



ATTACHMENTS MINUTES

Ordinary Council meeting

Monday, 26 July 2021

Table of Contents

11.1	Adopt Tauranga City Council Long-term Plan 2021-2031	
	Attachment 1 Audit Opinion Report - Audit NZ	4
	Attachment 2 Long-term Plan 2021-2031 - Amended Pages 226 and 227	7
	Attachment 3 Long-term Plan 2021-2031 - Amended Page 281.....	9

**To the reader:****Independent auditor's report on Tauranga City Council's 2021-31 long-term plan**

I am the Auditor-General's appointed auditor for Tauranga City Council (the Council). The Local Government Act 2002 (the Act) requires the Council's long-term plan (the plan) to include the information in Part 1 of Schedule 10 of the Act. Section 94 of the Act requires an audit report on the Council's plan. Section 259C of the Act requires a report on disclosures made under certain regulations. I have carried out this work using the staff and resources of Audit New Zealand. We completed our report on 26 July 2021.

Opinion

In our opinion:

- the plan provides a reasonable basis for:
 - long-term, integrated decision-making and co-ordination of the Council's resources; and
 - accountability of the Council to the community;
- the information and assumptions underlying the forecast information in the plan are reasonable; and
- the disclosures on pages 310 to 317 represent a complete list of the disclosures required by Part 2 of the Local Government (Financial Reporting and Prudence) Regulations 2014 (the Regulations) and accurately reflect the information drawn from the plan.

This opinion does not provide assurance that the forecasts in the plan will be achieved, because events do not always occur as expected and variations may be material. Nor does it guarantee the accuracy of the information in the plan.

Emphasis of Matters

Without modifying our opinion, we draw attention to the following matters:

Uncertainty over three waters reforms

Page 11 outlines the Government's intention to make three waters reform decisions during 2021. The effect that the reforms may have on three waters services provided is currently uncertain because final decisions have not yet been made. The plan was prepared as if these services will continue to be provided by the Council, but future decisions may result in significant changes, which would affect the information on which the plan has been based.

Uncertainty over the delivery of the capital programme

Page 14 outlines that the Council is proposing to spend \$4.6 billion on capital projects over the next 10 years. Although the Council is taking steps to deliver its planned capital programme, as outlined on page 397, there is uncertainty over the delivery of the programme due to a number of factors, including the significant constraints in the construction market. If the Council is unable to deliver on a planned project, it could affect intended levels of service.

Breach of statutory deadline

Page 8 states the Council failed to adopt the plan before the commencement of the first year to which it relates. This is a breach of section 93(3) of the Local Government Act 2002.

Basis of opinion

We carried out our work in accordance with the International Standard on Assurance Engagements (New Zealand) 3000 (Revised) *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information*. In meeting the requirements of this standard, we took into account particular elements of the Auditor-General's Auditing Standards and the International Standard on Assurance Engagements 3400 *The Examination of Prospective Financial Information* that were consistent with those requirements.

We assessed the evidence the Council has to support the information and disclosures in the plan and the application of its policies and strategies to the forecast information in the plan. To select appropriate procedures, we assessed the risk of material misstatement and the Council's systems and processes applying to the preparation of the plan.

Our procedures included assessing whether:

- the Council's financial strategy, and the associated financial policies, support prudent financial management by the Council;
- the Council's infrastructure strategy identifies the significant infrastructure issues that the Council is likely to face during the next 30 years;
- the Council's forecasts to replace existing assets are consistent with its approach to replace its assets, and reasonably take into account the Council's knowledge of the assets' condition and performance;
- the information in the plan is based on materially complete and reliable information;
- the Council's key plans and policies are reflected consistently and appropriately in the development of the forecast information;
- the assumptions set out in the plan are based on the best information currently available to the Council and provide a reasonable and supportable basis for the preparation of the forecast information;
- the forecast financial information has been properly prepared on the basis of the underlying information and the assumptions adopted, and complies with generally accepted accounting practice in New Zealand;

- the rationale for the Council's activities is clearly presented and agreed levels of service are reflected throughout the plan;
- the levels of service and performance measures are reasonable estimates and reflect the main aspects of the Council's intended service delivery and performance; and
- the relationship between the levels of service, performance measures, and forecast financial information has been adequately explained in the plan.

We did not evaluate the security and controls over the electronic publication of the plan.

Responsibilities of the Council and auditor

The Council is responsible for:

- meeting all legal requirements affecting its procedures, decisions, consultation, disclosures, and other actions relating to the preparation of the plan;
- presenting forecast financial information in accordance with generally accepted accounting practice in New Zealand; and
- having systems and processes in place to enable the preparation of a plan that is free from material misstatement.

We are responsible for expressing an independent opinion on the plan and the disclosures required by the Regulations, as required by sections 94 and 259C of the Act. We do not express an opinion on the merits of the plan's policy content.

Independence and quality control

We have complied with the Auditor-General's:

- independence and other ethical requirements, which incorporate the independence and ethical requirements of Professional and Ethical Standard 1 issued by the New Zealand Auditing and Assurance Standards Board; and
- quality control requirements, which incorporate the quality control requirements of Professional and Ethical Standard 3 (Amended) issued by the New Zealand Auditing and Assurance Standards Board.

Other than our work in carrying out all legally required external audits, we have no relationship with or interests in the Council.



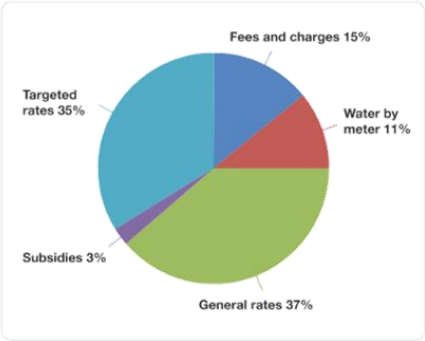
Clarence Susan, Audit New Zealand
On behalf of the Auditor-General, Tauranga, New Zealand

226

Financial Strategy – Now and for the future

Graph 7 shows how we fund our operations. Most operating expenditure is funded from rates. The rest is funded from a combination of subsidies and grants and user fees revenue. More detail on rates, user fees and subsidies are covered below.

Graph 7: Funding Operations



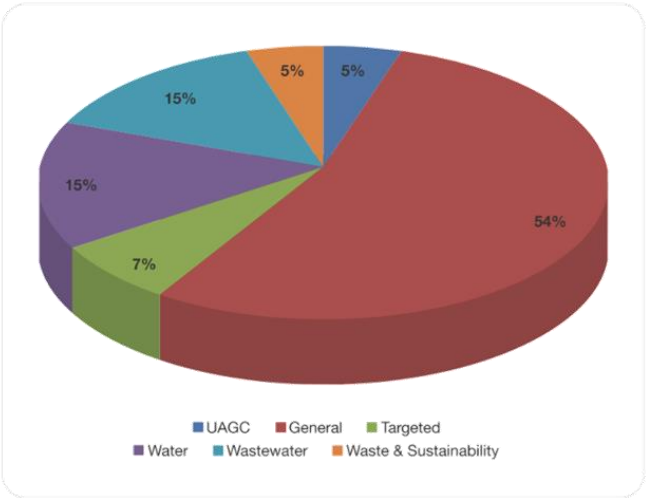
Rates

Each LTP has recognised the need for increased rates in order to continue to fund and finance the needed infrastructure investment in the city. However subsequent Annual Plans have reduced these rate increases.

The upward pressure on rates is significant in the first three years of the LTP reflecting the proposed investment programme and the commencement of debt retirement through rates.

The new kerbside service means that additional rates charges to bring this service in as a council provided service replaces previously payments by households to private operators. On average the council kerbside collection service results in lower costs to households than paying private waste collection services.

The rates structure in 2020-21 was as follows:



This shows a concentration of rates as general rates set on a capital value basis with 10% of all rates set on a uniform basis. The main targeted rates were for wastewater and water supply, with all revenue collected for these ring-fenced to be spent within these activities.

Financial Strategy – Now and for the future

New or Expanded Targeted Rates

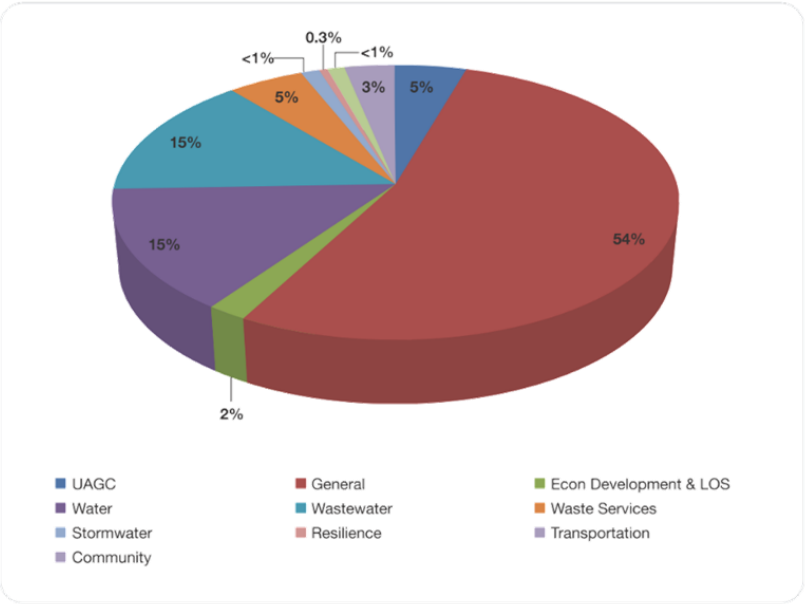
A key funding proposal for this LTP is to move to a greater focus on targeted rates for transparency and accountability and to ring fence funding.

The kerbside waste collection service has also been agreed to be a targeted rate which adds to the existing list. The full range of other minor targeted rates are outlined in the funding impact statement for the LTP.

The proposed introduction of further targeted rates is to support capital investment costs including debt retirement in the areas of:

- Transportation
- Community,
- Stormwater
- Resilience (extending the existing targeted rate which previously covered planning and investigation costs but going forward will cover the costs associated with capital investment)
- Wastewater
- Water supply

The rates structure in 2021-22 with activity specific targeted rates



What this means for rates - Rating base information

RATES (FIS)

RATES FOR THE 2021/2022 YEAR				
Description	Category	Factor	Rate (\$) (GST Inclusive)	Revenue Sought (\$'000) (Excluding GST)
City Wide General Rates				
General Rate (residential)	All residential property	Capital Value	0.00249736	95,372
General Rate (commercial)	All commercial property	Capital Value	0.00399578	30,548
Uniform Annual General Charge	All rateable property	Fixed amount per SUIP*	199.00	11,572
Targeted Rates				
Waste Service	Residential Served	Fixed amount per SUIP*	210.00	10,500
Garden waste (optional)	Residential Served	Fixed amount per Service (Bin) and Frequency	4 weekly 60 2 weekly 95	707
Wastewater	Connected	Fixed Amount per water closet/urinal	538.88	34,238
Wastewater	Serviceable	Fixed Amount per SUIP*	269.44	443
Stormwater (Residential)	All residential property	Capital Value	0.00004562	1,742
Stormwater (Commercial)	All commercial property	Capital Value	0.00007298	558
Water (metered)	Connected/Supply	Fixed amount per m3 of water supplied	2.90	32,789
Water (metered base charge)	Connected	Fixed Amount per number and size of meter connections (250mm) 1,329	Base meter size (20mm) 35-	2,008
Water (unmetered)	Unmetered Supply	Fixed amount per SUIP	804	23
Economic Development	Commercial	Capital Value	0.00053944	4,124
Tauranga Mainstreet	Commercial in catchment area	Capital Value	0.00053479	354
Mount Mainstreet	Commercial in catchment area	Capital Value	0.00084437	188
Greerton Mainstreet	Commercial in catchment area	Capital Value	0.00180928	135
Papamoa Mainstreet	Commercial in catchment area	Capital Value	0.00033422	50
The Lakes	All rateable in catchment area	Fixed amount	99.90	173
Coast Papamoa	All rateable in catchment area	Fixed amount	34.02	9
Excelsa	All rateable in catchment area	Fixed amount	50.32	4
Resilience (Residential)	All residential property	Capital Value	0.00001175	449
Resilience (Commercial)	All commercial property	Capital Value	0.00001880	144
Transportation (Residential)	All residential property	Capital Value	0.00004200	1,604
Transportation (Commercial)	All commercial property	Capital Value	0.00006719	514
Community (Residential)	All residential property	Capital Value	0.00011959	4,567
Community (Commercial)	All commercial property	Capital Value	0.00019134	1,463
Total Revenue Requirement (minus metered water)				201,489
Total Revenue Requirement (including metered water)				234,278

STATISTICS		
	Capital Value (\$,000,000)	Rating Units
Residential	44,361	56,361
Growth (from previous year)	2.1%	1.2%
Commercial	9,570	3,692
Growth (from previous year)	1.5%	1.4%

*(Note: SUIP= Separately Used or Inhabited Part)

As at 30 June 2021 the projected number of rating units is 60,053 with a total land value of \$29,111 Million and a total capital value of \$53,931 Million

WHAT YOUR RATES PAY

