



AGENDA

Accountability, Performance & Finance Committee meeting Tuesday, 5 November 2024

**I hereby give notice that a Accountability, Performance & Finance
Committee meeting will be held on:**

Date: Tuesday, 5 November 2024

Time: 9.30am

**Location: Tauranga City Council
Ground Floor Meeting Rooms 1 & 1b
306 Cameron Road
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 – Accountability, Performance and Finance Committee

Common responsibility and delegations

The following common responsibilities and delegations apply to all standing committees.

Responsibilities of standing committees

- Establish priorities and guidance on programmes relevant to the Role and Scope of the committee.
- Provide guidance to staff on the development of investment options to inform the Long Term Plan and Annual Plans.
- Report to Council on matters of strategic importance.
- Recommend to Council investment priorities and lead Council considerations of relevant strategic and high significance decisions.
- Provide guidance to staff on levels of service relevant to the role and scope of the committee.
- Establish and participate in relevant taskforces and working groups.
- Engage in dialogue with strategic partners, such as SmartGrowth partners, to ensure alignment of objectives and implementation of agreed actions.
- Confirmation of committee minutes.

Delegations to standing committees

- To make recommendations to Council outside of the delegated responsibility as agreed by Council relevant to the role and scope of the Committee.
- To make all decisions necessary to fulfil the role and scope of the committee subject to the delegations/limitations imposed.
- To develop and consider, receive submissions on and adopt strategies, policies and plans relevant to the role and scope of the committee, except where these may only be legally adopted by Council.
- To consider, consult on, hear and make determinations on relevant strategies, policies and bylaws (including adoption of drafts), making recommendations to Council on adoption, rescinding and modification, where these must be legally adopted by Council.
- To approve relevant submissions to central government, its agencies and other bodies beyond any specific delegation to any particular committee.
- To appoint a non-voting Tangata Whenua representative to the Committee.
- Engage external parties as required.

Terms of reference – Accountability, Performance and Finance Committee

Membership

Chairperson	Deputy Mayor Jen Scoular
Deputy chairperson	Cr Mikaere Sydney (and during his leave of absence Mayor Mahé Drysdale)
Members	Cr Glen Crowther Cr Marten Rozeboom Cr Rick Curach <i>Mayor Mahé Drysdale (ex officio)</i>
Non-voting members	(if any)
Quorum	<u>Half</u> of the members present, where the number of members (including vacancies) is <u>even</u> ; and a <u>majority</u> of the members present, where the number of members (including vacancies) is <u>odd</u> .
Meeting frequency	Five weekly

Role

The role of the Accountability, Performance and Finance Committee is:

- To provide leadership and advice to Council with regard to Council's financial position and its prudent financial management practices.
- To provide leadership and advice with regard to significant strategic and financial opportunities including, but not limited to, potential city or regional deals with the government.
- To monitor the financial and non-financial performance of Council.
- To monitor the performance of the Chief Executive.

Scope

- Consider strategic financing and funding risks and opportunities and report to Council on such for final decision-making.
- Provide oversight on the preparation of the Annual Report and other external financial reporting required by legislation.
- Review and make appropriate recommendations to Council on the adoption of key accountability documents (including, but not limited to, the Long-term Plan, Annual Plan, and Annual Report).
- Oversee Council's investments, debt management, and funds and liaison with key advisors on these matters.
- Act on Council's behalf for all matters related to the Local Government Funding Agency, including all statutory duties as a result of that organisation being a council-controlled organisation.

- Develop and review Council's Treasury Strategy.
- Review regular financial and non-financial performance reporting, including reporting against strategic outcomes, the Long-term Plan, the Annual Plan, and other strategic and implementation documents (including, for instance, action and investment plans adopted as part of Council's strategic framework, Our Direction).
- Lead the Chief Executive's performance review process and report on such to Council.

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.

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 Accountability, Performance & Finance Committee meeting held on 8 October 2024

File Number: A16954283

Author: Caroline Irvin, Governance Advisor

Authoriser: Anahera Dinsdale, Acting Team Leader: Governance Services

RECOMMENDATIONS

That the Minutes of the Accountability, Performance & Finance Committee meeting held on 8 October 2024 be confirmed as a true and correct record, subject to the following correction/s:

(a)

ATTACHMENTS

1. Minutes of the Accountability, Performance & Finance Committee meeting held on 8 October 2024



MINUTES

Accountability, Performance & Finance Committee meeting Tuesday, 8 October 2024

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**MINUTES OF TAURANGA CITY COUNCIL
ACCOUNTABILITY, PERFORMANCE & FINANCE COMMITTEE MEETING
HELD AT THE TAURANGA CITY COUNCIL, GROUND FLOOR
MEETING ROOMS 1 & 1B, 306 CAMERON ROAD, TAURANGA
ON TUESDAY, 8 OCTOBER 2024 AT 9.30AM**

MEMBERS PRESENT: Deputy Mayor Jen Scoular (Chairperson), Mayor Mahé Drysdale, Cr Glen Crowther, Cr Rick Curach, Cr Marten Rozeboom

ALSO PRESENT: Cr Kevin Schuler, Cr Rod Taylor, Cr Steve Morris.

APOLOGIES: None

LEAVE OF ABSENCE: Cr Mikaere Sydney

IN ATTENDANCE: Marty Grenfell (Chief Executive), Paul Davidson (Chief Financial Officer), Barbara Dempsey (General Manager: Community Services), Nic Johansson (General Manager: Infrastructure), Alastair McNeill (General Manager: Corporate Services), Gareth Wallis (General Manager: City Development & Partnerships), Kathryn Sharplin (Manager: Finance), Jeremy Boase (Manager: Strategy & Corporate Planning), Tracey Hughes (Financial Insights & Reporting Manager), Sheree Covell (Treasury & Financial Compliance Manager), Susan Braid (Financial Lead Projects Assurance), Caroline Lim (CCO Specialist), Lucy Reed (Team Leader: Strategic Community Relations), Coral Hair (Manager: Democracy & Governance Services), Anahera Dinsdale (Acting Team Leader: Governance Services), Caroline Irvin (Governance Advisor), Aimee Aranas (Governance Advisor) .

EXTERNAL: None

1 OPENING KARAKIA

Deputy Mayor Scoular opened the meeting with a karakia

2 APOLOGIES

Nil

3 PUBLIC FORUM

Nil

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 Accountability, Performance & Finance Committee meeting held on 2 September 2024

COMMITTEE RESOLUTION APF2/24/1

Moved: Deputy Mayor Jen Scoular

Seconded: Cr Glen Crowther

That the minutes of the Accountability, Performance & Finance Committee meeting held on 2 September 2024 be confirmed as a true and correct record subject to the following amendment:

- That the following question be added to item 8.6 'Election 2024' under 'discussion points raised' of the minutes:
 - Did the Tauranga City Council's Chief Executive fulfil his responsibility for "facilitating and fostering representative and substantial elector participation in elections and polls under the Local Electoral Act 2001" (section 42(2) (da) of the Local Government Act 2002 (LGA)).

CARRIED

Action – Committee Minutes Workshop

That a workshop to discuss how minutes are recorded be held with elected members and the governance services team.

CARRIED

8 DECLARATION OF CONFLICTS OF INTEREST

Nil

9 BUSINESS

9.1 Accounting and Funding Operational Expenditure and Implications for Balanced Budget

Staff Paul Davidson, Chief Financial Officer
Kathryn Sharplin, Manager: Finance
Tracey Hughes, Financial Insights & Reporting Manager

PowerPoint Presentation in agenda.

Tabled Item: Balanced Budget 8 October 2024

Key Points

The Chief Financial Officer provided the Committee with an introduction to the PowerPoint presentation that included:

- Operational performance for the 2023/2024 year and the Annual Report including performance measures and capital expenditure performance.

The Manager: Finance provided the Committee with the following points:

- Councillors requested an explanation of the level of operating deficit that was appearing in the Statement of Comprehensive Revenue and Expense.
- The report provided to Councillors was to explain some of the differences between revenues and how these should be looked at.
- Some of the key premises that sat behind this report were things that affected the interest line such as growth debt and items of expense that either in the past were treated as capitalised assets or delivered value over time. Council had decided to loan fund rather than collect rates for those expenditures.
- Council's Revenue and Financing Policy required that operational expenses were covered by operational revenue unless Council agreed it was prudent not to do so. In this case, the matter would be brought before Council to make that decision.
- Decisions for loan funding were normally where the expenditure had a long-term benefit, sometimes five to ten years, but could not be capitalised as an asset. Examples of this were grants paid to other organisations to build community facilities, effectively supporting an asset for the community.
- Key areas where these decisions had been made were capital development in the city centre, long term planning for growth areas in terms of city infrastructure and planning, and more recently, digital project development and wastewater pond desludging.
- A key component to Council agreeing to loan fund was also agreeing on a debt retirement charge that was rates funded and a life of the loan that was related to the benefit flow that came from it.
- The time frame for loan funding was not normally regarded as intergenerational but was however saying current ratepayers should not pay for it in its entirety as it would benefit ratepayers over a number of years.
- Debt retirement came into a lot of this and over time became quite large. This raised rates but there was not the associated expenditure which led to surpluses. Over the Long Term Plan (LTP), surpluses would start to show in the statement of comprehensive revenue expense, part of which was to do with debt retirement.
- Another large part was depreciation. Council's policy and approach had been to fully fund depreciation which was an expectation of prudent behaviour in local government. This was an expense but not a cash expense. It was important to fund depreciation because there were ongoing renewals to assets in the community. Depreciation effectively provided cash to fund renewals.
- Council had decided on how to retire debt from an activity. Depreciation reserves were run for each activity. The inflows were the money/depreciation collected and the outflows were the cost of renewals and debt retirement.
- The Tauriko West Enabling Works programme was a type of funding stack deal to deliver roading associated with the State Highway 29 area. All of the flows in from other parties contributing to this came through the revenue and flows out came through the expenditure. These does not match perfectly every year, and this enabling works programme had contributed to the deficit this year.
- A number of big expenditure items that had happened in the past such as the watertight settlements and the Harington Street car park building had incurred debt where there was no way of retiring. Through the LTP in later years, there would be rates revenue collected to start to contribute to that debt retirement to clear these unfunded liabilities.
- Council also had a flow of money as a risk reserve to help pay for unexpected events in the future.
- There were many components that sat in the Statement of Comprehensive Revenue and Expense that were not just day to day operations.

The Financial Insights & Reporting Manager provided the following points:

- Staff started by thinking about what the true operating deficit was. The report attachment

broke down the \$85m back to the \$35m deficit by pulling out the items relating to capital expenditure.

- The tabled document provided a reconciliation back to zero.

In response to questions

- The debt retirement levy was first introduced in 2019 in the LTP. Council consulted with the community on whether to allow a level of service to continue or not and the decision was made to continue. From a balance sheet ratio perspective, debt retirement had the advantage of both increasing revenue and reducing debt. Council could use this to stay within its covenants in light of any potential change.
- Digital Software as a Service (SaaS) are more operational in nature as although the expenditure is related to development it is for cloud-based services and the level of expenditure remains relatively consistent year by year. This treatment replaces what used to be accepted as intangible assets, before the advent of cloud-based services.
- There had always been a non-funded portion of depreciation in transport due to the New Zealand Transport Association (NZTA) paying 51% of the renewals.
- Recommendation (c) of the report noted 'stranded debt'. Rates collected in 2023/24 were insufficient to cover rates-funded expenditure (0.6%) and that expenditure has by default been covered by unbudgeted borrowing. If collected rates had not been enough to cover all the expenditure, it became part of Council's debt. This recommendation acknowledged that costs had been exceeded.
- There was unfunded depreciation of \$22m, and a further slightly more than \$6m which initially presented as an overspend in cash funded activities. Two water activities were cash funded and there were over budgeted depreciation costs that when put together with the \$22m, came to \$28m.

Discussion points raised

- It was very pleasing to see Council operating under best practice and raising the standards in terms of what was being reported to its constituents.
- Staff were thanked for their presentation and explanations. What was trying to be achieved was something that the Tauranga community could follow as it was felt this had been achieved.
- There was more work needed to return to surplus by 2028/29. Once we reduce the capital programme and using the reframed deficit we could return to surplus or breakeven within the next two years.
- Recommendation (b) was amended to include the words "and provide options within the annual plan process to bring Council to break even by 2025/26".

Requests from Councillors

- That Councillors be provided with a copy of Council's Revenue and Financing Policy.

COMMITTEE RESOLUTION APF2/24/2

Moved: Cr Marten Rozeboom

Seconded: Cr Glen Crowther

That the Accountability, Performance & Finance Committee:

- (a) Receives the report "Accounting and Funding Operational Expenditure and Implications for Balanced Budget".
- (b) Notes that the operating deficits recorded for 2023/24 and budgeted for 2024/25 include items for which operational funding is intended to be phased back in over the 2024-34 LTP and provide options within the annual plan process to bring Council to break even by 2025/26.
- (c) Notes that within the overall operating deficit there is a rates deficit of \$1.6m (0.6% of

budget) which is funded by unbudgeted borrowing.

CARRIED

Action – Executive Summary

That staff provide a more detailed executive summary in their reports highlighting risks, what decisions Councillors were being asked to make, and providing direction on what the focus should be going forward.

9.2 Draft Annual Report

Staff Paul Davidson, Chief Financial Officer
Sheree Covell, Treasury & Financial Compliance Manager
Jeremy Boase, Manager: Strategy & Corporate Planning

PowerPoint Presentation

Key Points

- The Chief Financial Officer provided a summary of the report.

The Manager: Strategy & Corporate Planning provided the following points:

- The performance measures of 'achieved', 'not achieved' and 'not measured' were exactly the same as they were on 2 September 2024.
- The water loss measure had gone down from 16.6% to 14.1%. This would be reflected at the Council meeting on 29 October.

The Chief Financial Officer provided the following points regarding the Annual Report:

- Staff should have audit clearance for the Annual Report prior to 29 October 2024.
- Staff were working through one technical matter around the divestment of the marine precinct involving it being a staged transaction over a long period of time. Advice had been received which they were working through with Audit New Zealand.
- The Annual Report was required to be adopted by the end of October 2024.

In response to questions

- The Outcome Measures report came into the 2024/24 LTP and effectively set a baseline to start from. The intent was to use that baseline to measure what had progressed or not progressed in 12 months' time. There was no obligation to report on this in the Annual Report however the intent was to include it for completeness and information for the community.
- The table on page 72 of the document was the five-year financial trend and were 'actuals'. This did not contain budgeted numbers.
- The table on page 75 'supporting community groups and initiatives' provided the figure for Bay Venues Limited and included the operational grant, the debt retirement grant and interest and renewals grant. The Priority One figure included all grants paid to them this year and last year.
- Council aligned itself with the Local Government Funding Agency (LGFA) debt to revenue ratio which was reported on in section two of the annual report. The 'Prudence Ratio' allowed inclusion of certain revenue types but didn't allow LGFA borrower notes to net to debt down. The two were slightly different.
- The Totara Street capacity improvements project could be expanded on in the report. This had now been corrected to safety improvements.
- In terms of land purchases, sometimes land was purchased as part of a piece of work. There were not a lot of strategic land purchase. Staff could present strategic land

purchases as a separate capital expenditure item going forward, but this would not include the land purchased for infrastructure projects, i.e. Tauriko West Roding project.

- Staff would provide Councillors with more detail around the employee mental health assistance programme as part of future health and safety reporting.
- The bus patronage data sources would be brought back to Councillors to provide more clarification. (Refer to information provided at the end of the meeting).

Requests from councillors

- That there be more consistency around capitalisation and use of words in the Annual Report.
- Make clear the year was governed by the Commissioners and that it was the Commissioners that made decisions.
- For clarity, when referring to staff numbers, use FTE's *or* the number of staff but not both.
- Put the number of staff, number of full-time equivalents, cost of staff and the cost of consultants on the same page.
- A breakdown of the maintenance staff brought in house, the cost of the work previously before this work was brought in-house and what it was costing now and the number of new employees this relates to. Note: staff were reporting to 9 December 2024 Council meeting regarding the previous outsourced maintenance contracts for City Operations being brought in-house.
- Amend the description of the Chief Executive's responsibilities to include being accountable for the delivery of the strategic objectives of the Council, managing risk and ensuring Council was within its statutory requirements in empowering the staff to deliver for the people of Tauranga.
- Include in the measure for the community's part in decision making that they could have a say on the governing and operations of Tauranga City Council.
- Consider including how the renovations for the Tauranga Art Gallery were funded.
- An explanation of the Outcome Measures report and its purpose would be useful to help the community understand its intent.
- Provide baseline measures for information reported on to get a feel for the scope of what was being achieved.
- Show a 12-month trend when providing information on median house prices.
- Provide a reason as to why three waters had been excluded from reduced emissions.
- Tease out the measure/have a net score in the report regarding whether residents were satisfied or neutral with the way the Council involved the public as this was a significant measure.
- Discuss land purchases in terms of capex and opex at a workshop.

COMMITTEE RESOLUTION APF2/24/3

Moved: Deputy Mayor Jen Scoular

Seconded: Mayor Mahé Drysdale

That the Accountability, Performance & Finance Committee:

- (a) Receives the report "Draft Annual Report".
- (b) Requests that staff make the edits and adjustments discussed and tabled at this meeting.

CARRIED

9.3 Consolidated Performance Measures Framework

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

Key Points

- A key point was that the Local Government Act 2002 set Council's accountability framework which required that performance measures and targets must be at a level to assess the level of service for major aspects of groups or activities.
- The Outcome Measures were part of a direction refresh looking at the city vision and Council's response to this which linked to its key strategies and a variety of action and investment plans.
- The Annual Residents Survey was reported back to the Community Transparency and Engagement Committee every quarter (four waves). Around 27 of these questions were integrated into the new LTP measures.

In response to questions

- Information on the impact on rates for every hectare of green space created by Council would be covered in a detailed report at the Council meeting on 9 December 2024 on City Operations, which would include maintenance and operational budgets.

Requests from Councillors

- How could residents be provided with information on how much their rates would be impacted for every hectare of green space created by Council.
- More detailed reporting on opex expenditure in the future.

COMMITTEE RESOLUTION APF2/24/4

Moved: Deputy Mayor Jen Scoular

Seconded: Cr Rick Curach

That the Accountability, Performance & Finance Committee:

- (a) Receives the report "Consolidated Performance Measures Framework".
- (b) Takes account of the feedback from elected members received at the meeting particularly in relation to reporting going forward.

CARRIED

11.19 The meeting adjourned

11.33 The meeting reconvened

9.4 Treasury Strategy Update

Staff Paul Davidson, Chief Financial Officer
Sheree Covell, Treasury & Financial Compliance Manager

Key Points

- The previous report reflected year end results for financial year ended 30 June 2024. This report was an update to 30 September 2024, the first quarter of this financial year.
- The recommendations in this report approved hedging, issuance and cash flow management in adherence with Council's Treasury Policy.
- Some figures in the report had been forecasted due to the timing of getting the report on the agenda and were now out of date. As an update, the average cost of borrowing figure for

September was 4.75%, the retentions balance now \$1.8m, cash and deposit was now \$88m. Debt and swaps were now at \$100m, gross debt was now \$1.27b, and an LGFA maturity in 2025 of \$110m which was now pre-funded.

- Going forward the treasury strategy update report would be brought to the Committee on a six-monthly basis, however a summary of this information would be incorporated into the quarter end financial results report.

In response to questions

- To date there had been no requests from the organisation for overseas transactions.

COMMITTEE RESOLUTION APF2/24/5

Moved: Deputy Mayor Jen Scoular

Seconded: Mayor Mahé Drysdale

That the Accountability, Performance & Finance Committee:

- (a) Receives the report "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 activities required to maintain within policy limits.
- (e) Approves (b) to (d) in adherence to the Treasury Policy.

CARRIED

9.5 Local Government Funding Agency Final Audited Annual Report 2023/24

Staff Kathryn Sharplin, Manager: Finance
Caroline Lim, Council Controlled Organisation (CCO) Specialist

Key Points

- The CCO Specialist provided a summary of the report.
- A key reason why this organisation was successful was because it had strong and effective governance in place, and it was about putting communities first. Its core purpose was to provide optimal financing conditions for its shareholders and members to benefit councils and their communities.
- This financial year was a standout one for the Local Government Funding Agency (LGFA), providing 90% of councils' borrowing in the year to 30 June 2024, exceeding or meeting most of its targets.
- The addition of two new CCO's members provided a foundation for future lending to CCO's under the Local Water Done Well programme/reform.
- The LGFA was an award-winning organisation and scored 93% in its customer satisfaction survey, the core theme being 'what was the value added by the LGFA to the borrowing activities of the local government sector'.

In response to questions

- There were originally nine councils that initiated the setting up of the LGFA. These councils still held the majority of shares.

COMMITTEE RESOLUTION APF2/24/6

Moved: Cr Rick Curach

Seconded: Cr Glen Crowther

That the Accountability, Performance & Finance Committee:

- (a) Receives the report "Local Government Funding Agency Final Audited Annual Report 2023/24".
- (b) Receives the Local Government Funding Agency's final audited Annual Report on its performance for the year to 30 June 2024 (Attachment 1) and Letter to Shareholders (Attachment 2).

CARRIED

9.6 Local Government Funding Agency Annual Meeting Shareholder Voting

Staff Paul Davidson, Chief Financial Officer
Kathryn Sharplin, Manager: Finance

Key Points

- The Manager: Finance provided a summary of the report.
- This was an important year for Council with the proposed changes to the foundation policy that were included in the recommendations, that would enable bespoke covenants to support growth councils.

In response to questions

- Members on the shareholder council were Auckland Council, Christchurch City Council, Wellington City Council, Tasman District Council, New Plymouth City Council, Tauranga City Council, Bay of Plenty Regional Council and Western Bay of Plenty District Council.

COMMITTEE RESOLUTION APF2/24/7

Moved: Deputy Mayor Jen Scoular

Seconded: Cr Rick Curach

That the Accountability, Performance & Finance Committee:

- (a) Receives the report "Local Government Funding Agency Annual Meeting Shareholder Voting".
- (b) Notes the recommendations of the Shareholders Council.
- (c) Approves the following resolutions to allow voting by proxy for the Local Government Funding Agency annual meeting:
 - (i) Approve the re-election of Alan Adcock as a non-Independent Director (Proxy Form Resolution 1(a));
 - (ii) Approve the re-election of Craig Stobo as an Independent Director (Proxy Form Resolution 1(b));
 - (iii) Approve the election of Elena Trout as an Independent Director (Proxy Form Resolution 1(d));
 - (iv) Approve the re-election of Auckland Council as a Nominating Local Authority to the Shareholders' Council (Proxy Form Resolution 2(a));
 - (v) Approve the re-election of Wellington City Council as a Nominating Local Authority to the Shareholder's Council (Proxy Form Resolution 2(b));

- (vi) Approve the following increases in director fees payable with effect from 1 July 2024 (Proxy Form Resolution 3 (a) to (d)):
- a) The Director acting as chair of the Board of Directors an increase of \$3,720 per annum, from \$124,000 to \$127,720 per annum;
 - b) The Director acting as chair of the audit and risk committee, an increase of \$2,340 per annum, from \$78,000 to \$80,340 per annum and
 - c) Each of the other Directors acting as members of the audit and risk committee, an increase of \$2,190 per annum, from \$73,000 to \$75,190 per annum;
 - d) Each of the other Directors an increase of \$2,100 per annum, from \$70,000 to \$72,100 per annum.
- (vii) Approve the changes to the Foundation Policies (Proxy Form Resolution 4);
- (d) Authorise by way of proxy, the Chair of Local Government Funding Agency to vote on behalf of Tauranga City Council.

CARRIED

BUS PATRONAGE DATA – QUESTION ASKED IN DRAFT ANNUAL REPORT

Staff Jeremy Boase, Manager, Strategy & Corporate Planning

In response to an earlier question regarding the varying bus patronage figures:

- Bus patronage was one of the questions raised in the Annual Residence Survey, was qualitative and specifically around travel to work.
- Bay of Plenty Regional Council's data included more options such as travelling to school, travel to shops and other reasons for travel.

10 DISCUSSION OF LATE ITEMS

Nil

11 CLOSING KARAKIA

Anahera Dinsdale closed the meeting with a karakia.

The meeting closed at 11.57am.

The minutes of this meeting were confirmed as a true and correct record at the Accountability, Performance & Finance Committee meeting held on 5 November 2024.

.....
Deputy Mayor Jen Scoular
CHAIR

8 DECLARATION OF CONFLICTS OF INTEREST

9 BUSINESS

9.1 Tauranga Marina Society - Financial Statements 2023/24

File Number: A16931460

Author: Ross Hudson, **Manager: Strategic Planning and Partnerships, Spaces and Places**

Authoriser: Barbara Dempsey, **General Manager: Community Services**

PURPOSE OF THE REPORT

1. To provide the Committee with Tauranga Marina Society's Financial Statements for 2023/24.

RECOMMENDATIONS

That the Accountability, Performance & Finance Committee:

- (a) Receives the report "Tauranga Marina Society - Financial Statements 2023/24" and the attached Financial Statements.

EXECUTIVE SUMMARY

2. The attached reports reflect the outcomes for the period 1 July 2023 to 30 June 2024.
3. A summary of financial performance is provided in the attached document and demonstrates Tauranga Marina Society are in good financial health.
4. A Council Representative from the Leasing & Property Management team regularly attends Tauranga Marina Society's monthly Committee meetings and receives copies of their monthly meeting documents including financial reports, management reports, and meeting minutes.

BACKGROUND

5. The Council is the owner of the Marina land area, known as Sulphur Point, Keith Allen Drive.
6. The Tauranga Marina occupies the water area under their Resource Consent.
7. Pursuant to an agreement reached between various recreational boat owners and the Bay of Plenty Harbour Board in or around 1982, the boat owners funded construction of the Marina Structure. The primary objective of the boat owners was to provide a long term, affordable Marina facility for boat owners in the surrounding regions.
8. The Council is successor of the Bay of Plenty Harbour Board and is entitled to exercise all the management rights that the Harbour Board previously exercised in respect of the Marina.
9. The Society is an Incorporated Society, comprising members that have an interest in the Marina across more than 500 berths.
10. The Society has been managing the Marina under contract on behalf of the Council, and its predecessor Bay of Plenty Harbour Board since 1981. A Management agreement exists between Council and Tauranga Marina Society.
11. Audited financial accounts are due annually 01 May (within 10 months of the financial year end date, 30 June). The attached report reflects the outcomes for the period 1 July 2023 to

30 June 2024. Financial accounts provided by Tauranga Marina Society indicate they are in good financial health, showing they continue to trade with positive balances.

CONSULTATION / ENGAGEMENT

12. Tauranga Marina Societies constitution, audited annual accounts, and other society documents are publicly available documents and posted periodically on the incorporated societies register - businessregisters.gov.nz.

ATTACHMENTS

1. **Tauranga Marina Society - Financial Statements 2024 Signed - and Audit Report - A16931475** [↓](#) 

Financial Statements

Tauranga Marina Society Incorporated
For the year ended 30 June 2024

Prepared by YRW Limited

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Directory

Tauranga Marina Society Incorporated For the year ended 30 June 2024

IRD & GST Number

023-218-003

Date of Incorporation

2 August 1982

Officers/Committee Members

Chairperson	E Tait
Committee Members	T Lugg M Buckton R Findlay D Stewart G Smith
Manager	G Prescott

Auditors

Baker Tilly Staples Rodway Audit Limited
Tauranga

Bankers

Westpac

Chartered Accountant

YRW Limited
Chartered Accountants
Tauranga

Solicitors

Harris Tate
Tauranga

Statement of Profit or Loss

Tauranga Marina Society Incorporated For the year ended 30 June 2024

	NOTES	2024	2023
Revenue			
Annual Fees		758,906	681,582
Berth Rent		577,006	536,370
Berth Rent - Liveaboards		21,359	25,823
Net Gain on transfer of Berth Licences		115,756	81,009
Berth Sales Administration Fee		13,840	19,690
Berth Upgrades		11,170	44,619
Electricity Recoveries		74,993	66,218
Fuel Jetty Rental		13,000	13,000
Security Recoveries		-	10,146
Sundry Income		98,480	73,620
Transformer Sales		1,000	3,551
Hardstand Operating Surplus/(Deficit)	15	1,132	100,751
Total Revenue		1,686,643	1,656,379
Investment Income			
Dividends Received		750	500
Interest Received		52,597	7,717
Less Provision For Marina Maintenance	11	(37,870)	(5,567)
Total Investment Income		15,477	2,650
Total Income		1,702,120	1,659,029
Expenses			
Operating Expenses	14	981,573	783,167
Maintenance Expenses		30,085	27,285
Provision for Marina Maintenance	11	350,000	300,000
Provision for Hardstand Maintenance	12	60,000	60,000
Total Expenditure before Depreciation		1,421,658	1,170,452
Net Surplus before Depreciation and Tax		280,462	488,577
Depreciation			
Depreciation	10	76,914	93,190
Total Depreciation		76,914	93,190
Net Business Surplus		203,548	395,387

The accompanying notes form part of these financial statements. These financial statements should be read in conjunction with the accompanying Auditors Report.



Statement of Profit or Loss

	NOTES	2024	2023
Extraordinary Items			
Berth Upgrade Contributions	19	3,506,703	2,109,046
Upgrade Licensee Costs	19	(3,966,739)	(2,208,581)
Total Extraordinary Items		(460,035)	(99,535)
Net Surplus (Deficit) before Tax		(256,487)	295,853
Taxation			
Income Tax Expense	6	29,364	63,236
Net Surplus (Deficit) after Tax		(285,852)	232,617

The accompanying notes form part of these financial statements. These financial statements should be read in conjunction with the accompanying Auditors Report.



Statement of Changes in Equity

Tauranga Marina Society Incorporated For the year ended 30 June 2024

	2024	2023
Equity		
Opening Balance	3,104,649	2,872,032
Recognised Revenue & Expenses		
Net Surplus (Deficit) after Tax	(285,852)	232,617
Total Recognised Revenue & Expenses	(285,852)	232,617
Total Equity	2,818,797	3,104,649

The accompanying notes form part of these financial statements. These financial statements should be read in conjunction with the accompanying Auditors Report.



Balance Sheet

Tauranga Marina Society Incorporated As at 30 June 2024

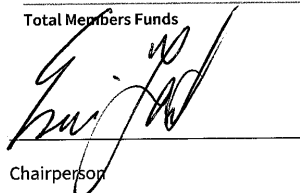
	NOTES	30 JUN 2024	30 JUN 2023
Current Assets			
Westpac Main Account	5	478,156	297,713
Westpac Berth Sales Account		5,264	27,614
Westpac Berth Deposit Account		3,274	3,215
Westpac Online Bonus Saver 01		3,447	4,051
Westpac Online Bonus Saver 02		565,630	151,908
Westpac Online Bonus Saver 03		15,648	3,716
Petty Cash Account		371	58
Accounts Receivable	16	432,846	351,749
GST Receivable		-	12,495
Income Tax Receivable	6	51,659	-
Prepayments	16	39,214	31,399
Marina Development		40,652	34,279
Berth Licences on Hand		2,911,293	2,122,003
Stock on Hand		3,600	19,877
Work in Progress - Pier Upgrades	19	2,063,556	2,623,228
Total Current Assets		6,614,609	5,683,303
Non-Current Assets			
Property, Plant & Equipment	10	1,854,141	1,939,452
Total Non-Current Assets		1,854,141	1,939,452
Total Assets		8,468,751	7,622,756
Current Liabilities			
Accounts Payable		803,099	547,602
GST Payable		78,901	-
Income Tax Payable	6	-	8,007
Accrued Holiday Pay	17	43,073	42,431
Berth Deposits	9	47,400	45,750
Income in Advance		2,971	-
Pier Upgrade Deposits Received	19	2,464,722	1,652,804
Hardstand Maintenance Provision	12	287,808	227,808
Marina Maintenance Provision	11	1,921,980	1,993,706
Total Current Liabilities		5,649,953	4,518,107
Total Liabilities		5,649,953	4,518,107
Net Assets		2,818,797	3,104,649

The accompanying notes form part of these financial statements. These financial statements should be read in conjunction with the accompanying Auditors Report.

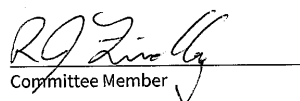


Balance Sheet

	NOTES	30 JUN 2024	30 JUN 2023
Members Funds			
Retained Earnings		2,818,797	3,104,649
Total Members Funds		2,818,797	3,104,649


Chairperson

Date: 9/10/2024


Committee Member

Date: 9/10/24

The accompanying notes form part of these financial statements. These financial statements should be read in conjunction with the accompanying Auditors Report.

Notes to the Financial Statements

Tauranga Marina Society Incorporated For the year ended 30 June 2024

1. Statement of Accounting Policies

The Tauranga Marina Society Incorporated is incorporated under the Incorporated Societies Act 1908. The Society was formed to manage the Marina for the Tauranga Harbour Board and subsequently the Tauranga City Council. This includes management of berthing and haulout operations and associated facilities.

Basis of Preparation

These financial statements have been prepared in accordance with the Special Purpose Framework for use by For-Profit Entities (SPFR for FPEs) published by Chartered Accountants Australia and New Zealand and have been prepared for:

- the Entity's owners
- the Inland Revenue Department
- Internal Management purposes

Measurement Basis

The financial statements of Tauranga Marina Society Incorporated have been prepared on a historical cost basis, except as noted otherwise below.

These financial statements are presented in New Zealand dollars (\$), which is the Society's functional currency. All financial information presented in New Zealand dollars has been rounded to the nearest dollar.

Changes in Accounting Policies

There have been no changes in accounting policies in the current year.

Specific Accounting Policies

In the preparation of these financial statements, the specific accounting policies are as follows:

(a) Property, Plant & Equipment

Depreciation is provided for at schedule rates allowable for taxation purposes. The use of taxation rates is considered to approximate the allocation of cost over the estimated useful lives of depreciated assets. The following rates have been applied:

- Buildings 3%-15% DV, 0-5.26% SL
- Plant & Equipment 8%-67% DV, 0-5% SL
- Motor Vehicles 13%-25% DV
- Leasehold Improvements 3%-40% DV
- Marina Piers 4%-10% DV, 7.2% SL

All property, plant & equipment, except for land and buildings, is stated at cost less accumulated depreciation.

Depreciation has been calculated in accordance with rates permitted under the Income Tax Act 2007.

Notes to the Financial Statements

(b) Impairment of Non-Financial Assets

At each Balance Date, non-financial assets are classified into four categories: assets measured at fair value; assets currently available that the Society intends to use to the end of their useful life; assets intended to be sold prior to the end of their useful life; and assets damaged or idle at balance date.

Assets measured at fair value or assets the Society intends to use to the end of their useful life are not reviewed for impairment at balance date.

Assets intended to be sold prior to the end of their useful life or assets damaged or idle at balance date are reviewed to determine if any indicators of impairment exist. If indicators exist the asset is tested for impairment to ensure that the carrying amount of the asset is recoverable.

If the recoverable amount of an asset is determined to be less than its carrying amount then the resulting difference is recognised as an impairment loss for that period.

(c) Goods & Services Tax

These financial statements have been prepared on a GST exclusive basis with the exception of accounts receivable and accounts payable which are shown inclusive of GST.

(d) Taxation

Income Tax is accounted for using the taxes payable method. The income tax expense charged to the Statement of Profit or Loss is the estimated tax payable in the current year, adjusted for any differences between the estimated and actual tax payable in prior years.

(e) Berth Licences on Hand

Berth licences on hand are stated at the lower of cost and net realisable value. Due to varying length of holding periods, there may be a difference between the purchase price paid for a licence and eventual transfer price. During the holding period, costs may have been incurred to upgrade berths, in addition to the initial purchase price. The difference between total holding cost of each berth licence and eventual transfer price is disclosed as net gain/(loss) on sale of berth licences.

(f) Financial Instruments

At initial recognition, the Society determines the classification of financial assets as either held at fair value, cost or amortised cost. Financial assets are measured initially at fair value, estimated at the transaction price less any associated transaction costs.

Amortised Cost

Includes assets where the Society intends to earn contractual cash flows in the nature of principal and interest payments. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the assets are derecognised or impaired, as well as through the amortisation process.

Cost

Equity instruments are classified as held at cost. Assets are stated at cost less any accumulated impairment loss. Gains and losses are recognised in profit or loss when the assets are derecognised or impaired.

Fair Value

Financial assets not held at amortised cost or cost are held at fair value and include financial derivatives such as forward contracts and interest rate swaps. Assets are subsequently measured at fair value only when the fair value of the instrument can be reliably measured based on a quoted price for an identical asset in an active market. Where no active market price is available, the instrument shall be measured at the fair value for a prior year less any accumulated impairment loss.

Gains and losses are recognised in profit or loss for movements in the fair value of the assets and when the assets are derecognised.

Notes to the Financial Statements

(g) Receivables

Receivables are stated at their estimated realisable value.

Bad debts are written off in the year in which they are identified.

(h) Provisions

Provisions are recognised when the entity has present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the obligation.

(i) Revenue Recognition

Sales of goods and services are recognised when they have been provided and accepted by the customer. Annual fees and member subscriptions are recognised in the year to which the subscription relates, which now aligns with the financial year. Annual Fees and member subscriptions for the following year invoices prior to balance date are shown as Income in Advance in the Balance Sheet. Unpaid invoices are recorded as Accounts Receivable.

Deposits from members for the upgrade of piers are shown in the Balance Sheet. Income from these deposits is recognised as an Extraordinary Item when the upgrade is completed and the upgraded berths handed over to the Licencees.

(j) Work in Progress

Work in Progress represents costs incurred for the development of the marina. Costs are transferred to Extraordinary Item Expense when the development is complete.

2. Audit

These financial statements have been audited.

3. Contingent Liabilities

From 30 June 2021, new berth licences are now granted by the Society (previously Tauranga City Council). If the licensee terminates the licence, the Society is required to pay the licensee the replacement valuation as determined by the annual valuation by the Management Committee. As there is a waiting list for berths, it is unlikely that an outflow of resources would be required, therefore this has been considered a contingent liability rather than recognition as an asset and a liability.

4. Related Parties

During the period there have been material transactions between Tauranga Marina Society Incorporated and related parties as follows:

Management Committee

There are a number of members of the management committee being E Tait, T Lugg, M Buckton, R Findlay, D Stewart, G Smith and management employee G Prescott who are members of the Society and pay annual fees at standard rates. Various members also trade with the Society at normal commercial rates, however some discounts may apply.

5. Securities & Guarantees

There was no overdraft as at balance date nor was any facility arranged.

Notes to the Financial Statements

	2024	2023
6. Tax Expense		
Net Profit (Loss) Before Tax	(256,487)	295,853
Adjustments		
Adjustments	(361,359)	70,011
Total Adjustments	(361,359)	70,011
Taxable Profit	104,872	225,842
Taxation Thereon at 28%	29,364	63,236
Deductions from Tax Payable		
Opening Balance	(8,007)	(17,897)
Prior period tax paid (refunded)	(18,340)	-
RWT paid on Interest Received	17,289	2,536
Taxation Paid	90,081	70,589
Total Deductions from Tax Payable	81,024	55,229
Income Tax Payable	(51,659)	8,007

7. Lease Agreements

Lease payments under operating leases are charged as expenses in the periods in which they are incurred.

Lease of Haulout Area (1.518 hectares being part Lot 2 DPS.45312).

The Society has a deed of lease with the Tauranga City Council for the existing Haulout Area. The lease has a commencement date of 1 November 2012 with a renewal date of 1 November 2032 and a final expiry date of 31 October 2047. The rental applying from 1 November 2022 is \$51,266 per annum and is subject to five yearly review. (2023: Rental of \$51,266 per annum).

Lease of Trailer Boat Park Area (3365 square metres being part Lot 2 DPS.34961).

The Society has a deed of lease with the Tauranga City Council for the existing Trailer Boat Park Area. The lease has a commencement date of 1 October 2019 and is for a term of thirty-three years. The rental is \$14,373 per annum from 1 October 2019 and is subject to five yearly review (2023: Rental of \$14,373 per annum).

The current year rental expense for Tauranga City Council (TCC) recorded in the financial statements was as follows:

Rental expense for the Haulout Area: \$51,266 (2023: \$48,212).

Rental expense for the Trailer Boat Park Area: \$14,373 (2023: \$14,373).

8. Land Ownership

The assets of the Society are on parcels of land owned by the Tauranga City Council.

9. Berth Deposits

Berth deposits represent deposits paid of \$150 or \$300 each by prospective berth holders who have placed their names on a waiting list to secure a berth in the Marina when they become available. These deposits are refundable if a deposit holder withdraws from the waiting list or are credited when a licence to occupy is purchased.

As at 30 June 2024, 174 deposits of \$150 and 71 deposits of \$300 amounting to \$47,400 were held (2023: \$45,750 representing 248 deposits).

Notes to the Financial Statements

	2024	2023
10. Property, Plant & Equipment		
Marina Piers		
At Cost	583,621	583,621
Less Accumulated Depreciation	(184,236)	(161,102)
Total Marina Piers	399,385	422,519
Hardstand Equipment		
Haulout Equipment	1,337,561	1,265,709
Less Accumulated Depreciation	(838,079)	(787,546)
Total Hardstand Equipment	499,482	478,163
Buildings		
At Cost	765,658	765,658
Less Accumulated Depreciation	(452,000)	(433,158)
Total Buildings	313,658	332,500
Motor Vehicles		
At Cost	76,665	76,665
Less Accumulated Depreciation	(43,829)	(36,627)
Total Motor Vehicles	32,836	40,038
Leasehold Improvements		
At Cost	806,021	806,021
Less Accumulated Depreciation	(393,288)	(372,254)
Total Leasehold Improvements	412,734	433,768
Office Equipment		
At Cost	67,146	67,146
Less Accumulated Depreciation	(51,727)	(42,068)
Total Office Equipment	15,419	25,078
Plant & Equipment		
Plant & Equipment	441,710	426,596
Less Accumulated Depreciation	(261,082)	(219,209)
Total Plant & Equipment	180,628	207,387
Total Property, Plant & Equipment	1,854,141	1,939,452



Notes to the Financial Statements

	2024	2023
10. Property, Plant & Equipment (continued)		
Marina:		
Buildings	8,048	6,378
Leasehold Improvements	1,348	1,470
Motor Vehicles	7,202	8,855
Office Equipment	9,659	15,420
Plant & Equipment	27,523	31,719
Marina Piers	23,134	29,348
Total Marina Depreciation	76,914	93,190
Hardstand:		
Buildings	10,794	11,366
Haulout Equipment	50,533	51,078
Leasehold Improvements	19,686	20,885
Office Equipment	-	-
Plant & Equipment	14,350	16,262
Total Hardstand Depreciation	95,363	99,591
Total Depreciation for the Year	172,277	192,781

11. Marina Maintenance

The Society has a responsibility to maintain the Marina Structure from a Maintenance Fund equivalent to a total of the average of three year's annual fees on a rolling three year basis - this year \$1,933,506 (2023: \$1,642,024). Current income is set aside to the maintenance provision for the estimate future commitment. The Society is obliged to keep the maintenance provision under its agreement with the Tauranga City Council dated 1 December 2017 and to only use the monies for the purposes set out in Schedule 3 until the end of the projected term of the Marina management agreement, being 31 August 2050, which is the expiry date of the Resource Consent.

	2024	2023
This provision consists of the following:		
Opening Balance	1,993,706	2,001,549
Annual Provision	350,000	300,000
Net Interest Earned	37,870	5,567
Less maintenance expenses incurred:	-	-
Wages, Materials and Subcontractors	(459,596)	(126,676)
Electrical Upgrade	-	(186,734)
Closing Balance	1,921,980	1,993,706

Notes to the Financial Statements

12. Hardstand Maintenance

Provision is also made for the maintenance of the Hardstand area in order to fund current and future maintenance. Accordingly the sum of \$60,000 per annum is set aside for this purpose.

	2024	2023
This provision consists of the following:		
Opening Balance	227,808	217,173
Annual Provision	60,000	60,000
Less maintenance expenses incurred:	-	-
Materials and Subcontractors	-	(49,365)
Closing Balance	287,808	227,808
	2024	2023

13. Lease Rental Payments Due**Haulout Area**

Not later than 1 Yr	51,266	51,266
Later than 1 Yr and not later than 2 Yrs	51,266	51,266
Later than 2 Yrs and not later than 5 Yrs	153,798	153,798
Later than 5 Yrs	170,887	222,153
Total Future Minimum Payments	427,217	478,483

Trailer Boat Park Area

Not later than 1 Yr	14,373	14,373
Later than 1 Yr and not later than 2 Yrs	14,373	14,373
Later than 2 Yrs and not later than 5 Yrs	43,120	43,121
Later than 5 Yrs	334,189	348,562
Total Future Minimum Payments	406,055	420,429
Total Future Minimum Payments	833,272	898,912

Notes to the Financial Statements

	2024	2023
14. Operating Expenses		
Included within operating expenses are the following:		
Audit Fee	29,300	31,022
Bad Debts	12,515	4,828
Honorariums	10,500	10,750
	2024	2023
15. Hardstand Operation		
Income	885,271	889,982
Less Expenditure including Depreciation (Note 10)	(593,311)	(550,800)
Less Travel Lift Expenses	(290,828)	(238,431)
Surplus (Deficit)	1,132	100,751
	2024	2023
Included within haulout expenditure are the following (Note 7):		
TCC Rental	51,266	48,212
TCC Trailer Park Rental	14,373	14,373
	2024	2023
16. Trade & Other Receivables		
Accounts Receivable	431,236	351,749
Prepayments	39,214	31,399
Total Trade & Other Receivables	470,450	383,148
	2024	2023
17. Accrued Holiday Pay		
Accrued Holiday Pay	43,073	42,431
Total Accrued Holiday Pay	43,073	42,431

Notes to the Financial Statements

18. Berth Licences on Hand

At balance date the Society held licences for 44 berths, purchased from existing licence holders at a cost of \$2,911,293 and not yet transferred to new licence holders (2023: 48 berths at a cost of \$2,122,003).

Berth licences are held by TMS for inclusion in the berth rental pool and/or for the efficient management of the Marina, provided that TMS may not hold more than ten percent (10%) of the total number of berth licences at any time.

	2024	2023
Reconciliation of Berth Licences on Hand and Movement		
Opening Balance	2,122,003	2,086,476
Berth licences purchased & Pier upgrade costs	2,274,965	832,222
Berth licences sold	(1,204,220)	(877,704)
A Pier berth licences lost	(397,211)	-
Net gain on transfer of berth licences	115,756	81,009
Closing Balance	2,911,293	2,122,003

19. Pier Upgrades**A Pier**

During the 2024 year the Society completed the upgrade of A Pier to install a new floating pier and fingers. Total cost of the project to Licence holders was \$931,662. Licence holder contributions amounting to \$346,774 were received to offset costs. The costs and contributions have been shown as Extraordinary Items on the Statement of Profit or Loss. Total net cost to the Society for marina owned berths was \$29,540. The total cost has been added to the cost of Berths on Hand in the Balance Sheet (2023: Deposits of \$179,809 were received and costs of \$448,259 had been paid in respect of the A Pier upgrade prior to balance date).

B Pier

During the 2024 year the Society completed the upgrade of B Pier to install a new floating pier and fingers. Total cost of the project to Licence holders was \$784,759. Licence holder contributions amounting to \$1,264,646 were received to offset costs. The costs and contributions have been shown as Extraordinary Items on the Statement of Profit or Loss. Total net cost to the Society for marina owned berths was \$220,440. The total cost has been added to the cost of Berths on Hand in the Balance Sheet (2023: nil).

C Pier

During the 2024 year the Society commenced the upgrade of C Pier to install a new floating pier and fingers. Estimated total cost of the project is \$1,400,000. Licence holder contributions received before balance date were \$1,328,722 which is included in current liabilities in the Balance Sheet. Work commenced prior to balance date and has been included in work in progress as a current asset. The amount spent and accrued for work carried out before balance date was \$1,212,644 (2023: nil).

D Pier

During the 2024 year the Society commenced the upgrade of D Pier to install a new floating pier and fingers. Estimated total cost of the project is \$1,799,775. Licence holder contributions received before balance date were \$485,739 which is included in current liabilities in the Balance Sheet. Work commenced prior to balance date and has been included in work in progress as a current asset. The amount spent and accrued for work carried out before balance date was \$379,415 (2023: nil).

Notes to the Financial Statements

E Pier

During the 2024 year the Society commenced the upgrade of E Pier to install a new floating pier and fingers. Estimated total cost of the project is between \$1,970,081. Licence holder contributions received before balance date were \$650,261 which is included in current liabilities in the Balance Sheet. Work commenced prior to balance date and has been included in work in progress as a current asset. The amount spent and accrued for work carried out before balance date was \$417,367 (2023: nil).

F Pier

During the 2024 year the Society completed the upgrade of F Pier to install a new floating pier and fingers. Total cost of the project to Licence holders was \$2,250,318. Licence holder contributions amounting to \$1,895,284 were received to offset costs. The costs and contributions have been shown as Extraordinary Items on the Statement of Profit or Loss. Total net cost to the Society for marina owned berths was \$254,240. The total cost has been added to the cost of Berths on Hand in the Balance Sheet (2023: Deposits of \$1,472,995 were received and costs of \$2,174,238 had been paid in respect of the F Pier upgrade prior to balance date).

G Pier

During the 2023 year the Society completed the upgrade of G Pier to install a new floating pier and fingers. Total cost of the project to Licence holders was \$2,207,630. Licence holder contributions amounting to \$2,103,60 were received to offset costs. The costs and contributions have been shown as Extraordinary Items on the Statement of Profit or Loss. Total net cost to the Society for marina owned berths was \$100,944. The total cost has been added to the cost of Berths on Hand in the Balance Sheet.

20. Commitments & Contingencies

As stated in Note 19 above, during the previous year the Society commenced preparation of the C Pier, D Pier and E Pier upgrade projects. The total project costs are estimated at \$5,169,856. There is a contract in place between the Society and Poralu Marine for \$2,516,400 for the new piers for works on behalf of Licence holders. The total paid and incurred on the contract prior to balance date was \$1,059,280. The remaining commitment of \$1,457,120, will be paid on contract terms).

(2023: During the previous year the Society agreed to upgrade A Pier. The total project is estimated between \$782,609 and \$869,565. There is a contract in place between the Society and Poralu Marine for \$412,000 for the new pier for works on behalf of Licence holders. The total paid and incurred on the contract prior to balance date was \$247,260. The remaining commitment of \$164,740, will be paid on installation).

21. Subsequent Events

There is an ongoing legal matter raised by a Berth holder. On 16 July 2024 a Statement of Claim in the matter of ownership, operation and administration of the Tauranga Marina by the Tauranga Marina Society and the Tauranga City Council, and Interim order to prohibit Tauranga Marina Society from transferring Berth licences was lodged with the High Court. On 18 September 2024 the Applicant requested the fixture to be vacated, advising an amended statement of claim will be filed. Should the matter proceed it is expected that legal fees and costs of approximately \$500,000 will be required and extraordinary invoices would be issued to Berth holders, apportioned by berth size.

Subsequent to balance date the Society commenced the upgrade of C Pier to install new floating pier and fingers. Estimated total cost of the project is \$1,400,000. Licence holder contributions will be received to offset costs.

(2023: Subsequent to balance date the Society commenced the upgrade of B Pier to install new floating pier and fingers. Estimated total cost of the project is \$1,500,000. Licence holder contributions will be received to offset costs).



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INDEPENDENT AUDITOR'S REPORT

To the Members of Tauranga Marina Society Incorporated

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Tauranga Marina Society Incorporated ('the Society') on pages 4 to 18, which comprise the Balance Sheet as at 30 June 2024, and the statement of profit or loss and statement of changes in equity for the year then ended, and notes to the financial statements, including specific accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Society as at 30 June 2024, and its financial performance for the year then ended in accordance with Special Purpose Financial Reporting Framework for use by For-Profit Entities issued by the Chartered Accountants Australia and New Zealand ('SPFR for FPEs').

Our report is made solely to the Members of the Society. Our audit work has been undertaken so that we might state to the Members of the Society those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Members of the Society as a body, for our audit work, for our report or for the opinions we have formed.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) ('ISAs (NZ)'). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Society in accordance with Professional and Ethical Standard 1 *International Code of Ethics for Assurance Practitioners (including International Independence Standards)* (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* ('IESBA Code'), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other than in our capacity as auditor we have no relationship with, or interests in, Tauranga Marina Society Incorporated.

Emphasis of Matter

We draw attention to Note 1 the financial statements, which describes the basis of accounting. The financial statements are prepared in accordance with the Special Purpose Framework for use by For-Profit entities as issued by Chartered Accountants Australia and New Zealand. Our report is intended solely for the Society and the Members



of the Society and should not be distributed to parties other than the Society or the Members. Our opinion is not modified in respect of this matter.

Responsibilities of the Committee for the Financial Statements

The Committee is responsible on behalf of the Society for the preparation and fair presentation of the financial statements in accordance with SPFR for FPEs (2018), and for such internal control as the Committee determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Committee is responsible on behalf of the Society for assessing the Society's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Committee either intends to liquidate the Society or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (NZ) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of the auditor's responsibilities for the audit of the financial statements is located at the External Reporting Board's website at:

<https://www.xrb.govt.nz/assurance-standards/auditors-responsibilities/audit-report-8/>

BAKER TILLY STAPLES RODWAY AUDIT LIMITED

Tauranga, New Zealand

9 October 2024

9.2 Rating Categories and Rating Policy

File Number: A16731598

Author: Jim Taylor, Manager: Rating Policy and Revenue
Kathryn Sharplin, Manager: Finance

Authoriser: Paul Davidson, Chief Financial Officer

PURPOSE OF THE REPORT

1. The purpose of this report is to provide council with information requested at the Council meeting on 16 September 2024, regarding rating policy.

RECOMMENDATIONS

That the Accountability, Performance & Finance Committee:

- (a) Receives the report "Rating Categories and Rating Policy".
- (b) Notes that consideration of "who pays", including for transportation, is part of the annual planning process and Council will have the opportunity to further consider the level of general rates, and the impact on differential ratepayers through this process.
- (c) Recommends to Council that as part of the annual plan process, Council considers along with the draft budget in February, options regarding the industrial category including:
 - (i) removing smaller operations from the industrial category.
 - (ii) reviewing the level of differential.
 - (iii) recombining commercial and industrial rating categories.
- (d) Recommends to Council that as part of the annual plan process, Council considers whether to continue to move toward general rates set at a fixed proportion of residential 65%, Commercial 15%, industrial 20% as included in the LTP.
- (e) Recommends that Council directs staff to develop a rates estimator calculator on council's property search page for the first 3 years of the Long-Term Plan, to be ready before council's next Long-term Plan.

EXECUTIVE SUMMARY

2. Through the 2024-34 Long-Term Plan (LTP), the Financial Strategy and Revenue and Financing Policy were developed, which underpinned the funding and financing of the investments and services provided and planned for the city. As part of the LTP process, the commercial rating category was further considered with respect to its impact on the costs of the city, particularly the impacts on transportation costs including safety and environmental impacts. Industrial properties were separated from the commercial category and set at a higher differential of 2.6 times noting their higher impact on these costs.
3. At the Council meeting of 16 September 2024, Council directed staff to provide further information to consider whether it is appropriate to:

- Fund the Transportation activity rates budget through the general rate or a targeted rate.
 - Better define the industrial and commercial rating categories particularly relating to storage.
 - Continue further work on the appropriate share of general rates to be paid by each category.
 - Investigate the feasibility of a multi-year rates estimator on councils' web page.
4. The above questions relating to apportionment of rates and the industrial rating category and differential are best considered as part of the Annual Plan process to ensure that due process is followed as set out in the Local Government Act 2002, particularly section 101(3) and noting the resources required.

BACKGROUND

5. Through the LTP, the Financial Strategy and Revenue and Financing Policy were developed which underpinned the funding and financing of the investments and services provided and planned for the city. As part of the LTP process, the commercial rating category was further considered with respect to its impact on the costs of the city, particularly the impacts on transportation costs including safety and environmental issues. Recognising the relative impacts on these costs, Industrial properties were separated from the commercial category and set at a higher differential of 2.6 times the residential rate.
6. When reconsidering these decisions, Council needs to follow the same processes as it did through the LTP, reviewing the funding needs analysis section of the Revenue and Finance Policy under section 101(3)(a) of the Local Government Act (2002). Having reviewed section 101(3)(a) matters, Council can then proceed to review the overall allocation of rates under 101(3)(b) of the Local Government Act (2002)

TRANSPORTATION ACTIVITY RATES FUNDING

Local Government Act Requirements

7. The first request was to provide information about options for funding the Transportation activity through a targeted rate or the general rate.
8. Funding of the Transportation activity is documented in Council's Revenue and Financing Policy after considering section 101(3)(a) matters in the Local Government Act (2002). This policy was adopted as part of the 2024-2034 Long Term Plan.
9. The Transportation Activity includes the use of the transport network, provision of road safety and access to different modes of transport. Provision and management of parking at recreation facilities, venues, and city spaces for convenient access to amenities.
10. **The Funding Needs Analysis** for transportation was included in the LTP, and is summarised below:
- (a) It contributes to **community outcomes** of a well-planned city, easy to move around and supports business and education and investment by the council and others.
 - (b) **Beneficiaries** include the whole community as well as specific groups from use of the transport network and parking, as well as economic benefits of movement of goods and accessibility for people to services businesses and amenity. Commercial and industrial sectors, both within the city and in the wider region or nationally (e.g., due to access to the port or warehouses and outlets) benefit from movement of goods and employees. Road users benefit from road access and exclusive use of convenient parking close to where they want to go, including visiting recreation facilities, businesses. Access to their work, places for shopping, health appointments.
 - (c) The **period of benefit** is expected to arise in the year funding is sourced. Benefits from economic activity and commercial and industrial activity are short to long term, benefitting future generations.

- (d) **The need for this activity** is created by all road and road corridor users. Heavy vehicles, commercial and industrial and utility networks all use the road corridor and increase the costs of this activity. Heavy vehicles create more costs because of their impact on roading surfaces, safety and other requirements. People who create congestion on roads, and in parking areas also create the need for additional expenditure. Other beneficiaries include cyclists, developers, people accessing the road corridor, and public transport providers. Visitors enjoying Council's amenities benefit from accessible and convenient parking. Other users of the road corridor including walkers and cyclists. Desirable amenities and visitor destinations such as facilities associated with Te Manawataki o Te Papa create the need for parking to enable convenient access.
- (e) **There are limited practical options** for charging for the individual benefits received from using the transport network. Tolling is one practical way however it requires an Order in Council (legislative instrument that is made by the Executive Council led by the Governor-General) to be made.
11. Future alternative funding sources may include road congestion charges however this will require central government legislation.
12. General rates reflect that transportation offers wider benefits across all members of the community. The allocation of the liability can be spread across the city. However, while all users benefit, commercial and industrial users and utility networks have been identified as having a higher proportion of benefit and creation of costs of this activity. Heavy vehicles have been shown to cause substantially higher costs on the roading activity and on congestion impacting communities and the economy. Heavy vehicles are predominantly, though not solely, used by industrial users. Utility networks such as power and telecoms use the road corridor for their services and regularly disrupt transportation when maintaining their networks.
13. A differential general rate or a targeted rate may both be appropriate to reflect fair and equitable funding of this activity across these groups of users.
14. While most of the transportation activity is current funded through the general rate, council's policy states that targeted rates may also apply universally to fund a specific group of activities projects or outcomes where a greater degree of transparency, accountability, and/or and ring fencing of funding is desired. They could be applied to some or all of the roading activities of council.
15. Parking management is fully funded by user fees (parking fees and fines) to reflect the benefit received from those using parking spaces to access services and amenities. Targeted rates may be used to fund operations, maintenance, renewal, and new investment where a project benefits a group or sector ratepayers. A targeted rate for resilience also acknowledges the benefit received from emergency preparedness.
16. If Council were to decide to consult on a change of elements of transportation funding from the general rate to a targeted rate, this would require a consultation process to change the Revenue and Financing Policy for the Transportation activity and in the rates policy section, and consultation through the 2025/2026 Annual Plan. Any changes would be reflected in the Funding Impact Section of the 2025/2026 Annual Plan.

Analysis of Costs and Benefits of Transportation

17. At the meeting on 16 September, Council requested copies of the independent reports that supported a higher level of contribution from the Commercial and Industrial sectors to fund the Transportation activity. The following reports are attached:
- 2022-03-28-Transport-Funding-Peer Review Gray Matter.
 - Insight Economics - Assessment of Tauranga Transport Funding.
 - Attachment to Rating Review - PJ & Associates Report on Rating Categories – Differential.

- Road Control Authority - The Impact of Heavy Vehicle Traffic on Road Pavements.

18. The independent reports supported a generic 50/50 split between the residential and commercial sectors and identified that specific information around commercial and industrial traffic movements and analysis of the beneficiaries of operational and capital expenditure by council was not available. Further information (below) was provided to council around environmental and safety issues.

Comparison of the Impact of Heavy versus Light vehicles				
Comparators	Sources	Heavy Vehicles	Lighter Vehicles	Ratio of Impact
Economic Cost	1	82% of the cost and 21% of the vehicle traffic volume	18% of the cost and 79% of the vehicle traffic volume	4 to 1
	5	Fourth power law (appendix to SFR report)		10,000 to 1
Environmental Cost	2 and 3	NOx range 2,000	Nox range 60-280	10 to 1
	2 and 3	Exhaust particles - 20	Exhaust particles - 5	4 to 1
	2 and 3	CO2 1,500	CO2 500-2,270	1 to 1
	4	Account for 27% of climate emissions from road transport in Europe and only 2% of traffic	Account for 73% of emissions and 98% of traffic volumes	3 to 1
Safety Cost	6	Deaths from crashes make up 20% of deaths but only 6% of total distance travelled	80% of deaths over 94% of distance travelled	3 to 1
Sources				
	1	IEEE : Assessing the Impact of Heavy Vehicles		
	2	European Commission Report 2023		
	3	NZ Ministry of Transport : Summary of Euro Pollution Reductions		
	4	Transport & Environment		
	5	RCA Forum		
	6	Overview of Road Safety in NZ		

19. Council set a higher general rate differential on the Industrial sector by exercising a “choice” under section 101(3)(b) of the Local Government Act 2002 and after considering the overall impact of any allocation of liability for revenue needs on the current and future social, economic, environmental, and cultural well-being of the community.

RATING CATEGORIES

20. The second matter requested by Council on 16 September was to better define the Industrial Rating Category, particularly with respect to storage.
21. The Local Government Act determines the **matters that may be used to define categories of rateable land** as follows:
- The use to which the land is put.
 - The activities that are permitted, controlled, or discretionary for the area in which the land is situated, and the rules to which the land is subject under an operative district plan or regional plan under the Resource Management Act 1991.
 - The activities that are proposed to be permitted, controlled, or discretionary activities, and the proposed rules for the area in which the land is situated under a proposed district plan or proposed regional plan under the Resource Management Act 1991.

- (d) The area of land within each rating unit.
 - (e) The provision or availability to the land of a service provided by, or on behalf of, the local authority.
 - (f) Where the land is situated.
 - (g) The annual value of the land.
 - (h) The capital value of the land.
 - (i) The land value of the land.
22. Council's current definition for the general rating categories is based on (a) the use to which the land is put and aligns with the land use designation in the District Valuation Roll.
23. The Industrial Rating Category definition includes rating units with a primary land use beginning with 3- Transport, 6 – Utility services or 7 - Industrial services.

Options for Further Differentiating the Industrial Category

24. Changes to exclude some uses currently identified as industrial would require increased granularity of assessment. Increasing the granularity of rating category definitions increases the risk of incorrect classification and refunds after rates have been struck which puts more risk around Council's rates revenue.
25. More complex rating category definitions are more difficult to administer and require more resources, particularly staff.
26. For example, if the storage definition includes words that require increased subjective interpretation, staff would need a higher level of compliance skills and decision review processes. There would be a significantly increased level of property inspections, follow up investigations and continuous monitoring, estimated at an additional \$100,000-\$120,000 including additional staff member, manager review, and site inspection costs.
27. Alternatively, introducing a logical factor such as area is objective, would require some additional programming in the new rates module in SAP however it would be simple to administer and simple for ratepayers, and council staff, to understand.
28. For example, Council could consider (d) the area of land within each rating unit.
29. There are 338 Industrial use rating units with a land area of less than 125 m², and 340 additional rating units with a land area of less than 250m² (*344 and 350 in the Industrial category as a whole*). These smaller units are typically Small to Medium Enterprises. The majority have a designation of 77- "Industrial storage" or 70- "Industrial mixed use", which could but may not include some level of storage.

Rating Units	Area (m ²)							
by Land Use	0-125	125-250	250-800	800-1500	1500-2500	2500-5000	5000-10000	>10000
70 (Multi-use)	104	139	49	50	63	53	15	12
71 (Food/drink/tobacco)	3	7	29	14	14	17	14	11
72 (Textiles, Leather, Fur)	1	4	4	8	4			
73 (Timber products)	5	8	15	11	10	17	7	5
74 (Building materials)	2	15	18	14	11	11	7	4
75 (Engineering, metal)	28	31	57	55	53	40	19	7
76 (Chemicals, plastics)		1	7	7	7	6	3	6
77 (Other incl. storage)	173	129	83	48	61	61	34	37
78 (Depot Yard)	19	8	18	12	15	17	13	10
79 (Industrial vacant)	3		10	47	50	41	31	38

Grand Total	338	342	290	266	288	263	143	130
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Financial Impact of Removing Rating Units with Smaller land Area from Industrial Category

30. If these smaller units in the industrial rating category were included in the commercial rating category the estimated reduction in rates to these ratepayers would be between \$205,000 (<125m²) - \$570,000 (<250m²), based on the current level of general rate apportionments, the 2025/2026 budget in the 2024-2034 Long Term Plan and council's rating base. Because of the proportional decision in place, this reclassification (applying in the next annual plan period) would increase the rates to the remaining Industrial ratepayers by the same amount.
31. If only storage use (*land use 77*) is included as commercial the ratepayer's reduction would be around \$115,000 with an equivalent increase on the remaining industrial units applying in the next annual plan period.
32. All except two of the rating units with storage of private assets, including leisure, in an Industrial rating unit discussed at the council meeting of 16 September 2024 would be captured within the 0-250 m² land area.
33. There are 11 self-service storage facilities located within Tauranga City Council boundary according to google. The average size is 8,300 m² and capital value \$5.9 Million, and the largest is 2 HA area and \$13 Million capital value. It is not possible to know what is stored in the self-storage units as this is private to the person/s renting the space. The assumption is these units contribute to the movement of heavy vehicles in the area. If these rating units were also considered to be commercial their rates would decrease by an estimated \$77,000 which would be spread around the remaining Industrial rating units.
34. As part of Council's review of the apportionment of general rates council may consider recombining the Industrial and Commercial rating Categories under section 101(3)(b) which considers the allocation of rates over the whole community. This would negate the need to introduce new factors or definitions for determining which rating units are in the Commercial or Industrial Rating Category.

APPORTIONMENT OF THE GENERAL RATES

35. The third request from 16 September was to provide information around the appropriate allocation of general rates and rating differentials.
36. Allocation of the general rates is a section 101(3)(b) matter for council to decide, after considering the overall impact of any allocation of liability for revenue needs on the current and future social, economic, environmental, and cultural well-being of the community.
37. In the 2024-2034 LTP, the average split for residential and commercial (*including Industrial*) rating categories across the other metro's that we benchmark with was 66%/34%.

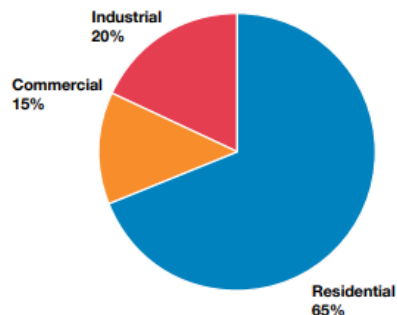
	Differential	General rates for commercial/ Industrial categories (%)
Tauranga	2.6/2.1	33% (resolution to move to 35%)
Auckland	2.64	31%
Hamilton	2.98	34%
Christchurch	2.4	34%
Dunedin	2.47	31%
Wellington	3.66	40%

38. The proportion of the general rates which fund activities that benefit the whole community is currently set at 67% residential, 13% commercial and 20% industrial. This residential

allocation of general rates is higher than Hamilton (66%), Christchurch (66%), and Wellington (60%) and lower than Auckland (69%) and Dunedin (69%).

39. In the LTP Council resolved to apportion the general rates at residential 65%, commercial 15% and Industrial 20% by the 2027-2028 rating year.

Graph A3-4 Apportionment of General Rates with Industrial Category by 2027-28



40. Moving to 65% over a two-year period as per the last council's resolution would mean the residential rating category portion of general rates would be lower than all metros that we benchmark with, except Wellington.
41. The attachment "Funding Impacts for general rates apportionment options (estimated)" shows the impact of potential rating policy options on each rating category using the 2025/26 year budget from the LTP.
42. Council can choose either to:
- (a) to maintain the current allocation (67%) or
 - (b) proceed with the resolution made by Council in the LTP to move the commercial rating category up from 13% to 15% or
 - (c) change the allocation between the residential sector and the Commercial/ Industrial rating categories, including an option to recombine the Commercial and Industrial Rating Categories.
43. The attachment "Funding Impacts for general rates apportionment options (estimated)" estimates the impact of potential rating policy options on each rating category. The findings are summarised in the table below.

Examples of rating impacts on residential, commercial and industrial properties under potential rating policy options

	Status Quo	Status Quo (- \$10M)	Status Quo (- \$15M)	Commercial 13% to 14% (current resolution)	Commercial 13% to 14% (current resolution, - \$10M)	Commercial 13% to 14% (current resolution, - \$15M)	Combine Commercial and Industrial and reduce to 31%	Combine Commercial and Industrial and reduce to 31% (- \$10M)	Combine Commercial and Industrial and reduce to 31% (- \$15M)
% of total General rates differential									
Residential	67%	1.0		66%	1.0		68%	1.0	
Commercial	13%	2.1		14%	2.2		14%	2.2	
Industrial	20%	2.6		20%	2.6		17%	2.2	
Residential rates impact									
Median (50%)	14.3%	11.3%	9.8%	13.8%	10.8%	9.4%	16.1%	13.1%	11.5%
\$/pw	\$ 9.56	\$ 7.55	\$ 6.55	\$ 9.27	\$ 7.27	\$ 6.27	\$ 10.83	\$ 8.76	\$ 7.73
Commercial rates impact									
Median (50%)	17%	13%	11%	21%	17%	15%	24%	20%	18%
\$/pw	\$ 45	\$ 35	\$ 30	\$ 54	\$ 44	\$ 39	\$ 62	\$ 51	\$ 46
Industrial rates impact									
Median (50%)	16%	12%	11%	16%	12%	10%	5%	1%	0%
\$/pw	\$ 39	\$ 30	\$ 26	\$ 38	\$ 29	\$ 24	\$ 11	\$ 3	\$ -1

44. Increasing the residential ratepayers' allocation of rates to the same level as Auckland's would add 1.8% to the residential rates and reduce the rates allocation for commercial and industrial ratepayers, proportionate to the decisions made by council on the appropriate allocations between rating categories.
45. The rating policy sets the proportion of general rates. The general rate differential for the 2024/2025 rating year for the commercial rating category is 2.1:1 and for the Industrial rating category 2.6:1. Moving the commercial sector apportionment to 15%, as per council's previous resolution will increase the differential to 2.2:1 in 2025/2026 and 2.3 in 2026/2027.
46. The differentials are close enough to consider recombining the commercial and industrial categories in the 2025/2026 rating year or over time. This would mean that commercial and Industrial rating units would have the same general rate differential.
47. The committee can recommend a number of scenarios that can be modelled by staff and presented to council as part of the 2025/2026 Annual Plan process.

ESTIMATING FUTURE YEARS RATES ON COUNCIL'S WEB SITE

48. The fourth request was to investigate the feasibility of estimating future rates based on council's ten-year plan, including water rates estimated from the previous year's usage, and potentially including regional rates. This was prompted by an article in the New Zealand herald which included an interactive map estimating Welling City and Regional rates in 2028.
49. Subsequent investigation confirmed that this was not information provided by either council. The article did not attribute the source of the information or the calculation methodology.
50. Wellington City council is currently part way through their triennial revaluation with significant shifts in valuation in all sectors. They have not yet been able to estimate the impact of this revaluation on next year's rates. They have not proposed to provide any long term estimates on their website.
51. No council in New Zealand currently produces a ten-year estimate. The reasons are essentially around providing what could be misleading information, as there are many external and internal factors that impact rates in future years including growth assumptions, budget constraints, rating policy changes, revaluation swings and the renewal of the Long

Term Plan every three years. Councils including TCC in the past, have chosen to provide information for the next year of an agreed Long Term Plan or Annual Plan.

52. Tauranga City Council has a rates estimator embedded in our online Rating Information webpage. Ratepayers search a property address and are provided with information that we hold about each property. This is one of the most popular pages on council's web site. The rates estimator is turned on after each draft Annual Plan or Long Term Plan budget decision by council, normally around December/January each financial year, and applies to the following year only.
53. Tauranga City Council's revaluation is aligned with the Long Term Plan. The calculator can be extended to include the first three years of the Long Term Plan. This would provide a reasonable level of certainty for ratepayers as the values will not change and any decisions made on rating policy outside of the Long Term Plan would be consulted with the community and the estimator could be updated, including strong caveats that these are estimates and can change as a result of council decisions.
54. Councils rating system Ozone was developed in the 1980's and is not stable or supported. It is critical that this is being replaced by SAP. This key project requires significant input from the Rates and Digital teams. The start date is expected to be 1 July 2025. Redirecting resources for the calculator or other new initiatives from rates, finance and digital teams will add risk to the success of the major SAP rates, banking, collections, and property project and add significant costs if the start date is delayed by a further year.
55. The current rates information page and estimator will require a rebuild post 1 July 2025, as the source will be changed from councils existing Ozone software to SAP. After a successful implementation of the new rating system the rates and digital staff could, if council chooses, develop a three year's estimator to be ready before the council's next Long Term Plan.

STATUTORY CONTEXT

56. The decisions in this paper on rating policy will become part of the 2025-2026 Annual Plan.

STRATEGIC ALIGNMENT

57. This 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	✓

58. Fair and equitable funding of council's investment in Tauranga's Transportation activity, and over the allocation of rates liability on the whole community will contribute to all of the above outcomes.

OPTIONS (RATES FUNDING OF TRANSPORTATION ACTIVITY)

Option 1 - Recommends that Council continues to fund the Transportation activity rates budget, from the general rates. (Status Quo)

Option 2 - Recommends that Council through the 2025/2026 Annual Plan further consider the options for funding portions of transportation through a targeted rate, and the impact on differential ratepayers through this process.

OPTIONS ANALYSIS (RATES FUNDING OF TRANSPORTATION ACTIVITY)

Option 1 - Recommends that council continues to fund the Transportation activity rates budget, from the general rates. (Status Quo)

Advantages	Disadvantages
<ul style="list-style-type: none"> Transportation is funded through the general rates in the same way as all other public good activities. General rates are easy to administer and understand. Rates collected are not ring-fenced providing council greater flexibility. 	<ul style="list-style-type: none"> The proportion of transportation funding paid by each sector is less transparent.
Key risks	
Recommended?	Section 101(3)(a) decision

Option 2 - Recommends that Council through the 2025/2026 Annual Plan further consider the options for funding portions of transportation through a targeted rate, and the impact on differential ratepayers through this process.

Advantages	Disadvantages
<ul style="list-style-type: none"> Increases transparency of the Transportation funding which makes up a component of the general rate differential for commercial and industrial ratepayers. Rates received for a targeted rate cannot be used for any other purpose. 	<ul style="list-style-type: none"> More difficult to benchmark with other New Zealand Metros who include their Transportation Activity budgets in the general rate. Increased risk of non-payment of part of the rates if ratepayers disagree with paying that portion.
Key risks	
Recommended?	Section 101(3)(a) decision

OPTIONS (RATING CATEGORIES)

Option 1 – Maintains the current definition of Industrial so that the definition aligns with the land use code in the District Valuation Roll. (Status Quo)

Option 2 - Council considers along with the draft budget in February, options regarding the industrial category including: removing smaller operations from the industrial category, reviewing the level of differential, and recombining commercial and industrial rating categories.

OPTIONS ANALYSIS (RATING CATEGORIES)

Option 1 - Recommends that Council maintains the current definition of Industrial so that the definition aligns with the land use code in the District Valuation Roll. (Status Quo)

Advantages	Disadvantages
<ul style="list-style-type: none"> Provides clarity to the rating treatment and is consistent with council's valuation service provider designation of use in the District Valuation Roll (DVR). Simple to administer. Council's new SAP will automatically assign, reducing 	<ul style="list-style-type: none"> Does not differentiate between bulk or business storage and private, or small to medium business storage, and those ratepayers will be charged the higher industrial rating category general rate.

human error and creating efficiencies.	
Key risks	
Recommended?	Section 101(3)(b) decision

Option 2 – Council considers along with the draft budget in February, options regarding the industrial category including: removing smaller operations from the industrial category, reviewing the level of differential, and recombining commercial and industrial rating categories.

Advantages	Disadvantages
<ul style="list-style-type: none"> Provides opportunity for Council to consider smaller industrial category rating units. Enables Council to consider the impact of potential changes across all rating categories. Recombining rating categories would be simpler to administer 	<ul style="list-style-type: none"> Changes to inclusion within industrial category could put higher apportionment on remaining industrial users.
Key risks	
Recommended?	Section 101(3)(b) decision

OPTIONS (ALLOCATION OF GENERAL RATES)

Option 1 – Recommends to Council to continue with the Long-term Plan decision to move to a fixed proportion of residential 65%, Commercial 15%, industrial 20% by 2027/28 (Status Quo).

Option 2 – Recommends to Council as part of the Annual Plan to review the decision to move toward general rates set at a fixed proportion of residential 65%, Commercial 15%, industrial 20% as included in the Long-term Plan.

OPTIONS ANALYSIS (ALLOCATION OF GENERAL RATES)

Option 1 - Recommends to Council to continue with the Long-term Plan decision to move to a fixed proportion of residential 65%, Commercial 15%, industrial 20% by 2027/28 (Status Quo).

Advantages	Disadvantages
<ul style="list-style-type: none"> Recognises the increasing volumes of heavy vehicle to Industrial related businesses in the city from journeys originating or finishing outside the city's boundary. Recognises the social and environmental impacts such as congestion, safety, and pollution on the city of heavy vehicles and industrial activity. Provides certainty and mitigates future valuation swings between sectors. 	<ul style="list-style-type: none"> Industrial rating units may think that they are paying more than is equitable and fair. Two more years of larger than normal increases for the commercial sector. Local hospitality sector and Tauranga CDB retail struggling due to construction and economic downturn.
Key risks	

Recommended?	Section 101(3)(b) decision
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Option 2 - Recommends to Council as part of the Annual Plan to review the decision to move toward general rates set at a fixed proportion of residential 65%, Commercial 15%, industrial 20% as included in the Long-term Plan.

Advantages	Disadvantages
<ul style="list-style-type: none"> Does not lead to ongoing increases in commercial share over the next two years. 	<ul style="list-style-type: none"> Changing the proportions frequently creates uncertainty over the long term, particularly at each triennial revaluation. May increase the rates liability on one of more sectors. Would not mitigate future valuation swings for particular categories. Residential ratepayers may pay more as a proportion than other similar growth New Zealand metros.
Key risks	
Recommended?	Section 101(3)(b) decision

OPTIONS (ESTIMATING FUTURE YEARS RATES ON COUNCILS' WEBSITE)

Option 1 – Recommends that Council directs staff to develop a rates estimator calculator on council's property search page for the first 3 years of the Long Term Plan, to be ready before council's next Long Term Plan.

Option 2 - Recommends that Council directs staff to develop a rates estimator calculator on council's property search page for the 10 years of the Long Term Plan, to be ready before council's next Annual Plan.

OPTIONS ANALYSIS (ESTIMATING FUTURE YEARS RATES ON COUNCILS' WEBSITE)

Option 1 - Recommends that Council directs staff to develop a rates estimator calculator on council's property search page for the first 3 years of the Long Term Plan, to be ready before council's next Long Term Plan.

Advantages	Disadvantages
<ul style="list-style-type: none"> Council can utilise the existing framework in the current rates estimator for one year out, to build an enhanced estimator. Aligns with councils Long Term Plan and triennial revaluation processes and will be a realistically accurate estimate. Will not present risk to council's rates SAP project cut over on 1 July 2025 	<ul style="list-style-type: none"> Ratepayers may need to calculate their own estimates further out in the ten year plan.
Key risks	If required before 1 July 2025 this poses a significant risk to the SAP project. Customers may rely on future estimates; however, the

	estimates are not likely to change significantly.
Recommended?	Yes (to start after implementation of SAP rates, banking, collections, and property modules)

Option 2 - Recommends that Council directs staff to develop a rates estimator calculator on council's property search page for the 10 years of the Long Term Plan, to be ready before council's next Annual Plan.

Advantages	Disadvantages
<ul style="list-style-type: none"> Ratepayers can see an "estimate" of their rates out for up to ten years. (with extensive caveats) 	<ul style="list-style-type: none"> The estimates greater than ten years out may change significantly if assumptions, rating policy, valuation shifts, growth, or other future council decisions on budget change with each new council.
Key risks	Providing an estimate for year 4-10, where councils governance team and assumptions may change, could be misleading to customers, unfair on future councillors and result in mistrust in current and future council and council's processes.
Recommended?	No

FINANCIAL CONSIDERATIONS

59. Changing for the next Annual plan year, the definition of rating category, funding of transportation or allocation of the general rate, will not impact council's finances directly as they change the allocation of rates liability over the whole community, or the method of funding. If some ratepayers pay less others would pay a greater share of the total rates requirement set by Council.
60. Increasing the complexity of the rating base may require additional budget for staff and a vehicle for inspections, estimated at between \$100,000-\$120,000 per annum.
61. Redirecting rates and digital staff from the significant SAP project to develop an enhanced calculator this year could result in a delayed project and increased costs of the project.
62. Delivering an enhanced calculator outcome in time for the next Long-term Plan would require rates team and digital resources however these could be managed within existing resources.

LEGAL IMPLICATIONS / RISKS

63. Council should follow due process, particularly the chronological order in section 101 Financial management of the Local Government Act (2002), when setting rating policy.

TE AO MĀORI APPROACH

64. Fair and equitable allocation of rates ensures that the Industrial sector and other heavy vehicle users contribute to the costs of a safe transportation network. This aligns to the concept of Manaakitanga which is best practice and a strong duty of care and safety for our people.

CLIMATE IMPACT

65. While Transportation Activity, in particular road traffic, is a key contributor to negative environmental impacts, the rating policy changes are unlikely to change any behaviour of

heavy vehicle traffic to, or from, Industrial rating units. The Port of Tauranga is New Zealand's only deep water port and is unlikely to move from the centre of Tauranga.

CONSULTATION / ENGAGEMENT

66. Changes to rating Policy or the Revenue and Financing Policy will be consulted with the whole community as part of the 2025-2026 Annual Plan.

SIGNIFICANCE

67. 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.
68. 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.
69. In accordance with the considerations above, criteria and thresholds in the policy, it is considered that the proposal is of high significance.






ENGAGEMENT

70. Taking into consideration the above assessment, that the proposal is of high significance, officers are of the opinion that the following consultation/engagement is suggested/required under the Local Government Act.
71. Any proposed changes to rating category definitions, rating category apportionments, or changes to funding mechanisms agreed by council will be consulted upon as part of the 2025/2026 Annual Plan.

NEXT STEPS

72. Recommendations will be forwarded to Council to consider for inclusion in the draft 2025-2026 Annual Plan.

ATTACHMENTS

1. **2022-03-28-Transport-Funding-Peer Review Gray Matter - A13423255 (Separate Attachments 2)** 
2. **Insight Economics - Assessment of Tauranga Transport Funding 21022022 - A13249850 (Separate Attachments 2)** 
3. **Attachment to Rating Review - PJ & Associates Report on Rating Categories - Differential - A14891103 (Separate Attachments 2)** 
4. **Attachment 2 to Rating Review - Road Control Authority - THE IMPACT OF HEAVY VEHICLE TRAFFIC ON ROAD PAVEMENTS - A14891310 (Separate Attachments 2)** 
5. **Funding Impacts for general rates apportionment options (estimated) - A16863731 (Separate Attachments 2)** 

9.3 Quarterly Financial Monitoring Report September 2024

File Number: A16873119

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

Authoriser: Paul Davidson, Chief Financial Officer

PURPOSE OF THE REPORT

1. The purpose of this report is to provide an update on the financial performance of Council against budget for the three months to 30 September 2024.

RECOMMENDATIONS

That the Accountability, Performance & Finance Committee:

- (a) Receives the report "Quarterly Financial Monitoring Report September 2024".

EXECUTIVE SUMMARY

2. High level information for quarter 1 operating and capital performance against budget is presented in **attachment 1**.
3. Savings of approximately \$10m have been built into the annual plan budget between personnel and other expenses. Overall, for the first three months of the year those savings targets have been met and the organisation is actively looking for further opportunities to lock in savings for the remainder of the year.
4. Early adjustments to the full year forecast highlight likely savings in net interest costs, the need to keep a tight control over recruitment and focus on appropriate capitalisation of time, and the likelihood of a depreciation overspend.
5. Additionally, the forecast for capital subsidy and grant revenue has dropped by 44%, reflecting in the main the loss of IFF revenue and NZTA funding, impacting our expected debt to revenue position for the year.
6. The capital programme forecast is based on the original budget and will be revised downward based on the reforecast budget once this has been adopted.

BACKGROUND

7. This report is for monitoring and reporting purposes showing Council's first quarter financial performance against year to date Annual Plan budgets, the basis for our annual reporting.
8. The year to date Statement of Comprehensive Revenue and Expenditure (P&L) is provided in **attachment 1**, along with a brief variance analysis by P&L category.
9. The P&L includes year to date results along with full year budgets for reference. Three additional columns are displayed:
 - (a) Annual Plan (ANP) as adopted through the LTP which is reported against for compliance purposes (Annual Report).
 - (b) Revised Budget which is the Annual Plan budget amended for any carry forwards from the prior year and any Council decisions impacting the budget – the "approved" budget. The revised budget is included as it gives context to the full year forecast.

- (c) Forecast being the revised budget plus adjustments for updated expectations. Quarter one is early in the year to see any significant impacts of re-forecasting.
10. An overview of capital expenditure is provided in **attachment 1**, noting that the capital programme is more thoroughly explored through the Project Planning and Monitoring Committee and the Vision, Planning, Growth and Environment Committee.
11. **Attachment 1** also provides a treasury overview.

DISCUSSION

Financial Performance

12. The financial results to 30 September 2024, which is the first quarter of the 2023-24 year are provided as **Attachment 1** to this report and summarised in the table below.
13. **Attachment 1** has been adjusted to pick out two significant impacts that flow through operating income and expenditure but are capital in nature. These are the Tauriko West enabling works and the interest expense generated by growth debt (which is capitalised). Operating surplus/(deficit) net of those impacts is also displayed. These impacts are excluded from the table below.
14. Net of those impacts, the first quarter operating deficit is \$5.3m less than budgeted.

	YTD Sep Actual \$m	YTD Sep Annual Plan \$m	Full Year AP Budget \$m	Full Year Variance Forecast to AP Budget \$m
Total Rates including water by meter	83.0	82.8	334.0	0.8
Finance revenue	3.2	1.2	4.9	2.7
Subsidies and grants*	6.7	5.0	15.7	(0.0)
Fees and charges	17.4	17.4	70.2	0.1
Total Operating Revenue*	110.2	106.5	424.9	3.6
Depreciation and amortisation expense	26.5	26.2	104.7	(2.0)
Personnel expenses	30.2	29.5	118.2	(0.2)
Finance expenses*	11.7	11.2	44.7	1.6
Other expenses*	54.6	57.7	221.5	(0.2)
Total Operating Expenditure*	123.0	124.5	489.0	(0.8)
Operating Surplus/(Deficit)*	(12.7)	(18.1)	(64.1)	2.8
Development Contributions	8.0	8.5	34.0	0.0
Capital subsidies and grants	19.3	29.8	119.4	(52.1)
Asset Development Revenue impacting debt	27.3	38.3	153.3	(52.1)
* Excluding Tauriko West and growth interest as applicable				

Revenue

15. Operating revenue is ahead of budget overall by \$2.1m (\$3.8m net of Tauriko West). This is essentially due to interest revenue ahead of budget from higher deposit balances and unbudgeted grants received.
16. Rates revenue is currently forecast to be \$0.75m more than budget for the year. Higher targeted rates have been assessed than had been budgeted, particularly in kerbside collection, with an offsetting deficit in the general rates category. This general-rates position may worsen as revaluation objections are completed. Along with revaluation objections,

other causes of the general-rates deficit include new remission applications for earthquake strengthening, applications for non-rateable status and corrections for categorisation and rating status errors.

17. Fees and charges are currently on budget, however this position nets off items which are doing well against budget with those that are currently behind budget. Unfavourable variances impacted by volumes that are less than assumed in the LTP are notably Airport fees (although ahead of prior year), building consents and parking revenue.
18. Asset development revenue is significantly behind budget year to date. While this does not impact the traditional view of operating surpluses/deficits, capital subsidies and grants are included as revenue in the debt to revenue calculation. The biggest impact is due to not having IFF revenues flowing in for Te Manawataki o Te Papa. Additionally, budgeted grants for Memorial Aquatics (\$4.9m) and Cameron Rd Indoor Courts (\$4.4m) are not currently expected to materialise this financial year and alternative options are being explored. The shortfall, depending on project expenditure for the year, will therefore require additional loan-funding at least temporarily. These items, along with the loss of expected NZTA funding are reflected in the forecast, \$52.1m less than budget.

Expenditure

19. Operating expenditure is less than budget year to date by \$1.3m, or \$1.6m net of Tauriko West and growth interest.
20. In setting the LTP budget for year one, it was assumed that \$4.6m of organisational savings would be found, and a target for salary savings was set at 8% (rather than the rolling average of approximately 4%). Salary savings are usually calculated to take into account the impact of churn (an assumption for how many positions will be recruited for during the year and how long the positions would be vacant on average). A savings target on top of this was added to reflect the desire to control salary costs.
21. Year to date direct salary costs are largely on budget including those savings (despite a low churn rate), due partly to a tight review prior to positions being advertised. However, capitalisation of salaries is running behind budget, reflecting overall as a year to date overspend in personnel expenses.
22. Depreciation costs are forecast to be \$2m more than budget for the year due partly to another big asset revaluation in 2024. For context, the 2024 Annual Plan anticipated a gain due to asset revaluation of \$224m, and the corresponding Annual Report (also on this agenda) has booked a gain of \$277m.
23. Interest expenses are below budget year to date and are forecast to remain below budget despite additional forecast interest related to funding for Te Manawataki o Te Papa.
24. Other expenses – a broad category including consultants and contractors, R&M, grants and contributions, utilities costs, software licenses and support and software as a service – are under budget year to date even with the \$4.6m savings target in this category. Net of Tauriko West there is a \$2.9m favourable variance overall. There is an organisational project underway to lock in some of these savings, however it is likely that much of the year to date variance is a result of the timing of expenditure not matching the phasing of the budget. This being the case, the forecast for Other Expenses at this early stage in the year is similar to the annual plan budget (not including Tauriko West).

Capital

25. An overview of capital expenditure is provided in **attachment 1**.
26. Capital expenditure of \$112m has been delivered in the first quarter of FY25 – 34% higher than the first quarter spend of FY24 (including operational projects of a capital nature but excluding vested assets and land sales).
27. At the time of writing this report, the full year forecast was \$554m, noting this was based on a revised LTP budget of \$583m. At the Council meeting on 29 October, a lower reforecast budget of \$502m was proposed to ensure TCC remains within Local Government Funding

Agency (LGFA) limits. Future forecast information will reduce based on the confirmed reforecast budgets.

Treasury

28. Gross debt at 30 September was \$1.27bn and net debt was \$1.09bn. The LTP gross debt for June 2025 was set to be \$1.46bn with \$385m of debt issuance during the year. There has been an additional \$54m of debt issuance approved to bring TOMTP back on balance sheet.
29. Money market investments and bank balances are \$178m which includes pre-funding of \$95m for the April 2025 LGFA debt maturity. The remaining investments are on short terms which align with our cashflow forecasts.
30. The average cost of borrowing is currently \$4.75% or 4.23% excluding margin. This is currently 26 basis points higher than the treasury policy benchmark which reflects an averaging of 90 day to 15-year swap rates.
31. The reason our average cost of borrowing is now higher than benchmark is because our floating debt rates are reset every three months, which in this instance fell in October. We will see the benefit of the August and October cuts in the next report as our floating rates were reset on 15 October.

STATUTORY CONTEXT

32. Section 101 of the Local Government Act (2002) places responsibility on local authorities to ensure prudent stewardship of council resources and proper financial oversight.

STRATEGIC ALIGNMENT

33. Maintaining expenditure within annual plan budget ensures delivery of services in a financially sustainable way. Variance review assists in identifying risks and trends facing council.

OPTIONS ANALYSIS

34. There are no decisions required in this report. The report is provided for information only.

FINANCIAL CONSIDERATIONS

35. This report monitors performance to budget and reviews compliance with Council's policies and delegations. Delivery within allocated budgets ensures financial sustainability and accountability.

LEGAL IMPLICATIONS / RISKS

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

CONSULTATION/ENGAGEMENT

37. This report is made public.

SIGNIFICANCE

38. 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.
39. In making this assessment, consideration has been given to the likely impact, and likely consequences for:
 - (a) the current and future social, economic, environmental, or cultural well-being of the district or region

- (b) any persons who are likely to be particularly affected by, or interested in, the matter.
 - (c) the capacity of the local authority to perform its role, and the financial and other costs of doing so.
40. In accordance with the considerations above, criteria and thresholds in the policy, it is considered that the matter is of low significance.

ENGAGEMENT

41. 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.

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

NEXT STEPS

42. The next monitoring report for quarter 2 will be presented to this committee in February 2025.

ATTACHMENTS

1. **Attachment 1 - Quarterly Financial Monitoring - A16887035**  

Financial Statements

Year to 30 Sep 2024

STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE

Favourable
(Unfavourable)



					FULL YEAR				
	\$'000	Actual YTD	ANP YTD	Variance	Variance %	FY Forecast	Total ANP	Revised budget	Variance ANP to Forecast
OPERATING REVENUE									
Rates		73,819	73,690	129	0%	295,510	294,760	294,218	750
Rates - metered water		9,177	9,119	58	1%	39,262	39,262	39,262	0
Finance Revenue (External Interest)		3,016	1,101	1,915	174%	7,105	4,405	4,405	2,700
Finance Revenue (Dividends)		170	131	39	30%	525	525	525	0
Subsidies & Grants		6,676	5,039	1,637	32%	15,732	15,732	15,732	(0)
Subsidies & Grants - Tauriko West NZTA and related IFF		8,423	10,114	(1,691)	0%	52,143	44,994	50,406	7,149
Fees and Charges		17,384	17,389	(5)	0%	70,347	70,217	70,347	130
Total Operating Revenue		118,666	116,583	2,083	2%	480,623	469,894	474,894	10,729
ASSET DEVELOPMENT REVENUE & OTHER GAINS									
Vested Assets		5,422	7,381	(1,959)	-27%	29,504	29,523	29,504	(19)
Development Contributions		7,972	8,493	(521)	-6%	33,973	33,973	33,973	0
Subsidies & Grants Capital Expenditure Contributions		19,284	29,841	(10,557)	-35%	67,227	119,364	77,300	(52,137)
Other Gains (Losses)		(208)	(219)	11	-5%	(875)	(875)	(875)	0
Total Asset Development Revenue & Other Gains		32,471	45,496	(13,026)	-29%	129,829	181,985	139,901	(52,156)
TOTAL REVENUE		151,137	162,080	(10,943)	-7%	610,452	651,879	614,796	(41,427)
OPERATING EXPENDITURE									
Depreciation & Amortisation Expense		26,523	26,164	(359)	-1%	106,656	104,656	104,656	(2,000)
Personnel Expense		30,162	29,483	(679)	-2%	118,365	118,153	118,398	(211)
Finance Expense		11,693	11,171	(522)	-5%	43,084	44,684	44,684	1,600
Finance Expense - growth interest		3,396	4,784	1,388	29%	19,135	19,135	19,135	0
Other Expenses:		67,004	68,505	1,501	2%	296,227	286,565	296,639	(9,662)
Consultants & Contractors		6,387	7,336	949	13%	29,385	29,385	31,329	0
Administration		7,636	8,231	595	7%	32,578	32,574	32,578	(4)
Grants, Contributions & Sponsorship Expense		12,948	9,554	(3,394)	-36%	32,962	33,240	42,329	278
Other Operating Expense		18,441	23,490	5,049	21%	90,775	89,521	89,242	(1,254)
Other Operating Expense - Tauriko West NZTA works		12,410	10,790	(1,620)	0%	74,550	65,063	65,183	(9,487)
Repairs and Maintenance		9,182	9,104	(78)	-1%	35,978	36,784	35,978	806
Total Operating Expenditure		138,778	140,106	1,328	1%	583,467	573,194	583,512	(10,273)
OTHER EXPENSES									
Loss on Disposal of Assets (BVL debt restructuring)		15,000	15,000	0	0%	15,000	15,000	15,000	0
Provision Expense		0	125	125	100%	500	500	500	0
Total Other Expenses		15,000	15,125	125	1%	15,500	15,500	15,500	0
TOTAL EXPENDITURE		153,778	155,231	1,453	1%	598,967	588,694	599,012	(10,273)
SURPLUS/(DEFICIT)		(2,642)	6,848	(9,490)	-139%	11,485	63,186	15,784	(51,700)
OPERATING SURPLUS/(DEFICIT)		(20,112)	(23,523)	3,411	14%	(102,843)	(103,299)	(108,617)	456
OPERATING SURPLUS/(DEFICIT) - net of Tauriko West & growth interest		(12,729)	(18,063)	5,334	30%	(61,301)	(64,095)	(74,705)	2,794

* Revised budget = Annual Plan + carry forwards +/- approved changes.

Overall Comments on Year to Date and Forecast Balances	
<div>Operating Revenue</div> <div><p>Rates revenue is in line with budget YTD. Forecast for the full year is ahead of budget as more targetted rates have been assessed, particularly for kerbside collection, offsetting some deficits in the general rate. There is a risk to metered water revenue due to a large commercial customer closing its operations,and the forecast position will be reviewed after Q2 when the overall position will be clearer.</p><p>Finance and Dividends Revenue: Interest revenue has a positive variance to budget due to higher than budgeted deposit balances.</p><p>Subsidies & Grants. NZTA maintenance grants are ahead of budget \$612k as the work is ahead of schedule. Unbudgeted grants have been received for additional fluoridation funding (\$358k - actuals were higher vs what was accrued lastfinancial year), Department of Internal Affairs grants for City Events and Community Partnerships for uncompleted projects from last financial year, and a timing variance relating to grants received from Ministry for the Environment under Sustainability & Waste (\$382k).</p><p>Tauriko West: Revenue is behind budget due to the invoicing for the Infrastructure Acceleration grant not occuring until the end of the year, and also relating to project delays. Forecast revenue and expenditure have both been increased to reflect current understanding of the work programme for the year.</p><p>Other Revenue, primarily user fees, is in line with budget for the period. Several activities, including airport (lower passenger numbers), water supply (timing of forestry income), and building services (lower consent volumes) are behind. Offset by favourable results for spaces and places (compensation received for SH29 widening impact on Tauriko Hall) and property management (high commercial property rentals).</p><div>Asset Development Revenue & Other Gains</div><p>Assets vested to Tauranga City Council - revenue recognition is dependent on the timing of project completion of infrastructure projects by developers.</p><p>Development Contributions are primarily from city-wide development contributions, Papamoa East, Pyes Pa West and Tauriko Business Estate development contributions.</p><p>Subsidies & Grants Capital Expenditure Contributions: Removal of budgeted IFF revenue for Te Manawataki o Te Papa (TMOTP) - \$8.9m YTD and \$36m for the full year is reflected in the year to date variance and the full year forecast. Other capital grants of \$2.3m budgeted YTD for Memorial Park Aquatics and the Cameron Rd Indoor Courts have not yet been claimed. Loss of NZTA funding is also reflected in the forecast.</p><p>Other Gains and Losses includes non-cash accounting entries in relation to:</p><ul style="list-style-type: none">- a \$592k budgeted discount amortisation (loss) on the Housing Infrastructure Fund loan (\$131m loan for Waiari and Te Maunga), offset by- a \$385k budgeted gain relating to the Totara Farm (Te Tumu) land transaction.</div>	<div>Operating Expenditure</div> <div><p>Personnel Expense: Direct staff costs are ahead of budget by nearly \$1m largely due to capitalisation of salaries under budget in City Centre Development, Digital Services and the Waters activities. This is partly offset with indirect costs under budget particularly training.</p><p>Depreciation has been calculated through the fixed asset register in SAP, which has been updated for asset revaluations and asset capitalisation for 2024. Once again, revaluations were significantly greater in magnitude than was planned for in the budget. Depreciation is forecast to be \$2m over budget for the year as a result, subject to the timing and quantum of new capitalisation.</p><p>Finance Expenses are below budget as both the opening debt and year to date debt issuance are lower than was forecast for the beginning of the year. The full year forecast for net interest is expected to be \$4.3m favourable subject to timing of OCR cuts aligning to current market forecasts and timing of capital expenditure. Interest related to growth debt has been separated out as it is capitalised through the DC reserve and not funded from operating revenue.</p><div>Other Expenditure:</div><p>Consultants and Contractors: Planning and design consultancy is under budget by \$1m, particularly in City Planning, Transportation and Waters activities.</p><p>Repairs & Maintenance: Overspends in transport (\$1.0m) as R&M jobs were done ahead of schedule; wastewater (\$204k) resulting from timing vs budget phasing; and water supply (\$223k) for higher reticulation and preventive maintenance. These overspends are offset by \$1.1m lower than budget expenditure under spaces and places for ground maintenance, particularly for parks vegetation and passive reserves maintenance.</p><p>Community contributions & grants: Spaces & places is \$1.5m over Annual Plan, but has a carryforward of budget from the previous financial year. Bay Venues renewals grant is \$1.5m higher than budget due to faster delivery than anticipated.</p><p>Other Operating costs: Sustainability and waste under by \$1.3m due to expenditure for public education and the Kerbside contract being under budget. Early in the financial year many activities are significantly behind budget in this group of accounts including Civic Complex, City Operations, Transportation, Spaces and Places, City Development and Customer Services. It is possible that some of this is a timing issue, however it is likely that further savings targets will be applied in this area.</p><p>Administration: A number of relatively small variances over and under with marketing expenditure and telecomms expenditure having the largest favourable variances.</p></div>

Capital Programme - 2025 Financial Year - September 2024

Month

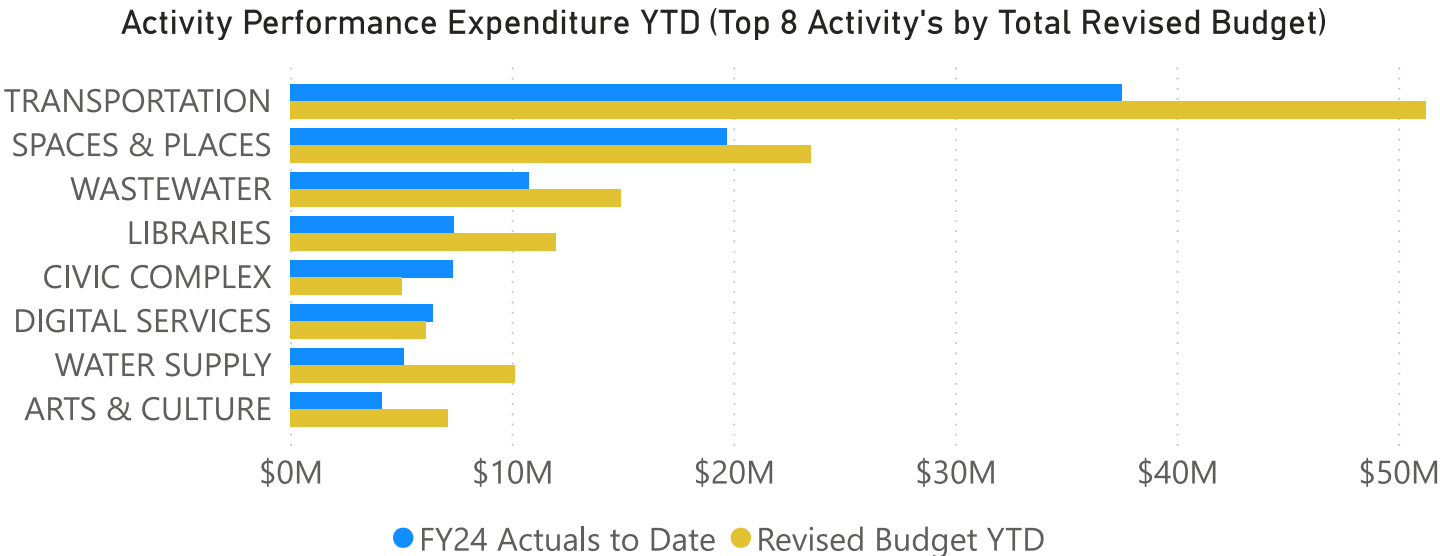
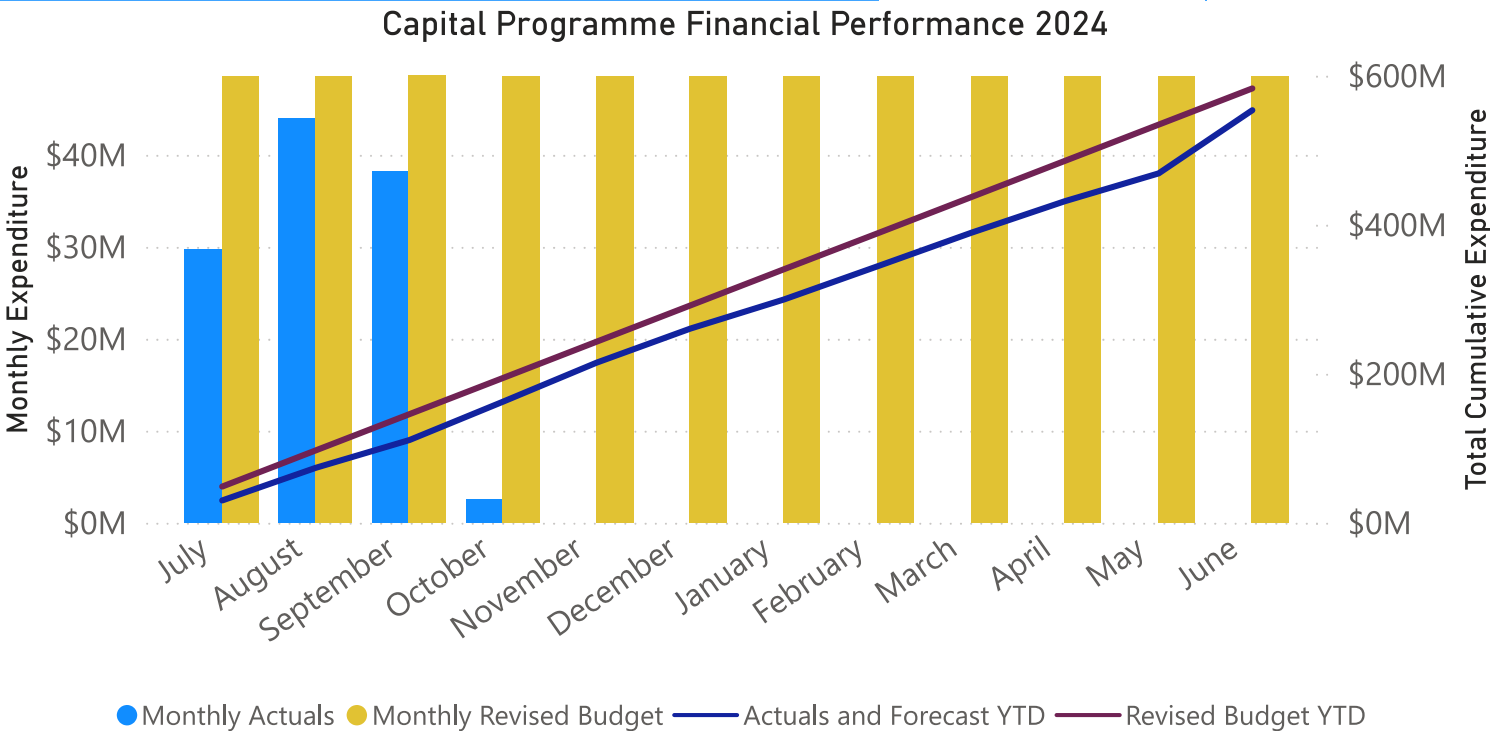
September

Fiscal Year

2025

For the first quarter of FY25, total capital programme achieved 76% of revised budget to date. Current revised budgets are evenly phased by 12 months and will be cash flowed more appropriately when the budgets are confirmed at the end of October.

Annual Plan Current Month	\$40.5M
Actuals Current Month	\$38.3M
FY24 Revised Budget to Date	\$145.7M
FY24 Actuals to Date	\$112.0M
FY24 Annual Plan Budget	\$506.2M
FY24 Revised Budget	\$582.8M
FY24 Forecast	\$553.6M
FY24 Variance to Revised Budget	-\$29.2M



Capital Programme - 2025 Financial Year - September 2024					Month <div>September</div>	Fiscal Year <div>2025</div>
Project Category	FY25 Annual Plan Budget	FY25 Revised Budget	FY25 Forecast	FY25 Variance	Commentary	
High Strategic Impact Projects	\$339.5M	\$350.3M	\$340.2M	-\$10.1M	See attached high strategic projects for more detail	
Balance of Growth Projects	\$43.8M	\$49.3M	\$42.0M	-\$7.3M	Forecast spend for FY25 consistent with reforecast budgets presented at 29 Oct Council meeting	
Balance of Level of Service Projects	\$71.8M	\$63.7M	\$50.9M	-\$12.8M	Forecast below budget as Beaumaris Boulevard flood mitigation unlikely to require contingency budget. Forecasting to stop new bus shelter installation due to NZTA funding decisions	
Renewal Projects	\$22.0M	\$21.2M	\$17.0M	-\$4.2M	Forecast under budget due to delay in Cambridge Reservoir trunk main relocation	
Capital Delivery by Third Parties Projects	\$9.3M	\$12.4M	\$8.9M	-\$3.5M	Forecast close to revised budget	
Operational Projects	\$79.8M	\$85.9M	\$94.6M	\$8.6M	Forecast above budget due to acceleration in Tauriko West projects	
Capital Delivery Adjustment	-\$60.0M	\$0.0M	\$0.0M	\$0.0M	Smoother removed from programme	
Total Capital Programme	\$506.2M	\$582.8M	\$553.6M	-\$29.2M		
Land Sales	-\$9.4M	-\$7.8M	-\$10.2M	-\$2.4M	Forecast close to revised budget	
Vested Assets	\$31.9M	\$29.5M	\$27.8M	-\$1.7M	Forecast close to revised budget	
Total Capital Programme incl Operational, Land Sales and Vested Assets	\$528.7M	\$604.5M	\$571.2M	-\$33.3M		

High Strategic Impact Project Performance

Activity

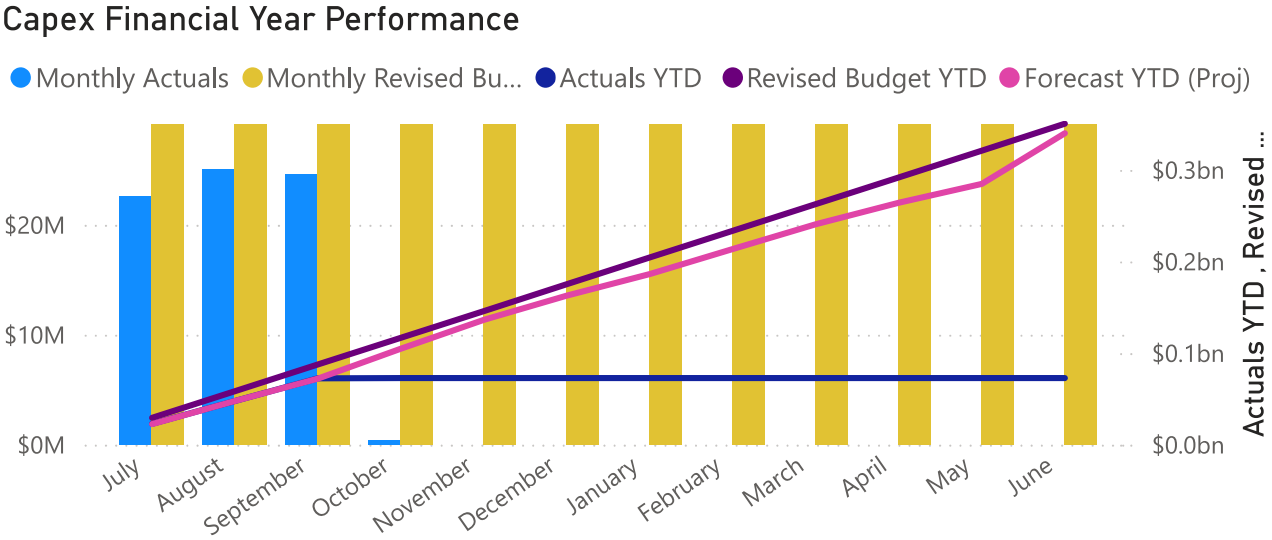
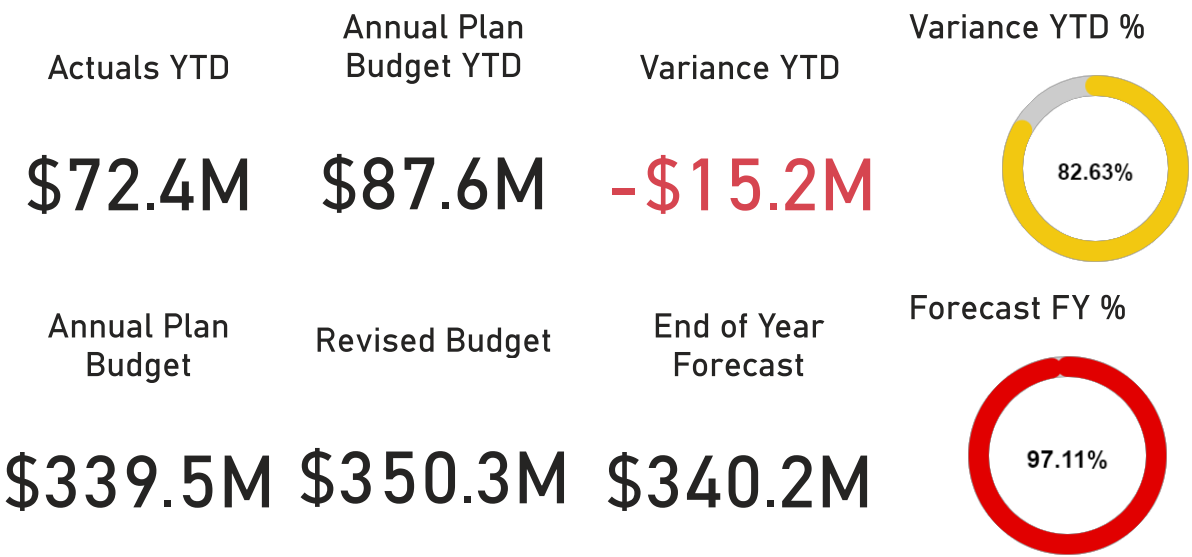
Month

Fiscal Year

All

September

2025



High Strategic Impact Project Performance						
	Reference	Actuals YTD	Annual Plan Total FY	Revised Budget FY	Forecast FY	Forecast Budget Variance
90 DEVONPORT ROAD		\$7,133,810	\$12,499,686	\$23,777,050	\$21,706,438	-\$2,070,612
ARATAKI BUS INTERCHANGE		\$1,224,155	\$1,128,605	\$4,377,127	\$3,206,656	-\$1,170,471
ARTERIAL ROUTE REVIEW		\$284,597	\$1,035,000	\$1,599,000	\$1,454,597	-\$144,403
BAYPARK MASTERPLAN (NETBALL CENTRE)		\$751,573	\$4,880,404	\$2,200,000	\$2,026,573	-\$173,427
CAMERON ROAD STAGE 2		\$2,021,839	\$8,526,063	\$14,833,560	\$7,319,347	-\$7,514,213
CITY CENTRE PROGRAMME & TRANSPORT		\$679,245	\$8,782,500	\$8,770,617	\$10,764,710	\$1,994,093
COMPLEX 2 HISTORIC VILLAGE		\$678,119	\$2,042,481	\$2,680,036	\$2,683,263	\$3,227
DIGITAL PROGRAMME		\$1,784,724	\$2,179,575	\$2,179,575	\$3,395,205	\$1,215,630
GATE PA COMMUNITY CENTRE		\$1,416,308	\$5,118,999	\$6,900,419	\$5,669,778	-\$1,230,641
INDOOR COURTS - 483 CAMERON RD		\$776,399	\$7,350,000	\$6,193,609	\$6,468,005	\$274,396
LINKS AVE ARTIFICIAL TURF		\$51,068	\$2,989,830	\$4,542,871	\$4,541,068	-\$1,803
MARINE PRECINCT - OFFLOADING WHARF		\$0	\$5,692,500	\$5,785,070	\$200,000	-\$5,585,070
MAUNGANUI ROAD SAFETY IMPROVEMENTS		\$2,009,950	\$6,128,892	\$3,969,169	\$4,213,956	\$244,787
MEMORIAL PARK AQUATICS FACILITY		\$988,056	\$13,221,773	\$6,000,000	\$11,512,055	\$5,512,055
MERIVALE COMMUNITY CENTRE		\$596,525	\$6,580,549	\$7,459,547	\$7,455,374	-\$4,173
OPAL DRIVE WASTEWATER PROGRAMME		\$2,461,189	\$8,852,789	\$12,105,009	\$12,405,289	\$300,280
PAPAMOA EAST INTERCHANGE		\$7,552,951	\$44,339,943	\$38,285,810	\$40,438,513	\$2,152,703
PYES PA WEST - DAM 5 / WETLAND 5		\$860,768	\$4,495,277	\$4,495,277	\$4,124,250	-\$371,027
RENEWALS - TRANSPORT		\$4,203,613	\$25,457,596	\$24,302,606	\$24,037,309	-\$265,297
RENEWALS - WATERS		\$4,090,883	\$31,124,524	\$30,944,208	\$29,334,827	-\$1,609,381
TAURIKO WEST NETWORK CONNECTIONS		\$74,170	\$4,435,450	\$5,981,653	\$3,399,174	-\$2,582,479
TAURIKURA DRIVE UPGRADE		\$184,496	\$8,425,935	\$1,289,037	\$5,726,234	\$4,437,197
TE MANAWATAKI O TE PAPA		\$15,630,170	\$79,982,524	\$85,584,363	\$88,094,406	\$2,510,043
TE MAUNGA WASTE WATER TREATMENT PLANT		\$5,089,770	\$20,502,610	\$16,173,505	\$14,036,330	-\$2,137,175
TRANSPORTATION SAFETY PROGRAMME (LCLR)		\$3,272,551	\$8,451,732	\$8,451,732	\$5,943,695	-\$2,508,037
TURRET RD & 15TH AVE CORRIDOR		\$598,333	\$2,572,750	\$3,558,363	\$2,586,768	-\$971,595
WATERFRONT AND PUBLIC REALM		\$7,944,438	\$12,722,171	\$17,847,891	\$17,419,457	-\$428,434
Total		\$72,359,700	\$339,520,158	\$350,287,104	\$340,163,277	-\$10,123,827

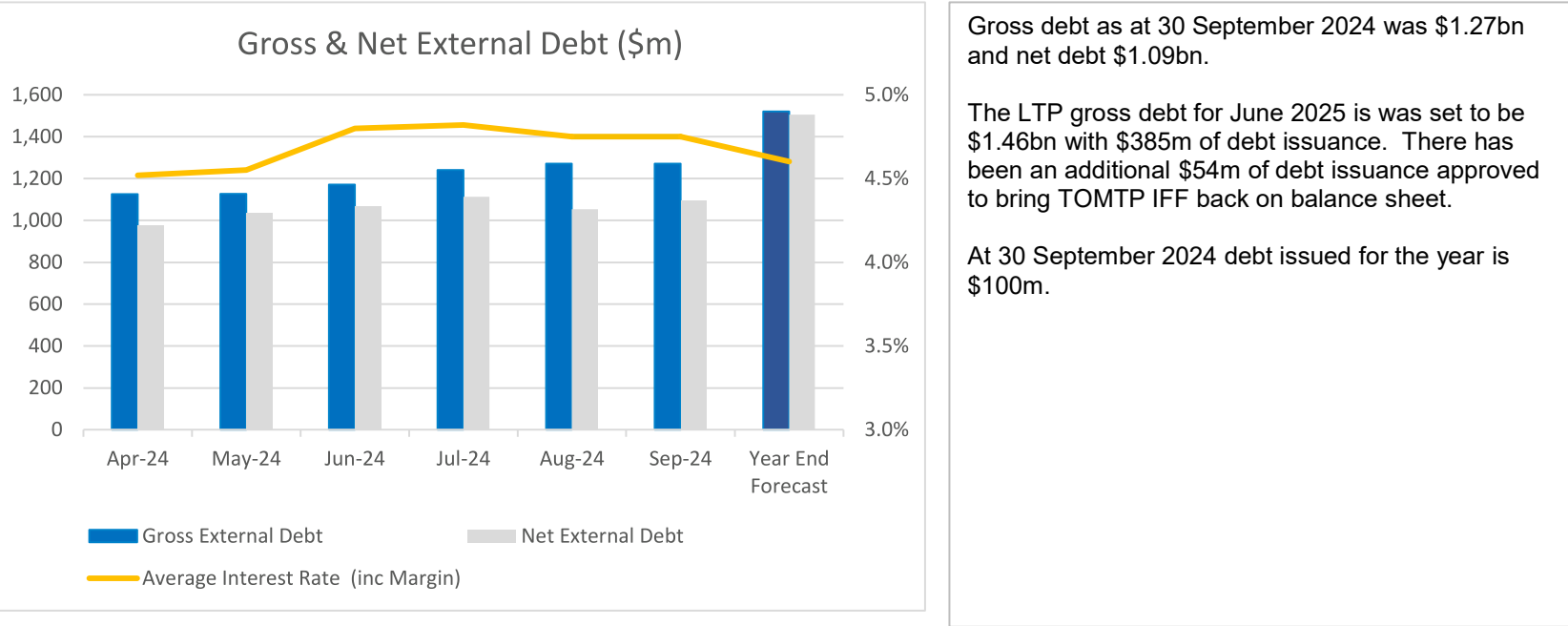
Treasury Policy Compliance

Monthly Report to SFR

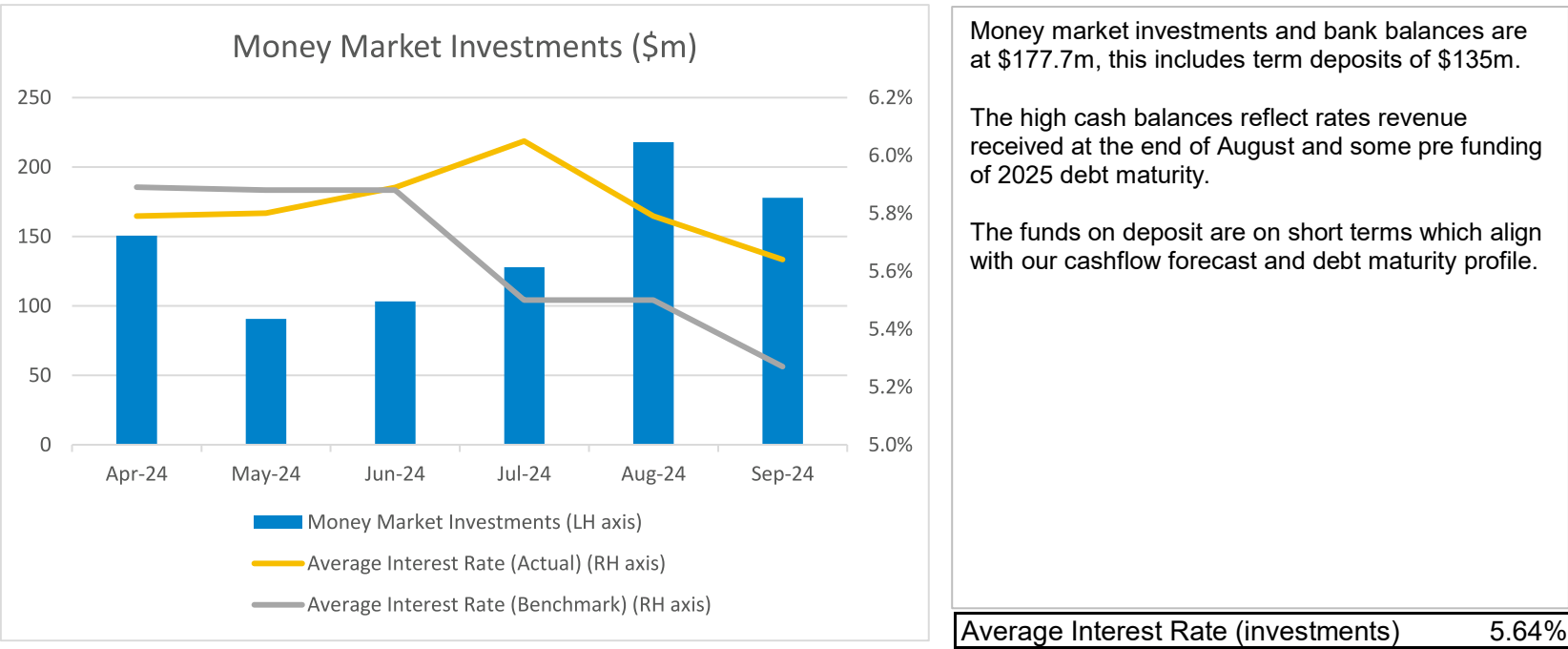
30 September 2024



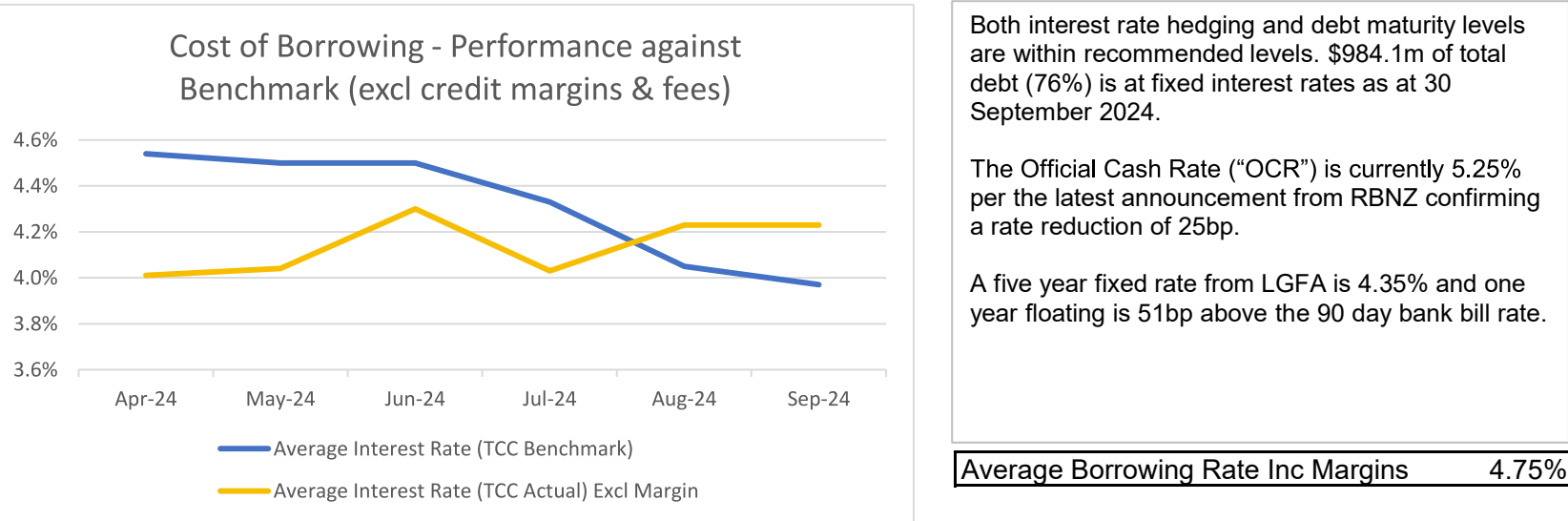
Debt



Money Market Investments



Interest



9.4 Annual Credit Review Results from Standard & Poors Global Ratings

File Number: A16641716

Author: Sheree Covell, Treasury & Financial Compliance Manager
Kathryn Sharplin, Manager: Finance

Authoriser: Paul Davidson, Chief Financial Officer

PURPOSE OF THE REPORT

1. This report provides a copy of Standard & Poors (S&P) credit rating for 2024 and summarises key factors raised in the report that affect the current rating and future outlook on Council's rating.

RECOMMENDATIONS

That the Accountability, Performance & Finance Committee:

- (a) Receives the report "Annual Credit Review Results from Standard & Poors Global Ratings".

EXECUTIVE SUMMARY

2. Council chooses to have a credit rating to access lower interest margins on its borrowing and to allow borrowing covenants with the Local Government Funding Agency (LGFA) that include debt to revenue ratios of 285% (280% from 2026). Being a rated council also supports LGFA by ensuring the majority of its lending is to rated councils.
3. S&P has affirmed Council's long and short term ratings at A+/A-1 and revised Council's outlook from stable to negative.
4. The change in outlook from 'stable' to 'negative' reflects S&P's perceived risks to Council's credit rating. The risks identified by S&P include the weakening New Zealand Central Government institutional framework settings and weaker fiscal outcomes compared to previous rating forecasts, specifically higher debt and lower revenue.

BACKGROUND

5. S&P has affirmed Council's long and short term ratings at A+/A-1 and revised Council's outlook from stable to negative. The S&P rating report noted that our rating excludes the impacts of waters reform. The strongest rating factors for Council include the Institutional framework, Tauranga economy, and Liquidity. Liquidity considerations include TCC's approach to prefunding debt maturities and increasing uncommitted bank facilities as total debt levels increase.
6. Factors that have contributed to our negative outlook include a decision to fund Te Manawataki o Te Papa through Local Government Funding Agency (LGFA) rather than that debt moving off balance sheet through Infrastructure Funding and Financing and the loss of significant subsidy revenue from New Zealand Transport Agency (NZTA).

Downside Risk

7. Council's credit rating could be revised down if changes to central government policy undermine Council's financial plans and performance.

8. Council's credit rating could also be revised down if our debt and expenditure increases are higher than forecast and revenue continues to reduce. These factors contribute to S&P's balance after capital accounts metrics which should average below 25% for the forecast period. Council's balance after capital accounts peaked at 40.7% in 2024 and trend down to 11.1% in 2027. If this downward movement does not eventuate it could result in a credit rating downgrade.

Upside

9. Council's outlook could be revised back to stable if balance after capital account metrics and debt burdens improve.

Institutional Settings

10. Institutional framework settings consider matters such as central government stability, regulatory quality and political risk. While the institutional framework is at the highest possible assessment of extremely predictable and supportive, S&P recognised the rising responsibility of local government to provide infrastructure and elevated policy uncertainty which resulted in a change in the trend from stable to weakening. If the institutional frameworks settings continue to weaken it will impact on Council's rating.

Fiscal Outcomes

11. S&P's fiscal forecasts have eroded since last year's credit rating review. The main contributors to this change from last year's assessment of forecast debt are:
- (a) an increased debt profile included in the 2024/2034 Long Term Plan (LTP) (in 2023 credit review forecast debt was \$1.3b in 2026, in the 2024 review it is \$1.6b)
 - (b) the reduction in committed NZTA funding over the next three years, and
 - (c) bringing the Te Manawataki o Te Papa debt back on balance sheet which added a further \$151.5m to our overall debt.
12. S&P expect after capital account deficits to recover to acceptable limits by 2026. However, this recovery is reliant on rates and other revenue levels remaining in line with those set in the LTP and expenditure not exceeding forecasts.

STATUTORY CONTEXT

13. Council chooses to have a credit rating to access lower interest margins and to support LGFA by ensuring the majority of its lending is to rated Councils. This supports LGFAs credit rating of AA+ foreign currency and AAA local currency.

STRATEGIC ALIGNMENT

14. This 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	✓

15. A credit rating allows lower access to lower cost borrowing to support the Council's outcomes.

OPTIONS ANALYSIS

16. This report is for information only.

FINANCIAL CONSIDERATIONS

17. Council borrows through LGFA and receives a borrowing rate commensurate with its credit rating. At current rates an A+ rated council borrows at 5 basis points above AA- rated councils and 10 basis points below interest rates charged to unrated Councils. If Council's credit rating was to be downgraded to A it is expected our borrowing will remain at the LGFA A+ band.

LEGAL IMPLICATIONS / RISKS

18. There are no legal implications arising from this rating.

CONSULTATION / ENGAGEMENT

19. No consultation is required. S&P has published this report.

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 matter.
 - (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, while our credit rating is a matter of medium significance as it affects our costs of borrowing the decision to receive this report is considered of low significance.

ENGAGEMENT

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

NEXT STEPS

24. TCC maintains dialogue with S&P who will continue to monitor the public sector and economic environment. The credit rating is review each year.

ATTACHMENTS

1. **Annual Credit Review - Published Results - A16869503** [↓](#) 



RatingsDirect®

Research Update:

Tauranga City Council Outlook Revised To Negative On Higher Deficits And Debt; 'A+/A-1' Ratings Affirmed

October 14, 2024

Overview

- We expect Tauranga City Council's (Tauranga) deficits and debt burden to rise well above our previous expectations as it ramps up capital expenditure (capex).
- Tauranga's after capital account deficits will be very large in fiscals 2024 and 2025. We expect deficits to narrow as the council implements large increases in property rates. Nevertheless, the council faces significant capex pressures due to its rapid population growth and historical underinvestment.
- We revised the outlook on our long-term rating on Tauranga to negative from stable. At the same time, we affirmed our 'A+/A-1' long- and short-term issuer credit ratings on the council.
- The negative outlook reflects our view that Tauranga's very weak fiscal outcomes could persist over the next two years and downward pressure on the institutional settings for New Zealand's local government sector.

Rating Action

On Oct. 14, 2024, S&P Global Ratings revised its rating outlook on Tauranga, a New Zealand local government, to negative from stable. At the same time, we affirmed our 'A+/A-1' long- and short-term issuer credit ratings on Tauranga.

Outlook

The negative outlook reflects downward pressure on the institutional settings for New Zealand's local government sector and our view that Tauranga's very weak fiscal outcomes could persist over the next two years.

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Research Update: Tauranga City Council Outlook Revised To Negative On Higher Deficits And Debt; 'A+/A-1' Ratings Affirmed**Downside scenario**

We could lower our ratings on Tauranga if the local government sector's overall commitment to strong finances continues to deteriorate, as indicated by large sectorwide cash deficits and further growth in the sector's already-elevated debt burden. This could emerge due to inadequate revenue growth to fund capex, or changes in central government policy that undermine the financial outcomes of the sector.

We could also lower our ratings if Tauranga's fiscal outcomes underperform our forecasts. This could occur if after capital account deficits remain more than 25% of total revenue, or if debt rose substantially.

Upside scenario

We could revise our outlook on Tauranga to stable if the New Zealand local government sector's overall commitment to strong finances improves.

Alternatively, we could also revise the outlook to stable if we believe Tauranga's financial management is strengthening. Materially lower after capital account deficits and debt burden would be evidence of this.

Rationale

We expect Tauranga's financial outcomes will be weaker, and its debt will be much higher than our previous forecasts. We project Tauranga's gross debt to exceed 300% of operating revenues by fiscal 2025 (year ending June 30) compared with our previous forecast that it would plateau around 265%. The council's debt will be among the highest of New Zealand councils we rate. This, along with larger than expected after capital account deficits, has eroded the council's headroom at the current rating.

The council's financial position in fiscals 2024 and 2025 is very weak due to inflationary pressure on its operating expenses and improving capex deliverability. We estimate Tauranga, at a group level, will deliver after capital account deficits averaging 38% of total revenue in fiscals 2024 and 2025. This is weaker than our previous expectations and most domestic and international peers. We forecast this deficit to narrow substantially from fiscal 2026 as the council implements large property rate increases. It will also implement operational cost-saving measures and could smooth or scale back its capex program.

Tauranga held elections in July 2024 for the first time since 2019, instating a mayor and nine councilors to lead the council. The return of elected officials followed four years of Crown-appointed commissioners. Prior to the election, commissioners adopted a 2024-2034 Long-Term Plan (LTP), which continues the council's focus on essential infrastructure to correct historical underinvestment and cater for its fast-growing population.

Our base case assumes Tauranga will continue to deliver all water-related activities. In September 2024, the Crown passed the first of two planned pieces of legislation to implement its "Local Water Done Well" reforms. The reforms could give councils the option to shift drinking water, wastewater, and stormwater assets into new regional water utilities. The second piece of the legislation is due by mid-2025. The reforms could change the composition of Tauranga's revenues, expenses, and debt, depending on their final form.

Research Update: Tauranga City Council Outlook Revised To Negative On Higher Deficits And Debt; 'A+/A-1' Ratings Affirmed

New Zealand local government's institutional settings are weakening; elected officials have taken over from commissioners.

The institutional framework within which New Zealand councils operate is a key factor supporting Tauranga's credit profile. We believe this framework is currently one of the strongest and most predictable globally. It promotes a robust management culture, fiscal discipline, and high levels of transparency and disclosure.

However, rising infrastructure budgets and responsibilities are exerting pressure on the finances of New Zealand local governments. Furthermore, the sector has elevated policy uncertainties. The Crown has passed the first bill of its water reforms after repealing the previous government's reforms. A second bill is due later this year.

If these trends continue, we could lower the institutional framework settings for local councils in New Zealand (see "New Zealand Councils' Extremely Predictable And Supportive Institutional Settings Are At Risk," published Feb. 18, 2024).

In July 2024, elected officials were reappointed for the first time since December 2020. The council will be led by a mayor and nine councilors. Our rating assumes the council will deliver policies broadly in line with the 2024-2034 LTP that was adopted by Crown commissioners. The commissioners led the council from February 2021 until July 2024 when the preceding council was dismissed by the Crown in December 2020. The Crown identified problems with governance among elected members.

Like all councils, Tauranga prepares an annual plan yearly and an LTP every three years. The council's debt and liquidity management are also sound. For instance, the council is increasing its credit facilities as its debt levels and annual debt maturities increase, and pre-funds upcoming maturities.

Tauranga city's economy has outperformed the New Zealand average since the pandemic, with real GDP rising by 4.5% in the year to March 2023. Tauranga is New Zealand's fifth-largest city with a population of 161,800 as of June 30, 2023. It is one of the country's fastest growing cities, supported by its attractiveness as a location for retirement, construction, and the region's horticulture sector. According to economic consultancy firm Infometrics, average household incomes in Tauranga were around NZ\$124,000 in the year to March 2024, slightly below the New Zealand average of NZ\$133,000.

Tauranga's growing population has been one of the key drivers for its strong economic growth in recent years, with an increasing number of retirees moving to the region. A total of 20.0% of Tauranga's population is older than 65, compared with a national average of 16.5%. While the Crown is responsible for most costs associated with retirees, such as pension and health, Tauranga's aging population could influence property rate decisions.

Large deficits are driving debt higher; liquidity remains strong.

We expect Tauranga to run large after capital account deficits of about 16% of total revenues in fiscals 2026 and 2027. Although these are less than half the size the council is likely to deliver in fiscals 2024 and 2025, they remain large in a global context. Average deficits in fiscals 2024 and 2025 of about 38% of total revenues are more than double our previous estimates. Large increases in property rates and a sharp moderation in expense growth underpin our expectations of narrower deficits. General inflationary pressures--including rising labor, maintenance and utility costs, as well as higher interest expenses--have driven the council's very large deficits in

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Research Update: Tauranga City Council Outlook Revised To Negative On Higher Deficits And Debt; 'A+/A-1' Ratings Affirmed

recent years.

We forecast Tauranga's capex will average NZ\$421 million over the next three years. Most of the spending will be focused on transport, water, and community infrastructure. Our estimates exclude the Western Bay of Plenty Transport Systems Plan, which is being delivered under the Infrastructure Funding and Financing Act.

Tauranga's operating surpluses should improve over the next three years as it raises revenue from property rates by more than 10% in each year. We forecast surpluses to average 20% over this period. This is very high among subnational governments globally, but lower than it previously delivered.

We expect Tauranga's total gross tax-supported debt to be 309% of operating revenues in fiscal 2027, up from 265% in fiscal 2023. We had previously forecast debt to plateau at this level. All of the council's debt is sourced from the New Zealand Local Government Funding Agency (LGFA) and the central government's interest free Housing Infrastructure Fund. Our measure of debt also includes the council's lease liability relating to a new office. We forecast interest expenses will average 12% of operating revenues a year for fiscals 2024-2026. This is about 50% more than in 2022, reflecting higher interest rates and the council's rising debt levels.

We view Tauranga's contingent liabilities to be limited, reflecting the likelihood of damage from natural disasters, insurance policies, and litigation. The council is well insured for material damage for above-ground assets, excluding roads and pipes, and 40% covered for underground assets, with the remainder covered by the Crown. Outstanding contingent liabilities from past litigation have now been settled.

The council's liquidity position is strong and in line with that of most of its peers. We forecast the debt service coverage ratio with bank lines at 122% over the next 12 months, supported by NZ\$200 million in undrawn bank lines and NZ\$84 million in cash and term deposits. Liquidity coverage will fall over the next year or two as debt maturities increase, in our estimation. However, it should be supported by the council prefunding maturities up to 12 months in advance. The council does not have any commercial paper on issue.

Supporting the council's liquidity is its access to the LGFA. This provides Tauranga, along with most of its New Zealand peers, with strong access to a well-established source of external liquidity. In our view, the LGFA benefits from an extremely high likelihood of extraordinary Crown support, which has helped Tauranga to lengthen its maturity profile and reduce its interest expenses.

Key Statistics

Table 1

Tauranga City Council--Selected Indicators

(mil. NZ\$)	2023	2024e	2025bc	2026bc	2027bc
Operating revenues	391	427	463	513	561
Operating expenditures	321	389	399	408	438
Operating balance	70	39	63	105	123
Operating balance (% of operating revenues)	17.9	9.1	13.7	20.4	21.9
Capital revenues	129	116	136	174	217
Capital expenditures	323	376	414	424	427

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Table 1

Tauranga City Council--Selected Indicators (cont.)

(mil. NZ\$)	2023	2024e	2025bc	2026bc	2027bc
Balance after capital accounts	(124)	(221)	(214)	(145)	(87)
Balance after capital accounts (% of total revenues)	(23.9)	(40.7)	(35.8)	(21.0)	(11.1)
Debt repaid	66	55	116	156	145
Gross borrowings	248	282	340	305	250
Balance after borrowings	58	6	10	4	19
Tax-supported debt (outstanding at year-end)	1,035	1,255	1,479	1,628	1,734
Tax-supported debt (% of consolidated operating revenues)	264.6	293.6	319.7	317.5	308.9
Interest (% of operating revenues)	8.0	11.4	12.8	12.9	12.3
National GDP per capita (single units)	76,142	77,759	80,229	83,364	86,605

The data and ratios above result in part from S&P Global Ratings' own calculations, drawing on national as well as international sources, reflecting S&P Global Ratings' independent view on the timeliness, coverage, accuracy, credibility, and usability of available information. The main sources are the financial statements and budgets, as provided by the issuer. bc--Base case reflects S&P Global Ratings' expectations of the most likely scenario. N/A--Not applicable. N.A.--Not available. N.M.--Not meaningful.

Ratings Score Snapshot

Table 2

Tauranga City Council--Ratings Score Snapshot

Key rating factors	Scores
Institutional framework	1
Economy	2
Financial management	3
Budgetary performance	4
Liquidity	2
Debt burden	5
Stand-alone credit profile	a+
Issuer credit rating	A+

S&P Global Ratings bases its ratings on non-U.S. local and regional governments (LRGs) on the six main rating factors in this table. In our "Methodology For Rating Local And Regional Governments Outside Of The U.S.," published on July 15, 2019, we explain the steps we follow to derive the global scale foreign currency rating on each LRG. The institutional framework is assessed on a six-point scale: 1 is the strongest and 6 the weakest score. Our assessments of economy, financial management, budgetary performance, liquidity, and debt burden are on a five-point scale, with 1 being the strongest score and 5 the weakest.

Key Sovereign Statistics

- Sovereign Risk Indicators. An interactive version is available at <http://www.spratings.com/sri>

Research Update: Tauranga City Council Outlook Revised To Negative On Higher Deficits And Debt; 'A+/A-1' Ratings Affirmed**Related Criteria**

- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- Criteria | Governments | International Public Finance: Methodology For Rating Local And Regional Governments Outside Of The U.S., July 15, 2019
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

Related Research

- Economic Outlook Asia-Pacific Q4 2024: Central Banks To Remain Cautious Despite U.S. Rate Relief, Sept. 24, 2024
- Comparative Statistics: Local And Regional Government Risk Indicators: Asia-Pacific Spending Appetite Erodes Creditworthiness, Sept. 19, 2024
- New Zealand Local Government Funding Agency Ltd. Ratings Affirmed; Outlook Stable, Sept. 9, 2024
- Default, Transition, and Recovery: 2023 Annual International Public Finance Default And Rating Transition Study, Aug. 21, 2024
- New Zealand's Water Infrastructure Reshuffle Could Alter Local Government Funding Agency's Lending Mix, Aug. 12, 2024
- Global LRGs Rating History List, June 18, 2024
- New Zealand Councils Will Lean Into Rising Credit Risk, May 6, 2024
- New Zealand Councils' Extremely Predictable and Supportive Institutional Settings Are At Risk, Feb. 18, 2024
- Various Rating Actions Taken On New Zealand Local Councils On Weakening Institutional Framework Trend, Feb. 18, 2024
- Global Ratings List: International Public Finance Entities January 2024, Jan. 18, 2024
- Local and Regional Governments' Workarounds Are Running Out Of Time, Dec. 6, 2023
- New Zealand Local Government Outlook 2024: Bridge Over Troubled Waters, Nov. 19, 2023

In accordance with our relevant policies and procedures, the Rating Committee was composed of analysts that are qualified to vote in the committee, with sufficient experience to convey the appropriate level of knowledge and understanding of the methodology applicable (see 'Related Criteria And Research'). At the onset of the committee, the chair confirmed that the information provided to the Rating Committee by the primary analyst had been distributed in a timely manner and was sufficient for Committee members to make an informed decision.

After the primary analyst gave opening remarks and explained the recommendation, the Committee discussed key rating factors and critical issues in accordance with the relevant criteria. Qualitative and quantitative risk factors were considered and discussed, looking at track-record and forecasts.

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Research Update: Tauranga City Council Outlook Revised To Negative On Higher Deficits And Debt; 'A+/A-1' Ratings Affirmed

The committee's assessment of the key rating factors is reflected in the Ratings Score Snapshot above.

The chair ensured every voting member was given the opportunity to articulate his/her opinion. The chair or designee reviewed the draft report to ensure consistency with the Committee decision. The views and the decision of the rating committee are summarized in the above rationale and outlook. The weighting of all rating factors is described in the methodology used in this rating action (see 'Related Criteria And Research').

Ratings List**Ratings Affirmed****Tauranga City Council**

Commercial Paper	A-1
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Ratings Affirmed; CreditWatch/Outlook Action

	To	From
Tauranga City Council		
Issuer Credit Rating	A+/Negative/A-1	A+/Stable/A-1

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Research Update: Tauranga City Council Outlook Revised To Negative On Higher Deficits And Debt; 'A+/A-1' Ratings Affirmed

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October 14, 2024 8

9.5 Action & Investment Plans and Long-Term Plan Actions Monitoring

File Number: A16461342

Author: Sarah Holmes, Corporate Planner

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

PURPOSE OF THE REPORT

1. This report provides the committee with the actions from the 2021-31 and 2024-34 Long-term Plan deliberations, with an update on the progress.
2. The report also provides the current year's action progress from all of council's Action and Investment Plans (AIPs), as of 30 September 2024.

RECOMMENDATIONS

That the Accountability, Performance & Finance Committee:

- (a) Receives the report "Action & Investment Plans and Long-Term Plan Actions Monitoring".

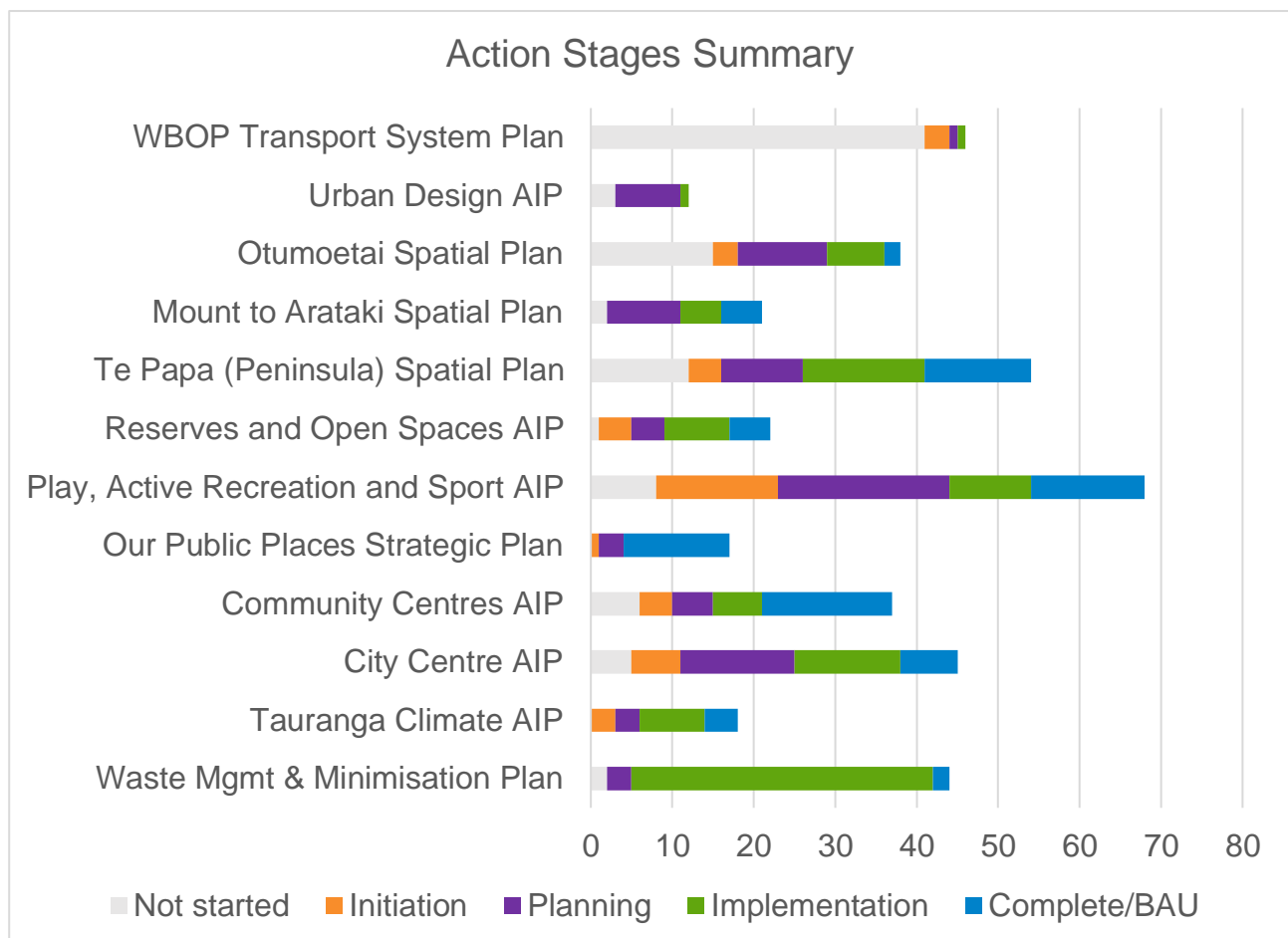
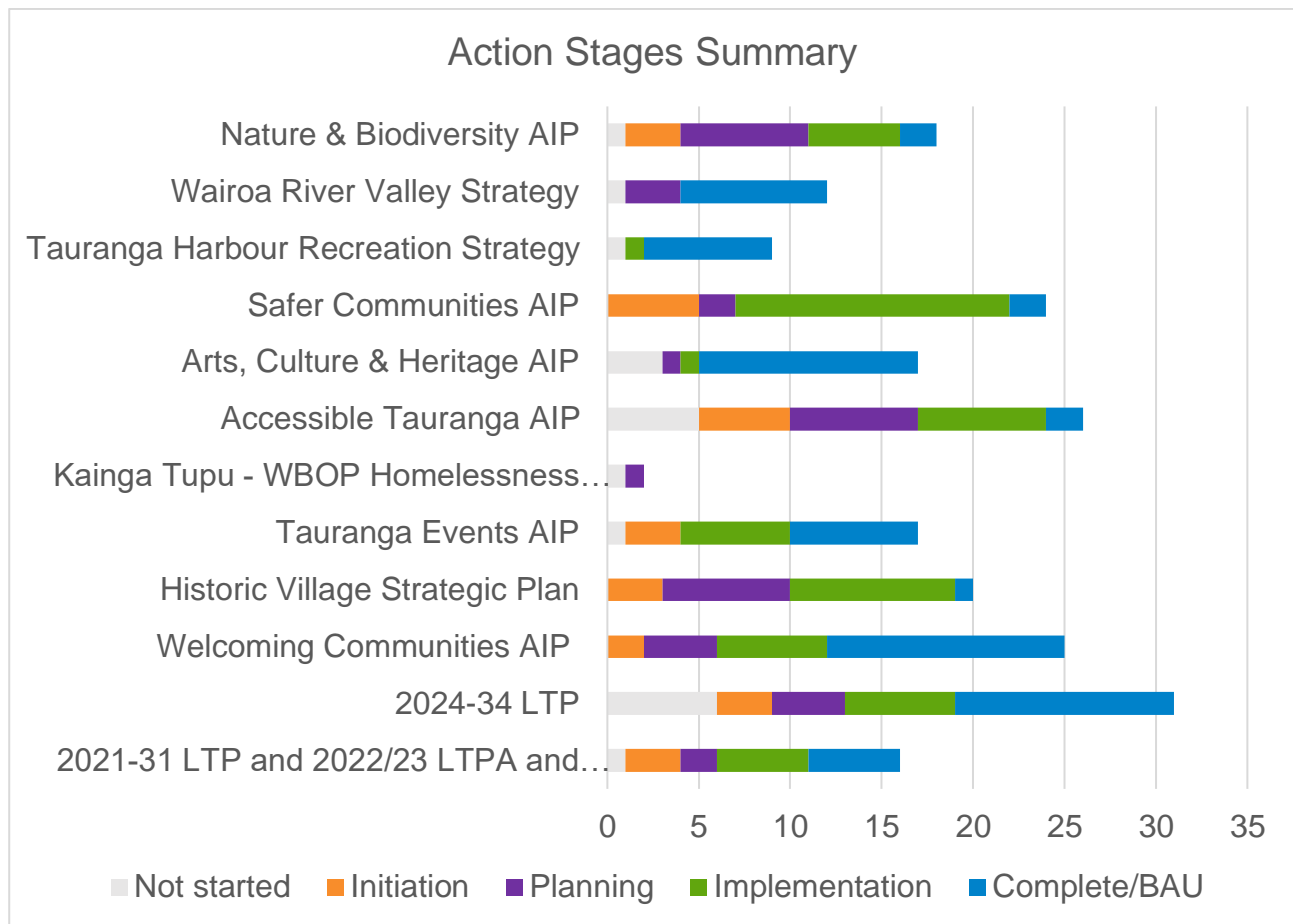
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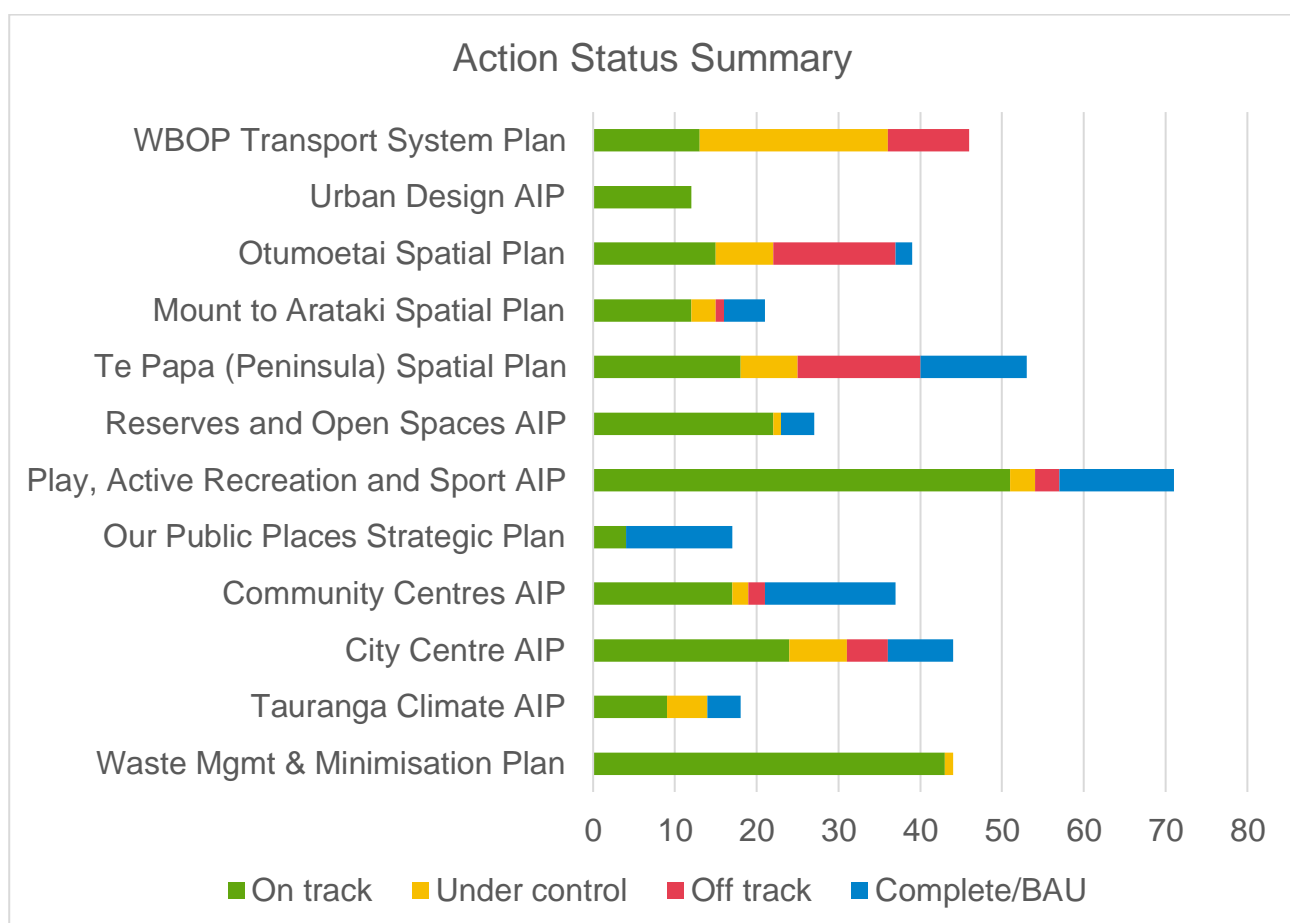
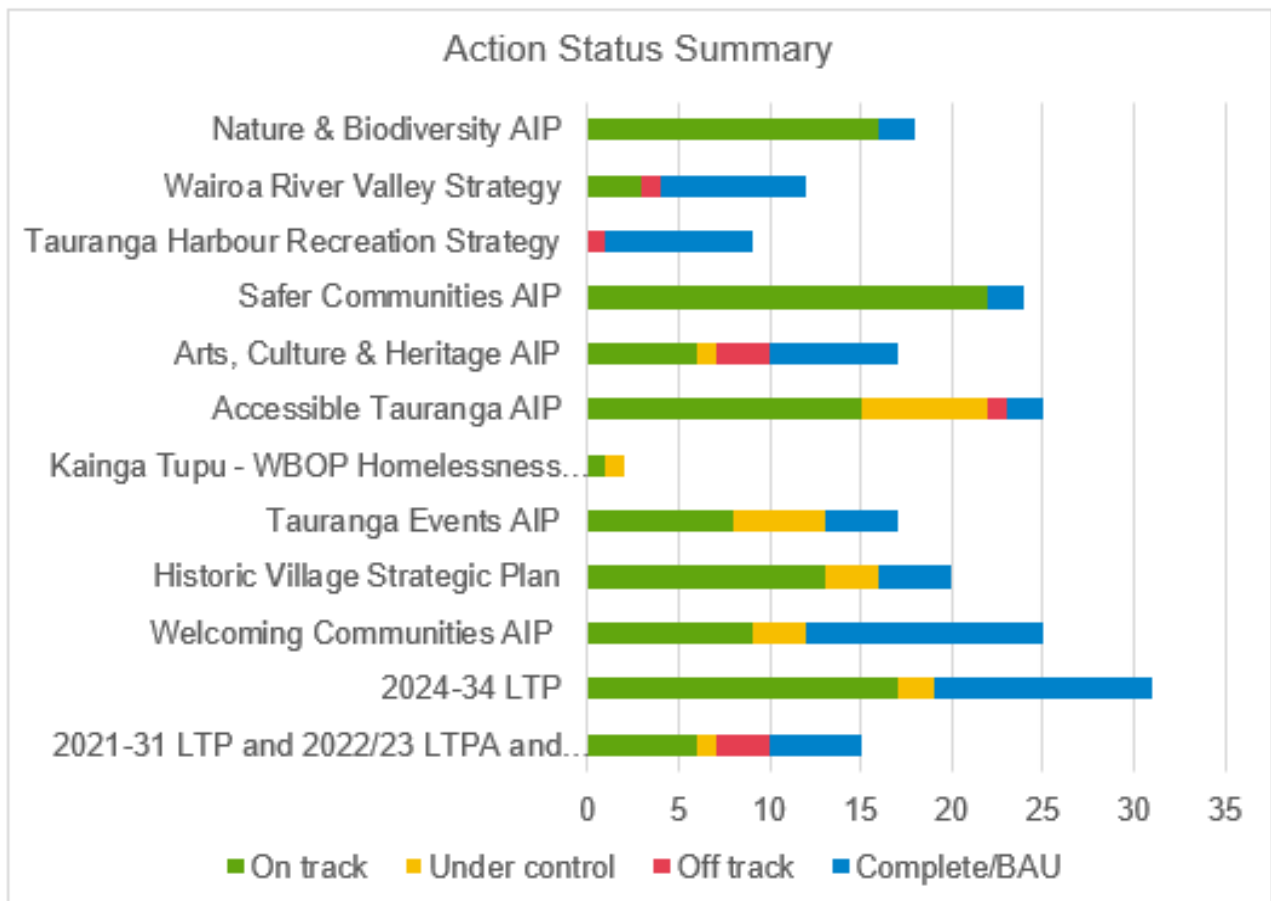
3. Our Direction was adopted by Council in December 2022 and is represented by Te Kupenga (a type of fishing net). It comprises our five community outcomes (what we aim to achieve for our communities) interwoven with our three approaches (how we do everything).
4. Our six strategies, underpinned by the current 37 Action and Investment Plans (AIPs), together articulate how TCC will deliver on Our Direction. More information about Our Direction and our strategies, plans and contributing documents (City Plan, LTP, masterplans, guidelines, policies, bylaws etc) is publicly available on the TCC Our Direction webpage, <https://www.tauranga.govt.nz/our-future/our-direction>
5. AIPs are our roadmaps for delivering on our six strategies, and ultimately Our Direction. They include both place-based plans, such as spatial plans, and topic-based plans. During 2022-2023, nine new AIPs were developed to fill gaps in our framework. These were adopted by Council in August 2023, alongside formally rescinding or superseding existing strategies and plans that were no longer relevant.
6. Our Direction contains a mix of new and still-current earlier AIPs (which may have different titles but are considered AIPs in our framework). Our new AIPs consciously focus on what we will do differently to achieve our stated goals. This is an important difference to our earlier strategies and plans, which also tend to include 'business as usual' – or what we are already doing.
7. At the [Strategy, Finance and Risk Committee](#) on 4 December 2023, the committee considered the monitoring, reporting and review processes for 'Delivering on Our Direction'.
8. AIPs identify what we need to do differently to deliver on Our Direction, but not all actions from AIPs are funded. Each new Long-term Plan (or Annual Plan) process strikes TCC's balance across AIPs, and other new obligations e.g. from legislative or national policy changes, as to which AIP actions can be funded at that point in time. While actions in AIPs are what we want to do, we cannot deliver them until they are funded as part of our Annual Plan or Long-term Plan budgets.
9. In general, actions from AIPs that are not reported in **Attachment 1** are:
 - (a) Business as usual actions

- (b) Actions outside of the 2024/25 reporting period
 - (c) Actions where TCC is not the lead agency
 - (d) Actions duplicated across different AIPs with the same or similar updates.
10. The following strategies/plans are not included in the attachment and will be reported in the next six-monthly report:
- (a) Tourism BOP Visitor Economy Strategy
 - (b) Te Ha Tapoi - Tourism Strategy
 - (c) Western Bay of Plenty International Strategy
 - (d) Tauranga Parking Strategy
 - (e) SmartGrowth Housing Action Plan
 - (f) Tauranga Airport Master Plan
 - (g) Tauranga Harbour Integrated Management Strategy
 - (h) Three waters strategies.
11. This is the first time a consolidated report of these actions has been reported. Some actions from previous years have been included and become business as usual, however have been included to provide an update. All completed or business as usual actions will be removed for future reports.
12. Actions are reported as per their status on 30 September 2024, so may refer to dates in the past, and further progress may have been made.
13. Monitoring of the actions will feed into the AIP review process in 2026, prior to the next Long-term Plan.
14. As well as the AIP actions, included in **Attachment 1** are the actions from the 2021-31 Long-term Plan deliberations, and the more recent 2024-34 Long-term Plan deliberations. This is intended to provide an update on these actions and highlight any issues.

ACTION SUMMARY

15. The tables below summarise for each AIP and LTP approved action progress in terms of:
- **Stage;** Not started, initiation, planning, implementation, complete/business as usual (BAU)
 - **Status;** On track, under control, off-track, complete/BAU
- (Refer attachment for more details of these categories)
- The numbers on the bottom axis of the table reflects the number of actions.





NEXT STEPS

16. Action reporting is expected to continue on a 6 monthly basis unless directed otherwise by the committee. An update on the 2024/25 actions is expected to be provided in April/May 2025.

ATTACHMENTS

1. **LTP and AIP Actions Reporting as at 30 September 2024 - A16773972 (Separate Attachments 1)** 

9.6 Building Consent Authority Performance

File Number: A16757007

Author: Sarah Omundsen, **General Manager: Regulatory and Compliance**

Authoriser: Sarah Omundsen, **General Manager: Regulatory and Compliance**

PURPOSE OF THE REPORT

1. Provide an overview of the performance of Tauranga City Council's Building Consent Authority.

RECOMMENDATIONS

That the Accountability, Performance & Finance Committee:

- (a) Receives the report "Building Consent Authority Performance".

BACKGROUND

2. The Building Services activity delivers Tauranga City Council's Building Consent Authority responsibilities. It ensures that new and existing buildings are developed in a safe and compliant manner and aims to deliver technical advice and consent decisions efficiently and within substantive compliance timeframes.
3. The activity ensures Council implements the Building Act 2004, Building Code and associated legislation, and that all building projects meet these requirements. Performance is actively monitored by the Ministry of Business, Innovation and Employment (MBIE), with regular audits by external auditor IANZ (International Accreditation NZ) on behalf of MBIE.
4. Prior to 2021, there had been a particular focus on Tauranga by IANZ and MBIE and frequent audits had identified a high number of non-compliances which had to be rectified to maintain accreditation under the Building Regulations. At times, we had been unable to clear the non-compliances within the required timeframes, resulting in monthly monitoring by IANZ. Our 2021 assessment saw Tauranga drop from a high-risk to a low-risk BCA, and our audit frequency extend to two years for the first time in a number of years. Our most recent assessment in 2023 saw the number of non-compliances drop even further, from 16 in 2021 to only 8 in 2023. This reflects a significant improvement in our Quality Management System and our team's adherence to it.
5. Staff are putting preparations in place for the September 2025 audit ensuring in particular that all legislative/regulatory changes implemented by the government and MBIE in the last 18 months are captured in our policies and procedures.
6. There are two levels of service performance measures for the Building Services Activity in the Long Term Plan:

Level of Service	Performance Measures	Target 2024 - 2034
We will provide technical advice and consent decisions within statutory timeframes	Percentage of building consent applications approved within statutory timeframes.	95%
We will provide timely building inspections.	Average minimum wait time for a standard building inspection.	≤ 4 days

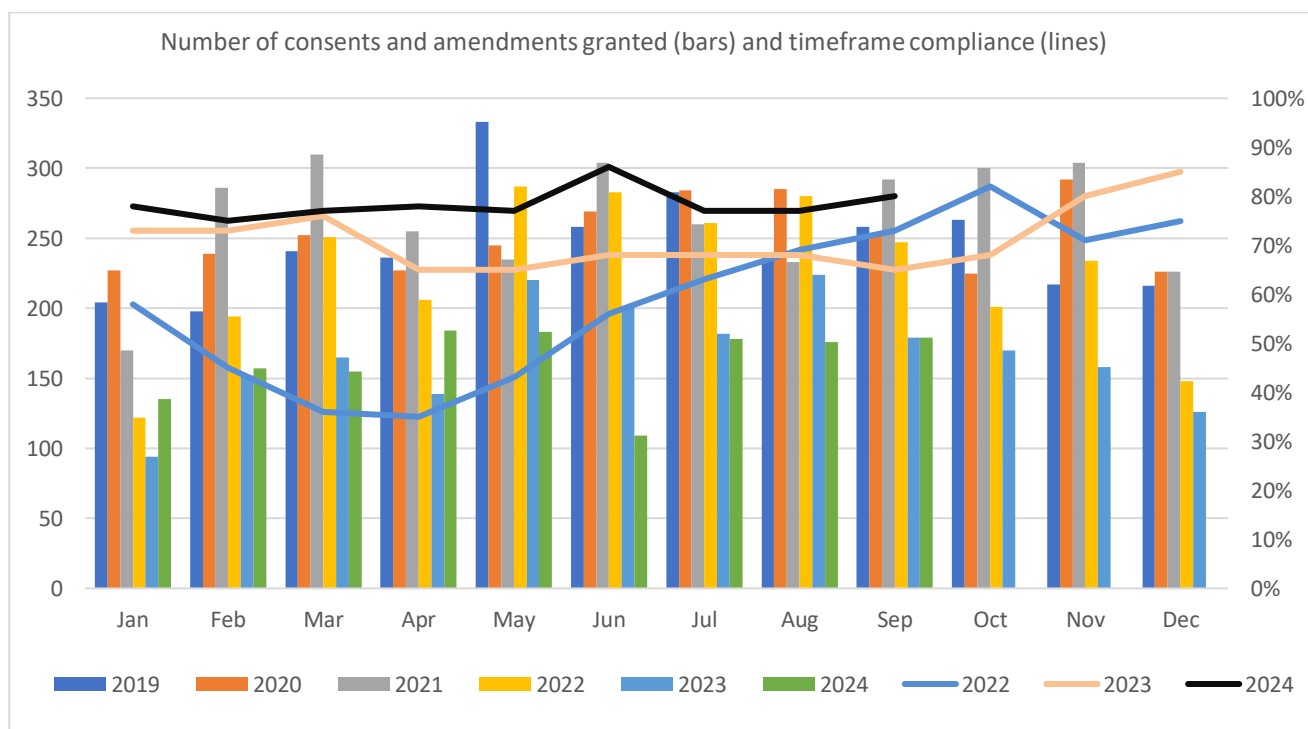
7. This report provides information to highlight performance against those levels of service as well as other measures available.

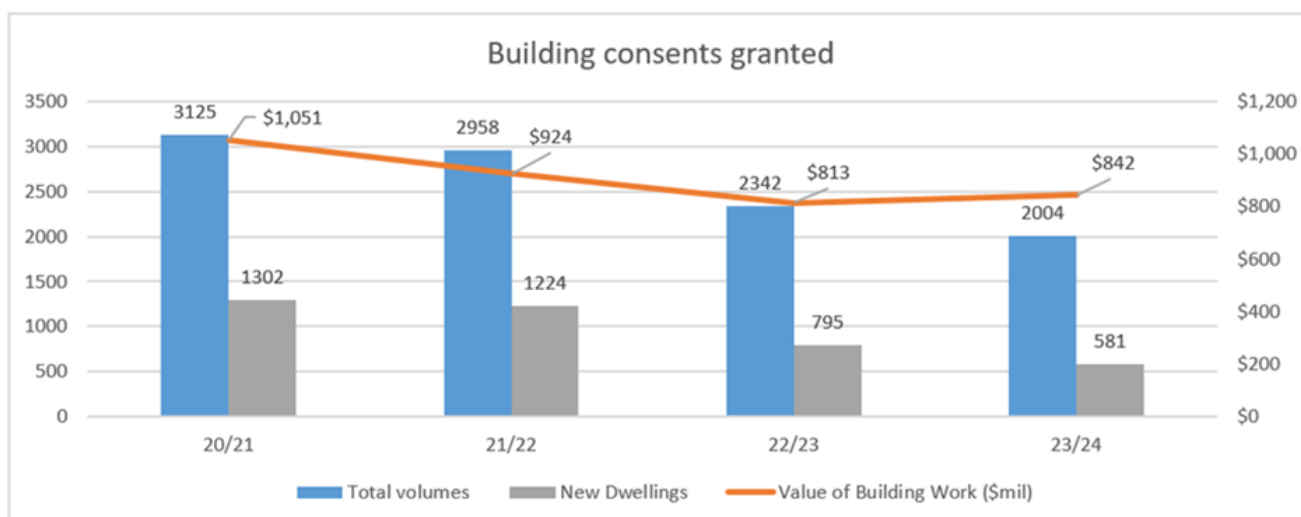
DISCUSSION

Volumes, value and timeliness

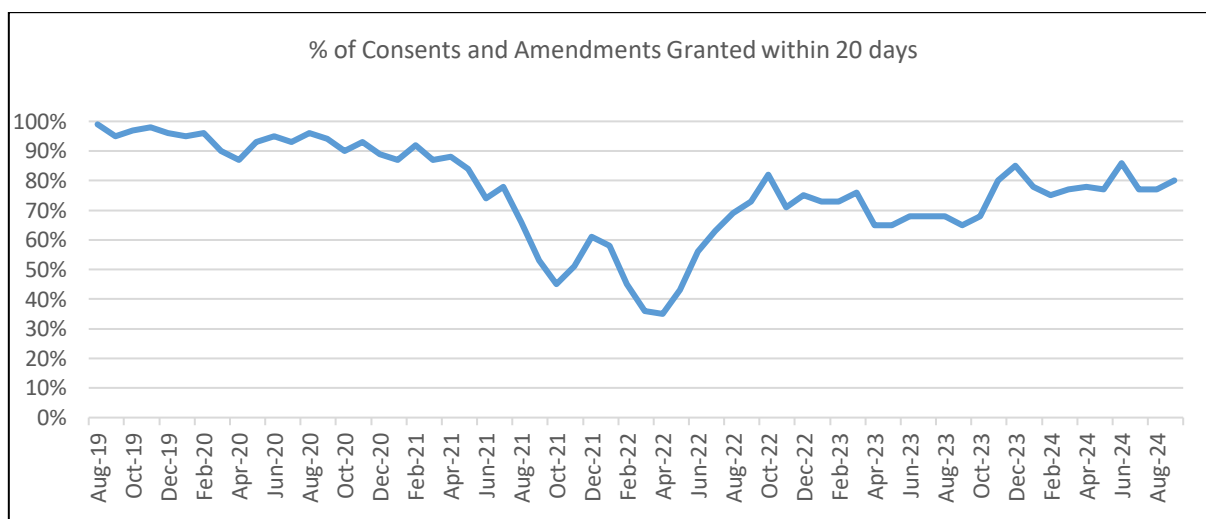
Consents

8. Over the past four years, the throughput of our Building Consent processing teams has been significant, with over 7,500 building consents granted. Following a lull in 2020 caused by COVID-19, the 2021 calendar year saw a record for the volume of building consent applications received. As a result, the volumes granted in 2020/21 and 2021/22 were significantly higher than in previous years. However, this has since dropped as result of a contraction in the housing market. In 2023/24 we granted 1248 consents, approximately half of the volume processed in 2020/21 and 2021/22.
9. The value of the consented building over this same period is significant, with just under \$3.6 billion of building work consented. The value of works hasn't shown the same level of decline as the volume of consents, total value for the 2023/24 is on par with last year, despite being 20% down by volume. This is in part due to a shift in the type of consented works, we have seen a significant decrease in simple standalone, single-storey houses and an increase in the more complex 2/3-storey townhouses.





10. The total value of building works is also driven in part by a small number of very large commercial projects, including the new Winstone Wallboards factory in Tauriko and the projects in our city centre - 38 Elizabeth and the Elizabeth Towers, Northern Quarter, 2 Devonport Road, 90 Devonport Road and Te Manawataki o Te Papa, all of which have been processed in-house by our commercial processors.
11. 74% of consent applications have been granted within 20 working days in the first three months of the 2024/25 financial year, and 80% when looking at all consents and amendments. While still not meeting statutory timeframe requirements, timeliness has been steadily increasing particularly for residential new dwellings statutory timeframe at 87%.



12. Every consent that exceeds timeframes is investigated, and the reason for not meeting the timeframe is recorded. So far this year, the reduced compliance rate was influenced by the granting of a number of complex consents, and the non-availability of some of our specialist staff and contractors (particularly structural engineer and development engineers).

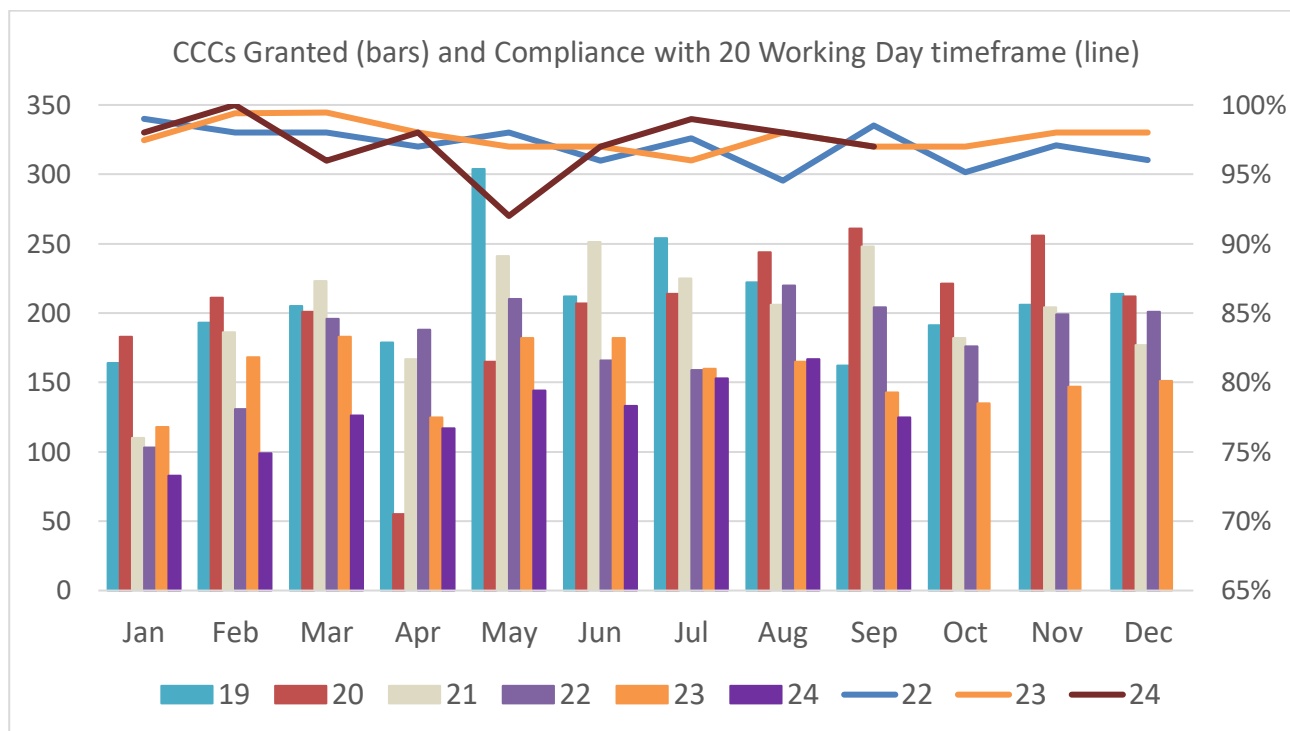
Inspections

13. When a building consent is issued, it includes a list of inspections required. These are carried out over the course of the work and at the end. The volume of building inspections we have undertaken has reflected the reduction in consent volumes, albeit with a slight delay. Last financial year we completed nearly 18,000 inspections, compared with 25,809 in 2020/21. With nearly 90,000 inspections in the past four financial years, our building inspections team is certainly one of our biggest customer-facing areas.
14. Inspection wait times for standard (45-minute) inspections have remained low, generally around 24 hours, whereas for our most complex inspection types (for instance R3 Finals),

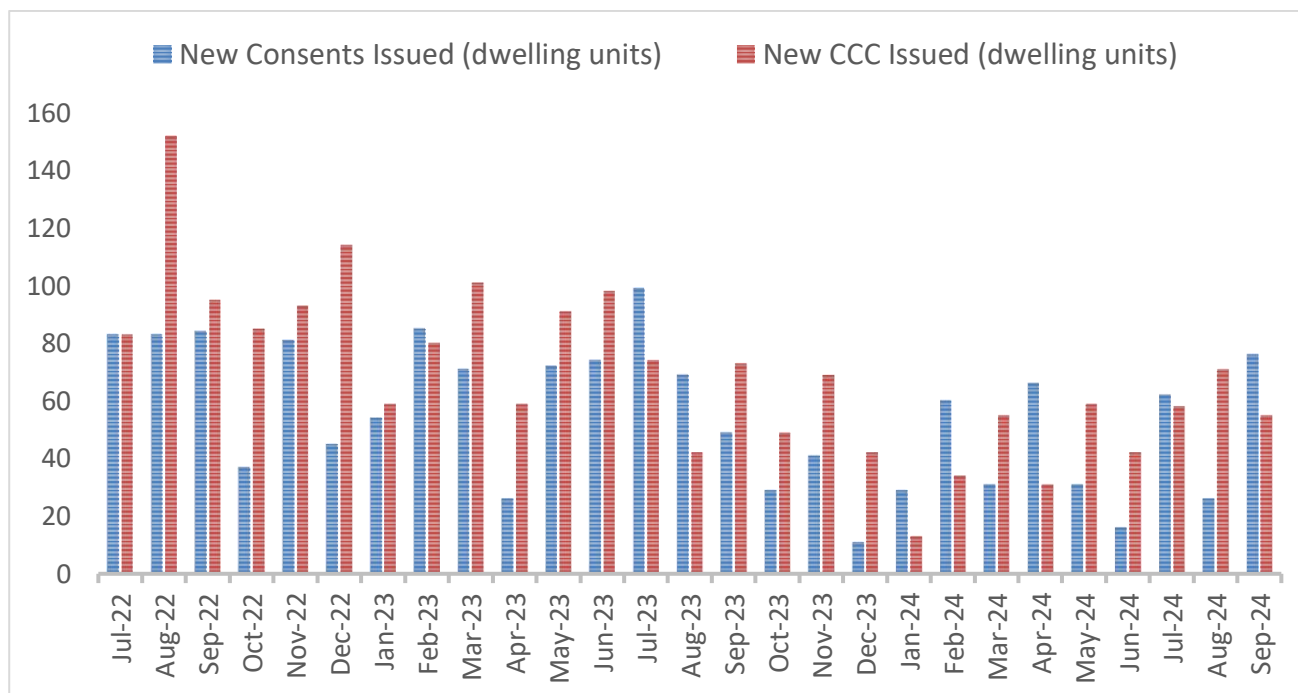
the lead time has hovered around 5 or 6 days so far this financial year. In 2020, the average inspection wait time consistently exceeded 20 working days, and as a result, caused significant industry frustration so good progress has been made in the last four years.

Code Compliance Certificates

15. The code compliance certificate (CCC) confirms that work done complies with the building consent, and shows that the work is legal, compliant and complete. We have issued 1613 code compliance certificates (CCCs) so far this financial year. Our compliance with statutory timeframes for CCCs has remained consistently high over time, with 97% being issued within 20 working days.



16. The number of new dwellings consented and CCCs issued is significantly below forecast demand although increasing on a quarter by quarter basis, with an average of 55 units consented per month in 24-25 Q1 compared to 44 per month 23-24 FY. 61 units per month received CCC in 24-25 Q1 compared to 48 per month 23-24 FY. This compares with a forecast demand of 93 per month. The rolling 12-month total, covering the period October 2023 to September 2024, is 478 units consented and 578 units receiving CCCs which is 43% and 52% of the forecast demand respectively.



Compliance

17. The number of building compliance investigations that we have commenced remains slightly higher than usual. We have received 76 complaints so far this financial year which compares with 67 for the same period last year. This is often a trend observed during periods where the building industry is struggling and individuals attempt to cut corners more frequently. As such, prompt and effective responses to these complaints is particularly important.
18. We inspect over 3000 private pools every three years to ensure pool safety barriers are in place to help keep children safe.
19. Every commercial building goes through the Building Warrant of Fitness (BWOFF) process annually, and has an on-site audit completed by our staff every 3-5 years depending on the risk of the building. In 2024/2025 Q1, 508 Building Warrants of Fitness were due. Of these, 404 were received on time and demonstrated compliance, and 55 were approved through the B-Rad system, which effectively allows for a modified BWOFF to be issued if there is only very minor non-compliance. 17 sites required enforcement action through a Notice to Fix. In addition to the BWOFF process, 93 onsite audits were completed 2024/2025 Q1. We are seeing roughly a third of these fail the audit which highlights the importance of this check.
20. On site BWOFF audits aren't a mandatory function of the Building Act but have been a focus in MBIE Territorial Authority audits with a strong recommendation for Councils to undertake this function. Previous to 2020 Covid lockdowns these were only undertaken on sites with expired BWOFFs or after receiving complaints. Proactive BWOFF site audits commenced in 2021 and have been used as much as an education exercise for building owners/occupiers as an enforcement exercise.

Issues

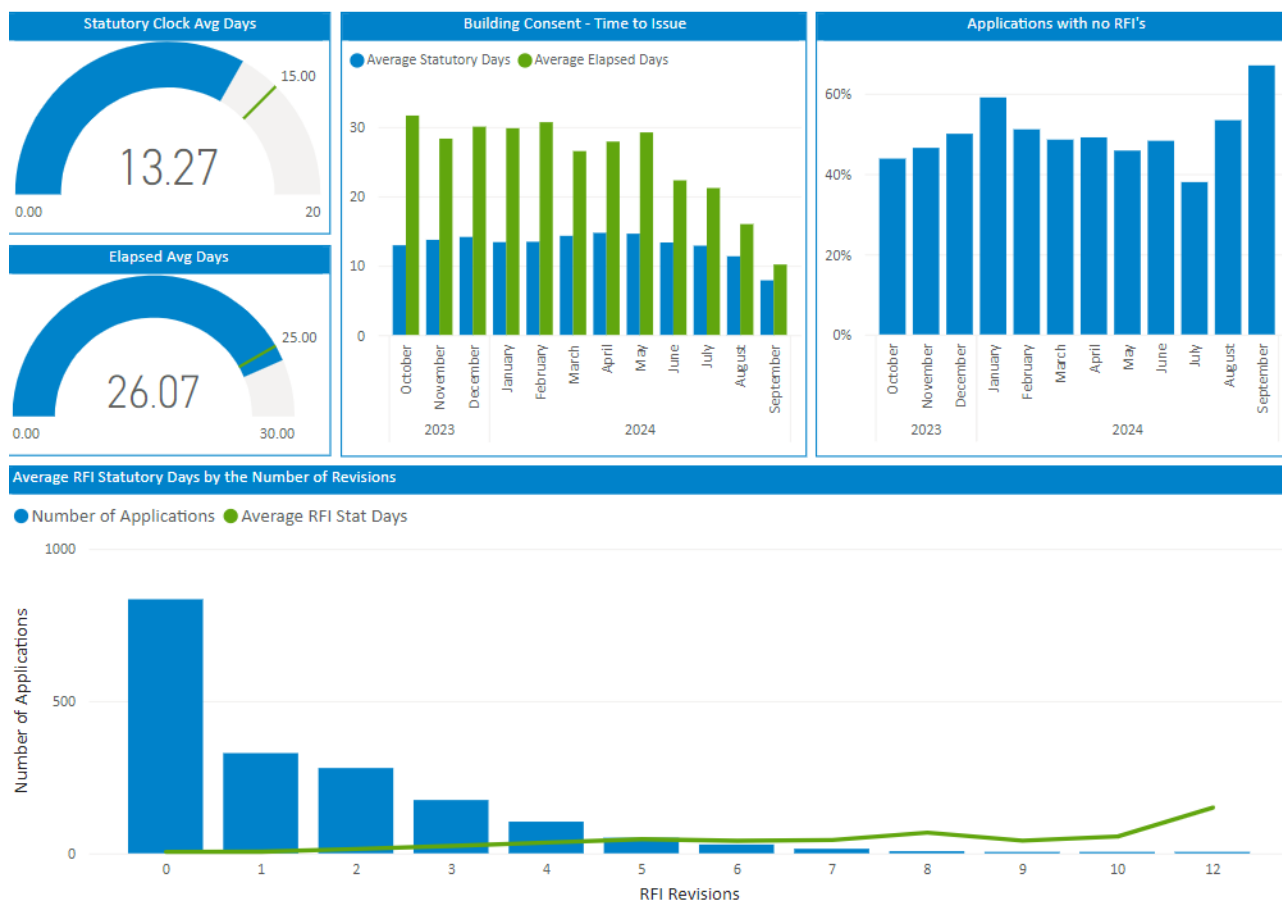
Resourcing

21. Resourcing has always been a challenge for Tauranga City Council's BCA and for all BCAs nationwide. In mid-2021, we commenced a new programme of taking on trainee Building Control Officers (BCOs), committing to providing approximately 12 months of training before they were able to process or inspect building consents unsupervised. In the 24 months that followed, we employed 18 trainee BCOs, with some achieving competency within nine months and with only a couple leaving the organisation.

22. To improve the retention of our existing BCOs, we implemented a competency-based remuneration structure in mid-2021. We have seen an increase in more complex work over the past four years, and as such, having BCOs with higher competency is key to the delivery of this work. This approach has significantly reduced attrition.

Time taken to issue a consent and Requests for Information (RFIs)

23. For the 12 months to September 2024 the average statutory time frame to issue a building consent has been 13 days with a total elapsed time of 26 days. This is an improvement from 17 and 35 days respectively for the previous twelve months. The percentage of applications with no RFIs has also increased from 40% to 50%. This is down in part to a more comprehensive check being undertaken on submission of applications and no incomplete applications being accepted for processing (which would have subsequent RFIs for missing information).



Cost comparisons

24. Building Consent Authority functions are largely cost recovered, with the fees charged shown below with comparison to other councils. The average cost of consent is largely similar to other metro councils, however Tauranga City Council also invoice for citywide development contributions when the building consent is invoiced which others don't. This can add over \$20,000 for a large dwelling making it appear that our consents are more expensive.

Auckland	Hamilton	Tauranga	Wellington	Christchurch	Dunedin
\$111 Admin \$186 BCOs (R1) \$213 BCOs (R2 - C1) \$219 BCOs (C2/3) \$198 Senior/TL \$210 Manager	\$111 Admin \$206 BCO \$223 Inspector (+mileage) \$257 Team Leader \$279 Manager	\$125 Admin \$219 BCO (R1-2) \$232 (R3 & C) \$299 Manager	\$137 Admin \$217 BCOs	\$120 Admin \$180 Vetting officer \$200 BCOs (res) \$255 BCOs (com) \$245 Seniors \$294 Manager	\$115 Admin \$150 Vetting \$205 BCO's \$230 Seniors

Challenges

25. Some of the challenges being faced by this BCA as well as others across the country are:
- (a) MBIE – An important part of the building consent framework is the pathway to appeal decisions made by BCAs. This is through the determination process administered by MBIE but can be a lengthy and costly process for everyone involved. It can take several years to get a decision on a complex determination.
 - (b) Natural Hazards – Updated flood modelling and awareness around natural hazards has resulted in a lot more Section 72 notices being included with building consents. A Section 72 notice identifies that there is a natural hazard on the land and is placed on the property's title.
 - (c) Volumes – Volumes are down resulting in new dwelling targets not being met. Commentary from group home builders relates this primarily back to finance and with drops in the official cash rate we forecast applications to increase.
 - (d) Poor quality applications – While the completeness of applications has improved with a more hardline approach to not accepting incomplete applications the quality and attention to detail in plans and specifications is challenging particularly around engineering documentation.
 - (e) Joint and Several Liability – As long as joint and several liability is in place Council will have a risk adverse approach to innovation to protect ratepayers from any future claims.

NEXT STEPS

26. Performance against the Long Term Plan levels of service are reported quarterly.

ATTACHMENTS

Nil

9.7 Election 2024

File Number: A16662368

Author: Coral Hair, Manager: Democracy and Governance Services
Ceilidh Dunphy, Community Relations Manager
Fiona Nalder, Principal Strategic Advisor

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

PURPOSE OF THE REPORT

1. The purpose of the report is to provide further information regarding the July 2024 elections, including highlighting opportunities for future improvement, as requested at the 2 September 2024 meeting of this Committee.

RECOMMENDATIONS

That the Accountability, Performance & Finance Committee:

- (a) Receives the report "Election 2024".
- (b) Notes that a further report will be provided in early 2026 providing observations from the 2025 local government elections that may influence or impact future elections in Tauranga, and outlining the next steps in deciding the future of Council's Māori Ward in accordance with legal requirements.
- (c) Notes that a draft submission will be prepared in response to Local Government New Zealand's recently released *Local electoral reform – Issues paper*, and this submission will be provided to Council for approval in December 2024.
- (d) Notes that Council is required to decide on the future of the Māori Ward by 30 November 2026.
- (e) Notes that the Council will begin a representation review in 2027 ahead of the next election.

EXECUTIVE SUMMARY

2. At the 2 September 2024 meeting of the Accountability, Performance & Finance Committee, a report was presented, summarising key elements of the Tauranga City Council (Council) 2024 election campaign, this report is provided as Attachment 1.
3. The Committee requested, via formal resolution, a further report responding to a range of questions raised by Committee members.
4. This report and attachments respond to the requests made by the Committee.
5. A question was raised as to whether the Chief Executive had fulfilled his responsibility for "facilitating and fostering representative and substantial elector participation in elections and polls under the Local Electoral Act 2001" (section 42(2) (da) of the Local Government Act 2002 (LGA)).
6. The work completed to meet these responsibilities is outlined in this report. An independent legal opinion was also sought, is provided as Attachment 4, and provides assurance that the Chief Executive has met his responsibilities under the LGA.

7. A comprehensive list of questions and answers is provided as Attachment 2, and Attachment 3 provides an analysis of the voter turnout for the 2024 election (the election research report). Topics covered by the questions and answers in Attachment 2 include:
 - Online voting
 - Building voter participation
 - Analysing voter participation
 - Representation structure
 - Voting processes
 - Council's role in the election
 - The cost of the election
 - Candidate support
8. Participation in local government elections has been declining across the country over recent decades and is an issue for all city councils, not just Tauranga. The voter turnout of 38.77% for Council's 2024 election aligns with past turnouts across the country for city council elections (the average voter turnout for city councils is 39%, source: Department of Internal Affairs).
9. Moving forward, Council has an opportunity to shape the structure of Council via the next representation review, consider voting systems for Tauranga (Single Transferable Vote versus First Past the Post), and consider potential future engagement initiatives to encourage voter participation.
10. This work will commence in early 2026 as Council is required to decide on the future of the city's Māori ward by 30 November 2026. Council must also complete a representation review prior to the 2028 election, and this will commence following the decision on the Māori ward and be completed by the end of 2027.
11. As part of preparing for the next election in 2028, Council can leverage reflections from the 2024 Tauranga election, as well as from the nation-wide local government elections in 2025, and use these to inform future election processes. Opportunities include:
 - Increased community education.
 - Increased candidate support.
 - Ensuring Council advertising clearly promotes the need to vote.
 - Advocating for change, including submitting feedback to LGNZ regarding their recently released *Local electoral reform – Issues paper* (see Attachment 5).

BACKGROUND

2. At the 2 September 2024 meeting of the Accountability, Performance & Finance Committee, a report was presented, summarising key elements of the Council election campaign (Attachment 1).
3. The Committee made the following resolution (APF1/24/7):

That the Accountability, Performance & Finance Committee:

 - (a) *Requests that a new report be provided to answer questions raised at this meeting along with the election research report.*
12. The answers to questions raised, and the election research report are attached to this report (Attachments 2 and 3). Topics covered by the questions and answers in Attachment 2 include:

- Online voting
 - Building voter participation
 - Analysing voter participation
 - Representation structure
 - Voting processes
 - Council's role in the election
 - The cost of the election
 - Candidate support
4. This report also focuses on the question as to whether the Chief Executive met his responsibility to foster and facilitate representative and substantial participation in the 2024 election, and on opportunities for improvement and change moving forward.

Responsibilities of the Chief Executive

5. The Local Government Act 2002 (LGA) sets out two legislative responsibilities for the Chief Executive in relation to elections. The first is to prepare and provide a pre-election report as per section 99A of the LGA. This requirement was met for the 2024 election.
6. The second is set out by section 42(2) (da) of the LGA. Under this section, the Chief Executive is responsible for “facilitating and fostering representative and substantial elector participation in elections and polls under the Local Electoral Act 2001”.
7. There is no definition provided in the LGA for facilitate or foster. The Collins online dictionary provides the following meanings:
- *To facilitate an action or process, especially one that you would like to happen, means to make it easier or more likely to happen.*
 - *To foster something such as an activity or idea means to help it to develop.*
8. Essentially, the Chief Executive is responsible for enabling and encouraging representative and substantial elector participation, not ensuring it.
9. An independent legal opinion provides assurance that the Chief Executive has met his obligations under the LGA and this is provided as Attachment 4. The remainder of this section outlines the work that Council staff completed to meet LGA requirements on behalf of the Chief Executive.
10. Council was focused on two primary elements for the 2024 election: attracting quality candidates and enabling and encouraging voter participation. The following sections of this report set out how the Chief Executive met the legislative requirements in the LGA via the organisation's focus on these elements.

Attracting quality candidates

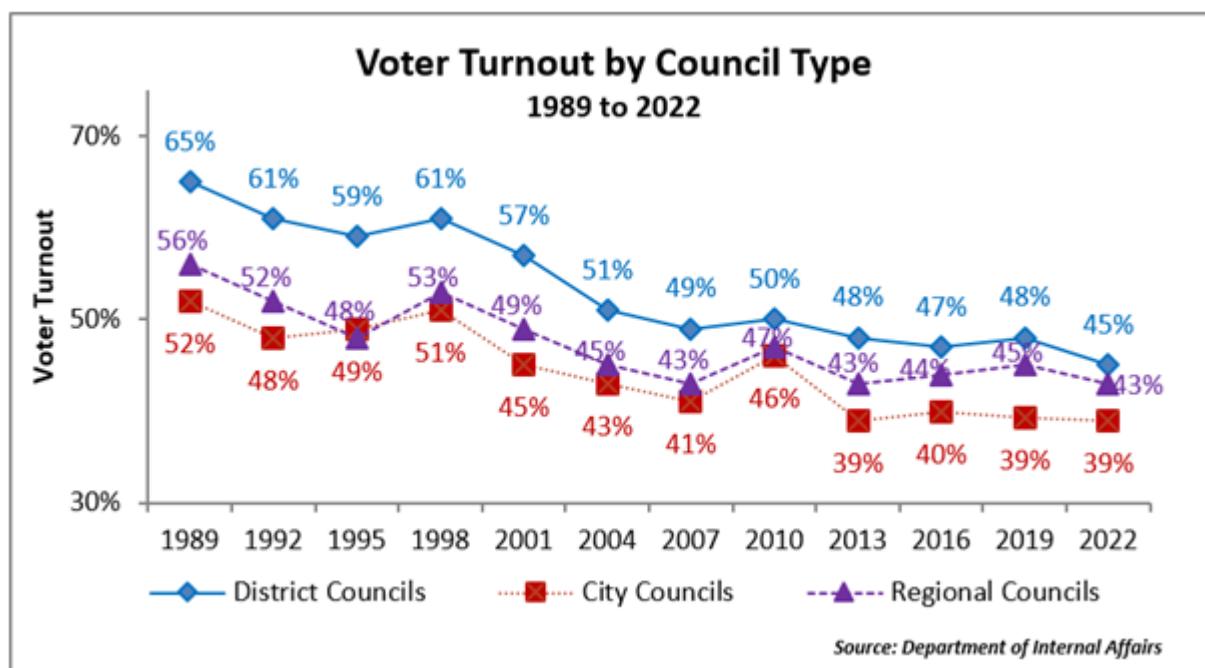
11. On average, across New Zealand, around 2.2 candidates will stand for each available seat in local elections (excludes the position of mayor, source: Local Government New Zealand). The Tauranga 2024 election had an average of 7.7 candidates standing for each ward seat, and 15 mayoral candidates. These figures are substantially higher than the figures for the 2019 elections and the national average.
12. Council ran a campaign to encourage candidates to stand for the 2024 election, this included:
- Two candidate information evenings;
 - A candidates' information webpage (provided the Candidate Handbook, FAQ's and helpful information for candidates);
 - Videos for prospective candidates on Council's YouTube channel;

- The opportunity to meet with Commissioners, if desired; and
 - Advertising.
13. 85 nominations were received from 75 candidates for 10 positions, with 15 candidates also standing for the mayoralty. A diverse range of candidates was achieved in most wards. The table below shows the comparison to 2019 elections (Note: we do not obtain data on people's ethnicity when they stand for office).

Item	2019	2024
Number of mayoral candidates	10	15
Number of women mayoral candidates	1	4
Number of candidates for other positions	43	70
Number of women candidates for other positions	11	21

Enabling and encouraging voter participation

14. New Zealand has no mandatory requirement for eligible voters to vote in either national or local elections. Participation in local government elections has been declining across the country over recent decades and is an issue for all city councils, not just Tauranga. The voter turnout of 38.77% for Council's 2024 election aligns with past turnouts across the country for city council elections (the average voter turnout for city councils is 39%, source: Department of Internal Affairs).
15. The graph below shows the general decline in voter turnout, with 2010 higher turnout partly attributed to increased local voting for the first Auckland 'super city' election and in Christchurch following the 2010 Canterbury earthquake.



16. Given this trend, and with consideration to the additional disadvantage of holding an out-of-cycle election with no campaign support from the Electoral Commission, Council initiated several new approaches to encourage and enable as many people as possible to vote, including the city's harder to reach communities.

17. The following actions were undertaken by the organisation to ensure the responsibilities of the Chief Executive were met. Some of these actions are standard to past Council campaigns, whereas others were additional for the 2024 elections.

Action	Detail	Standard/additional action
Election awareness campaign	Widespread advertising across multiple channels (included traditional channels, such as newspaper and radio, as well as social media and targeted online advertising).	Standard (but with additional elements)
Candidate profiles	Listed in voting booklet and on Council website	Standard
Special voting	Increased number of special voting locations and opening hours	Standard (but with additional elements)
Election signage	Public space made available for signage	Standard
Meet the candidate events	Run by third parties, promoted on Council's website	Standard
Voting bins in council locations	Bins in customer service centres and libraries	Standard
Additional voting bins in other public places	Bins located in high-volume locations such as supermarkets.	Additional
Candidate videos	Candidates were all offered an opportunity to film a 90 second video which was placed on the council website. These videos received over 60,000 views during the election period	Additional
Translated voting materials	Materials translated into Te Reo, Punjabi, Korean, Hindi, Spanish, Portuguese, Chinese Mandarin, Samoan and Tongan and distributed to 27 community organisations.	Additional

18. Council was not given permission to use the Electoral Commission's collateral, so developed its own branding for this election. All of Council's campaign material included the 'Vote 2024' logo. At critical points throughout the campaign Council ran 'call to action' messaging, see examples below.



19. The voter turnout (38.77%) was lower than 2019 (40.28%) but slightly higher than 2016 (38.07%) and 2013 (37.78%).
20. The table below compares Tauranga's voter turnout with that of five other city councils.

Council	Voter turnout 2022
Auckland Council	35.4%
Hamilton City Council	29.2 %
Wellington City Council	45.41%
Christchurch City Council	43.31%
Dunedin City Council	48.21%
Tauranga City Council	38.77% (2024)

21. Although the additional initiatives implemented by Council did not result in an increased voter turnout compared to past elections, there is still clear evidence of their positive contribution towards voter turnout.
 - Placing additional orange bins in high volume locations, such as supermarkets, was a new action implemented for the 2024 election and exceeds the minimum standard required by Council. As 86 per cent of all votes were received via the orange bins, it is likely that a lower voter turnout would have been achieved without the additional locations. There is a strong case for retaining or expanding usage of the orange ballot bins in future elections, regardless of whether additional voting options (such as online voting) can be implemented.
 - In past elections, special voting was only available at Council's customer service desk in the central city. For the 2024 election four special voting locations were available seven days a week for the three-week voting period. A mobile special voting unit was deployed around the city for two weeks. As a result, Council issued more than double the number of special votes (1,628) than in 2019 (764).

Analysis of the voter turnout

22. Council has completed analysis of the voter turnout for the 2024 elections and this analysis is provided in full as Attachment 3, with highlights listed below.
23. A total of 109,381 residents were enrolled at the time of the Tauranga local election, an enrolment rate of 87%.
24. The highest enrolment rates were in the older age groups with all those age groups between 40 and 84 having enrolment rates over 90%, peaking with the age groups between 60 and 69 who had an enrolment rate of 94%.
25. The highest voter turnouts occurred in the age groups between 65 and 84, with voter turnout rates between 54% and 65%.
26. Those classified as retired or semi-retired were significantly more likely to vote in the election as they made up 15% of residents who had enrolled but made up 24% of those who voted. This was driven by the fact that this group had the highest voter turnout rate of 64%, which is two-thirds higher (66%) than the average voter turnout of 38%.
27. The lowest voter turnout rates occurred in the age groups between 20 and 29, with voter turnout rates between 16% and 18%.
28. More females were enrolled to vote in the election than males (female 55,152 / male 48,029) with females having a slightly higher voter turnout (females 39% / males 35%) meaning 21,322 females voted compared to 17,350 males.
29. Voter turnout for those of Māori descent was lower than non-Māori. Voter turnout for those of Māori descent (not to be confused with the Māori ward, Te Awanui) was 30% compared to non-Māori voter turnout of 40%.

Potential opportunities for change and improvement

30. At the Committee meeting on 2 September 2024, Committee members asked questions about the 2024 election campaign and raised concerns with the Council's ward structure. Attachment 2 itemises each of these questions and provides answers to them. This section of the report highlights the themes and critical issues emerging from these questions, and provides opportunity areas for improvement moving forward.
31. The rest of New Zealand hold their local government elections in 2025 and feedback gathered from these elections will also provide Council with information that can be used to improve our processes in 2028.

Voting mechanisms

32. Two matters relating to voting mechanisms were raised at the 2 September 2024 Committee.
 - The need for online voting as a way of increasing voter turnout. The Local Electoral Act 2001 allows electronic voting but before Councils can implement this, regulations must be passed by Government and this is not viewed as a priority. Additionally, there are concerns at a Government level regarding the security of online voting¹.
 - The potential for confusion regarding how to vote via the Single Transferable Voting (STV) system (see following sections of this report).

Education

33. Three critical areas for education have been identified.
 - The role of local government and why voting is important.
 - The ward system, how it works, and where the ward boundaries are.

¹ [Proactive-release-of-Cabinet-material-about-the-Government-response-to-the-Inquiry-into-the-2022-Local-Elections.pdf \(dia.govt.nz\)](#)

- The voting system (currently Single Transferable Vote, STV).

Candidate support

34. Moving forward Council staff will consider how the organisation can be more responsive to the needs of candidates (whilst maintaining political neutrality). Opportunities include:
- Increased support to organisations who want to run meet the candidate events (through venue provision and information).
 - Consideration of whether Council should run candidate events (with the need to ensure political neutrality a priority factor). If Council decides to run 'meet the candidates' events, this would require a change to Council's Local Election Policy.
 - Increased space for election signage to be displayed.
 - Sources of information for candidates seeking support on how to run an effective campaign.

Ward structure

35. Councillors raised concerns regarding the ward structure, which was viewed as contributing to the lack of diversity on Council (for example, there is currently a single woman Councillor in a Council of ten elected members).
36. The relationship between ward structure and diversity can be considered as part of the next representation review.

Council advertising collateral

37. Council was not permitted to use the Electoral Commission branding (orange man) so developed its own branding for the 2024 election. This included the 'Vote 2024' logo, which appeared on messaging encouraging people to vote and the tagline 'who are you going to hire to run the city?'
38. Feedback was provided that messaging which spoke directly to the need to vote would have been more effective and this will be considered when designing Council's marketing for the 2028 election.

Advocacy

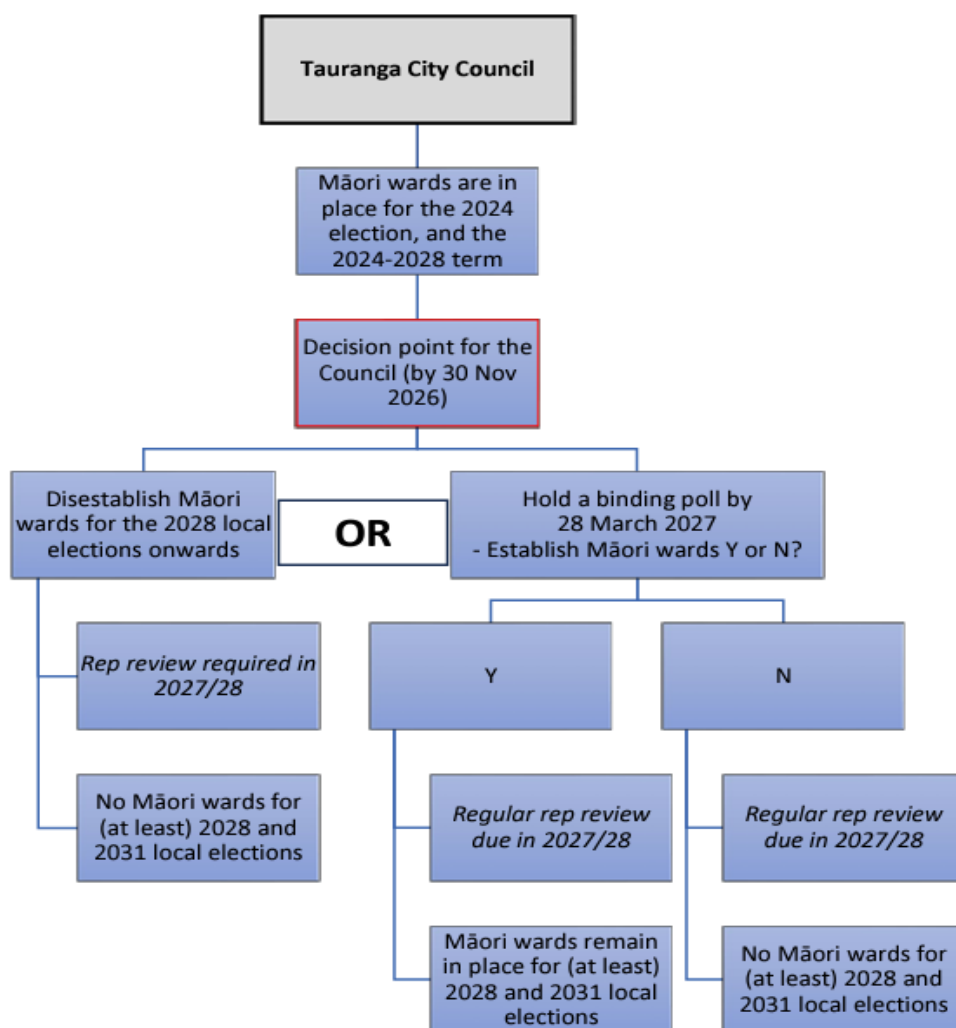
39. Local Government New Zealand (LGNZ) has set up an Electoral Reform Working Group to drive advocacy work around strengthening local government's democratic mandate, with a particular focus on increasing participation in local body elections. They released an issues paper on 23 October 2024 (see Attachment 5), which raises many of the challenges that local governments are facing in terms of participation in local elections.
40. LGNZ is seeking feedback on their issues paper by 19 January 2025 and this report recommends that a draft submission to LGNZ is prepared and provided to Council for review and approval in December.

The timeline for future decisions

41. How Council is structured, and how people can vote, impact the outcomes of elections.
42. How Council is structured: Council is required to complete a representation review at least once every six years. A representation review considers how many Councillors there should be and how they should be elected (e.g. via wards or a mixture of wards and at-large (city wide)).
43. As Council's last representation review was completed in April 2022, Council will be required to complete another representation review ahead of its next election in October 2028. A representation review is scheduled to take place in 2027 and the initial representation review proposal must be publicly notified no later than 8 September 2027.
44. Prior to this, the council will be required to decide on the future of the Māori Ward in Tauranga by 30 November 2026. Other councils have been required to do this ahead of their

elections in 2025. If the council votes to retain the Māori ward, a referendum must take place by 28 March 2027 (see flowchart below).

45. If Council retains the Māori Ward, this may influence considerations regarding ward structure, as there may be a perceived inequity in allowing those on the general role to elect multiple representatives from multi-member wards, when those on the Māori ward can only elect one representative.
46. Council staff will brief Council in early 2026 to begin the decision-making process on the future of the Māori Ward.



47. The voting system. Currently Council uses the STV system. Changing the voting system is optional. If Council wishes to change the voting system, this must occur two years before the next election.
48. Reviewing and changing the voting system is a separate process to representation reviews. Under the Local Electoral Act 2001, there are three ways the electoral system can be changed:
 - The Council can resolve to change the electoral system to be used at the next two elections; or
 - The Council can resolve to conduct a binding poll on the question; or
 - Electors can demand a binding poll.
49. Once changed, an electoral system must be used for at least the next two triennial general elections, i.e. the Council cannot change its electoral system for one election then change back for the next election.

STATUTORY CONTEXT

50. Under section 99A of the LGA, the Chief Executive is responsible for preparing and providing a pre-election report. Under section 42(2) (da) of the LGA, the Chief Executive is responsible for “facilitating and fostering representative and substantial elector participation in elections and polls under the Local Electoral Act 2001”.
51. The Electoral Officer, appointed by Council resolution under section 12 of the Local Electoral Act 2001, is solely responsible for the conduct of the election and is not subject to the directions of the Council or the Chief Executive.
52. Appointment of the Electoral Officer remains until Council resolves otherwise. There are two contractors in New Zealand who provide Electoral Officer services. Council will need to go to market for the electoral contract prior to the 2028 election and appoint the Electoral Officer.

STRATEGIC ALIGNMENT

53. This 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	<input type="checkbox"/>
We are a well-planned city	<input type="checkbox"/>
We can move around our city easily	<input type="checkbox"/>
We are a city that supports business and education	<input type="checkbox"/>

FINANCIAL CONSIDERATIONS

54. Budget provision of \$1,189,517 was provided for the election expenses over two financial years. The cost of the election was \$912,977.
55. Unspent budgets in the democracy services budget in the 2022/23 year were carried forward to the 2023/24 year to provide a total of \$514,321 for the 2023/24 year for election expenses. A budget of \$675,196 was included in the 2024/25 year.

Budget carried forward from 2022/23	Budget 2023/24 (excludes carry forwards)	Budget 2024/25	Total election budget available
\$382,655	\$131,666	\$675,196	\$1,189,517

56. The table below shows the comparison of costs for election expenses from 2024 to 2019 and explains the reason for the increase. Please note that election costs have increased by \$24,499 from \$912,977 to \$937,476 since the previous report was written, mainly due to an invoice for postage of \$21,642.27 and invoices for security and venue hire being received. The candidate evening costs have reduced as an invoice for sign interpreters was incorrectly coded and now sits with the community development event.

Election expense	2024 election September \$	2024 election October updated \$	2019 election \$ & reason for increase	Difference \$
Candidate evenings	15,134	13,902	Extended levels of service	13,902
Orange bins	37,684	37,684	New activity	37,684
Electoral Officer's costs	246,732	246,732	225,689	21,043
Voting packs (printing)	196,053	196,053	186,691	9,362
Postage	173,985	195,627	94,001	101,626

Election expense	2024 election September \$	2024 election October updated \$	2019 election \$ & reason for increase	Difference \$
Media and marketing	173,674	175,530	137,948	37,582
Other - translations	2,487	3,052	New activity	3,052
Voting materials	20,505	18,873	Included in media	18,873
Community initiatives	17,274	18,506	New activity	18,506
Special voting	29,449	31,517	Extended service	31,517
Total	\$912,977	\$937,476	\$644,329	\$293,147

LEGAL IMPLICATIONS / RISKS

57. There are no legal implications for this report. An independent legal opinion provides assurance that the Chief Executive has met his obligations under the LGA.

TE AO MĀORI APPROACH

58. The introduction of a Māori ward in Tauranga was supported by Te Rangapū Mana Whenua o Tauranga Moana.

CLIMATE IMPACT

59. Carrying out an election is a legislative requirement. There has been no work undertaken to determine the impact on the emissions profile of the Council in conducting postal elections (which it is legally required to do).

SIGNIFICANCE

60. 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.
61. 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 issues.
 - (c) The capacity of the local authority to perform its role, and the financial and other costs of doing so.
62. In accordance with the considerations above, criteria and thresholds in the policy, it is considered that, whilst elections are of high importance, the content and the recommendations of this report are of low significance.

ENGAGEMENT

63. Taking into consideration the above assessment, that the content and recommendations of this report are of low significance, officers are of the opinion that no further engagement is required prior to Council making a decision.






NEXT STEPS

64. A draft submission will be prepared in response to Local government New Zealand's recently released *Local electoral reform – Issues paper*, and this submission will be provided to Council for approval in December 2024.

65. A Council report in early 2026 will outline:

- Observations from the 2025 local government elections that may influence or impact future elections in Tauranga.
- Next steps in deciding the future of Council's Māori Ward, in accordance with legal requirements.

ATTACHMENTS

1. **2 Sep 2024 Committee report - Election 2024 - A16887532 (Separate Attachments 2)** 
2. **Questions and Answers - Election 2024 - A16933382 (Separate Attachments 2)** 
3. **Election Analysis Report - Election 2024 - A16932284 (Separate Attachments 2)** 
4. **Legal advice - Election 2024 - A16887160 (Separate Attachments 2)** 
5. **LGNZ - Local electoral reform - Issues paper - A16932137 (Separate Attachments 2)** 

9.8 Chief Executive Financial Performance Summary First Quarter 2024

File Number: A16887540

Author: Paul Davidson, Chief Financial Officer

Authoriser: Marty Grenfell, Chief Executive

PURPOSE OF THE REPORT

1. The purpose of this report is to confirm the key focus areas and risks around TCC's financial performance against budgets and progress towards a balanced budget.

RECOMMENDATIONS

That the Accountability, Performance & Finance Committee:

- (a) Receives the report "Chief Executive Financial Performance Summary First Quarter 2024".
- (b) Notes that a balanced budget and operational cost programmes will be developed as part of the Annual Plan process and monitoring will be developed for the Accountability, Performance and Finance Committee.

EXECUTIVE SUMMARY

2. Operational performance is broadly tracking to budget for the first three months of the financial year to 30 September 2024
3. The reforecasting of capital budgets adopted by Council on 29 October 2024 will result in a lowering of capital expenditure in later months of the year as the budgets have been reduced by \$88m and projects currently underway are completed. Interest savings are projected that reflect this reduction in the capital programme as well as lower interest rates.
4. The budgets for 2024/25 included a salary savings target of \$11m, and an operating cost savings target of \$4.6m. Staff have been working to ensure expenditure remains within these required savings targets monitoring the need to fill vacancies that are currently in the organisation and lowering spend in areas where budget increases had been put in place to resource an increase in council activity.
5. Ongoing consideration is being given to right-sizing the organisation for the level of activity proposed for this year and next year to be confirmed through the 2025-26 Annual Plan.
6. A detailed plan to move to a balanced budget will be developed as part of the 2025-26 Annual Plan. Progress towards savings mentioned in paragraph four as well as progress to a balanced budget will form part of the ongoing financial performance reporting to the Accountability, Performance and Finance Committee.

BACKGROUND

7. At the Accountability Performance and Finance Committee meeting of 8 October 2024 Councillors identified a priority to return to a balanced budget. Options for returning to a balanced budget will be developed and presented to Council as part of the Annual Plan process.
8. As the capital programme is reforecast and budgeted in future years the impacts on organisation resources will also be updated and continually reported to Council.

9. Any further efficiency savings, which may not always impact on the balanced budget, will also be reported to Council.
10. Monitoring will also be developed and reported to the Accountability, Performance and Finance Committee as to progress towards the balanced budget and other impacts on operational budgets.

STATUTORY CONTEXT

This report is for information purposes and future reports as part of future Annual Plan processes will provide further options for Council.

OPTIONS ANALYSIS

11. Reports is provided for information purposes. Options will be presented as part of future reports on operational costs and balanced budget.

FINANCIAL CONSIDERATIONS

12. This report contains no direct financial consequences. Future reports to the Annual Plan and future planning processes will outline options for operational cost decisions. Reporting will be undertaken to the Accountability, Performance and Finance Committee showing progress of savings and balanced budget performance.

LEGAL IMPLICATIONS / RISKS

13. Report is for information purposes. Risks will be outlined in future reports where appropriate.

CONSULTATION / ENGAGEMENT

14. Report is for information purposes.

SIGNIFICANCE

15. 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.
16. In making this assessment, consideration has been given to the likely impact, and likely consequences for:
 - (a) the current and future social, economic, environmental, or cultural well-being of the district or region
 - (b) any persons who are likely to be particularly affected by, or interested in, the matter.
 - (c) the capacity of the local authority to perform its role, and the financial and other costs of doing so.
17. In accordance with the considerations above, criteria and thresholds in the policy, it is considered that the issue is of high significance.

ENGAGEMENT

18. Taking into consideration the above assessment, that the issue is of high significance, officers are of the opinion that no further engagement is required prior to Council making a decision. This is because whilst this issue is of high significance this report is for information only. Future reports will be assessed in terms of implications on significance and engagement required.

NEXT STEPS

19. Balanced budget options and operational costs implications and options will be presented as part of future Annual Plan processes.

ATTACHMENTS

Nil

10 DISCUSSION OF LATE ITEMS

11 PUBLIC EXCLUDED SESSION

Resolution to exclude the public

RECOMMENDATIONS

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

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

General subject of each matter to be considered	Reason for passing this resolution in relation to each matter	Ground(s) under section 48 for the passing of this resolution
11.1 - Chief Executive Performance Reporting	s7(2)(a) - The withholding of the information is necessary to protect the privacy of natural persons, including that of deceased natural persons	s48(1)(a) - the public conduct of the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding would exist under section 6 or section 7

12 CLOSING KARAKIA