



AGENDA

Strategy, Finance and Risk Committee Meeting Monday, 1 November 2021

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

Date: Monday, 1 November 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	Dr Wayne Beilby – Tangata Whenua representative
Members	Commissioner Shadrach Rolleston Commissioner Stephen Selwood Commissioner Bill Wasley Matire Duncan, Te Rangapū Mana Whenua o Tauranga Moana Chairperson 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:

- (a) 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;
- (b) to consider strategic issues facing the city and develop a pathway for the future;
- (c) to monitor progress on achievement of desired strategic outcomes;
- (d) 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 Rangapū 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 through 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	Confirmation of Minutes.....	12
7.1	Minutes of the Strategy, Finance and Risk Committee meeting held on 20 September 2021.....	12
8	Declaration of conflicts of interest	26
9	Business.....	27
9.1	Local Alcohol Policy	27
9.2	Update on the City Vision Project.....	90
9.3	Strategic Framework Refresh Project Update	93
9.4	Sustainability - Update	101
9.5	Development contributions work programme	107
9.6	Source Water Shortage.....	116
9.7	Strategic Procurement Update	125
9.8	2021 Q3 Reports: 'Health & Safety' and 'Mental Health & Wellbeing'	130
9.9	Q1 2021/22 LGOIMA and Privacy Requests	139
9.10	Tauranga City Council Draft Consolidated Annual Report 2020/21	142
9.11	Financial and Non-Financial Monitoring Report: Period ended 30 September 2021	146
9.12	Treasury Strategy.....	184
9.13	Local Government Funding Agency AGM Matters November 2021.....	191
9.14	Rating Policy Review.....	323
10	Discussion of late items	331
11	Public excluded session	331
11.1	Litigation Report.....	331
11.2	Corporate Risk Register - Quarterly Update	331
11.3	Internal Audit - Quarterly Update.....	331
11.4	3 Waters Collaboration Project - funding	332
11.5	Financial Update from Bay Venues Limited.....	332
12	Closing Karakia.....	332

- 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 CONFIRMATION OF MINUTES

7.1 Minutes of the Strategy, Finance and Risk Committee meeting held on 20 September 2021

File Number: A13010227

Author: Robyn Garrett, Team Leader: Committee Support

Authoriser: Robyn Garrett, Team Leader: Committee Support

RECOMMENDATIONS

That the Minutes of the Strategy, Finance and Risk Committee meeting held on 20 September 2021 be confirmed as a true and correct record.

ATTACHMENTS

- 1. Minutes of the Strategy, Finance and Risk Committee meeting held on 20 September 2021**



MINUTES

Strategy, Finance and Risk Committee Meeting

Monday, 20 September 2021

Order of Business

1	Opening Karakia	3
2	Apologies	3
2.1	Apologies	3
3	Public Forum	3
3.1	Lynne Moore - Three Waters Proposal.....	3
3.2	Ross Steele - Three Waters Proposal	4
4	Acceptance of late items	4
5	Confidential business to be transferred into the open	4
6	Change to order of business	4
7	Confirmation of Minutes	5
7.1	Open and Public Excluded minutes of the Strategy, Finance and Risk Committee meeting held on 16 August 2021	5
8	Declaration of conflicts of interest	5
9	Business	5
9.1	Mainstreets' Monitoring Report for the period to 30 June 2021	5
9.2	Audit New Zealand - report to the Commissioners on the audit of the 2021-31 Long-term Plan.....	8
9.3	Tauranga City Council Draft Annual Report 2020/21	8
9.5	Three Waters Reform Progress Update	9
9.4	Internal Audit - Procurement Health Check	10
9.6	Updated outline work programme for the Committee.....	11
9.7	Growth & Land Use Projects Progress Report - September 2021	11
9.8	Transport Strategy and Planning Progress Report - September 2021	12
10	Discussion of late items	13
11	Closing Karakia	13

MINUTES OF TAURANGA CITY COUNCIL**STRATEGY, FINANCE AND RISK COMMITTEE MEETING
HELD AT THE TAURANGA CITY COUNCIL, COUNCIL CHAMBERS, 91 WILLOW STREET,
TAURANGA
ON MONDAY, 20 SEPTEMBER 2021 AT 10.30AM**

PRESENT: Commission Chair Anne Tolley, Dr Wayne Beilby (Deputy Chairperson), Commissioner Stephen Selwood (via video link), Commissioner Bill Wasley, Ms Matire Duncan, Mr Te Pio Kawe and Ms Rohario Murray

IN ATTENDANCE: Marty Grenfell (Chief Executive), Paul Davidson (General Manager: Corporate Services), Susan Jamieson (General Manager: People & Engagement) (via video link), Nic Johansson (General Manager: Infrastructure), Christine Jones (General Manager: Strategy & Growth), Gareth Wallis (General Manager: Community Services), Michael Vujnovich (Manager: Project Tauranga), Anne Blakeway (Manager: Community Partnerships) (via video link), Kathryn Sharplin (Manager: Finance), Jon Hobbs (Internal Auditor), Steve Burton (Director of City Waters), Jeremy Boase (Manager: Strategy & Corporate Planning), Andy Mead (Manager: City & Infrastructure Planning), Alistair Talbot (Team Leader: Transport Strategy & Planning), Coral Hair (Manager: Democracy Services), Robyn Garrett (Team Leader: Committee Support) and Jenny Teeuwen (Committee Advisor)

1 OPENING KARAKIA

Mr Te Pio Kawe opened the meeting with a karakia.

2 APOLOGIES**2.1 Apologies****COMMITTEE RESOLUTION SFR5/21/1**

Moved: Commissioner Bill Wasley

Seconded: Dr Wayne Beilby

That the apologies for absence from Commissioner Shadrach Rolleston and Mr Bruce Robertson be received and accepted.

CARRIED

3 PUBLIC FORUM**3.1 Lynne Moore - Three Waters Proposal****Key points**

- Ms Moore spoke in opposition to the Three Waters proposal.
- The current system was not old and was well maintained and upgraded as required.
- The proposal would see assets that belonged to the people of Tauranga given away with little consultation with the people who owned the assets, the ratepayers.

- The proposal was one-sided - \$48 million for assets that were worth \$1.6 billion.
- It was unacceptable that the Commissioners were considering the proposal.
- Ms Moore requested that a referendum be held so that the people of Tauranga could have their say and be heard.

3.2 Ross Steele - Three Waters Proposal

Key points

- Mr Steele was concerned about the Three Waters proposal. He believed the government was trying to strongarm 67 local authorities throughout New Zealand to give up their water related assets and infrastructure for a pittance of the true value of those assets.
- In Tauranga, the offer was \$48 million. The water assets of the city were valued in the region of \$1.3 billion to \$1.6 billion.
- The Commission were required to communicate with the community openly and honestly and to act with absolute integrity and transparency. The Commission had a moral obligation to look after the assets of the Tauranga City Council (TCC) on behalf of the ratepayers.
- Mr Steele requested that a binding referendum on the topic of the Three Waters proposal be held to allow all ratepayers to have their say.
- Mr Steele challenged the Commission to do what was right for the ratepayers and opt out of the proposal. The assets were not Council's to give away.

Commission Chair comment

The Commission was not making a decision, and could not make a decision, on such a significant asset owned by the ratepayers without going to the people first. The Government, whose reform it was, was not yet asking for that decision to be made. Councils had been asked to get the views of their communities on the proposed reform and report those back to the Government. The Local Government Act 2002 protected the interests of the ratepayer and if a decision was to be made on the significant assets of Tauranga's waters, then there would be a formal consultation process. The Commission were aware of the groundswell of worry and concern about what was going to happen. There was still uncertainty around whether a decision would be required from ratepayers or whether the Government would make the reform mandatory. The Commission wanted to know what was ahead for Tauranga as soon as possible and so had requested that Central Government get on with it, as just talking about the proposed reform created uncertainty and considerable concern and fear in Tauranga's communities. It was noted that the proposal stated that ownership of the assets would be retained by the ratepayers through their local authority.

The Commission Chair Anne Tolley thanked Ms Moore and Mr Steele for their presentations.

4 ACCEPTANCE OF LATE ITEMS

Nil

5 CONFIDENTIAL BUSINESS TO BE TRANSFERRED INTO THE OPEN

Nil

6 CHANGE TO ORDER OF BUSINESS

Nil

7 CONFIRMATION OF MINUTES

7.1 Open and Public Excluded minutes of the Strategy, Finance and Risk Committee meeting held on 16 August 2021

COMMITTEE RESOLUTION SFR5/21/2

Moved: Commissioner Bill Wasley

Seconded: Ms Rohario Murray

That the Strategy, Finance and Risk Committee:

- (a) Confirms the open minutes of the Strategy, Finance and Risk Committee meeting held on 16 August 2021 as a true and correct record.
- (b) Confirms the public excluded minutes of the Strategy, Finance and Risk Committee meeting held on 16 August 2021 as a true and correct record.

CARRIED

8 DECLARATION OF CONFLICTS OF INTEREST

The following conflicts of interest were noted:

- Ms Matire Duncan, in relation to item 9.5 as she was a member of the TCC project team for the Three Waters reform that had been established internally.
- Ms Rohario Murray, in relation to item 9.7 and anything connected to Resource Management Act 1991 (RMA) reforms, as she was an employee of the Ministry for the Environment.

9 BUSINESS

9.1 Mainstreets' Monitoring Report for the period to 30 June 2021

Staff Michael Vujnovich, Manager: Project Tauranga
Anne Blakeway, Manager: Community Partnerships

External Sally Cooke and Brian Berry, Mainstreet Downtown
Claudia West and Malika Ganley, Mount Business Association
Sally Benning and Sue Blomquist, Greerton Mainstreet

Mainstreet Downtown, Mount Business Association and Greerton Mainstreet were invited to make presentations to the Commission.

Mainstreet Downtown

- **Key points**
 - Mr Berry and Ms Cooke provided an update on what had happened since the end of the report period.
 - The economy was in a stronger position than expected prior to the recent COVID outbreak.
 - In the recent lockdown, Mainstreet Downtown had provided an amplified support role with wrap around support to businesses; as much as was needed.
 - It was important that the COVID situation did not overshadow the critical challenges and issues the City Centre was experiencing, which had not gone away.

- The co-operation with Greerton Mainstreet regarding “Buy Local” was still in place.
 - During COVID level four and three restrictions, Mainstreet Downtown deployed digital communication profiling with over 60 individual members. This was important as Mainstreet Downtown had 10,000 visitors to their website monthly, over 7,000 customers on their email databases and an audience of around 9,000 on their Facebook page. Feedback from the businesses had been positive.
 - Mainstreet Downtown had welcomed the recent opportunity to meet with Mr Max Pedersen as part of the TCC review of the Mainstreets. They were looking forward to receiving feedback and the recommendations and awaited the opportunity to provide feedback on those recommendations.
- **In response to questions**
 - There was a lack of cohesion with TCC at a strategic level. A lot more could be achieved by working together. Mainstreet Downtown would like to see better communication, rather than being kept at arm’s length, and a better understanding about what each party was doing.
 - Priority One’s focus was on economic development which was not necessarily Mainstreet Downtown’s role; however, Mainstreet Downtown did meet regularly with Priority One and believed they were on the same page and heading in the same direction.
 - Papamoa Mainstreet had a different make-up and model that it worked under. There was an appetite for a more collaborative strategic approach across the Mainstreets, but care was needed regarding a one size fits all model as the different areas had different challenges.

Mount Business Association

A copy of the presentation for this item can be viewed on Tauranga City Council’s website in the Minutes Attachments document for this committee meeting.

- **Key Points**
 - Key achievements for the reporting period included key events i.e. Sunday cinema and Tunes at Noon, held at Te Papa o Ngā Manu Porotakataka.
 - Key initiatives included website development, taking over the i-Site pod from Tourism Bay of Plenty, strategy sessions, submitting to TCC’s LTP, and developing a new branding identity.
 - Key activities included assessing member communications needs and an overhaul of the member database.
 - Key issues and challenges included bringing financial auditing up to date, working through a restructure, and member engagement.
 - Future activities included the AGM which had been delayed due to COVID and was now scheduled for next week, the roll out of the Destination Marketing Plan, and finalising financials.
- **In response to questions**
 - Member engagement was a challenge as nothing had been done in this space in the last couple of years. With the new Board and more consistent staff, it was expected that member engagement would improve.
 - The Mount Business Association had not consulted with tangata whenua over the new logo design. It was suggested that the local iwi be contacted for their advice and agreement.
 - A culture fest was planned for the coming school holidays which would include a skate pump track.

Greerton Mainstreet

- **Key Points**
 - Greerton was a community village, not dominated by chain stores. It was in close proximity to a primary and secondary school, and was within mobility scooter distance

- for the older population living in the area.
- Greerton needed a traffic counter installed, more security cameras, and no more businesses selling alcohol.
- Greerton's most successful yarn bombing event to date had just completed.
- Greerton had bounced back well since coming out of lockdown. There were few free car parks and car parks had a good turnover rate.
- It was disappointing that the annual Cherry Blossom event was not likely to happen due to COVID restrictions.
- Greerton Mainstreet had no contact from Priority One, other than they received the Priority One newsletter.
- Greerton Mainstreet would welcome strategic planning and a dedicated TCC person to raise issues and concerns with.

- **In response to questions**

- Greerton currently had two empty shops, plus the NZ Post Office building which had been empty for a number of years. Businesses that moved on were pretty quickly replaced.
- There were no regular meetings with the other Mainstreets, but they did talk and communicate with each other.

In response to questions

- The strategic gap that existed between TCC and the Mainstreet organisations had been highlighted in the report.
- The Mount Business Association's financial accounts not having been audited for some time had previously been raised in Council, but there had been no consequences.
- Having a single point of contact within TCC for the Mainstreet organisations would be helpful.
- The draft review report had been received from Mr Pedersen two weeks ago. Staff had provided feedback to Mr Pedersen a week ago and a meeting to review this would take place later this week. A final review report would then be circulated to the Commission for review and feedback before being presented to Council at the 4 October meeting.
- Commissioners supported the final review report also going out to the Mainstreets for comment and feedback. If the report went out to the Mainstreets for feedback, the final report would not be ready for the 4 October meeting, but would be presented to Council at the following meeting.

COMMITTEE RESOLUTION SFR5/21/3

Moved: Commissioner Bill Wasley

Seconded: Commissioner Stephen Selwood

That the Strategy, Finance and Risk Committee:

- (a) Receives the Mainstreets' Monitoring Report for the period to 30 June 2021.
- (b) Receives the Mount Mainstreet Report to 30 June 2021.
- (c) Receives the Mainstreet Tauranga Report to 30 June 2021.
- (d) Receives the Greerton Village Mainstreet Report to 30 June 2021.
- (e) Receives the Papamoa Unlimited Report to 30 June 2021.
- (f) Circulates the Pedersen Mainstreet Review Report to the Mainstreet organisations prior to consideration by Council.

CARRIED

Attachment

- 1 Presentation - Mount Business Association

9.2 Audit New Zealand - report to the Commissioners on the audit of the 2021-31 Long-term Plan

Staff Paul Davidson, General Manager: Corporate Services
Kathryn Sharplin, Manager: Finance
Josh Logan, Team Leader: Corporate Planning

In response to questions

- The peer review of the Infrastructure Strategy and Asset Management Plans was around the overall presentation. If time had allowed, a higher level of quality assurance of the documents would have occurred prior to them going to Audit New Zealand.
- The level of Waka Kotahi funding received had been higher than expected so the level of adjustment needed was less. A full reconciliation of the Long-Term Plan (LTP) against the Waka Kotahi updated funding would be presented to Council at the 4 October meeting.
- It was expected that there would be no further impact due to the previous COVID 19 lockdown. Current predictions were that around \$1.5 million of revenue would be lost due to the current COVID lockdown, largely through events, parking, and airport related fees.
- Whether there would be any penalties due to TCC's breach of the National Policy Statement for Urban Design (NPS-UD) was not yet known.

COMMITTEE RESOLUTION SFR5/21/4

Moved: Commissioner Stephen Selwood

Seconded: Mr Te Pio Kawe

That the Strategy, Finance and Risk Committee receives the report from Audit New Zealand on the audit of the 2021-31 Long-term Plan.

CARRIED

9.3 Tauranga City Council Draft Annual Report 2020/21

Staff Paul Davidson, General Manager: Corporate Services
Kathryn Sharplin, Manager: Finance

A copy of the staff presentation for this item can be viewed on Tauranga City Council's website in the Minutes Attachments document for this committee meeting.

In response to questions

- The first section which summarised the results met the tests of being both complete and transparent.
- The following suggestions for edits were made:
 - Page 8 – It was suggested that the infographics for iwi and hapū would be better placed on page 7.
 - Page 17 – Working with tangata whenua – include reference to Te Rangapū Mana Whenua o Tauranga Moana.
 - Page 23 – it needed to be made clear that the proposed timeframe for the Three Waters Reform was the Government's timeframe and could change e.g. if the Government were to decide that the reform was to be made mandatory.
 - Page 28 - regarding property prices, reference to where the median amount was obtained from and a date be added.
 - Page 30 – the table be re-titled to read "Dwelling Consents Issued" to avoid confusion.
 - Ensure the correct spelling for names is used e.g. Puhirake Ihaka (page 69).
 - A mana whenua lens be added throughout the document.
 - Include statistics of Māori in Tauranga.
 - In the Financial Overview, provide a fuller, easy to understand explanation around

depreciation and how it worked in terms of how TCC would manage renewals and fund the capital programme going forward.

- The following clarifications were made:
 - Page 37 – it was clarified that the rates to be collected for the weathertight claims was to increase the balance of the \$0.4 million Risk Management Fund.
 - Page 39 – Council Controlled Organisations – TCC's financial accounts were only consolidated when there was over 50% interest in the share of investment.

COMMITTEE RESOLUTION SFR5/21/5

Moved: Commissioner Bill Wasley

Seconded: Commissioner Stephen Selwood

That the Strategy, Finance and Risk Committee:

- (a) Receives the Report - Tauranga City Council Draft unaudited Annual Report 2020/21
 - (i) Agrees the proposed presentation of the annual report, with the comments and suggested amendments made at the meeting, including the year in review.
 - (ii) Agrees that the final surplus due to interest should be transferred to an interest rate reserve to assist to manage variability in interest rates over the next few years.

CARRIED

Attachment

- 1 Presentation - 2021-22 Draft Annual Report

Item 9.5 was taken next.

9.5 Three Waters Reform Progress Update

Staff Nic Johansson, General Manager: Infrastructure
Steve Burton, Director of City Waters
Kathryn Sharplin, Manager: Finance

The Commission Chair reiterated her comments made in the Public Forum Section of this meeting around the Three Waters reform.

Staff Comment - Nic Johansson, General Manager: Infrastructure

It should be noted that the Three Waters reform was not the only reform currently happening. Reforms of Local Government and the Resource Management Act 1991 (RMA) were also underway. Unfortunately, the Three Waters reform was not well understood, not just in Tauranga but right across the 67 councils in the country, and strong feedback had been received. This feedback would be presented to Government at the end of February. Future challenges had also not been well articulated in terms of capacity, capability and funding, and new regulations would make it even harder to provide the service. There was also the challenge of growth for Tauranga. Water services were already running at full capacity and water restrictions would need to be in place throughout the coming summer. Whilst this would be mitigated when the Waiāri Water Treatment plant became operational, the wastewater service would continue to run at the absolute maximum, and it would be difficult to stay ahead of the curve in terms of what was needed for this.

In response to questions

- 200 pieces of feedback had been received on the website so far. A full report on the feedback received would be presented to the 4 October Council meeting.
- It was clarified that the Commission had made a response to the proposed Entity B, not DIA (page 100 of the agenda).

- Analysis showed that there were quite significant benefits to TCC in terms of the debt opportunity facilitated by the reform process that would enable TCC to borrow more money for future services and capital investment going forward. To have a clear understanding of the costs and benefits and impact/risks on the ratepayer, both sides of the ledger needed to be clearly explained, in particular the long term implications of wastewater being at capacity, climate change, future stormwater management, rising environmental standards and rising health standards.

Discussion points raised

- It was noted that the previous elected council had resolved last year to become involved and work with others in the Bay of Plenty and Waikato, so collaboration work had already been underway for over a year in this space.
- Mr Stuart Crosby, President of Local Government New Zealand (LGNZ), had clearly articulated the concerns LGNZ had over the three water reforms, including the media campaign currently undertaken by the Government.
- It was unfortunate that the scheduled pop-up engagement sessions with the commissioners had not happened due to the latest COVID restrictions.

COMMITTEE RESOLUTION SFR5/21/6

Moved: Commissioner Bill Wasley

Seconded: Commissioner Stephen Selwood

That the Strategy, Finance and Risk Committee:

- (a) Receives the report Three Waters Reform Programme Update; and
- (b) Recommends to Council that it continue to support Tauranga City Council's involvement in collaborative workstreams with other local authorities in the Water Entity B area, as proposed by the Department of Internal Affairs.
- (c) Notes a full report will be presented to Council on information related to three waters reform along with initial Rangapū and community feedback on 4 October.
- (d) Notes a project team is being established internally to undertake ongoing work related to the three waters reform.

CARRIED

At 12.40pm, the meeting adjourned.

At 1.22pm, the meeting resumed.

9.4 Internal Audit - Procurement Health Check

Staff Paul Davidson, General Manager: Corporate Services
Jon Hobbs, Internal Auditor

In response to questions

- The Digital Services work programme would continually update and prioritise the digital prioritisation and change management component of TCC's procurement practices.
- Checks were carried out as part of the procurement process for a project ranging from conflict of interest forms through to background checks on suppliers' due diligence on any subcontractors they used.

COMMITTEE RESOLUTION SFR5/21/7

Moved: Commissioner Stephen Selwood

Seconded: Commissioner Bill Wasley

That the Strategy, Finance and Risk Committee receives the Procurement Health Check report.

CARRIED

9.6 Updated outline work programme for the Committee

Staff Christine Jones, General Manager: Strategy and Growth
Jeremy Boase, Manager: Strategy & Corporate Planning

One alteration was noted on page 119 of the agenda – the Criteria for City Centre Development Incentive Fund would now be presented at the 4 October Council meeting.

In response to questions

- It was suggested that if Committee members had an interest in any particular issues in the work programme, that they let staff know and the relevant information would be provided to them.
- The rates remission and postponement policies review draft would be ready for consideration and adoption through the Annual Plan process.
- A quarterly update on the work programme would be provided to the Committee.
- A review of community centres/halls would flow into the next LTP.
- The strategic priorities for affordable housing and transportation were currently reported quarterly to this Committee through the Growth and Land Use Projects Progress Report and the Transport Strategy and Planning Progress Report. Both reports were on the agenda for this meeting. To ensure a strong focus remained on these strategic priorities, it was suggested that these be reported more frequently than quarterly.

COMMITTEE RESOLUTION SFR5/21/8

Moved: Dr Wayne Beilby
Seconded: Ms Rohario Murray

That the Strategy, Finance and Risk Committee approves the outline work programme for the Committee per Attachment 1.

CARRIED

9.7 Growth & Land Use Projects Progress Report - September 2021

Staff Christine Jones, General Manager: Strategy and Growth
Andy Mead, Manager: City & Infrastructure Planning

In response to questions

- The Priority Development Area Report presented to the SmartGrowth Committee last week would be circulated to Committee members. These reports would be presented at Strategy, Finance and Risk Committee meetings going forward.
- The Infrastructure Funding and Financing paper would also be circulated to the Committee on a confidential basis.
- Priority and focus needed to turn more to affordable housing in Tauranga's development areas. Currently, all the proposed housing in these areas would be at market value, and the affordability gap in Tauranga would become even more significant. More land would need to be made available that would accommodate affordable housing. SmartGrowth work to assess the future growth opportunities in the urban areas in the east, western corridor and Te Puna, identified through the Urban Form and Transport Initiative (UFTI), was being brought forward and the Housing Action Plan adopted by SmartGrowth recently also included

some specific actions to address the affordability issue. The Government would be looking to see what TCC was doing in terms of the breach of the National Policy Statement for Urban Development (NPS-UD). Future Growth & Land Use Projects Progress Reports would include housing affordability as a key focus.

- The letter from Commissioners to central government regarding TCC's breach of the NPS-UD would be circulated to Committee members.
- If the freshwater, transport and access issues for Te Tumu and Tauriko West were not resolved, around 13,000 houses would be removed from the equation; approaching 50% of the future development capacity.
- There were also significant affordability issues for Māori land trusts in terms of papakainga. There were two funds coming up for Māori housing – one for \$380 million for construction and one for \$350 million for Māori housing. Through the priority development area, TCC had been advocating strongly for funding to be made available to assist Māori trusts to get expert advice to help them prepare applications to access this funding.
- The SmartGrowth Housing Action Plan Group was currently being established. The purpose of this group and what they would be doing would be reported back to the next meeting.
- It was suggested that the wording of paragraph 10 of the report be changed from “may be prudent” to “would be prudent”.
- It was requested that care was used in the use of language in the report e.g. for paragraph 9(b) of the report, it could be perceived that the delays were because of Māori. It was suggested that the word “complications” could be replaced with “matters”. More sensitivity was required for the language used in relation to Māori and Māori land.

COMMITTEE RESOLUTION SFR5/21/9

Moved: Commissioner Stephen Selwood

Seconded: Commissioner Bill Wasley

That the Strategy, Finance and Risk Committee:

- (a) Receives the Growth and Land Use Projects Progress Report – September 2021.
- (b) Notes the work programme for SmartGrowth is going to include an assessment of future additional development options and affordable housing options.

CARRIED

9.8 Transport Strategy and Planning Progress Report - September 2021

Staff Christine Jones, General Manager: Strategy and Growth
 Andy Mead, Manager: City & Infrastructure Planning
 Alistair Talbot, Team Leader: Transport Strategy & Planning

In response to questions

- Funding through the National Land Transport Programme for the Totara Street cycleway had been approved this week for this financial year.
- TCC had met with Māori trust board members last week regarding what was happening with the Wairakei town centre and the Te Tumu Interchange. TCC was also supporting the trust board in terms of communication, so that they had a skilled person who spoke te reo and had a good understanding of cultural issues to assist them to communicate and connect with beneficiaries.
- It was still anticipated that the “spade in the ground” for the Tauranga Northern Link (TNL) would happen by the end of 2021. The tolling aspect was running in conjunction with the project and would not hold the project up.
- The bus service operating model was not expected to be available before the end of next year. The work currently being undertaken in Cameron Road could change the focus of where a city centre bus facility should be. TCC was working with the Bay of Plenty Regional

Council to make sure the scope covered this. If the size and scale of the facility changed from what was originally anticipated, it would be easier to find appropriate locations.

- Four priorities had been identified for the Hewletts Road area – freight, public transport, general traffic, and the active modes of cycling and walking. The option mix would need to be developed to find the right solution across priorities for all four modes. The focus would not just be on public transport and inter-regional freight.
- The business case for the Hull/Hewletts/Totara area would provide a problem definition at the corridor/intersection level.
- Reasonable information was already available on commercial vs freight vs private for the Hull/Hewletts/Totara area, but more would need to be obtained. Rail could provide some elements for the solutions for the area so would remain a key part of it.

COMMITTEE RESOLUTION SFR5/21/10

Moved: Commissioner Stephen Selwood

Seconded: Commissioner Bill Wasley

That the Strategy, Finance and Risk Committee receives the Transport Strategy and Planning Progress Report – September 2021.

CARRIED

10 DISCUSSION OF LATE ITEMS

Nil

11 CLOSING KARAKIA

Ms Rohario Murray closed the meeting with a karakia.

The meeting closed at 2.45pm.

The minutes of this meeting were confirmed as a true and correct record at the Strategy, Finance and Risk Committee Meeting held on 1 November 2021.

.....
CHAIRPERSON

8 DECLARATION OF CONFLICTS OF INTEREST

9 BUSINESS

9.1 Local Alcohol Policy

File Number: A12927417

Author: Ariell King, Team Leader: Policy

Rebecca Gallagher, Policy Analyst

Jeremy Boase, Manager: Strategy and Corporate Planning

Jane Barnett, Policy Analyst

Authoriser: Barbara Dempsey, General Manager: Regulatory & Compliance

PURPOSE OF THE REPORT

1. To consider the background information required under section 78(2) of the Sale and Supply of Alcohol Act 2012 and adopt a draft Local Alcohol Policy and Statement of Proposal for consultation.

RECOMMENDATIONS

That the Strategy, Finance and Risk Committee:

- (a) Receives the information required under section 78(2) of the Sale and Supply of Alcohol Act 2012 (attachment one)
- (b) Agrees to retain the content of the current Local Alcohol Policy with the following changes
 - (i) Introduce a new section in the draft Local Alcohol Policy for club licences to provide clarity for the community and applicants (option b (1))
 - (ii) Propose a reduction in the opening hours in the Tauranga City Centre with a proposed closing time of 2:00am instead of 3:00am (option b (2))
 - (iii) Amend the one-way door restriction to commence at 1am instead of 2am to align with the proposed change in hours above.
- (c) Notes that the policy will no longer be a joint policy with Western Bay of Plenty District Council.
- (d) Adopts the draft Tauranga Local Alcohol Policy (attachment two) and the Statement of Proposal (attachment three) for consultation from 17 November 2021 to 20 December 2021.
- (e) Authorises the Chief Executive to make any necessary minor drafting or presentation amendments to the draft Local Alcohol Policy, the Statement of Proposal and the related consultation material prior to the commencement of consultation.

EXECUTIVE SUMMARY

2. Tauranga and Western Bay of Plenty District's Joint Local Alcohol Policy (LAP) was adopted on the 22 July 2015. It sets out decisions about the sale and supply of alcohol in Tauranga and the Western Bay.
3. The LAP is made under the Sale and Supply of Alcohol Act 2012 (the Act), with a review required every six years. This review has begun and has been undertaken in accordance with the requirements set out in the Act. This includes the required engagement with the Police, the Medical Officer of Health and the Licensing Inspectors.
4. The Committee is now able to consider the background report and draft Local Alcohol Policy and determine if any amendments are to be proposed for consultation.

5. There are three changes recommended to the existing policy. This includes creating an individual policy rather than a joint one, separating the club licence requirements from the on-licence requirements and a slight reduction in trading hours for on-licences in the Tauranga City Centre from 3:00am to 2:00am. This would also require an amendment to the times of the one-way door restrictions.
6. Regardless of which option the committee supports, consultation is required using the special consultative procedure. This consultation will take place from mid-November to mid-December 2021.

BACKGROUND

7. Tauranga and Western Bay of Plenty District's Joint Local Alcohol Policy (LAP) was adopted on the 22 July 2015. It sets out decisions about the sale and supply of alcohol in Tauranga and the Western Bay.
8. The LAP is made under the Sale and Supply of Alcohol Act 2012 (the Act). The objectives of this Act are that:
 - the sale, supply, and consumption of alcohol should be undertaken safely and responsibly; and
 - the harm caused by the excessive or inappropriate consumption of alcohol should be minimised.
9. The Act sets out the requirements regarding local alcohol policies. Section 75 allows territorial authorities to develop local alcohol policies if they choose to.
10. Section 97 of Act requires that the LAP be reviewed, using the special consultative procedure, six years after it came into effect.
11. Section 77 sets out the contents of policies:
 1. *A local alcohol policy may include policies on any or all of the following matters relating to licensing (and no others):*
 - a. *location of licensed premises by reference to broad areas*
 - b. *location of licensed premises by reference to proximity to premises of a particular kind or kinds*
 - c. *location of licensed premises by reference to proximity to facilities of a particular kind or kinds*
 - d. *whether further licences (or licences of a particular kind or kinds) should be issued for premises in the district concerned, or any stated part of the district*
 - e. *maximum trading hours*
 - f. *the issue of licences, or licences of a particular kind or kinds, subject to discretionary conditions*
 - g. *one-way door restrictions.*
 2. *Paragraphs (a) to (d) of subsection (1) do not apply to special licences, or premises for which a special licence is held or has been applied for. A local alcohol policy must not include policies on any matter not relating to licensing.*
12. District Licensing Committees must have regard to any relevant LAP (Section 105 (1) (c)).
13. Council has a role in alcohol licensing, through the LAP, administration of the District Licensing Committee (DLC), and its regulatory and enforcement roles (including the Council Alcohol Licensing Inspector).

Current Local Alcohol Policy

14. The key components of the current policy for Tauranga and Western Bay of Plenty are set out in Table one. The current policy can be found at [lap_policy \(tauranga.govt.nz\)](http://lap_policy(tauranga.govt.nz))

Table One – Current Local Alcohol Policy

	Tauranga	Western Bay of Plenty	Common
Off-licence maximum hours	7am – 10pm	7am – 10pm	√
On-licence maximum hours – excluding Tauranga city centre	9am – 1am	9am – 1am	√
On-licence maximum hours – Tauranga city centre	9am – 3am		
One-way door on-licensed premises licensed until after 2am	Only applies to Tauranga city centre as per attachment 1 of the policy		
On-licence discretionary conditions			√
Special licence discretionary conditions			√

LAP REVIEW

15. As noted above, a LAP is required to be reviewed every six years. The process for review is prescribed in subpart 2 of the Act. It includes requirements for a draft LAP, consultation, a provisional LAP and in certain situations, appeals.
16. Section 78(2) of the Act requires Council to have regard to a number of matters before preparing (and reviewing) a draft LAP:
- Objectives and policies of its district plan;
 - The number of licences of each kind held for premises in its district, and the location and opening hours of each of the premises;
 - Any areas in which bylaws prohibiting alcohol in public places are in force;
 - The demographics of the district's residents;
 - The demographics of people who visit the district as tourists or holiday makers;
 - The overall health indicators of the district's residents and;
 - The nature and severity of the alcohol-related problems arising in the district;
 - Other indicators may also be considered including crime, traffic accidents and hospital admissions to help understand the nature and severity of alcohol related problems.
17. In preparing a draft LAP Council has considered these matters. This information is provided in the research report (attachment one).
18. The review process requires Council to consult Police, inspectors, and the Medical Officer of Health, before producing and adopting a draft LAP for consultation. Consultation has been undertaken with these stakeholders and their feedback is attached to the research report (attachment one). A summary of the feedback is provided in table two below:

Table Two: Feedback from Stakeholders identified in the Act

Stakeholder	Summary of Feedback
Medical Officer of Health (MoH)	Support for LAP Support strengthening of LAP as follows:

Stakeholder	Summary of Feedback
	<ul style="list-style-type: none"> • Define maximum alcohol outlet density in specific areas and zones • Reduce off-licensed premises trading hours • Implement a one-way door policy in the last hour of opening for all on-licensed premises that are open after 1.00am • Proximity of alcohol outlets need to be capped at current levels within a specified footpath distance from schools and other education facilities. • Reference research linking the density and trading hours with increased alcohol consumption and related harm.
Western Bay of Plenty Police	<p>Support retaining the LAP</p> <p><i>"A LAP is essentially to ensure the sale, supply and consumption of alcohol is undertaken in a safe and responsible manner and the harm caused by the excessive consumption of alcohol is minimised"</i>.</p> <p>Propose the following</p> <ul style="list-style-type: none"> • On-licensed premises in the Tauranga CBD close at 2am instead of the current 3am permitted closing time. • One-way door restriction for any licensed premise that operates past midnight that takes effect one hour prior to closing • Limiting the areas where licensed premises would be allowed. It is proposed that none are located in areas zoned as industrial and that the areas considered as 'entertainment precincts' are limited to areas such as the Tauranga and Mount Maunganui CBD. • A limit on the number of licensed premises in any one area and also the ability to ensure licensed premises are not in vulnerable communities. <p>Provide evidence to support reducing the closing time of on-licensed premises in the CBD.</p> <ul style="list-style-type: none"> • Data of the occurrence of victimisation for the two main mesh blocks in the Tauranga CBD area highlights the increased crime and disorder between midnight and 4am Saturday and Sunday mornings. • Testimonials also give evidence of the high level of disorder and crime during these hours.
Licensing Inspectors	<p>Note benefits from having the LAP.</p> <p>Without the LAP there is likely to be an increase in hearing for applications.</p> <p>Unclear how practical it would be to include a proposed density or a sinking lid</p>

19. We have also sought initial feedback with the appellants to the 2015 policy, current licence holders, all Hauora operating in the region and some local support services. The feedback received is included in the research report (attachment one).

Joint or individual policy

20. Council currently has a joint policy with Western Bay of Plenty District Council (WBOPDC). WBOPDC have confirmed at their Policy Committee meeting on 19 October 2021 that they wish to have an individual policy. As such Council will also be pursuing an individual policy.

OPTIONS ANALYSIS

21. The Council has three options available in regard to the review of the LAP:

- a) Retain the current policy as is (as an individual policy)
- b) Amend the policy
- c) Revoke the current policy

22. All options require consultation using the special consultative procedure.

Option a – Retain the current policy as is (as an individual policy)

23. This option retains the current policy with the only change being the separation of the policy from WBOPDC. The advantages and disadvantages of this option are outlined below.

Advantages	Disadvantages
<ul style="list-style-type: none"> • The DLC are still able to issue licences in accordance with the LAP conditions/requirements • Likely to be supported by those who appealed the last draft policy as there is no change and the current policy has been generally supported by these parties. This is likely to result in a less expensive process with less likelihood of a costly and lengthy legal challenge. 	<ul style="list-style-type: none"> • No additional changes proposed that could potentially address alcohol harm • Does not reflect the changes that the Police, Medical Officer of Health and inspectors have proposed. Unlikely to be supported by other community groups that are involved in this area. Initial feedback suggests that they would prefer stronger and additional measures to be included in the draft LAP.

Option b – Amend the policy taking into consideration initial feedback from stakeholders - recommended

24. This option would see the existing policy amended taking into consideration the initial feedback from stakeholders. This option would also see a separation from WBOPDC.
25. The proposed amendments with corresponding advantages and disadvantages of each are set out below. Where an amendment is recommended by staff they are also included as red text in the draft LAP (attachment two):

Option b (1) - recommended

26. Separate section in the draft LAP for Clubs rather than being included in the off-licence section.

Advantages	Disadvantages
<ul style="list-style-type: none"> • Provides clarity for the different types of licence holders • Does not introduce new provisions, is simply an administrative change to the policy. 	<ul style="list-style-type: none"> • Nil

Option b (2) – recommended

27. Reduce the opening hours in the Tauranga City Centre (as defined in Schedule 1 of the draft LAP) with a proposed closing time of 2:00am instead of 3:00am. This will also have the consequential effect of reducing the one-way door timeframes by one hour (as illustrated in the draft policy).

Advantages	Disadvantages
<ul style="list-style-type: none"> • Reflects changes that are supported by the Police and Medical Officer of Health • May assist in reducing alcohol harm in the community • Likely to be supported by other community groups that are involved in this area. Initial feedback suggests that they would prefer stronger and additional measures to be included in the draft LAP • Likely to result in fewer patrons from other areas of the region travelling to the Tauranga City Centre following a closing time of 1:00pm in other locations e.g. The Mount. 	<ul style="list-style-type: none"> • May not be supported by current licence holders in the Tauranga City Centre. This may result in an expensive process with a high likelihood of a costly and lengthy legal challenge.

Option b (3) – not recommended

28. Reduce maximum trading hours for off-licences.

Advantages	Disadvantages
<ul style="list-style-type: none"> • Reflects changes that are supported by the Medical Officer of Health • Likely to be supported by other community groups that are involved in this. 	<ul style="list-style-type: none"> • Unlikely to be supported by current licence holders. This may result in an expensive process with a high likelihood of a costly and lengthy legal challenge. • May be difficult to provide evidence in any potential appeal process that a reduction in the maximum trading hours would directly result in a reduction in alcohol harm.

Option b (4) – not recommended

29. Create a density cap for the number of licenses in any particular area.

Advantages	Disadvantages
<ul style="list-style-type: none"> • Reflects changes that are supported by the Police and Medical Officer of Health • May assist in reducing alcohol harm in the community • Likely to be supported by other community groups that are involved in this area. Initial feedback suggests that they would prefer stronger and additional 	<ul style="list-style-type: none"> • May not be supported by those who appealed the last draft policy and current licence holders. This may result in an expensive process with a high likelihood of a costly and lengthy legal challenge • Insufficient evidence and analysis currently available to determine where a density could or should apply and what would be considered an effective density.

measures to be included in the draft LAP.	It is also unclear that density in itself is the issue regarding alcohol.
---	---

Option b (5) – not recommended

30. Create specific distance requirements whereby an on or off-licence could be located in regard to a particular activity e.g. school, place of worship etc.

Advantages	Disadvantages
<ul style="list-style-type: none"> • Reflects changes that are supported by the Police and Medical Officer of Health • May assist in reducing alcohol harm in the community • Likely to be supported by other community groups that are involved in this area. Initial feedback suggests that they would prefer stronger and additional measures to be included in the draft LAP. 	<ul style="list-style-type: none"> • May not be supported by those who appealed the last draft policy and current licence holders. This is likely to result in an expensive process with a high likelihood of a costly and lengthy legal challenge • Insufficient evidence and analysis currently available to determine the specific distances and particular activities where the distance would be applied.

31. If the Committee wished to consider including amendments that were in response to option b (3), (4) or (5) additional research and analysis would be required. As such it would be advisable not to adopt a draft policy at this meeting but rather request staff to bring this information back to the Committee at a later date for consideration and adoption of a draft policy at that point in time.

Option c – Revoke the current policy – not recommended

32. This option would see the current policy revoked and not replaced with a new policy. The DLC would make all decisions regarding a new licence through the application process. The advantages and disadvantages of this option are outlined below.

Advantages	Disadvantages
<ul style="list-style-type: none"> • Nil 	<ul style="list-style-type: none"> • Removes previously agreed positions with the community regarding matters such as trading hours, one-way doors etc • Potential for appeals from key stakeholders • Will not demonstrate how Council could assist in meeting the objectives of the Act • Will not be supported by other stakeholders that have provided initial feedback.

FINANCIAL CONSIDERATIONS

33. Financial considerations regarding the decision to adopt a draft policy for consultation are constrained to the costs associated with the engagement and consultation.
34. Dependant on what is included in the draft LAP there could be future costs associated with potential appeals.

LEGAL IMPLICATIONS / RISKS

35. The legal implications and risks are dependent on the option that is supported by the Committee.
36. Option (a) decreases the risk of an appeal by current or potential future licence holders whereas this risk increases if the Committee supports the recommended options or considers amendments aligning with option b (3), (4) or (5). There is also a potential risk of adverse implications for Council's relationship with the Police, Medical Officer of Health and other stakeholders if Option a is supported by the Committee.

SIGNIFICANCE

37. 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.
38. 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.
39. In accordance with the considerations above, criteria and thresholds in the policy, it is considered that the decision to adopt a draft policy for consultation is of high significance.

ENGAGEMENT

40. The Sale and Supply of Alcohol Act 2012 requires that the special consultative procedure is undertaken regardless of which option is supported by the Committee. Accordingly, a Statement of Proposal (SOP) has been prepared (attachment three). The SOP has been prepared based on the recommendations contained in the report and will form the basis of the consultation with the community.

NEXT STEPS

41. Consultation on the draft LAP will take place between Wednesday 17 November 2021 and Monday 20 December 2021.

ATTACHMENTS

1. **Background Report (A12796258) PDF - A13010177** [↓](#)
2. **Draft Local Alcohol Policy (A12983519) (PDF) - A12998245** [↓](#)
3. **Statement of Proposal - A12995710** [↓](#)



Local Alcohol Policy Background Report 2021

Information to support the review of the local alcohol policy

Contents

1. INTRODUCTION	3
2. SALE AND SUPPLY OF ALCOHOL ACT 2012	3
3. CURRENT LOCAL ALCOHOL POLICY	4
4. REQUIRED INFORMATION.....	6
4.1 Tauranga City Plan	6
4.2 Licences in Tauranga	9
4.3 Tauranga Alcohol Control Bylaw 2018.....	12
4.4 Demographic Profile	12
4.5 Tourists and Holidaymakers.....	17
4.6 Health Indicators.....	18
4.7 Alcohol-Related Harm in Tauranga	23
5. POLICY REVIEW	26
5.1 Required PRE-CONSULTATION.....	26
5.2 Other pre engagement feedback.....	28
5.3 Joint or Individual Policy	30
5.4 The LAP review in context.....	30
BIBLIOGRAPHY	32
ATTACHMENTS.....	33
Attachment A: Police Position Statement on the LAP Review.....	33

1. INTRODUCTION

- 1.1 This report aims to identify information on alcohol related harm and the associated data required under section 78(2) of the Sale and Supply of Alcohol Act 2012 (Act) to help inform the review of the Local Alcohol Policy.
- 1.2 It is not an exhaustive research report but aims to pull together the relevant available data and information.
- 1.3 Section 2 provides information on the Sale and Supply of Alcohol Act and section 3 provides information on the history and content of the current Local Alcohol Policy.
- 1.4 Section 4 aligns with the information that must be considered when developing and reviewing a policy. Section 5 identifies the policy review questions and pulls together responses to these questions from the Police, Medical Officer of Health, Licensing Inspectors and other stakeholders that were contacted for initial feedback.

2. SALE AND SUPPLY OF ALCOHOL ACT 2012

- 2.1 The object of the Act is:
 - (a) That the sale, supply and consumption of alcohol should be undertaken safely and responsibly; and
 - (b) The harm caused by the excessive or inappropriate consumption of alcohol should be minimised.
- 2.2 Harm is defined very widely and includes any crime, damage, death, disease, disorderly behaviour, illness or injury to individuals or the community either directly or indirectly caused by excessive or inappropriate alcohol consumption.
- 2.3 Under the Act, Territorial Authorities are able to develop Local Alcohol Policies (LAPs) and section 77 sets out the matters that can be addressed through a LAP. These are:
 - Location and density of licensed premises
 - Location of licensed premises in relation to premises and facilities of a particular kind, for example schools
 - Whether any future licences should be issued for premises in the district, or any part of the district
 - Maximum trading hours
 - Discretionary conditions for the issue of licences or licences of a particular kind
 - One-way door restrictions.
- 2.4 LAPs can only consider the above matters and cannot cover unrelated licensing matters such as the price of alcohol.

- 2.5 Section 78 of the Act sets out what Council must have regard to if it decided to develop a LAP. It requires Council to have regard to several matters before preparing or reviewing a draft local alcohol policy:
- Objectives and policies of its district plan;
 - The number of licences of each kind held for premises in its district, and the location and opening hours of each of the premises;
 - Any areas in which bylaws prohibiting alcohol in public places are in force;
 - The demography of the district's residents;
 - The demography of people who visit the district as tourists or holiday makers;
 - The overall health indicators of the district's residents and;
 - The nature and severity of the alcohol-related problems arising in the district.
- 2.6 Council must also consult with the Police, Licensing Inspectors and Medical Officers of Health when developing and reviewing a draft policy.
- 2.7 The Act prescribes the process for developing a LAP. It involves a number of steps including a draft policy, consultation, a provisional policy, an appeal period so appeals may be received and require resolution.
- 2.8 The only ground on which an element of the provisional policy can be appealed against is that it is unreasonable in light of the object of the Act. The alcohol regulatory and licensing authority considers the appeals.
- 2.9 District Licensing Committees (DLCs) must have regard to a LAP if it is in place when they are deciding whether to grant a licence and what conditions will be attached to that licence.
- 2.10 Section 97 of Act requires that the LAPs be reviewed, using the special consultative procedure, six years after they come into force.

3. CURRENT LOCAL ALCOHOL POLICY

- 3.1 Tauranga and Western Bay of Plenty District's Joint Local Alcohol Policy (LAP) was adopted on the 22 July 2015.
- 3.2 Work on the current policy started in 2012, with a draft policy adopted for public consultation in July 2013. Over 1000 submissions were received and a provisional policy was adopted in January 2014. Four appeals were received, and these were settled by consent order and the policy came into effect in November 2015.
- 3.3 Therefore, a number of changes were made during the development of the policy. See table 1 below.

Table 1: Policy conditions during the development of the Tauranga and Western Bay Local Alcohol Policy

Policy condition – section 77	Draft Policy adopted 30 July 2013	Provisional Policy adopted 26 Nov 2013	Final Policy adopted 22 July 2015 in force 16 Nov 2015
(a) Location of licensed premises by reference to broad areas	No new licensed premises in areas zoned 'industrial in either the City Plan or District Plan'.	Not mentioned	Not mentioned
(b) Location of licensed premises by reference to proximity of premises of a particular kind or kinds	No new licensed premises within 500m of a bottle store or an off-licence issued to a hotel or tavern. (Tauranga CBD exempt)	DLC to have regard to the issue of proximity in relation to other bottle stores or off-licences issued to a hotel or tavern when issuing or renewing off-licences.	No restrictions
(c) Location of licensed premises by reference to proximity of facilities of a particular kind or kinds	No new licensed premises within 500m of an early childhood centre, primary school or secondary school (Does not apply to Tauranga CBD)	DLC to have regard to the issue of proximity in relation to educational facilities when issuing or renewing off-licences.	No restrictions
(d) whether further licences (or licences of a particular kind or kinds) should be issued for premises in the district concerned, or any stated part of the district	Total number of off licensed premises will not exceed a ration of one licensed premises per 2 868 (Applies only to bottle stores and off-licences issued to hotels or taverns).	Total number of off-licensed premises will not exceed the number of off-licensed premises that currently exist in each ward area.	No restrictions
(e) maximum trading hours:	Bottle stores and off licensed premises 7am-9pm Supermarkets and grocery stores 7am-9pm Hotels 7am- 3am All other on-licensed premises 8am -3am	Off-licences 7am-10pm On licences – excluding Tauranga CBD) 9am- 1 am On-licences in CDB 9am-3am	Same as Provisional
(f) the issue of licences, or licences of a particular kind or kinds, subject to discretionary conditions:	No discretionary conditions	2 for off-licences including club licences 18 for on-licences 16 for special licences	No discretionary conditions for off-licences Same conditions for on-licences and special licences
(g) one-way door restrictions.	Any on-licensed premises licenced until after 2am shall have a one-way door restriction in place from 2am.	Same as draft	Same as draft

3.4 Table two shows the content of the current policy and the common policy settings for both Tauranga and the Western Bay of Plenty.

Table Two: Policy conditions in the Joint Tauranga and Western Bay of Plenty Council LAP

	Tauranga	Western Bay of Plenty	Common
Off-licence maximum hours	7am – 10pm	7am – 10pm	✓
On-licence maximum hours – excluding Tauranga city centre	9am – 1am	9am – 1am	✓
On-licence maximum hours – Tauranga city centre	9am – 3am		
One-way door on-licensed premises licensed until after 2am	Only applies to Tauranga city centre		
On-licence discretionary conditions			✓
Special licence discretionary conditions			✓

- 3.5 The LAP gives direction to the two DLCs (the Western Bay of Plenty DLC and the Tauranga DLC) and helps inform their decisions on licence applications and renewals.
- 3.6 While the LAP sets out discretionary conditions for on-licences and special licences, this does not prevent the DLC from issuing any other conditions (section 117 of the Act).

4. REQUIRED INFORMATION

4.1 TAURANGA CITY PLAN

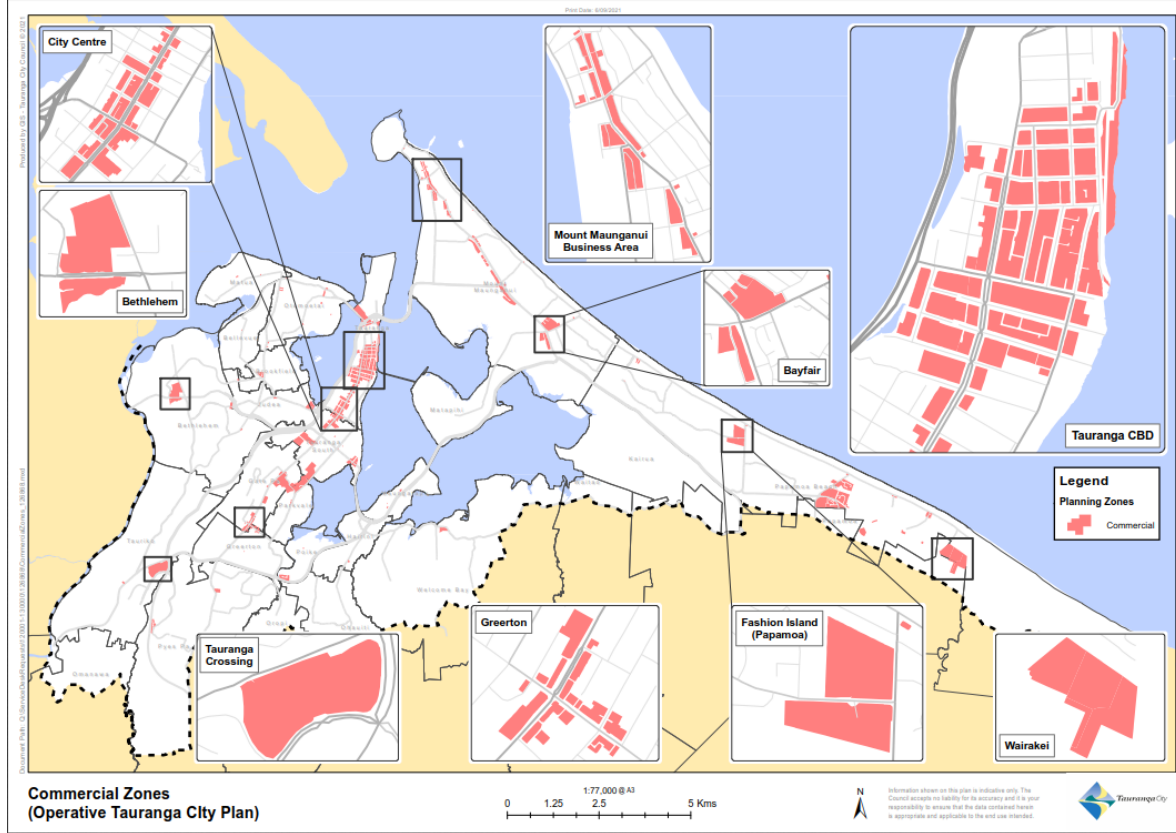
When producing a draft policy, a territorial authority must have regard to the objectives and policies of its district plan - section 78(2)(a).

- 4.1.1 The Tauranga City Plan provides the rules for how people can build or develop the land they own in the city. The plan is constantly evolving and undergoing review to meet the changing needs, demands and resources of the regions.
- 4.1.2 Places which sell alcohol can be established in commercial zones identified in the City Plan. The commercial zones are identified in map one below. The relevant high-level purposes of each of the commercial zones are identified in the table 3 below.

Table 3: Purpose and Objectives of Commercial Zones

Section	Reference	Relevant Purpose/Objective
Commercial Zones	17A	To provide key focal points for commercial developments that are efficiently located throughout the transport network
City Centre Zone	17A.1	To maintain and enhance the role and function of the City Centre as the principal retail, commercial, city, entertainment and cultural centre of the City and the Western Bay of Plenty Subregion.
Commercial Zones	17A.2	The purpose of the Commercial Zone is to provide for the development of a broad spectrum of uses in consolidated locations. The Commercial Zone provides a variety of environments for commercial development recognising the need to provide flexibility within the zone for the marketplace
Tauriko Commercial Zone	17A.3	The Tauriko Commercial Zone provides for a significant sub-regional shopping centre at Tauriko. This zone has a specific focus on local amenity and the surrounding <i>environment</i> , recognising the considerations of the topography and landscape.
Wairakei Town Centre and Wairakei Neighbourhood Centre Zones	17A.4	The Wairakei Town Centre Zone provides for a significant new sub-regional commercial business area to serve urban growth in Papamoa East (Wairakei and Te Tumu).

Map one: Commerical Zones Operative Tauranga City Plan



- 4.1.3 In addition to the Commercial Zone areas, the City Plan also includes a specific rule relating to Open Space Zones. This Open Space Zones rule has the effect of limiting all activities, including those relating to the Sale and Supply of Alcohol. The rule is:

4E.2.10 Open Space Zones

(c) Every activity shall be conducted to ensure the activity, as well as traffic and people movement generated by the activity, is limited to between 0700 and 2200 Sunday to Thursday, and 0700 and 2400 Friday and Saturday

- 4.1.4 While the rest of rule 4E.2.10 relates to the effect of noise, rule (c) limits the use of all open space zones areas (such as Council reserves) to certain timeframes during the week, and relates to all activities – whether they be an outdoor use or indoor use – and is not dependant on what noise is emanated from the site.
- 4.1.5 The rule also requires that the activity finish by a specific timeframe and the people have left the reserve within that specified timeframe. The purpose of this rule is to manage the amenity of neighbouring residential properties from noise and disturbance of the activity within the reserve. The relevant objective and policy are documented in the table below:

Table 4: Open Space rule objectives

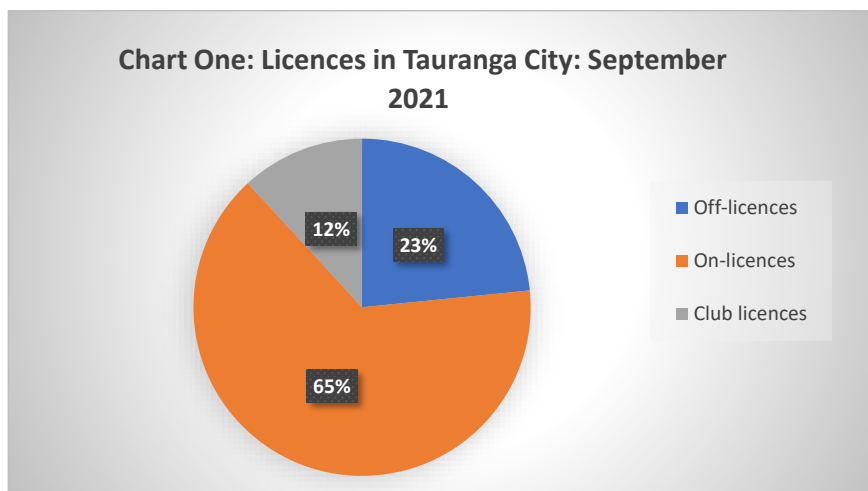
Title	Reference	Objective/Policy
Objective - Adverse Effects on the Surrounding Environment	13A.4.6	<i>Buildings, structures and activities on land zoned Open Space does not adversely affect the surrounding environment's amenity, landscape character, streetscape and/or heritage or cultural values.</i>
Policy - Adverse Effects on the Surrounding Environment	13A.4.6.1	<i>By ensuring that buildings, structures and activities on land zoned Open Space are designed, sited, operated and maintained to address the potential adverse effects:</i> <ol style="list-style-type: none"> a. Of noise and light emissions; b. On the amenity values of the surrounding environment, including its landscape character and streetscape; c. On the amenity values of sites, buildings, places or areas of: <ol style="list-style-type: none"> i. Indigenous flora and fauna ii. Heritage, cultural or archaeological value.

4.2 LICENCES IN TAURANGA

When preparing a draft policy, a territorial authority must have regard to the number of licences of each kind held for premises in its district, and the location and opening hours of each of the premises - section 78(2)(b)

Licence Numbers

- 4.2.1 Tauranga has 346 club, on or off licences issued to 337 premises (note that 9 premises may have both an on and off licence) – as at September 2021. Most licences (65%) are on licences issued to bars, restaurants and cafes. The remaining licences are made up off licences (23%) and club licences (12%).



4.2.2 The total number of licences in Tauranga City has increased by 12% since 2015 (when the current LAP came into effect). However, the number of off licences has grown by 19%. Over the same period Tauranga's population is estimated to have increased by around 16%.

4.2.3 A breakdown of the different licence increases is outlined below:

Table 5: Breakdown of licences in Tauranga

Licence Type	Description	Number (August 2021)	Number (August 2015)	% Change
Off Licences	Bottle stores, grocery stores, supermarkets, remote sales	81	68	19%
On Licences	Bars, cafes, restaurants	224	200	12%
Club Licences	RSA, sports clubs	41	41	0%
Total Licences	All types	346	309	12%

4.2.4 A total of 1596 Special Licences were issued over the past 5 years. 248 were issued in 2020.

Opening Hours

4.2.4 All opening hours for off-licences and on-licences are consistent with the Local Alcohol Policy.

4.2.5 The opening hours granted for off-licences are 7am to 10pm. However, the operating hours for the off-licensed premises vary but are all within the maximum hours.

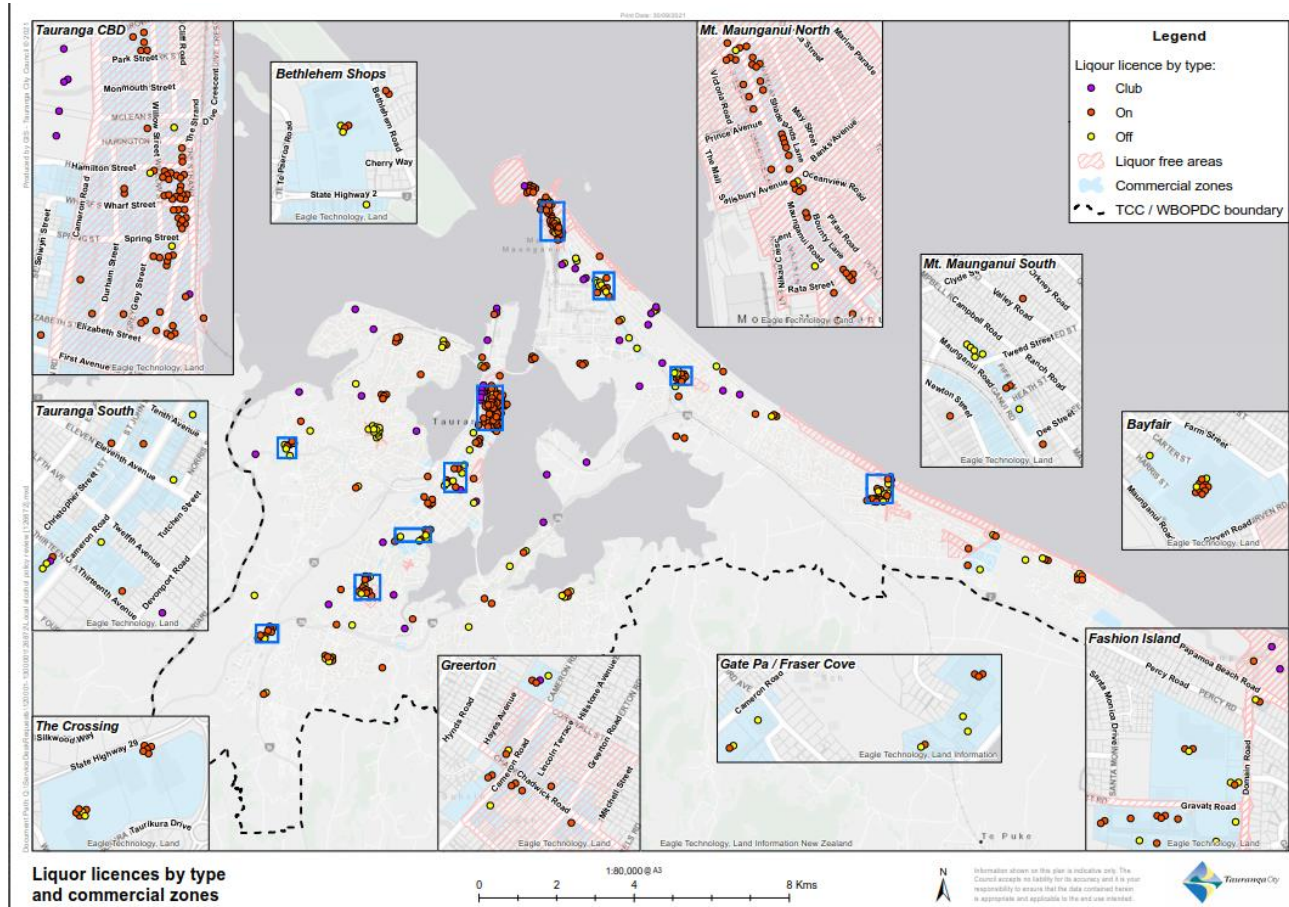
4.2.6 The opening hours for on-licences in the CBD is 9am to 3am the following day. However, the operating hours for the on-licensed premises vary.

4.2.7 The opening hours for on-licences outside of the CBD are 9am to 1am the following day. However, the operating hours for the on-licensed premises vary.

Location

4.2.8 The locations of all premises are identified in Map 2 below.

Map 2: Location of Licensed Premises in Tauranga



4.3 TAURANGA ALCOHOL CONTROL BYLAW 2018

When preparing a draft policy, a territorial authority must have regard to any areas in which bylaws prohibiting alcohol in public places are in force - section 78(2)(c)

- 4.3.1 Tauranga has a mix of permanent and temporary alcohol-free areas set out in the Tauranga Alcohol Control Bylaw 2018. There are 9 areas across the city that are permanent alcohol free areas all year and 2 more bans that come into place over the New Year period.

Table 6: Alcohol-free areas in Tauranga

Permanent Bans Areas	Time
Tauranga CBD	24 hours, 7 days a week
Mount Maunganui	24 hours, 7 days a week
Memorial Park	24 hours, 7 days a week
Merivale	24 hours, 7 days a week
Waitaha Reserve and Welcome Bay Hall	24 hours, 7 days a week
Arataki Park	24 hours, 7 days a week
Greerton	24 hours, 7 days a week
Papamoa Beach	9pm – 7am, 7 days a week
Topaz Drive Reserve, part of Domain Road and Gravatt Road	24 hours, 7 days a week
Brookfield	24 hours, 7 days a week
New Year Bans	
Mount Maunganui - extension of permanent ban area	26 December – 6 January 24 hours, 7 days a week
Papamoa Beach	26 December – 6 January 24 hours, 7 days a week

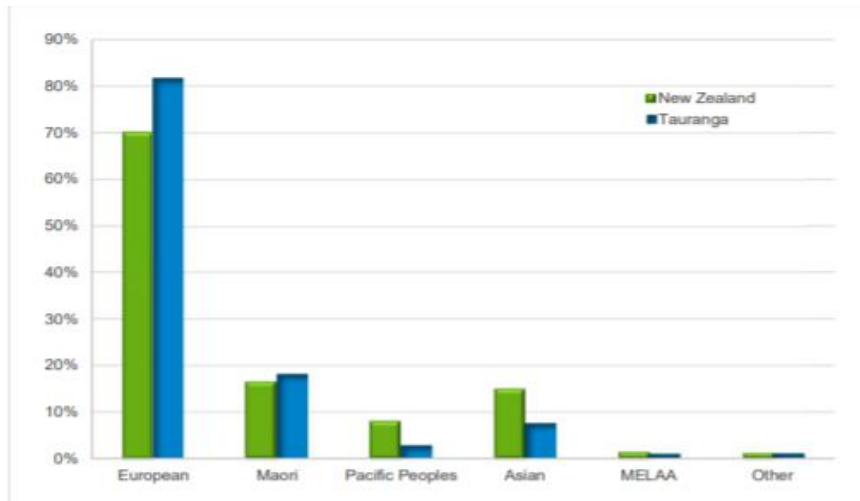
4.4 DEMOGRAPHIC PROFILE

When preparing a draft policy, a territorial authority must have regard to the demography of the district's residents - section 78(2)(d)

- 4.4.1 The last census was undertaken in 2018 and it informs the demographic information.
- Resident population of 136,713 people as at March 2018 ·
 - Estimated resident population of 142,000 people as at 30 June 2018 and 151,300 people as at 30 June 2020.
 - Population increased by 21,924 people from 2013 to 2018. This is a growth rate of 19.1%, significantly higher than the nation-wide growth rate of 10.8% over the same period.
 - It was the 6th fastest growing local authority.
 - Makes up 2.7% of New Zealand's population ·
 - Above average proportion of European ethnic group at 81.7% compared with 70.2% nationally ·

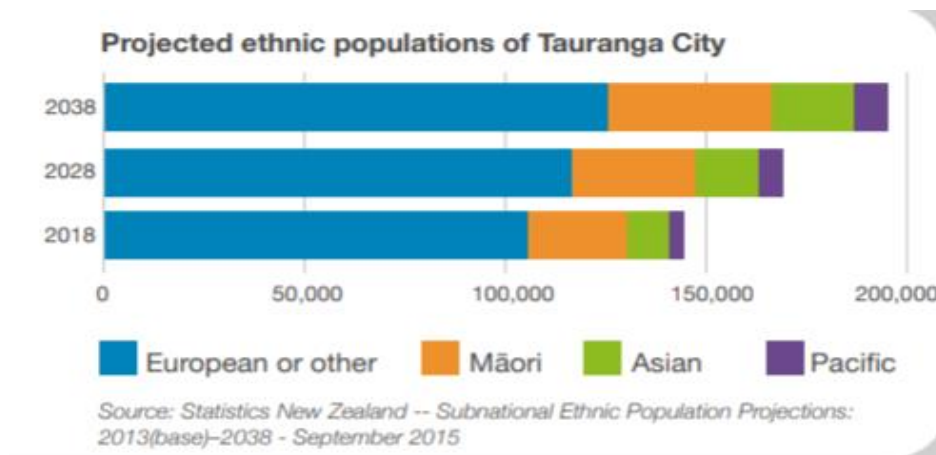
- Above proportion of the population identify as Maori 18% compared with the national average of 16.5%
 - Above average proportion of people aged 65 years and over (19.7% compared with 15.2% for NZ)
- 4.4.2 Tauranga’s ethnic profile is projected to continue to change with an increase in the Maori proportion and Asian proportion of the populations.

Chart 2: Ethnic composition of Tauranga 2012



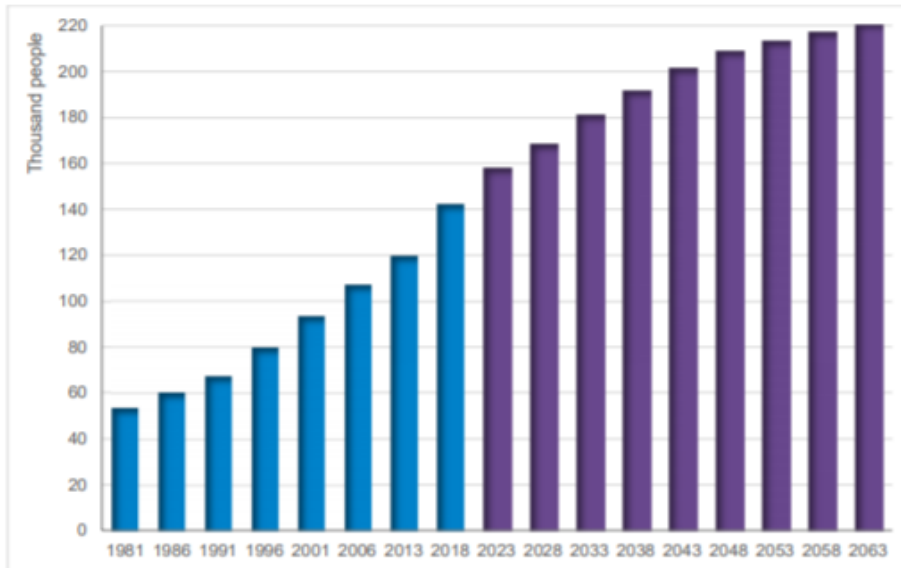
Source: 2018 Census, Statistics New Zealand.

Chart 3: Projected ethnic populations of Tauranga City



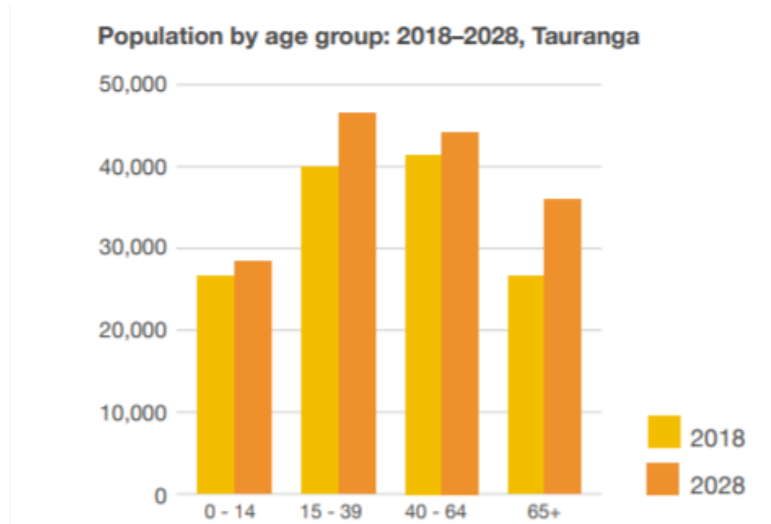
4.4.3 The key features of Tauranga’s population are its rapid growth and a higher percentage of people over 60. These trends are both projected to continue.

Chart 4: Tauranga Population Projections



Source: Statistics New Zealand/ SmartGrowth Projection

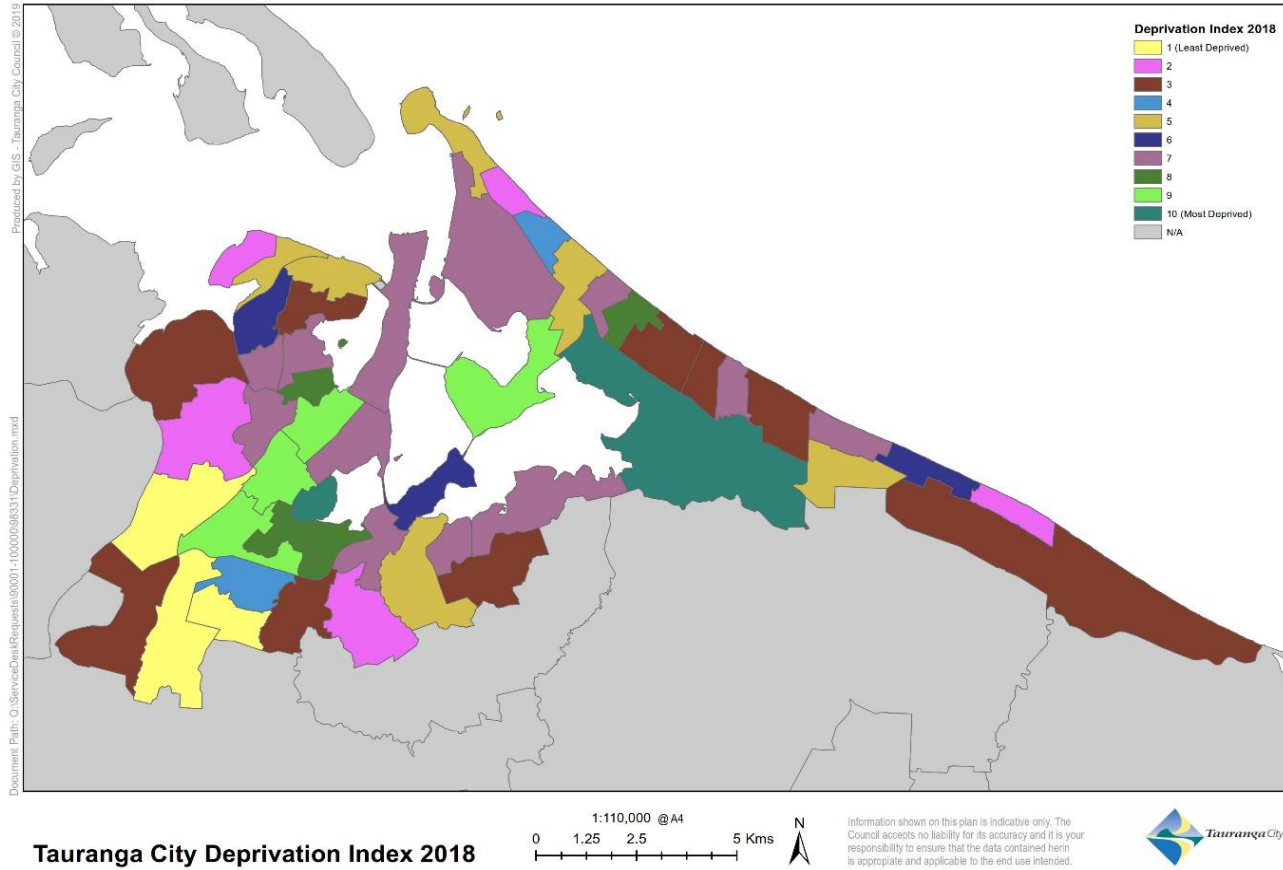
Chart 5: Population by age group



4.4.4 The deprivation index shows the deprivation experienced by groups of people in areas throughout New Zealand. The index allocates scores of 1 to 10. Areas with a deprivation score of 10 are the most deprived and those with a deprivation score of 1 are the least deprived.

- 4.4.5 The map below shows the deprivation by census area for Tauranga City. Tauranga has six suburbs with a score of 9 or 10. These areas are: Gate Pa, Greerton, Kairua, Matapihi, Tauranga Hospital and Yatton Park.
- 4.4.6 Evidence from Alcohol Healthwatch (2020) show that deprived communities experience more harm per drink, when compared to the least deprived communities with the same level of drinking.

Map 3: Tauranga Deprivation Index



4.5 TOURISTS AND HOLIDAYMAKERS

When preparing a draft policy, a territorial authority must have regard to the demography of people who visit the district as tourists or holidaymakers; - section 78(2)(e)

For the purposes of subsection (2), a district's residents include people who have holiday homes there - section 78(3)

- 4.5.1 The combination of section 78(3) and 78(2)(d) and 78(2)(e) requires a local authority to have regard to the demography of people who have holiday homes in the area.
- 4.5.2 Council does not keep records of which properties in Tauranga City that are used as holiday homes. However, Council does keep records of properties where the ratepayer lives beyond the district boundaries (non-resident ratepayers). Note though that there is no distinction as to whether those properties are used as holiday homes or as rental properties or for other purposes or left vacant.
- 4.5.3 In the absence of better information, records of non-resident ratepayers have been used to address the combined requirement of sections 78(3) and 78(2)(d). The locations by region and numbers of non-resident ratepayers are identified in the table below:

Table 7: Location by Region of non-resident ratepayers

Region	Number of Non-Resident Ratepayers
Bay of Plenty (excluding Tauranga owners)	1597
Auckland	3949
Canterbury	454
Coromandel	173
Gisborne/East Cape	42
Greater Wellington Region	695
Hawkes Bay	96
Manawatu-Whanganui	169
Nelson/Marlborough/Tasman	37
Northland	84
Otago	58
Overseas	433
Southland	26
Taranaki	108
Waikato	2248
West Coast	4

- 4.5.4 Given the current restrictions on travel, both internally and domestically over the last two years, the current visitor demographic is different to what it was in 2019.
- 4.5.5 In January 2019 the approximate average number of visitors to the area per day was 34 800. Around 75 % of these visitors were domestic visitors. In January 2021 the average number of

visitors had fallen to approximately 25 400. By September 2021 domestic visitors made up 100% of total visitors.

4.5.6 The table 8 below shows the origins of these visitors.

Table 8: Origins of visitors to Tauranga City – year ending August 2021

Origin	Proportion of market
Waikato	32%
Auckland	30%
Bay of Plenty	11%
Wellington	7%
Canterbury	4%
Manawatu-Whanganui	3%
Northland	3%
Hawke's Bay	3%
Taranaki	2%
Otago	2%
Gisborne	2%
Southland	1%
Tasman	0%
Nelson	0%
Marlborough	0%

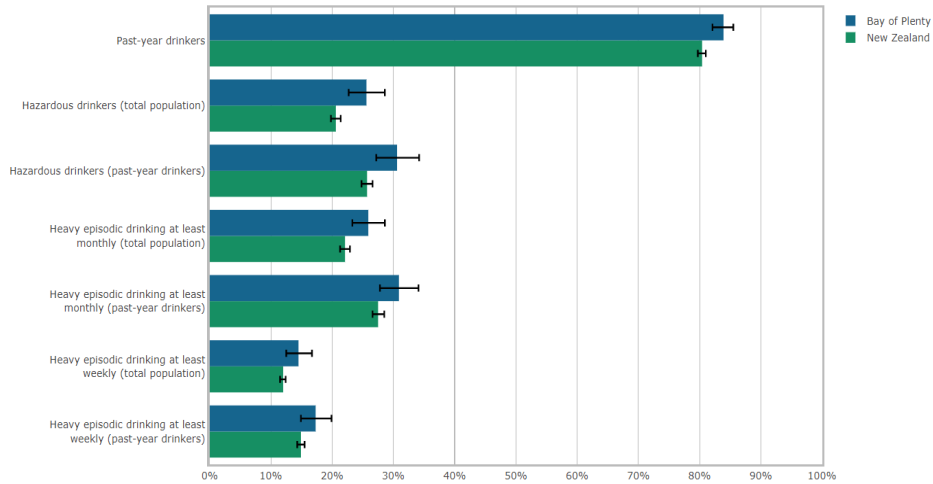
4.6 HEALTH INDICATORS

When preparing a draft policy, a territorial authority must have regard to the overall health indicators of the district's residents – section 78(2)(f)

- 4.6.1 Alcohol misuse is a major risk factor for conditions such as liver disease, pancreatitis, diabetes and various cancers, and contributes to motor vehicle accidents, falls, burns and suicide (Bay of Plenty District Health Board, 2016).
- 4.6.2 The Health Promotion Agency (2017) reports from the Attitudes and Behaviours Survey that the majority (71%) of respondents aged 15 and over in the Bay of Plenty reported consuming alcohol in the last year. Sixty-two percent reported consuming alcohol in the last four weeks and a quarter of respondents who had consumed alcohol in the past four weeks reported risky drinking behaviour.

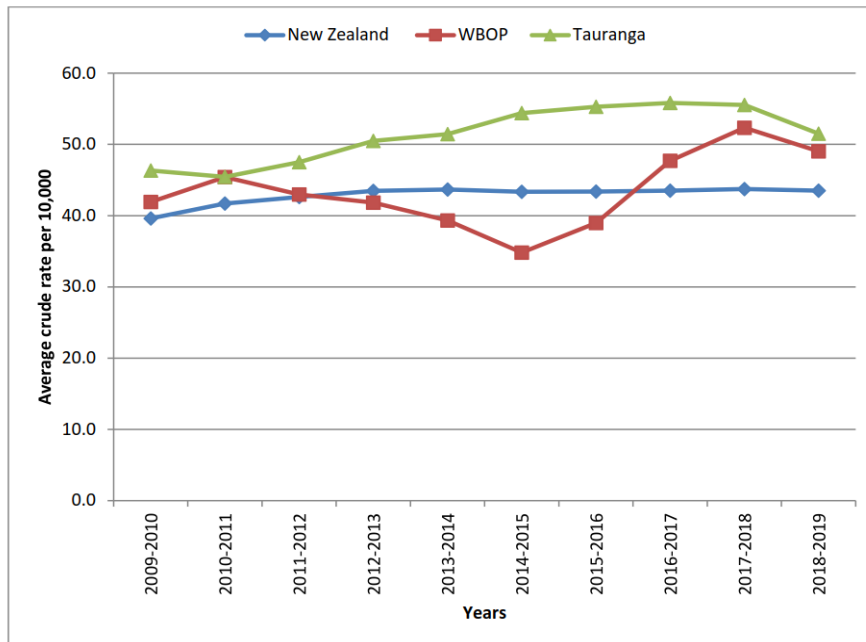
4.6.3 The New Zealand Health Survey also collects data on the prevalence of alcohol use across District Health Boards. The graph below shows that hazardous drinking in Bay of Plenty is higher than the national average.

Chart 6 Prevalence of alcohol use in the Bay of Plenty 2007-2020



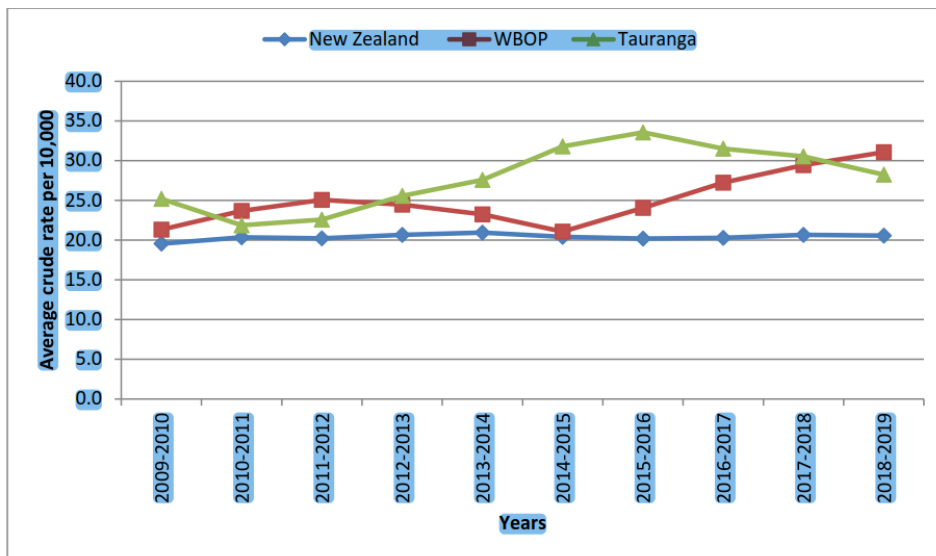
4.6.4 The rate of admission to hospital with conditions wholly attributable to alcohol has been consistently higher in Tauranga than the average rate for New Zealand over the last ten years. This is shown in Chart 7 below.

Chart 7: Average rates of admissions to hospital for conditions wholly attributable to Alcohol 2009-2019



4.6.5 Tauranga has higher hospital admission rates for conditions caused by chronic alcohol use than the New Zealand Average.

Chart 8: Chronic alcohol use crude average rates of admissions to hospital for people with conditions wholly attributable to Alcohol 2009-2019



- 4.6.6 Tauranga has higher rates for conditions caused by chronic alcohol use than the New Zealand Average.
- 4.6.7 This data on hospital admission rates for conditions attributable to alcohol use is available at the domiciles (geographic areas equivalent to the 2013 census units) which are broadly equated to suburbs within cities.
- 4.6.8 Table 9 below displays the number of admissions to hospital with a primary or secondary diagnosis wholly attributable to alcohol. For each two year period and the period 2014-2019 the areas are ranked out of all the domicile areas in New Zealand with hospital admission (total number of domiciles is 1853)
- 4.6.9 There are a number of domiciles in Tauranga that rank consistently high. Tauranga Central is ranked 7th within the country for hospital admissions over the 2014-2019 period.

Table 9: Admissions to hospital for people with conditions (a primary or secondary diagnosis) wholly attributable to alcohol (broad definition)

TA	domicile name	2014-2015				2016-2017				2018-2019				2014-2019	
		chronic alcohol use	acute alcohol use	Total	Rank within NZ	chronic alcohol use	acute alcohol use	Total	Rank within NZ	chronic alcohol use	acute alcohol use	Total	Rank within NZ	Total	Rank within NZ
Tauranga	Tauranga Central	86	76	162	5	49	60	109	9	51	46	97	15	368	7
Tauranga	Mt Maunganui North	29	36	65	52	44	37	81	25	25	24	49	121	195	40
Tauranga	Tauranga South	50	25	75	32	46	27	73	35	23	17	40	204	188	48
Tauranga	Gate Pa	17	14	31	327	34	33	67	40	36	47	83	20	181	53
Tauranga	Greerton	51	18	69	44	37	22	59	65	29	21	50	113	178	58
Western Bay of Plenty	Te Puke East	24	14	38	211	34	24	58	72	49	22	71	41	167	70
Tauranga	Hairini	18	17	35	256	34	18	52	95	40	17	57	85	144	100
Western Bay of Plenty	Kaimai	20	15	35	255	34	28	62	54	11	20	31	362	128	151
Tauranga	Brookfield	23	25	48	113	14	29	43	158	17	18	35	297	126	156
Tauranga	Doncaster	23	10	33	287	43	13	56	74	19	16	35	292	124	168
Tauranga	Palm Springs	8	8	16	704	22	14	36	265	39	23	62	62	114	215
Tauranga	Otumoetai North	17	17	34	270	10	22	32	331	30	16	46	143	112	220
Tauranga	Yatton Park	11	16	27	391	21	23	44	154	21	19	40	209	111	225
Tauranga	Arataki	22	10	32	303	20	16	36	253	18	22	40	213	108	237
Tauranga	Omanu	13	11	24	457	27	25	52	99	20	12	32	352	108	242
Tauranga	Judea	15	19	34	269	18	15	33	315	23	17	40	215	107	245
Tauranga	Te Maunga	24	8	32	304	31	5	36	254	21	17	38	252	106	254

4.7 ALCOHOL-RELATED HARM IN TAURANGA

When preparing a draft policy, a territorial authority must have regard to the nature and severity of the alcohol-related problems arising in the district – section 78(2)(g)

- 4.7.1 Alcohol contributes to a significant amount of committed offences both nationally and within Tauranga. A significant proportion of police work involves responding to alcohol related incidents including violent offending, homicides, drink driving, family violence and ensuring the safety of intoxicated people or those around them.
- 4.7.2 Police have provided information to estimate alcohol related offending in Tauranga. This information considers the provisional crime data and undertakes analysis to identify alcohol related and estimated to be alcohol related offences. Table 10 below summarises this data.

Table 10: Reported offending in Tauranga

Police Station	Number of Offences (1 August 2018 – 27 July 2020)	Estimated alcohol related (1 August 2018 – 27 July 2020)	% of total offences
Tauranga - including Omokoroa	3438	1729	50%
Tauranga South	2660	1193	45%
Mount Maunganui	1623	845	52%
Papamoa	1404	661	47%
All Stations	9125	4428	49%

- 4.7.3 It is estimated that around half of all offences and incidents within Tauranga city involve alcohol, indicating a high level of alcohol related harm in the city. This percent is even higher when looking at offences that occur in non-residential locations. Around 70% of all reported offending is estimated to be related to alcohol (Table 11).

Table 10: Reported offending in non-residential location Tauranga

Police Station	Number of Offences (1 August 2018 – 27 July 2020)	Estimated alcohol related (1 August 2018 – 27 July 2020)	% of total offences
Tauranga - including Omokoroa	1474	987	67%
Tauranga South	577	396	69%
Mount Maunganui	719	507	71%
Papamoa	367	273	74%
All Stations	3137	2163	69%

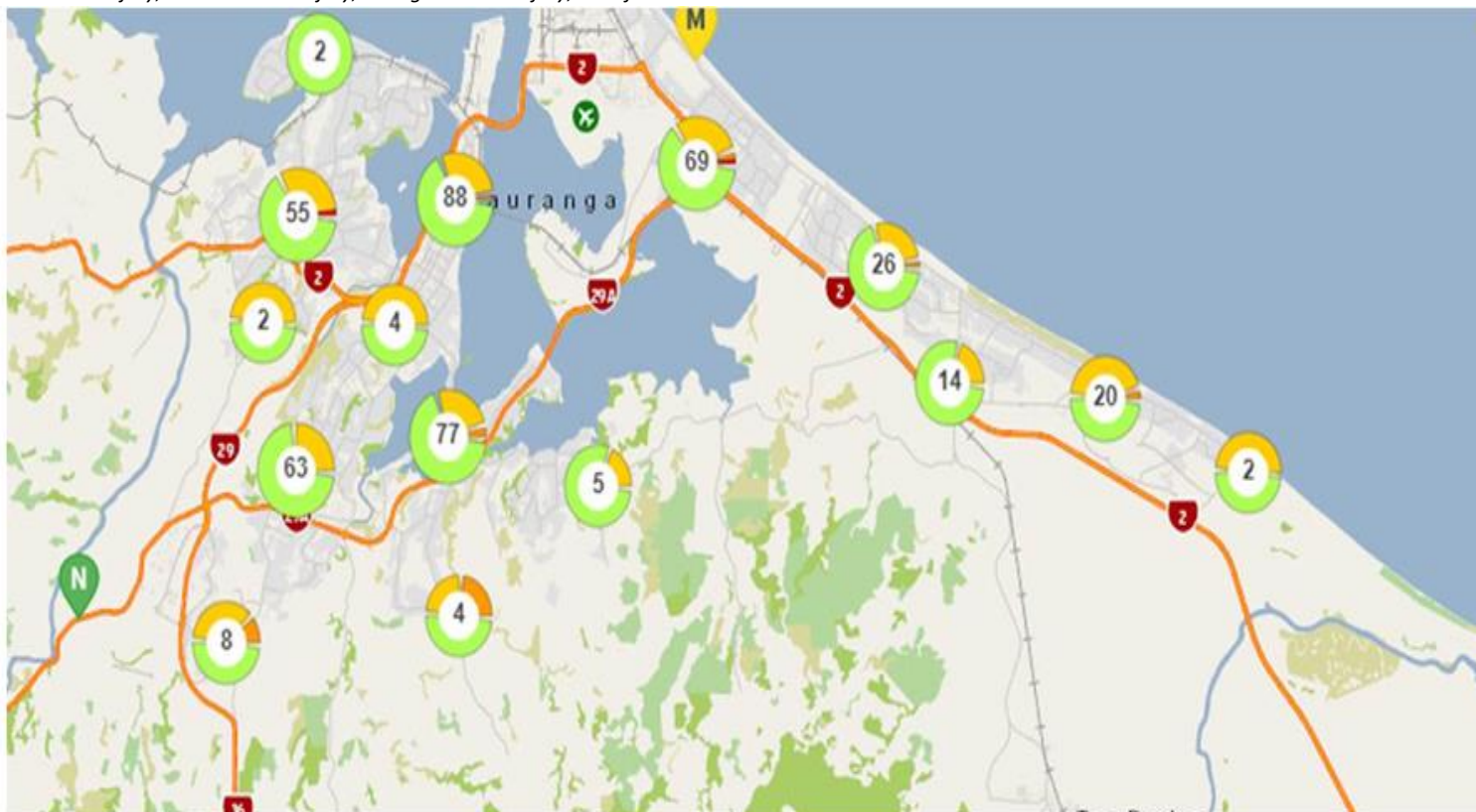
- 4.7.4 Over the period of 2016 to 2020 there have been a total of 471 vehicle crashes related to alcohol in Tauranga. Two of these were fatal, with 153 sustaining injuries.
- 4.7.5 Map 4 shows the location of these alcohol related vehicle crashes and Table 12 shows the estimated social cost of these crashes.

Table 12: The Social Cost of Alcohol Vehicle Crashes in Tauranga 2016-2020

Crash severity	Number	%	Social cost \$(m)
Fatal	2	0.42	9.05
Serious	15	3.18	18.92
Minor-injury	138	29.30	13.63
Non-injury	316	67.09	9.34
TOTAL	471	100	50.94

Map 4: Vehicle Crashes related to alcohol in Tauranga 2016- 2020

Green: non injury, Yellow: minor injury, Orange: serious injury, Red: fatal



5. POLICY REVIEW

In reviewing the current LAP there are essentially 3 key questions that need to be addressed.

- Do we still need a policy? What benefits are there from having the policy in place?
- Is there evidence for changing the existing policy? What matters require change and why?
- Should we continue with a joint policy?

5.1 REQUIRED PRE-CONSULTATION

5.1.1 To consider the first two questions we have drawn on the views of the key stakeholders required to be consulted when developing a LAP (section 78 (4) of the Act):

The authority must not produce a draft policy without having consulted the Police, inspectors, and Medical Officers of Health, each of whom must, if asked by the authority to do so, make reasonable efforts to give the authority any information they hold relating to any of the matters stated in subsection (2)(c) to (g)

5.1.2 The Medical Officer of Health's (MoH) feedback is attached (Attachment A) but in summary the MoH strongly recommends the LAP is retained and strengthened. They propose the following to strengthen the LAP:

- Define maximum alcohol outlet density in specific areas and zones
- Reduce off-license trading hours
- Implement a one-way door policy in the last hour of opening for all on-licensed premises that are open after 1.00am
- Proximity of alcohol outlets need to be capped at current levels within a specified footpath distance from schools and other education facilities.

5.1.3 The MoH reports on the 2020 Health and Wellbeing Population Survey carried out by Toi Te Ora Public Health. The alcohol related findings showed that

- Two thirds of respondents support reducing the number of places that sell alcohol
- Two thirds of respondents support more restrictions on advertising and sponsorship by alcohol companies
- 71% of respondents believe supermarkets and liquor stores should not be selling alcohol before 10am
- Almost two thirds of respondents believe more restrictions on alcohol availability would improve safety in towns and cities at night (Toi Te Ora Public Health, 2020).

5.1.4 Feedback from MoH also references research linking the density and trading hours with increased alcohol consumption and related harm.

5.1.5 Western Bay Police also support retaining the LAP "A LAP is essentially to ensure the sale, supply and consumption of alcohol is undertaken in a safe and responsible manner and the harm caused by the excessive consumption of alcohol is minimised". (Attachment B)

5.1.6 Police note the harm caused by alcohol abuse and the estimated cost to New Zealand society as a result (approximately \$7.85 billion each year). This includes the implications for crime and road trauma where 'approximately 40% of all assault, abduction, robbery, threats

or damage to property offences involve alcohol, and one third of all family violence incidents are known to involve alcohol'

5.1.7 Police propose

- On-licensed premises in the Tauranga CBD close at 2am instead of the current 3am permitted closing time.
- One-way door restriction for any licensed premises that operates past midnight that takes effect one hour prior to closing
- Limiting the areas where licensed premises would be allowed. It is proposed that none are located in areas zoned as industrial and that the areas considered as 'entertainment precincts' are limited to areas such as the Tauranga and Mount Maunganui CBD.
- A limit on the number of licensed premises in any one area and also the ability to ensure licensed premises are not in vulnerable communities.

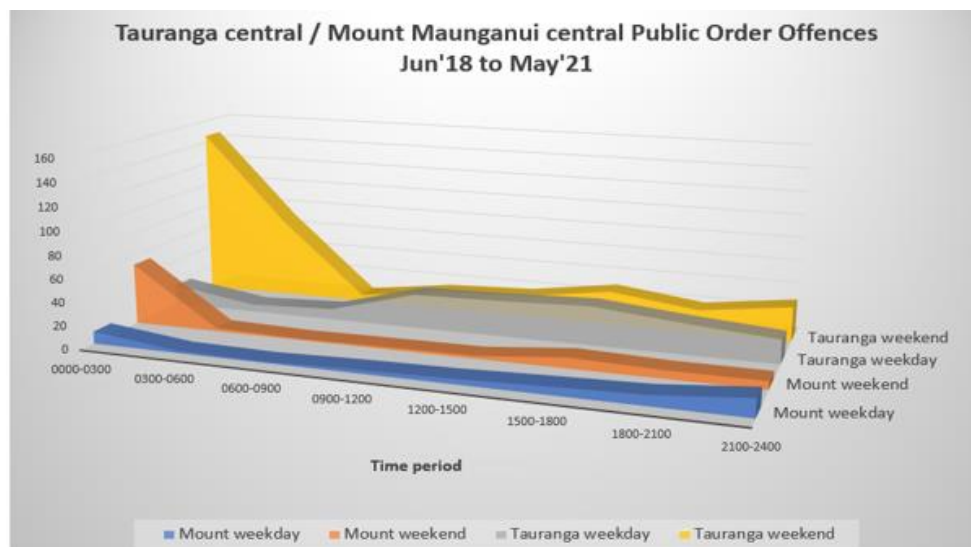
5.1.8 Police provide evidence to support the propose to decrease the trading hours of on licensed premises in the CBD. The table below shows the occurrence of victimisation for the two main mesh blocks in the Tauranga CBD area. This highlights the increased occurrence of crime and disorder between midnight and 4am Saturday and Sunday mornings.

Evidence provided in the Police Feedback on the LAP Review



5.1.9 The chart below from the Police feedback shows spiked in incidents during the midnight to 3am time period.

5.1.10 Police also note that the spike in the Mount Maunganui area is dramatically lower than that in Tauranga Central. This is attributed to the earlier closing time of the licensed premises at the Mount (1:00am compared to that of Tauranga central being 3:00am) and the style of venue and demographics also contribute.



- 5.1.11 Testimonials are also included in the police feedback. Each of the testimonials support a reduction in closing time for the CBD. One example states:

During my time based in Tauranga, 15 years I have Police licensed premises across Western Bay of Plenty but the two main areas being the Mount Maunganui and Tauranga CBD's. There is a clear and obvious difference in the amount of alcohol related harm between the Mount Maunganui and Tauranga CBD's. The Tauranga CBD would see a significantly higher number of assaults, fights, disorder, drink driving and other alcohol related issues. My observation over the years is that the 0100hrs closing time for the licensed premises in Mount Maunganui is the main factor in the lower number of alcohol related issues.

- 5.1.12 Police also note the benefits from the one-way door policy stating it offers a simple yet effective method of lowering the risk of late night (pending premises closure) binge drinking and reduced the risk of people loitering outside as they know they will not be admitted.
- 5.1.13 Licensing Inspectors also see benefits from having the LAP. Without it they believe there would be an increase in hearings for applications. They note that it is unclear how practical it would be to include a proposed density or a sinking lid.

5.2 OTHER PRE ENGAGEMENT FEEDBACK

- 5.2.1 We have also drawn on other stakeholders to get their initial feedback to help inform the review.
- 5.2.2 Feedback was sought from all licence holders. Only one response was received. The respondent stated that the controls in the LAP were necessary and welcomed. They noted that more collaboration between authorities and stores was required to be an effective tool in reducing alcohol harm – citing the Tauranga Off-Licence Liquor Accord that was active 5 years ago. They also noted that being part of a strong Franchise network assists with the development of robust internal polices and procedure.

- 5.2.3 Targeted engagement was undertaken with those parties that appealed the provisional LAP in 2014/15. This feedback is summarised below:

Organisation	Summary of feedback
Foodstuffs North Island Limited	<p>Extending the maximum trading hours to 7am to 11pm would provide flexibility for future growth, development, socio-economic and other changes in the region.</p> <p>Do not know of any evidence that would support reducing the current LAP maximum trading hours at either the 7am or the 10pm point.</p> <p>We particularly do not know of any evidence or reason that would justify such a reduction in respect of supermarkets and grocery stores.</p> <p>Note that most sales of alcohol from our supermarkets and grocery stores occur when a customer is purchasing alcohol as part of a wider grocery shop.</p> <p>Supports the position taken in the LAP with respect to other conditions for off-licences. Considers that further restrictions are not required.</p> <p>There is no universally consistent evidence that off-licence density (and particularly density of supermarkets and grocery stores) is connected to alcohol-related harm or any particular types of harm.</p> <p>Reasonable conditions can be imposed on an off-licence on a case-by-case basis.</p>
Countdown	<p>No concerns with the current policy and had no issues with it.</p> <p>Raised that it was workable but did think that some would question whether there was a need for a policy.</p> <p>Would like supermarkets to be identified separately from bottle stores.</p> <p>Noted that in the past off-licence caps had been a barrier to upgrades and redevelopment of existing supermarkets elsewhere in the country</p>
Super Liquor	<p>Comfortable with the current control in the LAP for off licences (being hours - 700am – 10.00pm).</p> <p>Hours should be consistent across all types of off-licences.</p>
Liquorland	<p>Supports the position in LAP for off licences and does not consider that further restrictions are required.</p>

	Request that all licences and potential operators are assessed as to their staff practices and training as it relates to alcohol harm
--	---

5.2.4 Initial feedback was also sought from Hauora operating in the region and some local support services:

5.2.5 Ngāi Te Rangi gave the following feedback:

- Alcohol compromises the health of whānau through either loss of life (approximately 800 deaths per year in NZ), or it is directly attributed to poor quality of life
- New off licence applications notifications to be sent to the Iwi
- Geographical Areas of harm witnessed by their team (primarily Tauranga)
- Cultural impact recognised and requested in the decision making panel and a treaty clause in the policy
- Special licence concerns, particularly around alcohol branding, public order and alcohol/drug related litter.
- Amendments to LAP sought with restricted hours for premises directly located in high deprivation index areas and limit the location of licences.
- Seek amendments to the Act
- Continued engagement with iwi/Māori.

5.2.6 Tauranga Budget Advisory Service is the key budget service in Tauranga. They provided input through a survey:

- The number of licences, in the sub-region, was ‘about right’, except that there were ‘too many’ off licences (bottle stores).
- Alcohol is a significant issue for so many of their clients and the greatest proliferation of alcohol outlets seems to be in low income areas. The level of alcohol use/abuse in NZ is a significant contributor to financial hardship and violence in our community.
- Sought consideration of a range of restrictions
- Concern that most alcohol outlets and gambling establishments are in low income areas.
- Concerned that around the clock access encourages people to continue to drink when their supplies are diminished.
- Council has a role in protecting the safety of others and in harm reduction through
 - Limiting the number of outlets
 - Ensuring their locations are not near school and or childcare centres
 - Ensuring public transport options to available to avoid drink driving

5.3 JOINT OR INDIVIDUAL POLICY

5.3.1 Western Bay of Plenty District Council confirmed at their Policy Committee meeting on 19 October 2021 that they wish to have an individual policy. As such Council will also be pursuing an individual policy.

5.4 THE LAP REVIEW IN CONTEXT

5.4.1 The feedback from stakeholders provides definite support for having a LAP. The key benefits from the LAP in helping alcohol harm come from:

- the reduction in trading hours (as compared to the default trading hours in the absence of a LAP);

- the one-way door restriction
- the discretionary conditions it has for on-licences and special licences. Without these conditions’ hearings would be required to put these conditions on licences.

5.4.2 Changes have been proposed to the policy by the MoH and the Police. Given the experience across the country of other Councils (and indeed Tauranga and Western Bay of Plenty’s past experience), any change must be balanced against the time and resources needed to make and defend these changes against appeals.

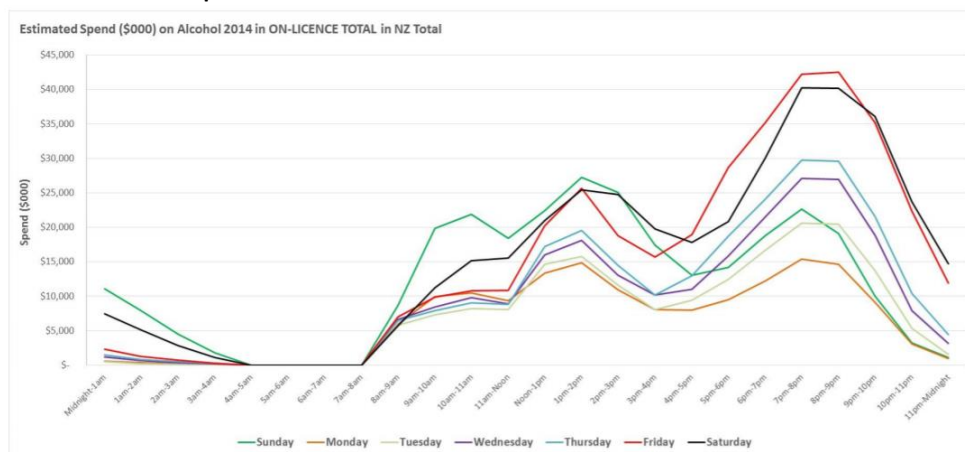
5.4.3 While LAPs have a potential to address local concerns and target inequities in alcohol-related harm the evidence requirements can be challenging. The vast majority of LAP’s have ended up in legal appeals led by supermarkets and have become less restrictive as a result (Alcohol Healthwatch 2017).

5.4.4 The Police have provided direct evidence for a reduction in closing time for licensed premises (Attachment B). In addition, one of the testimonials observes that:

‘Prior to my departure in 2020 I had informal discussion with the key licensees in the Tauranga CBD in relation to their view on a reduction of trading hours. All but one licensee agreed that they would be open to discussion as long as there as an even playing field where all premises closed at the same time. There was a stronger appetite for a reduction to 2.30 am last drinks as opposed to 2 am last drinks’

5.4.5 This indicates that there may be support for this proposal by the on-licence holders. Information from ME consultants (2018) demonstrates that the estimated spend of alcohol is significantly lower during the period from 2am- 5am. See chart 9 below.

Chart 9: Estimated Spend on Alcohol 2014



BIBLIOGRAPHY

- Alcohol Health Watch (2017), Evidence-based alcohol policies: Building a fair and healthier future for Aotearoa New Zealand
- Alcohol Advisory Council of New Zealand and Accident Compensation Corporation (2008) Evaluation of the Christchurch One Way Door Intervention. Retrieved from <https://www.hpa.org.nz/research-library/research-publications/evaluation-christchurch-city-one-way-door-intervention>
- Bay of Plenty District Health Board (2016) Health and Service Profile
- Health Promotion Agency, (2017) Bay of Plenty Regional Analysis: 2013/14 to 2015/16 Attitudes and Behaviour toward Alcohol Survey
- M.E. Consulting (2018), New Zealand alcohol supply and demand structures: Research Report, Wellington: Health Promotion Agency. Retrieved from <https://www.hpa.org.nz/research-library/research-publications/new-zealand-alcohol-supply-and-demand-structures-research-report>
- Ministry of Health (2020) New Zealand Health Survey -Annual Update of key Results 2019/20: New Zealand Health Survey Retrieved from <https://minhealthnz.shinyapps.io/nz-health-survey-2017-20-regional-update/ w 648f0d39/#!/compare-indicators>
- New Zealand Police (2020) Tauranga City Related Offending Reports.
- Tauranga City Council (2021) Tauranga City Council Plan retrieved from <https://cityplan.tauranga.govt.nz/>

ATTACHMENTS

ATTACHMENT A: POLICE POSITION STATEMENT ON THE LAP REVIEW

Q1: Do we still need the LAP? The Benefits of the LAP.

General: It is the Western Bay of Plenty Police's position, that a LAP is still required. A LAP is essentially to ensure the sale, supply and consumption of alcohol is undertaken in a safe and responsible manner and the harm caused by the excessive consumption of alcohol is minimised. The LAP provides a framework that balances public safety and commercial interests. It should articulate the number, location (area), type and operating hours for licensed premise in our community in a manner that promotes actual public safety while supporting business. Without a LAP there is a real risk that financial gain (which benefits few) will be promoted above community safety. It also supports an even playing field for business and mitigates the risk of bias in that all licensee are bound to the same set of rules.

Harm caused by the abuse of Alcohol: An excess number of licensed premises and trading hours for licensed premises can lead to undue alcohol harm and a reduction in amenity and good order.

Alcohol abuse is an underlying factor for many social issues and is estimated to cost New Zealand society \$7.85 billion each year. This includes costs resulting from lost productivity, unemployment, as well as justice, health, ACC, welfare costs etc.

<https://www.actionpoint.org.nz/cost-of-alcohol-to-society#:~:text=In%20contrast%20alcohol%20misuse%20is,ACC%20welfare%20costs%20%20>

Alcohol is a significant driver of crime and road trauma in New Zealand. Approximately 40% of all assault, abduction, robbery, threats or damage to property offences involve alcohol, and one third of all family violence incidents are known to involve alcohol ([New Zealand Crime and Safety Survey 201](#); [New Zealand Crime and Victims Survey 2018](#)).

In New Zealand for the 2019 calendar year there were 137 fatal crashes, 286 serious injury crashes, where alcohol / drugs were a contributing factor. In these crashes, 160 people died, 391 people were seriously injured, and 1936 people suffered minor injuries. In 2019, 17 people died in motor vehicle crashes in the Bay of Plenty and which alcohol/drugs were a contributing factor.

<https://www.transport.govt.nz/statistics-and-insights/safety-annual-statistics/sheet/alcohol-and-drugs>.

Benefits of a LAP: One of the key benefits is that it sets local maximum trading hours for all licenses in the district instead of using the default hours (8am-4am for on licenses and 7am- 11pm for off licenses) that the Sale and Supply of Alcohol Act 2012 imposes.

Police have no doubt that alcohol related crime in our community would be higher if the maximum trading hours were set at the default hours. Previous experience clearly demonstrates that a reduction trading hours has had a positive impact on decreasing alcohol related offending in the Western Bay of Plenty.

Q2: Is there evidence for changing the existing policy? What matters require change and why?

Western Bay of Plenty (Tauranga) is a rapidly growing area that has seen significant change and therefore it is time to review and consider changing the current LAP. It is the Western Bay of Plenty Police's position that changes are required in the following areas;

- Operating hours in the Tauranga CBD.
- One-way door restrictions.
- Location of licensed premises.

Operating hours in the Tauranga CBD.

General: Urban spread has changed where people are socialising with there now being satellite entertainment destinations. Despite this, most of the reported violent crime and antisocial behaviour around licensed premises still occurs in the central city.

Police offer anecdotal evidence based on experience and observation that the Mount Maunganui entertainment precinct, with its 1:00am closing time has a thriving and vibrant nighttime economy with significantly higher amenity and good order. There is a marked difference in the calls for service and alcohol related harm relative to the Tauranga CBD.

The Tauranga CBD, from midnight onwards has become encumbered by late night disorder often fueled by alcohol preloading. The CBD appears to be a drawcard for groups who have been drinking in other areas to congregate, which often brings together different factions resulting in conflict (both as a result of intoxication and the mixing of conflicting groups).

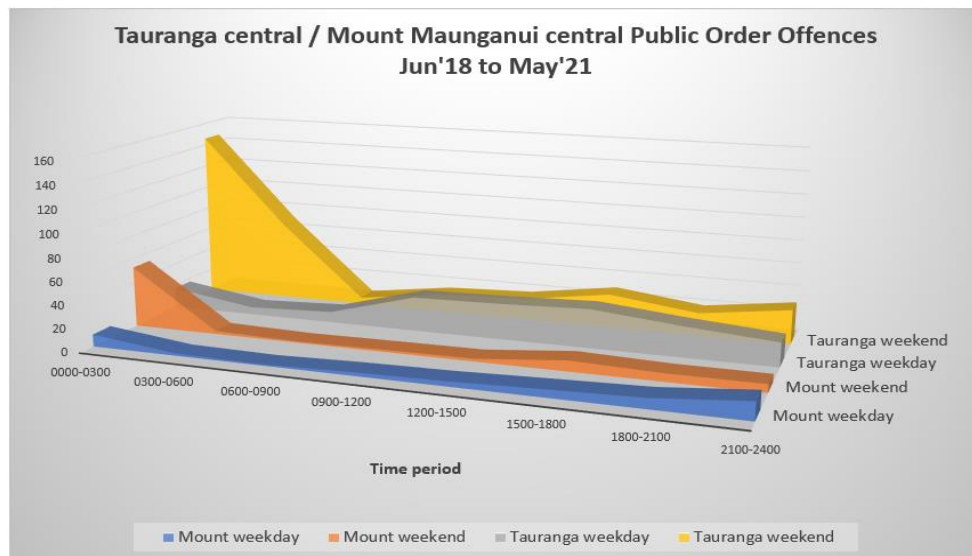
The most significant difference between the two areas is the different licensing hours for Mount Maunganui and the Tauranga CBB.

Examples: Time and Place temporal distribution table for the two main data mesh blocks in the Tauranga CBD entertainment precinct below (table 1) shows the increase risk of victimisation between midnight and 4am Saturday and Sunday mornings.



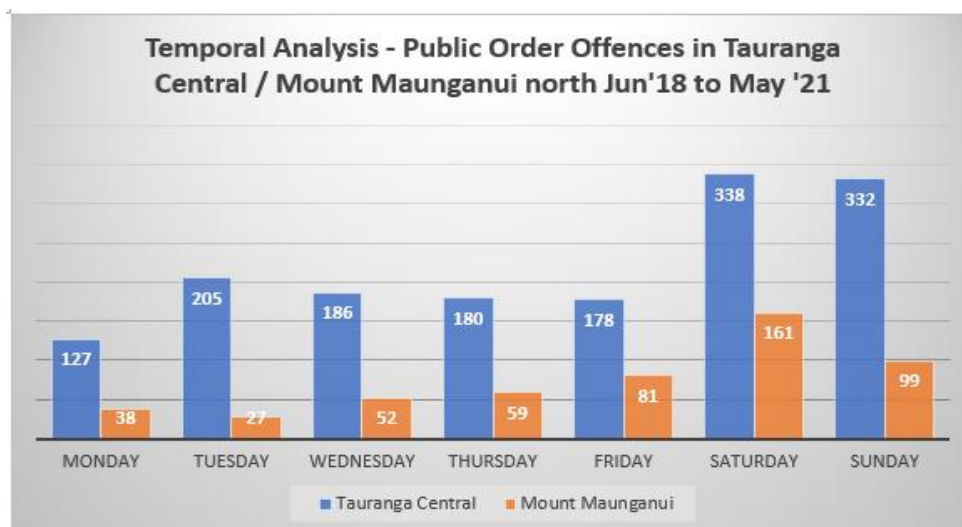
Table 1: <https://www.police.govt.nz/about-us/publications-statistics/data-and-statistics/policedatanz/victimisation-time-and-place>

Temporal analysis of public order offences in the Tauranga Central area show a heightened distribution on the weekends and peaks at the midnight to 03:00am time period.



Graph 1: Illustrates the temporal distribution of Public order offences. Data values are combined for weekend and weekdays with totals being averaged. Visual comparison of Tauranga Central and Mount Maunganui Central areas show a spike in incidents in the midnight to 03:00am time period. This is attributed to the presence of nighttime entertainment licensed venues in both areas.

It is notable that the spike in the Mount n



Graph 2: Shows the difference in Public Order offence for Tauranga CBD and Mount Maunganui by day of week

Impact on Road Safety: In a recent Road Policing operation held over two consecutive weekends respectively (Operation Tri Cities 7/8 May and 14/15 May 2021), Police apprehend 85 and 95 drivers respectively who were driving with an excess of alcohol in their system (breath/blood). Apprehension rates were higher on Saturday nights than on Friday nights and there was a noticeable increase in the apprehension rate from Midnight through to 4am.

To provide context Western Bay of Plenty Police officers have offered the following testimonials.

Testimonial 1:

I am a Sergeant in the New Zealand Police. I have 44 years' Service. From October 2016 to April 2020 I was the Alcohol Harm Prevention Officer for Western Bay of Plenty Police. My duties in this role included the monitoring of licensed premises and enforcement of the laws in relation to the Sale and Supply of Alcohol Act 2012.

In May 2018 a hearing was held before the Tauranga District Licencing Committee (DLC) after Police opposed the licence renewal of "The Bahama Hut". Police opposed The Bahama Hut due to ongoing issues relating to intoxication and public disorder. In their decision the District Licencing Authority viewed the reduction of hours of sale to 2 am as a key tool in reducing alcohol harm.

Police, as a result of ongoing disorder, fighting and assaults resulted outside the Flow Bar and the general lack of amenity and good order around The Manger, in consultation with Police, agreed

1. Closure of the smoker's area at 2 am to ensure there is no loitering of customers on the exterior of the area
2. Closure of the City Burger Bar 10 minutes prior to bar service stopping from within Flow and City Sports Bar.
3. Closure of City Sports bar and Flow at 2.30 am
4. When required Security staff on the street after 2.30 am to maintain a presence to manage crowds to minimise disorder and impact on amenity and good order.
5. Active monitoring of the Hamilton street carpark to ensure there is not preloading and the area is not an attractor for alcohol related harm.

The agreement highlighted the licensee's acceptance that the longer operating hours does impacted on the ability to control Patron behaviour and the impact on the surrounding amenity

The reduced hours resulted in increased amenity and good order of the surrounding streets (Willow/Hamilton and The Strand) and a decrease in calls for service to Police. Further the licensee Shannon Jenkins indicated that there was a cultural adjustment of patron drinking behavior (arriving earlier) and that considering reduced staff hours the impact financially was not dramatic.

Prior to my departure in 2020 I had informal discussion with the key licensees in the Tauranga CBD in relation to their view on a reduction of trading hours. All but one licensee agreed that they would be open to discussion as long as there as an even playing field where all premises closed at the same time. There was a stronger appetite for a reduction to 2.30 am last drinks as opposed to 2 am last drinks.

Testimonial 2: I am a Senior Sergeant in the New Zealand Police based in Tauranga. I have 17 1/2 years' service, all of which has been served on the frontline. Two of these years were spent as the alcohol harm reduction Sergeant here in Tauranga which primarily involved Policing licensed premises on Friday and Saturday nights, three out of the four weekends per month.

During my time based in Tauranga, 15 years I have Police licensed premises across Western Bay of Plenty but the two main areas being the Mount Maunganui and Tauranga CBD's. There is a clear and obvious difference in the amount of alcohol related harm between the Mount Maunganui and Tauranga CBD's. The Tauranga CBD would see a significantly higher number of assaults, fights, disorder, drink driving and other alcohol related issues. My observation over the years is that the 0100hrs closing time for the licensed premises in Mount Maunganui is the main factor in the lower number of alcohol related issues.

In recent years the Tauranga CBD was affected by a 0200hrs one-way door policy. This has its obvious positive side but there is also a negative side effect of this policy. A large number of persons arrive in the Tauranga CBD after the Mount Maunganui premises close at 0100hrs and miss the 0200hrs one-way door policy. This leads to large numbers of people standing outside these premises, milling around on the road and often while intoxicated. These additional persons add to the volume of people at the 0300hrs closing time and contribute to the violence that occurs after 0300hrs. Having an earlier closing time in Tauranga to match the 0100hrs closing time in Mount Maunganui will reduce a lot of these issues. Even if the Tauranga premises had a closing time of 0200hrs with a one way policy starting at 0100hrs that would stop the introduction of large numbers of already intoxicated persons arriving in Tauranga on mass after the Mount Maunganui premises close at 0100hrs. Essentially patrons would need to choose which CBD they will socialise in. In my opinion this would have a positive effect on alcohol fueled violence in the Tauranga CBD and reduce the number of drink drivers commuting between Mount Maunganui and Tauranga.

The Strand and surrounding streets become heavily congested with private vehicles and taxis post 0100hrs. There is no designated taxi stand meaning they simply stop on the road to drop off/pick up patrons causing congestion at the intersections and round-a-bouts. This issue would also be resolved by reducing the closing time as there would be no need to travel from the Mount Maunganui licensed premises across to Tauranga as they would either be shut or have a one way door policy matching the Mount Maunganui closing time.

I am a Police Sergeant based in Tauranga. I have been a member of the New Zealand Police for 20 years, all of which has been served on the frontline. My main role is responding to calls for service across the Western Bay of Plenty which includes the supervision of Police staff and resources, coordinating and overseeing our response.

I have worked on both the Public Safety Team and Team Policing Units dealing with disorder and alcohol-related harm, including numerous New Year's Eve events.

Two of my 20 years were spent attached to the Alcohol Harm Reduction Team here in Tauranga. The role meant I was primarily involved in policing licensed premises across the Western Bay of Plenty on Thursday, Friday and Saturday nights three out of four weekends per month. As part of this role I was also tasked with policing larger public events within the Western Bay of Plenty where alcohol was sold and consumed.

I believe my varied roles and experience gives me a very good understanding of the policing issues across the Western Bay of Plenty area where I regularly work late shifts and night shifts and observe alcohol-related harm amongst the Mount and Tauranga communities.

There is a clear and obvious difference in the amount of alcohol-related harm between the Mount Maunganui business district and the Tauranga business district. The Tauranga CBD is seen as a significantly higher risk area with the number of serious assaults, sexual assaults, fights, disorder, drink/driving offences and other alcohol-related issues.

My observations over the years is that the 0100 hours closing time that we have in the Mount Maunganui area is the main factor for the lower number of alcohol-related harm in the Mount Maunganui business district.

In recent years, I know the Tauranga CBD was affected by the 0200 hours one-way door policy. When this was brought in, it had an obvious positive effect, however it also brought in a negative aspect and that is people were leaving the Mount at or by the 0100 hours closing time and making their way to Tauranga. However, due to the 0200 hours one-way door policy, they were unable to gain entry to licensed premises.

This resulted in a large number of people congregating outside these premises where they tend to mill around, often while heavily intoxicated. These additional persons added to the volume of people that are present at the 0300 hours closing time and contribute significantly to the violence and disorder and alcohol-related harm experienced by the community at closing time.

My belief is that moving the Tauranga premises to 0200 hours closing time with the one-way door policy starting at 0100 hours, would alleviate the pressure that the current closing and one-way door policy times create on the Tauranga business district. This would mean that patrons would essentially have to choose which business district they would like to socialise in and in my opinion, this would be a positive effect on alcohol fueled violence, dishonesty, and social harm within the Tauranga CBD. It would also have an impact on the reduction of drink/driving and driving-related offending with alcohol as a contributing factor between the Mount Maunganui and Tauranga business districts.

The current structure of the Tauranga CBD, the 0300 hours closing time and the surrounding streets of The Strand and the central business district here in Tauranga means that at this time the area becomes heavily congested both with pedestrian traffic and vehicle traffic, including private vehicles and taxis. There are no designated taxi stands around The Strand and where these night spots are

and so people simply stop on the road to drop off and pick up patrons which causes significant congestion – both from vehicles and pedestrians.

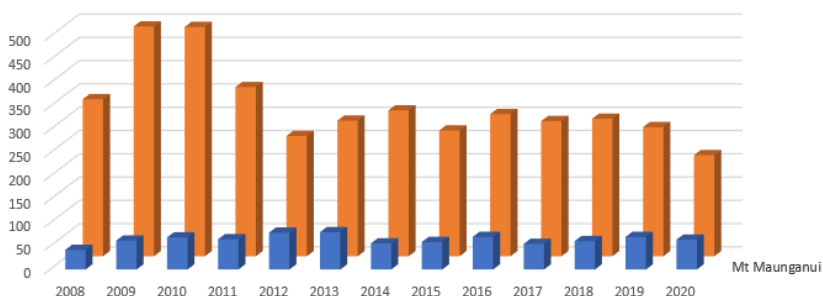
The congestion from the bars invariably leads to brawls often involving large numbers of intoxicated and aggressive patrons. These brawls either start inside licensed premises and are continued out onto the street or are carried out by people who have had confrontations inside the premises, are evicted from the premises but mill around on the street until closing time to continue and identify the parties they were having a confrontation with. These brawls are often quite serious by nature, resulting in hospitalisation of people and not only the risk to community but also the risk to Police staff who are often having to respond.

We have a large and unsatisfactory drinking culture that is only exacerbated through the current closing times of the Tauranga central business district night spots.

In my opinion the Mount Maunganui 0100 hours closing time has provided us little concern and the amount of alcohol-harm related offending is significantly lower than what we experience in Tauranga. In my opinion the Mount is an example of how things can be run without extensive and unnecessary alcohol-harm relating to the community.

This would likely make the central business district more attractive to families to come and socialise and partake and enjoy our city. It would have a dramatic change to the culture and the feel of the central business district.

Due to the change in the way Police have recorded / captured statistical data and changes in focus (the move away from prosecuting lower end offending e.g. breach of the liquor ban in favor of alternative action resolutions) comparing year on year statistics is difficult and can be misleading.



Graph 3: Shows offending in both Mount Maunganui and the Tauranga for the period 2008 to 2020. The offences captured in this data are those listed below in table 2. Please note the figures for 2020 are heavily impacted on by the Covid 19 Pandemic and subsequent restrictions. The data show a relatively consistent level of offending for both areas from 2012 onwards i.e. the issues seen in the CBD are not new.

Grievous Assaults	Sexual Affronts	Disorder
Serious Assaults	Abduction For Sex	Breach Of The Peace
Minor Assaults	Sexual Attacks	Obstructing/Hindering/Resisting
Intimidation/Threats	Rape	Unlawful Assembly
Crimes Against Personal Privacy	Domestic Dispute	Breach Of Local Council Liquor Ban
Drunk Custody/Detox Centre	Domestic Violence	Sale of Liquor offences (old Act)
Drunk Home	(Sale and Supply of Alcohol offences – new Act)	

Table 2

Police position - Maximum Trading Hours for on-licenses

It is the proposal of the Western Bay of Plenty Police that:

- On-licensed premises in the Tauranga CBD area close at 2.00am (a reduction of 1 hour on current maximum trading hours in the present LAP).
- On-licensed premises in the Mount Maunganui CBD area close at 1.00am (maintain the status quo).
- All other on-licensed premises throughout Tauranga or the Western Bay of Plenty close at 1.00am, unless they already have an earlier closing time (maintain the status quo).

One-way door restrictions:

The one-way door restriction set out in the LAP for on-licensed premises in the Tauranga city CBD has assisted in the reduction of alcohol related harm. The one-way door restrictions offer a simple yet effective method of lowering the risk of late night (pending premise closure) binge drinking. It also has the benefit of reducing the risk of people loitering outside licensed premises as they know they will not be admitted.

Police believe that to fully realise the benefits of a one-way door that any licensed premise that operates past midnight must have a one-way door policy that takes effect one hour prior to closing (the end of the licensed hours).

Police see this as a change that would further minimise alcohol related harm caused by the excessive or inappropriate consumption of alcohol. This would progress positively towards achieving the Object of the Act (s4).

Locations for licensed premises:

Western Bay Police do not agree with the locating of licensed premises in areas zoned as industrial. These areas historically have a lack of community oversight. They are often away from any form of public transport and have attracted a heavy drinking culture.

Police are of the opinion that there should be a limit to the number of areas that would be considered 'entertainment precincts' in the WBOP. These have traditionally been identified as the Tauranga and Mount Maunganui CBD areas, where there is a high concentration of licensed premises of all types (taverns, pubs, restaurants and bars) in a relatively small geographical area.

Police would not want to see numbers of such precincts established in other areas that are currently identified as commercial or retail shopping areas (such as Fraser Cove and Papamoa Plaza). This would severely reduce the ability of Police to monitor these premises and deal with the alcohol related issues that arise from these entertainment precincts.

Police believe that an emerging industry of remote sellers (selling remotely from the premise i.e. for delivery) poses significant risk of alcohol related harm. This was a topic for discussion at a recent (July 2021) Alcohol Harm conference at the Royal New Zealand Police College attended by representatives of the Police, Ministry of Justice, Crown Law, Te Hīringa Hauora / Health Promotion Agency, the Medical Officer of Health and Alcohol Healthwatch.

Police are aware of some incidents where OFF Licence holders were providing a 30-minute delivery service for alcohol purchases which enabled them to continue to run the bottle store past closing time and deliver to persons waiting outside. This topic will be discussed further at a national level for submissions on the re-write of the Act.

The LAP provides the ability to restrict the number and placement of a licensed premises.

This is an import function which when drafted and applied correctly can mitigate the risk of alcohol related harm by, ensuring licensed premises are not in vulnerable communities / areas e.g. adjacent to a school or Rehabilitation clinic. Further, the number / density of licensed premises in an area can result in cut priced alcohol being made readily available which is a driver of antisocial behaviour.

The Alcohol Regulatory Licensing Authority recently stated in [2021] NZARLA 50 Townill that a 'population-based' is only provided for in the context of a Local Alcohol Policy.

Police working in the Te Puke area have become concerned that the number of License premise in the Te Puke area is driving offending including antisocial behaviour in the community. Between August 2018 – July 2020, of the 1082 violence, disorder and drink driving offences committed in the Te Puke area, 154 offences are known to be alcohol related and a further 334 were estimated to be alcohol related. Further 225 of these offences were family harm offences (WBOP/IR/200908).

Anecdotally, local officers have received complaint of homeless persons coming to Police attention due to their behaviour. We also know that when they are refused alcohol they have become aggressive towards the proprietors often resulting in calls to Police. Police are aware that when trespassed from licensed premises they will loiter nearby and get 'associates' or accost passers-by to buy alcohol on their behalf. The high concentration of Off-Licence is an attractor for crime and public disorder.

Te Puke has an estimated population of 8,500 people, which fluctuates with seasonal workers coming into the area. In the Te Puke area there are

8 OFF-licence - all in the CBD and are all within a 500m stretch. Of these 8 off licence, 5 of them are bottle stores, 2 are supermarkets & 1 is the Four Square.

A further 7 ON-licence premises within the same 500m stretch

There are a further 8 separate CLUB licences within the Te Puke area, excluding Maketu, Pukehina & Paengaroa.

It is the Polices submission that consideration be given to the number of liquor Licenses, particularly OFF-Licenses in the Te Puke area.

Further to that, consideration needs to be given to how the maximum number of licences issued in an area is calculated. A holistic method is required, issuing licenses purely based on population may not be effective for ensuring amenity and good order.

ATTACHMENT B: MEDICAL OFFICER OF HEALTH FEEDBACK ON THE LAP REVIEW

Toi Te Ora Public Health
PO Box 2120
TAURANGA 3144

8 September 2020

Tauranga City Council and Western Bay of Plenty District Council
Private Bag 12022
TAURANGA 3143

Tēnā koutou

Thank you for the invitation to provide feedback on the Western Bay of Plenty District Council/Tauranga City Council Local Alcohol Policy (LAP). This letter provides the summary feedback from the Medical Officers of Health for the Bay of Plenty and Lakes District Health Board districts.

Overall, it is strongly recommended the Western Bay of Plenty District Council/Tauranga City Council LAP is retained and strengthened. A large body of research supports the idea of addressing alcohol-related harm and improving health outcomes through population-based prevention strategies that focus on changing physical and social environments. The further strengthening of the LAP provides a significant opportunity for council to improve the local environment and culture around the drinking of alcohol.

The following is required to strengthen the existing LAP:

- Define maximum alcohol outlet density in specific areas and zones
- Reduce off-license trading hours
- Implement a one-way door policy in the last hour of opening for all on-licensed premises that are open after 1.00am
- Proximity of alcohol outlets need to be capped at current levels within a specified footpath distance from schools and other education facilities.

Issues of Health and Wellbeing – Populations Survey 2020

In 2020, Toi Te Ora Public Health undertook a Health and Wellbeing Population Survey. This is an important source of information as it helps us understand the views of people who reside in the Bay of Plenty, across a range of issues relevant to public health. Alcohol related findings showed:

- Two thirds of respondents support reducing the number of places that sell alcohol
- Two thirds of respondents support more restrictions on advertising and sponsorship by alcohol companies
- 71% of respondents believe supermarkets and liquor stores should not be selling alcohol before 10am
- Almost two thirds of respondents believe more restrictions on alcohol availability would improve safety in towns and cities at night (Toi Te Ora Public Health, 2020).

These results indicate the community is supportive of tighter regulatory measures to manage issues such as alcohol outlet density, sponsorship, trading hours and availability. A strengthened LAP will help council achieve the policy goal to 'reflect local communities' character, amenity, values, preferences, and needs' (Western Bay of Plenty District Council, Tauranga City Council, n.d).

Alcohol outlet density

Research shows increased alcohol outlet density is associated with an **increase** in:

- Alcohol consumption (Campbell et al., 2009)
- Levels of serious violent offending (Connor et al, 2020)
- Alcohol-related traffic crashes
- Harm to quality of life, including effects on work performance, relationships, physical health, and finances
- Under-age youth access and consumption of alcohol (Chen et al., 2009).

Alcohol outlet density is positively associated with social deprivation in New Zealand (Cameron et al., 2017; Hay et al., 2009). Overall, people have greater access to alcohol outlets when they live in more socially deprived areas.

Higher alcohol outlet density results in premises competing on price and longer opening hours, further accelerating accessibility to cheap alcohol, higher levels of alcohol consumption and alcohol related harm (Cameron et al, 2019).

Council has a statutory ability to cap, and then lower, alcohol outlet density via the LAP.

Off-license trading hours

Increased alcohol outlet trading hours are associated with increased alcohol consumption and related harms. Evidence indicates:

- High risk drinkers are more likely to take advantage of longer trading hours
- Longer trading hours correspond with an increase in motor vehicle crashes
- Restrictions to trading hours will prevent alcohol-related harm.

Research shows that restricting on and off license trading hours has the most significant impact on alcohol harm reduction amongst 15 – 29-year-olds. (Connor et al., 2020). The LAP and associated trading hour restrictions could play a pivotal role in minimising alcohol-related harm in the Western Bay of Plenty.

Thank you for the opportunity to provide this feedback. Please contact me if you would like to clarify any points raised in this letter.

Nāku noa, nā



Dr Phil Shoemack

Medical Officer of Health

(On behalf of the Medical Officers of Health for the Bay of Plenty and Lakes districts)

Contact details:

Dr Phil Shoemack

Toi Te Ora Public Health, PO Box 2120, TAURANGA 3144

Ph: 0800 221 555 or Email: phil.shoemack@bopdhp.govt.nz

References

- Cameron, M.P., Cochrane, W., & Livingstone, W. (2019). *The relationships between alcohol outlets and harm: A spatial panel analysis for New Zealand, 2007 – 2014*. Wellington: Health Promotion Agency
- Campbell, C., Hahn, R., Elder, R., Brewer, R., Chattopadhyay, S., Fielding, J., Naimi, T., Toomey, T., Lawrence, B., & Middleton, J. (2009). Effectiveness of Limiting Alcohol Outlet Density As a Means of reducing Excessive Alcohol Consumption and Alcohol-Related Harms. *American Journal of Preventive Medicine*, 37(6), 556-569. <http://doi:10.1016/j.amepre.2009.09.028>
- Chen, M., Gruenewald, P., & Remer, L. (2009). Does Alcohol Outlet Density Affect Youth Access to Alcohol? *Journal of Adolescent Health: official publication of the Society for Adolescent Medicine*, 44(6), 582-589. <https://doi.org/10.1016/j.jadohealth.2008.10.136>
- Connor, J., Maclennan, B., Huckle, T., Romeo, J., Davie, G., & Kypri, K. (2020). Changes in the incidence of assault after restrictions on late-night alcohol sales in New Zealand: evaluation of a natural experience using hospitalization and police data. *Society for the Study of Addiction*, 116, 788-798. <https://doi.org/10.1111/add.15206>
- Hay, G., Whigham, P., Kypri, K., & Langley, J. (2009). Neighbourhood deprivation and access to alcohol outlets: A national study. *Health & Place*, 15(4), 1086-1093. <https://doi.org/10.1016/j.healthplace.2009.05.008>
- Toi Te Ora Public Health. (2020). Issues of Health and Wellbeing – Populations Survey 2020. Available: https://toiteora.govt.nz/assets/Toi-Te-Ora-Public-Health/Publications-and-Resources/Population-Surveys/2020_Population_Survey_Low_Res_FINAL.pdf
- Western Bay of Plenty District Council, & Tauranga City Council. (n.d). *Local Alcohol Policy*, https://www.tauranga.govt.nz/Portals/0/data/council/policies/files/lap_policy.pdf

DRAFT LOCAL ALCOHOL POLICY



Policy type	<i>City</i>		
Authorised by	<i>Council</i>		
First adopted	<i>22 July 2015</i>	Minute reference	M15/49.13
Revisions/amendments		Minute references	
Review date			

1. PURPOSE

- 1.1 To provide guidance to the licensing committee and licensing authority regarding:
- The trading hours of licensed premises
 - The further issuing of licences
 - One-way door restrictions
 - Discretionary conditions.

2. SCOPE

- 2.1 This policy applies to Tauranga City.


3. DEFINITIONS

3.1

Term	Definition
Act	means the Sale and Supply of Alcohol Act 2012
Bottle store	means an off-licensed premise being a retail premise where (in the opinion of the licensing authority or licensing committee concerned) at least 85% of the annual sales revenue is expected to be earned from the sale of alcohol for consumption somewhere else (refer section 32(1)(b) of the Act).
City Plan	means the Tauranga City Council's operative City Plan.
Club	means a body that: <ul style="list-style-type: none"> (a) is a body corporate having as its object (or as one of its objects) participating in or promoting a sport or other recreational activity, otherwise than for gain; or (b) is a body corporate whose object is not (or none of whose objects is) gain; or

	(c) holds permanent club charter. (Refer section 5 of the Act.)
Council	refers to Tauranga City Council – the elected member body representing Tauranga City <u>means Tauranga City Council or any Committee, Sub Committee or elected member of Council or officer or other person authorised to exercise the authority of Council.</u>
Hotel	means premises used or intended to be used in the course of business principally for providing to the public: (a) lodging; and (b) alcohol, meals, and refreshments for consumption on the premises. (Refer section 5 of the Act.)
Licensing authority	means the Alcohol Regulatory and Licensing Authority continued in existence under section 169(1) of the Act.
Licensing committee	means the District Licensing Committee established under section 186 of the Act, either by Tauranga City Council or by Western Bay of Plenty District Council, relevant to the licence or matter under consideration.
Off-licence	is a licence for premises where the licensee can sell alcohol for consumption somewhere else.
On-licence	is a licence for premises where the licensee can sell alcohol for consumption on the premises or can let people consume alcohol on the premises. For the avoidance of doubt, on-licences includes club licences per section 21 of the Act.
One-way door restriction	means, in relation to a licence, a requirement that, during the hours stated in the restriction: (a) no person is to be admitted (or re-admitted) into the premises unless he or she is an exempt person; and (b) no person who has been admitted (or re-admitted) into the premises while the restriction applies to the licence is to be sold or supplied with alcohol. (Refer section 5 of the Act.)
Tauranga City Centre	means, for the purposes of this policy, the area indicated in Attachment 1 to this policy.
Tavern	(a) means premises used or intended to be used in the course of business principally for providing alcohol and other refreshments to the public; but (b) does not include an airport bar. (Refer section 5 of the Act.)

4. PRINCIPLES

- 4.1 To minimise alcohol-related harm in Tauranga City.
- 4.2 To contribute to Tauranga City being a safe and healthy City.
- 4.3 To reflect local communities' character, amenity, values, preferences and needs.

- 4.4 To encourage licensed premises to foster positive, responsible drinking behaviour.

5. POLICY STATEMENT

5.1 Off-licences

5.1.1 Maximum licensed hours

- Maximum licensed hours for off-licences shall be 7am to 10pm.

5.2 On-licences

5.2.1 Maximum licensed hours – excluding the Tauranga City Centre

- Maximum licensed hours for all on-licences in Tauranga (excluding the Tauranga city centre) shall be 9am to 1am the following day.

5.2.2 Maximum licensed hours – Tauranga City Centre

- Maximum licensed hours for all on-licensed premises in the Tauranga city centre shall be 9am to ~~2~~3am the following day.

5.2.3 One-way door restrictions

- Any on-licensed premises licensed until after ~~1~~2am shall have a one-way door restriction in place from ~~1~~2am.

5.2.4 Discretionary conditions

The following discretionary conditions have been identified for consideration by the District Licensing Committee when issuing and renewing on-licences, ~~including on-licences issued to clubs:~~

- Patron number to security ratio;
- Patron number to bar manager ratio;
- Provision of additional security (staff) after 11pm;
- The installation and operation of CCTV cameras on the exterior of, and within premises;
- Provision of effective exterior lighting;
- Restrictions on the size (e.g. 'doubles') and time of 'last orders';
- Management of patrons queuing to enter the licenced premises;
- Restriction on the use of outdoor areas after 10pm;
- Provision of seating i.e. no vertical drinking zones within the licence-to-occupy area (i.e.: all LTO areas are seated only at all times);
- No serving in glass containers at specified times;
- No shots or particular types of drinks to be served after specified times;
- A restriction on the number of drinks per customer;
- Restrictions on permitted drinking vessels;

- No alcohol service for a specified time before the closing the licensed premises;
- Provision of transport for patrons;
- Acoustic design certificate required if an existing tavern is the subject of complaints;
- Acoustic design certificate required for all new on-licensed and club premises with a residential boundary within 500 metres and an outside area operating after 11pm.
- The above conditions would apply to all types of on-licence premises.

5.3 Club Licences

5.3.1 Maximum licensed hours – excluding the Tauranga City Centre

- Maximum licensed hours for all club licences in Tauranga (excluding the Tauranga city centre) shall be 9am to 1am the following day.

5.3.2 Maximum licensed hours – Tauranga City Centre

- Maximum licensed hours for all club premises in the Tauranga city centre shall be 9am to 2am the following day.

5.3.3 One-way door restrictions

- Any club licensed until after 1am shall have a one-way door restriction in place from 1am.

5.2.4 Discretionary conditions

The following discretionary conditions have been identified for consideration by the District Licensing Committee when issuing and renewing club licences:

- Patron number to security ratio;
- Patron number to bar manager ratio;
- Provision of additional security (staff) after 11pm;
- The installation and operation of CCTV cameras on the exterior of, and within premises;
- Provision of effective exterior lighting;
- Restrictions on the size (e.g. 'doubles') and time of 'last orders';
- Management of patrons queuing to enter the licenced premises;
- Restriction on the use of outdoor areas after 10pm;
- Provision of seating i.e. no vertical drinking zones within the licence-to-occupy area (i.e.: all LTO areas are seated only at all times);
- No serving in glass containers at specified times;
- No shots or particular types of drinks to be served after specified times;
- A restriction on the number of drinks per customer;

- Restrictions on permitted drinking vessels;
- No alcohol service for a specified time before the closing the licensed premises;
- Provision of transport for patrons;
- Acoustic design certificate required if an existing tavern is the subject of complaints;
- Acoustic design certificate required for all new on-licenced and club premises with a residential boundary within 500 metres and an outside area operating after 11pm.
- The above conditions would apply to all types of on-licence premises.

5.4 Special Licences

5.4.1 Discretionary conditions

The following discretionary conditions have been identified for consideration by the District Licensing Committee when issuing special licences, including special licences issued to clubs:

- Number of 'responsible persons' or certified Duty Managers to be present;
- Specify locations Managers to be present at. (e.g.: at point of sale, anywhere else on site that their presence would be beneficial);
- Free water to be available;
- Limit on number of drinks to be sold in one transaction;
- Drink containers to be opened at point of sale;
- No high alcohol doubles or shots to be sold;
- Specify security staff number required and their location (Guard to patron ratio);
- Specify event staff to wear high viz clothing;
- Specify containers alcohol may be sold in;
- Condition to ensure Police reserve rights to require earlier cessation of licence hours by request to the licensee and reduce number of sales and slowing of service;
- Limits on promotion of alcohol;
- Require one way door procedure;
- Limits as to noise from event;
- Lighting requirements;
- Consideration of having specific 'licenced area' within an overall 'event area' - this will help restrict movement of patrons with alcohol inside the event and be easier to monitor for event staff and Police/Licensing Inspectors;

- The above conditions apply to both on-site and off-site special licences.

6. RELEVANT DELEGATIONS

- 6.1 This policy is delegated to the licensing committees and licensing authority to implement as appropriate.

7. REFERENCES AND RELEVANT LEGISLATION

- 7.1 Sale and Supply of Alcohol Act 2012

8. ASSOCIATED POLICIES/PROCEDURES

[8.1 Alcohol Bylaw 2018](#)

[8.2 Street use and Public Places Bylaw 2018](#)

9. SCHEDULES

~~Attachment~~ [Schedule 1](#) – Tauranga City Centre as defined in the Local Alcohol Policy.

Attachment Schedule 1



Draft Local Alcohol Policy

Statement of Proposal

Introduction

Tauranga City Council's Local Alcohol Policy came into effect in 2015 and is now due for review.

The Council has a role in alcohol licencing, through the Local Alcohol Policy, administration of the District Licensing Committee, and its regulatory and enforcement roles (including the Council Alcohol Licensing Inspector).

Alcohol consumption is common in New Zealand. While many people consume alcohol responsibly, harm caused by the excessive or inappropriate consumption of alcohol can have serious negative impacts on our community.

The proposed changes to the policy respond to concerns from the Police and the Medical Officer of Health and aims to reduce alcohol related harm.

Summary of the Proposed Changes

The key changes proposed are:

- **Reducing on-licence hours in the Tauranga City Centre** - a reduction in the opening hours in the Tauranga City Centre with a proposed closing time of 2:00am instead of 3:00am
- **A consequential change to the one-way door provisions in the Tauranga City Centre** - this is as a result of proposing a reduction in the opening hours in the Tauranga City Centre. This would mean that the one-way door restriction would start at 1am in the Tauranga City Centre
- **Adding a club licence section** – a new section has been added in the draft Local Alcohol Policy for club licences to provide clarity for the community and applicants (provisions remain the same)
- **Tauranga City focused** – The policy has been updated to include only matters relating to the geographical area that Tauranga City Council has responsibility for. The current policy is a joint policy with Western Bay of Plenty District Council.

The proposed draft Local Alcohol Policy, with amendments shown as track changes, is available at www.tauranga.govt.nz. For the full agenda report please see the Strategy, Finance and Risk Committee Report from 1 November 2021 titled 'Local Alcohol Policy'.

Reasons for the Proposal

The Local Alcohol Policy was adopted in 2015. The Local Alcohol Policy is due for review to meet the provisions of the Sale and Supply of Alcohol Act 2012.

Initial information and feedback collected from stakeholders supports continuing to have a Local Alcohol Policy in place. Stakeholders have asked for additional, and stronger, measures in the policy to reduce alcohol related harm.

The proposed changes to the draft Local Alcohol Policy aim to reduce alcohol related harm, clarify provisions in the policy and focus the policy on the Tauranga City Council area.

Research Report

The Council has prepared a research report to gather information and collect feedback from stakeholders regarding alcohol, the community and the draft Local Alcohol Policy.

The report provides a range of information including information on current licences, community and demographic information, feedback from stakeholders, community health information and alcohol related problems in the district.

The full research report is available at www.tauranga.govt.nz

Legislative Background

The Local Alcohol Policy aims to minimise alcohol-related harm and to set requirements for licencing that are aligned to community views and address local issues. Local Alcohol Policies are not mandatory, without a Local Alcohol Policy, the default provisions would apply. The default maximum trading hours for an on licensed premises are 8am to 4am the following day.

The Sale and Supply of Alcohol Act 2012 sets out the requirements and process for Local Alcohol Policies. Local Alcohol Polices are able to include polices on any or all of the following matters relating to licencing (and no others):

- location of licensed premises by reference to broad areas
- location of licensed premises by reference to proximity to premises of a particular kind or kinds
- location of licensed premises by reference to proximity to facilities of a particular kind or kinds
- whether further licences (or licences of a particular kind or kinds) should be issued for premises in the district concerned, or any stated part of the district
- maximum trading hours
- the issue of licences, or licences of a particular kind or kinds, subject to discretionary conditions
- one-way door restrictions.

Council must follow the special consultative procedure in reviewing the policies. This statement has been prepared in accordance with Local Government Act 2002.

Feedback

The draft Local Alcohol Policy will be open for public submission from Wednesday 17 November 2021 to Monday 20 December 2021.

If required, hearings will be held in early 2022.

You can submit online [here](#) or send us your feedback by email or post.

Full copies of the draft policy and a submissions form are available from council's customer service centre at 91 Willow Street, Tauranga, the Tauranga, Mount Maunganui, Greerton and Papamoa libraries and on council's website at www.tauranga.govt.nz or contact the policy team on 07 577 7000 or info@tauranga.govt.nz

Submission form

We're reviewing our Local Alcohol policy which came into effect in 2015. The Council has a role in alcohol licencing, through the Local Alcohol Policy, administration of the District Licensing Committee, and its regulatory and enforcement roles (including the Council Alcohol Licensing Inspector).

Alcohol consumption is common in New Zealand. While many people consume alcohol responsibly, harm caused by the excessive or inappropriate consumption of alcohol can have serious negative impacts on our community.

The proposed changes to the policy respond to concerns from the Police and the Medical Officer of Health and aims to reduce alcohol related harm.

Your feedback

Tell us what you think about the draft Local Alcohol Policy at www.tauranga.govt.nz

or by using this form.

Name*

Address*

Email*

Phone (daytime)

*mandatory fields

Privacy Statement

Written submissions may contain personal information within the meaning of the Privacy Act 2020. By taking part in this public submission process, submitters agree to any personal information (including names and contact details) in their submission being made available to the public as part of the consultation and decision-making process. Council may choose to redact information from submissions before making them public. You don't have to answer all the questions on the form except for those marked with an *. If you don't answer the questions marked with an *, we may be unable to contact you about your submission such as to arrange a time for you to speak to Council in support of your submission or update you on the outcome of your submission. All information collected will be held by Tauranga City Council, 91 Willow Street, Tauranga. Submitters have the right to request access to and correction of their personal information. For further information about this and our obligations and your rights under the Privacy Act 2020, please refer to Council's Privacy Statement on our website: <https://www.tauranga.govt.nz/privacy-statement>.

Do you wish to speak at a committee hearing in support of your submission (dates to be confirmed)?

Yes

No

We will contact you by phone to arrange a speaking time. Each speaker is allocated 5 minutes.

Please send us your feedback by **5pm, Monday 20 December 2021**.

Post to (no stamp required):

Freepost Authority Number 370
Local Alcohol policy consultation
Tauranga City Council
Private Bag 12022
Tauranga 3143

Your feedback (attach pages as required)

9.2 Update on the City Vision Project

File Number: A12993601

Author: Sarah Stewart, Strategic Advisor

Lindsay Price, Strategic Community Relations Advisor

Authoriser: Christine Jones, General Manager: Strategy & Growth

PURPOSE OF THE REPORT

1. This report provides an update on progress for the City Vision Project.

RECOMMENDATIONS

That the Strategy, Finance and Risk Committee:

- (a) Receives the 'Update on the City Vision Project' report.

BACKGROUND

2. During late 2019 and early 2020, Tauranga City Council gathered a range of inputs as the first phase of developing and delivering a shared future vision and multi-partner action plan for Tauranga City. This work highlighted that many city leaders had a strong appetite for a vision that would propel our city forward. As such, Council's Policy Committee approved the City Futures Project concept on 16 June 2020¹.
3. More recently, a range of factors contributed to rethinking the City Futures Project, including the need to respond to the challenges brought by the 2020 COVID-19 pandemic, various local government reform initiatives underway and changes to Council's political leadership.
4. As a result, it was proposed that the envisaged multi-partner City Futures Project be superseded by the Strategic Framework Refresh Project, which includes a vision for Tauranga City. It was acknowledged that all City Futures Project inputs to date would continue to be valuable to the City Vision and the wider Strategic Framework Refresh Project.
5. The Strategy, Finance and Risk Committee approved the Strategic Framework Refresh Project concept (including the City Vision) on 28 June 2021, resolving that the Committee:
 - *Supports a focussed Council-led approach to the development of a city vision, drawing on information received through prior engagement processes and seeking further community input through a further defined engagement process.*
 - *Approves a strategic framework refresh for Tauranga City Council, building on existing strategies, plans and information received through prior engagement processes, and identifying and filling key gaps in the existing strategic framework.*
6. The City Vision project is one of ten workstreams of the Strategic Framework Refresh Project.
7. On 30 August 2021, Council approved the concept design and proposed method for the City Vision Project. At this meeting consideration was given to the uncertainty of the Covid-19 situation, including the impact of Level 3 and Level 4 lockdown restrictions impacting on the safety and ability for people to gather. At this meeting it was agreed that the City Vision project was to progress primarily using on-line methods with the aim to deliver the majority of outputs by December 2021, with the City Vision being finalised in the new year.

¹ Setting the Strategic Direction for the Long Term Plan, Agenda Item 8.2: [Agenda TCC Policy Committee 16 June 2020](#)

CITY VISION

8. The purpose of the City Vision Project is to create a shared vision with the community that will be used to guide Tauranga City Council's actions that contribute to achieving the vision through to 2050.
9. For Council, the City Vision will establish an enduring pathway forward and will guide Council's work with our community to achieve a positive future. It will inform all that Council does to ensure we are working together to achieve the same goals. Council's contribution to City Vision 2050 will be achieved through the delivery of key projects and initiatives.
10. Key outcomes of this project are that Tauranga City has a vision agreed and owned by the Tauranga community, that people in the city know what the city stands for, and that the City Vision resonates for people that live, work, play and learn here.
11. The City Vision aims to be:
 - A statement of what we (as a city) desire the future to be.
 - Bold and aspirational, with clarity and passion.
12. Through the City Vision project, an opportunity exists to:
 - Acknowledge our past and the challenges of our present.
 - Lay a foundation of shared identity to reset community relationships.
 - Unite our communities and inspire meaningful change.

UPDATE ON PROGRESS

13. Since the 30 August Council meeting, progress on the City Vision project has included:
 - Analysis and synthesis of previous work such as the Vital Updates, Strategic Conversations and WSP Future Ready workshops as well as analysis of community feedback on the many Council projects that have involved an element of consultation or engagement.
 - Appointment of Stanley Street to help develop the City Vision, including the creation and implementation of a City Vision campaign – Stanley Street is a fully integrated creative agency offering creative strategy, media and design services. Stanley Street have the capability and capacity to deliver within the tight timeframes.
 - Development of a primarily online campaign that will launch early November (including the creation of a website, video and social media). This campaign will enable people to tell us what they value today and gain a sense of understanding around what is going to be important to them in the future. The campaign is designed to be fresh and youthful as a way of encouraging rangatahi and those who do not usually engage with Council to become involved.
 - Communicating with our key city partners about the campaign and requesting their support to help make the campaign a success by distribution through their networks.

FINANCIAL CONSIDERATIONS

14. Financial costs are estimated at approximately \$245K. This includes creative strategy and design, website creation and maintenance, and video production. Budget is available within the approved 2021/22 budget.

LEGAL IMPLICATIONS / RISKS

15. This report has no legal implications.
16. The key risk to this project is the significantly tight timeframe. It should be noted that majority of work needs to be complete to feed into the wider Strategy Framework Refresh Project with initial workshops commencing in December 2021.

SIGNIFICANCE

17. 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.
18. 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 City Vision Project
 - (c) the capacity of the local authority to perform its role, and the financial and other costs of doing so.
19. In accordance with the considerations above, criteria and thresholds in the policy, it is considered that the matter of a City Vision is of high significance, however the decision proposed in this report is of low significance.

ENGAGEMENT

20. Taking into consideration the above assessment, that the matter of a City Vision is of high significance, officers are of the opinion that the nature of this project requires further community involvement as outlined in this report.

NEXT STEPS

21. Next steps to progress the City Vision include the following:
 - Preparations continue to finalise on-line tools and media for the City Vision launch on 8 November;
 - On-line campaign runs from 8 November to 29 November 2021;
 - Workshops held early December with Te Rangapū, Kaumatua Forum and rangatahi on the key interim findings of the project with the purpose of shaping the draft city vision;
 - Update to the Committee on 13 December with key interim findings from the project and feedback from engagement with rangatahi, Te Rangapū and Kaumatua Forum;
 - Report to Council for City Vision adoption – 8 February.

ATTACHMENTS

Nil

9.3 Strategic Framework Refresh Project Update

File Number: A12991041

Author: Anne Payne, Strategic Advisor

Jeremy Boase, Manager: Strategy and Corporate Planning

Authoriser: Christine Jones, General Manager: Strategy & Growth

PURPOSE OF THE REPORT

1. The purpose of this report is to summarise the planned approach to, and output from, the Strategic Framework Refresh Project which is scheduled for delivery by July 2022.
Note: This report focuses on Tauranga City Council's strategic framework structure and content. Updates on the City Vision project and on sustainability initiatives underway are provided via two separate but related reports to this Committee meeting.

RECOMMENDATIONS

That the Strategy, Finance and Risk Committee:

- Receives the Strategic Framework Refresh Project Update report; and
- Notes that the Strategic Framework Refresh Project aims to be delivered by July 2022.

BACKGROUND

2. A paper entitled 'Strategic Framework for Tauranga City Council' was presented to the Committee on 28 June 2021². This paper outlined the work undertaken on a multi-partner City Futures Project over the previous 12 months, factors that contributed to rethinking of that project, and proposed a more tailored approach that could be taken to address identified gaps.
3. In response to the 28 June 2021 paper, the Committee approved the Strategic Framework Refresh Project concept, which comprises:
 - working with the community to develop a City Vision for Tauranga, and
 - refreshing Tauranga City Council's strategic framework to ensure Council's strategic direction contributes to that City Vision and is clearly articulated and understood.
4. The Committee also approved the project's intention to draw on information received through prior engagement processes as far as possible, and acknowledged that the City Futures Project input to date would continue to be valuable to the City Vision and the wider Strategic Framework Refresh Project.
5. Since then, planning work has been underway. This report focuses on Tauranga City Council's strategic framework refresh aspects of the overall project, as the City Vision planning work is well underway and is reported separately to this meeting.
6. This report builds on a project update report to Council on 13 September 2021³.

² Report 'Strategic Framework for Tauranga City Council', Agenda item 9.2: [TCC Strategy Finance and Risk Committee Agenda 28 June 2021](#)

³ Report 'Strategic Framework Refresh Project Update', Agenda item 11.4: [Tauranga City Council Agenda 13 September 2021](#)

TAURANGA CITY COUNCIL'S STRATEGIC FRAMEWORK REFRESH

7. The purpose of the strategic framework refresh project is to ensure that Tauranga City Council has a current, cohesive and understandable strategic framework that provides a clear line of sight from Council activity to the City's Vision (currently also under development as part of this project).
8. The need for this refresh has become more pressing due to a range of external factors (such as climate change and more general environmental concerns, Covid-19 impacts and changes to government policy – including 3-Waters, Resource Management Act and local government reforms) and internal factors (staff change over time – losing our 'institutional memory', age of some existing strategies and plans, governance change).
9. The combined impact of these factors is that our overall strategic direction is not easily seen or understood by our external partners and community, or by many within our own organisation. We have many strategies and plans, but it is difficult to see how they fit together, what takes priority and what our overall objectives and goals are.
10. A strategic framework is an externally-facing, visual outline of an organisation's overarching strategic direction. A strong strategic framework should be creative but clear, relevant, future-focussed and aspirational. Notably, it should align with an organisation's goals and objectives, not just with existing initiatives.
11. For Tauranga City Council, the key outcomes from this project to refresh our strategic framework are that:
 - Our community and partners will be easily able to see how the organisation is contributing to the community outcomes and to achieving Tauranga City's Vision.
 - Our governance and staff will have a shared understanding of what the organisation is trying to achieve and how we aim to get there.
 - Our people will know how they fit into the bigger picture of what the organisation is working toward.
 - We will be guided by a set of current, relevant and succinct strategic documents, which 'weave together' where this makes sense.
 - We will have a clear focus for evaluating existing programmes, and those considered in the future, to ensure all efforts support our overarching purpose.

Strategic framework concept

12. At its simplest, our refreshed strategic framework is depicted as a flax weave which shows our community outcomes connecting up to Tauranga City's Vision and our three strategic approaches 'weaving through' everything we do. To deliver on our strategic direction we are guided by our six underpinning principles – which are represented as the foundation stone for the strategic framework.⁴
13. The content of the strategic framework, our strategies and plans, then articulate how Council will contribute to achieving our community outcomes and, ultimately, Tauranga City's Vision. This is further described in the next section.
14. Our strategic framework structure and content will better enable us to appropriately balance our strategic direction and priorities across the social, environmental, economic and cultural aspects of community wellbeing – as represented by our community outcomes and strategic approaches.
15. An initial mock-up of our strategic framework concept is shown in the diagram below:

⁴ Link to Tauranga City Council's community outcomes and six guiding principles: [TCC community outcomes and principles](#)



Strategic framework content

Summarising our strategic direction

16. We are creating a summary of Tauranga City Council's strategic direction for each of the eight 'strands' of our strategic framework, i.e. for each community outcome and strategic approach. These new summary documents, provisionally titled '**At A Glance**', are critical additions that will help focus the organisation on our overarching goals and also provide succinct information for our partners and our community.
17. For the community outcome or strategic approach it relates to, each At A Glance summary will outline:
 - Why this is important for our city, and what success will look (and feel) like for our community.
 - Clear overarching direction for Tauranga City Council, including Council's role.
 - Priority actions and opportunities for Tauranga City Council, including any 'step changes' needed to leverage or optimise progress.
 - Gaps that need filling in terms of current Tauranga City Council strategy, and how these are to be addressed.
 - Constraints and challenges and how Tauranga City Council plans to manage these.
 - How the strategic direction is being, or is to be, delivered – clear links through to key contributing activities and what the targets and measures are for success.
18. The At A Glance summaries are Tauranga City Council-focused, but our intention is to work with key partners and stakeholders to develop these during the course of this project.

Our strategies and plans

19. Tauranga City Council currently has a wide range of strategies and plans, some of which are recent and highly relevant, while others are older and potentially of less relevance than when they were adopted.

20. As part of this project, we will confirm which of our strategies and plans should be wholly or partly retained, and where those most appropriately belong within our refreshed strategic framework. Most of our strategies and plans contribute to more than one community outcome, this will be recognised within our strategic framework.
21. Our aim is that, once our At A Glance summaries of strategic direction are in place, our underpinning strategies and plans should be more action-focused. Note that this project focuses on Tauranga City council strategies and plans, joint strategies and plans will be reviewed with partners as agreed.
22. As part of this project we will also develop new strategies and plans where critical gaps have already been identified (e.g. sustainability, Te Ao Māori, natural environment, and social wellbeing) or are confirmed during our At A Glance development processes. Our sustainability framework project and sustainability initiatives, reported separately to this Committee today, are closely linked with this project.
23. Tauranga City Council is attempting to respond appropriately and with a long-term view to the many opportunities and challenges arising from our rapidly changing external environment (such as central government policy, climate change and Covid-19). This means that at any given time there is a wide range of strategic direction work underway and planned across the organisation. One of the key challenges of this project is to ensure we incorporate all of this effort, both current and planned, so that our refreshed strategic framework is comprehensive and remains so over time

Project outputs

24. Our refreshed strategic framework is envisaged as primarily a web-based tool that users (both our community and within our organisation) can click into to move through the layers of the framework, accessing more detail at each level. This web-based structure will give us more flexibility to show that our strategies and plans normally contribute to more than one community outcome. It is more difficult to show this relationship in a written format.
25. A range of printable documents will also be available from the web-based strategic framework tool. A mock-up of one of these, a 'Framework on a Page' view (not yet populated) is provided as **Attachment 1** to this report. Much of the content of this type of report will be developed or confirmed over the course of this project.

Project approach

26. A summary of key activities and indicative timeframes for this project are set out in Table 1. Please note that these may be subject to change as the project rolls out.

Table 1: A summary of key activities, tasks and indicative timeframes for the Strategic Framework Refresh Project (excluding the City Vision component)

Ref	Activity	Tasks	Indicative Timing
1	<i>Getting started</i>	<i>Overall project concept, structure and approach developed. First-draft At A Glance summaries started for each 'strand' of the framework weave.</i>	<i>July – August 2021 (completed)</i>

Ref	Activity	Tasks	Indicative Timing
2	Getting started (continued)	<p>Synthesise key themes from previous engagements, plus any currently underway (also for City Vision project).</p> <p>Confirm the critical gap 'strands', which will require sector group workshops to complete the At A Glance summaries (provisionally: Inclusive City, Environment, Sustainability and Te Ao Māori 'strands').</p> <p>Communicate the strategic framework refresh process (external and within Tauranga City Council).</p>	September – October
3	Tools progressed	Web-based strategic framework tool developed	October – November
4	Sector group work for more well-developed 'strands'	Informal engagement with sector groups to complete At A Glance summaries as far as possible for more well-developed 'strands' – identify <u>priority actions</u> and any further strategic work required in these areas.	October – November
5	Sector group engagement for critical gap 'strands'	<p><i>Following on from the City Vision community and sector group engagement scheduled for November:</i></p> <p>Hold sector group workshops for critical gap 'strands' (provisionally: Inclusive City, Environment, Sustainability, and Te Ao Māori) – identify <u>priority actions</u> and any further strategic work required in these areas, likely to include strategy development.</p>	December
6	Draft to Council	Council receives draft strategic framework including suite of At A Glance summaries for consideration, alongside an update on next steps and the web-based tool development.	December 2021
7	<p>Strategy development for priority 'strands', envisaged to be:</p> <ul style="list-style-type: none"> - Inclusive City - Environment - Sustainability - Te Ao Māori 	<p><u>Under a separate workstream for each 'strand'</u> – with separate project and engagement plans.</p> <ul style="list-style-type: none"> - Each strategy at least in draft form by close of project. - Identify existing strategies & plans that underpin, what needs to be retained and what further work is required. 	February – April 2022
8	Finalise content for remaining 'strands'	<u>Under a separate workstream for each 'strand'</u> – level of work required will have been determined during October-November informal engagement with sector groups.	February – April

Ref	Activity	Tasks	Indicative Timing
9	Underpinning strategies and plans updated	All existing strategies and plans either programmed to be formally rescinded or positioned within the refreshed strategic framework.	February – April
10	Web-based strategic framework tool finalised and populated	Web-based framework tool tested, finalised and populated – including processes for ongoing content ownership and management.	February – April 2022
11	Council adopts draft strategic framework	Council adopts draft strategic framework, including refreshed content, for public consultation	May 2022
12	Public consultation and response	Public consultation on draft strategic framework, including refreshed content. Proposed amendments in response to consultation feedback.	June 2022
13	Council adopts final strategic framework	Council adopts final strategic framework, including refreshed content.	July 2022

FINANCIAL CONSIDERATIONS

27. Financial costs depend on how much external resource is required to deliver key elements of the project to a quality standard and within the specified timeframes. There may be a requirement for external resourcing to develop key strategies for our 'critical gap strands' (up to four processes), web-based tool development and maintenance, creative design and publication development.
28. Budget is available within the approved 2021/22 Annual Plan for strategy development. This budget also accommodates the City Vision project and will be monitored closely as these projects progress.
29. An Annual Plan 2023 budget item may also be required for post 30 June 2022 work, such as design and delivery of publication material and additional functionality for internal use of the web-based strategic framework tool.

LEGAL IMPLICATIONS / RISKS

30. This report has no legal implications. Any risks associated with the recommended approach will be identified during more detailed planning of the workstreams for each 'strand' of the framework, as outlined in the approach section above.

CONSULTATION / ENGAGEMENT

31. There has been considerable consultation with both the community and city leaders to date, as referenced in the background section of this report. Further involvement with both the general community and sector groups is outlined in the project approach section above.

SIGNIFICANCE

32. 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.

33. 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.
 - (c) the capacity of the local authority to perform its role, and the financial and other costs of doing so.
34. In accordance with the considerations above, criteria and thresholds in the policy, it is considered that the issue of Tauranga City Council's strategic framework refresh is of high significance, however the decision proposed in this report (being to receive a project update) is of low significance.

ENGAGEMENT

35. Taking into consideration the above assessment, that the matter of Tauranga City Council's strategic framework refresh is of high significance, officers are of the opinion that the nature of this project requires further community involvement as outlined in this report.

NEXT STEPS

36. Next steps to progress Tauranga City Council's strategic framework refresh are outlined in the project approach section above.

ATTACHMENTS

1. **Strategic Framework content on a page - A12995664** [↓](#)

Tauranga City Vision (under development)						
COMMUNITY OUTCOMES		We are inclusive Tauranga is a city that recognises and promotes partnership with tangata whenua, and values culture and diversity, and where people of all ages and backgrounds are included, feel safe, connected and healthy		We value and protect our environment Tauranga is a city that values our natural environment and outdoor lifestyle, and actively works to protect and enhance it		We have a well planned city Tauranga is a city that is well-planned with a variety of successful and thriving compact centres, resilient infrastructure, and community amenities.
		We can move around our city easily Tauranga is a well-connected city, easy to move around in and with a range of sustainable transport choices.		We support business and education Tauranga is a city that attracts and supports a range of businesses and education opportunities, creating jobs and a skilled workforce.		
		Te Ao Māori Tauranga is committed to understanding and applying key Māori concepts that enhance outcomes for the community, thereby bringing to life the principles of Te Tiriti o Waitangi (in draft)				
		Sustainability Sustainability and resilience underpin our decision making and service delivery, protecting the future of our city (in draft)				
STRATEGIC APPROACH		We recognise we are an integral part of the wider Bay of Plenty region and upper North Island Tauranga is a well-connected city having a key role in making a significant contribution to the social, economic, cultural and environmental well-being of the region.				
WHAT SUCCESS LOOKS LIKE	EXAMPLES ONLY	What success looks (and feels) like for our community Communities are prepared for an emergency event Increased awareness of Tauranga's unique history People feel more connected and loneliness decreases	What success looks (and feels) like for our community Reducing emissions and waste Greening the city Healthy and vibrant water Carbon footprint per unit of gdp reduces towards zero carbon by 2050	What success looks (and feels) like for our community More dwellings in the existing city Proximity to centres Accessible, available, suitable community facilities Resilient infrastructure	What success looks (and feels) like for our community Noticeable shift from cars onto public transport Improved safety Traffic congestion is managed Reliable travel times for commerce and freight Better public transport, walking and cycle connections to enable access to work, recreation and cultural activities	What success looks (and feels) like for our community Job productivity improves Rise in education attainment and knowledge intensive jobs Investment in City Centre Visitor economy improves
		Inclusive City – At A Glance summary	Environment – At A Glance summary	Well-Planned City – At A Glance summary	Move Around Our City Easily – At A Glance summary	Support Business & Education – At A Glance summary
		Our priorities Short Term Actions (2022-2024) • Xyz Med Term Actions (2024-2030) • Xyz Longer Term Actions (2031-2050) • Xyz	Our priorities Short Term Actions (2022-2024) • Xyz Med Term Actions (2024-2030) • Xyz Longer Term Actions (2031-2050) • Xyz	Our priorities Short Term Actions (2022-2024) • Xyz Med Term Actions (2024-2030) • Xyz Longer Term Actions (2031-2050) • Xyz	Our priorities Short Term Actions (2022-2024) • Xyz Med Term Actions (2024-2030) • Xyz Longer Term Actions (2031-2050) • Xyz	Our priorities Short Term Actions (2022-2024) • Xyz Med Term Actions (2024-2030) • Xyz Longer Term Actions (2031-2050) • Xyz
		How we will track progress (key indicators & targets) • Overall outcome level • TCC contribution • Within TCC (corporate responsibilities)	How we will track progress (key indicators & targets) • Overall outcome level • TCC contribution • Within TCC (corporate responsibilities)	How we will track progress (key indicators & targets) • Overall outcome level • TCC contribution • Within TCC (corporate responsibilities)	How we will track progress (key indicators & targets) • Overall outcome level • TCC contribution • Within TCC (corporate responsibilities)	How we will track progress (key indicators & targets) • Overall outcome level • TCC contribution • Within TCC (corporate responsibilities)

9.4 Sustainability - Update

File Number: A12996336

Author: Sarah Searle, Strategic Advisor
Rebecca Maiden, Sustainability Specialist

Authoriser: Christine Jones, General Manager: Strategy & Growth

PURPOSE OF THE REPORT

1. To provide an update in relation to sustainability initiatives and the development of the sustainability framework, as part of the broader Strategic Framework Refresh Project (see separate paper also being presented to the Strategy, Finance and Risk Committee (“the Committee”) today).
-

RECOMMENDATIONS

That the Strategy, Finance and Risk Committee:

- (a) Receives this report
 - (b) Notes the approach and next steps for development of the council’s Sustainability Framework as outlined in this report.
-

EXECUTIVE SUMMARY

2. A paper was presented to the Committee on 28 June 2021⁵ which outlined the findings of a detailed Sustainability Stocktake which had been undertaken (“the stocktake”) and proposed a work programme for progressing the findings.
3. This paper provides updates on work underway to -
 - (a) Address the findings of the stocktake and identify priority actions through a materiality analysis
 - (b) Share and build on the findings of the stocktake, internally and externally
 - (c) Identify immediate and tangible actions which can be progressed
 - (d) Work with our key stakeholders to develop ‘At a Glance’ strategic summaries for the environment and sustainability workstreams, in line with the broader Strategic Framework Refresh Project.

BACKGROUND

4. Work undertaken, underway and/or proposed includes:

Analysis of stocktake findings

5. Staff have performed a materiality analysis of the stocktake, by assessing each area against significance of economic, environmental, social and cultural impacts; influence on stakeholder assessments and decisions; and Council’s ability to influence and/or control.
6. This has produced a preliminary list of priority focus areas. We are working with Activity Managers to test and discuss the preliminary findings and identify actions (short, medium and longer term), including to turn some of the stocktake’s “thumbs down” to “thumbs up” areas.

⁵ https://infocouncil.tauranga.govt.nz/Open/2021/06/SFR_20210628_AGN_2380_AT_WEB.htm

Internal and external engagement

Staff engagement

7. A (virtual) “drop-in” session was held recently for staff to share the findings of the stocktake and seek feedback from interested colleagues across the organisation.
8. The stocktake considered all Council Groups of Activities against a set of sustainability themes, derived from broader sustainability models. As set out above, in considering the findings of the stocktake we are engaging with Activity Managers across Council.
9. Staff have also worked with the Community Relations team to develop an engagement plan for sharing the stocktake and broader sustainability work. This includes refreshed content on the staff intranet and on our external website, as well as more regular communications and updates.

External engagement

10. As a starting point we shared the findings of the stocktake with all external stakeholders who were involved, namely (representatives from):
 - Tonkin and Taylor
 - Sustainability BoP Trust
 - Envirohub BoP
 - Wildland Consultants
 - Geoff Canham Consulting
 - Waste Watchers
 - Priority One
 - Tauranga Energy Consumer Trust
 - Socialink
 - Beca
 - Design Engine Architects
 - Tourism BoP
 - Bay of Plenty Regional Council

11. We have been holding one-on-one meetings with these stakeholders to discuss the findings. We have also identified further relevant stakeholders to engage with (and in some cases have met with already), including but not limited to BoP District Health Board, Western Bay of Plenty District Council, Zespri, the Carbon Reduction Group, the Ministry for the Environment, Te Puni Kōkiri and Waka Kotahi.
12. It is anticipated that sector group workshops will be held in December to discuss the sustainability and environment 'At a Glance' strategic summaries, including priority actions and further strategic work required, per the process set out in the Strategic Framework Refresh paper also being presented today.

Te Rangapū Mana Whenua o Tauranga Moana Partnership ("Te Rangapū")

13. A special workshop was held with Te Rangapū on 27 September to share the findings of the stocktake, and seek feedback on -
 - What does sustainability mean in Te Ao Māori?
 - What does sustainability look like to Tauranga tangata?
 - What are some examples of how our tipuna ensured sustainability of Te Ao Māori?
 - How can we ensure Te Ao Māori will be sustained into the future?
 - The model used for the stocktake (Thriving Cities and an adaptation of "Doughnut Economics"), including one indigenous interpretation of the Doughnut by Tūhoe Māori as set out below.
14. The workshop generated rich discussion, key points including:
 - (a) Tikanga and kawa (practices, behaviours, expression of values) and core values such as kaitiakitanga (guardianship and protection), tāutuutu (reciprocity)
 - (b) Guardianship of hauroa (holistic wellbeing) including taiao (environmental), tinana (physical), hinengaro (mental/emotional), wairua (spiritual), whatumanawa (emotional balance) and whanau.
 - (c) Whakapapa mana tuku i ho – the inherent value in the natural environment and inherent responsibility in looking after it.
15. The workshop also looked briefly at the indigenous view on Doughnut Economics developed by Circular Economy professional Juhi Shareef and scientist Teina Boasa-Dean and whether this might align with our local thinking – could we utilise/amend Boasa-Dean's reimagining of the doughnut from a Tūhoe Māori perspective?

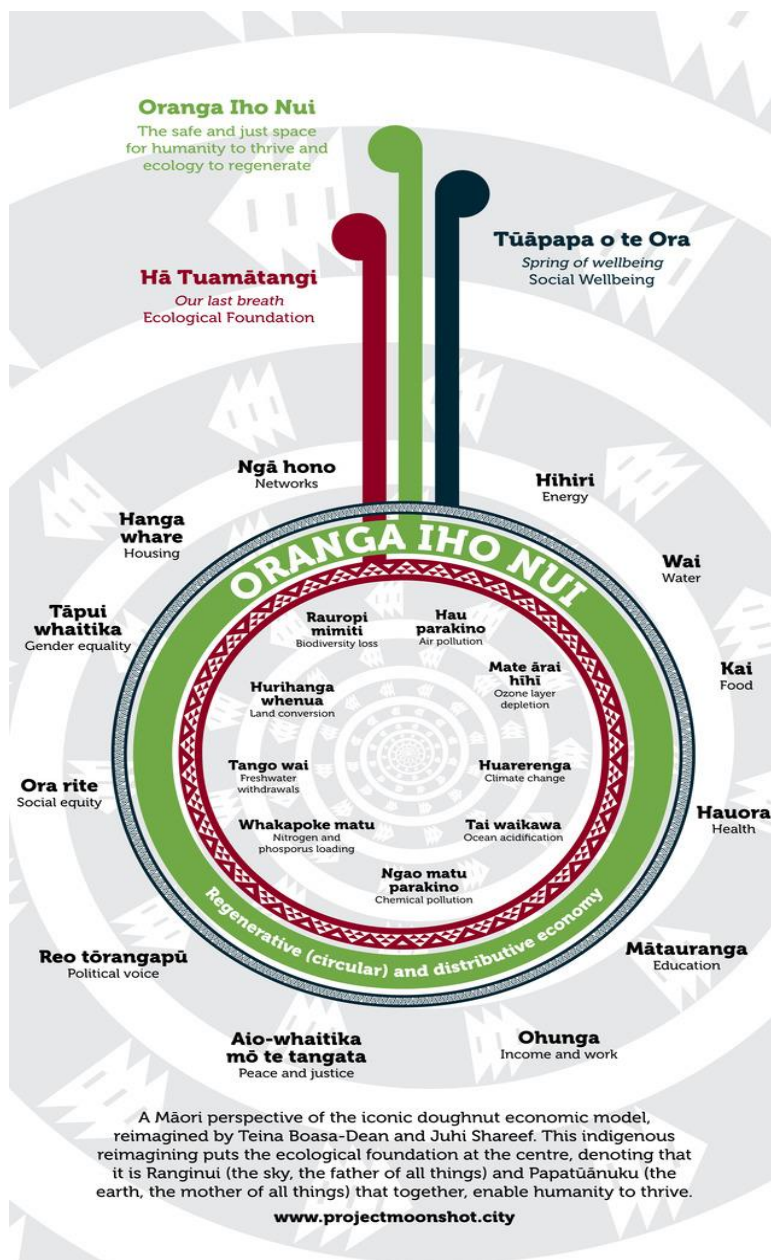


Figure 1: Boasa-Dean’s reimagining of the doughnut from a Tūhoe Māori perspective

16. The initial reaction from Te Rangapū towards the Tūhoe model was that it was a good summary but there was an agreement that follow-up work to discuss and consider this in more detail would be valuable. That would enable a tailored approach for Tauranga Moana.
17. It is also clear that inevitably, by their nature, sustainability and Te Ao Māori are interwoven and integral to each other and there will therefore be overlap between the Sustainability and Te Ao Māori “cross-weaves” or strands of the strategic framework under development. It is anticipated that these strands will be very closely aligned and cross-refer to each other, with the likely points of difference being around key actions / focus areas.

Short-term / immediate actions

Energy and carbon management

18. In partnership with the Energy Efficiency Conservation Authority (“EECA”), we have appointed an Energy Advisor. This partnership includes a requirement for us to reduce our

energy consumption by 2GWh of energy in the next two years and collaborate with Bay Venues to achieve this.

19. We are certified for 2018/19 under Toitū Envirocare (“Toitū”)’s CarbonReduce programme and are now working through certification for the 2019/20 and 2020/21 years. Toitū are an independent company who provide certified Greenhouse Gas inventories and measurement and monitoring of carbon emissions. Their certifications are both nationally and internationally recognised.
20. Updates on this workstream will be provided as work progresses.

Opportunities with Bay of Plenty Regional Council (“BoPRC”)

Regional climate change risk assessment -

21. We are part of the technical working group assisting BoPRC in undertaking a regional climate change risk assessment to identify and understand the climate change risks within the region. This risk assessment will be used to inform adaptation planning and will provide input into district-level assessments.
22. This process will support councils to manage and respond to changing legislation relating to climate change risks and adaptation. BoPRC are working with experts from Tonkin + Taylor on this project and representatives from both Tonkin + Taylor and BoPRC were part of the working group who developed the recently released national guidance, ensuring alignment between our regional process and the National Climate Change Risk Assessment.

Regional carbon footprint -

23. We are also contributing funding to BoPRC working with AECOM to update the Bay of Plenty’s regional carbon footprint covering the three years: 2018/19, 2019/20 and 2020/21. This will include a more detailed analysis for the Transport and Energy sectors and also a Tauranga-specific analysis.

Other opportunities -

24. We are exploring other opportunities for collaboration with BoPRC and councils within the region, including the possible use of “FutureFit” as an engagement tool (which enables both individuals and businesses to assess their carbon footprint / environmental impact) and the Ministry for the Environment’s Our Climate Future exhibition booked for May/June 2022.

Sustainability and environment strategies’ “At a Glance”

25. We will be briefing consultants to assist with the process for consolidating prior work and developing the Environment Strategy “At a Glance” for the workshops in December as outlined above and in the Strategic Framework Refresh paper.
26. It is anticipated that a Climate Action Plan is one of the key plans which will sit under the Environment Strategy.

STRATEGIC AND STATUTORY CONTEXT

27. The development of a sustainability framework is part of the broader Strategic Framework Refresh project.
28. Sustainability will be a “cross-weave” throughout Council’s refreshed strategic framework as well as being incorporated into a number of the other strategic weaves (including environment strategy) aligned with Council’s Community Outcomes.

FINANCIAL CONSIDERATIONS

29. Funding of \$400,000 (to cover staffing and project costs) has been included in the 2021-31 LTP for year 1.

30. Funding/resource requirements for years 2 and 3 will be considered through the 2022/23 Annual Plan process.
31. Long term funding/resource requirements will be considered as a part of the 2024-34 Long Term Plan process (as detailed in the final adopted strategy/framework and action plan).

CONSULTATION / ENGAGEMENT

32. As set out above individual conversations are being held with stakeholders, with broader workshops and engagement planned for December through development of the Strategy's At a Glance.

SIGNIFICANCE

33. 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.
34. 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.
 - (c) the capacity of the local authority to perform its role, and the financial and other costs of doing so.
35. 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.

NEXT STEPS

36. The actions set out in this report will be progressed with updates brought back per the Committee work programme.

ATTACHMENTS

Nil

9.5 Development contributions work programme

File Number: A12989262

Author: Andy Mead, **Manager:** City & Infrastructure Planning

Authoriser: Christine Jones, **General Manager:** Strategy & Growth

PURPOSE OF THE REPORT

1. The purpose of this report is to:
 - (a) Address current priorities for improving the Development Contributions Policy in the short to medium term (starting with the 2022/23 Development Contributions Policy);
 - (b) Contextualise the ongoing development contributions work programme within council's wider suite of growth funding tools and associated workstreams, including delivery risks.

RECOMMENDATIONS

That the Strategy, Finance and Risk Committee:

- (a) Receives this report Development contributions work programme; and
- (b) Endorses the work programme for implementation in the upcoming draft Development Contributions Policy 2022/23 and beyond.
- (c) Notes the work programme will be reported against and reviewed on an on-going basis, with significant changes reported through the Executive and this Committee as appropriate.

EXECUTIVE SUMMARY

2. Staff and external advisors are working together to identify and prioritise a Development Contributions Policy (DCP) work programme. This work programme will be designed to ensure the DCP is working as effectively as possible to support growth funding and optimise this revenue stream.
3. The draft work programme is attached, and priority work is identified in paragraph 10.
4. Development of the DCP is led by the Growth Funding team (part of the City & Infrastructure Planning activity in the Strategy & Growth Group). This team is also heavily involved in coordinating TCC's other growth-related funding and financing opportunities.
5. The key risk to delivery of priority work is sufficient resourcing due to the current workload associated with infrastructure funding (including working with Crown Infrastructure Partners on Infrastructure Financing & Funding and progressing Infrastructure Acceleration Fund applications).

DISCUSSION

6. Staff are looking to undertake ongoing improvements to our DCP to ensure the policy is continues to operate effectively and support growth in Tauranga. Development contributions are a significant revenue stream which recover growth infrastructure costs. The projected annual revenue in the LTP for development contribution increases from \$27 million in 21/22 to \$60 million 28/29.
7. Together, the City & Infrastructure, Finance and Environmental Planning teams have identified a long list of projects to improve the DCP.
8. This list contains significantly more projects than could be achieved in the current year with existing resourcing. As such, projects have been prioritised from 1 (highest priority) to 5

(lowest priority) based on urgency, benefit and opportunity cost. Then they have been grouped in categories: DCP amendments, implementation improvements and other projects. Most category 1 projects relate to amendments to the DCP to support growth in the city and ensuring development contribution revenue opportunities are maximised.

9. Below are the top priority projects in respect of policy improvements, there are also other priorities outside of the policy itself, especially the delivery of a communications plan associated with the upcoming increase to citywide DCs associated with the Waiāri water treatment plant (as per LTP decisions).

Priority Project	Details	Why is this project required	Workload required
1 Community infrastructure (CI)	Determine options for funding proportions for all approved community infrastructure projects and take recommendation to Council. Update CI section of policy and start signalling the possible impact on the citywide DCS	Required so that can start collecting DCs for CI projects in next financial year	High
1 Te Papa & city centre infill catchment	Developing a plan for the introduction of a Te Papa infill catchment to provide funding towards planned intensification projects.	Required so we can start collecting DCs for intensification	High
1 Funding allocation report	Finalise funding allocation report from Fraser Colegrave.	Help inform and support funding allocations decisions and work for Te Papa infill catchment etc	High
1 Outcome of HCC judicial review	Review definitions and other aspects of our DC Policy to confirm if any impact from HCC judicial review decision	Ensure no areas of risk identified through the judicial review	Low

10. Two other large workstreams are worth noting:

- (a) Funding for Transport System Plan (TSP) projects – DC funding for TSP projects will be investigated once investigations into alternative funding mechanisms (Infrastructure Funding and Financing levies (IFF), Infrastructure Acceleration Fund (IAF)) have concluded. This project is ranked priority category 2.
- (b) Creation of new catchments – with continued growth we are proposing the creation of up to five new greenfield development contributions catchments. These are Lower Belk (Tauriko Business Estate extension), Tauriko West, Te Tumu, Keenan Road & Upper Ohauti. The extent to which development contributions will be required in these areas will depend on the application of other funding options such as IAF, IFF and direct developer funding/delivery of infrastructure.

Existing capacity and future demand

11. This work programme is only one of many funding and financing projects being coordinated by the Growth Funding team. Others include:
- (a) Four Infrastructure Accelerator Fund applications;
 - (b) Two Infrastructure Funding and Financing proposals;
 - (c) Housing Infrastructure Fund application for Papamoa East;
 - (d) Agreements with developers for the delivery of infrastructure
 - (e) Potential future workstreams e.g. road pricing.
12. The team was established in its current form in July 2021 with an increase to 2.5 FTEs.

13. In some respects it is well resourced. From a DCs perspective, TCC has a high level of inhouse expertise and has developed long-term relationships with economic and legal advisors to support development of the policy. However, given the size of the DCP work programme it's likely that more than the current 0.5 FTE specifically dedicated to the DCP will be required to ensure progress does not stagnate.
14. In other respects, resourcing is constrained. TCC has enjoyed significant success to date with its IAF applications and HIF application and our IFF proposals are looking promising. The volume of work associated with these projects is anticipated to increase rather than decrease going forward. This is highly likely to exceed existing capacity and risks slowing the pace at which these projects are delivered. It also means that little if any of the other 2.0 FTE resources in the growth funding team can be allocated to progressing the DCP work programme for at least 6 months.
15. Consequently, resourcing is assessed as the biggest risk to delivering the priority DCP tasks. Discussions on resourcing are ongoing with management and the Executive in order to ensure sufficient staff and external resource is available for these projects. Another risk to note is the challenges associated with making DC decisions on specific projects when this relies on outcomes of investigations on other on-going or upcoming funding sources e.g. the cross over with IAF and IFF in Te Papa and Tauriko West.

RECOMMENDATION

16. Our recommendation is that the Committee endorse the work programme in its current form noting the risks set out above. The work programme will be reported against and reviewed on an ongoing basis with significant issues escalated to the Executive and the Committee as appropriate.

FINANCIAL CONSIDERATIONS

17. There are no financial considerations associated with the work programme itself. However, staff note (as described above) there may be substantial financial implications associated with some of the projects in the work programme (for example the proposed Te Papa and City Centre infill catchment).

LEGAL IMPLICATIONS / RISKS

18. There are no legal risks associated with the work programme itself. However, staff note there may be some risk of legal challenge if TCC does not pursue necessary improvements to the DCP itself.

CONSULTATION / ENGAGEMENT

19. We are not proposing to undertake consultation on the work programme. The DCP will be amended each year in line with the work programme and the draft amendments will be consulted on with the community as part of the Annual Plan or Long-term Plan consultation process.

SIGNIFICANCE

20. 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.
21. 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 proposal.

(c) the capacity of the local authority to perform its role, and the financial and other costs of doing so.

22. In accordance with the considerations above, criteria and thresholds in the policy, it is considered that the proposal is of low significance.

ENGAGEMENT

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

NEXT STEPS

24. If the work programme is approved, staff will continue to prepare amendments to the DCP.

ATTACHMENTS

1. **DC Policy amendments - A12999433** [↓](#)
2. **Implementation projects - A12999437** [↓](#)
3. **Other projects - A12999434** [↓](#)

Priority	Project	Details	Why is this project required	Workload
1	Community infrastructure	Determine options for funding proportions for all approved community infrastructure projects and take recommendation to Council. Update CI section of policy and start	Required so that can start collecting DCs for CI projects in next financial year	High
1	Te Papa & city centre infill catchment	Developing a plan for the introduction of a Te Papa infill catchment to provide funding towards planned intensification projects	Required so we can start collecting DCs for intensification	High
1	Funding allocation report	Finalise funding allocation report from Fraser Colegrave	Help inform and support funding allocations decisions and work for Te Papa infill catchment etc	High
1	Outcome of HCC judicial review	Review definitions and other aspects of our DC Policy to confirm if any impact from HCC judicial review decision	Ensure no areas of risk identified through the judicial review	Low
2	Retirement Villages	Review of key factors relating to charges and demand for Retirement Villages - in particular charges for community infrastructure.	In response to submissions by Retirement villages - we have advised that we would do this this year	Medium
2	TBE Extension Area / Lower Belk	Application for private plan change expected end of this year. Need to add an additional catchment for this land area. Aim to add to catchment in two years	To ensure can collect contributions for TBE extension land area	High
2	Funding for TSP projects	TSP is focus of the CIP IFF levy discussions. Follow up project pending outcome of CIP work depending on what funding is required	Ensuring all funding options covered for TSP projects. DCs will be back up funding option if IFF funding not secured	High
2	Visitor and shared accommodation	Need to review the definitions and charging methodology for Visitor Accommodation due to significant discrepancies between charges for Visitor accommodation vs. shared accommodation situations. May also need to develop a new charge type for Rural residential shared accommodation types (e.g. Matapihi workers accommodation).	Current charging methodology expected to be undercharging for visitor accommodation developments for which demand is likely to more closely reflect use as residential household.	Medium

Priority	Project	Details	Why is this project required	Workload
3	Land purchase	Identify all growth projects which require land purchase and follow up to ensure they are up to date (land area, location and value). In most cases the project owners/managers should manage the valuation but in particular for future projects may need to coordinate to ensure this happens. Also need to review content in the DCP regarding land valuations. Focus on training of staff about the importance of future project costing in particular for land purchase	Ensuring accuracy of capex budgets	Low-medium
3	Review Household unit definition and family use only	Review of definition of household unit and considerations by Council on how they want to treat households that may have more than one independent living area and if they want to continue with "family use"	The definition of a "household" unit is a very important factor controlling the way DCs are charged for households and therefore on the revenue streams. The discount for households for family use only cause significant issues in implementation.	Medium
3	Secondary independent dwelling units	Will need to update/remove SIDU rules also need to do consultation on the removal of SIDUs from City Plan and the impact on DCs. Consider if should add an alternative charge regime to achieve a similar outcome. Pending outcome of hearings - early 2022 - decisions March/April	Align with City Plan and consider impact on DC revenue	Medium
3	Review of low demand dwelling assumptions	Continue work on the assumptions relating to low dwellings and impact on revenue.	Ensure DC revenue is not being undercollected due to inaccurate data assumptions	Medium
3	4 bedroom citywide category	Continue work to consider if it is appropriate to add a charge for 4 bedroom dwellings	In response to developer submissions and potentially to improve price equality	Medium
3	Growth projections	Review and update all growth projects and divisors including a review of the number of people per household.	Important contributing factor in determining DC charges and revenue.	Low

Priority	Project	Details	Why is this project required	Workload
1	Communications strategy	Develop engagement strategy to cover Feb increases, potential future DC increases and also generalised comms	Minimise objections/issues arising when adopting DC Policies, maintaining relationships with builder/development community	Medium
1	Developer delivered projects	Need to develop a full clear transparent and detailed process for developer delivered projects in conjunction with Infrastructure group. Will need to update DC policy 'developer delivered projects'	Ensure accuracy of capex budgets and accountability and streamline processes for reimbursements	Medium
2	IT systems	Engagement with finance and IT to consider how we improve/develop systems for calculating and implementing DCs through the annual review process	Improve and streamline annual update processes	Medium
2	DC policy review process	Consider options for how we improve the processes around updating and reviewing the DCP as part of the Annual Plan/LTP process.	Streamline processes and reduce work burden	Medium
3	Policy formatting and design review	Undertake full review of all DC policy content and formatting and potentially request Marathon involvement in formatting and ongoing updates	Improve professionalism of policy, improve readability of policy and make more user friendly, reduce annual update time constraints	Medium
3	Templates for deferrals and waivers	Request lawyers to create templates for common deferral and waiver agreements entered into	Increasing requests for deferrals and changed in council processes is seeing staff needing to enter into more deferral type arrangements. Having templated agreements will increase transparency, reduce risk and streamline processes	Low
3	Historical DCs	Update progress on the historical DC's and any risks regarding refunds	Minimise risk of refunds or legal challenges, ensure funds spent appropriately	Low
4	Waiver process maps and delegations manuals	Update processes to reflect new team structures and to help guide staff on processes and responsibility chains	Improve processes	Medium'
4	Investigate options for statutory land charges	Request further legal advice on possible pros and cons of usign statutory land charges and the processes surrounding their use. Have Waiver pabnel consider if would use land charges in more situations in the future	One option available to council to secure unpaid DC debt. Has been used minimally at TCC but is a possible option that may need to be utilised more if debt on BCs increases	Low

Priority	Project	Details	Why is this project required	Workload
5	Website and estimator development	DC estimator is live but is a very basic model. Would be good to further the development and improve aesthetics and functionality. Likely to need \$\$\$	Improving customer services	Medium

Priority	Project	Details	Why is this project required	Workload
2	Development contribution undercollection	Review and consider options for covering	Increase DC revenue reduce undercollection	Medium
3	Water reforms	Start considering potential impact of		Medium
4	DCWG	Touch base with DCWG and potentially help arrange working	Engagement with DCWG important for maintaining network	Medium

9.6 Source Water Shortage

File Number: A12984913

Author: Peter Bahrs, Team Leader: Water Services

Authoriser: Nic Johansson, General Manager: Infrastructure

PURPOSE OF THE REPORT

1. To highlight the current challenges facing Tauranga's source water supplies and the risk this poses for the water supply to the city during the summer of 2021/22 and beyond.
2. To outline the steps being taken to mitigate the risks faced.

RECOMMENDATIONS

That the Strategy, Finance and Risk Committee:

- (a) Receives the Source Water Shortage report; and
- (b) Supports the mitigation measures being implemented

DISCUSSION

Background

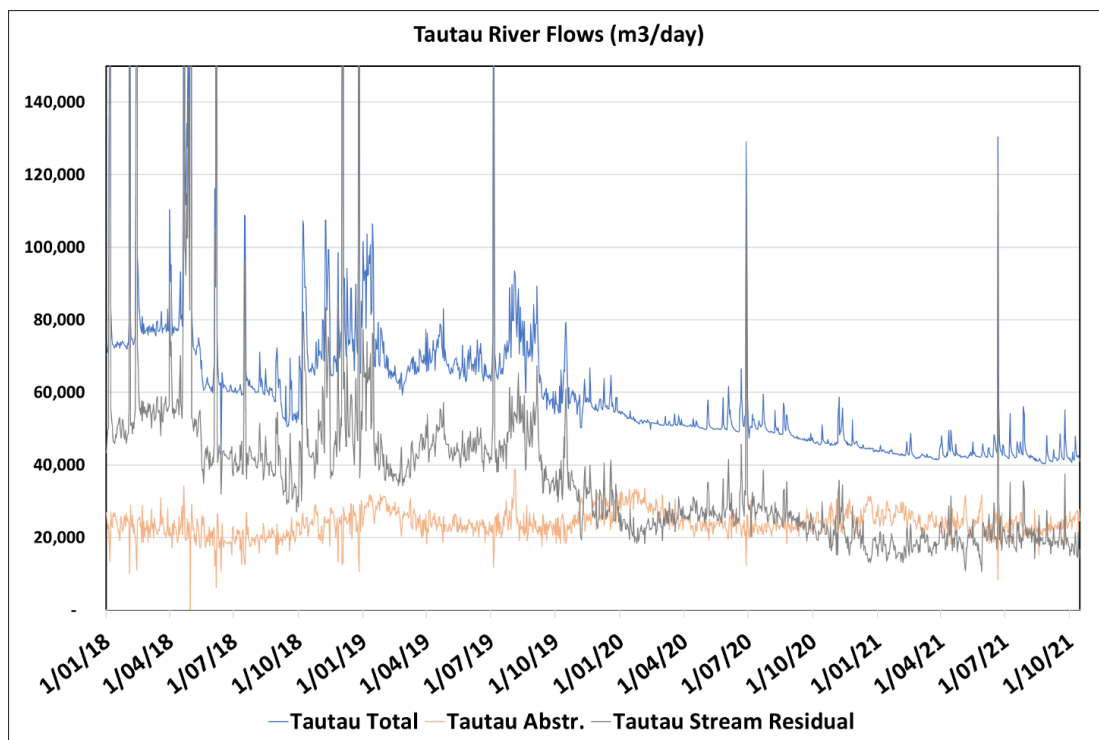
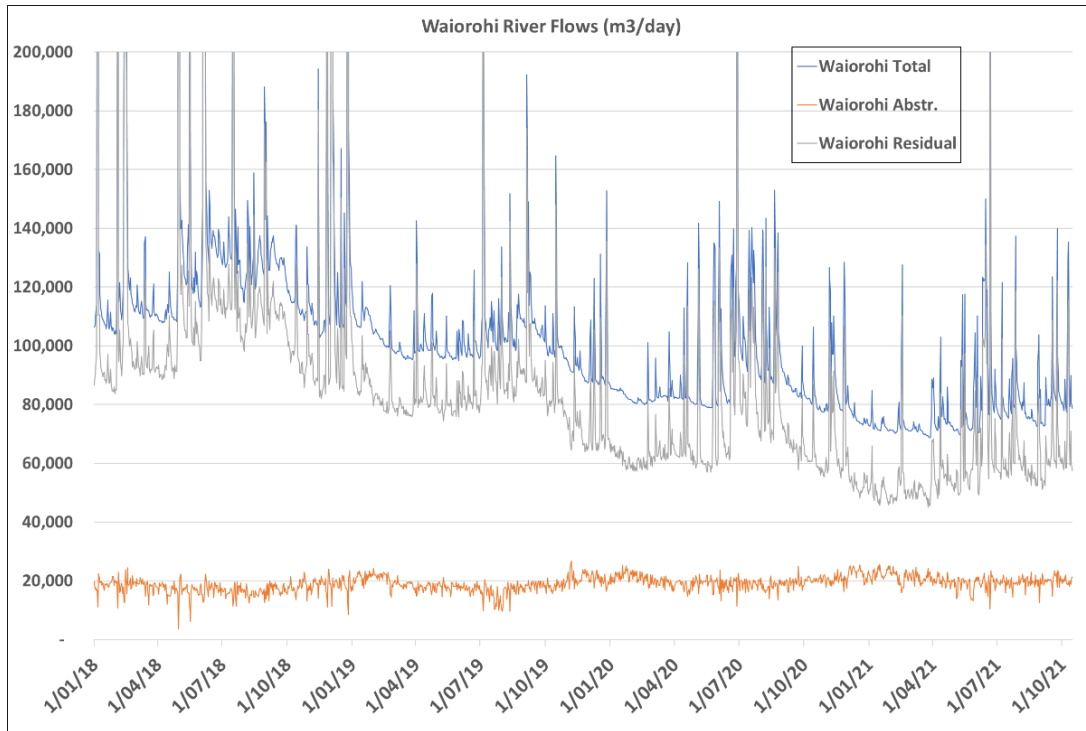
3. Flows in the source water streams providing the Tauranga city's drinking water supply have been trending downwards and currently are at levels significantly lower than normal. This downward trend coincides with three recent dry and hot summers.
4. At the same time, water demand in the city has been steadily increasing due to growth and development. The Waiāri Water Supply Scheme project began in 2016 in order to meet the growth needs.
5. During the summer of 2017/18, water restrictions were required for the first time in 17 years to ensure water demand did not outstrip supply. In the first three years of water restrictions (2017/18 – 2020/21), our primary aim was to minimise the risk of the water treatment capacity being exceeded.
6. However, over the past year Tauranga has faced a new water supply constraint – i.e. the declining availability of source water to draw and treat. Both source water streams, but particularly the Tautau stream which feeds the Joyce Road Water Treatment Plant, are at lower flow levels than has been previously observed in recent decades. As a direct result, last summer's water restrictions were kept in place longer and were only lifted at the end of June 2021.

Period	Restriction Level	Restriction Period
Summer 2017/18	City wide Sprinkler Ban (first level)	16 December 2017 to 12 February 2018 (60 days)
Summer 2018/19	City wide Sprinkler Ban (first level)	30 January 2019 to 25 March 2019 (54 days)
Summer 2019/20	City wide Sprinkler Ban (first level)	23 January 2019 to 24 March 2020 (60 days)
Summer 2020/21	City wide Sprinkler Ban (first level)	23 December 2020 to 28 June 2021 (187 days)

7. Previously, our focus has been on the Waiāri water supply scheme to overcome our infrastructure limitations and cater for future growth. However, this is no longer the silver

bullet to resolve all of our water supply problems. Our primary challenge has moved from infrastructure capacity to one of environmental capability.

8. Even the Waiāri stream is showing similar declining traits to that seen in the Tautau, albeit not to the same extent. This highlights the lack of resilience in TCC’s source water supplies due to climatic effects, especially as all the water sources are shallow aquifer-fed streams. It is noted that although the stream flows have stabilised, they remain at comparatively very low levels.



9. The flows in the source water streams, particularly the Tautau, have not recovered and are at a low level, heading into this summer. In the event that the stream flows continue to decline,

it is likely that harsher water restrictions would need to be implemented to avoid breaching our water take consent in the Tautau, while maintaining water supply to the community.

10. Additionally, the Waiāri stream flows are also on a downward trend. The Waiāri consent has a notification requirement to give notice to the Tapuika Iwi Authority if the flow of the Waiāri stream reduces to below 2.8 cubic metres per second (2,800 l/s). This level was reached in August 2021 and current flows are generally slightly below this level.
11. The issues we are now facing can be separated into three key problem statements:
 - (a) Short term supply of water to Tauranga city will come under significant pressure over summer within the next four to eight months due to the significant reduction in base flow of the Tautau stream, which supplies over 50% of the city.
 - (b) The three supplies of water, including the yet to be commissioned Waiāri, are all showing similar responses in base flow, and continuity of supply from these sources is coming under scrutiny.
 - (c) We suspect the system, in terms of its of supply, its replenishment and its demand, is not well understood.

Short term mitigation measures

12. A variety of mitigation measures are in place or being developed as part of the action plan to meet the city's water demand for the summer and to manage the associated risks. We have two-pronged approach comprising:
 - Supply optimisation and demand management
 - Supplementary source water supply options
13. Our primary focus is to minimise the overall daily summer peak demand and lessen the stress on the Tautau stream. To achieve this, numerous initiatives are underway, including, but not limited to:
 - (a) Development of a robust communications strategy and campaign to educate and explain the situation to the community, and seek their support to help conserve water
 - (b) Bolstering our water restriction strategy and corresponding community education around the need for restrictions
 - (c) Diverting Oropi water to Joyce Road supply zones
 - (d) Working with industry and commercial users to ensure efficient use of water resource
 - (e) Developing a greater understanding of the climatic effects on source water supply and stream flows

Further details on these initiatives are contained in the attachment.

Longer term mitigation measures

14. We want to establish a sub-regional strategic partnership for water to coordinate and consolidate information and investment.
15. Commission scientific research into the cause of the decline, including consideration of, but not limited to, geotechnical, climatic and extraction factors.
16. Tauranga City Council has already kicked off some work to better enable us to understand future quantum and reliability of water supply from existing water take locations. The "Freshwater Management Tool" is a model suite which allows us to simulate the current hydrological and water quality run-off and is able to predict future changes based on intervention options and climate change predictions. This will support good policy decision making and value for money investment decisions.
17. The development of the Freshwater Management Tool has been approved through the LTP process and supplier procurement has just been finalised. The development of the tool will

start in November. Bay of Plenty Regional Council staff have been engaged during the set-up of this project and have agreed to be involved on an ongoing basis. This includes providing data, and review of the development of the tool and the outputs.

NEXT STEPS

18. We are forming a water task team to manage the water supply and demand initiatives throughout this summer, as detailed above. The water task team will monitor, review and optimise the summer water strategy as needed.
19. We will also review the city's water supply strategy in the medium to longer term, with the intention of ensuring greater water supply resilience and sustainability into the future. This is especially important, considering the uncertainty created by the reconsenting of the existing water in 2026.

ATTACHMENTS

1. **Source Water Issues Mitigation Measures - A12993034** [↓](#)

Attachment: Source Water Shortage Mitigation Measures**Supply Mitigation Measures**

Mitigation Measure	Status	Comment
To optimise the distribution of water demand and to transfer some of the Joyce WTP demand to Oropi WTP	Oropi water supplied under gravity to Lakes Reservoir instead of Joyce Road. Pump installed in September 2021.	Pump to allow Oropi to supply under peak supply constraints. (Estimate about 3 MLD)
The operational controls for Tautau pump operation, to ensure resource consents will not be breached.	In place and working	This may need to be amended dependant on stream flows
Upgrade of Capacity at Oropi WTP to better use raw water resources	In progress – expect to be in place by end December 2021	Requires additional opportunities to use Oropi water into the Joyce Reticulation.
Further investigation of options to use Oropi Water in the reticulation network	Ongoing review of opportunities to overcome network restrictions.	Cost and time considerations. Medium term projects in design.
Supplemental Water Review (Stantec)	Report received August 2021 – no viable short-term options identified. These options to be further investigated for the medium / longer term	Reiterated option for early use of Waiāri using the membrane container plant
Leak Detection Survey	A more extensive leak detection survey to be undertaken commencing October 2022, depending on Alert Levels in Auckland	To minimise unaccounted for water.
Supplemental Water Supply <ul style="list-style-type: none"> • Joyce Road Backwash water recovery • Bore water in vicinity of Joyce • Early use of Waiāri using container plant The table of items considered is appended below.	Progress as is follows: <ul style="list-style-type: none"> • Being implemented. Equipment on order. • Exploratory work commenced. • Feasibility design being undertaken as backup to bore option. 	Supplemental options: <ul style="list-style-type: none"> • Provides ~1 MLD • Uncertain (~5MLD) • 3-6 MLD (potential delay on project)
Source Water Predictive Modelling to estimate recovery	In progress – due November 2021 This will provide an indication of expected source water recovery timeframe.	Initial feedback positive to model and predict Tautau and Waiāri source aquifer recharge
Working with WBoPDC to assess supplemental water options	Discussions initiated with WBoPDC	To adopt a greater short-term sub regional approach where feasible
Waiāri Water Supply Scheme	In progress scheduled for completion by summer 2022/23	Noting continued interruptions and delays due to Auckland Alert Levels
Potential Use Of Section 330 (Emergency Works) RMA	Advice obtained	

Attachment: Source Water Shortage Mitigation Measures**Demand Mitigation Measures**

Mitigation Measure	Status	Comment
Media Campaign – ongoing Focus on Community Education as to where City's water is sources & the current challenge of low stream flows.	Commence with initial media release mid-October and provide regular updates as required. Focus community on where Tauranga's water comes from and their ability to support water demand management.	Continue with media campaigns and look at alternatives to revamp / revitalise this. Looking at opportunities to best reach community.
Review of Water Restriction / Drought Management Procedure	Review feedback obtained. Being incorporated into water restriction strategy	A more proactive water restriction approach to be adopted with community water use targets.
Implement "Water Status" dashboards for internal and external reporting	Dashboard has been set up and being tested prior to making this publicly available	To be available for summer
Continue reporting the 7-day rolling average water demand graph	This is updated weekly on the TCC website.	This has been used historically for monitoring City wide water demand.
Work with Industry – Review opportunities to maximise site water use & minimise wastage	Currently establishing contacts within "high water use" industries to aim at undertaking an evaluation / audit of water use practises.	An opportunity to seek improved water efficiency in the City.
Review TCC internal high-water use	Continued review of opportunities to maximise site water use & minimise wastage	Continue working with TCC high water users
More intensive review of water billing data for potential leaks on private property	Possible resourcing needed / community campaign to check your property leakage	Update website and include as part of media campaign
Encourage the installation of bores especially in the Coastal strip	Include as part of media campaign	

Attachment: Source Water Shortage Mitigation Measures

Short to Medium Supplemental Water Supply Options Reviewed

Option	Description	Volume Realised	Rough Costing +/- 40%	Potential Benefits	Risks	Timing	Overall Viability for Short & Medium Term
Upper Waiorohi Intake	<p>The Waiorohi is the supply that feeds the Oropi WTP. A new intake could be established on this stream to supply the Joyce Road plant. Project involves:</p> <ul style="list-style-type: none"> • Inlet structure • Power supply • Raw water pumps • Rising main • Controls interface • Access track • Interface with the Joyce Road container plant 	Up to 6MLD	\$5M+	<ul style="list-style-type: none"> • Additional 6MLD added to the raw water capacity • Simple interface with existing container plant • Easy compliance with Drinking Water Standards • There is limited long-term benefits with this option as the Waiorohi stream is also under strain. 	<ul style="list-style-type: none"> • All source water from one stream that is also showing signs of decline • Consenting of the intake could be difficult • Access track is dangerous and needs significance upgrade • Landowner engagement needed and could be challenging • Construction industry availability 	A realistic timeframe to complete this project is twelve to 18 months and could be further delayed by supply constraints and consenting processes.	Low for short term and moderate for medium term
Joyce Road Bore Field	<p>A deep well bore field could be establish on TCC land in close proximity to the Joyce Road plant. The work would involve:</p> <ul style="list-style-type: none"> • Undertake electrical resistivity tomography • Drill exploratory wells • Develop production well • Install pipe network • Interface with Joyce Road plant • Power supply • Controls interface • Consenting & stakeholder engagement 	Unknown and depends on ground conditions. Estimate between 5MLD and 7MLD	\$3M including \$270k for exploratory work Current market engagement underway	<ul style="list-style-type: none"> • 5 to 7MLD of additional source water • Potential to achieve a long-term sustainable supply for Joyce Road and the Tauriko West development area • Resilience to surface water climatic effects like intense rainfall or drought • Diversity of source supply, reduces vulnerability. 	<ul style="list-style-type: none"> • No guarantee of striking water • No sustainable yields are found during exploratory drilling • Lack of contract resource available (one currently available but could become unavailable if not secured) • Consenting not achieved 	It is possible to have 1.5MLD establish by January with remaining bores taking roughly one month each to establish, up to four bores. A proposal is currently being developed for this work, from an industry leader in this field.	Moderate for short term and high for long term subject to exploratory drilling

Attachment: Source Water Shortage Mitigation Measures

Option	Description	Volume Realised	Rough Costing +/- 40%	Potential Benefits	Risks	Timing	Overall Viability for Short & Medium Term
Omanawa Supply	This option has not been investigated to any level of detail due to the consenting complexity. This option would include developing a new intake facility like that of the Tautau or Waiorohi intakes and pipelines etc.	It is possible that up to 10MLD could be possible from this supply	\$25M+	<ul style="list-style-type: none"> ~10MLD of new supply Additional source to provide resilience and continuity of supply 	<ul style="list-style-type: none"> Surface water could be affected similar to Tautau Stream currently used for power generation and allocable flow could be an issue Consenting will be lengthy and challenging Large scale infrastructure project risks 	This would likely be a five-year project at a minimum. Two years consenting, one year of design and two to three years construction.	Not viable at all for short term and long-term viability is still under investigation. To investigate as a longer-term source water strategy.
Joyce Road Backwash Recovery	This option is developing a backwash water recovery system for Joyce Road. The backwash water currently discharges to the Waiorohi Stream, upstream of the Oropi intake. This would involve: <ul style="list-style-type: none"> Baffles in the existing ponds Pipework Pumps (possible) UV unit for additional protozoa log credits Updates to Water Safety Plan Interface with container plant Approval from Drinking Water Assessor 	Up to 5% of the incoming raw water to Joyce Road (up to 1.5MLD)	\$300k-\$500k Prelim design work underway to firm up costs.	<ul style="list-style-type: none"> Recover up to 5% of water that would have been discharged back to environment 	<ul style="list-style-type: none"> Concentrating contaminants in the backwash system Supply of equipment Approval from Drinking Water Assessor Benefit is linked to the incoming flows and will reduce as the supply from the Tautau decreases. Backwash water is not well understood with only minimal online instrumentation currently monitoring quality. 	It is possible to implement this by summer this year. The UV unit has been pre-ordered (\$80k) at risk due to the long lead time associated with the equipment.	This would be relatively easy to implement. Overall, this is a good option as, if nothing else, it demonstrates TCC commitment to efficient use of the environmental resource when it comes time to re-consent.

Attachment: Source Water Shortage Mitigation Measures

Option	Description	Volume Realised	Rough Costing +/- 40%	Potential Benefits	Risks	Timing	Overall Viability for Short & Medium Term
Waiāri Container Plant	<p>This option involves developing a temporary intake on the Waiāri to abstract water and pump through some already constructed infrastructure. Project includes:</p> <ul style="list-style-type: none"> • Temporary intake • Connecting to new pipework • Overhaul of Te Puke Container plant • Develop backwash facility • Install chlorination system • Update Water Safety Plan • Commission pipe network 	The current capacity of the container plant is up to 6MLD	~\$2M	<ul style="list-style-type: none"> • Uses some of the already installed infrastructure at Waiāri • Additional supply source that supplies a high demand zone 	<ul style="list-style-type: none"> • Can only supply parts of the coastal strip • Container plant has not been run for two years and will require recommissioning • Will generate project delays on the Waiāri project • Sunk cost once the Waiāri is commissioned 	It is possible to have this up and running in four to six months subject to ability to utilise onsite infrastructure and resource.	Moderate in the short term and has no benefit after about October next year (Waiāri commissioning).

9.7 Strategic Procurement Update

File Number: A12988339

Author: David Moore, **Manager:** Capital Projects Assurance Division

Authoriser: Nic Johansson, **General Manager:** Infrastructure

PURPOSE OF THE REPORT

1. To provide the committee with an update on the Strategic Procurement Review; and
2. The next steps in the planning and implementation of new capital programme delivery models.

RECOMMENDATIONS

That the Strategy, Finance and Risk Committee:

- (a) Receives the Strategic Procurement Update report

DISCUSSION

Background

3. The Long-Term Plan (LTP) 2021/31 contains the most significant programme of capital works that TCC has ever embarked upon. A key enabler to deliver this will be how TCC optimally engages with the supply market by developing and implementing delivery strategies and models to create value and beneficial outcomes for TCC and suppliers which will lead to exceptional project outcomes for our community.
4. This paper summarises the outcomes of the strategic procurement review (Review) undertaken to date and the next steps to commence the planning and implementation of selected capital delivery models.

Strategic Procurement Review - Process

5. The Review commenced in early 2021 with the purpose to develop a procurement strategy to support the delivery of the LTP and to understand the value and benefits that could be generated. Another key deliverable was to provide transparency to the market on the LTP capital pipeline and begin to engage with suppliers on better ways of working together.
6. The Review methodology progressed through a number of consultative and analytical stages involving the contribution from TCC staff, industry representatives and market suppliers. The key stages included:
 - (a) Project data validation and identification of specific opportunities and risks;
 - (b) Development of success factors and evaluation of potential delivery model structures;
 - (c) Industry market workshop involving contractors, consultants and key industry representatives to challenge potential delivery models;
 - (d) Evaluating and building aggregated works packages and alignment to potential delivery models across City Waters, Transportation and Community Services activity areas; and
 - (e) Testing and analysing the shortlisted works packages to determine preferred delivery model approaches.
7. In addition to 6(c) above, an update on the Review and an overview of the LTP capital works programme was provided to a good attendance of regional suppliers at the annual contractors' function.

Strategic Procurement Review - Outcomes

8. The Review process has concluded in 15 potential procurement opportunities for TCC.
9. The total capital spend from these opportunities equates to approximately \$1.7 billion of projects within the LTP, with City Waters at \$740 million, Transportation at \$700 million and Community Services at \$220 million. More detail regarding the procurement opportunities is included in Attachment 2.
10. The majority of the \$1.7 billion identified spend occurs within the first 5-6 years of the LTP, there is potential to deliver a much higher level of spend through alternative delivery models identified in the Review. This will be reviewed as the LTP develops over time and will be influenced by factors such as funding, consenting, project timing and many others.
11. The Review has identified many benefits and value that can be generated from executing the procurement opportunities including:
 - (a) Greater procurement efficiency;
 - (b) Reducing construction costs;
 - (c) De-risking project delivery and supply chain issues;
 - (d) Securing key workforce resources;
 - (e) strengthening relationships with suppliers;
 - (f) improving safety and wellbeing; and
 - (g) enhancing community outcomes.

Overall, the benefits should contribute to a greater certainty of delivering the LTP capital works programme. More detail regarding the delivery model benefits is included in Attachment 1.

The realisation of the benefits and the value generated will be staged over time as each new delivery model is implemented. Contractual agreements will need to contain performance measures to monitor and report against some of the benefits, others will be measured and reported internally.

12. A general response from the attendees at the industry market workshop was a lack of certainty of work pipelines from clients and short lead-in times makes it very difficult for the industry to plan and develop their work force and other resources, and minimises their ability to add real value to the client. The impact of current supply chain risks of material price increases and longer delivery times adds to this.

It was made clear that industry would welcome long term client relationships and would favour those clients who could offer a visible and committed pipeline of works with earlier collaboration over those continuing with a traditional “transactional” approach. They further stated that community and socially procured benefits were difficult to implement and add value without long term contractual and project relationships.

13. The preferred delivery models will need to embrace social procurement including the New Zealand Government’s procurement policies for Better Outcomes and the Construction Sector Accord’s guiding principles.
14. The delivery models and opportunities evaluated in the Review have primarily focused on construction contractors however the role of design consultants will also be crucial in delivering the LTP and will need further analysis of their contribution to delivery models in the next phase of the review.

NEXT STEPS
















Strategic Procurement – Phase 2

15. Following the industry market workshop back on 1 July 2021, an update on the outcomes of the Review shall be communicated back to the wider industry to demonstrate TCC is ready for change and has an effective LTP procurement plan.
16. Discussions have commenced with Toi Kai Rawa, Bay of Plenty's Regional Māori economic development organisation to establish a framework where TCC and Toi Kai Rawa can effectively work together in pursuing the development of a Social Procurement Strategy to support local and regional Māori businesses and how this may contribute to LTP capital delivery models.
17. The next phase of strategic procurement will move into the execution of the delivery model opportunities outlined in Attachment 2. This will require engaging an industry procurement specialist to help guide TCC with delivering the Review benefits.
18. The initial focus for delivery model execution shall be on the City Waters opportunities, particularly on the Waters Pipelines and Pump Station packages due to scopes being available and the planned project timing. Community Services has already commenced a review of their existing contractor and professional services panels to better align with their delivery model opportunities.
19. Delivering the Transportation delivery model opportunities will require consultation with Waka Kotahi to ensure it meets their funding procurement and business case processes which may challenge the timing on the Transport opportunities.
20. key upcoming activities and timelines are:
 - (a) Communications update to market industry – Nov 2021
 - (b) Commence detailed planning for delivery model(s) execution – Nov/Dec 2021
 - (c) First delivery model packages released to market – Jan/Feb 2022
 - (d) First delivery model(s) contracts negotiated and commenced – 1 July 2022

ATTACHMENTS

1. **Strategic Procurement Update - 1 Nov 2021 - Attachment 2 - Procurement Opportunities Identified - pdf - A12996551** [↓](#)
2. **Strategic Procurement Update - 1 Nov 2021 - Attachment 1 - Delivery Model Benefits - pdf - A12997675** [↓](#)

Procurement Opportunities Identified

	City Waters \$740M Opportunity	Transportation \$700M+ Opportunity	Community Services \$220M+ Opportunity
LARGE PROJECTS & BUNDLES (>\$50m+)	 Waters Pipelines - \$413m ECI/D&C/Alliance/JV Model, 2-3 Suppliers  Te Maunga WTP Clarifier 3 - \$127m ECI/D&C Model with Stage 1 Suppliers	 Cameron Rd Stage 2 - \$100m+ Extend existing JV, 2 Suppliers  Hewletts Rd Sub-Area - \$136m+ ECI/D&C/JV Model, 1-2 Suppliers  Turret Rd/15th Ave - \$78m+ ECI/D&C/JV, 1-2 Suppliers, extend Cam Rd JV	 Memorial Park - \$125m+ Initial EOI to assess market, Alliance, JV, D&C or ECI Model as part of a collaborative project team
MEDIUM PROJECTS & BUNDLES (up to \$50m)	 Pump Stations - \$43m+ ECI/D&C/Alliance Model, 1-2 Suppliers, Opal & Wairakei, potential to include smaller pump stations	 Accessible Streets - \$115m ECI/D&C Model via Cycling & Pathways Design Panel, Construction Panel  Maunganui Road - \$20m ECI/D&C Model via Maint Contractor, Comm Serv Panel & 1-2 other Suppliers	 Pathways & Access- \$30m+ ECI/D&C collaborative Model with Professional Services Panel for design
RENEWALS & MINOR PROJECTS	 Waters Renewals - \$161m ECI/D&C Model, Maintenance Contractor & 1-2 other Suppliers	 Transport Renewals - \$150m ECI/D&C Model via Maintenance Contractor & 1-2 other Suppliers  Minor Projects - \$93m ECI/D&C Model via Maintenance Contractor, Comm Serv Panel & 1-2 other Suppliers	 Parks Renewals - \$40m ECI/D&C collaborative Model via Maintenance Contractors and CS Panels  Minor Projects - \$27m+ ECI/D&C collaborative Model via CS Panel with Professional Serv Panel design

Strategic Procurement Review Update – 1st Nov 2021

Attachment 2

Tauranga City Council

Delivery Model Benefits & Value



1. Greater likelihood of LTP delivery

Potential to initially deliver \$1.7 billion of LTP projects through efficient and effective delivery model opportunities compared to traditional supplier engagements



2. Procurement Efficiency

Proposed opportunities will significantly reduce the procurement effort and reduce overall procurement activity costs for both TCC and the suppliers (win-win)



3. Reduced Construction Costs

Commercial arrangements can be more transparent and open book with increased 'skin in the game' for suppliers through performance incentives



4. De-risking Project Delivery

Earlier engagement and collaborative ways of working will help provide greater certainty of scope, buildability, cost, supply chain, timing, resources and encourage innovation and value engineering across project lifecycle



5. Minimise Supply Chain Risk

Longer term contractual commitments will provide suppliers with greater buying power and ability to risk manage project materials and build resourcing



6. Workforce Security

Key contract resources will be secured with longer term contractual commitments and allow for supplier investment in plant and people



7. Improved Safety & Wellbeing

Less contracts, early engagement and greater levels of collaboration will reduce pressure on TCC staff for contract intervention and enhance safety planning and execution



8. Strengthening Supplier Relationships

Longer term/collaborative relationships will build trust and confidence between parties and stimulate innovative thinking and drive continuous improvement



9. Enhanced Community Outcomes

Opportunity to leverage off relationship to support local businesses, training pathway opportunities and encouraging investment in Tauranga and the wider region

9.8 2021 Q3 Reports: 'Health & Safety' and 'Mental Health & Wellbeing'**File Number: A12990769****Author: Angelique Fraser, Health & Safety Change Manager****Tracy Dragovich, Health Safety & Wellness Design Lead****Authoriser: Susan Jamieson, General Manager: People & Engagement****PURPOSE OF THE REPORT**

1. To provide a summary of Health and Safety activities over the July to September 2021 quarter. Along with a summary and actions surrounding Mental Health and Wellbeing at Tauranga City Council.
-

RECOMMENDATIONS

That the Strategy, Finance and Risk Committee receive the following reports:

- (a) 2021 Q3 Health & Safety Report
 - (b) 2021 Q3 MHW Report
-

EXECUTIVE SUMMARY

2. These are quarterly reports provided to the Committee, designed to monitor Health, Safety and Mental Wellbeing, activities and learnings.
3. Any feedback regarding content or topics that the Committee would like is welcomed.

ATTACHMENTS

1. **2021 Q3 Health & Safety Report - A12990734** [↓](#)
2. **2021 Q3 MHW Report - A12990741** [↓](#)



Healthy, safe.
Every day.

Health, Safety & Wellbeing

July 2021 – September 2021 - WorkSafe



Tauranga City

Introduction

This July 2021– September 2021 health, safety and wellbeing quarterly report provides a look at reported event statistics across our staff and contractor activities and provides a focus on how the workplace Health and Safety regulator, WorkSafe New Zealand, contributes to successful work at TCC.

Events

(4(e) To ensure that the PCBU has, and implements, processes for complying with any duty or obligations of the PCBU under this Act)

87 ↓

(189 in last quarter)

H&S Events reported across TCC, with:

- 59 investigations from these events are complete
- 10 investigations from these events are underway
- 18 investigations from these events are overdue for completion
- 4 notifiable events to WorkSafe:
 - 2 – unplanned escape of gas
 - 1 – exposure to asbestos spill
 - 1 – object unplanned release from height

25 ↓

(41 in last quarter)

Injury events to staff, contractors or members of community:

- 11 first aid treatment including:
 - Applying ice to bump.
 - Dressing a minor cut.
- 1 medical treatment:
 - Staff member received treatment for torn calf muscle sustained from slip during rehearsal

Learning Focus

(4(d) To ensure we have the appropriate processes for receiving and considering information regarding incidents, hazards and risk and for responding in a timely manner)

During this quarter, a member of public reported, to the TCC call centre, that material had been scattered across the road and road reserve and suspected it to be ACM (asbestos containing material).

Removal of asbestos needs to be undertaken by a qualified removalist to ensure the material is handled and disposed of appropriately, and the site is left free of asbestos fibers. TCC teams worked to ensure this was done efficiently and to in keeping with regulatory requirements.

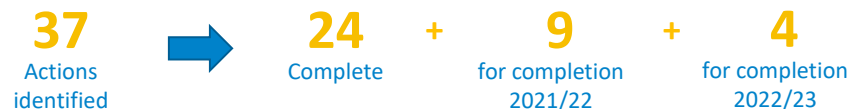
Following the event, it was identified TCC have a limited number of preferred asbestos contractors available to call on at short notice. Action is underway to ensure several are available – should they be needed at short notice.



Health and Safety Management System Audit

4(f) To verify the provision and use of resources and processes.

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.





Health, Safety & Wellbeing

July 2021 – September 2021 - WorkSafe





WorkSafe is New Zealand’s primary workplace health and safety regulator – but what’s great is that the role they take is about more than just enforcement of rules. Much of the work that they do aims to promote and embed positive health and safety practices around the country through collaboration in functions such as education and engagement.

“Getting you home healthy and safe is what we’re working for.”

Here at TCC we’re working with WorkSafe across some of these areas to:

- Ensure our people understand their health and safety roles & responsibilities
- Utilise their guidance material around what compliance looks like
- Facilitate health and safety workshops



Educate: responsibilities, guidance material, workshops

Educating duty holders about their work health and safety responsibilities

Working with WorkSafe’s Energy Safety team - TCC Health, Safety and Wellbeing team gained further education on the risks around electrical supply.

This allowed an identified risk to be mitigated, when an application was made to the property team for a licence to operate an inflatable slide at a TCC park for a 6-week period during summer. The submission of their SSSP (Site-Specific Safety Plan), identified a proposed 110v blower to inflate the slide.

With the 110v blower being incompatible with New Zealand’s 240v electrical supply, the applicant was informed of the need to use an alternate blower system.

Engage: investigate and promote improvements

Engaging with duty holders to promote improvements in health and safety practice

WorkSafe have been engaging with the TCC Health, Safety and Wellbeing Team to develop a new method to improving our workplace design, drawing on appreciative inquiry organisational design theory. This is being achieved through the UK Design Council ‘Double Diamond Approach’ in which the two diamonds represent a process of exploring an issue or challenge widely or deeply (divergent thinking) and then taking focused action (convergent thinking).

To date, we have conducted a workshop with the team at the Animal Pound to maximize the outcomes from their upcoming renovations. As well as the Tauranga Libraries – findings outlined on page 3.

Enforce: steps to remedy unsafe situations

Enforcing health and safety law through steps to remedy unsafe situations

Under the Health and Safety at Work Act, TCC (and our contractors) are required to notify WorkSafe of any workplace events that caused or had the potential to cause significant harm to our people. In this quarter there have been four such events:

- One involving the actions of a member of the public (see ‘learning focus’ on page 1)
- One via our contractors with an object unplanned release from height
- Two as a result of a gas leaks as part of TCC operations.

WorkSafe’s responsibilities are defined in legislation, specifically by the Health and Safety at Work Act 2015.



Healthy, safe.
Every day.

Health, Safety & Wellbeing

August 2021



Our Strategy in Action

Across TCC we are continuing to embrace three key pillars in health and safety that ensures decision makers are informed of our **i. shared standards and values** and the role each of us plays in achieving these. We understand that complexity creates a difference between how work was planned and how **ii. work is done** – so we need to **iii. learn** from this through our workers, as the experts.

Standards & Values

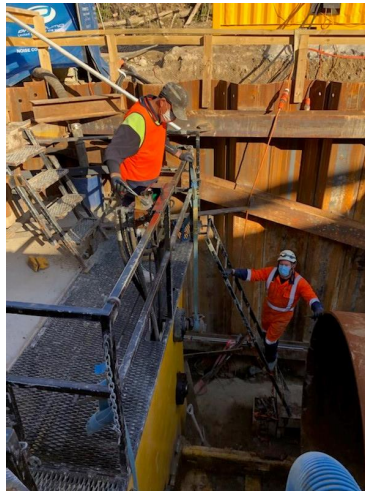
An application was made to the Community Services Events team by an Approved Inflatable Device provider to authorise several new inflatable devices (bouncy castles). The new inflatable designs were certified to a European standard not the Australian standards – currently used by TCC for approval of inflatable devices.

Standards provide a method for verifying that a product is suitable for its intended purpose, and establish levels of safety, health and environmental protection.

With the castle height presenting a low risk – and the European Standard developed after the Australian Standard – compliance with the European Standard was accepted.

Work as Done

Several critical projects were on hold during AL4 including Waiari and Cameron Road, not deemed essential under the new Government guidelines. Our drilling / tunneling works at Kennedy Road however had the green light to continue.



For this group of contractors, ceasing work at AL 4 would cause irreparable damage– due to mud solidifying around the waste-water pipes, which would be irretrievable.

With a solution at the ready, as a result of good business continuity planning, a rapid response to the alert level change was implemented including:

- Alignment with MPI
- Social distancing of workers
- Face coverings
- QR codes for easy tracing

Learning Culture

Using our learning from the relationship we have with the Innovation Team at WorkSafe NZ – we are working with the library teams across the city to provide an opportunity for those closely involved to identify opportunities, ideals and what currently contributes to successful work – challenges can be redefined in a manner that helps new solutions to be imagined.



The work is still underway – but we have been interested to learn:

- Space needs to be adaptable and user-centric
- Libraries should be shaped to the Community catering for the diverse range of visitors from all walks of life, excluding none.
- Libraries support the Community through the services on offer, meeting the changes in how we acquire knowledge in the 21st century.



Healthy, safe.
Every day.

Mental Health & Wellbeing

July 2021 – September 2021



Tauranga City

Introduction

In June, we presented the first Mental Health and Wellbeing report to the Strategy Finance and Risk Committee. This, the second report provides:

- Biannual report from our employee Counselling service (OCP)
- Ask Your Team Pulse survey results
- An update of progress against the recommendations presented in the June 2021
- Mental Health Awareness Week

Recommendation

We recommend the following:

- Continue to formalize the approach to MHW through planned activities within the Health and Safety Strategic Plan, with the inclusion of a due diligence review across the diverse working environments and subsequent affects on MHW.
- Continue to raise awareness around the impact of workload on MHW and how People Leaders are considered critical to creating change, with methods to focus on job priorities

TCC Counselling Service (OCP)

The biannual report from our employee counselling service (OCP) highlights:

- An increased uptake of the service – increasing by 6%
- Workload remains the top issue our people reach out for counselling – and this remains higher than national average
- Issues around ‘relationship with manager’ presented as a higher contribution, moving into third position (from fifth) for reasons our people seek counselling

TCC Counselling Service (OCP)

Anonymised data gathered from TCC’s counselling and advisory services. Feb 2021 – Aug 2021

(Data gathered is anonymised).

Service Uptake	National Average
13% (↑ 6%)	8-10%

Monitoring issues provides insight into progress against MHW risks.

Work Issues	Accessing Service %	National Average %
Workload	22	16
Career	20	17
Relationship w/ Manager	13	12
Conditions	11	12

Personal Issues	Accessing Service %	National Average %
Anxiety	26	28
Family	14	8
Relationships	11	16



Healthy, safe.
Every day.

Mental Health & Wellbeing

July 2021 – September 2021



Tauranga City

Recommendations – follow up

Recommendations were presented around best practice in the management of MHW, within the first Mental Health and Wellbeing report. Progress along several of these recommendations are as follows:

Maintain the successful current practices introduced as part of COVID19 that we know are having a positive impact on our people – and continually improve their effectiveness.

New Zealand went into lockdown on Wednesday, 18 August and many of our workers returned to working from home. The COVID Planning Team (CPT) provided valuable and timely information across the business to ensure staff were kept up to date with appropriate protocols to manage the risk – in line with Government requirements. We checked in on the business through two pulse surveys (26 August and 23 September) which highlighted:

- Good participation rates, with scores consistent across both surveys
- Initially personal wellbeing showed a decline, in comparison to survey data gained during the 2020 lockdown - potentially due to the suddenness and uncertainty of duration – with slight improvements in the subsequent survey.
- A drop in psychological wellbeing (feeling less connected) showed between the two surveys, highlighting the importance of connection. People Leaders have been asked to increase the opportunity for this, albeit virtually.

Continue to formalise the approach to MHW through increased visibility of ongoing and planned activities. Representatives of the Human Resources, Health, Safety and Wellbeing and Risk teams met with Hillary Bennett on 20 July – outlining the MHW climate in New Zealand's Workplaces and key areas considered critical to making material change.



Learnings from this session were passed across to the Executive team and Senior leadership through a series of **6 Workshops** ran by the HSW team between 17 August and 3 September - focusing on a method to review job priorities

Provide questions to encourage our People Leaders to talk about MHW in one-to-one conversations.

This is underway and late 2021 will see the introduction of guided one on ones, a process that requires managers to have regular conversations

with all staff and follow a set of questions. Mental Health & Wellbeing will be included in these questions.

Continue communication of Commissioner and Executive activities in relation to health and safety, in particular governance, to provide assurance to our people.

Story telling and assurance to the business of the importance our leadership place on MHW is provided in:

- Marty's Friday Message
- Commissioner on the Couch sessions
- HSW team monthly reports – Leadership sections.

Provide quarterly reports, including the quantitative monitoring of key risk factors and comparative employee benchmarks

A monthly HR dashboard is now in place, which will allow for continual quantitative monitoring of key risk factors and comparative employee benchmarks – figures from which are shown on the following page.



Mental Health & Wellbeing

July 2021 – September 2021

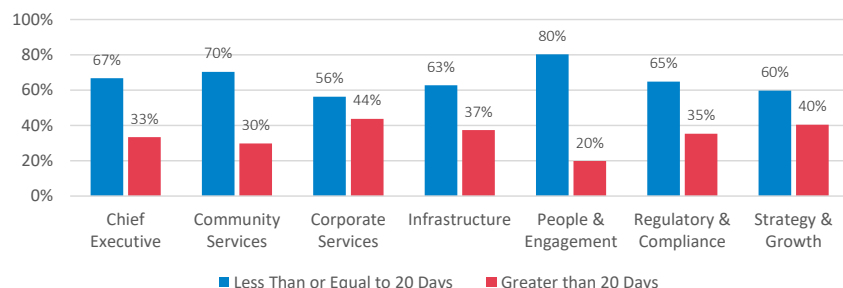


Healthy, safe. Every day.

Human Resources

Employers have a responsibility to act in good faith and ensure the employment relationship continues in trust and confidence around pay, holiday leave and sick leave. Through monitoring metrics we can continue to prioritise our actions and track effectiveness of in-flight initiatives.

Annual Leave

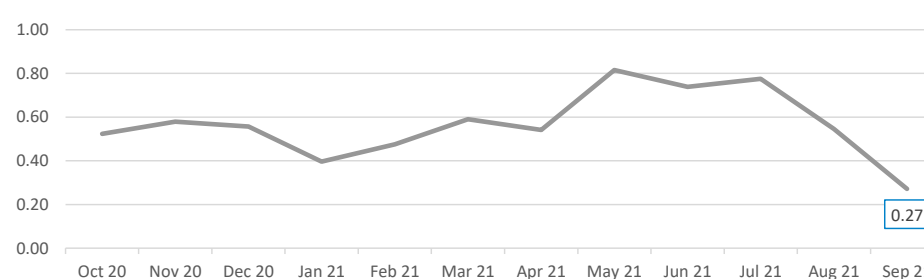


The above graph shows ~65% of employees have an Annual Leave balance of less than 20 days.

The Human Resources team work with people leaders to ensure their staff are taking regular holidays, promoting rest and recuperation as we navigate an ever-changing work environment through the COVID-19 pandemic. This message is being reinforced leading into the Christmas closedown period.

Typically, less annual leave is used while international (and domestic) border restrictions are in place, particularly when higher restrictions are in place over school holidays – this is likely to result in higher annual leave balances.

Average Monthly Sick Leave Taken



Human Resources, through our people leaders encourage employees to use their sick leave when they are sick or need a mental health day. There has been a culture shift for several organisations (including ours) where employees pre-COVID-19 would often push through sickness, come into work, not recover as quickly and/or risk spreading sickness to other team members. Since the resurgence of Covid-19 restrictions in August 21, sick leave usage has decreased significantly likely as a result of decreasing transmission of other illnesses and the greater use and acceptance of flexible working and technology (e.g. Teams meetings).



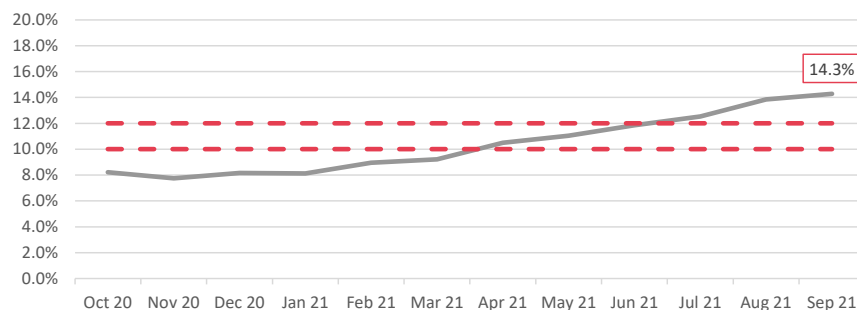
Healthy, safe.
Every day.

Mental Health & Wellbeing

June 2021



Turnover and Retention



Unplanned Turnover

Percentage of unplanned exits of permanent employees over a rolling 12-month period, against the average permanent headcount over that period (including new hires).

Unplanned turnover is significantly higher than what it was 12 months ago (14.3% vs 7.9%) but largely explained by reduced turnover due to the COVID-19 pandemic – the trend seen across the public sector is that turnover is increasing as we now come out of an uncertain employment environment. An ideal rate of turnover has been proposed at between 10 and 12%, which provides a good mix of new talent and retained expertise.

Retention

Percentage of staff from July 2019, still in employment with TCC. This excludes any new hires after July 2019. Approximately 80% of the staff employed by TCC in July 2019 have been retained in employment as at the end of this quarter.

Exiting TCC

Following a review by Human Resources, our Exit Survey made the switch from being conducted through an external research company to being run in house – utilizing technology already available at TCC. The first surveys were launched in September, with the aim to begin reporting on the results quarterly.

At this time, the online Exit Survey will be made available to all permanent staff leaving TCC, with the option of having a face-to-face interview being offered if preferred.





Healthy, safe.
Every day.

Mental Health & Wellbeing

July 2021 – September 2021



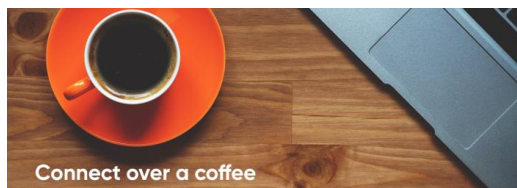
Tauranga City

Mental Health Awareness Week

27th September to 3rd October

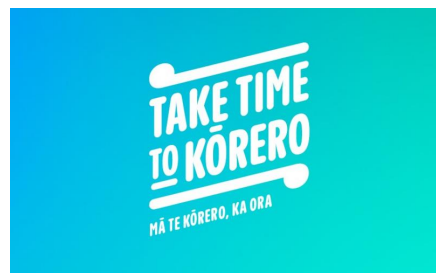
Employers can make a major impact on the mental health and wellbeing of their employees, with one of the easiest ways being to promote awareness and acceptance of mental health in their workplaces. This year we wanted to use Mental Health Week as a precursor for ongoing initiatives, as mental health shouldn't be limited to just one week per year.

This year TCC aligned with the Mental Health Foundation's theme - take time to kōrero/mā te kōrero, ka ora - a little chat can go a long way – and Coffee Roulette made its debut.



Connect over a coffee

Coffee Roulette was launched as one way to help us manage our Mental Health and Wellbeing by building connections across TCC. This initiative – which randomly matches you with another staff member – was promoted throughout mental health week and has remained open. Allowing for ongoing opportunities to connect with someone you may not have had the chance to meet from across the organisation.



Throughout Mental Health Week, daily emails were also sent out to provide reminders around ways to connect with the people in our lives and creating space for conversations about mental health and wellbeing.

The emails incorporated the Mental Health Foundation's [Five Ways to Wellbeing](#). Which are based on the premise that building five actions into day to day lives is important for the wellbeing of individuals, families, communities and organisations.

Whakatōkia ngā rautaki māmā nei ki tō ao kia rongo ai koe i ngā painga.

- You can introduce any of these actions into your life, any time, and you will begin to feel the benefits.



Jehan Casinader

The week finished with hearing from Jehan Casinader one of New Zealand's top TV journalists and a survivor of depression and suicidality. He offered a fresh, enlightening perspective on cultural identity and reminded us:

- Although hurtful comments may be in the minority, that's what sticks
- People leaders need to build capability in advancing conversations with their people
- We need to be conscious of our language with regards to all groups of people – all labelling can be damaging
- We need to be brave and have these vital conversations

9.9 Q1 2021/22 LGOIMA and Privacy Requests

File Number: A12986218

Author: Kath Norris, Team Leader: Democracy Services

Authoriser: Susan Jamieson, General Manager: People & Engagement

PURPOSE OF THE REPORT

1. To purpose of this report is to update the Committee on Local Government Information and Meetings Act 1987 (LGOIMA) and Privacy requests for the first quarter of 2021/22.

RECOMMENDATIONS

That the Strategy, Finance and Risk Committee:

- (a) Receives the report Q1 2021/22 LGOIMA and Privacy Requests.

DISCUSSION

2. A total of 77 requests were received in this quarter. This is comparable to the 78 received in Q4 of the 2020/21 year. It is a decrease from the number received in Q1 of 2020/21 which was 118.
3. The origin of the 77 requests received is broken down in table 1. The type of requests (LGOIMA or Privacy) is broken down in table 2.

Table 1 Origin of Requests

Type of Requester	Number of Requests
Individual	55
Media	7
Organisation	15
TOTAL	77

Table 2 Type of Requests Received

Type of Request	Number
LGOIMA	74
Privacy	3

4. A breakdown of the business group allocation for requests received is detailed in the pie graph at the end of this report.
5. There were five individuals who made two requests, and one individual who made three requests.
6. A total of four LGOIMA requests were extended. Three have been responded to within the extension timeframe, the remaining one is still to be responded to.
7. In this quarter, 96% of requests were responded to in the statutory timeframe. Three requests were responded to outside this timeframe. One was directly due to the COVID lockdown, the other two were due to administrative oversight.
8. Six requests received in Q1 are still pending a response.

9. Themes for the quarter are in table 3 below:

Table 3 General Themes for Quarter One

General Theme	Number of Requests	Percentage of Total
Rates and/or financial information	4	5.2%
CCTV – number and locations of cameras	3	3.9%
Kerbside collections – requests pertaining to individual situations or streets, as well as general questions	3	3.9%
Three Waters	2	2.6%
Staff numbers and organisation chart	5	6.5%
Cameron Road Project	3	3.9%
Commissioner related requests i.e., costs, correspondence	4	5.2%

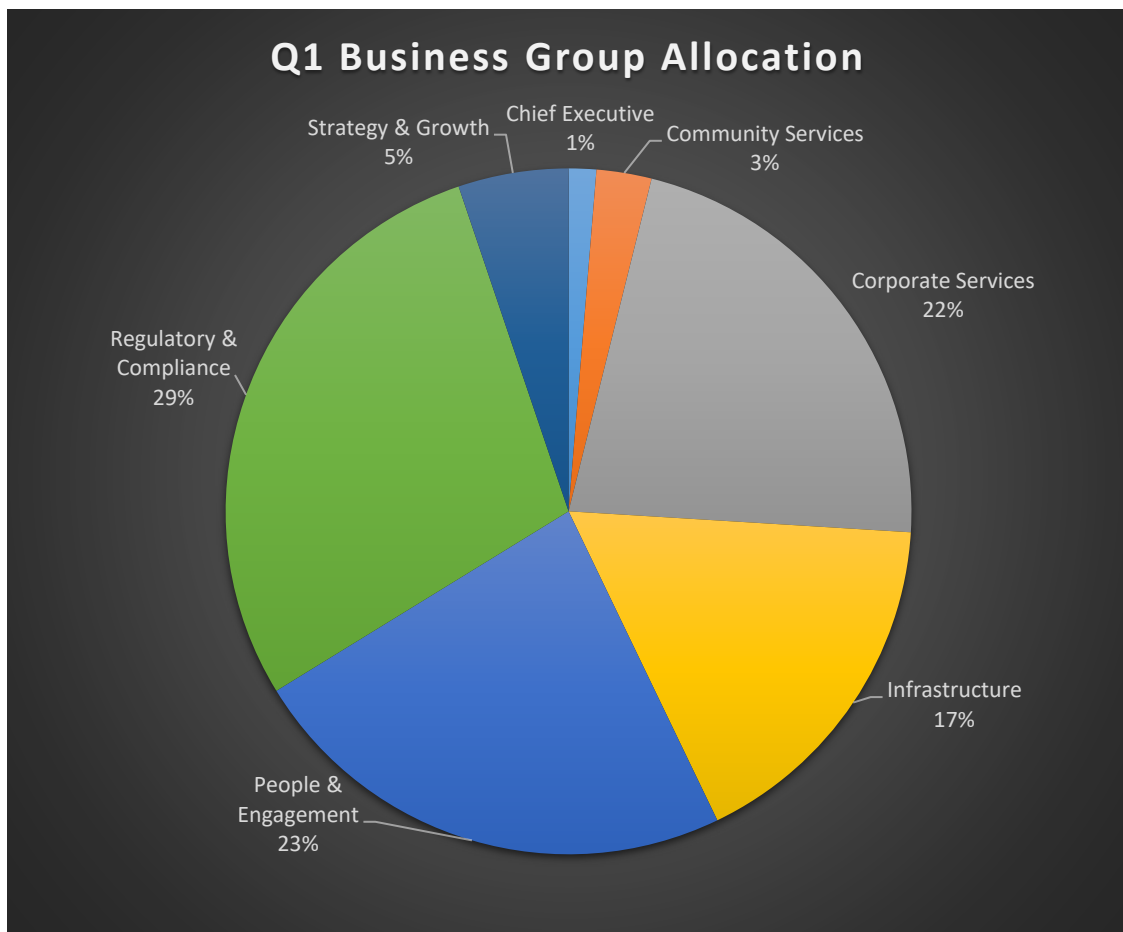
10. The outcome for the 71 requests responded to for Q1 are outlined in table 4 below:

Table 4 Outcome for Requests Responded to in Quarter One

Outcome	Number
Cancelled	8
Partial Withhold	11
Provided	46
Withheld/Refused	6

11. Out of the three privacy requests, two were cancelled, one is still pending a response.
12. There are currently five open complaints, all are with the Office of the Ombudsman and have been responded to. They are awaiting an outcome from the Ombudsman. Two of these complaints were received this quarter. There are no current complaints with the Office of the Privacy Commissioner.
13. Responses that may have interest to the community continue to be proactively published on the council website.
14. The charging policy continues to be a useful tool to manage large requests. We have charged one requester this quarter. In this instance, as the requester worked with us to refine the request several times, we applied a discount to the total charge. Excluding the request that was charged, requests took an average of 2.4 hours of staff time per request, not including legal review where required and sign off processes.
15. We are currently reviewing and updating our programme of work in response to the Office of the Ombudsman's Practice Investigation that are yet to be completed, all are due for completion by 31 December 2021. They are either commenced or scheduled to begin. An update on progress is due to the Ombudsman by 22 October 2021.

Chart – Business Group Allocation of Requests



ATTACHMENTS

Nil

9.10 Tauranga City Council Draft Consolidated Annual Report 2020/21**File Number: A12981671****Author: Kathryn Sharplin, Manager: Finance**
Tracey Hughes, Financial Insights & Reporting Manager
Rhea Brooks, Corporate Planner**Josh Logan, Team Leader: Corporate Planning****Authoriser: Paul Davidson, General Manager: Corporate Services****PURPOSE OF THE REPORT**

- The purpose of this report is to provide the committee with a further update of the year-end financial and non-financial results for Tauranga and the presentation of the front sections of the annual report. This update includes the consolidated financial accounts and amendments to the introductory sections of the report as requested by Strategy Finance and risk at the meeting on 20 September 2021. It is noted that the report is still subject to final audit changes so the final consolidated accounts are not complete at the time of writing.

RECOMMENDATIONS

That the Strategy, Finance and Risk Committee:

- Receives the Report - Tauranga City Council Draft Consolidated Annual Report 2020/21

EXECUTIVE SUMMARY

- The annual report is the key document for Tauranga City Council (TCC) to report back to the community on its achievements for the year. The report provides background information on the operations of council, its governance and the year in review by major activity. It provides comparisons against its non-financial performance targets and financial budgets as set out in year three of the 2018-28 Long-term Plan, which were further revised in the 2020/21 Annual Plan.
- The consolidated annual report includes the results for TCC's council-controlled organisations (CCOs) Bay Venues Limited BVL, and Tauranga Art Gallery Trust (TAGT).
- The updated annual report reflects changes from the report presented on 20 September, both as a result of adding consolidated figures and as a result of changes to accounting presentation of information as agreed with Audit New Zealand. This information is still subject to final audit and internal review so there may be further amendments prior to the final audited document being presented to Council on 6 December 2021.
- Key consolidated financial results for TCC are as follows:

\$258m total operating revenue	\$275m total operating expenditure
\$32m capital and operating subsidies	\$33m development contribution revenue
\$182m capital expenditure	\$586m net debt
\$690k TCC operating surplus due to interest below budget	209% debt to revenue ratio (TCC) D:R consolidated with BVL revenue
\$275m Consolidated revenue	\$5.5m Consolidated total assets

6. The key financials presented above are largely unchanged to those presented in the summary table on 20 September, although there have been changes to detail presented.
7. Non-financial performance measures are largely unchanged from those presented on 20 September. The numbers are 53% achieved (78 measures), 37% not achieved (55 measures) and 10% not measured (15 measures).
8. The change as a result of the audit from Audit New Zealand, being that one KPI moved from achieved to not measured (Marine Precinct- berth infrastructure).

BACKGROUND

9. Report 9.3 Tauranga City Council Draft Annual Report was presented to Strategy Finance and Risk committee on 20 September 2021. This report outlined the purpose of the annual report and presented unconsolidated and unaudited financials and non-financial performance measure results and discussion.
10. Draft front sections of the document were considered by the committee as the purpose of these sections is to provide a review of the year and to tell the story of the council's operations and other key events in a way that is readable by the community. The committee raised matters regarding these sections and requested changes to the presentation including some additional items for inclusion.
11. This updated report addresses the matters raised by the committee, incorporates the consolidated financials, and amendments arising from the review and audit process.

Amendments to front sections

12. As a result of the feedback received at Strategy Finance and Risk Committee on 20 September, the following changes were made to the presentation and content of the front sections:
 - The layout changes suggested in section one have been made in consultation with Te Pou Takawaenga unit.
 - Also, in consultation with Te Pou Takawaenga unit we have amended and added to section two in the highlight's challenges and opportunities part in line with the feedback received at the last committee meeting.
 - Incorrect spellings of committee members names in section four have been corrected.
 - Some images and graphics throughout the document have also been changed in line with feedback received.

Consolidated financials

13. Consolidated financials show some impact of ongoing COVID-19 disruption that affected all the CCOs in terms of revenue and operations.
14. Overall, the impact on the consolidated accounts continue to show an operating surplus. The consolidated financials continue to be under audit review, with accounts to be tabled at the meeting.

Non-Financials – consolidated

15. At the conclusion of the Audit of this draft annual report by Audit New Zealand, Council presents the position of how the council achieved the non-financial performance measures and ultimately the levels of service during the financial year. Of the 148 non-financial performance measures, 133 of them have been measured during the financial year.
16. The result for the full financial year is that a total of 78 non-financial performance measures have been achieved (53%) and 55 were not achieved (37%), with 15 not able to be measured (10%).

17. Also, of the 55 measures not met, the two key themes that emerged, were that services were still impacted due to the ongoing effects of the COVID-19 pandemic and there continue to be ongoing staff shortages in the regulatory and compliance sector.

STRATEGIC / STATUTORY CONTEXT

18. The annual report is prepared consistent with requirements of the local Government Act 2002 (LGA)

OPTIONS ANALYSIS

19. There are no options presented in this report.

FINANCIAL CONSIDERATIONS

20. The financial statements and information presented is for the financial year ended 30 June 2021. The presentation of the financials section is guided by the requirements of the Local Government Act 2002, accounting standards (International Public Sector Accounting Standards (IPSAS)) and generally agreed accounting policies. It is audited by Audit New Zealand. The accounts are prepared on a going concern basis. There have been no incidence or allegations of fraud, non-compliance. At present staff are continuing to work with Audit New Zealand on matters of presentation of the accounts.

LEGAL IMPLICATIONS / RISKS

21. Due to post-COVID-19 pressures on councils across the country and Audit NZ the timing of adoption of the audited annual report will not meet normal statutory deadlines but Government has approved an extension of time.

CONSULTATION / ENGAGEMENT

22. The annual report will be made publicly available after adoption. The 2018-28 LTP and the 2020/21 Annual Plan which the year results are measured against were consulted on before being adopted. There is no consultation on the annual report itself.

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 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 medium significance.

ENGAGEMENT

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

NEXT STEPS

27. Audit New Zealand is currently undertaking its audit of the annual report working with staff to ensure all requirements are met.
28. The final annual report will be presented to Council for adoption on 6 December 2021.

ATTACHMENTS

1. **Draft Annual Report 2020/21 - Sections 1-6 - A13008026 (Separate Attachments 1)**

9.11 Financial and Non-Financial Monitoring Report: Period ended 30 September 2021**File Number: A12990345****Author: Kathryn Sharplin, Manager: Finance****Tracey Hughes, Financial Insights & Reporting Manager****Josh Logan, Team Leader: Corporate Planning****David Moore, Manager: Capital Projects Assurance Division****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 and service level performance result for the first three months of the financial year 2021/22 and provide an overview of resident perceptions. The report also includes information on progress and risks relating to the capital programme.

RECOMMENDATIONS

That the Strategy, Finance and Risk Committee:

- (a) Receives Report Financial and Non-Financial Monitoring Report: Period ended 30 September 2021.

EXECUTIVE SUMMARY

2. Operational results for the first quarter are tracking slightly favourably to budget. Revenue overall is close to budget with services affected by the alert level restrictions offset by higher revenue across building services. Full year forecasts have not been amended from budget at this stage. Expenditure, both operational and capital is below budget partly due to restrictions. Capital expenditure for the first quarter has been \$40m against a budget of \$287m, indicating a slow start to the year.
3. **Attachment 1** includes the Statement of Comprehensive revenue and expense along with a by activity breakdown of variances in user fee revenue and operating expenditure. A Treasury summary showing debt and full year projections is shown along with a high-level summary of capital expenditure to budget.
4. **Attachment 2** summarises the performance of the top 25 capital programmes being undertaken this year.
5. **Attachment 3** presents how Council and the community are tracking towards achieving Council's non-financial performance measures and levels of service.
6. Of the 100 non-financial performance measures, 75 have been measured and reported on. 46 measures (46%) are on track, 26 measures (26%) off track and 25 measures (25%) yet to be measured. 3 measures (3%) have achieved the annual target.
7. Initial analysis of non-financial performance measures shows that of the 26 measures off track, 17 measures (65%), across five activity groups, continue to be affected by the impact of COVID-19.
8. **Attachment 4** presents a high-level summary of the wave one results of the Annual Residents Survey.

BACKGROUND

9. This report is for monitoring and reporting purposes showing Council's financial and non-financial performance in delivering services to the community.
10. The operational budgets for year one of the Long-term Plan (LTP) set the revenue and expenditure expectations to deliver on agreed service levels and capital investment.
11. In an LTP, the level of service that the council will deliver along with operational budgets and capital investment programme are agreed upon by the council in consultation with the public. Rates and user charges are set based on these budgets.
12. The Local Government Act 2002 stipulates that local authorities are required to report on how well they are performing in delivering these levels of service to their communities as measured by the non-financial performance indicators.
13. In the 2021-31 LTP there were 100 KPIs that were agreed upon, 23 of which are mandatory measures as per section 261B of the Local Government Act.

STRATEGIC / STATUTORY CONTEXT

14. Maintaining expenditure within budget ensures delivery of services in a financially sustainable way.
15. Monitoring non-financial performance is a key function of the committee.

DISCUSSION

Part 1: Financial Performance

16. **Attachment 1** to this report provides a summary of Council's financial performance for the year to date. The content of this attachment 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.
 - (b) A summary by activity of user fee revenue and operating expenditure variances year to date.
 - (c) A 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.
 - (d) A summary of capital expenditure to date and full year projections across the whole programme.

Operating Performance and Revenue and Expenditure Variances by Activity (Attachment 1) 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. At this stage there has been no amendment to full year forecasts which remain at budget levels.

17. Overall operational expenditure and revenue are tracking favourably to budget.
18. There has been some impact on revenue in areas of the business from COVID-19 alert level restrictions including the airport and community facilities such as Baycourt. However, this has been offset to date by favourable results elsewhere such as in building services. There are forecast full year revenue losses from closure of the two carparking buildings for several months.
19. Operational expenditure has been below budget, partly due to lower activity in some areas due to alert level restrictions. At this stage full year expenditure is expected to be to budget levels.

Summary Treasury and Capital Programme Expenditure

20. Overall capital expenditure for the three months has been \$40m against a budget of \$287m indicating a slow start to the year. The September expenditure, including accruals, showed a considerable ramp up of expenditure to the previous two months. From a forecast debt

perspective, based on low capital delivery year to date, we would expect debt to be lower by year end by about \$30m. Total net debt at year end is currently projected to be \$730m against a full year budget of \$760m.

Part 2: Capital Programme Performance – Top 25 Projects

21. The Top 25 projects and programmes make up approximately 80% of the capital budget. After a slow start to the financial year there has been a gradual increase in productivity and delivery momentum as indicated by the improved 'actual to budget' expenditure in September. This has been aided by two thirds of the Top 25 projects in the construction lifecycle stage, such as Waiāri WTP, Cameron Road Stage 1 and Te Maunga WWTP.
22. Although the overall Top 25 health status is satisfactory for the first three months, there is still uncertainty across the programme as to the current and future impact of COVID-19, particularly on supply chain risk of key resources and project materials, which could delay or extend project timeframes, and also increase project costs. Supply chain impacts will be closely monitored over the coming months.

Part 3: Non-Financial Performance

23. **Attachment 3** presents how Council and the community are tracking towards achieving Council's non-financial performance measures and levels of service.
24. Of the 100 non-financial performance measures, 75 have been measured and reported on. Data is not yet available for 25 measures.
25. Of those that have been measured, 46 measures (46%) are on track with 26 measures (26%) off track and three measures have been met already (3%).
26. Of the 26 measures off track, 17 measures (65%), across five activity groups (Community Services, Economic Development, Marine Precinct, Regulatory and Compliance and Spaces and Places), have been affected by the impacts of COVID-19. We will continue to monitor these measures and keep reporting the likelihood of whether these measures will now not be met this financial year over the next two quarters.
27. Where data is not available, the majority relate to annual measures which are only surveyed at one point through the year or to measures that have no current method of assessment.

Part 4: Perceptions Monitor

28. The Annual Residents' Survey supports non-financial reporting by measuring the perceptions of residents regarding various aspects of services that Council provides.
29. The survey is conducted in four waves across the year. Each wave's mail out quotas are applied according to age, gender and ward, to ensure that a representative sample of Tauranga City's population is achieved. The data is weighted to account for variances in the achieved quotas and to ensure that the sample reflects the population profile achieved.
30. The overall results have an anticipated margin of error of +/- 4.6% at the 95% confidence level. Scores for the reporting periods exclude 'Don't know' responses.
31. The results for 2021/22 wave one are interim and based on the sample of n=191. Data collection has taken place between 14 August to 28 August 2021. Due to the data capture period coinciding with the latest AL4 lockdown the response rate was high.
32. A summary of the highlights of the first wave are attached at **Attachment 4**. The summary helps provide an insight into how different elements of Council's core service deliverables, reputation and the perception of value for money contribute to respondents' perception of Council's overall performance.

33. Under overall performance, the wave one result is that 32% of respondents are satisfied or very satisfied with Tauranga City Council in general, up from 28% in wave three 2020/21. The result is equal to the full year for 2020/21 in which 32% of respondents were satisfied or very satisfied.
34. Reputation measures the community's perception of four key areas – leadership, faith and trust, financial management and quality of services/facilities. Under reputation, the wave one result is that 27% of respondents are satisfied or very satisfied, up from 11% in wave three of 2020/21. The full year result for 2020/21 was 19%.
35. Within reputation, there is the measure in terms of respondent's faith and trust in Council, the wave one result is that 27% of respondents are satisfied or very satisfied, up from 13% in wave three of 2020/21. The full year result for 2020/21 was 19%.
36. In this year's survey an additional question was added asking the respondents' awareness that a Crown appointed commission had taken over the governance responsibilities of Tauranga City Council.
37. The result was that 80% of respondents are aware and 20% unaware, with age being a main factor. Further breakdown of awareness results by age is as follows:
 - 18-24 = 54% aware
 - 25-34 = 59% aware
 - 35-44 = 80% aware
 - 45-54 = 83% aware
 - 55-64 = 87% aware
 - 65+ = 95% aware
38. Another additional question was added asking how the respondents rated the Commissioners' leadership with the Wave one results being 58% of respondents stating they are satisfied or very satisfied.
39. The next wave is due to be collected during November 2021 with the results scheduled to be reported to this committee in February 2022.

OPTIONS ANALYSIS

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

FINANCIAL CONSIDERATIONS

41. The financial results to budget for the first quarter provide information on trends and risks. At the corporate-wide level at this stage of the year no amendments have been made to forecast budgets. Trends and revisions to forecasts will be considered further in the 6-monthly report.

LEGAL IMPLICATIONS / RISKS

42. This monitoring report has no specific legal implications or risks.

CONSULTATION / ENGAGEMENT

43. This report is made public.

SIGNIFICANCE

44. 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.

45. 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.
46. In accordance with the considerations above, criteria and thresholds in the policy, it is considered that the matter is of low significance.

ENGAGEMENT

47. 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

48. This report ensures monitoring of Council performance to ensure compliance with Council's budgets, policies and delegations.

ATTACHMENTS

1. **Attachment 1 - September 21 Financial Report - A12993528** [↓](#)
2. **Attachment 2 - Top 25 Capex Projects & Programmes - Sep 2021 - A12994162** [↓](#)
3. **Attachment 3 - Non-Financial Performance Measures - Q1 2021_22 - A12974098** [↓](#)
4. **Attachment 4 - Wave 1 2021-22 Performance Report - A12974396** [↓](#)

Financial Statements

As at 30 Sep 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		59,412	58,960	452	1%	234,278	234,278	0
Subsidies & Grants		2,261	2,566	(305)	-12%	11,652	11,652	0
Other Revenue		13,899	13,706	193	1%	53,771	53,771	0
Finance Revenue		555	332	223	67%	1,472	1,472	0
Total Operating Revenue		76,127	75,564	563	1%	301,173	301,173	0
ASSET DEVELOPMENT REVENUE & OTHER GAINS								
Development Contributions		6,830	6,715	115	2%	26,860	26,860	0
Other Gains/(Losses)		303	332	(28)	-8%	1,326	1,326	0
Subsidies & Grants Capital Expenditure Contributions		5,613	7,446	(1,832)	-25%	57,659	57,659	0
Assets vested to Tauranga City Council		4,779	5,402	(623)	-12%	21,608	21,608	0
Total Asset Development Revenue & Other Gains		17,526	19,895	(2,369)	-12%	107,453	107,453	0
TOTAL REVENUE		93,653	95,458	(1,805)	-2%	408,626	408,626	0
OPERATING EXPENDITURE								
Personnel Expense		18,544	19,570	1,026	5%	77,935	77,935	0
Depreciation & Amortisation Expense		17,834	17,834	0	0%	71,338	71,338	0
Finance Expense		4,836	4,971	134	3%	21,466	21,466	0
Consultants & Contractors		4,189	4,945	756	15%	24,909	24,909	0
Other Expense		25,029	28,379	3,349	12%	130,705	130,705	0
Total Operating Expenditure		70,433	75,699	5,266	7%	326,353	326,353	0
OTHER EXPENSES								
Provision Expense		0	300	300	100%	1,200	1,200	0
Total Other Expenses		0	300	300	100%	1,200	1,200	0
TOTAL EXPENDITURE		70,433	75,999	5,566	7%	327,553	327,553	0
SURPLUS/(DEFICIT)		23,220	19,460	3,760	19%	81,073	81,073	0
OPERATING SURPLUS/(DEFICIT)		5,694	(135)	5,829	4324%	(25,180)	(25,180)	0

Overall Comments on Year to Date Balances

Rates revenue is above budget, primarily reflecting higher volumetric charges for water.

Subsidies & Grants revenue includes the NZTA subsidy, which is under budget, partly due to the impact of COVID restrictions affecting timing of completion of work. Subsidies still expected to be on budget for full year.

Other Revenue, primarily user fees is above budget. COVID revenue losses e.g. at the airport and facilities were offset by strong results from building services. 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 dividend payments.

Development Contributions are tracking on budget. Primarily from city-wide development contributions, also a large sum from Papamoa East local development 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.

Subsidies & Grants Capital Expenditure Contributions are primarily related to NZTA funding. Revenue is claimed as works are undertaken. COVID and additional community consultation have slowed physical works.

Assets vested to Tauranga City Council - revenue recognition is dependent on the timing of project completion of infrastructure projects by developers.

Personnel Expense underspend reflects unfilled positions in the infrastructure activities offset by lower than budgeted levels of salaries capitalised to projects due to a slower rate of capital delivery.

Depreciation has been recorded to equal budget, until the audit is completed and final depreciable asset values recognised.

Consultants and Contractors costs are tracking below budget at this stage of the year with some projects yet to get underway.

Other Expenditure is below budget across a number of activities. Details of variances can be found in the user fees and expenditure variance by activity report, attached.

Provision expense will be recognised towards the end of the financial year. The budget is for Leaky Homes claims.

Full year forecast amendments have not been made at this early stage of the year where results are largely tracking to year to date budgets.

Revenue and Expense Variance - September 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	108,782	(800,000)	(800,000)	Income: Income from dividends above budget (TECT and Zespri dividends received). Expenditure: Immaterial variance.	(320)	692,020	692,020	
102	Head Office - TCC	4,546	0	0	Expense: Transfer of funds to the Acorn Foundation, from Stewart & Carruthers Reserve.	(556,843)	756,589	756,589	
104	Strategic Properties								
	Recoveries	0	0	0	Expense: Rates expense on council properties below budget.	19,808	90,000	90,000	
10	Finance	128,337	(722,000)	(722,000)	Income: Timing variances with BOP Regional Council rates commission and valuation data recoveries. Expenditure: Low consultants costs as projects not yet underway and savings on rates database maintenance.	37,100	5,476,932	5,476,932	
12	Executive Officer								
	Payments/contributions from Regional Council	2,667	0	0	Income and Expenditure: Minor variances.	(3,058)	(2,880)	(2,880)	
13	Digital Services								
	Metro network lease	(4,332)	(156,000)	(156,000)	Revenue: Lower than budgeted revenue from internet services recoveries from other organisations. Expenditure: Main driver of lower than budget expenditure YTD relates to operational projects not yet underway.	1,147,111	19,423,939	19,423,939	
15	Civic Complex								
	Leasing	(4,998)	(20,000)	(20,000)	Income: No rental income from Willow Street retail premises. Expenditure: Lower than budget consultancy costs (re future ways of working project) and Cameron Road building operating costs.	73,733	5,045,046	5,045,046	
19	Insurance								
	Insurance recovery	368,766	0	0	Revenue and expenditure: Offsetting variances re insurance recoveries.	(368,769)	(1)	(1)	
55	Legal & Risk	0	0	0	Expenditure: Credits from capitalisation of salaries, for legal input on capital projects, are running below budget. External legal fees are above budget.	(155,370)	1,953,055	1,953,055	
57	Marine Precinct								
	Leasing & Berthage	2,299	(1,002,804)	(1,002,804)	Expenditure: Lower maintenance activity during lockdown.	31,978	1,312,020	1,312,020	
67	Marine Facilities								
	Leases	(92,259)	(606,838)	(606,838)	Revenue: Boat storage and commercial lease revenue both behind budget. Expenditure: Consultancy fees on Marine Facilities Strategy not fully budgeted.	(18,881)	978,181	978,181	
68	Beachside								
	Accommodation	(21,675)	(2,159,104)	(2,159,104)	Revenue: Tracking slightly below budget due to the recent COVID lockdowns. Expenditure: Also under budget as a result of lower occupancy.	10,098	1,217,168	1,217,168	
81	Airport								
	Landing & parking fees / Leasing	(581,146)	(8,785,782)	(8,785,782)	Revenue: Landing charges are under budget as a result of the recent COVID lockdowns. Expenditure: Also under budget as a result of lower operational and maintenance costs due to lower people throughput and minor projects not yet commenced.	274,778	3,723,716	3,723,716	
83	Fleet Management	0	0	0	Expenditure: Timing of Custom Fleet lease payment recharges.	(3,320)	(17,909)	(17,909)	
90	Property Management								
	Leasing Income	23,447	(4,554,395)	(4,554,395)	Revenue: Higher commercial leasing revenue. Expenditure: Under spend mainly relates to reduced consultants costs and investigation (asbestos and seismic) activity.	206,828	5,228,731	5,228,731	
94	Elder Housing								
	Rental Income	195,446	(897,251)	(897,251)	Revenue: Timing of recognition of income accrual against budgets. Expenditure: Elevated repairs and maintenance costs, due to an aging housing stock.	(87,588)	749,070	749,070	
TOTAL CORPORATE SERVICES		129,879	(19,704,174)	(19,704,174)		607,285	46,625,677	46,625,677	
Community Services									

Revenue and Expense Variance - September 2021

	Activity	Main Revenue Stream	USER FEES			YTD Variance Commentary	EXPENDITURE		
			YTD Variance	Full Budget	Full Forecast		YTD Variance	Full Budget	Full Forecast
54	City Events		0	0	0	Expenditure: Sponsorship and subscription costs tracking behind budget but expected to be fully expended by year end.	45,464	2,701,211	2,701,211
56	Community Partnerships	Graffiti fines, Safe City contribution, and other recoveries	201	0	0	Expenditure: Expenditure across graffiti control, age friendly, disability and welcoming communities portfolios tracking behind budget but expected to be fully expended by year end.	99,417	4,697,605	4,697,605
58	Bay Venues Limited & CCO's	Depreciation - trsfr to TCC Depreciation Reserve / External Recoveries	(205,000)	(805,487)	(805,487)	Income: Depreciation transfer from BVL for first quarter yet to be received.	(11,226)	11,038,355	11,038,355
59	Spaces & Places	Reserve and property rentals, McLaren Falls	1,822	(422,760)	(422,760)	Expenditure: Operational project delivery in coastal and city centre areas delayed due to COVID alert level restrictions. Partly offset by lower than budgeted capitalised salaries YTD due to delayed capital programme delivery. Capitalisation is anticipated to be on track by year end.	219,335	24,250,581	24,250,581
64	Baycourt Community & Arts Centre	Sales & Hireage Fees	(91,582)	(933,440)	(933,440)	Income: Lower than anticipated revenue as a result of COVID alert level changes and deferred productions. Full year forecast revenue lower than budgeted as Baycourt unlikely to meet Ticketek volume targets. Expenditure: Marketing and stock purchases below budget as a direct result of deferred productions. Casual staff tracking to budget despite decreased number of productions YTD as staffing levels have increased to respond to new COVID alert level 2 requirements.	40,353	1,760,576	1,760,576
65	Arts & Heritage		0	0	0	Expenditure: Minor variances.	(9,653)	3,264,971	3,264,971
77	Libraries	User Fees	13,913	(326,087)	(326,087)	Expenditure: Tracking behind budget due to the timing of the temporary library relocation and consultation associated with the new central library construction.	54,313	7,399,576	7,399,576
84	Cemeteries	Product sales	(48,899)	(1,192,632)	(1,192,632)	Income: Income from cremations tracking below budget as a result of COVID-19 lockdown and fewer illnesses over the winter months. Expenditure: R&M and fuel costs associated with cremations also tracking below budget, offset by increased staff costs related to the Spaces & Places restructure.	3,130	657,762	657,762
92	Historic Village	Leasing Income	(67,453)	(812,424)	(812,424)	Income: Lease revenue tracking behind budget due to the timing of the tenant programming plan rollout (anticipated to be fully in place by the end of this FY). Event & venues revenue behind budget due to booking cancellations as a result of COVID alert level restrictions. Full year forecast expected to be lower than budget as a result.	8,666	993,057	993,057
TOTAL COMMUNITY SERVICES			(396,999)	(4,492,830)	(4,492,830)		449,799	56,763,694	56,763,694
Infrastructure Services									
26	Stormwater	Leasing, Operational cost recovery	(2,604)	(10,410)	(10,410)	Expenditure: Some planning budgets are behind budget. These were pending new resource recruitments, which has now been completed and the spend is expected to pick up in the coming quarters.	428,518	10,092,536	10,092,536
27	Wastewater	Trade Waste and Omokoroa metered income	26,077	(1,970,414)	(1,970,414)	Revenue: Minor variance. Expenditure: Reduced R&M activity, which is expected to pick up in the second quarter.	194,094	17,383,345	17,383,345

Revenue and Expense Variance - September 2021

		USER FEES				EXPENDITURE			
Activity	Main Revenue Stream	YTD Variance	Full Budget	Full Forecast	YTD Variance Commentary	YTD Variance	Full Budget	Full Forecast	
29	Water Supply	(169,345)	(861,500)	(861,500)	Revenue: Extended engagement with stakeholders, along with widely reported international supply chain issues means that the forestry income (\$660k) budgeted this year, is postponed until next year. Expenditure: Related forestry costs will be delayed. Consulting costs in waters planning behind budget year to date with projects picking up in second quarter.	473,646	16,330,939	16,330,939	
	Water operation fees/forestry								
30	City Waters (Support Services)	236,369	(262,030)	(262,030)	Revenue: External recoveries from the joint asset management system, due to a timing difference. Expenditure: All external operating costs running on budgeted levels. Higher internal charges are contributing to the negative variance.	(134,716)	634,391	634,391	
	Laboratory fees								
32	Sustainability & Waste	74,907	(56,458)	(56,458)	Revenue: Glass sales and income for new /additional bins. Expenditure: Volume of waste going into landfill is significantly lower than budget.	284,740	10,767,268	10,767,268	
	User Fees - from operations & contract								
38	Transportation	61,513	(605,142)	(605,142)	Expenditure: \$500k underspend on B2B underpass budget not yet spent. Other expenditure across maintenance and operations is expected to increase through the rest of the year.	906,530	19,748,284	19,748,284	
	Road Zones & Other Fees								
47	Infrastructure Delivery (Asset Delivery)	0	0	0	Expenditure: Minor variance.	770	3,870	3,870	
	Consent & Planning Fees								
69	Asset & Infrastructure Planning	41,593	(800,000)	(800,000)	Revenue: Revenue from engineering planning approvals and recoveries running slightly ahead of budget. Expenditure: External operating costs are within budget allowances, with some costs to be reallocated to other activities including transport and waters.	(341,589)	939,927	939,927	
85	Parking Management	(107,952)	(3,402,336)	(3,402,336)	Revenue: Impacted by COVID restrictions. Seismic strengthening of carpark buildings later in the year will have an impact on Full Year revenue. Expenditure: Under spend on R&M expenditure due to COVID restrictions and timing of the seismic work.	375,719	2,781,046	2,781,046	
	Parking Fees								
TOTAL INFRASTRUCTURE SERVICES		160,558	(7,968,290)	(7,968,290)		2,187,711	78,681,606	78,681,606	
Human Resources									
11	Human Resources	1,250	0	0	Revenue: No material variance. Expenditure: Training underspend is expected to be utilised in the remainder of the year. Salaries are lower than budget due to vacant positions.	219,184	4,603,925	4,603,925	
16	Democracy Services	2,972	0	0	Revenue: Higher resource consent hearing revenue than budgeted. Expenditure: Timing and costs of governance and advisory groups less than budgeted year to date.	280,959	3,040,231	3,040,231	
	Resource Consent compliance Inspection Fees								
20	Communications & Engagement	0	0	0	Expenditure: Underspend due to vacancies and needing to resource up in the first half of the year to undertake engagement projects.	144,705	2,428,815	2,428,815	
21	Te Pou Takawaenga Maori Unit	0	0	0	Expenditure: Small variance expected to be fully spent during the year.	32,381	746,242	746,242	
75	Customer Services	(95,775)	(1,595,637)	(1,595,637)	Revenue: lower than expected volumes for LIMs and property files is driving lower than expected revenue. Expenditure: Salary overspend offset by savings in internal charges and other operating expenses.	(18,499)	3,090,326	3,090,326	
	Property Files & Information								
TOTAL HUMAN RESOURCES		(91,553)	(1,595,637)	(1,595,637)		658,730	13,909,539	13,909,539	

Revenue and Expense Variance - September 2021

Activity	Main Revenue Stream	USER FEES			YTD Variance Commentary	EXPENDITURE			
		YTD Variance	Full Budget	Full Forecast		YTD Variance	Full Budget	Full Forecast	
Regulatory and Compliance									
44	Emergency Management	Rates	0	0	0	Expenditure: Consultancy expense and employee expenses underspend.	161,559	1,307,986	1,307,986
46	Environmental Planning	Consent fees	(262,552)	(4,040,841)	(4,040,841)	Revenue: Resource consents revenue under budget. Higher consent volumes are being offset by a shortage of resourcing, resulting in lower output. Expenditure: Employee expenses under budget due to unfilled positions, partially offset by higher consultancy expenses.	51,168	4,512,748	4,512,748
48	Environmental Regulation	Monitoring Fees	(7,084)	(910,931)	(910,931)	Revenue: Variance not material. Expenditure: After hours service expense and employee expenses under budget.	54,115	1,668,661	1,668,661
50	Animal Services	Dog Registration Fees/ court recoveries/ impounding	(54,600)	(1,439,271)	(1,439,271)	Revenue: Dog registration fees under budget, variance is expected to reduce in quarter two. Expenditure: Not material.	21,080	1,153,089	1,153,089
52	Building Services	Consenting & Inspection Fees	518,145	(12,216,025)	(12,216,025)	Revenue: Revenue above budget across all revenue streams due to higher volumes. Expenditure: Extra workload means employee expenses are over budget; temporary staff expense, salaries and overtime paid.	(241,359)	9,017,806	9,017,806
74	Regulatory Services	Permit Fees, Premises registrations	(16,782)	(108,250)	(108,250)	Revenue: Revenue under budget, expected to increase in second quarter if COVID restrictions lift. Expenditure: Variance caused by higher internal charges and employee expenses.	(273,018)	(56,514)	(56,514)
TOTAL REGULATORY & COMPLIANCE			177,127	(18,715,318)	(18,715,318)		(226,455)	17,603,776	17,603,776
Strategy and Growth									
18	Strategy & Corporate Planning		0	0	0	Expenditure: Consultants and employee costs (vacancies) are both under budget.	231,028	2,805,685	2,805,685
51	City & Infrastructure Planning	Recoveries (external)	2	0	0	Expenditure: Consultants savings due to various projects not proceeding this year.	1,321,945	10,325,257	9,325,257
72	SmartGrowth Implementation	Partner Contributions - WBOPDC/BOPRC	212,145	(1,294,359)	(1,294,359)	Revenue: Carry forward surplus from FY21 was larger than budgeted. Expenditure: Community consultation delays due to COVID.	108,857	1,294,194	1,294,194
76	Economic Development	Targeted Rate Funding	0	0	0	Expenditure: Grants paid ahead of budgeted timing.	(133,512)	4,814,636	4,814,636
95	Strategic Investment & Commercial Facilitation		2,059	0	0	Expenditure: Capitalised salaries less than budgeted due to new staff inductions.	(74,057)	725,489	725,489
TOTAL STRATEGY AND GROWTH			214,206	(1,294,359)	(1,294,359)		1,454,261	19,965,261	18,965,261
TOTAL			193,218	(53,770,608)	(53,770,608)		5,131,331	233,549,553	232,549,553

green font = favourable to budget

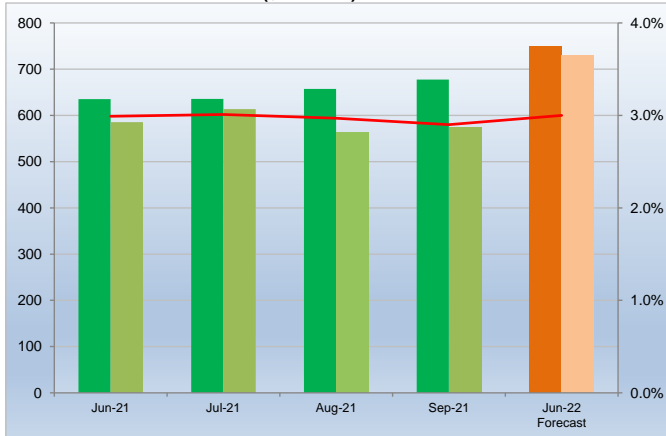
red font = unfavourable to budget

Treasury Report Policy Compliance

As at 30 September 2021

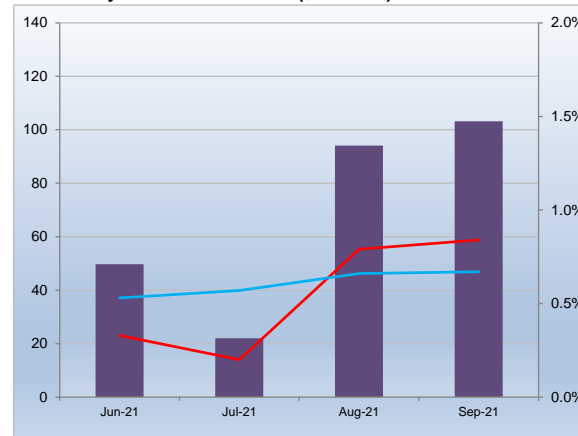


Gross and Net External Debt (\$ Millions)



■ Gross External Debt Actual ■ Gross External Debt Forecast — Average Interest Rate
■ Net External Debt Actual ■ Net External Debt Forecast

Money Market Investments (\$ Millions)



■ Average Money Market Investments Actual — Money Market Average Interest Rate Actual
— Money Market Average Interest Rate Benchmark

Comments

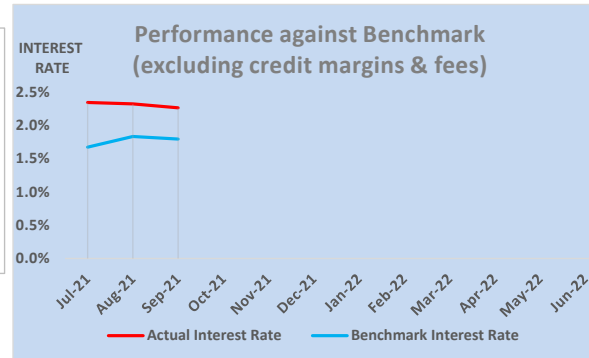
Gross debt as at 30 September 2021 was \$677.4m and net debt at \$574.2m. New long-term debt of \$42.0m has been added over the last three months, of which \$2m is under the Housing Infrastructure Fund. \$40m of this borrowing has been assigned to repay debt maturing later in the year. Money market investments and bank balances are at \$103.2m and this will cover operating / capital expenditure and debt maturities. Both interest rate hedging and debt maturity levels are within recommended levels. \$491.4m of total debt (73%) is at fixed interest rates as at 30 September 2021.

For the first quarter to the end of September total capital expenditure was \$45m, which is 62% of the cashflowed budget for the first three months of the year. This level of expenditure is 15% of the full year budget. The slower capital delivery is reflected in forecast full year net debt of \$730m, which is \$30m below budget.

The Official Cash Rate ("OCR") was increased by 0.25% to 0.50% on 6 October. A further 0.25% increase is expected to be delivered on 24 November. This increase is largely factored into the full year budgets.

Financial Limits (Council only)

	Limit	30 June 2022 Forecast
Net Debt to Operating Revenue	300%	203%

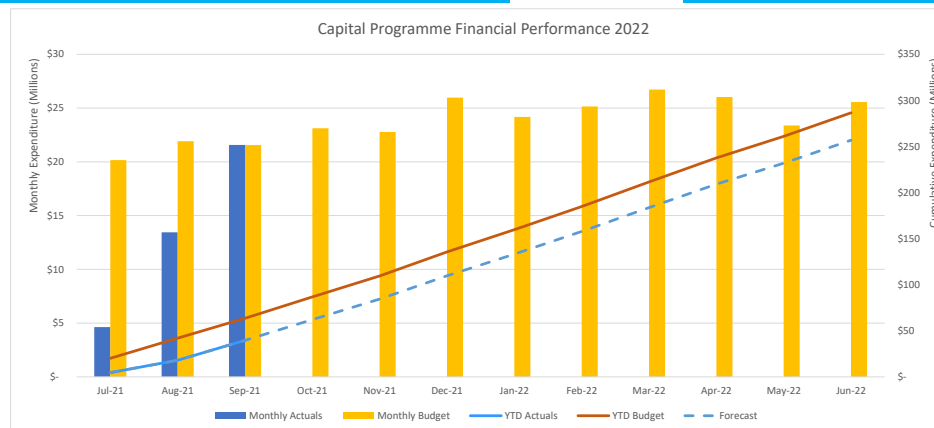


Sensitivity: General

Capital Programme - 2022 Financial Year - September 2021



Actuals Current Month	\$22m
Budget Current Month	\$22m
Variance Current Month	\$0m
<p><i>Lower forecast position to budget as a result of slow start to year. However this is picking up as seen by expenditure in September, Particularly with a high value of projects in the construction lifecycle stage. There is still uncertainty across the programme as to the current and future impact of Covid 19, particularly on supply chain risk, which could delay or extend project timeframes, and also increase project cost.</i></p>	
FY22 Actuals to Date	\$40m
FY22 Budget to Date	\$64m
FY22 Variance	(\$24m)
FY22 Budget	\$287m
FY22 Forecast	\$257m
FY22 Variance	(\$30m)



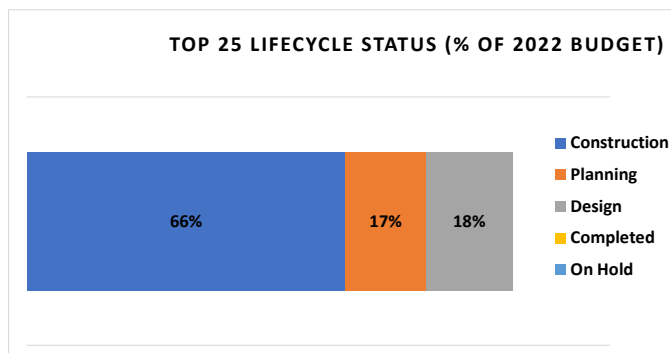
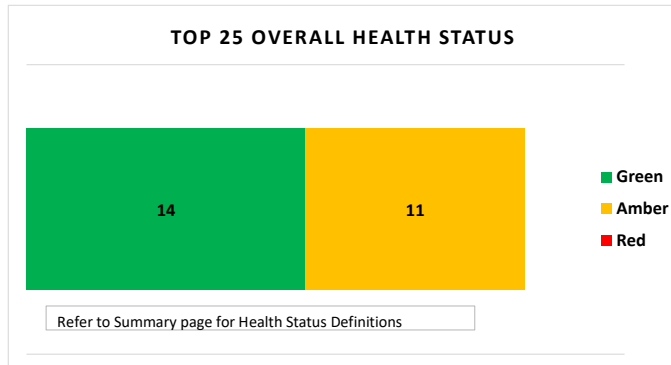
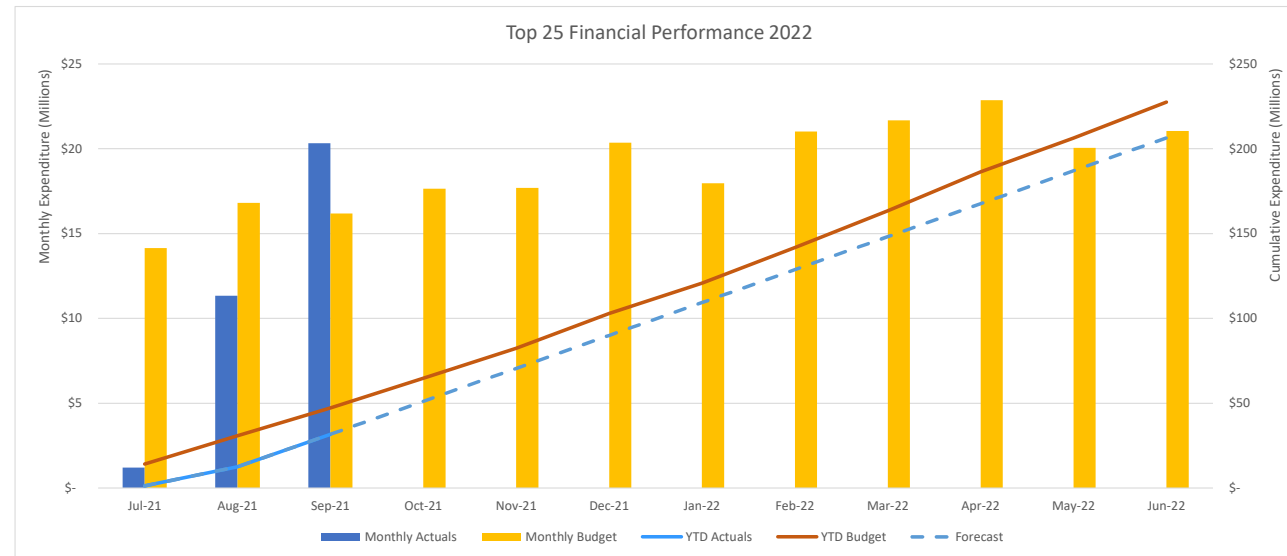
Top 25 Projects/Programme	Project Budget	Project Forecast	Variance 2022	Comments
Top 25 Programme	\$227,414,450	\$216,953,256	-\$10,461,194	See attached top 25 Programme for further detail
Balance of Growth Projects	\$7,574,843	\$6,059,874	-\$1,514,969	Already tracking well behind budget, also includes provisional land acquisition budget, which has not yet been allocated to any specific land purchases.
Balance of Level of Service Projects	\$46,793,539	\$30,415,800	-\$16,377,739	Currently tracking at 50% of year to date budget. Projecting increase in monthly expenditure as construction season begins in the 2nd quarter, but parts of the programme are likely to crossover into next financial year.
Balance of Renewal Projects	\$27,242,187	\$25,880,078	-\$1,362,109	Renewals programme is also tracking behind budget, however most of the programme is seasonal and generally occurs in the second half of the financial year. Projecting 95% of current years budget to be delivered.
Strategic Property Disposals	-\$22,520,000	-\$22,520,000	\$0	Too early in the year to project any variance to property disposal programme, as negotiations and planning are underway.
TOTAL CAPITAL PROGRAMME	\$286,505,019	\$256,789,009	-\$29,716,010	

Sensitivity: General

Top 25 Projects/Programmes - Capital Works Programme - 2022 Financial Year - September 2021



Actuals Current Month	\$20m
Budget Current Month	\$16m
Variance Current Month	\$4m
<p><i>Lower forecast position to budget as a result of slow start to year. However this is picking up as seen by expenditure in September, particularly with a high value of projects in the construction lifecycle stage. There is still uncertainty across the programme as to the current and future impact of Covid 19, particularly on supply chain risk, which could delay or extend project timeframes, and also increase project cost.</i></p>	
FY22 Actuals to Date	\$32m
FY22 Budget to Date	\$47m
FY22 Variance	(\$15m)
FY22 Budget (Top 25 only)	\$227m
FY22 Forecast (Top 25 only)	\$217m



Top 25 Projects/Programmes	Project Budget 2022	Project Forecast 2022	Variance 2022	Project Health
Waiari Water Treatment Plant	\$45,448,344	\$39,540,059	-\$5,908,285	Amber
Cameron Road Stage 1	\$28,168,221	\$28,168,221	\$0	Green
Te Maunga Wastewater Treatment Plant	\$32,767,930	\$32,767,930	\$0	Green
Papamoa East Interchange	\$17,247,155	\$13,797,724	-\$3,449,431	Green
Intersection Kaweroa Dr & SH29	\$8,931,500	\$8,931,500	\$0	Green
Digital Works Programme	\$14,407,429	\$14,407,429	\$0	Green
Elizabeth St Streetscape	\$5,405,793	\$5,946,372	\$540,579	Amber
Kennedy Road Embankment Dam	\$3,008,033	\$3,008,033	\$0	Green
Civic Redevelopment	\$9,382,222	\$7,505,778	-\$1,876,444	Green
Marine Parade Boardwalk	\$2,000,000	\$2,000,000	\$0	Green
Kulim Park Development	\$1,999,185	\$1,999,185	\$0	Green
Omanawa Falls Formal Track	\$1,000,000	\$800,000	-\$200,000	Amber
Memorial Park Aquatics Facility	\$264,223	\$264,223	\$0	Green
Eastern Corridor Trunk Wastewater	\$2,550,000	\$2,295,000	-\$255,000	Amber
Historic Village Investment Programme	\$2,417,142	\$2,175,428	-\$241,714	Green
Infrastructure Resilience Programme	\$1,600,000	\$800,000	-\$800,000	Amber
Kopurererua Valley Development	\$2,599,000	\$2,339,100	-\$259,900	Green
Marine Precinct Offloading Wharf	\$1,998,716	\$1,798,844	-\$199,872	Green
Maunganui Rd Safety Improvements	\$3,336,750	\$3,336,750	\$0	Amber
Redevelopment of the Te Maunga Transfer Station	\$4,589,089	\$3,671,271	-\$917,818	Amber
Totara St Cycling Improvements	\$0	\$7,400,000	\$7,400,000	Amber
Transport Renewals	\$13,265,050	\$13,265,050	\$0	Green
Waters CIP Stimulus Package	\$15,570,121	\$15,570,121	\$0	Green
Western Corridor Wastewater Strategy Stage A	\$7,278,725	\$3,639,363	-\$3,639,363	Amber
Accessible Streets	\$2,179,822	\$1,525,875	-\$653,947	Amber
TOTAL TOP 25¹	\$227,414,450	\$216,953,256	-\$10,461,194	

¹The CAPEX totals expressed in this report cover the Top 25 Projects & Programmes only


Sensitivity: General

Top 25 Projects/Programmes - Capital Works Programme - 2022 Financial Year - September 2021 - Summary




Projects/Programmes	Health Status ¹	Lifecycle Stage	Project 2022 Financials			Commentary	
			Budget Total	Budget 2022	Forecast 2022		Variance 2022
Waiari Water Treatment Plant	Amber	Construction	\$185,830,128	\$45,448,344	\$39,540,059	-\$5,908,285	No changes have occurred to the project scope with physical site works progressing well. However, the effect of the current lockdown could impact the schedule by as much as 6 weeks. Supply chain impacts of construction materials may also delay the construction schedule and will have an impact on the budget due materials price increases. Availability of critical path resources from Auckland and Waikato regions will have further programme impacts.
Cameron Road Stage 1	Green	Construction	\$66,473,804	\$28,168,221	\$28,168,221	\$0	The project site construction commenced as scheduled on the 13th September and is progressing well with some minor delays regarding location of underground services and traffic management implementation. It is expected that site productivity will increase into October, particularly as the waste water project draws to a close. Communications representatives continue with the proactive and constructive mailouts and face to face engagement with businesses, residents and road users along the route. Current spend is forecasted to be within budget.
Te Maunga Wastewater Treatment Plant	Green	Construction	\$255,493,978	\$32,767,930	\$32,767,930	\$0	The Landward Outfall project commenced on site in April 2021 and is on track for completion in July 2022. Based on the current rate of progress the budget spend in FY22 may need to be increased and brought forward from the next financial year, this will be closely monitored. Negotiations continue with Nga Potiki regarding a Cultural Impact Assessment (CIA) which is a consent requirement prior to proceeding on the final stages of the project. The 'above' and 'below' ground works contracts for the bioreactor 2 project have been awarded. Site establishment and production piling are planned to commence in November 2021 with site handover between the 'below ground' contractor and 'above ground' contractor planned for May 2022. The project budget is on track however contingency will be monitored due to the potential risk of below ground works.
Papamoa East Interchange	Green	Planning	\$151,488,689	\$17,247,155	\$13,797,724	-\$3,449,431	Project is currently in detailed design with preliminary design aspect 95% complete, including early site based works (stormwater siphon, pre-loading). The early site based work is planned to start in February 2022, however is likely to be delayed until April/May 2022 due to sand movement. Currently awaiting funding approval for the project via the Housing Investment Fund (HIF) with the funding application submitted. The actual funding allocated will significantly influence the programme of work and timing. A potential risk could be changes in design standards due to extended timeframes, the design team are minimising the risk by using latest software to future proof the design as much as possible.
Intersection Kaweroa Dr & SH29	Amber	Planning	\$45,547,692	\$8,931,500	\$8,931,500	\$0	This project is a key enabler enable for the first stage of the Tauriko West urban growth area and ongoing development of the Tauriko Business Estate which includes a combination of both transportation and waters infrastructure works (project is part of the NLTP). Waka Kotahi will lead the delivery of the Tauriko West Enabling Works with coordination planning commencing between TCC, Waka Kotahi (WK) and Crown Infrastructure Partners (CIP). The Detailed Business Case (DBC) is programmed for completion by the end of 2021 with Waka Kotahi decision-making planned for March 2022. Project costs are being updated to support completion of the DBC. Waka Kotahi's funding-share towards project costs will not be released by them until the DBC is completed. There is a high likelihood that the costs included in the LTP will increase. Discussions between Waka Kotahi and CIP are underway to confirm the cost-share approach (e.g. local - national/Waka Kotahi - developer benefit) for these costs and funding and to agree an Infrastructure Funding and Financing approach. The Project's delivery timeframe is being re-tested through the CIP/WK/TCC work. Significant influences on this are the ability to complete the DBC to the programmed timeframes, the impacts of the still developing NPS on Fresh Water, Structure Plan and Plan Change processes, concept design and therefore the land requirement plan completion. All these processes inform the land requirements and therefore ability to provide sufficient certainty of the land needing to be purchased and approach (e.g. willing buyer-willing seller; Notice of Requirement) to this. If these processes continue to be delayed there is a risk that the ability to purchase land to the full value provided for in the LTP is at risk. TCC is however considering taking the lead on land purchase, ahead of completion of the DBC to forward fund land purchase and move the project forward. If this is the case then it is possible that all identified land purchase funds could still be spent this financial year. This will be better known in a few months once the Waka Kotahi are clearer on their position, the DBC is more substantially complete and TCC has decided whether it will lead on land purchase.
Digital Works Programme	Green	Delivery	Annual Allocation	\$14,407,429	\$14,407,429	\$0	Programme scope remains unchanged with the next review set for November 2021. Overall timeline remains on-track with minor pressure from supply chain delays and changes in organisational priorities. This previous reporting period has seen the team complete all of the assessment and design work on the future state of rating, customer (Business Partner) and property. In the coming period the team will continue to focus on commissioners dashboards, contract management/reporting, community relationship management (CRM) and kick-off planning for regulatory.
Elizabeth St Streetscape	Amber	Construction	\$11,647,651	\$5,405,793	\$5,946,372	\$540,579	The overlapping site boundaries with Farmers continues to be challenging where Farmers construction delays impact on site availability for TCC streetscape works. These delays are being experienced across all project scope activities due to ongoing delays with the Farmers development, COVID and supply chain issues. For example, the Streetscape scope of works can only commence once Farmers provides site possession planned to commence March 2022, 4-5 months later than contract programme. The project budget is under threat due to programme delays with Contractors preparing to submit extensions of time for delays. COVID conditions in Auckland and Waikato continue to create risk to programme and therefore budget with issues around sourcing of materials and subcontractors. Overlapping site boundaries with other projects other than Farmers pose risk of impacting the programme further - (PowerCo project and Lightpole replacement).
Kennedy Road Embankment Dam	Green	Construction	\$6,684,093	\$3,008,033	\$3,008,033	\$0	No changes have occurred to the scope of works with site works progressing well, site works have been able to progress in COVID AL4 allowing the project to remain on target for completion prior to the end of 2021. The current spend forecast is projecting to come in under budget however some COVID related supply chain cost increase impacts may influence the final project spend.
Civic Redevelopment	Green	Planning	\$88,724,757	\$9,382,222	\$7,505,778	-\$1,876,444	The Masterplan refresh brief for the Civic Precinct has been finalised and signed off by the Commissioners, with Willis Bond engaged in accordance with the TCC/Willis Bond Partnership Agreement to undertake the process. Willis Bond is working in collaboration with the Studio Pacific Architect (SPA) Team and other consultants to finalise the draft masterplan for presentation to the Council in October/November 2021, the development of the draft masterplan has involved a number of design workshops involving Commissioners, Executive Team and representatives from Ngai Tamarawaho. The office fitout of Level 3 by Alaska Contracting and Interiors, Ground Floor and two additional tenancies on Cameron Road commenced on the 18 September. All works are scheduled for completion by mid-February 2022. The lease agreement for relocating the central library/customer services - He Puna Manawa to the Goddard Centre has also been finalised and the architects have completed the developed design and are currently completing the 'For Construction' drawings. The tender for the fitout works was awarded to Alaska Contracting. The Landlord Building works are substantially completed as per the lease agreement and handover of the site to Council is scheduled for the 18 October 2021. Willis Bond have provided a cost for preparing the strategy for the demolition of the Willow Street offices scheduled to commence late in the first quarter of 2022.
Marine Parade Boardwalk	Green	Planning	\$4,060,000	\$2,000,000	\$2,000,000	\$0	The project is currently in the design and planning phase with Boffa Miskell awarded the contract through a Request For Proposal (RFP) process and a Mana Whenua hui has been completed. The project is on track and scheduled to run from late 2021 to early 2023. The required engagement, design and consenting is happening late 2021 and early 2022. Currently on budget with no significant risks or issues identified at this stage.

Sensitivity: General

Top 25 Projects/Programmes - Capital Works Programme - 2022 Financial Year - September 2021 - Summary							
Projects/Programmes	Health Status ¹	Lifecycle Stage	Project 2022 Financials			Commentary	
			Budget Total	Budget 2022	Forecast 2022		Variance 2022
Kulim Park Development	Green	Construction	\$2,307,778	\$1,999,185	\$1,999,185	\$0	Stages one and two of the project is on track to be completed as per programme schedule, with the completion of the footpath link from Harbour Drive to Kulim Park and associated carpark facility. The overall project is currently on program for completion in December 2021 and forecast to meet budget. Impacts from COVID lockdowns are creating a risk to the project programme around sourcing of specialist materials and subcontractors, with some items being based in Auckland and Hamilton. The Project team is regularly 'checking in' with the contractor to ensure we are getting the most up to date information around the risk to the supply chain.
Omanawa Falls Formal Track	Amber	Design	\$5,594,119	\$1,000,000	\$800,000	-\$200,000	The publicly notified Resource Consent process is underway with hearing anticipated in December 2021 with eleven submissions received. The procurement of contractors is underway for cliff stabilisation, creation of track access, viewing platforms and relocation of light poles. The construction programme is planned from April 2022 - December 2022. The project team are to seek additional funding from Council to underwrite project costs while the project pursues funding from external providers. Health and safety risks at site remain high with visitors continuing to access the site. Kaitiaki programme to commence again this summer in order to mitigate this risk.
Memorial Park Aquatics Facility	Green	Planning	\$100,049,623	\$264,223	\$264,223	\$0	The project is currently in the early stages of planning and design with the aquatic centre programmed for construction from 2024 onwards. Project is currently on budget but will be reviewed as planning and design progresses. No significant risks or issues identified at this stage.
Eastern Corridor Trunk Wastewater	Amber	Planning	\$208,386,343	\$2,550,000	\$2,295,000	-\$255,000	The Opal Drive pump station element of this programme is moving into the delivery phase. Progress has been delayed by growth uncertainty in the catchment. The installation of a section of the Te Tumu rising main element has been completed with the costs of \$150K to be allocated to the project in the next reporting period. A significant carry forward is planned this financial year due to the delays to the pump station project and the Te Tumu rising main works being delivered below budget. Procurement risk for design services is low, the market is well informed in relation to this opportunity and ready to respond. There is a moderate reputational risk should the pump station works be delayed for a significant period following Kainga Ora vacating the site, procurement and programming are being used to mitigate this risk.
Historic Village Investment Programme	Green	Construction	\$13,879,393	\$2,417,142	\$2,175,428	-\$241,714	The C2 upgrade is currently in the planning and design phase, with the current design reviewed by Historic Village staff and ready for the resource consent to be prepared. The project team is currently reviewing and updating the project timeline. There are potential cost escalation risks due to increasing supply chain costs for materials and potential procurement risk due to large demand for commercial contractors in the Tauranga Marketplace, however early market notification and engagement should help mitigate this risk.
Infrastructure Resilience Programme	Amber	Planning	\$314,119,556	\$1,600,000	\$800,000	-\$800,000	Project planning commenced for 3 of the 5 resilience projects programmed for this year with majority of budget forecast to be spent in this financial year. These 3 projects include Oropi and Joyce WTP supply trunks, Chapel Street Bridge resilience works and Cambridge Reservoir trunk main relocations. COVID lockdown restrictions have impacted with Hamilton based consultants unable to travel to site, this has delayed progress in identifying remedial options.
Kopurerua Valley Development	Green	Design	\$11,601,726	\$2,599,000	\$2,339,100	-\$259,900	ECI workshops with the contractor are now complete, and working through confirmation of design, final consenting requirements and project risk elements. Project is on track to commence construction in Nov/Dec 21 and is forecast to meet budget. Some minimal risk around timelines for final consenting requirements.
Marine Precinct Offloading Wharf	Green	Design	\$2,585,332	\$1,998,716	\$1,798,844	-\$199,872	Project is nearing a completed design which has been delayed due to an easement and retaining design issues at the back of the wharf. A draft set of drawings have been received, further services drawings are yet to be produced. Once received a design review will take place with Ocel and TCC. The Request for Tender is being developed for release to market during the consenting process. The project is currently three months behind the initial planning. The Pacific 7 land sale has altered the project funding model which is now 100% funded by TCC. Costs are as budgeted to date from a design and investigation point of view. Some additional costs to prepare easement documentation and negotiate with the only private landowner RMD are expected. An issue that could effect progress is the RMD Marine negotiations around the required easement. The impact of COVID alert level restrictions remain a risk to the programme.
Maunganui Rd Safety Improvements	Amber	Design	\$14,499,993	\$3,336,750	\$3,336,750	\$0	The final design and documentation have been delayed due to current COVID lockdown, with the aim to release RFP to market in October 2021 and award contract prior to Christmas and commence construction in 2022. Two stages shall be included in the contract (Golf to Tui & Hinau to Sutherland). This is to provide flexibility of construction activities after initial consultation with businesses i.e. Dec to March window not favourable for retailers & businesses in Hinau to Sutherland section. Consultation & communications are planned and still to be completed. There is a potential funding shortfall and this shall be re-assessed once RFP prices are received. Golf to Tui budget will be available from July 2022 which will remove potential funding issue. Initial consultation with retailers has highlighted a number of issues e.g. access, carparking, construction disruption. We have amended the layout where possible to meet retailers requirements but not to compromise project outcomes.
Redevelopment of the Te Maunga Transfer Station	Amber	Design	\$14,984,476	\$4,589,089	\$3,671,271	-\$917,818	Currently in the scoping stage for the procurement and installation of the Plastics Optical Sorter which will then require engagement with Waste Management. The site investigation and concept design is complete with next stage to commence detailed design. Siteworks and building construction has not yet commenced. Project on revised programme for Ministry for Environment Milestone 4 gateway for April 2022, the initial cost estimate exceeds budget following concept design. Further detailed communication is being prepared for Executive Team. The final design cost is likely to exceed concept design estimate and Consenting delays are expected.
Totara St Cycling Improvements	Amber	Design	\$11,133,306	\$0	\$7,400,000	\$7,400,000	Fulton Hogan has been awarded the contract with site works to commence following a blessing to be held on site on the 26th October 2021. Immediate site works shall include a service investigation followed by physical footpath construction from the Hewletts Road end towards Hull Road with night shifts. Planning to start From Rata Street end 3-4 weeks later day shift only. The Hewletts Road/Totara Street intersection safety upgrade will be advised at later stage pending confirmation of the upgraded signals to be installed. The proposed programme is due later this week after which a more detailed construction times will be available. Initial delays with funding has delayed the start which has added complexity with a potential risk of further costs impacting budgets with work being done to mitigate cost risk.
Transport Renewals	Green	Planning	Annual Allocation	\$13,265,050	\$13,265,050	\$0	Project designs are underway, some completed using existing contracts established as an interim between now and the commencement of the new main roading maintenance contract. Project costs are typically low risk and can be managed at a programme level. To mitigate delivery risk, TCC is undertaking all designs and will pass on to the successful tenderer for commencement upon award of the main contract, expected 1st October 2021. A proactive communication strategy with the communities impacted is required.
Waters CIP Stimulus Package	Green	Construction	\$17,755,836	\$15,570,121	\$15,570,121	\$0	All professional services had been awarded with physical works contracts underway and on schedule to programme. Expectation is programme will be completed by revised end date of June 2022.
Western Corridor Wastewater Strategy Stage A	Amber	Design	\$15,577,679	\$7,278,725	\$3,639,363	-\$3,639,363	An alternate alignment for the new development is being designed with the programme being very tight. The alternate alignment design is required before procurement and construction can commence. Project is currently tracking to overall project budget. The preferred tendered costs are within our expectations but additional cost will be incurred with the alternate alignment design. Potential landowner risk with inability to obtain a timely agreement and work with their timeframes, this may require an alternate corridor to be progressed.

Sensitivity: General

Top 25 Projects/Programmes - Capital Works Programme - 2022 Financial Year - September 2021 - Summary							
Projects/Programmes	Health Status ¹	Lifecycle Stage	Budget Total	Project 2022 Financials			Commentary
				Budget 2022	Forecast 2022	Variance 2022	
Accessible Streets	Amber	Planning	\$179,565,489	\$2,179,822	\$1,525,875	-\$653,947	The scope has been submitted to Waka Kotahi for approval with a meeting was held to review and provide feedback relating to the Accessible Streets procurement plan. The programme is delayed by six weeks due to finalising the scope and submitting for approval. The revised professional services tender to progress the business case is planned for November 2021. Consultants cannot be appointed prior to Christmas as originally scheduled. Timing of the funding approval by Waka Kotahi including their endorsement of procurement documents is critical to enable the project to progress to meet an aggressive programme delivery.
Total Top 25			\$1,727,991,441	\$227,414,450	\$216,953,256	-\$10,461,194	

¹Project Health Definition

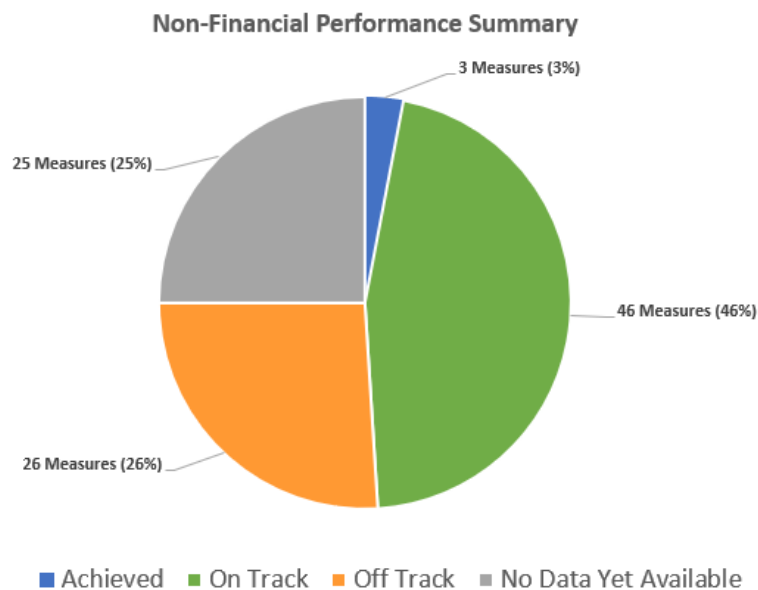
- Green** On track to time, budget and scope, risks understood and well managed
- Amber** Aspects of time/budget/scope need close monitoring and some project risk is beginning to escalate but being managed
- Red** Time/budget/scope is significantly compromised and risk escalation requires management awareness and potential intervention

Non-financial performance measures monitoring report

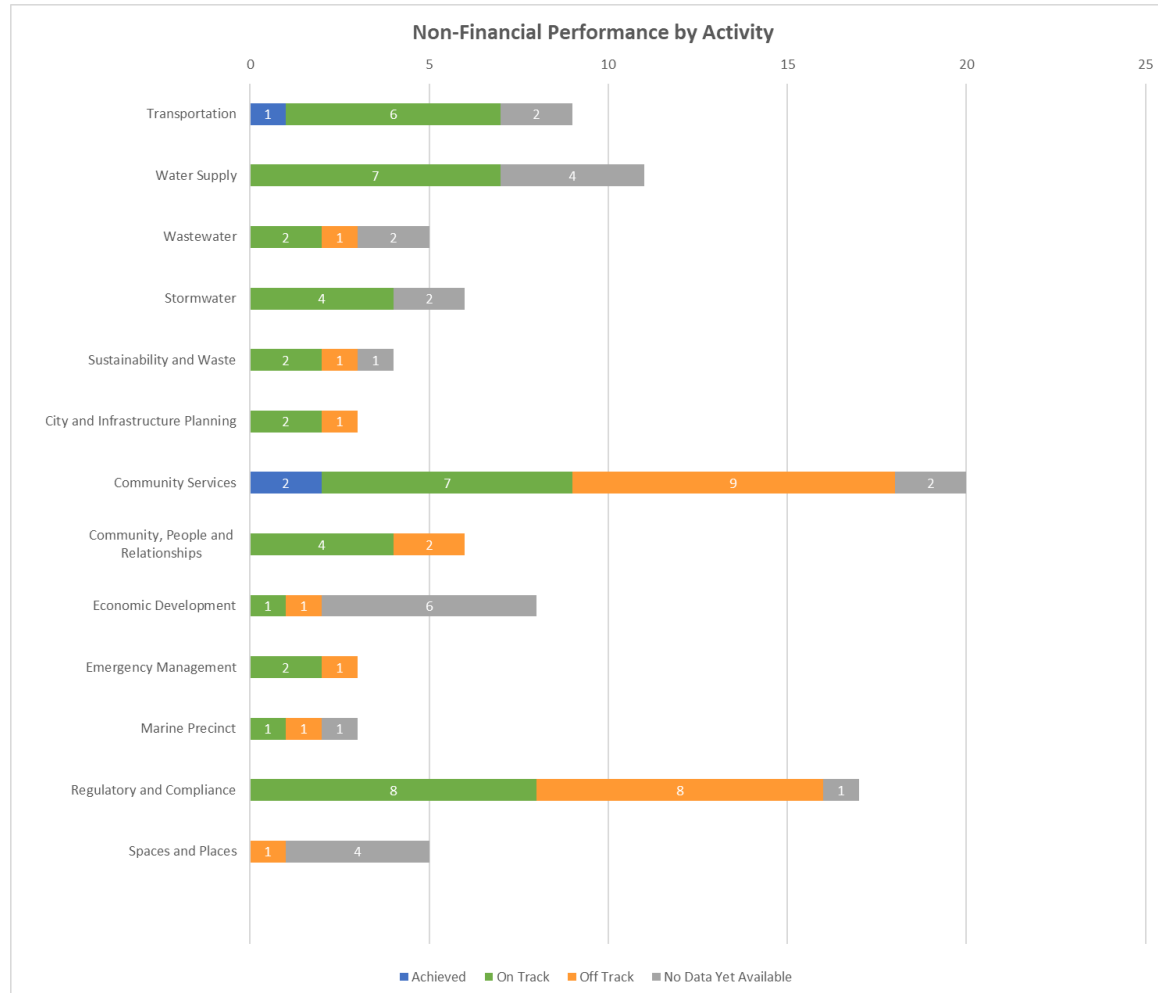
Q1 July - September 2021

Non-financial performance measures overview

- Performance measures report on service performance against targets (KPIs) which are set for the full financial year.
- An overview is provided below which tracks performance measures across council for the first three months of the financial year 2021/22. The current reporting period is Q1 (01 July – 30 September 2021).
- Performance is grouped by the number of measures that are on track to achieve, those that have already been achieved, and measures that are off track. The term 'off track' represents measures that are behind target and need attention in order to be achieved by financial year-end, or at a minimum bring them closer to target.
- In some cases, performance data may not be available, due to the required information being reported on an annual basis.



Non-financial performance graph by Group of Activities



Off track measures report

Groups of Activities	% achievement of targets			KPI off track			Discussion and action taken to improve result	
	Achieved	On Track	Off Track	Target Year 1	Q1 Results	Q1 Results		
Wastewater	40%	20%	40%	1 of 5 measures off track	We will provide a reliable, well-maintained wastewater system that is available to all serviced zones Compliance with Council's resource consents for discharge from its sewerage system measured by the number of: a) abatement notices; b) infringement notices; c) enforcement orders; and d) convictions, received by Council in relation those resource consents (DIA measure)	Target Year 1 Nil	Q1 Results One current abatement notice	•An abatement notice relating to the maintenance issue on the Southern Pipeline in Matapihi 21 April 2021 was issued. Investigation by the Bay of Plenty Regional Council is ongoing, with potential for further enforcement action to be taken.
Sustainability and Waste	50%	25%	25%	1 of 4 measures off track	We will provide a rubbish collection service to all residential properties in urban and rural-residential areas Percentage of residents satisfied with Council run rubbish collection service.	Target Year 1 75%	Q1 Result 74%	•The wave one result is that 74% of respondents are satisfied or very satisfied with rubbish collection day, which is down from 80% in wave three 2020/21. The result is also down against the full year for 2020/21 in which 78% of respondents were satisfied or very satisfied.
City and Infrastructure	67%	33%		1 of 3 measures off track	We will deliver and monitor a planning framework for the city that provides sufficient development capacity to accommodate ongoing growth Compliance with the National Policy Statement for Urban Development Capacity which require 3, 10 and 30 years of development capacity and infrastructure capacity to be provided/identified along with additional buffers	Target Year 1 Short term compliance achieved	Q1 Result Not Achieved	•The 2021 Housing and Business Assessment (HBA) identified a short term (next 3 years) housing shortfall of 400 dwellings for Tauranga City as at 30 June 2020, rising to 1,120 dwelling capacity shortfalls when the required National Policy Statement on Urban Development (NPS-UD) competitiveness margin of +20% was applied. In the last 15 months (to 30 September 2021) 1,816 dwelling consents have been issued, while 1,478 dwellings were projected in the HBA indicating that this short-term non-compliance has increased. Note: The commissioners have written to Honourable David Parker, Minister for Environment, advising of the non-compliance and this has been publicly reported to Council.

Groups of Activities	% achievement of targets				KPI off track			Discussion and action taken to improve result
	Achieved	On Track	Off Track	No Data		Target Year 1	Q1 Result	
Community Services Activities Include: Arts and Culture Community Partnerships Elder Housing Libraries Venues and Events					We will provide a museum collection which is available to the community, whilst safeguarding historical and culturally important items.	Target Year 1	Q1 Result	•Hands On programme suspended during Alert Level 3. Lower number of requests received due to Alert Level 2 restrictions, with Health and Safety protocols in place with regards to items loaned to schools. •Visits to Council Libraries for August and September were 50% of expected numbers due to the lockdown and Alert Level 2. Visitor numbers are expected to track around 60% of normal at Alert Level 2 due to restrictions on seating, computer availability, no programmes. During the school holidays take home packs and self-directed activities were well received and customers commented it was much appreciated that the libraries could still be visited. •Patrons attending ticketed events: With only 8,662 patrons attending, unlikely to meet target (60,000) based on future bookings, current COVID-19 restrictions. An 18% decrease in attendance compared to Q1 results last year. The 18 August lockdown meant that no events could be delivered for three weeks during Q1. Once Alert Level 2 was reached on 8 September, the initial 50-person mass gathering limit (followed by the 100-person limit), continued to severely restrict our ability to deliver events i.e. only two events took place in September. The vast majority of promoters/clients aren't able to deliver events under current Alert Level 2 rules as it was not financially viable.
					The number of items loaned to schools through the Hands On Tauranga service	300	47	
					Library spaces are community hubs for place making in the city centre and neighbourhood centres	Target Year 1	Q1 Result	
				Visits to Council Libraries (all four combined)	600,000	129,422		
				Provide a comprehensive and fully functional performing arts venue, which is for use by the community and to attract high quality performing arts events to our city.	Target Year 1	Q1 Result		
				Number of patrons attending ticketed events at Baycourt	60,000	8,662		

Groups of Activities	% achievement of targets Achieved On Track Off Track No Data	KPI off track		Discussion and action taken to improve result	
		Target Year 1	Q1 Result		
		<p>We will invest in and/or attract events to Tauranga that meet the objectives of the Legacy and Major Event Funds</p> <p>Number of visitor nights as a direct result of Legacy and Major Event Fund investments 75,000</p> <p>Total "Net Benefit" contribution of events within the Legacy and Major Event Funds \$4.5M</p>		<ul style="list-style-type: none"> •Visitor nights - Legacy and Major Event Fund investments: No major or legacy events delivered this quarter due to COVID-19. Target unlikely to be achieved due to cancellation of substantial key events including the Anchor AIMS Games. When last held, the event contributed 74,787 visitor nights in 2019/20. •Total "Net Benefit" - Legacy and Major Event Funds: No major or legacy events delivered this quarter. Target unlikely to be achieved due to cancellation of key events including the Anchor AIMS Games, following COVID-19. When last held, the event solely contributed a net benefit of \$3,152,265 in Q1 2019/20. 	
<p>Community, People and Relationships</p> <p>Activities Include:</p> <ul style="list-style-type: none"> Community Relations Customer Service Democracy Services Te Pou Takawaenga Māori Unit 	<p>67% 33%</p> <p>2 of 6 measure off track</p>	<p>Organisational capability for delivery of communication and engagement activity is enhanced</p> <p>Trust and confidence in the organisation will increase shows increase in satisfaction by survey</p>	<p>Baseline established</p> <p>27%</p>	<ul style="list-style-type: none"> • Whilst this measure is not actually off track due to it being a baseline year (a new measure in the recent LTP), it has been reported as such due to it being a slight 2% decrease when compared to wave one 2021 result (29%). However, wave three 2021 had a rating of 11%, and therefore 27% represents a possible turnaround in this measure. • With extensive communications and engagement planned over the next quarter, including around the City Vision, there is an expectation that the percentage result will continue to show increase. 	
		<p>We provide opportunities for the community to participate in decision making.</p> <p>Percentage of residents who are satisfied or neutral with the way the Council involves the public in decision-making processes.</p>	<p>Target Year 1</p> <p>59%</p>	<p>Q1 Result</p> <p>52%</p>	<ul style="list-style-type: none"> • The result of the first wave of the Annual Residents Survey was 52% (target is 59%). This is a new measure and the governance structure has undergone significant changes with high media and public interest, particularly with (and during) the commissioners replacing the Mayor and elected members.

Groups of Activities	% achievement of targets		KPI off track		Discussion and action taken to improve result				
	Achieved	On Track	Off Track	No Data					
Economic Development Activities Include: Airport Economic Development	<p>13% 13% 75%</p>	1 of 8 measures off track	We will provide an airport that caters for scheduled commercial flights and enables growth in traveller numbers	<table border="1"> <thead> <tr> <th>Target Year 1</th> <th>Q1 Result</th> </tr> </thead> <tbody> <tr> <td>369,000</td> <td>80,241</td> </tr> </tbody> </table>	Target Year 1	Q1 Result	369,000	80,241	•COVID-19 has had an impact on passenger numbers and flights with only 80,241 passing through the airport this quarter (passenger numbers last quarter was 73,997). The 12-month running total is 330,798.
Target Year 1	Q1 Result								
369,000	80,241								
Emergency Management	<p>67% 33%</p>	1 of 3 measures off track	We will provide community education initiatives increase public awareness and preparedness	<table border="1"> <thead> <tr> <th>Target Year 1</th> <th>Q1 Result</th> </tr> </thead> <tbody> <tr> <td>95%</td> <td>80%</td> </tr> </tbody> </table>	Target Year 1	Q1 Result	95%	80%	•The wave one result is that 80% of respondents know that they have to be self-reliant in a civil defence emergency, which is up from 76% in wave three 2020/21. The result is also up compared to the full year for 2020/21 in which 79% of respondents knew that they needed to be self-reliant.
Target Year 1	Q1 Result								
95%	80%								
Marine Precinct	<p>33% 33% 33%</p>	1 of 3 measures off track	We will provide the marine industry with access to efficient and reliable large/heavy vessel lifting and hardstand facilities	<table border="1"> <thead> <tr> <th>Target Year 1</th> <th>Q1 Result</th> </tr> </thead> <tbody> <tr> <td>40%</td> <td>30%</td> </tr> </tbody> </table>	Target Year 1	Q1 Result	40%	30%	• Q1 has been impacted by the anticipated seasonal variance, COVID-19, the difficulties of getting international pleasure vessels into New Zealand and increased competition from other yards. Bookings for Q2 are looking promising and we should see an increase in the hardstand occupancy for the coming year.
Target Year 1	Q1 Result								
40%	30%								

Groups of Activities	% achievement of targets		KPI off track			Discussion and action taken to improve result
	Achieved	On Track	Off Track	No Data		
Regulatory and Compliance Activities Include: Animal Services Building Services Environmental Health and Licensing Environmental Planning Regulation Monitoring						
	8 of 17 measures off track		We will provide technical advice and consent decisions within statutory timeframes	Target Year 1	Q1 Result	<ul style="list-style-type: none"> •Building consents applications processed within timeframes was down in Q1 due to an increase in development contributions on 1 August, consent volumes in July were approximately twice of normal. This followed high volumes in the last two quarters of financial year 2021. While a number of steps have been taken to reduce the impact of this increase, there has been significant delays in consents in August and September, and this is expected to continue for the next quarter at least. Also further increases in development contributions in February 2022 are likely to impact results even further. Attempts are being made to engage contractors to assist with the backlog. •Whilst the average wait time was six days during the reporting period (two days above target of four days), on return to Alert Level 3 in early September all pre-booked building inspections were rescheduled, double-booked inspections were removed, and more realistic bookings by the building industry has significantly reduced the wait time to three days by late September.
		Percentage of building consent applications processed within legal timeframes Carrying out of building inspections (on average)	98% 4 Days	61% 6 days		
		We will undertake audits of all food premises registered with Tauranga City Council	Target Year 1	Q1 Result	<ul style="list-style-type: none"> •For the Q1 period we completed 61 verifications which represents 11% of the of the yearly expected target of 575. Nineteen of the 61 verifications completed required enforcement action to be taken in the form of education through the use of corrective actions. •Overall verification numbers are significantly reduced due to staffing vacancies and Alert Level 4 and 3 restrictions (inspection unable to be completed due to lockdown criteria). 	
		Percentage of TCC verified food premises that have been inspected and had appropriate enforcement action taken	100%	11%		

Groups of Activities	% achievement of targets ■ Achieved ■ On Track ■ Off Track ■ No Data	KPI off track		Discussion and action taken to improve result	
		Target Year 1	Q1 Result		
		We will monitor traffic and parking bylaw and related legislation, taking an education approach to raise awareness in the community, or enforcement where appropriate.			<ul style="list-style-type: none"> •Due to COVID-19 lockdowns, no parking enforcement was conducted during Alert Levels 4 and 3. Complaints were triaged, and urgent matters referred to the Police. A number of complaints exceeded this target as a result. All complaints were dealt with and customers updated in Alert Level 2. •Due to COVID-19 lockdowns majority of events, markets and schools were cancelled/closed. Enforcement has resumed of markets and sporting events under Alert Level 2.
		Respond to all parking complaints within 24 hours	100%	88%	
		Enforce parking compliance at known hotspot areas (events, sports fields, markets) and during school patrols on average at least 2 times per week	100%	75%	
		We will monitor the Freedom Camping Bylaw	Target Year 1	Q1 Result	<ul style="list-style-type: none"> •Monitoring of the Bylaw ceased during Alert Levels 4 and 3. •Patrols were tracking on target prior to the lockdowns. •Since returning to Alert Level 2 patrols have resumed at the specified frequency.
		a) Daily patrols of key designated and prohibited freedom camping sites from Nov-April. b) Patrol same sites 4 nights a week from May-Oct. And appropriate action is taken regarding breaches of the bylaw - education and/or enforcement	100%	75%	

Groups of Activities	% achievement of targets		KPI off track		Discussion and action taken to improve result	
	Achieved	On Track	Off Track	No Data		
Spaces and Places Activities Include: Cemeteries Mount Beachside Holiday Park Marine Facilities Spaces and Places			We will provide a range of accommodation options for visitors to the region	Target Year 1 75,000	Q1 Results 10,702	<ul style="list-style-type: none"> •COVID-19 lockdowns and Alert Level 3 have impacted occupancy over August/September; result in Q1 2020/21 was 15,357 compared to 10,702 this quarter. •Despite periods in lockdown last year Beachside was still able to have 85,452 guest nights against its target of 72,500. •However, with COVID-19 uncertainties, it is difficult to forecast target achievement for this period.
	1 of 5 measure off track		Number of Guest Nights			

Annual Residents Survey

Wave 1 2021/22



Introduction

The Community Perceptions Monitor Study measures the perceptions of residents regarding various aspects of services that Council provides. The results of this study feed into the Tauranga City Council Long-term Plan process and allow Council staff to assess the performance of the Council against a set of pre-determined actions and performance levels.

What does this report show?

This report summarises the responses received from the first wave of Tauranga City Council's 2021/22 annual residents' survey. In the first wave, 191 people have responded. Three further waves will be undertaken in 2021/22 with a goal of a minimum of 600 responses.

This report gives a high-level view of the responses received to date and how they compared to previous years. It's important to note that as the survey has not yet been completed, these results are indicative but do not meet the threshold of statistical relevance to be reflective of the views of the whole city.

We will provide a follow up report once wave two of the survey has been completed in November.

Research Objectives:

To determine residents' satisfaction with various Council services and facilities.

To determine residents' perceptions about aspects of living, working and playing in Tauranga.

To identify progress towards Key Performance Indicators (KPIs) in Council's Annual Report.

To assess trends in perceptions and satisfaction through comparisons with previous survey results.

Methodology:

The 2021/22 annual study will target 600 responses from the residents in the Tauranga City Council area. In 2019/20 the data collection method was changed to postal to online.

Each wave's mail out quotas are applied according to age, gender and ward, to ensure that a representative sample of Tauranga City's population is achieved.

The data is weighted to account for variances in the achieved quotas and to ensure that the sample reflects the population profile achieved.

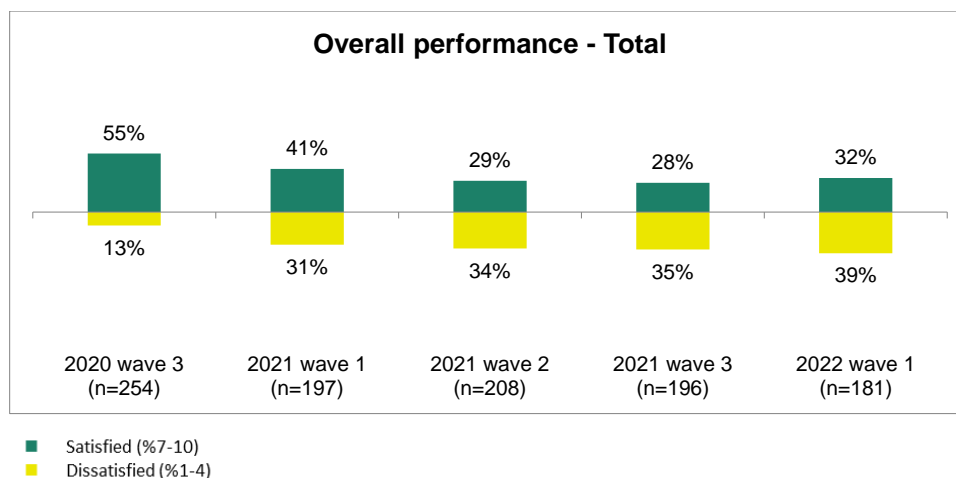
Data collection is taking place in four waves between August 2021 and May 2022.

The overall results have an anticipated margin of error of +/- 4.6% at the 95% confidence level.

▲ Overall Performance

Overall Performance – wave one 2021/22 = 32%

Results



Interpretation

- Almost one third of Tauranga residents (32%) are satisfied with Council’s overall performance.
- There has been a significant decrease in perception over the previous 12-month period. Despite the improvement in the overall performance satisfaction score from wave three to wave one by 4%, this was negated by the dissatisfaction score also increasing by 4%.
- Satisfaction with Council has been on a declining trend over the past four reporting periods. Since 2018, when it was 74%, the total decline to June 2021 was 42%.

2018	2019	2020	2021
74%	66%	51%	32%

Verbatim Summary

This section of the survey includes a free text field in which respondents could comment further on their satisfaction score.

The majority of respondents who were dissatisfied (scored 1-4) with Council's performance chose to comment on how they might receive more value from Tauranga City Council. The most common theme in the comments was that rates should be spent on needs and not wants and that we need to sort out issues affecting day to day lives such as traffic.

Commenters also expressed dissatisfaction with the former Councillors and wished for the commission to remain longer than currently planned.

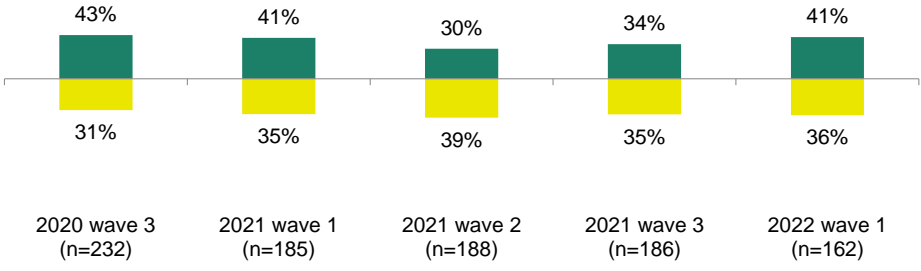
Then of respondents who were satisfied (scored 7-10) with Council's performance comments were themed around the Commissioners doing a good job and keeping them on.

Summary of other measures

▼ Trending down ▲ Trending up = No Change

■ Satisfied (%7-10)
■ Dissatisfied (%1-4)

Measure/Result	Comments	Graph																																				
<p>▲ Overall Image and reputation</p> <p>Wave one 2021/22 = 27%</p>	<p>The first wave result shows a possible turnaround in perception of overall image and reputation, as well as all the sub-drivers compared to last year.</p> <p>There was an increase from the wave 3 in 2021 in the satisfaction score coupled with the decrease in dissatisfaction score.</p> <p>Sub-drivers for this measure include:</p> <table border="1"> <thead> <tr> <th>Driver</th> <th>W1 22</th> <th>2021</th> </tr> </thead> <tbody> <tr> <td>Overall</td> <td>27%</td> <td>19%</td> </tr> <tr> <td>Leadership</td> <td>33%</td> <td>22%</td> </tr> <tr> <td>Trust</td> <td>27%</td> <td>27%</td> </tr> <tr> <td>Financial Management</td> <td>22%</td> <td>16%</td> </tr> <tr> <td>Quality of services</td> <td>45%</td> <td>45%</td> </tr> </tbody> </table> <p>Financial management is the area that has been rated the lowest among the residents with 53% evaluating it as 'Poor' (scores 1-4).</p>	Driver	W1 22	2021	Overall	27%	19%	Leadership	33%	22%	Trust	27%	27%	Financial Management	22%	16%	Quality of services	45%	45%	<p>Sig Diff</p> <p>Overall image and reputation - Total</p> <table border="1"> <thead> <tr> <th>Wave</th> <th>Satisfied (%)</th> <th>Dissatisfied (%)</th> </tr> </thead> <tbody> <tr> <td>2020 wave 3 (n=244)</td> <td>40%</td> <td>30%</td> </tr> <tr> <td>2021 wave 1 (n=199)</td> <td>29%</td> <td>49%</td> </tr> <tr> <td>2021 wave 2 (n=198)</td> <td>17%</td> <td>65%</td> </tr> <tr> <td>2021 wave 3 (n=186)</td> <td>11%</td> <td>57%</td> </tr> <tr> <td>2022 wave 1 (n=174)</td> <td>27%</td> <td>50%</td> </tr> </tbody> </table>	Wave	Satisfied (%)	Dissatisfied (%)	2020 wave 3 (n=244)	40%	30%	2021 wave 1 (n=199)	29%	49%	2021 wave 2 (n=198)	17%	65%	2021 wave 3 (n=186)	11%	57%	2022 wave 1 (n=174)	27%	50%
Driver	W1 22	2021																																				
Overall	27%	19%																																				
Leadership	33%	22%																																				
Trust	27%	27%																																				
Financial Management	22%	16%																																				
Quality of services	45%	45%																																				
Wave	Satisfied (%)	Dissatisfied (%)																																				
2020 wave 3 (n=244)	40%	30%																																				
2021 wave 1 (n=199)	29%	49%																																				
2021 wave 2 (n=198)	17%	65%																																				
2021 wave 3 (n=186)	11%	57%																																				
2022 wave 1 (n=174)	27%	50%																																				

Measure/Result	Comments	Graph																																				
<p>▲ Overall Value for money</p> <p>Wave one 2021/22 = 41%</p>	<p>The first wave result also shows a possible turnaround in perception of overall value for money, as well as all the sub-drivers compared to last year.</p> <p>There was an increase from the wave 3 in 2021 in the satisfaction score, however, dissatisfaction score also increased by 1% from W3 2021.</p> <p>Sub-drivers for this measure include:</p> <table border="1" data-bbox="539 587 929 890"> <thead> <tr> <th>Driver</th> <th>W1 22</th> <th>2021</th> </tr> </thead> <tbody> <tr> <td>Overall</td> <td>41%</td> <td>41%</td> </tr> <tr> <td>Annual rates fair and reasonable</td> <td>30%</td> <td>29%</td> </tr> <tr> <td>Water rates fair and reasonable</td> <td>44%</td> <td>46%</td> </tr> <tr> <td>Invoicing clear and correct</td> <td>70%</td> <td>75%</td> </tr> <tr> <td>Payment arrangements fair and reasonable</td> <td>73%</td> <td>73%</td> </tr> </tbody> </table> <p>Based on the verbatim comments reviewed the dissatisfaction (scored 1-4) with value for money is largely due to 'rates being too high', which could be attributed to the recent rates increases in the Long-term plan that was adopted in July 2021.</p>	Driver	W1 22	2021	Overall	41%	41%	Annual rates fair and reasonable	30%	29%	Water rates fair and reasonable	44%	46%	Invoicing clear and correct	70%	75%	Payment arrangements fair and reasonable	73%	73%	<p style="text-align: center;">Overall value for money - Total</p>  <table border="1" data-bbox="965 411 1883 683"> <thead> <tr> <th>Wave</th> <th>Satisfaction</th> <th>Dissatisfaction</th> </tr> </thead> <tbody> <tr> <td>2020 wave 3 (n=232)</td> <td>43%</td> <td>31%</td> </tr> <tr> <td>2021 wave 1 (n=185)</td> <td>41%</td> <td>35%</td> </tr> <tr> <td>2021 wave 2 (n=188)</td> <td>30%</td> <td>39%</td> </tr> <tr> <td>2021 wave 3 (n=186)</td> <td>34%</td> <td>35%</td> </tr> <tr> <td>2022 wave 1 (n=162)</td> <td>41%</td> <td>36%</td> </tr> </tbody> </table>	Wave	Satisfaction	Dissatisfaction	2020 wave 3 (n=232)	43%	31%	2021 wave 1 (n=185)	41%	35%	2021 wave 2 (n=188)	30%	39%	2021 wave 3 (n=186)	34%	35%	2022 wave 1 (n=162)	41%	36%
Driver	W1 22	2021																																				
Overall	41%	41%																																				
Annual rates fair and reasonable	30%	29%																																				
Water rates fair and reasonable	44%	46%																																				
Invoicing clear and correct	70%	75%																																				
Payment arrangements fair and reasonable	73%	73%																																				
Wave	Satisfaction	Dissatisfaction																																				
2020 wave 3 (n=232)	43%	31%																																				
2021 wave 1 (n=185)	41%	35%																																				
2021 wave 2 (n=188)	30%	39%																																				
2021 wave 3 (n=186)	34%	35%																																				
2022 wave 1 (n=162)	41%	36%																																				

Measure/Result	Comments	Graph																								
<p>▲ Overall Core Services Deliverables</p> <p>Wave one 2021/22 = 61%</p>	<p>Around three in five residents (61%) are satisfied with core service deliverables.</p> <p>Satisfaction had been decreasing over the past 12 months.</p> <p>However, the proportion of dissatisfied residents, those who rated 1-4 is relatively small (16%) but has increased slightly so should continue to be monitored.</p>	<p style="text-align: center;">Core service deliverables - Total</p> <table border="1"> <caption>Core service deliverables - Total Data</caption> <thead> <tr> <th>Wave</th> <th>Satisfied (%)</th> <th>Dissatisfied (%)</th> <th>n</th> </tr> </thead> <tbody> <tr> <td>2020 wave 3</td> <td>69%</td> <td>7%</td> <td>259</td> </tr> <tr> <td>2021 wave 1</td> <td>64%</td> <td>14%</td> <td>204</td> </tr> <tr> <td>2021 wave 2</td> <td>57%</td> <td>11%</td> <td>198</td> </tr> <tr> <td>2021 wave 3</td> <td>58%</td> <td>12%</td> <td>199</td> </tr> <tr> <td>2022 wave 1</td> <td>61%</td> <td>16%</td> <td>174</td> </tr> </tbody> </table>	Wave	Satisfied (%)	Dissatisfied (%)	n	2020 wave 3	69%	7%	259	2021 wave 1	64%	14%	204	2021 wave 2	57%	11%	198	2021 wave 3	58%	12%	199	2022 wave 1	61%	16%	174
Wave	Satisfied (%)	Dissatisfied (%)	n																							
2020 wave 3	69%	7%	259																							
2021 wave 1	64%	14%	204																							
2021 wave 2	57%	11%	198																							
2021 wave 3	58%	12%	199																							
2022 wave 1	61%	16%	174																							
<p>▼ Overall Water management</p> <p>Wave one 2021/22 = 55%</p>	<p>Again, around three in five residents are satisfied with the water management in the city (55%).</p> <p>However, the proportion of dissatisfied residents, those who rated 1-4 is again as above relatively small (17%) but has increased slightly so should continue to be monitored.</p>	<p style="text-align: center;">Overall water management - Total</p> <table border="1"> <caption>Overall water management - Total Data</caption> <thead> <tr> <th>Wave</th> <th>Satisfied (%)</th> <th>Dissatisfied (%)</th> <th>n</th> </tr> </thead> <tbody> <tr> <td>2020 wave 3</td> <td>69%</td> <td>10%</td> <td>224</td> </tr> <tr> <td>2021 wave 1</td> <td>64%</td> <td>17%</td> <td>175</td> </tr> <tr> <td>2021 wave 2</td> <td>63%</td> <td>17%</td> <td>188</td> </tr> <tr> <td>2021 wave 3</td> <td>58%</td> <td>12%</td> <td>187</td> </tr> <tr> <td>2022 wave 1</td> <td>55%</td> <td>17%</td> <td>165</td> </tr> </tbody> </table>	Wave	Satisfied (%)	Dissatisfied (%)	n	2020 wave 3	69%	10%	224	2021 wave 1	64%	17%	175	2021 wave 2	63%	17%	188	2021 wave 3	58%	12%	187	2022 wave 1	55%	17%	165
Wave	Satisfied (%)	Dissatisfied (%)	n																							
2020 wave 3	69%	10%	224																							
2021 wave 1	64%	17%	175																							
2021 wave 2	63%	17%	188																							
2021 wave 3	58%	12%	187																							
2022 wave 1	55%	17%	165																							

Measure/Result	Comments	Graph																								
<p>▲ Overall Road and footpaths</p> <p>Wave one 2021/22 = 48%</p>	<p>Close to half of the residents (48%) are satisfied with roading, footpaths and cycling infrastructure.</p> <p>Apart from the -9% difference between wave 2 2021 and wave 3 2021, there continues to be no significant changes in satisfaction over the past 12 months.</p>	<p style="text-align: center;">Overall road and footpaths - Total</p> <table border="1"> <caption>Overall road and footpaths - Total</caption> <thead> <tr> <th>Wave</th> <th>Sample Size (n)</th> <th>Satisfied (%)</th> <th>Dissatisfied (%)</th> </tr> </thead> <tbody> <tr> <td>2020 wave 3</td> <td>264</td> <td>52%</td> <td>17%</td> </tr> <tr> <td>2021 wave 1</td> <td>205</td> <td>54%</td> <td>22%</td> </tr> <tr> <td>2021 wave 2</td> <td>205</td> <td>50%</td> <td>25%</td> </tr> <tr> <td>2021 wave 3</td> <td>202</td> <td>41%</td> <td>29%</td> </tr> <tr> <td>2022 wave 1</td> <td>187</td> <td>48%</td> <td>28%</td> </tr> </tbody> </table>	Wave	Sample Size (n)	Satisfied (%)	Dissatisfied (%)	2020 wave 3	264	52%	17%	2021 wave 1	205	54%	22%	2021 wave 2	205	50%	25%	2021 wave 3	202	41%	29%	2022 wave 1	187	48%	28%
Wave	Sample Size (n)	Satisfied (%)	Dissatisfied (%)																							
2020 wave 3	264	52%	17%																							
2021 wave 1	205	54%	22%																							
2021 wave 2	205	50%	25%																							
2021 wave 3	202	41%	29%																							
2022 wave 1	187	48%	28%																							
<p>▲ Overall Waste management</p> <p>Wave one 2021/22 = 65%</p>	<p>Around three in five residents (65%) are satisfied with the overall performance of Tauranga City Council with regards to waste management.</p> <p>74% of residents are satisfied with what happens on their rubbish collection day which continues around the same as what it was previously before the introduction of Council's own collection service.</p>	<p style="text-align: center;">Overall waste management - Total</p> <table border="1"> <caption>Overall waste management - Total</caption> <thead> <tr> <th>Wave</th> <th>Sample Size (n)</th> <th>Satisfied (%)</th> <th>Dissatisfied (%)</th> </tr> </thead> <tbody> <tr> <td>2020 wave 3</td> <td>262</td> <td>69%</td> <td>16%</td> </tr> <tr> <td>2021 wave 1</td> <td>196</td> <td>65%</td> <td>20%</td> </tr> <tr> <td>2021 wave 2</td> <td>197</td> <td>60%</td> <td>20%</td> </tr> <tr> <td>2021 wave 3</td> <td>191</td> <td>59%</td> <td>16%</td> </tr> <tr> <td>2022 wave 1</td> <td>183</td> <td>65%</td> <td>15%</td> </tr> </tbody> </table>	Wave	Sample Size (n)	Satisfied (%)	Dissatisfied (%)	2020 wave 3	262	69%	16%	2021 wave 1	196	65%	20%	2021 wave 2	197	60%	20%	2021 wave 3	191	59%	16%	2022 wave 1	183	65%	15%
Wave	Sample Size (n)	Satisfied (%)	Dissatisfied (%)																							
2020 wave 3	262	69%	16%																							
2021 wave 1	196	65%	20%																							
2021 wave 2	197	60%	20%																							
2021 wave 3	191	59%	16%																							
2022 wave 1	183	65%	15%																							

Measure/Result	Comments	Graph																		
<p>▼ Overall Outdoor spaces</p> <p>Wave one 2021/22 = 78%</p>	<p>Despite a -1% drop in satisfaction from wave 3 2021, outdoor spaces remains the highest evaluated area for the Tauranga City Council with around four in five residents being satisfied (78%).</p> <p>The results have been consistent over the past four years.</p>	<p style="text-align: center;">Overall outdoor spaces - Total</p> <table border="1"> <caption>Overall outdoor spaces - Total</caption> <thead> <tr> <th>Year/Wave</th> <th>Satisfaction</th> <th>Dissatisfaction</th> </tr> </thead> <tbody> <tr> <td>2020 wave 3 (n=249)</td> <td>86%</td> <td>4%</td> </tr> <tr> <td>2021 wave 1 (n=194)</td> <td>85%</td> <td>4%</td> </tr> <tr> <td>2021 wave 2 (n=192)</td> <td>82%</td> <td>5%</td> </tr> <tr> <td>2021 wave 3 (n=192)</td> <td>79%</td> <td>6%</td> </tr> <tr> <td>2022 wave 1 (n=176)</td> <td>78%</td> <td>5%</td> </tr> </tbody> </table>	Year/Wave	Satisfaction	Dissatisfaction	2020 wave 3 (n=249)	86%	4%	2021 wave 1 (n=194)	85%	4%	2021 wave 2 (n=192)	82%	5%	2021 wave 3 (n=192)	79%	6%	2022 wave 1 (n=176)	78%	5%
Year/Wave	Satisfaction	Dissatisfaction																		
2020 wave 3 (n=249)	86%	4%																		
2021 wave 1 (n=194)	85%	4%																		
2021 wave 2 (n=192)	82%	5%																		
2021 wave 3 (n=192)	79%	6%																		
2022 wave 1 (n=176)	78%	5%																		
<p>▲ Overall Public facilities</p> <p>Wave one 2021/22 = 73%</p>	<p>Satisfaction (+4%) with the public facilities provided by the Council remains on the improve.</p> <p>Coupled with a reduction in the number of residents who are dissatisfied, which has also dropped by 3% compared to wave 3 2021.</p>	<p style="text-align: center;">Overall public facilities - Total</p> <table border="1"> <caption>Overall public facilities - Total</caption> <thead> <tr> <th>Year/Wave</th> <th>Satisfaction</th> <th>Dissatisfaction</th> </tr> </thead> <tbody> <tr> <td>2020 wave 3 (n=228)</td> <td>76%</td> <td>4%</td> </tr> <tr> <td>2021 wave 1 (n=176)</td> <td>69%</td> <td>6%</td> </tr> <tr> <td>2021 wave 2 (n=176)</td> <td>63%</td> <td>7%</td> </tr> <tr> <td>2021 wave 3 (n=172)</td> <td>69%</td> <td>7%</td> </tr> <tr> <td>2022 wave 1 (n=156)</td> <td>73%</td> <td>4%</td> </tr> </tbody> </table>	Year/Wave	Satisfaction	Dissatisfaction	2020 wave 3 (n=228)	76%	4%	2021 wave 1 (n=176)	69%	6%	2021 wave 2 (n=176)	63%	7%	2021 wave 3 (n=172)	69%	7%	2022 wave 1 (n=156)	73%	4%
Year/Wave	Satisfaction	Dissatisfaction																		
2020 wave 3 (n=228)	76%	4%																		
2021 wave 1 (n=176)	69%	6%																		
2021 wave 2 (n=176)	63%	7%																		
2021 wave 3 (n=172)	69%	7%																		
2022 wave 1 (n=156)	73%	4%																		

Commissioner based questions

At the beginning of the reputation section of the questionnaire the following statement is made to respondents completing the survey:

"Please note on 9 February 2021, a Crown Commission appointed by the Minister of Local Government took over all of the council's governance responsibilities, replacing elected members until the next election in October 2022."

Then two questions are asked to respondents about their awareness of the Commissioners of having taken over the governance responsibilities of Tauranga City Council and then rate their satisfaction with their leadership.

Measure/Result	Comments	Graph														
<p>Awareness that a Crown appointed Commission has taken over the governance responsibilities of Tauranga City Council until the next election in October 2022</p> <p>Wave one 2021/22 = Total Aware 80% Unaware 20%</p>	<p>Age seems to be the biggest factor in awareness that a commission had been appointed. With very high awareness in those 55 years and older.</p>	<p style="text-align: center;">Awareness by age</p> <table border="1"> <caption>Awareness by age</caption> <thead> <tr> <th>Age</th> <th>Aware of Commissioners (%)</th> </tr> </thead> <tbody> <tr> <td>65+</td> <td>~95%</td> </tr> <tr> <td>55-64</td> <td>~88%</td> </tr> <tr> <td>45-54</td> <td>~83%</td> </tr> <tr> <td>35-44</td> <td>~80%</td> </tr> <tr> <td>25-34</td> <td>~60%</td> </tr> <tr> <td>18-24</td> <td>~55%</td> </tr> </tbody> </table>	Age	Aware of Commissioners (%)	65+	~95%	55-64	~88%	45-54	~83%	35-44	~80%	25-34	~60%	18-24	~55%
Age	Aware of Commissioners (%)															
65+	~95%															
55-64	~88%															
45-54	~83%															
35-44	~80%															
25-34	~60%															
18-24	~55%															

Measure/Result	Comments	Graph																		
<p>Satisfaction with the leadership of the Commissioners</p> <p>Wave one 2021/22 = 58%</p>	<p>Positive result as satisfaction currently outweighs those dissatisfied. This measure will be continued to be monitored and presented as more data is collected in subsequent waves.</p>	<p style="text-align: center;">Leadership of the Commissioners - Total</p> <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th>Wave</th> <th>n</th> <th>Satisfaction %</th> </tr> </thead> <tbody> <tr> <td>2020 wave 3</td> <td>0</td> <td>0%</td> </tr> <tr> <td>2021 wave 1</td> <td>0</td> <td>0%</td> </tr> <tr> <td>2021 wave 2</td> <td>0</td> <td>0%</td> </tr> <tr> <td>2021 wave 3</td> <td>0</td> <td>0%</td> </tr> <tr> <td>2022 wave 1</td> <td>124</td> <td>58%</td> </tr> </tbody> </table>	Wave	n	Satisfaction %	2020 wave 3	0	0%	2021 wave 1	0	0%	2021 wave 2	0	0%	2021 wave 3	0	0%	2022 wave 1	124	58%
Wave	n	Satisfaction %																		
2020 wave 3	0	0%																		
2021 wave 1	0	0%																		
2021 wave 2	0	0%																		
2021 wave 3	0	0%																		
2022 wave 1	124	58%																		

9.12 Treasury Strategy

File Number: A12939916

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. This report seeks approval for strategies for treasury risk management activities, debt issuance, investments, and foreign exchange exposures management.

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 target range of 50% to 60% at 2 years forward, and 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.

EXECUTIVE SUMMARY

2. This report outlines all significant treasury operational activities and seeks confirmation of existing strategies and approval of planned strategies.
3. Treasury Strategy is an important aspect of sound financial management and allows Council to efficiently manage its funding and monitor associated risks.

BACKGROUND

Debt Management

4. 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.
5. 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

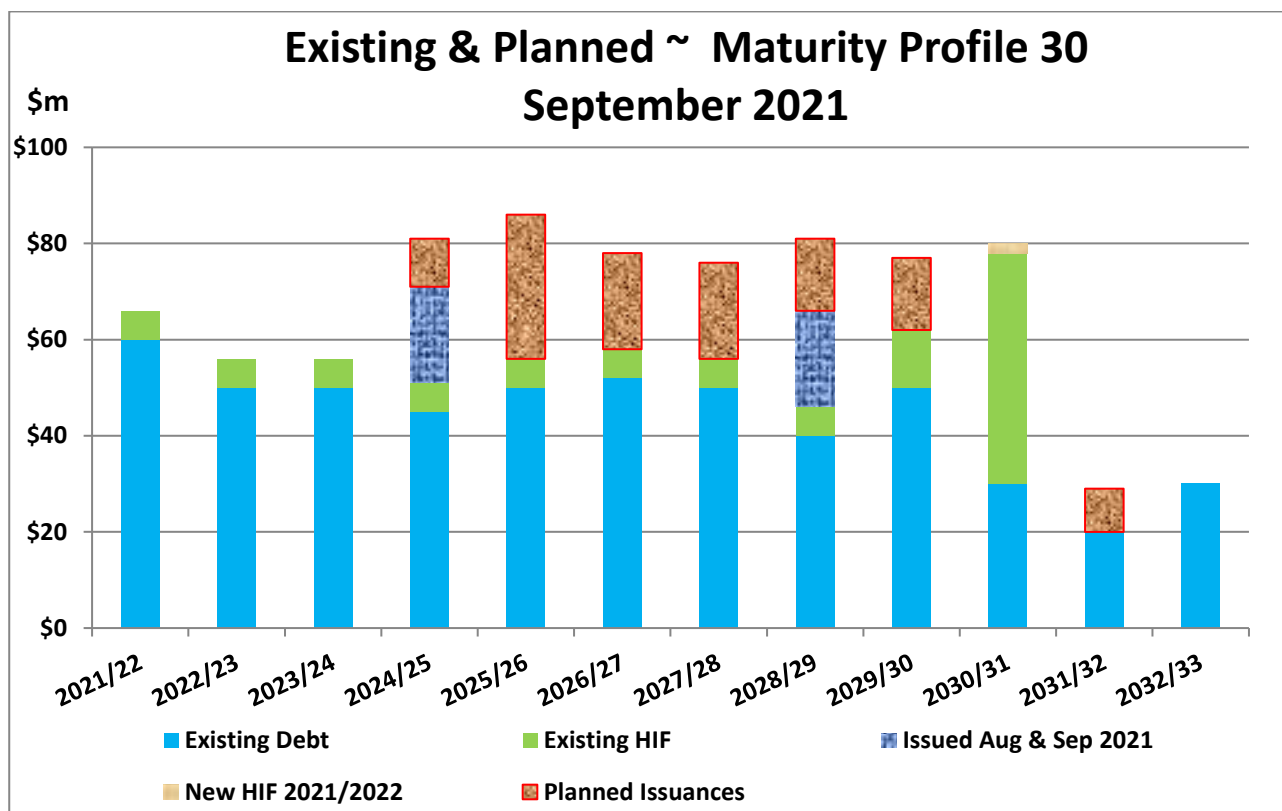
Compliance with LGFA covenants

Housing Infrastructure Fund (HIF) drawdowns

Existing maturity profile

Available undrawn bank facilities

6. The graph below shows the debt maturity profile as at 30 September 2021 (years ending September) together with planned debt issuances.



7. As at 30 September 2021 debt outstanding was \$677m of which \$42m was issued during August and September 2021. These recent issuances have been set aside as pre-funding for debt maturing during April 2022.
8. It is planned to issue \$20m during October 2021 to manage ongoing near-term cash flow requirements. The above chart includes a further \$100m to be issued by 30 June 2022.
9. The above chart is based on closing net debt of \$730m as at 30 June 2022, the Long-term Plan is based on \$763m. The new debt requirements on the chart above will be adjusted based on actual spending during the last quarter of this financial year.
10. In addition, short-term debt may be issued to manage intra year cashflows.
11. Debt duration (i.e. average maturity) is now at 5.63 years and it is planned to maintain duration above 5.0 years while ensuring compliance with the Treasury Policy criteria of 'no more than 33% of debt shall be subject to refinancing an any rolling 12-month period'.
12. During 2021-22, \$66m of long-term debt is due to mature.

Bank Facilities

13. Access to liquidity funding by way of committed bank facilities and or liquid investments is required to manage liquidity risk.
14. 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.
15. Bank Facilities have now been increased to \$100m from \$70m. This facility matures on 31 October 2024. Generally, the maturity date is extended by 1 year each year. It is planned to maintain the facility maturity within the '2 to 4 year' maturity band.
16. In general, bank facilities are available to be drawn down at short notice, in the event they are drawn on, and they are able to be repaid on a quarterly basis.

- 17. It is important to note that any drawdown from bank facilities would need to be managed within the existing net debt to revenue ratio.
- 18. Current annual facility costs are 0.20% (\$200k for \$100m). Generally, pricing on facilities are reviewed on an annual basis.

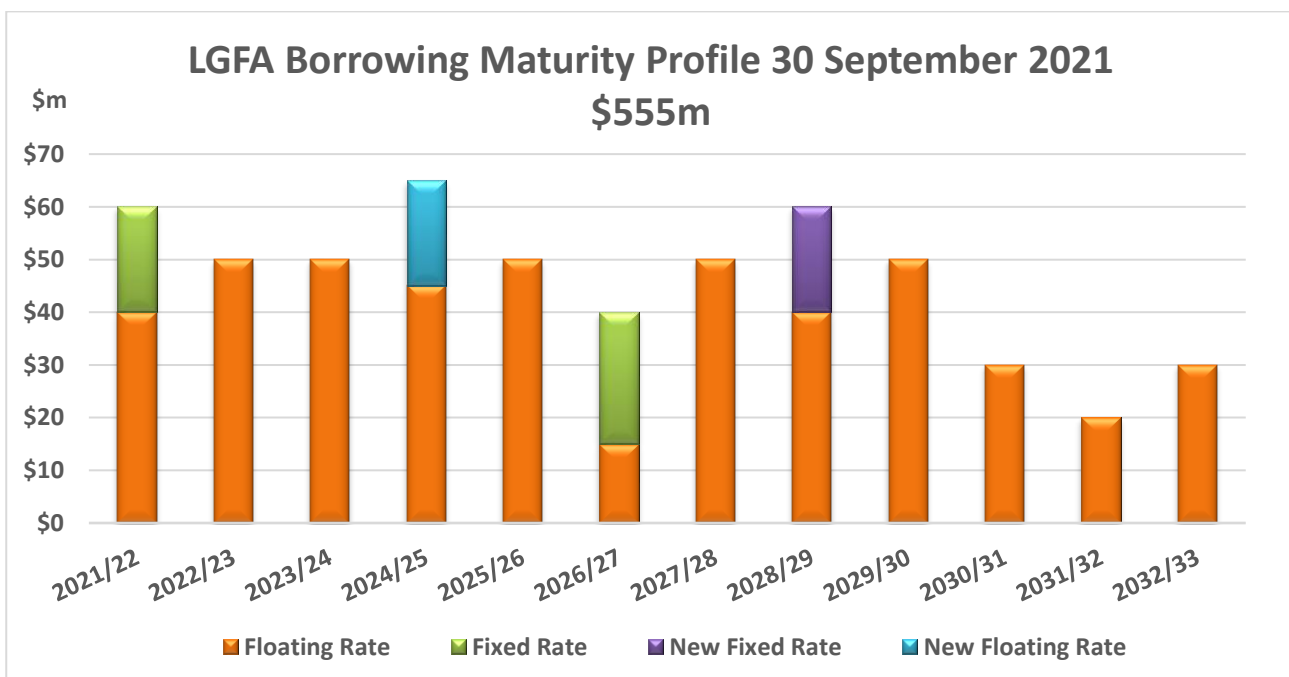
Liquidity Risk

- 19. 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.
- 20. 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.

Local Government Funding Agency (“LGFA”)

- 21. 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.
- 22. 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.
- 23. 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.
- 24. As at 30 September 2021, total LGFA bonds (long-term) on issue were \$14,465m, of which \$555m have been on-lent to Tauranga City Council.
- 25. The graph below shows the borrowings from LGFA on a fixed interest vs floating interest rate basis.



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

1 Year	1.32%	6 Year	2.43%
2 Year	1.75%	8 Year	2.56%
3 Year	1.98%	10 Year	2.78%
4 Year	2.18%		
5 Year	2.32%		

Security

27. 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.

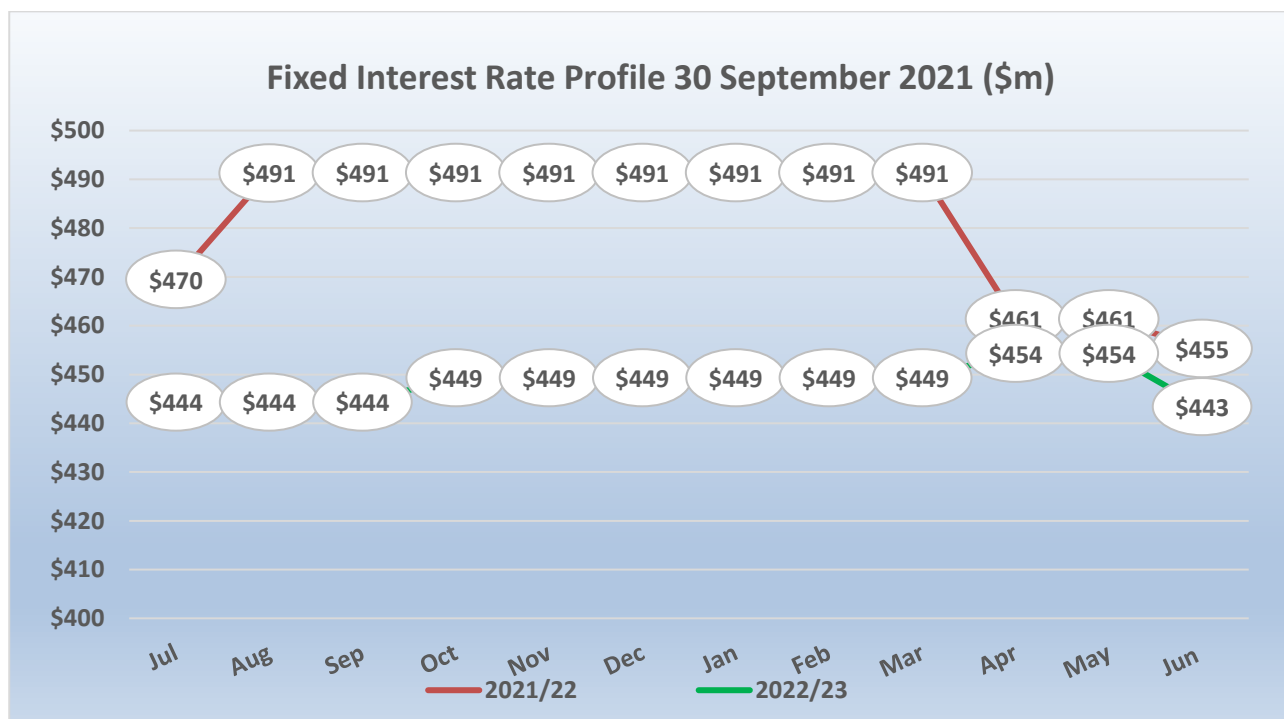
Interest Rate Risk Management

28. The overall objective of the interest rate risk management strategy is to:

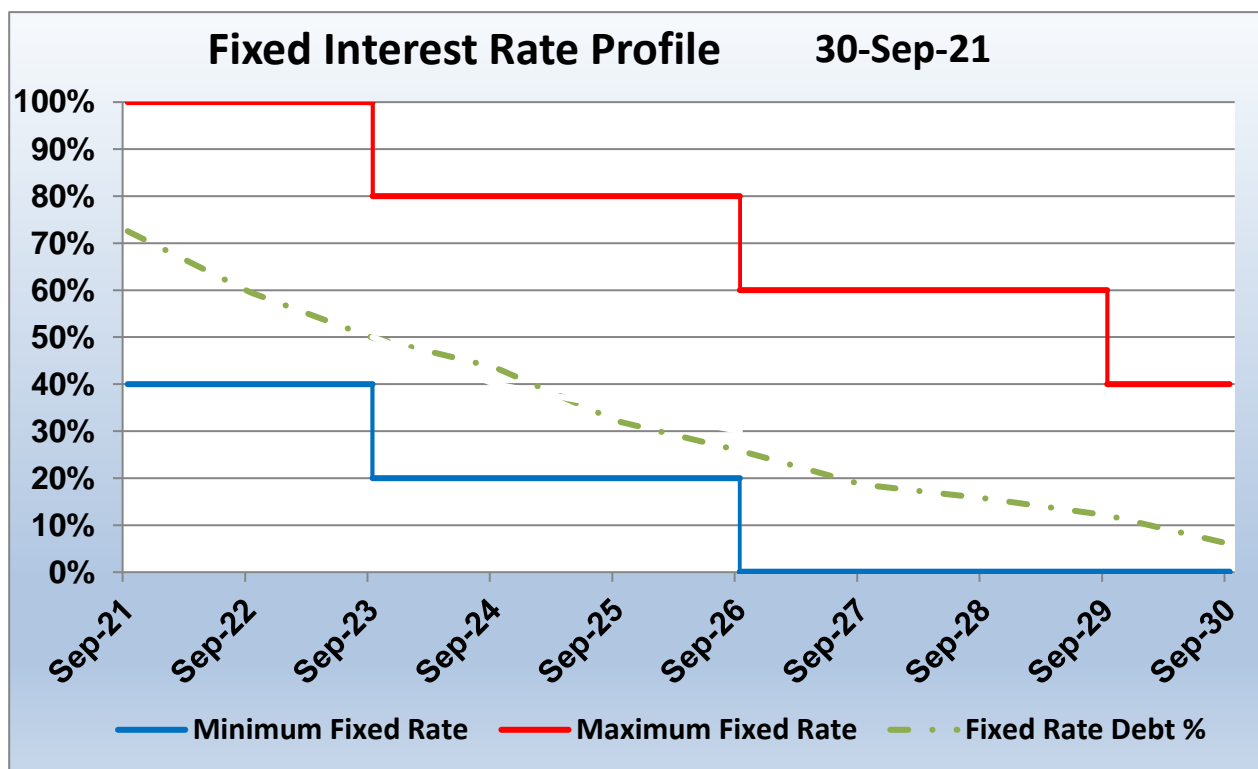
- Minimise the average net interest cost on borrowings over the long-term.
- Minimise large concentrations of interest rate risk.
- Increase duration of the interest rate re-pricing profile.
- Maintain an appropriate mix of floating / fixed interest rate exposures.

29. 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.

30. As at 30 September 2021 the fixed interest position was \$491m which was 72.5% of debt. The graph below shows the existing fixed interest rate positions (fixed rate debt and interest rate hedging) over the next 2 years on a monthly basis:



31. 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.
32. 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 cashflow capital delivery / carry forwards at the end of each year throughout the LTP period, these adjustments range from \$30m to \$300m. This adjustment is required to ensure interest rate hedging is maintained at the appropriate level and not over hedged.



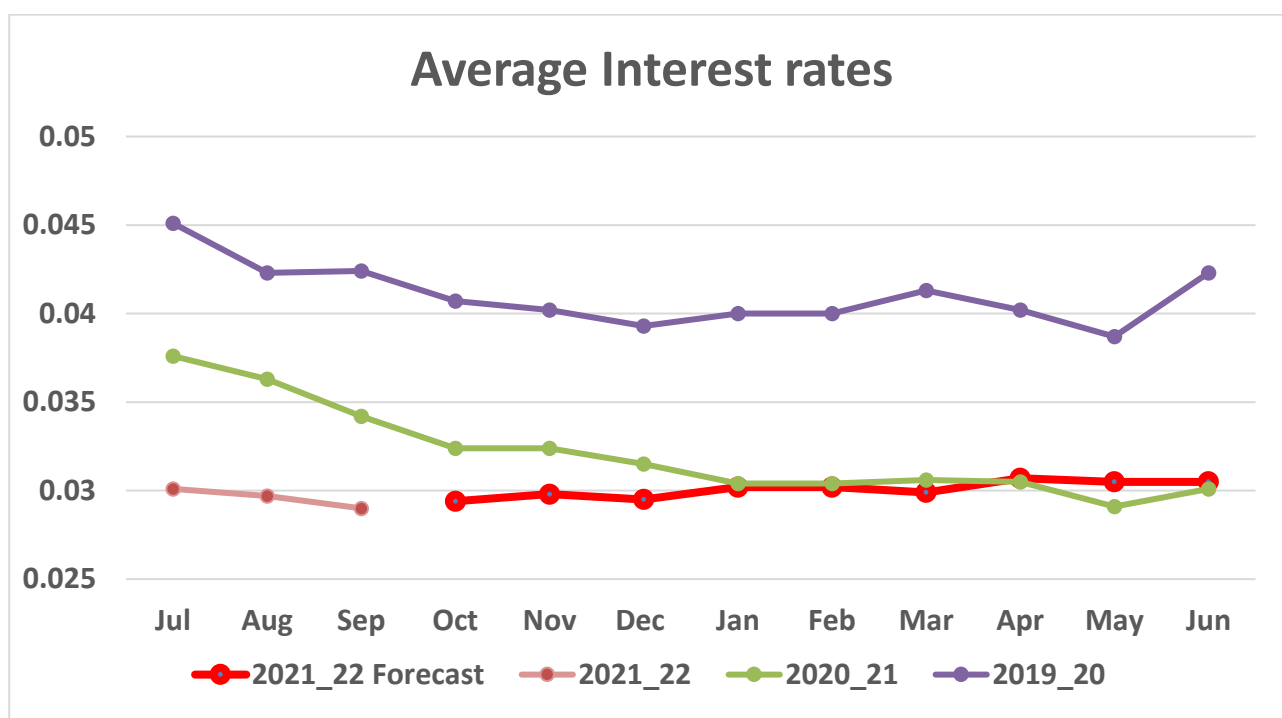
33. Over the last six months (since May 2021 Treasury Strategy report), new fixed rate exposures of \$52m have been entered:
- New fixed rate debt \$22m and
 - Interest rate hedging \$30m.
34. Analysis of debt levels and associated interest rate hedging positions are reviewed on a monthly rolling basis.
35. As consistent with previous approval, it is recommended to maintain an interest rate hedging profile target of between 50% to 60% at 2 years forward and 30% to 40% at 5 years forward. It is planned to gradually increase the interest rate hedging levels over the next 6 months.

Net Interest Budget

36. Net interest is forecast based on closing net debt of \$730m as at 30 June 2022. The average interest rate as at 30 June 2022 is forecast at 3.05% (2.99% at 30 June 2021).
37. The table below shows the net external interest position for the current year. A small favourable variance is forecast for the current year based on external debt less income from money market investments. This forecast includes three 0.25% Official Cash Rate increases by the Reserve Bank.

Net External Interest	Budget	Forecast	Variance Fav (Unfav.)
2021/22	\$20.7m	\$20.6m	\$0.1m

38. The graph below shows the actual and forecast average interest rates.

Investments

39. 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

40. 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.

STRATEGIC / STATUTORY CONTEXT

41. 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

42. Option1: 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.

CONSULTATION / ENGAGEMENT

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

SIGNIFICANCE

44. 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.
45. 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.
46. 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

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

ATTACHMENTS

Nil

9.13 Local Government Funding Agency AGM Matters November 2021**File Number: A12980602****Author: Mohan De Mel, Treasurer****Authoriser: Paul Davidson, General Manager: Corporate Services****PURPOSE OF THE REPORT**

- 1) Local Government Funding Agency's Annual General Meeting is being held on 23 November 2021. Proxy Form requires execution to vote and approval to attend meeting.
-

RECOMMENDATIONS

That the Strategy, Finance and Risk Committee:

- a) Receives the Local Government Funding Agency AGM Matters November 2021 report.
 - b) Approves the following resolutions to allow voting for the Local Government Funding Agency annual general meeting:
 - i) Approve the re-election of Craig Stobo as an Independent Director (Proxy Form Resolution 1(a));
 - ii) Approve the election of Alan Adcock as a Non-Independent Director (Proxy Form Resolution 1(b));
 - iii) Approve the re-election of Christchurch City Council as a Nominating Local Authority (Proxy Form Resolution 2(a));
 - iv) Approve the election of New Plymouth District Council as a Nominating Local Authority (Proxy Form Resolution 2(b));
 - v) Approve the changes to the Foundation Policies (Proxy Form Resolution 3);
 - vi) Approve the changes to the Shareholders Agreement (Proxy Form Resolution 4);
 - vii) Approve the following increases in directors fee payable (Proxy Form Resolution 5 (a) to (d)):
 - 1) With effect from 1 July 2021, the director acting as chair of the board of directors of \$6,000 per annum, from \$102,000 to \$108,000 per annum;
 - 2) With effect from 1 July 2021, each of the other directors acting as members of the audit and risk committee, an increase of \$4,000 per annum, from \$59,000 to \$63,000 per annum;
 - 3) With effect from 1 July 2021, the director acting as chair of the audit and risk committee, an increase of \$4,000 per annum, from \$63,000 to \$67,000 per annum and
 - 4) With effect from 1 July 2021, each of the other directors an increase of \$3,000 per annum, from \$57,000 to \$60,000 per annum.
 - c) Authorises by way of proxy, a nominated member of staff to attend the AGM as shareholder representative of Tauranga City Council or appoint Chair of Local Government Funding Agency to vote on behalf of Tauranga City Council.
-

EXECUTIVE SUMMARY

- 2) The Local Government Funding Agency (LGFA) Annual General Meeting provides Council the opportunity to vote on management issues arising.
- 3) The report seeks approval for the LGFA Annual General Meeting (AGM) matters and approval to attend the meeting on 23 November 2021.
- 4) Council's shareholding in the LGFA is 7.46% (paid up capital).

BACKGROUND

Election of Directors

- 5) The Shareholders' Agreement (SHA) provides that each year, two Directors comprising one independent and one Non-independent Director shall retire. A retiring Director is eligible for re-election.
- 6) As per the SHA, both Craig Stobo (Independent) and Michael Timmer (Non-Independent) shall retire. Craig Stobo has offered himself for re-election. Michael Timmer the sole non-independent Director, has retired from his role at Greater Wellington Regional Council and also retiring from LGFA Board and not offered himself for re-election.
- 7) Alan Adcock has been nominated by Whangarei District Council to the position of Non-independent director being made available by Michael Timmer's retirement.

Nominating Local Authorities

- 8) The Shareholders' Council is represented by nine local authorities and the Crown to monitor performance of LGFA and make recommendations to shareholders on matters that require decisions.
- 9) As per the SHA, the shareholders shall ensure that two Nominating Local Authorities retire on a rotation basis at the AGM each year.
- 10) Both Christchurch City Council and Whangarei District Council retire by rotation. Christchurch City Council have offered themselves for re-election. Whangarei District Council did not offer themselves for re-election as Alan Adcock is seeking election as a non-independent director to the LGFA Board.
- 11) The only nomination received (apart from Christchurch City Council) has been from New Plymouth District Council.

Foundation Policies

- 12) Foundation Policies are set out in the SHA and amendments are required to be approved by Ordinary Resolution.
- 13) An independent review of the Treasury Policy and Foundation Policies was undertaken by Deloitte in mid-2021. The recommendations from the Deloitte Review concluded that:
 - Refine the Foundation Policy to focus on the controls relating to lending to Councils and Council Controlled Organisations including financial covenant compliance and
 - All other controls should be consolidated into the Treasury Policy.
- 14) The Treasury Policy has been re-written to ensure it is fit for purpose and aligned to good practice and approved by the Board subject to shareholders approving the changes to the Foundation Policies.
- 15) The Shareholders' Council were consulted on the review of the policies and are comfortable with the process undertaken, the decisions made to amend the policies and the final form of those changes.
- 16) The amendments to the Foundation Policies (copy attached) are supported by the Shareholders' Council.

Shareholders' AgreementDirector Appointment Process

- 17) Following a Board Review, the Shareholders' Council requested that the Board size be increased by one to seven and minimum number of independent directors be set at five. The rationale being to facilitate better Board succession planning and rotation of directors as well as workload expected from the proposed Three Waters Reform Programme.
- 18) An amendment to the SHA (copy attached) is required to set the number of Independent Directors to five (rather than a majority).
- 19) The current director rotation system requires the longest standing Independent and Non-Independent Directors to retire annually and this basis is not considered best practice. Accordingly, it is proposed to appoint directors on a three-year term.
- 20) Both the increasing in the number of directors and the three-year term appointments are expected facilitate better succession planning, director rotation and annual appointment process.

Director Remuneration

- 21) The Shareholders' Council engaged Board Dynamics to undertake a LGFA director remuneration review and the previous review was undertaken in 2019.
- 22) Board Dynamics recommended the following annual fees be set effective 1 July 2021:

a) Independent Chair	\$108,000
b) Director with Audit and Risk Chair role	\$67,000
c) Director	\$60,000
d) Director with Audit and Risk Committee membership	\$63,000

These proposed fee increases are 5.9% from 2019.

Board Dynamics report is attached.

STRATEGIC / STATUTORY CONTEXT

- 23) Council's involvement in the LGFA allows access to long-term funding and lower debt servicing costs.
- 24) The LGFA supports the local authority sector and adds depth to the New Zealand' debt capital markets.

OPTIONS ANALYSISOption 1: Approve Resolutions

- 25) Amendments to SHA and the Foundation Policies provides operational flexibility and better alignment between the Board and shareholders responsibilities. These amendments are supported by the Shareholders' Council.
- 26) Letter attached from David Bryant, member of the Shareholders' Council outlining recommendations for Council's decision making for AGM matters.

Option 2: Do Not Approve Resolutions

- 27) Council may decide not to approve amendments to SHA and Foundation Policies recommended in the report. This is not a recommended option as it restricts the LGFA Board's risk management framework.

SIGNIFICANCE

- 28) Matters in this report are not significant in terms of Council's Significance and Engagement Policy. The LGFA AGM is open to the public to attend.

ATTACHMENTS

1. **Attachment A - LGFA AGM Agenda 23 November 2021 - A12987180** [↓](#)
2. **Attachment B - Proxy Form - LGFA AGM 23 November 2021 - A12987184** [↓](#)
3. **Attachment I - Notice of LGFA AGM November 2021 - A12987662** [↓](#)
4. **Attachment C - LGFA Directors' Fees Review Aug 2021 - A12987185** [↓](#)
5. **Attachment D - LGFA SC Recommendations - 23 November 2021 AGM - A12987186** [↓](#)
6. **Attachment E - LGFA Foundation Policies - Proposed Changes- Mark Up - A12987187**
[↓](#)
7. **Attachment F - LGFA Foundation Policies - Amended - A12987188** [↓](#)
8. **Attachment G - Shareholders' Agreement Proposed Changes - Mark Up - A12987189** [↓](#)
9. **Attachment H - Shareholders' Agreement (2021 Amendment and Restatement) - A12987190** [↓](#)



<h2 style="text-align: center;">Agenda</h2> <h3 style="text-align: center;">Annual General Meeting</h3> <p style="text-align: center;">23 November 2021 The Bolton Hotel, Wellington 2:00pm – 3:30pm</p>		
	Agenda Item	Leading Discussion
	Afternoon Tea on arrival	All
	Introduction from Chairman	Craig Stobo
	Quorum	Craig Stobo
1	Financial Statements and Reports	Mark Butcher
2	Election of Company Directors	Craig Stobo
3	Election of Nominating Local Authorities to Shareholders' Council	Craig Stobo
4	Changes to Foundation Policies	Mark Butcher
5	Changes to Shareholders Agreement	Mark Butcher
6	Director Remuneration	Alan Adcock
7	Questions and Comments from Shareholders	Alan Adcock
8	General Business	Craig Stobo

NEW ZEALAND LOCAL GOVERNMENT FUNDING AGENCY LIMITED
 AUCKLAND Level 5, Walker Wayland Centre, 53 Fort Street
 WELLINGTON Level 8, City Chambers, 142 Featherston Street
 PO Box 5704, Lambton Quay, Wellington 6145 | PH +64 4 974 6530 | www.lgfa.co.nz

NEW ZEALAND LOCAL GOVERNMENT FUNDING AGENCY LIMITED

PROXY FORM



I/We _____

of _____

being a shareholder of New Zealand Local Government Funding Agency Limited ("**Company**") appoint _____

of _____ or failing him/her _____

of _____ as my/our proxy to vote for me/us at the annual meeting of the Company to be held on 23 November 2021 and at any adjournment thereof.

If you wish to direct the proxy how to vote, please indicate with a in the appropriate box below. Unless otherwise instructed, the proxy will vote as he or she thinks.

1 (a)	To re-elect Craig Stobo as an Independent Director of the Company	For <input type="checkbox"/>	Against <input type="checkbox"/>
1 (b)	To elect Alan Adcock as a non-Independent Director of the Company	For <input type="checkbox"/>	Against <input type="checkbox"/>
2 (a)	To re-elect Christchurch City Council as a Nominating Local Authority	For <input type="checkbox"/>	Against <input type="checkbox"/>
2 (b)	To elect New Plymouth District Council as a Nominating Local Authority	For <input type="checkbox"/>	Against <input type="checkbox"/>
3.	To approve the changes to the Foundation Policies of the Company	For <input type="checkbox"/>	Against <input type="checkbox"/>
4.	To approve the changes to the Shareholders Agreement	For <input type="checkbox"/>	Against <input type="checkbox"/>

5. To approve the following increases in director fees payable

	For	Against
(a) With effect from 1 July 2021 the director acting as chair of the board of directors of \$6,000 per annum, from \$102,000 per annum to \$108,000 per annum	<input type="checkbox"/>	<input type="checkbox"/>
(b) With effect from 1 July 2021, each of the other directors acting as members of the audit and risk committee, an increase of \$4,000 per annum, from \$59,000 per annum to \$63,000 per annum	<input type="checkbox"/>	<input type="checkbox"/>
(c) With effect from 1 July 2021, the director acting as chair of the audit and risk committee of \$4,000 per annum, from \$63,000 per annum to \$67,000 per annum	<input type="checkbox"/>	<input type="checkbox"/>
(d) With effect from 1 July 2021, each of the other directors an increase of \$3,000 per annum, from \$57,000 per annum to \$60,000 per annum	<input type="checkbox"/>	<input type="checkbox"/>

(Please refer to the notice of meeting for details of the resolutions)

Signature of Shareholder

Dated: 2021

Notes:

1. If you wish you may appoint as your proxy the chairperson of the meeting.
2. If you are a body corporate, this proxy form must be signed on behalf of the body corporate by a person acting under the body corporate's express or implied authority.
3. For this proxy form to be valid, you must complete it and produce it to the Company at least 48 hours before the time for holding the meeting. You can produce it to the Company by delivering it to **Level 8, City Chambers, 142 Featherston Street, Wellington 6145** or via email to jane.phelan@gfa.co.nz. **It must be received at least 48 hours before the time for holding the meeting.**
4. If this proxy form has been signed under a power of attorney, a copy of the power of attorney (unless already deposited with the Company) and a signed certificate of non-revocation of the power of attorney must be produced to the Company with this proxy form.
5. If you return this form without directing the proxy how to vote on any particular resolution, the proxy can vote how he or she thinks fit if authorised by you in this proxy form by ticking the appropriate box. Otherwise, the proxy will be deemed to have abstained from voting on that matter.
6. Capitalised terms in this proxy form have the meanings given to them in the shareholders' agreement dated 7 December 2011 (as amended and restated on 6 July 2020) between the Company and its shareholders.



NEW ZEALAND LOCAL GOVERNMENT FUNDING AGENCY LIMITED NOTICE OF ANNUAL MEETING

Notice is given that the 2021 annual meeting of shareholders of New Zealand Local Government Funding Agency Limited ("**Company**" or "**LGFA**") will be held at the **Bolton Hotel, 12 Bolton Street, Wellington** on **23 November 2021** commencing at **2:00pm**. If measures remain in place to restrict the spread of COVID-19 that results in some shareholders being unable to attend in person, the Board reserves the right to hold the meeting as a virtual meeting and will provide participation details in advance.

BUSINESS

1. **FINANCIAL STATEMENTS AND REPORTS:** To receive and consider the financial statements of the Company for the year ended 30 June 2021 together with the directors' and auditor's reports to shareholders.

2. **ELECTION OF COMPANY DIRECTORS**

In accordance with clause 3.3 of the Shareholders Agreement ("**SHA**"), **Craig Stobo** retires by rotation and being eligible, offers himself for re-election as an Independent Director.

In accordance with clause 3.5 of the SHA, **Alan Adcock** has been nominated by **Whangarei District Council** to the non-Independent director position made available by the retirement of Mike Timmer.

Accordingly, to:

- (a) Re-elect Craig Stobo as an Independent Director of the Company, by way of Ordinary Resolution;
- (b) Elect Alan Adcock as a non-Independent Director of the Company, by the way of Ordinary Resolution.

(See Explanatory Note 2)

3. **ELECTION OF NOMINATING LOCAL AUTHORITIES**

In accordance with clause 4.6 of the SHA, **Christchurch City Council** and **Whangarei District Council** retire by rotation. **Christchurch City Council** being eligible, offer themselves for re-election.

In accordance with clause 4.8 of the SHA, **New Plymouth District Council** has notified LGFA that it wishes to seek election as a Nominating Local Authority to the Shareholders' Council.

Accordingly, to re-elect or elect (as appropriate) as a Nominating Local Authority, by way of Ordinary Resolution:

- (a) **Christchurch City Council** as a Nominating Local Authority;
- (b) **New Plymouth District Council** as a Nominating Local Authority.

(See Explanatory Note 3)

4. **CHANGES TO FOUNDATION POLICIES**

In accordance with clause 5.1(c) of the SHA, to approve, by way of Ordinary Resolution, the amendments to the foundation policies of the Company ("**Foundation Policies**") as explained in Explanatory Note 4.

2

5. CHANGES TO SHAREHOLDERS AGREEMENT

In accordance with clause 5.1(b) of the SHA, to approve, by way of Ordinary Resolution, the amendments to clauses 3.1, 3.3 and 3.4 of the SHA of the Company as explained in Explanatory Note 5.

6. DIRECTOR REMUNERATION

In accordance with clause 3.6 of the SHA, to approve, by way of Ordinary Resolution, an increase in the Directors' fees payable to:

- (a) With effect from 1 July 2021, the Director acting as chair of the Board, an increase of \$6,000 per annum, from \$102,000 per annum to \$108,000 per annum.
- (b) With effect from 1 July 2021, each of the other Directors acting as members of the audit and risk committee, an increase of \$4,000 per annum, from \$59,000 per annum to \$63,000 per annum.
- (c) With effect from 1 July 2021, the Director acting as chair of the audit and risk committee, an increase of \$4,000 per annum, from \$63,000 per annum to \$67,000 per annum.
- (d) With effect from 1 July 2021, each of the other Directors, an increase of \$3,000 per annum, from \$57,000 per annum to \$60,000 per annum.

(See Explanatory Note 6)

7. QUESTIONS AND COMMENTS FROM SHAREHOLDERS

Opportunity for shareholders to comment or question directors, Shareholder Council or management.

8. GENERAL BUSINESS

To consider such other business as may properly be raised at the meeting.

Please refer to the explanatory notes that accompany this notice of meeting.

By order of the board:



Craig Stobo, LGFA Board Chair

30 September 2021

ORDINARY RESOLUTIONS: *Ordinary resolutions are resolutions approved by a simple majority of more than 50% of the votes of the shareholders entitled to vote and voting at the annual meeting.*

SHAREHOLDERS ENTITLED TO ATTEND AND VOTE: *Pursuant to section 125 of the Companies Act 1993, for the purposes of voting at the annual meeting, those registered shareholders of the Company as at 9.00am on Tuesday 23 November 2021 shall be entitled to exercise the right to vote at the meeting.*

CAPITALISED TERMS: *Unless otherwise defined in this notice, capitalised terms have the meanings given to them in the Shareholders' Agreement dated 7 December 2011 (as amended and restated on 6 July 2020) ("SHA").*

EXPLANATORY NOTES**EXPLANATORY NOTE 1 - PROXY VOTE**

A shareholder entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of the shareholder. The proxy need not be a shareholder. To be effective, a copy of the proxy form must be received by the Company at **Level 8, City Chambers, 142 Featherston Street, Wellington 6145** or **via email to jane.phelan@lgfa.co.nz**, not later than 48 hours before the start of the meeting.

A corporation may appoint a person to attend the meeting as its representative in the same manner as that in which it could appoint a proxy.

EXPLANATORY NOTE 2 - ELECTION OF DIRECTORS

Clause 3.3 of the SHA provides that, beginning at, and including, the annual meeting for 2013, two Directors comprising one Director who is an Independent Director and one Director who is not an Independent Director shall retire from office at the annual meeting of the Company in each year. The Directors to retire shall be that Independent Director, and that Director who is not an Independent Director, who have been longest in office since their last election. If two or more relevant Directors were last elected on the same day, the Directors to retire shall (unless they otherwise agree among themselves) be determined by lot. A retiring Director is eligible for re-election.

In this case, **Craig Stobo** (being an Independent Director) who has been longest Independent Director in office since being elected on 21 November 2017 (Craig Stobo having been re-elected on 21 November 2017, Anthony Quirk having been elected on 21 November 2017, John Avery having been re-elected on 21 November 2018, Linda Robertson having been re-elected on 21 November 2019 and Philip Cory-Wright having been re-elected on 19 November 2020) shall retire by rotation at this annual meeting. **Craig Stobo**, being eligible, offers himself for re-election.

Michael Timmer, being the only non-Independent Director, retires by rotation at this annual meeting and does not seek re-election.

Alan Adcock the current General Manager Corporate Services of Whangarei District Council has been nominated by Whangarei District Council for the vacant non-Independent Director position.

In accordance with the Ordinary Resolution passed by shareholders at the annual meeting for 2017, the size of the Board is set at six Directors, comprising five Independent Directors and one non-Independent Director.

The following biographies have been provided by the candidates:

Craig Stobo Biography

Craig's biography is attached at Appendix One to this Notice of Meeting.

Alan Adcock Biography

The letter of nomination from Whangarei District Council and Alan's biography are attached at Appendix One to this Notice of Meeting.

EXPLANATORY NOTE 3 - ELECTION OF NOMINATING LOCAL AUTHORITIES

Clause 4.3 of the SHA provides that a Principal Shareholder may be appointed or removed as a nominator to the Shareholders' Council ("**Nominating Local Authority**") at any time by an Ordinary Resolution, provided that no more than nine Nominating Local Authorities may be so appointed. Each Nominating Local Authority, and the New Zealand Government (for so long as it is a shareholder), may appoint one member of the Shareholders' Council, and remove and replace any member so appointed, in accordance with clause 4.4 of the SHA.

4

Clause 4.6 of the SHA provides that, beginning at, and including, the annual meeting for 2013, the shareholders shall ensure that two Nominating Local Authorities retire from office at the annual meeting of the Company in each year. The Nominating Local Authorities to retire shall be those who have been longest in office since their last election, and if two or more of those Nominating Local Authorities were last elected on the same day, the Nominating Local Authority to retire shall (unless they otherwise agree among themselves) be determined by lot. A retiring Nominating Local Authority is eligible for re-election.

In this case, Christchurch City Council having been elected as a Nominating Local Authority on 24 November 2016 and Whangarei District Council having been re-elected as a Nominating Local Authority on 21 November 2017, are the Nominating Local Authorities who have been longest in office since their last election (Bay of Plenty Regional Council having been re-elected as a Nominating Local Authority on 21 November 2017, Hamilton City Council having been re-elected as a Nominating Local Authority on 21 November 2018, Tauranga City Council having been re-elected as a Nominating Local Authority on 21 November 2018, Western Bay of Plenty District Council having been re-elected on 21 November 2019, Auckland Council having been re-elected on 21 November 2019, Tasman District Council having been re-elected on 19 November 2020 and Wellington City Council having been re-elected on 19 November 2020). Accordingly, being the longest in office since their last election, **Christchurch City Council** and **Whangarei District Council** shall retire by rotation at this annual meeting.

The Shareholders' Council is comprised of between five and ten members. The New Zealand Government can appoint a member and the remaining members are nominated by up to nine Nominating Local Authorities. Following the retirement of **Christchurch City Council** and **Whangarei District Council** there are currently two positions available.

Christchurch City Council offer themselves for re-election as a Nominating Local Authority. A letter supporting the nomination is attached at Appendix Two to this Notice of Meeting.

New Plymouth District Council offer themselves for election as a Nominating Local Authority. A letter supporting the nomination is attached at Appendix Two to this Notice of Meeting.

EXPLANATORY NOTE 4 – CHANGES TO FOUNDATION POLICIES

This resolution seeks shareholders' approval for amendments to the foundation policies of the Company ("**Foundation Policies**").

The Foundation Policies of the Company are set out in Schedule 1 to the SHA. Clause 5.1(c) of the SHA provides that neither the Board nor any shareholder shall take or permit any action to cause any alteration to any of the Foundation Policies unless it is approved by Ordinary Resolution of the Company's shareholders (or, if required by law, a Special Resolution). The Company has confirmed that none of the changes to the Foundation Policies are required to be approved by Special Resolution.

The Foundation Policies were created when the company was established in 2011 and have been subsequently revised at various meetings of shareholders. The Foundation Policies form part (but not all) of the LGFA Treasury Policy that is the responsibility of the Board. The Treasury Policy is reviewed annually and there have been several revisions made to reflect the changing nature of the business.

Given that in recent years, shareholders were being asked to approve changes to the Foundation Policies each year, the Shareholder Council requested the company review the Foundation Policies and their interaction with the Treasury Policy. The Board had also wanted to undertake an external independent review of the Treasury Policy to ensure best practice was still being followed since the Treasury Policy was first created in 2011.

An independent review of the Treasury Policy and Foundation Policies was undertaken by Deloitte in mid-2021.

The Deloitte Review noted that there were seventy-six controls in the Foundation Policies and one hundred controls in the Treasury Policy regarding treasury risks. There was a need to avoid duplication and to ensure better alignment of controls with reporting and oversight. Controls needed to be in the right areas where they are best monitored and reported on.

5

The duplication across the two policies was highlighted with seventy-three controls and limits common to both Foundation Policies and the Treasury Policy.

The recommendations from the Deloitte Review were to:

1. Refine the Foundation Policy to focus on the controls relating to lending to councils and CCOs including financial covenant compliance. All other controls should be consolidated into the Treasury Policy.
2. Rewrite the Treasury Policy to ensure it is fit for purpose and aligned to contemporary good practice.

The Treasury Policy has been rewritten and approved by the Board subject to shareholders approving the changes to the Foundation Policies.

A tracked change and clean versions of the proposed amendments to the Foundation Policies is attached at Appendix Three to this Notice of Meeting.

EXPLANATORY NOTE 5 – CHANGES TO SHAREHOLDERS AGREEMENT

This resolution seeks shareholders' approval for changes to the SHA to have the minimum number of Independent Directors set at five (and consequently, to increase the minimum number of directors to five) and to amend the term of appointment for directors.

Clause 5.1(b) of the SHA provides that neither the Board nor any shareholder shall take or permit any action to cause any alteration or amendment to the SHA, unless it is approved by an Ordinary Resolution of the Company's shareholders.

Currently, under clause 3.1 of the SHA, the number of Independent Directors cannot be less than a majority of the total number of Directors and the total number of Directors must be between four and seven.

At the annual meeting held on 21 November 2017, shareholders approved a resolution to set the Board composition as five Independent Directors and one non-Independent Director.

There are currently five Independent Directors and one non-Independent Director on the Board. Mike Timmer, the non-Independent Director, has announced his retirement and three out of the current five Independent Directors have been on the Board since the Company's establishment in 2011.

Setting the number of Independent Directors at five:

Following a Board review, the Shareholders' Council has requested the Board size be increased by one to seven and that the minimum number of Independent Directors be set at five. This will facilitate better Board succession planning and rotation of directors as well as reflecting the expected additional workload to be faced by the Company in responding to the likely impact from the proposed Three Waters Reform Programme.

An amendment to the SHA is required to set the number of Independent Directors to five (rather than a majority). This requires also amending the SHA such that the minimum number of all Directors will be five.

Fixed Term of Appointment

There is no fixed term of appointment for directors in the SHA. Instead, clause 3.3 of the SHA provides that at each annual meeting, the longest serving Independent Director, and the longest serving non-Independent Director (based on the time since their last election date) must retire.

The current approach to director rotation is:

1. Not best practice from a governance process perspective, as fixed terms for directors are preferred to provide certainty to the Company, its shareholders and the Board. This also provides for better succession planning and rotation e.g. currently, Directors do not know when they are due to retire

6

and possibly seek re-election. The term of an existing director will vary and depend upon when new Directors have been appointed and when other Directors have retired since that existing Director's last election date.

2. Problematic if there is only one non-Independent Director, as they are then required to retire and stand for re-election each year. This is both disrupting to the Company but can also lead to the non-Independent Director(s) being treated differently than the Independent Directors on the Board.

Having a three-year fixed term of appointment that applies to any new Director election (or existing Director re-election) provides greater certainty and continuity for the Company.

There is not intended to be a prescribed number of terms that a Director can serve as that is a decision for shareholders on a case-by-case basis.

It is proposed that the existing clauses 3.1, 3.3 and 3.4 in the SHA are changed to:

- 3.1 **Number of Directors:** The Principal Shareholders shall ensure that:
 - (a) the number of Directors shall not at any time be more than seven nor less than five; and
 - (b) no less than five Directors shall be Independent Directors.

- 3.3 **Rotation of Directors:** A Director must not hold office (without re-election) past the third annual meeting of the Company following the Director's appointment or three years, whichever is longer. A retiring Director shall be eligible for re-election.

- 3.4 **Re-election of retiring Director:** A Director retiring by rotation in accordance with clause 3.3 at a meeting shall, if standing for re-election, be deemed to have been re-elected unless:
 - (a) some other person is elected to fill the vacated office; or
 - (b) it is resolved not to fill the vacated office; or
 - (c) a resolution for the re-election of that Director is put to the meeting and lost.

A tracked change version of the proposed amendments to the SHA is attached at Appendix Four to this Notice of Meeting.

EXPLANATORY NOTE 6 – DIRECTOR REMUNERATION

This resolution seeks shareholders' approval for an increase in Directors' remuneration with effect from 1 July 2021. The proposed fee increases for Directors (as set out in the notice of meeting) have been calculated based on a 6.8% increase for Directors who are on the risk and audit committee, a 5.9% increase for the Chair of the Board, a 6.3% increase for the Chair of the Audit and Risk Committee and a 5.3% increase for other Directors for the 2021-2022 year.

The fee increases have been set following an independent external review in August 2021 and director fees were last reviewed and adjusted in 2019.

The Shareholders' Council will provide to shareholders a background document outlining the proposed fee increases.

If this resolution passes, the first payment of Director remuneration following the annual meeting will reflect this increased remuneration rate. Each Director shall receive back pay equal to the difference between their current remuneration rate and their increased rate, for any amounts which were paid to that Director at their current remuneration rate, between 1 July 2021 and the date of the annual meeting.

APPENDIX ONE: CRAIG STOBO AND ALAN ADCOCK BIOGRAPHIES**CRAIG STOBO - BIOGRAPHY**Education

Craig Stobo was educated in New Zealand at Waitaki Boys High School (Milner Prize); Otago University (BA Hons First Class in Economics); and at Wharton Business School, University of Pennsylvania (Advanced Management Programme).

Corporate Career

He has worked as a diplomat for the NZ and Australian Governments; as an economist for DFC/Zealcorp; as economist and an interest rates products manager for Bankers Trust NZ; and also as CEO and Executive Vice President for BT Funds Management NZ Ltd until 2004 after leading its establishment in 1992.

Public Company Independent Directorships

These currently include chairing the NZX-listed company Precinct Properties New Zealand Ltd (including its corporatisation in 2010 and management internalisation in 2021) the Local Government Funding Agency since its inception in 2011; and AIG Insurance New Zealand Ltd since its licensing in 2012. He has also chaired transport and logistics company Fliway Group Ltd leading up to and during its IPO on the NZX and until its delisting in January 2018.

Private Company Equity Interests and Directorships

These currently include global equity investor Elevation Capital Management; national investment advisory firm Saturn Portfolio Management; fund administrator Appello Services Ltd; oyster farmer and exporter Biomarine Ltd; and specialist Bannockburn grape grower Legend Terrace.

Pro Bono Work

He is an Otago University Business School Taumata, leading the inception of its inaugural Tourism Policy School annual conference in Queenstown in March 2019. and its inaugural Assembly of Investment Chairs in Auckland in November 2019; chairs the Waitaki Boys High School Foundation which manages an endowment fund for the school; and is a committee member of the St Marys Bay Association.

Current Memberships

He is an Associate Member of CFA Society New Zealand; is an active member of the NZ Initiative; and is a Chartered Fellow of the NZ Institute of Directors.

ALAN ADCOCK - BIOGRAPHY

My working career has revolved around four broad areas (accounting, financial services, IT and local government) in both private and public sectors.

After a post-graduate spell in a Big 5 accounting firm, I joined the fledgling IT sector as personal computers gained a footing in the market. Following this I moved to National Mutual, with my last role being Chief Manager Auckland before their merger with AXA. At this point I moved to the UK, with most of my time there spent with Credit Suisse First Boston providing accounting advice to their global IT divisions.

Returning to NZ in 2000, I joined BNZ, with my last role there heading the Corporate Management function, where my primary responsibilities were liaison with the BNZ Board, management of the MD's office and corporate affairs.

My last move was back to my hometown in 2006, when I joined Whangarei District Council. Virtually all of my time there has seen me leading the corporate functions; with core responsibilities including the roles of CFO and CIO.

My tertiary education provided a solid base for my career; with my first degree, a BCom from Auckland University having an emphasis on accounting, management studies and commercial law. While in the UK I completed an MBA (with Distinction) from the City University of London Business School.

8

I offer a broad range of skills and experience that are relevant to a governance role with LGFA:

- My involvement with LGFA began in its initial planning stage, as a representative of the 'tight nine' councils that worked together to turn the concept into reality.
- I was an inaugural member of the Shareholders' Council.
- In 2014 I was elected to the Chair's role; being re-elected unopposed each year.
- Specific governance experience including:
 - Board liaison at BNZ
 - Trustee for two Northland Cricket Trusts – Facilities and Player Development
 - Director of Northland Waste – a profitable Public/Private partnership operating the largest landfill in Northland and a major transfer station/recycling facility
 - Seven years working closely with the LGFA Board in my current role
- Recognised expertise in managing complex IT issues, being ranked #30 in the NZ CIO Awards in 2018 for my work leading the first NZ local government transition to a full cloud environment in 2017. Managing IT risks, particularly cyber-security, is an important part of my role.
- Implementing a financial strategy that has seen WDC move from an initial AA- credit rating to AA+ over 3 LTP cycles.
- Strong networks across the local government sector.
- Executive roles in large financial institutions, including membership of committees managing risk, credit and pricing.

Most importantly, I have demonstrated strong support for LGFA since its inception. I have attended every meeting of the Shareholders' Council since LGFA was formed in 2011 and have taken a proactive role to ensure it has met its primary objective to provide cost effective long term financing for all councils without compromising the interests of its guarantors and shareholders.

I would welcome your support to continue to serve our Shareholders through a role on the Board.

APPENDIX TWO: CHRISTCHURCH CITY COUNCIL AND NEW PLYMOUTH DISTRICT COUNCIL SUPPORTING DOCUMENTS**Statement from Christchurch City Council supporting its re-election**

The CCC's re-election request is supported by the following:

Christchurch City Council recognises the importance of representation on the LGFA Shareholders' Council, and takes a proactive approach to its responsibilities on behalf of all local authority shareholders. Christchurch City Council is seeking re-election to the Council and requests the support from other shareholders. Christchurch City Council is one of 11 city councils in New Zealand, and has an estimated population of 394,700 (2018 Census). It is one of two member councils from the South Island.

Along with eight other local authorities, the Christchurch City Council has an 8.3% ownership stake in LGFA and is a guarantor of local authority debt in the event of default. The Christchurch City Council is the second largest local authority borrower from the LGFA, holding debt of around \$1.97 billion (16% of total LGFA lending) acquired initially following the Canterbury earthquakes of 2010/11.

If the Christchurch City Council is successful in its request for re-election to the Shareholders' Council, it would be represented by Chief Financial Officer, Leah Scales. Leah commenced with the Christchurch City Council in May 2021 after 5 years as CFO at Christchurch City Holdings Ltd. Whilst in her previous role she gained significant experience in the debt capital markets as an issuer with two bonds listed on the NZX. In addition she has governance experience in a number of sectors, and currently is a director on the Institute of Finance Professionals NZ Inc (INFINZ) Board. With a specific interest in climate change initiatives and sustainable finance the Christchurch City Council believes Leah will be a positive and effective addition to the Shareholders' Council.



Te Kaunihera-ā-Rohe o Ngāmotu

**New Plymouth
District Council**

27 September 2021

NOMINATION OF LOCAL AUTHORITIES TO THE LGFA SHAREHOLDERS' COUNCIL

New Plymouth District Council (NPDC) is putting itself forward for nomination to the Local Government Funding Agency (LGFA) Shareholders' Council at the Annual General Meeting on 23 November 2021. NPDC has been an active supporter of the LGFA since inception and was one of the original 18 Council shareholders and guarantors. The Council first borrowed in August 2012 and now has 86 per cent of our borrowing is through LGFA. At 30 June LGFA debt was \$175 million.

What NPDC brings to the Shareholder Council is a good understanding of how the LGFA works and strong collaborative working relationships with other local authorities. NPDC provides a diverse range of functions recognising both city and provincial lifestyle needs. We are a moderate-sized provincial council with a growing community, currently at around 86,000 people. The community is diverse, with a city, a mix of large and small towns, and a sizeable rural population. NPDC is the largest territorial authority in the Taranaki region, both by population and by financial size and has approximately 700 staff. NPDC's Long-Term Plan 2021-2031 is investing in a wide range of initiatives to continue to improve community well-being, including beginning its Climate Action Framework to mitigate and adapt to climate change.

NPDC also manages a large investment fund of \$346 million as of 30 June 2021, and has strong financial governance systems to ensure this fund is soundly invested. This investment fund provides strength to the balance sheet enabling the Council to hold an AA+ long-term rating from S&P Global.

Officers who would represent NPDC on the Shareholder Council are Joy Buckingham, Group Manager Corporate Services and Helen Barnes, Financial Services Manager.

Joy has been in Local Government for 13 years in senior leadership roles. Following the Auckland Council amalgamation she was the Treasury Reporting Manager, then the Chief Financial Officer at Auckland Tourism Events and Economic Development prior to joining NPDC in 2019. She has held a number of governance and committee roles and is comfortable adding value to policies, procedures and working with rating agencies. Joy has been a Certified Treasury Professional with Institute of Finance Professionals New Zealand Incorporated since 2010, a qualified Chartered Accountant for 24 years and has a Certificate in Company Direction by the Institute of Directors.

Helen has been a qualified Chartered Accountant for 25 years with 24 years' experience in the Local Government Sector working for both territorial and regional Councils. Her current role is Financial Services Manager at NPDC. Prior to this she was the General Manager Finance and Corporate Services at Whakatane District Council and Financial Accountant/Accounting Manager at the Bay of Plenty Regional Council. Helen has a broad range of expertise in Local Government Funding and Financing which complement the strong treasury skills that Joy is able to bring to the table.

Liardet Street, Private Bag 2025, New Plymouth 4340, New Zealand
P 06-759 6060 | F 06-759 6072 | E enquiries@npdc.govt.nz

11

APPENDIX THREE: FORM OF AMENDED FOUNDATION POLICIES

12

APPENDIX FOUR: FORM OF AMENDED SHAREHOLDERS AGREEMENT



LGFA CHAIR AND DIRECTOR FEE REPORT (AUGUST 2021)

confidential

BOARD DYNAMICS LIMITED 55 Shortland Street Level 9 Auckland



Introduction

Board Dynamics has been engaged by the Shareholder Council to provide a report on the current director remuneration at Local Government Funding Agency (LGFA) and make recommended changes (if any) in the current fees based on current market data since our last review in August 2019.

In benchmarking the LGFA board remuneration we have used the financial services industry as the sector of reference (excluded State-Owned Enterprises (SOEs), the largest trading banks in NZ and overseas banks involved in unrelated activities). This is because LGFA is operating in a specialised technical financial services space aligned with the practices and disciplines of the financial services industry, despite operating as an agency for Local Government funding.

LGFA board remuneration has been benchmarked against similar sized organisations in New Zealand, based on Assets under issue and shareholder funds. We have referenced the current remuneration of Chairs and Directors on boards of organisations ranging from a small bank, private equity firm and asset management firms.

Market Overview

There is a strong correlation between company size and directors' fees. The larger the company, the larger the director fees. There is also a significant premium for non-executive director (NED) fees within listed companies when compared to fees within unlisted companies or Council Controlled Organisation/Crown Entity of comparable size.

Overall, policy positioning of directors' fees appears to be relatively conservative. Sixty percent (60%) position fees at the median of the market and only 12% use the 75th percentile as their position of comparison.

Benchmarking fees against a specific industry or peer group was the most common comparator approach (48%), followed by comparison to the general private sector (20%).

As of 30 June 2021, the average board remuneration in the financial services industry in New Zealand for a **Chair is (range) \$100,000-\$177,000** and for a **Director is (range) \$60,000-\$93,822**. The range depends on breakdown – assets, revenue or industry. Average Fee increases were 7.9% across all industries surveyed (previous year, a 2.9% average increase). The average fee increase for the financial services industry was 2.1%.

The current LGFA board comprises of 1 Independent Chair, 1 Director and 4 Independent Directors. The current remuneration fees per annum are set as follows:

Board Role	Current Remuneration
Independent Chair	\$102K
Director with Audit and Risk Chair role	\$63K
Director with Audit and Risk	\$59K
Director	\$57K



3

We have taken into consideration the complexity of the industry, size of portfolio and technical skills required of each director or Chair. **Note: we have excluded director fees of the largest trading banks in New Zealand to prevent skewing the results.**



Recommendations

Our recommendation is based on several factors including the Financial Industry, Assets under Management and Shareholder Funds of the market data referenced in this report for both Chair and Director fees.

LGFA is an organisation where the board operates in an industry most like Financial Services, with \$14.165 Billion on issue (as of end July 2021). This is a sizeable increase since our last REM review 2 years ago.

LGFA has a market share of 79% of total council borrowings for the rolling twelve-month period to June 2019.

To summarise, relevant Chair and Director fee reference data is highlighted in the tables:

1. Average relevant Chair Fees and Workload 2021

	Annual Average Fee	Annual Average Hours
Industry – Financial Services	\$100,000*	284
Assets Under Issue >1000M	\$177,797	271
Shareholder Funds 50M-100M	\$110,000*	293
AVERAGE	\$129,266	283 Hrs = 24 Hrs per Month

*Upper Quartile value used as representative in the case of LGFA

2. Average relevant Director Fees and Workload 2021

	Annual Average Fee	Annual Average Hours
Industry – Financial Services	\$77,750*	177
Assets Under Issue >1000M	\$93,822	178
Shareholder Funds 50M-100M	\$60,000*	191
AVERAGE	\$86,731	182 Hrs = 15 Hrs per Month

*Upper Quartile value used as representative in the case of LGFA



Recommended LGFA Chair and Director Fee Increase:

Accordingly, we suggest the current Chair and Director fees at LGFA are at industry average if we understand the workload to be in the range suggested of 24 hours per month for the Chair and 15 hours per month for a Director.

The current pool of future directors as part of succession planning is limited in New Zealand with the level of experience required as a LGFA director. The greater risk that directors take in a regulated environment also has an impact on market rates for the financial services industry.

We would initially recommend the following small fee increases:

- Annual Director fees at LGFA be increased from the current of \$57,000 - \$63,000 into a range **between \$60,000 and \$70,000**.
- Annual Chair fees at LGFA be increased from the current \$102,000 into a range between **\$105,000 and \$110,000**.

These fee increases are the represented average fee increases for Industry, Assets Under Management and Shareholder Funds.

This small fee increase recognises the increasing financial services sector knowledge requirements for an LGFA director role, and the workload expectations on directors. In addition, the size of the organisation in respect to market share of 78% and the increased risks to manage as a result. Greater workload and increased demand of directors' time and knowledge/experience.

Board Role	Current Remuneration	Recommended Remuneration	Corresponding Workload
Independent Chair	\$102K	\$108K	24 hrs per month
Director with Audit and Risk Chair role	\$63K	\$67K	17 hrs per month
Director with Audit & Risk committee membership only (not Chair)	\$59K	\$63K	16.5 hrs per month
Director	\$57K	\$60K	15 hrs per month



6

Conclusion

While this recommendation may not precisely reflect the standard market 2.0:1X ratio between Chair and Director fees, we believe it is more important to follow actual market practice than simply to apply a ratio.

In our view, the recommended ranges represent appropriate and competitive levels for a successful, large in respects to market share/funds for a New Zealand financial services company.

These fee increases may represent, depending on final decisions, the annual governance pool rising from \$338K (approximate) to \$358K. This is a rise of \$20K per annum for the board total REM.

Finally, this document represents the objective recommendation of Board Dynamics regarding board fees at LGFA. However, any board fee discussion involves a variety of factors of which the information in this document is just one. We suggest using this information as a starting point in a review that should serve to further develop the relationship between the LGFA Board and the Shareholder Council.



Appendix

Understanding data measures

Lower Quartile	This represents the point at which, when ranked from the lowest value to the highest value, 25 per cent of the sample is lower and 75 per cent of the sample is higher. The lower quartile is also known as the 25 th percentile.
Median	When data is ranked from the lowest value to the highest value, the median represents the middle point of the data. At the median, 50 per cent of the sample is lower and 50 per cent of the sample is higher. The median is also known as the 50 th percentile.
Upper Quartile	This represents the point at which, when ranked from the lowest value to the highest value, 75 per cent of the sample is lower and 25 per cent of the sample is higher. The upper quartile is also known as the 75 th percentile.
Average	Indicates the average value of remuneration or benefit in any given sample. The average is calculated by adding the numbers in a sample and then dividing by the count of the sample.

Source Data

Our market data (Chair and Director Fees) has been sourced from the EY IoD Director Fee 2021 Survey and our own Board Dynamics director 2021 survey.

Prepared by Henri Eliot

Aug 27, 2021

Henri Eliot
CEO
Board Dynamics



8 October 2021

The Shareholders
NZ Local Government Funding Agency

Dear Shareholder

You have recently received papers from the LGFA for its Annual Meeting (AM) on 23 November 2021. The Shareholders' Council has considered this material and wishes to make recommendations to help with your decision making prior to the AM.

Our role (as per the Shareholders' Agreement) includes requirements to:

- Make recommendations to Shareholders as to the appointment removal, re-election, replacement and remuneration of Directors.
- Make recommendations to Shareholders as to any matters which require the approval of Shareholders.

Our recommendations on the AM resolutions are as follows:

Adoption of Financials

The financial statements and Auditor's report for the company for the year ended 30 June 2021 will be presented for consideration and discussion.

The Shareholders' Council recommends this resolution is approved.

Resolutions 1 (a) and (b) – Appointment of Directors

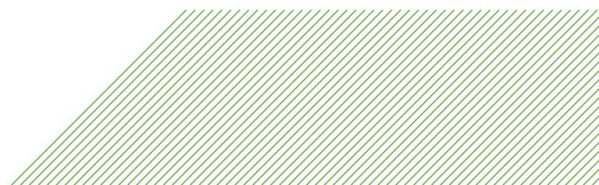
This year Craig Stobo, as one of the last appointed Independent Directors retires by rotation and has offered himself for re-election.

Mike Timmer, the sole Non-Independent Director, has retired from his role at Greater Wellington Regional Council. He also retires from the LGFA Board by rotation but does not seek re-election.

Earlier this year the Shareholders' Council reviewed several aspects of LGFA governance, which has led to recommended changes to the Shareholders' Agreement (as noted below) and has influenced our recommendations for this year's Director appointments.

In terms of Director appointments, we feel that there are some core competencies that every Director should have, as well as a number of aspects that the Board as a whole should cover. We do

New Zealand Local Government Funding Agency Limited
Auckland Level 5, Walker Wayland Centre, 53 Fort Street
Wellington Level 8, City Chambers, 142 Featherston Street
PO Box 5704, Lambton Quay, Wellington 6145 | Phone +64 4 974 6530
lgfa.co.nz



not expect every Director to cover all areas, recognizing that we gain diversity in thinking and experience by having a Board with a wide range of backgrounds.

The areas we believe are critical are:

- Proven financial /commercial experience
- Governance experience
- Networks in Central and/or Local Government

The additional areas listed below are all important and we would expect to see the overall composition of the Board covering all of them. The Shareholders' Council will keep this list under review to make sure it meets both current and foreseeable needs. For example, a Director with experience in SOE's (such as the energy sector) will be particularly relevant if 3 Waters reforms proceed.

- Risk management
- Treasury, Legal and/or Financial Strategy experience
- IT Technology / Cyber-security
- ESG or Green Funding
- Local Government experience
- SOE experience

There have been no nominations for the Independent Director role, and just one for the Non-Independent Director role (Alan Adcock).

Reappointment of Craig Stobo as an Independent Director and the Board Chair

The Shareholder's Council recommends the re-appointment of Craig Stobo.

He has been the Board Chair since inception in 2011 and has been extremely effective in this role. He has strong support within the Board, as well as from other stakeholders. He has indicated he would like to continue in his role, with his re-appointment being for a three year term if the proposed changes to the Shareholders' Agreement (below) are also supported.

The next two to three years will potentially see significant change in the market LGFA operates in. Assuming the 3 Waters reform program proceeds, there are three distinct scenarios which could unfold:

- LGFA lending to new Water entities – this will require fundamental changes to the current arrangements for Shareholders and more importantly, Guarantors.
- Councils assigning their existing loans related to water assets to the new Water Entities

- LGFA not lending to new 3 Water entities – with around \$4 billion of current LGFA lending going off the books, with (presumably) the new entities entering domestic capital markets to borrow in their own name, causing considerable disruption to LGFA

In either scenario, the benefits of a very experienced Board Chair outweigh any disadvantages caused by his extended time in the role. It is therefore recommended that we support Craig's reappointment to the role of Board Chair.

However, going forward it is critical that a successor is identified and brought onto the Board in time to gain experience before Craig's retirement. The Shareholder's Council will work proactively to ensure this plan is put in place.

Appointment of Alan Adcock as a Non-Independent Director

The Shareholder's Council recommends the appointment of Alan Adcock.

Alan has been a member of the Shareholders Council since its inception and held the position of Chair since 2014. During this time, he has demonstrated strong governance leadership leveraging his deep understanding of the local government sector. He has also demonstrated excellent financial knowledge and commercial acumen. His experience encompasses areas such as risk management, treasury, strategic finance, IT technology and cybersecurity.

The Shareholders Council believe Alan is an exceptional candidate to join the LGFA Board as a Non-Independent Director and brings a unique set of skills that will further enhance the performance of the Board and the LGFA.

The Shareholders' Council recommends Craig Stobo is re-elected and Alan Adcock is appointed.

Resolution 2 (a) and (b) – Appointment of Nominating Local Authorities

This year Christchurch City Council (Christchurch) and Whangarei District Council (Whangarei) retire by rotation.

Christchurch offer themselves for re-election, with their CFO (Leah Scales) as their primary representative on the Shareholders' Council.

Whangarei do not seek re-election, as they feel it would be inappropriate to have representation on both the Shareholders' Council and the Board (assuming Alan Adcock is appointed). Therefore, there is a vacancy on the Shareholders' Council.

The only nomination received (apart from Christchurch) was from New Plymouth District Council, with Joy Buckingham as their primary representative.

The Shareholders' Council recommends the re-election of Christchurch City Council and the election of New Plymouth District Council.

Resolution 3 – Changes to Foundation Policies

The Explanatory Notes to the Notice of meeting set out the proposed changes to the Foundation Policies and the reasons for them.

The Shareholders' Council were consulted on the review of the policies and are comfortable with both the process undertaken, the decisions made to amend the policies and the final form of those changes.

We did not feel it was necessary to get additional external advice given the robust nature of the process undertaken, with the Deloitte review receiving Board scrutiny before being passed to Russell McVeagh for implementation.

Going forward these changes will allow LGFA to continue to evolve to meet the sector's needs, without the need to return for Shareholder agreement on straightforward matters that are more appropriate for the Board to decide on.

The Shareholders' Council recommends the changes to the Foundation Policies are approved.

Resolution 4 – Changes to the Shareholders' Agreement

The review of governance arrangements highlighted several matters these proposed changes, which have been requested by the Shareholders' Council, address.

Current arrangements have led to a very stable and competent Board that have driven very successful outcomes for all stakeholders since inception in 2011. However, together the proposed improvements are considered necessary to ensure a suitable governance structure going forward.

Director Numbers and ratio of Independent to Non-Independent Directors

At the 2017 AGM it was resolved to have five Independent Directors and one Non-Independent. Our view is that this is still a suitable Board size and composition. However, to make succession planning simpler, we recommend there is flexibility to appoint a new Independent Director during the year, so there is an overlap with a retiring Director. While the current nomination and election process allows this, the 'hard-wiring' of a 5:1 Director mix prevents this without the proposed change, which will also provide more flexibility to deal with unexpected events.

Fixed term of appointment

There is currently no fixed term of appointment for Directors, with the longest serving Independent Director, and the longest serving Non-Independent Director (based on the time since their last election date) retiring each year.

The proposed changes to a fixed term of three years for each appointment cycle will:

- provide more certainty to the Company, its shareholders and the Board
- allow for better succession planning and rotation e.g. currently, Directors do not know when they are due to retire and possibly seek re-election as this is unduly influenced by the other Director appointments/retirements
- treat Independent and Non-independent Directors the same way. Currently the sole Non-Independent Director has to retire and stand for re-election every year, while Independent Directors can have an appointment cycle of up to five years.

The Shareholders' Council considered introducing a maximum number of three year appointment cycles but instead decided this should be considered on a case by case basis as rotations occurred. In making this decision we were mindful of the visible benefits of an experienced Board during the 2020 COVID market disruption which also highlighted the need for continuity across complete economic cycles.

The Shareholders' Council recommends the changes to the Shareholders' Agreement are approved.

Resolution 5 – Increase in Directors' Remuneration

The Shareholder's Council commissioned Board Dynamics to undertake an LGFA director remuneration review. This review (attached) was to provide an update to the last Director Remuneration review undertaken in 2019.

Board Dynamics Review

The Shareholder's Council met in August to review the report on your behalf. The outcome of our meeting was to make the following recommendations to shareholders:

That Annual Fees are set from 2021 as follows:

- | | |
|--|------------------|
| • <i>Independent Chair</i> | <i>\$108,000</i> |
| • <i>Director with Audit and Risk Chair role</i> | <i>\$67,000</i> |
| • <i>Director</i> | <i>\$60,000</i> |
| • <i>Director with Audit and Risk Committee membership</i> | <i>\$63,000</i> |

The report also provides some useful background and information relating to the LGFA, the Board, and remunerations levels at other comparable Boards. You may find this information useful should you need to take a report and recommendations through your governance approval processes. The information can be shared publicly.

The Shareholders' Council recommends the proposed increase in Director remuneration is approved.

Ordinarily this letter would come from Alan Adcock, the current Chair of the Shareholders' Council. However, he is conflicted due to his nomination as a Non-Independent Director.

I trust you find this information helpful. Please contact me or your Shareholders' Council liaison should you wish to discuss any matter relating to this letter or any other aspects of LGFA operations.

Yours sincerely

David Bryant
LGFA Shareholders' Council Member

cc. Mark Butcher, Chief Executive LGFA

Attached: Board Dynamics Remuneration Review

Foundation Policies
(Clause 5.1 of the Shareholders' Agreement)

~~These~~All foundation policies may only be changed by a resolution of shareholders in accordance with clause 5.1 of the Shareholders' Agreement reviewed annually by Principal Shareholders at the annual meeting of Shareholders. Any alteration requires approval pursuant to clause 5.1.

Formatted: Not Highlight
Formatted: Not Highlight
Formatted: Not Highlight

Credit Risk

Lending Policy

All Local Authorities that borrow from the Company will:

- Provide debenture security in relation to their borrowing from the Company and related obligations, and (if relevant), equity commitment liabilities to the Company and (if relevant) guarantee liabilities to a security trustee approved for the Company's creditors.
- Issue securities (bonds / FRNs / CP) to the Company and/or enter into facility arrangements with the Company.
- Comply with their own internal borrowing policies.
- Comply with the financial covenants outlined in the following table, provided that:
 - Unrated Local Authorities or Local Authorities with a long-term credit rating lower than 'A' equivalent can have bespoke financial covenants that exceed the:
 - Lending policy covenants outlined in the following table with the approval of the Board;
 - Foundation policy covenants outlined in the following table with the approval of an Ordinary Resolution.
 - Local Authorities with a long-term credit rating of 'A' equivalent or higher:
 - will not be required to comply with the lending policy covenants in the following table; and
 - can have bespoke financial covenants that exceed the foundation policy covenants outlined in the following table with the approval of an Ordinary Resolution; and in any event, will not be required to comply with the Net Debt / Total Revenue foundation policy covenant outlined in the following table until the financial year ending 30 June 2026. Until that date, such Local Authority must comply with the Net Debt / Total Revenue covenant set out in the table entitled "Alternative Net Debt / Total Revenue Covenant" below.
 - Any Board or Ordinary Resolution approval of bespoke financial covenants will only be provided after a robust credit analysis and any approval must also include bespoke reporting and monitoring arrangements.
- If the principal amount of a Local Authority's borrowings, or the Company's commitment under a facility agreement with a Local Authority, is at any time greater than NZD 20 million, be a party to a deed of guarantee and an equity commitment deed (in each case in a form set by the Company).

Field Code Changed

[3454-8633-90943454-8633-00944080056-22v2](#)

1

Financial covenant	Lending policy covenants	Foundation policy covenants
Net Debt / Total Revenue	<175%	<280%
Net Interest / Total Revenue	<20%	<20%
Net Interest / Annual Rates Income	<25%	<30%
Liquidity	>110%	>110%

Alternative Net Debt / Total Revenue Covenant	
Financial Year ending	Net Debt / Total Revenue
30 June 2020	<250%
30 June 2021	<300%
30 June 2022	<300%
30 June 2023	<295%
30 June 2024	<290%
30 June 2025	<285%

Total Revenue is defined as cash earnings from rates, grants and subsidies, user charges, interest, dividends, financial and other revenue and excludes non government capital contributions (e.g. developer contributions and vested assets).

Net debt is defined as total debt less liquid financial assets and investments.

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

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

Annual Rates Income is defined as the amount equal to the total revenue from any funding mechanism authorised by the Local Government (Rating) Act 2002 together with any revenue received from other local authorities for services provided (and for which the other local authorities rate).

Financial covenants are measured on Council only basis and not consolidated group basis, unless requested by a Local Authority and approved by the Board.

During the initial three years of operation the Auckland Council will be limited to a maximum of 60% of the Company's total Local Authority (including CCOs (as defined below)) assets. After three years Auckland Council will be limited to a maximum of 40% of the Company's total Local Authority (including CCO) assets.

Subject to implementation of any amendments or other actions considered necessary, advisable or expedient by the Board and the approval of the Board in relation to the relevant CCO (as defined below) (which may be a [Council-Controlled-Trading-Organisation council-controlled trading organisation, as defined in the Local Government Act](#)), an approved CCO may borrow from the Company provided that:

- The CCO is a "council-controlled organisation" as defined in section 6 of the Local Government Act-2002, where the CCO is a company in which equity securities carrying at least 51% or more of the voting rights at a meeting of the shareholders of the CCO are held or controlled, directly or indirectly, by one or more Local Authorities (respectively, a "CCO" and each such Local Authority being a "CCO Shareholder");
- Each CCO Shareholder provides a guarantee in respect of the CCO in favour of the Company and/or there is sufficient uncalled capital in respect of the CCO to meet the financial obligations of the CCO;
- Each CCO Shareholder provides equity commitment liabilities to the Company, guarantees liabilities to a security trustee approved for the Company's creditors, and provides debenture

Field Code Changed

3454-8633-90949454-8633-00944080056 2bve

2

security for its equity commitments to the Company and guarantee liabilities to the security trustee;

- Each CCO Shareholder complies with Lending policy financial covenants, Foundation policy financial covenants or other financial covenants required by the Board (if any) and, in the case of a CCO Shareholder with a long-term credit rating of 'A' equivalent or higher, until the financial year ending 30 June 2026, the Net Debt / Total Revenue covenant in the table entitled "Alternative Net Debt / Total Revenue Covenant" above.
- The CCO complies with any covenants required by the Board; and
- If required by the Board, the CCO will grant security in favour of the Company (which may be subject to any intercreditor arrangements acceptable to the Board).

Where the Company agrees to provide funding to the CCO, it must within 90 days of receiving annual financial covenant reporting from a CCO Shareholder (in its capacity as a borrower) report to the Shareholders' Council, holders of ordinary shares in the Company and any Local Authority guarantors of the Company's liabilities as to whether that CCO Shareholder has complied with its financial covenants on an individual and consolidated group basis.

Notwithstanding the definition of "CCO" set out above, the Board may not approve a CCO to borrow from the Company unless 100% of the equity securities carrying voting rights at a meeting of shareholders of the CCO are held or controlled, directly or indirectly, by one or more Local Authorities and the Crown (if applicable).

Cash and Liquid Investment Policy

The Company will only invest in NZD senior debt securities, money market deposits and registered certificates of deposits within the counterparty limits outlined in the following table.

New Zealand Local Authority and CCO securities are excluded from the Company's cash and liquidity portfolio.

Counterparty ¹	S & P Credit Rating or equivalent ² (Short-term / long-term) ³	Maximum % Limit (Total Cash + Liquid Assets)	Minimum % Limit (Total Cash + Liquid Assets)	Maximum New Zealand Dollar counterparty Limit (millions) ⁴	Maximum term (years) ⁵
Category 1: NZ Government or RBNZ ⁶	N/A	100%	20%	Unlimited	No longer than the longest-dated LGFA maturity on issue
Category 2	A++ / AAA	80%	N/A	300	5
Category 3	A1+ or A1 / AA+	80%	N/A	200	5
	A1+ or A1 / AA-	80%	N/A	200	5

¹ Category 2, 3, 4 and 5 counterparties do not include the RBNZ or the NZ Government.
² Equivalent rating from Fitch Ratings or Moody's
³ Short term rating applies for all securities with a maturity date of 365 days or less.
⁴ If the counterparty credit rating is downgraded below the allowed limit, LGFA has 30 days to sell the security.
⁵ Maximum term applies from the date of settlement.
⁶ At least 20% of the portfolio must be held at the RBNZ or invested in NZ Government securities.

Field Code Changed

Category 4	A1+/A+, NZ Registered Bank	60%	N/A	200	3
Category 5	A1 or A2+/A+ Other Issuers	40%	N/A	50	4

The maximum individual counterparty limit (excluding the NZ Government) cannot be greater than 100% of Accessible Capital. Accessible Capital is defined as issued and paid capital plus retained earnings plus issued and unpaid capital plus outstanding borrower notes.

Derivative Policy

Unless explicitly approved otherwise by the Board, all derivative transactions must be transacted with New Zealand Debt Management as counterparty.

Market Risk

The Company's total 12 month forecast portfolio PDH (Partial Differential Hedge) Limit is \$100,000².

The Company's total portfolio Value at Risk (VaR) daily limit is \$1,000,000³.

Foreign exchange risk policy

The Company will take no foreign exchange risk.

Operational Risk

Unless explicitly approved otherwise by the Board, the Company will outsource the following functions to New Zealand Debt Management as follows:

- Hedging – New Zealand Debt Management is the LGFA interest rate swap counterparty.

Dividend policy

The policy is to pay a dividend that provides an annual rate of return to Shareholders equal to the Company's cost of funds plus 2.00% over the medium term, recognising that, to assist in the start-up period, the initial expectation is for no dividend for the part period to 30 June 2012, and for a dividend equal to 50% of the target dividend in the two periods to 30 June 2014 to be paid. Thereafter, the intention is to pay at least the full target dividend until the target dividend return is achieved as measured from commencement, including consideration of the time value of money at the target annual rate of return.

At all times payment of any dividend will be discretionary and subject to the Board's legal obligations and views on appropriate capital structure.

² PDH risk measures the sensitivity of a portfolio to a one basis point change in underlying interest rates. For example a PDH of \$100,000 means that the portfolio value will fall by \$100,000 for a one basis point fall in interest rates.

³ VaR measures expected loss for a given period with a given confidence. For example, 95% confidence, daily VaR of \$1,000,000 means that it is expected that the portfolio will lose \$1,000,000 on 5% of days, i.e. 1 day in 20 the portfolio value will decrease by \$1,000,000.

Formatted: Line spacing: single, Don't keep with next

Formatted: No bullets or numbering, Don't keep with next

Formatted: Line spacing: single

Formatted: Space Before: 12 pt, Line spacing: single

Field Code Changed

Foundation Policies

(Clause 5.1 of the Shareholders' Agreement)

These foundation policies may only be changed by a resolution of shareholders in accordance with clause 5.1 of the Shareholders' Agreement

Credit Risk**Lending Policy**

All Local Authorities that borrow from the Company will:

- Provide debenture security in relation to their borrowing from the Company and related obligations, and (if relevant), equity commitment liabilities to the Company and (if relevant) guarantee liabilities to a security trustee approved for the Company's creditors.
- Issue securities (bonds / FRNs / CP) to the Company and/or enter into facility arrangements with the Company.
- Comply with their own internal borrowing policies.
- Comply with the financial covenants outlined in the following table, provided that:
 - Unrated Local Authorities or Local Authorities with a long-term credit rating lower than 'A' equivalent can have bespoke financial covenants that exceed the:
 - Lending policy covenants outlined in the following table with the approval of the Board;
 - Foundation policy covenants outlined in the following table with the approval of an Ordinary Resolution.
 - Local Authorities with a long-term credit rating of 'A' equivalent or higher:
 - will not be required to comply with the lending policy covenants in the following table; and
 - can have bespoke financial covenants that exceed the foundation policy covenants outlined in the following table with the approval of an Ordinary Resolution; and in any event, will not be required to comply with the Net Debt / Total Revenue foundation policy covenant outlined in the following table until the financial year ending 30 June 2026. Until that date, such Local Authority must comply with the Net Debt / Total Revenue covenant set out in the table entitled "Alternative Net Debt / Total Revenue Covenant" below.
 - Any Board or Ordinary Resolution approval of bespoke financial covenants will only be provided after a robust credit analysis and any approval must also include bespoke reporting and monitoring arrangements.
- If the principal amount of a Local Authority's borrowings, or the Company's commitment under a facility agreement with a Local Authority, is at any time greater than NZD 20 million, be a party to a deed of guarantee and an equity commitment deed (in each case in a form set by the Company).

Financial covenant	Lending policy covenants	Foundation policy covenants
Net Debt / Total Revenue	<175%	<280%
Net Interest / Total Revenue	<20%	<20%
Net Interest / Annual Rates Income	<25%	<30%
Liquidity	>110%	>110%

Alternative Net Debt / Total Revenue Covenant	
Financial Year ending	Net Debt / Total Revenue
30 June 2020	<250%
30 June 2021	<300%
30 June 2022	<300%
30 June 2023	<295%
30 June 2024	<290%
30 June 2025	<285%

Total Revenue is defined as cash earnings from rates, grants and subsidies, user charges, interest, dividends, financial and other revenue and excludes non government capital contributions (e.g. developer contributions and vested assets).

Net debt is defined as total debt less liquid financial assets and investments.

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

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

Annual Rates Income is defined as the amount equal to the total revenue from any funding mechanism authorised by the Local Government (Rating) Act 2002 together with any revenue received from other local authorities for services provided (and for which the other local authorities rate).

Financial covenants are measured on Council only basis and not consolidated group basis, unless requested by a Local Authority and approved by the Board.

Auckland Council will be limited to a maximum of 40% of the Company's total Local Authority (including CCO) assets.

Subject to implementation of any amendments or other actions considered necessary, advisable or expedient by the Board and the approval of the Board in relation to the relevant CCO (as defined below) (which may be a council-controlled trading organisation, as defined in the Local Government Act), an approved CCO may borrow from the Company provided that:

- The CCO is a "council-controlled organisation" as defined in section 6 of the Local Government Act, where the CCO is a company in which equity securities carrying at least 51% or more of the voting rights at a meeting of the shareholders of the CCO are held or controlled, directly or indirectly, by one or more Local Authorities (respectively, a "CCO" and each such Local Authority being a "CCO Shareholder");
- Each CCO Shareholder provides a guarantee in respect of the CCO in favour of the Company and/or there is sufficient uncalled capital in respect of the CCO to meet the financial obligations of the CCO;
- Each CCO Shareholder provides equity commitment liabilities to the Company, guarantees liabilities to a security trustee approved for the Company's creditors, and provides debenture security for its equity commitments to the Company and guarantee liabilities to the security trustee;
- Each CCO Shareholder complies with Lending policy financial covenants, Foundation policy financial covenants or other financial covenants required by the Board (if any) and, in the case

of a CCO Shareholder with a long-term credit rating of 'A' equivalent or higher, until the financial year ending 30 June 2026, the Net Debt / Total Revenue covenant in the table entitled "Alternative Net Debt / Total Revenue Covenant" above.

- The CCO complies with any covenants required by the Board; and
- If required by the Board, the CCO will grant security in favour of the Company (which may be subject to any intercreditor arrangements acceptable to the Board).

Where the Company agrees to provide funding to the CCO, it must within 90 days of receiving annual financial covenant reporting from a CCO Shareholder (in its capacity as a borrower) report to the Shareholders' Council, holders of ordinary shares in the Company and any Local Authority guarantors of the Company's liabilities as to whether that CCO Shareholder has complied with its financial covenants on an individual and consolidated group basis.

Notwithstanding the definition of "CCO" set out above, the Board may not approve a CCO to borrow from the Company unless 100% of the equity securities carrying voting rights at a meeting of shareholders of the CCO are held or controlled, directly or indirectly, by one or more Local Authorities and the Crown (if applicable).



Shareholders' Agreement

PARTIES

Auckland Council, Bay of Plenty Regional Council, Christchurch City Council, Gisborne District Council, Hamilton City Council, Hastings District Council, Hauraki District Council, Horowhenua District Council, Hutt City Council, Kāpiti Coast District Council, Manawatu District Council, Marlborough District Council, Masterton District Council, New Plymouth District Council, Otorohanga District Council, Palmerston North City Council, Selwyn District Council, South Taranaki District Council, Tasman District Council, Taupo District Council, Tauranga City Council, Thames-Coromandel District Council, Wanganui District Council, Waimakariri District Council, Waipa District Council, Wellington City Council, Wellington Regional Council, Western Bay of Plenty District Council, Whakatane District Council, Whangarei District Council and Her Majesty The Queen in Right of New Zealand acting by and through the Minister of Local Government and the Minister Of Finance

each a **Shareholder**

New Zealand Local Government Funding Agency Limited

Company

[3451-2033-69182461-2033-6918272669 326](#)

Russell
McAugh

CONTENTS

1. INTERPRETATION1

2. BUSINESS OF COMPANY7

3. BOARD7

4. SHAREHOLDERS' COUNCIL9

5. SHAREHOLDER APPROVAL12

6. SHARES ~~141313~~

7. FIRST OPENING14

8. SECOND OPENING15

9. SECTION 107 CONSENTS18

10. PRE-EMPTIVE RIGHTS ~~191818~~

11. PROTECTED TRANSACTION21

12. FINANCIAL ~~222121~~

13. DEFAULT23

14. CONFIDENTIALITY24

15. NOTICES ~~252424~~

16. DISPUTES25

17. WARRANTIES ~~262525~~

18. GENERAL ~~272626~~

SCHEDULE 1 ~~292828~~

 Foundation Policies ~~292828~~

SCHEDULE 2 ~~363132~~

 First Opening ~~363132~~

SCHEDULE 3 ~~373233~~

 Reimbursement ~~373233~~

SCHEDULE 4 ~~383334~~

 Form of Accession Deed ~~383334~~

SCHEDULE 5 ~~393435~~

 Events of Default ~~393435~~

SCHEDULE 6 ~~403536~~

 Addresses for Notice ~~403536~~

Field Code Changed

Russell
McAugh

AGREEMENT dated 7 December 2011 (as amended on 16 November 2012 and 19 November 2013 and amended and restated on 4 June 2015 [and 6 July 2020](#), and by the deed to which this agreement is attached as an appendix)

PARTIES

Auckland Council, Bay of Plenty Regional Council, Christchurch City Council, Gisborne District Council, Hamilton City Council, Hastings District Council, Hauraki District Council, Horowhenua District Council, Hutt City Council, Kāpiti Coast District Council, Manawatu District Council, Marlborough District Council, Masterton District Council, New Plymouth District Council, Otorohanga District Council, Palmerston North City Council, Selwyn District Council, South Taranaki District Council, Tasman District Council, Taupo District Council, Tauranga City Council, Thames-Coromandel District Council, Wanganui District Council, Waimakariri District Council, Waipa District Council, Wellington City Council, Wellington Regional Council, Western Bay of Plenty District Council, Whakatane District Council, Whangarei District Council and Her Majesty The Queen in Right of New Zealand acting by and through the Minister of Local Government and the Minister of Finance

(each a "**Shareholder**")

New Zealand Local Government Funding Agency Limited
("**Company**")

INTRODUCTION

- A. The Shareholders are shareholders in the Company.
- B. The Shareholders and Company have agreed to enter into this agreement.

AGREEMENT

1. INTERPRETATION

- 1.1 **Definitions:** In this agreement, unless the context otherwise requires:

"**Acceptance Date**" has the meaning in clause 10.3.

"**Accession Deed**" means a deed in the form set out in schedule 4, or such other form as is approved by the Board.

"**Auditor**" means the Auditor-General (or any nominee of the Auditor-General).

"**Authorisation**" means an authorisation, consent, declaration, exemption, notarisation or waiver, however it is described.

Field Code Changed

Russell
McAugh

"Bill Rate" means:

- (a) in respect of any rate of interest to be calculated pursuant to this agreement the mid or "FRA" rate for 90 day bank accepted bills (expressed as a percentage) as quoted on Reuters page BKBM (or any successor page) at or about 10.45 am on the first Business Day of the period in respect of which such rate of interest is to be calculated, and thereafter at intervals of 90 days from that Business Day; or
- (b) if the rate cannot be determined pursuant to paragraph (a) above, the rate determined by the Board in its absolute discretion as a reasonable estimate of the Company's cost of funds on that date.

"Board" means the board of directors of the Company.

"Borrowed Money Indebtedness" has the meaning given in the Multi-issuer Deed.

"Borrower Notes" means notes issued by the Company to Participating Borrowers pursuant to a notes subscription agreement dated on or about the date of this agreement.

"Business Day" means a day (other than a Saturday, Sunday or public holiday) on which registered banks are open for business in Christchurch, Wellington and Auckland.

"Buyer" has the meaning in clause 10.4.

"CCO" means a council-controlled organisation as defined in section 6 of the Local Government Act.

"CCO Shareholder" means, in relation to a Participating CCO, a person that holds or controls (directly or indirectly) any equity securities of that CCO.

"Companies Act" means the Companies Act 1993.

"Constitution" means the constitution of the Company.

"Defaulting Shareholder" has the meaning given in clause 13.1.

"Director" means a director of the Company.

"Event of Default" in respect of a Shareholder means an event specified in schedule 5.

"Event of Review" has the meaning given in the Multi-issuer Deed.

"Fair Value" in respect of Shares means the fair market value of those Shares determined in accordance with clause 1.3.

"First Opening" means the initial subscription for, and issue of, Shares in the Company, other than any Shares issued on incorporation of the Company, which shall occur on or about the date of this agreement.

"Guarantor" means a guarantor of the obligations of the Company pursuant to a deed of guarantee and indemnity dated on or about the date of this agreement.

"Guarantor's Equity Commitment" means the agreement of a Guarantor to subscribe for Redeemable Shares in certain circumstances and being in, or substantially in, the same form for each Guarantor.

Field Code Changed

Russell
McAugh

"Incoming Principal Shareholder" means a Local Authority which is to acquire Ordinary Shares as part of the Second Opening.

"Independent Director" means a Director who is not an employee of any Shareholder, employee of a CCO owned (in whole or in part) by any Shareholder, or a councillor of any Local Authority which is a Shareholder, and was not such an employee or councillor at any time in the five years prior to the time of that person's appointment as a Director. For the avoidance of doubt, a director (or former director) of a CCO (that is not a Participating CCO) shall not, by virtue of this reason alone, be precluded from being an Independent Director.

"Local Authority" has the meaning in section 5 of the Local Government Act.

"Local Government Act" means the Local Government Act 2002.

"Multi-issuer Deed" means the deed entered into on or about the date of this agreement between the Company and the Local Authorities named therein.

"New Zealand Debt Management Office" means Her Majesty the Queen in right of New Zealand acting by and through the New Zealand Debt Management Office.

"New Zealand Government" means Her Majesty the Queen in right of New Zealand acting by and through the Minister of Local Government and the Minister of Finance, as (and for so long as it is) a Principal Shareholder.

"Nominating Local Authority" has the meaning given at clause 4.3.

"Non-Pro Rata Sell-Down Shareholder" has the meaning given in clause 8.3.

"Ordinary Resolution" means a resolution that is approved by a simple majority of the votes of those Shareholders entitled to vote and voting on the question (and which shall include any resolution signed in accordance with section 122 of the Companies Act).

"Ordinary Share" means an ordinary share in the Company.

"Participating Borrower" means a Participating Local Authority or a Participating CCO.

"Participating CCO" means a CCO that has entered into one or more arrangements to be provided debt funding by the Company.

"Participating Local Authority" means a Local Authority that has entered into one or more arrangements to be provided debt funding by the Company.

"Policies" means the policies of the Company relating to the following matters, as the same may be amended or updated by the Board or, where relevant, in accordance with clause 5.1:

- (a) dividends;
- (b) liquidity;
- (c) pricing;
- (d) lending;
- (e) investing;
- (f) borrowing; and
- (g) treasury.

Field Code Changed

Russell
McAugh

For the avoidance of doubt, the dividend policy shall be set out in the Statement of Intent, and the other policies may be set out in such individual documents, or composite documents, as the Board may determine.

"Principal Shareholders" means those Shareholders who hold Ordinary Shares (and not just Redeemable Shares).

"Redeemable Share" means a redeemable share in the Company having the rights and obligations set out in clause 3.4 of the Constitution.

"Retained Share Number" has the meaning given in clause 8.3.

"Sale Interest" has the meaning given in clause 10.2.

"Sale Notice" has the meaning given in clause 10.2.

"Second Opening" means the introduction of Incoming Principal Shareholders, to be effected by way of a transfer of Ordinary Shares held by the then current Principal Shareholders (other than the New Zealand Government), in accordance with clause 8.

"Securities" has the meaning given in the Multi-issuer Deed.

"Sell-Down Shareholder" has the meaning given in clause 8.2.

"Seller" has the meaning given in clause 10.2.

"Share" means an Ordinary Share or a Redeemable Share.

"Shareholder" means:

- (a) any of the parties to this agreement (other than the Company); and
- (b) any person which acquires Shares and which has executed an Accession Deed or is deemed to have agreed to be bound by this agreement.

"Shareholders' Council" means the members constituting the shareholders' council established pursuant to clause 4.

"Special Resolution" means a resolution approved by a majority of 75% or more of the votes of those Shareholders entitled to vote and voting on the question (and which shall include any resolution signed in accordance with section 122 of the Companies Act).

"Specified Sale Number" has the meaning given in clause 8.2.

"Statement of Intent" means a statement of intent for the Company as contemplated by section 64(1) of the Local Government Act initially in the form adopted by the Board on or prior to the date of this agreement, and as the same may be amended or replaced by the Board or, where relevant, in accordance with clause 5.1.

1.2 **Interpretation:** Unless the context otherwise requires or specifically otherwise stated:

- (a) headings are to be ignored;
- (b) "including" and similar words do not imply any limitation;

Field Code Changed

Russell
McAugh

- (c) a reference to a statute or other law includes regulations and other instruments under it and consolidations, amendments, re-enactments or replacements of any of them (whether before or after the date of this agreement);
- (d) any covenant or agreement on the part of two or more persons binds those persons jointly and severally;
- (e) reference to a party, person or entity includes:
 - (i) an individual, partnership, firm, company, body corporate, corporation, association, trust, estate, state, government or any agency thereof, municipal or local authority and any other entity, whether incorporated or not (in each case whether or not having a separate legal personality); and
 - (ii) an employee, agent, successor, permitted assign, executor, administrator and other representative of such party, person or entity;
- (f) a right or power may be exercised from time to time and at any time;
- (g) the singular includes plural and vice versa;
- (h) one gender includes the other genders;
- (i) references to money are to New Zealand dollars;
- (j) references to times of day or dates are to New Zealand times and dates;
- (k) definitions in the Companies Act have the same meaning in this agreement;
- (l) any word or expression cognate with a definition in this agreement has a meaning corresponding or construed to the definition;
- (m) reference to a clause, sub-clause, schedule or a party is a reference to that clause, sub-clause, schedule or party in this agreement;
- (n) reference to any document includes reference to that document (and, where applicable, any of its provisions) as amended, novated, supplemented, or replaced from time to time;
- (o) each schedule and any other attachment forms part of this agreement;
- (p) if there is any conflict between this agreement and the Constitution, this agreement shall prevail;
- (q) "security interest" means:
 - (i) in respect of any personal property, a security interest (as defined in the Personal Property Securities Act 1999 ("PPSA"));
 - (ii) in respect of any other property or any rights in any other property (in each case to which the PPSA does not apply), any interest which, were the PPSA to apply to that property or those rights, would constitute such a security interest;

Field Code Changed

Russell
McAugh

- (r) "written" and "in writing" include any means of reproducing words, figures or symbols in a tangible and visible form;
 - (s) a reference to anything of a particular nature following upon a general statement shall not in any way derogate from, or limit the application of the general statement, unless the particular context requires such derogation or limitation;
 - (t) reference to "month" or "monthly" means calendar month or calendar monthly; and
 - (u) a reference to "year" or "yearly" is a reference to a calendar year.
- 1.3 **Fair Value:** If it is necessary for any purpose of this agreement to determine the fair market value of Shares:
- (a) the Company and the relevant Shareholder shall, for a period of five Business Days after one of them gives notice to the other, endeavour to agree on the fair market value of those Shares;
 - (b) if the Company and the relevant Shareholder do not agree on the fair market value of those Shares within the period of five Business Days referred to in clause 1.3(a), the fair market value shall be determined by an independent valuer agreed upon by the Company and the relevant Shareholder, or failing agreement within five Business Days after the end of that period, appointed on the application of either of them by the president for the time being of the New Zealand Institute of Chartered Accountants or his or her nominee;
 - (c) the person appointed as valuer under clause 1.3(b) shall:
 - (i) act as a expert and not as arbitrator;
 - (ii) determine the fair market value of the Shares as soon as possible, which valuation shall be conclusive;
 - (d) in determining the fair market value of the Shares, the valuer shall determine the fair market value of all of the Shares in the Company, and shall then determine the fair market value of the Shares in question as the appropriate percentage of the value of all Shares, so that no regard shall be had to the control of the Company, or to any premium for control or discount for lack of control;
 - (e) the Company and the relevant Shareholder shall promptly and openly make available to the valuer all information in their possession or under their control relating to the Company to enable the valuer to proceed with the valuation on an informed basis as to the financial position, affairs, performance, and prospects of the Company; and
 - (f) the fees and expenses of the valuer shall be paid by the Company and the relevant Shareholder in equal amounts, or in such other manner as the valuer may determine.

Field Code Changed

2. BUSINESS OF COMPANY

- 2.1 **Business:** The Company shall carry on the business of raising debt funding (both domestically and internationally), and providing debt funding to Local Authorities and CCOs (as defined in the Multi-issuer Deed).
- 2.2 **No other activity:** The Company shall not engage in any business or activity which is not the business or activity specified in clause 2.1, or considered by the Board to be reasonably related or incidental to or in connection with that business or activity.
- 2.3 **CCO:** The Company shall at all times be a CCO.
- 2.4 **Objectives:** In accordance with the Local Government Act, in carrying on its business, the objectives of the Company will be to:
- (a) achieve the objectives of the Shareholders (both commercial and non-commercial) as specified in the Statement of Intent;
 - (b) be a good employer;
 - (c) exhibit a sense of social and environmental responsibility by having regard to the interests of the community in which it operates and by endeavouring to accommodate or encourage these when able to do so; and
 - (d) conduct its affairs in accordance with sound business practice.
- 2.5 **Policies:** The business of the Company shall be carried on in accordance with the Policies and Statement of Intent, except as approved under clauses 3.9 and 5.1.

3. BOARD

- 3.1 **Number of Directors:** The Principal Shareholders shall ensure that:
- (a) the number of Directors shall not at any time be more than seven nor less than ~~four~~five; and
 - (b) no less than ~~a majority of five~~ a majority of five Directors shall be Independent Directors.
- 3.2 **Appointment by Shareholders:** A person may be appointed or removed as a Director at any time by an Ordinary Resolution. The Directors at the date of this agreement are Paul Joseph Anderson, John Richard Avery, Mark Alan Butcher, Philip Wade Cory-Wright, Abigail Kate Foote and Craig Hamilton Stobo who, subject to the previous sentence and to clause 3.3 below, continue in office and are deemed to have been appointed pursuant to this agreement.
- 3.3 **Rotation of Directors:** ~~Beginning at, and including, the annual meeting for 2013, two Directors comprising one A Director who is an Independent Director and one Director who is not an Independent Director (unless there are only Independent Directors, in which case both shall be Independent Directors) shall retire from ~~hold~~ office at the (without re-election) ~~past the third~~ annual meeting of the Company in each year. The Directors to retire shall be that Independent Director, and that non-Independent Director, who have been longest in office since their last election (following the Director's appointment or if there are only Independent Directors, those Independent Directors who have been longest in office~~

Field Code Changed

Russell
McAugh

- ~~since their last election). If two or more relevant Directors were last elected on the same day, the Directors to retire shall (unless they otherwise agree among themselves) be determined by lot; three years, whichever is longer.~~ A retiring Director shall be eligible for re-election.
- 3.4 **Re-election of retiring Director:** A Director retiring ~~by rotation in accordance with clause 3.3~~ at a meeting shall, if standing for re-election, be deemed to have been re-elected unless:
- some other person is elected to fill the vacated office; or
 - it is resolved not to fill the vacated office; or
 - a resolution for the re-election of that Director is put to the meeting and lost.
- 3.5 **Nomination of Directors:** No person may be elected as a Director at a meeting (other than a Director retiring at the meeting) unless, not more than three months nor less than two months before the meeting, that person has been nominated by a Principal Shareholder entitled to attend and vote at the meeting by written notice to the Company and Shareholders' Council accompanied by the consent in writing of that person to the nomination. Notice of every valid nomination of a Director received by the Company before the closing date for nominations shall be sent by the Company to all persons entitled to attend the meeting together with, or as part of, the notice of meeting.
- 3.6 **Remuneration:** No remuneration or compensation for loss of office may be paid to a Director, and no other benefit may be provided to a Director, unless approved by Ordinary Resolution, provided that from the date of this agreement (unless and until altered with the approval of an Ordinary Resolution) the following fees shall be paid to Directors:
- a fee of \$75,000 per annum to the Director acting as chairman of the Board, if that Director is an Independent Director;
 - a fee of \$35,000 per annum to each other Director;
 - a fee of \$10,000 per annum to the Director acting as chairman of the audit and risk committee; and
 - a fee of \$7,500 per annum to each other Director appointed as a member of the audit and risk committee.
- 3.7 **Payment of expenses:** Notwithstanding the provisions of clause 3.6, Directors are entitled to be paid for all reasonable travel, accommodation and other expenses properly incurred by them in attending meetings of the Board, or any committee of the Board, or meetings of Shareholders, or otherwise in connection with the business of the Company.
- 3.8 **Board meetings:** Board meetings shall be held not less than once in each quarter in each year.
- 3.9 **Board decisions:** The following decisions of the Company shall be made by a resolution of the Board, and may not be delegated to any other person:
- whether to take, and the nature of, any legal, enforcement or other action following the occurrence of an Event of Review;

Field Code Changed

Russell
McAugh

- (b) whether to take, and the nature of, any legal, enforcement or other action (including declaring any Securities to be immediately due and payable) following an "Event of Default" (as defined in the Multi-issuer Deed) or a default under clauses 7.6, 7.7, 7.8 or 7.9 of the Multi-issuer Deed;
- (c) without limiting clause 5.1, the preparation of a Statement of Intent as and when required by the Local Government Act; and
- (d) without limiting clause 5.1, any amendment of, or departure from, the Policies or Statement of Intent.

3.10 **Conflict of Interest:** No Director shall vote on a matter relating to any of the following:

- (a) a matter as described in clause 3.9(a) as concerns a Participating Local Authority, if that Director is (or was, at any time in the five years prior to the matter being put to the vote) an employee or councillor of the relevant Participating Local Authority or an employee (which term does not include acting only as a director) of a Participating CCO owned (in whole or in part) by the Participating Local Authority;
- (b) a matter as described in clause 3.9(b) as concerns a Participating Local Authority, if that Director is (or was, at any time in the five years prior to the matter being put to the vote) an employee or councillor of the relevant Participating Local Authority or an employee (which term does not include acting only as a director) of a Participating CCO owned (in whole or in part) by the Participating Local Authority;
- (c) any amendment of, or departure from, the pricing Policy, if a Director is (or was at any time in the five years prior to the matter being put to vote):
 - (i) an employee or councillor of a Participating Local Authority; or
 - (ii) an employee (which term does not include acting only as a director) of a Participating CCO; or
 - (iii) an employee or councillor of a CCO Shareholder;
- (d) a matter as described in clause 3.9(a) as concerns a Participating CCO, if that Director is (or was, at any time in the five years prior to the matter being put to the vote) an employee or councillor of a CCO Shareholder of the relevant Participating CCO or an employee (which term does not include acting only as a director) of the Participating CCO; and
- (e) a matter as described in clause 3.9(b) as concerns a Participating CCO, if that Director is (or was, at any time in the five years prior to the matter being put to the vote) an employee or councillor of a CCO Shareholder of the relevant Participating CCO or an employee (which term does not include acting only as a director) of the Participating CCO.

4. SHAREHOLDERS' COUNCIL

- 4.1 **Establishment:** The Shareholders shall ensure that a Shareholders' Council is established, maintained and operated in accordance with this agreement. The Shareholders' Council shall have no more than ten, and no less than five, members. The initial members of the

Field Code Changed

3451-2033-69184451-2033-60183772653 3a9

9

Russell
McAugh

Shareholders' Council shall be Alan Adcock, Mohan De Mel, Douglas Marshall, Matt Potton, Murray Staite, Mike Timmer, Brian Trott, Matthew Walker and Warwick Hayes (together with any person appointed by the New Zealand Government in accordance with clause 4.4).

- 4.2 **Role:** The role of the Shareholders' Council shall be to advise Shareholders on certain matters (with Shareholders, and not the Shareholders' Council, to make decisions with respect to those matters). The Shareholders' Council shall:
- (a) review the performance of the Company and the Board, and report to Shareholders on these matters on a periodic basis, being no less frequently than every six months;
 - (b) make recommendations to Shareholders as to the appointment, removal, re-election, replacement and remuneration of Directors. For this purpose, the Shareholders' Council may request information from, and meet with, Directors (or persons nominated for election as Directors);
 - (c) make recommendations to Shareholders as to any matters which require the approval of Shareholders pursuant to clause 5.1; and
 - (d) endeavour to ensure that Shareholders are fully informed on matters concerning the Company, and endeavour to co-ordinate Shareholders on decisions required of Shareholders with respect to governance of the Company.
- 4.3 **Appointment of Nominating Local Authority by Shareholders:** A Principal Shareholder may be appointed or removed as a nominator to the Shareholders' Council ("**Nominating Local Authority**") at any time by an Ordinary Resolution, provided that no more than nine Nominating Local Authorities may be so appointed.
- 4.4 **Appointment of members of the Shareholders' Council:** Each Nominating Local Authority may appoint one member of the Shareholders' Council, and remove and replace any member so appointed by it, in each case, by notice to the Company. Each member appointed by a Nominating Local Authority must be an employee or councillor of that Nominating Local Authority. In addition, the New Zealand Government (for so long as it is a Shareholder) may appoint one other member of the Shareholders' Council, and remove and replace such other member so appointed by it, in each case, by notice to the Company.
- 4.5 **Notification and consent:** Each member of the Shareholders' Council appointed by a Nominating Local Authority must give consent in writing to the appointment (which consent shall confirm that the person shall comply with the terms of this agreement as they apply to members of the Shareholders' Council). Notice by a Nominating Local Authority of the appointment of a member and consent from that person to the appointment must be received by the Company before any member may attend a meeting of the Shareholders' Council.
- 4.6 **Rotation of Nominating Local Authorities:** Beginning at, and including, the annual meeting for 2013, the Shareholders shall ensure that two Nominating Local Authorities shall retire from office at the annual meeting of the Company in each year. The Nominating Local Authorities to retire shall be those who have been longest in office since their last election. If two or more of those Nominating Local Authorities were last elected on the same day, the Nominating Local Authority to retire shall (unless they otherwise agree among themselves) be determined by lot. A retiring Nominating Local Authority shall be eligible for re-election.

Field Code Changed

- 4.7 **Re-election of retiring Nominating Local Authority:** A Nominating Local Authority retiring by rotation at a meeting shall, if standing for re-election, be deemed to have been re-elected unless:
- (a) some other Principal Shareholder is elected to fill the vacated office; or
 - (b) it is resolved not to fill the vacated office; or
 - (c) a resolution for the re-election of that Nominating Local Authority is put to the meeting and lost.
- 4.8 **Nomination of Nominating Local Authority:** No Principal Shareholder may be elected as a Nominating Local Authority at a meeting (other than a member retiring at the meeting) unless, not less than one week prior to the notice of that meeting being sent to Shareholders, that Principal Shareholder has notified the Company in writing that it wishes to seek that election. The Company shall give notice that the Principal Shareholder is seeking that election to all persons entitled to attend the meeting together with, or as part of, the notice of meeting.
- 4.9 **Meetings:** Meetings of the Shareholders' Council shall be held not less than once in each quarter in each year.
- 4.10 **Quorum:** A quorum for a meeting of the Shareholders' Council shall be a majority of members. No business shall be transacted at a meeting of the Shareholders' Council if a quorum is not present.
- 4.11 **No remuneration:** No remuneration will be paid to the members of the Shareholders' Council for carrying out their functions as members of the Shareholders' Council.
- 4.12 **Expenses:** The Company will reimburse the members of the Shareholders' Council for any reasonable expenses incurred in carrying out their functions as members of the Shareholders' Council, including the reasonable fees and expenses of professional advisers engaged by the Shareholders' Council.
- 4.13 **Information, assistance etc:** The Company and the Shareholders agree that:
- (a) the Company, each Director and each Principal Shareholder shall provide the Shareholders' Council with such reasonable information and assistance as is required by the Shareholders' Council to carry out the role set out in clause 4.2;
 - (b) without limiting clause (a), the Company shall provide the Shareholders' Council with such information and reports as are required by the Statement of Intent;
 - (c) the Shareholders' Council shall provide to the Company, for distribution to Shareholders, a report of its recommendations concerning any of the matters referred to in clause 4.2(b) and 4.2(c) to be considered by a meeting of Shareholders, and the Company shall distribute that report with the notice of meeting for that meeting (or the written resolution to be signed by Shareholders, as the case may be); and
 - (d) if requested by the Shareholders' Council, the Company shall distribute a report for the Shareholders' Council as to the matters referred to in clause 4.2(a) and 4.2(d)

Field Code Changed

Russell
McAugh

to Shareholders with reports delivered to Shareholders under clause 12.3(a) or clause 12.3(b).

4.14 Resignation of a member: A member of the Shareholders' Council:

- (a) may resign by notice in writing to the Company; and
- (b) shall be deemed to resign if:
 - (i) that person is no longer an employee or councillor of the Nominating Local Authority of which the person was an employee or councillor at the time of appointment to the Shareholders' Council; or
 - (ii) the Principal Shareholder who appointed that member is no longer a Nominating Local Authority.

Where a member of the Shareholders' Council resigns or is deemed to resign under this clause, the Nominating Local Authority of whom that member was an employee or councillor, may appoint a replacement member to the Shareholders' Council in accordance with clause 4.4.

4.15 Resignation of a Nominating Local Authority: A Nominating Local Authority:

- (a) may resign by notice in writing to the Company; and
- (b) shall be deemed to resign if that Nominating Local Authority is no longer a Principal Shareholder.
- (c) Where a Nominating Local Authority resigns or is deemed to resign, the member of the Shareholders' Council appointed by that Nominating Local Authority shall be deemed to resign also.

4.16 Deemed Nominating Local Authorities: The Principal Shareholders, of whom the members of the Shareholders' Council as at 7 December 2011 were employees or councillors, are each deemed to be a Nominating Local Authority as at the date of the amendment to this agreement to provide for Nominating Local Authorities, and each such Nominating Local Authority is deemed to have an election date of 7 December 2011 for the purposes of clause 4.6. All members of the Shareholders' Council as at the date of the amendment to this agreement to provide for Nominating Local Authorities are deemed to have been appointed in accordance with clauses 4.4 and 4.5 by the Nominating Local Authority of which they are an employee or councillor, or the New Zealand Government (as applicable), at that time.

4.17 Other: Except as provided in this agreement, the Shareholders' Council may regulate its own procedure.

5. SHAREHOLDER APPROVAL

5.1 Restrictions: Neither the Board nor any Shareholder shall take or permit any action to cause any of the following to occur in respect of the Company unless it is approved by an Ordinary Resolution or, if required by law or in relation to clause 5.1(k), a Special Resolution:

- (a) any alteration to, or revocation of, the Constitution;

Field Code Changed

Russell
McAugh

- (b) any alteration or amendment to this agreement;
- (c) subject to clause 5.1(k), any alteration to, or departure by the Company from any of the policies set out in schedule 1, whether such an alteration or departure will occur by way of amendment to, or departure from, a Policy or the Statement of Intent, or by way of the adoption of a new Statement of Intent or a new Policy;
- (d) the payment of dividends other than in cash;
- (e) **[not used]**
- (f) any issue of Shares, securities that are convertible into or exchangeable for Shares, or options to acquire Shares except:
 - (i) pursuant to the First Opening;
 - (ii) the issue of Borrower Notes, or the issue of Redeemable Shares on the conversion of any Borrower Notes; and
 - (iii) the issue of any Redeemable Shares pursuant to a Guarantor's Equity Commitment;
- (g) any purchase or other acquisition by the Company of its own Shares and any redemption of Shares (other than of Redeemable Shares in accordance with clause 6.4);
- (h) any consolidation, division, or subdivision of Shares;
- (i) the giving of any financial assistance for the purpose of, or in connection with, the purchase of Shares, except any financial assistance given for the purpose of, or in connection with:
 - (i) a Guarantor's Equity Commitment; and
 - (ii) Borrower Notes, or the conversion of any Borrower Notes; or
- (j) the acquisition or subscription of any shares in a body corporate, except as is consistent with the Policy concerning investing by the Company, and except for the formation of a wholly-owned subsidiary of the Company (and any subsequent subscription of shares in such a subsidiary); or
- (k) any alteration to, or departure by the Company from, the following policy set out in schedule 1 whether such an alteration or departure will occur by way of amendment to, or departure from, a Policy, or by way of the adoption of a new Policy:

the Board may not approve a CCO to borrow from the Company unless 100% of the equity securities carrying voting rights at a meeting of shareholders of the CCO are held or controlled, directly or indirectly, by one or more Local Authorities and the Crown (if applicable).

Field Code Changed

6. SHARES

6.1 **Classes:** The Company may issue the following classes of Shares only:

- (a) Ordinary Shares;
- (b) Redeemable Shares, pursuant to a Guarantor's Equity Commitment or the conversion of the Borrower Notes; and
- (c) any other class of Shares approved by Shareholders under clause 5.1(f).

6.2 **Shareholders:** Only a Local Authority or the New Zealand Government may be a Shareholder, and no person may become a Shareholder without entering into an Accession Deed (so as to be bound by this agreement) or being deemed to have agreed to be bound by this agreement. No person may become the holder of any Ordinary Shares (other than the New Zealand Government) unless that person is a Guarantor and has entered into a Guarantor's Equity Commitment.

6.3 **Calls:** Calls on any Ordinary Shares which are not fully paid up shall be made at such times, and in such amounts, as determined by the Board, provided that the Board has determined that there is a risk of imminent default by the Company under its Borrowed Money Indebtedness. Any call on Ordinary Shares shall be made proportionately across all Ordinary Shares which are not fully paid up on issue at the time the call is made. Payment of a call shall be made within 10 Business Days of notice of the call being provided to a Shareholder.

6.4 **Redemption:** In the event the Company determines to redeem any Redeemable Shares, any redemption must be effected, if the redemption is required by a Guarantor's Equity Commitment, in accordance with the Guarantor's Equity Commitment and otherwise:

- (a) such that the Redeemable Shares are redeemed in the order in which they were issued; and
- (b) if Redeemable Shares were issued at the same time, proportionately across the holders of such Redeemable Shares (in accordance with the number of Redeemable Shares held).

6.5 **Additional funding:** A Shareholder shall not have any obligation to contribute any funding to the Company except as expressly set out in this agreement or in any other legally binding documentation entered into between the Company and that Shareholder.

7. FIRST OPENING

7.1 **Initial shareholdings:** Immediately following the First Opening (which shall take place on or about the date of this agreement), each Principal Shareholder as at the date of this agreement (in this clause 7 an "Original Principal Shareholder") will hold the number of Shares as set out in schedule 2.

7.2 **Reimbursement:** From the proceeds received pursuant to the First Opening, the Company shall pay to each Local Authority listed in schedule 3 the amount listed alongside its name in that schedule, in reimbursement of payments made by such Original Principal Shareholder

Field Code Changed

Russell
McLeagh

to New Zealand Local Government Association Inc. ("NZLGA") to fund the establishment costs of the Company.

- 7.3 **Repayment:** The parties acknowledge that the New Zealand Government has made an advance to NZLGA to assist with the funding of the establishment costs of the Company. The Company shall pay to the New Zealand Government an amount of \$950,000.00 by way of set off from the amount to be paid by the New Zealand Government to the Company pursuant to the First Opening. Following such payment and notwithstanding the terms of any facility or other agreement between NZLGA and the New Zealand Government, the New Zealand Government shall forgive (in writing) the advance made by it to NZLGA.
- 7.4 **NZLGA funds:** Following completion of the payments referred to in clauses 7.2 and 7.3, each Original Principal Shareholder shall direct NZLGA (in writing) to pay to the Company all moneys which remain held by NZLGA from payments made to it by that Original Principal Shareholder as referred to in clauses 7.2 and 7.3 (to the extent not required by NZLGA to pay establishment costs).
- 8. SECOND OPENING**
- 8.1 **Board to determine:** The Board shall determine when, and if, the Second Opening is to occur, and shall provide the then current Shareholders with not less than 25 Business Days' notice of the Second Opening in accordance with clause 8.2.
- 8.2 **Pro rata sell down:** In the Second Opening, each Principal Shareholder (other than the New Zealand Government) ("**Sell-Down Shareholder**") shall, subject to the following provisions of this clause 8, be required to transfer a number set by the Company of the Ordinary Shares held by the Sell-Down Shareholder to Incoming Principal Shareholders (as directed by the Company) (which number may comprise a number of paid up Ordinary Shares, and a number of Ordinary Shares which are not fully paid up, as set by the Company). The Company shall, subject to the following provisions of this clause 8, set that number for each Sell-Down Shareholder such that:
- (a) if the Sell-Down Shareholder holds Ordinary Shares which are not fully paid up, the Ordinary Shares to be transferred are such that, following the transfer, the Sell-Down Shareholder would hold paid up Ordinary Shares, and Ordinary Shares which are not fully paid up, in the same proportion as prior to the transfer;
 - (b) the proportion of Ordinary Shares to be transferred by each Sell-Down Shareholder shall be the same, other than:
 - (i) where a Sell-Down Shareholder would, as a result of such a transfer, hold less than 100,000 fully paid Ordinary Shares, in which case the Company shall set the number of Shares for that Sell-Down Shareholder as the maximum number which could be transferred by that Sell-Down Shareholder without the Sell-Down Shareholder thereafter holding less than 100,000 fully paid Ordinary Shares; and
 - (ii) as considered reasonable by the Company to allow for rounding; and
 - (c) Auckland Council, Christchurch City Council, Hamilton City Council, Tasman District Council, Tauranga City Council, Wellington City Council, Wellington Regional Council, Western Bay of Plenty District Council and Whangarei District

Field Code Changed

Russell
McAugh

Council shall, following that transfer, retain (in aggregate) 51% of all Ordinary Shares, provided that this clause 8.2(c) shall have no application if such Local Authorities did not hold (in aggregate) 51% of all Ordinary Shares immediately prior to the Second Opening.

The Company shall provide each Sell-Down Shareholder with written notice of the number of Ordinary Shares which it (subject to the following provisions of this clause 8) is required to transfer as part of the Second Opening ("**Specified Sale Number**"), and the numbers of paid up Ordinary Shares and Ordinary Shares which are not fully paid up comprised in the Specified Sale Number, not less than 25 Business Days before the date of the Second Opening.

- 8.3 **Non-pro rata sell down:** If a Sell-Down Shareholder ("**Non-Pro Rata Sell-Down Shareholder**") wishes to sell less than the Specified Sale Number, within five Business Days of receipt of the notice under clause 8.2, the Non-Pro Rata Sell-Down Shareholder shall provide the Company with written notice of the number of Ordinary Shares of the Specified Sale Number that it wishes to retain ("**Retained Share Number**"). Any such notice shall also set out the number of paid up Ordinary Shares, and Ordinary Shares which are not fully paid up, comprised in the Retained Share Number, which numbers must be in the same proportion as they are comprised in the Specified Sale Number (and if they are not, the notice shall be disregarded). If no such written notice is given by a Sell-Down Shareholder, then (subject to the following provisions of this clause 8) such Sell-Down Shareholder shall be obliged to transfer the Specified Sale Number of Ordinary Shares (comprised of such numbers of paid up Ordinary Shares, and Ordinary Shares which are not paid up, as were specified in the notice of the Company under clause 8.2) as part of the Second Opening.
- 8.4 **Other Shareholders:** If one or more Non-Pro Rata Sell-Down Shareholders serves a notice in accordance with clause 8.3, the Company shall, within three Business Days of the expiry of the five Business Day period specified in clause 8.3, issue a written notice offering the other Sell-Down Shareholders the opportunity to transfer additional Ordinary Shares pursuant to the Second Opening, by providing them with written notice of the total number of Retained Share Numbers of all Non-Pro Rata Sell-Down Shareholders (which shall include notice of the aggregate paid up Ordinary Shares, and aggregate Ordinary Shares which are not paid up, comprised in the total Retained Share Numbers). Each other Sell-Down Shareholder shall, if it so wishes, provide written notice to the Company of any additional Ordinary Shares (which may not exceed as concerns paid up Ordinary Shares, and Ordinary Shares which are not paid up, the aggregate numbers set out in the notice of the Company) that such Sell-Down Shareholder wishes to transfer as part of the Second Opening within five Business Days of receipt of such notice from the Company, provided that any such notice must be such that, if a transfer were made of the Ordinary Shares referred to in that notice (together with a transfer of the Specified Sale Number), the Sell-Down Shareholder would continue to hold no less than 100,000 fully paid Ordinary Shares and the same proportions of paid up, and not paid up, Ordinary Shares, and any notice which does not satisfy those requirements shall be disregarded.
- 8.5 **Consequences:** If:
- (a) no notice is received from Sell-Down Shareholders in accordance with clause 8.4, each Non-Pro Rata Sell-Down Shareholder shall be obliged to transfer the Specified Sale Number of Ordinary Shares (comprised of such numbers of paid up Ordinary Shares, and Ordinary Shares which are not paid up, as were specified in the notice of the Company under clause 8.2) in the Second Opening;

Field Code Changed

Russell
McAugh

- (b) notices are received from Sell-Down Shareholders in accordance with clause 8.4, the Company shall determine:
- (i) for each Non-Pro Rata Sell-Down Shareholder, the number of paid up Ordinary Shares, and Ordinary Shares which are not paid up, by which the Specified Sale Number of the Non-Pro Rata Sell-Down Shareholder shall be reduced (which may not exceed the numbers set out in the notice given by the Non-Pro Rata Sell-Down Shareholder under clause 8.3); and
 - (ii) for each Sell-Down Shareholder which gave notice under clause 8.4, the number of paid up Ordinary Shares, and Ordinary Shares which are not paid up, by which the Specified Sale Number of the Non-Pro Rata Sell-down Shareholder shall be increased (which may not exceed the numbers set out in the notice given by the Sell-Down Shareholder under clause 8.4).

In making that determination the Company shall act fairly and equitably as between Shareholders. The determination of the Company shall be final and binding on all parties, and each Sell-Down Shareholder shall be obliged to transfer the Specified Sale Number of Ordinary Shares as so reduced or increased by the Company (comprised of such numbers of paid up Ordinary Shares, and Ordinary Shares which are not paid up, as so determined by the Company) as part of the Second Opening.

- 8.6 **Notice:** The Company shall give notice to all Sell-Down Shareholders of the number of Ordinary Shares which it is required to transfer as part of the Second Opening, and the number of paid up Ordinary Shares and Ordinary Shares which are not paid up comprised in that number, in accordance with clauses 8.2 to 8.5, within three Business Days of the expiry of the five Business Days referred to in clause 8.4, if clause 8.5(a) is applicable, and otherwise within three Business Days of its determination under clause 8.5(b).
- 8.7 **Price:** Any Ordinary Shares to be transferred as part of the Second Opening shall be transferred at a price per share equal to the amount paid up on that share at the time of the Second Opening.
- 8.8 **Terms of sale:** The purchase of any Ordinary Shares as part of the Second Opening shall be effected on the following terms:
- (a) each Sell-Down Shareholder shall transfer the Ordinary Shares which it is obliged to transfer as part of the Second Opening to such Incoming Principal Shareholder as notified to such Sell-Down Shareholder by the Company pursuant to clause 8.6;
 - (b) the purchase of the Ordinary Shares shall be settled on the date of the Second Opening;
 - (c) each Sell-Down Shareholder shall transfer to each Incoming Principal Shareholder good title to the Ordinary Shares free of any security interest; and
 - (d) on settlement of the purchase of the Ordinary Shares, each Incoming Principal Shareholder shall pay the purchase price to the relevant Sell-Down Shareholder in cleared funds, the Sell-Down Shareholder shall deliver to the relevant Incoming Principal Shareholder a transfer of the Ordinary Shares in a form reasonably

Field Code Changed

Russell
McAugh

acceptable to that Incoming Principal Shareholder, and each Incoming Principal Shareholder and Sell-down Shareholder shall enter into and deliver to the Company an Accession Deed in accordance with clause 10.11. If any Shareholder fails to enter into that Accession Deed, it shall nevertheless be conclusively deemed to have done so. The Board shall take all necessary steps to cause the Incoming Principal Shareholder to be registered as holder of the relevant Ordinary Shares.

- 8.9 **Clause 10:** Nothing in clause 10 (except clause 10.11) applies to a transfer of Ordinary Shares in the Second Opening.
9. **SECTION 107 CONSENTS**
- 9.1 **Consent:** Each Shareholder hereby consents:
- (a) for the purposes of section 107(d) of the Companies Act, to any redemption from time to time, in accordance with this agreement and the Constitution, of any of the Redeemable Shares by the Company, being otherwise than in accordance with sections 69 to 72 of the Companies Act;
 - (b) for the purposes of section 107(e) of the Companies Act, to financial assistance (if any) being given by the Company from time to time for the purpose of, or in connection with, the purchase of any Shares, otherwise than in accordance with sections 76 to 80 of the Companies Act, where such assistance is in the form of:
 - (i) any loan, advance or other financial accommodation given by the Company which funds (directly or indirectly) the subscription by a Participating Borrower of Borrower Notes, or of the Redeemable Shares issued on conversion of Borrower Notes, and any incidental assistance; or
 - (ii) any loan, advance or other financial accommodation given by the Company which funds (directly or indirectly) the subscription by a Guarantor of Redeemable Shares pursuant to the Guarantor's Equity Commitment, and any incidental assistance; and
 - (c) for the purposes of section 107(2) of the Companies Act, to any issue of Redeemable Shares from time to time pursuant to conversion of Borrower Notes, or pursuant to a Guarantor's Equity Commitment, being otherwise than in accordance with sections 42, 44 or 45 of the Companies Act.
- 9.2 **No withdrawal:** Each Shareholder covenants that it shall not withdraw any consent provided under clause 9.1. If any Shareholder does withdraw any such consent, this shall constitute a breach of this agreement which shall be an Event of Default.
- 9.3 **Not exhaustive:** For the avoidance of doubt, nothing in this clause 9 prohibits or restricts the Board or the Company from redeeming any Shares, providing financial assistance for the purpose of, or in connection with, the purchase of any Shares or issuing any Shares without consent under section 107 of the Companies Act, where permitted under the Companies Act, and subject to the other terms of this agreement.

Field Code Changed

10. PRE-EMPTIVE RIGHTS

- 10.1 **No sale:** No Principal Shareholder shall directly or indirectly sell, transfer, or dispose of the legal or beneficial ownership of, or the control of, any of its Ordinary Shares otherwise than in compliance with clause 8, this clause 10 or clause 13. No interest in, or control of, any Ordinary Share may be sold, transferred or disposed of except the full legal and beneficial ownership of an Ordinary Share.
- 10.2 **Sale notice:** If any Principal Shareholder ("**Seller**") wishes to sell, transfer or otherwise dispose of the legal or beneficial ownership of, or the control of, any of its Ordinary Shares ("**Sale Interest**"), that Shareholder shall give notice (a "**Sale Notice**") to the other Principal Shareholders specifying:
- (a) the precise nature of the Sale Interest (including the number of Shares involved, which must be an equal proportion of any paid up, and unpaid, Ordinary Shares held by the Seller),
 - (b) the price which the Seller wishes to receive for the Sale Interest; and
 - (c) any other terms and conditions of sale of the Sale Interest (which shall be described sufficiently precisely to enable an acceptance of the offer in the Sale Notice to constitute a binding contract).
- 10.3 **Acceptance of Sale Notice:** Each Principal Shareholder other than the Seller may, not later than the date ("**Acceptance Date**") 10 Business Days after the giving of the Sale Notice, give notice to the Seller that that Principal Shareholder wishes to acquire the Sale Interest on the terms specified in the Sale Notice.
- 10.4 **Terms of sale:** A Principal Shareholder which gives notice to the Seller in accordance with clause 10.3 that it wishes to acquire the Sale Interest (a "**Buyer**") shall be entitled and bound (subject to clause 10.5) to acquire the Sale Interest. If more than one Principal Shareholder gives notice to the Seller that it wishes to acquire the Sale Interest, those Principal Shareholders shall be entitled and bound to acquire the Sale Interest in proportion to their respective holdings of Ordinary Shares. The purchase of the Sale Interest shall be effected at the price, and on the terms and conditions, specified in the Sale Notice, and, subject to anything to the contrary in the Sale Notice, on the following terms:
- (a) the purchase of the Sale Interest shall be settled on the date 10 Business Days after the Acceptance Date, or if clause 10.5 applies, 10 Business Days after the last of the consents referred to in clause 10.5 is obtained;
 - (b) if there is more than one Buyer, the purchase of the Sale Interest by all Buyers shall be settled simultaneously;
 - (c) the Seller shall transfer to each Buyer good title to its relevant part of the Sale Interest free of any security interest; and
 - (d) on settlement of the purchase of the Sale Interest each Buyer shall pay the relevant purchase price to the Seller in cleared funds, and the Seller shall deliver to each Buyer a transfer of its relevant part in the Sale Interest in a form reasonably acceptable to that Buyer. All Shareholders and the Board shall take all necessary steps to cause the Buyer to be registered as holder of the relevant Shares.

Field Code Changed

Russell
McAugh

- 10.5 **Consents:** Each Buyer and the Seller shall use their reasonable endeavours, with all due speed and diligence, to obtain all necessary consents to the sale and purchase of the Sale Interest, including any consent required from any governmental or regulatory agency or authority. If any necessary consent is:
- (a) not granted within 20 Business Days after the Acceptance Date; or
 - (b) granted on terms and conditions that are not reasonably acceptable to the party affected thereby,
- the Seller or any Buyer may, by notice to all Principal Shareholders, terminate the obligation to buy and sell the Sale Interest created by clause 10.4.
- 10.6 **Sale to other Local Authorities:** If:
- (a) no notice is given to the Seller pursuant to, and within the time specified in, clause 10.3; or
 - (b) the obligation to buy and sell the Sale Interest is terminated pursuant to clause 10.5 by reason of a consent required on the part of any Buyer not being granted, or being granted on terms and conditions not reasonably acceptable to any Buyer,
- the Seller may, subject to clauses 10.8 and 10.11 within 60 Business Days of the date of the Sale Notice, transfer the Sale Interest to a Local Authority or the New Zealand Government for a price not less than, and on terms and conditions no more favourable than, specified in the Sale Notice. For this purpose, terms and conditions offered to another Local Authority or the New Zealand Government shall not be considered to be more favourable to a buyer than those specified in the Sale Notice by reason only:
- (c) that the terms offered to that person include normal and reasonable warranties; or
 - (d) of inclusion in the terms offered to that person of terms which give no material value to a buyer.
- 10.7 **Assistance:** For the purpose of clause 10.6, each Shareholder shall provide such assistance as may reasonably be required by the Seller for the purposes of enabling the Seller to solicit offers for, and sell, the Sale Interest including:
- (a) allowing prospective purchasers and their advisers to carry out reasonable due diligence enquiries (subject to those persons entering into appropriate confidentiality arrangements); and
 - (b) enabling completion of any such sale to take place.
- 10.8 **Approval of purchaser:** The Seller shall not transfer a Sale Interest to any person unless the Seller has obtained the prior written approval of the Board to registration pursuant to clause 12.5 of the Constitution (which approval may be granted or not in accordance with clause 12.5 of the Constitution).
- 10.9 **Clause to apply again:** If:
- (a) notice is given to the Seller pursuant to clause 10.3, but the obligation to buy and sell the Sale Interest is terminated pursuant to clause 10.5 (other than for the reason specified in clause 10.6(b));

Formatted: Indent: Left: 0 cm, Hanging: 1.5 cm, Keep with next

Field Code Changed

Russell
McAugh

- (b) the Seller proposes to sell, transfer, or otherwise dispose of the Sale Interest outside the period referred to in clause 10.6, or at a price, or on terms and conditions more favourable to a buyer than, specified in the Sale Notice; or
- (c) the Seller does not obtain the approval referred to in clause 10.8,
- clauses 10.1 to 10.9 shall again apply.
- 10.10 **Redeemable Shares:** Clauses 10.1 to 10.9 shall not apply to Redeemable Shares. No Shareholder shall directly or indirectly sell, transfer, or dispose of the legal beneficial ownership of, or control of, any of its Redeemable Shares except with the prior written approval of the Board (which approval may be granted or not, at the discretion of the Board).
- 10.11 **Accession Deed:** Whenever a Shareholder transfers the legal or beneficial ownership of any Shares to a person who is not a party to this agreement, that person and that Shareholder shall enter into and deliver to each other an Accession Deed. Each person entering into an Accession Deed shall also deliver to the Company such evidence as it reasonably requires in order to be satisfied that that Accession Deed is valid, binding, and enforceable as against that person. The Company is irrevocably authorised to execute each Accession Deed on behalf of all Shareholders (other than the transferring Shareholder).
- 10.12 **Security:** Notwithstanding the other provisions of this clause 10, a Shareholder shall, subject to obtaining the prior written consent of the Board (which approval may be granted or not, at the discretion of the Board), be permitted to grant a security interest over its Shares subject to the holder of the security interest agreeing, in a form reasonably acceptable to the Company, to be bound by this agreement.
- 10.13 **Amalgamation:** Nothing in clauses 10.1 to 10.11 shall apply to a Local Authority succeeding, by process of law, to the Shares of another Local Authority, pursuant to an amalgamation of Local Authorities.
11. **PROTECTED TRANSACTION**
- 11.1 **[Not used]**
- 11.2 **[Not used]**
- 11.3 **Protected transaction:** Each Principal Shareholder (other than the New Zealand Government) warrants that, for the purposes of section 117 of the Local Government Act, the entry by it into, and the performance by it of, this agreement, is:
- (a) in compliance with the Local Government Act;
- (b) not contrary to any provision of the Local Government Act;
- (c) within the capacity, rights and powers of the relevant Principal Shareholder; and
- (d) for the purpose authorised by the Local Government Act or any other statute.

Field Code Changed

Russell
McAugh**12. FINANCIAL**

- 12.1 **Records:** The Board shall ensure that proper accounting and other records of the Company are maintained in accordance with generally accepted accounting practice (as defined in section 5 of the Local Government Act) and all relevant legal requirements.
- 12.2 **Audit:** The Board shall ensure that the financial statements of the Company are audited by the Auditor as at the end of each financial year (as defined in section 5 of the Local Government Act).
- 12.3 **Reporting:** The Company must provide reports to Shareholders in accordance with the requirements of the Local Government Act, including:
- (a) by the end of February in each year, the Board must deliver to Shareholders a report on the Company's operations during the six month period ending on 31 December in the previous year in accordance with section 66 of the Local Government Act; and
 - (b) by the end of September in each year, the Board must deliver to Shareholders, and make available to the public, a report on the Company's operations during the year ending on the preceding 30 June in accordance with section 67 of the Local Government Act.

The Company must provide to Shareholders a copy of its unaudited financial statements for the six month period ending on 31 December in the previous year together with the half-yearly report to be delivered pursuant to clause 12.3(a).

- 12.4 **Debenture Trust Deed Notifications:** The Company shall:
- (a) to the extent known by the Company, notify each Shareholder (in writing) of any Event of Default affecting any other Shareholder or Guarantor as soon as reasonably practicable after its occurrence, and of the steps taken or proposed to be taken in relation to such Event of Default, provided that:
 - (i) the Company's obligation under this clause 12.4(a) only applies in respect of Securities of which it is the Holder; and
 - (ii) the Company shall not be liable for:
 - (aa) any failure to provide such notification to a Shareholder; or
 - (bb) any inaccurate, incomplete or incorrect information given in such a notification, provided the notification is given by the Company in good faith; and
 - (b) promptly notify each Shareholder (in writing) if the Board determines that there is a risk of imminent default under any Borrowed Money Indebtedness;
 - (ba) to the extent known by the Company, promptly notify each Shareholder (in writing):
 - (i) if any Event of Default (as defined in the Multi-issuer Deed) occurs in relation to a Participating CCO; or

Field Code Changed

Russell
McAugh

- (ii) where there is a risk that the CCO Shareholder will not be able to meet an obligation to pay any amount uncalled and/or unpaid in respect of its Participating CCO;
- (c) within one Business Day of receipt of a written request from a Shareholder or the Shareholder's Trustee, notify the Shareholder and the Shareholder's Trustee (in writing) of the "nominal amount" of the Security Stock:
 - (i) held by the Company in respect of the Shareholder's obligations under each of the Multi-issuer Deed and, where the Shareholder is a Guarantor, the Equity Commitment Deed; and
 - (ii) where the Shareholder is a Guarantor, held by the Security Trustee in respect of the Shareholder's obligations under the Guarantee,

in each case, as at the date of the Company's notification.

In this clause 12.4, "Holder", "Security Trustee", "Trustee", "Security Stock", "Equity Commitment Deed" and "Guarantee" each have the meaning given in the Multi-issuer Deed.

- 12.5 **SOI reporting:** The Company must provide quarterly reports to the Shareholders' Council in accordance with any requirements of the Statement of Intent (which shall include, without limitation, to the extent known by the Company, details of any Event of Review occurring in any quarter, and the steps taken (or proposed to be taken) by the Company in relation to that Event of Review, and provided that clause 12.4(a)(ii) shall also apply to any such notification (or failure to provide any such notification) concerning an Event of Review).

13. DEFAULT

- 13.1 **Consequences:** If an Event of Default occurs in respect of a Shareholder (the "**Defaulting Shareholder**"):
- (a) the Company may, while that Event of Default continues, by notice in writing to the Defaulting Shareholder require that the Defaulting Shareholder transfer all of its Shares to a Local Authority, the New Zealand Government or the Company, as the Board may determine, at Fair Value. Clauses 11.2 to 11.4 of the Constitution shall apply to any such required transfer as if it were the sale of a forfeited Share under those provisions. Clause 10 (other than clause 10.11) of this agreement shall not apply to any such transfer;
 - (b) while that Event of Default continues, the Defaulting Shareholder shall not be entitled to exercise any votes attaching to its Shares; and/or
 - (c) while that Event of Default continues, the Defaulting Shareholder shall not be entitled to receive any dividends or other distributions which may become payable in respect of any of its Shares, provided that, if the Event of Default is remedied, the amount of any accrued but unpaid dividends or other distributions will be paid to the Defaulting Shareholder as soon as reasonably practicable following such Event of Default becoming remedied (after deduction of any amounts owing to the Company by such Defaulting Shareholder).

Field Code Changed

13.2 **Default interest:** If any party does not pay any amount payable under this agreement on the due date for payment ("**Due Date**") that party shall pay to the other party interest (both before and after judgment) on that amount. That interest:

- (a) shall be paid at the Bill Rate plus five per cent. per annum;
- (b) shall be paid by instalments at intervals of ten Business Days from the Due Date; and
- (c) shall be calculated on a daily basis from and including the Due Date until the unpaid amount is paid in full.

The right of a party to require payment of interest under this clause does not limit any other right or remedy of that party.

13.3 **Other remedies:** Clauses 13.1, and 13.2 are without prejudice to any other right, power or remedy under this agreement, at law, or otherwise, that any person has in respect of a default by any party. The parties agree that no sale of a Share under clause 11.1 of the Constitution may be made except at a price which is equal to or greater than Fair Value, and that nothing in clause 10 (except clause 10.11) shall apply to any such sale.

14. CONFIDENTIALITY

14.1 **Confidentiality Obligation:** Subject to clause 14.2, each Shareholder and, in respect of (a) and (b) below only, the Company, shall keep confidential, and make no disclosure of:

- (a) the existence and contents of this agreement;
- (b) all information obtained from the Shareholders under this agreement or in the course of negotiations in respect of this agreement; and
- (c) all information obtained from the Company, or developed or held for the purposes of the Company,

(together "**Information**").

14.2 **Exceptions:** Information may be disclosed by a Shareholder or the Company if:

- (a) written consent to the disclosure is given by the party to which the Information relates;
- (b) disclosure is required by law, is necessary to comply with the listing rules of any recognised stock exchange, or if the Company determines disclosure in any prospectus, investment statement, product disclosure statement, offering memorandum or offer or disclosure document of the Company is necessary or desirable; or
- (c) disclosure is necessary to obtain the benefits of, and fulfil obligations under, this agreement or as necessary for the enforcement of, or any proceedings or claims with respect to, this agreement (or any other agreements or deeds which concern the Company);

Field Code Changed

Russell
McAugh

- (d) that Information already is, or becomes, public knowledge other than as a result of a breach of clause 14.1 by that Shareholder or the Company (as the case may be); or
- (e) disclosure is made to a lawyer, accountant or other professional adviser of that Shareholder or the Company.

15. NOTICES

15.1 **Writing:** Each notice or other communication to be given or made under this agreement to any person must:

- (a) **Writing:** be given or made in writing by email or letter and be signed by the sender or an authorised officer of the sender;
- (b) **Address:** be given or made to the recipient at the address or email address and marked for the attention of the person (if any), from time to time designated by the recipient to the other for the purposes of this agreement;
- (c) **Deemed delivery:** not be effective until received by the recipient, and any such notice or communication shall be deemed to be received:
 - (i) (if given or made by letter) when left at the address of the recipient or 5 Business Days after being put in the post, postage prepaid, and addressed to the recipient at that address; or
 - (ii) (if given or made by email) when dispatched in tangible, readable form by the sender to the email address advised by the recipient from time to time,

provided that any notice or communication received or deemed received after 5pm on a working day in the place to which it is sent, or on a day which is not a working day in that place, shall be deemed not to have been received until the next working day in that place.

15.2 **Initial address and numbers:** The initial address, email address and person (if any) designated for the purpose of this agreement, are set out in schedule 6.

16. DISPUTES

16.1 **Arbitration:** Any dispute, difference or claim arising out of or in connection with this agreement, or the subject matter of this agreement, including any dispute as to its existence or validity ("**Dispute**") will be referred to arbitration by a single arbitrator. The arbitration will be commenced by a party giving notice to the other parties stating the subject matter and details of the Dispute and requiring the Dispute to be referred to arbitration. The arbitrator will be appointed by the parties, or failing agreement within 10 Business Days after, and exclusive of, the date of giving the notice, will be appointed at the request of a party by the president or vice-president for the time being of the New Zealand Law Society or the nominee of such president or vice-president. The place of arbitration will be Auckland.

16.2 **Appeals on points of law:** The parties waive any right to seek a determination by the court of a preliminary point of law (pursuant to section 4, Second Schedule to the Arbitration Act

Field Code Changed

Russell
McCaugh

1996) and to appeal on a question of law (pursuant to section 5, Second Schedule to the Arbitration Act 1996).

16.3 **Costs:** The parties will bear their own costs (including legal costs) and an equal share of the costs of the award in relation to the arbitration, unless the arbitrator determines that a party shall bear some proportion of, or all of, the costs of any other party because of impropriety, lack of cooperation or unreasonable conduct by that party.

16.4 **Binding:** The determination of an arbitrator appointed pursuant to clause 16.1 shall be binding on the parties.

17. WARRANTIES

17.1 **Warranties:** Each party represents and warrants that:

- (a) **Power:** it has full legal capacity and power to enter into this agreement and to carry out the transactions that it contemplates;
 - (b) **Authorisations:** it holds each Authorisation that is necessary or desirable to:
 - (i) execute this agreement and to carry out the transactions that it contemplates;
 - (ii) ensure that this agreement is legal, valid, binding and admissible in evidence; or
 - (iii) enable it to properly carry on its business, and it is complying with any conditions to which any of these Authorisations is subject;
 - (c) **Documents effective:** this agreement constitutes legal, valid and binding obligations, enforceable against it in accordance with its terms (except to the extent limited by equitable principles and laws affecting creditors' rights generally); and
 - (d) **No contravention:** neither its execution of this agreement nor the carrying out by it of the transactions that it contemplates, does or will:
 - (i) contravene any law to which it or any of its property is subject or any order that is binding on it or any of its property;
 - (ii) contravene any Authorisation;
 - (iii) contravene any undertaking or instrument binding on it or any of its property; or
 - (iv) require it to make any payment or delivery in respect of any financial accommodation or financial instrument before it would otherwise be obliged to do so.
- 17.2 **Consultation:** Without limiting clause 17.1, each Shareholder which is a Local Authority represents and warrants to each other party that it has complied with section 56 of the Local Government Act in connection with its subscription for and/or acquisition of Shares in the Company.

Formatted: Indent: Left: 1.5 cm, Keep with next

Field Code Changed

Russell
McAugh**18. GENERAL**

18.1 **Term:** This agreement shall terminate on the earlier of:

- (a) the date on which the liquidation of the Company is completed; and
- (b) the date on which one person owns all of the Shares.

18.2 **No partnership, joint venture:** Nothing in this agreement shall create or evidence any partnership, joint venture, agency, trust or employer/employee relationship between any of the Shareholders, and a Shareholder may not make, or allow to be made, any representation that any such relationship exists between any of the Shareholders. A Shareholder shall not have authority to act for, or to incur any obligation on behalf of, any other Shareholder, except as expressly provided for in this agreement. No Shareholder has any obligation of good faith or similar obligation to any other Shareholder.

18.3 **Counterparts:** This agreement is deemed to be signed by a party if that party has signed or attached that party's signature to any of the following formats of this agreement:

- (a) an original; or
- (b) a facsimile copy; or
- (c) a photocopy; or
- (d) a PDF or email image copy;

and if every party has signed or attached that party's signature to any such format and delivered it in any such format to the other parties, the executed formats shall together constitute a binding agreement between the parties.

18.4 **Entire agreement:** This agreement constitutes the entire agreement between the parties relating to the subject matter of this agreement and supersedes and cancels any previous agreement, understanding or arrangement whether written or oral.

18.5 **Severance:** If any provision of this agreement is, or becomes unenforceable, illegal or invalid for any reason it shall be deemed to be severed from this agreement without affecting the validity of the remainder of this agreement and shall not affect the enforceability, legality, validity or application of any other provision of this agreement.

18.6 **Further assurance:** Each party shall make all applications, execute all documents and do or procure all other acts and things reasonably required to implement and to carry out its obligations under, and the intention of, this agreement.

18.7 **Amendment:** This agreement may be amended in accordance with the terms of any Ordinary Resolution. If any such Ordinary Resolution is passed, the amendment recorded in that resolution shall take effect in accordance with their terms, and the Company shall prepare a deed recording such amendments, and may execute that deed on behalf of each Shareholder. Each Shareholder irrevocably appoints the Company as its attorney to execute such a deed on its behalf.

18.8 **Governing law:** This agreement is governed by the laws of New Zealand and the parties submit to the non-exclusive jurisdiction of the courts of New Zealand in respect of any dispute or proceeding arising out of this agreement.

Formatted: Indent: Left: 0 cm, Hanging: 1.5 cm, Keep with next

Field Code Changed

Russell
McAugh

18.9 **No guarantee:** The parties acknowledge that the obligations and liabilities of the Company under this agreement are not guaranteed by the Crown.

SIGNATURES

[Original execution blocks intentionally deleted]

Field Code Changed

3451-2033-69184451-2033-60183772653 3d9

28

Russell
McCaugh

SCHEDULE 1
Foundation Policies
(Clause 5.1)

All foundation policies may be reviewed annually by Principal Shareholders at the annual meeting of Shareholders. Any alteration requires approval pursuant to clause 5.1.

Credit Risk

Lending Policy

All Local Authorities that borrow from the Company will:

- Provide debenture security in relation to their borrowing from the Company and related obligations, and (if relevant), equity commitment liabilities to the Company and (if relevant) guarantee liabilities to a security trustee approved for the Company's creditors.
- Issue securities (bonds / FRNs / CP) to the Company and/or enter into facility arrangements with the Company.
- Comply with their own internal borrowing policies.
- Comply with the financial covenants outlined in the following table, provided that:
 - Unrated Local Authorities or Local Authorities with a long-term credit rating lower than 'A' equivalent can have bespoke financial covenants that exceed the:
 - Lending policy covenants outlined in the following table with the approval of the Board;
 - Foundation policy covenants outlined in the following table with the approval of an Ordinary Resolution.
 - Local Authorities with a long-term credit rating of 'A' equivalent or higher will not be required to comply with the lending policy covenants in the following table, and can have bespoke financial covenants that exceed the foundation policy covenants outlined in the following table with the approval of an Ordinary Resolution.
 - Any Board or Ordinary Resolution approval of bespoke financial covenants will only be provided after a robust credit analysis and any approval must also include bespoke reporting and monitoring arrangements.
- If the principal amount of a Local Authority's borrowings or the Company's commitment under a facility agreement with a Local Authority is at any time greater than NZD 20 million, be a party to a deed of guarantee and an equity commitment deed (in each case in a form set by the Company).

Financial covenant	Lending policy covenants	Foundation policy covenants
Net Debt / Total Revenue	<175%	<250%
Net Interest / Total Revenue	<20%	<20%
Net Interest / Annual Rates Income	<25%	<30%
Liquidity	>110%	>110%

Field Code Changed

Russell
McCaugh

Total Revenue is defined as cash earnings from rates, grants and subsidies, user charges, interest, dividends, financial and other revenue and excludes non-government capital contributions (e.g. developer contributions and vested assets).

Net debt is defined as total debt less liquid financial assets and investments.

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

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

Annual Rates Income is defined as the amount equal to the total revenue from any funding mechanism authorised by the Local Government (Rating) Act 2002 together with any revenue received from other local authorities for services provided (and for which the other local authorities rate).

Financial covenants are measured on Council only basis and not consolidated group basis, unless requested by a Local Authority and approved by the Board.

During the initial three years of operation the Auckland Council will be limited to a maximum of 60% of the Company's total Local Authority (including CCOs (as defined below)) assets. After three years Auckland Council will be limited to a maximum of 40% of the Company's total Local Authority (including CCO) assets.

No more than the greater of NZD 100 million or 33% of a Local Authority's or CCO's (as defined below) borrowings from the Company will mature in any 12 month period.

Subject to implementation of any amendments or other actions considered necessary, advisable or expedient by the Board and the approval of the Board in relation to the relevant CCO (as defined below) (which may be a Council-Controlled Trading Organisation), an approved CCO may borrow from the Company provided that:

- The CCO is a "council-controlled organisation" as defined in section 6 of the Local Government Act 2002, where the CCO is a company in which equity securities carrying at least 51% or more of the voting rights at a meeting of the shareholders of the CCO are held or controlled, directly or indirectly, by one or more Local Authorities (respectively, a "CCO" and each such Local Authority being a "CCO Shareholder");
- Each CCO Shareholder provides a guarantee in respect of the CCO in favour of the Company and/or there is sufficient uncalled capital in respect of the CCO to meet the financial obligations of the CCO;
- Each CCO Shareholder provides equity commitment liabilities to the Company, guarantees liabilities to a security trustee approved for the Company's creditors, and provides debenture security for its equity commitments to the Company and guarantee liabilities to the security trustee;
- Each CCO Shareholder complies with Lending policy financial covenants, Foundation policy financial covenants or other financial covenants required by the Board (if any);
- The CCO complies with any covenants required by the Board; and
- If required by the Board, the CCO will grant security in favour of the Company (which may be subject to any intercreditor arrangements acceptable to the Board);

Where the Company agrees to provide funding to the CCO, it must within 90 days of receiving annual financial covenant reporting from a CCO Shareholder (in its capacity as a borrower) report to the Shareholders' Council, holders of ordinary shares in the Company and any Local Authority guarantors of the Company's liabilities as to whether that CCO Shareholder has complied with its financial covenants on an individual and consolidated group basis.

Notwithstanding the definition of "CCO" set out above, the Board may not approve a CCO to borrow from the Company unless 100% of the equity securities carrying voting rights at a meeting of

Field Code Changed

Russell
McCaugh

shareholders of the CCO are held or controlled, directly or indirectly, by one or more Local Authorities and the Crown (if applicable).

Cash and Liquid Investment Policy

The Company will only invest in NZD senior debt securities, money market deposits and registered certificates of deposits within the counterparty limits outlined in the following table:

New Zealand Local Authority and CCO securities are excluded from the Company's cash and liquidity portfolio.

Counterparty ¹	S & P Credit Rating or equivalent (Short-term / long-term) ²	Maximum % Limit (Total Cash + Liquid Assets)	Minimum % Limit (Total Cash + Liquid Assets)	Maximum New Zealand Dollar counterparty Limit (millions) ³	Maximum term (years) ⁴
Category 1: NZ Government or RBNZ ⁵	N/A	100%	20%	Unlimited	No longer than the longest-dated LGFA maturity on issue
Category 2	A1+ / AAA	80%	N/A	300	3
Category 3	A1+ / A1 / AA+	80%	N/A	200	3
	A1+ / A1 / AA-	80%	N/A	200	3
Category 4	A1- / A+, NZ Registered Bank	60%	N/A	200	3
Category 5	A1- / A+, Other Issuers	40%	N/A	50	4

The maximum individual counterparty limit (excluding the NZ Government) cannot be greater than 100% of Accessible Capital. Accessible Capital is defined as issued and paid capital plus retained earnings plus issued and unpaid capital plus outstanding borrower notes.

Derivative Policy

Unless explicitly approved otherwise by the Board, all derivative transactions must be transacted with New Zealand Debt Management as counterparty.

¹ Category 2, 3, 4 and 5 counterparties do not include the RBNZ or the NZ Government.
² Short term rating applies for all securities with a maturity date of 365 days or less.
³ If the counterparty credit rating is downgraded below the allowed limit, LGFA has 30 days to sell the security.
⁴ Maximum term applies from the date of settlement.
⁵ At least 20% of the portfolio must be held at the RBNZ or invested in NZ Government securities.

Field Code Changed

Russell
McAugh**Market Risk**

The Company's total 12-month forecast portfolio PDH (Partial Differential Hedge) Limit is \$100,000⁶.

The Company's total portfolio Value at Risk (VaR) daily limit is \$1,000,000⁷.

Foreign exchange risk policy

The Company will take no foreign exchange risk.

Operational Risk

Unless explicitly approved otherwise by the Board, the Company will outsource the following functions to New Zealand Debt Management as follows:

- Hedging — New Zealand Debt Management is the LGFA interest rate swap counterparty.

Dividend policy

The policy is to pay a dividend that provides an annual rate of return to Shareholders equal to the Company's cost of funds plus 2.00% over the medium term, recognising that, to assist in the start-up period, the initial expectation is for no dividend for the part period to 30 June 2012, and for a dividend equal to 50% of the target dividend in the two periods to 30 June 2014 to be paid. Thereafter, the intention is to pay at least the full target dividend until the target dividend return is achieved as measured from commencement, including consideration of the time value of money at the target annual rate of return.

At all times payment of any dividend will be discretionary and subject to the Board's legal obligations and views on appropriate capital structure.

Foundation Policies
(Clause 5.1 of the Shareholders' Agreement)

These foundation policies may only be changed by a resolution of shareholders in accordance with clause 5.1 of the Shareholders' Agreement

Credit Risk**Lending Policy**

All Local Authorities that borrow from the Company will:

- Provide debenture security in relation to their borrowing from the Company and related obligations, and (if relevant), equity commitment liabilities to the Company and (if relevant) guarantee liabilities to a security trustee approved for the Company's creditors.
- Issue securities (bonds / FRNs / CP) to the Company and/or enter into facility arrangements with the Company.
- Comply with their own internal borrowing policies.

⁶ PDH risk measures the sensitivity of a portfolio to a one basis point change in underlying interest rates. For example a PDH of \$100,000 means that the portfolio value will fall by \$100,000 for a one basis point fall in interest rates.

⁷ VaR measures expected loss for a given period with a given confidence. For example, 95% confidence, daily VaR of \$1,000,000 means that it is expected that the portfolio will lose \$1,000,000 on 5% of days, i.e. 1 day in 20 the portfolio value will decrease by \$1,000,000.

Field Code Changed

Russell
McAugh

- Comply with the financial covenants outlined in the following table, provided that:
 - Unrated Local Authorities or Local Authorities with a long-term credit rating lower than 'A' equivalent can have bespoke financial covenants that exceed the:
 - Lending policy covenants outlined in the following table with the approval of the Board;
 - Foundation policy covenants outlined in the following table with the approval of an Ordinary Resolution.
 - Local Authorities with a long-term credit rating of 'A' equivalent or higher:
 - will not be required to comply with the lending policy covenants in the following table; and
 - can have bespoke financial covenants that exceed the foundation policy covenants outlined in the following table with the approval of an Ordinary Resolution; and in any event, will not be required to comply with the Net Debt / Total Revenue foundation policy covenant outlined in the following table until the financial year ending 30 June 2026. Until that date, such Local Authority must comply with the Net Debt / Total Revenue covenant set out in the table entitled "Alternative Net Debt / Total Revenue Covenant" below.
 - Any Board or Ordinary Resolution approval of bespoke financial covenants will only be provided after a robust credit analysis and any approval must also include bespoke reporting and monitoring arrangements.
- If the principal amount of a Local Authority's borrowings, or the Company's commitment under a facility agreement with a Local Authority, is at any time greater than NZD 20 million, be a party to a deed of guarantee and an equity commitment deed (in each case in a form set by the Company).

<u>Financial covenant</u>	<u>Lending policy covenants</u>	<u>Foundation policy covenants</u>
<u>Net Debt / Total Revenue</u>	<u><175%</u>	<u><280%</u>
<u>Net Interest / Total Revenue</u>	<u><20%</u>	<u><20%</u>
<u>Net Interest / Annual Rates Income</u>	<u><25%</u>	<u><30%</u>
<u>Liquidity</u>	<u>>110%</u>	<u>>110%</u>

<u>Alternative Net Debt / Total Revenue Covenant</u>	
<u>Financial Year ending</u>	<u>Net Debt / Total Revenue</u>
<u>30 June 2020</u>	<u><250%</u>
<u>30 June 2021</u>	<u><300%</u>
<u>30 June 2022</u>	<u><300%</u>
<u>30 June 2023</u>	<u><295%</u>
<u>30 June 2024</u>	<u><290%</u>
<u>30 June 2025</u>	<u><285%</u>

Field Code Changed

Total Revenue is defined as cash earnings from rates, grants and subsidies, user charges, interest, dividends, financial and other revenue and excludes non government capital contributions (e.g. developer contributions and vested assets).

Net debt is defined as total debt less liquid financial assets and investments.

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

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

Annual Rates Income is defined as the amount equal to the total revenue from any funding mechanism authorised by the Local Government (Rating) Act 2002 together with any revenue received from other local authorities for services provided (and for which the other local authorities rate).

Financial covenants are measured on Council only basis and not consolidated group basis, unless requested by a Local Authority and approved by the Board.

Auckland Council will be limited to a maximum of 40% of the Company's total Local Authority (including CCO) assets.

Subject to implementation of any amendments or other actions considered necessary, advisable or expedient by the Board and the approval of the Board in relation to the relevant CCO (as defined below) (which may be a council-controlled trading organisation, as defined in the Local Government Act), an approved CCO may borrow from the Company provided that:

- The CCO is a "council-controlled organisation" as defined in section 6 of the Local Government Act, where the CCO is a company in which equity securities carrying at least 51% or more of the voting rights at a meeting of the shareholders of the CCO are held or controlled, directly or indirectly, by one or more Local Authorities (respectively, a "CCO" and each such Local Authority being a "CCO Shareholder");
- Each CCO Shareholder provides a guarantee in respect of the CCO in favour of the Company and/or there is sufficient uncalled capital in respect of the CCO to meet the financial obligations of the CCO;
- Each CCO Shareholder provides equity commitment liabilities to the Company, guarantees liabilities to a security trustee approved for the Company's creditors, and provides debenture security for its equity commitments to the Company and guarantee liabilities to the security trustee;
- Each CCO Shareholder complies with Lending policy financial covenants, Foundation policy financial covenants or other financial covenants required by the Board (if any) and, in the case of a CCO Shareholder with a long-term credit rating of 'A' equivalent or higher, until the financial year ending 30 June 2026, the Net Debt / Total Revenue covenant in the table entitled "Alternative Net Debt / Total Revenue Covenant" above.
- The CCO complies with any covenants required by the Board; and
- If required by the Board, the CCO will grant security in favour of the Company (which may be subject to any intercreditor arrangements acceptable to the Board).

Where the Company agrees to provide funding to the CCO, it must within 90 days of receiving annual financial covenant reporting from a CCO Shareholder (in its capacity as a borrower) report to the Shareholders' Council, holders of ordinary shares in the Company and any Local Authority guarantors of the Company's liabilities as to whether that CCO Shareholder has complied with its financial covenants on an individual and consolidated group basis.

Notwithstanding the definition of "CCO" set out above, the Board may not approve a CCO to borrow from the Company unless 100% of the equity securities carrying voting rights at a meeting of shareholders of the CCO are held or controlled, directly or indirectly, by one or more Local Authorities and the Crown (if applicable).

Field Code Changed

|

Russell
McLaughlin

Field Code Changed

| [3451-2033-69184451-2033-60183772653 3d9](#)

35

Russell
McAugh

SCHEDULE 2
First Opening
(Clause 7.1)

SHAREHOLDER	NO. OF PAID UP ORDINARY SHARES	NO. OF UNPAID ORDINARY SHARES
Auckland Council	2,000,000	2,000,000
Bay of Plenty Regional Council	2,000,000	2,000,000
Christchurch City Council	1,999,999	2,000,000
Hamilton City Council	2,000,000	2,000,000
Hastings District Council	400,000	400,000
Masterton District Council	100,000	100,000
New Plymouth District Council	100,000	100,000
Otorohanga District Council	100,000	100,000
Selwyn District Council	200,000	200,000
South Taranaki District Council	100,000	100,000
Tasman District Council	2,000,000	2,000,000
Taupo District Council	100,000	100,000
Tauranga City Council	2,000,000	2,000,000
Waipa District Council	100,000	100,000
Wellington City Council	2,000,000	2,000,000
Wellington Regional Council	2,000,000	2,000,000
Western Bay of Plenty District Council	2,000,000	2,000,000
Whangarei District Council	800,000	800,000
New Zealand Government	5,000,000	0
Total	24,999,999	20,000,000

Field Code Changed

Russell
McAugh

SCHEDULE 3
Reimbursement
(Clause 7.2)

LOCAL AUTHORITY	AMOUNT
Auckland Council	\$250,000.00
Christchurch City Council	\$200,000.00
Hamilton City Council	\$200,000.00
Tasman District Council	\$200,000.00
Tauranga City Council	\$200,000.00
Wellington City Council	\$200,000.00
Wellington Regional Council	\$200,000.00
Western Bay of Plenty District Council	\$150,000.00
Whangarei District Council	\$200,000.00

Field Code Changed

Russell
McAugh

SCHEDULE 4
Form of Accession Deed
(Clause 10.11)

DEED dated []

PARTIES [] ("Remaining Shareholder(s)")
 [] ("Transferor")
 [] ("Transferee")

INTRODUCTION

- A. The Remaining Shareholder(s) and the Transferor are the parties to a shareholders' agreement dated [] 2011 ("**Agreement**") relating to New Zealand Local Government Funding Agency Limited (the "**Company**").
- B. The Transferor wishes to transfer to the Transferee **[Number]** shares in the Company.
- C. Under the Agreement the parties are required to execute this deed.

OPERATIVE PROVISIONS

1. With effect from the [date of this deed]:
- (a) The Transferee becomes a party to the Agreement as if it had been named as a party to the Agreement and had executed it.
- (b) The Transferor ceases to be a Shareholder. *[Include only if applicable]*
2. The Transferor is not released from any liability to the Remaining Shareholders existing as at [the date of this deed]. *[Include only if applicable]*
3. New Zealand law governs. New Zealand courts have non-exclusive jurisdiction.

SIGNED AS A DEED

Field Code Changed

3451-2033-69184451-2033-60183772653 3dv9

38

Russell
McAugh**SCHEDULE 5**
Events of Default
(Clause 13.1)

An Event of Default occurs in respect of a Shareholder if:

- (a) without limiting paragraphs (b), (c) and (e), that Shareholder commits any breach of or fails to observe any of the obligations under this agreement or the Constitution or the Guarantor's Equity Commitment of that Shareholder and (if that breach or failure is capable of remedy) does not remedy that breach or failure within 10 Business Days of notice from any other Shareholder or the Company specifying the breach or failure and requiring remedy or (if that breach or failure is not capable of remedy) that breach or failure is material in the context of the obligations of that Shareholder under this agreement, the Constitution or the Guarantor's Equity Commitment (as the case may be);
- (b) that a Shareholder fails to pay any calls on any Ordinary Shares within the prescribed time frame following a call being made by the Board;
- (c) that Shareholder fails to subscribe for any Redeemable Shares in accordance with the Guarantor's Equity Commitment of that Shareholder;
- (d) an "Event of Default", as defined in the Multi-issuer Deed, or a default under clause 7.6 or clause 7.7 of the Multi-issuer Deed, occurs with respect to that Shareholder;
- (e) an Event of Default occurs under clause 9.2 with respect to that Shareholder; or
- (f) an "Event of Default" as defined in any other arrangements for the Shareholder to be provided debt funding by the Company.

Field Code Changed

Russell
McVeagh

SCHEDULE 6
Addresses for Notice
(Clause 15.2)

PARTY	ADDRESS FOR NOTICES
The Company	Address: Russell McVeagh, Vero Centre, 48 Shortland Street PO Box 8, Auckland 1140 Attention: Deemple Budhia
Auckland Council	Delivery Address: 135 Albert Street Auckland 1010 Postal Address: Private Bag 92300 Victoria Street West Auckland 1142 Email: john.bishop@aucklandcouncil.govt.nz Attention: John Bishop, Group Treasurer
Bay Of Plenty Regional Council	Delivery Address: 5 Quay Street Whakatāne Postal Address: P O Box 364 Whakatāne 3158 Email: mat.taylor@boprc.govt.nz Attention: Mat Taylor
Christchurch City Council	Delivery Address: Civic Offices 53 Hereford Street Christchurch Postal Address: P O Box 73016 Christchurch 8154 Email: Treasury@ccc.govt.nz Attention: Andrew Jefferies

Field Code Changed

Russell
McAugh

PARTY	ADDRESS FOR NOTICES
Hamilton City Council	Delivery Address: 260 Anglesea Street Council Building Garden Place Hamilton 3240 Postal Address: Private Bag 3010 Hamilton 3240 Email: david.bryant@hcc.govt.nz Attention: David Bryant
Hastings District Council	Delivery Address: 207 Lyndon Road East Hastings 4122 Postal Address: Private Bag 9002 Hastings 4156 Email: brucea@hdc.govt.nz Attention: Bruce Allan
Masterton District Council	Delivery Address: 27 Lincoln Road Masterton 5810 Postal Address: PO Box 444 Masterton 5840 Email: davidp@mstn.govt.nz Attention: Manager Finance
New Plymouth District Council	Delivery Address: Liardet St New Plymouth Postal Address: Private Bag 2025 New Plymouth 4342 Email: alison.trustrumrainey@npdc.govt.nz / carla.freeman@npdc.govt.nz Attention: Alison TrustrumRainey / Carla Freeman
Ōtorohanga District Council	Delivery Address: 17 Maniapoto Street

Field Code Changed

3451-2033-69184451-2033-60189772653 3dv9

41

Russell
McAugh

PARTY	ADDRESS FOR NOTICES
	<p>Ōtorohanga 3940</p> <p>Postal Address PO Box 11 Ōtorohanga 3940</p> <p>Email: grahamb@otodc.govt.nz</p> <p>Attention: Graham Bunn</p>
Selwyn District Council	<p>Delivery Address: 2 Norman Kirk Drive Rolleston</p> <p>Postal Address: P O Box 90 Rolleston 7643</p> <p>Email: Treasury.management@selwyn.govt.nz</p> <p>Attention: Greg Bell</p>
South Taranaki District Council	<p>Delivery Address: 105-111 Albion Street Hawera 4610</p> <p>Postal Address: Private Bag 902 Hawera 4640</p> <p>Email: Vipul.mehta@stdc.govt.nz</p> <p>Attention: Vipul Mehta</p>
Tasman District Council	<p>Delivery Address: 189 Queen Street, Richmond, Nelson 7050</p> <p>Postal Address Private Bag 4 Richmond, Nelson 7050</p> <p>Email: treasury@tasman.govt.nz</p> <p>Attention: Corporate Services Manager</p>
Taupo District Council	<p>Delivery Address: 72 Lake Terrace Taupo 3330</p> <p>Postal Address: Private Bag 2005 Taupo 3352</p> <p>Email: nward@taupo.govt.nz</p>

Field Code Changed

Russell
McAugh

PARTY	ADDRESS FOR NOTICES
	Attention: Neil Ward
Tauranga City Council	Delivery Address: 91 Willow Street Tauranga 3143 Postal Address: Private Bag 12022 Tauranga 3143 Email: treasury.settlements@tauranga.govt.nz Attention: Mohan De Mel
Waipa District Council	Delivery Address: 101 Bank Street Te Awamutu Postal Address: Private Bag 2402 Te Awamutu 3800 Email: Farrah.Templeton@waipadc.govt.nz Kumaren.PerumalSarah.Davies@waipadc.govt.nz Ken.Morris@waipadc.govt.nz Attention: Ken Morris
Wellington City Council	Delivery Address: Wellington City Council 113 The Terrace Wellington Postal Address: PO Box 2199 Wellington 6140 Email: martin.read@wcc.govt.nz Attention: Martin Read
Wellington Regional Council	Delivery Address: Shed 39, 2 Fryatt Quay, Pipitea Wellington 6011 Postal Address: P O Box 11646 Manners Street Wellington 6142 Email: mike.timmer@gw.govt.nz matthias.zuschlag@gw.govt.nz

Field Code Changed

3451-2033-69184451-2033-60183772653 3dv9

43

Russell
McAugh

PARTY	ADDRESS FOR NOTICES
	Attention: Mike Timmer
Western Bay Of Plenty District Council	Delivery Address: Barks Corner Greerton Tauranga Postal Address: Private Bag 12803 Tauranga 3143 Email: kumaren.perumal@westernbay.govt.nz Attention: Kumaren Perumal
Whangarei District Council	Delivery Address: Forum North Rust Avenue Whangarei Postal Address: Private Bag 9023 Whangarei 0148 Email: alan.adcock@wdc.govt.nz Attention: Alan Adcock
New Zealand Government	Delivery Address: Minister of Finance Parliament Buildings, Wellington And to: Minister of Local Government Parliament Buildings, Wellington With a copy to: William More, The Treasury, No 1 The Terrace Wellington 6011 Postal Address: The Treasury, No 1 The Terrace Wellington 6011 Attention: William More Fax: 04 473 0982

Field Code Changed



Amendment and Restatement Deed (Shareholders' Agreement)

PARTIES

The Local Authorities listed in Schedule 1

Each a **Shareholder**

New Zealand Local Government Funding Agency Limited

Company

3468-9197-2118



DEED dated 23 November 2021

PARTIES

The Local Authorities listed in Schedule 1

(each a "Shareholder")

New Zealand Local Government Funding Agency Limited

("Company")

INTRODUCTION

- A. The parties to this deed are parties to the Shareholders' Agreement.
- B. The Shareholders have agreed by ordinary resolution dated 23 November 2021 to amend the Shareholders' Agreement. The purpose of this deed is to record the agreed amendments.

COVENANTS

1. INTERPRETATION

1.1 Definitions: In this deed:

"Shareholders' Agreement" means the shareholders' agreement dated 7 December 2011 (as amended from time to time) between the Shareholders and the Company.

1.2 Shareholders' Agreement definitions: Words and expressions defined in the Shareholders' Agreement (as amended by this deed) have, except to the extent the context requires otherwise, the same meaning in this deed.

1.3 Miscellaneous:

- (a) Headings are inserted for convenience only and do not affect interpretation of this deed.
- (b) References to a person include that person's successors, permitted assigns, executors and administrators (as applicable).
- (c) Unless the context otherwise requires, the singular includes the plural and vice versa and words denoting individuals include other persons and vice versa.
- (d) A reference to any legislation includes any statutory regulations, rules, orders or instruments made or issued pursuant to that legislation and any amendment to, re-enactment of, or replacement of, that legislation.
- (e) A reference to any document includes reference to that document as amended, modified, novated, supplemented, varied or replaced from time to time.



- (f) Unless otherwise stated, reference to a clause or schedule is a reference to a clause of or schedule to this deed.
- (g) A reference to "including", "for example" or "such as", when introducing an example, does not limit the meaning of the words to which the example relates to that example or examples of a similar kind.

2. AMENDMENT AND RESTATEMENT

- 2.1 **Amendment and restatement:** With effect on and from the date of this deed, the Shareholders' Agreement shall be amended and restated in the form set out in the appendix to this deed, in accordance with clause 18.7 of the Shareholders' Agreement.
- 2.2 **Full force and effect:** Except to the extent amended by this deed, the Shareholders' Agreement remains in full force and effect.

3. GENERAL

- 3.1 **Counterparts:** In accordance with clause 18.7 of the Shareholders' Agreement (prior to its amendment by this deed), this deed is executed by the Company on behalf of itself and each Shareholder.
- 3.2 **Governing law:** This deed is governed by, and construed in accordance with, New Zealand law. The parties submit to the non-exclusive jurisdiction of the courts of New Zealand.



EXECUTED AS A DEED

**NEW ZEALAND LOCAL GOVERNMENT
FUNDING AGENCY LIMITED by:**

Signature of director

Signature of director

Name of director

Name of director

On behalf of **EACH SHAREHOLDER** by its
authorised attorney **NEW ZEALAND LOCAL
GOVERNMENT FUNDING AGENCY LIMITED**
by:

Signature of director

Signature of director

Name of director

Name of director

SCHEDULE 1

Shareholders
Auckland Council
Bay of Plenty Regional Council
Christchurch City Council
Gisborne District Council
Hamilton City Council
Hastings District Council
Hauraki District Council
Horowhenua District Council
Hutt City Council
Kapiti Coast District Council
Manawatu District Council
Marlborough District Council
Masterton District Council
New Plymouth District Council
Otorohanga District Council
Palmerston North City Council
Selwyn District Council
South Taranaki District Council
Tasman District Council
Taupo District Council
Tauranga City Council
Thames-Coromandel District Council
Waimakariri District Council
Waipa District Council
Wellington City Council
Wellington Regional Council
Western Bay of Plenty District Council
Whakatane District Council
Whanganui District Council
Whangarei District Council
Her Majesty The Queen in Right of New Zealand acting through the Minister of Local Government and the Minister of Finance



APPENDIX

Amended and Restated Shareholders' Agreement



Shareholders' Agreement

PARTIES

Auckland Council, Bay of Plenty Regional Council, Christchurch City Council, Gisborne District Council, Hamilton City Council, Hastings District Council, Hauraki District Council, Horowhenua District Council, Hutt City Council, Kāpiti Coast District Council, Manawatu District Council, Marlborough District Council, Masterton District Council, New Plymouth District Council, Otorohanga District Council, Palmerston North City Council, Selwyn District Council, South Taranaki District Council, Tasman District Council, Taupo District Council, Tauranga City Council, Thames-Coromandel District Council, Wanganui District Council, Waimakariri District Council, Waipa District Council, Wellington City Council, Wellington Regional Council, Western Bay of Plenty District Council, Whakatane District Council, Whangarei District Council and Her Majesty The Queen in Right of New Zealand acting by and through the Minister of Local Government and the Minister Of Finance

each a **Shareholder**

New Zealand Local Government Funding Agency Limited
Company

CONTENTS

1. INTERPRETATION	1
2. BUSINESS OF COMPANY	7
3. BOARD	7
4. SHAREHOLDERS' COUNCIL	9
5. SHAREHOLDER APPROVAL	12
6. SHARES	13
7. FIRST OPENING	14
8. SECOND OPENING	15
9. SECTION 107 CONSENTS	18
10. PRE-EMPTIVE RIGHTS	18
11. PROTECTED TRANSACTION	21
12. FINANCIAL	21
13. DEFAULT	23
14. CONFIDENTIALITY	24
15. NOTICES	24
16. DISPUTES	25
17. WARRANTIES	25
18. GENERAL	26
SCHEDULE 1	28
Foundation Policies	28
SCHEDULE 2	31
First Opening	31
SCHEDULE 3	32
Reimbursement	32
SCHEDULE 4	33
Form of Accession Deed	33
SCHEDULE 5	34
Events of Default	34
SCHEDULE 6	35
Addresses for Notice	35



AGREEMENT dated 7 December 2011 (as amended on 16 November 2012 and 19 November 2013 and amended and restated on 4 June 2015 and 6 July 2020 and by the deed to which this agreement is attached as an appendix)

PARTIES

Auckland Council, Bay of Plenty Regional Council, Christchurch City Council, Gisborne District Council, Hamilton City Council, Hastings District Council, Hauraki District Council, Horowhenua District Council, Hutt City Council, Kāpiti Coast District Council, Manawatu District Council, Marlborough District Council, Masterton District Council, New Plymouth District Council, Otorohanga District Council, Palmerston North City Council, Selwyn District Council, South Taranaki District Council, Tasman District Council, Taupo District Council, Tauranga City Council, Thames-Coromandel District Council, Wanganui District Council, Waimakariri District Council, Waipa District Council, Wellington City Council, Wellington Regional Council, Western Bay of Plenty District Council, Whakatane District Council, Whangarei District Council and Her Majesty The Queen in Right of New Zealand acting by and through the Minister of Local Government and the Minister of Finance

(each a "**Shareholder**")

New Zealand Local Government Funding Agency Limited
("**Company**")

INTRODUCTION

- A. The Shareholders are shareholders in the Company.
- B. The Shareholders and Company have agreed to enter into this agreement.

AGREEMENT

1. INTERPRETATION

- 1.1 **Definitions:** In this agreement, unless the context otherwise requires:

"**Acceptance Date**" has the meaning in clause 10.3.

"**Accession Deed**" means a deed in the form set out in schedule 4, or such other form as is approved by the Board.

"**Auditor**" means the Auditor-General (or any nominee of the Auditor-General).

"**Authorisation**" means an authorisation, consent, declaration, exemption, notarisation or waiver, however it is described.



"Bill Rate" means:

- (a) in respect of any rate of interest to be calculated pursuant to this agreement the mid or "FRA" rate for 90 day bank accepted bills (expressed as a percentage) as quoted on Reuters page BKBM (or any successor page) at or about 10.45 am on the first Business Day of the period in respect of which such rate of interest is to be calculated, and thereafter at intervals of 90 days from that Business Day; or
- (b) if the rate cannot be determined pursuant to paragraph (a) above, the rate determined by the Board in its absolute discretion as a reasonable estimate of the Company's cost of funds on that date.

"Board" means the board of directors of the Company.

"Borrowed Money Indebtedness" has the meaning given in the Multi-issuer Deed.

"Borrower Notes" means notes issued by the Company to Participating Borrowers pursuant to a notes subscription agreement dated on or about the date of this agreement.

"Business Day" means a day (other than a Saturday, Sunday or public holiday) on which registered banks are open for business in Christchurch, Wellington and Auckland.

"Buyer" has the meaning in clause 10.4.

"CCO" means a council-controlled organisation as defined in section 6 of the Local Government Act.

"CCO Shareholder" means, in relation to a Participating CCO, a person that holds or controls (directly or indirectly) any equity securities of that CCO.

"Companies Act" means the Companies Act 1993.

"Constitution" means the constitution of the Company.

"Defaulting Shareholder" has the meaning given in clause 13.1.

"Director" means a director of the Company.

"Event of Default" in respect of a Shareholder means an event specified in schedule 5.

"Event of Review" has the meaning given in the Multi-issuer Deed.

"Fair Value" in respect of Shares means the fair market value of those Shares determined in accordance with clause 1.3.

"First Opening" means the initial subscription for, and issue of, Shares in the Company, other than any Shares issued on incorporation of the Company, which shall occur on or about the date of this agreement.

"Guarantor" means a guarantor of the obligations of the Company pursuant to a deed of guarantee and indemnity dated on or about the date of this agreement.

"Guarantor's Equity Commitment" means the agreement of a Guarantor to subscribe for Redeemable Shares in certain circumstances and being in, or substantially in, the same form for each Guarantor.



"Incoming Principal Shareholder" means a Local Authority which is to acquire Ordinary Shares as part of the Second Opening.

"Independent Director" means a Director who is not an employee of any Shareholder, employee of a CCO owned (in whole or in part) by any Shareholder, or a councillor of any Local Authority which is a Shareholder, and was not such an employee or councillor at any time in the five years prior to the time of that person's appointment as a Director. For the avoidance of doubt, a director (or former director) of a CCO (that is not a Participating CCO) shall not, by virtue of this reason alone, be precluded from being an Independent Director.

"Local Authority" has the meaning in section 5 of the Local Government Act.

"Local Government Act" means the Local Government Act 2002.

"Multi-issuer Deed" means the deed entered into on or about the date of this agreement between the Company and the Local Authorities named therein.

"New Zealand Debt Management Office" means Her Majesty the Queen in right of New Zealand acting by and through the New Zealand Debt Management Office.

"New Zealand Government" means Her Majesty the Queen in right of New Zealand acting by and through the Minister of Local Government and the Minister of Finance, as (and for so long as it is) a Principal Shareholder.

"Nominating Local Authority" has the meaning given at clause 4.3.

"Non-Pro Rata Sell-Down Shareholder" has the meaning given in clause 8.3.

"Ordinary Resolution" means a resolution that is approved by a simple majority of the votes of those Shareholders entitled to vote and voting on the question (and which shall include any resolution signed in accordance with section 122 of the Companies Act).

"Ordinary Share" means an ordinary share in the Company.

"Participating Borrower" means a Participating Local Authority or a Participating CCO.

"Participating CCO" means a CCO that has entered into one or more arrangements to be provided debt funding by the Company.

"Participating Local Authority" means a Local Authority that has entered into one or more arrangements to be provided debt funding by the Company.

"Policies" means the policies of the Company relating to the following matters, as the same may be amended or updated by the Board or, where relevant, in accordance with clause 5.1:

- (a) dividends;
- (b) liquidity;
- (c) pricing;
- (d) lending;
- (e) investing;
- (f) borrowing; and
- (g) treasury.



For the avoidance of doubt, the dividend policy shall be set out in the Statement of Intent, and the other policies may be set out in such individual documents, or composite documents, as the Board may determine.

"Principal Shareholders" means those Shareholders who hold Ordinary Shares (and not just Redeemable Shares).

"Redeemable Share" means a redeemable share in the Company having the rights and obligations set out in clause 3.4 of the Constitution.

"Retained Share Number" has the meaning given in clause 8.3.

"Sale Interest" has the meaning given in clause 10.2.

"Sale Notice" has the meaning given in clause 10.2.

"Second Opening" means the introduction of Incoming Principal Shareholders, to be effected by way of a transfer of Ordinary Shares held by the then current Principal Shareholders (other than the New Zealand Government), in accordance with clause 8.

"Securities" has the meaning given in the Multi-issuer Deed.

"Sell-Down Shareholder" has the meaning given in clause 8.2.

"Seller" has the meaning given in clause 10.2.

"Share" means an Ordinary Share or a Redeemable Share.

"Shareholder" means:

- (a) any of the parties to this agreement (other than the Company); and
- (b) any person which acquires Shares and which has executed an Accession Deed or is deemed to have agreed to be bound by this agreement.

"Shareholders' Council" means the members constituting the shareholders' council established pursuant to clause 4.

"Special Resolution" means a resolution approved by a majority of 75% or more of the votes of those Shareholders entitled to vote and voting on the question (and which shall include any resolution signed in accordance with section 122 of the Companies Act).

"Specified Sale Number" has the meaning given in clause 8.2.

"Statement of Intent" means a statement of intent for the Company as contemplated by section 64(1) of the Local Government Act initially in the form adopted by the Board on or prior to the date of this agreement, and as the same may be amended or replaced by the Board or, where relevant, in accordance with clause 5.1.

1.2 **Interpretation:** Unless the context otherwise requires or specifically otherwise stated:

- (a) headings are to be ignored;
- (b) "including" and similar words do not imply any limitation;



- (c) a reference to a statute or other law includes regulations and other instruments under it and consolidations, amendments, re-enactments or replacements of any of them (whether before or after the date of this agreement);
- (d) any covenant or agreement on the part of two or more persons binds those persons jointly and severally;
- (e) reference to a party, person or entity includes:
 - (i) an individual, partnership, firm, company, body corporate, corporation, association, trust, estate, state, government or any agency thereof, municipal or local authority and any other entity, whether incorporated or not (in each case whether or not having a separate legal personality); and
 - (ii) an employee, agent, successor, permitted assign, executor, administrator and other representative of such party, person or entity;
- (f) a right or power may be exercised from time to time and at any time;
- (g) the singular includes plural and vice versa;
- (h) one gender includes the other genders;
- (i) references to money are to New Zealand dollars;
- (j) references to times of day or dates are to New Zealand times and dates;
- (k) definitions in the Companies Act have the same meaning in this agreement;
- (l) any word or expression cognate with a definition in this agreement has a meaning corresponding or construed to the definition;
- (m) reference to a clause, sub-clause, schedule or a party is a reference to that clause, sub-clause, schedule or party in this agreement;
- (n) reference to any document includes reference to that document (and, where applicable, any of its provisions) as amended, novated, supplemented, or replaced from time to time;
- (o) each schedule and any other attachment forms part of this agreement;
- (p) if there is any conflict between this agreement and the Constitution, this agreement shall prevail;
- (q) **"security interest"** means:
 - (i) in respect of any personal property, a security interest (as defined in the Personal Property Securities Act 1999 ("**PPSA**"));
 - (ii) in respect of any other property or any rights in any other property (in each case to which the PPSA does not apply), any interest which, were the PPSA to apply to that property or those rights, would constitute such a security interest;



- (r) "written" and "in writing" include any means of reproducing words, figures or symbols in a tangible and visible form;
 - (s) a reference to anything of a particular nature following upon a general statement shall not in any way derogate from, or limit the application of the general statement, unless the particular context requires such derogation or limitation;
 - (t) reference to "month" or "monthly" means calendar month or calendar monthly; and
 - (u) a reference to "year" or "yearly" is a reference to a calendar year.
- 1.3 **Fair Value:** If it is necessary for any purpose of this agreement to determine the fair market value of Shares:
- (a) the Company and the relevant Shareholder shall, for a period of five Business Days after one of them gives notice to the other, endeavour to agree on the fair market value of those Shares;
 - (b) if the Company and the relevant Shareholder do not agree on the fair market value of those Shares within the period of five Business Days referred to in clause 1.3(a), the fair market value shall be determined by an independent valuer agreed upon by the Company and the relevant Shareholder, or failing agreement within five Business Days after the end of that period, appointed on the application of either of them by the president for the time being of the New Zealand Institute of Chartered Accountants or his or her nominee;
 - (c) the person appointed as valuer under clause 1.3(b) shall:
 - (i) act as a expert and not as arbitrator;
 - (ii) determine the fair market value of the Shares as soon as possible, which valuation shall be conclusive;
 - (d) in determining the fair market value of the Shares, the valuer shall determine the fair market value of all of the Shares in the Company, and shall then determine the fair market value of the Shares in question as the appropriate percentage of the value of all Shares, so that no regard shall be had to the control of the Company, or to any premium for control or discount for lack of control;
 - (e) the Company and the relevant Shareholder shall promptly and openly make available to the valuer all information in their possession or under their control relating to the Company to enable the valuer to proceed with the valuation on an informed basis as to the financial position, affairs, performance, and prospects of the Company; and
 - (f) the fees and expenses of the valuer shall be paid by the Company and the relevant Shareholder in equal amounts, or in such other manner as the valuer may determine.

2. BUSINESS OF COMPANY

- 2.1 **Business:** The Company shall carry on the business of raising debt funding (both domestically and internationally), and providing debt funding to Local Authorities and CCOs (as defined in the Multi-issuer Deed).
- 2.2 **No other activity:** The Company shall not engage in any business or activity which is not the business or activity specified in clause 2.1, or considered by the Board to be reasonably related or incidental to or in connection with that business or activity.
- 2.3 **CCO:** The Company shall at all times be a CCO.
- 2.4 **Objectives:** In accordance with the Local Government Act, in carrying on its business, the objectives of the Company will be to:
- (a) achieve the objectives of the Shareholders (both commercial and non-commercial) as specified in the Statement of Intent;
 - (b) be a good employer;
 - (c) exhibit a sense of social and environmental responsibility by having regard to the interests of the community in which it operates and by endeavouring to accommodate or encourage these when able to do so; and
 - (d) conduct its affairs in accordance with sound business practice.
- 2.5 **Policies:** The business of the Company shall be carried on in accordance with the Policies and Statement of Intent, except as approved under clauses 3.9 and 5.1.

3. BOARD

- 3.1 **Number of Directors:** The Principal Shareholders shall ensure that:
- (a) the number of Directors shall not at any time be more than seven nor less than five; and
 - (b) no less than five Directors shall be Independent Directors.
- 3.2 **Appointment by Shareholders:** A person may be appointed or removed as a Director at any time by an Ordinary Resolution. The Directors at the date of this agreement are Paul Joseph Anderson, John Richard Avery, Mark Alan Butcher, Philip Wade Cory-Wright, Abigail Kate Foote and Craig Hamilton Stobo who, subject to the previous sentence and to clause 3.3 below, continue in office and are deemed to have been appointed pursuant to this agreement.
- 3.3 **Rotation of Directors:** A Director must not hold office (without re-election) past the third annual meeting of the Company following the Director's appointment or three years, whichever is longer. A retiring Director shall be eligible for re-election.
- 3.4 **Re-election of retiring Director:** A Director retiring in accordance with clause 3.3 at a meeting shall, if standing for re-election, be deemed to have been re-elected unless:
- (a) some other person is elected to fill the vacated office; or

- (b) it is resolved not to fill the vacated office; or
 - (c) a resolution for the re-election of that Director is put to the meeting and lost.
- 3.5 **Nomination of Directors:** No person may be elected as a Director at a meeting (other than a Director retiring at the meeting) unless, not more than three months nor less than two months before the meeting, that person has been nominated by a Principal Shareholder entitled to attend and vote at the meeting by written notice to the Company and Shareholders' Council accompanied by the consent in writing of that person to the nomination. Notice of every valid nomination of a Director received by the Company before the closing date for nominations shall be sent by the Company to all persons entitled to attend the meeting together with, or as part of, the notice of meeting.
- 3.6 **Remuneration:** No remuneration or compensation for loss of office may be paid to a Director, and no other benefit may be provided to a Director, unless approved by Ordinary Resolution, provided that from the date of this agreement (unless and until altered with the approval of an Ordinary Resolution) the following fees shall be paid to Directors:
- (a) a fee of \$75,000 per annum to the Director acting as chairman of the Board, if that Director is an Independent Director;
 - (b) a fee of \$35,000 per annum to each other Director;
 - (c) a fee of \$10,000 per annum to the Director acting as chairman of the audit and risk committee; and
 - (d) a fee of \$7,500 per annum to each other Director appointed as a member of the audit and risk committee.
- 3.7 **Payment of expenses:** Notwithstanding the provisions of clause 3.6, Directors are entitled to be paid for all reasonable travel, accommodation and other expenses properly incurred by them in attending meetings of the Board, or any committee of the Board, or meetings of Shareholders, or otherwise in connection with the business of the Company.
- 3.8 **Board meetings:** Board meetings shall be held not less than once in each quarter in each year.
- 3.9 **Board decisions:** The following decisions of the Company shall be made by a resolution of the Board, and may not be delegated to any other person:
- (a) whether to take, and the nature of, any legal, enforcement or other action following the occurrence of an Event of Review;
 - (b) whether to take, and the nature of, any legal, enforcement or other action (including declaring any Securities to be immediately due and payable) following an "Event of Default" (as defined in the Multi-issuer Deed) or a default under clauses 7.6, 7.7, 7.8 or 7.9 of the Multi-issuer Deed;
 - (c) without limiting clause 5.1, the preparation of a Statement of Intent as and when required by the Local Government Act; and
 - (d) without limiting clause 5.1, any amendment of, or departure from, the Policies or Statement of Intent.

- 3.10 **Conflict of Interest:** No Director shall vote on a matter relating to any of the following:
- (a) a matter as described in clause 3.9(a) as concerns a Participating Local Authority, if that Director is (or was, at any time in the five years prior to the matter being put to the vote) an employee or councillor of the relevant Participating Local Authority or an employee (which term does not include acting only as a director) of a Participating CCO owned (in whole or in part) by the Participating Local Authority;
 - (b) a matter as described in clause 3.9(b) as concerns a Participating Local Authority, if that Director is (or was, at any time in the five years prior to the matter being put to the vote) an employee or councillor of the relevant Participating Local Authority or an employee (which term does not include acting only as a director) of a Participating CCO owned (in whole or in part) by the Participating Local Authority;
 - (c) any amendment of, or departure from, the pricing Policy, if a Director is (or was at any time in the five years prior to the matter being put to vote):
 - (i) an employee or councillor of a Participating Local Authority; or
 - (ii) an employee (which term does not include acting only as a director) of a Participating CCO; or
 - (iii) an employee or councillor of a CCO Shareholder;
 - (d) a matter as described in clause 3.9(a) as concerns a Participating CCO, if that Director is (or was, at any time in the five years prior to the matter being put to the vote) an employee or councillor of a CCO Shareholder of the relevant Participating CCO or an employee (which term does not include acting only as a director) of the Participating CCO; and
 - (e) a matter as described in clause 3.9(b) as concerns a Participating CCO, if that Director is (or was, at any time in the five years prior to the matter being put to the vote) an employee or councillor of a CCO Shareholder of the relevant Participating CCO or an employee (which term does not include acting only as a director) of the Participating CCO.

4. SHAREHOLDERS' COUNCIL

- 4.1 **Establishment:** The Shareholders shall ensure that a Shareholders' Council is established, maintained and operated in accordance with this agreement. The Shareholders' Council shall have no more than ten, and no less than five, members. The initial members of the Shareholders' Council shall be Alan Adcock, Mohan De Mel, Douglas Marshall, Matt Potton, Murray Staite, Mike Timmer, Brian Trott, Matthew Walker and Warwick Hayes (together with any person appointed by the New Zealand Government in accordance with clause 4.4).
- 4.2 **Role:** The role of the Shareholders' Council shall be to advise Shareholders on certain matters (with Shareholders, and not the Shareholders' Council, to make decisions with respect to those matters). The Shareholders' Council shall:
- (a) review the performance of the Company and the Board, and report to Shareholders on these matters on a periodic basis, being no less frequently than every six months;

- (b) make recommendations to Shareholders as to the appointment, removal, re-election, replacement and remuneration of Directors. For this purpose, the Shareholders' Council may request information from, and meet with, Directors (or persons nominated for election as Directors);
 - (c) make recommendations to Shareholders as to any matters which require the approval of Shareholders pursuant to clause 5.1; and
 - (d) endeavour to ensure that Shareholders are fully informed on matters concerning the Company, and endeavour to co-ordinate Shareholders on decisions required of Shareholders with respect to governance of the Company.
- 4.3 **Appointment of Nominating Local Authority by Shareholders:** A Principal Shareholder may be appointed or removed as a nominator to the Shareholders' Council ("**Nominating Local Authority**") at any time by an Ordinary Resolution, provided that no more than nine Nominating Local Authorities may be so appointed.
- 4.4 **Appointment of members of the Shareholders' Council:** Each Nominating Local Authority may appoint one member of the Shareholders' Council, and remove and replace any member so appointed by it, in each case, by notice to the Company. Each member appointed by a Nominating Local Authority must be an employee or councillor of that Nominating Local Authority. In addition, the New Zealand Government (for so long as it is a Shareholder) may appoint one other member of the Shareholders' Council, and remove and replace such other member so appointed by it, in each case, by notice to the Company.
- 4.5 **Notification and consent:** Each member of the Shareholders' Council appointed by a Nominating Local Authority must give consent in writing to the appointment (which consent shall confirm that the person shall comply with the terms of this agreement as they apply to members of the Shareholders' Council). Notice by a Nominating Local Authority of the appointment of a member and consent from that person to the appointment must be received by the Company before any member may attend a meeting of the Shareholders' Council.
- 4.6 **Rotation of Nominating Local Authorities:** Beginning at, and including, the annual meeting for 2013, the Shareholders shall ensure that two Nominating Local Authorities shall retire from office at the annual meeting of the Company in each year. The Nominating Local Authorities to retire shall be those who have been longest in office since their last election. If two or more of those Nominating Local Authorities were last elected on the same day, the Nominating Local Authority to retire shall (unless they otherwise agree among themselves) be determined by lot. A retiring Nominating Local Authority shall be eligible for re-election.
- 4.7 **Re-election of retiring Nominating Local Authority:** A Nominating Local Authority retiring by rotation at a meeting shall, if standing for re-election, be deemed to have been re-elected unless:
- (a) some other Principal Shareholder is elected to fill the vacated office; or
 - (b) it is resolved not to fill the vacated office; or
 - (c) a resolution for the re-election of that Nominating Local Authority is put to the meeting and lost.



- 4.8 **Nomination of Nominating Local Authority:** No Principal Shareholder may be elected as a Nominating Local Authority at a meeting (other than a member retiring at the meeting) unless, not less than one week prior to the notice of that meeting being sent to Shareholders, that Principal Shareholder has notified the Company in writing that it wishes to seek that election. The Company shall give notice that the Principal Shareholder is seeking that election to all persons entitled to attend the meeting together with, or as part of, the notice of meeting.
- 4.9 **Meetings:** Meetings of the Shareholders' Council shall be held not less than once in each quarter in each year.
- 4.10 **Quorum:** A quorum for a meeting of the Shareholders' Council shall be a majority of members. No business shall be transacted at a meeting of the Shareholders' Council if a quorum is not present.
- 4.11 **No remuneration:** No remuneration will be paid to the members of the Shareholders' Council for carrying out their functions as members of the Shareholders' Council.
- 4.12 **Expenses:** The Company will reimburse the members of the Shareholders' Council for any reasonable expenses incurred in carrying out their functions as members of the Shareholders' Council, including the reasonable fees and expenses of professional advisers engaged by the Shareholders' Council.
- 4.13 **Information, assistance etc:** The Company and the Shareholders agree that:
- (a) the Company, each Director and each Principal Shareholder shall provide the Shareholders' Council with such reasonable information and assistance as is required by the Shareholders' Council to carry out the role set out in clause 4.2;
 - (b) without limiting clause (a), the Company shall provide the Shareholders' Council with such information and reports as are required by the Statement of Intent;
 - (c) the Shareholders' Council shall provide to the Company, for distribution to Shareholders, a report of its recommendations concerning any of the matters referred to in clause 4.2(b) and 4.2(c) to be considered by a meeting of Shareholders, and the Company shall distribute that report with the notice of meeting for that meeting (or the written resolution to be signed by Shareholders, as the case may be); and
 - (d) if requested by the Shareholders' Council, the Company shall distribute a report for the Shareholders' Council as to the matters referred to in clause 4.2(a) and 4.2(d) to Shareholders with reports delivered to Shareholders under clause 12.3(a) or clause 12.3(b).
- 4.14 **Resignation of a member:** A member of the Shareholders' Council:
- (a) may resign by notice in writing to the Company; and
 - (b) shall be deemed to resign if:
 - (i) that person is no longer an employee or councillor of the Nominating Local Authority of which the person was an employee or councillor at the time of appointment to the Shareholders' Council; or



- (ii) the Principal Shareholder who appointed that member is no longer a Nominating Local Authority.

Where a member of the Shareholders' Council resigns or is deemed to resign under this clause, the Nominating Local Authority of whom that member was an employee or councillor, may appoint a replacement member to the Shareholders' Council in accordance with clause 4.4.

- 4.15 **Resignation of a Nominating Local Authority:** A Nominating Local Authority:
- (a) may resign by notice in writing to the Company; and
 - (b) shall be deemed to resign if that Nominating Local Authority is no longer a Principal Shareholder.
 - (c) Where a Nominating Local Authority resigns or is deemed to resign, the member of the Shareholders' Council appointed by that Nominating Local Authority shall be deemed to resign also.
- 4.16 **Deemed Nominating Local Authorities:** The Principal Shareholders, of whom the members of the Shareholders' Council as at 7 December 2011 were employees or councillors, are each deemed to be a Nominating Local Authority as at the date of the amendment to this agreement to provide for Nominating Local Authorities, and each such Nominating Local Authority is deemed to have an election date of 7 December 2011 for the purposes of clause 4.6. All members of the Shareholders' Council as at the date of the amendment to this agreement to provide for Nominating Local Authorities are deemed to have been appointed in accordance with clauses 4.4 and 4.5 by the Nominating Local Authority of which they are an employee or councillor, or the New Zealand Government (as applicable), at that time.
- 4.17 **Other:** Except as provided in this agreement, the Shareholders' Council may regulate its own procedure.

5. SHAREHOLDER APPROVAL

- 5.1 **Restrictions:** Neither the Board nor any Shareholder shall take or permit any action to cause any of the following to occur in respect of the Company unless it is approved by an Ordinary Resolution or, if required by law or in relation to clause 5.1(k), a Special Resolution:
- (a) any alteration to, or revocation of, the Constitution;
 - (b) any alteration or amendment to this agreement;
 - (c) subject to clause 5.1(k), any alteration to, or departure by the Company from any of the policies set out in schedule 1, whether such an alteration or departure will occur by way of amendment to, or departure from, a Policy or the Statement of Intent, or by way of the adoption of a new Statement of Intent or a new Policy;
 - (d) the payment of dividends other than in cash;
 - (e) **[not used]**



- (f) any issue of Shares, securities that are convertible into or exchangeable for Shares, or options to acquire Shares except:
 - (i) pursuant to the First Opening;
 - (ii) the issue of Borrower Notes, or the issue of Redeemable Shares on the conversion of any Borrower Notes; and
 - (iii) the issue of any Redeemable Shares pursuant to a Guarantor's Equity Commitment;
- (g) any purchase or other acquisition by the Company of its own Shares and any redemption of Shares (other than of Redeemable Shares in accordance with clause 6.4);
- (h) any consolidation, division, or subdivision of Shares;
- (i) the giving of any financial assistance for the purpose of, or in connection with, the purchase of Shares, except any financial assistance given for the purpose of, or in connection with:
 - (i) a Guarantor's Equity Commitment; and
 - (ii) Borrower Notes, or the conversion of any Borrower Notes; or
- (j) the acquisition or subscription of any shares in a body corporate, except as is consistent with the Policy concerning investing by the Company, and except for the formation of a wholly-owned subsidiary of the Company (and any subsequent subscription of shares in such a subsidiary); or
- (k) any alteration to, or departure by the Company from, the following policy set out in schedule 1 whether such an alteration or departure will occur by way of amendment to, or departure from, a Policy, or by way of the adoption of a new Policy:

the Board may not approve a CCO to borrow from the Company unless 100% of the equity securities carrying voting rights at a meeting of shareholders of the CCO are held or controlled, directly or indirectly, by one or more Local Authorities and the Crown (if applicable).

6. SHARES

6.1 **Classes:** The Company may issue the following classes of Shares only:

- (a) Ordinary Shares;
- (b) Redeemable Shares, pursuant to a Guarantor's Equity Commitment or the conversion of the Borrower Notes; and
- (c) any other class of Shares approved by Shareholders under clause 5.1(f).



- 6.2 **Shareholders:** Only a Local Authority or the New Zealand Government may be a Shareholder, and no person may become a Shareholder without entering into an Accession Deed (so as to be bound by this agreement) or being deemed to have agreed to be bound by this agreement. No person may become the holder of any Ordinary Shares (other than the New Zealand Government) unless that person is a Guarantor and has entered into a Guarantor's Equity Commitment.
- 6.3 **Calls:** Calls on any Ordinary Shares which are not fully paid up shall be made at such times, and in such amounts, as determined by the Board, provided that the Board has determined that there is a risk of imminent default by the Company under its Borrowed Money Indebtedness. Any call on Ordinary Shares shall be made proportionately across all Ordinary Shares which are not fully paid up on issue at the time the call is made. Payment of a call shall be made within 10 Business Days of notice of the call being provided to a Shareholder.
- 6.4 **Redemption:** In the event the Company determines to redeem any Redeemable Shares, any redemption must be effected, if the redemption is required by a Guarantor's Equity Commitment, in accordance with the Guarantor's Equity Commitment and otherwise:
- (a) such that the Redeemable Shares are redeemed in the order in which they were issued; and
 - (b) if Redeemable Shares were issued at the same time, proportionately across the holders of such Redeemable Shares (in accordance with the number of Redeemable Shares held).
- 6.5 **Additional funding:** A Shareholder shall not have any obligation to contribute any funding to the Company except as expressly set out in this agreement or in any other legally binding documentation entered into between the Company and that Shareholder.
- 7. FIRST OPENING**
- 7.1 **Initial shareholdings:** Immediately following the First Opening (which shall take place on or about the date of this agreement), each Principal Shareholder as at the date of this agreement (in this clause 7 an "**Original Principal Shareholder**") will hold the number of Shares as set out in schedule 2.
- 7.2 **Reimbursement:** From the proceeds received pursuant to the First Opening, the Company shall pay to each Local Authority listed in schedule 3 the amount listed alongside its name in that schedule, in reimbursement of payments made by such Original Principal Shareholder to New Zealand Local Government Association Inc. ("**NZLGA**") to fund the establishment costs of the Company.
- 7.3 **Repayment:** The parties acknowledge that the New Zealand Government has made an advance to NZLGA to assist with the funding of the establishment costs of the Company. The Company shall pay to the New Zealand Government an amount of \$950,000.00 by way of set off from the amount to be paid by the New Zealand Government to the Company pursuant to the First Opening. Following such payment and notwithstanding the terms of any facility or other agreement between NZLGA and the New Zealand Government, the New Zealand Government shall forgive (in writing) the advance made by it to NZLGA.



- 7.4 **NZLGA funds:** Following completion of the payments referred to in clauses 7.2 and 7.3, each Original Principal Shareholder shall direct NZLGA (in writing) to pay to the Company all moneys which remain held by NZLGA from payments made to it by that Original Principal Shareholder as referred to in clauses 7.2 and 7.3 (to the extent not required by NZLGA to pay establishment costs).

8. SECOND OPENING

- 8.1 **Board to determine:** The Board shall determine when, and if, the Second Opening is to occur, and shall provide the then current Shareholders with not less than 25 Business Days' notice of the Second Opening in accordance with clause 8.2.
- 8.2 **Pro rata sell down:** In the Second Opening, each Principal Shareholder (other than the New Zealand Government) ("**Sell-Down Shareholder**") shall, subject to the following provisions of this clause 8, be required to transfer a number set by the Company of the Ordinary Shares held by the Sell-Down Shareholder to Incoming Principal Shareholders (as directed by the Company) (which number may comprise a number of paid up Ordinary Shares, and a number of Ordinary Shares which are not fully paid up, as set by the Company). The Company shall, subject to the following provisions of this clause 8, set that number for each Sell-Down Shareholder such that:
- (a) if the Sell-Down Shareholder holds Ordinary Shares which are not fully paid up, the Ordinary Shares to be transferred are such that, following the transfer, the Sell-Down Shareholder would hold paid up Ordinary Shares, and Ordinary Shares which are not fully paid up, in the same proportion as prior to the transfer;
 - (b) the proportion of Ordinary Shares to be transferred by each Sell-Down Shareholder shall be the same, other than:
 - (i) where a Sell-Down Shareholder would, as a result of such a transfer, hold less than 100,000 fully paid Ordinary Shares, in which case the Company shall set the number of Shares for that Sell-Down Shareholder as the maximum number which could be transferred by that Sell-Down Shareholder without the Sell-Down Shareholder thereafter holding less than 100,000 fully paid Ordinary Shares; and
 - (ii) as considered reasonable by the Company to allow for rounding; and
 - (c) Auckland Council, Christchurch City Council, Hamilton City Council, Tasman District Council, Tauranga City Council, Wellington City Council, Wellington Regional Council, Western Bay of Plenty District Council and Whangarei District Council shall, following that transfer, retain (in aggregate) 51% of all Ordinary Shares, provided that this clause 8.2(c) shall have no application if such Local Authorities did not hold (in aggregate) 51% of all Ordinary Shares immediately prior to the Second Opening.

The Company shall provide each Sell-Down Shareholder with written notice of the number of Ordinary Shares which it (subject to the following provisions of this clause 8) is required to transfer as part of the Second Opening ("**Specified Sale Number**"), and the numbers of paid up Ordinary Shares and Ordinary Shares which are not fully paid up comprised in the Specified Sale Number, not less than 25 Business Days before the date of the Second Opening.



- 8.3 **Non-pro rata sell down:** If a Sell-Down Shareholder ("**Non-Pro Rata Sell-Down Shareholder**") wishes to sell less than the Specified Sale Number, within five Business Days of receipt of the notice under clause 8.2, the Non-Pro Rata Sell-Down Shareholder shall provide the Company with written notice of the number of Ordinary Shares of the Specified Sale Number that it wishes to retain ("**Retained Share Number**"). Any such notice shall also set out the number of paid up Ordinary Shares, and Ordinary Shares which are not fully paid up, comprised in the Retained Share Number, which numbers must be in the same proportion as they are comprised in the Specified Sale Number (and if they are not, the notice shall be disregarded). If no such written notice is given by a Sell-Down Shareholder, then (subject to the following provisions of this clause 8) such Sell-Down Shareholder shall be obliged to transfer the Specified Sale Number of Ordinary Shares (comprised of such numbers of paid up Ordinary Shares, and Ordinary Shares which are not paid up, as were specified in the notice of the Company under clause 8.2) as part of the Second Opening.
- 8.4 **Other Shareholders:** If one or more Non-Pro Rata Sell-Down Shareholders serves a notice in accordance with clause 8.3, the Company shall, within three Business Days of the expiry of the five Business Day period specified in clause 8.3, issue a written notice offering the other Sell-Down Shareholders the opportunity to transfer additional Ordinary Shares pursuant to the Second Opening, by providing them with written notice of the total number of Retained Share Numbers of all Non-Pro Rata Sell-Down Shareholders (which shall include notice of the aggregate paid up Ordinary Shares, and aggregate Ordinary Shares which are not paid up, comprised in the total Retained Share Numbers). Each other Sell-Down Shareholder shall, if it so wishes, provide written notice to the Company of any additional Ordinary Shares (which may not exceed as concerns paid up Ordinary Shares, and Ordinary Shares which are not paid up, the aggregate numbers set out in the notice of the Company) that such Sell-Down Shareholder wishes to transfer as part of the Second Opening within five Business Days of receipt of such notice from the Company, provided that any such notice must be such that, if a transfer were made of the Ordinary Shares referred to in that notice (together with a transfer of the Specified Sale Number), the Sell-Down Shareholder would continue to hold no less than 100,000 fully paid Ordinary Shares and the same proportions of paid up, and not paid up, Ordinary Shares, and any notice which does not satisfy those requirements shall be disregarded.
- 8.5 **Consequences:** If:
- (a) no notice is received from Sell-Down Shareholders in accordance with clause 8.4, each Non-Pro Rata Sell-Down Shareholder shall be obliged to transfer the Specified Sale Number of Ordinary Shares (comprised of such numbers of paid up Ordinary Shares, and Ordinary Shares which are not paid up, as were specified in the notice of the Company under clause 8.2) in the Second Opening;
 - (b) notices are received from Sell-Down Shareholders in accordance with clause 8.4, the Company shall determine:
 - (i) for each Non-Pro Rata Sell-Down Shareholder, the number of paid up Ordinary Shares, and Ordinary Shares which are not paid up, by which the Specified Sale Number of the Non-Pro Rata Sell-Down Shareholder shall be reduced (which may not exceed the numbers set out in the notice given by the Non-Pro Rata Sell-Down Shareholder under clause 8.3); and
 - (ii) for each Sell-Down Shareholder which gave notice under clause 8.4, the number of paid up Ordinary Shares, and Ordinary Shares which are not



paid up, by which the Specified Sale Number of the Non-Pro Rata Sell-down Shareholder shall be increased (which may not exceed the numbers set out in the notice given by the Sell-Down Shareholder under clause 8.4).

In making that determination the Company shall act fairly and equitably as between Shareholders. The determination of the Company shall be final and binding on all parties, and each Sell-Down Shareholder shall be obliged to transfer the Specified Sale Number of Ordinary Shares as so reduced or increased by the Company (comprised of such numbers of paid up Ordinary Shares, and Ordinary Shares which are not paid up, as so determined by the Company) as part of the Second Opening.

- 8.6 **Notice:** The Company shall give notice to all Sell-Down Shareholders of the number of Ordinary Shares which it is required to transfer as part of the Second Opening, and the number of paid up Ordinary Shares and Ordinary Shares which are not paid up comprised in that number, in accordance with clauses 8.2 to 8.5, within three Business Days of the expiry of the five Business Days referred to in clause 8.4, if clause 8.5(a) is applicable, and otherwise within three Business Days of its determination under clause 8.5(b).
- 8.7 **Price:** Any Ordinary Shares to be transferred as part of the Second Opening shall be transferred at a price per share equal to the amount paid up on that share at the time of the Second Opening.
- 8.8 **Terms of sale:** The purchase of any Ordinary Shares as part of the Second Opening shall be effected on the following terms:
- (a) each Sell-Down Shareholder shall transfer the Ordinary Shares which it is obliged to transfer as part of the Second Opening to such Incoming Principal Shareholder as notified to such Sell-Down Shareholder by the Company pursuant to clause 8.6;
 - (b) the purchase of the Ordinary Shares shall be settled on the date of the Second Opening;
 - (c) each Sell-Down Shareholder shall transfer to each Incoming Principal Shareholder good title to the Ordinary Shares free of any security interest; and
 - (d) on settlement of the purchase of the Ordinary Shares, each Incoming Principal Shareholder shall pay the purchase price to the relevant Sell-Down Shareholder in cleared funds, the Sell-Down Shareholder shall deliver to the relevant Incoming Principal Shareholder a transfer of the Ordinary Shares in a form reasonably acceptable to that Incoming Principal Shareholder, and each Incoming Principal Shareholder and Sell-down Shareholder shall enter into and deliver to the Company an Accession Deed in accordance with clause 10.11. If any Shareholder fails to enter into that Accession Deed, it shall nevertheless be conclusively deemed to have done so. The Board shall take all necessary steps to cause the Incoming Principal Shareholder to be registered as holder of the relevant Ordinary Shares.
- 8.9 **Clause 10:** Nothing in clause 10 (except clause 10.11) applies to a transfer of Ordinary Shares in the Second Opening.

9. SECTION 107 CONSENTS

9.1 **Consent:** Each Shareholder hereby consents:

- (a) for the purposes of section 107(d) of the Companies Act, to any redemption from time to time, in accordance with this agreement and the Constitution, of any of the Redeemable Shares by the Company, being otherwise than in accordance with sections 69 to 72 of the Companies Act;
- (b) for the purposes of section 107(e) of the Companies Act, to financial assistance (if any) being given by the Company from time to time for the purpose of, or in connection with, the purchase of any Shares, otherwise than in accordance with sections 76 to 80 of the Companies Act, where such assistance is in the form of:
 - (i) any loan, advance or other financial accommodation given by the Company which funds (directly or indirectly) the subscription by a Participating Borrower of Borrower Notes, or of the Redeemable Shares issued on conversion of Borrower Notes, and any incidental assistance; or
 - (ii) any loan, advance or other financial accommodation given by the Company which funds (directly or indirectly) the subscription by a Guarantor of Redeemable Shares pursuant to the Guarantor's Equity Commitment, and any incidental assistance; and
- (c) for the purposes of section 107(2) of the Companies Act, to any issue of Redeemable Shares from time to time pursuant to conversion of Borrower Notes, or pursuant to a Guarantor's Equity Commitment, being otherwise than in accordance with sections 42, 44 or 45 of the Companies Act.

9.2 **No withdrawal:** Each Shareholder covenants that it shall not withdraw any consent provided under clause 9.1. If any Shareholder does withdraw any such consent, this shall constitute a breach of this agreement which shall be an Event of Default.

9.3 **Not exhaustive:** For the avoidance of doubt, nothing in this clause 9 prohibits or restricts the Board or the Company from redeeming any Shares, providing financial assistance for the purpose of, or in connection with, the purchase of any Shares or issuing any Shares without consent under section 107 of the Companies Act, where permitted under the Companies Act, and subject to the other terms of this agreement.

10. PRE-EMPTIVE RIGHTS

10.1 **No sale:** No Principal Shareholder shall directly or indirectly sell, transfer, or dispose of the legal or beneficial ownership of, or the control of, any of its Ordinary Shares otherwise than in compliance with clause 8, this clause 10 or clause 13. No interest in, or control of, any Ordinary Share may be sold, transferred or disposed of except the full legal and beneficial ownership of an Ordinary Share.

10.2 **Sale notice:** If any Principal Shareholder ("**Seller**") wishes to sell, transfer or otherwise dispose of the legal or beneficial ownership of, or the control of, any of its Ordinary Shares ("**Sale Interest**"), that Shareholder shall give notice (a "**Sale Notice**") to the other Principal Shareholders specifying:



- (a) the precise nature of the Sale Interest (including the number of Shares involved, which must be an equal proportion of any paid up, and unpaid, Ordinary Shares held by the Seller),
 - (b) the price which the Seller wishes to receive for the Sale Interest; and
 - (c) any other terms and conditions of sale of the Sale Interest (which shall be described sufficiently precisely to enable an acceptance of the offer in the Sale Notice to constitute a binding contract).
- 10.3 **Acceptance of Sale Notice:** Each Principal Shareholder other than the Seller may, not later than the date ("**Acceptance Date**") 10 Business Days after the giving of the Sale Notice, give notice to the Seller that that Principal Shareholder wishes to acquire the Sale Interest on the terms specified in the Sale Notice.
- 10.4 **Terms of sale:** A Principal Shareholder which gives notice to the Seller in accordance with clause 10.3 that it wishes to acquire the Sale Interest (a "**Buyer**") shall be entitled and bound (subject to clause 10.5) to acquire the Sale Interest. If more than one Principal Shareholder gives notice to the Seller that it wishes to acquire the Sale Interest, those Principal Shareholders shall be entitled and bound to acquire the Sale Interest in proportion to their respective holdings of Ordinary Shares. The purchase of the Sale Interest shall be effected at the price, and on the terms and conditions, specified in the Sale Notice, and, subject to anything to the contrary in the Sale Notice, on the following terms:
- (a) the purchase of the Sale Interest shall be settled on the date 10 Business Days after the Acceptance Date, or if clause 10.5 applies, 10 Business Days after the last of the consents referred to in clause 10.5 is obtained;
 - (b) if there is more than one Buyer, the purchase of the Sale Interest by all Buyers shall be settled simultaneously;
 - (c) the Seller shall transfer to each Buyer good title to its relevant part of the Sale Interest free of any security interest; and
 - (d) on settlement of the purchase of the Sale Interest each Buyer shall pay the relevant purchase price to the Seller in cleared funds, and the Seller shall deliver to each Buyer a transfer of its relevant part in the Sale Interest in a form reasonably acceptable to that Buyer. All Shareholders and the Board shall take all necessary steps to cause the Buyer to be registered as holder of the relevant Shares.
- 10.5 **Consents:** Each Buyer and the Seller shall use their reasonable endeavours, with all due speed and diligence, to obtain all necessary consents to the sale and purchase of the Sale Interest, including any consent required from any governmental or regulatory agency or authority. If any necessary consent is:
- (a) not granted within 20 Business Days after the Acceptance Date; or
 - (b) granted on terms and conditions that are not reasonably acceptable to the party affected thereby,
- the Seller or any Buyer may, by notice to all Principal Shareholders, terminate the obligation to buy and sell the Sale Interest created by clause 10.4.

- 10.6 **Sale to other Local Authorities:** If:
- (a) no notice is given to the Seller pursuant to, and within the time specified in, clause 10.3; or
 - (b) the obligation to buy and sell the Sale Interest is terminated pursuant to clause 10.5 by reason of a consent required on the part of any Buyer not being granted, or being granted on terms and conditions not reasonably acceptable to any Buyer,
- the Seller may, subject to clauses 10.8 and 10.11 within 60 Business Days of the date of the Sale Notice, transfer the Sale Interest to a Local Authority or the New Zealand Government for a price not less than, and on terms and conditions no more favourable than, specified in the Sale Notice. For this purpose, terms and conditions offered to another Local Authority or the New Zealand Government shall not be considered to be more favourable to a buyer than those specified in the Sale Notice by reason only:
- (c) that the terms offered to that person include normal and reasonable warranties; or
 - (d) of inclusion in the terms offered to that person of terms which give no material value to a buyer.
- 10.7 **Assistance:** For the purpose of clause 10.6, each Shareholder shall provide such assistance as may reasonably be required by the Seller for the purposes of enabling the Seller to solicit offers for, and sell, the Sale Interest including:
- (a) allowing prospective purchasers and their advisers to carry out reasonable due diligence enquiries (subject to those persons entering into appropriate confidentiality arrangements); and
 - (b) enabling completion of any such sale to take place.
- 10.8 **Approval of purchaser:** The Seller shall not transfer a Sale Interest to any person unless the Seller has obtained the prior written approval of the Board to registration pursuant to clause 12.5 of the Constitution (which approval may be granted or not in accordance with clause 12.5 of the Constitution).
- 10.9 **Clause to apply again:** If:
- (a) notice is given to the Seller pursuant to clause 10.3, but the obligation to buy and sell the Sale Interest is terminated pursuant to clause 10.5 (other than for the reason specified in clause 10.6(b));
 - (b) the Seller proposes to sell, transfer, or otherwise dispose of the Sale Interest outside the period referred to in clause 10.6, or at a price, or on terms and conditions more favourable to a buyer than, specified in the Sale Notice; or
 - (c) the Seller does not obtain the approval referred to in clause 10.8,
- clauses 10.1 to 10.9 shall again apply.
- 10.10 **Redeemable Shares:** Clauses 10.1 to 10.9 shall not apply to Redeemable Shares. No Shareholder shall directly or indirectly sell, transfer, or dispose of the legal beneficial ownership of, or control of, any of its Redeemable Shares except with the prior written approval of the Board (which approval may be granted or not, at the discretion of the Board).



- 10.11 **Accession Deed:** Whenever a Shareholder transfers the legal or beneficial ownership of any Shares to a person who is not a party to this agreement, that person and that Shareholder shall enter into and deliver to each other an Accession Deed. Each person entering into an Accession Deed shall also deliver to the Company such evidence as it reasonably requires in order to be satisfied that that Accession Deed is valid, binding, and enforceable as against that person. The Company is irrevocably authorised to execute each Accession Deed on behalf of all Shareholders (other than the transferring Shareholder).
- 10.12 **Security:** Notwithstanding the other provisions of this clause 10, a Shareholder shall, subject to obtaining the prior written consent of the Board (which approval may be granted or not, at the discretion of the Board), be permitted to grant a security interest over its Shares subject to the holder of the security interest agreeing, in a form reasonably acceptable to the Company, to be bound by this agreement.
- 10.13 **Amalgamation:** Nothing in clauses 10.1 to 10.11 shall apply to a Local Authority succeeding, by process of law, to the Shares of another Local Authority, pursuant to an amalgamation of Local Authorities.

11. PROTECTED TRANSACTION

11.1 [Not used]

11.2 [Not used]

11.3 **Protected transaction:** Each Principal Shareholder (other than the New Zealand Government) warrants that, for the purposes of section 117 of the Local Government Act, the entry by it into, and the performance by it of, this agreement, is:

- (a) in compliance with the Local Government Act;
- (b) not contrary to any provision of the Local Government Act;
- (c) within the capacity, rights and powers of the relevant Principal Shareholder; and
- (d) for the purpose authorised by the Local Government Act or any other statute.

12. FINANCIAL

12.1 **Records:** The Board shall ensure that proper accounting and other records of the Company are maintained in accordance with generally accepted accounting practice (as defined in section 5 of the Local Government Act) and all relevant legal requirements.

12.2 **Audit:** The Board shall ensure that the financial statements of the Company are audited by the Auditor as at the end of each financial year (as defined in section 5 of the Local Government Act).

12.3 **Reporting:** The Company must provide reports to Shareholders in accordance with the requirements of the Local Government Act, including:

- (a) by the end of February in each year, the Board must deliver to Shareholders a report on the Company's operations during the six month period ending on



31 December in the previous year in accordance with section 66 of the Local Government Act; and

- (b) by the end of September in each year, the Board must deliver to Shareholders, and make available to the public, a report on the Company's operations during the year ending on the preceding 30 June in accordance with section 67 of the Local Government Act.

The Company must provide to Shareholders a copy of its unaudited financial statements for the six month period ending on 31 December in the previous year together with the half-yearly report to be delivered pursuant to clause 12.3(a).

12.4 **Debenture Trust Deed Notifications:** The Company shall:

- (a) to the extent known by the Company, notify each Shareholder (in writing) of any Event of Default affecting any other Shareholder or Guarantor as soon as reasonably practicable after its occurrence, and of the steps taken or proposed to be taken in relation to such Event of Default, provided that:
 - (i) the Company's obligation under this clause 12.4(a) only applies in respect of Securities of which it is the Holder; and
 - (ii) the Company shall not be liable for:
 - (aa) any failure to provide such notification to a Shareholder; or
 - (bb) any inaccurate, incomplete or incorrect information given in such a notification, provided the notification is given by the Company in good faith; and
- (b) promptly notify each Shareholder (in writing) if the Board determines that there is a risk of imminent default under any Borrowed Money Indebtedness;
- (ba) to the extent known by the Company, promptly notify each Shareholder (in writing):
 - (i) if any Event of Default (as defined in the Multi-issuer Deed) occurs in relation to a Participating CCO; or
 - (ii) where there is a risk that the CCO Shareholder will not be able to meet an obligation to pay any amount uncalled and/or unpaid in respect of its Participating CCO;
- (c) within one Business Day of receipt of a written request from a Shareholder or the Shareholder's Trustee, notify the Shareholder and the Shareholder's Trustee (in writing) of the "nominal amount" of the Security Stock:
 - (i) held by the Company in respect of the Shareholder's obligations under each of the Multi-issuer Deed and, where the Shareholder is a Guarantor, the Equity Commitment Deed; and
 - (ii) where the Shareholder is a Guarantor, held by the Security Trustee in respect of the Shareholder's obligations under the Guarantee,

in each case, as at the date of the Company's notification.



In this clause 12.4, "Holder", "Security Trustee", "Trustee", "Security Stock", "Equity Commitment Deed" and "Guarantee" each have the meaning given in the Multi-issuer Deed.

- 12.5 **SOI reporting:** The Company must provide quarterly reports to the Shareholders' Council in accordance with any requirements of the Statement of Intent (which shall include, without limitation, to the extent known by the Company, details of any Event of Review occurring in any quarter, and the steps taken (or proposed to be taken) by the Company in relation to that Event of Review, and provided that clause 12.4(a)(ii) shall also apply to any such notification (or failure to provide any such notification) concerning an Event of Review).

13. DEFAULT

- 13.1 **Consequences:** If an Event of Default occurs in respect of a Shareholder (the "**Defaulting Shareholder**"):
- (a) the Company may, while that Event of Default continues, by notice in writing to the Defaulting Shareholder require that the Defaulting Shareholder transfer all of its Shares to a Local Authority, the New Zealand Government or the Company, as the Board may determine, at Fair Value. Clauses 11.2 to 11.4 of the Constitution shall apply to any such required transfer as if it were the sale of a forfeited Share under those provisions. Clause 10 (other than clause 10.11) of this agreement shall not apply to any such transfer;
 - (b) while that Event of Default continues, the Defaulting Shareholder shall not be entitled to exercise any votes attaching to its Shares; and/or
 - (c) while that Event of Default continues, the Defaulting Shareholder shall not be entitled to receive any dividends or other distributions which may become payable in respect of any of its Shares, provided that, if the Event of Default is remedied, the amount of any accrued but unpaid dividends or other distributions will be paid to the Defaulting Shareholder as soon as reasonably practicable following such Event of Default becoming remedied (after deduction of any amounts owing to the Company by such Defaulting Shareholder).
- 13.2 **Default interest:** If any party does not pay any amount payable under this agreement on the due date for payment ("**Due Date**") that party shall pay to the other party interest (both before and after judgment) on that amount. That interest:
- (a) shall be paid at the Bill Rate plus five per cent. per annum;
 - (b) shall be paid by instalments at intervals of ten Business Days from the Due Date; and
 - (c) shall be calculated on a daily basis from and including the Due Date until the unpaid amount is paid in full.
- The right of a party to require payment of interest under this clause does not limit any other right or remedy of that party.
- 13.3 **Other remedies:** Clauses 13.1, and 13.2 are without prejudice to any other right, power or remedy under this agreement, at law, or otherwise, that any person has in respect of a default by any party. The parties agree that no sale of a Share under clause 11.1 of the



Constitution may be made except at a price which is equal to or greater than Fair Value, and that nothing in clause 10 (except clause 10.11) shall apply to any such sale.

14. CONFIDENTIALITY

14.1 **Confidentiality Obligation:** Subject to clause 14.2, each Shareholder and, in respect of (a) and (b) below only, the Company, shall keep confidential, and make no disclosure of:

- (a) the existence and contents of this agreement;
- (b) all information obtained from the Shareholders under this agreement or in the course of negotiations in respect of this agreement; and
- (c) all information obtained from the Company, or developed or held for the purposes of the Company,

(together "Information").

14.2 **Exceptions:** Information may be disclosed by a Shareholder or the Company if:

- (a) written consent to the disclosure is given by the party to which the Information relates;
- (b) disclosure is required by law, is necessary to comply with the listing rules of any recognised stock exchange, or if the Company determines disclosure in any prospectus, investment statement, product disclosure statement, offering memorandum or offer or disclosure document of the Company is necessary or desirable; or
- (c) disclosure is necessary to obtain the benefits of, and fulfil obligations under, this agreement or as necessary for the enforcement of, or any proceedings or claims with respect to, this agreement (or any other agreements or deeds which concern the Company);
- (d) that Information already is, or becomes, public knowledge other than as a result of a breach of clause 14.1 by that Shareholder or the Company (as the case may be); or
- (e) disclosure is made to a lawyer, accountant or other professional adviser of that Shareholder or the Company.

15. NOTICES

15.1 **Writing:** Each notice or other communication to be given or made under this agreement to any person must:

- (a) **Writing:** be given or made in writing by email or letter and be signed by the sender or an authorised officer of the sender;
- (b) **Address:** be given or made to the recipient at the address or email address and marked for the attention of the person (if any), from time to time designated by the recipient to the other for the purposes of this agreement;



- (c) **Deemed delivery:** not be effective until received by the recipient, and any such notice or communication shall be deemed to be received:
- (i) (if given or made by letter) when left at the address of the recipient or 5 Business Days after being put in the post, postage prepaid, and addressed to the recipient at that address; or
 - (ii) (if given or made by email) when dispatched in tangible, readable form by the sender to the email address advised by the recipient from time to time,

provided that any notice or communication received or deemed received after 5pm on a working day in the place to which it is sent, or on a day which is not a working day in that place, shall be deemed not to have been received until the next working day in that place.

- 15.2 **Initial address and numbers:** The initial address, email address and person (if any) designated for the purpose of this agreement, are set out in schedule 6.

16. DISPUTES

- 16.1 **Arbitration:** Any dispute, difference or claim arising out of or in connection with this agreement, or the subject matter of this agreement, including any dispute as to its existence or validity ("**Dispute**") will be referred to arbitration by a single arbitrator. The arbitration will be commenced by a party giving notice to the other parties stating the subject matter and details of the Dispute and requiring the Dispute to be referred to arbitration. The arbitrator will be appointed by the parties, or failing agreement within 10 Business Days after, and exclusive of, the date of giving the notice, will be appointed at the request of a party by the president or vice-president for the time being of the New Zealand Law Society or the nominee of such president or vice-president. The place of arbitration will be Auckland.

- 16.2 **Appeals on points of law:** The parties waive any right to seek a determination by the court of a preliminary point of law (pursuant to section 4, Second Schedule to the Arbitration Act 1996) and to appeal on a question of law (pursuant to section 5, Second Schedule to the Arbitration Act 1996).

- 16.3 **Costs:** The parties will bear their own costs (including legal costs) and an equal share of the costs of the award in relation to the arbitration, unless the arbitrator determines that a party shall bear some proportion of, or all of, the costs of any other party because of impropriety, lack of cooperation or unreasonable conduct by that party.

- 16.4 **Binding:** The determination of an arbitrator appointed pursuant to clause 16.1 shall be binding on the parties.

17. WARRANTIES

- 17.1 **Warranties:** Each party represents and warrants that:

- (a) **Power:** it has full legal capacity and power to enter into this agreement and to carry out the transactions that it contemplates;



- (b) **Authorisations:** it holds each Authorisation that is necessary or desirable to:
- (i) execute this agreement and to carry out the transactions that it contemplates;
 - (ii) ensure that this agreement is legal, valid, binding and admissible in evidence; or
 - (iii) enable it to properly carry on its business, and it is complying with any conditions to which any of these Authorisations is subject;
- (c) **Documents effective:** this agreement constitutes legal, valid and binding obligations, enforceable against it in accordance with its terms (except to the extent limited by equitable principles and laws affecting creditors' rights generally); and
- (d) **No contravention:** neither its execution of this agreement nor the carrying out by it of the transactions that it contemplates, does or will:
- (i) contravene any law to which it or any of its property is subject or any order that is binding on it or any of its property;
 - (ii) contravene any Authorisation;
 - (iii) contravene any undertaking or instrument binding on it or any of its property; or
 - (iv) require it to make any payment or delivery in respect of any financial accommodation or financial instrument before it would otherwise be obliged to do so.
- 17.2 **Consultation:** Without limiting clause 17.1, each Shareholder which is a Local Authority represents and warrants to each other party that it has complied with section 56 of the Local Government Act in connection with its subscription for and/or acquisition of Shares in the Company.
- 18. GENERAL**
- 18.1 **Term:** This agreement shall terminate on the earlier of:
- (a) the date on which the liquidation of the Company is completed; and
 - (b) the date on which one person owns all of the Shares.
- 18.2 **No partnership, joint venture:** Nothing in this agreement shall create or evidence any partnership, joint venture, agency, trust or employer/employee relationship between any of the Shareholders, and a Shareholder may not make, or allow to be made, any representation that any such relationship exists between any of the Shareholders. A Shareholder shall not have authority to act for, or to incur any obligation on behalf of, any other Shareholder, except as expressly provided for in this agreement. No Shareholder has any obligation of good faith or similar obligation to any other Shareholder.



18.3 **Counterparts:** This agreement is deemed to be signed by a party if that party has signed or attached that party's signature to any of the following formats of this agreement:

- (a) an original; or
- (b) a facsimile copy; or
- (c) a photocopy; or
- (d) a PDF or email image copy;

and if every party has signed or attached that party's signature to any such format and delivered it in any such format to the other parties, the executed formats shall together constitute a binding agreement between the parties.

18.4 **Entire agreement:** This agreement constitutes the entire agreement between the parties relating to the subject matter of this agreement and supersedes and cancels any previous agreement, understanding or arrangement whether written or oral.

18.5 **Severance:** If any provision of this agreement is, or becomes unenforceable, illegal or invalid for any reason it shall be deemed to be severed from this agreement without affecting the validity of the remainder of this agreement and shall not affect the enforceability, legality, validity or application of any other provision of this agreement.

18.6 **Further assurance:** Each party shall make all applications, execute all documents and do or procure all other acts and things reasonably required to implement and to carry out its obligations under, and the intention of, this agreement.

18.7 **Amendment:** This agreement may be amended in accordance with the terms of any Ordinary Resolution. If any such Ordinary Resolution is passed, the amendment recorded in that resolution shall take effect in accordance with their terms, and the Company shall prepare a deed recording such amendments, and may execute that deed on behalf of each Shareholder. Each Shareholder irrevocably appoints the Company as its attorney to execute such a deed on its behalf.

18.8 **Governing law:** This agreement is governed by the laws of New Zealand and the parties submit to the non-exclusive jurisdiction of the courts of New Zealand in respect of any dispute or proceeding arising out of this agreement.

18.9 **No guarantee:** The parties acknowledge that the obligations and liabilities of the Company under this agreement are not guaranteed by the Crown.

SIGNATURES

[Original execution blocks intentionally deleted]

SCHEDULE 1
Foundation Policies
 (Clause 5.1 of the Shareholders' Agreement)

These foundation policies may only be changed by a resolution of shareholders in accordance with clause 5.1 of the Shareholders' Agreement

Credit Risk

Lending Policy

All Local Authorities that borrow from the Company will:

- Provide debenture security in relation to their borrowing from the Company and related obligations, and (if relevant), equity commitment liabilities to the Company and (if relevant) guarantee liabilities to a security trustee approved for the Company's creditors.
- Issue securities (bonds / FRNs / CP) to the Company and/or enter into facility arrangements with the Company.
- Comply with their own internal borrowing policies.
- Comply with the financial covenants outlined in the following table, provided that:
 - Unrated Local Authorities or Local Authorities with a long-term credit rating lower than 'A' equivalent can have bespoke financial covenants that exceed the:
 - Lending policy covenants outlined in the following table with the approval of the Board;
 - Foundation policy covenants outlined in the following table with the approval of an Ordinary Resolution.
 - Local Authorities with a long-term credit rating of 'A' equivalent or higher:
 - will not be required to comply with the lending policy covenants in the following table; and
 - can have bespoke financial covenants that exceed the foundation policy covenants outlined in the following table with the approval of an Ordinary Resolution; and in any event, will not be required to comply with the Net Debt / Total Revenue foundation policy covenant outlined in the following table until the financial year ending 30 June 2026. Until that date, such Local Authority must comply with the Net Debt / Total Revenue covenant set out in the table entitled "Alternative Net Debt / Total Revenue Covenant" below.
 - Any Board or Ordinary Resolution approval of bespoke financial covenants will only be provided after a robust credit analysis and any approval must also include bespoke reporting and monitoring arrangements.
- If the principal amount of a Local Authority's borrowings, or the Company's commitment under a facility agreement with a Local Authority, is at any time greater than NZD 20 million, be a party to a deed of guarantee and an equity commitment deed (in each case in a form set by the Company).

Financial covenant	Lending policy covenants	Foundation policy covenants
Net Debt / Total Revenue	<175%	<280%
Net Interest / Total Revenue	<20%	<20%
Net Interest / Annual Rates Income	<25%	<30%
Liquidity	>110%	>110%

Alternative Net Debt / Total Revenue Covenant	
Financial Year ending	Net Debt / Total Revenue
30 June 2020	<250%
30 June 2021	<300%
30 June 2022	<300%
30 June 2023	<295%
30 June 2024	<290%
30 June 2025	<285%

Total Revenue is defined as cash earnings from rates, grants and subsidies, user charges, interest, dividends, financial and other revenue and excludes non government capital contributions (e.g. developer contributions and vested assets).

Net debt is defined as total debt less liquid financial assets and investments.

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

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

Annual Rates Income is defined as the amount equal to the total revenue from any funding mechanism authorised by the Local Government (Rating) Act 2002 together with any revenue received from other local authorities for services provided (and for which the other local authorities rate).

Financial covenants are measured on Council only basis and not consolidated group basis, unless requested by a Local Authority and approved by the Board.

Auckland Council will be limited to a maximum of 40% of the Company's total Local Authority (including CCO) assets.

Subject to implementation of any amendments or other actions considered necessary, advisable or expedient by the Board and the approval of the Board in relation to the relevant CCO (as defined below) (which may be a council-controlled trading organisation, as defined in the Local Government Act), an approved CCO may borrow from the Company provided that:

- The CCO is a "council-controlled organisation" as defined in section 6 of the Local Government Act, where the CCO is a company in which equity securities carrying at least 51% or more of the voting rights at a meeting of the shareholders of the CCO are held or controlled, directly or indirectly, by one or more Local Authorities (respectively, a "CCO" and each such Local Authority being a "CCO Shareholder");
- Each CCO Shareholder provides a guarantee in respect of the CCO in favour of the Company and/or there is sufficient uncalled capital in respect of the CCO to meet the financial obligations of the CCO;
- Each CCO Shareholder provides equity commitment liabilities to the Company, guarantees liabilities to a security trustee approved for the Company's creditors, and provides debenture security for its equity commitments to the Company and guarantee liabilities to the security trustee;



- Each CCO Shareholder complies with Lending policy financial covenants, Foundation policy financial covenants or other financial covenants required by the Board (if any) and, in the case of a CCO Shareholder with a long-term credit rating of 'A' equivalent or higher, until the financial year ending 30 June 2026, the Net Debt / Total Revenue covenant in the table entitled "Alternative Net Debt / Total Revenue Covenant" above.
- The CCO complies with any covenants required by the Board; and
- If required by the Board, the CCO will grant security in favour of the Company (which may be subject to any intercreditor arrangements acceptable to the Board).

Where the Company agrees to provide funding to the CCO, it must within 90 days of receiving annual financial covenant reporting from a CCO Shareholder (in its capacity as a borrower) report to the Shareholders' Council, holders of ordinary shares in the Company and any Local Authority guarantors of the Company's liabilities as to whether that CCO Shareholder has complied with its financial covenants on an individual and consolidated group basis.

Notwithstanding the definition of "CCO" set out above, the Board may not approve a CCO to borrow from the Company unless 100% of the equity securities carrying voting rights at a meeting of shareholders of the CCO are held or controlled, directly or indirectly, by one or more Local Authorities and the Crown (if applicable).

SCHEDULE 2
First Opening
 (Clause 7.1)

SHAREHOLDER	NO. OF PAID UP ORDINARY SHARES	NO. OF UNPAID ORDINARY SHARES
Auckland Council	2,000,000	2,000,000
Bay of Plenty Regional Council	2,000,000	2,000,000
Christchurch City Council	1,999,999	2,000,000
Hamilton City Council	2,000,000	2,000,000
Hastings District Council	400,000	400,000
Masterton District Council	100,000	100,000
New Plymouth District Council	100,000	100,000
Otorohanga District Council	100,000	100,000
Selwyn District Council	200,000	200,000
South Taranaki District Council	100,000	100,000
Tasman District Council	2,000,000	2,000,000
Taupo District Council	100,000	100,000
Tauranga City Council	2,000,000	2,000,000
Waipa District Council	100,000	100,000
Wellington City Council	2,000,000	2,000,000
Wellington Regional Council	2,000,000	2,000,000
Western Bay of Plenty District Council	2,000,000	2,000,000
Whangarei District Council	800,000	800,000
New Zealand Government	5,000,000	0
Total	24,999,999	20,000,000

SCHEDULE 3
Reimbursement
(Clause 7.2)

LOCAL AUTHORITY	AMOUNT
Auckland Council	\$250,000.00
Christchurch City Council	\$200,000.00
Hamilton City Council	\$200,000.00
Tasman District Council	\$200,000.00
Tauranga City Council	\$200,000.00
Wellington City Council	\$200,000.00
Wellington Regional Council	\$200,000.00
Western Bay of Plenty District Council	\$150,000.00
Whangarei District Council	\$200,000.00

SCHEDULE 4
Form of Accession Deed
(Clause 10.11)

DEED dated []

PARTIES [] ("Remaining Shareholder(s)")
 [] ("Transferor")
 [] ("Transferee")

INTRODUCTION

- A. The Remaining Shareholder(s) and the Transferor are the parties to a shareholders' agreement dated [] 2011 ("**Agreement**") relating to New Zealand Local Government Funding Agency Limited (the "**Company**").
- B. The Transferor wishes to transfer to the Transferee **[Number]** shares in the Company.
- C. Under the Agreement the parties are required to execute this deed.

OPERATIVE PROVISIONS

1. With effect from the [date of this deed]:
 - (a) The Transferee becomes a party to the Agreement as if it had been named as a party to the Agreement and had executed it.
 - (b) The Transferor ceases to be a Shareholder. *[Include only if applicable]*
2. The Transferor is not released from any liability to the Remaining Shareholders existing as at [the date of this deed]. *[Include only if applicable]*
3. New Zealand law governs. New Zealand courts have non-exclusive jurisdiction.

SIGNED AS A DEED

SCHEDULE 5
Events of Default
(Clause 13.1)

An Event of Default occurs in respect of a Shareholder if:

- (a) without limiting paragraphs (b), (c) and (e), that Shareholder commits any breach of or fails to observe any of the obligations under this agreement or the Constitution or the Guarantor's Equity Commitment of that Shareholder and (if that breach or failure is capable of remedy) does not remedy that breach or failure within 10 Business Days of notice from any other Shareholder or the Company specifying the breach or failure and requiring remedy or (if that breach or failure is not capable of remedy) that breach or failure is material in the context of the obligations of that Shareholder under this agreement, the Constitution or the Guarantor's Equity Commitment (as the case may be);
- (b) that a Shareholder fails to pay any calls on any Ordinary Shares within the prescribed time frame following a call being made by the Board;
- (c) that Shareholder fails to subscribe for any Redeemable Shares in accordance with the Guarantor's Equity Commitment of that Shareholder;
- (d) an "Event of Default", as defined in the Multi-issuer Deed, or a default under clause 7.6 or clause 7.7 of the Multi-issuer Deed, occurs with respect to that Shareholder;
- (e) an Event of Default occurs under clause 9.2 with respect to that Shareholder; or
- (f) an "Event of Default" as defined in any other arrangements for the Shareholder to be provided debt funding by the Company.

SCHEDULE 6
Addresses for Notice
 (Clause 15.2)

PARTY	ADDRESS FOR NOTICES
The Company	Address: Russell McVeagh, Vero Centre, 48 Shortland Street PO Box 8, Auckland 1140 Attention: Deemple Budhia
Auckland Council	Delivery Address: 135 Albert Street Auckland 1010 Postal Address: Private Bag 92300 Victoria Street West Auckland 1142 Email: john.bishop@aucklandcouncil.govt.nz Attention: John Bishop, Group Treasurer
Bay Of Plenty Regional Council	Delivery Address: 5 Quay Street Whakatāne Postal Address: P O Box 364 Whakatāne 3158 Email: mat.taylor@boprc.govt.nz Attention: Mat Taylor
Christchurch City Council	Delivery Address: Civic Offices 53 Hereford Street Christchurch Postal Address: P O Box 73016 Christchurch 8154 Email: Treasury@ccc.govt.nz Attention: Andrew Jefferies

PARTY	ADDRESS FOR NOTICES
Hamilton City Council	<p>Delivery Address: 260 Anglesea Street Council Building Garden Place Hamilton 3240</p> <p>Postal Address: Private Bag 3010 Hamilton 3240</p> <p>Email: david.bryant@hcc.govt.nz</p> <p>Attention: David Bryant</p>
Hastings District Council	<p>Delivery Address: 207 Lyndon Road East Hastings 4122</p> <p>Postal Address: Private Bag 9002 Hastings 4156</p> <p>Email: brucea@hdc.govt.nz</p> <p>Attention: Bruce Allan</p>
Masterton District Council	<p>Delivery Address: 27 Lincoln Road Masterton 5810</p> <p>Postal Address: PO Box 444 Masterton 5840</p> <p>Email: davidp@mstn.govt.nz</p> <p>Attention: Manager Finance</p>
New Plymouth District Council	<p>Delivery Address: Liardet St New Plymouth</p> <p>Postal Address: Private Bag 2025 New Plymouth 4342</p> <p>Email: alison.trustrumrainey@npdc.govt.nz / carla.freeman@npdc.govt.nz</p> <p>Attention: Alison TrustrumRainey / Carla Freeman</p>
Ōtorohanga District Council	<p>Delivery Address: 17 Maniapoto Street</p>

PARTY	ADDRESS FOR NOTICES
	<p>Ōtorohanga 3940</p> <p>Postal Address PO Box 11 Ōtorohanga 3940</p> <p>Email: grahamb@otodc.govt.nz</p> <p>Attention: Graham Bunn</p>
Selwyn District Council	<p>Delivery Address: 2 Norman Kirk Drive Rolleston</p> <p>Postal Address: P O Box 90 Rolleston 7643</p> <p>Email: Treasury.management@selwyn.govt.nz</p> <p>Attention: Greg Bell</p>
South Taranaki District Council	<p>Delivery Address: 105-111 Albion Street Hawera 4610</p> <p>Postal Address: Private Bag 902 Hawera 4640</p> <p>Email: Vipul.mehta@stdc.govt.nz</p> <p>Attention: Vipul Mehta</p>
Tasman District Council	<p>Delivery Address: 189 Queen Street, Richmond, Nelson 7050</p> <p>Postal Address Private Bag 4 Richmond, Nelson 7050</p> <p>Email: treasury@tasman.govt.nz</p> <p>Attention: Corporate Services Manager</p>
Taupo District Council	<p>Delivery Address: 72 Lake Terrace Taupo 3330</p> <p>Postal Address: Private Bag 2005 Taupo 3352</p> <p>Email: nward@taupo.govt.nz</p>

PARTY	ADDRESS FOR NOTICES
	Attention: Neil Ward
Tauranga City Council	Delivery Address: 91 Willow Street Tauranga 3143 Postal Address: Private Bag 12022 Tauranga 3143 Email: treasury.settlements@tauranga.govt.nz Attention: Mohan De Mel
Waipa District Council	Delivery Address: 101 Bank Street Te Awamutu Postal Address: Private Bag 2402 Te Awamutu 3800 Email: Farrah.Templeton@waipadc.govt.nz Kumaren.PerumalSarah.Davies@waipadc.govt.nz Ken.Morris@waipadc.govt.nz Attention: Ken Morris
Wellington City Council	Delivery Address: Wellington City Council 113 The Terrace Wellington Postal Address: PO Box 2199 Wellington 6140 Email: martin.read@wcc.govt.nz Attention: Martin Read
Wellington Regional Council	Delivery Address: Shed 39, 2 Fryatt Quay, Pipitea Wellington 6011 Postal Address: P O Box 11646 Manners Street Wellington 6142 Email: mike.timmer@gw.govt.nz matthias.zuschlag@gw.govt.nz

PARTY	ADDRESS FOR NOTICES
	Attention: Mike Timmer
Western Bay Of Plenty District Council	Delivery Address: Barkes Corner Greerton Tauranga Postal Address: Private Bag 12803 Tauranga 3143 Email: kumaren.perumal@westernbay.govt.nz Attention: Kumaren Perumal
Whangarei District Council	Delivery Address: Forum North Rust Avenue Whangarei Postal Address: Private Bag 9023 Whangarei 0148 Email: alan.adcock@wdc.govt.nz Attention: Alan Adcock
New Zealand Government	Delivery Address: Minister of Finance Parliament Buildings, Wellington And to: Minister of Local Government Parliament Buildings, Wellington With a copy to: William More, The Treasury, No 1 The Terrace Wellington 6011 Postal Address: The Treasury, No 1 The Terrace Wellington 6011 Attention: William More Fax: 04 473 0982

9.14 Rating Policy Review**File Number: A12984080****Author: Malcolm Gibb, Project Manager - Rating Review****Jim Taylor, Transactional Services Manager****Kathryn Sharplin, Manager: Finance****Authoriser: Paul Davidson, General Manager: Corporate Services****PURPOSE OF THE REPORT**

1. To provide an update on the rating policy review requested by Commissioners as a result of submissions and deliberations on the long-term plan and seek confirmation from the committee on the areas of review to focus on for the 2022-23 Annual Plan.
-

RECOMMENDATIONS

That the Strategy, Finance and Risk Committee:

- (a) Receives the report rating policy review.
 - (b) Approves a focus on priority topics for review of rates and rating structure for the 2022-23 year, being:
 - (i) commercial and industrial differential rates, focussing on the funding of the transportation and related stormwater activities.
 - (ii) new targeted rates for different levels of service for kerbside waste and recycling services.
 - (iii) council's remission and postponement policies.
 - (c) Agrees that the 2022-23 year review of rates will not include short term online accommodation, higher levels of service for road sealing and options for charging for wastewater services.
 - (d) Notes that consideration of options for variable water by meter charges to address demand issues, may be considered further during the year.
-

EXECUTIVE SUMMARY

2. Staff will present council with an issues and options paper for the rating review topics in December 2021 to be included in the draft 2022/2023 Annual Plan for consultation with our community.
3. The review will focus on how council could fund the transportation activity, and the related parts of the stormwater activity that support the transportation network.
4. The review could result in potential increases in the commercial and industrial differential in the general rate and possibly other targeted rates.
5. The review will also include options for different levels of service for bin sizes for the second year of the operation of the kerbside waste and recycling service, and the possible introduction of new targeted rates to fund these different levels of service.
6. Changes to the Remission and Postponement Policies will be undertaken for consultation with the community through the 2022/23 Annual Plan process.

BACKGROUND

7. Commissioners adopted the 2021-2031 long term budget which included significant capital investments in transportation, stormwater, resilience and community infrastructure. The commissioners were concerned that council needed to ensure it fairly allocated the funding of this infrastructure over our community.
8. Council has the lowest commercial differential on the general rate, and other targeted rates, when compared with other NZ metro Councils' rating policies. In the Long Term Plan, Council resolved to set the commercial differential at 1:1.6 which is the ratio that would make rates equitable with residential ratepayers if they were able to claim GST and include their rates invoices as an expense for tax purposes.
9. Commissioners also considered increasing the general differential in 0.1 increments each year to more fairly allocate funding for better future social, economic, environmental, and cultural well-being outcomes for the community.
10. In July 2021, during the LTP deliberations, Council requested further work on possible rating categories that reflect different affordability and benefit profiles within the community, including, but not limited to, the Central Business District, Port and related industries, a wider industry grouping, Airbnb, and location-based groups. This could potentially include future changes to differential levels across these rating categories and could likely lead to proposals which could result in higher commercial rates in future years.
11. Staff were also asked to undertake work on rates postponement through a review of Council's rates postponement policy including their financial implications, and to broadly support the proposed development of a national rates postponement scheme or other third-party schemes before February 2022.
12. The Local Government (Rating of Whenua Maori) Amendment Bill requires Council to review their rates remission and postponement on Maori Freehold Land Policy to ensure that it meets the intent of the Te Ture Whenua Maori Act 1993 by 1 July 2022, and further all other statutory remission or postponement documents at the next opportunity.

PROPOSED FOCUS OF THE 2022-23 RATES REVIEW

13. Staff have considered the various areas of rates where a review of rating was identified during the LTP deliberations and submission process, and through the Rating Amendment Bill regarding rating of Whenua Maori.
14. The review of TCC's policies on Rates Postponement and Rates Remission and Postponement on Maori Freehold Land will be developed as part of the review and consulted on concurrently with consultation on the Annual Report.
15. The decision to review of levels of differentials and possible new rating categories as requested through deliberations has been reset in accordance with the requirements of the Local Government Act 2002. The Act (section 101(3)) sets out the process for reviewing rates and the requirement that council must first undertake a funding needs analysis of the expenditure or activities to be considered before deciding who should contribute to funding these costs.
16. The funding needs analysis takes account of:
 - (a) the community outcomes to which the activity primarily contributes; and
 - (b) the distribution of benefits between the community as a whole, any identifiable part of the community, and individuals; and
 - (c) the period in or over which those benefits are expected to occur; and
 - (d) the extent to which the actions or inaction of particular individuals or a group contribute to the need to undertake the activity; and

- (e) the costs and benefits, including consequences for transparency and accountability, of funding the activity distinctly from other activities
17. Based on this approach activities were identified with a potential rationale for differential rating, or targeted rating. The main area of expenditure proposed for the current review is Transportation (including transport-related stormwater).

TRANSPORTATION

18. To perform a funding needs analysis of council's transportation activity Council has engaged Fraser Colegrave from Insights Economics to draw on high level available information, including our transportation modelling and asset management data to gain insight into the relative use of our transportation network by particular categories of users or for particular purposes. This will be compared to the LTP budgets for the activity and how it is funded and what other funding options may better represent equitable funding.
19. Attachment 1 shows maps of council's key transportation routes by volume of traffic and category of road (based on predominant road users such as heavy vehicles commercial or residential vehicles). These maps show condition and new investment requirements. There is significant past and proposed investment by council in the maintenance of roads used primarily by heavier traffic, including buses, and traffic from outside of the city or from the industrial areas within the city, on journeys to the Port of Tauranga and its surrounding areas. The costs of these industrial and commercial roads are significantly higher than establishment maintenance and renewal of predominantly residential roads.
20. Category 1-3 roads which are built to be suitable for heavy vehicles, or heavy traffic volumes, cost three times the cost of residential roads (category 4-5) to build and maintain. There is much higher incidence of maintenance and inspection of these roads, and the associated stormwater systems which protect these roads, than there is on other category roads. Future investment and maintenance is increasing.

SUSTAINIBILITY AND WASTE

21. Council is planning to provide ratepayers with a choice of small, standard and large waste (80L, 140L, 240L) and recycling (140L, 240L) bins, which will have new different targeted rates for each option. This will assist with the affordability and fairness for ratepayers with low use of either or both of the current waste or recycling services.
22. Council is planning to commence the bin choices campaign in November 2021.

WATER

23. Council is looking at water pricing signals to incentivise water demand conservation, particularly over the drier months of the year. Water restrictions have been needed in previous years and will again be required over the summer period. Water pricing may also be used as a mechanism to manage demand and further information will be presented to Council on this issue.

REMISSION AND POSTPONEMENT

24. As part of the LTP, in the light of significant rates increases, Council proposed a review of TCC's postponement policy.
25. Under the existing policy there is an opportunity to postpone rates. To date there has been a very small uptake of postponement. In councils where there is a postponed rate scheme the uptake has also been very low. Banks currently offer a reverse mortgage option which could be utilised to postpone rates. Council would not be able to fully recover costs on a postponement scheme for lower charges than currently charged by banks.

26. Tauranga City Council is collaborating with other metro cities to investigate setting up a National Rates Postponement scheme for all New Zealand ratepayers. This would provide an equity release option that would not reside on council's balance sheet as debt. A national scheme would have scale that would be more cost efficient and less expensive for ratepayers. It is unlikely that Tauranga City could compete with local banks on costs if all costs relating to a localised postponement scheme were fully recouped from the group of applicants.
27. Acknowledging that a national scheme may not be available right now, staff will provide options for criteria in council's existing rates postponement policy, which is essentially a safety net for ratepayers, who have been unable to secure funding arrangements with a private sector provider.
28. The existing postponement policy also provides options to postpone rates on productive agricultural land whose valuation has increased due to a change in zoning from rural to commercial or residential zoning. Not all land in the recent boundary changes is used for productive agriculture purposes and it could be worthwhile to look at the criteria for postponed rates on rural land when there are zoning changes that would allow residential and commercial use on that land as the highest and best use.
29. The Office of the Valuer General has issued guidelines on the valuation of kiwifruit orchards with a licence to grow the gold variety of kiwifruit. This will substantially increase the capital value of around 15 orchards. Although these orchards have been underrated relative to their real value, the new rules could mean triple digit rates increases. Staff will provide options for phasing in these increases over a period.

OTHER RATES TOPICS FOR REVIEW

Other rates review topics were raised by submissions to the 2021/31 Long Term Plan. These include:

- (a) Wastewater funding
 - (b) Short-term online accommodation to be identified as commercial
 - (c) Like for Like road resealing
30. These items are discussed below and for the reasons identified are not recommended to be included in the 2022-23 rates review

Wastewater Funding

31. The wastewater activity is funded through a targeted rate that uses a toilet pan as a proxy for charging for this service. Each residential use has a maximum one charge regardless of the number of toilets and each commercial property is charged one targeted rate for each toilet or urinal. An industrial and commercial rating unit which discharges water that requires additional treatment is charged trade waste charges.
32. Horizontally, the residential and commercial sectors pay about the right share of the wastewater charges. Vertically there are inequitable charges for example where a superannuant who doesn't use much water and does not put much water into the wastewater reticulation system pays the same as a factory with one toilet, or a large family home with three toilets. Commercial businesses such as large hotel or private hospitals pay for every toilet even when all those toilets are often underutilised.
33. Options for charging wastewater could include capital value, however this does not address equity around consumption of water. E.g. A superannuant in a high value home would pay more under a capital value base rate. Businesses that use little or no water could also pay for a service that they don't receive directly.

34. The most equitable way for charging for wastewater would be as a percentage of the water that comes into a property. This is not available under the Local Government (Rating) Act; however, council could charge a fee based on water volumes outside the rating act. At this stage, given current water reform work, it would be pre-emptive to consider amending wastewater charging outside the Rating Act.

Short-term On-Line Accommodation

35. Submitters to the Long-Term Plan suggested that rates on short term online accommodation properties were inequitable compared to rates on commercial accommodation properties. There are a number of factors that make this option complex and guidance is sought from council as to whether to pursue this proposal further as part of the 2022-23 rating review. These factors include:
- (a) Difficulty and complexity to enforce - Auckland City Council have established targeted rates on the apartments surrounding their events centre but this approach is subject to a judicial review. The administration to identify and track online accommodation means that this is a complex rate to administer and possibly inefficient
 - (b) Unclear gain in revenue or equity of outcome as the average unit rates on motels and hotels with multiple units are substantially lower per unit than the average rates paid on a residential use.
 - (c) Impact on the availability of on-line accommodation for visitors to the city and the impact on tourism numbers. - Tauranga has the least available accommodation of all the New Zealand metropolitan cities. Charging commercial rates on the units which are available for our major events may disrupt the availability of accommodation for these events.

Targeted Rate for like for like Road Resealing

36. Various submitters requested a like for like road resealing policy to support community choice for a change to the current level of service for road resurfacing which includes the replacement of asphalt with chip seal on neighbourhood roads (road categories 4 and 5);
37. Chip seal road surfaces cost substantially less than asphalt and meets the technical requirements of category 4 and 5 roads for residential areas.
38. The introduction of a targeted rate to pay for this option has been proposed for review. There would be significant work to establish areas to apply this rate to and secure full ratepayer agreement to the targeted rate for an existing area. This proposal would be complex and time consuming to pursue, and guidance is sought from commissioners about further considering this option.

STRATEGIC / STATUTORY CONTEXT

39. The Local Government Act 2002 sets requirements for Council to assess the options for fair and equitable contributions to the funding of Council's activities.
40. To comply with the Local Government (Rating of Whenua Maori) Amendment Bill.

OPTIONS ANALYSIS

41. At this stage of the rates review process there are no options proposed.

FINANCIAL CONSIDERATIONS

42. Changes to rating policies could have an impact on the level of rates for all ratepayers.
43. The 2021 City wide revaluation to take effect from July 2022 could have an impact on the allocation of rates revenue across the community. This information will be available from our provider early in 2022 for staff analysis and review and then presentation to council.

LEGAL IMPLICATIONS / RISKS

44. Staff will engage with Simpson Grierson to ensure legal compliance with the Local Government Act 2002 and Local Government (Rating) Act 2002.

CONSULTATION / ENGAGEMENT

45. A communication plan will be developed to ensure that council engage with key stakeholders and our community throughout the rating review and 2022/23 Annual Plan process.

SIGNIFICANCE

46. 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.
47. 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 proposal
 - (c) the capacity of the local authority to perform its role, and the financial and other costs of doing so.
48. In accordance with the considerations above, criteria and thresholds in the policy, it is considered that the proposal is of high significance.

ENGAGEMENT

49. Taking into consideration the above assessment, that the proposal is of high significance, staff are of the opinion that a comprehensive consultation/engagement is required under the Local Government Act. This will be compiled if the resolutions in this report are approved.

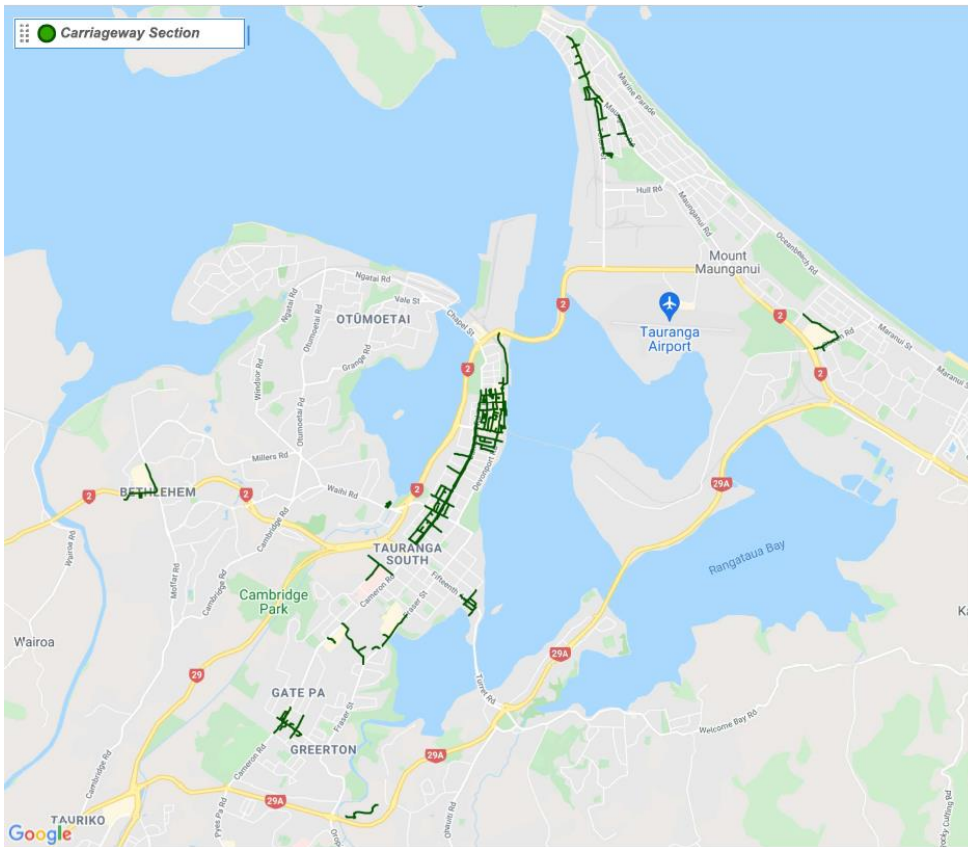
NEXT STEPS

50. Issue and Options workshop/council meeting scheduled for December 2021 followed by decisions on Annual Plan in early 2022.

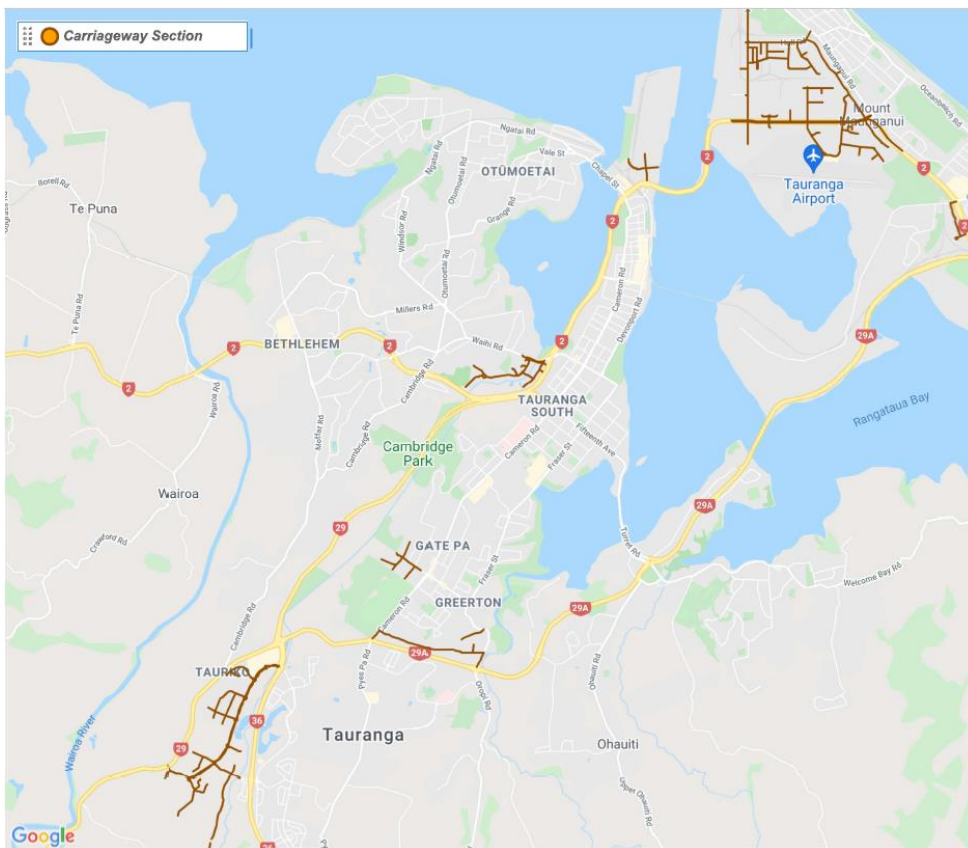
ATTACHMENTS

Nil

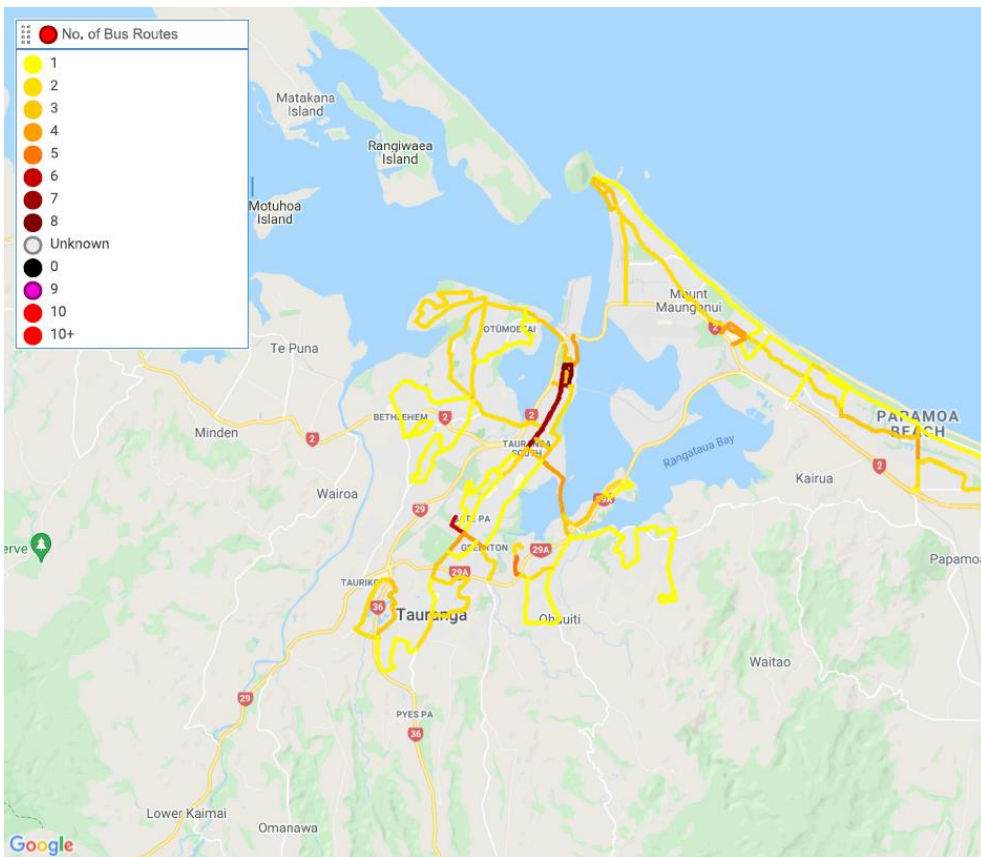
Commercial roads



Industrial roads



Bus Routes



10 DISCUSSION OF LATE ITEMS**11 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
11.1 - 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>	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
11.2 - 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
11.3 - Internal Audit - 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>	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

	<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> <p>s7(2)(j) - The withholding of the information is necessary to prevent the disclosure or use of official information for improper gain or improper advantage</p>	under section 6 or section 7
11.4 - 3 Waters Collaboration Project - funding	<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
11.5 - Financial Update from Bay Venues Limited	s7(2)(h) - The withholding of the information is necessary to enable Council to carry out, without prejudice or disadvantage, commercial activities	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

12 CLOSING KARAKIA