



# Risk and Assurance Committee Informal Workshop Pack

DATE: WEDNESDAY 9 AUGUST 2023

COMMENCING AT TIME: 1.00 PM

VENUE: Council Chambers, Regional House, 1 Elizabeth  
Street, Tauranga

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## Informal Workshop Paper



**To:** Risk and Assurance Committee Workshop

9 August 2023

**From:** Kumaren Perumal, Chief Financial Officer; Gillian Payne, Principal Advisor and Mark Le Comte, Principal Advisor, Finance

Mat Taylor, General Manager, Corporate

### Review of Revenue and Financing Policy - Methodology

#### 1. Purpose

This paper presents a proposed methodology for conducting the review of Council's Revenue and Financing Policy (RFP), which is intended to produce a draft new or amended policy for public consultation in early 2024, alongside the 2024-2034 Long Term Plan (LTP).

The paper also provides for information:

- a recap of the process and context for the review of Council's RFP
- a timeline of the wider process to set levels of service and 10-year expenditure budgets for activities in the 2024-2034 LTP.

#### 2. Guidance Sought from Councillors

Staff seek the Risk and Assurance Committee's (the Committee) endorsement of the methodology developed by Morrison Low for the review of Council's RFP.

#### 3. Discussion

##### 3.1 Progress to date

In workshops earlier this year Council and the Committee have received information and provided initial direction on the RFP. Topics covered are listed below.

**Table 1**

Workshop	Summary of RFP-related content
Council workshop 12 April 2023	<ul style="list-style-type: none"> <li>• Overview of LTP financial policies, their roles and content</li> <li>• Importance of the RFP in setting the pattern of revenue collection (including rates, fees and charges) and financing sources (including borrowing)</li> <li>• Outline of the prescribed RFP review process</li> </ul>

<p>Council workshop 10 May 2023</p>	<ul style="list-style-type: none"> <li>• Key drivers for the RFP review (affordability, particularly of targeted rates; climate change and the impact of severe weather events; role of public transport in reducing carbon emissions; local government reform)</li> <li>• Legislated matters for consideration in a review (two-step process of activity level review followed by consideration of the overall impact of the distribution of liability for revenue on community well-being)</li> <li>• Requirement for the RFP to support the Preamble of the Te Ture Whenua Māori Act 1993 (TTWMA)</li> <li>• Relationship of the RFP to other financial policies and strategies</li> </ul>
<p>Risk and Assurance Committee workshop 14 June 2023</p>	<ul style="list-style-type: none"> <li>• RFP linkage to principles in the Financial Strategy</li> <li>• Information on other regional councils' RFPs compared to Council's existing RFP (presentation)</li> <li>• Key revenue raising principles and how they will be balanced (presentation)</li> </ul>

### 3.2 Timeline for parallel RFP and LTP development

The RFP process interacts with the developing LTP at various stages to enable an iterative process to identify and refine both the revenue and financing sources and the activity levels of service and corresponding 10-year expenditure estimates. Together, these outputs will describe how Council proposes to implement and fund the delivery of its strategic direction (outcomes and goals) over the next 10 years.

#### Milestones

Table 2 below identifies key milestones in the parallel processes:

**Table 2**

2023	LTP milestones	Budget versions	Financial Strategy	Revenue and Financing Policy
May	Strategic direction - outcomes and goals (Council workshop and meeting)		Background and process	Background and review scope (Council workshop)
Jun		Annual Plan 2023/24	Principles (RAC workshop)	Policy context and principles (RAC workshop)
Jul	Staff prepare activity planning - purpose, drivers, benefits etc			
Aug	Activity structure reviewed to align with new strategic direction			Endorse RFP methodology (RAC workshop)

2023	LTP milestones	Budget versions	Financial Strategy	Revenue and Financing Policy
Sep	Activity planning - high level expenditure scenarios and impacts for work programmes (Council workshop)	LTP budget v1	Consider limits and ranges of funding levers in light of principles. Reserves and borrowing forecasts. (Council workshop)  Quayside Forecasts for growth and dividends (Council workshop)	Consider Step 1 (activity level) analysis and Step 2 (overall distribution, impact on well-beings and TTWMA Preamble) and provide direction. (Council workshop)
Oct	Present results of direction given in September. Consider expenditure trade-offs (Council workshop)		Consider trade-offs between funding levers (Council workshop)	
Nov	Draft detailed work plans and budgets, including levels of service (Council workshop)	LTP budget v2	Draft Financial Strategy considered (Council workshop)  Draft QHL Statement of Expectation considered (Council workshop)	Reconsider Step 2 based on budget v2 - provide direction (Council workshop)
Dec	Draft consultation document and supporting information adopted for audit (Council meeting)		Draft Financial Strategy adopted for audit (Council meeting)  QHL Statement of Expectation adopted (Council meeting)	Draft RFP adopted for audit (Council meeting)
<b>2024</b>				
Jan				
Feb	Adopt consultation document (Council meeting)	LTP budget v3		Adopt statement of proposal for RFP (Council meeting)
Mar	Consultation, submissions and hearings (Council meeting)			Consultation, submissions and hearings (Council meeting)
Apr			Adjustment of funding levers (Council meeting)	Reconsider Step 2 and adjust policy (Council meeting)
May	Final workplan and funding reconciliation (Council meeting)	LTP budget v4		

2023	LTP milestones	Budget versions	Financial Strategy	Revenue and Financing Policy
Jun	Adopt LTP and summary (Council meeting)	LTP budget v5		Adopt RFP (Council meeting)

These milestones are under continual review, to ensure staff respond to Council direction provided through the workshops.

### **Process for developing budgets and levels of service**

At the September 2023 Council workshops, as part of the development of LTP budgets, staff will present alternative scenarios for expenditure forecasts, including status quo as one of the scenarios. The workshop will enable Councillors to give direction to staff on expenditure priorities and levels of service for activities.

The financial information underpinning the scenarios will be the 2023/24 Annual Plan forecasts updated with new inflation assumptions (version 1). Subsequent workshops will refine Council's preferred expenditure scenario as additional information is incorporated and Council provides direction on specific expenditure proposals and funding options.

### **3.3 Proposed methodology for RFP**

During the workshop, Morrison Low will present a proposed methodology for the Committee's consideration. It has been designed for the use of several regional councils (including Bay of Plenty, Otago and Waikato).

The methodology ensures that Council complies with the Local Government Act 2002 (LGA) process by prompting for consideration and documentation of the prescribed matters. It also incorporates other information to help link activities and their funding to Council's LTP 2024-2034 goals and outcomes, recently approved by Council.

The methodology involves initial analysis at activity level (LGA section 101(3)(a)) with subsequent consideration of the aggregated activity level results (LGA section 101(3)(b)).

Staff intend to complete the activity level analysis during August and present the results to a Council workshop for feedback and approval in September. Staff will also present the impact on rates and other funding sources of the aggregated activity results, based on Version 1 of the LTP expenditure budgets.

Council will then be able to consider the resulting distribution of liability for rates and the impact it may have on community well-being and the Preamble to the Te Ture Whenua Māori Act 1993 and provide direction for any changes.

As noted in Table 2 above, further opportunities for review of the aggregated results will occur as the LTP expenditure budgets are updated in subsequent Council workshops.

At the workshop, a presentation will help explain the methodology in more detail. Attachment 1 is a series of decision trees that illustrate how the activity assessments should proceed (parts 1-3), and how they come together at the end of the process for overall assessment of the impact on community well-being (part 4).

During the workshop, the results of a “proof of concept” of the activity level methodology, undertaken by staff, will be shared. This will enable the Committee to understand the inputs considered and the results produced.

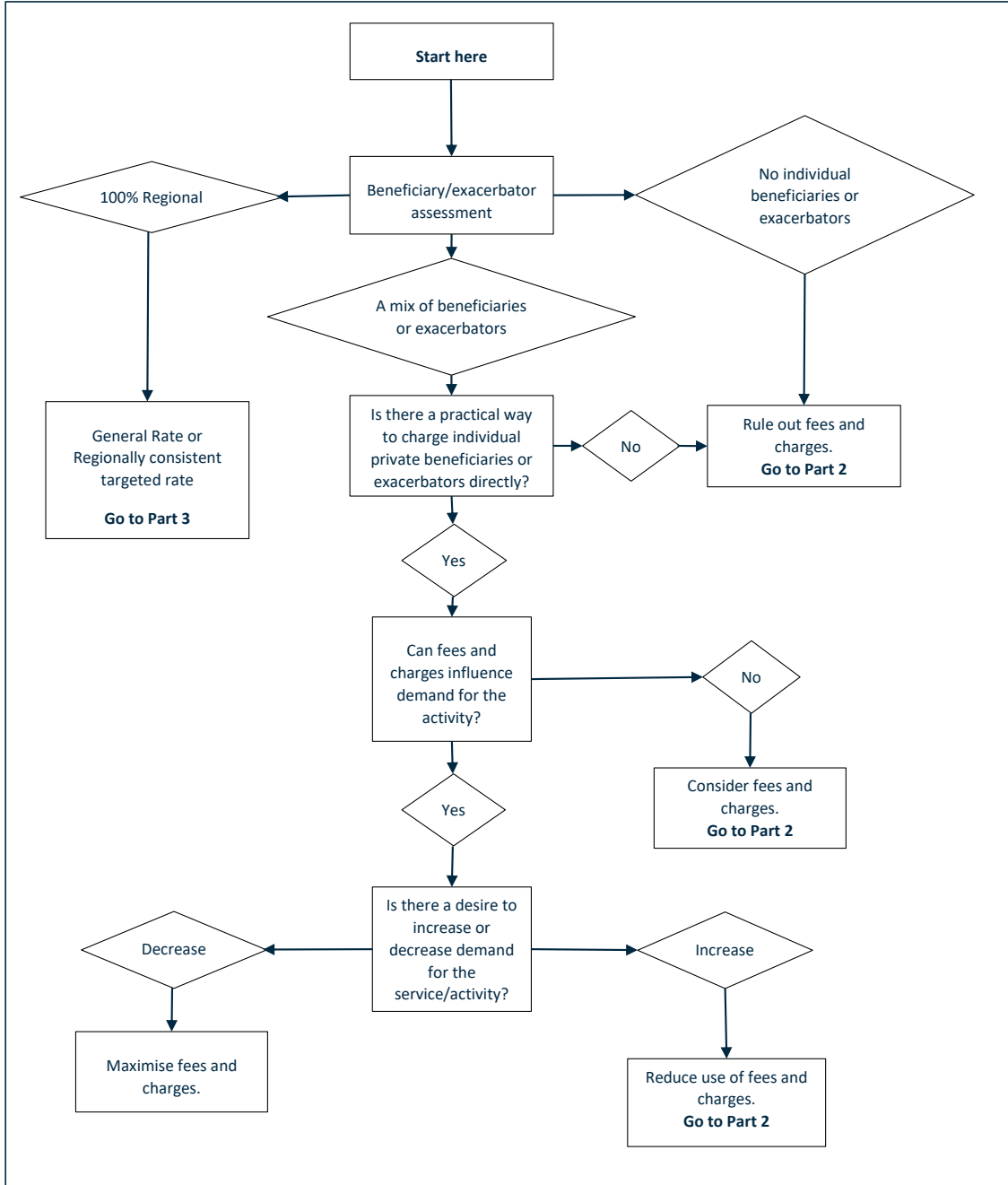
#### 4. **Next Steps**

Staff will apply the methodology to all activities and present the results to a Council workshop in September for discussion and further direction.

### **Attachments**

Attachment 1 - RFP Methodology - Illustration of assessment process [↓](#)

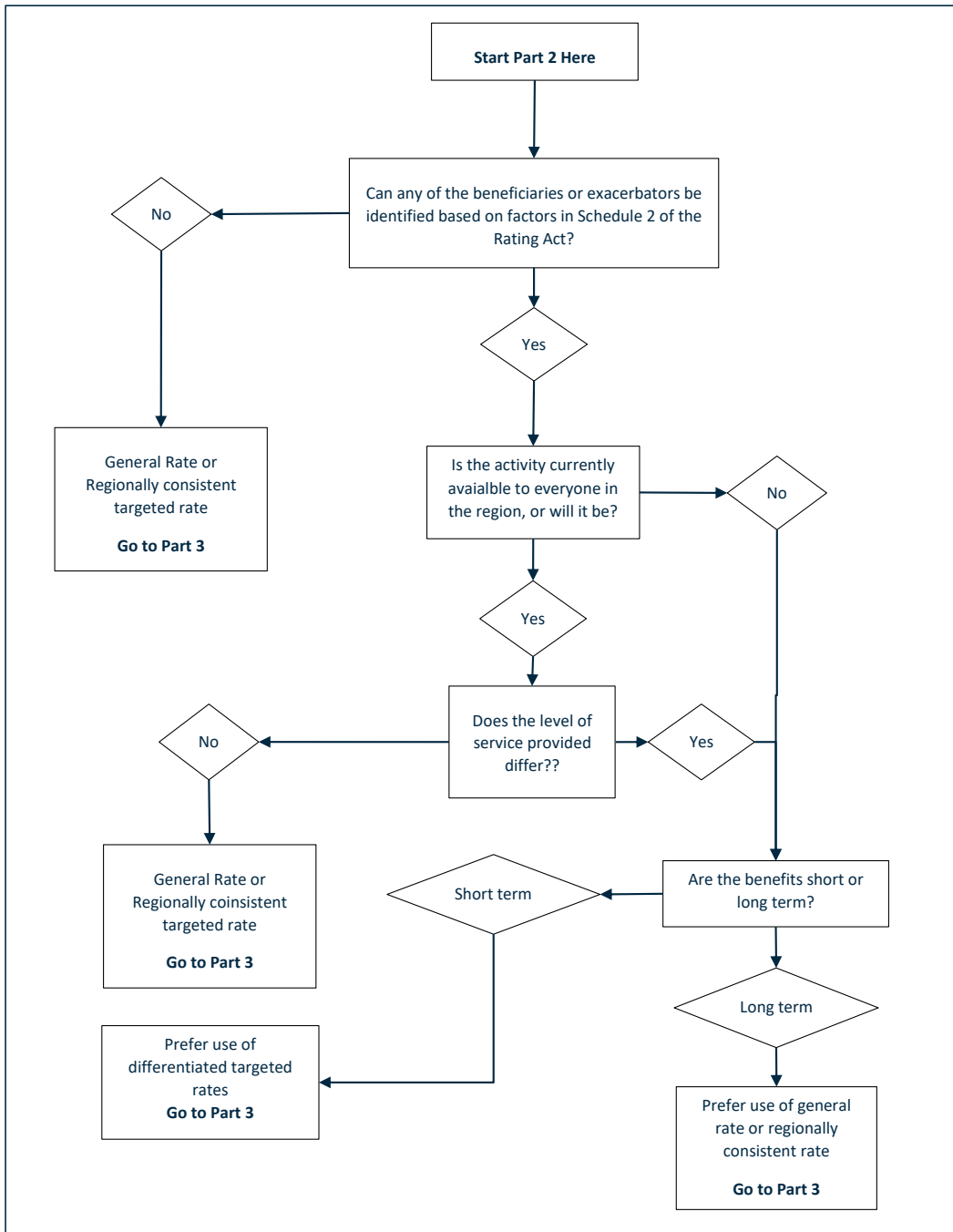
**Decision flow chart**  
**Activity analysis – Part 1**



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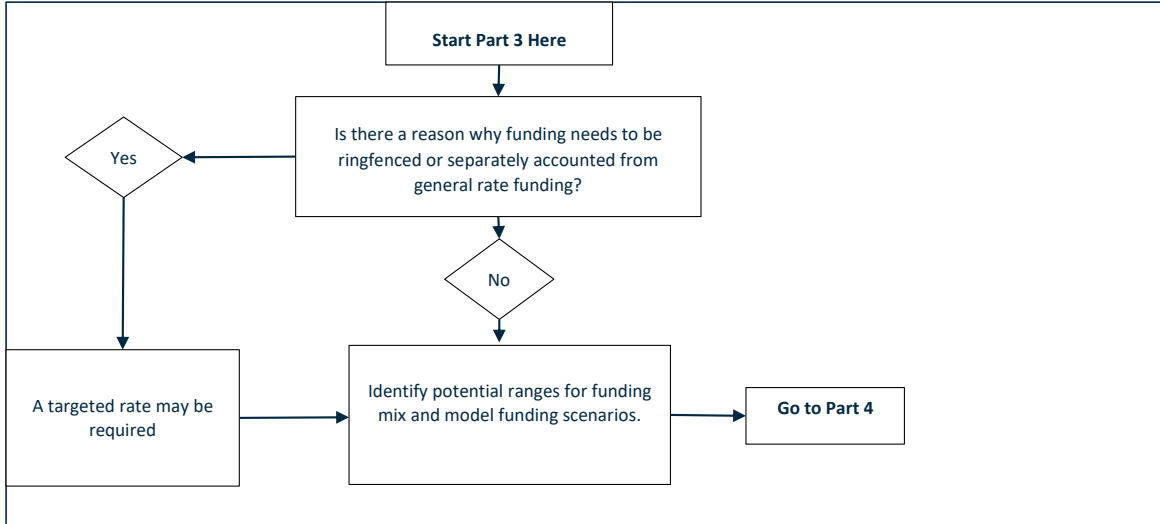


Activity analysis – Part 2

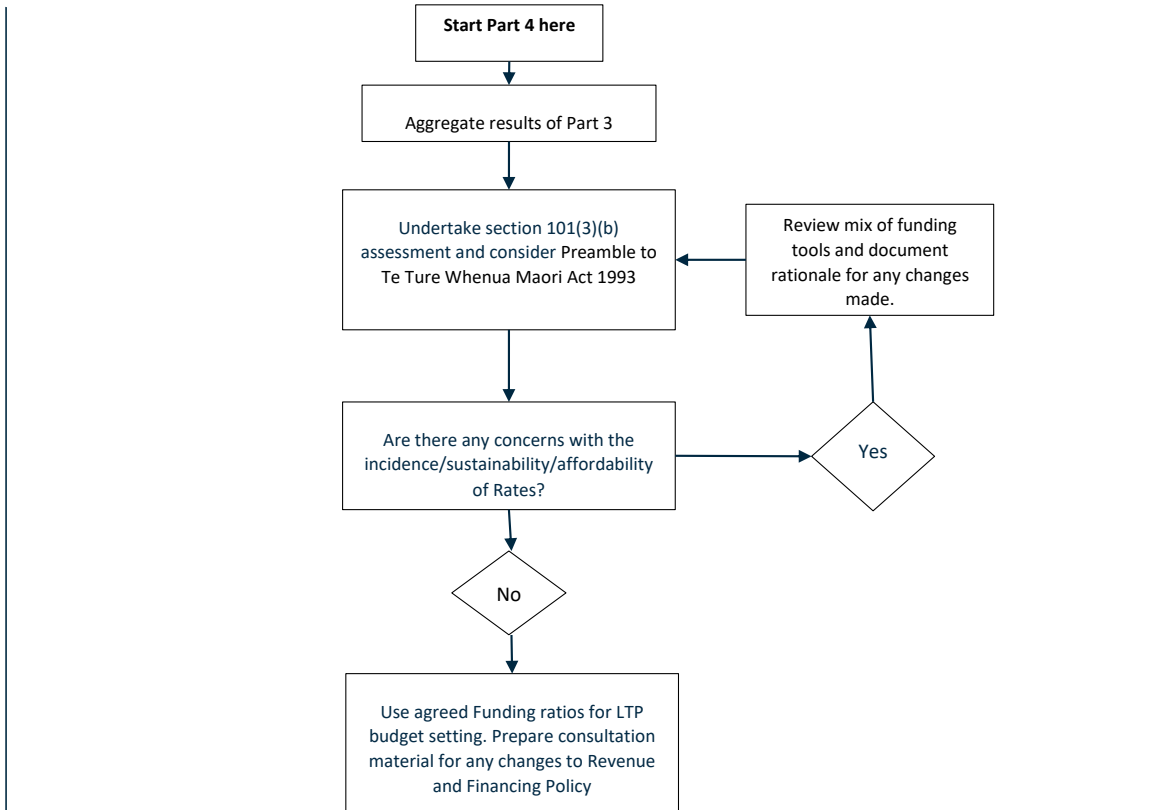


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Activity Analysis – Part 3



Aggregated Analysis – Part 4



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