



AGENDA

Strategy, Finance and Risk Committee meeting Monday, 18 September 2023

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

Date: Monday, 18 September 2023

Time: 9.30am

**Location: Bay of Plenty Regional Council Chambers
Regional House
1 Elizabeth 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:

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

Membership

The Committee will consist of:

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

Voting Rights

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

The Chairperson of Te Rāngapu 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, 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.

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- 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 7 August 2023

File Number: A15050485

Author: Sarah Drummond, Governance Advisor

Authoriser: Sarah Drummond, Governance Advisor

RECOMMENDATIONS

That the Minutes of the Strategy, Finance and Risk Committee meeting held on 7 August 2023 be confirmed as a true and correct record.

ATTACHMENTS

- 1. Minutes of the Strategy, Finance and Risk Committee meeting held on 7 August 2023**



MINUTES

Strategy, Finance and Risk Committee meeting

Monday, 7 August 2023

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**MINUTES OF TAURANGA CITY COUNCIL
STRATEGY, FINANCE AND RISK COMMITTEE MEETING
HELD AT THE BAY OF PLENTY REGIONAL COUNCIL CHAMBERS, REGIONAL HOUSE,
1 ELIZABETH STREET, TAURANGA
ON MONDAY, 7 AUGUST 2023 AT 9.30AM**

PRESENT: Commission Chair Anne Tolley, Dr Wayne Beilby, Commissioner Shadrach Rolleston, Commissioner Stephen Selwood, Ms Matire Duncan, Mr Te Pio Kawe, Ms Rohario Murray, Mr Bruce Robertson

IN ATTENDANCE: Christine Jones (Acting Chief Executive), Paul Davidson (Chief Financial Officer), Nic Johansson (General Manager: Infrastructure), Alastair McNeill (General Manager: Corporate Services), Gareth Wallis (General Manager: City Development & Partnerships), Brendan Bisley (Director of Transport), Diane Bussey, (Contractor - Three Water Reforms), Jeremy Boase (Manager: Strategy and Corporate Planning) Sheree Covell, (Treasury & Financial Compliance Manager), Amanda Davies (Manager: Spaces and Places Project Outcomes), Cathy Davidson (Manager: Directorate Services) Malcolm Gibb, (Contractor - Rating Review), Vicky Grant-Ussher, (Policy Analyst), Kelvin Hill (Manager: Water Infrastructure Outcomes) Sarah Holmes, (Corporate Planner), Kathryn Hooker, (Corporate Planner), Tracey Hughes, (Financial Insights & Reporting Manager), Josh Logan, (Team Leader: Corporate Planning), Rob Lahey, (Principal Strategic Advisor), Kathryn Sharplin (Manager: Finance), Frazer Smith, (Manager: Strategic Finance & Growth), Jim Taylor, (Manager: Rating Policy and Revenue), Kath Norris, (Team Leader: Democracy Services), Darren West (Health, Safety & Wellbeing Manager), Reece Wilkinson (Parking Strategy Manager), Coral Hair (Manager: Democracy & Governance Services), Sarah Drummond (Governance Advisor), Anahera Dinsdale (Governance Advisor),

External Suresh Ranchhod, Head of Treasury Advisory, (Bancorp)
Philip Jones, Principal, (PJ and Associates)

1 OPENING KARAKIA

Commissioner Shadrach Rolleston opened the meeting with a karakia.

2 APOLOGIES

APOLOGY

COMMITTEE RESOLUTION SFR5/23/1

Moved: Commissioner Shadrach Rolleston

Seconded: Commissioner Stephen Selwood

That the apology for absence received from Commissioner Bill Wasley be accepted.

CARRIED

3 PUBLIC FORUM

Nil

At 9.34 am, Mr Te Pio Kawe entered the meeting.

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 Minutes of the Strategy, Finance and Risk Committee meeting held on 26 June 2023

COMMITTEE RESOLUTION SFR5/23/2

Moved: Dr Wayne Beilby

Seconded: Commissioner Stephen Selwood

That the Open and Public Excluded minutes of the Strategy, Finance and Risk Committee meeting held on 26 June 2023 be confirmed as a true and correct record.

CARRIED

8 DECLARATION OF CONFLICTS OF INTEREST

Commissioner Shadrach Rolleston declared that he had worked on the Three Waters Legislation and Resource Management Act reform and would not take part in discussion or voting of any reports on the agenda that regarded these matters.

Committee Member Rohario Murray declared that she had worked on the Three Waters Legislation and Resource Management Act reform, and would not take part in discussion or voting of any reports on the agenda that regarded these matters.

9 BUSINESS

9.1 Six Monthly Treasury Strategy Update

Staff Paul Davidson, Chief Financial Officer
Sheree Covell, Treasury & Financial Compliance Manager
Kathryn Sharplin, Manager: Finance

External Suresh Ranchhod, Head of Treasury Advisory, Bancorp Treasury

Key points

- Mr Ranchhod of Bancorp attended the meeting on-line and provided a presentation to the Committee.
- Inflation was still an unfolding story and a matter of concern. It appeared that the peak of

inflation had been reached and globally inflation was on a downward trend as evidenced in the United States of America (USA) where inflation had last been reported at 3%.

- Due to quarterly reporting (as opposed to monthly in other Countries) used in New Zealand inflation was last reported at 6%. That showed more work would be required to control inflation, and that we were yet to see a peak in the reported inflation number. An assumption had been made that inflation had moved, reducing from that peak.
- A greater concern for New Zealand was the position of our largest trading partner the Peoples Republic of China (China) where inflation was reported at 0%. That was a new concern and caused more significant worry than inflationary pressure, as it indicated the possibility of an unstable inflationary environment in China that could tip their economy into deflation that could affect our trading market.
- Inflation cost for household food increased by 12.3% and household utilities (rent, rates and related household services) increased by 6%.
- Commodity prices had fallen, and the New Zealand dollar was under pressure at the value of 0.61 cents against the American Dollar.
- Fonterra New Zealand had released their forecast milk commodity price payment to farmers and it had reduced by one dollar. The effect of that reduction had cost the New Zealand economy an estimated \$5 billion dollars.
- Most sectors are declining in their borrowing, especially household and business borrowing.
- The agriculture sector had for the previous five years paid down debt and the slight increase in borrowing in the sector was seen as a case of having to borrow to keep business going.
- There was still a concern that New Zealand placed at number 55 of 56 of the worst worldwide markets that ranked housing unaffordability. That was an improvement from 2022 when New Zealand was ranked number two behind Turkey (with an inflation of between 50% and 80%). That measurement reflected unease on the position of high interest rates in New Zealand, that were considered unsustainable for the long term but the current curtailment of inflation seemed to be working..
- The Reserve Bank of New Zealand (RBNZ) considered house price inflation had peaked. Noted that house prices were now at the level last reached during the 2007 Global Financial Crisis (GFC). Headline mortgage interest rates would peak at an expected 7%. The effect of that rate on consumer spending and household expense had not been seen, as a tranche of households had yet to be required to refix/refinance their mortgages rates. The rate was currently at around the 4% mark.
- The effect of that anticipated interest rate rise had been seen in the projected and actual number of resource consents lodged to build new houses or develop new housing areas and investment in those areas. It was expected that high interest rates would continue to cause a downward trend in the number of houses available.
- Further change to the Official Cash Rate (OCR) (last adjusted by the RBNZ in May 2023). The RBNZ still saw the neutral rate between 2% and 3.75%, with the OCR well above that at 5.50%, and this would expect to do damage to the economy. .
- The rates were at their peak and the swap rates reflected guidance on when interest rates would fall. The market had priced cuts by August 2024 with the OCR anticipated below 5%. This would depend on how the economy behaved. Hopefully next year all councils would get some relief on interest rates.
- Staff then provided a brief overview of the report and highlighted pertinent points to the Committee.
- The report sought to increase cash holdings from \$10 Million Dollars (\$10M) to \$15M reflected the increased cash flow requirements in monthly outflows.
- Ongoing work had been completed on where our retentions would be held, either in Trust or through another financial vehicle. Further information on this would be provided next month.
- Outstanding debt as at 30 June 2023 had increased from the projected \$903M to \$948M, an increase of \$45M, that had been approved during the year to cover borrowing requirements.
- The level of debt for 2024 would be \$1.1 Billion.. The average cost of borrowing was 3.92%.
- The fixed debt profile of Council was projected both with and without Three Waters included and was based on high level assumptions around the debt settlement.

- Debt swaps had allowed this profile to remain above the line until there was certainty on water reform

In response to questions

- The Committee thanked Mr Raschhod for his insight and presentation and acknowledged that while the situation was largely unchanged from previous reports, it made for depressing reading at times.
- Household costs were already under extreme pressure and the drivers of those costs (increase in food, rent, mortgages, rates, power, debt levels), were mostly outside the control of households and had to be paid.
- Under pressure households would find cost increases, including potential rate rises, a further burden. The situation was not unique and was faced by most Territorial Authorities in New Zealand. There would be a flow through in potential debt risk of unpaid rates and a downturn in the local economy, that resulted from reduced discretionary spending as people prioritised budgets and household commitments under those constraints.
- Staff confirmed that retentions would be held in trust to protect subcontractors who had completed Council contracted work.
- Staff were in constant negotiations and conversations with the National Transition Unit (NTU) Three Waters Reform . Negotiations would be ongoing, although agreement had been reached on the numbers to the end of 2022.
- That issues had not yet concluded, and staff had been in close contact with the NTU on the matter and noted that while there was still on-going work, the numbers were close to the debt ceiling and did not allow for large movement.
- .
- Staff constantly monitored rates collection data.
- Interest rates were factored into the Long Term Plan with the best information that was provided at the time of preparation.
- In the preparation of the Long-Term Plan, the modelling of the debt to revenue ratio, staff provided for internal limits that built in capacity for unforeseen circumstances..

Discussion points raised

- In the near term (three years) potential would occur that a “new normal” for household costs and pressures would be reached, that reduced discretionary spending and the flow on effects to the wider economy. In that term, interest rate rises, and inflationary pressures, would encourage councils to look at funding models and sources that were not provided through rates.
- Noted increased pressure to find new funding sources and other tools to manage risk and the potential rate arrears that could occur would require further investigation by Council.
- Those investigations were to be included in the ongoing conversation with Central Government on the shape and funding of Local Government, Three Waters and the need for Local Government to continue to provide services and the investment that infrastructure and other priority areas required.
- The Committee Chair Anne Tolley noted that council had begun to look at all the services provided by the Council to consider who was benefiting from these services to ensure those who benefitted paid their fair share of these services. .
- Concern was expressed that should the peak inflation last longer than anticipated, or have a longer tail than expected, there was assurance that this would not impact negatively on council’s budget.

COMMITTEE RESOLUTION SFR5/23/3

Moved: Commissioner Stephen Selwood

Seconded: Mr Bruce Robertson

That the Strategy, Finance and Risk Committee:

- (a) Receives the report "Six Monthly Treasury Strategy Update".
- (b) Approves the issuance of long- and short-term debt on a wholesale basis to manage cashflows.
- (c) Approves maintenance of a minimum of \$15M of cash and short-term investments to manage cashflows.
- (d) Approves hedging of all significant foreign exchange exposures.
- (e) Approves to hold new retentions monies in a trust account to adhere to new legislation.

CARRIED

Attachments

- 1 Presentation from S Rachhod - Bancorp - Update - to Strategy Finance and Risk Committee - 7 August 2023

9.2 Review of Rating Categories to Differentiate Industrial Ratepayers

Staff Paul Davidson, Chief Financial Officer
Jim Taylor, Manager: Rating Policy and Revenue
Kathryn Sharplin, Manager: Finance
Malcolm Gibb, Contractor - Rating Review

External Philip Jones, Principal - PJ and Associates

Key points

- The Rating Policy was amended in the 2022/2023 Annual Plan that phased in a commercial rating differential for the general rate and a transportation targeted rate that reflected a 50/50 funding split between commercial and residential rating units.
- The differential was considered insufficient by commercial sector and they sought that further differentiation be considered by Council to reflect the significant benefits received by the industrial sector..
- The Judgement of the Supreme Court of New Zealand in the successful appeal by Auckland Council, for a targeted rate on commercial accommodation providers, had provided important principles in setting rates by a local authority.
- Commissioners requested and staff had investigated whether there was justification to introduce a new industrial rating category which provided a fairer and more equitable funding outcome.
- Staff concluded there was insufficient data that supported further separation of the commercial and industrial rating category. That was in part reflected by Tauranga City Council's (TCC) data limitations. The earlier studies had not considered the impact of heavy vehicles on the Council's costs or community wellbeing.
- Mr Philip Jones, of PJ and Associates, had been engaged and investigated and reported on whether the introduction of a new rating category could be supported.
- Noted that the report focused of the assessment of proposed Council expenditure to the developed Asset Management Plan, in conjunction with the development process followed for the Draft Long-Term Plan 2024/34.

- A lack of data had made support of that process unsustainable.

In response to questions

- S101(3)(b) Local Government Act (LGA) could be used by Council to assess data collected and the effect on not only the City but how that affected the four wellbeings for all residents not only industrial and commercial users. This was not commonly done around the country, but there were some cases before the courts that had opened the door. This needed to be carefully explained and articulated. Council would need to understand the impacts and clearly articulate why it would have a higher differential for that group of properties.
- It was noted that the industrial categories had effect on people and communities using the four wellbeing measures set out in s101(3)(b) of the LGA and this would allow Council to assess impacts on people and infrastructure
- That further allowed for the use of differentials for calculations and forecasting of budgets.
- There remained a number of unidentified issues that were not covered in data collected to date. That included differentials that were not in common use (two had been identified at present), Congestion and projected City Growth and its impact.
- The primary data to be collected would be congestion on local roads and State Highways, and the impact of congestion on residents and ratepayers ability to undertake their normal course of activities.
- As data collection increased other challenges had been identified, e.g. there was no state highway access to the Port of Tauranga which created additional impacts.
- Environment Impacts would also need to be considered to include in the differential.
- City expansion in areas such as the Industrial estate in Tauriko highlighted the need for timely and accurate collection of data to enable future planning and budgeting.

Discussion points raised

- Future growth demand would require further investment in the quality of the roading network.
- Using the collated data would allow Council to create policy where costs were paid for using a 'fair share' model. Determining the benefits derived from the industrial sector, identifying the costs and identifying who were the beneficiaries and who were the exacerbators would build evidence to justify more equitable funding models.
- Industrial and Commercial users had indicated a willingness to pay increased costs, however, there remained a risk that ratepayers would be burdened with increased costs as work was completed and paid for from rates revenue.
- As more accurate data was received, Council had the ability to develop policy that would look at additional funding sources outside of rates e.g. road tolls and partnership agreements with industrial users and determine impacts of growth on environment effects and roading congestion.
- Data that related to bus use and effects was already collected, and not included in the data collected for this report.
- The current resolution did not clearly reflect Council's ability to use s101(3)(b) in the development of a 'Fair Share, user pays model.
- The Committee thanked Mr Jones and staff for a clear and informative report.

COMMITTEE RESOLUTION SFR5/23/4

Moved: Commissioner Stephen Selwood

Seconded: Commissioner Shadrach Rolleston

That the Strategy, Finance and Risk Committee:

- (a) Receives the council report "Review of Rating Categories to Differentiate Industrial Ratepayers".
- (b) Receives the attachment "Report on Rating Categories – Differential by P J and Associates".
- (c) Recommends to Council to consider introducing a new rating category for industrial properties (Option 1) in the development of the 2024-34 Long-term Plan.

CARRIED

9.3 Capital Programme 23/24 Update

Staff Nic Johansson General Manager: Infrastructure
 Amanda Davies, Manager: Spaces and Places Project Outcomes
 Kelvin Hill, Manager: Water Infrastructure Outcomes
 Brendan Bisley, Director of Transport

Refer to attached Presentation Capital Programme Update 23/24

Key points

- The Committee received reports from the major project groups that provided an update on current project deliverables and recent projects completed.
- The Committee directed that this update be attached to the confirmed minutes.

Spaces and Places – Amanda Davies

- Graphics and brief updates of completion dates for specific projects.
- Marine Parade Coastal Path – completion early 2024
- Pāpāmoa shared pathway – completion early 2024
- Kopurererua steam – northern alignment and path network – completion summer 202
- Omanawa Falls – completion early 2024
- Destination Skatepark – completion early 2024
- Gate Pa and Merivale Community Centres
- Gordon Spratt Community Sports Pavillion
- Links Ave Artificial Turf

Transport Brendan Bisley

- Artificial intelligence was revolutionising fault data collection of our roading network.
- 50 safety improvement projects completed before the end of the year.
- Te Okuroa Drive and Sands intersection – completion by Christmas 2023.
- Pāpāmoa East Interchange – embankment works completed and would allow for ground settlement. Construction would be later in the year.
- Positive feedback provided to staff on smaller projects, such as the crossing outside St Mary's School showed that small jobs could have high positive impact for communities.
- Totara Street resealing had taken longer than projected, the delay had occurred due to two factors. Concrete was used in sealing the road to provide a longer life before replacement was needed. Inclement weather lengthened the curing time for the road.

Waters – Kelvin Hill

- Waters was a 24/7 operation that had faced a challenging year.
- Opal Drive work had progressed well and was on track.
- Tatau raw water pipeline duplication to enhance supply resilience between the stream intake pump station and Oropi Gorge Road reservoir.
- Bioreactor ground improvements were being constructed under adverse weather conditions to stop liquefaction in earthquake conditions.
- A robot was designed to investigate the ocean outfall and had the capacity to take CCTV camera footage of the pipe as well as pull out large pieces of concrete material from the previous joint repairs.
- As part of the upgrade of the wastewater pipe a boardwalk had been installed behind Fashion Island to mount the pipeline alongside the board walk. This had proved a popular addition to the area. Residents raised concerns on the lack of security along the boardwalk and Council had responded with the installation of CCTV. This was appreciated by residents.

City Centre and Civic Programme – Gareth Wallis

- Work was now completed on the Dive Crescent North car park and would be opened shortly.
- Dive Crescent South carpark – completion before Christmas 2023.
- Elizabeth Street East – completion before Christmas 2023.
- 97 carparks at 160 Devonport Road – completion before Christmas 2023.
- Red square and Grey street activation – completion before Christmas 2023.
- End of trip cycle facilities – Grey Street - 80 bike parks – completion before Christmas 2023.
- Detailed design of Library/Community Hub – completion by Christmas 2023
- Concept design and costings for Memorial Park -completion by Christmas 2023
- 79 Grey Street Laneways concept design – completion Christmas 2023
- Waterfront Boardwalk construction – completion – March 2024.
- Strand North and shared pathway construction – completion – April 2024
- Beacon Walk – completion April 2024
- Masonic Park and Tauranga Art Gallery– start 1 October 2023 completion by mid-2024.
- Waterfront Playground – completion July 2024.
- Northern Sea Wall – commence before year end 2023.
- Elizabeth Street West streetscape and laneway – completion February 2024.

In response to questions

- Project Management had been an ongoing area of assessment, process improvement and training for staff. A further report would be brought back to the Committee.
- A cultural lens was used in all project planning. Project Teams worked closely with the internal teams and external iwi and hapū groups to provide that lens.
- Noted a threefold increase in capital expenditure programmes in three years.
- Noted the work completed by the teams was a great news story and one that should be told to Tauranga through media channels.
- Health and Safety procedures and adherence to guidelines had received a renewed focus and was included in all contracts with external suppliers. That work was being actively managed with training and ensuring expectations were understood and met.
- Delayed roading work had caused concern there was a lack of communication from Council on that work. Delays were at times not able to be identified until work had commenced. Staff had taken learnings of earlier projects and had improved communication plans for the active projects.

Discussion points raised

- More communication of the fantastic work on-going in the city was needed.
- More communication of timeframes and delays in projects.
- The Committee was extremely proud of the Dive Crescent project now completed and commended all involved.

COMMITTEE RESOLUTION SFR5/23/5

Moved: Mr Bruce Robertson

Seconded: Dr Wayne Beilby

That the Strategy, Finance and Risk Committee:

- (a) Receives the council report "Capital Programme 23/24 Update".

CARRIED

Attachments

- 1 Capital Programme Update Presentation

At 11.30am the meeting adjourned.

At 11.36am the meeting reconvened.

9.4 Q4 Financial and Non-Financial Monitoring report to 30 June 2023 - Draft results

Staff Paul Davidson, Chief Financial Officer
Tracey Hughes, Financial Insights & Reporting Manager
Jeremy Boase, Manager: Strategy and Corporate Planning

Refer to attached Memorandum - Draft Results Amendment to Report Attachment 7.

Key points

- A minor corrections memorandum was provided to the Committee, that updated figures from the original report. The Committee directed that this be attached to the minutes.
- Noted that the financial figures were still preliminary and would be refined.
- A year end adjustment from the purchase and licence agreements for Software as a Solution (SaSS) was an operational expenditure (OPEX) and a resolution would come to the Council to loan fund that expenditure of \$10M.

In response to questions

- No questions were received from the Committee.

Discussion points raised

- There were no surprises in the report or memorandum figures that had not already been communicated to the Committee.
- The Committee was pleased to see the timeframes for processing resource consents was improving, but still allowed for reporting of any long-term lag in the timeframe data.
-

COMMITTEE RESOLUTION SFR5/23/6

Moved: Dr Wayne Beilby

Seconded: Commissioner Stephen Selwood

That the Strategy, Finance and Risk Committee:

- (a) Receives the report "Q4 Financial and Non-Financial Monitoring report to 30 June 2023 Draft results and tabled Memorandum - Draft Results Amendment to Report Attachment.

"CARRIED

Attachments

- 1 Memo to Item 9.4 - Draft Results Amendment to Report - Attachment - 7 August 2023

9.5 Annual Residents' Survey 2022/23

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

Key points

- The report brought together four 'waves' of Community feedback.
- The report was taken as read.

In response to questions

- There were no questions from the Committee

Discussion points raised

- A majority of measures surveyed had risen.
- Roading and footpaths and outdoor spaces continued to be of concern to residents.

COMMITTEE RESOLUTION SFR5/23/7

Moved: Commissioner Stephen Selwood

Seconded: Ms Rohario Murray

That the Strategy, Finance and Risk Committee:

- (a) Receives the report "Annual Residents' Survey 2022/23".

CARRIED

9.6 2024 - 20234 Long-term Plan - Revenue and Finance Policy Framework - Funding Needs Analysis

Staff Paul Davidson, Chief Financial Officer
Kathryn Sharplin, Manager: Finance
Jeremy Boase, Manager: Strategy and Corporate Planning

Key points

- Analysis was ongoing of depreciation and funding requirements.
- Proposed fee for flood protection was included, despite there being a targeted Three Waters Levy, it did not allow for flood related damage or issues.
- A proposed targeted rate for swimming pool inspections to be paid by one third each year over three years.
- Fair Share/user payments. There have been a number of these proposed in the Long Term Plan discussion on user fees and charges, e.g., boat ramps and use of sports fields and facilities and parking charges.

In response to questions

- There were no questions to the report.

Discussion points raised

- A separate report would be provided to Council regarding the Industrial and Commercial Rates.
- The targeted rate for swimming pool inspections was the preferred method as it did not incur set up costs.

COMMITTEE RESOLUTION SFR5/23/8

Moved: Commissioner Shadrach Rolleston

Seconded: Commissioner Stephen Selwood

That the Strategy, Finance and Risk Committee:

- (a) Receives the report "2024 - 20234 Long-term Plan - Revenue and Finance Policy Framework - Funding Needs Analysis".
- (b) Adopt the draft Funding Needs Analysis (Attachment 1) to confirm step one of the processes and to inform the drafting of the Revenue and Finance Policy for consideration at Council on 21 August 2023.

CARRIED

9.7 2024 - 2034 Long-term Plan - Update - Funding and Reserves

Staff Paul Davidson, Chief Financial Officer
Kathryn Sharplin, Manager: Finance
Frazer Smith, Manager: Strategic Finance & Growth

Key points

- Depreciation and funding to the Council (over the ten-year long-term plan) in the current economic climate remained challenging.
- Reserves for liabilities e.g., weather tight building pays outs, resulted in there being some head room in Council budgets.
- If Council was required to 'smooth' funding in the event of unexpected increases in values and or of larger than expected depreciation, budgets could, at the current data be moved back to their original terms. That would have the effect of smaller rates revenue and require increased debt levels.

In response to questions

- No questions were asked by the Committee

Discussion points raised

- The funding and financing of Local Government in New Zealand was no longer relevant or sufficient to meet the demands placed on councils. The level of funding to run operations on a day to day level and provide future investment in infrastructure was too large a burden for growth councils. Central Government was receiving the benefit of these works at the detriment of councils.

COMMITTEE RESOLUTION SFR5/23/9

Moved: Commissioner Shadrach Rolleston

Seconded: Dr Wayne Beilby

That the Strategy, Finance and Risk Committee:

- (a) Receives the report "2024 - 2034 Long-term Plan - Update - Funding and Reserves".
- (b) Recommends to Council that the following matters are considered in the LTP to address both the significant impacts of large asset revaluations on depreciation and the current risks and impacts on the depreciation reserves.
 - (i) Phasing in of increased funding of depreciation expense in the early years of the LTP to mitigate the otherwise significant up-front increases in rates arising from significant asset revaluation.
 - (ii) Restoring depreciation funding and the level of reserve balances within the ten years of the LTP.
 - (iii) Short term loan funding of capital renewals for activities where there are insufficient depreciation reserves.
 - (iv) additional rates funding to retire debt for those activities where there are insufficient depreciable assets to repay debt over time.
- (c) Recommends to Council that the phased retirement of debt in the weathertight and unfunded liabilities reserve subject to rates affordability should aim to significantly reduce these reserve deficits through the period of the LTP.
- (d) Recommends that Council consider the value of risk reserve funded through the LTP taking into account both debt headroom maintained in the debt to revenue ratio below LGFA funding limits and the value of the reserve.

CARRIED

9.8 2024-2034 Long-Term Plan - Non-Financial Performance Measures

Staff Christine Jones, General Manager: Strategy, Growth & Governance
Rob Lahey, Principal Strategic Advisor

Key points

- The Local Government Act 2002 required councils to consult on 24 Mandatory performance measures.
- Tauranga City Council previously had consulted on 100 measures.
- Staff had reviewed those measures and provide a sharpened focus of measures.
- Measures were reduced to 80 and further work on how these would be presented was underway and would be reported back through the Long Term Plan process.

In response to questions

- A report on measurements would be brought to the Committee in early 2024 prior to final adoption of the Draft Long-Term Plan 2024-2034.

Discussion points raised

- The Committee would like to see further rationalisation of measures and that they were produced in a format that would allow the public to easily see and understand the measurements based on high level outcomes under key metrics relating to the existing pillars of the Council's Vision and Strategic Direction

COMMITTEE RESOLUTION SFR5/23/10

Moved: Commissioner Stephen Selwood

Seconded: Mr Bruce Robertson

That the Strategy, Finance and Risk Committee:

- (a) Receives the report "2024-2034 Long-Term Plan - Non-Financial Performance Measures".
- (b) Approves the draft non-financial performance measures for inclusion the Groups of Activities section of the Long-term Plan 2024-2034 as proposed in **Attachment 1 – Appendices 1-12**.
- (c) Recommends to Council that Council:
 - (i) Adopts the draft non-financial performance measures for inclusion in the Long-term Plan 2024-2034 (**Attachment 1 – Appendices 1-12**) to form part of the supporting documentation for the purpose of public consultation for the proposed Long-term Plan 2024-2034.
 - (ii) Authorises the Chief Executive to make any minor amendments to the documentation necessary to ensure accuracy and to correct minor drafting errors.

CARRIED

9.9 Parking Management Plan roll out adjustment.

Staff Nic Johansson, General Manager: Infrastructure
Reece Wilkinson, Parking Strategy Manager
Brendan Bisley, Manager of Transport

Key points

- As proposed in the parking management plan, Council was due to roll out the next phase of changes from 1 November 2023 onwards. The reduced number of all-day parking spaces in

the city centre, disruption caused by ongoing development and cost of living concerns among residents were seen as barriers to the roll out of the policy.

- There was an opportunity for Council to consider and amend the timeframe of the roll out.
- Transactions showed that the majority of payments were made on Wednesday and Thursday. Changes to extend parking to 11th Avenue in October 2023 could have unforeseen issues that may affect parking use.
- There was a need for flexibility around parking with ongoing road and construction work in the city centre.

In response to questions

- Reserved parking spaces were increasing in the City as building work was completed.
- The Committee noted that there were still misconceptions on the availability of parking in the City and more positive communications were needed.
- Further work with the Regional Council and Central Government was needed to further investigate bus routes and fees, recovery of parking costs and where those funds were spent.

Discussion points raised

- Staff had initiated a stream of work that investigated options for parking for construction workers.

COMMITTEE RESOLUTION SFR5/23/11

Moved: Commissioner Stephen Selwood

Seconded: Commissioner Shadrach Rolleston

That the Strategy, Finance and Risk Committee:

- (a) Receives the report "Parking Management Plan roll out adjustment.
- (b) Approves the following changes to the Parking Management Plan, to modify the implementation of parking restrictions across the city centre fringe and wider areas in Te Papa up to Eleventh Avenue as follows:
 - (i) Parking restrictions to be introduced on First Avenue, Second Avenue West, Third Avenue, Fourth Avenue and Mclean Street from 1 November 2023.
 - (ii) From 1 April 2024 paid parking will be expanded West of Cameron Road from Third Ave until Wharepai Domain. From 1st September 2024 will see the introduction of time restricted zones down to 11th Ave (map showing proposed changes in below report).

CARRIED

9.10 Street Use Policy Review - Issues and Options Report

Staff Nic Johansson, General Manager: Infrastructure
Vicky Grant-Ussher, Policy Analyst

Key points

- The review would retire old policy that was not in use and bring together a number of policies in one place.
- The review provided for input from both applicants and council that used good principals and design in the streetscape.
- Use of zones for outdoor dining including balconies.
- Greater clarity for business owners on expectations.

In response to questions

- The Committee was pleased to see the changes proposed allowed for clarity for business.

- Would like to see vaping and smoking banned in dining areas.
- Artificial grass had issues relating to microplastics entering the environment, was wasteful in that it needed to be replaced often (2-10 years) and then went to landfill and degraded quickly with cigarettes melting the plastic. It did not provide the same permeability as grass and other planting options other than grass would be preferable.
- Balcony dining areas could be considered differently however the commercial benefit was similar to street dining. Flexibility in the future for road space was also a factor to be considered. Airspace could be charged for the private benefit of balcony dining and this would be a policy decision and there was discretion on postponing the introduction of this charge.
- Feedback on smoking and vaping free requirements would be discussed with businesses and brought back to the Committee.

Discussion points raised

- The Committee directed staff to contact the Main Streets Association to discuss the proposed policy, and that staff provide the Committee with further information on the proposal in relation to balcony areas of establishments.

UNCONFIRMED

COMMITTEE RESOLUTION SFR5/23/12

Moved: Commissioner Stephen Selwood

Seconded: Commissioner Shadrach Rolleston

That the Strategy, Finance and Risk Committee:

- (a) Receives the report "Street Use Policy Review - Issues and Options Report".
- (b) Gives direction on the following issues to inform the creation of a combined street policy:

Issue One: Principles of the policy

- (i) Include the proposed tailored policy principles (outlined in Attachment One).

Issue Two: Inconsistent charging for street and balcony dining

- (ii) Include eligibility criteria for a temporary reduction in street dining fees.
- (iii) Include zoned dining charges for street dining.
- (iv) Include aligned charges for balcony dining and street dining.

Issue Three: Compliance issues

- (v) Require application fees reflective of the costs of inspection and administration and require bonds to cover potential remediation that could be required from private or commercial users of the street.
- (vi) Waive application fees and bonds where an activity is a community activity or has a primarily community benefit.
- (vii) Do not require design features or verandas approved by council to have a lease or licence to occupy, and do not require ongoing fees.

Issue Four: Accessibility

- (viii) Progress accessibility improvements through a working group made up of council, businesses, disability representatives, mainstreet associations, and community members.

Issue Five: Other matters

- (ix) Include a reference to street dining aesthetics and design guidelines in the policy.
- (x) Include smoke-free and vape-free requirement for new licences or leases for street dining.
- (xi) Include information on vehicle crossing relocations in the policy.
- (xii) Do not permit artificial grass in the policy.

CARRIED

9.11 Water Services Reform Update

Staff Nic Johansson, General Manager: Infrastructure
Diane Bussey, Contractor - Three Water Reforms
Cathy Davidson Manager: Directorate Services

Key points

- A high level of uncertainty around the requirements and expectations of council around water reform still existed.
- The submission from the Council to Government on Water Reform was prepared in a short

timeframe at a high level only given the information available.

- Ongoing work included consultation with Te Rangapū Mana Whenua o Tauranga Moana on an issue-by-issue basis, The work was still guided by the original intent of the legislation until such time as more information was released from Central Government.
- Transition matters had been handed to the Department of Internal Affairs from Central Government. This had created extra time for information to be received by Council.

In response to questions

- Council would continue to work with other councils that had expressed support of its submission.

Discussion points raised

- Commissioners, and following the end of their term in office Councillors, would continue to work with the Minister responsible for transition to Three Waters and local Members of Parliament to ensure that a clear understanding of the issues facing the region, including the cost and financing expected from Council in relation to this transition.
- Given the existing uncertainties work with neighbouring councils was essential.

COMMITTEE RESOLUTION SFR5/23/13

Moved: Mr Bruce Robertson

Seconded: Dr Wayne Beilby

That the Strategy, Finance and Risk Committee:

- (a) Receives the report "Water Services Reform Update".
- (b) Notes that a joint submission on the Water Services Entities Amendment Bill was submitted on 5 July 2023 (Joint between TCC and Te Rangapu).
- (c) Endorses the Water Services Reform project team to continue with the next steps, summarised as follows: -
 - (i) Engage with the remaining legislative processes for Water Services Reform, with relevant communication and engagement activities,
 - (ii) Completion of outstanding deliverables, per National Transition Unit (NTU) advice, and revise transition planning for reforms, once the establishment date for Entity C and regional transition approach have been confirmed.

CARRIED

9.12 2023 Q4 Apr-June Health and Safety Report

Staff Alastair McNeil, General Manager: Corporate Services
Darren West, Health, Safety & Wellbeing Manager

Key points

- The report was taken as read.

In response to questions

- Work had been finished on contracts and standards, that allowed a start to finish process of expectations, health and safety training and site management with contractors completing Council work.
- This would feed into procurement processes.
- There was still a level of concern at disorder incidents in library spaces Council had been proactive in engagement with local Community Constables and Human Resources business partners that resulted in library staff expressing that they felt supported.

- Animal Control staff had been equipped with body cameras for safety.

Discussion points raised

- From the 2019 Policy Review the only outstanding issue was completion of the Drug and Alcohol Policy.
- Data used in reporting could not be shared with other bodies given its sensitive nature or that it was related to the procurement process.
- Staff had worked proactively to facilitate the provision of monthly reports to the Committee.

COMMITTEE RESOLUTION SFR5/23/14

Moved: Commissioner Stephen Selwood

Seconded: Ms Rohario Murray

That the Strategy, Finance and Risk Committee:

- (a) Receives the report "2023 Q4 Apr-June Health and Safety Report".

CARRIED

9.13 LGOIMA and Privacy Annual Report and Q4 for 2022/2023 year

Staff Christine Jones, General Manager: Strategy, Growth & Governance
Kath Norris: Team Leader, Democracy Services

Key points

- A good year had been had for the team, there had been a steady increase in information requests, those were seen to relate to construction work in the city and health and safety issues.
- The marked increase in requests during March 2023 was determined to be in relation to requests regarding extreme weather events and by requests from the Tax Payers Union for their annual reporting.
- The Ombudsman had no questions of Council.

In response to questions

- No questions were asked by the Committee

Discussion points raised

- No points raised by the Committee.

COMMITTEE RESOLUTION SFR5/23/15

Moved: Mr Bruce Robertson

Seconded: Dr Wayne Beilby

That the Strategy, Finance and Risk Committee:

- (a) Receives the report "LGOIMA and Privacy Annual Report and Q4 for 2022/2023 year.

CARRIED

10 DISCUSSION OF LATE ITEMS

Nil

11 PUBLIC EXCLUDED SESSION

Resolution to exclude the public

COMMITTEE RESOLUTION SFR5/23/16

Moved: Commissioner Stephen Selwood

Seconded: Ms Rohario Murray

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 - 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
11.2 - Internal Audit & Assurance - Quarterly Update	<p>s6(b) - The making available of the information would be likely to endanger the safety of any person</p> <p>s7(2)(a) - The withholding of the information is necessary to protect the privacy of natural persons, including that of deceased natural persons</p> <p>s7(2)(d) - The withholding of the information is necessary to avoid prejudice to measures protecting the health or safety of members of the public</p> <p>s7(2)(g) - The withholding of the information is necessary to maintain legal professional privilege</p> <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>	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

CARRIED

12 CLOSING KARAKIA

Commissioner Shadrach Rolleston closed the meeting with a karakia.

Resolutions transferred into the open section of the meeting after discussion

Item 11.1 Corporate Risk Register - Quarterly Update report

COMMITTEE RESOLUTION SFR5/23/17

Moved: Mr Bruce Robertson

Seconded: Dr Wayne Beilby

That the Strategy, Finance and Risk Committee:

- (a) Receives the Corporate Risk Register - Quarterly Update report.
- (b) Transfers this report and attachments to open at the conclusion of this meeting.

Item 11.2 Audit & Assurance quarterly update report

COMMITTEE RESOLUTION SFR5/23/18

Moved: Mr Bruce Robertson

Seconded: Commissioner Stephen Selwood

That the Strategy, Finance and Risk Committee:

- (a) Receives the Audit & Assurance quarterly update report.
- (b) Transfers this report to open at the conclusion of this meeting.
- (c) Retains the Attachments (Unexpected failure of a critical infrastructure asset) as confidential to prevent the disclosure or use of official information for improper gain or improper advantage.

The meeting closed at 2.25pm.

The minutes of this meeting were confirmed as a true and correct record at the Strategy, Finance and Risk Committee meeting held on 18 September 2023.

.....
CHAIRPERSON

8 DECLARATION OF CONFLICTS OF INTEREST

9 BUSINESS

9.1 2022/23 Interim Audit Report

File Number: A14851336

Author: Sheree Covell, Treasury & Financial Compliance Manager
Marin Gabric, Senior Financial Accountant (Compliance & External Reporting)

Authoriser: Paul Davidson, Chief Financial Officer

PURPOSE OF THE REPORT

1. This report presents Audit New Zealand's report to Council following the interim phase of the annual Council audit for 2022/23.

RECOMMENDATIONS

That the Strategy, Finance and Risk Committee:

- (a) Receives the report "2022/23 Interim Audit Report".
- (b) Note the recommendations contained within the report to Council by Audit New Zealand, including recommendations from the previous audit.
- (c) Notes the management responses and support on going implementation of improvements as required.

EXECUTIVE SUMMARY

2. This report presents Audit New Zealand's report to Council following the interim phase of the annual Council audit for 2022/23.
3. The interim audit phase was focused on the assessment of Council's control environment and review of a number of prior year audit recommendations. There is one new recommendation and six resolved recommendations. The attached report includes management responses to the recommendations.

STRATEGIC / STATUTORY CONTEXT

4. The audit process helps build trust in Council's systems and processes for service provision, management control and financial accountability. The audit of Council's systems and Annual Report is a key element of Council's accountability to the community.

BACKGROUND

5. Prior to the interim audit there were 24 open recommendations for council to address. Audit New Zealand focused on 11 of these outstanding matters during the interim audit, six have been closed and the five that were not closed have been addressed below. There are a further 13 matters that were not reviewed during the interim audit and will be reviewed at the final. There is also one new item.
6. The five matters that were reviewed and not closed during the interim audit are listed below along with the business area responsible. TCC's management comment and audit's responses are available on pages 8-11 of the attachment.
 - Access to payroll systems (Human Resources)
 - Timing and review of reconciliations (Finance)

- Clearing of suspense accounts (Finance)
 - Completeness of Interests Register (Risk)
 - P- Card Policy – cancellation or destroying cards (Finance)
7. Staff have been working on improvements on the above open items and will continue to work with audit NZ to clear these matters.
 8. The new item relates to annual fraud risk assessments which staff have responded to on page 6 of the attachment.
 9. The 13 matters that remain open and have not been reviewed by audit cover business areas in digital, finance, waters and policy. The Council Financial Compliance and Risk teams are working with relevant staff across the organisation to address the remaining open matters and expect the majority to be closed once reviewed by audit.
 10. The Audit New Zealand report includes Council's response to the issues raised and the actions that will be taken.
 11. A representative of Audit New Zealand will attend the meeting to discuss the report as necessary.

NEXT STEPS

12. The audit is expected to be finalised and the Annual Report adopted on 27 November 2023. The final audit management report will be received after that time and presented at the first SFR Committee available.

SIGNIFICANCE

13. The audit of Council's Annual Report is a significant element of Council's accountability to the community. However, in terms of the significance and engagement policy, the interim audit and the subsequent report received is of low significance and community engagement is not planned.

SIGNIFICANCE

1. The audit is expected to be finalised and the Annual Report adopted on 27 November 2023. The final audit management report will be received after that time and presented to this committee.

ATTACHMENTS

1. **TCC - Final Interim Report to Council (23J) - A14986695** [↓](#) 

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

**Report to the Council
on the interim audit of**

Tauranga City Council

For the year ended 30 June 2023

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Key messages

We have completed our interim audit for the year ended 30 June 2023. This report sets out our findings from the interim audit.

We worked with Council staff throughout the organisation to update the systems descriptions and performed walkthroughs of processes as necessary. This included the systems relating to some service performance measures.

We identified one area for improvement during this audit visit – for management to formally undertake a fraud risk assessment each year. We also reviewed a number of prior year interim visit audit recommendations, with a number in progress and four resolved at the time of writing. The remainder of the recommendations will be updated during our final visit.

Thank you

We would like to thank management and staff for being well prepared for our audit visit. The prompt provision of the information we requested, and staff making themselves available for meetings with audit staff, contributed to a relatively short audit visit.



Leon Pieterse
Appointed Auditor
22 August 2023

1 Recommendations



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

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

1.1 New recommendations

The following table summarises our recommendations and their priority:

Recommendation	Reference	Priority
Undertake a formal fraud risk assessment on an annual basis.	2.2.1	Necessary

1.2 Status of previous recommendations

Set out below is a summary of the action taken against previous recommendations related to our interim audit work. Appendix 1 sets out the status of previous year's recommendations in detail.

Previous recommendations	Priority			
	Urgent	Necessary	Beneficial	Total
Recommendations from 30 June 2022 report				
New recommendations in 30 June 2022 report	0	10	0	10
Implemented or closed	0	(4)	0	(4)
Total outstanding after June 2023 interim visit	0	6	0	6
Recommendations from 30 June 2021 and earlier				
Open recommendations from 2021 and earlier	0	12	2	14
Implemented or closed	0	(2)	0	(2)
Total outstanding after June 2023 interim visit	0	10	2	12
Total of all open recommendations after June 2023 interim visit	0	16	2	18
Outstanding items noted above that status will be confirmed as part of the final audit work *	0	11	2	13

* **NOTE:** As detailed in Appendix 1, 13 of the 18 open recommendations will be reviewed and updated during our final audit i.e. it has not been tested as part of our interim audit.

2 Assessment of internal control



The Commissioners, with support from management, is responsible for the effective design, implementation, and maintenance of internal controls. Our audit considers the internal control relevant to preparing the financial statements and the service performance information. We review internal controls relevant to the audit to design audit procedures that are appropriate in the circumstances. Our findings related to our normal audit work, and may not include all weaknesses for internal controls relevant to the audit.

2.1 Control environment

The control environment reflects the overall attitudes, awareness and actions of those involved in decision-making in the organisation. It encompasses the attitude towards the development of accounting and performance estimates and its external reporting philosophy and is the context in which the accounting system and control procedures operate. Management, with the oversight of those charged with governance, need to establish and maintain a culture of honesty and ethical behaviour through implementation of policies, procedures and monitoring controls. This provides the basis to ensure that the other components of internal control can be effective.

We have performed a high-level assessment of the control environment, risk management process, and monitoring of controls relevant to financial and service performance reporting. We considered the overall attitude, awareness, and actions of the Commissioners and management to establish and maintain effective management procedures and internal controls.

We consider that a culture of honesty and ethical behaviour has been created and maintained. The elements of the control environment provide an appropriate foundation for other components of internal control.

2.2 Internal controls

Internal controls are the policies and processes that are designed to provide reasonable assurance as to the reliability and accuracy of financial and non-financial reporting. These internal controls are designed, implemented and maintained by the Commissioners and management.

We reviewed the internal controls, in your information systems and related business processes. This included the controls in place for your key financial and non-financial information systems.

We identified one new issue to bring to your attention below. We have updated prior year issues in Appendix 1.

Overall, we assess the controls in each system are capable collectively of preventing or detecting and correcting material misstatements.

2.2.1 Formal fraud risk assessment

Our enquiries with management identified there was no formal fraud risk assessment undertaken for the 2022/23 period. A formal risk assessment process helps management to identify any new areas of fraud risk and to consider if the risks in the prior period remain relevant. Formally documenting the risks, and managements response to those risks, sets clear expectations for management oversight and enables management to be flexible in its approach and vigilance against fraudulent activity of all kinds.

We recommend management undertake a formal fraud risk assessment on an annual basis.

Management comment

TCC have various ongoing work related to managing the risk of Fraud including:

- *Corporate Risk COR27 (Fraudulent / corrupt behaviour by staff / contractors) reviewed regularly with Manager: Legal, Risk & Procurement and the GM: Corporate Services.*
- *Recent Internal Audit of current fraud controls.*
- *Ongoing work related to our 'Integrity Framework' of policies including Code of Conduct, Protected Disclosures, Sensitive Expenditure, Fraud, etc.*
- *Planned Internal Audit review of 'financial behaviours' – i.e., how people go about checking and approving e.g. purchase orders in SAP.*

As the risk of fraud is not currently evaluated as 'Critical' it is not highlighted on our current reporting to the Exec or Strategy, Finance & Risk Committee. To raise awareness of the risk at Exec level the Team Leader Risk will take the action to include risk of fraud as an item in their next quarterly report to Exec (and at least annually going forward), to be discussed at the meeting when the report is reviewed.

3 Useful publications



Based on our knowledge of the City Council, we have included some publications that the City Council and management may find useful. A number of other publications are available on our website for reference purposes and links for key matters that may be relevant to the City Council were included in the prior year report issued on 23 January 2023.

Description	Where to find it
Local government risk management practices	
<p>The Covid-19 pandemic is a stark reminder for all organisations about the need for appropriate risk management practices. In our audit work, we often see instances where councils do not have effective risk management. This report discusses the current state of local government risk management practices and what councils should be doing to improve their risk management.</p>	<p>On the Office of the Auditor-General’s website under publications. Link: Observations on local government risk management practices</p>
Good practice	
<p>The OAG’s website contains a range of good practice guidance. This includes resources on:</p> <ul style="list-style-type: none"> • audit committees; • conflicts of interest; • discouraging fraud; • good governance; • service performance reporting; • procurement; • sensitive expenditure; and • severance payments. 	<p>On the OAG’s website under good practice. Link: Good practice</p>

Appendix 1: Status of previous recommendations

Open recommendations

Recommendation	First raised	Status
Necessary		
Payroll users with privilege access.		
Review the list of 'Master' and 'TCC Master' users in the payroll system and ensure only staff who require such access are given privileged access rights.	2021/22	<p>Outstanding</p> <p>There have been no changes to the system, based on discussions with staff while doing the system description review.</p> <p>Management Comment</p> <p><i>The CHRIS access has been reviewed and each employee that has access has it limited to their role.</i></p> <p><i>The HR team have advised a lot of work was carried out last year to minimise and restrict access to only those staff that absolutely required access.</i></p> <p>Auditor response</p> <p>Our discussions indicated there were still segregation of duties risks, despite the HR commentary above that they only had required access.</p> <p>We will re-visit this at our final audit and discuss with management to consider if they wish to accept any residual risk as a result of segregation of duties.</p>
Reconciliations are not prepared/reviewed in a timely manner.		
All reconciliations are reviewed within one month of month end.	2021/22	<p>Outstanding</p> <p>We noted five out of ten reconciliations reviewed were not either not prepared or not reviewed in a timely manner.</p> <p>Management Comment</p> <p><i>A complete review of the Month End Reconciliation process has been carried out and reconciliations are now completed by the 20th Month following and then reviewed by the last day of the following month.</i></p> <p><i>Due to resource shortages in the accounting teams, and very long Annual report process the reconciliations for first six months were not carried out in a timely manner.</i></p>

Recommendation	First raised	Status
Necessary		
Generic log-on accounts for Digital Services' IT support partner.		
Reconsider the practice of issuing generic log-on accounts and instead issue named or unique accounts.	2021/22	To be updated during our final audit visit
Periodic restore testing of backups (IRC).		
Restore testing of back-ups be formalised and documented appropriately.	2021/22	To be updated during our final audit visit
Property plant and equipment assets		
Property plant and equipment assets are assigned to classes of similar nature, rather than on functional basis, unless the intention is to revalue all the assets in the class at the same time.	2021/22	To be updated during our final audit visit
Information systems – generic log-ons		
Reconsider the practice of issuing generic log-on accounts and instead issue named or unique accounts. If a business decision is made to continue with the current practice, appropriate security controls need to be implemented.	2021/22	To be updated during our final audit visit
Assets in use with no book value		
Review the useful lives for all assets that remain in use beyond their recorded useful lives.	2020/21	To be updated during our final audit visit
Information systems - network user access		
Review all network accounts and remove redundant accounts. Remove elevated access accounts for re-approval by management.	2020/21	To be updated during our final audit visit
Development contributions		
All internal audits and checks to be documented so that the review process is clear and compliance with council policy is implemented correctly.	2020/21	To be updated during our final audit visit
Information systems – Formalise performance monitoring and reviews of third-party IT providers		
Designate an individual to be responsible for regular monitoring and reporting on the achievement of third-party performance.	2020/21	To be updated during our final audit visit

Recommendation	First raised	Status
Necessary		
Suspense account reconciliations		
Ensure reconciling items are cleared in a timely manner, ideally within one month.	2019/20	<p>Outstanding</p> <p>Our review identified three, out of four reconciliations tested, did not have the reconciling items corrected in a timely manner.</p> <p>Management Comment</p> <p><i>A complete review of the Month End Reconciliation process has been carried out and reconciliations are now completed by the 20th Month following and then reviewed by the last day of the following month. Due to resource shortages in the accounting teams, and very long Annual report process the reconciliations for first six months were not carried out in a timely manner.</i></p>
Interest register declarations.		
All interest declarations are updated and complete.	2019/20	<p>Outstanding - In progress</p> <p>Our search of the Companies Office register identified some interests were not declared.</p> <p>We understand council staff will be undertaking a search of the Companies Office register as part of the end of financial year process. We will confirm this as part of the final audit visit.</p>
Performance measures		
<p>We recommended:</p> <ul style="list-style-type: none"> sufficient details and clearer descriptions are provided in the report for each event to help the data processor and reviewer make informed judgments on whether the event has met the criteria of the performance measure per DIA guidance; record and use the number of connections as per 30 June for three waters related performance result calculation; regularly review the event report and adjust types of events accordingly. This is to ensure three-waters issues have been correctly differentiated and classified; and 	2019/20	To be updated during our final audit visit

Recommendation	First raised	Status
Necessary		
<ul style="list-style-type: none"> regularly review the event report and ensure all private nature related events are removed from year-end population. 		
Information systems (IS) – process for ensuring application access is appropriate		
Improve the processes for adding and amending user access to all council applications.	2018/19	To be updated during our final audit visit
P-Card policy – cancellation or destroying cards		
Document the process for cancelling and destroying P-Cards to align with the OAG's guidelines for sensitive expenditure.	2017/18	Outstanding - In progress The Sensitive Expenditure policy is being reviewed and is due to be considered by council in September 2023.
Information systems – contractor compliance with council policies		
Contractors be required to attend security briefings and training. To ensure they are aware of ICT practices.	2017/18	To be updated during our final audit visit
Beneficial		
Asbestos assessment		
Develop a formal plan be that includes a list of the buildings to be reviewed, the outcome of the review, the process to address any issues identified and the financial implications of those issues.	2018/19	To be updated during our final audit visit
Revaluation of infrastructure assets and marine assets		
Implement an action plan to address the recommendations made by the valuer.	2018/19	To be updated during our final audit visit

Implemented or closed recommendations

Recommendation	First raised	Status
<p>Valuation of vested assets</p> <p>A process is established to consider fair value at the time of recognising vested assets.</p>	2021/22	<p>Closed</p> <p>We understand a review is done over the vested asset values provided by the developer and compared to other similar projects/assets previously recognised by council. This assesses the reasonableness of the developer's costs, prior to formally capitalising the assets.</p>
<p>Timely recognition of vested assets</p> <p>Appropriate controls are put in place to ensure the timely recognition of vested asset.</p>	2021/22	<p>Closed</p> <p>We understand finance is advised when 224 certificates are provided, which triggers the first part of the capitalisation process. Vested assets are capitalised each month.</p>
<p>Group instructions</p> <p>Provide group instructions to group entities.</p>	2021/22	<p>Closed</p> <p>Group instructions were issued on 31 May 2023 for the 30 June 2023 financial statements.</p>
<p>Minutes on the website.</p> <p>Minutes of all Commissioner meetings are made available for public review wither immediately after the next meeting when they have been confirmed, or within one month, and labelled as draft if no confirmation has occurred at the next meeting.</p>	2021/22	<p>Closed</p> <p>Auditor noted draft minutes were being published on the website within two weeks of a meeting.</p>
<p>Classification of Fixed Asset Register</p> <p>Management ensures alignment between the classification of the asset purpose and the classification under which it is disclosed and recorded.</p>	2020/21	<p>Closed</p> <p>Was replaced by Property Plant and Equipment Assets recommendation in 2022/22.</p>
<p>Outdated policies – project management and fraud</p> <p>Policies are reviewed and updated on a regular basis.</p>	2017/18	<p>Closed</p> <p>The fraud policy was updated on 7 December 2022 and our review this year did not highlight any issues to bring to your attention.</p> <p>Council replaced the project management policy with a digital tool – Capital Project Management.</p>

Appendix 2: Disclosures

Area	Key messages
Our responsibilities in conducting the audit	<p>We carry out this audit on behalf of the Controller and Auditor-General. We are responsible for expressing an independent opinion on the financial statements and performance information. This responsibility arises from section 15 of the Public Audit Act 2001.</p> <p>The audit of the financial statements does not relieve management or the Council of their responsibilities.</p> <p>Our audit engagement letter contains a detailed explanation of the respective responsibilities of the auditor and the Council.</p>
Auditing standards	<p>We carry out our audit in accordance with the Auditor-General's Auditing Standards. The audit cannot and should not be relied upon to detect every instance of misstatement, fraud, irregularity, or inefficiency that are immaterial to your financial statements. The Council and management are responsible for implementing and maintaining systems of controls for detecting these matters.</p>
Auditor independence	<p>We are independent of the City Council in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1: International Code of Ethics for Assurance Practitioners, issued by New Zealand Auditing and Assurance Standards Board.</p> <p>To date, other than the audit, we have no relationship with, or interests in, the City Council or its subsidiaries.</p>
Fees	<p>The audit fee for the year is still to be confirmed.</p> <p>To date, no other fees have been charged in this period.</p>
Other relationships	<p>To date, we are not aware of any situations where a spouse or close relative of a staff member involved in the audit occupies a position with the City Council or its subsidiaries that is significant to the audit.</p> <p>We are not aware of any situations to date where a staff member of Audit New Zealand has accepted a position of employment with the City Council or its subsidiaries during or since the end of the financial year.</p>



AUDIT NEW ZEALAND

Mana Arotake Aotearoa
PO Box 621

Tauranga 3144

Phone: 04 496 3099

www.auditnz.parliament.nz



9.2 Treasury Policy Review

File Number: A14721343

Author: Sheree Covell, Treasury & Financial Compliance Manager

Authoriser: Paul Davidson, Chief Financial Officer

PURPOSE OF THE REPORT

1. This report seeks approval for the proposed Treasury Policy amendments.

RECOMMENDATIONS

That the Strategy, Finance and Risk Committee:

- (a) Receives the report "Treasury Policy Review".
- (b) Adopt the amended Treasury Policy

EXECUTIVE SUMMARY

2. Section 8 of the Treasury Policy requires review on a triennial basis. Bancorp Treasury Services Limited was engaged to perform this formal review. This report outlines the amendments to the Treasury Policy as recommended by Bancorp.

BACKGROUND

3. The Treasury Policy objective is to ensure that investments and liabilities (treasury risks) are managed in a prudent, effective and efficient manner, as well as ensuring that all external borrowing, investments and incidental financial arrangements meet the requirements of the Local Government Act 2002. The Treasury Policy sets the treasury operational risk framework. The policy was last reviewed as part of the Long Term Plan 2021-2031 in November 2020.
4. The Treasury Policy is required to be formally reviewed on a triennial basis under section 8 of the policy.
5. There are a number of proposed changes to better align with current market operational practice, recognise the new interest rate environment and the increasing size of Council's balance sheet.
6. Key changes to the Treasury Policy relate to:
 - (a) Interest Rate Exposure
 - (b) Liquidity
 - (c) Borrowing
 - (d) Investing
 - (e) Reporting
 - (f) Instruments
 - (g) Delegations
 - (h) Borrowing Resolution
 - (i) Retentions

7. The changes are outlined below:

Interest Rate Exposure (Section 5.1.1)

8. It is proposed to revise the fixed interest rate hedging time bands from 12 years to 15 years. The extended time band allows council to utilise all LGFA fixed term maturities and aligns to the significant investment in long life infrastructure assets (25 to 100 years).

Period	Minimum Fixed Interest Rate	Maximum Fixed Interest Rate
0 to 2 years	40%	100%
2 to 5 years	20%	80%
5 to 8 years	0%	60%
8 to 10 years	0%	30%
10 to 15 years	0%	10%

Liquidity (Section 5.1.2)

9. The wording regarding how net cash surpluses are treated has been amended to reflect the current cash management strategy which is to retain a \$10-\$15m buffer in the operating account at any given time to meet unexpected cashflows. Following the Global Financial Crisis the flexibility for Council to terminate term deposits at no costs in order to meet unexpected expenditure no longer exists and short term borrowing can be expensive and a time consuming exercise. A favourable interest rate on all operational accounts has been negotiated with Council's transactional banker so short term investment of small surpluses is not necessary.
10. The maximum debt maturity in any rolling 12 month period is reduced from 33% to 25%. As Council's debt levels continue increase, the dollar amount maturing in any given period is going to increase at the same rate, requiring Council to refinance larger amounts of debt, relative to the overall size of the market at potentially unfavourable rates. Reducing this percentage from 33% to 25% helps to spread mitigate this risk.

Borrowing Limits (Section 5.1.5)

11. This section has been updated to reflect the current and future debt to revenue ratio limits as per the Local Government Act 2002. For the 2023/24 financial year the limit is 290%, 2024/25 the limit is 285% and from 2025/26 onward the limit remains at 280%.

Acquisition of New Investments (Section 5.2.3)

12. This section changes the maximum term for investments of bank deposits, registered certificates of deposit, treasury bills and commercial paper investments from three months to six months to support the overall increase in debt levels and cash outflows, providing Council more flexibility to manage its liquidity.

Reporting (Section 7)

13. This table has been updated to reflect the frequency and targeted audience of specific reporting provided by treasury.

Appendix 1 – Instruments

14. The maximum term of interest rate swaps or fixed term debt has been reduced to 10 years unless otherwise approved by council resolution. This aligns to the interest rate exposure rules in section 5.1.1.
15. The restriction to only enter into forward start swaps or collar options with a start date no more than 24 months has been removed. This limited Council's ability to enter into future dated swaps to manage its long term interest rate risk in later years, limiting certainty of its future interest rate expense given the materially increasing debt profile.

Appendix 4 and Appendix 6 – Relevant Delegations

16. Investments with counterparties, specifically Term Deposits with Banks need to be spread across the main institutional credit rated banks in order to spread counterparty risk. The policy has been amended increase the deposit limit allowed with each counterparty from \$70m to \$120m. This allows flexibility as the total value of investments fluctuate throughout the year and also reflects the increasing size of Council's balance sheet.

Borrowing Resolution

17. In recent years a detailed borrowing resolution has been presented and approved at the Strategy, Finance, Audit & Risk Committee Meetings. Going forward the borrowing resolution will be included in the adoption of Annual Plan and Long Term Plan Reports. The reason for this is to simplify reporting requirements. External legal advice on this matter has confirmed inclusion of borrowing resolution in adoption reports is sufficient.

Retentions (Section 6)

18. A new section has been added to reflect how Council are securing retention moneys in accordance with new legislation.

Additional Changes

19. There have been further changes made to the policy document to tidy up grammar, update positions titles, committee names and simplify language etc. All changes are visible in the attached tracked document.

STRATEGIC / STATUTORY CONTEXT

20. The Treasury Policy sets the framework in which staff manage funding, interest rate, liquidity and credit risks to achieve a balance between the lowest possible net interest cost to Council and certainty over net interest costs. This covers all borrowing, investments and hedging activities. This contributes to financial sustainability and sound financial management.

OPTIONS ANALYSIS

21. The committee is recommended to approve the revisions to the Treasury Policy as outlined above.
22. The committee may decide to not approve the amendments proposed in this report and continue with the existing policy. However this is not a recommended option as it does not reflect best practice for Council.

FINANCIAL CONSIDERATIONS

23. Treasury Policy sets the risk framework to manage net debt to achieve a balance between the lowest possible net interest costs and certainty.

LEGAL IMPLICATIONS / RISKS

24. The Local Government Act requires Council to have Liability Management and Investment Policies. Treasury Policy covers both liability management and investments which include all external borrowing, financial investment and incidental financial arrangements.

SIGNIFICANCE

25. While the levels of debt and investment and related interest flows are significant, the above changes are not considered significant in terms of Council's Significance and Engagement policy. These changes are part of ongoing management operational risk in relation to treasury activities.

NEXT STEPS

26. Staff to incorporate these changes in the day to day decision making and operation of the Treasury function.

ATTACHMENTS

1. **Treasury Policy November 2023 - A14956012** [↓](#) 
2. **Treasury Policy November 2023_Tracked changes - A14801700** [↓](#) 



Tauranga City

TREASURY POLICY

Policy type	Council		
Authorised by	Finance, Audit and Risk Committee		
First adopted	13 March 2012	Minute reference	M12/10.6
Revisions/amendments	25 February 2015 19 December 2017 3 November 2020 18 September 2023	Minute reference	M15/5.11 M17/120.8 CO11/20/4
Review date	September 2026		

1. POLICY OBJECTIVES

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

1.1 Statutory Objectives

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

1.2 General Objectives

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

Objective ID:

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

2. PRINCIPLES

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

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

3. BACKGROUND

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

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

4. RESPONSIBILITIES

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

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

5. POLICY STATEMENT

5.1 Liability Management (Section 104 LGA 2002)

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

Objective ID:

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

5.1.1 Interest Rate Exposure (Section 104 (a))

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

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

Period	Minimum Fixed Rate	Maximum Fixed Rate
0 to 2 years	40%	100%
2 to 5 years	20%	80%
5 to 8 years	0%	60%
8 to 10 years	0%	30%
10 to 15 years	0%	10%

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

5.1.2 Liquidity (Section 104 (b))

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

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

- Net cash surpluses will be invested to:
 - optimise investment returns on surpluses; and
 - Ensure Council's overdraft is only utilised in exceptional circumstances.

Debt management activities are undertaken to ensure that:

- External term debt plus committed bank debt facilities and cash or cash equivalent investments must be maintained at an amount of 100% above 12-month peak forecast net external debt.
- Council has the ability to pre-fund up to 12 months ahead of forecast debt requirements including re-financings.
- No more than 25% of debt shall be subject to refinancing in any rolling 12 month period.
- A debt maturity schedule outside these limits requires specific Council approval.

Objective ID:

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

5.1.3 Credit Exposure (Sections 104 (c))

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

Credit exposure will be managed by:

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

5.1.4 Debt Repayment (Sections 104 (d))

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

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

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

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

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

- Net interest expense (after interest rate risk management costs/benefits) on external debt as a percentage of annual operating revenue will not exceed 20%; and
- Net interest expense (after interest rate risk management costs/benefits) on external debt as a percentage of annual rates revenue will not exceed 25%; and
- Net external debt as a percentage of annual operating revenue (including Bay Venues Limited):

Financial Year	Debt to Revenue Ratio
2023/24	290%
2024/25	285%
2025/26	280%

Objective ID:

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

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

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

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

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

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

5.1.7 Guarantees

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

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

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

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

Guarantees are reported on a quarterly basis.

5.1.8 Internal borrowing

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

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

- All internal borrowing activities are consistent with the principles and parameters, outlined throughout this policy.
- Council seeks to firstly utilise reserve funds and if insufficient reserves are available, utilises external borrowing.
- Interest is charged on the month-end loan balances and interest is also allocated to the specific reserve accounts for funds provided.

Objective ID:

- Interest rates are set annually as part of the annual planning and/or LTP process.
- Internal loan repayment amounts are undertaken on the following basis:
 - Rate Funded Activities:
 - i. general loan repayment percentages range from 2.00% to 20.00% taking into account each activity's fixed assets portfolio and expected asset lives;
 - ii. generally loan repayments are funded from the Depreciation Reserves; and
 - iii. any specific loan repayments rates are approved by Council.
 - Self Funded Activities:
 - i. general loan repayment percentages range from 4.00% to 20.00% depending on each activity's fixed assets portfolio and expected asset lives;
 - ii. generally loan repayments are funded from the Depreciation Reserves;
 - iii. apply any surplus/deficit against the loan balance on an annual basis; and
 - iv. any specific loan repayments rates are approved by Council.
 - Loans Funding Growth:
 - i. Apply both Development Contributions and Financial Contributions revenue to repay loans.

5.1.9 NZ Local Government Funding Agency Limited

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

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

5.2 Investment (Section 105)

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

Council will seek to:

- Protect the capital amounts invested;
- Optimise returns in the long-term while balancing risk and return considerations;
- Ensure investments are liquid;
- Manage potential capital losses due to interest rate movements if investments need to be liquidated before maturity.

Objective ID:

- Make investment decisions that support the purpose of local government to promote the social, economic, environmental, and cultural well-being of communities.

Council recognises that:

- As a responsible public authority any investment that it holds should be low risk;
- Lower risk generally means lower returns.

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

Council has a significant portfolio of investments including:

Property:

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

Forestry:

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

Financial:

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

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

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

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

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

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

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

Objective ID:

All new financial investment acquisitions are:

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

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

5.2.4 NZ Local Government Funding Agency Limited (LGFA)

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

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

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

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

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

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

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

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

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

Assessment and management of risks associated with property and forestry assets will be reported to Council as required and will be monitored through the Risk Register reported to Strategy, Finance & Risk Committee (SFRC)

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

Council will minimise its credit exposure by:

- Ensuring all investments, cash management, interest rate risk management and any foreign exchange transactions are undertaken with entities that comply to the credit ratings below;

Objective ID:

- Limiting total exposure by spreading investments and limiting to prescribed amounts; and
- Regular monitoring of compliance against set limits.

Note electricity hedging contracts may be with parties rated lower than this level on approval of the Chief Financial Officer.

Exposures to each counterparty are computed and reported as follows:

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

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

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

5.4 Foreign Exchange (Section 112)

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

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

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

Council does not hold investments denominated in foreign currency.

5.5 Electricity hedging

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

- An electricity hedge contract will be in place for at least the term of any spot physical supply agreement.

Objective ID:

- The price exposure can be hedged via an over the counter electricity swaps contract, a contract for difference.
- The face value of the hedge contract will be in New Zealand dollars.
- The hedge contract will be for a maximum term of no more than three years, and will be signed no earlier than 6 months prior to contract commencement.
- For any given reporting year, the volume will be hedged to a fixed price for at least 90 percent of forecast volume consumption. The hedge ratio will be monitored and reported quarterly.

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

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

6. RETENTIONS

Consistent with the Construction Contracts (Retention Money) Amendment Act 2023, retentions on commercial construction contracts entered into or renewed after 5 October 2023 are held in a separate trust account used solely for holding retentions with Council's transactional banker. Any interest earned on retentions is retained by Council and netted into our operational interest inflows

7. REPORTING

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

Daily
Cashflow monitoring
Monthly Exec Update – reported via SFRC
Gross and Net Debt Position including forecasts
Current Fixed Debt Levels
Interest Revenue & Expenditure
Borrowing Limit Compliance
Performance against benchmarks
Six Monthly Treasury Strategy Update – reported via SFRC
Debt maturity profile
Performance against benchmarks and budgets
Fixed & Floating Debt profile
Liquidity Risk
LGFA - Total debt and TCC debt

Objective ID:

8. MEASURING TREASURY PERFORMANCE

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

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

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

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

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

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

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

9. POLICY REVIEW

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

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

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

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

Objective ID:

10. REFERENCES AND RELEVANT LEGISLATION

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

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

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

Objective ID:

APPENDIX 1 - INSTRUMENTS

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

- Fixed rate borrowing such as: loan stock, LGFA bonds, debentures, medium term notes, bank term loan.
- Borrowing on a floating basis, for example: short term revolving stock, LGFA bonds, bank borrowing, and short-term borrowing programme. Floating rate debt may be spread over any maturity out to 12 months. Bank advances may be for a maximum term of 12 months.
- Forward rate agreements.
- Interest rate swaps and fixed rate debt. Any interest rate swap or fixed rate debt with a maturity beyond 10 years must be approved by Council.
- Forward start swaps and collar options
- Purchase of interest rate option products including caps, floors, bond options and swaptions. Interest rate options will not be sold outright. Purchased borrower swaptions mature within 12 months.
- Interest rate options with a maturity date beyond 12 months, that have a strike rate (exercise rate) higher than 2.00% above the appropriate swap rate, will not be counted as part of the fixed rate cover percentage calculation.
- Interest rate collar type option strategies. 1:1 collar option structures are allowable whereby the sold option is matched precisely by amount and maturity to the simultaneously purchased option. During the term of the option, the sold side of the collar may be closed out by itself, effectively leaving the bought side of the collar. The sold option leg of the collar structure must not have a strike rate "in-the-money" (i.e. the strike rate cannot be more favourable to the Council than the relevant forward rate)
- Any other financial instrument will be separately approved by Council on a case-by-case basis.

Objective ID:

APPENDIX 2

- Full Council (of elected members).
- Strategy Finance and Risk committee (SFRC)
- Chief Executive (“CE”) or
- Chief Financial Officer (“CFO”)
- Chief Financial Officer (“CFO”)
- Treasury Manager
- Treasury Support Team
- Finance Manager (“FM”)

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

Council – or approved committee of council

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

Strategy, Finance and Risk Committee (SFRC)

- The council committee in charge of strategy, financial and risk monitoring considers on a semi-annual basis the implementation of the Council’s treasury management strategies.
- Monitors and reviews the management of the treasury function to ensure that it is effective and Council’s strategic objectives are being met.
- six monthly financial reporting to committee also includes Core Treasury management indicators.

Responsibilities include:

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

Executive (CE and CFO)

- Approves any amendments to the Treasury Policy recommended by the treasury manager/ finance manager
- Approves funding from bank facilities and the capital markets including the Local Government Funding Agency (“LGFA”).
- Recommends the borrowing resolution to council based on relevant approved annual plan and LTP.

Treasury Manager

- Organises all new or amended borrowing facilities which shall then be submitted to the CE for approval or GM as appropriate per delegation

Objective ID:

- Undertake borrowing and investment consistent with Treasury Policy
- Undertake interest rate risk management in accordance with the Treasury Policy.
- Reports quarterly and semi annually to the SFRC on treasury risk management activities.
- Manages the funding and liquidity activities of the Council.
- Maintains lender relationships with the banks and the capital markets including the LGFA.
- Monitors and reviews the ongoing treasury risk management performance of the Council to ensure compliance with the policy parameters.
- Responsible for preparation of all treasury reports.
- Determines in consultation with the Finance Manager the level of future core debt to be used for interest rate risk management purposes.

Treasury Support Team

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

Finance Manager

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

Objective ID:

APPENDIX 3

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

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

Approved investment instruments:

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

Objective ID:

APPENDIX 4 – RELEVANT DELEGATIONS

Activity	Delegated to:	Limit
Approve policy document	Council (or appropriate Committee)	Unlimited
Alter policy document	Council (or appropriate Committee)	Unlimited
Acquisition and disposition of investments other than financial investments	Council (or appropriate Committee)	Unlimited
Approving new and reviewing re-financed bank facilities.	Chief Financial Officer or CE	Subject to Policy
Approval of borrowing programme for the year	Council (or appropriate Committee)	Unlimited (subject to legislative and other regulatory limitations)
Approval for charging assets as security over borrowing	Council (or appropriate Committee)	Unlimited
Approve interest rate, foreign currency and electricity price risk management instruments	Council (or appropriate Committee) (outside policy as otherwise delegated to Treasurer through this policy)	Subject to Policy
Open/close bank accounts	Chief Financial Officer	Unlimited
Loan and legal derivative documentation	Chief Financial Officer	N/A
Approve authorised cheque/electronic signatories	Treasurer/ Finance Manager or other authorised signatories two required	Unlimited
Maximum daily transaction amount (borrowing, investing, interest rate, foreign currency, electricity price risk management and cash management) excludes roll-overs on existing debt and interest rate swaps.	Council (or appropriate committee) Chief Executive Officer or Chief Financial Officer	Unlimited \$120m
Approve Treasury Strategy	Council (or appropriate committee)	N/A
Amend counterparty limit exposures	Council (or appropriate committee)	Unlimited
Implement Policy	Chief Executive and sub delegated to Chief Financial Officer	Per policy risk control limits
Ensuring compliance with Policy	Chief Financial Officer	N/A
Approving transactions outside Policy	Council (or appropriate committee)	Unlimited
Triennial review of Policy	Chief Financial Officer	N/A

Objective ID:

APPENDIX 5 - DEFINITIONS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Objective ID:

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

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

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

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

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

Liquidity is the ability to access funds at short notice.

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

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

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

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

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

Yield, interest rate, always expressed as a percentage.

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

Objective ID:

APPENDIX 6

Institution	Minimum S&P or equivalent Long Term / Short Term Credit Rating	Investments Maximum Per Counterparty (\$m)	Electricity Price Risk Management Instrument (CFD) Maximum Per Counterparty (\$m)	Interest Rate Risk Management Exposure Maximum Per Counterparty (\$m)	Total Exposure Limit for each counterparty
<i>Government</i>	<i>N/A</i>	<i>Unlimited</i>	<i>N/A</i>	<i>None</i>	<i>Unlimited</i>
<i>Local Government Funding Agency (LGFA) (on balance sheet exposures only)</i>	<i>AA-/A-1</i>	<i>\$50 million</i>	<i>N/A</i>	<i>None</i>	<i>\$50 million</i>
<i>NZ Registered Bank</i> - <i>On balance sheet exposures</i> - <i>Off balance sheet exposures</i>	<i>A+ / A-1*</i> <i>A+ / A-1*</i>	<i>\$120 million</i>	<i>\$10 million</i>	<i>\$50 million</i>	<i>Total \$180 million</i>
<i>Local authority</i>	<i>A+/A-1</i>	<i>\$10 million</i>	<i>N/A</i>	<i>None</i>	<i>\$10 million</i>
<i>Electricity generators e.g. MRP</i>	<i>BBB/A-2</i>	<i>N/A</i>	<i>\$5 million</i>	<i>N/A</i>	<i>\$5 million</i>

Objective ID:

Authorised Asset Classes	Overall Portfolio Limit as a Percentage of the Total Portfolio	Approved Financial Market Investment Instruments (must be denominated in NZ dollars)	Credit Rating Criteria – Standard and Poor's (or Moody's or Fitch equivalents)	Limit for each issuer
New Zealand Government	100%	Government Stock/ Treasury Bills	Not Applicable	Unlimited
Supranationals	50%	Bonds/MTNs/FRNs	AAA	Maximum of \$10 million
New Zealand Registered Banks	100%	Call/Deposits/Bank Bills/Commercial Paper Bonds/MTNs/FRNs	Short term S&P rating of A-1+ Short term S&P rating of A-1 Long term rating of A+ or better	Maximum of \$120million Maximum of \$20 million Maximum of \$20 million
Rated Local Authorities ("RLA")	50%	Commercial Paper/ Bonds/MTNs/FRNs	Minimum short term S&P rating of A-1 or minimum long term S&P rating of A+	Maximum of \$10 million
State Owned Enterprises ("SoE")	50%	Commercial Paper/ Bonds/MTNs/FRNs	Short term S&P rating of A-1+ or long term rating of A+ or better Short term S&P rating of A-1 or long term rating of BBB to A	Maximum of \$10 million Maximum of \$5 million
Corporates	30%	Commercial Paper/ Bonds/MTNs/FRNs	Short term S&P rating of A-1+ or long term rating of A+ or better Short term S&P rating of A-1 or long term rating of BBB to A	Maximum of \$7 million Maximum of \$3 million
Financials	30%	Commercial Paper/ Bonds/MTNs/FRNs	Short term S&P rating of A-1+ or long term rating of A+ or better Short term S&P rating of A-1 or long term rating of BBB to A	Maximum of \$5 million Maximum of \$2 million

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

Objective ID:



Tauranga City

TREASURY POLICY

Policy type	Council		
Authorised by	Finance, Audit and Risk Committee		
First adopted	13 March 2012	Minute reference	M12/10.6
Revisions/amendments	25 February 2015 19 December 2017 3 November 2020 18 September 2023	Minute reference	M15/5.11 M17/120.8 CO11/20/4
Review date	September 2026		

1. POLICY OBJECTIVES

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

1.1 Statutory Objectives

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

1.2 General Objectives

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

Objective ID:

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

2. PRINCIPLES

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

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

3. BACKGROUND

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

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

4. RESPONSIBILITIES

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

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

5. POLICY STATEMENT

5.1 Liability Management (Section 104 LGA 2002)

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

Objective ID:

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

5.1.1 Interest Rate Exposure (Section 104 (a))

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

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

Period	Minimum Fixed Rate	Maximum Fixed Rate
0 to 2 years	40%	100%
2 to 5 years	20%	80%
5 to 8 years	0%	60%
8 to 10 years	0%	30%
10 to 15 years	0%	10%

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

5.1.2 Liquidity (Section 104 (b))

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

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

- Net cash surpluses will be invested to:
 - optimise investment returns on surpluses; and
 - Ensure Council's overdraft is only utilised in exceptional circumstances.

Debt management activities are undertaken to ensure that:

- External term debt plus committed bank debt facilities and cash or cash equivalent investments must be maintained at an amount of 100% above 12-month peak forecast net external debt.
- Council has the ability to pre-fund up to 12 months ahead of forecast debt requirements including re-financings.
- No more than 25% of debt shall be subject to refinancing in any rolling 12 month period.
- A debt maturity schedule outside these limits requires specific Council approval.

Objective ID:

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

5.1.3 Credit Exposure (Sections 104 (c))

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

Credit exposure will be managed by:

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

5.1.4 Debt Repayment (Sections 104 (d))

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

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

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

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

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

- Net interest expense (after interest rate risk management costs/benefits) on external debt as a percentage of annual operating revenue will not exceed 20%; and
- Net interest expense (after interest rate risk management costs/benefits) on external debt as a percentage of annual rates revenue will not exceed 25%; and
- Net external debt as a percentage of annual operating revenue (including Bay Venues Limited):

Financial Year	Debt to Revenue Ratio
2023/24	290%
2024/25	285%
2025/26	280%

Objective ID:

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

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

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

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

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

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

5.1.7 Guarantees

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

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

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

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

Guarantees are reported on a quarterly basis.

5.1.8 Internal borrowing

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

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

- All internal borrowing activities are consistent with the principles and parameters, outlined throughout this policy.
- Council seeks to firstly utilise reserve funds and if insufficient reserves are available, utilises external borrowing.
- Interest is charged on the month-end loan balances and interest is also allocated to the specific reserve accounts for funds provided.

Objective ID:

- Interest rates are set annually as part of the annual planning and/or LTP process.
- Internal loan repayment amounts are undertaken on the following basis:
 - Rate Funded Activities:
 - i. general loan repayment percentages range from 2.00% to 20.00% taking into account each activity's fixed assets portfolio and expected asset lives;
 - ii. generally loan repayments are funded from the Depreciation Reserves; and
 - iii. any specific loan repayments rates are approved by Council.
 - Self Funded Activities:
 - i. general loan repayment percentages range from 4.00% to 20.00% depending on each activity's fixed assets portfolio and expected asset lives;
 - ii. generally loan repayments are funded from the Depreciation Reserves;
 - iii. apply any surplus/deficit against the loan balance on an annual basis; and
 - iv. any specific loan repayments rates are approved by Council.
 - Loans Funding Growth:
 - i. Apply both Development Contributions and Financial Contributions revenue to repay loans.

5.1.9 NZ Local Government Funding Agency Limited

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

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

5.2 Investment (Section 105)

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

Council will seek to:

- Protect the capital amounts invested;
- Optimise returns in the long-term while balancing risk and return considerations;
- Ensure investments are liquid;
- Manage potential capital losses due to interest rate movements if investments need to be liquidated before maturity.

Objective ID:

- Make investment decisions that support the purpose of local government to promote the social, economic, environmental, and cultural well-being of communities.

Council recognises that:

- As a responsible public authority any investment that it holds should be low risk;
- Lower risk generally means lower returns.

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

Council has a significant portfolio of investments including:

Property:

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

Forestry:

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

Financial:

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

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

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

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

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

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

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

Objective ID:

All new financial investment acquisitions are:

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

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

5.2.4 NZ Local Government Funding Agency Limited (LGFA)

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

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

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

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

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

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

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

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

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

Assessment and management of risks associated with property and forestry assets will be reported to Council as required and will be monitored through the Risk Register reported to Strategy, Finance & Risk Committee (SFRC)

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

Council will minimise its credit exposure by:

- Ensuring all investments, cash management, interest rate risk management and any foreign exchange transactions are undertaken with entities that comply to the credit ratings below;

Objective ID:

- Limiting total exposure by spreading investments and limiting to prescribed amounts; and
- Regular monitoring of compliance against set limits.

Note electricity hedging contracts may be with parties rated lower than this level on approval of the Chief Financial Officer.

Exposures to each counterparty are computed and reported as follows:

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

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

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

5.4 Foreign Exchange (Section 112)

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

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

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

Council does not hold investments denominated in foreign currency.

5.5 Electricity hedging

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

- An electricity hedge contract will be in place for at least the term of any spot physical supply agreement.

Objective ID:

- The price exposure can be hedged via an over the counter electricity swaps contract, a contract for difference.
- The face value of the hedge contract will be in New Zealand dollars.
- The hedge contract will be for a maximum term of no more than three years, and will be signed no earlier than 6 months prior to contract commencement.
- For any given reporting year, the volume will be hedged to a fixed price for at least 90 percent of forecast volume consumption. The hedge ratio will be monitored and reported quarterly.

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

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

6. RETENTIONS

Consistent with the Construction Contracts (Retention Money) Amendment Act 2023, retentions on commercial construction contracts entered into or renewed after 5 October 2023 are held in a separate trust account used solely for holding retentions with Council's transactional banker. Any interest earned on retentions is retained by Council and netted into our operational interest inflows

7. REPORTING

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

Daily
Cashflow monitoring
Monthly Exec Update – reported via SFRC
Gross and Net Debt Position including forecasts
Current Fixed Debt Levels
Interest Revenue & Expenditure
Borrowing Limit Compliance
Performance against benchmarks
Six Monthly Treasury Strategy Update – reported via SFRC
Debt maturity profile
Performance against benchmarks and budgets
Fixed & Floating Debt profile
Liquidity Risk
LGFA - Total debt and TCC debt

Objective ID:

8. MEASURING TREASURY PERFORMANCE

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

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

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

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

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

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

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

9. POLICY REVIEW

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

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

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

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

Objective ID:

10. REFERENCES AND RELEVANT LEGISLATION

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

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

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

Revenue and Financing Policy.

Objective ID:

APPENDIX 1 - INSTRUMENTS

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

- Fixed rate borrowing such as: loan stock, LGFA bonds, debentures, medium term notes, bank term loan.
- Borrowing on a floating basis, for example: short term revolving stock, LGFA bonds, bank borrowing, and short-term borrowing programme. Floating rate debt may be spread over any maturity out to 12 months. Bank advances may be for a maximum term of 12 months.
- Forward rate agreements.
- Interest rate swaps and fixed rate debt. Any interest rate swap or fixed rate debt with a maturity beyond 10 years must be approved by Council.
- Forward start swaps and collar options
- Purchase of interest rate option products including caps, floors, bond options and swaptions. Interest rate options will not be sold outright. Purchased borrower swaptions mature within 12 months.
- Interest rate options with a maturity date beyond 12 months, that have a strike rate (exercise rate) higher than 2.00% above the appropriate swap rate, will not be counted as part of the fixed rate cover percentage calculation.
- Interest rate collar type option strategies. 1:1 collar option structures are allowable whereby the sold option is matched precisely by amount and maturity to the simultaneously purchased option. During the term of the option, the sold side of the collar may be closed out by itself, effectively leaving the bought side of the collar. The sold option leg of the collar structure must not have a strike rate "in-the-money" (i.e. the strike rate cannot be more favourable to the Council than the relevant forward rate)
- Any other financial instrument will be separately approved by Council on a case-by-case basis.

Objective ID:

APPENDIX 2

- Full Council (of elected members).
- Strategy Finance and Risk committee (SFRC)
- Chief Executive (“CE”) or
- Chief Financial Officer (“CFO”)
- Chief Financial Officer (“CFO”)
- Treasury Manager
- Treasury Support Team
- Finance Manager (“FM”)

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

Council – or approved committee of council

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

Strategy, Finance and Risk Committee (SFRC)

- The council committee in charge of strategy, financial and risk monitoring considers on a semi-annual basis the implementation of the Council’s treasury management strategies.
- Monitors and reviews the management of the treasury function to ensure that it is effective and Council’s strategic objectives are being met.
- six monthly financial reporting to committee also includes Core Treasury management indicators.

Responsibilities include:

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

Executive (CE and CFO)

- Approves any amendments to the Treasury Policy recommended by the treasury manager/ finance manager
- Approves funding from bank facilities and the capital markets including the Local Government Funding Agency (“LGFA”).
- Recommends the borrowing resolution to council based on relevant approved annual plan and LTP.

Treasury Manager

- Organises all new or amended borrowing facilities which shall then be submitted to the CE for approval or GM as appropriate per delegation

Objective ID:

- Undertake borrowing and investment consistent with Treasury Policy
- Undertake interest rate risk management in accordance with the Treasury Policy.
- Reports quarterly and semi annually to the SFRC on treasury risk management activities.
- Manages the funding and liquidity activities of the Council.
- Maintains lender relationships with the banks and the capital markets including the LGFA.
- Monitors and reviews the ongoing treasury risk management performance of the Council to ensure compliance with the policy parameters.
- Responsible for preparation of all treasury reports.
- Determines in consultation with the Finance Manager the level of future core debt to be used for interest rate risk management purposes.

Treasury Support Team

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

Finance Manager

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

Objective ID:

APPENDIX 3

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

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

Approved investment instruments:

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

Objective ID:

APPENDIX 4 – RELEVANT DELEGATIONS

Activity	Delegated to:	Limit
Approve policy document	Council (or appropriate Committee)	Unlimited
Alter policy document	Council (or appropriate Committee)	Unlimited
Acquisition and disposition of investments other than financial investments	Council (or appropriate Committee)	Unlimited
Approving new and reviewing re-financed bank facilities.	Chief Financial Officer or CE	Subject to Policy
Approval of borrowing programme for the year	Council (or appropriate Committee)	Unlimited (subject to legislative and other regulatory limitations)
Approval for charging assets as security over borrowing	Council (or appropriate Committee)	Unlimited
Approve interest rate, foreign currency and electricity price risk management instruments	Council (or appropriate Committee) (outside policy as otherwise delegated to Treasurer through this policy)	Subject to Policy
Open/close bank accounts	Chief Financial Officer	Unlimited
Loan and legal derivative documentation	Chief Financial Officer	N/A
Approve authorised cheque/electronic signatories	Treasurer/ Finance Manager or other authorised signatories two required	Unlimited
Maximum daily transaction amount (borrowing, investing, interest rate, foreign currency, electricity price risk management and cash management) excludes roll-overs on existing debt and interest rate swaps.	Council (or appropriate committee) Chief Executive Officer or Chief Financial Officer	Unlimited \$120m
Approve Treasury Strategy	Council (or appropriate committee)	N/A
Amend counterparty limit exposures	Council (or appropriate committee)	Unlimited
Implement Policy	Chief Executive and sub delegated to Chief Financial Officer	Per policy risk control limits
Ensuring compliance with Policy	Chief Financial Officer	N/A
Approving transactions outside Policy	Council (or appropriate committee)	Unlimited
Triennial review of Policy	Chief Financial Officer	N/A

Objective ID:

APPENDIX 5 - DEFINITIONS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Objective ID:

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

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

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

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

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

Liquidity is the ability to access funds at short notice.

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

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

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

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

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

Yield, interest rate, always expressed as a percentage.

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

Objective ID:

APPENDIX 6

<i>Institution</i>	<i>Minimum S&P or equivalent Long Term / Short Term Credit Rating</i>	<i>Investments Maximum Per Counterparty (\$m)</i>	<i>Electricity Price Risk Management Instrument (CFD) Maximum Per Counterparty (\$m)</i>	<i>Interest Rate Risk Management Exposure Maximum Per Counterparty (\$m)</i>	<i>Total Exposure Limit for each counterparty</i>
<i>Government</i>	<i>N/A</i>	<i>Unlimited</i>	<i>N/A</i>	<i>None</i>	<i>Unlimited</i>
<i>Local Government Funding Agency (LGFA) (on balance sheet exposures only)</i>	<i>AA-/A-1</i>	<i>\$50 million</i>	<i>N/A</i>	<i>None</i>	<i>\$50 million</i>
<i>NZ Registered Bank</i> - <i>On balance sheet exposures</i> - <i>Off balance sheet exposures</i>	<i>A+ / A-1*</i> <i>A+ / A-1*</i>	<i>\$120 million</i>	<i>\$10 million</i>	<i>\$50 million</i>	<i>Total \$180 million</i>
<i>Local authority</i>	<i>A+/A-1</i>	<i>\$10 million</i>	<i>N/A</i>	<i>None</i>	<i>\$10 million</i>
<i>Electricity generators e.g. MRP</i>	<i>BBB/A-2</i>	<i>N/A</i>	<i>\$5 million</i>	<i>N/A</i>	<i>\$5 million</i>

Objective ID:

Authorised Asset Classes	Overall Portfolio Limit as a Percentage of the Total Portfolio	Approved Financial Market Investment Instruments (must be denominated in NZ dollars)	Credit Rating Criteria – Standard and Poor’s (or Moody’s or Fitch equivalents)	Limit for each issuer
New Zealand Government	100%	Government Stock/ Treasury Bills	Not Applicable	Unlimited
Supranationals	50%	Bonds/MTNs/FRNs	AAA	Maximum of \$10 million
New Zealand Registered Banks	100%	Call/Deposits/Bank	Short term S&P rating of A-1+	\$0-\$50m - unlimited \$50+ 60% of investments/deposits
		Bills/Commercial Paper	Short term S&P rating of A-1	Maximum of \$20 million
		Bonds/MTNs/FRNs	Long term rating of A+ or better	Maximum of \$20 million
Rated Local Authorities (“RLA”)	50%	Commercial Paper/ Bonds/MTNs/FRNs	Minimum short term S&P rating of A-1 or minimum long term S&P rating of A+	Maximum of \$10 million
State Owned Enterprises (“SoE”)	50%	Commercial Paper/ Bonds/MTNs/FRNs	Short term S&P rating of A-1+ or long term rating of A+ or better	Maximum of \$10 million
			Short term S&P rating of A-1 or long term rating of BBB to A	Maximum of \$5 million
Corporates	30%	Commercial Paper/ Bonds/MTNs/FRNs	Short term S&P rating of A-1+ or long term rating of A+ or better	Maximum of \$7 million
			Short term S&P rating of A-1 or long term rating of BBB to A	Maximum of \$3 million
Financials	30%	Commercial Paper/ Bonds/MTNs/FRNs	Short term S&P rating of A-1+ or long term rating of A+ or better	Maximum of \$5 million
			Short term S&P rating of A-1 or long term rating of BBB to A	Maximum of \$2 million

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

Objective ID:

9.3 Mainstreets' Monitoring Reports for the period 1 January to 30 June 2023

File Number: A14811276

Author: Kendyl Sullivan, City Partnerships Specialist

Authoriser: Gareth Wallis, General Manager: City Development & Partnerships

PURPOSE OF THE REPORT

1. For mainstreet organisations to report to Council on their activities for the period 1 January to 30 June 2023, to highlight issues, provide a financial update, and to outline plans for upcoming activities.

RECOMMENDATIONS

That the Strategy, Finance and Risk Committee:

- (a) Receives the Mainstreets' Monitoring Reports for the period 1 January to 30 June 2023.
- (b) Receives the Mount Business Association Report to 30 June 2023, Annual Plan for 2023/24, and Strategic Plan.
- (c) Receives the Greerton Village Community Association Report to 30 June 2023 and Annual Plan for 2023/24.
- (d) Receives the Papamoa Unlimited Report to 30 June 2023 and Annual Plan for 2023/24.
- (e) Receives the Mainstreet Tauranga Report to 30 June 2023 and Annual Plan for 2023/24.

EXECUTIVE SUMMARY

2. Mainstreet organisations receive a targeted rate through Council.
3. As part of Council's agreement with the four mainstreet organisations, they are required to report every six months on activities achieved, activities planned, and any issues they want to bring to the attention of Council. They are expected to provide a financial update for each reporting period, and audited financials after the end of the financial year.
4. This report reflects the period 1 January 2023 to 30 June 2023.
5. A summary of performance, both financial and non-financial, is provided in the main body of the report (below) for Mount Business Association, Greerton Village Community Association, Papamoa Unlimited, and Mainstreet Tauranga. All mainstreet organisations are currently in good financial health.
6. The four mainstreets have submitted their Annual Plans for 2023/24 and have complied with the requirements of their respective agreements.
7. Annual Plans show an ambitious range of activities and promotions across the respective areas, planned to achieve a lot with their current budgets.
8. Staff continue to support the mainstreets on a range of matters including reporting, transparency and organisation information, collaboration, and development of strategic plans.
9. In addition, the four mainstreet organisations have received notification of the cancellation of their current Agreement, and we are working with them to confirm the new Agreement. This report is based on the conditions of the previous Agreements.
10. A process has been drafted for expanding a mainstreet targeted rate area with support from the Policy and Strategy team. Staff will progress work on this in the coming weeks.

BACKGROUND

11. There are agreements in place between Council and the four mainstreet organisations for the delivery of services. The intent of the agreements is to the effect that:
 - (a) The mainstreet organisations will contribute to the achievement of a strong and vibrant city and town centres, by promoting the appeal of their respective areas to residents and visitors through events, promotions, and other means.
 - (b) That Council will provide funding for these mainstreet services by way of a targeted rate on commercial property within each of the mainstreet business areas.
 - (c) The mainstreet organisations are incorporated societies and all business operators within their respective targeted rates areas are regarded by the mainstreet organisations as being their members.

DISCUSSION

12. Audited financial accounts are due from all mainstreet organisations by 30 September (per current agreement) and will be included in the next reporting period.
13. Financial statements provided by Greerton Village Community Association indicate they are in good financial health, showing annual operating surpluses and positive equity.
14. Mount Business Association has finished the year in a good financial position and under budget. The profit and loss statement provided by Mount Business Association shows a net loss of \$46,777.43 which will come out of reserves. The allocated spend of built-up funding is clearly referenced in the profit and loss statement.
15. Mainstreet Tauranga has finished the year in a good financial position and under budget. The profit and loss statement provided by Mainstreet Tauranga shows a net loss of \$1,320.00, which will come out of reserves.
16. Draft financial statements provided by Papamoa Unlimited show the organisation finished the year under budget with a net loss of \$18,249.48 coming out of reserves. The proposed 2023/24 annual plan and budget forecasts expenses beyond their confirmed income, with the remainder to be supplemented by sponsorship. The organisation has been advised that the indicative date for Matariki 2024 falls on 28 June, within this current financial year, which has not been planned or budgeted for in the documentation received at the date of this report.
17. Results of an independent survey of businesses within the mainstreet areas was collated, with key themes and relevant feedback shared with each of the mainstreets and the Commissioners on 31 March 2023.

Mount Business Association

18. The Mount Business Association Monitoring Report and Profit and Loss Statement is provided at Attachment 1.
19. The Mount Business Association Annual Plan and Budget 2023/24 is provided at Attachment 2.
20. The Mount Business Association Strategic Plan Overview is provided at Attachment 3. A copy of the expanded Strategic Plan can be found [here](#).
21. The agreement for the delivery of mainstreet services for this reporting period has been in place since 1 July 2011. Funding of \$188,550 from targeted rates is provided by Council under the agreement for the year ending 30 June 2023.
22. Mount Business Association contracts a Marketing Manager for 25 hours per week, responsible for implementing the strategy of the Board. An Operations Manager working 4-6 hours per week provides a support and oversight role, and a Digital Marketing Manager deals with social media.
23. Mount Business Association set three KPIs for this past financial year, which they will report on in their presentation to the Strategy, Finance and Risk Committee:

- (a) Increase member engagement and satisfaction with the association.
 - (b) Effectively govern the organisation in line with their constitution and ensure a balanced Board.
 - (c) Create a vibrant and inviting environment down the street to drive an economic return.
24. For the financial year 2023/24, they have set the following KPIs:
- (a) Membership sign-ups: 80% of businesses in their targeted boundary complete their MBA membership form by 31 December 2023.
 - (b) Member engagement: Increase level of member engagement to 30% by the end of the year.
25. Highlights over this period include undertaking the strategic plan process and creating a five-year plan, sponsoring the Tauranga Jazz Festival in the Mount and the subsequent increase in visitors to the region, the STUFF mainstreet collaboration, and the increased reach achieved by the web page.
26. Areas of concern include street safety (including vandalism, graffiti, unsafe laneways, and vehicle speed), rough sleepers, new street light installation delays, lack of planning co-ordination between the Mount Spatial Plan and Plan Change 33, and overflowing bins.*
27. Mount Business Association is looking forward to their August Spend and Win Promotion, delivering their 'Many Hands, Light Work' street clean, the September School Holiday Ice Rink, holding the AGM, Christmas Movie in the Park, and continued advocacy particularly around Plan Change 33.

**The City Partnerships Specialist facilitated a meeting with the Waste Management Team who have a plan for the upcoming summer season. Mount Business Association provided feedback to their plan and look forward to seeing the results of these changes.*

Greerton Village Community Association

28. The Greerton Village Community Association Monitoring Report and draft Financial Statements to 30 June 2023 are provided at Attachment 4.
29. The Greerton Village Community Association Annual Plan and Budget 2023/24 is provided at Attachment 5.
30. The agreement for the delivery of mainstreet services for this reporting period has been in place since 1 July 2011. Funding of \$141,406 from targeted rates is provided by Council under the agreement for the year ending 30 June 2023.
31. Greerton Village Mainstreet employs a manager who is responsible to the organisation's Board for the day-to-day delivery of the mainstreet programme in Greerton, including a range of events and promotions designed to attract people to the Greerton business area.
32. Greerton Village set five KPIs for this past financial year, which they will report on in their presentation to the Strategy, Finance and Risk Committee:
- (a) Reporting on estimated crowd attendance at events.
 - (b) Increasing business participation in promotions.
 - (c) Confirming that the correct processes are in place to ensure membership databases are kept up-to-date.
 - (d) Foster and support growth in art and culture via annual yarn bombing activities.
 - (e) To create and deliver a 'welcome pack' to all new businesses.
33. For the financial year 2023/24, they have set the following KPIs:
- (a) Gain traction and audiences through social media.
 - (b) Continue to learn and grow with governance training.
 - (c) Change events to suit the changes in our community.

34. Highlights over this period include the Easter egg hunt, Winter online giveaways promotion, and annual Yarn Bombing activities.
35. Issues include Greerton Village development work for Cameron Road Stage 2, and homeless and transient people.
36. Greerton is looking forward to their new voucher booklet promotion, the conclusion of the yarn bombing installations, the annual Cherry Blossom Festival, and celebrating 150 years of Tauranga Racing.

Papamoa Unlimited

37. The Papamoa Unlimited Monitoring Report and draft Financial Statements to 30 June 2023 are provided at Attachment 6.
38. The Papamoa Unlimited Annual Plan and Budget 2023/24 is provided at Attachment 7.
39. The agreement for the delivery of mainstreet services for this reporting period has been in place since 1 July 2014. Funding of \$50,000 from targeted rates is provided by Council under the agreement for the year ending 30 June 2023.
40. Papamoa Unlimited is managed by a volunteer chair, who engages a contractor to assist with the running of events. Papamoa Unlimited is a committee of business owners and retailers whose purpose is to promote Papamoa as a destination for locals and tourists.
41. Papamoa has set three KPIs for this past financial year, which they will report on in their presentation to the Strategy, Finance and Risk Committee:
 - (a) To deliver three to four events annually to promote Papamoa Unlimited as a destination for locals and tourists alike.
 - (b) To build on turnout from previous events.
 - (c) To further promote Papamoa Unlimited to ensure transparency of information for all eligible members and the Papamoa community.
42. Papamoa Unlimited believe that these KPIs are still relevant for this coming year, and is aiming to put further focus onto these alongside a new KPI:
 - (a) Extending the boundary to build member engagement, giving more businesses the opportunity to join the association.
43. Highlights over this period included their Pedal and Pump event and planning for their Matariki event.
44. No issues were raised in the monitoring report.
45. Papamoa Unlimited is looking forward to Matariki "Light Up the Waterways", Halloween Pedal & Pump, and the Santa Parade.

Mainstreet Tauranga

46. The Mainstreet Tauranga Monitoring Report, Profit and Loss statement and Balance Sheet to 30 June 2023 are provided at Attachment 8.
47. The Mainstreet Tauranga Annual Plan and Budget 2023/24 is provided at Attachment 9.
48. The agreement for the delivery of mainstreet services for this reporting period has been in place since 1 July 2009. Funding of \$364,552 from targeted rates is provided by Council under the agreement for the year ending 30 June 2023.
49. Over this reporting period Mainstreet Tauranga contracted Tuskany Agency for the day-to-day management and delivery of the mainstreet programme in downtown Tauranga. The contract with Tuskany Agency concluded on 30 June 2023 as Mainstreet Tauranga decided to change their organisation delivery model.*
50. A new Chairperson was elected and the Board decided to directly employ a mainstreet manager, tasked with achieving the annual plan and strategic plan goals (once strategic plan is in place). Mainstreet Tauranga have appointed a manager starting on 18 September 2023.

51. Mainstreet Tauranga set three KPIs for this past financial year, which they will report on in their presentation to the Strategy, Finance, and Risk Committee:
 - (a) Consistent reach, engagement, and growth across digital marketing channels.
 - (b) Outcome focused member engagement.
 - (c) Audited Financials.
52. For the financial year 2023/24, they have set the following KPIs:
 - (a) Increased engagement and satisfaction with Mainstreet Tauranga.
 - (b) Increased confidence in the city centre with established safety programmes.
 - (c) Submit on areas of concern and provide feedback on behalf of members.
 - (d) Effectively promote and support members using efficient marketing tools, events, and promotions.
53. Highlights from the last six months include a new chairperson elected, new and strengthened relationships with key city stakeholders, a new approach to the city centre, and new businesses moving into the city centre.
54. No issues were raised in the monitoring report.
55. Mainstreet Tauranga is looking forward to their new manager starting, re-engaging with their members, the Arts Festival, member-focused events, and Christmas.

**A small token of appreciation was given to Tuskany Agency on behalf of Council to thank them for their ten-year contribution to Mainstreet Tauranga.*

STRATEGIC / STATUTORY CONTEXT

56. Mainstreet organisations are considered key strategic stakeholders in Council's Plans. They provide a valuable link between businesses and Council and are involved in several projects including Tauranga City Council's City Centre Action and Investment Plan, which outlines an overarching plan for the city centre and the programmes of work required to bring it to life.
57. Other plans in which the mainstreets are key stakeholders include the Mount Spatial Plan, Plan Change 33, Cameron Road Upgrades in Greerton, and numerous action and investment strategies, and policies.
58. In terms of Council's community outcomes that are in [Our Direction – Tauranga 2050](#), well-run mainstreet programmes make a worthwhile contribution to city centre vibrancy and to “a well-planned city with a variety of successful and thriving compact centres, resilient infrastructure, and community amenities.”
59. Well-run mainstreet programmes also have a key role in making a significant contribution “to the social, economic, cultural and environmental well-being of the region.”

FINANCIAL CONSIDERATIONS

60. Mainstreet organisations receive a targeted rate through Council, as detailed above, totalling \$744,508 per annum across the four organisations.
61. It is difficult to measure the outcomes achieved by the mainstreet programmes in economic terms. However, informal measures, such as pedestrian counters, Eftpos data, and estimated numbers of people at events can be useful to ascertain the effectiveness of mainstreet events and promotions.
62. Multi-modal camera reports and Eftpos spend data continue to be supplied to the mainstreets, with further data to be supplied when available.

LEGAL IMPLICATIONS / RISKS

63. Each of the mainstreet organisations has met their funding agreement requirements by providing Council with their half yearly reports for 1 January 2023 to 30 June 2023, and Annual Plan for the period to June 2024.

64. Mainstreets are asked to consider their organisational risks and how those risks may impact on their relationship with Council, with any risks being raised with the City Partnerships Specialist and/or included in Council's Risk Register.

CONSULTATION / ENGAGEMENT

65. It is not required or expected to consult on mainstreet organisation half yearly reports under the Local Government Act 2002.

SIGNIFICANCE

66. 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.
67. In making this assessment, consideration has been given to the likely impact, and likely consequences for:
- the current and future social, economic, environmental, or cultural well-being of the district or region;
 - any persons who are likely to be particularly affected by, or interested in, the matter; and
 - the capacity of the local authority to perform its role, and the financial and other costs of doing so.
68. In accordance with the considerations above, criteria and thresholds in the policy, it is considered that the matter is of low significance as the receipt of the half yearly reports and activities of the mainstreet organisations would have an impact on a subgroup of people within the city, and it is likely those documents will be of moderate public interest.

ENGAGEMENT

69. 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

70. Feedback will be provided to the mainstreet organisations at the Strategy, Finance and Risk Committee on 18 September 2023, where representatives from the four mainstreets will briefly speak to their reports.
71. Council staff will support mainstreets with their new agreements and compliance related to these.

ATTACHMENTS

- Mount Business Association six monthly monitoring report January - June 2023 - A14926642 (Separate Attachments 1)** 
- Mount Business Association Annual Plan 2023 - 2024 - A14926591 (Separate Attachments 1)** 
- Mount Business Association Strategic Plan Overview - A14927922 (Separate Attachments 1)** 
- Greerton Village and Community Association six monthly monitoring report January - June 2023 - A14955084 (Separate Attachments 1)** 
- Greerton Village Community Association Annual Plan 2023 - 2024 - A14926632 (Separate Attachments 1)** 
- Papamoa Unlimited six monthly monitoring report January - June 2023 - A14988475 (Separate Attachments 1)** 
- Papamoa Unlimited Annual Plan 2023-2024 - A14988638 (Separate Attachments 1)** 

8. **Mainstreet Tauranga six monthly monitoring report January - June 2023 - A14955086 (Separate Attachments 1)** 
9. **Mainstreet Tauranga Annual Plan 2023 - 2024 - A15007356 (Separate Attachments 1)** 

9.4 FY21-24 Waka Kotahi Procedural Audit

File Number: A14891002

Author: Brendan Bisley, Director of Transport

Authoriser: Nic Johansson, General Manager: Infrastructure

PURPOSE OF THE REPORT

- The Transportation procedural audit was completed by Waka Kotahi in February 2023. This audit was against Transportation's \$287m budgeted programme in the 2021-2024 NLTP and covered the period 1st July 2019 to 30th June 2022.

This report details the audit recommendations received by Waka Kotahi and current progress against resolving these recommendations.

RECOMMENDATIONS

That the Strategy, Finance and Risk Committee:

- Receives the report "FY21-24 Waka Kotahi Procedural Audit".

DISCUSSION

- The four financial year (June 2019 to July 2022) involved in the audit were during the period Council dis-established the PMO and returned project delivery to the asset owners, Council moved our financial systems across to SAP and the two years of the Covid disruptions.
- The Investment Audit Report was received on 11 April 2023 with the following audit rating assessment.

Subject Area		Rating Assessment	Current Status	Comment
1	Previous Audit Issues	N/A		
2	Financial Processes	Significant Improvement Required	Effective	Processes are now in place and part of business as usual.
3	Procurement Processes	Significant Improvement Required	Effective	Processes are now in place and part of business as usual.
4	Contract Management	Some Improvement Needed	Some Improvement Needed	Processes are now in place, and since Dec 2022, all projects should now be following the WK funding guidelines/requirements. Implementation is now planned in relation to specifically resolving Concord Ave.
5	Professional Services	Effective	Effective	
Overall Rating		Significant Improvement Required	Effective	

- Findings and recommendations from the audit report covers transportation, finance and procurement processes. Responding to audit recommendations has required action from all teams to address.

5. A lessons learned exercise was completed in June 2023 with transportation, finance and procurement staff in attendance to review the findings of the report and provide input to the actions required to address these findings. Feedback from the lessons learned has been integrated into the content of this report.
6. Audits from KPMG and Waka Kotahi, as well as further process reviews have been beneficial in improving project and programme management maturity.
7. Progress against Waka Kotahi audit findings and recommendations are provided in the table on the following pages.
8. **Financial Processes**

ID	Audit Recommendations	TCC Response	Update
R2.1	Council reviews the claiming process in order to ensure that miscoding is minimised.	<p>A process has been put in place in December 2022 whereby a monthly review of expenditure occurs.</p> <p>A spreadsheet has been developed by Finance that is sent to the Transport team monthly.</p> <p>This spreadsheet shows spend per cost centre and is also linked to Work Categories (WC's).</p> <p>Managers can drill down into the detail of each WC's transactions to investigate as required.</p> <p>Finance also performs a high-level reasonableness check of expenditure for each category and investigate large variances if identified.</p> <p>To assist with identifying what each WC relates to, hyperlinks have been inserted into this monthly spreadsheet which direct users to the Waka Kotahi website. This spreadsheet is then reconciled to the claim which is submitted within Transport Investment Online (TIO).</p> <p>This revised process has been audited by KPMG.</p>	<p>Complete.</p> <p>Process is now in place and business as usual.</p> <ol style="list-style-type: none"> 1. Finance provide monthly financial management reports to budget managers and perform a high level check – any specific concerns are raised with the budget manager 2. Budget managers are responsible for checking the General Ledger (GL) detail in the monthly financial management report 3. The spreadsheet is reconciled to the claim in TIO.

ID	Audit Recommendations	TCC Response	Update
R2.2	Ensures that the spreadsheet linking the claims for funding assistance to the General Ledger shows a clear audit trail.	<p>A migration of financial reporting systems from Ozone to SAP occurred during 19/20 FY. There has also been a change in staff over this period with the current staff not being familiar with Ozone. Therefore, they experienced some difficulty in extracting and reconciling GL information from the previous system. The current claim spreadsheet links back to the same data source in SAP so will match the extracted GL detail transactions when conducting an audit trail.</p> <p>A further improvement can be made to the claim spreadsheet by incorporating data dumps of all GL detailed transactions into the period 12 claim which will assist with a final review of costs claimed in the final claim of the year, and with data verification for future audits. This will be completed by July 2023.</p>	<p>Complete.</p> <p>File is ready for the next audit.</p>
R2.3	Removes fountain maintenance from claims.	The current financial year costing analysis confirmations that this is costed against a non-claimable cost centre so evidently has been identified and rectified. There has also been a manual check put in place for this item to prevent this being claimed in future.	<p>Complete.</p> <p>Final financial year end 2023 claim was double checked by the budget manager.</p>
R2.4	Ensures that Council meets the conditions of funding for the LCLR Programme by updating actual project expenditure to match the claimed amount in TIO.	<p>It appeared TCC may have potentially underclaimed \$417,893 in 2021/22 for LCLR projects due to the difference between the manually updated LC/LR spreadsheet versus the downloaded transactions from SAP (TIO Claim).</p> <p>The proposed action in this regard would be for the</p>	<p>Complete.</p> <p>There was no underclaim.</p> <p>Finance has provided final claim for the LCLR programme to the LCLR programme manager to ensure this is reconciled accurately in the LCLR spreadsheet.</p>

ID	Audit Recommendations	TCC Response	Update
		relevant TCC Transport department to maintain the LC/LR programme register whilst the TCC Finance department updates the project costs in the LCLR spreadsheet.	Reconciliation with the LCLR spreadsheet complete.
R2.5	Reviews all roading related retentions to ensure they are still current and credited to the financially assisted accounts if no longer valid.	Will be completed for July 2023.	Complete.

9. Procurement Processes

ID	Recommendations	TCC Response	Current Actions
R3.1	Ensures that its endorsed Procurement Strategy is published on the Council's website.	The current (extended) strategy was published on the TCC website by 14th April, 2023. The 2023 strategy will replace this when endorsement is received by Waka Kotahi.	Complete
R3.2	Commits to advertising all Waka Kotahi financially assisted and competitively tendered contract proposals on GETS.	TCC commits to advertising all Waka Kotahi financially assisted and competitively tendered contracts on both Tenderlink and GETS with immediate effect, with a full transition to solely GETS by 1st July 2023.	Complete All Waka Kotahi financially assisted, and competitively tendered contracts are now advertised on GETS. From 1 September 2023, TCC will only be using GETS and will no longer have a portal on TenderLink.
R3.3	Ensures that any changes to the tender evaluation team's composition from that stated in the RFT are communicated to potential tenderers through a Notice to Tenderers.	TCC will ensure that their templates will have no field for TET member names/composition and guidance will be given to all staff conducting procurement on this point for Waka Kotahi financially assisted and competitively tendered RFX documents.	Complete Standard process is now to not include TET members names in the RFP's. Work is currently underway with the procurement and transportation team to develop clarity of procurement workflow and processes in line with Waka Kotahi procurement

ID	Recommendations	TCC Response	Current Actions
			<p>rules.</p> <p>This will enable common knowledge and clarity of the process and provide for simpler upskilling / onboarding of new staff. This is expected for completion including rollout/training by mid-August.</p>
R3.4	<p>Confirms it will fully comply with all requirements for procuring suppliers by direct appointment.</p>	<p>TCC Transport confirms it will fully comply with Waka Kotahi requirements for procuring via direct appointment.</p> <p>TCC will check by internal audit and will educate around the process for procuring in line with Waka Kotahi procurement rules.</p>	<p>Complete</p> <p>Waka Kotahi requirements have been reiterated across Transportation.</p> <p>Transportation is reviewing engagements based on the total expected outturn cost (as opposed to the initial engagement) to ensure procurement alignment with Waka Kotahi process.</p> <p>We are ensuring the use of the appropriate Waka Kotahi Rules if a direct appointment is required.</p> <p>In general, this refers to rule 10.11 of the Waka Kotahi Procurement Manual <i>“Where direct appointment will not help obtain best value for money”</i>.</p> <p>In this regard, justification will be documented and the correct paperwork is completed to a suitable standard and by the correct delegated financial authority.</p> <p>This process will be reflected in the workflow noted in R3.3 above.</p>

10. Contract Management

ID	Recommendations	TCC Response	Actions
R3.1	That Taranga City Council urgently addresses outstanding recommendations resulting from road safety audit conducted on the Concord Ave Intersection Improvements.	<p>Tauranga City Council undertook an internal audit which identified several historic projects with incomplete road safety audits and post construction road safety audits, actions to close these out are underway.</p> <p>Council acknowledges this site was unfortunately missed in our audit and advise that we are currently reviewing the process to ensure there are no other gaps.</p> <p>Tauranga City Council agree under Client's Decision with a large number of the Road Safety Audit recommendations and are engaging with a design consultant to design appropriate remediation of the project prior to enacting change on site.</p> <p>Part of the project site was changed subsequently by the Links Avenue trail currently underway, and changes made to that area as a result.</p> <p>These changes were safety reviewed as part of the trial.</p>	<p>In relation to Concord Ave, the RSA4 has been completed up to Client Decision.</p> <p>Recommendations from the RSA are to be completed with updated plans being developed. A cost estimate along with an implementation timeframe will be available once the plan has been completed.</p> <p>In general, all road safety audits have been reviewed over the period 2018 to December 2022 to assess compliance with the RSA process. This has resulted in minor defects that will be resolved through the road maintenance team.</p> <p>Since December 2022, this audit finding is a historical issue with processes now defined in relation to Road Safety Audits.</p> <p>A Road Safety Audit checklist process has been developed and implemented. This purpose of the process is to provide transparency of the decision-making process, providing a single document that tracks and records the full process from concept design through to post construction.</p>

11.

NEXT STEPS

12. As Council is now a Tier 1 Council for Waka Kotahi based on our annual spend, the next audit is planned to take place in early 2025 as Tier 1 Council's are audited every two years. In addition to the procedural audit, the roading maintenance activities are audited every three years as well by Waka Kotahi. We were audited in mid-2022 (with verbal advice we received two green 'effective' and two yellow 'some improvement needed' scores) but due to the main auditor leaving Waka Kotahi before the report was written, the audit needs to be redone. This is planned to take place in the next 3 months of this year.

ATTACHMENTS

1. **FY2020-2023 Waka Kotahi Procedural Audit - A14891163** [↓](#) 



INVESTMENT AUDIT REPORT

Procedural Audit of Tauranga City Council

Monitoring Investment Performance

Report of the investment audit carried out under Section 95(j)(ii)(iii) of the Land Transport Management Act 2003.

Tony Pinn and Ben Roddis

11 April 2023

Report Number: RATPI -2279

Audit: Tauranga City Council

Approved Organisation (AO):	Tauranga City Council
Waka Kotahi NZ Transport Agency Investment (2021 – 2024 NLTP):	\$286,560,291 (Budgeted programme value)
Date of Investment Audit:	31 st January to 3 rd February 2023
Auditor(s):	Tony Pinn - Senior Investment Auditor Ben Roddis - Senior Investment Auditor
Report No:	RATPI - 2279

AUTHORITY SIGNATURES

Prepared by:



.....
 Tony Pinn, Senior Investment Auditor
 Ben Roddis Senior Investment Auditor

Approved by:



.....
 Yuliya Gultekin, Practice Manager Audit & Assurance

20/04/2023

.....
 Date

DISCLAIMER

WHILE EVERY EFFORT HAS BEEN MADE TO ENSURE THE ACCURACY OF THIS REPORT, THE FINDINGS, OPINIONS, AND RECOMMENDATIONS ARE BASED ON AN EXAMINATION OF A SAMPLE ONLY AND MAY NOT ADDRESS ALL ISSUES EXISTING AT THE TIME OF THE AUDIT. THE REPORT IS MADE AVAILABLE STRICTLY ON THE BASIS THAT ANYONE RELYING ON IT DOES SO AT THEIR OWN RISK, THEREFORE READERS ARE ADVISED TO SEEK ADVICE ON SPECIFIC CONTENT.

EXECUTIVE SUMMARY

Waka Kotahi funds Tauranga City Council's land transport activity through its National Land Transport Programme (NLTP). Tauranga City Council is responsible for the management of the land transport activity, excluding the state highways, within the Tauranga City. This procedural investment audit was completed for the period 1st July 2019 to 30th June 2022.

Claims for funding assistance for the three financial years 1st July 2019 to 30th June 2022 were reconciled against the Council's General Ledger (GL) records, but the process was complicated. Council must ensure that a clear audit trail is presented to facilitate an investment audit.

Tauranga City Council's Procurement Strategy is currently endorsed, but Council needs to ensure it is published on their website. Council also needs to ensure that all financially assisted contracts are advertised using the Government Electronic Tender Service (GETS). Overall, we found several instances where Waka Kotahi procurement procedures were not correctly applied.

This previous audit resulted in several recommendations relating to procurement procedures and financial processes. Whilst some issues have been addressed, it was concerning that we are still identifying instances of non-compliance and across these activities. These recommendations must be satisfied for the next audit.

Road safety audits for improvement projects are being commissioned from independent providers. However, here was no documentation showing how Council is addressing the resulting recommendations of a 2020 road safety audit report. Council needs to urgently address this.

Report Number: RATPI -2279

Audit: Tauranga City Council

AUDIT RATING ASSESSMENT

Subject Areas		Rating Assessment*
1	Previous Audit Issues	N/A
2	Financial Processes	Significant Improvement Needed
3	Procurement Procedures	Significant Improvement Needed
4	Contract Management	Some Improvement Needed
5	Professional Services	Effective
Overall Rating		Significant Improvement Needed

* Please see Introduction for Rating Assessment Classification Definitions

Note: Before being finalised this report was referred to Tauranga City Council for comment. Council's responses are included in the body of this report

Report Number: RATPI -2279

Audit: Tauranga City Council

RECOMMENDATIONS

The table below captures the audit recommendations. Agreed dates are provided for the implementation of recommendations by the approved organisation.

We recommend that Tauranga City Council:		Implementation Date
R2.1	Council reviews the claiming process in order to ensure that mis-coding is minimised.	A process has been put in place in December 2022.
R2.2	Ensures that the spreadsheet linking the claims for funding assistance to the General Ledger shows a clear audit trail.	This will be completed by July 2023.
R2.3	Removes fountain maintenance from claims.	30th June 2022
R2.4	Ensures that Council meets the conditions of funding for the LC,LR Programme by updating actual project expenditure to match the claimed amount in TIO.	6th April 2023
R2.5	Reviews all roading related retentions to ensure they are still current and credited to the financially assisted accounts if no longer valid.	This will be completed by July 2023.
R3.1	Ensures that its endorsed Procurement Strategy is published on the Council's website.	14th April 2023.
R3.2	Commits to advertising all Waka Kotahi financially assisted and competitively tendered contract proposals on GETS.	1st July 2023.
R3.3	Ensures that any changes to the tender evaluation team's composition from that stated in the RFT are communicated to potential tenderers through a Notice to Tenderers.	6th April 2023
R3.4	Confirms it will fully comply with all requirements for procuring suppliers by direct appointment.	6th April 2023
R4.1	Urgently addresses outstanding recommendations resulting from the road safety audit conducted on the Concord Ave Intersection Improvements.	6th April 2023

1. INTRODUCTION

1.1. Audit Objective

The objective of this audit is to provide assurance that Waka Kotahi investment in Council's land transport programme is being well managed and delivers value for money. We also seek assurance that the Council is appropriately managing risk associated with Waka Kotahi investment. We recommend improvements where appropriate.

1.2. Assessment Ratings Definitions

	Effective	Some Improvement Needed	Significant Improvement Needed	Unsatisfactory
Investment management	Effective systems, processes and management practices used.	Acceptable systems, processes and management practices but opportunities for improvement.	Systems, processes and management practices require improvement.	Inadequate systems, processes and management practices.
Compliance	Waka Kotahi and legislative requirements met.	Some omissions with Waka Kotahi requirements. No known breaches of legislative requirements.	Significant breaches of Waka Kotahi and/or legislative requirements.	Multiple and/or serious breaches of Waka Kotahi or legislative requirements.
Findings/ deficiencies	Opportunities for improvement may be identified for consideration.	Error and omission issues identified which need to be addressed.	Issues and/or breaches must be addressed, or on-going Waka Kotahi funding may be at risk.	Systemic and/or serious issues must be urgently addressed, or on-going Waka Kotahi funding will be at risk.

2. ASSESSMENT FINDINGS

Our findings relating to each subject area are presented in the tables below. Where necessary, we have included recommendations and/or suggestions.

1. Previous Audit Issues		
The previous procedural audit was completed in January 2020, there were eight recommendations from that audit. i.e.,		
Section	Recommendations	Implementation Target Date
2.1	Develops a clear and consistent audit trail to support claims for funding assistance.	1 August 2020
2.2	Claims the full cost of drainage maintenance at its normal financial assistance rate but only 30% of the street cleaning portion of this activity.	1 July 2020
2.3	Implements control measures to ensure only eligible expenditure is included in claims for funding assistance.	1 July 2020
2.4	Reconciles its contracts retention account and validates each contract retention balance with the relevant project manager.	1 July 2020
3.1	Reviews its contract procurement quality assurance and risk mitigation procedures.	1 July 2020
3.2	Ensures tender notifications disclose only the minimum requirements as set out in the Transport Agency's Procurement Manual.	1 July 2020
3.3	Immediately commences a review of its Procurement Strategy.	1 April 2020
4.1	Completes exemption declarations when it considers that a road safety audit is not required for all non-maintenance projects.	1 July 2020
Whilst some issues have been addressed, we did find further procurement and financial issues during this audit.		

2. Financial Processes**Significant Improvement Needed**

Claims for funding assistance for the three financial years 1st July 2019 to 30th June 2022 were reconciled with difficulty against the Council's General Ledger records. We needed to request additional financial spreadsheets to be presented in order to reconcile the GL against the TIO claim. The claim spreadsheet is complicated and is time consuming to interpret, and the process document supplied does not reflect the complexity of producing the claim.

Transaction testing across several work categories was successful with, costs being eligible for funding assistance and posted to the correct Waka Kotahi work categories. Testing of street cleaning in FY 20/21 and FY 21/22 confirmed that the 30%:70% split was correctly applied to the claim (W/C 113).

However, during transaction testing we came across transactions for 'TCC Fountains – Maint & Cleaning 20/21' totalling \$9,653.75 that were incorrectly coded to the work category 151. The audit identified this miscoding through the existing claims process, and we consider this a risk. We questioned the eligibility of this expenditure and, on further investigation were informed this claimed expenditure was not eligible for funding assistance. Sufficient unclaimed qualifying expenditure was found to negate a recovery from Waka Kotahi.

There are several issues regarding the Council's Low Cost, Low Risk (LC,LR). Council's spreadsheet for FY 19/20 and FY 20/21 equals the same as the claimed amount in TIO. However, there are discrepancies in the individual project line items against Council's GL codes i.e.

- Blake Park Cycle Connection has costs of \$298,361 in the FY 19/20 spreadsheet but Council's GL has expenditure costs of \$257,048
- Kaimanawa/Hawera St Safety Improvement has costs of \$140,455 in the FY 20/21 spreadsheet but Council's GL has costs of \$123,276.

There are several projects in both years that do not reconcile against Council GL codes. For FY 21/22 the LC,LR spreadsheet total is \$5,359,162 with \$4,941,269 claimed through TIO, a difference of \$417,893 and there are further errors on individual actual project costs listed when reconciled against the GL.

There are specific conditions of funding within W/C 341 that state *'by 31 August for each of the second and third years the current NLTP Low cost, Low risk template must be updated to reflect actual project expenditure in the previous year and cash-flows for committed activities and projects planned to commence in the balance of the NLTP period'* and that *'the template list is expected to be maintained and updated regularly'*. These conditions are not being met for any of the three years audited and several emailed requests from the auditor for clearer information remain unanswered. LC,LR requires much greater scrutiny and management from Council and the conditions of funding need to be adhered to.

There are two recommendations from the previous audit that state Council

- 'Develops a clear and consistent audit trail to support claims for funding assistance' and
- 'Implements control measures to ensure only eligible expenditure is included in claims for funding assistance'.

This audit identifies that neither of these recommendations have been satisfied. These recommendations must be satisfied for the next audit.

Conditions of Approval

Council has five conditions of approval registered in TIO but at the time of the audit we were unable to determine whether they are still all current. The Auditor will follow up with the relevant Waka Kotahi staff member regarding the status of these.

Retentions	
<p>We examined a report extracting retentions transactions and balances. The total transactions reconcile with the liability account, but the balance brought forward from the previous financial system did not appear to be allocated to individual contracts. We recommend all roading related retentions are reviewed to ensure they are still current and credited to financially assisted accounts if no longer valid.</p>	
Recommendations	<p>That Tauranga City Council:</p> <ul style="list-style-type: none"> 2.1 Council reviews the claiming process in order to ensure that miscoding is minimised. 2.2 Ensures that the spreadsheet linking the claims for funding assistance to the General Ledge shows a clear audit trail. 2.3 Removes fountain maintenance from claims. 2.4 Ensures that the Council meets the conditions of funding for the LC,LR Programme by updating actual project expenditure to match the claimed amount in TIO. 2.5 Reviews all roading related retentions to ensure they are still current and credited to financially assisted accounts if no longer valid.
Suggestion	<ul style="list-style-type: none"> S2.1 Overall, Council should look to simplify the claiming process to avoid further discrepancies.
Tauranga City Council's comment	<ul style="list-style-type: none"> R2.1 Claims audited covered the period 1st July 2019 to 30th June 2022. A process has been put in place in December 2022 whereby a monthly review of expenditure occurs. A spreadsheet has been developed by Finance that is sent to the Transport team monthly. This spreadsheet shows spend per cost centre and is also linked to WC's. Managers can drill down into the detail of each WC's transactions to investigate as required. Finance also performs a high-level reasonableness check of expenditure for each category and investigate large variances if identified. To assist with identifying what each WC relates to, hyperlinks have been inserted into this monthly spreadsheet which direct users to the Waka Kotahi website. This spreadsheet is then reconciled to the claim which is submitted within TIO. This revised process has been audited by KPMG. R2.2 It should be noted that there was a migration of financial reporting systems from to Ozone to SAP during the 2019/2020 financial year. There has also been a change in staff over this period with the current staff not being familiar with Ozone. Therefore, they experienced some difficulty in extracting and reconciling GL information from the previous system. The current claim spreadsheet links back to the same data source in SAP so will match the extracted GL detail transactions when conducting an audit trail. However, a further improvement can be made to the claim spreadsheet by incorporating data dumps of all GL detailed transactions into the period 12 claim which will assist with a final review of costs claimed in the final claim of the year, and with data verification for future audits. This will be completed by July 2023.

	<p>R2.3 The current financial year costing analysis confirmations that this is costed against a non-claimable cost centre so evidently has been identified and rectified. There has also been a manual check put in place for this item to prevent this being claimed in future.</p> <p>R2.4 It is noted that TCC has potentially underclaimed \$417,893 in 2021/22 for LCLR projects due to the difference between the manually updated LC/LR spreadsheet versus the downloaded transactions from SAP (TIO Claim). The proposed action in this regard would be for the relevant TCC Transport department to maintain the LC/LR programme register whilst the TCC Finance department updates the project costs in the LCLR spreadsheet.</p> <p>R2.5 Will be completed for July 2023.</p>
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* * *

3. Procurement Procedures

Significant Improvement Needed

Council has a current Waka Kotahi endorsed Procurement Strategy which expires in March 2023; however, this is likely to be extended to allow the Waka Kotahi Board to consider endorsement of the revised Strategy. We noted the current Strategy is not published on the Council’s website; this is a funding requirement.

We reviewed seven physical works and three professional services contracts for compliance with Waka Kotahi requirements. Compliance with procurement procedures was inconsistent. While some areas were well managed, other issues require improvement as follows:

Contract 116/20 Cameron Rd Multi Modal Project – Detailed Design

The composition of the tender evaluation panel was varied from that stated in the Request for Tender (RFT) but not notified to tenderers as required by the RFT. This could potentially give rise to challenge by unsuccessful tenderers. Council needs to ensure conformity with the specified terms and conditions of contract tender documents. Note: disclosure of Tender Evaluation Team (TET) members in contract documents is not a Waka Kotahi requirement.

Tender Advertising

We noted Council’s continued engagement with Tenderlink local Government e-tendering services for publicly advertising contract proposals. Section 10.6 of the Waka Kotahi Procurement Manual states “An approved organisation must openly advertise all opportunities to supply, which are required to commence as an open competitive process, on the Government Electronic Tenders Service (GETS)”. We remind Council of this requirement, and while they can advertise elsewhere, they must also advertise on GETS.

Tender Notifications

Inconsistent disclosures of tender outcome information to tenderers were evident. We recommend tender notifications disclose only the minimum requirements as set out in the Waka Kotahi Procurement Manual (section 5.5 [p.72]).

Direct Appointments

The threshold for direct appointment of financially assisted contracts is \$100,00 unless value for money considerations can be adequately demonstrated. We found several direct appointments over this threshold, but the justification given did not sufficiently support the decision to not openly tender. We

felt some staff were unaware of Waka Kotahi procurement requirements This was evident from some of the procurement plans, which stated the justification for direct appointment was that the estimated cost was under the \$250,000.

Record Keeping

Administration of contract files is inconsistent, and management of record-keeping practices needs reviewing to ensure key documents are filed appropriately. Contract document checklists are a useful means for managing this process.

Summary

Council needs to Implement quality assurance processes to ensure that Waka Kotahi approved procurement procedures are applied when tendering for works that are eligible for funding assistance. It is also concerning that this is a similar finding from our previous January 2020 audit.

<p>Recommendations</p>	<p>That Tauranga City Council:</p> <p>R3.1 Ensures that its endorsed Procurement Strategy is published on the Council's website.</p> <p>R3.2 Commits to advertising all Waka Kotahi financially assisted and competitively tendered contract proposals on GETS.</p> <p>R3.3 Ensures that any changes to the tender evaluation team`s composition from that stated in the RFT are communicated to potential tenderers through a Notice to Tenderers.</p> <p>R3.4 Confirms it will fully comply with all requirements for procuring suppliers by direct appointment.</p>
<p>Tauranga City Council's comment</p>	<p>R3.1 The current (extended) strategy will be published on the TCC website by 14th April, 2023. The 2023 strategy will replace this when endorsement is received by Waka Kotahi</p> <p>R3.2 TCC commits to advertising all Waka Kotahi financially assisted and competitively tendered contracts on both Tenderlink and GETS with immediate effect, with a full transition to solely GETS by 1st July 2023.</p> <p>R3.3 TCC will ensure that their templates will have no field for TET member names/composition and guidance will be given to all staff conducting procurement on this point for Waka Kotahi financially assisted and competitively tendered RFx documents.</p> <p>R3.4 TCC Transport confirms it will fully comply with Waka Kotahi requirements for procuring via direct appointment. TCC will check by internal audit and will educate around the process for procuring in line with Waka Kotahi procurement rules.</p>

* * *

4. Contract Management		Some Improvement Needed
<p>Council’s maintenance contract was terminated after performance issues with the contractor. This left a transition period of approximately six months managed through direct appointments across a range of suppliers to cover the period until a full maintenance contract could be retendered.</p> <p>The new maintenance contract, which commenced in December 2021 has moved to a more collaborative model with the new contractor Fulton Hogan working more closely with Councils inhouse business unit staff. There was also evidence of regular contract monitoring and regular communications between the parties.</p> <p>Road Safety Audits</p> <p>The previous audit identified issues around road safety audits not being considered for non-maintenance projects.</p> <p>We found that road safety audits are being considered and Council has a good understanding of the policy requirements. We reviewed four Road Safety Audit Reports across a sample of projects. Three were completed and actions documented. However, the post construction audit report for the Concord Ave Improvement project (May 2020) was incomplete with no evidence showing what actions Council intended to address the recommendations. Given this road safety audit report highlighted 5 significant, 16 moderate and 3 minor safety concerns, we would have expected this to be closed out by now. This exposes Council to potential reputational risk, for example, where there is an accident, and the audit recommendations are still outstanding. Council must urgently address these findings and document its decisions.</p>		
Recommendation	R4.1 That Taranga City Council urgently addresses outstanding recommendations resulting from road safety audit conducted on the Concord Ave Intersection Improvements.	
Tauranga City Council’s comment	Tauranga City Council undertook an internal audit which identified several historic projects with incomplete road safety audits and post construction road safety audits, actions to close these out are underway. Council acknowledges this site was unfortunately missed in our audit and advise that we are currently reviewing the process to ensure there are no other gaps. Tauranga City Council agree under Client’s Decision with a large number of the Road Safety Audit recommendations and are engaging with a design consultant to design appropriate remediation of the project prior to enacting change on site. Part of the project site was changed subsequently by the Links Avenue trail currently underway, and changes made to that area as a result. These changes were safety reviewed as part of the trial.	

* * *

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5. Professional Services	Effective
<p>Council’s professional services are provided through an in-house business unit complimented by external consultants for specialised services. Council has been in discussions with Waka Kotahi over its proposed Cost Framework Methodology for its Professional Services Business Unit.</p> <p>During our visit, finance staff presented an updated methodology based on our discussions to date. Whilst we were comfortable with the cost allocation methodology proposed, any additional financial assistance resulting from this cost revision will need to form part of the 2024-2027 NLTP funding allocation.</p>	
<p>Tauranga City Council's comment</p>	<p>Council will complete the methodology and formally submit the request for financial assistance as part of the 2024-2027 NLTP funding round. Time sheeting to confirm the staff cost allocations is currently being completed.</p>

Acknowledgement

The co-operation and assistance offered by Council staff were greatly appreciated.

APPENDIX A

Council Feedback

Response to NZTA audit findings regarding financial processes from the January 2023 Audit.

R2.1 Council reviews the claiming process to ensure that miscoding is minimised.

Claims audited covered the period 1st July 2019 to 30th June 2022.

A process has been put in place in December 2022 whereby a monthly review of expenditure occurs.

A spreadsheet has been developed by Finance that is sent to the Transport team monthly. This spreadsheet shows spend per cost centre and is also linked to WC's. Managers can drill down into the detail of each WC's transactions to investigate as required.

Finance also performs a high-level reasonableness check of expenditure for each category and investigate large variances if identified. To assist with identifying what each WC relates to, hyperlinks have been inserted into this monthly spreadsheet which direct users to the Waka Kotahi website.

This spreadsheet is then reconciled to the claim which is submitted within TIO.

This revised process has been audited by KPMG.

R2.2 Ensures that the spreadsheet linking the claims for funding assistance to the General Ledger shows a clear audit trail.

It should be noted that there was a migration of financial reporting systems from Ozone to SAP during the 2019/2020 financial year.

There has also been a change in staff over this period with the current staff not being familiar with Ozone. Therefore, they experienced some difficulty in extracting and reconciling GL information from the previous system.

The current claim spreadsheet links back to the same data source in SAP so will match the extracted GL detail transactions when conducting an audit trail. However, a further improvement can be made to the claim spreadsheet by incorporating data dumps of all GL detailed transactions into the period 12 claim which will assist with a final review of costs claimed in the final claim of the year, and with data verification for future audits. This will be completed by July 2023.

R2.3 Removes fountain maintenance from claims. The current financial year costing analysis confirms that this is costed against a non-claimable cost centre so evidently has been identified and rectified. There has also been a manual check put in place for this item to prevent this being claimed in future.

R2.4 Ensures that Council meets the conditions of funding for the LC/LR Programme by updating actual project expenditure to match the claimed amount in TIO. It is noted that TCC has potentially underclaimed \$417,893 in 2021/22 for LCLR projects due to the difference between the manually updated LC/LR spreadsheet versus the downloaded transactions from SAP (TIO Claim). The proposed action in this regard would be for the relevant TCC Transport department to maintain the LC/LR programme register whilst the TCC Finance department updates the project costs in the LCLR spreadsheet.

R2.5 Reviews all roading related retentions to ensure they are still current and credited to the financially assisted accounts if no longer valid. Will be completed for July 2023.

R3.1 Ensures that its endorsed Procurement strategy is published on the Council's website. The current (extended) strategy will be published on the TCC website by 14th April 2023. The 2023 strategy will replace this when endorsement is received by Waka Kotahi

R3.2 Commits to advertising all waka Kotahi financially assisted and competitively tendered contract proposals on GETS.

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TCC commits to advertising all Waka Kotahi financially assisted and competitively tendered contracts on both Tenderlink and GETS with immediate effect, with a full transition to solely GETS by 1st July 2023.

R3.3 Ensures that any change to the tender evaluation team's composition from that stated in the RFT are communicated to potential tenderers through a Notice to Tenderers

TCC will ensure that their templates will have no field for TET member names/composition and guidance will be given to all staff conducting procurement on this point for Waka Kotahi financially assisted and competitively tendered RFx documents.

R3.4 Confirms it will fully comply with all requirements for procuring suppliers by direct appointment

TCC Transport confirms it will fully comply with Waka Kotahi requirements for procuring via direct appointment. TCC will check by internal audit and will educate around the process for procuring in line with Waka Kotahi procurement rules.

R4.1 Tauranga City Council urgently addresses outstanding recommendations resulting from road safety audit conducted on the Concord Ave Intersection Improvements

Tauranga City Council undertook an internal audit which identified several historic projects with incomplete road safety audits and post construction road safety audits, actions to close these out are underway. Council acknowledges this site was unfortunately missed in our audit and advise that we are currently reviewing the process to ensure there are no other gaps.

Tauranga City Council agree under Client's Decision with many Road Safety Audit recommendations and are engaging with a design consultant to design appropriate remediation of the project prior to enacting change on site. Part of the project site was changed subsequently by the Links Avenue trail currently underway, and changes made to that area as a result. These changes were safety reviewed as part of the trial.

R5 Professional Services

Council will complete the methodology and formally submit the request for financial assistance as part of the 2024-2027 NLTP funding round. Time sheeting to confirm the staff cost allocations is currently being completed.

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APPENDIX B**Audit Programme**

Previous audit outcomes – from last procedural audit undertaken in January 2020
Land Transport Disbursement Account
Final claims 2019/20, 2020/21 2021/22
Transactions (accounts payable)
Retentions Account
Procurement Procedures
Contract Variations
Contract Management
Road Safety Audits
Professional Services
Transport Investment On-line (TIO) Reporting
Other issues that may be raised during the audit
Close-out meeting

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APPENDIX C

Contracts Audited

Contract Number	Tenders Received	Date Let	Description	Contractor		
			Physical Works			
166/21	Direct Appt	July 21	Cyclic Works on TCC Network	Higgins	Estimate Let Price Final Cost	Quote \$490,000
116/20	Direct Appt	Mar 21	Maleme St/Cameron Rd Safety Improvements	Kiwi Kerb	Estimate Let Price Final Cost	Quote \$239,654
74/21	Direct Appt	Apr 21	Gloucester Rd Safety Improvements	GT Civil	Estimate Let Price Final Cost	Quote \$147,322
TC96/21	3	Oct 21	TCC Road Maintenance and Renewals	Fulton Hogan	Estimate Let Price Final Cost	\$49,246,287 \$44,163,655 Ongoing
199/21	Direct Appt	Oct 21	Courtney Rd Retaining Wall	Site Solutions	Estimate Let Price Final Cost	\$204,120 \$206,487
118/22	2	Dec 22	Bureta Road/Vale St Safety Improvements	Higgins	Estimate Let Price Final Cost	\$1,300,000 \$1,168,159* Ongoing
169/22	Direct Appt	Mar 22	Asphalt Surfacing Works	ACON	Estimate Let Price Final Cost	Quote \$150,000
			Professional Services			
116/20	3	Dec 20	Cameron Road Multi Modal Project. - Detailed Design and MSQA	Aurecon	Estimate Let Price Final Cost	\$4,500,000 \$4,774,300 Ongoing
232/21	Direct Appt	Dec 21	Bureta Road/Vale St Safety Design	WSP	Estimate Let Price Final Cost	\$72,720 \$53,060
44/23	Direct Appt	Jan 23	Bureta Road MSQA Services	Tonic	Estimate Let Price Final Cost	Quote \$50,840

* Increased to \$1,239,803 after delay in awarding contract.

9.5 Growth & Land Use Projects Progress Report - September 2023

File Number: A14808198

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

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

PURPOSE OF THE REPORT

1. Tauranga City is continuing to experience rapid growth. Managing this growth is a significant issue for Council. The report enables the Committee to monitor progress on key projects relating to managing growth in a sustainable manner, including land use planning projects and related transport, infrastructure and funding workstreams.

RECOMMENDATIONS

That the Strategy, Finance and Risk Committee:

- (a) Receives the report "Growth & Land Use Projects Progress Report - September 2023".

EXECUTIVE SUMMARY

2. Managing growth is a significant issue for Council, particularly the challenge of ensuring growth is sustainable in a four well-beings context for both current and future communities.
3. The attached report outlines the progress being made in relation to a number of projects necessary to manage this continued growth. This information is also regularly reported to the SmartGrowth partners.

KEY UPDATES

4. The key points to note in this update are outlined in the paragraphs below.

Plan Change 33 and Mount Spatial Planning

5. Plan Change 33 to implement the Medium Density Residential Standards (MDRS) and intensification around centres is progressing. The hearing has been split into two sessions, one in July which has occurred and one in October which is upcoming. TCC's planner report to inform the upcoming hearing is complete and published on the TCC website.
6. A key matter to be addressed through this process is greater height and density of buildings around centres, including the Mount Town Centre. This is a topical issue in the community at present. This is linked to work underway to complete the Mount to Arataki Spatial Plan and the Mount Industrial Planning Study. These projects are on track to be completed this December.
7. The spatial planning processes will take account of and recommend measures to address health effects from air discharges in the Mount industrial area.

Housing Shortfalls - Te Tumu and Keenan Road

8. Tauranga currently has a significant housing shortfall in the order of 5,000 homes and this is projected to grow significantly due to delays in releasing new supply. This is likely to be exacerbated further due to fiscal constraints that mean budgets for infrastructure construction to open up the Keenan Road and Te Tumu urban growth areas will not be included in the draft 2024-34 Long Term Plan. This means development would not be able to commence

until around 2040 unless alternative infrastructure funding and financing approaches are identified.

9. The estimated impact of these changes would be a reduction in housing supply of approximately 640 dwellings in the period 2024 to 2034, and a reduction of 1,260 dwellings in the period 2034 to 2040.
10. Planning processes to rezone these areas for development would still proceed and budgets are proposed in the upcoming LTP for the initial phases of infrastructure projects eg design, consenting and land acquisition.

SmartGrowth Strategy 2023

11. Consultation on an updated SmartGrowth Strategy including the Future Development Strategy requirements of the National Policy Statement for Urban Development is about to commence. This process will address housing and business land shortages for the city and sub-region.

Western Corridor

12. The Western Corridor remains a priority focus. The key matters to note are:
 - (a) Timeframes for notifying the Tauriko West plan change have slipped to at least February 2023. If they slip further, it presents risks to the use of a variation process to PC33 and to completing the plan change by June 2025 which is a requirement of current infrastructure funding agreements.
 - (b) The reason for slippage relates to a range of complications in closing out various technical reports. Flood risk outcomes and reporting remains a work in progress and is a key focus for the project team.
 - (c) These matters will be reported up in more detail alongside outcomes of the procurement process for the Tauriko enabling works later this year.
 - (d) The Kainga Ora Specified Development Project (SDP) proposal for the western corridor is currently out for community and stakeholder feedback. A TCC submission is being prepared for Council input.
 - (e) The private plan change application for the Tauriko Business Estate extension continues to be advanced. Similar issues to those being experienced in Tauriko West are affecting this project e.g. stormwater and flood risk management. We expect to notify this plan change this calendar year.
 - (f) The Waka Kotahi business case for substantial investment in the Western Corridor / Tauriko area has been endorsed by their Board. Waka Kotahi is proposing a staged delivery approach whereas SmartGrowth Councils are advocating for the full project to be delivered in a 10-year period. Currently there is no funding to advance the next planning and design phases and the project is 'on hold'. Funding will be considered through the upcoming National Land Transport Programme with the potential for funding to be released from 1 July 2024. This seems likely as the draft Land Transport Government Policy Statement identifies this project as one of the priority projects across New Zealand.

Te Tumu

13. As outlined in the 11 September Council report titled Papamoa East / Wairakei / Te Tumu Investments: Strategic Considerations and Funding Approaches, Te Tumu is facing a number of risks and delays. Staff are continuing to assess these risks, including taking independent advice. We anticipate reporting to Council later this year to determine to way forward for that project.

SmartTrip Variable Rooding Pricing

14. This proof of concept project has been completed with outcomes indicating that variable road pricing could provide a range of benefits for the transport network and its users. Council has decided to consult through the upcoming 2024-34 LTP on the concept of variable road pricing.

Poteriwhi / Parau farm

15. Council has made decisions to pursue a mix use housing and open space development on this Council-owned site in Bethlehem. This will include a historic / cultural reserve to preserve the Poteriwhi Pa site. The project will require rezoning of part of the site for housing and this process is getting underway. Ongoing hapu engagement will occur.

Greerton Maarawaewae Study

16. Council has made decisions on this project to provide a pathway for the relocation and rebuilding of Tauranga Hospital on this site if this is the preferred outcome of the Te Whatu Ora business case currently underway. If this is not the preferred option, then the racecourse and golf course would be retained on site with improvements to public access and more delivery of more recreational facilities.

Resource Management Reform

17. The current government has largely implemented its resource management reforms into law however the timeframe for transition to the new system will take a number of years (potentially 10 years). In the interim the RMA and the City Plan will continue to have effect in addition to some limited provision of the new system which take effect immediately.
18. The Resource Management reforms were not supported across the political spectrum and there is the possibility they may be repealed post-election if there is a change of government.

Future Plan Change Work Programme

19. Staff are advancing thinking around the future priorities for the City Plan and this work is on track to be reported to the Committee for input and decision-making toward the end of this calendar year.

STRATEGIC / STATUTORY CONTEXT

20. The projects covered in this report are framed under the strategic direction of SmartGrowth and UFTI, the proposed Future Development Strategy, the 30-year Infrastructure Strategy and Long-Term Plan.

OPTIONS ANALYSIS

21. There is no options analysis; this report is for information only.

SIGNIFICANCE

22. While growth is a significant issue for Tauranga City, this report does not require any decisions and is not significant in itself.

NEXT STEPS

23. Council will continue to progress the projects and works as identified in the report attachments.

ATTACHMENTS

1. **Appendix A - Quarterly Update - Growth, Land Use Planning and Transport Strategy Projects - August 2023 - A14808196** [↓](#) 

Quarterly Update – Growth, Land Use Planning & Transport Strategy Projects – August 2023

PROJECT DESCRIPTION	PROGRESS UPDATE / KEY MATTERS	NEXT STEPS / IDENTIFIED RISKS
<p>The Mount to Arataki Spatial Plan (MSP) and Mount Industrial Planning Study (MIPS)</p>	<p>The MSP seeks to deliver a 30-year blueprint that provides strategic direction for existing and future growth needs of the area, forming the basis for the coordination of decision making within and across multiple agencies in a growth context.</p> <p>The MIPS is being prepared at the same time as the MSP. The purpose of the industrial study is to plan for the future of the industrial area and identify a programme of actions, which considers current issues and the needs of all stakeholders. Both projects sit within the wider Mount Planning and Delivery Programme.</p> <p>After a successful design sprint from 29 May to 1 June, a draft programme of actions and interventions has been prepared for the Mount to Arataki Spatial Plan with input from project partners and other stakeholders. The team is continuing to work closely with tangata whenua through a series of wānanga as we step through the process, which includes cultural mapping. Following the Phase 1 engagement with the community and stakeholders in April/May, a second phase of engagement commencing in September will help refine the draft interventions. A stakeholder workshop for the MSP was held on 7 September to seek feedback.</p> <p>Three stakeholder workshops were held for the Mount Industrial Planning Study on 7 March, 11 May and 8 August 2023. A draft preferred scenario and potential intervention actions were identified from three possible scenarios for the future of the Mount industrial area. Land use intervention options are currently being assessed and discussed with partners and key stakeholders.</p> <p>Community engagement on the two projects is occurring from 11 September through to 8 October 2023. Feedback from stakeholders, tangata whenua and the wider community will inform the draft Mount to Arataki Spatial Plan and Mount Industrial Plan which are intended to then be discussed with the Committee at a workshop in late-October. The MSP and MIPS planning documents will be reported to the 4 December 2023 meeting for consideration.</p> <p>Te Whatu Ora released a report on 24 July 2023 identifying the health impacts on the Mount Maunganui population from air quality within the Mount airshed. A response to the findings of that study is being considered by Bay of Plenty Regional Council Toi Moana, Toi te Ora Public Health, Ministry for the Environment and Tauranga City Council through the Mount Air Quality Working Party.</p>	<p>September 2023 Community, mana whenua and stakeholder engagement on option development; option refinement</p> <p>October / November 2023 Mount to Arataki Spatial Plan programme and Mount Industrial Plan prepared, working with partners, Strategy, Finance and Risk Committee workshop</p> <p>December 2023 Mount to Arataki Spatial Plan and Mount Industrial Plan presented to Council for consideration</p> <p>Alignment with related external projects is important, including the Connecting Mount Maunganui business case for transport improvements and the Priority One industrial blueprint.</p>

Quarterly Update – Growth, Land Use Planning & Transport Strategy Projects – August 2023

PROJECT DESCRIPTION	PROGRESS UPDATE / KEY MATTERS	NEXT STEPS / IDENTIFIED RISKS
<p>Greerton Maarawaewae Study (GMS)</p>	<p>The Greerton Maarawaewae Study (GMS) was launched in October 2021 to identify opportunities to support wellbeing as the city continues to grow. Two rounds of engagement and a third consultation round were undertaken during 2022. The community, stakeholders and mana whenua involved in these rounds were all invited to speak at the hearings on the 3rd and 4th of April.</p> <p>Deliberations were held on the 14th of August 2023. The Commission made resolutions reflecting the following:</p> <ul style="list-style-type: none"> - Recognises that Te Whatu Ora (Health New Zealand Board) is progressing a Programme Business Case (due for completion July 2024) to consider options for future hospital health services provision in Tauranga that includes consideration of Tauranga Racecourse Reserve land. - Having regard to above, resolved to adopt Option D: Community Plus – an adaptive, future-proofed programme. This option provides for: <ul style="list-style-type: none"> o Health and Recreation – a mixture of public hospital, parkland, sports fields, golf, and connections to Kopurererua Valley, should the business case determine the Crown require the land for a hospital; or o Enhanced Status Quo: racecourse, golf, equestrian, sports fields and connections to Kopurererua Valley, should Crown not require the land. - In recognition of the Crown process timeframes, that Tauranga Racing have the 15 years tenure recognised through a memorandum of understanding. - The Tauranga Golf Course concession lease process could begin with increased community access and allowance for future infrastructure changes. - The Tauranga Racecourse Reserve Trust 2020 Memorandum of Understanding would be terminated, and alternative governance put in place. - Continue to work with TESA on the future of equestrian in the Bay of Plenty including implementation of the equestrian strategic work. - Incorporate the cultural history and narrative into site improvements with mana whenua input. 	<p>Sept to December 2023</p> <ul style="list-style-type: none"> • Work with stakeholders on enabling stage 1 of the Option D concept plan (community and access improvements) • Continued engagement with Te Whatu Ora on business case process. • Progress an agreement with Tauranga Racing to recognise the 15 years tenure.

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PROJECT DESCRIPTION	PROGRESS UPDATE / KEY MATTERS	NEXT STEPS / IDENTIFIED RISKS
<p>Urban Design Panel (UDP)</p>	<p>On 28 March 2022, the Strategy, Finance and Risk Committee passed resolution set up an Urban Design Panel (UDP). Council resolved to nominate 14 panellists on the 3 October 2022 who have now been appointed. Since the Panel has been fully operational (early 2023):</p> <ul style="list-style-type: none"> - In total, ten proposals have gone to Panel to date - Seven have been for private developments (majority being residential intensification, one mixed use and one hotel) - Five applicants have revised their drawings in response to advice received - Three Council projects have come through the panel, including the City Centre public realm guidelines, Gate Pa community centre and Merivale community centre. - Cameron Road Stage 2 is scheduled to come to the Panel in September. <p>Four additional panel members were selected to join the UDP and were appointed in July 2023. These panellists will provide additional local presence in the fields of architecture, planning and urban design. An urban design panel website is now live on the TCC page. This provides information about the panel and how to request a panel review, the panel members, and links to relevant urban design documentation (TCC documents and other best practice resources). https://www.tauranga.govt.nz/our-future/enabling-growth/tauranga-urban-design-panel</p> <p>A full report on the UDP, including a summary of what has worked well and areas for improvement (and relevant recommendations) will be brought to the Strategy, Finance and Risk Committee before the end of the year.</p>	<p>November 2023 UDP report to Strategy, Finance and Risk Committee.</p>

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PROJECT DESCRIPTION	PROGRESS UPDATE / KEY MATTERS	NEXT STEPS / IDENTIFIED RISKS
<p>Plan Change 27 - Flooding from intense rainfall Plan Change</p>	<p>Plan Change 27 proposes to manage the effects of flooding from intense rainfall on people, properties and infrastructure was publicly consulted on in late 2020 / early 2021. An independent hearings panel conducted hearings for Plan Change 27 on 30 November to 3 December 2022 and their decision was notified on 11 April 2022. Environment Court appeals closed on 25 May 2022. Three appeals were received and 20 s.274 parties.</p> <p>Mediation was held on 11 and 12 October 2022. The mediation resulted in a number of actions and follow up meetings to discuss the parameters of the flood model, the process for resource consents and building consents when landform has changed and providing clear information on process on Council website. Expert conferencing was completed in November to discuss the parameters of the flood model. All actions from the expert conferencing have been completed.</p> <p>Appellants have advised that there remain outstanding issues with the plan change.</p>	<p>Consider with parties whether further mediation on the issues raised should be held.</p> <p>Should issues not be resolved the matter will proceed to an Environment Court Hearing.</p>
<p>Plan Change 33 – Enabling Housing Supply</p>	<p>On 15 August 2022, Council adopted Plan Change 33 for public notification which replaced PC26. The plan change was publicly notified on 20 August 2022. Submissions closed on Friday 23 September 2022. Submissions received covered a wide range of topics such as:</p> <ul style="list-style-type: none"> • Access requirements • Simplifying the matters of discretion • Rule framework for retirement villages • Consideration of including further qualifying matters • Requesting heights to be increased and decreased in specified areas across the city. <p>The last topic is significant for Council to respond to and includes further technical work. In particular, the Medium Density Residential Standards were applied around the Mount Maunganui Town Centre with 11metres height provisions. Submissions seek that Policy 3 in the NPS-UD applies to Mount Maunganui Town Centre and hence greater height may be appropriate in some parts of this area.</p> <p>A total of 404 submissions were received to PC33. The summary of submissions was publicly notified on 25 November 2022 and the further submissions ended on 9 December 2022. A total of 205 further submissions were received. A large number of further submissions opposed submissions made to increase height to give effect to Policy 3 in the Mount North area.</p>	<p>Mid 2023 Session 2 hearing – commencing 2 October 2023</p> <p>Early 2024 Independent Hearings Panel will make recommendations to Council on the plan change.</p>

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PROJECT DESCRIPTION	PROGRESS UPDATE / KEY MATTERS	NEXT STEPS / IDENTIFIED RISKS
	<p>Expert conferencing was held in March and July covering the following topic areas:</p> <ul style="list-style-type: none"> • Transportation (including access); • Commercial Centres; • Planning and Urban Design; • Approach to Policy 3(c) and (d) of the NPS-UD; and • Landscape values for the coastal environment. <p>The Joint Witness Statement from the expert conferencing are available at the following link, https://www.tauranga.govt.nz/council/council-documents/tauranga-city-plan/proposed-plan-changes/plan-change-33-enabling-housing-supply/plan-change-33-key-documents.</p> <p>Council applied in writing to the Minister for the Environment on 3 May 2023 for a variation to the Direction to amend the date to notify the decisions on the Independent Hearings Panel's recommendation. The variation to timeframes was gazetted by the Minister for the Environment on 16 August 2023. Decisions on the plan change are required by 20 June 2024.</p> <p>The Chair of the Independent Hearings Panel released Direction #3 on 5 May 2023, which advised that PPC33 be split into two hearing sessions scheduled for July and October.</p> <p>Session 1 hearing was held on 4 and 5 July and Session 2 hearing will commence on 2 October 2023.</p> <p>Council resolved to prepare a variation to PC33 to rezone Tauriko West for urban development. This is addressed further under the Tauriko West project update.</p>	
<p>Tauriko West Urban Growth Area</p>	<p>There have been challenges experienced in completing key technical assessments to support the rezoning process. These challenges primarily relate to the ecological assessment of the urban growth area. This has proven to be more complex and time consuming as the new policy environment provided for by the NPS-FM and the NPS-IB is applied. Specialist availability and their delivery has also impacted the project timeframes. In addition, the (a-typical) wet weather conditions which have been experienced have impacted the ecological assessment and values of the site which in turn may impact on development feasibility (yield and development areas) and resulted in the need for more work with the main developer group to reach consensus on the assessment so it could be shared with other stakeholders like the Regional Council.</p>	<p>The next steps focus on the completion of the various technical investigations, stormwater modelling and flood risk assessment, section 32 report, planning provisions and further engagement, to support notification of the Plan Change 33 Variation,</p>

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PROJECT DESCRIPTION	PROGRESS UPDATE / KEY MATTERS	NEXT STEPS / IDENTIFIED RISKS
	<p>Overall, the ability and delay in confirming ecological significance has impacted on ability to confirm other key inter-related technical assessments, for example:</p> <ul style="list-style-type: none"> • Cultural Assessment • Flood Risk Assessment • Stormwater Catchment Management Plan • Open Space masterplan • Comprehensive Stormwater Consent development <p>The implications of the delays to the technical assessments are that:</p> <ul style="list-style-type: none"> • Detailed engagement with Regional Council occurred later than originally programmed (e.g. Ecological Assessment over August and Flood Risk Assessment continues into September); and • Other inter-related technical assessments were only able to be developed as 'Final Drafts. Consensus with the main landowners reached & detailed engagement with Regional Council undertaken is occurring over August and September. <p>At the time of writing this report initial flood risk modelling outputs are being assessed by TCC, BoPRC and the main landowner group. While the outputs are still preliminary there is potential for flood mitigation to impact the currently assumed extent of developable area within the growth area. This matter will need to be assessed further particularly in terms of its potential impact on the currently intended structure plan and development viability (e.g. yield). Work with the landowners is underway to better understand this potential impact.</p> <p>Overall, the delays impact the re-zoning programme in that September 2023 notification is no longer realistic as completing the technical assessments including stakeholder and developer feedback is linked to the ability to:</p> <ul style="list-style-type: none"> • Finalise drafting of the City Plan provisions (objectives; policies; rules) • Finalise the Section 32 • Undertake Statutory body pre-notification consultation, including Tangata Whenua engagement. <p>The project team is now aiming for a February 2024 notification of the re-zoning proposal however there are risks this could extend further. From notification the plan variation process is estimated to take between 12 to 18 months to complete subject to matters like the level and complexity of</p>	<p>now programmed for February 2024.</p> <p>A number of risks to achieving this programme remain including:</p> <ul style="list-style-type: none"> • Suppliers delivering to programme • Ecological, Flood Risk & Stormwater Assessments being accepted & no 'red flags' identified by BoPRC reviews • Reaching consensus efficiently with main developers on Final technical assessments (important due to inter-relationship with development yield) • Determining agreed way forward with Redwood Lane landowners • NPS-FM judicial review <p>These re-zoning risks could have broader implications to the Tauriko West project:</p> <ul style="list-style-type: none"> • Potential risk to the IAF and Developer Funding Agreements – 30 June 2025 to confirm re-zoning • Lose ability to use the Plan Change 33 Variation pathway for rezoning

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PROJECT DESCRIPTION	PROGRESS UPDATE / KEY MATTERS	NEXT STEPS / IDENTIFIED RISKS
	<p>submissions received, the end for further technical work and/or prehearing discussions with submitters.</p> <p>Given the delays that have been experienced a request has been made to the Minister for the Environment for an extension to the time for the Tauriko West variation under Plan Change 33.</p> <p>Engagement with the Redwood Lane residents continues. This is focussed on continuing to understand development aspirations, timing and financial feasibility to support decision-making related to Stage 1 development allocation in the plan change.</p> <p>Engagement with tangata whenua continues on an ongoing basis including through the hapu-centric forum – Te Kauae a Roopu. A request has been made for a cultural health index to be established for the Wairoa River, and this work is in early stages of development using MfE guidelines in consultation with tangata whenua.</p> <p>The Comprehensive Stormwater Consent is under preparation, with the intention of lodgement in parallel to the plan change notification. Engagement with tangata whenua, landowners and Regional Council continues, relying on the outcomes of the stormwater modelling (still underway) and the Catchment Management Plan being completed thereafter. This modelling work has the potential to cause project delays, particularly as it goes through a review process with BoPRC. There may come a time when the plan change can be accepted for notification, and any matters still unresolved with BoPRC to be addressed through the submissions and hearings processes.</p> <p>Engagement with BoPRC has identified their concern with wetland impacts and protection, justification for wetland offsetting, application of the effects management hierarchy, the NPS-FM framework for integrated land use planning, flood concerns up and downstream in the Wairoa River catchment, and also plan change provisions that the Regional Council wants to see, from their interpretation of the NPS-FM provisions. Ongoing engagement continues, seeking consensus where possible, to determine if this can reach full agreement prior to notification, or not.</p>	<ul style="list-style-type: none"> • Enabling Works tender award and delivery. <p>A standalone report addressing these matters is proposed later this year alongside decision-making on enabling works tender award.</p>

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PROJECT DESCRIPTION	PROGRESS UPDATE / KEY MATTERS	NEXT STEPS / IDENTIFIED RISKS
<p>Te Tumu Urban Growth Area</p>	<p>Following the TCC and Tangata Whenua hui in May efforts have continued on connecting with those iwi who had expressed an interest in being brought up to speed on this project. Whilst some hui have been completed, there has been delays in securing time with iwi representatives to complete all of these. However, feedback has been that iwi remain concerned over the intention to redevelop this land for urban purposes and are in no rush to restart detailed discussions on this project until there is greater certainty that the aspirations by the TK14 land trust are consistent with beneficial landowners.</p> <p>Work is still underway on a preparing a draft compensation agreement with respect to the infrastructure corridors and active reserve on the TK14 land. Details on the appropriate mechanisms for drafting legal documentation is still being worked through along with obtaining agreement around appropriate valuation methodologies for land. Once a compensation agreement has been agreed between the Trust and TCC this will still need to be taken back to beneficial landowners for their approval before lodging with the Māori Land Court.</p> <p>The impacts of the amended Freshwater NPS and recently enacted NPS for Indigenous Biodiversity are being looked at closely, particularly in regard to the ability to deliver key infrastructure within Te Tumu. In combination these two national policy statements will likely result in the need to reprioritise project workstreams and require further technical work to look at these matters in greater detail.</p> <p>Further detail on the Te Tumu urban growth project is set out in the Council report to the 11 September Council meeting titled Papamoa East / Wairakei / Te Tumu Investments: Strategic Considerations and Funding Approaches. Overall, this identifies the significant risk profile for this project and that budgets for infrastructure construction associated with Te Tumu will not be included in the draft 2024-34 LTP. On this basis urban development would not be expected to commence until approximately 2040.</p>	<p>Continue to liaise with iwi, hapu and land trusts associated with the project. Work towards updating where possible the existing technical assessments for the project.</p> <p>Continue to assess project risks and a preferred approach to moving forward with the project for Council decision-making.</p>

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PROJECT DESCRIPTION	PROGRESS UPDATE / KEY MATTERS	NEXT STEPS / IDENTIFIED RISKS
<p>Upper Ohauti Urban Growth - Area – Private Plan Change</p>	<p>Upper Ohauti (the Riddington Block) is an area of rural zoned land located at the southern edge of the existing urban area, on either side of Ohauti Road. It lies entirely within TCC jurisdiction and was identified in the Bay of Plenty Regional Policy Statement for urban development post-2021.</p> <p>The developer re-lodged the private plan change request under Part 2 of Schedule 1 of the RMA in mid-August 2022, to rezone the area for residential development. TCC staff are currently reviewing the revised plan change material to confirm acceptability to allow Council to consider the plan change request under Schedule 1 of the RMA and accept it for notification.</p> <p>The further information provided by the developer is focussed on stormwater management, ecological values, transport impacts and tangata whenua engagement.</p>	<p>Review response to request for further information.</p> <p>Make recommendation to Council on whether to accept or reject the plan change for notification (likely late September / October 2023).</p>
<p>Lower Belk Road Urban Growth Area (Tauriko Business Estate Stage 4) – Private Plan Change</p>	<p>The Lower Belk Urban Growth Area was shifted into the TCC jurisdiction by the Local Government Commission on the 1 March 2021.</p> <p>The majority landowner of the area proposes to extend the Tauriko Business Estate, and they are preparing a private plan change request to rezone and structure plan this area. The landowners are now intending to use the RMA Schedule 1 process because of delays and risk associated with the Streamlined Planning Process provided for by the RMA.</p> <p>The landowners are continuing to prepare the technical assessments in support of their plan change, including stormwater, transport, archaeology, landscape and urban design etc. Stormwater management, flood risk and ecological assessments are the key outstanding technical reports, and their development is being progressed with the Regional Council and TCC.</p> <p>Alongside the private plan change, TCC is progressing a separate plan change seeking to rezone a small number of existing lifestyle blocks on Belk Rd to rural residential under the City Plan. Currently they are still subject to the Wester Bay of Plenty District Plan.</p>	<p>The Private Plan change is expected to be lodged in third or fourth quarter of 2023.</p> <p>A draft has been prepared and is in the process of being finalised before staff review in advance of formal lodgement and Council decision-making for notification.</p>

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PROJECT DESCRIPTION	PROGRESS UPDATE / KEY MATTERS	NEXT STEPS / IDENTIFIED RISKS
<p>Keenan Road Urban Growth Area</p>	<p>The Keenan Road area is located south of The Lakes. It is identified for residential development in the order of 2500 homes (subject to further assessment). There are a range of landowners (including developers) in Keenan Road ready to develop.</p> <p>Preparation of a structure plan has commenced. Key to progress is a technical assessment of the 3 waters, particularly the wider wastewater and stormwater and how that integrates with the planning for Tauriko West, and the broader Western Corridor.</p> <p>Planning for Keenan Road requires a transport business case to be progressed for transport access and investment associated with the growth area which is underway. Development of the Keenan Road area will also be dependent on the Waka Kotahi Tauriko Network Connections business case (e.g. SH29 / Takitimu Drive intersection improvement; SH29a / Barkes corner improvement).</p> <p>Capex and funding requirements for Keenan Rd will be considered through the 2024-34 LTP process. The draft LTP will include funding to complete planning processes and for early stages of infrastructure projects (eg design and land purchase), but will not include funding for infrastructure construction due to broader TCC debt and rates constraints. On this basis development would not be able to commence until around 2040.</p> <p>Landowners have been informed of the project and the first set of open days are set for 2 & 5 September. A site walkover by staff and consultants was held on 25 August.</p>	<p>Progress the transportation business case.</p> <p>Strategic assessment of wastewater and stormwater options for the Western Corridor for short term (Keenan) and long term.</p> <p>Consider investment and funding through the 24-34 LTP.</p>

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PROJECT DESCRIPTION	PROGRESS UPDATE / KEY MATTERS	NEXT STEPS / IDENTIFIED RISKS
<p>Specified Development Project (SDP) assessment for the Western Corridor</p>	<p>On 14 September 2022, Kāinga Ora advised TCC that it had selected part of the Tauranga Western Corridor for assessment as a potential Specified Development Project (SDP) under section 29(a) of the Urban Development Act 2020 (the UDA).</p> <p>The UDA gives Kāinga Ora the ability to lead or facilitate complex urban development projects through a Specified Development Project process. The value of the SDP process is that it could allow Kāinga Ora, TCC, and the SmartGrowth partners to bring together multiple, complex, and otherwise separate urban development processes and enables them to be accessed through a single, integrated process. The aim is to ensure that the planning, infrastructure, and funding for a project is agreed early on, providing greater certainty and coordination for the implementation and delivery of the project.</p> <p>The decision to select the Western Corridor for assessment as a potential SDP is the first formal stage of the SDP process, which includes an extensive engagement and consultation component. The assessment is a collaborative process working with TCC, mana whenua, other SmartGrowth partners, central government, landowners/developers and other stakeholders. The outcome of the assessment will then determine whether Kāinga Ora recommends establishment of an SDP.</p> <p>The SDP proposal is out for community feedback in September and a TCC submission is being prepared. Kāinga Ora anticipate making a recommendation to the appropriate Ministers prior to Christmas, with decisions likely in February 2025.</p>	<p>Continue to work with Kāinga Ora on the SDP assessment process.</p>
<p>Smith's Farm</p>	<p>As part of the Takitimu North Link (TNL) project Waka Kotahi will deliver the Smiths Farm access road which will provide access and reticulated services to enable development of this site. The TNL project is expected to be completed around 2026 and as such the site cannot be developed immediately.</p> <p>While the site has resource consents in place for residential development the underlying zoning of the site is rural residential. The proposed rezoning of parts of the site, including creation of a new Medium Density Residential Zone that will allow for the Medium Density Residential Standards to be utilised, was notified as part of PPC33. Submissions on this proposed rezoning were received and have been addressed through the s.42A report for PPC33. In response to the submission from the Regional</p>	<p>Complete PPC33 process.</p> <p>Continue market process for the strategic divestment of the site.</p>

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	<p>Council, staff have considered and are recommending the inclusion of new site-specific provisions addressing stormwater management. These provisions are considered to align with the expectations now set out under the Freshwater NPS.</p> <p>Alongside the rezoning of the site, TCC continue to progress the strategic divestment of the site with the objective of achieving a mix of affordable and market housing with a range of typologies</p>	
Pōteriwahi (Parau Farm)	<p>In June 2023, a report was presented to Council to close out previous public consultation and to establish the direction to proceed with a mix of housing and reserves on site. The concept plans have undergone further refinement in collaboration with TCC project team and subject matter experts, and further project planning for next steps is now in progress.</p> <p>A formal letter was sent to Ngati Kahu outlining the resolutions from the June council meeting which included the opportunity to appoint two hapū representatives to contribute as the planning evolves. TCC is awaiting a response from Ngati Kahu.</p>	<p>August – December 2023</p> <ul style="list-style-type: none"> • Continue to engage with Ngati Kahu • Progress site planning in line with resolutions passed at June council meeting • Provide the community with a more fulsome project update.
Resource Management (RM) System Reform	<p>The Governments process to repeal the Resource Management Act and enact three new pieces of legislation was significantly advanced with the enactment of the Spatial Planning Act (SPA) and the Natural and Built Environment Act (NBEA) on 23 August 2023.</p> <p>The SPA requires the development of long-term regional spatial strategies to help coordinate and integrate decisions made under relevant legislation. The NBEA, the main replacement for the RMA, is intended to protect and restore the environment while better enabling development.</p> <p>At this stage the RMA remains large in force and there will be transition over a number of years to the new system. However, some provisions of the SPA and NBEA have immediate effect. Those of most relevance to Council are:</p> <ul style="list-style-type: none"> • The ten-year review requirement for the City Plan is no longer being mandatory • A new maximum duration for some freshwater-related resource consents being introduced. • A new fast-track consenting process becoming available for specified applications. 	

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	<p>In terms of the broader implementation of the SPA and NBEA, this is to be rolled out sequentially from the top down with the national planning framework likely to be notified in mid-2024, the establishment of Regional Planning Committees (PRC) likely to be commence in 2024 (some regions will go ahead of others), the development of a regional spatial strategy within 3 years of the establishment of an RPC and the development of a NBEA plan (can be prepared alongside the RPC).</p> <p>The third piece of legislation, the Climate Adaptation Act (CAA), which is intended to address issues associated with managed retreat, and funding and financing climate adaptation is at an early stage of development with Parliaments Environment Committee recently opening its <i>'Inquiry into Climate Adaptation'</i>. This inquiry is open for public submissions until the next Parliament reconvenes. Staff are preparing a submission on the Issues and Options paper that MfE have prepared to help respond.</p> <p>While the current government has largely implemented its resource management reform programme through legislation, there was limited support from other political parties to these reforms and a number of parties have stated that they would repeal these reforms if they were to become part of the next government. As such significant uncertainty remains in relation to the current and future planning system and its implications for TCC.</p>	<p>Prepare a submission to the Issues and Options paper on the Inquiry into Climate Adaptation.</p>
<p>Government Policy & Initiatives</p>	<p><u>National Policy Statement for Freshwater Management (NPSFM) and National Environmental Standard for Freshwater (NESF)</u></p> <p>Amendments to the National Freshwater Framework were confirmed on 8 December 2022, gazetted and came into effect on 5 January 2023. In May 2023 Forest and Bird filed a judicial review against the Minister for the Environment. The relief sought by the judicial review includes orders to quash (remove) the amendments concerning the new consenting pathways including for the purpose of constructing urban development. The Minister for the Environment is defending the claim. In August 2023 the Council has applied to join the proceedings given the potential implications to the consenting pathways to urban development which the judicial review relates to.</p> <p><u>National Policy Statement for Indigenous Biodiversity (NPS-IB)</u></p> <p>The NPS-IB was gazetted on 7 July 2023 and came into effect on 4 August 2023. The key aim of this policy statement is to help maintain indigenous biodiversity across Aotearoa. This is primarily achieved by requiring councils to identify areas of significant indigenous biodiversity, or SNAs, and manage any adverse effects on them from new development and surrounding activities. The NPS-IB</p>	<p>Await decision of the High Court on ability to join the judicial review and if confirmed present legal submissions and potentially evidence on the matter.</p> <p>Ensure planning within Growth Areas and plan</p>

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PROJECT DESCRIPTION	PROGRESS UPDATE / KEY MATTERS	NEXT STEPS / IDENTIFIED RISKS
	<p>will require Council to make changes to its plan over the coming years to reflect provisions of this policy statement.</p> <p>There will be parts of the NPS that are required to be implemented immediately, not only through resource consent processes, but also where changes to the city plan are being proposed. In such cases, it will be necessary to ensure any plan change is giving effect to this NPS by ensuring significant indigenous species and habitats are identified and managed in line with the requirements of that national policy framework.</p> <p>The policy framework set out within this NPS is rigid when it comes to managing effects from new development and subdivision on indigenous biodiversity. The expectation is that adverse effects are to be avoided which presents a challenge to meeting the expectations set out under other national policy statements such as the NPS-UD. It is also noted that many of the existing ecological areas across the city are also wetland areas and will be subject to both this new policy statement and the requirements of the new freshwater policy. This will add further complexities and challenges to delivering urban growth within the city.</p>	<p>changes are giving effect to NPS-IB requirements.</p>
<p>Regional policy and planning initiatives</p>	<p><u>Change 5 (Kaituna River) to the Bay of Plenty Regional Policy Statement (RPS)</u> Change 5 is specific to the Kaituna River and its tributaries and recognises and provides for the vision, objectives and desired outcomes of the Kaituna River Document where it relates to resource management issues. Kaituna He Taonga Tuku Iho – A Treasure Handed Down (The Kaituna River Document) was a requirement of the Tapuika Claims Settlement Act 2014.</p> <p>Change 5 (Kaituna River) to the BoP RPS is now operative. The RPS was amended on 11 May 2023 to reflect the recommendations of the Freshwater Hearings Panel which were accepted by the Bay of Plenty Regional Council. Matters that require consideration against the RPS will now need to demonstrate how the objectives and policies amended by this change are being given effect to.</p> <p><u>Proposed Change 6 (NPS-UD) to the Bay of Plenty Regional Policy Statement</u> The National Policy Statement on Urban Development (NPS-UD) requires BoPRC to change the RPS to be more responsive to urban development proposals and provide support to intensification of urban areas. The purpose is to enable additional development capacity, regardless of whether it is planned</p>	<p>Continue to work with BoPRC and make submissions as appropriate and, advocate and engage with the BoPRC on matters as they relate to Tauranga and the western Bay of Plenty sub-region.</p>

Quarterly Update – Growth, Land Use Planning & Transport Strategy Projects – August 2023

PROJECT DESCRIPTION	PROGRESS UPDATE / KEY MATTERS	NEXT STEPS / IDENTIFIED RISKS
	<p>in existing planning documents, and to contribute to well-functioning urban environments. The NPS-UD also requires local authorities to take into account the principles of the Treaty of Waitangi (Te Tiriti o Waitangi) in planning decisions relating to urban environments.</p> <p>The key changes in PC6 are:</p> <ul style="list-style-type: none"> • New - Responsive planning policy for urban environments (including criteria to determine if a proposal will 'add significantly to development capacity') • Deleted - Urban limits in the western Bay sub-region (including policies, Appendices and references relating to urban limits). • New - Increased density urban development for urban environments (including removal of Policy UG 4A (dwelling yields)). • Amended – How planning decisions provide for Te Tiriti of Waitangi principles <p>PC6 is not a spatial plan and doesn't identify where (or not) urban development will be located. Nor does it zone or provide infrastructure for urban development. This is the role of district/city councils through the Future Development Strategy, the City Plan, and infrastructure planning and funding documents. However, TCC zoning processes to manage growth will need to give effect to PC6 when made operative as part of the BoP RPS.</p> <p>TCC staff were broadly comfortable that the proposed change meets the requirements of the NPS-UD to provide additional flexibility, is consistent with the strategic vision for Tauranga and the western Bay of Plenty sub-region as set out in the UFTI Connected Centres programme and aligns with Councils own growth planning. At this time, following the hearing in June 2023 no decision has been released by the BoPRC on this change.</p> <p><u>Proposed Change 8 (National Policy Statement on Highly Productive Land) to the Regional Policy Statement</u></p> <p>BoPRC have commenced informal consultation on a future change to the RPS to implement the NPS on Highly Productive Land 2022 (NPS-HPL).</p> <p>The NPS-HPL requires an RPS change to include maps identifying all highly productive land in the region. This must be publicly notified for submissions no later than 17 October 2025.</p>	

Quarterly Update – Growth, Land Use Planning & Transport Strategy Projects – August 2023

PROJECT DESCRIPTION	PROGRESS UPDATE / KEY MATTERS	NEXT STEPS / IDENTIFIED RISKS
	<p>For the purpose of mapping in the RPS the NPS-HPL defines highly productive land as:</p> <ul style="list-style-type: none"> a) In a general rural zone or rural production zone; and b) Predominantly Land Use Capability classes 1, 2 or 3 land; and c) Forms a large and geographically cohesive area. <p>Council staff are working with BoPRC staff to confirm alignment on the HPL maps.</p>	
<p>Housing Infrastructure Fund</p>	<p>TCC's Housing Infrastructure Fund (HIF) loan to provide finance for a portion of the Papamoa East Interchange (PEI) was approved in 2017 to bring Te Tumu forward and was due to expire in 2021.</p> <p>Prior to expiration of the loan staff engaged with the MBIE and Waka Kotahi to explore our options for extending the timeframe for drawdown. This would enable the HIF loan to be used to fund a portion of the PEI to support development of the Wairakei town centre.</p> <p>The Crown confirmed TCC was able to repurpose the HIF loan and the parties entered into a loan agreement in June 2023.</p> <p>A decision was made at the 11 September Council meeting to award a tender for the construction of the PEI.</p>	<p>HIF loan agreement has been entered into.</p> <p>TCC preparing for first drawdown under the agreement imminently.</p>

Quarterly Update – Growth, Land Use Planning & Transport Strategy Projects – August 2023

PROJECT DESCRIPTION	PROGRESS UPDATE / KEY MATTERS	NEXT STEPS / IDENTIFIED RISKS
<p>Development Contributions</p>	<p>TCC adopted the 2023/24 Development Contributions Policy in June 2023.</p> <p>Staff are now preparing the 2024/25 Development Contributions Policy for consultation with the community in November 2023 (alongside the draft Long Term Plan 2024-34). The following amendments are being prepared for consultation:</p> <ul style="list-style-type: none"> • a local development contributions catchment for the Te Papa peninsular • a 4+ bedroom category for citywide development contributions • a reduction in development contributions for certain infrastructure activities for aged care facilities <p>There are also a number of more minor changes proposed. These matters will be covered in future detail later in September when the draft Development Contributions Policy is reported to Council for decision-making.</p>	<p>Report to Council for adoption of draft 2024/25 Policy.</p>
<p>Future Development Strategy (FDS)/ updated SmartGrowth Strategy</p>	<p>SmartGrowth is required to prepare a Future Development Strategy (FDS) under the National Policy Statement for Urban Development (NPS-UD). This follows on from the completion of Housing and Business Capacity Assessment (the HBA) in December 2022 which informs the 2024 Long-Term Plans, and the FDS. SmartGrowth is currently producing an updated SmartGrowth Strategy by December 2023 which will incorporate the requirements of the FDS.</p> <p>Key issues addressed in this work include:</p> <ul style="list-style-type: none"> • Addressing the shortage of residential development capacity identified in the HBA, including the role of the Western and Eastern Corridors in this regard • Addressing the shortage of industrial / employment land in Tauranga identified in the HBA. <p>The Strategy will not be able to address all of the implementation challenges, especially the challenges associated with infrastructure costs, infrastructure funding and the complexity of the planning system which remain major constraints on delivery and achieving the outcomes sought through the SmartGrowth Partnership.</p>	<p>Continue to progress the preparation of the FDS / updated SmartGrowth Strategy</p>

Quarterly Update – Growth, Land Use Planning & Transport Strategy Projects – August 2023

PROJECT DESCRIPTION	PROGRESS UPDATE / KEY MATTERS	NEXT STEPS / IDENTIFIED RISKS
	<p>Tauranga currently has a significant housing shortfall in the order of 5,000 homes and this is projected to grow significantly due to delays in releasing new supply. The proposed exclusion of funding for construction of infrastructure projects in Te Tumu and Keenan Rd from the 2024-34 LTP would further exacerbate the housing shortage to be addressed. The estimated impact of these changes would be a reduction in housing supply of approximately 640 dwellings in the period 2024 to 2034, and a reduction of 1,260 dwellings in the period 2034 to 2040.</p>	
TRANSPORT STRATEGY		
<p>Eastern Corridor Transport Planning (Te Tumu & Wairakei)</p>	<p>A number of transport-focused workstreams remain underway related to the Te Tumu structure planning process, Wairakei Town Centre development and the Papamoa Eastern Interchange (PEI), these include:</p> <ul style="list-style-type: none"> • Transport planning workstreams associated with Te Tumu structure planning are well advanced. The structure plan includes dedicated public transport lanes on The Boulevard through Te Tumu to the Wairakei Town Centre, high-quality walking and cycling connections, and general traffic lanes, and this has guided the development of the Waka Kotahi Te Tumu transport corridors business case. • Development of this business case is to confirm the eligibility and availability of the National Land Transport Fund to support implementation of the transport system for the Wairakei Town Centre and Te Tumu growth areas. The scope of this Business case covers The Boulevard, Te Okuroa Drive, The Sands Avenue and a bus facility within Wairakei Town Centre. • A preferred option (i.e. that sets out the key corridor functions and conceptual corridor cross-sections have been developed for the Te Tumu corridors of Te Okuroa Drive and The Boulevard) and now further assessment is underway to: <ul style="list-style-type: none"> • Enable better understanding of the stormwater management requirements for the corridor widths in terms of on-site stormwater containment and treatment. • Corridor width requirements – accommodating walking, cycling, bus priority, general traffic, utility berms, and swales. This includes transport modelling to inform the preferred option concept design staging and sensitivity testing for increased densities futureproofing. • Communications and Engagement – regular meetings with Bluehaven regarding the Wairakei section of the transport corridors, including discussions regarding the proposed bus hub on The Boulevard and the Te Okuroa Drive interim and longer-term form and function. Meeting with the Te Tumu key landowners to present the preferred option draft 	<p>Deliver the 'final draft' of the Te Tumu and Wairakei Town Centre transport infrastructure business case (programmed completion as a final draft in late September 2023) for detailed review by landowners, Council & Waka Kotahi.</p> <p>Complete final stages of developing concept designs for The Sands Ave and part of Te Okuroa Drive within the Wairakei Town Centre. This work is being undertaken with Bluehaven and will inform the Waka Kotahi business case.</p> <p>Contract detailed design and delivery of Te Okuroa Drive interim-stage to</p>

Quarterly Update – Growth, Land Use Planning & Transport Strategy Projects – August 2023

PROJECT DESCRIPTION	PROGRESS UPDATE / KEY MATTERS	NEXT STEPS / IDENTIFIED RISKS
	<p>concept designs for feedback.</p> <ul style="list-style-type: none"> Development of a temporary/interim design for Te Okuroa Drive (between Sands Ave and Te Tumu boundary) to allow for access to Wairakei Town Centre development (predominantly for the Mitre10 development) and TCC employment land until long term design is required. This work is progressing with TCC responsible for detailed design and construction but in liaison with the developer, Bluehaven, through the Development Agreements newly established joint-Project Control Group. Continued development of the detailed design and procurement for the PEI (as reported to Council on 4 September 2023). 	<p>enable the Town Centre development, through the PEI contract. Construction of the interim design for this section of TOD required by September 2024. This work is led by the Infrastructure Group.</p>
<p>Draft Government Policy Statement on Land Transport 2024 (draft GPS)</p>	<p>The GPS is the Government’s strategy for investing in the land transport system. It outlines what the Government wants to achieve in land transport, and how it expects funding to be allocated from the National Land Transport Fund across different types of activities (for example road maintenance, public transport, walking and cycling). Each GPS sets out the priorities for the following 10-year period and is reviewed and updated every 3 years.</p> <p>On 17 August the Ministry for Transport released the draft GPS for consultation. Submissions on the draft GPS are due by 15 September. The final GPS will come into effect on 1 July 2024.</p> <p>The draft GPS identifies the following strategic priorities (which are described as building on the strategic priorities of the current GPS 2021):</p> <ul style="list-style-type: none"> <i>Maintaining and operating the system – the condition of the existing transport system is efficiently maintained at a level that meets the current and future needs of users.</i> <i>Increasing resilience – the transport system is better able to cope with natural and anthropogenic (human caused) hazards.</i> <i>Reducing emissions – transitioning to a lower carbon transport system.</i> <i>Safety – the primary focus of this priority is to make transport substantially safer for all.</i> <i>Sustainable urban and regional development – people can readily and reliably access social, cultural, and economic opportunities through a variety of transport options. Sustainable urban and regional development is focussed on developing resilient and productive towns and cities that have a range of low-emission transport options and low congestion.</i> 	<p>Prepare Council submission on the draft GPS.</p>

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PROJECT DESCRIPTION	PROGRESS UPDATE / KEY MATTERS	NEXT STEPS / IDENTIFIED RISKS
	<ul style="list-style-type: none"> • <i>Integrated freight system – well-designed and operated transport corridors and hubs that provide efficient, reliable, resilient, multi-modal, and low carbon connections to support productive economic activity.</i> <p>The draft GPS sets out a series of projects the Government has identified as strategically important to New Zealand’s transport system in the coming decades. The SH29 Tauranga to Tauriko project (reported to Council in June 2023) is included in this list of fourteen projects.</p> <p>At the time of writing this report the key themes likely to be covered in the Council submission relate to:</p> <ul style="list-style-type: none"> • Strategic Priorities: general support for the broadening of these from those set out in GPS 2021 particularly the focus proposed to be provided to sustainable urban development and maintenance and operations to support a safer and more reliable transport network; • Emissions reduction: supportive of the focus on emissions reduction while noting the challenges faced locally, as represented through UFTI, TSP and development of the Emissions Projection Tool to achieving the targets set by the National Emissions Reduction Plan. • Funding: supportive of the funding increase proposed in the GPS 2024. However, noting that funding provided in the draft GPS remains insufficient to deliver the transport system agreed with Government through Urban Growth Partnerships like the Western Bay of Plenty’s SmartGrowth, UFTI, and to deliver on strategic priorities of the draft GPS. Additional funding and new funding sources and approaches will be required, such as variable road prices, congestion charges and vehicle ownership charges. • Inclusion of UFTI in the strategic priorities: Government commitment identifies both Auckland Transport Alignment Project (ATAP) and Let’s Get Wellington Moving (LGWM) as ‘Government Commitments’ that should inform the development of the NLTP. Council notes that UFTI should also be in the list since it is Waka Kotahi endorsed and very similar and arguably more comprehensive (given its urban, transport and environment focus) than ATAP and LGWM. 	
Transport Emissions Reduction	<p>In May 2022, the Government announced the first National Emissions Reduction Plan (NERP). In July 2022 the Ministry of Transport (MoT) began briefing Tier 1 and 2 cities on what the NERP specifically meant for them individually and particularly in terms of the ‘Vehicle Kilometres Travelled’ (VKT) reduction targets and programmes. Tauranga’s feedback to this initial engagement resulted in</p>	<p>Develop the WBOP VKT Reduction Programme.</p>

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PROJECT DESCRIPTION	PROGRESS UPDATE / KEY MATTERS	NEXT STEPS / IDENTIFIED RISKS
	<p>the MoT adjusting its initially proposed target from a 23% to 21% VKT reduction from the MoT 2019 benchmark. This target has now been confirmed by MoT.</p> <p>A National VKT Reduction Plan is currently being prepared by MoT and Waka Kotahi. This plan will provide a framework and direction for the Tier 1 area VKT Reduction programmes, which were originally due by December 2023 but due to program funding delays this has now been pushed back to April 2024. In lieu of provision of the National VKT Reduction Plan (pending), the national Waka Kotahi VKT Reduction team are providing a suite of guidance documents to help develop local VKT programs.</p> <p>In April 2023, TCC together with the TSP partners, responded to an 'expression of interest' request to develop a VKT Reduction Program for the western Bay of Plenty. This process involved collaboration between MoT, Waka Kotahi and the TSP's Council partners (utilising the TSP working group that was already set up to lead refresh of the TSP to support LTP, RLTP and NLTP development.</p> <p>Waka Kotahi has since advised that the intended full program funding (c.\$1m) is not available immediately. Given this Waka Kotahi has provided 'establishment funding' (c. 20%, i.e. \$200k of total \$1m) to enable contracts to be set up and first phases of the project to be initiated. Under the TSP partnership a working group has now set up contracts with a supplier to assist with the development of the program.</p> <p>Understanding what is needed to be delivered in order to achieve the regions' VKT targets is a significant challenge, and the VKT Reduction Program is vital to further understanding and quantifying this.</p>	
<p>Variable Road Pricing Study</p>	<p>A study exploring the viability and impacts of Variable Road Pricing (VRP) in Tauranga has shown that road pricing could provide a range of benefits, including reduced congestion and faster, more reliable journey times. It could also deliver significant economic and social benefits, encourage different transport choices, reduce transport-related greenhouse gas emissions, and support the Government's objective of reducing vehicle trips in main urban centres.</p> <p>The study, which has assessed a concept that has become known as SmartTrip Variable Road Pricing, was carried out by Waka Kotahi New Zealand Transport Agency and Tauranga City Council. The concept assessed involves a charge to all vehicle users for access to Tauranga's main transport corridors. The charge would vary, depending on the time of day, day of the week and traffic demand.</p>	<p>Consultation through draft LTP.</p>

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PROJECT DESCRIPTION	PROGRESS UPDATE / KEY MATTERS	NEXT STEPS / IDENTIFIED RISKS
	<p>It is similar in concept to the charges applied to toll roads and would include using prepayment systems and vehicle recognition technology.</p> <p>The study was at a proof-of-concept level only and is clear that the introduction of road pricing would require new legislation. Community feedback and more detailed work on the benefits and implications of the concept would be important aspects of any next stage of investigation should this be considered by Government or Council.</p> <p>Decisions were made at the 4 September Council meeting to consult on the SmartTrip concept through the upcoming draft 2024-34 LTP.</p>	
<p>Western Corridor (SH29 Tauriko / Tauriko West) <u>Tauriko Enabling Works Business Case</u> The Enabling Works business case seeks to enable Stage 1 (2,400 homes) of the Tauriko West urban growth area.</p>	<p><u>Tauriko Enabling Works Business Case</u> Following approval of the Business Case in February 2022 the pre-implementation phase (statutory consenting, property acquisition and detailed design) has been progressing and is led by Waka Kotahi (WK) while working closely with Council staff. The Notice of Requirement (NoR) for the southern (Redwood Lane) end of the project has now been confirmed with no appeals received. The need for a hearing for the improvements at the northern end (Tauriko Village) was avoided by Waka Kotahi working with submitters. Waka Kotahi have since accepted the draft decision from the commissioner.</p> <p>TCC have finalised a funding agreement with the main landowners in the Tauriko West UGA for their funding share towards the Enabling Works projects. This work has included agreeing with Waka Kotahi up to 2,400 homes (up from 2,000 homes) in Stage 1. This was supported by the Integrated Transport Assessment for the re-zoning and is needed to support the financial viability of the development.</p> <p>The legal challenge by Tauriko Crossing Limited to business case decisions made by Council and Waka Kotahi has now also been resolved.</p> <p>At the time of writing this report the TCC & Waka Kotahi were considering the options and issues associated with recommending the procurement process to appoint a contractor to construct the Enabling Works projects. These relate to the matters discussed in the Tauriko West Urban Growth Area update earlier in this report (e.g. delay to the re-zoning and potential impacts associated with the flood risk assessment which is still underway). If recommenced in September, the Waka Kotahi programme identifies that construction would commence at the southern (at the Redwood Lane) in February 2024 with the Northern (Tauriko Village and Cambridge Road) end programmed to commence in March</p>	<p>Tauriko Enabling Works Business Case</p> <ul style="list-style-type: none"> Waka Kotahi to progress the tender process to confirm construction costs for Council’s consideration (likely November 2023).

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PROJECT DESCRIPTION	PROGRESS UPDATE / KEY MATTERS	NEXT STEPS / IDENTIFIED RISKS
<p><u>Tauriko Network Connections Business Case</u> Waka Kotahi lead business case to confirm the long-term transport solution for the western corridor. A key focus is on the state highway 29 including SH29A between the Takitimu Intersection and Barks Corner, but also public transport solutions, walking and cycling, and local road networks.</p>	<p>2024. A report will be presented to Council seeking approval to progress to construction once the tender costs are known (likely October / November 2023).</p> <p><u>Tauriko Network Connections Detailed Business Case</u> The business case recommended improvements including the following:</p> <ul style="list-style-type: none"> • A new offline State Highway 29 corridor for inter-regional traffic between Redwood Lane and Takitimu Drive that then enables the current state highway to perform a local road function with multi-modal services; • A new online six-lane SH29A corridor between Takitimu Drive and Barks Corner including dedicated bus lanes; and • Widening of SH36 between Lakes Boulevard and SH29A including dedicated bus lanes. <p>At its meeting on 27 June 2023 Council resolved to endorse the final Waka Kotahi business case being submitted to their Board for approval alongside other key resolutions including:</p> <ul style="list-style-type: none"> • The strong preference that the project be delivered in a single stage within a decade (by 2034) • The next stage of the business case identifying solutions to resolve 'pinch points' at key locations including SH29a/Cameron Road, Takitimu Drive/SH29/SH29a/SH36 and across the Omanwa stream on SH29. <p>On 27 June 2023 the SmartGrowth Council partners and tangata whenua also resolved to endorse the Waka Kotahi business case and in addition resolved that:</p> <ul style="list-style-type: none"> • A delegation of Mayors, Chairs and tangata whenua meeting with Ministers to discuss priority projects for the sub-region; and • The Takitimu North Link – Stage 2 is of equal priority for the sub-region, and noting the urgent of the Omokoroa / SH2 interchange in particular. <p>The Waka Kotahi Board endorsed the business case at their meeting on 18 August 2023. This decision does not include funding to progress the next stage of this project at this time. Rather, funding to progress the next stage of work would be determined by Waka Kotahi as part of their delivery of the next National Land Transport Programme (NLTP). This means that funding would not be confirmed until at the earliest 1 July 2024.</p> <p>The Ministry of Transport released the draft Government Policy Statement (GPS) on Land Transport 2024 for feedback on 17 August. The 'Tauranga to Tauriko State Highway 29' project is included in the Strategic Improvement Programme of the draft GPS which means that it is one of the fourteen</p>	<p><u>Tauriko Network Connections Business Case:</u> Work with Waka Kotahi to support the inclusion of appropriate funding in the next NLTP to progress the next stages of the project.</p>

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PROJECT DESCRIPTION	PROGRESS UPDATE / KEY MATTERS	NEXT STEPS / IDENTIFIED RISKS
	projects that are described as presenting <i>'an opportunity for transformational change and to develop an integrated, sustainable, resilient safe and low carbon land transport network'</i> .	

9.6 Adopt Draft Traffic and Parking Bylaw for Consultation

File Number: A14840985

Author: Vicky Grant-Ussher, Policy Analyst

Authoriser: Nic Johansson, General Manager: Infrastructure

PURPOSE OF THE REPORT

1. Provides the draft Traffic and Parking Bylaw 2023 and Statement of Proposal for adoption for community consultation.

RECOMMENDATIONS

That the Strategy, Finance and Risk Committee:

- (a) Receives the report "Adopt Draft Traffic and Parking Bylaw for Consultation".
- (b) Approves the proposed draft Traffic and Parking Bylaw (Attachment 1) for community consultation.
- (c) Adopts the Statement of Proposal for the draft Traffic and Parking Bylaw 2023 (Attachment 2) for community consultation.
- (d) Resolves that, in accordance with section 155 of the Local Government Act 2002, the proposed draft Traffic and Parking Bylaw is the most appropriate and proportionate way of addressing the perceived problem and does not give rise to any implications under the New Zealand Bill of Rights Act 1990.
- (e) Delegates to the General Manager Infrastructure the authority to make any minor edits or presentation amendments to the draft Traffic and Parking Bylaw or Statement of Proposal to correct any identified errors or typographical edits.

BACKGROUND

2. The Traffic and Parking Bylaw is made under the Land Transport Act 1998 and the Local Government Act 2002 and regulates traffic and parking issues to ensure the safety and efficiency of the transport system. On 6 June 2023, the Strategy, Finance and Risk Committee provided direction on issues raised through the review of the bylaw. The draft bylaw has been developed in accordance with this direction.
3. Staff carried out a section 155 analysis of the bylaw and found that it was working well to manage traffic and parking issues in Tauranga, but changes could be made to better futureproof the bylaw.
4. The proposed changes are to:
 - update legislative references to reflect changes since the 2012 bylaw was adopted, and remove any redundant provisions now covered by other legislative changes
 - clarify that installing a secondary vehicle crossing requires council approval
 - introduce a registered parking option which would require people to enter their car number plate in the parking machine to use a registered parking space, or registered parking area¹
 - make minor editorial changes for consistency.

¹ Registered parking spaces or registered parking areas would be established by a council resolution.

STRATEGIC / STATUTORY CONTEXT

5. Traffic and parking management contributes to achieving the community outcome Tauranga Ara Rau, a city we can move around easily. Council adopted a Parking Strategy in 2021 and is in the process of developing more detailed parking management plans for Tauranga, with a finalised plan for the city centre already adopted and a plan for Mount Maunganui under development.
6. The bylaw helps give effect to these strategies and plans through setting traffic and parking rules and enabling their enforcement. The bylaw enables many traffic and parking rules to be implemented, as needed, by Council resolution.

OPTIONS ANALYSIS

7. Approve the draft Traffic and Parking Bylaw (Attachment 1) and Statement of Proposal (Attachment 2) for consultation.

Option	Advantages	Disadvantages
Approve the draft bylaw and Statement of Proposal for consultation	<ul style="list-style-type: none"> • Ensures bylaw review can continue in a timely manner to meet the legislative deadline of October 2024 • Ensures Bylaw can regulate traffic and parking to ensure safety and efficiency on local roads in Tauranga 	<ul style="list-style-type: none"> • None
Do not approve the draft bylaw and Statement of Proposal for consultation.	<ul style="list-style-type: none"> • None 	<ul style="list-style-type: none"> • If the bylaw is not reviewed, it will expire in October 2024 impacting the safety and efficiency on local roads in Tauranga • A delay may result in the consultation period coinciding with the planned consultation period on the Mount Maunganui Parking Management Plan (November 2023) creating confusion for the community

FINANCIAL CONSIDERATIONS

8. There are no financial implications related to matters in this report.

LEGAL IMPLICATIONS / RISKS

9. The bylaw is outside of the ten-year statutory review period. Under the Local Government Act 2002, if a revised bylaw is not adopted by October 2024 (two years after the ten-year limit is reached) the current bylaw will expire. Until reviewed (or October 2024 whichever is the earlier) the current bylaw remains operable and enforceable. There is no statutory review period required for bylaws made under the Land Transport Act 1998.

10. In reviewing the bylaw staff conducted a review of the bylaw as per Section 155 of the Local Government Act 2002 and confirmed the bylaw is still required to ensure the safety and efficiency of the transport system. Other options such as taking an educational approach to issues, or not regulating traffic and parking were considered but determined to be inappropriate due to the need to ensure compliance for the safe and efficient working of the transport system.
11. The proposed changes to the bylaw are considered reasonable and proportionate to the issues raised and therefore in alignment with the Bill of Rights Act 1990.

SIGNIFICANCE

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

ENGAGEMENT

15. Taking into consideration the above assessment, that the issue is of medium significance, officers are of the opinion that the consultation using the Special Consultative Procedure is appropriate as the proposal involves amendments to a bylaw that will affect a subgroup of people.
16. The consultation would occur from late September to late October and would occur in tandem with the consultation on the Draft Street Use Policy.
17. In addition to the Special Consultative Procedure requirements, we will undertake some targeted consultation on proposed changes with those groups likely to be impacted by the changes. Targeted groups would include:
 - utility providers
 - developers
 - builders.

NEXT STEPS

18. Following consultation from late September to late October, hearings and deliberations for the bylaw would occur late 2023 or early 2024.

ATTACHMENTS

1. **Draft Traffic and Parking Bylaw 2023 - A15006436 (Separate Attachments 1)** 
2. **Statement of Proposal - A15006443 (Separate Attachments 1)** 

9.7 Adopt Draft Street Use Policy for Consultation

File Number: A14938530

Author: Vicky Grant-Ussher, Policy Analyst

Authoriser: Nic Johansson, General Manager: Infrastructure

PURPOSE OF THE REPORT

1. To provide options for charging for balcony dining for inclusion in the attached draft policy, outline the approach to transition to the new street dining charging model, and to seek approval for consultation on the draft policy.

RECOMMENDATIONS

That the Strategy, Finance and Risk Committee:

- a) Receives the report "Adopt Draft Street Use Policy for Consultation".
- b) Agrees to include the option of a 75 percent charge of the relevant street dining rate for balcony dining.
- c) Approves the approach for transitioning businesses to the new street dining charging model.
- d) Approves the draft policy (Attachment One) for public consultation.
- e) Delegates to staff the ability to make any minor edits or presentation amendments to the draft Street Use policy any identified errors or typographical edits.

EXECUTIVE SUMMARY

2. On 7 August 2023, the Strategy, Finance and Risk Committee gave direction on several issues raised through the review of four existing street use policies. The Committee asked for further options on two aspects of the policy, balcony dining charges and transitioning to the new street dining charging model.
3. Additional balcony dining charge options provided include:
 - status quo (free, except for businesses with more than 50% of tables on the balcony)
 - no charge for balcony dining
 - percentage charge of the applicable street dining rate (75% is recommended)
 - full alignment with street dining rate.
4. The principles for the transitional approach to street dining charging include:
 - flexibility to respond to the economic context at the time
 - phased increases
 - linking to community amenity value add.
5. Further information is provided on the approach to transition to a new way of charging. Proposed street dining zones are provided in the draft policy (Attachment One, Schedule Three) alongside information on how zone fees would be determined (policy section 6.6). We recommend a phased approach to transitioning to the new charging method with the option of phasing proportional increases to the rates to the full value over a period of four or six years.

BACKGROUND

6. Currently we have four street related policies from the early 2000s that primarily deal with the leasing, licencing, or use of street spaces. On 7 August 2023, the Committee agreed to update and consolidate these policies into one street use policy.
7. The Committee agreed to the following to be included in the updated policy:
 - new policy principles
 - eligibility criteria for a temporary reduction in street dining fees
 - zoned dining charges for street dining
 - changes to compliance requirements affecting application fees, and bonds, and rules for verandas and design features
 - a reference to street dining aesthetics and design guidelines in the policy
 - smoke-free and vape-free requirement for new licences or leases for street dining
 - information on vehicle crossing relocations in the policy
 - ban use of artificial grass on berms.

STRATEGIC / STATUTORY CONTEXT

8. The City Vision adopted by Council and developed in conjunction with the community outlines our collective vision for the city. 'Tauranga, together we can' captures the vision for a collaborative approach to realising a city that 'prioritises nature', 'lifts each other up', and 'fuels possibility'. These three pillars inform council's refreshed strategic framework, with our five primary strategies geared towards delivering the five community outcomes that together contribute to the vision.
9. The vision and strategic framework inform the council's plans and policies, which guide the implementation of these higher-level strategies in council's day-to-day activities. It is therefore important that council's approach to street use is aligned with the council's strategic direction. More specifically, the policies for how streets can be used by businesses and the community should deliver public benefits through easy movement and accessibility and provide inclusive, diverse, and vibrant spaces.

OPTIONS ANALYSIS

Balcony dining charges

10. Dining on open balconies at first floor level in commercial centres, can help make centres feel vibrant. Balcony dining uses the airspace above streets for commercial use, which returns a commercial benefit to businesses. Under the policy, balconies need to be appropriate for the area, consistent with future plans for the street, be approved by council and pay the appropriate application fees and bond.
11. Balcony dining can often be accommodated with less disruption to pedestrians and other street users than street dining² and can support a pedestrian friendly environment by providing shelter. Table One sets out options for a differentiated approach for balcony dining.
12. We recommend 75 percent of relevant street dining rate is charged for balcony dining. This is based on the additional capital costs involved for businesses to use the airspace and the benefits balconies bring in providing shelter for pedestrians. Balconies also retain more space for the pedestrian way compared with on street dining.

² To ensure future transport needs aren't constrained, balconies need to be attached to buildings in a way that allows for the balcony to be removed without damaging the building. In order to allow future removal, structural columns in the street are often required.

13. Table One: Balcony dining options

Option	Advantages	Disadvantages
<p>Option One: Status Quo, free, except for businesses with more than 50% of tables on the balcony</p>	<ul style="list-style-type: none"> • Requires no changes for businesses • Encourages balcony dining which adds to the vibrancy of the area and provides shelter for pedestrians • Reflects additional capital costs of installing a balcony compared with street dining 	<ul style="list-style-type: none"> • Unclear policy rationale for why 50% or more tables must pay³ • Difficult to enforce
<p>Option Two: Free for all balcony dining</p>	<ul style="list-style-type: none"> • Simplifies administration and enforcement • No financial impact on businesses • Incentivises balcony dining which is less intrusive than street dining • Encourages balcony dining which adds to the vibrancy of the area and provides shelter for pedestrians • Reflects additional capital costs of installing a balcony compared with street dining 	<ul style="list-style-type: none"> • Inconsistent with other approaches to council land where commercial benefit from council land is charged • Could impact future revenue
<p>Option Three: Percentage of relevant street dining rate p sqm (75% is recommended)</p> <p>(Recommended)</p>	<ul style="list-style-type: none"> • Discount would reflect the additional capital costs of installing a balcony compared with street dining and benefits provided through increased vibrancy and shelter for pedestrians • Percentage approach would reflect that balcony dining is less intrusive than street dining • More consistent with other approaches to council land where commercial benefit from council land is charged • Charges would align with street dining charges and increase as the value of the space increases over time • Provides a partial return to ratepayers on council asset (airspace) 	<ul style="list-style-type: none"> • Does not reflect full commercial value of balcony dining • Percentage charge may be perceived as arbitrary

³ The 50% threshold was added following consultation on the original policy but the policy rationale for this approach is not recorded.

<p>Option Four: Align with street dining zone rate</p>	<ul style="list-style-type: none"> • Consistent with other approaches to council land where use of land for a commercial benefit is charged • Provides a full return to ratepayers on council asset (airspace) • Charges would keep alignment with street dining and increase as the value of the space increases over time 	<ul style="list-style-type: none"> • Does not incentivise balcony dining which is often less intrusive than street dining and provides shelter for pedestrians • May limit the use of balconies impacting the vibrancy of the street • Possible negative perception from businesses as they may not perceive charging for airspace as justifiable as for land
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Transitional arrangements

14. There will need to be a process to transition businesses to the new licencing and charging approach. Because fees will be set through user fees and charges, changes to fees can be increased incrementally on an annual basis. The proposed key principles guiding the transitional approach are:
- Flexibility to respond to the economic context at the time – our city is in the process of undergoing a rapid transformation, how this affects businesses, foot traffic and hospitality spend during the transition is difficult to predict and so the transition approach will need to fit the economic context at the time.
 - Phased increases – businesses have not had to pay to use council land for street dining before and may not be ready to cover the full cost immediately, phasing in the charges would help businesses adjust to the new fees.
 - Linking timing to community amenity value add – the phasing and roll out of increases to areas will be timed to reflect when key upgraded amenities are completed and reflect the boost in use of areas by the community due to these improvements.
15. Proposed street dining zones are outlined in Schedule Three of the policy. These zones look to group streets with similar levels of vibrancy together. We will seek feedback on these proposed zones as part of the policy consultation. To implement changes to charge street dining zones would require a resolution of Council, under the Street Use and Public Places Bylaw. If the vibrancy of streets shifts in future and zone changes are required⁴, these zones may be updated by Council resolution.

Draft policy for adoption

16. Attachment One, provides a draft of the consolidated and updated policy. The draft policy reflects the decisions made to date (outlined in Paragraph 7) and the recommended options included in this paper.

FINANCIAL CONSIDERATIONS

17. At present the council does not receive income from balcony dining as no venues have more than 50 percent of their dining on the balcony. Option Three and Four would result in a small increase in council revenue at present due to the small number of balconies but may increase in future if balcony dining becomes more common.

⁴ The Inner City Centre zone is likely to need to be reviewed periodically to ensure it reflects new areas of value created through the city centre redevelopment.

18. The transitional arrangements for street dining are expected to result in an increase in revenue for street dining once fully implemented. The charge for each zone will be set through the user fees and charges process.

LEGAL IMPLICATIONS / RISKS

19. To implement changes to charge street dining zones would require a resolution of Council, under the Street Use and Public Places Bylaw.

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 issue.
 - (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 issue is of medium significance as it involves a change to charging which will affect a subgroup of people.

ENGAGEMENT

23. Taking into consideration the above assessment, that the issue is of medium significance, officers are of the opinion that following the adoption of the draft policy, targeted consultation/engagement is suggested under the Local Government Act 2002.
24. This targeted consultation will include Mainstreet associations, businesses in the areas identified as potentially subject to charging, current lease and licence holders, community members, Te Rangapū and the disability community.

NEXT STEPS

25. Following your approval, we will prepare the draft policy and consultation material. The consultation will occur, alongside the Traffic and Parking Bylaw consultation, from late September to late October.

ATTACHMENTS

1. **Draft Street Use Policy - A15008075**  

DRAFT STREET USE POLICY



Policy type	City		
Authorised by	Council		
First adopted	Occupation of Road Berms for Public Parking and for Planting on Berms in front of Private Residences 11/12/2000 Lease of subsoil of roads 8/04/2002 Lease of Airspace above Roads 28/02/2000 Licence to Occupy Road Reserves 19/02/1997	Minute reference	M00/131.9 M02/234.7 M00/9.2 M96/9.10
Revisions/amendments	Policy consolidated into single: Street Use Policy 2023	Minute references	
Review date	As required		

1. PURPOSE

- 1.1. To provide a consistent approach on leasing, licencing or use of streets owned or administrated by Tauranga City Council.

2. SCOPE

- 2.1. This policy covers the leasing, licencing or use of streets (including road berms, road reserves and unformed roads). It does not include leasing, licencing or use of roadways, except for the lease of subsoil below roadways.
- 2.2. This policy does not cover the use of streets (including road berms, road reserves and unformed roads) by mobile shops, events or promotions and giveaways, which is covered by the Use of Council Land Policy.

3. DEFINITIONS

Term	Definition
Airspace	The right of the council to the space above the roadway, road berm, road reserve or unformed legal road.
Balcony	A structure protruding into the airspace that has a habitable floor.
Berm	The area of land under the control of the council between the road and the property boundary, this includes the footpath and vehicle crossings.
Council	Tauranga City Council or any committee, subcommittee or elected member of the council or officer or other person authorised to exercise the authority of the council.
Licence	A licence to occupy agreement.
Street	Includes the road berm, road reserve and unformed legal road, it excludes the roadway, except when referring to subsoil leases
Subsoil	The right of the council to the land below the roadway, road berm, road reserve or unformed legal road.
Vehicle crossings	Vehicle crossings are the portion of a driveway located on council land between the road and the property boundary.
Veranda or Design Feature	A structure protruding into the airspace for the purpose of providing shelter and/or visual appeal to the streetscape. A veranda or design feature may not have a habitable floor (see balcony).

4. PRINCIPLES

- 4.1. Streets support a well-connected city and make it easy to move around in and with a range of sustainable transport choices.
- 4.2. Streets are safe, inclusive, and accessible public spaces for the community to use, any use of a street must comply with relevant legislation and plans, including appropriate health and safety requirements.
- 4.3. Streets are public spaces; any private or commercial use of a street should offer a public benefit.
- 4.4. The activation of streets through alfresco dining, events or commercial activities can create vibrant and diverse commercial centres.
- 4.5. Streets can support environmental and wellbeing outcomes through providing green spaces and spaces for nature within the city.
- 4.6. Street spaces with high cultural, archaeological, and historical value are recognised, valued, and protected.

5. USE OF THE STREET

- 5.1. The use of the street for private plantings is permitted under the conditions and criteria set out in Schedule One. The Group Manager: Infrastructure¹ is authorised to exercise discretion in waiving criteria and conditions where, in his professional opinion, such waiver is appropriate.
- 5.2. Converting the street into parking is discretionary and requires the permission of the Group Manager: Infrastructure and considering the conditions outlined in Schedule Two.
- 5.3. The use of artificial grass is not permitted on the street.

6. LICENCE TO OCCUPY THE STREET

- 6.1. The following criteria must be met before a licence will be issued:
 - the licence aligns with the principles of this policy
 - the licence will not prevent the adjoining landowners access to their land
 - the licence does not constitute a pedestrian or vehicular obstruction or hazard
 - there is no immediate requirement for the land
 - the access to all services are readily available
 - there is a land survey conducted in the relevant area as to the license proposal
 - the licence of the area is beneficial to the general public (ie. council no longer has to maintain the land at our cost, or provides a public benefit)
 - the proposed use of the land does not contravene the City Plan
 - no compensation for any improvements put on the land by the licensee.
- 6.2. Licences must be issued on a month-to-month basis determinable on one month's notice.
- 6.3. Private and commercial use of the street will require an application fee reflective of the costs of administering the licence as set out in council's user fees and charges.
- 6.4. Private and commercial use of the street will require an asset bond reflective of the cost of removing the activity and restoring the streetscape to its original condition.
- 6.5. The council will require businesses with street dining in the zones outlined in Schedule Three to:
 - have a licence to occupy the footpath
 - pay fees as per the council users fees and charges
 - promote smoke and vape free street dining
 - align with the street dining design guidelines.

¹ Or any equivalent future role.

- 6.6. The licence fees payable in respective street dining zones will be set through user fees and charges considering information (where available) on:
- the footfall of the area
 - the hospitality spend information
 - the traffic and volume parking information
 - the relevant rental/lease assessments
 - the related use of council land zoning fees
 - the standard of public infrastructure in wider area (eg, destination playgrounds, walkways, community facilities).
- 6.7. The zone fee should aim to reflect the average commercial value for street dining in that zone. In considering the information in 6.6, council will consider information from different time periods in the year to account for the seasonal differences in the value of street dining.
- 6.8. Council may consider reducing the fees for street dining for a limited time, subject to financial considerations, when circumstances arise that result in:
- a limited-time disruption to foot traffic in an area, and
 - a significant reduction in the likelihood of people utilising street dining, and
 - an impact on ongoing viability of the business.

7. LEASE OF AIRSPACE ABOVE STREETS

- 7.1. As a general principle public airspace is not available for private development.
- 7.2. Requests may be made for approval for buildings to encroach into the airspace above public streets. This creates potential for development which may conflict with public objectives of ensuring continued functioning of the street and protecting the amenity of the street space and the loss of the use and enjoyment of space for the public. In considering requests to use the airspace the council will consider the principles of this policy, in addition to:
- maintaining public benefits provided by the street space
 - ensuring that the safe and efficient functioning of the street for the movement of pedestrians and vehicles is not compromised in any way by building encroachment
 - avoiding any loss of amenity or potential amenity including the planting of trees as well as pleasantness, coherence and harmony of the street space caused by building encroachment
 - enabling development of street airspace which is consistent with established urban design themes and alfresco dining experience within commercial areas.
- 7.3. Encroachment of buildings into airspace above streets generally should be limited to:
1. verandas allowed or required by the District Plan, or verandas or design features approved by council as appropriate for the area
 2. “alfresco” dining on open balconies above verandas at first floor level adjoining premises in commercial business zones.

- 7.4. Verandas and design features under 7.3 (1) do not require a licence to occupy or need to pay fees. The property owner is responsible for the ongoing safety and maintenance of the structure.
- 7.5. Balconies under 7.3 (2) require approval from the Group Manager: Infrastructure² and must have a licence to occupy. Fees for balconies under 7.3 (2) will be set at 75% of the relevant street dining rate for the area occupied as set out in councils user fees and charges.
- 7.6. Encroachment of buildings into airspace above roads other than that set out in 7.3. above should:
- be allowed only in unusual or exceptional circumstances
 - not be contrary to section 7.2 (1) or (2) above
 - ensure that public amenities are provided which completely offset the effects of the loss of any public space
 - pay fees set at a market rate or provide public amenities to offset the loss of public space at a value of at least equal to the market value of the lease, capitalised over 50 years.
- 7.7. When considering an application to lease airspace above streets, the following factors must be assessed to ensure that the public interest is protected, and legal requirements are met:
- An encroachment must ensure that sufficient airspace remains above the surface of the street for the free and unobstructed passage of vehicles and pedestrians lawfully using the road.
 - No encroachment will be allowed into the airspace above the vehicular carriageway, nor be lower than a height to be specified by the council in each case, above the surface of the footpath or street below.
 - An encroachment must not interfere with or in any way obstruct the right of the Crown, or of any authorised person to run utility services along the road as set out in Section 357(2) of the Local Government Act.
 - An encroachment must comply with the City Plan and be subject to obtaining all necessary consents whether under Resource Management Act, Building Act or otherwise.
 - Council must have no immediate or foreseeable use for the air space.
- 7.8. Private and commercial use of the street will require an application fee reflective of the costs of administering the licence as set out in council's user fees and charges.
- 7.9. Private and commercial use of the street will require an asset bond reflective of the cost of removing the activity and restoring the streetscape to its original condition.

² Or any equivalent future role.

8. LEASE OF SUBSOIL BELOW STREETS³

8.1. That, as a matter of general policy, the council would not lease subsoil below streets for the use of private developers.

8.2. The following items are specifically excluded from consideration under this policy for leasing of subsoil below streets and will require specific council approval in each case:

- leases for underpasses
- leases for pedestrian walls
- leases for occupied space.

8.3. When considering any application to lease subsoil below streets, the following factors must be assessed to ensure that the public interest is protected, and legal requirements are met:

- Public benefits provided by the street space are maintained
- The safe and efficient functioning of the road for the movement of pedestrians and vehicles is not compromised in any way by the building encroachment.
- No loss of amenity or potential amenity, including the planting of trees, as well as pleasantness, coherence and harmony of the street space caused by building encroachment.
- The encroachment of buildings into subsoil below streets is limited to: foundation pads, wall beams or piles at least two metres below the road surface.
- The encroachment of buildings into subsoil below roads other than that set out above would require specific approval of the council.
- The encroachment must ensure that at least two metres of subsoil space remains below the surface of the street for the free and unobstructed passage of underground services lawfully laid in the street.
- The encroachment must not interfere with or in any way obstruct the right of the Crown, or of any authorised person to run utility services along the road as set out in Section 357 (2) of the Local Government Act 1974.
- The encroachment must comply with the City Plan and be subject to obtaining all necessary consents whether under Resource Management Act, Building Act or otherwise.
- The council or other network utilities who have rights to lay services in the road must have no immediate or foreseeable use for the subsoil space.

8.4. Lease rentals, shall be payable:

- at a market rate, or
- by providing public amenities to offset the loss of public space at a value of at least equal to the market value of the lease, capitalised over 50 years.

³ Note in the case of subsoil leases can be considered for land below the roadway in addition to the street.

- 8.5. A lease may only be granted to the owner and occupier of any adjacent site. Any such lease is not capable of registration.
- 8.6. The term of the lease should not exceed fifty (50) years (subject to obtaining subdivision for a lease greater than 20 years) and should include a condition allowing the council to terminate the lease and require the removal of the foundations if required for a public purpose, upon 12 months' notice.
- 8.7. The terms of the lease may be reviewed in the event of the loss or destruction of the building to which the lease applies.
- 8.8. The lessee must pay all costs associated with any lease.
- 8.9. The applicant must provide written evidence that he has consulted all those that have rights to lay services in the road and that none of them have any objection to his proposal.
- 8.10. Leases shall be granted on terms and conditions as advised by the council's solicitor and approved by the chief executive.

9. ROAD STOPPING

- 9.1. Council will consider permanent road stopping and disposal, where:
- the road is not likely to be required for council or community purposes, or
 - the road stopping is required to meet the operational requirements of either council or the Crown.
- 9.2. Road stopping will be undertaken in accordance with the processes outlined in the Local Government Act 1974 or the Public Works Act 1981.
- 9.3. All costs associated with the road stopping shall be met by the requesting party or as otherwise specified by council's user fees and charges in the long-term plan or annual plan.
- 9.4. Road stopping requests will not be treated as surplus property under the Property Acquisitions and Disposals Policy 2021 and are not subject to right of first refusal process.

10. VEHICLE CROSSINGS

- 10.1. Property owners may install vehicle crossings as per the conditions set out in the Traffic and Parking Bylaw.
- 10.2. Council may relocate vehicle crossings when:
- a street or area is being redeveloped and the existing vehicle crossing obstructs the desired outcome from the redevelopment
 - a suitable alternative vehicle crossing is already available to service the property, or a relocated vehicle crossing could be developed to service the property.

11. RELEVANT DELEGATIONS

11.1. The implementation of this policy is delegated to the chief executive and their subdelegates.

11.2. The chief executive may make changes to the schedules of this policy. Any changes to schedules must be notified on the Tauranga City Council website.

12. REFERENCES AND RELEVANT LEGISLATION

- Local Government Act 2002
- Local Government Act 1972
- Land Transport Act 1998

13. ASSOCIATED BYLAWS AND POLICIES/USE OF COUNCIL LAND POLICY 2022

- Street Use and Public Places Bylaw 2018
- Property Acquisitions and Disposals Policy 2021

14. SCHEDULES

- Schedule One: Conditions for private plantings on streets
- Schedule Two: Conditions for converting streets into parking
- Schedule Three: Street dining zones

Schedule One: Conditions for private plantings on streets

Private property owners may plant on road berms along the frontage to their property in special circumstances where there will be a saving in maintenance costs to the council or the proposed planting compliments a plan for the streetscape in the area, subject to the following requirements:

1. The Group Manager: Infrastructure has provided a letter of permission⁴.
2. A sketch plan of the area to be planted showing all underground and overhead services with a detailed plant list naming those plant species to be used is to be submitted for approval to the Group Manager: Infrastructure⁵ prior to any on site work.
3. The plants shall not be poisonous or have spines, thorns or prickles.
4. The plants used shall not be contained in either "National Surveillance Plant Pests" or "Plant Pests of the Bay of Plenty" as set out in the "Plant Pest Management Strategy for the Bay of Plenty Region" prepared by Environment Bay of Plenty.
5. Any planting shall be entirely at the approval of council and may be removed, trenched, or altered by council or service authorities with no compensation paid, however notice will be given where practicable.
6. The planting shall be maintained by the property owner on whose frontage it is. This maintenance shall include keeping the vegetation low, clear of the footpath and free of weeds, excluding tree species where their natural shape and form is desirable.
7. If the planting is not maintained to a tidy standard, then council reserves the right to remove the planting, reinstate the grass and to recover the costs from the licence holder or the property owner.
8. No private structures are to be erected or alterations to the ground level are to be permitted within the berm frontage (other than structures associated with public works and official signs).
9. The garden planting on the berm cannot be fenced.
10. The property owner enters into a written agreement accepting these conditions which will be held on the property file.

⁴ Or any equivalent future role.

⁵ Or any equivalent future role.

Schedule Two: Conditions for converting streets into parking

Converting streets into parking is at the discretion of the Group Manager: Infrastructure considering the conditions and criteria set out in this schedule. The Group Manager: Infrastructure is authorised to exercise discretion in waiving criteria and conditions where, in his professional opinion, such waiver is appropriate. The conditions and criteria to be considered include:

1. Road berms that are currently planted in grass can be converted to angle or parallel parking (the parking area), paved where possible with “gobi blocks” or similar permeable surfacing in any of the following situations, subject to specific designs being approved by the Group Manager: Infrastructure.
 - Where the activity on the property adjacent to the “parking area” meets all the requirements of the CityPlan, and any resource consent which may apply.
 - Where there is no physical impediment to pedestrian paths or vehicle flow past the parking area and no adverse impact on road safety.
 - Where the parking area is adjacent to a Residential Zone, the neighbours will be asked by the applicant to comment on the proposal and the comments shall be included with any application.
 - Where the proposed parking area is served by a vehicle crossing(s).
 - Where road widening is undertaken to maintain the traffic flow capacity of the street.
 - Where there are Council Buildings, Properties or Reserves that attract people in cars and there are not enough car parks on the site to cater for the usual demand.
 - Where there are crèches, kindergartens, schools or other community related activities on site, which need short term, pick up and set down areas.
 - Where the significance of any council street trees to the streetscape affected by the paved areas is assessed by the City Arborist prior to consideration of the application.
 - Where consideration is given in the design to the planting of additional street trees to screen the parking and to visually soften the effect. The position, species and grade of tree are to be approved by the City Arborist. Urban safety and traffic safety need to be allowed for when screen planting.
2. Road berms that are currently planted in grass can not be converted to angle or parallel parking (the parking area) under the following circumstances:
 - Where home-based businesses or medical rooms are established in residential zones and the demand for parking exceeds what is required under the City Plan to be provided on site.
 - Where businesses have grown beyond their site and are unable to provide sufficient on site car parks.
 - Where high profile garden areas are removed or obscured.
3. Council will not contribute to the costs of construction of the extra parking areas and street lighting unless it can be shown that:
 - There is a greater public use and benefit from the work than that to the frontage on which the parking is constructed, or
 - Council owns the building, property or reserve which needs the parking, or

- Council is undertaking road works in the area and there is road land available on which it is possible to construct such parking at a reasonable cost in conjunction with the planned works, or
 - A financial contribution is offered by the owner of the property on whose frontage the parking is to be built which is considered to match the private/public benefit apportionment of the benefits of the works, and
 - The council expenditure is in the approved Annual Plan and budget for the year or council resolves to allocate money for the work during the financial year.
4. The ongoing maintenance of the paved area and any street gardens or trees will be included into the annual maintenance budgets for the road section.

DRAFT

Schedule Three: Street Dining Zones

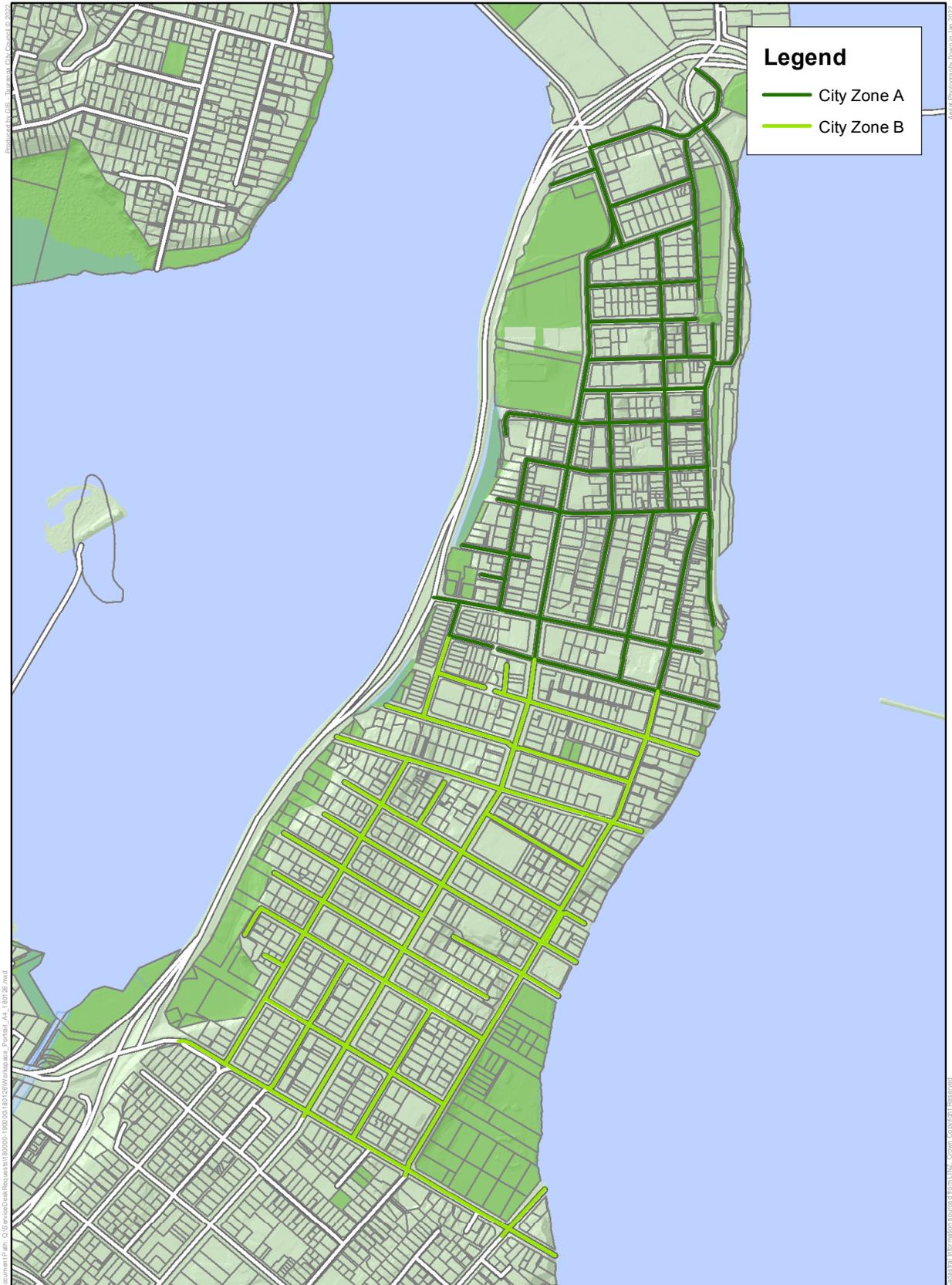
Zone A – Inner City Centre, South of Marsh Street to First Ave (inclusive)

Zone B – South City Centre, Second Ave to Eleventh Ave (inclusive)

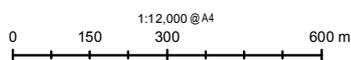
Zone C – Mount Central, North of SH2, Hewletts Road and Golf Road (inclusive)

Zone D – Mount Mainstreet, Maunganui Road from Grace Road to Salisbury Avenue (inclusive)

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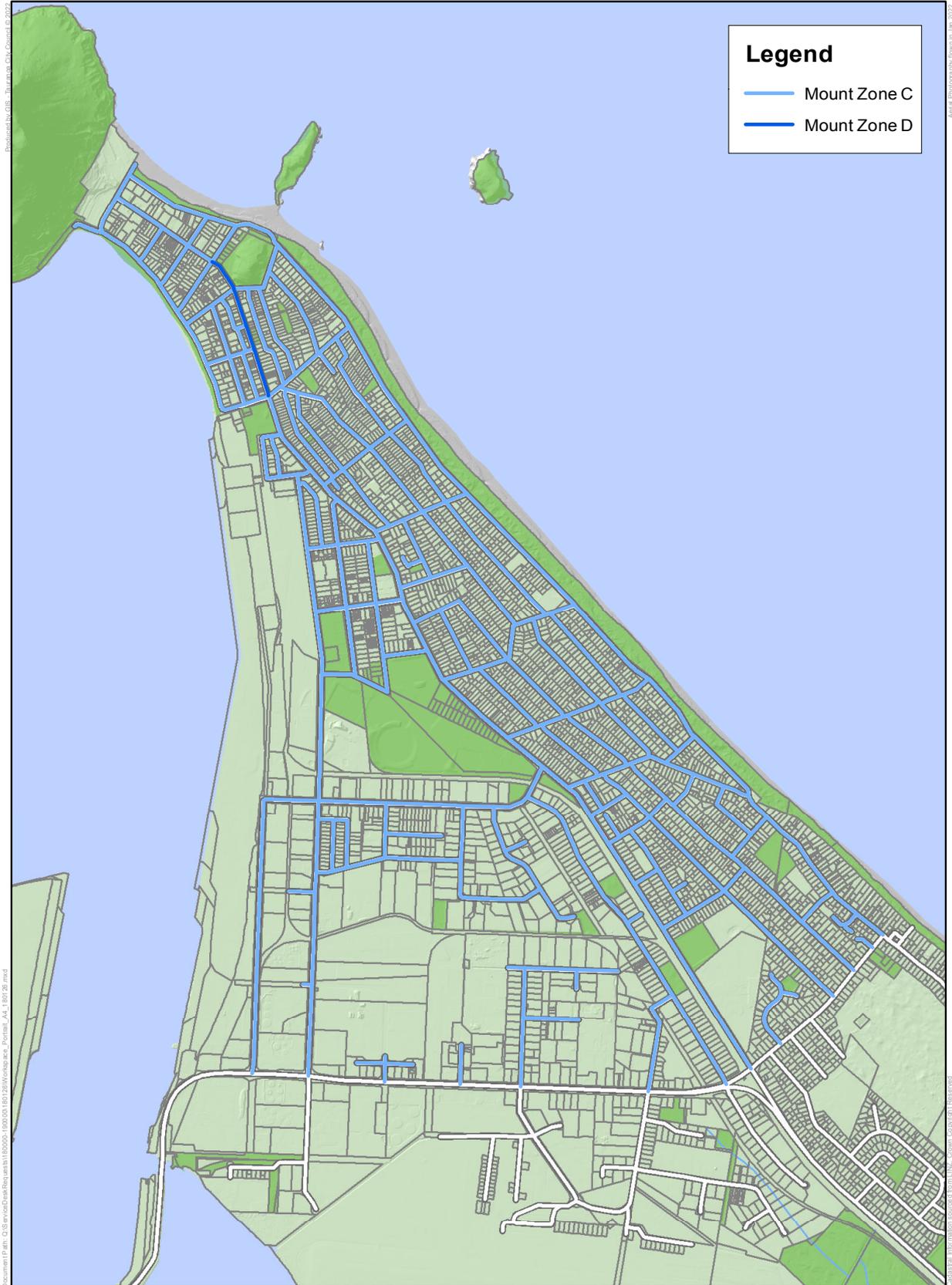


**City Centre
Street Dining Zones**



Information shown on this plan is indicative only. The Council accepts no liability for its accuracy and it is your responsibility to ensure that the data contained herein is appropriate and applicable to the end use intended.

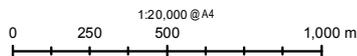




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Aerial Photography from 18 Jun 2022
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**Mount Maungaui
Street Dining Zones**



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9.8 Adopt Draft Gambling Venues Policy for Consultation

File Number: A14879854

Author: Jennifer Ross, Policy Analyst

Authoriser: Sarah Omundsen, General Manager: Regulatory and Compliance

PURPOSE OF THE REPORT

To provide options for the relocation criteria in the attached draft Gambling Venues Policy and seek approval for public consultation on the draft policy.

RECOMMENDATIONS

That the Strategy, Finance and Risk Committee:

- (a) Receives the report "Adopt Draft Gambling Venues Policy for Consultation".
- (b) Gives direction on preferred relocation option in the draft Gambling Venues Policy, confirming the recommended option to enable gambling venues to relocate to alternative premises.
- (c) Approves the Statement of Proposal for the Draft Gambling Venues Policy (Attachment One) for public consultation, which includes the Social Impact Assessment 2023 and the draft policy, subject to any amendments required to give effect to the decisions made under recommendation (b).
- (d) Delegates to staff the authority to make minor editorial or presentation changes to the draft policy for correction or clarity.

EXECUTIVE SUMMARY

2. On 27 March 2023, the Strategy, Finance and Risk Committee (committee) requested a review of the relocation criteria of the Tauranga City Gambling Venues Policy 2019. The policy was previously reviewed in 2022 and no changes were made.
3. The current policy does not permit any new gambling venues or gaming machines to be established in Tauranga, known as a 'sinking lid' policy, with the intention that the number of gambling venues and gaming machines decline overtime.
4. However, the policy does allow gambling venues to relocate when two criteria are met:
 - (a) they cannot continue to operate in their current premises for a specified reason
 - (b) the new premises are in a permitted area.
5. Removing the first criteria for the relocation of gambling venues would allow venues to move away from areas of higher deprivation and into new growth areas of the city. However, it may reduce the effectiveness of the 'sinking lid' policy as more venues may relocate rather than close, keeping the number of gambling venues the same rather than reducing them. Research indicates that gambling behaviour is strongly associated with distance to the nearest gambling venue⁵, therefore moving venues away from areas of high deprivation may help reduce gambling harm in our communities⁶.

⁵ "Assessment of the Social Impacts of Gambling in New Zealand" Ministry of Health 2008.

⁶ People on lower incomes and living in low socioeconomic communities are disproportionately affected by gambling harm ("Strategy to Prevent and Minimise Gambling Harm 2022/2023 to 2024/2025" Ministry of Health 2022).

6. Initial engagement has been carried out with key stakeholders including gambling venues, gaming machine trusts, TAB, and social service providers (including Māori support services) to understand any issues with the current relocation criteria. The feedback received was varied and includes support for the current criteria, requests to not allow any relocations, and suggestions that the relocation provisions be relaxed to enable more relocations. These three options for the relocation of gambling venues are provided in this report.
7. This review of the policy also provides an opportunity to refresh the policy⁷.

BACKGROUND

Context

8. There are currently 32 Class 4 venues and four TAB venues (which are also Class 4 venues as they have gaming machines) in Tauranga City. There are 469 gaming machines, also known as pokies, operating in our city (as of June 2023).
9. Most gambling venues in Tauranga were established prior to the introduction of location criteria in this policy and just over half of the current venues are located in areas that would not be permitted under this current policy⁸.
10. The relocation criteria in the Gambling Venues Policy (adopted in March 2019) has not:
 - (a) reduced the number of Class 4 venues
 - (b) directly impacted the number of gaming machines operating.

Policy Review

11. The committee requested a review of the relocation criteria for existing Class 4 and TAB venues in the current policy as concerns were raised that the current required circumstances for relocation are preventing venues from moving away from areas of higher deprivation or being relocated to premises better suited to our growing city. Three options for the relocation of gambling venues are provided.
12. While reviewing the policy, we noted that the criteria for areas where venues might relocate need to be refreshed to reflect the new census data available. Feedback from key stakeholders confirmed that the maps attached to the policy to illustrate those areas for relocation were out of date and hard to use.
13. In 2022 the Gambling Venues Policy was fully reviewed and the effects of the sinking lid policy restricting any relocation of Class 4 or TAB Venues were examined. The review found that the sinking lid policy was not having a detrimental effect on the funding available to community groups through any reduction in the funds from grants distributing gaming profits. No changes were made to the policy following the 2022 review.

STRATEGIC / STATUTORY CONTEXT

14. The City Vision adopted by Council and developed in conjunction with the community outlines our collective vision for the city. 'Tauranga, together we can' captures the vision for a collaborative approach to realising a city that 'prioritises nature', 'lifts each other up', and 'fuels possibility'.

⁷ Including changes to update:

- references to current legislation, Racing Industry Act 2020 replacing the Racing Act 2003
- references to current and future measurements of deprivation to keep up with changes in the city
- the maps with out-of-date data about the city to maps that are kept current on our website
- references to current council committees and strategic documents
- minor drafting changes in line with current best practice for consistency

⁸ 16 of 32 venues are in locations that they would not be permitted to relocate to under the current policy.

15. The vision and strategic framework inform the council's plans and policies, which guide the implementation of these higher-level strategies in council's day-to-day activities. It is important that council's approach to the relocation of gambling venues is aligned with the council's strategic direction. More specifically, the Gambling Venues Policy should deliver an approach to managing the number and locations of gambling venues that seeks to achieve a city that is inclusive, safe, resilient and healthy, and is well planned with successful and thriving communities. This will involve balancing the competing needs in our community for access to Class 4 and TAB gambling in our city and access to community funding from gaming trusts, with the need to minimise the harm to the Tauranga community caused by gambling in Class 4 and TAB venues.
16. Both the Gambling Act 2003 and the Racing Industry Act 2020 require that the council consider the social impact of gambling in our city when reviewing this policy. A Social Impact Assessment has been prepared to inform these considerations and is attached to this report as an appendix of Attachment One.

OPTIONS ANALYSIS

17. Under council's current policy, no new Class 4 venues or TAB venues can be opened in Tauranga City. The policy only permits venues to relocate if:
 - (a) their current premises are unfit or no longer available due to certain circumstances, limited to expiration of lease, site redevelopment, natural disasters, fire or being earthquake-prone
 - (b) the new premises are in a commercial or industrial zone identified in the Tauranga City Plan that is more than 100 metres from residential zones of high-deprivation, as measured on the NZDep 2013 index.
18. Under the change proposed in Option Two:
 - (a) Venues would be able to relocate to alternative premises for any reason, even if they could continue to operate in their current premises
 - (b) Venues wishing to relocate would only be able to move to premises in a commercial or industrial zone identified in the Tauranga City Plan that is more than 100 metres from residential zones of high-deprivation, as measured on the NZDep 2018 or subsequent indexes (current rules specify the NZDep 2013 index which has been superseded).
19. Three options are identified for the Committee's consideration relating to the relocation criteria within the Gambling Venues Policy. Initial consultation and engagement with key stakeholders included support for all three options, retaining the current criteria, relaxing the criteria and requests to not allow any relocations regardless of criteria.

20. **Table One: Relocation Criteria Options**

Option	Advantages	Disadvantages
<p>Option One: Status quo, venues can relocate under limited circumstances.</p>	<ul style="list-style-type: none"> • Requires no changes or public consultation. • Retains an effective sinking lid to reduce gambling venues and gambling harm associated with gaming machines in our city over time. • Still provides for existing venues to relocate and clubs to merge if the required circumstances are met. • Preferred over Option Two by Problem Gambling Foundation, Salvation Army Oasis, Toi Te Ora and Iwi representatives (Ngāi Te Rangi and Ngāti Pūkenga). • Preferred over Option Three by gaming trusts, TAB New Zealand and venues operating in Tauranga. 	<ul style="list-style-type: none"> • As relocation remains limited, it is more difficult for venues to move away from areas of high deprivation. • Over time the number of gambling venues may decrease and reduce the amount of funding available to community organisations and projects (though has not been the case in the four years since these relocation criteria were introduced). • Does not provide the opportunity for the wider community to provide feedback.
<p>Option Two: Amend the relocation criteria to enable gambling venues to relocate to alternative premises for any reason.</p>	<ul style="list-style-type: none"> • Increases the ability for existing venues to relocate, allowing them to move if they want to out of areas of high deprivation, potentially reducing gambling harm. • New growth areas of the city will be able to have gambling venues, subject to the location criteria. • Provides opportunities for people who wish to gamble to continue to do so, although these opportunities may still decrease over time as no new venue consents will be granted. • Supported by gaming trusts, TAB New Zealand and venues operating in Tauranga. • Provides the wider community the opportunity to provide feedback. 	<ul style="list-style-type: none"> • Relocations reduce the effectiveness of the sinking lid policy and allow for the continuation of gambling harm associated with gaming machines in our city. • Venues could become clustered together within the permitted areas and associated social problems may arise. • Opposed by Problem Gambling Foundation, Salvation Army Oasis, Toi Te Ora and Iwi representatives (Ngāi Te Rangi and Ngāti Pūkenga).

<p>Option Three:</p> <p>Amend the relocation criteria to not allow any relocation of venues.</p>	<ul style="list-style-type: none"> Increases the effectiveness of the sinking lid policy, reduces gambling venues and gambling harm associated with gaming machines in our city over a shorter time. Supported by Problem Gambling Foundation, Salvation Army Oasis, Toi Te Ora and Iwi representatives (Ngai Te Rangi and Ngāti Pukenga). Provides the wider community the opportunity to provide feedback. 	<ul style="list-style-type: none"> Does not allow for the long term provision of gaming machines for people who wish to gamble. Gambling venues remain in current locations, including those close to areas of high social deprivation. Over time the number of gambling venues will decrease and reduce the amount of funding available to community organisations and projects. Opposed by gaming trusts, TAB New Zealand and venues operating in Tauranga.
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Draft policy for public consultation

- Attachment Two includes a draft of the updated policy. The draft reflects the updates outlined in Paragraph 6 and includes the changes required to the policy if Option Two (recommended) is selected. The relocation criteria in the draft policy will be updated following your decision on Recommendation (b) in this paper prior to consultation.
- The criteria for where venues can relocate to is updated in the draft policy to reflect current data on areas of higher-deprivation and ensure venues do not move into those areas.

FINANCIAL CONSIDERATIONS

- If the Committee wanted to make the recommended amendments to the policy, then consultation costs, covered by the existing policy budget, will be incurred.

LEGAL IMPLICATIONS / RISKS

- There is potential risk for a perceived conflict of interest with this change of policy. This change will be favourable for the gaming machine owners, who act as grants organisations in our community when they distribute the proceeds from gambling. At times, council works directly with the grants organisations and brings them together to look at opportunities for them to fund projects in our communities, including council projects. While the contribution from the gaming organisations is small, members of the public may be concerned that funding community projects is being given priority over protecting our communities from gambling harm.
- The policy is required to be reviewed every three years. If the policy is not reviewed within the three-year time frame, the policy continues to be enforceable for a further two years. This review is in addition to the reviews required under the Gambling Act 2003 so the next review date will be a further three years following this review.

CONSULTATION / ENGAGEMENT

- As noted in paragraph 6, a range of organisations in our community have been contacted regarding the review of the relocation criteria of this policy. A list of those organisations and a summary of their responses is provided as Attachment Three. As noted in the table of options, each option was supported by one or more organisations that responded.

SIGNIFICANCE

27. 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.
28. 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.
29. In accordance with the considerations above, criteria and thresholds in the policy, it is considered that the proposal to change the relocation criteria is of medium significance, however the proposal to remove the indicative maps and update the reference to the NZDep2018 Index of Deprivation published by University of Otago, Wellington is of low significance.

ENGAGEMENT

30. Taking into consideration the above assessment, that the proposal is of medium significance, officers are of the opinion that public consultation following the special consultative procedure in section 83 of the Local Government Act 2002 is required under the Gambling Act 2003.

NEXT STEPS

31. If the Committee decide to proceed with updating the relocation criteria in this policy, public consultation will be undertaken by staff. Following consultation, submission hearings will occur in late 2023.
32. If the Committee decide that no changes to the policy are required, then no further action is required, and the policy will be reviewed again in three years' time.

ATTACHMENTS

1. **Statement of Proposal - Gambling Venues Policy Review 2023 (A14959246) - A15049373 (Separate Attachments 2)** 
2. **Draft Gambling Venues Policy 2023 mark up for consultation - A15049290 (Separate Attachments 2)** 
3. **Summary of Initial Consultation Engagement for 2023 Gambling Venues Policy Review - A15032630 (Separate Attachments 2)** 

9.9 Draft Revised Community Funding Policy Hearings Report

File Number: A14885453

Author: Sandy Lee, Policy Analyst
Richard Butler, Community Partnerships Funding Specialist

Authoriser: Barbara Dempsey, General Manager: Community Services

PURPOSE OF THE REPORT

1. To receive submissions on the draft revised Community Funding Policy.

RECOMMENDATIONS

That the Strategy, Finance and Risk Committee:

- (a) Receive the report "Draft Revised Community Funding Policy Hearings Report".
- (b) Receive the written submissions on the draft revised Community Funding Policy (Attachment 1)
- (c) Receive the verbal submissions from those submitters who wish to speak to their submission.

EXECUTIVE SUMMARY

2. The Council supports community organisations through various types of cash grants and in-kind assistance, and it is important that this support is given in the best way possible. To do this, we have reviewed the Community Funding Policy to see whether improvements can be made, including looking at what other funding streams can be brought into the policy so that there is greater consistency and transparency in how the Council provides funding support.
3. On 26 June 2023 a draft revised Community Funding Policy was presented to the Strategy, Finance and Risk Committee (the committee) for approval for public consultation. The committee approved the draft policy and submissions were sought from 17 July to 13 August 2023.
4. 107 submissions were received (**Attachment 1**). Five targeted consultation events were held with a range of stakeholder groups and a summary of the feedback received from these events is provided (**Attachment 2**).

BACKGROUND

5. The Community Funding Policy was adopted by Council in July 2021, with the resolution that it be reviewed within 18 months to align with the Annual Plan cycles. It was also noted that the policy had been drafted with the intention that it eventually serve as an umbrella policy for community funding. The purpose of the review was to understand where the policy is working well and areas for improvement, including looking at what other funding streams could come into the policy to ensure a more consistent and transparent approach to community funding.
6. The review commenced in August 2022 and feedback was sought from a range of stakeholders, including previous community grant applicants, key partner organisations, the philanthropic organisations, iwi and hapū representatives, as well as staff across council that administer some form of community funding. Eight key issues were identified through this process.
7. The committee provided direction on these issues on 13 February 2023, and staff made amendments to the policy accordingly.

8. The draft revised policy was approved for public consultation by the committee on 26 June 2023. Consultation ran from Monday 17 July to Sunday 13 August 2023. The consultation document, which includes the submission form and draft policy, is provided (**Attachment 3**).
9. 107 submissions were received and are attached (**Attachment 1**). Table one below lists the 11 submitters wanting to speak to the committee today. An updated schedule will be provided at the hearings.

Table one

Submission number	Submitter name or organisation
001	Maia Christian
035	Stu Thompson (Boys Brigade Bew Zealand)
058	Simone Anderson (The Incubator)
067	Matthew King (Otumoetai Tennis Club)
096	Caroline Dafoe (Mums4Mums)
098	Kathy Webb (Neighbourhood Support)
102	Laura Wragg (Envirohub)
103	Glen Crowther (Sustainable Bay of Plenty)
105	Annie Hill (Creative Bay of Plenty)
107	Liz Davies (Socialink)
108	Heidi Lichtwark (Sport Bay of Plenty)

10. The consultation was advertised widely on the council website, social media (council's Facebook and LinkedIn pages) and advertisements in the Weekend Sun newspaper. Emails about the consultation were also sent via the council teams administering some form of community funding to their contacts database. The teams include Property Leasing, Community Development, Events, Takawaenga Māori Unit, Sustainability and Waste, Arts and Culture, and Spaces and Places.
11. There were also hardcopies of the consultation material, including draft policy and submission form, available at Customer Services at He Puna Manawa and all our other libraries as well as the Mount Hub.
12. The community was specifically asked about several of the proposed changes, including whether they agree that:
- community funding should be aligned with the strategic vision for the city
 - when Council is considering contestable grant applications of similar quality and standing, preference should be given to the organisation that does not already receive some form of support from the council
 - any single project should only be able to receive one type of funding from the council at the same time
 - capital funding and community leases should be brought into the Community Funding Policy
 - the maximum for the Community Development Match Fund Small Grant should be increased from \$1,000 to \$5,000
 - the Match Fund Medium Grant should be disestablished, and the remaining value incorporated into the existing Community Grant Fund, making the minimum value of this fund \$5,001 instead of \$10,001

- a new multi-year funding agreement option should be established
 - partnership agreements should be removed from the Community Funding Policy and the organisations supported through contracts for services instead.
13. Targeted consultation took place with a range of stakeholder groups, including in-person events with previous community grant applicants and community lease holders, and online events with ethnic community groups, current partnership agreement organisations, and representatives from Te Rangapū Mana Whenua o Tauranga Moana. A summary of the questions and discussions at each event is provided (**Attachment 2**).
14. The policy consultation was also promoted at a multi-ethnic forum about funding opportunities in Tauranga.

STRATEGIC / STATUTORY CONTEXT

15. The City Vision adopted by Council and developed in conjunction with the community outlines our collective vision for the city. 'Tauranga, together we can' captures the vision for a collaborative approach to realising a city that 'prioritises nature', 'lifts each other up', and 'fuels possibility'. These three pillars inform council's refreshed strategic framework, with our five primary strategies geared towards delivering the five community outcomes that together contribute to the vision.
16. The vision and strategic framework inform the council's plans and policies, including the Community Funding Policy, which guide the implementation of these higher-level strategies in council's day-to-day activities. It is therefore important that council's approach to community funding is aligned with the council's strategic direction. More specifically, the services, activities and projects council support through the distribution of funding should assist community organisations to contribute to the delivery of the community outcomes.

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 issue
 - (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 issue is of medium significance. However, the decision to receive and hear the submissions is of low significance.

ENGAGEMENT

20. Taking into consideration the above assessment, that the issue is of medium significance, and that targeted consultation with a wide range of stakeholders has already taken place, officers are of the opinion that no further engagement is required prior to the committee receiving the submissions.

NEXT STEPS

21. On 30 October 2023 the committee will be provided with a detailed analysis of submissions and will deliberate on the issues raised by submitters and consider the recommended

changes to the policy. It is anticipated that the revised Community Funding Policy will be adopted at the meeting.

ATTACHMENTS

1. **Written submissions_ALL - A14972168 (Separate Attachments 2)** 
2. **Targeted consultation events - summary - A14974448 (Separate Attachments 2)** 
3. **Consultation document - A14972190 (Separate Attachments 2)** 

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
<p>11.1 - Public Excluded Minutes of the Strategy, Finance and Risk Committee meeting held on 7 August 2023</p>	<p>s6(b) - The making available of the information would be likely to endanger the safety of any person</p> <p>s7(2)(a) - The withholding of the information is necessary to protect the privacy of natural persons, including that of deceased natural persons</p> <p>s7(2)(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)(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)(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> <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>	<p>s48(1)(a) - the public conduct of the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding would exist under section 6 or section 7</p>
<p>11.2 - Litigation Report</p>	<p>s7(2)(a) - The withholding of the information is necessary to protect the privacy of natural persons, including that of deceased natural</p>	<p>s48(1)(a) - the public conduct of the relevant part of the proceedings of</p>

	<p>persons</p> <p>s7(2)(g) - The withholding of the information is necessary to maintain legal professional privilege</p> <p>s7(2)(i) - The withholding of the information is necessary to enable Council to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations)</p>	<p>the meeting would be likely to result in the disclosure of information for which good reason for withholding would exist under section 6 or section 7</p>
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12 CLOSING KARAKIA