

# Informal Workshop Notes

## Risk and Assurance Committee Workshop

**Held:** 1.00 pm, Wednesday 14 June 2023, Council Chambers,  
Regional House, 1 Elizabeth Street, Tauranga

**Chairperson:** Cr Stuart Crosby

**Deputy Chairperson:** Bruce Robertson (Independent Member)

**Present:** Cr Ron Scott  
Cr Andrew von Dadelszen  
Cr Te Taru White  
Cr Kevin Winters

**In Attendance:** Councillors: Cr Kat Macmillan, Cr Jane Nees (via Zoom)

Staff: Mat Taylor – General Manager, Corporate; Namouta Poutasi – General Manager, Strategy and Science; Kumaren Perumal – Chief Financial Officer; Annabel Taylor – Manager Special Projects; Jo Pellow – Rates Manager; Mark Le Comte – Principal Advisor, Finance; Gillian Payne – Principal Advisor; Olive McVicker – Corporate Performance Team Lead; Steven Slack – Risk & Assurance Manager; Aaron Huggins – Principal Internal Auditor; Angela Foster – Communications and Engagement Manager; Steve Groom – Governance Manager; Jenny Teeuwen – Committee Advisor

External: Stuart Cross – Morrison Low

**Apologies:** Chairman Doug Leeder

### 1. Introduction by Chairperson

Cr Stuart Crosby, Chairperson, welcomed those present and noted that the open session of the workshop would not be livestreamed or recorded.

### 2. Workshop Papers

#### 2.1 Review of Financial Strategy and Treasury Policy

Presented by: Mat Taylor – General Manager, Corporate  
Kumaren Perumal – Chief Financial Officer  
Mark Le Comte – Principal Advisor, Finance

*Presentation:* Financial Strategy: Objective ID A4397752

### **Key Points**

- Provided overview of the current economic outlook.
- Provided overview of the Financial Strategy which included five principles, two short/medium term goals, and three methods to achieve those goals.
- Guidance was sought on potential changes/updates to the principles/goals/objectives, and any further detailed analysis/modelling required.

### **Feedback Provided by Members**

#### **• Principles**

- If the principles had served us well over the last triennium, it was questioned why there was a need for change.
- Suggested the five high level principles remain as they were, and instead focus and refine further down through the policy.
- Rather than refreshing the principles, they should be given increased visibility during decision making. The principles should be front of mind when making decisions.
- Suggested a sixth principle around financial transparency and accountability.

#### Summary

Overall support was expressed for keeping the principles as they were, with the possible addition of a sixth principle around transparency and accountability.

#### **• Financial Strategy Goals**

#### Summary

Overall support was expressed for the following:

- Goal 1: Consider changing “Increasing” to “Considering”.
- Goal 2: Consider changing to “Considering affordability and acceptability of rates increases in the face of cost of living and inflationary impacts”.

#### **• Financial Strategy Methods**

- Growing dividends from Quayside
  - The growing Quayside dividend was an issue and required a more in depth look/conversation.
  - Concern was raised regarding the non-port portfolio.
- Using financial reserves where appropriate
  - Suggested using the word “balancing” in the language.
  - More detail/modelling requested for the Regional Fund.
  - Appropriate regard was needed to be given to the cumulative effect on ratepayers.
- Maintaining our ability to borrow
  - Suggested Standard and Poor’s (S&P) was the more valid methodology for looking at credit ratings, rather than Local Government Funding Agency (LGFA).

#### Summary

- Overall support for a future workshop to include more detailed modelling and break downs of how all financial reserves worked and interrelated.
- Suggested that an extra method regarding actively seeking external/central government funding be included.

- **Rates**

- A sense of priority was required - putting affordability above levels of service.
- Care was needed around the impacts of rates increases and these needed to be carefully monitored.

#### In response to Questions

- Rating base information, which included sale and purchase information, was used to forecast any potential large land sales.
- Granular data was at district level. More localised data would become unworkable and could be misleading.
- Regional Council had not specifically used the Deprivation Index for rates assessments. Rates were generally a percentage of an income metric.

#### Summary

Overall support for a future workshop to include modelling to further inform Regional Council's strategic position with regards to rates and rates increases over the next ten years.

## **2.2 Review of Revenue and Financing Policy**

Presented by: Mat Taylor – General Manager, Corporate  
Kumaren Perumal - Chief Financial Officer  
Stuart Cross – Morrison Low

*Presentation: Review of Revenue and Financial Policy: Objective ID A4398453*

#### **Key Points**

- Provided background on revenue and financing policies – what they were and why they were important.
- Section 101(3) of the Local Government Act 2002 stated what needed to be considered when renewing a revenue and financing policy. Case law was used to interpret this legislation.
- Outlined what funding tools existed for councils – operational and capital.
- Regional councils' revenue and funding policies throughout the country ranged widely in terms of length, complexity, quality and specificity.
- Provided outputs comparison for Regional Council against other regional councils for biosecurity/pest management, Civil Defence Emergency Management, public transport, flood protection/rivers and drainage schemes, economic development, and resource consents.
- The number of regional council individual rating codes/values differed greatly throughout the country – ranged from 13 to 483 with an average of 182. Regional Council had an estimated 172.

- Other key comparisons with other regional councils included percentage of rates revenue from targeted rates, percentage of rates based on a per rating unit/separately used or inhabited part of a rating unit (SUIP) basis, percentage of revenue from user fees, and percentage of targeted rates that were not differentiated.

3.34pm – Cr Thompson **left** the workshop.

- The Future for Local Government Review interim report (final report was due out 21 June 2023) had a strong focus on wellbeing and stated that the local government revenue system should be workable, fair, sustainable, incentivised, and consistent. In order to support a wellbeing approach, Regional Council needed to ensure their funding policy was fit for purpose.
- Provided the Future for Local Government Review definitions for vertical equity, horizontal equity, and intergenerational equity.

#### **In Response to Questions**

- Investment income had not been included in the outputs comparison data as not all regional councils had, or had the same level of investment revenue as Regional Council.
- High numbers of individual rating codes/values were largely driven by river scheme rates.

#### **Next Steps**

Key content for the Revenue and Financing Policy review to be discussed further at a Risk and Assurance Committee workshop scheduled for Wednesday 9 August at 1pm.

**The table below sets out the general subject of each paper to be considered while the public is excluded from the proceedings of this workshop, the reason for excluding the public, and the specific grounds under section 48(1) of the Local Government Official Information and Meetings Act 1987 for excluding the public:**

<b>Item No.</b>	<b>Subject of each paper to be considered</b>	<b>Reason for excluding the public in relation to each paper</b>	<b>Grounds under Section 48(1) for excluding the public</b>	<b>When the paper can be released into the public</b>
3	Risk Management Overview	Withholding the information is necessary to prevent the disclosure or use of official information for improper gain or improper advantage.	48(1)(a)(i) Section 7 (2)(j).	On the Chief Executive's approval.

**3.57 pm – the workshop closed.**