



AGENDA

Strategy, Finance and Risk Committee Meeting Monday, 17 May 2021

**I hereby give notice that a Strategy, Finance and Risk Committee
Meeting will be held on:**

Date: Monday, 17 May 2021

Time: 10.30am

**Location: Tauranga City Council
Council Chambers
91 Willow Street
Tauranga**

*Please note that this meeting will be livestreamed and the recording will be publicly available on
Tauranga City Council's website: www.tauranga.govt.nz.*

**Marty Grenfell
Chief Executive**

Terms of reference – Strategy, Finance & Risk Committee

Membership

Chairperson	Commission Chair Anne Tolley
Deputy chairperson	To be decided
Members	Commissioner Shadrach Rolleston Commissioner Stephen Selwood Commissioner Bill Wasley Matire Duncan – Te Rangapū Mana Whenua o Tauranga Moana Chairperson Dr Wayne Beilby – Tangata Whenua representative Te Pio Kawe – Tangata Whenua representative Rohario Murray – Tangata Whenua representative Bruce Robertson – External appointee with finance and risk experience
Quorum	Five (5) members must be physically present, and at least three (3) commissioners and two (2) externally appointed members must be present.
Meeting frequency	Six weekly

Role

The role of the Strategy, Finance and Risk Committee (the Committee) is:

- to assist and advise the Council in discharging its responsibility and ownership of health and safety, risk management, internal control, financial management practices, frameworks and processes to ensure these are robust and appropriate to safeguard the Council's staff and its financial and non-financial assets;
- to consider strategic issues facing the city and develop a pathway for the future;
- to monitor progress on achievement of desired strategic outcomes;
- to review and determine the policy and bylaw framework that will assist in achieving the strategic priorities and outcomes for the Tauranga City Council.

Membership

The Committee will consist of:

- four commissioners with the Commission Chair appointed as the Chairperson of the Committee
- the Chairperson of Te Rangapū Mana Whenua o Tauranga Moana
- three tangata whenua representatives (recommended by Te Rangapū Mana Whenua o Tauranga Moana and appointed by Council)
- an independent external person with finance and risk experience appointed by the Council.

Voting Rights

The tangata whenua representatives and the independent external person have voting rights as do the Commissioners.

The Chairperson of Te Rangapu Mana Whenua o Tauranga Moana is an advisory position, without voting rights, designed to ensure mana whenua discussions are connected to the committee.

Committee's Scope and Responsibilities

A. STRATEGIC ISSUES

The Committee will consider strategic issues, options, community impact and explore opportunities for achieving outcomes through a partnership approach.

A1 – Strategic Issues

The Committee's responsibilities with regard to Strategic Issues are:

- Adopt an annual work programme of significant strategic issues and projects to be addressed. The work programme will be reviewed on a six-monthly basis.
- In respect of each issue/project on the work programme, and any additional matters as determined by the Committee:
 - Consider existing and future strategic context
 - Consider opportunities and possible options
 - Determine preferred direction and pathway forward and recommend to Council for inclusion into strategies, statutory documents (including City Plan) and plans.
- Consider and approve changes to service delivery arrangements arising from the service delivery reviews required under Local Government Act 2002 that are referred to the Committee by the Chief Executive.
- To take appropriate account of the principles of the Treaty of Waitangi.

A2 – Policy and Bylaws

The Committee's responsibilities with regard to Policy and Bylaws are:

- Develop, review and approve bylaws to be publicly consulted on, hear and deliberate on any submissions and recommend to Council the adoption of the final bylaw. (The Committee will recommend the adoption of a bylaw to the Council as the Council cannot delegate to a Committee the adoption of a bylaw.)
- Develop, review and approve policies including the ability to publicly consult, hear and deliberate on and adopt policies.

A3 – Monitoring of Strategic Outcomes and Long Term Plan and Annual Plan

The Committee's responsibilities with regard to monitoring of strategic outcomes and Long Term Plan and Annual Plan are:

- Reviewing and reporting on outcomes and action progress against the approved strategic direction. Determine any required review/refresh of strategic direction or action pathway.
- Reviewing and assessing progress in each of the six (6) key investment proposal areas within the 2021-2031 Long Term Plan.
- Reviewing the achievement of financial and non-financial performance measures against the approved Long Term Plan and Annual Plans.

B. FINANCE AND RISK

The Committee will review the effectiveness of the following to ensure these are robust and appropriate to safeguard the Council's financial and non-financial assets:

- Health and safety.

- Risk management.
- Significant projects and programmes of work focussing on the appropriate management of risk.
- Internal and external audit and assurance.
- Fraud, integrity and investigations.
- Monitoring of compliance with laws and regulations.
- Oversight of preparation of the Annual Report and other external financial reports required by statute.
- Oversee the relationship with the Council's Investment Advisors and Fund Managers.
- Oversee the relationship between the Council and its external auditor.
- Review the quarterly financial and non-financial reports to the Council.

B1 - Health and Safety

The Committee's responsibilities with regard to health and safety are:

- Reviewing the effectiveness of the health and safety policies and processes to ensure a healthy and safe workspace for representatives, staff, contractors, visitors and the public.
- Assisting the Commissioners to discharge their statutory roles as "Officers" in terms of the Health and Safety at Work Act 2015.

B2 - Risk Management

The Committee's responsibilities with regard to risk management are:

- Review, approve and monitor the implementation of the Risk Management Policy, Framework and Strategy including the Corporate Risk Register.
- Review and approve the Council's "risk appetite" statement.
- Review the effectiveness of risk management and internal control systems including all material financial, operational, compliance and other material controls. This includes legislative compliance, significant projects and programmes of work, and significant procurement.
- Review risk management reports identifying new and/or emerging risks and any subsequent changes to the "Tier One" register.

B3 - Internal Audit

The Committee's responsibilities with regard to the Internal Audit are:

- Review and approve the Internal Audit Charter to confirm the authority, independence and scope of the Internal Audit function. The Internal Audit Charter may be reviewed at other times and as required.
- Review and approve annually and monitor the implementation of the Internal Audit Plan.
- Review the co-ordination between the risk and internal audit functions, including the integration of the Council's risk profile with the Internal Audit programme. This includes assurance over all material financial, operational, compliance and other material controls. This includes legislative compliance (including Health and Safety), significant projects and programmes of work and significant procurement.
- Review the reports of the Internal Audit functions dealing with findings, conclusions and recommendations.
- Review and monitor management's responsiveness to the findings and recommendations and enquire into the reasons that any recommendation is not acted upon.

B4 - External Audit

The Committee's responsibilities with regard to the External Audit are:

- Review with the external auditor, before the audit commences, the areas of audit focus and audit plan.
- Review with the external auditors, representations required by commissioners and senior management, including representations as to the fraud and integrity control environment.
- Recommend adoption of external accountability documents (LTP and annual report) to the Council.
- Review the external auditors, management letter and management responses and inquire into reasons for any recommendations not acted upon.
- Where required, the Chair may ask a senior representative of the Office of the Auditor General (OAG) to attend the Committee meetings to discuss the OAG's plans, findings and other matters of mutual interest.
- Recommend to the Office of the Auditor General the decision either to publicly tender the external audit or to continue with the existing provider for a further three-year term.

B5 - Fraud and Integrity

The Committee's responsibilities with regard to Fraud and Integrity are:

- Review and provide advice on the Fraud Prevention and Management Policy.
- Review, adopt and monitor the Protected Disclosures Policy.
- Review and monitor policy and process to manage conflicts of interest amongst commissioners, tangata whenua representatives, external representatives appointed to council committees or advisory boards, management, staff, consultants and contractors.
- Review reports from Internal Audit, external audit and management related to protected disclosures, ethics, bribery and fraud related incidents.
- Review and monitor policy and processes to manage responsibilities under the Local Government Official Information and Meetings Act 1987 and the Privacy Act 2020 and any actions from the Office of the Ombudsman's report.

B6 - Statutory Reporting

The Committee's responsibilities with regard to Statutory Reporting relate to reviewing and monitoring the integrity of the Annual Report and recommending to the Council for adoption the statutory financial statements and any other formal announcements relating to the Council's financial performance, focusing particularly on:

- Compliance with, and the appropriate application of, relevant accounting policies, practices and accounting standards.
- Compliance with applicable legal requirements relevant to statutory reporting.
- The consistency of application of accounting policies, across reporting periods.
- Changes to accounting policies and practices that may affect the way that accounts are presented.
- Any decisions involving significant judgement, estimation or uncertainty.
- The extent to which financial statements are affected by any unusual transactions and the manner in which they are disclosed.
- The disclosure of contingent liabilities and contingent assets.
- The basis for the adoption of the going concern assumption.
- Significant adjustments resulting from the audit.

Power to Act

- To make all decisions necessary to fulfil the role, scope and responsibilities of the Committee subject to the limitations imposed.
- To establish sub-committees, working parties and forums as required.
- This Committee has **not** been delegated any responsibilities, duties or powers that the Local Government Act 2002, or any other Act, expressly provides the Council may not delegate. For the avoidance of doubt, this Committee has **not** been delegated the power to:
 - o make a rate;
 - o make a bylaw;
 - o borrow money, or purchase or dispose of assets, other than in accordance with the Long Term Plan (LTP);
 - o adopt the LTP or Annual Plan;
 - o adopt the Annual Report;
 - o adopt any policies required to be adopted and consulted on in association with the LTP or developed for the purpose of the local governance statement;
 - o adopt a remuneration and employment policy;
 - o appoint a chief executive.

Power to Recommend

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

Order of Business

1	Opening Karakia	11
2	Apologies	11
3	Public forum.....	11
4	Acceptance of late items	11
5	Confidential business to be transferred into the open.....	11
6	Change to order of business.....	11
7	Declaration of conflicts of interest	11
8	Business.....	12
8.1	Appointment of Deputy Chairperson for the Strategy, Finance and Risk Committee.....	12
8.2	Financial Monitoring Report for Nine Months to 31 March 2021	15
8.3	Audit NZ Report on the 30 June 2020 Annual Report and Preparation for the 2021 Annual Report and Audit	30
8.4	Treasury Strategy.....	65
8.5	Quarter 2&3 LGOIMA Requests and Commission Queries	97
8.6	Health, Safety and Wellbeing - January to March 2021	99
8.7	Sustainability Update.....	102
8.8	Monitoring and Update Report - City Plan Review.....	106
9	Discussion of late items	111
10	Public excluded session	111
10.1	Corporate Risk Register - Quarterly Update	111
10.2	Internal Audit Report - Quarterly Update	111
10.3	Litigation Report.....	112
11	Closing Karakia.....	112

- 1 OPENING KARAKIA**
- 2 APOLOGIES**
- 3 PUBLIC FORUM**
- 4 ACCEPTANCE OF LATE ITEMS**
- 5 CONFIDENTIAL BUSINESS TO BE TRANSFERRED INTO THE OPEN**
- 6 CHANGE TO ORDER OF BUSINESS**
- 7 DECLARATION OF CONFLICTS OF INTEREST**

8 BUSINESS

8.1 Appointment of Deputy Chairperson for the Strategy, Finance and Risk Committee

File Number: A12541775

Author: Coral Hair, Manager: Democracy Services

Authoriser: Susan Jamieson, General Manager: People & Engagement

PURPOSE OF THE REPORT

1. The purpose of the report is to set out the process to appoint a Deputy Chairperson for the Strategy, Finance and Risk Committee.

RECOMMENDATIONS

That the Strategy, Finance and Risk Committee:

- (a) Receives the Appointment of Deputy Chairperson for the Strategy, Finance and Risk Committee report.
- (b) In accordance with Clause 25 of Schedule 7 of the Local Government Act 2002, confirms that the voting system to be used to elect or appoint the Deputy Chairperson for the Strategy, Finance and Risk Committee is:
System A; OR
System B
- (c) Appoints _____ as the Deputy Chairperson for the Strategy, Finance and Risk Committee.

BACKGROUND

2. On 27 April 2021 the Council established the Strategy, Finance and Risk Committee and appointed five of the nine members and on 10 May 2021 appointed the other four members.
3. Council committees are not required to appoint a Deputy Chairperson, however it is customary to do so and this is usually carried out at the first meeting of the committee. In the absence of a Chairperson, the Deputy Chairperson will assume the responsibilities of the Chairperson.¹

STRATEGIC / STATUTORY CONTEXT

4. Clause 25 of Schedule 7 of the LGA 2002, sets out the voting systems for certain appointments including a deputy chairperson of a committee. Before the process starts the Committee is required to determine by resolution that a person is to be elected or appointed by using either System A or System B. The systems are described below:

System A

The candidate will be elected or appointed if he or she receives the votes of a majority of the members of the local authority or committee who are present and voting. This system has the following characteristics:

- (a) *there is a first round of voting for all candidates;*
- (b) *if no candidate is successful in the first round, there is a second round of voting from which the candidate with the fewest votes in the first round is excluded; and*

¹ Clause 26 (4) Schedule 7 LGA "The local authority or the committee may appoint a deputy chairperson to act in the absence of the chairperson."

- (c) *if no candidate is successful in the second round, there is a third round, and if necessary subsequent rounds, of voting from which, each time, the candidate with the fewest votes in the previous round is excluded.*

In any round of voting, if two or more candidates tie for the lowest number of votes, the person to be excluded from the next round is resolved by lot.

System B

The candidate will be elected or appointed if he or she receives more votes than any other candidate. This system has the following characteristics:

- (a) *there is only one round of voting; and*
(b) *if two or more candidates tie for the most votes, the tie is resolved by lot.*

5. System B is recommended as the system to be adopted as it is the simplest.
6. Once that decision is made by the Committee, the Chairperson calls for candidates for the position of Deputy Chairperson of the Strategy, Finance and Risk Committee. If more than one candidate is standing, a vote is undertaken in accordance with either System A or System B as previously resolved. If one candidate only is nominated that person is appointed by resolution of the Committee.

OPTIONS ANALYSIS

7. The Committee has two options, to appoint or not appoint a Deputy Chairperson.
8. There is no requirement in the LGA 2002 to appoint a Deputy Chairperson however it is customary and considered best practice to appoint a Deputy Chairperson who can take on the duties and responsibilities of the Chairperson in their absence.
9. Clause 26 (6) of Schedule 7 of the LGA 2002 sets out the process for electing a member to preside at the meeting if the Chairperson is absent and the Deputy Chairperson has not been appointed.²

FINANCIAL CONSIDERATIONS

10. There are no financial impacts from this decision.

LEGAL IMPLICATIONS / RISKS

11. There are no legal implications or risks from appointing a Deputy Chairperson.

SIGNIFICANCE

12. The Local Government Act 2002 requires an assessment of the significance of matters, issues, proposals and decisions in this report against Council's Significance and Engagement Policy. Council acknowledges that in some instances a matter, issue, proposal or decision may have a high degree of importance to individuals, groups, or agencies affected by the report.
13. In making this assessment, consideration has been given to the likely impact, and likely consequences for:
- (a) the current and future social, economic, environmental, or cultural well-being of the district or region
- (b) any persons who are likely to be particularly affected by, or interested in, the issue, proposal, decision, or matter

² Clause 26 (6) Schedule 7 LGA "However, if a deputy mayor or deputy chairperson has not been appointed, or if the deputy mayor or deputy chairperson [is] also absent, the members of the local authority or of the committee that are present must elect 1 of their number to preside at that meeting, and that person may exercise at that meeting the responsibilities, duties, and powers of the [mayor or chairperson]."

- (c) the capacity of the local authority to perform its role, and the financial and other costs of doing so.
14. In accordance with the considerations above, criteria and thresholds in the policy, it is considered that the decision is of low significance.

ENGAGEMENT

15. Taking into consideration the above assessment, that the decision is of low significance, officers are of the opinion that no further engagement is required prior to the Committee making a decision.

Click here to view the [TCC Significance and Engagement Policy](#)

NEXT STEPS

16. Update the Terms of Reference.

ATTACHMENTS

Nil

8.2 Financial Monitoring Report for Nine Months to 31 March 2021

File Number: A12495812

Author: Kathryn Sharplin, Manager: Finance
Tracey Hughes, Financial Insights & Reporting Manager

Authoriser: Paul Davidson, General Manager: Corporate Services

PURPOSE OF THE REPORT

1. The purpose of this report is to inform Council and the public of our financial performance for the nine months of the financial year to 31 March 2021. It also notes how the projected underspend of capital budget and some operational projects will be addressed as part of the Long-term plan (LTP) process.

RECOMMENDATIONS

That the Strategy, Finance and Risk Committee:

- (a) Receives the Financial Monitoring Report for Nine Months to 31 March 2021 report.
- (b) Notes that the projected capital under-delivery for 2021 along with some deferred operational expenditure will result in rephasing of aspects of the capital programme and rebudgeting of expenditure as part of the LTP process through to July 2021.

EXECUTIVE SUMMARY

2. The full year financial projection for operating surplus is for an operating result \$9.5m favourable to budget. The overall surplus, which includes asset revenue as well as operational revenue, is a projected full year surplus of \$49m, which is \$2.7m favourable to budget.
3. The key operational variances occur across non-rate funded activities. In particular, user fees revenue for the airport and building services is closer to the pre-Covid expectations of revenue than was expected when budgets were set. The rates requirement is currently projected to be as budgeted.
4. Net debt at year end is projected to be \$610m-\$620m which is \$66m-\$76m below budget due to slower timing of capital delivery. The main risk to this debt projection is timing and cost of the final two months of capital project delivery.
5. The financial summaries for operational budgets, borrowing and capital are included as Attachments A and B to this report.

BACKGROUND

6. This report is for monitoring and reporting purposes showing, Council's financial performance in delivering services to the community and undertaking capital investment as set out in the 2018-28 Long-term Plan and the subsequent 2020-21 Annual Plan. The financial results and forecasts are normally provided to Council along with non-financial results. Due to timeframes to collate non-financials, the financial report is provided separately as the information is relevant to the Long-Term plan.
7. In July 2020, following the Covid19 lockdown, the 2020-21 Annual Plan was revised to reflect an expectation of slower economic activity and building development. This has not proved the case with building development and asset revenue from development contributions being at pre-Covid levels.

STRATEGIC / STATUTORY CONTEXT

8. Maintaining expenditure within budget ensures delivery of services in a financially sustainable way, e.g., a shortfall of rates funding or other revenue not matched by lower expenditure would result in higher levels of debt.

DISCUSSION

Part 1: Financial Performance

9. Attachments A and B to this report provide a summary of Council's financial performance for the year to date. The content of this report includes:
 - (a) A summary of revenue and expenditure year to date with revised full year projections presented as a Statement of Comprehensive Revenue and Expense (Attachment A).
 - (b) The Treasury report which shows borrowing year to date and full-year projections, the average cost of funds and money market investments benchmarked to average return (Attachment A).
 - (c) The Capital Programme spend to date and full year projections, also identifying key projects (Attachment B).
10. **Summary Statement of Comprehensive Revenue and Expense** (SOCRE, Attachment A) shows the operating and capital revenue and expenses in a format consistent with the Annual Report. It shows the year to date results for revenue and expenditure and provides full-year forecasts.
11. The nine-month result in the SOCRE forecasts a full year operational result which is \$9.5m favourable to budget (\$19.4m operating deficit). The overall surplus including asset revenue is \$49.1m which is \$2.7m favourable to budget. Revenue and expenditure budgets had been reduced in the revised annual plan post Covid-19. Actual operating revenue is ahead of budget.
12. **Operating revenue** is projected to be \$6.7m above budget by year end. User fees are projected to be \$4.6m above budget. User fee revenue has been particularly strong across Building services and airport activities as follows:
 - (a) Building services - up \$3.8m
 - (b) Airport revenue - up \$1.4m
13. **Operating expenditure** is projected to be below budget by \$2.8m with other expenses lower than budget due primarily to budgeted contribution to Bayfair underpass, operating costs of kerbside, lower renewals undertaken by BVL, and some wastewater planning all not occurring until next financial year. These lower costs have been partially offset by higher costs associated with increased activity, particularly in building services. Some of these expenditure budgets will be requested to be carried forward into 2022 as part of the LTP process.
14. **Development contribution revenue** is tracking at pre-Covid19 levels and is expected to achieve \$30m for the year.
15. **Capital Expenditure** is tracking well behind budget with a \$108m underspend forecast. This underspend is over and above the capital adjustment of \$43m budgeted as expected under-delivery of budgeted projects. Key projects such as Waiāri, Te Maunga and streetscape are underway, and expenditure is expected to be carried forward to the early months of 2022.
16. **Debt** is now projected to be significantly below annual plan budgeted levels largely as a result of slower capital delivery. The annual plan budget was for year-end debt of \$686m. We are now projecting the year end position to be closer to \$610-\$620m. Depending on decisions on carryforward budgets and capital programme rephasing the debt position in the early years of the LTP is likely to be below that in the current draft LTP.

17. **Summary Revenue and Expenditure variance by activity** (Attachment A) highlights key variances by activity and provides a full year forecast. These results feed into the whole of council forecasts contained in the SOCRE.
18. **The Treasury Report** (Attachment A) shows total net debt to 31 March 2021 of \$554m with the full year net debt forecast in the range of \$610m-\$620m, which is lower than budget by \$66m to \$76m as a result of slower timing of capital delivery.
19. The interest rate average at the end of March was 3.05%. Total HIF borrowing at 0% interest has increased to \$96.5m. The year-end forecast average interest rate is approximately 3%.
20. **The TCC Capital expenditure table** (Attachment B) identifies capital project budgets for the year by significant projects and remaining growth, level of service and renewal project expenditure. It also shows \$43m of capital expenditure adjustment which was the budgeted amount of capital non-delivery for the year. To the end of March 2021, capital spend has been \$108m, which is 42% of full year budget. The full year projections at the end of March have been revised down to forecast expenditure of \$149m, 58% of the full year budget.
21. Key pieces of work will continue to increase both internal and external capacity to deliver larger capital programmes. Throughout the LTP hearings and deliberations phases, staff will look to rephrase capital expenditure, taking into account the ability of the organisation and sector to deliver on substantially larger programmes.

OPTIONS

22. There are no options associated with this report. The report is provided as information only.

SIGNIFICANCE

23. The Local Government Act 2002 requires an assessment of the significance of matters, issues, proposals and decisions in this report against Council's Significance and Engagement Policy. Council acknowledges that in some instances a matter, issue, proposal or decision may have a high degree of importance to individuals, groups, or agencies affected by the report.
24. In making this assessment, consideration has been given to the likely impact, and likely consequences for:
 - (a) the current and future social, economic, environmental, or cultural well-being of the district or region
 - (b) any persons who are likely to be particularly affected by, or interested in, the issue, proposal, decision, or matter
 - (c) the capacity of the local authority to perform its role, and the financial and other costs of doing so.
25. In accordance with the considerations above, criteria and thresholds in the policy, it is considered that the matter is of low significance.

ENGAGEMENT

26. Taking into consideration the above assessment, that the matter is of low significance, officers are of the opinion that no engagement is required.

NEXT STEPS

27. This report ensures monitoring of Council performance to ensure compliance with Council's budgets, policies and delegations. The review of spend to budget in 2020-21 for both capital projects and key operational expenditure (e.g. city planning) will be undertaken over coming weeks to form the basis of an executive report to deliberations on the LTP. Progress on this will be reported through the LTP process and budgets adjusted in July to reflect the latest

information available which is expected to particularly impact on the early years of the capital expenditure programme in the Long-Term Plan.

ATTACHMENTS

1. **Attachment A - March 21 Financial Report - A12481624** [↓](#) 
2. **Attachment B - March 21 Capital Project Summary - A12506505** [↓](#) 

Financial Statements

As at 31 March 2021

STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE

Favourable
(Unfavourable)

FULL YEAR

	\$'000	Actual YTD	Budget YTD	Variance	Variance %	Forecast	Total Budget	Variance
OPERATING REVENUE								
Rates		142,041	142,358	(317)	0%	189,810	189,810	0
Subsidies & Grants		8,033	7,495	538	7%	11,393	9,993	1,400
Other Revenue		39,915	35,041	4,875	14%	51,333	46,721	4,612
Finance Revenue		1,730	919	810	88%	1,926	1,226	700
Total Operating Revenue		191,719	185,813	5,906	3%	254,462	247,750	6,712
ASSET DEVELOPMENT REVENUE & OTHER GAINS								
Development Contributions		26,937	13,242	13,694	103%	30,000	17,657	12,343
Other Gains/(Losses)		6,144	594	5,550	934%	4,792	792	4,000
Subsidies & Grants Capital Expenditure Contributions		15,219	19,088	(3,869)	-20%	24,951	25,451	(500)
Assets vested to Tauranga City Council		2,894	24,476	(21,582)	-88%	10,000	32,635	(22,635)
Total Asset Development Revenue & Other Gains		51,194	57,400	(6,206)	-11%	69,742	76,534	(6,792)
TOTAL REVENUE		242,913	243,213	(300)	0%	324,204	324,284	(80)
OPERATING EXPENDITURE								
Personnel Expense		45,771	49,451	3,680	7%	65,934	65,934	0
Depreciation & Amortisation Expense		41,983	46,711	4,728	10%	62,282	62,282	0
Finance Expense		15,590	15,633	43	0%	20,695	20,844	150
Consultants & Contractors		13,834	12,426	(1,408)	-11%	18,568	16,568	(2,000)
Other Expense		69,559	83,302	13,743	16%	106,417	111,069	4,652
Total Operating Expenditure		186,738	207,523	20,786	10%	273,895	276,697	2,802
OTHER EXPENSES								
Provision Expense		1	900	899	100%	1,200	1,200	0
Total Other Expenses		1	900	899	100%	1,200	1,200	0
TOTAL EXPENDITURE		186,738	208,423	21,685	10%	275,095	277,897	2,802
SURPLUS/(DEFICIT)		56,175	34,790	21,385	61%	49,109	46,388	2,722
OPERATING SURPLUS/(DEFICIT)		4,981	(21,711)	26,692	123%	(19,433)	(28,946)	9,514

Overall Comments on Year to Date Balances

Rates revenue is close to budget. An early introduction of water restrictions has reduced water volumes, resulting in water by meter revenue being under budget.

Subsidies & Grants revenue includes the portion of Covid-19 wage subsidy related to the current financial year (\$1.9m). It also includes an unbudgeted government grant of \$1.5m in relation to the water reforms. NZTA subsidy will largely be received later in the year as work is completed. The forecast reflects these items.

Other Revenue is higher than budget, mainly due to strong results from the building services and airport activities, which have both exceeded budgets that were reduced for the anticipated impacts of COVID-19. Details of user fee variances by activity are attached.

Finance Revenue includes interest on deposits and dividends, which have both exceeded budgets due to additional funds on deposit (slower capital programme) and higher TECT dividend payments.

Development Contributions are ahead of budget. Just under half are from city-wide development contributions and the remainder primarily from Tauriko Business Estate, Pyes Pa West and Wairakei local development contributions. The full year forecast has been adjusted to reflect the additional contributions.

Other Gains and Losses includes non-cash accounting entries in relation to:

- a gain recognised from the Housing Infrastructure Fund loan (\$95m loan), which recognises a zero percent interest rate as a gain over market, and
- a loss relating to the Hickson Block (Te Tumu) land transaction, which has been renegotiated to reflect a lower accrued interest rate over the life of the agreement.

Subsidies & Grants Capital Expenditure Contributions are primarily related to NZTA funding. Revenue will be claimed as works are undertaken. Also includes unbudgeted government grants of \$6m in relation to the water reforms project and \$5m to help reduce the amount of waste sent to landfill. Forecast is for slower delivery of transport capex, leading to a lower subsidy.

Assets vested to Tauranga City Council have been below budgeted levels. The forecast has been revised to reflect assets expected to be received for the remainder of this year.

Personnel Expense underspend reflects unfilled vacancies and the impact of holiday pay being taken in January and February. The full year estimate is to budget, which is based on a significant number of new positions and vacancies being filled in the final months of the year.

Depreciation is under budget, but is expected to increase as assets are capitalised. A revaluation of three waters is also expected to increase depreciation expense for the year.

Consultants and Contractors costs are tracking above budget (Building Services, Kerbside waste, Bella Vista legal fees, Harington Street & Marine Precinct). Partially offsetting this are higher user fees revenue for Building Services and Marine Precinct.

Other Expenditure is below budget year to date. The main areas of underspend are due to expenditure delayed to next year for Bayfair underpass, BVL renewals, kerbside operational costs and wastewater planning. Details of expenditure variance by activity are attached.

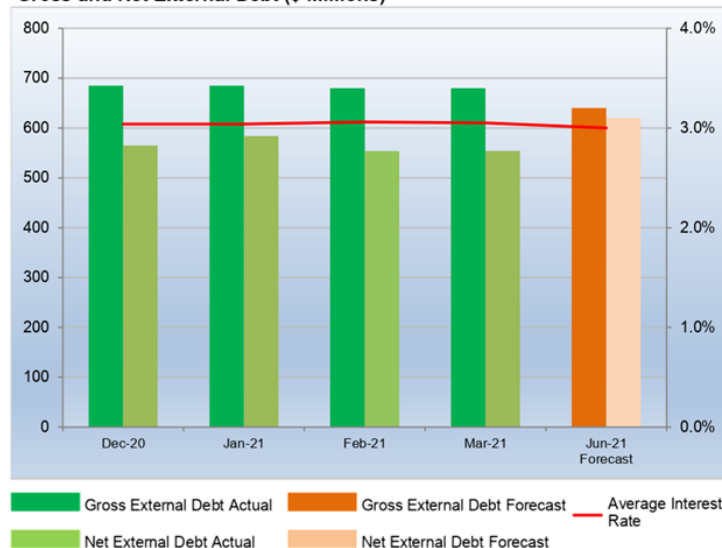
Full year forecast Amendments for known, material, variances have been made to the expected full year result. These are explained above, and in the user fees and expenditure variance by activity report, attached.

Treasury Report Policy Compliance

As at 31 March 2021



Gross and Net External Debt (\$ Millions)



Comments

Gross debt as at 31 March 2021 was \$679.9m and net debt at \$554m. New long-term debt of \$168.5m has been added over the last eight months, of which \$96.5m is under the Housing Infrastructure Fund.

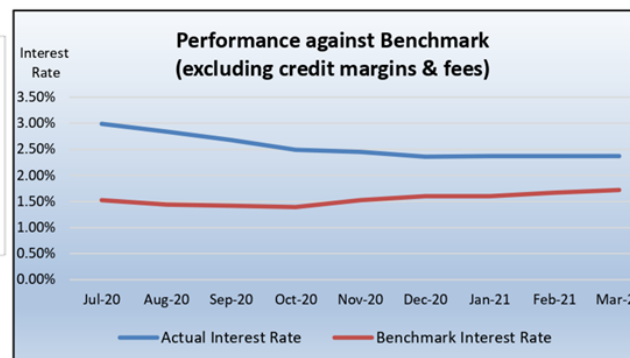
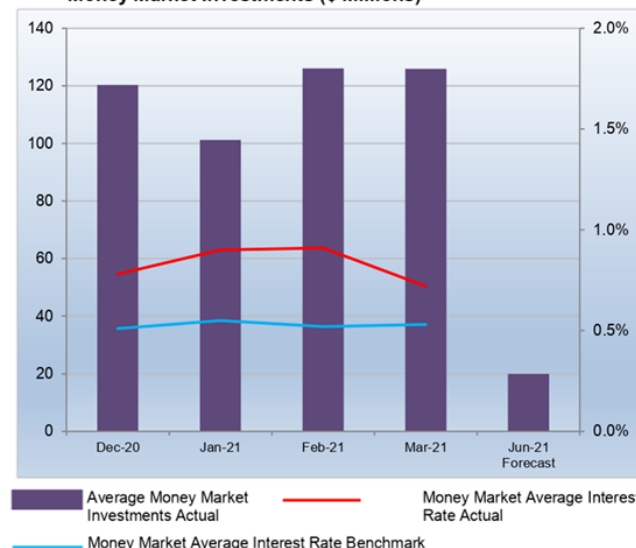
Money market investments and bank balances are at \$125.9m and a portion of this have been retained to fund maturing debt over the next few months. Both interest rate hedging and debt maturity levels are within recommended levels. \$503.9m of total debt (74%) are at fixed interest rates as at 31 March 2021.

The Official Cash Rate ("OCR") is now at 0.25%. The market is pricing a low probability of an OCR increase over the next 12 months.

Financial Limits (Council only)

	Limit	30 June 2021 Forecast
Net Debt to Operating Revenue	300%	222%

Money Market Investments (\$ Millions)



Revenue and Expense Variance - March 2021

		USER FEES				EXPENDITURE			
	Activity	Main Revenue Stream	YTD Variance	Full Budget	Full Forecast	YTD Variance Commentary	YTD Variance	Full Budget	Full Forecast
	Corporate Services								
101	Corporate Treasury	Rates Penalty & Dividend Income	(108,136)	(800,000)	(700,000)	Income: Income from penalties on overdue rates is behind budget. Expenditure: Timing of consultants costs.	13,971	657,071	657,071
102	Head Office - TCC		0	0	0	Minor variances.	(458)	0	0
104	Strategic Properties	Recoveries	21,560	0	0	Income & Expense: various non-cash entries for accrued interest on financial arrangements such as HIF and Te Tumu agreement	18,966	90,000	90,000
13	Digital Services	Metro network lease	(49,845)	(211,636)	(145,176)	Revenue: Lower than budgeted collection on internet services recoveries from other organisations. Expenditure: Main driver of lower than budget expenditure relates to timing of operational projects, with the expenditure projected to occur in the final quarter of the year.	2,538,651	14,569,993	14,569,993
10	Finance		257,557	(683,596)	(683,596)	Income: Timing variances with BOP Regional Council rates commission and valuation data recoveries . Expenditure: Savings on rates database maintenance.	622,575	4,653,256	4,353,256
12	Executive Officer	Payments/contributions from Regional Council	12,000	0	0	Income: Unbudgeted contribution from Regional Council. Expenditure: Unbudgeted CE Office salaries and consultants.	(92,967)	679,816	779,816
15	Civic Complex	Leasing	(51,434)	(71,000)	(71,000)	Income: No rental income from Willow Street retail premises. Expenditure: Higher than budget consultancy costs (re Future ways of working) and Cameron Road building operating costs.	(208,851)	4,317,153	4,517,153
19	Insurance	Insurance recovery	2,801	0	0	Minor offsetting variances	(2,810)	(5)	(5)
55	Legal & Risk		4,000	0	0	Expenditure: Bella Vista prosecution related legal expenses.	(283,092)	1,825,959	2,075,959
57	Marine Precinct	Leasing & Berthage	251,557	(1,109,309)	(1,400,000)	Revenue and expenditure are both ahead of Covid reduced budgets, due to higher than expected activity and are expected to exceed budgets at year end.	(539,455)	396,980	719,275
67	Marine Facilities	Leases	(61,950)	(575,452)	(525,452)	Revenue: Boat storage and commercial lease revenue both behind budget. Expenditure: Additional maintenance and security costs.	(34,188)	752,115	752,115
68	Beachside	Accommodation	497,508	(1,677,713)	(2,100,000)	Revenue and Expenditure are both ahead of Covid reduced budgets, due to higher than expected occupancy. Full year revenue is expected to exceed \$2m for the first time ever.	(103,590)	1,078,587	1,220,000
81	Airport	Landing & parking fees / Leasing	1,183,852	(5,825,147)	(7,200,000)	Revenue and Expenditure are ahead of Covid reduced budget. Full year Revenue is expected to exceed pre Covid levels, while expenditure is expected to be close to budget at year end.	172,344	3,650,429	3,500,000
83	Fleet Management		0	0	0	Expenditure: Timing of Custom Fleet lease payment recharges.	19,351	12,118	12,118
90	Property Management	Leasing Income	(352,057)	(4,454,797)	(4,054,797)	Revenue: Lower than budget car parks revenue. Expenditure: Under spend mainly relates to reduced investigation (asbestos and seismic) activity.	97,213	5,041,021	5,041,021
94	Elder Housing	Rental Income	13,281	(1,769,340)	(1,769,340)	Expenditure: Elevated repairs and maintenance costs, due to an aging housing stock.	(256,344)	895,836	1,195,836

	Activity	Main Revenue Stream	YTD Variance	Full Budget	Full Forecast	YTD Variance Commentary	YTD Variance	Full Budget	Full Forecast
	TOTAL CORPORATE SERVICES		1,620,693	(17,177,990)	(18,649,361)		1,961,317	38,620,329	39,483,608
	Community Services								
44	Emergency Management		(26,253)	(35,000)	(215,000)	Income: Income related to NZ Response Team building lease unlikely however, approx. \$165k grant funding and \$50k Covid-19 recovery income from National Emergency Management Agency anticipated this FY. Expenditure: Tracking behind YTD budget due to Covid-19 recovery and resurgence with limited ability to plan, connect and collaborate with partners to deliver. \$165k unbudgeted expenditure (funded by the NEMA grant) to be incurred by year end to create digital public education and risk awareness collateral, and deliver Te ao Maori and NZRC Be Good and Ready resilience projects.	263,112	959,346	1,139,346
54	City Events		10,269	0	(10,269)	Income: Unbudgeted external recoveries to cover additional expenditure across various events. Expenditure: Tracking behind budget due to timing of SmartyGrants subscription costs and event fund expenditure. Expected to be on track for full year expenditure.	201,408	2,168,005	2,168,005
56	Community Partnerships	Graffiti fines, Safe City contribution, and other recoveries	(28,582)	(62,626)	0	Income: Internal recoveries related to graffiti removal incorrectly budgeted as user fees so this will not be achieved. Bidgets corrected from 2022 FY. Expenditure: Tracking behind budget due to timing of collaborative initiative, graffiti control and Project Tauranga payments. All programme expenditure and Match Fund grants expected to be on track for full year expenditure.	544,967	2,621,409	2,621,409
58	Bay Venues Limited & CCO's	Depreciation - trsfr to TCC Depreciation Reserve / External Recoveries	(57,113)	(742,581)	(790,000)	Revenue slightly below budget due to timing of transfer of new capital depreciation to TCC. External recoveries above budget will result in revenue exceeding budget at year end. Expenditure below budget as a result of delay of Greerton Aquatics renewals, to align with pool closure for earthquake strengthening in 2022. Unspent renewal funding will be carried forward to 2022.	720,657	10,234,447	8,352,000
59	Spaces & Places	Reserve and property rentals, McLaren Falls	18,039	(379,568)	(379,568)	Expenditure: Full year forecast higher than budget as a result of the Spaces & Places restructure and establishment of new positions, including Director role, Planning and Design and Community Amenity Project Outcomes teams. Partly offset by lower than budgeted consultancy costs associated with planning and design, resulting from the realignment of roles and responsibilities. Vegetation and coastal maintenance costs tracking behind budget due to timing of site preparation and plantings (full spend expected by year end). Underspend expected on passive reserve vegetation maintenance, offset by unbudgeted sportsfield reseeding following irrigation restrictions over the summer months (\$46k), unbudgeted delivery of the Kaitiaki programme to ensure visitor safety at Omanawa Falls until a permanent solution is implemented (\$71k), and additional maintenance initiatives at McLaren Falls (\$100k).	1,957,274	19,970,598	20,273,598

	Activity	Main Revenue Stream	YTD Variance	Full Budget	Full Forecast	YTD Variance Commentary	YTD Variance	Full Budget	Full Forecast
64	Baycourt Community & Arts Centre	Sales & Hireage Fees	(43,533)	(672,856)	(582,856)	Income: Lower than anticipated revenue as a result of fewer bookings overall (both commercial and community) as a result of Covid-19 alert level changes and reduced promoter and audience confidence. Partly offset by an additional Ticketek contribution in 2021 for exclusive ticketing rights (catch up payment from 2020 FY). Expenditure: Salaries forecast below budget by year end as a result of the Community Services management restructure.	89,757	1,525,080	1,402,080
65	Arts & Culture		0	0	0	Expenditure: Tracking behind budget due to the timing of the heritage collection digitisation project. Full year forecast overspend as a result of the Community Services restructure, including new management position.	73,349	2,568,454	2,718,454
77	Libraries	User Fees	197	(502,852)	(502,852)	Income: Tracking ahead of budget due to unbudgeted income from Lotteries Commission and National Library to cover costs associated with cataloguing and digitisation. Offset by lower than budgeted user fees across all library locations. Expenditure: Tracking ahead of budget due to unbudgeted security costs (previously captured under Civic Complex activity), and salaries and contractor costs (externally funded) resulting in higher than budgeted full year forecast.	(161,985)	5,877,483	6,179,483
84	Cemeteries	Product sales	(184,065)	(1,040,907)	(874,907)	Income: Income from cremations tracking below budget and expected to come in \$200k below budget by year end. Partly offset by unbudgeted avocado revenue from the Pyes pa site of approx. \$34k. Expenditure: R&M and fuel costs associated with cremations also tracking below budget and full year spend forecast at \$50k below budget due to fewer services.	44,619	638,395	588,395
92	Historic Village	Leasing Income	(64,699)	(640,810)	(550,810)	Income: Lease revenue tracking behind budget and expected to be \$90k below budget at year end due to tenant vacancies. Expenditure: Tracking ahead of budget due to timing of building maintenance work. Full year forecast above budget due to higher than anticipated consultancy costs associated with the Historic Village Strategy.	(51,892)	772,488	782,488
	TOTAL COMMUNITY SERVICES		(375,740)	(4,077,200)	(3,906,262)		3,681,267	47,335,705	46,225,258
	Infrastructure Services								
26	Stormwater	Leasing, Operational cost recovery	19,957	(10,410)	(20,000)	Income: Minor Stormwater recharges. Expenditure: Repairs and Maintenance costs relating to drains and ground running higher than budget to prevent stormwater flooding and manage customer expectations.	(90,070)	7,135,606	7,135,606
27	Wastewater	Trade Waste and Omokoroa metered income	167,145	(1,869,939)	(1,869,939)	Income: Trade water and Omokoroa recoveries slightly better than budget Expenditure: Operating costs including some planning opex costs are running behind budget, year end forecast reduced by \$1.5m.	2,137,885	15,207,656	13,707,656

	Activity	Main Revenue Stream	YTD Variance	Full Budget	Full Forecast	YTD Variance Commentary	YTD Variance	Full Budget	Full Forecast
29	Water Supply	Water operation fees/forestry	3,271	(200,000)	(200,000)	Income: Minor variance in other misc. revenue budgeted Expenditure: Full year expenditure expected to be as budgeted.	630,195	11,767,578	11,767,578
30	City Waters (Support Services)	Laboratory fees	467,424	(262,030)	(262,030)	Income: Laboratories fees include recoveries across the three waters which is also reflected in higher operational costs for this activity. Expenditure: Reflects additional laboratory workload and cost of the new capital project outcomes team.	(875,572)	252,330	252,330
32	Sustainability & Waste	User Fees - from operations & contract	(335,127)	(1,637,091)	(1,637,091)	Income: Shortfall result of timing of the receipt of Rubbish Bag Income, Revenue forecast to be on budget at year end. Expenditure : Expenditure forecast to be \$2.0m less than budget due to operating contract costs for Kerbside being budgeted in the 2021 financial year, and teams focus on the delivery of the Kerbside service on 1 July.	3,345,835	8,834,342	6,834,342
38	Transportation	Road Zones fees, Advertising Revenue	(82,705)	(510,161)	(510,161)	Income: Forecast for income to be on budget at year end currently Advertising income less than YTD budget. Expenditure: Maintenance spend underbudget YTD, however contractors are now in place to complete works by year end. Permanent variance of \$2.0m relates to the budgeted contribution to NZTA relating to the Bayfair overpass, this contribution may need to be carried forward to 2022.	5,395,823	19,281,208	17,281,208
47	Infrastructure Delivery (Asset Delivery)	Consent & Planning Fees	44,756	0	0	Income: reflects development engineering income recognition prior to restructure of this activity. Expenditure: Minor positive cost variance	26,158	(7,035)	(7,035)
69	Asset & Infrastructure Planning		77,467	(741,062)	(741,062)	Income: Reflects engineering plan approvals income compared to budget Expenditure: Minor cost variance.	(28,036)	738,721	738,721
85	Parking Management	Parking Fees	(360,592)	(3,724,314)	(3,183,426)	Revenue: Lower than expected revenue due to 2 hour free on street parking and lower occupancy in buildings. This is partially offset by increased fine revenue from increased enforcement and use of the number plate recognition vehicle. Full year variance to budget is expected to be c\$500k. Expenditure: \$506k YTD overspend relating to costs associated with the Harington Street construction site. The sale of the site has been announced so this overspend is not expected to increase significantly.	(506,640)	3,625,577	4,425,577
TOTAL INFRASTRUCTURE SERVICES			1,597	(8,955,007)	(8,423,709)		10,035,579	66,835,983	62,135,983
PEOPLE & ENGAGEMENT									
11	Human Resources		18,571	(5,000)	(18,571)	Revenue: Funds received from another council for TCC staff member on secondment Expenditure: Underspend on operational project bulk funds related to people, training and health and safety offset by overspends in recruitment costs and related activity.	234,609	3,206,773	3,206,773
16	Democracy Services	Resource Consent compliance Inspection Fees	(7,224)	(14,500)	(14,500)	Revenue: Less resource consent hearing revenue than budgeted. Expenditure: Savings in remuneration to elected members are currently presenting as a positive budget variance but this will be offset by the cost of commissioners which commenced in March.	286,092	2,521,423	2,521,423

	Activity	Main Revenue Stream	YTD Variance	Full Budget	Full Forecast	YTD Variance Commentary	YTD Variance	Full Budget	Full Forecast
20	Communications & Engagement		0	0	0	Expenditure: Overspend on consultants (eg relating to LTP) is offset by savings elsewhere in the activity.	120,011	1,904,291	1,904,291
21	Strategic Maori Engagement		0	0	0	Expenditure: Fund for Hapu studies has not yet been utilised. This could be carried forward into 2022. Utilisation is dependent on iwi and hapu timing and priority which may not align with our deadlines. Enabling tikanga to take its own timeline improves the quality and buy in of any plans	73,873	581,367	581,367
75	Customer Services	Property Files & Information	238,607	(977,000)	(1,250,000)	Revenue: Unexpected increase in volumes for LIMs and property files is driving the higher than expected revenue. Expenditure: Salary overspend offset by savings in consulting budgets.	131,908	2,762,973	2,762,973
	TOTAL PEOPLE & ENGAGEMENT		249,955	(996,500)	(1,283,071)		846,495	10,976,827	10,976,827
	Regulatory and Compliance								
46	Environmental Planning	Consent fees	(8,553)	(2,397,204)	(2,385,762)	Revenue: Building consent WOFs over budget, offset by earthworks monitoring and subdivision consents. Expenditure: Capitalised salaries and consultancy costs over budget. Consultancy costs driven by legal due to an increase in complexity of applications, partially offset by lower salary costs.	(289,960)	2,959,103	3,340,642
48	Environmental Regulation	Monitoring Fees	(39,367)	(845,758)	(793,092)	Revenue: Licenses and permits under budget due to lower volumes. Expenditure: Salaries under budget due to unfilled positions.	104,660	1,572,491	1,431,120
50	Animal Services	Dog Registration Fees/ court recoveries/ impounding	(97,090)	(1,285,707)	(1,156,254)	Revenue: Lower volumes of dog registrations and impounding. Expenditure: Staff costs less than budgeted.	53,690	1,036,107	1,023,819
52	Building Services	Consenting & Inspection Fees	2,833,177	(9,437,724)	(13,222,095)	Revenue: Higher consent revenue across building services. Expenditure: Higher consultancy and support costs to meet higher level of activity and offset lower staff costs.	(876,113)	8,411,575	9,766,529
74	Regulatory Services	Permit Fees, Premises registrations	(34,221)	(96,352)	(62,131)	Revenue: Below budget due to freedom camping infringements now going into general parking fine revenue. Expenditure: Over budget driven by salary expenses.	(11,212)	(479,699)	462,181
	TOTAL REGULATORY & COMPLIANCE		2,653,945	(14,062,745)	(17,619,334)		(1,018,935)	13,499,577	16,024,291
	Strategy and Growth								
18	Strategy & Corporate Planning		0	0	0	Expenditure is tracking below budget due to vacancies affecting the ability to complete policy development work that had been budgeted.	229,385	2,592,958	2,362,914
40	City Centre		0	0	0		(14,231)	0	0

	Activity	Main Revenue Stream	YTD Variance	Full Budget	Full Forecast	YTD Variance Commentary	YTD Variance	Full Budget	Full Forecast
51	City & Infrastructure Planning	Recoveries (external)	137,515	(561,876)	(561,876)	Revenue: Received grant from NZTA to contribute to costs of te papa transport planning. Expenditure: Some areas of work are tracking behind budget but are expected to be completed by year end. Some areas of work planned for this year have not progressed as quickly as originally planned and will require additional budget for example, more detailed planning in areas such as Gate Pā / Pukehinahina and Merivale, to support opportunities being investigated by Kāinga Ora and others. In addition there are some areas of unbudgeted expenditure including the SmartGrowth growth planning stocktake, site specific flooding reassessments associated with PC26, and wetland reassessments and technical work required as the result of the Government's freshwater reforms. There may be a small activity overspend overall and there may be a need for additional budget in 2022 which will be sought through internal submissions to the LTP.	535,091	7,468,347	7,468,347
72	SmartGrowth Implementation	Partner Contributions - WBOPDC/BOPRC	586,657	(889,704)	(889,704)	Revenue: Received grant from NZTA and surplus from last year Expenditure: Higher operational expenses using last year surplus.	(111,287)	889,500	889,500
76	Economic Development	Targeted Rate Funding	0	0	0	Expenditure: Community contract expense is higher than budget due to timing of invoice earlier than budgeted.	(330,499)	4,434,692	4,434,692
95	Strategic Investment & Commercial Facilitation		0	0	0	Expenditure: On track and expected to be close to budget at year end .	200,300	917,056	917,056
TOTAL STRATEGY AND GROWTH			724,172	(1,451,580)	(1,451,580)		508,759	16,302,553	16,072,509
TOTAL			4,874,622	(46,721,022)	(51,333,317)		16,014,481	193,570,974	190,918,476

TCC Capital Expenditure to 31 March 2021*

*not including vested or land sales						
Expenditure Year to Date (000's)	Budget Year to Date 2020/21 (000's)	Full Year Budget 2020/21 (000's)	Full Year Forecast 2020/21 (000's)	Variance Forecast to FY Budget (000's)	Commentary	
Key Projects/Programmes	65,152	117,378	160,050	114,629	-45,421	
Cameron Road Stage 1	2,469	5,617	7,489	6,701	-788	Budget this financial year allocated for design and tender preparation, but the project is progressing faster than initially forecast with construction now commencing in 2021. 2022 budgets were brought forward to fund this accelerated timeline, and are now expected to be underspent and carried forward. Still on track to commence initial works within mandated timeframes. Government CIP funding for this project is \$45m.
CIP Funding (Capex portion)	620	5,051	6,735	6,735	0	Water stimulus projects encompass 26 different projects, with a variety of level of service and efficiency projects that normally TCC would be unable to undertake due to financial constraints. These include installing odour devices to address customer complaints, improve stormwater outcomes and activate efficiency gains in treatment plants. Several projects are in the early stages of identifying scope/supplier: confident of reaching year end spend. Budget for Capex portion of the CIP funding is \$13.5m.
Cycle Action Plan	1,343	4,086	5,448	3,121	-2,327	Low Cost Low Risk Cycle projects are on track, and include the Carmichael Reserve cycleway link from Matua and the cycleway from Domain Rd to Evans Road. However, business case pathway yet to be agreed with Waka Kotahi for Arataki Multi Modal delaying expenditure, and construction of the Chapel Street walkway has been delayed until next financial year. The 2021 forecast has therefore been reduced accordingly. Total project forecast is \$172.5m, against a total project budget of \$172.5m based on the draft LTP.
Digital Services Capital Programme	7,675	12,283	16,377	16,377	0	Digital Services are on track to meet budget for FY2021. Spend to date has tracked slightly under (the straight-line) forecast, but close to plan. 80% of the programme is running to plan, with some delays and changes to the Waters Services Contract and a significant delay to one project due to DIA making last minutes changes to an All of Government agreement. The primary risk to the programme over the remainder of the year is potential supply chain delays due to COVID but at this stage full year spend to budget is forecast. Digital deliver through four portfolio's of work, Lifecycle, Security, Eco-system and Business Improvement. Key initiatives include asset management platform upgrade, regulatory activity prototype rollouts, a new water services contract and kerbside rollouts. Budgets across the four portfolios continue over the LTP in similar amounts.
Domain Rd Upgrading Capital Works	229	2,815	3,753	300	-3,453	Recent resource consent application for commercial premises at the southern end has put stage 3 construction on hold, reducing the 2021 forecast. If consent is successful a redesign will be required. Total project forecast is \$16.4m, against a total project budget of \$16.4m based on the draft LTP.
Kennedy Road Embankment Dam	1,572	1,793	5,935	3,885	-2,050	In November 2020 Council approved an increased budget of \$5.935m to fast track and change the design methodology. Work is progressing well however the project is not expected to be completed by 30 June 2021 and funding will be needed to complete the project in the 2022 year. Total project forecast is \$5.9m, against a total project budget of \$5.9m based on the draft LTP.
Kulim Park Development	45	1,102	1,470	200	-1,270	Developed Design is complete and negotiations are underway with Higgins to confirm a contract price (expected by 21st April). Resource consent expected to be lodged late April. Construction to commence late July 2021 and be complete by November 2021. Unspent budget from 2021 FY will require carrying forward to next FY. Total project forecast is \$1.8m, against a total project budget of \$1.8m based on the draft LTP.
Omanawa Falls Formal Track	396	2,893	3,857	669	-3,188	Kaitiaki still have a presence on site with their ongoing role heading into winter currently being evaluated. Majority of documentation required for Resource Consent submission is complete, with the exception of Mana Whenua consultation, landscape & visual environmental assessment and consultation with neighbours. Hoping to have these items resolved and submission lodged by end April. Tender for cliff stabilisation, Ngahere track and platform structures to be issued April and contractor engaged May. Cliff stabilisation works will commence on site once RC approval is received. TCC recently resolved to increase the project budget to \$4.5m. Unspent budget from 2021 FY will require carrying forward to next FY. Total project forecast is \$4.5m, against a total project budget of \$4.5m based on the draft LTP.
Oropi WTP Capacity Upgrade	813	1,672	2,230	2,230	-	Full year expenditure is expected to be on budget with some associated CIP funding. Total project forecast is \$4.0m, against a total project budget of \$4.0m based on the draft LTP.
Streetscape	4,866	9,776	13,034	6,934	-6,100	Wharf St is substantially complete with only cultural enhancements yet to be installed. An underspend of approx \$600k is estimated for this project. Elizabeth St detailed design is now complete and enabling works have commenced for underground service renewals. The project team is working very closely with Farmers to synchronise the opening of the Farmers retail store and the streetscape project. This will likely require a carry forward of approx \$5.4m to 2022 FY. Total project forecast is \$16.5m, against a total project budget of \$17.2m based on the draft LTP.
SW Bulk Fund & Reactive Reserve	1,830	2,437	3,250	3,250	-	Planned programme on track to utilise full budget this financial year. Bulk fund that continues budget throughout LTP.

TCC Capital Expenditure to 31 March 2021*

*not including vested or land sales

Expenditure Year to Date (000's)	Budget Year to Date 2020/21 (000's)	Full Year Budget 2020/21 (000's)	Full Year Forecast 2020/21 (000's)	Variance Forecast to FY Budget (000's)	Commentary
Te Maunga WW Treatment Plant	5,487	14,626	19,502	10,341 -	9,161 Due to complicated geotechnical design considerations there were delays in getting the landward outfall and bioreactor physical construction tenders out to market. Landward outfall has now awarded the contract, with contractor to establish on-site in mid April. Bioreactor tender is closing late April and award is planned for July. Biggest risk to the programme is the potential impact the landward outfall could have on adjacent properties. This is currently being mitigated by; site trials of construction methodology, surveys of properties before construction begins, and ongoing monitoring programmes throughout construction. Total project forecast is \$247.7m, against a total project budget of \$247.7m based on the draft LTP.
Totara Street Capacity Improvements	860	682	910	1,297	387 NZTA approval progressing project now ready to go out for tender and construction will commence when NZTA approval received. Budget brought forward as per previous council resolution. Total project forecast is \$8.7m, against a total project budget of \$8.7m based on the draft LTP.
Waiari	36,947	52,545	70,060	52,589 -	17,471 All construction elements are currently underway, forecast completion date is still on track for 2022 summer; complex piling at intake works will put pressure on this date. Mitigations are being put in place that will enable additional capacity to be drawn from the Oropi treatment plant and also a temporary pumping from the Waiari stream if the intake works are not online on time. Based on the challenges on the intake contract and other minor project delays the current financial year forecast was reassessed. This assessment has resulted in an increase in the projected carry forward from \$8.5M to \$17.5M, this carry forward has been re-budgeted into year 2 of the draft LTP. An assessment of our contractors programmes and cashflows for next FY is underway to determine if an adjustment to next year's budget is required, this assessment will be completed within the internal submission timeframe. Total project forecast is \$182.1m, against a total project budget of \$185.6m based on the draft LTP.
Other Growth, Level of Service & Renewal Projects	43,201	73,152	97,536	34,559	-62,977
Other Growth Projects	3,192	26,230	34,973	9,284 -	25,689 \$2.8mil budget increase from previous quarter due to an approved bringforward of Te Okuroa Drive construction. Of the underspent projects, the proportion between planning and construction matches the overall budget split (25% and 75% respectively), as does the activity breakdown.
Growth Adjustment Projects	0	(19,500)	(26,000)	(26,000)	-
Other Level of Service Projects	24,799	49,807	66,410	33,065 -	33,345 \$4mil budget increase from previous reporting due to approved bring forward for purchase of land for Te Okuroa Drive. Transportation (44%) and Spaces & Places (15%) are the 2 largest contributors to this category, and make up a similar proportion of unspent budget to date.
Level of Service Adjustment Projects	0	(12,750)	(17,000)	(17,000)	-
Renewal Projects	15,210	29,365	39,153	35,210 -	3,943
Grand Total	108,353	190,530	257,586	149,188	-108,398

Note: Full year budget includes a capital programme adjustment of \$43,000,000. Total budgets are based on the current draft 2021-31 long term plan.

Land Sales Summary 2021

TCC Capital Income to 31 March 2021

Net Income Year to Date	Full year Budget 2019/20	Forecast Full Year Net Income	Comments
Land Sales	(36,417)	(4,251,045)	(4,251,045) Slower than anticipated land sales due to market conditions.

8.3 Audit NZ Report on the 30 June 2020 Annual Report and Preparation for the 2021 Annual Report and Audit

File Number: A12503821

Author: Kathryn Sharplin, Manager: Finance
Tracey Hughes, Financial Insights & Reporting Manager
Marin Gabric, Senior Financial Accountant

Authoriser: Paul Davidson, General Manager: Corporate Services

PURPOSE OF THE REPORT

1. The purpose of this report is to advise the Strategy Finance and Risk committee of the process and timetable for the annual audit of Tauranga City Council (TCC) and to present for information the Audit New Zealand Report to the Council on the Audit of Tauranga City Council for the year ended 30 June 2020.

RECOMMENDATIONS

That the Strategy Finance and Risk Committee:

- (a) Receives the report Audit New Zealand Report on the 30 June 2020 Annual Report and Preparation for the 2021 Annual Report and Audit
- (b) Receives the Report to Council from Audit New Zealand on the audit of Tauranga City Council for the year ended 30 June 2020

EXECUTIVE SUMMARY

2. TCC is audited annually by Audit New Zealand on the Annual Report for the year ended 30 June. The report includes information for the past year, including financial statements and non-financial performance measures set by Council during the Long-term plan (LTP) and annual plan processes.
3. As part of the audit process Audit New Zealand provide a report to Council on the audit. It sets out audit findings and draws attention to areas where the city council is doing well and where there are recommendations for improvement. Council staff review the findings and recommendations in the report and implement improvements.
4. The audit report was received in November 2020 and would normally be presented to council earlier than May of the following year. However, due to the appointment of commissioners and prioritisation of the LTP, this report has on this occasion been incorporated in discussions on the 2021 Annual Report and audit process. In the interim, staff have reviewed and where possible implemented changes as a result of the audit recommendations.

BACKGROUND

5. Every year council produces an annual report. The annual report provides the community, the government, lending agencies, councillors and staff with a summary of work completed by council during the year and our performance both financial and non-financial compared with our proposed performance as set out in the relevant LTP (prepared three-yearly) and annual plans (prepared in the two years between adopting the LTP).
6. The audit process includes an interim audit which reviews council's information systems, processes and internal controls. This is followed by a final audit of the financial and non-financial information for the year and its presentation in the Annual Report.

Audit New Zealand Recommendations on the 2020 Annual Report

7. Audit New Zealand identified main audit risks and issues prior to the audit which included:
 - (a) Covid-19,
 - (b) Fair value assessment of assets
 - (c) Valuation of weathertightness liabilities
 - (d) Management override of internal controls
 - (e) Revaluation of airport infrastructure and improvements and parks facilities
 - (f) Transition of finance system from Ozone to SAP
8. No issues were raised in relation to these risks.
9. A number of new recommendations were made and along with comments on progress against existing recommendations. Recommendations are coded under three categories:
 - (a) Urgent – significant deficiency exposes council to significant risk
 - (b) Necessary – deficiencies that need to be addressed to meet best practice including internal control
 - (c) Beneficial – where council is falling short of best practice and improvement would be beneficial
10. Page 5 of the Audit New Zealand report identifies new recommendations.
 - (a) No urgent recommendations were identified
 - (b) Four necessary recommendations were identified relating to performance measure data (4.1), timing of capitalisations (4.2), reviewing of journal entries (4.3) and updating of disclosure of interest in other entities.
 - (c) No beneficial recommendations were identified
11. All the necessary recommendations have been reviewed and items 4.2, and 4.3 have been addressed through process and system changes. The disclosure amendments required in 4.4 will be addressed as part of the year end processes. For item 4.1, from 2021-22, the first year of the 2021-31 LTP, measures and their measurement have been updated.

Timetable for Audit of the 2021 Annual Report

12. Audit New Zealand will commence their interim audit in the week of 10 May 2021, and will be on site for the finalisation of the audit in August 2021. Adoption of the audited Annual Report is planned for the final week of October 2021.

STRATEGIC / STATUTORY CONTEXT

13. Requirements for the Annual Report and audit are set out in the Local Government Act 2002.

OPTIONS ANALYSIS

14. This report and the attached Audit New Zealand report are for information.

FINANCIAL CONSIDERATIONS

15. There are no financial considerations arising directly from this report.

LEGAL IMPLICATIONS / RISKS

16. There are no legal implications or risks arising from this report.

CONSULTATION / ENGAGEMENT

17. The Audit New Zealand report provides feedback to council and staff on areas for improvement. It is an internal document not requiring consultation with the community.

Consultation on budgets occurs on the LTP and annual plans that are reported against in the annual report. The audited Annual Report is made public and included on the TCC website once adopted.

SIGNIFICANCE

18. The Local Government Act 2002 requires an assessment of the significance of matters, issues, proposals and decisions in this report against Council's Significance and Engagement Policy. Council acknowledges that in some instances a matter, issue, proposal or decision may have a high degree of importance to individuals, groups, or agencies affected by the report.
19. In making this assessment, consideration has been given to the likely impact, and likely consequences for:
 - (a) the current and future social, economic, environmental, or cultural well-being of the district or region
 - (b) any persons who are likely to be particularly affected by, or interested in, the issue, proposal, decision, or matter
 - (c) the capacity of the local authority to perform its role, and the financial and other costs of doing so.
20. In accordance with the considerations above, criteria and thresholds in the policy, it is considered that the matter is of low significance.

ENGAGEMENT

21. Taking into consideration the above assessment, that the matter is of low significance, officers are of the opinion that no further engagement is required prior to Council making a decision.

NEXT STEPS

22. Staff will work with councillors during the internal audit process for the audit of the 2021 Annual Report.

ATTACHMENTS

1. **Report to the Council on the Audit of Tauranga City Council - 30 June 2020 - A12147401** [!\[\]\(cc05514e477ca5c94a50541032034c6f_img.jpg\)](#) 

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

Report to the Council on the audit of

Tauranga City Council

For the year ended 30 June 2020

Contents

Key messages	3
1 Recommendations	5
2 Our audit report	7
3 Matters raised in the Audit Plan	9
4 Items identified during the audit	13
5 Public sector audit.....	17
6 Group audit	18
7 Useful publications.....	19
Appendix 1: Status of previous recommendations	22
Appendix 2: Disclosures	31

Key messages

We have completed the audit for the year ended 30 June 2020. This report sets out our findings from the audit and draws attention to areas where the City Council is doing well and where we have made recommendations for improvement.

Audit opinion

We issued an unmodified audit opinion dated 28 October 2020, which includes an emphasis of matter paragraph regarding the possible affects as a result of the Covid-19 pandemic.

Matters identified during the audit

Covid-19

On 11 March 2020, the World Health Organization declared the outbreak of a coronavirus (Covid-19) pandemic and two weeks later the New Zealand Government declared a State of National Emergency. From this the country moved to Alert Level 4 and into lockdown. As a result, economic uncertainties have arisen which are likely to negatively affect the City Council's operations and services.

Given the uncertainties that have arisen regarding the impact of Covid-19, we have included an emphasis of matter paragraph in our audit opinion.

Valuation of weather-tightness liabilities

We reviewed the provision and contingent liability relating to weather-tightness claims. We noted significant decreases in both the provision and contingent liability due to the settlement of the claim relating to the Cayman Apartments during the year.

We have reviewed the disclosures in the financial statements and consider the treatment and valuation methodology applied have been correctly stated and fairly reflected in the financial statements.

Property, plant and equipment

The Council revalued its airport infrastructure and parks facilities asset classes as at 1 July 2019. The fair value of these assets increased by \$8 million and decreased by \$14 million respectively. We reviewed the valuation to confirm that it was soundly based and had been correctly accounted for in terms of PBE IPSAS 17 *Property, Plant and Equipment*, in the Council's financial statements. This included a review of the validity of key assumptions and the methodology applied by the independent valuer.

We have reviewed management's fair value assessment for those classes of assets that are periodically revalued but not in the current period. We were satisfied with the assumptions and judgements applied by management, including the impacts of Covid-19, and confirm that their calculation is in line with the accounting framework applied by the Council.

In the course of our work we have identified some areas where improvements can be made. Our recommendations are summarised in section 1 and discussed in detail in section 4 and Appendix 1 of this report.

We also noted other matters to bring to your attention which are detailed in section 4 of this report.

Thank you

We would like to thank the Council, management and staff for their assistance during the course of the audit.



Clarence Susan
Appointed Auditor
4 December 2020

1 Recommendations



Our recommendations for improvement and their priority are based on our assessment of how far short current practice is from a standard that is appropriate for the size, nature, and complexity of your business. We use the following priority ratings for our recommended improvements.

Priority	Explanation
Urgent	Needs to be addressed <i>urgently</i> These recommendations relate to a significant deficiency that exposes the City Council to significant risk or for any other reason need to be addressed without delay.
Necessary	Address at the earliest reasonable opportunity, <i>generally within six months</i> These recommendations relate to deficiencies that need to be addressed to meet expected standards of best practice. These include any control weakness that could undermine the system of internal control.
Beneficial	Address, <i>generally within six to 12 months</i> These recommendations relate to areas where the City Council is falling short of best practice. In our view it is beneficial for management to address these, provided the benefits outweigh the costs.

1.1 New recommendations

The following table summarises our recommendations and their priority.

Recommendation	Reference	Priority
Review the processes for recording the underlying data that supports service performance measures and make improvements as necessary.	4.1	Necessary
Review the capitalisation policy to ensure it provides guidance on when assets should be capitalised, incorporating the point at which the asset is available for or commissioned for use.	4.2	Necessary
Ensure all journal entries are subject to review and evidenced as approved. Also, a listing of journals prepared and posted by super-users be generated and independently peer reviewed.	4.3	Necessary
Review disclosures against IPSAS 34-38 <i>Interests in Other Entities</i> , and update the notes in the financial statements as necessary.	4.4	Necessary

1.2 Status of previous recommendations

Set out below is a summary of the action taken against previous recommendations.
Appendix 2 sets out the status of previous recommendations in detail.

Priority	Priority			
	Urgent	Necessary	Beneficial	Total
Open recommendations updated at the final audit visit	-	4	3	7
Open recommendations updated at the interim audit visit		8	1	9
Implemented or closed at the final visit	-	13	-	13
Total	-	25	4	29

2 Our audit report

2.1 We issued an unmodified audit report



We issued an unmodified audit report on 28 October 2020, which includes an emphasis of matter paragraph regarding the possible impacts of the Covid-19 pandemic.

This means we were satisfied that the financial statements and statement of service performance present fairly the City Council's activity for the year and its financial position at the end of the year

In forming our audit opinion, we considered the matters set out in sections 3 and 4 of this report.

2.2 Uncorrected misstatements

The financial statements are free from material misstatements, including omissions. During the audit, we have discussed with management any misstatements that we found, other than those which were clearly trivial. The misstatements that have not been corrected are listed along with management's reasons for not adjusting these misstatements. We are satisfied that these misstatements are individually and collectively immaterial.

Current year uncorrected misstatements	Reference	Assets	Liabilities	Equity	Financial performance
		Dr (Cr)	Dr (Cr)	Dr (Cr)	Dr (Cr)
Accrual for development contribution fees	1	2,340,963			(2,340,963)
Total parent and group		2,340,963			(2,340,963)

Explanation of uncorrected misstatements

- 1 Not considered material by the City Council.

2.3 Uncorrected disclosure deficiencies

All disclosure deficiencies identified during the audit have been corrected.

2.4 Uncorrected performance reporting misstatements

All performance reporting misstatements identified during the audit have been corrected.

2.5 Quality and timeliness of information provided for audit



Management needs to provide information for audit relating to the annual report of the City Council. This includes the draft annual report with supporting working papers. We provided a list of the information we required to management on 30 April 2020. This included the dates we required the information to be provided to us.

All information was supplied to us within the agreed timeframes and was of a fair standard. Although there were instances where aspects of the annual report had to be reworked, we acknowledge the challenging year the City Council has had with the implementation of its new Financial Information Management System and dealing with the impacts of Covid-19. We wish to acknowledge the effort Council staff put into preparing for the audit.

We note that due to Covid-19, additional work was performed by Audit New Zealand. We will be seeking a recovery of relevant costs and will work closely with Management to bring this resolution.

3 Matters raised in the Audit Plan



In our Audit Plan of 30 April 2020, we identified the following matters as the main audit risks and issues:

Audit risk/issue	Outcome
Covid-19	
<p>On 11 March 2020 the World Health Organization declared the outbreak of coronavirus (Covid-19) a pandemic. The New Zealand Government has taken steps to deal with the spread of Covid-19 which have included significant restrictions on the movement and interaction of people within New Zealand.</p> <p>This will have various potentially significant effects on individuals, communities, the economy, businesses, the wider public sector and each public sector entity.</p> <p>It is important that the City Council considers the impact of this event on various aspects of its operations and the information included in the annual report.</p> <p>We expect the City Council to complete an assessment of the impact of Covid-19 on its operations and any effect this has on the financial and performance information included in the annual report, including any additional disclosures which may need to be included.</p> <p>This assessment may also include the effect of Covid-19 on matters such as revenue recognition, valuation of assets, the provision for doubtful debts, and the use of the going concern assumptions for the City Council and group.</p>	<p>We held regular meetings with management throughout the financial year ensuring that we were aware of the impact of Covid-19 on the City Council's control environment.</p> <p>We reviewed management's assessment of the impact of Covid-19 on the financial statements and performance information. We were satisfied the disclosures contained within the annual report adequately reflects the impact on the City Council and acknowledge it is difficult to determine the full impact at this time.</p> <p>Our review did not identify any new or additional audit risks related to Covid-19.</p>

Audit risk/issue	Outcome
Fair value assessment of property, plant, and equipment (non-revaluation year)	
<p>Accounting standard PBE IPSAS 17: <i>Property, Plant and Equipment</i> requires that valuations be conducted with sufficient regularity to ensure the carrying amount does not differ materially from fair value. The Council should prepare a fair value assessment to enable consideration of whether a revaluation is needed this year.</p>	<p>We reviewed management's fair value assessment for those classes of assets that are periodically revalued. We were satisfied with the assumptions and judgements applied by management and confirm their calculation is in line with the accounting framework applied by the Council.</p> <p>We were satisfied that no material difference existed at balance date between the carrying amount and the fair value of those asset classes measured at fair value but not revalued as at 30 June 2020.</p>
Valuation of weather-tightness liabilities	
<p>The Council's liability for weather-tightness claims remains significant, totalling \$19 million at 30 June 2019. There is a high degree of judgement and estimation in the calculation of the liability.</p>	<p>We reviewed the provision and contingent liability relating to weather tightness claims. We noted a significant decrease in both the provision and contingent liability due to the settlement reached for the Cayman Apartments, a significant multi-unit claim.</p> <p>In March 2018, the City Council declared an evacuation for certain properties located in the Lakes, known as the Bella Vista properties. A total of 21 properties were impacted and the properties were in various stages of completion. The Council purchased the properties from the affected owners with the cost of the purchase partially off-set by insurance proceeds.</p> <p>We confirmed the Council currently holds ownership over these 21 properties which were included in the Work in Progress (WIP) asset class at balance date. This classification was due to remediation work that needed to be carried out on the affected properties.</p> <p>At year-end an impairment assessment was performed resulting in a reduction to the carrying values in WIP to reflect the amount management believes can be obtained from the sale of these properties.</p> <p>We reviewed the disclosures provided in the financial statements and consider the treatment and valuation methodology applied have been correctly stated and fairly reflected in the financial statements.</p>

Audit risk/issue	Outcome
The risk of management override	
<p>There is an inherent risk in every organisation of fraud resulting from management override of internal controls.</p> <p>Management is in a unique position to perpetrate fraud because of management's ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.</p> <p>Auditing standards require us to treat this as a risk on every audit.</p>	<p>We completed testing on a sample of journal entries and considered any significant transactions outside the normal course of business.</p> <p>Our journals testing confirmed that journals were appropriately prepared and there were no issues with the accuracy or supporting documentation for journals.</p> <p>We did not identify any instances or indications of management override.</p>
Revaluation of property, plant and equipment	
<p>The accounting standard PBE IPSAS 17 <i>Property, Plant and Equipment</i>, requires that valuations are carried out with sufficient regularity to ensure that the carrying amount does not differ materially from fair value.</p> <p>The following are to be revalued for the year ended 30 June 2020, as per the revaluation cycle:</p> <ul style="list-style-type: none"> • Airport buildings and improvements. • Parks facilities assets. 	<p>The Council revalued its airport infrastructure and parks facilities assets as at 1 July 2019. The fair value of these assets increased by \$8 million and decreased by \$14 million respectively.</p> <p>We were satisfied the valuation movements were fairly reflected in the financial statements and the associated disclosures are appropriate and in accordance with PBE IPSAS 17 <i>Property, Plant and Equipment</i>.</p>

Audit risk/issue	Outcome
Financial Management Information System (FMIS) transition from Ozone to SAP	
<p>The Council is planning to transition from its current FMIS, Ozone, to the SAP system in March 2020.</p> <p>This is considered to be a large project that could have a direct impact on the financial reporting process.</p>	<p>We completed the first three phases of our SAP Financial system implementation controls assurance review (per letter dated 13 November 2019).</p> <p>The objective of the review was to discharge our duty in accordance with recognised auditing standards. The focus was on the project methodology and the controls and processes regarding the transition from one system to the other.</p> <p>The phases of the review that we have completed are:</p> <ul style="list-style-type: none"> • project methodology and execution; • user acceptance testing; • and business rules and controls, in particular, security access controls and controls related to the expenditure process. <p>We obtained an understanding of the data migration planning.</p> <p>Our review was carried out in stages as the programme of work was completed, including reviewing go live testing and approval sign-offs. We maintained regular communication with the project manager and key stakeholders and raised recommendations as the programme of work progressed.</p> <p>The final two stages of the assurance review are to check the data migration was carried out effectively and to update control environment system descriptions and perform walkthroughs. These phases will be carried out at our next audit visit in 2021.</p> <p>Based on the work performed and information obtained from these first three phases, we have no matters to bring to your attention in relation to the project methodology, controls and processes regarding the transition from Ozone to SAP.</p>

4 Items identified during the audit



In this section we detail our key findings during the audit, in order of significance. We also detail our findings in relation to other areas of focus.

4.1 Performance reporting

4.1.1 Process and reporting improvements

During our review and sample testing of the service performance results, we noted the following:

- The number of water connections used in the calculation of the three waters customer satisfaction measures was not as at 30 June 2020. We were satisfied this did not have a material impact on the year-end result. However, this potentially creates inconsistency and incomparability when comparing the results from different financial years.
- The misclassification of customer requests between the three waters activities, for example a leak initially classified as a wastewater leak was subsequently reclassified as a water leak by the field worker.
- A number of instances, mainly relating to the three waters measures, where matters considered “private” or “internal” were included in the underlying data. This is not in-line with the criteria issued by the Department of Internal Affairs (the DIA). We note the City Council subsequently revised the relevant data populations and the reported result is considered satisfactory.

Based on the above we recommend management reviews the processes for recording the underlying data that supports service performance measures and makes improvements as necessary. Specific recommendations based on our findings above are as follow:

- Record and use the number of connections as per 30 June in the calculation of the three waters customer satisfaction measures.
- Ensure all customer requests are accurately classified to the correct activity.
- Ensure the necessary adjustments are made to the base data when calculating mandatory measures set by the DIA. This is required so that the DIA requirements can be met.

Management comment

The number of water connections is measured approximately 10 days after year-end on interrogating the database and gathering all works order data in that timeframe. This is consistent with prior years and is how Council will continue to do this. To carry this out at year-end would not accurately capture outstanding works orders. Variance is minimal. A

review of customer requests is now carried out using Word Find to ensure correct data is classified to its correct activity.

Council has amended the SQL report to exclude “false call-outs” or private and internal data sets to comply with DIA requirements.

4.1.2 Wastewater – dry weather overflows performance measure

The DIA sets specific criteria requirements for the wastewater dry weather sewage overflow performance measure. During our detailed testing we noted the following:

- The City Council relied on its contracted field workers to determine the classification of the weather event between “Dry” or “Wet”. We also noted that no review is subsequently performed to ensure the accuracy of this classification.
- The date and time log of the call/event, used to determine the extent of rain fallen in the 24 hours preceding the customer request, is not included in the audit report (extracted from Accela) on which the result is then reported.
- Inconsistencies in the classification of the “weather event” and “overflow type” between the audit report generated by staff and the “Sewer Overflow/Blockage Report” completed by the contracted field workers.

Based on the above our specific recommendations are as follow:

- Perform a review of the underlying data supporting the reported result to ensure that the weather condition is accurately classified. This is best corroborated to data recorded by a rain gauge nearest the event.
- Update the audit report parameters to ensure all relevant data fields are included so that staff can appropriately review results and ensure compliance with the DIA criteria.
- Consider automating the process of transferring data from the field workers’ reports to the system and/or perform regular reviews of the data to ensure accuracy of the data underlying the reported result.

Management comment

Council will use the rain gauge data as directed by the DIA but is concerned that the location of that specific rain gauge does not accurately reflect the correct rainfall in the Tauranga boundary.

Council will ensure the correct report parameters are used to comply with DIA criteria.

The fieldworkers’ data is captured in Ozone and further automation (process change) will be reviewed when new systems are evaluated in the future.

4.2 Timing of asset capitalisations

We reviewed a sample of assets capitalised during the year and noted the following:

- Two instances where assets in use were still included in WIP at year-end. This means they had not been formally capitalised or depreciated.
- Ten instances where the capitalisation date is not in line with the date the asset was available for use.
- Eight instances where assets vested to Council were capitalised several months after the issue of the section 224 certificate. When the section 224 is issued, the assets should be available for use.

We assessed the value of the depreciation that would have been expensed if the assets had been capitalised when the asset was ready for use as not material.

We recommend the capitalisation policy be reviewed to ensure it provides guidance on when assets should be capitalised, incorporating the point at which the asset is available for or commissioned for use. This would include considering the treatment of assets which are ready for use part way through a larger project.

Management comment

As advised and discusses with Audit New Zealand during the audit process, due to the implementation of the SAP Financial Management system early in July 2020, capitalisations were halted in Ozone to enable the data migration of asset data from Ozone to SAP so certain asset capitalisations were not completed. Council will work on improving asset capitalisations in a timely manner.

4.3 Approval of journals

Our testing over journals identified the following:

- Four instances where journals relating to the end of month process were not approved. These journal entries were prepared and posted by the same person, and there was no evidence of the subsequent review required as part of the End of Month checklist process.
- Two instances where journals were not approved, one of which was self-prepared.
- Three super-users who have access to prepare and post journal entries.

We recommend management ensures all journal entries are subject to review and evidenced as approved.

We also recommend that a listing of journals prepared and posted by super-users be generated and independently peer reviewed.

Management comment

With the implementation of the new SAP system journal approvals by another user are enforced by the system so this issue has been resolved.

4.4 Accounting standard changes - IPSAS 34-38 *Interests in other entities*

This year a suite of changes has been made to accounting standards in relation to how organisations account for their interests in other entities. The City Council had to consider if entities in which it has interests were still accounted for and disclosed in accordance with the new standards. The entities involved were Western Bay of Plenty Tourism and Visitors Trust, trading as Tourism Bay of Plenty; BOP LASS Limited; and New Zealand Local Government Funding Agency Limited.

Management completed a checklist we provided and our review of that confirmed there were no significant changes needed to how these entities were accounted for. However, we did identify potential improvements in the disclosures around these entities, in particular, the inclusion of key financial information to align with the requirements of the new standards.

We recommend management reviews the disclosures against IPSAS 34-38 *Interests in Other Entities*, and updates the notes in the financial statements as necessary.

Management comment

Council will provide the required detail set out by IPSAS 34-38 in future Annual Reports for the minor other entities.

4.5 Covid-19 wage subsidy

The City Council applied to the Ministry of Social Development (MSD) for the Covid-19 wage subsidy. The application was for 576 staff across all activities of the City Council. The City Council received \$3.75 million covering a 12 week period commencing 21 May 2020.

Our review of the supporting documentation confirmed the Council had consulted with MSD during the application process and appropriately accounted for the revenue in the financial statements.

5 Public sector audit



The City Council is accountable to the local community and to the public for its use of public resources. Everyone who pays taxes or rates has a right to know that the money is being spent wisely and in the way the City Council said it would be spent.

As such, public sector audits have a broader scope than private sector audits. As part of our audit, we have considered if the City Council has fairly reflected the results of its activities in its financial statements and non-financial information.

We also consider if there is any indication of issues relevant to the audit with:

- compliance with its statutory obligations that are relevant to the annual report;
- the City Council carrying out its activities effectively and efficiently;
- the City Council incurring waste as a result of any act or failure to act by a public entity;
- any sign or appearance of a lack of probity as a result of any act or omission, either by the City Council or by one or more of its members, office holders, or employees; and
- any sign or appearance of a lack of financial prudence as a result of any act or omission by a public entity or by one or more of its members, office holders, or employees.

6 Group audit



The group comprises:

- Tauranga City Council (parent);
- Bay Venues Limited (subsidiary – 100% controlled by parent, significant component);
- Tauranga Art Gallery Trust (subsidiary – 100% controlled by parent, non-significant component); and
- Western Bay of Plenty Tourism and Visitors Trust trading as Tourism Bay of Plenty (associate – 50% controlled with Western Bay of Plenty District Council).

We have not identified any of the following during our audit for the year ended 30 June 2020:

- Instances where our review of the work of component auditors gave rise to a concern about the quality of that auditor's work.
- Limitations on the group audit.
- Fraud or suspected fraud involving group management, component management, employees with significant roles in group-wide controls, or others where the fraud resulted in a material misstatement of the group financial statements.

We identified the following matters as the main audit risks/issues for Bay Venues Limited (BVL), in the Audit Plan dated 30 April 2020.

Audit risk/issue	Outcome
Group issue: Baywave Aquatic Centre repairs	
The Baywave Aquatic Centre, held by BVL, had committed to \$4.1 million in repairs after leaks were found. These repairs are due to be completed in the 2019/20 year.	We have gained comfort from the work performed by our component auditor of BVL that the project costs were correctly classified as either repairs and maintenance or capital additions in BVL's financial statements. We confirmed this information was appropriately consolidated into the Group accounts.

7 Useful publications



Based on our knowledge of the City Council, we have included links to some publications that the Council and management may find useful.

Description	Where to find it
Coid-19 Impact on Public Sector Reporting	
<p>The state of emergency in response to the Covid-19 coronavirus has significantly impacted most public sector entities. The consequences for the completion of annual reports and the annual financial statements are one part of this impact.</p> <p>We are developing a series of Bulletins in response:</p> <ul style="list-style-type: none"> • revaluations of property, plant and equipment and investment property; • service performance reporting; • financial reporting; 	<p>On our website under good practice.</p> <p>Link: COVID-19 bulletins</p>
Client updates	
<p>As part of our response to the Covid-19 situation, we developed online client updates to replace the in-person sessions that were cancelled.</p> <p>This year's material is accessible via video presentations on our website. You can explore the material at a pace that takes account of your busy schedule.</p> <p>The themes respond to challenges that our clients now face, such as planning for unexpected events or dealing with additional reporting requirements related to Covid-19 and climate change.</p>	<p>On our website under publications and resources.</p> <p>Link: Client updates</p>

Description	Where to find it
Tax matters	
<p>As the leading provider of audit services to the public sector, we have an extensive knowledge of sector tax issues. These documents provide guidance and information on selected tax matters.</p> <p>This includes new guidance on the reduction in deferred tax on buildings that was reintroduced as part of the Covid-19 response package.</p>	<p>On our website under good practice</p> <p>Link: Tax Matters</p> <p>Link: Reduction in deferred tax on buildings</p>
Client substantiation file	
<p>When you are fully prepared for an audit, it helps to minimise the disruption for your staff and make sure that we can complete the audit efficiently and effectively.</p> <p>We have put together a tool box called the Client Substantiation File to help you prepare the information you will need to provide to us so we can complete the audit work that needs to be done. This is essentially a tool box to help you collate documentation that the auditor will ask for.</p>	<p>On our website under good practice.</p> <p>Link: Client Substantiation File</p>
Long-term plans and consultation documents	
<p>Having audited long-term plans (LTPs) since 2006, we understand the significant effort that councils invest in preparing an LTP.</p> <p>We want to make the audit process for the 2021-31 LTPs and consultation documents as straightforward as possible, so we've put together some information to help councils to:</p> <ul style="list-style-type: none"> • understand our responsibilities and our main focus areas in the audit; • prepare better documents for their communities; and • develop project plans that make their LTP process go smoothly. 	<p>On our website under good practice.</p> <p>Link: Long-term plans and consultation documents</p>

Description	Where to find it
Conflicts of interest	
<p>The Auditor-General has recently updated his guidance on conflicts of interest. A conflict of interest is when your duties or responsibilities to a public organisation could be affected by some other interest or duty that you have.</p> <p>The update includes a printable A3 poster, an animated video on predetermination and bias, gifts and hospitality, and personal dealings with a tenderer. There is also an interactive quiz.</p> <p>These can all be used as training resources for your own employees.</p>	<p>On the Office of the Auditor-General's (the OAG's) website under 2019 publications.</p> <p>Link: Conflicts of interest</p>
Severance payments	
<p>Because severance payments are discretionary and sometimes large, they are likely to come under scrutiny. The Auditor-General has released updated good practice guidance on severance payments. The guide is intended to help public sector employers when considering making a severance payments to a departing employee. It encourages public organisations to take a principled and practical approach to these situations. The update to the 2012 good practice guidance reflects recent case law and changes in accounting standards.</p>	<p>On the OAG's website under 2019 publications.</p> <p>Link: Severance payments</p>
Matters arising from the 2018/19 audits	
<p>The OAG has published a report on the results of the 2018/19 audits for the sector.</p>	<p>On the OAG's website under publications.</p> <p>Links: Local Government</p>
Procurement	
<p>The OAG is continuing its multi-year work programme on procurement.</p> <p>The OAG has published an article encouraging reflection on a series of questions about procurement practices and how processes and procedures can be strengthened.</p> <p>Whilst this is focused on local government, many of the questions are relevant to all types of public sector entities.</p>	<p>On the OAG's website under publications.</p> <p>Link: Procurement article</p>

Appendix 1: Status of previous recommendations

Open recommendations updated during our final visit

Recommendation	First raised	Status
Necessary		
Sensitive expenditure – P cards		
Ensure: <ul style="list-style-type: none"> all supporting documentation is attached to P Card statements and staff reimbursement forms; procurement incurred on P Cards is in line with the limits specified by the P Card Policy; and all information is provided on the Reimbursement Claim Form. 	2017/18	Our testing this year identified this remains an area for improvement. We identified: <ul style="list-style-type: none"> two instances where a P card expenditure exceeded the policy limit; and one instance where inappropriate approval was obtained. Outstanding.
Sensitive expenditure – Travel (approval)		
Ensure all travel expense claims are completed in-line with the City Council's policies.	2017/18	Our testing this year identified: <ul style="list-style-type: none"> four instances where travel has not been appropriately approved and/or not in line with policy. Outstanding.
Sensitive expenditure – Cash Advances		
Indicate the circumstances in which cash advances will be provided. Ensures, as far as practicable, that loyalty rewards earned for a business purpose, be used only for the benefit of the entity, and that staff keep a record of loyalty rewards accrued and applied for the benefit of the entity, and regularly supply the entity with a report of this record.	2017/18	We noted that there have been no changes to the policy. We understand that this policy is due for review in 2021. Outstanding.

Recommendation	First raised	Status
Suspense account reconciliations		
Time is spent on ensuring items are cleared more frequently to avoid balances remaining in the suspense accounts for a number of months before they are cleared.	2016/17	<p>This year we identified:</p> <ul style="list-style-type: none"> one instance where the suspense account reconciliation was not reviewed; and a number of long-aged items were not cleared. <p>Outstanding.</p>
Beneficial		
Asbestos assessment		
Develop a formal plan be that includes a list of the buildings to be reviewed, the outcome of the review, the process to address any issues identified and the financial implications of those issues.	2018/19	<p>Due to Covid-19 and the transition to the new FMIS, there has been minimal progress made on developing a formal plan.</p> <p>Outstanding.</p>
Determination limit breach		
<p>We noted that during the period 1 July 2018 to 11 March 2019, the Council had one deputy chairperson role over the allowed number as noted in the determination limit. We confirmed that a successful application was submitted and approved by the Determination Authority to increase the number of deputy chairperson roles that are allowed.</p> <p>Although this breach was subsequently amended, we recommend that the Council ensures the limits in the Determination are adhered to.</p>	2018/19	<p>From our work performed during the final audit visit, we noted:</p> <ul style="list-style-type: none"> three instances where Councillors were paid above the Determination thresholds. <p>Outstanding.</p>
Revaluation of infrastructure and marine assets		
Implement an action plan to address the recommendations made by the valuer.	2018/19	<p>We noted that no progress has been made in this area as management's focus was on the fixed asset cleansing exercise performed together as part of the transition to the new FMIS.</p> <p>Outstanding.</p>

Brought forward from our interim report – prior year recommendations addressed as part of the interim audit.

Recommendation	First raised	Status
Necessary		
P-Card Policy - cancellation or destroying cards		
<p>Council determines the process for cancelling and destroying cards as recommended by the OAG's guidelines for sensitive expenditure issued in 2007 <i>"Controlling Sensitive Expenditure – Guidelines for Public Entities"</i></p> <p>Council documents its process around the related P-Card holder profile and delegated authority on card cancellation.</p>	2017/18	<p>There is currently a Council project underway to review its suite of policies, which includes sensitive expenditure (Koha), P-card, project management and fraud policies. This project is expected to be completed by September 2020.</p> <p>In progress.</p>
Lack of independent review of payroll masterfile changes		
<p>The AUE report (which is used to reflect changes within the pay run) is printed and reviewed along with all other pay run payroll reports.</p> <p>We recommend that the AUE reports are prepared and independently reviewed on a monthly basis.</p>	2017/18	<p>We note from our work performed during the interim audit, not all AUE reports have been prepared/reviewed.</p> <p>In progress.</p>
Timesheet approval for capitalised time		
<p>The project manager timesheets are approved on a one-up basis before they are given to Finance to be capitalised to job codes.</p>	2016/17	<p>We understand the implementation of the new SAP system in July 2020 will address this issue.</p> <p>In progress.</p>
Information systems (IS) - Contractor agreement does not include compliance with Council policies		
<p>Contractors be required to attend security briefings and training to ensure they are aware of acceptable ICT practices.</p>	2017/18	<p>Digital Services are providing regular security training to staff, however we noted during our testing that almost 50% of the new starters are contractors and these people are not all attending the security training.</p> <p>In progress.</p>

Recommendation	First raised	Status
Information systems (IS) - process for removing contractors' network and application access		
<p>Digital Services are advised about all staff and contractors leaving so that access to the Council's network and applications is removed promptly.</p> <p>Fortnightly reports of starters and leavers that used to be provided by People and Capability should be reinstated.</p> <p>End dates in the payroll system should be updated to reflect any changes in contractors' end dates.</p>	2017/18	<p>From our work performed during the interim audit, we noted the following:</p> <ul style="list-style-type: none"> • Reports of starters and leavers provided by HR show that almost 50% of starters and leavers are contractors. Digital Services are not always being advised of staff and contractors leaving, and also not being formally advised to terminate a person's access when they move from being a contractor to being a staff member or changing from one contract role to another. • We also noted that end dates in the CHRIS payroll system do not always reflect the new end date when contracts are extended. • Digital Services staff have developed work arounds to try to ensure access is terminated in the network and within applications. <p>In progress.</p>
Fixed asset register – improve the timeliness of processing asset movements		
<p>We recommend that Council continues to work with the FMIS vendors to ensure Council can still process its other asset movements in a revaluation cycle.</p> <p>This could either be done on a quarterly or, preferably, on a monthly basis to align with your monthly reconciliation of the Fixed Asset system to the General Ledger.</p>	2018/19	<p>We continue to recommend that Council processes its fixed assets movements either on a quarterly or preferably on a monthly basis to align with its monthly reconciliation of the Fixed Asset Register to the General Ledger.</p> <p>In progress.</p>

Recommendation	First raised	Status
Information Systems (IS) - process for ensuring application access is appropriate		
<p>We understand that the Council is looking at systems for improving role based access to data in the future. We suggest the new system has, as a minimum, the following features:</p> <ul style="list-style-type: none"> • Improvements to the processes for adding and amended user access to applications. • Data ownership being assigned and data custodians approving all requests for access to update their data within applications. • Data owners regularly reviewing who has access to update their information to ensure that security and segregation of duties is maintained 	2018/19	<p>Our audit work noted the following:</p> <ul style="list-style-type: none"> • No full reviews of Ozone access have been completed but some improvements have been made to the way access has been assigned to Ozone users. • The new SAP financial system which is due to go live later this year has improved processes for assigning user access. • We noted this year that CHRIS payroll user access processes need improvement, a high number of people have master access, and there are no formal processes for approving this elevated access or removing access when no longer required. <p>In progress.</p>
Traffic congestion performance measure		
<p>We recommend that the Council includes in the Annual Report:</p> <ul style="list-style-type: none"> • additional disclosure around this measure, explaining how the result has been calculated and its limitations in presenting an accurate indicator of congestion; and • narration regarding the prior year results and whether these were determined in the same way as the current year to ensure the information presented is comparable. 	2018/19	<p>We continue to recommend that Council includes additional disclosures in its Annual Report, specifically:</p> <ul style="list-style-type: none"> • additional disclosure around this measure, explaining how the result has been calculated and its limitations in presenting an accurate indicator of congestion; consider to report on the performance over the year, instead of one week in March, which will better represent Tauranga's traffic condition; and • that Council discloses what the key routes being measured are and times factored into the result. <p>In progress.</p>

Recommendation	First raised	Status
Beneficial		
Outdated policies		
Koha, Project Management and Fraud Council considers, reviews and, where necessary, updates its policies.	2016/17	There is currently a Council project underway to review its suite of policies, which includes sensitive expenditure (Koha), P-card, project management and fraud policies. This project is expected to be completed by September 2020. In progress.

Implemented or closed recommendations

Recommendation	First raised	Status
Necessary		
Inaccurate recording of complaints about water supply		
Records each and every complaint received for no water. Management will need to perform an assessment at year-end on what impact capping no water complaints will have on the year-end result.	2018/19	Confirmed that each no-water complaint now has a separate CCM lodged. Matter closed.
NZTA subsidy - potential duplication of invoices/POs in monthly claim		
A monthly total of the accruals be kept by the Council in its internal claims spreadsheet. A review of the prior period's accruals against the current month's costs be performed by the person initiating the claim.	2017/18	We have noted that an accruals spreadsheet is completed every month prior to a claim being submitted. Matter closed.
Parking building revenue variances		
Council continues to communicate with the external provider so both parties are consistent with the reconciliation process and can identify the actual cause of the any variances.	2016/17	From our work performed and discussions with staff we note that since the change of management to Carpark and the installation of new carpark machines, there have been no variances in relation to the receipt and recording of these parking building payments. Matter closed.
Cash collection dockets to actuals reconciliation follow ups		
Establish a system to verify all variances are valid and explainable.	2016/17	We note from our discussions with staff that there has been a change in the process applied by Council. As part of the cash receipting process, the security company does not access the sealed banking envelopes. These are sealed by Council staff, and only opened by bank staff. Matter closed.

Recommendation	First raised	Status
Information systems (IS) - Digital Services Service management improvements		
We commend the progress to date and continue to recommend further improvements to Digital Services IT service management and reporting procedures.	2017/18	<p>We noted the following:</p> <ul style="list-style-type: none"> • The Digital Services service desk has been brought in house and service management improvements are underway. • Problem and incident management is now formalised. • Service desk procedures have been documented. • A review and closing of old outstanding service calls has been completed. • A new "Non Standard Service Request" process has been established for managing user requests. • Improvements to the functionality of the service desk management software and reporting are ongoing. <p>Matter closed.</p>
Information systems (IS) - Antivirus and Patch management improvements		
<p>Patching of servers and end-user devices be completed regularly.</p> <p>Reporting on the status of cybersecurity prevention should include monthly patching reporting.</p>	2017/18	<p>We note that patching and anti-virus management procedures are now all working effectively.</p> <p>Matter closed.</p>
Information Systems (IS) - evidence of user testing and sign-off of changes to software		
Evidence of testing and user acceptance of changes to be included in the documentation provided to the Digital Services Change Approval Board.	2017/18	<p>We note that evidence of testing and links to documentation are now included in the template that is submitted for change approval.</p> <p>Matter closed.</p>

Recommendation	First raised	Status
Sensitive expenditure - Processes		
Implement a formal process to review Mayoral expenditure.	2018/19	From the work performed during the interim audit, we identified clause 6.2 in the Elected Members Expenses and Resources Policy 2020 that states the Mayor's expenditure must be authorised by the Deputy Mayor and one other Elected Member. Matter closed.
Debtor reconciliations		
Ensure that accounting records are filed correctly to reduce the risk of items being misplaced for audit purposes.	2017/18	We noted no issues with the presentation of documentation by the Council. Matter closed.
Property Plant and Equipment reconciliations - review of monthly reconciliations to be evidenced		
We noted that although a reconciliation between the GL and FAR is now being performed on a monthly basis we recommend that Council evidence that an independent review, by way of signature or time stamp, has taken place.	2018/19	We note that the reconciliation between the Fixed Asset Register and the General Ledger is prepared every month with adequate evidence of review. Matter closed.
Intangible Assets with no WIP costs		
Ensure WIP items are carefully reviewed for write off and capitalisation. Review items with no costs added during the year to ensure all WIP assets are correctly treated.	2018/19	We noted the costs sitting in WIP were reviewed with both capitalisation and write off adjustments noted. Matter closed.
Remuneration review – effective dates		
Ensure all remuneration increase letters are independently reviewed before being released to staff.	2018/19	We did not identify any issues with remuneration letters being independently reviewed. Matter closed.
Purchase Order (PO) accruals listing does not agree to the general ledger		
Establish a process to ensure the PO accrual listing agrees to the general ledger	2016/17	We did not identify issues during our audit work. Matter closed.

Appendix 2: Disclosures

Area	Key messages
Our responsibilities in conducting the audit	<p>We carried out this audit on behalf of the Controller and Auditor-General. We are responsible for expressing an independent opinion on the financial statements and performance information and reporting that opinion to you. This responsibility arises from section 15 of the Public Audit Act 2001.</p> <p>The audit of the financial statements does not relieve management or the Council of their responsibilities.</p> <p>Our Audit Engagement Letter contains a detailed explanation of the respective responsibilities of the auditor and the Council.</p>
Auditing standards	<p>We carried out our audit in accordance with the Auditor-General's Auditing Standards. The audit cannot and should not be relied upon to detect all instances of misstatement, fraud, irregularity or inefficiency that are immaterial to your financial statements. The Council and management are responsible for implementing and maintaining your systems of controls for detecting these matters.</p>
Auditor independence	<p>We are independent of the City Council in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1 (Revised): <i>Code of Ethics for Assurance Practitioners</i>, issued by New Zealand Auditing and Assurance Standards Board.</p> <p>In addition to our audit and our report on the disclosure requirements, we have carried out an engagement of the debenture trust deed and in the planning stages of the Long-Term Plan, which are compatible with those independence requirements. We also reviewed the Strategic Finance Programme.</p> <p>Other than these engagements we have no relationship with, or interests in, the City Council or its subsidiaries.</p>
Fees	<p>The audit fee for the year is \$241,007 (excluding disbursements), as detailed in our Audit Proposal Letter dated 30 April 2020.</p> <p>Other fees charged in the period are \$9,000 for the audit of the Debenture Trust Deed for the year ended 30 June 2020 and \$116,400 for the audit of both the consultation document and the Long-Term Plan for the period commencing 1 July 2021. And for the Strategic Finance Programme review \$28,991.</p>
Other relationships	<p>We are not aware of any situations where a spouse or close relative of a staff member involved in the audit occupies a position with the City Council or its subsidiaries that is significant to the audit.</p> <p>We are not aware of any situations where a staff member of Audit New Zealand has accepted a position of employment with the City Council or its subsidiaries during or since the end of the financial year.</p>



AUDIT NEW ZEALAND

Mana Arotake Aotearoa

PO Box 621, Tauranga 3144

Phone: 04 496 3099

www.auditnz.parliament.nz



8.4 Treasury Strategy

File Number: A12519791

Author: Mohan De Mel, Treasurer

Authoriser: Paul Davidson, General Manager: Corporate Services

PURPOSE OF THE REPORT

1. Treasury Policy requires strategies to be approved on a six-monthly basis. Treasury Policy was last reviewed November 2020. This report seeks approval for strategies for treasury risk management activities, debt issuance, investments, foreign exchange exposure management and interest rate hedging activities.

RECOMMENDATIONS

That the Strategy, Finance and Risk Committee:

- (a) Receives the Treasury Strategy report.
- (b) Approves the issuance of long and short-term debt on a wholesale basis to manage cash-flows.
- (c) Approves the management of fixed interest rate hedging in the range of 50% to 60% at 2 years forward, and the range of 30% to 40% at 5 years forward.
- (d) Approves maintenance of a minimum of \$15m of cash and short-term investments to manage cash-flows.
- (e) Approves hedging of all significant foreign exchange exposures.
- (f) Recommends to Council to approve an interim Borrowing of \$30m for the month of July 2021.

EXECUTIVE SUMMARY

2. This report outlines all significant treasury operational activities and seeks confirmation of existing strategies and approval for planned strategies.
3. Treasury Strategy is an important element of sound financial management and allows Council to efficiently manage its funding and associated risks.
4. This report notes that borrowing may be undertaken during July 2021, prior to the approval of the Long-term Plan (LTP) for general funding.

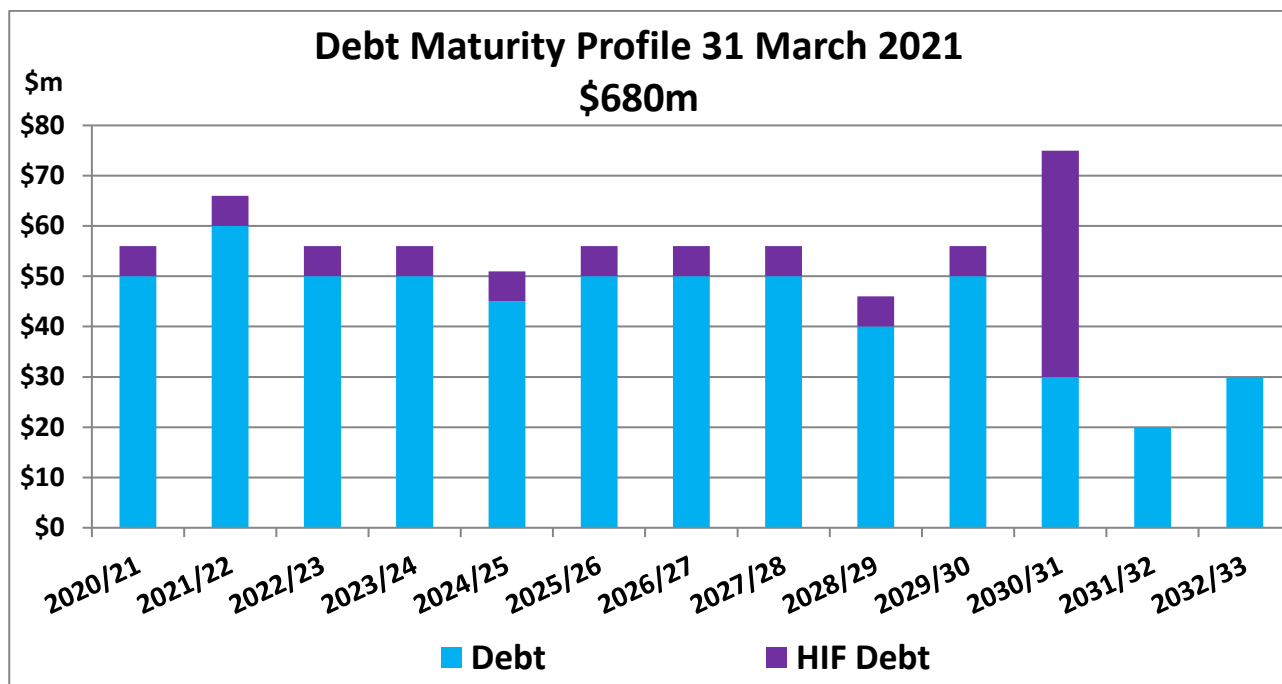
BACKGROUND

Debt Management

5. Council has a large investment in infrastructural assets which have a long economic life and long-term benefits. Debt is utilised to fund infrastructure and it is recognised as an efficient mechanism to allocate the cost of infrastructure to the community.
6. Core external debt and working capital requirements are managed by issuing a combination of long-term and short-term debt. The maturity dates for new debt issuance are assessed under the following criteria:
 - Borrowing margins for short vs long-term
 - Investor demand including bank funding

- Local Government Funding Agency (LGFA) or other wholesale margins / maturities offered
- Compliance with LGFA covenants
- Housing Infrastructure Fund (HIF) drawdowns
- Existing maturity profile
- Available undrawn bank facilities

7. The graph below shows the debt maturity profile as at 31 March 2021 (years ending June).



8. Over the last 9 months a total of \$148m of new medium to long-term debt has been issued. In addition, a further \$20m of short-term debt was issued during the year to manage intra-year cash flows and this has now been repaid.
9. Debt duration (i.e. average maturity) is now at 5.43 years and it is planned to maintain duration above 5.0 years while ensuring no more than 33% of debt shall be subject to refinancing in any rolling 12 month period.
10. During 2020-21, \$56m of long-term debt is due to mature and these maturities have been progressively pre-funded.
11. Debt position up to 30 June 2021:

Debt as at 31 March 2021	\$680m
Drawdown from HIF during May / June or arrange funding from LGFA	\$ 10m
Long-term debt – May 2021 (maturity)	(\$ 50m)
HIF – June 2021 (maturity)	(\$ 6m)

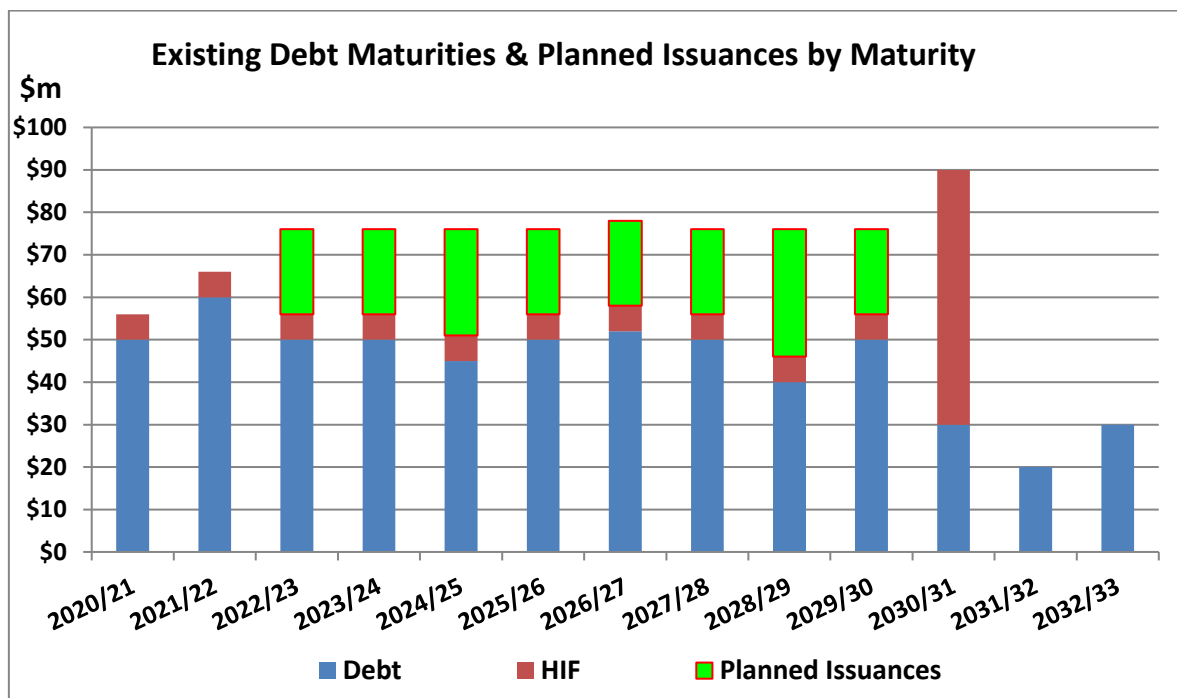
Forecast gross debt 30 June 2021 (Net Debt approximately \$600m)	\$634m
---	---------------

12. Net debt forecast has been revised down to \$610 based on actual cashflows for April and is subject to change based on the level of capital expenditure undertaken over the next 2 months.
13. Forecast debt position for the 2021/2022 year:
- | | |
|----------------------------------|--------|
| Forecast gross debt 30 June 2021 | \$634m |
|----------------------------------|--------|

New debt issuance 2021/2022	\$182m
Long-term debt maturity	(\$66m)
Forecast gross debt 30 June 2022	\$750m

The forecast gross debt of \$750m by 30 June 2022 is \$50m less than assumed in the draft LTP and expected delivery of capital during 2022 will be reassessed as part of finalising the LTP.

The chart below shows the indicative debt issuances planned by maturity for the 2021/22 financial year commencing July 2021.



14. Under Council's Treasury Policy, Council is required to approve the borrowing programme annually. Normally this approval is sought in conjunction with the annual plan in June for the subsequent year. As the LTP approval is now planned to be completed post 30 June 2020, an interim borrowing approval of up to \$30m is requested to manage cash flows. This borrowing will be scheduled only if detailed cash flows show a requirement for the period 1 July through to 31 July.

Bank Facilities

15. Currently Council has a \$70m bank facility which is undrawn. This facility matures on 31 October 2023 and it is planned to renegotiate to extend the maturity date to October 2024. Generally, bank facilities are maintained within the '2 to 4 year' maturity band.
16. Finance, Audit and Risk Committee Council previously approved to increase bank facilities by a further \$30m as the debt levels increase to manage liquidity risk. An alternative basis to manage liquidity risk being to maintain a higher cash / short term investments position.
17. In general, bank facilities are available to be drawn down at short notice, provided if drawn, they are able to be repaid on a quarterly basis.
18. Access to liquidity funding by way of committed bank facilities and or liquid investments is required to manage liquidity risk.
19. Both Council's Treasury Policy and LGFA financial covenants require a level of undrawn committed bank facilities or liquid investments or a combination of these. The key objective is to maintain adequate liquidity in the context of managing debt maturities and debt servicing on a 12-month rolling basis.

20. It is important to note that any drawdown from bank facilities would need to be managed within the existing net debt to revenue ratio.
21. LGFA now are also offering committed facilities to Councils. Consideration will be given to undertake the increased \$30m of facilities with LGFA.
22. Current annual facility costs are 0.20% (\$140k for \$70m). Generally pricing on facilities are reviewed on an annual basis.

Liquidity Risk

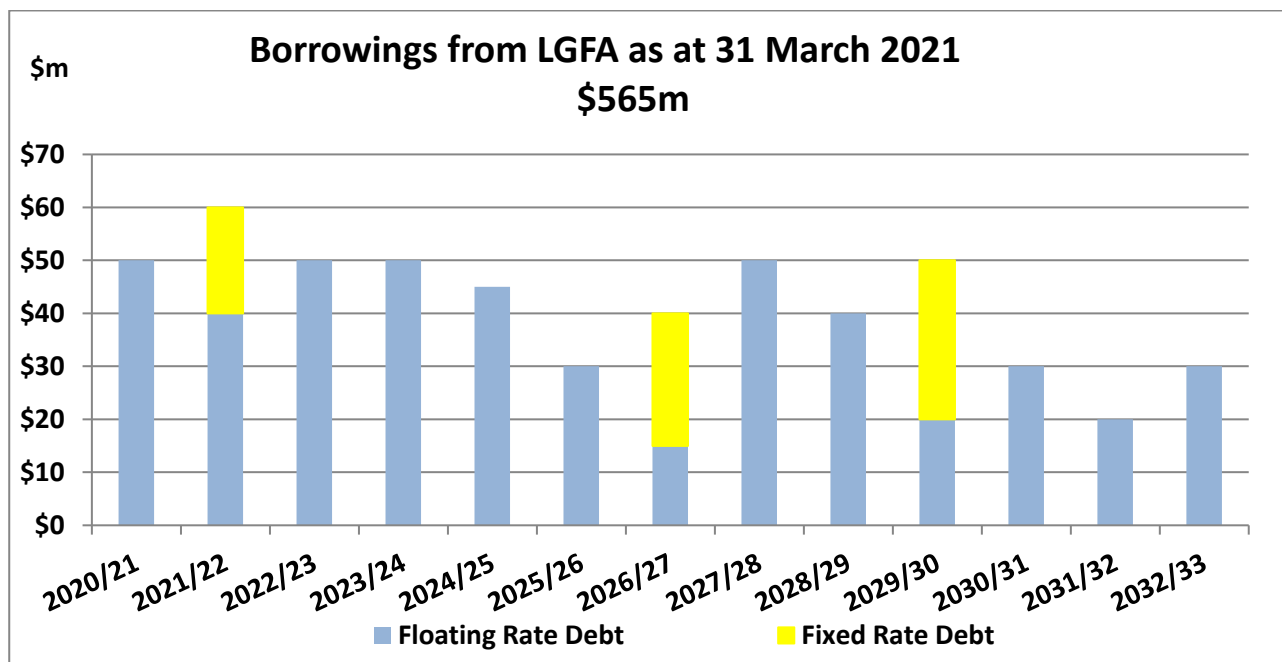
23. Treasury Policy outlines the management framework for funding, liquidity and credit risks. Liquidity risk primarily focuses on ensuring that there are sufficient funds available to meet obligations in an orderly manner.
24. Two key liquidity risk management indicators are:
 - (a) The primary debt maturity limit requires 'external debt, committed bank facilities and cash / cash equivalent investments' to be maintained above 100% on 12-month peak forecast net external debt, and
 - (b) No more than 33% of debt be refinanced in any rolling 12-month period.Forecast debt levels remain compliant with the above liquidity risk indicators.
25. New debt issuances are managed to maintain debt duration above 5 years.

Local Government Funding Agency ("LGFA")

26. The New Zealand Local Government Funding Agency ("LGFA") is an agency specialising in financing of the local government sector. 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.
27. LGFA was incorporated as a limited liability company under the Companies Act 1993 on 1 December 2011. Following the enactment of the Local Government Borrowing Act 2011. As LGFA is majority owned by councils, it constitutes a "Council Controlled Organisation" ("CCO") under the Local Government Act 2002.
28. LGFA currently has 45m ordinary shares on issue, 20m of which remain uncalled. Currently there are 30 council shareholders owning 80% and New Zealand Government owning 20%.
29. The capital structure of LGFA also includes Borrower Notes. These are subordinated convertible debt instruments which each council that borrows from LGFA must subscribe for 2.5% of any long-term borrowing from LGFA by a council. Under normal circumstances, these Borrower Notes are redeemed at the maturity of the associated debt.
30. LGFA has credit ratings from S&P Global Ratings and Fitch Rating Services. Credit rating was upgraded to AAA (local-currency) by S&P on 21 February 2021 and is equivalent to the New Zealand Government's offshore rating.
31. LGFA's debt obligations are guaranteed by council shareholders and any other councils that borrow in excess of \$20m (total guarantors 60). The New Zealand Government does not guarantee LGFA. Any call under the guarantee will be allocated across all the guarantors on a pro rata basis in relation to their rates revenue.
32. Now 71 councils (out of 78) are members of LGFA.
33. The LGFA Board is responsible for the strategic direction and control of LGFA's activities and comprises five independent directors and one non-independent director.
34. The LGFA Shareholders' Council comprises five to ten appointees from the council shareholders and the New Zealand Government. The role of the Shareholders' Council being to:
 - Review and report performance of LGFA and the Board;
 - Recommend the appointment, removal, replacement and remuneration of directors;

- *Recommend changes to policies, or the Statement of Intent, or any other matters requiring council approval; and*
- *Update shareholders on LGFA matters.*

35. LGFA can lend to councils and to 100% council owned Council Controlled Organisations (CCOs) (only exception being those with a partial Crown ownership). Any lending to CCOs requires parent council(s) approval with appropriate security structure arrangements.
36. As at 31 March 2021, total LGFA bonds (long-term) on issue were \$14,240m, of which \$565m have been on-lent to Tauranga City Council.
37. The graph below shows the borrowings from LGFA on a fixed interest vs floating interest rate basis.



38. Current new fixed rate borrowing rates from LGFA are:

1 Year	0.71%	6 Year	1.76%
2 Year	0.84%	8 Year	2.18%
3 Year	1.06%	12 Year	2.69%
4 Year	1.30%	16 Year	3.06%
5 Year	1.55%		

Latest LGFA Borrowing rates attached.

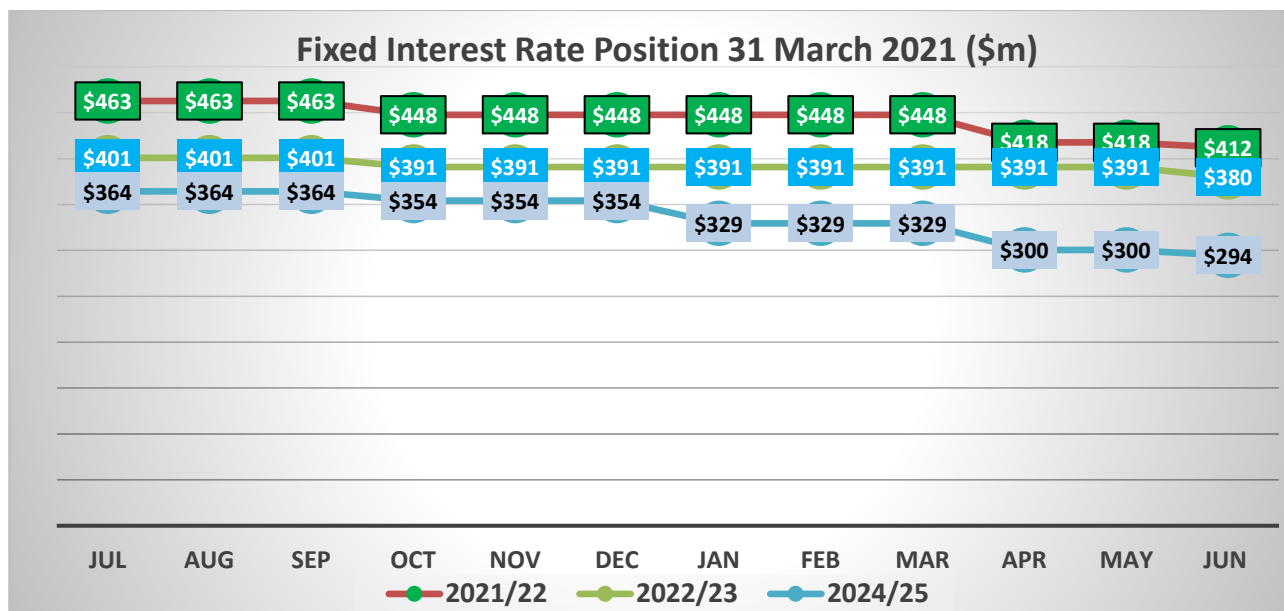
Security

39. Generally, debt will be issued under the existing Council's Debenture Trust Deed ("DTD") which offers rates revenue as security to attract lower borrowing margins. Council's Trustee appointed under the DTD is Covenant Trustee Services Limited. All debt obligations are registered with Link Market Services Limited.

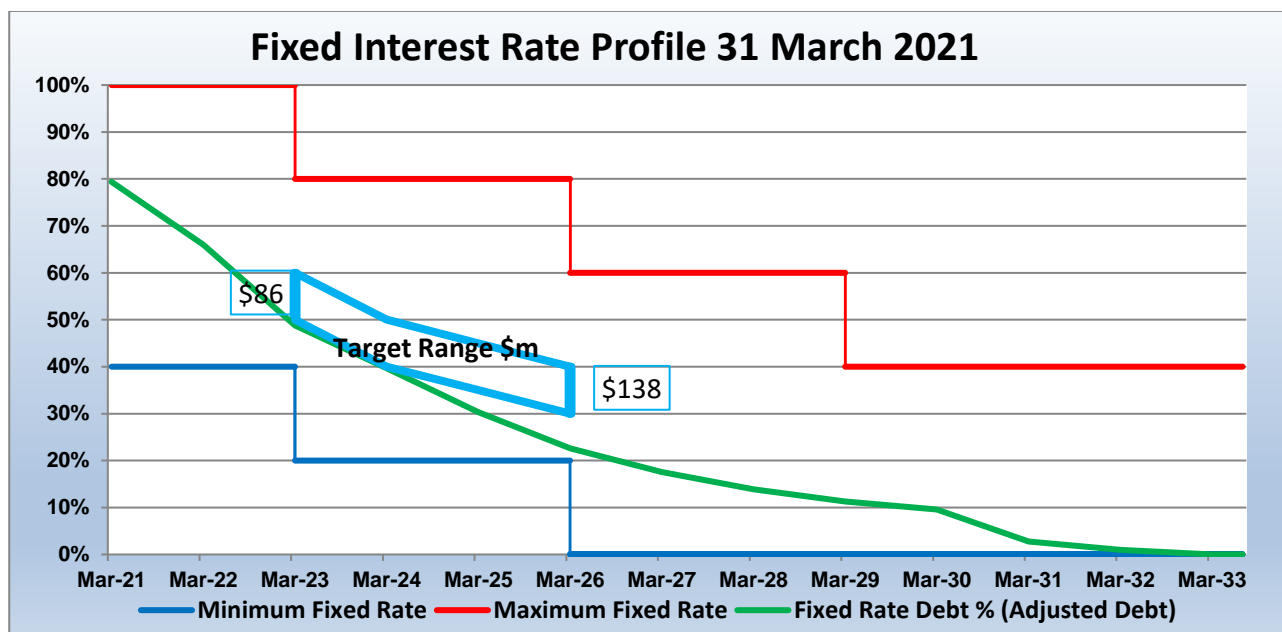
Interest Rate Risk Management

40. The overall objective of the interest rate risk management strategy is to:
- Minimise the average net interest cost on borrowings over the long-term.
 - Minimise large concentrations of interest rate risk.
 - Increase duration of the interest rate re-pricing profile.

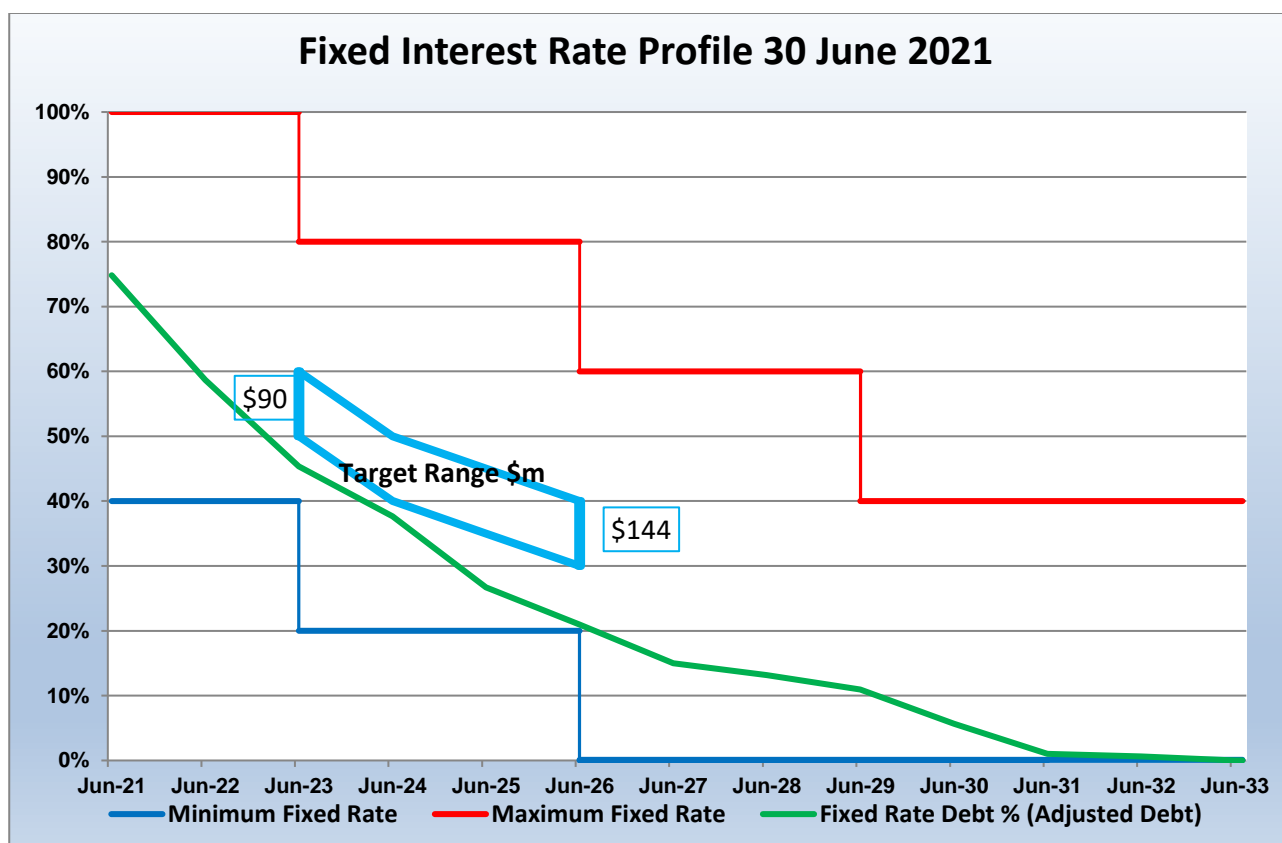
- Maintain an appropriate mix of floating / fixed interest rate exposures.
41. Council is exposed to interest rate fluctuations on existing and future borrowings. Interest rate risk is minimised by managing floating and fixed interest rate exposures within the Treasury Policy limits framework. The overall outcome of interest rate risk management is reflected in the average interest rate on borrowings.
42. As at 31 March 2021 the fixed interest position was \$504m which was 79% of debt. The graph below shows the existing fixed interest rate positions (fixed rate debt and interest rate hedging) over the next 3 years on a monthly basis:



43. Treasury Policy outlines the framework for interest rate risk management activities. Interest rate risk is managed with minimum and maximum fixed rate debt percentages by time bands. These minimum and maximum levels by time bands are designed to minimise interest rate re-price risks.
44. The chart below shows the fixed interest rate positions relative to forecast debt over time. The fixed interest rate positions include fixed rate debt issued, planned drawdowns from HIF and existing interest rate hedging. Forecast debt levels have been adjusted to recognise future lower capital delivery / carry forwards at the end of each year throughout the LTP period, these adjustments range from \$50m to \$120m. This adjustment is required to ensure interest rate hedging is maintained at the appropriate level and not over hedged.



45. To illustrate the above graph, at March 2023 the fixed interest rate position is at 49% based on forecast debt of \$858m.
46. Analysis of debt levels and associated fixed rate positions are reviewed on a monthly rolling basis. The graph below shows the current position rolled forward to 30 June 2021. Changes from the above graph reflects debt and interest rate hedging maturing between 1 April and 30 June 2021.



47. The fixed interest rate profile (%) will be amended once the LTP is finalised.
48. In terms of managing longer term interest rate risks, it is recommended to maintain an interest rate hedging profile between 50% to 60% at 2 years forward and 30% to 40% at 5 years forward. It is planned to increase the interest rate hedging levels over the next 6 months.

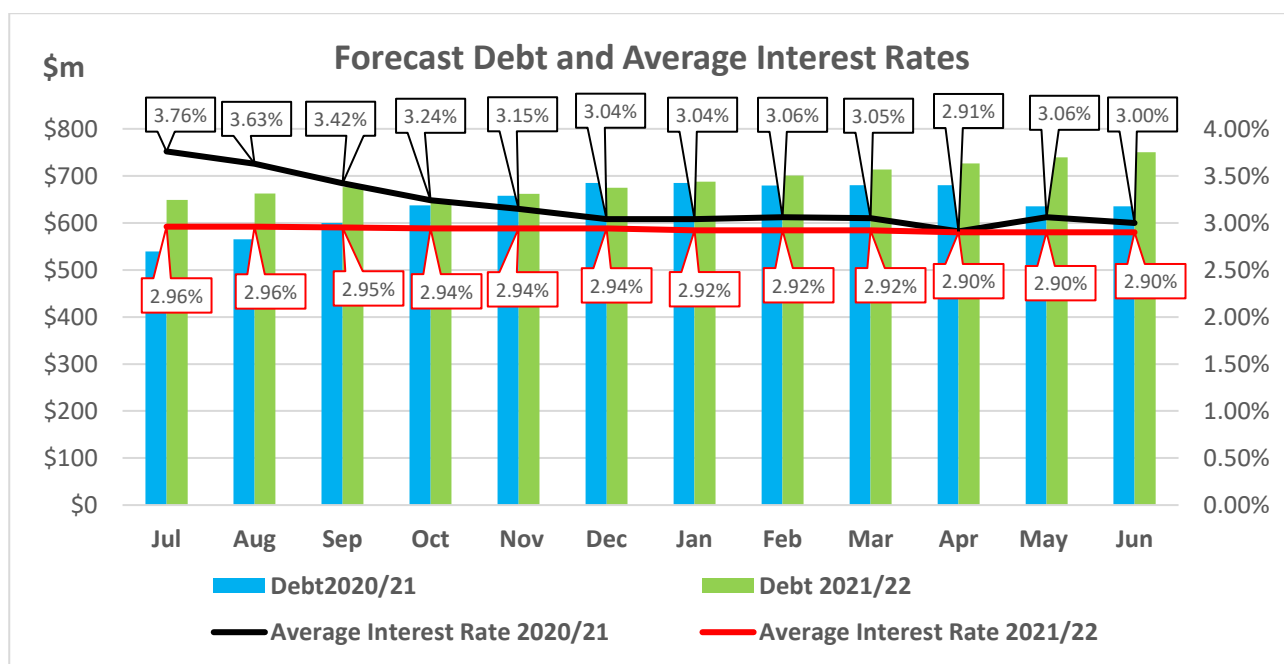
Net Interest Budget

49. Gross debt is forecast to be \$635m with net debt of \$610m as at 30 June 2021. The average interest rate for 30 June 2021 is forecast to be 3.0%.
50. The table below shows the net external interest position for the current year and 2021/22 year. Forecast interest savings for the current year resulting from Reserve Bank reducing the Official Cash Rate (March 2020), long-term interest rates reducing due to global risks and slower capital expenditure delivery.

Net External Interest	Budget	Forecast	Variance Fav (Unfav.)
2020/21	\$20.30m	\$19.66m	\$0.64m
2021/22	\$21.69m		

The higher net interest budget for 2021/22 reflects higher debt and a gradual increase in interest rates during the 2nd half of the year.

51. The graph below shows the forecast monthly debt levels together with the average interest rates for the current and next financial years.

Investments

52. From a short-term working capital management perspective, it is proposed to maintain a minimum liquid investments balance of \$15m. This level of working capital is sufficient to manage the net cash flows during an average month. Overall, the investment portfolio is managed in line with the detailed monthly cash flow forecast.

Foreign Exchange

53. Under the policy, upon approval of expenditure, all significant commitments for foreign exchange are hedged. Generally foreign exchange exposures above NZ\$100,000 are regarded as significant.

Currently there are no outstanding foreign exchange contracts.

Treasury Policy

54. Treasury Policy was reviewed by Bancorp Treasury Services and approved by Finance, Audit and Risk Committee November 2020. Key changes were:
- Revision of interest rate hedging time bands (Treasury Policy section 5.1.1);
 - Simplification of the debt maturity structure to no more than 33% of debt maturing in any 12 month period; and
 - Introduction of the treasury performance measuring methodology.
- Copy of the Treasury Policy attached.

STRATEGIC / STATUTORY CONTEXT

55. The Treasury Strategy is an important element of sound financial management and allows Council to efficiently manage its funding and associated risks. These strategies ensure compliance with Treasury Policy Limits.

OPTIONS ANALYSIS

56. Option 1: Approve Recommendations

The Committee is recommended to approve the above treasury strategies. The recommendations ensure compliance with Council's Treasury Policy: the effective management of both interest rate and funding risks and allows the achievement of existing net interest rate budgets.

Option 2: Do not Approve Recommendations

Council may decide not to approve the recommendations. This may risk Council not complying with its Treasury Policy and may lead to increased interest rate and funding risks, and sub-optimal net interest costs. Council would not be able to borrow to fund its capital programme for the month of July without an approved borrowing resolution.

CONSULTATION / ENGAGEMENT

57. Taking into consideration the above assessment, that the matter is of low significance, officers are of the opinion that no engagement is required.

SIGNIFICANCE

58. The Local Government Act 2002 requires an assessment of the significance of matters, issues, proposals and decisions in this report against Council's Significance and Engagement Policy. Council acknowledges that in some instances a matter, issue, proposal or decision may have a high degree of importance to individuals, groups, or agencies affected by the report.
59. In making this assessment, consideration has been given to the likely impact, and likely consequences for:
- (a) the current and future social, economic, environmental, or cultural well-being of the district or region
 - (b) any persons who are likely to be particularly affected by, or interested in, the issue, proposal, decision, or matter
 - (c) the capacity of the local authority to perform its role, and the financial and other costs of doing so.
60. The consideration of treasury risk management activities is considered of low significance, in terms of Council's Significance and Engagement Policy. These approvals support ongoing operational risk management activities.

NEXT STEPS

61. Implementation of Treasury Strategy within the Treasury Policy framework.

ATTACHMENTS

1. Treasury Policy Final 3 November 2020 - A12519938 [!\[\]\(144084ec0090e3157349be02503bcf06_img.jpg\)](#) 
2. Council Borrower Weekly Email - 27 April 2021 - A12520101 [!\[\]\(c7cb3348ff73eff648aa4a596bfab236_img.jpg\)](#) 



TREASURY POLICY

Policy type	Council		
Authorised by	Finance, Audit and Risk Committee		
First adopted	13 March 2012	Minute reference	M12/10.6
Revisions/amendments	25 February 2015 19 December 2017 2 June 2020	Minute reference	M15/5.11 M17/120.8 CO11/20/4
Review date	November 2023		

1. POLICY OBJECTIVES

To ensure investments and liabilities are managed in a prudent, effective and efficient manner that supports the social, economic, environmental and cultural well-being of the Tauranga community. As a net borrower, within the stated statutory and general objectives, to achieve the lowest possible net interest costs obtainable within the policy parameters by proactively managing funding and interest rate exposures.

1.1 Statutory Objectives

- All external borrowing, investments and incidental financial arrangements (e.g. use of interest rate hedging financial instruments) will meet requirements of the Local Government Act 2002 and incorporate the Liability Management Policy and Investment Policy.

1.2 General Objectives

- Minimise Council's costs and risks in the management of its external borrowings.
- Minimise Council's exposure to adverse interest rate movements.
- Monitor, evaluate and report on treasury performance.
- Borrow funds and transact risk management instruments within an environment of control and compliance under the Council approved Policy so as to protect Council's financial assets and manage costs.
- Recognise that investment decisions should be consistent with financial strategy and support the purpose of local government to promote the social, economic, environmental, and cultural well-being of communities.
- Arrange and structure external long term funding for Council at an acceptable margin and cost from debt lenders. Optimise flexibility and spread of debt maturity terms within the funding risk limits established by this Policy statement.

Objective ID:

- Monitor and report on financing/borrowing covenants and ratios under the obligations of Council's lending/security arrangements.
- Comply with financial ratios and limits stated within this Policy.
- Monitor Council's return on investments.
- Maintain appropriate liquidity levels and manage cash flows within Council to meet known and reasonable unforeseen funding requirements.
- Ensure that all statutory requirements of a financial nature are adhered to.

2. PRINCIPLES

Council's management of treasury activities is primarily a risk management function focused on managing financial risks, protecting the Council's budgeted interest costs and stabilising the Council's cash flows.

Council's management of treasury activities will also ensure that Council's investment decisions have regard to Council's role in promoting the social, economic, environmental, and cultural well-being of the Tauranga community.

3. BACKGROUND

This policy provides the policy framework for all of the Council's treasury activities and defines the operating framework within which borrowing, investment and risk management activities are to be carried out.

It specifically covers financial risks such as funding, interest rate, liquidity risk and credit risk arising from investment and liability management activities. All other relevant operating procedures and associated internal controls are included in the Treasury Procedures document.

4. RESPONSIBILITIES

An effective policy requires a clear understanding and definition of the structure of the treasury function and the responsibilities of all personnel involved in treasury management.

Appendix 2 details the staff roles primarily responsible for the management of the treasury activities of the Council.

5. POLICY STATEMENT

5.1 Liability Management (Section 104 LGA 2002)

Council has a large number of infrastructural assets which have a long economic life and long term benefits. Council also has a significant strategic investment holding.

Objective ID:

Council sees the use of debt as an appropriate and efficient mechanism for promoting intergenerational equity between current and future ratepayers by aligning long-term assets with long-term funding sources (in relation to Council's assets and liabilities) to ensure that the costs are met by those future ratepayers benefiting from the investment.

5.1.1 Interest Rate Exposure (Section 104 (a))

Council is exposed to interest rate fluctuations on existing and future borrowings.

Council will minimise interest rate risk by managing its floating and fixed interest rate exposures as per the following control limits:

Fixed Interest Rate Hedging Profile Limits

Period	Minimum Fixed Rate	Maximum Fixed Rate
0 to 2 years	40%	100%
2 to 5 years	20%	80%
5 to 8 years	0%	60%
8 to 12 years	0%	40%

Approved interest rate risk management instruments are detailed in Appendix 1.

5.1.2 Liquidity (Section 104 (b))

Liquidity risk arises when there are insufficient funds to meet obligations in an orderly manner when they fall due resulting from differences in the timing of cash receipts and disbursements. Liquidity risk increases when unanticipated obligations arise and when anticipated receipts do not eventuate.

Cash management (cash receipts and disbursements) activities will be undertaken to ensure that:

- Net cash surpluses will be invested to:
 - Achieve a targeted optimal daily balance of zero for Council net bank balance (group net) to achieve interest revenue as appropriate; and
 - Ensure Council's overdraft is only utilised in exceptional circumstances.

Debt management activities are undertaken to ensure that:

- External term debt plus committed bank debt facilities and cash or cash equivalent investments must be maintained at an amount of 100% above 12-month peak forecast net external debt.
- Council has the ability to pre-fund up to 12 months ahead of forecast debt requirements including re-financings.
- No more than 33% of debt shall be subject to refinancing in any rolling 12 month period.
- A debt maturity schedule outside these limits requires specific Council approval.

Objective ID:

- Disaster recovery requirements will be met through the liquidity ratio and debt headroom (i.e relative Treasury Policy covenants).

5.1.3 Credit Exposure (Sections 104 (c))

Council will manage its credit exposure to borrowing margins by ensuring that a Strong Issuer Credit Rating is maintained. Council is also exposed to counterparty credit risk which is the risk of losses (realised or unrealised) arising from a counterparty defaulting on a financial instrument where the Council is a party.

Credit exposure will be managed by:

- Compliance with the borrowing limits outlined in 5.1.5 of this policy.
- Compliance with the limits and matrix guide in Appendix 6 of this policy.
- Limits and exposures being spread amongst a number of counterparties to avoid concentrations of credit exposure.

5.1.4 Debt Repayment (Sections 104 (d))

Council will repay borrowings from general funds, proceeds from the sale of investments and assets unless the Council specifically directs that the funds will be put to another use.

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

Council will manage debt on a net portfolio basis and will only borrow externally when it is commercially prudent to do so.

5.1.5 Borrowing Limits (Sections 101A(3)(b)(1))

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

- Net interest expense (after interest rate risk management costs/benefits) on external debt as a percentage of annual operating revenue will not exceed 20%; and
- Net interest expense (after interest rate risk management costs/benefits) on external debt as a percentage of annual rates revenue will not exceed 25%; and
- Net external debt as a percentage of annual operating revenue (including Bay Venues Limited):
 - for the financial year ending 30 June 2020 no more than 250%
 - for the financial years ending 30 June 2021 and 2022 no more than 300%; and
 - for each of the next four years financial years, a decrease of 5% until a limit of 280% will apply for and from the financial year ending 30 June 2026.

5.1.6 Security (Sections 101A(3)(c))

Council will generally offer security for its general borrowing and interest rate risk management activities by way of a floating charge over rates revenue. Council recognises that utilising rates revenue as security lowers the risk involved for lenders and, therefore, will lower the cost of borrowing to the Council.

Objective ID:

Council offers security through a Debenture Trust Deed which allows Council to provide security over rates revenue from time to time made by Council under the Local Government (Rating) Act 2002.

There may be occasions where the Council will borrow without offering security.

In the normal course, Council will not offer security over any assets other than rates revenue. However, where doing so would help further the Council's community goals and objectives, Council may offer such security on a case by case basis.

Council may offer security for both long and short term borrowing and for appropriate incidental arrangements (including approved interest rate risk management instruments).

5.1.7 Guarantees

Specific council decision would be required for Council to act as guarantor to financial institutions on loans or enter into incidental arrangements for organisations, clubs, Trusts, or Business Unit. This should only occur when the purposes of the loan are in line with Council's strategic objectives and prudence requirements are satisfied.

Council is not allowed to guarantee loans to Council-controlled trading organisations under Section 62 of the Local Government Act.

Council will ensure that sufficient funds or lines of credit exist to meet amounts guaranteed. Guarantees given will not exceed any amount agreed by Council or an appropriate Council Committee in aggregate.

Guarantees provided to the Local Government Funding Agency Limited ("LGFA") are expressly excluded from the maximum guarantee limit above.

Guarantees are reported on a quarterly basis.

5.1.8 Internal borrowing

Council uses its reserves and external borrowing to internally fund both operating and capital expenditure. The Council approves overall borrowing by resolution during the annual planning and/or LTP process.

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

- All internal borrowing activities are consistent with the principles and parameters, outlined throughout this policy.
- Council seeks to firstly utilise reserve funds and if insufficient reserves are available, utilises external borrowing.
- Interest is charged on the month-end loan balances and interest is also allocated to the specific reserve accounts for funds provided.
- Interest rates are set annually as part of the annual planning and/or LTP process.
- Internal loan repayment amounts are undertaken on the following basis:
 - Rate Funded Activities:
 - i. general loan repayment percentages range from 2.00% to 20.00% taking into account each activity's fixed assets portfolio and expected asset lives;

Objective ID:

- ii. generally loan repayments are funded from the Depreciation Reserves; and
 - iii. any specific loan repayments rates are approved by Council.
- Self Funded Activities:
 - i. general loan repayment percentages range from 4.00% to 20.00% depending on each activity's fixed assets portfolio and expected asset lives;
 - ii. generally loan repayments are funded from the Depreciation Reserves;
 - iii. apply any surplus/deficit against the loan balance on an annual basis; and
 - iv. any specific loan repayments rates are approved by Council.
- Loans Funding Growth:
 - i. Apply both Development Contributions and Financial Contributions revenue to repay loans.

5.1.9 NZ Local Government Funding Agency Limited

Council may borrow from the LGFA and, in connection with that borrowing, may enter into the following related transactions to the extent it considers necessary or desirable:

- a) contribute a portion of its borrowing back to the LGFA as an equity contribution to the LGFA;
- b) provide guarantees of the indebtedness of other local authorities to the LGFA and of the indebtedness of the LGFA itself;
- c) commit to contributing additional equity (or subordinated debt) to the LGFA if required;
- d) subscribe for shares and uncalled capital in the LGFA; and
- e) secure its borrowing from the LGFA, and the performance of other obligations to the LGFA or its creditors with a charge over the Council's rates and rates revenue.

5.2 Investment (Section 105)

5.2.1 Objectives (Section 101A(3)(d))

Council will seek to:

- Protect the capital amounts invested;
- Optimise returns in the long-term while balancing risk and return considerations;
- Ensure investments are liquid;
- Manage potential capital losses due to interest rate movements if investments need to be liquidated before maturity.
- Make investment decisions that support the purpose of local government to promote the social, economic, environmental, and cultural well-being of communities.

Council recognises that:

- As a responsible public authority any investment that it holds should be low risk;

Objective ID:

- Lower risk generally means lower returns.

5.2.2 Investment Mix and Associated Specific Objectives (Section 105 (b))

Council has a significant portfolio of investments including:

Property:

- Council's overall objective is only to own property that is necessary to achieve its strategic objectives and where it relates to a primary output of Council.
- Investment property may be retained to achieve diversification of investments and to provide flexibility to manage strategic property initiatives.

Forestry:

- Forestry assets are held to protect water catchment areas. These are regarded as long term investments for the benefit of the Water Activity.

Financial:

- The primary objective of financial investing is the protection of its investment. Council maintains financial investments primarily to allow:
 - investment of surplus cash; and
 - investment of amounts allocated to special funds and trust funds.

Council may also hold small investments of other types from time to time for the short or medium term, where such investments are convenient for the achievement of Council's other goals (e.g. holdings of co-operative company shares while Council owns land temporarily supporting an activity which requires the holding of such shares).

Council will not hold financial investments other than those involving special funds, trust funds and cash management balances.

Council may only invest in approved creditworthy counterparties. Creditworthy counterparties and investment restrictions are covered in Appendix 6.

5.2.3 Acquisition of New Investments (Section 105 (c))

All acquisitions and disposals of property and forestry assets are as per the Annual Plan / Long Term Plan and or approved by Council on a case by case basis. All property activities are managed by the council team designated with strategic property investment.

All financial investments and interest rate risk management instruments are to be undertaken with institutions that are of high quality credit to ensure amounts owing to the Council are paid in full and on due date.

All new financial investment acquisitions are:

- Required to comply with counterparty exposure and credit rating requirements criteria outlined Appendix 6.
- Council may only invest in financial instruments as details in Appendix 3.

Objective ID:

All bank deposits, registered certificates of deposits, treasury bills and commercial paper investments are limited to a term no greater than three months unless linked to a debt pre-funding strategy.

5.2.4 NZ Local Government Funding Agency Limited (LGFA)

Council may invest in shares of the LGFA and may borrow to fund that investment.

Council's objective in making any such investment will be to:

- a) obtain a return on the investment; and
- b) ensure that the LGFA has sufficient capital to become and remain viable, meaning that it continues as a source of debt funding for the Council.

Because of this dual objective, Council may invest in LGFA shares in circumstances in which the return on that investment is potentially lower than the return it could achieve with alternative investments.

If required with the investment, Council may also subscribe for uncalled capital in the LGFA.

5.2.5 Management and Reporting Procedure for Investments and Borrowing (Section 105 (d))

Reporting on property and forestry assets generally on a quarterly or on a case by case basis as appropriate.

Council will, on a quarterly basis, discuss the activity for the previous quarter together with likely activity for the coming months. Council is responsible for approving investment and liability management strategies on at least a semi-annual basis.

5.3 Assessment and Management of risks associated with Financial Investments (Section 105 (e))

Assessment and management of risks associated with property and forestry assets will be reported to Council as required and will be monitored through the Risk Register reported to FARC

Council's primary objective when making financial investments is the protection of its investment. Accordingly, only credit worthy counterparties are selected on the basis of their current long term S&P credit rating ratings (or equivalent Fitch or Moody's rating) being A- and above and/or short term rating of A-1 or above. A table detailing exposure limits can be found in Appendix 6.

Council will minimise its credit exposure by:

- Ensuring all investments, cash management, interest rate risk management and any foreign exchange transactions are undertaken with entities that comply to the credit ratings below;
- Limiting total exposure by spreading investments and limiting to prescribed amounts; and
- Regular monitoring of compliance against set limits.

Objective ID:

Note electricity hedging contracts may be with parties rated lower than this level on approval of the GM Corporate Services.

Objective ID:

Exposures to each counterparty are computed and reported as follows:

- On-balance sheet:
 - Total amounts invested with that counterparty (i.e. the principal or face value).
- Off- balance sheet:
 - Interest rate contracts - determined by adding 3% of the notional 'face' value of the contract to its mark-to-market valuation. If this sum is negative (i.e. the instrument is substantially 'out of the money'), there is no counterparty credit exposure on the contract.
 - Foreign exchange contracts - determined by multiplying the notional value of outstanding transactions by 10%.
 - Electricity price hedging contracts - determined by multiplying the notional value of outstanding transactions by 15%;

Credit ratings are reviewed quarterly although they may be reviewed more frequently especially if the Council becomes aware of a change to a counterparty's credit rating. If any counterparty's credit rating falls below the minimum specified level in the above table then all practical steps will be taken to reduce the credit exposure to that counterparty to zero as soon as possible.

Counterparty exposures exceeding limits will be reported to Council and approved as a policy exception.

5.4 Foreign Exchange (Section 112)

Council has foreign exchange exposure through the occasional purchase of foreign exchange denominated services, plant and equipment.

Any confirmed commitments for foreign exchange above \$250,000 is to be hedged using foreign exchange contracts, once expenditure is approved and legally committed. Both spot and forward foreign exchange contracts can be used by Council.

Council does not borrow or enter into incidental arrangements within or outside New Zealand in currency other than New Zealand currency. Council will not engage in speculative foreign currency transactions.

Council does not hold investments denominated in foreign currency.

5.5 Electricity hedging

Council is exposed to price volatility of the electricity spot market through its electricity supply contracts. Council manages this risk through transacting electricity hedge contracts and Contracts For Differences (CFD) with the following conditions:

- An electricity hedge contract will be in place for at least the term of any spot physical supply agreement.
- The price exposure can be hedged via an over the counter electricity swaps contract, a contract for difference.
- The face value of the hedge contract will be in New Zealand dollars.

Objective ID:

- The hedge contract will be for a maximum term of no more than three years, and will be signed no earlier than 6 months prior to contract commencement.
- For any given reporting year, the volume will be hedged to a fixed price for at least 90 percent of forecast volume consumption. The hedge ratio will be monitored and reported quarterly.

The credit rating of the hedge counterparty for electricity hedging will be at least investment grade from S&P (or equivalent) at the time of entering into the contract (i.e., a long-term rating of not less than BBB). In the event of the rating falling below the minimum credit rating Council would be advised on a recommended course of action for approval.

If the preferred hedge counterparty does not have an external credit rating, or that rating is below BBB, then the Chief Financial Officer must independently review the financial and credit position of the counterparty and provide a recommendation for approval by the Chief Executive.

6. REPORTING

The following reports will also be produced and any exceptions are reported to Council:

Report Name
Cashflow Report
Treasury Report
Policy and Borrowing Limit Compliance
Treasury Review
Limits Exceptions Report
Interest Rate Position
Liquidity Position
Debt Maturity Profile
Statement of Public Debt
Treasury Benchmark
Guarantees

7. MEASURING TREASURY PERFORMANCE

In order to determine the success of Council's treasury management function, performance benchmark measures that provide a direct measure of the performance of treasury staff (operational performance and management of debt and interest rate risk) are used

In order to determine the success of the Council's treasury management function, the following benchmark has been prescribed.

The actual funding cost for the Council taking into consideration the entering into of interest rate risk management transactions should be below the budgeted interest cost. When budgeting forecast interest costs, the actual physical position of existing loans and swaps must be incorporated together with all fees.

Objective ID:

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

Given current fixed/floating risk control limits and fixed rate maturity profile limits as defined in this policy, the market benchmark (composite) indicator rate will be calculated as follows:

- 30% Average 90 day bill rate for reporting month.
- 10% 2 year swap rate at end of reporting month.
- 10% 2 year swap rate, 2 year ago.
- 10% 5 year swap rate at end of reporting month.
- 10% 5 year swap rate, 5 years ago.
- 5% 7 year swap rate at end of reporting month.
- 5% 7 year swap rate, 7 years ago.
- 10% 10 year swap rate at end of reporting month.
- 10% 10 year swap rate, 10 years ago.

The actual reporting benchmark is the 12 month rolling average of the monthly calculated benchmarks using the above parameters. This is compared to actual cost of funds, excluding all credit margins and fees.

8. POLICY REVIEW

The Policy is to be formally reviewed on a triennial basis, and annually for internal purposes.

The CFO has the responsibility to prepare the annual review report that is presented to the Council. The report will include:

- Recommendation as to changes, deletions and additions to the Policy.
- Overview of the treasury function in achieving the stated treasury objectives and performance benchmarks.
- Summary of breaches of Policy and one-off approvals outside Policy.

The Council receives the report, approves Policy changes and/or rejects recommendations for Policy changes.

9. REFERENCES AND RELEVANT LEGISLATION

Local Government Act 2002, in particular Part 6 including sections 101, 102, 104 and 105.

Local Government (Financial Reporting and Prudence) Regulations 2014, in particular Schedule 4.

Trustee Act 1956. When acting as a trustee or investing money on behalf of others, the Trustee Act highlights that trustees have a duty to invest prudently and that they shall exercise care, diligence and skill that a prudent person of business would exercise in managing the affairs of others. Details of relevant sections can be found in the Trustee Act 1956 Part II Investments.

Revenue and Financing Policy.

Objective ID:

APPENDIX 1 - INSTRUMENTS

The following interest rate risk management instruments may be utilised to protect interest costs and to change the interest rate profile:

- Fixing through physical borrowing instruments - loan stock, LGFA bonds, debentures, medium term notes, bank term loan.
- Floating through physical borrowing instruments - short term revolving stock, LGFA bonds, bank borrowing, and short-term borrowing programme. Floating rate debt may be spread over any maturity out to 12 months. Bank advances may be for a maximum term of 12 months.
- Forward rate agreements.
- Interest rate swaps and fixed rate debt. Any interest rate swap or fixed rate debt with a maturity beyond 15 years must be approved by Council.
- Forward start swaps and collar options (start date no more than 24 months unless it extends the maturity of an existing hedge and has a notional amount which is no more than that of the existing swap/collar).
- Purchase of interest rate option products including caps, floors, bond options and swaptions. Interest rate options will not be sold outright. Purchased borrower swaptions mature within 12 months.
- Interest rate options with a maturity date beyond 12 months, that have a strike rate (exercise rate) higher than 2.00% above the appropriate swap rate, will not be counted as part of the fixed rate cover percentage calculation.
- Interest rate collar type option strategies. 1:1 collar option structures are allowable whereby the sold option is matched precisely by amount and maturity to the simultaneously purchased option. During the term of the option, the sold side of the collar may be closed out by itself, effectively leaving the bought side of the collar. The sold option leg of the collar structure must not have a strike rate "in-the-money" (i.e. the strike rate cannot be more favourable to the Council than the relevant forward rate)
- Any other financial instrument will be separately approved by Council on a case-by-case basis.

Objective ID:

APPENDIX 2

- Full Council (of elected members).
- Financial and risk monitoring committee of council (FARC)
- Chief Executive ("CE") or General Manager ("GM") corporate services
- Chief Financial Officer ("CFO")
- Treasurer
- Finance Manager ("FM")
- Treasury Support Staff
- Treasury Management Committee ("TMC")

The respective responsibilities of those personnel involved in the treasury function are detailed below.

Council – or approved committee of council

- Approves total borrowing through the borrowing resolution
- Approves the treasury policy.
- Approves any risk management strategies proposed from time to time outside the delegated authorities outlined in this policy.
- Approves any amendments to the policy as recommended by the executive.
- Approves amendments to existing LGFA agreements
- Approves any new borrowing or financing arrangements outside normal general borrowing as approved under the borrowing resolution including allowable financial instruments.

FARC

- The council committee in charge of financial and risk monitoring (currently Finance Audit and Risk Committee) considers on a semi-annual basis the implementation of the Council's treasury management strategies.
- Monitors and reviews the management of the treasury function to ensure that it is effective and Council's strategic objectives are being met.
- Quarterly financial reporting to committee also includes Core Treasury management indicators.

Responsibilities include:

- Recommending the Treasury Policy (or changes to existing policy) to the Council.
- Receiving recommendations from the GM Corporate Services/Treasurer/ and making submissions to the Council on all treasury matters requiring Council approval.
- Recommending performance measurement criteria for all treasury activity.
- Monitoring semi-annually performance against benchmarks.
- Recommend to Council new financial instruments.

Executive (CE and GM Corp services)

- Approves any amendments to the Treasury Policy recommended by the treasurer/ finance manager (or TMC if one is in place)
- Approves funding from bank facilities and the capital markets including the Local Government Funding Agency ("LGFA").
- Recommends the borrowing resolution to council based on relevant approved annual plan and LTP.

Objective ID:

Treasurer

- Organises all new or amended borrowing facilities which shall then be submitted to the CE for approval Or GM as appropriate per delegation
- Undertake borrowing and investment consistent with Treasury Policy
- Reviews the LMP and the IP on an annual basis which shall then be submitted to the CE for approval and then to the full Council for final approval. What is this?
- Undertake interest rate risk management in accordance with the Treasury Policy.
- Reports quarterly and semi annually to the FARC on n treasury risk management activity.
- Manages the funding and liquidity activities of the Council.
- Maintains lender relationships with the banks and the capital markets including the LGFA.
- Monitors and reviews the ongoing treasury risk management performance of the Council to ensure compliance with the policy parameters.
- Responsible for Preparation of all treasury reports.
- Determines in consultation with the Finance Manager the level of future core debt to be used for interest rate risk management purposes.

Treasurer –supported by treasury support Team

- Undertakes all treasury transactions which will include but not be limited to the following:
 - Funding from bank facilities and the capital markets including the LGFA.
 - Interest rate derivative transactions relating to the hedging of the Council's debt.
 - Placing of deposits in the short term money market or fixed interest market.
 - Investing in bonds in the fixed interest market.
 - Interest rate derivative transactions relating to the hedging of the Council's debt.
 - Undertakes short term borrowing transactions with the bank or from the LGFA.
 - Invests surplus cash for terms generally not exceeding 90 days.
 - Checks external counterparty advices on treasury transactions to records generated internally by other staff.

Finance Manager

- Provides support and review to Treasury function
- Ensures borrowing resolution and Treasury activities consistent with annual plan/LTP and current business issues and operations
- Maintains lender relationships with the banks and the capital markets including the LGFA.
- Monitors and reviews the ongoing treasury risk management performance to ensure compliance with the policy parameters.
- Reviews performance of Treasury function and overall strategy

Objective ID:

APPENDIX 3

The Council's financial investment acquisitions are restricted to the following instruments:

- Government Issued or Government Guaranteed Investments;
- Registered Bank Investments;
- LGFA issued borrower notes and commercial paper;
- Local authority issued commercial paper;

Approved investment instruments:

- Call bank deposits;
- Short term bank deposits;
- Bank registered certificates of deposit;
- Treasury bills;
- Government bonds;
- Commercial paper.

Objective ID:

APPENDIX 4 – RELEVANT DELEGATIONS

Activity	Delegated to:	Limit
Approve policy document	Council (or appropriate Committee)	Unlimited
Alter policy document	Council (or appropriate Committee)	Unlimited
Acquisition and disposition of investments other than financial investments	Council (or appropriate Committee)	Unlimited
Approving new and reviewing re-financed bank facilities.	Chief Financial Officer or CE	Subject to Policy
Approval of borrowing programme for the year	Council (or appropriate Committee)	Unlimited (subject to legislative and other regulatory limitations)
Approval for charging assets as security over borrowing	Council (or appropriate Committee)	Unlimited
Approve interest rate, foreign currency and electricity price risk management instruments	Council (or appropriate Committee) (outside policy as otherwise delegated to Treasurer through this policy)	Subject to Policy
Open/close bank accounts	Chief Financial Officer	Unlimited
Loan and legal derivative documentation	Chief Financial Officer	N/A
Approve authorised cheque/electronic signatories	Treasurer/ Finance Manager or other authorised signatories two required	Unlimited
Maximum daily transaction amount (borrowing, investing, interest rate, foreign currency, electricity price risk management and cash management) excludes roll-overs on existing debt and interest rate swaps.	Council (or appropriate committee) Chief Executive Officer Chief Financial Officer	Unlimited \$70 million \$50 million
Approve Treasury Strategy	Council (or appropriate committee)	N/A
Amend counterparty limit exposures	Council (or appropriate committee)	Unlimited
Implement Policy	Chief Executive and sub delegated to Chief Financial Officer	Per policy risk control limits
Ensuring compliance with Policy	Chief Financial Officer	N/A
Approving transactions outside Policy	Council (or appropriate committee)	Unlimited
Triennial review of Policy	Chief Financial Officer	N/A

Objective ID:

APPENDIX 5 - DEFINITIONS

Annual Operating Revenue includes earnings from rates revenue, government grants and subsidies, user charges, interest, dividends, financial and other revenue (excluding vested assets and development contributions).

Net External Debt is defined as total external debt less available liquid financial assets/investments (i.e. Cash and Cash Equivalents).

Commercial Paper, is issued by borrowers who usually have a credit rating and standing in the market that is sufficient to enable the paper to be issued without endorsement or acceptance by a bank. The paper is usually supported by financial institutions to ensure that the borrower obtains the desired amount of funds. CP is generally issued with maturities of around 90 days. The face value of the paper is repaid in full to the holder on maturity. CP is negotiable and can be bought and sold in the secondary market.

Bond Options is an agreement between two counterparties whereby the buyer (Call) has the right but not the obligation to buy a specified government bond maturity on an agreed date and time and at an agreed rate.

Cap A series or string of interest rate put options whereby a borrower can have protection against rising short term interest rates, but participate in the lower rates if market rates remain below the "capped rate." A cap is normally for more than one 90-day funding period.

Collars Two option contracts linked together into the one transaction or contract. A borrower's collar is always a "cap" above current market rates and a "floor" below current rates. Over the term of the collar contract, if rates go above the cap the borrower is protected and pays an interest cost no more than the cap rate. Likewise, if market rates fall below the floor, the borrower pays the floor rate and does not participate in the lower market rates.

Counterparty. The contracting party to a financial transaction or financial instrument.

Credit Risk is the risk that an organisation will suffer a financial loss due to the unwillingness or inability of a counterparty to meet its obligations as they fall due.

Fixed Rate Debt is defined as debt with interest rate repricing beyond 3 months forward on a continuous rolling basis.

Floating Rate Debt is defined as debt with interest rate repricing within 3 months.

Floating Rate The interest rate on a loan, debt or investment instrument is re-set at the ruling market interest rates on the maturity date of the stipulated funding period (usually 90-days).

Floor means Interest Rate Floor. The opposite of a "cap." An investor will buy a floor, or a series/string of call options (the right to buy) to protect against falling interest rates, but be able to invest at higher interest rates if rates move upwards. The buyer pays a fee (premium) for the arrangement.

Foreign Exchange Contracts is an agreement to buy or sell one currency for another for specified future delivery at a specified rate.

Foreign Exchange Risk (also referred to as Currency Risk) is a risk that an organisation may suffer financial loss due to a movement in foreign exchange rates relative to its functional currency (New Zealand dollar for Council).

Objective ID:

Forward Rate Agreements ("FRA") is an obligation to buy or sell a given asset on a specified date at a price agreed at the time of transaction. Generally, the buyer of a FRA is attempting to protect against a rise in interest rates and the seller is protecting against a fall in rates.

Interest Rate Options is an interest rate option (i.e. cap or floor) where the buyer has the right, but not the obligation, to either borrow or invest an amount at an agreed interest rate.

Interest Rate Risk is the risk that profitability in current or future periods can be adversely affected by interest rate movements.

Interest Rate Swaps is an agreement between two counterparties to exchange interest rate obligations from a fixed or floating rate basis. The interest payments and receipts under the interest rate swap contract offset the underlying physical debt to generate the desired final fixed or floating rate position.

Investment is money or capital that Council has committed to achieve an expected return or further the needs of the community.

Liquidity is the ability to access funds at short notice.

Liquidity Risk is the risk that a business will find itself short of funds and unable to meet obligations in an orderly manner when they fall due, resulting from differences in the timing of cash receipts and disbursements. Liquidity risk increases when unanticipated obligations arise and when anticipated receipts do not eventuate.

Stock and Debentures are the debt issued to third parties by an organisation.

Strong Issuer Credit Rating is credit rating issued by S&P Global Ratings (S&P) of:

- Short-term A-1 or better.
- Long-term A+ or better.

Swaption is an agreement between two counterparties whereby the buyer has the right, but not the obligation to enter into a predetermined interest rate swap. The buyer pays a premium amount for the contract.

Yield, interest rate, always expressed as a percentage.

Yield Curve is the plotting of market interest rate levels from short term (90-days) to long term 10 year rates on a graph i.e. the difference in market interest rates from one term (maturity) to another.

Objective ID:

APPENDIX 6

<i>Institution</i>	<i>Minimum S&P Long Term / Short Term Credit Rating</i>	<i>Investments Maximum Per Counterparty (\$m)</i>	<i>Electricity Price Risk Management Instrument (CFD) Maximum Per Counterparty (\$m)</i>	<i>Interest Rate Risk Management Instrument Maximum Per Counterparty (\$m)</i>	<i>Total Exposure Limit for each counterparty</i>
<i>Government</i>	<i>N/A</i>	<i>Unlimited</i>	<i>N/A</i>	<i>None</i>	<i>Unlimited</i>
<i>Local Government Funding Agency (LGFA) (on balance sheet exposures only)</i>	<i>AA-/A-1</i>	<i>\$50 million</i>	<i>N/A</i>	<i>None</i>	<i>\$50 million</i>
<i>NZ Registered Bank</i> - <i>On balance sheet exposures</i> - <i>Off balance sheet exposures</i>	<i>A+ / A-1*</i> <i>A+ / A-1*</i>	<i>\$70 million</i>	<i>\$10 million</i>	<i>\$50 million</i>	<i>Total \$130 million</i>
<i>Local authority</i>	<i>A+/A-1</i>	<i>\$10 million</i>	<i>N/A</i>	<i>None</i>	<i>\$10 million</i>
<i>Electricity generators e.g. MRP</i>	<i>BBB/A-2</i>	<i>N/A</i>	<i>\$5 million</i>	<i>N/A</i>	<i>\$5 million</i>

Objective ID:

Authorised Asset Classes	Overall Portfolio Limit as a Percentage of the Total Portfolio	Approved Financial Market Investment Instruments (must be denominated in NZ dollars)	Credit Rating Criteria – Standard and Poor's (or Moody's or Fitch equivalents)	Limit for each issuer
New Zealand Government	100%	Government Stock/ Treasury Bills	Not Applicable	Unlimited
Supranationals	50%	Bonds/MTNs/FRNs	AAA	Maximum of \$10 million
New Zealand Registered Banks	100%	Call/Deposits/Bank Bills/Commercial Paper Bonds/MTNs/FRNs	Short term S&P rating of A-1+ Short term S&P rating of A-1 Long term rating of A+ or better	Maximum of \$70 million Maximum of \$20 million Maximum of \$20 million
Rated Local Authorities ("RLA")	50%	Commercial Paper/ Bonds/MTNs/FRNs	Minimum short term S&P rating of A-1 or minimum long term S&P rating of A+	Maximum of \$10 million
State Owned Enterprises ("SoE")	50%	Commercial Paper/ Bonds/MTNs/FRNs	Short term S&P rating of A-1+ or long term rating of A+ or better Short term S&P rating of A-1 or long term rating of BBB to A	Maximum of \$10 million Maximum of \$5 million
Corporates	30%	Commercial Paper/ Bonds/MTNs/FRNs	Short term S&P rating of A-1+ or long term rating of A+ or better Short term S&P rating of A-1 or long term rating of BBB to A	Maximum of \$7 million Maximum of \$3 million
Financials	30%	Commercial Paper/ Bonds/MTNs/FRNs	Short term S&P rating of A-1+ or long term rating of A+ or better Short term S&P rating of A-1 or long term rating of BBB to A	Maximum of \$5 million Maximum of \$2 million

The combined holdings of entities rated BBB to A shall not exceed \$10 million
The combined holdings of corporates and financials shall not exceed \$10 million

Objective ID:

Council Borrowing Rates and Update

Tuesday, 27 April 2021



Short Term Borrowing	BKBM Base Rate	Borrowing Yield Rated Councils	Borrowing Yield Unrated Councils	Short Term Borrowing Update: Money market yields have dropped 1 bps to 2 bps over the week. Markets continue to price in a modest 15 bps increase to the OCR by May 2022 and a full 25 bps in May 2023 but this wont push yields much higher due to the large amounts of cash in the system looking for investments with a yield pick up over the OCR or NZ Govt Bond yields. Long Term Borrowing Update: Bond markets have displayed greater stability over the past fortnight with yields falling slightly and the yield curve flattening led again by the long end. 2037 bond yields fell 7 bps while 2024 yields were unchanged. LGFA borrowing spreads to swap also slightly tighter by 1 bps to 2 bps as an ongoing shortage of high grade bonds and large cashflows into investor portfolios provides ongoing support for borrowers.
1 month	0.260%	0.460%	0.510%	
2 month	0.303%	0.503%	0.553%	
3 month	0.345%	0.545%	0.595%	
4 month	0.348%	0.548%	0.598%	
5 month	0.352%	0.552%	0.602%	
6 month	0.355%	0.555%	0.605%	
1 year	0.380%	0.630%	0.680%	

Fixed Rate Long Term Borrowing	Base Yield	Borrowing Yield AA rated Councils	Borrowing Yield AA- rated Councils	Borrowing Yield A+ rated Councils	Borrowing Yield Unrated Guarantors	Borrowing Yield Non Guarantors
May-21	0.31%	0.51%	0.56%	0.61%	0.71%	0.81%
Apr-22	0.41%	0.61%	0.66%	0.71%	0.81%	0.91%
Apr-23	0.54%	0.74%	0.79%	0.84%	0.94%	1.04%
Apr-24	0.76%	0.96%	1.01%	1.06%	1.16%	1.26%
Apr-25	1.00%	1.20%	1.25%	1.30%	1.40%	1.50%
Apr-26	1.25%	1.45%	1.50%	1.55%	1.65%	1.75%
Apr-27	1.46%	1.66%	1.71%	1.76%	1.86%	1.96%
Apr-29	1.88%	2.08%	2.13%	2.18%	2.28%	2.38%
Apr-33	2.39%	2.59%	2.64%	2.69%	2.79%	2.89%
Apr-37	2.76%	2.96%	3.01%	3.06%	3.16%	3.26%

Floating Rate Long Term Borrowing	Base Margin	Borrowing Margin AA rated Councils	Borrowing Margin AA- rated Councils	Borrowing Margin A+ rated Councils	Borrowing Margin Unrated Guarantors	Borrowing Margin Non Guarantors
May-21	2 bps	22 bps	27 bps	32 bps	42 bps	52 bps
Apr-22	8 bps	28 bps	33 bps	38 bps	48 bps	58 bps
Apr-23	9 bps	29 bps	34 bps	39 bps	49 bps	59 bps
Apr-24	15 bps	35 bps	40 bps	45 bps	55 bps	65 bps
Apr-25	19 bps	39 bps	44 bps	49 bps	59 bps	69 bps
Apr-26	24 bps	44 bps	49 bps	54 bps	64 bps	74 bps
Apr-27	31 bps	51 bps	56 bps	61 bps	71 bps	81 bps
Apr-29	32 bps	52 bps	57 bps	62 bps	72 bps	82 bps
Apr-33	48 bps	68 bps	73 bps	78 bps	88 bps	98 bps
Apr-37	51 bps	71 bps	76 bps	81 bps	91 bps	101 bps

Note: All the above borrowing yields and spreads are fully inclusive of the applicable base lending and credit margins outlined below

Short Term Lending Margins	30 to 181 days	182 to 364 days	Upcoming Bond Tender Dates		
Rated Councils	20 bps over BKBM	25 bps over BKBM			
Unrated Councils	25 bps over BKBM	30 bps over BKBM			
Long Term Base Lending Margin	All Terms Beyond 1 year				
	20 bps		9 June 2021	7 July 2021	18 August 2021
			7 October 2021	10 November 2021	15 December 2021
Long Term Credit Margin (added to Base Lending Margin)	AA and AA+	AA-	A+	Unrated Guarantor	Non Guarantor
	0 bps	5 bps	10 bps	20 bps	30 bps

Disclaimer: This is intended for information purposes only and contains commercially sensitive information, therefore please do not distribute. Borrowing margins and rates are indicative only and subject to change. For further information contact Andrew Michl, Sumitha Kaluarachi, Jane Phelan or Mark Butcher

8.5 Quarter 2&3 LGOIMA Requests and Commission Queries

File Number: A12492477

Author: Will Henry, Democracy Services Advisor

Authoriser: Coral Hair, Manager: Democracy Services

PURPOSE OF THE REPORT

1. To update the Committee on Local Government Information and Meetings Act 1987 (LGOIMA) and Privacy requests as well as the Commission queries and the final Mayor and Councillor request data.

RECOMMENDATIONS

That the Strategy, Finance and Risk Committee receives the report: Quarter 2 & 3 Local Government Official Information and Meetings Act 1987, the final Mayor and Councillor requests and the Commission queries.

INTRODUCTION

2. This report is for six months and includes data on the LGOIMA and Privacy Act requests. It includes Commissioner queries and the last update on the Mayor and Councillors requests. There are no observable trends noted in this reporting period. Further analysis in the table:

ANALYSIS OF LGOIMA AND PRIVACY REQUESTS RECEIVED 1 OCTOBER 2020 TO 31 MARCH 2021	
MEASURE	STATISTICS
Total received	114
Total finalised	138 ³
Total LGOIMA	107 (94%)
Total privacy	2 (2%)
Total both LGOIMA & privacy	5 (4%)
Total withdrawn	4 (3%)
Total withheld in part	27 (24%)
Total withheld	14 (12%)
Total provided in full	69 (61%)
Total finalised within statutory timeframes	130 (93%) ⁴
Total chargeable time	681 hours ⁵
Average chargeable time taken	7.3 hours
Longest time taken	50 hours
Total requesters who made two or more requests	10 requesters ⁶
Total extensions of time	8

³ This includes some requests made before 1 October 2020 but finalised in this period.

⁴ The target KPI is 98%

⁵ Recording of chargeable time began on 1 November 2020.

⁶ The most frequent requester made 12 requests over the period.

DATA ANALYSIS

3. The top four allocations by business group for the official information requests received in the period were: People and Engagement (26%), Corporate Services 26%, Regulatory and Compliance (23%) and Infrastructure (18%).

Source of Requests 1 October 2020- 31 March 2021	
Source	Statistics
Total received from individuals	81 (72%)
Total received from organisations	20 (17%)
Total received from the media	13 (11%)

4. Three Ombudsman complaints and one Privacy Commissioner complaint in relation to official information requests are currently open. Of these, one Privacy Commissioner complaint was received in Q2 and two Ombudsman complaints were received in Q3. Two of the Q2/Q3 complaints belong to the amended response process.
5. All LGOIMA considered to be of public interest are published on the TCC website. These can be searched for by subject or date, the published responses can be found under the Council page, Official Information requests, view LGOIMA responses. The link to the responses is below:

<https://www.tauranga.govt.nz/council/about-your-council/official-information-requests/lgoima-responses>

COMMISSIONER AND MAYOR AND COUNCILLORS QUERIES

6. Commissioner enquiries come mainly through the Commissioner clinics. These are logged and responded to. Statistics for the period 9 February to 31 March 2021 are set out below.

Commissioner enquiries – 9 February 2021 to 31 March 2021	
Type of measure	Statistics
Number received	11
Number finalised	9 (2 enquiries are outstanding)
Business Group allocation	Regulatory and Compliance (36%), Community Services (27%), Infrastructure (18%), Chief Executive (18%)

7. Between 1 October 2020 and 8 February 2021, we received 178 Mayor and Councillors queries. All of these have been finalised.

OMBUDSMAN'S REPORT AND POLICY

8. The report on LGOIMA compliance and practice at TCC was published by the Office of the Ombudsman on 3 February 2021. A progress report was provided to the Office of the Ombudsman on 14 April 2021. Of the 37 suggested actions from the initial investigation there are now nine outstanding that the staff Working Group continues to progress.
9. Over this period the Charging Policy, Complaints Procedures, Unreasonable Complainant Conduct Policy have all been completed and are published on the TCC website. These documents along with the Unreasonable Complainant Guidelines have been sent to People Leaders to discuss with their teams so staff are aware of the new policies and procedures.

ATTACHMENTS

Nil

8.6 Health, Safety and Wellbeing - January to March 2021**File Number: A12532673****Author: Angelique Fraser, Health & Safety Change Manager****Authoriser: Susan Jamieson, General Manager: People & Engagement****PURPOSE OF THE REPORT**

1. To provide a summary of key health and safety performance and provide a snapshot of psychological health and safety at Tauranga City Council for the period 1 January 2021- 31 March 2021.

RECOMMENDATIONS

That the Strategy, Finance and Risk Committee receives the report: Health, Safety and Wellbeing – January to March 2021.

DISCUSSION

2. This is a new report presented to this committee; and its format is aligned with the requirements of s44 of the Health and Safety at Work Act 2015.
3. The report (attached) will be provided quarterly and will be themed to provide an understanding of health and safety as it relates to current business context. This quarter is focused on psychological health and safety.
4. Any feedback regarding content or topics that the Committee would like is welcomed.

ATTACHMENTS

1. **Health, Safety and Wellbeing Report Q1 - A12532648**  



Healthy, safe.
Every day.

Health, Safety & Wellbeing

January – March 2021 - Psychological Health & Safety



Introduction

Across New Zealand workplaces, psychological health and safety is an issue for everyone, no matter their occupation. Health related fatalities in NZ are estimated to be over 900 annually. 17% of these are attributed to mental ill-health – a potential outcome of poorly managed psychological health and safety.

Mental ill-health is one of TCC's Priority Risks. This report provides a summary of key health and safety performance over the quarter as well as a snapshot of psychological health and safety at TCC which remains front of mind given TCC's ambitious long-term plan.

Leadership and Strategy

12

Due Diligence
Activities

Our Executive Team, CE and Commissioners are up to speed with due diligence in a Tauranga City Council context – with a reminder that they can influence H&S across all our work activities including during design, contract negotiation, capital works and normal operation of our facilities.

Health, Safety and Wellbeing – Survey

(Ensure we receive and consider information regarding incidents).

During March TCC participated in a nationwide local government sector survey on health, safety and wellbeing delivered in partnership with Local Government New Zealand who are seeking to use the information and insights to support the creation of a best practice wellbeing culture across the sector.

68%

Overall score

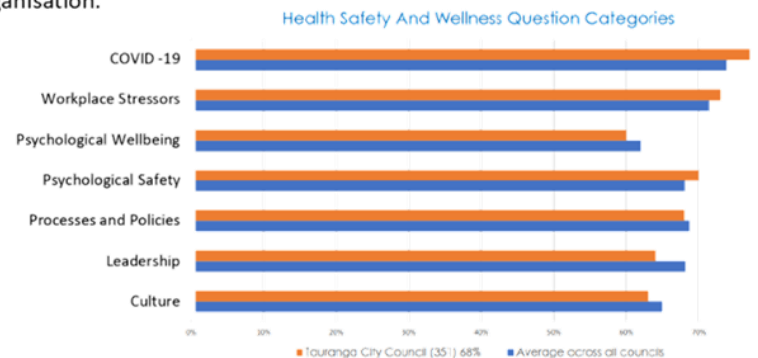
45%

TCC Participation rate

31

Council's surveyed

The survey was structured around key categories that measure overall HSW across the organisation.



Over the coming months we'll engage across the business and have conversations around this data to understand team perceptions about what matters most and take action to deliver a sustainable, positive change. The HSW and HR teams will support teams in these discussions.

Safety Sound Bite

(Acquire knowledge of H&S matters).

"Sticks and stones break bones – but WORDS HURT TOO?"

The same area of the brain that deals with physical pain also manages a 'hit' to our psychological safety (through bullying or social rejection). When our psychological safety is threatened, our brain is triggered into a stress response, compromising our cognitive abilities – causing our higher, logical brain to go offline, affecting our ability to think, be creative, make decisions and regulate our emotions.

.... not great for a thriving workforce and flourishing people.



"Alfresco or Al-desk-o?"

Better lunch habits - leave your phone at the desk, grab an apple and take a walk in the fresh air!



Healthy, safe.
Every day.

Health, Safety & Wellbeing

January - March 2021, Psychological Health & Safety



Events

Ensure we receive and consider information regarding incidents).

163 ↑ (152 in 2020)

I&S Events reported across TCC, with:
23 investigations from these events are overdue for completion
1 notifiable event to WorkSafe
30 corrective actions being generated, to continually improve our practices.

6

injury events to staff, contractor or member of community:

- 4 first aid treatment
- 1 medical treatment - contractor received a laceration to the index finger from a crush injury between a pipe and steel frame.
- 1 hospitalisation due to a member of the Community tripping on Council footpath.

Addressing through LTP

TCC Counselling Service (OCP)

(Ensuring we have available resources to manage risk).

Half yearly summary of TCC's counselling and advisory services.
(Data gathered is anonymised).

Service Uptake:

7% of TCC Workforce
(8-10%) Nationwide Average

Gender Split of TCC accessing OCP service:



#1 Personal Issue: % Accessing the Service Nationwide Average



Anxiety

24% (28%)

#1 Work Issue:



24% (13%)

Kerbside & Waste Project

(Understanding the nature of our operations and associated risks).

50% (by 2028) Reduction in residential waste to landfill
65% (current state) Residential waste in our city is divertible
35% (current state) Residents report doing no recycling

Psychological Health and Safety

Our Sustainability & Waste team have been collaborating with the Service Centre & Contact Centre teams to ensure the successful deployment of TCC's strategic goal to reduce our residential waste sent to landfills while managing H&S risk. TCC Senior Leaders are managing our people's Psychological Health and Safety (a primary duty of care under Health and Safety law) through:

- Work Design
- Management of Self
- Culture Shift
- Targeted Training

Health and Safety Management System Audit

(Verify resources and processes are in place and being used).

Management action status from FY 2019/20 Internal Audit focused on assurance of controls in place for H&S risks on the Corporate Risk Register.

37 Actions identified
23 Complete
9 Actions for completion Q2 21/22
5 Action for completion Q2 22/23

8.7 Sustainability Update

File Number: A12506212

Author: Sarah Searle, Strategic Advisor

Authoriser: Christine Jones, General Manager: Strategy & Growth

PURPOSE OF THE REPORT

1. To provide an update on the sustainability work programme ("Sustainability Framework Project"), including sustainability stocktake and next steps.

RECOMMENDATIONS

That the Strategy, Finance and Risk Committee receives the report – Sustainability Update.

EXECUTIVE SUMMARY

2. A comprehensive sustainability stocktake ("the Stocktake") is being undertaken by sustainability consultants Proxima Consulting Ltd ("Proxima") and this will be shared with Commissioners and relevant stakeholders in coming weeks.
3. Next steps and intended phases of the Sustainability Framework Project are outlined below, namely -
 - (a) *Sustainability Stocktake and Advice (Phase One)* – underway – completion by end of this Financial Year
 - (b) *Development of Sustainability Strategy and Action Plan (Phase Two)*
 - (c) *Implementation, monitoring and measurement, and reporting of progress against the action plan (Phase Three)*
4. Progress updates will be brought back to this Committee per the draft Committee work programme under development.

BACKGROUND

5. As part of the 2020/21 Annual Plan process, Council approved a refreshed approach to sustainability encompassing social, environmental, cultural and economic wellbeing. That approach included:
 - the delivery of a stocktake of council's current approach to sustainability
 - the creation and implementation of a sustainability framework for the organisation
 - the development and implementation of action plans
 - the establishment of an independent sustainability advisory board
 - a \$400,000 budget for the board, consultants and staff to enable this work to occur
6. It is important to emphasise that sustainability through this resolution and subsequent work is defined holistically, **not solely environmental sustainability**.
7. Papers brought to Council and the Policy Committee on 16 July, 08 September and 20 October 2020 focussed on establishment of the proposed Independent Sustainability Advisory Board ("ISAB") and commencement of the sustainability stocktake.
8. Due to factors including the appointment of Commissioners and desire to avoid duplication of processes and delays to decision-making, a decision was made at the Council meeting of 08

March 2021 to discontinue establishment of the ISAB as it was no longer the best strategic fit to achieve the desired sustainability objectives.

Sustainability stocktake

9. In December 2020 Proxima were appointed to undertake the Stocktake in order to provide a snapshot of current council activities and advice around applicability of potential frameworks for guiding sustainability.
10. Work on the Stocktake began in late January 2021.
11. Proxima's work has involved –
 - A TCC workshop around applicability of different sustainability frameworks
 - Benchmarking of all council activities against a methodology called "[Thriving Cities](#)" (which is derived from Doughnut Economics), cross-referenced against Council's activities and other relevant sustainability frameworks such as the United Nations' Sustainable Development Goals
 - Development of recommendations and high-level observations and insights (including sustainability success stories, big challenges, obvious gaps and insights from stakeholder discussions).
12. At the time of writing this report a first draft of the stocktake had been completed, and it is anticipated that the stocktake will be finalised by mid May.

Next steps and sustainability work programme

13. Significant planning is underway in relation to the Sustainability Framework Project. This has included the addition of a Sustainability Specialist role within the Strategy & Growth group.
14. The intended work programme is divided into three phases, namely –
 - (a) Sustainability Stocktake and Advice (Phase One) – *underway* – completion by end of this Financial Year
 - (b) Development of Sustainability Strategy and Action Plan (Phase Two)
 - (c) Implementation, monitoring and measurement, and reporting of progress against the action plan (Phase Three)

Phase one

15. Per the summary above, Phase One of the Sustainability Framework Project is underway. This phase includes:
 - The Stocktake being undertaken by Proxima,
 - Review of reports prepared for Council considerations related to sustainability (as referenced above),
 - Assessment/review of the Stocktake,
 - Benchmarking sustainability work across other 'like' councils, including resourcing and organisational structure,
 - Peer review/comparison of Proxima work to Sustainable Development Goals, Global Reporting Initiative / other indicators; and
 - Planning for linkages between the City Futures Project, strategic framework refresh, and Sustainability Framework Project.
16. Phase One is the information gathering stage and includes initial engagement with TCC activity managers, and already-engaged stakeholders to ensure a representative view of the current state of sustainability performance of the council for its own operations, and the city.
17. At the end of Phase One, we will be in a position to provide the Executive Team and Commissioners with:

- a completed 'sustainability stocktake',
 - a draft proposal of the way in which sustainability could be incorporated into the council's strategic framework,
 - a comparison of TCC's current performance/position compared to other 'like' councils in New Zealand and Australia; and
 - a recommendation on which sustainability framework or goals to adopt to develop a sustainability strategy and associated action plan (which will include the proposed scope, engagement, and the funding and resource requirement).
18. **Phase Two** (remainder of 2021 calendar year) will involve:
- Genuine co-design and collaboration with key stakeholders to develop the sustainability strategy and action plan.
 - Agreeing resourcing for the first two years through the 2022/23 Annual Plan process.
19. **Phase Three** (2022 and beyond) will involve:
- The implementation of the action plan.
 - Agreeing resourcing for the subsequent ten years through the 2024-34 Long Term Plan process.
 - Monitoring and measurement of the quantitative and qualitative outcomes of the action plan implementation.
 - Reporting of the achievements, challenges, and opportunities realised from the implementation of the action plan.

Link with other key projects

20. As outlined above, it is crucial that the Sustainability Framework Project aligns with other major strategic projects underway.
21. These include the City Futures Project and council's own strategic framework refresh. Updates on both these projects will be brought to this Committee per the draft work programme under development, and direction sought from the Committee.
22. One important sub-initiative is that work (previously stalled) has recommenced on finalising the draft Environment Strategy, as part of the strategic framework refresh. As noted above, "environment" and "sustainability" are not the same, however an environment strategy (including climate change) will be an essential sub-component to our overall sustainability focus. A workplan is currently being developed for continuing / finalising an environment strategy.

SIGNIFICANCE

23. The Local Government Act 2002 requires an assessment of the significance of matters, issues, proposals and decisions in this report against Council's Significance and Engagement Policy. Council acknowledges that in some instances a matter, issue, proposal or decision may have a high degree of importance to individuals, groups, or agencies affected by the report.
24. In making this assessment, consideration has been given to the likely impact, and likely consequences for:
- (a) the current and future social, economic, environmental, or cultural well-being of the district or region
 - (b) any persons who are likely to be affected by, or interested in, the issue, proposal, decision, or matter
 - (c) the capacity of the local authority to perform its role, and the financial and other costs of doing so.

25. In accordance with the considerations above, while the matter of sustainability affects all Tauranga residents, current and future, and is therefore of high significance, the current report relates to operationalising previous council decisions and the overall assessment of significance is therefore medium.

ENGAGEMENT

26. Per the work programme above and next steps below, the stocktake and associated information will be shared with relevant stakeholders, and broader engagement will be undertaken as part of the next phase(s) of the Sustainability Framework Project.

NEXT STEPS

27. The findings of the stocktake will be shared in coming weeks with the Commissioners and other relevant stakeholders (including those who participated in its preparation).
28. Work will continue on completion of Phase One (as detailed above) of the Sustainability Framework Project and commencement of Phase Two.
29. Regular updates will be brought back to this Committee per the draft work programme.

ATTACHMENTS

Nil

8.8 Monitoring and Update Report - City Plan Review

File Number: A12520161

Author: Janine Speedy, Team Leader: City Planning

Authoriser: Christine Jones, General Manager: Strategy & Growth

PURPOSE OF THE REPORT

1. The purpose of this report is to provide an update on the City Plan Review project.
-

RECOMMENDATIONS

That the Strategy, Finance and Risk Committee:

- (a) Receives the Monitoring and Update Report - City Plan Review report.
 - (b) Notes progress with the City Plan Review project in accordance with the approved project plan.
-

EXECUTIVE SUMMARY

2. The review of the Tauranga City Plan project is a significant project for Council and is included in the Long-Term Plan. A project plan was approved by the Urban Form and Transport Development Committee on 21 July 2020.
3. The City Plan Review project is a 4-6 year project, with a proposed plan required to be notified by April 2024 under the National Planning Standards.
4. This report provides an update on the project, and discusses the implications of the Government's Resource Management Reform.

BACKGROUND

5. The City Plan Review is currently in Phase 1 (research and investigation) and Phase 2 (issues and options), which are being run concurrently. A dedicated project manager, technical director and community engagement managers have been in place to implement the approved project plan and task requirements. The project structure was implemented in July 2020, with an internal Project Steering Group, Project Team and five workstreams established.
6. Chapter project plans have been prepared for each chapter of the new City Plan to identify scope, resources, risks and deliverables. The 22 chapter project plans provide the basis for preparing a draft City Plan currently planned for public input in 2022 based on the mandatory National Planning Standards.
7. The potential impact of central Government's Resource Management Reform (RM Reforms) was identified as a significant risk to the City Plan Review during the project planning phase, and noted in the approved Project Plan as potentially having a high impact on the project.
8. On 10 March 2021, the Minister for the Environment, Hon David Parker, announced that Government would introduce three new pieces of legislation to replace the Resource Management Act (RMA). The Natural and Built Environment Act (NBA) would see a combined plan for each region prepared developed collaboratively by all councils within a region.
9. Council are yet to have clear direction from central Government on the implications for a combined plan on the City Plan Review. To manage this risk, staff will be delaying the progression of some chapters to reduce undertaking work that is likely to require rework through a combined plan. However, the City Plan Review will continue with delivery of phases 1 and 2 which culminate in a public discussion document of key issues and options

for the City Plan for engagement in October 2021. This approach preserves Council's position on how and/or if, it proceeds with the further phases of the City Plan Review.

10. Some of the key issues and options topics include affordable housing, urban design and sustainable aspects of development. A further report will be brought to the next committee meeting for direction on issues and options to be included in the upcoming discussion document.
11. Staff will monitor the preparation of the NBA closely and report back to Council when direction is provided on transitional provisions and what impact that has on the City Plan Review.
12. As part of this City Plan Review, it was requested that staff consider opportunities for a combined plan with Western Bay of Plenty District Council. Given the uncertainties associated with the RM Reforms, staff from both councils are of the view that preparing a combined plan between the two councils now would be an inefficient use of resources, when the process of a combined plan is expected to be significantly different under the NBA. Staff across both councils' support alignment across the following:
 - Collaborative initiatives currently underway. These include developing a joint commercial and industrial centres hierarchy and the implementation of the National Policy Statement on Urban development 2020;
 - Alignment of structure and layout to meet the requirements of the National Planning Standards;
 - Bay of Plenty Regional Council – Toi Moana, Western Bay of Plenty District Council and Tauranga City Council meet 6 weekly to discuss alignment across timeframes and workstreams;
 - Investigation of key issues and opportunities that cross both councils to be undertaken as one piece of work;
 - Joint engagement with tangata whenua where possible;
 - Continue previous joint initiatives, such as papakainga provisions and road hierarchy; and
 - Using the same eplan tool.
13. Alignment in the above areas will deliver consistency of approach in many of the more significant areas while avoiding the costs and inefficiencies which will likely arise from a fully combined plan process.

STRATEGIC / STATUTORY CONTEXT

14. The City Plan must give effect to current national policy statements. There are also new requirements through national policy statements for urban development and freshwater management and the proposed national policy statements for highly productive land and indigenous biodiversity.
15. In addition, since the last City Plan was adopted, changes have been made at a regional level, with a new Regional Coastal Environment Plan, Regional Natural Resources Plan and amendments to the Regional Policy Statement, in particular introducing more stringent requirements for managing natural hazard risk. The City Plan must not be inconsistent with regional plans.
16. Staff have sought direction from BOPRC on meeting the Regional Policy Statement for natural hazards. A response has recently been received, which staff are currently through and will report back to an upcoming meeting if there are any matters of significance arising.
17. The City Plan can also play a role in terms of implementing Council's own vision and policies by focusing on those elements that have a resource management lens.

18. The Government is intending to replace the RMA with a new Natural and Built Environments Act. Ministry for the Environment officials have advised that:
 - a) existing RMA requirements still apply until they are changed.
 - b) there will be transitional provisions in the new legislation to account for national direction implementation and the different stages that councils are at in their plan processes.
 - c) An exposure draft of the Natural and Built Environments Bill will be released for submissions mid-year and a final Bill is expected to be ready for introduction to the House by the end of the year.
19. Discussions with other councils on the progression of their reviews, have advised that they are taking the same approach as Council and awaiting direction from central Government before significantly progressing their district plan review. Some councils have already decided not to progress with their reviews. Financial Considerations
20. There are no financial considerations associated with this report. The cost associated with the City Plan Review is proposed through the Long Term Plan 2021-2031 as agreed by the Urban Form and Transport Development Committee on 21 July 2020.

LEGAL IMPLICATIONS / RISKS

21. Section 79 of the RMA requires regional and territorial authorities to commence a review of their plans at least once every 10 years. The Tauranga City Plan was made fully operative in September 2013. Therefore, Council is required to commence a review of the City Plan by 2023.
22. However, central Government introduced the National Planning Standards to make council plans and policy statements more consistent, easier to prepare, understand and comply with. The first set of planning standards came into force on 3 May 2019. The National Planning Standards require Council to publicly notify the next Tauranga City Plan for formal submissions by April 2024. Hence a key reason for commencing the City Plan review ahead of 2023.
23. To meet this timeframe, the project was required to start in the 2020/21 financial year. A significant amount of work is required to meet national and regional direction and address key issues important to the community, tangata whenua and stakeholders.
24. The project plan includes a risk register, that will be revisited on a regular basis. The key risks identified are:
 - (a) Balance between enabling growth and ensuring high quality built form and environmental outcomes;
 - (b) Meeting community, tangata whenua and stakeholder expectations;
 - (c) Unknown impact of proposed RMA reforms and national policy statements that are underway, but not yet approved;
 - (d) Giving effect to strategic direction, including Urban Form and Transport Initiative and SmartGrowth;
 - (e) Timing of Bay of Plenty Regional Policy Statement review and potential challenges implementing some of the existing provisions of the RPS;
 - (f) Project scope increasing and resourcing being insufficient.
25. For RM Reform, there is a risk as to whether the Government is able to provide sufficient certainty to Council by the end of the year to enable an informed decision on whether or not to proceed with the next phase of the City Plan Review.

CONSULTATION / ENGAGEMENT

26. Recent planning projects and other Council engagement initiatives are being used to inform the City Plan Review. These include the Te Papa Spatial Plan, Urban Form and Transport Initiative, Proposed Plan Changes 26, 27 and 30, Vital Update 2020 and the City Futures project.
27. Workshops with stakeholders were held on 8, 10 and 11 March 2021 to identify issues and possible solutions or opportunities for the City Plan Review to consider. A second series of workshops is planned for late-June to consider in more detail how the City Plan might address stakeholder issues and concerns.
28. Two hui were held with iwi and hapu on 30 March at Hairini Marae and on 20 April 2021 at Hungahungatoroa Marae to identify issues for tangata whenua, development aspirations and cultural values. Tangata whenua engagement has been progressed through the Tangata Whenua workstream, which was established as part of the project plan adopted in July last year. This includes external and internal resources to progress this workstream.
29. A dedicated City Plan Review webpage was established on Council's website on 4 December 2020 to provide information and the opportunity to provide comment.
30. Staff have sought to better understand requests for rezoning of land, outside of committed Council growth areas such as Te Tumu and Tauriko West. Information is being obtained from landowners and developers to ascertain rezoning requests to be considered as part of the project.

SIGNIFICANCE

31. The Local Government Act 2002 requires an assessment of the significance of matters, issues, proposals and decisions in this report against Council's Significance and Engagement Policy. Council acknowledges that in some instances a matter, issue, proposal or decision may have a high degree of importance to individuals, groups, or agencies affected by the report.
32. In making this assessment, consideration has been given to the likely impact, and likely consequences for:
 - (a) the current and future social, economic, environmental, or cultural well-being of the district or region
 - (b) any persons who are likely to be particularly affected by, or interested in, the matter
 - (c) the capacity of the local authority to perform its role, and the financial and other costs of doing so.
33. In accordance with the considerations above, criteria and thresholds in the policy, the City Plan Review has been identified as high significance that has high public interest, however the update provided in this report is of low significance.

ENGAGEMENT

34. Taking into consideration the above assessment, that the matter is of low significance, officers are of the opinion that no further engagement is required prior to Council making a decision.

NEXT STEPS

35. Community awareness of the City Plan Review will commence in the next few months, ahead of the release of topic-based discussion documents in late-September 2021 seeking feedback on issues and options for the City Plan to address.
36. Staff will monitor progress with the replacement RMA legislation and continue to seek certainty on implications and timing for the City Plan Review.

37. Technical work to inform the City Plan Review will continue alongside further stakeholder and tangata whenua/Māori engagement, as set out in the approved project plan.

ATTACHMENTS

Nil

9 DISCUSSION OF LATE ITEMS

10 PUBLIC EXCLUDED SESSION

RESOLUTION TO EXCLUDE THE PUBLIC

RECOMMENDATIONS

That the public be excluded from the following parts of the proceedings of this meeting.

The general subject matter of each matter to be considered while the public is excluded, the reason for passing this resolution in relation to each matter, and the specific grounds under section 48 of the Local Government Official Information and Meetings Act 1987 for the passing of this resolution are as follows:

General subject of each matter to be considered	Reason for passing this resolution in relation to each matter	Ground(s) under section 48 for the passing of this resolution
10.1 - Corporate Risk Register - Quarterly Update	<p>s7(2)(b)(i) - the withholding of the information is necessary to protect information where the making available of the information would disclose a trade secret</p> <p>s7(2)(b)(ii) - the withholding of the information is necessary to protect information where the making available of the information would be likely unreasonably to prejudice the commercial position of the person who supplied or who is the subject of the information</p> <p>s7(2)(h) - the withholding of the information is necessary to enable Council to carry out, without prejudice or disadvantage, commercial activities</p> <p>s7(2)(i) - the withholding of the information is necessary to enable Council to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations)</p>	s48(1)(a) - the public conduct of the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding would exist under section 6 or section 7
10.2 - Internal Audit Report - Quarterly Update	<p>s6(b) - the making available of the information would be likely to endanger the safety of any person</p> <p>s7(2)(a) - the withholding of the information is necessary to protect the privacy of natural persons, including that of deceased natural persons</p> <p>s7(2)(d) - the withholding of the information is necessary to avoid prejudice to measures protecting the health or safety of members of the public</p> <p>s7(2)(g) - the withholding of the information is necessary to maintain legal professional privilege</p>	s48(1)(a) - the public conduct of the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding would exist under section 6 or section 7

10.3 - Litigation Report	<p>s7(2)(a) - the withholding of the information is necessary to protect the privacy of natural persons, including that of deceased natural persons</p> <p>s7(2)(g) - the withholding of the information is necessary to maintain legal professional privilege</p> <p>s7(2)(i) - the withholding of the information is necessary to enable Council to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations)</p>	<p>s48(1)(a) - the public conduct of the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding would exist under section 6 or section 7</p>
---------------------------------	--	--

11 CLOSING KARAKIA