



SEPTEMBER QUARTER 2024

# LGFA Quarterly Report to Shareholders

**LGFA**



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

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## A. September Quarter highlights

SEPT QUARTER	TOTAL	BESPOKE MATURITY	APR 25	APR 26	APR 27	MAY 28	APR 29	MAY 30	MAY 31	APR 33	MAY 35	APR 37
Bonds Issued NZ\$m	\$550.0				\$60.0	\$40.0	\$60.0	\$250.0	\$100.0		\$40.0	
Term Loans to Councils NZ\$m	\$1,105.8	\$334.1	\$50.0	\$30.4	\$98.0	\$80.0	\$290.3	\$188.0	\$35.0			

AUD BOND ISSUANCE	TOTAL	SEP 27	AUG 28	NOV 30	MAR 34
September Quarter A\$m	\$800.0	\$500.0			\$300.0

### Key points and highlights for the September quarter:

- LGFA bond yields were volatile over the quarter, trading a range between 123 bps (2026s) and 56 bps (2037s). Yields declined between 1.2% (2026s) and 0.29% (2037s) lower over the quarter as the RBNZ followed global central banks in cutting interest rates. Long bond yields did not fall as far on growing fiscal concerns and the ongoing supply of New Zealand Government Bonds.
- LGFA borrowing margins to swap widened between 2 bps (2026s) and 29 bps (2033s) over the quarter with the average spread to swap of all ten LGFA bond maturities widening by 19.1 bps to 62.4 bps at 30 September 2024. LGFA spreads to NZGB were mixed and narrowed by 19 bps (2026s) but widened by 6 bps (2033s) over the quarter with the average spread narrowing 2 bps to a three year low of 36 bps. The movements were largely due to the increased supply of New Zealand Government Bonds (NZGB) having a negative impact on both NZGB and LGFA bonds.
- LGFA issued NZ\$550 million of NZD bonds during the quarter through three NZD bond tenders. We issued A\$800 million of AUD bonds via a syndication. The average term of issuance during the quarter was 5.62 years.
- Long dated lending to councils and CCOs during the quarter was \$1.105 billion. The average term of lending during the quarter was a short 4.62 years and the average term of loans outstanding to councils of 3.71 years as at 30 September 2024 is the shortest on record. We lent \$345 million of Climate Action Loans (CALs) and \$24 million of GSS loans during the quarter. Total GSS loans and CALs outstanding as at 30 September 2024 was \$3.49 billion or 16.9% of our total long term loan book.
- LGFA has an estimated market share of 91.9% of council long term borrowing for the rolling twelve-month period to September 2024 compared to a historical average of 77% since 2012.
- Short-term lending increased over the quarter by \$69 million with \$673 million of short-term loans outstanding on 30 September 2024 to forty-two councils and CCOs.
- LGFA Net Operating Profit (unaudited management estimate) for the 3 month period to 30 September of \$3.863 million was \$1.518 million below budget, comprising total operating income at \$7.578 million (\$1.693 million below budget) and expenses at \$3.715 million (\$175k below budget). We are confident that we can meet budget by the end of the financial year.
- On 8 August, we announced jointly with the Minister of Local Government that LGFA can lend to water CCOs that are financially supported by parent council(s). We are seeking shareholder approval at the November Annual Meeting for the LGFA board to have the discretion to grant a bespoke Net Debt/total Revenue financial covenant to high growth councils up to 350%.
- We published our Annual Report, inaugural Climate Related Disclosures Report, and distributed the Notice of Annual Meeting to shareholders. We have undertaken numerous investor and council meetings during the quarter to help explain the LGFA involvement with Local Water Done Well.

## B. LGFA bond issuance over quarter

We issued \$550 million of NZD bonds across six bond maturities via three bond tenders as well as tapping two of our existing AUD bond maturities for a combined A\$800 million in AUD during the quarter.

### 3 July NZD bond tender

The first bond tender of the new financial year was another successful result.

Issuance conditions were significantly more difficult as spreads to NZGBs had narrowed by 20 bps over the prior 2 months, making LGFA bonds expensive and bond yields had fallen. This was the first time since August 2022 that all bonds were issued sub 5%. Yields fell on a slowing economy but we also issued in the mid part of the yield curve where it is saucer shaped and short average term of bonds tendered

We issued a total of \$190 million comprising \$60 million each of 2027s and 2029s and \$70 million of the 2030 Sustainable Financing Bond. The average term of bond issuance in the tender was a very short 4.56 years when compared to the year to June 2024 average of 5.93 years.

The weighted average yield on all bonds issued was 0.5 to 1.5bp above pretender mid-levels and the bid to coverage ratio was 2.58, which was lower than recent tenders, but still good outcome given the market conditions.

While we issued \$190 million of LGFA bonds, we on-lent \$490 million to member councils, the largest borrowers were Christchurch City Council (\$50 million) and Greater Wellington Regional Council, Hastings District Council and Tauranga City Council all borrowing \$30 million each. The total lending comprised 58% fixed rate lending and 42% floating rate lending.

TENDER 109 – 3 JULY 2024	15 APR 27	20 APR 29	15 MAY 30
Total Amount Offered (\$million)	60	60	70
Total Amount Allocated (\$million)	60	60	70
Total Number of Bids Received	15	15	16
Total Amount of Bids Received (\$million)	140	140	210
Total Number of Successful Bids	6	8	8
Highest Yield Accepted (%)	4.960	4.930	4.970
Lowest Yield Accepted (%)	4.935	4.880	4.945
Highest Yield Rejected (%)	5.120	5.060	5.085
Lowest Yield Rejected (%)	4.965	4.930	4.970
Weighted Average Accepted Yield (%)	4.945	4.910	4.957
Weighted Average Rejected Yield (%)	5.010	4.969	4.989
Amount Allotted at Highest Accepted Yield as Percentage of Amount Bid at that Yield	100	50	12.5
Coverage Ratio	2.33	2.33	3.00
NZGB Spread at Issue (bps)	31.00	38.00	42.00
Swap Spread at Issue (bps)	24.00	44.00	51.00
Swap Spread: AA council (bps)	49	69	76
Swap Spread: AA- council (bps)	54	75	81
Swap Spread: A+ council (bps)	59	80	86
Swap Spread: Unrated council (bps)	69	90	96

## 25 July AUD Bond Syndication

We undertook our debut AUD issuance in August 2023 and then followed up with subsequent syndications in November 2023 and February 2024. Given our large financing requirement, and the weak tone to the NZD domestic market we decided to return to the AUD bond market. We considered taps to the 2027s, 2030s and 2034 bond maturities only as the 2028s were at our maximum cap of A\$1 billion.

We issued A\$500 million of the existing September 2027 bond (to take the amount on issue to A\$1 billion) and A\$300 million of the existing March 2034 bond (to take outstandings to A\$800 million). The total order book size was A\$1.3 billion for the 2027s and A\$524 million in the 2034s.

AUD – 25 JULY 2024	8 SEP 27	8 MAR 34
Total Amount Issued (\$million)	500	300

## 9 August NZD bond tender

Issuance conditions were choppy for the August bond tender.

We delayed the bond tender due to increased market volatility earlier in the week with domestic labour market data stronger than expected and the 8 August announcement regarding water CCO and high growth council lending. We had postponed the tender scheduled for the Wednesday until Friday given the impending announcement.

We issued a total of \$160 million bonds comprising \$40 million of 2028s, \$80 million of 2030s and \$40 million of 2031s. The bonds were issued 3 bps below mid rates (2030s) and at mid rates (2028s and 2031s), but our spreads had widened 4 bps to 7 bps over the prior week. The bid coverage ratios were 3.23x for the 2028s, 3.93x for the 2030s and 2.88x for 2031s, reflecting strong demand for our mid curve bonds.

We issued \$160 million of LGFA bonds and on-lent \$377 million to member councils. The largest borrowers were Hamilton City Council (\$60 million) and Wellington City Council (\$50 million). There were \$100 million of Climate Action Loans (CALs) and \$18 million of GSS loans. The total lending of \$377 million comprised of 35% fixed rate lending and 65% floating rate lending and the average term of 59 months (5.9 years) remained relatively short.

TENDER 110 – 9 AUGUST 2024	15 MAY 28	15 MAY 30	15 MAY 31
Total Amount Offered (\$million)	40	80	40
Total Amount Allocated (\$million)	40	80	40
Total Number of Bids Received	15	27	17
Total Amount of Bids Received (\$million)	129	314	115
Total Number of Successful Bids	2	1	7
Highest Yield Accepted (%)	4.250	4.455	4.665
Lowest Yield Accepted (%)	4.245	4.455	4.610
Highest Yield Rejected (%)	4.345	4.615	4.765
Lowest Yield Rejected (%)	4.255	4.475	4.665
Weighted Average Accepted Yield (%)	4.246	4.455	4.632
Weighted Average Rejected Yield (%)	4.292	4.532	4.692
Amount Allotted at Highest Accepted Yield as Percentage of Amount Bid at that Yield	100	100	20
Coverage Ratio	3.23	3.93	2.88
NZGB Spread at Issue (bps)	40.00	51.00	58.00
Swap Spread at Issue (bps)	48.00	67.00	77.00
Swap Spread: AA council (bps)	73	92	102
Swap Spread: AA- council (bps)	78	97	107
Swap Spread: A+ council (bps)	83	102	112
Swap Spread: Unrated council (bps)	93	112	122

## 4 September NZD bond tender

Issuance conditions were more favourable in early September as domestic yields had consolidated post the RBNZ easing and LGFA bond spreads had also stabilised since the August bond tender. The market was short our LGFA 2030 and 2031 bonds, which resulted in both above average bid to cover ratios for both the bonds, and the 2030s clearing 2.75 bps below mid rates, prior to the tender. The steepness in the LGFA yield curve also appealed to investors, the LGFA 2035s also attracted a good bid to coverage ratio and cleared below pretender mid-levels.

We issued a total of \$200 million comprising \$100 million 2030s, \$60 million 2031s and \$40 million 2035s. The bonds were all issued at a yield that were 2 bps below pretender mid rates. The bid coverage ratios were 3.6x for the 2030s, 2.5x for the 2031s and 2.38x for the 2035s, reflecting strong demand for our mid curve bonds. The overall bid coverage ratio of 3x was pleasing given the tender size of \$200 million was larger than normal.

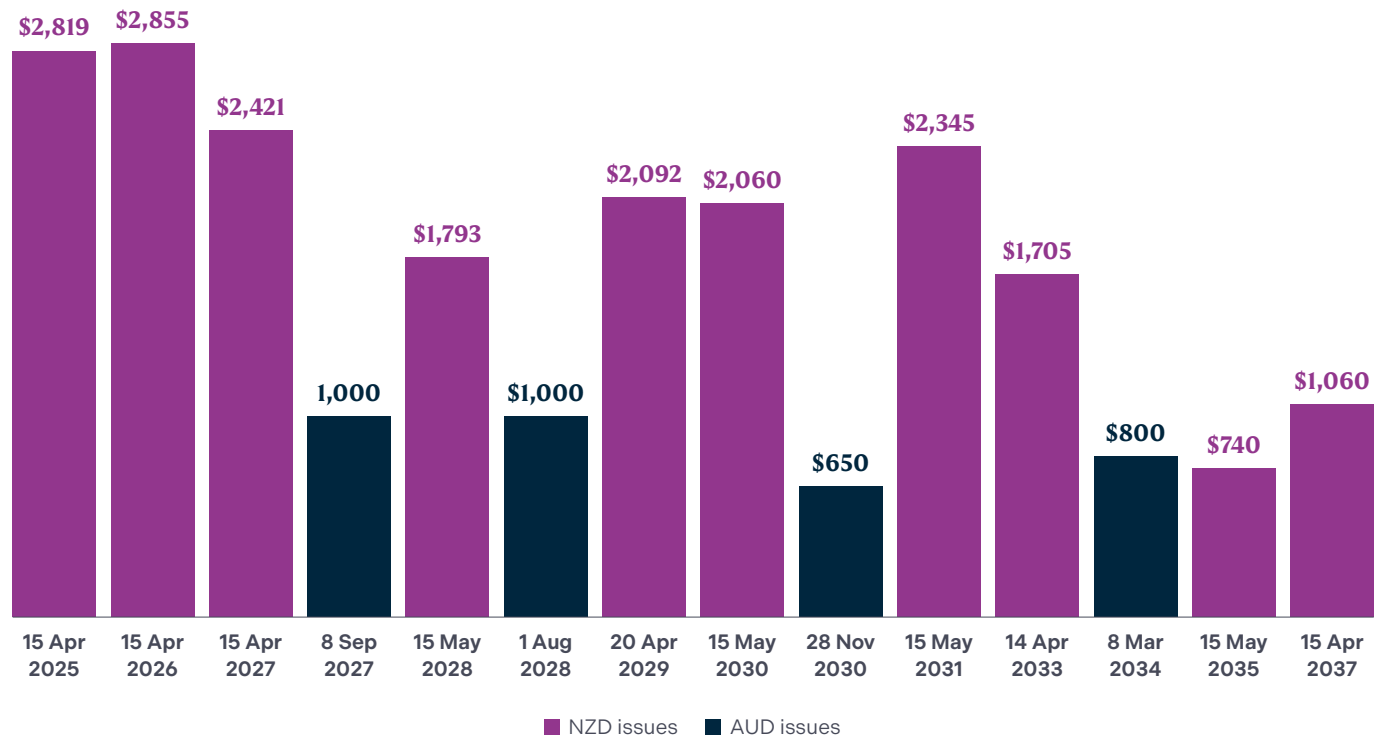
We issued \$200 million of LGFA bonds and on-lent \$143 million to thirteen member councils (the lowest number of councils for a year). The largest borrowers were Greater Wellington Regional Council (\$25 million), Hutt City Council and Upper Hutt City Council (\$20 million) each. There were \$45 million of CAL loans. The total lending of \$143 million was lower than expected but September is always the quietest month for council borrowing e.g. in September 2023 we lent \$229 million. Lending comprised 38% fixed rate lending and 62% floating rate lending with an average term of 43 months (3.7 years) being the second shortest since we commenced lending in 2012.

TENDER 111 – 4 SEPTEMBER 2024	15 MAY 30	15 MAY 31	15 MAY 35
Total Amount Offered (\$million)	100	60	40
Total Amount Allocated (\$million)	100	60	40
Total Number of Bids Received	25	13	15
Total Amount of Bids Received (\$million)	360.2	150	95.1
Total Number of Successful Bids	5	4	6
Highest Yield Accepted (%)	4.356	4.500	4.870
Lowest Yield Accepted (%)	4.345	4.485	4.850
Highest Yield Rejected (%)	4.430	4.560	4.935
Lowest Yield Rejected (%)	4.355	4.500	4.880
Weighted Average Accepted Yield (%)	4.352	4.492	4.857
Weighted Average Rejected Yield (%)	4.377	4.527	4.897
Amount Allotted at Highest Accepted Yield as Percentage of Amount Bid at that Yield	76.9	66.7	100
Coverage Ratio	3.60	2.50	2.38
NZGB Spread at Issue (bps)	46.00	49.00	59.00
Swap Spread at Issue (bps)	66.00	74.00	90.00
Swap Spread: AA council (bps)	91	99	115
Swap Spread: AA- council (bps)	96	104	120
Swap Spread: A+ council (bps)	101	109	125
Swap Spread: Unrated council (bps)	111	119	135

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

As at 30 September 2024 NZ\$19,890 million and A\$3,450 million

Includes NZ\$1,150 million treasury stock



We have ten LGFA bond maturities listed on the NZX Debt market that finance our long-term lending to councils. We had NZ\$19.89 billion of NZD bonds (including treasury stock) on issue as at 30 September 2024. We also had A\$3.45 billion of bonds issued under our Australian Medium Term Notes programme.

Our issuance volume on a rolling 12-month basis to September 2024 was NZ\$5.742 billion equivalent amount (comprising NZ\$3.11 billion of NZD issuance and A\$2.654 billion of AUD issuance).

## Rolling 12 month Issuance including A\$ and NZ\$ bonds (NZ\$ millions)



## C. Summary financial information (management estimates)

The following results are management estimates only.

FINANCIAL YEAR (\$M)	YEAR TO DATE
<b>Comprehensive income</b>	<b>For three-month period ending 30 Sept 2024</b>
Interest income	\$348.053
Interest expense	\$340.033
<b>Net interest revenue</b>	<b>\$8.020</b>
Other operating Income	\$0.377
Unrealised gains/(losses)	(0.819)
<b>Total operating income</b>	<b>\$7.578</b>
Issuance and On-lending costs	\$0.932
Approved issuer levy	\$1.136
Operating expenses	\$1.647
<b>Issuance and operating expenses</b>	<b>\$3.715</b>
<b>Net Profit</b>	<b>\$3.863</b>

FINANCIAL POSITION (\$M)	AS AT 30 SEPT 2024
Retained earnings + comprehensive income	\$90.346
Total assets	\$25,223.124
Total LG loans	\$21,360.879
Total LGFA bills and ECP (nominal)	\$1835.333
Total LGFA bonds (nominal in NZD)	\$20,658
Total borrower notes	\$549.933
Total equity	\$115.346

## D. Strategic priorities. Performance against objectives and performance targets

### D1. Governance, capability, and business practice

PERFORMANCE TARGET	2024-25 TARGET	PERFORMANCE AGAINST TARGET AS AT 30 SEPT 2024
Comply with the Shareholder Foundation Policies and the Board-approved Treasury Policy at all times.	No breaches.	<b>Met – No breaches.</b>
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.	<b>Met.</b>
A succession plan be put in place for the Board and staff and be reviewed annually.	Plan established. Staff plan shared with board and Board Plan shared with Shareholders' Council.	<b>Partially Met – Staff Plan has been shared with the LGFA board.</b>
LGFA's total operating income for the period to 30 June 2025.	> \$31.4 million	<b>On track – \$7.578 million as at 30 Sept 2024.</b>
LGFA's total operating expenses (excluding AIL) for the period to 30 June 2025.	< \$11.5 million	<b>On Track – \$2.579 million as at 30 Sept 2024.</b>

There have been no policy breaches during the quarter.

Our credit ratings remain equivalent to the New Zealand Government from both S&P Global Ratings (S&P) and Fitch Ratings. The current ratings and most recent actions are:

- S&P affirmed our domestic and foreign currency long term ratings on 9 September 2024 at AAA (domestic currency)/AA+ (foreign currency)
- Fitch affirmed our local currency and foreign currency ratings at AA+ on 14 October 2024.

On 27 July 2024, S&P published their updated methodology for Public Sector Funding Agencies (PSFA). They had originally drafted the methodology and undertook a consultation exercise in 2021 so there were few surprises following the publication. We met with S&P on 19 August 2024, and on 9 September 2024 they published our rating under the new methodology.

The Stand-Alone Credit Profile (SACP) was raised from AA- to AA+ because they noted

“The agency’s financial profile is improving on the back of broadened access to capital markets, a gradual dilution of borrower concentration, and a growing capital base. All were historical constraints on its credit profile.”

Fitch Ratings last affirmed our long-term domestic and foreign currency credit rating as AA+ on 14 October 2024.

Total operating income at \$7.578 million was 82% of target for the three month period to September 2024. It is \$1.693 million below budget due to the budget being overstated for the first six month period of the financial year. We are however confident that we will meet the full year budget. Expenses were below budget by \$175k after the first quarter with a lower utilisation of the NZDM facility, lower legal fees and lower operating overhead compared to budget. Approved Issuer Levy (AIL) on our AUD bond and Euro Commercial Paper issuance was over budget (by \$64k) due to additional borrowing in offshore markets than planned. Therefore, Net Operating Profit of \$3.863 million was \$1.518 million under budget.

We published our Annual Report on 29 August 2024 and our Climate Related Disclosures Report on 4 September 2024.

The Notice of Annual Meeting for Tuesday 19 November 2024 was sent to shareholders on 20 September 2024 and need to receive all proxies back by Friday 15 November 2024.

## D2. Optimising financing services for local government

PERFORMANCE TARGET	2024-25 TARGET	PERFORMANCE AGAINST TARGET AS AT 30 SEPT 2024
Share of aggregate long-term debt funding to the Local Government sector.	> 80%	<b>Met – 91.9% as at 30 Sept 2024.</b>
Total lending to Participating Borrowers.	> \$23,597 million	<b>On track – \$21,401 million as at 30 Sept 2024.</b>
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	<b>Survey to be completed December 2024.</b>
Successfully refinance existing loans to councils and LGFA bond maturities as they fall due.	100%	<b>Met.</b>
Meet all lending requests from Participating Borrowers, where those requests meet LGFA operational and covenant requirements.	100%	<b>Met.</b>

Our market share remained very high in the twelve month period to 30 September 2024. The only councils to borrow on a long term basis outside of LGFA were Auckland Council and Dunedin City Treasury. We would expect our market share to reduce in the next quarter as Christchurch City Holdings issued bonds in October 2024.

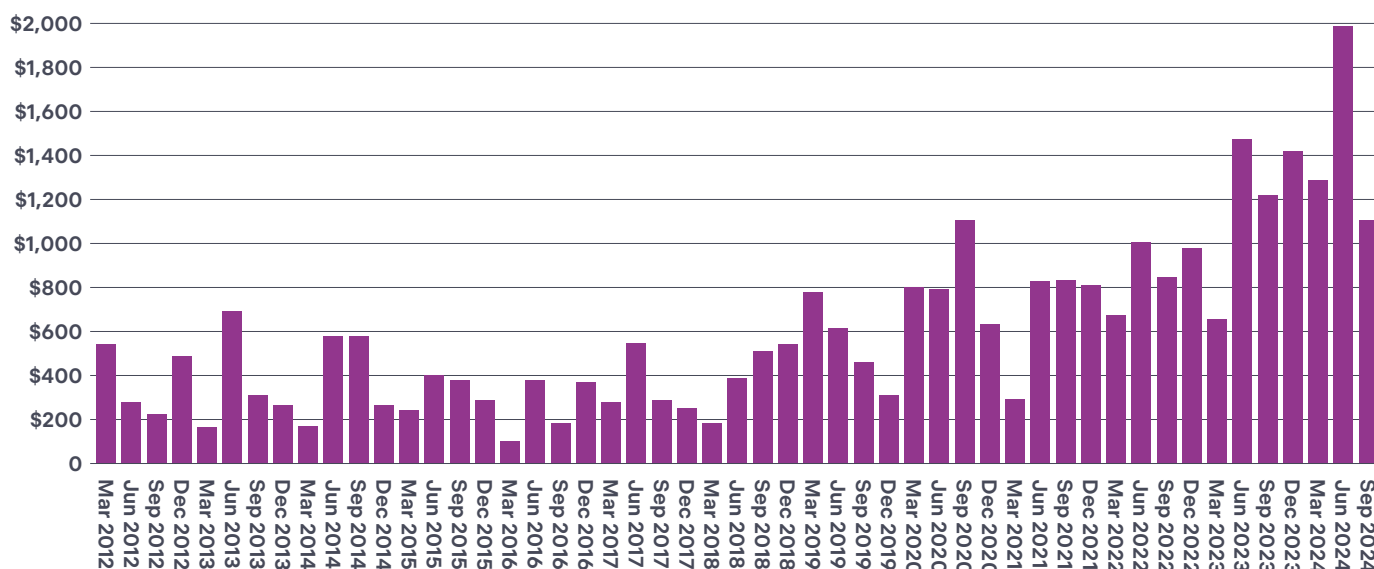
We have lent \$1.105 billion of long term loans to forty-five councils and CCOs during the September quarter with Tauranga City, Wellington City, Hutt City, Greater Wellington Regional and Christchurch City Councils being the five largest council borrowers. Far North Holdings was the only CCO to borrow on a long term basis during the quarter.

We have reduced our estimated council borrowing for the financial year to June 2025 by \$300 million as September quarter council and CCO borrowing at \$1.105 billion was less than forecast. We have \$1.86 billion of April 2025 council loans maturing so the refinancing decisions will be important for us to meet the \$23.597 billion total lending target in the SOI.

LGFA provides short term loans (less than one year maturity), long term loans (between one year and April 2037), Green Social and Sustainable (GSS) Loans, Climate Action Loans (CALs) and standby facilities to councils and CCOs. Long term loans, GSS loans and CALs can be on a floating or fixed rate basis. There has been a recent trend towards more fixed rate borrowing e.g. 49.2% in the September quarter vs 30% in FY24 and 19.3% in FY23.



## Council Borrowing from LGFA – quarterly (\$ millions)

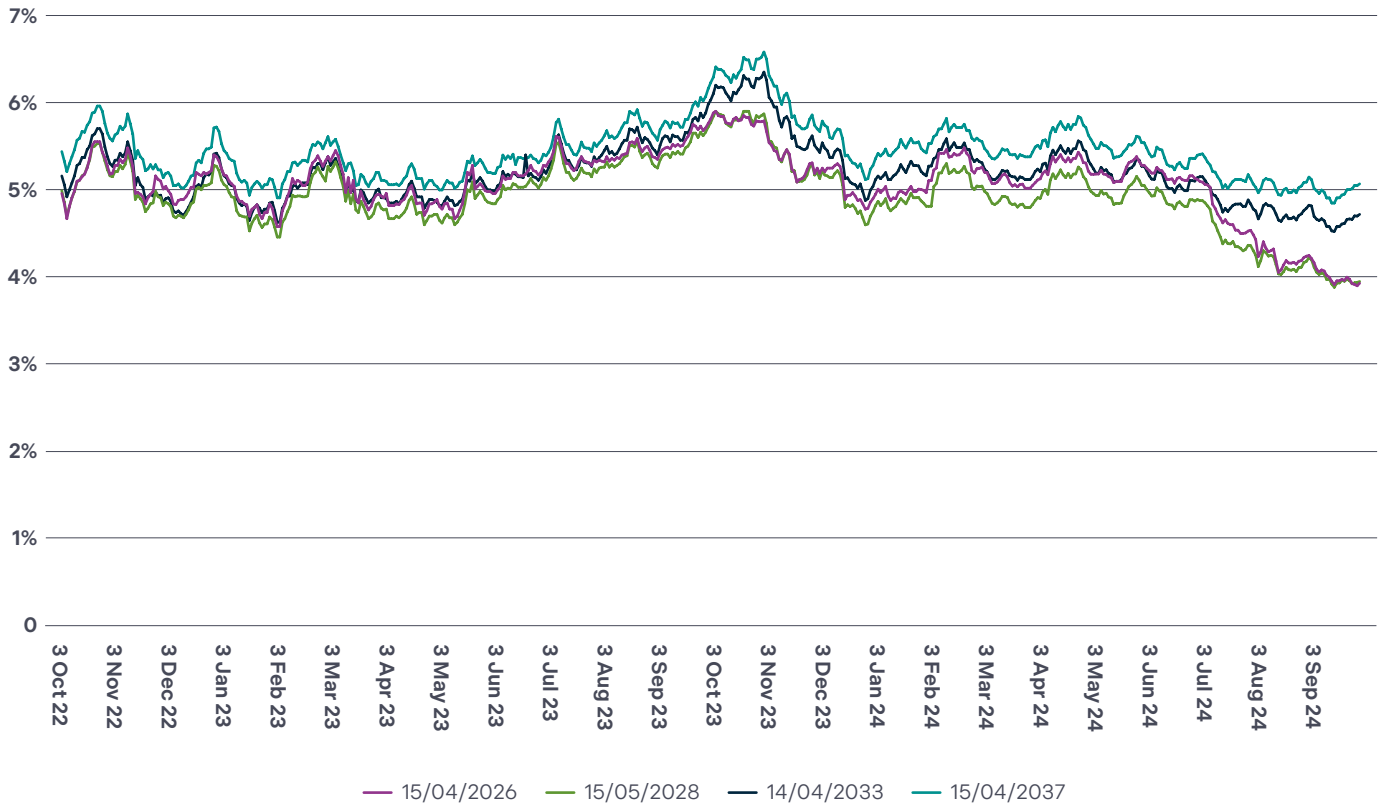


Our borrowing margins relative to other high-grade issuers in the New Zealand capital markets have widened over the quarter because of the large supply of New Zealand Government Bonds. This is having a negative impact on LGFA bond spreads. Our borrowing spreads are tighter than Kainga Ora for shorter dated maturities but wider in long dated maturities due to them no longer borrowing in their own name.

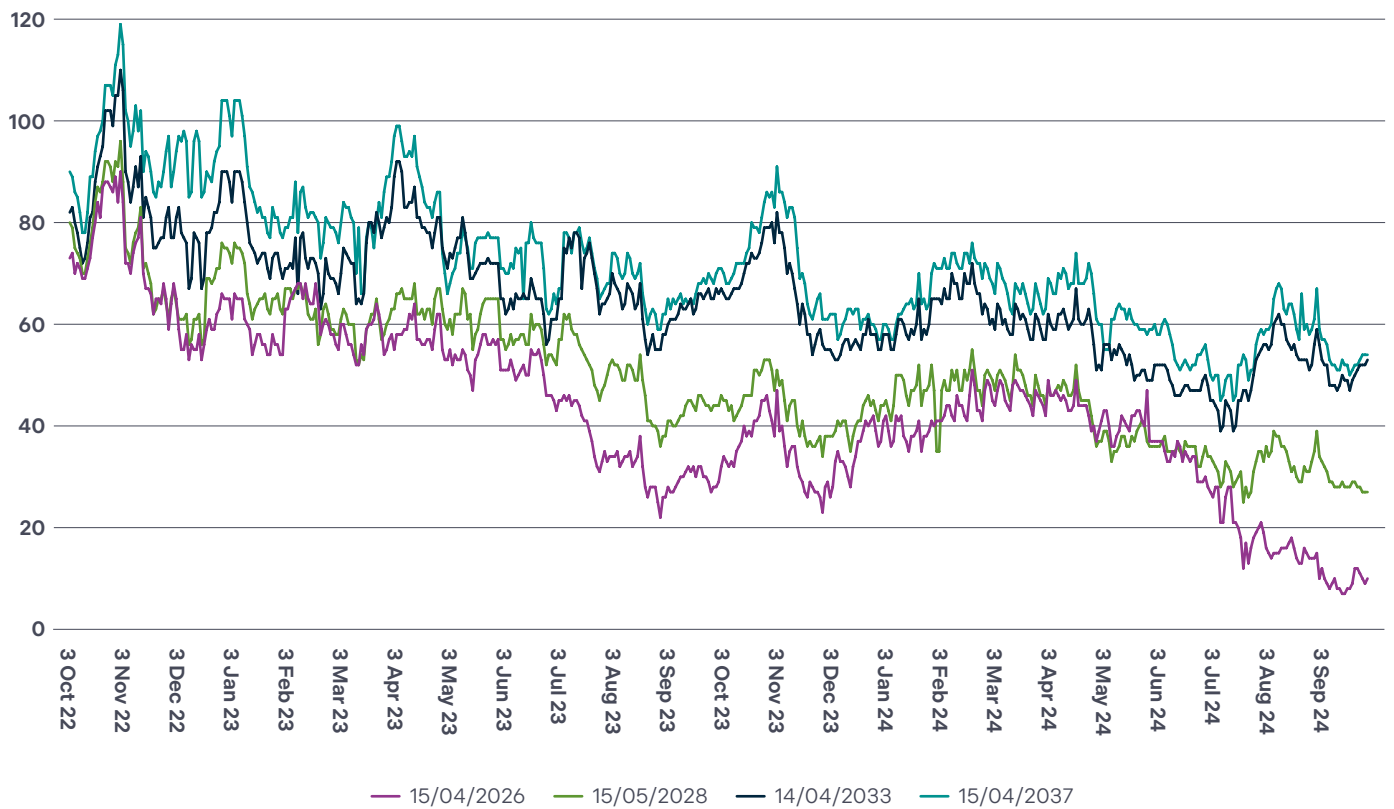
## Comparison to other high-grade issuers – secondary market spread to swap (bps)

30 SEP 24												
	2025	2026	2027	2028	2029	2030	2031	2033	2034	2035	2037	
LGFA (AAA)	14	17	33	47	61	72	81	91	94	97	106	
Kainga Ora (AAA)	16	21	29	44		60				86		
Asian Development Bank (AAA)	8	11	17	26			45					
IADB (AAA)	8	15	18	30		39						
International Finance Corp (AAA)	7	10	20	30	35							
KBN (AAA)	10	15	22			45						
Nordic Investment Bank (AAA)	7				30	36						
Rentenbank (AAA)	6		20		35							
World Bank (AAA)	8	9	18	20		38						
ASB (AA-)		35	45									
ANZ (AA-)				58								
BNZ (AA-)	19	27	46	61								
Westpac Bank (AA-)	20	22	42		89							
SSA Average	8	12	19	27	33	40	45					
Bank Average	20	28	44	60								

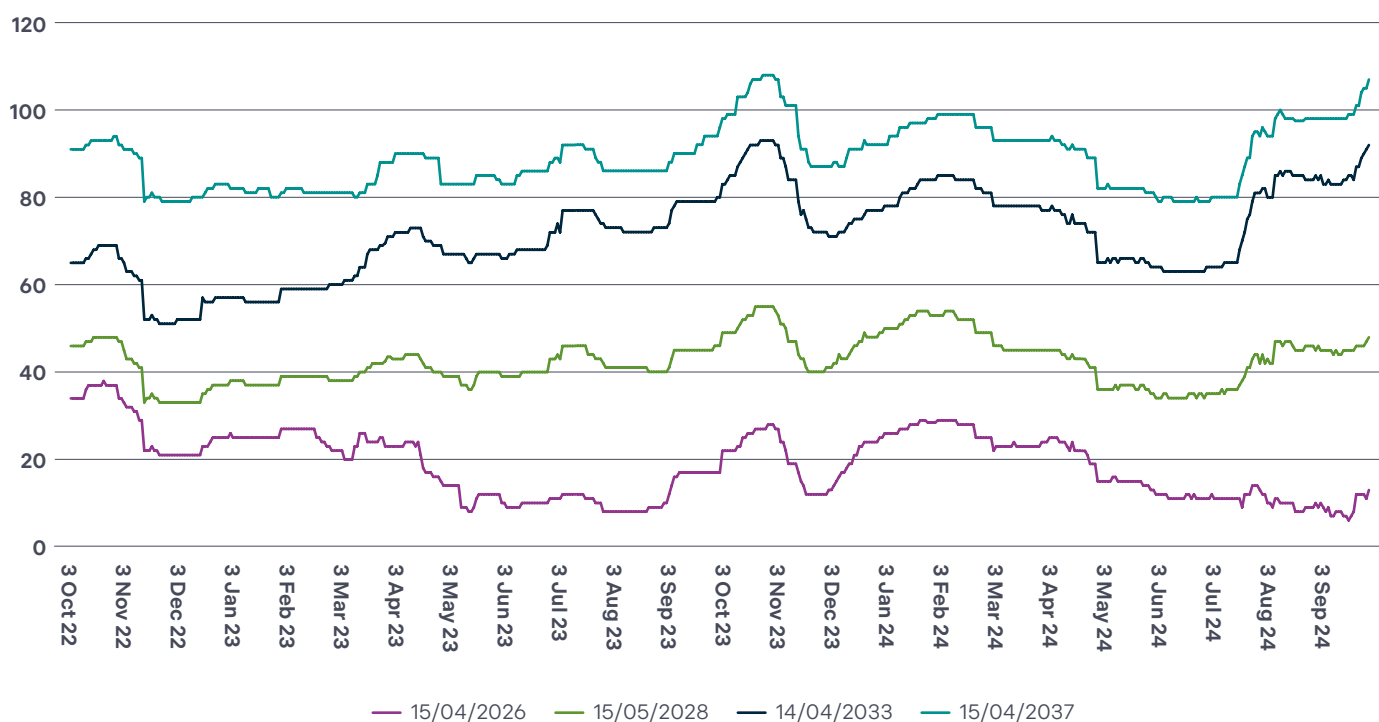
## LGFA Bond Yields



## LGFA Spread to NZGB (bps)



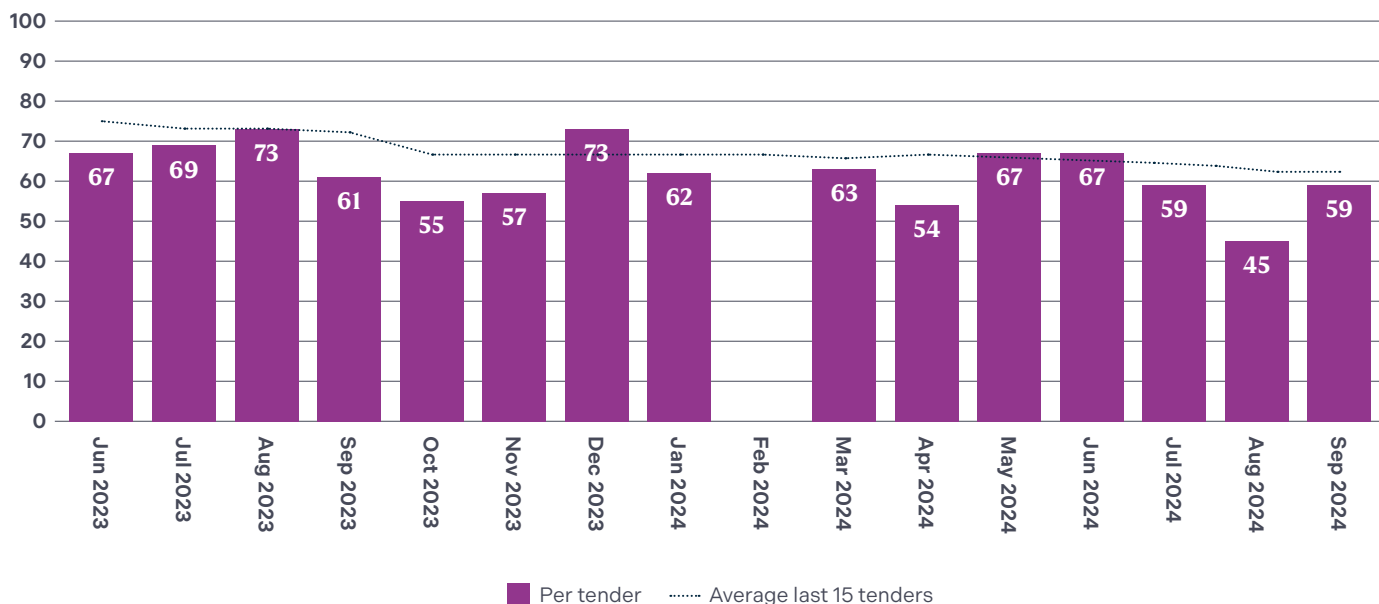
## LGFA Bond Spread to Swap (bps)



The average borrowing term (excluding short-dated borrowing) for the September 2024 quarter by council members was 4.62 years.

## Average total months to maturity – on lending to councils

Last 15 tenders

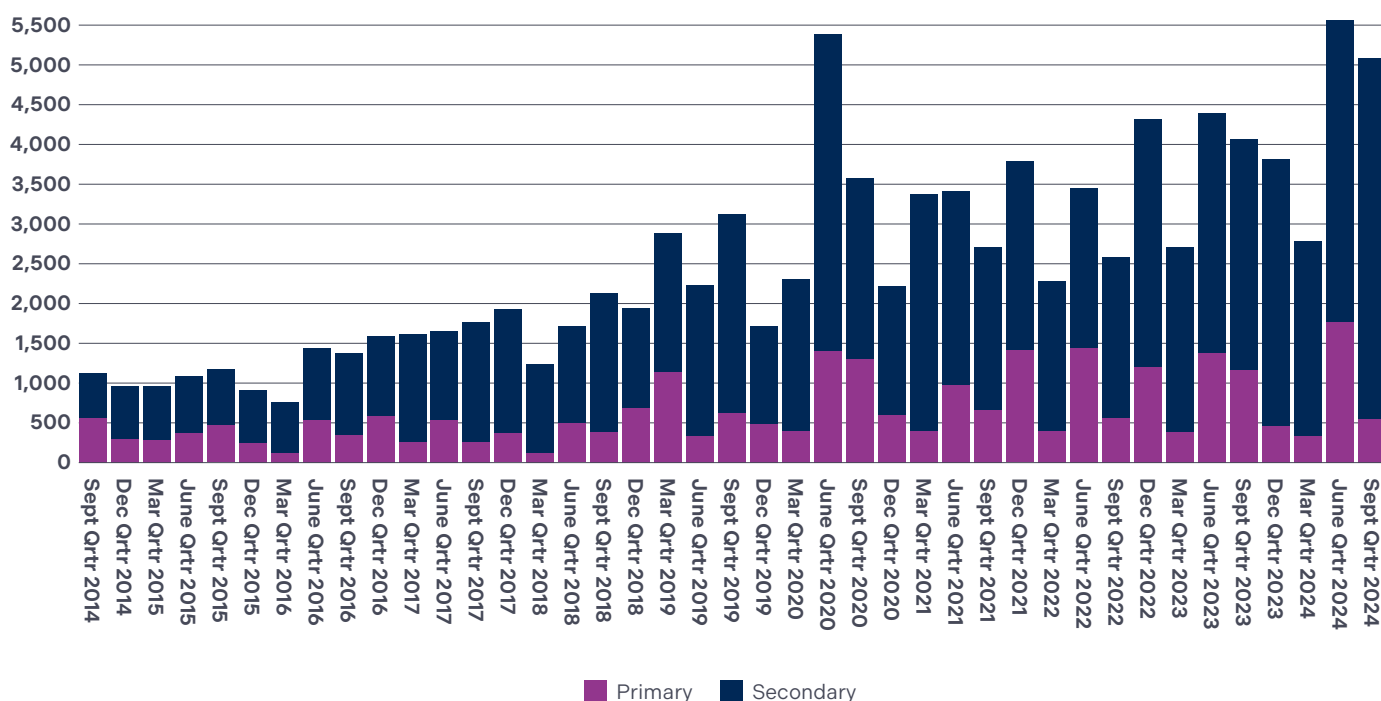


Short-term borrowing by councils and CCOs with loan terms of between one month and 12 months remains well supported with \$673 million outstanding as of 30 September 2024 to forty-two councils and CCOs. The number of councils and CCOs using this product increased by five over the quarter while the total amount outstanding increased by \$69 million.

For LGFA to provide certainty of access to markets for our council borrowers we need to have a vibrant primary and secondary market in LGFA bonds. The primary market is the new issuance market, and we measure strength through participation by investors at our tenders through bid-coverage ratios and successful issuance yield ranges. The secondary market is the trading of LGFA bonds following issuance and a high turnover implies a healthy market.

Activity in LGFA NZD bonds in both the primary market (tender or syndicated issuance) and secondary market (between banks and investors) was strong during the September quarter on the back of market volatility. Combined activity of \$5.1 billion for the September 2024 quarter was the third highest on record (behind June 2024 and June 2020). There was record secondary market turnover of \$4.525 billion during the quarter while primary issuance (comprising bond tenders and syndication) was a smallish \$550 million. The primary issuance was lower as we did not undertake a NZD syndication but issued instead in AUD.

## LGFA Primary and Secondary Market Activity – Quarterly (NZ\$ million)



LGFA commenced issuing LGFA Bills and short dated (less than 1 year) lending to councils in late 2015. As at 30 September 2024 there were \$900 million of LGFA Bills on issue which was \$25 million less than at 30 June 2024. We use proceeds from LGFA bills to fund short term lending to councils and hold the balance for liquidity purposes in our liquid asset portfolio.

LGFA documented an Australian Medium-Term Notes Programme in November 2017 and updated the Programme in March 2020 and July 2023. We have successfully established a yield curve in AUD, having issued A\$3.45 billion of bonds comprising A\$1 billion of a 3 year and a 5-year bond, A\$650 million of a 7-year bond and A\$800 million of a 10 year bond. There were sixty-five investors in the new AUD bond issues with only one New Zealand investor, so the AUD bond issuance has helped diversify our funding base away from a reliance upon NZD funding.

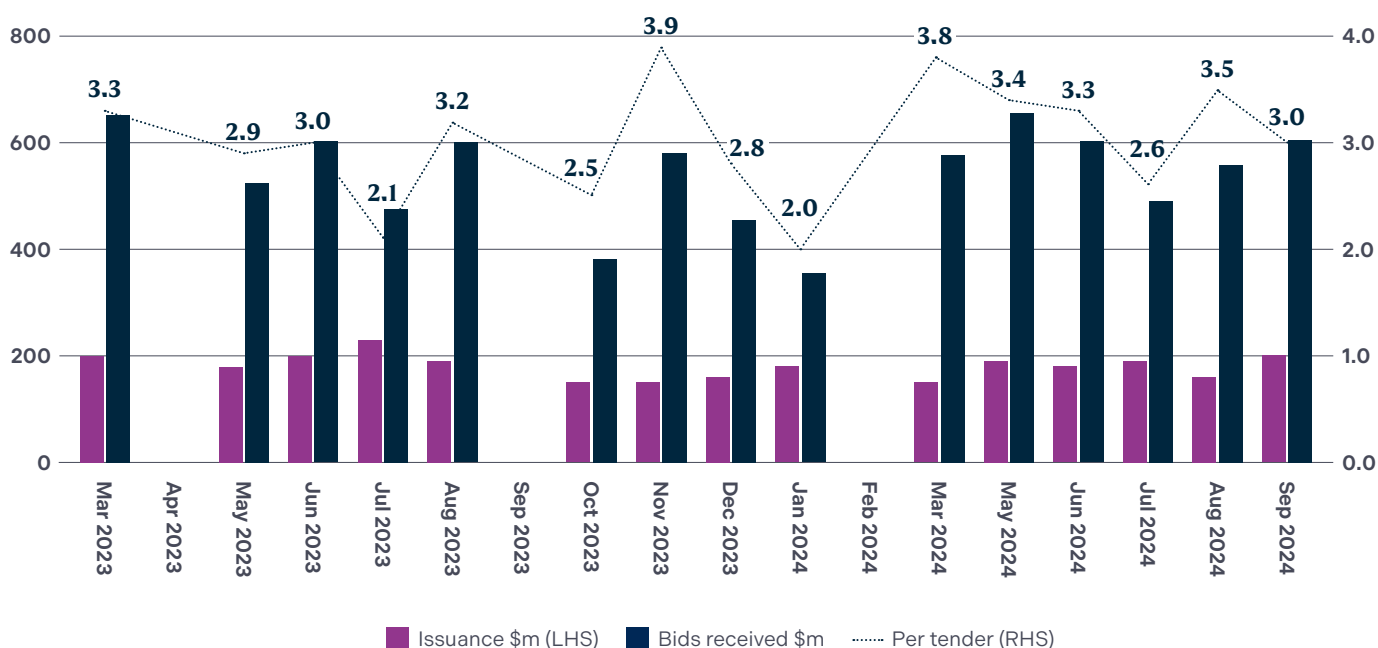
LGFA documented a Euro Commercial Paper (ECP) Programme at the end of 2023 and commenced issuing short-dated money market instruments in foreign currencies in April 2024. As at 30 September 2024 we had issued US\$550 million and EUR41 million of ECP.

We are currently documenting a Euro Medium Term Note (EMTN) Programme which will allow us to issue bonds denominated in foreign currencies such as EUR and USD.

All foreign currency borrowing is fully hedged back into NZD to avoid any foreign currency exposure.

## Tender bid coverage ratio

Last 15 tenders



## LGFA NZD bond issuance (\$ million)

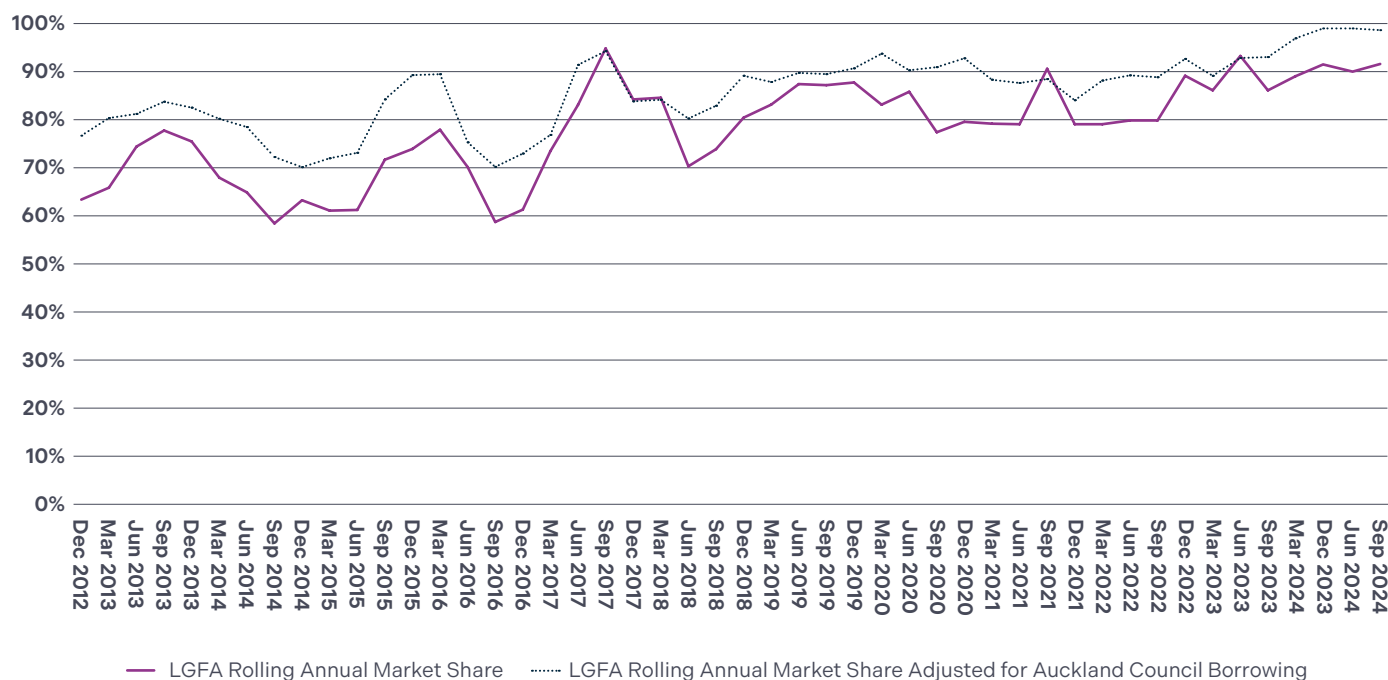
Last 15 tenders and syndications. (Excludes issuance of treasury stock (\$1,150m))



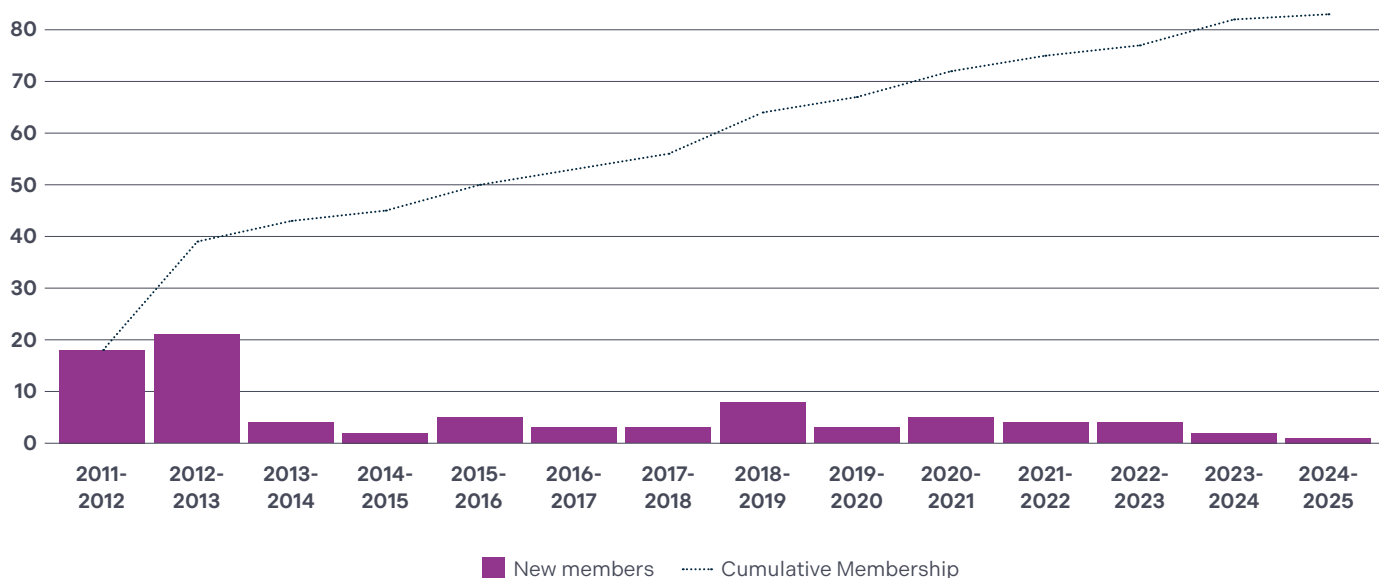
## Council membership and market share

We use our own data and the PwC Local Government Debt Report to estimate our market share of council borrowing. Our estimated market share for the rolling twelve-month period to 30 September 2024 was 91.9%. If we adjust for Auckland Council borrowing from both LGFA and from the market in its own name, then our market share increased to 98.4% (as Auckland Council borrowed in its own name during the quarter). Our market share compares favourably to our historical average of 77.0% and remains high compared to our global peers. We would expect our market share to decrease in the coming year.

## LGFA Market Share - rolling one year average



## Council and CCO Membership (as at 30 September 2024)



As at 30 September 2024, there are seventy-seven councils and six CCO as members of LGFA. Far North Holdings joined as a CCO member during the quarter. We are unlikely to add the last remaining council (Chatham Islands District Council) but expect one further CCO to join in the coming year. The number of guarantors is unchanged at seventy-two.

Our CCO lending comprises \$545.6 million of loans to four CCOs. The amount of CCO loans outstanding has increased by \$85.8 million over the quarter and comprises 2.45% of total loans outstanding.

- Invercargill City Holdings Limited joined as a member in July 2021 and has borrowings outstanding of \$113 million as at 30 September 2024 (an increase of \$16.1 million over the quarter).
- Dunedin City Treasury Limited joined as a member in November 2022 and has borrowings outstanding of \$290 million as at 30 September 2024 (unchanged over the quarter).
- Infrastructure Holdings Limited joined as a member in September 2023 and has borrowings outstanding of \$113 million as at 30 September 2024 (unchanged over the quarter).
- Far North Holdings Limited joined as a member in August 2024 and has borrowings outstanding of \$69.7 million as at 30 September 2024 (an increase of \$69.7 million as a new member).

Whanganui District Council Holdings has yet to borrow from LGFA and Destination Westland is no longer borrowing.

## D3. Environmental and social responsibility

PERFORMANCE TARGET	2024-25 TARGET	PERFORMANCE AGAINST TARGET AS AT 30 SEPT 2024
Comply with the Health and Safety at Work Act 2015	No breaches	Met
Maintain Toitū Carbon Zero certification	Carbon-zero certification maintained.	Met
Meet reduction targets outlined in our carbon reduction management plan.	Reduction targets met.	Met Carbon Reduction Plan established
Increase our GSS Lending Book and Climate Action Loans	Two new GSS loans and three new borrowers enter CALs	Not met – no new CAL borrowers or new GSS loan eligible projects approved.
Meet all mandatory climate reporting standards	100%	Met
Provide annual seminar for councils updating them on latest sustainability developments, climate change impact and LGFA reporting requirements	One seminar for councils and CCOs	On track – planning underway for early 2025

We have not approved any further projects as eligible for GSS Loans during the quarter. There were \$24 million of drawdowns to finance pre-approved projects under our GSS Lending Programme. This takes the total number of GSS loans approved to six with a combined value of \$572 million and there has been \$401.2 million in loans undertaken as at 30 September 2024. Eligible council or CCO projects will receive a discounted loan margin. For further information on GSS loans see our website [Green, Social & Sustainability Loans | New Zealand Local Government Funding Agency \(lgfa.co.nz\)](https://www.lgfa.co.nz/green-social-sustainability-loans)

We have seven councils and CCOs approved as CAL borrowers (Auckland Council, Dunedin City Treasury, Hutt City Council, Kapiti District Council, Wellington City Council, Tauranga City Council and Greater Wellington Regional Council). We have \$3.0917 billion of CALs to the seven councils as at 30 September 2024 which was an increase of \$345 million over the quarter. Eligible councils will receive a discounted loan margin if they have in place a GHG Emission Reduction Plan and are meeting their emission reduction targets. The advantage of CALs is that unlike GSS loans, they do not have to be project specific. For further information on CALs see our website [Climate Action Loans | New Zealand Local Government Funding Agency \(lgfa.co.nz\)](https://www.lgfa.co.nz)

The total amount of sustainable loans (comprising GSS and CALs) is \$3.4929 billion or 16.9% of the total LGFA long term lending book. We published our first Climate Related Disclosures report on 4 September.

## D4. Effective management of loans

PERFORMANCE TARGET	2024-25 TARGET	PERFORMANCE AGAINST TARGET AS AT 30 SEPT 2024
Review each participating borrower's financial position.	100%	On Track
Arrange to meet each Participating Borrower over a 15-month period, including meeting with elected officials as required, or if requested.	100%	Met

We undertook meetings with twenty-seven councils and CCOs during the September 2024 quarter. LGFA continues to review council agendas and management reports on an ongoing basis for those councils on the LGFA borrower watch-list. Over the past fifteen months to 30 September 2024, we met with eighty-three councils and CCOs.

Councils and CCOs are required to provide compliance certificates for LGFA covenants by November of each year. We have yet to receive all certificates as at 30 September 2024 but received certificates from all our council and CCO members who had debt outstanding as at June 2023. No council has requested that they be measured on a group basis.

We have met with officials from Treasury and DIA to share our views on Local Water Done Well (LWDW) Programme. We presented with DIA a webinar on financing options for water CCOs. We have met with staff from various councils to help in achieving a better understanding of the financing transition issues.

## D5. Industry leadership and engagement

PERFORMANCE TARGET	2024-25 TARGET	PERFORMANCE AGAINST TARGET AS AT 30 SEPT 2024
Provide input into Local Water Done Well Legislation	Provide feedback to DIA and Treasury during legislation drafting	Met
Provide quarterly updates to shareholders and borrowers on sector developments that are impacting LGFA	Four quarterly updates to councils and CCOs	Met
Meet annually with Infrastructure Commission, Local Government New Zealand, Taituara, Water New Zealand, Infrastructure New Zealand, Crown Infrastructure Partners, Department of Internal Affairs, Treasury and Minister's office to discuss sector issues from an LGFA perspective	Nine meetings across stakeholders	On track

During the quarter we have had meetings with Treasury, DIA, and Crown Infrastructure Partners, regarding council finances and Local Water Done Well.

On 8 August the Minister of Local Government and LGFA announced that

1. LGFA would lend to water CCOs provided they were financially supported by parent council(s).
2. LGFA would seek shareholder approval at the Annual Meeting of shareholders on 19 November 2024 to allow the LGFA Board discretion to grant a bespoke Net Debt/Total Revenue financial covenant up to 350%.

LGFA continues to assist the Ratepayer Assistance Scheme (RAS) project managed by a group of councils with advice from Cameron Partners. If successful, the RAS could offer temporary financial relief to ratepayers via rates postponement.

We continue to progress two initiatives to reduce compliance and documentation requirements for councils when they borrow from LGFA:

1. The issuance of a universal stock security certificate to cover all future borrowing by a council and
2. Councils to allow delegation of a CEO certificate for borrowing.

We are very close to achieving the first initiative and are making some progress with DIA who are a key stakeholder in achieving the second initiative.

We are holding our Annual Shareholder Borrower Day on Wednesday 20 November 2024 in Wellington and have arranged for external presenters including Stephen Toplis (BNZ), Nick Leggett (Infrastructure New Zealand), Rod Carr (Climate Change Commission), Allan Pragnell (Taumata Arowai), Bex Sullivan (DIA), and Minister Simeon Brown.

## E. Investor relations

Managing relations with our investor base is especially important as the amount of LGFA bonds on issue continues to grow and we require investors and banks to support our ongoing tender issuance. Our mix of investors is well balanced across the various groups of LGFA bond holders.

We presented at conferences and met with over forty investors during the quarter across UK, Europe, Middle East, Japan, Asia, Australia and New Zealand.

Over the September quarter we issued NZ\$550 million of LGFA NZD bonds. The change in holdings amongst our investor groups during the quarter was:

- Offshore investor holdings decreased by NZ\$495 million to be NZ\$6.24 billion on 30 September 2024 (32.9% of bonds on issue).
- Domestic bank holdings increased by \$467 million to be NZ\$5.98 billion on 30 September 2024 (31.6%).
- Domestic investor (retail and institutional) holdings increased by NZ\$616 million to be \$5.68 billion on 30 September 2024 (30.0%).
- The Reserve Bank of New Zealand (RBNZ) holdings increased by NZ\$108 million to NZ\$1.042 billion as of 30 September 2024 (5.5%).

When you combine the A\$ issuance with the NZ\$ issuance held by offshore investors, they hold the equivalent of NZ\$9.9 billion or 44.4% of our bonds on issue.

### LGFA Bond Holdings by Investor Group (% and \$ billions)

