/or renegotiate existing contracts.</p> <p>Contracts are reviewed annually to test for market competitiveness.</p> <p>New suppliers are awarded contracts through a competitive procurement process involving two or more vendors where applicable.</p>	Achieved	<p>Contracts negotiated and/or renewed for:</p> <p><u>Cyber Insurance</u> – BOPLASS was able to again maintain councils' cyber insurance policies with Berkshire Hathaway by working closely with councils to ensure all underwriter requirements were met and demonstrated. Through the collective approach, BOPLASS was able to secure the renewal on favourable terms and with an increased policy limit across the collective group. <i>Cyber cover is an annual agreement that requires going to market every year.</i></p> <p><u>GIS software and services</u> – Geocortex Essentials Geocortex Analytics NZ Archaeological Association <i>Contracts renegotiated and renewed – no alternative suppliers.</i></p> <p><u>FME software</u> – significant price increase negated by negotiating two-year extension of current agreement under the same terms and pricing. <i>Sole NZ provider</i></p> <p><u>X-Tools</u> - With the agreement of councils' GIS managers, a decision was made to discontinue the XTools maintenance licence as it was purchased from Russia. This supported the NZ Government's position on trade sanctions and the absence of this software did not have an undue impact on council operations.</p> <p><u>LiDAR Capture</u> – the capture of LiDAR data was completed this year across the BOP region ahead of schedule. The early provision of this updated data helps councils with catchment mapping, understanding and preparing for natural hazards, and better planning for climate change.</p> <p><u>My Everyday Wellbeing</u> – BOPLASS renewed the annual subscription for the staff online wellbeing platform with the supplier continuing to provide pricing for all participating councils as a single entity. Increased participation from MW LASS, Co-Lab and BOPLASS councils resulted in further financial savings for the collective.</p>

	<p><u>Print Media Copyright Agency (PMCA)</u> – a collective contract providing savings, for all BOPLASS councils has been renewed with PMCA for councils' print and media copyright services. <i>Sole NZ provider of print and media copyright services.</i></p> <p><u>ESRI Enterprise Licensing Agreement</u> – Core GIS software used in all BOPLASS councils. BOPLASS Enterprise Agreement renegotiated and renewed for a further 3-year term with no increases. Retained the same structure, with all councils continuing to participate under a collective MOU. <i>No alternative provider in NZ.</i></p> <p><u>n3 (previously known as GSB)</u> – Collective purchasing group membership negotiated by BOPLASS. Councils achieving significant savings on membership costs and trade pricing through the group scheme. Agreement renewed for another year at same rates. <i>Sole NZ provider.</i></p> <p><u>Media Monitoring Services</u> – BOPLASS continues to manage a collective media monitoring service with Isentia that provides automatic monitoring and reporting of broadcast, print and social media based upon council requirements. The single BOPLASS portal provides substantial savings to councils while also providing a significant reduction in internal resource requirements. This service has proven to be invaluable for councils during the pandemic and weather events. <i>Service to be put to tender in 2023-24.</i></p> <p><u>Inter-Council Network (ICN)</u> – Review, redesign and renegotiation of suppliers and services – the ICN is a shared service high-capacity fibre network connecting the majority of BOPLASS councils. A review of ICN contracts was undertaken in 2021 to deliver further cost reductions. Since then, further reviews have been conducted with some service costs reduced. This was balanced out by additional services as requested from councils.</p> <p><u>Zoom Video Conferencing Services</u> – Zoom video conference services continue to provide BOPLASS councils with a centralised account management and shared infrastructure. The collective contract was renewed through BOPLASS. <i>VC infrastructure upgrades underway.</i></p> <p><u>Standards NZ</u> – BOPLASS has renewed the agreement with Standards NZ for discounted access to the full Standards catalogue at significantly reduced pricing for all BOPLASS councils. <i>No alternative provider in NZ.</i></p>
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		<p><u>Antenno</u> – this LG community engagement tool is used by the majority of BOPLASS councils. Uptake in the Waikato and MW LASS regions has recently increased. By working in conjunction with the other two LASS a discounted fee was negotiated for any further LASS councils wishing to take up the service.</p> <p><u>Health & Safety Management Software</u> – BOPLASS has negotiated with the collective H&SMS provider on behalf of BOPLASS and Waikato councils for an improvement to reporting systems and an alternative fee structure.</p> <p><u>IPWEA Membership</u> - The Institute of Public Works Engineering Australasia (IPWEA) agreement was renewed in 2022 to provide a single BOPLASS portal to allow all constituent councils to access the full IPWEA online catalogue at heavily reduced pricing. The standards are used by all councils for a variety of engineering purposes. The collective agreement provides for unrestricted access for all councils at a significantly lower cost than under individual arrangements.</p> <p><i>No alternative provider in NZ.</i></p> <p><u>Aerial Imagery</u> – BOPLASS coordinates a regional imagery programme across the region. Two new tenders were run for orthophotography services this year with contracts awarded to AAM NZ for the BOP region and a TCC interim flying programme, including specific requirements for the capture of high growth areas and high specification 8-Pulse LiDAR.</p> <p><u>GIS Training</u> – BOPLASS coordinated specialised GIS ArcPro training across the BOPLASS councils. Substantial savings were achieved through the collective training while also helping to bring all councils up to similar skill levels.</p>
<p>Investigate new Joint Procurement initiatives for goods and services for BOPLASS councils.</p> <p>Procure from sources offering best value, service, continuity of supply and/or continued opportunities for integration.</p> <p>A minimum of four new procurement initiatives investigated. Initiatives provide financial savings of greater than 5% and/or improved service levels to the participating councils.</p>	Achieved	<p>The new procurement initiatives which have been investigated during the year are as follows:</p> <p><u>MFDs (Photocopiers/Printers)</u> – Joint procurement for a multi-function device provider resulted in Canon NZ being appointed as preferred provider to the BOPLASS councils. The outcome through the group approach included very competitive pricing, with further savings achieved through bundled services and shared software solutions across the councils. The procurement process maintained a strong focus on achieving broader outcomes, with Canon demonstrating support for local businesses and communities, working with Māori/Pasifika communities through Ākina and Amotai, and practicing sustainable and environmental processes.</p>

	<p><u>Oblique Aerial Imagery</u> – BOPLASS investigated collaborative opportunities for the capture of Oblique Aerial Imagery for the BOPLASS councils. The imagery provides a more effective visual experience than traditional vertical imagery and is particularly useful for discerning features in the landscape. Delivered through a tailored online viewer and using a subscription-based model through BOPLASS negates the need for councils to store and manage the data. <i>One council has trialled the solution and negotiations with the provider are underway for group pricing.</i></p> <p><u>Infrastructure Insurance</u> – the international placements for BOPLASS councils' infrastructure insurance are only provided on a 12-month term and all placements need to be procured annually. This involves identifying and negotiating with alternative markets every year and often undertaking placements through new or different insurers. Negotiations for councils' infrastructure insurance were undertaken in late 2022 through direct engagement with the London markets and Lloyds syndicates. The size of the collective BOPLASS account allows us to undertake this direct engagement. Despite the restricted capacity and the underwriters become more risk adverse, very good outcomes were achieved for all councils, in both insurance rates and the level of cover achieved. Insurance markets remain cautious about the risk they are prepared to write but have demonstrated confidence in the BOPLASS programme due to the quality of information provided and our historical relationship.</p> <p><u>Social Listening Services</u> – Although BOPLASS manages a media monitoring contract on behalf of the councils, the growth in social media (and decline in traditional media) requires specific tools for identifying and analysing online conversations about councils' brand, to help better understand our communities and their feedback through these channels. <i>A collective procurement process has been initiated.</i></p> <p><u>Crime Prevention Co-funding</u> – BOPLASS successfully secured co-funding from the Ministry of Social Development (MSD) to undertake crime prevention initiatives and programmes within the Bay of Plenty. BOPLASS councils identified the key areas as installation of CCTV equipment and monitoring services; and Crime Prevention through Environmental Design (CPTED) projects. <i>\$1M co-funding has been received and the below projects initiated.</i></p>
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	<p><u>CCTV Monitoring</u> – BOPLASS has worked with councils to identify opportunities for improved CCTV coverage and to collaborate with CCTV monitoring. Joint procurement of systems and technologies are being undertaken as well as shared project management resource.</p> <p><i>Project is still underway.</i></p> <p><u>Crime Prevention through Environmental Design (CPTED)</u> – To support further crime reduction initiatives, BOPLASS is working with councils on the effective use of the environmental design to reduce criminal opportunity, with designs also fostering positive social interaction within community spaces.</p> <p><i>Project is still underway.</i></p> <p><u>24/7 Emergency Communications</u> – The BOPLASS IT Managers group have reviewed the harsh lessons learned about telecommunication interruptions in the aftermath of Cyclone Gabrielle. They have undertaken a project to identify improved technologies for councils' usage that are not reliant on traditional methods of delivery. Starlink has been identified as a reliable solution during severe weather events and investigations are underway to determine the opportunities for councils to share membership and/or hardware or leverage improved pricing through collective procurement.</p> <p><i>Project is still underway.</i></p> <p><u>New service for ICN</u> – Following a redesign of some aspects of the Inter-Council Network (ICN) new links were required. BOPLASS engaged with suitable vendors and Spark were appointed to provision this service. Discounted rates were achieved on behalf of the councils. Procurement was undertaken for the addition of a service in Whakatāne for a new council site and reinstatement of a service to provide backup/redundant services for councils between Whakatāne and Tauranga.</p> <p><u>Waste Operator and Licensing Data System (WOLDS)</u> – The second phase of this project has been initiated with procurement underway for a WOLDS service provider including the provision of an Information Management System. This BOPLASS led project covers all BOPLASS and Co-Lab councils, with a number of other councils expressing interest in participating once the service is established. A single shared service provides the opportunity for standardisation across all regions, improved waste data, and savings through a centralised service.</p> <p><i>Project is still underway.</i></p>
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		<p><u>NAMS+ Subscription</u> – BOPLASS negotiated discounted rates for NAMS+ subscription used by council asset managers.</p> <p><u>Electronic Signing</u> – BOPLASS has led a project undertaking investigation into a shared agreement for DocuSign for councils.</p> <p><i>Project is still underway.</i></p>
<p>Identify opportunities to collaborate with other LASS in Procurement or Shared Service projects where alliance provides benefits to all parties.</p> <p>BOPLASS to regularly engage with other LASS to identify and explore opportunities for further inter-regional collaboration.</p> <p>Quarterly reporting on engagement and a minimum of one new collaborative initiative undertaken annually.</p>	Achieved	<p>BOPLASS continues to work closely with MW LASS and Co-Lab with the LASS leads engaging regularly and formally meeting on a quarterly basis.</p> <p>Shared services projects being undertaken by other LASS have been offered to BOPLASS councils, with the board making a decision to utilise these opportunities to avoid any duplication of services where we can work with other LASS.</p> <p>Some of the shared service projects offered to BOPLASS councils include:</p> <ul style="list-style-type: none"> • Debt Management Central • Archives Central • Building Consent services <p>BOPLASS is leading or managing, on behalf of other LASS:</p> <ul style="list-style-type: none"> • Waste Operator and Licensing Data System • Postal services • Courier services • H&S management system • Staff wellbeing portal • Regional contractor database • Occupational Health Services <p><u>Broader Outcomes in Procurement</u> – The BOPLASS Procurement Group have identified the need to develop a framework around broader outcomes in procurement. To assist this process, BOPLASS are also working closely with Co-Lab and MW LASS for extended understanding, sharing of best practice, and to explore the opportunity for establishing a standard framework across the three regions.</p> <p>In conjunction with this shared work, MWLASS are leading a specific project on social procurement and sharing the outputs with the other two LASS.</p> <p><u>Health & Safety training</u> – BOPLASS and Co-Lab have established aligned contracts with H&S trainers. To provide improved market leverage and ensure the best value is delivered to all councils, it was agreed to tender for service as a collective covering all BOPLASS and Co-Lab councils. This project is being led by Co-Lab on behalf of both LASS.</p>

		<p><u>Managing Conflict & Aggressive Behaviour</u> – The BOPLASS Health & Safety Advisory Group identified an increase in aggressive behaviour across all BOPLASS councils. Working in collaboration with Waikato councils allowed the group to share resources between regions ensuring best practice was shared and to reduce the duplication of effort to the benefit of all parties.</p> <p><u>SHE Prequalification</u> – Co-Lab have funded full access to the SHE prequalification database and extended this access to cover BOPLASS councils opting into the scheme.</p> <p><u>Insurance Markets Joint Communications</u> – To ensure an aligned approach to insurance renewals, and leverage maximum benefits from an aggregated approach, LASS leads collaborated to develop joint underwriter communications that emphasised the geographical spread of assets and the diversity of risk across the greater region. The communications also highlighted risk management and resiliency work undertaken by LASS councils that had proved to perform well through recent events. Continued collective messaging and leveraging of our underwriter relationships remains critical to reinstalling confidence within the markets we engage with.</p> <p><u>Insurance Forum</u> – BOPLASS hosted and coordinated an insurance forum to cover key insurance topics in local government. The forum was well attended by councils from throughout the upper and central North Island.</p> <p><u>Engagement with other LG collaborative groups:</u> Taranaki councils have formed an informal corporate services group to collaborate and share information across the district. BOPLASS and Co-Lab presented to the group on how our formal arrangements work and the benefits achieved, both within the LASSes and inter-regionally. An offer has been made to include Taranaki councils in any BOPLASS contracts that will be beneficial to all parties.</p> <p>A similar presentation and offer were provided to the Canterbury Mayoral Forum (10 TAs and the regional council), with the group expressing strong interest in utilising the MahiTahi Portal and widening their collaboration</p>
Further develop and extend the Collaboration Portal for access to, and sharing of, project information and opportunities from other councils and the greater Local Government community to	Achieved	Projects continue to be added to the MahiTahi LG Collaboration Portal, increasing 5% from 88 to 93 this year. Over time, usage of the dedicated project area has declined, with project activity increasing but now being mainly run from within specific Teams or Channels within the Portal. Given this change in usage, and the

<p>increase breadth of BOPLASS collaboration.</p> <p>Increase usage of the Collaboration Portal by providing support and training material for new and existing users.</p> <p>Proactively market the benefits to councils.</p> <p>Number of listed projects to increase by 5% per year.</p> <p>Number of active users to increase by 5% per year.</p>		<p>difficulty of monitoring individual Channels, this target has been removed for future years.</p> <p>Continued promotion of the MahiTahi LG Collaboration Portal has seen a 13% increase in registered users with numbers increasing from 429 to 485.</p> <p>On-boarding and training material has been helpful in creating a smooth transition for any new members.</p> <p>The Regional Software Holdings Limited migration has resulted in exponential growth, with the Te Uru Kahika hub (regional and unitary councils) now hosted within the same environment as the MahiTahi Collaboration Portal. Both the MahiTahi LG Collaboration Portal and Te Uru Kahika sit side-by-side, with regional council users able to interact on both platforms.</p> <p>A Teams environment was developed for Entity B of the Affordable Water Reform in order to provide a secure workspace and assist the group with communications and collaboration. The development of this Team was conducted in conjunction with the Entity B stakeholders and a third-party Teams developer.</p>
<p>Communicate with each shareholding council at appropriate levels.</p> <p>Meeting with members of Executive Leadership Team.</p> <p>At least one meeting per year.</p>	Achieved	<p>BOPLASS continues to regularly engage with our constituent councils, senior management, and shareholders to ensure opportunities continue to be developed to the benefit of all stakeholders.</p> <p>Engagement with individual ELT members was regularly undertaken but formal meetings with all executive teams was unable to be completed with all councils this year.</p>
<p>Ensure current funding model is appropriate.</p> <p>Review BOPLASS expenditure and income and review council contributions and other sources of funding.</p> <p>Performance against budgets reviewed quarterly. Company remains financially viable.</p>	Achieved	<p>The sources of BOPLASS funding and the viability of the funding model are regularly reviewed with financial reporting provided to the BOPLASS Board.</p> <p>Council contributions were levied with annual council contributions now CPI adjusted.</p> <p>Contributions were received from activities producing savings.</p> <p>Vendor rebates collected.</p> <p>An annual contribution from Co-Lab, MW LASS, Regional Software Holdings (RSHL) and BOPLASS councils is received for membership of the MahiTahi Local Government Collaboration Portal.</p> <p>Monthly and quarterly performance reviewed.</p> <p>Financial statements and budget variances reported and reviewed at Board meetings.</p> <p>Financial position year end 30 June 2023: -\$22,979 deficit.</p>

Statement of Intent and Performance continued

The following is a report of performance against targets set in the Statement of Intent for 2021/22 and is provided for comparative purposes.

Target <u>2021/22</u>	Result	Narration
<p>Ensure supplier agreements are proactively managed to maximise benefits for BOPLASS councils.</p> <p>Manage and/or renegotiate existing contracts.</p> <p>Contracts are reviewed annually to test for market competitiveness.</p> <p>New suppliers are awarded contracts through a competitive procurement process involving two or more vendors where applicable.</p>	Achieved	<p>Contracts negotiated and/or renewed for:</p> <p><u>Zoom Video Conferencing Services</u> – Renewed group enterprise agreement. Zoom video conference services continue to provide BOPLASS councils with centralised account management and shared infrastructure.</p> <p><i>Enterprise contract renegotiated and renewed. No alternative providers.</i></p> <p><u>GIS software and services</u> –</p> <ul style="list-style-type: none"> • FME • Geocortex Essentials & Geocortex Analytics • X-Tools • NZ Archaeological Association • RetroLens <p><i>Contracts renegotiated and renewed – no alternative suppliers</i></p> <p><u>Print Media Copyright Agency (PMCA)</u> – a collective contract providing savings for all BOPLASS councils has been renewed with PMCA for councils’ print and media copyright services.</p> <p><i>Sole NZ provider of print and media copyright services.</i></p> <p><u>Health & Safety Management Software</u> – BOPLASS manages a collective agreement for H&SMS across BOPLASS and Waikato councils. A change of ownership with the incumbent supplier saw a decline in service levels and BOPLASS engaged with the supplier to address the service shortfalls or seek an alternative supplier. Given the number of councils under the collective agreement, improvements were quickly undertaken by the vendor and improved service levels established.</p> <p><i>Project still ongoing.</i></p> <p><u>Media Monitoring Services</u> – BOPLASS continues to manage a collective media monitoring service with Isentia that provides automatic monitoring and reporting of broadcast, print and social media based upon council requirements. The single BOPLASS portal provides substantial savings to councils while</p>

		<p>also providing a significant reduction in internal resource requirements.</p> <p><i>Service to be put to tender in 2022-23.</i></p> <p><u>ESRI Enterprise Licensing Agreement</u> – Core GIS software used in all BOPLASS councils. BOPLASS Enterprise Agreement renewed at no increase in cost to councils.</p> <p><i>No alternative provider in NZ.</i></p> <p><u>n3 (previously known as GSB)</u> – Purchasing group membership negotiated by BOPLASS. Councils achieving significant savings on membership costs and trade pricing through the group scheme. Agreement renewed for another year at same rates.</p> <p><i>Sole NZ provider.</i></p> <p><u>Health and Safety Training provider</u> – BOPLASS renewed the collective agreement with Vertical Horizonz for H&S training across the BOPLASS councils. The agreement provides tailored training and discounted rates. (WLASS have aligned their contract dates with BOPLASS, providing for opportunities to procure collectively at the end of the new contract term.)</p> <p><u>Standards NZ</u> – BOPLASS has renewed the agreement with Standards NZ for discounted access to the full Standards catalogue at significantly reduced pricing for all BOPLASS councils.</p> <p><i>No alternative provider in NZ.</i></p> <p><u>Inter-Council Network (ICN)</u> – Review, redesign and renegotiation of suppliers and services – the ICN is a shared service high-capacity fibre network connecting the majority of BOPLASS councils. A review of ICN contracts was undertaken to deliver further cost reductions, along with the addition of new links for councils. Kordia were appointed to replace Vocus. The resultant contract will provide an improvement in service levels and financial savings for all participating councils. Migration of services to Kordia has been initiated.</p> <p><u>MFDs (Photocopier/printers)</u> – Due to the variable print volumes through Covid lockdowns and the subsequent high level of working from home, BOPLASS negotiated with our incumbent provider to extend the current agreement for a further 16 months. The Variation Agreement included benefits such as retaining existing equipment, providing flexibility through the pandemic disruption, and further discounts to print rates.</p> <p><i>A full tender will be undertaken in 2022 when councils should have an improved understanding of volumes and requirements.</i></p>
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		<p><u>IPWEA Membership</u> - The Institute of Public Works Engineering Australasia (IPWEA) agreement was renewed in 2021 to provide a single BOPLASS portal to allow all constituent councils to access the full IPWEA online catalogue at heavily reduced pricing. The standards are used by all councils for a variety of engineering purposes. The collective agreement provides for unrestricted access for all councils at a significantly lower cost than under individual arrangements.</p> <p><i>No alternative provider in NZ.</i></p>
<p>Investigate new Joint Procurement initiatives for goods and services for BOPLASS councils.</p> <p>Procure from sources offering best value, service, continuity of supply and/or continued opportunities for integration.</p> <p>A minimum of four new procurement initiatives investigated. Initiatives provide financial savings of greater than 5% and/or improved service levels to the participating councils.</p>	Achieved	<p>The new procurement initiatives which have been investigated during the year are as follows:</p> <p><u>Postal Services</u> – Joint procurement for councils' mail services resulted in DX Mail being appointed as preferred supplier. The BOPLASS-led process covered BOPLASS, Co-Lab, MW LASS and Hawke's Bay councils. Savings for all councils will be substantial, particularly for councils with high volumes of urban mail. The contract also provides sustainability and efficiency benefits for councils.</p> <p><u>Courier Services</u> – In conjunction with the Postal services tender a process was managed to identify opportunities for savings with courier services across the BOPLASS, Co-Lab and MW LASS councils. BOPLASS engaged with DIA and ACC to facilitate access to the ACC syndicated contract for courier services. This provides a substantial saving for all councils over their incumbent providers and the alignment with the mail provider offers efficiencies within council mailrooms.</p> <p><u>Infrastructure Insurance</u> – Given the current restricted capacity in the international insurance markets, councils' insurance is only provided on a 12-month term and all placements need to be procured annually. This involves identifying and negotiating with alternative markets every year and often undertaking placements through different insurers. Negotiations for councils' infrastructure insurance were undertaken in late 2021 through direct engagement with London underwriters and Lloyds syndicates. Very good outcomes were achieved for all councils – both in insurance rates and the cover achieved. Insurance markets remain cautious about the risk they are prepared to write but have confidence in the BOPLASS programme due to the quality of information provided and our historical relationship.</p>

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

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

Building Blocks

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

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





PART TWO – ACCOUNTABILITY STATEMENTS



Statement of Responsibility

The following pages 24-47 outline the financial statements and notes for year ended 30 June 2023 for BOPLASS Limited.

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

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

The directors are pleased to present the financial statements of BOPLASS Ltd for the twelve months ended 30 June 2023.

For and on behalf of the Board of Directors:

Signed: _____ Craig O'Connell – Chair Date: _____

Signed: _____ Marty Grenfell – Director Date: _____

**MahiTahi Local Government
Collaboration Portal**

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

Audit Report



DRAFT & UNAUDITED

Audit Report Continued

DRAFT & UNAUDITED

Audit Report Continued

DRAFT & UNAUDITED

Financial Statements – Statement of Financial Position

STATEMENT OF FINANCIAL POSITION - AS AT 30 JUNE 2023			
BOP LASS LTD	Notes	BOP LASS Ltd	
		2022/23 Actual	2021/22 Actual
ASSETS - CURRENT			
Bank accounts and cash	10	445,751	370,585
Short Term Investments	10	250,000	550,000
Debtors and Other Receivables	11	1,828,694	153,287
Prepayments	12	171,055	116,891
Total Current Assets		2,695,113	1,190,763
ASSETS - NON-CURRENT			
Intangible Assets	13	7,055	9,340
Plant and Equipment	14	16,855	22,762
Total Non-Current Assets		23,910	32,101
TOTAL ASSETS		2,719,411	1,222,864
LIABILITIES - CURRENT			
Creditors and Accrued Expenses	15	451,716	281,151
Employee Costs Payable	16	48,047	31,070
Income in Advance	17	2,191,128	858,574
Borrowings	18	0	0
Total Current Liabilities		2,690,891	1,170,795
TOTAL LIABILITIES		2,690,891	1,170,795
TOTAL ASSETS less TOTAL LIABILITIES		28,520	52,070
EQUITY			
Accumulated Deficits	19	(70,482)	(46,932)
Share Capital	19	99,002	99,002
TOTAL EQUITY		28,520	52,070

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

For and on behalf of the Board of Directors:

Signed: _____ Craig O'Connell – Chair Date: _____

Signed: _____ Marty Grenfell – Director Date: _____

Financial Statements – Statement of Financial Performance

STATEMENT OF FINANCIAL PERFORMANCE - FOR THE YEAR ENDED 30 JUNE 2023				
BOP LASS LTD	Notes	BOP LASS Ltd		
		2022/23 Actual	2022/23 Budget	2021/22 Actual
REVENUE				
Council Contribution	2	328,507	313,792	306,140
Project Revenue	2	1,583,738	1,295,700	1,632,054
Interest Revenue	3	14,936	4,300	9,425
Other Income	2.5	0	0	50,000
Total Revenue		1,927,181	1,615,592	1,997,619
EXPENSES				
Depreciation and Amortisation	4	8,191	8,350	7,355
Employee Related Costs	5	318,778	289,520	312,989
Directors Costs	6	19,393	21,000	18,000
Finance Cost	7	0	500	0
Other Expenses	8	1,603,799	1,296,222	1,647,109
Total Expenses		1,950,160	1,615,592	1,985,454
Surplus/(Deficit) before tax		(22,979)	0	12,165
Income Tax Expense/(Benefit)	9	0	0	5,921
Surplus/(Deficit) after tax		(22,979)	0	6,244

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

Media Monitoring

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



Financial Statements – Statement of Cashflows

STATEMENT OF CASHFLOWS - FOR THE YEAR ENDED 30 JUNE 2023			
BOP LASS LTD	Notes	BOP LASS Ltd	
		2022/23 Actual	2021/22 Actual
CASHFLOWS FROM OPERATING ACTIVITIES			
Council Contribution		328,507	306,140
Other Revenue		0	50,000
Project Revenue		1,203,442	1,439,315
Interest Revenue		14,936	9,425
Tax Paid - RWT (net)		0	0
Goods and Services Tax (net)		0	(8,669)
Total Cash Provided		1,546,885	1,796,211
Employee Related Costs		(301,800)	(299,491)
Payments to Suppliers		(1,676,191)	(1,722,774)
Interest Paid		0	0
Tax Paid - RWT (net)		(3,837)	3,019
Goods and Services Tax (net)		210,108	0
Total Cash Applied		(1,771,720)	(2,019,246)
NET CASHFLOWS FROM OPERATING ACTIVITIES		(224,835)	(223,035)
CASHFLOWS FROM INVESTING ACTIVITIES			
Acquisition of Investments		300,000	250,000
Purchase of Plant and Equipment		0	(25,096)
Purchase of Intangibles		0	0
Total Investing Cash Applied		300,000	224,904
NET CASHFLOWS FROM INVESTING ACTIVITIES		300,000	224,904
CASHFLOWS FROM FINANCING ACTIVITIES			
Proceeds from Loans		0	0
Repayment of Loans		0	0
NET CASHFLOWS FROM FINANCING ACTIVITIES		0	0
NET INCREASE/(DECREASE) IN CASH		75,165	1,869
CASH AT BEGINNING OF THE YEAR		370,586	368,716
CASH AT END OF THE YEAR	10	445,751	370,586

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

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

Entity Information for the Year Ended 30 June 2023**LEGAL NAME**

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

TYPE OF ENTITY AND LEGAL BASIS

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

COMPANY'S PURPOSE

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

STRUCTURE OF COMPANY'S OPERATIONS INCLUDING GOVERNANCE ARRANGEMENTS

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

MAIN SOURCE OF THE COMPANY'S CASH AND RESOURCES

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

OUTPUTS

As per the Statement of Intent and Performance.

**All of Government (AoG) Procurement**

BOPLASS takes into account and supports opportunities available through All of Government purchasing arrangements.

Statement of Accounting Policies

Statement of Accounting Policies for the Year Ended 30 June 2023

ACCOUNTING POLICIES APPLIED:

BASIS OF PREPARATION

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

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

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

SIGNIFICANT ACCOUNTING POLICIES

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

GOODS AND SERVICES TAX

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

REVENUE RECOGNITION

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

Contributions received from the nine shareholder councils are BOPLASS Limited's primary source of funding for the 12 months ended 30 June 2023.

Council contributions are recognised as revenue when they become receivable unless there is an obligation to return the funds if conditions of the contributions are not met. No such obligation is attached to the council contributions received for the twelve months ended 30 June 2023.

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

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

EMPLOYEE RELATED COSTS

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

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

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

ADMINISTRATION, OVERHEADS AND PROJECT EXPENDITURE COSTS

These are expensed when the related service has been received.

LEASE EXPENSES

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

BANK ACCOUNTS AND CASH

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

DEBTORS AND OTHER RECEIVABLES

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

PLANT AND EQUIPMENT

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

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

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

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

Office equipment	5 years	20%
Computer equipment/ICN	4 years	25%

INTANGIBLE ASSETS

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

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

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

2021 Computer Software	2 years	50%
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CREDITORS AND ACCRUED EXPENSES

Creditors and accrued expenses are measured at the amount owed.

EMPLOYEE COSTS PAYABLE

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

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

INTEREST BEARING LOANS AND BORROWINGS

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

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

INCOME TAX

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

BUDGET FIGURES

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

COMMITMENT AND CONTINGENT LIABILITIES

Commitments and contingencies are disclosed exclusive of GST.

EQUITY

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

TIER 3 PBE ACCOUNTING STANDARDS APPLIED

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

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

Print Services

A collective contract with Canon for photocopiers and printers has delivered significant savings to the group. It has also provided a common technology platform supporting the development and delivery of further shared services.



Notes to Financial Statements

NOTE 2: COUNCIL CONTRIBUTION / PROJECT REVENUE

	Notes	BOP LASS Ltd		
		2022/23 Actual	2022/23 Budget	2021/22 Actual
Core Revenue				
Council Contribution		328,507	313,792	306,140
				306,140
Project Revenue				
Rebates	*	622	2,500	3,188
Aerial Photography Revenue	**	741,188	400,000	688,275
Video Conferencing Revenue	***	22,472	15,000	26,145
Revenue - ICN	****	127,595	130,000	142,596
Recoveries	*****	654,611	700,000	735,151
Collaboration Portal Revenue	*****	37,250	50,000	36,700
				1,632,054
TOTAL CORE AND PROJECT REVENUE		1,912,245	1,611,292	1,938,194

* Rebates for Services contracted by BOPLASS Ltd are received from NZ Post Ltd and a final from CSG.

** Aerial Photography revenue is offset by Aerial Photography expenditure paid by BOPLASS Ltd on behalf of the councils. Refer to Note 8.

*** Video Conferencing Revenue is offset by Video Conferencing expenditure.

**** ICN Revenue is offset by ICN expenditure.

***** Recovery Revenue is offset by recovery expenditure refer to Note 8. This is the recovery of BOPLASS project or procurement costs incurred on behalf of the participating councils.

***** Collaboration Portal Revenue is offset by Collaboration Portal expenditure.

NOTE 2.5: OTHER INCOME

	Notes	BOP LASS Ltd		
		2022/23 Actual	2022/23 Budget	2021/22 Actual
Other Income				
LINZ Grant	*	0	0	50,000
Reimbursement		0	0	0
TOTAL OTHER INCOME		0	0	50,000

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

NOTE 3: INTEREST REVENUE

	Notes	BOP LASS Ltd		
		2022/23 Actual	2022/23 Budget	2021/22 Actual
Core Revenue				
Interest Revenue - Current account		6,039	200	640
Project Revenue				
Interest Revenue - Aerial Trust account		8,897	4,100	8,784
TOTAL INTEREST REVENUE		14,936	4,300	9,425

NOTE 4: DEPRECIATION AND AMORTISATION EXPENSE

	Notes	BOP LASS Ltd		
		2022/23 Actual	2022/23 Budget	2020/21 Actual
Core Expenditure				
Intangibles	*	2,285	7,700	3,138
Plant and Equipment	**	5,906	650	4,217
TOTAL DEPRECIATION AND AMORTISATION EXPENSE		8,191	8,350	7,355

* Intangibles refer to note 13.

** Plant and Equipment refer to note 14.

NOTE 5: EMPLOYEE RELATED COSTS

	Notes	BOP LASS Ltd		
		2022/23 Actual	2022/23 Budget	2021/22 Actual
Core Expenditure				
Salary and Wages		275,060	265,670	271,338
Superannuation	*	20,379		18,813
Direct Personnel Overheads	**	23,339	23,850	22,837
TOTAL EMPLOYEE RELATED COSTS		318,778	289,520	312,989


* Superannuation includes employer contributions to Kiwisaver.

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

NOTE 6: DIRECTORS COSTS

	Notes	BOP LASS Ltd		
		2022/23 Actual	2022/23 Budget	2021/22 Actual
Core Expenditure				
Directors Costs (Fees & Travel)	*	19,393	21,000	18,000
TOTAL DIRECTORS COSTS		19,393	21,000	18,000

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



Insurance

Collaboration with insurance has provided improved service levels and substantial premium savings for all councils.

NOTE 7: FINANCE COST

	Notes	BOP LASS Ltd		
		2022/23 Actual	2022/23 Budget	2022/23 Actual
Core Expenditure				
Interest on Borrowings	*	0	500	0
TOTAL FINANCE COST		0	500	0

* Interest on Tauranga City Council loan refer to Note 18.

NOTE 8: OTHER EXPENSES

	Notes	BOP LASS Ltd		
		2022/23 Actual	2022/23 Budget	2021/22 Actual
Core Expenditure				
Audit Fees	*	21,277	21,300	21,277
Administration Expenses	**	18,049	17,500	14,814
Consultancy	***	8,400	5,300	8,250
General Costs	****	9,985	10,600	5,320
Insurance		10,950	10,500	9,860
Crime Prevention		13,163	0	0
		81,824	65,200	59,521
Project Expenditure				
Aerial Photography	*	741,188	400,000	688,275
Video Conferencing	**	19,360	14,100	26,145
Inter Council Network (ICN)	**	115,910	124,800	108,582
Recoveries	***	618,870	665,000	742,601
Collaboration Portal Opex	****	26,647	27,122	21,985
		1,521,975	1,231,022	1,587,588
TOTAL OTHER EXPENSES		1,603,799	1,296,222	1,647,109

Core

* Audit Fees for 2023 are \$21,277

** Administration Expenses

*** Consultancy includes tax advice for both 2022 and 2023

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

Project

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

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

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

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

NOTE 9: INCOME TAX EXPENSE

	Notes	BOP LASS Ltd	
		2022/2023 Actual	2021/2022 Actual
Components of tax expense			
Current Tax Expense		0	0
Adjustments to current tax in prior years		0	5,921
Tax Expense		0	0
INCOME TAX EXPENSE		0	5,921
Relationship between tax expense and accounting profit			
Net surplus (deficit) before Taxation*		(22,979)	12,165
Tax calculation @ 28%		(6,434)	3,406
Plus/(Less) Taxation effect of:		0	0
Non-deductible Expenditure		0	278,706
Imputation credit adjustment		0	0
Non-taxable (income)/expenditure		0	(278,436)
Prior Period Adjustment		0	5,921
Group loss offset		0	0
Tax Losses not recognised		0	0
Deferred tax adjustment		(6,434)	(3,676)
TOTAL INCOME TAX EXPENSE		0	5,921

Tax losses of \$7,974 are available to carry forward and offset against any future taxable income

Joint Procurement

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



NOTE 10: BANK ACCOUNTS, CASH AND OTHER FINANCIAL ASSETS

	Notes	BOP LASS Ltd	
		2022/23 Actual	2021/22 Actual
Cash at Bank - Current account		439,819	361,609
Cash at Bank - Aerial Trust account		5,932	8,976
Term Deposit 182 days		250,000	550,000
TOTAL BANK ACCOUNTS AND CASH		695,751	920,585

NOTE 11: DEBTORS AND OTHER RECEIVABLES

	Notes	BOP LASS Ltd	
		2022/23 Actual	2021/22 Actual
Debtors – Other		1,734,157	3,457
Goods and Services		0	22,999
Accrued Revenue		82,758	118,890
Tax (Payable) / Receivable		11,777	7,941
TOTAL DEBTORS AND OTHER RECEIVABLES		1,828,694	153,287

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

NOTE 12: PREPAYMENTS

	Notes	BOP LASS Ltd	
		2021/22 Actual	2021/22 Actual
Under 1 Year		171,055	116,891
TOTAL PREPAYMENTS		171,055	116,891

Coalition of the Willing

BOPLASS councils work within an opt-in principle, meaning projects initially advance with willing and active participants.



NOTE 13: INTANGIBLE ASSETS

	Notes	BOP LASS Ltd	
		2022/23 Actual	2021/22 Actual
Computer Software			
Cost			
Cost at beginning of Year		79,174	79,174
Current Year Additions		0	0
Current Year Disposals		0	0
Cost Balance at Year End		79,174	79,174
Accumulated Amortisation and Impairment			
Cost at beginning of Year		(69,835)	(66,696)
Amortisation Expense		(2,284)	(3,139)
Impairment Losses			
Accumulated Amortisation and Impairment Balance at Year End		(72,119)	(69,835)
Carrying Amounts			
Cost at beginning of Year		9,340	12,478
Carrying Amount at Year End		7,055	9,340

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

No impairment losses have been recognised for intangible assets.

NOTE 14: PLANT AND EQUIPMENT

	Notes	BOP LASS Ltd	
		2022/23 Actual	2021/22 Actual
Office and Computer Equipment			
Cost			
Cost at beginning of Year		22,762	4,516
Current Year Additions		0	25,097
Current Year Disposals		0	0
Cost Balance at Year End		22,762	29,613
Accumulated Depreciation and Impairment			
Cost at beginning of Year		(6,852)	(2,635)
Depreciation Expense		(5,905)	(4,217)
Impairment Losses		0	0
Loss on Disposal of Asset		0	0
Accumulated Depreciation and Impairment Balance at Year End		(12,757)	(6,852)
Carrying Amounts			
Cost at beginning of Year		22,762	1,882
Carrying Amount at Year End		16,855	22,762

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

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

NOTE 15: CREDITORS AND ACCRUED EXPENSES

	Notes	BOP LASS Ltd	
		2022/23 Actual	2021/22 Actual
ANZ Business Credit Card		0	3,887
Creditors		202,057	194,596
Accrued Expenses		25,691.41	25,497
Goods and Services Tax Payable		187,023	0
Retentions		36,944	57,172
TOTAL CREDITORS AND ACCRUED EXPENSES		451,716	281,151

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

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

NOTE 16: EMPLOYEE COSTS PAYABLE

	Notes	BOP LASS Ltd	
		2022/23 Actual	2021/22 Actual
Accrued Salaries and Wages		8,163	7,295
Annual Leave		23,357	11,222
PAYE		16,526	12,553
TOTAL EMPLOYEE COSTS PAYABLE		48,047	31,070

NOTE 17: INCOME IN ADVANCE

	Notes	BOP LASS Ltd	
		2022/23 Actual	2021/22 Actual
Income in Advance	*	2,191,128	858,574
TOTAL INCOME IN ADVANCE		2,191,128	858,574

* Income in advance that relates to 2022/23 financial year:
 \$1,000,000 relating to Crime Prevention
 \$653,439 is for aerial photography
 \$388,391 ESRI Licensing
 \$49,999 is for Proof-of-Concept budget for OpsCom Projects
 \$28,863 N3 Expenses
 \$26,166 Geocortex
 \$17,954 Solid Waste
 \$16,050 MCA and IPWEA Subs
 \$10,266 is for the Geospatial Web project

NOTE 18: BORROWINGS

	Notes	BOP LASS Ltd	
		2022/23 Actual	2021/22 Actual
Maturing in Under 1 Year		0	0
TOTAL BORROWINGS		0	0

BOPLASS Ltd has a reciprocal borrowing arrangement with Tauranga City Council which allows for the borrowing of funds and placement of excess funds. The current loan balance as at 30 June 2023 is \$NIL. Interest is accrued during each interest period.

This loan facility is still available to BOPLASS Ltd.

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

NOTE 19: EQUITY

	Notes	BOP LASS Ltd	
		2022/23 Actual	2021/22 Actual
Share Capital			
Balance at beginning of Year		99,002	99,002
Fully Paid up Shares		0	0
Balance at Year End		99,002	99,002
Accumulated Surpluses/(Deficit)			
Balance at beginning of Year		(47,502)	(53,176)
Surplus/(Deficit) after Taxation		(22,979)	6,244
Balance at Year End		(70,482)	(46,932)

Share Capital - As at 30 June 2023, share capital comprised of thirty-one Ordinary Shares and twenty-two Non-Voting Shares.

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

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

NOTE 20: CONTINGENCIES

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

NOTE 21: EVENTS OCCURRING AFTER BALANCE DAY

No events have occurred since balance date for BOPLASS Ltd.

NOTE 22: STATEMENT OF COMMITMENTS

	Notes	BOP LASS Ltd	
		2022/23 Actual	2021/22 Actual
Capital Commitments		0	0
TOTAL CAPITAL COMMITMENTS		0	0

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

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

OPERATING LEASES AS LESSEE	Notes	BOP LASS Ltd	
		2022/23 Actual	2021/22 Actual
Not later than one year		0	0
Later than one year and not later than five years		0	0
Later than five years		0	0
TOTAL OPERATING LEASES AS LESSEE		0	0

The expense of \$115,910 for the Inter Council Network is recognised in the Statement of Financial Performance refer to Note 8. Participating councils are invoiced by BOPLASS Ltd on a quarterly basis to recover the costs of the Inter Council Network. The pricing is reviewable not less than annually and adjustments are to be made for market trends and for the number of councils participating.

RECOVERY OF OPERATING LEASES PAYMENTS FROM PARTICIPATING COUNCILS	Notes	BOP LASS Ltd	
		2022/23 Actual	2021/22 Actual
Not later than one year		0	0
Later than one year and not later than five years		0	0
Later than five years		0	0
TOTAL OPERATING LEASES AS LESSOR		0	0

**Video Conferencing**

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

NOTE 23: RELATED-PARTY TRANSACTIONS

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

Related party required to be disclosed

Tauranga City Council provided accounting services to BOPLASS Ltd during the financial year to 30 June 2023 free of charge. An estimated value of the accounting services provided for the year is \$15,000.

NOTE 24: STATEMENT OF PERFORMANCE AGAINST STATEMENT OF INTENT

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

The calculation of equity ratio is:

2023: 1.05% (2022: 4.32%)

NOTE 25: EXPLANATIONS OF MAJOR VARIANCES AGAINST BUDGET

BOP LASS Ltd	
Statement of Financial Performance	Variance against Budget
Aerial Photography Revenue and Expenditure (Note 2)	Due to favourable weather conditions, suppliers were able to complete more work than expected. As a result, revenue and expenses have increased proportionally.
Collaboration Portal (Note 2)	Collaboration Portal revenue and expenses have decreased proportionally through various cost saving activities.
ICN Expenditure (Note 8)	ICN expenditure has decreased due to the capital recognition of \$25,097 which will be depreciated over 4 years. (Note 14)
Video Conference Revenue and Expenditure (Note 2)	Fewer video conference services purchased, decreasing expenditure and revenue against budget.
Recoveries and Projects – Recoveries (Note 2)	Project timing is often impacted by reprioritisation of workstreams, with this affecting Project Recoveries and Expenditure. Both the expense and revenue remained proportional.
Interest Revenue (Note 3)	Increasing interest rates have resulted in the increase we see in bank interest.

NOTE 26: BOPLASS CONTRACTUAL OFFSETTING REVENUE & EXPENDITURE TRANSACTIONS

	BOP LASS Ltd 2022/23			
	Revenue	Expenditure	Net Operating Surplus/(Deficit)	Explanation
Core				
Council Contribution	328,507	0	328,507	BOPLASS Ltd receives funds from nine councils to fund administrative costs not related to projects. Includes CPI Adjustment.
Interest Revenue	6,039	0	6,039	Refer Note 3.
Other Income – Reimbursement	0	0	0	Refer Note 2.5.
Depreciation & Amortisation	0	8,191	(8,191)	Refer to Note 4.
Salary and Wages	0	275,060	(275,060)	Refer to Note 5.
Superannuation	0	20,379	(20,379)	Refer to Note 5.
Direct Personnel	0	23,339	(23,339)	Refer to Note 5.
Overheads				
Directors Fees & Costs	0	19,393	(19,393)	Refer to Note 6.
Administration Expenses	0	18,049	(18,049)	Refer to Note 8.
Audit Fees	0	21,277	(21,277)	Refer to Note 8.
Consultancy	0	8,400	(8,400)	Refer to Note 8.
Insurance	0	10,950	(10,950)	Refer to Note 8.
General	0	9,985	(9,985)	Refer to Note 8.
Crime Prevention	0	13,163	(13,163)	Refer to Note 9.
Total	334,546	428,185	(93,639)	
Projects				
Aerial Photography	741,188	741,188	0	Participating councils are invoiced by BOPLASS Ltd and AAM Ltd is paid as percentages of the work on the project are completed.
Interest Revenue related to Aerial Photography	8,897	0	8,897	Bank interest received on the BOPLASS Ltd Aerial Photography Trust account. Refer to Note 3.
Canon Video Conferencing	22,472	19,360	3,112	Councils pay BOPLASS Ltd an amount charged by Canon plus an administrative fee for BOPLASS Ltd maintaining a service and maintenance contract on behalf of the councils.
Inter Council Network	127,595	115,910	11,685	Participating councils are invoiced by BOPLASS Ltd on a quarterly basis to recover the cost for the Inter Council Regional Network Platform. ICN revenue includes recovery of other operating expenditure - ICN, interest on borrowings - ICN loan and BOPLASS Ltd administration fees.
Project Recoveries	654,611	618,870	35,741	BOPLASS charges an administration fee for management of the software purchase and recoveries.
Rebates	622	0	622	Rebates earned by BOPLASS from CSG Technology and NZ Post Ltd.

Collaboration Portal	37,250	26,647	10,603	The Portal is to assist in accelerating growth of shared service strategies and projects throughout local government in New Zealand by increasing visibility of councils' opportunities to collaborate. Membership Revenue lower than expected.
Total	1,592,635	1,521,975	70,659	

Overall Total	1,927,181	1,950,160	(22,979)	
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BOP LASS Ltd 2020/21

	BOP LASS Ltd 2021/22		
	Revenue	Expenditure	Net Operating Surplus/(Deficit)
Core			
Council Contribution	306,140	0	306,140
Interest Revenue	640	0	640
Other Income – Reimbursement	50,000	0	50,000
Depreciation & Amortisation	0	7,355	(7,355)
Salary and Wages	0	271,338	(271,338)
Superannuation	0	18,813	(18,813)
Direct Personnel Overheads	0	22,837	(22,837)
Directors Fees & Costs	0	18,000	(18,000)
Administration Expenses	0	14,814	(14,814)
Audit Fees	0	21,277	(21,277)
Consultancy	0	8,250	(8,250)
Insurance	0	9,860	(9,860)
General	0	5,320	(5,320)
Tax Expense	0	5,921	(5,921)
Total	356,780	403,785	(47,005)
Projects			
Aerial Photography	688,275	688,275	0
Interest Revenue related to Aerial Photography	8,784	0	8,784
Canon Video Conferencing	26,145	26,145	0
Inter Council Network	142,596	108,582	34,014
ESRI Enterprise Licence (Recoveries)	374,500	370,800	3,700
Other Recoveries	360,651	371,801	(11,151)
Rebates	3,188	0	3,188
Collaboration Portal	36,700	21,985	14,715
Total	1,640,838	1,587,589	53,249
Overall Total	1,997,619	1,991,375	6,244

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

NATURE OF BUSINESS

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

DIRECTORS APPOINTED

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

Independent director	Craig O'Connell	26 February 2015 Chair from 16 March 2016
Kawerau District Council	Russell George	14 January 2008
Bay of Plenty Regional Council	Fiona McTavish	30 June 2018
Western Bay of Plenty District Council	John Holyoake	19 July 2021
Rotorua Lakes Council	Geoff Williams	1 July 2013
Whakatane District Council	Stephanie O'Sullivan	19 November 2018
Tauranga City Council	Martin Grenfell	3 September 2018
Taupo District Council	Gareth Green	26 July 2016 until 24 March 2023
	Julie Gardyne	2 June 2023
Gisborne District Council	Nedine Thatcher-Swann	13 March 2017
Opoitiki District Council	Aileen Lawrie	10 August 2010 until 26 July 2022
	Miles McConway (Acting)	16 August 2022 until 22 September 2022
	Stace Lewer	23 September 2022

INTEREST REGISTER

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

DIRECTORS REMUNERATION

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

DONATIONS

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



30 June 2023
ANNUAL REPORT

Benefiting communities through
delivering efficient financing
for local government.
Ka whiwhi painga ngā hapori mā te
whakarato pūtea tōtika ki ngā kaunihera.

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Cover photo: Taupo Town Centre Transformation project.
Taupo District Council

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LGFA Annual Report 2023 03

Message from the Chair and Chief Executive

He karere mai i te Toihau me te Tumuaki

For the year ended 30 June 2023

During challenging market conditions of the past year, LGFA focused on meeting the funding requirements for our local government sector, at the same time extending our suite of innovative sustainable funding and lending products and achieving several key milestones.



New Zealand Issuer of the Year
New Zealand Local Government Funding Agency

On behalf of the directors and staff of LGFA, we are pleased to highlight the following developments over the past year. Of note was the launch of our Climate Action Loan product for council and CCO members and the establishment of our Sustainable Financing Bond Framework, culminating in our first sustainable bond issuance. We achieved a 100% satisfaction outcome in our member survey, 93% market share of council borrowing, and were awarded the KangaNews Issuer of the Year Award for 2022.

2022-23 Financial and operational performance

Over the past year we achieved 16 out of our 17 performance objectives, with the only objective missed being our target for total operating income. Total interest income for the financial year of \$763.6 million increased 94% over the 2021-22 result of \$393.5 million. Net operating profit of \$2.5 million decreased 77% on the 2021-22 result of \$10.7 million. The decrease in net operating profit was largely driven by our decision to adopt a prudent approach of borrowing longer than our term of lending and maintaining a larger than forecast liquid asset portfolio (LAP) during a period of rising interest rates and volatile market conditions. There was also a modest negative impact from our decision to offer a reduced lending margin to members for our sustainability lending products. Operating expenses at \$9.1 million were \$300k below the SOI budget. There were higher than expected NZX and registry fees related to increased bond issuance and lending, as well as additional legal costs incurred

with new member accessions and the Affordable Waters Reform. These were offset by lower than forecast consultancy and information technology costs and a lower NZDM facility utilisation fee.

Borrowing activity

Our bond issuance of \$3.5 billion over the year was significantly higher than the historical average of \$1.6 billion, with year-end outstandings totalling \$17.8 billion (including \$1.1 billion of treasury stock) across 11 bond maturities ranging between 2024 to 2037. The average term of issuance during the year at 5.5 years was shorter than the prior year of 6.2 years, reflecting the more challenging market conditions for issuance and closer matching to member borrowing.

In November 2022, we were delighted to be awarded the New Zealand Issuer of the Year at the 2022 KangaNews Awards, which recognises the support that we have received from investors, intermediaries and market participants, not just over the past year, but also throughout the past decade since we commenced issuance in 2012.

The highlight for the year was the \$1.1 billion issuance in April 2023 of a new 2030 bond, being the first issuance under our Sustainable Financing Bond Framework. The bond was well received by global and domestic investors who are looking for these types of sustainable finance investments for their portfolios. Our sustainable financing bond is backed by our sustainable asset pool comprising Green Social and Sustainability Loans and Climate Action Loans to members.

As our issuance has grown it has been pleasing to see a corresponding rise in our offshore investor base who have increased their holdings over the last year by \$1.8 billion to \$6.2 billion, or an equivalent 37% of our total bonds on issue.

Over the past year, the spreads on LGFA bonds narrowed against New Zealand Government Bonds (NZGB) but widened over swap. LGFA bond spreads to NZGB beyond 2024 narrowed between 4 bps (2029 bond) and 22 bps (2025 bond) while LGFA bond spreads to swap widened between 6 bps (2025 bond) and 25 bps (2029 and 2031 bonds). This change was similar to the spread movements on other high-grade issuers and also reflected the large amount of bond issuance undertaken by LGFA during the year.

Market conditions during a period of monetary policy tightening contributed to a significant lift in yields over the year, with outright yields rising between 56 bps (2037 maturity) and 179 bps (2024 maturity).

Lending to the sector

Over the past year, we welcomed two new member councils with Dunedin City Council and Environment Southland joining as guarantors. Total council membership is now 77 out of the 78 councils in New Zealand. In addition, Dunedin City Treasury Limited and Westland Holdings Limited joined as Council-controlled organisation (CCO) members, bringing the number of CCO members to three.

Long-dated lending to members over the year was a record \$3.9 billion as members refinanced their April

2023 loans and increased their borrowing to finance infrastructure projects. Our estimated market share of total council borrowing of 93% for the year to 30 June 2023 was a historical high compared to the long-term average of 77%.

The average tenor of long-dated borrowing by members of 5.2 years over the 12-month period was shorter than the prior year's 6.2 years.

Short-dated lending for terms less than 12 months continues to be well supported by members. At June 2023, there were \$548 million of short-term loans outstanding to 37 members, a 14% increase over last year's \$478 million outstanding to 31 members.

New products and initiatives

In addition to the launch of our new Sustainable Financing Bond Framework, another significant sustainability initiative was the December 2022 launch of our Climate Action Loan (CAL) lending product which provides a discounted loan margin for members who have an approved greenhouse gas emission reduction plan in place and are meeting their reduction targets. This new initiative was well received by members, with \$521 million lent to three councils under the CAL lending product.

Over the year, members borrowed \$232 million under our Green, Social and Sustainability (GSS) lending product launched in October 2021, taking the year end outstanding of GSS loans to \$295 million to five members.

New standby facilities totalling \$55 million were approved for five new members, increasing the total of standby products to 16 members totalling \$727 million.

Climate-related events and the proposed Affordable Waters Reform Programme

Over the year, the local government sector dealt with significant climate-related events as well as the proposed Affordable Waters Reform Programme. LGFA has been assisting Central Government and our members as they work through the funding and financing implications for the proposed Affordable Waters Reform Programme. The transition date for the three waters related assets, debt, and revenue into the Water Services Entities (WSEs) has been extended to allow for WSEs to be established over the period from 1 July 2024 to 1 July 2026.

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

2023 LGFA Taituarā Local Government Excellence Awards

LGFA was the headline sponsor for the 2023 LGFA Taituarā Local Government Excellence Awards for the third consecutive year, and the ninth year that we have supported the awards. We were pleased that the winner of the Supreme Award was the Takai Here Tāngata Project (binding people together). Takai Here Tāngata is an urban village of 19 houses situated on Te Ara o Takapā in Taitā, Lower Hutt. It is the result of Hutt City's innovative partnership with its property arm Urban Plus Ltd, Kahungunu Whānau Services, and Te

Rānanganui o Te Āti Awa and is regarded as a proof of concept for a highly transferable methodology that has the potential to deliver housing at scale.

Acknowledgments

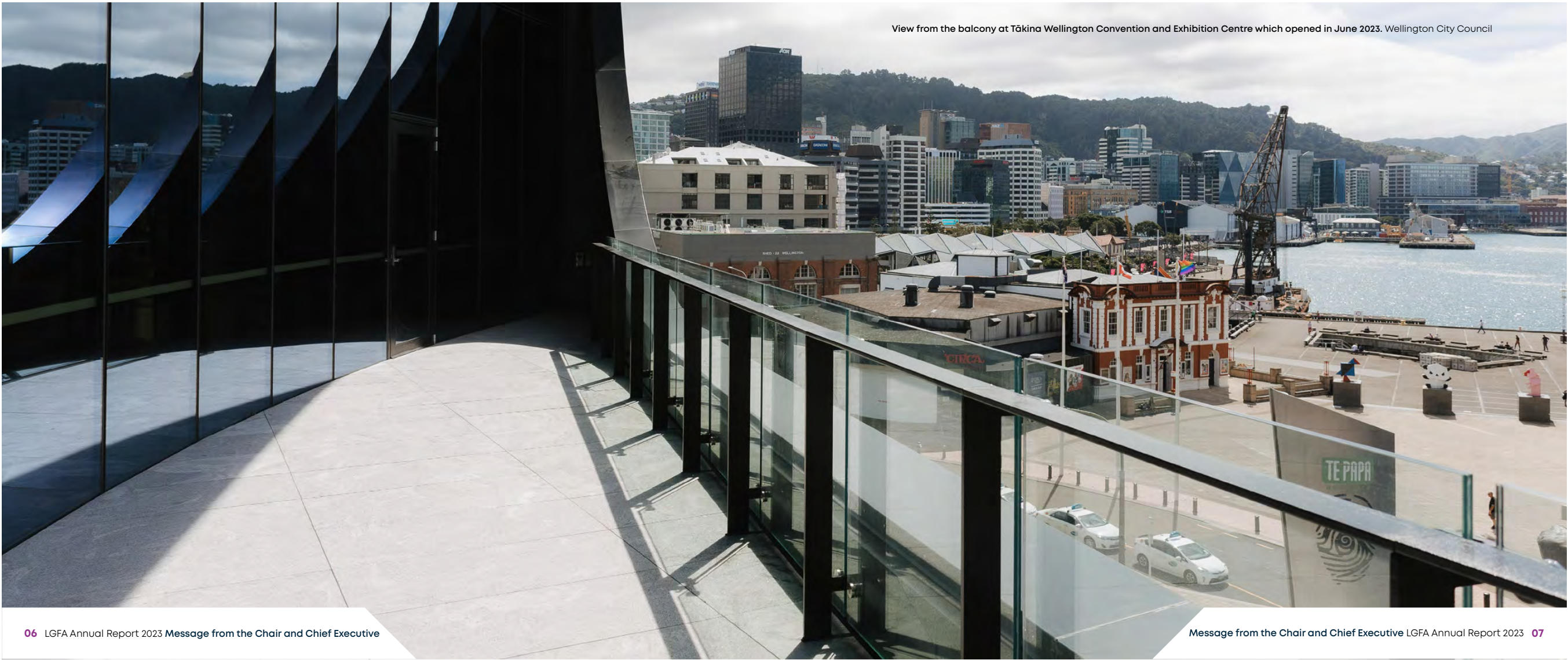
We would like to acknowledge the contribution made to LGFA by John Avery who retired as Director at the November 2022 AGM after eleven years of service. John, an independent director from establishment, played a significant role in developing our culture and guiding the organisation to where it is today, as well as representing the Board on many council visits with staff. We thank John and would like to wish him all the best for his future endeavours. We acknowledge the support of the wider local government sector as they face several challenges including the uncertainty and additional workload from the proposed Affordable Waters Reform Programme,

rising cost pressures and ratepayer affordability issues, the challenges to balance budgets and funding depreciation as well as the impact from North Island weather events.

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


Craig Stobo
Chair


Mark Butcher
Chief Executive



Performance highlights

Ko ngā tino hua

Bonds issued over the financial year

\$3,533
million

Total interest income

\$763.6
million

94%
Increase over 2021-22 year

Lending to members over the financial year

\$3,951
million

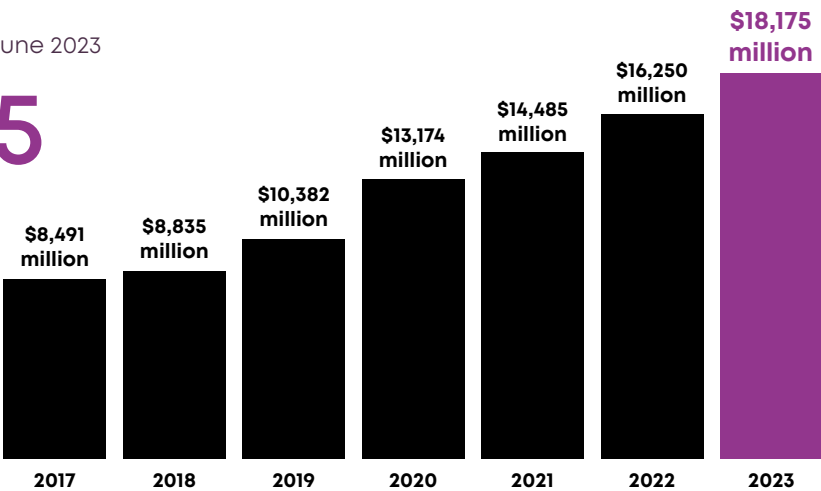
Net operating profit

\$2.5
million

77%
Decrease over 2021-22 year

Total assets at 30 June 2023

\$18,175
million



Liquidity at 30 June 2023

\$226 million
Cash

\$1,100 million
Treasury stock for repurchase

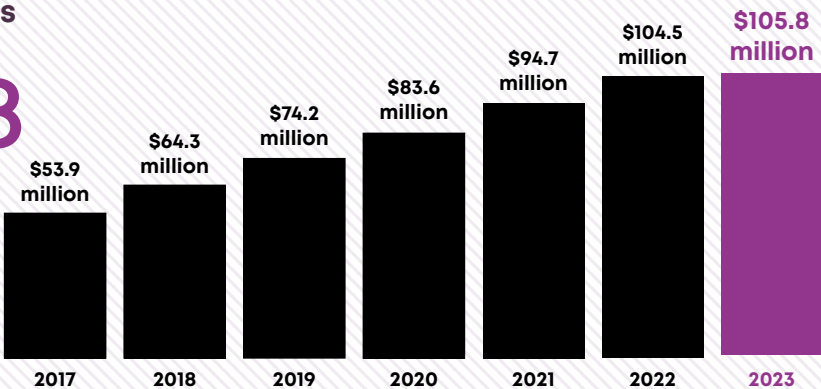
\$1,128 million
Marketable securities

\$1,500 million
Government committed liquidity facility

\$348 million
Deposits

Shareholder funds at 30 June 2023

\$105.8
million



Fully paid shares

\$25.0
million

Retained earnings

\$80.8
million

Borrower notes

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

\$360
million

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 2022-25 (SOI)

2022-23 Objectives and performance targets

LGFA objectives and performance targets for 2022-23 fall within the following five strategic priorities which encompass our shareholders' foundation objectives and guide the 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 2023 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 2023
Demonstrate best practice corporate governance.	<p>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 Best Practice Code.</p> <p>The 2023 Annual Report is the most recent report with commentary on our compliance with the NZX Code.</p>
Set and model high standards of ethical behaviour.	<p>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.</p>
Ensure products and services offered to participating borrowers are delivered in a cost-effective manner.	<p>LGFA prepares annual operating budgets and monitors progress against these monthly. Our performance against our financial targets for the year-ended 30 June 2023 is summarised below under our performance targets.</p>
Be a good employer by providing safe working conditions, training and development and equal opportunities for staff.	<p>LGFA is committed to being a good employer and we report our employment practices annually in our Annual Report.</p> <p>The 2023 Annual Report is our most recent report outlining our health and safety and wellbeing practices and policies, compliance with the Health and Safety at Work Act, diversity and inclusion and capability and development.</p>

Performance targets	2022-2023 target	Our performance to 30 June 2023
Comply with the Shareholder Foundation Policies and the Board-approved Treasury Policy at all times.	No breaches.	✓ No breaches.
Maintain LGFA's credit rating equal to the New Zealand Government sovereign rating where both entities are rated by the same Rating Agency.	LGFA credit ratings equivalent to NZ Sovereign.	✓ Our ratings remain equivalent to the New Zealand Government for both S&P Global Ratings and Fitch Ratings. Fitch Ratings upgraded LGFA Foreign Currency Rating to AA+ on 16 Sept 2022. S&P Global Ratings affirmed our domestic currency credit rating at AAA in March 2023.
LGFA's total operating income for the period to 30 June 2023.	> \$12.2 million.	✗ Not met. Total operating income \$11.6 million at 30 June 2023.
LGFA's total operating expenses for the period to 30 June 2023.	< \$9.4 million.	✓ Met. Operating expenses \$9.1 million at 30 June 2023.

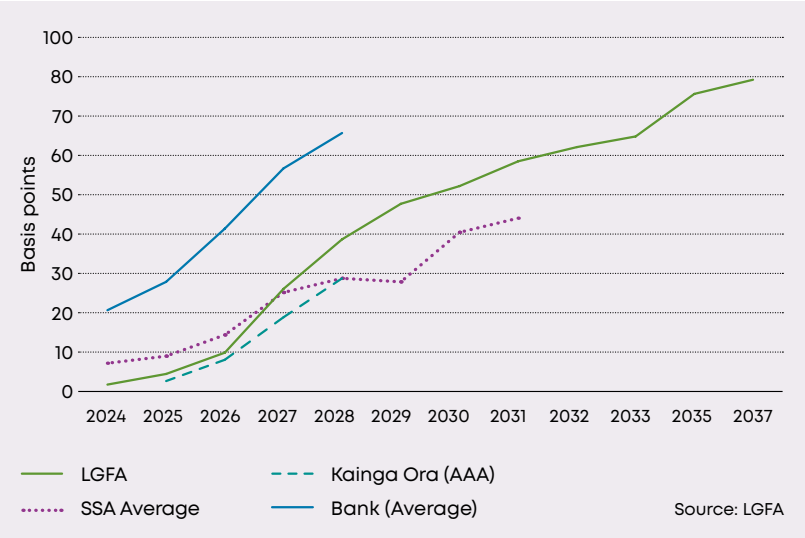
Optimising financing services for local government

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

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

Provide interest cost savings relative to alternative sources of financing.

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



Supranational, sovereign and agency issuers			
Kainga Ora (AAA)		KBN (AAA)	
Asian Development Bank (AAA)		Rentenbank (AAA)	
IADB (AAA)		World Bank (AAA)	
International Finance Corp (AAA)		Nordic Investment Bank (AAA)	
Banks			
ASB (AA-)	ANZ (AA-)	BNZ (AA-)	Westpac Bank (AA-)

Offer flexible short and long-term lending products that meet the borrowing requirements for borrowers.	<p>LGFA provides members with short term loans (less than one year), long term loans on either a floating or fixed rate basis (between one year and April 2037), Green Social and Sustainable Loans, Climate Action Loans and standby facilities.</p> <ul style="list-style-type: none">Over the year-ended June 2023, our members borrowed \$3.95 billion in 380 long term loans across maturity dates ranging between 2023 and 2033.As at June 2023 there was \$548 million short-term loans outstanding to 37 members.As at June 2023, standby facilities totalled \$727 million across 13 members.
Deliver operational best practice and efficiency for lending services.	<p>Over the year-ended 30 June 2023, LGFA operations staff successfully:</p> <ul style="list-style-type: none">settled 2,039 new trades with a gross value of \$10.0 billion,processed 13,527 cash flows with a gross value of \$34.0 billion, andrate set 9,314 existing trades. <p>There were no LGFA settlement errors over the year.</p>
Ensure certainty of access to debt markets, subject always to operating in accordance with sound business practice.	<p>There was strong activity in LGFA bonds in both the primary market (tender or syndicated issuance) and secondary market (between banks and investors). Over the year-ended 30 June 2023, we issued \$3.553 billion of primary bonds and secondary market turnover totalled \$10.5 billion.</p>

Performance targets	2022-2023 target	Our performance to 30 June 2023
---------------------	------------------	---------------------------------

Share of aggregate long-term debt funding to the Local Government sector.	> 80%	✓ Met – 93.3% as at 30 June 2023
Total lending to Participating Borrowers.	> \$15,004 million	✓ Met – \$16,314 million as at 30 June 2023
Conduct an annual survey of Participating Borrowers who borrow from LGFA as to the value added by LGFA to the borrowing activities.	> 85% satisfaction score	✓ 100% satisfaction score in August 2022 Stakeholder Survey.
Successfully refinance existing loans to councils and LGFA bond maturities as they fall due.	100%	✓ Met
Meet all lending requests from Participating Borrowers, where those requests meet LGFA operational and covenant requirements.	100%	✓ Met

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 30 June 2023
------------	---------------------------------

Proactively monitor and review each Participating Borrower's financial position, including its financial headroom under LGFA policies.	Over the year, we reviewed council agendas and management reports on an ongoing basis for all members on the LGFA borrower watch-list. We have received compliance certificates for LGFA covenants from all of our members with debt outstanding at June 2022 and no council has requested that they be measured on a group basis. Some certificates have been provided based upon unaudited financial statements given the delays in providing final audit signoff due to audit shortages.
Analyse finances at the Council group level where appropriate and report to shareholders.	
Endeavour to meet each participating borrower annually, including meeting with elected officials as required, or if requested.	We met with all borrowers over the course of the year.

Performance targets	2022-2023 target	Our performance to 30 June 2023
---------------------	------------------	---------------------------------

Review each participating borrower's financial position under LGFA policies.	100%	✓ Met
Arrange to meet each Participating Borrower at least annually, including meeting with elected officials as required, or if requested.	100%	✓ Met

Environmental and social responsibility

LGFA recognises the risks inherent in climate change and supports councils 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 30 June 2023
Assist the local government sector in achieving their sustainability and climate change objectives.	<p>Over the year to 30 June 2023, we approved GSS loans to Hutt City Council for the Naenae swimming pool, Whangārei District Council for the Civic Centre, and approved our first eligible social lending project for Christchurch City Council's Ōtautahi Community Housing Trust.</p> <p>At 30 June 2023, we had approved five GSS loans with a combined approved value of \$562 million of which \$294.5 million had been advanced.</p> <p>On 1 December 2022, we launched Climate Action Loans (CALs) which provide a discounted loan margin for members who have implemented a Greenhouse Gas Emission Reduction Plan and meet their emission reduction targets.</p> <p>At 30 June 2023, we had approved CAL loans to Auckland Council, Hutt City Council and Dunedin City Treasury Limited, with combined advances totalling \$521 million.</p> <p>In September 2022, LGFA published our report on climate emergencies declared by New Zealand councils over 2019-2020 (16 out of 78), their subsequent responses and any opportunities for LGFA. A copy of this report is available from our website: Review of Climate Emergency Declarations and Responses by Councils.</p>
Improve sustainability outcomes within LGFA.	In 2021, LGFA 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.

Performance targets	2022-2023 target	Our performance to 30 June 2023
Comply with the Health and Safety at Work Act 2015.	No breaches	✔ No breaches.
Maintain Toitū net carbonzero certification.	Net carbonzero certification maintained.	✔ Toitū Net Carbon-zero recertification approved 11 October 2022.
Meet reduction targets outlined in our carbon reduction management plan.	Reduction targets met.	✔ Met. Refer to the emissions table on page 43 that highlights the uncertainties that exist in regards to emission reporting.
Increase our GSS lending book.	Two new participating borrowers enter into GSS loans.	✔ Three new participating borrowers approved for GSS lending.
Ensure Annual Report is prepared in compliance with applicable GRI Standards.	100%	✔ 2023 Annual Report prepared to meet the requirements of the Global Reporting Initiative (GRI) Standards (core option).
Meet all mandatory climate reporting standards.	100%	✔ There are no mandatory climate reporting standards applying at the date of this report. LGFA has elected to prepare this annual report in compliance with the GRI standard (core option).

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	How we measure our performance
Take a proactive role to enhance the financial strength and depth of the local government debt market and work with key central government and local government stakeholders on sector and individual council issues.	<p>This year we have introduced two new webinars for members:</p> <ul style="list-style-type: none">• LGFA Quarterly Update• Economic and Financial Market Update webinars <p>These inaugural webinars were well attended by participants and will be formalised as ongoing quarterly events.</p> <p>Over the year we met with Treasury, the National Transition Unit and Policy teams at DIA (and their advisers) regarding the proposed Affordable Water Reform, working actively on issues relating to the transition of council debt, as well as the borrowing options for the Water Services Entities (WSEs) following transition. In consultation with key stakeholders, we are considering what potential role LGFA could play under the proposed Affordable Waters Reform programme.</p>
Assist the local government sector with significant matters such as COVID -19 response and the proposed Three Waters Reform Programme.	LGFA provided input into the Ratepayer Financing Scheme (RFS) project managed by a group of councils with advice from Cameron Partners. If successful, the RFS could offer temporary financial relief to ratepayers via rates postponement. LGFA is not contributing financially to this project but providing intellectual capital and assistance.
Support councils and CCOs in the development of reporting disclosures of the impacts of sector activity on climate change.	We are continuing work on initiatives to reduce compliance and documentation requirements for members when they borrow. These initiative relate to a universal stock security certificate and delegation of a CEO certificate for borrowing.

About us

Mō mātou

The 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 directly. 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 93% of council borrowing in the year to June 2023.

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

Incorporated on 1 December 2011 under the Companies Act 1993

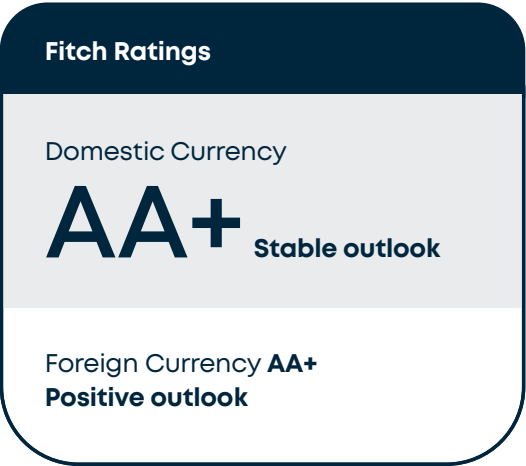
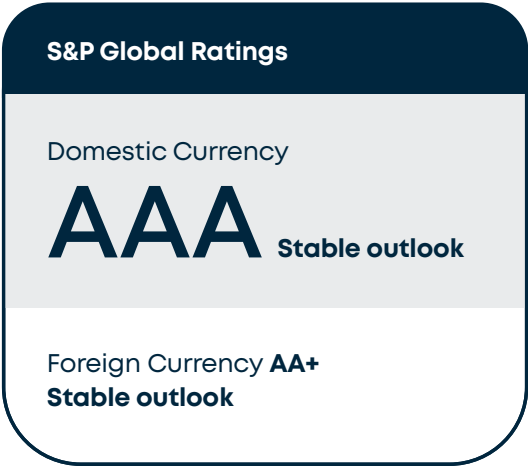
Enabled by Local Government Borrowing Act 2011

Council-controlled organisation under the Local Government Act 2002

Ownership



Credit rating at 30 June 2023



Guarantee structure

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

LGFA's securities obligations are guaranteed by council guarantors.

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

Governance overview

31 Shareholders

30 Councils

80%

New Zealand Government

20%

Shareholders' Council

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The Shareholders' Council comprises five to 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.

Board

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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's Constitution;
- LGFA Shareholder Agreement;
- LGFA Annual Statement of Intent.

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

Bonds listed on NZX Debt Market

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

Supervised by independent trustee

Our history by financial year

2011

Incorporated

Dec 2011

Commenced bond issuance February 2012

2012

KangaNews NZ Domestic Issuer of the Year – 2012

INFINZ award for Best Bond issue of 2012

Inaugural LGFA Borrowers Forum

2013

Inaugural dividend of \$1.5m declared

2014

Bespoke lending introduced

2015

Implemented Treasury Management System and transitioned outsourced services from NZDMO

2016

Transitioned to Financial Markets Conduct Act

Commenced short-term lending to councils

Commenced LGFA Bill issuance

LGFA Bonds listed on NZX November 2015

2017

Bond lending facility established October 2016

First LGFA bond not matched to a New Zealand Government bond maturity

2018

Inaugural syndication (\$1.0b)

2019

KangaNews. NZ Domestic Bond Deal of the Year

Reserve Bank adds LGFA bonds to its Large Scale Asset Purchase programme. April 2020

2020

S&P AAA credit rating achieved

2021

Toitū ZeroCarbon certification

2022

Record \$3.9 billion bonds issued in year

Future Director programme launched

Commenced lending to Council-controlled Organisations

Green, social and sustainability lending offered to members

10 year anniversary

2023

KangaNews New Zealand Issuer of the Year 2022

Inaugural Sustainable Financing Bond issue (\$1.1b)

Climate Action Loans offered to members

Item 11.1 - Attachment 5

Page 179

LGFA bonds on issue

Ko ngā pūtea taurewa
pūmau kua tukuna e te LGFA

How we issue bonds

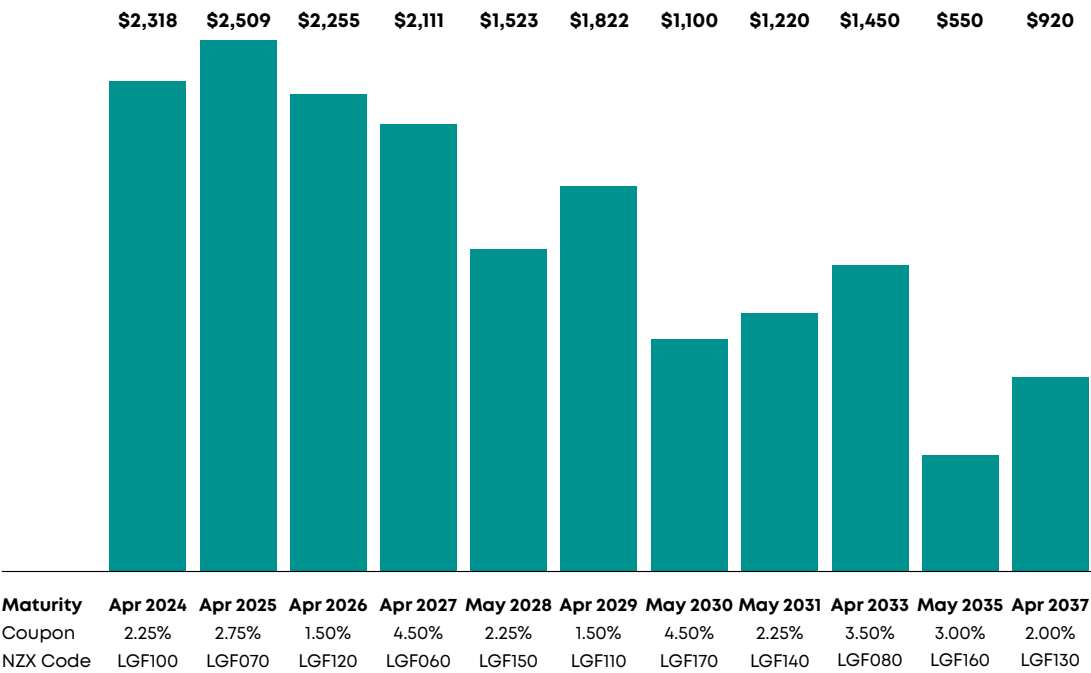
LGFA typically issues a new bond maturity via an initial syndication and then through ongoing regular scheduled tenders.

- Preferred bond tender sizes are between \$150 million to \$225 million with at least three maturities offered at each tender.
- LGFA bonds match NZGB where possible for maturity and coupon.
- Approved Issuer Levy is paid on behalf of offshore holders.
- Target issuance of \$1 billion plus per maturity over time with a cap of \$3.0 billion per maturity to support market liquidity.
- All bonds have been issued in New Zealand dollar (NZD) to June 2023, but have capability to issue non-NZD bonds if required.
- All LGFA retail bonds are listed on the NZX.

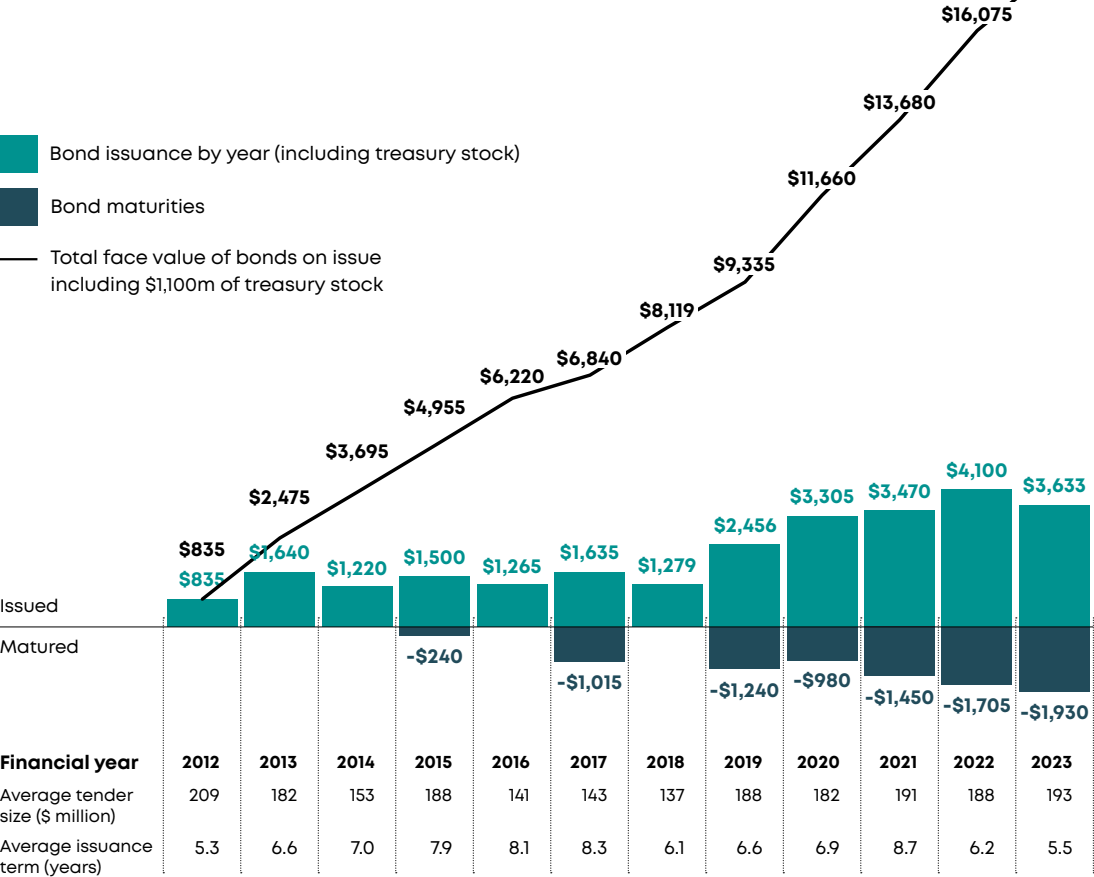
LGFA NZX-listed bonds on issue (\$ million, face value)

As 30 June 2023 : \$17,778 million

Includes \$1,100 million treasury stock (refer note 16, page 79)



Our issuance history (\$ million, face value)

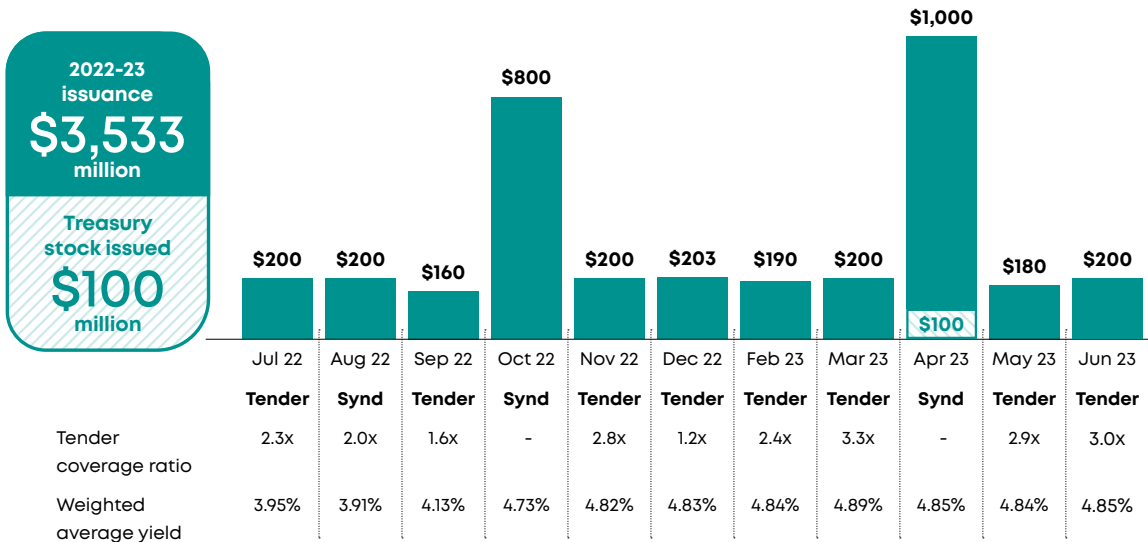


2022-23 issuance by maturity (\$ million, face value)

LGFA bond issuance by bond maturity over the 12-month period to 30 June 2023

Tenders	Apr 24	Apr 25	Apr 26	Apr 27	May 28	Apr 29	May 30	May 31	Apr 33	May 35	Apr 37	Total
6 Jul 22	-	70	-	70	-	-	-	60	-	-	-	200
10 Aug 22	60	-	50	-	50	-	-	40	-	-	-	200
7 Sep 22	-	60	-	60	-	-	-	-	-	-	40	160
9 Nov 22	50	-	100	-	-	-	-	50	-	-	-	200
14 Dec 22	-	-	90	-	53	-	-	-	60	-	-	203
1 Feb 23	60	-	-	70	-	-	-	60	-	-	-	190
1 Mar 23	50	-	50	-	-	50	-	-	-	-	50	200
10 May 23	-	-	-	60	-	60	-	60	-	-	-	180
7 Jun 23	-	-	50	-	50	50	-	-	-	50	-	200
2022/23 tender issuance	220	130	340	260	153	160	-	270	60	50	90	1,733
2022/23 syndication	-	600	-	-	-	200	1,000	-	-	-	-	1,800
Total 2022/23 issuance	220	730	340	260	153	360	1,000	270	60	50	90	3,533
Prior issuance	1,998	1,679	1,815	1,751	1,270	1,362	-	850	1,290	400	730	13,145
Total bonds excluding Treasury Stock	2,218	2,409	2,155	2,011	1,423	1,722	1,000	1,120	1,350	450	820	16,678
Treasury stock	100	100	100	100	100	100	100	100	100	100	100	1,100
Total bonds on issue	2,318	2,509	2,255	2,111	1,523	1,822	1,100	1,220	1,450	550	920	17,778

2022-23 issuance by month (\$ million, face value)



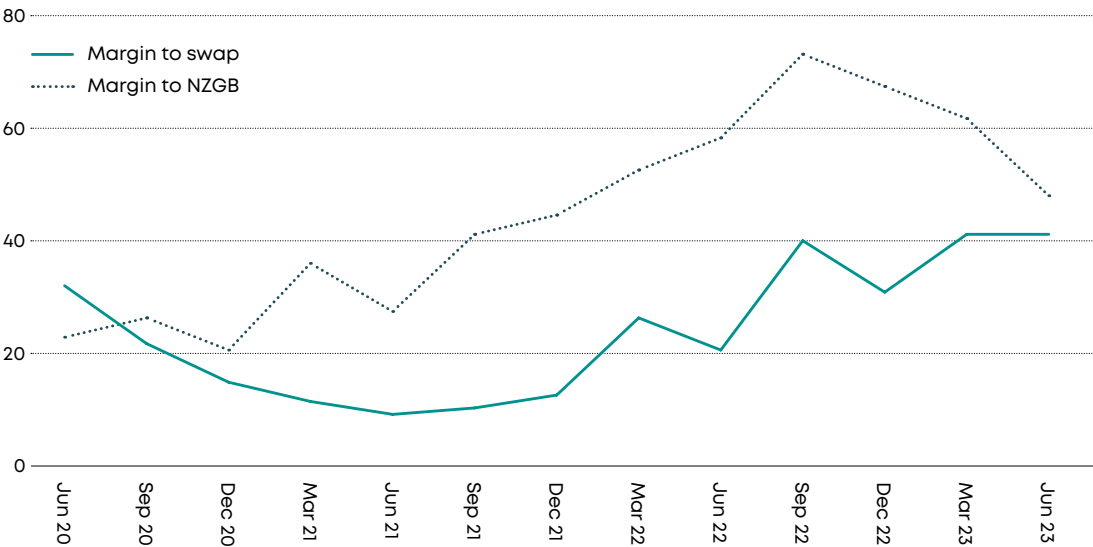
LGFA bond margins (basis points)

LGFA bond margins against swap and NZGB

Margin to swap	Apr 24	Apr 25	Apr 26	Apr 27	May 28	Apr 29	May 30	May 31	Apr 33	May 35	Apr 37
30 June 2022	(10)	(1)	5	16	19	28	N/A	40	49	62	70
30 June 2023	2	5	11	29	43	53	58	65	72	84	88
Annual change	(12)	(6)	(6)	(13)	(24)	(25)	N/A	(25)	(23)	(22)	(18)

Margin to NZGB	Apr 24	Apr 25	Apr 26	Apr 27	May 28	Apr 29	May 30	May 31	Apr 33	May 35	Apr 37
30 June 2022	34	53	55	61	60	61	N/A	66	65	78	79
30 June 2023	41	31	43	47	54	57	56	60	60	64	63
Annual change	(7)	22	12	14	6	4	N/A	6	5	N/A	16

LGFA bond margins to swap over NZGB over the 36 months to 30 June 2023 (basis points)



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

LGFA is New Zealand's largest:

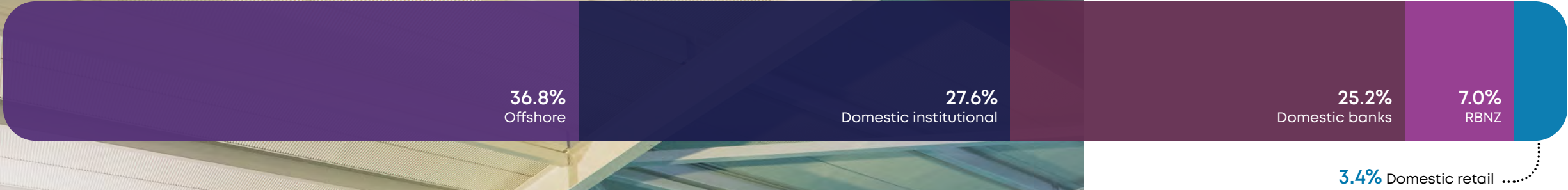
- issuer of NZD bonds (excluding New Zealand Government)
- issuer of debt listed on the NZX

New bond maturities issued in the year to June 2023:

May 2030
4.5% coupon

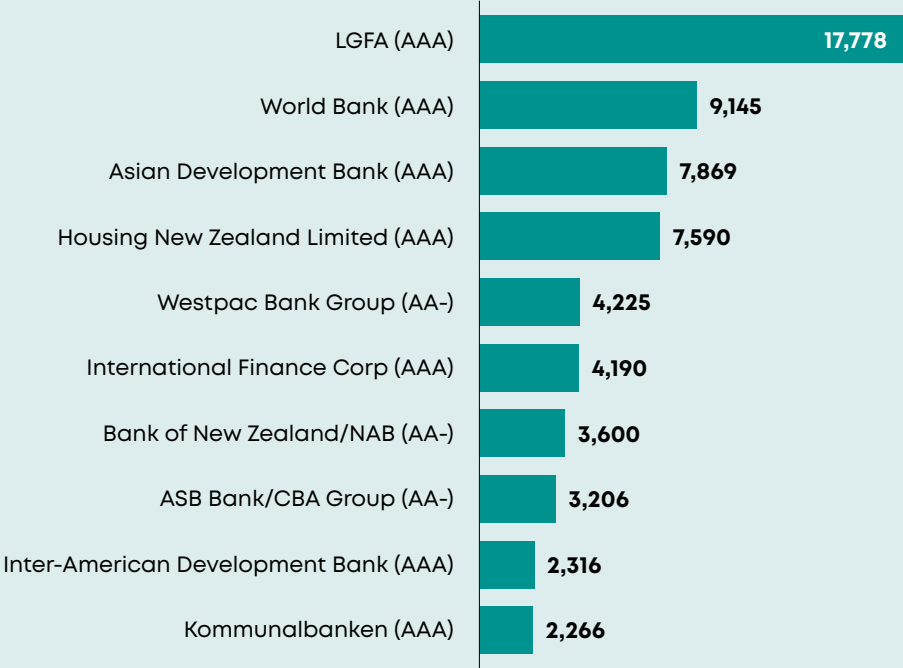


LGFA bond holders by investor group as at 30 June 2023



Largest issuers of NZD bonds by outstandings

excluding NZGB, as at 30 June 2023 (\$ million)



LGFA estimate, based on aggregation of Bloomberg sourced data.

Pool side at Wai o Rua – Stratford Aquatic Centre which opened in October 2022. Stratford District Council

LGFA members

Ko ngā LGFA e noho mema ana

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

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

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

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

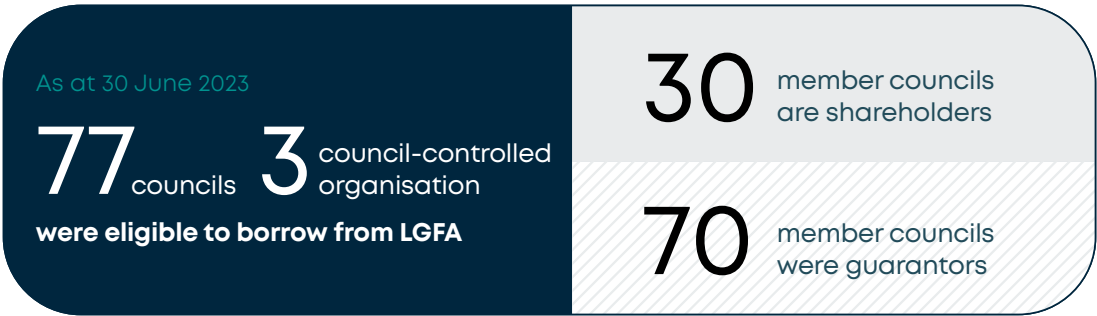
Total member borrowings at 30 June 2023
(\$ million)

Member type	Number of councils	Amount borrowed	% of total borrowings
Guarantors	70	16,184	99.0%
Non guarantors	8	167	1.0%
Total	78	16,351	100%

Member	Amount borrowed	% of total borrowings
Auckland Council	3,226	19.7%
Christchurch City Council	2,200	13.5%
Wellington City Council	1,179	7.2%
Tauranga City Council	824	5.0%
Hamilton City Council	804	4.9%
Greater Wellington Regional Council	678	4.1%
Queenstown Lakes District Council	510	3.1%
Hutt City Council	373	2.3%
Rotorua District Council	353	2.2%
Hastings District Council	295	1.8%
57 councils	5,909	36.2%
	16,351	100%

Loans to Auckland Council are limited to a maximum of

40% of total loans



THE NUMBERS

Over the 12 months to 30 June 2023

\$3,921 million of long term loans

At 30 June 2023

\$548 million of short term loans

were issued to 66 members

across 380 individual term loans

with an average term of 5.21 borrowing years

were outstanding to 37 members

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

93% LGFA's estimated market share of local government debt

LGFA member councils by year of joining

North Island

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

2011-2012 (18)	2015-2016 (5)	2019-2020 (3)
2012-2013 (21)	2016-2017 (3)	2020-2021 (5)
2013-2014 (3)	2017-2018 (3)	2021-2022 (3)
2014-2015 (3)	2018-2019 (8)	2022-2023 (2)

South Island

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

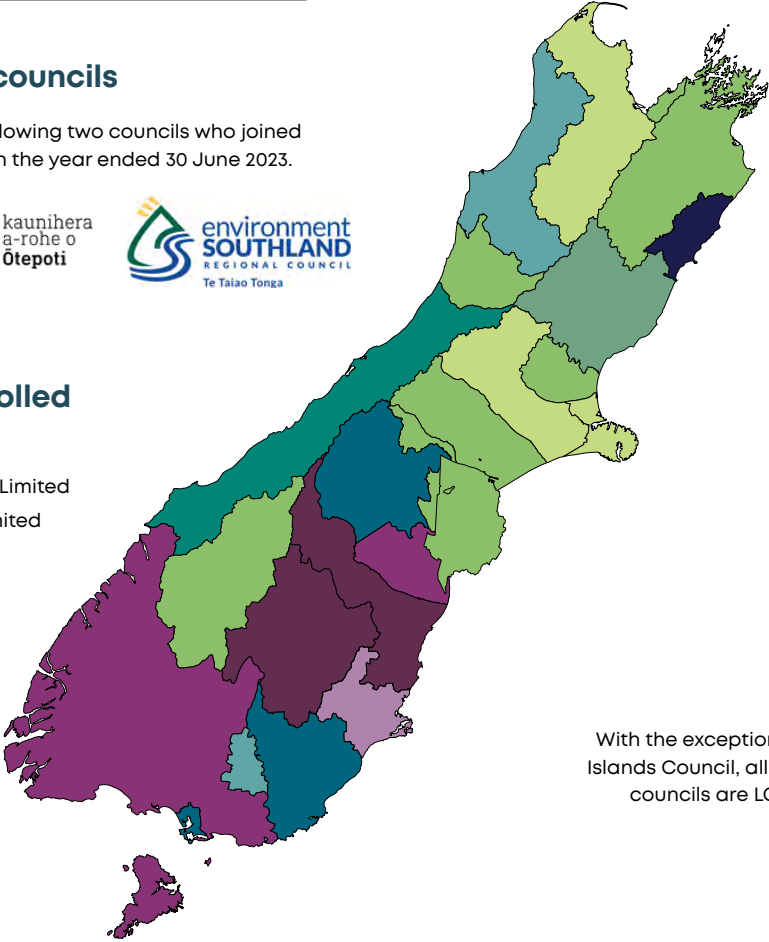
New member councils

LGFA welcomes the following two councils who joined as eligible borrowers in the year ended 30 June 2023.



New member Council-controlled organisations

Dunedin City Treasury Limited
Westland Holdings Limited



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

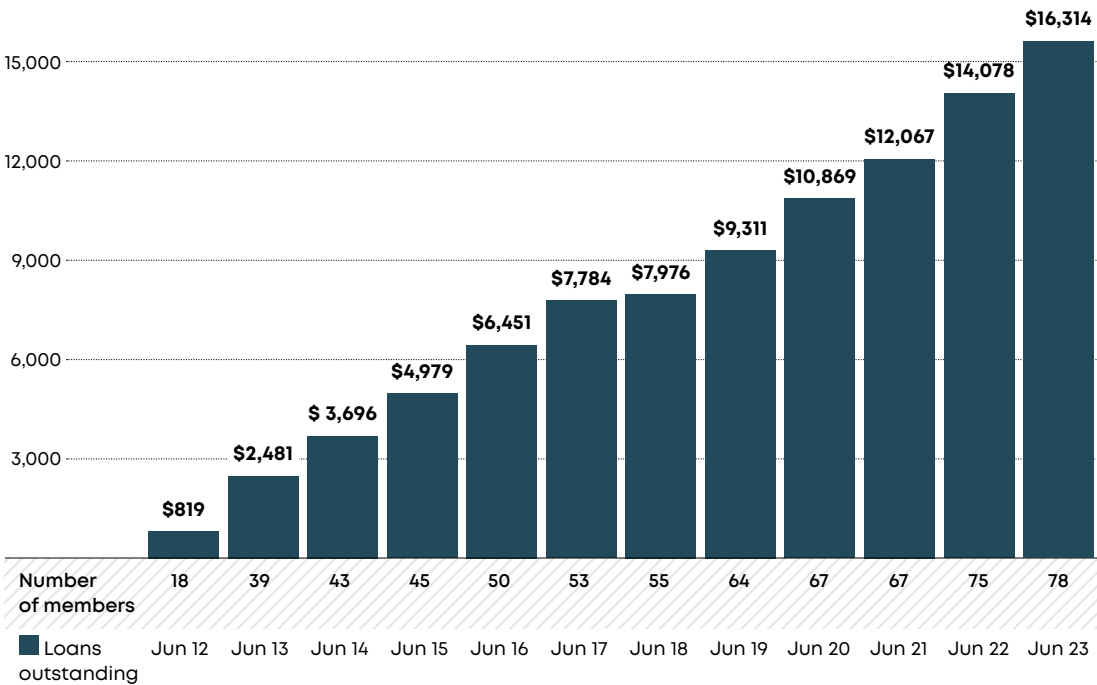
The Whare Mahana Luggate Memorial Centre is New Zealand's first Passive House community venue.
Queenstown Lakes District Council

85%
loans to councils with
AA-
external rating or better

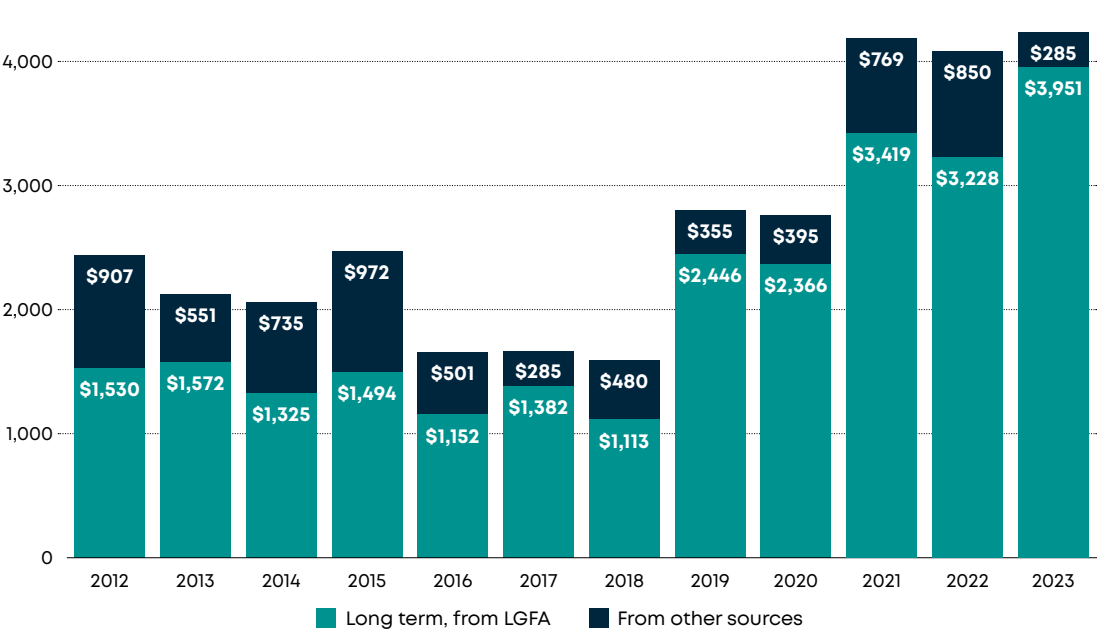
LGFA assign internal credit ratings for all councils, including all councils without external credit ratings.

77 of
New Zealand's
78 councils
are approved
borrowers
as at 30 June 2023

Loans to members outstanding (\$ million, nominal)



Borrowing by members (\$ million, nominal)



Sustainability at LGFA

Te toitūtanga kei te LGFA

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

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

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

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

Sustainability Committee

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

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

Independent members of the LGFA Sustainability Committee at 30 June 2023

Alison Howard
Erica Miles
Chris Thurston
David Woods

Our material issues

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

LGFA's materiality issues were determined with the assistance of Proxima, an independent sustainability consultancy. LGFA's material issues, unchanged from last year, reflect our increasing focus on sustainability.

Our organisation

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

Responsible finance

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

Our environment

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

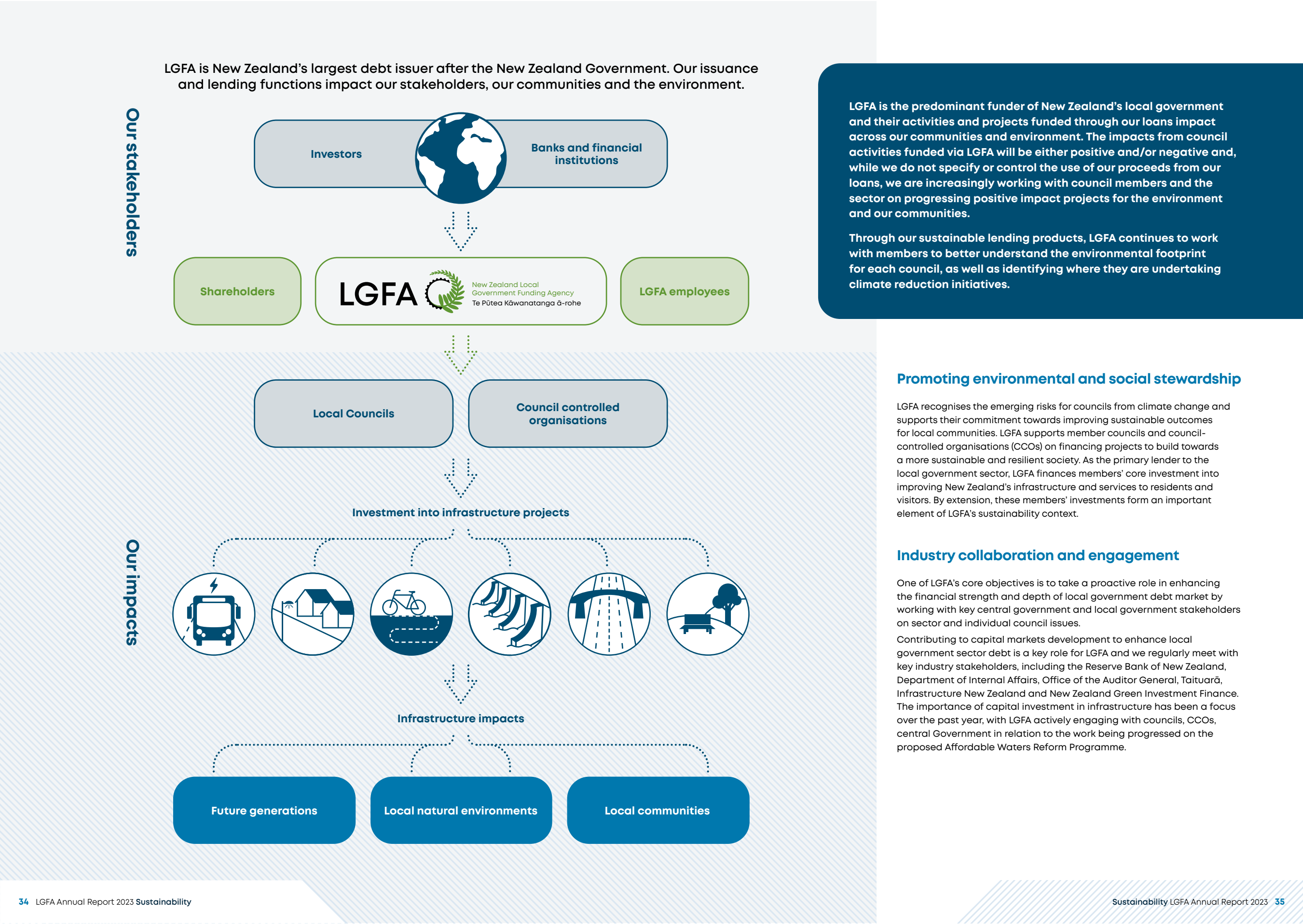
Climate-related disclosure framework

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 takes effect for accounting periods that start on or after the 1 January 2023. This means that LGFA will be required to disclose according to the standard for the accounting period commencing on 1 July 2023, with our first climate statement as part of our 2024 Annual Report.





LGFA are pleased to welcome Hutt City Council, Whangārei City Council and Christchurch City Council as new lenders under the GSS programme.

Whangārei Civic Centre
Whangārei District Council

Whangārei District's new civic building has been designed to provide a welcoming, inclusive and easily accessible customer experience. The building has also been designed to be sustainable and to strongly reflect Whangārei's cultural identity and heritage. The building will be a central hub for local government-related activities, including:

- democratic processes;
- customer services;
- administrative functions;
- council staff; and
- Northland Transport Alliance staff.

In addition to the sustainable aspect of the building, a solar array system was designed to specifically meet Whangārei District Council's requirements and according to the roof space available for the Civic Centre.

The building also has a number of innovative aspects including a Green wall / Fire Stairs. The fire escape stairs on each side of the building have a 4-storey green wall utilising an endangered species from the Three Kings Islands, with the plants irrigated via rainwater harvesting from the roof.

Cultural connections – The building and surrounding landscape incorporates a very strong cultural narrative, with a Roopu Kaumatua group representing local hapū involved throughout the design process. As well as influencing design themes, this input has led to specific construction features that support tikanga Maori, such as the siting of ablution, cooking and eating spaces throughout the building; as well as the choice of materials used.



Naenae Pool and Fitness Centre
Hutt City Council

The rebuild of the existing Naenae Pool and Fitness Centre with a new swimming pool that will be 65% bigger than the old pool and will be much more energy efficient with up to 53% reduction on energy use. Due to open in July 2024, the Naenae Pool and Fitness Centre will have the following sustainability design features:

- A building that is resilient to the impacts of a changing climate and natural disasters;
- High quality indoor air quality and high standards of acoustic, lighting, visual and thermal comfort;
- EV parks with charging points and secure bicycle stands;
- Ground-water source heat pumps;
- High efficiency heat recovery air-handling units providing dehumidification and air conditioning;
- High efficiency window and glazing suites.

Hutt City Council Chief Executive Jo Miller said “caring for and protecting the environment was one of the six key priorities in the Council's 10-year-plan. A key driver across the Naenae Pool and Fitness Centre planning was sustainability, not just during the life of the project build but also for the future operation of the facility.

Being part of the LGFA GSS funding programme recognises all the work the team has put in to deliver a greener facility with the additional benefit of cost savings across the life of the loan. This is a win-win situation for our ratepayers who get a state-of-the-art pool and fitness centre with savings because of our determination to build greener. We continue to improve the infrastructure across the city which was a main element of feedback on our 10-year-plan while being financial prudent and finding savings where we can – this all supports building a better place to live for Hutt residents.”



Ōtautahi Community Housing Trust – Affordable Housing Project
Christchurch City Council

The Ōtautahi Community Housing Trust (ŌCHT) is the second largest Community Housing Provider in New Zealand. ŌCHT is a charitable trust offering affordable homes and building sustainable communities across greater Ōtautahi. ŌCHT's objective is to deliver a tenant-centric service and a financially sustainable portfolio. In doing so, it wants to improve and grow community housing in Christchurch. It is a Charitable Trust, so surpluses are reinvested into community housing. ŌCHT was formed in 2016 out of Christchurch

City Council's (CCC's) wish for a financially sustainable model for its social housing portfolio. CCC passed the management of about 2,300 units across to the ŌCHT. 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 provided by LGFA financed 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.

Taituarā LGFA Local Government Excellence Awards

This year we are delighted to announce that Hutt City Council won the 2023 LGFA Supreme Award for its Takai Here Tāngata initiative.

The Takai Here Tāngata initiative led by the Hutt City Council (HCC), Kahungunu Whānau Services, Te Rānanganui o Te Āti Awa, and Urban Plus Limited (UPL) had the goal of putting more people into permanent housing.

Takai Here Tāngata (the binding of people together) signifies how through collaboration and partnership new pathways and practices can be created to enable healthy, thriving, secure, and affordable homes to be built across Lower Hutt.

"HCC is incredibly proud of our partnership and are delighted to see nineteen whānau now living in purpose-built environmentally friendly homes.

The housing of mana whenua and all our people has been identified by the partners as a key priority. Housing has a major impact on people, providing for improved quality of life, stability, and better health outcomes, and ultimately it enables our whānau to have a greater say in determining their own well-being and futures."



Deliver efficient and cost-effective funding

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

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

A key indicator of satisfaction with service and pricing to members is LGFA's estimated overall market share for council lending. Since our incorporation

in 2011, LGFA has firmly established itself as the prime lender to the local government sector, with a current estimated market share in excess of 90% of local government debt.

Under the Local Government Act 2002, councils' are required to manage finances prudently. To assist councils, LGFA works closely with our members to encourage ongoing best practice local government financial management. LGFA's financial covenants for lenders ensure prudent levels of debt are maintained and our tiered credit margins provide financial incentives for members to seek independent external credit ratings.

Over the last seven years, there has been an improving trend in the underlying credit quality of New Zealand's council sector. As at June 2023, 34 members had current external credit ratings, with 85% of all LGFA loans being held by AA- rated councils and CCOs or better.

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

Best practice and influence

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

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

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

Over the reporting year, LGFA operations processed over 13,500 transactions with total gross cash flows in excess of \$34 billion without error. Where possible, LGFA employ straight-through processing to minimise operational risk across our treasury operations.

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

Responsible investment

Our Responsible Investment Policy commits to investing responsibly by incorporating environmental, social and governance (ESG) factors into its investment analysis and decision-making processes relating to the management of the liquid assets portfolio.

Sustainable business practices

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

Total carbon emission intensity for year ended June 2023

Total carbon emissions	Emissions (tC)2e		Variance (change %)	
	FY 23	FY 22	To FY 22	To Base year
Verified				
Scope 1	0.00	0.00	--	--
Scope 2	3.04	2.48	+23%	+24%
Scope 3	50.52	39.75	+27%	-63%
Total	53.56	42.23	+27%	-61%

In aggregate, our scope 1 and 2 emissions are minimal, with scope 3 air travel, at 90% of total, representing the significant majority of our 2022/23 emissions. The increase in our travel-related emissions over 2021/22 followed the full lifting of Covid travel restrictions which facilitated the first opportunity since Covid to visit key offshore investors. While a certain level of air travel is essential for our business, we have achieved a substantial reduction over our base year. We constantly review options to reduce air travel where practical, including the recent introduction of one virtual Board meeting, increased use of hybrid meetings (in-person and virtual attendance) as well as offering a virtual option for members attending our annual Shareholder and Borrowers' day.

The scope of the emissions disclosure includes all activities within the operational boundaries of LGFA including its offices in Wellington and Auckland. LGFA has measured the emissions resulting from its operational activities, purchased energy, and selected impacts from its value chain activities, including business travel, freight, and waste sent to landfill. It is noted that there are a range of activities that have previously been shown to be de minimis and these are excluded from the scope of the inventory. GHG quantification is subject to inherent uncertainty because of incomplete scientific knowledge used to determine emissions factors and the values needed to combine emissions of different gases.

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 55,500 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 2023, LGFA donated \$4,000.



Governance and culture

Te whakaruruhau me te ahurea

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

LGFA governance policies and documents

- Audit and Risk Committee Charter

Board Charter

Code of Ethics

Constitution

Diversity Policy

Foundation Policies

Internal Audit Charter
- Remuneration Policy

Responsible Investment Policy

Risk Management Policy

Shareholders Agreement

Sustainability Policy

Treasury Policy

NZX Corporate Governance Best Practice Code

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

LGFA considers that its governance practices have not materially differed from the NZX Code for the year ended 30 June 2023. Areas where LGFA has implemented alternative measures to the Code are as follows:

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

An issuer should have a remuneration committee which operates under a written charter.
- The process for the nomination and remuneration of directors is documented in the Constitution of New Zealand Local Government Funding Agency Limited and outlined on page 54.

Our purpose

Benefiting local communities through delivering efficient financing for local government.

Our values

Ō mātau uara



We act with integrity

E pono ana mātau

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



We are customer focused

E arotahi ana mātau ki te kiritaki

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



We strive for excellence

E whakapau kaha mātau kia hiranga te mahi

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



We are innovative

He auaha mātau

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



We provide leadership

He kaiārahi mātau

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

Culture, ethics and governance

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

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

Code of Ethics

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

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

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

expected behaviour. In addition, the policy sets out 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.

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

Audit and Risk Committee

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

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

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

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

Internal audit

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

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

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

External audit

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

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

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

Our team

Health, safety and wellbeing

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

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

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

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

Capability and development

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

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. Anita Furniss commenced on 1 July 2022 as the inaugural Future Director.

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.

	2023		
	Female		Male
Board	2		4
Staff	3		7

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

	2022		
	Female		Male
Board	1		5
Staff	3		7

	2022		
	Under 30 years	30-50 years	Over 50 years
Board	-	-	100%
Staff	12%	22%	60%

LGFA Board of Directors



From left: Anthony Quirk, Alan Adcock, Linda Robertson, Craig Stobo, Helen Robinson, Philip Cory-Wright. Absent Anita Furniss (Future Director).

LGFA Staff



From left: Koshick Ranchhod, Mark Butcher, Ariadne Clarke, Neil Bain, Jane Phelan, Sumitha Kaluarachi, Andrew Michl, Nick Howell. Absent: Maya Ranzinger

Our Board

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

- ensuring that LGFA's goals are clearly established, and that strategies are in place for achieving them;
- establishing policies for strengthening LGFA's performance;
- ensuring strategies are in place for meeting expectations set out in the current Statement of Intent and monitoring performance against those expectations, in particular LGFA's primary objective 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; and
- ensuring that LGFA has appropriate risk management/regulatory compliance policies in place. In the normal course of events, day-to-day management of LGFA will be in the hands of management. The Board will satisfy itself that LGFA is achieving its goals, and engaging and communicating with Shareholders Council; and
- engaging and communicating with shareholders.

Board composition

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

The directors of LGFA as at 30 June 2023



Craig Stobo
Independent Chair

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

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

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



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
Whangārei District Council
Director
Whangārei Waste Limited



Philip Cory-Wright
Independent Director
Member Audit and Risk Committee

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

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

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



Anthony Quirk
Independent Director
Member Audit and Risk Committee

BCA Hons (First Class), INFINZ (Fellow), M.Inst.D

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

Chair

Milford Asset Management Limited
(and some associated subsidiaries)
Humanitix, New Zealand

Trustee

Milford Foundation



Linda Robertson
Independent Director
Chair Audit and Risk Committee

B.Com, Dip Bank, INFINZ (Distinguished Fellow),
C.F.Inst.D, GAICD, FGNZ

Linda is professional company director with over 20 years governance experience, combined with 30 years senior financial management experience having worked in both the banking and energy sectors in New Zealand.

Linda holds a Bachelor of Commerce Degree and a Diploma in Banking. Linda is a Distinguished Fellow of the Institute of Finance Professionals New Zealand (INFINZ), a Graduate Member of the Australian Institute of Company Directors, a Certified Fellow of the Institute of Directors in New Zealand and a Fellow of Governance NZ.

Linda is currently chair of Crown Irrigation Investments, Central Lakes Trust and Central Otago District Council's Audit and Risk Committee. She is a director of Horizon Energy, Invercargill City Holdings, Kordia, SBS Bank and Alpine Energy. Linda is also a member of the Capital Markets Advisory Committee and the Risk and Audit Committee of The Treasury; and the Audit and Risk Committee of the Office of the Auditor General.

Chair

Central Lakes Trust and associated subsidiary
Central Otago District Council, Audit & Risk Committee
Crown Irrigation Investments Limited

Director

Alpine Energy Limited and associated subsidiary
Kordia Group Limited
Invercargill City Holdings Limited and associated subsidiary
Horizon Energy Distribution Limited 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
Independent Director
Member Audit and Risk Committee

ONZM

Helen is an experienced business leader locally and internationally mostly in the technology and sustainability sectors. Helen was Managing Director of Microsoft New Zealand, VP of Pivotal Corporation Asia Pacific and Managing Director, Markit Group (now S&P Global). Helen founded and was CEO for Organic Initiative Ltd (Oi).

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 holds an international honorary membership to Beta Gamma Sigma. Helen was awarded the NZ Women of Influence Supreme Award 2016, the Most Inspiring Individual at NZ Innovation Awards 2017, Next Magazine's Woman of the Year in Business & Innovation, and Most Inspiring Women Leader at the NZ International Business Awards in 2019.

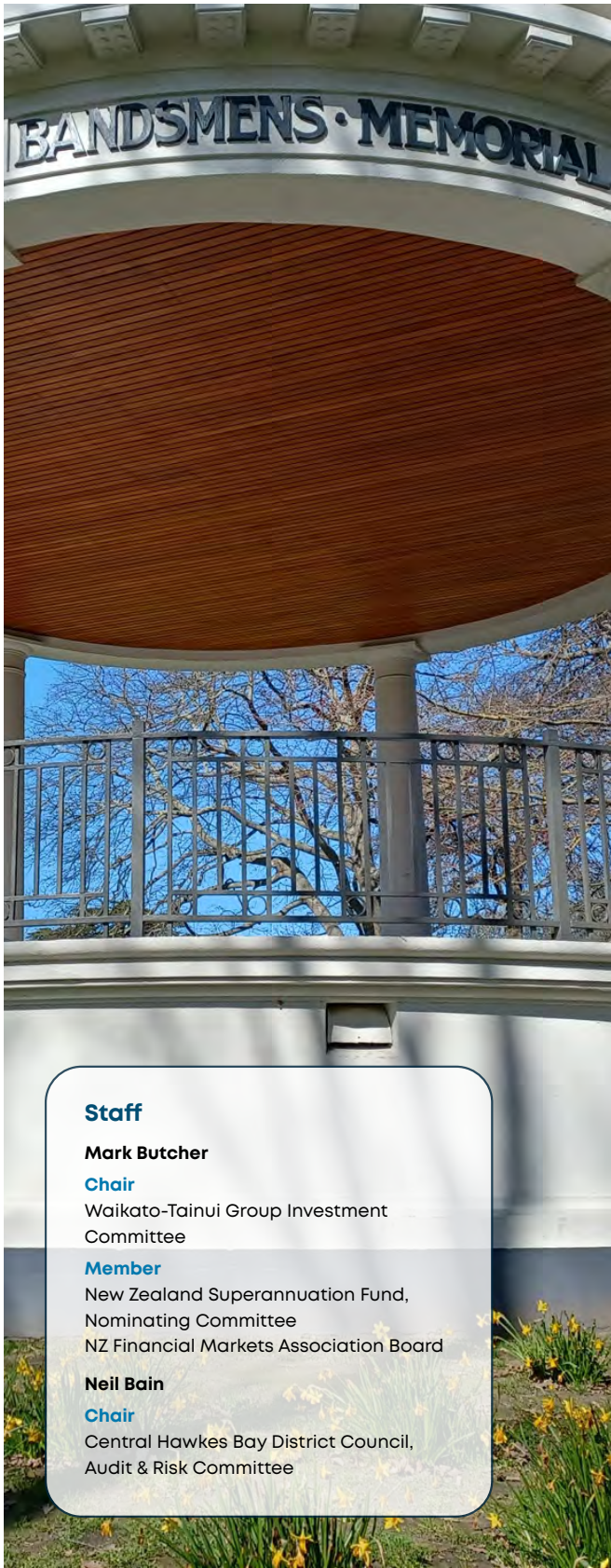
Director and Shareholder

Organic Initiative Limited
Penguin Consulting Limited

Chair

Kara Technologies Limited
Astrix Astronautics Limited

Directors did not hold any interests in debt securities (including listed bonds) in the company as at 30 June 2023.



The Bandsmen's Memorial Rotunda is a well-known landmark in the Christchurch Botanic Gardens.
Christchurch City Council

Director tenure and meetings of the Board

John Avery, Independent Director, retired from the Board on 23 November 2022. John was appointed to the Board on 1 December 2011 and served as a Director for 11 years.

There were seven Board meetings and five Audit and Risk Committee meetings over the year.

Director	Date commenced in office	Board meetings held/attended	Audit and Risk Committee held/attended
Craig Stobo (Chair)	1 December 2011	7/7	-
Alan Adcock	23 November 2021	7/7	5/5
John Avery	1 December 2011	3/3	-
Philip Cory-Wright	1 December 2011	6/7	5/5
Anthony Quirk	21 November 2017	7/7	5/5
Linda Robertson	24 November 2015	7/7	5/5
Helen Robinson	23 November 2022	4/4	2/3

Board performance review

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

Nomination of Directors

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

Retirement and re-election of Directors

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

A retiring Director shall be eligible for re-election.

Indemnities and insurance

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

Remuneration

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

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

Director annual fee breakdown

Position. Fees per annum	2023	2022
Board Chair	\$108,000	\$108,000
Audit and Risk Committee Chair	\$67,000	\$67,000
Director / ARC Member	\$63,000	\$63,000
Director	\$60,000	\$60,000

Director	2023
Craig Stobo (Chair)	\$108,000
Alan Adcock	\$63,000
John Avery ¹	\$25,000
Philip Cory-Wright	\$63,000
Anthony Quirk	\$63,000
Linda Robertson	\$67,000
Helen Robinson ²	\$36,750

1. John Avery retired as director on 23 November 2022.
2. Helen Robinson was appointed as director on 23 November 2022.

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 \$754,000 per annum as at 30 June 2023 (\$572,900, 2022) and an at-risk short-term incentive of the fixed cash component. The short-term incentive payment is made annually at the Board's discretion subject to the CEO and LGFA meeting a range of specific performance objectives for the respective financial year.

Chief Executive remuneration

Per annum	2023	2022
Salary	\$754,000	\$572,900
Taxable benefits	-	-
Subtotal	\$754,000	\$572,400
Pay for Performance STI	\$113,100	\$85,935
Kiwisaver Employer Contribution	\$34,684	\$26,245
Total remuneration	\$901,784	\$685,080

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	2023
\$160,000 to \$169,999	1
\$180,000 to \$189,999	1
\$210,000 to \$219,999	1
\$270,000 to \$279,999	1
\$350,000 to \$359,999	1
\$360,000 to \$369,999	1
\$900,000 to \$909,999	1

LGFA Future Director

In 2022, LGFA appointed Anita Furniss as its inaugural Future Director under the LGFA Future Directors programme, effective 1 July 2022 for a period of 18 months.

The purpose of the Future Director programme is to give talented people working in the Local Government sector the opportunity to observe and participate in Board room discussions over an 18-month period. During this time, the Future Director actively participates in all Board meetings, although they do not possess voting rights and are not involved in decision-making.



Anita Furniss
LGFA Future Director

Anita has a legal background and during her 16 years of legal practice experience she worked in a litigation team in private practice, and in local government in both London and New Zealand on a broad range of legal issues.

Anita started her local government career at Franklin District Council in 2007 and following her time at the London Borough of Camden and London Borough of Hackney, returned to New Zealand and to the Auckland Council.

In her time at Auckland Council, Anita has provided legal and strategic advice on a wide range of issues for executive and governance level decisions in a range of roles. She began in the Public Law team, was the Executive Officer to the Finance Division, Executive Officer to the Deputy Chief Executive, Acting General Manager People & Culture, Implementation Lead for Strategic Programme; and is currently Executive Officer for the Group Services Division.

“Anita reflects on her experience as LGFA’s inaugural Future Director:
The LGFA Future Director role has been an extraordinary opportunity to expand my governance experience by seeing and being part of a professional, high performing and innovative Board of Directors in action.

I went into the role with an interest in how robust governance decision making grapples with complex challenges, and it has been inspiring to see the Board’s purpose led approach. There is no doubt that the wider local government sector, future generations, and local communities throughout New Zealand benefit from the efficient financing that LGFA provides.

The LGFA participating in the Future Director programme is an example of the leadership it provides the local government sector. As one of many local government employees throughout New Zealand, and the inaugural Future Director, I am proud to have played a small part in the LGFA journey and in its achievements.”

Shareholders

Foundation documents

The Constitution and the Shareholders Agreement are foundation documents.

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

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

Shareholders Council

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

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

Members of the Shareholders Council
as at 30 June 2023

Kumaren Perumal (Chair)
Bay of Plenty Regional Council

Mike Drummond (Deputy Chair)
Tasman District Council

John Bishop / Andrew John
Auckland Council

Steve Ballard
Christchurch City Council

David Bryant
Hamilton City Council

Joy Buckingham
New Plymouth District Council

Kathryn Sharplin
Tauranga City Council

Sarah Houston-Eastergaard
Wellington City Council

Adele Henderson
Western Bay of Plenty District Council

Nyika Gwanoya / Phoebe Slee
The Treasury

James Stratford
Department of Internal Affairs



Front Entrance at Wai o Rua – Stratford Aquatic Centre which opened in October 2022.
Stratford District Council

Managing risk

Ko te whakahaere tūraru

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

LGFA risk register

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

The risk register:

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

The risk register is reviewed quarterly by management and the Audit and Risk Committee.

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

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

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 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 and risk and compliance functions provide assurance to both the Board and the Audit and Risk Committee on the performance of internal controls and risk management systems.

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

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

Treasury risk management

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

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

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

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



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

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

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

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

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

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

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

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

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

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

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

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

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

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

Lending risk

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

LGFA provides debt funding to New Zealand councils and council-controlled organisations, subject to Board approval.

The Board have ultimate discretion on approving members.

All member organisations that borrow from LGFA:

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

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

- Net debt is defined as total consolidated debt less liquid financial assets and investments.
- Total revenue is defined as cash earnings from rates, government grants and subsidies, user charges, interest, dividends, financial and other revenue and excludes non-government capital contributions, eg. developer contributions and vested assets.
- Borrowers with a long-term credit rating of 'A' equivalent or higher can have bespoke financial covenants that exceed the foundation policy covenants only with the approval of an Ordinary Resolution of shareholders.
- Any Board or Ordinary Resolution approval of bespoke financial covenants will only be provided after a robust credit analysis and any approval must also include bespoke reporting and monitoring arrangements.
- Non-compliance with the financial covenants will either preclude a member council from borrowing from 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 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 Board.

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

* From June 2026, refer description above.

Taupō Town Centre Transformation project.
Taupo District Council



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

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Statement of comprehensive income

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

	Note	2023	2022
Interest income		763,600	393,507
Interest expense		753,308	375,991
Net interest income	4	10,293	17,516
Other operating income	5	1,349	1,090
Total operating income		11,642	18,607
Operating expenses	6	9,138	7,933
Net operating profit		2,505	10,673
Total comprehensive income		2,505	10,673

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

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

The Board of Directors of the New Zealand Local Government Funding Agency Limited authorised these statements or issue on 28 August 2023.

Statement of changes in equity

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

	Note	Share capital	Retained earnings	Total equity
Equity as at 30 June 2021		25,000	69,743	94,743
Net operating profit			10,673	10,673
Total comprehensive income for the year			10,673	10,673
Transactions with owners			-	-
Dividend paid on 3 September 2021			(857)	(857)
Equity as at 30 June 2022		25,000	79,560	104,560
Net operating profit			2,505	2,505
Total comprehensive income for the year			2,505	2,505
Transactions with owners			-	-
Dividend paid on 2 September 2022			(1,218)	(1,218)
Equity as at 30 June 2023	28	25,000	80,847	105,847


Craig Stobo, Director
Board Chair


Linda Robertson, Director
Chair, Audit and Risk Committee

Statement of financial position

As at 30 June 2023 in \$000s

	Note	2023	2022
Assets			
Financial assets			
Receivables	11	492	360
Cash and bank balances		226,222	158,033
Cash pledged as collateral		93,175	76
Marketable securities		1,127,879	1,491,148
Deposits		348,492	462,866
Derivatives in gain	10	63,845	94,767
Loans	12	16,313,562	14,041,908
Non-financial assets			
Prepayments		919	852
Other assets	13	58	156
Total assets		18,174,644	16,250,167
Equity			
Share capital	27	25,000	25,000
Retained earnings		80,847	79,560
Total equity		105,847	104,560
Liabilities			
Financial liabilities			
Payables and provisions	14	6,132	45,066
Bills	15	782,630	562,803
Bond repurchases	16	130,043	31,671
Derivatives in loss	10	1,628,316	1,206,175
Bonds	17	15,160,432	14,015,862
Borrower notes	18	360,348	283,180
Non-financial liabilities			
Other liabilities	19	896	850
Total liabilities		18,068,797	16,145,607
Total equity and liabilities		18,174,644	16,250,167

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 2023 in \$000s

	Note	2023	2022
Cash flows from operating activities			
Cash applied to loans	12	(2,222,368)	(1,972,398)
Interest paid on bonds issued		(496,597)	(445,533)
Interest paid on bills issued		(25,942)	(5,141)
Interest paid on borrower notes		(4,886)	(1,063)
Interest paid on bond repurchases		(5,140)	(1,067)
Interest received from loans		600,415	191,228
Interest received from cash & cash equivalents		7,102	3,234
Interest received from marketable securities		38,465	14,108
Interest received from deposits		23,192	7,360
Net interest on derivatives		(134,734)	251,708
Cash proceeds from provision of standby facilities		1,349	1,090
Payments to suppliers and employees		(8,965)	(7,752)
Net cash flows from operating activities	32	(2,228,108)	(1,964,224)
Cash flows from investing activities			
Purchase of marketable securities		362,942	(734,412)
(Purchase)/maturity of deposits		22,664	192,800
Purchase of plant and equipment		-	-
Net cash flows from investing activities		385,606	(541,613)
Cash flows from financing activities			
Cash proceeds from bonds issued	17	1,327,354	2,229,503
Cash proceeds (outflows) from bills issued		219,827	(46,822)
Cash proceeds (outflows) from bond repurchases		98,180	(35,987)
Cash proceeds from borrower notes		68,750	57,246
Dividends paid		(1,218)	(857)
Cash applied to derivatives		197,795	68,952
Net cash flows from financing activities		1,910,690	2,272,036
Net (decrease) / increase in cash		68,188	(233,801)
Cash, cash equivalents at beginning of year		158,033	391,835
Cash, cash equivalents at end of year		226,222	158,033

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

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

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

The financial statements are as at and for the year ended 30 June 2023.

These financial statements were authorised for issue by the Directors on 28 August 2023.

2. Statement of compliance

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

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

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

3. Basis of preparation

Measurement base

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

The financial statements are prepared on an accrual basis.

Functional and presentation currency

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

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

Foreign currency conversions

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

Changes in accounting policies

There have no changes to accounting policies.

Early adoption standards and interpretations

LGFA has not early adopted any standards.

Standards not yet adopted

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

Financial instruments

Financial assets

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

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

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

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

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

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

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

Financial liabilities

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

Derivatives

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

Fair value hedge

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

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

Other assets

Property, plant and equipment

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

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

Intangible assets

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

Other liabilities

Employee entitlements

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

Revenue

Interest income

Interest income is accrued using the effective interest rate method.

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

Expenses

Expenses are recognised in the period to which they relate.

Interest expense

Interest expense is accrued using the effective interest rate method.

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

Income tax

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

Goods and services tax

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

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

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

Commitments and contingencies are disclosed exclusive of GST.

Segment reporting

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

Judgements and estimations

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

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under

the circumstances. Actual results may differ from these estimates and these estimates and underlying assumptions are reviewed on an ongoing basis. Where these judgements significantly affect the amounts recognised in the financial statements they are described in the following notes.

The financial statements as at 30 June 2023 include estimates and judgements of the potential impact of

the proposed Affordable Waters Reform Programme on LGFA's financial position and performance. Whilst there has been no material impact on the estimates and judgements at the date these financial statements are authorised, it is noted that there is significant uncertainty with regards to the outcome of the proposed Affordable Waters Reform Programme on the local government sector.

Revenue and expenditure

4. Net interest income

For the year ended 30 June in \$000s	2023	2022
Interest income		
Cash and cash equivalents	10,280	3,527
Marketable securities	41,661	14,827
Lease liability	13	-
Deposits	21,392	7,854
Derivatives	-	140,956
Loans	690,256	226,342
Fair value hedge ineffectiveness	-	-
Total interest income	763,600	393,507
Interest expense		
Bills	25,942	5,141
Bond repurchase transactions	5,331	1,084
Lease liability	-	7
Derivatives	240,445	-
Bonds	468,411	366,044
Borrower notes	13,179	3,715
Total interest expense	753,308	375,991
Net interest income	10,293	17,516

5. Other operating income

As at 30 June 2023, LGFA had provided credit standby facilities totalling \$727 million (2022: \$662 million) to selected councils. As at balance date, there were no drawdowns outstanding under the facilities.

For the year ended 30 June in \$000s	2023	2022
Standby facilities fee income	1,349	1,090
Total other operating income	1,349	1,090

6. Operating expenses

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

For the year ended 30 June in \$000s	2023	2022
Issuance and on-lending expenses		
Approved issuer levy ¹	561	701
Rating agency fees	672	654
NZDMO facility fee	1,385	672
Legal fees – issuance	397	508
NZX	782	715
Trustee fees	110	108
Regulatory, registry, other fees	246	174
	4,154	3,531
Other operating expenses		
Information technology	656	807
Consultants	303	208
Directors fees	427	424
Insurance	96	90
Legal fees	287	137
Other expenses	437	309
Auditors' remuneration		
Statutory audit	121	110
Advisory services	-	-
Personnel	2,658	2,317
	4,984	4,403
Total operating expenses	9,138	7,933

1. The amount of Approved Issuer Levy is a function of the number of the offshore holders of the 2027 bond maturity.

Financial instruments

7. Financial instruments accounting policy

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

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

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

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

Cash pledged as collateral

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

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

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

Marketable securities and bonds

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

Deposits

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

Loans

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

Leases

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

Borrower notes

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

Fair value of financial assets and financial liabilities

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

As at 30 June 2023 in \$000s	Financial liabilities at amortised cost	Financial assets at amortised cost	Financial assets measured at fair value in accordance with NZ IFRS 9	Fair value
Financial assets				
Receivables	-	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	-	441,713
Derivatives	-	-	63,845	63,845
Loans	-	16,313,562	-	16,512,334
	-	18,109,822	63,845	18,477,881
Financial liabilities				
Payables and provisions	6,132	-	-	6,132
Bills	782,630	-	-	782,566
Bond repurchases	130,043	-	-	130,044
Derivatives	-	-	1,628,316	1,628,316
Bonds	15,160,432	-	-	15,022,449
Borrower notes	360,348	-	-	347,825
	16,439,585	-	1,628,316	17,917,332

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

8. Derivative financial instruments

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

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

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

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

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

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

9. Hedge accounting

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

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

As at 30 June in \$000s	2023 Gain/(loss)	2022 Gain/(loss)
Hedged items attributable to the hedged risk	(149,558)	(1,304,237)
Hedging instruments – interest rate swaps	149,558	1,304,237
Ineffectiveness recognised in profit or loss from fair value hedges	-	-

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

10. Offsetting

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

LGFA does not offset any amounts.

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

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

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

11. Receivables

As at 30 June in \$000s	2023	2022
Trade debtors	492	360
Total receivables	492	360

12. Loans

As at 30 June in \$000s	2023 Short-term loans	Loans	2022 Short-term loans	Loans
Ashburton District Council	12,110	74,243	12,048	78,898
Auckland Council	-	3,225,659	-	3,413,415
Bay of Plenty Regional Council	57,428	161,353	25,651	167,941
Buller District Council	-	20,030	-	20,015
Canterbury Regional Council	10,116	65,272	4,018	75,214
Carterton District Council	-	17,523	-	14,762
Central Hawkes Bay District Council	4,072	38,314	2,024	20,107
Central Otago District Council	20,117	5,072	5,024	-
Christchurch City Council	-	2,200,409	2,017	2,036,724
Clutha District Council	7,554	62,905	5,532	32,394
Dunedin City Treasury	-	126,119	-	-
Far North District Council	-	91,984	-	71,822
Gisborne District Council	-	126,028	-	86,095
Gore District Council	8,556	41,915	6,035	29,631
Greater Wellington Regional Council	-	678,358	-	576,343
Grey District Council	3,990	26,799	3,980	26,717
Hamilton City Council	-	803,843	-	633,049
Hastings District Council	-	294,992	-	237,990
Hauraki District Council	-	62,620	-	43,212
Hawkes Bay Regional Council	25,313	55,262	-	37,992
Horizons Regional Council	9,936	51,871	11,984	49,771
Horowhenua District Council	15,175	151,192	11,001	127,395
Hurunui District Council	8,092	38,435	8,033	30,147
Hutt City Council	-	373,239	-	256,607
Invercargill City Council	55,448	68,788	12,845	68,725
Invercargill City Holdings Ltd	12,323	78,514	22,076	68,354
Kaikoura District Council	-	5,346	-	5,331
Kaipara District Council	-	44,545	-	44,229
Kapiti Coast District Council	-	277,935	-	256,128
Kawerau District Council	-	2,024	-	-
Mackenzie District Council	3,001	8,086	10,002	-
Manawatu District Council	15,136	79,502	11,559	77,725
Marlborough District Council	21,241	131,594	37,325	100,289
Masterton District Council	-	52,336	-	50,260
Matamata-Piako District Council	-	45,520	-	38,191
Napier City Council	-	10,014	-	-
Nelson City Council	-	186,666	-	140,581
New Plymouth District Council	10,114	221,668	-	170,350

As at 30 June in \$000s	2023 Short-term loans	Loans	2022 Short-term loans	Loans
Northland Regional Council	-	18,565	-	14,147
Opotiki District Council	-	9,557	-	7,073
Otago Regional Council	46,665	104,177	66,715	48,443
Otorohanga District Council	6,052	-	-	4,028
Palmerston North City Council	-	214,483	-	187,872
Porirua City Council	-	198,906	-	172,335
Queenstown Lakes District Council	56,007	454,003	50,275	241,015
Rangitikei District Council	-	31,207	-	19,157
Rotorua District Council	1,889	351,358	43,112	245,298
Ruapehu District Council	8,050	42,130	8,020	29,557
Selwyn District Council	-	116,198	-	75,343
South Taranaki District Council	-	117,428	-	112,566
South Waikato District Council	-	44,457	4,874	34,171
Southland District Council	-	21,960	-	16,899
South Wairarapa District Council	-	29,148	-	26,537
Stratford District Council	2,030	31,858	6,027	26,299
Taranaki Regional Council	-	19,652	-	14,587
Tararua District Council	4,047	53,778	-	51,244
Tasman District Council	25,515	246,751	24,193	198,190
Taupo District Council	-	146,271	-	125,522
Tauranga City Council	-	823,933	-	648,528
Thames-Coromandel District Council	-	67,813	-	73,365
Timaru District Council	19,456	187,561	28,724	136,516
Upper Hutt City Council	-	113,212	-	91,421
Waikato District Council	9,975	111,225	-	95,454
Waikato Regional Council	5,120	25,276	-	25,120
Waimakariri District Council	-	181,960	-	170,903
Waimate District Council	-	3,540	-	-
Waipa District Council	20,010	207,374	25,530	124,377
Wairoa District Council	8,015	11,109	-	10,062
Waitaki District Council	8,978	33,280	4,491	20,583
Waitomo District Council	4,071	24,204	4,017	24,092
Wellington City Council	-	1,178,503	-	967,101
West Coast Regional Council	3,243	9,991	3,761	6,616
Western Bay Of Plenty District Council	-	80,992	-	70,366
Westland District Council	-	27,078	-	29,933
Westland Holdings Ltd	1,618	5,456	-	-
Whakatane District Council	-	114,768	-	86,396
Whanganui District Council	7,557	110,179	7,523	99,522
Whangārei District Council	9,927	228,151	9,972	182,813
Fair value hedge adjustment	-	(37,850)	-	(36,332)
	547,944	15,765,618	478,385	13,563,522

As at 30 June 2023, \$2,512 million of loans are due to mature within 12 months. This comprises all short-term loans and \$1,964 million of loans.

13. Other assets

As at 30 June in \$000s	2023	2022
Right-of-use lease asset	58	156
Total other assets	58	156

14. Payables and provisions

As at 30 June in \$000s	2023	2022
Loans/purchases to be advanced	5,000	44,000
Trade creditors	804	800
Credit provision	123	161
Other provisions	205	105
Total payables	6,132	45,066

15. Bills

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

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

16. Treasury stock and bond repurchases

Periodically, LGFA subscribes for LGFA bonds as part of its issuance 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 2023, \$1,100 million of LGFA bonds had been subscribed as treasury stock.

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

As at 30 June in \$000s	2023	2022
15 April 2024	16,619	1,456
15 April 2025	1,920	6,773
15 April 2026	-	5,395
15 April 2027	52,513	-
20 April 2029	19,437	7,390
15 May 2031	3,287	-
14 April 2033	1,750	4,566
15 May 2035	34,518	818
15 April 2037	-	5,272
	130,043	31,671

17. Bonds

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

As at 30 June 2023 in \$000's	Face Value	Unamortised premium	Accrued interest	Fair value hedge adjustment	Total
Fixed interest bonds					
15 April 2024	2,218,000	(2,151)	10,499		
15 April 2025	2,409,000	(36,176)	13,937		
15 April 2026	2,155,000	(54,361)	6,801		
15 April 2027	2,011,000	68,977	19,039		
15 May 2028	1,423,000	(60,216)	4,089		
20 April 2029	1,722,000	(83,580)	5,081		
15 May 2030	1,000,000	(17,002)	5,747		
15 May 2031	1,120,000	(60,338)	3,218		
14 April 2033	1,350,000	33,003	10,070		
15 May 2035	450,000	(7,728)	1,724		
15 April 2037	820,000	(41,281)	3,450		
Total	16,678,000	(260,853)	83,656	(1,340,372)	15,160,432

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

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 Board determines it is still at risk of imminent default.

19. Other liabilities

As at 30 June in \$000s	2023	2022
Lease liability	58	156
Accruals	838	694
Total receivables	896	850

20. Operating leases

As at 30 June in \$000s	2023	2022
Less than one year	58	66
Between one and five years	-	90
Total non-cancellable operating leases	58	156

Risk management

21. Financial risk management

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

22. Market risk

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

23. Interest rate risk

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

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

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

As at 30 June 2023 in \$000s	Face value	Less than 6 months	6 months - 1 year	1-2 years	2-5 years	Over 5 years
Financial assets						
Cash and bank Balances	226,222	226,222	-	-	-	-
Marketable securities	1,150,805	540,532	154,418	104,273	351,582	-
Deposits	447,115	447,115	-	-	-	-
Loans	16,201,725	13,382,721	363,171	370,400	1,418,820	666,614
Financial liabilities						
Bills	(792,000)	(792,000)	-	-	-	-
Bond repurchases	(129,833)	(129,833)	-	-	-	-
Derivatives	-	(13,758,700)	1,843,500	2,031,200	4,145,000	5,739,000
Bonds	(16,678,000)	-	(2,218,000)	(2,409,000)	(5,589,000)	(6,462,000)
Borrower notes	(338,809)	(277,881)	(6,110)	(7,492)	(32,191)	(15,135)
Total	87,225	(361,825)	136,979	89,381	294,211	(71,521)

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

Interest rate sensitivity

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

For the period ending 30 June in \$000s	2023		2022	
	100 bps increase \$000s	100 bps decrease \$000s	100 bps increase \$000s	100 bps decrease \$000s
Fair value sensitivity analysis				
Fixed rate assets	-	-	-	-
Fixed rate liabilities	547,192	(557,506)	518,112	(529,330)
Derivative financial instruments	(547,324)	557,646	(517,469)	528,667
	(132)	140	643	(664)
Cash flow sensitivity analysis				
Variable rate assets	132,093	(132,093)	115,784	(115,784)
Variable rate liabilities	(2,775)	2,775	(3,541)	3,541
Derivative financial instruments	(137,537)	137,537	(124,063)	124,063
	(8,219)	8,219	(11,820)	11,820

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 members that borrow from LGFA to meet specific credit lending criteria and to provide security against the borrowing. 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). 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 2023 in \$000s	NZ government agencies	NZ councils	NZ registered banks	Other counter- parties	Fair Value hedge adjustment	Total carrying value
Financial assets						
Receivables	-		-	492		492
Cash and bank balances	223,783	-	2,439	-		226,222
Cash pledged as collateral	93,175					93,175
Marketable securities	79,082	16,950	347,933	706,787	(22,873)	1,127,879
Deposits	(93,175)	-	436,739	4,929		348,492
Derivatives	(1,468,363)	-	(96,108)	-		(1,564,470)
Loans	-	16,351,411	-	-	(37,850)	16,313,562
	(1,165,498)	16,368,361	691,002	712,208	(60,722)	16,545,351

As at 30 June 2022 in \$000s	NZ government agencies	NZ councils	NZ registered banks	Other counter- parties	Fair Value hedge adjustment	Total carrying value
Financial assets						
Receivables	-		-	360		360
Cash and bank balances	156,331	-	1,702	-		158,033
Cash pledged as collateral	76					76
Marketable securities	239,937	29,235	331,290	910,038	(19,351)	1,491,148
Deposits	-	-	377,463	85,403		462,866
Derivatives	(1,111,408)	-	-	-		(1,111,408)
Loans	-	14,078,239	-	-	(36,331)	14,041,908
	(715,064)	14,107,474	710,455	995,801	(55,682)	15,042,984

Collateral and credit enhancements

LGFA holds collateral against borrowings from councils 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 2023, the undrawn committed liquidity facility was \$1,500 million (2022: \$1,300 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 2023 in \$000s	On demand	Up to 3 months	3 months to 1 year	1 year to 5 years	More than 5 years	Total contractual cash flows	Total carrying value
Financial assets							
Receivables	492	-	-	-	-	492	492
Cash and bank balances	226,222	-	-	-	-	226,222	226,222
Cash pledged as collateral	93,175	-	-	-	-	93,175	93,175
Marketable securities	-	168,607	350,627	709,893	-	1,229,127	1,127,879
Deposits	-	209,258	145,558	-	-	354,816	348,492
Loans	-	676,189	2,722,811	10,726,760	6,001,820	20,127,580	16,313,562
Financial liabilities							
Payables and provisions	(6,132)	-	-	-	-	(6,132)	(6,132)
Bills	-	(567,000)	(225,000)	-	-	(792,000)	(782,630)
Bond repurchases	-	(130,215)	-	-	-	(130,215)	(130,043)
Bonds	-	-	(2,662,170)	(9,221,173)	(7,131,780)	(19,015,123)	(15,160,432)
Borrower notes	-	(1,549)	(40,931)	(220,864)	(178,502)	(441,846)	(360,348)
Derivatives	-	(210,678)	(254,986)	(1,243,521)	(807,012)	(2,516,197)	(1,564,470)
	313,757	144,611	35,909	751,096	(2,115,474)	(870,101)	105,766

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

Capital and dividends

27. Share capital

As at 30 June 2023, 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	2023		2022	
Minister of Finance and Minister for Local Government	5,000,000	11.1%	5,000,000	11.1%
Auckland Council	3,731,960	8.3%	3,731,960	8.3%
Christchurch City Council	3,731,960	8.3%	3,731,960	8.3%
Hamilton City Council	3,731,960	8.3%	3,731,960	8.3%
Bay of Plenty Regional Council	3,731,958	8.3%	3,731,958	8.3%
Greater Wellington Regional Council	3,731,958	8.3%	3,731,958	8.3%
Tasman District Council	3,731,958	8.3%	3,731,958	8.3%
Tauranga City Council	3,731,958	8.3%	3,731,958	8.3%
Wellington City Council	3,731,958	8.3%	3,731,958	8.3%
Western Bay of Plenty District Council	3,731,958	8.3%	3,731,958	8.3%
Whangārei District Council	1,492,784	3.3%	1,492,784	3.3%
Hastings District Council	746,392	1.7%	746,392	1.7%
Marlborough District Council	400,000	0.9%	400,000	0.9%
Selwyn District Council	373,196	0.8%	373,196	0.8%
Gisborne District Council	200,000	0.4%	200,000	0.4%
Hauraki District Council	200,000	0.4%	200,000	0.4%
Horowhenua District Council	200,000	0.4%	200,000	0.4%
Hutt City Council	200,000	0.4%	200,000	0.4%
Kapiti Coast District Council	200,000	0.4%	200,000	0.4%
Manawatu District Council	200,000	0.4%	200,000	0.4%
Masterton District Council	200,000	0.4%	200,000	0.4%
New Plymouth District Council	200,000	0.4%	200,000	0.4%
Otorohanga District Council	200,000	0.4%	200,000	0.4%
Palmerston North District Council	200,000	0.4%	200,000	0.4%
South Taranaki District Council	200,000	0.4%	200,000	0.4%
Taupo District Council	200,000	0.4%	200,000	0.4%
Thames-Coromandel District Council	200,000	0.4%	200,000	0.4%
Waimakariri District Council	200,000	0.4%	200,000	0.4%
Waipa District Council	200,000	0.4%	200,000	0.4%
Whakatane District Council	200,000	0.4%	200,000	0.4%
Whanganui District Council	200,000	0.4%	200,000	0.4%
	45,000,000	100%	45,000,000	100%

29. Capital management

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

30. Dividend

LGFA paid a dividend of \$1,217,500 on 2 September 2022, being \$0.0487 per paid up share (2022: \$856,500 on 3 September 2021, being \$0. 03426 per paid up share).

31. Capital commitments

As at 30 June 2023, there are no capital commitments.

Other Notes

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

For the year ended 30 June in \$000s	2023	2022
Net profit/(loss) for the period	2,505	10,673
Cash applied to loans	(2,222,368)	(1,972,398)
Non-cash adjustments		
Amortisation and depreciation	(8,417)	(2,527)
Working capital movements		
Net change in trade debtors and receivables	96	(148)
Net change in prepayments	(67)	(169)
Net change in accruals	144	345
Net Cash From Operating Activities	(2,228,108)	(1,964,224)

33. Contingencies

There are no contingent liabilities at balance date.

34. Related parties

Identity of related parties

LGFA is related to the councils set out in the Shareholder Information in note 12.

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

Shareholding councils, and non-shareholder councils 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 councils to LGFA (cross guarantee) and of LGFA itself.

Related party transactions

LGFA was established for the purpose of raising funds from the market to lend to member 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 LGFA's derivatives counterparty.

Transactions with key management personnel:

Salaries \$1,239,462 (2022: \$1,016,801)

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

35. Subsequent events

On 28 August 2023, the Directors of LGFA declared a dividend of \$1,712,500 (\$0.0685 per paid up share).

Subsequent to balance date, LGFA has issued \$420 million in NZD bonds and AUD 1 billion in AUD bonds.



INDEPENDENT AUDITOR'S REPORT

TO THE READERS OF NEW ZEALAND LOCAL GOVERNMENT FUNDING AGENCY LIMITED'S FINANCIAL STATEMENTS
AND PERFORMANCE INFORMATION FOR THE YEAR ENDED 30 JUNE 2023

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 64 to 87, that comprise the statement of financial position as at 30 June 2023, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information; and
- the performance information of the company on pages 10 to 15.

In our opinion:

- the financial statements of the company on pages 64 to 87:
 - present fairly, in all material respects:
 - its financial position as at 30 June 2023 and
 - its financial performance and cash flows for the year then ended; and
 - comply with generally accepted accounting practice in New Zealand in accordance with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and International Financial Reporting Standards (IFRS); and
- the performance information of the company on pages 10 to 15 presents fairly, in all material respects, the company's actual performance compared against the performance targets and other measures by which performance was judged in relation to the company's objectives for the year ended 30 June 2023.

Our audit was completed on 28 August 2023. 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 14 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 \$135 million determined with reference to a benchmark of company Total Assets. We chose the benchmark because, in our view, this is a key measure of the company's performance. In addition, we also assess whether other matters that come to our attention during the audit would in our judgement change or influence the decisions of a reasonably knowledgeable person ('qualitative' materiality).

Key Audit Matters

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

The key audit matter	How the matter was addressed in our audit
Existence and impairment of loans	
Refer to Note 12 to the Financial Statements. The loans LGFA has provided to local government make up over 89% 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">understanding the processes in place to assess borrowers and to record loan transactions. This included evaluating the control environment in place at LGFA.agreeing the 30 June 2023 loan balances to external confirmations received from NZ Clear.assessing the borrowers' compliance with financial covenants. We did not identify material differences in relation to the existence or impairment of loans.
Application of hedge accounting	
Refer to Note 9 of the Financial Statements. LGFA enters into derivatives (interest rate swaps) to manage interest rate risk related to issuing fixed rate borrowings, loans and investments. Fair value hedge accounting is applied where specific requirements are met around documentation of the hedge relationship and the relationship is demonstrated as being an effective hedge. Hedge accounting is complex, particularly in the area of whether the requirements (both initial and ongoing) for its application are met. Should the requirements for hedge accounting not be met, LGFA could experience significant volatility in the Statement of Comprehensive Income from changes in the fair value of the derivatives. Due to the size of the derivative positions and the complexity of hedge accounting we consider this to be a key audit matter.	Our audit procedures included: <ul style="list-style-type: none">reviewing LGFA's accounting policies related to financial instruments.agreeing the terms of the derivatives to the confirmation provided by the derivative counterparty.using our treasury valuation specialists we independently recalculated the fair value of all of the derivatives recorded by LGFA.ensuring the hedge documentation supporting the application of hedge accounting was in accordance with NZ IFRS 9 and the disclosures made in the financial statements were appropriate.determining that management's hedge effectiveness calculations were correctly performed using appropriate source information. 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 9, 16 to 63 and 92 to 97 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 2023 and subsequently, the Chair of the company's Audit and Risk Committee is a member of the Auditor-General's Audit and Risk Committee. The Auditor-General's Audit and Risk Committee is regulated by a Charter that specifies that it should not assume any management functions. There are appropriate safeguards to reduce any threat to auditor independence, as the member of the Auditor-General's Audit and Risk Committee does not assume any management functions as part of their oversight role of the audit of the company.

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

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

Other disclosures

He whākitanga anō

Donations

A donation of \$4,000 was made to Kauri 2000 for the year ended 30 June 2023.

Net Tangible Assets

Net tangible assets per \$1,000 of listed bonds as at 30 June 2023 is \$6.35 (2022: \$6.92).

Earnings per security

Earnings per \$1,000 of bonds on issue as at 30 June 2023 is \$0.15 (2022: \$0.71).

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	457	46	\$10,998,000	0.06
50,000 to 99,999	193	19	\$13,417,000	0.08
100,000 to 499,999	217	22	\$41,531,000	0.23
500,000 to 999,999	31	3	\$21,074,000	0.12
1,000,000 to 9,999,999,999,999	103	10	\$17,690,980,000	99.51
Total	1,001	1,001	\$17,778,000,000	100.00

Directory

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Taranaki's Yarrow Stadium is being redeveloped; the stadium has one of the best backdrops in Aotearoa New Zealand – Mt Taranaki.
Taranaki Regional Council
Photo by Charles Woollin

GRI Index

Kuputohu GRI

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102-9. Supply chain	Pages 16-25, 34
102-10. Significant changes to the organization and its supply chain	None
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102-13. Membership of Associations	Financial Service Providers Register
102-14. Statement from senior decision-maker	Pages 4-7
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102-40. List of stakeholder groups	Pages 4-7, 10-15, 26-31, 57
102-41. Collective bargaining agreements	None
102-42. Identifying and selecting stakeholders	Pages 33
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102-46. Defining report content and topic Boundaries	Page 33
102-47. List of material topics	Pages 32-57
102-48. Restatements of information	None
102-49. Changes in reporting	None

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

Disclosure title	Reference/Disclosure
102-50. Reporting period	1 July 2022 to 30 June 2023
102-51. Date of most recent report	2023 Annual Report
102-52. Reporting cycle	Annual
102-53. Contact point for questions regarding the report	lgfa@lgfa.org.nz
102-54. Claims of reporting in accordance with the GRI Standards	The report has been prepared in accordance with the GRI standards: core option
102-55. GRI content index	Pages 94-95
102-56. External assurance	None
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405-1 Diversity of governance bodies and employees	Page 48
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404-2 Programs for upgrading employee skills and transition assistance programs	Page 48

Glossary

Kuputaka

AIL	Approved Issuer Levy
Annual Plans	Annual budgets issued by councils ahead of their June financial year end
Bespoke Lending	Any lending to a council with a maturity date that does not match an LGFA bond maturity dated
bps	Basis points (100 basis points equals one percentage).
CCO	Council Controlled Organisation
CCTO	Council Controlled Trading Organisation
CAL	Climate Action Loans
Coverage Ratio	In a tender the amount of bids received divided by the amount of bonds on offer. The higher the Bod Coverage ratio the more demand there is
ESG	Environmental, social and governance
Financial Covenants	Four financial covenants that council must adhere to Debt/Revenue, Interest Expense to Rates Revenue, Interest Expense to Total Revenue, Liquidity. Annual attestation and if in breach then can be an event of repayment of loans.
Fitch	Credit rating agency who rates LGFA and a small number of councils
Foundation Policy Covenants	Within Shareholder Agreement – any changes require shareholder approval. Now mainly the financial covenants.
GHG	Greenhouse gas
GRI	Global Reporting Initiative
GSS	Green, Social and Sustainability
GSA	General security arrangement
Guarantee and Indemnity Deed	Joint and Several Guarantee with a side agreement that pro ratas the council guarantors obligations to that of proportionate share of rates revenue
Guarantor	Any council shareholder or any council who borrows more than \$20m is required to sign the Guarantee and Indemnity Deed.
IA	Internal audit
INFINZ	Institute of Finance Professionals
LAP	Liquid Assets Portfolio
LGFA Bills	Short dated securities (less than 1 year) issued by LGFA
LGFA Bonds	Fixed rate coupon bonds issued by LGFA with maturities between 2024 and 2037. Issued via tenders or syndication
Local Government Act 2002	Overarching legislation for Councils, CCOs and CCTOs

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





28 August 2023

Dear Shareholder

LGFA 2023 Annual Report

The LGFA Annual Report for the 12-month period to 30 June 2023 is now available from the LGFA website: [LGFA 2023 Annual Report](#)

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

1. Financial and Operational performance.

Financial performance was not as strong as previous years with Net Operating Profit of \$2.5 million slightly below SOI forecast but lower than the comparable year result. Our conservative approach of borrowing longer than our term of lending, combined with maintaining a large amount of liquid assets during a period of rising interest rates and volatile conditions, were key factors in our lower result for the year. We are expecting a strong bounce back in profitability in the coming year.

We met 16 out of 17 performance objectives and were awarded the New Zealand Issuer of the Year for 2022 by KangaNews.

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

At 30 June 2023, LGFA had loans outstanding of \$16.31 billion, an increase of \$2.27 billion from previous year, with the longest dated loans out to 14 years (2037). Over the 12 months, we approved two new councils and two new CCO members, lifting total members to 77 councils and 3 CCOs. Over the past year, LGFA lent a record \$3.9 billion to the sector and provided 93% of the sector borrowing. We are appreciative of the ongoing support from our borrowing members.

3. New products and increasing focus on sustainability.

We made a further three Green, Social and Sustainable Loan (GSS) loans during the year and launched Climate Action Loans (CALs) for council and CCO members. By 30 June 2023 we had GSS loans of \$295 million to five councils and \$521 million of CALs to three councils which form our sustainable asset pool. In April 2023, we issued \$1.1 billion of a May 2030 Sustainable Financing Bond under our new Sustainable Financing Bond Framework, the proceeds of which are notionally allocated against the sustainable asset pool.

New Zealand Local Government Funding Agency Limited

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lafa.co.nz

4. A dividend payment of 6.85% for shareholders.

The financial strength of LGFA has been affirmed with total assets of \$18.1 billion and shareholder equity of \$105.9 million as at 30 June 2023. A \$1,712,500 dividend has been declared by the LGFA Board for the year ended 30 June 2023 and a dividend notice will be sent to you shortly. The dividend rate is \$0.0685 per paid up share and will be paid to you on Friday 1 September.

Our Annual General Meeting (AGM) will be held on Thursday 23 November 2023 in Wellington (with a virtual attendance option). We will send out a Notice of AGM by Friday 29 September 2023.

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

Kind regards

A handwritten signature in black ink, appearing to read 'Mark Butcher', followed by a stylized flourish.

Mark Butcher
Chief Executive