



# AGENDA

## Ordinary Council meeting Monday, 19 August 2024

I hereby give notice that an Ordinary meeting of Council will be held on:

**Date:** Monday, 19 August 2024

**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](http://www.tauranga.govt.nz).*

**Marty Grenfell**  
Chief Executive

# Terms of reference – Council

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## Membership

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<b>Chairperson</b>	Mayor Mahé Drysdale
<b>Deputy Chairperson</b>	Deputy Mayor Jen Scoular
<b>Members</b>	Cr Hautapu Baker Cr Glen Crowther Cr Rick Curach Cr Steve Morris Cr Marten Rozeboom Cr Kevin Schuler Cr Mikaere Sydney Cr Rod Taylor
<b>Quorum</b>	<u>Half</u> of the members physically present, where the number of members (including vacancies) is <u>even</u> ; and a <u>majority</u> of the members physically present, where the number of members (including vacancies) is <u>odd</u> .
<b>Meeting frequency</b>	As required

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## Role

- To ensure the effective and efficient governance of the City.
- To enable leadership of the City including advocacy and facilitation on behalf of the community.

## Scope

- Oversee the work of all committees and subcommittees.
- Exercise all non-delegable and non-delegated functions and powers of the Council.
- The powers Council is legally prohibited from delegating include:
  - Power to make a rate.
  - Power to make a bylaw.
  - Power to borrow money, or purchase or dispose of assets, other than in accordance with the long-term plan.
  - Power to adopt a long-term plan, annual plan, or annual report
  - Power to appoint a chief executive.
  - Power to adopt policies required to be adopted and consulted on under the Local Government Act 2002 in association with the long-term plan or developed for the purpose of the local governance statement.
  - All final decisions required to be made by resolution of the territorial authority/Council pursuant to relevant legislation (for example: the approval of the City Plan or City Plan changes as per section 34A Resource Management Act 1991).
- Council has chosen not to delegate the following:
  - Power to compulsorily acquire land under the Public Works Act 1981.
- Make those decisions which are required by legislation to be made by resolution of the local authority.

- Authorise all expenditure not delegated to officers, Committees or other subordinate decision-making bodies of Council.
- Make appointments of members to the CCO Boards of Directors/Trustees and representatives of Council to external organisations.
- Consider any matters referred from any of the Standing or Special Committees, Joint Committees, Chief Executive or General Managers.

### **Procedural matters**

- Delegation of Council powers to Council's committees and other subordinate decision-making bodies.
- Adoption of Standing Orders.
- Receipt of Joint Committee minutes.
- Approval of Special Orders.
- Employment of Chief Executive.
- Other Delegations of Council's powers, duties and responsibilities.

### **Regulatory matters**

Administration, monitoring and enforcement of all regulatory matters that have not otherwise been delegated or that are referred to Council for determination (by a committee, subordinate decision-making body, Chief Executive or relevant General Manager).



## Order of Business

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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 THE ORDER OF BUSINESS**
- 7 CONFIRMATION OF MINUTES**  
Nil
- 8 DECLARATION OF CONFLICTS OF INTEREST**
- 9 DEPUTATIONS, PRESENTATIONS, PETITIONS**  
Nil
- 10 RECOMMENDATIONS FROM OTHER COMMITTEES**  
Nil

## 11 BUSINESS

### 11.1 Briefing to Incoming Council - Update

**File Number:** A16210521

**Author:** Jeremy Boase, **Manager:** Strategy & Corporate Planning

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

**Please note that this report contains confidential attachments.**

Public Excluded Attachment	Reason why Public Excluded
Item 11.1 - Briefing to Incoming Council - Update - Attachment 1 - Attachment 1 - Project Funding Updates Council Report 11 July 2024	s7(2)(h) - The withholding of the information is necessary to enable Council to carry out, without prejudice or disadvantage, commercial activities.
Item 11.1 - Briefing to Incoming Council - Update - Attachment 2 - Attachment 2 - Council Resolutions 11 July 2024	s7(2)(h) - The withholding of the information is necessary to enable Council to carry out, without prejudice or disadvantage, commercial activities.

### PURPOSE OF THE REPORT

- To provide an update to the Briefing to Incoming Council adopted by the previous Council, and to advise Council as to the action plan to address matters identified in that update.

### RECOMMENDATIONS

That the Council:

- Receives the report "Briefing to Incoming Council - Update".
- Formally receives the "Briefing to Incoming Council" prepared and adopted by the previous Council.
- Transfers Attachments 1 and 2 into the open with immediate effect.
- Notes the Action Plan to continue to seek endorsement of a business case and ultimately secure funding for Cameron Road Stage 2, (as outlined in paragraph 16 of the 'Briefing to Incoming Council – Update' report).
- Attachment 1** can be transferred into the open when approved by Council resolution (refer (c) above).
- Attachment 2** can be transferred into the open when approved by Council resolution (refer (c) above).

### BACKGROUND

#### Briefing to Incoming Council

- On 10 June 2024, Council formally approved a document prepared by the commissioners titled 'Briefing to Incoming Council'. That document was subsequently posted on the Election



2024 page of Council's website where it is still available: [brief-incoming-council-2024.pdf](#). It was also referenced in an email from the Electoral Officer to all candidates on 17 June 2024.

3. The Commissioners prepared the Briefing to Incoming Council to share with the incoming Council their thoughts on the strategic direction and priorities for the city, and the challenges and opportunities that Council faces. Council is invited to formally receive that document.

### **Matters occurring since**

4. Since the Briefing to Incoming Council was written, adopted and published, two matters beyond Council's control have occurred that have a significant impact on elements of that document. One of these matters relates to the financing of the Te Manawataki o Te Papa (the heartbeat of Te Papa) project which is covered in a separate report on this agenda. The other matter of significance relates to funding from New Zealand Transport Agency (NZTA).
5. In response to those matters, the outgoing Council received a confidential report on 11 July 2024 setting out the matters that arose and the potential impacts on Council. That report also outlined an action plan developed by staff to respond to those matters. A copy of that report and its three attachments is included as **confidential Attachment 1** to this report.
6. Having considered the report, Council passed several resolutions. These included endorsing the action plan prepared by staff and the preparation of an addendum to the Briefing to be reported to the incoming Council (this report). The adopted resolutions are included as **confidential Attachment 2** to this report.

### **Revoking confidentiality**

7. The 11 July 2024 report was received in confidential, and the Council resolved to retain it in confidential. At that time, the reasons for this were to enable ongoing discussions and negotiations to continue with commercial partners (Crown Infrastructure Partners and LT McGuinness) and external parties (NZTA and government Ministers) before the issues became public.
8. Those discussions and negotiations have now reached a stage on both topics such that ongoing confidentiality is no longer appropriate. As such, recommended resolution (c) above recommends that the 11 July report 2024 report and its attachments, together with the minutes of that part of the meeting, be released from confidential into the open.

### **Action taken**

9. With regard to the Council-endorsed action plan, progress against the various elements of the action plan is included as **Attachment 3** to this report.
10. As part of the response to the Council-endorsed action plan, letters have been written to the Chair and Chief Executive of NZTA (**Attachment 4**) and to Ministers Bishop, Brown and Willis (**Attachment 5**).
11. A response from NZTA is included as **Attachment 6** to this report.
12. Council sought further information through an Official Information Request to access the minutes of the NZTA Value, Scope and Outcomes Committee which considered the Cameron Road Stage 2 (CRS2) business case and made a recommendation to go through to the NZTA Board. These minutes are included in **Attachment 7**.
13. A further letter has been received from NZTA advising of the indicative funding allocations in advance of the finalisation of the National Land Transport Programme (NLP) this month (**Attachment 8**).
14. Informal conversations have been held with NZTA to more fully understand the Board decision and to explore possible pathways forward.

### **Action Plan – Phase 2**

15. Following the execution of the majority of the action plan endorsed by the outgoing Council on 11 July 2024, a phase 2 action plan has been developed.

16. The Action Plan – Phase 2 includes:

- Exploring the opportunity to progress with urban accessibility (including active modes) aspects of the project through retaining future proofed flexibility within the design and reconfiguration of the funding stack.
- Developing a revised CRS2 business case which more strongly aligns with GPS 2024
- Analysis of the individual components of the project to understand the Benefit/Cost ratio of each, and ensuring that the business case funding request has components which individually and collectively exceed 1.

**STATUTORY CONTEXT**

17. See the report to Council on 11 July 2024 (**confidential Attachment 1**) for full details of the strategic context relating to the matters included in that report.

**STRATEGIC ALIGNMENT**

18. These matters covered in the 11 July 2024 report contribute to the promotion or achievement of the following strategic community outcome(s):

	Contributes
We are an inclusive city	✓
We value, protect and enhance the environment	✓
We are a well-planned city	✓
We can move around our city easily	✓
We are a city that supports business and education	✓

19. The recommendation in this report to endorse the action plan supports ensuring better outcomes for the city under each of the strategic community outcomes listed above.

**OPTIONS ANALYSIS**

20. This report is largely for information purposes. Other than the recommendation to release a previous report into the open section of the meeting there are no substantive decisions sought. As such, no options analysis is necessary.

21. There is, though, a recommendation to simply ‘note’ the action plan endorsed by the previous Council. For the matter relating to Te Manawataki o Te Papa financing, a separate report is on this agenda to further consider that matter. For the transport funding matter, work will continue in accordance with the Action Plan – Phase 2 as per paragraph 16 above.

**FINANCIAL CONSIDERATIONS**

22. High-level fiscal implications of the matters under consideration are addressed in the 11 July 2024 report to Council (confidential Attachment 1).

**LEGAL IMPLICATIONS / RISKS**

23. Legal and risk implications of the matters under consideration are addressed in the 11 July 2024 report to Council (confidential Attachment 1).

**TE AO MĀORI APPROACH**

24. The elements of Council’s business that are covered in the 11 July 2024 report have a strong focus on tangata whenua recognition and values. In particular, the Te Manawataki o Te Papa project, and the land it occupies, has very strong importance to tangata whenua. A partnership approach has been taken to land ownership, and the precinct was co-designed with tangata whenua. The museum, exhibition space, and civic whare have particular resonance to tangata whenua.

25. The action plan to address the matters that have arisen since the Briefing to Incoming Council was adopted does not have a specific Māori or tangata whenua perspective.

### CLIMATE IMPACT

26. The matters covered in the 11 July 2024 report that remain confidential include elements that have a positive climate mitigation aspect, particularly with respect to increasing use of public and personal transportation. However, the action plan to address the matters that have arisen since the Briefing to Incoming Council was adopted does not have a specific climate impact.

### 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:
- 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.
  - 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 matter is of high significance. However, the decision is of low significance as the decision relates to receiving an update on a previously-resolved action plan in order to understand the matter more fully to enable an informed decision to be made at a later date or under a separate report.













### ENGAGEMENT

30. Taking into consideration the above assessment, that the decision is of low significance, and that there will be future decisions to be made by Council, officers are of the opinion that no further engagement is required prior to Council making a decision as per the recommendations of this report.

### NEXT STEPS

31. Subject to Council's decision, work will continue as per the Action Plan – Phase 2 and will be reported back to Council in due course.

### ATTACHMENTS

- Attachment 1 - Project Funding Updates Council Report 11 July 2024 - A16211201 - Public Excluded**
- Attachment 2 - Council Resolutions 11 July 2024 - A16217798 - Public Excluded**
- Attachment 3 - Action Plan and Progress - A16213690**  
- Attachment 4 - 2024 07 16 Letter to NZTA Chair Bridges re project of local significance urban transformation - A16328226**  
- Attachment 5 - 2024 07 16 Letter to Ministers update IFF and CRS2 - A16328198**  
- Attachment 6 - Response from NZTA to Marty Grenfell Dated 20 July 2024 - A16247096**  
- Attachment 7 - Extract Minutes from NZTA Value, Outcome and Scope Committee 18 April 2024 - A16265386**  
- Attachment 8 - Letter NZTA to TCC re: Indicative Funding Allocation - A16264466**  



Para in 11 July report	Subject	Action plan item	Status as at 7 August 2024
13	Te Manawataki o Te Papa IFF Levy	Developed, with the support of Crown Infrastructure Partners, an independent consultant brief to support and advise the newly-elected Council on this matter	Completed
		Appointed Kevin Jenkins, a skilled professional with experience in finance, risk and governance, to undertake the consultant brief	Completed – Mr Jenkins’ report is on this agenda
		Report to be formally presented to the incoming Council at the earliest appropriate opportunity outlining the matters, providing the independent advice report and seeking a decision as to whether the newly-elected Council endorses proceeding with an IFF levy for Te Manawataki o Te Papa	Completed – report is on this agenda
24	Cameron Road Stage 2	Take steps to understand the reason that CRS2 was assessed by NZTA as being unlikely to be prioritised for inclusion in the NLTP	Completed – feedback from the NZTA team is in line with their preliminary assessments under the refreshed IPM tools <a href="https://www.nzta.govt.nz/IPM_web_page">https://www.nzta.govt.nz/IPM_web_page</a>
		Explore whether the CRS2 business case can be re-presented for endorsement, which would then trigger the Letter of Best Endeavours coming into effect	<p>Letter written to Chair and CE of NZTA – see <b>Attachment 5</b> to this report.</p> <p>Response received from NZTA is included as <b>Attachment 6</b> to this report.</p> <p>Minutes from Value Outcome &amp; Standards Committee requested and received.</p> <p>Informal discussions with NZTA held.</p>

Para in 11 July report	Subject	Action plan item	Status as at 7 August 2024
			<p>TCC advised that the business case can be revised and represented.</p> <p>Action plan being developed on the work required to prepare a revised business case which can be resubmitted to the Board (with a view to that occurring November 2024 at the earliest).</p>
		<p>Seek to understand the criteria for the Roads of Regional Significance (RoRS), and whether CRS2 was assessed as part of the 2024 GPS RoRS process. Explore whether CRS2 could be submitted for consideration as a RoRS</p>	<p>Completed</p> <p>Discussed with NZTA. RoRS are related to State Highways so they will not be a pathway for CRS2 business case approval and funding.</p>
		<p>Consider whether the CRS2 project could be redesigned to align more strongly with the 2024 GPS and have higher likelihood of successfully securing funding in the 2027-2030 NLTP funding process</p>	<p>Completed</p> <p>Considered and concluded that this is the pathway to progress. As noted above work is underway to develop a project plan to revise the design, business case and funding stack to more strongly align with GPS2024.</p>
		<p>Identify pathways which would enable the CRS2 project to proceed in the 2024-2027 period, as per the adopted LTP, including exploring other funding arrangements both internally and with the Crown</p>	<p>Currently still under review.</p>
		<p>Explore options as to how the TSP IFF Order in Council could be changed to still comply with the IFF Act,</p>	<p>Underway – Package of transport projects (including ‘low cost / low risk’ category that could be replacement projects within an Order in Council to utilise the</p>

Para in 11 July report	Subject	Action plan item	Status as at 7 August 2024
		particularly with respect to beneficiary principles, and deliver meaningful transport outcomes for our community	levy. Further analysis required to ensure beneficiary principles met.
34	Strategic and fiscal consequences	Engaging Mr Steven Joyce as independent advisor as it is considered that he has the relevant skills and experience to provide a valuable contribution to Council	Completed – Mr Joyce engaged.
		Holding a strategic workshop, which senior TCC staff and Mr Joyce will participate in, to consider the future work programme and associated financing / funding strategies given the recent events as outlined in this report	Completed – first workshops held with Mr Joyce on 10 July and 12 July 2024.
		Depending on how matters progress and pathways identified, it is possible Mr Joyce could play a supporting role in future in addressing the challenges and opportunities	Mr Joyce continues to provide strategic advice on a limited basis.



16 July 2024

Simon Bridges  
 Chair  
 New Zealand Transport Agency – Waka Kotahi  
 By email: [Simon.Bridges@nzta.govt.nz](mailto:Simon.Bridges@nzta.govt.nz)

*Copied to:*  
*Hon Simeon Brown, Minister of Transport and Local Government*  
*Hon Chris Bishop, Minister of Housing and Infrastructure*  
*Nicole Rosie, Chief Executive*

Dear Simon

**Project of Local Significance – Urban Transformation – Cameron Road Stage 2**

Further to the letter sent to you on 29 April 2024 (attached) by Commission Chair Anne Tolley regarding the funding of Cameron Road Stage 2 (CRS2), I wish to seek further information in relation to the New Zealand Transport Agency (NZTA) Board's consideration of the Business Case for this project on 19 June 2024.

On 25 June 2025, Tauranga City Council (TCC) received notification via email of the Board's decision not to endorse the project and we were provided with minutes of the Board's decision:

*The Board:*

- *Requests that Management do further work in respect of the proposal, including in light of the wider transport environment in the area.*
- *The Board discussed the paper in respect of the draft GPS 2024 and the 24-27 NLTP.*

Using the “average household income” to “average house price” formula, Tauranga is the least affordable housing market in New Zealand. Recent figures on the issuance of building consents for new dwellings over the past five years show a slump in house construction to levels not seen since the global financial crisis.

**Tauranga City New Dwellings**

Monitoring Year	New Dwelling Units
Jul 18-June 19	1305
Jul 19-June 20	1294
Jul 20-June 21	1479
Jul 21-June 22	1252
Jul 22-June 23	839
Jul 23-June 24	500



The city has been working with crown agencies and its sub-regional partners for the past five years, culminating in both the Urban Form and Transport Initiative (UFTI) and the Transport System Plan (TSP) being agreed to and adopted by the Urban Growth Partnership. The plan identifies the eastern and western corridors of the city for greenfield development and the Te Papa Peninsula, primarily along the Cameron Road spine, for intensified housing. Plan Change 33, just adopted, provides for housing developments of up to eight stories high along the length of this corridor.

CRS2 is a project of local significance, which enables short-to-medium term delivery of intensified housing in the city. The project is supported by the Ministry of Urban Housing and Development and Kainga Ora and has attracted \$68 million in funding through the Infrastructure Acceleration Fund (IAF). This funding, alongside the levy raised against the city's ratepayers through the Infrastructure Funding and Financing Act (IFF Act), is reliant on the project proceeding.

Upgrading Cameron Road plays a pivotal role in connecting the greenfield housing development opportunities in the western area of the city. This western area greenfield opportunity has been assessed through the section of the Urban Development Act (UDA) known as a Specified Development Project and has estimated capacity of up to 25,000 new homes.

Council and our partners have expended considerable time and money in advancing CRS2 and we are confident that construction could commence mid-2025, subject to endorsement from NZTA and funding availability.

The implications of CRS2 not proceeding are far-reaching. To adequately brief and seek direction from the incoming Council, it is important Council has the relevant information and recommendations of the Value, Outcome and Standards Committee (VOSC) to the Board and the analysis that guided the Board's decision. We are advised that VOSC's recommendation was supportive of endorsement:

In particular, the information sought:

- details on how the Business Case is considered to be aligned or otherwise with the Government Policy Statement (GPS)
- details of why the business case is not considered to reflect the most appropriate transport solution for the network given the planned increased density in the Te Papa Corridor and the planned greenfields development in the wider Western Corridor
- the scope of the further work that the Board has requested from management
- what if any opportunities there are to have a revised Business Case reconsidered with a view to endorsement
- what if any are the funding pathways through the 2024 – 2027 National Land Transport Planning and Funding process.

With Council elections on 20 July, this information is sought with urgency, so that the newly elected members can consider the merits of further investing in this project, or conversely, the implications for our 2024-2034 Long Term Plan and/or the need for an amendment.

In anticipation of the urgent need for continued alignment between Tauranga City Council and NZTA, I propose that we secure an opportunity for the Mayor-elect to meet with you as soon as possible after the election.

In the meantime, I am happy to continue to liaise with your chief executive and officials and/or to meet directly in advance of a meeting with our Mayor.

Yours sincerely



Marty Grenfell  
**Chief Executive**

















**11.2 Te Manawataki o Te Papa Infrastructure Funding and Financial (IFF) Resubmission and Library / Community Hub Contract**

**File Number:** A16315533

**Author:** Christine Jones, General Manager: Strategy, Growth & Governance  
Paul Davidson, Chief Financial Officer

**Authoriser:** Marty Grenfell, Chief Executive

**Please note that this report contains confidential attachments.**

Public Excluded Attachment	Reason why Public Excluded
Item 11.2 - Te Manawataki o Te Papa Infrastructure Funding and Financial (IFF) Resubmission and Library / Community Hub Contract - Attachment 4 - Confidential C1 Twenty Two (David Lambie) advice re Contract Delayed Consequences	s7(2)(h) - The withholding of the information is necessary to enable Council to carry out, without prejudice or disadvantage, commercial activities.  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).

**PURPOSE OF THE REPORT**

- To decide whether Council continues with the proposed use of the Infrastructure Funding and Financing (IFF) Act to raise a levy to part-fund the Te Manawataki o Te Papa project.
- To authorise (or otherwise) the Chief Executive to enter into the main construction contract for the Library and Community Hub element of Te Manawataki o Te Papa.

**RECOMMENDATIONS**

That the Council:

- Receives the report "Te Manawataki o Te Papa Infrastructure Funding and Financial (IFF) Resubmission and Library / Community Hub Contract".

**Te Manawataki o Te Papa Infrastructure Funding and Financing (IFF) Levy**

- Confirms that Council will not continue to use an IFF Levy as a financing and funding tool for Te Manawataki o Te Papa at this time.
- Proceeds to secure approval through Local Government Funding Agency for increased debt covenants for Tauranga City Council.
- Notes that in the absence of an approval for an increase in debt covenants by 30 November 2024 Council will receive a further report on potential financing and funding options within the borrowing limits that are current at that time.
- Notes that the IFF levy which was planned to be introduced on 1 July 2025 will no longer occur.
- Approves additional borrowing of \$54 million, being the amount that was budgeted to be drawn down through the IFF levy and a revision of cash flows in the 2024/25 year, increasing the total borrowing programme for 2024/25 to \$445m and increasing gross debt to \$1.53 billion from the previously approved amount of \$1.47 billion.
- Approves a 2024/25 operational budget overspend of up to \$1.54 million being the

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amount of funding required to service additional debt borrowing based on the estimated cash flow.

- (g) Notes this overspend will be managed through other operational savings, however in the absence of these being fully achieved, any resulting rating deficit will be debt funded.
- (h) Confirms there will be sufficient funds available to fund the capital costs of TMoTP, noting that the Council has the option to achieve this by:
  - (i) Introduction of a rate (targeted or otherwise) commencing from 1 July 2025; and/or
  - (ii) Reprioritisation (including changes in scale and timing) of the capital programme from 1 July 2025 onwards.

#### **Construction contract**

- (i) Authorises the Chief Executive to enter the main construction contract with LT McGuinness Ltd for the Library and Community Hub.
- (j) Notes that the next Civic Whare, Exhibition and Museum (CWEM) contract will be presented to council towards the end of 2024, for consideration and approval or otherwise.

#### **Other**

- (k) Retains Attachment 4 in the public excluded section to enable Council to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations).
  - (a) **Attachment 4** can be transferred into the open on completion of the contract.
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### **EXECUTIVE SUMMARY**

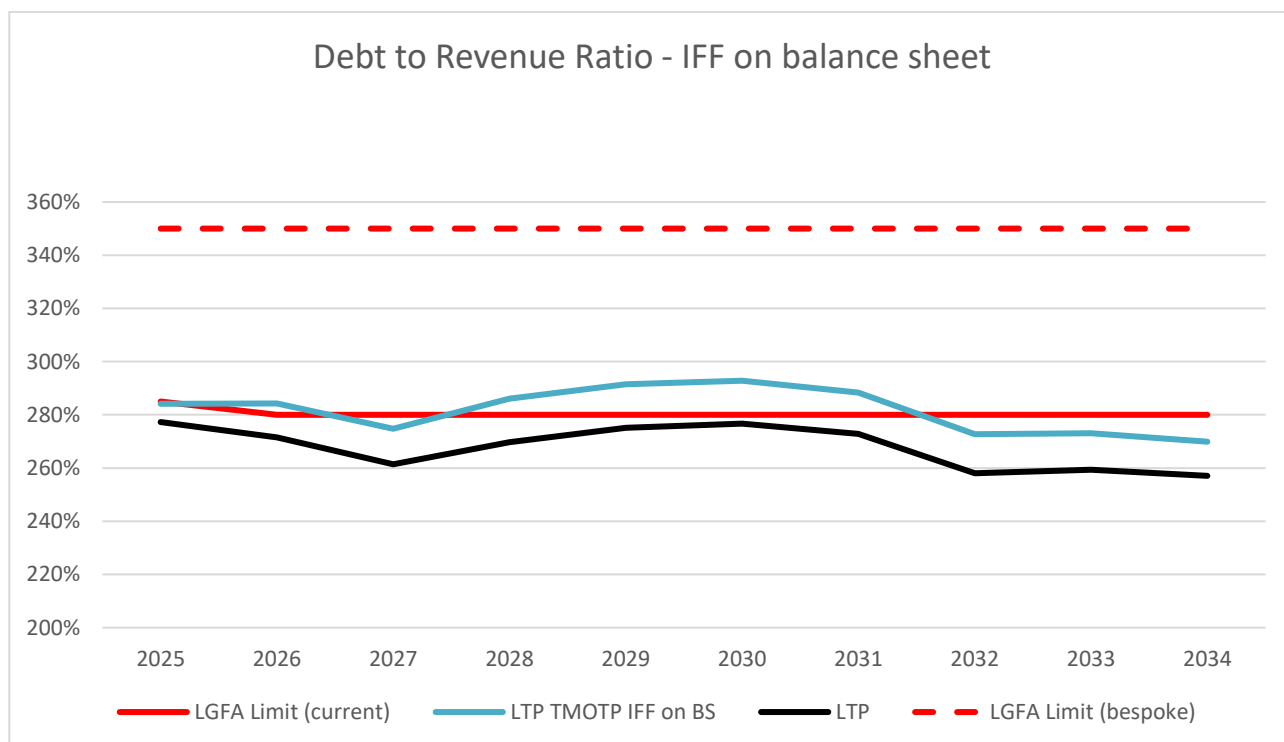
3. Tauranga City Council has previously consulted on and approved utilising an Infrastructure Funding and Financing Levy to part fund the Te Manawataki o Te Papa project. The process to put the levy in place subsequently progressed including seeking Ministerial approval as required by legislation.
4. The Minister of Housing wrote to Council in late June 2024 advising that he had “decided *not to recommend establishing a levy order under section 27 of the IFF Act at this time*”. The Minister noted that the incoming Council could resubmit the request for an IFF Levy.
5. On 8 August 2024 the Minister for Local Government announced initiatives impacting on the Local Government Funding Agency (LGFA). These changes will enable borrowing by Water Council Controlled Organisations (CCO’s) at a ratio of 500% debt to revenue and provide the potential for some local authorities to increase borrowing limits up to 350% where needed.
6. A decision is sought from Council as to whether to continue to progress an IFF levy for Te Manawakati o Te Papa, or to pursue alternative financing and funding arrangements.
7. Given the recently announced opportunity for increased borrowing through LGFA by both local authorities and Water CCO’s, it is recommended that this pathway be pursued as it is likely to offer a lower net cost of borrowing for the community.
8. A decision is also sought as to whether Council enters the main construction contract with LT McGuinness Ltd for the Library and Community Hub. If Council resolves to progress a pathway which will deliver sufficient funding and financing, it is recommended that the contract be entered into.

**BACKGROUND**

**Infrastructure Funding and Financing (“IFF”) Act 2020**

9. The IFF Act 2020 was enacted to “provide a funding and financing model for the provision of infrastructure for urban development, that—
  - (a) supports the functioning of urban land markets; and
  - (b) reduces the impact of local authority financing and funding constraints; and
  - (c) supports community needs; and
  - (d) appropriately allocates the costs of infrastructure” (s3, IFF Act 2020).
10. Briefly, the IFF approach enables a third-party entity to finance or part-finance Council infrastructure and to recover that investment over time via a levy on property owners. Council would own and operate the infrastructure paid for through the IFF levy, but the cost of that investment wouldn’t impact on Council’s balance sheet (or affect its debt-to-revenue ratio).
11. The impact of Council not financing this debt through the use of the IFF are shown in Figure 1 below. It effectively means that Council would exceed its current debt to revenue limitations based on the current LGFA limits. A revised ratio is shown on the graph below which would be the maximum amount of a covenant increase as discussed later in this report.

**Figure 1: Impact of not using IFF funding on Council’s borrowing position.**



12. Tauranga City Council was the first local authority in the country to take advantage of the opportunity provided by the IFF Act 2020, establishing financing and funding (via a property owner levy commencing 1 July 2024) for a portfolio of transport projects.
13. The Te Manawataki o Te Papa IFF would be Tauranga City Council’s second project funded through IFF (and the third project across New Zealand).

**Te Manawataki o Te Papa and the IFF Act 2020**

14. In **May 2022**, after a public consultation process, Council approved an amendment to the Long-term Plan 2021-2031 to include the Te Manawataki o Te Papa project<sup>1</sup>. At that time the ratepayer-funded portion of the total project costs were formally capped at \$151.5 million<sup>2</sup>.
15. In **July 2023**<sup>3</sup> Council considered a suite of reports on the Te Manawataki o Te Papa project. One of those reports outlined that staff had commenced discussions with Crown Investment Partners (who manage the IFF process on behalf of the Crown) to determine whether the rate-funded portion of Te Manawataki o Te Papa could be funded via an IFF levy on property owners.
16. In **September 2023**<sup>4</sup> Council considered further work done on the IFF proposal by staff and consultants and with Crown Investment Partners. Council approved continuing work on the IFF proposal and for formal community consultation on the IFF proposal to take place. That consultation occurred between 14 September and 6 October 2023.
17. Council received 301 submissions on the proposal. Of these, 63% supported the option of using an IFF approach, 28% preferred the option of using rates-funded loans, and 9% did not express a preference between the options. Five of the submitters also presented a verbal submission to Council in **October 2023**<sup>5</sup>.
18. In **November 2023**<sup>6</sup> Council considered the results of the community consultation together with further work undertaken on the proposed use of the IFF Act 2020 process. Council approved further work on the IFF proposal including the Chief Financial Officer working with Crown Investment Partners and relevant government ministries. That work was to be reported back to a future Council meeting before a final decision about whether to proceed with an IFF agreement and levy could be taken.
19. In **December 2023**<sup>7</sup> the Chief Financial Officer reported back to Council in public excluded session. Council approved continuing work and delegated authority to the Chief Financial Officer to finalise and submit a Levy Proposal to the Ministry of Housing and Urban Development. At the same time, Council noted that Crown Infrastructure Partners would launch a financing process in January and February. Despite the above actions, Council resolved that a final decision would not be made until February 2024 when further information on the expected costs of the proposal would be available.
20. In **February 2024**<sup>8</sup> the Chief Financial Officer presented a comprehensive report back to Council in public excluded session. Council confirmed its intention to submit a Levy Proposal to the Ministry subject to the final levy to property owners not exceeding stated limits (Crown Investment Partners had not completed its financing round at this stage so final levy values were not available). Council also re-delegated responsibility to the Chief Financial Officer to submit the Levy Proposal and also to finalise the Infrastructure Funding, Financing and Administration Agreement with the Crown Investment Partners subsidiary that was responsible for raising the financing.
21. Shortly after the February 2024 meeting, the Levy Proposal was submitted to the Ministry. At that time, financial close was anticipated to be before the end of June 2024.

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<sup>1</sup> 24 May 2022, Long-term Plan Amendment Deliberations – Civic Precinct Issues and Options Report

<sup>2</sup> A range of approaches has been used to fund the balance of the Te Manawataki o Te Papa project. See **Attachment 2** for the current funding arrangements.

<sup>3</sup> 24 July 2023, Financial Strategy – Te Manawataki o Te Papa

<sup>4</sup> 11 Sept 2023, Infrastructure Funding and Financing Act (IFFA) for funding Te Manawataki o Te Papa – Adoption of Consultation Document

<sup>5</sup> 16 Oct 2023, Hearings on the Options to Fund the Civic Precinct – Te Manawataki o Te Papa

<sup>6</sup> 6 Nov 2023, Deliberations on the Options to Fund the ratepayer portion of the Te Manawataki o Te Papa (Civic Precinct)

<sup>7</sup> 11 Dec 2023, Te Manawataki o Te Papa Infrastructure Funding and Financing Levy

<sup>8</sup> 26 Feb 2024, Te Manawataki o Te Papa Infrastructure Funding and Financing Levy

22. In **May 2024**<sup>9</sup> Council considered a further report on Te Manawataki o Te Papa funding, including the IFF proposal. Subject to Ministerial approval of the Levy Proposal, Council confirmed that the levy would commence on 1 July 2025 and that the maximum amounts for the median residential levy would be \$128 (including GST) and for the median commercial levy would be \$464 (including GST) for the 2025/26 financial year. The final actual levy would be determined at the conclusion of the financing process being run by Crown Investment Partners.
23. Each of the reports referred to in paragraphs 14 to 22 have been made available to elected members prior to this meeting<sup>10</sup>.
24. On the **8<sup>th</sup> of August** the Minister of Local Government announced changes to the LGFA borrowing programme allowing lending to water council-controlled organisations and the potential to increase borrowing covenants for high growth councils.

### Ministerial decision

25. On 26 June 2024, the Minister of Housing wrote to Council to state that he considers *'it important that the incoming council has their say on the levy proposal for Te Manawataki o Te Papa'* and that he had *'decided not to recommend establishing a levy order under section 27 of the IFF Act at this time'*. He further stated:
  - *'I must emphasise that this is not to do with the quality of the proposal nor the merits of the project itself. In fact, I am glad you brought this project to my attention – I understand it will be a key driver in encouraging more people to live, work, and play in the Tauranga city centre'* and
  - *'If the new council would like to resubmit the same or similar levy proposal for Te Manawataki o Te Papa, I would be very happy to consider it.'*
26. The full letter from the Minister is included as part of Attachment 1 to the 'Briefing to Incoming Council – Update' report elsewhere on this meeting's agenda.

### Council's response to the Ministerial decision

27. On 3 July 2024, the Chief Executive wrote to Minister Bishop, acknowledging receipt of the Minister's letter and advising that a decision would be sought from the incoming Council. A copy of that letter is also included as part of Attachment 1 to another report ('Briefing to Incoming Council – Update') elsewhere on this meeting's agenda.
28. Legal advice was also sought and received regarding 'next steps' particularly given the proximity of the election and Council's imminent change of governance.
29. On 11 July 2024, Council received a report titled 'Project Funding Updates' that addressed, among other things, the Minister's letter. That report is re-published elsewhere on this meeting's agenda.
30. The 11 July report included an action plan for responding to the Minister's letter. Briefly, it was:
  - work with Crown Infrastructure Partners to create a brief for an independent consultant.
  - engage an independent consultant.
  - receive a report from the independent consultant providing advice to the incoming council.

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<sup>9</sup> 10 May 2024, Te Manawataki o Te Papa Financial Strategy including Infrastructure Funding and Financing Levy

<sup>10</sup> These reports, attachments, and adopted resolutions are available in the Stellar folder supporting today's meeting.

31. The independent consultant appointed was Kevin Jenkins, co-founder of MartinJenkins an experienced financial, economic and public policy consulting firm based in Wellington and Auckland. A brief biography of Mr Jenkins is available on the MartinJenkins website: <https://www.martinjenkins.co.nz/about-us/board/kevin-jenkins/>.
32. Mr Jenkins' independent report has now been received and is included as **Attachment 1** (to this report). It is important to note that Mr Jenkins undertook and concluded his work prior to the government announcement on local government financing (as per paragraphs 39 to 42 of this report).

### Consequential implications – contract approval

33. In July 2023, as part of a suite of reports related to Te Manawataki o Te Papa, Council considered a 'Design and Cost Update' report. At that time, Council resolved as follows:

*Delegates to the Chief Executive authority to enter contracts on behalf of Council for the delivery of the Te Manawataki o Te Papa (Site A) programme of works as further outlined within the Te Manawataki o Te Papa Design and Cost Update Report – July 2023 (attachment 1), subject to:*

  - (i) *Endorsement by the Te Manawataki o Te Papa Board (Ltd.); and*
  - (ii) *Sufficient funds being available in accordance with the Te Manawataki o Te Papa Financial Strategy Report resolutions approved by Council at this 24 July 2023 meeting; and*
  - (iii) *Condition of commercial sensitivity.*
34. Under this delegation, contracts were entered into, and initial work on projects including the Library and Community Hub commenced. The delegation remains in place.
35. The main Library and Community Hub construction contract with LT McGuinness, valued at approximately \$71 million (\$23 million of which has already been contractually committed to under preliminary arrangements) is now ready to be signed. The contract is under the budgeted value for this part of the work and includes a 10% contingency.
36. After the 11 July 2024 Council meeting, the Chief Executive sought legal advice on the impact of the Minister's decision on the IFF levy proposal on the delegation noted above. In particular, whether the Minister's decision affects the "subject to ... sufficient funds being available" element of the delegation.
37. The resultant legal advice is included as **Attachment 4** to this report.
38. As a result of the legal advice, the main construction contract for the Library and Community Hub with LT McGuinness remains unsigned.

### Government Announcement on Local Government Debt

39. On 8 August 2024 the Minister for Local Government announced initiatives impacting on the Local Government Funding Agency (LGFA) specifically around lending to Water Council Controlled Organisations (CCO's) and the potential to increase borrowing limits for some councils where needed.
40. The proposed changes include:
  - (a) LGFA will support leverage for water organisations up to the level equivalent to 500 per cent of operating revenues subject to water organisations meeting prudent credit criteria. LGFA will treat borrowing by water organisations as separate from borrowing by parent council.
  - (b) LGFA is also reviewing whether it can prudently provide additional flexibility to councils to meet the future challenges faced by the sector. This includes consideration of increasing debt limits for high growth councils beyond the current ceiling of 285 per cent of operating revenues. It has been indicated this would be up to a ceiling of 350% based on LGFA board approval.

- 41. It should be noted that (b) above requires the approval by majority of LGFA shareholders which is scheduled for November. Board approval is also required and may require additional scrutiny by the lender which has not been made clear at this point.
- 42. The impact of these proposed changes is significant to Council. Most notably the debt projections in figure one in paragraph 11 are well within the proposed changed debt covenants if approved. Therefore, this would be the most economical form of borrowing given the lower interest rates offered through the LGFA.
- 43. It should be noted that there may be flow through implications to Councils credit rating undertaken by Standard and Poors.

**STRATEGIC ALIGNMENT**

- 44. The Te Manawataki o Te Papa project contributes to the promotion or achievement of the following strategic community outcome(s):

	Contributes
We are an inclusive city	✓
We value, protect and enhance the environment	□
We are a well-planned city	✓
We can move around our city easily	□
We are a city that supports business and education	✓

- 45. This report focuses only on part of the funding and financing methodology for the Te Manawataki o Te Papa project. There are no significant direct community outcome implications from the funding and financing options.

**OPTIONS ANALYSIS**

- 46. There are two distinct issues covered by this report and consequently two decisions to be made. These are:

**Issue 1** Whether or not Council wishes to resubmit an IFF levy proposal for Te Manawataki o Te Papa, and

**Issue 2** Whether or not Council wishes to enter into the main construction contract for the Library and Community Hub.

- 47. The financial considerations for the decisions are outlined in paragraphs 81 to 95 of this report.

**OPTION ANALYSIS: ISSUE 1 - IFF LEVY**

- 48. There are three main options under this issue.

**Option 1A – Resubmit the existing IFF levy proposal**

- 49. Under this option, Council would simply confirm its support for the Levy Proposal submitted to the Ministry in late February 2024.
- 50. The Minister has stated that he would be ‘very happy’ to consider the resubmitted proposal.
- 51. The independent report by Kevin Jenkins (see Attachment 1) recommends the use of the IFF Act and levy to part-fund Te Manawataki o Te Papa. However, as noted above this work was concluded prior to the government announcement on local authority debt (as per paragraphs 39 to 42 above).
- 52. This option confirms and continues the work that has been done to date on the IFF Levy proposal that was consulted on with the community.



53. The advantages and disadvantages of this option are outlined in Table 1 below.

**Table 1: Advantages and Disadvantages of Option 1A**

Advantages	Disadvantages
<ul style="list-style-type: none"> <li>• Option is able to be implemented immediately as this aligns with work to date and has been consulted on with the community.</li> <li>• Greater flexibility to fund future infrastructure projects than would be possible without IFF funding.</li> <li>• By retaining balance sheet capacity this lessens the risk that future additional debt retirement rates charges will be required or delays or removal of Council’s investment program.</li> <li>• Enables the cost of infrastructure to be spread over the life of the project enabling intergenerational equity.</li> <li>• A competitive financing process is being undertaken by CIP to ensure competitive rates for project financing.</li> <li>• Providing certainty of project funding and commitment to complete projects. This certainty is likely to be significant to external to council funding agencies and private investors.</li> <li>• Benefit for future funding negotiations by demonstrating, to the Crown and the public, that council is making use of all reasonably available funding sources.</li> <li>• Ensures the amount of the levy is certain over the longer term.</li> <li>• Council has systems and processes already set up for the TSP IFF levy although these will need to be reviewed for this proposal.</li> <li>• Refer also Kevin Jenkins report Attachment 1.</li> </ul>	<ul style="list-style-type: none"> <li>• Higher cost of debt than Council would expect from LGFA while balance sheet capacity remains.</li> <li>• There is a risk that base rates could move significantly prior to Financial Close of the IFF transaction resulting in an increase in the required levy (or, should Council confirm, reduction in the IFF funding provided). However, it is anticipated that levy amounts remain within, or close to, the levels consulted on.</li> <li>• There is a risk that finance costs may move lower after the swap rate for this project financing is fixed, which is a feature of all fixed rate borrowing.</li> <li>• Rating agencies have confirmed that they will consider future levy amounts in their assessments of council’s ability to implement future rates increases. Rating agencies have noted that the levy amounts are not material in their assessment at present including this levy. Also, to note that previously rates have been included to fund this project. This proposal replaces these rates with a levy.</li> <li>• May lock in long term financing while other funding and financing solutions that are subsequently offered to the sector may have greater merits than this transaction.</li> </ul>

54. This option is not recommended.

**Option 1B – Amend the existing IFF Levy proposal and then re-submit**

55. Under this option, Council would amend the Levy Proposal in some way and then re-submit. Staff and advisors would work with Council to determine the amendments required.

- 56. The Minister has stated that he would be ‘very happy’ to consider a levy proposal for Te Manawataki o Te Papa that is ‘similar’ to the levy proposal already submitted. Depending on the extent of amendments sought by Council, the Minister’s definition of ‘similar’ may be important to the success of an amended levy proposal.
- 57. The advantages and disadvantages of this option are outlined in Table 2 below.

**Table 2: Advantages and Disadvantages of Option 1B**

Advantages	Disadvantages
<ul style="list-style-type: none"> <li>• There may be a reduction in the funding costs if the IFF funding is delayed.</li> <li>• Greater flexibility to fund future infrastructure projects than would be possible without IFF funding.</li> <li>• By retaining balance sheet capacity this lessens the risk that future additional debt retirement rates charges will be required or delays or removal of Council’s investment program.</li> <li>• Enables the cost of infrastructure to be spread over the life of the project enabling intergenerational equity.</li> <li>• A competitive financing process is being undertaken by CIP to ensure competitive rates for project financing.</li> <li>• Ensures the amount of the levy is certain over the longer term.</li> <li>• Council has systems and processes already set up for the TSP IFF levy although these will need to be reviewed for this proposal.</li> </ul>	<ul style="list-style-type: none"> <li>• This option would most likely eventuate from a change in the projects being delivered through Te Manawataki o Te Papa project. Implications of this include:                             <ul style="list-style-type: none"> <li>○ Changing the benefit assessment and therefore putting at risk the ability to access IFF funding at all</li> <li>○ Being unable to sign up to the construction contract creating large sunk costs, litigation risk and losing all momentum on the project</li> <li>○ Likely to trigger a need to reconsult with the public</li> <li>○ Significant loss of credibility for Council with the construction community (wider than just the Te Manawataki o Te Papa project)</li> </ul> </li> <li>• Any significant change in the funding (even if not changing the projects) would be likely to require a new consultation process to be undertaken, significantly delaying the construction process already started.</li> <li>• Existing financing offers from the market likely to expire due to the time required to develop the revised proposal, complete the beneficiary analysis and consult.</li> <li>• Reputational risk with investors that fund the IFF project, caused by the delay. This might have an impact on how many financiers continue to engage in the market process and the interest rates they charge (risk premium).</li> <li>• Higher cost of debt than Council would expect from LGFA while balance sheet capacity remains.</li> <li>• Rating agencies have confirmed that they will consider future levy amounts in their assessments of council’s ability to implement future rates increases. Rating agencies have noted that the levy amounts are not material in their</li> </ul>

Advantages	Disadvantages
	<p>assessment at present including this levy. Also, to note that previously rates have been included to fund this project. This proposal replaces these rates with a levy.</p> <ul style="list-style-type: none"> <li>• May lock in long term financing while other funding and financing solutions that are subsequently offered to the sector which may have greater merits than this transaction.</li> </ul>

- 58. This option will take additional time to implement as an amended levy proposal is prepared and then subsequently reviewed by Crown Investment Partners and the Ministry of Housing and Urban Development.
- 59. This option is not recommended.

**Option 1C – Do not proceed with the IFF Levy proposal at this time, pursue LGFA borrowing and proceed with the project**

- 60. Under this option, Council would:
  - Not continue with the IFF levy proposal at this time; and
  - Pursue LGFA borrowing to fund TMoTP.
- 61. Given the requirement for LGFA shareholder approval for the changes to LGFA covenants if these are not forthcoming in November 2023 then the option exists to revisit a IFF levy. This also provides time for proposed amendments to IFF legislation to be understood.
- 62. In the short-term, a decision not to proceed with the IFF levy proposal would mean Council would need to make a decision on the contract award without having clarity on the funding source and the overall impact of that on Council’s fiscal position.
- 63. This could however be mitigated by the providing direction to the Chief Executive to find savings equivalent to the costs associated with on balance sheet funding in the current financial year through Councils overall rating envelope. This is estimated to be approximately \$1.54m and is reflected in recommended resolution (h).
- 64. Council would also manage within existing borrowing covenants noting that this will need review in the event that the approval for increased covenants is not forthcoming.
- 65. It should also be recognised that there may be an implication on Councils credit rating through Standard and Poors through an increase in debt to revenue ratios. Further work will be undertaken to assess this risk and potential consequence noting that a one notch downgrade would not impact on Councils ability or cost of borrowing through the LGFA.
- 66. Under this option Council would need to look to:
  - introduce a targeted rate or other rating mechanism through the 2025/26 Annual Plan process; and/or
  - reprioritise the capital programme from 2025/26 onwards.
- 67. The advantages and disadvantages of this option are outlined in Table 3 below.

**Table 3: Advantages and Disadvantages of Option 1C**

Advantages	Disadvantages
<ul style="list-style-type: none"> <li>• If Council can remain within its debt limits the borrowing costs on the Te Manawataki o Te Papa project are likely to be lower than under an IFF arrangement.</li> <li>• There may be new funding and financing solutions that are subsequently offered to the sector which may have greater merits than this IFF transaction.</li> </ul>	<ul style="list-style-type: none"> <li>• Savings would need to be achieved in the current financial year to fund costs expected this year that were assumed to be funded through the IFF levy (it was assumed that this funding via IFF would be received in the current year despite the levy not being charged to ratepayers until July 2025).</li> <li>• Requires approval of LGFA shareholders and LGFA board to allow bespoke higher debt to revenue covenants. Indications are that there is a reasonable probability of this being achieved by the end of the calendar year.</li> <li>• Reputational risk with the Crown/ CIP given how far progressed the IFF transaction is and bids have been received by the senior debt panel of CIP.</li> <li>• Council will need to introduce a rate or reprioritise spending in future Annual Plans to accommodate this project which was previously assumed to be funded by off balance sheet funding through the IFF levy.</li> <li>• Existing IFF financing offers from the market may expire, which would require another tender round with potential additional costs if Council does subsequently decide to return to an IFF model.</li> <li>• Potential for credit rating downgrade.</li> </ul>

68. **This option is recommended** and reflected in proposed resolutions.

**OPTION ANALYSIS: ISSUE 2 - CONSTRUCTION CONTRACT**

69. There are two options for this issue.

**Option 2A – Immediately enter into the main construction contract for the Library and Community Hub**

70. The contractor and all sub-contractors had expected the main construction contract for the Library and Community Hub to have been signed by now. If the IFF levy proposal had been approved by the Minister, then the main construction contract would have been approved by the Chief Executive under existing delegated authority from Council.

71. Council could wait until one or more of the following events before entering into a construction contract:

- a rate to fund Te Manawataki o Te Papa is put in place; and/or

- the capital programme for 2025/26 and beyond is reprioritised; and/or
- an IFF levy is fully approved.

However, the associated time delay has significant negative financial, reputational, and delivery impacts on the Library and Community Hub

72. Option 2A allows for Council to make a specific delegation to the Chief Executive to finalise and sign the main construction contract immediately. Such a resolution of Council would over-ride the existing delegation.
73. Clearly there is a risk that, having approved the contract and committed Council expenditure, the ultimate financing/funding stream is not secured or approved by Council.
74. On the other hand, the impacts of not approving the construction contract are not 'high risks' they are certainties.
75. This is the **recommended option** and is reflected in recommended resolution (I).

### **Option 2B – Do not immediately enter into the main construction contract for the Library and Community Hub**

76. Under this option, the main construction contract for the Library and Community Hub would remain unsigned until conditions determined by Council have been met. Currently those conditions include '*sufficient funds being available in accordance with the Te Manawataki o Te Papa Financial Strategy Report resolutions approved by Council*' in July 2023.
77. The consequences of this option are immediate and significant. Any delay in signing the main construction contract is likely to see the contractor demobilise from the site.
78. Significant consequences include:
  - (a) Financial consequences: demobilisation costs, re-establishment costs, penalty payments, and programme escalation clauses will have significant negative financial consequences for Council.
  - (b) Community outcome consequences: there are also likely to be significant impacts on Council's reputation and on the ultimate delivery of the project and its benefits to the city centre, the city and the wider sub-region.
79. Refer paragraph 96 for more detail.
80. This option is not recommended.

## **FINANCIAL CONSIDERATIONS**

### **Issue 1 – IFF Levy**

81. The 2024/34 Long Term Plan was adopted based on having an IFF levy in place for Te Manawataki o Te Papa (TMOTP). This allowed council to budget for a \$4.9b capital programme and remain within its borrowing limits.
82. The IFF levy for TMOTP was based on funding the \$151.5m ratepayer portion of the TMOTP programme of works which was the outcome of a separate consultation process where the option of funding TMOTP via rates or IFF levy was consulted on, and the latter option chosen.
83. Council remains within its borrowing limits noting that there is some additional cost using the IFF levy due to the longer-term nature of this borrowing. Whilst the IFF levy does ensure certainty for ratepayers and ensures that the costs of the project are spread over generations through a 30-year payment period the following analysis has been undertaken comparing Councils traditional borrowing through the LGFA with options using IFF.
84. The option of borrowing through the LGFA is restricted by existing borrowing covenants. Whilst it is acknowledged that the LGFA covenants have, and continue to be, the subject of discussions, TCC is currently restricted to borrowing 285% reducing to 280% of its revenue.

85. Therefore, in order to continue with the capital programme, and assuming this is delivered over time, Council would breach its covenants. For the 2025 and 2026 financial years Council is close to its covenants. Whilst the timing of external funding will impact on the amount of additional rating required to remain within limits given the external funding is projected at 50% of the programme an additional \$151m of debt capacity would be required over the medium term. Assuming the delivery of the wider capital programme this would require debt retirement in the form of additional rating of up to \$54m over the medium term to maintain compliance with current debt to revenue ratios.
86. Another option considered was borrowing outside of the LGFA. This would occur should Council breach its borrowing covenants based on the current ratios allowed. This would require refinancing of all of Council debt and a range of between 25 to 40 basis points additional which may be dependent upon the potential downgrading of Councils credit rating and subsequent implications on its borrowing rates, liquidity requirements, etc. This would result in additional costs over and above unconstrained LGFA borrowing of \$60 per annum per median residential ratepayer.
87. Using the IFF and acknowledging an increased borrowing margin of 113 basis points the cost difference of the \$151.5m of debt would be approximately \$19 per annum per residential ratepayer. This is lower than the other options as it requires only financing of \$151.5m at the higher rate and not the full amount of Council debt. This margin is based on the net cost of the IFF borrowing which would be the expected rate noting that there is risk which is capped at the gross amount which would see an additional cost if this were to occur \$13 per annum per residential ratepayer in a worst-case scenario.
88. To summarise in an environment constrained by LGFA borrowing limits:
- **the IFF model would expect an additional cost of \$19 per annum per residential ratepayer;** compared to
  - **refinancing all of Council's debt** which will have a **rate impact of up to \$60 per annum per residential ratepayer.**
  - **Maintaining the current LTP programme and remaining within LGFA limits would require the introduction of significant debt retirement charges via rates.**

IFF also provides certainty to ratepayers and other funders over long periods of time (30 years).

### **Updated Financial Considerations based on 8 August waters and LGFA debt announcement**

89. On 8 August 2024 the Minister for Local Government announced that the LGFA would be able to lend directly to Water Council Controlled Organisations up to 500% of their revenues without impacting on the financial covenants relating to the Council parent entity.
90. They also announced a review of borrowing covenants the opportunity for high growth councils to increase covenants from the existing 285% up to 350% following LGFA shareholder approval and approval of bespoke arrangements by the board of LGFA. This is expected to be decided in November 2024.
91. Based on these announcements Council staff have modelled the impacts on Councils balance sheet which show that Council will remain well within these updated covenants (figure one above). It should be noted that subject to further modelling it is expected that direct lending to a Waters CCO will further reduce overall Council debt to revenue ratios.
92. The financial impact in the current financial year would be an increase in debt levels of \$54m representing the assumed amount of the LTP drawdown this financial year. The expected rating impact of this would be \$1.54m noting this would see the removal of the IFF levy previously expected to start on 1 July 2025.
93. Rates would need to be included in the next Annual Plan to fund the expenditure previously assumed to be funded through an IFF levy and this could be in the form of a targeted rate.

94. It should also be noted that in the event of Councils borrowings increase the credit rating of A+ may be impacted, noting that remaining at an A rated credit rating with Standard & Poors is sufficient to be able to continue to utilise LGFA borrowings.

### **Issue 2: Construction Contract**

95. For issue 2 – the financial consequences of signing the main construction contract immediately are as allowed for in the adopted Long-term Plan 2024-2034.
96. If the Library and Community Hub main construction contract is not signed immediately then the consequences will be immediate, significant, and increasing with time. **Confidential attachment 4** provides information on the nature and financial scale of these consequences.

### **LEGAL IMPLICATIONS / RISKS**

97. Refer to the independent consultant's report (Attachment 1) and the legal advice (confidential Attachment 3) for a summary legal implications and risks.
98. It is also important to note that the Local Government Act requires a local authority to "manage its revenues, expenses, assets, liabilities, investments, and general financial dealings prudently and in a manner that promotes the current and future interests of the community."<sup>11</sup>

### **TE AO MĀORI APPROACH**

99. While the Te Manawataki o Te Papa project has significant elements reflecting Council's approach to Te Ao Māori, the funding and financing matters covered by this report are not directly impacted by that approach.

### **CLIMATE IMPACT**

100. Similarly, the funding and financing matters covered by this report are not directly impacted by Council's approach to climate impact.

### **CONSULTATION / ENGAGEMENT**

101. As noted earlier in this report, the proposal to establish an IFF Levy was subjected to public consultation in September and October 2023.

### **SIGNIFICANCE**

102. 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.
103. 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 decision.
  - (c) the capacity of the local authority to perform its role, and the financial and other costs of doing so.
104. In accordance with the considerations above, criteria and thresholds in the policy, it is considered that the decision to reconfirm a proposal for Te Manawataki o Te Papa is of high significance.

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<sup>11</sup> Section 101 Local Government Act 2002




## ENGAGEMENT

105. Taking into consideration the above assessment, that the decision is of high significance, and that public consultation has already been undertaken on the substantive matters, officers are of the opinion that no further engagement is required prior to Council making a decision.

## NEXT STEPS

106. If the recommended resolutions are adopted, staff will progress seeking approvals to increase the LGFA related debt to revenue ratios. In addition, the Chief Executive will sign the main construction contract for the Library and Community Hub.

## ATTACHMENTS

1. **Kevin Jenkins Independent Final Report 7 August 2024 - A16283785** [↓](#) 
2. **TMoTP Funding Stack Updated 2 August 2024 - A16247002** [↓](#) 
3. **Legal Advice re Signing Civic Precinct for Library and Community Hub - A16217785** [↓](#) 
4. **Confidential C1 Twenty Two (David Lambie) advice re Contract Delayed Consequences - A16246580 - Public Excluded**











































































**12 DISCUSSION OF LATE ITEMS**

**13 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
<b>Confidential Attachment 1 - 11.1 - Briefing to Incoming Council - Update</b>	s7(2)(h) - The withholding of the information is necessary to enable Council to carry out, without prejudice or disadvantage, commercial activities	s48(1)(a) the public conduct of the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding would exist under section 6 or section 7
<b>Confidential Attachment 2 - 11.1 - Briefing to Incoming Council - Update</b>	s7(2)(h) - The withholding of the information is necessary to enable Council to carry out, without prejudice or disadvantage, commercial activities	s48(1)(a) the public conduct of the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding would exist under section 6 or section 7
<b>Confidential Attachment 4 - 11.2 - Te Manawataki o Te Papa Infrastructure Funding and Financial (IFF) Resubmission and Library / Community Hub Contract</b>	s7(2)(h) - The withholding of the information is necessary to enable Council to carry out, without prejudice or disadvantage, commercial activities  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)	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

**14 CLOSING KARAKIA**